

Tikehau Capital considerably improves profitability within its asset management business in 2020 and reiterates its outlook

Performance in 2020 reinforces the strength and relevance of Tikehau Capital's growth model in alternative asset management. Boosted by strong business momentum, the Group maintained high levels of growth in its asset management business and significantly improved profitability while remaining prudent and disciplined in deploying its funds and allocating its capital.

- **Assets under management (AuM):** €28.5bn (up 10.5% YoY), including €27.4bn in the asset management business (up 15.7%);
- **Net new money:** €4.2bn generated by the asset management business in 2020, exceeding €4bn for the third consecutive year;
- **Revenue from asset management:** €204.8m in 2020, of which €198.6m of management fees, up 19.4%, with the average management fee rate remaining high at 0.92%;
- **Net operating profit from asset management:** €76.4m, up 30.7%, with operating margin up 3.9 pts YoY to reach 37.3%;
- **Realized portfolio revenue:** €133.9m, up 28.6% YoY, reflecting the quality of assets within the portfolio, both direct investments and investments in Tikehau Capital's funds;
- **Net income, Group share:** a loss of €206.6m for the year, but a €34.3m profit for the second half. It includes the expenses incurred by derivative instruments put in place in 2020 with respect to the Group's risk management policy in a context of unprecedented market uncertainties. Excluding the impact from these derivative instruments¹, the net income Group share stands at €13.0m for 2020 and €129.7m for the second half;
- **Financial structure:** a robust balance sheet with shareholders' equity of €2.8bn and an investment portfolio of €2.4bn, including €1.6bn (i.e. over 65%) invested in funds managed by the Group;
- **Distribution:** proposed payout of €0.50 per share with respect to fiscal year 2020, unchanged on last year;
- **Outlook:** the Group remains confident in meeting 2022 objectives of reaching over €35bn of assets under management and generating over €100m in fee-related earnings (FRE)².



Antoine Flamarion and Mathieu Chabran, co-founders of Tikehau Capital, said:

"Performance in 2020 confirmed the relevance of Tikehau Capital's growth model in alternative asset management. Throughout the year, we continued to develop innovative investment strategies that meet the needs of companies, fit with the changes of our production system and satisfy investor expectations. The recent successful closing of our energy transition strategy at over €1 billion represents an important step in this direction for Tikehau Capital. We also continued to deploy capital throughout our various divisions, committing €2.8 billion in investments and financing to support companies to grow. In the fallout from the Covid-19 pandemic, we continued to invest actively and responsibly, working closely with our portfolio companies. Tikehau Capital's numerous successes and excellent operating performance come as a result of the unwavering engagement of its teams. Able to draw on its strengths and unique vision of the market, Tikehau Capital is well positioned to continue its high level of growth and therefore reiterates its objectives for 2022."

¹ Restated for tax effects related to the derivative instruments

² Fee-Related Earnings (FRE) correspond to net operating profit from asset management less performance fees and carried interest.

The Tikehau Capital Supervisory Board met on 17 March 2021 to review the consolidated and annual financial statements³ at 31 December 2020.

1. ASSETS UNDER MANAGEMENT UP 10.5% IN 2020

In an unprecedented and particularly uncertain global economy due to the Covid-19 pandemic, Tikehau Capital maintained solid **growth momentum for its AuM**, reflecting investor interest in the Group's strategies and the adaptability of its teams.

