

# HY 2022

## Investor Presentation - Sept. 2022

## **Introduction - Who we are**

- 1. What we do**
- 2. 2022 Market Parameters**
- 3. HY 2022 Financial Results**
- 4. How we do it**
- 5. ABC 2022 update**
- 6. 2022/23 Outlook**
- 7. ABC Shares & distributions**

## Who we are

- ❑ **One Business: Quantitative Asset Management.**
- ❑ **One Team: Enthusiastic technologists, building innovative trading systems and asset management strategies.**
- ❑ **One Trading Principle: Quantitative arbitrage on all kind of assets.**
- ❑ **One Conviction: Investing our own Equity in our strategies.**
- ❑ **One Proof: 27 consecutive profitable years with ROE > 10%.**
- ❑ **One Methodology: Risk mitigation & Risk Management.**

# The Group

3 locations around the world



**ABC arbitrage**

Parent Company

Listed on Euronext Paris

● **Paris, France**



**QUARTYS**

Irish Trading Company

● **Dublin, Ireland**

Owned 100% by ABC arbitrage



ASSET  
MANAGEMENT

Alternative Investment  
Fund Manager (AIFM)

Licensed by AMF

● **Paris, France**

Owned 100% by ABC arbitrage



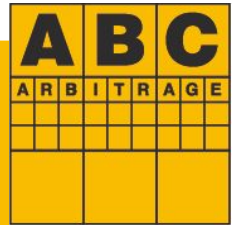
ASSET  
MANAGEMENT  
ASIA

Registered Fund  
Management Company  
(RFMC)

Registered by MAS

● **Singapore**

Owned 100% by ABC arbitrage



# 1. What we do

**Arbitrage: Providing liquidity to the market with systematic mechanical or statistical hedging position**

- ❑ Sophisticated trading techniques using scientific & data driven approach to generate alpha.
- ❑ **Statistical and Event Driven strategies** - focus on niche, mid-short term trading opportunities with capital protection.
- ❑ **40 main strategies**, multi-assets, multi markets on **almost 100 exchanges around the world**.
- ❑ ABC strategies are correlated to **Volatility, M&A activity, Corporate actions and traded markets volumes**.

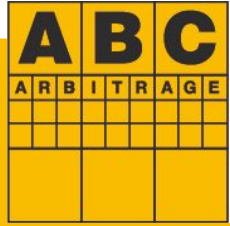
Markets Parameters	Impact on ABC Activity
Volatility on assets	++
Equity Index Prices	=
Rates Level	=
Commodities Prices	=
Strong Markets volumes	++
Weak volumes	-
M&A Activity	++
Corporate Actions Activity	++
Bank credit issue	-
Market Regulation	+



