

QUÁLITAS

Market share continued to rise at the end of 2021, but lower profitability due to rising loss costs

Q*	BUY
Target Price (MXN\$)	\$ 120.00
Current Price (MXN\$)	\$ 111.23
Min / Max (L12M)	\$ 89.09 - 118.85
Expected Dividend (MXN\$)	\$ 4.00
Expected Return	11.5%
Market Cap (MXN\$ Mn)	45,938
Outstanding Shares (Mn)	413.0
Float	47.0%
6-month ADTV (MXN\$ Mn)	\$ 105.9



These were the main highlights of the “2021 Auto Insurance Industry Report” by the Mexican Association of Insurance Institutions (AMIS):

- QUÁLITAS’ premiums written were up 5.0% in 2021, compared to 2.1% for the industry. For this reason, the company's market share reached 32.3% in 2021, slightly higher than the 31.2% in 9M21 and 31.5% in 2020. This took place despite the fact that QUÁLITAS began to raise prices since the middle of last year, which we consider a favorable performance. In terms of premiums earned, the company's market share was 32.9% in 2021, up from 32.1% in 9M21, but slightly down from 33.2% in the previous year.
- As a result of greater mobility, QUÁLITAS's loss ratio was 63.3% in 2021, compared to 51.7% the previous year. This boosted the combined ratio to 90.3% in 2021, from 80.2% in 2020. At the industry level, the loss ratio rose to 63.3% in 2021, from 54.5% in 2020. The combined ratio advanced to 92.3%, from 85.5%.
- QUÁLITAS’ 2021 net profit was down 47.3% in 2021, which derived mainly from the contraction both at the operating and financial levels. For the same reason, the industry reported a 30.3% decline in net profits.

We reiterate our BUY recommendation on QUÁLITAS due to its solid fundamentals and because the valuation of its shares continues to seem attractive to us with a P/BV of 2.3x and an estimated P/E of 11.3x.

