Good morning everyone and thank you for joining us today. In this occasion, before discussing business specifics, I would like to take a minute to remember Wilfrido Castillo Sanchez Mejorada who, as you all know, passed away a few weeks ago. Wilfrido was one of Quálitas founders, a great leader and an extraordinary man, who was instrumental in the development, growth and success of the company. It is a great loss but be certain that his legacy will prevail along with countless memories and his great example. Many of you had the privilege of knowing him, thus I ask that you briefly take a moment in his memory.

Thank you all, and now Bernardo will take over to discuss our Q1 results.

INTRODUCTION

Thank you José Antonio and good morning everyone. We acknowledge we are living challenging times across the world and certainly here in Mexico, we sincerely hope you and the ones you care for, are healthy and, together, we see better times soon. It is during times of uncertainly and volatility that we must maintain a close and ongoing communications with our key stakeholders, including our investors and analyst, to share and discuss the business situation along with the actions we are taking to overcome this unprecedented crisis.

I will therefore start by sharing our Q1 results along with key drivers and highlights and then Jose Antonio will discuss the impacts of the COVID-19, the economic crisis and plans being implemented to ensure Quálitas not only gets through the crisis but comes out well positioned for the future.

At the end of the call, as always, we will leave some time for Q&A´s.

FINANCIAL HIGHLIGHTS

As we started 2020 we were motivated by our strong performance last year, setting new records across all key metrics and delivering a profit that was well ahead of expectations. Today, I am glad to share that, once again, we proved our ability to create value even in a challenging environment, posting a very strong 1st quarter, both top and bottom line.

JFM results were ahead of expectations despite early signs of economic slowdown and equity market downturn. It is important to note that the quarterly shape we anticipated for 2020 did consider a stronger 1st quarter and stronger 1st half due to the inertia we carried from last year, the soft top line results on this same period year ago and the fact that some of the price decreases we have taken will fully be reflected by late 2nd quarter.

During the 1st quarter, our Written Premiums grew 14.5% versus same period year ago, which was driven by an 8.8% growth through our traditional segment and a recovery of 22% through our financial institutions channel, despite new car sales decrease. Earned premiums grew 16.2% in the quarter. This is the highest top line growth rate since early 2017.

Premiums growth resulted from an increase the number of insured units, ending the quarter with 4.3 million, which represents ~99 thousand more vehicles or 2.3% growth versus Dec´19. I would like to highlight that as we look at the total auto insurance industry, during 2019 total market premiums were up 5%, and considering that new car sales were down ~8% and pricing was stable, we can imply that up to then, car insurance penetration was increasing which is great news for the industry overall and certainty for Quálitas.

Underwriting result in the 1st quarter reached $1,817 million pesos, up 90% vs same period year ago; these results were driven by the lowest loss ratio in a decade, already reflecting the early effects of COVID-19 on the March loss ratio which helped the quarterly average; in addition to this, we maintain a stable, below industry average, operating and acquisition cost with a 5.9% and a 22.4% ratio respectively. I will expand on this later on.

The comprehensive financial income for the quarter was $59 million, which is lower to our expectation and 91% below year ago. It is important to remind that at the end of 2019 our investment portfolio was 86% fixed income and 14% equities, reflecting the outcome of our decisions towards a more conservative approach, considering back 3 years ago we held over 24% of equities. While the global equity market collapse did impact us, the fact that we maintain a positive yield reassures Quálitas is a reliable Company that provides stability despite headwinds.

By the end of the 1st quarter, we had ~ $32,000 million pesos in investments, up 8.3% vs last year, which should continue benefiting our business from what is still an attractive rate in Mexico and what we hope will be a gradual recovery of our investment assets.

The resulting Net Income for the quarter stands at $1,440 million pesos, up + 20.4% or $244 million versus what we reported in 1Q 2019. This quarterly profit is the second highest ever and it happens in a time of global turmoil a reason to celebrate it even more.

The cumulative Income per Share stands at $13.1 pesos that compares to $12.6 pesos last quarter. All in all, our NET MARGIN for the period was 15% that compares to the 14.3% reported in 1Q19, resulting in a 12 months Return on Equity of 43.8%, well above our updated mid/long term goal.

As I mentioned earlier, these strong results partially reflect the impacts of the COVID-19 situation, that is and will affect our business directly and indirectly; therefore, before moving into the P&L specifics, I would like to give you some color on the landscape and relevant matters impacting the auto insurance industry and, thus, our results:

First, as you are well aware, new car sales have been falling for almost 3 consecutive years now; in 1Q they were down 10.9% affected by the March decline of 25.5%. Earlier in the year we had shared our expectations of 2020 year being the year where new car sales would stabilize, however given the circumstances and while impossible to predict, we should assume a double digit decline, which will impact out top line for the balance of the year.

Second, car theft. I am happy to share that we continued to see a positive trend during this 1Q of the year; the industry reported a 16% decrease, and for Quálitas this reduction was higher, with robberies down 19.3%.

