

5th May 2016

Insurance

Coface

Price EUR7.05

Difficult Q1. Waiting for the new strategic plan

Fair Value under review

NEUTRAL

Bloomberg	COFA.FP
Reuters	COFA.PA
12-month High / Low (EUR)	11.7 / 6.0
Market Cap (EURm)	1,117
Avg. 6m daily volume (000)	145.5

ANALYSIS

- Coface has reported a 45% drop in Q1 2016 adjusted net income to EUR22m (consensus EUR29m), mainly driven by the underwriting result (down 47%) and a few one-offs. Q1 operating income is down 40%. Q1 turnover is down 6%.
- The reported combined ratio is 87.0% (or 84.3% adjusted) vs. 77.5% in Q1 2015 and 84.3% in H2 2015. The increase in loss ratio has mainly been driven by the commodity trading sector and Asia, and also includes two claims in North America. This performance is clearly less convincing than that of Euler Hermes (Q1 2016 much closer to Q1 2015 than to H2 2015). Action plans that have been put in place since 2015 are expected to gradually deliver over time.
- The transfer of the public guarantees activities to Bpifrance will be achieved in 2016 as planned. The company will announce on 27th July and present on 22nd September its new strategic plan, including efficiency measures to compensate (at least partially) for the loss of this business.

VALUATION

- We place our FV under review as we need to better assess what the new Coface could look like

NEXT CATALYSTS

- AGM on 19th May 2016. Q2 numbers on 27th July. Investor day on 22nd September.

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Distribution of stock ratings

BUY ratings 72%

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