Press release – Financial information

1st quarter 2021

Paris, 11 May 2021

Record quarterly revenues driven by strong market conditions across all three businesses

Business highlights

- **Global Advisory**: record quarterly revenue, up 47% to €394.9 million (Q1 2020: €269.1 million) reflecting continued strong momentum and activity levels across our whole business

- **Wealth and Asset Management:** Assets under Management (AuM) up 7% to €83.6 billion (31 December 2020: €78.1 billion) thanks to record Net New Assets (NNA) in Wealth Management (€2.4 billion) and positive market performance. Revenues up 3% to €134.3 million (Q1 2020: €130.8 million) driven by an increase in management fees in connection with the strong growth in AuM

- **Merchant Banking**: record quarterly revenue, up 400% to €103.4 million, (Q1 2020: €20.7 million) as a result of significant realised and unrealised investment gains, combined with further significant growth in recurring revenues

	First quarter		
In € million	**2021**	**2020**	**% Var**
Global Advisory	394.9	269.1	*47%*
Wealth and Asset Management	134.3	130.8	*3%*
Merchant Banking	103.4	20.7	*400%*
Other businesses	5.0	3.1	*61%*
TOTAL before IFRS reconciliation	**637.6**	**423.7**	***50%***
IFRS Reconciliation	(1.4)	(7.3)	*(81)%*
Total Group revenue	**636.2**	**416.4**	***53%***

First quarter revenue impacted negatively by currency translation effects of €8 million

1. Business review

1.1 Global Advisory

Our Global Advisory business focuses on providing advice in the areas of Strategic Advisory and M&A, Financing Advisory encompassing Debt Advisory, Restructuring and Equity Advisory, as well as Investor Advisory where we advise clients around engaging with shareholders on a variety of topics including activism, sustainability and governance.

Global Advisory delivered record quarterly revenue of €394.9 million for the three months to March 2021, up 47% from the same stage last year (Q1 2020: €269.1 million), reflecting continued strong momentum and activity levels across our whole business. We continue to maintain a strong competitive position. For the last twelve months to March 2021, we ranked 6th globally by financial advisory revenue[1].

Our **M&A** revenue for the three months to March 2021 was €281.3 million, up 33% (Q1 2020: €211.9 million), based on increased deal activity and more larger fees. We ranked 4th globally by number of completed transactions for the twelve months to March 2021[2]. In Europe, we continue to advise on more M&A transactions than any of our competitors, a position we have held for more than 15 years.

Financing Advisory revenue for the three months to March 2021 was €113.6 million, representing a twofold increase compared to the same stage last year (Q1 2020: €57.2 million). We ranked 3rd in Europe by number of completed restructuring transactions for the twelve months to March 2021[2], and we advised on more European equity assignments than any other independent financial adviser over the same period[3].

Global Advisory advised the following clients on significant assignments that completed in the quarter:

- ***Bankia*** *on its merger with CaixaBank (€17 billion, Spain)*
- ***Chesapeake*** *on its Chapter 11 restructuring (US$10.8 billion, United States)*
- ***Alstom*** *on its acquisition of Bombardier Transportation and cornerstone investment from CDPQ (€7.5 billion, France and Canada)*
- ***Walmart*** *on its sale of Asda to Issa Brothers and TDR Capital (£6.8 billion, United States and United Kingdom)*
- ***Just Eat Takeaway*** *on its dual tranche convertible bond issuance and concurrent delta placing (€1.1 billion, United Kingdom)*

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

- ***Suez*** *on its recommended tender offer from Veolia (€26 billion, France)*
- ***SIA*** *on its combination with Nexi (€20 billion, Italy)*
- ***Coca-Cola European Partners*** *on its recommended offer for Coca-Cola Amatil from public shareholders and The Coca-Cola Company (US$8.4 billion, UK, Australia and United States)*
- ***Nordic Aviation Capital*** *on its restructuring (US$5.9 billion, United Kingdom)*
- ***Grupo Aeroméxico*** *on its chapter 11 restructuring (US$3.3 billion, Mexico)*

[1] Source: Company filings announced to 10 May 2021. Unannounced competitor results are based on twelve months to December 2020

[2] Source: Refinitiv

[3] Source: Dealogic

1.2 Wealth and Asset Management

Wealth and Asset Management is made up of our Wealth Management businesses in France, Switzerland, UK, Belgium, Germany, Monaco and Italy and our Asset Management activity in Europe. In addition, we operate a small Asset Management business in North America.

Wealth and Asset Management delivered record first quarter revenue of €134.3 million, up 3% (Q1 2020: €130.8 million). The revenue progression has been driven mainly by an increase in management fees as a consequence of the strong growth in Assets under Management (AuM) enjoyed in 2020, and despite the continuing impact of lower interest rates on revenue.

