

# Fhipo: 2Q22 Results

Positive results that were above our forecasts; expects a quarterly distribution of MXN\$0.714/CBFI

FHIPO 14	HOLD
Target Price (MXN\$)	\$ 24.00
Current Price (MXN\$)	\$ 19.20
Min / Max (L12M)	\$ 17.88 - 21.85
Expected Dividend (MXN\$)	\$ 1.68
Expected Return	25.0%
Market Cap (MXN\$ Mn)	7,399
CBFI's Outstanding (Mn)	385.4
Float	100.0%
6-month ADTV (MXN\$ Mn)	\$ 1.7



## Opinion and recommendation

FHIPO reported positive 2Q22 results that were above our projections. The financial margin fell slightly, but the trust released reserves amounting to MXN\$157.0 million, which boosted the bottom line by 10.4% to MXN\$289.8 million. As a result, it expects to distribute MXN\$0.714/CBFI. In its press release, FHipo mentioned that it is open to undertaking acquisitions of assets that allow it to improve its performance. We continue with a HOLD recommendation and MXN\$24.0/CBFI target price these quarterly results.

## Portfolio / Asset quality

The consolidated portfolio (on and off-balance sheet) decreased 5.5% YoY to MXN\$25.8 billion mainly due to the natural maturity of the INFONAVIT and FOVISSSTE portfolios, which was partially offset by high growth at YAVE. It originated more than MXN\$190 million in the quarter with which its portfolio reached MXN\$982 million. It represented 3.8% of the consolidated portfolio. Worth mentioning that 75% of FHipo's consolidated portfolio is at a nominal interest rate, while the remaining 25% is at a real interest rate.

The NPL ratio stood at 5.03%, and 4.24% with respect to the portfolio at origination, which we consider to be a very manageable level. Consolidated portfolio coverage was 1.47x against the expected loss and 0.76x of NPL's.

## Financial structure

FHipo continued to strengthen its financial structure as leverage (on-balance total assets to equity) declined to 1.69x, from 2.02x in 2Q21, while the debt to equity ratio (on balance sheet) was 0.67x, compared to 1.01x in 2Q21.

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This took place as a result of last year's securitizations and the payment of on-balance debt. 41% of consolidated debt is at a fixed rate and 59% at a variable rate. Equity experienced a slight adjustment closing at MXN\$9.99 billion, in part due to distributions and certificates repurchases.

During the quarter, FHipo continued to diversify its funding sources through the placement of MXN\$100 million in short-term CBFs with a "FHIPO 00322" ticker symbol. The total amount outstanding of this type of instrument was MXN\$600 million at the end of the quarter.

Despite high distributions that FHipo has made during the last twelve months, cash increased 39.2% YoY to MXN\$2.082 billion.

### **2Q22 Results**

Interest earned declined 24.2% due to the securitizations that FHipo carried out during the second half of 2021. Interests paid decreased 40.6% as the trust amortized on balance debt with the resources it raised with the securitizations. As a result, the financial margin fell 5.6% YoY to MXN\$214.8 million. It represented 58.3% of net interest, with an increase of 11.5 percentage points. The MIN improved to 9.16% in the first half of 2022, from 5.72% in 1H21. The return on assets was 11.69%, compared to an 8.99% cost of debt.

FHipo released reserves amounting to MXN\$157.0 million, which boosted the adjusted financial margin by 73.8% YoY to MXN\$371.8 million.

