

ACTINVER: 1Q24 Results

Stronger-than-expected growth in operating revenues, but net profits fell 23% due to higher expenses and last year’s extraordinary revenues

ACTINVR B	BUY
Target Price (MXN\$)	\$ 22.00
Current Price (MXN\$)	\$ 15.10
Min / Max (L12M)	\$12.86 - 15.82
Expected Dividend (MXN\$)	\$ 0.45
Expected Return	48.7%
Market Cap (MXN\$ Mn)	8,063
Oustanding Shares (Mn)	534.0
Float	34.2%
6-month ADTV (MXN\$ Mn)	\$ 1.0

Opinion and recommendation

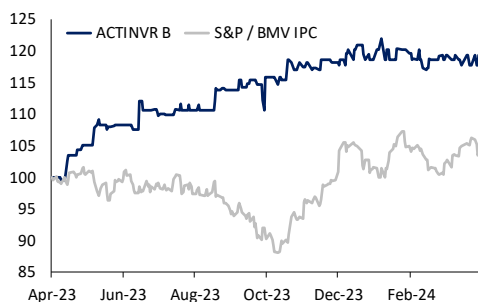
ACTINVER reported a positive performance in terms of operating revenues, which exceeded our projected financial margin, adjusted financial margin, net commissions, and trading results. However, net profits were below our expectations due to higher administrative and promotional expenses related to the acceleration of investments in human capital and technology, which we believe will boost the company’s growth during the coming quarters.

We reiterate our BUY recommendation with a MXN\$22.0/share after having updated our model. We continue to believe that the valuation of ACTINVER shares is attractive with a P/BV of 0.9x and a projected P/E of 6.0x.

1Q24 Results

ACTINVER reported a stronger-than-expected 11% YoY increase in operating revenues to MXN\$1.936 billion in the quarter. This figure exceeded our MXN\$1.817 billion forecast. This performance was due to a significant 37% YoY rise in the financial margin, which continued to be supported by higher interest rates and the expansion of the credit portfolio. Despite the fact that provisions were 51% YoY higher, the adjusted financial margin was up 36% YoY.

Additionally, net commissions grew 17% YoY driven by the asset management business, investment banking, insurance, and fiduciary. Trading results advanced 18% YoY supported by money-market and derivatives.



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However, administration and promotion expenses increased 27% YoY due to higher investments in human capital and technology. This resulted in a 23% YoY drop in quarterly net profits to MXN\$312 million (vs. our MXN\$369 million expectation). L12M ROE was 12.0% in 1Q24, compared to 15.4% in 1Q23. Worth mentioning that the company faced an adverse comparison base since it recorded extraordinary revenues in 1Q23.

AUM's / Portfolio

AUM's reached MXN\$221 billion (vs. MXN\$217 billion estimated) at the end of the quarter, up 16% YoY. The company raised more than MXN\$32 billion during the last twelve months and remained the country's fifth largest asset manager with a 6.12% market share, without considering funds of funds.

The loan portfolio rose 6.5% YoY and asset quality remained solid with a NPL ratio of only 2.77% and 19.68% capitalization ratio.

(Figures in MXN\$ Mn)	1Q24	1Q24E	Diff.	1Q23	Change
Operating Income	1,936	1,817	6.5%	1,748	10.7%
Financial Margin	723	623	15.9%	527	37.1%
Provisions	-46	-61	-25.3%	-30	51.2%
Adjusted Financial Margin	677	562	20.4%	497	36.2%
Commissions and Fees Charged	1,021	1,025	-0.5%	892	14.5%
Commissions and Fees Paid	-77	-86	-10.3%	-82	-6.6%
Trading Results	351	292	20.3%	302	16.3%
Other Operating Income (Expenses)	-37	23	-261.1%	139	-126.7%
Administration and Promotion Expenses	-1,473	-1,285	14.6%	-1,158	27.2%
Operating Result	463	532	-13.1%	590	-21.5%
Net Profit	312	369	-15.4%	406	-23.2%

