

2019 ↙

# Qualitas Controladora

## 1Q19 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. Qualitas undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

If you have any trouble visualizing the presentation or hearing the conference call please contact:

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All figures in this document are expressed in million Mexican pesos except when otherwise specified.



Earnings Results  
Webcast  
1st Quarter

2019



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# Agenda

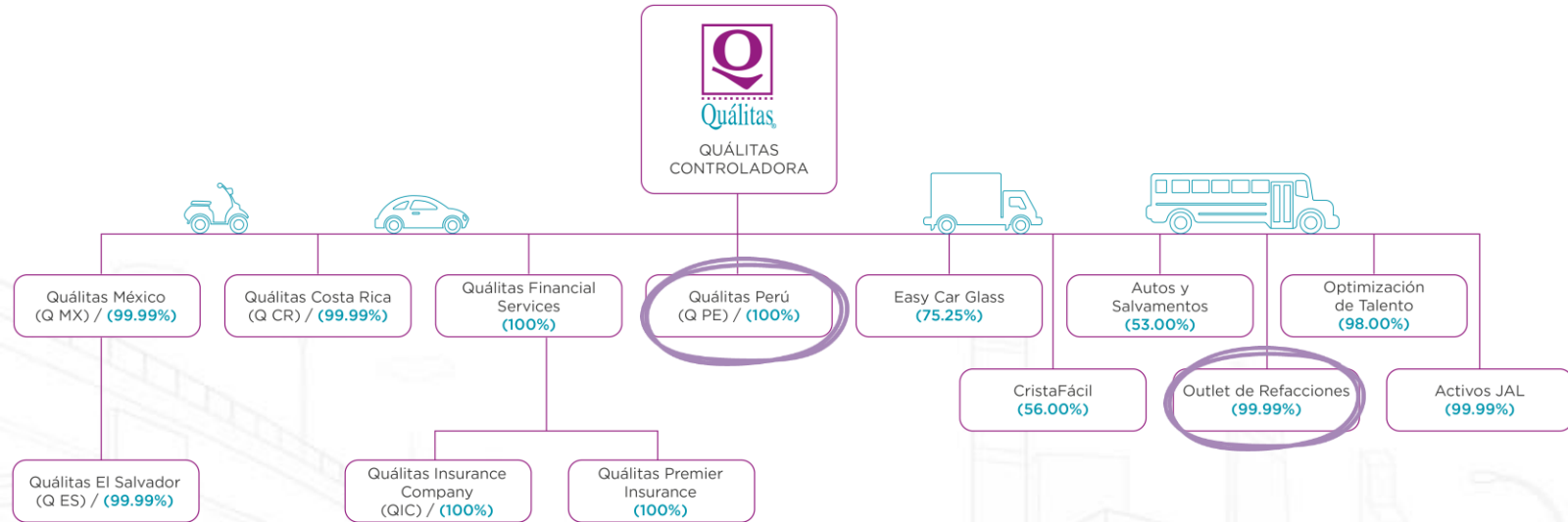
1) Our Corporate Structure

2) Financial Highlights

3) Looking Forward

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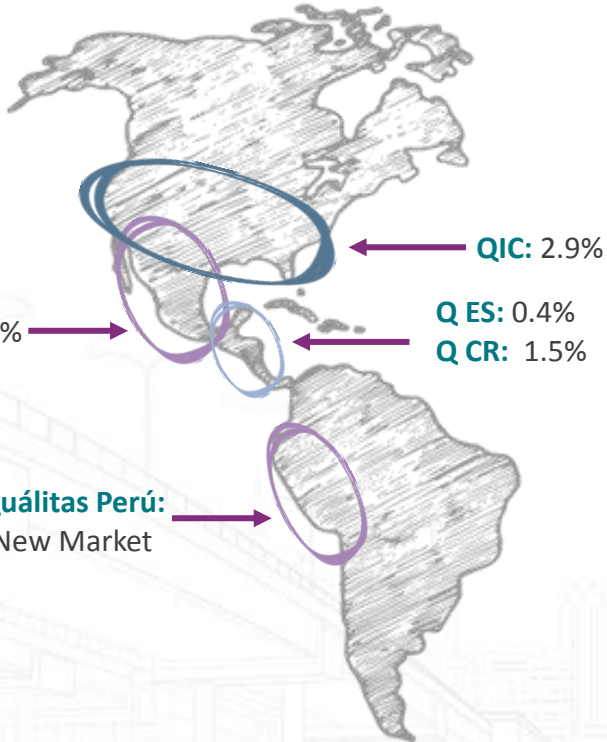
# Our corporate structure



