

Paris, 17 September 2020

### 2020 First half results

## Tikehau Capital further confirms the relevance of its profitable growth model in alternative asset management

- **Assets under management totalled €25.7 billion at 30 June 2020, up 9.8% year on year**
- **Strong momentum in the asset management division throughout the first half of 2020, with net new money rising €1.1 billion over the period**
- **Revenue growth of 16.3% in the asset management division over the first six months of 2020, with an average fee rate increasing strongly and steadily from 0.84% at end-June 2019 to 0.94% at end-June 2020**
- **The asset management division generated operating profit of €28.6 million, representing a year-on-year increase of 39.5%, and an operating margin of 32.4%, up 5.4 points**
- **Operating profit from the investment business was impacted by adverse market effects in a particularly turbulent first half**
- **Considerable success achieved over July 2020, generating an additional €1.6 billion in assets under management**
- **Tikehau Capital's ESG expertise recognised with an inaugural rating from Vigeo Eiris, one of the world's leading ESG rating agencies**
- **Target for assets under management at end-2020 of more than €27.5 billion<sup>1</sup>, and confirmation of organic growth objectives for 2022**

<sup>1</sup> At constant assets under management in the Capital Markets Strategies business.

**Antoine Flamarion**, co-founder of Tikehau Capital, said,

*“The first half of 2020 once again demonstrated that Tikehau Capital’s growth strategy in the field of asset management is relevant, with a rising proportion of the Group’s revenue and profit that comes from that division. Our performance in this area has remained strong and results are growing at a steady pace in spite of the particularly challenging and unstable environment caused by the Covid-19 pandemic. We will continue to take every effort to ensure the safety of all our employees and get back to normal in optimal health and operational conditions, in a business where maintaining close professional contact between teams and building long-term relationships based on trust with our clients are key to success.”*

**Mathieu Chabran**, co-founder of Tikehau Capital, added,

*“Operating profit from our asset management business grew considerably, with revenue up significantly on last year, both in absolute terms and relative to assets under management, and vast improvements to our operating margin. The investment business was affected by volatility in the markets throughout the first half of the year. Nevertheless, Tikehau Capital continued to actively rotate its portfolio while increasing its exposure to funds managed by the Group, in accordance with its strategy to align interests. To do this, Tikehau Capital is leveraging its solid financial structure to support its growth strategy, which enables the Group to feel confident as it looks to the future.”*

### **Consolidated results for the first half of 2020**

The Tikehau Capital Supervisory Board met on 16 September 2020 to review the condensed consolidated financial statements<sup>2</sup> at 30 June 2020.

At 30 June 2020, Tikehau Capital had **assets under management** that totalled €25.7 billion, which represents an increase of 9.8% (+€2.3 billion) on the year and 1.2% (+€0.3 billion) in Q2 2020. At end-June 2020, the asset management division accounted for €24.0 billion of the Group’s total assets under management, while the investment business contributed €1.7 billion.

Operating profit from the **asset management division** surged 39.5% year on year to reach €28.6 million at end-June 2020, driven by strong growth in management fees and tighter cost management. Operating margin also improved considerably, rising to 32.4% compared with 27.0% the previous year. The **investment division** recorded an operating loss of €290.3 million due to adverse changes in the fair value of certain listed assets in a particularly challenging market environment over the first half of the year and as a result of the cost of derivative instruments put in place by the Group as part of its risk management policy.

After taking into account the financial costs, the non-recurring cost of share-based payments and tax, **net profit (Group share)** at end-June 2020 came out at a loss of €240.9 million.

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<sup>2</sup> The Statutory Auditors are currently in the process of auditing the financial statements.

## **Operating profit from the asset management division up 39.5%**

At 30 June 2020, the **assets under management of Tikehau Capital's asset management division** totalled €24.0 billion, up €2.8 billion (+13.2%) on the previous year. The first half of the year registered growth of 1.7% (+€400 million) driven by solid levels of **net new money**, representing €1,100 million despite the particularly challenging economic and health situation. Sales performance over the first six months of the year was primarily attributable to the strength of the real estate and private equity business, which accounted for approximately 80% of net new money over the first half and thereby improving the Group's business mix and revenue generation. **Distributions** came out at around -€500 million over the first half of the year, mainly in the private debt business, and **market effects**, mostly observed in capital markets strategies, totalled -€200 million due to the significant degradation in the macroeconomic environment following the Covid-19 pandemic.

