First Quarter 2022 Earnings Call

Friday, 29th April 2022

Introduction

Anthony Mellor

Head of Investor Relations

Good morning to all of you. This is Anthony Mellor speaking. Welcome to this call. I'm in the room today with Nicolas Calcoen, Deputy CEO, Domenico Aiello, CFO, our speakers of the day. Nicolas, the floor is yours.

First Quarter Highlights

Nicolas Calcoen

Deputy CEO

A solid quarter in a less favourable environment

Thank you very much Anthony and good morning to all. It's a pleasure to be with you today to comment with Domenico on the results of the first quarter of the year. As an introduction, I just want to highlight a few elements demonstrating that we had a solid first quarter in a less favourable environment. Three points in particular I would like to highlight: the level of activity with good medium-term and long-term assets; the good start of the Lyxor integration; and the resilience of our net earnings.

Good level of activity

So first point regarding the activity. We clearly witnessed dynamic asset gathering during the first quarter, building on the momentum of previous quarters. Despite the crisis in Ukraine, as you may have noticed, we raised €21 billion of long-term assets excluding JVs, thanks to a good performance across almost all our expertise and client segments. We can highlight in particular the fact that all our client segments did well but in particular the retail segment, with €14 billion of long-term assets, and within retail in particular third-party distributors performed well across our main geographies, demonstrating the strength of Amundi's business model in open architecture.

Our joint ventures also contributed very well to this dynamic, both in China and in India. It's also important for me to highlight that we raised €9 billion of new assets in responsible investment in long-term assets, confirming our leadership in that regard.

Assets under management up 15%

Overall, our assets under management rose by 15% compared to last year and are still above the €2 trillion threshold that we reached at the end of 2021.

Integration with Lyxor

Second point of satisfaction, I would say the fact that the integration of Lyxor is proceeding as planned and is already starting to bear some fruits from a commercial point of view. Clearly the combination with Lyxor helps us to amplify strong asset-collection momentum in passive management, and in this first quarter, Amundi is the second largest ETF provider in Europe. Our market share in flows in Europe reached 22%, so well above our combined market share of 14% in AUM in stock, so confirming that the integration with Lyxor has reinforced our commercial drive.

In addition to this good business momentum, we can say that the integration is well underway. Amundi and Lyxor teams are working closely together. All Lyxor teams joined Amundi locations during the first weeks or the first months of this quarter, and we already started to implement the migration plan of Lyxor operation to our IT platform. The first IT migrations that took place in March and April were successful.

Robust net income despite less favourable environment

The third element I wanted to highlight is the fact that despite a less favourable environment, we recorded robust net income, which is up by 5% compared to last year thanks to three factors: the integration of Lyxor, a strong increase in revenues, and continued strong operating efficiency. Revenue in particular rose by 9% thanks to the good business momentum but also still elevated performance fees. We clearly showed resilience in the face of the crisis in Ukraine and I can just mention here and reiterate that our residual exposure to Russian and Ukrainian assets is close to zero. And finally, we continue to keep operating expense under control and thanks to that maintaining an excellent operating efficiency.

So globally this result is a good proof of the resilience of our diversified business model and has put us in a good condition to face the rest of the year.

Domenico, I give you the floor to give more details on this first quarter.

Activity in First Quarter

Domenico Aiello

CFO

Markets were more volatile and declined in Q1 2022

Thank you Nicolas and good morning to all of you. I will start my presentation from page 7 with a brief overview of market conditions for the first quarter of 2022. An environment that was, as Nicolas said, less favourable and more volatile. More volatile in equity markets, with indices that were lower as of 31st March compared to the beginning of the year. If we take for example the EuroStoxx, it was down by 9%. Indices are generally lower as well on an average basis. If we compare the first quarter to the last quarter of 2021, again the EuroStoxx for example minus 5%. But you will note that markets are still higher compared to the first quarter of 2021, testifying to the strong increase that we experienced last year in equity markets.

Sharp movements in interest rates

To be noted as well that interest rate markets saw sharper movements compared to the recent past, with long-term rates displaying a sharper increase in an inflationary environment with rising spread at the same time.

