



Results for full-year 2020

Presentation to analysts and investors

March 2021

Contents

Sections	
1 Highlights	4
2 Business review: Global Advisory	8
3 Business review: Wealth & Asset Management	15
4 Business review: Merchant Banking	25
5 Corporate responsibility	31
6 Financials	34
7 Targets and outlook	42
Appendices	45



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 8th by revenue, 1st by number in Europe and 2nd 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%¹ 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

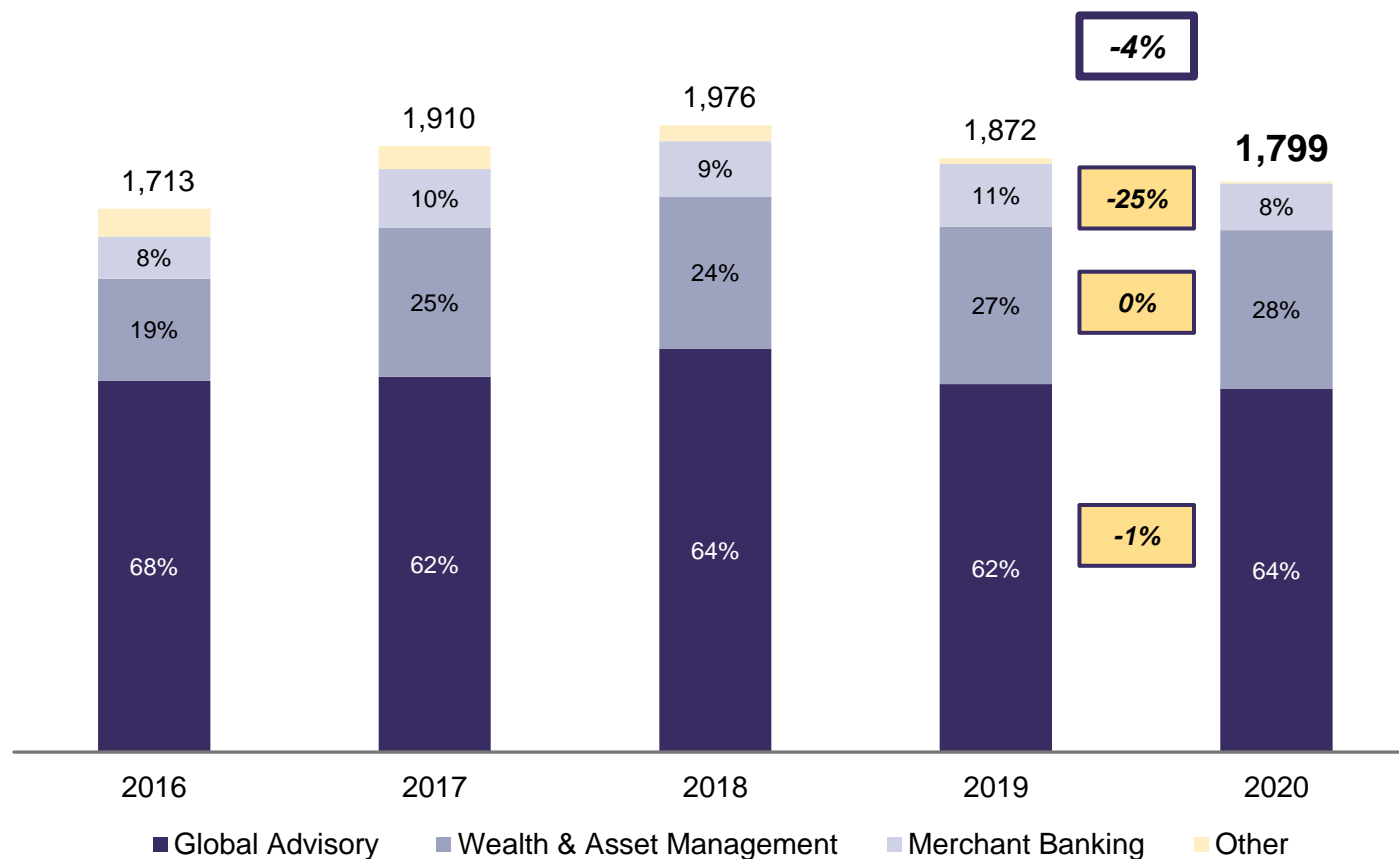
¹ The ratio submitted to ACPR as at 31 December 2020 was 19.5%, which excludes the profit of the second half of the year as non-audited at the time of the submission

Group revenue



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

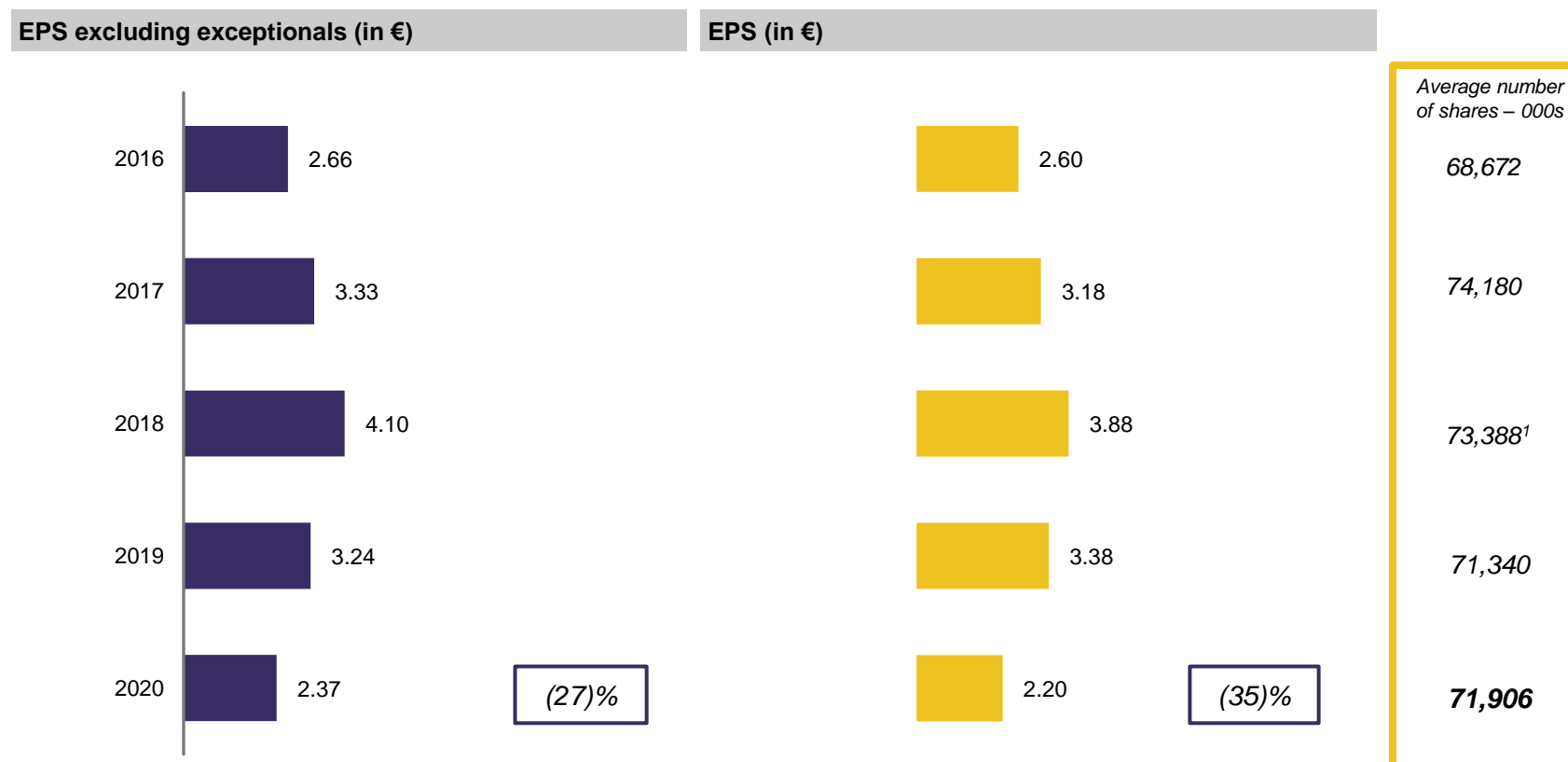
Group revenue (in €m)



Group EPS



Leverage effect of lower MB investment performance revenue impacting EPS



Note

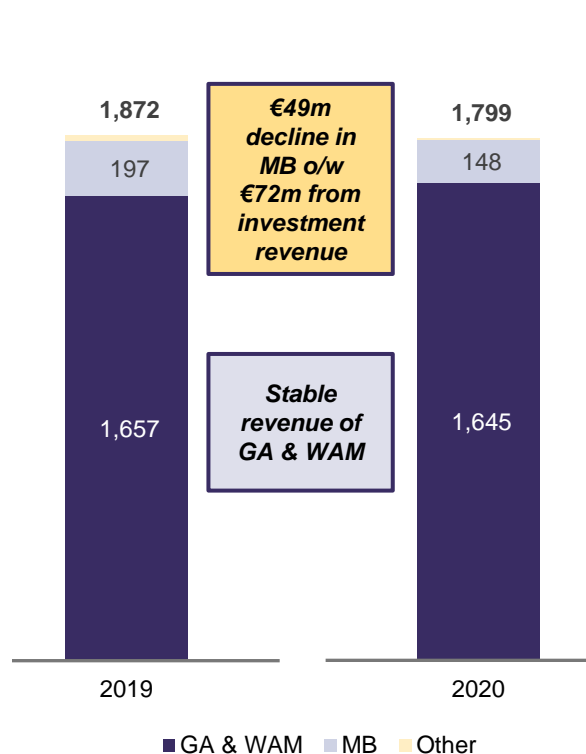
1 Average number of shares decreased as a consequence of the share buy back as part of Edmond de Rothschild deal in August 2018

Profit bridge between 2019 and 2020

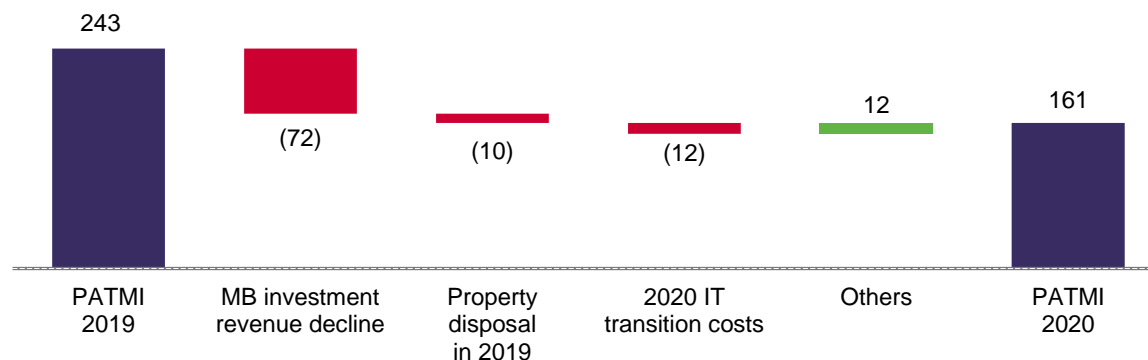


Lower profits predominantly explained by decline of investment revenue in MB, which directly impacts Group net income

