



# Quálitas Controladora 3Q18 Webcast



Quálitas

- October 19<sup>th</sup> -

# Quálitas Controladora

## 3Q18 Webcast

Information discussed on today's webcast may include forward-looking statements regarding the company's results and prospects, which are subject to risks and uncertainty. Actual results may differ materially from what is discussed here today, and the Company cautions you not to place undue reliance on these forward-looking statements. Quálitas undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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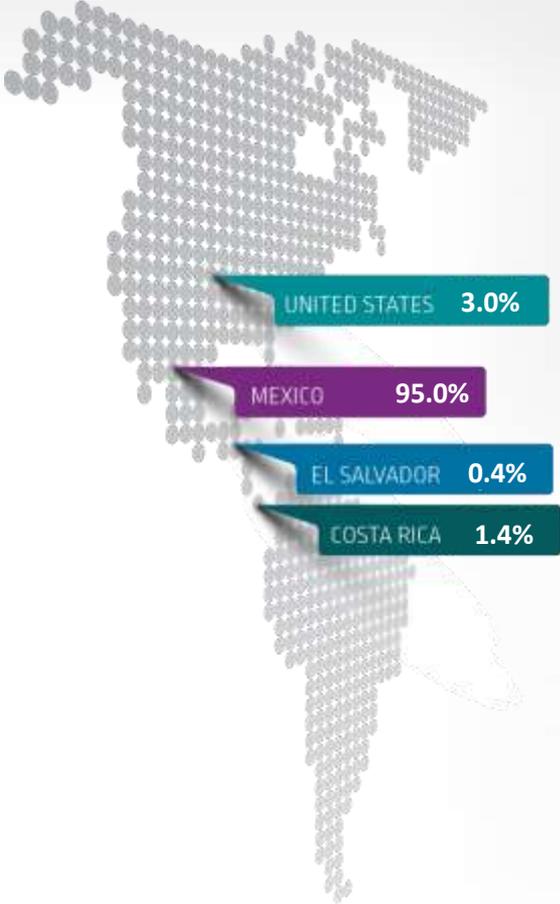
**Violeta Ruiz**

**[vruiz@qualitas.com.mx](mailto:vruiz@qualitas.com.mx)**

**+1 52 (55) 1555 6005**

Inversiones

# What we are made of



## Our Staff



+3,700 Administrative Employees



+1,200/+400  
Claims Officers/Lawyers



+13,300 Agents

## Our Facilities



+ 180 Service Offices



+220 ODQs\*



+3,500 Workshops

## Our Policyholders



+3.9 million Insured Units



+ 30 Coverages



Technological Solutions

## 3Q18 News

- 2 ODQs turned into Service Offices
- Intention to expand to Peru

\*Quálitas Development Offices



# Competitive Advantages

## Unique Business Model

- Interests alignment through value chain
- Information flows in all directions
- Decentralized service offices

## Diversified Portfolio

- Fixed Income: 80%
- Equities: 20%

## Specialization

- Best quality service
- Number one auto insurer in Mexico
- Flexibility to meet each client's needs



## Focus on cost control

- Costs indicator program
- Strict cost control policy
- Flexibility to adjust tariffs

## High Profitability

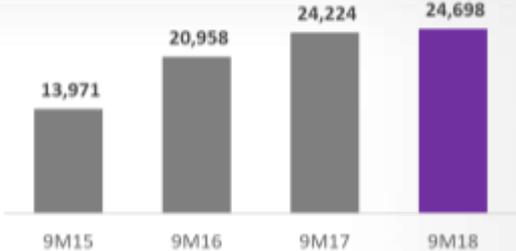
- Double digit growth in net income
- Improvement in operating result

## Service and Network

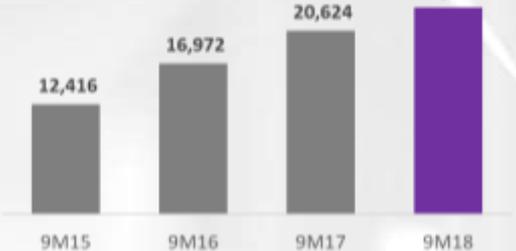
- Nationwide coverage
- State of the art technology
- Call center in Mexico, Costa Rica and El Salvador

