

PRESS RELEASE

Coface records a very good start to the year with a net income of €61.2m

Paris, 25 May 2023 – 17.35

- **Coface applied IFRS 17 and IFRS 9 accounting standards starting on 1 January 2023. All comparisons are made using the 2022 pro forma IFRS 17 figures presented on 27 April 2023**
- **Turnover: €475m, up 11.4% at constant perimeter and FX**
 - Trade Credit insurance rose 10.9% at constant FX, driven by increased client activity and growth in fee and commission income (+12.8%)
 - Client retention stood at record highs (95.7%); the price effect was still negative (-1.5%) but less so than Q4-22
 - Information services rose 15.0% at constant FX, while factoring climbed 13.1%
- **Net loss ratio at 40.6%, up by 0.3 ppt; net combined ratio at 66.3%, improved by 1.7 ppt (+10.3 ppts compared to Q1-22, excluding the impact of government schemes)**
 - Gross loss ratio at 40.7%, up 9.2 ppts in a risk environment that is still slowly normalising
 - Net cost ratio down by 2.1 ppts to 25.7% as a result of positive operating leverage, an improved product mix and high reinsurance commissions
- **Net income (group share) at €61.2m, up 17.0% compared to Q1-22**
- **Annualised RoATE¹ at 13.6%**
- **Payment of the 2022 dividend of €1.52² approved at the General Meeting of 16 May 2023**

Unless otherwise indicated, change comparisons refer to the pro forma IFRS 17 results as at 31 March 2022

Xavier Durand, Coface's Chief Executive Officer, commented:

"Coface maintained its growth trend with an 11.4% increase in turnover and a record customer retention rate. Other activities, including service revenues (information sales, debt collection and fee and commission income) continued to grow double digits, once again proving the solidity of Coface's business model. While helping moderate inflation, ongoing monetary tightening by the main central banks also revealed weaknesses in a financial system that had become accustomed to very low rates. Fears arising from the bankruptcies of US regional banks will likely lead to a general reduction in the corporate credit supply. The first quarter of 2023 is also the first to which the IFRS 17 and IFRS 9 accounting standards were applied. These standards did not cause any major changes to the assessment of Coface's financial performance, which remains strong. Under this new accounting framework, Coface posted a 17% increase in net income to €61.2m and a net combined ratio of 66.3% for an annualised return on tangible equity of 13.6%, above mid-cycle targets. Lastly, following the general meeting of 16 May, a dividend of €1.52 per share (which corresponds to 80% of our 2022 earnings) was paid on 24 May 2023."

¹ Return on average tangible equity

² The proposed payment was approved at the General Shareholders' Meeting on 16 May 2023. The ex-dividend date and payment of the dividend took place on 22 and 24 May 2023 respectively.

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Key figures at 31 March 2023

The Board of Directors of COFACE SA examined the summary consolidated financial statements for the first three months (non-audited) during its meeting on 25 May 2023. The Audit Committee had previously reviewed them at its meeting on 23 May 2023.

Income statements items in €m	Q1-22	Q1-23	Variation	% ex. FX*
Gross earned premiums	359.2	395.3	+10.1%	+10.9%
Other revenues	68.8	79.8	+16.0%	+13.9%
REVENUE	428.0	475.1	+11.0%	+11.4%
UNDERWRITING INCOME/LOSS AFTER REINSURANCE	82.3	95.3	+15.9%	+12.5%
Investment income, net of management expenses	11.3	-2.6	(123.2)%	(122.0)%
Insurance Finance Expenses	(11.5)	(2.4)	(79.5)%	(70.3)%
CURRENT OPERATING INCOME	82.0	90.4	+10.2%	+5.8%
Other operating income / expenses	(1.2)	(0.3)	(70.1)%	(78.6)%
OPERATING INCOME	80.8	90.0	+11.4%	+7.0%
NET INCOME	52.3	61.2	+17.0%	+7.8%
Key ratios	Q1-22	Q1-23	Variation	
Loss ratio net of reinsurance	40.3%	40.6%	0.3	ppt
Cost ratio net of reinsurance	27.8%	25.7%	(2.1)	ppts
COMBINED RATIO NET OF REINSURANCE	68.1%	66.3%	(1.7)	ppt
Balance sheet items in €m	2022	Q1-23	Variation	
Total Equity (group share)	2,018.6	2,100.4	+4.1%	

