

31-Jul-2025

Coface SA (COFA.FR)

Q2 2025 Earnings Call

CORPORATE PARTICIPANTS

Xavier Pascal Durand

Chief Executive Officer & Member-Management Board, Coface SA

Phalla Gervais

Chief Financial & Risk Officer, Member-Management Board, Coface SA

Thomas Jacquet

Head-Investor Relations & Rating Agencies, Coface SA

OTHER PARTICIPANTS

Benoît Valleaux

Analyst, ODDO BHF

Michael Huttner

Analyst, Berenberg

Pierre Chédeville

Analyst, CIC Market Solutions SA

MANAGEMENT DISCUSSION SECTION

Operator: Good day, and thank you for standing by. Welcome to the Coface SA First Half 2025 Results Call. 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 that today's conference is being recorded.

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

Xavier Pascal Durand

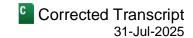
Chief Executive Officer & Member-Management Board, Coface SA

Thank you, and thanks to all of you for logging in. We're happy to report our first half 2025 results.

You've seen from the headline, €124 million of net profit for the first half. I would qualify this as strong results. You'll see through the pitch some of the same themes that we highlighted over the prior quarters, but I'm just going to go through the key points here. Turnover is up 2.3% at all things equal with insurance growing 1.7%. A little bit of positive client activity, even though there is no clear trend there. The client retention remains at a near record level. Pricing continues to be, I would say, within the average trend line of history. Good growth on Business Information growing almost 15%. Debt Collection, strong growth at 35% for the first half. Factoring remains the − I'd say the − this low point here. As you know, we are a factor in Germany and in Poland, and that's the heart of industrial Europe, which is the toughest place probably at this point in Europe.

The loss ratio is up 5 points at 40%, which brings the net combined ratio for the first half to 71%. We will go through the risk numbers later on the slides, as we usually do. But pretty much the risk, I would say, is under control and in an environment where – which is obviously more uncertain and more difficult than it was in the last four years. We have a net cost ratio, which has increased by 2.8%, which has both – it contains both the effect of the slowing inflation and also a deliberate investment – dynamic investments by ourselves, which are very much in line with the strategy that we've highlighted for Power the Core a year ago.

Q2 2025 Earnings Call



We are building our – on data. We're building on technology. We're strengthening our core expertise in credit insurance. We've announced a leadership change here with Joerg Diewald joining Coface with a long history of both working in financial services, in large groups, and leading a start-up fintech – and a start-up fintech environment in Germany. And so he's joining to lead the BI and the partnerships areas, which are two growth areas for Coface.

And then Thibault Surer, which has been with us for more than nine years, is going to lead and focus on technology, leading a new newly created technology hub that's really taking stock of the importance of technology of data for us, both in the BI, but also in the core insurance business.

We've announced the creation of a Lloyd's syndicate that's going to give us two notches improvement capability in our solutions to clients, and that's particularly important for our financial institutions clients. We acquired Cedar Rose, we announced that last quarter, and we've close that transaction. We've also signed and now closed as of today the acquisition of a small company in Switzerland called Novertur International.

So, a total of €124 million for the first half with €62 million in the second quarter brings the return on tangible equity to 12.6%. Strong balance sheet as well. We estimate the solvency ratio at 195%, which is just almost the same as at the end of 2024 and clearly above our target range of 155% to 175%.

On the next page, we provide a little bit of a background on the environment. I mean, you see on the top left, global GDP growth. As you know, we're pretty much a reflection of the global economy. We provide services in 200 countries in all sectors' activities. And what you see here is that 2025 so far is shaping up as being the slowest growth year in the last 10 on a global basis, barring, of course, the COVID 2020 event. But – so it's a sluggish growth environment, I would say. You see the corollary of that on the bottom left, which is the global insolvencies. Not only is it higher than where we were in 2019 pre-COVID by something like 25%, but it's also the highest level of insolvencies we've seen in the last 10 years. So, I think we can say we're clearly in a tougher part of the cycle.

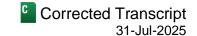
As a result of this, we are managing risk actively. We're taking action. You can see on the top right-hand. The level of limit actions we've taken is 16% higher than it was at the same time last year and 50% higher than what we did in 2019. So, our actions take into account the environment.

And I think we've got the risks. Our policies have not changed. We have been, I think through the past few years, quite rigorous in the way we approach risk. And then we continue to do so in this part of the cycle.

