

# FHipo: 2Q23 Results

Higher-than-expected quarterly results; significant sequential recovery in total revenues and net profits

<b>FHIPO 14</b>	<b>HOLD</b>
Target Price (MXN\$)	\$ 21.00
Current Price (MXN\$)	\$ 16.30
Min / Max (L12M)	\$ 16.11 - 19.50
Expected Dividend (MXN\$)	\$ 1.48
Expected Return	28.8%
Market Cap (MXN\$ Mn)	6,167
CBFI's Outstanding (Mn)	378.3
Float	100.0%
6-month ADTV (MXN\$ Mn)	\$ 0.74

## Opinion and recommendation

FHipo reported positive 2Q23 results with a significant recovery in most indicators compared to 1Q23, although still with declines compared to the previous year. These results exceeded our projections.

We revised upwards our estimates after having included this report in our model. We now expect a MXN\$1.48/CBFI distribution during the current year. We continue with a HOLD recommendation and a MXN\$21.0/CBFI target price. The valuation of FHipo's certificates remains attractive with a 0.6x P/BV and 10.5x 2023E P/E.

## Results / distribution

Spread improves sequentially. The financial margin as a percentage of revenue decreased 10.5% YoY mainly as a result of higher interest paid due to rising interest rates, which offset the 8.7% reduction in interest gains. The financial margin was 47.8% in 2Q23, from 50.0% in 1Q23 and 58.3% in 2Q22. However, the spread between productive assets and cost of funding was 2.46% in the current quarter, from 1.91% in 1Q23 and 2.70% in 2Q22.

Higher total revenues. FHipo released lower reserves than the previous year, which generated an annual reduction in the financial margin adjusted for credit risks. In addition, it recognized a MXN\$115.5 million gain on the valuation of benefits in securitization transactions, 28.6% higher than the previous year. This resulted in total revenues of MXN\$285.9 million, down 38.1% YoY, but with 58.9% rebound compared to 1Q23. Administrative expenses decreased 44.3% YoY, which led to an expense to gross income ratio of 21.0%, from 26.5%.



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Net profits and ROE rise compared to 1Q23. Quarterly net profits exceeded our MXN\$107.7 million projection, rising 82.0% sequentially to MXN\$189.4 million (although they fell 34.6% YoY). ROE stood at 8.0%, compared with 4.31% in 1Q23 and 12.1% the previous year.

Distribution improves sequentially. FHiipo estimates that the quarterly distribution will be MXN\$0.476/CBFI (vs. our MXN\$0.266/CBFI forecast) taking into account the current distribution policy. This figure is significantly higher than the MXN\$0.257/CBFI of 1Q23, although it fell compared to the MXN\$0.714/CBFI of 2Q22.

### Portfolio / Financial structure

Portfolio contraction slows down. The consolidated portfolio decreased 7.7% YoY and 1.9% QoQ to MXN\$23.8 billion at the end of 2Q23 with a slowdown compared to 1Q23 reduction. This was mainly due to the fact that origination through YAVE and KREDI grew more than 70% in the current quarter, partly offsetting the amortization of INFONAVIT and FOVISSSTE. The past-due portfolio to consolidated portfolio ratio was 6.2% with respect to the origination amount and 7.5% with respect to the current amount.

(Figures in MXN\$ Mn)	2Q23	2Q23E	Diff.	2Q22	Change
Total interest income	336	343	-1.8%	369	-8.7%
Interest expenses	-176	-169	3.8%	-154	14.3%
Financial margin	161	173	-7.3%	215	-25.2%
(-) Allowance for loan losses	9	-55	-117.0%	157	-94.0%
Financial margin adjusted for credit risks	170	118	43.5%	372	-54.3%
Val. of rec. benefits in sec. transactions	116	64	81.4%	90	28.6%
Other income	0	0	-15.2%	0	26.0%
Total revenues, Net	286	183	56.6%	462	-38.1%
Total Expenses	-95	-73	30.1%	-172	-44.7%
Profit (Loss) before taxes	191	110	74.3%	290	-34.2%
Income tax	-2	-2	-14.4%	-0	308.8%
Net profit (loss)	189	108	75.8%	290	-34.6%
Earnings per CBFI	\$ 0.50	\$ 0.28	79.1%	\$ 0.75	-33.4%
Distribution	180	102	75.9%	275	-34.6%
Distribution per CBFI	\$ 0.48	\$ 0.27	79.1%	\$ 0.71	-33.3%

### Gordon Shapiro Model

(Figures in MXN\$ MN)

<b>Stockholder's Equity 2023E</b>	<b>9,771</b>
LT ROE	10.5%
<b>Cost of Equity</b>	<b>11.1%</b>
Risk Free Rate	8.9%
Market Risk Premium	6.0%
Beta	0.378
<b>Perpetuity Growth Rate</b>	<b>0.5%</b>
Equity Value	9,177
Outstanding CBFIs	378
Target price per CBFi	\$ 24.26
Liquidity discount	13%
<b>Adjusted Target Price</b>	<b>\$ 21.00</b>
Current Price	\$ 16.30
Expected Dividend	\$ 1.48
Total Return	28.8%
Target P/BV	0.6x
Target P/E	13.5x