Finally, during this quarter Mexico´s Central Bank, followed global trend and decreased the benchmark interest rate in 50 bp; closing the quarter at 6.5%. These reductions were consistent to our expectation and we continue to assess adjustments to our investment portfolio to maximize profitability.

UNDERWRITING

I will now go back to the financials for more detail in our top line and key cost metrics.

Regarding written premiums and as I said before, we had a growth of 14.5% in the quarter; growth was broad based with all business lines above same period year ago. Worth noting a low comparable basis during the 1Q of 2019, where we had a 7.3% contraction of our top line.

Our traditional segment, which incorporates individual policies and fleets, increased 8.8%, while our Financial Institutions business, which are new car sales sold with credit was up 22%. Let me elaborate on the latter: as you may recall, during early 2019 we decided to adjust prices on the Financial Institutions channel, prioritizing value over volume, which led to a very soft start, down 26% during that 1st quarter, but recovered along the year, with a 2nd half of 2019 up 8%; JFM quarter is consistent to the trend we were seeing towards the end of last year. Financial Institutions makes up for ~ one third of our premiums.

Regarding our annual and multiannual policies, our portfolio continues reflect the actions we have taken over the past months; by the end of the quarter, our portfolio had a mix of ~ 78.4% annual and 21.6% multiannual policies, slightly up versus last year, but significantly below historic average.

COST

Moving now to cost, we continue to honor one of the main foundations of this company, which is cost control. In JFM our combined ratio was 80.2%, the lowest one since Quálitas was founded. The adjusted combined ratio, which is the ratio that meets international standards, ended the quarter in 80.6% that gives us to a very strong underwriting margin of 19.4%.

The results above, were propelled by a loss ratio of 51.9% for the quarter that compares to 60.9% of last year. This loss ratio was driven by a decrease in robberies during the quarter and an important reduction of claims during the 2nd half of March when quarantine measures were put in place, resulting into a significant reduction of vehicles on the road. It is also worth to recognize the impact as well of our continuous efforts in risk prevention and operational efficiencies. To illustrate, Quálitas recoveries of stolen unties was 52.5%, up from last year and 7.5 percentage points higher than the industry average, explained by efforts that combine technology, expertise and dedicated people.

Moving to ACQUISITION RATIO, we closed the quarter at 22.4% basically in line to last years; an increase of 23 bp vs 1Q 2019 led by the growth of underwriting through financial institutions, which carry a higher acquisition cost.

Finally, on OPERATING RATIO, we closed at 5.9% for the quarter, an increase of 178 bp when compared to same period year ago. Most of the increase is explained by the “employee profit sharing” which is linked to the business performance and the $185 one-time benefit we had last year; if we were to exclude these effects operating expenses would be ~$25 million below year ago.

It is important to highlight that Quálitas has a built a model in which most of its cost are variables and linked to business performance, mainly premiums and loss ratio; during 2019 our fixed cost spending, which includes salaries & benefits was in the range of 4-6%, well below most industries.

SOLVENCY MARGIN

Now, we will review the capital requirements and the consolidated Solvency Margin.

The regulatory capital requirement total $2.7 billion pesos at the end of the 1st quarter. As always, we will continue to apply our internal policy of having 1.5X the regulatory capital requirement for any unexpected situation.

By the end of the quarter the solvency margin was $11.5 billion pesos, that represents a percentage of solvency margin of 5.26, which is the highest ever.

As a result of the 2019 results and the solid financial position of the Company, the General Shareholder Meeting held this past Monday April 20th, approved a dividend payment of $1.7 pesos per share that equals $722 million pesos, and a share buyback fund of $1,400 million pesos. Let me reassure everyone, as demonstrated by this quarterly solvency margin position, that Quálitas has and will continue to manage a conservative position on its use of cash to guarantee not only its obligations but also capitalize opportunities with an interesting financial return, if they were to come.

Q* PERFORMANCE

Moving on to our stock performance, during this first quarter our stock was not the exception and was hit by the market's volatility; it closed at a low point of 60.9 Pesos, down 23% but still 28% ahead of same period year ago. It has recovered since and just yesterday it closed at 76.89 which is just shy of our 2019 closing.

In terms of stock liquidity, the daily average traded amount during the quarter was ~ 2.8 million USD, which represents three times in comparison with same period 2019.

Regarding our cumulative financial ratios, earnings per share stand at $13.1 which reflects an 93% increase Year over Year. Price to Earnings stand at 4.6, well below other public insurance companies and Price Book Value stands at 1.7.

And now, one of the biggest highlights as I'm very pleased to inform you that on April 8th, S&P announced the final rebalance of the S&P IPC index, in which Quálitas was added, effective as of April 27th. This sums years of work and efforts towards increasing market value and our stock´s liquidity. We celebrate the news, thanking all of those who have supported us to make this possible and confident this will boost the exposure of the company, reaching new investors and fueling future growth.

Before I hand it over to José Antonio, let me share that in our never ending journey of continuous improvement and becoming a world class organization, just a few days ago, Alejandro Elizondo joined Quálitas as Chief Investment Officer (CIO). Alejandro has more than 20 years of portfolio management experience, having led the investments group in major insurance companies in Mexico in recent years. Alejandro, together with the investment committee, will be leading our investment portfolio and team.

