

# QUÁLITAS

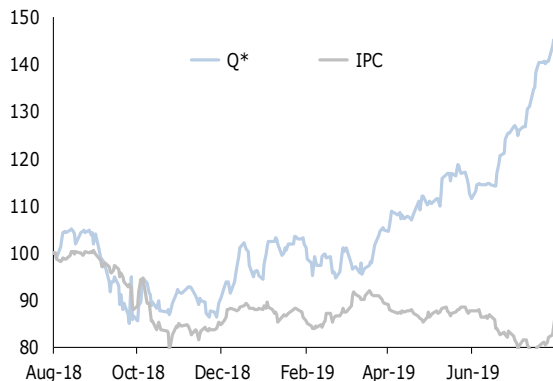
## Market Share Improves in 1H19 vs. 1Q19

**BUY**

2019E Target Price (MXN\$)	\$ 81.00
Current Price (MXN\$)	\$ 67.47
Max / Min (L12M)	\$ 39.75 - 68.39
Expected Dividend (MXN\$)	\$ 0.00
Expected Return	20.1%
Market Cap (MXN\$ Mn)	28,675
Outstanding Shares (Mn)	425.0
Float	43.1%
ADTV (MXN\$ Mn)	\$ 39.28

The Mexican Association of Insurance Institutions (AMIS) released the Automobile Insurance Industry Report corresponding to the first half of 2019. These were the most relevant points:

- Premiums issued by the insurance industry reached MXN\$57.2 billion in the first half of 2019, with an annual increase of 5.9%. This figure was higher than the real GDP growth of 0.3% during that period, and the annual inflation of 3.85%;
- This favorable performance occurred despite the fact that new cars and trucks sales fell 6.4% YoY to 638,597 units and that the bank financing represented 59.5% of new light cars sales, from 62.1% the previous year;

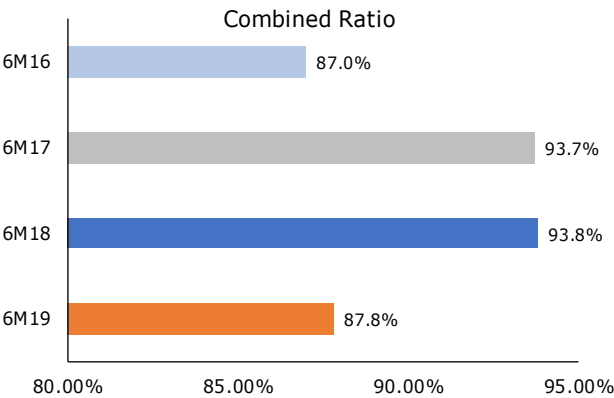
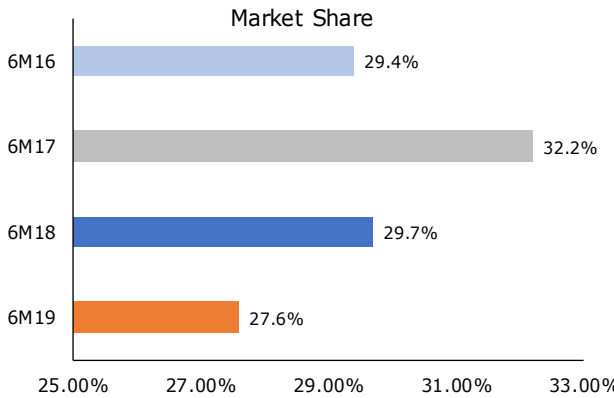
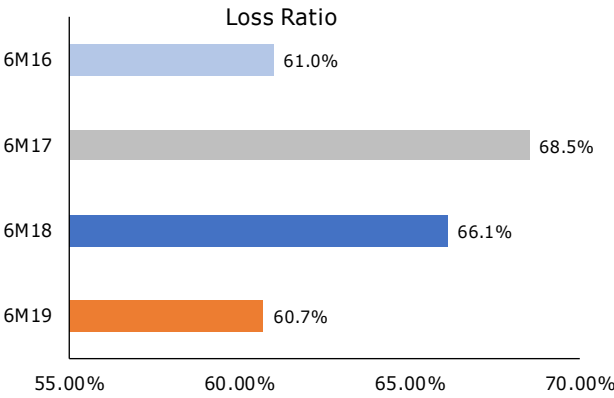
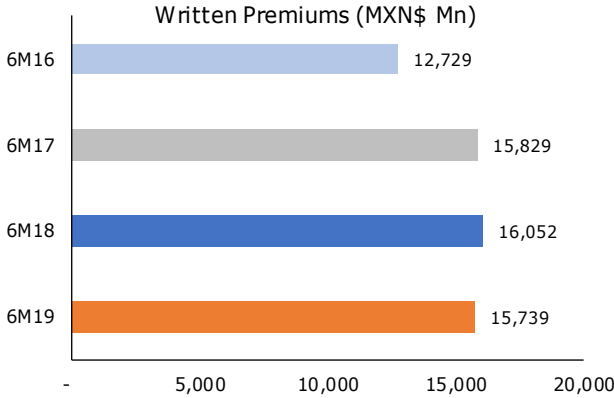


