Amundi Q2 & H1 2024 Earnings Presentation - Transcript

Cyril Meilland

Good morning to all and welcome to Olympic Paris. As you know, it's the day of the Opening Ceremony of the Olympic Games for 2024. And it's also the day when we published, this morning, our Q2 and first half results.
I'm Cyril Meilland, Head of Investor Relations, and I'm here to introduce you to this conference.

I will first spare you the reading of the disclaimer. Unfortunately, as you know, it's a requirement, especially in the prospect of the operation with Victory. So I will not read it, but please keep in mind that it's on the second page of the slide deck, and I strongly encourage you to actually read it.

In terms of housekeeping, we will also be very grateful if you could open your camera so that we have a real live dialog, face to face. During the Q&A session please raise your hands. I will then unmute your mic and you will be able to ask as many questions as you want after the presentation.

Now back to the funnier part.

"Altius, Citius, Fortius". As you know, this is the Olympic motto.
It's for you to judge whether it is also the best way to appreciate the results we published this morning, but definitely Valérie Baudson, our CEO, and Nicolas Calcoen, our Deputy CEO, are here to demonstrate that Amundi is in Olympic form. And so I will leave the floor to them to detail the results.

Valérie Baudson

Thank you very much Cyril and good morning to all. Thank you for attending this video conference to present our Q2 and H1 results.
So as usual, I will first comment on the highlights of the quarter and then I will leave the floor to Nicolas who will detail our activity and results. Before we take your questions.

So Amundi posted a very robust performance in the second quarter as much in terms of sales as in terms of profitability. And we have continued our development in the key strategic areas that we had prioritised in our Ambitions 2025 plan.

To illustrate our high level of performance, let me mention a few very telling figures. Starting with the business with our clients: we gathered in the second quarter more than +15 billion in net inflows, very much diversified between active, +8 billion, and passive management, +6 billion. Our net profit, at 350 million in the quarter, showed a strong growth of more than +9% compared to the same quarter last year, and the growth in profitability is the direct consequence of our business momentum, which was supported by our revenue growth of +8% year on year.

We took advantage of two boosters to leverage this top line performance into a solid profit growth. First, the further improvement in our cost efficiency, taking our best-in-class cost income ratio to 51.9%, and of course the fast growth of our JVs. I will come back to that. This growth in profitability was achieved in parallel with our development along our strategic priorities.

So I would especially like to highlight this quarter our momentum in Asia and with Third-party distributors, two topics on which I will elaborate in the coming slides.

And finally, as you know, since the beginning of the year, we have signed two deals that will boost organic growth in key markets.
First, the acquisition of Alpha Associates, which was closed at the beginning of the second quarter. And so we now have the first full contribution from this business. The integration of the teams is underway and we have presented a new ambition in the private market multi management business to Alpha's and Amundi's clients. New strategies are about to be launched and we shall give you more details when we publish our Q3 results.

And second operation we have signed as you know, the definitive agreement with Victory, a significant milestone in this new partnership. When the deal closes in early 2025, Amundi will participate in the development of a very successful franchise in the US and we shall be able to offer our clients outside the US a wider range of high performing US strategies.

So now let me give you a few more details on our growth initiatives.

So as I was telling you, I would like to start with Asia. You know, this is our second home market after Europe, with a full set up, a deep footprint across the continent and a large asset base with a very diversified and large range of clients. We now already manage more than €450 billion for Asian clients. And just as a reminder, this figure was multiplied by four in less than ten years.

As you can see on the chart, this asset base is well spread across the continent and across many client relationships. This was achieved thanks to the retail distribution partnerships with leading local banks via our joint ventures, but also in our third-party distribution business line, thanks to our unique combination of investment management expertise and capability to offer services. We have also developed a strong relation of trust with key institutions in the region, in all countries.

You have a few examples, at least on this slide, which is really, which is obviously far from being comprehensive. And in addition to these retail partnerships and direct institutional business, most of our joint ventures have themselves, developed over time their franchise with institutional and retail clients. Our Indian JV, for example, already has independent distribution channels, both physical and online, to address the client base outside SBI branch network.

So globally, to this large Asian client base, we sell both locally managed and international strategies, and we have started exporting some of our local strategies. For example, this quarter those managed by our Indian JV that we exported to Japanese clients very successfully.

So for me this very strong franchise and setup is really a solid launchpad for our business in the continent.

As you can see on the next slides, we have gathered +€22 billion from euros from our clients in the region in the first half of this year. This is a record level representing a very high net flow rate of 10% annualised. All countries and client segments contributed to this performance. Of course, India stands out with more than +€12 billion. You know that, our JV SBI MF is the market leader with 18% market share, takes the advantage from a booming local market, obviously. But what is really interesting is that all major countries posted a significant contribution to growth, with a special mention to China, where we gathered more than +€3 billion in the first semester, half from our two JVs, with BOC and ABC, and the rest from our direct institutional business.

It seems that the local market the good market for mutual funds, which has been as you know, a bit hard recently, is now really stabilising. And in China. Last but not least, we have also reached a new milestone in technology and services since Amundi Technology has signed during Q2 our first deal for ALTO with a major local bank, Bank of Beijing.