We know it will still be a bumpy road ahead, but it is these challenging times that bring the best of us. José Antonio will now discuss about the future and actions we are taking.

QUALITAS STRENGTHS TO OVERCOME THE CRISIS

Thank you, Bernardo. As you have mentioned, we are living challenging times, unprecedented series of events that will impact every individual and corporation across the world and certainly in the countries that we operate; but as they say "Every crisis has 3 things: a solution, an expiration date and a teaching for your life", and this will be no exception.

It was on March 11th that the Coronavirus health problem was declared a pandemic. Since then, we have seen lots of uncertainty and volatility around the globe.

Oil prices have fall to historically low levels, markets had their worst performance in decades, the PESO depreciated close to 25% against the dollar, Rating Agencies downgrade of the sovereign rating as well as PEMEX, and analyst expect Mexico´s GDP to decrease between 2%- 8% this year. All of this will represent important headwinds for most industries across the country.

Our industry and particularly our Company, while not exempted, is better positioned to face some of the biggest concerns of this crisis; let me explain a few of them:

- On liquidity and access to cash, Quálitas has zero debt and reserves that more than cover liabilities; as noted by Bernardo, at the end of the 1st quarter our solvency margin is $11.5 billion pesos, highest number ever, which means we have $9,416 millions of cash above capital requirement.
- One other major concern of this crisis is collections, and in our business we also have lower risk of uncollectable or bad debts, since a policy that is not paid in the agreed timings, usually 15-30 days, is canceled eliminating as well the liability.
- The quarantine implies less vehicles on the road, thus fewer accidents and claims. We have already seen claims reduced 40-60% and this will certainly be reflected on our 2nd quarter cost ratio.
- The crisis comes at a time in which Quálitas is at its best. We are coming out of a record year and posting an outstanding 1st quarter, we are stronger than ever from a financial, market and organizational point of view; and our actions over the past couple of years have also reduced our exposure, such as the case of our multiannual vs annual policies which went from 55% in 2015 down to 21% last year and the reduction of our equity portfolio from 24% to 13%.

Now, despite the mentioned strengths we recognize that we will be directly impacted by the following key factors:

First, due to the economic slowdown and the operational restrictions, we expect new car sales to fall drastically during the year, which will affect our top line, specially through our financial institutions channel. In addition, we expect budget constraints for some of our clients and policyholders that will impact our underwriting as well.

Second, the Mexican Peso depreciation will affect our total loss costs as ∼30% of our claim costs, mostly related to spare parts, its imported and thus will most likely increase proportionate to devaluation.

Third, history shows that, not only in Mexico, but across the world, economic crisis leads to unemployment which results in safety erosion. In our case, we could see an increase of cars and truck robberies that could shift the positive trend over the past 15 months.

Finally, the decrease of the benchmark interest rate, currently at 6.0% and already 175 basis points below last year, will have an impact in the yield of our fixed income.

But you know us and you know we are not standing still. We have moved quickly and aggressively taking actions towards mitigating some of the above mentioned impacts. I would summarize on 5 concise plans:

1. Take care of our people so they can take care of business – we took all necessary precautions to protect our employees from being exposed to the virus and in parallel we also executed our Business Continuity Plan to secure operation without any interruption. As long as there are vehicles on the road, we will be there to support them. My recognition goes to everyone who has made this possible as we continue to serve policy holders and agents, to timely comply with all payments and obligations and to be close to our investors.
2. Support our customers - we implemented a 10% additional discount, on top of several reduced prices for all renewals during mid-March and until end of May. We have also provided payment flexibility in interest free installments and, for key customers, we have extended the grace period.

   On service, we have expanded de use of technological innovations tools in case of an accident, such as the use of "express claim", where, under certain circumstances we exclude the need of a claim officer, making it faster and avoiding interaction. We supported ~7% of the claims through this tool compared to a low 1-2% during 2019. We believe we can serve 10-15% of the claims through this service.

3. Eliminate not essential spending - we have gone over all major spending lines making choices, for example on payroll, while we will not make any major personnel cuts, we have cancelled all salary increases, including the inflation adjustment. We have also gone under hiring freeze. The elimination of all travel, meetings and events will contribute as well to reduce spending.

4. Crisis always brings opportunities – while we are not actively pursuing M&A´s, we know that given the circumstances, they are likely to come. We are always open to listen to profitable business that fit our strategy and winning model.

5. Act on social responsibility – we will maintain and increase our support to projects that improve the lives of those around us. It is on situations like this when this becomes a priority, taking care of our own and those that need us.

In summary, the short and medium term landscape presents a number of uncertainties and is challenging, but our business is strong, is healthy and we are taking the necessary actions that will allow us to once again outstand as a Company that creates value to all stakeholders.   We are living extraordinary times, and you can be certain Quálitas is stepping up to the occasion.

And with that let´s please open the line for questions now.