- The Group continued to successfully market its **flagship funds** currently being raised, expand its offer by launching **new strategies** and strengthen its asset management platform, in particular by ramping-up and growing past **external growth additions**.
- Consequently, **total AuM** rose €2.7bn (10.5%) in 2020 to €28.5bn at 31 December 2020. Of this total, €27.4bn stands within the Group's asset management business, which increased AuM by €3.7bn (15.7%). This substantial growth was driven by high levels of **net new money** (€4.2bn), which surpassed the €4bn mark for the third consecutive year. Since its IPO in 2017, Tikehau Capital's asset management business has attracted a total of €15.7bn in net new money. The performance achieved in 2020 reflects a strong fundraising momentum on existing funds and the successful launch of new strategies.
- Net new money from third-party investors was particularly robust in 2020, demonstrating the relevance of the Group's offer and also that investors recognize Tikehau Capital's ability to generate performance. Furthermore, in line with the **strategy to align its interests** with those of its investor-clients, Tikehau Capital committed capital from its balance sheet to all the strategies it launched in 2020 in each of its asset classes. Consequently, over the year, the Group committed a total of €667m in its own funds.
- All of the Group's asset classes contributed to the level of net new money raised in 2020, but for the first time **private equity** came out as the leading contributor with €1.6bn raised, leading AuM to rise by 73.3% and reach €3.5bn at end-2020. For instance, Tikehau Capital was selected, through its subsidiary Ace Capital Partners, to exclusively manage a private equity fund to support the aerospace industry, following a call for tender organized by the major industrial players Airbus, Safran, Thales and Dassault Aviation, with the support of the French State and the BPI (*Banque Publique d'Investissement*). At 31 December 2020, this fund managed around €750m of assets. Also, on 23 February 2021, Tikehau Capital announced it has finished raising funds for its T2 energy transition investment strategy at the record high of over €1bn. The Group thereby exceeded its objectives and notched up remarkable success for this first-time fund.

As a key partner working to finance companies and the real economy, Tikehau Capital stepped up to the plate in 2020 by supporting businesses, primarily SMEs, to grow by acquiring generally minority stakes in their capital or offering financing solutions, and by working alongside entrepreneurs so they may take advantage of the Group's expertise and network.

Tikehau Capital deployed €2.8bn in its closed-end funds in 2020, compared with €3.6bn in 2019. This decrease is mainly linked to a deliberate slowdown in deployment during the first half of the year, due to the stressed economic environment. Deployment activity picked up during the second half of 2020, with invested amounts (€1.9bn) close to levels reached during the second half of 2019 (€2.2bn). The Group actively supported its portfolio companies to help them withstand the economic crisis caused by the pandemic. It continued to deploy its funds' capital, pursuing a more selective and disciplined investment policy than ever, based on in-depth analysis of financial, environmental, social and governance criteria with respect to every investment opportunity. At end-December 2020, the level of **dry powder** within Tikehau Capital's funds stands at €6.2bn.

³ On March 17, 2021, the Statutory Auditors submitted their reports without comments or reservations on the annual and consolidated financial statements for the fiscal year ended December 31, 2020.

2. OPERATING PROFIT FROM THE ASSET MANAGEMENT DIVISION UP 30.7%

The profitable growth model deployed by Tikehau Capital in alternative asset management generated again strong performance in 2020.

