

# QUÁLITAS

## Market Share Reached 31.5% in 2020; Maintained a High Profitability

<b>BUY</b>	
Target Price (MXN\$)	\$ 132.00
Current Price (MXN\$)	\$ 115.01
Min / Max (L12M)	\$ 54.01 - 119.30
Expected Dividend (MXN\$)	\$ 1.80
Expected Return	16.3%
Market Cap (MXN\$ Mn)	47,499
Oustanding Shares (Mn)	413.0
Float	47.0%
6-month ADTV (MXN\$ Mn)	\$ 90.5



QUÁLITAS' market share was 31.5% at the end of 2020, higher than the 29.8% of the previous year, according to the figures from AMIS' "Automotive Insurance Sector Report". This was due to the fact that the company's total premiums decreased only 2.8% in 2020, thus improving the 8.0% drop in the auto insurance market, which proves that the company's pricing and discounts strategy was adequate. In terms of earned premiums, QUÁLITAS' market share was 33.2% in 2020, also higher than the 32.0% of the previous year.

QUÁLITAS' loss ratio was 51.7% in 2020, well below the 54.5% at the industry level, thanks to less mobility and the company's technological tools. This allowed it to post a combined ratio of 80.2% in 2020, compared to 85.5% for the industry.

QUÁLITAS remained the most profitable insurance company in terms of operating income and financial income, and thus, net profits. The latter indicator represented more than a third of the sector's net profits, in line with its high market share.

For this year, we continue to believe that QUÁLITAS' main challenges will be: i) the likely increase in the loss ratio due to the re-opening of the Mexican economy and higher mobility levels; and, ii) despite the recent rebound in domestic interest rates, they are still lower than those of the previous year, which may reduce the company's financial gains.

We reiterate our BUY recommendation on QUÁLITAS due to its solid fundamentals, attractive valuation with a projected P/E of 10.6x and a P/BV of 2.5x, and its high profitability, with a 41.7% ROE.

