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## Coface achieves record net income of €67.7m in the third quarter

- **Turnover of first nine months: €1,158m, up +7.9% at constant FX and perimeter, and up +8.9% in Q3-2021**
  - Trade credit insurance premiums increased by +9.3% due to growth in activity on the back of the economic recovery and past price adjustments
  - The price effect was positive over nine months (+1.6%) but pricing has been negative for the past two quarters
  - Information services growing +13.4% year-to-date and +18.0% in Q3-2021
- **9M-2021 net loss ratio at 25.4%, improved by 29.8 ppts; Net combined ratio at 56.1%, improved by 29.2 ppts**
  - Q3-2021 net loss ratio at 31.4%, better by 18.6 ppts vs Q3-2020, reflecting continued low loss activity
  - 9M-2021 net cost ratio up 0.6 ppt to 30.7%, but improved vs 9M-2019 (31.7%), with investments continuing and variable costs returning to normal
  - Q3-2021 net combined ratio at 62.4%, but 53.5% excluding the temporary impact of government schemes
  - Government schemes had a negative impact of -€32m on income before tax in Q3-2021, taking the total impact to -€57m for 9M-2021
- **Net income (group share) of €190.9m, of which €67.7m in Q3-2021**
- **Annualised RoATE<sup>1</sup> of 13.9%**

*Unless otherwise stated, evolutions are expressed by comparison with the results as at 30 September 2020.  
<sup>1</sup> RoATE = Average return on equity*

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

*"During the third quarter, Coface delivered very good operating performances in an environment that still remains atypical. While government measures to support the economy are progressively coming to an end, the rate of corporate failures has now passed the trough.*

*In this context, the continuation of potential reserve releases attached to underwriting years 2020 and the first semester 2021 would mostly benefit to the governments who signed public reinsurance schemes. Since the beginning of the year, these plans have reduced Coface's pre-tax profit by €57m.*

*In this environment, Coface continues to invest in its operational efficiency, the quality of its services, its technological resources and its commercial effectiveness. These investments are bearing fruit as evidenced by the resilience of its core credit insurance business and a new quarter of growth in adjacent businesses such as information services and factoring which are both growing at a double digit rate."*

## Key figures at 30 September 2021

The Board of Directors of COFACE SA examined the consolidated financial statements at 30 September 2021 (non-audited figures) at its meeting of 28 October 2021. The Audit Committee at its meeting on 26 October 2021 also previously reviewed them.

Income statement items in €m	9M-2020	9M-2021	%	% ex. FX*
Gross earned premiums	897.2	969.5	+8.1%	+9.3%
Services revenue	185.3	188.9	+2.0%	+1.2%
<b>REVENUE</b>	<b>1,082.4</b>	<b>1,158.4</b>	<b>+7.0%</b>	<b>+7.9%</b>
UNDERWRITING INCOME/LOSS AFTER REINSURANCE	74.6	235.2	+215.4%	+219.9%
Investment income, net of management expenses	23.5	30.9	+31.6%	+40.8%
<b>CURRENT OPERATING INCOME</b>	<b>98.1</b>	<b>266.1</b>	<b>+171.4%</b>	<b>+177.7%</b>
Other operating income / expenses	(2.4)	(0.8)	(65.2)%	(66.9)%
<b>OPERATING INCOME</b>	<b>95.7</b>	<b>265.3</b>	<b>+177.3%</b>	<b>+183.9%</b>
<b>NET INCOME</b>	<b>52.4</b>	<b>190.9</b>	<b>+264.2%</b>	<b>+276.4%</b>
Key ratios	9M-2020	9M-2021	%	% ex. FX*
Loss ratio net of reinsurance	55.2%	25.4%	(29.8)	ppts.
Cost ratio net of reinsurance	30.1%	30.7%	+0.6	ppt.
<b>COMBINED RATIO NET OF REINSURANCE</b>	<b>85.3%</b>	<b>56.1%</b>	<b>(29.2)</b>	<b>ppts.</b>
Balance sheet items in €m	2020	9M-2021	%	% ex. FX*
Total Equity (group share)	1,998.3	2,063.2	+3.2%	

\* Also excludes scope impact

## 1. Turnover

Coface recorded consolidated turnover of €1,158.4m over the first nine months of the year, up by +7.9% at constant FX and perimeter compared to 30 September 2020. Reported turnover (at current FX and perimeter) rose by +7.0%.

