2024 Q3 & 9M Results Presentation - Transcript

LIST OF MAIN SPEAKERS
NICOLAS CALCOEN (DEPUTY CEO)
AURELIA LECOURTIER (CFO)

Cyril Meilland *(Head of Investor Relations)*

Good morning everyone, and welcome to Paris and to the presentation of our Q3 and 9-month results for 2024. I'm joined by our two hosts, Deputy CEO Nicolas Calcoen and CFO Aurélia Lecourtier. In a moment, they will present the highlights and the results for our Q3 results. But before we do this, unfortunately, I will have to do a bit of housekeeping. First, as you will notice in the documents, we have a disclaimer, so please read it. I won't go through it as now, but obviously, it's there. And as regards logistics, this is a video call. So, please open your camera. And you will be able to ask questions after the introduction and presentation by Nicolas and Aurélia. Please raise your hand. I can see that some of you already did. And we will open your mic, and then you will be able to ask your questions and do any follow-up that you wish. But without further ado, Nicolas, the floor is yours.

HIGHLIGHTS

Nicolas Calcoen (Deputy CEO)

Thank you very much, Cyril, and good morning to all. It's a pleasure to see you today. Thank you for joining us, as we present our 3rd quarter and 9-month 2024 results. As usual, I will briefly comment on some of the highlights of the quarter and then leave the floor to Aurélia, who will detail our activity on results before we take your questions.

So, this last quarter allowed us once again to demonstrate Amundi's healthy growth potential. First, financial growth with a strong increase in both our revenues and results, reporting in particular a 9-month net income of over €1bn for the first time. Second, this is also reflected in the growth momentum of our inflows, which are, again, well diversified in terms of client segments, in terms of expertise, in terms of geography. And third, strategic development, in particular in ETFs, Third-party distribution, Asia or Technology & Services, in line with the priority we defined in our medium-term plan.

So, let's start first with our assets under management. They reach €2.2 trillion, an all-time high, and they are up by 11% over one year. While there's obviously a significant market effect, this figure also reflects more than €55bn of net inflows on 12 months. In terms of financial results, now, our net profit in the 3rd quarter was up 16% vs. the 3rd quarter of last year, and they reached €337 million. This strong growth originated from the very top line of the P&L, the revenues, which also grew by a double digit. And it was – as always at Amundi – amplified by our trademark: our operating efficiency.

This positive jaws effect resulted in an improved cost income ratio to 52.9%, in line with our strategic target for 2025. And of course, we also saw the positive effect of our fast-growing JVs on our net income.

Regarding now our business activity, as I said, our clients have entrusted us with an additional €55bn to manage in the past 12 months and €35bn since the beginning of the year. This demonstrates our capacity to innovate and to adapt our product offering to their needs and their approach to risk. Inflows were also positive for the 3rd quarter, with €14bn, excluding the exit of the low-income insurance mandate that we, as you remember, had announced in the second quarter. What is particularly encouraging is that these inflows continue to be driven by our strategic priorities. I will look more closely in a minute to our performance in ETFs, in Fixed income and Technology & Services, in the next slide.

But first, I wanted to focus on two areas of strategic growth, here, that we already developed in the 2nd quarter. First, Third-party distribution with our clients. We saw €7bn of net inflows, again, with these clients. And these inflows came from all the regions that we cover, where we are present, and across all asset classes.
We also continue to see strong inflows in Asia, driven by the success of our Indian JV with SBI, but also, and very significantly as well, by our direct presence in Japan, in Singapore, in Hong Kong and also in China through our institutional business.

And finally, as you know, we have been very active this year in M&A. Alpha Associates was integrated in the 2nd quarter as you remember. And our partnership with the US manager Victory Capital is on track for closing towards the end of the 1st quarter of 2025, with a process of regulatory approval. So, the gathering of client consent is progressing well.

Before I hand over to Aurélia, I just want to talk briefly about three growth drivers. First, ETF. Fixed Income, which is a business line we presented in a dedicated workshop last year, and Technology & Services.
So, first, ETF. As you can see, our ETF franchise exceeded €250bn in assets under management at the end of September. Net inflows have reached €17bn since the beginning of the year. And, with €8bn in the 3rd quarter alone, we were the 2nd largest asset gatherer in the European ETF market this quarter. Inflows are very well diversified across Equity and Fixed Income products, with also a strong focus on responsible investments, which represented more than 1/3 of our inflows during this quarter. We continue, also, to expand our range to offer investors, both Institutional and Retail, a highly diversified and competitive toolbox. These include, for example, products like the Amundi ETF Stoxx Europe 600, which were the best-selling European Equity ETF during this quarter.
Now, Fixed Income. We also continue to develop our Fixed Income platform, where we are clearly the European leader. With close to €1.2 trillion in assets, this platform clearly has the size, the teams, the tools and the innovation capability to meet our clients' needs. These solutions gathered overall €14bn of inflows in the 3rd quarter and €46bn in the 9 months across both active and passive management, mainly active. Bond strategies, including in particular target maturity funds, were particularly successful. They benefit from client appetite for investment solutions that offer both attractive returns and security.

