30-Jul-2026

Coface SA (COFA.FR)

Q2 2026 Earnings Call

Copyright © 2001-2026 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

Xavier Pascal Durand
Chief Executive Officer & Member-Group Management Board & Group Executive Committee, Coface SA

Phalla Gervais
Chief Financial and Risk Officer & Member-Group Management Board & Group Executive Committee, Coface SA

OTHER PARTICIPANTS

Michael Huttner
Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Pierre Chedeville
Analyst, CIC Market Solutions SA

Benoît Valleaux
Analyst, Oddo BHF SCA

MANAGEMENT DISCUSSION SECTION

Operator: Good day, and thank you for standing by. Welcome to the Coface SA H1 2026 Results Presentation. At this time, all participants are in a listen-only mode. After the speakers presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised today's conference is being recorded.

I would now like to hand the conference over to your first speaker today, Xavier Durand, CEO. Please go ahead.

Xavier Pascal Durand

Chief Executive Officer & Member-Group Management Board & Group Executive Committee, Coface SA

Thank you very much. Good evening. Welcome, everybody. Thank you for joining on a hot summer evening like this for our report on the midyear 2026. You will have seen from the numbers, we had a another strong quarter of execution, and what I would qualify as a pretty tough environment at Coface.

Just reminding everybody of the headlines. Net income at €108 million, or close. Solvency at 194%. So, a very strong position. We had a quarter in Q2 where we saw a relative rebound of volumes versus the first quarter. So, insurance premiums grew 1.4% versus a negative 1.3% in Q1. And I'll explain a little bit more in the next pages where that come from. Most of the operating metrics, as you will see, have been strong. Retention is close to record at 93.6%. Pricing is negative, but above historic average at minus 1.3%. We continue to grow business information double digits, including the total parameter. The organic growth is 12% for the semester, and 19.1% with the acquisition of Cedar Rose. Debt collection growing almost 32%. And also good news on factoring, which is up 3.5% after many quarters of subdued performance, I would say, in the current economy.

I think the other good news for the quarter is the losses. The net loss ratio is better by 2.7 points versus last year at 37.4%. That brings a strong combined ratio, which is stable at 71.3% for the first half. The net cost ratio is increased by 2.7%, as we continue to deliberately invest in line with our strategic plan, and I'll go through more of that in detail in the next pages.

Copyright © 2001-2026 FactSet CallStreet, LLC

If we step back a little bit, we are now past mid plan for Coface, two-and-a-half years into Power the Core, and we'll take a look at our main financial targets, but we are reconfirming these. And, actually, over the last two-and-a-half years we have beaten all of our metrics, combined ratio, return on average tangible equity, solvency, and the payout ratio. As you know, we evolve in an environment which is both slower growth and also an acceleration in digital and AI and connectivity. We know that, at this point, what matters most for us is the long term value creation with the BI business versus short term profitability. So, we think that the guidance we've given around the 50 basis points ROATE contribution in 2027 is now irrelevant.

We're planning to, however, adjust the 2027 dividend, which will be paid out in 2028 upwards to compensate for the difference. As I said, net income at €108 million. Annualized ROATE at 10.9% with a strong solvency at the 194%, which is almost 20 points above the upper range of our target.

We've appointed two new directors to the board on the Arch representation. Hugh Sturgess, who's President and CEO of Arch Insurance International. And Christine Todd, who is the Chief Investment Officer at Arch Capital. So, two strong appointments here, and insurance professionals to the Coface Board and a lot of continuity on the Arch side.

On page 5, just to remind everybody of the financial targets that we had set for Power the Core. And, again, I'll just say it, these metrics, these goals were how we plan to position the company over the course of the plan to be able to deliver. And if you look at the actuals in blue versus the targets, you see that we've actually done better. The average combined ratio for the first two-and-a-half years is at 72.2%, which is way lower than the 78% we had targeted, undiscounted in the plan.

As I mentioned, our solvency is at about 20 points above, actually 21 points above the upper limits of the range that we targeted at 155% to 175%.

We continue to payout over 80% of our profits to shareholders on a regular basis and maintaining a high level of profitability through the cycle. And the ROATE to-date is at 12.3%. And I'll just remind everybody that, obviously, this is influenced by the high level of equity that we retain in the business. So, I would, again, qualify this as overperformance with us versus the plan that we had in place.

On page 6, just wanted to give you some perspective on the markets. On the left-hand side, this is not news, but putting it in the graph like this I think highlights where we stand, are the global corporate insolvencies index that we've developed to represent what's going on in the world. And you see that where we are in the cycle is actually at a peak in the last 13 years. We thought things would stabilize a little bit this year, but actually, the events in the Gulf keep putting pressure on companies. So, we see continued increases in insolvencies. You see the drop that happened after COVID, when governments flooded the economies with, I would say, free money. So, that had a dampening effects on insolvencies. And then there's been normalization since. And we've gone back to, I would say, a much more normal behavior here. But the point is, we are at a tough place in the cycle.

