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Coface records excellent income of €189.7m in the first nine months amidst slowing inflation and claims normalisation. Annualised ROATE at 14.1%

Paris, 14 November 2023 – 17.35

- **Turnover of first nine months: €1,418m, up 7.1% at constant FX and perimeter and up 5.3% on a reported basis**
 - Trade credit insurance rose by +6.6% at constant FX. In Q3-23, growth in client activity was negative as a result of falling inflation and economic slowdown, which both weighed on premiums. Commissions were up +10.2%
 - Client retention stood at a record high (93.9%); price effect was still negative (-2.0%) but stabilised in Q3-23
 - Double-digit growth in business information (+14.7% at constant FX) and debt collection, which proved to be less cyclical; factoring up by +3.8%
- **9M-23 net loss ratio at 40.2%, up by 1.3 ppt; net combined ratio at 66.0%, up by 0.3 ppt vs pro forma 9M-22**
 - Gross loss ratio at 38.8%, up 3.3 ppts in a risk environment now close to historical averages
 - Net cost ratio improved by 1.1 ppt at 25.7% reflecting high reinsurance commissions and business mix while we continue to invest
 - Net combined ratio for Q3-23 at 66.8% improving by 3.0 ppts on better loss ratio
 - Risk exposure in Israel is limited to €4.6bn. Israel is also a historical market for Coface's business information division, representing close to ¼ of total BI with slower growth
- **Net income (group share) at €189.7m, including €60.9m for Q3-23; annualised RoATE¹ at 14.1%**
- **Moody's upgraded Coface's rating from A2 to A1 with a stable outlook**

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

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

"In the third quarter, both the global economy and inflation, particularly for commodities, experienced a net slowdown which led our clients' turnover to contract over the period.

Coface's turnover has nevertheless risen +7.1% year to date at constant FX due to an excellent performance at the start of the year, client retention which remains at record highs and a continued increase in service revenues. Business information revenue in particular was up +14.7%, confirming it is less cyclical.

Coface has a significant historical presence in Israel, particularly in business information. Despite its horrific human cost, the current conflict does not yet appear to have had a major economic impact. While there is a real risk that the conflict will persist or expand, we continue to support our local teams and clients in the region. In an environment of rising business insolvencies, risk prevention measures from the beginning of the year so far enabled us to limit claims, and our sound cost management led to a net combined ratio of 66.0% for the first nine months of the year.

Over the last quarter, Coface's net income was €61m with a year-to-date annualised RoATE of 14.1%, which is well over our mid-cycle targets.

Lastly, we welcome Moody's decision to raise Coface's credit rating from A2 to A1, associated with a stable outlook. This recognizes our team's hard work and attests to Coface's agility and resilience, as well as the quality of its risk management, which are at the heart of our culture and expertise."

¹ Return on average tangible equity

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Key figures at 30 September 2023

The Board of Directors of COFACE SA examined the consolidated financial statements at 30 September 2023 (non-audited figures) at its meeting of 14 November 2023. The Audit Committee at its meeting on 13 November 2023 also previously reviewed them.

Income statements items in €m	9M-22	9M-23	Variation	% ex. FX*
Insurance revenue	1,136.6	1,187.8	+4.5%	+6.6%
Services revenue	210.4	230.0	+9.3%	+10.0%
REVENUE	1,347.0	1,417.8	+5.3%	+7.1%
UNDERWRITING INCOME/LOSS AFTER REINSURANCE	276.7	290.0	+4.8%	+6.3%
Investment income, net of management expenses	36.3	14.5	(60.2)%	(34.8)%
Insurance Finance Expenses	(32.4)	(30.1)	(7.3)%	+24.0%
CURRENT OPERATING INCOME	280.5	274.4	(2.2)%	(1.1)%
Other operating income / expenses	(5.0)	(0.9)	(81.0)%	(79.9)%
OPERATING INCOME	275.5	273.4	(0.8)%	+0.3%
NET INCOME	185.8	189.7	+2.1%	+3.0%
Key ratios	9M-22	9M-23	Variation	
Loss ratio net of reinsurance	38.9%	40.2%	+1.3	ppt
Cost ratio net of reinsurance	26.8%	25.7%	(1.1)	ppt
COMBINED RATIO NET OF REINSURANCE	65.7%	66.0%	+0.3	ppt
Balance sheet items in €m	2022	9M-23	Variation	
Total Equity (group share)	2,018.6	1,983.7	(1.7)%	