# Highlights

Written Premiums



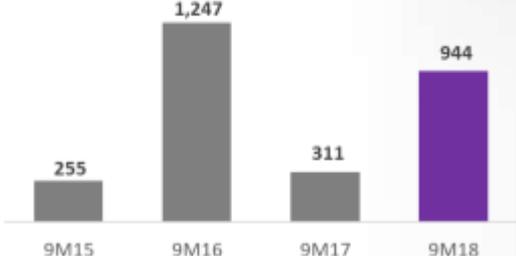
Earned Premiums



Comprehensive Financial Income



Underwriting result



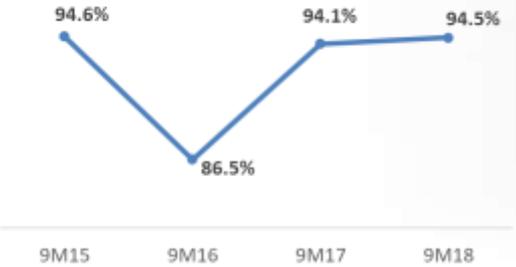
Net Income



Cash per Share



Combined Ratio



LTM ROAE

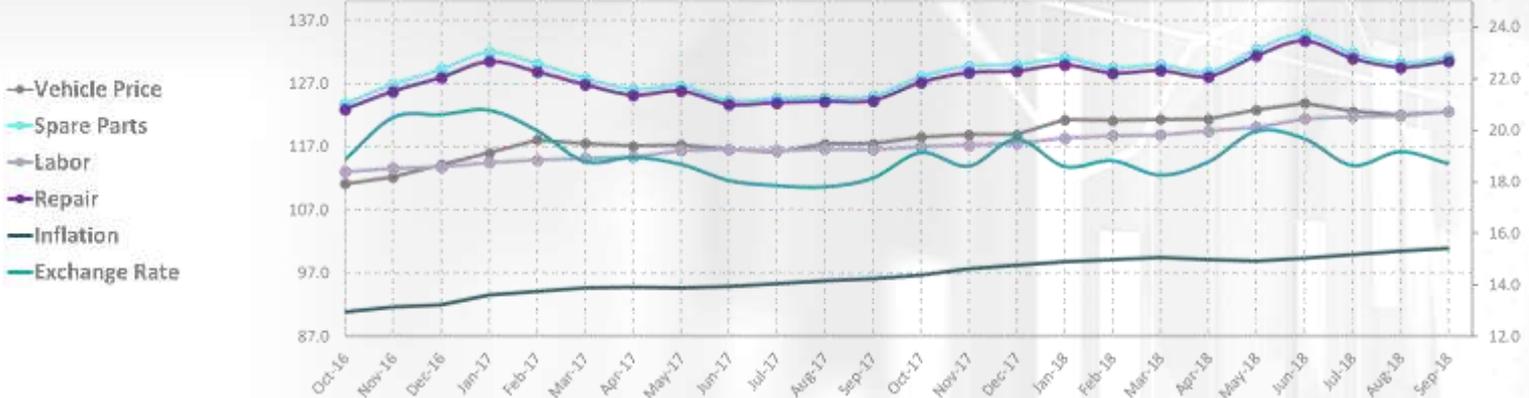


Q\* Stock Price



# Local tendencies

## Costs



## Theft and recovery



Source: INEGI & OCRA

# Global tendencies

Changes in the most important business relationships

- United States, Mexico and Canada (USMCA) new trade deal
- Trade war between United States and China
- United Kingdom and Northern Ireland abandoning the European Union

Uncertainty in emerging markets

- Mexico's new government by Andrés Manuel López Obrador
- General elections are taking place in Brazil
- Financial crisis in emerging markets

## How could these impact the auto industry?

United States, Mexico and Canada's (USMCA) new trade deal :

1. Greater investment in auto parts companies.
2. Suspensions, transmissions and engine blocks, will have to be manufactured in North America obligatorily in order to export vehicles freely.



# Q - Cost Ratios

### Acquisition



### Operating



### Claims



### Combined



● Quarter ● YTD

# 3Q Financial Highlights

INCOME STATEMENT	3Q18	3Q17	Δ %/bp	
Premiums Written	7,725	7,431	4.0%	→ New car sales in Mx: -4.4%
Net Premiums Written	7,694	7,354	4.6%	
Premiums Earned	7,822	7,055	10.9%	
Acquisition Cost	1,626	1,757	(7.5%)	
Claims Cost	5,629	4,877	15.4%	
<b>Technical Result</b>	<b>567</b>	<b>420</b>	35.0%	
Operating Expenses	307	276	11.2%	
<b>Underwriting Result</b>	<b>264</b>	<b>144</b>	83.0%	→ Underwriting margin: 3.4%
Integral Financing Result	489	522	(6.3%)	
Investment Income	370	427	(13.4%)	
Income Taxes	208	192	8.6%	
<b>Net Result</b>	<b>545</b>	<b>475</b>	14.8%	→ Net margin: 7.0%
Controlling Interest	543	472	15.1%	
Non-Controlling Interest	2	3	(29.3%)	
<hr/>				
Acquisition Ratio	21.1%	23.9%	(277)	
Claims Ratio	72.0%	69.1%	283	
Operating Ratio	4.0%	3.7%	26	
Combined Ratio	97.1%	96.7%	32	
Combined Ratio Adjusted*	96.7%	98.0%	(128)	

