



# Corporate presentation

2<sup>nd</sup> quarter

2020



# Corporate presentation

2<sup>nd</sup> quarter 2020

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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.

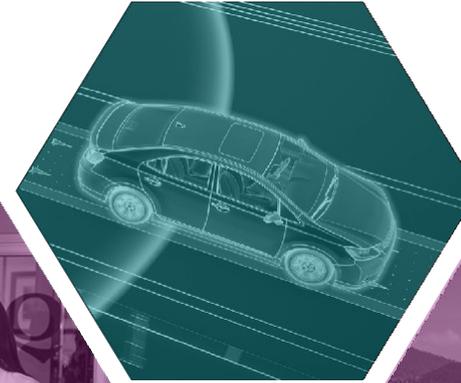


**International presence;**  
**Operation in 5 countries:**

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:

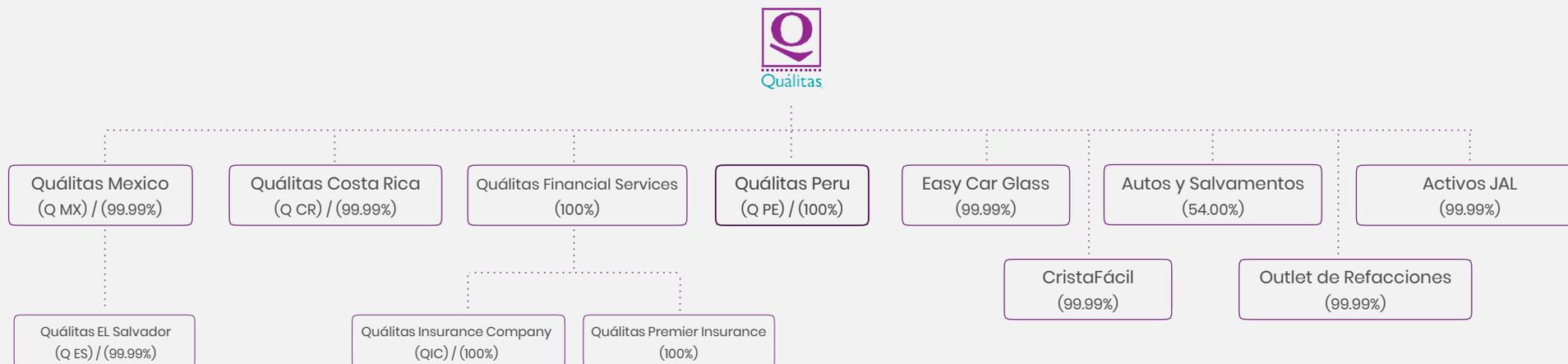
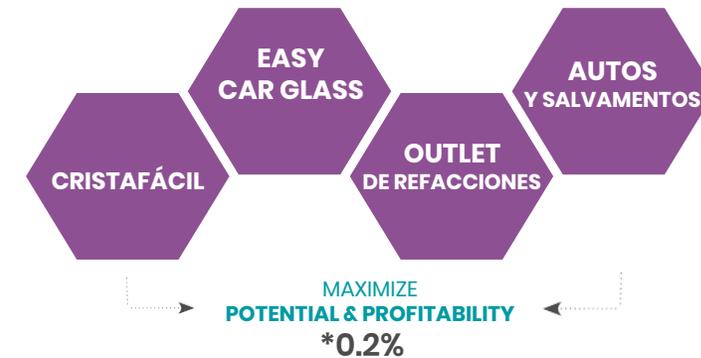
We seek to expand and replicate our business model, having a greater income diversification and potentialize growth.



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:

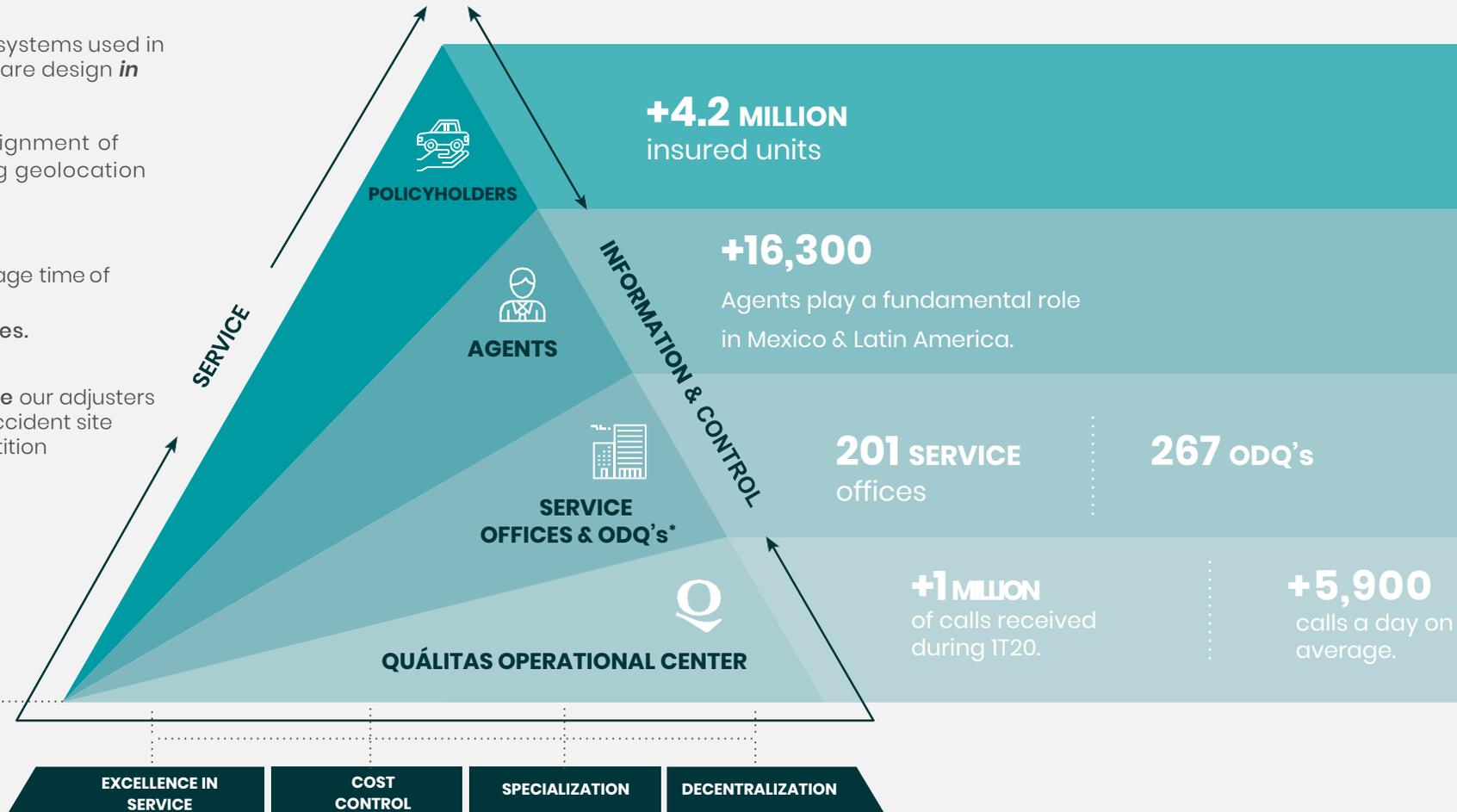
Business model based on excellent service & cost control.

