Amundi
Full Year and Q4 2023 Results

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List of MAIN speakers	Company	Job title
Valérie Baudson	Amundi	CEO
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2023 Q4 & Full-Year Results

Cyril Meilland
Head of Investor Relations

Good morning to everybody. To those of you who are in the room, thank you for attending this conference, as well as those connected via webcast. I'm Cyril Meilland, Head of Investor Relations. It's my great pleasure to introduce you to our Q4 and Full-Year Results 2023 with our CEO, Valérie Baudson, and our Deputy CEO, Nicolas Calcoen, who will comment on these results. Without further ado, I leave the floor to Valérie for her introduction and initial comments.

HIGHLIGHTS

Valérie Baudson
CEO

Thank you, Cyril. Good morning to all, those with us in the room as well as those connected. I'm very pleased to be here with my colleagues to present our Q4 and Full-Year 2023 Results. This morning, we will also announce a deal of external growth, the acquisition of Alpha Associates in private assets.

So first, I will go through the highlights of the year, and then I will present the strategic rationale and financial targets of this acquisition. And of course, I will then let the floor to Nicolas.

Highlights for the 2023 year

So, 2023 was a good year for Amundi, both in terms of commercial momentum and financial results. It was also a year of new development initiatives according to our strategic plan. I'm going to start first with our business. Our clients gave us an additional +€26 billion to manage. So we enjoyed a high level of net inflows, out of which +€19 billion were raised during Q4. We have been able to accompany our clients and propose them tailor-made solutions for the specific market conditions characterized by, of course, as you know it well, by high interest rates. So it's actually our expertise in bonds, either active or passive management in treasury products or in structured products, which have been very successful with our clients.

Maybe to give one significant example of the successful innovative products: we have become the world leader in target maturity funds, a product which requires both investment expertise and proximity with distributing networks, and we collected last year +€11 billion with these products. As a result of this commercial momentum, our total assets under management exceeded €2 trillion, back to the 202021 level, at 2,037 billion exactly at the end of the year. That represents a growth of +7% over the year.

Beyond this healthy activity, 2023 was also a good year for profitability. Our net income exceeds €1.2 billion. So it is up 4% thanks to the revenue growth, of course, but also thanks to a good cost control in a context of inflation. You know, this is part of the DNA of Amundi. This allows us to propose a dividend of €4.10, as high as last year, with an attractive yield of 6.6%.

Now, finally we have also successfully pursued our strategic plan Ambitions ’25 with new development initiatives in our growth pillars in Asia, Technology and Services, Responsible Investment, of course, Passive Management and Real Assets.

So let me detail these initiatives; and I start with Asia.

Amundi continues its development (1/2)

As you can see it, our assets under management reached €400 billion in Asia. I would like to highlight the fact that our joint venture in India, SBI MF, gathered +€12 billion last year. I remind you that this is the number one asset manager in this large and fast-growing country. And I would add that we are starting selling SBI MF capacities outside of India to our international clients as well. So a very good partnership. We have also enjoyed very good business in South Korea. Whilst the market in China confirmed the stabilization in the second half of the year, so the situation is much better than it was one year ago.

Now, Technology and Services, which is, as you know, an important growth driver for Amundi. We definitely secured in 202023 our leading position as a first-class provider for the whole savings value chain. We gained +10 new clients in 2023. Our revenues increased by +24%. What is really important as a basis now is that we have a very diversified client base in terms of types of clients, with asset managers, banks, insurers, pension funds, and also a very diversified client base geographically. And as you know, as in all business, this is really important to be able to show a track record, which is now the case.

Third growth levers, which is important for Amundi, as you know, Responsible Investment.

Amundi continues its development (2/2)

We have strengthened very significantly our product offering again, with the launch of 40 funds aligned with the net zero trajectory. And the teams have also initiated a dialogue on climate change with 966 companies exactly this year, a huge effort. You may remember that our objective was to reach 1,000 additional companies engaged by 2025. So we are very much ahead of our plan in that regard. We also were ranked in the top three worldwide for voting policy on environment and social issues by ShareAction, which is an important recognition that we're doing in this regard a very good job.

Passive Management. Now, for passive management, 2023 was a very dynamic year again, fully leveraging on the integration of Lyxor; we posted +€17 billion net inflows globally, out of which +€13 billion in ETFs. Our assets under management in ETFs now reaches €207 billion. And we have kept on developing new solutions, new products. There is here an example of the launch of our Euro Government Green Bonds ETF, which raised +€2 billion in six months. One example, among others, of the dynamism of this business at Amundi.

Last but not least, in the space of Real Assets. We are announcing today the acquisition of Alpha Associates. This is a company that is specialized in private assets multi-management. It is based in Switzerland, in Zurich. It does manage close to €9 billion of assets for 100 institutional clients, mostly clients based in Switzerland, Germany and Austria.

Acquisition of Alpha Associates (1/2)

Of course, this acquisition is completely in line with our strategy to further strengthen our expertise in private assets. It is interesting because it is focused on a fast-growing segment of the market – you know it, of course. The multi-management business enjoys a healthy growth for two reasons. The first one is that institutional clients, investors, keep increasing their allocation to multi-management because in the current context they want to increase their diversification. And the second is because this multi-management segment is particularly attractive for retail investors, who are also looking for diversification in this area.

This acquisition also reinforces our capacity to invest in the secondary markets in private equity, which is going to be a source of growth as well.

After this acquisition, our total assets in private assets will be €76 billion exactly, including, as you can see, the total multi-management platform of Amundi, which will represent, adding Alpha Associates to our own capacities, €21 billion, a team of 70 experts and a much broader product offering covering private debt, infrastructures, private equity and venture capital with a very large range of vehicles in these different asset classes. So an efficient product offering for our clients. And of course, as I was mentioning at the very beginning, a strengthened client and geographical coverage in particular in Switzerland, Germany and Austria. Amundi teams in the multi-management area were more working with French, Italian and Spanish investors. So a very good complementarity in terms of geography as well.

