

**Coface**

Price EUR5.54

**Poor Q3, limited short-term visibility****Fair Value Under Review****NEUTRAL**

Bloomberg	COFA.FP
Reuters	COFA.PA
12-month High / Low (EUR)	9.3 / 4.2
Market Cap (EURm)	871
Avg. 6m daily volume (000)	168.4

**ANALYSIS**

- Coface has reported an EUR11m net loss for Q3 2016 (consensus -EUR3m), driven by a one-off item (fraud at minority-held Cofacredit) and a poor overall business performance. Q3 underwriting result was -EUR14m (consensus -4m), with a 72.4% net loss ratio (105.4% combined ratio), with losses from Latam and Asia at high levels. Yet this is still consistent with FY guidance for a 63-66% net loss ratio (64.6% for 9M).
- Nothing new on the transfer of the public guarantees activities to Bpifrance, which is still scheduled for late 2016 or early 2017. The company also reiterated the main measures of its 2019 "Fit to Win" plan presented on 22nd September ([3-year strategic plan: execution will be key](#))
- Discussions on the restructuring have just started. Even if credit insurance is a low duration business, we continue to believe that the recovery is likely to be gradual, and 2016-2017 numbers are of little help to try and assess the company's earnings power and valuation. And 2018-2019 are still very far off...

**VALUATION**

- We keep our FV under review at this stage, pending a new dive in our 2018-2019 numbers.
- Short-term visibility remains poor, even on the dividend (EUR0.06 minimum).

**NEXT CATALYSTS**

- FY 2016 numbers on 8th February 2017.

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