



Press release – Financial information

3rd quarter 2018

Paris, 13 November 2018

Strong first nine months to September with a very satisfactory third quarter

- **Global Advisory:** record nine months revenue, up 14% to €932 million (9 months to September 2017: €820 million) driven by strong M&A performance. Third quarter up 11% to €296 million (Q3 2017: €267 million)
- **Wealth & Asset Management:** nine months revenue up 4% to €391 million (9 months to September 2017: €375 million). Third quarter up 7% to €130 million (Q3 2017: €121 million)
- **Merchant Banking:** nine months revenue up 10% to €128 million (9 months to September 2017: €117 million) and 32% when compared to the average nine months revenue for the previous three years. Third quarter revenue down 54% to €23 million (Q3 2017: €50 million) due to a particularly strong Q3 2017 which saw significant value accretion
- Nine months revenue for 2018 was negatively impacted by currency translation effects of €29 million

<i>In € million</i>	Third Quarter			Nine Months (January- September)		
	2018	2017	% Var	2018	2017	% Var
Global Advisory	296	267	+11%	932	820	+14%
Wealth & Asset Management	130	121	+7%	391	375	+4%
Merchant Banking	23	50	(54%)	128	117	+10%
Other businesses and corporate centre	2	6	(67%)	17	24	(29%)
Total before IFRS reconciliation	451	444	+2%	1,468	1,336	+10%
IFRS reconciliation	3	-	n/a	(8)	4	n/a
Total Group Revenue	454	444	+2%	1,460	1,340	+9%

1. Global Advisory

Global Advisory business focuses on providing advice in the areas of M&A and strategic advisory, and Financing Advisory encompassing Debt, Restructuring and Equity Advisory.

Third quarter revenue was **€296 million, up 11%** (Q3 2017: €267 million).

Global Advisory achieved record revenue for the first nine months of 2018 of **€932 million, up 14%** (9 months to September 2017: €820 million). This increase resulted in the business maintaining its position among the top advisory firms, ranking **4th by global financial advisory revenue** for the 12 months to September 2018.

Our M&A business continues to outperform and continued to rank **1st globally by number of completed transactions** for the first nine months of 2018¹. In Europe, we retained our position as market leader, advising on more M&A transactions than any of our competitors, a position we have held for more than a decade.

In Financing Advisory, **we ranked 5th globally and 1st in Europe** by number of completed restructuring transactions for the first nine months of 2018, and maintained our leading position as adviser on more European equity assignments than any other independent financial adviser.

The quality of our people is our principal competitive advantage and we continue to add to and strengthen our senior team. So far this year, as part of our ongoing investment in the North American market, six new Managing Directors joined our business. Elsewhere, so far this year, we have also recruited new Managing Directors in the Asia Pacific region and in Equity Advisory.

We recently announced that Global Advisory has entered into a strategic alliance with Intrepid Financial Partners to collaborate on providing companies and investors in the North American energy sector with restructuring and debt advisory services.

Global Advisory advised the following clients on significant advisory assignments that completed in the three months to September 2018:

- **Essilor** on its combination with Luxottica (€47 billion, France and Italy)
- **CVC Capital Partners** on its sale of Sky Betting and Gaming to The Stars Group (US\$ 4.7 billion, United Kingdom and Canada)
- **Fidessa Group** on its recommended all-cash offer by ION Investment (£1.5 billion, United Kingdom)
- **Sasol** on its dual tranche senior notes offering (US\$2.25 billion, United States)
- **Côte d'Ivoire** on its notional EUR/USD derivatives transaction (US\$1.4 billion, Ivory Coast)
- **Chevron** on the disposal of its 75% interest in Chevron South Africa and 100% interest in Chevron Botswana (US\$1 billion, United States and South Africa)

In addition, we continue to work on some of the largest and most complex announced transactions globally, including acting as financial adviser to:

- **The Coca-Cola Company** on its acquisition of Costa Coffee (US\$5.1 billion, United States and United Kingdom)
- **Prudential** on its demerger into Prudential and M&G Prudential (£47 billion, United Kingdom)
- **Pinnacle Foods** on its sale to Conagra Brands (US\$10.9 billion, United States)
- **VTG** on its unsolicited public takeover offer by Morgan Stanley Infrastructure (€3.6 billion, Germany and United States)
- **Lufax Holding** on its Series C Equity Financing (US\$1.4 billion, China)
- **SIG Combibloc Group** on its IPO on SIX Swiss Exchange (€1.5 billion, Switzerland)²

¹ Source: Thomson Reuters, completed transactions. Excludes accountancy firms

² Completed in October 2018

2. Wealth & Asset Management

Wealth & Asset Management is made up of Rothschild Martin Maurel in France and Monaco, our Wealth Management businesses in Switzerland, the UK, Belgium, Germany, Italy and Asia, and our Asset Management business in Europe and in North America.

Third quarter revenue was **€130 million, up 7%** (Q3 2017: €121 million).

Revenue for the first nine months of 2018 was **€391 million, up 4%** (9 months to September 2017: €375 million). This was due to an increase in commissions and net interest income.

Assets under management were €69.9 billion as at 30 September 2018 (€67.3 billion as at 31 December 2017). The first nine months of 2018 have seen strong business activity with net inflows of €2.0 billion, of which €0.1 billion inflows in the third quarter. Net new assets were mainly driven by Wealth Management for €2.1 billion offset by outflows of €0.1 billion in Asset Management. Market appreciation and exchange rate effects increased assets by €0.6 billion.

In France, the operational integration of Rothschild Martin Maurel is well on track and will be finalised by the end of 2018.

