

# QUÁLITAS: 1Q22 Preview

Claims will continue to rise, offsetting the slight premium growth and higher financial gains

Q*	BUY
Target Price (MXN\$)	\$ 120.00
Current Price (MXN\$)	\$ 114.85
Min / Max (L12M)	\$ 89.09 - 119.64
Expected Dividend (MXN\$)	\$ 4.00
Expected Return	8.0%
Market Cap (MXN\$ Mn)	47,433
Outstanding Shares (Mn)	413.0
Float	47.0%
6-month ADTV (MXN\$ Mn)	\$ 106.9

## Opinion and Recommendation

We expect QUÁLITAS' claims to continue rising in 1Q22, although less than in previous quarters, thus offsetting the slight growth in premiums written and earned and higher financial gains. This will likely translate into a 15.3% bottom line reduction. Our recommendation is BUY with a MXN\$120.0/share target price due to the low valuation of QUÁLITAS shares.

## 1Q22 Preview

We expect QUÁLITAS' 1Q22 premium written to rise 1.8% YoY to MXN\$9.9 billion. This will include a strong 17% growth in the individual segment, which we expect to benefit from used car sales, and a 25% increase in foreign subsidiaries. However, in the fleet segment we anticipate a 10% drop and in financial institutions we foresee a 10% decrease, the latter due to lower new cars sales. The company will create MXN\$1 billion in reserves in the current quarter, with which premiums earned will grow 2.1% to MXN\$8.8 billion.

We project that the combined ratio will reach 90.6% in 1Q22, from 86.6% in 1Q21, mainly as a result of higher claims, generated by increased mobility levels. The loss ratio will likely stand at 62.1%, compared to 59.3% in the previous year. We anticipate that acquisition and operating ratios will rise marginally to 23.5% and 5.0%, respectively.

Financial gains will improve to MXN\$701 million, from MXN\$531 million a year ago, we believe, supported by higher interest rates. However, we forecast that net profits will be down 15.3% YoY to MXN\$909 million, due to higher claims. This will likely translate into a 17.8% ROE in 1Q22, from 36.9% in 1Q21.



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