



Please note that the conference call was accompanied by a complementary presentation in PDF format available on the Group's website: <http://www.coface.com/Investors>, under the "Financial results and reports" section.

## Q1-2020 Results

### Conference Call Transcription

Paris, 23 April 2020

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Readers should read the Interim financial report for the first half 2019 and complete this information with the Universal Registration Document for the year 2019, which was registered by the Autorité des marchés financiers ("AMF") on 16 April 2020 under the number No. D.20-0302. These documents all together present a detailed description of the Coface Group, its business, financial condition, results of operations and risk factors.

Please refer to chapter 5 "Main risk factors and their management within the Group" of the Coface Group's 2019 Universal Registration Document 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.

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## Presentation

### Moderator

Ladies and gentlemen, welcome to the conference call for the presentation of Coface's results for the period ending 31 March. All participants are now in listen-only mode. We will conduct a question and answer session later. As a reminder, this conference call is being recorded. Your host for today's conference call will be Mr Xavier Durand, CEO and Mme Carine Pichon, CFO. I will turn the call over to Mr Xavier Durand.

### Xavier DURAND, CEO, COFACE

Good evening everybody and thanks for logging into this call. Today, we are reporting the first quarter 2020 numbers. As you know, this is an exceptional environment in which to do so, because of the ongoing coronavirus crisis. It is a bit of an irony that this crisis started just as we were launching our Build to Lead plan. This quarter will be interesting, in that it reflects the strong business performance that we had in 2019, strong momentum going into the first quarter this year and the first impacts of the COVID crisis. I think this crisis is an incredible test of our agility and our ability to react; I will comment more on this.

In summary, today we are reporting a net income of EUR 12.7 million. Our turnover is on the back of a strong 2019 to reach EUR 370 million year-to-date, up by 0.9% at constant FX and perimeter. You will see later that new production and client retention were both at high levels - in fact they were at record levels in Coface's recent history. There is some good news, with services growing by about 12%. On the other hand, the activity of our clients is continuing to slow down. This has been the case now for about two years and we expect this to continue in the future. The net loss ratio for the first quarter is up 14.5 points versus the first quarter of last year, coming in at 57.1% to bring a net combined ratio of 86.8%. The gross loss ratio is up by 15.3 points from last year, driven by one large pre-COVID crisis in particular. This was an industry-wide loss, where Coface more or less took its market share of the loss. Also, we can see in the total loss ratio the anticipated growing frequency and severity we are expecting to see in 2020. The net cost ratio is down 2.2 points, coming in at 29.7%. I think this reflects very strong cost discipline from the business. We have been very prompt in reprioritising both costs and projects. Financial income is lower, at EUR 2.7 million for the quarter. We have hedges in place, and we have been extremely quick in de-risking certain parts of the book. This has mitigated the financial impact of the crisis on the portfolio. At the same time, we have also been very diligent in significantly increasing liquidity from around 7% of the book, to 21% at the end of the quarter. Net income at EUR 12.7 million is down 65.2% versus last year. As you know, we have decided to cancel the dividend, which from the point we started last year has increased our solvency ratio by 13 points. At the same time, the loss of value of some parts of our portfolio created a negative 8 points on the solvency ratio. I just want to stress that we are still in a very strong position as we go into this crisis and well above the target range we had defined for the business. Return on tangible equity comes in at 3% for the quarter.

Page 5 gives you our forecast on the economy. This view is about two to three weeks old and obviously, this is a very dynamic situation we are facing. We anticipate 2020 could be a year of global recession at -1.3%. When you look at what this means for insolvencies around the world, it translates into a very steep and dramatic increase in corporate insolvencies. We forecast 25% and these numbers have been made public. The figures vary according to the different regions of the world, with the lowest impact in Asia Pacific, probably a pretty high impact in the UK and the US, and still strong double-digits in Europe. We have been very quick to grasp what this means and you can see on the right hand side of this page a chart showing the quarterly layout of the numbers. The of risk prevention actions over the course of the last four years. In the first quarter of this year, our total number of prevention actions more than doubled from last year - in fact they almost tripled. We have been very diligent in taking a highly selective view on the different sectors, countries and places in the value chain where we think we will see the most impact on the risk side.

