



# **Results for full-year 2020**

## Presentation to analysts and investors

March 2021

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# 1

Highlights

# Highlights



## Resilient results in the face of very challenging market conditions

### Business performance

- **Global Advisory (GA):** revenue similar to 2019 (-1%, flat in constant currency) despite the COVID-19 crisis. Decline in M&A mitigated by increased Financing Advisory activity. In 2020, ranked 8<sup>th</sup> by revenue, 1<sup>st</sup> by number in Europe and 2<sup>nd</sup> by number globally
- **Wealth & Asset Management (WAM):** strong Net New Assets (NNA) in Wealth Management (€2.9bn, +16% vs 2019). Resilient financial performance in Europe with revenues up 3% at €470m (2019: €458m) and PBT up 9% at €74m (2019: €68m). Conservative loan book, within no material issues. Difficult year for Asset Management in US
- **Merchant Banking (MB):** Resilient performance of portfolio companies with no liquidity issues arising. Portfolio valuation increased during the year, albeit less than in 2019. As a result, overall revenue was down 25%, although strong increase of 24% in recurring revenue. Following recent fundraisings, AuM continue to grow (+12%)

### Results

- **Group revenue:** €1,799m, down 4% (2019: €1,872m)
- **Net income - Group share excluding exceptionals:** €173 million, down 26% (2019: €233 million), mainly reflecting lower investment revenue in MB which has a direct impact on Group's net income
- **Earnings per share (EPS) excluding exceptionals:** €2.37, down 27% (2019: €3.24)

### Dividend

- 2020 dividend restricted to €0.70 per share (following the 2019 dividend of €0.85 being cancelled)
- As a consequence, we expect to make a special interim payment in Q4 2021 of €1.04 per share, subject to restrictions being lifted

### Solvency ratios

- Very well capitalised balance sheet with solvency ratio of 20.1%<sup>1</sup> as at December 2020

### Credit and liquidity

- We do not undertake proprietary trading or capital market activities
- Credit activity is limited: lending well secured and focused on our private clients
- High liquidity ratios in our regulated banks with strong central liquidity as well

#### Note

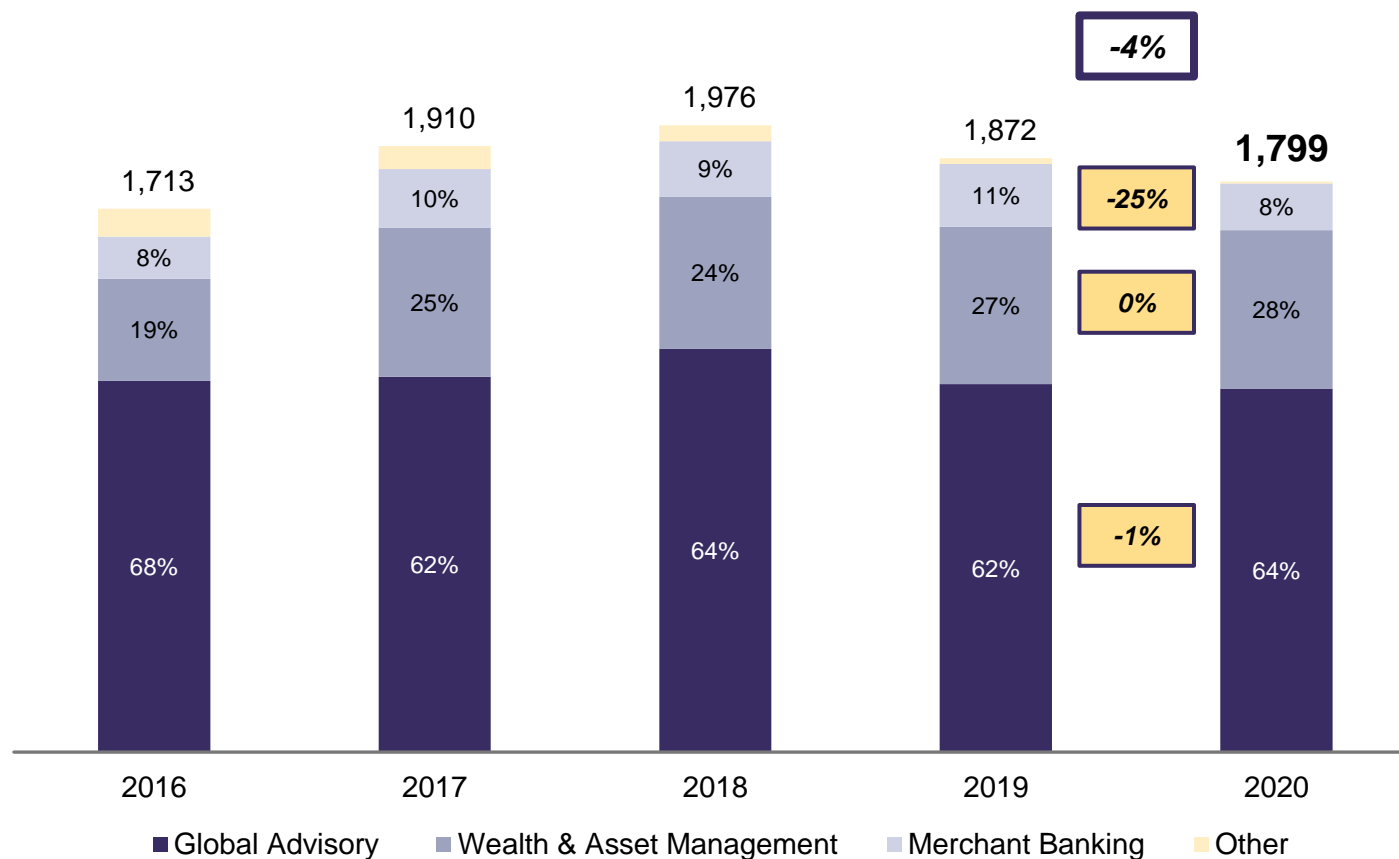
<sup>1</sup> The ratio submitted to ACPR as at 31 December 2020 was 19.5%, which excludes the profit of the second half of the year as non-audited at the time of the submission

# Group revenue



Resilient revenue in GA and WAM; MB investment performance revenue decline

Group revenue (in €m)

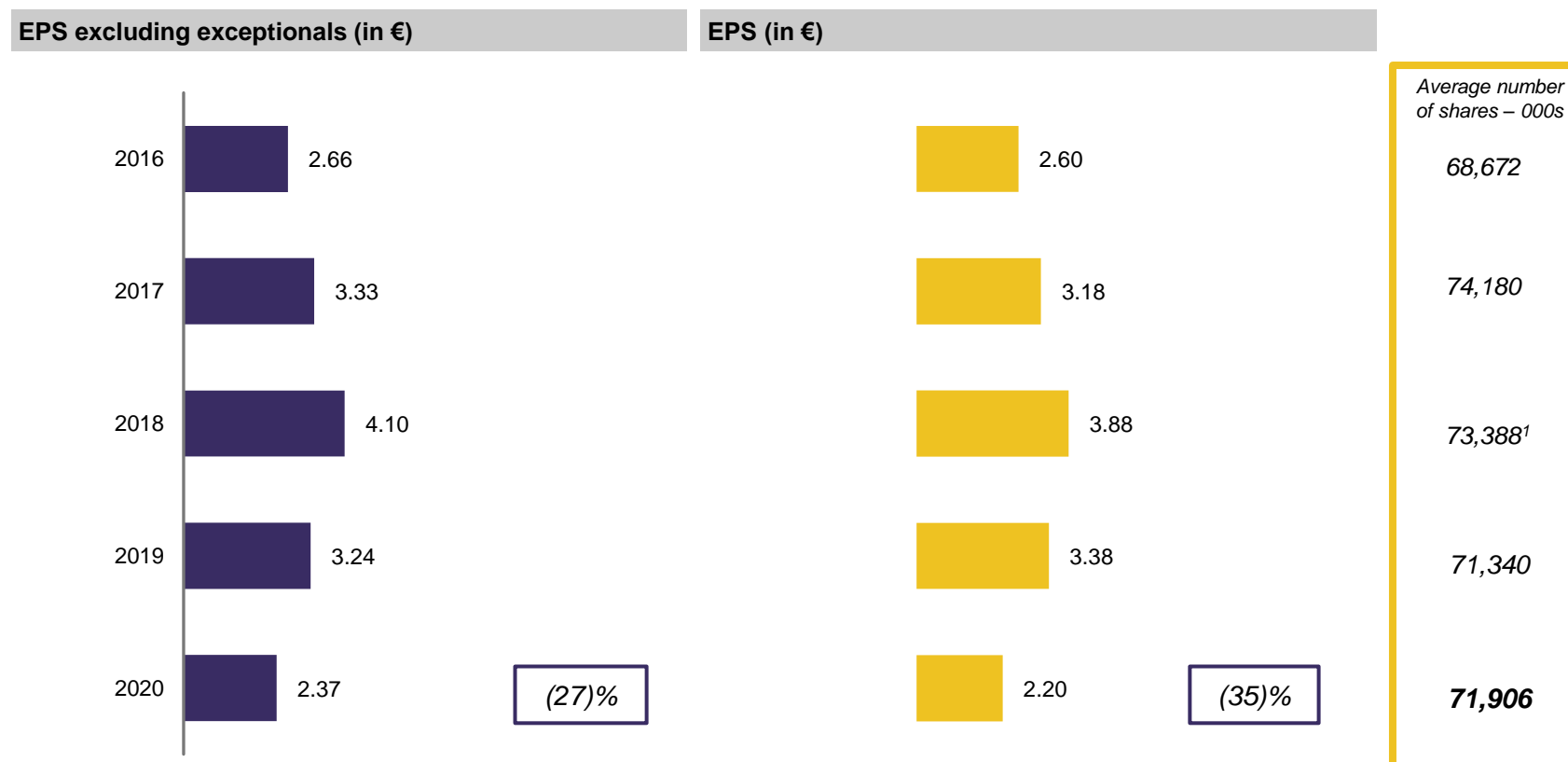




# Group EPS



## Leverage effect of lower MB investment performance revenue impacting EPS



### Note

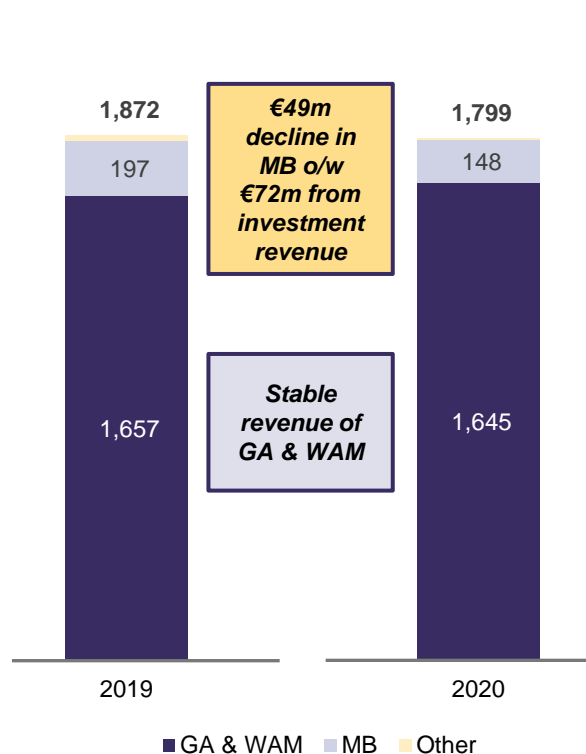
1 Average number of shares decreased as a consequence of the share buy back as part of Edmond de Rothschild deal in August 2018

# Profit bridge between 2019 and 2020

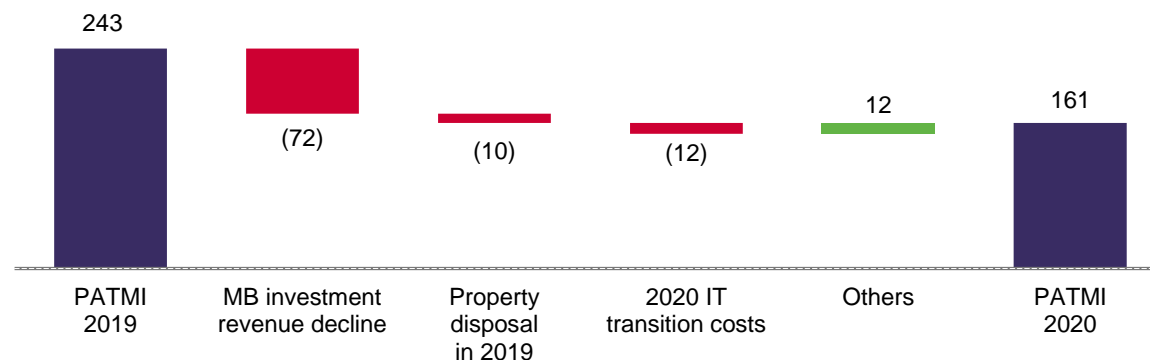


Lower profits predominantly explained by decline of investment revenue in MB, which directly impacts Group net income

