Amundi - Q1 2024 Earnings
Transcript from the
Investors & Analysts Conference
on Friday 26 April 2024

Cyril Meilland (Amundi Head of IR):

Bonjour, good morning to all and welcome to a sunny Paris, albeit by video.
It is my pleasure to introduce you to our video conference regarding the first quarter results of Amundi.
And it's my pleasure to introduce Nicolas Calcoen, our Deputy CEO, and Aurélia Lecourtier, our CFO.
Just as a brief introduction, please remember that this is a video conference. For the time being you are on mute. If you want to ask a question, please raise your hand virtually via Zoom and we will unmute your line. Please make sure that obviously your mic is also unmuted so that you can ask a question.
And without further ado, let's start with Nicolas for the introduction.

Nicolas Calcoen (Amundi Deputy CEO):

Thank you, and good morning, everybody. Thank you for attending this video conference on our first quarter result. I will as usual go first through the highlights of the quarter, and then I will leave the floor to Aurélia to go more into details of the results and the activity, and then we will take your questions.

So, to start, the beginning of this year was as you have seen a very busy and intense period for Amundi.
Busy in terms of commercial momentum with a good level of inflows and record level of asset under management and high level of profitability. But also, very busy and intense in terms of development initiatives. Both organically, in line with the priorities of our strategic plan, but also in terms of M&A, with the announcement or confirmation of two significant and value-creative transactions.

So first, let's have a look at the overall numbers.

As you can see, we posted a very strong performance in both activity and results. Our net profit was up by +6% year on year and reach 318 million euros driven by the growth in management fees and our best-in-class operating efficiency with the cost income ratio of 53.3%.

Our net inflows reached 17 billion euros and were positive in active as well as passive management, well diversified across the client segments and across geographies. Thanks to these high inflows and thanks to a good level of the markets our assets under management reached an all-time high above 2.1 trillion euros.

At the same time, we continue to make progress in our key strategic growth pillars.

First of all, third party distribution gathered +7 billion euros representing an annualised flow rate of 8%, and it's worth highlighting again that this business accounts now for more than half of our retail business. We also continued to grow in Asia, where our assets reached 422 billion euros, so +6% compared to the beginning of the year. We will go back in more details on that.

And Amundi technology revenues grew by +36% compared to the first quarter of last year. And the business added 4 clients during the quarter, so a total of 61 clients now in 14 countries.
Also, please note that we accelerated our IT investments during this quarter.

And finally, in line with our strategy, we initiated 2 transactions in the beginning of the year that will accelerate our growth in the future.

First, the acquisition of Alpha Associates. You remember that we announced it in February when we published our annual results.

The deal was closed on April 2nd, so basically three months ahead of the planned schedule. This means that we have started integrating the business and we are starting proposing new multi-management solutions to our client base.

And, second operation, we just announced last week plans for a partnership with Victory Capital in the US, to create a larger US asset manager and get access to a wider range of high performing US products for our clients across the globe.

Both deals are clearly value creative for our clients and our shareholders, and they will contribute to our future business and profit growth.

Let me maybe give a little bit more details on these strategic initiatives and momentum.

As I said in terms of commercial momentum, our net flows in the first quarter were very much diversified across client segments, across types of management and across geographies.

Europe remains of course our main market with +12 billion euros in Europe gathered during this first quarter. We also gathered 1 billion in net flows in the US. But I would like more specifically to highlight the growth in Asia. As I said, our assets under management grew to 422 billion euros with +7 billion positive flows during this quarter, split between our JVs and our direct business.

Our JVs gathered +4.4 billion euros, mostly in long term assets, thanks again to a very strong performance in India and in Korea.
But outside the JVs, we also enjoyed a very good momentum. The direct business grew significantly and was well diversified across the main countries of the region. Hong Kong, mainland China outside of the JV business, but also Singapore and Japan. All contributed in a very material way, you can see it with the numbers, to this performance.

Turning to expertise, clients continued to favour our attractive risk return proposal of fixed income solutions, both in bonds and treasury.

In bonds we collected +14 billion euros overall, of which +12 billion in actively-managed products, with in particular the success of, again, the target maturity funds in retail, in particular international networks, but also a success in the attractiveness of the asset class with institutional clients.

Treasury products were also very successful, +8.7 billion euros, well balanced between institutional and retail clients. We are seeing retail clients coming back for now a few quarters to this class, thanks to the attractive returns at the lower end of the yield curve.

And finally, in ETFS, we posted the high net inflows +5 billion euros overall. In particular thanks to a good performance in fixed income or in ESG ETF, and now our ETF assets under management reach 227 billion euros, up by more than +25% compared to last year.

