

PRESS RELEASE

Coface confirms its very good start to the year with first-half net income of €128.8m. Annualised return on tangible equity at 14.3%

Paris, 10 August 2023 – 17.35

- **Turnover for the first half of the year: €960m, up 11.1% at constant FX and perimeter and 9.9% on a reported basis**
 - Trade credit insurance rose +11.2% at constant FX, driven by increased client activity and growth in fee and commission income (+11.3%)
 - Client retention stood at a record high (94.4%); the price effect was still negative (-2.0%) but less so than in H1-22
 - Business information momentum continues with double-digit growth (+14.8% at constant FX); factoring up by +5.4%, reflecting clear economic slowdown in Germany and Poland
- **Net loss ratio at 40.3% in H1-23, up by 3.8 ppts; net combined ratio at 65.5%, up by 2.2 ppts (and +8.3 ppts compared to H1-22, excluding the impact of government schemes)**
 - Gross loss ratio at 39.4%, up 7.4 ppts in a risk environment that is still normalising
 - Net cost ratio down by 1.6 ppt to 25.2% as a result of an improved product mix and high reinsurance commissions, while investments continue
- **Net income (group share) at €128.8m, including €67.7m for Q2-23; annualised RoATE¹ at 14.3%**
- **Estimated solvency ratio at 192%² above the target range (155% - 175%)**

Unless otherwise indicated, change comparisons refer to the pro forma IFRS 17 results as at 30 June 2022.

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

"In the first half of the year, Coface's turnover grew by 11.1%, against a backdrop of falling commodity prices with lower energy prices easing, at least temporarily, inflationary pressures. With economic growth still weak particularly in China and Europe, and rising financing costs, the financial health of many companies is deteriorating. Since the beginning of the year, Coface, in close collaboration with its customers, has thus significantly stepped up its preventive actions on its risk portfolio.

Over the past quarter, Coface's results amounted to €68m, a high level reflecting our proactive management of an increasing loss environment and tight cost control. Combined ratio for the quarter stands at 65.5% under the new IFRS 17 accounting standards.

Our strong performance is also reflected in the growth of services, such as business information, which recorded another quarter of double-digit increase (+14.8% during the first semester). All these elements have enabled Coface to deliver an annualised RoATE of 14.3% since the beginning of the year, well above its mid-cycle targets.

Finally, Coface will present its new strategic plan on 5th March 2024."

¹ Return on average tangible equity

² This estimated solvency ratio is a preliminary calculation made according to Coface's interpretation of Solvency II regulations and using the Partial Internal Model. The final calculation may differ from this preliminary calculation. The estimated solvency ratio is not audited.

PRESS RELEASE

Key figures at 30 June 2023

The Board of Directors of COFACE SA examined the consolidated financial statements at 30 June 2023 at its meeting of 10 August 2023. The Audit Committee, at its meeting on 9 August 2023, also previously reviewed them. These interim consolidated financial statements have been subject to limited review by the statutory auditors. The limited review report is being issued.

Income statements items in €m	H1-22	H1-23	Variation	% ex. FX*
Gross earned premiums	733.2	803.1	+9.5%	+11.2%
Services revenue	140.4	156.6	+11.5%	+11.0%
REVENUE	873.5	959.7	+9.9%	+11.1%
UNDERWRITING INCOME/LOSS AFTER REINSURANCE	191.8	198.8	+3.7%	+3.9%
Investment income, net of management expenses	22.8	1.4	(93.8)%	(79.7)%
Insurance Finance Expenses	(21.9)	(14.7)	(32.9)%	(18.3)%
CURRENT OPERATING INCOME	192.6	185.5	(3.7)%	(3.4)%
Other operating income / expenses	(4.3)	(0.7)	(83.5)%	(80.0)%
OPERATING INCOME	188.3	184.8	(1.8)%	(1.6)%
NET INCOME	134.8	128.8	(4.4)%	(5.1)%
Ratios clés	H1-22	H1-23	Variation	
Loss ratio net of reinsurance	36.6%	40.3%	+3.8	ppts
Cost ratio net of reinsurance	26.8%	25.2%	(1.6)	ppt
COMBINED RATIO NET OF REINSURANCE	63.4%	65.5%	+2.2	ppts
Balance sheet items in €m	2022	H1-23	Variation	
Total Equity (group share)	2,018.6	1,925.3	(4.6)%	
	H1-22	H1-23		
Solvency ratio	192% ¹	192% ¹	-	ppt

* Also excludes scope impact

¹ This estimated solvency ratio is a preliminary calculation made according to Coface's interpretation of Solvency II regulations and using the Partial Internal Model. The final calculation may differ from this preliminary calculation. The estimated solvency ratio is not audited.