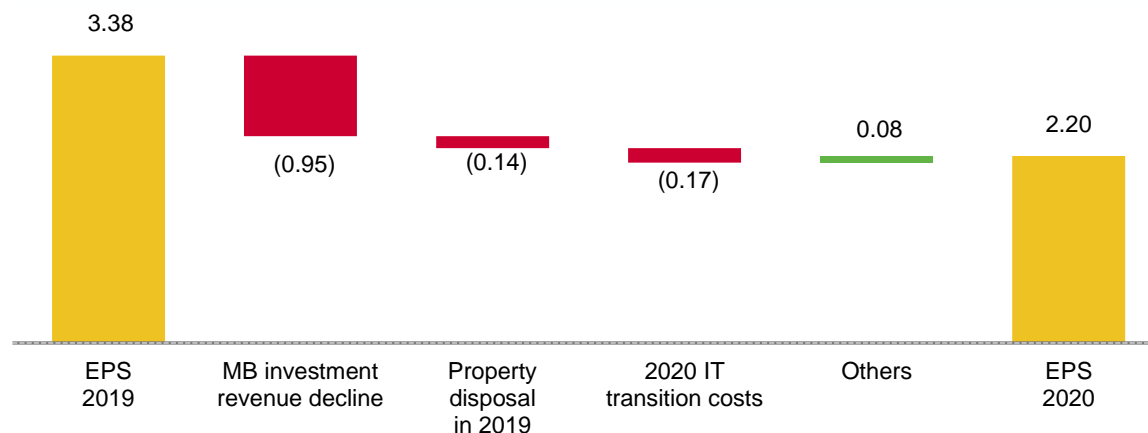
Revenue (in €m)



Profit after tax and minority interest (in €m)



EPS (in €)



2

Business review: Global Advisory



Highlights of 2020

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

1st

By number of M&A deals in Europe

2nd

By number of M&A deals globally

1st globally

by number and value for Debt Advisory

1st / 2nd

By value of Europe / Global restructurings

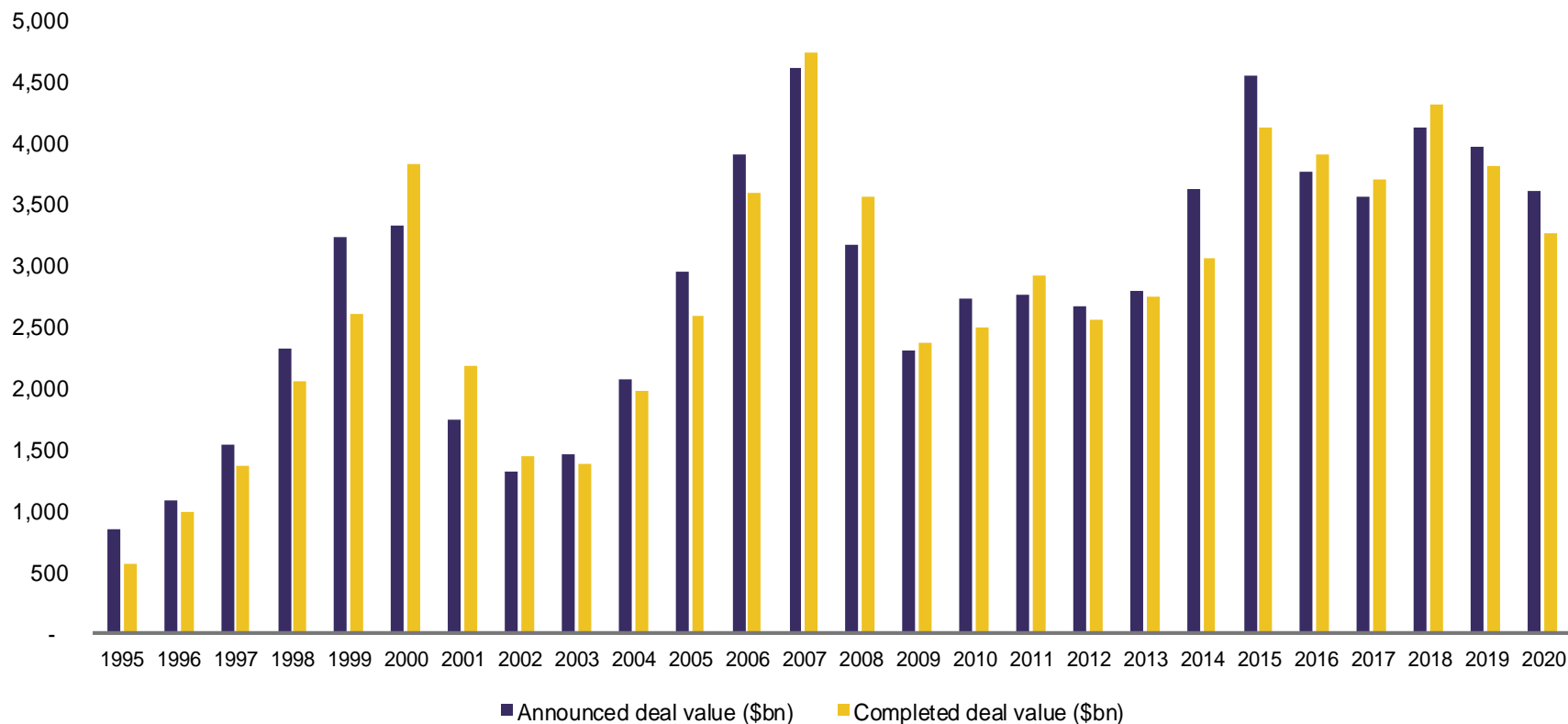
1st

Equity Adviser, globally, by deal number

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



Global M&A market by values



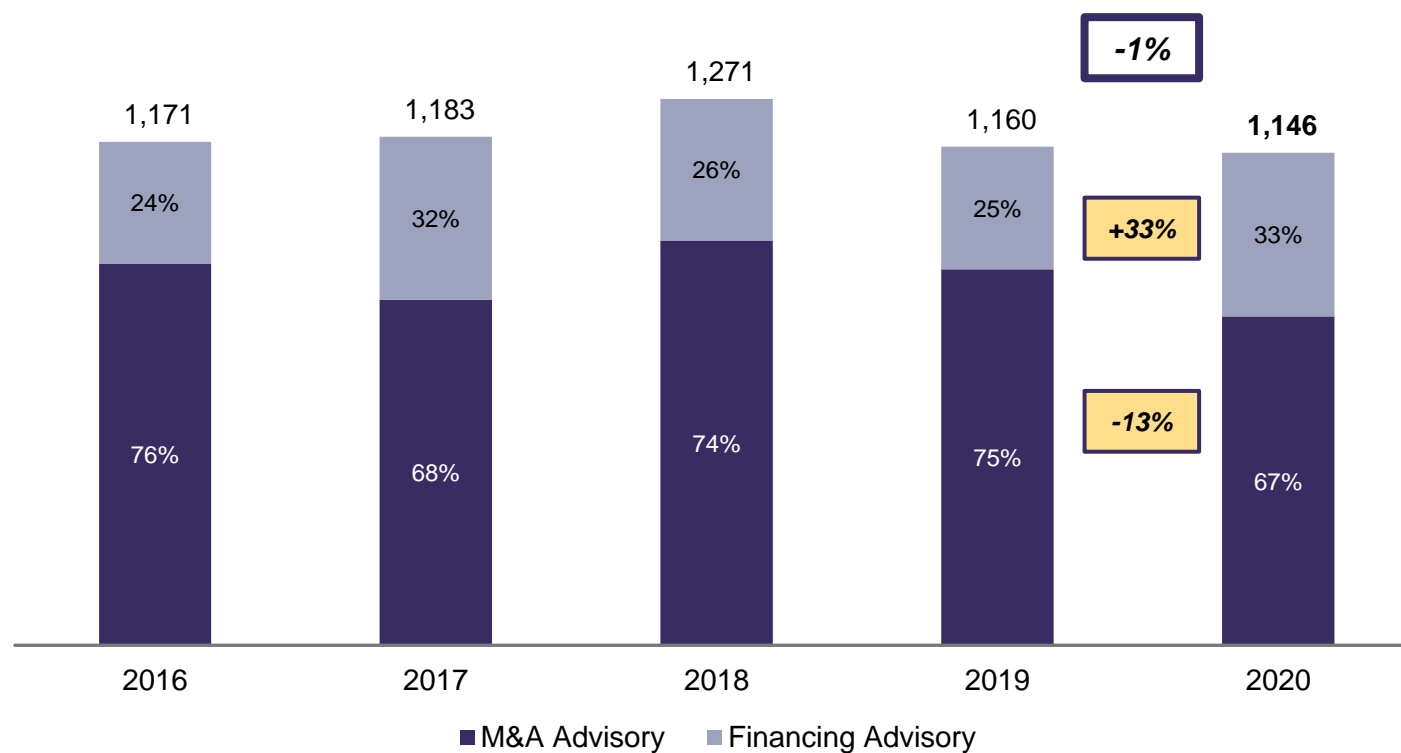
	16 vs 15	17 vs 16	18 vs 17	19 vs 18	20 vs 19
% var Announced	(17%)	(5%)	16%	(4%)	(9%)
% var Completed	(5%)	(5%)	17%	(12%)	(14%)

