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Coface SA (COFA.FR)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

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

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

Xavier Pascal Durand

Chief Executive Officer, Coface SA

Thank you. Welcome, everyone. Thank you for logging in. We're happy to report our full-year 2025 performance for tonight. Just before we start this, I'll just strike a little bit of a personal note to say that this is – I've just completed my 10th year as the CEO of Coface, which means, this is my 40th meeting of quarterly presentations. It's been quite a journey as the head of this company, which is in deep transformation. It's also been successful, I think, from a financial standpoint. Our annual TSR through the period has been 17.5%, which means that investors who have chosen to invest with us 10 years ago have multiplied their money by 5. So, quite a quite a journey. And we're looking forward to what's to come.

You will have seen the numbers. We're reporting €222 million of net profit in 2025, which means €45.8 million in Q4 of the year. It brings the total earnings of the company for the last four years to €1 billion, so that's another landmark for us. Just going through the details, you will see that revenue was up 1.3%, all things equal, with insurance growing 0.6%. Positive client activity, but clearly lower – below the historic average. We continue to have great retention of 92.9% and literally our record. Pricing has been down 1.6%. That's very much in line with long term trend. And it's a little bit of a theme of this day here as a lot of the numbers OR trends that we're going

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to discuss are things that are not new and have been discussed in prior quarters, so I would say, really no surprise.

Business information is growing double digits, 16.2%, organic growth at constant FX and perimeter. We started to consolidate Cedar Rose, the business we bought in August last year. And we reported these first elements of consolidation in the fourth quarter numbers. That brings the total reported number for business information at almost 19%.

Debt collection is up to 24.4%. And then, factoring was slightly down. That's really driven by a slow, I would say, German industrial economy and the rates that have stopped going up and is slightly down. By the way, for the first time, I think, we are disclosing in a little graph in the press release that shows the split of all these different lines very explicitly year-after-year, so I think, that will help in terms of disclosure for all those that are following these different lines at a granular level.

The net loss ratio is up 5 points at 40.3%. The combined ratio stands at 73.1%. I would consider that a strong performance in a market which is getting obviously tougher. Four points up in terms of the gross loss ratio. We haven't changed our reserving. We haven't changed the way we think of risk and management. The net cost ratio is up 2.6%. I'll go through that again.

You'll see a lot of the same trends that we've already discussed in the prior quarter, with both some residual inflation and continued determined investments in the different areas that we've highlighted for our planned, Power the Core. That brings the net combined ratio at 76.6% for the fourth quarter, which is slightly above our through-the-cycle targets, again, in a market, which is slow.

If we go to the next page, you see that the company continues to have a strong balance sheet. We have solvency coming in at 197%. The return on average tangible equity stands at 11.4% for the year, so down from last year as the trade credit cycle develops. The solvency is above the 155% to 175% target. Exposure growth has been limited. We are benefiting from better capital requirements on the factoring business, which is triggered by the fact that we're insuring this business through the new Lloyd's syndicate that we've established. And so, we get a net benefit on the solvency here.

We have stable conditions in terms of retaining reinsurance for the year. We have been renegotiating all of our treaties for 2026 at slightly better favorable conditions than what we had in 2025. So, the market continues to be there for us in terms of both capacity and price in the reinsurance. We're proposing a €1.25 dividend per share to the general assembly. That's an 84% payout ratio. So, we're paying out a little bit more than the 80% that we did in prior years. And that's in line with our targets at Power the Core.

I think the company shows its resilience as we move through the cycle. We are close to the through-the-cycle targets, at the same time, I mean, you're all aware of world trade being hit almost daily with new events and a lot of uncertainty. We continue to invest both organically and externally. We bought Cedar Rose during the year. And we invest in data. We invest in technology. We invest in connectivity. We're investing in salespeople for TCI. And that's paying off. I mean, you see the BI growth at almost 19%. So, that's pretty much the story for the quarter and for the year.

And if we go to the next page, we've added one page, just to give a little bit more color on where we are at the midterm of this plan. So, we launched the plan exactly two years ago. It's developing in an environment which is softer, I would say. You see that the global economic growth remains below the historic average. We're at 2.7%,

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with about 1% growth in Europe and 2.2% in the US. Three quarters of global growth today is driven by emerging markets, and that's something we need to take into consideration.

