

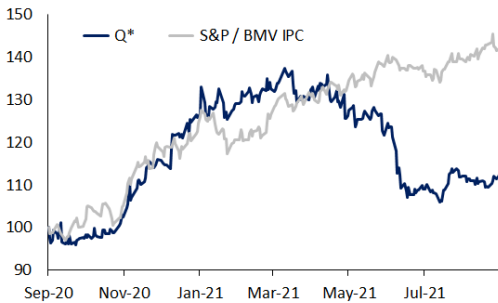
# QUÁLITAS

## Market Share Reached 32.0% but Claims Cost Normalizes in 6M21

Q*	BUY
Target Price (MXN\$)	\$ 120.00
Current Price (MXN\$)	\$ 96.98
Min / Max (L12M)	\$ 82.46 - 117.96
Expected Dividend (MXN\$)	\$ 4.00
Expected Return	27.9%
Market Cap (MXN\$ Mn)	40,053
Outstanding Shares (Mn)	413.0
Float	47.0%
6-month ADTV (MXN\$ Mn)	\$ 108.8

The Mexican Association of Insurance Institutions (AMIS) released the Auto Insurance Industry Report corresponding to the first half of 2021. These were the main points:

- QUÁLITAS' market share reached 32.0% at the end of June this year, slightly higher than the 31.2% at the end of 1Q21 and 29.7% in June of the previous year. We believe that this was due to the fact that the company eliminated the discounts and promotions that it had applied during the pandemic, in conjunction with a clear market recovery. This strategy resulted in an 11.4% YoY increase in QUÁLITAS's premiums written, which was above the 3.3% market growth. In terms of premiums earned, the company's market share was 33.1% in 6M21, from 32.8% in 1Q21 and 31.1% in 6M20.
- Total vehicle sales in Mexico rose 18.1% in 6M21, which boosted written premiums. 60.0% of the new units were acquired through financing, slightly below the 60.8% in 6M20. Financing granted by non-bank financial companies accounted for 77.6% of total financing.
- At the industry level, the loss index was 59.4% in 6M21, higher than the 52.0% of 6M20, but still down 2.8% percentage points compared to pre-pandemic levels. In QUÁLITAS' case, this index reached 60.1% in 6M21, from 48.4% in 6M20 and was 0.6 percentage points below pre-pandemic levels. Worth mentioning that QUÁLITAS' index had decreased more than the industry's during the health emergency.



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- Private car mobility was up 9.5% and personal mobility rose 22.4% compared to pre-pandemic levels. However, public transportation mobility is still down 37.6%. This was partially offset by a 16.5% reduction in the number of thefts at the industry level and 11.6% in QUÁLITAS's case.
  - The industry's net profit stood at MXN\$7.4 billion in 6M21, with a 32% drop compared to the same period of the previous year due to the normalization of claims and lower financial gains. QUÁLITAS 'net profit fell 50% YoY due to a more unfavorable comparison basis.

