



# Corporate presentation

2<sup>nd</sup> quarter

2020



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2<sup>nd</sup> quarter 2020

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than a decade

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# About us



## 26 years in the market,

13 years as market leaders.  
\$16.7 bn MXN in written premiums (YTD)  
\$3.7 bn MXN in net profit (YTD)



**We have the largest network**  
in the country.

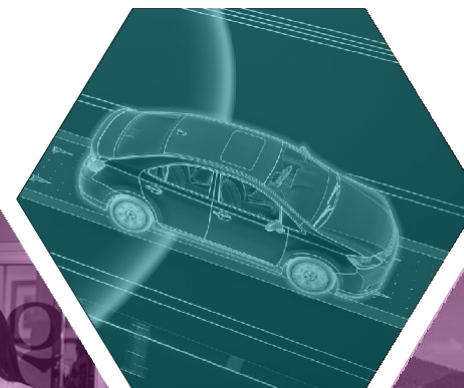


## International presence; Operation in 5 countries:

Mexico, United States, Peru,  
Costa Rica, & El Salvador.



**A unique business model,**  
based on excellence in  
service & a strict cost  
control policy.



## Technological innovation

for operation efficiencies & risk  
prevention.



**Socially responsible**  
company & leader in the  
implementation of ESG  
criteria.

# Corporate structure

## GEOGRAPHIC SUBSIDIARIES:

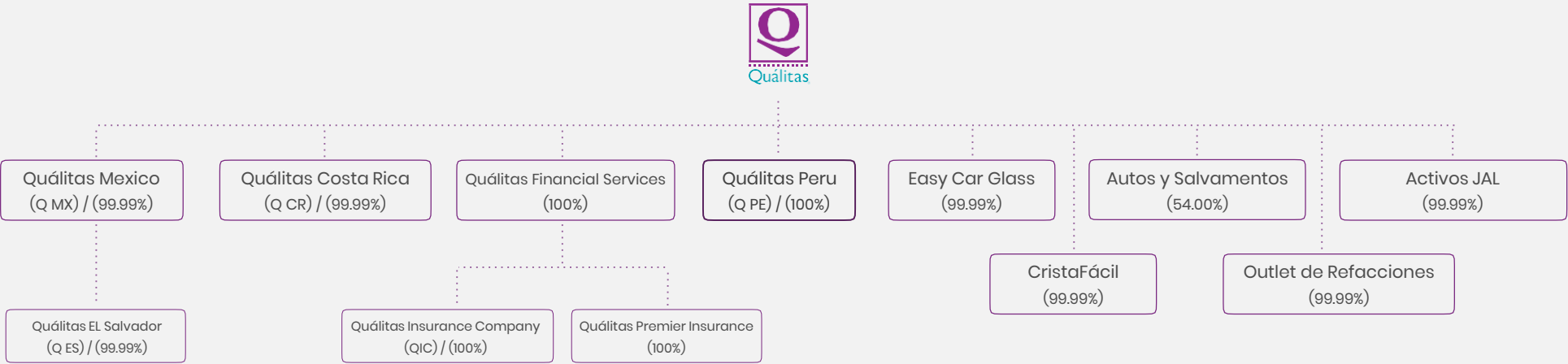
We seek to expand and replicate our business model, having a greater income diversification and potentialize growth.



2Q20 figures, based on written premiums

## VERTICAL INTEGRATION:

We seek to make our non-insurance subsidiaries profitable, and to help reduce costs.



# Qualitas' DNA

## QUÁLITAS OPERATIONAL CENTER:

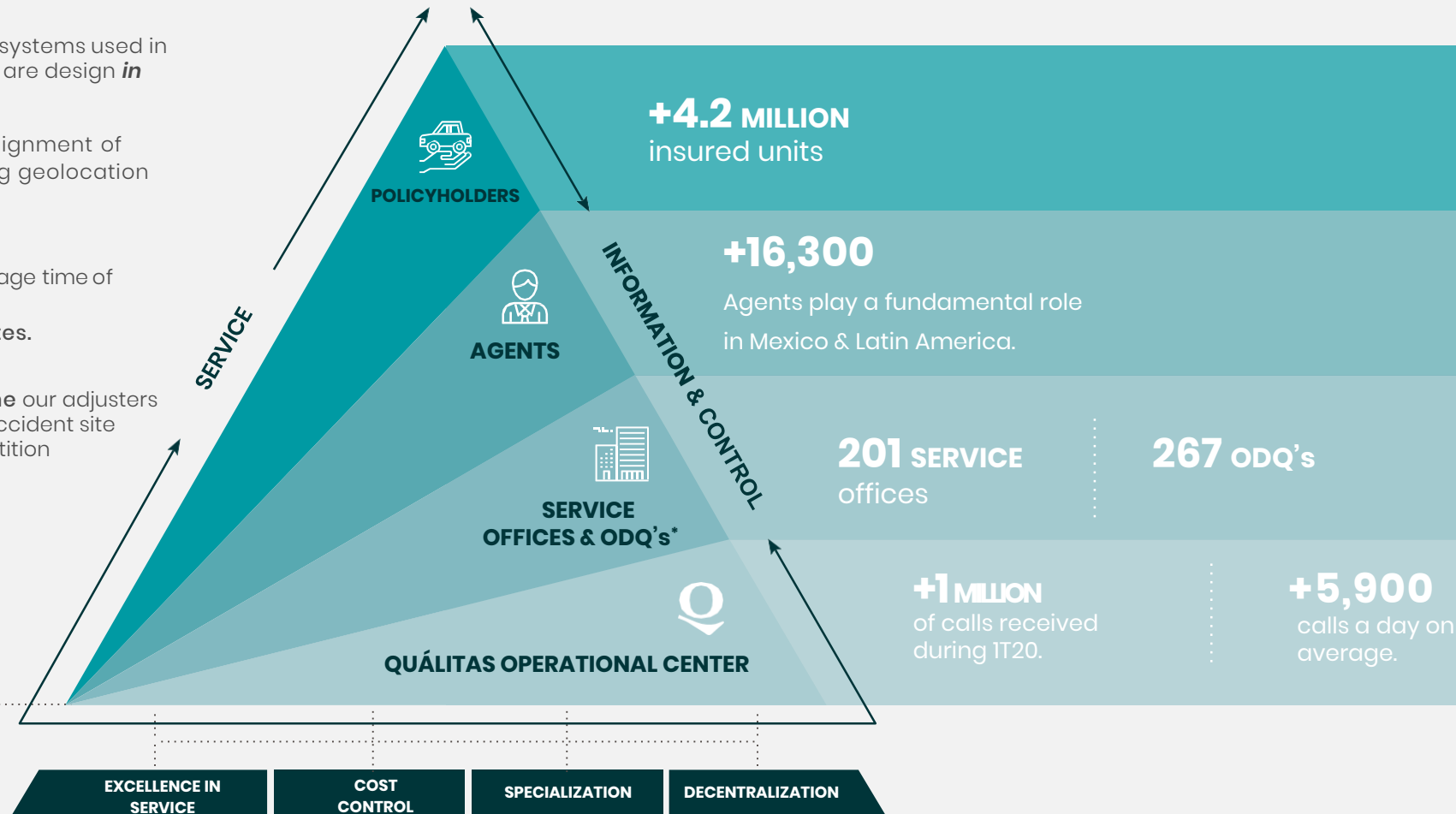
Business model **based on excellent service & cost control.**

- Technological systems used in our call center are design **in house.**

Automatic assignment of adjusters using geolocation tools.