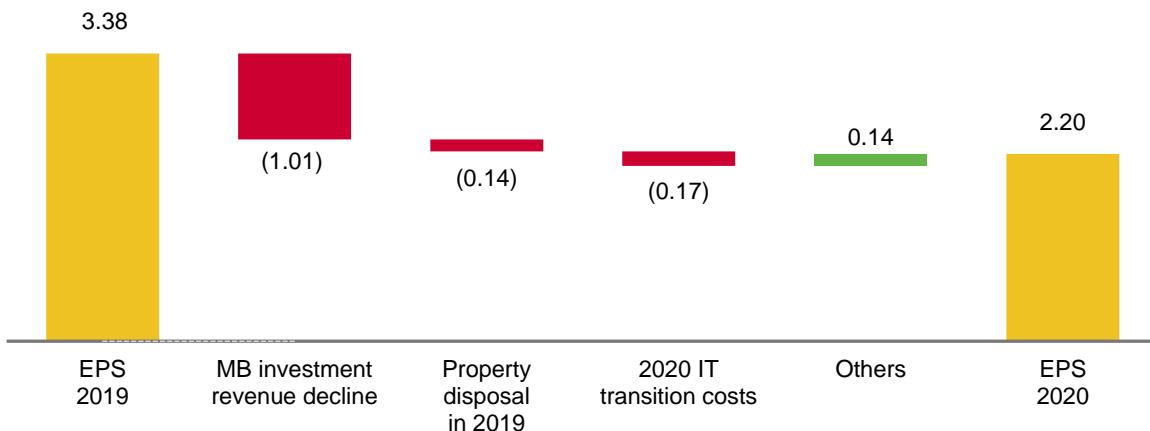
Revenue (in €m)



Profit after tax and minority interest (in €m)



EPS (in €)



# 2

Business review: Global Advisory





## Highlights of 2020

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### COVID-19

- It has confirmed the robustness and the agility of our business model

### Performance

- Strong performance in M&A in line with the market and out performing in Europe
- Record year in Financing Advisory overall, notably in Debt Advisory & Restructuring
  - €380m revenue, 1/3 of total GA revenue
- Record year in North America in US\$ terms
  - Growth in M&A boosted strongly by Restructuring

### Building upon our Investor advisory platform, leveraging successful integration

- Team hired to broaden offering in continuation funds with private equity funds

### Rest of the world footprint continuing to be differentiator

- Some competition withdrawing

**1<sup>st</sup>**

By number of M&A deals in Europe

**2<sup>nd</sup>**

By number of M&A deals globally

**1<sup>st</sup>**

globally  
by number and value  
for Debt Advisory

**1<sup>st</sup> / 2<sup>nd</sup>**

By value of Europe /  
Global restructurings

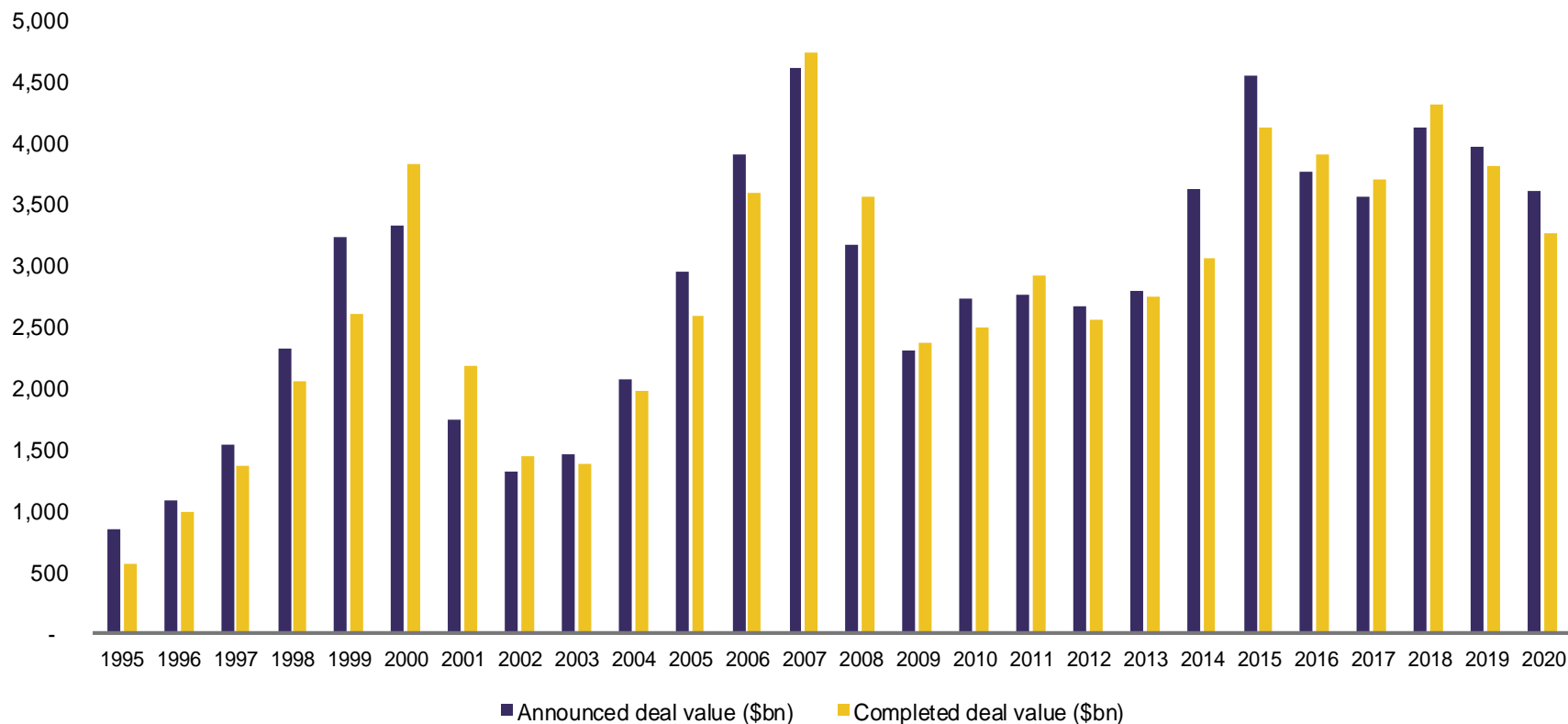
**1<sup>st</sup>**

Equity Adviser, globally,  
by deal number

Advised on Europe's  
largest IPOs, rights  
issues and blocktrades



## Global M&A market by values



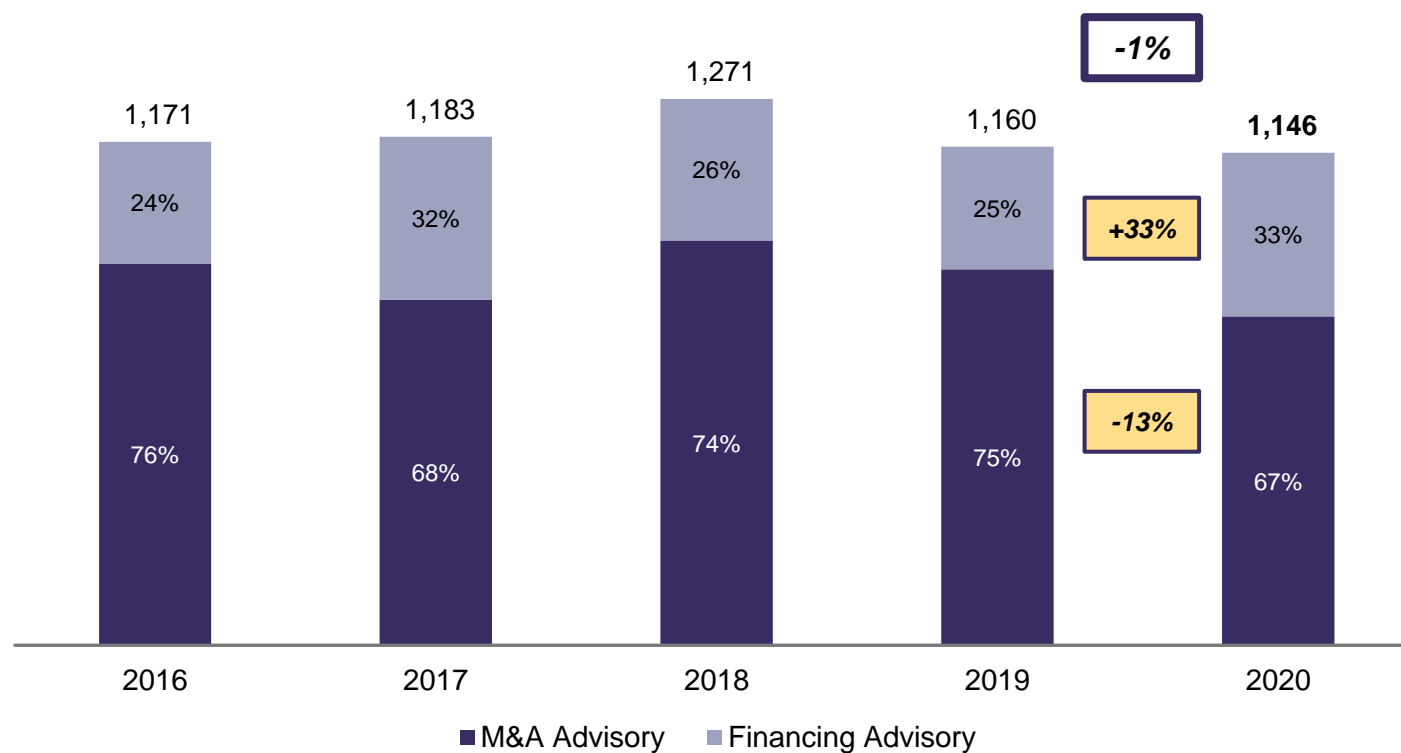
	16 vs 15	17 vs 16	18 vs 17	19 vs 18	20 vs 19
% var Announced	(17%)	(5%)	16%	(4%)	(9%)
% var Completed	(5%)	(5%)	17%	(12%)	(14%)

Source: Dealogic



Resilient revenue in a very challenging year due to increase in Financing Advisory activity

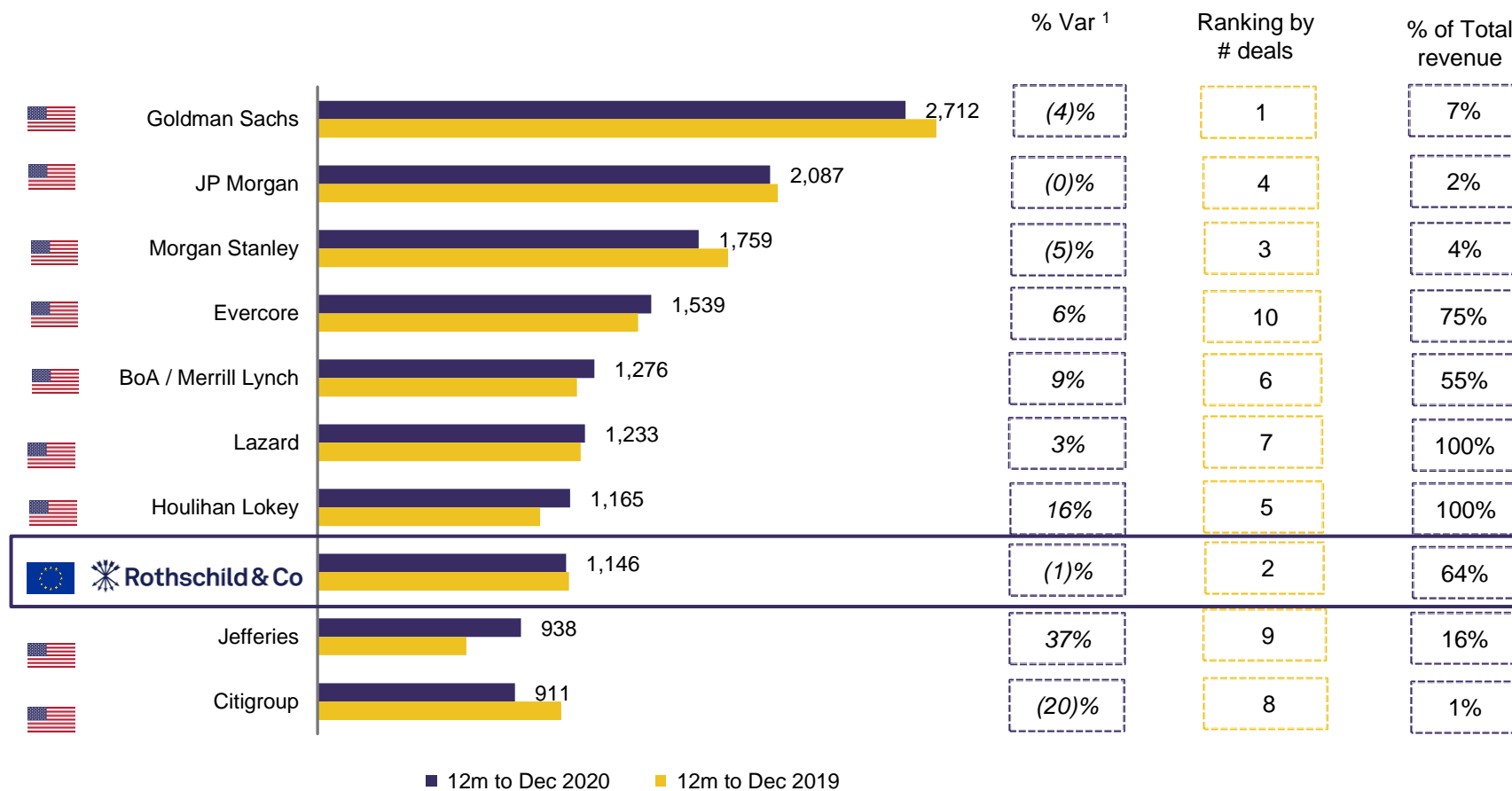
Revenue by product (in €m)