AuM increased by 7% (or €5.5 billion) to €83.6 billion as at 31 March 2020 (31 December 2020: €78.1 billion). The growth was driven by strong Net New Assets (NNA) as well as more favourable market conditions. This was partly offset by the loss of €0.4 billion arising from the sale of our alternative fund of funds business.

Wealth Management recorded a high level of NNA of €2.4 billion. Each Wealth Management business in Europe saw positive net inflows.

Asset Management recorded a net outflow of €0.5 billion, largely due to North America (€0.6 billion), following poor investment performance in 2020. Performance year to date has been much stronger.

The ongoing COVID-19 pandemic continues to affect the business, with access to our offices and travel both being restricted. Despite this, as is reflected in the NNA figures, levels of business activity remain high.

The progress of the acquisition of Banque Pâris Bertrand, announced in December 2020, is good and we remain confident that we will complete in the summer.

The table below shows the development of our AuM.

	Quarter ended		
In € billion	**31/03/2021**	**31/12/2020**	**31/03/2020**
AuM opening	**78.1**	**71.4**	**76.0**
of which Wealth Management	*55.8*	*51.3*	*50.5*
of which AM Europe	*14.1*	*13.9*	*15.4*
of which AM US	*8.2*	*6.2*	*10.1*
Net new assets	**1.9**	**1.4**	**0.6**
of which Wealth Management	*2.4*	*0.6*	*1.3*
of which AM Europe	*0.1*	*(0.2)*	*(0.1)*
of which AM US	*(0.6)*	*1.0*	*(0.6)*
Market and exchange rate	**3.6**	**5.3**	**(9.9)**
AuM closing	**83.6**	**78.1**	**66.7**
of which Wealth Management	*60.9*	*55.8*	*46.6*
of which AM Europe	*14.5*	*14.1*	*13.0*
of which AM US	*8.2*	*8.2*	*7.1*
% var / AuM opening	*7%*		

1.3 Merchant Banking

Merchant Banking is the investment arm of Rothschild & Co managing capital for the firm and third parties in private equity and private debt.

Merchant Banking delivered record quarterly revenue of €103.4 million, up 400% (Q1 2020: €20.7 million) thanks to significant realised gains on investment disposals, material unrealised value accretion across the entire portfolio and continued growth in recurring revenue. When compared to the average of the last three years' first quarters, Q1 2021 revenue was up 343%.

Assets under Management as at 31 March 2021 were €16.2 billion, up 4% versus 31 December 2020 (€15.7 billion), of which Rothschild & Co's share was €1.4 billion (31 December 2020: €1.3 billion).

The table below illustrates the progression in revenue.

In € million	Q1 2021	Q1 2020	Var	% Var
Recurring revenue	31.0	27.2	3.8	*14%*
Investment performance revenue [(1)]	72.4	(6.5)	78.9	*n.m.*
of which carried interest	*25.8*	*(2.2)*	*28.0*	*n.m.*
of which realised and unrealised investments gains and dividends	*46.6*	*(4.3)*	*50.9*	*n.m.*
Total revenue	**103.4**	**20.7**	**82.7**	***400%***
% recurring / total revenue	*30%*	*131%*		

[(1)] *Investment performance revenue comprises €50 million, out of a total of €72.4 million, related to investment income earned following valuation uplifts achieved through realisations from the private equity portfolio.*

The strong revenue increase for the three months to March 2021 is the combination of two positive effects:

- An increase in recurring revenue of 14% (+€3.8 million) compared to Q1 2020, in line with the steady growth trajectory achieved as a result of the consistently expanding AuM base; and
- a significant contribution from investment performance revenue of €72.4 million, representing a positive variance of €78.9 million compared to Q1 2020. This performance was mainly driven by:
  - valuation uplifts achieved through successful realisations from the private equity portfolio (in particular the disposals of IAD, Opus2 and White Clark Group, as detailed below), and
  - positive mark-to-market movements in the Group's Credit Management positions of €1.4 million (compared to an unrealised loss of €8.5 million in Q1 2020).

The investment performance revenue generated in the three months to March 2021 represents a strong validation of our robust investment approach and confirms our guidance during 2020 that lower valuation uplifts were due to the transient impact of the COVID-19 pandemic on our portfolio.

The resilience of the industry sectors we focus on (Healthcare, Data & Software and Technology-Enabled Business Services), together with the high quality of our assets and our effective portfolio value creation initiatives, were the main drivers behind the successful realisations completed in Q1 2021.

The alignment of interests between the Group and our third-party investors continues to represent a key differentiator for Merchant Banking. In Q1 2021:

- Rothschild & Co's investments in the division's products totalled €48.3 million, of which €38.5 million was in private equity and €9.8 million in private debt.
- Disposals and distributions generated proceeds of €72.9 million for the Group, of which €49.7 million was from private equity and €23.2 million from private debt.