Global trade is quite resilient. I mean, there's a lot of obstacles being put in its way, but we like to see it go fast. The trade is like water. It always finds a way. We see less trading between big blocks with more trading inside blocks. We see new routes. We see connector countries. It's slow, but it's progressive, but it's happening. There's more volatility, I would say, pretty much across the board.

Every day brings its set of the news on currencies, on tariffs, on supply chains, on geopolitical events, et cetera, et cetera. Slow growth and a lot of volatility means insolvencies are rising. In most developed economies today, we are at a more than a decade high. We're actually – when you look at insolvencies since 2013, we're pretty much at the highest level we've ever known.

The market is still very competitive. I think this industry has had good profitability over the past few years, and there's more capacity coming. So, that's why you see that the rates continue to be negative. And revenues are subdued because clearly the activity level, the underlying growth of the economy is low. And as you know, we bill our clients as a percentage of their turnover. And when their turnover doesn't grow, our turnover doesn't grow either.

So, you see on the right hand side, on top right, how our portfolio over two years has moved. We have new business, which is actually the strongest we've had in years, offset partially by cancellations, which are the best that we've had in years. And then, you see premium rates going down, compensated by activity, but activity is lower than historically what we've known. So the portfolio keeps growing because we are investing, because we are driving new business, albeit it's not very fast growth.

In that environment, I think the business is delivering. We are maintaining a high technical margin. I mean, the fact that where we are in the cycle, we're still delivering through-the-cycle target type of performance, I think, in itself, is a testimony. I think we have the best technical results in this industry.

We continue to innovate. We continue to invest, that we've built the partnership with Lloyd's and created our own syndicates. We invest in new scores. We're putting AI into our risk evaluations. We're expanding the business information offer. We are really growing our data lab and innovation departments. Debt collection is also growing pretty fast. We are buying businesses, and we've already spoken about this.

Today, the services – the FTEs that we have in the business are around 1,000 people, so it's growing quite quickly. And we are adding people in the technology areas. So, the company is building itself for the future. We're not just managing the short term here. And just to highlight that we are actually performing well, you can see on the right-hand side, how we've returned €7 per share over the last five years through dividends to shareholders. So, still, a high-yield and reliable stock.

If you go to the next page, we give you a full-year update on our CSR strategy. So, we have three very simple targets, to try to summarize. The first one as a responsible insurer is to reduce the emissions of our investment portfolio. We had a target of 30% reduction from 2020 to 2025 and 40% from 2020 to 2030. We are at this stage, at 54%, so we're ahead of the target, but we know that the methodology used will change because more and more sectors are being incorporated in the taxonomy. So, yes, we're ahead, and we're quite proud of how much we've reduced the emissions. At the same time, we can't take this as a final number because that methodology continues to evolve. And we do expect this to be put under some pressure.

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If you go to the responsible employer, our target here is 40% women in the top 200 managers by 2030. We're happy to report that we are there. We have reached that number at the end of 2025. And we've grown the percentage of women in the top 200 by 1% a year over the course of the last two years. Given the amount of competition and that we absolutely make no compromise in terms of quality people, this is a significant achievement.

When we go to responsible enterprise, the goal here is to reduce by 11% our own emissions through our own operations, and we've actually done much better. At this point, we're at 41% reduction. And that's after we grew the company adding all these EFTs. So, clearly, we've reduced per person our emissions by 54%. And when you think of what's driving this, it's really because there's a lot more technology in what we do. We actually work from home partially. We have less commutes to the office. We have reduced the office space and the consumption that we have of all the energy that's associated with buildings, getting into better buildings, et cetera, et cetera. So, a lot of activity here, which is paying off.

The culture is being driven. I think we are getting good ratings from the agencies out there like EcoVadis, et cetera, putting us in the top 23% of the companies that have been rated so far. I think there's more to do to tell our story and, we are working on that.

