

FHipo: 3Q22 Results

Higher margins due to the optimization of leverage strategy, net profits in line with expectations

FHIPO 14	HOLD
Target Price (MXN\$)	\$ 23.00
Current Price (MXN\$)	\$ 18.65
Min / Max (L12M)	\$ 17.88 - 21.70
Expected Dividend (MXN\$)	\$ 2.08
Expected Return	23.3%
Market Cap (MXN\$ Mn)	7,187
CBFI's Outstanding (Mn)	385.4
Float	100.0%
6-month ADTV (MXN\$ Mn)	\$ 0.9



Opinion and recommendation

FHipo's financial margin was up 5%, supported by a 38% reduction in balance sheet debt. On the other hand, net profit was basically in line with our MXN191.7 million expectation. FHipo estimates to distribute MXN\$0.474/CBFI (vs. our MXN\$0.479/CBFI forecast).

FHipo continued to benefit from strong growth in YAVE's origination, which represented 5% of the consolidated portfolio. This portfolio registered a significant 111% increase, while the total portfolio decreased 5.8%.

After having updated our model, we are slightly adjusting our target price to MXN\$23.00/CBFI, from MXN\$24.00/CBFI. We reiterate our HOLD recommendation.

Portfolio / Asset quality

The consolidated portfolio stood at MXN\$25.2 billion at the end of 3Q22, down 5.8% YoY due to the natural maturing process. This was mainly due to reductions of 14.7% in Infonavit Total (IT), 5.2% in Infonavit Más Crédito (IC), and 1.5% in Fovissste, while the YAVE portfolio showed exponential growth, as previously mentioned. 25% of the portfolio carries a real interest rate and the remaining 75% is at a fixed interest rate.

October 31th, 2022

Martin Lara
 +5255-6413-8563
 martin.lara@miranda-gr.com

The NPL ratio of the consolidated portfolio at origination was 3.80%, practically unchanged compared to 3Q21. The NPL ratio of the consolidated portfolio considering current balances was 5.09% in 3Q22, from 4.85% in 3Q21. Coverage represented 0.76x non-performing loans at the consolidated level, and 1.47x over the expected loss.

Financial structure

On-balance-sheet debt fell 38.0% YoY, as FHipo used the resources from the securitizations for the total amortization of the MXN\$900 million "FHIPO17" long-term covered bond and two credit lines, one with the IDB amounting to MXN\$865 million and the other with NAFIN for MXN\$1,623 million. In addition, during the third quarter, FHipo amortized two short-term CBF issuances, which reduced its short-term debt to only MXN\$400 million. FHipo has MXN\$3.3 billion in SWAPs at a weighted average fixed rate of 6.81%.

For this reason, the on-balance sheet debt-to-equity ratio improved to 0.6x, from 1.0x. Meanwhile, the debt to equity ratio (on and off balance sheet) also fell to 1.8x from 2.0x.

Investor's equity remained practically unchanged at MXN\$9.9 billion, which seems a positive performance to us considering the high distributions that FHipo has made.

3Q22 Results

The financial margin advanced 5.0% to MXN\$192.8 million, and represented 56.5% of interest income, compared to 45.8%. Cumulatively, the financial margin was 57.7% of interest income, more than ten percentage points higher than in 3Q21. Interest income decreased 14.9%, due to the reduction in the on-balance loan portfolio, due to the mortgage portfolio securitizations carried out during 4Q21. However, this was offset by a 31.7% decrease in interest expenses due to lower debt levels. On a quarterly basis, the efficiency ratio improved to 24.2%, from 26.7%.

FHipo's 3Q22 net profit was MXN\$192.2 million, which was in line with our MXN\$191.7 million expectation. Net profit per CBF was MXN\$0.499, of which FHipo plans to distribute MXN\$0.474 (vs. our MXN\$0.479 forecast). ROE stood at 7.9%, from 9.0% the previous year.

In accumulated terms, the total net income increased by MXN\$61.0 million compared to the previous year. Considering total expenses, the accumulated net profit improved by MXN\$19.3 million.