Thanks to these blockbusters, we are able to post a better performance than the industry in total net inflows, in particular in active management as we will see with Aurélia.

Turning to M&A, first a few words about Alpha Associates, you remember this operation. So, as I said, the closing took place a few weeks ago, at the beginning of this quarter.
This means that Alpha will contribute to our profits starting in the second quarter.

Just a few words to remind you what we are talking about: Alpha Associates is specialised in private asset multi-management. They now manage 9 billion euros at the end of March, for around 100 clients, mainly in Switzerland, in Germany and in Austria.

So this acquisition will allow us to increase our footprint in the fast-growing private asset market and create in particular a leader in the multi-management space. We will manage, combining Amundi and Alpha Associates, around 21 billion euros in this category of expertise, and will be able to sell this expertise to our global institutional client base, and also to develop solutions adapted to the needs of retail.

So clearly a very value creative deal for our shareholders, thanks to the synergy revenues expected from the deal and, just a reminder, we expect to have a return on investment in excess of 13% within 3 years.

Second operation announced last week, the partnership with Victory Capital in the US.Again, a reminder: this project is to combine Amundi US into Victory Capital with Amundi Group becoming a strategic shareholder of the new Victory Capital, with a stake of around 26%, 26.1% to be exact and to establish a long term, 15-year, reciprocal distribution agreement between Amundi and Victory. So clearly this operation is, I would say, a unique opportunity to strengthen our presence in the US and is fully in line with our strategy in this large country and savings pool. Because indeed with this deal, our clients across the globe will have access to a broader set of high-performing US strategies, and this is secured through this long-term distribution agreement, and we also create a strong, very comprehensive US investment platform, with large distribution capabilities.

Clearly this deal will create a lot of value for both our clients and our shareholders. In addition to the organic growth prospects, the new combined entity has already identified around 100 million dollars of cost synergies achievable within 2 years, that will boost the profitability of the combined entity, and hence of Amundi Group as a main shareholder. And this, of course, without any, cash disbursements, any issue of new shares of Amundi. And so the deal will be materially accretive on Amundi net income and earnings per share.

I thank you for your attention, and I now leave the floor to Aurélia to go into more detail.

Aurélia Lecourtier (Amundi CFO):

Good morning to all. I will start my presentation from slide 9 with a quick overview of market conditions to set the context of this first quarter.

So, all markets were up here and year based on an average market data in Europe, equity markets were up by +15% and fixed income markets, by +4%. Therefore, the market effect on our net management fees was positive compared to last year.

However, despite this bullish markets, European investors in mutual funds remained very cautious this quarter.

Moving to slide 10, we see that the activity in the European asset management industry in open-ended fund and ETFs remained low at +19 billion euros inflows in Q1representing an increase of less than 3%.

One third of these inflows was collected in treasury products, and medium to long-term products were positive by +61 billion but with a sharp contrast between passive products, collecting +68 billion, and active ones, that posted net outflows of -6 billion.

Moving to next slide, we can see how Amundi performed in this context. Assets under management at the end of March reached an all-time high at more than 2.1 trillion euros, an increase by +4% in the quarter alone and by +9% over one year.

In both cases, this was achieved thanks to net inflows and positive market effects. Over 12 months, we see that the market effect totalled almost +150 billion euros for Amundi, and we posted also positive flows totalling +53 billion euros in the past 12 months, despite the headwinds in the European asset management markets.

First quarter net inflows were at a high level reaching almost +17 billion euros, and as Nicolas explained these net inflows were very diversified by client segments with +6.5 billion euros in retail, +5.6 billion in institutional and +4.5 billion in JVs.

It was also well diversified in terms of types of management and geographies.

As we see on the slide, like for the European market, inflows were mostly driven by treasury products and by the performance of our JVs.

Treasury products continued to be attractive in an environment of high short-term yields in the Eurozone, and thanks to Amundi's wide range of liquidity solutions.

On the other hand, despite risk aversion across our client segments, we succeeded in posting good performances in medium to long term assets with +3.1 billion euros of net inflows.

It should be noted that this quarter we posted positive net flows in active management medium to long term for the first time since the third quarter of 2022, outperforming the European market.

This was achieved thanks to strong inflows into key areas for Amundi, well adapted to current market conditions, and in particular active management bond solutions and ETFs that collected respectively +12 billion and +5 billion euros over the quarter.