March 12, 2021

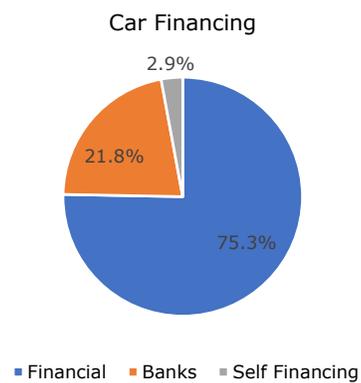
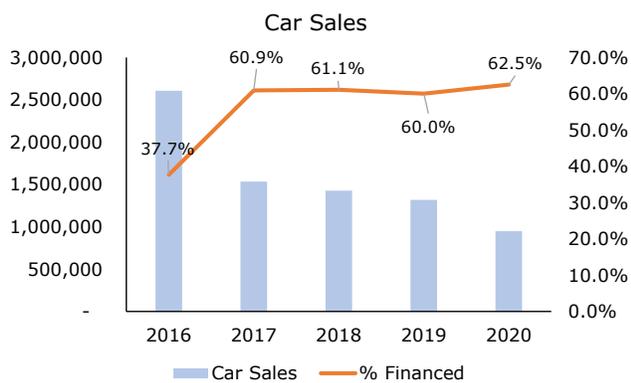
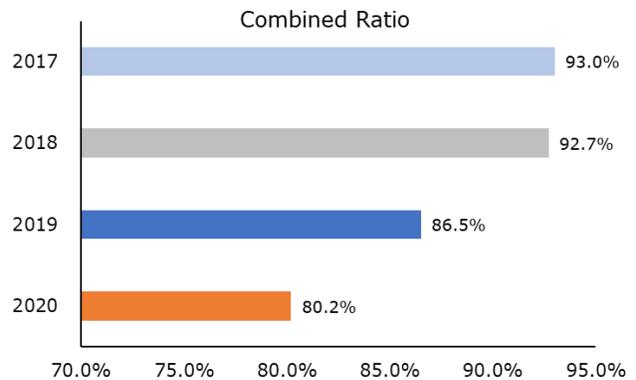
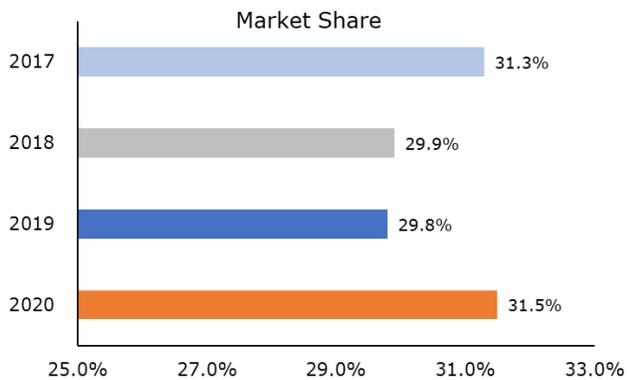
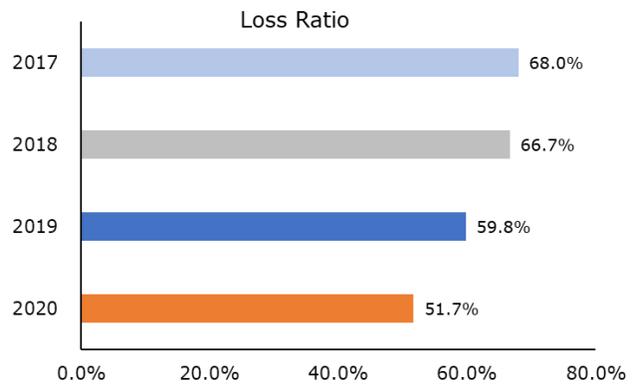
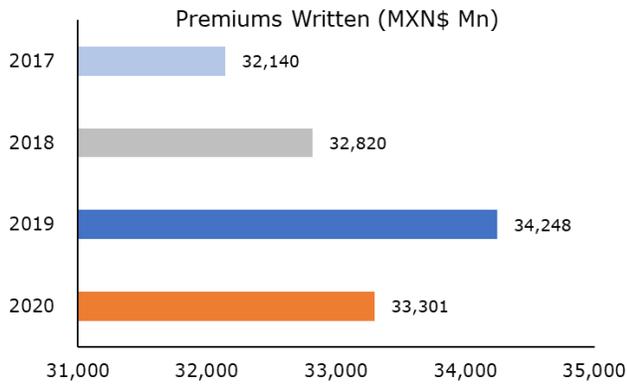
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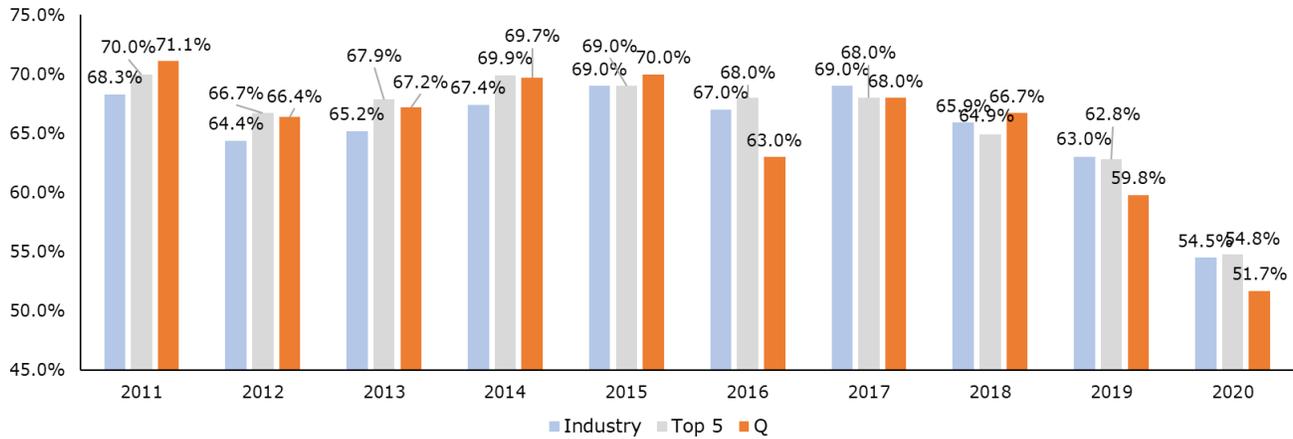
Company	Written Premiums (MXN\$ Mn)	Market Share	Growth 9M20 vs 9M19	Earned Premiums (MXN\$ Mn)	Market Share
<b>Quálitas</b>	<b>33,301</b>	<b>31.5%</b>	<b>-2.8%</b>	<b>34,644</b>	<b>33.2%</b>
G.N.P	14,900	14.1%	-2.5%	14,693	14.1%
Chubb	10,379	9.8%	-16.8%	5,701	5.5%
Axa Seguros	9,057	8.6%	-13.5%	9,689	9.3%
HDI Seguros	6,444	6.1%	-13.9%	6,708	6.4%
<b>Top 5</b>	<b>74,080</b>	<b>70.0%</b>	<b>-7.3%</b>	<b>71,435</b>	<b>68.5%</b>
Banorte	4,993	4.7%	-10.9%	5,451	5.2%
BBVA Seguros	4,945	4.7%	6.1%	4,735	4.5%
Inbursa	3,117	2.9%	-7.3%	3,634	3.5%
Atlas	2,812	2.7%	-15.5%	3,021	2.9%
Mapfre México	2,843	2.7%	-20.7%	3,225	3.1%
Afirme	2,453	2.3%	5.9%	2,431	2.3%
ANA	2,437	2.3%	6.6%	1,761	1.7%
Zurich Daños	1,919	1.8%	-31.6%	2,368	2.3%
General de Seguros	1,112	1.1%	-28.5%	1,132	1.1%
El Potosí	1,080	1.0%	-23.3%	879	0.8%
<b>Medium</b>	<b>27,712</b>	<b>26.2%</b>	<b>-7.4%</b>	<b>28,638</b>	<b>27.5%</b>
Other	4,109	3.9%	-20.8%	4,147	4.0%
<b>Total Market (35 companies)</b>	<b>105,901</b>	<b>100.0%</b>	<b>-8.0%</b>	<b>104,219</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>7,295</b>	<b>1,709</b>	<b>6,455</b>	<b>51.7%</b>	<b>80.2%</b>
G.N.P	1,143	581	1,245	58.4%	91.3%
Chubb	720	292	691	61.4%	101.9%
Axa Seguros	2,447	808	2,820	48.8%	76.7%
HDI Seguros	252	434	487	66.5%	104.8%
<b>Top 5</b>	<b>11,858</b>	<b>3,823</b>	<b>11,697</b>	<b>52.0%</b>	<b>86.0%</b>
Banorte	2,032	439	2,467	47.3%	64.1%
BBVA Seguros	789	653	1,072	65.8%	82.6%
Inbursa	733	115	651	53.2%	84.2%
Atlas	775	194	747	48.6%	76.4%
Mapfre México	534	144	484	48.1%	88.2%
Afirme	309	119	299	52.6%	86.9%
ANA	279	93	252	49.3%	81.4%
Zurich Daños	161	25	150	58.6%	105.8%
General de Seguros	-	101	28	73.0%	109.6%
El Potosí	81	51	107	56.3%	88.0%
<b>Medium</b>	<b>5,592</b>	<b>1,900</b>	<b>6,259</b>	<b>54.1%</b>	<b>82.4%</b>
Other	300	260	490	50.5%	97.0%
<b>Total Market (35 Companies)</b>	<b>17,750</b>	<b>5,984</b>	<b>18,446</b>	<b>54.5%</b>	<b>85.5%</b>