## Strong position by revenue and number of deals

Ranking of top 10 advisers by advisory revenue (in €m) – 12m to December 2020



**Note**

1: Variation calculated on local currency

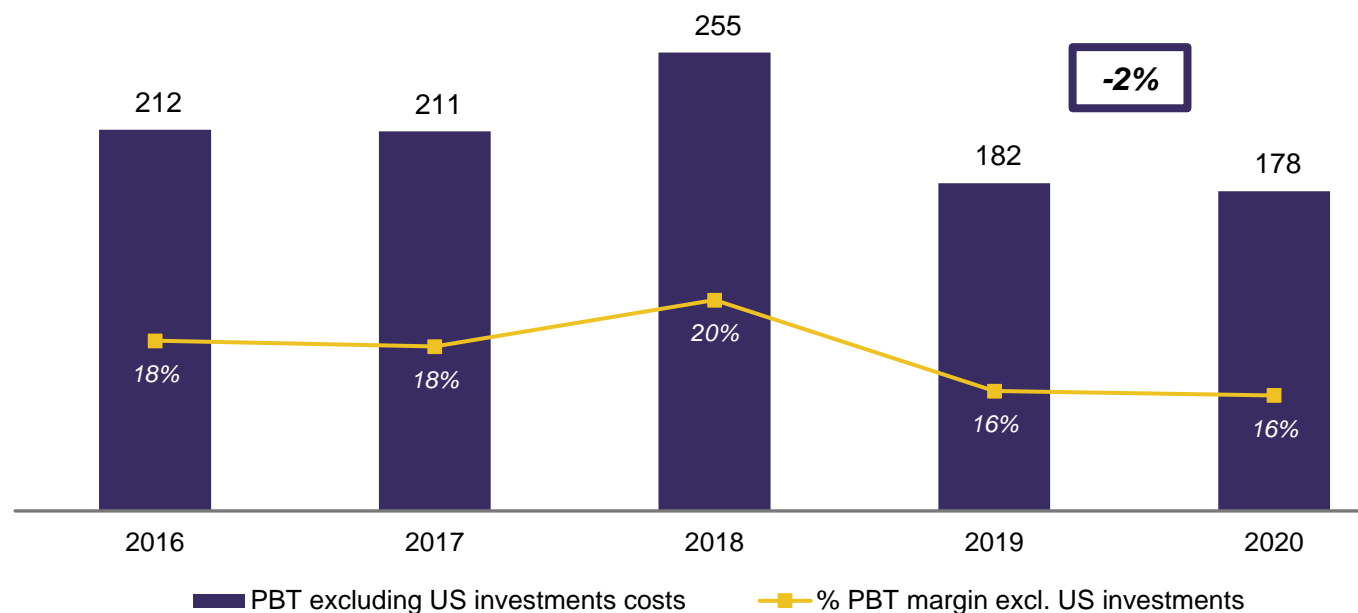
Source: Company's filings, Dealogic completed transactions





## Resilient profitability despite declining M&A activity

Profit Before Tax (in €m) and PBT margin - pre US investment costs<sup>1</sup>



**Compensation ratio<sup>2</sup>**

65.6%

65.0%

63.4%

64.9%

**67.3%**

### Notes

<sup>1</sup> US investment costs were €23m in 2016, €25m in 2017, €22m in 2018, €16m in 2019 and €9m in 2020. Our US investment costs are expected to be around 2% of revenue subject to the right opportunities

<sup>2</sup> On an awarded basis



## Update on our North America development

### Overview

#### 6 offices

New York, Washington and Toronto and more recently Los Angeles (2014), Chicago (2016), Palo Alto (2018)

**c.220**

advisory bankers

**42**

MDs

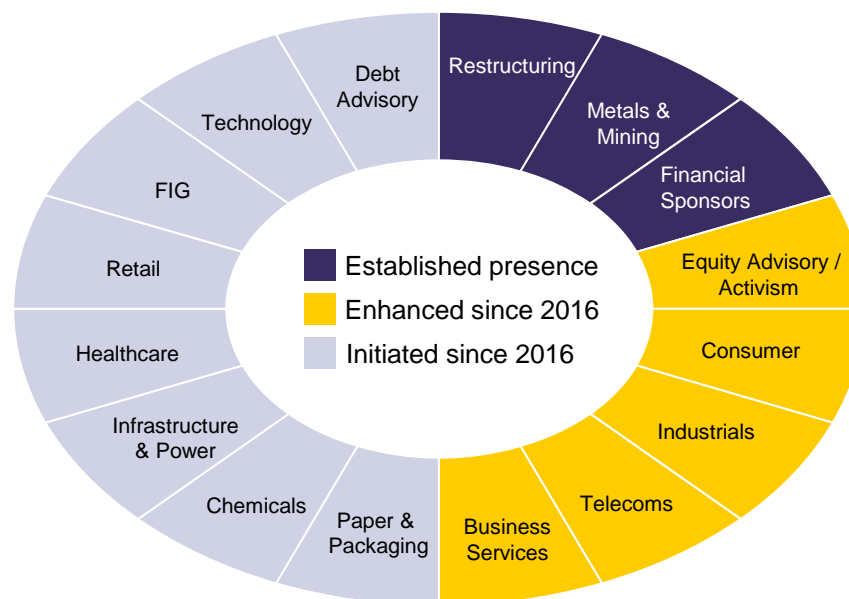
**29**

newly hired MDs since 2014

**4**

new MDs in 2020<sup>1</sup>

<sup>1</sup> Inclusive of 2 promotions



### R&Co North American progression

Objective to build a comprehensive platform in North America consistent with global capabilities

	2014	2020	
Deal value	\$45bn	\$97bn	+114%
Deal number	80	130	+63%
Market share	2.5%	5.0%	+100%

- As recruits begin to mature, we are starting to see the payoff
- Rothschild & Co North America has demonstrated its strong and growing coverage presence
- Successful track record in NA restructurings deals (#5 by announced deal value in 2020)

Source Refinitiv, any North America involvement on announced transactions

# 3

## Business review: Wealth & Asset Management



# Wealth & Asset Management



## Highlights of 2020

### Wealth Management

- Strength of Rothschild & Co brand resulting in continuous growth in NNA in Wealth Management over the past 5 years, with a 38% CAGR, reflecting an increase in our market share
- Acquisition of Banque Pâris Bertrand, a renowned private bank headquartered in Switzerland, with c.CHF6.5bn of AuM. Completion in the summer 2021, subject to regulatory approvals
- New definition of Assets under Management (AuM) in Wealth Management to improve consistency between our various businesses resulted in an increase in AuM of €1.7 billion, effective from 31 December 2020
- Private Client Lending book to date is resilient – low cost of risk, margin calls have been managed effectively

### AM Europe

- Strategic refocus with:
  - Disposal of two activities (funds of hedge funds to Candriam, alternative UCITS platform to Alma Capital) in 2020
  - Refocus around higher margin products and ESG, mostly in B2B2C. Opportunistic approach on the institutional market
- Cost savings initiatives implemented since 2019 fully bore fruit in 2020

### AM US

- Difficult year, with net outflow of €1.8 billion, primarily arising from the departure of the team covering multi-employer defined benefit business (“Taft-Hartley” plans) and the impact of our value-oriented investment philosophy which has proved difficult in the current environment
- Gain of an important mandate of sub-advisor with Transamerica AM, a new distribution partner, for approximately \$2.1 billion, which became effective in December 2020

**+16%**  
NNA in WM

**+9% PBT**  
in Europe

Acquisition of  
Banque Pâris  
Bertrand

Strategic refocus  
of AM business in  
Europe

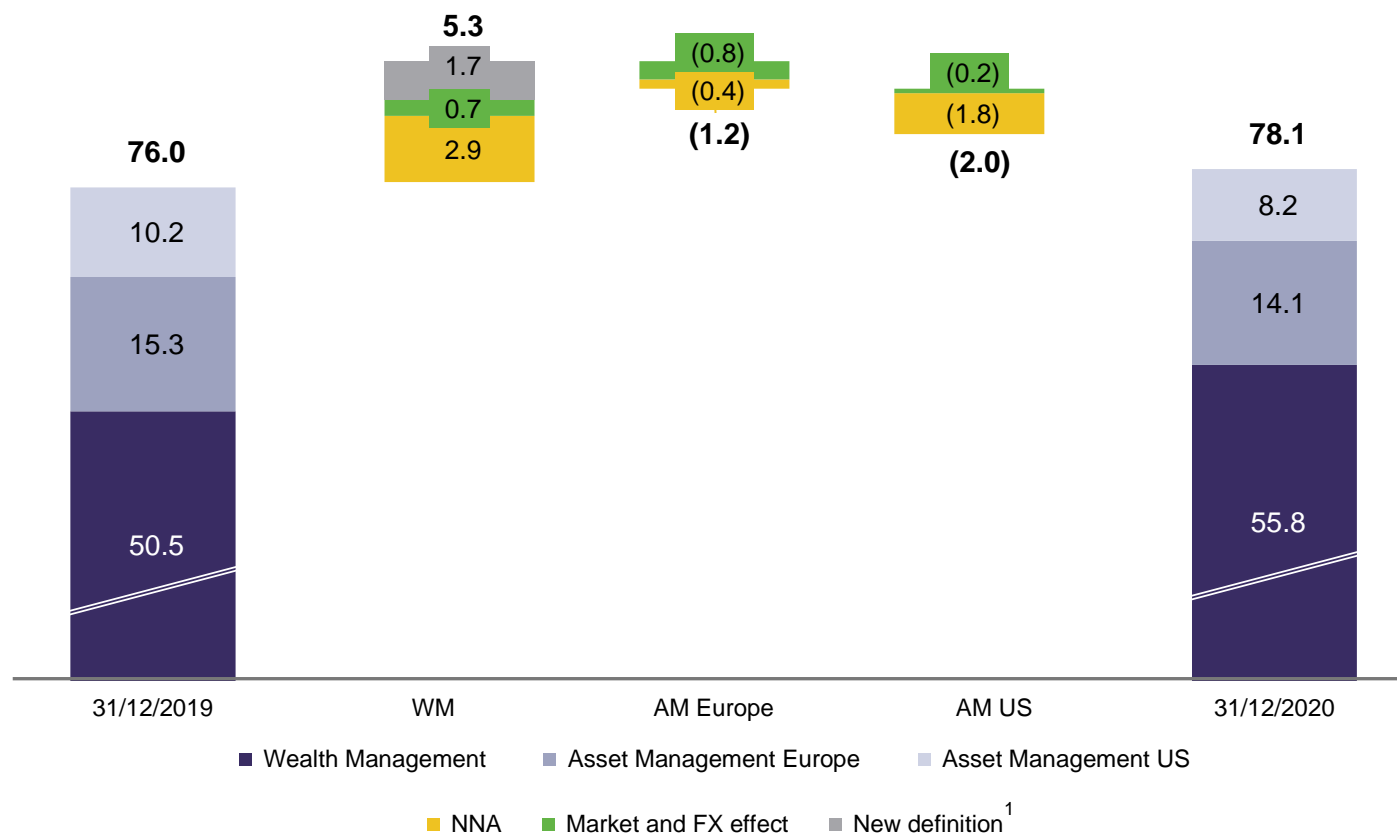


# Wealth & Asset Management



## Increased AuM supported by strong NNA in Wealth Management

Assets under management (in €bn)



### Note

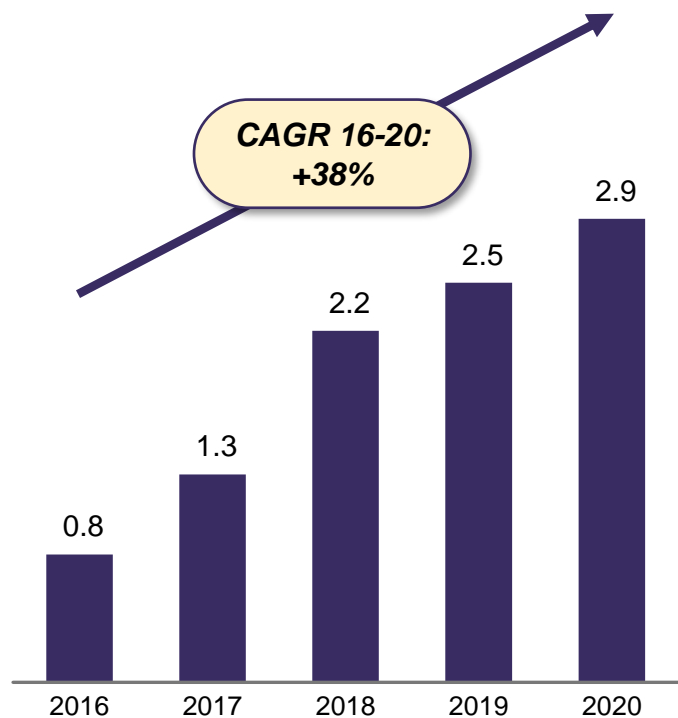
<sup>1</sup> Definition of AuM refined to align better the measurement of AuM within the Group, in line with the implementation of a common management information system for the whole Wealth & Asset Management business

# Wealth & Asset Management



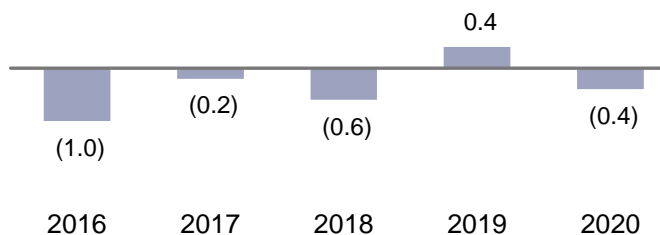
Strong net new assets in Wealth Management partly offset by outflows in Asset Management

Wealth Management NNA (in €bn)

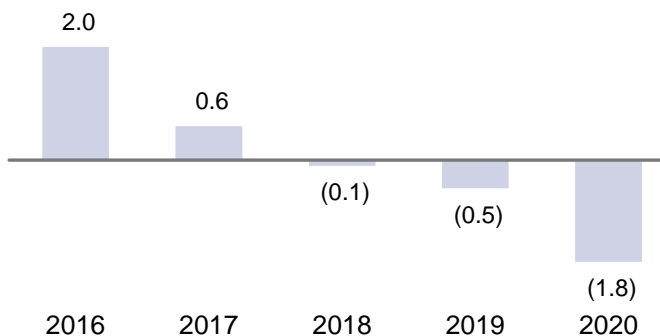


Asset Management NNA (in €bn)

