



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

Bucharest, November 21st, 2018

Travel Agency Sector: 38% are ranked by Coface as medium-high-risk companies, 13% having a high risk of insolvency

Strengths:

- **The travel agency sector registered an increase in profitability from 0.7% in 2012, to 3.3% in 2016**
- **One third of the companies in this sector had a profit of over 20%**
- **In the last four years, court actions against travel agencies have fallen**

Vulnerabilities:

- **40% of the travel agency have a level of indebtedness over 80%**
- **51% have an over average risk of insolvency**
- **Increased polarization in terms of turnover achieved by Top 10 players (over 88.2% in 2016)**

During the last 6 years, the level of Romanian tourists' departure abroad was higher than that of foreign visitors coming to Romania. The number of foreign visitors 'arrivals increased by 60% in 2012-2017, while the Romanian visitors' abroad went up by 78%. Thus, in 2017, there were 12 million visits of foreigners to Romania, while Romanians made 19 million visits abroad.

In terms of value of travel agencies and tour operator's services, 2016 reflects a 19% decrease compared to the previous year, reaching the value of 3.7 B RON. The maximum value for this type of services was reached in 2014, when it rose above the 4 B RON thresholds. A decrease (1.6%) is also registered for other booking and tourist assistance services.

The last four years (2014 - 2017) brought a slight decrease tendency of court actions against travel agencies. The lowest number of cases was recorded in 2008 (before the crisis), and three years later their number increased 4.2 times, reaching the maximum of the analyzed period. One important aspect to point out is that the number of payment orders tends to decrease as of 2010, and that of the enforcement procedures indicates a high volatility, with values between 54 and 186 during the same period. Overall, the trend is downward for court actions, and the major part is represented still by enforcement procedures and payment orders.

Out of the total of 1,989 companies active in 2016, Coface analyzed 63 companies, meaning approximately 3%, but having a 54% share of the turnover consolidated within the sector. In this context, most companies (38%) are ranked by Coface as medium-high-risk companies. The extremes are companies with high risk of insolvency, 13%, and companies with low risk, 33%.



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The data published by INS (National Statistical Institute) regarding the evolution of tourist reception structures during the period 2012-2017 indicate a continuous increase over the period, reaching 7,905 tourist reception structures. Out of these, farm tourism guest houses are the majority, and wholly private property dominates each type of structure. Currently, there are 1,577 hotels, 1,666 tourist guest houses, 2,556 farm tourist guest houses.

For the current analysis, the data of 1,989 companies having submitted their financial data for 2016 and having generated a consolidated turnover of 1.798 M RON have been aggregated. The companies in the analyzed sector recorded in 2016 a positive revenue evolution, increasing by 2% compared to 2015, even if the number of companies in the sector increased by 10%.

“From the perspective of consolidated revenues evolution, the travel agency sector recorded a 2% increase in 2016 compared to the previous year, given the increase in the number of players by 10%. Even if the consolidated profitability of the sector recorded a slight increase, almost half of the companies (47%) reported a deterioration of the net result. More than a third of companies face liquidity problems - current liquidity under 1 - having also an indebtedness level over 80% - given that 72% of the total debt is represented by current liabilities - and almost two thirds thereof register a negative money conversion cycle, being very likely to pay their suppliers with delay”, said Nicoleta Maruntelu, Senior Financial Analyst, Coface Romania.

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