- Quálitas' issued premiums were MXN\$15.7 billion in 1H19, with an annual drop of 2.0%. As a result, Quálitas' market share was 27.6% at the end of 1H19, lower than that of 29.7% at the end of 1H18; however, it was stronger than the 25.5% at the end of 1Q19, as we broadly anticipated;
- The insurance industry's combined ratio was 90.0% on a cumulative basis as of June 30th this year, compared with 93.6% in the same period of the previous year. This improvement was mainly due to a lower loss and acquisition ratio, which in some cases was due to the fuel shortage at the beginning of the year, and to lower premium sales through financial institutions. In addition, the loss ratio benefitted from a more favorable weather;
- Quálitas' combined ratio was 87.8% in 1H19, compared to 93.8% in 1H18 because of the reduction in the company's loss ratio to 60.7% in 1H19, well below the 66.1% in 1H18;
- For additional information, please refer to the following link: <http://qinversionistas.qualitas.com.mx/portal/wp-content/uploads/Industry-report-6M19.pdf>;

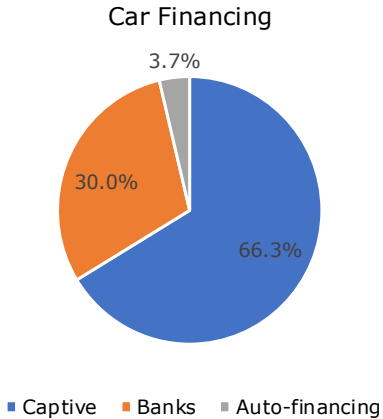
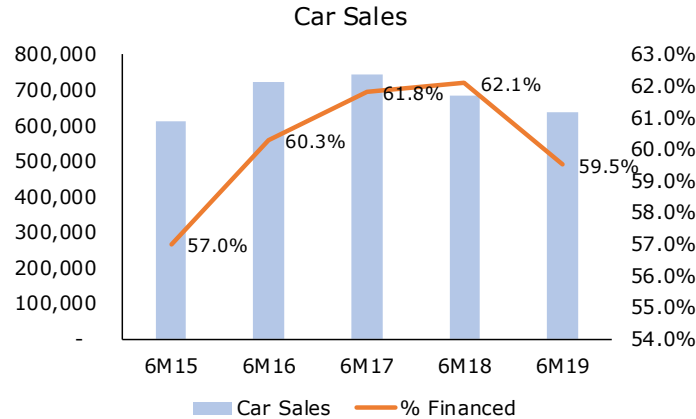
With this report, we are revising upwards our target price for Quálitas shares to MXN\$81.00 (from an original level of MXN\$63.00). Our recommendation remains BUY mainly due to the company's solid fundamentals, its attractive growth potential and its low valuation with a P/BV of 2.3x and an 2019E P/E of 6.4x. Quálitas remains one of the cheapest and most profitable insurers in the world.