**Volatility**

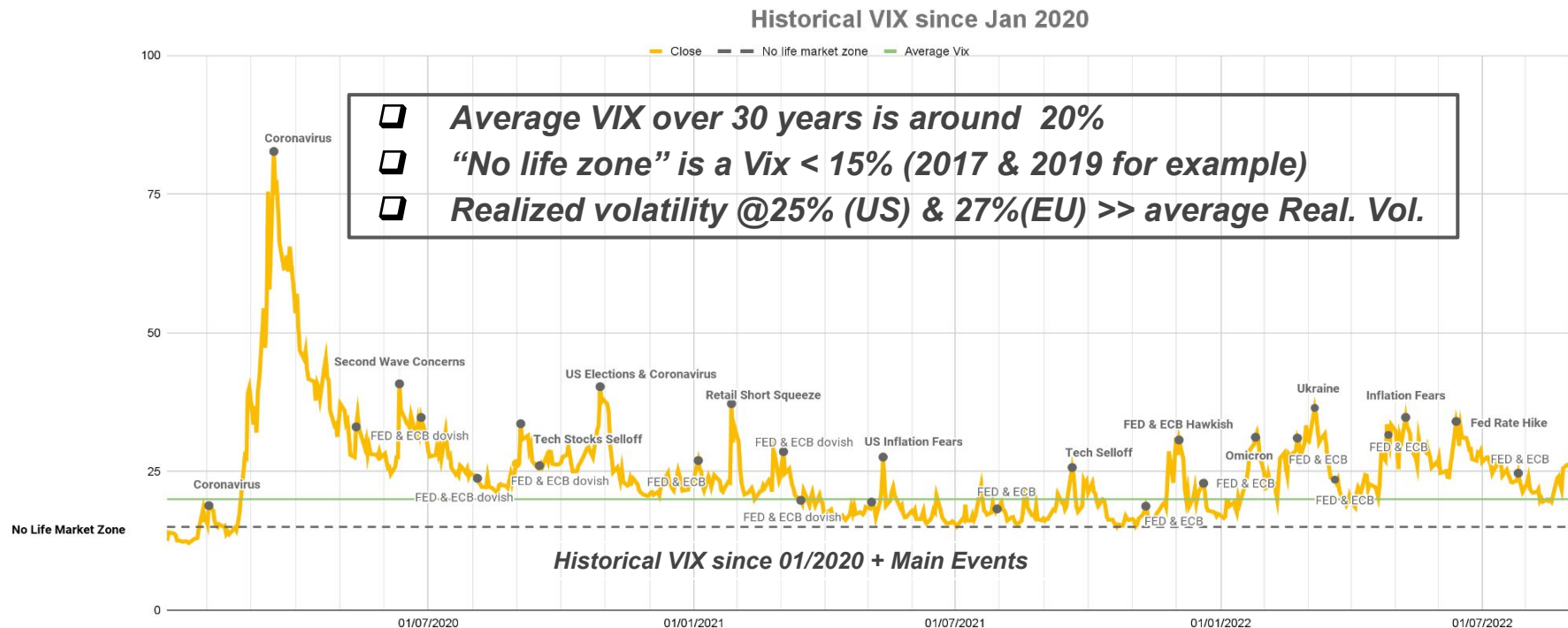
**M&A  
Corporate Actions**

**Traded Volumes**



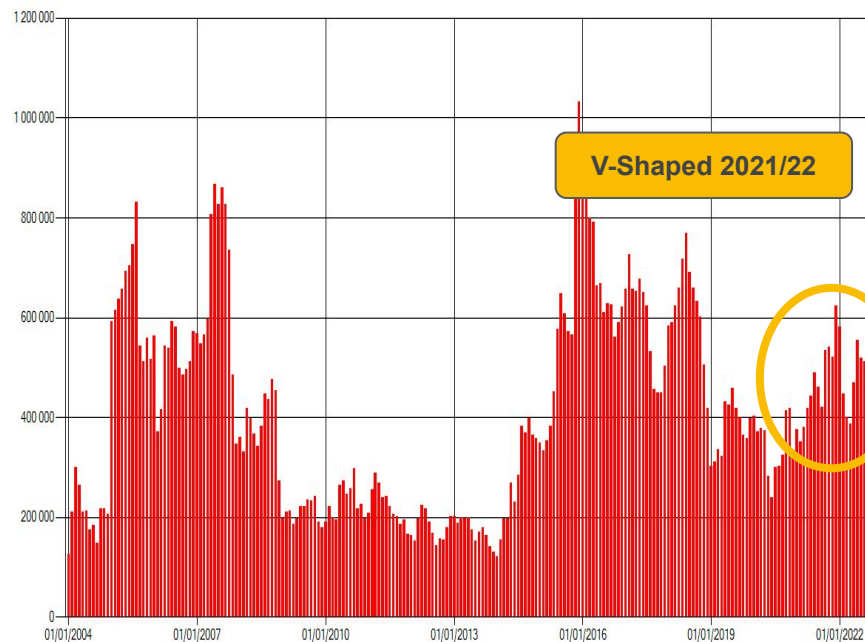
## 2. 2022 Market Parameters

**2022 - [almost] The end of Central Banks Paradigm under inflation pressure & UKR/RUS War**

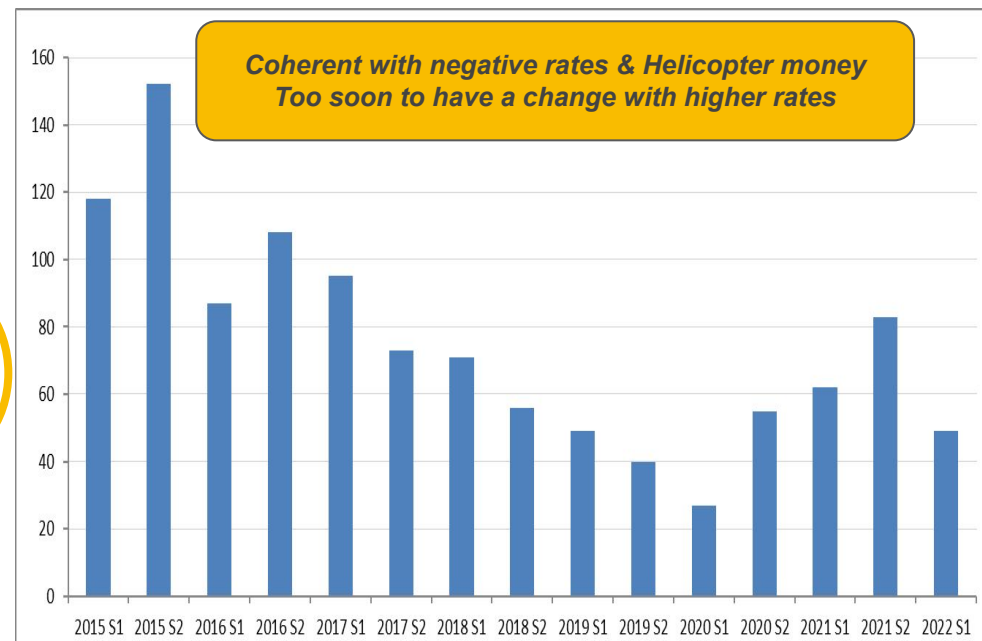




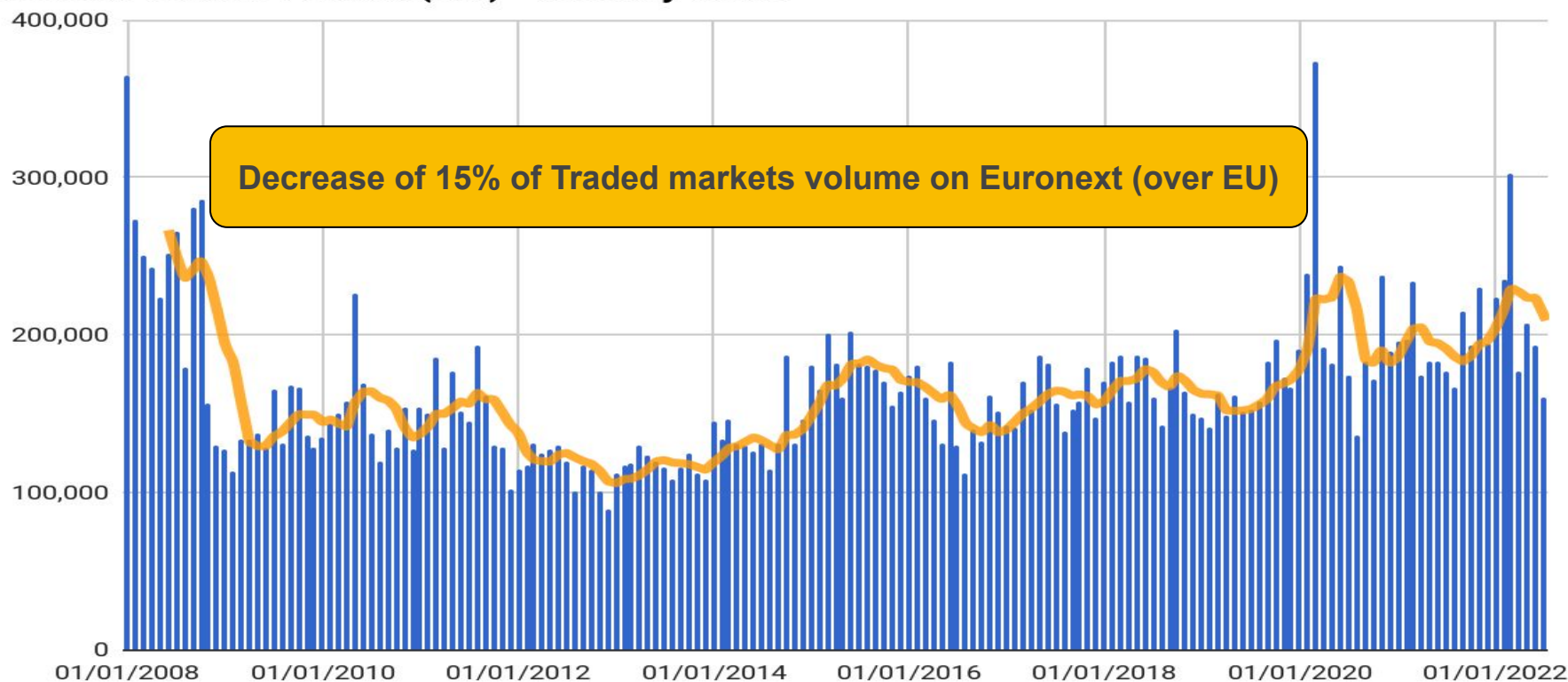
**Monthly existing M&A announced offers(B€)**  
Higher level than in 2020 but less than 2021

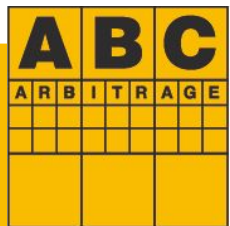


**Corporate actions opportunities**  
Divided by 3 since 2014 - Divided by 1.5 since 2018



# Euronext Traded Volume (M€) - Monthly datas





### 3. HY 2022 Financial Results

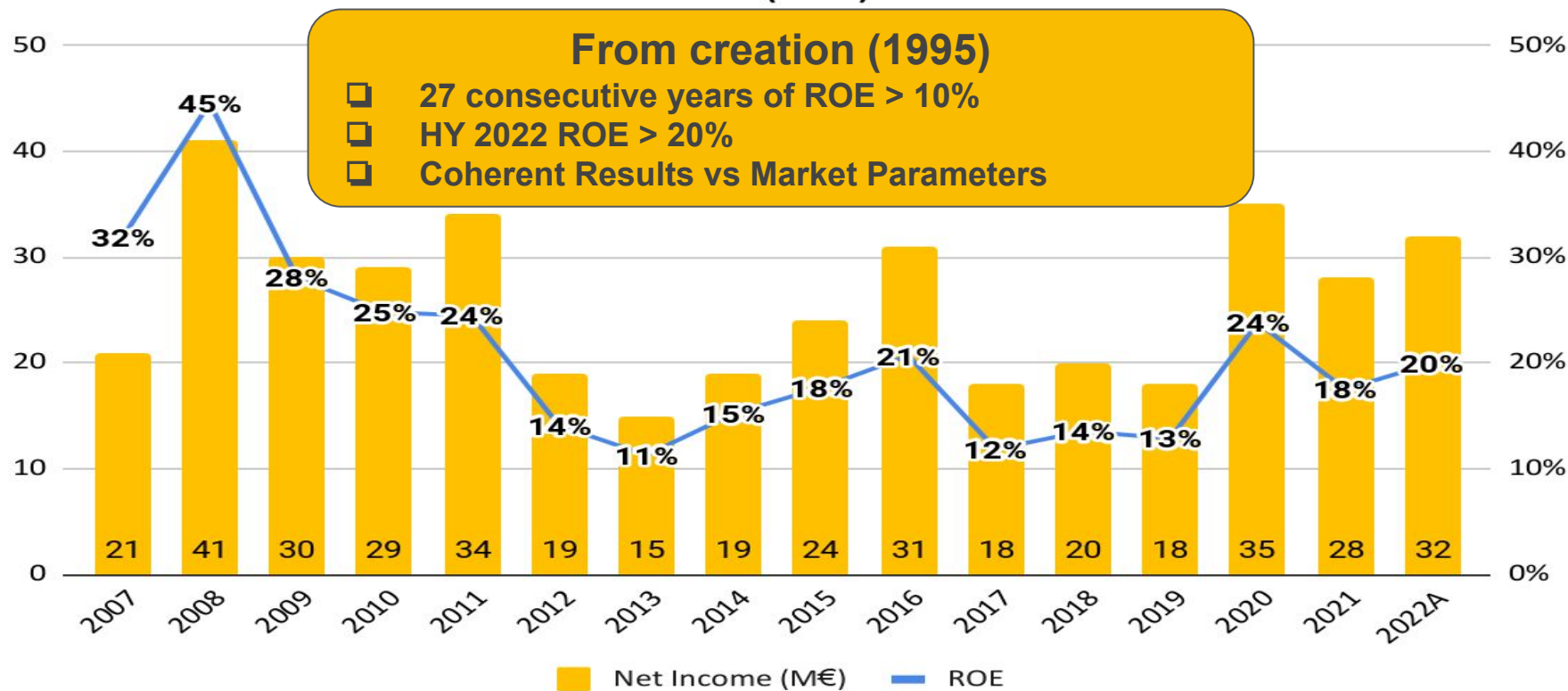
In Euro millions - IFRS	S1 2019	S1 2020	S1 2021	S1 2021 Pro forma	S1 2022	Change 2022/2021	Change 2022/2021 Pro forma	Useful comment
Investment Services Fees*	6,6	11,7	46,6	12,0	14,9	-68,0%	24,8%	Impact of the change in the transfer pricing policy (TPP) in 2021***
Net gains at fair value through profit or loss**	11,2	33,1	-11,5	22,4	16,6	-244,1%	-26,1%	
<b>Net revenues</b>	<b>17,8</b>	<b>44,8</b>	<b>35,1</b>	<b>34,4</b>	<b>31,5</b>	<b>-10,3%</b>	<b>-8,4%</b>	
Payroll costs	-5,9	-15,2	-11,1	-11,2	-10,6	-4,3%	-5,8%	Cf. Slide 14
Occupancy costs	-0,7	-0,7	-0,8	-0,8	-0,8	4,0%	4,0%	
Other expense	-2,8	-2,8	-3,2	-3,2	-3,4	6,8%	6,8%	Cf. Slide 15
Other taxes	0,0	-0,1	-0,2	-0,2	-0,5	161,4%	161,4%	
<b>Total costs</b>	<b>-9,3</b>	<b>-18,8</b>	<b>-15,2</b>	<b>-15,4</b>	<b>-15,3</b>	<b>0,4%</b>	<b>-0,8%</b>	
Income before tax	8,4	26,0	19,9	19,0	16,2	-18,5%	-14,6%	
Income tax	0,0	-0,3	-3,0	0,1	0,0	-100,8%	-62,5%	
<b>Net income attributable to equity holders</b>	<b>8,5</b>	<b>25,7</b>	<b>16,8</b>	<b>19,0</b>	<b>16,2</b>	<b>-3,7%</b>	<b>-14,8%</b>	

\*: Management fees on all AuM (included ABCA's own equity)

\*\* : Quartys' (group investment company) financial result (after costs and taxes)

\*\*\*: Link to the press release [Activity pace and specific event 2021](#)

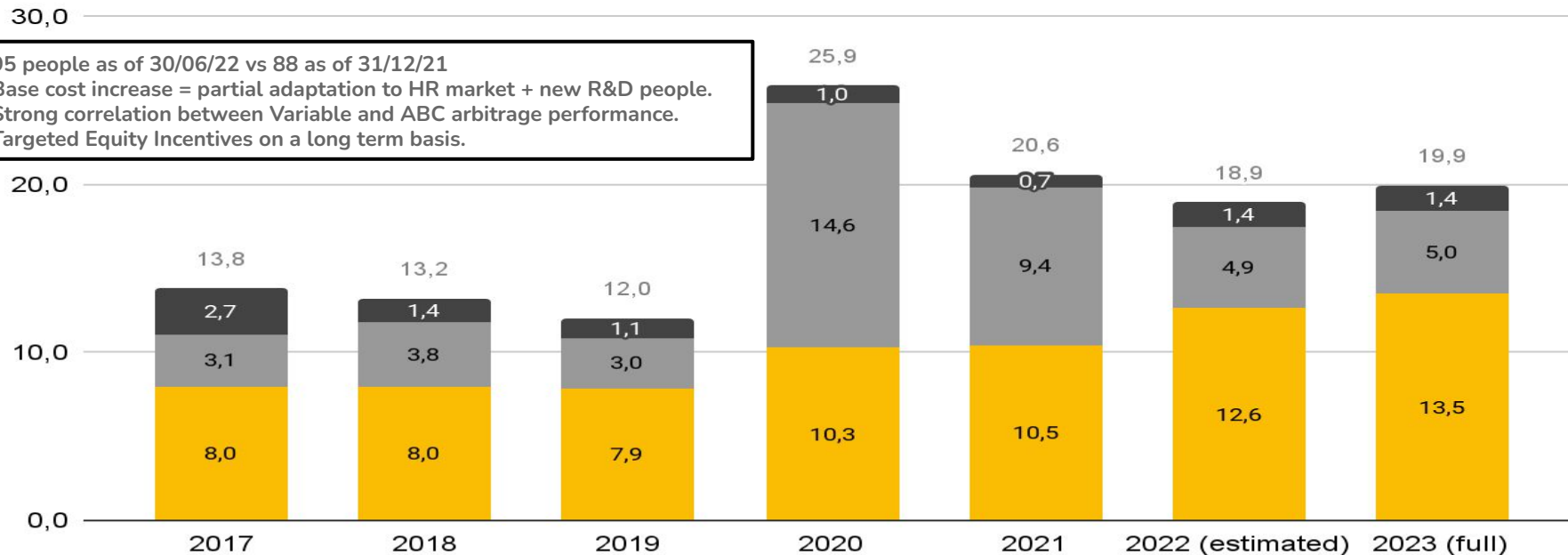
# Net Income (M€) and ROE



To keep consistent figures with IFRS changes during this period, figures have been smoothed to make sure each year is comparable with others. 2012 and 2013 are the only years where this smoothing process impacted figures.