(National) average time of adjuster arrival  
~25 - 30 minutes.

85% of the time our adjusters arrive to the accident site before competition



# Value creation

We are profitable in both businesses, and work on them independently.

**Cost indicators** program  
**Tariffs periodic adjustments** (annual policies)  
**Flexibility**  
Interests **alignment**  
**Specialization**; 26 years specifically in automobile industry  
**0% debt**-0% receivables/debtors

UNDERWRITING

RESULT

FINANCIAL

**Conservative** portfolio allocation  
**Moderate** risk  
Market **valuation**  
**Decisions made by committee.**  
Experienced investment council that meets monthly  
**Long term** investments  
**Portfolio invested** 89.1% in fixed income & 10.9% in equities

## Net income

ROE L12M  
% solvency margin

3.7 bn MXN

46.7%  
667%

## Financial strength

Invested assets or float  
ROI  
Combined ratio  
Stockholder's equity

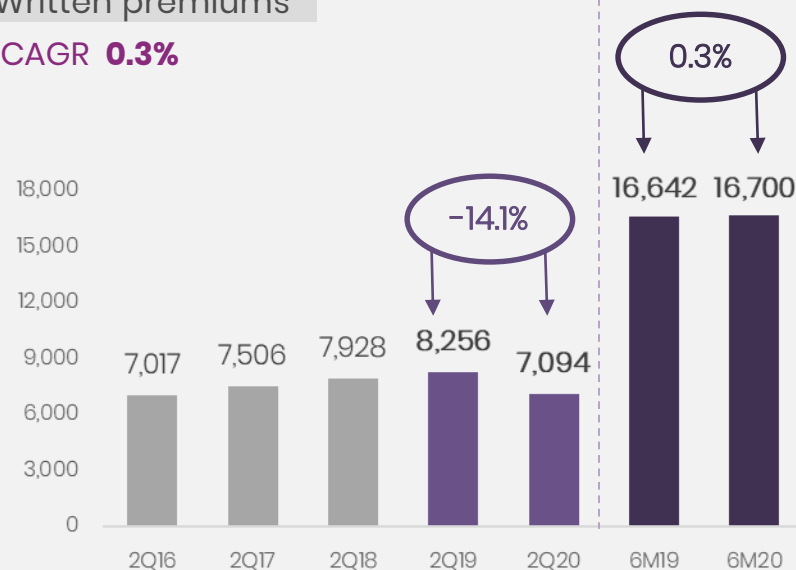
31.6 bn MXN

3.1%  
78.3%  
+16.7 bn MXN

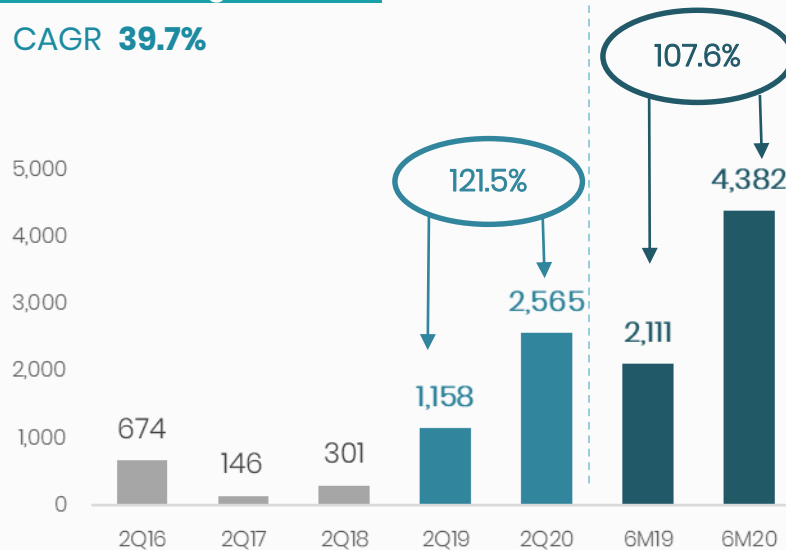