- (i) The solid level of net new money recorded in 2020 enabled the Group to continue to **rebalance its business mix** toward strategies that generate greater management fees, thereby significantly improving its revenue generation profile.
- Of the €27.4bn in asset management AuM at end-2020, **fee-paying AuM** accounted for €23.2bn (i.e. 85%), up 17%. This growth was driven by fundraising within private equity, capital markets strategies and Sofidy, and deployment within private debt funds for which management fees are charged on invested capital.
 - **Revenue from asset management** increased significantly (17.2%) in 2020 to reach €204.8m, up from €174.8m in 2019.
 - This rise reflects the strong growth in the Group's **management fees**⁴ in 2020 (up 19.4% to €198.6m), in line with the growth in fee-paying AuM. Management fees, which represents 97% of revenue from asset management, are earned primarily through closed-end funds with long maturities, which gives the Group high visibility of future revenue generation.
 - **Weighted average management fee rate**, which expresses management fees relative to fee-paying AuM, remained high at 0.92% in 2020, up considerably on the 0.71% in 2017, year of Tikehau Capital's IPO. This significant progression was driven by the Group's evolving product mix with the increasing contribution of real assets and private equity, which generate higher management fees than the current Group average.
 - Revenue from asset management includes €6.3m in **performance-related revenue** from the Group's funds, in particular its open-ended funds. In 2019, the Group earned €8.5m in carried interest, namely by selling a real estate portfolio to Blackstone.
- (ii) In addition to the controlled increase in operating expenses, strong growth in revenue enabled the Group to considerably improve **profitability** for its asset management business.
- In 2020, the Group continued to invest in its asset management platform, which represents a key asset for Tikehau Capital to continue its expansion in France and around the world. **Operating expenses** within the asset management business rose 10.4% in 2020, growing at a slower pace than revenue.
 - **Net operating profit from asset management** totaled €76.4m in 2020, up 30.7% year on year, and operating margin came out at 37.3%, up 3.9pts.
 - **Fee-related earnings (FRE)**, which are defined as net operating profit from asset management excluding performance-related revenue, surged to €70.2m in 2020 (up 40.4% from €50.0 m in 2019), which represents a 35.3% FRE margin (compared with 30.1% in 2019). The Group is therefore well positioned to achieve its objective for 2022 to generate over €100m in FRE.

⁴ Management fees, subscription fees and other revenue.

3. RESILIENT PORTFOLIO REVENUE IN 2020

The market suffered a particularly high degree of volatility in 2020 following the outbreak of the Covid-19 pandemic and widespread uncertainty regarding the impact on the global economy.

Despite this situation, **Group portfolio revenue proved to be resilient, and amounted to €84.9 m** at 31 December 2020. Portfolio revenue is made up of two main components:

- (i) **“Realized” revenue**, which rose to €133.9m in 2020, up 28.6% on 2019. This total breaks down as follows:
- **Dividends, coupons and distributions** generated €97.2m, up 9.2% on 2019. A growing proportion of this amount came from Tikehau Capital funds in which the Group has invested, which contributed €66.8m in 2020, compared with €56.6m in 2019 (up 18%).
 - **Realized capital gains** totaled €36.6m, which is 2.4 times greater than the €15.0m achieved in 2019, following an active management of the Group’s investment portfolio in 2020, with for example the disposal of 83% of the Group’s stake in DWS.
- (ii) **“Unrealized” revenue**, which reflects the change in fair value of the assets retained by the Group within its portfolio and which have not been sold. Such changes are by definition not realized and they do not in any way predict the future value these assets may yield for the Group. Over the year, the **mark-to-market adjustments on these assets amounted to -€49.0m**, reflecting the contrasting changes throughout the four quarters of 2020. Indeed, the impact was particularly negative in the first quarter (down €287.5m) due to depressed market conditions, and was then partially offset by a €238.5m favorable evolution over the following three quarters.

In this unprecedented situation, and especially after global stock markets dropped sharply at the end of Q1 2020, the Group put in place a number of financial instruments as part of its risk management policy to mitigate the impact of any market corrections that may affect the Group’s investment portfolio in the event of a major systemic crisis. The Group incurred a €286.5m cost with respect to these instruments in 2020. At 18 March 2021, the positions related to these financial instruments were fully unwound, which led to a cost of €71.5m being booked in the Group’s 2021 profit and loss account.

4. A SOLID BALANCE SHEET, KEY DIFFERENTIATING FACTOR

Tikehau Capital boasts a strong balance sheet that enables it to continue investing in its own funds, in accordance with its strategy to align its interests with those of its investor-clients, and taking advantage of external growth opportunities in the alternative asset management space.

At 31 December 2020, shareholders’ equity came out at €2.8bn, compared with €3.1bn at 31 December 2019. The change that occurred over the first six months of the year should be considered alongside the net income, Group share generated over the period (a €206.6m loss).

