



Analyst Call

***Amundi enters into exclusive negotiations
for the acquisition of Lyxor***

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Introduction

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Good morning, everyone. Welcome to the Amundi conference call. My name is Thomas Lapeyre, investor relations. I am with Yves Perrier, CEO of Amundi; Valérie Baudson, Deputy CEO; Nicolas Calcoen, Head of Finance, Strategy and Public Affairs. We have a short presentation and then a Q&A session. Yves Perrier, the floor is yours.

Introduction of the Deal: Acquisition of Lyxor

Yves Perrier

CEO, Amundi

Okay, thank you. So you have the document of presentation of this transaction. It will be commented in detail by Valérie Baudson and Nicolas Calcoen for the financial features. I would make a quick introduction to this deal.

Growth Strategy of Amundi

Firstly, what I want to recall is, what is the growth strategy of Amundi? The growth strategy of Amundi is based on organic growth. You know that three-quarters of the growth that we have delivered since the creation of Amundi was driven by organic growth, but we consider acquisition not to increase the AUM for size effect because we have a critical size for a long time now; we consider acquisition when our assessment is that they reinforce our business model and as a consequence they allow to accelerate the natural organic growth.

Acquisition of Lyxor will Reinforce Amundi in Three Dimensions

And the acquisition of Lyxor, or part of Lyxor as it will be explained, enters in this context because this acquisition will reinforce Amundi in three dimensions.

Amundi will become the European Leader in ETF

The first dimension is the dimension of expertise. Of course, the expertise on ETF which is the main rationale of this acquisition. Amundi has a market share of a bit above 6% and Lyxor market share in Europe just a bit down 8%. That means the combined market share will be 14%. That means that we will be the second player in Europe, after the dominant player which is Blackrock with 44%, but the first European player. And that will give us a base to accelerate, clearly, the development on the segment of the market which has seen the highest growth in the recent period, and that will continue in the future. We will reinforce in ETF, but also we reinforce in alternative asset management, especially with the platform of high quality in managed accounts of Lyxor.

Amundi will reinforce its capacity in distribution

The second area where we will reinforce our capacity is distribution, and for two reasons. The first reason is that there are not so many overlaps between the clients of the Amundi and the clients of Lyxor on the different expertise. And the second reason is that Société Générale

will continue to distribute to its customers the expertise of Lyxor passive and alternative asset management, and will even reinforce this distribution.

Amundi will reinforce its talents

And the third reason is that we will reinforce with talents. Very often, when I had the question about the future development of Amundi, my answer was to say, I am sure that Amundi will continue to develop. The pace of development will be dependent on our capacity to attract talents, and the people of Lyxor are excellent professionals, they have demonstrated their capacity of innovation. Remember that Lyxor was a pioneer in ETF, but also in alternative solution. And the integration of the people of Lyxor will be something very favourable for the development.

Acquisition Creates Value

The second criteria for the acquisition of course are the financial criteria, and the fact that the acquisition creates value. It is clearly the case with the acquisition of Lyxor. The nominal price is €825 million, but when we deduct the excess capital, the real price is €755 million. We anticipate around €60 million of cost synergies, plus €30 million of revenue synergy. When we take into account only the cost synergies, the purchase price is consistent with a multiple of 10x. The EPS accretion is 7% if we take only the cost synergies and up to 9% with the full amount of synergies. The return on investment will be above 10%.

Execution of the Acquisition

The final point for the acquisition is the execution and we do not anticipate significant problem to integrate the company successfully. We anticipate about 18 months post-closing. As you know, we are very experienced on this and all the acquisition that we have done, have delivered more synergies than anticipated and have been implemented more rapidly than announced.

Last point, important for a good execution, the headcount reduction will be done without forced departure of staff..

That is what I wanted to say in introduction. And now I give the floor to Valérie who will present to you in detail the key parameters and the rationale of this transaction. And finally, Nicolas will present the key financial impact.

