

Tikehau Capital announces its Q1 2021 assets under management and implements a future-facing and simplified organisation

Group AuM of €29.4bn at 31 March 2021, up 15.5% yoy

Tikehau Capital prepares its next growth chapter with a simplified organisation, an improved financial profile and a revised dividend policy

Tikehau Capital, the global alternative asset management group, releases today its assets under management at 31 March 2021, which amounted to €29.4bn, up 15.5% or €3.9bn year over year. The firm also announces its plan to simplify its organisation, which shall result in a materially improved financial profile, allowing for a revised dividend policy to increase shareholder value. Through this operational reorganisation, Tikehau Capital will meet the highest standards of the global listed alternative asset management industry, on top of a second-to-none alignment of interest in the sector. The main benefits of the planned reorganisation are the following:

- Central corporate functions and related expertise **to be regrouped** under the listed company;
- **More than €40m annual post-tax cash flow improvement** for Tikehau Capital from 1 January 2021 onwards thanks to its simplified organisation;
- **Operating costs reduction through the replacement** of a 2% management fee of Tikehau Capital's consolidated equity by (i) an annual fixed compensation of €2.5m and (ii) the corporate functions' costs to be transferred to Tikehau Capital (c.€20m);
- **A significant reduction** in the preferred dividend to the General Partner from 12.5% to 1% of Tikehau Capital's statutory net result;
- A c.39m new Tikehau Capital shares issuance for the benefit of Tikehau Capital Advisors, in exchange for its contributions as part of the proposed reorganisation, **raising founders and management ownership from 44%¹ to 56%**;
- **A high-single digit accretion** estimated on 2021 adjusted earnings per share²;
- **A revised and improved dividend policy with a minimum of 80% of FRE and PRE³** to be distributed through ordinary dividend (with a floor at €0.50 per share for 2021);
- The planned reorganisation has already received **support from shareholders representing 85% of Tikehau Capital's share capital**, and will be submitted to an Extraordinary General Meeting to take place on 15 July 2021;
- **Tikehau Capital confirms its 2022 targets** of reaching over €35bn of assets under management and generating over €100m in fee-related earnings (FRE).

Tikehau Capital is organising a conference call today at 6.15 p.m. (CEST) accessible on its website at www.tikehaucapital.com

¹ Defined as the combined ownership of Tikehau Capital Advisors and Fakarava Capital

² Calculated as net result less preferred dividend, based on sell-side analysts' forecasts for 2021, updated post FY20 results release. Excluding any one-off and non-cash potential accounting impact of the reorganisation (accounting treatment being finalised)

³ Fee-Related Earnings (FRE) of the asset management business are defined as management fees minus operating costs. Performance-Related Earnings (PRE) are defined as the sum of performance fees and carried interest. The sum of FRE and PRE can be elsewhere defined as NOPAM (Net Operating Profit from Asset Management).



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

“Since its inception in 2004, Tikehau Capital has transformed from a founder-operated investment company to a global alternative asset manager with close to €30bn of AuM. This tremendous growth trajectory is first and foremost the result of an entrepreneurial journey, driven by a strong corporate culture and the commitment of our teams. As we continue to build momentum across our businesses, simplifying our organisation is the natural next step to establish a stronger foundation for future earnings growth. These changes not only make Tikehau Capital simpler to understand but also strengthen its financial profile and create an even more compelling investment proposition for shareholders: it reinforces financial performance, streamlines shareholders’ alignment and makes Tikehau Capital’s equity profile more appealing. As the firm continues to evolve, we look forward to unlocking more value and generating long-term returns for our shareholders.”

1. A NEW CHAPTER FOR TIKEHAU CAPITAL

Since its inception in 2004, Tikehau Capital's **entrepreneurial journey** has relied on a strong corporate culture and a differentiated growth model. From an externally managed, founder-operated private investment company, Tikehau Capital has transformed into an integrated, listed and diversified global alternative asset manager, supported by a strong balance sheet.

