EDISON

Partners Group Private Equity

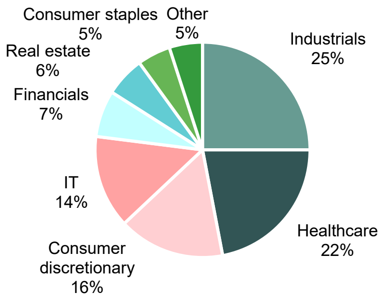
Seeking to accelerate value creation

Investment companies
Listed private equity

22 April 2026

A notable positive of Partners Group Private Equity's (PEY's) FY25 results was the considerable level of realisation proceeds of €227.3m (c 22% of opening NAV), supporting new investments, its attractive dividend policy and limited buybacks. However, PEY's NAV total return (TR) performance was disappointing with an 8.7% decline in 2025, although this included a 5.7pp negative fx impact from the depreciating US dollar. Idiosyncratic headwinds at three portfolio holdings were a major negative contributor. That said, Partners Group (PG, PEY's investment manager) has recently seen an acceleration in value accretion across its 2021–23 vintages (which was initially slow) and is optimistic about its investments made in 2024–25. We also note that PG has consistently kept PEY's exposure to software companies below that of private equity (PE) peers, now below 10%.

Exhibit 1: A balanced portfolio with moderate exposure to software



Source: Partners Group Private Equity data

Rebounding activity in PE markets

The PE deal environment has been improving lately, as the tentative recovery that began in late 2024 and was interrupted by the US tariff turmoil resumed in H225, with both transaction and exit activity across global PE markets rebounding significantly. Global buyout deal value increased by 44% to $904bn in 2025, aided by monetary easing, a substantial level of PE dry powder ($1.3tn in 2025) and improved conditions for large public-to-private transactions, according to Bain & Company's Global Private Equity Report 2026, although we note that megadeals (ie transactions of $10bn or more) were the main driver of this increase. This may support further realisation activity across PEY's portfolio in 2026, subject to any impact from the war in the Middle East.

Further board measures on the horizon

A potential positive catalyst for PEY's shares could be the announcement of new measures by the board at the next AGM (expected to be held on 18 June) aimed at providing liquidity for investors at a narrower discount to NAV, while offering long-term investors an attractive proposition. This could be further supported by continued momentum in realisations in 2026 (with €56m of contracted distributions at end-Q126), a potential pick-up in value creation across the portfolio and previous shareholder-friendly measures such as the renegotiation of PEY's fee structure.

Price		**€8.90**
Market cap		**€603m**
Shares in issue		67.7m
Code/ISIN		PEY/GG00B28C2R28
Primary exchange		LSE
AIC sector		Private equity
Financial year end		31 December
52-week high/low	€10.9	€8.6

Fund objective

Partners Group Private Equity is an investment holding company domiciled in Guernsey that mainly provides equity capital to private companies in the middle and upper-middle market. Its portfolio consists mostly of direct investments, and it has a small portfolio of legacy third-party fund investments that is currently in run-off. It aims to provide shareholders with long-term capital growth and an attractive dividend yield.

Bull points

- Attractive dividend policy and a well-structured buyback framework.
- Focus on transformative trends in various 'foundational' subsectors of the real economy and an entrepreneurial governance approach.
- Strong exit pipeline and potential for substantial buybacks.

Bear points

- NAV total return below peer average in recent years.
- Worsening investor sentiment in private credit markets may influence debt refinancing conditions for PE-backed companies.
- Portfolio exposed to a potential further depreciation of the US dollar against the euro.

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Focus on improving earnings growth across the portfolio

PEY reported an 8.7% NAV TR decline in euro terms in FY25, with most of the fall coming from adverse fx movements (5.7pp) due to the depreciation of the US dollar against the euro (PEY's US dollar exposure made up 38% of its end-February 2026 portfolio). Performance at constant currency was also muted, with a modest 0.7% NAV accretion from value creation across PEY's portfolio. PG highlighted that there were three holdings that faced idiosyncratic challenges that weighed on PEY's performance and had a 5.1pp negative NAV impact: **KinderCare Learning Companies** (a listed US childhood education services provider), **Ammega** (a provider of belting solutions) and **Pharmathen** (a contract development and manufacturing organisation for complex generic drugs).

