

QUÁLITAS

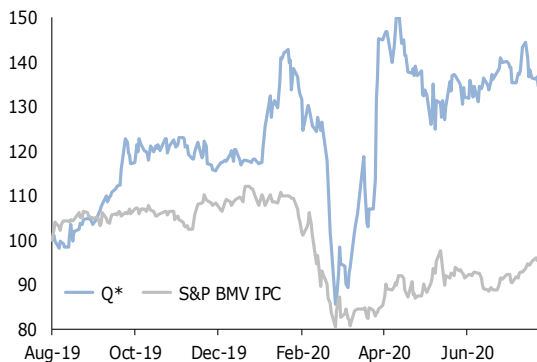
Higher Market Share in 2Q20

BUY

2020E Target Price (MXN\$)	\$ 110.00
Current Price (MXN\$)	\$ 85.39
Min / Max (L12M)	\$ 57.97 - 102.22
Expected Dividend (MXN\$)	\$ 1.70
Expected Return	30.8%
Market Cap (MXN\$ Mn)	35,266
Outstanding Shares (Mn)	413.0
Float	43.1%
6-month ADTV (MXN\$ Mn)	\$ 89.3

The Mexican Association of Insurance Institutions (AMIS) released the 2Q20 Automobile Insurance Industry Report. These are the main points:

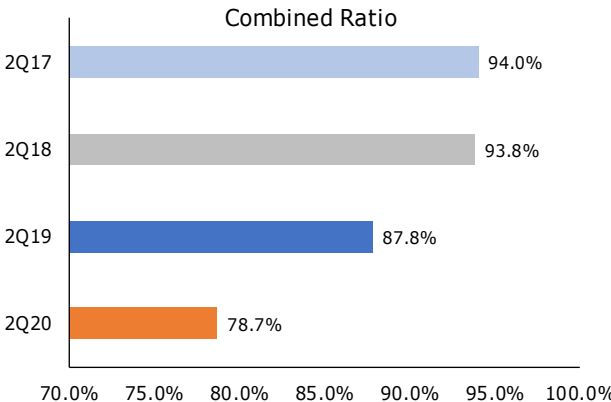
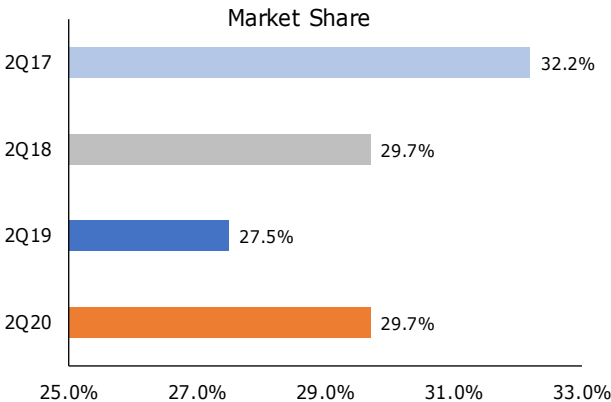
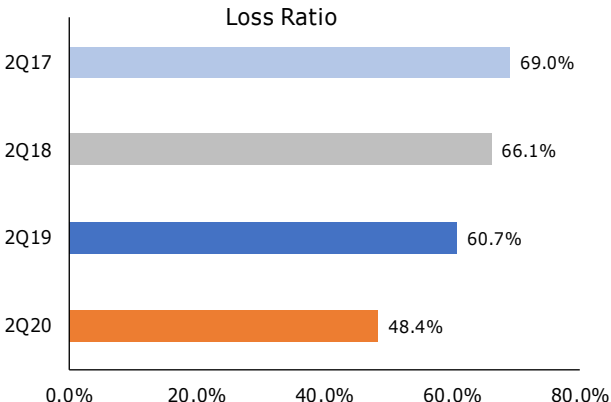
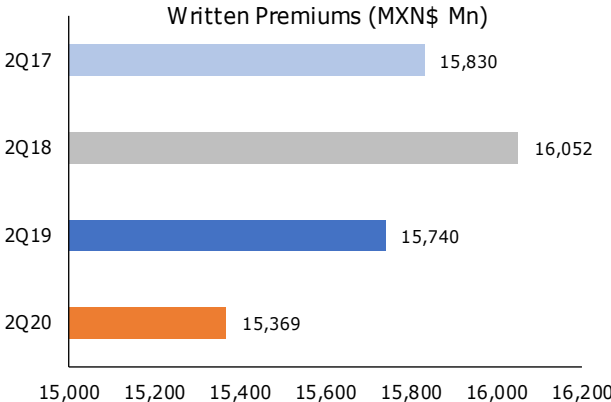
- QUÁLITAS' market share reached 29.7% of written premiums during the first half of the year, from 27.5% in 1H19 and 28.1% in 1Q20, which we consider to be excellent news. The company benefitted from the implementation of a 10% price reduction at the end of March on renewals and the fact that it provided 3, 6 and 12 months with no interests. QUÁLITAS' written premiums fell 2.4% YoY, stronger than the 9.5% drop at the industry level. For its part, Mexico's GDP contracted 18.9% in real terms during 2Q20.
- The industry's combined ratio fell 6.8 percentage points to 83.2% in 2Q20. This was mainly due to the improvement in the loss ratio, which stood at 52.0% in the current quarter from 62.2% in 2Q19. This performance was the result of a lower macroeconomic activity during the health contingency period, which reduced vehicle traffic. The 19.3% drop in stolen cars also contributed. QUÁLITAS benefited from this situation as its loss ratio decreased 2.3 percentage points to 48.4% in 2Q20, with which its combined ratio also improved more than 9 percentage points to 78.7% in the current quarter.
- Vehicle sales experienced a sharp 31.9% YoY contraction to 436,455 units during the first half of the year. However, auto insurance penetration reached 62.1% of new units, up from 59.2% in the same period last year.
- Reflecting QUÁLITAS' high profitability, its operating income and net income represented 28% and 24% of its written premiums, respectively. These figures compare favorably with 21% and 21%, respectively, at the industry level.