# Quálitas' Footprint

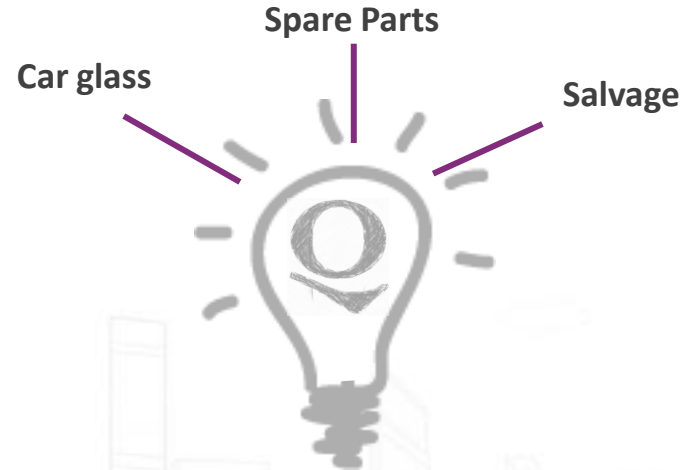
## Horizontal

Subsidiaries share in Written Premiums



## Vertical

Branches of non-insuring subsidiaries



Maximize best in class service & cost



25  
AÑOS

Aseguramos autos  
cuidamos personas

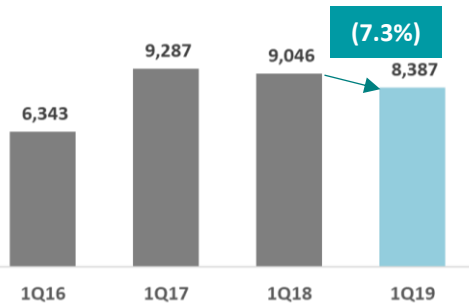
**25 years is just the beginning**

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# Financial Highlights

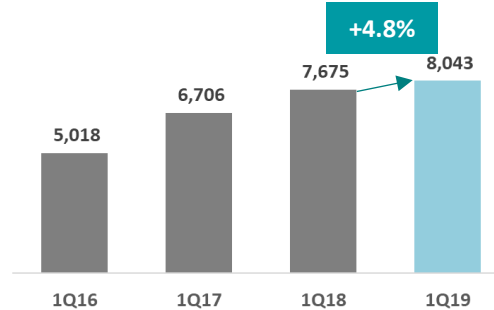
## Written Premiums

CAGR: 9.8%



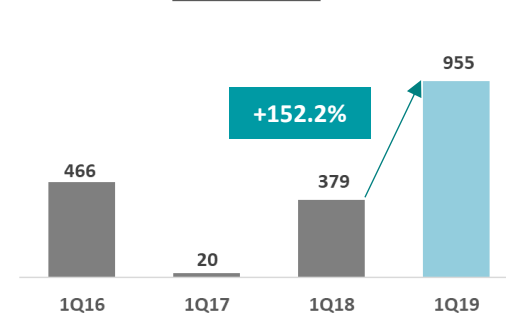
## Earned Premiums

CAGR: 17.0%



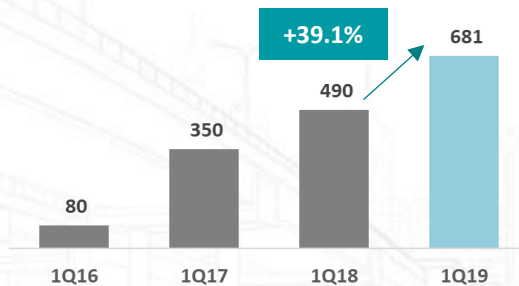
## Underwriting result

CAGR: 27.0%



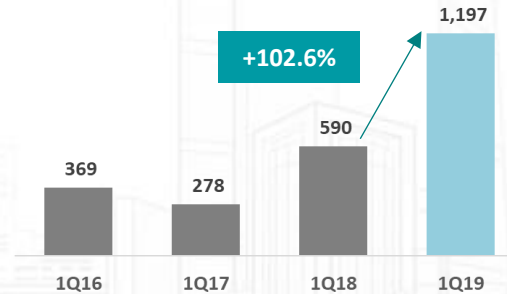
## Comprehensive Financial Income

CAGR: 104.4%



## Net Income

CAGR: 48.1%



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# Financial Highlights

## Acquisition Ratio



1Q19	1Q18	Δ bP
22.1%	22.8%	(70)

## Operating Ratio



1Q19	1Q18	Δ bP
4.1%	4.6%	(50)

## Loss Ratio



1Q19	1Q18	Δ bP
60.9%	63.3%	(240)

**Underwriting Margin**

11.9%