6M20 figures



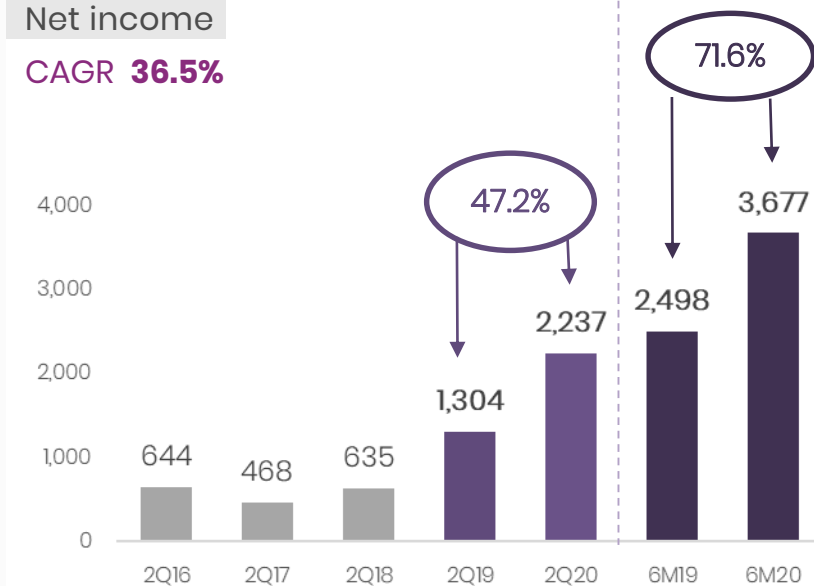
## Written premiums

CAGR **0.3%**

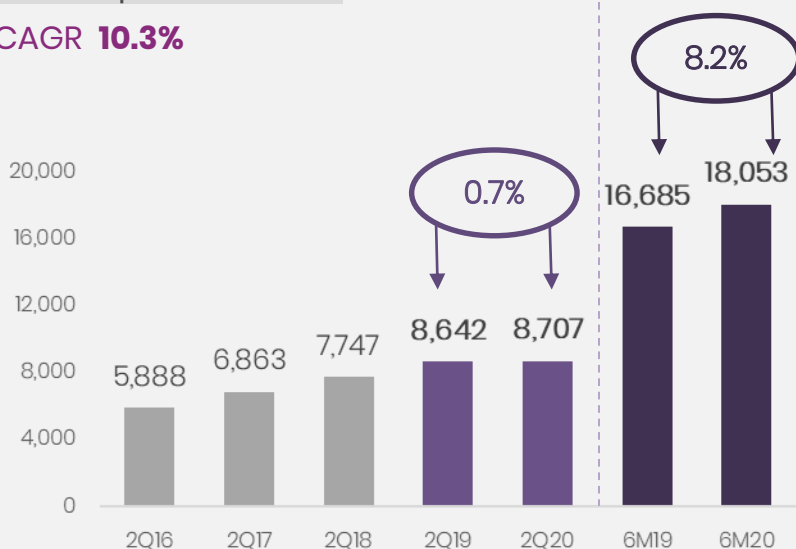
## Underwriting result

CAGR **39.7%**

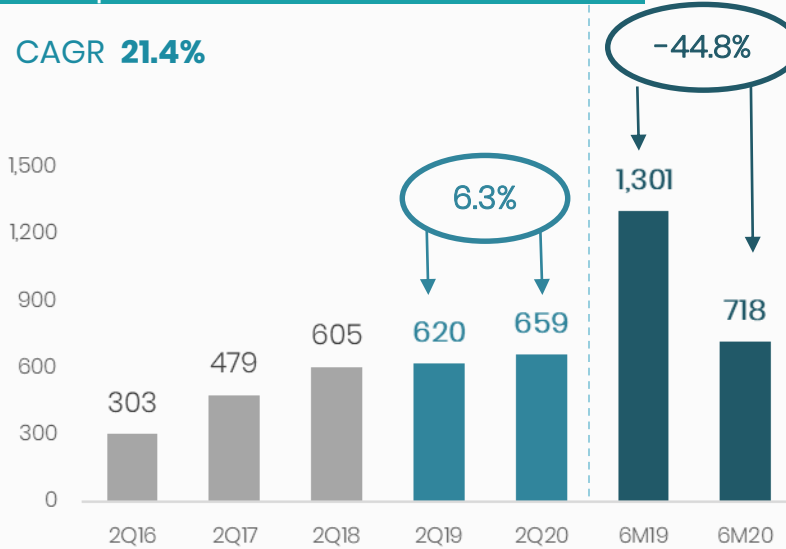
## Net income

CAGR **36.5%**

## Earned premiums

CAGR **10.3%**

## Comprehensive financial income

CAGR **21.4%**

**29.5%**  
OPERATING  
margin

**31.5%**  
NET  
margin

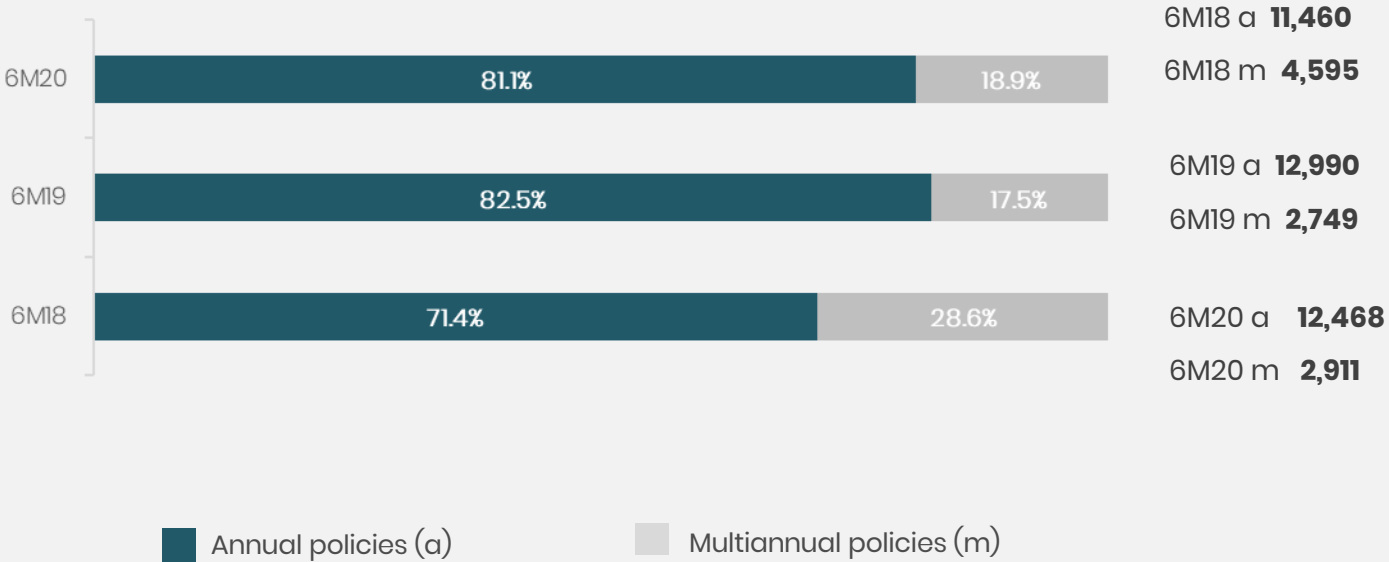
**46.7%**  
ROE 12M

**CAGR:** Compound Annual Growth Rate of the last 5 years  
Figures in million (MXN)

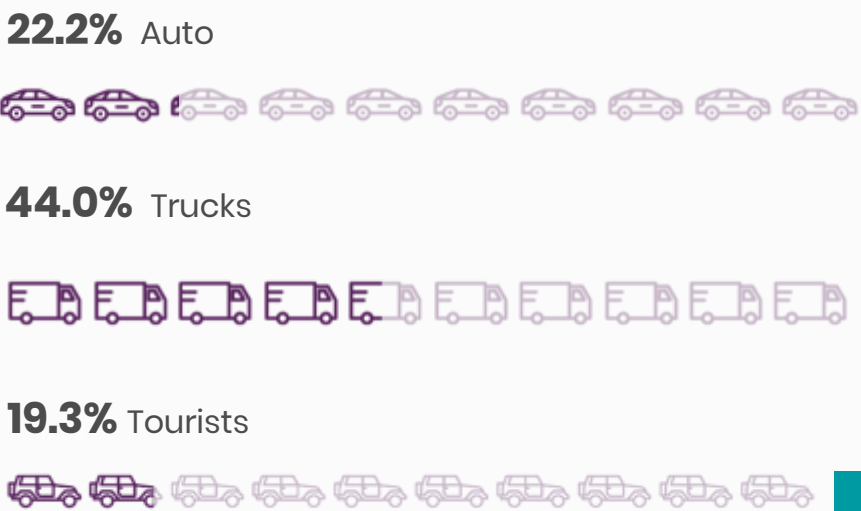
Premiums by business line

BUSINESS LINE	2Q20	2Q19	Δ\$	Δ%	6M20	6M19	Δ\$	Δ%
Traditional	4,417	5,127	(710)	(13.8%)	10,223	10,475	(252)	(2.4%)
<i>Individual</i>	2,378	2,471	(93)	(3.8%)	5,359	5,129	231	4.5%
<i>Fleets</i>	2,040	2,656	(616)	(23.2%)	4,863	5,346	(483)	(9.0%)
Financial institutions	1,949	2,637	(688)	(26.1%)	5,155	5,264	(109)	(2.1%)
Foreign subsidiaries	707	483	224	46.5%	1,295	900	395	43.8%
Total	7,094	8,256	(1398)	(14.1%)	16,700	16,642	57	0.3%

