Apalache Análisis started coverage of Quálitas Controladora

Quálitas Controladora, S.A.B. of C.V. ("Quálitas", "the Company" or "the Group") (BMV: Q*), informs its shareholders and the investment community that Apalache Análisis started coverage as of June 08th, 2020.

The fundamentals that determine its recommendation are: "that it has being the leading single-line insurer specialized in car insurance in units in Mexico for 13 years; its strict cost control, which has demonstrated the ability to achieve competitive prices, hand in hand with a strict risk control system to maximize the use of resources; its 26-year track record, which has resulted in accelerated growth and expansion in 5 countries; and the experience and vocation of its team, which, thanks to ESG practices, have achieved a momentum in the company among its different stakeholders."

The report will be available on digital platforms such as Bloomberg, Refinitiv Capital IQ, Visible Alpha, among others.

Institution	Analyst	E-mail	Target price	Recommendation
Apalache Análisis	Jorge Lagunas Garza	jorge.lagunas@apalache.mx	96.02 MXN	Buy

About Quálitas

Quálitas (Q) is the largest auto insurance company in Mexico in terms of market share, with operations in El Salvador, Costa Rica, USA and Peru. Its specialized business model, based exclusively in auto insurance, has allowed the Company to provide top quality service under the largest network in Mexico. Quálitas is listed on the Mexican Stock Exchange (BMV) under the ticker "Q" (Bloomberg: Q*: MM)

IR Contacts

Santiago Monroy
smonroy@qualitas.com.mx
T: +52 (55) 1555-6056

Raquel Leetoy
rleetoy@qualitas.com.mx
T: +52 (55) 1555-6313

www.qualitas.com.mx

APALACHE
ANÁLISIS

COVERAGE
INITIATED

Quálitas
COMPAÑÍA DE SEGUROS

cotiza en
Bolsa Mexicana
Q

BUY	PT Jun2021	Ps.96.02
Price (Q*)		82.95
Max./min. (2Y)		40.66 / 101.12
Dividend Yield		2.0%
Total Return		17.8%
Market Cap. (M)		34,258
Book Value (M)		15,254
Outstanding shares (M)		413
Float		47.0%
Av. Daily Amount (Mi)		44.8

Price as of 06/04/2020. Amounts in Ps.
Source: Apalache and BMV

CONTENT

Recommendation: BUY

Our recommendation over Quálitas (Q *) is based on the following factors: a) it has being the leading single-line insurer specialized in car insurance in units in Mexico for 13 years; b) its strict cost control, which has demonstrated the ability to achieve competitive prices, hand in hand with a loose risk control system to maximize the use of resources; c) its 26-year track record, which has resulted in accelerated growth and expansion in 5 countries; and d) the experience and vocation of its team, which, thanks to ESG practices, have achieved a momentum in the company among its different stakeholders, being the most appreciated stock in Mexico's market during 2019.

Despite the challenging situation derived from the contraction of economic activity during 2020, we see in Q * fundamental strengths for a neutral-defensive vision, given the lower claims ratio expected by the isolation measures, which, in the in the short term, it should play a mitigation effect from the slowdown in car sales in its different markets.

Q * has important positive catalysts in the medium term for the value of its shareholders, such as the mandatory status of automobile insurance in Mexico, and its internationalization process.

Q VS IPC
(index last 3 years)
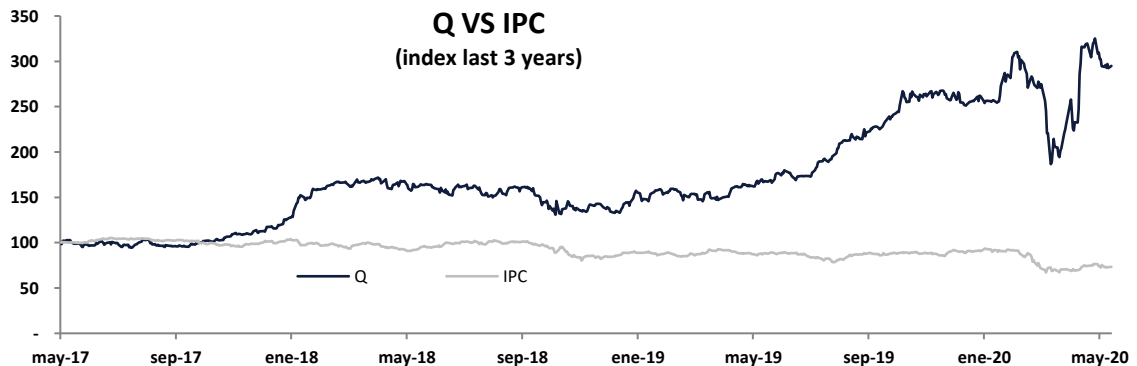
Source: BMV

Jorge Plácido
+52 (55) 5412-4273
jorge.placido@apalache.mx

Jorge Lagunas
+52 (55) 2106-5592
jorge.lagunas@apalache.mx

Benjamín Salgado
+52 (55) 6553-8846
benjamin.salgado@apalache.mx

OPPORTUNITY TO TAKE POSITION IN THE FASTEST GROWING PLAYER IN THE SECTOR

We initiate coverage of Quálitas Controladora, S.A.B. de C.V. (BMV: Q *) with a fundamental BUY recommendation and a target price per share of Ps.96.02 (June 2021). The foregoing implies a total potential return of 17.8% compared to the closing price as of June 2 (15.8% due to capital appreciation, and 2.0% due to dividend yield).

Taking into account the challenges of the economy, the fundamentals that determine our recommendation are: i) the position of Q * in the auto insurance industry in Mexico (its main market), where it participates with 30%, thanks to its coverage , strategic alliances, differentiated prices and focus on quality service; ii) efficient cost and risk control systems, which are key to its commercial strategy, by leveraging its growth at a competitive price without incurring excessive risks; iii) 15% annual growth (CAGR) in the last 10 years with respect to insured units (+98,765 during 1Q20) and expansion in the USA, Costa Rica, El Salvador and Peru; and, iv) the initiative that his team has regarding ESG (Environmental, Social and Governance), which have further bolstered the positive traction of its shares, being the issuer that achieved the best performance in Mexico in 2019 (+ 92%, improving 18 positions in the liquidity index).

