Please note that the conference call was accompanied by a complementary presentation in PDF format available on the Group's website: http://www.coface.com/Investors, under the "Financial results and reports" section.

FY-2024 Results

Conference Call Transcription

Paris, 20 February 2025

Presentation

Xavier DURAND, CEO, COFACE

Thank you very much. Welcome to this closing 2024 call. We're happy today to report our fourth quarter and total year numbers. You will have seen from the headlines that it has been another good quarter for Coface with €53.4m in net income in the fourth quarter, bringing the total for the year to €261.1m. It's been a better quarter on the growth side. You can see that our total revenues are just slightly down from 2023 at -0.6%, whereas during the first three quarters, we saw much lower numbers in comparison. Insurance revenue is down 2.2%. Client activity was slightly positive in Q4 for the first time in a while. We also had positive net production for the entire year. As we discussed in the prior quarters, our client retention has remained high at 92.3%. Pricing was down 1.4% in line with the historical trend in this industry. We've continued to see good growth in our business information venture at more than 16%. Factoring finally stabilized after three more challenging quarters and ended slightly positive at 0.3%.

On the loss side, the loss ratio improved by 2.5 points to 35.2%. The combined ratio is up 1.2 point. You can see the breakdown underneath. The gross loss ratio improved by 2.4 points. We've remained very consistent in the way we've reserved, and we've seen some nice releases from the prior years. The cost ratio is up 3.6 points. We discussed that throughout the first three quarters of the year: revenues are still flat and continued investments. We haven't changed our stance during the year. We continue to deliberately invest in sales, data and technology. The combined ratio comes in at 68.7%, which is higher for Q4 by 9.7 points, but that's compared to a record low at the end of 2023, which was impacted as you know by the strong inflation environment that we were experiencing. Net income totalled €261.1m, that's up almost 9% from 2024. It's our best year so far under IFRS 17 rules. We mentioned through the press release a bit earlier that we signed the acquisition of a company called Cedar Rose, which is in the Middle East. It's one of the two best information providers in that part of the world, where it's hard to get good quality information. It's not a very big company, a few million in turnover, but it's really a good base for us to start from in terms of quality and access to inform this part of the world. We appointed Gonzague Noël as the new COO replacing Declan Daly. Gonzague has substantial experience in this role both in France and internationally. He's a GE alumnus and spent over 10 years at HSBC in similar roles. I think he's going to be a really nice addition to the team.

On page 5, you see our solvency remains strong at 196%. The proposed dividend per share is up €0.10 from last year at €1.40. We had another good year in terms of return on average tangible equity at almost 14%, a half a point better than in 2023. And that's our best year so far. As I said, the solvency ratio at 196% is above the target range and very consistent with what we've shown historically. We have been renewing our reinsurance contracts at the end of the year. We're very stable in terms of the cession rate and the terms of the treaties that we've renewed. So, there is continued good appetite in the market for our program so far.

I think Coface continued to show strong performance throughout 2024. As you know, the environment is challenging, volatile and moving by the minute. In general, the economies, particularly in Europe, are slowing and in that environment, we've been very consistent in our stance. We've maintained a high technical margin. We've fended off the rise in insolvencies that you see around the world. We continue to invest in the things that we identified in our Power the Core plan. We now have more than 600 people in the business information venture and that's growing double digits. We've launched another venture in debt collection and that's growing almost 20%. It's still small, but it's nice growth. And you'll see in the following pages, we've benefited this time from better investment income as we've repositioned the portfolio, and we've been delivering nice cash flows for the company.

On page 6, we added a page as we do from time to time just to highlight where we stand in the cycle. That's something that we are getting asked very frequently. So, you can see on the top left the post-Covid story with the slump in the economy back in 2020, followed by a couple of years of significant inflation, which came down very quickly at the end of 2023 and brought us the situation that we've known in 2024. You can just see the impact of that inflation cycle on our client activity on the top left. So basically, last year outside of the fourth quarter, we pretty much had zero activity. You can see on the bottom left the major insolvency trends for the key markets and the key economies – basically a drop after 2020 when public money came in to dampen the effects of Covid and the steady subsequent rise ending up with insolvencies that are 20% and 30% higher than they were in 2019 in all the major economies.