- 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



\*Qualitas development offices

# 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%**

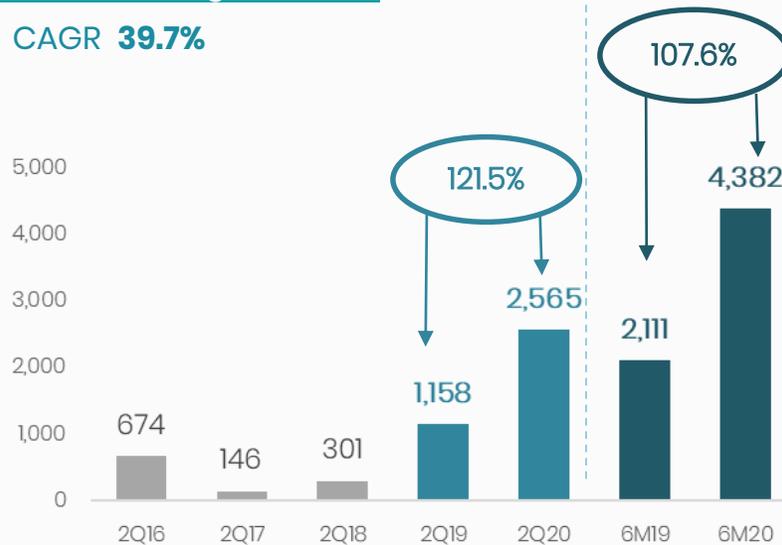
**+16.7 bn MXN**

6M20 figures

## Written premiums

CAGR **0.3%**

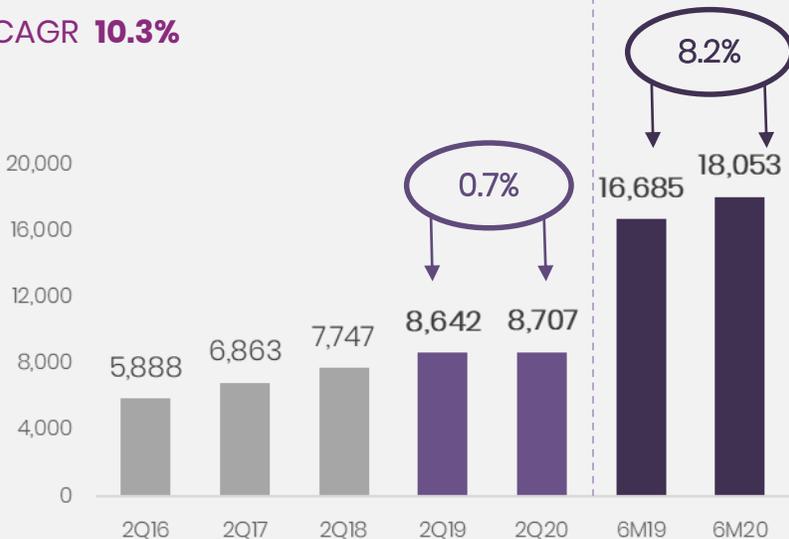
## Underwriting result

CAGR **39.7%**

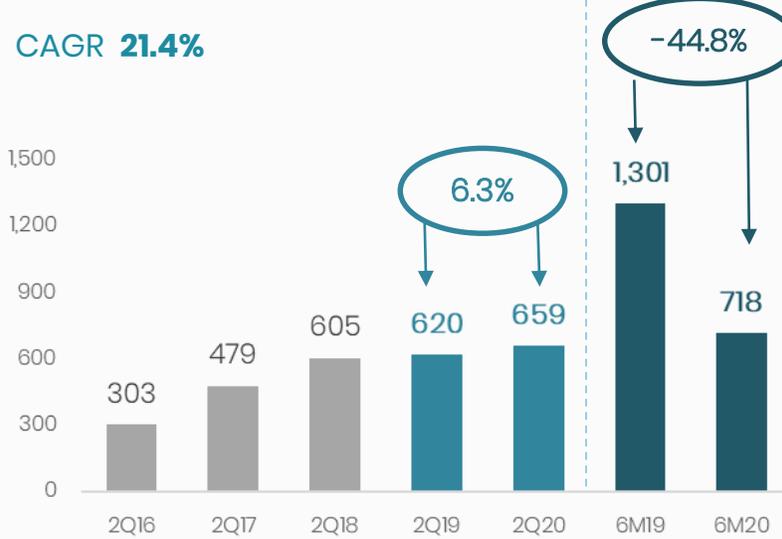
## Net income

CAGR **36.5%**

## Earned premiums

CAGR **10.3%**

## Comprehensive financial income

CAGR **21.4%**

**29.5%**  
OPERATING  
margin

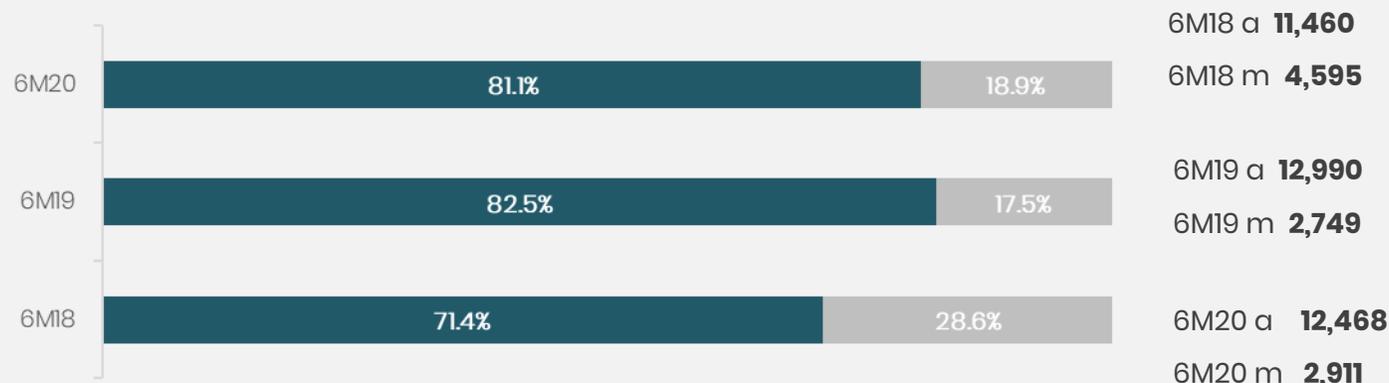
**31.5%**  
NET  
margin

**46.7%**  
ROE 12M

## 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%
<b>Total</b>	<b>7,094</b>	<b>8,256</b>	<b>(1398)</b>	<b>(14.1%)</b>	<b>16,700</b>	<b>16,642</b>	<b>57</b>	<b>0.3%</b>

## Premiums by duration



■ Annual policies (a)

■ Multiannual policies (m)