Key Parameters and Rationale for the Acquisition

Valérie Baudson

Deputy CEO, Amundi

Thank you very much Yves and good morning to all of you.

A Transaction Strengthening Amundi's positioning In Key Areas of Expertise, And Strongly Value Enhancing

So this transaction now is first of all, a strategic opportunity, strengthening Amundi's positioning in key areas. But it is also a true value-enhancing acquisition. In introduction, I would like to say and to stress that when I will speak about Lyxor, I will actually speak about the scope of Lyxor activities which are included in this transaction because some of Lyxor activities are excluded from this perimeter of transaction; for instance, structured asset

management and other activities dedicated to private banking (structuring of solutions, funds selection). So, Lyxor, with this definition, it is €124 billion assets under management. As Yves was explaining, it is obviously a pioneer in the European ETF space, but it has also recognised expertise in active management. So, this is a strategic opportunity for us, first of all, because Amundi will become the European leader and the number two player in Europe in the ETF market with €142bn of assets in a market, which is, as you will know, fast-growing at a pace of 12% per annum between now and 2025.

This is also a strategic opportunity because it will complement the product offering of Amundi in active management, notably through the integration of Lyxor alternative investment platform. I will come back to that later on.

This transaction is also a value-enhancing acquisition. So the total cash consideration is €825 million. The purchase price is actually €755 million adjusted for the excess capital, which is €70 million. And this transaction is including a high level of synergies, €30 million of revenue synergies and €60 million of cost synergies respectively.

This transaction is also consistent with our traditional financial policy, a price earning multiple of 10x, a return on investment above 10% in year three and a 7% accretion on Amundi's earning per share 2021. All these figures are taking into account cost synergies only and not revenue synergies, so obviously, they would be better including revenue synergies.

Speaking about the timeline. This is an operation which is subject to works councils consultation and usual regulatory approvals. We expect this transaction to be completed by February 2022 at the latest. And we do consider, considering a track record, that there is a very limited risk of execution.

Lyxor is a Major Player in the ETF Space, With a Recognised Expertise in Active Management

Page 4, let me give you some details on this strategic opportunity. Lyxor has a balanced profile, with the ETF first of all, which represents €77 billion, close to two-thirds of the assets under management of Lyxor. They have the position of number three in Europe and market share above 7%. Very strong competitive positioning and a very large number of funds, 300 ETFs. They have a diversified footprint and especially a strengthened one in Germany, following the acquisition of Commerz Fund Solutions in 2019.

But Lyxor is also about active management, with €47 billion in two areas; the first one, the alternative fund platform and the second one an investment strategies offering of around €28 billion.

So if I summarise the 2021 estimated key figures for the scope of the transaction of Lyxor, we are speaking of €200 million of net revenues, a cost to income ratio of 75%, and a net income of €35 million estimated for 2021.

Amundi will become the European Leader in ETF

Slide 5. With this transaction, Amundi will obviously become the European leader in ETF and the second player in Europe with a total market share of 14%, as you can see on the left chart, and will also diversify its footprint in all areas: by client size, by geography and by asset class.

A Unique Positioning Allowing Amundi to Benefit from the Fast-Growing ETF Market

Page 6. As you know, ETF markets is really fast growing. I was speaking about 12% in introduction. To give you an idea, it represents today close to €1 trillion in Europe and we expect it to be close to €1.7 trillion in 2025. These growth fundamentals are linked to first of all, the cost efficiency of this business; the fact that it is very well fitting the current regulation, especially the MiFID one; and also it is because of the fact that this is an easy product on to use in an increasing digitalisation of the distribution channels.

So as a conclusion, this transaction will significantly accelerate Amundi's development on these fast-growing markets. And you know that in this area, scale is a key factor of success.

