

8 November 2022

3rd quarter 2022 – financial information

Solid revenue performance despite a more uncertain and difficult environment

- Third quarter revenue of €864 million, up 30% (Q3 2021: €667 million), nine month revenue of €2,238 million, up 11% (9m 2021: €2,017 million). Nine months revenue has been positively impacted by currency translation effects of €54 million.
- **Global Advisory:** third quarter revenue of €547 million, up 18% (Q3 2021: €464 million) and record nine-month revenue of €1,404 million, up 8% (9m 2021: €1,297 million), reflecting continued very strong levels of completion activity across our whole business.
- **Wealth and Asset Management:** strong third quarter revenue of €164 million, up 9% (Q3 2021: €151 million) and nine-month revenue of €502 million, up 18% (9m 2021: €426 million), mainly driven by a sharp increase in net interest income and commissions. Assets under Management year to date (AuM) down 5% to €98.6 billion (31 December 2021: €103.9 billion). Negative market performance has been partially offset by positive Net New Assets (NNA) in Europe (€3 billion) and the recent acquisition in France (€3 billion).
- **Merchant Banking:** exceptional third quarter revenue of €146 million, up 207% (Q3 2021: €47 million), and record nine-month revenue of €333 million, up 18% (9m 2021: €282 million), as a result of strong investment performance revenue combined with steadily growing recurring revenue, driven by our successful fundraising initiatives in 2022. AuM up 26% to €23.0 billion (31 December 2021: €18.3 billion).

In € million	Third quarter			9m to September		
	2022	2021	% Var	2022	2021	% Var
Global Advisory	547.3	464.0	18%	1,403.9	1,297.4	8%
Wealth and Asset Management	164.3	151.3	9%	501.7	425.5	18%
Merchant Banking	145.6	47.4	207%	333.5	282.1	18%
Other businesses and corporate centre	10.2	4.3	137%	18.5	12.4	49%
TOTAL before IFRS reconciliation	867.4	667.0	30%	2,257.6	2,017.4	12%
IFRS Reconciliation	(3.7)	(0.3)	n/a	(19.3)	(0.8)	n/a
Total Group revenue	863.7	666.7	30%	2,238.3	2,016.6	11%

1. Business activities

1.1 Global Advisory

Our Global Advisory (GA) business focuses on providing advice in the areas of Strategic Advisory and M&A, and Financing Advisory encompassing Debt Advisory, Restructuring and Equity Markets Solutions, which includes ECM Advisory, Private Capital, Investor Advisory, Investor Marketing and Redburn.

Revenue for the third quarter of 2022 was €547 million, up 18% compared to the same period last year (Q3 2020: €464 million), reflecting continued very strong levels of completion activity across our whole business.

Revenue for the nine months to September 2022 was a record high of €1,404 million, up 8% compared to the same period last year (9m 2021: €1,297 million). For the last twelve months to September 2022, we ranked 6th globally by financial advisory revenue¹.

Our **M&A revenue** for the nine months to September 2022 was €1,041 million, **up 9%** compared to the same period last year (9m 2021: €955 million), based on continued strong levels of completion activity within our main geography and sector franchises, and across both corporate and financial sponsor clients. We ranked 2nd globally by number of completed transactions for the nine months to September 2022. In Europe, we continue to advise on more M&A transactions than any of our competitors, a position we have held for more than 15 years².

Financing Advisory revenue for the nine months to September 2022 was €363 million, **up 6%** compared to the same period last year (9m 2021: €342 million), notwithstanding lower capital market activity, especially IPOs. We ranked 1st in Europe by number of completed restructuring transactions for the nine months to September 2022², and experienced increased activity in our Private Capital business. During the period, Global Advisory was also active in advising clients on innovative sustainability linked financing transactions and continued its leading role in raising financing for renewable energy projects.

