



# Q1-2019 RESULTS

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PRESENTATION TO FINANCIAL ANALYSTS

APRIL 24<sup>TH</sup>, 2019

# Q1-2019 Results: Net income at €36.4m; RoATE\* stands at 9.0%

1

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\*RoATE = Average return on tangible equity



# PART 1

## Q1-2019 HIGHLIGHTS

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# Coface reports €36.4m net profit

## Fit to Win actions now fully effective

### Turnover reached €365m y-t-d, up 6.7% at constant FX and perimeter

- Most regions are contributing positively to growth
- New production improving in mature markets; revenues supported by past client activity growth

### Q1-2019 net loss ratio up 2.8 ppts. from Q1-2018 record low at 42.6%; Net combined ratio at 74.5%

- Gross loss ratio almost stable vs Q1-2018, driven by favourable recoveries and disciplined underwriting
- Net cost ratio down by (0.7) pt at 31.9% reflecting positive operating leverage

### Net income (group share) at €36.4 m, up +2.3% y-o-y (+3.4% excl. FX)

### RoATE at 9.0%

### Fit to Win execution continues:

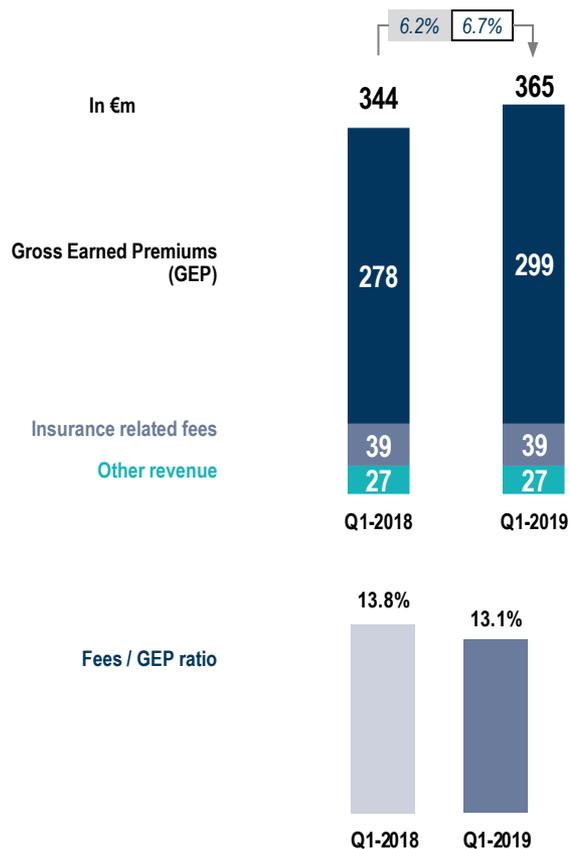
- Closed acquisition of PKZ, the leading credit insurer in Slovenia
- Announced 2018 dividend per share of 0.79€<sup>1</sup>
- Coface is still targeting to apply for Partial Internal Model in the summer 2019. Discussions with the regulator continuing

<sup>1</sup> Ex-dividend date is on May 22<sup>nd</sup> 2019 and Payment date is on May 24<sup>th</sup> 2019. The proposed distribution of 0.79€ per share is subject to approval of the Annual Shareholders' Meeting that takes place on May 16<sup>th</sup> 2019.

PART 2  
Q1-2019 RESULTS

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# Turnover growth at 6.7% driven by credit insurance premiums



V% V% ex. FX

## Total revenue up 6.7% vs. Q1 2018 at constant FX

- ▶ Trade credit insurance<sup>1</sup> premiums growing organically at 8.0% at constant FX.
- ▶ Growth driven by client activity, higher new business and retention, easing price pressure
- ▶ Services revenue up by 2.8% vs. 2018
- ▶ Fees up by 0.9% at constant FX

<sup>1</sup> Including Bonding and Single Risk

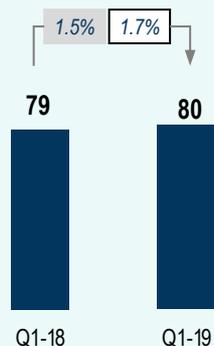
# Most regions are contributing positively to growth

## Western Europe



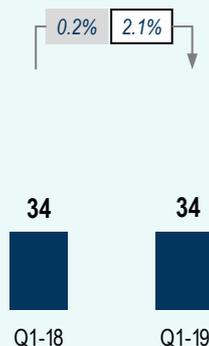
Growing new business in trade credit insurance, lower single risk