And on the top right-hand, I think, just wanted to straight also the slowdown in the economy is weighing on our core markets here. It is not often that we see a negative growth in our core markets in Europe like the UK is down 5.5%, Germany 5%, France 4.5%, Netherlands almost 1%, or a 0.5%. And then the traditional growth engines in the TCI markets, which were Spain and Italy, are still growing, but at much lower rates. Italy has been a growth engine for this industry for many, many years and is now growing 3%.

Copyright © 2001-2026 FactSet CallStreet, LLC

So, my main comments here is global insolvencies at a decade high level. Premiums under pressure in our key markets, and that explains also why these low volumes drive intense competition. And you still have pressure on prices. There's a lot of needs for companies to invest and catch up in AI, make sure they stay up to the pace of what's going on in the market. So, we see a tendency, and that's true across all of our businesses of large companies to delay large purchase decisions, whether it's in TCI or BI or others. And yet, I think, I would say, that Coface is outperforming on both volumes and margin, and I think that's just that. I wanted to put that in perspective of what the markets look like.

On page 7, we have a regular updates on CSR. I think I've already highlighted it in last quarter. One, the key achievements that we've had in 2025 versus the interim goals that we had set for ourselves, and then the message is, we pretty much beat every single target that we had set for ourselves. And I also highlighted the 2030 goals, new goals that we set, further improving our performance on the key pillars. What I can say is on responsible insurer, we continue to weigh carefully how we invest the portfolio to continue to drive down the carbon emissions carried by that book. So, the efforts continue.

In terms of being a responsible employer, our key goal here was to have 40% women in the top 200 jobs in the company. Now, what's happened over the course of the last few years, is we've added 1,000 jobs in the data tech and digital space, and these are typically areas which are male dominated. So, for us, to maintain that ratio requires work, and we're really thoughtful and proactive in that in that area.

And then as a responsible enterprise, we want to further reduce our own carbon emissions. And the focus right now is on responsible IT and procurement. So, we're working our providers hard and make sure that they also do what's required to lower the emissions that are linked to them in our own accounting. And, obviously, we're switching all of our fleet of vehicles and things like this to 100% electric and renewable energies.

In terms of the culture, we have an EcoVadis rating, which puts us in the top 23% of companies that they rate. A few years ago, we had a really strong MSCI rating as well. And I think there's space here continuing to work on the way we report our business and the actual efforts that are ongoing in the business to continue to improve the way we meet the reporting needs of these agencies and continue to strengthen our rating. So, not much to report, but the work continues.

Let's go to page 9. So, this is my, I think, 40-seconds presentation to this group. So, the format, as you see, it doesn't change quarter-on-quarter. I'll just comment on page 9 that, as I said, total revenues up 0.8%. A better quarter in Q2 than we had in Q1 with the insurance revenue for the first semester up 0.1%. Our other revenues continue to drive the growth of the business at almost 9%. We spoke about BI growing 12% organic and then 19% with Cedar Rose, confirms actually that we are able to grow these acquisitions and we make – them the we see a clear uptick from being integrated into the Coface network.

Third party debt collection up at 32%. Factoring having a good quarter. I mean, Q2 was almost 5% which, as you know, we're mainly a factoring business in Germany and in Poland. And, obviously, there's been a lot of work going on in that space and things seemed to be rebounding a little bit. Good performance on fees. Broadly stable, I would say, in terms of percentage of fees on premiums in a market which has a strong tendency to give away the fees in order to win the business. So, I take it as a sign that our clients are willing to pay for the services that we provide alongside the insurance policy.

On page 10, we have the usual breakdown by region. I think what you see here as a headline is a subdued growth around the world. I mean, clearly, that affects a lot of areas, but it affects more Europe, I would say, than

Copyright © 2001-2026 FactSet CallStreet, LLC

the rest of the world. You see almost zero growth in Western Europe, almost the same in Central Europe, but slightly better news actually in Northern Europe, which includes Germany.

And I already mentioned that within Germany factoring has been doing pretty well. Med and Africa has traditionally been a growth engine for us, and it is still growing but at much lower rate. We used to see more like 5%, 6% growth on a regular basis, so we're down to 2%. We see that the Gulf region is holding up remarkably well. I think the governments in the area are pouring money on the economy in an effort to sustain growth. And that's affecting us. Some FX in North America, but I think, overall, outside of AI a quite flat economy.

I think the good news is more in the emerging market. So, you don't see it here in these numbers because we have tough comparisons for the first half of 2025. But underneath those numbers, there are good growth momentum in Asia. I think this is the place where I think a lot is happening today in the world. Latin America still growing much less than before, but there's a disproportionate amount of that business, which is actually driven by European contracts with an extension in Latin America. But when you look at it, I think, at this stage, a lot of the growth around the world is driven by emerging markets.