Gordon Shapiro Model

(Figures in MXN\$ Mn)

Stockholder's Equity 2024E	9,954
Long-Term ROE	20.0%
Cost of Equity	17.6%
Risk-Free Rate	10.3%
Market Risk Premium	6.0%
Beta	1.214
Perpetuity Growth Rate	4.3%
Equity Value	11,746
Outstanding Shares	534
Target Price / Share	\$ 22.00
Current Price / Share	\$ 15.10
Expected Dividend	\$ 0.45
Total Return inc/ Dividend	48.6%
Target P/BV	1.2x
Target P/E (Forward)	7.0x

Sensitivity Analysis of the Target Price, P/BV vs. Book Value

	-10%	-5%	<i>Original</i>	+5%	+10%
St. Equity	8,983	9,456	9,954	10,451	10,974
Target P/BV					
0.6x	9.76	10.27	10.81	11.35	11.92
0.8x	13.12	13.81	14.54	15.27	16.03
1.0x	16.49	17.35	18.27	19.18	20.14
1.2x	19.85	20.90	22.00	23.10	24.25
1.4x	23.22	24.44	25.72	27.01	28.36
1.6x	26.58	27.98	29.45	30.92	32.47

Sensitivity Analysis of the Target Price, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	1,506	1,585	1,669	1,752	1,840
Target P/E					
4.0x	11.39	11.99	12.62	13.25	13.91
5.0x	14.21	14.96	15.75	16.53	17.36
6.0x	17.03	17.93	18.87	19.81	20.80
7.0x	19.85	20.90	22.00	23.10	24.25
8.0x	22.67	23.86	25.12	26.38	27.70
9.0x	25.49	26.83	28.25	29.66	31.14

(Figures in Millions of Pesos)

INCOME STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Interest Income	12,771	14,114	14,555	15,210	15,901	16,795	17,748
Interest Expense	- 10,635	- 11,528	- 11,603	- 11,979	- 12,382	- 13,042	- 13,736
Financial Margin	2,136	2,585	2,952	3,231	3,518	3,753	4,012
Provisions	- 201	- 235	- 246	- 259	- 272	- 285	- 299
Adjusted Financial Margin	1,935	2,351	2,706	2,973	3,247	3,467	3,712
Commissions and Fees Charged	3,844	4,423	4,967	5,461	5,952	6,433	6,936
Commissions and Fees Paid	- 326	- 333	- 350	- 367	- 385	- 405	- 425
Trading Results	1,202	1,355	1,423	1,494	1,569	1,647	1,730
Other Operating Income (Expenses)	88	74	160	172	184	196	208
Administration and Promotion Expenses	- 5,125	- 5,913	- 6,505	- 7,123	- 7,764	- 8,346	- 8,930
Operating Result	1,618	1,957	2,402	2,610	2,803	2,994	3,232
Participation in Associate Results	7	16	17	18	19	20	21
Pre-Tax profit	1,626	1,973	2,419	2,628	2,822	3,014	3,252
Taxes	- 476	- 601	- 726	- 788	- 846	- 904	- 976
Net Profit Before Minorities	1,149	1,372	1,693	1,840	1,975	2,110	2,277
Minority Participation	- 15	- 20	- 24	- 27	- 29	- 30	- 33
Net Profit	1,135	1,352	1,669	1,813	1,947	2,079	2,244
Total Income	17,905	19,966	21,106	22,337	23,606	25,072	26,622
Operating Income	6,743	7,870	8,907	9,733	10,567	11,340	12,162
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	129,662	154,348	163,114	172,367	182,146	192,499	203,473
Total Loan Portfolio (Net)	29,370	31,279	34,407	37,848	41,632	45,796	50,375
TOTAL LIABILITIES	120,868	144,394	151,688	159,333	167,783	176,683	186,052
Traditional Deposits	45,099	49,609	52,089	54,694	57,429	60,300	63,315
Stockholders' Equity	8,794	9,954	11,426	13,033	14,364	15,815	17,421

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