Source: Dealogic



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

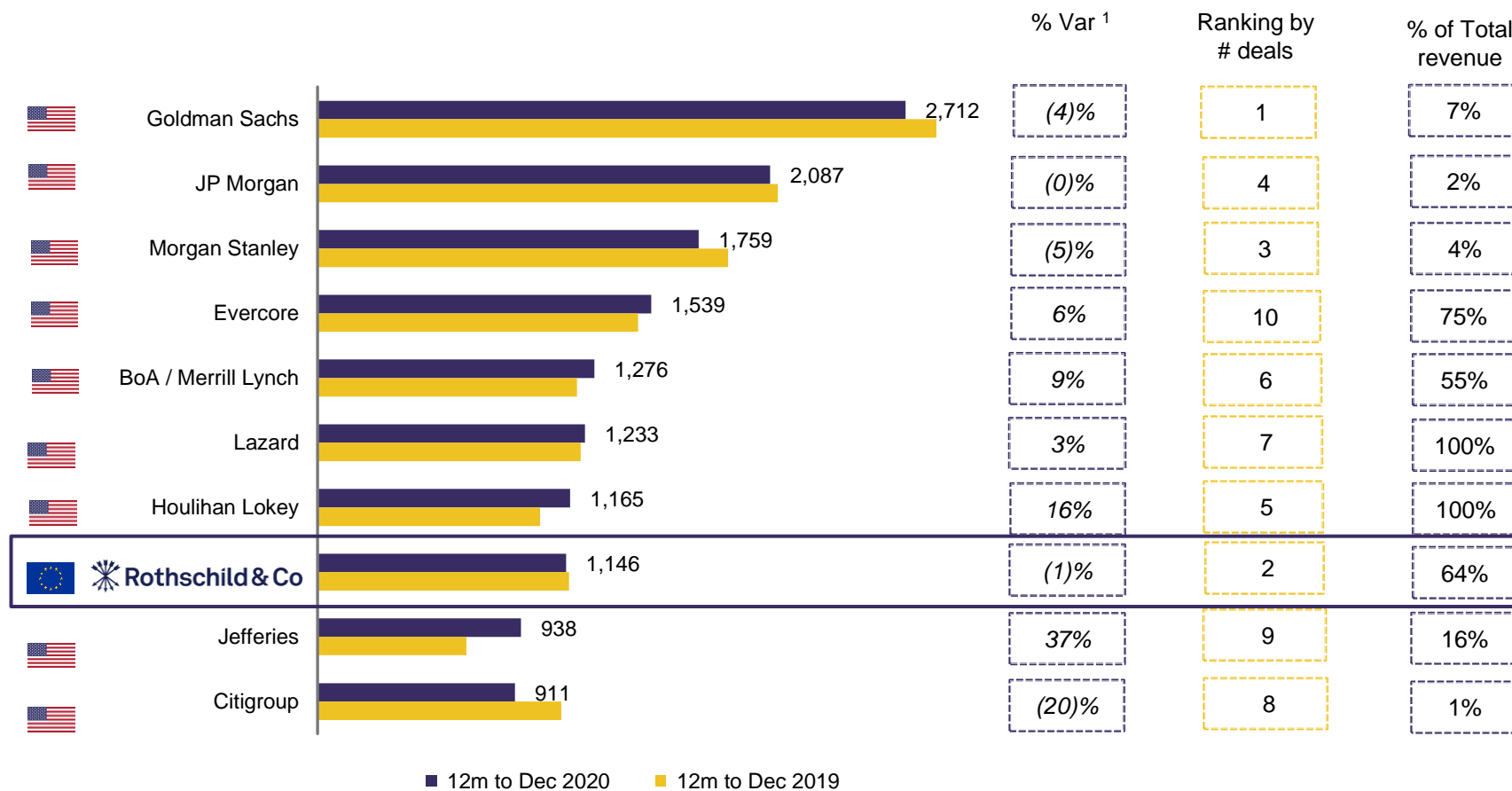
Revenue by product (in €m)





Strong position by revenue and number of deals

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



Note

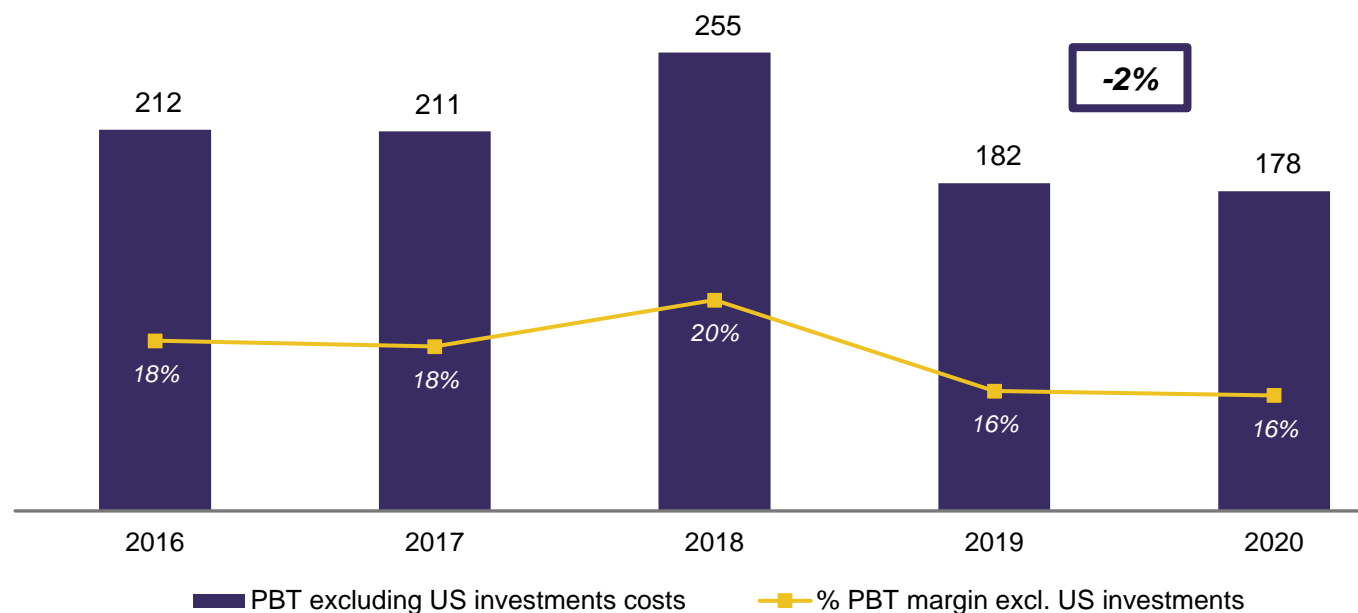
1: Variation calculated on local currency

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 costs¹



Compensation ratio²

65.6%

65.0%

63.4%

64.9%

67.3%

Notes

¹ 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

² 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

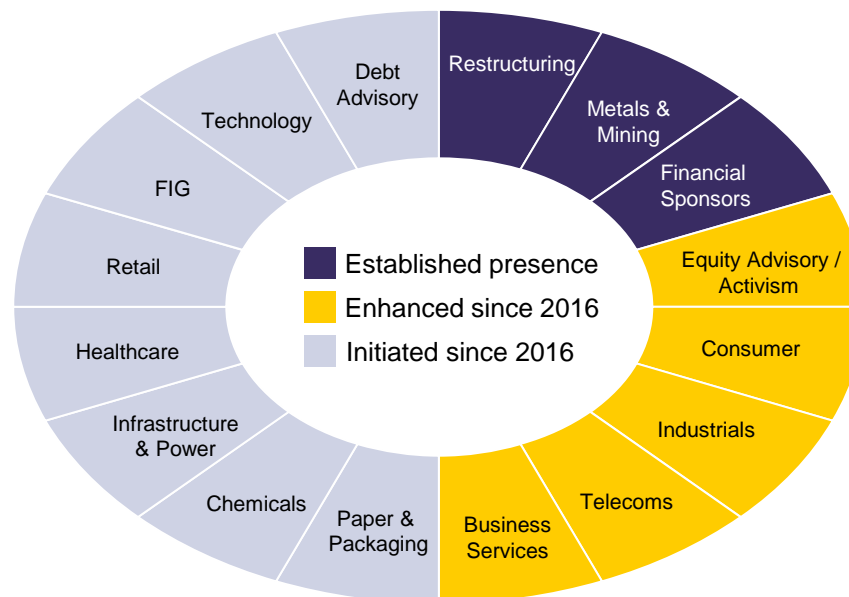
29

newly hired MDs since 2014

4

new MDs in 2020¹

¹ 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

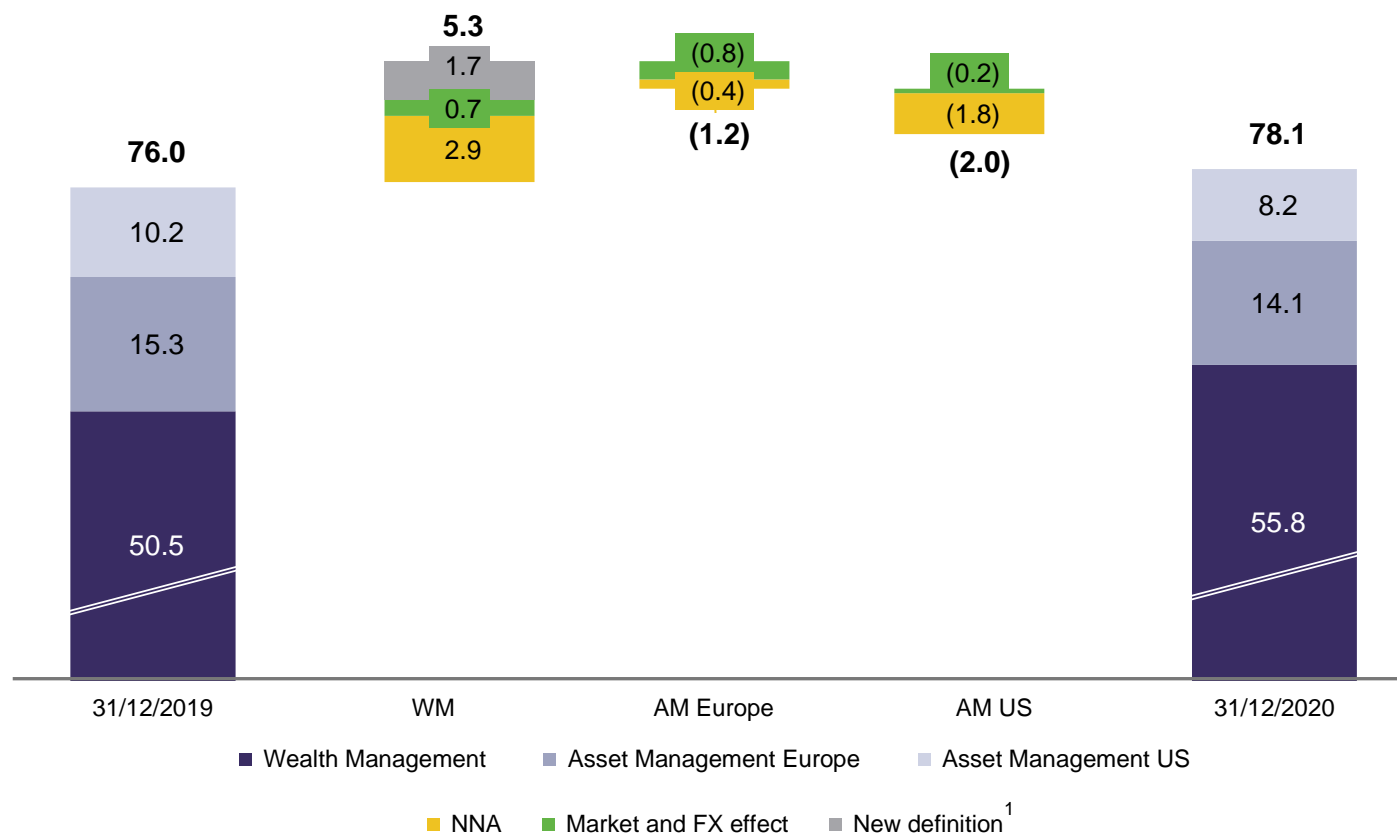
Strategic refocus
of AM business in
Europe

