

PRESS RELEASE

Coface confirms its excellent start of the year with first-half net income of €144.4m. Annualised return on tangible equity at 15.4%

Paris, 28 July 2022 – 17.35

- **Turnover: for the first-half of the year: €895m, up 14.6% at constant FX and perimeter and up 16.5% on a reported basis**
 - Trade Credit Insurance premiums growing by 16.1% driven by high client activity in inflationary environment
 - Client retention at record highs (93.9%); pricing down (-3.0%) in line with Q1-22
 - Business information momentum continues (revenues up +15.5% at constant FX) with high double digit growth in new business and continued high pace of investment
- **Net loss ratio at 39.4%, up by 18.0%. ; net combined ratio at 66.0% (improved 1.5% excl. public schemes)**
 - Gross loss ratio up by 1.1 ppt at 30.6%, as normalization of risk environment continues
 - Net cost ratio down by (3.9) ppts at 26.6% reflecting continued operating leverage and higher reinsurance commissions
 - As expected, no significant remaining impact from government schemes
- **Net income (group share) at €144.4m, including €78.2m for Q2-2022; annualised RoATE¹ at 15.4%**
- **Estimated solvency ratio at 192%², above the target range (155% - 175%)**
- **Coface ESG rating upgraded from « AA » to « AAA » by MSCI ESG ratings**

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

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

"During the second quarter, the macroeconomic outlook shifted significantly due to the combined effect of the conflict in Ukraine and the actions of central banks, who have showed how determined they are to bring rampant inflation under control. Against this backdrop, Coface's economists have downgraded the economic outlook for several countries and sectors.

In this increasingly uncertain environment, Coface has supported its clients more than ever amid a rebound in activity, while maintaining a conservative underwriting policy.

Once again, our second-quarter 2022 results show an excellent Group operating performance amid a normalising risk environment. The rise in bankruptcies in different countries is uneven: while numbers have barely risen in some places, other countries (UK, Spain) have seen bankruptcies exceed their pre-pandemic levels, and the return of large claims.

In the second quarter, Coface posted a net income of €78 million, a record performance for a single quarter, despite taking into account the impact of crisis in Ukraine. As a result, Coface has been able to deliver an annualised RoATE of 15.4% since the beginning of the year, well above its mid-cycle targets.

Finally, Coface also continues to invest in the improvement of its trade credit insurance business, as well as in its adjacent businesses. Factoring and information services confirmed their growth potential with respective increases of 11.6% and 15.5% during the first half of the year."

¹ Return on average tangible equity

² This estimated solvency ratio is a preliminary calculation made according to Coface's interpretation of Solvency II regulations and using the Partial Internal Model. The final calculation may differ from this preliminary calculation. The estimated solvency ratio is not audited.

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Key figures at 30 June 2022

The Board of Directors of COFACE SA examined the consolidated financial statements at 30 June 2022 at its meeting of 28 July 2022. The Audit Committee, at its meeting on 27 July 2022, also previously reviewed them. These interim consolidated financial statements have been subject to limited review by the statutory auditors. The limited review report is being issued.

Income statements items in €m	H1-21	H1-22	%	% ex. FX*
Gross earned premiums	638.7	754.0	+18.1%	+16.1%
Services revenue	129.3	140.9	+8.9%	+6.8%
REVENUE	768.0	894.9	+16.5%	+14.6%
UNDERWRITING INCOME/LOSS AFTER REINSURANCE	155.8	183.0	+17.4%	+18.4%
Investment income, net of management expenses	15.9	24.4	+53.8%	+56.2%
CURRENT OPERATING INCOME	171.6	207.3	+20.8%	+22.5%
Other operating income / expenses	0.4	(4.3)	NA	NA
OPERATING INCOME	172.1	203.0	+18.0%	+19.6%
NET INCOME	123.2	144.4	+17.2%	+19.6%
Key ratios	H1-21	H1-22	%	% ex. FX*
Loss ratio net of reinsurance	21.4%	39.4%	+18.0	ppts.
Cost ratio net of reinsurance	30.4%	26.6%	(3.9)	ppts.
COMBINED RATIO NET OF REINSURANCE	51.9%	66.0%	+14.1	ppts.
Balance sheet items in €m	H1-21	H1-22	%	% ex. FX*
Total Equity (group share)	1,996.2	1,926.5	(3.5)%	
SOLVENCY RATIO	191%¹	192%¹	+1	ppt.

* Also excludes scope impact

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1. Turnover

Coface recorded a consolidated turnover of €894.9m, up +14.6% at constant FX and perimeter compared to H1-21. On a reported basis (at current FX and perimeter), turnover was up +16.5%.

Revenues from insurance activities (including bonding and Single Risk) increased by +16.1% at constant FX and perimeter (and by +18.1% at current FX) compared to H1-21. Growth benefited from an increase in client activity and continued high retention.

The retention rate reached a record level of 93.9%, up +1.5% compared to H1-21. New business totalled €58m, down €14m compared to H1-21 in a more competitive market.