Premiums by duration



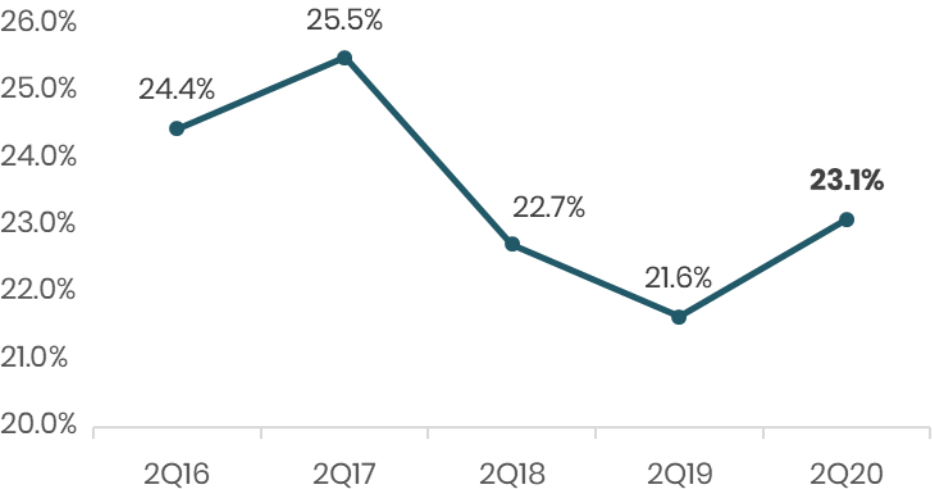
Market share by segment



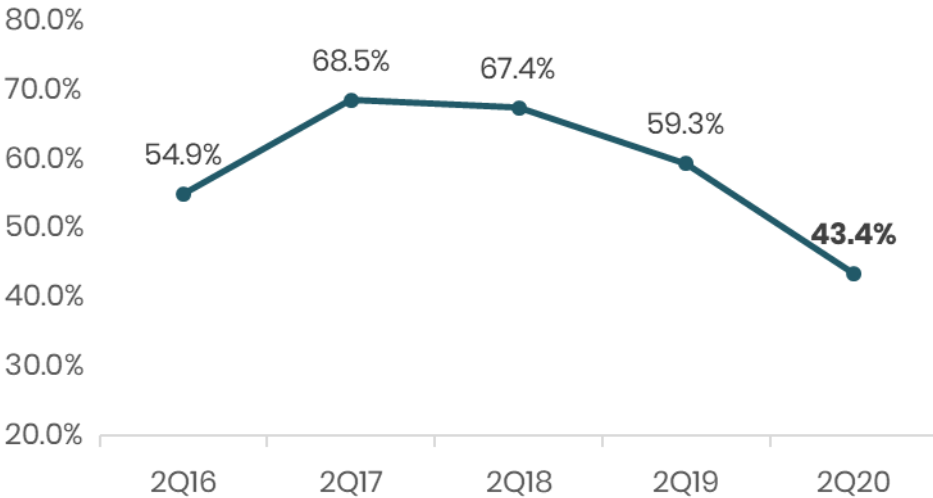
Source AMIS 2Q20  
Figures in million (MXN)



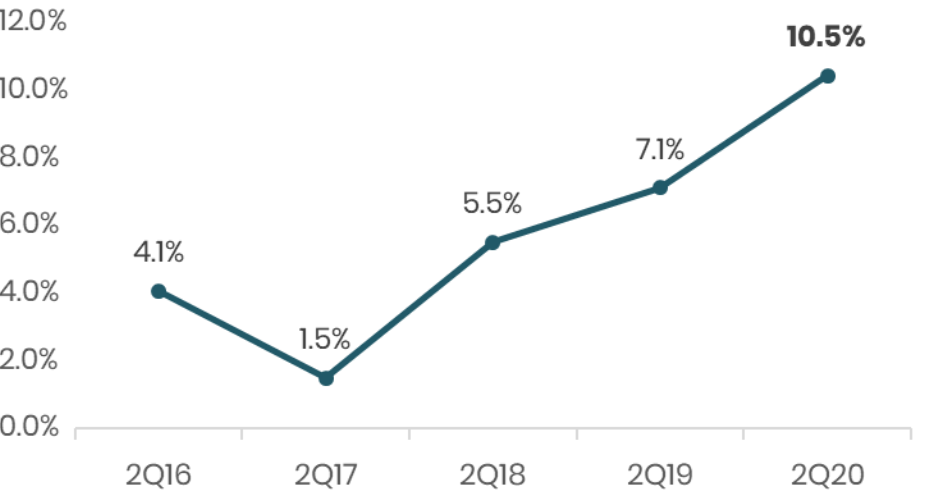
Acquisition



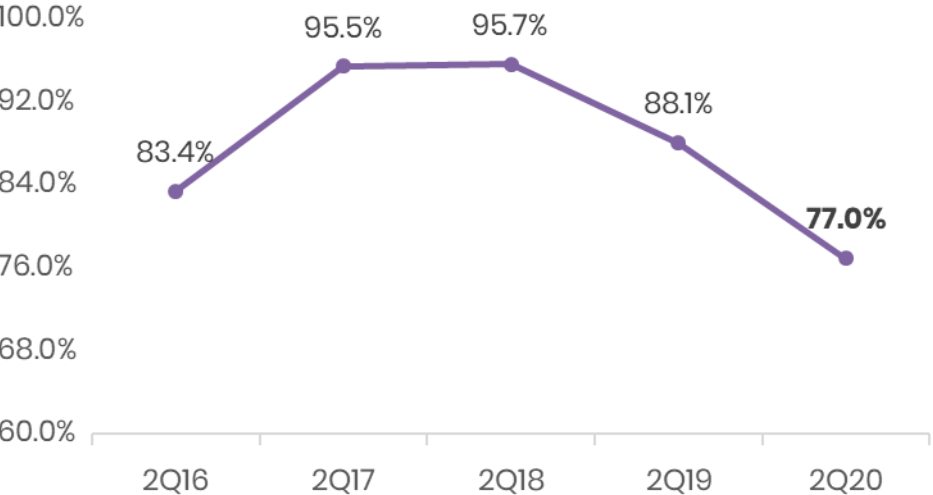
Loss



Operating



Combined



**2Q20** The acquisition ratio increased due to the production bonuses for agents and commercial areas, link to the underwriting

**2Q20** The historically low quaterly loss ratio was driven by the decrease in robberies of the industry, coupled with a lower vehicle capacity derived from restrictions due to the health emergency

**TELEMETRY AND GEOLOCATION**

**DEVICES;** tools that help us prevent accidents and increase the recovery of stolen units.

**MODERN CALL CENTER; IN HOUSE**

**DEVELOPED SYSTEMS;** collaboration with google maps to assign adjusters immediately according to proximity.

**APPS & WEBSITE;**

to reduce operating costs and improve the user experience:

- »Express adjustment, (adjuster's time arrival 0 min).
- »Q Mobile (geolocation of the policyholder).
- »QR code (policy's data reading).
- »Virtual assistant (chatbots).