Wealth & Asset Management



Increased AuM supported by strong NNA in Wealth Management

Assets under management (in €bn)



Note

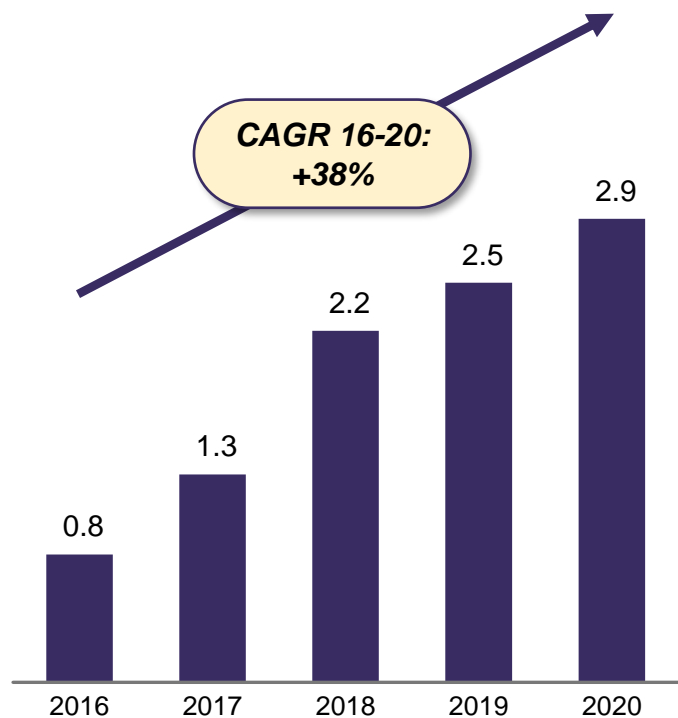
¹ Definition of AuM refined to align better the measurement of AuM within the Group, in line with the implementation of a common management information system for the whole Wealth & Asset Management business

Wealth & Asset Management



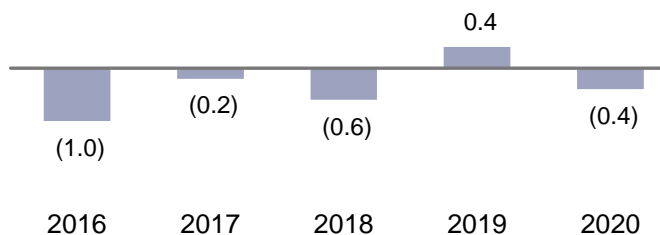
Strong net new assets in Wealth Management partly offset by outflows in Asset Management

Wealth Management NNA (in €bn)

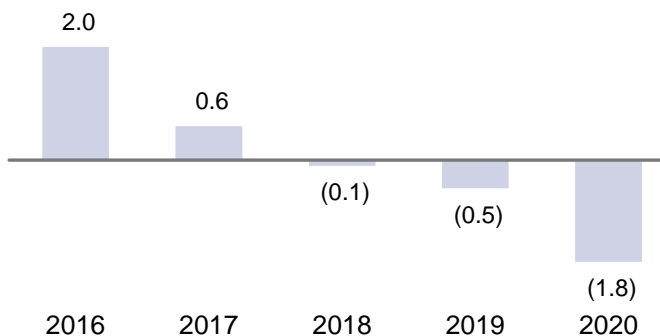


Asset Management NNA (in €bn)

AM Europe



AM US



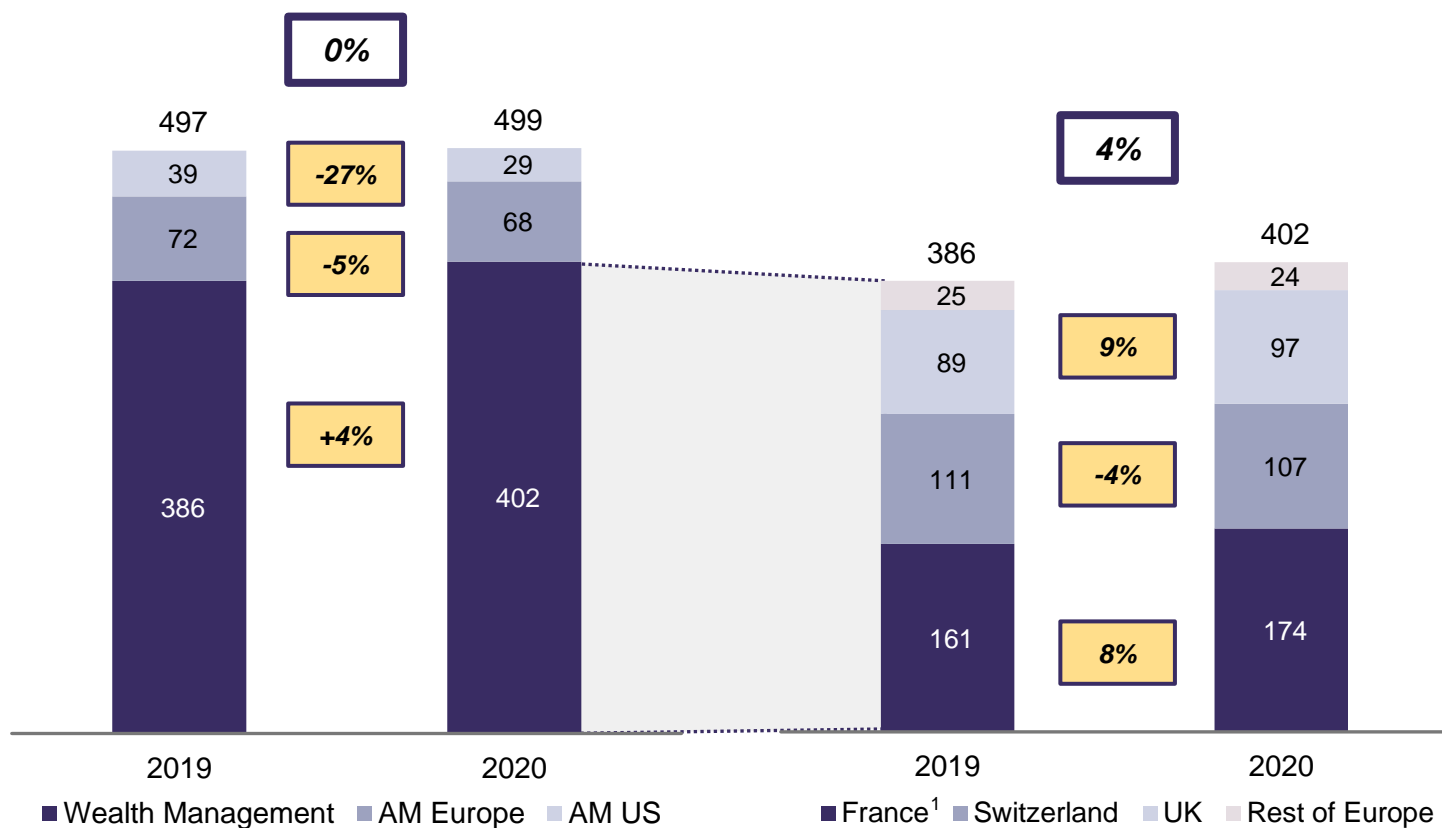
Wealth & Asset Management



Revenue breakdown

By business line

Zoom on WM revenue by geography



Note

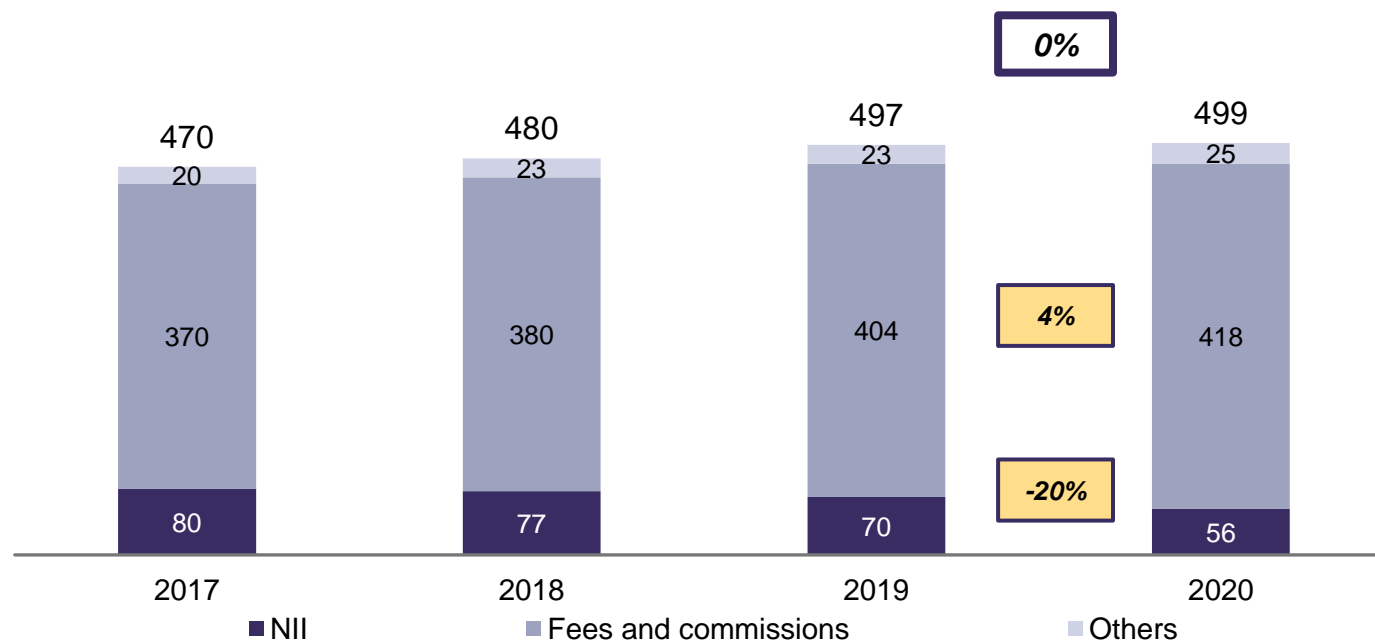
¹ France includes France, Belgium and Monaco