So as a consequence, the contribution to revenues and profits from Asia increases. And a good illustration of this is the acceleration of the profit contribution from our JVs: +25% in the second quarter compared to the same quarter last year. So Asia is definitely a driver for growth. It's a region where we are very confident that we have the right setup with the right partners and we are well-positioned to take full advantage of the positive trends for economic growth and the development of asset management across the continent, as a key solution to invest a fast-growing pool of savings.

Turning now to another huge success of the last 10 years, third party distribution. This business line now accounts for more than half of the total retail segment, more than all the partner networks combined, whereas it was only 40% of total retail in 2020. It has gathered close to €360 billion in assets from its clients, almost multiplied by two once again, since 2020. And it does accelerate with net inflows of +€15 billion in the past 12 months, of which +12 in the first semester. This business line today has around 600 major clients worldwide, a very, very much diversified client base, private banks, wealth managers, retail banks, life insurers. And it is interestingly also developing very fast with online distribution channels, which now represent 26% of its net inflows.

We globally have a lot to offer to these client distributors and their clients. Of course, the full range of investment expertise in active, passive, treasury products and private markets, with, as you know well, a very comprehensive responsible investment offring. But we also propose to all these clients worldwide a wide range of technology and services, covering the full value chain of savings management, including, of course, ALTO, Fund Channel, discretionary portfolio management, advisory tools, fund selection, training solutions, etc.

So in a nutshell, organic engines are doing well, which is great.

We also have been able since the beginning of this year to complement organic growth with two deals, as I was mentioning in the introduction, and this will of course help us to accelerate our development: Alpha Associates, which is now in the integration phase, and Victory Capital, which I will now spend a few minutes on, as we have signed the definitive agreement earlier this month.

So this partnership with Victory Capital was signed on the 8th of July. As you recall, the project is to combine Amundi US with Victory Capital, with Amundi group taking a stake of 26.1% and becoming the largest and strategic shareholder of Victory Capital, and to establish long term 15-year reciprocal distribution agreements between Amundi and Victory. This operation is a unique opportunity to strengthen our presence in the US, fully in line with our strategy in this large country and savings pool.

With this deal, our clients would have access to a broader set of high performing US strategies. This is especially important for our Asian clients, and this access is secure in the long run thanks to the distribution agreements. We also create a strong very comprehensive U.S. investment platform, with large distribution capacity locally in which you would have a 26.1% stake.

So this deal obviously will therefore create a lot of value for our clients, but also for our shareholders. In addition to its promising organic growth prospects, the new combined entity has already identified $100 million of cost synergies, achievable within two years that would boost its profitability.
And all this, as you remember, without any cash disbursement, any issue of new shares. And so the deal will be materially accretive on Amundi's net income and earnings per share.

That's it for me. I thank you very much for your attention. And I now leave the floor to Nicolas for the analysis of our activity and results.

Nicolas Calcoen

Thank you Valérie and good morning to all. I will start, as usual, with a quick overview of market conditions to just set the context of this second quarter. And clearly this was another quarter of equity rally based on average data. The equity markets were up by around +5% in the second quarter compared to the first quarter and by +16% on a year-on-year basis.

Bond markets were, on the other side more flattish, but they were up by close to +4% in average year-on-year basis, thanks to lower spreads on the credit markets. So overall the market effect on our net management fees was positive in the second quarter.

Also to be noticed that compared to the reference year of medium term plan, 2021 we can consider that the market effect is almost neutral with a positive impact from the rise in equity markets offsetting the negative one from higher rates.

However, moving to the next slide, like in the previous quarters, bullish equity markets were, not sufficient to alleviate the risk aversion from European investors as regards the investment in mutual funds.

You can see on this chart, the evolution of flows from the European asset management industry in open ended funds shows that the activity remained tepid at +€128 billion inflows during the second quarter, showing a gradual recovery. But still far from the level reached in 2020 or 2021. In addition, these inflows were again, driven by passive management or treasury products, to which one must add a return to modestly positive net inflows in active management, mostly thanks to fixed income.

If we now move to Amundi, we can see how Amundi performed in this context. Our assets under management at the end of June 2024 reached a new all-time high, at two 2 trillion and €156 billion euros, which is an increase by +2% in the quarter and on a three-month basis, and +10% over one year. In both cases this was achieved thanks to both net inflows and positive market effect.

So over 12 months, the market effect totalled almost +€142 billion to be precise. And over the same period we gathered positive flows totalling +€65 billion, despite the headwinds I was mentioning in the European asset management market. More specifically in the second quarter the net inflows were at a high level reaching +€15 billion.

So, let's see now where these flows came from, starting on this slide with the split between the medium and long term assets and treasury products and JVs. As Valerie said, the net inflows were at a high level this quarter in medium long-term assets, +€15 billion. This was achieved thanks to high level of activity. In particular, thanks to both active management where we had +€8 billion mostly coming from bonds and passive management with a +€6 billion euros.

