

PRESS RELEASE

FY-2022 results: record net income at €283.1m and 80% pay-out ratio

Paris, 16 February 2023 – 17.35

- **Turnover: €1,812m, up +13.4% at constant FX and perimeter and +15.6% on a reported basis**
 - Trade Credit Insurance premiums grow by +14.4% driven by high client activity in still inflationary environment
 - Client retention at record highs (92.9%); pricing down (-3.0%) in line with 9M-2022
 - Business information revenues up by +11.6% at constant FX and +13.1% at the full scope; factoring up by +10.0%
- **Net loss ratio at 36.0%, up by 2.7 ppts; net combined ratio at 64.9%, +0.3 ppt vs. 2021 (up 10.4 ppts excluding 2021 government schemes impact)**
 - Gross loss ratio up by 9.8 ppts at 31.2%, as normalisation of risk environment continues
 - Net cost ratio down by 2.5 ppts at 28.8% reflecting continued positive operating leverage and high reinsurance commissions
 - Q4-22 net combined ratio at 68.2% on continued low loss ratio
- **Net income (group share) of €283.1m, of which €54.7m in Q4-22. Annualised RoATE¹ of 15.6%**
 - Earnings per share reached €1.89
- **Coface continues to be backed by a solid balance sheet:**
 - Estimated solvency ratio at ~201%², above the upper end of target range (155% to 175%)
 - Proposal to distribute a dividend³ per share of €1.52 representing a 80% pay-out ratio
- **Acquisition of Rel8ed, a data analytics boutique in North America**

Unless otherwise indicated, change comparisons refer to the results as at 31 December 2021.

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

"The global economy was exposed to many risks at the end of 2022, but it benefited from unexpected positive developments such as the reopening of the Chinese economy and exceptionally high temperatures at the start of the winter in Europe. This mild weather and curve in demand reduced natural gas consumption and lowered energy costs for businesses and households.

However, these good news did not stop the expected ongoing increase in the number of business failures.

In this complex environment, Coface achieved record results, with net income up 26% to €283m, corresponding to an annualised return on tangible equity of 15.6%.

Our retention rate and net promoter score also reached record levels. This performance would not have been possible without the commitment of all of Coface's employees to serving our clients.

2023 is the last year of the Build to Lead strategic plan. We have either already achieved or are in the process of exceeding all the goals set in this plan. This new year will also see the application of new accounting standards, the application of which has required considerable efforts from our teams but will not change our strategy or performance measurement.

Thanks to our very solid balance sheet, we will propose the distribution of 80%³ of our net income to shareholders at the General Meeting, in line with the objectives of our strategic plan."

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.

³ The distribution proposal will be submitted to the Annual General Shareholders' Meeting to be held on 16 May 2023.

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Key figures at 31 December 2022

The Board of Directors of COFACE SA approved the consolidated financial statements at 31 December 2022 at its meeting of 16 February 2023. The Audit Committee at its meeting on 14 February 2023 also previously reviewed them. Accounts are non-audited, certification is in progress.

Income statement items in €m	2021	2022	%	% ex. FX*
Gross earned premiums	1,312.6	1,527.5	+16.4%	+14.4%
Services revenue	255.2	284.5	+11.5%	+8.5%
REVENUE	1,567.9	1,812.0	+15.6%	+13.4%
UNDERWRITING INCOME/LOSS AFTER REINSURANCE	273.9	382.5	+39.7%	+37.1%
Investment income, net of management expenses	42.2	40.1	(4.9)%	(5.1)%
CURRENT OPERATING INCOME	316.0	422.6	+33.7%	+31.4%
Other operating income / expenses	(3.2)	(9.1)	+186.9%	+184.0%
OPERATING INCOME	312.9	413.5	+32.2%	+29.8%
NET INCOME	223.8	283.1	+26.5%	+24.1%
Key ratios	2021	2022	Variation	
Loss ratio net of reinsurance	33.3%	36.0%	+2.8	ppts.
Cost ratio net of reinsurance	31.3%	28.8%	(2.5)	ppts.
COMBINED RATIO NET OF REINSURANCE	64.6%	64.9%	+0.3	ppt.
Balance sheet items in €m	2021	2022	Variation	
Total Equity (group share)	2,141.0	1,960.5	(8.4)%	
SOLVENCY RATIO	196%¹	201%¹	+5	ppts.