And now the last element I wanted to point out, Technology & Services. Here as well, we are experiencing a strong growth. Technology revenues were up by 42% compared to the 3rd quarter of last year, and 28% for the 9 months of 2024. We have accelerated our investments and we continue to expand our client base, which is progressively, increasingly diversified, across banks, pension funds, insurers and asset managers. It's also increasingly diversified by geography. And, particularly, we recently announced our first client in the United Kingdom, for our Alto technology platform: Thomas Miller Investment, a UK asset manager. Finally, on the Services side, our Fund Channel fund distribution platform has exceeded, at the end of September, €490bn, which is a new milestone on the path to our 2025 target of €600bn. In particular, during this last quarter, we signed a new large distribution contract with ING in Germany. So, I now leave the floor to Aurélia, who will go into more details about this growth.

Q3 & 9M 2024 Activity

Aurélia Lecourtier (CFO)

Thank you Nicolas and good morning everyone. First, I will give a quick overview of our market conditions to set the context of the quarter. So, as you can see, the overall market effect versus Q3 last year on our net management fees was positive, thanks to both an equity rally and supportive bond markets. However, when compared to 2021, the reference year of our medium-term plan, the effect is almost neutral, with the positive impact of equity markets offset by higher rates.

Moving to the next slide, the market of open-ended funds and ETFs in Europe continued to recover, with inflows of €213bn for the quarter. But European investors remain risk averse, with, first, flows that are still far from the level of 2021, inflows still driven by passive and treasury products, and active inflows that remain modest and mostly driven by fixed income.

Moving to the next slide, we see that Amundi performed well in this context. Our assets under management reached an all-time high of €2.2 trillion at the end of Q3, an increase of 2% over the quarter and 11% over one year. On a 12-month basis, the market effect totaled almost €176bn, while, over the same period, we gathered positive flows totaling €55bn despite European market headwinds.

Moving to the next slide, we can now see our Q3 inflows. So, in Q2, we announced the exit from a large low-income European insurance multi-asset mandate, which represented €12bn, to be recorded this quarter. So, adjusting for this exit, Q3 net inflows reached more than €14 billion, of which €9bn in MLT assets, €5bn from our JVs when treasury products were flat. MLT flows were positive across all areas of expertise – passive, active, structured products, and real assets –, all client segments, and all major markets – France, Italy, Germany, Asia and the US.
Bonds were the most successful expertise in active, with €11 billion inflows, as in previous quarters.
Moving to the next slide, the activity was underpinned by our investment management performance. As you can see, more than 70% of our open-ended fund AUM were in the first and second quartiles. 257 of Amundi funds are rated 4 or 5 stars, following Morningstar, and 81% outperformed their benchmark over 5 years. These KPIs have been consistently strong quarter on quarter, and it shows that we strive to maintain high levels of performance to earn our clients' trust.

We can now move to our Client segment, starting with Retail on this slide. So, you see in Q3, we posted net inflows of more than €6bn. This was the result of various trends. First, a strong performance in third-party distribution as highlighted by Nicolas, with close to €5bn in net inflows driven mostly by ETFs and treasury products. Partner networks activity was flat overall. French networks continued to see risk aversion due to competition from other savings products and from a renewed interest for Euro contracts. Treasury products recorded inflows in our French networks. When we look at our other networks, in Italy, the market still suffers from competition from sovereign bonds, and outflows in multi-asset were partially offset by structured products in both UniCredit and Crédit Agricole Italy's networks. Sabadell, in Spain continues to stand out, with net inflows of €0.4 on the quarter thanks to the success of our structured and treasury products, as well as of our target maturity funds.

Moving now to Institutional segments. MLT assets, excluding the insurance mandate I was mentioning earlier, posted net inflows close to €8bn. They were positive across all sub-segments with €4bn in Institutional and sovereigns, €2bn from insurance mandates, thanks to the continued recovery of euro contracts in France I was mentioning, €1bn in corporate and employee savings, thanks to the success of our short-term bond strategies for corporate clients. Treasury products posted net outflows of €5 billion, due mainly to seasonal withdrawal from a larger institution, which already partially came back in October. And finally, on the next slide, we can see our Asian joint ventures that collected €5bn on the quarter, with flows driven mainly by SBI MF in India, that collected more than €6bn, mostly in MLT assets.

Looking at China, ABC CA, like our majority JV with BOC, posted outflows, and concerning ABC CA, mostly due to the Channel business. It has to be noted that the JV recorded positive flows in open-ended mutual funds.