* Also excludes scope impact

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1. Turnover

Coface recorded a consolidated turnover of €475.1m, up 11.4% at constant perimeter and FX compared to Q1- 22. As reported (at current FX and perimeter), turnover rose +11.0%.

Turnover from the insurance business (including surety bonds and single risk) increased +10.9% at constant perimeter and FX. Growth benefited from a sharp increase in customer activity as well as a record retention level of 95.7%, up +0.9% compared to Q1-22. New business totalled €32m, down €3m compared to Q1-22 in an increasingly competitive market and approaching pre-COVID levels.

The growth in Coface's client activity had a positive impact of +2.0% during Q1-23. This increase continues to reflect the scale of the recent economic recovery and inflation, but the pace of growth is now slowing (-2.4 pts compared to Q1-22). The price effect remained negative at -1.5% in Q1-23 but improved compared to Q1-22 (- 2.7%). This decrease is largely explained by a very low past claims experience and moderated by the continued normalisation of the risk environment.

Turnover from non-insurance activities was up +15.3% compared to Q1-22. All the business lines are experiencing positive trends but at different scales. Turnover from factoring rose +13.1%, mainly due to the increase in volumes refinanced in Germany. Information services turnover rose +15.0%, maintaining its growth trend. Fee and commission income (debt collection commissions) increased +44.1% due to the increase in claims to be collected. Commissions were up +12.8%.

Total revenue - in €m (by country of invoicing)	Q1-22	Q1-23	Variation	% ex. FX ¹
Northern Europe	94.7	102.2	+7.9%	+7.2%
Western Europe	79.8	96.6	+21.1%	+21.8%
Central & Eastern Europe	46.9	45.0	(4.1)%	(4.6)%
Mediterranean & Africa	115.9	133.2	+14.9%	+17.2%
North America	36.2	41.9	+15.8%	+11.9%
Latin America	22.9	26.4	+15.5%	+20.3%
Asia Pacific	31.5	29.8	(5.5)%	(6.6)%
Total Group	428.0	475.1	11.0%	+11.4%

In Northern Europe, turnover increased +7.2% at constant FX and +7.9% at current FX. Credit insurance benefited from client activity, despite the decrease in metal prices, and from a high retention rate. Turnover from factoring and services increased +15.5% and +44.6% respectively.

In Western Europe, turnover was up +21.8% at constant FX (+21.1% at current FX) due to a high retention rate and client activity.

In Central and Eastern Europe, turnover decreased by -4.6% and -4.1% at current FX due to reduced exposure to Russia and the decline in metal prices. Excluding Russia, growth would be 1%. Factoring turnover increased by +2.0%.

In the Mediterranean and Africa region, which is driven by Italy and Spain, turnover rose +17.2% and +14.9% at current FX due to a high retention rate and client activity. Commissions climbed by +20.8%.

¹ Also excludes scope impact



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In North America, turnover increased +11.9% at constant FX and +15.8% as reported, driven mainly by improved retention.

In Latin America, turnover was up +20.3% at constant FX and +15.5% at current FX, driven by high retention and the increase in client activity

In Asia-Pacific, turnover fell -6.6% at constant FX and -5.5% at current FX. The slip in turnover was mainly a result of the decline in activity due to exposure to the information technology sector.

2. Result

- Combined ratio

The combined ratio net of reinsurance stood at 66.2% for Q1-23 (an improvement of 1.8 ppt year on year and 7.2 ppts compared to the previous quarter). This ratio was up 10.3 ppts compared to Q1-22, excluding the effect of the government schemes.