Tikehau Capital continued to **expand its international client base** throughout the first half of 2020, with foreign investors accounting for 32% of the Group's total assets under management at 30 June 2020, compared with 30% the previous year, while assets under management grew strongly.

**Fee-paying assets under management** accounted for €20.3 billion of the €24.0 billion of assets under management of the asset management division at end-June 2020, up 17% year on year and 2% over the first half. This category represented 85% of assets under management, versus 82% the previous year. Fee-paying assets under management primarily come from long-term, closed-end funds, giving the Group clear visibility of future revenue.

In the context of the Covid-19 outbreak, Tikehau Capital continued to **deploy funds** managed within its various strategies throughout the first half of the year. Investments made in closed-end funds over the first half totalled €0.8 billion, compared with €1.5 billion the previous year as a result of the Group's particularly selective and disciplined approach. These investments were primarily carried out in the private debt business.

At end-June 2020, Tikehau Capital had **dry powder** of €4.7 billion within the funds it manages, enabling it to take advantage of investment opportunities.

**Revenue from the asset management division grew considerably in the first half of the year to reach €88.3 million** at end-June 2020, up 16.3% year on year. Management and arrangement fees accounted for over 98% of revenue generated by the asset management division in the first half of 2020, same level as the first half of 2019.

The **average management fee rate** applied by the Group's funds continues to rise, as the business mix is rebalanced in favour of higher fee-generating strategies. Therefore, at end-June 2020, the **average management fee rate** came out at 0.94%, compared with 0.92% at end-December 2019 (up 2 basis points) and 0.84% at end-June 2019 (up 10 basis points year on year), boosted in particular by the growing contribution of real estate and private equity, where fees are above the Group average.

In the highly volatile environment that prevailed in the first half of 2020, the Group exercised a tight control on **operating expenses** in the asset management division, limiting the rise to

7.7% in the first half of 2020. At the same time, the Group continued to invest in its platform and employed approximately 570 people at end-June 2020, versus 530 at end-December 2019.

The strong growth in revenue and limited increase in operating expenses contributed to a 39.5% increase in **operating profit generated by the asset management division in the first half of the year, which reached €28.6 million at end-June 2020**. Operating margin came out at 32.4% at end-June 2020, compared with 27.0% the previous year, representing a significant improvement of 5.4 points. This result demonstrates that the Group's profitable expansion in asset management, which lies at the heart of its strategy, is particularly relevant.

### **The investment division was impacted by adverse market effects in the first half**

**The investment division's revenue** were negative by €77.2 million in the first half of 2020, and can be broken down as follows:

- Revenue from **dividends, coupons and distributions** totalled €42.3 million (compared with €49.0 million at 30 June 2019), including €31.2 million from investments made by the Group in its own funds (up 31% year on year). Dividends, coupons and distributions from direct investments were down on the half year, as Eurazeo and DWS did not pay a dividend for the period.
- **Changes in fair value** were negative by €119.6 million in the first half of the year. This amount broke down as:
  - €143.3 million in negative **unrealised** changes in fair value of certain, primarily listed portfolio assets
  - €23.8 million in proceeds from **realised disposal of assets** completed in the first half

The Group invests in its own strategies in order to align its interests with those of its clients over the long term, in accordance with the maturity of the various investment vehicles that it develops and manages. The exceptional nature of the first-half of 2020 does not undermine the medium- to long-term value creation potential of the investments made by Tikehau Capital in its strategies. The Group therefore confirms its **normative return on capital target for the investments made in its own funds**, situated between 10% and 15%.

After taking into account operating expenses of €47.3 million, Tikehau Capital's investment portfolio generated an **operating loss of €124.5 million** at 30 June 2020.

At 30 June 2020, Tikehau Capital recognised €165 million of non-current expenses related to **financial instruments** put in place by the Group at the end of the first quarter as part of its risk management policy, while the global economy was facing a major systemic risk. These instruments are intended to lessen the impact of any market correction that may affect the Group's investment portfolio, especially its investments in listed entities, given the high level of uncertainty regarding the future of the current health crisis and the effect it may have on the markets over the coming quarters. After taking this expense and the share of net income of equity affiliates into account, the **investment division generated an operating loss of €290.3 million** at end-June 2020.