Let's move now to our financial results for the quarter, starting with revenues. As you can see, revenues reached €862 million this quarter, up by more than 10% compared to Q3 last year, and driven by a high level of activity and favorable markets. Net management fees were up by 9% year on year, in line with the increase of our average AuM. Performance fees almost doubled year on year at €20 million and were down compared to Q2 due to expected seasonal effects. Technology revenues grew by 42% year on year.

Moving now to the Costs side. So this revenue growth was, as Nicolas said, complemented by a good operating efficiency, resulting in a positive jaws effect, with costs increasing by 7% and revenues growing by 10%. In Q3, our costs were mainly driven by three major elements. First, the consolidation of Alpha Associates since Q2. Second, the increase in bonuses related to the growth of our revenues and our operating profit. And third, the accelerated investment in our strategic priorities, namely, additional resources to develop Alto to increase Amundi Technology revenues, and further expansion of our Asian commercial footprint.
Our cost income ratio, at 52.9%, is in line with our 2025 targets and stays at the best level of industry. This leads us to our adjusted net income for Q3. The adjusted net income is, as you can see, up by more than 16% year on year, at €337 million. Our gross operating profit increased close to 14% thanks to healthy revenues and performance fees. Growth is also underpinned by the contribution of our JVs, up by 37% year on year and representing now close to 10% of our adjusted net income.
Adjusted earnings per share were €1.65, up 16% as well.

And now we can have a look at our 9-month results. So, on a year to date basis, adjusted net income grew double digit by 10% year on year. And moreover, it is the first time that our adjusted net income passes the €1bn mark for this period of the year. The trends are the same as for Q3: healthy revenue growth, positive jaws effect, further cost income ratio improvement, and strong contribution from our JVs. Adjusted earnings per share in 9 months were €4.91, up 10% like for our net income.

Before I hand over to Nicolas, we wanted to highlight two topics. First, the annual Amundi employee capital increase, which was once again a success this year, showing a strong commitment from our staff. Indeed, more than 2000 employees at Amundi have subscribed in more than 15 countries. The total amount raised is €36 million, and we will book a charge of €12 million before tax in our Q4 to reflect the discounted issue price of the shares. New shares created represent less than 0.4% of our capital, so the dilution effect of this operation on EPS will be very limited. Second, as you may know, the French government has submitted to Parliament, as part of the 2025 Finance bill, an exceptional tax contribution on the profits of large companies in France for 2024 and 2025. Amundi is among the upper category of turnover for fiscal purposes and will therefore be affected. Based on the annualized 9-month results, and if the bill is adopted, obviously, we would expect an additional tax charge of between €60 and €70 million for the fiscal year 2024, that will be fully accounted in our 4th quarter this year. Based on the same net profit amount, the impact for 2025, the 2nd year of the exceptional contribution, would be between €40 and €50 million.

To conclude, let me just maybe quickly come back on the results of the days. The key takeaway from the quarter and the 9 months is growth. Growth coming from a very healthy top line, amplified by our operating efficiency, and also growth coming from our JVs, that have increased by half over the past two years, showing strong evidence of the successful development of our partnerships, namely in Asia. And now I hand over to you, Nicolas, for a few concluding remarks before we take your questions.

CONCLUSION

Nicolas Calcoen (Deputy CEO)

Thank you. Thank you very much, Aurelia. Just a quick word to, I would say, reinforce again our key messages for this quarter. First, as you can see, Amundi enjoys once again a high level of business activity and profitability with AuM at record level, very strong growth in net income, improved cost income ratio. Second, we made further progress towards our 2025 strategic ambitions with a very strong growth in ETF, in Third-party distribution, in Asia, in Technology & Services. And third, probably most importantly, by always putting clients at the heart of our strategy and by continuing to develop the areas of expertise that primarily seek to meet their needs, we are ideally positioned to seize growth opportunities in the savings industry. And so now, we are now at your disposal to answer any questions you might have.

QUESTIONS & ANSWERS

Cyril Meilland (Head of IR)

Thank you Nicolas. Thank you Aurélia. So as Nicolas said, we are now ready for questions. We will start by Arnaud, who I think was first to raise his hand. Arnaud, you can reactivate your mic, I think.

Arnaud Giblat (Exane)

Yes, good morning. Can I ask three questions, please?
First, if you could start with the ETF flows. They seem to be concentrated in some of the core products. We estimate that it's roughly about half of the management fee versus your book, the average book management fee. Is that something you could confirm for us?

My second question is about your partnership networks, particularly in Italy. I was wondering if you could confirm whether or not there are any penalty fees included in the revenues paid from some of your partners because they're not fulfilling the share of AuM flows that they're obliged to give, as per the contract. If that's something you could confirm or not.