# QUÁLITAS: 1H9 Automobile Insurance Industry Report

## Quálitas México



## New Car Market



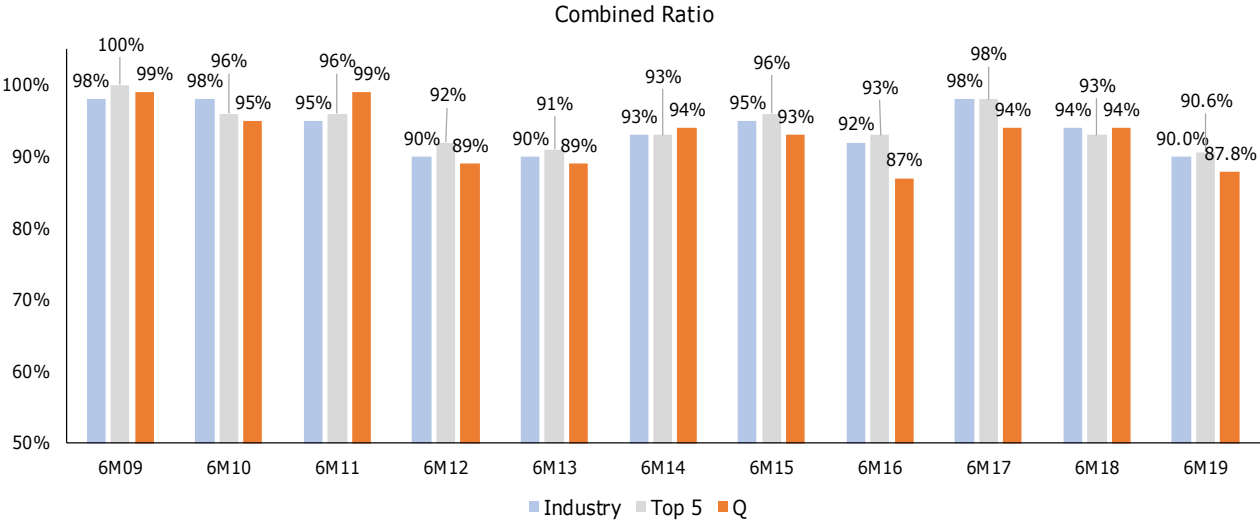
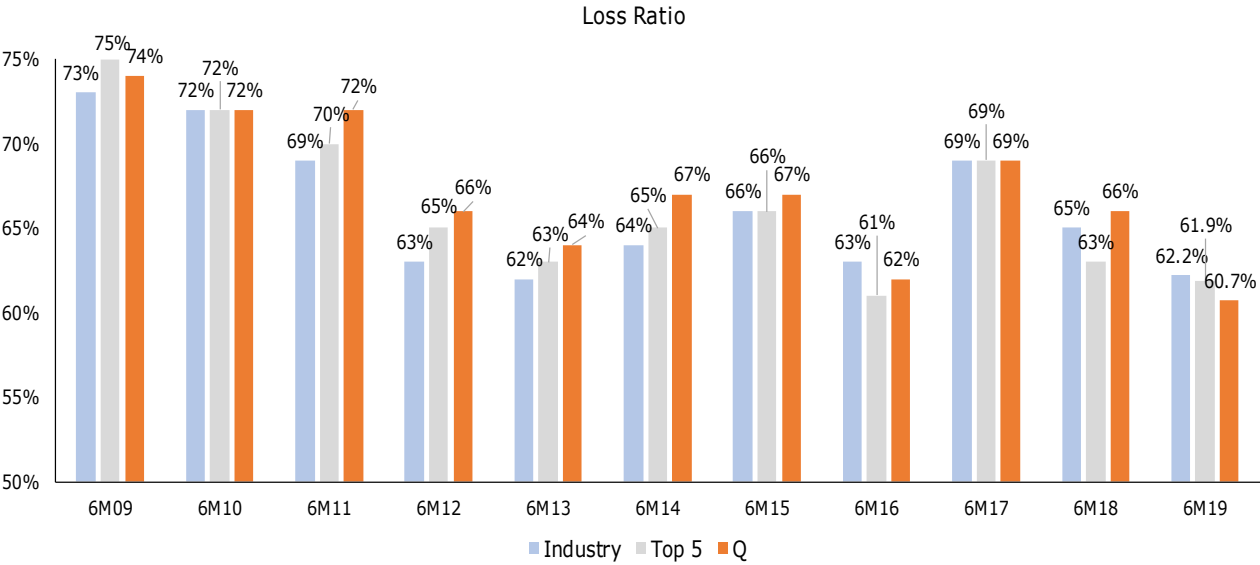
## QUÁLITAS: 1H19 Automobile Insurance Industry Report