AM Europe



AM US



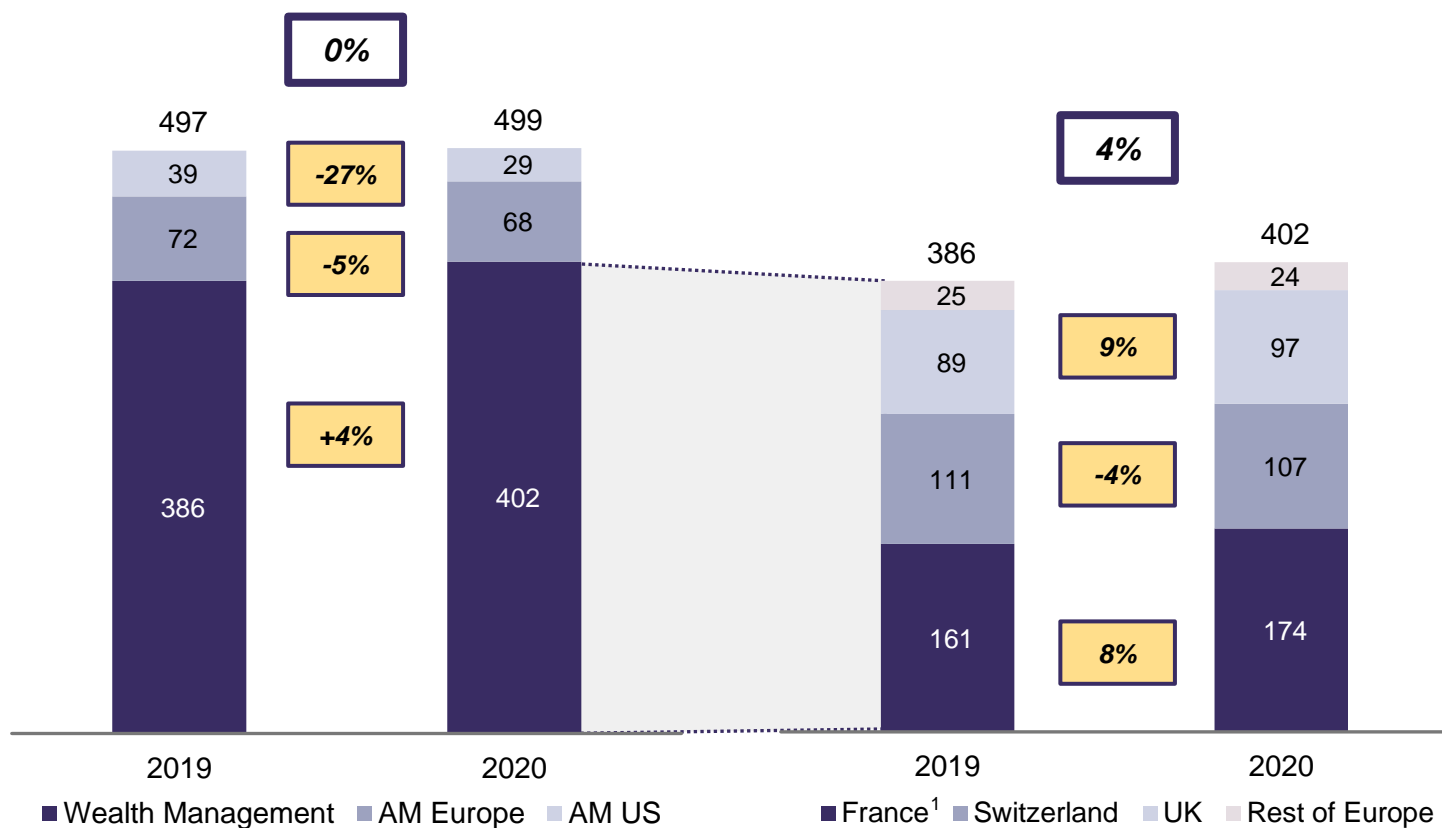
# Wealth & Asset Management



## Revenue breakdown

By business line

Zoom on WM revenue by geography



**Note**

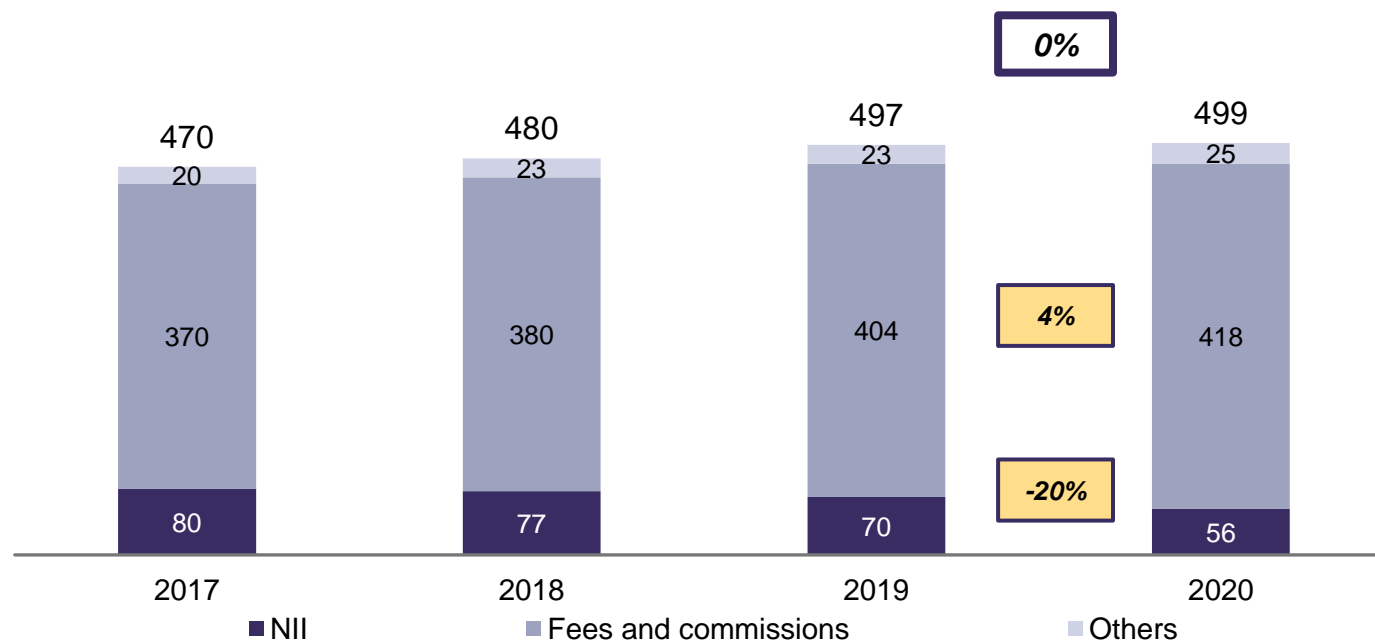
<sup>1</sup> France includes France, Belgium and Monaco

# Wealth & Asset Management



High level of fees and commissions but lower net interest income (NII)

Revenue by type (in €m)



Revenue bps margin

72

73

71

65



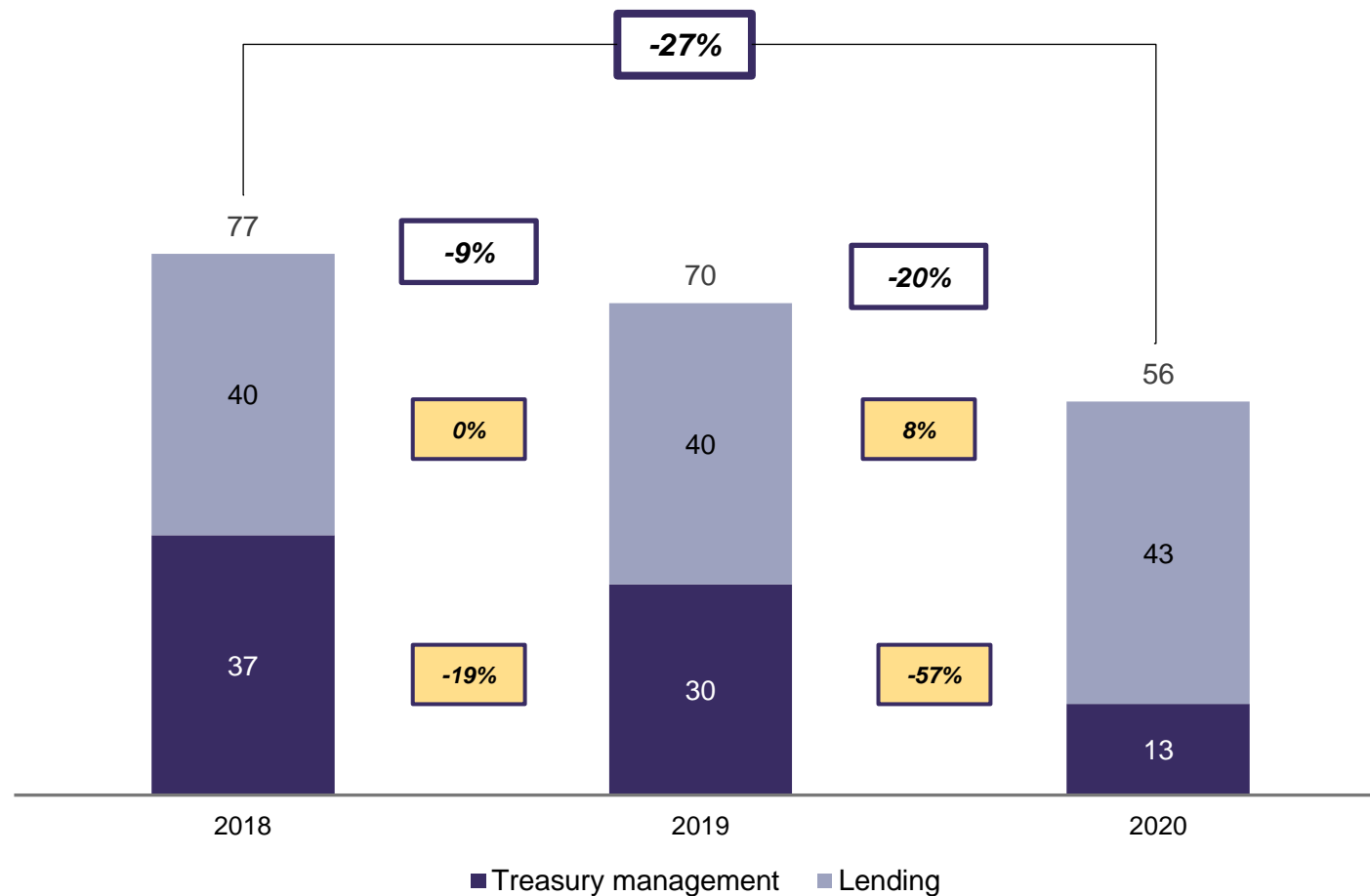
# Wealth & Asset Management



NII reduced by 27% since 2018 due to interest rate environment.

Impact on the lending book compensated by increase in the volume of credit

Breakdown of NII between lending and treasury

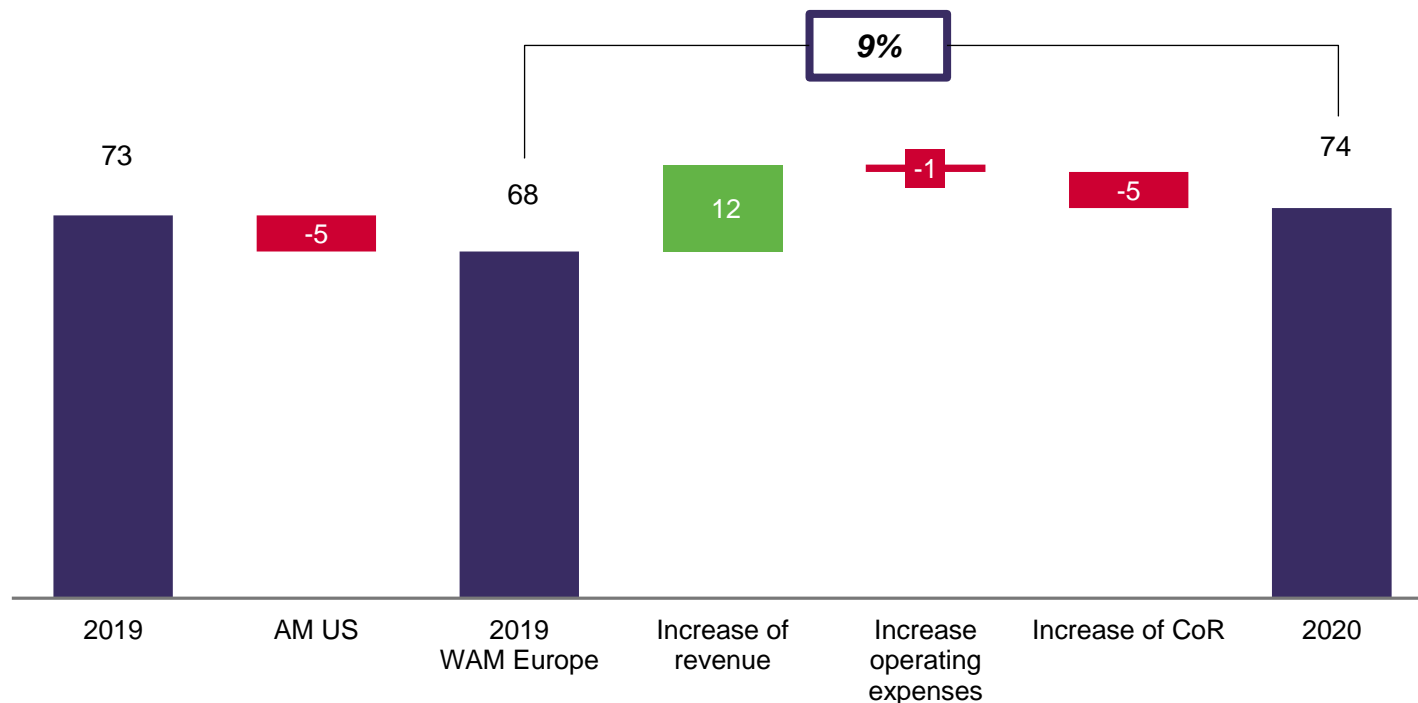


# Wealth & Asset Management



## Strong improvement of PBT excluding our AM US business

Profit Before Tax (in €m) and PBT margin



PBT margin 14.8%

14.9%

15.6%

**PBT margin expected to be around 18% (excluding AM US) instead of 20% target by 2022, due to the accelerated decline in interest rates and no increase expected in the foreseeable future**