If we go to the usual pages that we have in the stack. I'm going to page 9. So, you see the layout of the numbers. As I said, you'll find more easily read breakdowns in the press release. So, you see total revenue's up 1.3%; insurance, up 0.6%; other revenues 7.8%, so clearly growing faster than the insurance premiums. I think, we're happy with the business information momentum here at 16% organic and almost 19% with Cedar Rose.

Third-party debt collection continues to perform, 24.4%. We're seeing really good demand from clients here; clients that we've been working with on insurance, for example, but also others. Factoring is down. That's really the economy, I would say. And then, good performance as well on insurance fees, the fees we get through our insurance contracts, which are outpacing the growth of the premiums. So, for us, that's good.

If I go to the next page, the description of the growth by region is very much in line with the things we've discussed through the last three quarters. Western Europe, there's this one-offs here and there, but pretty much reflecting a low-growth economy in that part of the world. Good performance on services there. Northern Europe, which is essentially a big piece of Germany – is Germany. You see that we have subdued growth, and that's both TCI, and as I said, factoring. Central Europe is negative. We had some contracts being transferred from Central Europe to Asia, so it's a bit more negative than it really is, but it's pretty much in line with the rest of northern Europe.

If you look at Med and Africa, it's still outpacing those regions. And that's been the case for years, but with slightly slower growth, so we are seeing a little bit more cautious stance here. And then, finally, North America kind of flat with the growth in a world right now, as I said, is driven by emerging markets. And you see that in our numbers with Asia Pacific and Latin America growing 8% and almost 12%. So clearly, I mean, that's just a reflection of the global economy.

If we go to the next page. You see that, again, we had a good year in terms of new business, the best in many. That's a reflection of the work that we are doing to invest in sales forces. Inside those numbers, you actually see some significant growth in the mid-market space, which is the one that we have been targeting. And you see retention of clients at literally the historic level that we've seen for 2022, 2023, so 92.9% in total for the year.

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Prices are down, that's not new, continues to happen. I mean, it's pretty much the 10-year average here, minus 1.6%. And then, volume is slightly better than 2024, which was a real low point, but nothing really spectacular and below the average that we've seen in the last few decades. So, again, no surprise.

If you go to the last page, on page 12. You see that Q4 came in at 39.2%. So, the total year came in at 37.5%. I think, what you see here is the number of bankruptcies in the world clearly exceeds 2019. As I said, it is at the highest level we've seen since 2013. Our number, there is a uncorrelated thing here. The number of claims in our portfolio is down 5% from where it was in 2019. The individual amount is higher. There's been a lot of inflation, obviously, since then. And we see severity continue to increase as the cycle develops, right, clearly.

But I think the company has done a good job of containing losses here. You can see that we haven't changed our reserving policy. We're still at 83.7% in terms of opening year. And we continue to see nice throwbacks from the prior vintages at 47%. We're pretty much at the same level that we were in 2023, so no change from a risk management standpoint.

If you go to the next page, we're able to compare the last four years of losses per region. And really, the message on this page is nothing particular. You look at the four largest, most stable regions at the bottom, they're all in the 30% to 40% range, so really not much to report on this side. And even the three smaller and more volatile traditionally markets, like North America, Latin America, Asia Pacific are all in the low-40% range. So, really not much to report. I mean, the risk is under control. And that's the way we look at it.

You see the same story on page 14, which develops the latest trends by quarter. And again, here, there's not much not much to say. Little bit of volatility in Latin America, but we know that's by nature, a place that is more volatile. And also, place that's much smaller for us. So, mathematically, we are going to see more volatility.

If you go to page 15, on cost. So, you see, and we've had this, the same kind of chart over the last few quarters. You see cost up Q4-on-Q4 by 3.4%. It is up, but it is up much less than it was in the prior quarters in comparison. If you look at the top right-hand side of the chart, you see that our cost ratio for the year goes from 33.7% to 35.6%. And same phenomenon we've already discussed on prior calls, part of this is inflation that's been embarked because, as you know, we have had to raise salaries, following the inflation surge in 2021, 2022, so that's 1.3%. We are also making investments, like in the prior quarters. That's 1.6 points of cost ratio, and that's offset by 0.9 decrease driven by the growth in services sales that we have in the company.