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

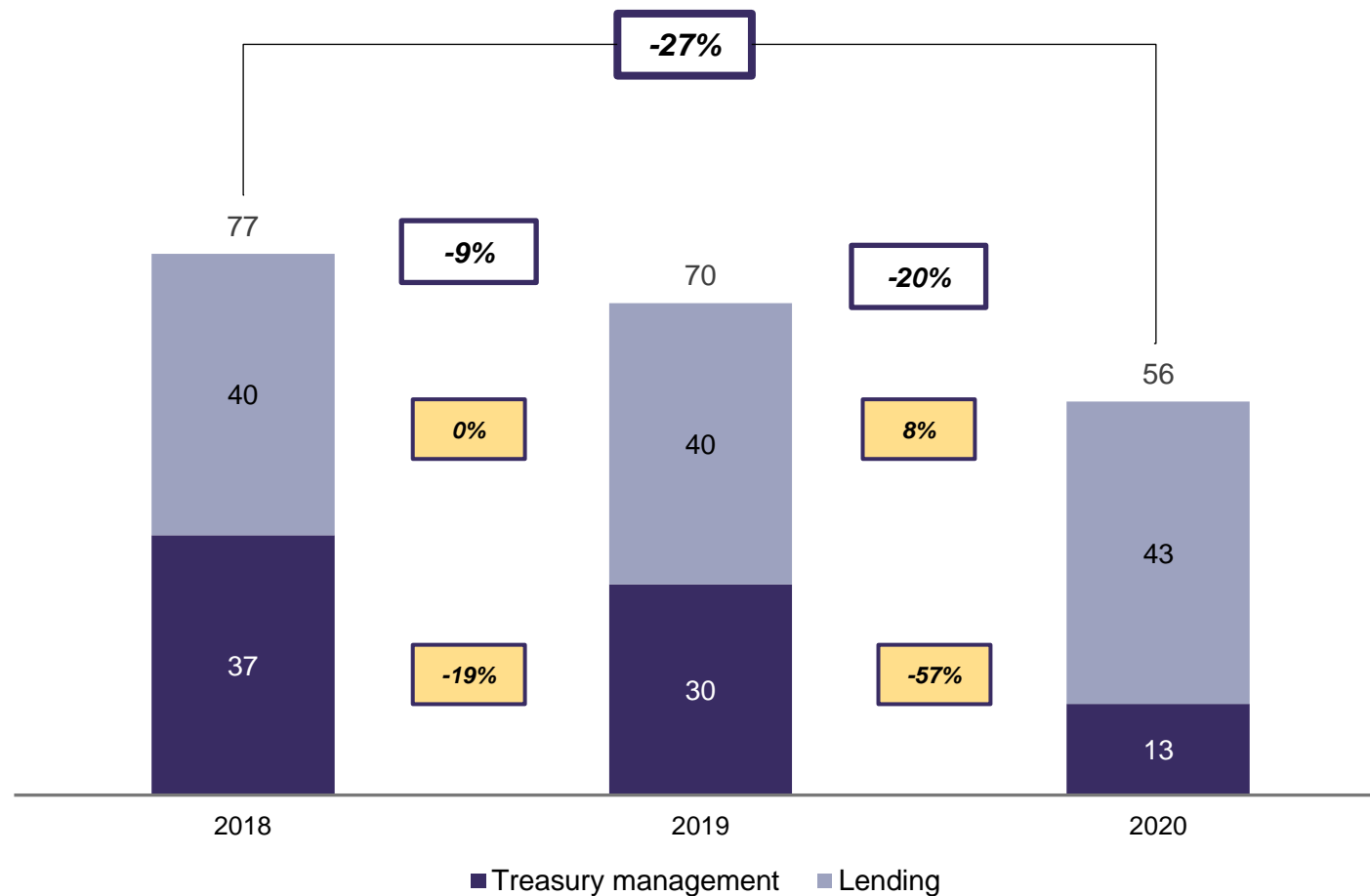
Wealth & Asset Management



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

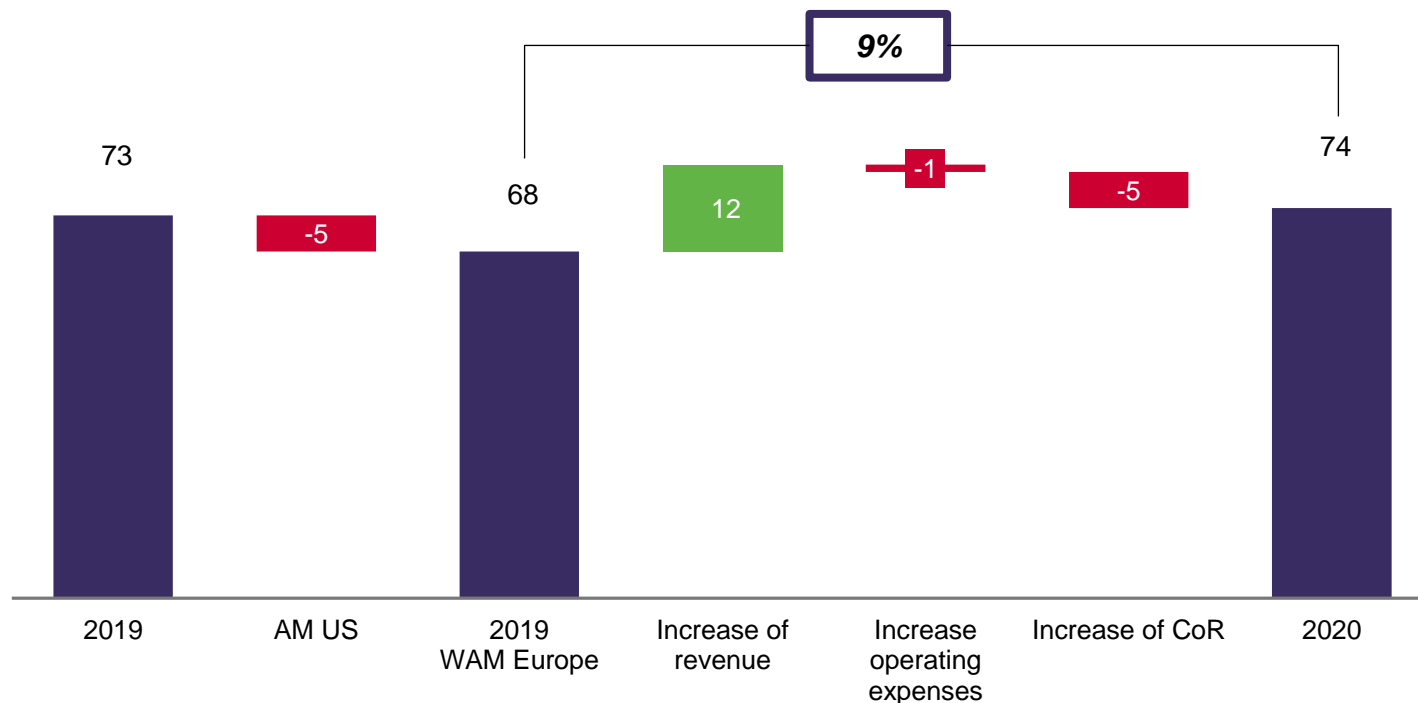


Wealth & Asset Management



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 objective¹ by 2021:
 - More than 85% of WM discretionary assets² classified as article 8 or 9
 - More than 95% for AM Europe open-ended funds

Notes

¹ According to available information and our own analysis of SFDR's requirements

² 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

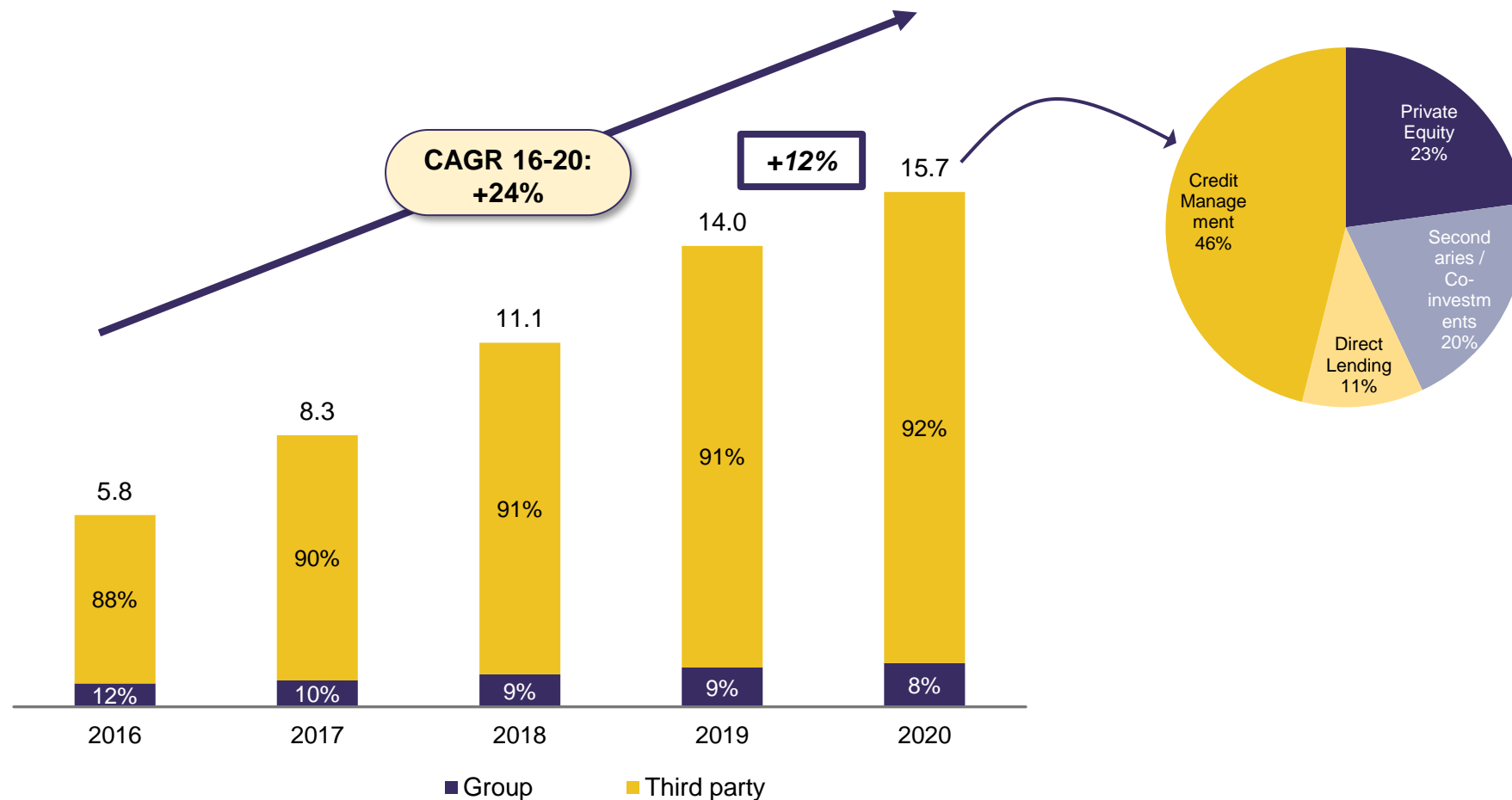
NAV of
€679m

Merchant Banking



Continuing growth of AuM thanks to development of business activities

Assets under Management (in €bn)