The share price of KinderCare Learning Companies (1% of end-2025 NAV) was adversely affected by sector-wide funding concerns (following the closure of the US Department of Education) and the impact of broader macroeconomic headwinds on enrolment levels. PG also highlighted that KinderCare's management was slow to respond to the issues and therefore PG recently made leadership changes at the company.

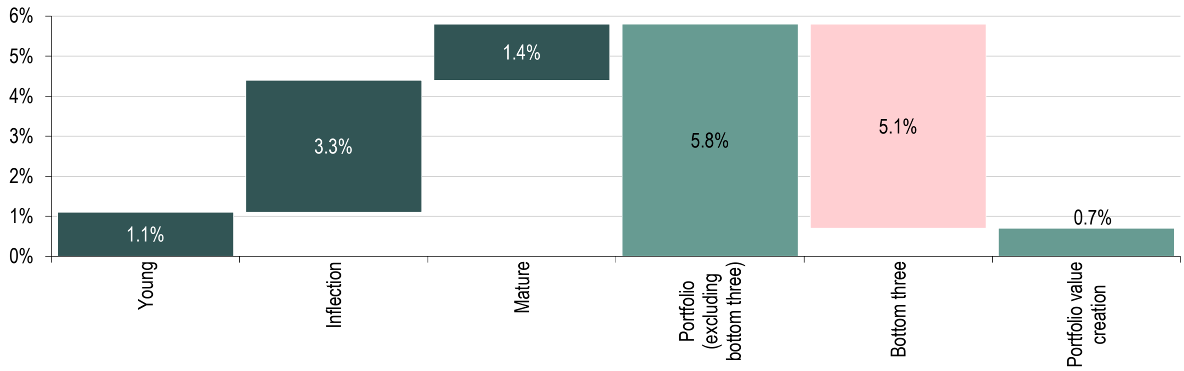
Ammega (4.1% of end-February 2026 NAV) was hit by a prolonged industrial slowdown in North America, which, coupled with higher input costs and tariffs, resulted in a modest EBITDA decrease in 2025. PG highlighted the implementation of growth initiatives from 2026 onwards, covering the strengthening of its go-to-market strategy and portfolio simplification, among others.

Pharmathen (1% of end-2025 NAV) faced disruption to its manufacturing operations between late 2024 and early 2025 and an FDA inspection in Q425, which identified gaps that need to be addressed by the company. Pharmathen is now executing its remediation and quality improvement plan, with an FDA response expected in Q226. The company aims to re-launch its operations in H226. These measures are coupled with upgrades to the company's strategic leadership.

PEY's portfolio performance at constant currency excluding these three holdings would have been 5.8% (see Exhibit 2), still somewhat below the desired through-the-cycle figure, but this needs to be put in the context of the less favourable broader market backdrop in 2025, especially in the first half of the year.

PEY's NAV TR in the first two months of 2026 was -2.8%, driven in particular by a decline in share prices of PEY's listed holdings and lower valuation of United States Infrastructure Corporation.

Exhibit 2: PEY's return attribution analysis FY25 by type of holding



Source: Company data

The weighted average last 12-month EBITDA growth across PEY's top 20 holdings in 2025 stood at 7.2%, including 6% from the 2021–23 vintages. This is below PG's expectations and the manager highlighted that it is working hard on accelerating earnings growth across the portfolio, including through AI adoption (PG highlights that 90% of portfolio companies have embedded AI in their core business models). Bain & Co recently highlighted in its Global Private Equity Report 2026 that generating a multiple on invested capital (MOIC) of 2.5x over a five-year holding period (a desired outcome for PE managers) now requires annual EBITDA growth closer to 10–12% compared to 5% in the low-rate environment 10 years ago.

The weighted average EV/EBITDA multiple used to value PEY's top 20 direct investments stood at 16.6x at end-2025 compared to 21x at end-2024, though the comparison may be distorted by differences in portfolio composition between these periods (especially given PEY's high realisation activity last year). PG highlighted that it feels comfortable with this valuation level. Bain & Co's recent survey (conducted in December 2025 and January 2026, that is before the sell-off in public software stocks) indicated that 79% of general partners expect purchase price multiples to stay flat in 2026.