## **The Group's strong balance sheet is a key differentiating factor**

Tikehau Capital boasts a strong balance sheet that enables it to continue investing in its own funds and taking advantage of external growth opportunities in the alternative asset management market, in line with its strategy.

**At 30 June 2020, shareholders' equity came out at €2.8 billion**, compared with €3.1 billion at 31 December 2019. This change over the first six months of the year is correlated to the net income (Group share) generated over the period.

**The Group's investment portfolio at 30 June 2020 totalled €2.4 billion** (compared with €2.3 billion at 31 December 2019). Within this portfolio, **the Group's investments in its own strategies rose to €1.5 billion at 30 June 2020**, compared with €1.2 billion at 30 June 2019 and €1.4 billion at 31 December 2019, thereby representing **65% of the portfolio** at end-June 2020 compared with 49% the previous year and 61% at end-December 2019. This proportion of investments in the Group's business lines will continue to increase over the coming years as and when future funds are launched, in line with its strategy. The Group is particularly well positioned to achieve its objective to bring the proportion of its own strategies within its investment portfolio to between 65% and 75% by 2022.

Since 1 January, Tikehau Capital has also actively continued to **rotate its direct investments portfolio**. The Group took advantage of market conditions to complete the disposal of 54% of its stake in the German asset management company DWS, generating total proceeds of €110 million. 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. In August 2020, the Group was also reimbursed for the €115 million loan granted in early 2018 to Conforama (a major player in household equipment in Europe), partially secured by the balance sheet of Tikehau Capital and partially by several funds managed by the Group.

**At 30 June 2020, the Group's consolidated cash position stood at €878 million<sup>3</sup>**, compared with €1.3 billion at 31 December 2019. This reduction is mainly attributable to the investments made by Tikehau Capital in its own funds throughout the six-month period as well as the disinvestments made in its own direct investment portfolio, the distribution of dividends, and payments relating to the aforementioned derivative instruments. **Financial debt was stable** at €1 billion 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.

## **Tikehau Capital stands out with high ESG ratings that recognise the effectiveness of its strategy**

Since the creation of Tikehau Capital in 2004, sustainable projects have been crucial to the long-term growth and profitability of the Group. ESG and impact frameworks not only impact

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<sup>3</sup> Gross cash comprises cash and cash equivalents (mainly marketable securities) and cash management financial assets of €767.3m as well as the security deposit and margin calls relating to the portfolio of derivative instruments (€110.2m).

investment decisions and portfolio construction, but everything that Tikehau Capital does as a firm. In 2020, this proactive approach has been recognised by independent assessments that place the Group among the best players in its industry.

On 14 September 2020, Tikehau Capital announced it had earned a score of 66/100 for its inaugural rating by the extra-financial rating agency **Vigeo Eiris**. This high rating, awarded by one of the most highly renowned ESG rating agencies globally, positions Tikehau Capital among the leading names in its sector in recognition of the effective way in which the Group manages ESG matters.

Over the summer, Tikehau Capital was also awarded the highest possible score from the **UN PRI** (Principles for Responsible Investment). For the second consecutive year, Tikehau Capital received an A+ in the Strategy and Governance module covering the company's overarching approach to responsible investment and ESG approach.

Further to these successes, the ranking published by the extra-financial rating agency **Sustainalytics** in May 2020 positioned Tikehau Capital in second place out of 246 asset managers and depositories globally for its ability to assess ESG risks.

### **Share buyback programme**

Tikehau Capital extended to 31 December 2020 the mandate granted to an investment services provider to buy back shares as part of the share buyback programme approved by the Annual Shareholders' Meeting of 19 May 2020. The shares repurchased will be used for external growth, merger, spin-off or investment transactions, within the limit of 5% of the share capital in accordance with the law. The terms and conditions of the share buyback programme remain unchanged. A 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>).

### **Outlook**

After the asset management division considerably expanded its contribution to the Group's earnings and profits during the first half of the year, Tikehau Capital will remain focused over the coming months to:

- Continue to grow its flagship funds, as they are being raised
- Expand its offer by developing new strategies
- Reinforce its asset management platform, in particular by leveraging acquisitions made over recent years

During the next few months, Tikehau Capital will continue to market its **funds currently being raised** in private equity (energy transition, growth equity, aerospace and medtech), private debt (direct lending, impact lending) and special situations. In capital markets strategies, the Group will continue to market its flexible and fixed income funds, in particular through the Tikehau 2027 fixed income fund launched in early June 2020.