Next slide, we see that the good results came from sustained performances from our investment teams. More than two third, as you can see on the slide, of our assets under management in open-ended fund were in the first and second quartiles over 1, 3 and 5 years, according to Morningstar.

And we have 262 funds rated 4 of 5 stars.

To take a broader view, including all active strategies, 83% of our assets under management outperformed their respective benchmarks over the last 5 years.

This is obviously supportive of our commercial activity across all our client base.

Turning to slide 14. I will detail the performance of our retail segment.

So overall we achieved net inflows of close to +7 billion euros over the quarter. The highest level since the first quarter 2022.

This was driven mostly by third party distribution and French networks. In third-party distribution, positive flows were driven by passive management and treasury products, but also by active management that was positive this quarter.

In French networks, flows were driven by treasury products. International networks posted net outflows mainly due to the strong competition again this quarter from BTP Valore in Italy, thanks to the strong tax advantage, and still outflows in the multi-asset space in the Italian market.

On the other hand, our partner in Spain, Sabadell, posted net inflows thanks to the success of our structured products and of our target maturity funds.

Moving to next slide, we can see the institutional segment that posted net inflows of +6 billion euros in the first quarter.
Treasury products gathered +4 billion in this segment, driven by institutionals and CA & SG insurers, while corporates cashed out from these products as it is usually the case at this time of the year.

As for medium to long term assets, net flows totalled +1.7 billion on this segment thanks to institutional and sovereigns and despite a -5 billion withdrawal from an index mandate in an institution in the Gulf region.

The group insurance segment posted also net outflows of 0.6 billion of medium to long term asset, but due to redemptions from Euro contracts.

The employee savings and retirement segment also posted net outflows, as employees took profits after the strong performances in the shares of their employers and following, as we see, a usual trend at this time of year.

Moving to slide 16, we can have a look at the commercial performances of our JVs.
As mentioned, it was positive overall by +4.5 billion euros in the first quarter, with a strong contribution from India and Korea.

SBI MF in India totalled +2.9 billion in flows, despite seasonal outflows from treasury products at the end of their fiscal year.

Please note that we expect a material withdrawal in assets under management at SBI MF, probably in the second half of the year, but with a negligible effect on our revenues.

Actually, SBI MF manages, along with one other asset manager, the fixed income mandate of the Employee Provident Fund Organization (EPFO), that is the largest Indian pension fund with 240 billion euros assets, out of which SBI MF manages 98 billion.

The Indian authorities have decided to share this mandate with other asset managers instead of 2 today. So this reallocation, that is expected to take place in the second half of the year, will lead to a material AuM withdrawals for SBI MF, even though it is not possible for the time being to assess their amount.

However, looking at the revenue from these assets, they are barely material and totalling a few hundreds of thousand, not million, euros.

So this withdrawal would have almost no impact on SBI MF revenue and obviously to its contribution to Amundi's net income.

Turning to South Korea now, NH-Amundi also posted good inflows of +1.5 billion euros.

And last, concerning our JV in China, ABC-CA, the stabilisation of flows is confirmed, with slightly positive net flows in mutual funds.

Moving now to Amundi's results for the quarter.

So starting with the revenues, they reached 824 million euros in the first quarter, up by +4% and +30 million euros compared to Q1 last year.

This was entirely driven by the good performance of our net commission income, which was up by +4% and also +30 million euros, like total revenues.

This is due to the rise of our average AUM over the quarter, of +6% excluding JVs.

However, as you can see, the positive volume effect of the net inflows was partially offset by the impact of the product mix on revenues.

Concerning the other revenues. Performance fees were down -38% year on year due to a cautious management of our funds, that we assume.

While net financial income, were up by +43% thanks to higher short-term rates. And technology revenue still up by +36% on the quarter.

This healthy revenue growth was obviously complemented by our operating, good operating efficiency. As we can see on the next slide.

Cost remains under control in Q1 at 439 million euros up by +3.3% and +€14 million euros year-on-year. This growth is below the one of our revenues and therefore showing a positive jaws effect despite some investments as Nicolas mentioned in our growth initiatives and in particular in technology, where we see that almost half of the growth is coming from our investment in Amundi Technology.

Efforts on efficiency gains have compensated this and managed us to keep our cost income ratio at the best in class level at 53.3% this quarter.

Coming to our results and adjusted net income for Q1. As you can see, it is up by close to +6% year on year, reaching a high level of 318 million euros.

And the increase of a gross operating income exceeding the one of our revenues at +4.4% year-on-year. This growth was also underpinned by the contribution of our JVs, up to +30% year on year.

And finally, the adjusted net earnings per share was at €1.55 up by +5.5%.