**STATISTIC ANALYSIS** in our call center for a correct operator assignment and provide excellent service.

**SYSTEMS WE USE**

We are aware of our responsibility to **reduce the impact on the environment**. We have taken **concrete actions to reduce our emissions and be more efficient**:



**INCORPORATING HYBRID CARS** in our adjusters and lawyers fleets.



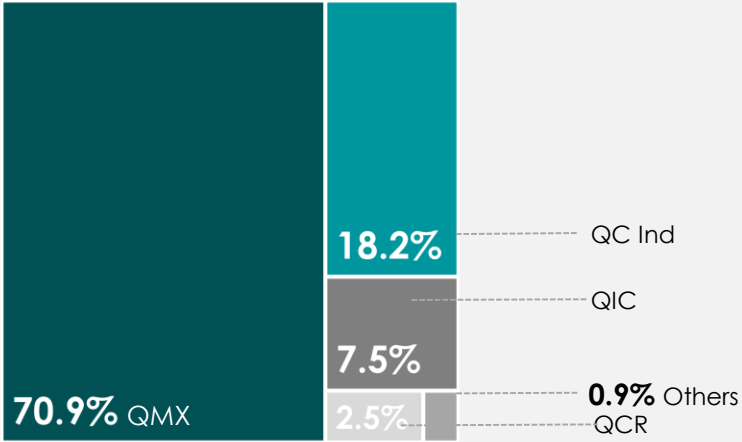
**INCORPORATING SOLAR PANELS** in several of our offices in Mexico.



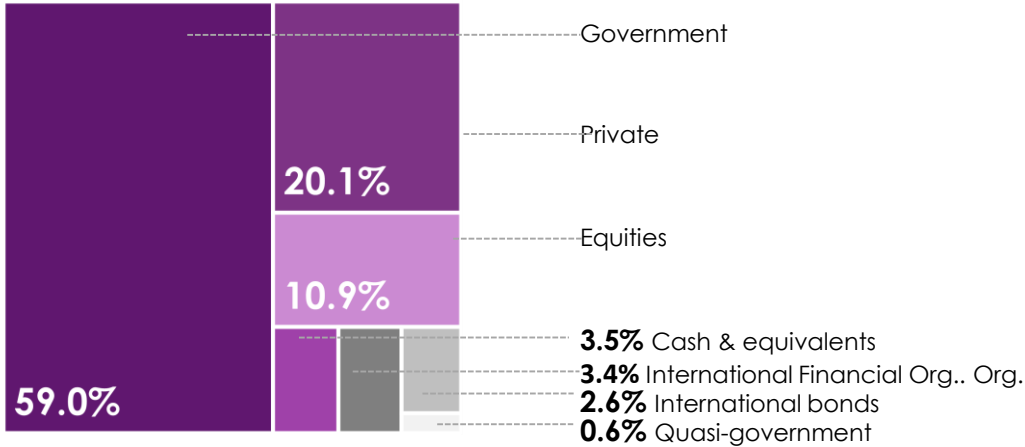
**PAPER USE REDUCTION, RECYCLING, AND WATER TREATMENT PLANTS** in several of our offices.

# Investment portfolio

Portfolio by subsidiary

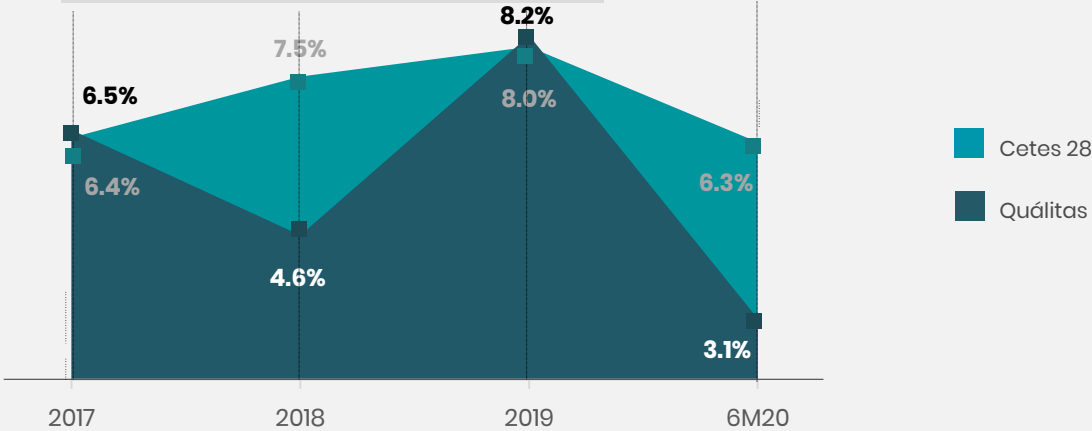


Total portfolio

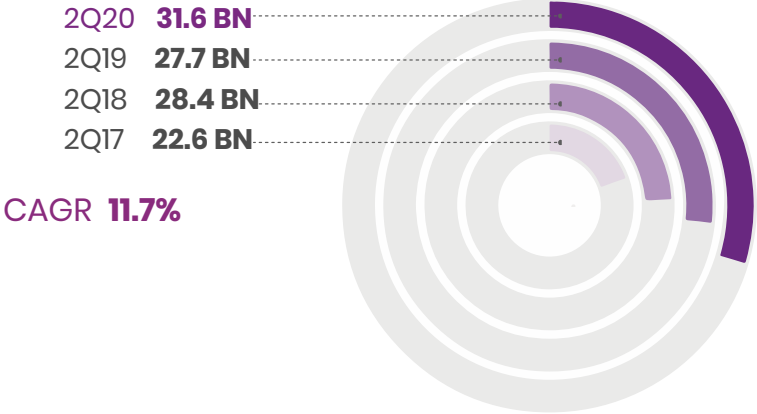


Rating differences in sovereign debt could vary between countries. Variations by exchange rate could generate differences