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(Figures in MXN\$ Mn)

Income Statement	2022	2023E	2024E	2025E	2026E	2027E	2028E
Interests on mortgage loans	1,271.1	1,152.1	1,072.6	1,002.5	935.0	869.9	807.3
Investment income	118.4	193.8	197.4	209.5	222.4	236.0	250.5
Total interest income	1,389.6	1,345.9	1,270.1	1,212.0	1,157.4	1,106.0	1,057.8
Interest expenses	-600.5	-645.0	-511.7	-433.0	-359.3	-288.2	-221.0
Financial margin	789.0	700.9	758.3	779.0	798.1	817.8	836.8
(-) Allowance for loan losses	124.8	-159.4	-205.5	-192.7	-181.1	-170.7	-161.4
Financial margin adjusted for credit risks	913.8	541.5	552.8	586.3	617.0	647.1	675.4
Val. of rec. benefits in sec. transactions	395.1	406.7	394.2	382.3	370.8	359.8	349.4
Other income	1.5	1.7	1.6	1.6	1.6	1.6	1.6
<b>Total revenues, Net</b>	<b>1,310.4</b>	<b>949.9</b>	<b>948.6</b>	<b>970.2</b>	<b>989.3</b>	<b>1,008.5</b>	<b>1,026.4</b>
Management and collection fees	-96.2	-96.7	-94.3	-88.4	-82.9	-77.7	-72.8
Other administrative expenses & Other Expenses	-291.3	-258.0	-260.3	-245.0	-230.7	-217.1	-204.4
Administrative expenses	-387.5	-354.8	-354.6	-333.4	-313.5	-294.8	-277.2
Profit (Loss) before taxes	922.9	595.1	594.0	636.7	675.8	713.7	749.2
Income tax	0.4	-5.8	-4.9	-5.3	-5.6	-5.9	-6.2
Net profit (loss)	923.2	589.3	589.1	631.5	670.2	707.8	743.0
Other comprehensive income	55.3	-97.2	-108.0	-108.0	-108.0	-108.0	-108.0
<b>Total comprehensive income</b>	<b>978.5</b>	<b>492.1</b>	<b>481.1</b>	<b>523.4</b>	<b>562.2</b>	<b>599.8</b>	<b>634.9</b>
CBFIs	385.2	378.3	378.3	378.3	378.3	378.3	378.3
Earnings per CBFi	2.394	1.553	1.557	1.669	1.771	1.871	1.964
Distribution	877.0	560.2	559.7	599.9	636.7	672.4	705.8
Distribution per CBFi	2.273	1.476	1.479	1.586	1.683	1.777	1.866
Distribution / Net profit	95%	95%	95%	95%	95%	95%	95%
<b>Balance Sheet</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Cash and cash equivalents	1,921.3	1,578.1	1,675.0	1,777.8	1,886.8	2,002.6	2,125.5
Loans, net	10,477.1	9,810.4	9,177.9	8,568.9	7,982.5	7,417.6	6,873.4
Collection rights, net	104.3	96.0	90.4	85.1	80.1	75.4	70.9
Receivable benefits in securitization transactions	3,773.7	3,343.6	3,134.7	2,938.8	2,755.2	2,583.0	2,421.7
Accounts receivables and other assets	149.9	190.3	199.8	209.8	220.3	231.3	242.9
Equipment, net	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Derivative financial instruments	81.2	38.0	38.0	38.0	38.0	38.0	38.0
<b>Total assets</b>	<b>16,513.9</b>	<b>15,062.8</b>	<b>14,322.0</b>	<b>13,624.7</b>	<b>12,969.2</b>	<b>12,354.3</b>	<b>11,778.8</b>
Accounts payables and accrued expenses	152.0	134.9	134.9	134.9	134.9	134.9	134.9
Notes/securities payable	400.8	100.2	100.2	100.2	100.2	100.2	100.2
Borrowings	5,999.2	5,056.4	4,286.2	3,557.3	2,868.3	2,218.0	1,605.3
<b>Total liabilities</b>	<b>6,551.9</b>	<b>5,291.5</b>	<b>4,521.3</b>	<b>3,792.3</b>	<b>3,103.4</b>	<b>2,453.1</b>	<b>1,840.4</b>
<b>Total debt</b>	<b>6,400.0</b>	<b>5,156.5</b>	<b>4,386.4</b>	<b>3,657.4</b>	<b>2,968.5</b>	<b>2,318.2</b>	<b>1,705.5</b>
<b>Total equity</b>	<b>9,962.0</b>	<b>9,771.3</b>	<b>9,800.7</b>	<b>9,832.3</b>	<b>9,865.8</b>	<b>9,901.2</b>	<b>9,938.4</b>

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