So, the full-year costs are growing 6.3% from last year. We have, as we said, embarked inflation, but also, all the investments we're making in data, in technology, in connectivity and in sales are part of that story. And we're doing it because we're focused on the future. This is really not about this year, this is about the next few years to come. So, we think, the company is well-positioned. You can see, on the bottom right-hand side, the cost ratio before reinsurance is slightly above where it was Q4 2024 to Q4 2025.

So, that's the story. I'm going to turn it over to Phalla to take us through the next parts of the [ph] session (00:21:16).

Phalla Gervais

Chief Financial & Risk Officer, Coface SA

Good evening, everyone. So, now, we are on page 16, and we're talking about reinsurance. As Xavier said, I think our reinsurance treaties has been renewed, absolutely no issue on the renewal. We also obtained some improvement in terms and conditions. I think that our reinsurers are really enjoying the fact that we still have the losses under control.

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In terms of cession rate, you can look at the premium cessions was pretty stable compared to last year. And the claims cessions rate has decreased slightly. As a result, we are passing on to the reinsurers €112 million, slightly below what we passed to them last year, but still, I think, something that they appreciate very much.

This leads us to the next page, page 17. Net combined ratio at 73%, with an increase of a net cost ratio in line with the increase of the gross loss ratio that Xavier commented on, and increase on the net loss ratio again of the same trend. I think the gross loss ratio increased by 4% and the net by 5%. Nothing else to be added. I think from Q3 to Q4, exactly the same trend on the net than on the gross. This leads us to a net income of €222 million, minus 15% compared to last year. I think, we have exactly the minus 15% at full-year Q3 compared to full year Q4. So, fourth quarter, we're in line with what we had in the previous quarters.

Page 20, we turn on average tangible equity. So, we look at first the IFRS equity moving from €2.194 billion to €2.213 billion. We have the net income of the year, €222 billion; and the payment of dividend, €209 million. All the other captions, pretty significant, net-net; lead us to a decrease on the return on average tangible equity from 13.9% to 11.4%, mainly driven of course by the increase of the net combined ratio.

For this quarter, we have the comments on the capital management. So, solid balance sheet, $8.090 billion total assets in euros. We commented on the investment portfolio. In factoring, at €3 billion, has not changed that much compared to last year, slight decrease, but not that much. And then, the tangible book value per share at €13.1, I think, we're trending today at €16 something, which is slightly above.

Solvency. So, robust solvency, we're moving from 196% to 197%, has not changed much, despite the fact that we are distributing more than 84% of payout ratio. As Xavier said. I think that's two – well, variations that we want to comment on. The first one is on factoring SCR, which is a risk-weighted asset. This is really coming from the fact that we have a factoring contract previously insured by the companies by Coface with a A is now brought to our syndicate of the Lloyds with a AA. This, of course, has a huge benefit on the factoring SCR that you can see on this page.

On the other hand, of course it's a AA, but it goes back to us. So, on the insurance side, at the end of the day, we also – well, at the end we're buying a AA, so this has a cost on the insurance SCR that you see here. That also has a cost actually on our own funds because it's a trust capital. So, these explain also the 12 points – or it has been deducted in the 12 points that you can see an increase.

In a nutshell, if we look at the Lloyd's syndicate that we have created, I would put it in perspective. The first one is we for our FI business because this is – for them, it's a huge benefit, and for us as well to grow the FI business. Because bringing the contracts to the Lloyd's will allow our FI, which are the banks, to decrease their capital consumption because the Lloyds is a AA. And for us, at the end of the day, in our solvency, as I said, net-net, it will be a benefit that we can – estimated around 2 points of solvency ratio. So, I would say, mostly a win-win; win for the business, and win for the solvency as well, and the strength of the balance sheet.

On the right hand side, you have the usual shocks. So, you can see the market shocks still way above the upper range of our comfort zone. And then, the crisis, the 1/50 events, 182%, again, at way above the upper range of our comfort zone.