Global Advisory advised the following clients on significant selected assignments that completed in Q3 2022:

- Volkswagen on its IPO of Dr. Ing. h.c. F. Porsche AG (€9.4 billion, Germany)
- Covéa on its acquisition of PartnerRe (US\$9 billion, France and Bermuda)
- Bridgepoint Group on the sale of Element Materials Technology Group to Temasek (US\$7 billion, United Kingdom and Singapore)
- Meggitt on its recommended cash offer from Parker Hannifin (£6.3 billion, United Kingdom and United States)
- CC Neuberger Principal Holdings II on its merger with Getty Images (US\$4.8 billion, United States)

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

- Uniper on its nationalisation by the Federal Republic of Germany (€30 billion, Germany)
- Apollo Global Management on its acquisition of Tenneco (US\$7.1 billion, United States)
- Eutelsat on its combination with OneWeb (€7 billion, France and United Kingdom)
- Melrose on the demerger of its GKN Automotive and GKN Powder Metallurgy businesses (£4.5 billion, United Kingdom)
- Unifin on its restructuring (US\$4 billion, Mexico)

¹ Source: Company filings

² Source: Refinitiv

1.2 Wealth and Asset Management

Wealth and Asset Management (WAM) is made up of our Wealth management businesses in Belgium, France, Germany, Italy, Luxembourg, Monaco, Spain, Switzerland and the UK, and our Asset Management activity in Europe. In addition, we operate an Asset Management business in North America.

Market volatility remains high, mainly driven by cyclical concerns. Geopolitical risks and the long-term consequences are highly uncertain. Central banks continue to increase interest rates aggressively to fight inflation. Recession risks have increased. In this context, equity and bond markets are still showing significant negative performance year to date, which has impacted our clients' portfolios.

In this challenging environment WAM business delivered a strong third quarter. **AuM decreased by 5%** since the beginning of 2022 from €103.9 billion to €98.6 in table billion as at 30 September 2022 with a solid Net New Assets in Europe (€3.0 billion) and the recent acquisition of a French IFA (€3.0 billion) partially offsetting adverse market performance.

Net New Assets (NNA) in the first nine months of the year were robust and stood at €3.0 billion in Wealth Management Europe (representing 5.1% annualised NNA growth). All of our European geographies had a positive NNA year to date. Within the Asset Management business, NNA remained in the positive territory at €0.2 billion. The strength of our business model as well as the quality of our offerings, services and teams, continues to attract new clients. However, US Asset Management continues to see outflows (€1.3 billion). Therefore, Net New Assets for the division were €1.7 billion (representing 2.2% annualised NNA growth).

The table below presents the progress in AuM:

In € billion	Quarter ended			9m to September	
	30/09/2022	30/06/2022	30/09/2021	2022	2021
AuM opening	99.6	102.8	92.8	103.9	83.4
<i>of which Wealth Management</i>	73.4	73.8	63.7	73.9	55.8
<i>of which AM Europe</i>	18.6	20.2	20.6	21.1	19.4
<i>of which AM US</i>	7.6	8.8	8.5	8.9	8.2
Acquisition of French IFA (2022) / Banque Paris Bertrand (2021)	-	3.0	6.4	3.0	6.4
Net new assets	(0.1)	0.7	0.9	1.7	4.3
<i>of which Wealth Management</i>	0.2	1.2	1.1	2.8	4.8
<i>of which AM Europe</i>	-	-	0.1	0.2	0.5
<i>of which AM US</i>	(0.3)	(0.5)	(0.3)	(1.3)	(1.0)
Market and exchange rate	(0.9)	(6.9)	0.5	(10.0)	6.5
AuM closing	98.6	99.6	100.6	98.6	100.6
<i>of which Wealth Management</i>	72.8	73.4	71.8	72.8	71.8
<i>of which AM Europe</i>	18.4	18.6	20.5	18.4	20.5
<i>of which AM US</i>	7.4	7.6	8.3	7.4	8.3
<i>% var / AuM opening</i>	(1%)			(5%)	

Revenue for the third quarter of 2022 was €164.3 million, up 9% compared to the same period last year (Q3 2020: €151.3 million).

Revenue for the nine months to September 2022 was a record high of €501.7 million, up 18% (9m 2021: €425.5 million). Revenue growth was mainly driven by:

- net interest income, up 75% at €62 million (9m 2021: €36 million), supported by the strong interest rate increases in our main geographies and currencies, especially in USD, EUR and GBP
- and fees and commissions, up 12% to €400 million (9m 2021: €359 million), thanks to higher AuM level than in the same period last year.

Following the approval received from the Israeli regulators, we have opened our new office in Tel Aviv, which is now staffed and fully operational.

1.3 Merchant Banking

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

Revenue for the third quarter of 2022 was €145.6 million, up 207% compared to the same period last year (Q3 2021: €47.4 million).