Acquisition of Alpha Associates (2/2)

Last but not least, this transaction fully complies with our usual financial discipline and will be very value-creating for shareholders, in addition to be value-creating for our clients. Thanks to the growth potential and the revenue synergies it will generate, we are very comfortable about the expected return on investment of more than 13% after three years, including, of course, revenue synergies.

I thank you very much for your attention, and I let the floor to Nicolas for more detailed information on our activity and results. I'll come back for the conclusion and of course, for your questions.

Q4 & FY 2023 Activity

Nicolas Calcoen
Deputy CEO

Thank you, Valérie, and good morning to all. I will start as usual on slide 10, with a quick overview of the market conditions to set the context.

Volatile markets that continue to be uncertain

We, of course, are all under the impression that 2023 was a good year for equity markets. If you look at the end of 2023 compared to the end of 2022, it is obviously true. However, when we look at the average data, equity markets were only up by +7% in 202023 compared to 202022. But fixed income markets were down by -6%. So overall, the market effect on our net management fees was roughly neutral if you compare 202022 and 202023. Of course, we should keep that in mind when we look at our results.

If we now look at the fourth quarter, movement between the third quarter and the fourth quarter of 202023 was limited on an average basis, despite the increase towards the end of the year for both equity and bond markets. And again, the market effect was neutral or even slightly negative. It's of course more positive when you compare the fourth quarter with the same quarter of last year, thanks to the increase in equity markets.

European asset management market in 2023

The consequences of these market moves on the evolution of flows for the asset management market, for the whole European asset management industry as measured here by the flows in open-ended funds. And what you can see is that in 202023, the level of flows remained low at around +€250 billion for the full year – so much lower than what we used to know in 2020 or 2021, for example. And it was mainly driven by treasury products, close to +€200 billion.

Medium- to long-term products were only +€57 billion for the whole year, with a sharp contrast between passive management collecting +€225 billion and active management posting outflows of -€168 billion. And the data for the last quarter of the year reflects the same trend: low inflows overall, driven by treasury products with medium- to long-term products even turning negative on this quarter, -€18 billion, with positive flows in passive management and outflows in active management.

These trends on the whole market are obviously the translation of the high risk aversion across the client base and also the increased competition from either banking products or government bond issuance.

So now if we move to Amundi…

Assets under management exceed €2 trillion

We can see that Amundi performed well in this context. Our assets under management at the end of the year passed the 2 trillion mark – precisely €2,037 billion, showing an increase both over 12 months by +7%, as well as over the quarter by +3%. In both cases, this is achieved thanks to both net inflows and the positive market effects.

Let's go now in more detail on the flows.

Inflows of +€26 billion in 2023 and +€19 billion in Q4

Starting on page 13 where you can see the breakdown between medium-, long-term assets and joint ventures. So overall, for the full year, high level of flows, +€26 billion, with a significant increase in the last quarter, a significant share in the last quarter, +€19 billion. Like for the European market, as we've seen, flows that were driven by treasury products, but also a very good level of performance from our joint ventures.

Despite the risk aversion across our clients, we nevertheless succeeded in posting a flat performance in medium- to long-term assets and net inflows of close to +2 billion in the last quarter. This was achieved, as Valérie mentioned in our introductions, thanks to strong inflows in key areas of Amundi's expertise that correspond well to the market context.

2023 Activity: success in areas of expertise adapted to high risk aversion

In particular, four areas of expertise. First, active bonds, where we collected +€18 billion last year with an additional +€1 billion coming from private debt. +18 billion excluding the outflows from the insurance mandate. This was in particular driven by the great success of our target maturity funds, which gathered +€11 billion. And it must be noticed that Amundi was a world leader for this bond strategy last year. This strategy fits perfectly well the market context in which we operate in.

Also, a strong contribution from passive management – +€17 billion overall, including in particular +€13 billion in ETFs among which a significant share came from fixed income as well as ESG ETF.

I will not come back on treasury products, +€19 billion, which becomes again an investible and attractive asset class for all the client segments, including retail. Thanks to the positive return in short-term products.

And finally, another key area of expertise for Amundi, structured products, where we enjoyed net inflows of +€6 billion, mainly in our partner networks. Thanks to these areas of expertise, to these blockbusters, we were able to offset the outflows from higher risk products and in particular multi-assets, which suffered withdrawals like for the rest of the industry.

Good performance for open-ended funds

These flows, of course, are also the result of the good performance overall of our investment management teams. They are reflected in the data you can see on the screen. To take a broad view on open-ended funds, we can see that more than two thirds of our funds, whether you look at one-year, three-year or five-year performances, are in the first and second quartile according to Morningstar data, and particularly a good share of them in the first quartile. And we do have 270 funds with a rating which is at four or five stars. And if you look at the broader view, not only included open-ended fund, you can see that more than 80% of our assets outperformed their respective benchmark over five years. So obviously a good performance which supports our commercial momentum.

Retail: steady activity

Turning now to the activity by client segments, starting with the retail segment. We can see that we posted a resistant performance despite, again, this high risk aversion. Overall, we achieved +€7 billion of inflows over the year with a particularly strong contribution from French networks thanks to the structured products I was mentioning, or treasury funds. Also, a good performance in Third-party distribution thanks to passive management and again, treasury products.

As far as the international networks are concerned, if you exclude Amundi BOC, they were flat. It's mainly due to the strong competition over the year, and again, in the last quarter, of the issuance of the so-called BTP Valore in Italy. To give an illustration, in October, the Italian government raised +€17bn via a single retail issue in the Italian market. So despite that, we are resisting well and our partner networks in Italy were in particular very successful in selling target maturity bond funds, which offset the outflows that we saw, for example, in multi-asset solutions. And the trend was quite similar over the last quarter.