On page 11, we show the usual metrics of our performance. You see that new business is almost at a record. And I think the almost is because, as I said, that we see large deals being slower. Companies are investing in AI and trying to save costs, trying to manage the situation in the Gulf and putting off where they can, decisions that are absolutely critical. In terms of retention, we're near a record, and that's been now, for years, quite stable. Prices are still negative, but they're a little bit better than they were last year, and, generally speaking, the last few years. And then the activity that we get from our own clients business growth is quite subdued at 1.5%. So, that's really not exciting, but I think that reflects the world economy here.

On page 12, we have an update on the risk. I think the good news is that you see the sequence on the top left of the quarterly loss ratio before reinsurance, including claims handling expenses. And the story is really flat quarter-on-quarter. When you look into the details here, you see that the number of claims is back to 2019 levels. So, pretty stable. The amounts have grown because there's been quite a bit of inflation since 2019, and that's reflected in an average amount, which is up by 4.6%. At the same time, we've seen still pretty good severity with a limited number of large cases that have come to hit us. So, keeping our fingers crossed here, I think the business is executing. We haven't changed our reserving policy.

We have opened the new vintage at a level of 81.2%, which you see is historically reflects, I would say, the political and economic uncertainty. So, it's pretty conservative. And then we have enjoyed continued strong releases from the prior vintages here with almost 44% throwback from the prior vintages. So, I would say, happy to not have much to report on the risk side, actually.

You can see that on page 13, I'm not actually going to spend any time here, because there's really not that much to talk about. So, I will just skip that one and go to page 14 where we have the quarterly numbers. It's an easier sequence to follow. And again here, there's really not that much going on. A very slight uptick in Western Europe. That's because of the Coface geography, we have actually Senegal in the Coface Western Europe segment. And as you know, that's a country that's going through a little bit of a challenge right now. But outside of that, there's really nothing going on in the rest of the world. Latin America has volatility, I think every quarter, every single quarter I comment on that. And there's no news here. But frankly, on the risk side, there's not much to talk about.

On page 15, we talk about the costs. So, as we've seen, the premiums are a bit better for the quarter. The cost is still growing 3.4% quarter-on-quarter. But for those of you who have been here for a long time, this is the second best quarter in 22 quarters in a row. So, in five years. So, we've highlighted how the cost increases are slowly

Copyright © 2001-2026 FactSet CallStreet, LLC

coming down quarter-over-quarter, and that's true again this quarter. And if you look at what makes up the increase in the cost ratio on the top right hand side, you see there's still a 0.6 percentage points that is driven by the difference in cost inflation versus premium inflation. But that's coming down, as I said. And the rest is really deliberate investments we're making.

I mean, the business is performing, and we are investing deliberately according to our plan. And sales for trade credit insurance, in connectivity, in data, in technology, in BI, in debt collection. So, that's 2 points of costs increase. And we get 0.8 points back this quarter from the increase in sales that we have in the services area. I can say that these investments are really important, they position us differently. They make us better at managing the core business insurance and I think it's the right choice in an environment which otherwise is quite subdued and not easy. So, that's what I had to say on costs.

And I'm going to pass it over to Phalla to talk about the rest of the page.

Phalla Gervais

Chief Financial and Risk Officer & Member-Group Management Board & Group Executive Committee, Coface SA

Thank you, Xavier. Good evening, everybody. So, let's go now to page 16 on the reinsurance side. We can see that the premium cession rate is stable compared to first half last year at 27.7%. While the claims cessions rate has increased from 23.3% to 26.5%. You know that our quota share I think is divided by – there's two sections, right? On the TCI side the quota share is 26%. But on specialties, which is single risk and bonding, the quota share is at 50%. So, it's really driven by the mix of our business, and we have been able to pass on some of the reserved that we put naming, I think I can name the Senegal one, for instance, 50% of reserves going back to the reinsurers, that drove these trust has increased. So, as a result, I think we are seeing is the reinsurance some income or loss for us, but income for them has moved from €52 million last year to €46 million this year.

Lead us to the next page. And net combined ratios you see is a very good one at 71.3%. Very stable compared to half year last year with a decrease in the net cost ratio and a similar decrease in net loss ratio. From a Q2 perspective, from Q2 2029 (sic) [2025] (00:37:14) to Q2 2026 has a decrease from 74% to 72.4%. And remember, that last year, the 41.1% there were some noise in terms of accounting related to the FX where you have a little bit more in the net loss ratio. And I would say, the FX gains will sit in the financial income. This year, I think it's a little bit back to normal, but still I think we have a very good net loss ratio.

Let's move to next page. I think it's page 18 in our financial portfolio. The mark-to-market stands at €3.190 billion after the payment of our dividends of €186 million at the end of May. Asset allocation wise, no changes, really, with the high level of cash as usual, 14% of our assets held in cash or very liquid assets. In terms of return on investments, you can see that if we look at the first line, which is the recurring income from investment portfolio before gain on sales and in loss on sales, moving from €52 million to €53 million with an accounting yield moving from 1.7% to 1.8%. This is half year, of course.