And my third question is on Alpha Associates and private markets in general. Could you talk a bit more about any product launches that might be coming up, anything you might be excited about, any momentum there? And in that light, given the activity we are seeing more broadly amongst the very large traditional asset managers that are seeking to acquire more into the private market spaces. Is that something that you could consider as a priority, beefing up through M&A your presence in private markets? Thanks.

Nicolas Calcoen (Deputy CEO)

Thank you Arnaud. I'm not sure I understand your first question on ETFs. I understood perfectly the two others but the first one, I'm not sure we got it.

Arnaud Giblat (Exane)

Well, I think Stoxx 600 is amongst your highest inflows, and that's roughly a 10-basis-point margin versus your back book of 20 basis points. I'm just wondering if I zoom out and look at all the flows that you…

Nicolas Calcoen (Deputy CEO)

Okay. So I understand the first question on the margin on the ETF business. It's slightly above 10 bps. Of course, from one product to another, whether we are talking about something very vanilla or something more niche, the difference can be significant. But let's say it's a bit more than 10 bps.

Regarding the second question, about partnerships in Italy and potential penalties, nothing significant in the numbers we are talking about. No penalties.

And regarding private assets and in particular Alpha, it's obviously a very important area of development. And as you know, the acquisition of Alpha a few months ago was a significant reinforcement in that regard. We have been working over the last months very strongly to ensure that we have a good connection between the Alpha teams and our Sales and Marketing teams designing, educating our sales force, adapting the marketing materials, thinking about new ideas and new development, indeed. So, for the moment, it didn’t materialize in new inflows yet, but I’m sure it will come very soon in the quarters to come. And yes, it does include innovation. They are regularly launching new products, and maybe one important aspect to point out, something we have been working with our existing Amundi teams and Alpha teams, is to design a Retail product, leveraging our global capabilities in multi-management across the spectrum of private assets. We are also taking advantage of the new opportunities coming, particularly in France from the “Loi industrie verte” (Green Industry Law, if I may translate), that requires for retirement products or for some portfolio management products to include a minimum proportion of private assets. And so, we have been working to leverage this new opportunity, I would say, to be in a position, and we are in a position, to propose both in retirement products – especially in savings products in France –, and in DPM portfolios, a significant proportion of assets in private assets, through products that have been just recently approved by the authorities, both the French AMF and the CSSF in Luxembourg.

Cyril Meilland (Head of IR)

Thank you, Arnaud.

Arnaud Giblat (Exane)

Thank you very much.

Cyril Meilland (Head of IR)

Thank you. The next question will come from Hubert. Hubert Lam from Bank of America. Hubert.

Hubert Lam (BoFA)

Hi, thanks for taking my questions. I’ve got three of them. Firstly, on your third-party inflows of €6.8 bn. Can you give us the split between active and passive, or is it just mainly all passive in that number? That's the first question.

The second question is: can you discuss the implications of UniCredit distribution if UniCredit ends up buying Commerzbank? Would this be positive as it expands the distribution to the Commerzbank network, if it’s done? Or does the agreement not extend to acquisitions? A little bit of clarity around that.

And lastly, with rates coming down, are you expecting a shift from treasury assets and savings to more passive and active funds by retail investors? I know you don't see it yet in the Q3 numbers, but when do you think this could happen? What's the typical time lag? Or at what level of interest rates could we start to see a switch from savings to more actively managed products or managed products? Thank you.

Nicolas Calcoen (Deputy CEO)

Thank you. I will take your question on UniCredit and Commerzbank and your last question, and maybe Aurélia will answer on Third-party distribution. So, on UniCredit and Commerz Bank, obviously no comment on that, but what I can say is that it has no impact on our distribution contract. They are designed to be protected. At the same time, there is no automatic expansion to potential new networks to be acquired by UniCredit. So I would say it's neutral.

And regarding flows on a potential move to riskier products... That's what I think was your question. Indeed, we don't see for the moment – as you can see in the third quarter, it was not really visible –, except probably for Third-party distribution, where already we have more and more flows, in particular in active management. But yes, as the trend of the decrease in short-term interest rates is moving, and probably at a faster pace than what we could have anticipated a few months ago, we are expecting to see progressively a return of appetite of Retail clients to riskier products, to equity and multi-asset products, where up until recently, it has been very much on treasury and fixed income.

Aurélia Lecourtier (CFO)

About your last question on third party and flows, we have +€6bn on the quarter, inside, you have €4.5 bn in MLT so mostly driven by passive, as you said, passive is about half of the total inflows. But not only. We see some positive flows in active for €0.9bn this quarter and also a bit of a positive flows in structured products, €0.6 billion in the third party segment. So, quite diversified and positive in many areas of expertise for the Third-party distribution network.

