



# 2Q18 Earnings release

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## **UNIFIN 2Q18 earnings conference call**

Date: Friday, July 20, 2018  
Time: 10:00 a.m. Eastern Time / 9:00 a.m. Mexico City time  
Presenting for UNIFIN:  
Mr. Sergio Camacho - Chief Financial Officer  
Mr. David Pernas – Head, IR & Corporate Finance

1-877-830-2576 (U.S. participants)  
1-785-424-1726 (International participants)  
Conference ID: UNIFIN

## UNIFIN reports 21.5% increase in Total Revenues reaching Ps. 4,450 million in 2Q18 Total Portfolio rose 36.0% Y-O-Y

Mexico City, July 19, 2018 - UNIFIN Financiera S.A.B. de C.V. SOFOM, E.N.R. ("UNIFIN" or "the Company") (BMV: UNIFIN), announces its results for the second quarter ("2Q18"). All figures presented throughout this document are expressed in millions of Mexican pesos (Ps.). Financial information has been prepared in accordance with the accounting criteria of the Mexican National Banking and Securities Commission ("CNBV") and filed with the Mexican Stock Exchange ("BMV").

### 2Q18 Highlights

- **Total Revenue** increased **21.5%** to **Ps. 4,450 million** in 2Q18.
- **Nominal financial margin** increased by **6.7%** y-o-y.
- **OPEX** as a percentage of total revenues **improved** to **6.3%** in 2Q18 vs. **6.7%** at the close of 2Q17.
- **Net income** reached **Ps. 406 million** in 2Q18.
- **Cash & cash equivalents** grew **239.7%** reaching **Ps. 7,753 million**.
- As of June, 30 2018, **total loan portfolio** reached **Ps. 48,116 million**, up **36.0%** y-o-y.
- **NPL ratio** represented **0.84%** of the **total loan portfolio**.
- **Net fixed assets** and **total assets** increased **33.7%** and **47.6%**, respectively, at the close of 2Q18.

## Financial and Operating Summary

Financial metrics	2Q18	2Q17	Var. %	6M18	6M17	Var. %
Total revenue	4,450	3,664	21.5%	8,837	6,364	38.8%
Interest, depreciation & other expenses	(3,577)	(2,845)	25.7%	(7,014)	(4,909)	42.9%
Nominal financial margin	873	819	6.7%	1,823	1,455	25.2%
Financial margin	19.6%	22.3%		20.6%	22.9%	
Administrative and promotional expenses	(280)	(244)	14.5%	(546)	(439)	24.4%
Opex (% of total revenues)	6.3%	6.7%		6.2%	6.9%	
Operating income	499	525	(5.0%)	1,122	938	19.6%
Net income	406	403	0.8%	877	706	24.2%
Net income margin <sup>1</sup>	9.1%	11.0%		9.9%	11.1%	
<b>Operating metrics</b>						
Total portfolio				48,116	35,391	36.0%
Leasing portfolio				38,712	26,830	44.3%
Factoring portfolio				2,626	2,793	(6.0%)
Auto loans & others				6,778	5,768	17.5%
NPL ratio				0.84%	0.71%	
<b>Return/Leverage</b>						
ROAA				3.4%	3.4%	
ROAE				21.2%	26.6%	
Capitalization (equity/assets)				18.8%	11.4%	
Capitalization (equity/assets) excl. MTM				17.3%	12.1%	
Financial leverage (excl. ABS)				2.6	4.0	
Financial leverage (excl. ABS and MTM)				2.9	3.7	

<sup>1</sup>Calculated as % of total revenues

## Message from the CEO:

During the second quarter, Mexico's main concerns continued to be related to the national elections and NAFTA negotiations. As we know, the differences between the political platforms and the postponement in a resolution of our current trade agreements, continued to cause economic and political uncertainty. Considering such scenario, we experienced a significant slowdown in the decision-making process of our clients, which impacted our origination for the first half of the year.

In light of the aforementioned uncertainties, the Company continued to apply its conservative risk management strategy, and in the past quarter, covered its financial requirements from any potential *credit crunch*. Through these measures, UNIFIN borrowed a significant amount of cash from various credit facilities, which directly impacted its interest expense, therefore the financial margin. We believe this was the prudent way to proceed given the volatility we saw in the markets.

