

INVEX: 3Q24 Results

Positive results that exceeded our expectations with net profits at record levels; raising target price to MXN\$122.0/share

INVEX A	BUY
Target Price (MXN\$)	\$ 122.00
Current Price (MXN\$)	\$ 82.00
Min / Max (L12M)	\$67.99 - 82.00
Expected Dividend (MXN\$)	\$ 0.52
Expected Return	49.4%
Market Cap (MXN\$ Mn)	13,375
Outstanding Shares (Mn)	163.1
Float	66.7%
6-month ADTV (MXN\$ Mn)	\$ 0.3

Opinion and recommendation

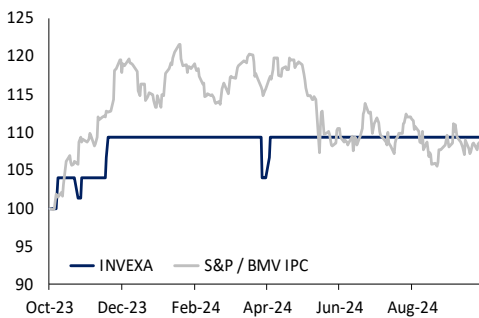
INVEX reported solid 3Q24 results due to higher-than expected commissions and trading gains. We reiterate our BUY recommendation and are slightly raising our target price to MXN\$122.0/share, from MXN\$120.0/share, after having included the stronger-than-expected quarterly results in our model.

INVEX consolidated the Infrastructure and Equity businesses into a new division called “Investment Promotion”. The company expects to generate synergies starting in 2025. We continue to believe that INVEX's outlook is favorable as it offers a potential growth with a 16.9% CAGR in net profits during the 2024-2029 period. We also expect the company to continue reducing debt at the holding company level and recycling invested capital in order to generate attractive returns for its shareholders.

The valuation of INVEX shares is attractive, as they are currently trading at a 1.0x P/BV, 7.7x 2025E P/E and a 32.8% discount to the sum-of-the-parts.

3Q24 Results

INVEX Controladora posted a 32% increase in operating revenues with a MXN\$456 million net profit and a 14% ROE in the quarter. These figures exceeded our forecasts as we expected a 22% growth in operating revenues with a MXN\$393 million net profit and a 12.8% ROE.



- In the Financial business, operating revenues were up 25% YoY (vs. our +11% expectation) supported by a 44% increase in net fees (mainly consumer portfolio) and a MXN\$286 million trading gain in the quarter, from a MXN\$273 million trading loss the previous year. The financial margin decreased 21% despite the fact that the total loan portfolio rose 22% (+40% in consumer and +1% in commercial), to MXN\$41.7 billion. Asset quality remained solid with a 2.2% NPL, while the capitalization ratio stood at 16.1%. Credit card lending exceeded 1 million. However, pre-tax earnings decreased 5% YoY due to higher reserves, given the strong growth in the consumer portfolio, and administrative expenses. Net profits also fell 5% YoY. In terms of digital strategy, the company plans to launch the Now Bank app in the short term.
- In the Energy Transition business, operating revenues rose 37% (vs. +14% E) driven by a 23% increase in energy supply, higher environmental certificate sales and higher representation services revenues. Pre-tax profits improved 51% due to a higher margin as the supply market normalized. Net profits grew 28%. Ammper Power obtained QSE Level 4 registration from ERCOT. The Querétaro project (access to the electrical grid for industrial parks) is in the final stages and is expected to be operational in 2025. The company is starting the construction of 2 new projects in Querétaro and Nuevo León with the same service scheme. In England, Ammper's new energy supply business is about to start. The company expects to invest €16 million within a 2-3 year period.
- In the Investment Promotion business, infrastructure projects distributed MXN\$29 million. The four main projects recorded an EBITDA margin of 56%. Sales and titling of existing residential projects continued to advance; in addition, the company began the pre-sale of Tower 2 at Union Square. On the other hand, INVEX reached an agreement with ISSSTE for the termination of the provision of services contract for the Tepic hospital (it will likely record some gains in this transaction) and signed the financial rebalancing of the Ciudad Obregón bypass concession, extending the term for an additional 30 years. Revenues were up 71%, pre-tax earnings 181% and net profits 48%.

INVEX Controladora continued to strengthen its financial structure with a 9% debt reduction. It expects leverage to continue improving in the future. The company will recycle capital in order to generate additional shareholder value. The three sectors that seem attractive for investment in the future are roads, electricity generation and hydrocarbon storage.

(Figures in MXN\$ Mn)	3Q24	3Q24E	Diff.	3Q23	Change
Financial Margin	1,275	1,300	-1.9%	1,623	-21.4%
Provisions	-757	-668	13.3%	-495	52.9%
Adjusted Financial Margin After Provisions	518	632	-18.0%	1,128	-54.1%
Commissions Collected	1,508	1,242	21.4%	1,035	45.7%
Commissions Paid	-296	-243	22.1%	-194	52.6%
Trading Results	286	161	77.6%	-273	-204.8%
Other Operating Gains (Expenses)	193	93	107.5%	133	45.1%
Administration and Promotion Expenses	-1,681	-1,417	18.6%	-1,287	30.6%
Operating Result	528	468	12.8%	542	-2.6%
Participation in Associates' Results	183	147	24.5%	80	128.8%
Pre-Tax Profit	711	615	15.6%	622	14.3%
Taxes	-237	-185	28.4%	-188	26.1%
Tax Rate	33.3%	30.0%		30.2%	
Results Before Minority Interest	474	431	10.1%	434	9.2%
Minority Interest	-18	-38	-52.2%	-3	500.0%
Net Profit	456	393	16.0%	431	5.8%