\*Combined Ratio Adjusted: (Acquisition Cost + Claims Cost + Operating Expenses) / Premiums Earned

# 9M Financial Highlights

INCOME STATEMENT	2018	2017	Δ %/pb
Premiums Written	24,698	24,224	2.0%
Net Premiums Written	24,430	24,087	1.4%
Premiums Earned	23,245	20,624	12.7%
Acquisition Cost	5,433	5,711	(4.9%)
Claims Cost	15,711	14,038	11.9%
<b>Technical Result</b>	<b>2,100</b>	<b>874</b>	140.3%
Operating Expenses	1,161	563	106.0%
<b>Underwriting Result</b>	<b>944</b>	<b>311</b>	203.8%
Integral Financing Result	1,584	1,351	17.2%
Investment Income	1,253	1,120	11.9%
Income Taxes	757	440	71.9%
<b>Net Result</b>	<b>1,770</b>	<b>1,221</b>	45.0%
Controlling Interest	1,764	1,213	45.4%
Non-Controlling Interest	7	8	(20.4%)
Acquisition Ratio	22.2%	23.7%	(147)
Claims Ratio	67.6%	68.1%	(48)
Operating Ratio	4.7%	2.3%	237
Combined Ratio	94.5%	94.1%	42
Combined Ratio Adjusted*	96.0%	98.5%	(254)

New car sales in Mx: -7.1%

Underwriting margin: 4.1%

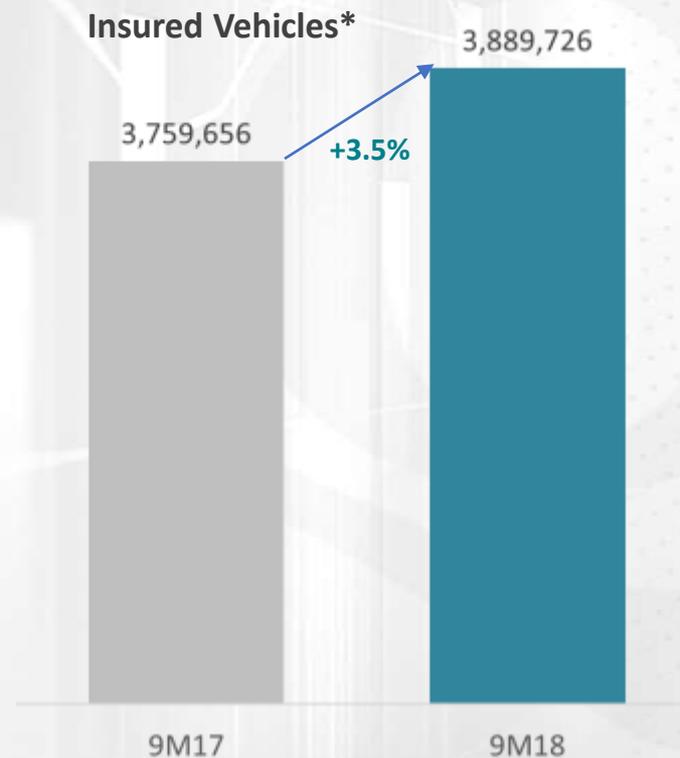
Net margin: 7.6%

\*Combined Ratio Adjusted: (Acquisition Cost + Claims Cost + Operating Expenses) / Premiums Earned

# Premiums written (Q MX)

## Premiums written

	Financial Institutions	Fleets	Individual	ODQ	Other	Total
9M18	9,592	7,239	6,014	522	49	23,415
9M17	10,914	6,010	5,032	417	515	22,887
<b>Δ</b>						
Relative	(12.1%)	20.5%	19.5%	25.3%	(90.5%)	2.3%
Absolut	(1,322)	1,229	982	105	(466)	528