PRESS RELEASE

1. Turnover

Coface recorded a consolidated turnover of €959.7m, up +11.1% compared to H1-22, at constant FX and perimeter. As reported (at current FX and perimeter), turnover rose +9.9%.

Turnover from the insurance business (including surety bonds and single risk) increased +11.2% at constant perimeter and FX. Growth benefited from a sharp increase in client activity as well as a record retention level of 94.4%, up +0.5% compared to H1-22. New business totalled €63m, up €5m compared to H1-22 driven by the mid-market engine, and has now returned to pre-COVID levels (€65m in H1-19).

The growth in Coface's client activity had a positive impact of +2.8% during H1-23. This increase continues to reflect the scale of the recent economic recovery and inflation, but the pace of growth is now slowing sharply (-5.2 ppts compared to H1-22). The price effect remained negative at -2.0% in H1-23 but improved compared to H1-22 (-3.0%). This decrease is largely explained by a very low past claims experience and was limited by the normalisation of the risk environment.

Turnover from non-insurance activities was up +10.4% compared to H1-22. All the business lines are experiencing positive trends but at different scales. Turnover from factoring rose +5.4%, mainly due to the increase in volumes refinanced in Germany. Information services turnover rose +14.8%, maintaining its growth trend. Fee and commission income (debt collection commissions) increased +35.0% due to the increase in claims to be collected. Commissions were up +11.3%.

Total revenue - in €m (by country of invoicing)	H1-22	H1-23	Variation	% ex. FX ¹
Northern Europe	187.5	200.1	+6.7%	+7.1%
Western Europe	166.8	194.3	+16.5%	+16.5%
Central & Eastern Europe	89.5	91.1	+1.8%	+0.4%
Mediterranean & Africa	236.8	267.0	+12.7%	+15.2%
North America	79.7	85.4	+7.2%	+7.1%
Latin America	48.2	54.5	+13.0%	+23.2%
Asia Pacific	65.0	67.3	+3.5%	+4.9%
Total Group	873.5	959.7	+9.9%	+11.1%

In Northern Europe, turnover increased +7.1% at constant FX and +6.7% at current FX. Trade credit insurance benefited from the increase in client activity and a high retention rate. Turnover from factoring and services increased +7.6% and +30.3% respectively.

In Western Europe, turnover was up +16.5% at constant FX (+16.5% at current FX) due to a high retention rate and client activity. Q1-23 benefited from a positive one-off on alignment of accounting methodology.

In Central and Eastern Europe, turnover was up by +0.4% and +1.8% at current FX, due to the decline in business in Russia. Excluding Russia, growth would be +5.7%.

In the Mediterranean and Africa region, which is driven by Italy and Spain, turnover rose +15.2% and +12.7% at current FX due to a high retention rate and client activity. Service revenues and commissions increased by +13.5%.

¹ Also excludes scope impact



PRESS RELEASE

In North America, turnover increased +7.1% at constant FX and +7.2% as reported, driven by client activities and a high retention rate.

In Latin America, turnover was up +23.2% at constant FX and +13.0% at current FX, driven by high retention and the increase in client activity.

In Asia-Pacific, turnover increased +4.9% at constant FX and +3.5% at current FX. This growth was driven by high retention and a recovery in activity in the second quarter.

2. Result

– Combined ratio

The combined ratio net of reinsurance was 65.5% in H1-23, up +2.2 ppts year on year. This ratio was up 8.3 ppts compared to H1-22 when excluding the effect of government schemes.

(i) Loss ratio

The gross loss ratio stood at 39.4%, up 7.4 ppts compared to the previous 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 related to the underwriting year, although discounted, remains in line with the historical average. Strict management of past claims enabled the Group to record 36.3 ppts of recoveries.

The net loss ratio rose to 40.3%, an increase of 3.8 ppts compared to H1-22 (and up 9.6 ppts compared to H1-22 excluding the impact of government schemes).

(ii) Cost ratio

Coface follows a strict cost management policy. In the second quarter 2023, Coface maintained its discipline, with costs growing by +10.2% at constant FX and perimeter, and +7.7% at current FX. This increase in costs is lower than the growth in turnover, even though Coface continued to invest. The cost ratio before reinsurance was 29.8%, an increase of 0.2 ppt year on year.