Going to page 6, as I mentioned, this is an incredible test of our agility and I am actually very proud of how the business has responded so far. I think the culture we have put in place during the Fit to Win plan in the last four years has served



us well. We have demonstrated agility, with 95% of our employees moving, in literally a day, from working in the office to working from home. There has really been no disruption in the quality of service we deliver to our clients. As you know, in these circumstances we are as busy as ever. Everybody, including our underwriting, sales, account management, product and IT teams, is working hard to make all the changes and adaptations necessary. We have tripled the number of actions we have taken in March, more than double in the first quarter, and we have also started repricing actions and product adjustments. Of course, this crisis came late in the quarter, but I think the whole business is on the ball. We have also engaged in multiple discussions with governments to support the economy. We have finalised an agreement with the German government, which was signed last week and which pretty much caps our downside in Germany. Of course, this also limits our upside and we will probably have more details about this in the Q&A. The French government has relaunched a product that was in place during the 2008-2009 crisis, called Cap and Cap Export. It is more complex, but its goal is to replace the limits that credit insurers might reduce or cancel, by amounts that would be supported by the state. It does not impact our P&L, but it does help the industry. There are ongoing discussions with other European governments as we speak – such as the Netherlands and Belgium.

We have been quick to implement cost efficiency plans and redefined our Build to Lead project priorities. In the face of the current environment, I am happy to say that the business has been responding well. As of today, we are able to write these French government programmes, which required for example, a serious amount of programming in our systems - which we have been able to do remotely.

On page 8 turnover is up by 0.9% at constant FX and perimeter. Trade credit insurance was up just slightly at 0.2%. We have seen better new business and retention, but lower client activity. Other revenues are more or less flat. Following couple of years of decline, factoring is pretty much flat for the first quarter, if you exclude one-offs. Service revenues, which include information sales, are up by 12% versus last year. Fees are also up, by 5.2%.

On page 9, if we look at the geography of growth, Med & Africa continues on an upwards trend in the first quarter, at 5.7%. This is pretty much in line with what we have seen in the last few quarters. It is the same story in Central Europe, where we have been very active in managing the risk over the course of 2019. Northern Europe, including Germany, is much the same, with insurance revenues up by 3.4%. These countries, Germany in particular, and the whole industrial sector, particularly the auto sector, had already been impacted by a lot of slowdown prior to the crisis. We can see good volume in North America at 7.1%. This reflects our efforts in recent years to repurchase our agents and improve our sales. As you know, Asia Pacific is the region that was impacted by the COVID crisis first. We had a lockdown in Wuhan and the whole Hubei region, as well as impacts in Hong Kong and other parts of the region. Part of this is reflected in the numbers for Asia Pacific. We have been consistently prudent over recent years in Latin America and, after signing some very large international deals back in 2018, we focused on risk in 2019. This explains the numbers for the first quarter. Western Europe is the region where things are a bit different, as is our billing system. Our clients make turnover declarations to us on an annual basis, so we have to reserve and anticipate constantly on the expected level of turnover they will be declaring to us over the course of the next six to 12 months. As such, we are recognising a 4.5% drop, due to lower expected client activity over the upcoming quarters.

On page 10 you can see the breakdown of our volumes. New production at EUR 51 million was pretty much a record for the last four years. Our retention rate, at 94.3%, is again a record and very strong. The price effect which has been negative for years to the tune of 1% to 2% each year is actually better, although still slightly negative. This is mainly due to renewals that we have done towards the end of the year and the beginning of this year. We can already see some of the impacts of the repricing that have been carried out. In terms of volume, which is the underlying growth in turnover of our own clients, this is the lowest score in a number of years. This follows a consistent trend over the last two years. We expect this to deteriorate further over the course of the coming quarters.

Going to the risk slide on page 11, the gross loss ratio has increased by 15 points, after four quarters that were pretty stable. As explained, we have had one large market loss where we have been impacted in line with our market share. This was prior to the COVID crisis. As you can see from the bottom right hand chart, we have also started booking the

underwriting year 2020, at a reserve rate of almost 77%. This is higher than the usual 71% that we have seen in previous years, reflects higher expected loss levels going into 2020. This is consistent with the reserving policy that we have applied in previous year. At the same time, recoveries from prior year at 24.4%, is lower than the 33%, 34% and 35% we experienced in previous years. This is driven by the large loss I mentioned earlier.