If we move to page 24, this is just illustrating in amount the fact that we have €2.6 billion of solvency [indiscernible] (00:26:56) to be compared with our €1.317 billion of total SCR factoring and insurance business all included.

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Xavier Pascal Durand

Chief Executive Officer, Coface SA

So this brings us to the final page here. So, another strong year, we are delivering close to-through-the-cycle targets in a more challenging environment. The economy is weak. There's a lot of volatility. There's a lot of uncertainty. Clearly, it's challenging on the risk side, but at the same time, there's demand for the products that we have. We have, at the same time, maintained the RoATE at 11.4%. Solvency is strong. The balance sheet is strong. And the business continues to look to the future.

I mean, so what we're doing, we're really investing in BI, in debt collection. We are investing in sales forces. We're investing in connectivity. We're investing in technology and data. So, we're really preparing this company to go to the next phase here. I think we have demonstrated our resilience, and in, today, what we would call, a low growth environment. And I think we are delivering numbers at the same time that we're preparing the future. I think that's the main message I want to leave you with.

The company just celebrated its 80 years in France. We had celebrated our 100 years, 3 years ago in Germany. And the feedback from the clients is just very good. I mean, we have met many, many clients over the last week that have been with us for 50, 60, 70 years. So, it stresses the fact that Coface is a short-term risk business, but wired in the long term. I mean, we have long-term relationships with clients, with distributors, with rating agencies, with reinsurers, with brokers, et cetera, et cetera. And so, that's really – we're continuing down that journey. So, that's what I have for you today.

Happy to take any questions you may have.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] We will take our first question. Your first question comes from the line of Pierre Chedeville from CIC. Please go ahead. Your line is open.

Pierre Chedeville

Analyst, CIC Market Solutions SA

Q

Yes. Good evening. Thank you to take my question. Two questions from my side. I know that you don't like a lot, the guidance, but just to clearly understand. We understand that, in Q4, we've seen a significant degradation of the combined ratio. And I wanted to know if for the coming one or two years, around 76% is the new normal; or do you think that we should stay around your initial guidance of 74% through the cycle; or do you think that the situation is a little bit worse than what you anticipated one or two years ago? That is my first question.

My second question is regarding debt collection, which is working very well, which is quite understandable according to the environment. But I wanted to know if you have a leverage on that type of activity. I mean, do you have a platform that can treat without investment or more investment, more clients; or if you have to invest in this activity, like you have to invest in BI, for instance, so far. Thank you.

Xavier Pascal Durand

Chief Executive Officer, Coface SA

A

Okay. So, I mean, on the first question, you are challenging us because we have taken a stance for 10 years now that we do not provide forward-looking guidance or short-term guidance on our numbers. So, I'm not going to start

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today, unfortunately. I think we've been – the story's been developing pretty clearly from, I would say, 2019. And then, the government is throwing money at the economy, some big companies being probably supported more than you would have expected. And then, the normalization I've been talking about, for what, it's five years now, or something like this, which has happened, frankly, slower than we probably anticipated in the first place, but is happening.

And I think, Coface is demonstrating that it's able to manage this, I would say, long-term wave, which what you've been seeing because you haven't seen the same correlation between our claims and what the market is showing. And at the same time, we're still delivering, you look at the year, through-the-cycle targets, despite having record insolvencies. So, I think the company is performing well.

On the DebtCo side, actually, the investment started years ago. When I joined Coface, we already had a program to replace 30 or 40 different platforms by 1. And it took us years and quite frankly quite a bit of money to get that done, and we got it done. After COVID we decided, despite all of the difficulties of such a project, we decided to launch this program in 2021, I think, it was. And it was tough because making such a radical change was disrupting to existing business. But it was at a time when claims were extremely low, so we did it.

And now, I think, we are benefiting from this investment, both financial, and technical, and human. And that's why this business is able to grow and is actually profitable, we're making money off of it, right. So, I think, it's actually, again, the result of long-term strategy and investments coming at the right time. And now, we're able to see the benefits.

Phalla Gervais
Chief Financial & Risk Officer, Coface SA
A

I will add the fact that we're probably one of the few companies or DebtCo companies in the world where we have exactly one unique system, one unique process, wherever you are and wherever you have to collect in the world.