Over the last 17 years, Tikehau Capital's organisation and corporate structure have provided strong foundations on which it has pursued its development and achieved strong results. In particular, Tikehau Capital's **assets under management** have grown on average by **+30% per year** since IPO in early 2017. At the same time, the average **management fee rate** has moved up **from 0.71% to 0.92%** and **asset management revenues** and **Fee-Related Earnings (FRE)** have grown on average by **+51%** and **+126%** respectively between 2016 and 2020.

Looking ahead, given Tikehau Capital's size, scale, and favourable outlook, **the time is now right to simplify the Group's organisation** in order to put Tikehau Capital on the strongest footing to drive growth in the years to come, while keeping its strong entrepreneurial DNA.

This planned reorganisation has already gathered the support from Tikehau Capital shareholders owning a total of **85%** of the firm's share capital.

2. A SIMPLER ORGANISATION, A STRONGER FINANCIAL PROFILE

The planned reorganisation announced today aims at implementing a **simpler structure**, as well as **resetting financial flows** between Tikehau Capital and its related parties.

- (i) First, the planned reorganisation aims at **transferring the Group's central corporate functions and related expertise** (i.e. in particular General Management, Finance, Legal, IT, Communication, Human Resources), into the listed entity, Tikehau Capital. The corporate functions were until now gathered into Tikehau Capital Advisors (the Group's largest shareholder). This would materially streamline the Group's organisation **as well as significantly reduce its operating cost base**. In that respect, the cost incurred historically by Tikehau Capital, which was an annual charge equivalent to 2% of the Group's consolidated shareholders' equity, would be replaced by a total annual compensation, in absolute amount, of €2.5m from 2021 onwards. In addition, the Group's corporate function costs would be transferred to Tikehau Capital, representing a cost of around €20m from 2021 onwards. As an illustration, the 2% management fee represented a €70.6m⁴ cost for Tikehau Capital. Pro forma the new organisation, the

⁴ Including VAT

⁵ Illustrative amount based on sell-side analysts' forecasts for 2021, updated post FY20 results release

cost in 2020 would be reduced to €20.8m, therefore generating substantial savings.

- (ii) Second, the **preferred dividend due to the General Partner would be drastically reduced**, moving down from 12.5% to 1% of Tikehau Capital's statutory net income.

Such changes in the economics between Tikehau Capital and its related parties would reflect **very positively on the Group's financials** by generating:

- More than **€40m** annual post-tax cash-flow improvement for Tikehau Capital⁵ from 2021 onwards;
- More than **140bps** enhancement of Tikehau Capital's return on equity⁶ from 2021 onwards.

- (iii) As a consequence of the planned reorganisation, and in exchange of its contributions to Tikehau Capital, Tikehau Capital Advisors would receive **c.39 million newly issued Tikehau Capital shares**. This share issuance reflects a valuation of Tikehau Capital Advisors' contributions of €1,150.5m and a valuation of Tikehau Capital of **€29.5** per share. In connection with this transaction, Tikehau Capital's Supervisory Board appointed an *ad hoc* committee comprising three independent members and which has supervised the work of an independent expert (Finexsi) to submit a fairness opinion on the terms of the transaction.

Following this planned share issuance:

- The management ownership in Tikehau Capital⁷ would increase **from 44% to 56%**, therefore strengthening the alignment of interests between management and shareholders.
- Given the strong positive impact of the reorganisation on Tikehau Capital's financials, the overall transaction would generate a **high single-digit accretion on the 2021 adjusted earnings per share**⁸.

3. A REVISED DIVIDEND POLICY

Conscious that the predictability of the distribution is key for shareholders and building on the strong momentum of its asset management profitability, Tikehau Capital plans to revise its dividend policy by indexing it on the performance of this fast-growing and increasingly profitable business. Starting 2021, Tikehau Capital shall aim to **distribute more than 80% of the net operating profit from the asset management activity** (defined as the sum of Fee-Related Earnings and Performance-Related Earnings). In addition, for the fiscal year 2021, the ordinary dividend shall not be lower than €0.50 per share.