(Figures in MXN\$ Mn)	3Q22	3Q22E	Diff.	3Q21	Change
Total interest income	341	368	-7.2%	401	-14.9%
Interest expenses	-148	-157	-5.5%	-217	-31.7%
Financial margin	193	211	-8.4%	184	5.0%
(-) Allowance for loan losses	35	-28	n.a.	-37	-193.2%
Financial margin adjusted for credit risks	228	182	24.9%	146	55.6%
Val. of rec. benefits in sec. transactions	26	89	-70.8%	152	-82.8%
Other income	0	0	-24.4%	0	0.0%
Total revenues, Net	254	272	-6.6%	298	-14.8%
Total Expenses	-61	-80	-23.0%	-80	-22.9%
Profit (Loss) before taxes	192	192	0.3%	218	-11.9%
Income tax	-0	-0	45.3%	-0	-23.8%
Net profit (loss)	192	192	0.2%	218	-11.8%
Earnings per CBFI	\$ 0.50	\$ 0.50	-1.0%	\$ 0.56	-10.7%
Distribution	182	182	-0.1%	207	-12.1%
Distribution per CBFI	\$ 0.47	\$ 0.48	-1.0%	\$ 0.53	-10.7%

Gordon Shapiro Model

(Figures in MXN\$ MN)

Stockholder's Equity 2022E	9,920
LT ROE	10.1%
Cost of Equity	11.3%
Risk Free Rate	9.8%
Market Risk Premium	6.0%
Beta	0.251
Perpetuity Growth Rate	0.5%
Equity Value	8,866
Outstanding CBFI's	385
Target price per CBFI	\$ 23.00
Current Price	\$ 18.65
Expected Dividend	\$ 2.08
Total Return	23.4%
Target P/BV	0.9x
Target P/E	13.0x

(Figures in MXN\$ Mn)

Income Statement	2021	2022E	2023E	2024E	2025E	2026E	2027E
Interests on mortgage loans	1,686.5	1,263.5	1,174.2	1,118.2	1,065.3	1,015.0	967.2
Investment income	56.4	107.7	130.2	138.2	146.7	155.7	165.3
Total interest income	1,742.9	1,371.2	1,304.4	1,256.4	1,212.0	1,170.7	1,132.5
Interest expenses	-908.7	-594.4	-511.8	-418.4	-374.5	-334.0	-296.8
Financial margin	834.3	776.8	792.7	838.0	837.5	836.7	835.7
(-) Allowance for loan losses	-168.5	206.3	-104.5	-89.9	-76.6	-64.7	-53.9
Financial margin adjusted for credit risks	665.8	983.2	688.1	748.1	760.9	772.0	781.8
Val. of rec. benefits in sec. transactions	438.7	231.9	226.8	222.1	217.7	213.8	210.1
Other income	1.1	1.3	1.0	1.0	1.0	1.0	1.0
Total revenues, Net	1,105.6	1,216.4	915.9	971.1	979.6	986.7	992.9
Management and collection fees	-125.2	-95.3	-89.1	-83.5	-78.3	-73.4	-68.8
Other administrative expenses & Other Expenses	-215.1	-273.4	-143.5	-135.0	-127.1	-119.7	-112.6
Administrative expenses	-340.3	-368.7	-232.6	-218.6	-205.4	-193.1	-181.5
Profit (Loss) before taxes	765.3	847.7	683.3	752.6	774.1	793.7	811.4
Income tax	-1.4	-1.9	-1.3	-1.5	-1.5	-1.5	-1.6
Net profit (loss)	763.9	845.9	682.0	751.1	772.6	792.1	809.9
Other comprehensive income	303.1	68.2	2.1	2.1	2.1	2.1	2.1
Total comprehensive income	1,067.0	914.1	684.1	753.2	774.8	794.2	812.0
CBFIs	387.7	385.4	385.4	385.4	385.4	385.4	385.4
Earnings per CBFi	1.932	2.193	1.770	1.949	2.005	2.055	2.101
Distribution	725.9	803.6	647.9	713.6	734.0	752.5	769.4
Distribution per CBFi	1.836	2.082	1.681	1.852	1.905	1.953	1.996
Distribution / Net profit	95%	95%	95%	95%	95%	95%	95%
Balance Sheet	2021	2022E	2023E	2024E	2025E	2026E	2027E
Cash and cash equivalents	692.3	1,579.2	1,676.1	1,779.0	1,888.1	2,004.0	2,126.9
Loans, net	11,133.4	10,474.5	9,967.8	9,495.9	9,047.2	8,620.9	8,216.0
Collection rights, net	101.7	98.4	92.6	87.2	82.1	77.3	72.7
Receivable benefits in securitization transactions	4,088.6	3,609.8	3,384.2	3,172.8	2,974.5	2,788.7	2,614.4
Accounts receivables and other assets	263.9	737.9	774.8	813.6	854.2	897.0	941.8
Equipment, net	1.2	6.5	6.5	6.5	6.5	6.5	6.5
Derivative financial instruments	34.9	93.8	93.8	93.8	93.8	93.8	93.8
Total assets	16,316.0	16,600.1	15,995.9	15,448.6	14,946.4	14,488.0	14,072.1
Accounts payables and accrued expenses	199.3	420.1	420.1	420.1	420.1	420.1	420.1
Notes/securities payable	587.4	399.9	399.9	399.9	399.9	399.9	399.9
Borrowings	5,741.6	5,860.5	5,222.2	4,637.4	4,096.6	3,598.6	3,142.2
Total liabilities	6,537.1	6,680.5	6,042.2	5,457.4	4,916.6	4,418.5	3,962.2
Total debt	6,329.1	6,260.4	5,622.1	5,037.3	4,496.5	3,998.5	3,542.1
Total equity	9,778.8	9,919.6	9,953.7	9,991.2	10,029.9	10,069.5	10,110.0

