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## Coface capitalizes on its strategic successes and launches Build to Lead, its new 2023 strategic plan

- **Build to Lead will broaden and deepen the business and cultural transformation initiated in Fit to Win. In particular the new plan will:**
  - Continue to strengthen risk management and underwriting discipline
  - Improve service, and commercial and operational efficiency
  - Invest in select growth initiatives in trade credit insurance as well as in specialty lines
  - Maintain balance sheet strength;
- **Coface raises all its financial targets, that are valid through the cycle:**
  - Combined ratio at ~80% through the cycle, a 3 ppt. improvement versus Fit to Win
  - RoATE through the cycle at 9.5%, a target that takes into account the expected decline in investment returns
  - Dividend pay-out ratio to be at least at 80%, a 20 points increase compared to Fit to Win, with a solvency ratio in a new target range (155-175%)

### Xavier Durand, Coface CEO, announced:

*“Our new strategic plan Build to Lead will leverage the successes of Fit to Win, our previous plan. It is anchored in several convictions: credit insurance is a service business, with strong barriers to entry and long term structural growth. Coface has major assets to leverage in this appealing market: strong domain expertise, scale and agility which we will continue to reinforce. We will deepen and broaden the business and cultural transformation underway at Coface to become a recognized leader in the industry.*

*Build to Lead will also aim to develop the specialty businesses (factoring, single risk & bonding, information services) which benefit from the global Coface infrastructure and can generate profitable growth opportunities.*

*As global growth and trade slows, and volatility and unpredictability rise, the principles that have driven our past success are even more relevant today:*

- *Priority will remain to disciplined underwriting, while reaching a better quality of service and a greater efficiency*
- *The pursuit of profitable growth, differentiated by markets and segments*
- *The protection of a robust balance sheet to support profitable growth initiatives and opportunities*
- *Attractive returns and long term value creation*

*From a financial standpoint, we are raising all our targets: a through the cycle combined ratio around 80% and an average return on tangible equity of 9.5%, an increase despite the expected decline in the investment portfolio return due to low interest rates. Finally, we plan to return at least 80% of our average net profit to our shareholders.*

*The commitment of our employees and partners throughout the world will drive our success and the quality of our client experience.”*

### **The Fit to Win strategic plan delivered or exceeded all targets**

Coface has met or even exceeded all the targets of the Fit to Win plan.

First, by strengthening its risk infrastructure, whether on prevention or management, Coface has restored its technical profitability in an economic environment that has progressively become less favorable. The cost savings plan has significantly exceeded its €30m 2018 target, reaching €48m annual savings in 2019, almost 10% of the initial cost base. The combined ratio reached 77.7% in 2019, well below the 83% targeted through the cycle.

By focusing on quality of service, client retention has reached record high levels. The pursuit of greater commercial efficiency has boosted the new business figures. And, for the first time in many years, Coface has announced two acquisitions, PKZ and GIEK Kredit. They will expand its network and further strengthen its capabilities in two regions that are important for its long term growth strategy.

On the capital efficiency front, the French regulator ACPR allowed Coface to use its Partial Internal Model to compute its solvency capital requirement. At the end of 2019, Coface's solvency has reached a record level at 190%. Throughout Fit to Win, Coface will have returned €390m to its shareholders, without deteriorating its capital position nor its ability to invest.

### **Build to Lead will seek to take further the business and cultural transformation undertaken under Fit to Win**

The strategic plan Build to Lead is based on strong beliefs: credit insurance is an attractive service business, with strong barriers to entry and growth potential where Coface has strong capabilities which it will seek to deepen: its skills, scale and agility.

The economic environment in which Coface operates is becoming less predictable. Since 2017, global economic growth is slowing, because of long-term trends (ageing population, market saturation). The accumulation of private debt and the pursuit of non-conventional monetary policy by numerous central banks has seen the multiplication of "zombie" companies. Consequently, risks are on the rise (lower client activity, progressive increase in defaults, rising frequency of difficult to or impossible to forecast events, political, social or even health related). But this environment also offers opportunities for Coface (stronger demand for insurance, rising financing needs, higher demand for relevant information, risk re-pricing opportunity).

This new plan will broaden and deepen ongoing transformations at Coface to be recognized as a leader in its industry. It includes two types of initiatives to drive the business forward: the first for the core credit insurance business and the second for the specialty businesses that can leverage its capabilities and know-how.

Our trade credit insurance business is targeting the highest standards in the industry, through three strategic directions:

- **Simplify and digitize our operating model:** a simpler operating model is key to reaching a better quality of services, reducing costs and risks of errors. It also allows to free up resources to be reinvested in innovation which also can be more easily integrated in existing systems;
- **Differentiate through risk and information expertise:** Coface will continue to boost its risk underwriting, its information and claims management capabilities. It will invest in new technologies and will integrate the benefit of its partial internal model in its underwriting;
- **Create value through selective growth:** Coface will continue to invest in select markets, favoring differentiated growth. Lastly, Coface will maintain its segmented approach to drive profitable growth.

*Build to Lead will leverage Coface assets in specialty businesses, adjacent to credit insurance. It will leverage the Group's existing risk and legal infrastructure, building a portfolio of growth options:*

- **Factoring:** Coface defined an action plan implemented by a new leadership team in Germany to generate profitable growth and bring margins of the factoring business in Germany and in Poland in line with the group's overall target;
- **Single Risk and bonding:** from a clean base and within its unchanged risk appetite, Coface wants to grow either through existing business (Single Risk) or through prudent and progressive extension to new businesses or geographies for bonding;
- **Information and services:** The information world is undergoing massive change. Coface is confident in its unique assets and wants to monetize existing offers better and explore new commercial offers to accelerate growth of this capital-light activity.

**Coface will seek, after the implementation of this plan, to achieve higher financial targets**

*With this strategy, Coface will reach more demanding financial targets than in the Fit to Win plan. Specifically:*

- An ~80% combined ratio through the cycle, a 3 ppt improvement
- An average return on tangible equity of 9.5% through the cycle. The target is increased despite the continuous decline in investment yields. Coface has deliberately chosen not to change its risk appetite or asset allocation
- Dividend pay-out ratio to be at least at 80%, a 20 points increase compared to Fit to Win, with a solvency ratio in a new target range (155-175%)

*Coface will present its Build to Lead plan on 25 February 2020 during an investor day that will be held in Paris. Presentations, that are expected to start at 10:00 CET (9:00 GMT) will be webcasted live. Documents will be available on Coface website <https://www.coface.com/Investors/financial-results-and-reports>.*



# P R E S S R E L E A S E

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### FINANCIAL CALENDAR 2020 (subject to change)

Q1-2020 results: 23 April 2020 (after market close)  
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 2018 Registration Document.

### Coface: for trade - Building business together

70 years of experience and the most finely meshed international network have made Coface a reference in credit insurance, risk management and the global economy. With the ambition to become the most agile, global trade credit insurance partner in the industry, Coface's experts work to the beat of the world economy, supporting 50,000 clients in building successful, growing and dynamic businesses. The Group's services and solutions protect and help companies take credit decisions to improve their ability to sell on both their domestic and export markets. In 2019, Coface employed ~4,250 people and registered turnover of €1.5 billion.

[www.coface.com](http://www.coface.com)

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