

# INVEX: 1Q24 Results

Net profits up 208% due to a stronger-than-expected performance in financial services and energy, and an extraordinary gain at Prosa

INVEX A	BUY
Target Price (MXN\$)	\$ 115.00
Current Price (MXN\$)	\$ 82.00
Min / Max (L12M)	\$67.99 - 82.00
Expected Dividend (MXN\$)	\$ 0.52
Expected Return	40.9%
Market Cap (MXN\$ Mn)	13,375
Outstanding Shares (Mn)	163.1
Float	66.7%
6-month ADTV (MXN\$ Mn)	\$ 0.6

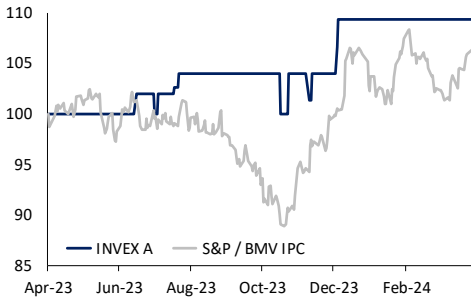
## Opinion and recommendation

INVEX Controladora reported a 208% net profit increase to MXN\$367 million, exceeding our MXN\$332 million forecast, due to a stronger-than-expected performance in both the financial and energy businesses, and an extraordinary gain at Prosa.

We are reiterating our BUY recommendation with a MXN\$115.0/share target price. The valuation of INVEX shares is low with a P/BV of 1.1x and a projected P/E of 9.2x, below its international counterparts.

## 1Q24 Results

INVEX reported a 208% increase in its consolidated net profit to MXN\$367 million, supported mainly by a 22% growth in total operating revenues (+111% in the adjusted financial margin, +32% in commissions collected, and -59% in trading results), 75% in pre-tax profit (which included the extraordinary MXN\$185 million gain at Prosa) and a 17% reduction in financial expenses (after a MXN\$465 million debt amortization at the end of the year with the sale of the Jaguar portfolio). As a result, ROE improved to 12%, from 4%.



INVEX's strong performance was mainly attributed to:

- A 34% YoY increase (vs. our 28% estimate) in financial services operating revenues due to a 20% growth in the Stage 1 and 2 loan portfolio to MXN\$37.6 billion. This included a 42% rise in the consumer portfolio, which represented 58% of the total Stage 1 and 2 portfolio, thus offsetting a 1% decline in the commercial portfolio. Asset quality remained healthy with a 2.0% NPL ratio and a 15.1% capitalization ratio. In addition, assets in custody rose 20% to MXN\$600 billion, while trust assets once again exceeded one trillion pesos. The pre-tax profit of the financial business advanced 43%, while ROE improved to 17% in 1Q24, from 13% in 1Q23.
- In the energy business, operating revenues were up 12% (vs. our 11% projection) thanks to an 8% increase in energy supply to 799 GWhr. The commercialization of environmental certificates and digital services also contributed. However, pre-tax profit decreased 22% YoY as a result of non-capitalizable expenses related to new electrical infrastructure and interconnection projects, derivatives valuation and FX loss on the US dollar-denominated cash reserves. ROE was 15% in the current quarter, compared to 25% in the same period last year.
- Minority investments in infrastructure and capital generated a MXN\$20 million pre-tax loss, much lower than the MXN\$136 million loss of the previous year. Infrastructure projects distributed MXN\$6 million in the quarter and the four main projects generated an EBITDA margin of 62%. In the residential segment, the company completed the construction of the third tower and began the construction of the fourth one in its first project. In the second project, it continued with the construction of the first levels.

(Figures in MXN\$ Mn)	1Q24	1Q24E	Diff.	1Q23	Change
Financial Margin	1,181	1,203	-1.9%	540	118.7%
Provisions	-724	-436	66.0%	-323	124.1%
Adjusted Financial Margin After Provisions	457	767	-40.4%	217	110.6%
Commissions Collected	1,152	1,135	1.5%	873	32.0%
Commissions Paid	-229	-217	5.5%	-167	37.1%
Trading Results	184	60	206.7%	450	-59.1%
Other Operating Gains (Expenses)	96	133	-27.8%	-18	-633.3%
Administration and Promotion Expenses	-1,329	-1,444	-7.9%	-1,108	19.9%
Operating Result	331	435	-23.8%	247	34.0%
Participation in Associates' Results	190	11	1562.5%	-44	-531.8%
Pre-Tax Profit	521	446	16.8%	203	156.7%
Taxes	-163	-134	21.8%	-127	28.3%
Tax Rate	31.3%	30.0%		62.6%	
Results Before Minority Interest	358	312	14.7%	76	371.1%
Minority Interest	9	20	-54.0%	43	-79.1%
Net Profit	367	332	10.6%	119	208.4%

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