(i) Loss ratio

The gross loss ratio stood at 40.7%, up 9.2 ppts year on year. This reflects an increased claims frequency since H1-21, with the number of claims close to pre-COVID levels, and the return of relatively large claims, which nevertheless remain below average. Reserve releases remain high.

The Group's reserving policy remains unchanged. The amount of provisions relating to the underwriting year, although discounted, remains in line with the historical average. The rigorous management of past claims enabled the Group to record 35.6 ppts of recoveries on previous years. Releases from previous years no longer benefited as much from COVID-related reserves.

The net loss ratio rose to 40.6%, an increase of 0.3 ppt compared to T1-22 (and up 10.7 ppts compared to Q1-22, excluding the impact of government schemes).

(ii) Cost ratio

Coface follows a strict cost management policy. In Q1-23, costs rose by +10.9% at constant perimeter and FX, and +10.7% at current FX. Credit insurance costs were up 7.9%, which was less than the increase in turnover, demonstrating good operating leverage. The cost ratio before reinsurance stood at 29.4%, down 1.2 ppt year on year due to an improvement in the product mix (commissions).

The cost ratio net of reinsurance was 25.7% in Q1-23, an improvement of 2.1 ppts year on year.

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- Financial result

Net financial income for the first quarter was -€2.6m. This amount includes market value adjustments particularly on real estate funds for -€12m, positive hedging results and a currency effect of -€6.3m, which is mainly due to the application of IAS 29 (hyperinflation) in Argentina and Turkey.

The portfolio's current yield (i.e. excluding capital gains, impairment and currency effects) was €14.6m, i.e. a two-fold increase year on year. The accounting yield¹, excluding capital gains and fair value effect, was 0.5% in Q1-23. The return on new investments remained above 2%.

- Operating income and net income

Operating income for Q1-23 was €90.0m, up 11.4% year on year, mainly due to increased turnover and a loss experience that remained low.

The effective tax rate was 25%, compared to 31% for Q1-22.

In total, net income (group share) stood at €61.2m, up 17.0% compared to Q1-22.

3. Shareholders' equity

At 31 March 2023, Group shareholders' equity stood at €2,100.4m, up €81.8m, i.e. +4.1% (compared to €2,018.6m at 31 December 2022).

This change is mainly due to positive net income of €61.2m, and positive adjustments to the fair value of investments (€24.2m).

The annualised return on average tangible equity (RoATE) was 13.6% in Q1-23.

¹ Book yield calculated on the average of the investment portfolio excluding non-consolidated subsidiaries.



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4. Outlook

As expected, inflation continued to decline due to the fall in commodity prices (particularly energy prices) and the proactive measures taken by central banks. The many monetary tightening measures in the main economic hubs have started making their impact. However, the excellent state of the labour market limited the negative consequences of this new policy. The transmission of monetary policies to the economy is not immediate and its full effect has yet to be observed.

One of the most visible consequences of this tightening was the bankruptcy of a number of US banks due to a lack of supervision and regulation. At this stage, the takeover of these banks by stronger players has limited contagion. However, the other regional banks are encouraged to reduce their commitments, which could lead to a contraction in the credit supply available to households and businesses.

Against this backdrop, the number of corporate bankruptcies continued to rise, albeit at a more moderate pace than expected.

Lower inflation has led to slowed growth in trade credit insurance turnover. On the other hand, other activities and in particular service revenues (information, debt collection and fee and commission income) continued to grow in double digits, improving Coface's product mix.