Figures in this slide only refer to Q MX

\*Insured vehicles are expressed in units

# Sales & Revenues

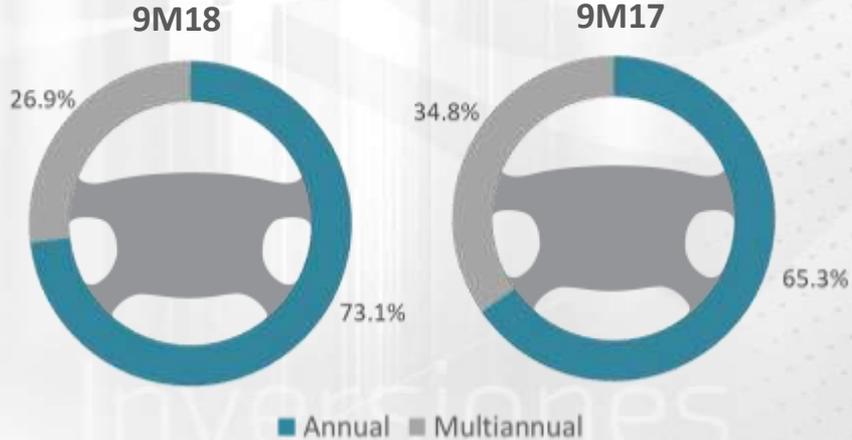
## Premiums written by segment

Segment	3Q18	3Q17	Δ \$	Δ %	9M18	9M17	Δ \$	Δ %
Individual	2,202	1,817	385	21.2%	6,536	5,449	1,086	19.9%
Fleets	2,241	1,855	386	20.8%	7,239	6,010	1,229	20.5%
Financial Institutions	2,910	3,396	(486)	(14.3%)	9,592	10,914	(1,322)	(12.1%)
Foreign subsidiaries	339	363	(24)	(6.7%)	1,190	1,245	(55)	(4.4%)
Other	33	0.4	33	NA	142	607	(465)	(76.6%)
<b>Total</b>	<b>7,725</b>	<b>7,431</b>	<b>294</b>	<b>4.0%</b>	<b>24,698</b>	<b>24,224</b>	<b>474</b>	<b>2.0%</b>

## Earned vs Written



## Premiums by duration



# Hydrometeorological Events

Number of claims\*

<b>1Q18</b>	<b>January</b>	<b>February</b>	<b>March</b>	<b>Total 1Q18</b>
	35	113	128	276
<b>2Q18</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>Total 2Q18</b>
	316	209	1,022	1,547
<b>3Q18</b>	<b>July</b>	<b>August</b>	<b>September</b>	<b>Total 3Q18</b>
	1,376	806	1,748	3,930
<b>Total Assisted Claims</b>				

5,753

- Most affected States in 3Q18:
1. Jalisco
  2. Sinaloa
  3. Guanajuato

Causes:



Hurricane



Flooding



Hail

Figures in this slide only refer to Q MX

\*Number of claims expressed in units

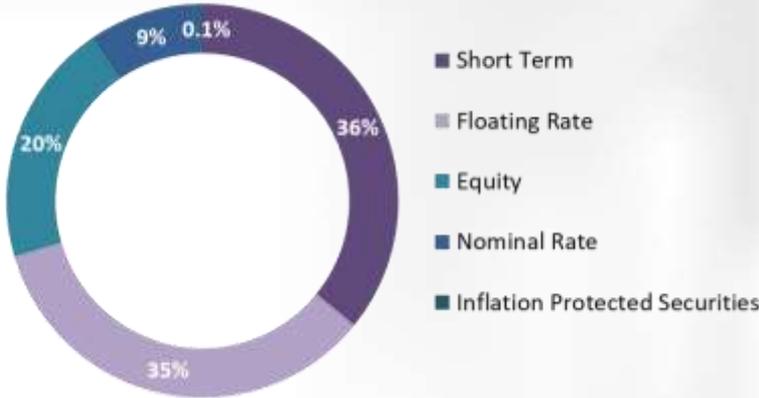
Inversiones

# Operating Expenses

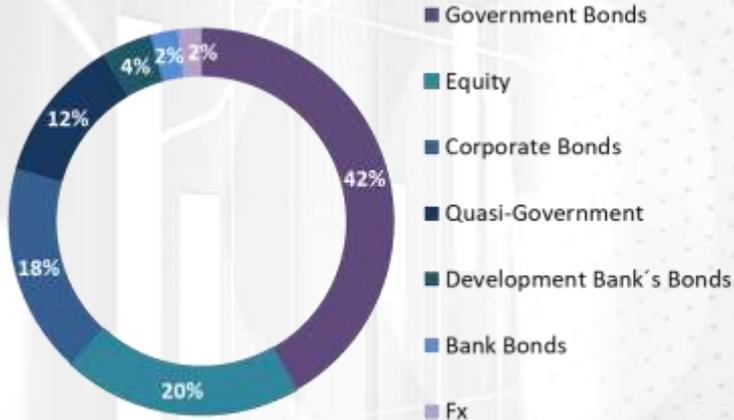
	YTD 2018	Ratio	YTD 2017	Ratio
<b>UNDER Q's CONTROL</b>	435	1.8%	20	0.1%
Administrative Expenses	875	3.5%	770	3.2%
Personnel remuneration	280	1.1%	276	1.1%
Policy Fees	(1,014)	(4.1%)	(1,039)	(4.3%)
Depreciation & amortization	278	1.1%	226	0.9%
Other Income	(202)	(0.8%)	(401)	(1.7%)
Foreign Subsidiaries	218	0.9%	188	0.8%
<b>VARIABLE (Depends on results)</b>	828	3.4%	544	2.2%
Representatives - service offices	594	2.4%	409	1.7%
Employees Profit Sharing	234	0.9%	135	0.6%
<b>VARIABLE (Depends on results)</b>	(102)	(0.4%)	-	
Other Provisions	(102)	(0.4%)	-	-
<b>Total Operating Expenses</b>	<b>1,161</b>	<b>4.7%</b>	<b>563</b>	<b>2.3%</b>

