



# Merchant Banking

## Presentation to analysts and investors

February 2022

# Merchant Banking



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

€18.3bn

assets under  
management

€1.6bn

from the Rothschild & Co Group

200+ employees

24 nationalities



5 offices

Paris, London, Luxembourg, New York, Los Angeles



Private Equity

€8.2bn

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

Private Debt

€10.1bn

Direct lending, credit management

# Private Equity offering



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

Corporate Private Equity			Multi-Strategies (FAMS)		
€4.9bn			€3.3bn		
<b>FAPI</b> Five Arrows Principal Investments 	<b>FAGC</b> Five Arrows Growth Capital 	<b>FACP</b> Five Arrows Capital Partners 	<b>FASO</b> Five Arrows Secondary Opportunities 	<b>FAMI</b> Five Arrows Minority Investments 	<b>FAPEP</b> Five Arrows Private Equity Programme 
Mid-market buyout	Small-cap buyout	Mid-market buyout	Mid-cap direct Secondaries	Co-investments	Multi-managers & FoF platform
<b>FALT</b> Five Arrows Long Term 			<b>FAGT</b> Five Arrows Global Technology 	<b>FASI</b> Five Arrows Sustainable Investments 	
Mid-market buyout			Tech-focused multi-managers	Mid-market minorities	
55 investment professionals			32 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			
€2.1bn			€8.0bn			
<b>FACS</b> Five Arrows Credit Solutions 	<b>FADL</b> Five Arrows Direct Lending 	<b>FADP III</b> Five Arrows Debt Partners III 	<b>FA European Loan Fund</b> & managed accounts 	<b>Elsinore</b> & managed accounts 	<b>GLI</b> Five Arrows Global Loan Investments 	<b>CLO</b> 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
13 investment professionals			26 investment professionals			
Target Gross IRR: Junior: 12% Unitranche: 8%			Target Gross IRR: Senior: 4-5% CLO Equity: 14-16%			

# Post closing events



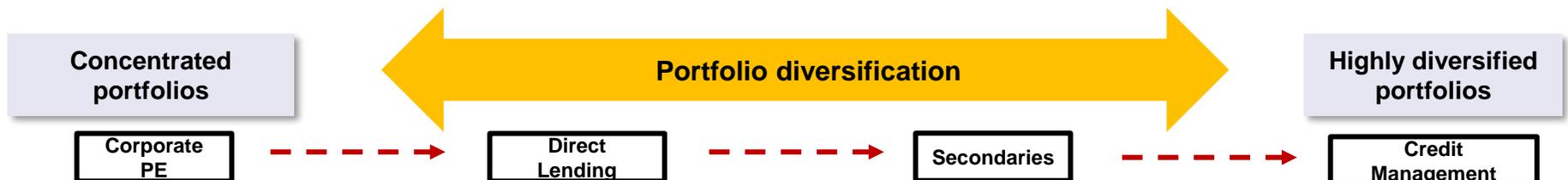
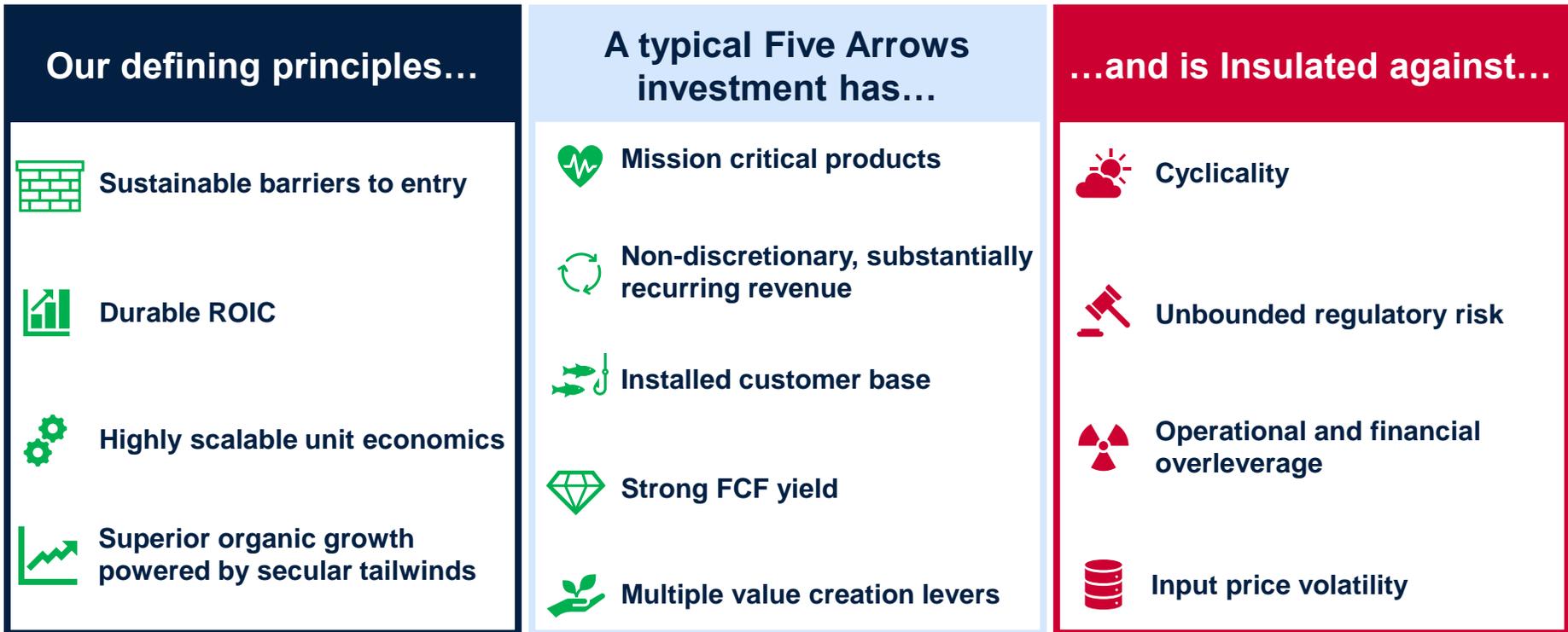
Number of fund launches in Q4 2021 resulted in several closings in Q1 2022

