



Press release – Financial information

1st quarter 2018

Paris, 15 May 2018

First quarter marked by a good start in Private Wealth & Asset Management and Merchant Banking but lower advisory activity

- **Rothschild Global Advisory:** revenue down 20% to €262 million (Q1 2017: €328 million, our record Q1) but only down 6% on a 12 months rolling basis to March 2018. Pipeline remains strong
- **Rothschild Private Wealth & Asset Management:** revenue up 2% to €131 million (Q1 2017: €128 million)
- **Rothschild Merchant Banking:** revenue up 29% to €25 million (Q1 2017: €19 million) and 43% when compared to the average first quarter revenue for the previous three years
- First quarter revenue for 2018 was negatively impacted by currency translation effects of €22 million

<i>In € million</i>	1 st Quarter		
	2018	2017	% Var
Rothschild Global Advisory	261.7	328.2	-20%
Rothschild Private Wealth & Asset Management	131.0	128.3	2%
Rothschild Merchant Banking	25.2	19.5	29%
Other	6.9	3.5	97%
Total before IFRS reconciliation	424.8	479.5	-11%
IFRS reconciliation	(4.7)	7.7	-161%
Total Group revenues	420.1	487.2	-14%

1. Rothschild Global Advisory

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

Global Advisory revenue for the three months to March 2018 was €262 million, down 20% compared to the same period in 2017, our record Q1 (3 months to March 2017: €328 million) but only down 6% on a 12 months rolling basis to March 2018 in the context of a 14% decline quarter on quarter in global completed M&A activity by value (-10% on a 12 months rolling basis).

Our M&A business continues to outperform and continued to rank **1st globally by number of completed transactions for the first three 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 decade¹.

In Financing Advisory, we ranked **2nd globally by number of completed restructuring transactions for the first three months of 2018²**, and maintained our position as adviser on more European equity assignments than any other independent financial adviser³.

The quality of our people is our principal competitive advantage and we constantly search for new talent. During the first quarter, we recruited a new head for our Chinese global advisory activities. In 2017, as part of our ongoing investment in the North American market, eight new MDs joined our business and we look forward to the arrival of two more Managing Directors here during the second quarter of the financial year 2018.

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

- **Energy Future** (adviser to second lien creditors) on its restructuring (US\$41.8 billion, United States)
- **Zodiac Aerospace** on its combination with Safran (€35 billion, France)
- **Maersk** on its sale of Maersk Oil to Total (US\$7.4 billion, Denmark and France)
- **PAI Partners and British Columbia Investment Management Corporation** on their acquisition of Refresco (€3.3 billion, France, Canada and the Netherlands)
- **Greece's Public Debt Management Agency** on its seven year bond issuance with a 3.375% coupon (€3 billion, Greece)
- **Ferguson** on its sale of STARK to Lone Star (€1.025 billion, UK and Denmark)

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

- **Westfield** on its combination with Unibail-Rodamco (€61 billion, Australia and France)
- **Prudential** on its demerger into Prudential and M&G Prudential (£47 billion, UK)
- **Essilor** on its combination with Luxottica (€47 billion, France and Italy)
- **Melrose Industries** on its hostile cash and share offer for GKN (£8.1 billion, UK)⁴
- **KapStone** on its sale to WestRock (US\$4.9 billion, United States)
- **Mommert Holding** on its sale of ZKW to LG Electronics and LG Corporation (€1.1 billion, Germany, Austria, South Korea)

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

² Source: Thomson Reuters

³ Source : Dealogic

⁴ Completed in Q2 2018

2. Rothschild Private Wealth & Asset Management

Rothschild Private Wealth & Asset Management (Private Wealth & Asset Management) is made up of Rothschild Martin Maurel (France, Belgium and Monaco), Rothschild Wealth Management & Trust (Switzerland, UK, Germany, Italy and Asia) and Rothschild Asset Management Inc. (North America).

Revenue for the three months to March 2018 was **€131 million, up 2%** (Q1 2017: €128 million).

The table below presents the progress in assets under management.