Revenue for the nine months to September 2022 was €333.5 million, up 18% (9m 2021: €282.1 million), driven by strong investment performance revenue combined with material year-on-year growth in recurring revenue. Q3 2022 benefitted from value accretion on certain private equity positions where exit agreements were signed during the period. This led our revenue to surpass the result achieved in the first nine months of 2021, a period which was itself characterised by exceptional investment gains. When compared to the average first nine months for the last three years, revenue was up 103%.

The table below illustrates the progress in revenue.

<i>(in € million)</i>	9m 2022	9m 2021	Var	% Var
Recurring revenue	116.3	87.7	28.6	33%
Investment performance revenue	217.2	194.4	22.8	12%
<i>of which carried interest</i>	72.1	70.2	1.9	3%
<i>of which realised and unrealised investment gains and dividends</i>	145.1	124.2	20.9	17%
Total revenue	333.5	282.1	51.4	18%
% recurring / total revenue	35%	31%		

The year-on-year revenue growth was the result of two positive effects:

- A 33% increase in recurring revenue, in line with the growth trajectory of fee-earning AuM, with multiple new product launches and closings completed in 2022; and
- A rise in investment performance revenue, which reached €217.2 million for the first nine months of 2022 (9 months 2021: €194.4 million), mainly driven by:
 - realised gains following successful exits from our corporate private equity portfolio;
 - continued value creation in the corporate private equity and secondaries portfolios, generating unrealised investment gains and carried interest income;
 - unrealised foreign exchange gains, mainly in USD;
 - accrued interest income generated by the Group's private debt positions; and
 - unrealised mark-to-market losses on certain proprietary private debt positions mainly investing in leveraged loans and high-yield bonds.

The level of investment performance revenue achieved by our private equity portfolios in the nine months to September 2022 continued to validate our investment algorithm centred around three key industry sectors (Data & Software, Healthcare and Technology-Enabled Business Services) and a portfolio of carefully selected high-quality assets, combining growth prospects and downside protection.

The alignment of interests between the Group and our third-party investors continues to represent a key differentiator for Merchant Banking. As at 30 September 2022, Rothschild & Co's positions in Merchant Banking assets totalled €1,101 million (of which €918 million was in private equity and €183 million in private debt). In the nine months to September 2022, the Group invested €206 million (of which €178 million was in private equity and €28 million in private debt) in Merchant Banking assets and received distributions of €239 million (of which €197 million was from private equity and €42 million from private debt).

Merchant Banking **AuM as at 30 September 2022 was €23.0 billion, up 26%** (31 December 2021: €18.3 billion), of which Rothschild & Co's share was €2.1 billion.

For a detailed description of the investment activities and business development of Merchant Banking in Q3 2022, please refer to appendix B.

2. Outlook

In **Global Advisory**, levels of completion activity for the first three quarters of 2022 have remained strong and we expect this activity to remain robust during the final quarter of 2022. However, macro-economic headwinds continue to negatively impact deal making. We therefore expect a weaker start to 2023 compared to current levels of completion activity.

In **Wealth and Asset Management**, after a better than expected first nine months of 2022, we remain cautious for the rest of the year as inflation and geopolitical risks remain high. We also continue to see persisting volatility and uncertainty in the financial markets. Despite strong business developments in Europe, AuM may continue to decrease due to adverse market performance, with a negative impact on management fees. Our recent acquisitions in France and Switzerland, combined with rapidly increasing interest rates, will help to support our global revenue in the coming months.

In **Merchant Banking**, we expect to continue to grow our recurring revenue in line with our fundraising activities and our capital deployment plans for the remainder of 2022. Additionally, following the strong performance displayed in the first nine months of 2022, we expect our investments to continue to fulfil their value creation potential. We would, however, anticipate investment performance revenue to be generated at a rate lower than that achieved in Q3 2022 and in 2021, which both benefitted from exceptional value creation.

Subject to external events, we expect our three core businesses to continue to perform well during Q4 2022, albeit below levels of 2021. The clear long-term strategies of each business give us confidence for a solid performance during 2022, but 2023 is likely to be a more challenging year given the macroeconomic and geopolitical environment.

Financial calendar:

- 13 February 2023: Full-year result 2022
- 9 May 2023: First quarter 2023 - Financial information
- 25 May 2023: Annual General Meeting

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About Rothschild & Co

Rothschild & Co is a family-controlled and independent group and has been at the centre of the world's financial markets for over 200 years. With a team of c.3,800 talented financial services specialists on the ground in over 40 countries, Rothschild & Co's integrated global network of trusted professionals provides in-depth market intelligence and effective long-term solutions for our clients in Global Advisory, Wealth and Asset Management, and Merchant Banking.

