



Q1 2021 Results

Thursday, 29th April 2021

Welcome

Anthony Mellor

Head of Investor Relations, Amundi

Good morning to all of you. Thank you for your presence. On this call, we have Yves Perrier, CEO; Valérie Baudson, Head of CPR, Wealth & Distribution Division and Passive; Nicolas Calcoen, Head of Finance, Strategy and Public Affairs; and Domenico Aiello, CFO. Yves, the floor is yours.

Highlights

Yves Perrier

Group CEO, Amundi

Thank you and good morning everybody. It is a pleasure for me to present these results. It will be for me the last presentation of these results because, as you know, on 10th May, Valérie Baudson will succeed me and will be appointed as CEO while I will be appointed as Chairman.

Net Income Up Sharply

+50% vs. Q1 2020 and +7% vs. Q4 2020

A very brief introduction about these results. They are, I would say, satisfactory, even we can say very satisfactory for three reasons. The first, of course, is the level of net income of €309 million and it is a strong increase compared to the first quarter of last year. It is a growth of 50%. More significantly, it is 7% up from the last quarter of the year.

A word about these results, they reflect the good dynamic of Amundi's strong business model. The level of these results also has been pushed up by the context of the market. In the first quarter of last year, we had to face the financial crisis, and so we had headwinds and this quarter, on the contrary, we have benefitted from a favourable tailwind. The performance is good but the figures are even better due to the context of the market.

That is the first point, but Nicolas will present this and you will see that it is a good result. Also, a good level of activity in the Retail, especially nearly €8 billion of long-term AuM collected and €2 billion in Institutional, on the contrary outflows, but I would say it is normal, for monetary funds.

The second reason why these results can be qualified as satisfactory is the fact that our new engines of growth are growing in line with what we expected, especially Sabadell. The integration of Sabadell is done. The synergies, revenues and costs will be higher than anticipated and probably delivered more rapidly than anticipated.

The third is about ESG. You know that for us, it has always been a major axe of differentiation and the amount of ESG funds is now above €700 billion. You will see that when we compare in Europe, we are clearly the leader on this area. That is what I wanted to say in introduction and Nicolas will present you in detail these results.

Market Backdrop Continues to Improve

Nicolas Calcoen

Head of Finance, Strategy and Public Affairs, Amundi

Markets are continuing to Recover

Good morning to all. I will start by giving a quick highlight on the context in which we operated in this first quarter. On page 7 of the presentation, in terms of the market first, you will not discover anything new but just to remind you that the markets continued to improve sharply over the recent period, especially on the equity side. It is illustrated by the fact that European indices increased by an average of around 10% in this quarter compared both to the fourth quarter of 2020 and compared to the average of the first quarter of 2020. A significant amount of improvement in the market context with, of course, a positive impact on our results.

European Asset Management Market: Brisk Inflows in MLT Assets

The second element of context is the asset management industry continued to have a positive momentum globally. It is illustrated on page 8 where you can see that the inflows in open-ended funds in Europe continued to be positive since the beginning of the year, at least on the first two months where we have available data, with €160 billion of inflows on the market for long-term assets. However, after three quarters of positive inflow in money markets, some outflows, close to €80 billion of outflows in money market funds in the first two months of the year.

Results

Net Income of €309m up by +50% on Q1 2020 and by +7% on Q4 2020

In that context, as indicated by Yves, the performance of Amundi was very good, with a net income of €309 million for the first quarter, an increase of 50% compared to the first quarter of 2020, which, of course, was strongly impacted by the beginning of the crisis last year, but also up by 7% compared to the fourth quarter of last year. The fourth quarter was already the best quarter in terms of net results for Amundi since its creation, so once again, this first quarter is the highest in terms of net results since the creation of Amundi. This good level of result is a consequence of two effects: a strong improvement in revenues and a good cost control.

Sharp Improvement in Net Asset Management Revenues

First, in terms of revenues, page 11, you can see that our total revenues increased by 26% compared to the first quarter of last year, and a bit more than 5% compared to the last quarter. This increase is firstly due to a good level of management fees, increasing by a bit more than 5% compared to these two periods, driven of course by the positive market impact and, in particular, the increase in the equity markets. However, also, due to the good momentum in activity, in particular in long-term assets and in Retail over the last two or three quarters. Since summer, we had a good level of activity in long-term assets, Active Management and Retail, and it does have an impact on our management revenues.

The last element, if you compare to the first period of 2020, we have also a positive scope effect, I would say, since we integrated Sabadell in the middle of 2020. Excluding this scope effect, the increase in management fees was 2% compared to the first quarter of 2020.