# Profitability

Portfolio by risk



Portfolio by type of issuer



Invested assets, float, MXN BN



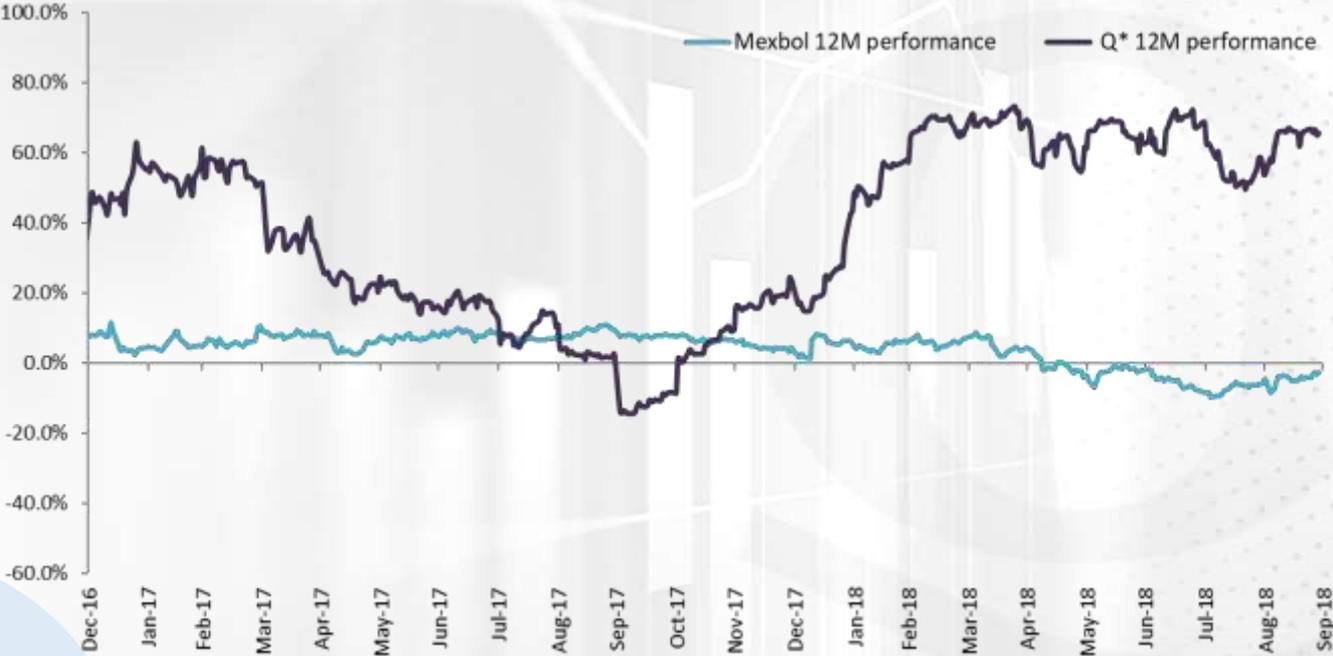
CAGR:22.8%

CAGR: Compound annual growth rate

Return on investments



# Q\* Performance



YTD Average traded volume: 672.7 K

YTD Average traded value: 32,545 K (MXN)