On the other side, conversely, treasury products posted withdrawals which are, I would say usual, seasonal in the second quarter. This is a period of time when corporates pay their dividends in Europe and their collective profit sharing and they are cashing out from money market funds.

Moving to the next page, like in the previous quarter, the good level of activity is also related to a sustained good performance by our investment teams across the board.
As you can see, more than two thirds of the assets under management in open-ended funds were in the first and second quartiles, over one year, three years or five years, according to Morningstar, and we have more than 250funds that are rated four or five stars.

I will now move to give you more details about our commercial momentum by client segments, starting with Retail.

As you can see, the net inflows totalled more than +2 billion over the quarter which was a result of contrasting trends. First of all, and as Valérie mentioned, a very strong performance in third party distribution with more than +€5 billion in the quarter, and+€12 billion since the beginning of the year, driven by passive and treasury products, but also with active strategies, posting net inflows for the second consecutive quarter after a difficult year, 2023 for all the market due to a risk aversion.

On the other side, both French and International Partner Networks posted some outflows, partially due to redemptions in treasury products in France for their corporate clients, as I mentioned, but also generally speaking due to the continued risk aversion of their clients and the competition from other saving products. This is particularly the case first in Italy, where again on a new issue of a BTP Valore in May for I think €11 billion was again a strong competitor for mutual funds for all players, and in France regulated savings, with the return this quarter to better yields for traditional life insurance, the euro contracts , which was also a headwind for mutual funds in a market that overall continues to f favour capital guaranteed, secured products like structured products or traditional life insurance. But on the other hand our partner in Spain, Sabadell, continued to post net inflows thanks to the success of our treasury products as well as target maturity funds.

And finally, it will be noticed that Amundi BOC confirmed the stabilization of the Chinese market and the attraction of the open-ended mutual funds launched in the past months by our JV, with positive flows of +€400 million during this quarter.

Moving to Institutional clients, they show a stark contrast between long term assets, where the business was very good, and outflows in treasury products, due to seasonal effects.

So first, very high net inflows in medium long-term assets, more than +€13 billion in total during this quarter. This was driven by several elements, on all client segments, basically.

First of all, very good seasonal performance for employee saving schemes in France as the second quarter is traditionally the quarter when corporate clients issue employee-reserved capital increases and pay their collective profit sharing, and second our partner insurers Crédit Agricole and Société Générale also posted a good level of inflows, unlike the previous quarters, thanks to the return to attractive yields in traditional life portfolios. And therefore a return to positive net subscriptions from their clients. And finally, we had very good inflows in, I would say, institutional clients in particular a large mandate, which was of +€6 billion, which was won during this quarter, so very positive activity in medium long term assets. On the money market side, as I said, net outflows of +€12 billion driven by corporates mainly as they cash out from our products to pay their dividends, as usual, I would say in the second quarter.

Moving now to our joint ventures, we can have a look to their commercial performance. Our JVs gathered overall net inflows in the second quarter of +€12 billion. As I would say, it's almost usual. This includes a very strong contribution from SBI FM India more than +€9 billion. And you might recall that we announced at the publication of our first quarter results that we expected the request for proposals to result in a possible major outflow from our JV
This RFP was related to a very large mandate our JV manages on behalf a major local pension fund, the Employee Provident Fund organisation, which is the largest pension fund in India.
This RFP was in fact postponed, indefinitely so of course we did not experience any outflows related to this topic.

Turning now to the other JVs, they also posted positive flows, in South Korea and, I would say more noticeably in China, where ABC CA like Amundi BOC, confirmed the stabilisation of flows thanks to a good business level in mutual funds.

Moving now to our results, and first our revenues. What characterized this quarter is of course a good level of growth, both for the top line and the bottom line, and this is driven by the high level of activity I just described earlier. To illustrate this, our revenues reached €887 million during this quarter, up by close to +8% compared both to the second quarter of last year and to the first quarter of this year.

This was largely driven by the good performance of our net management fees, which were by +7% on a year-on-year basis. This is due to the rise of our average assets under management of +8% and, we can just notice that this is very positive volume effect, coming from market and net inflows, was only very partially compensated by the impact of the product mix and hence a very slight margin erosion. Concerning the other revenues, performance fees at €50 million, the same level compared to the second quarter of last year, but sharply up compared to the first quarter of this year. This is partially due to a seasonal effect, more funds coming to their anniversary date during the second quarter, but also clearly due to the good performance of our investment teams, I mentioned earlier.
Technology revenues were also up by +10% compared to last year with the continued development of Amundi Technology.

And finally, our net financial income doubled compared to the second quarter of 2023, thanks to the higher level of interest rates.

This very healthy revenue growth was complemented by our good operating efficiency, resulting in a positive jaws effect. Clearly revenues grew more than costs. The increase in cost by around ++% compared to last year results primarily from three elements:

First, the first-time consolidation of Alpha Associates, since Alpha Associates was integrated at the very beginning of April Second, I would say the mechanical impact of the increase in bonuses which relates to the growth in revenues and operating profit; and third, like in the previous years, the accelerated investment in our strategy priorities, and in particular in technology.