Sum-of-the-Parts Valuation

	2024E Equity	P/BV Multiple (x)	% of Invex	Estimated Market Value	
Financial Services	12,046	1.3	100%	15,658	
	2024E EBITDA	EV/EBITDA Multiple (x)	Total Debt	% of Invex*	Estimated Market Value
Energy	427	11.0	-	100%	4,695
Gana	1,070	21.4	4,800	15%	2,733
Itzoil	765	11.7	2,697	26%	1,652
FMX23 CBFE's					1,950
Other	757	5.9		35%	1,571
Sum-of-the-Parts					28,259
Corporate Debt					4,207
Estimated Market Value					24,052
Outstanding Shares					163
Estimated Price Per Share					\$ 147.47
Liquidity Discount					17%
Adjusted Price Per Share					\$ 122.00
Current Price Per Share					\$ 82.00
Premium (Discount)					-32.8%

Source: Miranda Global Research; adjusted for the 75.5% of Invex Infraestructura

RESULTS BY BUSINESS UNIT							
(Figures in MXN\$ Mn)	2023	2024E	2025E	2026E	2027E	2028E	2029E
Operating Revenues	16,525	22,149	24,783	27,347	30,024	33,139	36,293
Financial Services	8,337	10,604	11,548	12,789	14,010	15,524	16,916
Energy	8,188	11,545	13,234	14,558	16,014	17,615	19,377
Pre-Tax Profit	2,302	3,013	3,144	3,550	3,972	4,482	4,993
Financial Services	2,244	2,396	2,457	2,721	2,981	3,303	3,599
Energy	385	427	463	582	721	881	1,066
Investments: Infrastructure and Equity	- 327	190	224	246	271	298	328
INCOME STATEMENT							
(Figures in MXN\$ Mn)	2023	2024E	2025E	2026E	2027E	2028E	2029E
Interest Gains	19,577	23,176	25,226	27,202	29,456	32,077	36,146
Interest Expenses	- 15,368	- 17,902	- 19,506	- 20,700	- 22,274	- 23,983	- 27,316
Financial Margin	4,209	5,274	5,720	6,502	7,182	8,094	8,831
Provisions	- 1,686	- 2,940	- 2,870	- 3,100	- 3,348	- 3,616	- 3,905
Adjusted Financial Margin After Provisions	2,523	2,334	2,850	3,402	3,834	4,479	4,926
Commissions Collected	4,092	5,549	6,402	7,042	7,746	8,521	9,373
Commissions Paid	- 737	- 1,053	- 1,316	- 1,526	- 1,721	- 1,927	- 2,159
Trading Results	480	565	542	572	603	636	671
Other Operating Gains (Expenses)	336	525	498	642	786	930	1,074
Administration and Promotion Expenses	- 5,019	- 6,180	- 6,983	- 7,751	- 8,604	- 9,551	- 10,601
Operating Result	1,675	1,740	1,993	2,380	2,644	3,088	3,284
Participation in Associates' Results	- 51	693	693	728	764	802	843
Pre-Tax Profit	1,624	2,433	2,686	3,108	3,408	3,890	4,127
Taxes	- 686	- 793	- 886	- 1,026	- 1,125	- 1,284	- 1,362
Results Before Minority Interest	938	1,640	1,800	2,082	2,284	2,606	2,765
Minority Interest	106	59	68	79	87	99	105
Net Profit	1,044	1,581	1,731	2,003	2,197	2,507	2,660
BALANCE SHEET							
(Figures in MXN\$ Mn)	2023	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	175,182	175,557	196,252	217,844	241,641	267,888	296,854
Loan Portfolio	37,026	44,589	51,227	57,375	64,260	71,973	80,610
Stage 1 Loan Portfolio	35,727	42,872	49,303	55,220	61,846	69,268	77,580
Stage 2 Loan Portfolio	774	836	936	1,049	1,174	1,315	1,473
Stage 3 Loan Portfolio	555	916	1,026	1,149	1,287	1,441	1,614
Deferred Items	- 30	- 35	- 39	- 42	- 47	- 51	- 56
Provisions	- 1,585	- 2,289	- 2,630	- 2,945	- 3,299	- 3,695	- 4,138
Loan Portfolio (Net)	35,441	42,300	48,597	54,429	60,961	68,278	76,472
TOTAL LIABILITIES	161,939	161,978	180,941	200,530	223,531	248,670	276,376
Traditional Deposits	43,016	48,637	54,919	60,156	65,910	72,233	79,185
ST Deposits	7,223	7,872	8,355	8,868	9,412	9,990	10,603
LT Deposits	32,347	37,199	42,779	47,271	52,234	57,719	63,779
Credit Instruments Issued	3,446	3,566	3,784	4,017	4,263	4,525	4,802
Bank Loans and Other Organisms	7,643	7,502	7,962	8,451	8,969	9,520	10,104
Repo Creditors	95,223	88,225	95,497	103,370	111,891	121,114	131,098
Other Accounts Payable	9,325	13,658	18,460	24,295	32,337	41,203	51,204
Taxes Payable	210	662	662	662	662	662	662
Employee Benefits	420	403	403	403	403	403	403
Deferred Credits and Deposits	187	191	191	191	191	191	191
TOTAL CAPITAL	13,243	14,835	16,566	18,570	19,366	20,474	21,734
Minority Interest	985	1,171	1,307	1,466	1,528	1,616	1,715
Shareholder's Equity	12,258	13,664	15,259	17,104	17,838	18,858	20,019

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