Assets under management €2,021bn

Up 15% year on year

In this environment, if we move to slide 8, Amundi's assets under management reached a level of €2,021 billion as of 31st March 2022. As Nicolas mentioned, this is a 15% increase over 12 months. This is thanks to a combination of net inflows, market performance over the period, and of course the integration of the Lyxor assets that happened at the end of last year for €148 billion.

Down 2% this quarter

Over the first quarter of this year, assets under management decreased by 2%. This is as the result of the market effects and the conditions that I mentioned just before.

Strong inflows of medium/long-term assets, outflows of treasury products

€21 billion in the quarter

Regarding the flows for the quarter, we can now move to page 9, we recorded strong flows in medium and long-term flows. This is €21 billion, as Nicolas mentioned. It's important to note that these flows were spread across active and passive management as well as real and alternative assets and were driven both by retail clients, which contributed over €14 billion of flows, as well as institutional clients that represent the difference, around €7 billion.

Inflows to joint ventures

To be noted that the inflows in the joint ventures were also very important, with over €8 billion of net new money.

Outflows of treasury products

On the other hand, we experienced outflows in treasury products, around €26 billion. But as you know, these products have a tendency to be potentially more volatile and even more in the current rates environment.

So in summary, we can say that business was overall resilient in the first quarter, with a slowdown since the start of the Ukrainian crisis.

Retail (excluding JVs)

Strong activity particularly with third party distributors

I would like to move now to page 10 and comment in some more detail on the activity with retail clients. As I mentioned, medium/long-term flows in retail were €14.4 billion to be precise, mainly driven by activity with third-party distributors that contributed nearly €11 billion, and confirming the trend that we saw in the course of 2021. The activity with third-party distributors was quite diversified, with strong contribution coming from different countries; from Continental Europe, for example Italy, Germany, Spain, but also from the UK.

Passive management

Inflows were particularly strong in passive management, around €7.7 billion, but also were significant in active management.

International networks

In international networks we had flows that still were quite strong, €1.3 billion, and these were driven in particular by our partner networks in Italy and Germany.

Chinese subsidiary

Maybe a word regarding the activity of our subsidiary in China that was launched at the end of 2020 in joint venture with Bank of China. The activity was overall strong in the quarter, with €2.3 billion inflows and as a result, assets reached €13 billion. However, you should note that activity slowed down in March, partly due to the general market context but also because we started seeing on the one hand the impact of the first maturity of funds that were launched a year ago, and on the other hand of course the impact of the lockdown implemented in China in particular in response to the sanitary situation.

French networks

Maybe to conclude just a word on the French networks, where we saw strong flows in medium and long-term assets for approximately €1.3 billion in the quarter, but those inflows were offset by continued outflows in structured products. This is totally in line with what we experienced and already described in the course of 2021.

Institutional clients

Medium/long-term inflows €6.6bn

I would like to move now to page 11, to give you a few comments on our activity with institutional clients. This featured well in the first quarter. Net inflows in medium/long-term assets were at €6.6 billion. Important to note that all segments were positive, in particular institutional and sovereign clients, as well as group insurers. Net flows were also pretty diversified across different expertise, active and passive management. A good level of inflows in real assets and again strong contribution from ESG solutions that allowed us to win new mandates. I can give you an example of these; a green social and sustainable bond mandate that was won in Germany.

I mentioned before the outflows in treasury products. Of course, these are concentrated in the institutional segment and more particularly in the corporate segment.

Inflows driven by passive management, multi asset solutions and real and alternative assets

I would like to move now to page 12 to give you some additional information about medium/long-term inflows by investment expertise. This is of course excluding joint ventures. Of course, Nicolas hinted at this in the beginning, but here you can see the details.

Passive management

Approximately half of the inflows were driven by passive management. More precisely, €10.6 billion of net inflows. This was in turn driven in particular by ETF, that saw inflows of around €9 billion, displaying a strong commercial performance. As mentioned, this allowed us to catch a 22% market share of flows in Europe in the first quarter, that is well above our market share of assets, showing good momentum in our business and of course the strong contribution of Lyxor despite the ongoing integration.

Active management

Important to note also that net inflows in active management were significant, over €9 billion, mainly in multi-asset solutions. And here it is important to mention the very good performance of our investment team, of our products, in a difficult and volatile environment. In particular I should mention that over 80% of the assets under management in open-ended funds feature in the first two quartiles according to Morningstar rankings, whether we look at one, three or five year periods.

