

FHipo: 3Q23 Results

Positive results with higher-than-expected adjusted financial margin and net profits

FHIPO 14	HOLD
Target Price (MXN\$)	\$ 21.00
Current Price (MXN\$)	\$ 16.30
Min / Max (L12M)	\$ 16.11 - 19.50
Expected Dividend (MXN\$)	\$ 1.30
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

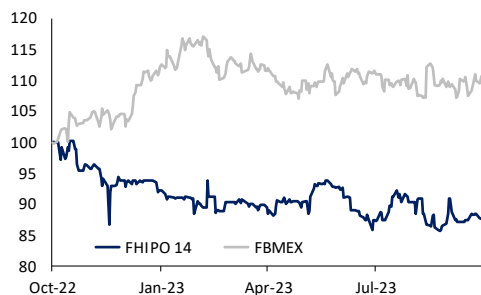
FHipo reported positive 3Q23 results that were above our expectations in terms of adjusted financial margin and net profits due to a higher valuation of receivable benefits in securitization transactions, which offset the interest rate impact on the cost of funding.

We reiterate our HOLD recommendation with a MXN\$21.0/CBFI target price.

3Q23 Results/Distribution

The financial margin fell 14.4% mainly as a result of higher interest paid derived from the increase in interest rates given that 23.5% of funding including hedging derivatives is at variable interest rates. However, the interest rate spread improved to 2.61 percentage points, compared to 2.22 PP in 3Q22, due to the change in the loan portfolio mix as a result of higher growth in YAVE and KREDI. Additionally, NIM expanded to 10.63%, from 6.30%.

FHipo recorded MXN\$83.9 million in positive reserves given the portfolio performance and collection efforts of primary portfolio managers, which boosted the adjusted financial margin by 9.3%. In addition, the valuation of receivable benefits in securitization transactions and total expenses grew, leading to a MXN\$270.8 million net profit, up 40.9%, with a 352 bps ROE improvement to 11.4%. FHipo estimates that the distribution corresponding to the quarter subject to the current distribution policy will be MXN\$257.3 million (MXN\$0.681/CBFI).



October 30th, 2023

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

Portfolio / Financial structure

FHipo's total portfolio (balance sheet and off-balance sheet) fell 8.1% to MXN\$23.1 billion due to the natural amortization process of INFONAVIT and FOVISSSTE loans. On the other hand, YAVE's portfolio grew 46.7%, while KREDI's reached MXN\$197 million. The NPL ratio was 6.8% for current balances and 4.9% for origination balances, up from 5.1% and 3.8%, respectively.

FHipo maintained a conservative leverage strategy since its debt fell 11.6%, which strengthened the financial structure. The debt-to-equity ratio was 0.56x in 3Q23, compared to 0.64x in 3Q22, at the consolidated level.

(Figures in MXN\$ Mn)	3Q23	3Q23E	Diff.	3Q22	Change
Total interest income	339	331	2.5%	341	-0.6%
Interest expenses	-174	-153	14.2%	-148	17.4%
Financial margin	165	178	-7.5%	193	-14.4%
(-) Allowance for loan losses	84	-54	-254.0%	35	141.0%
Financial margin adjusted for credit risks	249	124	100.9%	228	9.3%
Val. of rec. benefits in sec. transactions	140	114	22.6%	26	436.8%
Other income	0	0	1.0%	0	68.5%
Total revenues, Net	389	238	63.2%	254	53.2%
Total Expenses	-116	-94	24.2%	-61	89.4%
Profit (Loss) before taxes	273	145	88.4%	192	41.7%
Income tax	-2	-1	67.4%	-0	439.9%
Net profit (loss)	271	144	88.6%	192	41.0%
Earnings per CBFi	\$ 0.72	\$ 0.38	88.9%	\$ 0.50	43.7%
Distribution	257	136	88.6%	183	40.8%
Distribution per CBFi	\$ 0.68	\$ 0.36	88.9%	\$ 0.47	43.7%

Gordon Shapiro Model

(Figures in MXN\$ MN)

Stockholder's Equity 2024E	9,847
LT ROE	12.5%
Cost of Equity	12.4%
Risk Free Rate	10.1%
Market Risk Premium	6.0%
Beta	0.378
Perpetuity Growth Rate	0.5%
Equity Value	9,928
Outstanding CBFi's	378
Target price per CBFi	\$ 26.28
Liquidity discount	20%
Adjusted Target Price	\$ 21.00
Current Price	\$ 16.16
Expected Dividend	\$ 1.30
Total Return	28.8%
Target P/BV	0.6x
Target P/E	15.3x