Regarding Amundi BOC Wealth Management in China. We reported over the last quarter slightly negative outflows due to, like in previous quarters, the coming of maturity of products launched at the creation of Amundi BOC in 2021. But we can see that overall, compared to the trends one year ago, we are seeing a stabilization of the situation.

Moving to the institutional segments, on the following page, we posted strong net inflows of +€12 billion for the full year, and this despite the continued outflows coming from Crédit Agricole and Société Générale Insurance Company.

Institutionals: solid level of business in 2023

Outflows that are generated by the withdrawals we are seeing on the French market on the euro contracts that feed the mandates that these insurance companies have allocated to Amundi. But all other subsegments contributed positively, in particular institutional and sovereign funds, close to +€13 billion; corporate clients, or, in France, employee savings schemes, that posted close to +€2 billion of inflows. This was driven by a strong performance in treasury products in particular, for example, with corporate clients, but also by long-term assets with inflows concentrated in passive management, in active bond strategy, but also private debt.

Again, for CA & SG insurers, the outflows close to -€10 billion for the year are related to the redemptions in the euro contracts. However, they are returning slightly positive in the fourth quarter due to the allocation of a new mandate in active bonds to Amundi.

To complete this view on the activity, let's turn to our minority joint ventures.

JV: continued robust growth in India and South Korea

We can see that we again posted a strong performance, +€7 billion over the year, with – again, Valérie mentioned it – a very strong contribution from SBI FM, our joint venture in India, +€12 billion during the year, with quarter after quarter of strong inflows coming both from Indian retail or institutional clients, but also a very good contribution from our JV in South Korea with NH Amundi, which posted +€4 billion. Concerning our minority JV in China, the one with ABC, ABC CA, we posted for the year outflows of around +€8 billion, but you may remember they were concentrated on the beginning of the year and due to some large institutional outflows over the recent period, we are going back to positive territory, I would say, if you exclude the low-margin, run-off activities of the Channel Business, positive inflows in mutual funds in Q3 and Q4.

Moving now to the results, starting with the fourth quarter and the revenues.

Revenue growth

Our revenues were €806 million in the first quarter, up by +3% compared to the previous quarter. This was driven by high net financial income thanks to higher rates, a higher level of performance fees in that quarter that benefitted from a larger number of fund anniversary dates, and a good growth in the technology revenues, which reached €18 million during this quarter, up by +28% compared to the previous quarter.

Net management fees resisted in the context of risk aversion that I mentioned, despite the impact of the unfavourable product mix on fee margins.

Moving to costs:

Costs controlled

Costs remained under very strict control during this quarter, reaching €426 million, as you can see, remarkably flattish or flat compared to previous quarters, despite the inflationary environment and despite also the investments we continue to make in growth initiatives, which are offset by further efficiency gains and the completion of Lyxor synergies. As a result, our adjusted cost-income ratio for the fourth quarter improved slightly compared to the previous quarters and was at 52.8% in the fourth quarter.

Net income of €313m in Q4

This leads us to the evolution of our adjusted net income. As you can see, it's up by close to +8% compared to the previous quarter, reaching €313 million. This growth, despite the difficult environment, was supported by the increase in the operating income, but also by the contribution of our joint ventures, which is up by +20% compared to the third quarter of 2023.

Turning now to the full year. Similar trends overall.

High revenues in 2023

Starting with revenues that were up by a bit more than +2% compared to 2022, thanks to the turnaround of net financial income, which was positive in 2023 versus negative in 2022, when, for most of the year, short-term interest rates were still negative.

Technology revenues, Valérie mentioned it, were up by +24%, reaching €60 million. Performance fees were slightly down year on year due to a more volatile environment over the year and the progressive impact of the ESMA guidelines requiring longer-term calculation period for these fees. But 123 million is a good level in this context.

And finally, our net management fees are down very slightly but resisted well in the context where our average assets under management also declined very slightly.

Asset management margins

And as we can see on the following page, thanks to fee margin which was almost stable, thanks to Amundi’s business model and diversified profile, it resisted well, as it did over the past. The small decrease that you can see in 2023 is obviously related to higher risk aversion, which has resulted in a shift of inflows toward treasury products, passive management, fixed income products that tend to have lower margin compared to higher-risk / higher-fee products. But overall, this decrease remains very modest, explaining the good resistance of our management fees.

Moving to cost. Basically, to reiterate the comment I made on the fourth quarter, they remain under control.

Excellent cost control

€1.7 billion for the full year, up only by +2%, so much lower than the inflation we have been facing in the various countries we are operating in, in particular, of course, Europe. This was achieved thanks to the full realization of Lyxor synergies which were achieved in the first half of the year, representing €60 million on a full-year basis as announced and has been recorded, I would say, in advance compared to the initial plan. Thanks to these synergies, but also our ongoing cost-efficiency efforts that help us finance the investment we are making in our development initiatives, in particular technology. As a consequence, our adjusted cost-income ratio was 53.2%, basically stable compared to 2022 and again, the best level in the industry.

High net income in 2023

To finish, an increase in revenues by around +2%, an increase in cost by around +2%. So very logically, our operating result also increased by a bit more than +2%. It was complemented by the strong contribution from our joint venture, our equity accounted Asian joint ventures which represent over €102 million and in particular, the very strong contribution from our Indian JV, which I mentioned, and whose contribution to our net result is now close to €80 million.

As a consequence, our adjusted net income reached more than €1.2 billion, €1,224 million to be precise, an increase of +4% compared to 2022. It should also be noted that at constant market conditions versus the average of 2021, our adjusted net income grew by +7% per year on average compared to the normalized level of 2021. It is to be compared with our growth target that was set when we announced our strategic plan for 2025, which was an average of +5% of growth over the 2021–25 period. So you can see that Amundi's high profitability has translated into a good financial performance despite the higher risk aversion coming from the volatile market.