6M18 a **11,460**

6M18 m **4,595**

6M19 a **12,990**

6M19 m **2,749**

6M20 a **12,468**

6M20 m **2,911**

## Market share by segment

**22.2%** Auto



**44.0%** Trucks



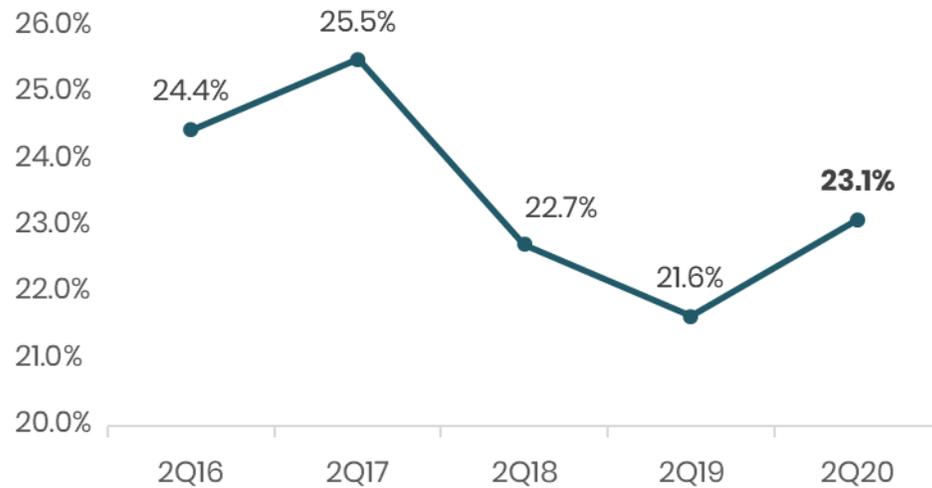
**19.3%** Tourists



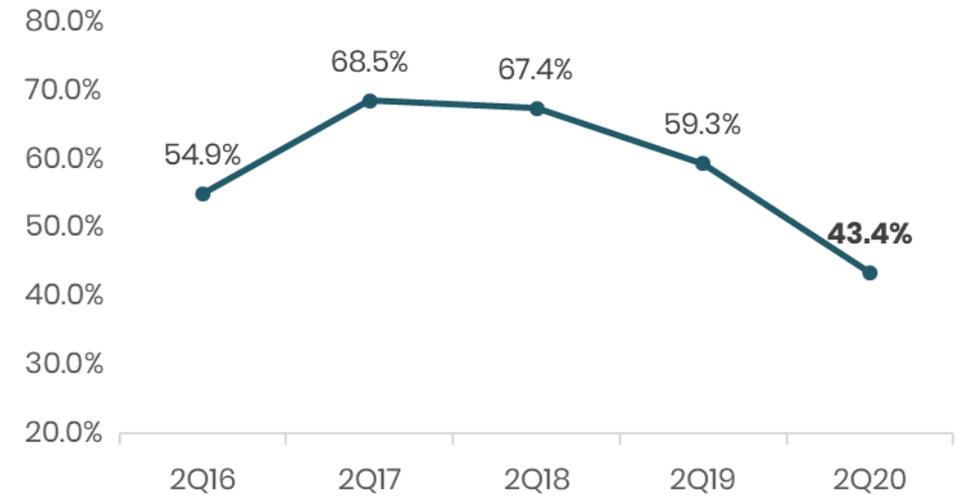
Source AMIS 2Q20

Figures in million (MXN)

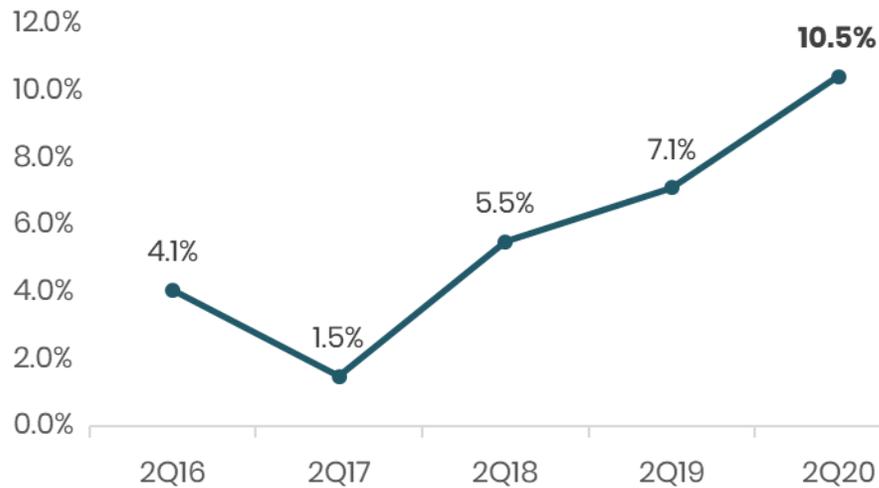
## Acquisition



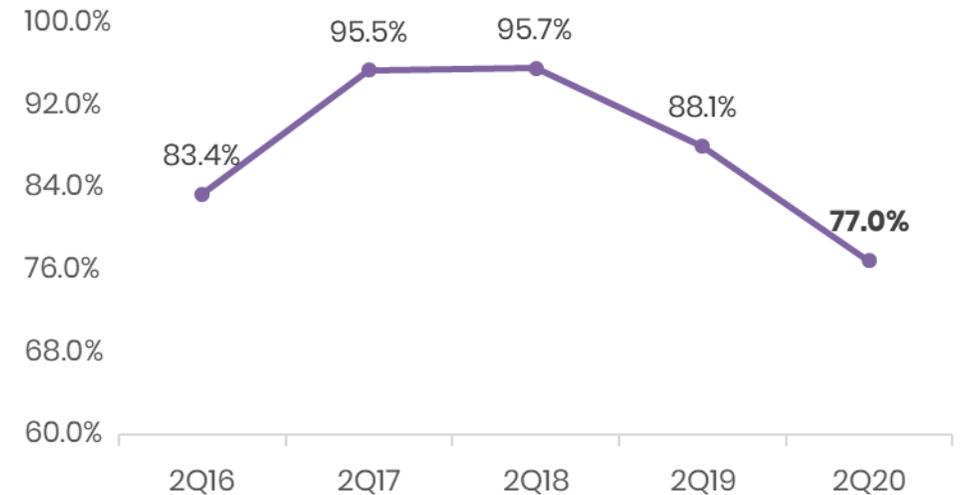
## Loss



## 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 quarterly 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.