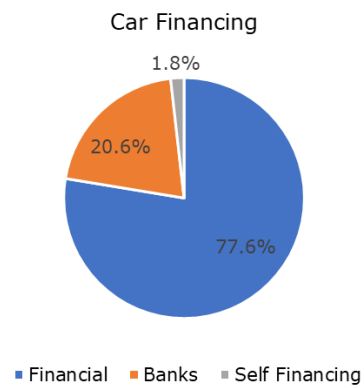
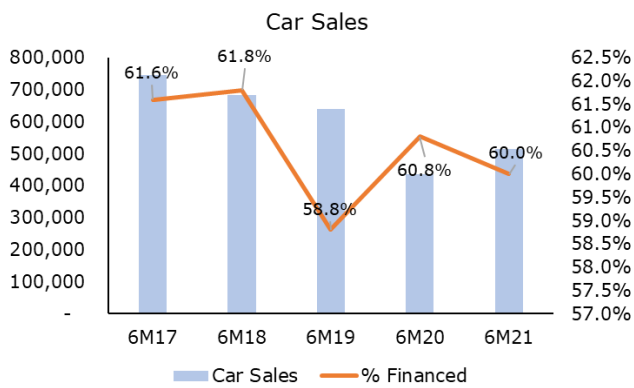
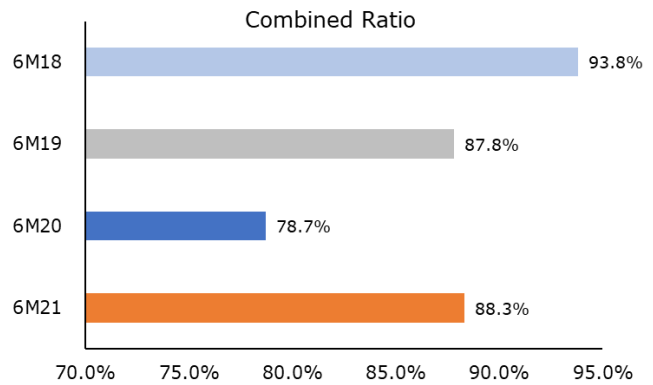
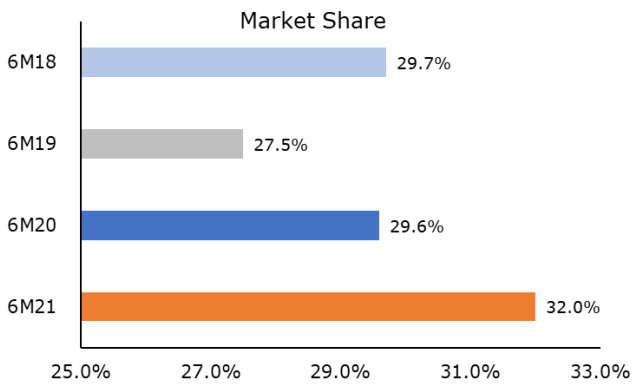
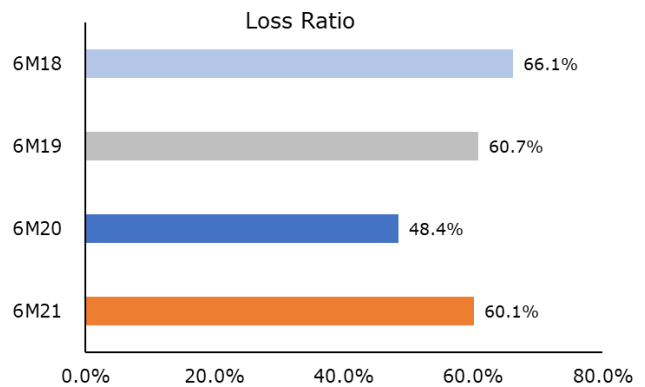
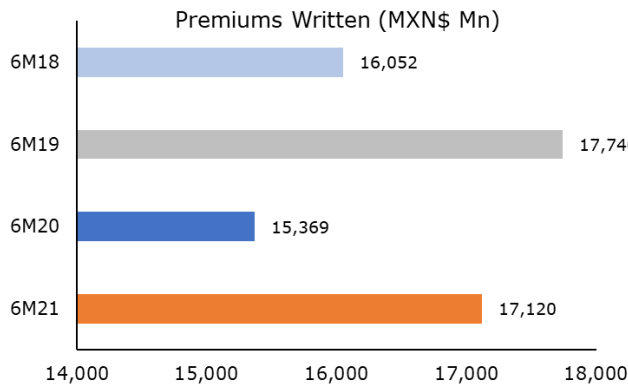
We continue with a BUY recommendation on QUÁLITAS's shares mainly due to its low valuation with a 2022E estimated P/E of 8.8x and a P/BV of 2.1x and strong fundamentals. We believe that these multiples already reflect the increase in claims during the current year.

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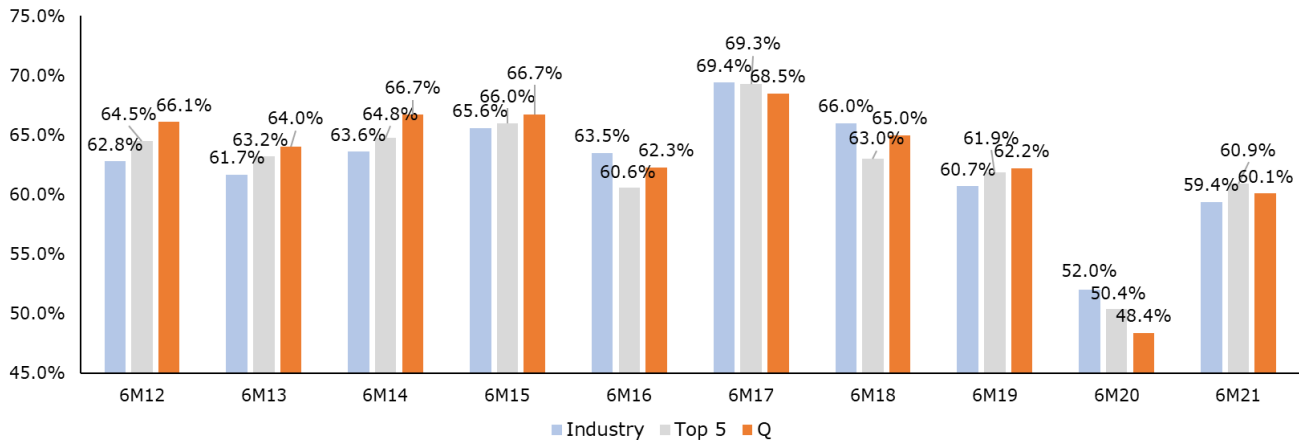
Company	Written Premiums (MXN\$ Mn)	Growth 6M21 vs 6M20	Market Share	Earned Premiums (MXN\$ Mn)	Market Share
<b>Quálitas</b>	<b>17,120</b>	<b>11.4%</b>	<b>32.0%</b>	<b>16,576</b>	<b>33.1%</b>
G.N.P	6,653	-10.5%	5.1%	7,038	14.1%
Chubb	5,701	-2.1%	10.7%	2,728	5.4%
Axa Seguros	4,463	0.8%	8.3%	4,535	9.1%
HDI Seguros	3,352	10.2%	6.3%	3,304	6.6%
<b>5 Largest</b>	<b>37,289</b>	<b>3.3%</b>	<b>69.6%</b>	<b>34,181</b>	<b>68.3%</b>
BBVA Seguros	2,717	10.2%	5.1%	2,387	4.8%
Banorte	2,353	-9.1%	4.4%	2,397	4.8%
Inbursa	1,779	21.6%	3.3%	1,800	3.6%
Atlas	1,574	4.0%	2.9%	1,553	3.1%
Mapfre México	1,364	6.0%	2.6%	1,621	3.2%
ANA	1,304	12.3%	2.4%	1,001	2.0%
Afirme	1,251	-2.4%	2.3%	1,233	2.5%
Zurich Daños	994	6.0%	1.9%	1,103	2.2%
General de Seguros	551	0.8%	1.0%	554	1.1%
El Potosí	488	5.6%	0.9%	467	0.9%
<b>Medium</b>	<b>14,375</b>	<b>4.9%</b>	<b>26.8%</b>	<b>14,116</b>	<b>28.2%</b>
Other	1,882	-8.0%	3.5%	1,771	3.5%
<b>Total Market (34 companies)</b>	<b>53,546</b>	<b>3.3%</b>	<b>100.0%</b>	<b>50,068</b>	<b>100.0%</b>