**Net Margin\*\***

14.9%

**12M ROE**

33.0%

## Combined Ratio



1Q19	1Q18	Δ bP
87.1%	90.7%	(360)

## Adjusted Combined Ratio\*



1Q19	1Q18	Δ bP
88.2%	95.1%	(692)

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

\*\*Net Margin: Net Result/Earned premiums



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# Underwriting

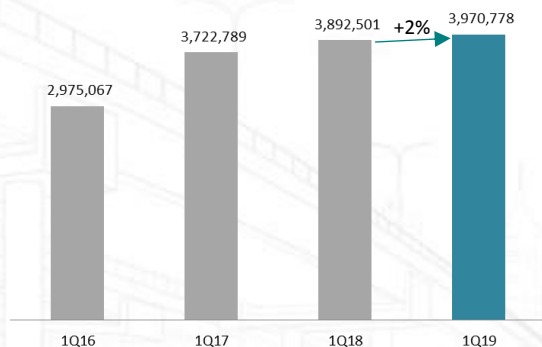
## Written premiums by segment

Segment	1Q19	1Q18	Δ \$	Δ %
Individual	2,726	2,298	428	18.6%
Fleets	2,611	2,742	(131)	(4.8%)
Financial Institutions	2,616	3,557	(940)	(26.4%)
Foreign subsidiaries	401	390	12	3.0%
Other	33	60	(27)	(45.2%)
<b>Total</b>	<b>8,387</b>	<b>9,046</b>	<b>(659)</b>	<b>(7.3%)</b>

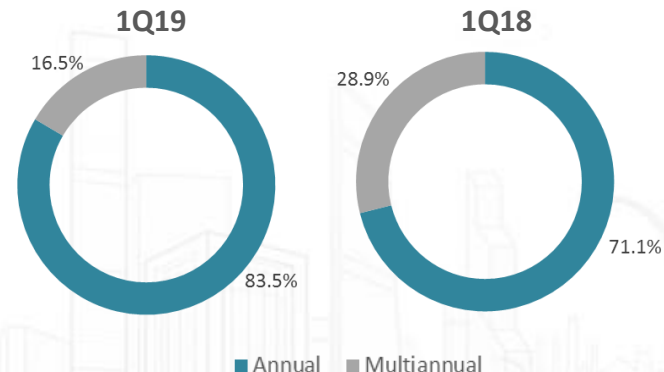
+6%

## Insured Units

CAGR: 10.1%



## Premiums by duration

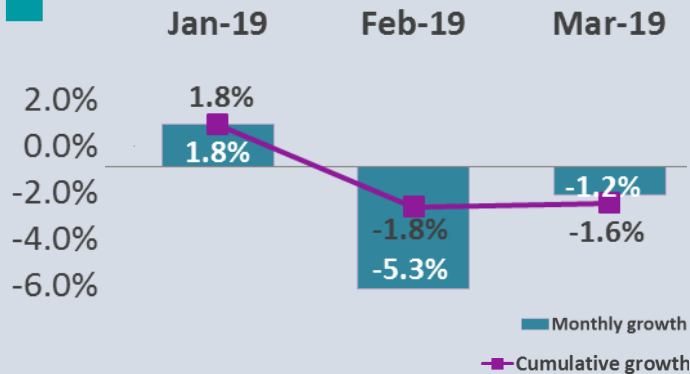


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# Underwriting slowdown

1

## New car sales slowdown



2

Tariff increases on non profitable business impacting some financial institutions volume