Throughout the cycle, we stayed very consistent in the way we operate, and we continue to support our clients. As you know, we choose our clients carefully for long-term partnerships. We've continued to support them with 4.5% growth in our exposures at the end of the year. We've remained willing, but selective on new business, and we see higher demand obviously triggered by the environment we're in. We've continued to invest deliberately in the key areas that we've identified in our Power the Core plan. We have more than 600 people in business information, and we've doubled our technology investments. We have seen that client activity remains below the historic average. Some commodities have come down. However, as you're aware inflation is now at a low point, and it seems like it might actually linger around a little bit more. There's a lot of uncertainty in terms of tariffs and other trade war issues potentially. So, I think at this stage we feel like the deflationary environment that we've known is starting to shift.

In terms of the actions that we've been taking, you can see the number of actions on our portfolio has increased by 25% from 2019 to 2024. We do this as I remind you, on a granular basis. We have 5 million different lines on different companies, and we really follow the news and the trends in the markets on a line-by-line basis. And that's really the value add of Coface. And I think it serves us well with the environment that we're in.

We have one more page on CSR. We've actually shown this page several times over the past few years. We've simplified it because I think it was getting a little bit complicated. You can see on the right-hand side, we've been driving the CSR culture deep into the company. We now have champions in every region, in every country. We take that seriously. We've really taken a leading role and this has been recognised. We obtained our first EcoVadis rating, which positions us at a silver level, which is in the top 15% of all companies that they've assessed over the last 12 months. So clearly, we're having an impact.

The three key pillars we've highlighted in the past are Responsible Insurer, and what we want to do there is to reduce the carbon consumption of our investment portfolio. You can see that we've made quite a bit of progress. At this stage we're down 48%. It might be a little misleading because our target was 30%. Clearly, the methodology and the metrics around those numbers are still in flux and still evolving. But I think the key is that based on the methodology that was available at the time when we set the targets, we are making significant progress and clearly getting better.

As a Responsible Employer, our target is to have 40% women in the top 200 by 2030. We started out at 34%, and we are now at 38%, so it's improving steadily. We absolutely do not want to compromise quality, but we believe this is an important feature.

And then finally, as a Responsible Enterprise, we have committed to reduce our carbon consumption by 11%. We are now at 27%. We had a bit of a stream of luck here with Covid in a way because that helped us move to a stronger work-from-home policy, which in turn allowed us to reduce the buildings that we use and to reduce the commutes. And that's having a substantial impact in terms of carbon. So there again, despite the growth of the company both in FTEs and in turnover and limits, we've actually reduced our carbon consumption by about 27%.

Page 9 is our usual first page on growth. Volume is down 0.6% for the year, so we had a better Q4. Trade credit insurance is down 2.2%. We saw insurance revenue increase 3.7% in Q4. Other revenues are up 8.2% with business information up 16%. Third-party debt collection is up almost 20%. Factoring is stable. And finally, insurance fees, which is what we bill our insurance clients, continue to perform pretty well at 6.6% growth. So, good performance on the fees, and that clearly helps with the cost ratio and the P&L.

On page 10, you can see how that breaks down across the regions. It reflects the state of the economies that we operate in. Western Europe as you've seen is flat. It's a tougher environment in Northern Europe comprising Germany and in Central Europe, as both regions are faced with high energy and labour costs. Med and Africa is the bright spot in Europe, as we see the Italian and Spanish economies actually outperforming the rest of Europe for once and continuing to grow. In North America, we see paradoxically less risk and probably more competition in the market. Asia Pacific as well. And then Latin America, we have seen some growth after 2023, when we were more focused on controlling risks and on insolvencies than on growth. So that's really the story from a geographical standpoint.

On page 11, you can see another type of breakdown. New production, as I mentioned in the past presentations, new business is up from 2022 and 2023 almost to the level we saw in 2021. So clearly there's more demand. We continue to remain selective, making sure we enter viable long-term relationships with new clients. Retention, while not as high as 2023, is still very strong at 92.3%. We have had to take some risk mitigation actions in certain parts of the world on a very selective basis, and that's weighing a little bit on retention. The price effect, after coming down very significantly in 2022 and 2023, is back in line with the historic average at -1.4%, and the volume effect is at 0. This is below the historic trend, but clearly the effect of the end of the inflation surge that we've experienced over the last three years.