## Northern Europe



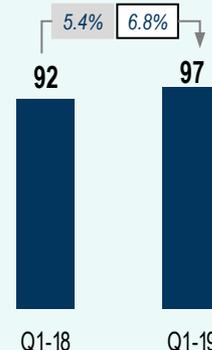
Insurance revenues growing at +2.3%

## Central Europe



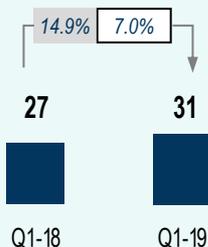
Insurance premiums growing while monitoring risks tightly (Poland)

## Mediterranean & Africa



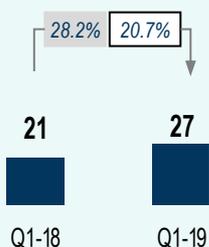
Growing trade credit insurance and bonding

## North America



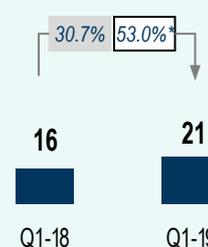
Growing insurance due to higher retention

## Asia Pacific



Growing new business and retention  
Growth at 10.4% excluding Q1-18 one off

## Latin America



Large global contracts and lower premium refunds

\* 28.8% excl. non domestic currency impact

V% V% ex. FX

Total revenue by region, in €m

# Growing new production, record high retention and supportive client activity



▶ Growing new production in mature markets (WER, NER) confirms end of 2018 improvement

▶ Record/high retention in most regions

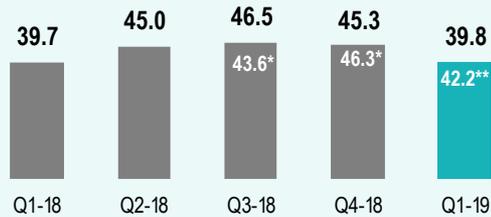
▶ Lower pricing decline despite low claims

▶ Client activity still growing although below 2018 record level

<sup>1</sup> Portfolio as of March 31<sup>st</sup> 2019; and at constant FX and perimeter. New Production: in m€.

# Gross loss ratio at 39.8% in a more complex environment

Loss ratio before reinsurance and including claims handling expenses, in %



\* excl. FX  
\*\* excl. FAC

- ▶ Gross loss ratio at low levels, improving versus recent quarters
- ▶ Favourable prior periods underwriting development
- ▶ Positive impact from highly reinsured facultative business

