



Merchant Banking

Presentation to analysts and investors

March 2021

Merchant Banking



A powerful and cohesive multi-strategy platform across the capital structure

€15.7bn
assets under
management

€1.3bn
from the Rothschild & Co Group

Private Equity €6.8bn

Corporate private equity, secondaries,
multi-managers funds, co-investments

176 employees

24 nationalities



5 offices

Paris, London, Luxembourg, New York, Los Angeles








Private Debt €8.9bn

Direct lending, credit management

Private Equity offering










Mid-market focus through directs, secondaries, co-investments and multi-managers

Corporate Private Equity			Multi-Strategies (FAMS)		
€3.8bn			€3.0bn		
FAPI Five Arrows Principal Investments 	FAGC Five Arrows Growth Capital 	FACP Five Arrows Capital Partners 	FASO Five Arrows Secondary Opportunities 	FAMI Five Arrows Minority Investments 	FAPEP Five Arrows Private Equity Programme 
Mid-market buyout	Small-cap buyout	Mid-market buyout	Mid-cap direct Secondaries	Co-investments	Multi-managers & FoF platform
38 investment professionals			24 investment professionals		
Target: Gross Multiple: 2.25x – 2.75x Gross IRR: 18% – 20%			Target: Gross Multiple: 1.50x – 1.70x Gross IRR: 14% – 20%		

Private Debt offering



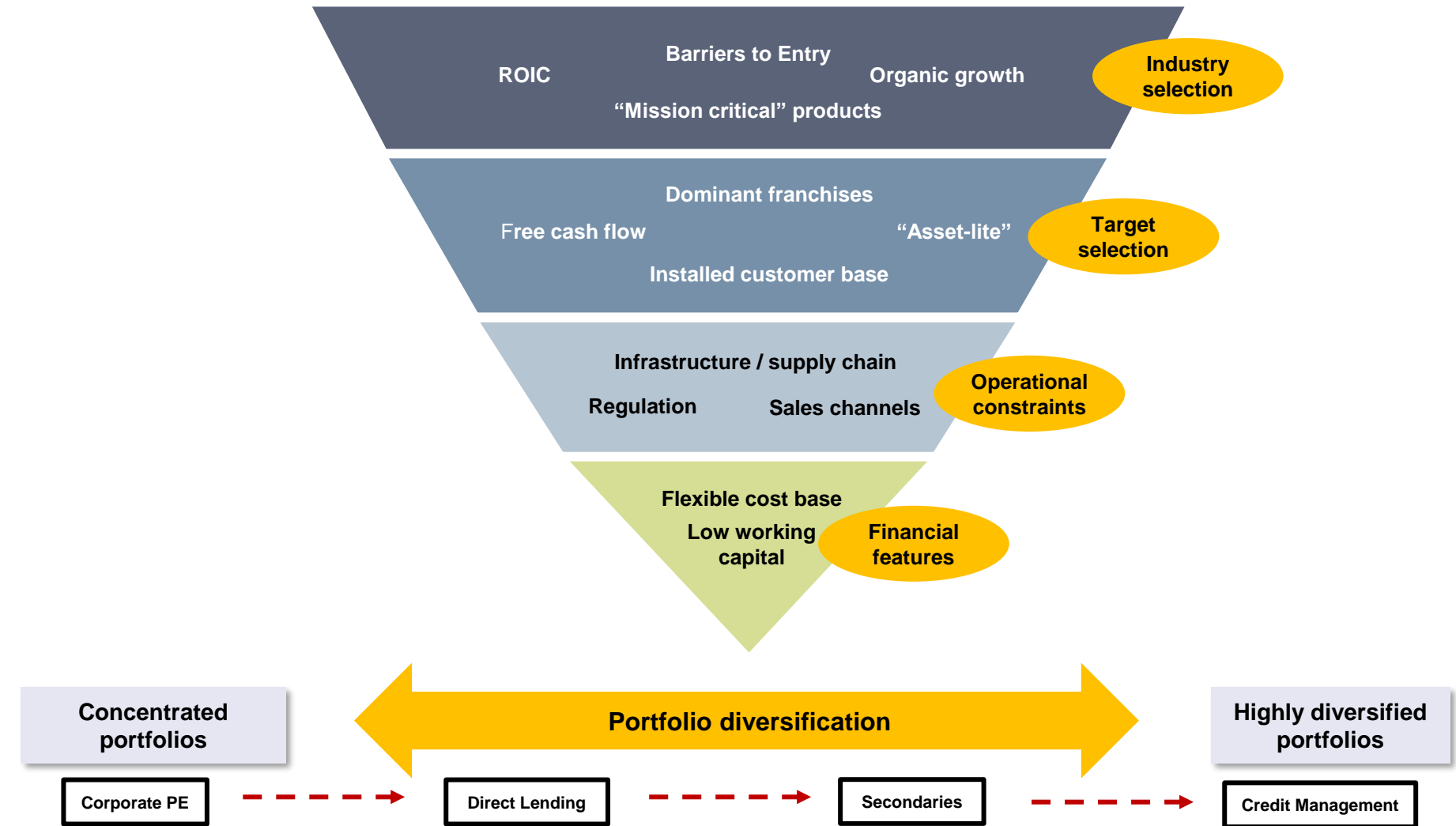
Credit solutions across the capital structure for mid-cap and large companies

Direct Lending			Credit Management			
€1.7bn			€7.2bn			
FACS Five Arrows Credit Solutions 	FADL Five Arrows Direct Lending 	FADP III Five Arrows Debt Partners III 	Oberon & managed accounts 	Elsinore & managed accounts 	GLI Five Arrows Global Loan Investments 	CLO management 
Debt financing solutions to privately-owned businesses across the European mid-market			Unlevered senior secured credits	Senior, subordinated and CLO credits	CLO Equity	CLO vehicles
12 investment professionals			23 investment professionals			
Target Gross IRR: Junior: 12% Unitranche: 8%			Target Gross IRR: Senior: 12% CLO Equity: 14-16%			