# Responsible Investment



## Key achievements in 2020

### ESG integration

- All investment lines are now UN PRI Signatories
- 3 investment exclusion policies agreed covering investment businesses:
  - Controversial Weapons
  - Thermal Coal
  - Fundamental Principles
- One common ESG data provider adopted across all WAM entities (€78.1bn AuM) allowing a consistent and harmonised view

### Engagement policy

- Target: high voting coverage ratio among all investment lines:
  - 96% of voting coverage for AM Europe (priority scope) and 100% of voting coverage for WM UK in 2020
  - WM Switzerland targets 100% voting coverage by 2021 on its flagship Mosaique funds
- UN PRI Governance & Strategy score: “A+” for AM Europe, “A” for MB and WM UK
- Investment businesses joined new Responsible & Impact Investment initiatives:
  - “Swiss Sustainable Finance Initiative” for WM Switzerland
  - “Global Impact Investing Network” for Merchant Banking

### Services and Products Offering

- Dedicated RI products among most of investment businesses:
  - 4Change range funds for AM Europe (SRI certification obtained in 2020), 4Change mandate for WM France & Belgium, Exbury strategy for WM UK, Gender Diversity strategy for AM US
- SFDR classification objective<sup>1</sup> by 2021:
  - More than 85% of WM discretionary assets<sup>2</sup> classified as article 8 or 9
  - More than 95% for AM Europe open-ended funds

#### Notes

<sup>1</sup> According to available information and our own analysis of SFDR's requirements

<sup>2</sup> Excluding UK and dedicated funds





# 4

## Business review: Merchant Banking



# Merchant Banking



## Highlights of 2020

### COVID-19 impact

- Resilient performance with no liquidity issues arising
- Robust business models and revenue predictability increased demand for our assets post COVID-19, with positive impact on portfolio valuations and future prospects
- Investment activities, fundraising and business operations continued uninterrupted

### Investment activity

- Several attractive investments and profitable exits completed across all strategies
- Many transactions involved coordinated efforts across different funds, both in Europe and in the US
- US footprint and trans-Atlantic approach was a key differentiator for recent corporate private equity and secondary investments

### Investment performance

- Valuations in private equity and direct lending increased during the year
- Long-term value creation prospects remain unchanged
- Credit management portfolio displayed a strong recovery from April 2020

### Business performance

- Record-high management fees combined with carefully managed cost base drove enhanced fund management profitability
- Reliable source of recurring profitability for the Group

### Business development and fundraising

- Held final closing of FASO V (secondary private equity fund) and FAPEP II (multi-strategy private equity fund)
- Priced four new CLOs in Europe and US, and held closings for GLI (CLO equity vehicle) and Oberon IV (senior secured loan fund)
- Launch of new growth capital private equity fund and 3rd generation direct lending fund, with substantial commitments already secured
- Preparations started for new product initiatives to be launched in 2021

**€15.7bn**  
of AuM

**+24%**  
of recurring  
revenues

**6** new vehicles  
launched in  
2020

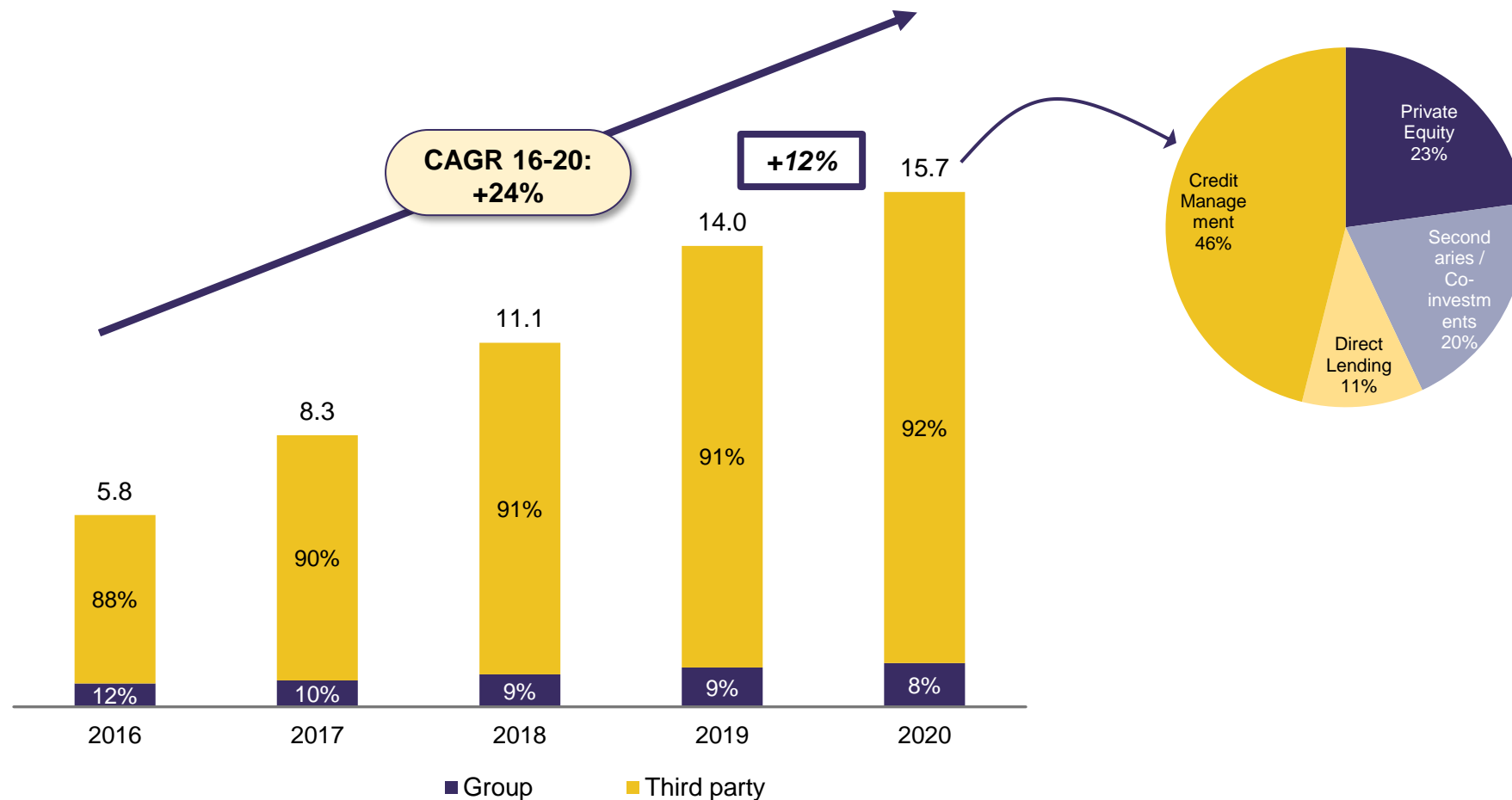
NAV of  
**€679m**

# Merchant Banking



Continuing growth of AuM thanks to development of business activities

Assets under Management (in €bn)



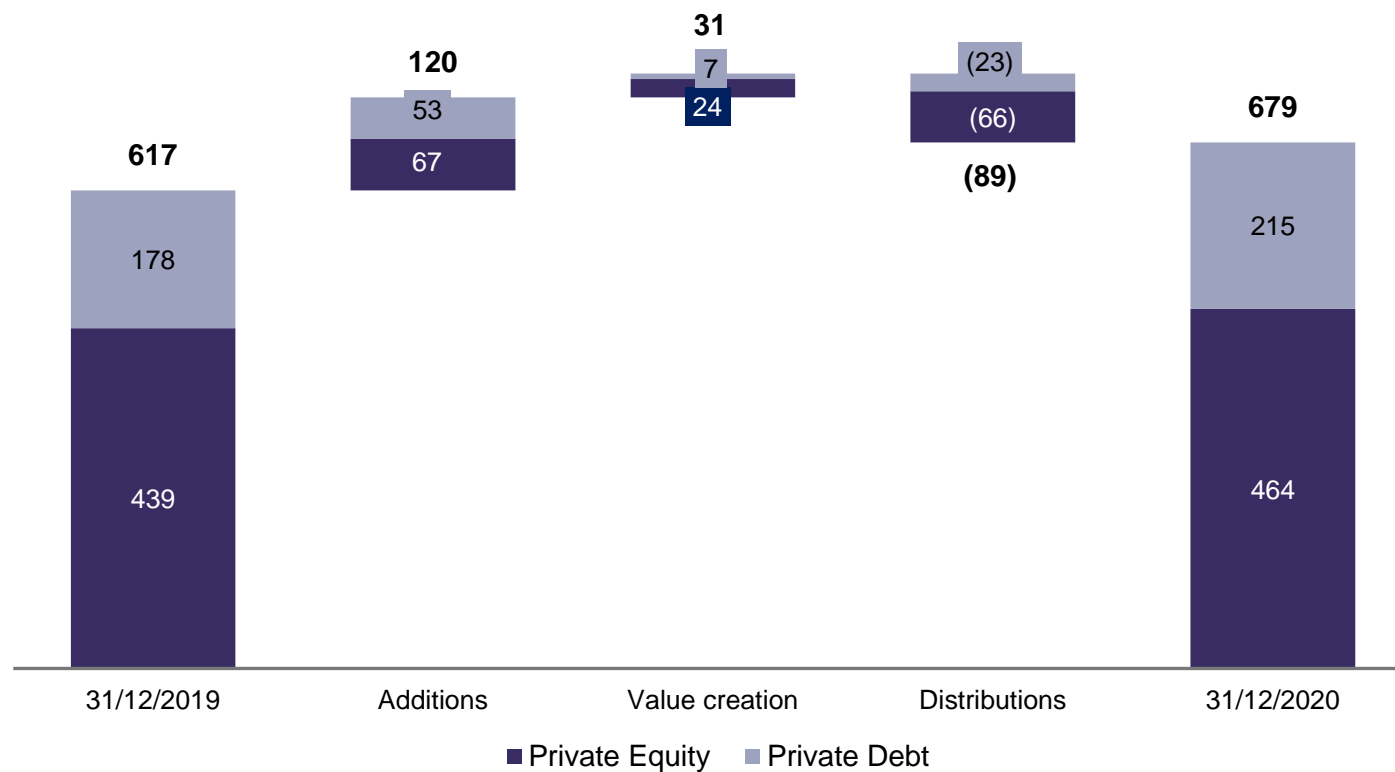


# Merchant Banking



NAV increased over December 2019 position which reflects the robustness of our portfolio

Change in Net Asset Value (NAV) of the Group's investment (in €m)

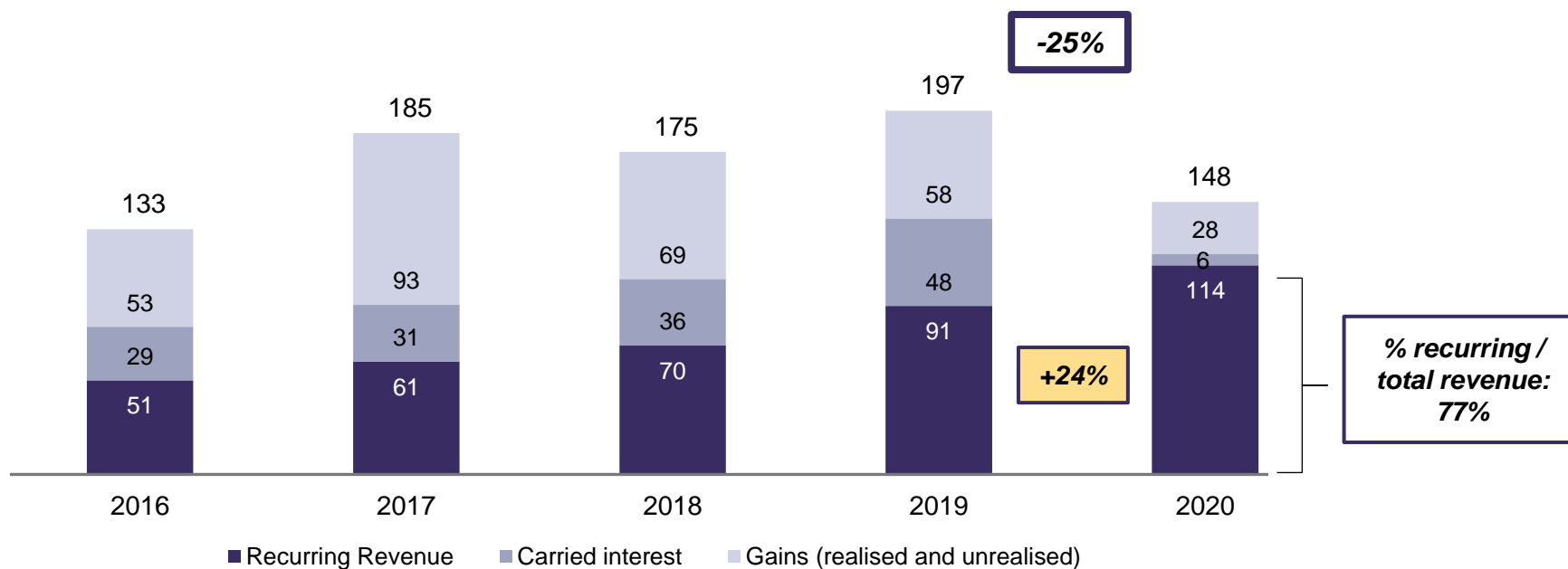


# Merchant Banking



Record level of recurring revenue but lower investment performance revenue due to the crisis

