



Press release

3rd quarter 2019

Paris, 12 November 2019

Robust revenue despite less favourable M&A environment

- **Global Advisory:** revenue for the nine months to September of €766 million, down 18% compared to the same stage last year, which was a record period (9 months 2018: €932 million) and down 25% for the third quarter to €221 million (Q3 2018: €296 million), directionally consistent with the global trend in completed M&A transactions
- **Wealth & Asset Management:** strong net new assets and equity markets resulted in robust growth in Assets under Management, up 14% from December 2018. Revenue for the nine months to September up 1% at €363 million (9 months 2018: €360 million) and up 3% to €123 million for the third quarter (Q3 2018: €119 million)
- **Merchant Banking:** strong growth of Assets under Management of 16% from December 2018. Revenue for the nine months to September up 10% to €141 million (9 months 2018: €128 million), up 31% for the third quarter to €30 million (Q3 2018: €23 million) and up 27% when compared to the average first nine months revenue for the previous three years
- Nine months revenue was impacted positively by currency translation effects of €14 million

In € million	Third quarter			9m to September		
	2019	2018	% Var	2019	2018	% Var
Global Advisory	221.3	295.9	(25)%	766.1	932.0	(18)%
Wealth & Asset Management	123.4	119.4	3%	362.6	360.3	1%
Merchant Banking	30.3	23.2	31%	140.7	128.2	10%
Other businesses	4.5	10.5	(57)%	17.8	44.0	(60)%
TOTAL before IFRS reconciliation	379.5	449.0	(15)%	1,287.2	1,464.5	(12)%
IFRS Reconciliation	1.8	4.9	(63)%	(8.4)	(4.1)	105%
Total Group revenue	381.3	453.9	(16)%	1,278.8	1,460.4	(12)%

1. Business review

1.1 Global Advisory

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

Revenue for the three months to September 2019 was **€221 million** (Q3 2018: €296 million), down 25%. Revenue for the nine months to September 2019 was **€766 million**, down 18% compared to the same period in 2018 (9 months 2018: €932 million), directionally consistent with the trend in completed M&A transactions over the same period and follows a record nine months period to September 2018 for this business. We ranked 8th globally by revenue for the twelve months to September 2019¹.

Our M&A business remains strongly positioned, ranking 2nd globally by number of completed transactions for the twelve months to September 2019². In Europe, we continue to advise on more M&A transactions than any of our competitors, a position we have held for more than a decade².

In Financing Advisory, we ranked 6th globally and joint 1st in Europe by number of completed restructuring transactions for the twelve months to September 2019. During the twelve months to September 2019 we maintained our position as adviser on more European equity capital market assignments than any other independent financial adviser³.

At the end of October, **we announced the acquisition of Livingstone in the United Kingdom**, subject to regulatory approval. Livingstone is a successful and long-established business focusing on the UK lower mid-market segment. As we continue to explore strategic options to extend our client services and to support the future development of the business, we believe this is a unique opportunity for us to take advantage of a significant transactional flow which we see but in which we do not actively participate. GA continues to focus on mid and large-cap transactions for both public and private corporates, as well as financial sponsors, sovereigns, and family-controlled businesses. We therefore expect Livingstone to be additive to our GA business in the same way in which our lower mid-market team in France has enhanced the firm’s business there.

Rothschild & Co advised the following clients on significant assignments completed in Q3 2019:

- **EQT, ADIA and PSP Investments** on its acquisition of Nestlé Skin Health (CHF10.2 billion, Switzerland)
- **BTG** on its recommended cash offer by Boston Scientific (£3.3 billion, United Kingdom and United States)
- **Nyrstar** (adviser to shareholders) on its restructuring (€2.6 billion, Belgium)
- **Marks & Spencer** on its online grocery retail joint venture with Ocado (£1.5 billion, United Kingdom). Our advice also included a rights issue (£0.6 billion), concurrent debt refinancing (£0.25 billion) and Investor Advisory support of its post-launch investor roadshow to underserved accounts
- **Bouygues** on its sale of a 13% stake in Alstom (€1.1 billion, France)