Let me finish with a word about the financial situation, which obviously remained very robust.

Robust financial situation

At the end of 2023, our tangible net equity does not take into account the distribution of the dividend we are proposing at €4.1 per share to be paid in June. So this tangible equity was €4.3 billion, up by +0.4 billion compared to the end of 2022. This reflects the accounting net income for the year, 1.2 billion. And conversely, the dividend paid on our 2022 results, 0.8 billion, in last May. I now leave the floor to Valérie for some words of conclusion before we can take your questions.

Conclusion

Valérie Baudson
CEO

Very quick conclusion to tell you that I think that we showed that our diversified profile, our agility to answer to our client needs according to the macroeconomic context, the long-term growth drivers that we are in – passive management, real assets, Asia, technology – and our globally high level of profitability allow me to be absolutely certain that we will continue to create value both for our clients but for our shareholders as well in the next months and years.

Thank you for your attention, and we are, of course, at your disposal for any questions.

QUESTIONS AND ANSWERS

Cyril Meilland: Okay, so we will first take the questions from the room, then we'll take them from the phone. I will also have a look at the questions from the webcast. And I will just relay them as they go. Nick, first question.

Nicholas Herman (Citigroup): Yes. Good morning. It's Nicholas Herman from Citigroup. Thank you. Thank you for the presentation. Two questions from me, please. One on the SBI JV and one on the Alpha Associates acquisition.

So on the SBI JV, another impressive quarter of growth, a really strong year. I guess what is the latest on the plans to IPO part of that business? And what do you need to see from a market perspective in order to proceed?

On the acquisition, I'd like to dig a little bit more into the rationale, please. I mean, I hear you that multi-management is a growth area. Private markets are clearly a growth area. But why does this make more sense to you rather than doubling down on directs? And then maybe moving into

semi liquids? And I guess that's certainly a route that other managers seem to be going down.

And I guess just a follow on from that, on growth. I see the +15% average growth rate over the past five years, although equally the last couple of years have been a fair bit slower and certainly slower than the industry. So could you give us a sense of the business plan expectations for growth? And then within that, the retail, are we talking about more retail-retail, within the retail networks, or is it more high-net-worth and Third-party distributors? Thank you.

Valérie Baudson:. Very good questions. On SBI, you know that we had decided with our partner SBI to postpone the potential IPO. There is no news on that front. We'll see. No emergency. So for the time being, no specific news. Sorry. On SBI, you had another question about the market?

Nicholas Herman (Citigroup): Just what you were looking for in order to proceed—

Valérie Baudson: In order to proceed with the IPO, you mean? Well of course, as you know, we are a minority shareholder on SBI so it's also a question of what is the agenda of SBI, which is a huge group, as you know. And once again, I'm going to tell you, on our side, the way it is today is perfect. So we're not pushing for it, but it might come back at some point. But no reason to see it in the very short term.

On Alpha, I will let Nicolas be more precise on the business plan, but the rationale on the multi-management is really as I said it. Well, first of all, you need in this kind of operation, you need to find a good company, good fit, good financial discipline. And I think that you can see that in this area we are delivering all the time. But specifically, on the multi-management, we really feel that in the next few years it will be an area which will grow faster than some other direct assets because of this search of our clients for diversification.

It is a capacity, as such, to be able to select properly asset managers. They have very strong expertise, a very long track record, but it also allows us to enlarge very significantly the offer in private equity, in private debt, in infrastructure. So, for all these reasons, we have a strong conviction that the growth we expect will be delivered, no doubt. This is for institutional clients.

And for your question about retail clients. As of today, private assets are really very much reserved to very high-net-worth clients, for obvious reasons. As you may know, in Europe there is a new ELTIF format which will be much more practical, efficient and easy to use, I would say, for more affluent clients, but not very wealthy ones. And once again, with these types of clients, diversification is absolutely key. It's key for them to diversify the risk. It's key also to be able to introduce different brands, different teams, different track records. So multi-management is honestly the best way to enter these areas for this category of clients. And as you know, we can have access to a lot of retail clients through all the 600 distributors we're working with in the world. So we are once again pretty sure we can deliver on the targets.

Nicolas Calcoen: And the question on the business plan. I would say, on a standalone basis, we would probably be a bit more cautious, at least in the short term, in terms of projection of growth compared to what has happened in the past. But the good thing is, Alpha will not be operating on a standalone basis, it will be integrated in Amundi Group, it will benefit from the distribution capabilities of Amundi Group all across the world for institutional clients and the design of retail solutions that we can propose to our client base in retail and distribution. And as a consequence, our business plan taking into account these synergies account for, in fact, an acceleration of growth of the activities coming from Alpha.

Tom Mills (Jefferies) Thanks very much for taking my questions. I have two please. Firstly, I think in 4Q, we'd seen Invesco return to net inflows in their Great Wall China JV and they were talking a little bit more constructively around the outlook there. Could you maybe provide some thoughts on how you're seeing things develop this year for both of your China JVs as well?

And then secondly, I think there's quite a broad expectation that a number of banks are going to add inorganically to their fee income as interest income peaks and starts to decline. Do you see more scaled competitors presenting a more competitive threat? And perhaps more specifically, I think there's some speculation out there around what Natixis Investment Management may do over the course of the next six months. Could you rule something out there, any kind of transaction with them?

Valérie Baudson:. On the JV side. Your question was really about the growth perspective of our JV globally. Is that right? The first question.

Tom Mills (Jefferies): The China JVs specifically.