Quálitas was founded in 1994, currently directs its operations from Mexico City and operates under a decentralized model. It is a holding company with different subsidiaries, which focus on different markets and some constitute strategic (vertical) operating complements to strengthen the margin.

We see a challenging context in the next 12 months derived from the contraction of economic activity by COVID-19. However, we are positive about the company's operational and commercial capacity. Despite the fact that the growth of the next quarters will be reduced, due to a lower sale of new cars, we expect a lower loss ratio given the isolation measures during 2Q20, thus limiting the negative impact.

In the medium term, we see that the most relevant catalysts for the value of its investors will be: i) the growing supervision in the country regarding the mandatory auto insurance in Mexico (this Law does not apply to Michoacán); and, ii) the expected growth in dividends. Q * is not leveraged.

Q * has an attractive Dividend Policy, which seeks to maintain at least 1.5 times the capital required by the regulator. Of the remaining surplus, between 50% and 90% can be paid as a dividend, depending on the company's capital needs for expansion or growth projects. Currently (and in our projections), Q * maintains ~ 5.0x the required capital which, together with the growth in dividends (100% YoY during April 2020) and the recent cancellation of shares, boosts the value of its shareholders for current and future distributions.

Q * has been listed on the Mexican Stock Exchange (BMV) since 2005, achieving last April being included in the BMV / S & P IPC Index, thanks to the increasing operability of the share and the level reached in market capitalization. In accordance with BMV criteria, its market liquidity index is "high". It also belongs to the Sustainable IPC. The investing public has a float of 47%.

ABOUT THE COMPANY

Quálitas Controladora is a company specialized in automotive insurance, made up of various subsidiaries, which make up a structure with greater efficiency, in order to guarantee total satisfaction for its policyholders. Over time, Quálitas has generated strategic partners that serve the various areas related to claims, which generates implicit value for customers; thus achieving a higher quality in the services offered.

Currently, the company's operations are carried out under a network of 201 service offices and 261 Quálitas Development Offices (ODQs), distributed in Mexico, El Salvador, Costa Rica, Peru, and the USA. USA The Quálitas operation has evolved throughout its history, thus achieving a network of more than 16,000 independent insurance agents, 1,200 of its own adjusters, and a relationship with more than 750 financial institutions that distribute its products. It has more than 5,200 employees and attends to nearly 1.5 million claims annually, with customer satisfaction of over 85%.

The company has various channels for selling policies, ranging from agents of a call center, to financial institutions by alliances to include Quálitas insurance in automotive credit; generating a commercial and operational system that aims to offer a high quality, efficient and personalized service, to provide high satisfaction to its customers.

Leveraged in the use of technologies, Quálitas has generated various networks, platforms and portals that contribute to the optimal development of its activities, achieving a better measurement of its client portfolios, issuance of policies, collection methods, renewals, claims monitoring, among others.

The constant investment in human capital, added to an agile and flexible structure, allows Quálitas to adapt quickly to emerging market conditions, centralizing key activities such as the processing of management information; thus, achieving adequate control and efficiency in decision making.
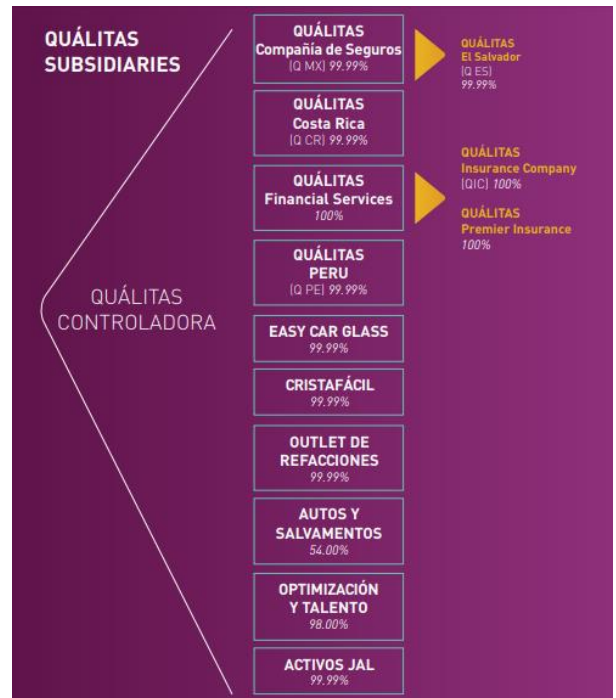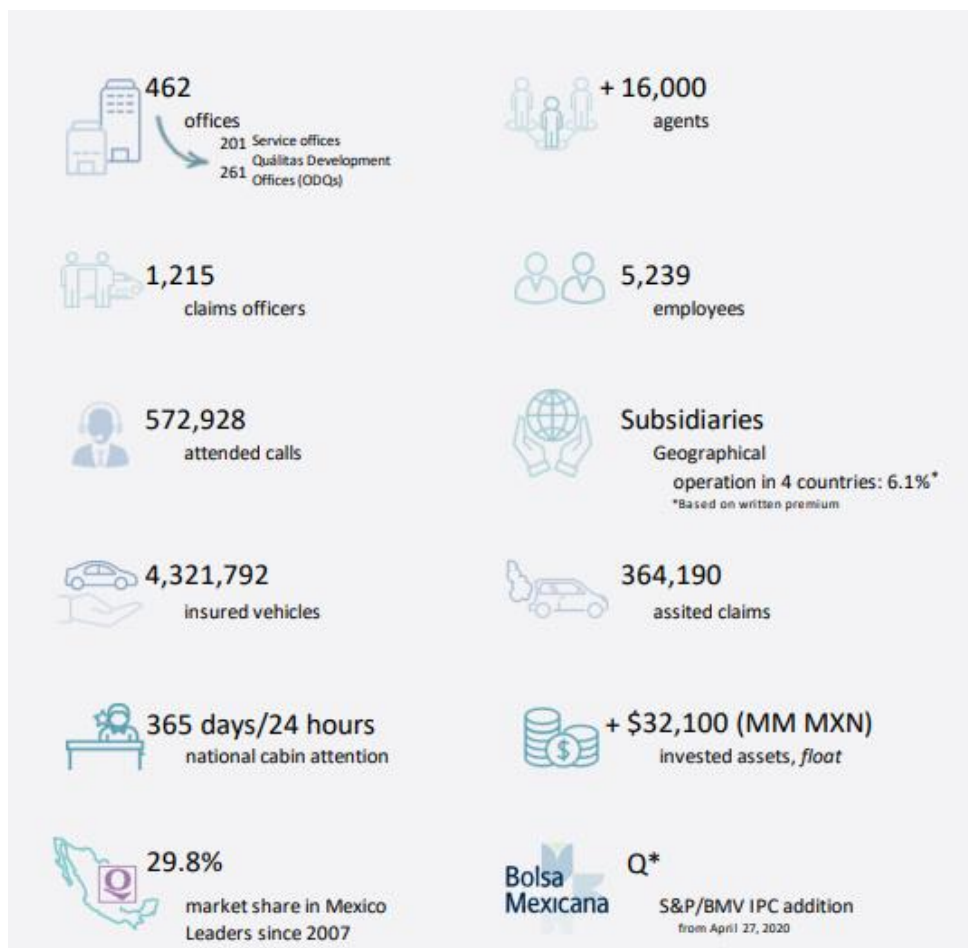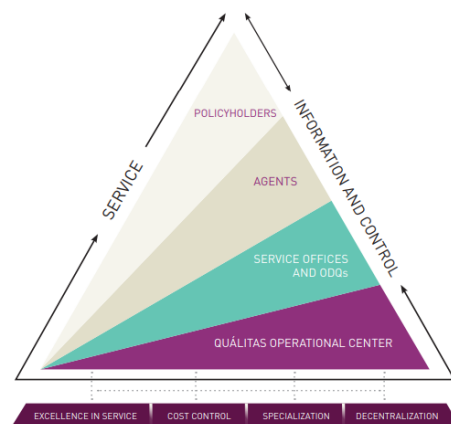
Strategy & Business Model;