* Also excludes scope impact

¹ 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.

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1. Turnover

In 2022, Coface recorded a consolidated turnover of €1,812.0m, up +13.4% compared to 2021 at constant FX and perimeter. On a reported basis (at current FX and perimeter), turnover was up +15.6%.

Revenues from insurance activities (including bonding and Single Risk) increased by +14.4% at constant FX and perimeter (and by 16.4% at current FX) compared to 2021. Growth benefited from an increase in client activity and continued high retention.

The retention rate reached a record level of 92.9%, up +1.2% year-on-year. New business totalled €110m, down €19m compared to 2021 in an increasingly competitive market.

The growth in Coface's client activities had a positive impact of +13.8% during 2022. This record increase over the year reflects the scale of the recent economic recovery and inflation, but the pace of growth is now slowing. The price effect remained negative at -3.0% over the full year, in line with the -3.0% fall in 9M-2022. This is largely due to the previous very low loss experience.

Revenues from other activities were up +8.3% compared to 2021, still with contrasting trends in the different businesses. Turnover from factoring rose +10.0%, mainly due to the increase in volumes refinanced in Poland. Business information revenues continued to grow, rising +11.6% (vs. +18.4% in 2021). Fee and commission income (collection fees) was impacted by the decline in claims to be recovered and dropped -23.0% while commissions were up by +8.6%.

Total revenue - in €m (by country of invoicing)	2021	2022	%	% ex. FX ¹
Northern Europe	331.5	372.3	+12.3%	+11.3%
Western Europe	316.7	359.6	+13.6%	+12.7%
Central & Eastern Europe	156.3	178.5	+14.3%	+13.4%
Mediterranean & Africa	429.4	480.6	+11.9%	+13.8%
North America	137.5	168.0	+22.2%	+9.3%
Latin America	73.3	101.6	+38.5%	+29.0%
Asia Pacific	123.2	151.3	+22.8%	+14.6%
Total Group	1,567.9	1,812.0	+15.6%	+13.4%

In Northern Europe, turnover increased by +11.3% at constant FX (+12.3% at current FX). Trade credit insurance benefited from the increase in client activity and a high retention rate. Factoring turnover increased by +5.0%.

In Western Europe, turnover was up by +12.7% at constant FX (+13.6% at current FX) thanks to a high retention rate and strong client activity as well as an improvement in new business.

In Central and Eastern Europe, turnover was up by +13.4% and by +14.3% at current FX, due to high retention and growth in trade credit insurance driven by client activity. Factoring turnover continued to increase significantly, rising by +32.2%.

In Mediterranean and Africa, a region driven by Italy and Spain, turnover grew by +13.8% and by +11.9% at current FX. This was due to high levels of new business and strong retention. Revenues from services increased by +20.7%.

¹ Also excludes scope impact



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In North America, turnover increased +9.3% at constant FX and +22.2% as reported, driven by high client activity and a positive FX effect, which were partially offset by premium refunds.

In Latin America, turnover was up +29.0% at constant FX and +38.5% at current FX, driven by strong retention as well as growth in client activity boosted by the rise in commodity prices.

In Asia-Pacific, turnover increased +14.6% at constant FX and +22.8% at current FX. This growth was driven by high retention and increased client activity as well as a positive currency effect.

2. Result

– Combined ratio

The combined ratio, net of reinsurance, stood at 64.9% for the year, +0.3 ppt compared with 2021 (and up 10.4 ppts excluding 2021 government schemes impact). The combined ratio, net of reinsurance, for Q4-22 stood at 68.2%, down by 14.8 ppts year-on-year, but up 8.6 ppts vs. Q3-22.

(i) Loss ratio

The gross loss ratio for 2022 was 31.2%, representing a rise of 9.8 ppts compared to the previous year. This reflects an increased claims frequency since H1-21, with the number of claims now close to pre-Covid levels, and the return of relatively large claims, which nevertheless remain below average. Coface increased its provisions relating to the residual exposure in Russia.

