

PRESS RELEASE

12 May 2022

1st quarter 2022 – Financial information

Solid revenue performance despite less favourable market conditions

- **Global Advisory:** quarterly revenue up 5% to €413 million (Q1 2021: €395m), reflecting continued strong levels of activity across our whole business
- **Wealth and Asset Management:** strong quarterly revenue up 27% to €170 million, (Q1 2021: €134 million). Assets under Management (AuM) down 1% to €102.8 billion (31 December 2021: €103.9 billion) due to the combination of positive Net New Assets (NNA) of €1.1 billion offset by negative market performance (€2.2 billion)
- **Merchant Banking:** quarterly revenue was €95 million (Q1 2021: €103 million) as a result of solid investment performance revenue combined with steadily increasing recurring revenue in line with the AuM growth (€20.4 billion at the end of Q1 2022, up 11%). Despite the positive top-line result, revenue was down 8% compared to Q1 2021, a period characterised by an exceptional level of investment performance revenue as a result of exits and conservative valuations across our portfolios at the end of 2020 due to Covid-19

<i>(in € million)</i>	First quarter			
	2022	2021	Var	% Var
Global Advisory	413.5	394.9	18.6	5%
Wealth and Asset Management	170.1	134.3	35.8	27%
Merchant Banking	95.5	103.4	(7.9)	(8)%
Other businesses	4.9	5.0	(0.1)	(2)%
TOTAL	684.0	637.6	46.4	7%
IFRS Reconciliation	(8.7)	(1.4)	(7.3)	521%
Total Group revenue	675.3	636.2	39.1	6%

First quarter revenue impacted positively impacted by currency translation effects of €14 million

1. Business activities

1.1 Global Advisory

Our Global Advisory (GA) business focuses on providing advice in the areas of Strategic Advisory and M&A, Financing Advisory encompassing Debt Advisory, Restructuring and Equity Markets Solutions, which includes ECM Advisory, Private Capital, Investor Advisory, Investor Marketing and Redburn.

Revenue for the three months to March 2022 was €413 million, up 5% compared to the same period last year (Q1 2021: €395 million), with €309 million from M&A and €104 million from Financing Advisory, reflecting continued strong levels of activity across our whole business. For the last twelve months to March 2022, we ranked 6th globally by financial advisory revenue¹.

Our **M&A** revenue for the three months to March 2022 was €309 million, up 10% (Q1 2021: €281 million), based on strong levels of deal activity across our main geography and sector franchises. We ranked 4th globally by number of completed transactions for the twelve months to March 2022². 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 years².

Financing Advisory revenue for the three months to March 2022 was €104 million, down 9% compared to 2021 (€114 million), in part due to a slowdown in the global restructuring market. We ranked 2nd in Europe and globally by number of completed restructuring transactions for the twelve months to March 2022², and we advised on more European ECM assignments than any other independent financial adviser³.

In the first quarter 2022, Global Advisory advised the following clients on significant assignments that completed:

- **Suez** on its recommended tender offer from Veolia (€26 billion, France)
- **HELLA Family Pool** on the sale of its 60% stake in HELLA to Faurecia (€6.7 billion, Germany and France)
- **Global Infrastructure Partners** on its sale of a 25.7% stake in Freeport LNG (US\$2.5 billion, United States)
- **Cobepa and Shareholders** on the disposal of Hillebrand to Deutsche Post DHL (€1.5 billion, Belgium and Germany)
- **P3 Logistics Parks** on its debut green 0.875% 5yr and 1.625% 7yr bonds with BBB S&P rating and €750m RCF (€1 billion, Czech Republic)

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

- **Blackstone** on its re-capitalisation of Mileway (€21 billion, UK and The Netherlands)
- **Covéa** on its acquisition of PartnerRe (US\$9 billion, France and Bermuda)
- **Apollo Global Management** on its acquisition of Tenneco (US\$7.1 billion, United States)
- **Meggitt** on its recommended cash offer from Parker Hannifin (£6.3 billion, United Kingdom and United States)
- **CC Neuberger II** on its merger with Getty Images (US\$4.8 billion, United States)

¹ Source: Company filings announced to 11 May 2022. Unannounced competitor results are based on twelve months to December 2021

² Source: Refinitiv

³ Source: Dealogic

1.2 Wealth and Asset Management

Wealth and Asset Management (WAM) is made up of our Wealth management businesses in Belgium, France, Germany, Italy, Luxembourg, Monaco, Spain, Switzerland and the UK, and our Asset Management activity in Europe. In addition, we operate an Asset Management business in North America.