At end-2020, the investment portfolio totaled **€2.4bn** (€2.3bn at end-2019), which included:

- **€1.6bn invested in the funds and strategies managed by the Group**, i.e. 65.8% of the portfolio, compared with 61.0% at end-2019 and 43% at end-2018). In addition to the €1.6bn already invested, Tikehau Capital has committed a further €1.0bn that will be drawn as the funds deploy their capital. Therefore, at end-2020, Tikehau Capital had committed a total of €2.6bn (drawn and undrawn) to its asset management strategies. The Group is thereby ahead on its objective for 2022 to grow the proportion of its own strategies within its investment portfolio from 65% to 75%.
- **€823m invested directly in listed and unlisted assets**. Throughout 2020, Tikehau Capital continued to actively manage its direct investment portfolio. In particular, it disposed of 83% of its stake in DWS, which generated proceeds of €168m. At 31 December 2020, Tikehau Capital therefore held a 0.5% stake in DWS. Tikehau Capital and DWS continue to pursue their strategic partnership, which remains wholly unchanged by this operation, with several shared initiatives and projects currently being set up.

At 31 December 2020, the Group's **consolidated cash position came out at €845m⁵**, almost stable on 30 June 2020 and down from €1.3bn at 31 December 2019. This evolution is mainly attributable to the investments made by Tikehau Capital in its own funds throughout the year, the acquisition of Star America Infrastructure Partners as well as the disposals made in its own direct investment portfolio, the distribution of dividends and costs relating to the aforementioned derivative instruments. **Financial debt was stable at €1bn** with a gearing ratio of 36%.

Tikehau Capital remains committed to actively managing its balance sheet, by both rotating its portfolio and focusing on the level and structure of its debt. In particular, the Group wants its ESG strategy, which is already deployed at the heart of its operations, to be reflected in its financing.

5. DISTRIBUTION TO SHAREHOLDERS

Shareholders at the Annual General Meeting will be asked to approve a distribution to shareholders of €0.50 per share with respect to 2020 (stable vs 2019).

The ex-date will be 21 May 2021, and the payment will take place on 25 May 2021.

6. SHARE BUYBACK PROGRAMME

Tikehau Capital extended to 29 July 2021 (included), date of the Group's assets under management at 30 June 2021 release, the share buyback mandate, which was signed and announced on 19 March 2020 and extended on 16 November 2020 until today.

As a reminder, this mandate, which has been granted to an investment services provider, has a €90m size and is carried out within the limits imposed by the fourteenth resolution adopted by the General Meeting of 19 May 2020 (or any resolution that may replace it during the duration of the mandate).

The repurchased shares will be cancelled and/or used for external growth, merger, spin-off or investment transactions, within the limit of 5% of the share capital in accordance with the law.

As of today, 3,097,714 shares were repurchased under the share buyback programme.

The description of the share buyback programme (published in paragraph 8.3.4 of the Tikehau Capital Universal Registration Document filed with the French financial markets authority on 14 April 2020 under number D. 20-0290) is available on the company's website in the Regulatory Information section (<https://www.tikehaucapital.com/en/finance/regulatory-information>).

7. CONFIRMATION OF 2022 TARGETS

After 2020 demonstrated the solidity of Tikehau Capital's growth model in alternative asset management, the Group began 2021 leveraging on many strengths:

- (i) **Experienced, engaged and diverse teams** made up of 594 employees from 26 different countries, who are all driven by their entrepreneurial spirit, and form the backbone of the asset management platform built by the Group in 12 countries. This footprint has been extended by a new office opening in Germany, which is headed by Dominik P. Felsmann, a seasoned professional who brings along 15 years of experience in leveraged finance in London and Frankfurt. Tikehau Capital also announces the upcoming launch of a private equity secondary business in Asia. The Group is in exclusive negotiations with a platform made up of experienced professionals who would operate this business in partnership with Tikehau Capital's Singapore hub.

⁵ Gross cash is made up of cash and cash equivalents (composed primarily of marketable securities) and cash management financial assets of €747.3m, as well as the security deposit and margin calls relating to the derivative portfolio, which totaled €115.1m, reduced by the fair value of the derivative portfolio for €17.4m (i.e. €97.7m).