On page 12 you can see the geography of our losses on an annual basis. This is clearer when you look at the quarterly evolution of losses shown on page 13. The Med & Africa had a very stable quarter. As you know, the COVID crisis hit in March so we clearly have not seen an impact there yet. Central Europe continue to perform very well for the same reasons, at 35%. Northern Europe is more or less at its historic level of 43% through the first quarter. The impact of the large loss I mentioned can be seen in Western Europe, with an increase of around 40% over previous quarters. Latin America, at 70%, is very much in the range of the loss ratio that we have seen over the course of the last six to nine months. It continues to be a difficult environment to operate in. Asia Pacific performed well. As you know, we were impacted by the COVID crisis first in Asia and actually, the number for the first quarter was pretty good. I would say that North America is continuing to hover around the 50% mark, with some volatility for the quarter. We are at the end of a cycle and I think we are seeing some of that. This brings the total Group number to 55%, up from 46% for Q4 2019.

On page 14, you can see that total costs for the business are down by 0.3% in euros from the first quarter of last year - so net-net this is a cost reduction. In particular, you can see that the external acquisition costs are down from 41 last year to 38. This is due to the efforts we have made in repurchasing our US distribution. As you know, we have repurchased our agents, to lower the level of external costs. At the same time, we internalised these sales forces and this has driven up our internal costs. Nevertheless, one does not offset the other and as a result our costs are down. Given that we have underlying inflation in terms of our workforce and other costs, I think it is a pretty good result. This brings our total cost ratio down by 1% from the 33.2% before reinsurance last year, to 32.3%. Our net cost ratio is 29.2%, which I think is actually one of our best performances so far.

With that I am going to turn it over to Carine Pichon.

#### **Carine PICHON, Group CFO and Risk Director**

Thank you, Xavier and good evening everybody. Let us continue with reinsurance, where the results reflect higher loss activity. The cost of reinsurance has significantly decreased, down from EUR 27 million in Q1 2019, to just under EUR 9 million for Q1 2020. What is new for this quarter is that we have signed the German state reinsurance scheme, but it has not yet had a material impact. You will not see an effect for this quarter, but we anticipate that this will happen in the quarters to come.

On slide 16, the net combined ratio stands at 86.8% on a rising loss ratio. The net cost ratio has improved to 29.7%, which is down by two points compared to Q1 2019. Nevertheless, the loss ratio has increased to 57.1%. This reflects higher large losses and an expected increase in defaults.

Regarding the financial portfolio, as you know, our investment management policy is to be as resilient as possible, but we have also decided to act and manage it in a very agile way quite early on in the crisis. We have therefore de-risked our investment portfolio, trimming our high-yield bond exposure and increasing liquidity to 21%. Equity exposure has been reduced by disposals and market movements, knowing that the hedges that we have had for a long time have clearly provided good protection. This quick action has protected and reinforced our solvency and liquidity, with very limited P&L impact.

Looking at slide 18, net investment income, which stood at EUR 5 million in Q1 2019, is down to EUR 2.7 million. Most of this change is related to the measures we have taken, with very little impact on the P&L. It should be mentioned that the accounting yield, at 0.3%, is similar to that of last year. Clearly, with higher liquidity we anticipate a lower yield.



All in, on page 19, you can see our net income is EUR 12.7 million. Current operating income is down because of the higher loss ratio and lower financial income. The tax rate is 50%, which is an increase compared to the 29% of Q1 2019. This increase is mainly due to some large losses in countries where we cannot activate deferred tax assets.

On page 20, return on average tangible equity stands at 3%. The main for the decrease here comes from the higher loss ratio, which is in the technical results. There is also some impact from financial results and tax, which takes the RoATE down from 9% to 3%. There was a decrease in equity, mainly linked to re-evaluation of reserves (the unrealised gains and losses on financial instruments). We lost EUR 74 million of equity related to these financial instruments, which is more or less the same positive gain we had in 2019, so we can say we offset the gain from last year.

I will let Xavier give you the key takeaways and outlook.

### **Xavier DURAND**

As I mentioned earlier, this is a crisis that really has no precedent and it is probably the steepest decline in global GDP since the last World War. There is really no precedent and no historical reference that we can actually utilise to model this. Our net profit is down this quarter, but it is just beginning to reflect the impact of the crisis. We have seen that profit is down, mainly due to higher claims activity and the anticipation of future higher claims. We know that the lockdown taking place all over the world will negatively impact the activity levels of our clients, so this will have an impact on the top line as well. As I mentioned, we have been very quick to take a number of actions on different areas of the business, to mitigate the impact of the current crisis as much as possible for our clients, as well as for ourselves. We have doubled the preventative actions. We are driving the re-pricing of the portfolio and we have implemented some very strict cost controls. We are driving service revenues, which create no need for capital and also help our cost ratio - which as you can see, is improving.