**ABC Team = ABC first priority = ABC first expense**

Other HR Costs (€m)    Bonuses (€m)    Fixed costs (€m)

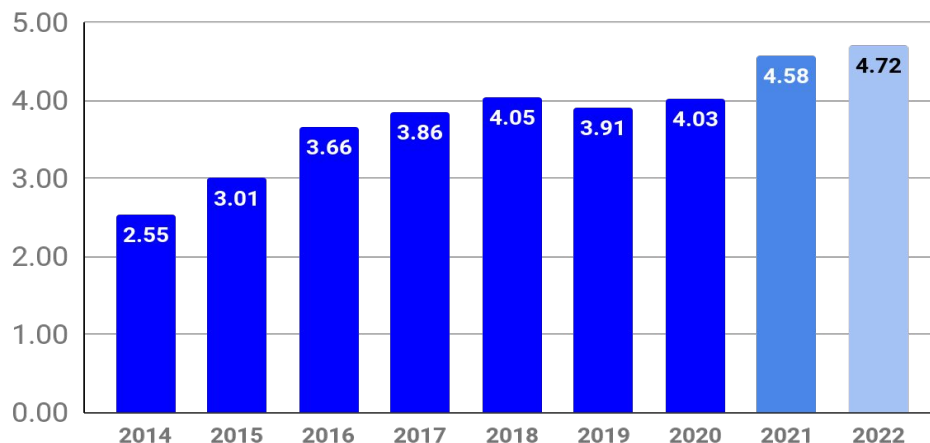


- 95 people as of 30/06/22 vs 88 as of 31/12/21
- Base cost increase = partial adaptation to HR market + new R&D people.
- Strong correlation between Variable and ABC arbitrage performance.
- Targeted Equity Incentives on a long term basis.

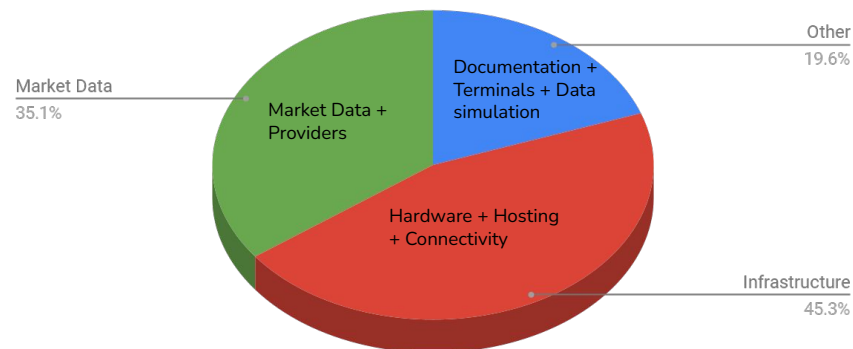
2022 estimated = Team 2021 + new staff + hypothesis of a Net income = 22M€  
 2023 full = Team 2021 + recruitment plan + hypothesis of a Net income = 22M€

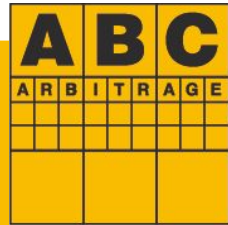
## ABC arbitrage is a “French Tech” Company !

Budget Data annual history (M€)



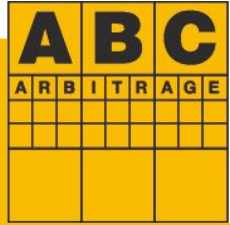
Budget allocation 2022





## 4. How we do it



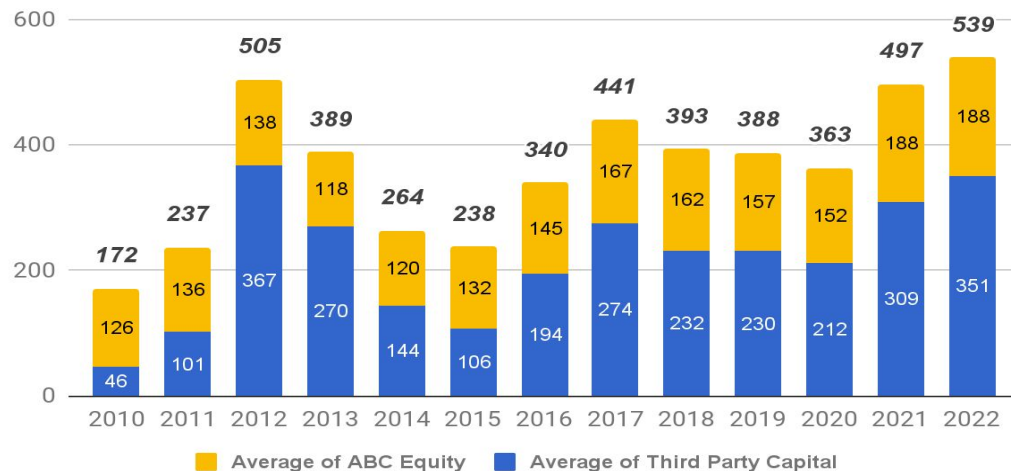


## 4.1 How we do it - Our Products !

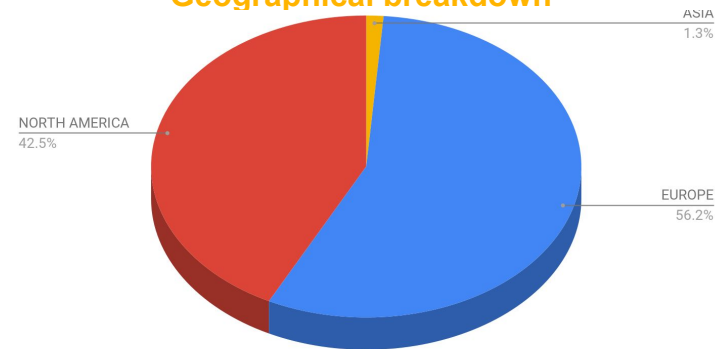
- ❑ Pre-2010: generated through trading of our own equity.
- ❑ Post-2010: opened to third party funds.
- ❑ Limited capacity strategies: via Managed Accounts.
- ❑ High Capacity strategies: via AIF (Alternative Investment Funds).