Real assets and alternatives

Last but not least a strong contribution to inflows from real and alternative assets, €2.6 billion, and this is pretty diversified. We collected new money in private equity, private debt, real estate and liquid alternatives.

Joint Ventures

Good business momentum

I would like to move on to page 13 to maybe give you a few more details about our joint ventures. So it was mentioned that inflows were good, were strong, at €8.4 billion.

India

Let's start with India. SBI MF inflows were €3.6 billion, both in retail and mutual funds, and this was in equity or fixed-income products as well as ETF, but also inflows coming from institutional clients and pension funds despite seasonal outflows from money market products. I would like to also underline that market share increased to 16.9% for SBI MF at the end of March 2022, and this confirms the leadership of SBI MF in the market.

China

In China, so here I'm talking about our minority joint venture with Agricultural Bank of China, net inflows were also strong at €3.6 billion. This excludes the recurring outflows in what we call channel business, that were however limited over this quarter.

South Korea

And just to finish, a word on our joint venture in South Korea with NH, where inflows were also quite substantial at €1.8 billion.

First Quarter Results

Domenico Aiello

CFO

Growth in net revenues

I think we can now move to page 15 to illustrate the results for the first quarter of 2022. So first of all, growth in net revenues. If we take net revenues excluding financial income, they stood at €846 million in the first quarter. This represents a 9% increase compared to the first quarter of 2021 on a reported basis and it would represent a 3% increase over the same period on a comparable Amundi-Lyxor combined basis.

Management fees

More in details, how do we get to this 9% increase? Net management fees, that represent the bulk of our revenues, stood at €766 million, and this represents a 16% increase over Q1 2021 on a reported basis but also a 9% increase on a combined basis. So this means that apart from the contribution of Lyxor consolidation, net management fees were strongly up over 12 months, driven by strong inflows in medium/long-term assets as well as, of course, the growth in equity markets.

Performance fees

Performance fees were lower compared to the first quarter 2022 but still at a high level of just over €70 million. We will see some further details in the next page.

Technology

And to conclude, importantly, a word on the contribution of technology. With revenues for the quarter at around €10 million, increasing over previous quarters, so you see the progression, Amundi Technology continues to consolidate its development with a portfolio at the end of the quarter of 42 clients, and importantly also continues to develop its offer, for example a new robo-advisor offer was developed within the ALTO Wealth and Distribution module.

So all in all, just to reiterate, good momentum in revenues.

Performance fees level still high

And as I mentioned, an additional word perhaps on performance fees, page 16. As we did in previous quarters, we give you a longer-term perspective quarter by quarter of the evolution of performance fees. Once again, it is important to underline that over the past several quarters, performance fees were at a very high level, thanks on one hand of course to the quality of our investment teams, but also thanks to the very sharp rise in equity markets from very low levels in 2020 to much higher levels in 2021 and continuing to be up until the beginning of 2022. As we already mentioned in the past, the level of performance fees is expected to continue to normalise in the next quarters, given the muted market conditions over the recent past, and we know of course that there can be significant movements from one quarter to another. So, taking into consideration all these elements, we remain rather prudent on the level of performance fees that can be achieved in the next quarters.

Continued operational efficiency

Operating expenses

We spoke about revenues, so now if we move to page 17, a word on operating expenses. So, continued operational efficiencies with total costs in the quarter of €423 million. This represents nominally 12.5% increase versus the first quarter of 2021 but again if we compare on a combined, comparable basis over the same period, the increase would be just over 3%. Such increase is driven mainly by fixed staff cost due to salary increases and recruitment than we realised over the past 12 months, and continued development in growth areas, notably, if I should mention just one, Amundi Technology.

Cost/income ratio

So our costs remain strictly managed as demonstrated by our cost/income ratio that is reported at 50.6%. If we look at cost/income ratio assuming a normalised level of performance fees, this would result in a ratio close to 52%, that would therefore be rather stable compared to the first quarter of last year.

An increase of 5% in adjusted net result vs Q1 2021

And maybe moving to page 18, in conclusion, as a result of revenue increasing and costs being under control, our adjusted net result reaches the level of €324 million in the first quarter 2022. Still a high level, thanks to the high level of revenues, as I mentioned, including performance fees of course but also thanks to the consolidation of Lyxor. This adjusted net profit represents an increase of 5% compared to the first quarter 2021 and around 2.8% on a comparable basis.