We're also investing, and you'll see that in the numbers. We are adding salespeople in TCI where we see market opportunities that are both profitable and must-have. We are above 800 people now in Business Information and data. This includes the two businesses we've bought. We've added 30 salespeople in two years in the Debt Collection teams. We have created a tech hub and staffed it with about 30 engineers in Al. And we have realigned the management structure.

So, all of these are clear investments that we're making, betting on the future. But I think the good news is, we're starting to see some numbers move, and the new business for Trade Credit Insurance in Q2 is up 21%. So, that's the best that we've had in five years. Business Information continues to grow double digits. And new business year-to-date is up 38%., But Collection revenues are up 56% in Q2. So, we see the impact and actually the market appetite for the solutions that we're able to provide. And then we are introducing Al-generated credit

Q2 2025 Earnings Call



scores for our Information clients, which are progressively replacing the older versions of scores. And clearly, it's providing both better accuracy and better productivity and better efficiency. So, clearly investments in that space.

In terms of the level of companies that we are able to get data on, we continue to increase our patrimony. We have an index now that reaches 240 million companies around the world. And so, clearly investments going in. I think we are continuing to do the hard things in this business to invest in the future, and that's going to help going forward.

The next page really talks about CSR, and I've had the opportunity to present this page or an update to this page several times already. So, I'll go quickly through the key pillars. As a responsible insurer, we are committed to reducing the carbon consumption of our portfolio. We had set for ourselves a target of 30% reduction by 2025 and 40% by 2030. The good news is, we are ahead of this ambition through the selection of where we invest our money. We have been able to reduce the carbon consumption of our portfolio to the tune of 48% by the end of 2024. So, clearly good progress there.

As a responsible employer, we want to make sure we get top-notch engagement from our employees, and the latest survey results we get position us clearly in the top quartile of our industry benchmark. It's not in the top 10% on the number of those criterias. We're continuing to work hard on diversity and inclusion. We're focused on disabilities. And we're focused on achieving a 40% target of women in the top 200 managers by 2030. We started out with 34% in 2022 and we achieved 38% by the end of 2024. So, good progress being made. We do not want to compromise in any way on the quality, which means that we have to continue to build female talent pipelines throughout the entire organization.

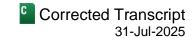
And then as a responsible enterprise, we wanted to reduce the consumption – the emissions of carbon by our business by 11% by 2025 from 2019. We've actually achieved 27% in absolute numbers. And if you take into account the fact that we've added staff in the business, it's actually a 37% reduction per person. And a good chunk of this is linked to reduction of travel, fewer smaller offices, less commute, work from home policies, et cetera, which have been allowing us to reduce quite significantly our carbon emissions.

We're driving the culture. We – I think this has been the multiyear effort. We have achieved a silver rating from EcoVadis last year. We are expecting soon a new rating on their behalf. We hope that's going to recognize the efforts that we're making. But clearly, it – this is now an initiative which is embraced, I would say, throughout the company, and serves as a – actually a common theme that we can all refer to.

Going to the next pages, which you're very familiar now with because we pretty much keep the same format every quarter, turnover, as I said, up 2.3%. Services are up 8.2%. So, now it's been a few quarters that we see that services are actually helping the top line growth numbers. Within that, you see Trade Credit up 1.7%, Business Information 14.7%, third-party debt collection. So, these are debt collection services sold to non-insured clients is up 35%. Factoring is down 1.5%. Not much there that's news. And I think it's the heart of industrial Germany. And then the insurance fees are continuing to grow in line with the premiums at 2.5%. So, that's something that contributes really nicely to our bottom line.

On the next page, we describe the split by region, as we usually do. And what you see, plus or minus some oneoffs, is a reflection of the global economy. I'll start with Northern Europe, which includes mainly Germany and Northern Europe. It's down – it's actually up slightly 0.1%. So, reflecting, I think, the slow economy in that part of the world. Central Europe is negative. There's been a couple points of that negative, which is due to the transfer of the large clients to Asia-Pacific. So, pretty much evolves, as does Northern Europe. Western Europe is slightly

Q2 2025 Earnings Call



better. That includes France and the UK and Switzerland. So, slightly better numbers there. Even better numbers when it comes to the Med and Africa region with 3% growth. That includes Spain, Italy, and the Middle East.

North America, a little bit lower with that 2%. Asia-Pacific, doing pretty well. Got to take couple percent out of this for transfer from Central Europe. And then Latin America continues to see good growth on the back of local inflation and commodity, soft commodity prices, which they make a lot of.

On the next page, continued growth story on new production. You see that this is [indiscernible] (00:13:13) we had in many with new business up actually 21% in Q2. That's the reflection both of a continued demand in the market as there is a lot of uncertainty out there. People are interested in the solutions we have to provide. And then clearly, a – also the investments that we're making in sales and trying to tap lesser segments. I think that's paying off.