Growth in Coface client activities had a positive impact of +5.0% over the first nine months of the year. This marks an increase in relation to the contribution made during the first half of the year (+2.3%), in line with the economic recovery. Pricing had the opposite effect, with prices falling for the second successive quarter. However, price trends remain positive since the beginning of the year (+1.6%).

The retention rate remains high, at 92.1%, in what is now a more competitive market. New business amounted to €102m, down by €12m compared to the record level achieved over the first nine months of 2020.

Turnover from insurance activities was up +9.3% at constant FX and perimeter compared to 9M-2020 (up +8.1% at current FX and perimeter), benefiting from the recovery in customer activity and past repricing.

Revenues from other activities (factoring and services) were up +1.2% compared to 9M-2020, with contrasting trends. Turnover from factoring rose +10.7% with an increase in volumes refinanced. Revenues from information services increased by +13.4% (and by +18.0% in Q3-2021). Pressure on fee and commission income (collection fees) was impacted by the decline in claims to be recovered.

Total revenue - cumulated - in €m	9M-2020	9M-2021	%	% ex. FX*
Northern Europe	221.1	250.4	+13.3%	+10.6%
Western Europe	219.8	233.6	+6.3%	+6.0%
Central & Eastern Europe	107.0	115.3	+7.8%	+7.3%
Mediterranean & Africa	291.8	313.8	+7.5%	+8.4%
North America	102.3	99.3	(3.0)%	+2.0%
Latin America	50.8	55.3	+8.9%	+18.8%
Asia Pacific	89.5	90.7	+1.3%	+5.0%
<b>Total Group</b>	<b>1,082.3</b>	<b>1,158.4</b>	<b>+7.0%</b>	<b>+7.9%</b>

In Northern Europe, turnover increased by +13.3% (+10.6% at constant FX) mainly due to the rebound in customer activity, a good level of new business and a positive price effect. Factoring turnover rose by +9.0%.

In Western Europe, turnover was up by +6.3% and by +6.0% at constant FX. This growth benefited from the rebound in customer activity and the impact of past price increases, partially offset by higher premium refunds against a backdrop of persistently low claims.

In Central and Eastern Europe, turnover was up +7.8% and +7.3% at constant FX as a result of increased activity and higher prices, offset by higher premium refunds. Factoring turnover rose by +16.3% in Poland (+19.5% at constant FX).

In the Mediterranean and Africa, a region driven by business in Italy and Spain, turnover grew by +7.5% and by +8.4% at constant FX, thanks to positive sales and a strong contribution from services.

In North America, turnover declined by -3.0% as reported but rose +2.0% at constant FX. The increase in activity was partially offset by an increase in premium refunds.

\* Also excludes scope impact

Turnover for the Asia-Pacific region was up +1.3% as reported but +5.0% at constant FX, mainly due to the recovery in client activities.

In Latin America, turnover rose by +8.9% at current FX, and by +18.8% at constant FX. This region benefited from a recovery in new business with more attractive pricing and from the sharp rise in commodity prices (iron ore, agricultural products).

## 2. Result

### - Combined ratio

The combined ratio, net of reinsurance, stood at 56.1% for 9M-2021 (an improvement of 29.2 pts compared to 9M-2020). Excluding the effect of government schemes, the net combined ratio was 58.8%.

#### (i) Loss ratio

The gross loss ratio for 9M-2021 was 25.2%, an improvement of 32.4 pts compared to the previous year. The gross loss ratio for Q3-2021 was 16.9%, reflecting a further improvement on the previous quarter (29.6% in Q2-2021). This improvement was seen across all regions.

The Group's reserving policy remains unchanged. The provisioning level for the underwriting year stood at 70.5%, consistent with historical average. Recoveries came at 47.9%, a very high level by historical standards, reflecting the very low loss experience.