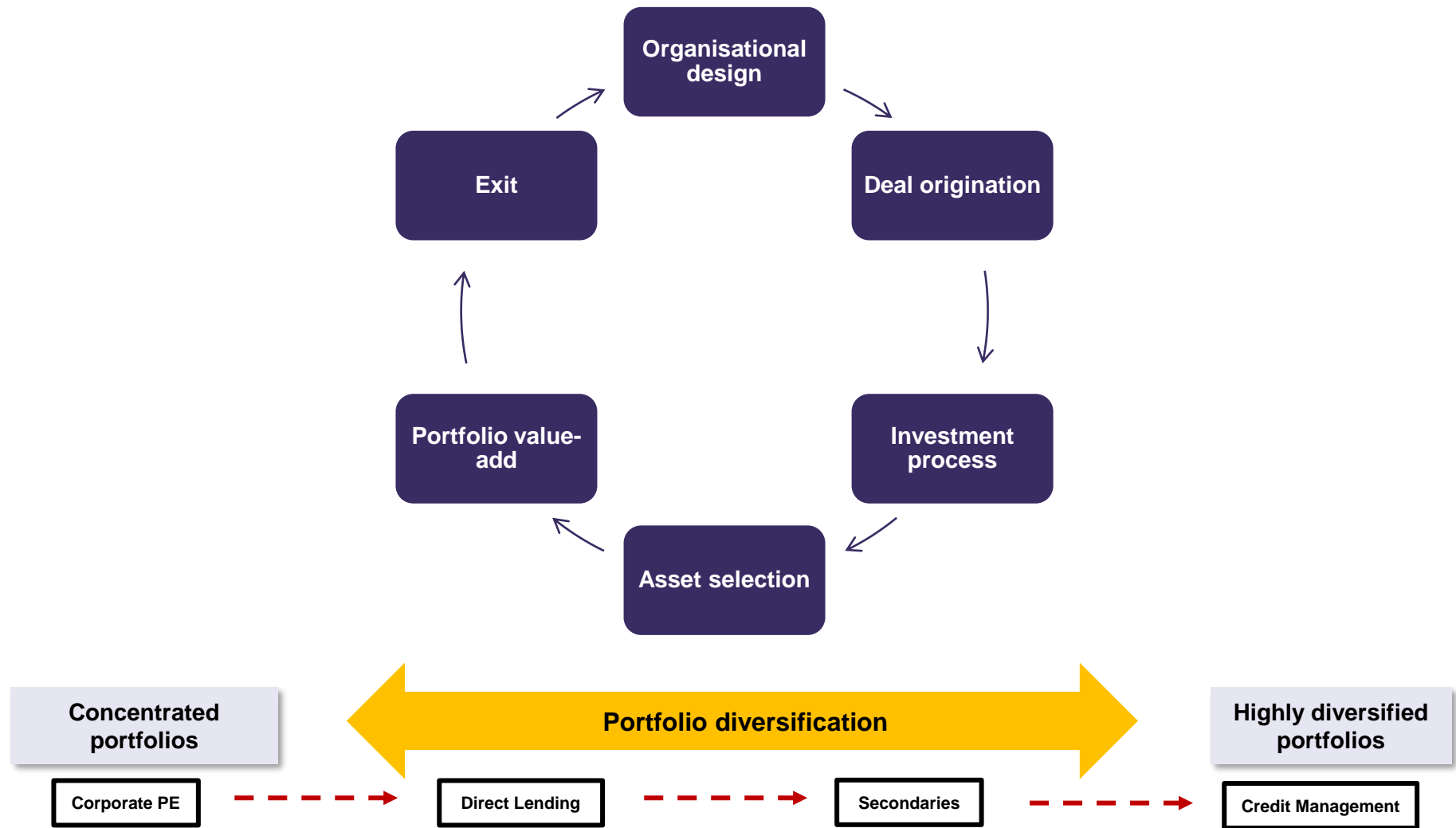
How our investment algorithm applies across all strategies