	Fund	Description	Q1 closings	Target size
<b>Corporate PE</b>	FAPI IV	Control buyout/growth fund 	~€900m	€2bn
	FALT	Long term control buyout/growth fund 	~€700m	€1.25bn
<b>Multi-strategy</b>	FASI	Minority / co-investment impact fund 	~€120m	€300m
	FAGT	Primary/secondary/co-investment growth tech fund 	~\$150m	\$300m
<b>Merchant Banking Total</b>			~€1.9bn o/w ~€1.5bn in Jan-Feb	~€3.8bn

# How our investment algorithm applies across all strategies



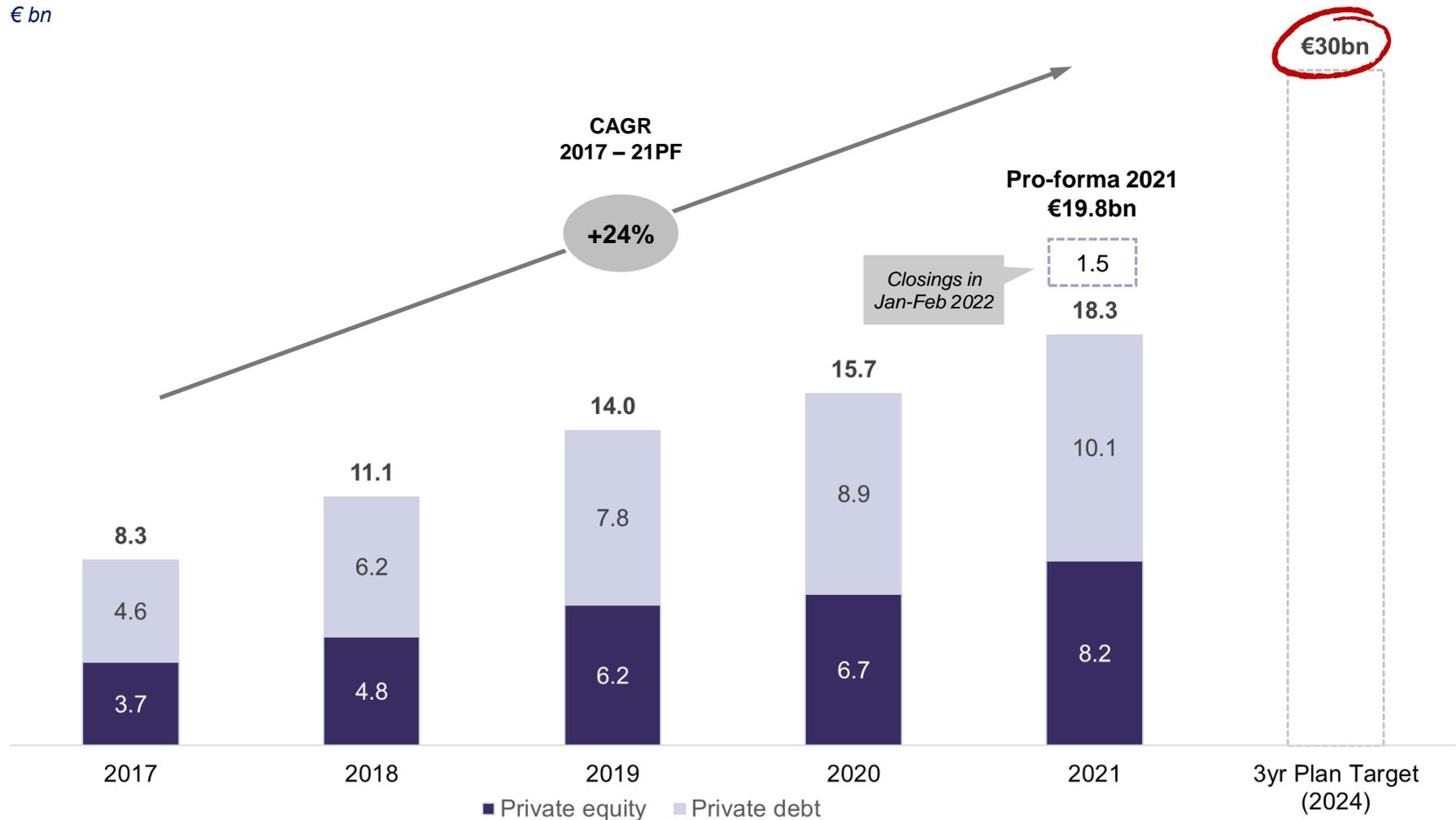
Asset selection is based on stringent criteria centred on risk-adjusted returns