As usual, I would comment on the FX impact. Of course, less than last year because of the US dollars and related money has not moved or a little bit less volatile this year than last year. The minus €2.4 million, I think there's two elements here. The first one, of course, we have the usual hyperinflation accounting in Turkey stands for minus €8 million at half year. And then you have the unrealized gain on FX of €5.6 million, usually offset, you can see that in terms of geography, of booking with the unrealized FX loss of €9 million in the insurance finance expense line. Nothing more to be added. I think it's on this page, so we can move to the next one.

So, the half year net income at €107.8 million, down 13% compared to last year, the same period. I think maybe a little bit better than in Q1. In Q1, the net income was down 13.7%. So, we're improving on this front as well.

Copyright © 2001-2026 FactSet CallStreet, LLC

Lead us to the next page, page 20, return on average tangible equity. I start with the IFRS equity. We're moving from €2.213 billion to €2.166 billion. We paid our dividend, and we accounted for the net income for the period. And there's a minor changes related to an interest rate movement, and not very significant lead us to a decrease of return on average tangible equity from 11.4% at the end of the full year 2025 to almost 11% at the half year 2026, of course, with a decrease of net income compared to last year.

For this quarter, you know that [indiscernible] (00:40:32) half year, so we'll that comment on capital management. Solid balance sheet. Total balance sheet at €8.9 billion. We commented on the investment portfolio of €3.2 billion. The factoring asset is €3.5 billion is reflecting the increase of our factoring activities backed by the factoring liabilities, which is, of course, the refinancing that we have in front of this. Book value per share of €14.5. I think we're trading at almost €16. I think we're at €15.80 something, which is about this level.

And then we can move to the next page, which is the solvency ratio moving from 197% at the end of December last year to 194%. You can see that the capital requirement has decreased the solvency ratio by 11 points, offset by the own fund generations, which is the good performance of our business. This is just showing that we are financing our organic growth with the level of balance sheet that we have.

On the right hand side, as usual, you have the two types of stress test. The first one, from the financial market shocks we have already commented that previous quarters the portfolio is pretty much derisked now. So, really we can cope with all the financial market shocks. And then the crisis scenarios, the 1/15 and 1/20, again, we will be above the upper range of our comfort zone in the shock scenarios.

If we move to the next page, page 24, just laid out how the 194% of solvency ratio is made of. €2.7 billion of solvency to own funds to be compared to the €1.4 billion of capital requirements. That's [indiscernible] (00:42:36) so very, very strong. Again, in terms of balance sheet, was a 194% of solvency ratio.

With this, I give the floor back to Xavier.

Xavier Pascal Durand

Chief Executive Officer & Member-Group Management Board & Group Executive Committee, Coface SA

Yeah. Just to wrap it up, I think I mentioned this. So, we're in a slow environment. We have a lot of uncertainty out there. I mean, the story in the Strait of Hormuz continues to evolve almost by the hour, but we don't see at this stage what the outcome is going to look like. I think a lot of companies are dealing with this. It's going to create longer, higher interest rates. It's going to create some inflation, it's going to create slower growth. And we see that at play. Obviously, for Europe, it's not easy. Emerging markets are doing a little bit better.

There's the AI craze going on with a lot of investments, a huge amount of investments going into that space, which also creates a need for companies to invest correlatively. In that environment, I think we have a really strong performance with a 71% combined ratio which is well below our through-the-cycle targets.

We are seeing a little bit better quarter in terms of growth for insurance and a continued growth in our services activity, for non-insurance activities. I think we feel good about the strategy and the choices we made. The economy is weaker than we anticipated. The data stuff is going faster than we anticipated, but at least we got the direction right.

We're beating our financial targets that we had set for the business after the plan is completed. So, we're doing that already. And we're reaffirming all these targets. We are, however, prioritizing, I would say, long-term value

Copyright © 2001-2026 FactSet CallStreet, LLC

creation or mid-term value creation in BI versus the short term profitability, because I think that business continues to see needs in terms of investments and building up at scale.

We're going to compensate the difference, which is a few cents by share in the payouts that will be made in 2028 for the 2027 dividend. And that's pretty much it. I think we had discussed that couple of times before in the prior calls. So, no big news here.

And with that, I'm going to leave it open for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Thank you. We'll now begin with the first question, which is from Michael Huttner from Berenberg. Please go ahead.

Michael Huttner
Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Q

Fantastic. Thank you very much, and well done for better revenues and better margin. I have three questions. The first one is on the dividend. Can you compensate, I don't quite understand what compensate means. If income isn't there, how do you compensate with dividend? I don't understand. Does it mean I should just add an extra bit to my dividend, or assume it's growing? I'm puzzled.

And the second is on the Business Information, so the growth was 12% in Q2. I was hoping for something around 15%. And then I'm just wondering, is this a structural slowdown? I know that with the Cedar Rose, the acquisition you had 19%, so the underlying is fine, but I was bit puzzled by that. And then my last question, I didn't pick it up, what was in Western Europe which is so bad? I couldn't make it up. Thank you.

Xavier Pascal Durand
Chief Executive Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

Okay. Well, maybe, Phalla, do you want to take the dividend question. I mean, it's fairly straightforward. You know, the 0.5% ROATE means, I think, €0.04 or €0.05 per share.