**AUM as of 01/09/2022 = 438M€**

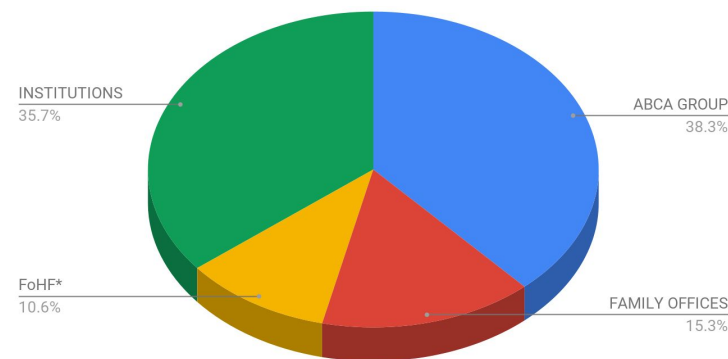
Average Group Asset Under Management



**ABCA's AuM as of 1-sept-22**  
**Geographical breakdown**



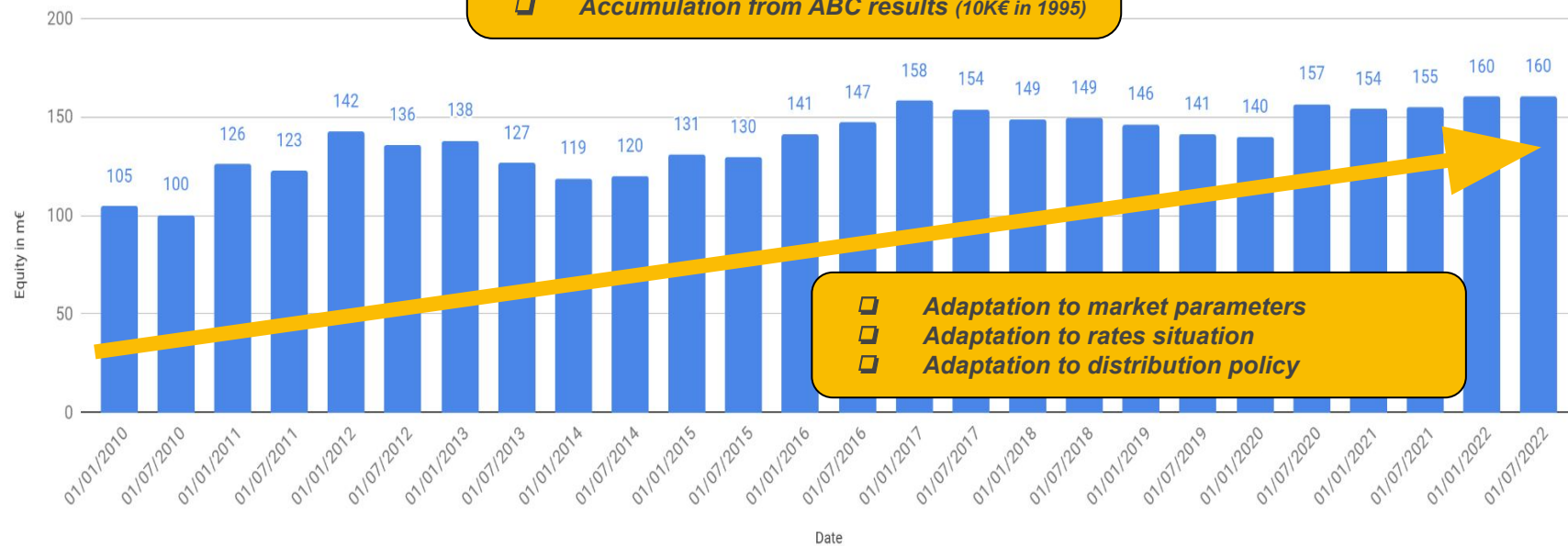
**Investors' breakdown**



\*Funds of hedge funds

## ABC Equity as a strong development tool

Equity in m€ vs Date



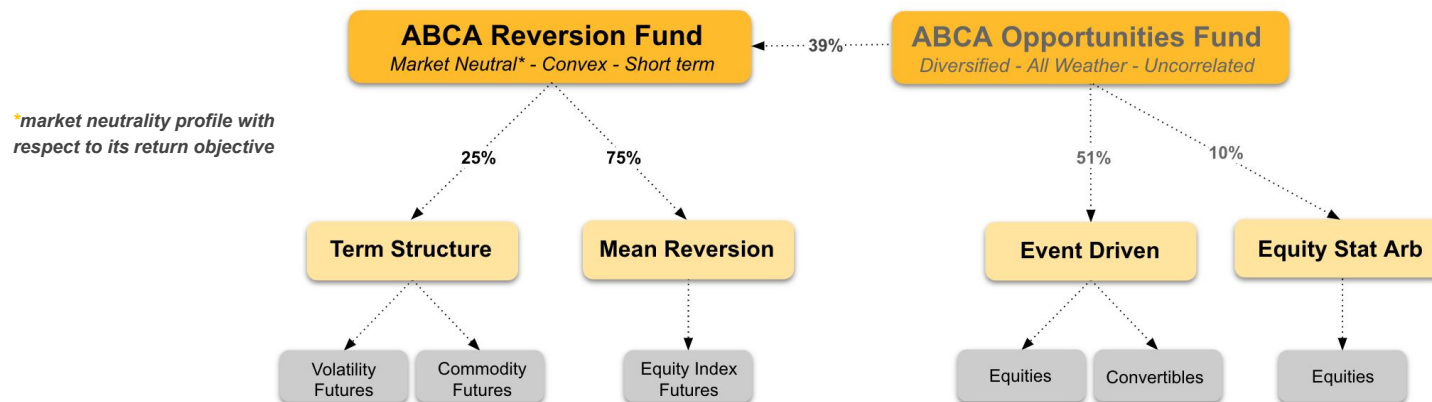
# 40 main strategies, multi-assets, on almost 100 exchanges around the world !

## ABCA Reversion\* (Launched in May 2010)

- Short term, Reversion Fund futures strategy, offering downside protection to equities

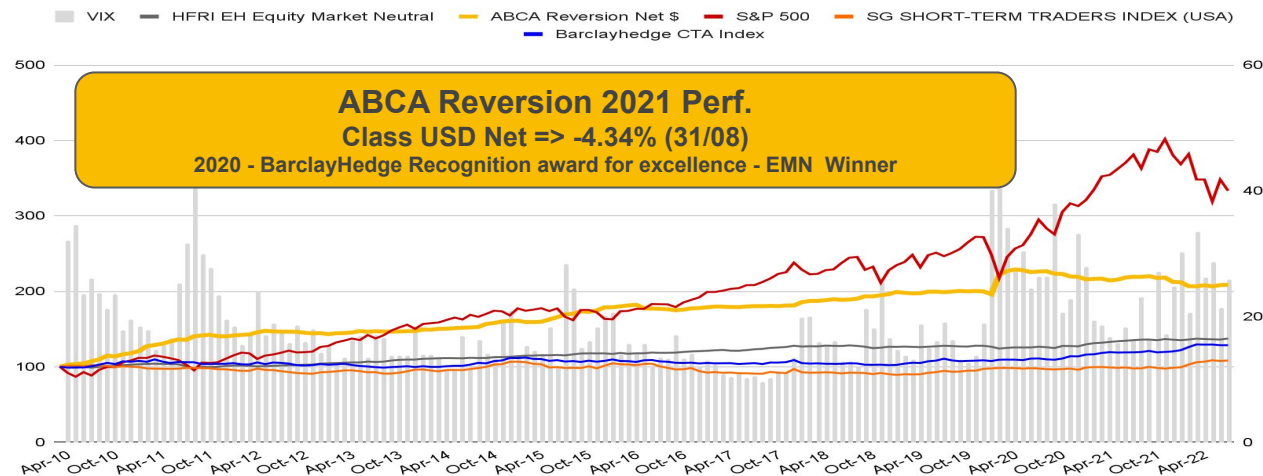
## ABCA Opportunities (Launched in October 2015)

- Event-driven strategy using a systematic approach with a defensive overlay



## + Managed Accounts

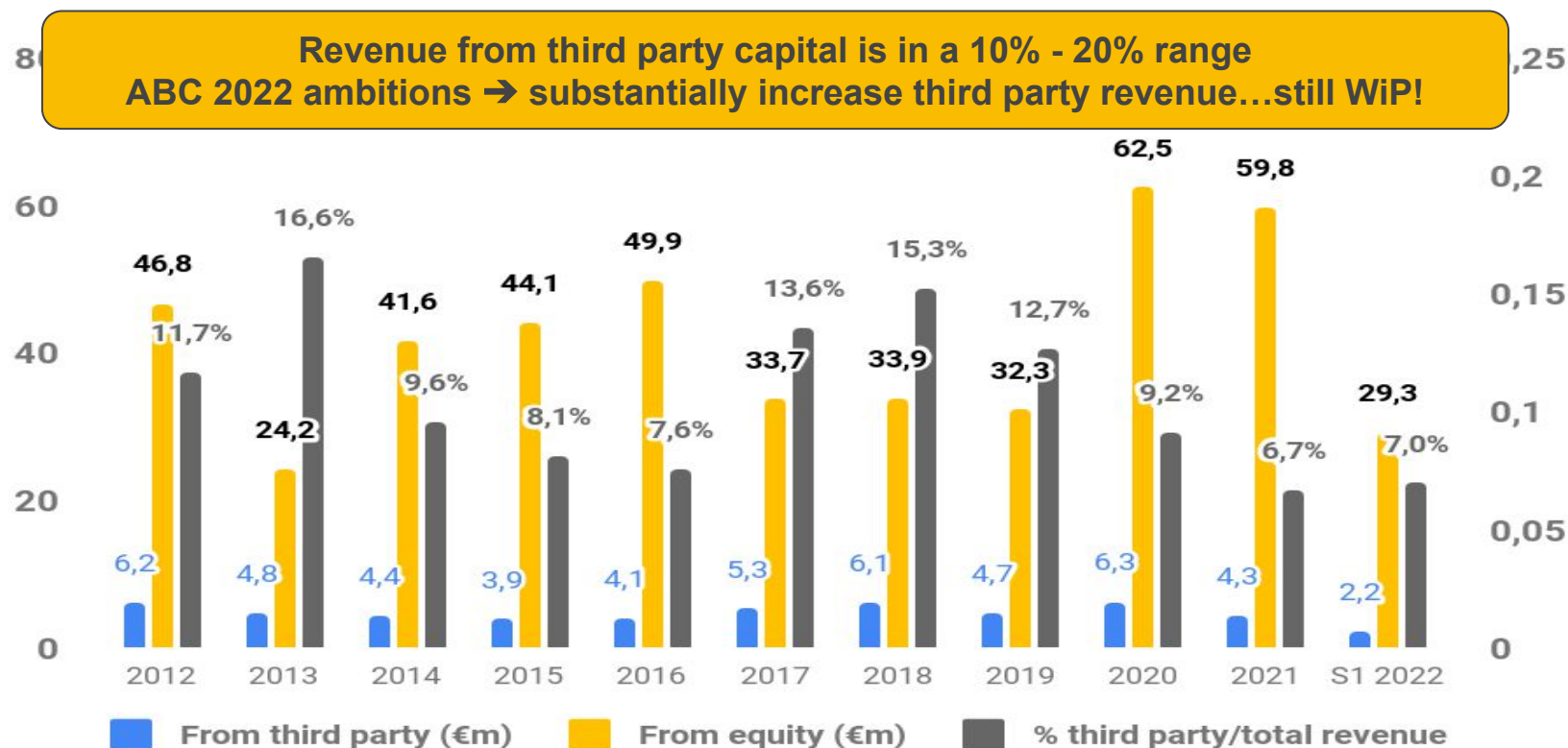
- Seed Money: testing new strategies (ABCA)
- Taylor made "Quant" products for third party (ABC subsidiary QUARTYS Included)

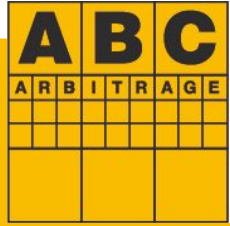


31/08/2022	Annualized Performance	Volatility
Reversion Net \$	6.1%	5.4%
SG SHORT-TERM TRADERS INDEX (USA)	0.8%	5.3%
Barclayhedge CTA Index	2.1%	4.6%
HFRI EH Equity Market Neutral	2.6%	2.5%
S&P 500	10.8%	14.5%



31/08/2022	Annualized Performance	Volatility
ABCA Opportunities Net \$	5.4%	5.0%
HFRI EH Equity Market Neutral	2.4%	2.5%
HFRI EH Quantitative Directional	6.3%	7.8%
S&P 500	11.7%	15.6%





## 4.2 How we do it - Our Tools !

**Almost 100 people dedicated to ABC arbitrage Business**

**~10% - Risk Management**

- ❑ Risk Control
- ❑ Process Control
- ❑ Risk Committee
- ❑ Compliance

**~70% - R&D + Front**

- ❑ Quant Traders & Research
- ❑ IT developers & IS
- ❑ Data analysis
- ❑ Operations
- ❑ Markets Lawyers

**~10% - Sales**

- ❑ Marketing
- ❑ Investor Relations
- ❑ Due Diligence Team
- ❑ Senior management

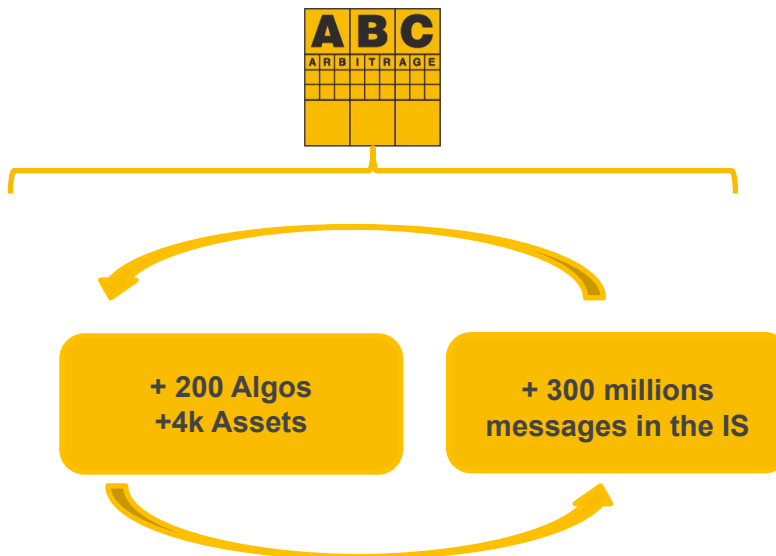
**~10% - Support**

- ❑ Human Resources
- ❑ Office Management
- ❑ Others (ABC arbitrage corporate, Com. etc...)



