



PRESS RELEASE

Coface reports a new record result of €84.0m in Q3-2022. Annualised return on tangible equity at 16.4%

Paris, 27 October 2022 – 17.35

- **Turnover of first nine months: €1,363m, up 15.2% at constant FX and perimeter and up 17.7% on a reported basis**
 - Trade Credit Insurance premiums growing by 16.6% driven by high client activity in still inflationary environment
 - Client retention at record highs (93.5%); pricing down (-3.0%) in line with H1-22
 - Business information momentum continues (revenues up +15.6% at constant FX)
- **9M-2022 net loss ratio at 36.9%, up by 11.5 ppts ; net combined ratio at 63.8%, up by 7.7 ppts**
 - Gross loss ratio up by 5.0 ppts at 30.2%, as normalization of risk environment continues
 - Net cost ratio down by (3.8) ppts at 26.9% reflecting continued operating leverage and higher reinsurance commissions
 - Q3-2022 net combined ratio at 59.6% on continued low loss ratio
- **Net income (group share) at €228.4m, including €84.0m for Q3-2022; annualised RoATE¹ at 16.4%**
- **Successful early refinancing of its grandfathered T2 debt, de-risking 2024 deadline**
- **Moody's confirmed its credit rating for Coface and raised its outlook to "Positive"**

Unless otherwise indicated, change comparisons refer to the results as at 30 September 2021.

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

"The third quarter brought no improvement in terms of the major risks facing the global economy: monetary tightening remains aggressive as inflation remains high, the conflict in Ukraine is continuing and the European energy crisis remains acute. The situation in the United Kingdom served as a reminder that governments have little financial leeway and that fiscal and monetary policies need to be aligned. As expected, global growth forecasts have been downgraded.

Bankruptcies are continuing to rise, especially in developed countries. Coface maintains its prudent reserving policy on Russia. This environment did not prevent Coface from achieving record net income of €84m in the third quarter, with the YTD figure now totalling €228m, higher than in fiscal year 2021. This corresponds to annualised return on tangible equity of 16.4%.

Investments in adjacent businesses are continuing. Information services (+15.6%) and factoring (+13.0%) recorded continued growth in turnover. Coface is also continuing to focus on service quality, reflected in the record high retention rate and an improvement in the net promoter score (NPS) to 38%.

We welcome Moody's decision to assign our credit rating a positive outlook. This acknowledges the work done by all of Coface's teams over the past few years and our strengths at the beginning of a more complex stage in the economic cycle."

¹ Return on average tangible equity

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Key figures at 30 September 2022

The Board of Directors of COFACE SA examined the consolidated financial statements at 30 September 2022 (non-audited figures) at its meeting of 27 October 2022. The Audit Committee at its meeting on 26 October 2022 also previously reviewed them.

Income statements items in €m	9M-21	9M-22	%	% ex. FX*
Gross earned premiums	969.5	1,152.1	+18.8%	+16.6%
Services revenue	188.9	211.0	+11.7%	+7.9%
REVENUE	1,158.4	1,363.1	+17.7%	+15.2%
UNDERWRITING INCOME/LOSS AFTER REINSURANCE	235.2	295.7	+25.7%	+29.8%
Investment income, net of management expenses	30.9	39.1	+26.5%	+26.8%
CURRENT OPERATING INCOME	266.1	334.8	+25.8%	+29.4%
Other operating income / expenses	(0.8)	(5.0)	+499.8%	+484.7%
OPERATING INCOME	265.3	329.8	+24.3%	+28.0%
NET INCOME	190.9	228.4	+19.6%	+24.7%
Key ratios	9M-21	9M-22	%	% ex. FX*
Loss ratio net of reinsurance	25.4%	36.9%	+11.5	ppts
Cost ratio net of reinsurance	30.7%	26.9%	(3.8)	ppts
COMBINED RATIO NET OF REINSURANCE	56.1%	63.8%	+7.7	ppts
Balance sheet items in €m	2021	9M-22	%	% ex. FX*
Total Equity (group share)	2,141.0	1,955.2	(8.7)%	

* Also excludes scope impact

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1. Turnover

Coface recorded a consolidated turnover of €1,363.1m over the first nine months of 2022, up +15.2% at constant FX and perimeter compared to 9M-21. On a reported basis (at current FX and perimeter), turnover was up +17.7%.