(Figures in MXN\$ Mn)

Income Statement	2022	2023E	2024E	2025E	2026E	2027E	2028E
Interests on mortgage loans	1,271.1	1,177.7	1,122.9	1,051.2	982.2	915.8	851.9
Investment income	118.4	188.0	192.1	203.8	216.4	229.6	243.7
Total interest income	1,389.6	1,365.7	1,315.0	1,255.1	1,198.6	1,145.5	1,095.6
Interest expenses	-600.5	-691.6	-586.2	-484.5	-393.8	-329.0	-268.4
Financial margin	789.0	674.0	728.7	770.5	804.8	816.5	827.2
(-) Allowance for loan losses	124.8	-23.3	-214.0	-200.5	-188.4	-177.4	-167.5
Financial margin adjusted for credit risks	913.8	650.8	514.7	570.0	616.4	639.1	659.7
Val. of rec. benefits in sec. transactions	395.1	458.3	445.8	434.0	422.8	412.3	402.4
Other income	1.5	1.7	1.6	1.6	1.6	1.6	1.6
Total revenues, Net	1,310.4	1,110.7	962.1	1,005.6	1,040.9	1,053.0	1,063.7
Management and collection fees	-96.2	-101.3	-103.1	-96.6	-90.6	-84.9	-79.6
Other administrative expenses & Other Expenses	-291.3	-298.5	-337.5	-317.7	-299.1	-281.6	-265.0
Administrative expenses	-387.5	-399.8	-440.6	-414.4	-389.7	-366.5	-344.7
Profit (Loss) before taxes	922.9	710.9	521.5	591.2	651.2	686.5	719.1
Income tax	0.4	-6.4	-3.8	-4.3	-4.8	-5.0	-5.3
Net profit (loss)	923.2	704.5	517.7	586.9	646.4	681.5	713.8
Other comprehensive income	55.3	-89.2	-92.1	-92.1	-92.1	-92.1	-92.1
Total comprehensive income	978.5	615.3	425.6	494.8	554.3	589.3	621.7
CBFIs	385.2	377.7	377.7	377.7	377.7	377.7	377.7
Earnings per CBFi	2.394	1.859	1.371	1.554	1.711	1.804	1.890
Distribution	877.0	669.6	491.8	557.6	614.1	647.4	678.1
Distribution per CBFi	2.273	1.767	1.302	1.476	1.626	1.714	1.795
Distribution / Net profit	95%	95%	95%	95%	95%	95%	95%
Balance Sheet	2022	2023E	2024E	2025E	2026E	2027E	2028E
Cash and cash equivalents	1,921.3	1,844.0	1,957.2	2,077.3	2,204.7	2,340.0	2,483.6
Loans, net	10,477.1	9,818.9	9,200.4	8,605.1	8,032.0	7,480.2	6,948.9
Collection rights, net	104.3	97.3	91.5	86.2	81.1	76.4	71.9
Receivable benefits in securitization transactions	3,773.7	3,321.9	3,114.3	2,919.7	2,737.3	2,566.3	2,405.9
Accounts receivables and other assets	149.9	545.4	572.7	601.3	631.4	663.0	696.1
Equipment, net	6.4	5.7	5.7	5.7	5.7	5.7	5.7
Derivative financial instruments	81.2	14.9	14.9	14.9	14.9	14.9	14.9
Total assets	16,513.9	15,648.0	14,956.7	14,310.2	13,707.2	13,146.5	12,627.0
Accounts payables and accrued expenses	152.0	377.2	377.2	377.2	377.2	377.2	377.2
Notes/securities payable	400.8	100.7	100.7	100.7	100.7	100.7	100.7
Borrowings	5,999.2	5,349.4	4,632.2	3,956.3	3,321.0	2,726.2	2,171.1
Total liabilities	6,551.9	5,827.3	5,110.1	4,434.2	3,798.9	3,204.1	2,649.0
Total debt	6,400.0	5,450.1	4,732.9	4,057.0	3,421.7	2,826.9	2,271.8
Total equity	9,962.0	9,820.7	9,846.6	9,876.0	9,908.3	9,942.4	9,978.0

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.