Valérie Baudson: The Chinese JVs, okay. Nicolas and myself missed your first. Okay. Well, for China in the next few months, what we expect is to go on seeing the stabilization and hoping that we will see growth starting again, but probably slowly. We do not expect a booming market in 2024. We really focus very much today – and once again, I'm going to tell you something I already said, but China for us is really a long-term story. I mean, we know for sure that this market is going to continue growing. And this is obvious because of the growth of the country, the growing wealth of the country, which requires more saving solutions. There is a very important factor with China, which is that the population is aging fast as well. So, it's not the case for the time being, but we know that at some point there will be strong retirement solutions needs, which will accelerate the growth of this market. So we're in China with two very strong partners, ABC on the one hand, BOC on the other. We're on the FMC fund management and on the wealth asset management. So we have strong positions. We are happy to see that the market has stabilized, but we're here for the long run, and we will see the growth. On the short term, we do believe that obviously India and South Korea will be more dynamic for next year.

On the consolidation topic globally – and of course, I will not comment on any competitor. What I will remind you, and I think you know that well, is that we are a natural consolidator. Of course, we have the capital that Nicolas was showing again. So we told you that by 2025, we will try to go on reinforcing our organic growth through acquisitions. Of course, in life you always need to have a seller and a buyer at the same time, a good fit and good financial conditions. But if this is happening, you can be sure that we will be here.

Hubert Lam (Bank of America): Good morning. It's Hubert Lam from Bank of America. I've got three questions. Firstly, on Alpha again. A couple of things on it. Firstly, on the revenue synergies, can you talk about your confidence around the revenue synergies? Because if you look at the revenues of Alpha today, it’s €50 million, but the revenue synergies are 20, right? So it's about 40% of the revenues you expect to be higher from revenue synergies. So it's quite important how we think about your confidence around the revenue synergies and where they come from. That's the first question.

And related, another question in regards to Alpha, is about the earn-outs. Can you talk about what are the milestones or what is needed to pay the extra – what is it? €190 million, is it? – additional to the vendor. Like what do you need to achieve to pay the extra amount?

Second question is again on the consolidation. Can you remind us how much excess capital you have? And also, after this deal, are you still looking to do more deals within the private space? Or is this it for now?

And sorry, one last question, on fee margin. I think on one of the charts you show 17.7bps for the fee margin for the year. But I think if we calculate the Q4, it's actually lower at like 17.1, 17.2. Should that be the starting point when we think about fee margin for 2024? It's obviously a lot lower than what you had for the year. Thank you.

Valérie Baudson: I'm going to let Nicolas be more precise on the figures, but on the confidence we have about the revenue synergies we are announcing today, it is high. It is high because the team and the company have a good track record but they do not always have access to the right clients because it remains a small team, very localized in a part of Europe, and we have a much, much stronger client base that we can introduce them to. So if we add the track of the team, the experience of the team and the distribution capacity of Amundi, it makes us very confident about delivering the revenue synergies that we are announcing. On the earn-out, Nicolas, you want to give some more details again?

Nicolas Calcoen: As we have explained, less than half of the total possible price, €160 million, will be paid immediately. All the rest will be deferred progressively over the next five years and will be under the condition to a certain minimum increase in revenues. So in line with the business plan. It's a way to have a structure which is very secured. You have in mind that the net result – it was the previous page – the net result we expect for this year is €18 million. So what we pay upfront is €160 million. So it's already a return on the first year of a bit more than 10%. Over the next years, we expect the revenues, and hence the result, to increase significantly. Both, I would say on a standalone organic basis, but also with the synergies we will develop. So the revenues, the results will increase significantly. Progressively over the next five years, we will pay more, but that's why we are comfortable in saying that within three years, and even more in five years, the return on investment will be above 13%.

Valérie Baudson: The idea maybe on the structure of the deal was first to make sure that our shareholders feel that this was really a very added-value deal in terms of financials. And second, to align very clearly the management team and ourselves on the strong development of the company.

So the way we organized it was really to make sure that we feel super comfortable about the growth. And we do. We do really.

On the second question, which is the excess capital. So it's around €1 billion, Nicolas?

Nicolas Calcoen: Pro forma of the acquisition of Alpha.

Valérie Baudson: Pro forma of the acquisition, of course. And answering your question about what we're looking at, there is no limit to what we are looking at as long as— So to answer very precisely, it could be private assets again. There is no limit as long as, one, it does accelerate organic growth in areas which are strategic for us. Second, as long as financially it complies with our usual discipline. And third, as long as we feel that the execution of the deal will be efficient and doable, because that's always, not only the deal, but what you do with the deal afterwards which counts for you, for us. And this is a very important point. And typically, with Alpha, we have a strong cultural fit. We know that the teams will fit well within the Amundi world and that they will fit well with our client base. And that's why we are very confident. So it can be a question of distribution in a new area or to reinforce our distribution capacities in new areas like what we did with Sabadell in Spain a few years ago. It can be to reinforce some expertise. It's what we're doing with Alpha today. It could be in technology if ever there was something interesting. So, no limit to what we're looking at as long as it complies with the various conditions I was mentioning.

On the fee margin, Nicolas, you want to answer?

Nicolas Calcoen: I think you know it already, we shouldn't concentrate too much on quarterly data. We do not look at it, because from one quarter to another quarter, you can have some categories of fees that are not purely linear. What is important is to see, I would say, the longer trend. I don't know if we can go back to the slide. You can see that on the three-, four-year period, the margin has been quite stable, remarkably stable. There's a slight decrease this year; it's due to what we said and the product mix. More demand going to lower risk, lower fee margins. If we think, going forward, probably in the very short term, this trend, due to the market trends and the demand should continue. But when risk appetite will come back, we have a very large set of expertise, and when risk aversion decreases, we will be ready to promote and sell more products with a higher risk profile and probably with higher margins.

Valérie Baudson: Our strategy – if I can just add – our strategy is very clear. What we want is to make sure that our clients feel that at Amundi they get what they need at the time they need it. So we are not pushing things which are not adequate for them. Obviously last quarter, this quarter probably again, we will go on with the same trend, but it's also a way to make sure that they trust us and to make sure that they feel they can find everything at Amundi. So we are not pushing this topic of margins. We want to make sure our clients feel very confident with what we offer them.