On the next page is the loss story on page 12. So you can see on the top left pretty much a continuation of the same trends that we've highlighted now for several quarters in a row. We see the continuation of a three-year normalisation in the markets, which leads to 20% to 30% more insolvencies in the world than we had in 2019. The number of claims in 2024 is about 6% lower than what we experienced in 2019. We've been able to adjust our underwriting as things normalize, but the amounts involved are higher, and we are seeing more and more larger companies being impacted by insolvencies as the insolvencies continue and work their way up the food chain. We haven't changed our reserving stance, so you can see the new vintages opened at 85% pre-discount. You can see that the prior vintages continue to throw back some nice reserve releases, and that's really how we get to the 30.6% loss ratio before reinsurance.

If we go to page 13, you see the yearly trend in losses by region. So, with the four largest, most stable regions, I don't think there's much to talk about here. They're all very stable at levels all below the 40% range. So, things are really under control. There's little bit more volatility in the three smaller markets on the page, particularly Latin America and Asia Pacific, which have always been the areas where we see more volatility. We had to work on risk in 2023 in Latin America. We've done so and it's coming down pretty nicely. In Asia we've had a few files towards the end of the year and then in 2024 we experienced a little bit more, but I would say that's really what we do as a business.

On page 14, you see the same story being developed quarter by quarter. So again, not much to talk about, maybe a few insolvencies in Northern Europe and some conservatism as we've seen more bankruptcies affecting larger companies in that part of the world. And then you can see the same variations I mentioned in Latin America and a few files again in Asia Pacific.

If we go to the next page, this is on the cost slide. You see the total cost for the year up 5.5% from 2023. It was the same story for Q4. We're up 5.7% from Q4 2023. The cost ratio as we've commented on already several times, was up this year, which is unusual, but it's driven by a few things. You can see the breakdown on the bottom left-hand side of the chart. First, lower premium growth is costing us about one point of cost ratio. We continue to invest in sales for TCI, direct sales and data and technology and that accounts for 1.5 points as we grow our BI business, which operates at a 100% cost ratio more or less. And then we have cost inflation that's been taken on from the inflationary cycle, which was a benefit at the beginning of the cycle and is working the other way at the end of the cycle. So that's 1.5 points, partly offset by a better product mix as we drive services and that helps improve the mix. So, that's pretty much the story. I'm going to turn it over to Phalla for the next few pages.

Phalla GERVAIS, Group CFO and Risk Director

Hi everyone. I will take the next pages, now we are on page 16 on the reinsurance side. As Xavier said all our proportional and non-proportional treaties have been renewed for 2025 at similar terms and conditions. If we look at the numbers in terms of cession rates, the premium cession rate and claims cession rate have not changed much compared to last year. That leads us to a strong reinsurance result going back to the reinsurers at €118m. Of course, they are also benefiting from a very good operational performance.

On page 17, the net combined ratio increased by 1.2 points compared to last year to 65.5%. You can see the story here between the net cost ratio and net loss ratio, and this is driven by the increase in the net cost ratio, in line with what Xavier said about the increase in the gross cost ratio. The net loss ratio decreased, but this is due to the fact that this year we released some reserves especially related to the large claim that we had last year on Latin America.

If we move to page 18, so the financial portfolio, the mark-to-market ends up at almost €3.3bn. You can see that we continue to benefit from very strong operational cash generation that is now invested at 4.1%. Asset allocation has not changed much since last quarter with a pretty high allocation of liquid assets and cash at 14%. We are building up some cash in order to pay dividends in May. I think we will be paying almost €210m in dividends.

If we move to the net investment income, this has improved hugely from last year. In terms of recurring income, you can see that the accounting yield without realized gain and loss is up 1.1 points from 2% to 3.1%. In terms of revenue in the first line, this translates to an increase from almost €65m last year to almost €97m this year. Last year we also had some one-offs. Negative one-offs in 2023 included the unrealized gain and loss, especially the unrealized losses that we booked on our investment in real estate funds. I think last year we booked almost €25-26m. This year, we booked a much lower amount. So, you have this big improvement in terms of fair value through P&L. Another negative one-off last year was on the FX line, where we booked -€38m compared to -€3m this year. Remember that last year we were heavily impacted in Argentina by the depreciation of the peso against the US dollar. I think we booked almost €25m in negative FX impact in 2023. Fortunately, that didn't happen again in 2024.