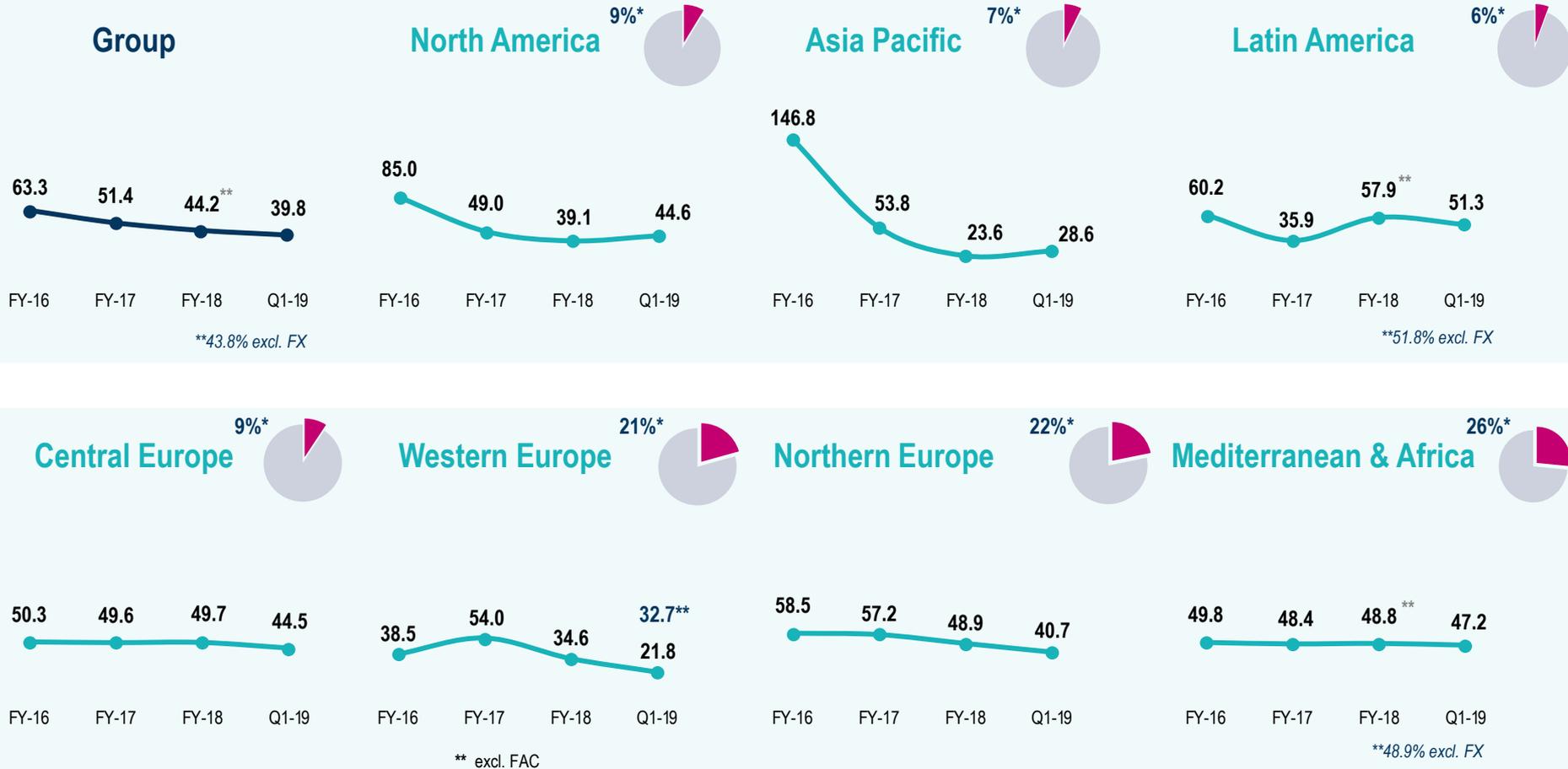
Loss ratio before reinsurance and excluding claims handling expenses, in %



- ▶ No change in reserving policy
- ▶ Recoveries remain at a high level

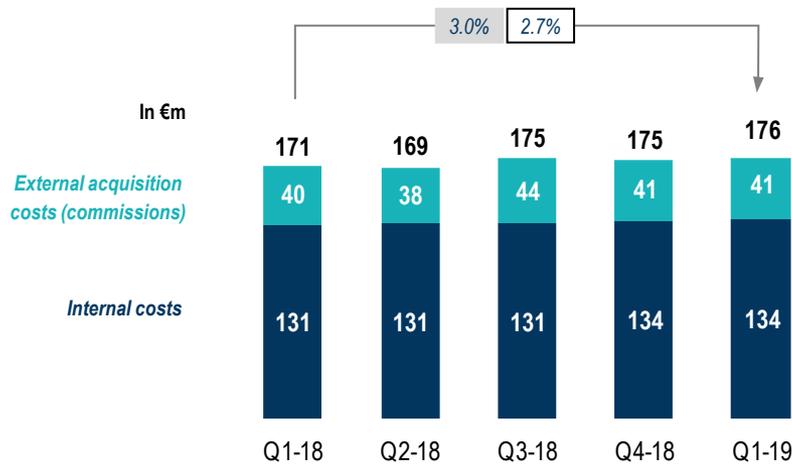
# Improving mature Europe performance with stabilizing emerging markets

Loss ratio before reinsurance, including claims handling expenses – in %

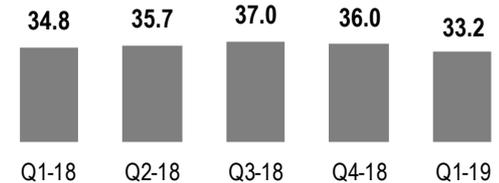


\* % of Total revenue by region

# Positive operating leverage drives cost ratio down



Cost ratio before reinsurance, in %



V% V% ex. FX

- ▶ Continue to control costs while investing in strategic and regulatory projects (€2m)
- ▶ Q1-2019 gross cost ratio at 33.2% down by 1.6 pts thanks to positive operating leverage and seasonally favourable revenues