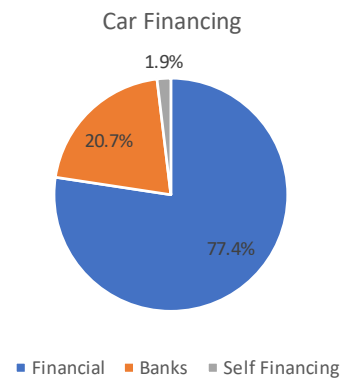
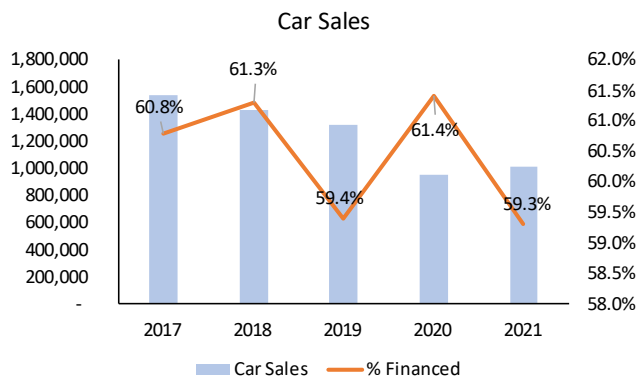
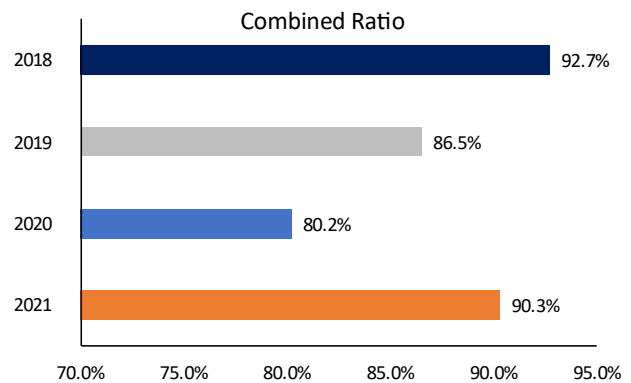
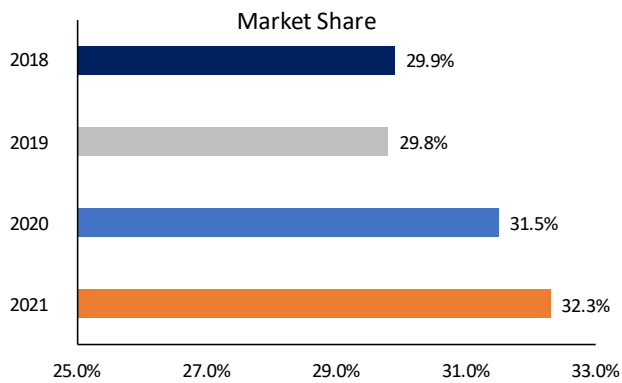
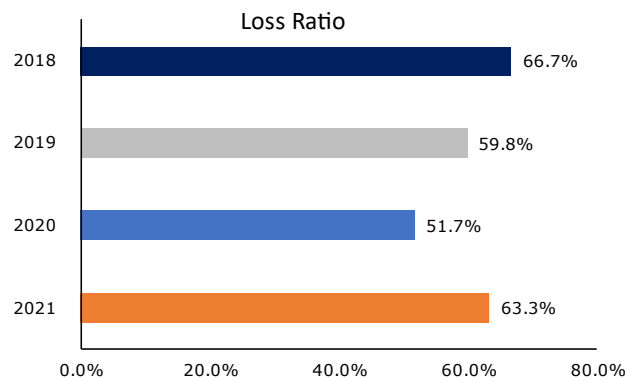
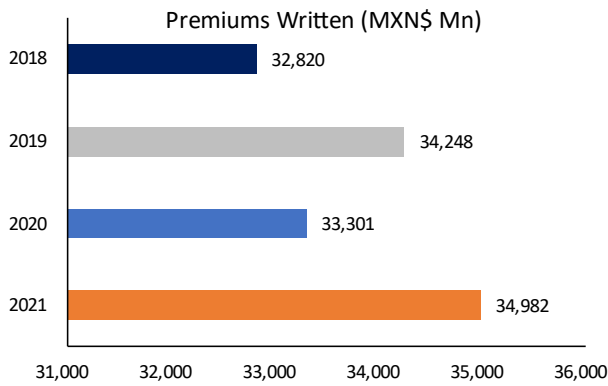
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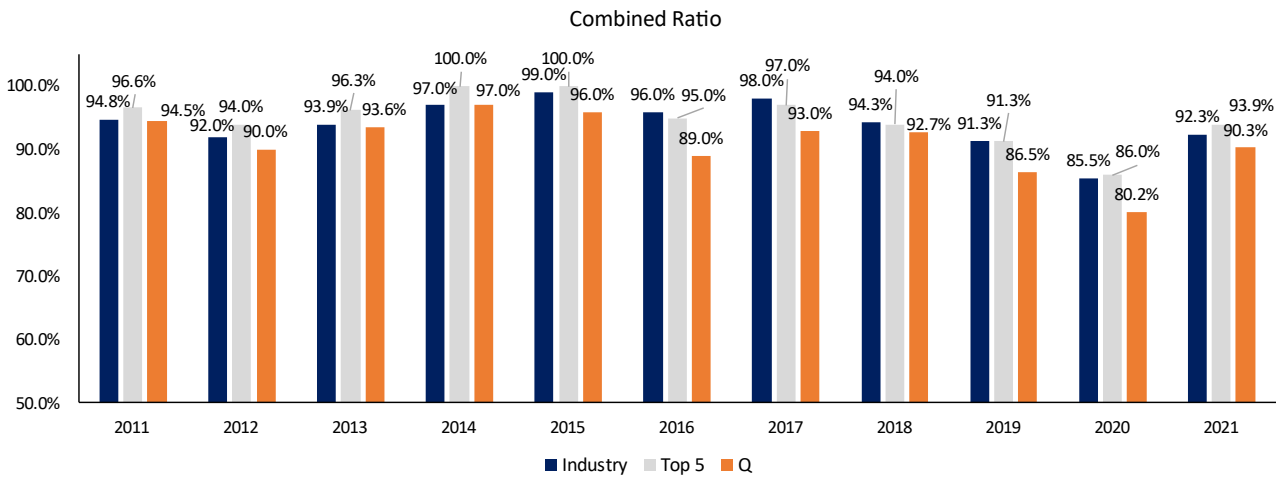
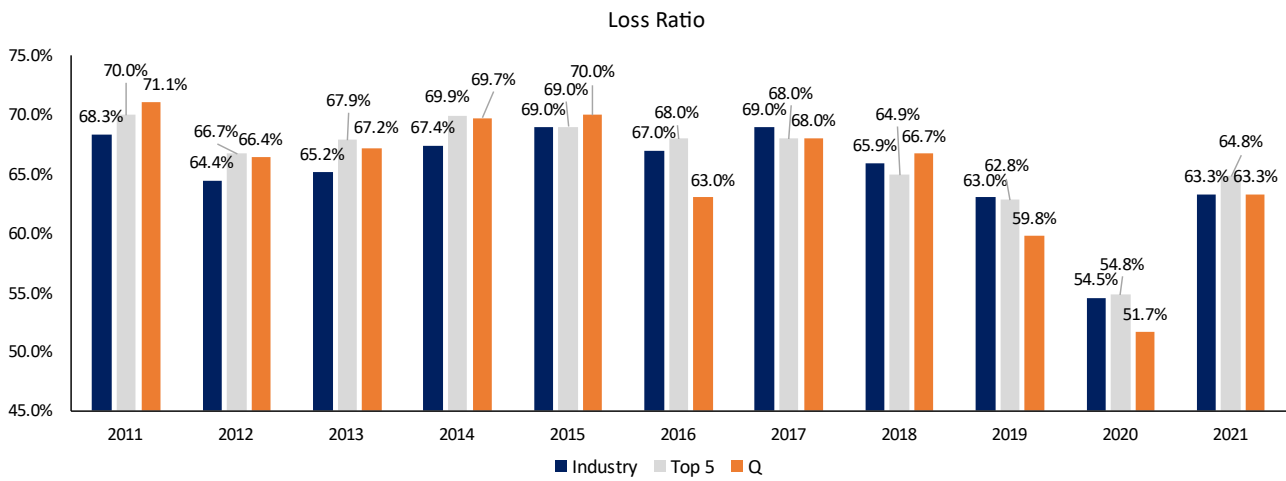
Martin Lara
 +5255-6413-8563
 Martin.lara@miranda-gr.com