Income statement for Q1 2022, Q4 and Q1 2021

I think we can go briefly through page 19, because you have the full profit and loss over the periods, but nothing significant to report in addition to what I've already mentioned. Perhaps I can just add a note, the contribution of the equity accounting entities, essentially the Asian joint ventures, that contributed strongly in the quarter with €20 million.

Conclusion

So in conclusion, we are on page 20, we can summarise by saying that the activity remained rather solid and resilient despite an external environment and international context that became certainly less favourable during the quarter. The Lyxor integration is in progress and on target and we are very satisfied with its contribution so far. And finally, the good results of the quarter and the operational efficiency demonstrate once again the relevance of Amundi's diversified business model.

I think that with this we can now open to questions from the audience.

Q&A

Haley Tam (Credit Suisse): Could I ask three, please? The first one on Lyxor. I think from memory it's a €60 million cost synergy target there and I just wondered if you could clarify for us what the run rate might be that you've achieved at the end of Q1.

Secondly, in terms of Lyxor and the passive fund flows that you've seen, which were really impressive, in Q1, €10 billion is a lot higher than the combined run rate you were seeing last year. Could you talk to us about any of the specific drivers of your 22% market share in this reinforced commercial drive since the acquisition. Is there any specific products or asset classes or anything like that? That would be great.

And then my third question just on fund flows, you talk about a sharp slowdown since the outbreak of the war in Ukraine. Can you confirm this is a general comment across all channels and regions or it's anything specific that you're calling out slowing down more than elsewhere? Thank you very much.

Nicolas Calcoen: Thank you Haley. On your first question, on cost synergies, first of all yes, we plan to have around €60 million of cost synergies. We confirm this number. For the moment there's almost no synergies or very limited in the first quarter. We need to progress in the integration, the IT migration, and then in the future some adjustment in the range of products to deliver these cost synergies. So no worries, we confirm them, but nothing significant to report in this first quarter.

On the passive management flows, specific drivers: not really. It's really across the board. And in terms of expertise, there's of course still a good contribution from ESG products but it's really across the board. I think we benefit from the fact that we have a combined range of products which is even more diversified and we also benefit from the cross selling. We are planning to address Lyxor clients also with Amundi or ex-Amundi ETF and vice versa. And with very good momentum and very good spirit, I want to point it out, in our teams, and it's especially satisfactory considering the fact that they are very much also dedicated to the integration, to prepare the migration, and so on.

And regarding fund flows and the slowdown we are seeing, no specific elements there either. It's a slowdown and we don't see outflows. There's no panic at all but I would say after a significant market movement, it's expected, and it's a little bit across the board, I would say.

Nicholas Herman (Citigroup): Just a couple of questions from my side, please. One on the architecture agreement, one on cost and one on pipeline. So on architecture, just a question on the SG partnership agreement that was renewed in mid-2020, so almost two years ago. The agreement saw an opening of the architecture such that Amundi products must now represent at least 67% of sales versus 80% before. So just curious what percentage of sales Amundi products comprise now. Are they less than 80% and if so, approximately by how much less?

On cost, given the more unsettled market outlook, can you just remind us how you're thinking about cost and give us a sense on how much discretionary spend you could seek to flex if the environment gets more challenging? And as part of that, if you could also remind us how much of your G&A costs are linked to AUM, that would also be helpful.

And then finally just on product pipeline, just curious if there's anything you can say on pipeline for real and alternative assets, please? Thank you.

Nicolas Calcoen: Okay, thank you. Maybe I take the first one and Domenico the two other questions. On SocGen new agreements, yes, indeed, they were signed at the end of 2020, so 1.5 years ago.

To be honest, yes, the intent of the agreement is to have a little bit more of open architecture. We cannot disclose details about the activity with various partners. What I can say is that the relationship is good. We had over the last two years, a good business momentum. And I would say the share of our products in the mix of products of SG is above the minimum that was set in the agreements. Regarding costs?