# R&Co MB AuM evolution



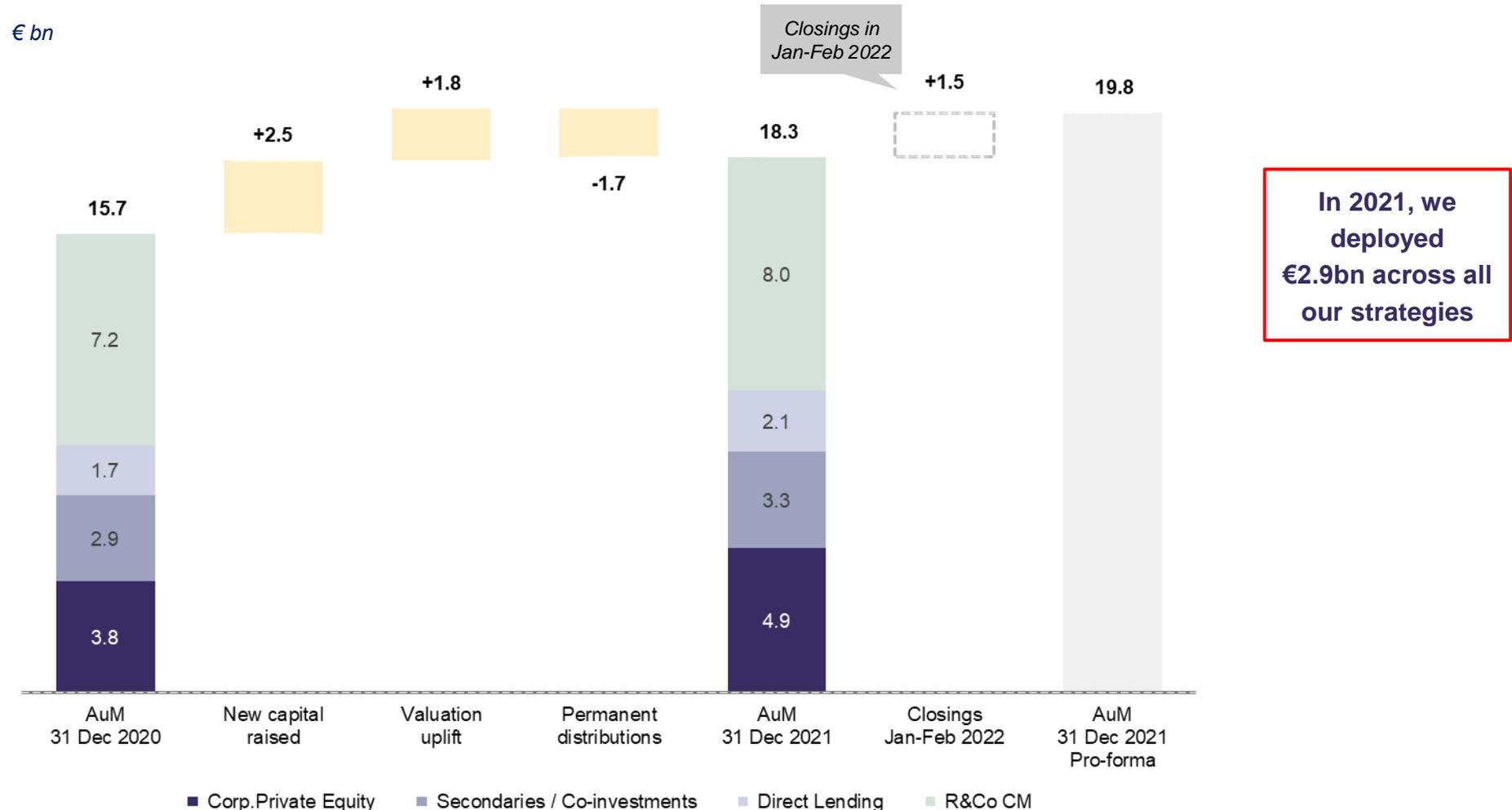
Strong growth over the last four years with a target €30bn AuM in 2024