This explains some of the recurring and non-recurring items, and the significant improvement in terms of investment income. Insurance finance expenses were fairly flat compared to last year. So, nothing to be added on this front.

This leads us to net income of €261m. I really want to highlight the significant improvement in operating income of almost 13%, helped of course by the higher investment income. The tax rate rose slightly and was impacted by the worldwide 15% tax that is now applicable for France and for OECD countries. We also booked some reserves, taking a prudent approach in some regions. As a result, net income improved by almost 9% compared to last year to its highest level under IFRS 17 at €261m.

If we move to page 20, return on average tangible equity, I'll start with the change in IFRS equity. So, we started at €2,051M and ended at €2,194M. Of course we paid out dividends in May 2024. We are adding the net income for the year, and the €72m is basically the positive mark-to-market from our investment portfolio, more specifically from our fixed-income portfolio as the interest rate has decreased slightly. As a result, our return on average tangible equity improved from 13.4% to 13.9% and was helped by the significant increase in the financial result.

Of course, as this is year-end we'll comment on Capital Management. We're moving to page 22. We have a strong balance sheet at almost €8.1bn. We commented on the investment portfolio. Factoring assets at €3.1bn backed by factoring liabilities, and you'll recognize the almost €600m of tier two debt that we issued two years ago. Book value per share is €14.7 and tangible book value per share stands at €13.1. I think we're now trading above this level, which is good.

In terms of solvency ratio, we moved from 199% to 196% so still well above the upper range of our comfort zone. Of course, as Xavier said, we are financing any growth. As Xavier mentioned exposures rose by 4.4% at €715bn. What is interesting to look at is the shocks on the right-hand side. The first part is the financial market shocks. You can see that for all the shocks, in terms of interest rate, spread or equity market shocks, we still end up way above the upper range of our comfort zone. If we look at the second type of shock, which is the crisis shock, of course, we always refer to one in 50, which is equal to a 2008 financial shock, we end up at 181%, which is a strong solvency ratio again. This is thanks to the fact that we are reserving prudently as Xavier said. You can see that we're opening the new vintage at 85% undiscounted.

If we move to page 24, you can see the breakdown of our solvency required capital. So the total capital requirement is €1.340bn and compares to our eligible own funds of €2.630bn. With this, I will give the floor back to Xavier.

Xavier DURAND

So just to wrap it up, I think it's another strong year for Coface, a better Q4 in terms of volume. The best IFRS 17 year that we've had with the record RoATE at almost 14%. We continue to show a strong balance sheet with strong solvency, and we now enjoy a better return on our portfolio investments. So, I think that that would be my view on the year. Net income is up almost 9% in a rising claims environment. The company continues to execute, and we're starting to see services deliver some growth. As I mentioned, we're now well above 600 people. We've announced the acquisition of Cedar Rose, which is going to give us another tool and these just all add up in the data space. In the meantime, we've also added 30 people in the data office and 30 people in the data lab, which benefits both BI and the insurance business. We're seeing nice growth in those spaces as well as in debt collection.

Clearly the environment is a question as you are all aware, it's in flux. There's a lot of things happening on an almost daily, if not hourly, basis. So there continues to be demand in the markets. The value proposition that we have, which is to manage lines on a one-by-one basis and be very flexible and very focused on short-term outcomes here, but in a long-term partnership, works well in this kind of environment. It looks like the decrease in inflation is pretty much behind us, and we always said that the last mile would be the hardest one. I think we're right in there. So clearly, I think that Coface is well positioned, continues to execute and is ready to face whatever the environment is going to offer us.

Q & A session

Michael HUTTNER (Berenberg) Thank you very much. Congratulations. Another amazing quarter. Amazing year. We're getting used to it. A few questions. The initial loss picks used to be around 75%. I know it was a different accounting environment, but we're now at 85%. Can you give us a feel for how much buffer you've got now, or how much you've built up? You reference it in the crisis loss event. The second is we had growth in Q4, I think 4%, and I'm just wondering, is that the new trend? Can I safely put 4% for going forward now which would be lovely? And I have another question which you'll say you can't answer, but I'm sure you've got experience with that. You know large claims are often associated with fraud, which is virtually invisible until the economy really does turn down. When is the time of most risk for such claims? Because clearly in your numbers there no large claims at the moment. So, I'm just wondering how to factor that risk in.