Phalla Gervais
Chief Financial and Risk Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

Yeah, per share.

Xavier Pascal Durand
Chief Executive Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

Right? So, we're just going to increase the dividend by €0.04 or €0.05 per share to make sure that the dividend paid out to shareholders is the same as if we had reached the target. That's it. It's...

Michael Huttner
Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Q

Understood. Okay.

Copyright © 2001-2026 FactSet CallStreet, LLC

Xavier Pascal Durand A
Chief Executive Officer & Member-Group Management Board & Group Executive Committee, Coface SA

Okay. Yeah, in terms of Western Europe, that one is – so we – do you want to take that one?

Phalla Gervais A
Chief Financial and Risk Officer & Member-Group Management Board & Group Executive Committee, Coface SA

Yeah, I can take that one. This is the country where Senegal. The country itself is under restructuring, and we have some exposure there. And the country...

Michael Huttner Q
Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Is Senegal is in Europe?

Xavier Pascal Durand A
Chief Executive Officer & Member-Group Management Board & Group Executive Committee, Coface SA

Yeah, that's Coface geography. I'm sorry about this. We actually changed the name of that region to call it Western Europe, Africa...

Phalla Gervais A
Chief Financial and Risk Officer & Member-Group Management Board & Group Executive Committee, Coface SA

West Africa.

Xavier Pascal Durand A
Chief Executive Officer & Member-Group Management Board & Group Executive Committee, Coface SA

West Africa, something like this. So, whatever. So, there's a little piece of stuff in there. It's not major. It just happens to be there. So, we booked some reserves there.

Phalla Gervais A
Chief Financial and Risk Officer & Member-Group Management Board & Group Executive Committee, Coface SA

Some reserve there. I think less than €10 million. The whole country is under restructuring, so you can go – it can last a couple of years, but still, it would be I think supported by the IMF. You have the Club of Paris restructuring team around this and we just sort of follow this.

Michael Huttner Q
Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Okay.

Phalla Gervais A
Chief Financial and Risk Officer & Member-Group Management Board & Group Executive Committee, Coface SA

And as I said, it's a single route. So, it's highly – in terms of quota share it's highly [indiscernible] (00:48:31).

Michael Huttner Q
Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Okay.

Copyright © 2001-2026 FactSet CallStreet, LLC

Xavier Pascal Durand

Chief Executive Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

So, on your second question, which was BI growth, yeah, we've been attune to 15%, I don't know, for quite a bit of time. It is a bit slower this time. I think what we see is, as I said, large companies delaying decisions that we thought they would make faster. So, I think the environment plays a role into this. Whether that's structural or cyclical is for anybody to guess. I mean, if you can read what's happening in the Gulf, let me know. What I see, though, is that it continues to grow. There's demand for what we do. I always said, because I think this happened a couple of times in the past that I wouldn't take a quarter as a sign for long term trends.

But, nevertheless, there is a slowdown. And at the same time, I think we need to continue to invest to put this business on a good footing in an environment in digital, which is moving quite fast. There's a lot going on. I mean, I'm not going to tell you guys about AI because you probably hear it on every single pitch that's been made by every single company around the world. So, that's true as well for Coface. The good news, I think, is that we are doing quite a bit in that space. We have a data lab that's now 50 strong. We have 1,000 people in BI. So, that's giving us capabilities that we didn't have before and we feel good about that.

Michael Huttner

Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Q

Yeah. Thank you.

Operator: Thank you. We'll now move to our next question. This is from Benoît Valleaux from ODDO BHF. Please go ahead.

Benoît Valleaux

Analyst, Oddo BHF SCA

Q

Yes. Good evening. Thank you for taking my question. In fact, related to Business Information. I'd just like to better understand, I mean, what has changed compared to what you had in mind when you have presented your strategic plan?

At that time, I think that you expected organic growth, which is broadly in line, which was you have achieved. I mean, you got to that 12% Q-on-Q to this year. So, maybe I'm wrong. Yeah. But just to understand, I mean, do you believe that in the end the organic growth is a bit faster than what you had in mind at that time, which is going to be what you need to invest a bit more than what you had in mind, or [indiscernible] (00:50:57) maybe this business is a bit more costed than what you had in mind?

And linked to this, there is a point I don't fully understand on this business. So, you plan to be, like, you and I try to understand next year, maybe still a bit too early. But does it mean that you plan also to be breakeven in 2028/2029. I mean, many – and we have to wait many years before reaching profitability on this business? Or do you believe that it's only maybe you're delayed by one or maybe two years to this also? Yeah, sorry? I just would like to understand also the benefit of scale, in fact, because it's all my question behind all of that. It means that to cap to €1 million on your revenues, you need to invest €1 million more in cost. And, honestly, I believe that, so a point of [indiscernible] (00:51:53) at which you must to have some benefit of scale and it seems that it's still not the case. So, just to understand, I mean, do you believe that, once again, just delayed by one or two years or not really?