The cost ratio net of reinsurance was 25.2% in H1-23, an improvement of 1.6 ppt year on year.

PRESS RELEASE

- Financial result

Net financial income for the first half was €1.4m. This amount includes market value adjustments for -€15.2m (particularly on real estate funds), positive hedging results, and a currency effect of -€17.4m due to the application of IAS 29 (hyperinflation) in Argentina and Turkey and the rise in the euro against the other currencies in which the group does business.

The portfolio's current yield (i.e. excluding capital gains, depreciation and FX impact) was €31.9m. The accounting yield¹, excluding capital gains and the fair value effect, was 1.1% in H1-23. The yield on new investments was 3.4%.

- Operating income and net income

Operating income amounted to €184.8m in H1-23, down -1.8%. It continues to benefit mainly from revenue growth.

The effective tax rate was 24% (unchanged from H1-22).

In total, net income (group share) stood at €128.8m, down -4.4% compared to H1-22, of which €67.7m in Q2-23.

3. Shareholders' equity

At 30 June 2023, Group shareholders' equity stood at €1,925.3m, down €93.3m, or -4.6% (compared to €2,018.6m at 31 December 2022).

This change is mainly due to positive net income of €128.8m, the payment of the dividend (-€227.0m) and a rise in unrealised capital gains (€16.7m).

The annualised return on average tangible equity (RoATE) was 14.3% at 30 June 2023, mainly due to the improvement in underwriting income.

The solvency ratio reached 192%², stable compared to H1-22. It remains well above the upper end of the target range (155%-175%).

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

² This estimated solvency ratio constitutes a preliminary calculation made according to Coface's interpretation of Solvency II regulations and using the Partial Internal Model. The result of the definitive calculation may differ from the preliminary calculation. The estimated solvency ratio is not audited.

PRESS RELEASE

4. Outlook

In the second quarter of the year, the global economy benefited from a decline in commodity prices, which concerned both energy and non-energy. In particular, oil prices suffered from a weak demand outlook, notably due to the lack of a real rebound of the Chinese economy. This latter is experiencing a persistently soft industrial cycle and is suffering from the relocation of some production facilities to other countries because of geostrategic uncertainties.

Inflation remains the key concern for central banks. The recent decline in oil prices brought a welcome relief in inflationary pressure but it could rapidly revert should demand recover. Central banks are therefore expected to continue tightening their monetary policies, which should keep global growth at a modest level both in 2023 and 2024.

Against this backdrop of slow growth and rising interest rates, Coface anticipates a further increase in business defaults. Accordingly, Coface has significantly stepped up its preventive actions on the risk portfolio in close relationship with its clients, in line with its strategy.

The credit insurance sector is entering a new phase of its cycle, which will see weaker and potentially negative client activity, a rise in business failures, and insurance prices bottoming out. Against this clearly less favourable backdrop, Coface continues to manage its risks rigorously, while remaining faithful to its strategy of close collaboration with its customers.

As the Build to Lead strategic plan nears its end, Coface is actively preparing its next plan, which will be presented to investors on 5th March 2024.

Coface's operations continue to be backed by a solid balance sheet. The solvency ratio reached 192%¹, above the target range (155% - 175%).

Conference call for financial analysts

Coface's results for H1-2023 will be discussed with financial analysts during the conference call on 10 August 2023 at 18.00 (Paris time). Dial one of the following numbers:

- By webcast: [Coface H1-23 results - Webcast](#)
- By telephone (for the sell-side analyst): [Coface H1-23 - conference call](#)

The presentation will be available (in English only) at the following address:
<http://www.coface.com/Investors/financial-results-and-reports>

¹ This estimated solvency ratio is a preliminary calculation made according to Coface's interpretation of Solvency II regulations and using the Partial Internal Model. The final calculation may differ from this preliminary calculation. The estimated solvency ratio is not audited.