Revenues from insurance activities (including bonding and Single Risk) increased by +16.6% at constant FX and perimeter (and by +18.8% at current FX) compared to 9M-21. Growth benefited from an increase in client activity and continued high retention.

The retention rate reached a record level of 93.5%, up +1.4% compared to 9M-21. New business totalled €82m, down €20m compared to 9M-21 in an increasingly competitive market.

The growth in Coface's client activity had a positive impact of +11.1% over 9M-22. This record increase for the first nine months reflects the scale of the recent economic recovery and inflation. The price effect continued to reverse, coming in at -3.0% in 9M-22, in line with the -3.0% fall in H1-22. This is largely due to previous very low loss experience.

Revenues from other activities were up +7.9% compared to 9M-21, still with contrasting trends in the different businesses. Turnover from factoring rose +13.0%, mainly due to the increase in volumes refinanced in Poland. Revenues from information services continued to grow, rising +15.6% (vs. +13.4% in 9M-21). Fee and commission income (collection fees) was impacted by the decline in claims to be recovered and dropped -37.9% while commissions were up by +6.7%.

Total revenue - in €m (by country of invoicing)	9M-21	9M-22	Variation	% ex. FX ¹
Northern Europe	250.4	277.3	+10.7%	+9.6%
Western Europe	233.6	271.0	+16.0%	+14.8%
Central & Eastern Europe	115.3	135.6	+17.6%	+16.8%
Mediterranean & Africa	313.8	362.0	+15.4%	+17.2%
North America	99.3	125.1	+26.0%	+12.4%
Latin America	55.3	78.2	+41.3%	+29.8%
Asia Pacific	90.7	114.0	+25.7%	+16.6%
Total Group	1,158.4	1,363.1	+17.7%	+15.2%

In Northern Europe, turnover increased by +9.6% at constant FX (+10.7% at current FX). Trade credit insurance benefited from the increase in client activity and a high retention rate. Factoring turnover increased by +7.0%.

In Western Europe, turnover was up by +14.8% at constant FX (+16.0% at current FX) thanks to a high retention rate and client activity.

In Central and Eastern Europe, turnover was up by +16.8% and by +17.6% at constant FX, due to high retention, and growth in trade credit insurance driven by client activity. Factoring turnover continued to increase significantly, rising by +36.9%.

In Mediterranean and Africa, a region driven by Italy and Spain, turnover grew by +17.2% and by +15.4% at current FX. This was due to high levels of new business and high retention. Revenues from services increased by +27.7%.

¹ Also excludes scope impact



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In North America, turnover increased +12.4% at constant FX and +26.0% as reported, driven by high client activity and positive FX effect, which were partially offset by premium refunds.

In Latin America, turnover was up +29.8% at constant FX and +41.3% at current FX, driven by strong retention as well as growth in client activity driven by the rise in commodity prices.

In Asia-Pacific, turnover increased +16.6% at constant FX and +25.7% at current FX. This growth was driven by high retention and increased client activity as well as a positive currency effect.

2. Result

– Combined ratio

The combined ratio, net of reinsurance, stood at 63.8% for 9M-22 (a rise of 7.7 points compared to 9M-21).

(i) Loss ratio

The gross loss ratio stood at 30.2%, up 5.0 ppts compared to the previous year. This reflects an increased claims frequency since H1-21, with the number of claims close to pre-Covid levels and the return of relatively large claims, which nevertheless remain below average. Coface increased its provisions relating to the residual exposure in Russia.

The Group's reserving policy remains unchanged. Strict management of past claims enabled Coface to record 53.1 ppts of recoveries. The loss ratio for the 2022 underwriting year is still high at 80.9%, signalling that Coface anticipates an increase in the number of bankruptcies in the coming quarters, and an increase in reserves on Russia.