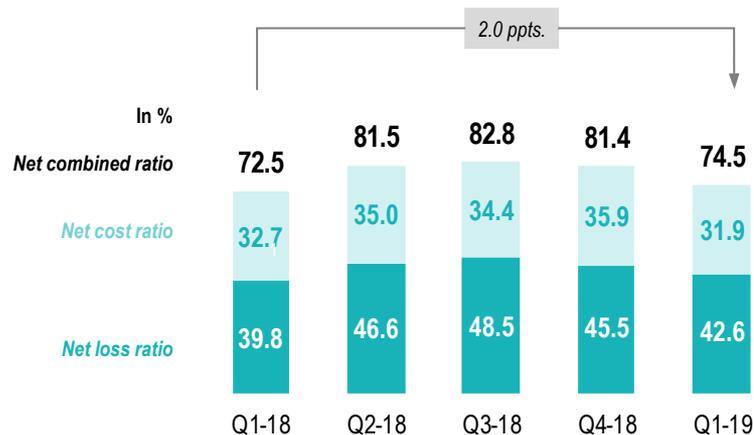
# Reinsurance result impacted by low loss ratios

- ▶ Premium cession rate stabilized
- ▶ Lower claims cession rate due to recoveries on highly reinsured facultatives

	Q1-18	Q1-19
Gross earned premiums	278.4	299.0
Net earned premiums	198.6	212.3
<b>Premium cession rate</b>	<b>28.7%</b>	<b>29.0%</b>
Gross claims expenses	(110.4)	(119.0)
Net claims expenses	(79.1)	(90.5)
<b>Claims cession rate</b>	<b>28.4%</b>	<b>24.0%</b>

	Q1-18	Q1-19	V%
<b>Underwriting income before reinsurance</b>	<b>68.9</b>	<b>78.7</b>	<b>+14%</b>
<i>Reinsurance result</i>	(16.5)	(26.6)	N.S.
<b>Underwriting income after reinsurance</b>	<b>52.4</b>	<b>52.0</b>	<b>(1)%</b>

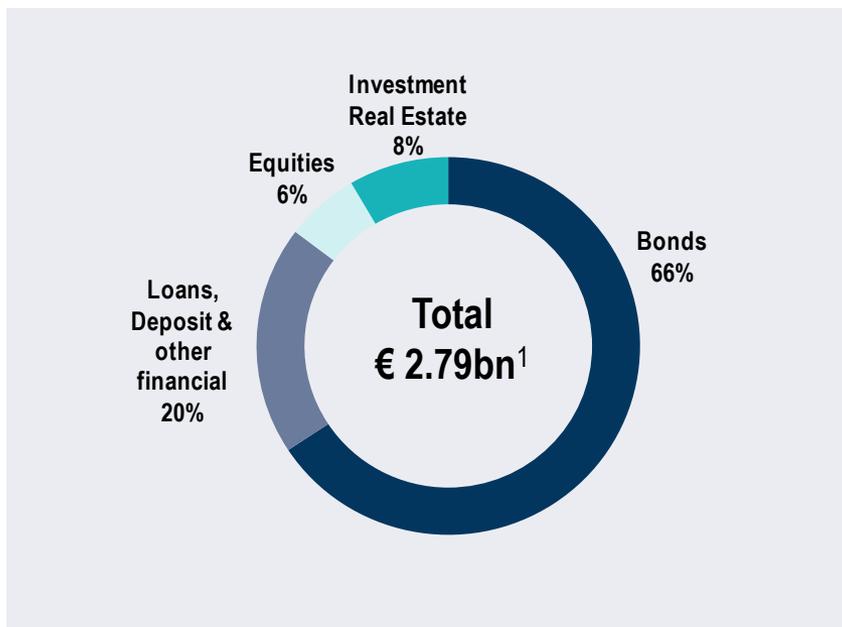
# Net combined ratio at 74.5% well below through the cycle average



- ▶ Net cost ratio improved to 31.9% (vs. 32.7% in Q1-18)
- ▶ Investments fully financed by cost savings
- ▶ Loss ratio at 42.6%, well below through the cycle average