Company	Written Premiums (MXN\$ Mn)	Growth 2021 vs. 2020	Market Share	Earned Premiums (MXN\$ Mn)	Market Share
Quálitas	34,982	5.0%	32.3%	33,387	32.9%
G.N.P	13,509	-9.3%	12.5%	14,475	14.3%
Chubb	10,475	0.9%	9.7%	5,257	5.2%
Axa Seguros	9,217	1.8%	8.5%	9,282	9.2%
HDI Seguros	6,762	4.9%	6.3%	6,689	6.6%
5 Largest	74,945	1.2%	69.3%	69,090	68.2%
BBVA Seguros	5,330	7.8%	4.9%	4,925	4.9%
Banorte	4,703	-5.8%	4.3%	4,842	4.8%
Inbursa	3,739	19.9%	3.5%	3,709	3.7%
Atlas	3,013	7.2%	2.8%	2,988	2.9%
ANA	2,846	16.8%	2.6%	2,132	2.1%
Mapfre México	2,822	0.7%	2.6%	3,103	3.1%
Afirme	2,376	-3.1%	2.2%	2,388	2.4%
Zurich Daños	2,151	12.1%	2.0%	2,321	2.3%
General de Seguros	1,152	3.6%	1.1%	1,146	1.1%
El Potosí	1,012	-6.3%	0.9%	963	1.0%
Medium	29,144	5.2%	26.9%	28,515	28.1%
Other	4,078	0.8%	3.8%	3,758	3.7%
Total Market (32 Companies)	108,168	2.1%	100.0%	101,363	100.0%

Company	Underwriting Result (MXN\$ Mn)	Investment Income (MXN\$ Mn)	Net Result (MXN\$ Mn)	Loss Ratio	Combined Ratio
Quálitas	2,833	1,491	3,401	63.3%	90.3%
G.N.P	269	683	727	66.5%	100.3%
Chubb	767	114	711	72.6%	96.8%
Axa Seguros	882	701	1,437	62.8%	91.1%
HDI Seguros	342	440	567	65.6%	100.7%
5 Largest	5,093	3,427	6,843	64.8%	93.9%
BBVA Seguros	446	645	900	74.4%	89.7%
Banorte	1,797	286	2,588	46.0%	63.4%
Inbursa	360	182	454	62.5%	90.1%
Atlas	485	139	595	60.3%	83.7%
ANA	272	60	231	53.4%	85.5%
Mapfre México	260	120	270	59.6%	94.8%
Afirme	119	82	154	62.9%	95.1%
Zurich Daños	155	74	265	63.5%	103.1%
General de Seguros	-	425	227	71.6%	112.1%
El Potosí	52	31	89	63.6%	95.1%
Medium	3,805	2,046	5,772	61.1%	87.2%
Otras	82	191	252	51.6%	100.8%
Total Market (32 companies)	8,980	5,664	12,866	63.3%	92.3%

Source: AMIS





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