Retention rates is actually very good at 94%, close to our record level. So, very – we're staying very close to our clients, very consistent in the way we manage risk and servicing. Very, very focused on servicing our clients well.

In terms of price, we are negative 1.4%. That's pretty much the average over the last 10 years. Market remains extremely competitive. I think we continue to see actors that are willing to take a high level of risk and/or maybe a level of returns that are not awesome. So, we stay very consistent to our strategy of delivering value through the cycle.

And then finally, client activity. Client volume is slightly up. No clear trend here. It's up one month and down the next month. It varies by region. So, I think there's been a lot of posturing and anticipation of the tariff policies by different actors in different industries, and some have tried to stock ahead of the imposition of tariffs and things like this. So, it's a little bit murky. No very clear trend at this stage.

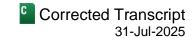
If we go to the next page, we are on losses. So, the gross loss ratio, as you can see, Q2 2025 stands at 36.9%. It's clearly higher than where we were in 2024, but it's better than actually in Q1. I would say claims activity is back to pretty much historic levels. We are seeing higher amounts. There's been some inflation, and we are seeing severity continuing to increase slowly but surely, bigger and bigger companies, and all sorts of sectors and countries are being impacted than was the case before.

We haven't changed our reserving policy. We still open the new vintage, as you can see, at 78-point-something percent, similar to prior years. We are getting good [ph] bonies (00:15:48) from the prior vintages. It's actually 41%, albeit a little bit less than last year, which reflects the slight slow, but certainly increased in risk that we're seeing in the market.

On the next page, we describe, as usual, the risk for the total year for the last four years. I don't think there's much news here, so I'd rather focus on the next page which describes the risk by quarter and I think the story here is that there is not much actually to see. You can see the four largest and most stable regions of our organization at the bottom and pretty much all of them are at very good levels and 40% or lower. There are little spikes here and there and tied to one file or another, but pretty much — not much to say or not much to report.

Same thing on the three smaller, more volatile markets on the top part of the chart. There are variations. Again, these are small regions, so they'll be more volatile and they're inherently more risky being far away places. But we've got that, I would say, pretty much under control so far, and there isn't much to say again. So, I think we've got risk well under control, even though the market is not in the best part of the cycle.

Q2 2025 Earnings Call



If we go to the next page, we talk about costs. And as you can see, which was pretty much the case also last quarter, our costs are up 8.2% from the Q2 2024. The cost ratio is up, and you've got to walk on the top right hand of the chart here that shows how we go from 32.6% in the first half of 2024 to 34.6%. So, 2% increase in 2025. 0.6% is really, I would say, the aftermath of the inflation surge and recession that we've seen in the last few years. So we have embarked cost inflation that is not now reflected in the activity of our clients. That's about 0.6 points. We are getting better contribution from services because they are growing, so they're contributing to lower our cost ratio.

And then finally, we are investing to the tune of 2.3 points. Within that, about 0.6 point is tied to investments we're making in the insurance sector, mainly sales and distribution. And then 1.7 points are linked to Business Information and Debt Collection. We are investing deliberately in that area because we think there's potential there, and we are seeing progress in a number of markets. So, I think it's worth it, even though it means that we are slightly below the line in terms of the contribution of that business. But I think it's the right thing to do for the future.

So, that's pretty much the story for cost. And with that, I'm going to turn it over to Phalla for the reinsurance page.

Phalla Gervais

Chief Financial & Risk Officer, Member-Management Board, Coface SA

Yes, indeed. So, we are now on page 16. On the reinsurance side, you can see that the premium cession rate is pretty similar to half year 2024, while the claims cession rate has increased from 22% to 23%. This lead us to a reinsurance result of minus 52% compared to last year. And, of course, last year was exceptional for us, so exceptional also for our external reinsurers.

Let's move to page 17. So the net combined ratio at 71.3% with a net cost ratio, if you compare half year to half year, and moving up by 2.8 points. And this is pretty similar to what Xavier said in terms of increase of the cost ratio, gross cost ratio. When it goes to the net loss ratio, increased by – from 35% to 40%. So, 5 points. Again, I think if we don't compare to last year was probably much a very excellent year for us, now much more comparable to the half year 2023 level, but in a much tougher economic environment.

If we look at the Q2 only, I think, again, I would not compare that with the Q2 2024 because into Q2 2024 benefited from much higher reserve release or [ph] book release (00:20:37) from prior years. So – and if we look at it and compared to Q1 2025, which is much more the same environment, it increases about 5 points.