# Evolution of AuM in 2021

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



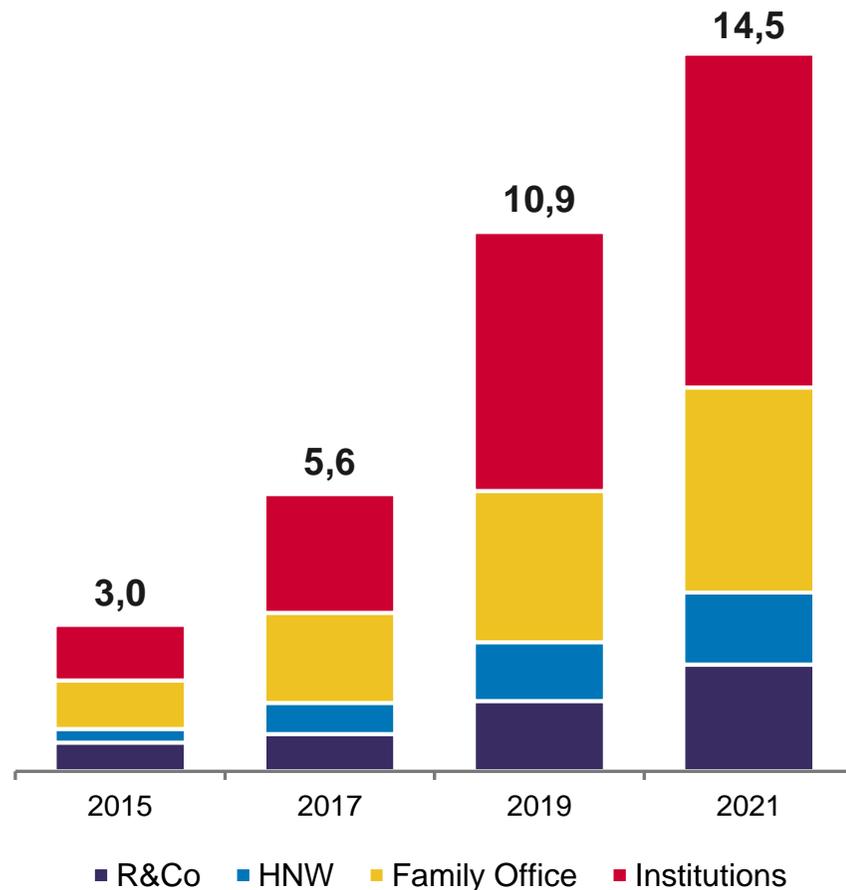


# Development of the fundraising mix

Growth in capital commitments from institutions leads to an increase in their share of new capital raised; capital commitments from institutional investors is scalable and can drive further growth

Cumulative amount raised by investor type (€ bn)

