Paris, 23 April 2020 – 17:35

**First quarter shows solid operational performance but is impacted by the initial effects of the COVID-19 crisis**

* **Turnover: €370m, up 0.9% at constant FX and perimeter**
  + Record client retention and strong new business momentum prior to lockdown
  + Continued slowdown in client activities - a trend that is expected to accelerate over the coming quarters
  + Trade Credit Insurance growing at 0.2% at constant FX and perimeters
  + Dynamic growth of services, up 12%
* **Net loss ratio of 57.1%, up by 14.5 ppts.; net combined ratio at 86.8%**
  + Gross loss ratio (55.2%) affected by the impact of large claims (9%) unrelated to the current crisis, and by an increase in claims expected for 2020
  + Net cost ratio at 29.7% – an improvement of 2.2 ppts. compared to 31.9% for Q1-2019 – thanks to strict cost management
  + Net combined ratio at 86.8% for Q1-2020, up by 12.3 ppts. over one year
* **Net income (group share) of €12.7m and annualised RoATE\* of 3.0%**
* **Coface has rapidly and proactively adapted its operations to the coronavirus crisis by:**
  + Adjusting to the new environment, with over 95% of employees working from home since mid-March
  + Doubling the number of preventive measures since the beginning of the year
  + An adaptive project and investment reprioritisation strategy
* **Coface is entering into the crisis in a strengthened financial position with:**
  + A level of liquidity that has almost tripled compared to the pre-crisis situation, reaching 21% of the investment portfolio, thanks to early measures taken to reduce exposure to certain risky asset classes
  + A high level of solvency. The solvency ratio was estimated at 190% as at 31 December 2019. Following the decision to propose no dividend distribution, and taking into account the sharp decline in the valuation of financial assets at 31 March 2020, this ratio is estimated at 195%\*\*, above the comfort range (between 155% and 175%)
  + An active participation in supporting economies alongside governments, particularly in France and Germany

*Unless otherwise indicated, change comparisons refer to the results as at March 31, 2019.*

**Xavier Durand, Coface CEO, commented:**

*“The coronavirus crisis presents an unprecedented shock for our economies and for the credit insurance industry. First and foremost, I am very proud of our teams’ successful efforts to continue supporting our customers despite the containment measures. Over 4,000 of our employees are working from home with no disruption in quality of service delivered to clients. This has enabled us to maintain a constant dialogue with our customers at a time when the environment has forced us to step up the pace of our prevention measures.*

*The results for the first quarter, which show a positive net income of €12.7m, reflect only the initial effects of the crisis, that will affect our revenues through declining client activities and will increase claims. Our decision to propose no dividend for 2019 and to significantly increase our liquidity – which now accounts for 21% of our investments – strengthens our ability to weather this crisis.*

*We are also working alongside governments to maintain credit insurance for the largest possible number of companies. Coface is proud to have signed agreement with the French and German governments and is continuing discussions with others States.”*

*\* Return on average tangible equity*

*\*\* Only the change in asset value and the impact of the dividend were taken into account in this figure. The estimated solvency ratio is not audited*

**Key figures at 31 March 2020**

The Board of Directors of COFACE SA examined the summary consolidated financial statements for the first three months (non-audited) during its meeting on 23 April 2020. The Audit Committee had previously reviewed them at its meeting on 22 April 2020.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Income statements items in €m** | **Q1-19** | **Q1-20** | **%** | **%  ex. FX\*** |
| Gross earned premiums | 299.0 | 301.2 | +0.7% | +0.3% |
| Services revenue | 66.4 | 69.3 | +4.3% | +3.6% |
| **REVENUE** | **365.5** | **370.5** | **+1.4%** | **+0.9%** |
| UNDERWRITING INCOME/LOSS AFTER REINSURANCE | 52.0 | 28.2 | (45.7)% | (41.8)% |
| Investment income, net of management expenses | 5.1 | 2.7 | (47.8)% | (36.7)% |
| **CURRENT OPERATING INCOME** | **57.2** | **30.9** | **-45.9%** | **(41.6)%** |
| Other operating income / expenses | (0.2) | (0.2) | (20.5)% | (13.0)% |
| **OPERATING INCOME** | **56.9** | **30.7** | **-46.0%** | **(41.8)%** |
| **NET INCOME** | **36.4** | **12.7** | **(65.2)%** | **(60.9)%** |
|  |  |  |  |  |
| **Key ratios** | **Q1-19** | **Q1-20** | **%** | **%  ex. FX\*** |
| Loss ratio net of reinsurance | 42.6% | 57.1% | +14.5 | ppts. |
| Cost ratio net of reinsurance | 31.9% | 29.7% | (2.2) | ppts. |
| **COMBINED RATIO NET OF REINSURANCE** | **74.5%** | **86.8%** | **+12.3** | **ppts.** |
|  |  |  |  |  |
| **Balance sheet items in €m** | **Q1-19** | **Q1-20** | **%** | **%  ex. FX\*** |
| Total Equity (group share) | 1,881.8 | 1,854.7 | (1.4)% |  |

\* Also excludes scope impact

1. **Turnover**

Coface recorded consolidated sales of €370.4m, up by +0.9% at constant FX and perimeter compared to Q1-2019. On a reported basis (at current FX and perimeter), turnover grew by +1.4%. This notably includes the contribution of Coface PKZ, which was integrated in Q2-2019.