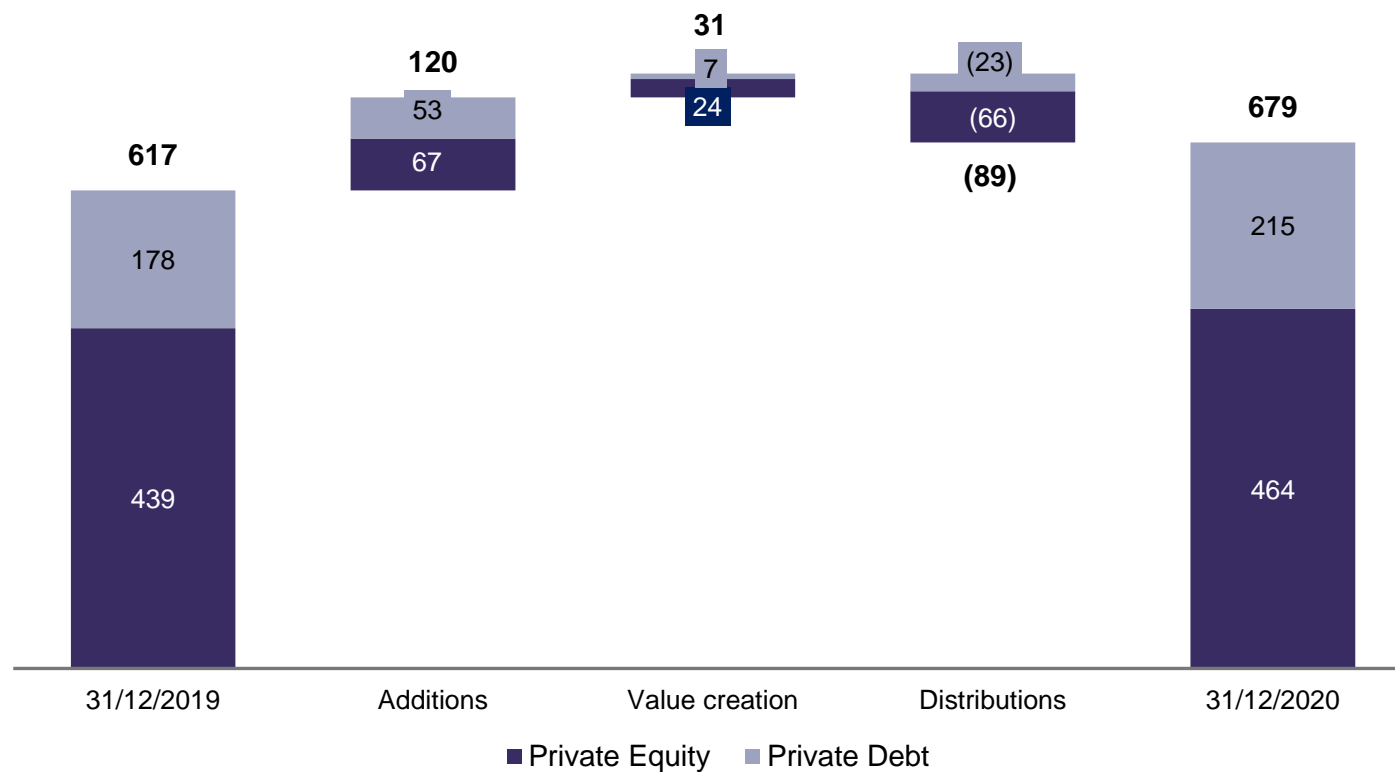


Merchant Banking



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)

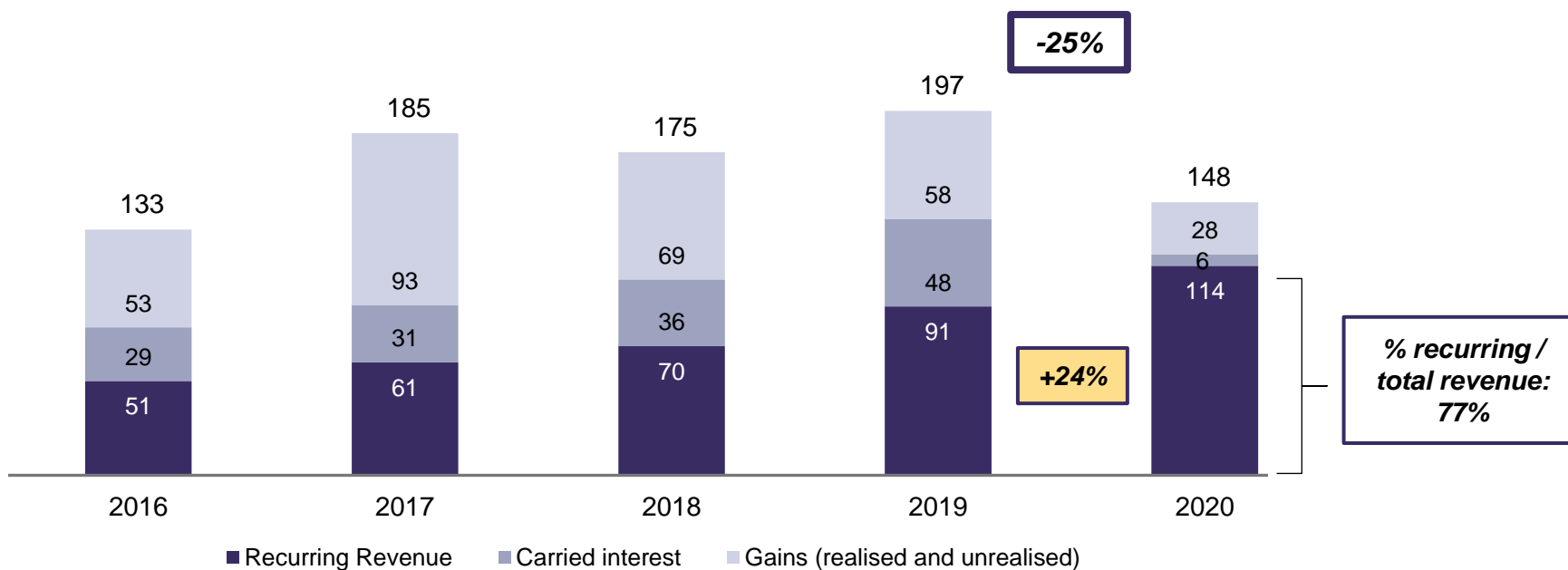


Merchant Banking



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

Revenue (in €m)



3y average revenue (in €m)

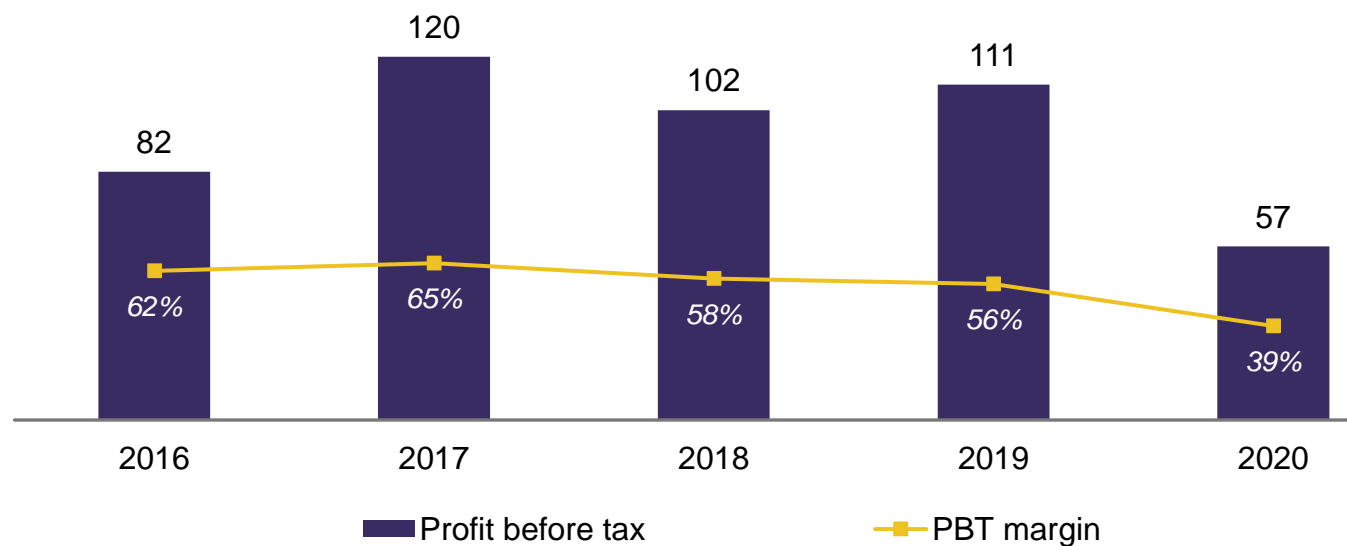
131	145	164	186	173
-----	-----	-----	-----	-----

Merchant Banking



Decline in PBT due to lower investment performance revenue

Profit Before Tax (in €m) and RORAC¹



3 year average RORAC ¹	25%	26%	28%	28%	20%
-----------------------------------	-----	-----	-----	-----	------------

Note

¹ 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



5

Corporate responsibility

Corporate responsibility (1/2)