Its four fundamental pillars are:

- Excellence in service
- Costs control
- Specialization
- Decentralization

The three main segments it serves are:

- Individual (cars and motorcycles hired per unit)
- Fleets (cars and trucks in multi-unit diagrams)
- Special businesses (insurance provided together with the auto finance companies at the time of vehicle purchase)

462 offices
201 Service offices
261 Quálitas Development Offices (ODQs)

+ 16,000 agents

1,215 claims officers

5,239 employees

572,928 attended calls

Subsidiaries
Geographical operation in 4 countries: 6.1%*
*Based on written premium

4,321,792 insured vehicles

364,190 assited claims

365 days/24 hours national cabin attention

+ $32,100 (MM MXN) invested assets, *float*

29.8% market share in Mexico
Leaders since 2007

Bolsa Mexicana Q*
S&P/BMV IPC addition
from April 27, 2020

Source: Quálitas 1Q20

4,321,792 insured vehicles

+98,765

CAGR: 5.5%

+2,200

+1,100

100

2

Note: Figures in thousands of units
CAGR: Compound annual growth rate of the last 5 years.

Total Insured Units
1Q20 (4.3 M)

El Salvador 0.5%
USA 0.5%
Peru 0.9%
Costa Rica 1.5%
Mx 96.7%
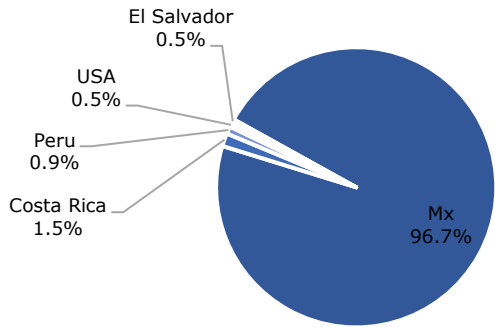
Insured Units in Mx
1Q20 (4.2 M)

Motorcycles 4%
Tourists 2%
Trucks 26%
Automoviles 68%
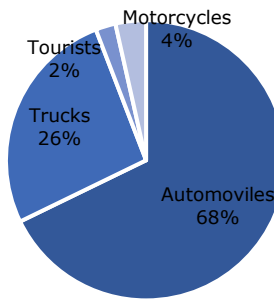
Premiums by Business Line
1Q20 (Ps.9,605 M)

International Subsidiaries 6%
Others 0%
Individual Traditional 31%
Financial Insitutions 34%
Fleets 29%