Copyright © 2001-2026 FactSet CallStreet, LLC

Xavier Pascal Durand
Chief Executive Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

Yeah. So, a few things. So, we have started this thing from scratch in tens of countries at the same time, right. So, yes, we have some more signs. Now, we have €100 million of turnover or something like this, whatever. But the scale that we have in each individual country is still very, very small. I mean, we're talking about a market that is, I don't know, €15 billion or €16 billion, something like this. So, we're barely making a scratch at this stage. So, I think just to put things in perspective, I mean, when it comes to achievement of scale, we are still very, very, very small, right.

The second thing we learned is that from the surveys we did with investors, everybody tells us we will not get any recognition for value until we reach a certain size. And that's not €100 million. It's going to be bigger, right. So, there's no question for us that value creation means. As you said, reaching scale, which means reaching scale market by market. And we see a lot of opportunities coming up for growth, but also a lot of changes in technology, which means that technology spend is going to probably going to be bigger than we thought. And that's not actually news for any business right now. I think everybody's spending more on technology than they thought they would. But that's also impacts us, particularly in BI, which is a technology driven business.

So, there's some of that going on as well. So, AI is coming fast. We have to be there. We have to [indiscernible] (00:53:38) going on. We're still planning to run that thing at quite line neutral impact on the P&L, plus or minus, whatever. But I think it's more important for us to continue to grow and to keep on par with the markets evolutions than it is to just try to make a buck. And I understand your point, yes, there is a place at which we need to prove that scale matters, but I don't think we're there yet.

Benoît Valleaux
Analyst, Oddo BHF SCA

Q

Okay. That's very helpful. Yes. And just to understand this compensation in terms of dividend and payout ratio, so it's for 2027. Initially, I mean, once again, your target to breakeven this year plus 50 bps on ROATE 2027. So, we might have imagined that at 50 bps could move to, I don't know, few tens of bps higher in 2028 and so on ongoing forward. So, your point of view, compensation will be on 2027 for 50 bps and at this stage, you believe that it could be the same for the next year? So, yeah.

Xavier Pascal Durand
Chief Executive Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

Yeah. But we haven't gone that far because our plan is 2024, 2025, 2026, 2027. So, by the time we get to those stage, we'll have a new plan, right. So, I'm not going to anticipate what we're going to say there. We're going to study this. We're going to do all the right diligence as you would expect us to do. So, we limited our view to 2027 because that's the end, that's the last year of Power the Core, and then we'll have to come up with a new one. I don't know if it will have three words or four words, or two words in the title, but I think we're going to revisit the whole thing, right, which you what you would expect us to do. So, we haven't gone further than that. I don't know if that answers your point.

Benoît Valleaux
Analyst, Oddo BHF SCA

Q

Yeah. An additional question, if I may? Just regarding solvency. So, your solvency was at 194%, still well above your growth target. It has been well above your growth target for four years now. It seems that in the end group target is more, I would understand [indiscernible] (00:55:53) what you had in mind. I mean, could you be tempted to some extent to adjust the solvency margin? Because it has been very resilient despite the challenging

Copyright © 2001-2026 FactSet CallStreet, LLC

environment over the three years, thanks to your strong underwriting policy and risk management policy. But we did believe that you need to, I would say, such high level of buffer versus what you target range – we can call that target range?

Phalla Gervais

Chief Financial and Risk Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

Well, I mean let me – before Phalla jumps in, let me just remind what have we said I think over the course of last 10 years, which is, the solvency level is a choice between several different constraints, right. One is what we agreed with the regulator, which is 155% to 175% and where we put our guidance stores. The second one is ratings. The third one is security of our reinsurers, the requirements of the banks that fund us, particularly in factoring another area. So, the view that our clients have of us, et cetera, et cetera. So, there's a lot of different things that go into trying to figure out where we should be positioned. And, Phalla, maybe you want to add something to this?

Phalla Gervais

Chief Financial and Risk Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

Well, I think two things. The first thing is that, of course, this level is comfortable. But it also allow us, when we say that we want to compensated 2027 [indiscernible] (00:57:34) will use this as well. You can see that we are using it to grow our business. I think that's also one of the reason why we – I'm not saying that we're cautious, but just give us some room to grow internally and externally. And today it's internal. You can see that it's 11 points from full years, 2025 to half year. And if we didn't have this level of comfort, this is also give us some freedom of how we want to drive the business.

And then, as you can see, that we already made two acquisitions last year, this allow us to grow externally as well. We will have the same question mark discussion, Benoît, I'm pretty sure in a couple of quarters, but I will have always the same answers to you.

Xavier Pascal Durand

Chief Executive Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

Yeah, we already said this. So, we're disciplined about capital allocation. I think I've had 10 years of that question. Actually, not 10 because the beginning was a little bit rough, but, let's say, eight or seven after we went through the major turnaround in the beginning. What we want to do is we want to be able to grow comfortably our core business. And when you look at what happened after COVID, we had an inflation surge, and we were happy to have capital because a 15% increase in premiums means a 15% increase in capital, right? So, God knows where the world is going. That gives us complete flexibility there.