The loss ratio net of reinsurance came out at 36.9%, up by 11.5 ppts compared to 9M-21.

(ii) Cost ratio

Coface is following its strict policy of cost management. In the third quarter 2022, costs rose by +16.0% at constant FX and perimeter, and +20.1% at current FX. This increase is in line with the growth in turnover, even though Coface continued to invest. The cost ratio before reinsurance was 32.2%, an improvement of 0.8 ppt over one year.

The cost ratio, net of reinsurance was 26.9% for the first nine months, an improvement of 3.8 ppts year-on-year, reflecting lower gross cost ratio and higher reinsurance commissions.

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- Financial result

Net financial income for 9M-22 was €39.1m, up by €8.2m compared to 9M-21. This figure includes €10.7m in realised capital gains and positive hedging results as well as a currency effect of €3.2m. This performance was achieved against a particularly turbulent market backdrop, primarily due to the effectiveness of hedging policies.

The portfolio's current yield (i.e. excluding capital gains, depreciation and FX impact) is €29.5m (compared to €25.2m in 9M-21). The accounting yield¹, excluding capital gains and depreciation, stood at 1.0% in 9M-22, up compared to the previous year (0.9%), mainly due to higher reinvestment rates.

- Operating income and net income

Operating income for 9M-22 was €329.8m, up +24.3%, mainly due to increased growth and a still low loss ratio.

The effective tax rate was 26%, compared to 24% for 9M-21.

In total, net income (group share) was €228.4m, up +19.6% compared to 9M-21, of which €84.0m in Q3-22.

3. Shareholders' equity & solvency

At 30 September 2022, Group shareholders' equity stood at €1,955.2m, down €185.8m, or -8.7% (compared to €2,141.0m at 31 December 2021).

This change is mainly due to the positive net income of €228.4m, the payment of the dividend (-€224.8m) and the fall in unrealised capital gains (-€240.5m).

The annualised return on average tangible equity (RoATE) was 16.4% at 30 September 2022, mainly due to the improvement in underwriting income.

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



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4. Outlook

The risks threatening global growth were confirmed in the third quarter. The leading central banks continued to tighten monetary policy in a bid to curb inflation, which remains high. There was no improvement in the conflict in Ukraine and the energy crisis in Europe remains acute. European countries are taking substantial financial measures to limit the consequences of the crisis but there are considerable disparities in the extent of their intervention and the lack of coordination is undermining their effectiveness. The Chinese economy continues to be periodically affected by local lockdowns and is facing the consequences of the bursting of the property market bubble.

As expected, growth forecasts for the global economy continue to be downgraded. Coface has lowered its financial outlook for 49 economic sectors, following significant downgrades to its country risk assessments in the second quarter.

It is continuing to monitor the worsening economic environment. With its strong underwriting discipline and its reserving policy, which remains unchanged, Coface is well positioned to successfully navigate this more complex stage in the economic cycle. The raising of its credit rating outlook by Moody's attests to the robustness of Coface's business model and its careful risk management.

Coface is continuing to invest in expanding its service activities such as information services (growth of +15.6%) and factoring (+13.0%). Its record retention rate (93.5%) and the steady rise in its net promoter score (NPS) to 38% reflect client recognition of its constant focus on service quality.

Conference call for financial analysts

Coface's results for 9M-2022 will be discussed with financial analysts during the conference call on Thursday 27 October at 18.00 (Paris time). Dial one of the following numbers:

- By webcast: [Coface 9M-22 results - Webcast](#)
- By telephone (for the sell-side analyst): [Coface 9M-22 - conference call](#)

The presentation will be available (in English only) at the following address:

<http://www.coface.com/Investors/financial-results-and-reports>

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Appendix

Quarterly results

Income statement items in €m - Quarterly figures	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	%	% ex. FX*
Gross earned premiums	312.1	326.7	330.7	343.2	361.3	392.7	398.1	+20.4%	+17.6%
Services revenue	65.9	63.4	59.6	66.3	69.5	71.4	70.1	+17.6%	+10.2%
REVENUE	377.9	390.1	390.4	409.5	430.8	464.1	468.2	+19.9%	+16.4%
UNDERWRITING INCOME(LOSS) AFTER REINSURANCE	74.3	81.5	79.4	38.7	84.9	98.1	112.7	+41.9%	+51.7%
Investment income, net of management expenses	5.7	10.1	15.0	11.3	12.3	12.0	14.7	(2.3)%	(13.5)%
CURRENT OPERATING INCOME	80.0	91.6	94.5	49.9	97.2	110.1	127.4	+34.9%	+42.0%
Other operating income / expenses	(0.4)	0.8	(1.3)	(2.3)	(1.2)	(3.2)	(0.7)	(49.0)%	(58.6)%
OPERATING INCOME	79.6	92.4	93.2	47.6	96.1	106.9	126.8	+36.0%	+43.4%
NET INCOME	56.4	66.9	67.7	32.9	66.2	78.2	84.0	+24.1%	+33.9%
Income tax rate	24.6%	23.0%	23.3%	20.6%	27.2%	23.0%	27.0%	+ 3.7 pts	

Cumulated results

Income statement items in €m - Cumulated figures	Q1-21	H1-21	9M-21	FY-21	Q1-22	H1-22	9M-22	%	% ex. FX*
Gross earned premiums	312.1	638.7	969.5	1,312.6	361.3	754.0	1,152.1	+18.8%	+16.6%
Services revenue	65.9	129.3	188.9	255.2	69.5	140.9	211.0	+11.7%	+7.9%
REVENUE	377.9	768.0	1,158.4	1,567.9	430.8	894.9	1,363.1	+17.7%	+15.2%
UNDERWRITING INCOME(LOSS) AFTER REINSURANCE	74.3	155.8	235.2	273.9	84.9	183.0	295.7	+25.7%	+29.8%
Investment income, net of management expenses	5.7	15.9	30.9	42.2	12.3	24.4	39.1	+26.5%	+26.8%
CURRENT OPERATING INCOME	80.0	171.6	266.1	316.0	97.2	207.3	334.8	+25.8%	+29.4%
Other operating income / expenses	(0.4)	0.4	(0.8)	(3.2)	(1.2)	(4.3)	(5.0)	+499.8%	+484.7%
OPERATING INCOME	79.6	172.1	265.3	312.9	96.1	203.0	329.8	+24.3%	+28.0%
NET INCOME	56.4	123.2	190.9	223.8	66.2	144.4	228.4	+19.6%	+24.7%
Income tax rate	24.6%	23.8%	23.6%	23.2%	27.2%	25.1%	25.8%	+ 2.2 pts	

* Also excludes scope impact

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FINANCIAL CALENDAR 2022/2023

(subject to change)

FY-2022 results: 16 February 2023 (after market close)

Annual General Shareholders' Meeting 2022: 16 May 2023

FINANCIAL INFORMATION

This press release, as well as COFACE SA's integral regulatory information, can be found on the Group's website:

<http://www.coface.com/Investors>

For regulated information on Alternative Performance Measures (APM), please refer to our Interim Financial Report for H1-2022 and our [2021 Universal Registration Document](#) (see part 3.7 "Key financial performance indicators").



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COFACE: FOR TRADE

With more than 75 years of experience and the most extensive international network, Coface is one of the leader in trade credit insurance and adjacent specialty services, including Factoring, Single Risk insurance, Bonding and Information services. Coface's experts work to the beat of the global economy, helping ~50,000 clients build successful, growing, and dynamic businesses across the world. Coface helps companies in their credit decisions. The Group's services and solutions strengthen their ability to sell by protecting them against the risks of non-payment in their domestic and export markets. In 2021, Coface employed ~4,538 people and registered a turnover of €1.57 billion.

www.coface.com

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