## Robust internally-developed 24/7 trading systems

- Billions of data elements processed each year
- Active in almost 100 markets across the world - 24/7
- Not a High Frequency Trading player but Top Tier 2



**x3 to x5 if high volatility**

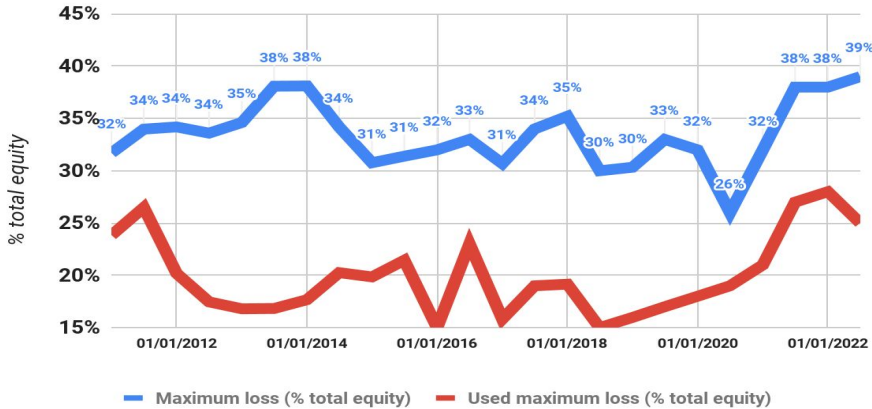
Figures are daily average

\*: all updates in the order books or trades for each share followed in ABCA's algos

4 people dedicated to risk control + 3 people process control  
Top management involved in Risk Management - No “Star Trader”

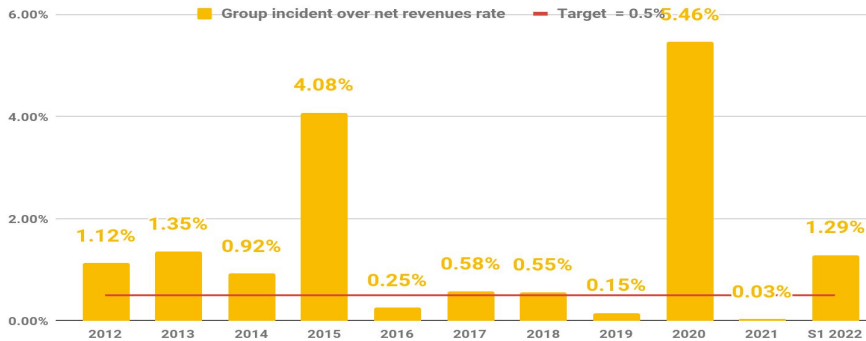
Risk Mitigation Process

Maximum Risk Budget for ABC group since 2010



Strict Quality Control

Group incident over net revenues rate



- Compound of “every” possible risk even “opposite” risks
- No significant increase in the risk budget over time

- External incident\* in Dec 2020 concerning 2016 to 2019 (Excluding this incident, 2020 ratio = 0.35%).
- 2022 - External Data center incident for almost 25% of 2022 incident (not a loss but loss of profit)

\*recognised in FY 2020 Result, [2020 Annual Financial Report](#) - Page 61



**ROE > 20% - Solid HY 2022**

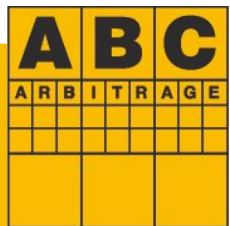
**Coherent results vs Market parameters...except ABCA Reversion**

**Excellent risk management in a chaotic financial markets period**

**Quite good return vs International Equity indexes Draw Down (-20%)**

**Over €1bn under management**

**New 3-years Strategic plan - WiP - March 2023**



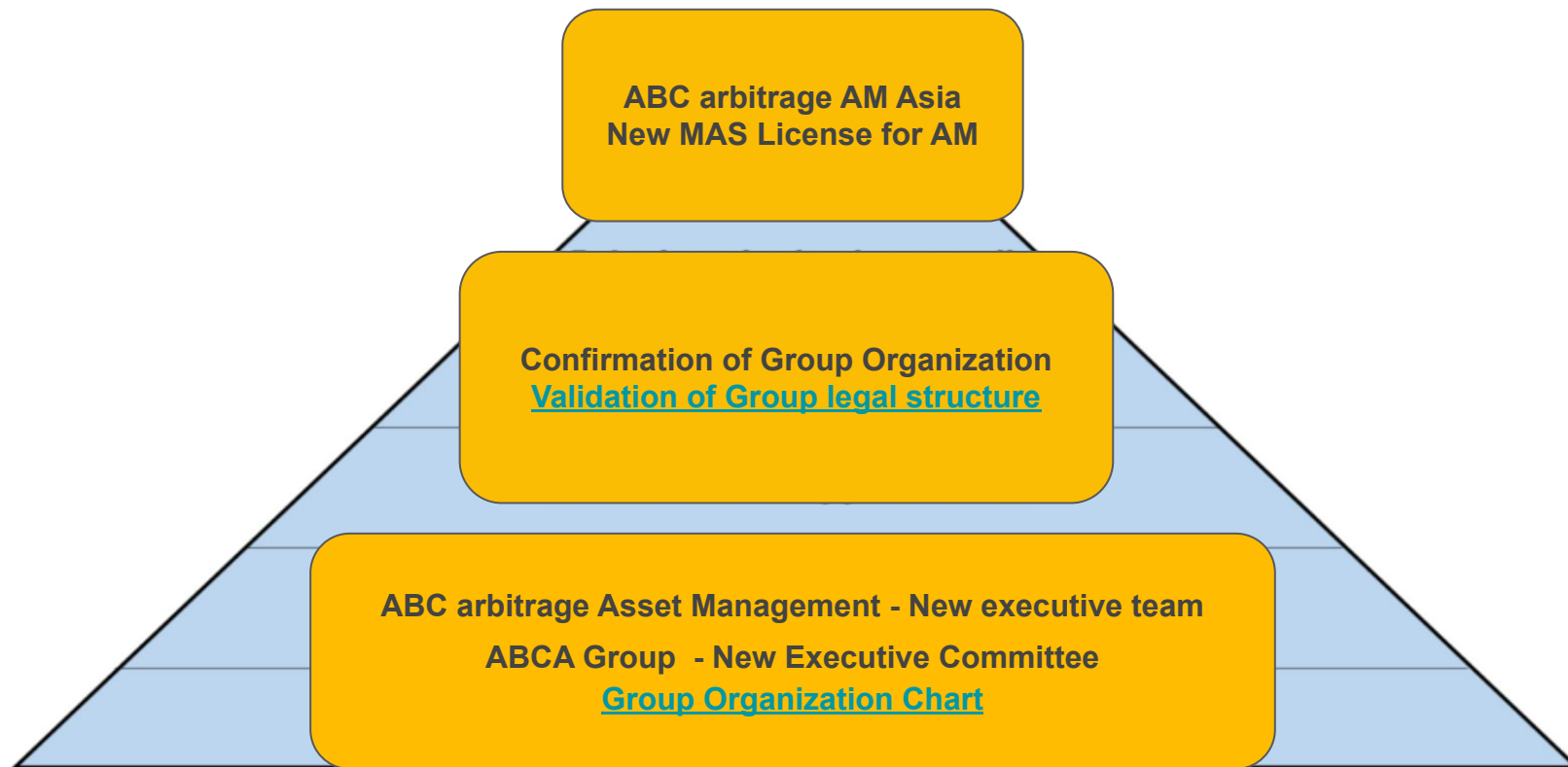
## 5. ABC 2022 - Update

**Group Structure - Governance**

**Asset Management Strategy**

**Core Business**

**Human Capital**

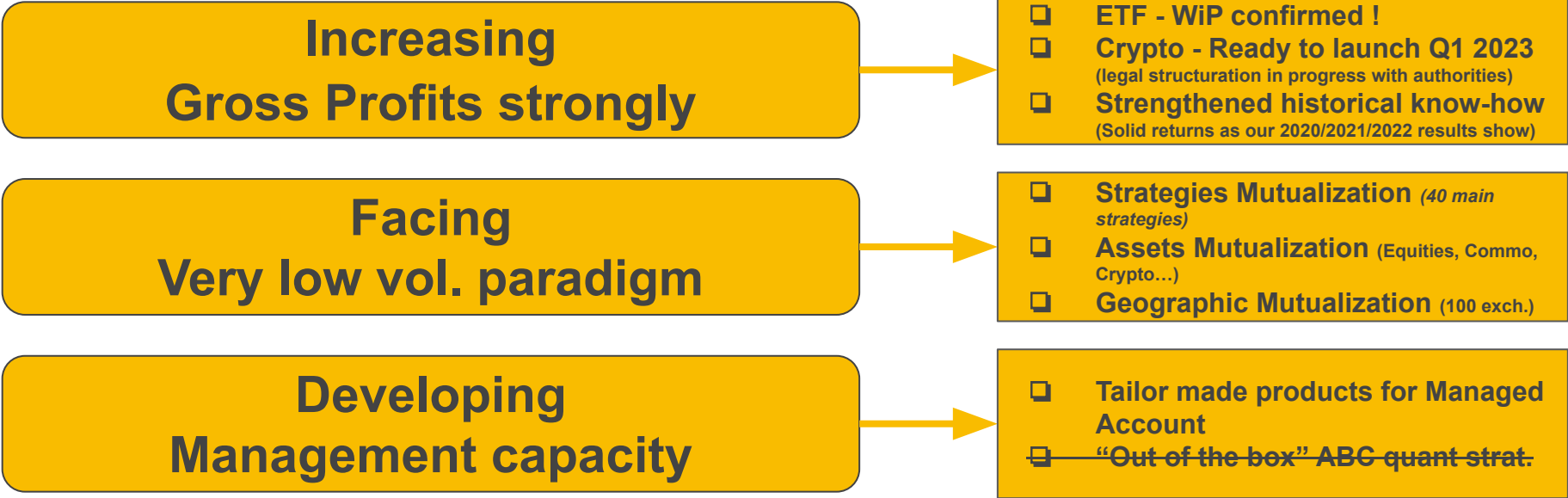


		Group's AUM (Asset Under Management)						
		EoY* 2019	=>	EoY 2020	=>	EoY 2021	=>	EoY 2022
Total AUM	M€	335		370		512		1000**
Targeting net return of 2%		vs ambition of 670M€ 2021 eoy						
		Gross PnL External Clients						
		2019	=>	2020	=>	2021	=>	2022
Revenue MF/PF	M€	4.7		6.3		4.2		12 - 18**
Excluding Quartys Client								