Asset selection is based on stringent criteria centred on risk-adjusted returns



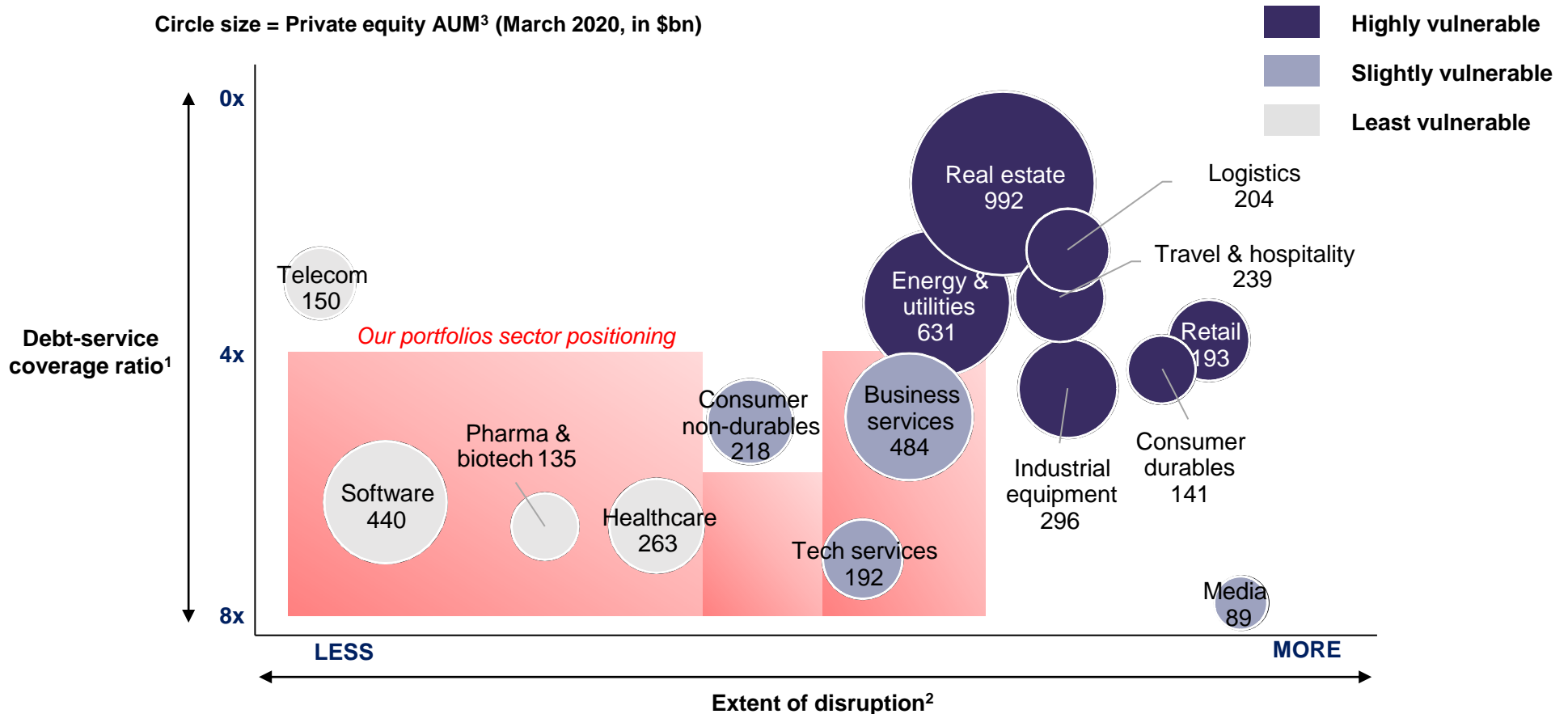
Deep and continuous review of risk encompasses all aspects of our business



Majority of capital deployed is in sectors least impacted by the pandemic

Debt-service coverage ratio and disruption by sector

Circle size = Private equity AUM³ (March 2020, in \$bn)



¹Calculated as (EBITDA April 2019-March202) / (current debt April 2019 + interest expense April 2019-March202), sector average

²Qualitative assessment of disruption from COVID-19, geopolitical tensions, economic inequality, and other factors

³Global PE AUM

Source: Pitchbook, Preqin, McKinsey analysis

The future of private markets



Private vs. public assets: a systemic switch?

Secular growth drivers

- Superior returns vs public equities
- Better resilience of private equity over economic cycles
- Retrenchment of banks driving growth in private debt
- Increasing allocations towards alternatives

How Is Merchant Banking performing vis-à-vis these favourable market dynamics?