ROI

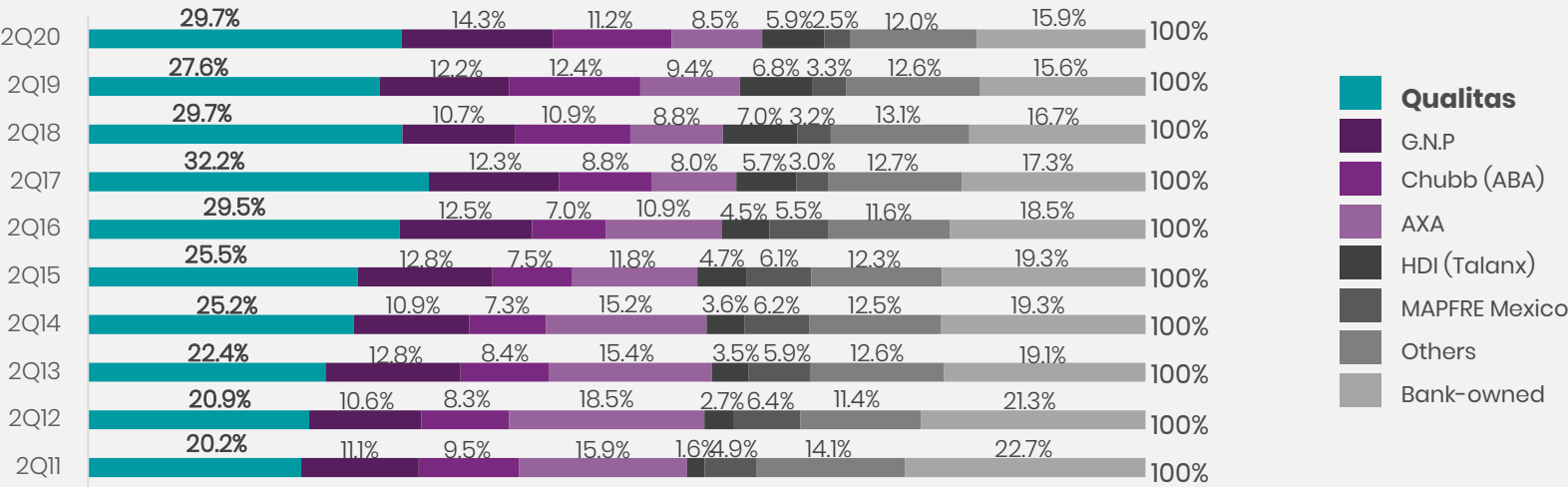


Invested assets

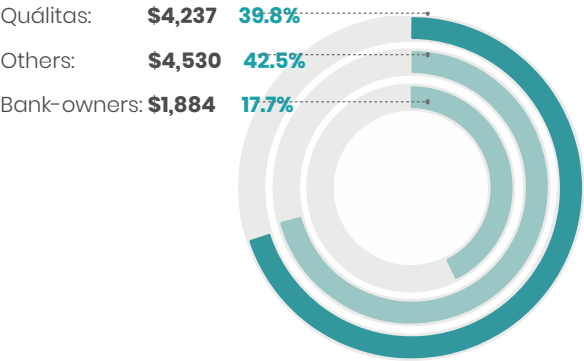


Our investment policy aims sustainable investments taking ESG criteria into account.