So, if you exclude these elements, the growth in our costs was more or less in line with inflation that we observed last year. And we have indeed a very positive jaws effect. And as a consequence, our cost income ratio, which is of course at the best-in-class level decreased to 51.9% during the second quarter.

So, strong growth in revenues, costs that are contained, as a consequence our operating profit rose by close to +9%. And this is before taking into account the strong contribution from our Asian JVs.

As you can see on this graph, in the end our total net income, reached €350 million, which is up by more than +9%, compared to last year. What is important to notice, this growth compared to last year was not caused by performance fees. It was really a consequence of our growth in revenues and contained costs and was, in addition, underpinned by the very strong contribution from our JVs, which is up by +20% compared to last year and reach €33 million, a new all-time high for their contribution to our net result..

Turning now very briefly to the first half of the year, the adjusted net income grew by close to +8% compared to last year and reached €668 million, with trends that are very similar to what we have seen for the quarter. And what is interesting to notice is that this very good growth was achieved despite the decrease by -15% in performance fees compared to last year.

So except for this decline the trends are the same for the first half as for the second quarter: healthy revenue growth of close to +6% on a year on year basis, positive jaws effect with a further improvement of the cost income ratio, and a contribution from our joint ventures, which is increasing by close to +25% compared to 2023It must been noticed that the contribution from our Asian JVs increased by half over the past two years and has more than doubled since 2020, a strong evidence of our successful development in Asia and the strategic relevance of these partnerships.

So, to conclude on our activity and P&L, the key takeaway from this quarter and from the first half of the year, as we said, is clearly growth, and we were able to achieve this growth at the bottom and at the top line levels thanks to the growth of our business, despite the ongoing pressure on margins in the industry.

If we turn to the following page, you can see that our net management fee margin remained almost unchanged compared to last year. Thanks to the diversification of our business model and our assets by client segments, by asset classes, by geographies, we have been able to keep margins despite the erosion from the product mix in the context of risk aversion.

So as you can see, Amundi remains very well positioned to grow its business in a profitable way.

I would like very quickly to finish this presentation of our activity and results with a word about our financial structure. I'll be brief because you know this trademark of Amundi, our balance sheet is more than sound with a tangible equity which keeps growing at close to €4 billion at the end of June.

And this is after paying, of course, our 2023 dividend in May, but also after accounting for the full impact of the acquisition of Alpha Associates. So given these elements, our excess capital remained in the region of €1 billion available for acquisition if we see opportunities.

So I will now leave the floor to Valerie for a few words of conclusion before we can take your questions.

Valérie Baudson

Thank you, Nicolas. And yes, very briefly and to conclude this presentation, I would say that our diversified profile, our long term growth drivers and of course including the two deals we have signed since the beginning of this year, as well as our high profitability, allow us to remain very confident in our ability to continue to create value for clients and for our shareholders, of course.

So we're now at your disposal to answer your questions.

Cyril Meilland

Thank you Valérie, thank you Nicolas. We can now start the Q&A. In order to do this, you have to raise your hand. Many of you have already done so. I will just open the mic and you can freely ask your question and any follow up that you might have. We are starting with Arnaud Giblat from BNP Paribas.

Arnaud, you can open your mic.

Arnaud Giblat – BNP Paribas

Hi. Good morning. Hopefully you can hear me? Yes, thank you.
Three questions, please. Can you give us a bit of an update on the flows at Alpha Associates since you've acquired it ? talk about the product pipeline, potential new client wins you might have had, i.e. selling Alpha Associates to existing client base. How it's going for you?

My second question is on real estate. I understand that the assets are quite sticky but given the past performance, could you talk a bit about the risk of redemptions there?

And thirdly, I was wondering on the JVs we've seen a pickupif I compute the contribution to profit divided by average AuM.We've seen that go up quite a bit quarter on quarter. I'm wondering if there were any one-offs there or if that increase in profitability is sustainable?

And if I, may end with a request, going forward that, would you mind providing annual contract value metrics for Alto? That's the run rate revenues. I think it'd be quite helpful to understand the development there given the lumpiness in revenues. Thank you.

Valérie Baudson

Thank you. Nicolas, I let you update on the flow of Alpha Associates, because I don't have them with me. But what I can tell you before the figures, if Nicolas has them, is that the workshop, which have been organized with both the distribution team and the institutional teams, have been very positive on all sides.

The culture is really..., I mean, the people are fitting well, the dynamism is really here. The team, the team of Alpha was presenting all their capacities to all our clients during the Amundi World Investment Forum. And I heard we have a few deals in the pipelines already. So on my side, I'm really happy about that.

Nicolas Calcoen

Not much to add on the quarter. There was no significant flow just on the quarter oof April but indeed a strong pipeline, a good connection with the teams so hopefully both probably, first on the institutional side but at the same time we're also working on, I would say, retail and wealth solutions it will deliver in the coming quarters.