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

- **Greene King** on its recommended cash offer by CK Asset Holdings (£4.6 billion, United Kingdom and Hong Kong)
- **Cision** on its sale to Platinum Equity (US\$2.74 billion, United States)
- **Teck Resources** on its project financing of the Quebrada Blanca Phase 2 copper development project (US\$2.5 billion, Canada)

¹ Companies filings

² Refinitiv, completed transaction, Excludes accountancy firms

³ Dealogic

- **Groupe Bruxelles Lambert** on its acquisition of Webhelp (€2.4 billion, Belgium and France)
- **Cobham** on its recommended cash offer from Advent (£4.2 billion, United Kingdom)

1.2 Wealth & Asset Management

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

The business model, based on organic growth thanks to synergies between our three businesses, continues to flourish. **Net New Assets (NNA) for the first nine months of 2019 was strong at €2.8 billion** (€0.8 billion for the third quarter) providing 6% growth in AUM (on an annualised basis) from 1 January 2019. Wealth Management saw strong positive net inflows of €2.7 billion in all geographies. Asset Management achieved net inflows of €0.1 billion.

Assets under Management (AuM) increased by 14% (or €8.9 billion) to €73.7 billion as at 30 September 2019 (31 December 2018: €64.8 billion and 30 June 2019: €71.5 billion). The growth was driven both by strong NNA as well as more favourable market conditions, which recovered during the first nine months of 2019 following the decline in the fourth quarter of 2018.

The table below presents the progress in Assets under Management.

In € billion	Third quarter		9m to September	
	2019	2018	2019	2018
AuM opening	71.5	68.9	64.8	67.3
Net new assets	0.8	0.2	2.8	2.1
<i>of which Wealth Management</i>	0.8	0.3	2.7	2.2
<i>of which Asset Management</i>	0.0	(0.1)	0.1	(0.1)
Market and exchange rate	1.4	0.9	6.1	0.6
AuM closing (30 September)	73.7	70.0	73.7	70.0
<i>% var / AuM opening</i>	3%		14%	

Revenue for the three months to September 2019 was **€123 million** (Q3 2018: €120 million), up 3%. Revenue for the nine months to September 2019 was **€363 million**, up 1% versus the previous period (9 months 2018: €360 million).

Revenue is penalised by the low interest rate environment in our French and Swiss businesses given our historic level of cash deposits. The flat revenue reflects two opposing factors: an increase in commissions supported by positive market performance during the first nine months of 2019 and excellent net asset inflows, offset by lower income on our treasury activity and the increasing impact of negative interest rates on higher European Central Bank deposits as a result of the strong asset inflows which increased clients' cash balances. This has impacted our net interest income by around 8% between the first nine months of 2019 and the first nine months of 2018.

1.3 Merchant Banking

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

Revenue for the three months to September 2019 was **€30 million** (Q3 2018: €23 million), up 31%. Revenue for the nine months to September 2019 was **€141 million** (9 months 2018: €128 million) up 10%. When compared to the average first nine months of the last three years, revenue is up 27%.

The table below presents the progress in revenue.

In € million	Third quarter			9m to September		
	2019	2018	% Var	2019	2018	% Var
Recurring revenue	21.8	16.1	35%	63.1	51.7	22%
Investment performance related revenue	8.5	7.1	20%	77.6	76.5	1%
<i>of which carried interest</i>	4.0	2.8	43%	37.5	26.6	41%
<i>of which realised and unrealised investments gains and dividends</i>	4.5	4.3	5%	40.1	49.9	(20)%
Total revenue	30.3	23.2	31%	140.7	128.2	10%
<i>% recurring / Total revenue</i>	72%	69%		45%	40%	

During the first nine months of 2019, Rothschild & Co's investment in the division totalled €101 million, of which €97 million was attributable to the Group's own investment in funds managed by Merchant Banking and €4 million was in proprietary investments. Disposals and distributions generated proceeds of €83 million, of which €61 million was from Merchant Banking's managed funds (the majority, €40 million, being from FAPI I and FAPI II following several successful portfolio companies exits).