Revenue (in €m)



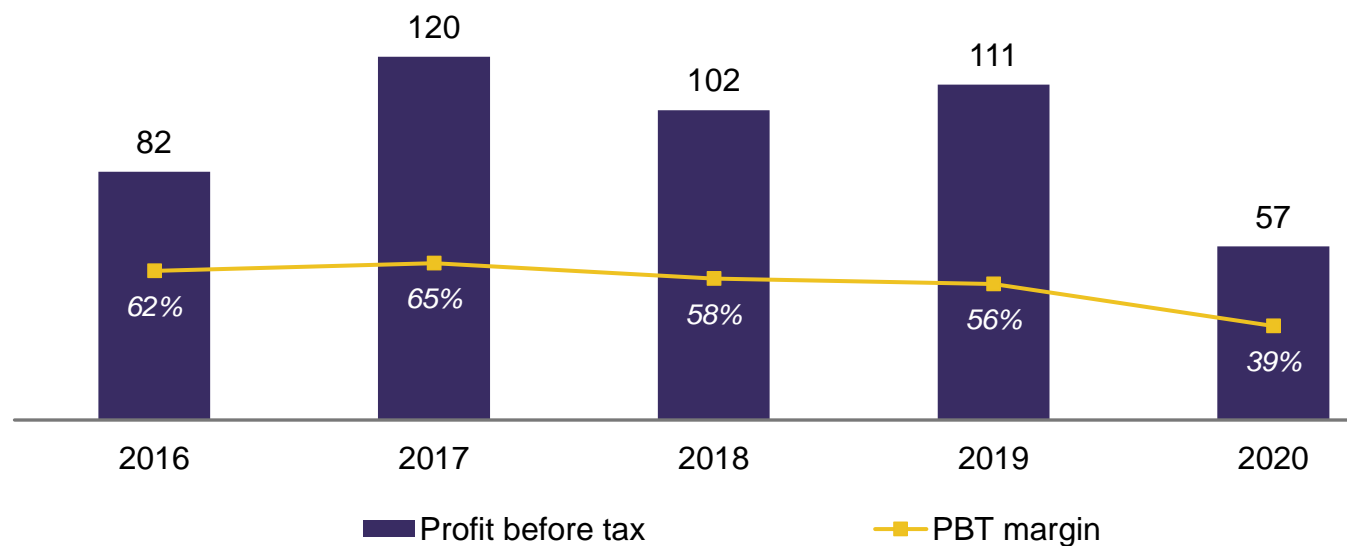
3y average revenue (in €m)	131	145	164	186	173
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# Merchant Banking



## Decline in PBT due to lower investment performance revenue

Profit Before Tax (in €m) and RORAC<sup>1</sup>



3 year average RORAC <sup>1</sup>	25%	26%	28%	28%	<b>20%</b>
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**Note**

<sup>1</sup> RORAC stands for Return On Risk Adjusted Capital – an internal measure of risk capital invested in the business, being profit before tax divided by risk weighted capital

The background of the slide is a close-up photograph of a woven metal mesh, likely stainless steel, showing a complex pattern of interlocking rectangular and circular shapes. A dark blue diagonal band cuts across the lower right portion of the image, serving as a background for the text.

# 5

Corporate responsibility

# Corporate responsibility (1/2)



## Key highlights 2020

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### Priorities

- Governance:
  - new CR Committee of the Supervisory Board
  - new Group Responsible Investment Team
- Signatory of the UN Global Compact
- Active engagement with ESG rating agencies and other stakeholders

### Businesses

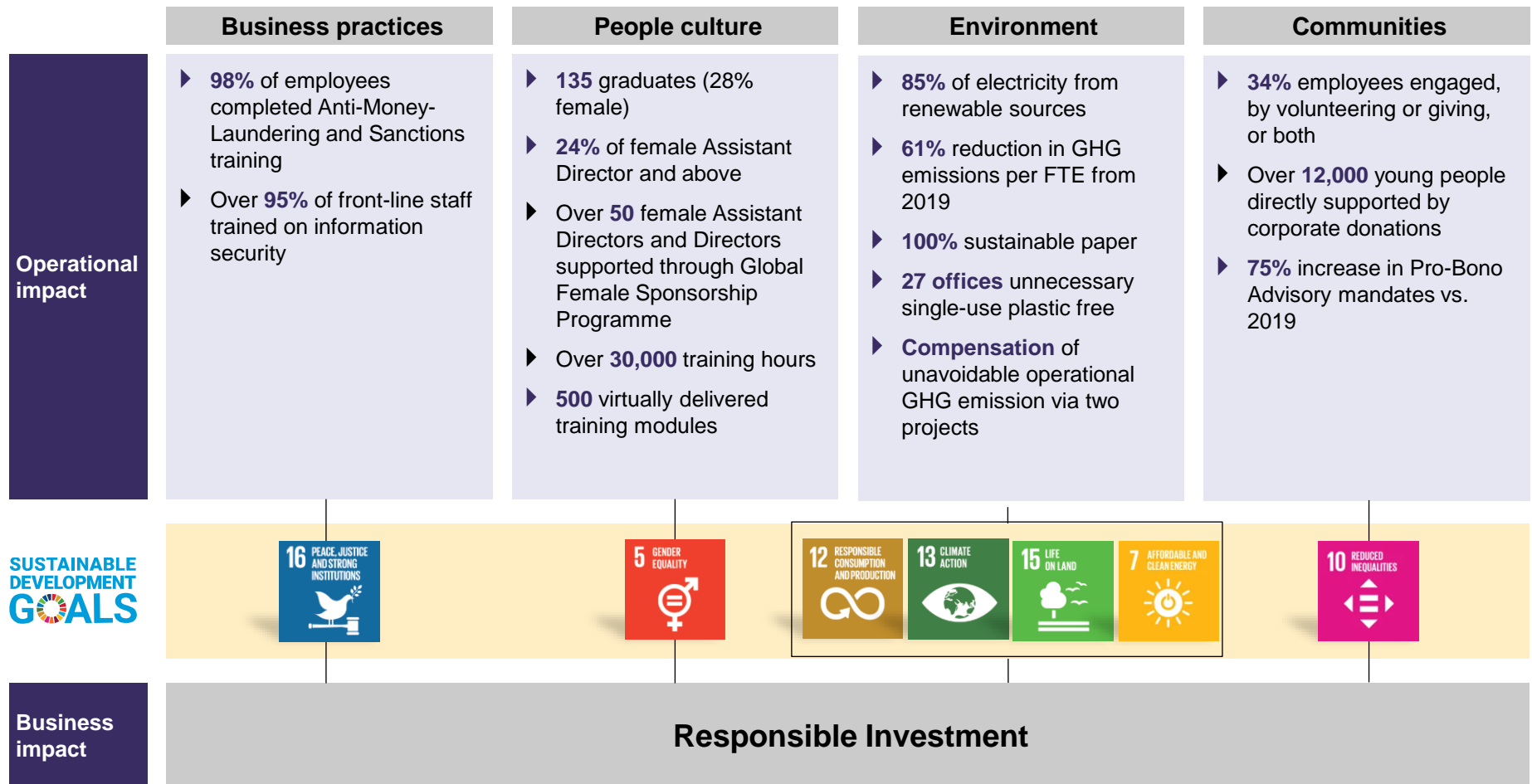
- Group-wide ESG investment integration framework
- All investment business lines UNPRI signatory
- Increase in dedicated responsible investment solutions

### Operations

- Supporting employee wellbeing and productivity in a remote working environment
- Focus on gender and ethnic minority inclusion
- Reduction in Greenhouse gas emissions and compensation of unavoidable emissions

# Corporate responsibility (2/2)

## Progress made across strategy spectrum







# 6

Financials



# Summary consolidated P&L



(in €m)	2020	2019	Var	Var %	FX effects
<b>Revenue</b>	<b>1,799</b>	<b>1,872</b>	<b>(73)</b>	<b>(4)%</b>	<b>(17)</b>
Staff costs	(1,096)	(1,065)	(31)	3%	14
Administrative expenses	(255)	(289)	34	(12)%	2
Depreciation and amortisation	(67)	(66)	(1)	2%	0
Cost of risk	(7)	(6)	(1)	17%	0
<b>Operating Income</b>	<b>374</b>	<b>446</b>	<b>(72)</b>	<b>(16)%</b>	<b>(1)</b>
Other income / (expense) (net)	(5)	19	(24)	(126)%	0
<b>Profit before tax</b>	<b>369</b>	<b>465</b>	<b>(96)</b>	<b>(21)%</b>	<b>(1)</b>
Income tax	(60)	(68)	8	(12)%	0
<b>Consolidated net income</b>	<b>309</b>	<b>397</b>	<b>(88)</b>	<b>(22)%</b>	<b>(1)</b>
Non-controlling interests	(148)	(154)	6	(4)%	0
<b>Net income - Group share</b>	<b>161</b>	<b>243</b>	<b>(82)</b>	<b>(34)%</b>	<b>(1)</b>
Adjustments for exceptionals	12	(10)	22	(220)%	0
<b>Net income - Group share excl. exceptionals</b>	<b>173</b>	<b>233</b>	<b>(60)</b>	<b>(26)%</b>	<b>(1)</b>
<i>Earnings per share<sup>1</sup></i>	<i>2.20 €</i>	<i>3.38 €</i>	<i>(1.18) €</i>	<i>(35)%</i>	
<b>EPS excl. exceptionals</b>	<b>2.37 €</b>	<b>3.24 €</b>	<b>(0.87) €</b>	<b>(27)%</b>	
<i>Return On Tangible Equity (ROTE)</i>	<i>8.2%</i>	<i>13.2%</i>			
<b>ROTE excl. exceptionals</b>	<b>8.8%</b>	<b>12.6%</b>			

## Note

<sup>1</sup> Diluted EPS is €2.19 for 2020 (2019: €3.35)

# “Exceptionals” reconciliation



(in €m)	2020			2019		
	PBT	PATMI	EPS	PBT	PATMI	EPS
<b>As reported</b>	<b>369</b>	<b>161</b>	<b>2.20 €</b>	<b>465</b>	<b>243</b>	<b>3.38 €</b>
- Net profit on legacy assets	-	-	-	18	10	0.14 €
- IT transition costs	(15)	(12)	(0.17) €	-	-	-
<b>Total exceptional (expenses) / income</b>	<b>(15)</b>	<b>(12)</b>	<b>(0.17) €</b>	<b>18</b>	<b>10</b>	<b>0.14 €</b>
<b>Excluding exceptional</b>	<b>384</b>	<b>173</b>	<b>2.37 €</b>	<b>447</b>	<b>233</b>	<b>3.24 €</b>

# Performance by business



(in €m)	Global Advisory	Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation <sup>1</sup>	2020
<b>Revenue</b>	<b>1,146</b>	<b>499</b>	<b>148</b>	<b>11</b>	<b>(5)</b>	<b>1,799</b>
Operating expenses	(977)	(422)	(91)	(53)	125	(1,418)
Cost of risk	-	(3)	-	-	(4)	(7)
<b>Operating income</b>	<b>169</b>	<b>74</b>	<b>57</b>	<b>(42)</b>	<b>116</b>	<b>374</b>
Other income / (expense)	-	-	-	-	(5)	(5)
<b>Profit before tax</b>	<b>169</b>	<b>74</b>	<b>57</b>	<b>(42)</b>	<b>111</b>	<b>369</b>
Exceptional (profits) / charges	-	-	-	-	15	15
<b>PBT excluding exceptional charges / profits</b>	<b>169</b>	<b>74</b>	<b>57</b>	<b>(42)</b>	<b>126</b>	<b>384</b>
<i>Operating margin %</i>	15%	15%	39%	-	-	21%

(in €m)	Global Advisory	Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation <sup>1</sup>	2019
<b>Revenue</b>	<b>1,160</b>	<b>497</b>	<b>197</b>	<b>24</b>	<b>(6)</b>	<b>1,872</b>
Operating expenses	(994)	(426)	(86)	(53)	139	(1,420)
Cost of risk	-	2	-	-	(8)	(6)
<b>Operating income</b>	<b>166</b>	<b>73</b>	<b>111</b>	<b>(29)</b>	<b>125</b>	<b>446</b>
Other income / (expense)	-	-	-	-	19	19
<b>Profit before tax</b>	<b>166</b>	<b>73</b>	<b>111</b>	<b>(29)</b>	<b>144</b>	<b>465</b>
Exceptional profits	-	-	-	-	(18)	(18)
<b>PBT excluding exceptional charges / profits</b>	<b>166</b>	<b>73</b>	<b>111</b>	<b>(29)</b>	<b>126</b>	<b>447</b>
<i>Operating margin %</i>	14%	15%	56%	-	-	24%

## Note

<sup>1</sup> IFRS reconciliation mainly reflects: the treatment of profit share (préciput) paid to French partners as non-controlling interests; accounting for deferred bonuses over the period that they are earned; the application of IAS 19 for defined benefit pension schemes; adding back non-operating gains and losses booked in "net income/(expense) from other assets" or administrative expenses; and reallocating cost of risk and certain operating income and expenses for presentational purposes