Hubert Lam (BoFA)

Great. Thank you.

Cyril Meilland (Head of IR)

The next question comes from the line of Bruce. Bruce, you can open your mic. Bruce Hamilton from Morgan Stanley.

Bruce Hamilton (Morgan Stanley)

Hi there. Morning. Thanks for taking my questions. Just on the flows into Retail, obviously, money markets dominated at about €5bn across French international networks and third party. Can you give us some indication? I assume that's going to be quite margin dilutive versus the 35-40 bps that you're generally charging in Retail. But it would be helpful to know: is that well below the, say, 10 bps you were getting through that new ETF contract, for example?

Secondly, just to understand, I guess your investment format looks pretty good, and yet your flow experience in Retail looks worse than the industry. So I'm just trying to understand that. Is it largely a function of geographical distribution, so UniCredit's not really selling your products, France being very subdued vs. the rest of Europe? I'm just trying to understand why you're having a worse experience in active than the rest of the industry. And then finally, just an ask. Annabelle and Thomas did a great job in being very transparent about the mix of retail flows when we speak to them. But in your disclosure, it would be helpful to highlight within Retail what is treasury and what is not treasury, because, obviously, the headline number of €6 whatever bn looks a good deal better than the reality in terms of the sort of active or long term flows, in my opinion. Thank you.

Nicolas Calcoen (Deputy CEO)

I understand that the first and the third questions are a bit connected. Money market funds in Retail have a lower margin than purely active products, but the difference is probably not what you have in mind. Treasury products in Retail typically have a higher margin than when they are sold to institutional clients and corporate clients, that have access to shares, that have lower fees – institutional shares –, where the people need to invest a very significant amount, but the fees are lower. So, to illustrate, we are talking about fees in Retail that are around or above 20 bps. So, it's slightly dilutive. Not that dilutive.
That's why, to make the connection with your third question, we consider that. And we have no problems giving more details. But especially in this space, making this distinction between long-term assets and treasury is not totally relevant in the new market context and new interest market context that we have been seeing for the last two years.

About your second question on our sales performance in Retail compared to the industry, I'm not sure it's really worse with more than €6bn inflows on a single quarter. I think it's a good one. But obviously from one geography to another, it's different. And indeed, the fact that we are more exposed, in terms of stock, to markets such as Italy in particular, where there's always this strong competition from BTPs, or to some extent France, has a consequence. But at the same time, as you can see, we are developing and growing very fast in other markets, in the rest of Europe and in particular in Asia. So I'm convinced we are really compensating this by our development in new areas and new geographies of development.

Aurélia Lecourtier (CFO)

And maybe to complement on the treasury product inside the retail segment. Thomas and Cyril did the job, it's fine. Just to remind for everyone the figures: €6.3 bn inflows on the Retail side, and inside this, we have €5bn of treasury. In French networks, actually, the flows were mainly driven by treasury this quarter. And in third party, as I mentioned before, it's less than half of the inflows coming from money markets and it's rather flattish for the international networks. So all in all, except for France, flows especially in third party are also driven by active, passive and overall MLT assets, not only money markets.

Nicolas Calcoen (Deputy CEO)

And to just give a slight complement on the French networks. We are talking about the 3rd quarter, where the launch of new structured products is generally a bit lower. So a lot of money is, I would say, waiting for new launches, is parked. I don't know if that's the right expression in treasury products.

Cyril Meilland (Head of IR)

Thank you. The next question comes from Deutsche Bank. Sharath, you can open your mic I think.

Sharath Kumar (Deutsche Bank)

Thank you Cyril. I have three questions, please. First is on M&A. I just wanted to understand your willingness to do a larger deal than the bolt-ons that have been associated with you in recent. I ask this in the context of your excess capital, as well as as a recent news flow of one of the larger insurance companies, possibly putting their third-party asset management business for sale. Of course, I do not expect an answer on this deal specifically, but generally wanted to understand your stance or willingness to do a bigger deal outside of what is possible through your excess capital. That is the first one.

The second one is on India. Very encouraging to see the performance there. I wanted to understand the sustainability of the flow picture and maybe your confidence to maintain your market share around the 18% levels. A good gap vs. the second player there. That's the second one. And the third one is on China. I was a bit surprised to see net outflows in ABC China in 3Q, despite an improving market backdrop. Maybe if you could explain the reasons behind this and maybe outlook. And also a clarification on the Channel business. So, when do you see outflows completely coming to an end? Thank you.