Source: Quálitas 1Q20

------- Acquisition Ratio   .... Loss Ratio

- - - Operating Ratio   ——— Combined

——— Combined Adjusted

P&L LTM
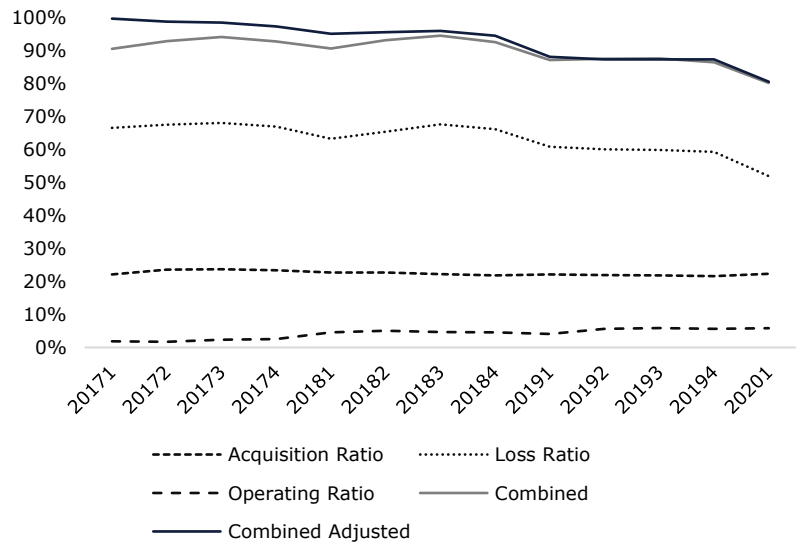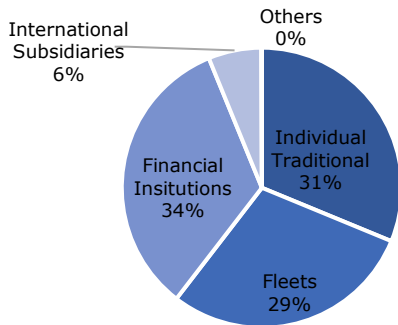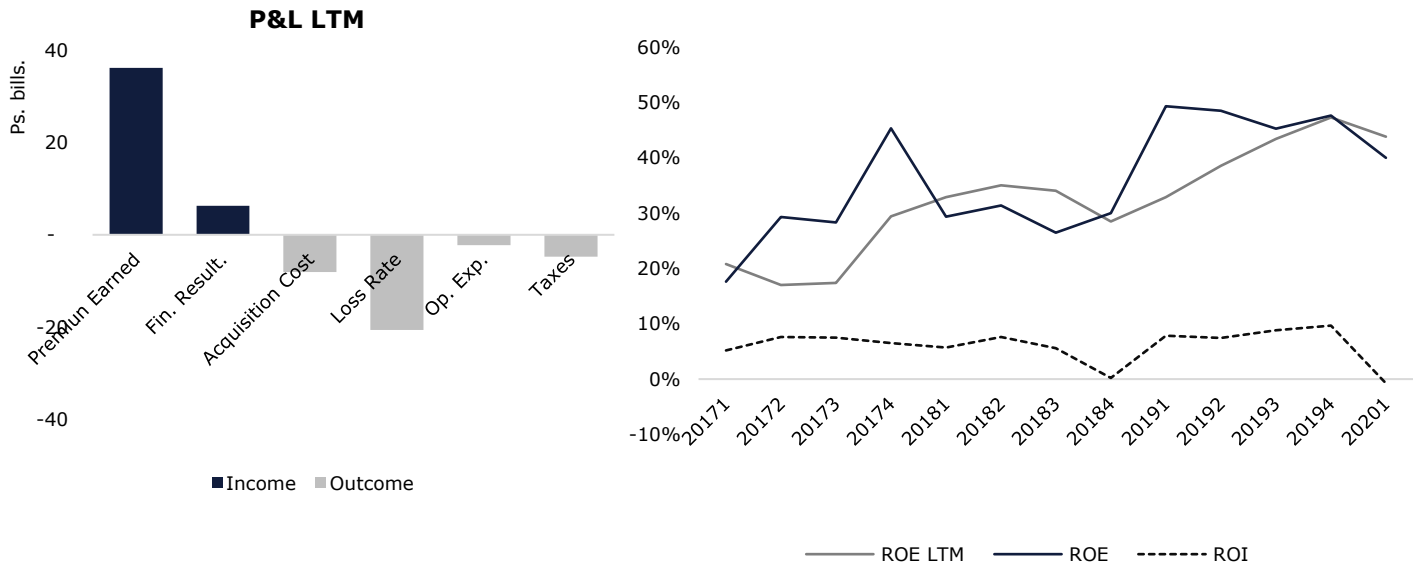
Source: Quálitas as of 1Q20

All the figures presented in this document are expressed in millions of Mexican pesos (Ps. Million), except where otherwise indicated.

INVESTMEN THESIS

The main factors that support our BUY recommendation for Quálitas stock are:

1. Positioning in the segment.

Q * has the vision of "doing things differently, better than the market, focused on service ..." Thanks to this vision and a successful commercial strategy, with the widest geographic coverage in Mexico, it has managed to position itself as the main participant in the sector.

According to the Mexican Association of Insurance Institutions, of the 35 insurance institutions that operate in Mexico (one is a reinsurer), Q * is the number one firm in terms of market share in Written and Accrued Premiums, with more than double of participation on its nearest pair (GNP). Likewise, in 2019, Q * was the leading insurer in various P&L metrics and in its Financial Product. As for the Accident and Combined Indices, Q * managed to place itself in a better position than the market; thus reaffirming its efficient cost structure.

Firm	Premium issued	Market share	Premium earned	Market share	Operating result	Financial product	Net income	Loss Ratio	Combined Ratio
Quálitas	**34,248**	**29.8%**	**33,776**	**32.0%**	**4,449**	**2,472**	**5,080**	**59.8%**	**86.5%**
G.N.P.	15,288	13.3%	13,953	13.2%	816	756	1,090	61.6%	93.8%
Chubb Seguros México	12,467	10.8%	5,656	5.4%	282	403	404	69.0%	101.7%
AXA Seguros	10,464	9.1%	10,557	10.0%	1,229	746	1,791	66.0%	88.6%
HDI Seguros	7,484	6.5%	6,885	6.5%	(87)	402	224	70.2%	104.3%
Banorte	5,601	4.9%	5,710	5.4%	1,106	537	1,657	64.5%	81.0%
BBVA Bancomer	4,663	4.1%	4,527	4.3%	476	620	475	75.6%	89.1%
Mapfre México	3,583	3.1%	3,772	3.6%	139	149	188	65.8%	97.9%
Inbursa	3,364	2.9%	3,931	3.7%	518	153	486	60.1%	91.3%
Atlas	3,328	2.9%	3,266	3.1%	511	197	577	57.6%	84.0%
Zurich Daños	2,682	2.3%	2,564	2.4%	205	72	243	61.5%	102.4%
Afirme	2,316	2.0%	2,223	2.1%	16	167	140	61.9%	97.7%
ANA	2,287	2.0%	1,674	1.6%	127	86	156	55.9%	89.9%
Seguros SURA	1,344	1.2%	1,332	1.3%	232	41	249	64.1%	84.4%
General de Seguros	1,221	1.1%	1,261	1.2%	(227)	400	166	77.7%	119.3%
Otras	4,720	4.1%	4,557	4.3%	416	325	563	55.2%	92.5%
Market (35 firms)	**115,060**	**100%**	**105,646**	**100%**	**10,209**	**7,525**	**13,488**	**63.0%**	**91.3%**

Source: AMIS 2019

Although Mexico continues to be the main market for Q *, the company implements diversification efforts in its different positions. The increase in Peru's participation in the total portfolio stands out, which, in its first 12 months of operation, accumulates more than 37 thousand units, tripling its portfolio of insured units, above the USA and El Salvador.