Financial institutions  
VS  
Traditional

⇒ Combined ratio  
15 - 20 pts higher

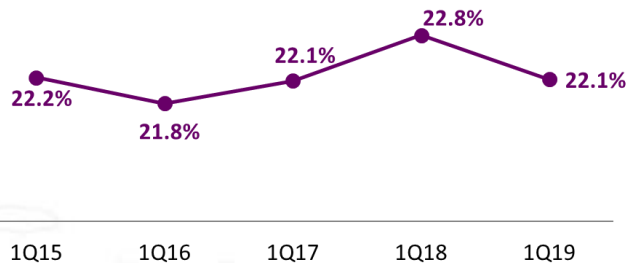
3

Key government accounts renewal from 1Q19 to 2Q19

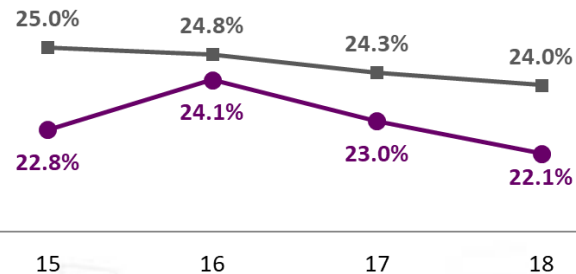
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# Acquisition Cost

## Q Ratio



## Ratio Q vs industry



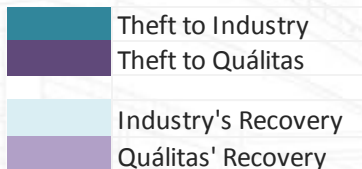
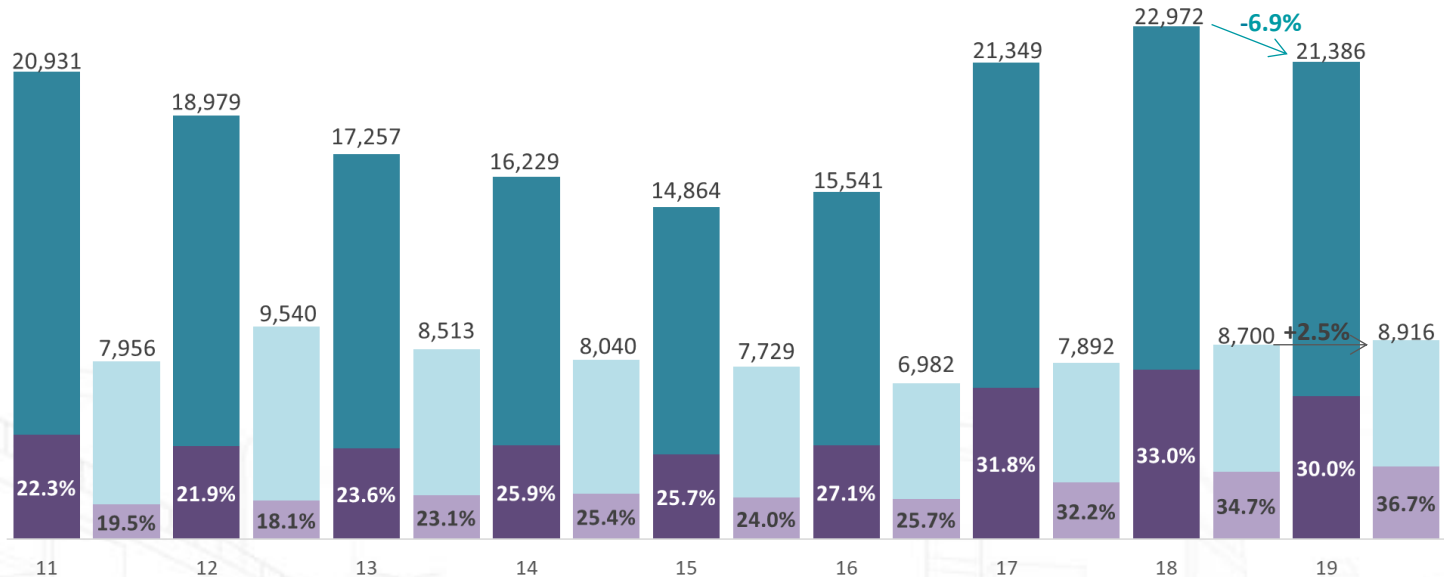
Less commissions paid to Financial Institutions (positive mix effect)