Assets under Management ("AuM") as at 30 September 2019 stood at **€12.9 billion, up 16%** versus 31 December 2018 (€11.1 billion), of which €1.0 billion has been committed by Rothschild & Co.

The increase of €1.8 billion since the start of 2019 relates to:

- growth of AuM within Rothschild & Co Credit Management, with the launch of new CLOs,
- the first closure of Five Arrows Secondary Opportunities V (FASO V); and
- the unrealised value accretion within the portfolio across the Merchant Banking funds.

2. Outlook

In **Global Advisory**, following a robust first half revenue performance, third quarter completions have been lower. However, we foresee a strong final quarter of the year based on the expected level of completions and on our visible pipeline for the rest of the year. Looking outward, publicly available data indicates that announced global M&A activity during the last twelve months has declined and, whilst we believe the general environment continues to be supportive for M&A and our market position, particularly in Europe, continues

to be very strong, we remain alert to the signs of a more significant downturn in market activity which could adversely impact our business volumes.

Wealth and Asset Management has a solid base from which to grow and to continue to deliver strong net new assets in Wealth Management across all main geographies. The macro economic factors, however, are uncertain resulting in increased market volatility, and the low interest rate environment will continue to impact profitability.

Merchant Banking expects to continue growing its AuM and to maintain a significant contribution to the Group's results. The division will be focused on the deployment of the recently launched funds, will look for attractive exit opportunities for some of the more mature investment positions and will continue its fundraising efforts, mainly in secondary private equity, direct lending and credit management. Our portfolios' performance remains strong and we continue to apply our investment philosophy that is centred around cautious and disciplined capital deployment, focusing on attractive risk-reward opportunities with appropriate downside protection features.

Whilst 2018 was a very strong year, 2019 is more challenging due to the increased uncertainty surrounding the macro environment. We maintain our focus on our strategy of growing our three businesses and improving the synergies between them, while, in the event of a decline in market conditions, remaining ever vigilant to control our cost base.

Financial calendar:

- 10 March 2020: Publication of Full year results 2019
- 12 May 2020: First quarter information 2020
- 14 May 2020: Annual general meeting

For further information:

Rothschild & Co	Media Contact
Investor Relations	DGM
Marie-Laure Becquart	Olivier Labesse
Marie-laure.becquart@rothschildandco.com	labesse@dgm-conseil.fr
Media Relations	
Caroline Nico	
Caroline.nico@rothschildandco.com	

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 provides 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.

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 €155,135,024. Paris trade and companies registry 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France.

Quarterly progression of revenue

<i>In € million</i>		2019	2018	Var
Global Advisory	1 st quarter	292.5	261.7	12%
	2 nd quarter	252.3	374.4	(33)%
	3 rd quarter	221.3	295.9	(25)%
	Total	766.1	932.0	(18)%
Wealth & Asset Management	1 st quarter	118.5	119.7	(1)%
	2 nd quarter	120.7	121.2	(0)%
	3 rd quarter	123.4	119.4	3%
	Total	362.6	360.3	1%
Merchant Banking	1 st quarter	24.1	25.2	(4)%
	2 nd quarter	86.3	79.8	8%
	3 rd quarter	30.3	23.2	31%
	Total	140.7	128.2	10%
Other business and corporate centre	1 st quarter	9.8	17.0	(42)%
	2 nd quarter	3.5	16.5	(79)%
	3 rd quarter	4.5	10.5	(57)%
	Total	17.8	44.0	(60)%
IFRS reconciliation	1 st quarter	(1.0)	(3.5)	(71)%
	2 nd quarter	(9.2)	(5.5)	67%
	3 rd quarter	1.8	4.9	(63)%
	Total	(8.4)	(4.1)	105%
Total Group Revenue	1st quarter	443.9	420.1	6%
	2nd quarter	453.6	586.4	(23)%
	3rd quarter	381.3	453.9	(16)%
	Total	1,278.8	1,460.4	(12)%