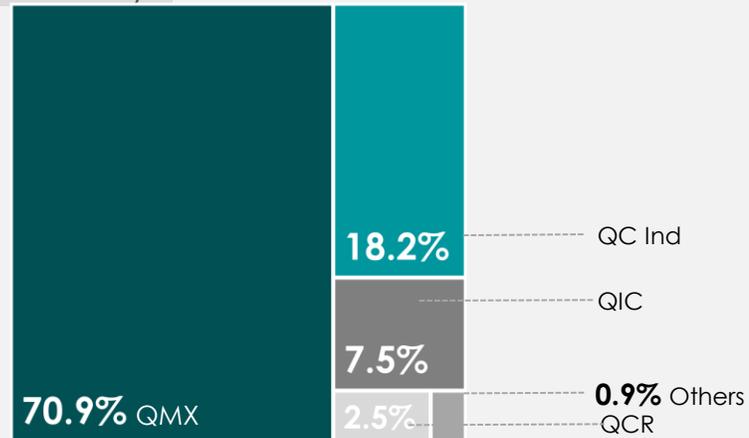
**INCORPORATING SOLAR PANELS** in several of our offices in Mexico.



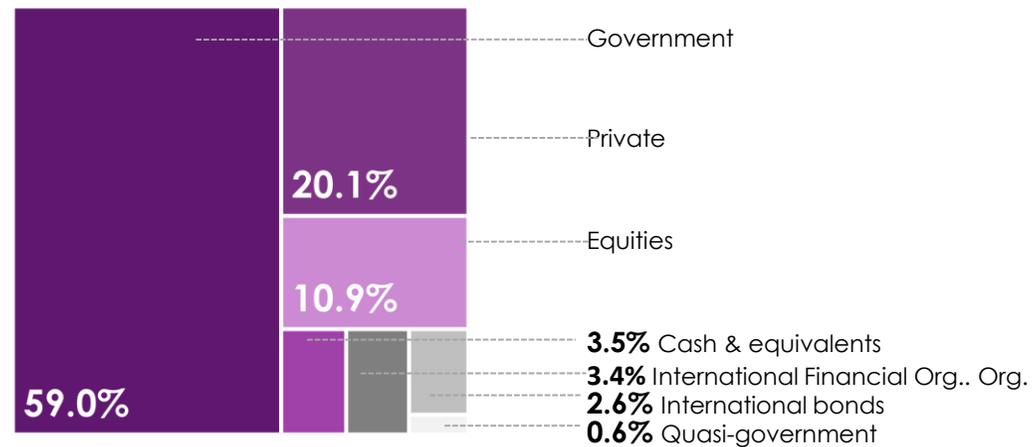
**PAPER USE REDUCTION, RECYCLING, AND WATER TREATMENT PLANTS** in several of our offices.