The growth in Coface's client activity had a positive impact of +8.0% during H1-22. This record increase for a first half reflects the scale of the recent economic recovery and inflation. The price effect continued to reverse, coming in at -3.0% in H1-22, in line with the -2.7% fall in Q1-22. This is largely due to previous very low loss experience.

Revenues from other activities were up +6.8% compared to H1-21, with ongoing contrasting trends in the different businesses. Turnover from factoring rose +11.6%, mainly due to the increase in volumes refinanced in Poland. Revenues from information services continued to grow, rising +15.5% (vs. +11.0% in H1-21). Fee and commission income (collection fees) was impacted by the decline in claims to be recovered and dropped -38.9%, while commissions were up slightly by +5.6%.

Total revenue - in €m (by country of invoicing)	H1-21	H1-22	Variation	% ex. FX ¹
Northern Europe	166.9	184.9	+10.8%	+10.0%
Western Europe	153.7	174.2	+13.3%	+12.4%
Central & Eastern Europe	75.4	88.8	+17.7%	+18.5%
Mediterranean & Africa	212.0	239.9	+13.2%	+14.6%
North America	66.3	83.2	+25.5%	+14.0%
Latin America	36.2	48.6	+34.3%	+23.8%
Asia Pacific	57.6	75.5	+31.1%	+23.3%
Total Group	768.0	894.9	+16.5%	+14.6%

In Northern Europe, turnover increased by +10.0% at constant FX (+10.8% at current FX). Trade credit insurance benefited from the increase in client activity and a high retention rate. Factoring turnover increased by +4.2%.

In Western Europe, turnover was up by +12.4% at constant FX (+13.3% at current FX) thanks to a high retention rate and client activity.

In Central and Eastern Europe, turnover was up by +18.5% and by +17.7% at constant FX, due to high retention, and growth in trade credit insurance driven by client activity. Factoring turnover continued to increase significantly, rising +49.2%, mainly due to client activity.

In Mediterranean and Africa, a region driven by Italy and Spain, turnover grew by +14.6% and by +13.2% at current FX. This was due to high levels of new business and high retention. Revenues from services increased by +16.7%.

¹ Also excludes scope impact



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In North America, turnover increased +14.0% at constant FX and +25.5% as reported, driven by new business gains and the rising dollar.

In Latin America, turnover was up +23.8% at constant FX and +34.3% at current FX, driven by high retention and the increase in client activity.

In Asia-Pacific, turnover increased +23.3% at constant FX and +31.1% at current FX. This growth was driven by high retention and increased client activity.

2. Result

- Combined ratio

The combined ratio, net of reinsurance, stood at 66.0% for H1-22 (a rise of 14.1 points compared to H1-21 but improved by 1.5 point adjusting from the impact of public schemes).

(i) Loss ratio

The gross loss ratio stood at 30.6%, up 1.1 ppt compared to the previous year. This rise reflects an increased claims frequency since H1-21 and the return of larger claims. However, claims levels are below the cycle average. The number of claims related to the crisis in Ukraine remains contained for now.

The Group's reserving policy remains unchanged. Strict management of past claims enabled the Group to record 47.1 ppts of recoveries. The loss ratio for the 2022 underwriting year is still high at 75.2%, signalling that Coface anticipates an increase in the number of bankruptcies in the coming quarters.

The loss ratio net of reinsurance came out at 39.4%, up by 18.0 ppts compared to H1-21. Excluding the impact of government schemes, the increase would have been 2.7 ppts.

(ii) Cost ratio

Coface is following its strict policy of cost management. In the second quarter 2022, Coface maintained its discipline, with costs growing by +8.7% at constant FX and perimeter, and +11.5% at current FX. This increase in costs is lower than the growth in turnover, even though Coface continued to invest. The cost ratio before reinsurance was 31.2%, an improvement of 1.3 ppt over one year.

The cost ratio, net of reinsurance was 26.6% in H1-22, an improvement of 3.9 ppts year-on-year.

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- Financial result

Net financial income for H1-22 was €24.4m, up by €8.5m compared to H1-21. This figure includes €4.0m in realised capital gains and positive hedging results as well as a currency effect of €4.5m. 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 €19.2m (compared to €18.8m in H1-21). The accounting yield¹, excluding capital gains and depreciation, stood at 0.8% in H1-22, and was slightly higher than the previous year (0.6%).

- Operating income and net income

Operating income for H1-22 was €202.9m, up +17.9%, mainly due to increased growth and a still low loss ratio.

The effective tax rate was 25%, compared to 24% for H1-21.

In total, net income (group share) was €144.4m, up +17.2% compared to H1-21, of which €78.2m in Q2-22.

3. Shareholders' equity & solvency

At 30 June 2022, Group shareholders' equity stood at €1,926.5m, down €215m, or -10.0% (compared to €2,141.0m at 31 December 2021).

This change is mainly due to the positive net income of €144.4m, the payment of the dividend (-€224.8m) and the fall in unrealised capital gains (-€163.4m).

The annualised return on average tangible equity (RoATE) was 15.4% at 30 June 2022, mainly due to the improvement in underwriting income.