2015 – 2021 CAGR



*R&Co*

25%

*Non-institutional*

28%

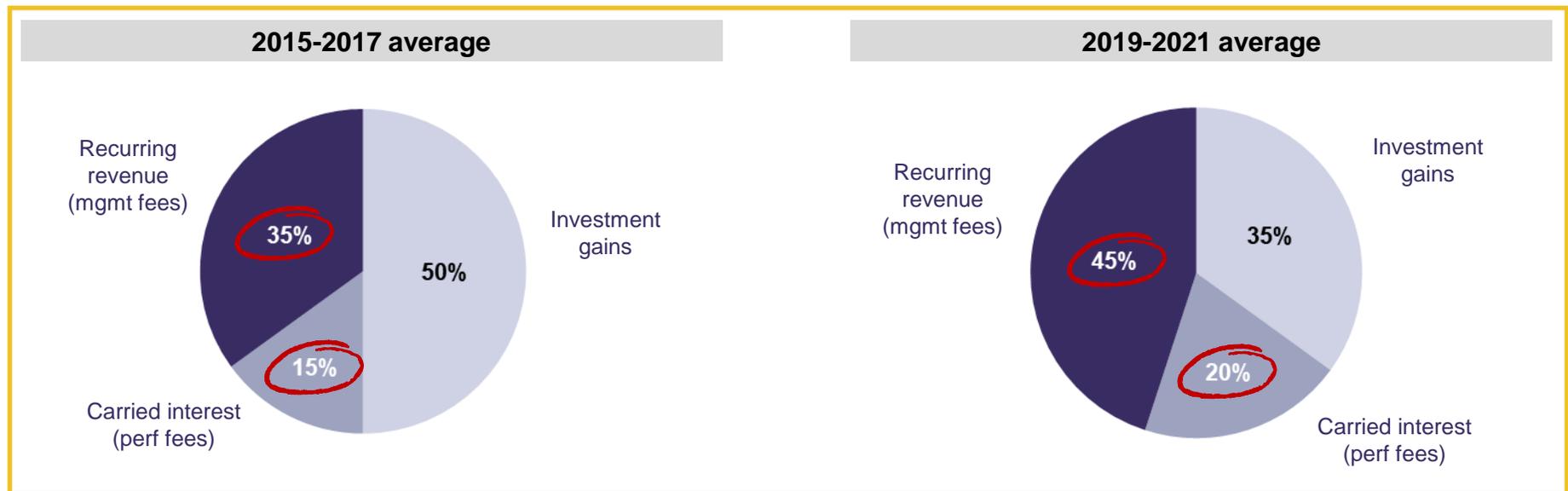
*Institutions*

35%

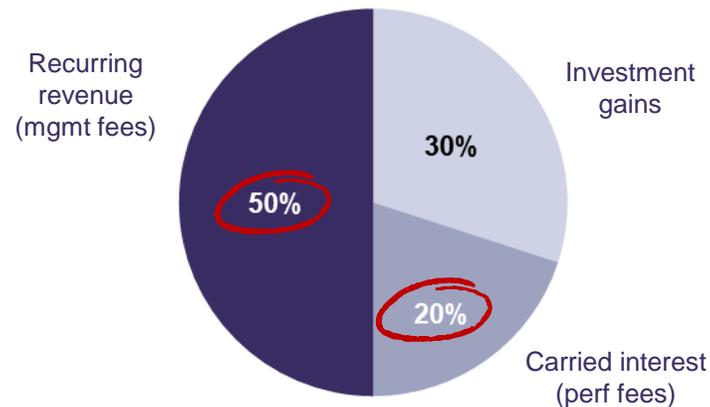


# Merchant Banking revenue model

As our business evolves and becomes more mature, we expect recurring revenues (management fees) to become a growing share