# Investment portfolio

## Portfolio by subsidiary

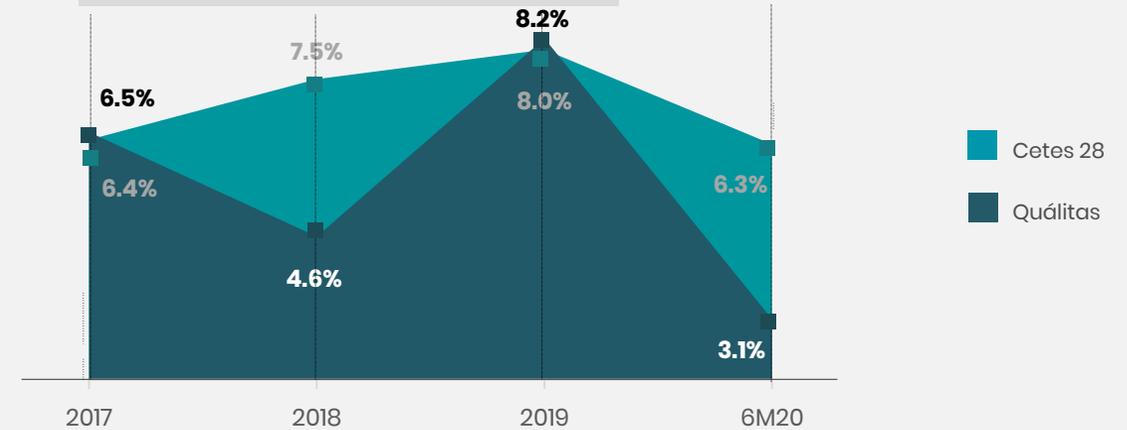


## Total portfolio



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

## ROI



## Invested assets

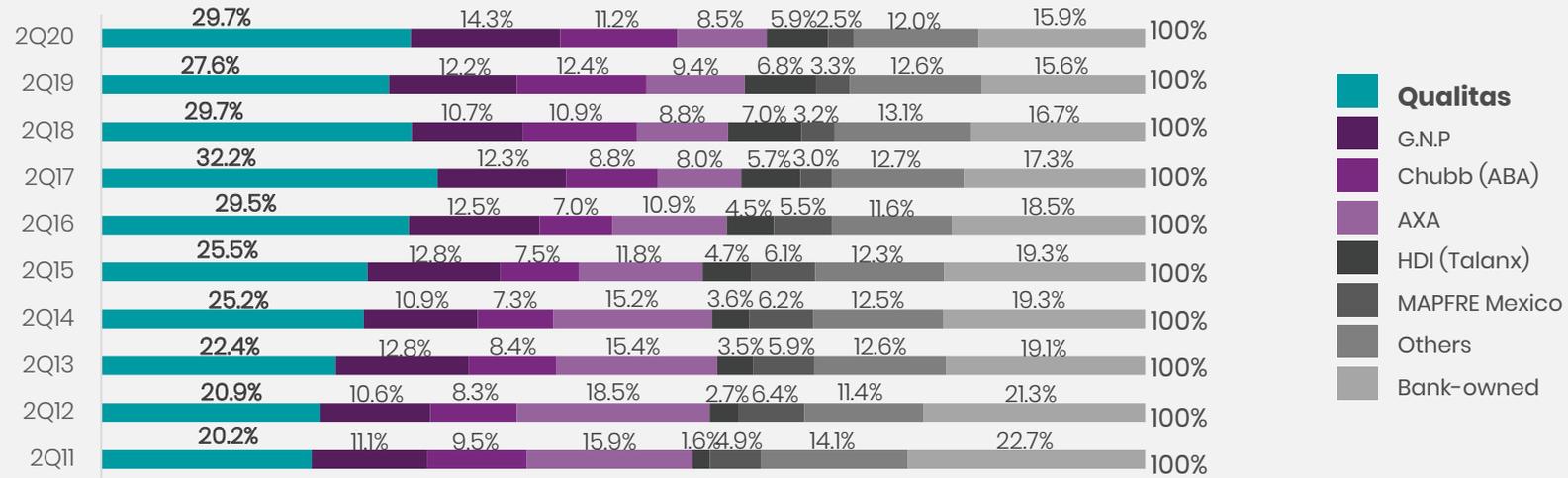
2Q20 **31.6 BN**  
 2Q19 **27.7 BN**  
 2Q18 **28.4 BN**  
 2Q17 **22.6 BN**

CAGR **11.7%**



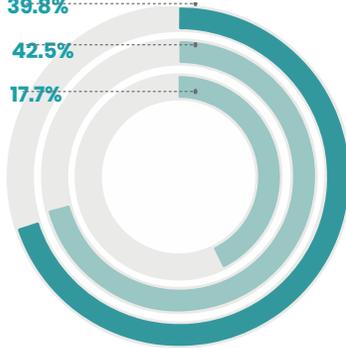
**Our investment policy** aims sustainable investments taking ESG criteria into account.

# Market share



## Underwriting result – auto segment

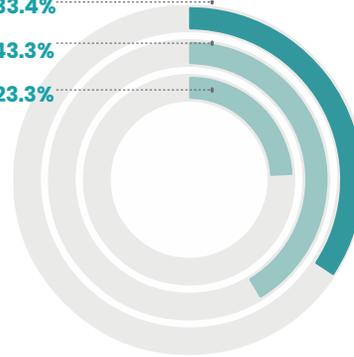
Qualitas: **\$4,237 39.8%**  
 Others: **\$4,530 42.5%**  
 Bank-owners: **\$1,884 17.7%**



TOTAL: **\$10,651**

## Net income – auto segment

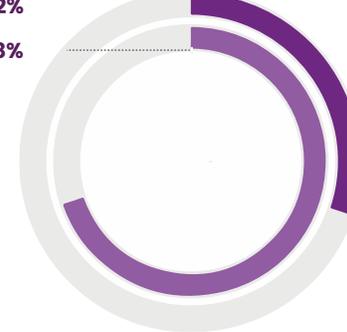
Qualitas: **\$3,651 33.4%**  
 Others: **\$4,738 43.3%**  
 Bank-owned: **\$2,550 23.3%**



TOTAL: **\$10,940**

## Underwriting result – all business lines

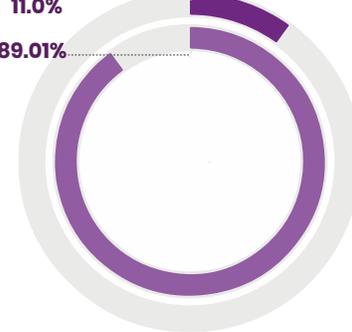
Qualitas: **\$4,237 47.2%**  
 Others: **\$4,738 52.8%**