Growth in the activity of Coface’s clients had a positive impact of +0.6% over the quarter, mainly reflecting past growth of their business. This pace of growth shows a marked fall compared to the previous year (+1.3% in Q1-2019). Coface anticipates a sharp decline in client activity levels due to coronavirus containment measures. Some of this anticipated slowdown is reflected in Q1-2020 revenues.

Price decreases remain under control, down by -0.4%, reflecting good commercial management. This performance does not yet include the effect of portfolio re-pricing initiatives.

The client retention rate was high in most regions and reached a new record of 94.3% for the Group. New business stood at €51m, marking a rise of €16m compared to 2019. New business was supported by commercial revival in mid-market and stronger performance on large accounts. The implementation of confinement measures has since resulted in a sharp slowdown in Coface's commercial activities.

Turnover from insurance activities (including bonding and Single Risk) rose by +0.3% at constant FX and perimeter compared to Q1-2019 (up by +0.7% at current FX and perimeter). This was driven by a high level of retention and improvement in commercial performance, offset in certain regions by the anticipation of a future decline in customer activity.

Revenues from other activities (factoring and services) rose by +1.2% compared to Q1-2019. The fall in factoring revenues in Germany is within an environment of controlled margins and risks and is more than offset by positive growth in revenues from services.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Total revenue - in €m** | **Q1-19** | **Q1-20** | **%** | **% ex. FX[[1]](#footnote-2)\*** |
| Northern Europe | 80.2 | 81.5 | +1.6% | +1.6% |
| Western Europe | 74.9 | 71.8 | (4.0)% | (4.5)% |
| Central & Eastern Europe | 33.7 | 37.6 | +11.6% | +2.3% |
| Mediterranean & Africa | 96.8 | 102.1 | +5.5% | +5.7% |
| North America | 31.5 | 34.7 | +10.2% | +7.1% |
| Latin America | 21.1 | 17.0 | (19.5)% | (5.4)% |
| Asia Pacific | 27.3 | 25.7 | (6.1)% | (8.3)% |
| **Total Group** | **365.5** | **370.4** | **+1.4%** | **+0.9%** |

In Northern Europe, revenues grew by +1.6% at constant and current FX. The growth in credit insurance compensated for the fall in revenues from factoring. Revenues from credit insurance grew by +3.4%, due to high levels of client retention and a rise in new business, while growth in policyholder activities was almost zero.

In Western Europe, turnover was down by -4.0% and by -4.5% at constant FX, despite record levels of client retention. This was due to a downward adjustment in the expected growth in customer activity, a particularly sensitive phenomenon given the method of invoicing premiums.

In Central and Eastern Europe, turnover rose by +11.6% and by +2.3% at constant FX and perimeter, mainly due to growth in credit insurance. The increase at current perimeter is explained by the contribution of Coface PKZ, the activity that was integrated in Q2-2019. .

In the Mediterranean and Africa, a region driven by Italy and Spain, turnover grew by +5.5% and by +5.7% at constant FX. This was due to positive sales momentum and growth in client activities prior to the instigation of confinement measures in countries heavily affected by the disease.

In North America, revenues increased by +10.2% on a reported basis and by +7.1% at constant FX. This rise was driven by client retention and growth in new business.

In Latin America, turnover fell by -19.5% at current and by -5.4% at constant FX. This decline is within an environment of a cautious approach to risk (due to monetary and social turbulence) following several quarters in a challenging economic context.

Turnover in the Asia-Pacific region was down by -6.1% at current and by -8.3% at constant FX. The region has felt the early effects of measures taken to combat the propagation of the pandemic (e.g. China, Hong Kong).

1. **Results**

* Combined ratio

The combined ratio, net of reinsurance, stood at 86.8% for Q1-2020 (a rise of 12.3 ppts. over one year and 6.5 ppts. compared to the previous quarter).