Amundi Expands Its Active Management Offering, Notably In Alternative Liquid Assets

Now, with this transaction, Amundi will also expand its active management offering, especially in alternative liquid assets. Lyxor is in a leading position on alternative investments platform segments that represent roughly €19 billion. And this is a market on which Amundi was not present, which is an important market for private banking and wealth management. The active management at Lyxor is also a high-quality investment strategy franchise, notably OCIO solutions, advisory and fiduciary management, which are important for our institutional clients. So in both these areas, we see a lot of cross-selling options.

A Transaction with High Synergy Potential

Finally, page 8. What is important of course is the strategic rationale that you understand well, but it is also the fact that this deal has a high synergy potential. Cost synergy first, that we estimate at €60 million pre-tax. Half of them through headcount rationalisation, €30 million, and the other half through IT, outsourcing and the other costs efficiency measures. So the staff reduction will represent roughly 3% of the combined headcount of both companies, Amundi and Lyxor. And these 3% is actually a percentage which is below the natural employee turnover. So we are very confident on our capacity to deliver these synergies.

But Lyxor acquisition is also a question of growth. So there will be revenue synergies in this operation, at least €30 million pre-tax, both because of the acceleration of the business in the ETF space, but also thanks to the cross-selling opportunities we will see in the active space.

That is it for me. I leave the floor to Nicolas for the financial details.

Financial Details of the Acquisition

Nicolas Calcoen

Head of Finance, Strategy and Public Affairs, Amundi

A Financially Compelling Transaction

Thank you and good morning to all. In terms of financial impact, on page 9 of the presentation, as already indicated by Yves and Valérie, the cash price, the cash consideration is €825 million. That will include around €70 million of excess capital compared to the regulatory requirement, which means that excluding the excess capital, the purchase price is €755 million.

Continuing the synergies as developed by Valérie, €60 million pre-tax for cost synergies and €30 million for revenue synergies. This purchase price implies a price to earning multiple of 10x, including only the cost synergies. As you know, the multiple for Amundi is around 13x to 14x, as well as for most of the asset managers on the market. So a really reasonable price.

This is also illustrated by the fact that the return on investment should be above 10% after taking into account only the cost synergy, and above 13% including also the revenue synergies.

One last illustration : this operation should be of course accretive on Amundi's 2021 EPS and accretion should be 7% including only the cost synergies.

Regarding the impact on our financial position, as you all know, we have a very strong capital position with a core equity tier one ratio of 20% at the end of 2020, which means that we have largely the capacity to finance this operation that should have an impact in term of goodwill, an impact of 670 bps on the ratio. Meaning that if the operation had taken place at the end of 2020, the core equity tier one ratio would be anyway at 13.3%, largely above the minimum requirement of 7% and our minimum target of 10%.

And you can also take into account that this operation will take place by the end of this year, or at the very beginning of 2022; at that time, we will have even more capital available. So, we have capacity of course to finance the operation purely on cash while keeping a very strong capital position after the operation.

Implementation and Integration Timetable

Last element before opening the floor for questions, page 10, in terms of timetable. The signing of the agreement is expected to take place on summer, at the latest in September, subject to works councils consultation. The closing will take place by the end of the year, or at the latest by February 2022, once we get the usual regulatory antitrust approvals, and we do not expect any issues in that regard.

And of course in the meantime, we will start to work with the Lyxor teams and the Amundi teams to prepare the future business plan of the operations and the organisations, so that once the closing is announced, we can immediately start to implement the integration. And we expect the integration to be finalised within 18 months after the closing takes place. And for all the reasons indicated by Valérie, our experience in terms of integration, the fact that we know, of course, well the business, we are pretty confident in our capacity to implement without disruption this integration within 18 months. As a consequence, the synergies of the operations are expected to be achieved within three years of the transactions, meaning that we will see the full impact in 2024.

Thank you very much.

Q&A

Hubert Lam (Bank of America): Good morning. I have three questions. Firstly, can you discuss the recent flows of Lyxor say over the last year, both in terms of the ETFs side, as well as the active management side, how the flow has been and how do you expect this to change under your ownership?