Liquidity: High

Indices: DJSI MILA Pacific Alliance, FTSE BIVA

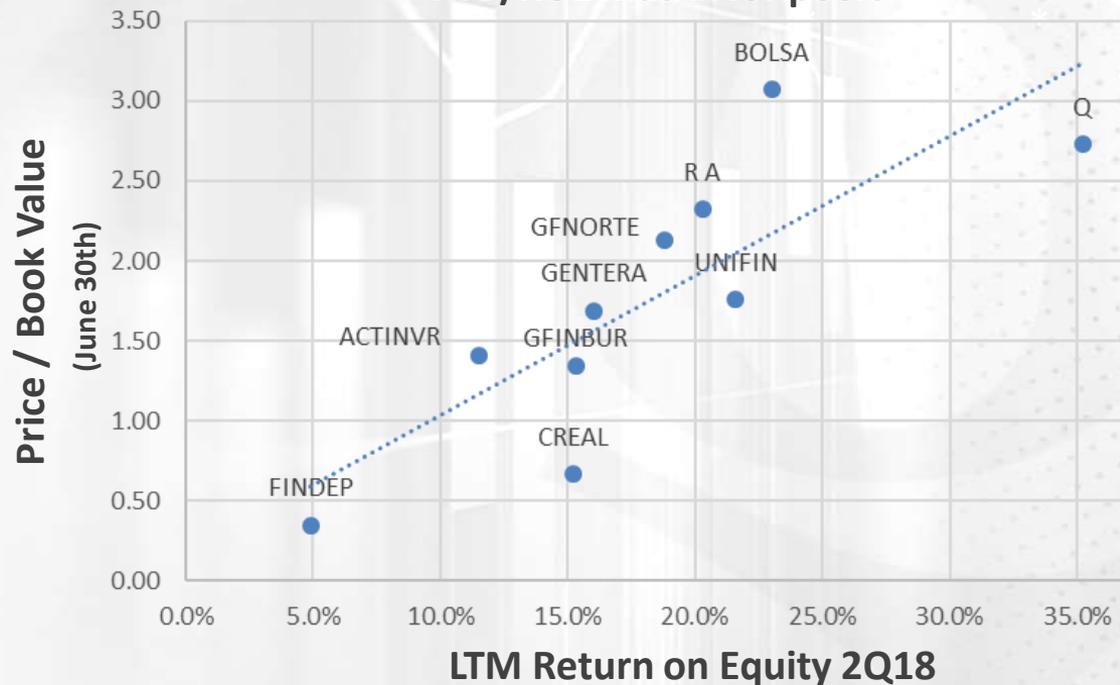
	Q*	Mexbol
3Q18	1.6%	3.9%
YTD	36.7%	0.3%
12M	65.7%	-1.7%

# Q\* vs Peers

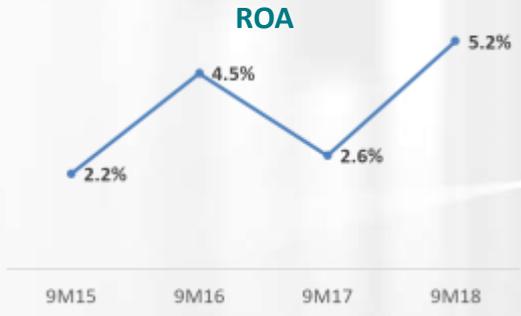
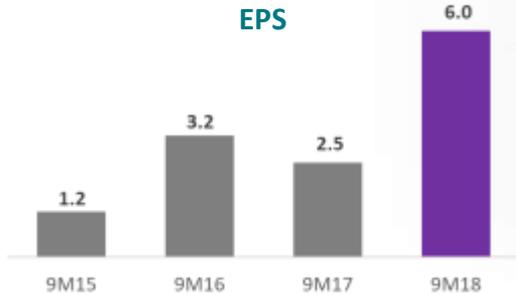
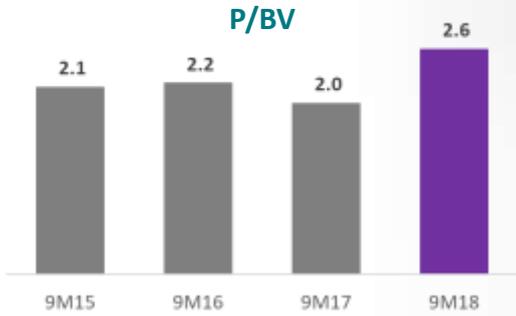
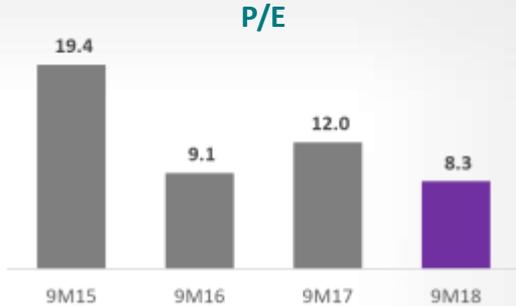
## Share Price

	YTD	12M
<b>Q</b>	<b>36.7%</b>	<b>65.7%</b>
BOLSA	13.0%	25.6%
R A	9.7%	8.6%
GFNORTE	25.5%	7.7%
ACTINVER	(2.2%)	3.1%
GBM	(2.0%)	2.8%
FINDEP	(10.0%)	(10.0%)
GFINBUR	(8.6%)	(11.9%)
CREAL	4.6%	(16.7%)
UNIFIN	(29.2%)	(23.1%)
GENERERA	15.9%	(35.6%)