Nicolas Calcoen (Deputy CEO)

Thank you. On M&A, our approach has not changed. We consider that we should, and we are contemplating any opportunities that help us to accelerate our growth. And as long as it's in line with our strategic priorities, and as long as it helps us to reinforce our footprint, both in terms of expertise, that was the example of Alpha Associates very recently or Lyxor 3 years ago for ETF, or in terms of geographies, with a strong focus on international diversification. And of course, as long as it helps us to accelerate our strategy and as long as from a financial point of view, it meets also our criteria. So it means that we can consider, as we have done recently, bolt-on acquisitions, but we also can consider larger deals, as we also have done in the past, a few years ago. So if there are opportunities of that type, we will contemplate them. Of course, our excess capital, around €1bn, clearly allows us to finance, 100% through this excess capital, bolt-on acquisitions. For bigger deals, if there is an opportunity, we would have to look at other structures. But being a listed company, as again illustrated by the acquisition of Pioneer a few years ago, we would be in a position to contemplate a larger deal.

Regarding India, the question related to confidence about maintaining our market share, yes, definitely. And hopefully to continue to increase the market share as the JV has been doing in the past, because all the ingredients for it to be successful are there. Of course, the market has a very strong potential, but the JV, through a very strong and good relationship between the two shareholders, very strong teams, a very large set of expertise across all management styles, very efficient distribution capabilities through, of course, the networks of SBI, through other partnerships with other distributors, and more and more directly, including online, there's a very strong capacity to develop and to continue, to maintain or even to capture market shares.
The last question was about outflows in China and with ABC. To be noted that on mutual funds, we had positive inflows. So, it's more on the institutional space that the JV had some outflows during this quarter in a market context, which I would not qualify as really positive. There's a lot of uncertainty. And in the past, in the last quarters, there were still a lot of uncertainties. There was a strong risk aversion from clients. So I wouldn't honestly qualify the context as a favorable one over the last months. And regarding the Channel business, maybe you have the number...

Aurélia Lecourtier (CFO)

Yes, we suffered from outflows on the Channel business. The outflows were really low in Q1 and Q2. A bit more for Q3, €0.9bn outflows in Q3. We still have €3.8bn of Channel business in the JV, that should come out from now on until 2027. So this is to keep in mind. And just one figure to complement what has been said on our activity in China. Maybe a figure for ABC CA still: year to date, we collected €5bn on mutual funds in this JV, showing that the activity is depending on the quarter, but is somehow positive when coming to mutual funds.

Nicolas Calcoen (Deputy CEO)

About the Channel business, as a reminder, it is for regulatory reasons that it is in extinction and it has very, very, very low margins. So no significant impact on the P&L.

Cyril Meilland (Head of IR)

Thank you, Sharath. Next question from Angeliki from J.P. Morgan. Angeliki, you can open your mic.

Angeliki Bairaktari (JP Morgan)

Good morning and thank you for taking my questions. Four questions from my side as well, please. So, first of all, on the French Retail network flows. And thank you for the color on the treasury products there. It looks like the underlying medium to long term is a negative number, is an outflow number. And if I also look at the multi-asset, excluding the institutional mandate redemption, multi-asset outflows were quite strong at €4.1bn. So I was wondering were those French retail outflows excl. money market driven by multi-asset? And can you give us some color with regards to the behavior behind those weak flows in France. Were they because of the French elections or uncertainty around taxes and the budget or something else?

Second question with regards to Italy and the Italian networks, given that you said Sabadell has had inflows, I can only assume that the UniCredit network has been an outflow this quarter again, and we have seen outflows for the past few quarters. Are there any signs of improvement there as we move into 2025? And are the Italian Retail outflows driven by risk aversion, or is there anything specific there with regards to the UniCredit relationship that will be difficult to repair?

And then third question on management fee rate on a blended basis, we estimated at 17.7 bps, which is the same level as the previous quarter. There doesn't seem to be any impact from lower margin inflows this quarter. Can I please check that there are no one-offs within the management fees this quarter or anything else that could inflate the margin?
And last question on the French tax surcharge. Can I check what is your basic assumption there? Do you assume that it will fall out after the next couple of years, or is there a risk that it actually becomes permanent? Thank you.

Nicolas Calcoen (Deputy CEO)

Thank you. On French retail networks, as Aurélia explained on this quarter, we had very strong flows in money market funds and some outflows on long-term assets. Yes, there are still some outflows in multi-asset products. Still, also, even if it's slowing down in real estate, over the previous quarter it was compensated by a structured product. As I said, on the 3rd quarter, there was a more limited number of launches of structured products. Regarding Italy, yes, there are some outflows. As you can see on market data, it's not specific to our partner networks. I think it's something you see across the board in the Retail Italian market. So, nothing specific to our Retail partners. And it's in the context of risk aversion and competition from BTPs in particular. So for this quarter, no signs of a recovery yet. We'll see in the future.

Regarding management fees margin, there's no one-off, absolutely no one-off on this 3rd quarter. So margins are globally stable. As always, the average blended margin is a consequence of the pace of evolution of our various businesses in terms of expertise, but also in terms of clientele. You can see that we had good flows in Retail, where on the contrary, we lose €11.6bn in insurance mandate, which had a low margin.