I just want to highlight also the fact that in Q2 2025, given the internal reinsurance structure that we have and the drop of US dollars compared to euro, this has created, I think, a negative impact on net loss ratio. Part of that is basically offset and you see in the following page in line, it's just a geography of booking of the FX impact.

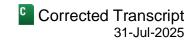
Now we're moving to page 18. So, the financial portfolio started with the mark-to-market value of €3.2 billion after the payment of €200 million of dividend at the end of May. You can see that we're still maintaining the same – more or less the same asset allocation with a very high level in terms of liquid assets. This is the 13% bucket that you can see on the left-hand side.

When it comes to the investment income, I will start with the recurring income, which is moving from €48 million to €52 million. And the accounting yield, which is now slightly improving, but more or less at 1.7% for half year.

When it comes to the FX lines, I would provide you with the same comments that we had in Q1. Actually, this is – the minus €23.7 million is made of minus €6.7 million of hyperinflation accounting on Turkey mainly. And then FX



Q2 2025 Earnings Call



loss, which is minus €17 million due to the US dollars dropped compared to euros. And this is really the loss on our investment assets.

On the other side, you can see the offset in the investment finance expense line, 6.7%. This is positive amount, out of which actually you have an FX gain of €23 million. Of course, you – part of that is offsetting what I just said before on the asset side, minus €17 million, and part of that is offsetting the negative impact on the net loss ratio. So, really, geography or booking. This lead us to a net income of €124 million and operating income of €186 million compared to €217 million, back to actually the first half 2023 level.

Return on average tangible equity at 12.6%, if we will look at the average equity moving from €2,194 million to almost €2,100 million. Of course, we paid the full year dividend minus €209 million, and we only account for the half year result. Return on average tangible equity, moving from 13.9% to 12.6%. This is way similar to what we got in Q1. I think Q1, the return on average tangible equity stood at 12.7%. So, no change – no more change.

This quarter, we also have the solvency ratio and the balance sheet position. So, total balance sheet at €8,070 million. We talk about insurance investments, €3.2 billion, Factoring assets totally backed by factoring liabilities. Nothing much to say here. And today we're trading above the book value, of course, and above the tangible book value. Solvency ratio, a robust one, moving from 196% to 195%, 196% at the end of last year. You can see that − I think the operating results, which is the own fund valuation, is more than offsetting the SCR increase, which is, of course, sustaining the course of our business.

On the right-hand side, you can see the two series of shock, the usual ones. So, the market shock, again, we will be above the upper range of our comfort zone. And then the 1 in 50 and 1 in 20 events, again, we will be on the upper range of our comfort zone.

If we move to page 24, this is how our 195% of solvency ratio is made of. As you can see, the capital requirement of €1,370 million to be compare with our solvency to eligible own funds of €2,673 million.

Xavier, I give the floor back to you for the outlook.

Xavier Pascal Durand

Chief Executive Officer & Member-Management Board, Coface SA

Yeah. So, this is pretty much the summary of the first half. We consider it to be a good first half. Net profit, €124 million, 12.6% annualized RoATE. Clearly, a tougher insolvency cycle. The economic environment is complicated. There's a lot of uncertainty out there. We're delivering a combined ratio of 71.3%, which is below what we had ambitioned as mid-cycle. The Q2 is close to our mid-cycle levels. While we continue to invest, so we're not betting on our investments. We're doing the hard things, investing for the future. We – it's hard to predict where the environment goes. I mean, tariffs are slowly falling in place. It's not as bad as some feared, but it's clearly much higher than it used to be. So, there – I think there is to be seen what impacts this will have.

Europe is still a slow place in general. We are investing. We are – we created a new tech hub. We are creating a Lloyd's syndicate. We acquired Cedar Rose. We acquired Novertur. We are investing in TCI sales. We are innovating, I think. So, I think our strategy is right. I think we are very consistent with everything we've said about the company in the last few years, about the power, the core strategy that we've laid out a year ago. And we're starting to see tangible results materialize in some of the metrics I mentioned earlier. So, that's, I think, positive.

And with that, I would like to turn it back to the audience for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Benoît Valleaux of ODDO BHF. Please go ahead. Your line is open.

Benoît Valleaux

Analyst, ODDO BHF

Yes. Hi. Good afternoon. Thank you for taking my question. I have three question, in fact. The first one is related to your new captive in - at Lloyd's offering a AA-rated solution to clients. I mean, can you just, I don't know, quantify or give us any view on what is the potential level of premiums or revenue coming from this new entity?