The second element is performance fees at €111 million; we recorded in this first quarter a very high level of performance fees, increasing significantly compared to the beginning of the year but also up compared to the end of 2020 which was already very good. Due here also to a positive market context, clearly, but also a good level of performance and relative performance of our funds, in particular, in the equity space and in the multi-asset space.

The last element is financial income which was close to zero where, if we compare to the first quarter of 2020, it was significantly negative due to the drop in the market and its consequence on the valuation of our portfolio.

Excellent Operational Efficiency

A very good level of revenues, as indicated, and, at the same time, an excellent operational efficiency. Page 12, you can see the evolution of our operating expenses at €376 million for this first quarter. They are up by 14% compared to the first quarter of 2020 and by 1.5% compared to the last quarter. This is almost exclusively due to two elements. First of all, the level of provisioning of variable remuneration. You know that our policy in terms of remuneration and in terms of bonuses is to have an envelope of variable remuneration representing between 15% and 20% of the pre-bonus operating income. Since we have a strong increase in the results, we do also have a significant increase in the provisioning of these remunerations.

The second element, here also as for revenues, is the scope effect, in particular comparing to the first quarter of 2020, we do have to take into account the operating expenses coming from Sabadell AM and from the new subsidiary in China, Amundi BOC, that was created at the end of 2020. It is really those two elements. The costs are very well under control and as a consequence of this positive jaws effect between the strong increase in revenues and a good cost control, our cost income ratio is slightly below 49%. It is clearly below our target, due in particular to the very good and partially exceptional level of revenues in this first quarter.

Quarterly Income Statements

The last element to be noticed is regarding the P&L, page 13. You can see that the contribution of our joint ventures in China with ABC, in India with SBI and in Korea with NH continue to be positive and to increase in conjunction with the increased level of activity. At €18 million, they are up by 28% compared to the first quarter of 2020.

Business Activity

AuM of €1,755 billion at the End of March 2021 up +14.9% year-on-year and +1.5% for the quarter

If I move on now to activity, page 15 of the presentation, our assets under management reached at the end of March €1,755 billion, up by close to 15% on a one-year basis, and by 1.5% compared the beginning of the year. This is driven, of course, by positive market impact due to the increase in the market.

High Inflows of +€10bn in MLT Assets

In terms of flows, on page 16, we posted strong inflows on long-term assets, close to €10 billion in this first quarter, so in line with the already high level of activity at the end of 2020. These were more than compensated by outflows on Treasury products, at a bit more than €18 billion, and also outflows on what we call Channel business in China which are low margin products. These outflows are due to new regulations. So, a very good level of long-term assets.

The outflows on Treasury products come after two quarters of very strong inflows. We posted close to €40 billion of inflows in money market funds in the second half of 2020. Part of these inflows exited in the first quarter due firstly, in particular, to a market context where more investments are going to long-term assets; and, secondly, due to the decrease in spreads. The attractiveness of money market funds slightly reduced compared to what is the alternative for investors when they want to maintain liquidity, i.e. bank deposits.

Retail (excl. JVs): Inflows in MLT Assets Are Continuing To Recover

Page 17, to go a little bit more into detail, first of all, looking at Retail, clearly a very good level of activity in this first quarter. We posted close to €8 billion of inflows in Retail and the vast majority of these inflows is going to long-term assets. This positive momentum has been driven by all client segments with, in particular, a good level of activity in the third-party distributors, a bit more than €4 billion, with continued positive inflows on passive management but also a good level of activity and recovery in active management.

The networks also continued to post positive inflows with three countries and areas with a noticeably good level of activity. Italy, both with the UniCredit network and the Credit Agricole network. Spain, where our new partnership with Sabadell is very positive. On this first quarter alone, we posted €500 million of net inflows with Sabadell network, coming after €300 million of inflows on the second half of 2020. Clearly, this new partnership is starting very well.

And the third element to be noticed, another recent initiative, the creation of the new subsidiary in China in partnership with the Bank of China. As you remember, the company was created at the end of 2020, started to be active in December and in the first quarter launched already several new products and posted inflows of €900 million. So, a good start for this new activity as well.

Institutionals: Positive Flows in MLT Assets and Treasury Product Outflows

On the institutional side, page 18, a mixed effect. Positive inflows on long-term assets with €2 billion of inflows. But, as indicated, outflows on Treasury products of around €18 billion, here again after two consecutive quarters of very positive inflows.

JVs: Business Activity Driven By MLT Assets, Outflows in Channel Business in China As Expected

Finally, in terms of client segment, page 19. On the joint ventures, we have seen a good business momentum on long-term assets but compensated by expected outflows in the Channel business in China.