Xavier Pascal Durand
Chief Executive Officer, Coface SA
A

Yes, it's a unique value proposition. But I think you're right to point that it's – we put the investment in front of the business, not the other way around.

Pierre Chedeville
Analyst, CIC Market Solutions SA
Q

Okay. Thank you very much.

Operator: Thank you. We will take our next question. Your next question comes from the line of Amalie Zdravkovic from Deutsche Bank. Please go ahead. Your line is open.

Amalie Zdravkovic
Analyst, Deutsche Bank AG
Q

Yes. Good evening. It's Amalie from Deutsche Bank. Thank you, and congratulations on the 10 years. I just have one quick question on the reinsurance. You mentioned sort of you've seen improved conditions. Can you give us clarification on that in the sense that is that mainly on price or was that mainly terms and conditions that you sort of saw on improvement on there? Thank you very much.

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Phalla Gervais
Chief Financial & Risk Officer, Coface SA

A

Yes, it's mainly on the commissions that we see from our insurance line.

Amalie Zdravkovic
Analyst, Deutsche Bank AG

Q

Thank you.

Xavier Pascal Durand
Chief Executive Officer, Coface SA

A

I mean, it's not dramatic change, but it's – every time you go to the market and you ask the question again, I mean, what's the price going to look like? What's the capacity going to look like? It's a win when you come back and you say, well, you know what, it's oversubscribed, we get better terms and the markets are there, and people want this business. And it's been happening now for a long time. So, as I said, we're long-term partners. We're not looking to radically change this program, overnight, but it's been improving steadily year-after-year. And I think that's a good sign, particularly in this phase of the cycle.

Amalie Zdravkovic
Analyst, Deutsche Bank AG

Q

Yeah. All clear. Thank you.

Operator: Thank you. We will take our next question. Your next question comes from the line of Michael Huttner from Berenberg. Please go ahead. Your line is open.

Michael Huttner
Analyst, Berenberg

Q

Fantastic. Thank you. Yeah, congratulations on lots of anniversaries. I had two questions. One is a bit forward-looking, I beg your pardon. Here goes. From your experience, does it feel like we're at the low point or – the reason I ask is you're – I spoke with your fantastic IR a bit earlier and pointed that Q4 2024 was a challenging comp, so now, it's behind us. So, I was hoping that we would have better comps, in other words, I could talk about things relative to year-on-year improving. But of course, it depends on whether we suddenly get a [indiscernible] (00:36:35) or the trend is down. I know it's forward-looking, but who knows, try my luck.

Next one is, what's the next step? So, you're getting a little bit more disclosed on your BI. How fast will this disclosure, though, maybe you can give us some pointers? And then, the other one is, so this is like 26 years ago, 27 years ago, you and your peers portrayed themselves as tech companies, I think, that's right. I think there was a lot of branded paper showing that you were all digital, whatever it was at the time. Internet, [ph] from what I understand. (00:37:20).

What I don't understand is given that AI so prevalent, and fashionable, and everything, are investors not kind of saying, oh, are you AI, and buying your stock; or is it you saying, well, actually, we're not? There seems to be a small disconnect. There we are. Thanks.

Xavier Pascal Durand
Chief Executive Officer, Coface SA

A

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Okay. So, I mean, if I had a crystal ball to forecast what the future looks like, I can tell you, I would be rich. I'm not sure I would share on this call, but unfortunately, I don't have that, right. So, you see the world, I mean, every day, you open – and literally every four hours, you open the papers and you wonder what's next, right? So, is there going to be a major geopolitical crisis? Are we going to see, on the other hand, the end of the war, god knows? So, I mean, very – I'm unable to answer that question, quite frankly.

But it looks like if I had to look at the world the way it is, we've seen increased volatility on geopolitics, tariffs, trade wars, supply chains, big technology change, like greenhouse gas, and carbon emissions, and the emergence of AI. So, that's a lot of stuff. It's probably going to remain volatile for some time, that would be my guess.