Company	Underwriting Result (MXN\$ Mn)	Investment Income (MXN\$ Mn)	Net Result (MXN\$ Mn)	Loss Ratio	Combined Ratio
<b>Quálitas</b>	<b>1,802</b>	<b>677</b>	<b>1,823</b>	<b>60.1%</b>	<b>88.3%</b>
G.N.P	499	343	624	62.4%	94.6%
Chubb	307	35	250	65.3%	98.5%
Axa Seguros	574	375	794	57.2%	88.2%
HDI Seguros	274	236	361	62.6%	97.6%
<b>5 Largest</b>	<b>3,456</b>	<b>1,666</b>	<b>3,852</b>	<b>60.9%</b>	<b>91.2%</b>
BBVA Seguros	428	262	616	67.3%	80.3%
Banorte	911	130	1,334	45.6%	62.3%
Inbursa	388	61	344	55.7%	81.5%
Atlas	354	81	385	55.4%	77.0%
Mapfre México	303	56	253	53.4%	86.6%
ANA	120	20	91	50.7%	87.0%
Afirme	144	31	126	55.4%	87.8%
Zurich Daños	65	37	144	62.2%	105.6%
General de Seguros	-	100	113	73.4%	109.2%
El Potosí	49	12	63	61.2%	89.1%
<b>Medium</b>	<b>2,662</b>	<b>862</b>	<b>3,469</b>	<b>56.6%</b>	<b>81.7%</b>
Otras	25	76	71	52.6%	103.8%
<b>Total Market (34 companies)</b>	<b>6,144</b>	<b>2,602</b>	<b>7,391</b>	<b>59.4%</b>	<b>89.0%</b>

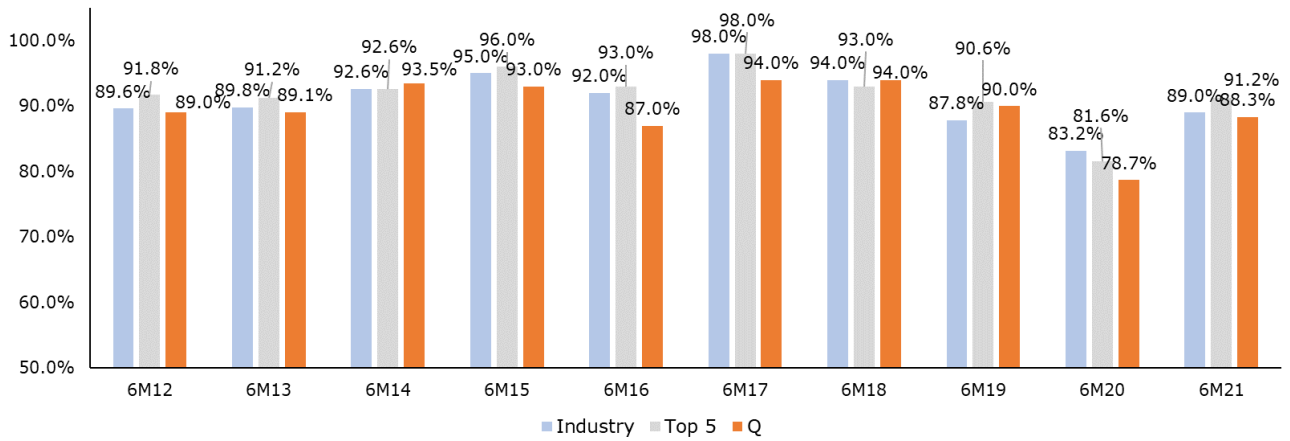
Source: AMIS



Loss Ratio



Combined Ratio



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