



## Press release – Financial information

### Third quarter 2020

Paris, 9 November 2020

### Continuing resilient revenue performance in difficult market conditions

- **Global Advisory:** revenue for the third quarter of €261.9 million, up 18% (Q3 2019: €221.3 million) and revenue for the nine months to September up 3% at €791.3 million (9m 2019: €766.1 million), reflecting resilient performance in our M&A business and increased demand from clients for advice on financing matters
- **Wealth & Asset Management:** revenue for the third quarter of €117.1 million, down 5% (Q3 2019: €123.4 million) and revenue for the nine months to September up 2% at €369.3 million (9m 2019: €362.6 million). Continuing strong Net New Assets (NNA) in Wealth Management
- **Merchant Banking:** revenue for the third quarter of €26.7 million, down 12% (Q3 2019: €30.3 million) and revenue for the nine months to September down 43% at €79.5 million (9m 2019: €140.7 million) due to limited increase in investment valuations in 2020, although strong increase in recurring revenue as a result of robust Asset under management (AuM) growth
- Group Revenue for the third quarter of €403.7 million, up 6% (Q3 2019: €381.3 million) and revenue for the nine months to September down 3% at €1,241.5 million (9m 2019: €1,278.8 million)
- 9 months revenue impacted negatively by currency translation effects of €2 million

In € million	Third quarter			9m to September		
	2020	2019	% Var	2020	2019	% Var
Global Advisory	261.9	221.3	18%	791.3	766.1	3%
Wealth & Asset Management	117.1	123.4	(5)%	369.3	362.6	2%
Merchant Banking	26.7	30.3	(12)%	79.5	140.7	(43)%
Other businesses and corporate centre	2.2	4.5	(51)%	9.3	17.8	(48)%
<b>TOTAL before IFRS reconciliation</b>	<b>407.9</b>	<b>379.5</b>	<b>7%</b>	<b>1,249.4</b>	<b>1,287.2</b>	<b>(3)%</b>
IFRS Reconciliation	(4.2)	1.8	(333)%	(7.9)	(8.4)	6%
<b>Total Group revenue</b>	<b>403.7</b>	<b>381.3</b>	<b>6%</b>	<b>1,241.5</b>	<b>1,278.8</b>	<b>(3)%</b>

# 1. Business activities

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## 1.1 Global Advisory

Our Global Advisory business focuses on providing advice in the areas of Strategic Advisory and M&A; Financing Advisory encompassing Debt Advisory, Restructuring and Equity Advisory; and Investor Advisory advising on engaging with shareholders on a variety of topics including activism, sustainability and governance.

**Revenue for Q3 2020** was €261.9 million, up 18% (Q3 2019: €221.3 million) and up 1% compared to Q2 2020 (€260.3 million).

**Revenue for the nine months to September 2020** was €791.3 million, up 3% (9m 2019: €766.1 million). We ranked 5<sup>th</sup> globally by financial advisory revenue<sup>1</sup> for the last twelve months to September 2020, up from 8<sup>th</sup> in the previous quarter.

Our **M&A** business has remained resilient despite a challenging and volatile market environment. Revenue for nine months to September 2020 was €513.1 million, down 13% (9m 2019: €588.7 million). We ranked 2<sup>nd</sup> globally by number of completed transactions for the nine months to September 2020<sup>2</sup>. 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 decade<sup>2</sup>.

**Financing Advisory** revenue for the nine months to September 2020 was particularly strong at €278.2 million, up 57% (9m 2019: €177.4 million), driven by demand from existing and new clients for advice around liquidity, financing and balance sheet repair matters. Year to date, we ranked 1<sup>st</sup> in Europe by numbers of completed restructuring transactions<sup>2</sup> and maintained our position as adviser on more European equity assignments than any other independent financial adviser<sup>3</sup>.

So far this year, we promoted 20 new Managing Directors across the business, demonstrating our focus on growing talent from within. In addition, we recruited two new Managing Directors into our Swiss and Middle Eastern businesses. We continued our ongoing strategic investment in North America with a new Vice Chairman and one new Managing Director focusing on the Automotive sector.