# Market share

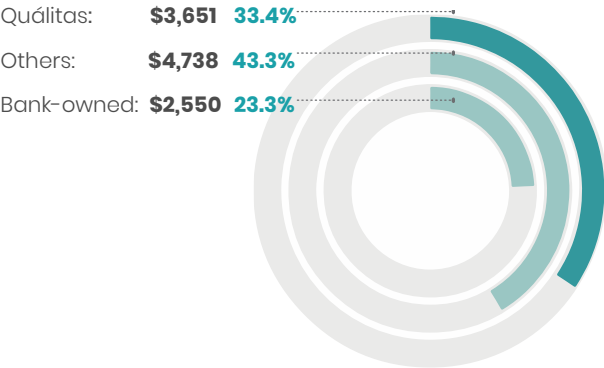


Underwriting result –auto segment



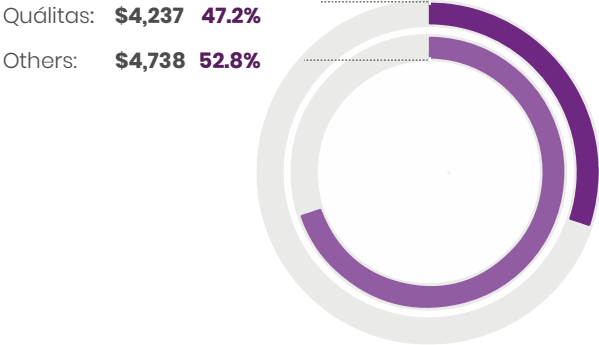
TOTAL: **\$10,651**

Net income – auto segment



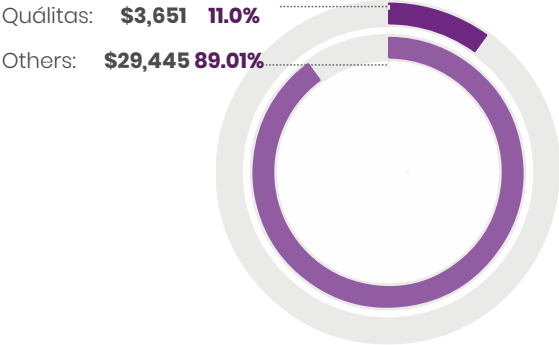
TOTAL: **\$10,940**

Underwriting result – all business lines



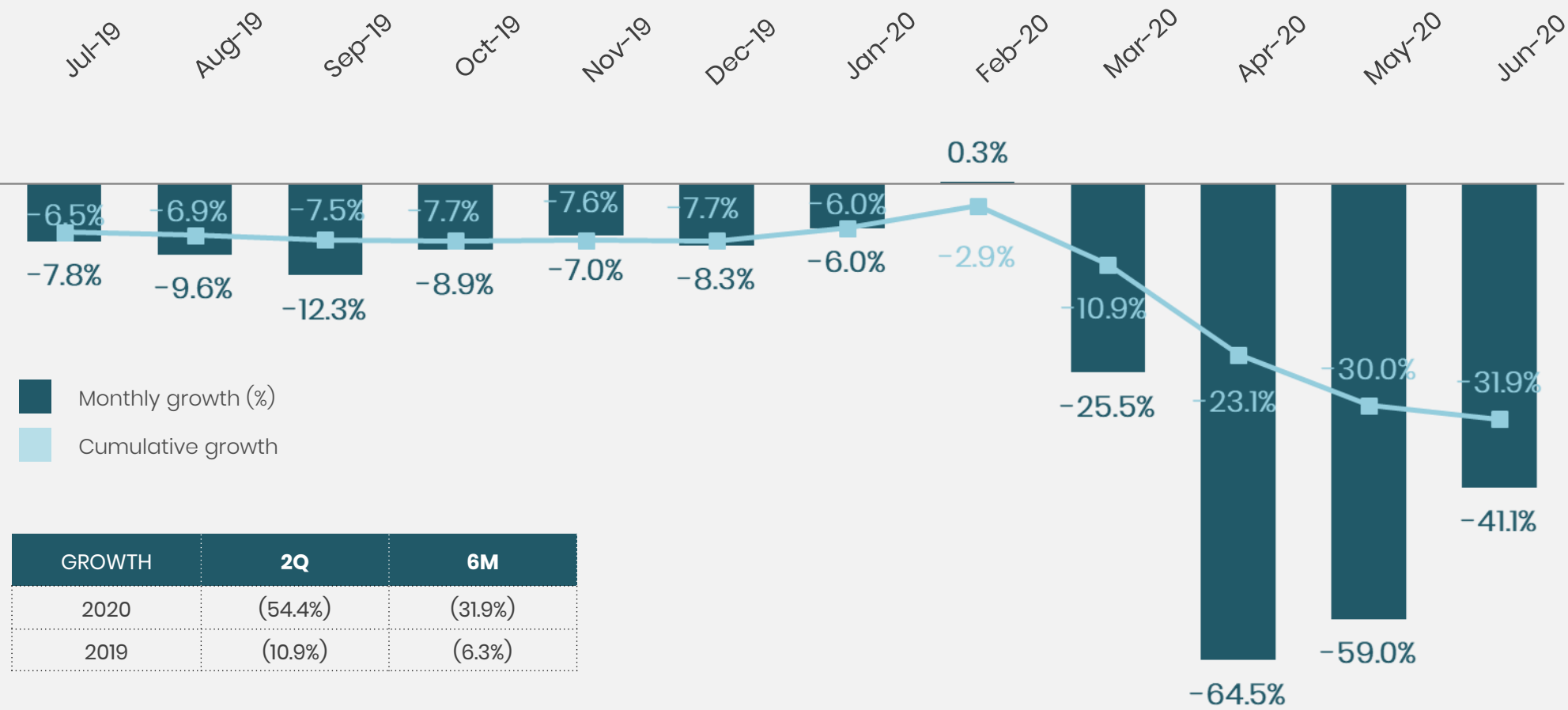
TOTAL: **\$8,975**

Net income – all business lines



TOTAL: **\$16,318**

New car sales in Mexico



Auto insurance penetration in Mexico

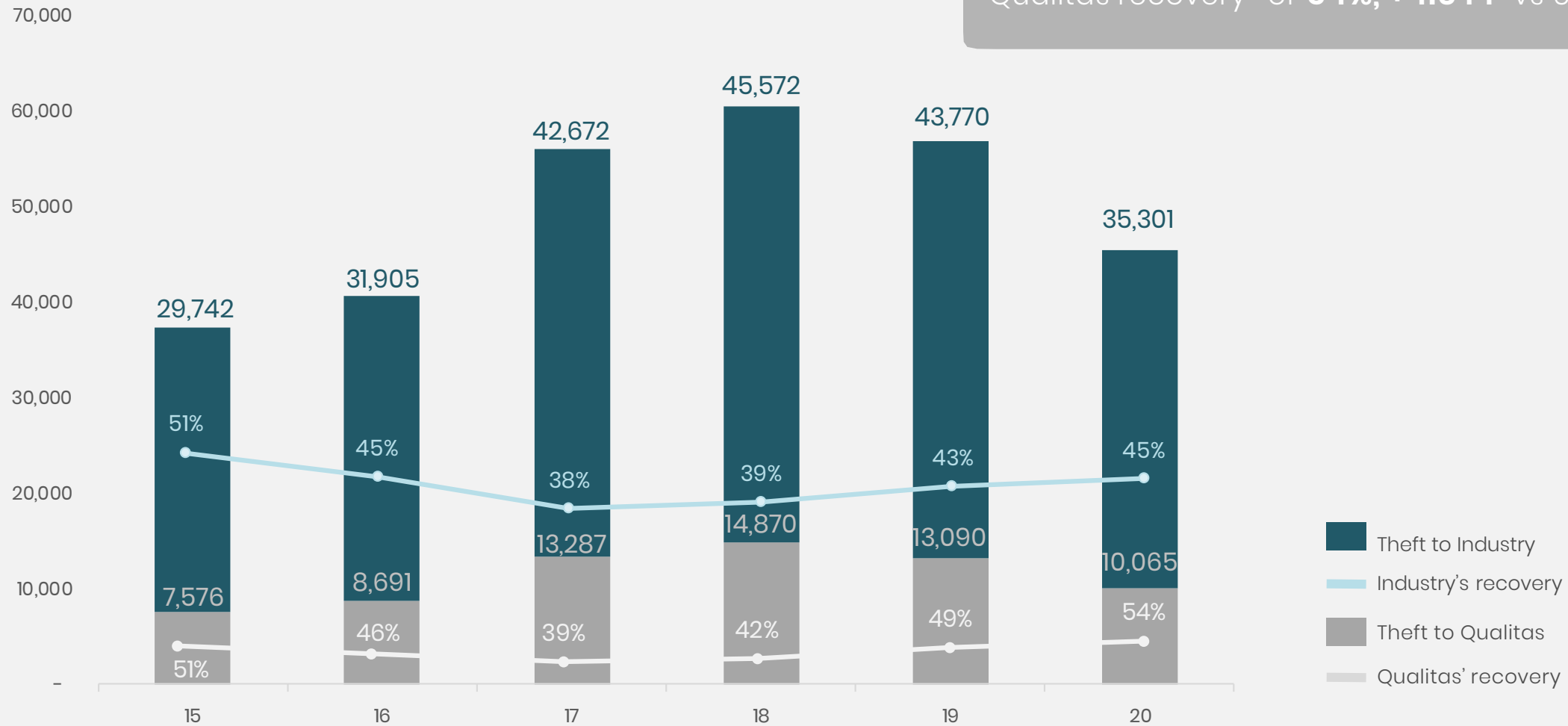


39%\*

Mandatory insurance in every state except for Michoacan.

\* Last figure reported by INEGI.

## Auto theft &amp; recovery in Mexico





# Quálitas, public company

Q\* was listed on the **Mexican Stock Exchange** in 2005, and added to the **S&P/BMV IPC** index from april 2020.

**413\*** million shares outstanding.  
\* 12 million recently canceled

**Open book policy**  
Long term relationship with our investors.

Q\* has a **share buyback program & a market maker** to improve its liquidity.

## Treaded volume (daily average)

	Traded volume*	Volume (MM USD)
2Q20	1,032,945	3.9
1Q20	814,463	2.8

## Q\* vs Mexbol

	Q*	IPC
2Q20	50.8%	9.2%
6M20	15.7%	(13.4%)

## Key value metrics

**P/E**  
**5.71**

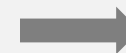
**EPS 12M**  
**\$15.8**  
(+82% vs 2T19)

**P/BV**  
**2.2**

## Marketability index

Jun 19

**44**



Jun 20

**25**

1

## **Strengthen our operation in Mexico**

Maintain our leadership, with competitive prices during this complicated time and providing the best service in the market

2

## **Accelerate growth in our subsidiaries**

Capitalize them and accelerate their profitable growth in the next years

3

## **Explore new business opportunities**

Open to new business opportunities with an attractive financial return. Expand our service to other business lines taking advantage of our network coverage, experience and momentum .

# Financial highlights

	Quarterly			Cumulative		
Income Statement	2Q20	2Q19	Δ %/bp	6M20	6M19	Δ %/bp
Premiums written	7,094	8,256	(14.1%)	16,700	16,642	0.3%
Net premiums written	7,029	8,195	(14.2%)	16,465	16,545	(0.5%)
Premiums earned	8,707	8,642	0.7%	18,053	16,685	8.2%
Acquisition cost	1,624	1,774	(8.4%)	3,735	3,622	3.1%
Loss cost	3,779	5,125	(26.3%)	8,633	10,023	(13.9%)
<b>Technical result</b>	<b>3,304</b>	<b>1,743</b>	<b>89.5%</b>	<b>5,685</b>	<b>3,040</b>	<b>87.0%</b>
Operating expenses	742	589	26.0%	1,306	932	40.1%
<b>Underwriting result</b>	<b>2,565</b>	<b>1,158</b>	<b>121.5%</b>	<b>4,382</b>	<b>2,111</b>	<b>107.6%</b>
Comprehensive financial income	659	620	6.3%	718	1,301	(44.8%)
Investment income	556	503	10.6%	496	1,067	(53.5%)
Income Taxes	988	475	108.1%	1,423	914	55.7%
<b>Net result</b>	<b>2,237</b>	<b>1,304</b>	<b>71.6%</b>	<b>3,677</b>	<b>2,498</b>	<b>47.2%</b>
Controlling interest	2,236	1,302	71.7%	3,675	2,498	47.1%
Non-controlling interest	1	1	(40.4%)	2	2	(8.1%)
<b>Cost ratios</b>						
Acquisition ratio	23.1%	21.6%	146	22.7%	21.9%	79
Loss ratio	43.4%	59.3%	(1,590)	47.8%	60.1%	(1,225)
Operating ratio	10.5%	7.1%	332	7.8%	5.6%	222
Combined ratio	77.0%	88.1%	(1,112)	78.3%	87.6%	(924)
Combined ratio adjusted*	70.6%	86.6%	(1,607)	75.7%	87.4%	(1,163)

\*Combined Ratio Adjusted = (acquisition cost + loss cost + operating expenses) / earned premiums.