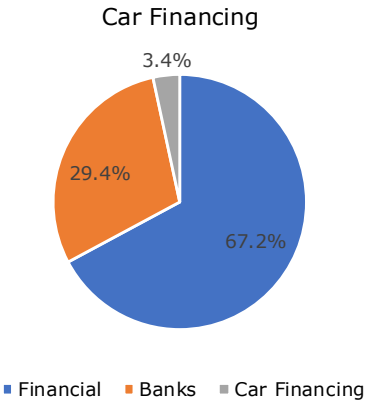
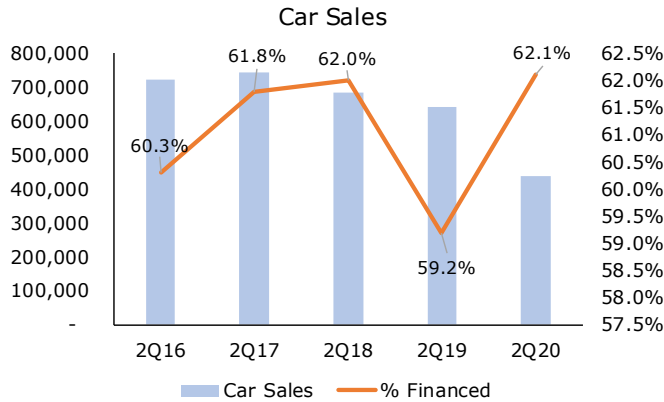
This information reinforces our optimistic point of view on QUÁLITAS. For this reason, we reiterate our BUY recommendation with a MXN\$110.0 per share target price.

QUÁLITAS: 2Q20 Automobile Insurance Industry Report

Quálitas México



New Car Sales



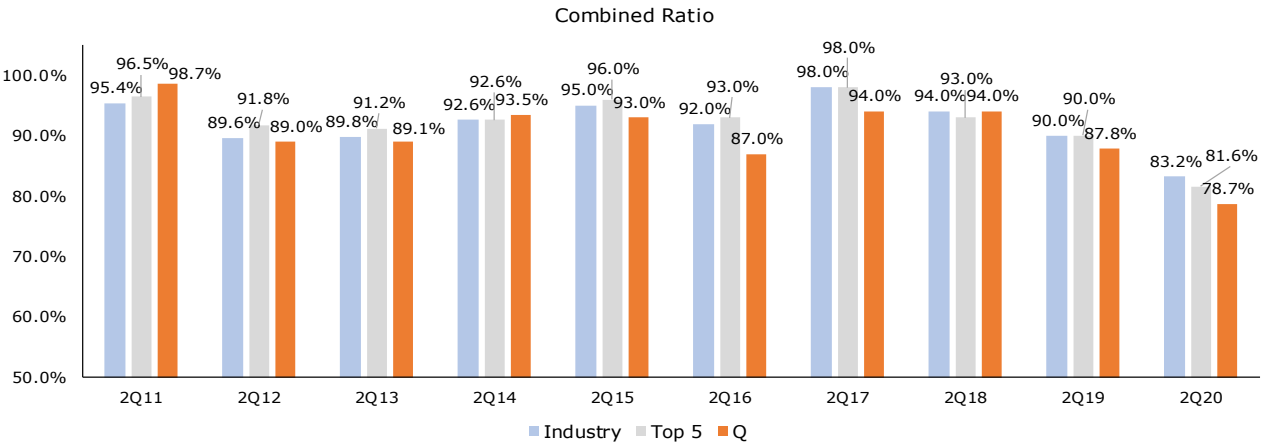
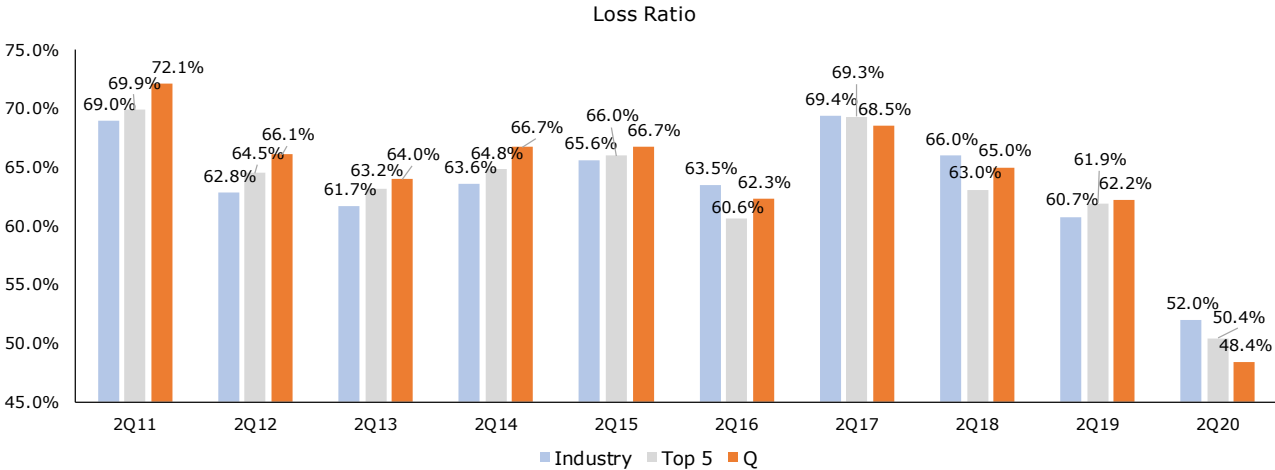
QUÁLITAS: 2Q20 Automobile Insurance Industry Report

