

FHipo: 1Q24 Results

Stronger-than-expected adjusted financial margin and net profits

FHIPO 14	HOLD
Target Price (MXN\$)	\$ 21.00
Current Price (MXN\$)	\$ 16.36
Min / Max (L12M)	\$ 15.41 - 17.99
Expected Dividend (MXN\$)	\$ 1.34
Expected Return	28.4%
Market Cap (MXN\$ Mn)	6,153
CBFI's Outstanding (Mn)	376.1
Float	100.0%
6-month ADTV (MXN\$ Mn)	\$ 0.76

Opinion and recommendation

FHipo reported positive 1Q24 results with a MXN\$142.9 million net profit, which exceeded our MXN\$133.9 million estimate, mainly due to a stronger-than-expected performance in the adjusted financial margin. We reiterate the HOLD recommendation with a MXN\$21.0/CBFI target price.

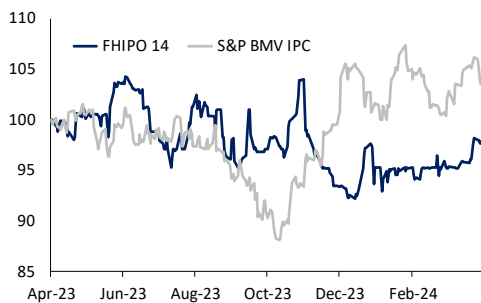
During the remainder of the year, FHipo expects to carry out several initiatives to maintain the profitability and sustainability of its portfolio through acquisitions of quality assets. We consider this to be favorable news.

Portfolio / Financial structure

FHipo experienced a strong 79.8% growth in Digital Mortgage Platforms. This limited the decline of the total portfolio to only 1.1% sequentially, although it fell 7.2% annually due to its natural amortization. Asset quality remained stable with a 7.1% NPL ratio with respect to the current balance of the consolidated portfolio and 5.1% with respect to the balance at origination. The trust continued to deleverage itself as total liabilities decreased 16.4%. The on-balance sheet debt to equity ratio ended at 0.51x, compared to 0.62x in 1Q23.

1Q24 Results

Total revenues rose 32.3% YoY to MXN\$238.1 million despite the annual reduction in the total portfolio. This performance was due to a 26.2% increase in the adjusted financial margin (with a margin improvement of 11.7 percentage points to 44.4%), which benefited from lower reserves, a 28.0% increase in the valuation of receivable benefits in securitization transactions and MXN\$10.4 million in other revenues against only MXN\$0.5 million in 1Q23.



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The favorable performance of total revenues was partially offset by a 26.6% increase in total expenses compared to 1Q23, but in line with 4Q23. As a result, net profits rose 37.3% to MXN\$142.9 million (vs. MXN\$133.9 million E), equivalent to MXN\$0.380/CBFI. ROE improved to 6.0% in 1Q24, from 4.3% in 1Q23.

FHipo expects to distribute MXN\$135.8 million (MXN\$0.361/CBFI) corresponding to the 1Q24 results, subject to the current Distribution Policy.

(Figures in MXN\$ Mn)	1Q24	1Q24E	Diff.	1Q23	Change
Total interest income	327	331	-1.2%	352	-7.1%
Interest expenses	-166	-161	2.9%	-176	-5.5%
Financial margin	161	169	-5.2%	176	-8.6%
(-) Allowance for loan losses	-15	-56	-72.6%	-61	-74.6%
Financial margin adjusted for credit risks	145	113	28.3%	115	26.2%
Val. of rec. benefits in sec. transactions	83	110	-24.6%	65	28.0%
Other income	10	1	1849.0%	0	2119.7%
Total revenues, Net	238	223	6.7%	180	32.3%
Total Expenses	-94	-91	3.5%	-74	26.6%
Profit (Loss) before taxes	144	133	8.8%	106	36.3%
Income tax	-1	1	-233.6%	-2	-21.1%
Net profit (loss)	143	134	6.9%	104	37.3%
Earnings per CBFI	\$ 0.38	\$ 0.36	6.9%	\$ 0.27	40.7%
Distribution	136	127	6.9%	99	37.2%
Distribution per CBFI	\$ 0.36	\$ 0.34	6.9%	\$ 0.26	40.5%

Gordon Shapiro Model

(Figures in MXN\$ MN)