Valérie Baudson

On the real estate side, as you could see, months after months, the outflows have been real, but not so important, actually. Why? Considering the situation and the market effect. Why? Because it's above all a product that our clients and retail clients buy for the long run for getting revenues out of them and they still get these revenues from all our solutions.

So no significant change on that front. The only one I can see actually is the fact that the ECB has started cutting the rates and that's, as you know, a potential good sign for the future. And we hope, we could see some stabilization in these real estate markets in the next few months. On the JVs, Nicolas you have an answer?

Nicolas Calcoen

Yes, of course. No specific one-offs in the contribution from the JVs. Mainly driven by the development of activity and the growth in asset management revenues and marginally from financial income at the level of the joint ventures but no specific one-offs.

Valérie Baudson

And on your request Arnaud, on the annual contract value for Alto. I think it's a very good idea. It will help you to show the fact that the recurring revenues of Amundi Technology are growing. So let's take that into consideration. I'm looking at Cyril, for the next quarter.

Cyril Meilland

Okay. Thank you. The next question is from Hubert from Bank of America.

Hubert Lam - Bank of America

Hi. Good morning. Thanks for taking my questions. I've got three of them.
Firstly, on the French networks, it seems like this quarter we are starting to see outflows coming from there. I know you mentioned the Livret A and traditional insurance products coming back in vogue. Should we expect outflows trend to continue for this network and more pressure in the coming quarters? That's the first question.

The second question is on the third-party. So thank you for the information earlier in the presentation. In terms of the flows or the products into third party, it seems like it's mainly passives is that I know there is some active as well, but it is predominantly passives as we've seen in the past. Is this because of the mix of clients you have? And also can you talk about the blended fee margin in the channel? Is it similar to the rest of the retail network or different from that?

And lastly on Spain, tell us how many assets you have in Spain today. I know you mentioned that Sabadell was good, but if BBVA takes over Sabadell, would you lose this distribution channel going forward? And if so, what's your strategy for Spain going forward? then? Would you need a new network for your distribution there? Thank you.

Valérie Baudson

Thank you very much Hubert for your questions. So on the French networks as Nicolas very, very well explained. I mean, there is obviously a competition from the bank. There is a competition from the life insurers on the euro contract, which was delivering more recently than previously. So, we've seen that. But honestly... and also maybe on the second quarter there is, as usual an effect on the corporate clients from the French networks. You know that we are covering some corporate clients from the French networks as well, and that's the time when they pay their dividends. So there is always a money market negative effect in Q2, which we can see as well. But I have absolutely no reason to be too worried for the future on our French networks. And we are actually working with Crédit Agricole to push more all the savings solutions within the network. So, no worries on that front.

On the third-party distribution, I don't have the figures with me. Oh, I see it on the screen. Maybe Nicolas will comment again, but it's absolutely true that, and it's not at all linked to Amundi, it's a market trend that you've seen when you look at the flows over the last few months and even years, is that the passive solutions are growing faster than the active solutions within distribution networks. They are more and more discretionary portfolio management through ETFs which are implemented in the network. I think actually it's a very strong strength of Amundi. I mean, being the leader, the European leader in the ETF space and a very strong player in this area is actually a big plus when we compare ourselves to our other competitors which are only able to do and to propose to distributors active management.

So the fact to be able to produce both and to be able to propose services in addition to that is a great strength for us and makes us closer and closer to all these third party distributors.

And the last question about BBVA and Sabadell and Spain. I mean, first of all, Sabadell is doing very well. Second, just for you to note, BBVA is also one of our very large clients, and we're doing very well with them as well. And third, I mean, in the agreement with Sabadell, like all the agreements we signed, it is very protective of Amundi in case of an M&A operation. And of course, we think about it when we sign it. So I have absolutely no worries, according to the situation today in Spain.

Cyril Meilland

Okay. Thank you. And the next question comes from Isobel. Isobel, you can unmute your mic.

Isobel Hettrick - Autonomous

Hi. Thanks for taking my questions. I also have three, please.
So first, going back to the French networks, can you just provide some colour on how client sentiment and engagement developed during the quarter and into the start of July? And particularly, did you see any adverse impacts from the uncertainty of the European and French elections? Please.

And then my second question is on third party flows. So what regions and types of distributors were particularly contributing here? You mentioned digital and online distributors in your remarks earlier and has this flow momentum continued into the third quarter so far?
And then finally, on the Bank of China JV should we really see this now as a point of recovery? And how would you expect flow momentum to develop into the second half? Should we expect just continued slight inflows or do you expect an acceleration? Thank you.