In terms of BI, yes, we are giving you more details. I think what the market has told us is that BI is too small today to be really materially impacting our business. So, I think, we're focused on growing the business, rather than trying to analyze it today. And so, will there be better disclosures over time? Probably, but right now the focus is on really running and investing in the business.

And then on AI, I'm not sure I understood your point. At the time, I mean, 27 years ago, I wasn't here. But I do remember the dot-com crisis, when everybody would label their business as a digital company, even if they were in mining or in food processing. Here, I think, for Coface, there's a real thing going on because we are managing €730 billion of credit exposures on 5 million lines, and we're doing this with data. We're not just taking broad guesses on how we run the business. We're running line-by-line analysis and monitoring of all this stuff. So, there's a machine. There's a real data machine here. And I mean, just look at the EFTs. We've got 1,000 people in the BI business, so that's real digital. We don't produce anything physical. We just provide data.

Today, if I look at the operations at Coface, we have 15,000 credit decisions every day. These decisions are 70% made by machines, helped by AI; and the other 30% are made by humans, helped by machines, helped by AI. And then we have one request of information from all corners of the world every five seconds. So, clearly, we're not processing this with paper. It's a real digital business. I think that's a major shift, if you will, from what the story was 20 years ago, when people just have, I would say, data interfaces or client interfaces between their business that hasn't changed that much. And here, it's a deep inside change that's going on. I don't know if that was your question, but I'm trying to provide some context.

Michael Huttner
Analyst, Berenberg

Q

Okay. No, thank you very much, very helpful.

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

Benoît Valleaux
Analyst, ODDO BHF SCA

Q

Yes. Good evening. Two question on my side. Maybe the first one is regarding to competition. [indiscernible] (00:41:49), how do you see competitive environment? We know that a significant share of show business is renewed in Q1, so any comment would be great on that front.

And just maybe a follow up on AI, sorry to pick on this, but maybe regarding your portfolio and exposure, did you take any significant risk-action management, I would say, to factor in any potential description on some sector or some of your exposure? I mean, did it lead you to make any significant action plan? Thank you.

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Xavier Pascal Durand
Chief Executive Officer, Coface SA

A

Yeah. So, I mean, we're always – so Coface is a long-term company. We have relationships with clients that will span decades. And there's really no change to our approach to it, which means that we're always very careful at the renewal time to make sure that we strike the right balance between not taking a bad deal or going crazy on the risk, and at the same time, keeping those relationships that have been supporting this company over the long haul. So, no change here, I would say, on the way we think about renewals.

On the AI and portfolio exposure side, I mean, we haven't seen AI yet, create events and like bankruptcies in a meaningful way , right. So, I think it's too early. The entire market is trying to guess who's going to be a winner, who's going to be a loser. I don't think it's just about bankruptcies here; it's more about valuations and business models for the long term. But for us, we're in three, to six, to nine months max kind of risk spans. I don't think AI has disturbed that picture yet. Everybody's using AI tools for a number of things. Everybody's trying to use agents to automate things that can be automated.

For us, AI is a little bit deeper, because as I said, our core business is manipulating data. And we also have a lot of internal data. So, we use AI inside the company to build the things that we need to build. So, for us, think it's quite important as a tool. It doesn't change what we do, but it's a good tool to use or a better tool to use than scores and stuff that we had before.

Benoît Valleaux
Analyst, ODDO BHF SCA

Q

Okay. Thank you very much. Maybe regarding the first question, if I may. My point is, do you believe that despite, I would say, increasing claims frequency and increasing severity, as you mentioned, we should still have to expect – I don't know, 1% to 2% price decrease this year, which is, let's say, is your long-term trend, or believe that it could be a bit less than that?

Xavier Pascal Durand
Chief Executive Officer, Coface SA

A

Look, I haven't seen any change from anyone here. I mean, I think, it's also because the insurance market is profitable. People have capital to deploy. This has been a pretty good space and still looks attractive from – if you're combined ratio is 95% or 98% today, you can lower it a bit by diversifying your risk into credit. I think it still sounds attractive, I think.

Benoît Valleaux
Analyst, ODDO BHF SCA

Q

Okay. Thank you very much.