Second, we want to be able to do acquisitions if there are some that make sense. So, we're not going to grow for growth's sake, but we are going to grab opportunities if they make sense to us. We know that in BI, in services, the multiples are much higher. We do not want to pay top dollar for big businesses, but we are happy bringing in bricks that help build the fort. And, third, when we have too much, we return it to shareholders, right? So, that's what we've done consistently. We've shown that dividend distribution of Coface over the years and it's been pretty substantial.

Phalla Gervais

Chief Financial and Risk Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

And full year 2025 with this with 84%.

Copyright © 2001-2026 FactSet CallStreet, LLC

Xavier Pascal Durand
Chief Executive Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

Yeah.

Benoît Valleaux
Analyst, Oddo BHF SCA

Q

Okay. Thank you very much.

Operator: Thank you. We'll now take our next question. This is from Pierre Chedeville from CIC. Please go ahead.

Pierre Chedeville
Analyst, CIC Market Solutions SA

Q

Yes. Good evening. Not many question left. Maybe regarding reserve release. We have the impression that you have some leeway there again, still. And I was wondering if we could expect this reserve to be continuously released in the coming quarters, in your view? And more generally, I can see that most financials banking or insurance companies are progressively improving their targets. When reality, if I can say, is better than expected things that you don't do and at the end of the day, I was wondering if it's really useful for us, for the financial community to compare your current loss ratio, for instance, or combined ratio with your target because there's such a big gap between them.

But it seems that the target seems irrelevant. And I was wondering why you don't adapt these targets a little bit more often when you see that they are so far away from the reality. And I was wondering if preparing your next plan, you are thinking of that. Thank you very much.

Xavier Pascal Durand
Chief Executive Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

Yeah, we've had that discussion, by the way, I think, again, in the past, every time we've done a plan, we've improved our targets so far, right. But the issue with our business, and everybody here on the call knows this is it's cyclical or it's subject to economic variations. And so, it's not easy to define a confidence interval for that number based on the cycle.

We can do it through the cycle, on average. And the cycle is kind of a theoretical definition of, I think, we're showing it here on this page where we have 13 years of insolvencies. So, you see we're at a peak. Are we at the peak? I don't know. I mean, it very much depends what happens to the world. If the AI bubble bursts, plus the Gulf of Hormuz, plus the Red Sea is closed off, and there's a raging war in the Middle East, I think you're going to see some sporty stuff. And if everything is kicked down the can and keeps being kicked down the road and everything's fine.

So, hard to say, and I think that's – so, we are prudent. We give benchmarks which are improving over the years. We I think we overdeliver. That's been our story at least up so far. And we operate by very consistent principles, which is we're going to do the smart thing for the medium term. We're trying to do value creation. We're not going to go for growth for growth's sake. We're not going to try to reach a number for the sake of reaching a number. We're going to do what we believe makes sense in the medium-term to position this business to continue to be a really good business going forward.

Copyright © 2001-2026 FactSet CallStreet, LLC

Pierre Chedeville
Analyst, CIC Market Solutions SA

Q

Okay. Thank you.

Operator: Thank you. [Operator Instructions] We will now take our next question. This is from Michael Huttner from Berenberg. Please go ahead.

Michael Huttner
Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Q

I had also little silly questions. Tax 27%, I had in mind your rate was a little bit lower. I just wondered what, A, what it means? I think it's very helpful the appendixes, so Q1 was 26%, Q2 28%. What's the right number to use going forward? It seems to be nudging up. The second is kind of maybe the opposite of my colleagues. I see the positive in everything, is there any way that you can quantify that the investment that you're making in BI and stuff, how much is that is benefiting your loss ratio? Because ultimately at the moment that's is what's driving the business. And I suspect it's quite a bit, but there's no way I can do it from the outside. You can probably do it a little bit better.

Then I have a very silly question. What's the TNAV number? I know you give it per share, but I'm always worried about multiplying numbers whether I'm rounding too much. And then maybe I know you don't like to give forward looking and you're being very cautious, but you did have in Q2 versus consensus and Q1 a better loss ratio and a better volume. It feels like I mean, we've reached the bottom, but I don't know. But maybe you can give us a feel for what you're seeing right now. Thank you.

Xavier Pascal Durand
Chief Executive Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

Well, I think your last question relates to the cycle. I mean, frankly, it's anybody's bet. I mean, if you give me the scenario, I'll tell you. But the scenario moves all the time. I mean, we had a war that nobody had seen coming. Then everybody believed the war was over. And then the war is back on again.

And you tell me where it's going. I think time will tell where this goes. If AI is going to continue the way it is, if it's going to turn out to be profitable, if the amounts of investments that are being made are reasonable or if it's too much, if there's a bubble that's going to burst, I don't know. There's a lot of stuff going on at the same time. So, to call the peak or the trough on something I don't think is very easy.