Global Advisory advised the following clients on significant assignments completed in the three months to September 2020:

- **PG&E** on its restructuring (adviser to creditors - US\$52 billion, United States)
- **Snam**, together with GIP, Brookfield, GIC, OTPP and NH, on their acquisition of a 49% stake in ADNOC's gas pipelines (US\$10.1 billion, Italy and United Arab Emirates)
- **Consortium led by Advent, Cinven & RAG** on its acquisition of Thyssenkrupp's Elevator Technology business (€17.2 billion, Germany, United Arab Emirates and Singapore)
- **Nordic Aviation Capital** on its restructuring (US\$5.9 billion, United Kingdom)
- **The Hut Group** on its IPO on the London Stock Exchange (£1.9 billion, United Kingdom)

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

- **Ingenico** on its combination with Worldline (€21 billion, France)
- **Bankia** on its merger with CaixaBank (€17 billion, Spain)
- **Walmart** on its sale of Asda to Issa Brothers and TDR Capital (£6.8 billion, United States and United Kingdom)
- **Grupo Aeroméxico** on its chapter 11 restructuring (US\$3.3 billion, Mexico)
- **IAG** on its proposed Rights Issue (€2.75 billion, Spain and United Kingdom)

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<sup>1</sup> Source: Company filings

<sup>2</sup> Source: Refinitiv

<sup>3</sup> Source: Dealogic

## 1.2 Wealth & Asset Management

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

**Net New Assets (NNA)** for the nine months of 2020 were net inflows in Wealth Management of €2.3 billion in all our main geographies. Despite the impact of COVID-19, levels of activity have been very high as we remain in constant dialogue with clients in these difficult conditions.

Asset Management recorded a net outflow for the nine months of 2020 of €3.0 billion largely due to North America (€2.8 billion), where our value-oriented investment philosophy has proved difficult in the current environment. However, recently, our North American business has won an important sub-advisory mandate with Transamerica AM, a new distribution partner, for approximately \$2.1 billion, which we expect to start late in Q4.

**Assets under Management (AUM) as at 30 September 2020 quarter stood at €71.4 billion**, nearly flat from the level as at 30 June 2020 (€71.3 billion) and down 6% versus 31 December 2019 (€76.0 billion).

The table below presents the progress in Assets under Management.

In € billion	Quarter ended			9m to September	
	30/09/2020	30/06/2020	30/09/2019	2020	2019
<b>AuM opening</b>	<b>71.3</b>	<b>66.7</b>	<b>71.5</b>	<b>76.0</b>	<b>64.8</b>
<i>of which Wealth Management</i>	<b>49.9</b>	<b>46.6</b>	<b>47.1</b>	<b>50.5</b>	<b>42.5</b>
<i>of which Asset Management</i>	<b>21.4</b>	<b>20.1</b>	<b>24.4</b>	<b>25.5</b>	<b>22.3</b>
Net new assets	(1.0)	(0.3)	0.8	(0.7)	2.8
<i>of which Wealth Management</i>	0.5	0.5	0.8	2.3	2.7
<i>of which Asset Management</i>	(1.5)	(0.8)	-	(3.0)	0.1
Market and exchange rate	1.1	4.9	1.4	(3.9)	6.1
<b>AuM closing</b>	<b>71.4</b>	<b>71.3</b>	<b>73.7</b>	<b>71.4</b>	<b>73.7</b>
<i>of which Wealth Management</i>	<b>51.3</b>	<b>49.9</b>	<b>48.7</b>	<b>51.3</b>	<b>48.7</b>
<i>of which Asset Management</i>	<b>20.1</b>	<b>21.4</b>	<b>25.0</b>	<b>20.1</b>	<b>25.0</b>
% var / AuM opening	0%			(6)%	

Overall, despite the impact of COVID-19, the business has performed well, with high levels of activity and a continued ability to attract new clients, especially in our Wealth Management business.

**Revenue for Q3 2020** was €117.1 million, down 5% (Q3 2019: €123.4 million) mainly due to the continuing contraction of Net interest income with further pressure from lower interest rates and reduced clients' transaction volumes during the quarter.

**Revenue for the nine months to September 2020** was €369.3 million, up 2% (9m 2019: €362.6 million). This reflects two opposite effects:

- an increase of 5% in fees and commissions due to the strong growth in AUM enjoyed in 2019 and high transaction fees especially in the second quarter; and
- a decline of 17% in Net interest income driven by the negative impact of the interest rate environment on our lending and treasury revenue.

## 1.3 Merchant Banking

Merchant Banking is the investment arm of Rothschild & Co which manages capital for third parties and the firm in private equity and private debt.

**Revenue for Q3 2020** was €26.7 million (Q3 2019: €30.3 million), down 12%.

**Revenue for the nine months to September 2020** was €79.5 million (9m 2019: €140.7 million), down 43%. When compared to the average first nine months of the last three years, revenue is down 38%.