Its decentralized model plays a fundamental role in the positioning, since it allows it to be present where the insured automobile is, contributing to the penetration of automotive insurance. Together with the agents and the teams from the service offices, which is completed with the ODQs, it reinforces its presence in the territory.

One of Q * 's most important competitive advantages that have made it the leading company is its pricing strategy based on postal zones, theft risk and loss cost.

All these competitive factors define Q * as a key player to take advantage of the opportunities generated by the low penetration of insurance in the markets where it operates.

2. Expense control and risk mitigation.

The company has defined goals with respect to its main indexes (acquisition, loss, operation and combined). Because of this, it has exhaustive monitoring to be able to act in a timely manner. In particular, Q * has made significant efforts to contain its loss costs, through specific actions such as: technological innovations to reduce accidents, analysis of statistical information, cost indicator system; initiatives for lower cost of spare parts / repairs; agreements with key suppliers; satellite tracking devices for the recovery of stolen units; zip code subscription program that improves portfolio quality; own infrastructure; among others.

On the other hand, the effect of the combined operations of its non-insurance subsidiaries, vertically integrated to take advantage of synergies, as well as the implementation of constant improvements to its

technological tools in the care of the insured and administration of commercial allies and service providers, constitute pieces key in cost control.

Regarding risk mitigation, there are two main aspects: investment management and solvency.

The absence of financial debt and the development and implementation of an investment strategy tailored to the business constitute an important competitive advantage.

Q * has the objective of being a financially solid company that meets the equity needs of its policyholders, while achieving certain levels of profitability. This has involved maintaining a conservative investment strategy.

The return on investments for 1Q20 was -0.8%, due to the uncertainty of the period globally. Over the past 24 months, return on investment has been around the benchmark rate.

Finally, regarding the mitigation of solvency risks, it is worth noting that, since 2016, Q * implements the quantitative and qualitative pillars of Solvency II. In accordance with the Reserve and Minimum Capital requirements required by the regulator, Q * directs its dividend and investment policy around a comfortable solvency margin. For this reason, during 1Q20, the solvency margin was above 500% of the regulatory requirement.
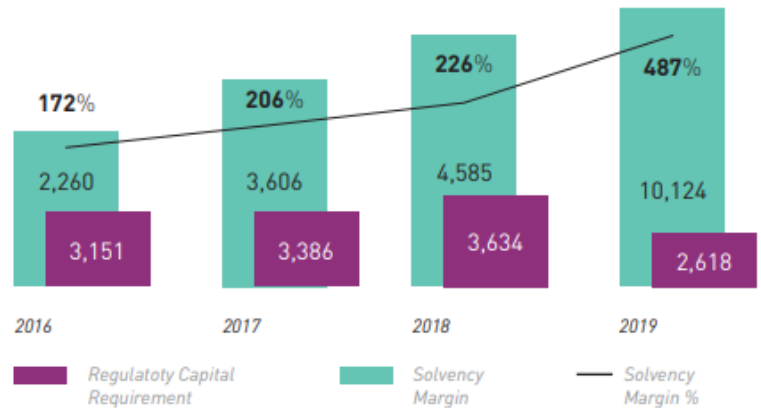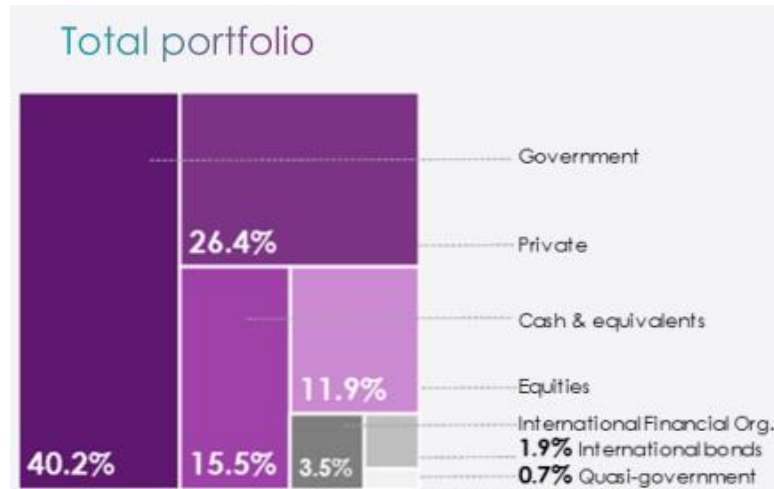
3. Outstanding Results.

2019 and the beginning of 2020 showed the consolidation of the company, managing to establish growth and profitability, while reaching significant operating milestones. Likewise, in its 2009-2019 CAGR of Written Premiums, Quálitas reached a rate of 14.9%, while the other participants in the sector stood at approximately 8.0%.

Q * had its lowest loss ratio during 1Q20; reflecting the continuous downward trend in the theft of insured units, as well as the impact of a reduced vehicle capacity, derived from mobility restrictions due to the global pandemic. In this sense, during the last two weeks of March, the claims handled decreased 29% YoY. We expect this behavior to increase during 2Q20, thus mitigating the expected commercial slowdown due to lower vehicle sales.

In addition, it is worth noting the mix of Premiums Issued. During more recent quarters, Q * has shown a greater concentration of the portfolio in individual policies and fleets, compared to a decrease in policies generated by financial institutions, which reduces the exposure and risks that multi-year policies may have, allowing adjustments in prices up to 4 times a year in annual policies, an extraordinary feature given the

present juncture. Policies issued under the traditional format (individual and fleet) usually have a lower acquisition cost.

Finally, it is worth noting that Q * just doubled, during 2Q20, its dividend (Ps.722.5 million, vs. Ps.361.3 in 2019), added to the cancellations of actions that have recently taken place (a to maintain a Solvency Index above 5.0x).