# Financial portfolio: stabilised yield and lower hedging contribution

## Keeping a diversified investment strategy



€m	Q1-18	Q1-19
Income from investment portfolio without gains on sales <sup>2</sup>	10.0	10.6
Gains on sales and impairment / impairment's release	2.3	3.4
FX effect	(3.1)	(1.1)
Other	(0.9)	(7.7)
<b>Net investment income</b>	<b>8.3</b>	<b>5.1</b>
<b>Accounting yield on average investment portfolio</b>	<b>0.4%</b>	<b>0.5%</b>
<b>Accounting yield average investment portfolio excl. gains on sales &amp; depreciations / release depreciations</b>	<b>0.4%</b>	<b>0.4%</b>

<sup>1</sup> Excludes investments in non-consolidated subsidiaries

<sup>2</sup> Excludes investments in non-consolidated subsidiaries, FX and investment management costs

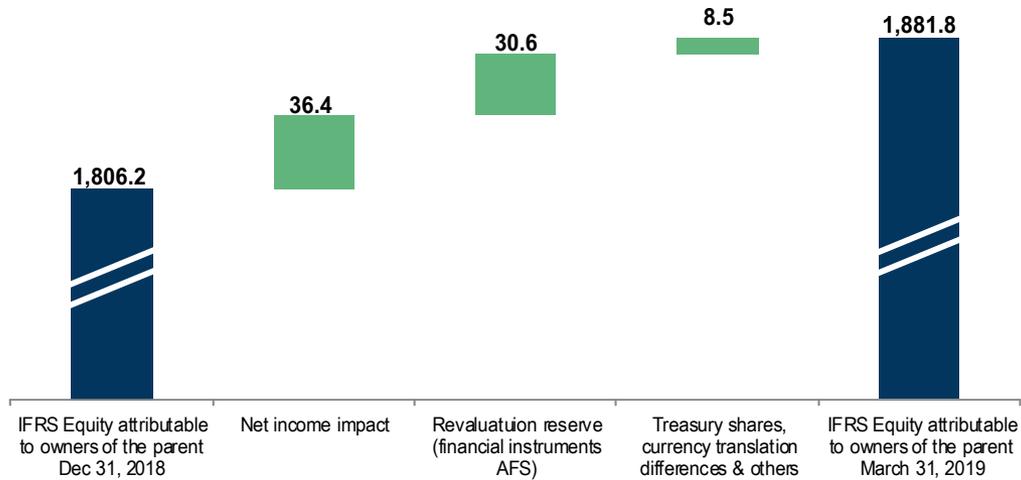
- ▶ Accounting yield not annualized at 0.5% in a low rate environment
- ▶ Lower derivatives results due to market conditions
- ▶ Negative contribution from non consolidated entities; following decisions to restructure Peruvian operations

# Q1-2019 net income at €36.4m

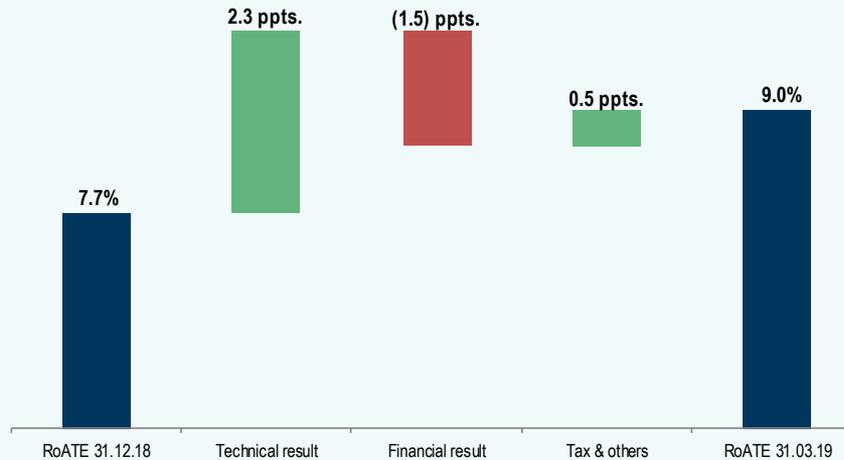
<i>Income statement items - in €m</i>	Q1-18	Q1-19	
<b>Current operating income</b>	<b>60.7</b>	<b>57.2</b>	
Fit to Win investments & restructuring expenses	(2.2)	(0.3)	
Other operating income and expenses	(0.2)	0.1	
<b>Operating income</b>	<b>58.4</b>	<b>56.9</b>	▶ Robust operating income in a more complex environment
Finance costs	(4.4)	(5.3)	
Share in net income of associates	0.6	0.0	
Income tax	(19.0)	(15.2)	▶ Tax rate keeps improving to 29%
<i>Tax rate</i>	<i>35%</i>	<i>29%</i>	
Non-controlling interests	0.1	(0.1)	
<b>Net income (group share)</b>	<b>35.5</b>	<b>36.4</b>	▶ Net income up 2.3%