In € million	Q3 2020	Q3 2019	% Var	9m 2020	9m 2019	% Var
Recurring revenue	28.6	21.8	31%	81.7	63.1	29%
Investment performance revenue	(1.9)	8.5	(122)%	(2.2)	77.6	(103)%
<i>of which carried interest</i>	0.1	4.0	(98)%	(0.7)	37.5	(102)%
<i>of which realised and unrealised investments gains and dividends</i>	(2.0)	4.5	(144)%	(1.5)	40.1	(104)%
<b>Total revenue</b>	<b>26.7</b>	<b>30.3</b>	<b>(12)%</b>	<b>79.5</b>	<b>140.7</b>	<b>(43)%</b>
% recurring / total revenue	107%	72%		103%	45%	

Revenue for the nine months to September 2020 continues the pattern seen in the first half of the year, with revenue contraction reflecting two opposing effects:

- a strong increase of 29% in recurring revenue as a result of AUM growth driven by recent fund closings; and
- a sharp decrease in investment performance revenue due to:
  - public credit markets still priced below December 2019 levels, despite the significant recovery that has occurred since Q1 2020, and
  - a lack of material unrealised valuation uplifts in our private equity funds. Our investments have, however, proven extremely resilient, enabling us to keep their overall valuation in line with December 2019.

We continue to believe that the decline in investment performance revenue mainly relates to the carrying values of the unrealised investments in our existing Merchant Banking funds. Given the quality of our underlying assets and the robustness of the core sectors in which we invest (Healthcare, Data & Software and Technology Enabled Business Services), we remain confident that the impact on valuations will be transient with no long-term impact on value-creation expected, thanks to the underlying growth dynamics of our portfolio companies and to a more normalised set of market conditions. At the end of September 2020, all the portfolio companies in our equity funds remain well capitalised with no liquidity issues.

The alignment of interests between the Group and our third-party investors remains a key differentiator for Merchant Banking, especially in the midst of these challenging market conditions. During the nine months to September 2020, Rothschild & Co's investments in the division's products totalled €57 million, of which €33 million was in private equity and €24 million in private debt. Disposals and distributions generated proceeds of €69 million for the Group, of which €58 million was from private equity and €11 million from private debt.

During the third quarter the division has continued to develop its activities, launching new initiatives to further increase its Assets under Management, and completing several transactions across its private equity and private debt funds.

#### Private Equity

- Five Arrows Principal Investments III, our 3<sup>rd</sup> generation European private equity fund, and Five Arrows Capital Partners, our US-based private equity fund, completed the acquisition of Juvare, a global leader in critical incident management and emergency preparedness software.
- Five Arrows Secondary Opportunities V, our fund investing in small and mid-cap secondary direct transactions, completed its 5<sup>th</sup> transaction acquiring a portfolio carve-out managed by Preservation Capital Partners in the UK.
- Five Arrows Minority Investments III, our 3<sup>rd</sup> generation co-investment programme, completed its 1<sup>st</sup> transaction by acquiring a stake in Engineering, an Italian system integrator and software provider.
- Five Arrows Principal Investments I (FAPI I), our 1<sup>st</sup> generation private equity fund, completed the disposal of Dominique Dutscher, a leading pan-European distributor of medical consumables, achieving a MOIC<sup>4</sup> of 1.6x.

#### Private Debt

- Five Arrows Debt Partners III, our 3<sup>rd</sup> generation European direct lending fund, completed two new investments, supporting the acquisition of Dominique Dutscher by a new private equity sponsor and providing additional expansion capital facilities to Exemplar Healthcare, a leading UK provider of high-acuity residential care.
- Our Credit Management business continued its AUM growth by issuing two new CLOs in the US with combined assets of c. \$600 million, and a European CLO with assets of c. €300 million.

**Assets under Management as at 30 September 2020 stood at €15.3 billion, up 9% versus 31 December 2019 (€14.0 billion), of which Rothschild & Co's share is €1.2 billion.**

<sup>4</sup> MOIC stands for Multiple On Invested Capital

## 2. COVID-19

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Our focus throughout the COVID-19 crisis has been and remains the safety and welfare of our colleagues and the needs of our clients.

We are monitoring the development of the virus in each of our locations and adopting appropriate measures to safeguard our colleagues and ensure continued high-quality client service, while respecting local government requirements.

The resilience of our operations, our integrated and diversified business model, as well as our ongoing investment in technology and infrastructure, have continued to be critical in successfully operating through the pandemic.

## 3. Dividend

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Following the announcements by the *Autorité de contrôle prudentiel et de résolution* (ACPR) in March and July recommending that dividend payments by financial institutions should not be paid, the Managing Partner has decided that no dividend will be distributed to shareholders during the 2020 financial year.