As we are starting to enter into the crisis with a solvency level which is well above our target range. This has been helped by the fact that we have decided not to retain the dividend for 2019. As Carine has explained, we have reinforced our balance sheet by very quickly de-risking our book and increasing our liquidity. We are signing agreements with governments where they make sense and where they are available. This is still a very fluid situation and probably more will appear over the course of the next quarter or so. I think the whole question here is "We know where we are, but what is going to happen in the future?" This will very much depend on how long these distancing and lockdown measures last, as well as how we are going to get out of them. Clearly, at this stage we do not have a vaccine or drugs that are proven to work. A lot of adjustments need to take place and the next few months will tell us more about the sanitary crisis which will drive the economic crisis and financial conditions. I think another big unknown is how the unprecedented government support marshalled to face this crisis is going to work. If it is going to be effective, how effective will it be in helping companies make it through this crisis? At this stage there is still a lot of uncertainty ahead. We anticipate that our earnings will deteriorate, starting next quarter, as claims notifications are expected to increase. Again, it is very hard at this stage to have a clear view on how deep or how long this is going to last.

With that, I am happy to turn it over to questions.

## Q & A session

**Benoit PETRARQUE (Kepler Cheuvreux)** I wonder if you could update us on the total risk exposure, which I think was EUR 569 billion at the end of 2019 and show your ability to cut the risk exposure in the first quarter. Could you also comment on what you saw on claim notifications in April? Did you start to see claims coming in, or is it still too early? A bit of direction in terms of how high the claims could go would be very useful. On your coverage with government guarantees and all the schemes you are currently working on, how much of your total risk exposure will be covered by them? I appreciate that there are different levels of schemes, but it would be useful to know how much will actually be transferable to governments and how you expect from that.

**Xavier DURAND (CEO, Coface)** Some pretty meaty questions. Let me start with the full risk exposure. As I said, we have been very quick to take stock of what is going on in the market and we have doubled or tripled number of actions. I would say that net-net, at the end of the first quarter, our risk exposures are down by between 3% and 4%. We have continued to add new clients because we were on a strong momentum. At the same time, we have obviously looked very hard at some of the hardest hit and most difficult sectors, countries and industry groups. We recognise that in the face of an event like the one that we are living through there are just things that are completely impossible to insure. That is the order of magnitude.

In terms of claims, you are right to point out that it takes a while and I think we had this discussion back in 2016 when we were looking at emerging market losses. Our product is one where payment terms are something like three to nine months, depending on the country and the fact that clients usually have a few months to submit their claims. Today, some clients are also confined, which makes it harder for them to do this. We have therefore agreed to extend some claim times in order to facilitate the work of our clients. We expect that claims will come at a later point during the year. I would say that the trend was up, particularly in terms of severity, but it is too early to really gauge any order of magnitude here and we are not going to do that today.

In terms of the coverage of government guarantees, as I explained there are different types of systems that have been put into place by governments. I would say that the most protective for Coface is probably the German government scheme, which has allocated significant amounts to the industry. I think it is about EUR 30 billion in total, to cover losses for deliveries in 2020 of goods where the default occurred after March 2020. Basically, it says that we will be covered for whatever is in the pipe, post end-March that might go sour because of this crisis. This will significantly protect the downside for Coface. On the other hand you have government programmes such as the one that France has come up with, that protects companies and does not impact the risk we have at any point on our books. However, it does allow clients to replace existing lines that credit insurers might have that they want to reduce or exit. It makes it possible for us to provide clients with a solution that is insured by the state, obviously for a certain premium. I would say that the impact on our balance sheet in this case would be very limited. That is what I can tell you about these schemes. We do not know where some other countries might go. These are clearly two big ones but there might be others that follow suit.

**Benoit PETRARQUE (Kepler Cheuvreux)** Thank you very much. Do you think the Dutch and Belgium schemes could be comparable to the German one? I think that the German state one covers 90% of claims up to EUR 1 billion, so your risk is actually on 10% of the claim.

**Xavier DURAND (CEO, Coface)** I think that is correct, in exchange for 65% of our premiums.

**Carine PICHON (CFO, Coface)** We gave the details of the German and French schemes on page 24 of the presentation, so you can analyse them.

**Xavier DURAND (CEO, Coface)** In terms of other governments, it tends to be linked to culture. I would say that northern European countries tend to think in the way that the Germans do, and southern European countries tend to think like the French. It is too early to say where these schemes are going because, as you know, they have to be approved by parliaments and then by the European Commission.