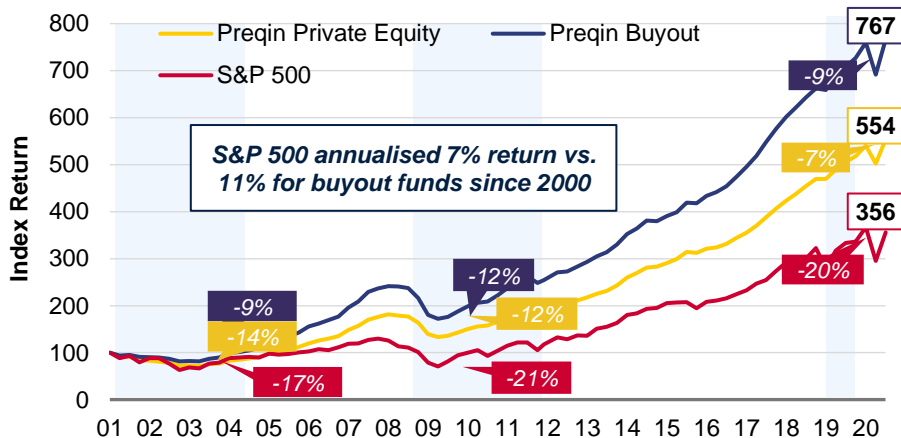


Unprecedented flow of capital into private markets

Focus on secular growth drivers

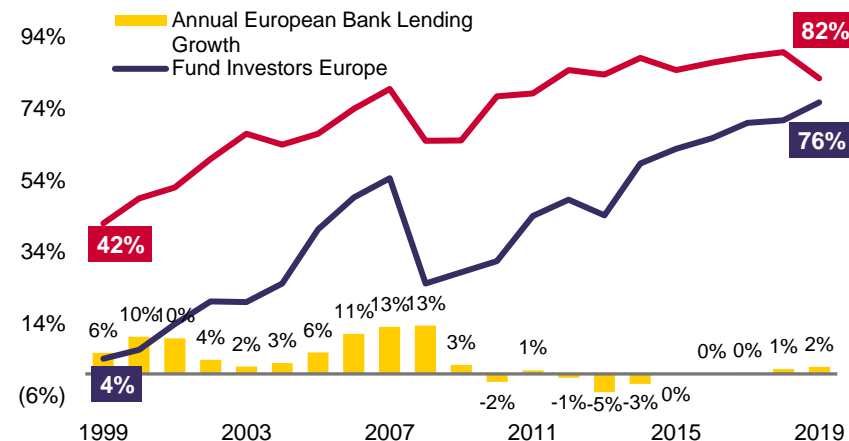


PE performance outstrips public equities across cycles



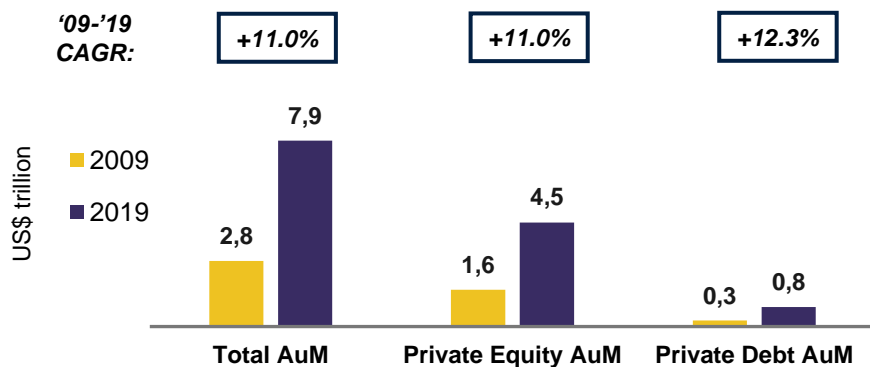
Source: Preqin Index, Private Equity and Buyout vs. S&P 500 (Rebased to 100 as of 31 December 2000)

European leveraged loan funds continues to rise



Source: S&P LCD News, European Commission

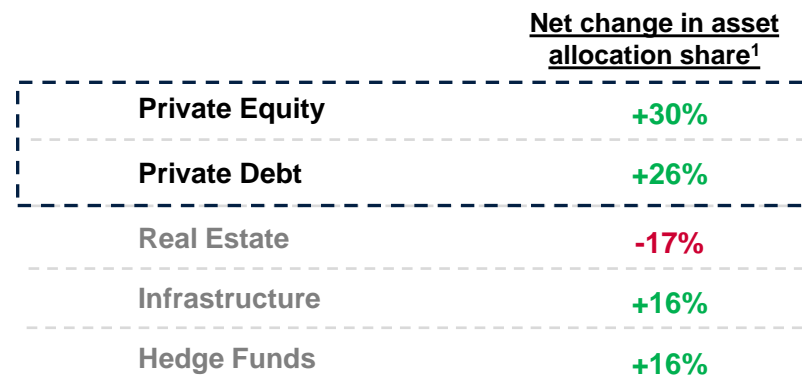
Consistent growth in AuM over the last 10 years



Source: Preqin



Allocations to PE and PD demonstrate strong tailwinds



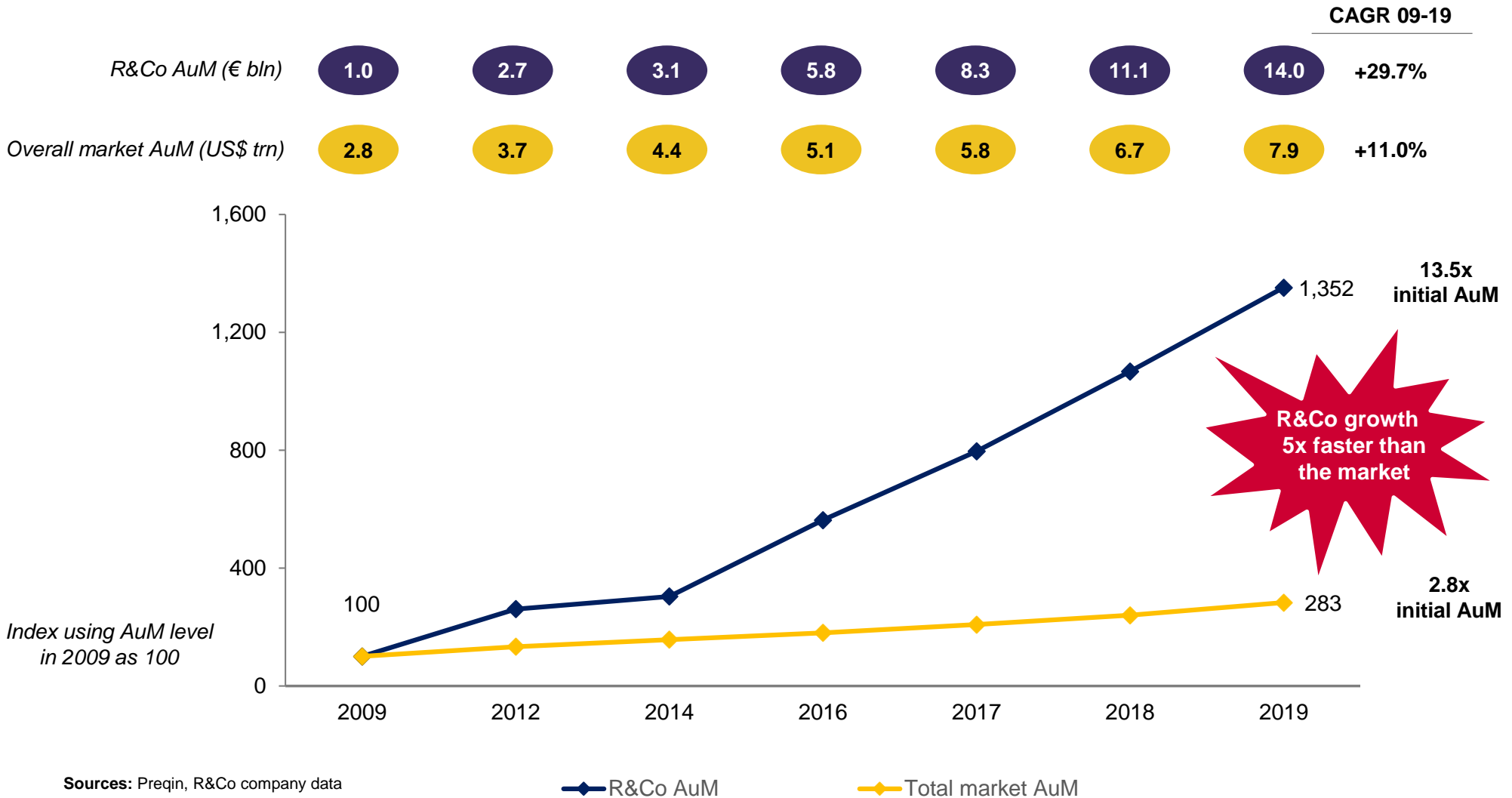
¹Time horizon: Next 12 months from June 2020 vs prior 12 months