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 €155,495,024. Paris trade and companies registry number 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France.

A. Quarterly progression of revenue

<i>In € million</i>		2022	2021	Var
Global Advisory	1 st quarter	413.5	394.9	5%
	2 nd quarter	443.1	438.5	1%
	3 rd quarter	547.3	464.0	18%
	Total	1,403.9	1,297.4	8%
Wealth and Asset Management	1 st quarter	170.1	134.3	27%
	2 nd quarter	167.3	139.9	20%
	3 rd quarter	164.3	151.3	9%
	Total	501.7	425.5	18%
Merchant Banking	1 st quarter	95.5	103.4	(8)%
	2 nd quarter	92.4	131.3	(30)%
	3 rd quarter	145.6	47.4	207%
	Total	333.5	282.1	18%
Other business and corporate centre	1 st quarter	4.9	5.0	(2)%
	2 nd quarter	3.4	3.1	10%
	3 rd quarter	10.2	4.3	137%
	Total	18.5	12.4	49%
IFRS reconciliation	1 st quarter	(8.7)	(1.4)	n/a
	2 nd quarter	(6.9)	0.9	n/a
	3 rd quarter	(3.7)	(0.3)	n/a
	Total	(19.3)	(0.8)	n/a
Total revenue	1st quarter	675.3	636.2	6%
	2nd quarter	699.3	713.7	(2)%
	3rd quarter	863.7	666.7	30%
	Total	2,238.3	2,016.6	11%

B. Investment activities and business development of Merchant Banking in Q3 2022

B.1. Corporate Private Equity

- Five Arrows Principal Investments IV (**FAPI IV**), is currently fundraising and has secured additional capital commitments of c. €2.0 billion to date. **FAPI IV** has already completed two investments in 2022 (c.17% invested).
- During Q3, **FAPI II** completed the exit of Hygie31, a multi-channel group purchasing organisation for pharmacy and medical equipment products.
- Shortly after the quarter-end, **FAPI II** signed the exit of A2Mac1, a benchmarking data company for the automotive industry, which is expected to close during Q1 2023.

B.2. Multi strategies

- Five Arrows Secondary Opportunities V (**FASO V**) completed 2 investments in Q3 (total of 9 in 9 months 2022). The fund has now committed 107% of its capital across 26 transactions in Europe and the US, investing in more than 130 underlying portfolio companies.
- Five Arrows Private Equity Programme II (**FAPEP II**), the 2nd generation global multi-manager private equity platform, closed its investment period. The fund has committed 119% of its capital in 53 transactions.
- Five Arrows Global Tech I (**FAGT I**), the 1st generation technology-focused multi-manager fund investing in venture capital, growth capital and buyout funds, is currently fundraising and has secured US\$203 million of capital commitments to date. FAGT has already committed capital to 19 underlying funds.
- Five Arrows Sustainable Investments (**FASI**), Merchant Banking's first impact fund, is currently fundraising and has secured c.€167 million of capital commitments.

B.3. Direct lending

- Five Arrows Direct Lending (**FADL**), our 2nd generation direct lending fund, continued to deploy capital to support the growth plans of several of its existing portfolio companies.
- Five Arrows Debt Partners III (**FADP III**), our 3rd generation direct lending fund, completed eight new investments, as a result of which it has committed c.80% of its capital. The transactions completed between July and September 2022 included:
 - a unitranche financing package for ADIT, the French market leader in strategic intelligence services;
 - a financing package for Dental Directory, a full-service supplier of dental products, equipment and services in the UK and Ireland; and
 - a multi-layered financing package for Hygie31, a multi-channel group purchasing organisation for pharmacy and medical equipment products.

B.4. Credit Management

The Credit Management business, investing in senior secured loans, high yield bonds and structured credit, was active both in business development and investing:

- Five Arrows Global Loan Investments II (GLI II), the 2nd generation vehicle investing in equity tranches of CLOs managed by Credit Management, held its 1st closing in May 2022, securing c.€115 million of capital commitments; and
- Credit Management issued one new CLO vehicle in the US (Ocean Trails XII), one new CLO vehicle in Europe (Contego X) and continued investing in two CLO warehouses in Europe and the US.