Bruce Hamilton (Morgan Stanley): Thanks. Bruce Hamilton, Morgan Stanley. Just a couple of questions from me. Firstly, on the evolution of client demand as you see it in 2024. Obviously, we've been in a period where treasury products are being in high demand given the rates environment. From your discussion with your various distribution channels, do you see that changing and how do you see the path in 2024?

And then secondly, just some more clarification on the acquisition. So if I'm understanding it correctly, the near-term opportunity is really to distribute into a broader set of European institutional clients. And I assume typically it is going to be smaller institutions because larger ones will go direct. And then in terms of the retail piece, we agree on a five-year opportunity that looks quite significant, but are you already set up with ELTIF products or is there some product innovation that has to happen and so there's quite a big time lag? So how do we think on that? Thank you.

Valérie Baudson: Well, on the distribution, the situation we have today is rather linked to the level of the rates actually. So of course, when you see the level of the rates, we have clients who feel very comfortable with treasury products, or the active fixed-income maturity products, which are super-efficient as a promise to the final retail clients and which are also a way for us to fight… I'm sure you saw that with what we've done with the French retail networks, it's also a way for us to fight and to compete with the on-balance-sheet saving solutions that the banks, of course, are pushing. This is true in France. This is very true in Italy as well. Or the competition, as Nicolas was mentioning, of sometimes the Govies as such. So I would say, it's quite obvious right now in January 2024 this trend is going to last. And then it will depend a lot about what's happening with the rates and the capacity to re-embark more risky solutions during the year. That's what we see as of today. The second point was about— Sorry, I didn't write the question.

Nicolas Calcoen: Alpha. The second question was—

Cyril Meilland: Clients. Smaller size.

Valérie Baudson: Smaller size of clients.

Nicolas Calcoen: Expanding the client base.

Bruce Hamilton (Morgan Stanley): I guess I was trying to just understand. So it sounds like the near-term growth is from extending the client pool from fairly Swiss-based to more pan-European. That institutional client base, I'm assuming, would be at the smaller end because larger clients will go direct. And then on the retail side—

Valérie Baudson: And then on the retail side, the ELTIF topic. I remember that. Thank you. Sorry, Bruce. On the institutional clients, you're absolutely right. It's more second tier than first tier. But you sometimes see first tier clients investing through multi-management as well. I mean, actually the clients we already had at Amundi investing into our multi-management solutions are first-tier clients. So it's not as simple as that. It can be first tier client as well, but very efficient for second tier ones. And, and as you know Amundi addresses all of them, so we will not put any limit, of course, to the introductions.

Speaking about retail clients, we do already have ELTIF formats. I would say the capacity to deliver the format is already organized in Luxembourg, so we do have everything in place to push quickly the solutions to retail clients, to answer your questions.

Nicolas Calcoen: And maybe to complement on the retail side, it's obviously designing products such as ELTIF that are purely private market, for example, with diversification, a bit of private debt, private equity and so on. But it can also be through introducing in a long-term, multi-asset product designed for more affluent clients, introducing or increasing the share which is allocated to private market within this kind of product, especially, for example, in the framework of retirement program. And that's a way to expose in a moderate and reasonable way this type of clientele to this expertise.

Valérie Baudson: So you may know that in a UCITS fund, you can include up to 10% of this kind of solution according to regulation. So it can be sold as such, as Nicolas was saying, through ELTIF format, for instance, or included, packaged in, I would say, usual liquid active funds as a share of a fund.

Bruce Hamilton (Morgan Stanley): Thank you.

Arnaud Giblat (BNPP Exane): Thank you. Good morning. Arnaud Giblat from BNPP Exane. I've got three questions for you, please. So if I focus on your highest margin business – which is retail ex-JV, ex-money markets, ex-BOC – you had -€2.7 billion of outflows in Q4 with good traction in ETFs and good traction in structured products. So, I'm wondering if you could talk about where there is a weakness, where are you seeing the outflows?

And if I zoom in on that, I'm wondering if real estate is part of the area of weakness. I mean, there's been significant write-downs, not just for Amundi, but across industry in the SCPIs. Is this a risk? Or has it been an issue this quarter and is it a risk in the future?

And my second question, or rather my third question, is on the acquisition again on Alpha Associates. Could you name which distribution partners we should be looking at, on the retail side, where you'd expect to see some strong traction? I'd assume it's maybe Société Générale Wealth or Indosuez, but is there any specific distribution partners where we should be focusing on?

Valérie Baudson: Outflows, where we saw them it is mostly, as Nicolas mentioned it, multi-asset solutions in the context of, once again, the risk environment, and real estate, you’re right, but actually less than we were expecting. As you could see, it's -€2 billion outflows which is, considering the market, we could have expected more. And it is limited to -€2 billion. It's -€2.1 billion exactly, if I remember well. So there are some outflows, but at a very slow pace from what we see. So that's for your question one and question two. And it's true for SCPI or for other real estate formats. There is no specificities. In France there is OPCI as well, but it's the same. There is no strong acceleration recently at all.

On the distribution, there is absolutely no limit to it. It's not specific to Société Générale or to Indosuez. We feel also very comfortable introducing the solutions to any third-party distributor. There is no reason we would promote these solutions to our retail partners only. I remind it – just to make sure that you all have it in mind – today the retail distribution business of Amundi, roughly 45% are historic partners. So Crédit Agricole, Société Générale, UniCredit, etc., and 55% external third-party distributors. So there is no reason to reserve it to one or to the other. Obviously, we will introduce them to all. That's for the, I would say, the direct promotion. And if some of our portfolio managers on the multi-asset side consider it's useful for their own performance to include Alpha Associates’ strategies in their own portfolio, they will do it, whoever they work for.