Company	Written Premiums (MXN\$ Mn)	Market Share	Growth 6M19 vs 6M18	Earned Premiums	Market Share
<b>Quálitas</b>	<b>15,739</b>	<b>27.6%</b>	<b>-2.0%</b>	<b>16,138</b>	<b>31.1%</b>
Chubb	7,086	12.4%	20.8%	2,845	5.5%
G.N.P	6,988	12.2%	21.1%	6,721	13.0%
Axa Seguros	5,380	9.4%	13.5%	5,360	10.3%
HDI Seguros	3,902	6.8%	2.7%	3,397	6.6%
<b>Top 5</b>	<b>39,095</b>	<b>68.4%</b>	<b>7.9%</b>	<b>34,461</b>	<b>66.5%</b>
Banorte	3,073	5.4%	2.9%	2,901	5.6%
BBVA Bancomer	2,374	4.1%	7.0%	2,162	4.2%
Inbursa	1,642	2.9%	-22.4%	1,962	3.8%
Zurich Daños	1,383	2.4%	-20.8%	1,321	2.5%
Mapfre México	1,863	3.3%	8.9%	1,933	3.7%
Atlas	1,699	3.0%	13.2%	1,598	3.1%
Afirme	1,287	2.2%	6.8%	1,145	2.2%
ANA	1,137	2.0%	27.7%	831	1.6%
General de Seguros	632	1.1%	-4.3%	627	1.2%
Seguros SURA	638	1.1%	14.3%	630	1.2%
<b>Medium</b>	<b>15,728</b>	<b>27.5%</b>	<b>0.9%</b>	<b>15,110</b>	<b>29.2%</b>
Other	2,421	4.1%	7.5%	2,259	4.4%
<b>Total Market (34 Companies)</b>	<b>57,244</b>	<b>100.0%</b>	<b>5.9%</b>	<b>51,830</b>	<b>100.0%</b>

Company	Operating Result (MXN\$ Mn)	Investment Income (MXN\$ Mn)	Net Result (MXN\$ Mn)	Loss Ratio	Combined Ratio
<b>Quálitas</b>	<b>2,091</b>	<b>1,172</b>	<b>2,362</b>	<b>60.7%</b>	<b>87.5%</b>
Chubb	212	267	374	64.2%	94.7%
G.N.P	499	317	602	63.6%	94.8%
Axa Seguros	745	371	936	61.4%	86.0%
HDI Seguros	106	183	202	63.2%	98.0%
<b>Top 5</b>	<b>3,653</b>	<b>2,310</b>	<b>4,476</b>	<b>61.9%</b>	<b>90.6%</b>
Banorte	542	279	831	65.8%	80.5%
Inbursa	333	76	303	56.9%	88.1%
BBVA Bancomer	270	288	221	75.7%	86.5%
Zurich Daños	202	16	255	58.7%	95.5%
Mapfre México	99	72	118	64.2%	96.1%
Atlas	183	107	270	62.8%	87.1%
Afirme	63	85	111	56.8%	90.2%
ANA	52	40	66	56.0%	90.9%
General de Seguros	-	108	111	75.0%	116.9%
Seguros SURA	91	21	106	66.1%	87.2%
<b>Medium</b>	<b>281</b>	<b>403</b>	<b>442</b>	<b>64.1%</b>	<b>88.9%</b>
Other	1,748	925	2,229	54.1%	87.8%
<b>Total Market (34 Companies)</b>	<b>5,682</b>	<b>3,638</b>	<b>7,147</b>	<b>62.2%</b>	<b>90.0%</b>

Source: AMIS

# QUÁLITAS: 1H19 Automobile Insurance Industry Report



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