4. ESG Initiatives and Corporate Governance.

Q * reports under GRI standards (Global Reporting Initiative) seeking to align itself with the "Sustainable Development Goals". Thanks to the constant efforts of the administration in this area, the issuer has been included in the Sustainable IPC, opening the door to the participation of various ESG funds. Some of its most celebrated initiatives in this regard are Universidad Quálitas, the establishment of a culture of prevention, and satisfaction of its clients with the service.
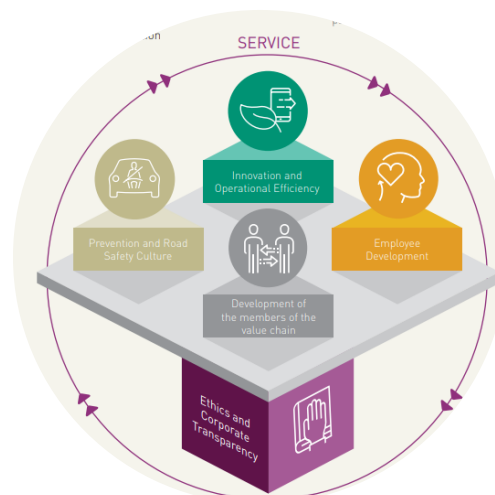
Regarding its Corporate Governance, it has a Board of Directors made up of 13 members, 23% women and 70% independent, under the leadership of Joaquín Brockman, founder of the company.

In accordance with the best practices in the matter, they have the following Committees: Audit and Corporate Practices; Social Responsibility; Investments, Finance and Planning; and Operations.

Board of Directors		
Joaquín Brockman Lozano	**Propietario Relacionado**	**Presidente**
José Antonio Correa Etchegaray	Propietario Relacionado	Vicepresidente
María del Pilar Moreno Alanís	Propietario Relacionado	
Wilfrido Javier Castillo Miranda Olea	Propietario Independiente	
Juan Marco Gutiérrez Wanless	Propietario Independiente	
Juan Orozco y Gómez Portugal	Propietario Independiente	
Juan Enrique Murguía Pozzi	Propietario Independiente	
Mauricio Domenge Gaudry	Propietario Independiente	
Christian Alejandro Pedemonte del Castillo	Propietario Independiente	
Madeleine Marthe Claude Brémond Santacruz	Propietario Independiente	
Alfonso Tomás Lebrija Guiot	Propietario Independiente	
Joaquín Brockmann Domínguez	Suplente Relacionado	
María Fernanda Castillo Olea	Suplente Independiente	

Fuente: Quálitas

MAIN RISKS

Some of the factors that could affect Q * 's operational and financial performance are:

1. Performance of the global and national economy

A reduction in global and national economic growth, which could curb the demand for auto insurance in the different business segments it serves; since a slowdown could significantly decrease the sale of goods such as automobiles.

2. High dependence on key executives

The company relies heavily on the talent, skills, and experience of a small group of directors and CEOs, which would be difficult to replace due to its vast depth of industry and high technical expertise.

It should be noted that the issuer maintains permanent efforts to mitigate this potential risk, by adopting best practices in matters of institutional governance.

3. Changes in trends

An abrupt change in the consumer trend, the main threat from this perspective being the emergence of a dominant player in the sector.

4. COVID-19

We think that the impact of the pandemic on Q * will impact its results in different dimensions. You will experience less business dynamism and revenue from new policies, as well as potentially less renewal. And, in contrast, a loss ratio will continue to show downward. Likewise, margins will be pressured by care for the workforce. These considerations are already incorporated in our projections.

5. FX

A high percentage of the costs related to claims are dollarized, so a significant change in the exchange rate could lead to an increase in these.

VALUATION

To determine a Target Price (PO) we have used the most common valuation methodologies for a going concern of this nature. Therefore, we apply the discounted dividend (DDM) method, as well as target multiples P / E and P / BV, considering the following variables:

Dividend Discont Model We consider that the most appropriate tool to value Q * is the discounted dividend method at the consolidated level, since with this method we can reflect how it will be seen in the following years, based on trends in each segment, recent results and comments from the company.

Its Dividend Policy is defined by its solvency level, so our base exercise contemplates the projection of the Dividend per Share, in a horizon of 10 years, for the period 2020 - 2030. We give this method a weight of 50%.

DDM/Year	1	2	3	4	5	6	7	8	9	10
Div. per share	1.7	3.7	5.6	7.6	9.5	11.4	13.4	15.3	17.2	19.2
PV DDM Years 1-10	46.2									
Residual Value:	195.5									
Residual PV:	57.1									
Outstanding shares:	413									
Minority Interest p. share:	0.0									
Net debt per share:	-									
DDM Intrinsic Value (Ps.):	**103.23**									

Source: Apalache

With our estimates, a discount of ~ 24% is observed against the sum of its future flows against the price as of June 04 (Ps.82.95).

The main assumptions for calculating the weighted average cost of capital (WACC) and residual growth were:

- Risk-free rate: We take as a reference the YTM of the most recent 10-year reference MBono auction, to which we add the Mexico country risk premium determined by the one-year average of the EMBI.
- Residual growth: We assume that growth in perpetuity would be aligned with the long-term growth rate of the markets in which it participates.

| WACC Inputs	
Risk-free int. rate (M10):	6.1%
Market Risk Premium:	3.0%
Monthly Beta 3Y:	1.04
WACC:	9.2%
Sovereign premium:	3.9%
K:	**13.1%**
Residual growth:	3.0%

Fuente: Apalache y diversas fuentes reconocidas

Any variation in our parameters to calculate the weighted cost of capital (WACC), which is currently 13.1%, could modify our target price; therefore, we suggest reviewing our sensitivity matrix to different residual growth rates and WACC.