Domenico Aiello: So I think the question is what is the discretionary spending in our cost? What can be flexed? Well, of course, what is really variable is variable compensation by definition. So it is the most important element of our cost base that is discretionary, we can say, within staff costs. And then I would say that within other operating expenses, you have a number of expense lines that you can’t really easily flex in the shorter term, and other elements where you can work as they are very discretionary, such as travel, events, parts of the communication budget, consultants and so on. But for the rest, you would have to work a little bit harder to flex them.

I think there was a question on the pipeline for real and alternative assets. Is that the question? I would say normal. I mean, we are not going to disclose the pipeline, but I would say it is neither particularly strong, nor it has dried up because of the current situation.

What I can add, perhaps, is that, of course, now when we talk about the real and alternative assets, we do talk also about the liquid alternative that is the new activity coming from Lyxor. So, of course, here, this is the object of potential cross selling, because it is something that we did not have at Amundi, and therefore, something that, of course, can be of interest for the commercial networks of Amundi.

Nicholas Herman: If I can just ask a couple of follow ups, please, just on the SocGen. You said it is above the minimum. I mean, is it below the prior minimum figure? And on cost, if you just remind us how much your G&A costs are also linked to AUM? That would be helpful.

Nicolas Calcoen: So we do not disclose the specific data with our partner. And regarding the cost, there is no costs specifically linked to the level of AUM.

Domenico Aiello: What do you have in mind exactly, Nicolas, to clarify? Are you talking about SocGen again or in general?

Nicholas Herman: General. I was just curious if there is any costs that are just linked to AUM? That is all. If it is not, if it is pretty fixed, then fair enough. But then you have answered my question.

Nicolas Calcoen: It does not mean they are all fixed. They have no link to AUM. There are no cost that are indexed on AUM.

Arnaud Giblat (Exane BNP Paribas): Three questions, please. Could I first ask on JVs? So this quarter, I think you have reported about 2.7 basis points of profit contribution that is nearly 30% below the previous four quarters. And that is despite actually, probably from what you are saying a good mix shift in terms of assets. You have lost like very low margin businesses in previous quarters. So could you tell us what is going on there? Second, could you maybe update us on how you are seeing the M&A environment? Are there opportunities? How do you think about your required return on investment capital? I mean, previously, I think you said you are targeting deals if they can achieve, let us say, a ROIC of greater than 10%? Has that changed in light of the cost of capital going up generally across markets? And thirdly, can you give us a bit of colour on the sales pipeline profile? Are you seeing a number? What sort of incomings are you getting for RFPs, et cetera?

Nicolas Calcoen: Maybe I will answer to the question on M&A and I can start with pipeline, and Domenico on JV contribution if I understood well.

So, on M&A, our philosophy has not changed in terms of general approach. We are opportunistic. We look at opportunities if they arise. If they can help us accelerate in our development plans, in particular, in distribution expertise. And the criteria has not changed. We indeed have some financial criteria, which is to have a return on investment of 10% or more, within three years, and we are not changing that. There is no change in the approach.

Maybe the question on JVs?

Domenico Aiello: Sorry, I am not sure how you perform your calculation. I suppose you take the total contribution of JVs divided by assets maybe. But anyway, just to give you a more general answer, of course, there can be movements from one quarter to the other, like it could happen for us, there could be some small elements of variation, including the fact that, for example, the end of the fiscal year period for the joint venture is not exactly the same for all of them.

But apart from that, maybe one thing that you could consider is the fact that back in the third quarter in the ABC-CA joint venture, there was the loss of a rather large mandate, with a quite good margin and that probably impacted a little bit the profitability of ABC, which is now slowly recovering as we add additional assets.

Nicolas Calcoen: And regarding the question of pipeline, I will maybe more broadly reflect on the perspective. Of course, I would say the macroeconomic environment, the geopolitical environment is obviously less favourable now than what it was last year until the beginning of the year. This adds uncertainty. The volatile market environments can create a more risk averse behaviour from clients, that is what we are seeing over the recent periods with slowdown on inflows.

But again, no panic at all. We are not seeing outflows but a slow down. We will see how it goes in the months to come. What we can say is that on medium term, we are confident in our ability to continue to grow because we have a comprehensive offering. So an offer that can be adapted to various market environments. And we are also very well diversified in terms of geographies. So, of course, cannot give any specifics on pipelines, but that is the general trend.

Arnaud Giblat: Sorry, I was asking on the ALTO pipeline.