## PTB/ROE matrix for peers\*



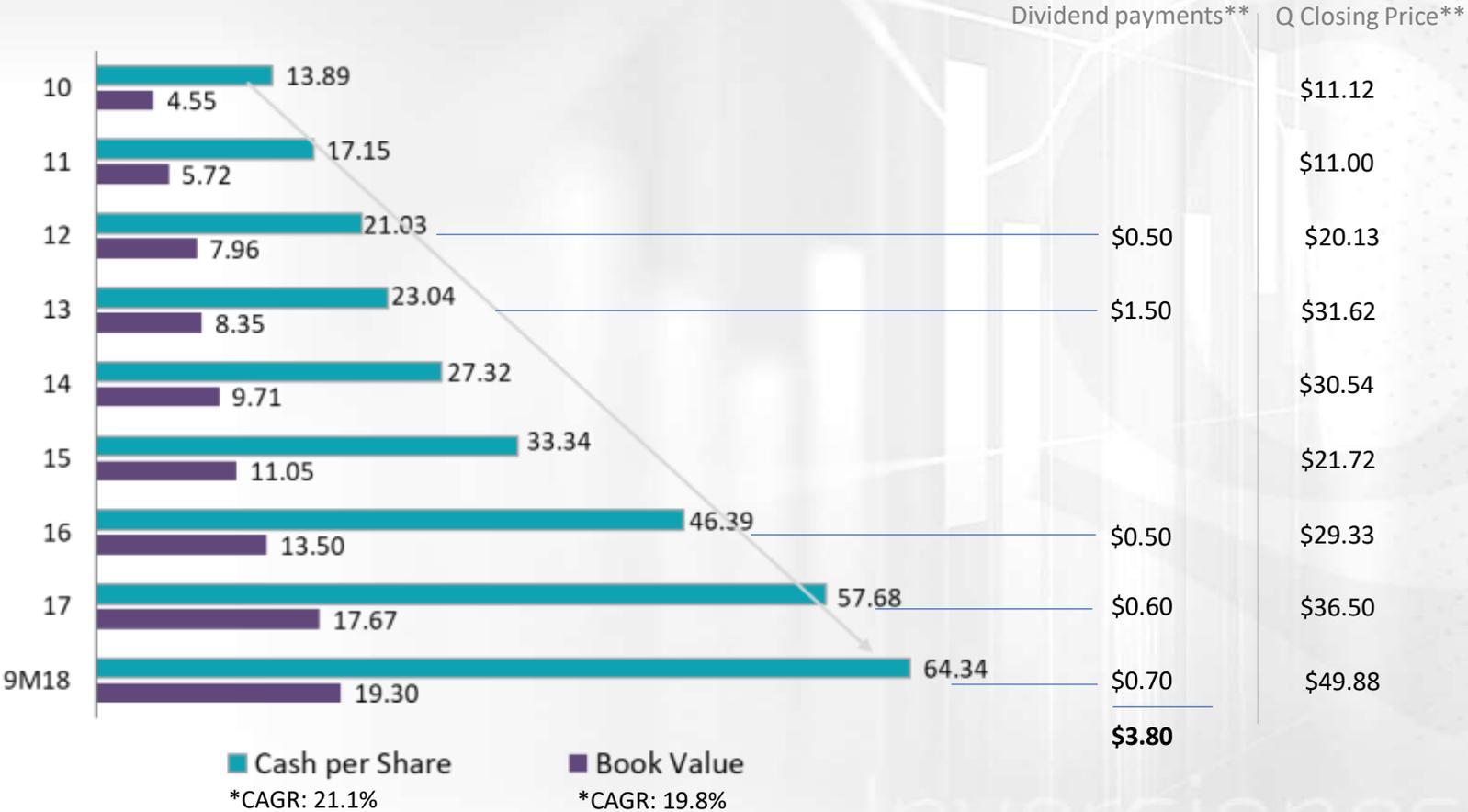
# Multiples



Cumulative net result vs 9M15:  
**247.1%**

Q\* closing Price vs. 9M15:  
**113.5%**

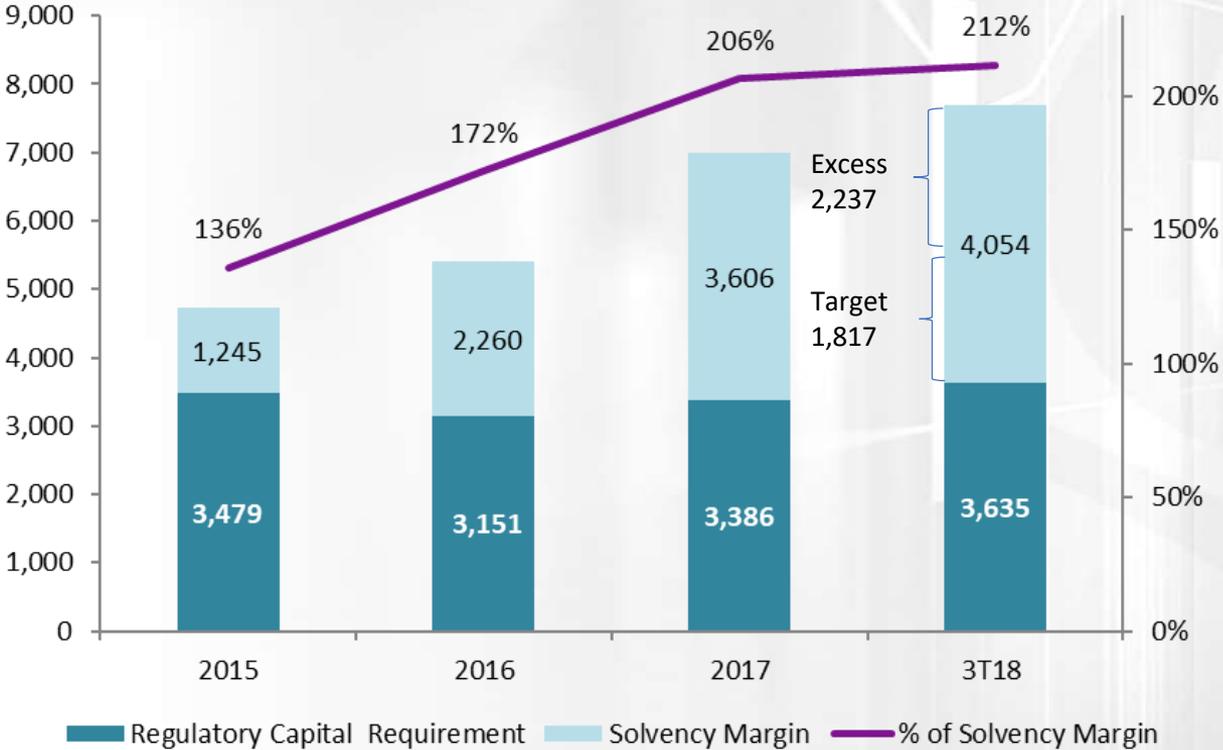
# Cash & Investments per Share



\*Compound Annual Growth Rate \*\*Figures in pesos



# Solvency Margin



% of Solvency Margin:  $(\text{Solvency Margin} \div \text{Regulatory Capital Requirement}) + 1$

# Sustainability

## Road safety Campaign

- “Roadshow” – talks to young people about road safety
- “The importance of having an insurance” – conference
- CVQ Webpage to foster road safety culture (<https://conductavialqualitas.net/>)



## Staff

- Q Certification – in Quálitas University
- Qualiclick – online platform to set goals
- Quálitas Citizen – promote Q’s values
- School supplies for staff’s children



## Environment

- Ratification as a member of the DJSI MILA Pacific Alliance
- Annual Reforestation