## 3yr plan target

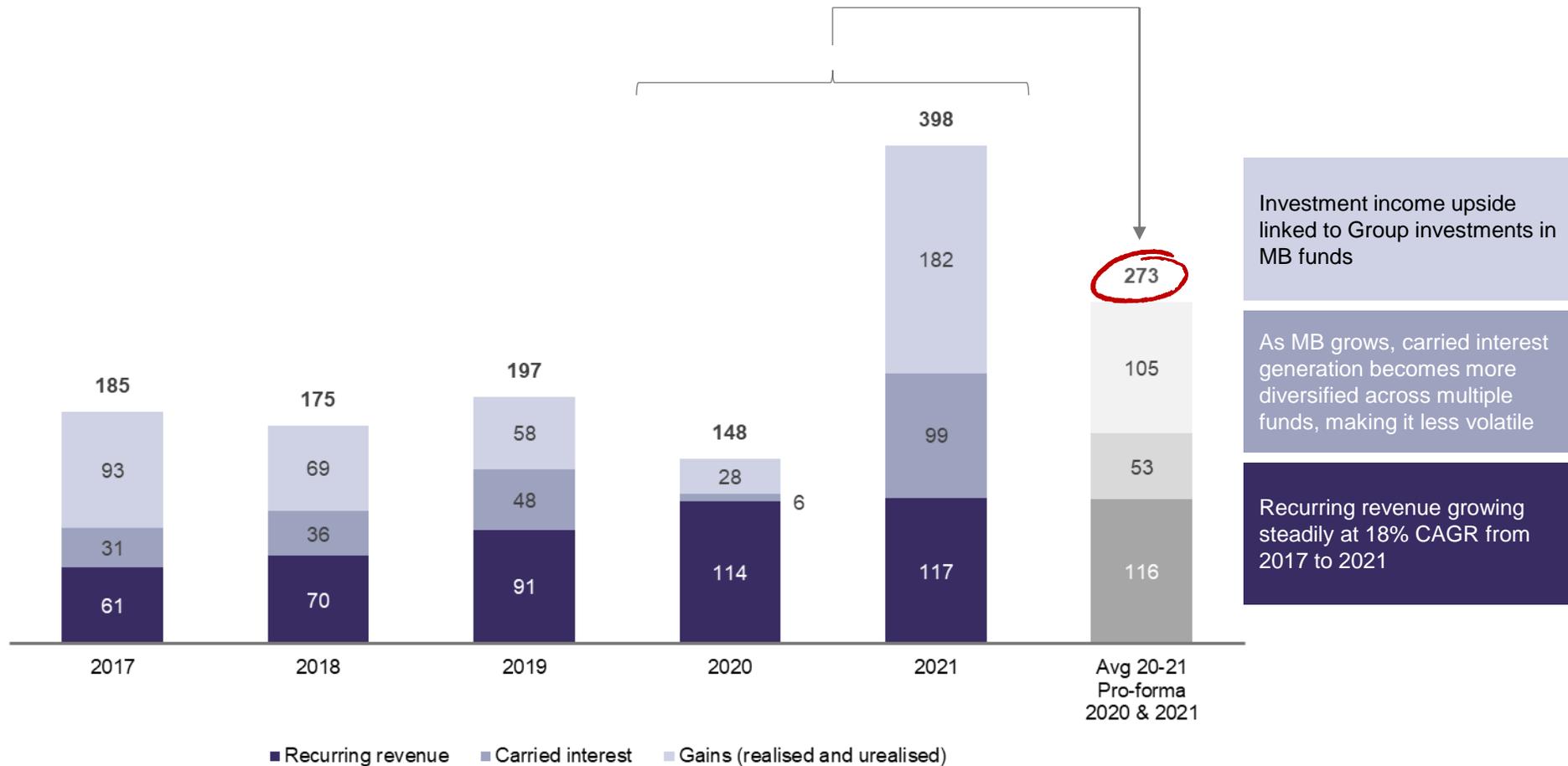


# Merchant Banking revenue model



Despite the significant revenue variance between 2020 and 2021, the 2-year average clearly shows the larger scale of our business compared to previous years

€ mln



Investment income upside linked to Group investments in MB funds

As MB grows, carried interest generation becomes more diversified across multiple funds, making it less volatile

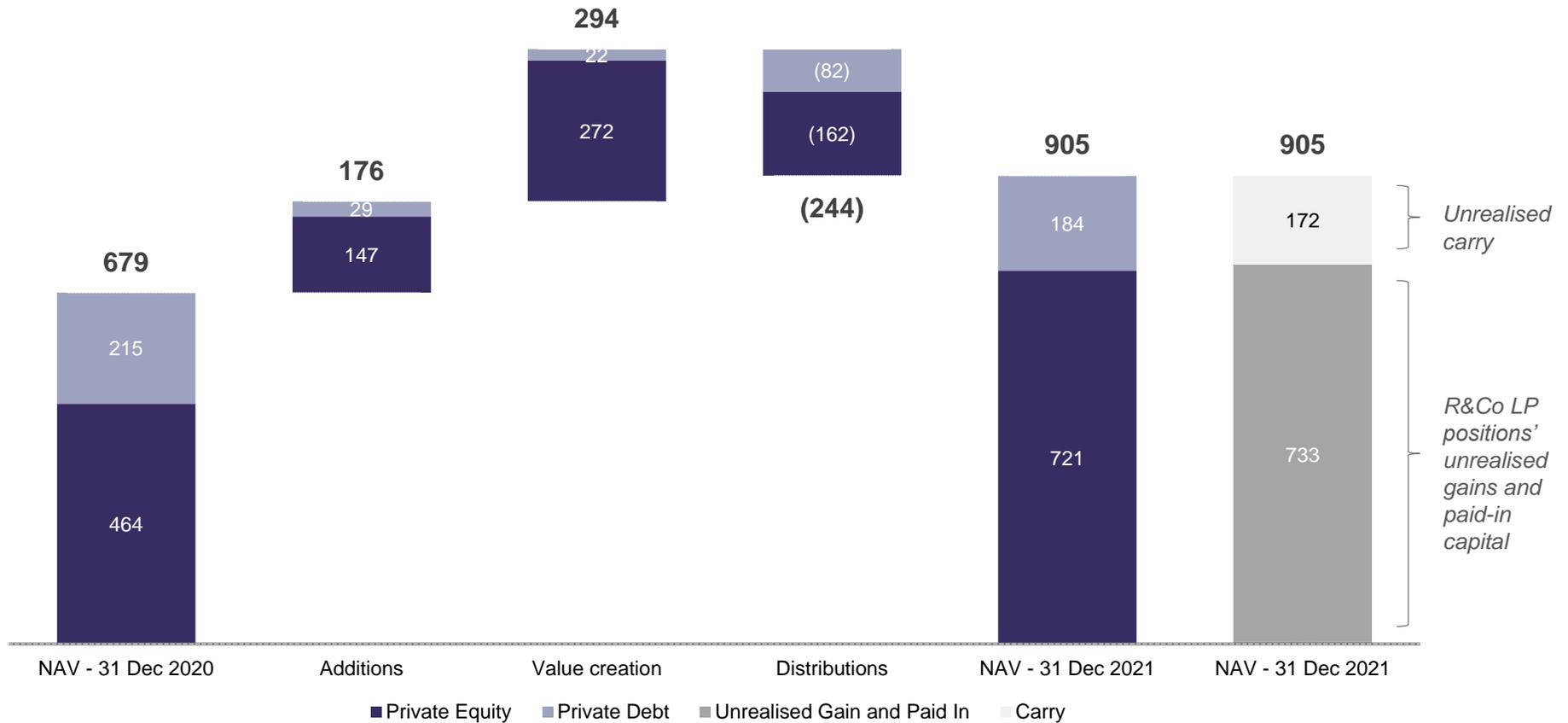
Recurring revenue growing steadily at 18% CAGR from 2017 to 2021

# The R&Co Group investment portfolio in MB assets



Our core investment portfolio, excluding unrealised carried interest, is equal to €733m