\* End of Year  
\*\* ABC 2022 Ambition

**But we have built solid foundation for our next steps !**

- ❑ New Sales Team with 3 people - Done
- ❑ New marketing approach - *Done*
- ❑ New development to increase capacity - *WiP*
- ❑ New customers base - *Done*





## One of our great success!

- ✓ *Construction of a Human Capital Team.*
- ✓ *Almost fulfilled our “ABC 2022” needs.*
- ✓ *People Turnover under market average.*
- ✓ *Success for our new remuneration plan.*

*Still hiring!!*



**Average ROE > 15%**

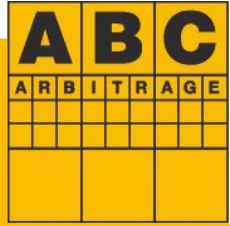
**PER > 15**

**Dividend yield > 6%**

**Cumulative 3 year P&L ~ €90m**

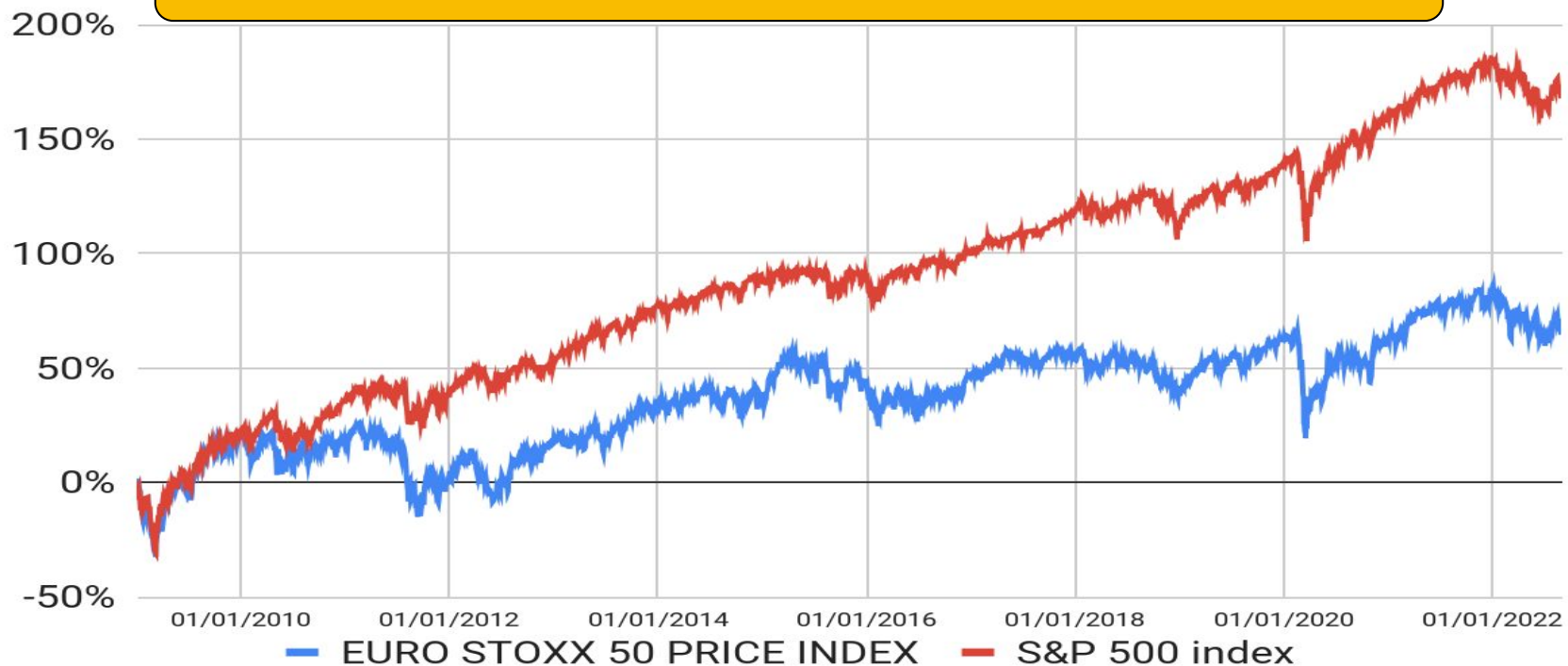
**Over €1bn under management**

**New 3-years Strategic plan - WiP - March 2023**



## 6. 2022/23 Outlook

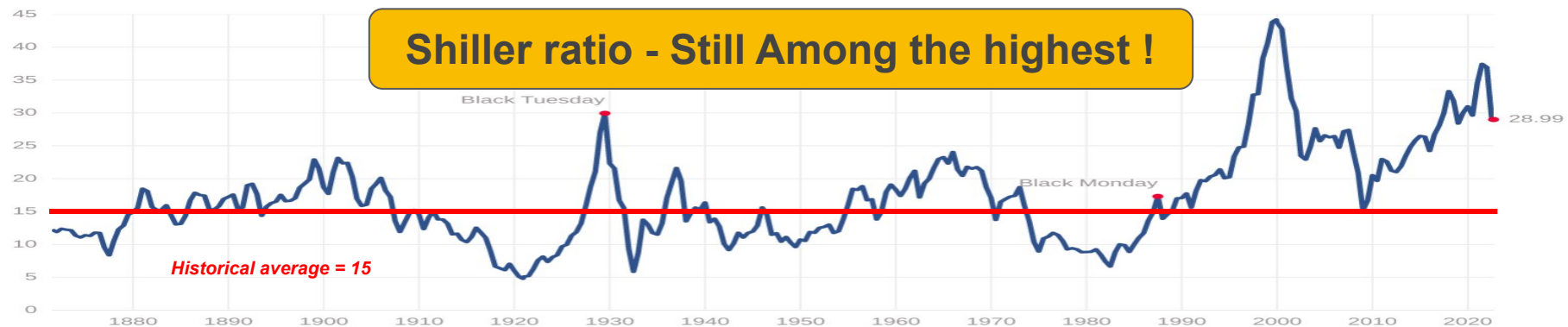
**Equities indexes under pressure with the end of central banks paradigm !**



## PE ratio - First steps correction ?



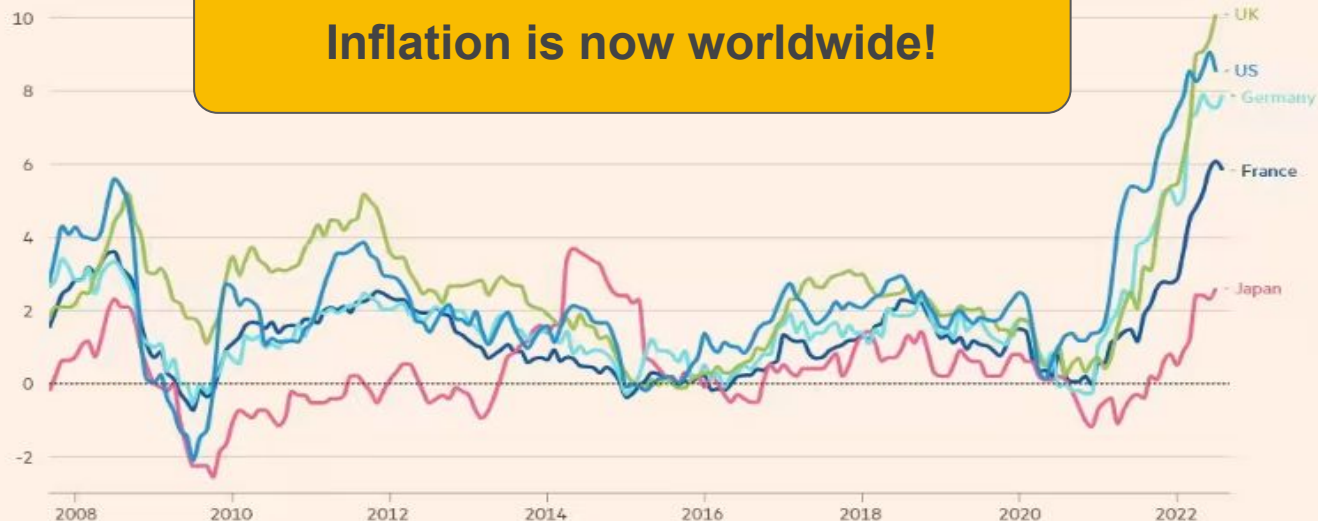
## Shiller ratio - Still Among the highest !



# Data explorer: consumer price inflation

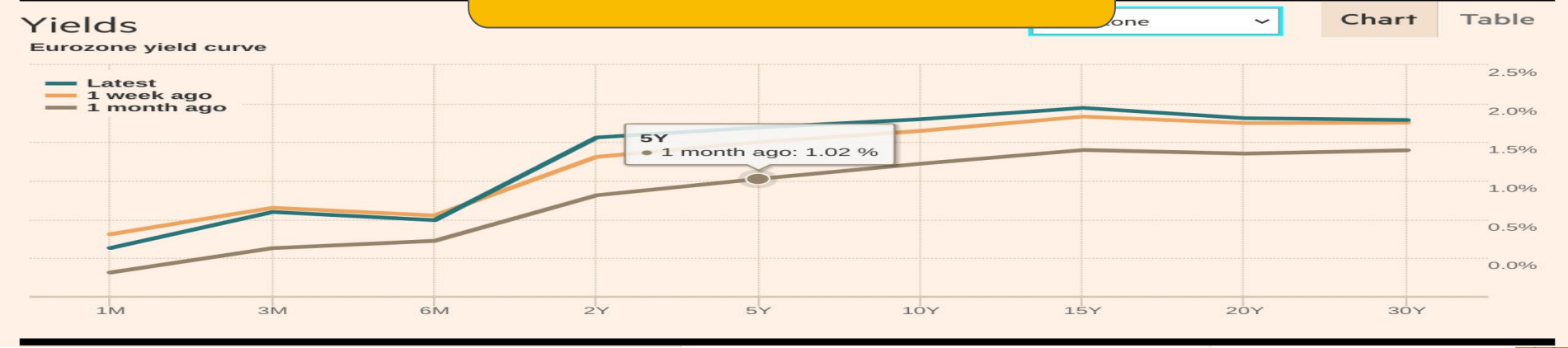
Annual % change in consumer price index

Choose countries...