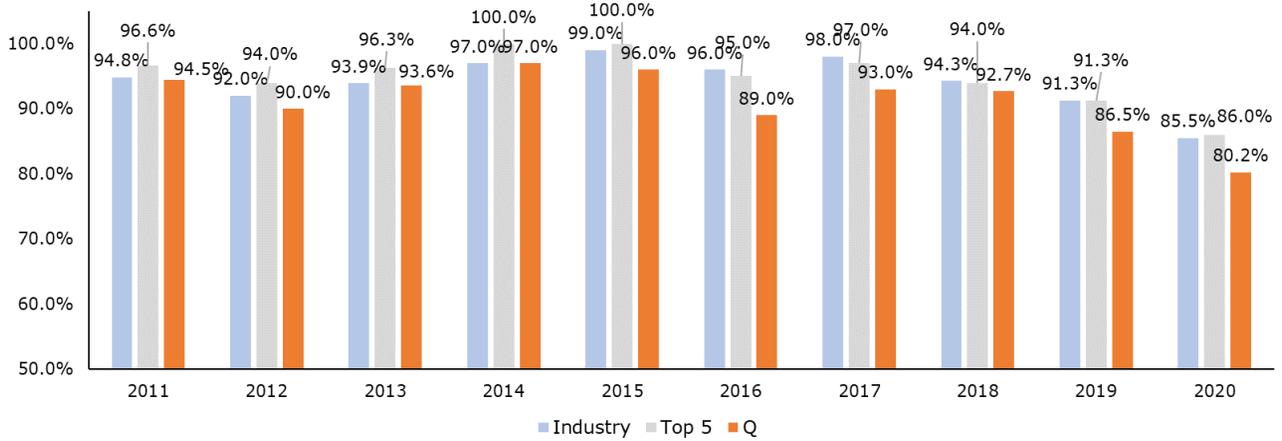
Source: AMIS



Loss Ratio



Combined Ratio



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