* Also excludes scope impact

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1. Turnover

Coface recorded a consolidated turnover of €1,417.8m over the first nine months, up +7.1% at constant FX and perimeter compared to 9M-22. As reported (at current FX and perimeter), turnover rose +5.3%.

Revenues from insurance activities (including surety bonds and single risk) increased by +6.6% at constant FX and perimeter. Growth was bolstered by a rise in client activity at the beginning of the year which fell into negative territory in Q3-23 following a decline in inflation and the economic slowdown. The retention rate reached a record level of 93.9% (up +0.4% compared to 9M-22). Buoyed by the mid-market segment, new business rose to €89m, up €7m compared to 9M-22. This level is relatively close to pre-COVID levels (€96m at 9M-19).

The growth in Coface's client activity had a positive impact of +2.4% as of 9M-23. However, this growth reflects the slowdown of the economy and inflation (-8.7 ppts compared to 9M-22). The price effect remained negative, coming in at -2.0% for 9M-23 (compared to -3.0% for 9M-22) and stabilised in Q3-23. This is largely due to very low past losses offset by the current normalisation environment.

Turnover from non-insurance activities was up +9.8% compared to 9M-22. All the business lines are experiencing positive growth. Turnover from factoring rose +3.8%, mainly due to the increase in volumes refinanced in Germany. Information services turnover rose +14.7%. Fee and commission income (debt collection commissions) increased +41.3% due to the increase in claims to be collected. Commissions were up +10.2%.

Total revenue - in €m (by country of invoicing)	9M-22	9M-23	Variation	% ex. FX ¹
Northern Europe	280.1	291.3	+4.0%	+4.3%
Western Europe	270.7	289.8	+7.0%	+7.4%
Central & Eastern Europe	138.0	132.1	(4.3)%	(5.6)%
Mediterranean & Africa	359.7	398.7	+10.9%	+14.5%
North America	123.4	128.4	+4.0%	+6.9%
Latin America	76.7	76.5	(0.2)%	+6.3%
Asia Pacific	98.4	101.0	+2.7%	+6.5%
Total Group	1,347.0	1,417.8	+5.3%	+7.1%

In Northern Europe, turnover increased +4.3% at constant FX and +4.0% at current FX. The region saw a slump in client activity but adjacent activities were on the rise (+6.4% in factoring revenue).

In Western Europe, turnover increased +7.4% at constant FX (+7.0% at current FX). All the business lines contributed to this growth.

In Central and Eastern Europe, turnover fell -5.6% at constant FX (-4.3% at current FX) due to the decline in business in Russia. Excluding Russia, growth would be +1.7%.

In the Mediterranean and Africa region, which is driven by Italy and Spain, turnover rose +14.5% at constant FX and +10.9% at current FX due to new business and resilient activity.

¹ Hors effet périmètre



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In North America, turnover increased +6.9% at constant FX and +4.0% as reported, driven by the return in client activity and rising commissions.

In Latin America, turnover increased +6.3% at constant FX and fell 0.2% at current FX. The region saw a slump in client activity mainly in commodities and metals.

In Asia-Pacific, turnover increased +6.5% at constant FX and +2.7% at current FX. The boost in revenue was driven by past sales performances which sustained the growth of the portfolio.

2. Result

– Combined ratio

The combined ratio net of reinsurance was 66.0% in 9M-23, up +0.3 ppt year on year.