Q ratio consistently below industry average

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# Local tendencies

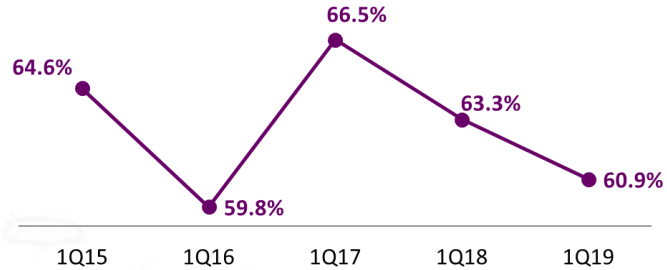


**Thrift to Q: -15.4%**  
**Q Recovery: +8.1%**

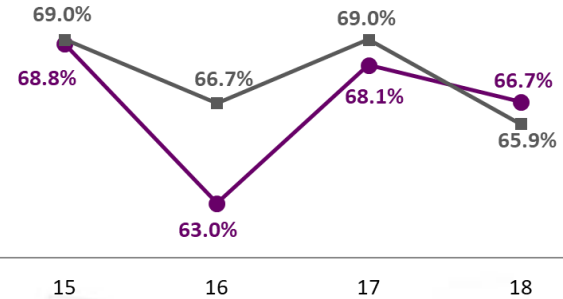
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# Loss ratio

## Q Ratio



## Ratio Q vs industry



**Effective risk management**



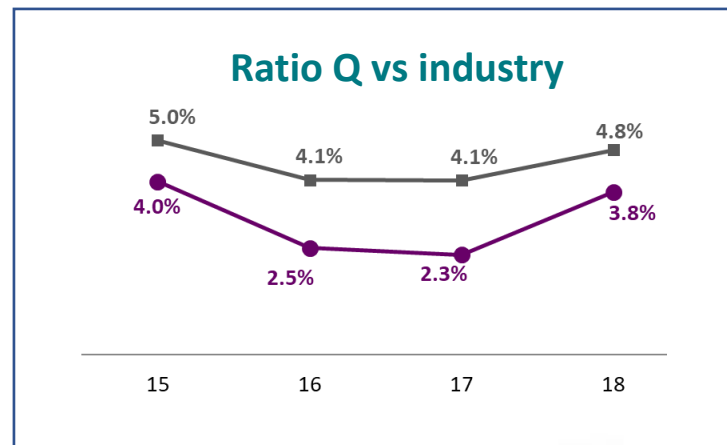
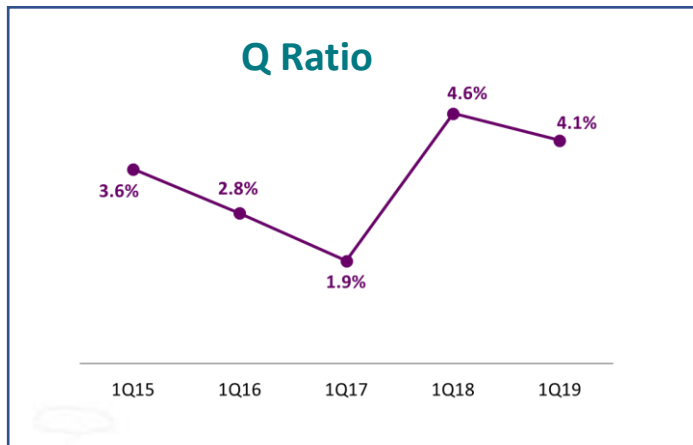
**Lower robberies**