Key highlights 2020

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

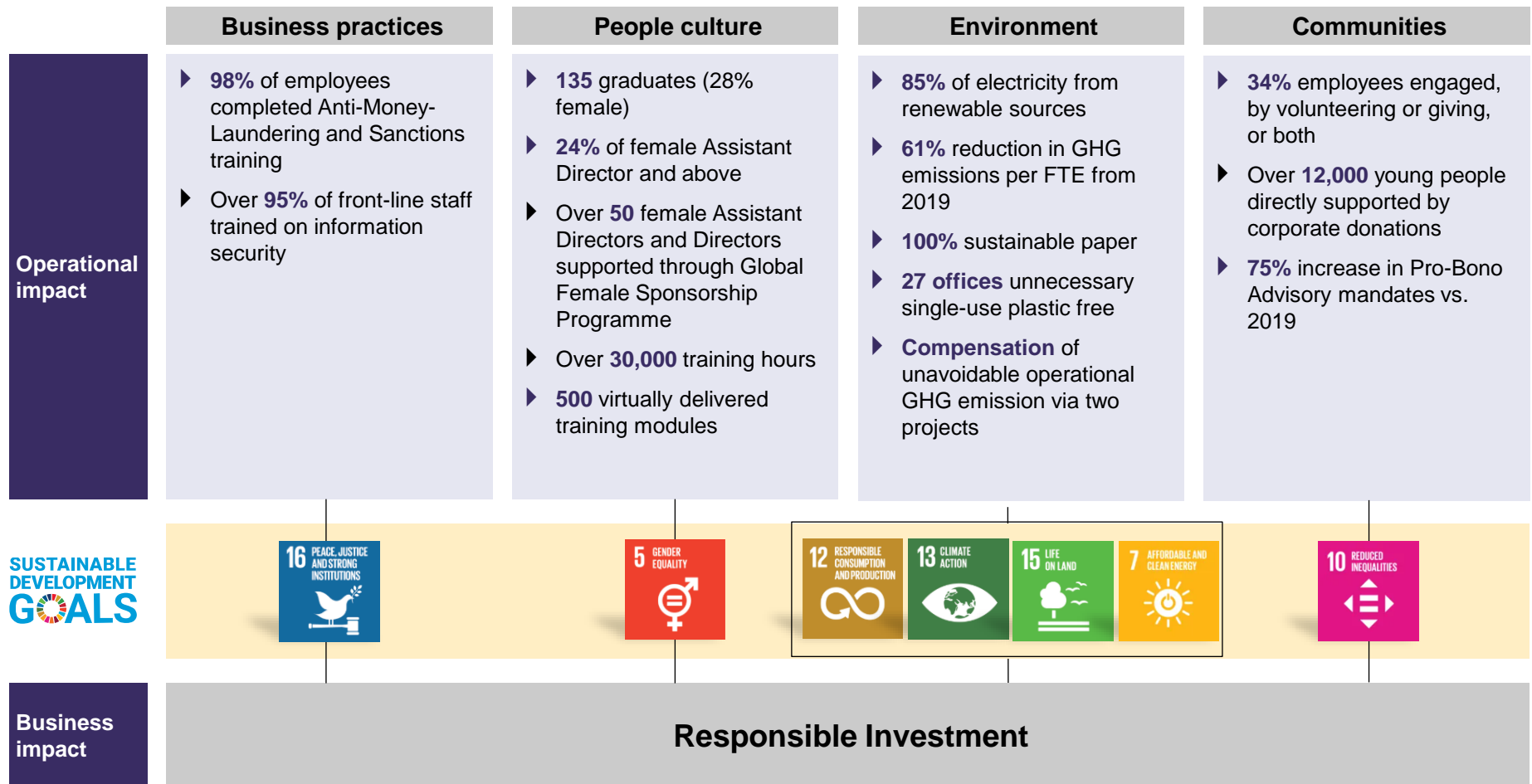
- Group-wide ESG investment integration framework
- All investment business lines UNPRI signatory
- Increase in dedicated responsible investment solutions

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
Revenue	1,799	1,872	(73)	(4)%	(17)
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
Operating Income	374	446	(72)	(16)%	(1)
Other income / (expense) (net)	(5)	19	(24)	(126)%	0
Profit before tax	369	465	(96)	(21)%	(1)
Income tax	(60)	(68)	8	(12)%	0
Consolidated net income	309	397	(88)	(22)%	(1)
Non-controlling interests	(148)	(154)	6	(4)%	0
Net income - Group share	161	243	(82)	(34)%	(1)
Adjustments for exceptionals	12	(10)	22	(220)%	0
Net income - Group share excl. exceptionals	173	233	(60)	(26)%	(1)
<i>Earnings per share¹</i>	<i>2.20 €</i>	<i>3.38 €</i>	<i>(1.18) €</i>	<i>(35)%</i>	
EPS excl. exceptionals	2.37 €	3.24 €	(0.87) €	(27)%	
<i>Return On Tangible Equity (ROTE)</i>	<i>8.2%</i>	<i>13.2%</i>			
ROTE excl. exceptionals	8.8%	12.6%			

Note

¹ Diluted EPS is €2.19 for 2020 (2019: €3.35)

“Exceptionals” reconciliation



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

Performance by business



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

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

Note

¹ 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 ¹	(1,207)	(1,176)
Compensation ratio	67.1%	62.8%
variation due to FX	0.1%	(0.2)%
variation due to GA US investment costs ²	(0.5)%	(0.8)%
Adjusted accounting Compensation ratio (INCLUDING deferred bonus accounting)	66.7%	61.8%
variation due to deferred bonus accounting	(0.1)%	(0.2)%
Adjusted awarded Compensation ratio (EXCLUDING deferred bonus accounting)	66.6%	61.6%
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

¹ 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

² 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

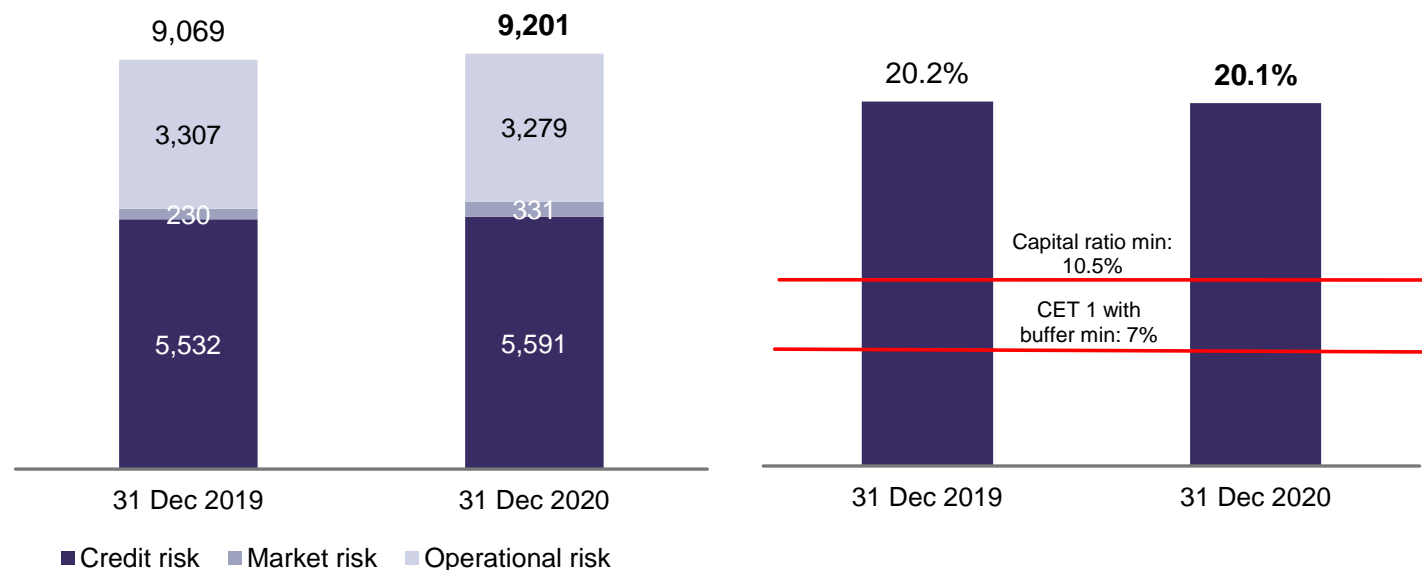
Solvency ratios comfortably above minimum requirements



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

Risk weighted assets (in €m)

Global solvency ratio^{1,2}



- 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

¹ 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

² 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
Banks	12.3	11.7
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
Non-Banks	2.4	2.5
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
Total assets	14.7	14.2
Banks	11.3	10.7
Due to customers	9.9	9.5
Due to banks	0.3	0.2
Other current and non-current liabilities	1.1	1.0
Non-Banks	0.7	0.9
Long term borrowing - central Group	0.2	0.3
Other current and non-current liabilities	0.5	0.6
Capital	2.7	2.6
Shareholders' equity - Group share	2.3	2.2
Non-controlling interests	0.4	0.4
Total capital and liabilities	14.7	14.2

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
Consolidated Profit before tax	531	465	369
Non cash items	(65)	(55)	38
Profit before tax and non cash items	466	410	407
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 ⁽¹⁾	(185)	(229)	(212)
Operating cash flow (OCF)	315	116	90
OCF excl. MB investment activities	196	138	121
OCF as a % of Net income - Group share excl. MB investment activities and investment revenue	108%	101%	96%

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 ¹	▶	Low to mid 60's through the cycle	66.7%	61.8%
	Return on tangible equity ²	▶	10 to 15% through the cycle	8.8%	12.6%
Businesses targets	Global Advisory: Profit before tax margin ³	▶	Mid to high-teens through the cycle	16%	16%
	Wealth & Asset Management: Profit before tax margin ⁴	▶	Around 18% ⁴ by 2022	15.6%	14.8%
	Merchant Banking: 3 years average RORAC ⁵	▶	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%)