Second question is can you also give a breakdown on the fee margin between the ETFs and the active management side? Again, how has this changed recently?

And lastly, on your cost synergy target of €60 million, would you consider this a conservative estimate, or I am just wondering if potentially there could be upside to this over time? Thank you.

Yves Perrier: So Valérie will take the first question, Nicolas the second. About the cost synergies, I would say just a word. Every time we have announced synergies linked to an acquisition, it was the case for Pioneer and Sabadell AM, , we did better in term of amount of synergies and in terms of timetable of anticipation. So we are not saying that you can take more synergies, but you know that our practice is when we are giving figures, we deliver this figure.

Valérie Baudson: Regarding the Lyxor dynamic on the ETF space, the assets were around €51 billion in 2016. At the end of 2020 they were roughly at €77.5 billion. So it is an annualised growth rate of 11%, a very nice dynamic, which was amplified, as I was mentioning, by the the transaction on Commerz Fund Solutions in 2019. For the dynamic of the combined business, as this is a scale business, we know very well that the leaders have a great advantage. We are very confident about the growth of the future business.

On the fee margin, Nicolas.

Nicolas Calcoen: So fee margin, overall for Lyxor is 14 bps. It is slightly less for the ETF and slightly more for the active management, the active management having a very diverse set of expertise and clientele.

In terms of trend, we see, as we see for the rest of the market, of course, the trend going down, but it is in line with the market. Nothing specific to Lyxor compared to what we see at Amundi or on the market in general.

Pierre Chedeville (CIC): Good morning. I have a few questions. First of all, when Valérie said €51 billion for Lyxor, it was in which year? I did not catch the number. Sorry for that.

My question regarding first of all, synergies, synergies on headcount, I wanted to be sure that I have clearly understood. You mean 3% of combined, ETF headcount or 3% of total Amundi headcount.

Yves Perrier: Total Amundi headcount.

Pierre Chedeville: Total Amundi headcount? 3%, for some things which will present only a less than 10% of your AUM? You said that it was important to acquire expertise, but I have the impression that you are going to let them go a lot.

Yves Perrier: To be clear, we anticipate €60 million of cost synergies. In this figure, we have about half on the staff, half on the other cost. On the staff, it represents around 150 people. The number of people of Amundi is 5,000. That means it is 3% of the 5,000. And that means that we will do this without forced departure, with the natural turnover of Amundi because we recruit each year around 100 people. So we have frozen the hiring in the recent period and so that means that it will be socially very acceptable. And it is also in the philosophy of Amundi to do things which are socially acceptable.

Pierre Chedeville: Because the 150 people who are going to leave the company, how many people it represents regarding Lyxor headcount or Lyxor plus Amundi ETF headcount? Because for me, the synergies are more or less 40%.

Yves Perrier: It is not relevant, this approach, for the following reason. In the people of Lyxor, you have people of front office, but you have people of support functions, IT, middle offices, finance or HR. And the people of support function will occupy jobs in Amundi for which in the past we would have recruited. And we will, in this context, only move these people. It is also the case for its active investment management. Each year we recruit people and so on. So, you cannot have this kind of approach which is to take only the ETF business or the passive business.

Pierre Chedeville: Okay. My next question is regarding the slide 7, I am sorry, but I am in the French version.

Yves Perrier: You can speak French also.

Valérie Baudson: I will answer in English to make sure all analysts can understand my answer, if you are okay. So, first of all, your first question it was in 2016, the €51bn of assets in ETF.

Second on the liquid alternative platform, it is actually the UCITS Alternative Platform of Lyxor. You may know that there was a shift in this area a few years ago. A lot of private banks and wealth management in Europe wanted to use UCITS funds. And this alternative platform is packaged under UCITS format. So, it is a very strong asset of Lyxor, on which we are not present currently, that we are buying.