**Thomas FOSSARD (HSBC)** My first question is on the preventive actions you have been taking during the quarter. How are the government schemes preventing you from going as far as you would like? At the end of the day, if they are putting schemes in place, it is also to keep the system fluid. Does this restrict how you manage your risk exposure? Secondly, on the reinsurance protection, maybe now is the time to explain a bit more about the different layers of protection you have in place and help us

understand the size of your excess of loss? It would be very helpful to understand at potentially what level your stop-loss programme will attach. Given the significant importance of the crisis, it would be helpful to understand how this could prevent too much impact on your balance sheet. Could you provide a bit more information on your bond portfolio, because you are not saying what is sovereign and what are government bonds? I do not think you have significant exposure to corporate bonds, but it would be interesting if you could split-out the exposure.

**Xavier DURAND (CEO, Coface)** I will answer the first question and then let Carine deal with the two others on reinsurance and financial income. On the prevention actions, you are right to say that clearly the reason governments are putting these systems in place is to try to ensure continuity of protection for corporates. I think that they realise that the inter-company credit space is vital for companies. On one hand they provide grants, loans and furlough relief for corporates. On the other hand, if large corporations in particular stop paying the smaller ones, who themselves stop paying the even smaller ones, this could trigger a domino effect in the economy. The way the German government is thinking, is that by providing cover for credit insurance they can prevent actions that would be too radical and lead to this domino effect. In effect what we have agreed to do is, barring any exceptional circumstances - and again, there is a lot of uncertainty in this crisis - to try to stick to the limit-by-limit, sector-by-sector, country-by-country approach that we have implemented so far. If you recall, back in 2016 I committed us to trying wherever possible to stay with these kinds of methods, rather than just using a computer to cut the limits across the board. That is pretty much the extent of the commitments we have taken. I would say there is a similar commitment in France, where the state is willing to replace us within certain limits where we want to disengage ourselves. Again, it is a limit-by-limit exercise, not a wholesale approach. I hope that answers your question.

**Carine PICHON (CFO, Coface)** On bonds, if you go to page 18, you can see that 64% of the portfolio is bond-related. I would say it is quite well-balanced between sovereign on one side and credit, including emerging, on the other side. Clearly, at this time we have mainly de-risked mainly on high-yield. This is clearly the highest risk we have in our portfolio and we will retreat on this asset class.

You are right in that we have three reinsurance programmes. Quota share is now 23% and I think it is very good to have two legs to this treaty, one for this year and the other up to the end of 2021. I think it is good to have this type of two-year contract. One is an excess and you are right, it is per debtor. We have previously said that it should represent a maximum of 3% of our shareholders' equity - so if you make the calculation it is about EUR 50 million. Then we have a stop-loss which it is very high, even higher than for 2008. The excess of loss, or stop-loss, has never been touched so far. We will see, but that is how we are taking it.

**Thomas FOSSARD (HSBC)** For the excess of loss programme, how much do you have available before this excess of loss been exhausted?

**Carine PICHON (CFO, Coface)** To be clear on our risk management policy, we already said that we do not want to use exposure above the maximum level. I will not say it is zero risk, but it is very rare because we capped the exposure based on that limit.

**Thomas FOSSARD (HSBC)** Just to come back on the bond exposure, can we conclude that you do not actually have any high-yield anymore?

**Carine PICHON (CFO, Coface)** No, we still have some exposure but we have halved it and we are now at less than 1%. So be clear, we still have a very small amount as of today. There are two classes of high-yield - one of them is still investment grade and that is most of our portfolio, so it is high-yield/investment grade.

**Thomas FOSSARD (HSBC)** So in the bond portfolio you have 50% sovereign debt and 50% other bonds?

**Carine PICHON (CFO, Coface)** It is well-balanced.

**Benoit VALLEAUX (ODDO BHF)** I have a question on pricing. You mentioned that you are implementing re-pricing, so what do you expect in terms of price increases in the months to come? What share of your business has been renewed in Q1? I wonder if you could share your view on the factoring business in this environment.

**Xavier DURAND (CEO, Coface)** On the pricing side it is not a one-size fits all. Clearly, in circumstances like this we are looking to increase our prices where possible, but this is very much a country-by-country and sector-by-sector approach. We have more arguments in places where the risk is a lot more volatile than we do in places like Germany, that have a government scheme that

limits the impact and where the government is actually going to step-in. I think it is hard to answer your question on a global basis. It will be the result of many factors, as well as on the level of competition between the three main players and their views on how long this crisis will last. It is hard to give a number.