Company	Written Premiums (MXN\$ Mn)	Market Share	Growth 2Q20 vs 2Q19	Earned Premiums	Market Share
Quálitas	15,369	29.7%	-2.4%	17,155	32.8%
G.N.P	7,430	14.3%	6.3%	7,321	14.0%
Chubb	5,821	11.2%	-17.9%	3,046	5.8%
Axa Seguros	4,429	8.5%	-17.7%	5,030	9.6%
HDI Seguros	3,041	5.9%	-22.1%	3,313	6.3%
Top 5	36,090	69.6%	-7.7%	35,864	68.5%
Banorte	2,589	5.0%	-15.8%	2,824	5.4%
BBVA Bancomer	2,466	4.8%	3.9%	2,323	4.4%
Atlas	1,513	2.9%	-11.0%	1,567	3.0%
Inbursa	1,463	2.8%	-11.0%	1,842	3.5%
Afirme	1,286	2.5%	-31.0%	1,543	2.9%
Mapfre México	1,281	2.5%	-0.5%	1,244	2.4%
ANA	1,161	2.2%	2.1%	879	1.7%
Zurich Daños	937	1.8%	-32.3%	1,159	2.2%
General de Seguros	546	1.1%	-13.7%	580	1.1%
Seguros SURA	470	0.9%	-26.2%	493	0.9%
Medium	13,713	26.5%	-12.8%	14,455	27.6%
Other	2,037	3.9%	-15.7%	2,027	3.9%
Total Market (35 Companies)	51,840	100.0%	-9.4%	52,346	100.0%

Company	Operating Result (MXN\$ Mn)	Investment Income (MXN\$ Mn)	Net Result (MXN\$ Mn)	Loss Ratio	Combined Ratio
Quálitas	4,237	899	3,651	48.4%	78.7%
G.N.P	999	330	947	51.3%	85.2%
Chubb	674	211	649	55.7%	90.0%
Axa Seguros	1,958	482	1,979	41.1%	63.7%
HDI Seguros	86	228	189	68.1%	107.1%
Top 5	7,954	2,150	7,416	50.4%	81.6%
Banorte	867	269	1,178	52.7%	70.8%
BBVA Bancomer	495	616	812	61.6%	77.7%
Atlas	299	169	388	54.7%	81.8%
Inbursa	272	21	282	61.2%	91.5%
Afirme	190	75	178	49.4%	95.3%
Mapfre México	176	72	173	50.2%	84.7%
ANA	122	59	123	45.4%	84.5%
Zurich Daños	274	40	311	53.4%	93.3%
General de Seguros	- 74	- 108	- 160	77.8%	114.8%
Seguros SURA	- 30	30	13	70.0%	110.3%
Medium	2,591	1,242	3,272	56.1%	84.7%
Other	106	235	252	50.2%	97.8%
Total Market (35 Companies)	10,651	3,627	10,940	52.0%	83.2%

Source: AMIS

QUÁLITAS: 2Q20 Automobile Insurance Industry Report



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