Coming back to the €19billion, there is actually significant alternative business in the US, which is not an UCITS one, representing roughly the difference between the two figures.

Jacques-Henri Gaulard (Kepler Cheuvreux): Good morning, everyone. The question on slide 4, about the key figures for 2021, I am really sorry, it is probably the lockdown and age, but I was not completely clear about what that entailed, that €35 million net income, and how much of the synergies are included into that. And looking at that table, is it fair to assume when you look at the full perimeter of Lyxor, the contribution in Société Générale accounts in 2020 was about €8-9 million. So is it fair to assume that what you are not buying is loss making? That is obviously the second question. And lastly, you are now operating on your third big initiative, following Sabadell, Bank of China, Lyxor. Your perimeter I think will start to be stabilised in 2022, because we will have the integration of Lyxor in 2022. Is it fair to assume that you are going to now digest all this and develop all this, so no more distraction on acquisition? And when are you going to upgrade your targets, if any? Thank you.

Yves Perrier: Thank you Jacques Henri. I will take the last question about what we buy. Of course, you are referring I think to the account of Lyxor as a company, of course, there was a part which was loss-making, and which is not in the transaction.

About the future, clearly we have launched, in the recent period, a lot of growth initiatives. In the Sabadell Asset Management, we can say that now it is behind us, it is fully integrated and operational and it is going well. But also, BoC in China, Amundi technology and now Lyxor, and so forth, let us say the 12 months to come, we and the management will be fully

concentrated on the integration and also on other initiative of organic growth that is also very important. Except there is something exceptionally fabulous..

Jacques-Henri Gaulard : And so to fully clarify your first point, the expected net income of €35 million in 2021 does not incorporate synergies? Synergies are coming on top of that?

Nicolas Calcoen: Yes. It is just a P&L of what we are buying on a pro forma basis, estimated, with no synergies.

Adam Terelak (Mediobanca): Morning. To follow up on the point on the 2021 P&L, is it pro forma on 2020? Is there anything we need to worry about on a year-over-year basis to get to that €200 million of revenues? And then secondly, I just want to ask on the ETF, how much about is physical and how much of that is synthetic? And the relationship you will have on the synthetic side with Soc Gen, would they be writing off most of this business, or will there be scope to diversify outside of their investment bank? Thank you.

Yves Perrier: On the €35 million, this is the expected result for 2021. But the results for 2020 was similar

Valérie Baudson: On the split between synthetic and physical ETF, I do not have the exact figures but it is around 50/50, and we will confirm later on. Lyxor is already working with a number of counterparts, not only Société Générale. And obviously, in this operation, we are also globally enforcing our links with Société Générale on all sides for the future, not only the investment bank, but the rest of the activity of Société Générale.

Enrico Bolzoni (Credit Suisse): Hi, good morning. Thanks for taking the question. A very short one. You quickly mentioned that Lyxor does have a presence in the United States. And if I well remember, in the past, they did have offices also in Japan. Can you give a bit of colour on actually how things are going there, and if you see a tangible opportunity of expansion further in this market, thanks to the acquisition?

Yves Perrier: You know our strategy in the US and, presently we have the US expertise in Pioneer, both in fixed income, in equity. It is the centre of production, with distribution in the US and more and more exporting this expertise in our main areas, which are Europe and Asia. And this global strategy will not change, even if in the people of Lyxor, there is a small activity in the US and we will look in the time to come how to integrate, to manage this activity. But no change on the global strategy in the US.

Enrico Bolzoni: So what about Japan? Am I right in saying that Lyxor has a relatively established presence there that you can leverage?

Valérie Baudson: Nothing very significant, to my knowledge

Nicolas Calcoen: Only a few salesforce in this country, as in other European and Asian countries.