In € billion	1 st Quarter	
	2018	2017
AuM opening (1 January)	67.3	54.0
Martin Maurel merger	-	10.0
Net new assets	1.1	0.8
Market, exchange rate	(1.9)	1.8
AuM closing (31 March)	66.5	66.6

Assets under management were €66.5 billion as at 31 March 2018 versus €66.6 billion as at 31 March 2017 (€67.3 billion as at 31 December 2017). The first three months of 2018 have seen strong business activity with net inflows of €1.1 billion (of which €0.8 billion were driven by Private Wealth). Market depreciation and exchange rate effects reduced assets by €1.9 billion.

Following the merger of the two private banks in France of Rothschild & Cie Banque and Banque Martin Maurel in 2017 to create Rothschild Martin Maurel, the operational integration is on track, and will be finalised by the end of 2018.

3. Rothschild Merchant Banking

Rothschild Merchant Banking (Merchant Banking) revenue for the three months to March 2018 was €25.2 million, up 29% (Q1 2017: €19.5 million). When compared to the average of the last three years, first quarter revenue is up 43%.

Revenue from Merchant Banking comprises two main sources:

- Recurring revenue of €16.1 million was made up of management fees net of placement fees (Q1 2017: €13.4 million),
- Investment performance related revenue of €9.1 million (Q1 2017: €6.1 million) comprised:
 - €3.3 million of carried interest (Q1 2017: €2.2 million),
 - €5.8 million of realised and unrealised investment gains and dividends (Q1 2017: €3.9 million),

Rothschild & Co's investments in the division during the first quarter 2018 amounted to €19 million, all of which was attributable to the Group's own investments in funds managed by Merchant Banking.

Disposals and distributions generated proceeds of €18 million of which €4 million was distributed by FAPI I and €7 million was distributed by Rothschild Credit Management's ("RCM") Oberon II fund.

During the quarter, RCM held a first closing of Elsinore – a multi-strategy credit fund (€63 million) and launched Oberon USA (€55 million) marking a geographical expansion of its already successful European-based senior secured credit strategy. Shortly after the end of the quarter, Merchant Banking's Five Arrows Direct Lending (FADL), the European mid-market direct lending fund, held a final closing to reach €655 million of committed capital.

Just after the end of the quarter, Merchant Banking's FAPI I fund passed the milestone of having distributed a total amount in excess of invested capital. With strong prospects for exiting the remaining portfolio investments, it is expected that the fund will generate a highly satisfactory return over its life.

At the beginning of 2018, Merchant Banking decided to update its definition of Assets under Management (AuM) to align it with generally accepted industry practices. The application of this new definition⁵ results in an increase of the reported AuM figure as at December 2017 from €7.5 billion to €8.3 billion.

AuM as at 31 March 2018 stood at €8.5 billion.

4. Outlook

In Global Advisory, although global completed M&A activity for the first quarter of 2018 has been lower, the market conditions for M&A remain positive. We have been particularly active in some of the largest and most complex recently announced transactions globally, and so we are cautiously optimistic for our 2018 revenue.

Private Wealth & Asset Management is well positioned to deliver continuing net asset inflows and improving profitability. Our strategy of focussing on our core target markets, leveraging our network and targeting entrepreneurs and high net worth individuals is bearing fruit across our geographies.

Merchant Banking is committed to growing its assets under management in both Private Equity and Private Debt funds. Following the recent successful FADL fundraising, 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 calendar:

- 17 May 2018 AGM
- 25 September 2018 Half year results 2018 (January – June)
- 13 November 2018 Third quarter information 2018 (July – September)

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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, Private 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.

Rothschild & Co is a French partnership limited by shares (*société en commandite par actions*) listed on Euronext in Paris, Compartiment A with a share capital of €154,895,024. Paris trade and companies registry 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France.

⁵ Merchant Banking's reported AuM are now calculated on the basis of the funds' Net Asset Value plus all investors' undrawn/callable capital commitments, according to the rules specified in the funds' prospectus. In addition, the reported AuM also include the value of co-investments by investors that have direct exposure to assets included in the portfolio of the funds, in those cases where Merchant Banking maintains a strong influence over these co-investments.