Valérie Baudson

On the French networks, we have of course monitored the situation and honestly seen absolutely nothing specific following the French elections. So absolutely nothing significant happened linked to these events. Second point on third party flows, what I can tell you, I hope the Nicolas has some details in front of him, but what I can tell you is that they are very diversified. I mean, the team is covering retail banks, wealth managers, private banks of course, life insurers. So it really comes from a vast and diversified range of clients, whether in Europe or in Asia. what I could tell you is that we managed this year to, I think it was by the way probably signed at the end of last year, very strong agreements with big institutions. Standard chartered is a very good example, because they are working in 13 countries in Asia and we manage to implement solutions for them in all these countries at the same time. The fact that we are very global and that we are in the capacity to deliver the service in so many countries at the same time is for sure a big plus of Amundi in our network and it helps us. Size matters and the capacity to implement matters for distribution networks. And it is a big plus.
On the specific case of the digital platforms. I wanted to stress it because as you know, in the banking industry and in the financial industry, total digital distribution platforms are growing everywhere, faster in some countries or regions than others. But now we can see that it is growing absolutely everywhere. And we have a dedicated team within Amundi who are covering these platforms because they do require a service which is different. They want very simple solutions, very easy to deliver in a digital way. And we are covering more and more these platforms or digital banks everywhere in Europe and in Asia. And it is, we know it, a source of growth for the future for Amundi So that's good news.

And on the last question, on Bank of China JV, what we see is that the market globally in China, as I was mentioning, in the mutual funds is stabilizing, which is good news. And looking at what is happening in our JV, we really see a new, I would say, a positive trend arising. I do not want to of course imagine the future that I don't know, but the situation looks really better than it was a few months ago.

Cyril Meilland

Okay. Thank you. The next question comes from Angeliki Bairaktari from JP Morgan. Angeliki?

Angeliki Bairaktari - JP Morgan

Good morning. It's Angeliki Bairaktari from J.P. Morgan. Thank you for taking my questions. First of all, how should we think about the revenues coming from Amundi Technology? You had 35 million euros in the first half, but we're still far from the 150 million annual revenue target that you had set for 2025. Have you considered accelerating the growth in that segment through acquisitions?

And then secondly, how should we think about cost growth in the second half? Is Q2, that includes now the Alpha Associates impact, a good run rate for the second half of the year?

And last question on passive. If we compare your passive flows to those of your closest European peer in the first half, you seem to have lost some market share despite the fact that you are number two in theETF in Europe in terms of the AuM stock.
Can you explain the dynamics in passive and do you think it may have to do with the fact that retail penetration in France and Italy is perhaps lower relative to Germany? Or is there something else going on there? Thank you.

Valérie Baudson

Well, thank you very much. On Amundi Technology. If we found, of course, an opportunity of acquisition that seems reasonable which would help us to accelerate our growth and which obviously would have a nice return on investment we would go for it for sure. It's one of our strategic growth perspectives. We have a good team, good solutions and we want to accelerate. So that's possible, yes, if we found something.

On the trend for the second semester, what do we see today? First we've seen and you see that much better than I do, some disappointments in the results season. So we will probably see a little correction. We're seeing a little correction on the equity markets, which seems absolutely normal when you look at the global picture.

But the markets are still very high compared to what they were one year ago. So no worries on that side. The good news could come from the fact that the rates start to being cut, which should help our clients to go back to some riskier solutions. It will come step by step. I’m not able to tell you whether it will be in Q3, Q4 or the beginning of 2025. But the trends should be this one and more than everything

And what I would like to say speaking about the trends and the flows, etc., is the fact that what I think we managed to show you is that whatever the context around us, even in a context where there is really a low appetite for risks from our clients, we are able to deliver them solutions which are really fitting their needs because at the end of the day, economic growth means more savings. The aging of the populations means more retirement needs. So flows are coming in and the key is to be able for us to deliver the right solutions to our clients wherever they are and whatever the context and whatever their risk appetite is. So that's why I'm so confident on the fact that we will go on bringing growth in the future.

And speaking about passive. As you know, I mean, we just finalized the fine tuning of the range of products following, Lyxor integration. It has taken a little bit of time to the teams, which is normal. But despite that, I mean, they managed to raise a lot of flows, whereas they have this work to do in parallel.
It's completely over now, so they will get back more time on that and more time for developing, more time for launching new products. It's true as well, and you are right, that France and Italy are obviously not the most important countries in terms of ETF developments and especially compared to Germany. But we are, as you know, that's very present in Germany and we are obviously benefiting from the growth of the ETF market in Germany, but not only in Germany actually in all countries in Europe and even in Asia, because you probably know that UCITS ETFs in Asia have a tax advantage for clients and we are able to selling them there as well. So I'm really very confident for the growth of business line for the future.

Cyril Meilland

Thank you, Valerie. The next question will come from Nicholas Hermann from Citigroup

Ladies and gentlemen, we would very much like see you face to face, if you could open your camera when you ask your questions, at least that would be very much appreciated.
Nicholas, your line is unmuted.

Nicholas Hammond - Citigroup

Many thanks. Apologies. I'm actually calling through a remote computer. I will not be able to turn my camera on. Apologies For that. I will try to..., I'll go through a different mechanism next time. Hopefully you can hear me. Okay.
Three questions from me, please. First, on client demand, I guess firstly, multi-asset has been depressed in recent times encouraging to see that the large multi-asset mandate.But if I exclude that it seems like the rest of the multi-asset flows will continue to be weak. So I guess just do you see this large mandate as a sign that sentiment could at the margin be warming to multi-asset? Or is this just more of a one off, so to speak? And I guess it'smore broadly, clients remain risk averse that much is clear. But in terms of your dialogwith investors, are you seeing any of your clients shift in preferences? That is the first one?