Xavier DURAND (CEO, Coface) Well, in terms of fraud and large claims, we've had our share. You remember maybe the Brazilian file, which is the biggest probably in our history, which took the whole market by surprise. So, these things pop up on a regular basis. You're right to say that when the economy is tense, that's when people get tempted to play around on the margins to try to survive a little bit longer, and then you have issues. So, I think in the last nine years I've been with Coface, we've seen some pretty significant ones. I don't see a trend right now, but they keep popping up, and it's very hard to predict. So that's part of our business.

In terms of growth in the fourth quarter, yes, we had three point something growth. I don't think you can call it a trend. It's one data point. Where that goes, I think is everybody's question. The only thing I can say is that we have gone down from the 10%+ inflation environment that we were in for a while down to back to 2% to 3%. It's anybody's guess as to where that goes. There could be tensions linked to deeper trade wars and more tariffs. There could be relaxation because people are going to produce more oil for example. It's very hard to say where this is going, but I think the main message here is that the steep decline phase that we've seen is largely over.

And on the first one, the opening reserves, I think it's been fairly consistent, quite frankly. We do operate in an environment which has obviously been normalizing. So, I think we went down to 72% maybe or 75%, I don't remember the number exactly, as we were exiting the Covid era and claims had come down quite significantly. I've mentioned that the level of risk has been rising steadily over the last three years. So, I think that's where we are. Phalla, do you want to say a word?

Phalla GERVAIS **(CFO and Risk Director, Coface)** I think that 72% is from quite a long time ago, at least a couple of years. If you look at 2022/2023/2024, under IFRS 17, I think we have been closer to 80% than to 70% on an undiscounted basis.

Xavier DURAND **(CEO, Coface)** So there's no major shift here, Michael, in the policy.

Amalie ZDRAVKOVIC **(Deutsche Bank)** Yes. Hello, this is Amalie from Deutsche Bank. Thank you so much for taking my questions. I just have two, if that's OK. On tariffs and potential tariffs, is there any update on this and are you seeing potentially changing trade flows, for example trade moving around from different regions? And then maybe from this if you can elaborate a bit more on what you're seeing in terms of activity picking up in Q4, that would be great. And then just on solvency, you're far above the upper end of your target range even in a one-in-50 scenario. So, I was just wondering if you could remind us of how you're thinking about excess capital? Thank you.

Xavier DURAND **(CEO, Coface)** Well, on the first one, we had several opportunities in the past to comment on this. So, there's a lot of tariff noise and there may be some tariff action, but we haven't seen that in action yet. Last time President Trump was elected, we did have tariffs imposed on steel and aluminium. And that did cause some effects clearly. So, is it going to be the case again? I think we'll have to wait and see, and it's impossible for us to take action before we actually see things being put in place. Now what I can tell you is you cannot move supply chains overnight. It just doesn't happen because of all the investments and the plants and the distribution and all the logistics and everything. So yes, we have seen shifts gradually. We have seen what we call the connecting countries develop, mainly Mexico and Vietnam. But now these are also being questioned, as you're well aware. So, there is no absolute answer for anybody on how to manage your supply chain, except you don't want to be too dependent on one if you can avoid it. So, I think the main issue right now is people are wondering where to put their money and where to make the investments, and I don't think anybody has very clear answers here.

In terms of solvency, this is a debate we've had for years. So basically, our goal here is to find the right balance between the safety of the company from a regulatory standpoint, from a shareholder standpoint, from a client standpoint, from a rating agency standpoint, from a reinsurance market standpoint and for the banks that fund our activities. So, we have defined, in accordance with the regulator, a 155% to 175% range. We have consistently been above that range over the last few years, and we've always said that our goal was to do three things. One, to be able to fund growth where growth happens and we were surprised, for example, during Covid that growth got to double digits, which we hadn't seen for years. So we’ve got to be ready to handle this, because it's a really nice opportunity when it happens. We also want to be able to do acquisitions if and when they happen. We have had a few over the years and Cedar Rose is another example. And then finally, we want to reward shareholders, and we're not intent on retaining way too much equity if we don't need it. But I think at this stage we feel we're at a good level. We’re well positioned when it comes to facing the environment that we're in. We still have the best yield in the insurance industry in Europe and probably in much of the rest of the world as well. So, with an 80% payout, I think we've got a good balance. I'm not sure we'd get a whole lot more credit for more dividend at this stage.