I thank you for your attention and I now leave the floor to Nicolas for a few words of conclusion before we take your questions.

Nicolas Calcoen (Deputy CEO):

Thank you Aurélia. I will be brief and just wanted to summarise this presentation by saying that as you can see, Amundi is on the move and thanks to our very diversified profile, our long-term growth drivers, both organic and through the deals I announced, and thanks to high profitability, I am very, we are very confident in our ability to continue to create value for clients and our shareholders.

So thank you and now we are, with Aurélia, at your disposal for your questions.

Cyril Meilland (Head of IR):

Okay, thank you, Nicolas, thank you Aurélia, and thank you for your attention. So as a reminder, if you want to ask a question, you have to raise your hand virtually.
And we already have 4 questions, starting with Arnaud Giblat from Exane.

Arnaud Giblat (BNP Paribas Exane):

Good morning. Hope you can hear me.
I've got 3 quick questions, please. Could you talk about Alpha Associates? That's onboarded and thinking maybe of distributing more products, what sort of new products could you bring to leverage Amundi's distribution, what's the outlook there, and on the retail side and on the institutional side, any colour you can give would be helpful?
Secondly, on real estate, I'm quite surprised, despite some challenging performance you've had and the market has had generally in real estate, you've had virtually no outflows, I'm just wondering, what the outlook is there? Are you seeing redemption requests in your OPCI products? Any colour would be interesting to hear.
And thirdly, on technology. Good growth, year-on-year, flat quarter-on-quarter, I'm just wondering if, how the outlook, in terms of growth acceleration looks like, bearing in mind that you have a 150 million euro target. Is it still valid target? And how do you get there? Is it selling more to existing clients? Do you have a pipeline of new clients? Thank you.

Nicolas Calcoen (Deputy CEO):

Okay. on Alpha Associates, the question was about what kind of products we could propose to our clients. It's quite diversified and we have looked obviously at what they have and, just to give a few illustrations, I know they are in the process of commercialising a new infrastructure fund, so it's clearly one of the things we could propose to our institutional clients. They have, again, it's multi-management, so they are able to propose solutions in, I would say, in the 3 main spaces of the private assets, infrastructure, private debt, private equity, or to combine.
And globally I would expect continuing the market appetite today to have probably more appetite for, especially in the institutional space, for infrastructure and private debt. And as far as the retail is concerned, what we are working on is to build solutions that are adapted to retail and including solutions that basically are, globally, an exposure to all the categories of private assets, using blocks based on private debt, private equity, and infrastructures.

Second question was on real estate. We do have outflows. I don't know exactly the number.

Aurélia Lecourtier (CFO):

300 million euros this quarter.

Nicolas Calcoen (Deputy CEO):

300 million euros this quarter, so we do see outflows. But you have to look at the various businesses. In Retail, we have mainly 2 kinds of products, what are called “SCPI”, which are not open funds, and so we have limited outflows, I would say by definition, and we are seeing outflows in what we call “OPCI”, which are partially open funds, and funds that are exposed to real estate by around 60%. On these funds, there is liquidity which is offered and we are seeing outflows, but it's very well managed. That's for retail.

On the institutional side, we don't see, we don't see outflows and maybe at some point I know that the valuations have already come down significantly, at some point, it may become an entry point for some investors.

And as far as technology is concerned, there's a good momentum. Revenues are flat, quarter-on-quarter, but it's linked to the level of “Build” revenues, that vary from one quarter to another.

But you can see that directionally, if you compare to the first quarter, the increase is significant. So we are confident in the continued growth and it will come both by onboarding new clients as we did, as you have seen, in the first quarter again, but also, to use an expression that, in this business, is widely used, by “farming” existing clients, so proposing new solutions and sometimes adapting the pricing of the offers for existing clients.

Aurélia Lecourtier (CFO):

Maybe inside the technology revenue we can see that we have more than 70% of recurring revenues. So it's less volatile revenues, I would say, than others.

Nicolas Calcoen (Deputy CEO):

Absolutely.

Arnaud Giblat (BNP Paribas Exane):

Thank you.

Cyril Meilland (Head of IR):

Okay, the next question is coming from Hubert Lam, from Bank of America.

Hubert Lam (Bank of America):

Hi, good morning. Thanks for taking my questions. I've got three of them.

Firstly, on the fee margin. I know you don't provide quarterly fee margin, but if you back it up, back it out, I have fee margin actually going up quarter-on-quarter. I just wonder if there's any one-off, input in that, any transaction fees attached to that, just because probably think that fee margin should be going down, just given the mix pressure towards bonds and money markets. So, I’m a bit surprised that fee margin, unless I calculated it wrong, that fee margin would be up. That's the first question.