# RoATE stands at 9.0% for Q1-2019

## Change in equity in €m



## Return on average tangible equity (RoATE)<sup>1</sup>



<sup>1</sup> Annualised RoATE

**PART 3**  
**KEY TAKE-AWAYS**  
**& OUTLOOK**

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# Key take-aways & outlook

## Q1-2019 net income at €36.4m

- Global economic environment remains difficult to read. Brexit is postponed
- Net combined ratio at 74.5% driven by a loss ratio of 42.6%
- RoATE stands high at 9.0%
- Proposed DPS<sup>1</sup> at 0.79€ for a 100% pay-out

## Fit to Win impacts now paying off in full

- Highest net quarterly profit since the beginning of the plan
- Growth is accelerating, driven by client activity, high retention and growing new business
- Loss ratio remains under control despite high level of macro uncertainty
- Net cost ratio down by 0.8ppt at 31.9%
- Closed the acquisition of PKZ
- Confirmed target to apply for Partial Internal Model by the summer 2019. Discussions with the regulator continuing

<sup>1</sup> Ex-dividend date is on May 22<sup>nd</sup> 2019 and Payment date is on May 24<sup>th</sup> 2019. The proposed distribution of 0.79€ per share is subject to approval of the Annual Shareholders' Meeting that takes place on May 16<sup>th</sup> 2019.

# PART 4

## APPENDICES

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# Key figures (1/2)

Quarterly and cumulated figures

Income statements items in €m - quarterly figures	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	%	% ex. FX
Gross earned premiums	278.4	282.3	292.2	289.7	299.0	+7.4%	+8.0%
Services revenue	65.6	58.7	58.5	59.3	66.4	+1.3%	+1.0%
<b>REVENUE</b>	<b>344.0</b>	<b>340.9</b>	<b>350.7</b>	<b>349.1</b>	<b>365.5</b>	<b>+6.2%</b>	<b>+6.6%</b>
<b>UNDERWRITING INCOME(LOSS) AFTER REINSURANCE</b>	<b>52.4</b>	<b>35.9</b>	<b>34.5</b>	<b>35.0</b>	<b>52.0</b>	<b>(0.7)%</b>	
Investment income, net of management expenses	8.3	4.6	29.6	8.6	5.1	(38)%	
<b>CURRENT OPERATING INCOME</b>	<b>60.7</b>	<b>40.5</b>	<b>64.1</b>	<b>43.6</b>	<b>57.2</b>	<b>(5.8)%</b>	
Other operating income / expenses	(2.3)	1.5	(1.0)	(3.2)	(0.2)	x0.1	
<b>OPERATING INCOME</b>	<b>58.4</b>	<b>42.0</b>	<b>63.1</b>	<b>40.5</b>	<b>56.9</b>	<b>(2.4)%</b>	
<b>NET INCOME</b>	<b>35.5</b>	<b>27.3</b>	<b>35.4</b>	<b>24.1</b>	<b>36.4</b>	<b>+2.3%</b>	<b>+3.4%</b>
<i>Income tax rate</i>	35.3%	26.4%	39.7%	32.8%	29.4%		

Income statements items in €m - cumulated figures	Q1-18	H1-18	9M-18	FY-18	Q1-19	%	% ex. FX
Gross earned premiums	278.4	560.7	852.9	1,142.6	299.0	+7.4%	+8.0%
Services revenue	65.6	124.3	182.8	242.1	66.4	+1.3%	+1.0%
<b>REVENUE</b>	<b>344.0</b>	<b>685.0</b>	<b>1,035.7</b>	<b>1,384.7</b>	<b>365.5</b>	<b>+6.2%</b>	<b>+6.6%</b>
<b>UNDERWRITING INCOME(LOSS) AFTER REINSURANCE</b>	<b>52.4</b>	<b>88.3</b>	<b>122.8</b>	<b>157.8</b>	<b>52.0</b>	<b>(0.7)%</b>	
Investment income, net of management expenses	8.3	12.9	42.5	51.1	5.1	(38)%	
<b>CURRENT OPERATING INCOME</b>	<b>60.7</b>	<b>101.2</b>	<b>165.3</b>	<b>208.9</b>	<b>57.2</b>	<b>(5.8)%</b>	
Other operating income / expenses	(2.3)	(0.8)	(1.8)	(5.0)	(0.2)	x0.1	
<b>OPERATING INCOME</b>	<b>58.4</b>	<b>100.4</b>	<b>163.4</b>	<b>203.9</b>	<b>56.9</b>	<b>(2.4)%</b>	
<b>NET INCOME</b>	<b>35.5</b>	<b>62.8</b>	<b>98.2</b>	<b>122.3</b>	<b>36.4</b>	<b>+2.3%</b>	<b>+3.4%</b>
<i>Income tax rate</i>	35.3%	31.7%	34.8%	34.4%	29.4%		