Source: Preqin Investor Outlook: Alternative Assets H2 2020

Outpacing market growth



Merchant Banking's growth rate was almost 5x faster than the overall market



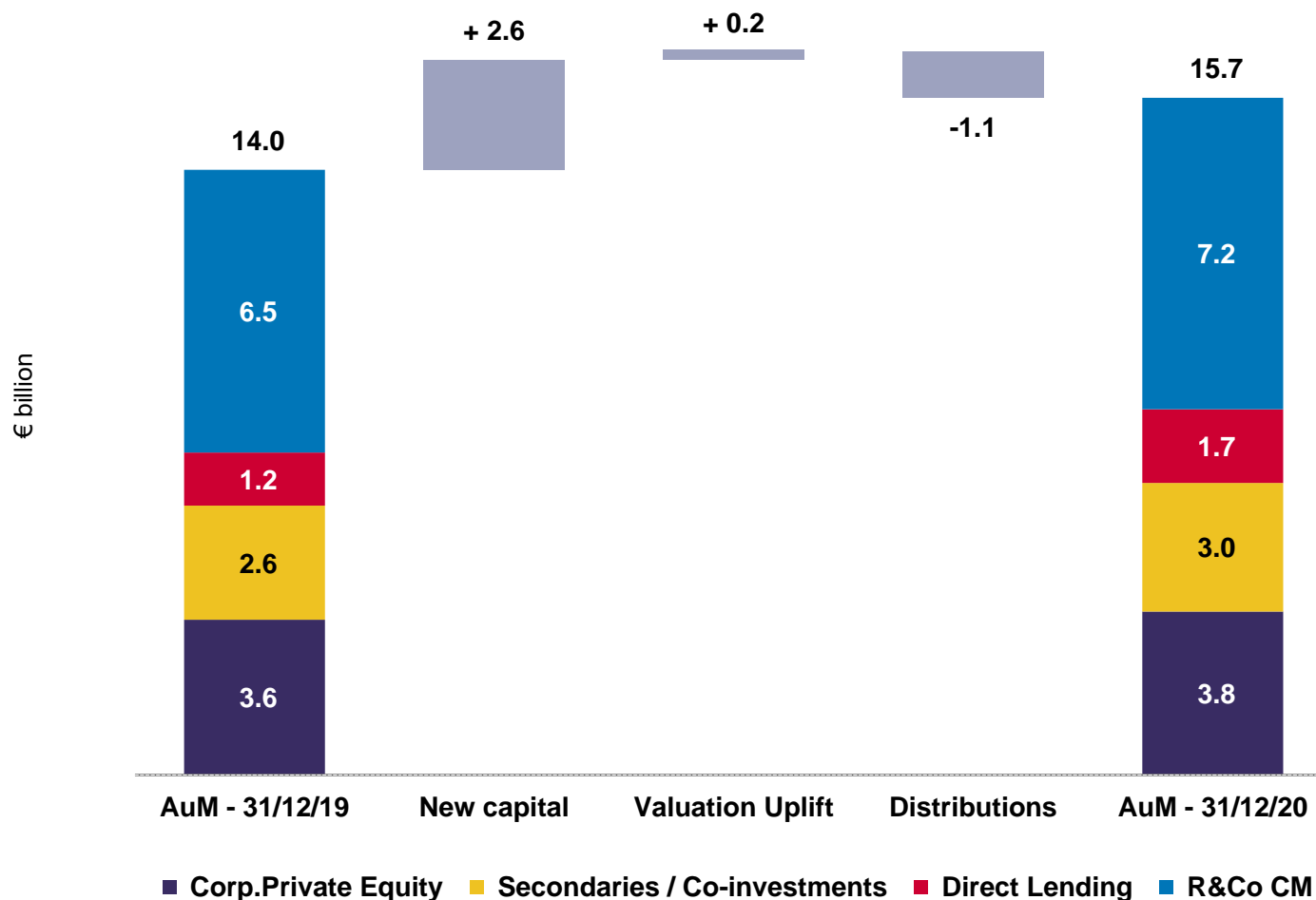
Sources: Preqin, R&Co company data



Evolution of AuM in 2020



AuM growth primarily driven by CLOs launched and new capital raised in private equity, multi-strategy and direct lending funds