Sensibility DDM P.T. for WACC vs Residual Growth					
	Residual growth scenario				
	2.0%	2.5%	**3.0%**	3.5%	4.0%
14.1%	86.91	88.99	91.26	93.74	96.47
13.6%	92.00	94.36	96.94	99.78	102.92
WACC senario 13.1%	97.59	100.28	**103.23**	106.49	110.11
12.6%	103.75	106.82	110.22	113.99	118.19
12.1%	110.57	114.10	118.02	122.40	127.32

Source: Apalache

<u>Target multiples:</u> Since Q * is a company without comparable national peers, we have decided to value the company by Objective Multiples P / E and P / BV applying a premium equivalent to the CAGR of Earned Premiums in a ten-year projection.
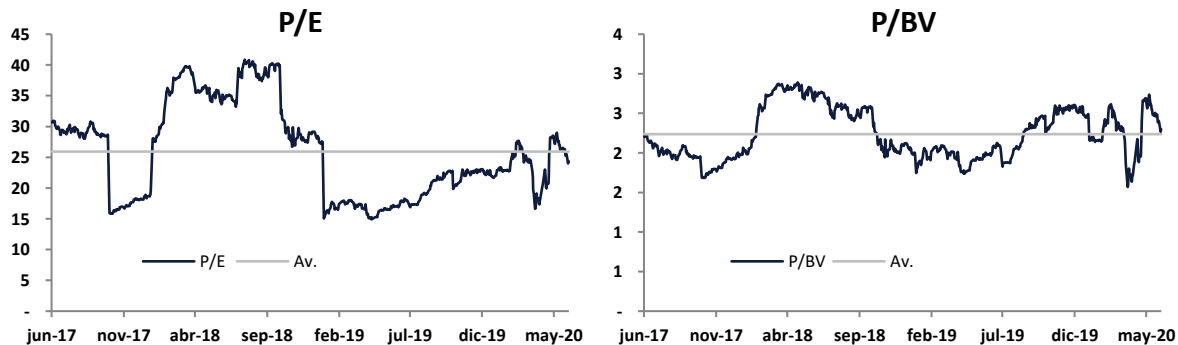
Source: Apalache Análisis

Sensibility DDM P.T. for mulptiple: P/E vs EPS						
				P /E Scenario		
		24.5x	25.5x	**26.5x**	27.5x	28.5x
	5.0%	85.90	89.50	93.20	96.90	100.50
	2.5%	83.80	87.40	91.00	94.60	98.10
EPS Scenario	0.0%	81.80	85.30	**88.80**	92.30	95.70
	-2.5%	79.80	83.20	86.60	90.00	93.40
	-5.0%	77.70	81.00	84.30	87.60	91.00

Source: Apalache

Sensibility DDM P.T. for mulptiple: P/BV vs BV						
				P/BV Scenario		
		2.1x	2.3x	**2.5x**	2.7x	2.9x
	5.0%	77.70	85.50	93.20	101.00	108.70
	2.5%	75.80	83.40	91.00	98.60	106.10
Book Value Scenario	0.0%	74.00	81.40	**88.80**	96.20	103.50
	-2.5%	72.10	79.30	86.60	93.80	101.00
	-5.0%	70.30	77.30	84.30	91.40	98.40

Source: Apalache

We have assigned to these methodologies a weight of 30% for Target P / E and 20% for Target P / BV.

Valuation Method	Price	Weight
DDM	103.23	50%
P/E	88.80	30%
P/BV	88.80	20%
Price Target 12M	**96.02**	100%
Actual Price	82.95	
PT Potencial Return	15.8%	
Dividend Potential Return	2.0%	
Total Return	**17.8%**	
Recomendation:	**BUY**	

Source: Apalache

I n this way, we are establishing the 12-month Target Price (June 2021) of Q * at Ps.96.02 per share, with a fundamental BUY recommendation. The foregoing represents an expected potential return of 17.8% compared to the closing price of June 04, 2020 (15.8% due to capital appreciation and 2.0% due to dividend). In a conservative approach, we project a Solvency Margin of not less than 4.0x of the capital required by the regulator.

Multiples	LTM	Next 12M	Year 2
	With P.T.:		
P/E	27.5x	37.0x	34.6x
P/BV	2.6x	2.2x	1.9x
	With actual price:		
P/E	23.8x	31.9x	29.9x
P/BV	2.2x	1.9x	1.7x

Source: Apalache

FINANCIAL PROJECTIONS

We consider relevant to comment on the following factors that underlie our projections:

- It is a hybrid valuation model, with top-down factors; for example, the impact of GDP, inflation, and automotive sales data, as well as Q * positioning and market share. The bottom-up factors of the model are concentrated in the behavior of the Combined Index.

- For the first two years, that we project quarterly, we consider a Solvency Margin of ~ 5.7x; investment return between 3.6% and 4.4%; ROE of ~ 25%; Combined ratio between 87% and 85%; EPS 12M between Ps.10.9 and Ps.12.3; and a dividend yield of between 2.0% and 5.1%, with a payout ratio of up to 45%.

- We do not estimate debt subscription / issuance or a follow-on, however, we consider that the issuer remains active by operating its repurchase fund, with the possibility of cancelling more shares in the future. We do not include this last consideration in our projections, which contributes to the forecast quality with a conservative approach.

P&L				
	2019	2020 E	2021 E	2022 E
Written Premium	36,197	35,505	37,387	39,817
Retained Premium	35,991	35,086	36,988	39,399
Earned Premium	34,899	33,433	34,770	37,030
Acquisition Cost	7,779	8,068	8,529	8,979
Claims & Other Contractual Liabilities	20,687	19,201	20,450	21,694
Technical Income	6,433	6,165	5,791	6,357
Operating Expenses	2,029	2,316	2,387	2,459
Operating Results	4,410	3,849	3,403	3,898
Comprehensive Fin. Results	2,882	1,509	1,867	1,802
(-) Provision for Income Taxes	1,934	1,359	1,337	1,448
Income (Loss) of Period	5,358	3,997	3,933	4,252
Non-Controlling Interest	4	4	4	4
Controlling Interest	5,354	3,993	3,929	4,248