**Fuel shortage –non recurring event**

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# Operating Cost



**On going efforts on cost control**

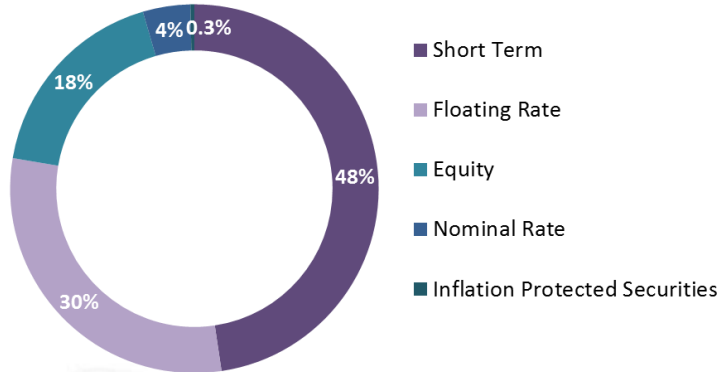


**One time benefit due to an adjustment on the IBNR reserve, partially offset by Employee Profit Sharing and agent fees**

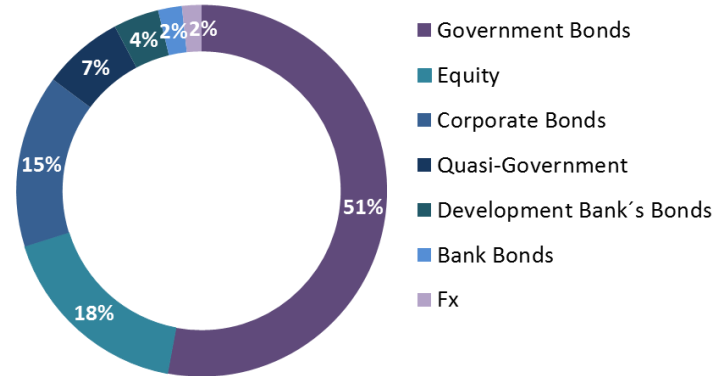
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# Investment Portfolio