Nicolas Calcoen: ALTO. Sorry. There is no change. The ALTO business is continuing to grow as expected, gaining quarter after quarter new clients. So that on this quarter we have €10 million of revenue, so continue to progress.

Also something which is worth mentioning is our revenue model. We have service fees, once we have onboarded clients, so regular fees, and we have also some project fees when we are in the process of onboarding clients. So what we are seeing, and which is very logical for a new business, is the proportion of regular service fees growing. I think it represents around two-third of the revenues, but at the same time, there are still project fees that are linked to specific new projects. So these fees are by nature a little bit more volatile. But again, we are on plan.

Also, coming to your question on pipeline, discussions ongoing with potential new clients, sometimes significant, some are smaller. And we obviously confirm the long-term targets to reach revenues of €150 million by 2025.

Hubert Lam (Bank of America): I have got a few questions. Firstly, on slowdown in March flows. How weak was March compared to the start of the year? Or like put it another way, how much of the retail flows were skewed to January, February versus March? The second question is on the passive management flows of €11 billion. How much of that would you say came from Lyxor? And how much of that came from the legacy Amundi assets?

Nicolas Calcoen: There is a slowdown in March compared to a very high level in January, February. We will not give a specific data month by month or week by week, but it is clearly a slow down following the Ukraine crisis.

Regarding the Lyxor-Amundi mix, I do not know if Domenico has the answer. But my answer whatever the number, it does not matter. We are one company, one group, one team, so it does not matter.

Domenico Aiello: Well, I do not have it here in front of me, but I am pretty sure it really came from both. We collected both on, let us say, 'Amundi or Lyxor' products.

Michael Werner (UBS): Two questions, please. On ALTO, just going back to that business. Can you just give us an idea as to where you are winning the mandates? Are they mostly

French-based managers? Are you winning them throughout the continent? As well as just how we should think about the competitive advantage for this business from how is the pricing of ALTO compared to say competitors? And then secondly, in terms of the boost, or the pickup in passive flows that we saw in Q1. I think our data shows that with acquisitions in the past, we tend to see a boost in near term flows, which tend to normalise over time. Do you expect to be able to maintain that 20%-plus market share of passive flows in Europe over the next couple of quarters, like we saw in Q1? And then one final quick one. In the past you used to provide average AUMs in your presentation. I did not see that in this presentation. Is it possible to provide the average AUMs ex-JVs like you have in the past for Q1?

Nicolas Calcoen: Okay, thank you. On ALTO, where are the clients? I think was the first question. Today, the client base is majority in France, but progressively we are gaining new clients and also having a pipeline, which is much more diversified in terms of clients. It is in Europe mainly, but diversifying.

And in terms of the competitive advantage, I think there are several dimensions. The fact that it is a very modular and flexible technology, partially because it is a cloud based, so it is very flexible. Also part of the advantage is the fact that it is a secure private cloud offering.

I think the comprehensive aspect of the range of service around the ALTO technology is also a key feature. We can provide different bricks. We can provide only the software, but we are also in the capacity to propose services around that including, for example, middle office services. And the last point is what you mentioned, it is a competitive offering. So we know that price is also an element that has to be considered given the strong efficiency of Amundi and that also the IT platform overall benefits from the size of Amundi itself. We are in the position to be also competitive in terms of price. Sorry, I forgot the second question, Domenico?

Domenico Aiello: I think question on average AUM or margin.

Nicolas Calcoen: Can you repeat it briefly, Mike?

Michael Werner: Yeah, sure. So sorry, there was also another question in there. Just how confident are you in your ability to maintain that above 20% market share in terms of the passive flows in Europe, like you saw in Q1, as we go out through the rest of this year? And then yes, average AUMs in Q1, if you can provide that ex JVs as you have in the past, that would be really appreciated.

Nicolas Calcoen: So on passive management, overall, our objective, and that is what we said, is to continue to gain market share, meaning having a market share on inflows above market share on stocks. That said, I cannot guarantee it can be that good every quarter and it can be always above 20%. But obviously, the target is to continue to gain market share, and to benefit from the growth of the market.

