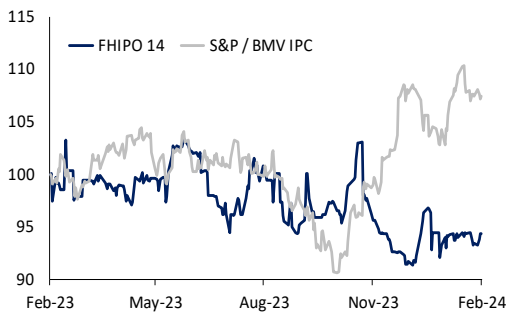


# FHipo: 4Q23 Results

Positive results with higher-than-expected total revenues and net profits; the portfolio grew sequentially due to digital mortgage platforms

FHIPO 14	HOLD
Target Price (MXN\$)	\$ 21.00
Current Price (MXN\$)	\$ 16.00
Min / Max (L12M)	\$ 15.41 - 17.99
Expected Dividend (MXN\$)	\$ 1.39
Expected Return	31.3%
Market Cap (MXN\$ Mn)	6,018
CBFI's Outstanding (Mn)	376.1
Float	100.0%
6-month ADTV (MXN\$ Mn)	\$ 0.83



## Opinion and recommendation

FHipo reported above our expectations in terms of adjusted financial margin and net profits due to stronger-than-expected total revenues. In addition, the consolidated portfolio grew sequentially supported by the digital mortgage platforms. We reiterate our HOLD recommendation and MXN\$21.0/CBFI target price after these results.

## 4Q23 results / distribution

The financial margin declined 9.5% YoY mainly as a result of the impact of higher interest rates on the on-balance sheet funding cost, which is at a variable rate (the interest rate swap expired in November of last year). The spread between active and passive interest rates contracted slightly to 2 PP, from 2.61 PP in 3Q23. However, the financial margin as a percentage of interest earned and considering the reduction in interest expense due to debt amortizations, increased 2.6 PP sequentially to 51.2%.

On the other hand, the reserve creation fell significantly, due to the performance of the portfolio and collection efforts of the primary administrators of the portfolio. This financial margin represented 49.7% of interest earned, with an improvement of more than 10 percentage points compared to 4Q22. The valuation of benefits on securitization operations decreased 35.3%, generating total revenues of MXN\$290 million (vs. MXN\$256 million E), down 11.2% YoY.

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Total expenses for the quarter were up 16.1% YoY, which is why net profits declined 19.9% to MXN\$200 million (vs. MXN\$140 million E). However, accumulated expenses remained practically unchanged in 2023, with a slight MXN\$8.8 million reduction. The ROE was 7.80% in 2023, below 9.29% the previous year. According to the current distribution policy, FHipo plans to pay MXN\$0.505/CBFI corresponding to 4Q23, which will represent 95% of MXN\$0.531 in EPCBFI.

### Portfolio / Financial structure

The portfolio generated by the digital mortgage platforms continued to expand significantly, by 71.2% YoY, thus offsetting the natural maturation process of the INFONAVIT and FOVISSSTE portfolios. For this reason, FHipo's consolidated portfolio (balance sheet and off-balance sheet) contracted 7.5% YoY to MXN\$22.8 billion in 4Q23, slightly below the 8.1% reduction in 3Q23. Additionally, it rose slightly sequentially, for the first time in several quarters.

Asset quality remained high and without major changes, with a consolidated portfolio NPL ratio with balances at origination of 4.94%, from 4.70% the previous year. At current balances, this indicator was 6.81%, compared to 5.67%, due to the accounting effect. Worth mentioning that the portfolio of digital mortgage platforms has a NPL ratio of less than 5%. Coverage against expected loss was 1.41x, practically in line with the previous year.

FHipo continued to use its high cash flow generation to deleverage. During the quarter, it prepaid part of the IFC, HSBC and Banorte loans, thus reducing its total debt by 19.0% YoY. The debt-to-equity ratio improved to 0.53x in 4Q23, compared to 0.64x in 4Q22, at the consolidated level. This indicator had reached a maximum level of 1.7x at the end of 2018.

(Figures in MXN\$ Mn)	4Q23	4Q23E	Diff.	4Q22	Change
Total interest income	337	338	-0.5%	351	-4.2%
Interest expenses	-164	-166	-0.9%	-161	2.0%
Financial margin	172	173	-0.2%	190	-9.5%
(-) Allowance for loan losses	-5	-56	-91.0%	-53	-90.6%
Financial margin adjusted for credit risks	167	117	43.1%	137	21.8%
Val. of rec. benefits in sec. transactions	122	138	-11.6%	189	-35.3%
Other income	1	0	32.9%	0	23.1%
Total revenues, Net	290	256	13.5%	327	-11.2%
Total Expenses	-92	-114	-19.6%	-79	16.1%
Profit (Loss) before taxes	198	141	40.3%	248	-20.0%
Income tax	2	-1	-251.4%	2	-17.1%
Net profit (loss)	200	140	42.4%	250	-19.9%
Earnings per CBFI	\$ 0.53	\$ 0.37	43.0%	\$ 0.65	-18.1%
Distribution	190	133	42.5%	237	-19.8%
Distribution per CBFI	\$ 0.51	\$ 0.35	43.1%	\$ 0.62	-17.9%