The loss ratio net of reinsurance improved by 29.8 points to 25.4%. Unlike in previous quarters, this improvement was slower than the one in the gross ratio, due to the impact of government risk-sharing schemes, which are now being ran of. These schemes have received few premiums since 1 July 2021 but are still recording a large volume of reserve releases. Excluding government schemes, the net loss ratio would have been 27.6%.

#### (ii) Cost ratio

Coface has continued with its policy of strict cost control and investment. Over 9M-2021, costs grew by +7.1% and +8.0% at constant FX and perimeter. This increase is calculated compared to 9M-2020, which included a very strict lockdown and a significant drop in variable costs. Compared to 9M-2019, the cost increase is only +3.0%, which is lower than the growth in turnover over the same period (+5.0%).

The 9M-2021 net cost ratio was up 0.6 ppt at 30.7%. Excluding government schemes, this ratio would have been 31.2%.

- Financial result

Net financial income for 9M-2021 was €30.9m, including €4.6m of net realised capital gains, mostly from real estate funds. This figure was higher than in 9M-2020 (€23.5m) as this period recorded a sharp decline in the financial markets.

In an environment still marked by historically low interest rates, the accounting yield excluding capital gains was stable at 0.9%.

- Operating income and net income

Operating income for 9M-2021 was €265.3m, a 2.7-fold increase on the previous year (€95.7m), mainly due to the improvement in the loss ratio.

The effective tax rate was 24%, compared to 28% for 9M-2020.

In total, net income (group share) stood at €190.9m, up +63% compared to 9M-2019, with €67.7m for Q3-2021.

### **3. Shareholders' equity**

At 30 September 2021, Group shareholders' equity stood at €2,063.22m, up €64.5m or +3.2% (compared to €1,998.3m at 31 December 2020).

This increase is mainly due to the positive net income of €190.9m, the payment of the dividend (-€82.0m), which was partially offset by the decrease in unrealised capital gains (-€28.8m).

The annualised return on average tangible equity (RoATE) stood at 13.9% as of 30 September 2021.

#### 4. Outlook

In the third quarter of 2021, the global economy confirmed its rebound. The continued rise in agricultural and other commodity prices revived discussions about inflation, which is a key focus for central banks. Meanwhile, many supply chains came under pressure. The scarcity of labour in the transport sector caused spectacular shortages in some areas. Last, the coronavirus epidemic continues in several regions of the world.

In this context, governments and central banks have cautiously begun to reduce their support to the economy. The number of corporate bankruptcies has therefore logically begun to rise in some countries.

The potential reserve releases attached to underwriting years 2020 and H1-2021 would mostly benefit to the governments who signed the schemes and would consequently weight on Coface reported numbers

Coface continues to implement its Build to Lead strategy with confidence, strengthened by the resilience of its core credit insurance business and a new quarter of significant growth in its adjacent activities.

#### Conference call for financial analysts

Coface's results for 9M-2021 will be discussed with financial analysts during the conference call on 28 October at 18.00 (Paris time). It will be available either:

- By webcast: [Coface 9M-21 results - Webcast](#)
- By telephone: [Coface 9M-21 - conference call](#)