## Portfolio by risk

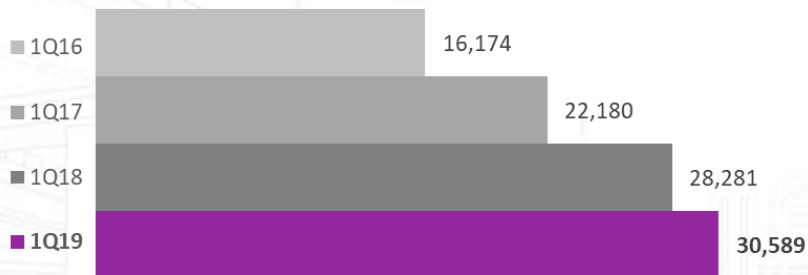


## Portfolio by type of issuer

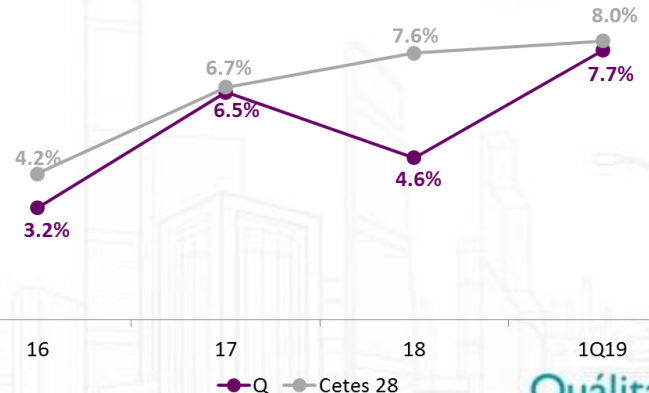


## Invested assets, float, MXN BN

CAGR: 23.7%

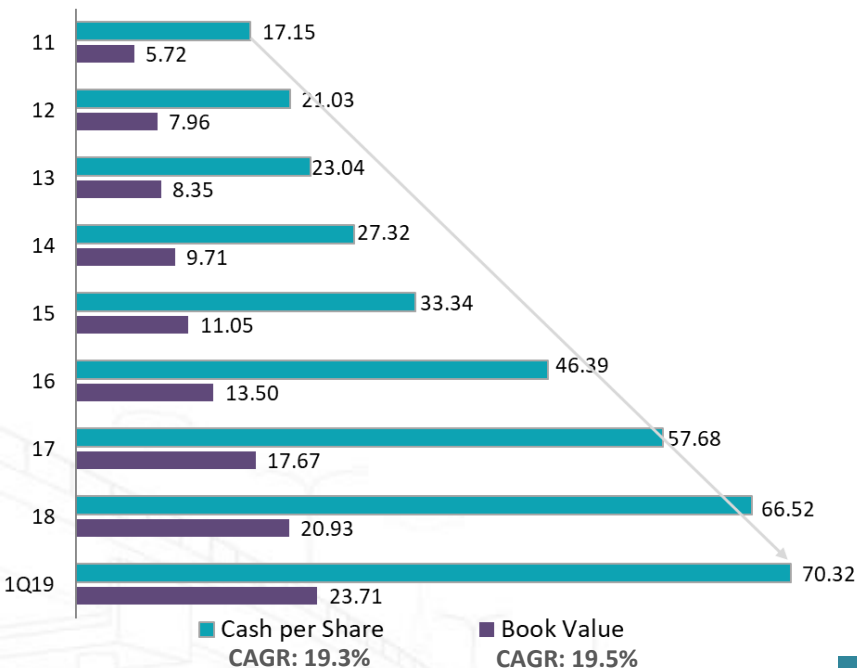


## Return on investments



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# Cash & Investments



## Approved points AGM:

- To pay a cash dividend of \$0.85 pesos per share.
- To cancel 10 million shares (reduction of capital stock).
- Share buyback of \$650 million. It can reach a maximum of \$700 million considering the surplus derived from its operation.

## Capital stock reduction effect:

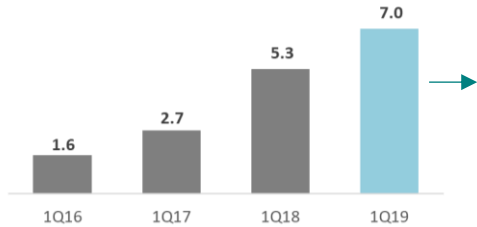
	Currently	After cancellation	Δ %
Book Value	23.7	24.3	(2.3%)
Cash per Share	70.3	72.0	(2.3%)
LTM Earnings per Share	7.0	7.1	(2.3%)



