MOODY'S RATINGS

Rating Action: Moody's Ratings assigns a Baa1 issuer rating to Grupo Catalana Occidente, S.A., positive outlook

15 May 2025

Paris, May 15, 2025 – Moody's Ratings (Moody’s) has today assigned a Baa1 long-term issuer rating to Grupo Catalana Occidente, S.A. (GCO). The outlook is positive.

GCO is a non-operating insurance holding company that maintains a leading position in the Spanish insurance market. In addition, GCO owns Atradius N.V. (Atradius), the second largest global credit insurance group, and Memora, leader in the funeral business in Iberia (Spain and Portugal). GCO is currently listed on the Spanish stock exchange, but is majority controlled by Inoc SA, a family holding company.

RATINGS RATIONALE

The Baa1 issuer rating of GCO reflects the financial strength, and diversification benefits, of the holding company's two main operations, the credit insurance business (Atradius, whose main operating companies are rated A1 for insurance financial strength) and the traditional Spanish insurance business (Occident).

The credit profile of Occident is partly constrained by the Government of Spain’s rating (Baa1, positive outlook) given the concentration of the company's business and assets in Spain. Nonetheless, we consider that the credit profile of Occident is stronger than that of the Spanish sovereign thanks to a very strong capitalization and the resulting resilience to withstand potential stresses on the sovereign. The credit profile of Occident is also supported by its very good market position (number six in the Spanish market), its low business risk profile thanks to a focus on retail and SMEs business and its good business diversification.

In addition, despite no synergies between credit insurance and Occident and the limited capital fungibility between the two businesses, we believe that the combination of the credit insurance and Occident provide the holding company with well diversified sources of cash flows. Furthermore, the credit insurance business is global, which provides geographic diversification benefits to the group. Both businesses have been strong contributors to the group results with a roughly even split in recent years. This diversification enables the GCO group to have a stronger credit profile than Occident.

The Baa1 issuer rating is based on our standard notching practices for groups operating in jurisdictions where group-wide supervision applies, such as Solvency II in the European Union. In these jurisdictions, we apply a two notch difference between the notional insurance financial strength of the group and the senior debt rating or the issuer rating of the holding company.

GCO reported a consolidated net income of €688.7 million in 2024 and an estimated consolidated Solvency II ratio of 241% as of year-end 2024. The combined ratio for Occident was 90.9%, while Atradius’ combined ratio was 76.3% in 2024.

On 27 March GCO’s main shareholder, Inoc SA (which owns 62.03% of GCO through direct and indirect holdings), announced an offer to buy all the listed shares of GCO and to subsequently delist the company. To fund the transaction, Inoc SA will issue a bank loan of up to €2.3 billion, which it will gradually repay by upstreaming dividends from GCO. As a result, this debt is included in our calculation of GCO's financial leverage. We expect GCO's leverage to be in the 25%-30% range in 2025 and earnings coverage to remain above 8x.

The assignment of the new rating to GCO also takes into account the effectiveness of its governance as part of our assessment of environmental, social and governance (ESG) considerations. The main corporate governance risks arise from its concentrated ownership structure, mitigated by strong regulation applied to the company and a relatively conservative financial strategy.

The positive outlook reflects the positive outlook on the Government of Spain.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

The following factors could exert upward pressure on GCO's rating: (i) an improvement in the credit profile of the Government of Spain, as evidenced by an upgrade of the Spanish sovereign rating, or (ii) improved geographic diversification, leading to a material lower exposure to Spain and Spanish assets, or (iii) a sustained higher level of capital which would further enhance the resilience to a potential stress on the Spanish sovereign.

Conversely, the following factors could exert downward pressure on the rating: (i) a lower level of diversification at the holding level with a materially higher concentration to Spain, or (ii) a significantly lower capitalization which would diminish GCO's resilience to a potential stress scenario on the Spanish sovereign, or (iii) a deterioration in business risk profile, which would affect earnings volatility and capital adequacy.

PRINCIPAL METHODOLOGIES

The methodologies used in this rating were Life Insurers published in April 2024 and available at https://ratings.moodys.com/rmc-documents/418351, and Property and Casualty Insurers published in April 2024 and available at https://ratings.moodys.com/rmc-documents/418354. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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Moody’s does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

This rating is solicited. Please refer to Moody’s Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody’s general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/rmc-documents/435880.

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