

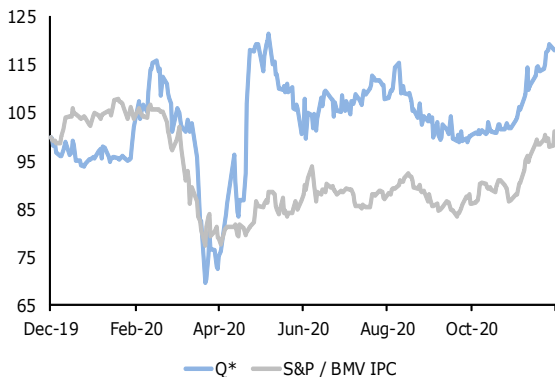
QUÁLITAS

Successful Sales Strategies Paid-Off with a Higher Market Share in 9M20

BUY

2020E Target Price (MXN\$)	\$ 110.00
Current Price (MXN\$)	\$ 98.48
Min / Max (L12M)	\$ 54.01 - 102.22
Expected Dividend (MXN\$)	\$ 1.70
Expected Return	13.4%
Market Cap (MXN\$ Mn)	40,672
Outstanding Shares (Mn)	413.0
Float	43.1%
6-month ADTV (MXN\$ Mn)	\$ 65.5

The Mexican Association of Insurance Institutions (AMIS) released the 9M20 Automobile Insurance Industry Report. These were the main highlights:

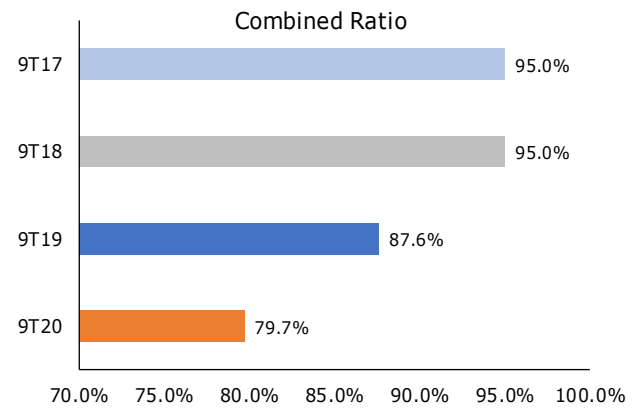
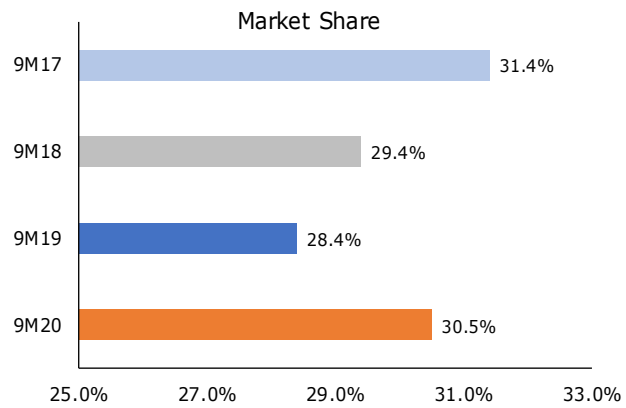
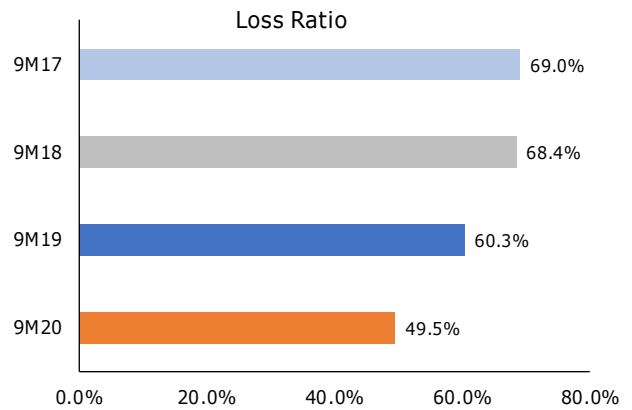
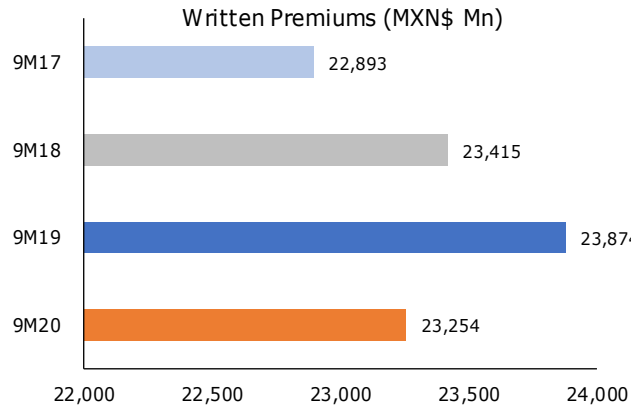