4. DETAILS OF THE PLANNED REORGANISATION

The main steps of the planned reorganisation, which is a global transaction, are detailed below:

- **Step 1 - Appointment of a new General Partner** (*associé commandité*) and **two new managers** (*gérants*) of Tikehau Capital:
 - Tikehau Capital Commandité ("**TCC**"), a wholly-owned subsidiary of Tikehau Capital Advisors ("**TCA**"), would be appointed as General Partner of Tikehau Capital with effect after satisfaction of all conditions precedent to the Merger (as such term is defined hereafter) and immediately prior to the completion of the Merger.
 - Two companies, respectively wholly-owned by AF&Co and MCH, the two holding companies of the founders of Tikehau Capital, would be appointed as managers of Tikehau Capital with effect after satisfaction of all conditions precedent to

⁶ Calculated as Adjusted net income (i.e less preferred dividend) divided by consolidated Shareholders' Equity, based on 31 December 2020 Consolidated Shareholders' Equity. Excluding any one-off and non-cash potential accounting impact of the reorganisation (accounting treatment being finalised)

⁷ Defined as the cumulated ownership of Tikehau Capital Advisors and Fakarava Capital

⁸ Calculated as net result less preferred dividend, based on sell-side analysts' forecasts for 2021, updated post FY20 results release. Excluding any one-off and non-cash potential accounting impact of the reorganisation (accounting treatment being finalised)

the Merger and immediately prior to the completion of the Merger. The total fixed annual compensation of these two Managers would amount to €2.5m per year.

- **Step 2 - Merger:** Tikehau Capital would merge with Tikehau Capital General Partner (“**TCGP**”), Tikehau Capital current General Partner (the “**Merger**”). TCA would receive, in consideration of its shares in TCGP, new shares in Tikehau Capital according to an exchange ratio determined on the basis of the fair values of the two companies. The Merger would be placed under a tax neutrality regime. The General Partner’s rights held by TCGP and transferred to Tikehau Capital as a result of the Merger would be cancelled upon completion of the Merger. Upon completion of the Merger, TCC would be the sole General Partner of Tikehau Capital, benefitting from a preferred dividend of 1% of Tikehau Capital’s statutory net income.
- **Step 3 - Contribution:** TCA would contribute the assets and liabilities relating to Tikehau Capital’s central corporate functions housed within TCA (including employment contracts, leasehold rights and physical assets) (the “**Contribution**”) in consideration for new shares in Tikehau Capital according to an exchange ratio determined on the basis of the fair values of the two companies. As a result of the Contribution, the service agreement between TCGP and TCA would be extinguished. The Contribution would be placed under a tax neutrality regime.

As a consequence of Steps 2 and 3 above, around **39 million new Tikehau Capital shares** would be issued for the benefit of TCA.

Finexsi has been appointed by the Supervisory Board of Tikehau Capital as independent expert to issue a fairness opinion on the terms of the transaction. Ms. Sonia Bonnet-Bernard and Mr. Alain Abergel have been appointed by the President of the Commercial Court of Paris (*Tribunal de Commerce de Paris*) as external statutory appraisers with regard to the terms of the Merger and the Contribution (*commissaires à la fusion et à la scission*). The reports of the independent expert and the external statutory appraisers will be made public in the document to be published for a prospectus exemption that will be made available to the market mid-June 2021.

In connection with the proposed reorganisation, TCA’s holding in Tikehau Capital would increase by more than 1% over a 12-month period. As a result, TCA and the persons acting in concert with TCA would have an obligation to file a mandatory tender offer. TCA will request from the *Autorité des marchés financiers* an exemption to file such mandatory tender offer pursuant to article 234-9, 3° of the General Regulations of the *Autorité des marchés financiers*. The proposed reorganisation is subject to this exemption.