DISCLAIMER

The current report was prepared by Miranda Global Research ("Miranda GR") for Vector Casa de Bolsa, S.A. de C.V. The information is presented in summarized form and is not meant to be complete. There are no declarations or guarantees, expressed or implicit, in respect to the accuracy, impartiality or integrity of the information.

Miranda GR, in accordance to applicable legislation, has made sure that the presented personalized recommendation is reasonable to the client, as it has verified congruency between the client's profile and the profile of the financial product. Under no circumstance should it be understood that the fulfillment of the previously mentioned recommendation, guarantees the result or the success of the proposed strategies in the presented document.

The information included in this report was obtained from public sources. Projections or previsions included in this report, are a generalized recommendation and are based on subjective assumptions and estimations about events and circumstances that have not yet happened and are subjected to significant variations. Therefore, it is not possible to guarantee that any of the results included in the current report will happen in the future, in other words, it does not guarantee the result or the success of the posed strategies.

This report has been prepared solely with informational purposes. No declarations are made in respects to precision, sufficiency, veracity or accuracy of the information and opinions hereby included. Miranda GR will not answer (either because of negligence or for any other reason) for any damage or detriment derived or related to the use of this report or its content, or any connection to the report. Miranda GR is not responsible for the use or association with this report, including but not limited to, any declaration, expressed or implicit or guarantees or omissions included in this information.

This report is based on facts and/or events that have happened up to this date, consequently any future facts and/or events can impair the conclusions hereby expressed. Miranda GR does not assume any responsibility to update, review, rectify or invalidate this report based on any future occurrence.

The opinions related to this report eventually expressed by Miranda GR, should be considered only as suggestions/recommendations to better operate various topics related to the presentation.

This report and its contents are property of Miranda GR and cannot be reproduced or broadcast in part or in its entirety without the previous written consent of Miranda GR.

Miranda Global Research receives fees from Fideicomiso Hipotecario for independent analyst services. Companies or Fibras under coverage cannot influence the opinions, recommendations, projections and/or target prices that Miranda GR establishes in its research reports.