€ mln



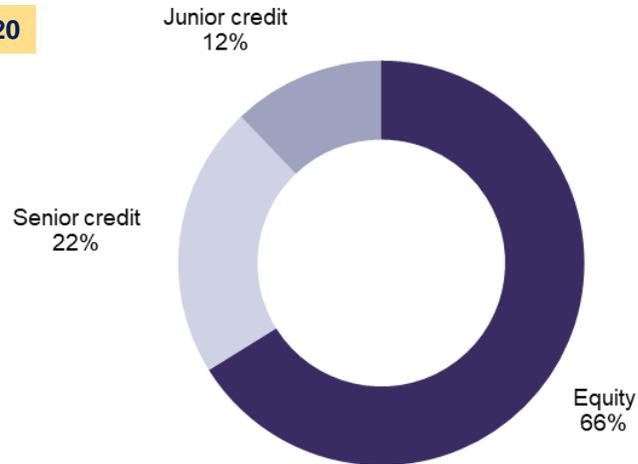
# R&Co portfolio in Merchant Banking assets



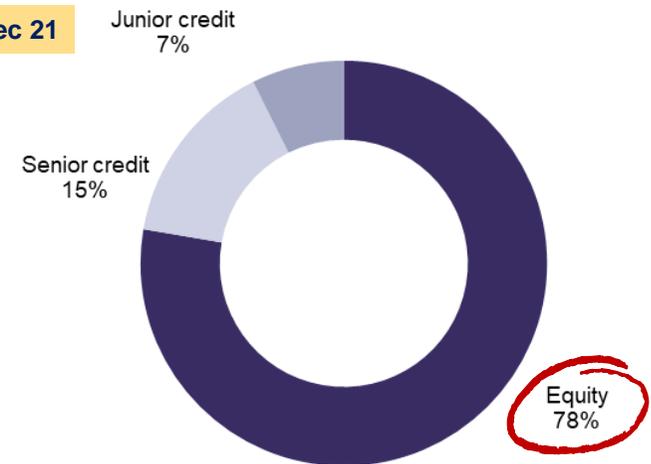
Exposure to equity and North America continues to grow

## Exposure by instruments

Dec 20



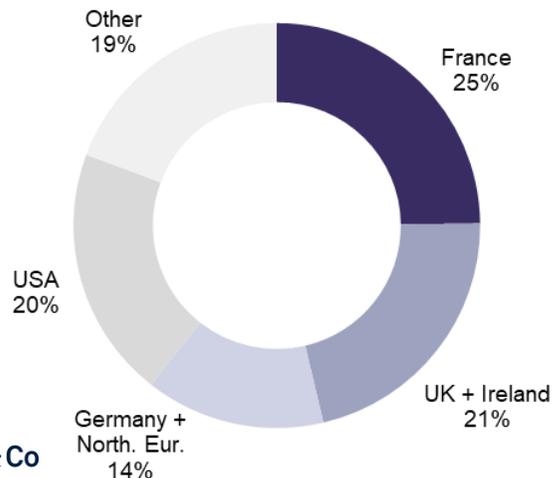
Dec 21



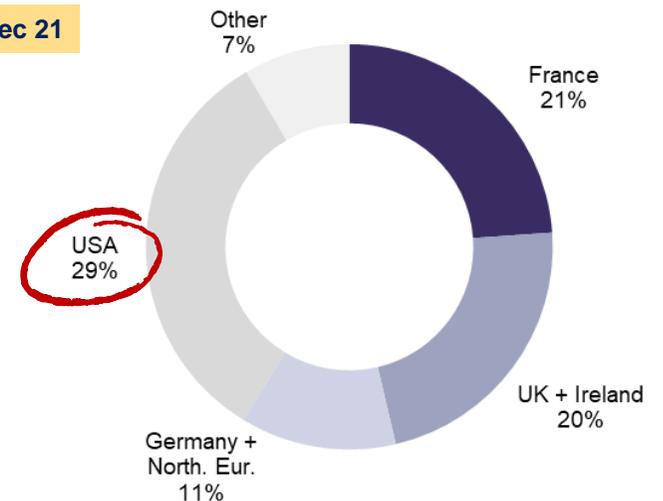
**Notes**  
Equity Includes Secondaries and Funds of Funds