(i) Loss ratio

The gross loss ratio stood at 38.8%, up 3.3 ppts compared to the previous year. This reflects an increased claims frequency since H1-21, with the number of claims nearing pre-COVID levels. The amount of claims recorded is now higher than in 2019. Lastly, large losses have become relatively significant in size again while remaining below the historical average.

The Group's provisioning policy remained unchanged. The amount of provisions related to the underwriting year, although discounted, remained in line with the historical average. Strict management of past claims enabled the Group to record 36.8 ppts of recoveries.

The net loss ratio rose to 40.2%, up 1.3 ppt compared to 9M-22.

(ii) Cost ratio

Coface follows a strict cost management policy. Coface remained disciplined over the first nine months of the year, with costs rising 8.2% at constant FX and perimeter (+4.0% in Q3-23). This increase was slightly more than growth in revenue over the year (7.1%) due to ongoing investment. The cost ratio before reinsurance stood at 30.5%, down 0.1 ppt despite slowed revenue growth due to an improvement in the product mix.

The cost ratio net of reinsurance was 25.7% for 9M-23, an improvement of 1.1 ppt year on year as a result of reinsurance commissions that remain high.

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- Financial result

Net financial income was +€14.5m over the first nine months. This amount includes market value adjustments for -€19.6m (including -€25.8m for real estate funds), positive hedging results and currency effect of -€17.8m due to the application of IAS 29 (hyperinflation) in Argentina and in Turkey as well as the rise of the euro against the other currencies in which the group operates.

The portfolio's current yield (i.e. excluding capital gains, depreciation and FX) was €49.8m. The accounting yield¹, excluding capital gains and fair value effect, was 1.7% for 9M-23. The yield on new investments was 3.9%.

Insurance Finance Expenses (IFE) stood at €30.1m for the first nine months of the year due to higher discount rates and higher loss reserves.

- Operating income and net income

Operating income amounted to €273.4m in 9M-23, down -0.8%.

The effective tax rate was 24%, compared to 27% for 9M-22.

In total, net income (group share) stood at €189.7m, up +2.1% compared to 9M-22, of which €60.9m in Q3-23.

3. Shareholders' equity & solvency

At 30 September 2023, Group shareholders' equity stood at €1,983.7m, down €34.9m, or -1.7% (compared to €2,018.6m at 31 December 2022).

This change is mainly due to positive net income of €189.7m, the payment of the dividend (-€227.0m) and a rise in unrealised capital gains (€12.4m).

The annualised return on average tangible equity (RoATE) was 14.1% at 30 September 2023, mainly due to the improvement in underwriting income.

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



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4. Outlook

The global economy experienced a net slowdown over the last quarter. Monetary tightening from central banks affected multiple sectors of the economy, particularly real estate, and ultimately also hampered consumption. The full impact of these policies is yet to come. Meanwhile, price drops across most commodities caused an accelerated dip in inflation which affected Coface's clients growth, and therefore Coface's premium revenue.

Coface still expects modest growth for the global economy both in 2023 (2.4%) and 2024 (2.2%), and a further decline in inflation.

As expected at the start of the year, business failures continued to rise, sometimes above pre-pandemic levels. However, the many preventive measures taken by Coface so far avoided a major spike in recorded claims. Year-to-date their number is currently 8% lower than in 2019 for a total amount that is now equivalent.

Geopolitical instability (Ukraine, Israel, etc.) and the potential for enduring conflicts also translate to downside risks weighing on the economy.

As such, the credit insurance sector is entering a new phase in the cycle, characterised by weaker client activity that may be negative in the short-term, an increase in business insolvencies and reduced pressure on prices and an increase on demand. Amidst this clearly less encouraging environment, Coface remains dedicated to strict risks and costs management while honouring its strategy of closely collaborating with its clients.

One of Coface's strategic initiatives is focused on expanding services, which have low capital requirements. This strategy is now even more relevant as they tend to be less sensitive to the economic environment.

Coface is actively devising its next strategic plan, which will be presented to investors on 5 March 2024.

