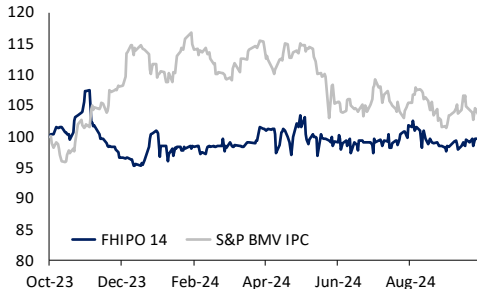


FHipo: 3Q24 Results

Positive results with a higher-than-expected 20.1% sequential increase in net profits and stronger ROE

FHIPO 14	HOLD
Target Price (MXN\$)	\$ 21.00
Current Price (MXN\$)	\$ 16.12
Min / Max (L12M)	\$ 15.41 - 17.04
Expected Dividend (MXN\$)	\$ 1.49
Expected Return	30.3%
Market Cap (MXN\$ Mn)	6,018
CBFI's Outstanding (Mn)	373.4
Float	100.0%
6-month ADTV (MXN\$ Mn)	\$ 0.50
P/BV	0.6x
2025E P/E	10.3x



Opinion and recommendation

FHipo presented a positive quarterly report with a 20.1% sequential increase in net profits and a higher ROE. We continue with a HOLD recommendation and MXN\$21.0/CBFI target price.

The valuation of FHipo's CBFIs is attractive as they trade at a P/BV of 0.6x and an estimated P/E of 10.3x based on our updated projections.

Portfolio / Financial Structure

The consolidated portfolio showed a 6.54% YoY contraction to MXN\$21.6 billion, slightly lower than the 6.96% of 2Q24, due to the natural amortization of the Infonavit and Fovissste portfolios. This was partially mitigated by a 62.1% increase in the Digital Mortgage Platforms' portfolio, which represented about 15.0% of the consolidated portfolio. Asset quality remained stable with a NPL to consolidated portfolio ratio of 7.29% (5.20% with balances at origination) at the end of the quarter, from 6.75% (4.89% with balances at origination) in 3Q23. Expected loss coverage was 1.46x, from 1.37x in 3Q23.

FHipo continued to deleverage through a reduction in bank lines during the last quarters, which led to a 14.0% YoY decrease in on-balance sheet debt. The leverage ratio was 1.53x in 3Q24, down from 1.56x in 2Q24 and 1.58x in 3Q23. During the quarter, the trust renewed its line with HSBC amounting to MXN\$5 billion.

3Q24 Results

FHipo recorded a higher-than-expected 4.4% YoY increase in the financial margin supported by an 8.0% YoY decrease in interest paid due to the aforementioned amortization of bank lines. This reduction was larger than the 2.0% decrease in interest earned due to the natural amortization of the portfolio. Financial margin as a percentage of interest income improved 3.1 percentage points YoY to 51.8% in 3Q24.

Martin Lara

+5255-6413-8563

martin.lara@miranda-gr.com

October 28th, 2024

The trust recorded a MXN\$15.1 million positive provision, lower than the MXN\$83.9 million of the previous year, resulting in a 24.8% decrease in adjusted financial margin. However, adjusted margin expanded 450 bps sequentially. Meanwhile, the valuation of benefits receivable fell 22.0% YoY, but increased 29.2% QoQ. These factors resulted in a 23.7% YoY reduction in total revenues, although they increased 14.3% sequentially.

Net profits were down 35.8% YoY, but up 20.1% QoQ to MXN\$173.8 million, exceeding our MXN\$132.7 million projection. ROE was 7.34% in 3Q24, from 11.42% in 3Q23 and 6.09% in 2Q24.

Distribution

FHipo expects to distribute MXN\$0.442/CBFI corresponding to the quarterly results, subject to the “Current Distribution Policy”. This distribution represents 95% of the net profits for the period.

(Figures in MXN\$ Mn)	3Q24	3Q24E	Diff.	3Q23	Change
Total interest income	333	340	-2.3%	339	-2.0%
Interest expenses	-160	-166	-3.2%	-174	-8.0%
Financial margin	172	175	-1.5%	165	4.4%
(-) Allowance for loan losses	15	-35	-142.9%	84	-82.0%
Financial margin adjusted for credit risks	187	140	34.1%	249	-24.8%
Val. of rec. benefits in sec. transactions	109	84	30.3%	140	-22.0%
Other income	1	1	-8.3%	0	46.6%
Total revenues, Net	297	224	32.6%	389	-23.7%
Total Expenses	-122	-90	35.8%	-116	5.1%
Profit (Loss) before taxes	175	134	30.4%	273	-36.0%
Income tax	-1	-1	-31.6%	-2	-57.6%
Net profit (loss)	174	133	31.0%	271	-35.8%
Earnings per CBFI	\$ 0.47	\$ 0.36	31.1%	\$ 0.72	-35.0%
Distribution	165	126	30.9%	257	-35.8%
Distribution per CBFI	\$ 0.442	\$ 0.338	30.9%	\$ 0.68	-35.1%