Secondly, a follow up on the M&A. Just curious, how do you see the M&A pipeline today?

And then finally, on fee margins, could you please segregate the fee margin movement for me, please, overlet's say 6 months or 12 months between margin pressure mix effects and market levels?
That'd be very helpful. Thank you.

Valérie Baudson

Nicolas, if you want to go for it.

Nicolas Calcoen

On the first part, on multi-asset, indeed the mandate we won was a multi asset mandate. And probably if you look at the asset class overall, you need to distinguish between retail and institutional clients. For institutional client, with the development of OCIO activities, mutli—asset is something which remained very positive. on the retail side, it's really linked to what you are saying about risk aversion that affected flows in equities and in multi-asset very strongly. So for the moment we haven't seen any recovery for now but with a possible decrease in the risk aversion, with a possible movement in short term interest rates, we would expect risk appetite, to come back, appetite for long term products to come back and it would impact multi-asset flows.

Regarding fee margins, as you know, we have a very diversified business in terms of geography, product expertise, client base. So the blended margin for the Group is a consequence of these various developments. What we have seen over the last two years and slightly continuing is a more appetite for money market funds, fixed products, simple structured products, so products with a lower margin, and less appetite, especially on the retail side as we discussed, on the equities and on multi-assets. So it has been as for I think all the industry impacting negatively, as I said, the asset mix, but it has been largely compensated, not totally but compensated, by other developments in terms of client mix, with retail that continued to post positive flows, and also by the fact that all our development in Asia, for example, in other geographies, in the US, over the last months compensated for, basically, a lower demand in higher margin products in Europe.

Valérie Baudson

And I think, I'm not sure I understood the question, but I understood M&A pipeline?. I will give you our usual answer. First of all, we have, as you could see, we have been active and we are really spending a lot of time, both Nicolas and myself, looking at any potential deal which would be interesting to accelerate the growth of Amundi whether it's a distribution deal or whether it's, an expertise deal or whether it is a technology deal.

So the first answer I'm going to make is that we spend time, of course, looking at them. And then as usual, it's a question of the good opportunity and the good time for the good price. And we stick to our strategy, which is to really, look at files when only they can accelerate our strategy. And second, with a return on investment which is over 10%. So, with our capital which is free today, I'm confident that we will we will find other operations in the future.

Cyril Meilland

Thank you. The next question will come from Bruce Hamilton from Morgan Stanley. Bruce, your line is unmuted.

Bruce Hamilton

Hi there. Can you hear me? I'm trying to put my camera. You might see me as well.
Thanks for the presentation and all the Q&A, very helpful.
I have three questions. Sorry to be boring.

First one, just going back to the strong growth in the third-party business. Is there any revenue margin implication from that? I think you were asked and I'm not sure we got an answer. So are the margins within retail the same across the networks and third-party?
Or could we actually see an improving trend within retail to the extent that you continue growing more strongly in third party? That's the first question.

Second question on the sort of passive ETF business of CE industry wide, there's quite a lot of focus on innovation around active ETFs. Is that something you're strongly focused on? I guess it's more of a U.S. trend given the tax advantage, but given your comments in Asia, maybe that that's an opportunity or is a way to express, you know, thematic views, for example.

And then final question on Victory. I think you mentioned U.S. products sold into Asia. I'm just interested when you think about the sort of revenue upside case, the revenue synergy opportunity. Is there a particular or is it sort of U.S. product sold into Asia? That's the most interesting. Is it a balance of, you know, European products into U.S. distribution? How should we think about the sort of revenue opportunity? Thank you.

Valérie Baudson

Thank you very much. I will take the active ETF and the Victory question, and then Nicolas I will let you come back to third party revenue implication.
On the active ETF side, you're absolutely right. It's very much an American trend. Why? Because as you know, in the ETF space, in the US, there is a tax advantage linked to the ETF, which is very important and which was the very beginning of the success of the ETF market.
This tax advantage is not present in Europe or in Asia. So that makes a big difference. So what's going on today? First of all, with Victory, I'm making a link, we will benefit from that because if

you remember, I mean, they are manufacturing active ETFs themselves. And on our side, we consider that today, in Europe and Asia, the market is not significant enough. But of course we have more than the capacity to deliver this kind of solutions. If it was growing in Europe. So we are just waiting for the right time. If it comes.

On the Victory Solutions versus Asia. What I wanted to say is that our Asian friends, Asian investors globally, when they invest, first of all, and above all, they invest locally, first of all, in their own country. This is for either history reasons or regulatory reasons. It's still very frequent. So typically, in India and China and this huge pool of savings, I mean, the savings are obviously invested locally. So they are very they are little investments going outside of the country. But still in some of these countries there is a more flexible regulation which allows the clients to invest abroad.