Pierre CHEDEVILLE (CIC) Good evening. My question is based on a reflection. When we hear the comments of the bankers in Europe, what they say in Spain, in Italy, in France, in Germany, almost everywhere in Europe, they don't see the cost of risk increasing for 2025 and even 2026, and we somewhat have the impression that the cost of risk has more or less disappeared in Europe. Let's say the cost of risk is low in absolute terms. So I wanted to get your view on this. What do you see in your trade credit insurance regarding this disappearance of the cost of risk? My second question is about BI. Could you tell us the growth in BI in Q4? I didn't find it. Thank you very much.

Xavier DURAND (CEO, Coface) I'll let Phalla find the number for Q4. It's still double digits but I can't remember the exact number. In terms of the environment, just so we're clear, Coface is focused on corporate risk mainly on mid-markets and large companies, 50% Europe, 50% rest of the world. And so what we describe as our risk levels is strictly that market. We don't do individual lines, for example. We're not catering to the general public, we're not involved in the markets, and we have a short-term view of the risk. So yes, insolvencies are clearly higher. They've been growing. We're seeing it in our claims numbers as well. We're seeing more claims. They're bigger in amounts. We are actively managing the claims. Now whether bankers have established lots of reserves, and they feel comfortable so far because compared to the historic average they have a good level of reserves and the numbers haven't been growing very fast, that's possible. But I think what we describe is what we see in the marketplace.

Phalla GERVAIS (CFO and Risk Director, Coface) On the second question, growth in BI in Q4 was slightly above 14%, so still double digit.

Xavier DURAND (CEO, Coface) But I think I would always caution you when looking at a quarterly number for a business which is still, in growth mode or infancy mode or startup mode or whatever you call it, it will have some volatility quarter to quarter. I'm more interested in the medium-term performance than I am on one specific quarter.

Benoit VALLEAUX (Oddo BHF) Yes, hello, good evening. Few questions on my side. The first one is a general question for Xavier, but how do you read the 2024 figures compared to the target you provided at the beginning of last year in your 2027 strategic plan. You mentioned the fact that the number of bankruptcies is above 2019 levels and despite this your combined ratio is much better than expected. You are well above your through-the-cycle target. Do you believe that your target is too conservative? I'm curious to hear your view on that. The second question is on cost, and I have two questions within that if I may. Do you still plan to invest all your revenues in BI into growth this year, meaning that we shouldn't expect any contribution from BI this year? And secondly, you've named a new COO. Did you identify any cost efficiency potential or any restructuring charges to be booked this year? And then I have two very quick short questions for Phalla. The first one is related to the tax rate. What could we expect this year? Is the 29% the normalized tax rate to be expected for this year? And the second one is regarding insurance finance expenses? I notice that the discount benefit has reduced in 2024 compared to 2023, while at the same time you have a higher level of reserves. So, what could we expect for this year? Should we expect broadly stable IFE figures compared to last year or not? Thank you.

Xavier DURAND **(CEO, Coface)** So let me start with the Power the Core question. So, we set at the beginning of Power the Core improved targets versus Build to Lead, and the short answer is yes, we are doing well. The company has clearly performed well versus this plan in 2024 and in an environment which is increasingly risky but on a stable smooth trend of increased risk. So, we have been able to manage the slowdown and inflation. So far, we've been able to manage the increase in insolvencies that we've seen, and we've been able to continue to invest in the business. So, I think the business is doing well if that's the question. But the target that we have is a through-the-cycle target. So, the intention there is to say we want to do better than we did in the prior plan, and that's been the way we've measured our performance over the last nine years in a very consistent way.

On the cost side, so BI is a high-growth business that we're building from scratch in a way. Not quite from scratch because we had the insurance infrastructure. But as we build it up in tens of countries around the world, we are seeing the need for continued investment, whether it's people, technology, data, or capabilities around connectivity. So it requires investment, and really our ambition is to try to build something meaningful, and to do this, we need to continue to invest. So we're not focused on trying to make money out of it. I mean, if we slow down the investment, it obviously becomes easier. But I think for us the key, if you look at the valuation of such businesses in the market, it's really can we make it scaled, can we bring it to a certain level of size? I'll remind you that in Power the Core, we put a line in the sand saying that we'd make a half a percent return on this in 2027. We're still at the beginning of 2025, so there's still some time to go here.