On the transfer of know-how or technology or whatever between BI and TCI, I think it's true. I mean, I think there is learnings and there's capabilities that we would have struggled to pay for if it had been just with the TCI business and certainly not at the scale at which we're doing it. But just the fact of having a thousand people in the business focused on data, it just gives you a bit better understanding of data. It's just simple.

I mean, the marketing impact because we have now thousands of clients on BI gives us scale, gives us knowledge, gives us a presence in the market and opportunities to cross-sell and stuff like this. So, you're seeing that it's hard to say exactly what's going where. We know the P&L for BI, but we also know that it has a positive influence on the TCI. For me, to me, it's pretty clear.

Phalla Gervais
Chief Financial and Risk Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

Copyright © 2001-2026 FactSet CallStreet, LLC

I take the question on tax.

Xavier Pascal Durand
Chief Executive Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

Yeah. Go ahead.

Phalla Gervais
Chief Financial and Risk Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

Yeah. I think, Michael, you know that our tax computation is really based on the business mix that we have in countries where you have different income tax rates. So, that's nothing that is unusual. And there's no guidance going forward, because it really depends on the jurisdictions in where we're making money and our taxable income. So, there's nothing specific to be noticed. That's all I can say. And show the computations from various jurisdictions or tax jurisdictions of our benefits. And you can see that if you look at quarter-after-quarter, it is true that [indiscernible] (01:07:49) moving back and forth. What we can say is that when you look at the past, it's between 23% and 28% and will be something in between.

Michael Huttner
Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Q

Okay. And the TNAV?

Phalla Gervais
Chief Financial and Risk Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

TNAV, I think it's €2 billion.

Michael Huttner
Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Q

Okay. That's helpful. And okay, so may I ask just one last follow up question. The fiscal report clear and the numbers funny enough quite good. But your numbers are quite good. There seems – to suffice all the thing I would have wished for is a bit more investment income. Am I wrong to expect more investment income to come through? I keep thinking that if you're growing the business, you've got more reserves and more assets and less interest rates not actually budging not much. We should see a little bit more, but it doesn't seem to come through very much.

Phalla Gervais
Chief Financial and Risk Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

Well, it's improving year after year, but you know that we have repositioned and derisked our portfolio for now two years. I think it's probably we're reaching a kind of run rate, of course, with the level of such cash that we have there, liquid assets of 40%, asset allocation on this one is probably where we can see some opportunities of the markets. For the time being because the yield curve is reversing the higher interest rate on the shorter tail of the yield curve and the longer one, I think this is where I'm benefiting from this, but who knows where the interest rate will go.

Michael Huttner
Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Q

Okay.

Copyright © 2001-2026 FactSet CallStreet, LLC

Phalla Gervais
Chief Financial and Risk Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

But, yes, I think it's pretty much depending on the interest rate level and the increased interest rate environment is something that we fully benefit from.

Michael Huttner
Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Q

And may I ask last – I'm really naughty on the last one. It was really interesting what you said about there's clearly a crossover benefit from BI and TCI. I mean, would it be fair to say that one would more expect the benefit in terms of large claims because clearly you haven't had large claims in the past, I don't know, two or three years? Or is it more benefit on what I would call attritional all the little exposures?

Xavier Pascal Durand
Chief Executive Officer & Member-Group Management Board & Group Executive Committee, Coface SA

A

In our industry, we obviously don't like large claims, right. I mean, that's the one thing that we're trying to avoid. It's hard to say. I think obviously the discipline has increased, the processes are tighter. I think there's also a probably structural shift in the market where it's not just us improving, it's also entire market improving and the governments being more attentive and the companies are being more sophisticated and having better tools and the banks tightening up their processes. So, there's a whole bunch of things that are going on and playing into this, very hard to pinpoint the details. But the general trend, I would say, is that we are improving the business.

Digital is coming in. I mean, the amount of work that's going on in digitization, AI, and all that good stuff is quite impressive. At least from a historic standpoint, I think we are seeing a lot of quite a bit of change. I would also, though, that's more a personal reflection, I think you're going to see AI make changes, but I think it's going to be in general slower than people think because the challenges are human. The challenges are stability, control, governance, technology.

So, putting in it to work in a safe way and in a sustainable way is not as simple as people think. So, which is good news, because if we're able to invest and do some of that, and then it will be a differentiator for probably in longer periods of time.

Michael Huttner
Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Q

Yeah. Thank you.

Operator: Thank you. There are no further questions coming through, so I will now hand back to the speakers for any closing comments.

Xavier Pascal Durand
Chief Executive Officer & Member-Group Management Board & Group Executive Committee, Coface SA

Well, look, we're right on time. I think as we said, we're halfway through the year. We're in a pretty good position. Of course, nobody knows what the future holds. I think the news could be coming anytime, but the business is sticking with its plan. It's got a clear strategy. We're executing, and we'll take the environment as it comes. So, thank you very much for your attention. And with that, I think we can close the call.

Copyright © 2001-2026 FactSet CallStreet, LLC

Operator: Thank you. This concludes today's conference call. Thank you for participating. And you may now disconnect.

Disclaimer
The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2026 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.