Overall, in the first quarter, the business proved resilient despite turbulent markets. After a very positive performance in 2021, the first quarter of 2022 was negative for the global stock markets. The year started amid growing concerns about inflation and disrupted supply chains and then the correction accelerated with the war in Ukraine. Markets rallied in March, but year-to-date performance remains negative in most markets. The FED and BoE increased their base rates and announced further hikes for the coming months pushing all mid-term interest rates higher, negatively impacting the bond markets. Most of our client portfolios are showing slight negative quarterly performance even though our investment strategies remain very prudent.

Wealth and Asset Management business delivered a strong quarter in this challenging environment. **Revenue for the three months to March 2022 was €170 million, up 27%** (Q1 2021: €134 million) and up 1% compared to the previous quarter (Q4 2021: €168 million). Revenues benefitted from the strong AUM growth achieved last year and a higher level of non-recurrent performance fees. High transactions revenue derived from market volatility also enhanced revenue in the first quarter, especially in France and Germany. Net interest income (NII) was up 5% to €13 million compared to the same period last year (Q1 2021: €12 million), as we began to see the impact of rising interest rates.

AuM decreased by 1% (or by €1.1 billion) to €102.8 billion as at 31 March 2022 (31 December 2021: €103.9 billion) with negative market performance of €2.2 billion, offsetting solid Net New Assets (NNA) of €1.1 billion (4.2% annualised).

WAM Europe business continued to expand and attract new clients during the first quarter of 2022, recording positive NNA in all its European Wealth Management locations (€1.4 billion) as well as for Asset Management (€0.2 billion). In the US, AuM remained broadly unchanged, with market moves partially offsetting the outflows.

The Banque Pâris Bertrand integration is progressing well despite difficult market conditions and most of the operational cost synergies were achieved in Q1 as planned.

The table below presents the progress in AuM:

<i>(in € billion)</i>	Quarter ended		
	31/03/2022	31/12/2021	31/03/2021
AuM opening	103.9	100.6	83.4
<i>of which Wealth Management</i>	73.9	71.8	55.8
<i>of which AM Europe</i>	21.1	20.5	19.4
<i>of which AM US</i>	8.9	8.3	8.2
Acquisition of Pâris Bertrand Banque	-	0.7	-
Net new assets	1.1	(0.4)	1.9
<i>of which Wealth Management</i>	1.4	(0.7)	2.4
<i>of which AM Europe</i>	0.2	0.4	0.1
<i>of which AM US</i>	(0.5)	(0.1)	(0.6)
Market and exchange rate	(2.2)	3.0	3.5
AuM closing	102.8	103.9	88.8
<i>of which Wealth Management</i>	73.8	73.9	60.9
<i>of which AM Europe</i>	20.2	21.1	19.7
<i>of which AM US</i>	8.8	8.9	8.2
<i>% var / AuM opening</i>	-1%		

Acquisition of French Insurance Based Assets

In March, Rothschild & Co reached an agreement with a French IFA to acquire a €3.2 billion AuM portfolio, almost entirely invested in an insurance-based savings scheme with guaranteed returns ("French Euros Funds or *Fonds en Euros*"). AuM will be consolidated starting in April 2022.

1.3 Merchant Banking

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

Revenue for the three months to March 2022 was €95.5 million (Q1 2021: €103.4 million) due to solid investment performance revenue combined with year-on-year growth in recurring revenue. Despite this robust performance, revenue was down 8% versus the first quarter of 2021, which benefited from exceptional investment gains, thanks to multiple successful exits in the period and opening valuations reflecting the uncertainties posed by Covid-19 at the end of 2020. When compared to the average first quarter revenue over the last three years, revenue is up 93%.

The table below illustrates the progression in revenue.