### Gordon Shapiro Model

(Figures in MXN\$ MN)

<b>Stockholder's Equity 2024E</b>	<b>9,744</b>
LT ROE	12.5%
<b>Cost of Equity</b>	<b>11.2%</b>
Risk Free Rate	9.2%
Market Risk Premium	6.0%
Beta	0.336
<b>Perpetuity Growth Rate</b>	<b>0.5%</b>
Equity Value	10,928
Outstanding CBFI's	376
Target price per CBFI	\$ 29.05
Liquidity discount	28%
<b>Adjusted Target Price</b>	<b>\$ 21.00</b>
Current Price	\$ 16.00
Expected Dividend	\$ 1.39
Total Return	31.3%
Target P/BV	0.8x
Target P/E	12.3x

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(Figures in MXN\$ Mn)

Income Statement	2023	2024E	2025E	2026E	2027E	2028E	2029E
Interests on mortgage loans	1,181.0	1,155.9	1,084.5	1,015.7	949.7	886.1	824.9
Investment income	182.8	143.2	152.0	161.3	171.2	181.7	192.9
Total interest income	1,363.9	1,299.1	1,236.5	1,177.1	1,120.9	1,067.8	1,017.8
Interest expenses	-690.2	-612.0	-478.1	-378.7	-290.2	-212.2	-151.4
Financial margin	673.7	687.1	758.4	798.4	830.6	855.6	866.5
(-) Allowance for loan losses	27.5	-219.2	-205.2	-192.5	-181.0	-170.8	-161.5
Financial margin adjusted for credit risks	701.2	467.9	553.2	605.9	649.6	684.9	705.0
Val. of rec. benefits in sec. transactions	442.2	430.2	417.1	404.5	392.5	381.0	370.1
Other income	1.8	2.1	2.1	2.1	2.1	2.1	2.1
Total revenues, Net	1,145.2	900.2	972.4	1,012.6	1,044.2	1,068.1	1,077.3
Management and collection fees	-101.9	-105.2	-98.6	-92.5	-86.7	-81.3	-76.2
Other administrative expenses & Other Expenses	-275.5	-249.2	-234.6	-220.8	-207.8	-195.7	-184.2
Administrative expenses	-377.4	-354.4	-333.2	-313.3	-294.5	-276.9	-260.4
Profit (Loss) before taxes	767.8	545.8	639.3	699.3	749.7	791.2	816.9
Income tax	-3.8	4.3	5.1	5.5	5.9	6.3	6.5
Net profit (loss)	764.0	550.1	644.3	704.9	755.7	797.4	823.4
Other comprehensive income	-81.1	-59.7	-61.7	-63.7	-65.7	-67.7	-69.7
Total comprehensive income	682.9	490.5	582.7	641.2	690.0	729.8	753.7
CBFIs	376.1	376.1	376.1	376.1	376.1	376.1	376.1
Earnings per CBFi	2.019	1.463	1.713	1.874	2.009	2.120	2.189
Distribution	726.3	522.6	612.1	669.6	717.9	757.6	782.2
Distribution per CBFi	1.919	1.389	1.627	1.780	1.909	2.014	2.080
Distribution / Net profit	95%	95%	95%	95%	95%	95%	95%
<b>Balance Sheet</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
Cash and cash equivalents	1,329.6	1,411.2	1,497.8	1,589.7	1,687.3	1,790.8	1,900.7
Loans, net	10,149.0	9,530.5	8,934.1	8,360.6	7,809.0	7,278.5	6,768.0
Collection rights, net	96.3	90.7	85.4	80.3	75.6	71.2	67.0
Receivable benefits in securitization transactions	3,369.4	3,207.1	3,006.8	2,818.9	2,642.8	2,477.7	2,322.8
Accounts receivables and other assets	198.9	208.8	219.3	230.2	241.8	253.8	266.5
Equipment, net	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Total assets	15,148.2	14,453.3	13,748.2	13,084.7	12,461.4	11,876.9	11,330.0
Accounts payables and accrued expenses	183.6	183.6	183.6	183.6	183.6	183.6	183.6
Notes/securities payable	99.8	99.8	99.8	99.8	99.8	99.8	99.8
Borrowings	5,148.5	4,426.1	3,688.8	2,990.1	2,329.0	1,704.6	1,116.5
Total liabilities	5,432.0	4,709.6	3,972.3	3,273.6	2,612.4	1,988.1	1,400.0
Total debt	5,248.4	4,526.0	3,788.7	3,089.9	2,428.8	1,804.4	1,216.4
Total equity	9,716.2	9,743.7	9,775.9	9,811.2	9,849.0	9,888.8	9,930.0

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