# Compensation ratio



(in €m)	2020	2019
Revenue	1,799	1,872
Total staff costs <sup>1</sup>	(1,207)	(1,176)
<b>Compensation ratio</b>	<b>67.1%</b>	<b>62.8%</b>
variation due to FX	0.1%	(0.2)%
variation due to GA US investment costs <sup>2</sup>	(0.5)%	(0.8)%
<b>Adjusted accounting Compensation ratio (INCLUDING deferred bonus accounting)</b>	<b>66.7%</b>	<b>61.8%</b>
variation due to deferred bonus accounting	(0.1)%	(0.2)%
<b>Adjusted awarded Compensation ratio (EXCLUDING deferred bonus accounting)</b>	<b>66.6%</b>	<b>61.6%</b>
Headcount	3,589	3,559

- 50% of personnel costs within Rothschild & Co is discretionary
- If we assume the same level of MB investment performance revenue in 2020 as in the last 3 years (€112 million):
  - Adjusted accounting compensation ratio would be **63.8% (vs 61.8%)**
  - Adjusted awarded compensation ratio would be **63.7% (vs 61.6%)**

## Notes

<sup>1</sup> Total staff costs include profit share (préciput) paid to French Partners and effects of accounting for deferred bonuses over the period in which they are earned, as opposed to “awarded” basis but exclude redundancy costs, revaluation of share-based employee liabilities and acquisition costs treated as employee compensation under IFRS

<sup>2</sup> GA US investment costs are defined as compensation earned in respect of the first 12 month period of employment plus any make-wholes payable in the reporting period

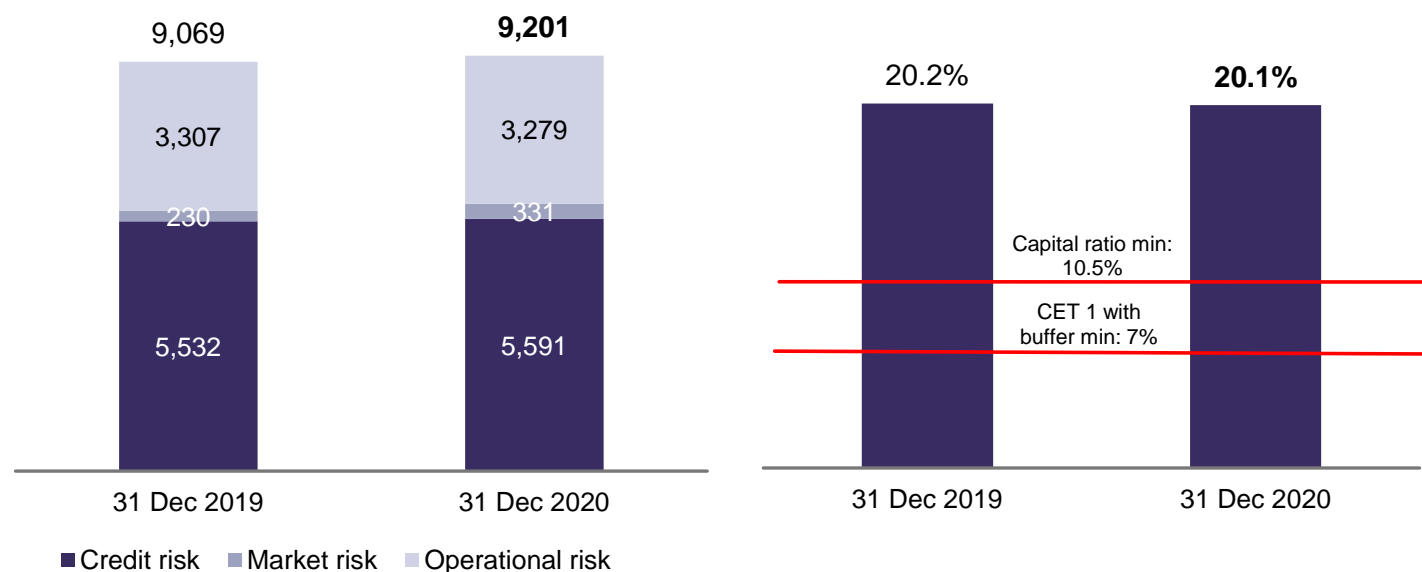
# Solvency ratios comfortably above minimum requirements



## Risk weighted assets and ratios under full application of Basel 3 rules

Risk weighted assets (in €m)

Global solvency ratio<sup>1,2</sup>



- 2019 and 2020 dividend catch up
- Acquisition of Banque Paris Bertrand in the summer will reduce Rothschild & Co's CET 1 ratio by around 1%
- As a family controlled group, capital is managed in a conservative way but also reflects future needs regarding
  - Growth plans in MB and possible WAM acquisitions
  - Future regulatory requirements

### Notes

<sup>1</sup> The ratio submitted to ACPR as at 31 December 2020 was 19.5%, which excludes the profit of the second half of the year as non-audited at the time of the submission

<sup>2</sup> Ratios as at 31 December 2019 have been recalculated to reflect the cancellation of the 2019 dividend, in accordance with the ACPR's recommendation

# Summary Balance sheet



(in €bn)	31/12/2020	31/12/2019
<b>Banks</b>	<b>12.3</b>	<b>11.7</b>
Credit exposures	3.5	3.2
<i>o/w Private client lending (PCL)</i>	3.1	2.8
Cash and treasury assets	7.9	7.4
Other current and non-current assets	0.9	1.1
<b>Non-Banks</b>	<b>2.4</b>	<b>2.5</b>
Merchant Banking investments	0.7	0.6
Cash and treasury assets	0.8	1.0
Other current and non-current assets	0.9	0.9
<b>Total assets</b>	<b>14.7</b>	<b>14.2</b>
<b>Banks</b>	<b>11.3</b>	<b>10.7</b>
Due to customers	9.9	9.5
Due to banks	0.3	0.2
Other current and non-current liabilities	1.1	1.0
<b>Non-Banks</b>	<b>0.7</b>	<b>0.9</b>
Long term borrowing - central Group	0.2	0.3
Other current and non-current liabilities	0.5	0.6
<b>Capital</b>	<b>2.7</b>	<b>2.6</b>
Shareholders' equity - Group share	2.3	2.2
Non-controlling interests	0.4	0.4
<b>Total capital and liabilities</b>	<b>14.7</b>	<b>14.2</b>

Of which €0.4bn (2019 €0.3bn) is held on behalf of non-bank Group entities

	31/12/2020	31/12/2019
<i>Loans / Deposits</i>	35%	34%
<i>Liquid assets / Total assets</i>	59%	59%
<i>Net book value / share</i>	€31.90	€31.23
<i>Net tangible book value / share</i>	€27.67	€27.07



# Operating cash flow



	12m to Dec 18	12m to Dec 19	12m to Dec 20
<b>Consolidated Profit before tax</b>	<b>531</b>	<b>465</b>	<b>369</b>
Non cash items	(65)	(55)	38
<b>Profit before tax and non cash items</b>	<b>466</b>	<b>410</b>	<b>407</b>
Acquisition of MB investments	(81)	(126)	(120)
Disposal of MB investments	200	104	89
Net (acquisition)/disposal of PPE and intangible assets	(21)	26	(22)
Tax paid	(64)	(69)	(52)
Net cash inflow/(outflow) relating to other operating activities <sup>(1)</sup>	(185)	(229)	(212)
<b>Operating cash flow (OCF)</b>	<b>315</b>	<b>116</b>	<b>90</b>
<b>OCF excl. MB investment activities</b>	<b>196</b>	<b>138</b>	<b>121</b>
<b>OCF as a % of Net income - Group share excl. MB investment activities and investment revenue</b>	<b>108%</b>	<b>101%</b>	<b>96%</b>

**3y average: €174m**

## Note

1 includes payment in respect of French profit share (préciput), rental payments, movement in working capital and interest on perpetual debts



# 7

Targets and outlook

# Our financial targets

			Target	2020	2019
Group targets	Compensation ratio <sup>1</sup>	▶	Low to mid 60's through the cycle	66.7%	61.8%
	Return on tangible equity <sup>2</sup>	▶	10 to 15% through the cycle	8.8%	12.6%
Businesses targets	Global Advisory: Profit before tax margin <sup>3</sup>	▶	Mid to high-teens through the cycle	16%	16%
	Wealth & Asset Management: Profit before tax margin <sup>4</sup>	▶	Around 18% <sup>4</sup> by 2022	15.6%	14.8%
	Merchant Banking: 3 years average RORAC <sup>5</sup>	▶	Above 15% through the cycle	20%	28%

## Notes

1 As adjusted including deferred bonus accounting– see slide [37](#)

2 ROTE based on Net income – Group share excl. exceptionals items. Would be 8.2% if exceptionals included (2019: 13.2%). See definition on slide [49](#) and calculation on slide [51](#)

3 GA PBT margin pre-US investments. Would be 14.7% if US investments included (2019: 14.3%)

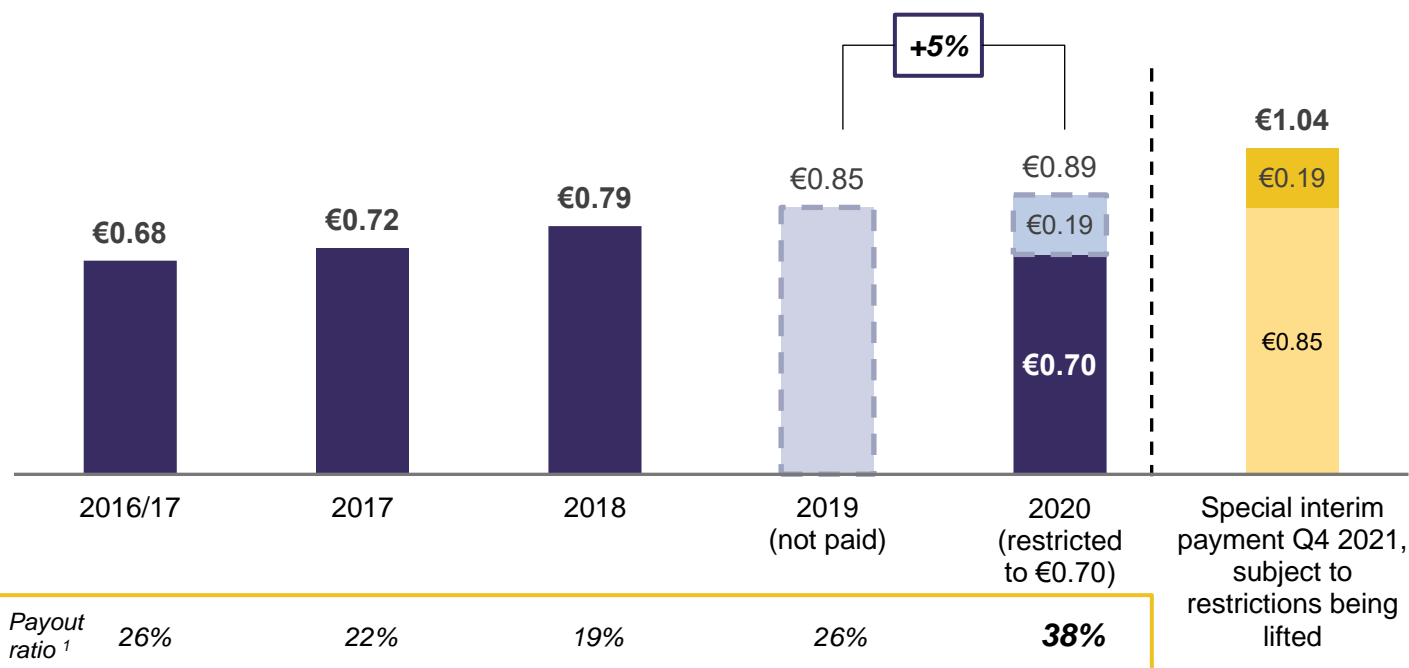
4 Excluding AM US

5 See definition on slide [49](#) and calculation on slide [51](#)

# Dividend

We will pay €0.70 now and a special interim payment of €1.04 in Q4 2021, subject to restrictions being lifted

## Dividend progression over 5 years



- 2020 dividend restricted to €0.70 per share (following the 2019 dividend of €0.85 being cancelled)
- To compensate shareholders, we expect to make a special interim payment in Q4 2021 of €1.04 per share, subject to restrictions being lifted

**In addition to dividends shown above, in 2018 there was a share buy back of €132m as part of Edmond de Rothschild deal**

### Note

<sup>1</sup> Pay-out ratio calculated excluding exceptional items



## Global Advisory

- Looking forward, we are cautiously optimistic that the positive trend seen in the last months of 2020 will continue into 2021
- Our visible pipeline of engagements remains healthy across the business and above levels seen at the same point last year
- However, we remain alert to respond to a range of market conditions in the year ahead and we continue to manage our costs and resources carefully

## Wealth & Asset Management

- Continuous negative impact on revenues of negative and very low interest rates
- Acquisition of Banque Paris Bertrand expected to have a positive effect following completion in the summer 2021
- NNA may be difficult to sustain given restrictions imposed by COVID-19

## Merchant Banking

- We expect to continue to grow the recurring revenue base, which represents an important profitability driver, and our investments to continue to show resilience and accelerate their value creation trajectory
- Portfolios and resulting NAV should continue to perform resiliently

## Group

- Confidence to believe that we are well positioned for the continued unpredictable market conditions that we face in the forthcoming months
- Thanks to our strategy of focussing on our clients' needs and increasing revenue while maintaining a close control over costs, we remain cautiously optimistic for 2021