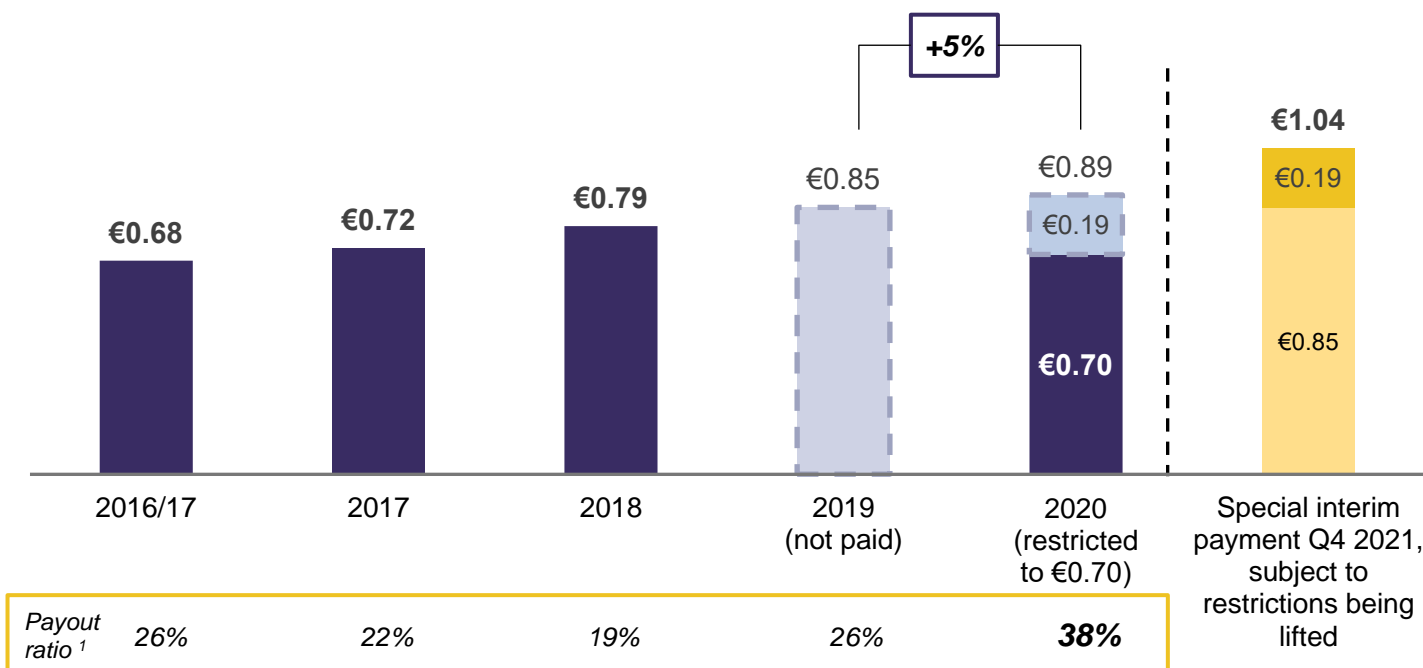
4 Excluding AM US

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

¹ 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

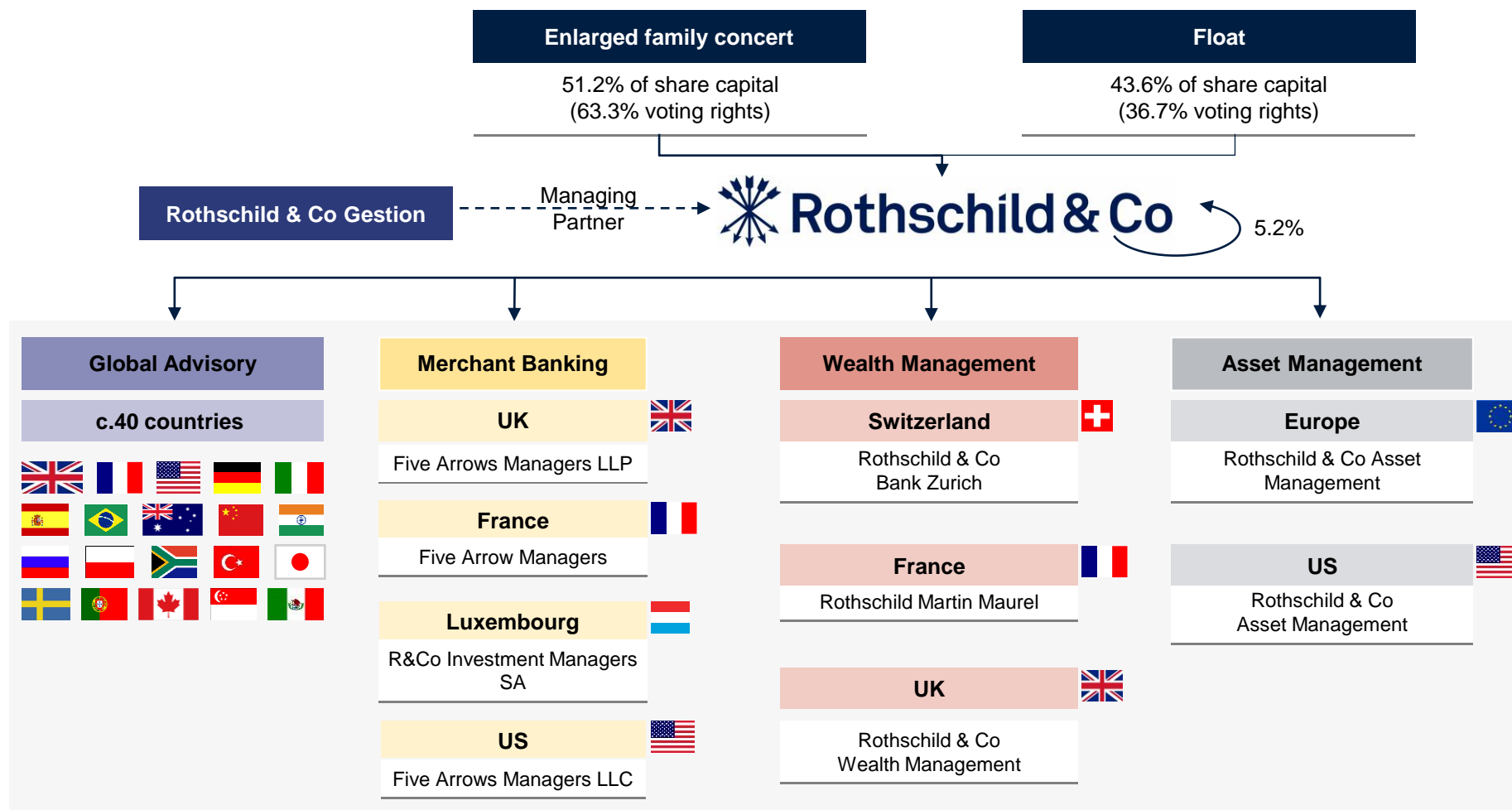
- Confidence to believe that we are well positioned for the continued unpredictable market conditions that we face in the forthcoming months
- Thanks to our strategy of focussing on our clients' needs and increasing revenue while maintaining a close control over costs, we remain cautiously optimistic 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 ¹	134.7	136.7	Preferred shares ¹	118	138
Other non-controlling interests	(0.5)	(0.2)	Other non-controlling interests	2	5
TOTAL	148.7	153.8	TOTAL	405	446

Note

¹ Mainly relates to the profit share (préciput) distributed to French partners

Alternative performance measures (APM)



APM	Definition	Reason for use
Net income – Group share excluding exceptionals	Net income attributable to equity holders excluding exceptional items	To measure Net result Group share of Rothschild & Co excluding exceptional items
EPS excluding exceptionals	EPS excluding exceptional items	To measure EPS excluding exceptional items
Adjusted compensation ratio	<p>Ratio between adjusted staff costs divided by consolidated revenue of Rothschild & Co (as presented on slide 28). Adjusted staff costs represent:</p> <ol style="list-style-type: none"> 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) 2. to which must be added the amount of profit share (préciput) paid to the French partners 3. from which must be deducted redundancy costs, revaluation of share-based employee liabilities and business acquisition costs treated as employee compensation under IFRS <p>- which gives Total staff costs in calculating the basic compensation ratio</p> <ol style="list-style-type: none"> 4. from which the investment costs related to the recruitment of senior bankers in the United States must be deducted, 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 <p>- which gives the adjusted staff costs for compensation ratio.</p>	<p>To measure the proportion of Net Banking Income granted to all employees. Key indicator for competitor listed investment banks.</p> <p>Rothschild & Co calculates this ratio with adjustments to give the fairest and closest calculation to that used by other comparable listed companies.</p>
Return on Tangible Equity (ROTE) excluding exceptional items	<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
Business Operating margin	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
Return on Risk Adjusted Capital (RORAC)	<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
Operating cash flow (OCF)	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
Shareholders' equity (group share)	2,302,897	2,238,888
Net book value	2,302,897	2,238,888
- Intangible assets	(183,905)	(171,203)
- Intangible assets net of tax	(170,400)	(157,700)
- Goodwill	(135,108)	(140,253)
Net tangible book value	1,997,389	1,940,935
Average number of shares in issue	77,620,845	77,548,872
- Average Treasury shares	(3,721,096)	(4,063,228)
- Average Controlling shares	(1,993,808)	(2,145,388)
Average number of shares	71,905,941	71,340,256
Number of shares in issue - End of the period	77,657,512	77,617,512
- Treasury shares - End of the period	(3,476,731)	(4,151,321)
- Controlling shares - End of the period	(1,989,816)	(1,778,235)
Number of shares - End of the period	72,190,965	71,687,956
Net book value per share (End of the period)	€ 31.90	€ 31.23
Net tangible book value per share (End of the period)	€ 27.67	€ 27.07
Net income (group share)	160,511	242,685
- profit share to RCOG	(2,596)	(1,344)
Net income attributable to shareholders	157,915	241,341
Earnings per share (based on average number of shares)	€ 2.20	€ 3.38

Alternative performance measures (APM)



ROTE and RORAC

ROTE			RORAC		
	2020	2019		2020	2019
Net income - Group share excluding exceptionals	173	233	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
Tangible shareholders' equity - Group share - opening	1,941	1,742	Average PBT rolling 3 years	90	111
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
Tangible shareholders' equity - Group share - closing	1,997	1,941	NAV 31/12/2017		526
Average Tangible equity	1,969	1,842	Average NAV rolling 3 years	604	553
ROTE excluding exceptionals	8.8%	12.6%	Debt = 30% of average NAV	181	166
			Notional interest of 2.5% on debt	(4)	(4)
			Average PBT rolling 3 years adjusted by the cost of debt interest	86	107
			Risk adjusted capital = 70% of Average NAV	423	387
			RORAC	20%	28%

Alternative performance measures (APM)



Operating cash flow reconciliation to statutory cash flow

	12m to Dec 18	12m to Dec 19	12m to Dec 20
Operating cash flow (OCF)	315	116	90
Net (advance)/repayment of loans to customers	31	(298)	(255)
Net cash inflow/(outflow) related to treasury activities ⁽¹⁾	966	277	604
Net cash inflow/(outflow) related to investing activities ⁽²⁾	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)
NET INFLOW/(OUTFLOW) OF CASH AND TREASURY ASSETS	1,268	212	293
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	-
Net inflow/(outflow) of cash disclosed in consolidated accounts	737	(276)	484

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

Disclaimer

This presentation has been prepared solely for information purposes and must not be construed as or considered as constituting or giving any investment advice. It does not take into account, in any way whatsoever, the investment objectives, financial situation or specific needs of its recipients.

This presentation and its contents may not be copied or disseminated, in part or as a whole, without prior written consent of Rothschild & Co.

This presentation may contain forward-looking information and statements pertaining to Rothschild & Co SCA (“Rothschild & Co”), its subsidiaries (together, the “Rothschild & Co Group”) and its and their results. Forward-looking information is not historical. It reflects objectives that are based on management’s current expectations or estimates and is subject to a number of factors and uncertainties, that could cause actual figures to differ materially from those described in the forward-looking statements including those discussed or identified in the documentation publicly released by Rothschild & Co, including its annual report.

Rothschild & Co does not undertake to update such forward-looking information and statements unless required by applicable laws and regulations. Subject to the foregoing, Rothschild & Co has no obligation to update or amend such information and statements, neither as a result of new information or statements, nor as a result of new events or for any other reason.

No representation or warranty whatsoever, express or implied, is made as to the accuracy, completeness, consistency or the reliability of the information contained in this document. It may not be considered by its recipients as a substitute to their judgment.

This presentation does not constitute an offer to sell or a solicitation to buy any securities.

This presentation is qualified in its entirety by the information contained in Rothschild & Co’ financial statements, the notes thereto and the related annual financial report. In case of a conflict, such financial statements, notes and financial reports must prevail. Only the information contained therein is binding on Rothschild & Co and the Rothschild & Co Group. If the information contained herein is presented differently from the information contained in such financial statements, notes and reports, only the latter is binding on Rothschild & Co and the Rothschild & Co Group.

For more information on Rothschild & Co: www.rothschildandco.com