However, it remains the intention of the Managing Partner to pay the dividend of €0.85 per share, previously announced in respect of 2019, when appropriate.

## 4. Outlook

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In **Global Advisory**, we expect our M&A revenue for the full year to be down compared to 2019, with this decline mitigated to a large degree by increased Financing Advisory activity. Several M&A situations were put on hold in the second quarter, as a consequence of COVID-19, but we have seen a meaningful proportion of our clients' ongoing well-advanced or announced transactions through to completion. During the third quarter, we experienced new M&A dialogues and activity beginning to return, albeit we remain cautious with regards to predicting M&A activity levels going forward, particularly in light of the developing global health crisis.

In **Wealth & Asset Management**, we anticipate revenue to continue to be lower in the second half of the year due to the effects of the low interest rate environment and the expected lower transaction volumes. During the third quarter, NNA in Wealth Management has proven resilient but it may prove difficult to sustain the current levels, especially as market volatility increases. The crisis has, however, underlined how our excellent client service and positive investment performance remain key differentiators in a competitive market and we believe that we are well placed to benefit from future opportunities.

In **Merchant Banking**, we expect to continue to grow our recurring revenue base, which will represent our main profitability driver in 2020. The adverse effects of the COVID-19 pandemic are confined to our investment performance-related revenue. They are expected to be transient in nature, with no long-term impact anticipated on our value creation prospects. We believe our portfolios are well-equipped to weather this downturn and attribute this resilience to our fundamental investing principles centred around capital preservation.

Although the underlying performance of our businesses is proving robust, there is still considerable uncertainty around how the current situation will develop with recent increases in COVID-19 cases. As previously mentioned, the effect for the Group will be materially detrimental compared to 2019, largely due to the limited investment revenue we expect to earn in Merchant Banking which has a direct impact on the Group's net income. However, we remain focused on our strategy to increase revenue while maintaining a close control over costs.

## Financial calendar:

- 9 March 2021: Publication of Full year results 2020
- 11 May 2021: First quarter -Financial information
- 20 May 2021: Annual General Meeting

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## About Rothschild & Co

With a team of c.3,500 talented financial services specialists on the ground in over 40 countries across the world, our integrated global network of trusted professionals provide in-depth market intelligence and effective long-term solutions for our clients in Global Advisory, 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 €155,235,024. 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>		2020	2019	Var
Global Advisory	1 <sup>st</sup> quarter	269.1	292.5	(8)%
	2 <sup>nd</sup> quarter	260.3	252.3	3%
	3 <sup>rd</sup> quarter	261.9	221.3	18%
	<b>Total</b>	<b>791.3</b>	<b>766.1</b>	<b>3%</b>
Wealth & Asset Management	1 <sup>st</sup> quarter	130.8	118.5	10%
	2 <sup>nd</sup> quarter	121.4	120.7	1%
	3 <sup>rd</sup> quarter	117.1	123.4	(5)%
	<b>Total</b>	<b>369.3</b>	<b>362.6</b>	<b>2%</b>
Merchant Banking	1 <sup>st</sup> quarter	20.7	24.1	(14)%
	2 <sup>nd</sup> quarter	32.1	86.3	(63)%
	3 <sup>rd</sup> quarter	26.7	30.3	(12)%
	<b>Total</b>	<b>79.5</b>	<b>140.7</b>	<b>(43)%</b>
Other business and corporate centre	1 <sup>st</sup> quarter	3.1	9.8	(68)%
	2 <sup>nd</sup> quarter	4.0	3.5	14%
	3 <sup>rd</sup> quarter	<b>2.2</b>	<b>4.5</b>	<b>(51)%</b>
	<b>Total</b>	<b>9.3</b>	<b>17.8</b>	<b>(48)%</b>
IFRS reconciliation	1 <sup>st</sup> quarter	(7.3)	(1.0)	630%
	2 <sup>nd</sup> quarter	3.6	(9.2)	(139)%
	3 <sup>rd</sup> quarter	(4.2)	1.8	(333)%
	<b>Total</b>	<b>(7.9)</b>	<b>(8.4)</b>	<b>6%</b>
<b>Total Group Revenue</b>	<b>1<sup>st</sup> quarter</b>	<b>416.4</b>	<b>443.9</b>	<b>(6)%</b>
	<b>2<sup>nd</sup> quarter</b>	<b>421.4</b>	<b>453.6</b>	<b>(7)%</b>
	<b>3<sup>rd</sup> quarter</b>	<b>403.7</b>	<b>381.3</b>	<b>6%</b>
	<b>Total</b>	<b>1,241.5</b>	<b>1,278.8</b>	<b>(3)%</b>