FINANCIAL TIMES

Sources: Refinitiv; national statistics offices



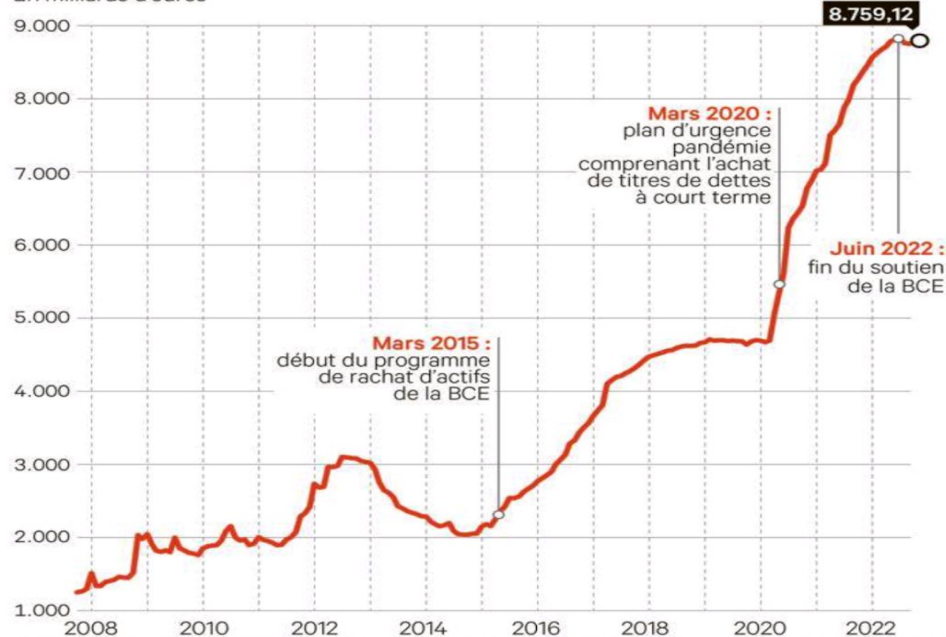
# Central Banks Balance Sheets

- ❑ Anti fragmentation Tools - "Transmission Protection Instruments"
- ❑ Quantitative Tightening (QT) has not really begun!

=> The worst period is probably yet to come!

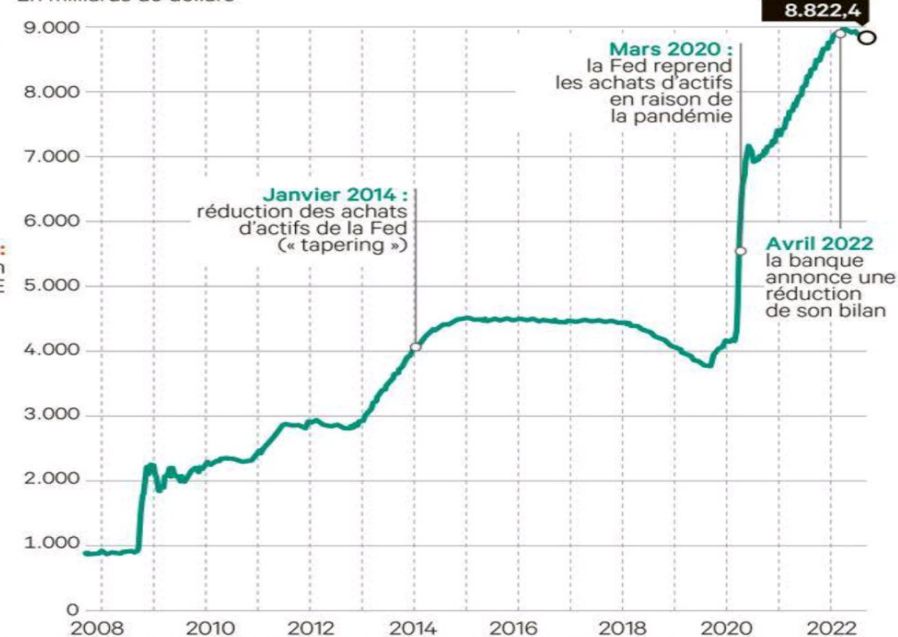
## Bilan des banques centrales européenne...

En milliards d'euros



## ... et américaine

En milliards de dollars



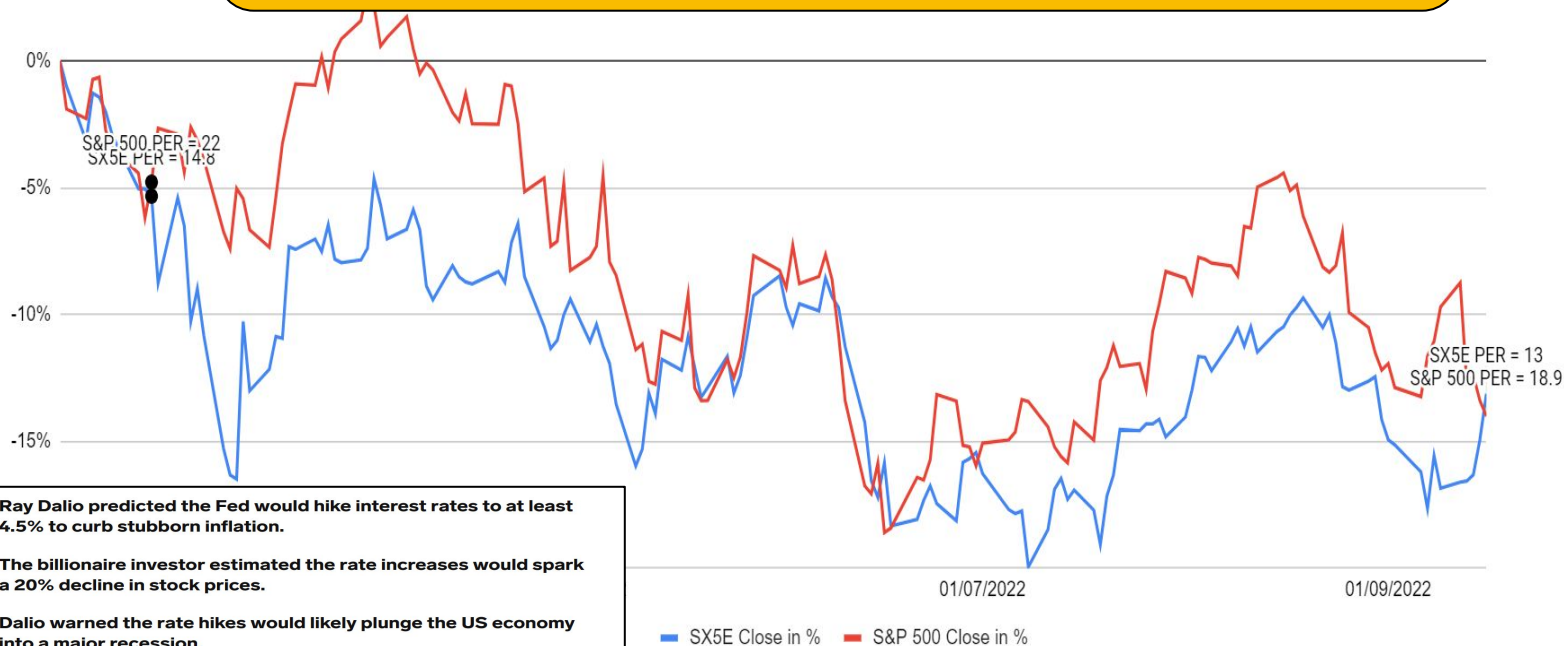
« LES ÉCHOS » / SOURCE : BLOOMBERG



## 2022 Ukraine Crisis vs 2014 Crimean War

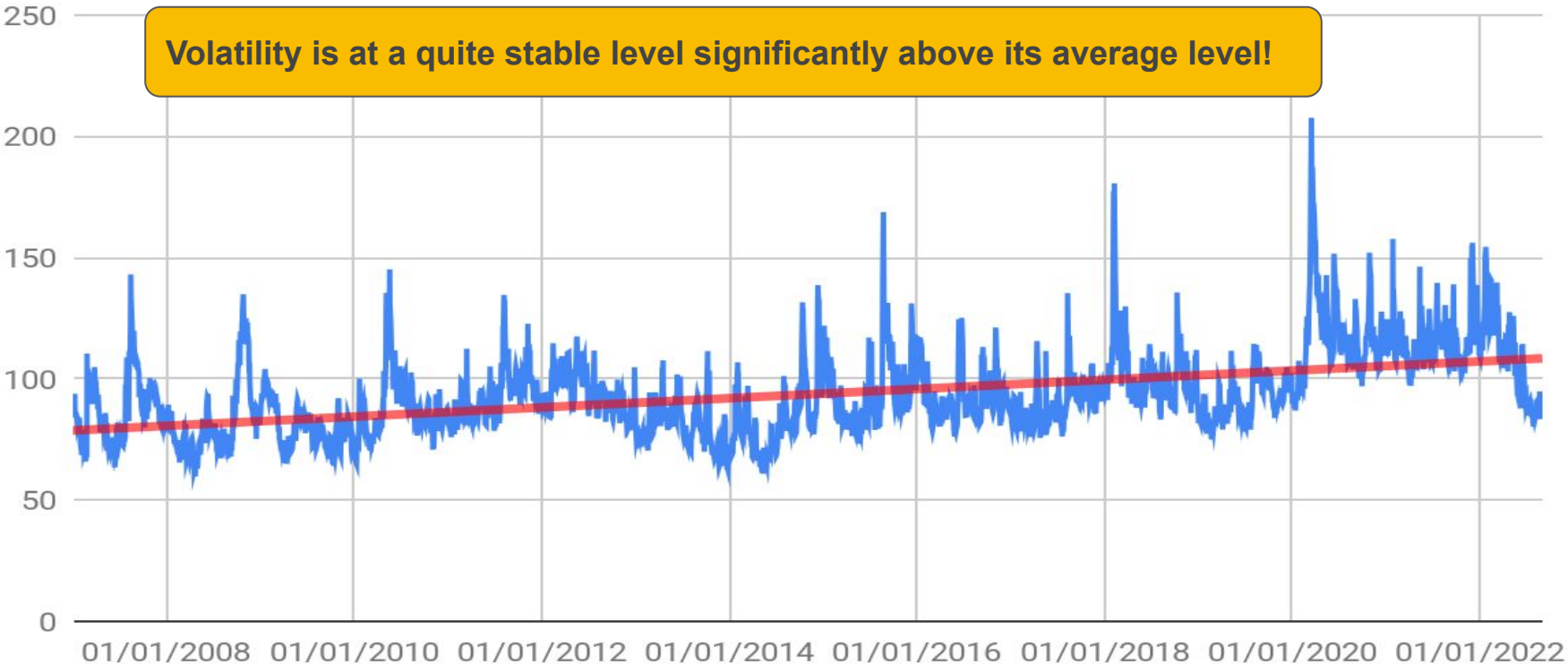
- 2014 SP500 @ 03/02/2014 was on a PER of 16.4
- 2022 SP500 @ 16/09/2022 is on a PER of 18.9

**=> SP500 should have new DD of almost 13% to reach the 2014 markets level**



- Ray Dalio predicted the Fed would hike interest rates to at least 4.5% to curb stubborn inflation.
- The billionaire investor estimated the rate increases would spark a 20% decline in stock prices.
- Dalio warned the rate hikes would likely plunge the US economy into a major recession.