Gordon Shapiro Model

(Figures in MXN\$ MN)

Stockholder's Equity 2025E	9,707
LT ROE	12.0%
Cost of Equity	12.5%
Risk Free Rate	10.5%
Market Risk Premium	6.0%
Beta	0.336
Perpetuity Growth Rate	0.5%
Equity Value	9,295
Outstanding CBFIs	373
Target price per CBFi	\$ 24.90
Liquidity discount	16%
Adjusted Target Price	\$ 21.00
Current Price	\$ 16.12
Expected Dividend	\$ 1.49
Total Return	30.3%
Target P/BV	0.8x
Target P/E	12.0x

(Figures in MXN\$ Mn)

Income Statement	2023	2024E	2025E	2026E	2027E	2028E	2029E
Interests on mortgage loans	1,181.0	1,210.3	1,171.4	1,121.0	1,073.3	1,028.2	985.7
Investment income	182.8	112.2	107.0	113.6	120.5	127.9	135.8
Total interest income	1,363.9	1,322.5	1,278.4	1,234.5	1,193.8	1,156.2	1,121.5
Interest expenses	-690.2	-634.9	-523.7	-440.4	-366.4	-301.2	-256.6
Financial margin	673.7	687.6	754.7	794.2	827.4	855.0	864.9
(-) Allowance for loan losses	27.5	-34.3	-137.5	-123.7	-111.2	-100.0	-89.9
Financial margin adjusted for credit risks	701.2	653.2	617.2	670.4	716.1	754.9	775.0
Val. of rec. benefits in sec. transactions	442.2	384.0	375.6	367.8	360.5	353.8	347.6
Other income	1.8	12.2	2.4	2.4	2.4	2.4	2.4
Total revenues, Net	1,145.2	1,049.5	995.1	1,040.6	1,079.0	1,111.1	1,125.0
Management and collection fees	-101.9	-103.7	-110.3	-103.4	-96.9	-90.9	-85.2
Other administrative expenses & Other Expenses	-275.5	-331.6	-296.9	-279.5	-263.1	-247.7	-233.1
Administrative expenses	-377.4	-435.3	-407.2	-382.9	-360.1	-338.6	-318.4
Profit (Loss) before taxes	767.8	614.2	587.9	657.7	718.9	772.5	806.7
Income tax	-3.8	-4.3	-2.9	-3.2	-3.5	-3.8	-3.9
Net profit (loss)	764.0	609.9	585.1	654.5	715.4	768.8	802.7
Other comprehensive income	-81.1	-27.0	-2.0	-4.0	-6.0	-8.0	-10.0
Total comprehensive income	682.9	582.9	583.1	650.5	709.4	760.8	792.7
CBFIs	376.1	373.4	373.4	373.4	373.4	373.4	373.4
Earnings per CBFi	2.019	1.631	1.567	1.753	1.916	2.059	2.150
Distribution	726.3	579.5	555.8	621.7	679.7	730.3	762.6
Distribution per CBFi	1.919	1.549	1.489	1.665	1.820	1.956	2.043
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	989.1	1,049.8	1,114.2	1,182.6	1,255.1	1,332.2
Loans, net	10,149.0	9,932.1	9,502.2	9,095.6	8,711.3	8,348.4	8,005.9
Collection rights, net	96.3	92.4	87.0	81.9	77.1	72.5	68.3
Receivable benefits in securitization transactions	3,369.4	3,011.6	2,823.4	2,647.0	2,481.6	2,326.6	2,181.2
Accounts receivables and other assets	198.9	656.2	689.0	723.5	759.7	797.6	837.5
Equipment, net	4.9	2.9	2.9	2.9	2.9	2.9	2.9
Derivative financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	15,148.2	14,684.2	14,154.3	13,665.1	13,215.1	12,803.2	12,427.9
Accounts payables and accrued expenses	183.6	303.7	303.7	303.7	303.7	303.7	303.7
Notes/securities payable	99.8	100.3	100.3	100.3	100.3	100.3	100.3
Borrowings	5,148.5	4,602.0	4,042.8	3,520.9	3,035.2	2,584.8	2,169.4
Total liabilities	5,432.0	5,006.0	4,446.8	3,924.8	3,439.1	2,988.7	2,573.4
Total debt	5,248.4	4,702.3	4,143.1	3,621.2	3,135.5	2,685.1	2,269.7
Total equity	9,716.2	9,678.2	9,707.5	9,740.2	9,776.0	9,814.4	9,854.6

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