The second question is related to BI, and I think that you mentioned the fact on – when you comment on cost evolution that you made an investment which has a negative impact of 1.7 percentage point from BI on your gross cost expense ratio. And that deposit, you have some slight positive effect due to project mix. But net-net, it's a drag on your expense ratio. You managed the business to be breakeven in the past. So, can you just also quantify what has been the earnings from the business in Q2? What is the amount of investment [indiscernible] (00:28:54) and if you still expect BI to be EPS accretive on your RoATE for 0.5 percentage point in 2027? And the third question, if I may, is related to solvency margin. Do you have any view on what could be the potential impact for you from the Solvency II review? Thank you.

Xavier Pascal Durand

Chief Executive Officer & Member-Management Board, Coface SA

I'll leave the last one for Phalla to think about. In terms of the Lloyd's syndicate, I mean, what it does is it gives us a two-notch improvement in our rating. So, we go to AA. We were at a disadvantage in the market, let's be fair, given our rating, which is good, but not as good as at least one of the other participants. This puts us back right on par. It will help us address a piece of the financial institutions market, which is very sensitive to ratings. And this is a part of the market where you see limited losses. But clearly, rating matters because it enhances the [ph] RWA relief (00:30:08) that the banks – what our clients get. So, this is something like half of our financial institution. So, it's a few percent of our total premiums that are going to go through this.

In terms of BI, yes, we've run it at a 0% profit, I would say, by and large. As you can see this quarter, we are investing a little bit more. So, it's creating a little bit of a drag. And there's no reason for us to change the guidance. I mean, this is all timing, [ph] plus-plus (00:30:41). We're not changing our strategy. We're not doing anything different than what we thought we would do. It's just I think timing. The earlier you invest, the sooner you will be able to get the results. And we feel that in some of these areas, there's an opportunity for us to do that. So, that's how we think about it.

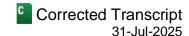
In terms of solvency, Phalla?

Phalla Gervais

we already take into account. So, it's not for us.

Chief Financial & Risk Officer, Member-Management Board, Coface SA Yeah. We don't expect a major impact. I think it's really the interest [indiscernible] (00:31:15), but this is also what

Q2 2025 Earnings Call



Benoît Valleaux Analyst, ODDO BHF	Q
Okay. Thank you very much.	
Phalla Gervais Chief Financial & Risk Officer, Member-Management Board, Coface SA	A
Not for our profile of – yes. Not for our profile of business.	
Benoît Valleaux Analyst, ODDO BHF	Q
Okay. Thank you.	
Operator: Thank you. We will now take our next question. Please state of Michael Huttner of Berenberg. Please go ahead. Your line is o	•
Michael Huttner Analyst Rerenherg	Q

Fantastic. Thank you. And I had lots of little questions, if I may. One is a strategic one. Is the aim with the Business Information to become the kind of European equivalent of Dun & Bradstreet? And how can we measure that if that's the kind of implicit ambition? It's difficult. The – I don't know the business very well. I can see some of the growth numbers are fantastic. The investment in people is huge, 800. It sounds like – it's like 20% of Coface is not here. And you've got this new guy from – this new – two guys, I guess, from Germany. So, that'd be one question.

The second is the Debt Collection, which actually seems to be, in the short term, even more attractive, I guess, because it's closer to what people associate with it. And that – I just wondered you – whether you could give us a few metrics like maybe, well, basically the profit is what I'd like to know. But even if you just have sales, because I can figure out. The profit margin must be huge on this.

The third question is on the combined ratio. So, we're clearly well-above 70% now. I was always hoping that we'd stay below 70%, but clearly I'm wrong. Both in – we're above 70% both in Q2 and also in H1. Is this – given your experience – and I know you're going tell it's a forward-looking statement, but maybe you can help me in some way. Given where we are in the cycle, clearly, we must be close to the worst point in the cycle in terms of the insolvency charge you said at the beginning. Is that – is this number going to – in your experience, does it get much worse? Or does it – or we're beginning to stabilize at these levels? I know you're going to say you – but maybe you can help out a little bit.

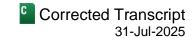
And then I had another question. You know you mentioned the new business sales of plus 56% [ph] in H1 (00:33:51) and plus 21%. Can you explain a little bit more what they are? They sound fantastic on this, but I don't know how to [ph] cater on (00:33:58) that. I know it's lots of silly questions, and I apologize. Thank you.