Stockholder's Equity 2024E	9,689
LT ROE	12.0%
Cost of Equity	12.3%
Risk Free Rate	10.3%
Market Risk Premium	6.0%
Beta	0.336
Perpetuity Growth Rate	0.5%
Equity Value	9,406
Outstanding CBFIs	376
Target price per CBFi	\$ 25.01
Liquidity discount	16%
Adjusted Target Price	\$ 21.00
Current Price	\$ 16.00
Expected Dividend	\$ 1.33
Total Return	31.3%
Target P/BV	0.8x
Target P/E	14.3x

(Figures in MXN\$ Mn)

Income Statement	2023	2024E	2025E	2026E	2027E	2028E	2029E
Interests on mortgage loans	1,181.0	1,176.9	1,112.8	1,047.1	983.9	923.4	865.3
Investment income	182.8	105.3	109.0	115.7	122.8	130.3	138.3
Total interest income	1,363.9	1,282.2	1,221.8	1,162.7	1,106.7	1,053.7	1,003.6
Interest expenses	-690.2	-631.1	-509.4	-408.6	-319.0	-239.8	-179.3
Financial margin	673.7	651.2	712.4	754.1	787.8	813.9	824.3
(-) Allowance for loan losses	27.5	-117.5	-167.7	-154.7	-143.0	-132.5	-123.1
Financial margin adjusted for credit risks	701.2	533.6	544.7	599.4	644.7	681.3	701.2
Val. of rec. benefits in sec. transactions	442.2	325.3	316.1	307.3	298.9	290.9	283.4
Other income	1.8	41.6	41.6	41.6	41.6	41.6	41.6
Total revenues, Net	1,145.2	900.5	902.3	948.2	985.1	1,013.8	1,026.2
Management and collection fees	-101.9	-92.3	-86.6	-81.2	-76.1	-71.3	-66.9
Other administrative expenses & Other Expenses	-275.5	-274.5	-258.4	-243.2	-229.0	-215.5	-202.9
Administrative expenses	-377.4	-366.8	-345.0	-324.4	-305.1	-286.9	-269.8
Profit (Loss) before taxes	767.8	533.6	557.3	623.8	680.1	727.0	756.4
Income tax	-3.8	-5.2	-5.4	-6.1	-6.6	-7.1	-7.4
Net profit (loss)	764.0	528.4	551.9	617.7	673.5	719.9	749.1
Other comprehensive income	-81.1	0.0	-2.0	-4.0	-6.0	-8.0	-10.0
Total comprehensive income	682.9	528.4	549.9	613.7	667.5	711.9	739.1
CBFIs	376.1	376.1	376.1	376.1	376.1	376.1	376.1
Earnings per CBFi	2.019	1.405	1.467	1.642	1.791	1.914	1.992
Distribution	726.3	502.1	524.3	586.8	639.8	683.9	711.6
Distribution per CBFi	1.919	1.335	1.394	1.560	1.701	1.818	1.892
Distribution / Net profit	95%	95%	95%	95%	95%	95%	95%
Balance Sheet	2023	2024E	2025E	2026E	2027E	2028E	2029E
Cash and cash equivalents	1,329.6	1,166.0	1,237.6	1,313.5	1,394.1	1,479.7	1,570.4
Loans, net	10,149.0	9,706.0	9,137.7	8,592.4	8,069.1	7,567.0	7,085.1
Collection rights, net	96.3	91.2	85.9	80.9	76.1	71.6	67.4
Receivable benefits in securitization transactions	3,369.4	3,106.4	2,912.3	2,730.4	2,559.8	2,399.8	2,249.9
Accounts receivables and other assets	198.9	499.7	524.7	550.9	578.5	607.4	637.8
Total assets	15,148.2	14,573.6	13,902.3	13,272.2	12,681.7	12,129.7	11,614.8
Accounts payables and accrued expenses	183.6	356.6	356.6	356.6	356.6	356.6	356.6
Notes/securities payable	99.8	100.3	100.3	100.3	100.3	100.3	100.3
Borrowings	5,148.5	4,428.2	3,729.3	3,068.3	2,444.2	1,856.1	1,303.7
Total liabilities	5,432.0	4,885.0	4,186.2	3,525.1	2,901.0	2,313.0	1,760.6
Total debt	5,248.4	4,528.5	3,829.6	3,168.6	2,544.5	1,956.4	1,404.0
Total equity	9,716.2	9,688.6	9,716.2	9,747.1	9,780.7	9,816.7	9,854.2

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