If approved by the Extraordinary General Meeting to take place on 15 July 2021, the transaction will be effective retroactively as of 1 January 2021.

Tikehau Capital will keep the market informed of the next steps and terms of this transaction.

5. +15.5% GROWTH IN GROUP AUM AT END-MARCH 2021

At end-March 2021, **Group Assets under management** (AuM) reached **€29.4bn**⁹, representing a **€3.9bn** or **15.5%** increase yoy. They are split between €27.7bn for the asset management business and €1.7bn for the direct investment business. During the first quarter of 2021, the change was a 2.9% increase, with positive net new money for the Group of +€973 million, distributions of -€257 million (primarily within private debt strategies) and positive market effects of €108 million.

AuM for the **asset management business** amounted to €27.7bn at end-March, up 18.1% over the last twelve months and 1.2% compared to 31 December 2020. Fundraising for the asset management business amounted to €484m in the first quarter of 2021, which is in line with the amount raised during the first quarters of 2019 and 2020 and with the Group’s fundraising seasonality. Over the last twelve months, the asset management business raised €4.2bn of net new money, a significant amount reflecting the solid sales momentum for Group’s strategies. Fundraising in Q1 2021 was primarily driven by private equity (with the final closing of the energy transition fund as well as further fundraising for the special opportunities strategy), and real assets, with Sofidy in particular. Fundraising for private debt reflects calendar effects, and significant progress on this asset class are expected in the coming quarters in particular as the fundraising for the 5th vintage of the Group’s direct lending flagship strategy ramps up. Net new money for the capital markets strategies was neutral in the quarter, with solid inflows in fixed income strategies offset by outflows in the flexible and equity funds.

Over the first quarter of 2021, Tikehau Capital has also been active in **deploying capital** from its funds, with 67 companies or assets financed across its strategies in the quarter, which is more than twice what had been achieved during the same period last year. As a

⁹ Figures have been rounded for presentation purposes, which in some cases may result in rounding differences.

consequence, the Group deployed a total of €0.8bn in the first quarter (vs €0.5bn during Q1 2020). At end-March 2021, Tikehau Capital had dry powder of €5.9bn within the funds it manages, enabling them to take advantage of investment opportunities. This amount compares to €6.2bn at the end of December 2020, the change during the first quarter being linked to the sustained pace of capital deployment over the period.

AuM for the **investment activity** amounted to €1.7bn at end-March 2021. The €483m increase during the first quarter was primarily due to the success of the Group's inaugural sustainable bond issuance for a total amount of €500 million maturing in March 2029. This issue of senior unsecured sustainable bond is associated with a fixed annual coupon of 1.625%, the lowest ever achieved by the Group, and is the first ever public sustainable benchmark bond issued by an alternative asset manager in euros.

Since the beginning of **second quarter of 2021**, Tikehau Capital remained active and launched promising new initiatives:

- First, leveraging on the successful fundraising for its private equity fund dedicated to energy transition, Tikehau Capital announced the launch of a **North American private equity strategy dedicated to transitioning to a low-carbon economy**, with \$300 million of capital already committed;
- The Group also announced the sequential launch of **two innovative strategies designed for retail investors through unit-linked products**, one in private debt with MACSF Group, the leading insurer for health professionals, and the other in private equity with CNP Assurances, leading player in the French personal insurance market. These initiatives demonstrate Tikehau Capital's strong positioning in tackling the increasing demand from retail clients to access alternative asset classes;
- In addition, **IREIT Global** announced the acquisition of a high-quality 27-property portfolio from Decathlon, the world's largest sporting goods retailer;
- Tikehau Capital's first **SPAC**¹⁰ (Pegasus Europe), which was launched back in February alongside co-sponsors Financière Agache, Jean-Pierre Mustier and Diego De Giorgi, announced on April 29th that it had successfully raised €500 million in a private placement. Tikehau Capital has invested €25 million from its balance sheet into the private placement and agreed on a €50 million Forward Purchase Agreement that may be called at the time of a business combination;
- Finally, on May 12th, as part of the strategic alliance between Tikehau Capital and DWS, both groups announced a growth initiative to implement an investment strategy for small to medium-sized defined benefit pension schemes in the United Kingdom. The launch of this new strategy meets the objective of both groups to align their respective expertise in alternative investing and offer bespoke financing solutions to companies.