The Group's reserving policy remains unchanged. Strict management of past claims enabled Coface to record 51.6 ppts of recoveries. The provisioning rate for the 2022 underwriting year stood at 80.2%, which remains high and equivalent to 2020. This reflects Coface's anticipation of economic uncertainty, provisions for Russia and a likely increase in the number of large business failures.

The net loss ratio rose to 36.0%, an increase of 2.7 ppts over the year (and of 12.8 ppts excluding 2021 government schemes impact).

(ii) Cost ratio

Coface is following its strict policy of cost management. Over the full year 2022, costs rose by +12.6% at constant FX and perimeter, and by +15.0% at current FX. This increase in costs was lower than the growth in turnover despite ongoing investments in human resources and technology. The cost ratio before reinsurance was 33.5%, an increase of 0.4 ppt year-on-year.

The cost ratio net of reinsurance was 28.8% in 2022, an improvement of 2.5 ppts year-on-year, thanks to careful cost management in an inflationary environment and higher reinsurance commissions.

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- Financial result

Net financial income for 2022 was €40.2m, down by €2.0m compared to 2021. This figure includes €17.7m in realised capital gains and positive hedging results as well as a negative currency effect of €15.8m (including €13.3m related to IAS 29 – hyperinflation). This performance was achieved against a particularly turbulent market backdrop, primarily due to the effectiveness of hedging policies.

The portfolio's current income (i.e. excluding capital gains, depreciation and FX impact) was €44.6m in 2022 (compared to €33.1m in 2021). The accounting yield¹, excluding capital gains and depreciation, stood at 1.5% in FY-2022, up compared to the previous year (1.1%), mainly due to higher reinvestment rates.

- Operating income and net income

Operating income for 2022 was €413.5m, up +32.2%, mainly due to revenue growth and a still low loss ratio.

The effective tax rate was 26%, compared to 23% in 2021.

In total, net income (group share) stood at €283.1m, up +26.5% compared to 2021, of which €54.7m in Q4-22.

3. Shareholders' equity

At 31 December 2022, Group shareholders' equity stood at €1,960.5m, down €180.6m, or -8.4% (compared to €2,141.0m at 31 December 2021).

This change was mainly due to the positive net income of €283.1m, the payment of the dividend (-€224.8m) and the fall in unrealised capital gains (-€264.9m).

The annualised return on average tangible equity (RoATE) was 15.6% in 2022, mainly due to the improvement in underwriting income.

The solvency ratio reached 201%², representing an increase of 5 pts compared to FY-21. It remains well above the upper end of the target range (155%-175%).

Coface will propose a payout ratio of 80%³ to shareholders at the Annual Shareholders' Meeting, in line with its capital management policy, corresponding to a €1.52 dividend per share.

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

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³ The distribution proposal will be submitted to the Annual General Shareholders' Meeting to be held on 17 May 2022.



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4. Outlook

The end of 2022 showed that the worst-case scenario is never assured. Some of the political and economic risks that were weighing on the global economy fared better than expected, with, for example the reopening of the Chinese economy and reduced pressure on energy markets owing to exceptionally high temperatures in Europe.

These temperatures remind us of the need to reduce our CO₂ emissions. As a responsible company, Coface has set its roadmap through to 2050 with five-year goals for reducing its emissions.

However, in the medium term, the level of public debt and its sharp increase over the past three years leave governments little leeway to take massive action in the economy. The financing of the energy transition and the rebuilding of previously overlooked defence forces will account for a large portion of spending, limiting the ability to react in the event of a new external shock.

Lastly, interest rates and energy prices will remain higher than in the recent past for some time, impacting the margins and financial strength of many businesses.

The current easing in inflation should slow the pace of growth in premiums for Coface, as these are mostly indexed to its policyholders' turnover.

Coface continues to expect a further normalisation in the risk environment and has prepared accordingly.

