

ACTINVER: 2Q23 Results

Net profits up 133% YoY on higher interest rates, commissions and trading income, positive

ACTINVR B	BUY
Target Price (MXN\$)	\$ 19.50
Current Price (MXN\$)	\$ 13.90
Min / Max (L12M)	\$11.67 - 14.17
Expected Dividend (MXN\$)	\$ 0.45
Expected Return	43.5%
Market Cap (MXN\$ Mn)	7,423
Oustanding Shares (Mn)	534.0
Float	34.2%
6-month ADTV (MXN\$ Mn)	\$ 1.1

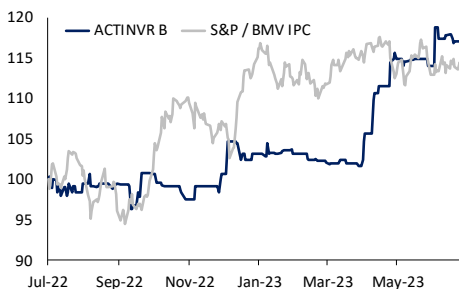
Opinion and recommendation

ACTINVER once again reported very favorable results fueled by the increase in interest rates, as well as higher commissions and net fees and trading income. This resulted in a higher-than-expected 133% rise in net profits. We reiterate our BUY recommendation with an estimated intrinsic value of MXN\$19.50/share. In our view, the valuation of ACTINVER's shares continues to be very attractive with a P/BV of 0.9x and a 2023E P/E of only 5.5x.

Assets under management / Portfolio

Total assets in custody reached MXN\$643 billion, which strengthened ACTINVER's position as one of the country's largest financial groups. This figure included assets under management of MXN\$200 billion, with an annual growth of 11.9%. The company remained the fifth largest asset manager with a 6.34% market share. It added more than 96 thousand new clients in the quarter, reaching 370,948.

On the other hand, the loan and leasing portfolio stood at MXN\$29 billion at the end of the quarter, up 5.4% YoY, since the company has maintained a conservative stance with respect to the granting of credit. The NPL ratio rose slightly to 2.32% in the current quarter, compared to 2.11% in 2Q22, which remained at a very low level. The bank's capitalization ratio was 16.2%, above the regulatory minimum.



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Results

Operating income increased 28% to MXN\$1.66 billion (versus our MXN\$1.5 billion expectation) in 2Q23, which was due to a strong performance of the adjusted financial margin, net commissions and fees, and trading income.

The financial margin rose 20% to MXN\$463 million (vs. MXN\$451 million we expected), mainly supported by higher interest rates compared to last year. On the other hand, the adjusted financial margin grew 58% due to a 66% fall in credit reserves.

Net commissions and fees advanced 17% (vs. +7% E) due to the expansion of the asset management business, in addition to higher commissions in investment banking, fiduciary, and special portfolios, which offset lower activity in equity markets and in variable interest funds;

Trading income was up 67% (vs. +7% E) supported by greater activity in FX and derivatives;

However, administrative and promotional expenses increased 17% (vs +5.0% E) due to higher compensation. We estimate that the efficiency ratio was 80.0% in the period, from 87.8% the previous year. The company is focusing on using technology to drive operational efficiencies.

These factors resulted in a strong 133% growth in net profits to MXN\$227 million with a 16.4% ROE, above our forecast of MXN\$213 million with a 16.2% ROE.

(Figures in MXN\$ Mn)	2Q23	2Q23E	Diff.	2Q22	Change
Interest Income	3,123	3,204	-2.5%	1,735	80.0%
Interest Expense	-2,660	-2,753	-3.4%	-1,349	97.2%
Financial Margin	463	451	2.7%	386	20.0%
Provisions	-41	-46	-11.6%	-118	-65.5%
Adjusted Financial Margin	423	405	4.4%	268	57.6%
Commissions and Fees Charged	973	918	6.0%	858	13.3%
Commissions and Fees Paid	-80	-98	-17.9%	-93	-13.8%
Trading Results	357	225	59.0%	214	67.0%
Other Operating Income (Expenses)	-16	53	-130.2%	43	-137.6%
Administration and Promotion Expenses	-1,324	-1,188	11.5%	-1,132	17.0%
Operating Result	332	314	5.6%	158	109.9%
Participation in Associate Results	0	-7	n.a.	-6	n.a.
Pre-Tax profit	332	307	7.9%	152	118.8%
Taxes	-102	-92	10.2%	-53	92.6%
Net Profit Before Minorities	230	215	7.0%	99	132.9%
Minority Participation	-3	-2	86.8%	-1	140.8%
Net Profit	227	213	6.3%	97	132.7%

Gordon Shapiro Model

(Figures in MXN\$ Mn)

Stockholder's Equity 2023E	9,049
Long-Term ROE	18.5%
Cost of Equity	16.7%
Risk-Free Rate	8.8%
Market Risk Premium	6.0%
Beta	1.314
Perpetuity Growth Rate	4.5%
Equity Value	10,413
Outstanding Shares	534
Target Price / Share	\$ 19.50
Current Price / Share	\$ 13.90
Expected Dividend	\$ 0.45
Total Return inc/ Dividend	43.5%
Target P/BV	1.2x
Target P/E (Forward)	6.5x

(Figures in Millions of Pesos)

INCOME STATEMENT	2022	2023E	2024E	2025E	2026E	2027E	2028E
Interest Income	7,958	12,416	12,815	13,113	13,410	13,819	14,591
Interest Expense	- 6,305	- 10,412	- 10,607	- 10,758	- 10,888	- 11,117	- 11,672
Financial Margin	1,653	2,004	2,208	2,355	2,522	2,702	2,919
Provisions	- 177	- 164	- 172	- 181	- 190	- 199	- 209
Adjusted Financial Margin	1,475	1,840	2,036	2,174	2,332	2,503	2,710
Commissions and Fees Charged	3,563	3,969	4,664	5,239	5,819	6,396	6,963
Commissions and Fees Paid	- 353	- 328	- 345	- 362	- 380	- 399	- 419
Trading Results	1,227	1,339	1,406	1,476	1,550	1,627	1,709
Other Operating Income (Expenses)	108	167	92	104	116	128	140
Administration and Promotion Expenses	- 4,651	- 5,041	- 5,520	- 6,017	- 6,498	- 7,018	- 7,509
Operating Result	1,369	1,946	2,333	2,615	2,938	3,237	3,592
Participation in Associate Results	- 7	4	5	5	5	5	6
Pre-Tax profit	1,362	1,950	2,337	2,620	2,943	3,242	3,598
Taxes	- 398	- 589	- 701	- 786	- 883	- 973	- 1,079
Net Profit Before Minorities	963	1,361	1,636	1,834	2,060	2,269	2,519
Minority Participation	- 9	- 17	- 23	- 26	- 30	- 33	- 36
Net Profit	954	1,344	1,613	1,807	2,031	2,237	2,482
Total Income	12,857	17,891	18,977	19,932	20,895	21,970	23,402
Operating Income	6,020	6,987	7,853	8,632	9,436	10,255	11,102
BALANCE SHEET	2022	2023E	2024E	2025E	2026E	2027E	2028E
TOTAL ASSETS	102,755	131,157	138,423	146,080	154,166	162,717	171,778
Total Loan Portfolio (Net)	28,060	30,866	33,953	37,348	41,083	45,191	49,710
TOTAL LIABILITIES	94,839	122,108	128,003	134,107	140,428	147,422	154,694
Traditional Deposits	47,465	50,788	53,327	55,993	58,793	61,733	64,819
Stockholders' Equity	7,916	9,049	10,420	11,974	13,738	15,295	17,084

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