In terms of the new COO, I think in our industry, like in any financial services industry, it's a lot easier to make improvements on a long-term basis and continue to work at your cost base and digitizing your processes and introducing new technology on a continuous basis than it is to just do a big bang and forget about it. So that's not what we are doing. There is continuous work required at every level in the company, in every single process to try to make it simpler, better, faster, cheaper. That's what we're doing, and it takes permanence in terms of intent and continuous execution, and that's what the COO's job is going to be. So Gonzague is coming here to help us do this. There's always going to be more we can do, but I don't expect it to be a massive shake up of the company, given that we've already quite frankly shaken up quite a bit. I'll let Phalla handle the next two questions.

Phalla GERVAIS **(CFO and Risk Director, Coface)** So in terms of tax rate. I would say that there are a couple of components that explain this tax rate in 2024. The first one as I mentioned is the implementation of Pillar 2, the 15% minimum worldwide tax for OECD countries. This had an impact of a couple of million for the full year. We had some timing and some prudent stances as well in some parts of the world. I think that explains this tax rate. I would say it's high, probably one of the highest we've had. I don't expect it to rise further. But we have been somewhat prudent. We have the impact of Pillar 2 and the mix in terms of countries. Some countries have higher taxes, and some have lower tax. So, this also explains part of that. In terms of IFE, I think we probably have a run rate of about €40m per year.

Baptiste DE LEUDEVILLE **(Kepler Cheuvreux)** Just one question on competition. Do you see your competitors tightening their credit limits? We know they have higher loss ratios, so I would like to know if you're seeing this, and do you expect to take advantage of it at some point? And are you looking at it as a potential driver for topline growth in 2025? Thank you.

Xavier DURAND (CEO, Coface) So on this one, we call it a street fight, and everywhere around the world we are street fighting around individual client cases. And as I said earlier, our stance so far since Covid has been to be very reasonable, very disciplined, to have the courage to do what it takes to win. But also, to have the courage to say no when no is warranted, and we've done this very consistently. We have seen what I would call irrational behaviour sometimes on a local deal-by-deal basis. We stayed out of this. We continue to see some of this, but we also see a little bit more discipline. But still, we are in 50 countries or 70 countries, and it's a discussion that takes place in 70 different places with multiple competitors. So, it's a little bit hard to generalize. I would say that things are getting a little bit tighter. Probably a little bit more disciplined, but it's far from being an overwhelming trend at this stage.

Michael HUTTNER (Berenberg) The insurance SCR is flat although your exposures are up. I just wondered if you could comment on that. The investment in services you're continuing, I don't know if the number is 60 or 30 people, but now you have 600 people. When do you think you'll reach that level where it's big enough? And then what is the figure for revenues in business information? Thank you.

Xavier DURAND (CEO, Coface) The figure for revenues was €70m last year in BI, that's the number. In terms of investment in services. This thing, to be meaningful to Coface, it's going to have to be big. I think if it's small, even though it can be successful, if it's small, it's not going to mean much. So the question for us is we have been building startups in tens of countries around the world and they're still very small businesses in the scheme of things. That's why we put, as I said, this landmark 0.5% in 2027. That stated our ambition for the plan, and we haven't changed our view on this. In terms of the insurance SCR, I'll let Phalla take that one.

Phalla GERVAIS (CFO and Risk Director, Coface) It's a matter of a couple of components. The exposure is slightly up. It's not hugely up. That's one thing. And of course you can look at our loss ratio, which is still pretty low with some good years coming through. So I think that's a good check-up in our model because it's a model and it's more or less compensated. It has some offset. What is not showing here is the quality of our portfolio. When Xavier showed the prevention actions on page 5 or 6. So we're growing our exposure, but I think we're very strict in terms of quality of our underlying portfolio. And of course, you know that the quality of our exposure is one key criterion in terms of capital consumption.

Xavier DURAND (CEO, Coface) Thank you very much for attending this conference. It closes off another good year for Coface in 2024. We are all focused on executing for 2025 already, which has started and as you know is going to be another interesting year. So, I think we're going to close it off. We're right on time. A couple of minutes before the hour. Our next call will be on May 5th. That's when we meet again. And thank you again for logging in. Looking forward to our next call. Thank you everyone.