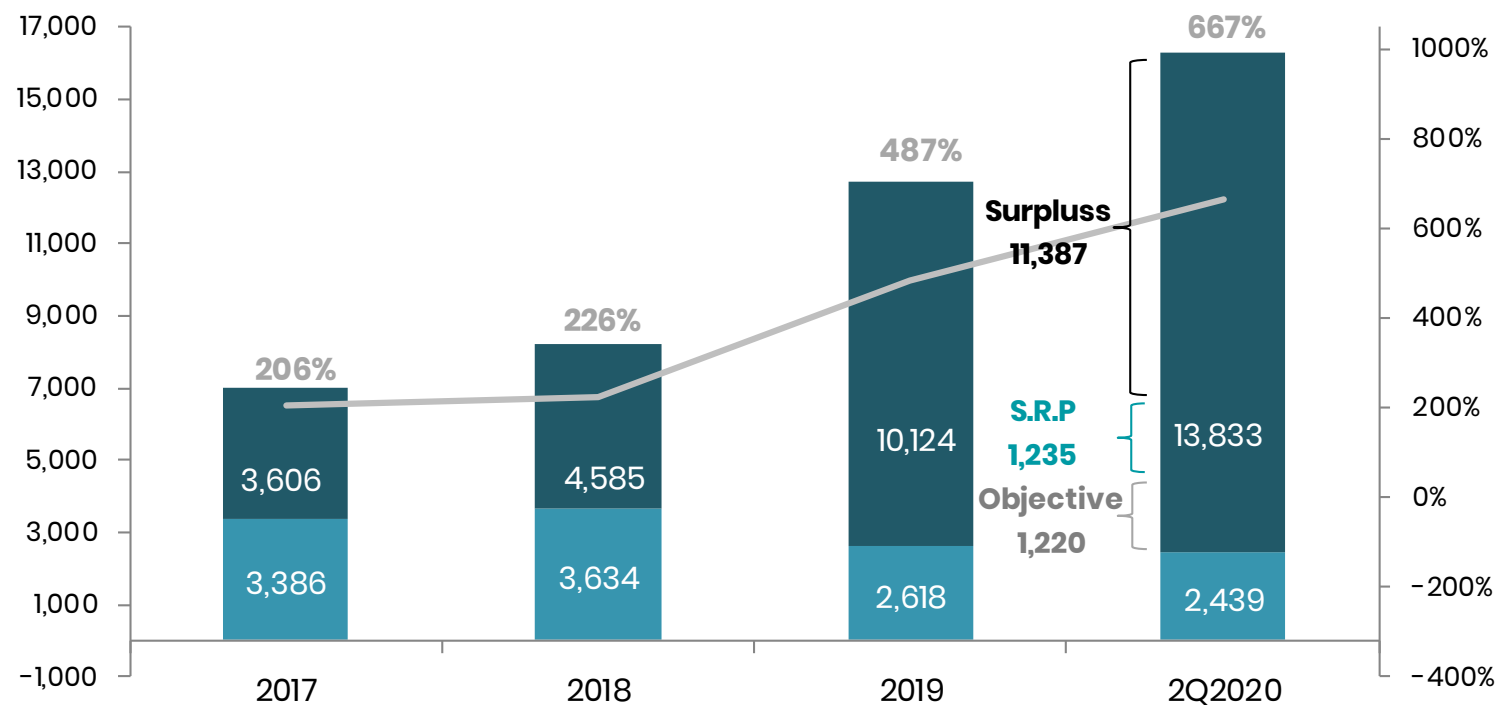
# Financial highlights

	Quarterly			Cumulative		
Profitability ratios	2Q20	2Q19	Δ %/bp	6M 2020	6M 2019	Δ %/pb
Return on investments	7.0%	7.0%	(3)	3.1%	7.7%	(454)
ROE for the period	55.8%	48.5%	734	24.2%	24.6%	(42)
LTM ROE	46.7%	38.6%	806	46.7%	38.6%	806

Balance Sheet	6M 2020	6M 2019	Δ %/pb
Assets	63,325	57,225	10.7%
Investments & Real Estate	33,330	28,350	17.6%
Invested assets or float**	31,568	27,669	14.1%
Technical reserves	33,741	35,105	(3.9%)
Total liabilities	46,527	46,038	1.1%
Stockholders' equity	16,798	11,188	50.1%

\*\*Invested assets (float) = Investments in debt + overnight + cash + discount and rediscount instruments.

# Solvency margin



## DIVIDEND POLICY

Q aims to maintain a minimum stockholders' equity of 1.5x the regulatory capital requirement. Between 50% & 90% of the surplus could be distributed as a dividend, depending on the Company's capital requirements for future projects.

- Solvency margin
- Regulatory capital requirement
- % of Solvency margin\*

# Analysts



**Analyst:**  
Lilian Ochoa

**E-mail:**  
lochoa@actinver.com.mx

**Target price:**  
103.00 MXN

**Recommendation:**  
-



**Analyst:**  
Gilberto García

**E-mail:**  
gilberto.garcia@barclays.com

**Target price:**  
95.00 MXN

**Recommendation:**  
Underweight



**Analyst:**  
Martín Hernández

**E-mail:**  
martin.hernandez.omelas@bbva.com

**Target price:**  
90.00 MXN

**Recommendation:**  
Outperform



**Analyst:**  
Martín Lara

**E-mail:**  
martin.lara@miranda-gr.com

**Target price:**  
110.00 MXN

**Recommendation:**  
Buy



**Analyst:**  
Ernesto Gabilondo

**E-mail:**  
ernesto.gabilondo@baml.com

**Target price:**  
117.00 MXN

**Recommendation:**  
Buy



**Analyst:**  
Jorge Gordillo

**E-mail:**  
jgordillo@cibanco.com

**Target price:**  
116.00 MXN

**Recommendation:**  
Buy



**Analyst:**  
Iñigo Vega

**E-mail:**  
inigovega@nau-securities.com

**Target price:**  
110.00 MXN

**Recommendation:**  
Buy



**Analyst:**  
Armando Rodríguez

**E-mail:**  
armando.rodriguez@signumresearch.com

**Target price:**  
112.82 MXN

**Recommendation:**  
Buy



**Analyst:**  
Eduardo López

**E-mail:**  
elopez@vepormas.com

**Target price:**  
104.10 MXN

**Recommendation:**  
Buy



**Analyst:**  
Jorge Lagunas

**E-mail:**  
jorge.lagunas@apalache.mx

**Target price:**  
105.65 MXN

**Recommendation:**  
Buy



**Analyst:**  
-

**E-mail:**  
-

**Target price:**  
106.49 MXN

**Recommendation:**  
-



## IR team contacts

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