Second question is on China. It seems to be doing better now in both the Bank of China business as well as JVs. I think it's relatively stable, I think, in terms of flows. Like, what's your view on China now? Do you think we've turned the corner or are you still cautious on the near-term outlook?

And last question is on the SocGen distribution agreement, I think the contract ends in 2025, so when do you expect to renegotiate this and are you confident that the relationship can be maintained going forward? Thank you.

Aurélia Lecourtier (CFO):

Yes, I will take the question on the fee margin, as you mentioned, we do not comment on fee margins on a quarterly basis. A few elements, as you have seen, we have a +4% increase in our net commission income, mostly due to market effect, but also thanks to positive flows in the active management space. Still, as mentioned in my presentation, we can see that risk aversion has an impact on the product mix, still this quarter as we measure that our average AUM progressed by +6%, when our revenues and income were up by +4%.

And as a general comment, I would say that our strategy is obviously not to control our margins, but to be able to meet our clients' needs on all the products and expertise that they need, and that we still see at the moment more appetite for treasury products, passive products and also fixed income solutions, so we speak to the to the needs of our clients.

Nicolas Calcoen (Deputy CEO):

But maybe one point to complement, there's no one off, nothing specific on this quarter So I would say, clean, clean data, that you can rely on.

Your second question, I think, was about China. Indeed, we are seeing a stabilisation I would say of the situation and both with BOC despite still a little bit of outflows, and with ABC, where basically, it is neutral but slightly positive on mutual funds. Going forward, I would say, in the short term, we will remain cautious and the situation is only moving very slowly, so we remain cautious in the short term but again, positive in the longer term, considering the untapped potential, considering the amount of money that is still in deposit accounts in the Chinese economy overall, and including with our partners.

And the third question was about Société Générale. Yes indeed the existing agreement will be expiring at the end of 2025. We have not yet started to discuss with our partner about renewal, but it will come in due time and considering the quality of the relationship we have with Société Générale, we are very confident that we will continue our long-standing and fruitful relationship.

Cyril Meilland (Head of IR):

Thank you, Hubert. The next question is coming from Sharath Kumar from Deutsche Bank.

Sharath Kumar (Deutsche Bank):

Yes, good morning all, and thank you for taking my questions, and again congratulations on a very good set of numbers. So a couple of questions.

Firstly, on the evolution of client demand. Are you beginning to see any shifts in the composition of the demand? It's good to see some inflows in active management, but still, it continues to be dominated by passive and treasury products. So, any thoughts there would be appreciated.

Second, on your international networks, can you talk a bit about the underlying trends outside of the impact of the BTP issuance.
And maybe a subset to that is do we expect a retail bond issuance to be a continuing affair? We have already seen 3 large BTP issuances. And does this risk, can it extend to other geographies?

And finally, if I can squeeze in a clarification on Victory Capital. I understand today there is no additional capital allocation or outflow. But given that you are taking only a 26% stake, would you be penalised, you know, on the minority interest front, from a capital standpoint?
Thank you.

Nicolas Calcoen (Deputy CEO):

On client demand, for the moment no significant shift, maybe with the exception of as you may have noticed, in third party distributors, where we are posting a very good level of inflows, of course a lot of passive management, ETF, and treasury but also positive in active management. And probably linked to the fact that you are talking here of a clientele which is more diverse and can include more, I would say, higher wealth clients. For networks I would say no big change and we expect probably the main driver in the coming months or quarters to be a change in the level of short term interest rates.

On the international networks, I'm not sure to have completely get the question, but what is the outflows we are seeing are very specific to Italy, which is of course a country where we have, in proportion, the bigger size of international networks, very linked to the, again, to the competition from, basically, the government through the issuance of BTP.
That's why it's not really something that we see in other geographies, where you don't have the same competition. There has been some countries, such as Belgium, where for example they have this kind of products but not as systematic as we have seen in Italy.

And, regarding Victory, I'm not sure to get the question, if it was about the impact on our capital position. If I get it right, it’s neutral. There's no cash disbursement and there's no capital impact, so we remain with the same level of excess capital, which is around 1 billion euros.

Aurélia Lecourtier (CFO):

Maybe just to complement Nicolas’ answer, on the Italian market, just to mention that in January and February, the whole Italian market posted negative flows of almost -5 billion euros overall. So the situation is very specific in the Italian market. And actually there was a big issuance of BTP Valore in February for 18 billion euros, so it explains the poor results of the asset management market in Italy this quarter.