Michael Werner (UBS): Thank you. It's Mike Werner from UBS. I had two questions, please. First on Alpha. Can you just confirm how you expect to integrate that business? I know you have an existing multi-manager operation. Is there cost synergies? Do you plan to keep it at arm's length? Just trying to think about how that business gets integrated within Amundi.

And then the second question, perhaps for Nicolas, I guess, in financial income we saw a pick-up obviously in recent quarters. Can you just give us an idea of the kind of yield you're generating on the cash balances that you have and how you expect that to progress as we look forward. Thank you.

Valérie Baudson: *Alors*. On the integration. We really want to let this company— There is no cost synergies. I mean, it's not a big deal of cost synergies that we can make on the active management on this area. I think we didn't even take into account any cost synergies. Obviously, there will be some. We will probably at some point share the same tools, but it's not significant. I mean, this is really growth synergies. And this team is working very well, functioning very well. We want to leave it as it is. There will be a common management, of course. They will be in the business line of what we call ARA, Amundi Real Assets, Alternative and Real Assets, but they will stay the way they are. So we will really focus on the revenue synergies. Nicolas, on the second point.

Nicolas Calcoen: On the financial income, it's obviously very much linked to the level of interest rates and in particular short- to medium-term interest rates. So today, let's say around 4%, and probably staying so in the months to come. And as I would say to everybody, we expect to have a decrease somewhere probably in the middle of the year.

Angeliki Bairaktari (JP Morgan): Good morning, and thank you for taking my questions. It's Angeliki Bairaktari from JP Morgan. First one on flows in international networks. There is another BTP Valore placing in February in Italy. Shall we expect still weak flows from the Italian networks in the first quarter given that context?

Then, second question on your Korean joint venture, which, as you pointed out, has produced very good net flows this year. What type of products are sold there? Are they predominantly in the retail space? And also, if you can tell us what is the average margin on those products?

And third question, I think in the press release, you mentioned that you reached €400 billion of assets under administration at Fund Channel. Is this platform now only administering Amundi's assets or also third-party manager assets? And how do you envisage growth in that business going forward? What is the next step for that platform? Thank you.

Valérie Baudson: All very good questions. Italy is not a question of partners or not partners. The Italian market, considering the new BTP offer will be as it was last year a difficult one for everyone. No more, no less. And it's not specific. You know that in Italy half of our assets are with third-party distributors as well, so it's not only about partners. It will be for the market overall. No reason to see anything else.

On Korea, it's quite a diversified mix of business. There were significant flows in institutional business, but also in retail. So it's a complete, I would say, set of business. It's not only one or the other. And on the margin level, Nicolas, you have that in mind or not?

Nicolas Calcoen: Margin level is more than Amundi because there are no big mandates such as we have. So I think it's probably around 30bps. I will check.

Valérie Baudson: We will confirm to give you the right figure.

Nicolas Calcoen: And in terms of expertise, it's quite diversified. It's mainly local assets but fixed-income, multi-asset, equities. And also, they are launching and they have an ETF range. And also the share of international assets is increasing as the economy is getting more open to investment in overseas assets.

Valérie Baudson: On Fund Channel, you're right, we did not come back to it. I don't remember if we said it last quarter. So we have new clients; we won especially a very large one with ABN. So the way the platform can progress is twofold, actually. The first one is by winning RFPs like the one we won with ABN, for instance, and of course, it's a longer-term process than the one of asset management. But when you are in, you are in for a much longer time as well. So winning a big client is always a strong step, a long process, but a strong step forward.

And the second way is convincing very large banks to switch and to buy, to give this activity to Fund Channel by taking a little share of the company. It happened already with some of the competitors. So we are following right now both ways. And one of the big steps of this year with Fund Channel was to finalize completely the level of the offer to make it super competitive compared to the other ones. And this required the link between CACEIS and Fund Channel for the execution. And this has been completely done. So once again, we confirm the ambition on Fund Channel.

Cyril Meilland: I think Angeliki had a question about the share of Amundi's assets under distribution. It is obviously a multi-manager platform.

Nicolas Calcoen: It's a majority of non-group assets and the development is on non-group assets.

Mandeep Jagpal (RBC Capital Markets): Morning, everyone. Mandeep Jagpal, RBC Capital Markets. Thank you for taking my questions. Two from me, please. First one, on institutionals. Some good wins in the last two quarters. Are you able to provide any insight on the institutional mandate pipeline and which asset classes these might be in?

And then one more on Alpha Financial. As you mentioned, it's a relatively small team with a strong track record. Are there any structures in place to ensure that key people are retained following the transaction?

Valérie Baudson: Yes, we do. We did not forget that. It's important. So, for the second question, the answer is yes, of course.

And for the first one, honestly, on the institutional side the variety of clients and their geography is so big that I'm not sure I could give you a strong trend. If I put aside corporates. Of course, corporates, it's about treasury. But if I look at pension funds or strong sovereign funds, very large sovereign funds, it can be very diversified according to where they are and what are their investment strategy and capacity. If I had to give you some hints, I would also tell you that globally we see rather risk aversion and some cautiousness and more RFPs on the bond side and on the equity one. But it's a bit difficult to give you one trend only because these are really very, very different clients according to the one you're speaking to.

Cyril Meilland: Okay, there's one last question over there.

Sharath Kumar (Deutsche Bank): Thank you. This isSharath Kumar from Deutsche Bank. I have two more questions. So first one is on Amundi Technology. It was encouraging to see the growth pick-up, and you previously spoke about the current environment partly responsible for slightly sluggish growth versus your 2025 ambitions. But if I extrapolate the current growth over the next two years, I still see you would fall short of about €40–50 million. So just wanted your take on where you are with your 2025 target of €150 million?