Investment activities and business development

During the first quarter, Merchant Banking continued to raise new capital for its various strategies, resulting in a further increase in its AuM and completed several transactions across its private equity and private debt funds' portfolios.

Private Equity

- Five Arrows Principal Investments I (FAPI I), our 1st generation European private equity fund, completed a final liquidity event for investors by selling its remaining assets to a Continuation Fund. Those investors who chose to remain invested will continue to benefit from the future value creation of the remaining assets.
- Five Arrows Principal Investments II (FAPI II), our 2nd generation European private equity fund, completed three successful disposals:
  - IAD, the leading digital network of independent real estate agents in Europe, was sold for a MOIC[1] of 10.0x;
  - Opus2, the global leader in legal dispute management software and services, was sold for a MOIC of 3.1x; and
  - White Clark Group, the leading automotive finance software vendor, was sold for a MOIC of 2.0x.
- Five Arrows Secondary Opportunities V (FASO V), our 3rd generation secondaries fund, completed two further investments and has now committed 50% of its capital across nine transactions in Europe and the US.
- Five Arrows Minority Investments (FAMI) fully exited its minority co-investment position in ECI Software, receiving total proceeds of €3.2 million and generating an investment income of €1.2 million.
- Five Arrows Growth Capital I (FAGC I), our 1st generation European small cap private equity fund, held its fourth closing, securing additional commitments of €136.5 million.

Private Debt

- Five Arrows Credit Solutions (FACS), our 1st generation mid-market direct lending fund, completed three successful exits during the quarter:
  - Photobox, a pan-European e-commerce platform, was refinanced, generating a 10.9% gross IRR;
  - Biogroup, a leading European provider of clinical laboratory testing services, was exited, delivering a 14.4% gross IRR; and
  - A-Plan, a leading UK insurance broker, was sold, yielding an 11.7% gross IRR.
- Five Arrows Direct Lending (FADL) and Five Arrows Debt Partners III (FADP III), our 2nd and 3rd generation direct lending funds, also both exited their positions in Biogroup, generating gross IRRs of 9.0% and 30.3% respectively.
- FADP III completed its sixth investment, providing unitranche financing to Exemplar, a UK provider of high-acuity residential care services, principally to adults with long-term degenerative conditions. In addition, FADP III secured commitments of €252.0 million during the quarter. A further closing was held in April and the strategy is on track to achieve its target size of €1.25 billion.
- The Credit Management business, investing in senior secured loans and high yield bonds, continued to expand its AuM in the first quarter, securing a new managed account (initial committed capital of €55 million and increasing the size of its two most recent CLO warehouses in Europe (+€74 million) and the US (+US$50 million). Credit Management AuM in CLO vehicles has now reached c.€4.4 billion.

[1] MOIC stands for Multiple On Invested Capital

2. Outlook

In **Global Advisory**, announced global M&A activity for the first quarter of 2021 has been particularly strong. This trend is reflected in our visible pipeline of business which is well diversified and significantly ahead of previous years at this stage. We are therefore optimistic regarding the prospective performance of our business for 2021, but of course we remain alert to respond to a range of market conditions in the year ahead.

In **Wealth and Asset Management**, the outlook for the year is positive, although there are some modest non-recurrent revenues in the exceptionally strong first quarter figures. Our strong new business and the higher than expected AuM at the end of the first quarter mean the business is well set for the remainder of the year provided markets continue to be supportive.

In **Merchant Banking**, we expect to continue to grow our recurring revenue base as we complete the fundraisings for our currently open funds, launch new initiatives, and deploy capital across all our strategies. In addition, notwithstanding the ongoing uncertainties related to the COVID-19 pandemic, we expect our investments to continue to show resilience and fulfil their value creation potential, which will generate further investment performance related revenue for the Group. We are confident that our fundamental investing principles, centred around capital preservation and providing attractive risk-adjusted returns from our chosen sectors, represent a strong foundation for the ongoing development of Merchant Banking.

The current macro environment continues to benefit our three core businesses which have produced record performances in the first quarter. The clear strategies of each business line have meant that we are weathering the crisis and, if the current momentum and market conditions persist, allow us to be optimistic for a strong performance for the rest of the year.

Financial calendar:

- 20 May 2021: Annual General Meeting
- 15 September 2021: Half-year 2021
- 9 November 2021: Third quarter 2021 – Financial information

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About Rothschild & Co

Rothschild & Co is family-controlled and independent and has been at the centre of the world's financial markets for over 200 years. With a team of c.3,600 talented financial services specialists on the ground in over 40 countries, Rothschild & Co's integrated global network of trusted professionals provides in-depth market intelligence and effective long-term solutions for our clients in Global Advisory, Wealth and Asset Management, and Merchant Banking.

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