(ii) **Ideal positioning in a growth market**, with an increasing interest from investors for the asset classes and investment vehicles developed by Tikehau Capital. The Group will therefore pursue:

- **Ambitious organic growth** by marketing its flagship funds, which are currently being raised, and extending its offer by launching new strategies for institutional investors and private clients alike.
- **Targeted acquisitions** to strengthen its asset management platform in specific regions and asset classes.

(iii) To achieve this goal, Tikehau Capital relies on a **solid balance sheet** with €2.8bn in shareholders' equity and limited debt, which enables the Group to:

- Continue to **invest in its funds** alongside its investor-clients, in accordance with its strategy to align its interests.
- Complete **targeted acquisitions** that create value, such as the acquisition of Star America Infrastructure Partners in 2020.
- Launch **new high-growth initiatives**, such as the first Special Purpose Acquisition Company (SPAC) sponsored by Tikehau Capital alongside Financière Agache, Jean-Pierre Mustier and Diego De Giorgi, which will focus on the European financial services market.

The Group reiterates its core targets (excluding any potential acquisitions) for 2022 to reach over €35bn of AuM and generate over €100m in fee-related earnings (FRE)⁶.

The annual results presentation will be available to watch on 18 March 2021 from 8:30 am (CET) on the Group website www.tikehaucapital.com.

8. 2020 CONSOLIDATED FINANCIAL STATEMENTS PUBLICATION

The consolidated financial statements and the report of the Statutory Auditors relating thereto have been filed with the *Autorité des marchés financiers* (<https://www.amf-france.org/>) and are available on Tikehau Capital's website in the "Regulatory Information" section.

CALENDAR

19 May 2021	<ul style="list-style-type: none">• Assets under management at 31 March 2021• Annual Shareholders' Meeting
29 July 2021	<ul style="list-style-type: none">• Assets under management at 30 June 2021
16 September 2021	<ul style="list-style-type: none">• 2021 First half results
10 November 2021	<ul style="list-style-type: none">• Assets under management at 30 September 2021

⁶ Fee-Related Earnings (FRE) correspond to net operating profit from asset management less performance fees and carried interest.



ABOUT TIKEHAU CAPITAL

Tikehau Capital is a global alternative asset management group with €28.5 billion of assets under management (at 31 December 2020).

Tikehau Capital has developed a wide range of expertise across four asset classes (private debt, real assets, private equity and capital markets strategies) as well as multi-asset and special opportunities strategies.

Tikehau Capital is a founder-led team with a differentiated business model, a strong balance sheet, proprietary global deal flow and a track record of backing high quality companies and executives.

Deeply rooted in the real economy, Tikehau Capital provides bespoke and innovative alternative financing solutions to companies it invests in and seeks to create long-term value for its investors. Leveraging its strong equity base (€2.8 billion of shareholders' equity at 31 December 2020), the firm invests its own capital alongside its investor-clients within each of its strategies.

Controlled by its managers alongside leading institutional partners, Tikehau Capital is guided by a strong entrepreneurial spirit and DNA, shared by its 594 employees (at 31 December 2020) across its 12 offices in Europe, Asia and North America.

Tikehau Capital is listed in compartment A of the regulated Euronext Paris market (ISIN code: FR0013230612; Ticker: TKO.FP). For more information, please visit: www.tikehaucapital.com



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Certain statements and forecasted data are based on current forecasts, prevailing market and economic conditions, estimates, projections and opinions of Tikehau Capital and/or its affiliates. Due to various risks and uncertainties, actual results may differ materially from those reflected or expected in such forward-looking statements or in any of the case studies or forecasts. All references to Tikehau Capital's advisory activities in the US or with respect to US persons relate to Tikehau Capital North America.