Xavier Pascal Durand

Chief Executive Officer & Member-Management Board, Coface SA

Yeah. Well, they're not silly questions. I mean, it's a - so, in BI, I mean, this is a market - you mentioned some competitors here. This is a market which is covered today by a number of actors. We think we have something quite unique to bring because of the track record and the experience that we bring to this using the data for

Q2 2025 Earnings Call



underwriting. And also, we don't just make data for the sake of selling data. We make or we buy or we improve data, and we score data for the sake of underwriting a €720 billion book of business, which is performing extremely well.

So, it brings an advantage, and it brings a differentiation to this market where you have a number of actors which are more or less local or associated between each other just try to cover the world. We are agnostic in the source of data. It could be private. It could be public. We could make it ourselves. We could buy it. It doesn't matter. We get the best data that we believe is out there. We try to negotiate the best terms. We bring it all into one umbrella. We use technology and expertise based on our own underwriting to come up with scores that are, we believe, very, very good. And we provide that seamlessly to our clients through technology tools, which make it easy for them to access.

So, they get the Coface brand, the Coface expertise, and they get the best of whatever data is out there in all in one – in one shot. That's what we do. So, it's slightly different, but it is competing with some of these guys that you are mentioning who tend to be both providers, competitors, partners. I mean, for us, we're very flexible.

So – and then in terms of the size, yes, it is meaningful for us. It's a small piece of our turnover, but it is inherently profitable business that, as you know, is valued differently by the markets than the traditional insurance business, which carries a lot of capital.

In terms of debt collections, it's – yeah. I mean, we just happen to have made the technology investments over several years. It was hard. We're able to track and perform collections throughout the world using one system that I think that's a very unique feature. And as we're able to go to the market with something a little bit different, and the cycle is where it is, there is demand. So, it's growing nicely. And it's small, but it's significant in terms of growth. And it is profitable business. We just basically get a cut on anything we can collect. I would say our brand name and the fact that we're an insurer also helps in collecting. So, it's a good business.

In terms of the combined ratio, I think you've been following us for a decade or more probably, Michael. So, like, you can probably refer to where we were and where we are today. I think what I'm trying to say here is, we are not in the best part of the cycle. It's hard to say where this goes, frankly, if you know. But we know because we're all interested. But clearly, it's not as good as it was five years ago. And we're still performing in just slightly above 70%, which, by all measures, I think is a pretty strong level in the insurance industry and in the trade credit insurance industry. We still probably are the – at the best level in the industry. So, I think that's what I would say is – I'm not going to make forward-looking statements. You're right. But clearly, we're not in the best part of the cycle, and we are still performing extremely well.

In terms of new sales metrics, as you know, new sales for us is a few percent of our book because our book tends to renew, as I mentioned, 94% year-on-year. So, we keep 94% of our clients. We acquire below 10% new ones, and then we grow typically single-digit. That's the way this industry works. So, that puts the numbers in perspective. But still, we are seeing new sales growth, and I think it's the result of the investments and the focus we have on this. So, I take it as a good sign for the future.

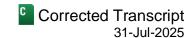
Michael Huttner

Analyst, Berenberg

Very helpful. Thank you.

Operator: Thank you. [Operator Instructions] Our next question comes from the line of Benoît Valleaux of ODDO BHF. Please go ahead. Your line is open.

Q2 2025 Earnings Call



Benoît Valleaux

Analyst, ODDO BHF

Sorry. Just a very quick follow-up question on my side. Phalla, you just mentioned the negative impact from the weakness of the US dollar on the Q2 net loss ratio. Can you just – can you please just quantify this impact?

Phalla Gervais

Chief Financial & Risk Officer, Member-Management Board, Coface SA

Well, I'd say, if you – if we look at these impacts, plus the gain that we have on the, I would say, IC line because this is how you [ph] happen (00:39:33) to look at it, right, we're talking about year-to-date probably less than 2 points.

Benoît Valleaux

Analyst, ODDO BHF

Okay. Thanks very much.

Operator: Thank you. Our next question comes from the line of Pierre Chédeville of CIC. Please go ahead. Your line is open.

Pierre Chédeville

Analyst, CIC Market Solutions SA

Good evening. It seems to work now. First question, I was wondering if you see in this new context, I would say, a change in the behavior of your main competitor or if you feel that all of us or all of you are becoming more and more restrictive in terms of insurance policy.

I was also wondering if in that context of, I would say, much more difficult environment, right – I would say, a ramp-up opportunity for a business information or if that environment is neutral, considering this type of activity.

And last question, but maybe it has been asked, maybe a follow-up regarding the FX impact on combined ratio. We have seen that the dollar is keeping up a little bit more in July. Do you think that it could a little bit improve your combined ratio in Q3 or Q4? Thank you.