On this last point, we saw €7 billion of outflows on the Channel business activity, which are low margin products and these outflows were expected and are related to a regulatory

change. But on long-term assets, mutual funds, the trend continued to be positive, both in India, where we had close to €3 billion of inflows, and in China, in mutual funds, and especially in equity products.

High Long-Term Inflows Driven By Most Expertise

In terms of expertise, page 20, this quarter is remarkable also by the fact that most expertise saw positive inflows. In particular, we saw good level of inflows in active management, close to €6 billion in this quarter, driven mainly by equity products and multi-asset products. Real assets continued also to have a positive momentum with €1.6 billion of inflows, in particular, positive inflows on real assets and private equity.

And also continued development on passive management, a bit more than €2 billion of inflows and, in particular, on ETF, with around €3 billion of inflows in this quarter.

Responsible Investing: Continuation of ESG Plan Implementation

Page 21, regarding the implementation of our ESG plan. As indicated by Yves, this quarter sees the confirmation of Amundi leadership in responsible investment, thanks to the implementation of the plan announced close to three years ago, which aim was to generalise the integration of ESG criteria in our investment process in all open-ended funds actively managed. We see in this quarter a significant increase in the total amount of assets we managed that integrate ESG factors, moving from around €380 billion at the end of last year to a bit more than €700 billion at the end of March.

Second illustration, with the implementation of the new SFDR European regulation, which requires the financial industry to disclose the level of integration of ESG factors in its financial products. We can see that the leadership of Amundi is confirmed. We are managing a bit more than €450 billion of assets that are classified under Article 8 or Article 9 of this regulation, meaning that they are promoting ESG among other characteristics, or they have a sustainable investment objective. And we are the number one in Europe, as illustrated by the graph you can see, page 22.

Responsible Investment: Confirmed Leadership for Amundi

So, indeed, a leadership position, which is illustrated by the generalisation of ESG integration, but also by the fact that under the second dimension of our plan, we continue to develop new solutions that are more specifically dedicated to specific objectives, in particular climate change. This is illustrated by the fact that at the end of March we managed €27 billion of assets through dedicated solutions to environmental or climate issues.

This is also illustrated by the fact that we continue to innovate in that space. Recently, for example, we launched of a new fund, the "Just Transition for Climate Fund", which is designated to finance socially acceptable energy transition, and which illustrates well and combines, I will say, our two areas of priorities in terms of ESG, which are tackling climate change and social issues.

Conclusion

So, to conclude and before opening the floor for questions, we can say that, clearly, this first quarter is a very good quarter in terms of both business activities and earnings. Of course, it is clearly boosted by a favourable market environment and by a high level of performance fees, but it also clearly reflects favourable underlying trends in terms of activity and revenues.

It is also positive because the new initiatives that were launched in 2020 are starting to bear fruits, as illustrated by the activity and the inflows we see with our new partners in Spain, Sabadell, or in China, BOC. And finally, because clearly, it also confirms the leadership of Amundi in the ESG space.

Q&A

Hubert Lam (Bank of America): I have got three questions. Firstly on the fee margin, it seems to have gone up quarter-on-quarter. Can you explain why that is the case or if there are any one-offs related to that? That is the first question.

And the second question is on technology revenues. Can you tell us how much technology revenues were in the quarter?

And the last question is on the French network. You have had a positive inflows into medium long-term assets within the French network but still relatively small, if I look at slide 17. Can we expect that number to improve over time, or what is your outlook for French networks in the long-term assets?

Yves Perrier: Nicolas will answer to the two first questions. I will give you a review of the trends of the French market.

Nicolas Calcoen: Thank you. So, on the first question on margins, as you know, we should not put too much attention on quarter-to-quarter evolution of margins. But yes, indeed, on this quarter, we have a slight improvement in margin compared to last year. There is no one-off explaining this evolution, since the main driver is a positive momentum we see on this quarter, but also on the previous quarters, on long-term assets, on retail and on active management.

Second question on technology revenue, they represented around €8 million in the 1st quarter. And I think we had five new clients onboarded on this quarter. So, it is a beginning, but clearly we are on the expected trajectory for the development of this new business.

Yves Perrier: The French market, you mentioned that it was better figures but at the same time not so big figures. Have in mind that in the French market, about 80% of mutual funds are distributed through the life insurance. And so the context is more favourable due to the fact that life insurance companies which are under pressure to invest having in mind the level of interest rate for the Euro contract, have pushed the development of unit link.