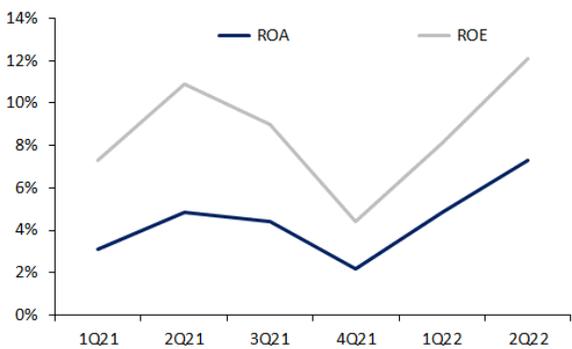
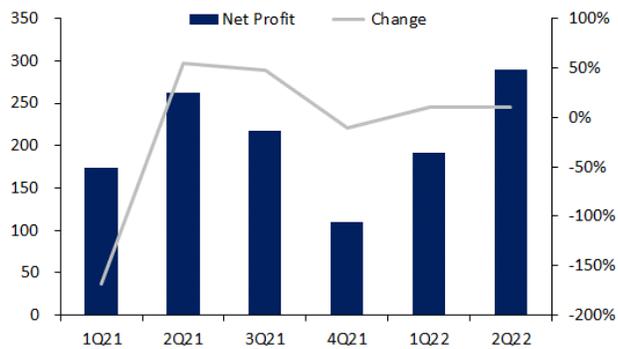
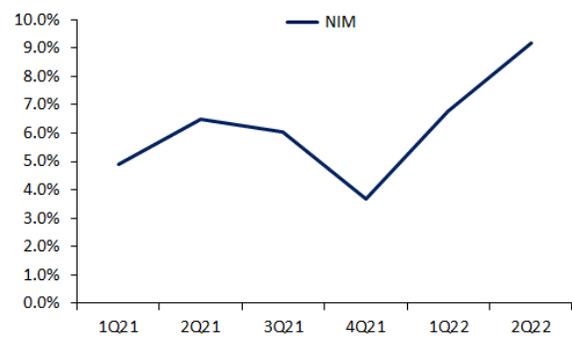
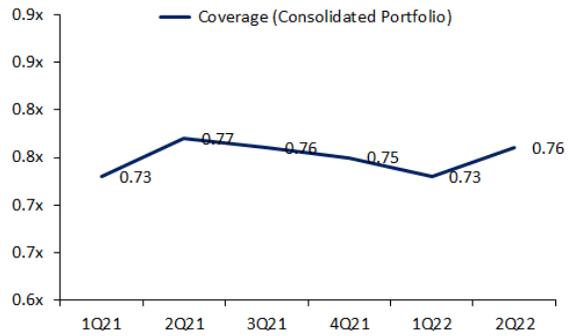
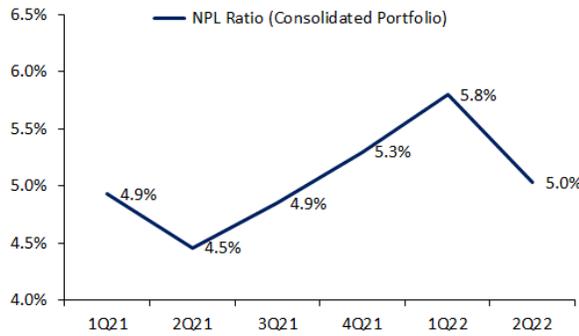
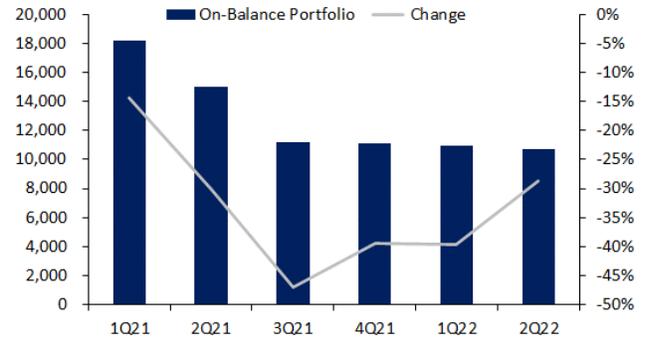
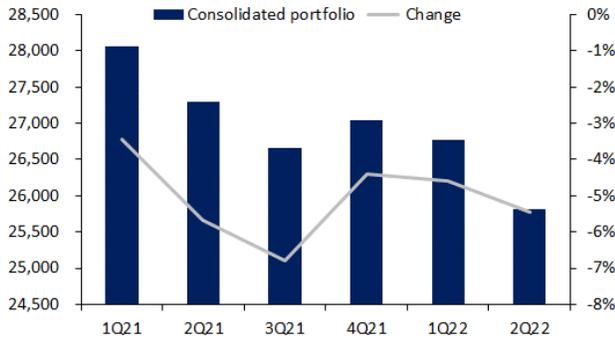
The valuation of receivable benefits in securitization transactions remained virtually unchanged sequentially at MXN\$89.8 million, but decreased 34.5% from the prior year. Total revenues net of interest expenses were up 31.5% YoY to end the quarter at MXN\$462.0 million. Total expenses, which include commissions paid to INFONAVIT rose 94.5%.

Quarterly net income grew 10.4% YoY to MXN\$289.8 million. ROE improved to 12.1% in 2Q22, from 10.9% in the same period of the previous year. The net income per CBF was MXN\$0.752. As a result, FHipo estimates that the quarterly distribution will be MXN\$0.714/CBF based on the current policy. It compares against the 2Q21 distribution of MXN\$0.631/CBF.

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(Figures in MXN\$ Mn)	2Q22	2Q22E	Diff.	2Q21	Change
Total interest income	369	329	12.0%	486	-24.2%
Interest expenses	-154	-150	2.8%	-259	-40.6%
Financial margin	215	180	19.6%	227	-5.6%
(-) Allowance for loan losses	157	-34	n.a.	-13	-1263.6%
Financial margin adjusted for credit risks	372	145	155.7%	214	73.8%
Valuation of receivable benefits in securiti:	90	89	0.7%	137	-34.5%
Other income	0	1	-37.7%	0	0.0%
Total revenues, Net	462	235	96.5%	351	31.5%
Administrative expenses	-172	-80	114.5%	-88	95.9%
Profit (Loss) before taxes	290	155	87.1%	264	10.0%
Income tax	-0	-1	-37.0%	-1	-68.5%
Net profit (loss)	290	154	87.6%	262	10.4%
Earnings per CBFi	\$ 0.75	\$ 0.40	86.4%	\$ 0.66	13.3%
Distribution	275	147	87.6%	249	10.4%
Distribution per CBFi	\$ 0.71	\$ 0.38	86.3%	\$ 0.63	13.2%

(Figures in Millions of MXN\$)



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