APPENDICES – KEY FIGURES FOR 2020

- Assets under management

In €m	Assets under management at 31 December 2020		YoY change	
	Amount (€m)	Weight (%)	In %	In €m
Private debt	9,342	33%	+8%	+709
Real assets	10,334	36%	+13%	+1,157
Capital markets strategies	4,184	15%	+10%	+374
Private equity	3,491	12%	+73%	+1,476
Asset management	27,351	96%	+16%	+3,716
Direct investment	1,180	4%	-46%	-993
Total assets under management	28,530	100%	+11%	+2,722

2020 (in €m)	Assets under management at 31 Dec 2019	Net new money	Distributions	Market effects	Scope effects	Assets under management at 31 Dec 2020	Change (%)	Change (m€)
Private debt	8,634	1,360	(670)	19	-	9,342	+8.2%	+709
Real assets	9,177	906	(213)	(75)	539	10,334	+12.6%	+1,157
Capital markets strategies	3,810	341	(12)	45	-	4,184	+9.8%	+374
Private equity	2,014	1,578	(142)	11	29	3,491	+73.3%	+1,476
Total asset management	23,635	4,185	(1,038)	0	568	27,351	+15.7%	+3,716

In €bn	Assets under management at 31 December 2020		YoY change
	Amount (€bn)	In %	In €bn
Asset management	27.4	+15.7%	+3.7
<i>Of which fee-paying AuM</i>	23.2	+16.5%	+3.3
<i>Of which future fee-paying AuM</i>	3.0	+17.3%	+0.4
<i>Of which non-fee-paying AuM</i>	1.1	-2.1%	=
	2020	2019	Change
Weighted average management fee rate	92bps	92bps	=

- **Simplified balance sheet**

In €m	Balance sheet items	
	31.12.2020	31.12.2019
Investment portfolio	2,410	2,335
Cash and financial assets ⁷	845	1,307
Other current and non-current assets	764	699
Total Assets	4,018	4,341
Shareholders' equity, Group share	2,797	3,139
Minority interests	7	7
Financial debt	999	997
Other current and non-current liabilities	216	198
Total Liabilities	4,018	4,341
Gearing ⁸	36%	32%
LTV ⁹	-1.6%	-15%
Undrawn credit facilities	500	500

⁷ Gross cash is made up of cash and cash equivalents (composed primarily of marketable securities) and cash management financial assets of €747.3m, as well as the security deposit and margin calls relating to the derivative portfolio, which totaled €115.1m, reduced by the fair value of the derivative portfolio for €17.4m (i.e. €97.7m).

⁸ Gearing = Total financial debt / Shareholders' Equity, Group share

⁹ LTV = (Financial debt – Cash and financial assets) / (Total Assets – Cash and financial assets)

- **Simplified income statement**

In €m	2020	2019
Management fees & other revenues	198.6	166.3
Operating costs	(128.4)	(116.3)
Fee Related Earnings (FRE)	70.2	50.0
<i>FRE margin</i>	35.3%	30.1%
Realized Performance-related earnings (PRE)	6.3	8.5
AM net operating profit (NOPAM)	76.4	58.5
<i>NOPAM margin</i>	37.3%	33.5%
Realized portfolio revenues	133.9	104.1
Operating costs	(98.5)	(78.0)
Change in fair value (unrealized)	(49.0)	173.7
Net result from associates	(1.2)	(0.2)
Financial interests	(36.1)	(33.3)
Derivative portfolio result	(286.5)	-
Non-recurring items ¹⁰	(3.8)	(5.8)
Tax	58.6	(39.7)
Minority interests	(0.5)	(0.6)
Net result, Group share	(206.6)	178.7
Net result, Group share (excluding derivatives) ¹¹	13.0	178.7

¹⁰ Includes in particular non-recurring share-based payments primarily refer to the cost of the free share grant (IFRS 2) of 1 December 2017, including social security costs, put in place following the IPO

¹¹ Restated for tax effects related to the derivative instruments