- QUÁLITAS' successful strategies to face the pandemic, which included price reductions, months without interests and flexibility in renewals, paid-off with a 30.5% market share of written premiums in 9M20, above 29.7% that the company registered in 6M20. The higher market share was mainly due to the 2.6% YoY decline in the company's written premiums, which was below the 9.1% YoY contraction in the market as a whole. QUÁLITAS's market share in terms of earned premiums also improved to 33.2% in 9M20, from 32.8% in 6M20;
- QUÁLITAS' 49.5% loss ratio compared favorably to the industry's 53.0% and remained among the industry's lowest. Only three companies achieved a lower loss ratio, including Axa, Mapfre and Ana. Worth mentioning that the large financial groups reported a loss ratio which was above QUÁLITAS'. All companies benefited from the lockdowns which reduced the number of accidents and car theft. As a result, QUÁLITAS reported a 79.7% combined ratio, which also remained among the lowest in the industry;
- The combination of strong written premiums, a very low combined ratio and high financial gains enabled QUÁLITAS to report a very high MXN\$5.2 billion net profit in 9M20, which represented one third of the industry's total net profits. This clearly highlights QUÁLITAS strong business model, the successful initiatives that the company took to face the adverse macroeconomic environment and the track record of its management team;
- Mexico's automobile and light truck sales were down 30.5% YoY to 664,194 units. However, car financing represented 62.6% of total sales, compared to 59.6% a year ago. QUÁLITAS had previously reported a 6.0% YoY growth in the individual segment and a 5.1% YoY decrease in financial institutions, also stronger than the performance of the country's new automobile and light truck sales.

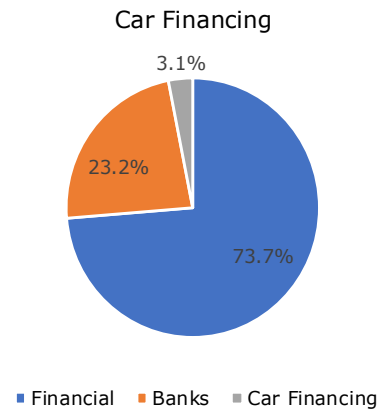
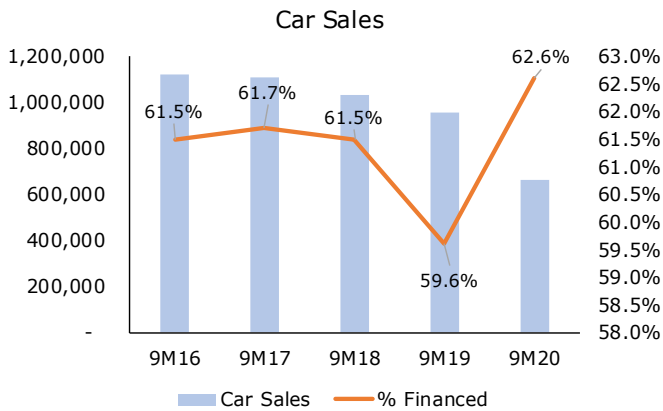
We continue with a BUY recommendation on QUÁLITAS and MXN\$110.0 a target price after this news.