Conference call for financial analysts

Coface's results for 9M-2023 will be discussed with financial analysts during the conference call on 14 November 2023 at 18.00 (Paris time). Dial one of the following numbers:

- By webcast: [Coface 9M-23 results - Webcast](#)
- By telephone (for the sell-side analyst): [Coface 9M-23 - 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	Q2-23	Q3-23	%	% ex. FX*
Insurance revenue	359.2	374.0	403.5	379.0	395.3	407.8	384.7	(4.7)%	(1.7)%
Other revenues	68.8	71.6	70.1	73.0	79.8	76.8	73.4	+4.8%	+8.1%
REVENUE	428.0	445.6	473.5	452.0	475.1	484.5	458.1	(3.3)%	(0.3)%
UNDERWRITING INCOME (LOSS) AFTER REINSURANCE	82.3	109.5	84.9	72.0	95.3	103.5	91.2	+7.4%	+11.7%
Investment income, net of management expenses	11.3	11.5	13.5	(0.6)	(2.6)	4.0	13.0	(3.7)%	+40.8%
Insurance Finance Expenses	(11.5)	(10.4)	(10.5)	14.9	(2.4)	(12.3)	(15.4)	+46.2%	+112.3%
CURRENT OPERATING INCOME	82.0	110.6	87.9	86.2	90.4	95.2	88.9	+1.1%	+4.0%
Other operating income / expenses	(1.2)	(3.2)	(0.7)	(4.1)	(0.3)	(0.4)	(0.2)	(64.2)%	(79.0)%
OPERATING INCOME	80.8	107.4	87.3	82.1	90.0	94.8	88.6	+1.6%	+4.6%
NET INCOME	52.3	82.5	51.0	54.6	61.2	67.7	60.9	+19.4%	+25.2%
Income tax rate	31.0%	19.3%	32.8%	25.5%	25.5%	21.9%	24.2%	(8.5) pts.	

Cumulated results

Income statements items in €m cumulated figures	Q1-22	H1-22	9M-22	2022	Q1-23	H1-23	9M-23	%	% ex. FX*
Insurance revenue	359.2	733.2	1,136.6	1,515.7	395.3	803.1	1,187.8	+4.5%	+6.6%
Other revenues	68.8	140.4	210.4	283.4	79.8	156.6	230.0	+9.3%	+10.0%
REVENUE	428.0	873.5	1,347.0	1,799.0	475.1	959.7	1,417.8	+5.3%	+7.1%
UNDERWRITING INCOME (LOSS) AFTER REINSURANCE	82.3	191.8	276.7	348.6	95.3	198.8	290.0	+4.8%	+6.3%
Investment income, net of management expenses	11.3	22.8	36.3	35.7	(2.6)	1.4	14.5	(60.2)%	(34.8)%
Insurance Finance Expenses	(11.5)	(21.9)	(32.4)	(17.6)	(2.4)	(14.7)	(30.1)	(7.3)%	+24.0%
CURRENT OPERATING INCOME	82.0	192.6	280.5	366.8	90.4	185.5	274.4	(2.2)%	(1.1)%
Other operating income / expenses	(1.2)	(4.3)	(5.0)	(9.1)	(0.3)	(0.7)	(0.9)	(81.0)%	(79.9)%
OPERATING INCOME	80.8	188.3	275.5	357.7	90.0	184.8	273.4	(0.8)%	+0.3%
NET INCOME	52.3	134.8	185.8	240.4	61.2	128.8	189.7	+2.1%	+3.0%
Income tax rate	31.0%	24.3%	26.8%	26.5%	25.5%	23.7%	23.8%	(3.0) pts.	

* Also excludes scope impact



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FINANCIAL CALENDAR 2023/2024

(subject to change)

FY-2023 results: 27 February 2024 (after market close)

Capital market day: 5 March 2024 (Paris)

Q1-2024 results: 6 May 2024 (after market close)

Annual General Shareholders' Meeting 2023 : 16 May 2024

H1-2024 results: 5 August 2024 (after market close)

9M-2024 results: 5 November 2024 (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 H1-2023 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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