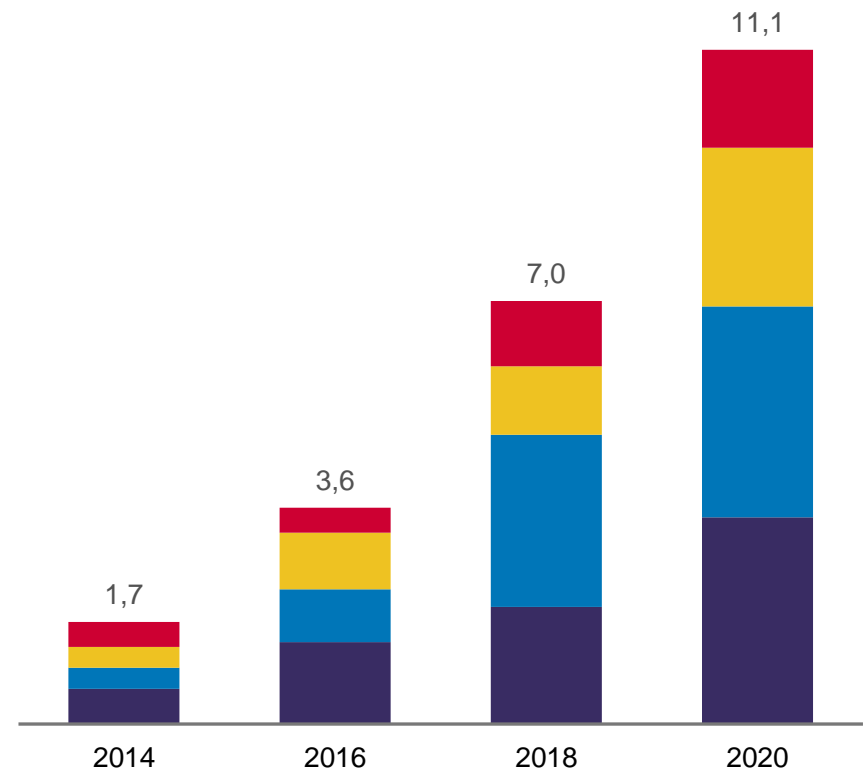
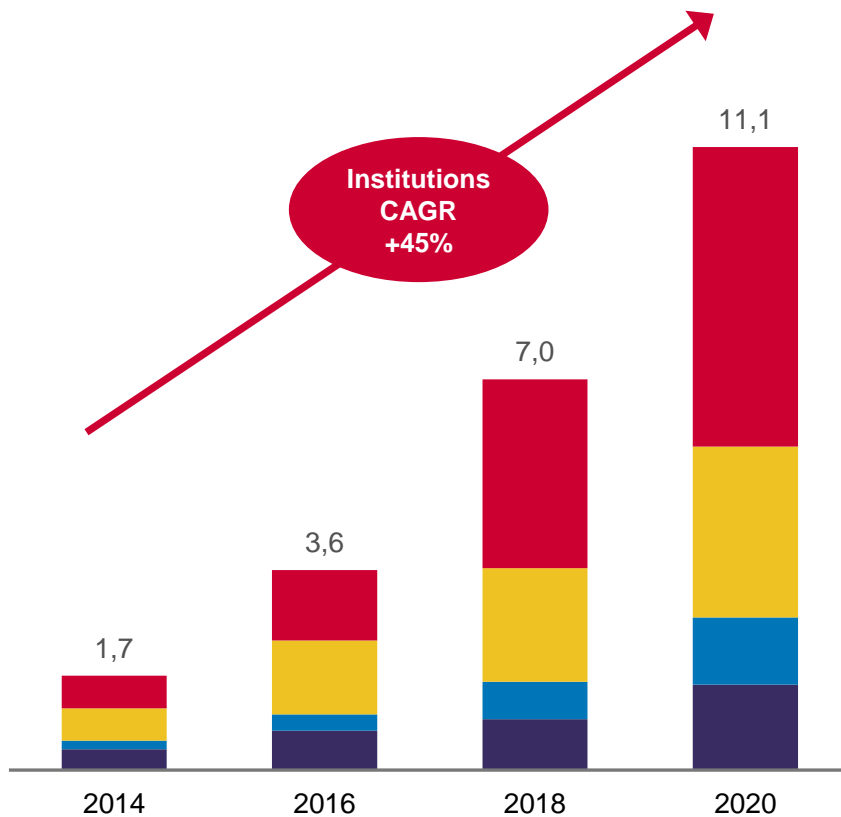
Development of the fundraising mix



Amount raised is well balanced across all four MB strategies with institutions providing a growing share of capital...which is highly scalable

Cumulative amount raised by investor type (€ bn)

Cumulative amount raised by strategy (€ bn)



■ R&Co ■ HNW ■ Family Office ■ Institutions

■ Corporate Private Equity ■ Multi Strategies ■ Credit Management ■ Direct Lending

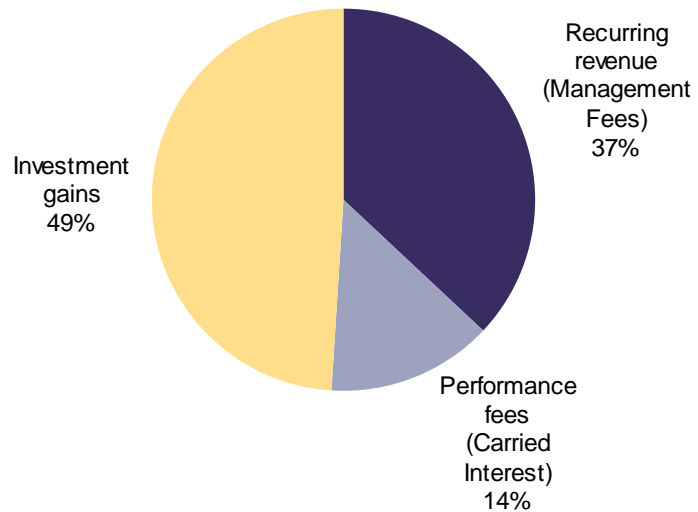
Note
R&Co includes staff investments
Amounts exclude CLOs and Oberon USA



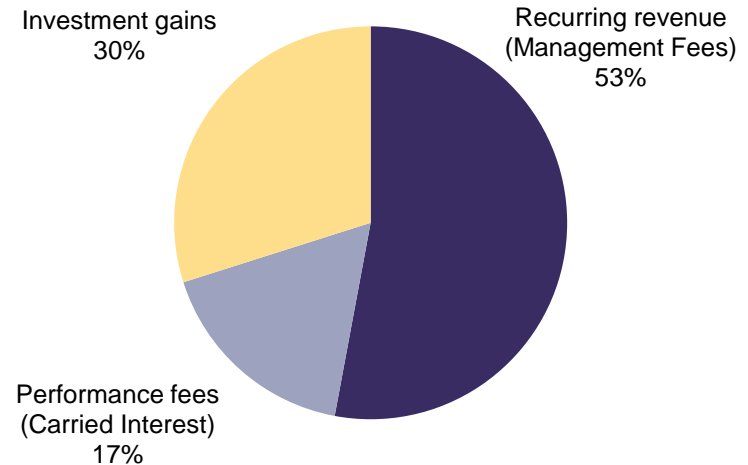
Merchant Banking revenue model

The increased contribution of management fees to total revenue has driven a progressive shift towards a more recurring revenue pattern for the business