Average net debt to EBITDA across the top 20 holdings stood at 6.1x at end-2025, which PG considers a reasonable level. The debt maturity profile across PEY's portfolio companies as at end-2025 is not available. We note that investor sentiment across private credit markets has deteriorated recently, but one of the important drivers of this has been concerns about AI disruption of software, to which PEY has less exposure than the broader PE industry.

PEY's longer-term performance remains below peers, which PG and PEY's chair attribute to several factors, including PEY's overweight to challenging vintages that have been particularly affected by broader PE market headwinds, such as higher entry valuations and borrowing costs.

Exhibit 3: PEY's performance* remains below the peer average

%	Market cap (€m)	NAV TR (1-year)	NAV TR (3-year)	NAV TR (5-year)	NAV TR (10-year)	Discount	Ongoing charge	Performance fee	Latest net gearing	Dividend yield
Partners Group Private Equity	**603**	**(8.7)**	**3.6**	**21.7**	**117.1**	**(29.5)**	**2.3**	**Yes**	**100.0**	**8.4**
HgCapital Trust	1,997	(1.6)	29.5	100.3	304.9	(31.7)	1.5	Yes	100.9	1.3
GIMV	1,791	1.2	26.5	43.0	87.0	(11.7)	3.9	Yes	100.0	5.3
Oakley Capital Investments	951	0.8	15.1	95.9	244.5	(32.5)	3.1	Yes	110.7	0.0
NB Private Equity Partners	697	(5.7)	0.0	52.8	147.9	(38.4)	1.9	Yes	103.7	4.8
Deutsche Beteiligungs	482	5.3	20.0	42.6	122.5	(29.5)	NM**	Yes	133.1	3.9
HarbourVest Global Private Equity	2,580	(2.1)	10.0	94.1	218.5	(25.8)	1.0	Yes	111.6	0.0
Pantheon International	1,848	(4.1)	11.1	71.0	165.4	(27.2)	1.4	Yes	109.8	0.0
Patria Private Equity Trust	1,020	3.9	22.7	98.2	219.2	(30.2)	1.1	No	109.8	2.9
ICG Enterprise Trust	961	1.9	11.5	86.5	191.6	(34.4)	1.4	Yes	106.5	2.7
CT Private Equity Trust	411	(0.8)	14.4	81.9	193.2	(29.5)	1.2	Yes	119.0	5.6
Peer average	**1,274**	**(0.1)**	**16.1**	**76.6**	**189.5**	**(29.1)**	**-**	**-**	**110.5**	**2.7**
Rank	**9**	**11**	**10**	**11**	**10**	**5**	**-**	**-**	**10**	**1**

Source: Company data, LSEG Data & Analytics, Edison Investment Research
Note: Net gearing is total assets less cash and equivalents as a percentage of net assets. *12-month NAV total return (TR) performance in euro terms based on end-December 2025 or latest earlier available NAV. **Deutsche Beteiligungs' ongoing charges are lower than the company's fee income. Ongoing charges as calculated by The Association of Investment Companies (AIC).

Exhibit 4: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	MSCI World Small Cap (%)	MSCI World (%)
31/12/2021	29.5	19.5	25.0	31.6
30/12/2022	(39.6)	(1.7)	(13.0)	(12.3)
29/12/2023	32.2	1.8	12.4	20.2
31/12/2024	10.0	11.5	15.9	27.2
31/12/2025	5.3	(8.7)	6.2	7.2

Source: Partners Group Private equity data, LSEG Data & Analytics. Note: All % on a total return basis in euros.