6. CONCLUSION AND NEXT STEPS

Through the planned reorganisation, which has already gathered the support from shareholders owning a total of 85% of its share capital, Tikehau Capital is opening a new growth chapter by simplifying its organisation, improving its financial profile, and implementing a revised dividend policy.

Tikehau Capital also confirms its 2022 objectives of reaching over €35bn of assets under management and generating over €100m in fee-related earnings (FRE)¹¹.

¹⁰ Special Purpose Acquisition Company

¹¹ Fee-Related Earnings (FRE) correspond to net operating profit from asset management less performance fees and carried interest.

Tentative timetable of the planned reorganisation

20 May 2021	<ul style="list-style-type: none">• Announcement of the reorganisation
Mid-June 2021	<ul style="list-style-type: none">• Publication of documentation relating to the transaction, including reports from independent expert and external appraisers (<i>commissaires à la fusion et à la scission</i>)
15 July 2021	<ul style="list-style-type: none">• Extraordinary General Meeting to approve the reorganisation

Tikehau Capital's financial calendar

29 July 2021	<ul style="list-style-type: none">• Assets under management at 30 June 2021 (after market close)
15 September 2021	<ul style="list-style-type: none">• 2021 First half results (after market close)
9 November 2021	<ul style="list-style-type: none">• Assets under management at 30 September 2021 (after market close)

APPENDIX – CHANGE IN AUM DETAILS

In €m	AuM at 31-Mar-2021		YoY change		QoQ change	
	Amount (€m)	Weight (%)	In %	In €m	In %	In €m
Private debt	9,292	32%	+11.9%	+989	(0.5)%	(50)
Real assets	10,470	36%	+9.8%	+937	+1.3%	+137
Capital markets strategies	4,239	14%	+20.6%	+725	+1.3%	+55
Private equity	3,691	13%	+76.6%	+1,601	+5.7%	+200
Asset Management	27,692	94%	+18.1%	+4,252	+1.2%	+341
Direct investment	1,662	6%	(16.1)%	(319)	+40.9%	+483
Total AuM	29,354	100%	+15.5%	+3,933	+2.9%	+824

LTM evolution (in €m)	AuM at 31-03-2020	Net new money	Distributions	Market effects	Change in scope	AuM at 31-03-2021	Change (%)	Change (€m)
Private debt	8,303	1,518	(681)	152	-	9,292	+11.9%	+989
Real assets	9,533	644	(250)	4	539	10,470	+9.8%	+937
Capital markets strategies	3,514	342	(12)	396	-	4,239	+20.6%	+725
Private equity	2,089	1,658	(154)	97	-	3,691	+76.6%	+1,601
Total Asset Management	24,440	4,162	(1,098)	649	539	27,692	+18.1%	+4,252

Q1 2021 (in €m)	AuM at 31-12-2020	Net new money	Distributions	Market effects	Change in scope	AuM at 31-03-2021	Change (%)	Change (€m)
Private debt	9,342	120	(171)	1	-	9,292	(0.5)%	(50)
Real assets	10,334	178	(73)	32	-	10,470	+1.3%	+137
Capital markets strategies	4,184	6	(2)	51	-	4,239	+1.3%	+55
Private equity	3,491	181	(12)	31	-	3,691	+5.7%	+200
Total Asset Management	27,351	484	(257)	114	-	27,692	+1.2%	+341



ABOUT TIKEHAU CAPITAL

Tikehau Capital is a global alternative asset management group with €29.4 billion of assets under management (at 31 March 2021).

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 607 employees (at 31 March 2021) 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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