Xavier Pascal Durand

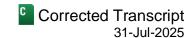
Chief Executive Officer & Member-Management Board, Coface SA

Okay. So, our – in terms of the market, clearly, we cannot be the only ones feeling increased levels of risk in the market. But I don't know. I haven't seen any results from anyone else. But – so what we see is still a competitive market. So, I think the markets taking a view that the efforts to underwrite some business is worth it, which I'm not always in – of that view. So, we – I think we are probably ourselves more conservative than most than we've been for years. So, there's nothing here that is new, frankly. Some are slowing. Others are picking up the slack, if I may say. So, unfortunately, this industry remains very competitive at this stage.

In terms of the demand for BI, it's there. There is demand for BI. I mean, it's – there's two things. There's a lot of interest. There's also companies that have more pressure on their cost base, so they're trying to get data cheaper. But there's a lot of interest for data. And are we taking this as an opportunity for ramp-up? Yes. We are investing deliberately. We're making acquisitions. So, we clearly are taking a view that this is going to be a market that's going to grow or where we can take a piece of business here. That's nice. And we are making the investments because we think it's the right time, and we're well-positioned.

On the combined ratio, I'll let Phalla take that question.			
Phalla Gervais Chief Financial & Risk Officer, Member-Management Board, Coface SA Yeah.	A		
Xavier Pascal Durand Chief Executive Officer & Member-Management Board, Coface SA	A		
[indiscernible] (00:43:00).			
Phalla Gervais Chief Financial & Risk Officer, Member-Management Board, Coface SA	A		
Of the FX, honestly, we don't know where Q3 and Q4 in terms of US dollars FX will add up. If I look a today, I think has – it has moved back, but very – I think very slight movement. So, it's not – I will not this stage, all vehicles, if we stay on the same level, we would not be significant. Well, the drop that what we saw in H1 was much more significant than improvement that we've seen in a couple of days	say that at ve see –		
Xavier Pascal Durand Chief Executive Officer & Member-Management Board, Coface SA	A		
[indiscernible] (00:43:35).			
Phalla Gervais Chief Financial & Risk Officer, Member-Management Board, Coface SA	A		
And I will not comment, [ph] as we've said before (00:43:36).			
Xavier Pascal Durand Chief Executive Officer & Member-Management Board, Coface SA	A		
[indiscernible] (00:43:38) to [ph] 118 (00:43:40),right, and			
Phalla Gervais Chief Financial & Risk Officer, Member-Management Board, Coface SA	A		
Yeah. Exactly.			
Xavier Pascal Durand Chief Executive Officer & Member-Management Board, Coface SA	A		
[indiscernible] (00:43:43) that level.			
Phalla Gervais Chief Financial & Risk Officer, Member-Management Board, Coface SA	A		
And that – today, it's about – it's [ph] 114 (00:43:45). I think – Yeah.			
Xavier Pascal Durand Chief Executive Officer & Member-Management Board, Coface SA	А		

Q2 2025 Earnings Call



So, that's been quite a movement in a quite short amount of time following the Liberation Day or anticipating the Liberation Day announcement time.

Phalla Gervais Chief Financial & Risk Officer, Member-Management Board, Coface SA Pight	A
Right.	
Pierre Chédeville Analyst, CIC Market Solutions SA	Q
Yeah. Thank you.	
Operator: Thank you. Our next question comes from the line of Michael Hu Your line is open.	uttner of Berenberg. Please go ahead.
Michael Huttner Analyst, Berenberg	Q
Thank you very much [indiscernible] (00:44:15). I just had two. And one is or a couple of percent, but I don't know what this relates to. So, I suppose – I daddressable client base or market relative to what you have or within what you couldn't before? I don't know if – or some idea of a growth potential. And the and the combined ratio. I'm really sorry. I wasn't paying attention here. Was	on't know how ask it – what's the ou have, which you can now do which n on the – I just came back to the FX
Phalla Gervais Chief Financial & Risk Officer, Member-Management Board, Coface SA It's less than 2%	A
Xavier Pascal Durand Chief Executive Officer & Member-Management Board, Coface SA Go ahead. Go ahead, Phalla. Sorry.	А
Phalla Gervais Chief Financial & Risk Officer, Member-Management Board, Coface SA Yeah. It's less than 2% for half year. That's right.	A
Michael Huttner Analyst, Berenberg	Q
Okay. Thank you. Thank you.	
Xavier Pascal Durand Chief Executive Officer & Member-Management Board, Coface SA	A

Look, on the Lloyd's syndicate, what I said, Michael, is this concerns a few percent of our total existing client base. But you can't compete in that space if you don't have the right rating. So, obviously, it will put us in a much better position going forward to, first of all, retain that business and remain completely competitive, and then pertinent in the space, and also hopefully to get some more. But it's as much as a defensive as an offensive move here.