About the last question, on the tax surcharge, the project bill is based on an exceptional contribution only for 2024 and 2025. That's the only thing I can say at this stage.

Angeliki Bairaktari (JP Morgan)

Thank you.

Cyril Meilland (Head of IR)

Thank you, Angeliki. Next question is coming from Mike from UBS.

Michael Werner (UBS)

Thank you for letting me ask some questions here. Just two, please. First, on financial income, we saw a decline from the run rate in recent quarters as well as year on year. I was just wondering what was happening there. I know you include NII in there, but, you know, rates seem to remain relatively elevated throughout the quarter. So I was just wondering about the decline. And then second, just a quick question. In the presentation, you highlight, within Alto, winning a UK mandate, Thomas Miller. I think that was on page 5. On page 16, you talk about one new international client being signed in Q3, which is based in Norway. So I was just wondering if Thomas Miller was signed previously or how that works. Thank you.

Aurélia Lecourtier (CFO)

Maybe a quick answer on financial income. First, we start to see the impact of rates coming down, and second, also impact of the dividend, explaining the slight decrease between Q2 and Q3 as coming to financial income.

Nicolas Calcoen (Deputy CEO)

And regarding Alto, yes, Thomas Miller is obviously not in Norway, I think it was one in Q2. But at that time, we were not in a position to disclose the name. So they are two different clients.

Cyril Meilland (Head of IR)

We have another question from Oliver from Goldman Sachs. Oliver?

Oliver Carruthers (Goldman Sachs)

Good morning. Can you hear me OK?

Cyril Meilland (Head of IR)

Yes, we can.

Oliver Carruthers (Goldman Sachs)

Great. Thanks for the update on taxes. You've given the euro impact of taxes this year and next year, so €60 to €70 and then €40 to €50 million. But can you give it in terms of a group blended underlying tax rate, just so the market can calibrate as the proposals shift again? The spread of consensus is very wide for 2025 and 2026.

And then the second question. Thanks for the update on the 2025 targets in the release and your comments today on M&A. Back at the 22 Investor Day, you talked about a cumulative excess capital build of around 2bn out to 2025, with the commitment that it would either be returned to shareholders via exceptional distribution or use for inorganic opportunities, and 2025 is obviously just around the corner. Your AGM is in May, so should we be expecting an update on this at some point, or should we just roll this inorganic flexibility commitment into perpetuity? Thank you.

Nicolas Calcoen (Deputy CEO)

I'm not sure we got the question on tax. I don't know if you can repeat the question?

Cyril Meilland (Head of IR)

Oliver, are you still here? Oh, sorry.

Oliver Carruthers (Goldman Sachs)

Sorry, I was muted. So you've given it in "million" terms. What is the shift in group blended tax rate you're assuming to bridge that €60 to €70 million in 2024 and €40 to €50 million next year? That would be very helpful. Thank you.

Nicolas Calcoen (Deputy CEO)

The difference, the fact that – if I understand well – next year, the exceptional contribution will be half in terms of percentage of what it is today, but it's not half of the cost, because you have to take into account the impact of deferred tax assets, where there is a positive impact this year and a negative impact next year. That's why next year, the charge is not half of the charge for this year, but a bit more.

Oliver Carruthers (Goldman Sachs)

So what should we be modeling in terms of underlying tax rate for next year?

Cyril Meilland (Head of IR)

Oliver, I suggest that we take it offline because it will require some calculations. So I propose that we have a chat later today.

Oliver Carruthers (Goldman Sachs)

Sure, sounds good. Thank you.

Cyril Meilland (Head of IR)

And obviously any other analysts interested in the results can send me an email, and I will also provide you with the information.

Nicolas Calcoen (Head of IR)

And the second question, sorry, was about excess capital. Indeed, at our Investor Day in 2022, we talked about potentially 2bn, at the end of 2025, with the assumption that it would be available for M&A, or to be returned to investors in addition to the regular dividend policy, which is 65%. We are not yet at the end of 25. So, it's at that time that we will make the assessment. But in the meantime, you can already observe that we have started to use part of this excess capital, in particular with the acquisition of Alpha Associates, a few months ago. And we also, over the last 2 or 3 years, distributed more than 65% of our annual net income. So two elements that indicate that there will not be. But again, there is still a bit more than one year to come with potential other opportunities. There will not be €2bn at the end of 2025, very logically and consistently with our announcement during the 2022 Investor Day.

Cyril Meilland (Head of IR)

OK. Thank you Oliver. The next question comes from Nick from Citigroup.