Cyril Meilland (Amundi Head of IR):

Okay, thank you, Sharath. The next question is coming from Angeliki, from JPMorgan.

Angeliki Bairaktari (JPMorgan):

Good morning and thank you for taking my questions. And just 3 for me as well, please.

So first of all, on your excess capital, which you just mentioned, is around 1 billion. How should we think about the deployment of that? By the end of 2025, if I remember correctly, when you presented your business plan a couple of years ago, you had said that either you will deploy this for M&A or it will be distributed to shareholder. So I just wanted to understand, if you don't do any more deals over the next year and a half, shall we expect the excess capital that you have accumulated by the end of 2025 to be distributed out to shareholders?

Then second question on the multi asset funds. You have seen -34 billion of outflows now over the past 15 months and there is no sign that these outflows are coming down or improving in Q1. Are there any specific products or geographies that are leading them and how has performance of multi-asset funds been in the recent months?

And third question, just to go back to Italy. There is another BTP Valore issuance in May that has already been announced. So it's possible that net flows in Italy remain challenging.
Do you expect the Italian government is going to continue issuing government bonds to retail investors beyond May? What is your expectation when you are thinking about the outlook for your Italian business? Shall we expect much more volume of BTP Valore to come to market in the second half of this year and possibly also 2025? Or do you think that the appetite is going to be capped at some point?
Thank you.

Nicolas Calcoen (Amundi Deputy CEO):

Thank you.
So first question on the excess capital on the deployment, no change in the strategy. We are looking to grow, of course, organically, but continue to look at opportunities also to complement this growth through M&A if we see opportunities that make sense, basically creating value. And it may be the case. In that case we will use it and I would say it's the first possible usage is to continue to do M&A, and use the excess capital that way. If it's not the case we will return the excess capital to the shareholders. The way it will be done will be looked at in due time if again, there is excess capital at that time.

Regarding multi-asset, I would say, the outflows we have indeed been seeing for a bit more than one year are the reflection of the low risk appetite, and it's largely compensated by inflows in fixed income. We are basically seeing in retail, in general, and particularly in Italy, outflows in multi-asset and inflows in fixed income. So it's not specific to any product. A big part of it is coming from Italy and it's not linked to any performance issues.

And regarding the Italian market. Well, I don't know. I know there will be a new BTP issuance in May. Maybe there will be others. It's not something new. It has always existed in Italy or very often existed. It's particularly attractive for clients due to the context of interest rates. So I think, like the competition from bank products, this kind of competition will probably decrease over time, when we will have a change in the level of interest rates, and in the risk appetite of clients.

Aurélia Lecourtier (Amundi CFO):

And in Italy Nicolas, we posted net inflows this quarter on a structured products. So we still find appetite from clients in Italy, to go and buy a structured products. It was +1.3 billion for the Q1.

Cyril Meilland (Amundi Head of IR):

Thank you, Angeliki. The next question is coming from Bruce. Bruce Hamilton from Morgan Stanley.

Bruce Hamilton (Morgan Stanley):

Hi there, hopefully you can hear me. Thanks for the presentation. I've got three questions, as is tradition.

First one, in terms of the Victory strategic partnership, which looks pretty interesting. I guess it sounds as though the opportunity set is more in selling the highly performing US content into Amundi's international investor base and you'd also get your 26% share of economics in that. But I'm not sure to understand the extent of the opportunity to sell Amundi products into the US, and at which products you'd be most upbeat on. If I thought about that right or is it more balanced?

Secondly on China encouraging to see that the flows are much more stable. Can you just remind us on the Channel business? I know it's low margin but what's the sort of residual risk on that and what sort of time frame should we expect that to flow out?

And then finally on Asia, ex the JVs, you've had decent inflows across Hong Kong, China, Singapore and Japan as per page 5. Could I just get a bit of colour? Is that sort of mainly institutionally driven or is it selling through sort of wholesale retail channels? Just to understand where that encouraging momentum is coming from?
Thank you.

Nicolas Calcoen (Amundi Deputy CEO):
Okay, thank you. On Victory, I think the distribution of opportunities is on both sides. Probably the highest and the more obvious one is indeed the distribution of US-manufactured product in Europe and in Asia. It already represents more than 35 billion euros, the existing stock of assets managed by Amundi US in Europe, and it's growing and it will grow even faster because we have access to complementary, good quality expertise that are today managed by Victory. So that's clearly probably the first driver. But we also expect a lot from the other side, I would say selling in the US expertise that we manage in the rest of the world. We are clearly working with Victory to identify what could be interesting, probably emerging expertise, for example, some global expertise.
We are confident it will create value thanks to the strengths I would say of the combined distribution capabilities of Victory and Amundi US. But taking in particular into consideration the fact that at Victory they have, for example, they have the ETF format, which is very attractive for tax reason in the US, in which we can embed expertise that are managed today by Amundi US, but also in the rest of the world, possibly. And there's also this direct distribution channel which looks promising.