(in € million)	Q1 2022	Q1 2021	Var	% Var
Recurring revenue	33.1	31.0	2.1	7%
Investment performance revenue	62.4	72.4	(10.0)	(14)%
<i>of which carried interest</i>	23.8	25.8	(2.0)	(8)%
<i>of which realised and unrealised investments gains and dividends</i>	38.6	46.6	(8.0)	(17)%
Total revenue	95.5	103.4	(7.9)	(8)%
<i>% recurring / total revenue</i>	<i>35%</i>	<i>30%</i>		

The revenue reduction reflects two opposing effects:

- An increase of 7% in recurring revenue, in line with the growth trajectory of fee-earning AuM, with multiple new fund launches and closings completed in the period; offset by:
- A decline in investment performance revenue which reached €62.4 million in Q1 2022 (Q1 2021: €72.4 million). This performance was mainly driven by:
 - continued value creation in the corporate private equity and secondaries portfolios, generating unrealised investment gains and carried interest income;
 - unrealised foreign exchange gains mainly driven by unhedged positions in USD; and
 - accrued interest income generated by the Group's private debt positions.

Despite the significant level of investment performance revenue attained in Q1 2022, this represented a contraction versus Q1 2021, which included exceptional investment gains mainly related to the completion of multiple highly profitable exits from the corporate private equity portfolio.

The level of investment performance revenue generated in Q1 2022 validates our investment algorithm centred around three key industry sectors (Data & Software, Healthcare and Technology-Enabled Business Services), a portfolio of carefully selected high quality assets with a focus on downside protection, and effectively executed portfolio value creation initiatives to unlock upside value.

The alignment of interests between the Group and our third-party investors continues to represent a key differentiator for Merchant Banking. In Q1 2022, Rothschild & Co's investments totalled €58 million (of which €51 million were in private equity and €7 million in private debt) and distributions equalled €58 million (of which €44 million were from private equity and €14 million were from private debt).

Merchant Banking **AuM as at 31 March 2022 was €20.4 billion, up 11%** (31 December 2021: €18.3 billion), of which Rothschild & Co's share was €2.1 billion.

For a detailed description of the Investment activities and business development of Merchant Banking in Q1 2022, please refer to appendix A.

2. Outlook

In **Global Advisory**, activity for the first quarter of 2022 has remained strong. This trend continues to be evident in our visible pipeline of business which remains well diversified and ahead of previous years at this stage. Although we expect levels of completed transactions to persist through the first half of 2022 and whilst we have not as yet seen a reduction in new business take-on, we remain alert to adapt if conditions change, particularly in light of current geo-political events and market volatility.

In **Wealth and Asset Management**, the war in Ukraine has significantly increased the risks of prolonged inflation and added high uncertainty in the markets. Therefore, after a striking first quarter, we are more cautious for the rest of the year. Despite strong business developments in Europe, AuM may continue to decrease due to market performance, with negative consequences on revenue. However, our recent acquisitions in France and Switzerland combined with increasing interest rates should support our revenue in the coming months.

In **Merchant Banking**, we expect to continue to grow our recurring revenue in line with our fundraising activities and our capital deployment plans for 2022. Fund management will therefore represent a key profitability driver for the division and the Group in the current year. Additionally, following a positive contribution in Q1 2022, we expect our investments to continue to fulfil their value creation potential and generate further investment performance revenue, although to a lesser extent than in 2021, which we consider an exceptional year for our business. We remain confident that our fundamental investing principles, centred around capital preservation and attractive risk-adjusted returns from our chosen sectors, represent a strong foundation for the ongoing future development of Merchant Banking.

Our core businesses continue to perform strongly, albeit with increasing levels of uncertainty in the current macro environment. The clear long-term strategies of each business line allow us to be optimistic for a solid performance during 2022, but subject to the evolution of geo-political events and market conditions during the year.

Financial calendar:

- 19 May 2022: AGM
 - 4 August 2022: Half-year results 2022
 - 8 November 2022: Third quarter 2022
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About Rothschild & Co

Rothschild & Co is a family-controlled and independent group and has been at the centre of the world's financial markets for over 200 years. With a team of c.3,800 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.