1. Loss ratio

The gross reinsurance ratio stood at 55.2%, a rise of 15.3 ppts. compared to the record levels achieved one year ago. A large portion of this rise (approximately 9 ppts.) is due to a major claim in Europe, which is unrelated to the current crisis. Coface has not experienced such a large claim for several quarters, but claim frequency remained relatively stable over the quarter.

The Group’s reserving policy remains unchanged. Strict management of past claims has enabled the Group to record 24.4 ppts. of recoveries, in line with the historical average. The loss ratio for the 2020 subscription year was 76.9% - a particularly high level that reflects the expectations of an increase in the number of corporate bankruptcies over the coming months.

The loss ratio net of reinsurance rose at 57.1%, up by 14.5 ppts. compared to Q1-2019.

1. Cost ratio

Coface is continuing its policy of strict cost controls. Costs during the first quarter rose by 0.2 ppts. (and by -0.3% at constant FX and perimeter). The net cost ratio was down by 2.2 ppts. to stand at 29.7%.

* Financial income

Net financial income for the first quarter was €2.7m.

Despite an environment still marked by historically low interest rates, Coface has managed to achieve a current portfolio yield (i.e. excluding capital gains, depreciation and currency effects) of €9.6m (compared to €10.6 million in Q1-2019). The accounting yield[[2]](#footnote-3), excluding capital gains and depreciation, stood at 0.3% in Q1-2020, and was only very slightly lower than the previous year (0.4%).

Faced with the financial crisis, Coface reduced its exposure to risky assets very early and in particular to high-yield bonds. These measures resulted in a net charge of €(2.2)m. The share of liquidity in the investment portfolio now stands at 21%.

* Operating income and net income

Operating income for Q1-2020 was €30.9m, a decrease (-45.9%) compared to the previous year, mainly due to the increase in the loss ratio.

The effective tax rate deteriorated, at 50% compared to 29% for Q1-2019. This increase is mainly due to the occurrence of a very large claim compared to the size of the entity in which it was recorded.

In total, the net income (group share) was €12.7m.

1. **Shareholders’ equity**

As of 31 March 2020, the Group's equity stood at €1,854.7m, down €69.8m, or -3.6% (€1,924.5m at 31 December 2019).

This change is mainly due to the positive net income of €12.7m, offset by negative adjustments to the value of investments (€74.0m).

The return on average tangible equity (RoATE) was 3.0% for the first quarter.

The decision not to pay a dividend for 2019 resulted in a gain of 13 points on the solvency ratio, more than compensating for the decrease in solvency caused by the drop in value of investments.

1. **Outlook**

The development of the coronavirus epidemic has led most governments across the world to implement strict containment measures that have shut down entire sectors of the global economy. Faced with the risk of mass bankruptcy, governments and central banks have announced large-scale support measures.

Coface anticipates a decrease in global GDP of -1.3%, which should translate into a +25% increase in the number of global bankruptcies, with very strong disparities between countries and sectors. Coface therefore anticipates a sharp increase in claims over the coming months, a downwards pressure on its turnover through lower activity of its clients, as well as a decline in its financial income in very volatile markets.

In April, Coface agreed to implement economic support schemes with the French and German governments. The impact of these agreements on the first-quarter financial statements is not considered material. The German scheme will result for the year 2020 in the ceding of 65% of written premiums and 90% of claims recorded after 1 March and relating to deliveries made in 2020. This will significantly affect Coface's profitability, without it being possible at this stage to determine the impact, given the high level of uncertainty concerning the amount of claims recorded.

The French agreement allows, when the credit insurer has decided to reduce or to cancel a limit, to propose to the credit insurer’s client an alternative guarantee, managed by Coface but reinsured by CCR or BPI France in accordance with the schemes adopted. As this agreement is not retroactive, it has no impact on the first-quarter financial statements. Similarly, due to its nature, it transfers risks directly to reinsurers and will therefore have only a limited impact on Coface's financial statements.

Coface anticipates a significant increase in claims declarations from the second quarter of 2020, which will have an impact on its results, the extent of which will depend on the remaining duration of the containment, the speed of the economic recovery and the effectiveness of government measures.