Domenico Aiello: And maybe on the average AUM, excluding JVs. Maybe we provided in the past, but we prefer not to do it on a quarterly basis because we do not want to focus too much attention on that and on margin which, on a quarterly basis, can be bumpy. We prefer to concentrate on longer term trends. And in any case, as you know, we do not manage by margins. So to say, margin is the result of what the business provides us. And we want to continue to build the business based on flows. Having said that, I think you can relatively easily reconstruct it, if you want.

Bruce Hamilton (Morgan Stanley): Three from me. One on China, one on third-party, one on Italy. On the China, BOC JV. Just to check. So all of the product you have been selling there is one year duration. Is that how we should think about it? So it is not mutual funds structure. So you got to run quite hard in terms of recycling, just to understand. And then maybe also just the residual ABC channel assets just to update. Second question on third-party. In terms of the sustainability of flows, obviously that has been very strong in the last two quarters. So it does look as though there has been some structural step up in the level of inflows, even if I adjust for the €3 billion UK mandate when you got in Q1. So can you help me to understand that and whether there is anything else that is not sustainable in what you are putting in Q1? And then finally on Italy. I think at the time of the Pioneer acquisition, it was about €90 billion of assets that were sitting within the international networks. Can you update on where that number is now, because my understanding is that is the bit that would be covered by the exclusive distribution agreement? And on that agreement, is it a similar 80% requirement like the SocGen original one? Or is it different?

Nicolas Calcoen: So, on China, first question was on China and BOC nature of products. Indeed, a large part of the products that are one year product, maturity product relatively short or medium duration I would say. It is not specific to our JV. It is a type of product that is really very successful in China, especially in the wealth management segment. It does not mean that our subsidiary does only this kind of product. We have also more traditional product.

But today, the majority of the products are of this nature, because that is the market demand today in terms of wealth management.

You also had a question on the channel business.

Domenico Aiello: Yeah. The question is, how much is the stock still left? It is between €11 billion and €12 billion, which is relatively similar to what we had at the end of last year, because the outflows there were quite low this quarter.

Nicolas Calcoen: So it means that we still have the level of €12 billion to exit in the coming quarters, but again, a very, very low margin, so almost no impact on the profitability.

And you had a question on third-party sustainability. The answer is our structural setup. I think it is just a consequence of the fact that proactively we open new relationships. We are more and more recognised. We invest in the brand. And we also have an offering, which is reinforced by the Lyxor acquisition, where the ETF business is obviously very strong in third-party distributor. So is it sustainable? I cannot guarantee every quarter will be as the last two quarters, because the market environment was also very positive, but we are confident that we will continue to grow in that space. It is clearly an area of development, subject to, I would say, the evolution of the market. It is clearly an area of growth for Amundi. And regarding Italy, I am not sure.

Domenico Aiello: The question was Italy or UniCredit overall?

Bruce Hamilton: Yeah, sorry. So it was UniCredit. So of the international network assets, I think when you acquired Pioneer, €90 billion basically went into that area, which would have been the UniCredit distribution relationship, I assume. So I just wanted to get an update on roughly where that number was today? And I assume that that is the only part of the Pioneer assets that would be covered by the exclusive distribution agreement secondly? And then thirdly, in terms of terms, are they similar to the original SocGen terms, so 80% of their flow is Pioneer product, or is it different?

Nicolas Calcoen: So in terms of the overall assets with UniCredit, we are probably looking at somewhere around €100 billion, maybe €105 billion today, roughly speaking. And in terms of the different distribution agreements, we have not disclosed specifically all these details, so we cannot disclose them.

You have to appreciate that also each network has its own sort of different rules, characteristics, and so on.

Angeliki Bairaktari (Autonomous Research): On the cost, can we assume that the Q1 level that we see is a good run rate, of course, before taking into account any synergies from the Lyxor integration? Then in terms of your passive products, can you remind us, are you going to co-brand the passive product suite at some point? Or are you going to maintain the Amundi brand name or Lyxor brand name separately? And then a last question on the Robo Advisor solution that you mentioned with regards to ALTO. Is that going to be rolled out to the existing clients that you have at ALTO? Or could it also be rolled out with other distributor relationships that you have in your retail channel?

Nicolas Calcoen: Domenico, maybe on cost?