2015-2017 average



2018-2020 average

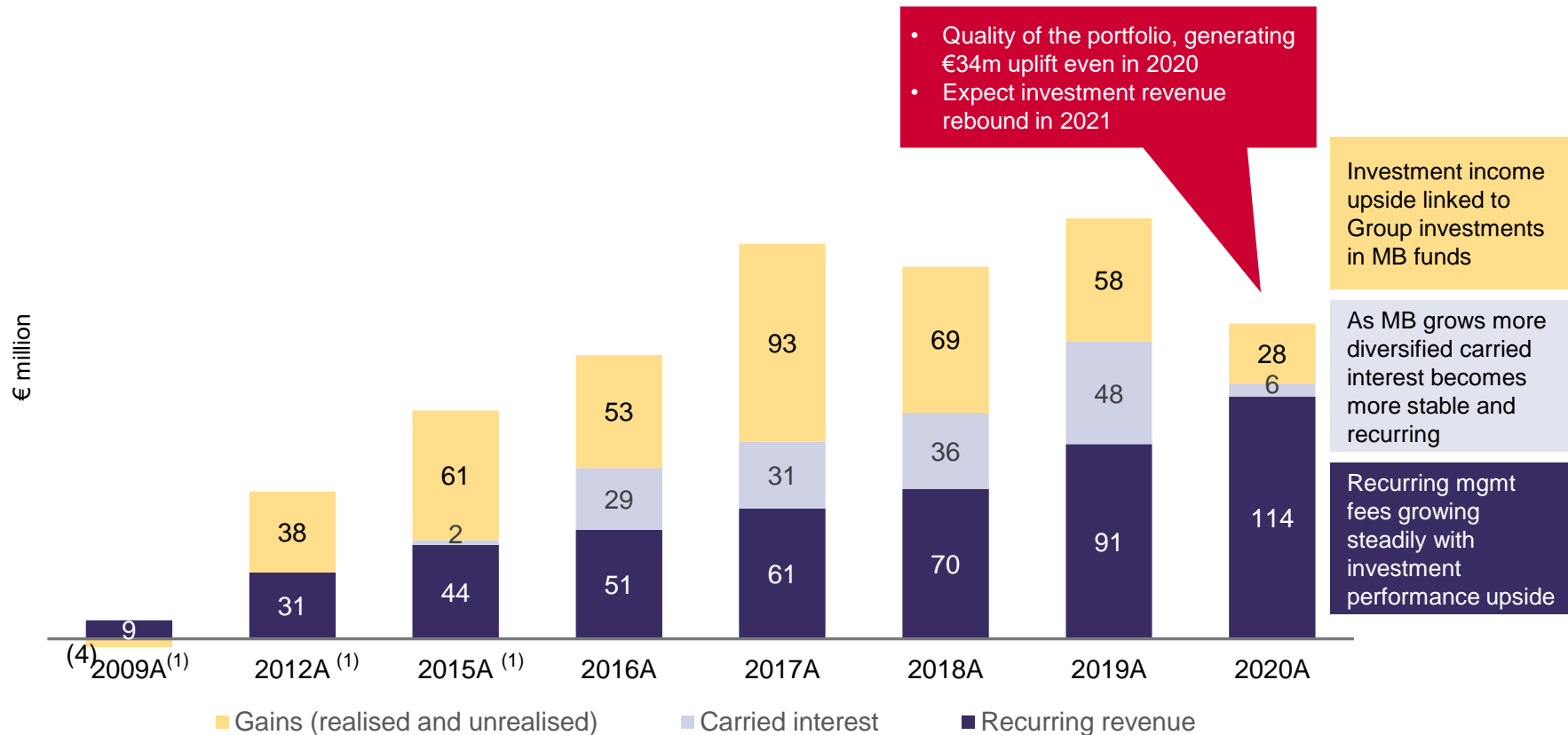




Merchant Banking revenue model

Lower investment performance related revenue in 2020 was partly offset by a continued strong growth of recurring revenue

Total revenue (€m)	5	69	107	133	185	175	197	148
Profit before tax (€m)	not disclosed			82	120	102	111	57

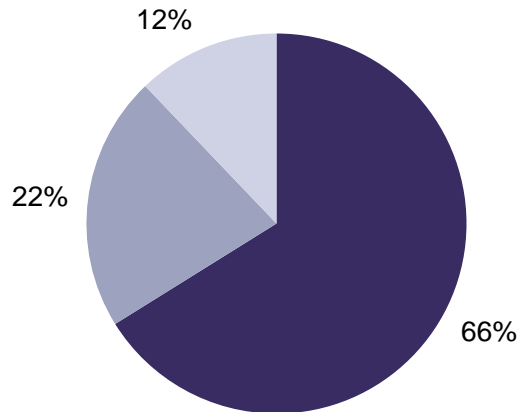


Analysis of the R&Co MB portfolio



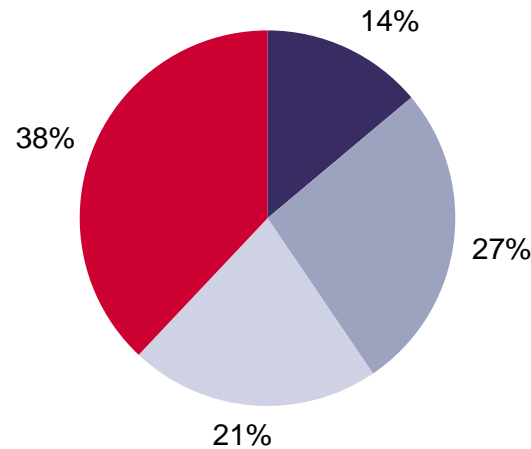
R&Co Group's MB exposure is mainly equity-related in European companies, heavily weighted towards our core focus sectors