# Analysts Coverage

Institution	Analyst	E-mail	Target Price	Recommendation
Actinver	Enrique Mendoza	emendoza@actinver.com.mx	56.0 MXN	Hold
Barclays	Gilberto García	gilberto.garcia@barclays.com	55.0 MXN	-
BBVA Research	Rodrigo Ortega	r.ortega@bbva.com	34.9 MXN	Buy
Grupo Bursátil Mexicano	Jorge Benitez	jjbenitez@gbm.com.mx	-	-
Interacciones	Manuel González	mjgonzalez@interacciones.com	56.6 MXN	Buy
Merrill Lynch	Ernesto Gabilondo	ernesto.gabilondo@baml.com	59.0 MXN	Buy
Nau Securities	Iñigo Vega	inigovega@nau-securities.com	56.0 MXN	Buy
Signum Research	Armando Rodríguez	armando.rodriguez@signumresearch.com	57.0 MXN	Buy
Ve por Más	Marisol Huerta	mhuerta@vepormas.com	-	-

# Thank you for joining us.

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## IR Contacts:

**Andreina Incandela**

T: + 52 55 1555 6104

[aicandela@qualitas.com.mx](mailto:aicandela@qualitas.com.mx)

**María Fernanda Escobar**

T: + 52 55 1555 6175

[mfescobar@qualitas.com.mx](mailto:mfescobar@qualitas.com.mx)