And second one is on performance fees. I know you were a bit cautious on the pre-earnings call, but even with the strong rally I was surprised to see it halve versus like 4Q 2022 level. So was it ESMA guidelines which were responsible? So would €120 million be the kind of going run rate? I wanted to have your thoughts. Thank you.

Valérie Baudson: On the run rate, I will let Nicolas answer to make sure we deliver the right figures on performance fees. On Amundi Technology, at the level of the development we are, extrapolating this way is very complicated because it's still a one-by-one case basis, client basis. So, we can have suddenly very big clients or we can have several smaller ones. I honestly would not be able to extrapolate. The only thing I can tell you is that we are convincing every day more and more clients. We have several of them, which are competitive, and we are gathering more track records in various countries and various environments. Typically, to give a few examples, I think we gave them in one of the slides, we are working this year with a Dutch pension fund which installed ALTO PMS. We just installed ALTO Wealth and Distribution in Spain recently. We just won a Swiss private bank. So all these additions of new clients in new geographies with our new offers are making us stronger and stronger and will generate new business. But it's not as linear as some other activities could be. So I honestly would not be able to extrapolate. What I'm seeing is that the growth is here. We can convince our clients, and we're very happy to go on investing in this area.

Nicolas Calcoen: Regarding performance fees, I don't think there's really something such as a run rate for performance fees. It's really, by definition, a relatively volatile line of the P&L because it depends on relative performance of a very strong variety of funds. But the good thing at Amundi is we have a very strong variety of expertise across the board, so there are always some that are performing and some less performing. If I try to give some direction, just going to the past, what we have seen in the past that on average on a yearly basis, we manage to have in average around €160–170 million on average, but with significant variation from one year to another, from less than €100 million. 2021 was more than €400 million; it was really exceptional. What we can say is that the impact of the new ESMA guidelines should have progressively, as they got completely implemented, an impact of around -30% in our, I would say, capacity to generate performance fees. So with these two numbers, I think on a very long-term directionally, it can give you what we can generate. But again, from one year to another, it really depends on the market conditions and of course, the relative performance of all our teams.

Operator: The first question from the conference call is from Carlo Tommaselli with Société Générale. Please go ahead.

Carlo Tommaselli (Société Générale): Yes. Good morning. Thanks for the presentation. I have two questions, please. The first one is on Alpha generally. Do you have the capacity to integrate more than one deal at a time? Or Alpha is small enough not to matter.

Number two is about Italy, again. Flows were weak in the fourth quarter, again. We had deposits and sovereign competition impact. But the distribution agreement with UniCredit is clearly a key topic. So my question is, are you already in talks with the bank’s management for a renegotiation of the agreement, or is it too early to do that? And are you considering to raise the rebates to the bank network in this respect?

Valérie Baudson: Thank you for these very transparent questions. Seriously, on the capacity to integrate two transactions, I'm going to answer it depends a lot on the transactions. Speaking about the one we are making now, it is very specific. As we were mentioning, there are no cost synergies. To answer very clearly to your question, if we had a new deal coming in the next few months, it would not be a problem at all. I would have answered something else, for instance, when we were doing Lyxor, because this was a huge deal of cost synergies where the whole machine has to work on it. Here it's completely separate and focused on revenues. So no limit to do something else in the near future.

On the Italian market, and once again, it's not only about UniCredit. And you were mentioning the flows were low in the last quarter. I would like to have figures to give you, but I'm pretty sure they were, in relative terms, better than for competitors.

Nicolas Calcoen: For the full year on open funds, the outflows were more than -€20 billion for the whole market. I don't remember for the last quarter.

Valérie Baudson: I'm absolutely certain that we've done better in relative terms. And I'm very confident that we will do better in relative terms. But not avoiding the fact that the Italian market will be a difficult one whoever it concerns in the next few months. And of course, on UniCredit, I reassess the fact that our contract is ending mid-2027.

Carlo Tommaselli (Société Générale): Okay. Very clear and transparent.

Cyril Meilland: I think there's another question on the call.

Operator: The next question from the conference call is from Pierre Chédeville with CM-CIC. Please go ahead.

Pierre Chédeville (CM-CIC): Yes. Good morning. I hope my question hasn’t been asked because I have been cut briefly. My first question is regarding India. Last week, one of your competitors said that it was seriously considering entering the Indian market by external growth. And I was wondering if apart from your partnership with SBI, you could consider external growth in India, or if you were bound by your agreement with SBI? And what do you think about external growth and more competition in India?

And my second question relates to your real asset part. A significant part of real assets is real estate. And I was just wondering, in the current context of difficult times with real assets, if you could give us a little bit of colour regarding the valuation of these assets and the idea for your clients. Thank you very much.

Valérie Baudson: We answered actually already on the real asset side. And my answer was to say that, of course, considering the market, there are outflows on the real estate, which are actually rather limited compared to what we could have imagined. So that's my point and answer on the real estate.

Pierre Chédeville (CM-CIC): I was not really talking about outflows, but the mark to market of these assets.

Valérie Baudson: The valuations are being done so I have no answer right now on that topic; it's too early, actually, to give you an answer on that point. Sorry for that, but it's not finalized.

On India, there is no limit, to my knowledge, but honestly, there is absolutely no interest for us at all to do anything else than to work incredibly well with SBI. I remind you, SBI is the first bank of India, 25% of market share of the banking industry in India. We have come in, let's say, ten years from 0% market share on the asset management industry to 18% market share. We know that we will go on growing very fast, so I can understand that some people want to invest in India. But on our side, we have the best partner ever.

Pierre Chédeville (CM-CIC): Thank you.

Cyril Meilland: Okay, this time this is it. It seems that we are finished. Thank you very much again for your participation and for your attendance for those of you who are here. We are obviously available with Thomas for any follow-up questions that you might have. And in the meantime, have a very good day and a very good rest of the earnings season. I know that you have been kept busy, so talk to you very soon.

Valérie Baudson: Thank you very much.