A strong level of liquidity events in 2025

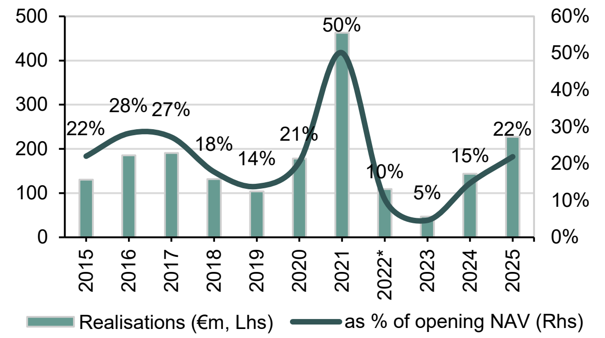
PEY received €227.3m in realisation proceeds in FY25, equating to 22% of opening NAV, broadly in line with the historical average of 21% of opening NAV per year (see Exhibit 5). This includes c €55m exit proceeds from listed assets, primarily Vishal Mega Mart, Galderma and Global Blue. It allowed PEY to reduce the average holding period across its portfolio to below five years. We discussed PEY's major realisations in our 'Uncovering Trusts' podcast episode in March 2026, as well as in our previous research notes on PEY.

PEY achieved a strong weighted average MOIC of 2.7x on its 2025 realisations, but this value largely accrued in previous periods, therefore providing limited valuation tailwinds in 2025. We note that PEY updates valuations across its entire portfolio every month, therefore leaving limited hidden reserves upon the realisation of the holding versus last carrying value. However, it can recognise an uplift to the last unaffected carrying value (ie a holding's valuation prior to the launch of a sales process).

PG entered 2026 with a mid-teen percentage exposure to listed equities, which has likely come down subsequently, as PEY participated in another block trade in Vishal Mega Mart in February 2026 and fully sold down its holdings in the listed Galderma and GlobalBlue.

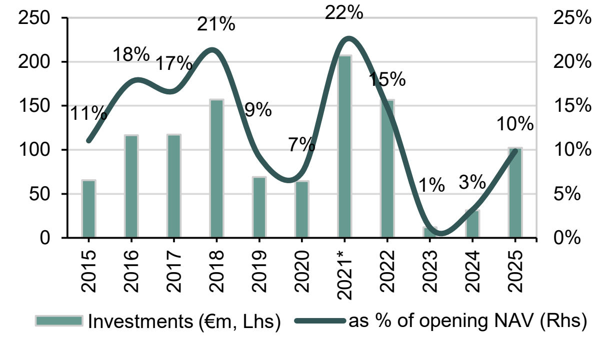
PEY invested €102.4m in 2025 (see Exhibit 6), of which €39.0m constitutes partial re-investments of exit proceeds into the same businesses (PCI Pharma Services, International Schools Partnership (ISP) and Techem). In the first nine months of 2025, the company was quite selective and invested only €41.6m, of which around half was deployed in Q3, mostly into six new investments including MPM Products, a global premium pet food company, and Restor3d, a medtech company providing patient-specific 3D-printed musculoskeletal implants. The investment pace picked up in Q425, with around €61m deployed, mostly due to the above-mentioned re-investments. Major new investments included an undisclosed US healthcare provider and Infinity Fincorp Solutions (an Indian non-bank lender serving under-banked small business owners). In January 2026, PEY invested €3.2m into an undisclosed manufacturer of submetering devices. PG believes that the current investment pipeline should allow the company to reach an investment pace closer to the historical average 10–15% of NAV per year.

Exhibit 5: PEY's historical realisations



Source: Partners Group Private Equity data, Edison Investment Research. Note: *Excluding €132.2m redemptions of senior loans.

Exhibit 6: PEY's historical investments



Source: Partners Group Private Equity data, Edison Investment Research. Note: *Excluding €132m senior loan investments.

PEY's investments, together with the full repayment of its credit facility as well as dividend payments, resulted in a broadly neutral cash flow for 2025. That said, the company has already initiated the first buybacks under its current capital allocation framework. It announced a buyback programme of up to €15m on 8 October, which initially was implemented over the period to end-January 2026 but recently was extended to the end of April 2026. The volume of this buyback is higher than what the company's marginally positive free cash flow as of end-September 2025 of around €5.4m would imply. PEY's available resources at end-February 2026 consisted of €32.2m of cash and an undrawn credit facility of €150m, which fully covered PEY's outstanding investment commitments of €119.8m as of end-2025. PG expects €60–70m of these commitments to be funded over the next two to four years, with the remaining portion to remain unfunded.

