

INVEX (BUY, T.P. MXN\$115.00)

Summary of the 2024 “Investor Day

We attended the INVEX Controladora Investor Day. This event reinforced our optimistic outlook on the company given the strong growth it anticipates over the coming years in all divisions (which is above our current expectations), as well as an attractive valuation of its shares. For this reason, we reiterate our BUY recommendation with a MXN\$115.0/share target price.

Financial business

In the financial business, the total loan portfolio currently amounts to MXN\$38 billion and AUC's to MXN\$600 billion, the company is the country's 3rd largest fiduciary with more than MXN\$1 trillion, and is the 6th largest credit card issuer.

The main strategic objectives will be to double the size of the business in 3 years (2022-2025), and to be a customer-focused financial services technology company. The company expects this division's operating revenues to reach MXN\$13,808 million in 2025, from MXN\$6,904 million in 2022, mainly through high growth in the consumer business, digitalization and automation, and expansion of new businesses.

The consumer portfolio amounts to MXN\$23 billion, and it has experienced a 50% average annual growth, while the credit card NPL ratio is only 2.2%, the lowest among the largest Mexican financial groups, given the successful risk model. The company has also opened more than 850 thousand accounts with an average annual growth of 35%. It anticipates an increase of 2X in accounts, 3x in revenues, 3X in the loan portfolio and 5X in profit before taxes during the 2024-2026 period, supported mainly by the natural growth of the business, as well as the introduction of new products such as the guaranteed digital card.

INVEX's digitalization process included last year's launch of the “Now” neobank, which has three products (N2 account, N4 account and traditional credit card). It expects to introduce a paid account and secured credit card in the coming months. The company does not consider Fintechs to represent a significant threat due to their high level of delinquencies, given that they do not have an adequate risk model. For their part, large banks are focused on their own digitalization process and taking care of their market share.

In IA and automation, INVEX developed its own platform that includes a self-calibrated risk model, a virtual collection agent and an intelligent social media hub. It is also carrying out a robotization process and establishing alliances with digital platforms that include the world's most important marketplace and the most relevant store chain in the Bajío region with more than 700 branches.

Ammper

Ammper's prospects are favorable given its position as the third largest energy supplier in the Mexican wholesale market (MEM). Mexico's electricity demand is expected to grow at a 2.8% average annual rate in the 2024-2030 period, mainly in medium and large companies, which will exceed the 2.4% real GDP growth, according to the Development Program of the National Electrical System (PRODESEN). At an industrial level, the main catalyst will be the "nearshoring" process. This Division expects to supply 3,600 GWhr to the MEM, while total operating revenues will likely reach around MXN\$9.0 billion with a MXNN\$350 million net profit in 2024.

In electrical infrastructure development, Ammper's first project in Querétaro is 75% complete and is expected to be operating in early 2025. It will have a 220 MVA capacity and will require a US\$70 million investment. This division has a pipeline of projects with more than 1,000 MVA that will require investments of more than US\$350 million.

Regarding the international business, Ammper expects its Texas operations to supply 241 GWhr in 2024 and 1,000 GWhr in 2025 and to generate revenues of US\$100 million with a positive EBITDA of US\$3 million in 2025. In the United Kingdom, its 5-year objective is to have an installed capacity of 100 MWp, a 85 GWh generation, and invest up to US\$20 million.

Capital investments

This division's invested capital was around MXN\$4.1 billion as of 1Q24, which includes MXN\$2.8 billion in infrastructure projects (31% from Gana, 35% from Itzoil, 48% from Hospital Tepic, 25% from Lico) and MXN\$1.3 billion in capital assets (Enity, Union Square, Rancho Olivares, Damiana, El Sauzal, 20% of Tres Unidas and 50% of Centra Manzanillo). It expects to generate shareholder value through dividends. It also anticipates recycling invested capital and taking advantage of opportunities in the infrastructure, residential, tourism and private equity sectors in the future.

ESG Strategy

INVEX Controladora has policies aligned with the 2030 Agenda and the UN Sustainable Development Goals (SDGs). It is in the process of implementing specific ESG policies in each business unit, measuring and reporting greenhouse gas emissions, and preparing the Sustainability Report under GRI ("Global Reporting Initiative") standards.

High growth trajectory

The INVEX A share price has shown an impressive rally with a 9% annual average increase since 2012, by far surpassing the performance of the S&P / IPC BMV with a 3% average annual rise. This has been mainly due to the 18% CAGR in net profits, 9% in shareholders' equity and 11% in dividends paid (2020-2024).

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