Source: Apalache and Q*

Financial Position				
	2019	2020 E	2021 E	2022 E
Securities	29,735	31,064	38,728	48,396
Overnight	929	4,038	3,486	2,420
Loans Portfolio (Net)	289	237	244	251
FLOAT	30,952	35,339	42,458	51,067
Property (Net)	1,727	1,811	1,865	1,921
Investments Related to Labor Obligations	70	73	75	77
Cash & Eq.	1,783	5,340	7,100	7,395
Debtors	23,188	24,115	24,838	25,583
Reinsurers and Re-Bonding Companies (Net)	135	167	172	177
Permanent Investments	47	48	49	51
Other Assets	5,140	1,611	(1,827)	(5,527)
Assets	**63,041**	**68,502**	**74,730**	**80,744**
Liabilities	**49,477**	**51,386**	**55,168**	**59,217**
Technical Reserves	35,896	38,669	42,070	45,726
Creditors	5,751	5,899	6,076	6,258
Reinsurers and Re-Bonding Companies	113	192	197	203
Other Liabilities	7,716	6,626	6,825	7,030
Stockholder's Equity	**13,564**	**17,116**	**19,562**	**21,527**
Controlling	13,559	17,110	19,555	21,521
Non-Controlling	5	6	6	6

Source: Apalache and Q*

Operating indicators and multiples				
	2019	2020 E	2021 E	2022 E
ROI (%)	7.8%	3.9%	4.4%	3.5%
Acquisition Ratio	21.6%	23.0%	23.1%	22.8%
Loss Ratio	59.3%	57.4%	58.8%	58.6%
Operating Ratio	5.6%	6.5%	6.4%	6.2%
Comined Ratio	86.5%	86.9%	88.3%	87.6%
Comined Ratio Adjusted	87.4%	88.5%	90.2%	89.5%
ROE	23%	26%	21%	21%
Solvency margin (%)	487%	549%	541%	511%
EPS	12.52	9.67	9.51	10.29
Div. per share	0.85	1.75	3.69	5.62

Source: Apalache and Q*

Cash Flow Statement				
	2019	2020 E	2021 E	2022 E
Net Income	5,358	3,997	3,933	4,252
No-flow adjustments	3,808	3,748	4,306	4,590
Net CF Operating Activities	(6,573)	(2,896)	(4,058)	(5,304)
Net CF Investment Activities	(778)	(750)	(772)	(795)
Net CF Financing Activities	(968)	(848)	(1,648)	(2,448)
Increment or decrease	846	3,251	1,760	295
Changes in value	(34)	306	-	-
Cash and equivalents at beginning of period	971	1,783	5,340	7,100
Cash and equivalents at end of period	1,783	5,340	7,100	7,395

Source: Apalache and Q*

TIMELINE

1994-1995
- **Quálitas started operations**
  Company focused on offering car insurance.
- **First premium written**

1996-2001
- **Expansion model initiates**
  In order to offer its services outside of Mexico City, it establishes strategic associations to expand its markets.
- **Formalizes its first strategic alliance**
  Quálitas allies with New York Life, expanding its network to 2,310 agents.

2005-2007
- **Quálitas begins trading in the Mexico Stoch Exchange**
- **Becomes the leading insurer in the Mexican automotive sector**

2008-2011
- **Opening of its first branch in Central America**
  Initiates operations in El Salvador.
- **Intiates operations in Costa Rica**

2012-2014
- **Constitution of the holding company**
  It seeks to provide greater certainty about the controlling structure to financial markets.
- **Initiates operating in USA**
  Obtains authorization to opérate in Arizona, California y Texas.

2015-2019
- **Exchange CPO shares for single series shares**
  This with the objective of equity between shareholders, regardless of country.
- **Quálitas entra al Dow Jones Sustainability MILA Pacific Alliance Index**
  This index measures the performance of the best companies in its field.
- **Initiates operations in Peru**
  In this way, Quálitas strengthens its international presence, becoming one of the most important companies in the region.
- **Q* is included in the S&P/BMV IPC**

Relevant State

About the information presented

The analysts responsible for preparing this report state that the research, valuations, opinions, points of view and conclusions expressed herein reflect a totally independent opinion, which is based on information that is deemed as public and reliable. Apalache states that the people who prepare this report have experience, technical capacity and professional prestige, and do not have any conflicts of interest and are not subject to personal, proprietary or economic interests in the covered stock.
The research report issued by Apalache is prepared under the highest standards of quality and transparency.

Regardless of the business relationship that Apalache could be holding with the company covered, there is a "Chinese Wall" between Apalache's business areas and fundamental analysts, in order to guarantee their investment opinions and ratings qualify as independent.

In some cases, the coverage services of Apalache Analysis are provided to the issuer through the payment of a consideration. However, Apalache Analysis has total impartiality and autonomy in developing its valuation model and investment recommendations.

The stock coverages of Apalache are carried out by research teams, with each analyst being formally appointed for this purpose, to ensure continuity of the client's coverage services, in compliance with the Apalache's bylaws.

The information contained in this document is summarized and is not intended to be exhaustive. There is no statement or warranty, express or implied, regarding the accuracy, impartiality, or completeness of this information.

Additionally, this document was prepared with public information from multiple sources. The estimations or forecasts contained in this research paper are a generalized recommendation and are based on subjective assumptions and estimates on future events and circumstances and are subject to significant variations. It is not possible to guarantee the success of the proposed strategies.

The price target (PT) introduced in this report reflects the expected potential performance of the stock within a specific time period. This performance is estimated by the valuation methodology chosen by Apalache, based on the combination of one or more generally adopted approaches for the financial valuation of a company, which may include valuation using multiples, discounted cash flows (DCF), sum of the parts valuation (SOTP), liquidation value and any other appropriate methodology for the particular case. It should be noted that such valuation could be affected by other factors, such as the flow of general or specific company news, investors' perception of the issuer, the sector and the financial markets, mergers and acquisitions, among others. Any combination of these factors may lead to a recommendation contrary to that indicated by fundamental valuation.
This document has been prepared for informational purposes. No commitment is made regarding the accuracy, sufficiency, truthfulness or accuracy of the information and opinions contained herein. Apalache will not be liable for any loss or damage arising from the foregoing. This research document is based on facts and / or events up to this date, so future events and / or developments may alter the conclusions expressed herein. Apalache assumes no responsibility for updating, reviewing, rectifying or void this document based on any future event.

This report and its contents are property of Apalache and cannot be shown or distributed without Apalache's prior written consent.