VVIX index



## A new world of entropy

ABC arbitrage has the necessary resources to perform in these environments !



JamesCl

## ABC arbitrage situation as of the 1st of september 2022

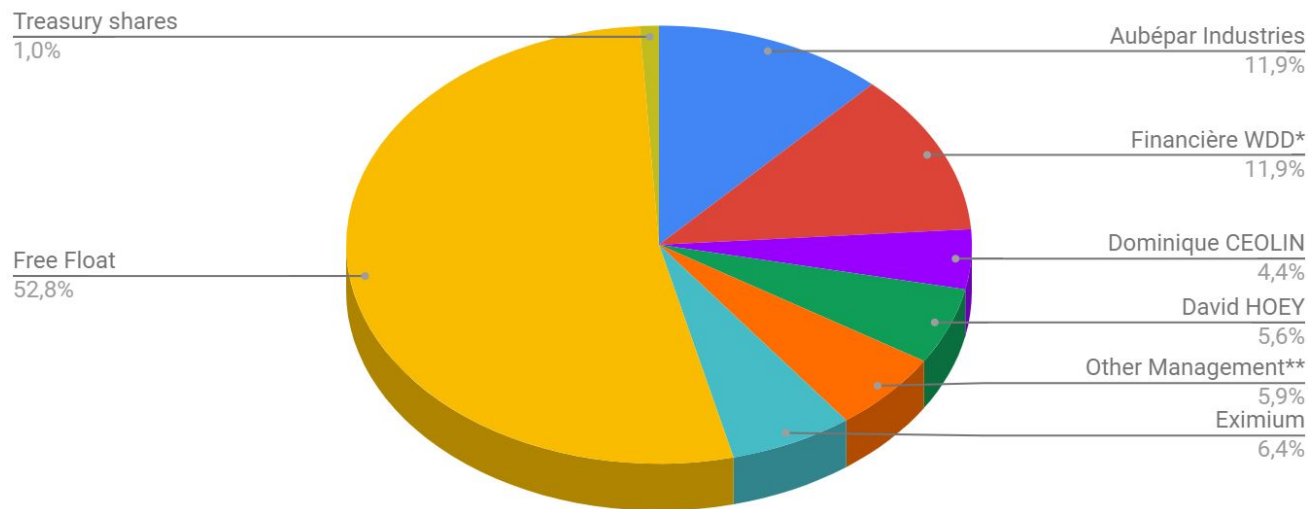
- ❑ *Trading update - So far same activity pace as average 2021.*
- ❑ *Still a solid positive correlation to volatility.*
- ❑ *PnL on new ABC developments are facilitated by volatility in financial markets.*
- ❑ *Higher rates should push a new corporate actions era, which is positive for ABC arbitrage PnL.*
- ❑ *Higher rates should increase the liquidity needs in financial markets which is positive for ABC arbitrage PnL.*



## 7. Shares & Distributions

**21% owned by Executive Top management => Alignment of interests between Shareholders and Management Team**

### Share ownership as of 30/06/2022



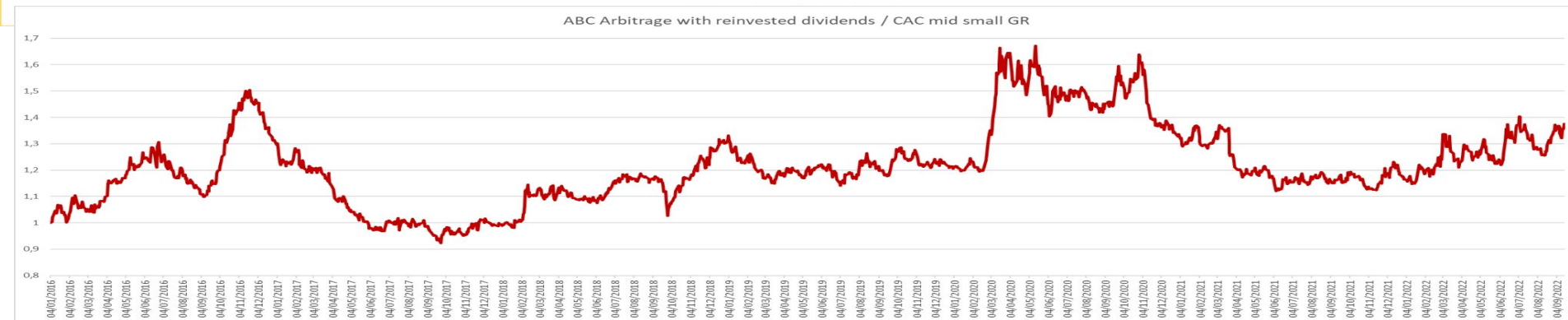
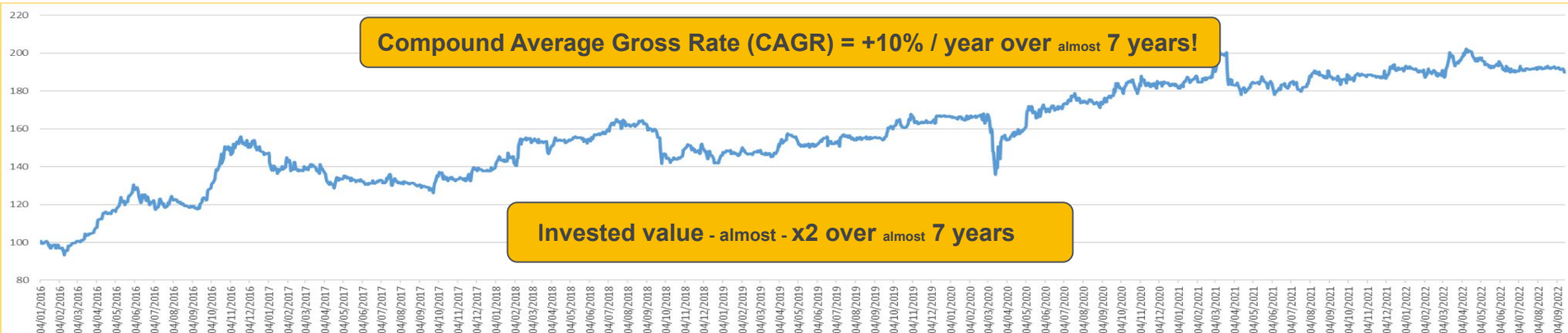
*\* Holding company 50,01% held by Dominique Ceolin*

*\*\* Management and independent non-executive directors excluding Dominique Ceolin and David Hoey*

Number of listed shares: 59,608,879  
Number of outstanding shares: 59,024,064

# ABCA share price with reinvested dividends and CAC mid / small GR

base 100 = January 4th 2016 , as of September 16th 2022.



**FY 2021 distribution = €0.40 (~ 6% Div. Yield)**

## 2022/23 Distribution Program

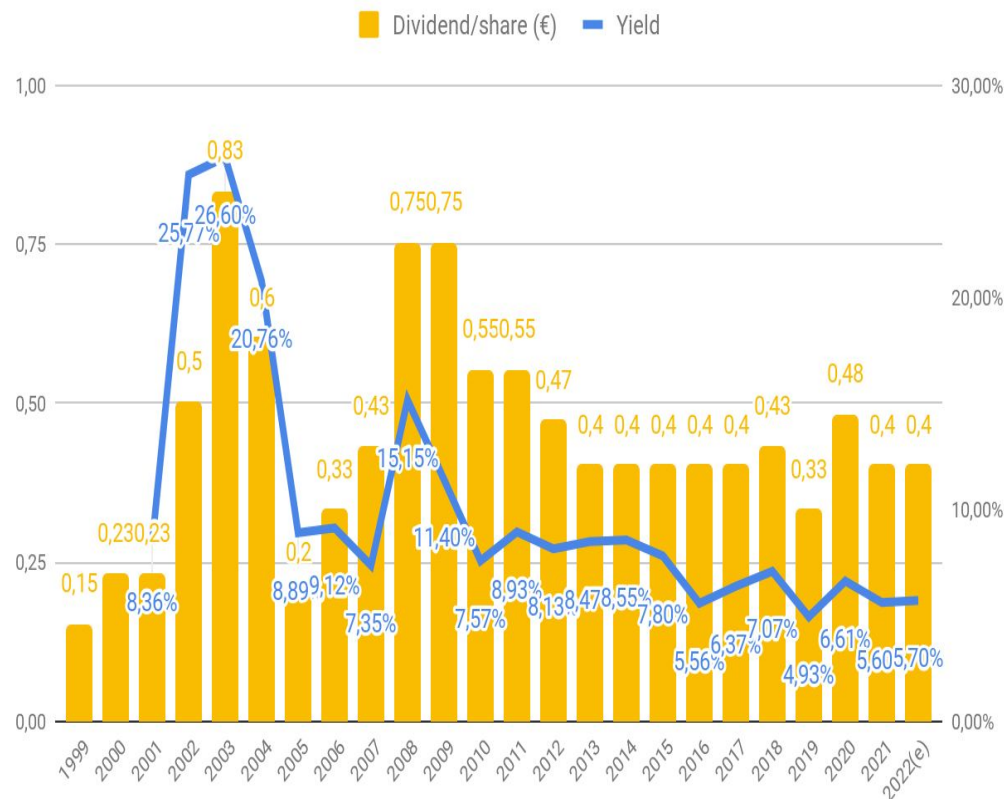
- ❑ €0.10 - Ex date July 2022 - 2021 final dividend.
- ❑ €0.10 – Ex date 11 Oct. 2022. (interim 2022 div.)
- ❑ €0.10 – Ex date 6 Dec. 2022. (interim 2022 div.)
- ❑ €0.10 – Ex date Apr. 2023 (TBC - board decision - march 23)

## Buyback program

- ❑ 10M€ of shares buyback ie ~2% of share capital
- ❑ Used to fulfill share incentive program => Net cash used ~5M€
- ❑ No more in 2022 (more than likely)

## Pay Out Ratio (POR) Policy

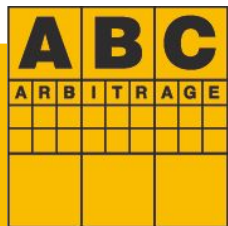
- ❑ Since 1999, average POR = 96%
- ❑ 2020 & 2021 & 2022(e) ~ 80%



*This slideshow is a communication support for the investor presentation on FY 2021. This document includes some forward-looking statements as statements regarding ABC arbitrage business operations. Although ABC arbitrage believes its expectations are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those anticipated in these forward-looking statements.*

*These documents and information are given for illustrative purposes and do not substitute for official documents relating to the 2021 financial year.*





# Q&A