And if you look at the French market, the average of unit links within gross flows in life insurance it is about 36%. In the last two years, it was a ratio that was at 80% Euro contract, 20% unit links. So it will continue as long as the context of interest rate remains as it is now. At the same time, have in mind that the subscription, in France, is very dependent on the general context of the market, because the people are generally risk adverse when there is uncertainty in the market.

So we have a positive view on the evolution of distribution in France for the time coming, provided that we remain in the same context of the market.

Jacques-Henri Gaulard (Kepler Cheuvreux): Three questions really. The first one is when I look at your financial plan, I think it more or less implies €1.05 billion by 2022. Are you

feeling now that there is a chance you are reaching that one year ahead of time in light of this really good results in Q1?

And therefore, the second question that comes to that, when could we expect a new financial plan? And with that also, the question is when can we expect Lyxor to be closed because there were so many dynamics into Amundi? So maybe having a stable perimeter would be good. Do you expect that rather towards the very beginning of Q1 2022 or do we have a chance of running that wrapped up at the end of 2021?

And the third point, it was just a remark. Yves, thank you very much for everything. Best of luck. It was lot of fun over the last 20 years.

Yves Perrier: About the trajectory, you remember that in our plan, we had a target of 5% increase of the net income per year, 2018 to 2022

In 2020, we were below this target. At the same time I said, corrected of the market effect, we were on the target. This quarter we are above the target, but to be simple, I would say corrected of the market effect, we are in the target. That means that our position is to confirm the trajectory but we are not saying that we increase the objective of 5% by organic growth. That is the first point about Lyxor and Valérie could add. Regarding Lyxor, we can say that things are going well but we are at the beginning. We have said that the closing will be, at the latest, at the end of February 2022. There is a good probability that it would be at the end of the year, the closing, but it depends on regulatory approval and so on. What we can say is that the people of Societe Generale, trade unions, are quite happy with this.

Maybe, Valérie, you want to add something about this?

Valérie Baudson: No, just to confirm, Yves, that everything is going well right now but it is a bit early to give a date before February 2022 as of now.

Nicolas Calcoen: So, maybe as far as potential new financial plan could be announced, there is nothing planned for the moment. I think we will do that in conjunction with Credit Agricole, whose current plan has the same calendar.

Angeliki Bairaktari (Autonomous Research): Just three questions on my side as well, please. First of all, can you give us some colour on the cost outlook for the rest of the year? You have explained that you have provisioned quite a bit of variable comp. So, it would be interesting to know whether you have provisioned on the upper end of that 15% to 20% range. And if you can give us some guidance with regards to the next three quarters.

Second question, can you let us know what are the revenues and costs of Fund Channel, given that you are now fully consolidating that business?

And third question, what is your strategy with regards to the Fund Channel business? Is this, in your view, a core business of the group that you are looking to develop further? And I am asking this question in the context of the recent IPO of All Funds, which as you might have seen, is currently trading at a quite rich multiple. So any thoughts on strategic options for Fund Channel would be very much appreciated.

Yves Perrier: So Valérie will take the question about Fund Channel. About All Funds, maybe also Valérie. A word on the first question. Nicolas mentioned that we book the variable remuneration quarter by quarter in line with our general policy, and this quarter, it is around

17% of the gross operating income. But so it is difficult to say what will be the amount at the end of this year, because it will depend on the evolution of the gross operating income.

But what I want to add is, as I answered to Jacques-Henri, that we maintain our key financial target of 5% with a cost to income ratio under 53%. At this quarter we are at just under 49%. We do not change our global target of cost to income ratio, which is to be below 53%, because if we are better, due to the context of the market, due to a better dynamic of development, that means that we will have more money to invest in the development by different ways, i.e., new people and so on and so on. So, have in mind that the financial target are not changed.

About Fund Channel.

Nicolas Calcoen: Maybe I can just give the numbers for Fund Channel. So for revenues and cost, revenues on the quarter for Fund Channel are a bit more than €4 million, and costs around €3 million. And so the net result is around €1 million, which before was indeed in equity accounted result and now booked in revenues and cost.

Yves Perrier: Valérie?

Valérie Baudson: Yes, on the strategy, obviously we looked at the All Funds IPO. The Funds solution type of services are increasing on the market. We consider that it is core in our strategy to develop Fund Channel for the service to our distributors. So, now Fund Channel is in the distribution and wealth business line of Amundi and we are promoting Fund Channel to all our distributors, considering that this is part of the value-added service that we give to them.