Aurélia Lecourtier (Amundi CFO):
On China, Asia, on your question and Channel business we still have a big portion of mandates in runoff. I would say that it is something like 5 billion euros, still left on the Channel business. It is difficult to foresee the rhythm of the outflows, but we can see that it is slowing down. It's part of the stabilisation of the situation of the JV.

If we go on your question about Asia and the kind of inflows and activity that we see there. In the figures that were mentioned by Nicolas, when we are speaking about China, when we're speaking excluding JVs, it's obviously only institutional, because retail is in the JVs only, and otherwise it's rather balanced in the other countries in the direct business that we have, between retail and institutional. For example, in Japan, it's very balanced between both.

Cyril Meilland (Amundi Head of IR):

Okay, thank you Bruce. The next question is coming from Jacques-Henri from Kepler Cheuvreux.

Jacques-Henri GAulard (Kepler Cheuvreux):

I was muted, I apologise. Good morning everyone. So yes, just a follow up on the M&A.
I mean, you've had Alpha, you have Victory. So I was wondering. That's probably a little bit of resources. You're appointing two people as board members. How many more deal of this type of size do you think you can actually take on without it being too distracting on the day-to-day run of the business?
And more generally, do you still see deals at this point in time. Do you still have a pipeline of things you can actually look at?
Because I think you know your equity narrative is probably more fun with acquisitions than bringing just money back to shareholders. But that's just a personal view.
Thank you.

Nicolas Calcoen (Amundi Deputy CEO):

Thank you Jacques-Henri.
We can continue to, we do continue to look at the potential opportunities. You are pointing at a very valid point and the ability to manage different processes in conjunction, that's obviously something we are very, very careful about. In terms of financial ability we have this 1 billion and there can be deals that don't consume or consume a limited amount of capital, Victory being an obvious example, no capital consumption.
But we also need to be very careful about, I would say, our managerial capacity to look at or to indeed execute different deals. But I'm quite confident that we are in a position to look at a few other opportunities in the coming in the coming quarters. Again, it's something we are very careful about and to be able to find, to strike the right deal, but more importantly to execute it properly. But we do have this capacity. And there was a second part to the question?

Jacques-Henri Gaulard (Kepler Cheuvreux):

No, I think it's fine. That's all. Thank you very much. Thank you.

Nicolas Calcoen (Amundi Deputy CEO):

Oh, that's. Okay. Thank you.

Cyril Meilland (Amundi Head of IR):

Thank you, Jacques-Henri. Only the next question is coming from Mike Werner, from UBS.

Mike Werner (UBS):

Thank you very much. Just one question, please. We did see a lot of flows going into treasury products, this quarter, and again, not surprising given the environment.
I was just wondering if you could give a high-level view on the economics in terms of, obviously, I imagine, in the institutional segment, treasury products are extremely low margin but could you

give us a little bit of colour with regards to the retail treasury products, what type of fee margins or around what type of fee margins do you get maybe relative to the institutional side.
Thank you.

Aurélia Lecourtier (Amundi CFO):

So on the retail side, as we said, we posted very good inflows in the Third party distribution. And in terms of products you mentioned, treasury was very attractive, but we saw also positive flows in passive, and positive flows in active driving the margin a little bit up, compared to Q4.

Nicolas Calcoen (Amundi Deputy CEO):

Maybe to complement I think, the question was around the economics on treasury funds. So obviously it has a lower margin but for Amundi it remains very attractive. And the very strong increase in the level of short term interest rates, are indeed as a consequence of the yield proposed by these kinds of products, allowed us in the recent period to adapt the pricing.
And today, for institutional clients, the average margin is a bit lower than the average margin, overall of the segments, but let's say it's around 6 , 7bp, so still interesting. And it's obviously more than that in retail. And continuing the fact that you are talking about very large big funds that imply a limited amount of resource. It's a very profitable business for us.

Cyril Meilland (Amundi Head of IR):

Thank you, Mike. We have a follow-up question from Sharath from Deutsche Bank.