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

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

## Appendix

### Quarterly results

Income statement items in €m – Quarterly figures	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21	Q3-21	%	% ex. FX*
Gross earned premiums	301.2	297.9	298.1	307.2	312.1	326.7	330.7	+11.0%	+11.0%
Services revenue	69.3	56.3	59.7	61.3	65.9	63.4	59.6	(0.2)%	(1.5)%
<b>REVENUE</b>	<b>370.5</b>	<b>354.2</b>	<b>357.8</b>	<b>368.4</b>	<b>377.9</b>	<b>390.1</b>	<b>390.4</b>	<b>+9.1%</b>	<b>+8.9%</b>
<b>UNDERWRITING INCOME (LOSS) AFTER REINSURANCE</b>	<b>28.2</b>	<b>12.1</b>	<b>34.2</b>	<b>52.7</b>	<b>74.3</b>	<b>81.5</b>	<b>79.4</b>	<b>+132.2%</b>	<b>+130.7%</b>
Investment income, net of management expenses	2.7	14.0	6.7	3.4	5.7	10.1	15.0	+123.1%	+157.0%
<b>CURRENT OPERATING INCOME</b>	<b>30.9</b>	<b>26.2</b>	<b>40.9</b>	<b>56.2</b>	<b>80.0</b>	<b>91.6</b>	<b>94.5</b>	<b>+130.7%</b>	<b>+134.7%</b>
Other operating income / expenses	(0.2)	(1.6)	(0.6)	(11.4)	(0.4)	0.8	(1.3)	+101.1%	+101.7%
<b>OPERATING INCOME</b>	<b>30.7</b>	<b>24.6</b>	<b>40.3</b>	<b>44.8</b>	<b>79.6</b>	<b>92.4</b>	<b>93.2</b>	<b>+131.2%</b>	<b>+135.2%</b>
<b>NET INCOME</b>	<b>12.7</b>	<b>11.3</b>	<b>28.5</b>	<b>30.5</b>	<b>56.4</b>	<b>66.9</b>	<b>67.7</b>	<b>+137.8%</b>	<b>+142.2%</b>
<i>Income tax rate</i>	50.5%	39.9%	42.4%	24.5%	24.6%	23.0%	23.3%	<i>(19.1) pts</i>	

### Cumulated results

Income statement items in €m – Cumulated figures	Q1-20	H1-20	9M-20	FY-20	Q1-21	H1-21	9M-21	%	% ex. FX*
Gross earned premiums	301.2	599.1	897.2	1,204.3	312.1	638.7	969.5	+8.1%	+9.3%
Services revenue	69.3	125.5	185.3	246.5	65.9	129.3	188.9	+2.0%	+1.2%
<b>REVENUE</b>	<b>370.5</b>	<b>724.6</b>	<b>1,082.4</b>	<b>1,450.9</b>	<b>377.9</b>	<b>768.0</b>	<b>1,158.4</b>	<b>+7.0%</b>	<b>+7.9%</b>
<b>UNDERWRITING INCOME (LOSS) AFTER REINSURANCE</b>	<b>28.2</b>	<b>40.4</b>	<b>74.6</b>	<b>127.3</b>	<b>74.3</b>	<b>155.8</b>	<b>235.2</b>	<b>+215.4%</b>	<b>+219.9%</b>
Investment income, net of management expenses	2.7	16.7	23.5	26.9	5.7	15.9	30.9	+31.6%	+40.8%
<b>CURRENT OPERATING INCOME</b>	<b>30.9</b>	<b>57.1</b>	<b>98.1</b>	<b>154.2</b>	<b>80.0</b>	<b>171.6</b>	<b>266.1</b>	<b>+171.4%</b>	<b>+177.7%</b>
Other operating income / expenses	(0.2)	(1.8)	(2.4)	(13.8)	(0.4)	0.4	(0.8)	(65.2)%	(66.9)%
<b>OPERATING INCOME</b>	<b>30.7</b>	<b>55.4</b>	<b>95.7</b>	<b>140.4</b>	<b>79.6</b>	<b>172.1</b>	<b>265.3</b>	<b>+177.3%</b>	<b>+183.9%</b>
<b>NET INCOME</b>	<b>12.7</b>	<b>24.0</b>	<b>52.4</b>	<b>82.9</b>	<b>56.4</b>	<b>123.2</b>	<b>190.9</b>	<b>+264.2%</b>	<b>+276.4%</b>
<i>Income tax rate</i>	50.5%	46.0%	44.4%	37.4%	24.6%	23.8%	23.6%	<i>(20.8) pts</i>	

\* Also excludes scope impact

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### FINANCIAL CALENDAR 2021/2022 (subject to change)

FY-2021 results: 15 February 2022 (after market close)  
Q1-2022 results: 28 April 2022 (after market close)  
Annual General Shareholders' Meeting 2021: 17 May 2022  
H1-2022 results: 28 July 2022 (after market close)  
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 S1-2021 and our 2020 Universal Registration Document.

### Coface: for trade

With 75 years of experience and the most extensive international network, Coface is a 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 2020, Coface employed ~4,450 people and registered a turnover of €1.45 billion.

[www.coface.com](http://www.coface.com)

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