QUÁLITAS: 9M20 Automobile Insurance Industry Report

Quálitas México



New Car Sales



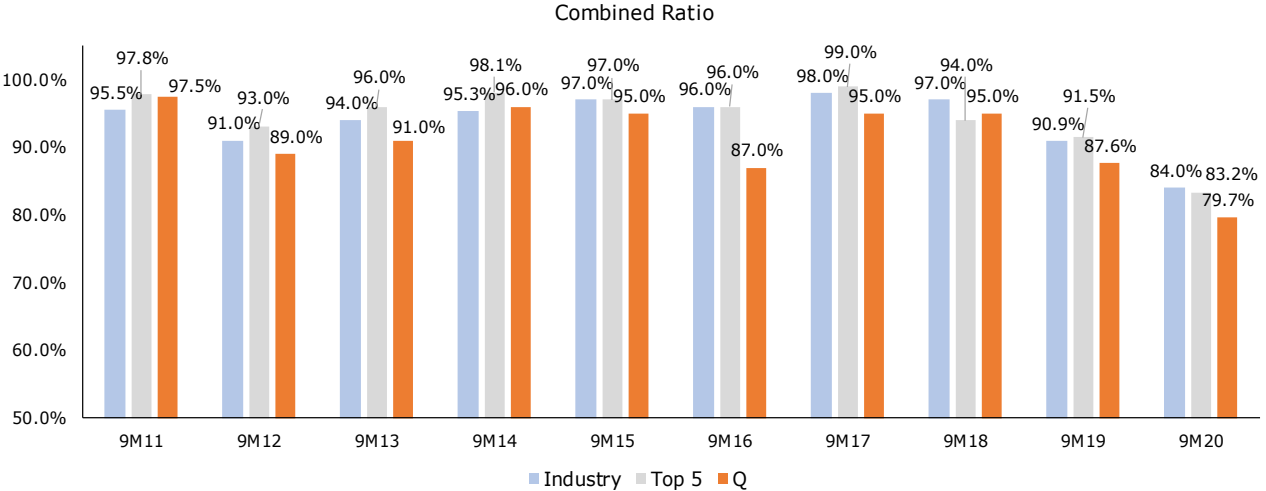
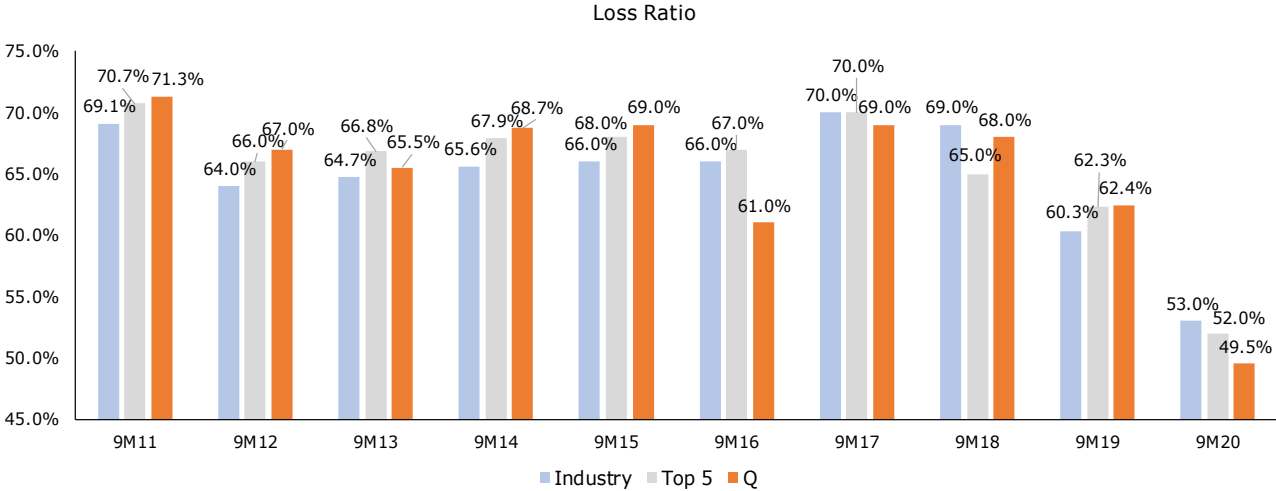
QUÁLITAS: 9M20 Automobile Insurance Industry Report