Domenico Aiello: Yeah. So I would say that you could consider it a good run rate, let us say, overall. If your point is that this is a run rate and then you assume to add synergies on top, maybe the only caveat, I would say, is that, as you know, and as we have done in the past as well, we also want to continue to develop. So I think that you should expect also that, synergies maybe also be utilised to continue to develop our business. You should make that assumption as well.

Nicolas Calcoen: Regarding the issue of branding for passive products, we will be moving to Amundi brand only. Today, the products themselves have not changed, so you have, still, products that are from one or te other, but I would say the overall corporate brand, including for this activity, is Amundi. And after the product range streamlining will be done, every product will be Amundi. We really think we can leverage on the strength and the recognition of Amundi, I would say, around the world and avoid to have two brands.

On the robo-advisor solution, it is part of the offering; maybe I also should have mentioned that. ALTO has various components. One component is the portfolio management component, ALTO Investment. You have, also, a Wealth & Distribution component, so it is a service that is more dedicated to distributors. It includes reporting and advisory tools, it includes DPM, Discretionary Portfolio Management, tools and it includes robo-advisor, so that is part of this offering. Then we have a few other, a more specific offering, dedicated to asset servicing, for example, or for the savings and retirement solutions in France.

Coming back to the wealth and distribution offering, the robo-advisory tool is part of it. So it is, I would say, not supposed to be rolled out only to existing distributors or clients, but it can be offered to other new clients.

Anthony Mellor: Next question.

Gurjit Kambo (J.P. Morgan): Hi, good morning. Just two questions from my side. On the structured products side, so we have seen the outflow slowing, what sort of environment could you see structured product sales starting to pick up? Would it be higher rates or increased volatility margins; is that generally good for structured products?

Then, secondly, on performance fees. I know that it is very difficult to predict it going forward. I think the average, you say, between 2017 and 2020 has been around €42 million. Is that a reasonable proxy as a quarterly run rate? I guess, in terms of the performance fees, how much are they based on relative performance versus absolute performance? Thanks.

Domenico Aiello: Yes, hi. So on the structured products I will say that, as you know, the main issue, as we described in the past, was not so much the gross flows or the ability to create products that could sell well with clients, but it was rather the abnormal level of exits that were driven by both the normal maturities, plus, on top of that, this additional layer of autocalls that were driven by formulas being achieved and triggering these automatic exits from the products.

So, going forward, I would expect that we will continue to be able to, let us say, have enough products to be sold to the networks and a level of redemptions that are linked to these autocalls to normalise over time. So it is not necessarily a matter of the external market conditions, except that, of course, certain, specific market conditions could allow you to issue some specific products.

Regarding performance fees, I would say that, yes, you are right, it is completely difficult to predict them, they can be very volatile. What we would expect is a much lower level in this coming quarter, simply driven by the fact that now market levels are less supportive, compared to the strong increase that we saw in the past. Then, of course, this does not question the medium to long-term possibility to still be at our so-called normalised levels of performance fees.

Gurjit Kambo : Great, thank you.

Domenico Aiello: Sure.

Jacques-Henri Gaulard (Kepler Cheuvreux): Yes, hello gentlemen. It is Jacques-Henri here from Kepler Cheuvreux. A question on your stock price. You are doing everything right, your results are good, even in good or bad circumstances, but your discount versus peers is enormous and keeps widening, to a large extent. Is it something that concerns you now at management level? Discussing with some of your shareholders, we were even thinking about why not take the company private. Is it something you would consider?

Last question is, have you finalised a date for the publication of new financial targets? Thank you.

Nicolas Calcoen: Thank you, Jacques-Henri. So commenting on the share price, I think it is not our role to do it. We really focus on the medium-term development and we are sure that, with the development prospect, the growth perspective for Amundi and the resilience of the model, it will be recognised. There is no project at all to have the company going private.

Regarding the second question, yes, regarding –

Jacques-Henri Gaulard: The financial targets.

Nicolas Calcoen: – medium-term plans, as you know we are listed. We are also part of the Crédit Agricole Group that announced the prospective to have a new plan in June, and of course we will announce targets and objectives in coordination with the Crédit Agricole Group.

Jacques-Henri Gaulard: Thank you.

Anthony Mellor: Okay, there are no more questions. Have an excellent day. Bye.

Nicolas Calcoen: Thank you very much to all.

Domenico Aiello: Thank you. Bye.

[END OF TRANSCRIPT]