

August 2, 2023

GENTERA

Quarterly Report

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Loan portfolio growth guidance increased

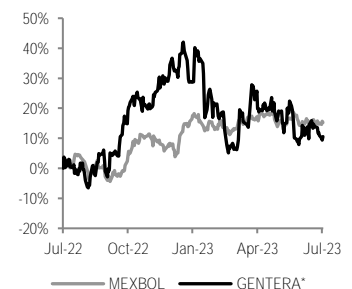
- **The dynamism of the portfolio, at a historical high, continues to drive the Financial Margin. Net income contracted less than expected, reaching MXN 1.14 billion (-12.7% y/y), and NPLs declined q/q to 3.2%**
- **The loan portfolio growth guideline is raised to 14-16% y/y (vs 12-14% previously) but net income growth remains unchanged. Investment in expenses will help boost growth potential. We reiterate HOLD**

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HOLD	
Current Price	\$18.46
PT	\$21.00
Estimated dividend	\$0.58
Dividend (%)e	3.1%
Upside Potential	16.9%
Max – Min LTM (\$)	24.0-15.1
Market Cap (US\$m)	1,716.5
Shares Outstanding (m)	1,579.9
Float	64.1%
Daily Turnover (\$m)	57.9
Valuation metrics LTM	
P/BV	1.2x
P/E	6.2x
MSCI ESG Rating*	N.A.

A report that should be neutral for the share price. Gentera's results were slightly better than expected. At the net level, the company generated a profit of MXN 1.14 billion, reflecting a decline of 12.7% y/y, recalling the high comparison base, but above our estimate, in the face of lower-than-expected operating expenses. Meanwhile, operating performance was fully in line with our expectations. In detail, the loan portfolio advanced 13.7% y/y to MXN 57.7 billion, as a result of: (1) the 19.1% y/y growth in *Compartamos Banco's* portfolio; (2) the 5.1% y/y recovery in *Financiera Perú* (+17.2% in local currency); and (3) the 9.9% y/y increase in *ConCrédito*, recalling its contribution is only ~7% of the total. Thus, financial income grew 15.0% y/y, similar to our forecast. Interest expenses expanded by 64.8% y/y, due to the effect of the implementation of IFRS-9, while the cost of funding increased as a result of the higher interest rate environment. Therefore, Financial Margin advanced 8.5% y/y, similar to our estimates. Provisions rose 24.6%, which is attributable to loan growth, and the current levels of delinquency vs. 2Q22. As a result, NIM stood at 31.7% (vs. 32.0% in 1Q23). Non-performing loans improved to 3.2% vs. 3.6% in 1Q23, levels in line with the company's target. **Although growth rates will be moderate in 2S23, the company will focus its strategy on boosting results toward 2024.** Gentera seeks to take advantage of the opportunity to continue growing its portfolio by underpinning a larger deployment of promoters, which should translate into higher revenues and profits next year. Therefore, despite the expected increase in portfolio, this year's anticipated growth in net income remains unchanged (9.0-12.5% y/y). With these results, the P/E multiple stands at 6.2x, with a P/BV of 1.2x and an ROE of 19.8%.

Relative performance to MEXBOL LTM



Winners of the 2023 award for the best economic forecasters in Mexico, awarded by Focus Economics.



Financial Statements

	2021	2022	2023E	2024E
Interest income	22,443	28,039	31,743	35,489
Financial Margin	20,478	24,590	26,268	29,009
Allowance for loan losses	3,882	5,320	5,822	5,750
Operating Income	3,814	6,313	6,805	7,921
Net Income	2,625	4,330	4,783	5,576
Net Margin	11.7%	15.4%	15.1%	15.7%
Total Assets	70,272	74,954	80,384	87,147
Performing Loan Portfolio	44,935	51,829	58,615	65,933
Non-performing Loan Portfolio	1,303	1,856	2,194	2,327
Total Liability	45,438	49,442	51,280	57,639
Common Equity	24,834	25,512	29,104	29,508

Source: Banorte

Valuation and financial metrics

	2021	2022	2023E	2024E
P/E	11.1x	6.7x	6.1x	5.2x
P/BV	1.4x	1.2x	1.1x	1.1x
ROE	10.6%	17.0%	16.4%	18.9%
ROA	3.7%	5.8%	6.0%	6.4%
NIM	28.5%	31.2%	31.4%	32.7%
NPL	2.8%	3.5%	3.6%	3.4%
Prov/TL	8.5%	8.4%	8.3%	8.3%

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GENTERA – Results 2023

MXN, million

Concept	2022	2023	Var%	2023e	Diff % vs. Estim.
Interest Income	6,801	7,818	15.0%	7,927	-1.4%
Financial Margin	6,019	6,529	8.5%	6,564	-0.5%
Operating Income	1,786	1,652	-7.5%	1,537	7.4%
Net Income	1,310	1,144	-12.7%	1,075	6.5%
Margins					
ROE	16.0%	19.8%	3.8pp	18.0%	1.8pp
NIM	33.3%	31.7%	-1.5pp	32.7%	-0.9pp
NPL	2.5%	3.2%	0.7pp	3.6%	-0.4pp
Provisions/TL	292.0%	239.5%	-52.5pp	227.9%	11.6pp