**Conference call for financial analysts**

Coface’s Q1-2020 results will be discussed with financial analysts during the conference call on 23 April 2020 at 18.00 (Paris time). Dial one of the following numbers:

* +33 1 72 72 74 03 (France)
* +44 207 1943 759 (United Kingdom)
* +1 646 722 4916 (United States)

The access code for participants is: **25896765#**

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 statements items in €m - quarterly figures** | **Q1-19** | **Q2-19** | **Q3-19** | **Q4-19** | **Q1-20** |  | **%** | **% ex. FX\*** |
| Gross earned premiums | 299.0 | 306.3 | 312.6 | 317.7 | 301.2 |  | +0.7% | +0.3% |
| Services revenue | 66.4 | 60.8 | 58.3 | 59.9 | 69.3 |  | +4.3% | +3.6% |
| **REVENUE** | **365.5** | **367.1** | **370.9** | **377.6** | **370.5** |  | **+1.4%** | **+0.9%** |
| **UNDERWRITING INCOME(LOSS) AFTER REINSURANCE** | **52.0** | **47.4** | **46.3** | **42.2** | **28.2** |  | **(45.7)%** | **(41.8)%** |
| Investment income, net of management expenses | 5.1 | 11.5 | 11.8 | 8.5 | 2.7 |  | (47.8)% | (36.7)% |
| **CURRENT OPERATING INCOME** | **57.2** | **58.9** | **58.0** | **50.7** | **30.9** |  | **(45.9)%** | **(41.6)%** |
| Other operating income / expenses | (0.2) | 1.3 | (1.0) | (6.1) | (0.2) |  | (20.5)% | (13.0)% |
| **OPERATING INCOME** | **56.9** | **60.3** | **57.0** | **44.6** | **30.7** |  | **(46.0)%** | **(41.8)%** |
| **NET INCOME** | **36.4** | **42.2** | **38.8** | **29.4** | **12.7** |  | **(65.2)%** | **(60.9)%** |
| *Income tax rate* | *29.4%* | *28.9%* | *25.0%* | *29.1%* | *50.5%* |  |  |  |

Cumulated results

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Income statements items in €m - cumulated figures** | **Q1-19** | **H1-19** | **9M-19** | **FY-19** | **Q1-20** |  | **%** | **% ex. FX\*** |
| Gross earned premiums | 299.0 | 605.3 | 917.9 | 1,235.6 | 301.2 |  | +0.7% | +0.3% |
| Services revenue | 66.4 | 127.3 | 185.6 | 245.5 | 69.3 |  | +4.3% | +3.6% |
| **REVENUE** | **365.5** | **732.6** | **1,103.4** | **1,481.1** | **370.5** |  | **+1.4%** | **+0.9%** |
| **UNDERWRITING INCOME(LOSS) AFTER REINSURANCE** | **52.0** | **99.5** | **145.7** | **187.9** | **28.2** |  | **(45.7)%** | **(41.8)%** |
| Investment income, net of management expenses | 5.1 | 16.6 | 28.4 | 36.6 | 2.7 |  | (47.8)% | (36.7)% |
| **CURRENT OPERATING INCOME** | **57.2** | **116.1** | **174.1** | **224.5** | **30.9** |  | **(45.9)%** | **(41.6)%** |
| Other operating income / expenses | (0.2) | 1.1 | 0.1 | (6.0) | (0.2) |  | (20.5)% | (13.0)% |
| **OPERATING INCOME** | **56.9** | **117.2** | **174.2** | **218.5** | **30.7** |  | **(46.0)%** | **(41.8)%** |
| **NET INCOME** | **36.4** | **78.5** | **117.3** | **146.7** | **12.7** |  | **(65.2)%** | **(60.9)%** |
| *Income tax rate* | *29.4%* | *29.2%* | *27.8%* | *28.0%* | *50.5%* |  |  |  |

\* Also excludes scope impact

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**FINANCIAL CALENDAR 2020 (subject to change)**

Annual General Shareholders’ Meeting 2019: 14 May 2020

H1-2020 results: 29 July 2020 (after market close)

9M-2020 results: 29 October 2020 (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 S1-2019 and our 2019 Universal Registration Document.

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| **Coface: for trade**  With over 70 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 2019, Coface employed ~4,250 people and registered a turnover of €1.5 billion.  [www.coface.com](http://www.coface.com)  COFA-listed-emblems_black  COFACE SA is quoted in Compartment A of Euronext Paris  Code ISIN: FR0010667147 / Mnémonique : COFA |

*DISCLAIMER -* Certain declarations featured in this press release may contain forecasts that notably relate to future events, trends, projects or targets. By nature, these forecasts include identified or unidentified risks and uncertainties, and may be affected by many factors likely to give rise to a significant discrepancy between the real results and those stated in these declarations. Please refer to chapter 5 “Main risk factors and their management within the Group” of the Coface Group's 2019 Universal Registration Document filed with AMF on 16 April 2020 under the number D.20-0302 in order to obtain a description of certain major factors, risks and uncertainties likely to influence the Coface Group's businesses. The Coface Group disclaims any intention or obligation to publish an update of these forecasts, or provide new information on future events or any other circumstance*.*

1. \* Also excludes scope impact [↑](#footnote-ref-2)
2. Book yield calculated on the average of the investment portfolio excluding non-consolidated subsidiaries [↑](#footnote-ref-3)