And in that case, of course, that's where we come with all our expertise coming from all over the world. And obviously, the starting point is very often American expertise. They start buying American stocks before buying European ones for cultural and historical reasons. And that's why it was so important for us because the Asian client base is really growing for Amundi, to be able to offer them a very large pool of American solutions.

Of course, it's in addition to our other solutions, the European and the emerging ones. But for them, It's above all American solutions. So that's the reason why we always link the Victory deal to our efficiency in Asia.

Nicolas Calcoen

Coming back to the margin question. In fact, the margins for similar products between the various Retail channels are very similar. Meaning that the margins for active management whether you sell it to a third-party distributors or a partner network are very similar. So if there is a difference on the average margins between third-party and the networks it is just because the mix in terms of passive versus active management is different, but for the same products, same margins.

Valérie Baudson

And often, I mean, we have a lot of solutions which are actually distributed both with our third-party distributors and into our retail network partners. So by definition same price.

Cyril Meilland

Okay. Thank you, Bruce. We can move now to Jacques-Henri, from Kepler Cheuvreux.

Jacques-Henri Gaulard – Kepler Cheuvreux

Yes. Good morning, everyone. Quick question on the earnings, because it's something that you get asked when quarters are not that great. So I'm going to ask you when the quarters are good. If I annualize your net profit, you get to 1.33 billion annualized, your targets more or less hint at 1.4. It really looks doable now. So can we consider the quarter more as a pivot quarter where all the efforts you've done to actually keep and build the franchise, you know, over the last years since you started your tenure, how about two and a half, three years ago, are really going to start to really deliver in a constructive market?

And do you feel comfortable that now is the moment more or less? Thank you.

Nicolas Calcoen

Clearly the target weset for 2025 is doable and we are very committed to the target which was, as you recall, the objective was between 2021 and 2025 to have , an average growth of the net income per year of +5% excluding market effect. Today the market effect is more or less neutral between 2021 and 24. So you can see that we are clearly in line to deliver on the plan.

Jacques Henri Gaulard – Kepler Cheuvreux

And one last question, if I may.. Sorry that I forgot: your stock of excess capital. Maybe at the end of the quarter, if you can give that.

Nicolas Calcoen

Yes. 1 billion euros

Cyril Meilland

Thank you. The next question is from Sharath Kumar, from Deutsche Bank. Sharath, thee floor is yours... No. Doesn't seem to be working.

Valérie Baudson

Maybe we can switch to Mike and wait for him?

Cyril Meilland

Yes, maybe we switch to Mike. Just waiting for Sharath to be able to reactivate. Mike Werner from UBS, the floor is yours.

Mike Werner

Can you hear me?

Cyril Meilland

Go ahead.

Mike Werner - UBS

Excellent. Sorry, Just one question, please. Apologies if it was asked before and some of the answers earlier a bit. But we saw cost growth. I know you explained what's driving the incremental cost growth in Q2, and that was extremely helpful. But we saw that growth accelerated from +3% in Q1, +7% in Q2. And I think really the one big difference is the consolidation of Alpha.
Is this kind of the growth rate that we should anticipate in the second half of this year, or how should we think about that in terms of second half cost? Thank you.

Valérie Baudson

One point, I will let Nicolas complete, but one point in addition to Alpha, of course, but we have the revenues on the other side. What is really important for us is to make sure and I always told you that we have these capacity to monitor costs, it's that we make sure that when we see that the revenues are growing and we have tailwinds, we benefit from that position and period to invest a little bit more, which was the case typically in a reasonable way, on technology for this quarter. The other thing which is obvious as you know well, is that when or profit are growing, by definition, the provision we make for the bonus pool are growing mathematically. So it's part of the explanation as well.

Nicolas Calcoen

Yes, I would just to add that. If you compare, for example, the first quarter and the second quarter the increase in cost, at least half of it is explained by just this mechanical effect of higher provisioning of variable remuneration due to higher revenues. So be sure that we keep costs under strict control and we adapt also our cost planning to the evolution of revenues and profit. And we stick to the guidance, which is to keep the cost income ratio below 53%.

Valérie Baudson

One last point, which is good news for everybody, not only for Amundi, but to our industry, it’s the fact that inflation is clearly decreasing everywhere in the world, not only in Europe, so I mean this is obviously a better environment, even better environment for us for the future.

Cyril Meilland

Thank you, Mike. So we'll try again Sharath and sorry for the technical glitch that made it impossible to hear you. Can you hear us and talk now? No, still not. Seems to be a problem on your side. So I’ll call you after the conference.
There doesn't seem to be any other question. Any follow-up or any second thoughts about any question? No. So thank you very much. And I leave the floor now to Valerie and Nicolas for any concluding remarks.

Valérie Baudson

No, thank you very much. Really. Thank you for being with us today. We obviously, as you could see and understand, are very confident for the future growth of Amundi, linked to all these growth levers we have and I think also organic discipline we have, which is one of our DNA trademark.

I really wish you all a very good summer time. We all deserve it and definitely you probably deserve this as well. And also, good Games, especially if you are interested in sports. We will look at it for sure on our side. Thank you very much. See you soon.

Nicolas Calcoen

Thank you.