## Exposure by geography

Dec 20



Dec 21

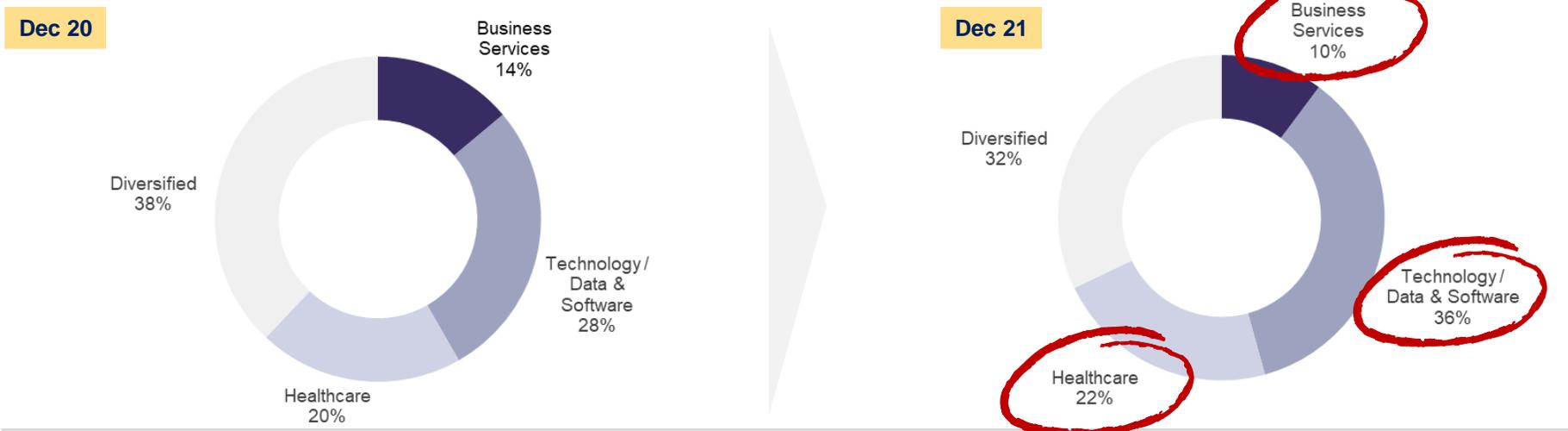


# R&Co portfolio in Merchant Banking assets

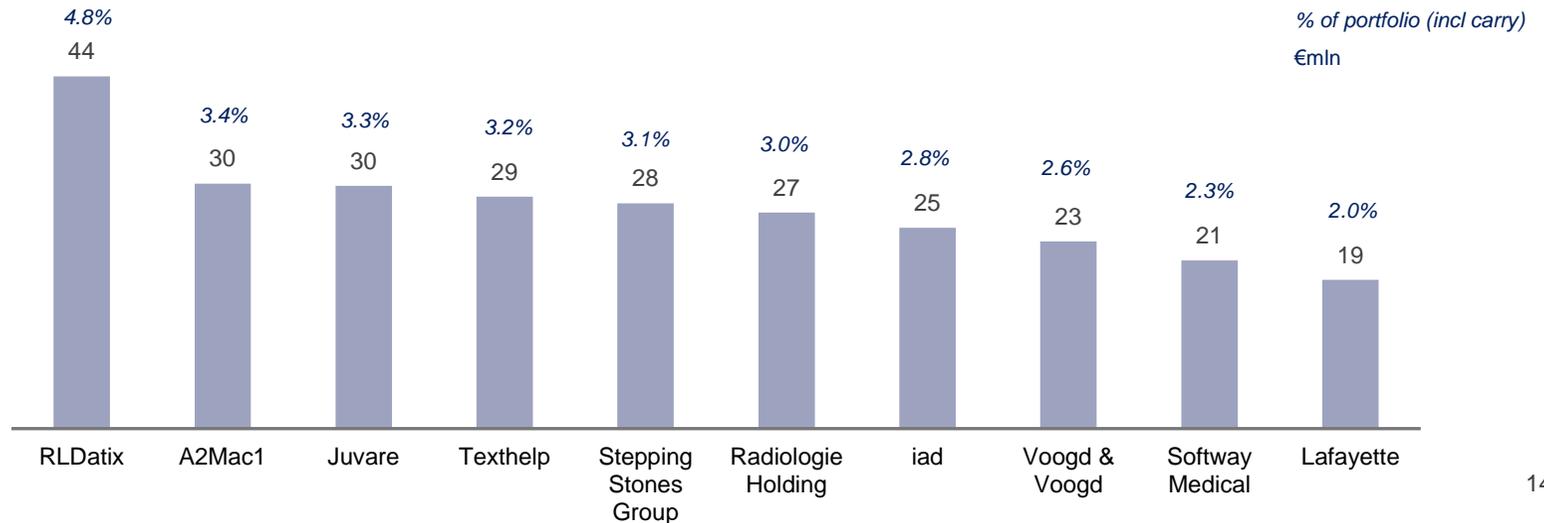


Growing exposure to our core sectors of focus...now 68%

## Exposure by sector



## 10 largest exposures across the entire portfolio



# Merchant Banking



## 2021 performance and outlook

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### **Record-high Profit before Tax of €292m**

- Sharp rebound in our investment revenues in 2021 due to successful exits and significant portfolio valuation uplifts
- 2021 valuation uplifts were amplified due to Covid-related uncertainty in 2020, generating a “catch-up effect” in our revenue

### **All our business lines demonstrate good momentum**

- Investment performance from the underlying portfolio has been strong
  - Resilient foundation with upside potential
- Fundraising is highly active through new product launches across the entire Merchant Banking platform

**Our business has significant growth potential and benefits from positive market tailwinds both in private equity and private debt**

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