Many successes have already been notched up in July 2020:

- Ace Management was entrusted with the exclusive management of a **private equity** fund designed to support the aerospace industry, following a call for tender organised by the leading aerospace players (Airbus, Safran, Thales and Dassault Aviation) with support from the French state. An initial closing has already been completed for €630 million, in which Tikehau Capital invested €230 million from its balance sheet, in accordance with its strategy to align interests. The fund is currently being actively marketed.
- Regarding **private debt**:
  - The initial closing for the fifth generation of its Direct Lending fund was completed for a total of €220 million, including €60 million from the balance sheet of Tikehau Capital. This fifth generation of funds will enable Tikehau Capital and its investor-clients to access fresh resources to support European SMEs by offering them a wide range of bespoke financing solutions, which is key in the context of the current crisis. A second closing for this fund is expected during the second half of 2020, primarily with international investors.
  - A €150 million evergreen mandate was granted by a French institutional investor to Tikehau Capital, to invest in several strategies developed by the Group, primarily in private debt.
  - An additional €55 million was raised through the Novo 2020 fund sponsored by institutional investors, which the Group was charged with managing during the first half of the year.

Tikehau Capital is also working to **launch several strategies during the second half of the year**, with in particular, in the private debt segment, an impact lending strategy as well as its first secondary private debt fund and, in the capital markets strategies, a long-term equity fund that is not subject to daily liquidity.

The Group will also continue to expand its asset management platform by integrating and growing the various acquisitions it has made over recent years:

- On 29 July 2020, Tikehau Capital finalised the acquisition of 100% of the capital of **Star America Infrastructure Partners**, an independent US-headquartered asset management firm operating to develop and manage mid-sized infrastructure projects in North America that has more than \$600 million (€535 million<sup>4</sup>) of assets under management. This acquisition enables Tikehau Capital to diversify its assets under management by taking on a new high-growth asset class and strengthen its growth strategy in North America. The integration of Star America Infrastructure Partners into the Tikehau Capital platform is progressing rapidly, and the Group has already committed €50 million from its balance sheet to their second-generation fund, in accordance with its strategy to align interests. The assets under management of Star

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<sup>4</sup> Using a \$/€ exchange rate of 0.89 as at 30 June 2020.

America Infrastructure Partners will now be recognised alongside the assets under management of the real estate division, under “Real Assets”.

- This year is also key for **IREIT Global**, a real estate investment trust listed in Singapore with €630m of assets at end-June 2020, which only invests in Europe. Since taking a stake in the company’s capital in 2016, Tikehau Capital has been very actively involved in supporting the growth of IREIT Global, restructuring its shareholder base but also financing and internationalising its future growth. In late 2019, IREIT Global announced its first investment in Spain by acquiring 40% of a real estate portfolio comprising four office buildings in Madrid and Barcelona with Tikehau Capital owning the remaining 60% stake. On 7 August 2020, IREIT Global announced its intention to exercise the call option on the stake held by Tikehau Capital, and to raise €90 million before the end of 2020 that will enable it to finance this operation and reimburse a shareholder loan granted by City Developments Limited (CDL). The three largest shareholders of IREIT Global (Tikehau Capital, CDL and AT Capital) announced their intention to take part in this capital increase. Since 6 April 2020, Tikehau Capital and CDL have held 29.2% and 20.9%, respectively, of the capital of IREIT Global.

The structurally positive tailwinds in favour of the market segments where the Group is positioned remain unchanged, therefore confirming investor-clients’ appetite and interest for the strategies developed by Tikehau Capital. In the shorter term, the environment remains uncertain, particularly with respect to the evolution of the health and economic crisis, and could lead to cyclical effects on the pace of fundraising.

Tikehau Capital has therefore set a target of reaching **more than €27.5 billion of assets under management by end-2020<sup>5</sup>**, and **confirms its core objectives for 2022**, aiming to reach **over €35 billion of assets under management** and generate **over €100 million in operating profit from asset management**.

The half-year results presentation will be available to watch on 17 September 2020 from 8:30 am (CEST) on the Group website [www.tikehaucapital.com](http://www.tikehaucapital.com).