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# Key figures (2/2)

## Revenue by region

Total revenue - by quarter - in €m	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	V% ex. FX
Northern Europe	79.0	73.2	76.2	74.7	80.2	+1.7%
Western Europe	74.8	68.4	69.6	71.2	74.9	(0.3)%
Central Europe	33.6	33.5	33.7	33.0	33.7	+2.1%
Mediterranean & Africa	91.8	92.7	92.2	93.6	96.8	+6.8%
North America	27.4	30.7	36.3	32.1	31.5	+7.0%
Latin America	16.2	17.7	17.6	20.1	21.1	+53.0%
Asia Pacific	21.3	24.6	25.1	24.3	27.3	+20.7%
<b>Total revenue</b>	<b>344.0</b>	<b>340.9</b>	<b>350.7</b>	<b>349.1</b>	<b>365.5</b>	<b>+6.7%</b>

Total revenue - cumulated - in €m	Q1-18	H1-18	9M-18	FY-18	Q1-19	V% ex. FX
Northern Europe	79.0	152.2	228.3	303.1	80.2	+1.7%
Western Europe	74.8	143.2	212.8	284.0	74.9	(0.3)%
Central & Eastern Europe	33.6	67.1	100.8	133.8	33.7	+2.1%
Mediterranean & Africa	91.8	184.6	276.8	370.4	96.8	+6.8%
North America	27.4	58.1	94.4	126.5	31.5	+7.0%
Latin America	16.2	33.8	51.5	71.5	21.1	+53.0%
Asia Pacific	21.3	46.0	71.1	95.4	27.3	+20.7%
<b>Total Group</b>	<b>344.0</b>	<b>685.0</b>	<b>1,035.7</b>	<b>1,384.7</b>	<b>365.5</b>	<b>+6.7%</b>

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# Claims ratio under control

Loss ratio before reinsurance, including claims handling expenses – in %

## Group



## North America



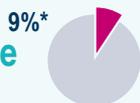
## Asia Pacific



## Latin America



## Central Europe



## Western Europe



\*\* excl. FAC

## Northern Europe



## Mediterranean & Africa



\* % of Total revenue by region

# Combined ratio calculation

## ▶ Combined ratio before reinsurance

$$\text{loss ratio before reinsurance } \frac{(B)}{(A)} + \text{cost ratio before reinsurance } \frac{(C)}{(A)}$$

## ▶ Combined ratio after reinsurance

$$\text{loss ratio after reinsurance } \frac{(E)}{(D)} + \text{cost ratio after reinsurance } \frac{(F)}{(D)}$$

Ratios	Q1-2018	Q1-2019
Loss ratio before reinsurance	39.7%	39.8%
<b>Loss ratio after reinsurance</b>	<b>39.8%</b>	<b>42.6%</b>
Cost ratio before reinsurance	34.8%	33.2%
<b>Cost ratio after reinsurance</b>	<b>32.7%</b>	<b>31.9%</b>
Combined ratio before reinsurance	74.4%	73.0%
<b>Combined ratio after reinsurance</b>	<b>72.5%</b>	<b>74.5%</b>