Pierre Chedeville (CIC): Morning. Just one question, regarding performance fees. Because it has been several quarters that you are severely beating the consensus and I was wondering if you were slightly moving towards a model more linked to performance fees. Because I remember when you were listed, that one of the items that you put forward was the fact that performance fees were not very crucial in your model. But we can see that not only in 2020 but also in the beginning of this year, performance fees helped you very much to go through the cycle. I was wondering if performance fees, which were supposed to be 7% and 10% when you announced your listing, were not slightly evolving between 10% and 15%. That is my first question.

My second question relates to the private equity. You have announced €10 billion of AuM this quarter, which is quite low, in my view, considering your size and also the enthusiasm around this type of asset. Do you have any ambitions in this regard?

And my last question is an accounting question. Regarding Amundi Technology and Fund Channel, for instance, where do you book the results? In what line? In net fees or in financial products? Because I do not see where it can be, and the logic behind that from an accounting point of view.

Yves Perrier: Okay, Nicolas will answer the third. About, first, performance fees, our strategy, not in the recent period but since the beginning of Amundi, has been to enlarge the volume of AuM, which are under performance fees. And presently we are at about €300 billion of AuM, which integrate performance fees. At the beginning of Amundi it was under €100 billion. So, it has been a general policy of Amundi to integrate performance fees,

because it enables to align the interest of customers, investment managers and the company itself. Performance fees depend on the performance of the investment managers and the context of the market. You are seeing that it is more than you anticipate. I can give you a scoop: it was more also than we anticipated ourselves, for this.

About the question of private equity, we have two activities; one which is direct private equity, which is not such a big number, under €2 billion; and the other part is fund of funds, which represents the difference. It can be an area of development but frankly speaking, it is something for which in the past, we did not find a good way to develop significantly, because the culture is not the same, there are not so many players to be sold and so on. But it is the kind of thing on the table for the future, Valerie and her team will have to look at.

Nicolas Calcoen: On the accounting question, the Amundi technology revenues are mainly booked for the moment in asset management revenues. For historic reasons, they are also a little bit in other revenues. We will probably, in the quarters to come have a dedicated line in the P&L.

Pierre Chedeville : And Fund Channel too?

Nicolas Calcoen: Yes.

Pierre Chedeville : So it will not be anymore in management fees?

Nicolas Calcoen: We will see exactly what we will do but clearly, we will put the focus on technology revenues.

Pierre Chedeville : Okay, so currently they are included in management fees?

Nicolas Calcoen: Mainly.

Pierre Chedeville : Okay. Thank you.

Nicolas Vaysellier (Exane): Good morning. One question from me related to Lyxor. I was interested in knowing more about the non-ETF business, particularly, the alternative investment platform that they have. Can you give us more colour on what the flows have been in the past and what they could be in the future? And how does that sit within your distribution capacity? I was also interested in the ETF side. Are you seeing many overlaps in the project offering with the combination of Amundi and Lyxor and how do you plan to boost flows there?

Then I had a question on Fund Channel. We are interested in knowing what is the split in the AuM platform between external and internal distributors.

And if you could also, lastly, give us some colour on the outlook you see for technology revenues in 2021. Thank you very much.

Valerie Baudson: On the liquid alternative platform of Lyxor, as you know, it has a leadership position. It is a very successful business, Lyxor, and a very attractive one. It's too soon to give, obviously, expectations on the revenues for the future, or the in-flows for the future, but this is a business that we do not have today at Amundi, and we consider it is a great offer for our distribution and wealth clients. So we expect growth and revenue synergies on this one.

On the ETF part, we will have a very strong product base, adding both Amundi and Lyxor ETF brands. It is too soon today – of course we have not started working on that yet, – to tell you how we will move things. But as of today, we really consider both of us to be a large strength to take our position of European leader in the ETF industry.

Regarding Fund Channel internal and external, I do not know if Nicolas or Anthony have the exact figures. I do not have them with me, but today it is still majority internal. Maybe Anthony or Nicolas can come back to you on the exact figures.

Nicolas Calcoen: We will come back, yes.

Valerie Baudson: Sorry, the last question? I think that was a fourth one?

Nicolas Calcoen: I will cover it. I think the last question on the evolution of technology revenues. As you know, our sales target is to reach by 2025 €150 million revenue, so we expect this line of revenue to progressively increase. The pace will be determined by the pace we can get new clients, not exactly the same size quarter by quarter. Plus we have to take into account the fact that the majority of the revenues are and will be recurring revenues, but there are also project revenues linked to the onboarding of new clients, so it is not necessarily purely regular. So we do not have a specific target for the year but we confirm the target for 2025.

Yves Perrier: Thank you for your participation in this meeting and we wish you the best. Goodbye.

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