TOTAL: **\$8,975**

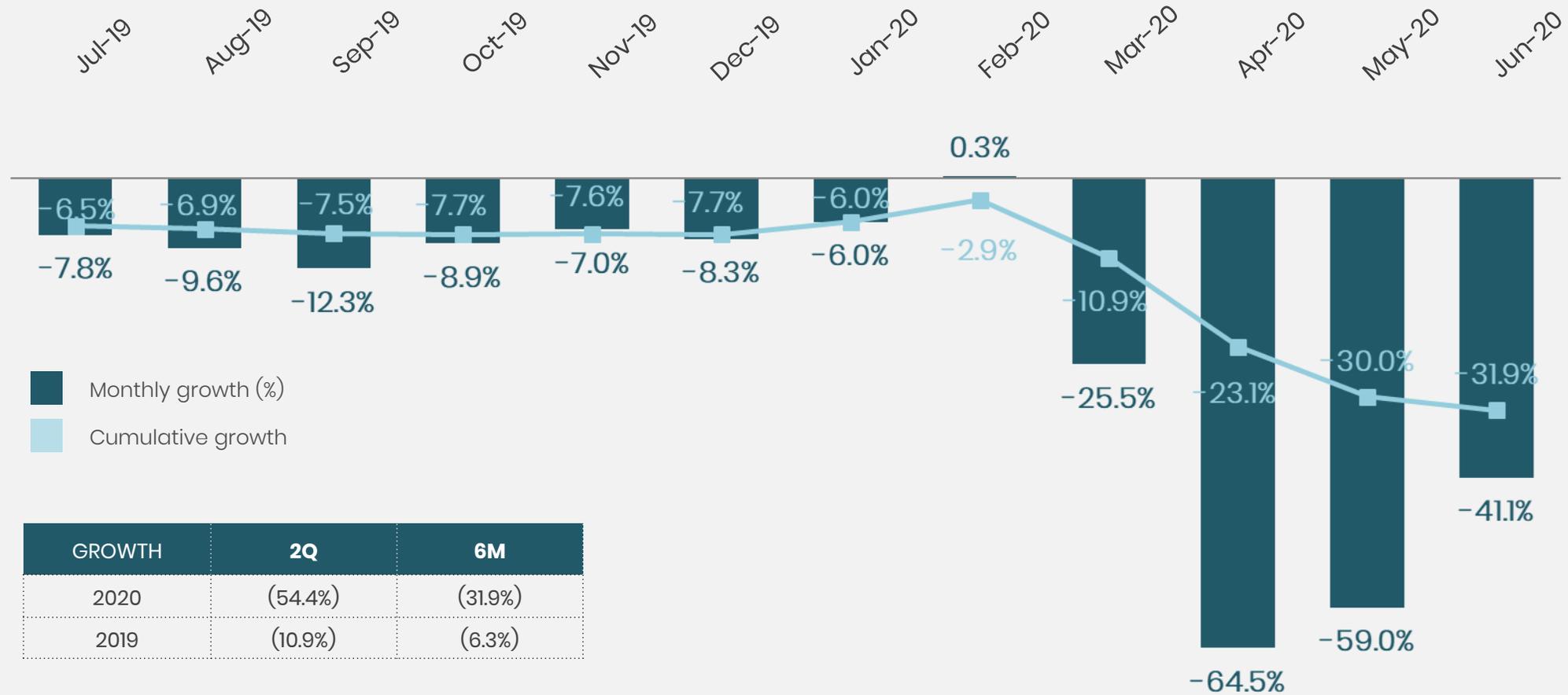
## Net income – all business lines

Qualitas: **\$3,651 11.0%**  
 Others: **\$29,445 89.01%**



TOTAL: **\$16,318**

## New car sales in Mexico



GROWTH	2Q	6M
2020	(54.4%)	(31.9%)
2019	(10.9%)	(6.3%)