In €k	Q1-2018	Q1-2019
<b>Earned Premiums</b>		
<b>Gross earned premiums [A]</b>	<b>278,416</b>	<b>299,029</b>
Ceded premiums	(79,839)	(86,688)
<b>Net earned premiums [D]</b>	<b>198,577</b>	<b>212,341</b>
<b>Claims expenses</b>		
<b>Claims expenses [B]</b>	<b>(110,444)</b>	<b>(119,038)</b>
Ceded claims	32,675	28,135
Change in claims provisions	(1,336)	433
<b>Net claims expenses [E]</b>	<b>(79,105)</b>	<b>(90,471)</b>
<b>Technical expenses</b>		
Operating expenses	(163,795)	(167,217)
Employee profit sharing and incentive plans	1,363	1,498
Other revenue	65,606	66,438
<b>Operating expenses, net of revenues from other services before reinsurance [C]</b>	<b>(96,826)</b>	<b>(99,281)</b>
Commissions received from reinsurers	31,957	31,496
<b>Operating expenses, net of revenues from other services after reinsurance [F]</b>	<b>(64,869)</b>	<b>(67,786)</b>

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# Q1-19 results vs. consensus

in M€	# of replies	Consensus	Q1-2019	Spread	Comment
<b>Total revenue</b>	6	355	365	+10.3	
Gross Earned Premiums	6	292	299	+7.2	High retention in most countries, new production up in mature markets & higher client activity
Net Earned Premiums	4	208	212	+4.4	
<b>NEP/GEP</b>	4	71.3%	71.0%	(0.2) ppt	Cession rate now stabilized
<b>Net underwriting income</b>	6	43	52	9.5	Lower loss & cost ratio
Net Investment Income	6	10	5	(5.2)	Low hedging results & negative contribution from non consolidated entities
<b>Current operating income</b>	6	53	57	4.3	Lower combined ratio
Restructuring charges (Fit to Win)	5	(2.4)	(0.2)	+2.2	No new significant action
<b>Operating Income</b>	6	51	57	6.1	Lower combined ratio
<b>Net income</b>	6	32	36	4.8	Up +3.3%; tax rate improving
Net Loss Ratio (%)	6	46.0%	42.6%	(3.4) pts	Favorable recoveries / disciplined underwriting
Net Cost Ratio (%)	6	33.5%	31.9%	(1.5) pts	Positive operating leverage
<b>Net Combined Ratio (%)</b>	6	79.5%	74.5%	(5.0) pts	Well below through the cycle target

# Financial Calendar & investor relations contacts

## Calendar

Next Event	Date
Annual shareholders meeting	May 16 <sup>th</sup> , 2019
H1-2019 Results	July 25 <sup>th</sup> , 2019 after market close
9M-2019 Results	Oct. 23 <sup>rd</sup> , 2019 after market close

**Coface is scheduled to attend the following investor conferences**

Next Event	Date
KBW Conference, London	May 14 <sup>th</sup> , 2019
ODDO BHF – Natixis Insurance Forum, Paris	May 21 <sup>st</sup> , 2019
Goldman Sachs Conference, Paris	June 5 <sup>th</sup> , 2019

## Own shares transactions

Date	Liquidity Agreement	LTIP	Buy-back (cancellation)	Own shares transactions		
				TOTAL (in shares)	% Total of # Shares	Voting rights
31/03/2019	169,948	764,868	1,867,312	2,802,128	1.82%	151,097,133

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Participants should read the financial statements for the period ending 31 March 2019 and complete this information with the Registration Document for the year 2018. The Registration Document for 2018 was registered by the *Autorité des marchés financiers* ("AMF") on April 3<sup>rd</sup>, 2019 under the number D.19-0261. These documents all together present a detailed description of the Coface Group, its business, strategy, financial condition, results of operations and risk factors.

This presentation contains certain forward-looking statements. Such forward looking statements in this presentation are for illustrative purposes only. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. The forward-looking statements are based on Coface Group's current beliefs, assumptions and expectations of its future performance, taking into account all information currently available. The Coface Group is under no obligation and does not undertake to provide updates of these forward-looking statements and information to reflect events that occur or circumstances that arise after the date of this document.

Forward-looking information and statements are not guarantees of future performance and are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Coface Group. Actual results could differ materially from those expressed in, or implied or projected by, forward-looking information and statements. These risks and uncertainties include those discussed or identified under Chapter 5 "Main risk factors and their management within the Group" (*Chapitre 5 "Principaux facteurs de risque et leur gestion au sein du Groupe"*) in the Registration Document.

This presentation contains certain information that has not been prepared in accordance with International Financial Reporting Standards ("IFRS"). This information has important limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under IFRS.

More comprehensive information about the Coface Group may be obtained on its Internet website (<http://www.coface.com/Investors>).

This document does not constitute an offer to sell, or a solicitation of an offer to buy COFACE SA securities in any jurisdiction.