Michael Huttner Analyst, Berenberg	Q
Makes perfect sense. [indiscernible] (00:45:48). Thank you.	
Operator: Thank you. There are no further questions. Speakers, plo	ease continue.
Xavier Pascal Durand Chief Executive Officer & Member-Management Board, Coface SA	A
Well, we don't have — we, on our side, don't have much more to say. should we	So, is there any other question out there or
Operator: We have one more question in the queue.	
Xavier Pascal Durand Chief Executive Officer & Member-Management Board, Coface SA	A
Yeah. Go ahead.	
Operator: Our next question comes from the line of Pierre Chédevi open.	lle from CIC. Please go ahead. Your line is
Pierre Chédeville Analyst, CIC Market Solutions SA	Q
Oh, sorry to interrupt the conclusion. Just a last question because we ask regarding the evolution year-on-year on the cost as we used to devolution is plus 8%, as far as I remember.	
Xavier Pascal Durand Chief Executive Officer & Member-Management Board, Coface SA	A
Yes.	
Pierre Chédeville Analyst, CIC Market Solutions SA	Q
I wanted to know if this is a mid to long term trend that we have to co	onsider or not?
Xavier Pascal Durand Chief Executive Officer & Member-Management Board, Coface SA	A
Well, I mean, the way I look at it	
Pierre Chédeville Analyst, CIC Market Solutions SA	Q
Because you mean – cost ratio is a ratio, [ph] right (00:47:10)	
Xavier Pascal Durand Chief Everythya Officer & Mambar Management Roard Coface SA	A

Q2 2025 Earnings Call



Yeah. Yeah. No. And I understand, but a couple things. For those of you who followed the company for quite a while, you've seen that actually our cost ratio went down all the way until this year, pretty much, right, or the end – middle last year. And so we've been driving costs out at or cost efficiency consistently, day in, day out, and we don't change that stance.

What's changed is two things. One, the inflation burst that we had in 2021, 2022, 2023 has helped lower the cost ratio because you've had turnover from clients that has grown in line with inflation. And since we build them [ph] 8% of that (00:47:58) turnover, we were lifted, I would say, naturally by that burst of inflation.

And at the same time, the cost that we incur took some time before it started to reflect that inflation because, as you know, salary increases or purchases are not done on an instantaneous basis, but with several months of delay. So, we had a benefit for some time. And now. we're seeing the reverse, which is inflation has slowed. So, we're not getting the benefit from clients. And at the same time, we still incur the salary increases and the hike in prices that we've seen in the past. But that's not something that is forever. This is something that is tied to where we are in the cycle.

The second thing that is in these numbers is the investments that we are making, which are deliberate choices to invest in sales, distribution, data, technology, AI, et cetera. And so these are things that we are doing with a view towards the future because we think it's the right time and there's a business opportunity that needs to be grabbed and that we need to make the effort to go get. And, again, these are investments that we know exactly what we're doing. We monitor the outcomes of these investments. We will always have the opportunity to decide whether to continue or whether to stop them or whether to curtail them in one way or another based on the outcome and the market changes here.

Di	ierre	Ch	hà	انىما	Δ۱
П	ıerre	1,11		evii	11-

Analyst, CIC Market Solutions SA

Thank you.

Operator: Thank you. There are no further questions at this time. Speakers, please continue.

Xavier Pascal Durand

Chief Executive Officer & Member-Management Board, Coface SA

Right. So, well, I mean, if there's no further questions, we don't have much more to ask – to talk about. I mean, clearly, I think the company is in good shape. Cycle is where it is. We'll know more as things develop. We haven't changed the strategy. We haven't changed our posture in the market. We haven't changed our goals. We continue to execute. So, I will all – we will meet again for a Q3 earnings. Do we have the date, Thomas, on this?

Thomas Jacquet

Head-Investor Relations & Rating Agencies, Coface SA

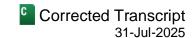
Yes. It's early November on the 3.

Phalla Gervais

Chief Financial & Risk Officer, Member-Management Board, Coface SA

3rd of November.

Coface SA (COFA.FR) Q2 2025 Earnings Call



Xavier Pascal Durand

Chief Executive Officer & Member-Management Board, Coface SA

Early November. So, thank you for joining, and we will speak soon. Thank you, all.

Operator: This concludes today's call. Thank you for participating. 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 Calistreet, 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 2025 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.