

Peña Verde

1Q14

Quarterly Report

Last Price 9.30 MXN

Target Price 8.06 MXN

May 6th, 2014

[Versión en español](#)

**Good performance in sales failed to offset the sharp drop in financial products
Aggressive strategy to increase market share in the Mexican insurance industry launched.**

Key Data

Local Ticker	PV*
2014 Target Price	MXN 8.06
Last Price	MXN 9.30
Expected Return	-13.3%
2014 Div. Yield	0.0%
Total Expected Return	-13.3%
MEXBOL Expected Return	8.5%
LTM Return PV*	24%
Outstanding Shares (million)	476.7
Free Float	3.0%
Beta	0.7
Marketability	Low
Average Daily Trade (thousand)	USD 3.5
Market Cap (USD Million)	USD 340
Book Value per Share 2014	MXN 6.9
LTM Price Range	(7.00 - 9.30)

Written Premiums

Despite the harsh economic environment and strong competition, written premiums registered an annual increase of 16% for the 1Q14. General de Seguros led the revenue contribution in the quarter with sales of 508.9 mp, a strong annual increase of nearly 32%, far superior than the sector as a whole; while sales of Reaseguradora Patria increased by 6.6%.

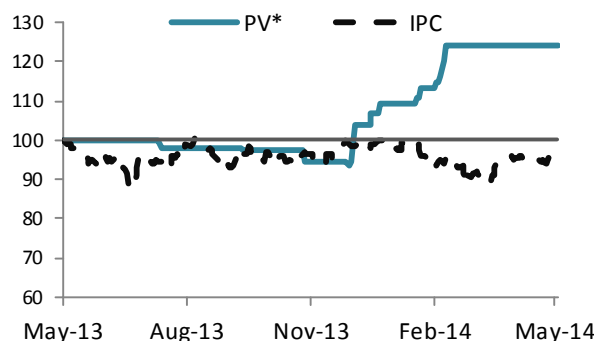
Combined Index

The low claims index that characterize its subsidiaries reflected in a combined index of 88.2%, although superior than last year in 220 bp, it showed a more noticeable improvement compared to the last quarter (4Q13: 99.7%).

Net Profit

The acute drop in valuation of their investment portfolio reflected a net loss of -58.2 million pesos in the 1Q14, very different from last year's same quarter net profit of 135 million pesos.

Despite the drop in profitability, we maintain our Target Price in 8.06 mxn for 2014 y-e, as we anticipate a net profit recovery in the 2S14.



	2011	2012	2013f	2014f
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Valuation

EV/EBITDA	1.3x	74.5x	26.7x	15.7x
P/E	0.31x	1.34x	1.28x	1.18x

Estimates (MXN)

Gross Written Premiums	3,462	3,321	3,672	4,172
YoY%	7.3%	-4.1%	10.6%	13.6%
Net Premiums Retained	2,779	2,675	3,029	3,407
YoY%	9.8%	-3.8%	13.2%	12.5%
Underwriting (technical) i	505	461	468	448
YoY%	148.8%	-8.9%	1.6%	-4.3%
Net income	760	59	166	282
EPS	3.80	0.12	0.35	0.59
YoY%	-74%	-97%	179%	70%

Profitability

Combined Ratio	91.9%	89.5%	92.7%	93.3%
Acquisition Ratio	28.0%	29.5%	28.5%	26.6%
Claims Ratio	51.6%	50.8%	53.4%	58.2%
Operation Ratio	12.2%	9.1%	10.9%	8.6%
ROE	23.5%	1.8%	4.9%	7.8%

Peña Verde's Annual Income Statement (million MXN)

	2011	2012	2013	2014f	2015f
Gross Written Premiums	3,226.2	3,461.5	3,320.6	3,672.4	4,171.6
Premiums Ceded	695.2	682.0	646.0	643.5	764.8
Net Premiums Retained	2,531.0	2,779.5	2,674.6	3,028.9	3,406.7
<i>Net Premiums Retained rate</i>	78%	80%	81%	82%	82%
Net Increase in Provision for Unaccrued Premiums	137.4	125.3	132.7	176.1	168.9
Retention Premiums Accrued	2,393.6	2,654.2	2,541.9	2,852.8	3,237.8
Acquisition Costs	679.4	779.4	789.2	862.7	907.0
<i>Aquisition ratio</i>	27%	28%	30%	28%	27%
Insurance claims incurred	1,511.0	1,369.3	1,292.2	1,522.1	1,882.9
<i>Claims ratio</i>	63%	52%	51%	53%	58%
Underwriting (technical) income (loss)	203.1	505.5	460.5	468.1	447.9
Net Increase in Other Technical Reserves	277.1	315.2	315.6	330.9	373.1
Gross Income	-74.0	190.5	145.0	137.3	74.9
Net Operating Expenses	231.6	339.9	243.9	328.6	291.5
<i>Operating ratio</i>	9%	12%	9%	11%	9%
Operating income (loss)	-305.5	-149.3	-98.9	-191.4	-216.6
Comprehensive Financing Result	445.7	1,238.1	109.6	462.0	655.9
Earnings before income tax	140.6	1,088.8	10.8	270.6	439.3
Income tax payment provision	-41.5	268.0	-59.6	89.0	129.8
Income tax rate	-29.5%	24.6%	-553.5%	32.9%	29.5%
Net profit (loss)	182.1	820.8	59.5	188.2	309.5
Minority interest	110.0	61.3	10.9	15.6	27.9
Majority Net Profit	71.7	759.5	59.5	166.0	281.7
EPS	14.64	3.80	0.12	0.35	0.59
Number of shares (million)	4.9	200.0	476.7	476.7	476.7
Gross Written Premiums growth		7.3%	-4.1%	10.6%	13.6%
Net profit growth		958.7%	-92.2%	179.1%	69.7%
EPS growth		-74.1%	-96.7%	179.1%	69.7%
Cost index					
Aquisition Ratio	26.8%	28.0%	29.5%	28.5%	26.6%
Claims Ratio	63.1%	51.6%	50.8%	53.4%	58.2%
Operation Ratio	9.1%	12.2%	9.1%	10.9%	8.6%
Combined Ratio	99.1%	91.9%	89.5%	92.7%	93.3%

Other Indicators

Dividends	16.9	0.0	0.0	0.0	0.0
ROE	6.9%	23.5%	1.8%	4.9%	7.8%
P/E	0.34x	1.32x	74.52x	26.70x	15.74x
P/BV	0.02x	0.31x	1.34x	1.28x	1.18x
BV per share	213.3	16.2	6.9	7.3	7.9

Balance Sheet Summary (million MXN)

Assets	9,624.9	10,715.8	10,952.6	12,081.2	13,834.0
Investments	7,441.6	8,615.6	8,855.8	9,651.3	10,849.2
Cash and Deposits	89.7	162.0	147.3	181.2	207.5
Liabilities	6,591.1	7,214.7	7,366.2	8,314.1	9,757.3
Technical Reserves	5,450.1	5,558.9	5,856.3	6,900.7	8,098.6
Total Equity	3,033.8	3,501.1	3,586.4	3,767.2	4,076.7
Shareholder's Equity (majority)	1,044.9	3,231.1	3,304.4	3,465.8	3,750.5

Source: Prognosis and BMW



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