On Q1 renewals, typically end of year is about 50% of our book, Carine?

**Carine PICHON (CFO, Coface)** At the end of Q1 it is just under 50%, with quite a lot more in Europe as contracts are renewed at the start of the year and less in emerging countries.

**Xavier DURAND (CEO, Coface)** A little less than 50%. I think I have made this comment many times before, but the credit insurance cycle is a two-year cycle. First, you see the losses and then the bulk of re-pricing take place after these losses have appeared a year later. It will take some time.

On the factoring business, as you know, we have been revamping our book. We have spent a lot of time over the last couple of years getting the risk right on the factoring business, adjusting our risk appetite and working on the pricing. We hired a new team to lead the business and it is part of our Build to Lead plan to improve this side of the business. The plan is continuing, although given the circumstances it is a little different. We are doing two things, one of which is controlling the risk and reviewing the entire book, working very much as we do for credit reinsurance. As you know our Factoring business is also credit insured either by ourselves or by policies with our competitors. So more or less the same thing is happening in the credit insurance space as is happening in the factoring book. The other consideration relates to liquidity. We have a multiple structure around liquidity for our factoring business. Funding is done through a securitisation vehicle, through the commercial paper market, through bilateral credit lines with banks and through backup credit lines for the commercial paper business. Today, I would say that the commercial paper market is on and off. It is pretty much closed but there are some times some openings and we are grabbing these when we can. Then we have the backup lines to go to in case that is not available. I hope that answers the question.

**Thomas FOSSARD (HSBC)** Going back to the government schemes, can you remind us if the UK put a scheme in place in 2008/2009 and how it compared to maybe France and Germany? This is one of the countries where you are expecting the highest increases in bankruptcy in 2020, so I wondered if you expected some form of guarantees as well? Also, maybe the US because there you are expecting a 39% increase in the bankruptcy rate. Given the fact that credit insurance is not very well-known in the US and I do not see the US government putting anything in place, will you be completely naked in the US versus something that could be pretty significant for the US market, even though it is not your biggest exposure? Regarding the timing of claims, you are saying that you receive them late in the cycle. Could you be a bit more precise on whether you are expecting claims to come into your books in Q2, or from Q3 onwards? Could you remind us what the average coverage rate you experienced was during the previous financial crisis?

**Xavier DURAND (CEO, Coface)** I was not here in 2008/2009 and I do not know what the UK put in place at the time. Do you know Carine?

**Carine PICHON (CFO, Coface)** I know what is ongoing, but not for 2008.

**Xavier DURAND (CEO, Coface)** I cannot help with that one. I share your view that credit insurance is a marginal product in the US. It has much higher penetration in Western Europe. We do get the attention of governments in Western Europe, but I doubt that we will get a lot of traction in the US. I share your view that there will be much less protection in that part of the world.

On the timing of claims, it varies by region. If you recall the discussions back in 2016, we saw that they tend to be later in Asia and a bit sooner in Europe, so I expect claims to start rising in Q2. It is impossible to forecast how long it will last at this stage, but it will probably be different by region.

Carine, can you answer on the recovery rate?

**Carine PICHON (CFO, Coface)** I can tell you that the recovery rate decreases when you have insolvencies because there is a low chance of recovery when a company is going bankrupt. This is not the case when there are more payment delays. As a reminder, in



2008 the share of insolvencies and claims tripled. We had a significant share of claims with bankruptcy and no recovery rate, so we are starting to anticipate lower recovery rates during that period of the cycle.

**Thomas FOSSARD (HSBC)** I guess that in 2008/2009 that was already lower than maybe the 20% / 25% normalised recovery rates that you are usually getting.

**Carine PICHON (CFO, Coface)** No, the recovery rate is higher than 25%.

**Xavier DURAND (CEO, Coface)** I remember in 2016 we had double-digit recoveries, but they were low double-digits - in the teens.

I do not think we need to torture people further. I just want to thank all of you for logging in. We are going through very unusual times. I think this is the most surprising and unknown crisis we have had for a long time. The business is up and running, alert and doing everything it can but there are clearly a lot of unknowns. I think we will know more as the quarters come. Our next call is going to be in July for the second quarter results.

**(End of transcript)**



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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.

#### 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)

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