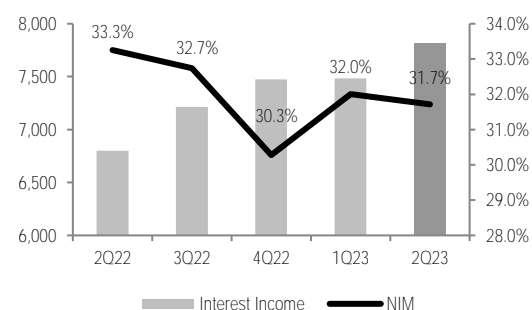
Balance Sheet (Million)					
Year	2022	2023	2023	Change	Change
Quarter	2	1	2	% y/y	% q/q
Total Assets	72,210.7	73,746.8	77,112.0	6.8%	4.6%
Cash and cash equivalents	9,044.7	8,554.5	8,405.8	-7.1%	-1.7%
Loan Portfolio (Net)	47,172.6	50,042.4	53,587.5	13.6%	7.1%
Allowance for loan losses	-3,735.4	-4,486.8	-4,446.6	19.0%	-0.9%
Performing Loan Portfolio	49,522.6	52,363.0	55,881.8	12.8%	6.7%
Non-performing Loan Portfolio	1,279.1	1,955.2	1,856.4	45.1%	-5.1%
Other Accounts Receivables	2,675.6	2,506.1	2,529.5	-5.5%	0.9%
Property, furniture & fixtures	632.0	520.9	575.7	-8.9%	10.5%
Long Term Investments	106.0	123.3	123.4	0.2	0.1%
Taxes	2,025.5	2,254.9	2,083.4	2.9%	-7.6%
Other Assets	8,658.6	8,280.5	8,353.0	-3.5%	0.9%
Total Liabilities	46,224.4	47,288.8	51,426.8	11.3%	8.8%
Notes Payables	24,703.6	26,623.2	26,430.2	7.0%	-0.7%
Bank Loans	13,319.7	13,349.5	16,975.9	27.4%	27.2%
Other accounts payable	4,184.4	3,260.8	4,423.4	5.7%	35.7%
Stockholders' Equity	25,986.2	26,458.1	25,685.2	-1.2%	-2.9%
Minority Interest	3,186.6	1,923.1	1,994.9	-37.4%	3.7%
Majority Interest	22,799.6	24,534.9	23,690.2	3.9%	-3.4%

Income Statement (Million)					
Interest Income	6,800.7	7,483.3	7,817.7	15.0%	4.5%
Interest Expense	782.1	1,187.1	1,289.0	64.8%	8.6%
Financial Margin	6,018.7	6,296.2	6,528.7	8.5%	3.7%
Provision for Loan Losses	1,149.8	1,422.0	1,432.1	24.6%	0.7%
Adjusted Financial Margin	4,868.9	4,874.2	5,096.6	4.7%	4.6%
Net Commissions	508.2	699.5	590.8	16.3%	-15.5%
Intermediation Income	1.8	(3.6)	(2.2)	N.A.	-39.8%
Other operating income/expense	257.0	119.0	(213.0)	N.A.	N.A.
Administrative & Promotion Expenses	3,691.6	3,988.4	4,168.6	12.9%	4.5%
Operating Income	1,786.2	1,856.7	1,651.6	-7.5%	-11.0%
Taxes	471.6	531.0	507.4	7.6%	-4.4%
Subsidiaries	(4.5)			N.A.	N.A.
Consolidated Net Income	1,310.1	1,325.7	1,144.2	-12.7%	-13.7%
Minorities	72.6	46.2	72.3	-0.3%	56.7%
Discontinued operations		(1.0)		N.A.	N.A.
Majority Net Income	1,237.6	1,279.5	1,071.9	-13.4%	-16.2%

Source: Banorte, MSE

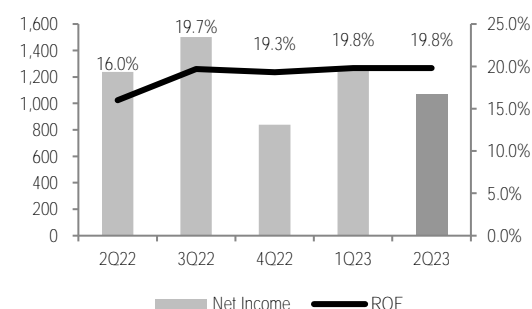
Interest Income & NIM

MXN, Million

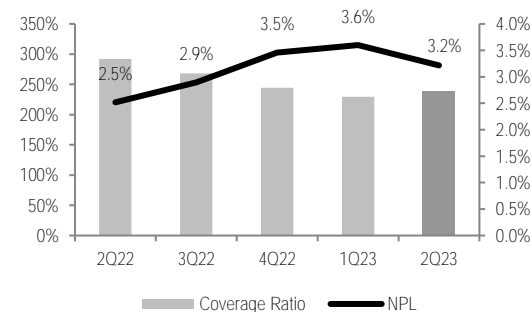


Net Income & ROE

MXN, Million



Coverage Ratio & NPL



Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmín Daniela Cuautencos Mora and Andrea Muñoz Sánchez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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	Reference
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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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History of PT and Ratings

Stock	Date	Rating	PT
ENTERA	02/22/2022	HOLD	\$21.00
ENTERA	07/27/2022	BUY	\$21.00
ENTERA	10/27/2021	BUY	\$16.50
ENTERA	02/24/2021	BUY	\$11.00

MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD	AVERAGE			LEADER		

*The MSCI ESG Rating is an indicator that evaluates companies in Environment, Society and Governance (ESG) metrics.

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