Company	Written Premiums (MXN\$ Mn)	Market Share	Growth 9M20 vs 9M19	Earned Premiums (MXN\$ Mn)	Market Share
Quálitas	23,254	30.5%	-2.6%	25,801	33.2%
G.N.P	10,674	14.0%	0.2%	10,750	13.8%
Chubb	8,053	10.6%	-20.0%	4,437	5.7%
Axa Seguros	6,555	8.6%	15.0%	7,309	9.4%
HDI Seguros	4,552	6.0%	16.2%	4,923	6.3%
Top 5	53,088	69.6%	-8.1%	53,220	68.4%
Banorte	3,693	4.8%	-14.8%	4,105	5.3%
BBVA Bancomer	3,652	4.8%	5.5%	3,514	4.5%
Inbursa	2,280	3.0%	-9.6%	2,744	3.5%
Atlas	2,123	2.8%	-13.7%	2,266	2.9%
Afirme	1,869	2.5%	10.6%	1,851	2.4%
Mapfre México	1,985	2.6%	-28.3%	2,341	3.0%
ANA	1,724	2.3%	3.6%	1,301	1.7%
Zurich Daños	1,358	1.8%	-31.6%	1,813	2.3%
General de Seguros	795	1.0%	-14.2%	846	1.1%
El Potosí	741	1.0%	15.8%	663	0.9%
Medium	20,219	26.5%	-9.9%	21,445	27.6%
Other	2,985	3.9%	-21.2%	3,090	4.0%
Total Market (35 companies)	76,293	100.0%	-9.1%	77,755	100.0%

Company	Operating Result (MXN\$ Mn)	Investment Income (MXN\$ Mn)	Net Result (MXN\$ Mn)	Loss Ratio	Combined Ratio
Quálitas	6,035	1,311	5,216	49.5%	79.7%
G.N.P	1,235	467	1,227	54.5%	88.2%
Chubb	1,174	226	1,022	56.9%	86.9%
Axa Seguros	2,427	627	2,634	43.8%	69.5%
HDI Seguros	199	344	382	67.7%	106.0%
Top 5	11,070	2,975	10,481	52.0%	83.2%
Banorte	1,359	357	1,765	50.0%	68.8%
BBVA Bancomer	626	662	957	64.7%	81.5%
Inbursa	450	59	452	57.8%	88.8%
Atlas	492	175	572	53.9%	80.1%
Mapfre México	368	113	327	47.7%	90.8%
Afirme	265	99	252	50.7%	85.3%
ANA	192	74	179	46.1%	83.7%
Zurich Daños	324	41	280	56.9%	95.4%
General de Seguros	- 126	- 73	176	79.7%	117.2%
El Potosí	67	42	88	55.6%	87.0%
Medium	4,018	1,468	4,696	55.3%	83.7%
Other	109	259	298	53.5%	100.8%
Total Market (35 Companies)	15,197	4,701	15,475	53.0%	84.0%

Source: AMIS

QUÁLITAS: 9M20 Automobile Insurance Industry Report



Disclaimer

The current report was prepared by Miranda Global Research ("Miranda GR") for Vector Casa de Bolsa, S.A. de C.V. The information is presented in summarized form and is not meant to be complete. There are no declarations or guarantees, expressed or implicit, in respect to the accuracy, impartiality or integrity of the information.

Miranda GR, in accordance to applicable legislation, has made sure that the presented personalized recommendation is reasonable to the client, as it has verified congruency between the client's profile and the profile of the financial product. Under no circumstance should it be understood that the fulfillment of the previously mentioned recommendation, guarantees the result or the success of the proposed strategies in the presented document.

The information included in this presentation was obtained from public and/or private sources. Projections or previsions included in this presentation, are a generalized recommendation and are based on subjective assumptions and estimations about events and circumstances that have not yet happened and are subjected to significant variations. Therefore, it is not possible to guarantee that any of the results included in the current report will happen in the future, in other words, it does not guarantee the result or the success of the posed strategies.

This report has been prepared solely with informational purposes. No declarations are made in respects to precision, sufficiency, veracity or accuracy of the information and opinions hereby included. Miranda GR will not answer (either because of negligence or for any other reason) for any damage or detriment derived or related to the use of this report or its content, or any connection to the report. Miranda GR is not responsible for the use or association with this report, including but not limited to, any declaration, expressed or implicit or guarantees or omissions included in this information.

This report is based on facts and/or events that have happened up to this date, consequently any future facts and/or events can impair the conclusions hereby expressed. Miranda GR does not assume any responsibility to update, review, rectify or invalidate this report based on any future occurrence.

The opinions related to this report eventually expressed by Miranda GR, should be considered only as suggestions/recommendations to better operate various topics related to the presentation.

This report and its contents are property of Miranda GR and cannot be reproduced or broadcast in part or in its entirety without the previous written consent of Miranda GR.

Miranda Global Research receives fees from Quálitas Controladora, S.A.B. de C.V. for independent analyst services.