The solvency ratio stands at 192%², above the target range (155% - 175%). Its evolution is driven by a decrease in the capital required by trade credit insurance partly compensated by a rise of factoring's capital requirement, reflecting mostly volume growth. Capital required by invested assets also decreased as a consequence of portfolio de-risking undertaken in the first semester. Equity and bond markets have also gone down. Eligible own funds are down, in line with shareholders' equity.

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

² This estimated solvency ratio constitutes a preliminary calculation made according to Coface's interpretation of Solvency II regulations and using the Partial Internal Model. The result of the definitive calculation may differ from the preliminary calculation. The estimated solvency ratio is not audited.

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4. Outlook

The global growth outlook shifted completely in the second quarter of 2022. The conflict in Ukraine exacerbated existing inflationary tensions in a number of sectors (e.g. agricultural commodities, oil, and fertiliser) by reducing available supply on the global market. Central banks, led by the US Federal Reserve, began to raise rates to try to curb very high levels of inflation. In addition, several governments began the process of fiscal consolidation.

This rapid increase in interest rates has had an immediate impact on the growth outlook. In a still highly indebted global economy, Coface has downgraded its short-term economic risk assessments of 19 countries and 75 sectors, confirming the scale of the current slowdown. Finally, the COVID-19 pandemic is still raging, with severe local economic consequences (notably in China).

The number of bankruptcies has continued to gradually rise and, in certain countries (UK, Spain), exceeded pre-pandemic levels. However, bankruptcy levels generally remain below their historical averages. This includes bankruptcies directly linked to the crisis in Ukraine, the levels of which are in line with expectations.

In this context, Coface continues to invest in improving its efficiency and its operating tools, while strengthening its growth opportunities in adjacent businesses. Coface has also maintained a prudent and consistent underwriting policy.

Coface's operations continue to be backed by a solid balance sheet. Its solvency ratio reached 192%¹, which is above the target range of 155% to 175%.

Conference call for financial analysts

Coface's results for H1-2022 will be discussed with financial analysts during the conference call on 28 July at 18.00 (Paris time). Dial one of the following numbers:

- By webcast: [Coface H1-22 results - Webcast](#)
- By telephone (for the sell-side analyst): [Coface H1-22 - 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 statements items in €m Quarterly figures	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	%	% ex. FX*
Gross earned premiums	312.1	326.7	330.7	343.2	361.3	392.7	+20.2%	+17.6%
Services revenue	65.9	63.4	59.6	66.3	69.5	71.4	+12.6%	+10.0%
REVENUE	377.9	390.1	390.4	409.5	430.8	464.1	+19.0%	+16.3%
UNDERWRITING INCOME(LOSS) AFTER REINSURANCE	74.3	81.5	79.4	38.7	84.9	98.1	+20.4%	+24.1%
Investment income, net of management expenses	5.7	10.1	15.0	11.3	12.3	12.0	+18.9%	+22.3%
CURRENT OPERATING INCOME	80.0	91.6	94.5	49.9	97.2	110.1	+20.2%	+23.8%
Other operating income / expenses	(0.4)	0.8	(1.3)	(2.3)	(1.2)	(3.2)	(484.4)%	(483.2)%
OPERATING INCOME	79.6	92.4	93.2	47.6	96.1	106.9	+15.7%	+19.3%
NET INCOME	56.4	66.9	67.7	32.9	66.2	78.2	+16.9%	+21.6%
Income tax rate	24.6%	23.0%	23.3%	20.6%	27.2%	23.0%	+ 0 ppt	

Cumulated results

Income statements items in €m Cumulated figures	Q1-21	H1-21	9M-21	FY-21	Q1-22	H1-22	%	% ex. FX*
Gross earned premiums	312.1	638.7	969.5	1,312.6	361.3	754.0	+18.1%	+16.1%
Services revenue	65.9	129.3	188.9	255.2	69.5	140.9	+8.9%	+6.8%
REVENUE	377.9	768.0	1,158.4	1,567.9	430.8	894.9	+16.5%	+14.6%
UNDERWRITING INCOME(LOSS) AFTER REINSURANCE	74.3	155.8	235.2	273.9	84.9	183.0	+17.4%	+18.4%
Investment income, net of management expenses	5.7	15.9	30.9	42.2	12.3	24.4	+53.8%	+56.2%
CURRENT OPERATING INCOME	80.0	171.6	266.1	316.0	97.2	207.3	+20.8%	+22.5%
Other operating income / expenses	(0.4)	0.4	(0.8)	(3.2)	(1.2)	(4.3)	(1,068.3)%	(1,067.6)%
OPERATING INCOME	79.6	172.1	265.3	312.9	96.1	203.0	+18.0%	+19.6%
NET INCOME	56.4	123.2	190.9	223.8	66.2	144.4	+17.2%	+19.6%
Income tax rate	24.6%	23.8%	23.6%	23.2%	27.2%	25.1%	+ 1.3 ppt	

* Also excludes scope impact

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FINANCIAL CALENDAR 2021/2022

(subject to change)

9M-2022 results: 27 October 2022 (after market close)

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

COFACE SA is quoted in Compartment A of Euronext Paris

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