Exposure by instruments



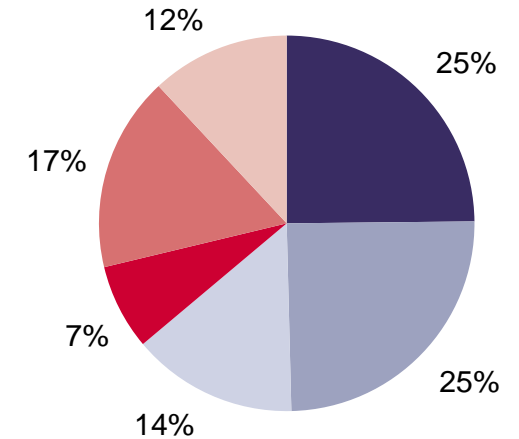
■ Equity ■ Senior credit ■ Junior credit

Exposure by industry sector



■ Business Services ■ Tech / Data & Soft.
 ■ Healthcare ■ Diversified

Exposure by geography

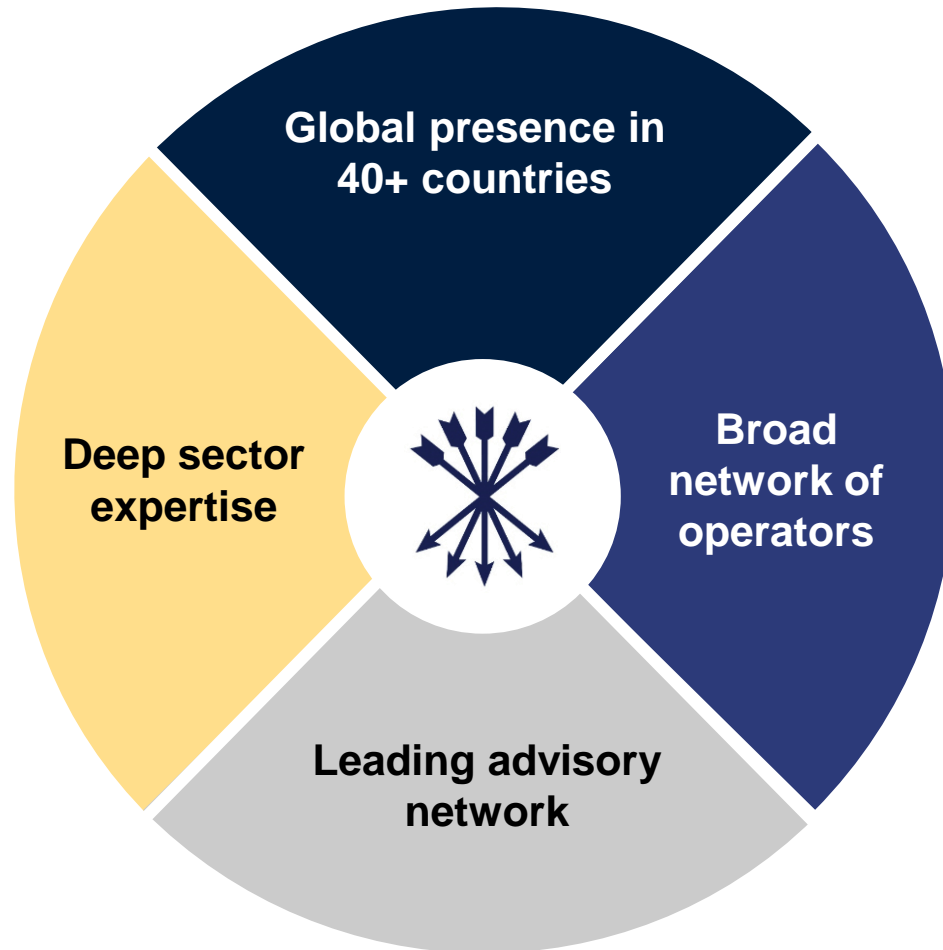


■ France ■ UK + Ireland
 ■ Germany + North. Eur. ■ Other Europe
 ■ USA ■ Diversified

The Group's synergies



Leveraging the Group's unique market edge and sourcing capabilities



Synergy Examples

36% of cumulative capital raised sourced through Wealth & Asset Management

GA benefits include:

- 1. Sector insights**
- 2. Access to operator network**
- 3. Market intelligence**

Corporate social responsibility



Rothschild & Co has integrated ESG principles into its Merchant Banking investment platform

The 7 pillars of our Environmental, Social and Governance (ESG) Policy

1. Taking ESG criteria into account during the analysis and decision making processes for all investments
2. Disseminate the UN PRI and ensure the application of these principles throughout the entities in which we invest
3. Inform our investors of this ESG policy and provide them with information on our approach to ESG issues on a regular basis
4. Adopt a responsible and ethical approach to governance
5. Encourage a human resources policy which values and respects all employees
6. Reduce the environmental impact of our activities
7. Promote our employees' commitment to society

We try to promote the principles of responsible investment within our investments and strongly encourage our partners to consider ESG criteria in their activities.

Pre-investment

We invest across carefully chosen sectors. Our preliminary screening ensures we avoid investing in unethical sectors or which are banned under the Five Arrows Managers Investment Exclusion Policy.

Due Diligence & Investment Decision

Our due diligence seeks to identify and assess management of key ESG issues. These are then considered as part of the final Investment Committee approval process.

Holding Period

We maintain close ongoing dialogue with portfolio company management teams, including in respect of ESG issues. We request reports on their ESG approach and on defined key ESG indicators through our annual ESG Questionnaire.

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