Operator: Thank you. We will take our next question. Your question comes from the line of Michael Huttner from Berenberg. Please go ahead. Your line is open.

Michael Huttner
Analyst, Berenberg

Q

Thanks. Three questions. One, have you had an approach? I ask because you're, obviously, a specialty insurer. And Zurich clearly is interested in specialty at the moment. They approached Beazley. I think, Beazley admitted, or they admitted back in July, and we didn't know about it. So, it's a question I have to ask. Second is on the

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Lloyd's syndicate's 2% benefit for now, is there more to come if you increase the usage or is it – are we now done?

And then, the last question is, again, forward-looking one. So, for me, the biggest risk always is the one hard to guess is forward. Does AI give you a better handle on that, or does your data machine give you a better handle on that? And how much better is it? In other words, how much more confident are you on that risk? Thank you.

Xavier Pascal Durand A
Chief Executive Officer, Coface SA

Sorry, I'm just trying to – the first question was on Beazley, was it?

Phalla Gervais A
Chief Financial & Risk Officer, Coface SA

Yes.

Michael Huttner Q
Analyst, Berenberg

Well, have you had an approach? Has anybody knocked on your door and say, please can I buy you?

Xavier Pascal Durand A
Chief Executive Officer, Coface SA

Oh, well, we would never comment on any such thing. Coface has I think -we would never make any comment. But Coface is driving its own. What can I say, we have our own plan. We're clear on what we want to do, where we want to go, and that's as much as I can say.

Do you want to take the Lloyd's question?

Phalla Gervais A
Chief Financial & Risk Officer, Coface SA

I'll take the second one. I think this was a setup, right. And then once it's set up, and then, you grow the business. It will grow the capital consumption and will grow with the business increase. So, let's see.

Xavier Pascal Durand A
Chief Executive Officer, Coface SA

The good thing about the Lloyd's is it puts us at a better place when it comes to dealing with financial institutions. It's, first of all, defensive and being able to play in the market. And then, yeah, we got a benefit because we have our own factoring business. So, that pays for itself that way. It's great.

And then, the last question, can you...

Michael Huttner Q
Analyst, Berenberg

So, yes, on fraud risk. With all your data machine, are you better at this than you were maybe 10 or 20 years ago?

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Xavier Pascal Durand
Chief Executive Officer, Coface SA

A

Well, I mean, we manipulate a lot more data. So, I would say it's progressive. It's a cat and mouse thing. Because our tools get better, but the fraudsters have more tools, right? So, I mean, it's – I don't think we've seen major fraud lately, but there's always been some fraud somewhere in the system. And it's the thief and the police, both getting better tools, kind of outpace each other.

Michael Huttner
Analyst, Berenberg

Q

Excellent. And then, last, then I'll leave you. Sorry to be [indiscernible] (00:48:25). So far, since end of the year or the start of the year, has anything changed that you would kind of say, oh, there's a big difference in the market, or in the insolvencies, or whatever?

Xavier Pascal Durand
Chief Executive Officer, Coface SA

A

I think we've talked about it. I think the environment continues to be surprising. I mean, if you can predict what's going to be in the papers tomorrow, good luck. So, I think we see continued volatility, continued uncertainty, and not much more to talk about.

Phalla Gervais
Chief Financial & Risk Officer, Coface SA

A

And we also enjoy the fact that we have not been [indiscernible] (00:49:08) again, another big one.

Xavier Pascal Durand
Chief Executive Officer, Coface SA

A

Another big one that we skipped there, I guess.

Michael Huttner
Analyst, Berenberg

Q

Lovely. Thank you.

Operator: Thank you. [Operator Instructions] There seems to be no further questions at this time. I would like to hand back for closing remarks.

Xavier Pascal Durand
Chief Executive Officer, Coface SA

Well, thank you very much. Look, we're happy to have gone through this year, 2025. I'm sure, 2026 will be very interesting as well. But be assured, the company is focused on building for the long term and managing well in the short term.

So, thank you very much for your attendance. We're going to leave it here. I think our next call will be – do we have the date, in May. Okay, so we've got plenty of time here. There'll be plenty of things to go. Thank you, everybody.

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

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