Nicholas Herman (Citi)

Good morning. Thanks for taking my questions. Three from me, if that's okay, please. Just curious, how are you thinking about the implications of the BNP-AXA deal and how it might impact your competitive positioning within France? And I guess as part of that, are you open to large-scale M&A

in Europe, or are you still more focused on M&A in what you would typically call high-growth areas, be it private markets or Asia? That's the first one.

Secondly, we have seen several partnerships recently between public asset managers in public markets and private markets managers. I guess most recently the notable one would be Partners Group and BlackRock. I know you have private markets capabilities, but equally, given direct private markets investing is not a major part of your book, would you be open to doing something similar?

And then the final question is, I saw you had net outflows from your BOC JV. Can I just ask about the trends in China within the quarter? I guess I'm particularly interested, since the stimulus that we saw at the end of Q3 and the beginning, the impact there of client demand at the end of Q3, and what we've seen in Q4 to date, and how are feeling about the outlook for that business, in light of those market developments? Thank you.

Nicolas Calcoen (Deputy CEO)

Thank you. So, first question. Obviously, I won't comment on the BNP-AXA deal. What I can say is that indeed, it's a kind of an illustration of a movement of consolidation in asset management, a movement of consolidation to which we already participated very significantly over the past, as you know well, and quite successfully. And we will continue if there are opportunities, if there are opportunities that meet our criteria, which are, in particular, acceleration of growth, both in terms of expertise and also in terms of geographies. So it can be in Europe, it can be elsewhere. It's a question of being very analytical in seeing the value that a deal can bring to Amundi. But definitely, we are looking at potential opportunities and we are clearly well positioned in a market that could consolidate.

On your second question related to partnerships between, I would say, traditional asset managers and private players, as you pointed out, we have internal capabilities and we are reinforcing them, in particular, but not only, with the acquisition of Alpha Associates. But it doesn't mean that we could not contemplate also a partnership with, I would say, a specialized player. And indeed, we are already doing it. Just a recent illustration is, in the framework of the global partnership we have with First Eagle, we have a specific partnership, I would say, to distribute outside of the US some of their capabilities and expertise and products in private debt. So it's an illustration of something we already do. And we could also do more if we find the right partners, the right products for our clients.

Last question is related to BOC. You were mentioning the recent shift in public policies and the stimulus. It's clearly too early to see an impact and to assess the impact it can have on activity. So it's too early, basically.

Nicholas Herman (Citi)

Can I just ask a follow-up on the public private partnerships? Do you see a lot of appetite for engagement from private markets managers? I know that you said that you already have a partnership with First Eagle, but I guess beyond that, do you see appetite for other private markets managers to partner up, given that we seem to be seeing an acceleration in the ability to tap into Retail? Thank you.

Nicolas Calcoen (Deputy CEO)

Clearly there's an interest from these kinds of players, in particular, considering Amundi's strong distribution capabilities across the world and notably in Retail.

Nicholas Herman (Citi)

Great. Thank you very much.

Cyril Meilland (Head of IR)

Okay. Thank you, Nick. Next question comes from Jacques-Henri from Kepler Cheuvreux.

Jacques-Henri Gaulard (Kepler)

Yes. Good morning everybody. Just following up on the excess capital question. I think I remember, Nicolas, you're saying that post the Victory deal, you had some minority interest threshold that had actually increased your capital requirement. Therefore, I think if the idea was to say that you had €2bn of excess capital at the end of 2024, that was assuming your minimum capital requirement was 10, what would be this minimum capital requirement? Or to make it simpler, what would be the excess capital at the end of Q3? Would it be closer to 1.4, 1.5, 1.2?

Nicolas Calcoen (Deputy CEO)

Thank you, Jacques-Henri. The impact of Victory is broadly…will be – the closing will take place in a few months –, will be broadly neutral on our capital position, which is logical. It's also neutral, by the way, in terms of cash. But it will have a positive impact on earnings per share.
And then the second question was on capital position as of today. We are still around €1bn.

Jacques-Henri Gaulard (Kepler)

Okay. Thank you, Nicolas.

Nicolas Calcoen (Deputy CEO)

You're welcome.

Cyril Meilland (Head of IR)

Okay. I don't think we have any other questions. If you have some second thoughts. Probably the last opportunity to raise your hand. No? OK. I think that we're done here. I don't know, Nicolas, Aurélia, if you have any concluding remarks.

Nicolas Calcoen (Deputy CEO)

No. Nothing more. Thank you very much for your participation and I hope to see you soon for the end-of-year results.

Cyril Meilland (Head of IR)

And before that, our sell-side dinner.

Nicolas Calcoen (Deputy CEO)

Sorry, our dinner in December.

Cyril Meilland (CEO of IR)

OK. Looking forward to it. Thank you very much. And obviously we are available Thomas, Annabelle and myself, for any further questions that you might have. Thank you very much. Bye bye.