Conference call for financial analysts

Coface's results for FY-2022 will be discussed with financial analysts during the conference call on 16 February 2023 at 18.00 (Paris time). Dial one of the following numbers:

- By webcast: [Coface FY-22 results - Webcast](#)
- By telephone (for the sell-side analysts): [Coface FY-22 - 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 statement items in €m Quarterly figures	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22	%	% ex. FX*
Gross earned premiums	312.1	326.7	330.7	343.2	361.3	392.7	398.1	375.3	+9.4%	+7.9%
Services revenue	65.9	63.4	59.6	66.3	69.5	71.4	70.1	73.5	+10.9%	+10.1%
REVENUE	377.9	390.1	390.4	409.5	430.8	464.1	468.2	448.9	+9.6%	+8.3%
UNDERWRITING INCOME(LOSS) AFTER REINSURANCE	74.3	81.5	79.4	38.7	84.9	98.1	112.7	86.8	+124.7%	+81.5%
Investment income, net of management expenses	5.7	10.1	15.0	11.3	12.3	12.0	14.7	1.0	(90.9)%	(84.6)%
CURRENT OPERATING INCOME	80.0	91.6	94.5	49.9	97.2	110.1	127.4	87.9	+76.0%	+41.8%
Other operating income / expenses	(0.4)	0.8	(1.3)	(2.3)	(1.2)	(3.2)	(0.7)	(4.1)	+75.8%	+77.1%
OPERATING INCOME	79.6	92.4	93.2	47.6	96.1	106.9	126.8	83.7	+76.0%	+40.1%
NET INCOME	56.4	66.9	67.7	32.9	66.2	78.2	84.0	54.7	+66.2%	+21.2%
Income tax rate	24.6%	23.0%	23.3%	20.6%	27.2%	23.0%	27.0%	27.7%	+7.2 pts.	

Cumulated results

Income statement items in €m Cumulated figures	Q1-21	H1-21	9M-21	FY-21	Q1-22	H1-22	9M-22	FY-22	%	% ex. FX*
Gross earned premiums	312.1	638.7	969.5	1,312.6	361.3	754.0	1,152.1	1,527.5	+16.4%	+14.4%
Services revenue	65.9	129.3	188.9	255.2	69.5	140.9	211.0	284.5	+11.5%	+8.5%
REVENUE	377.9	768.0	1,158.4	1,567.9	430.8	894.9	1,363.1	1,812.0	+15.6%	+13.4%
UNDERWRITING INCOME(LOSS) AFTER REINSURANCE	74.3	155.8	235.2	273.9	84.9	183.0	295.7	382.5	+39.7%	+37.1%
Investment income, net of management expenses	5.7	15.9	30.9	42.2	12.3	24.4	39.1	40.1	(4.9)%	(5.1)%
CURRENT OPERATING INCOME	80.0	171.6	266.1	316.0	97.2	207.3	334.8	422.6	+33.7%	+31.4%
Other operating income / expenses	(0.4)	0.4	(0.8)	(3.2)	(1.2)	(4.3)	(5.0)	(9.1)	+186.9%	+184.0%
OPERATING INCOME	79.6	172.1	265.3	312.9	96.1	203.0	329.8	413.5	+32.2%	+29.8%
NET INCOME	56.4	123.2	190.9	223.8	66.2	144.4	228.4	283.1	+26.5%	+24.1%
Income tax rate	24.6%	23.8%	23.6%	23.2%	27.2%	25.1%	25.8%	26.2%	+3.0 pts.	

* Also excludes scope impact



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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

(subject to change)

Annual General Shareholders' Meeting 2022: 16 May 2023

Q1-2023 results: 25 May 2023 (after market close)

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 [2021 Universal Registration Document](#) (see part 3.7 "Key financial performance indicators").



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COFACE: FOR TRADE

With more than 75 years of experience and the most extensive international network, Coface is one of the leader in trade credit insurance and adjacent specialty services, including Factoring, Single Risk insurance, Bonding and Information services. Coface's experts work to the beat of the global economy, helping ~50,000 clients build successful, growing, and dynamic businesses across the world. Coface helps companies in their credit decisions. The Group's services and solutions strengthen their ability to sell by protecting them against the risks of non-payment in their domestic and export markets. In 2022, Coface employed ~4,721 people and registered a turnover of €1.81 billion.

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