In October 2018, the group signed an agreement for certain members of the management to buy-out its wealth planning and trust services businesses. Annual revenue for this business is around €40 million. The net proceeds for this sale will be used for the further development of its core business.

The table below presents the progress in assets under management.

	Third quarter		Nine months to September	
<i>In € billion</i>	2018	2017	2018	2017
AuM opening	68.9	66.8	67.3	54.0
Martin Maurel merger	-	-	-	10.0
Net new assets	0.1	0.3	2.0	1.6
Market and exchange rate	0.9	-	0.6	1.5
AuM closing	69.9	67.1	69.9	67.1

3. Merchant Banking

Merchant Banking is the investment arm of the Rothschild & Co Group which deploys the firm's and third parties' capital in private equity and debt opportunities.

Third quarter revenue was **€23 million, down 54%** (Q3 2017: €50 million) due to a particularly strong Q3 2017 which saw significant value accretion.

Revenue for the nine months of 2018 was **€128 million, up 10%** (9 months to September 2017: €117 million). When compared to the average of the last three years, the nine months revenue is up 32%.

Nine months revenue comprises two main sources:

- Recurring revenue of €52 million was made up of management fees net of placement fees (9 months to September 2017: €45 million),
- Investment performance related revenue of €76 million (9 months to September 2017: €72 million) comprised:
 - €26 million of carried interest (9 months to September 2017: €18 million),
 - €50 million of realised and unrealised investment gains and dividends (9 months to September 2017: €54 million).

Rothschild & Co's investments in the division during the first nine months of 2018 amounted to €52 million, of which €44 million was attributable to the Group's own investments in funds managed by Merchant Banking and €8 million

was in proprietary investments. Disposals and distributions generated proceeds of €166 million of which €147 million was from managed funds (the majority - €125 million - from FAPI I following several successful portfolio company exits) and €19 million was from proprietary investments.

During the third quarter, Rothschild Credit Management kept on growing its AuM base primarily through new mandates dedicated to institutional investors, whereas primary equity funds (FAPI) decreased following significant distributions in the first fund.

AuM as at 30 September 2018 stood at €9.3 billion, the same level as at 30 June 2018 (31 December 2017: €8.5 billion).

4. Outlook

In Global Advisory, the value of globally announced M&A deals in the market increased to record levels in the first nine months of 2018, principally driven by an increase in large transactions. Announced activity in Q3, however, slowed compared to Q2 and the value and number of M&A completions in 2018 has been lower than last year. Given this, whilst we believe the general environment continues to be supportive for M&A, we remain alert to signs of an inflection point in the cycle. Year to date, we have succeeded in gaining market share, as evidenced by the progress in our advisory revenue ranking, and during the remainder of 2018 we expect healthy activity levels in our business. We are therefore on track for advisory revenue for the full year to be an improvement on last year. In the future, our focus remains on growing our market share, particularly our North American M&A franchise whose revenue has increased over time as a result of ongoing investment, and where we foresee strong potential for growth.

Wealth & Asset Management is well positioned to deliver net asset inflows and improve profitability. Our strategy of focussing on our core target markets, leveraging our network and targeting entrepreneurs is bearing fruit across our geographies. In France, the operational integration of Rothschild & Cie and Martin Maurel will be finalised by the end of the year 2018.

Merchant Banking is committed to growing its assets under management in both Private Equity and Private Debt funds. Following some recent successful fundraisings, we will continue to expand our product offering both in Europe and the US. We remain cautious in our capital deployment efforts, focusing on attractive risk-reward opportunities with appropriate downside protection features.

Financial markets have been challenging with a high level of volatility in recent weeks. If this continues through the end of 2018, market sentiment could be impacted with a negative effect on our businesses. Nevertheless, we still expect our annual results to improve reasonably compared to 2017.

Financial calendar:

- 12 March 2019 Full year results 2018 (January – December)
- 14 May 2019 First quarter information 2019 (January – March)
- 16 May 2019 Annual General Meeting

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A. Quarterly progression of revenue

<i>In € million</i>		2018	2017	Var
Global Advisory	1 st quarter	261.7	328.2	(20%)
	2 nd quarter	374.4	225.4	+66%
	3 rd quarter	295.9	266.7	+11%
	Total	932.0	820.3	+14%
Wealth & Asset Management	1 st quarter	131.0	128.3	+2%
	2 nd quarter	130.4	125.7	+4%
	3 rd quarter	129.4	121.2	+7%
	Total	390.8	375.2	+4%
Merchant Banking	1 st quarter	25.2	19.5	+29%
	2 nd quarter	79.8	47.4	+68%
	3 rd quarter	23.2	50.1	(54%)
	Total	128.2	117.0	+10%
Other businesses and corporate centre	1 st quarter	6.9	3.5	+97%
	2 nd quarter	8.3	13.5	(39%)
	3 rd quarter	1.9	6.0	(68%)
	Total	17.1	23.0	(26%)
IFRS reconciliation	1 st quarter	(4.7)	7.7	n/a
	2 nd quarter	(6.5)	(3.4)	(91%)
	3 rd quarter	3.5	(0.2)	n/a
	Total	(7.7)	4.1	n/a
Total Group Revenue	1 st quarter	420.1	487.2	(14%)
	2 nd quarter	586.4	408.6	+44%
	3 rd quarter	453.9	443.8	+2%
	Total	1,460.4	1,339.6	+9%

About Rothschild & Co

With a team of c.3,500 talented financial services specialists on the ground in over 40 countries across the world, our integrated global network of trusted professionals provide in-depth market intelligence and effective long-term solutions for our clients in Global Advisory, Wealth & Asset Management, and Merchant Banking. Rothschild & Co is family-controlled and independent and has been at the centre of the world's financial markets for over 200 years.

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