Conference call for financial analysts

Coface's results for 3M-2023 will be discussed with financial analysts during the conference call on Thursday 25 May at 18.00 (Paris time). Dial one of the following numbers:

- By webcast: [Coface Q1-23 results - Webcast](#)
- By telephone (for the sell-side analyst): [Coface Q1-23 results - conference call](#)

The presentation will be available (in English only) at the following address:

<http://www.coface.com/Investors/financial-results-and-reports>

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Appendix

Quarterly results

Income statements items in €m quarterly figures	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	%	% ex. FX*
Gross earned premiums	359.2	374.0	403.5	379.0	395.3	+10.1%	+10.9%
Other revenues	68.8	71.6	70.1	73.0	79.8	+16.0%	+13.9%
REVENUE	428.0	445.6	473.5	452.0	475.1	+11.0%	+11.4%
UNDERWRITING INCOME (LOSS) AFTER REINSURANCE	82.3	109.5	84.9	72.0	95.3	+15.9%	+12.5%
Investment income, net of management expenses	11.3	11.5	13.5	(0.6)	(2.6)	(123.2)%	(122.0)%
Insurance Finance Expenses	(11.5)	(10.4)	(10.5)	14.9	(2.4)	(79.5)%	(70.3)%
CURRENT OPERATING INCOME	82.0	110.6	87.9	86.2	90.4	+10.2%	+5.8%
Other operating income / expenses	(1.2)	(3.2)	(0.7)	(4.1)	(0.3)	(70.1)%	(78.6)%
OPERATING INCOME	80.8	107.4	87.3	82.1	90.0	+11.4%	+7.0%
NET INCOME	52.3	82.5	51.0	54.6	61.2	+17.0%	+7.8%
Income tax rate	31.0%	19.3%	32.8%	25.5%	25.5%	-5.5 pts.	

Cumulated results

Income statements items in €m cumulated figures	Q1-22	H1-22	9M-22	2022	Q1-23	%	% ex. FX*
Gross earned premiums	359.2	733.2	1,136.6	1,515.7	395.3	+10.1%	+10.9%
Other revenues	68.8	140.4	210.4	283.4	79.8	+16.0%	+13.9%
REVENUE	428.0	873.5	1,347.0	1,799.0	475.1	+11.0%	+11.4%
UNDERWRITING INCOME (LOSS) AFTER REINSURANCE	82.3	191.8	276.7	348.6	95.3	+15.9%	+12.5%
Investment income, net of management expenses	11.3	22.8	36.3	35.7	(2.6)	(123.2)%	(122.0)%
Insurance Finance Expenses	(11.5)	(21.9)	(32.4)	(17.6)	(2.4)	(79.5)%	(70.3)%
CURRENT OPERATING INCOME	82.0	192.6	280.5	366.8	90.4	+10.2%	+5.8%
Other operating income / expenses	(1.2)	(4.3)	(5.0)	(9.1)	(0.3)	(70.1)%	(78.6)%
OPERATING INCOME	80.8	188.3	275.5	357.7	90.0	+11.4%	+7.0%
NET INCOME	52.3	134.8	185.8	240.4	61.2	+17.0%	+7.8%
Income tax rate	31.0%	24.3%	26.8%	26.5%	25.5%	-5.5 pts.	

* Also excludes scope impact

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FINANCIAL CALENDAR 2023

(subject to change)

H1-2023 results: 10 August 2023 (after market close)

9M-2023 results: 14 November 2023 (after market close)

FINANCIAL INFORMATION

This press release, as well as COFACE SA's integral regulatory information, can be found on the Group's website:

<http://www.coface.com/Investors>

For regulated information on Alternative Performance Measures (APM), please refer to our Interim Financial Report for H1-2022 and our [2022 Universal Registration Document](#) (see part 3.7 "Key financial performance indicators").



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COFACE: FOR TRADE

With over 75 years of experience and the most extensive international network, Coface is a leader in trade credit insurance & risk management, and a recognized provider of Factoring, Debt Collection, Single Risk insurance, Bonding, and Information Services. Coface's experts work to the beat of the global economy, helping ~50,000 clients in 100 countries build successful, growing, and dynamic businesses. With Coface's insight and advice, these companies can make informed decisions. The Group's solutions strengthen their ability to sell by providing them with reliable information on their commercial partners and protecting them against non-payment risks, both domestically and for export. In 2022, Coface employed ~4,720 people and registered a turnover of €1.81 billion.

www.coface.com

COFACE SA is quoted in Compartment A of Euronext Paris

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