Angeliki Bairaktari (Autonomous Research): Good morning. Thanks for taking my question. With regards to the comments that you made earlier on the acceleration in the retail segment, I was wondering now that you are becoming bigger in the passive space, what is your outlook with regards to passive penetration in your captive channels? In particular, your French networks, and also your international networks, which consists mainly of the UniCredit network and the Sabadell network in Spain. Should we expect the offering of

passive products and in particular ETF in those segments in the future? And also, could you give us some colour on who are the retail clients that are taking up Lyxor products at the moment in the Société Générale networks, if any? Thank you.

Yves Perrier: It is difficult to have a clear answer on the development of ETF directly for the retail customers presently in Europe, and it is a difference with the US. The bulk of the ETF are sold to distributors or through the asset managers which include ETF in their investment management process. I think that for the next two or three years, it will continue like that. But at the same time, in the context of low interest rate, maybe there could be a shift. And that is something that we manage permanently with our network, either what we call the captive network, which are not fully captive, but with other third-party distributors, which is to adapt the solution to the context of the market and the needs for customers.

And the other question was about...?

Valérie Baudson: Lyxor products in Société Générale.

Yves Perrier: Yes, some Lyxor products are distributed by Société Générale or invested by, for example, the life insurer of Société Générale. It will continue and you know that in the open architecture of Société Générale, they put some Lyxor products and it will continue in the future. And I would say that I am very confident that it will even be increased.

Gurjit Kambo (JP Morgan): Hi, good morning, everybody. Just two questions. Firstly, just in terms of the alternative investment platform, just so I understand that correctly, is this a distribution platform which has a number of funds on there, not just Lyxor, so open architecture investment platform? That is the first question, just to get a bit more colour around the platform. And then can you give some help us just on the synergies? I know you said the cost synergies should be achieved within three years, but anything in terms of phasing within those three years will be helpful. Thank you.

Valérie Baudson: On the first question on the alternative platform, you are absolutely right. It is an open architecture platform. So Lyxor is actually hosting the platform but the strategies hosted on this platform are very well-known strategies coming from all over the world, especially the US. They have a very strict selection process and a limited number of strategies which have significant capacity remaining.

On your second question about the synergies, what we consider is one-third, one-third, one-third in three years, as of today.

Anthony Penel (EdRAM): Good morning. You mentioned that distribution contract with Soc Gen. Could you please comment with more details, the duration of this contract, the value of that contract on the balance sheet? And are there any commitments on this subject? Thank you.

Yves Perrier: The contract that we have with Soc Gen was a contract put in place at the creation of Amundi and renewed at the time of the IPO of Amundi and renewed in November last year for five years. So this contract will continue. But in addition, Lyxor is distributing Lyxor funds through Soc Gen and it will be taken into account in the future relationship with us. And they are committed to continue and even to improve this.

Remember that when we renewed the contract, we paid no goodwill at all.

Anthony Penel: So it is the same contract and the Lyxor acquisition did not change anything?

Yves Perrier: Exactly.

Mike Werner (UBS): I have just two questions, please. First, if you can give a little bit more detail as to the distribution breakdown of Lyxor. Potentially, what portion of AUMs have been distributed through Soc Gen or any type of breakdown that you can provide, whether it is retail versus institutional. And then, within the investment strategies, in terms of the AUMs managed by Lyxor, should we assume that there are no performance-fee-eligible AUMs in there, that this is all a flat fee business? Thank you.

Nicolas Calcoen: On distribution, it is very diversified and the proportion which is distributed or invested by Soc Gen is a small amount, a small part of it. And on your second question on performance fees, there are some performance fees, but it is a limited amount. I think it is around €10 million or even less on the revenue, so very minor part of the revenue. Most of the revenues are pure management fees.

Yves Perrier: Okay. So if there are no questions, thank you for your attention and we wish you a good day. And of course you can come back to Anthony Mellor, Mr Lapeyre to have additional detailed information, if necessary. Goodbye.

Valérie Baudson: Thank you.

Nicolas Calcoen: Thank you.

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