## Auto insurance penetration in Mexico

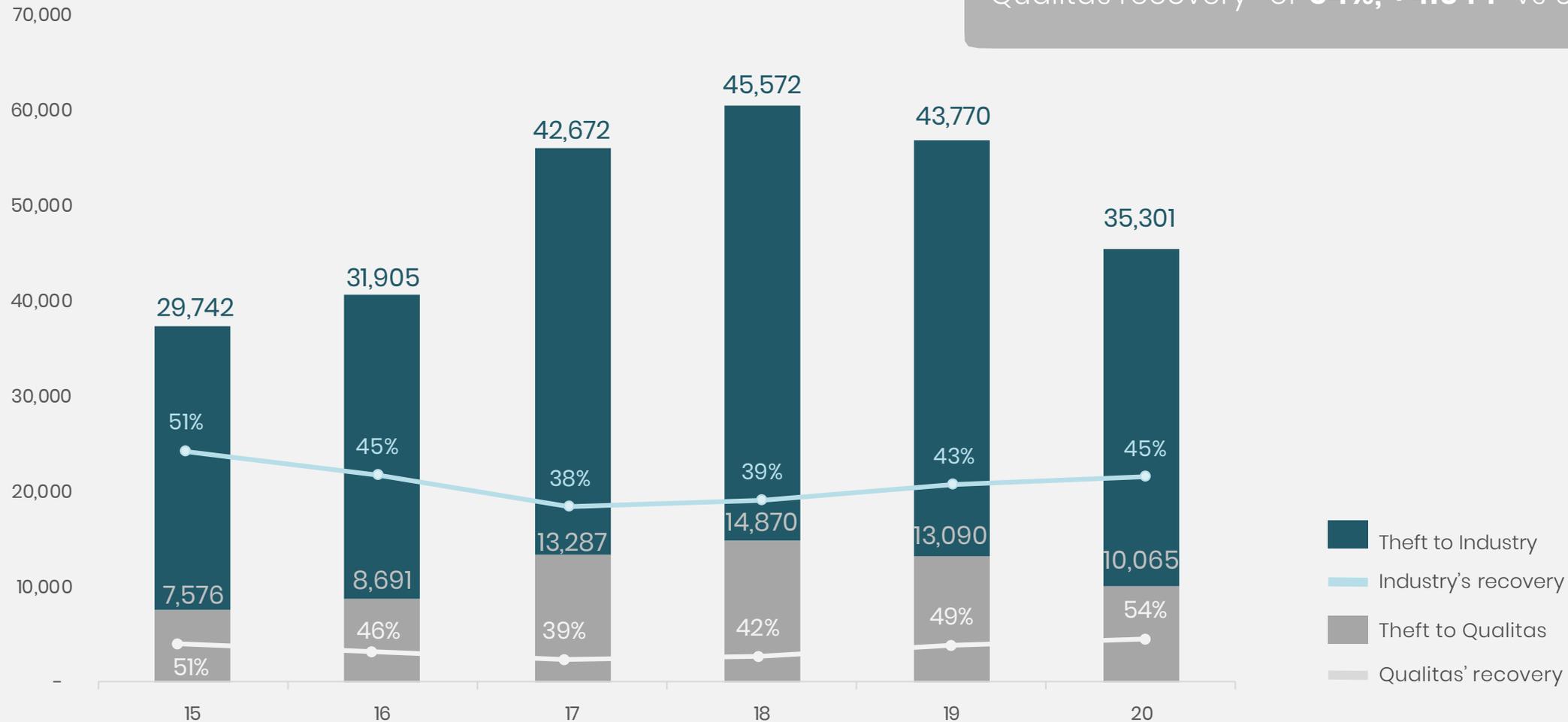


39%\*

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		
<b>Income Statement</b>	<b>2Q20</b>	<b>2Q19</b>	<b>Δ %/bp</b>	<b>6M20</b>	<b>6M19</b>	<b>Δ %/bp</b>
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.

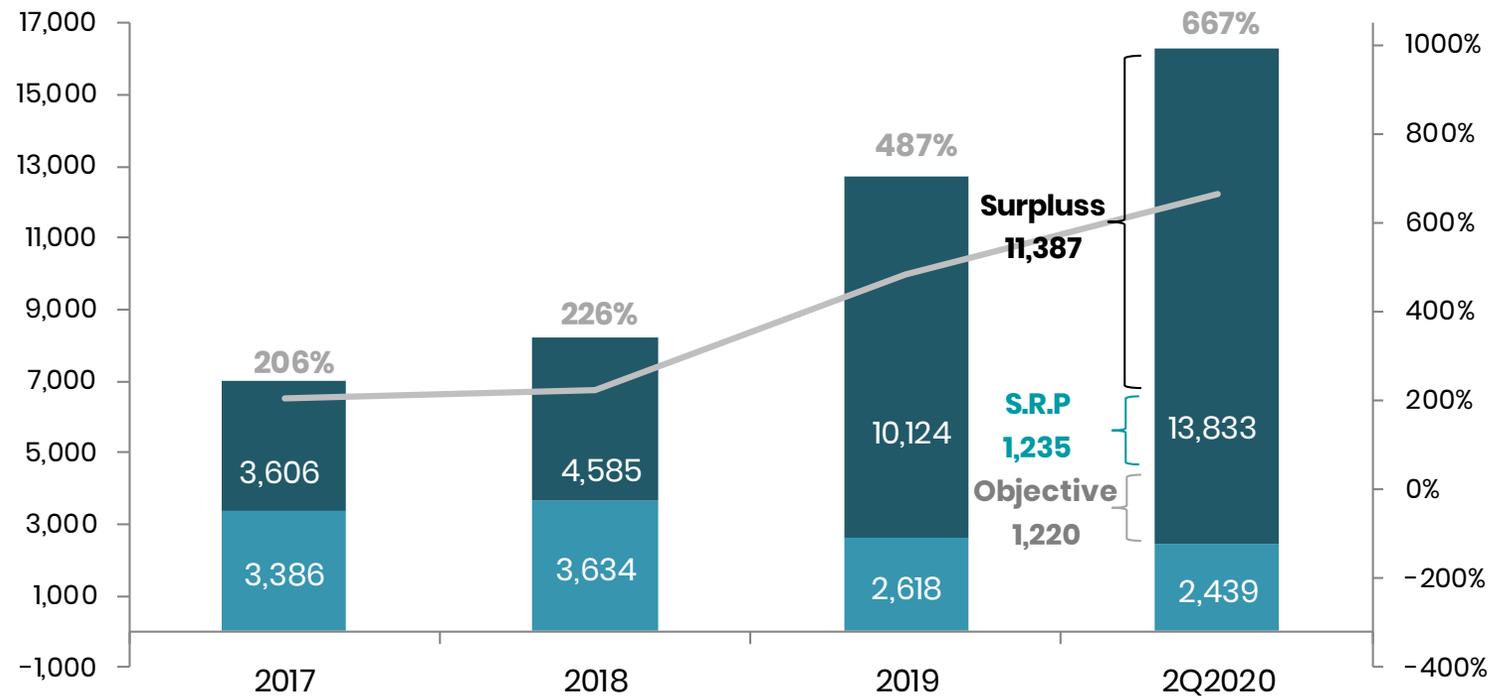
# Financial highlights

Profitability ratios	Quarterly			Cumulative		
	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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