Sharath Kumar (Deutsche Bank):

Yes. Sorry for this, just a couple of very small follow-ups.
So firstly, in terms of the accounting for Victory Capital, guess it would be similar you know, equity-accounted for the 26% stake and for the AuM you would have 100% included so am I right there?
Secondly, on India. Do we know the number of partners that the EPFO mandate would be extended to from the current 2 players just to get a sense of what the amount of outflows could be?
Thank you.

Nicolas Calcoen (Amundi Deputy CEO):

Aurélia, you want to take it?

Aurélia Lecourtier (Amundi CFO):

Yes, thank you for your question. First on Victory, yes, it will be equity accounted, the AUM of our share will be accounted at the level of our share so 26.1% in our accounts, after closing obviously.

Nicolas Calcoen (Amundi Deputy CEO):

And for India there's no decision yet, we are just saying that there is an RFP and there is today this huge mandate managed by 2 including SBI FM. And there is a high probability, there will be one or two additional ones.

Aurélia Lecourtier (Amundi CFO):

They couldn't say because the RFP is ongoing and will end in June after the presidential election, but yes, 3 or 4 but we don't know yet.

Sharath Kumar (Deutsche Bank):

Okay, thank you for that.

Cyril Meilland (Amundi Head of IR):

Okay, thank you, Sharath. We have a new question from Oliver from Goldman Sachs.

Oliver Carruthers (Goldman Sachs):

Hi there, are you hearing me okay? Perfect.
Just one follow up question for me on Victory Capital. Can you comment on the rationale between the difference in your voting rights and your economic interest? It was my understanding that they collapsed the share structure a couple of years ago to have equal voting rights and to have a single share class?
Apologies if you covered it on the call a week and a half ago, but can you just comment on the rationale here behind the difference?
Thanks.

Nicolas Calcoen (Amundi Deputy CEO):

So, indeed there's a difference between the economic stake and the voting right. it's to ensure that Victory, the new Victory, is not absorbed in the regulation of subsidiary or even minority subsidiary of a Bank. But what is important is in terms of governance, we will have 2 board members out of 9. So it means that we will have a significant say in the government bodies of the combined entity.

Cyril Meilland (Amundi Head of IR):

Okay, thank you, Oliver. We have a follow-up question as well from, Arnaud from Exane BNP Paribas.

Arnaud Giblat (BNP Paribas Exane):

Yes, thank you for taking my follow-up. Just a quick one.
You said that you and you said two years ago that you'd return any surplus capital if you didn't execute on M&A. I'm just wondering how we should think about that because at that point in time you probably still want to retain something for small-sized deal. So, to take you, when we are thinking about the potential for a special dividend, if there's no, or a return if there's no deal, do we say a billion minus a buffer for any small bolt-on that that might arise in 2026?
I'm just trying to get an idea of what quantum we could land on.
Thank you.

Nicolas Calcoen (Amundi Deputy CEO):

We are not at the time to decide on that if they are absolutely no M&A. It will be, maybe there will be a small buffer which will be kept but it will be most of the excess capital at that time.

Arnaud Giblat (BNP Paribas Exane):

Perfect. Thank you.

Cyril Meilland (Amundi Head of IR):

Now we have another follow up from, Angeliki from JPMorgan?

Angeliki Bairaktari (JPMorgan):

Yes, thank you. Just a quick one for me too.
Can you explain how the pricing works for Alpha Associates? What is the margin that the end client is paying at the moment and what is the margin that Alpha retains. What is the total cost of the product, because I would imagine there is some pass-through obviously to the end asset manager, the underlying asset manager of the assets.

Nicolas Calcoen (Amundi Deputy CEO):

The average margin of the product at Alpha Associates level is around 25/30bp if I remember well. We are talking about multi management so it means that we invest in fund managed, well, Alpha invests in funds that are managed by other asset managers.
So of course, there's two levels of fees. But, I would say the beauty of the model and in particular, if going forward when you combine our capabilities and the one of Alpha, we have, I would say, a pricing power that a direct investor cannot necessarily have when you invest in a fund, and we are able to, I would say, to propose something in terms of overall pricing which is attractive to the end customer.

Cyril Meilland (Amundi Head of IR):

Okay, thank you, Angeliki.
It doesn't seem that we have any more questions.
If not, I will leave a floor to Nicolas and Aurélia for maybe concluding remarks.

Nicolas Calcoen (Amundi Deputy CEO):

Just to thank you for your attention and wish you a very good day.

Aurélia Lecourtier (Amundi CFO):

And see you in Q2. Thank you very much.

Cyril Meilland (Amundi Head of IR):

And we obviously remain available if you have any further questions. Bye.