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# Value creation indicators

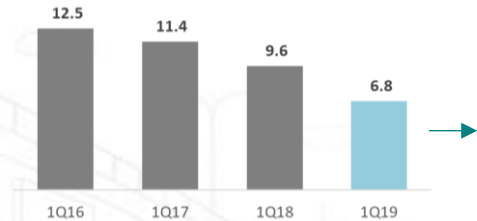
## Earnings per Share



After Cancellation

From: 6.98  
To: 7.14

## Price-to-earnings



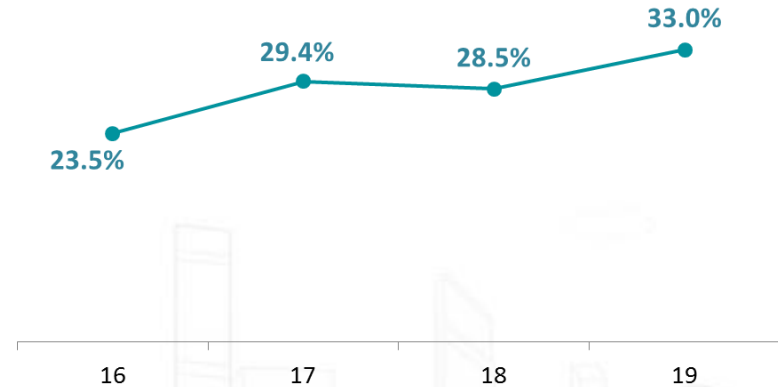
From: 6.84  
To: 6.68

## Price-to-Book



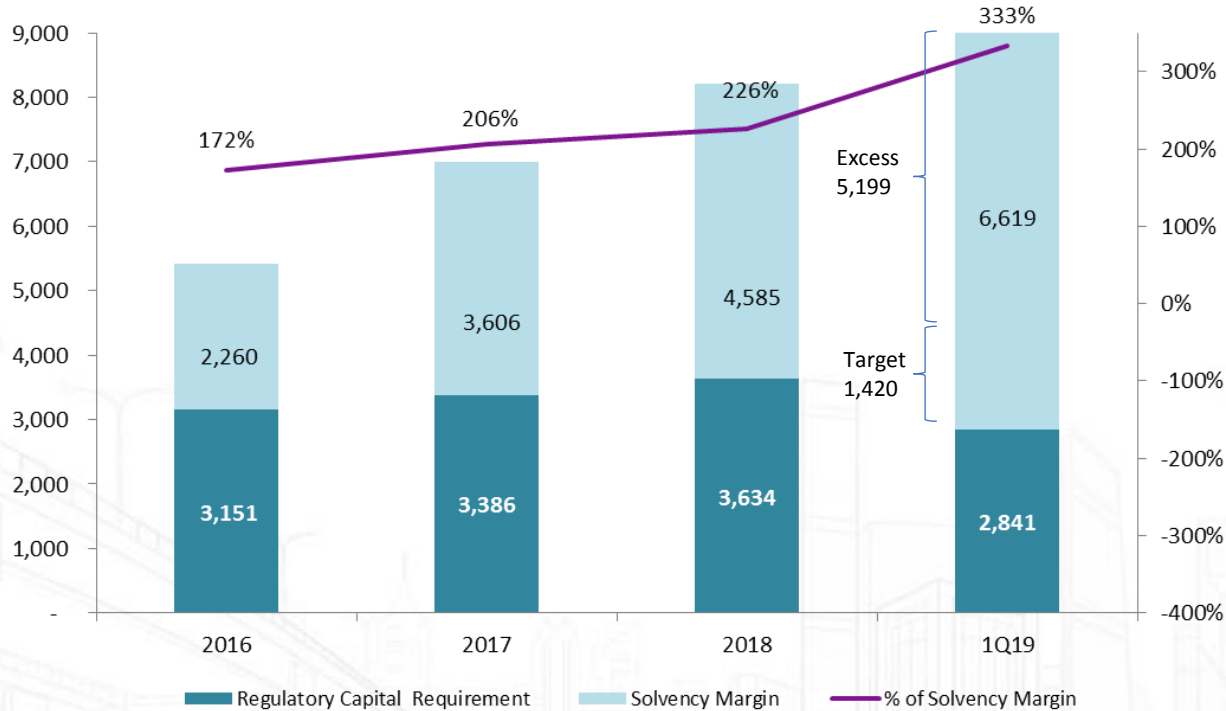
From: 2.01  
To: 1.97

## L12M ROE



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# Solvency Margin



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# Looking Forward...

# strengthening core business



## Cost Control



- Technology
- Process efficiency
- Timely & accurate cost booking
- Costs indicator's program
- Pursue new improvement opportunities



## Technology and Innovation



- Incorporation of hybrid cars to the fleet
- Investment in Apps for different stakeholders



## Explore business opportunities



- Take advantage of our extensive network
- Identify emerging needs
- Increase business & diversify



## Strengthen Subsidiaries



- Business expansion
- Reinforce the structure
- Improve management

Thank you for joining us



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# Analysts Coverage

Institution	Analyst	E-mail	Target Price	Recommendation
Actinver	Enrique Mendoza	emendoza@actinver.com.mx	54.0 MXN	Hold
Barclays	Gilberto García	gilberto.garcia@barclays.com	52.0 MXN	-
BBVA Research	Rodrigo Ortega	r.ortega@bbva.com	34.9 MXN	Buy
Grupo Bursátil Mexicano	Jorge Benitez	jjbenitez@gbm.com.mx	-	-
Merrill Lynch	Ernesto Gabilondo	ernesto.gabilondo@baml.com	56.0 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	-	-