PEY experienced further robust cash flow from liquidity events in Q126, with contracted distributions of €56m, coupled with a more muted new investment activity of €12m. As a result, PEY's free cash flow at end-March 2026 reached €24m and, given that its shares traded at a discount of more than 30%, the company allocated €18m (or 75% of the Q126 free cash flow) to further share repurchases, in addition to the remaining €1.6m capital allocated under the previous buyback programme that was yet to be spent as of the time of PEY's announcement (8 April). The combined €19.6m programme will expire on 31 July 2026.

2021–23 vintages improving, 2024–25 vintages promising

PG admitted that value creation for the 2021–23 vintages overall took longer than initially expected, as some of these holdings were affected by factors such as higher interest rates, rising labour costs and supply chain disruptions. EBITDA growth averaged 6% in 2025 across this cohort. This group consists of more than 35 direct assets that made up 46% of end-2025 NAV and were on average valued at a 1.4x gross MOIC. That said, PG indicated that it is seeing an acceleration in value creation and returns and now refers to this group of assets as **'inflection vintages'**. There are pockets of particular strength as more than 20% of the amount invested in these vintages is performing ahead of the underwriting plan. Top holdings in this bucket by value include:

- **Emeria**, a provider of real estate services and technologies with a strong footprint in France and the UK (6.9% of PEY's end-February 2026 NAV), which recently introduced an in-house AI-augmented tool to identify customer opportunities.
- **Diversitech**, a producer of parts and supplies for US residential heating, ventilation and air conditioning (5.8%), which introduced a nimble pricing model, leading to improved gross margins. It is also progressing on its agenda to

digitalise customer experience and has started building a European platform.

- **Foundation Risk Partners** (3.2%), a US insurance brokerage and consulting firm.
- **Forterro**, a pan-European enterprise resource planning software provider to small and mid-sized manufacturing businesses (3.0%). We note that PEY's overall software exposure is below 10%, and many of its holdings benefit either from data-specific or vertical-specific moats, including Forterro, VelocityEHS, SHL and Precisely.
- **United States Infrastructure Company** (2.4%), a North American provider of underground utility locating services.

PG also highlighted encouraging developments across its **26 younger holdings (2024 and 2025 vintages)**, which at end-2025 accounted for 15% of NAV and were held at an average gross MOIC of 1.1x. PG noted that the entry EV/EBITDA multiples for this group were lower by one to three times EBITDA compared to its holdings in the inflection portfolio. These holdings delivered an average EBITDA growth of 15% in 2025, and a gross internal rate of return of over 20% (fx adjusted) since initial investment.

A notable example in this group is VelvetCare, a leading manufacturer of hygiene paper products in Central and Eastern Europe, which, according to PG, significantly outpaces its competitors in terms of production efficiency. It is now building a greenfield plant to service the DACH region. PEY currently values its stake at a gross MOIC of 1.7x despite a holding period of less than two years.

The remaining 39% of PG's portfolio (held on average at a 2.5x gross MOIC) is in more mature assets, including Clario (3.0% of end-February 2026 NAV), the sale of which was announced in 2025 (and completed in March 2026) and the above-mentioned Vishal Mega Mart (6.6%).

PG currently expects a limited first-order impact on PEY's portfolio from the war in the Middle East, with a minor potential impact on eight of its 65 direct investments and no exposure to energy-intensive businesses. However, the manager noted that the war may have a negative near-term impact on deal activity across PE markets.

New board measures to be announced at the AGM in June

PEY's shareholder proposition includes a well-established dividend policy of paying out 5% of the prior year's closing NAV, which it has been able to deliver since 2011 with few exceptions, providing shareholders with a reliable income stream and now offering a dividend yield of c 8.4%. It also introduced a new capital allocation framework in March 2024, which informs the company's decisions with respect to share buybacks (we discuss the framework in detail in our previous notes). Moreover, the board renegotiated PEY's fee structure last year with a favourable change to the base for calculating its management and performance fee.

Given PEY's weak NAV TR performance in recent years, the chairman of PEY's board announced that the board is discussing with PG and PEY's advisers what options might establish a satisfactory path forward that balances achieving liquidity for investors at a narrower discount to NAV, while providing long-term investors with an attractive proposition. The board will update shareholders on its assessment at the AGM, expected to be held on 18 June 2026.

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