PRESS RELEASE

Appendix

Quarterly results

Income statements items in €m quarterly figures	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23	%	% ex. FX*
Gross earned premiums	359.2	374.0	403.5	379.0	395.3	407.8	+9.0%	+11.4%
Other revenues	68.8	71.6	70.1	73.0	79.8	76.8	+7.3%	+8.1%
REVENUE	428.0	445.6	473.5	452.0	475.1	484.5	+8.7%	+10.9%
UNDERWRITING INCOME (LOSS) AFTER REINSURANCE	82.3	109.5	84.9	72.0	95.3	103.5	(5.5)%	(2.6)%
Investment income, net of management expenses	11.3	11.5	13.5	(0.6)	(2.6)	4.0	(65.1)%	(38.3)%
Insurance Finance Expenses	(11.5)	(10.4)	(10.5)	14.9	(2.4)	(12.3)	+18.7%	+39.2%
CURRENT OPERATING INCOME	82.0	110.6	87.9	86.2	90.4	95.2	(14.0)%	(10.2)%
Other operating income / expenses	(1.2)	(3.2)	(0.7)	(4.1)	(0.3)	(0.4)	(88.4)%	(80.5)%
OPERATING INCOME	80.8	107.4	87.3	82.1	90.0	94.8	(11.8)%	(8.1)%
NET INCOME	52.3	82.5	51.0	54.6	61.2	67.7	(18.0)%	(13.3)%
Income tax rate	31.0%	19.3%	32.8%	25.5%	25.5%	21.9%	+2.6 ppts.	

Résultats cumulés

Income statements items in €m cumulated figures	Q1-22	H1-22	9M-22	2022	Q1-23	H1-23	%	% ex. FX*
Gross earned premiums	359.2	733.2	1,136.6	1,515.7	395.3	803.1	+9.5%	+11.2%
Other revenues	68.8	140.4	210.4	283.4	79.8	156.6	+11.5%	+11.0%
REVENUE	428.0	873.5	1,347.0	1,799.0	475.1	959.7	+9.9%	+11.1%
UNDERWRITING INCOME (LOSS) AFTER REINSURANCE	82.3	191.8	276.7	348.6	95.3	198.8	+3.7%	+3.9%
Investment income, net of management expenses	11.3	22.8	36.3	35.7	(2.6)	1.4	(93.8)%	(79.7)%
Insurance Finance Expenses	(11.5)	(21.9)	(32.4)	(17.6)	(2.4)	(14.7)	(32.9)%	(18.3)%
CURRENT OPERATING INCOME	82.0	192.6	280.5	366.8	90.4	185.5	(3.7)%	(3.4)%
Other operating income / expenses	(1.2)	(4.3)	(5.0)	(9.1)	(0.3)	(0.7)	(83.5)%	(80.0)%
OPERATING INCOME	80.8	188.3	275.5	357.7	90.0	184.8	(1.8)%	(1.6)%
NET INCOME	52.3	134.8	185.8	240.4	61.2	128.8	(4.4)%	(5.1)%
Income tax rate	31.0%	24.3%	26.8%	26.5%	25.5%	23.7%	(0.6) ppt.	

* Also excludes scope impact



PRESS RELEASE

CONTACTS

ANALYSTS / INVESTORS

Thomas JACQUET: +33 1 49 02 12 58 – thomas.jacquet@coface.com

Benoît CHASTEL: +33 1 49 02 22 28 – benoit.chastel@coface.com

MEDIA RELATIONS

Saphia GAOUAOU: +33 1 49 02 14 91 – saphia.gaouaoui@coface.com

Corentin HENRY: +33 1 49 02 23 94 – corentin.henry@coface.com

FINANCIAL CALENDAR 2023/2024

(subject to change)

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

Investor Day: 5 March 2024 (Paris)

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 H1-2023 and our [2022 Universal Registration Document](#) (see part 3.7 "Key financial performance indicators").



Certified with **wiztrust**

Regulated documents posted by COFACE SA have been secured and authenticated with the blockchain technology by Wiztrust. You can check the authenticity on the website www.wiztrust.com.

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

Code ISIN: FR0010667147 / Mnémonique : COFA



DISCLAIMER - Certain declarations featured in this press release may contain forecasts that notably relate to future events, trends, projects or targets. By nature, these forecasts include identified or unidentified risks and uncertainties, and may be affected by many factors likely to give rise to a significant discrepancy between the real results and those stated in these declarations. Please refer to chapter 5 "Main risk factors and their management within the Group" of the Coface Group's 2022 Universal Registration Document filed with AMF on 6 April 2023 under the number D.23-0244 in order to obtain a description of certain major factors, risks and uncertainties likely to influence the Coface Group's businesses. The Coface Group disclaims any intention or obligation to publish an update of these forecasts, or provide new information on future events or any other circumstance.