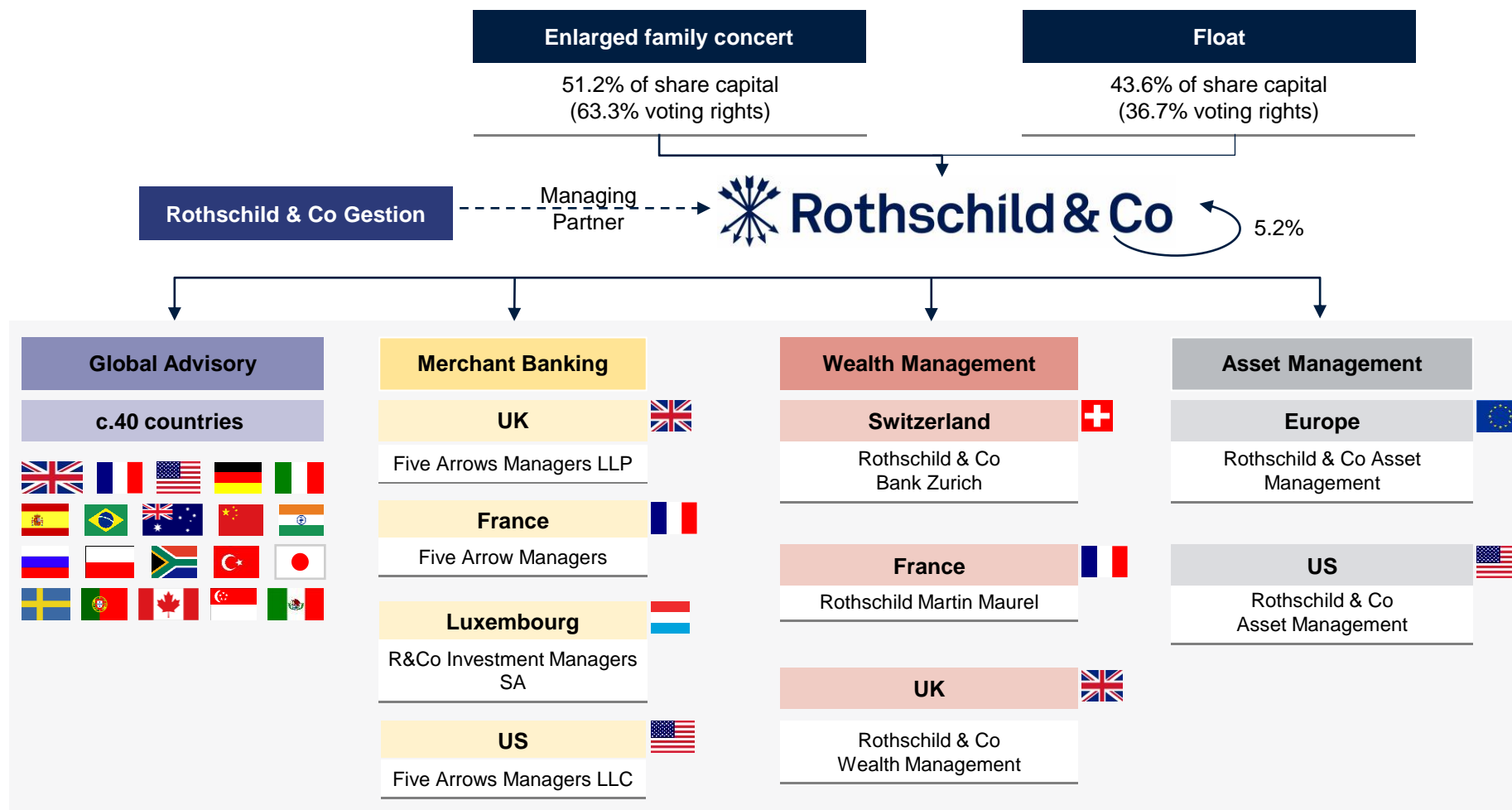
# Appendices



# Rothschild & Co at a glance



As at 31 December 2020



# Major FX rates



P&L (average)				Balance sheet (spot)			
Rates	2020	2019	Var	Rates	31/12/2020	31/12/2019	Var
€ / GBP	0.8883	0.8749	2%	€ / GBP	0.8992	0.8522	6%
€ / CHF	1.0706	1.1114	(4)%	€ / CHF	1.0804	1.0860	(1)%
€ / USD	1.1481	1.1191	3%	€ / USD	1.2281	1.1214	10%

# Non-controlling interests



P&L			Balance sheet		
(in €m)	2020	2019	(in €m)	31/12/2020	31/12/2019
Interest on perpetual subordinated debt	14.5	17.3	Perpetual subordinated debt	285	303
Preferred shares <sup>1</sup>	134.7	136.7	Preferred shares <sup>1</sup>	118	138
Other non-controlling interests	(0.5)	(0.2)	Other non-controlling interests	2	5
<b>TOTAL</b>	<b>148.7</b>	<b>153.8</b>	<b>TOTAL</b>	<b>405</b>	<b>446</b>

## Note

<sup>1</sup> Mainly relates to the profit share (préciput) distributed to French partners

# Alternative performance measures (APM)



APM	Definition	Reason for use
<b>Net income – Group share excluding exceptionals</b>	Net income attributable to equity holders excluding exceptional items	To measure Net result Group share of Rothschild & Co excluding exceptional items
<b>EPS excluding exceptionals</b>	EPS excluding exceptional items	To measure EPS excluding exceptional items
<b>Adjusted compensation ratio</b>	<p>Ratio between adjusted staff costs divided by consolidated revenue of Rothschild &amp; Co (as presented on slide 28). Adjusted staff costs represent:</p> <ol style="list-style-type: none"> <li>1. staff costs accounted in the income statement (which include the effects of accounting for deferred bonuses over the period in which they are earned as opposed to the "awarded" basis)</li> <li>2. to which must be added the amount of profit share (préciput) paid to the French partners</li> <li>3. from which must be deducted redundancy costs, revaluation of share-based employee liabilities and business acquisition costs treated as employee compensation under IFRS</li> </ol> <p>- which gives <b>Total staff costs in calculating the basic compensation ratio</b></p> <ol style="list-style-type: none"> <li>4. from which the investment costs related to the recruitment of senior bankers in the United States must be deducted,</li> <li>5. the amount of adjusted staff costs is restated by the exchange rate effect to offset the exchange rate fluctuations from one year to the next</li> </ol> <p>- which gives the <b>adjusted staff costs for compensation ratio</b>.</p>	<p>To measure the proportion of Net Banking Income granted to all employees. Key indicator for competitor listed investment banks.</p> <p>Rothschild &amp; Co calculates this ratio with adjustments to give the fairest and closest calculation to that used by other comparable listed companies.</p>
<b>Return on Tangible Equity (ROTE) excluding exceptional items</b>	<p>Ratio between Net income - Group share excluding exceptional items and average tangible equity Group share over the period. Tangible equity corresponds to total equity Group share less intangible assets (net of tax) and goodwill.</p> <p>Average tangible equity over the period equal to the average between tangible equity as at 31 December 2019 and 31 December 2020</p>	To measure the overall profitability of Rothschild & Co excluding exceptional items on the equity capital in the business
<b>Business Operating margin</b>	Each business Operating margin is calculated by dividing Profit before tax relative to revenue, business by business. It excludes exceptional items	To measure business' profitability
<b>Return on Risk Adjusted Capital (RORAC)</b>	<p>Ratio of an adjusted profit before tax divided by an internal measure of risk adjusted capital deployed in the business on a rolling 3-year basis.</p> <p>The estimated amount of capital and debt which management believes would be reasonable to fund the Group's investments in Merchant Banking products is consistent with its cautious approach to risk management. Based on the mix of its investment portfolio as of the reporting dates, management believes that this "risk-adjusted capital" (RAC) amounts to c. 70% of the Group's investments net asset value and that the remainder could be funded by debt. This percentage broadly represents the weighted average of 80% for equity exposures, 50% for junior credit exposures, 40% for CLO exposures in vertical strips and 33% for senior credit exposures. To calculate the RORAC, MB profit before tax is adjusted by a notional 2.5% cost of debt, computed as per the above (i.e. 30% of the Group's investments NAV), divided by the RAC.</p> <p>Disclosed RORAC is calculated on a 3-year rolling period average to account for the inevitable volatility in the financial results of the business, primarily relating to investment income and carried interest recognition.</p>	To measure the performance of the Merchant Banking's business
<b>Operating cash flow (OCF)</b>	Amount of cash generated by the Group's normal business operations in the current financial year. The calculation is done via the indirect method, from the profit before tax	To measure the amount of cash generated by the group's normal business operations

# Alternative performance measures (APM)



## Book value per share, tangible book value per share and earnings per share

	31/12/2020	31/12/2019
<b>Shareholders' equity (group share)</b>	<b>2,302,897</b>	<b>2,238,888</b>
<b>Net book value</b>	<b>2,302,897</b>	<b>2,238,888</b>
- Intangible assets	(183,905)	(171,203)
- Intangible assets net of tax	(170,400)	(157,700)
- Goodwill	(135,108)	(140,253)
<b>Net tangible book value</b>	<b>1,997,389</b>	<b>1,940,935</b>
<b>Average number of shares in issue</b>	<b>77,620,845</b>	<b>77,548,872</b>
- Average Treasury shares	(3,721,096)	(4,063,228)
- Average Controlling shares	(1,993,808)	(2,145,388)
<b>Average number of shares</b>	<b>71,905,941</b>	<b>71,340,256</b>
<b>Number of shares in issue - End of the period</b>	<b>77,657,512</b>	<b>77,617,512</b>
- Treasury shares - End of the period	(3,476,731)	(4,151,321)
- Controlling shares - End of the period	(1,989,816)	(1,778,235)
<b>Number of shares - End of the period</b>	<b>72,190,965</b>	<b>71,687,956</b>
<b>Net book value per share (End of the period)</b>	<b>€ 31.90</b>	<b>€ 31.23</b>
<b>Net tangible book value per share (End of the period)</b>	<b>€ 27.67</b>	<b>€ 27.07</b>
<b>Net income (group share)</b>	<b>160,511</b>	<b>242,685</b>
- profit share to RCOG	(2,596)	(1,344)
<b>Net income attributable to shareholders</b>	<b>157,915</b>	<b>241,341</b>
<b>Earnings per share (based on average number of shares)</b>	<b>€ 2.20</b>	<b>€ 3.38</b>

# Alternative performance measures (APM)



## ROTE and RORAC

ROTE			RORAC		
	2020	2019		2020	2019
<b>Net income - Group share excluding exceptionals</b>	<b>173</b>	<b>233</b>	PBT 2020	57	
Shareholders' equity - Group share - opening	2,239	2,039	PBT 2019	111	111
- Intangible fixed assets	(158)	(172)	PBT 2018	102	102
- Goodwill	(140)	(124)	PBT 2017		120
<b>Tangible shareholders' equity - Group share - opening</b>	<b>1,941</b>	<b>1,742</b>	<b>Average PBT rolling 3 years</b>	<b>90</b>	<b>111</b>
Shareholders' equity - Group share - closing	2,303	2,239	NAV 31/12/2020	679	
- Intangible fixed assets	(170)	(158)	NAV 31/12/2019	617	617
- Goodwill	(135)	(140)	NAV 31/12/2018	515	515
<b>Tangible shareholders' equity - Group share - closing</b>	<b>1,997</b>	<b>1,941</b>	NAV 31/12/2017		526
<b>Average Tangible equity</b>	<b>1,969</b>	<b>1,842</b>	<b>Average NAV rolling 3 years</b>	<b>604</b>	<b>553</b>
<b>ROTE excluding exceptionals</b>	<b>8.8%</b>	<b>12.6%</b>	Debt = 30% of average NAV	181	166
			Notional interest of 2.5% on debt	(4)	(4)
			<b>Average PBT rolling 3 years adjusted by the cost of debt interest</b>	<b>86</b>	<b>107</b>
			<b>Risk adjusted capital = 70% of Average NAV</b>	<b>423</b>	<b>387</b>
			<b>RORAC</b>	<b>20%</b>	<b>28%</b>



# Alternative performance measures (APM)



## Operating cash flow reconciliation to statutory cash flow

	12m to Dec 18	12m to Dec 19	12m to Dec 20
<b>Operating cash flow (OCF)</b>	<b>315</b>	<b>116</b>	<b>90</b>
Net (advance)/repayment of loans to customers	31	(298)	(255)
Net cash inflow/(outflow) related to treasury activities <sup>(1)</sup>	966	277	604
Net cash inflow/(outflow) related to investing activities <sup>(2)</sup>	17	(23)	10
Net cash inflow/(outflow) related to financing activities	(133)	(73)	4
Impact of exchange rate changes on cash and treasury assets	72	213	(160)
<b>NET INFLOW/(OUTFLOW) OF CASH AND TREASURY ASSETS</b>	<b>1,268</b>	<b>212</b>	<b>293</b>
Treasury assets cash inflow/(outflow)	(499)	(567)	165
Impact of exchange rate on treasury asset	(32)	(33)	26
Interbank demand deposits and overnight loans	-	112	-
<b>Net inflow/(outflow) of cash disclosed in consolidated accounts</b>	<b>737</b>	<b>(276)</b>	<b>484</b>

*The cash flows shown in this document are prepared on an operating business basis to give a better understanding of the cash generation of the activities of the group whereas for the statutory accounts the cash flows are shown on a "cash usage" basis. This means that the main differences of treatment and classification between the cash flows shown here and those in the statutory cash flow statement are:*

1. Cash and treasury assets include all liquid assets held at FVTPL and at amortised cost, the entire loans and advances to banks and to central banks but exclude the amounts due to banks on demand. For the statutory cash flow the focus is on pure cash assets less any amounts "due to banks on demand" which is a much narrower definition of cash. In addition to resulting in a different movement in cash, these definition differences impact the treasury activities and the exchange rates lines.
2. Operating cash flow includes:
  - MB investment activities and net acquisition of PPE and intangible assets which are disclosed as investing activities in the statutory cash flow
  - Dividends paid in respect of profit share (préciput) in France and interest paid on perpetual subordinated debt which are disclosed as financing activities in the statutory cash flow

### Notes

1 Excluding cash inflow / (outflow) from treasury assets

2 Excluding MB investing activities, PPE and intangibles (acquisition) / disposal disclosed in operating activities

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