## **Calendar**

**5 November 2020** – Assets under management at end-September 2020

**11 February 2021** – Assets under management at end-December 2020

**18 March 2021** – 2020 annual results

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<sup>5</sup> At constant assets under management in the Capital Markets Strategies business.



## Key figures for the first half of 2020

### Assets under management

	Amount at 30 June 2020 (In € billions)	Change on 30 June 2019	Change on 31 Dec. 2019
Private Debt	8.3	(1.0%)	(3.5%)
Real Assets	9.6	+18.8%	+4.2%
Capital Markets Strategies	3.8	+15.2%	+0.7%
Private Equity	2.3	+57.6%	+14.0%
<b>Asset management division</b>	<b>24.0</b>	<b>+13.1%</b>	<b>+1.6%</b>
<i>Of which fee-paying assets under management</i>	20.3	+16.7%	+1.9%
<i>Of which future fee-paying assets under management</i>	2.7	(1.8%)	+5.0%
<i>Of which non-fee-paying assets under management</i>	1.0	(7.0%)	(10.1%)
<b>Investment division</b>	<b>1.7</b>	<b>(20.1%)</b>	<b>(22.5%)</b>
<b>Total assets under management</b>	<b>25.7</b>	<b>+10.1%</b>	<b>(0.4%)</b>

Simplified income statement

(In € millions)	Income statement items		
	30 June 2020	30 June 2019	
<b>Asset management</b>	Revenue from asset management	88.3	75.9
	<i>Weighted average fee rate</i>	<i>99 bps</i>	<i>85 bps</i>
	Operating expenses	(59.7)	(55.4)
	<b>Asset management operating profit</b>	<b>28.6</b>	<b>20.5</b>
<b>Investment</b>	Portfolio revenue	(77.2)	157.7
	Operating expenses	(47.3)	(37.5)
	<b>Portfolio op. profit / (loss)</b>	<b>(124.5)</b>	120.2
	Other items <sup>6</sup>	(165.8)	(0.8)
	<b>Investment op. profit / (loss)</b>	<b>(290.3)</b>	<b>119.4</b>
<b>Group</b>	Financial income (loss)	(19.2)	(22.0)
	Non-recurring share-based payments <sup>7</sup>	(1.3)	(3.1)
	Tax	41.4	(17.6)
	Minority interests	-	(0.1)
	<b>Net income, Group share</b>	<b>(240.9)</b>	<b>97.2</b>

<sup>6</sup> Includes the impact of derivative instruments and the share of net income of equity affiliates.

<sup>7</sup> 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.

### Simplified balance sheet

(In € millions)	Balance sheet items	
	30 June 2020	31 Dec. 2019
Investment portfolio	2,371	2,335
Cash and financial assets <sup>8</sup>	878	1,307
Other current and non-current assets	711	699
<b>Total assets</b>	<b>3,960</b>	<b>4,341</b>
Shareholders' equity, Group share	2,784	3,139
Minority interests	7	7
Financial debt	1,007	977
Other current and non-current liabilities	162	198
<b>Total liabilities</b>	<b>3,960</b>	<b>4,341</b>
<i>Gearing</i> <sup>9</sup>	36%	32%
<i>Undrawn credit facilities</i>	500	500

#### **About Tikehau Capital**

Tikehau Capital is an asset management and investment group with €25.7 billion of assets under management and shareholder equity of €2.8 billion (at 30 June 2020). The Group invests in various asset classes (Private Debt, Real Assets, Private Equity and Capital Markets Strategies) including through its asset management subsidiaries that act on behalf of institutional and private investors. Controlled by its managers alongside leading institutional partners, Tikehau Capital employs more than 570 people (at 30 June 2020) in its offices based in Paris, London, Amsterdam, Brussels, Luxembourg, Madrid, Milan, New York, Seoul, Singapore and Tokyo.

Tikehau Capital is listed in compartment A of the regulated Euronext Paris market (ISIN code: FR0013230612; Ticker: TKO.FP)

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<sup>8</sup> Gross cash comprises cash and cash equivalents (mainly marketable securities) and cash management financial assets of €767.3m as well as the security deposit and margin calls relating to the portfolio of derivative instruments (€110.2m).

<sup>9</sup> Gearing = Total financial debt/Equity, Group share.

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