Rothschild & Co is a French partnership limited by shares (société en commandite par actions) listed on Euronext in Paris, Compartment A with a share capital of €155,465,024. Paris trade and companies registry number 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France.

A. Investment activities and business development of Merchant Banking in Q1 2022

A.1. Corporate Private Equity

- Five Arrows Principal Investments III (**FAP I III**), our 3rd generation European mid-market private equity fund, completed its last investment in Intescia, a leading B2B market watch and tender data provider located in France. The fund's investment period is now closed
- The successor fund, Five Arrows Principal Investments IV (**FAP I IV**), is currently fundraising and has secured capital commitments of c. €1.6 billion to date. **FAP I IV** completed its first transaction, acquiring Mintec, a global agricultural and commodity pricing data & analytics platform, serving the food industry
- **FAP I II** and Five Arrows Capital Partners I (**FACP I**), our US mid-market private equity fund, signed a deal to sell their respective holdings in RLDatix, a leading healthcare Risk, Governance and Compliance software provider, to a continuation fund, which will continue to be managed by the FAP I team
- Five Arrows Long Term I (**FALT I**), our 1st generation private equity fund with a long-term investment horizon, held its first closing, securing capital commitments of more than €640 million.

A.2. Multi strategies

- Five Arrows Secondary Opportunities V (**FASO V**), our 3rd generation secondaries fund, completed 3 investments, including one as co-lead investor in the latest continuation fund of Ufenau Capital Partners and another one in a fund managed by Omnes Capital, exposed to 11 attractive companies. The fund has now committed 85% of its capital across 20 transactions in Europe and the US, investing in more than 120 underlying portfolio companies
- Five Arrows Minority Investments (**FAMI**) completed one new investment
- Five Arrows Private Equity Programme II (**FAPEP II**), the 2nd generation global multi-manager private equity platform, completed 5 primary investments. The fund has now committed almost all of its capital
- Five Arrows Global Tech I (**FAGT I**), the 1st generation technology-focused multi-managers fund investing in venture capital, growth capital and buyout funds, is currently fundraising and has secured US\$154 million of capital commitments to date
- Five Arrows Sustainable Investments (**FASI**), Merchant Banking's first impact fund, held its 1st closing in January 2022, securing c.€120 million of capital commitments.

A.3. Direct lending

- Five Arrows Credit Solutions (**FACS**), our 1st generation direct lending fund, successfully completed the last exit from its investment portfolio, receiving full repayment of its loan to Feu Vert, a leading French provider of automotive maintenance and repair services. The fund now has only one minor equity position remaining and is therefore expected to be fully realised in short order
- Five Arrows Direct Lending (**FADL**), our 2nd generation direct lending fund, successfully exited its positions in Sandcastle and Dominique Dutscher, whilst deploying additional capital to support the growth plans of several of its existing portfolio companies
- Five Arrows Debt Partners III (**FADP III**), our 3rd generation direct lending fund, successfully exited its position in Dominique Dutscher and completed four new investments:
 - a PIK note for OGF, the leading funeral services provider in France, as part of a refinancing of the group
 - a financing package for Propriétés Privées, a leading French digital real estate agency, to support a secondary buyout of the business
 - a debt financing package for Aspire Technology Solutions, a UK-based provider of managed connectivity and IT services, in connection with a primary buyout of the business
 - a significant add-on to the financing package provided in Q4 2021 to Integrity 360, an Irish cyber security specialist, in support of a major acquisition.

A.4. Credit Management

The Credit Management business, investing in senior secured loans, high yield bonds and structured credit, was active both in business development and investing:

- Five Arrows Global Loan Investments II (**GLI II**), the 2nd generation vehicle investing in equity tranches of CLOs managed by Credit Management, is due to hold its 1st closing in Q2 2022, securing c.€115 million of capital commitments;
- Credit Management is preparing the launch of Five Arrows European Loan Fund (**ELF**), its 6th leveraged loan fund. ELF is an open-ended fund which is targeting an initial close in Q2 2022; and
- Credit Management continued investing in three CLO warehouses ahead of new CLO issuances in Q2 2022.