The outcome of the elections, held on July 1 favored MORENA's candidate, Andres Manuel Lopez Obrador. Election results aside, we believe this process demonstrates that Mexico has a true democratic system and we celebrate the decision made by millions of voters.

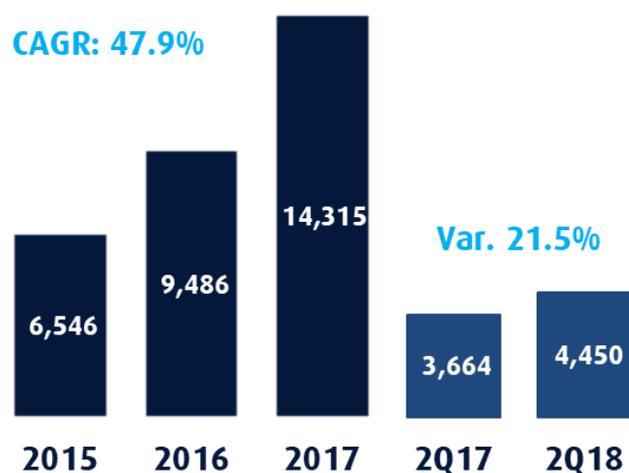
We will continue monitoring the newly-elected government's upcoming steps and await the implementation of new policies in order to identify and leverage from potential growth opportunities that may arise. At UNIFIN we are optimistic that the second half of the year will be more dynamic in terms of economic activity and we will focus on delivering solid results for our investors.

**Luis Barroso**

## Income Statement

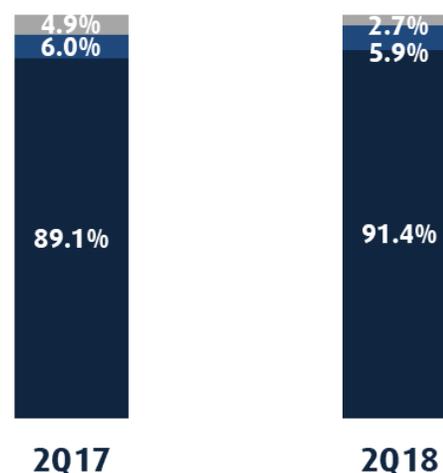
### Total revenue

CAGR: 47.9%



### Revenue distribution

■ Factoring ■ Auto & other loans ■ Leasing



**Total revenue** consists of i) operating lease income, ii) interest income, primarily derived from factoring and auto loans, and iii) other lease benefits, mainly generated from asset sales at the end of each leasing contract.

**Total revenue** increased 21.5% in 2Q18 to Ps. 4,450 million compared to Ps. 3,664 million in 2Q17. During 2Q18, **operating lease income** reached Ps. 3,484 million, a 26.2% increase versus 2Q17. **Interest income** reached Ps. 567 million. **Other lease benefits** during 2Q18 were Ps. 399 million.

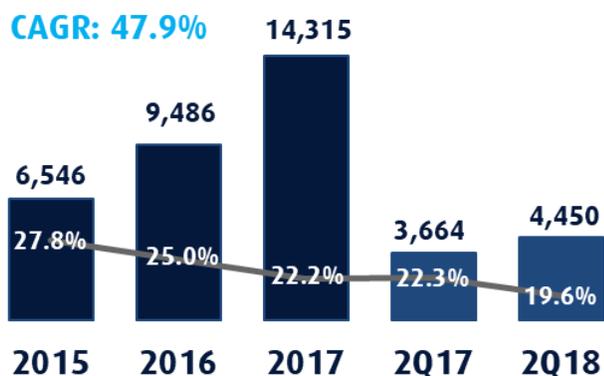
**Depreciation of assets under operating lease** during 2Q18 was Ps. 1,936 million, a 21.5% increase compared to 2Q17. This increase was directly related to leasing portfolio growth.

**Interest expense** rose 36.6% during 2Q18 to Ps. 1,288 million. The increase was explained by the larger base of our financial liabilities, which support the Company's growth. Also, the highly uncertain environment that surrounded the second quarter, UNIFIN consistent to its strict prudent risk management, borrowed a significant amount of cash from available facilities, which significantly impacted the interest expense. At the close of the quarter, 86.0% of the outstanding debt carries fixed rates.

### Cost of funding and interest expense

	6M18	6M17	Var.
<b>Cost of funding</b>	9.97%	9.59%	38 bps
Breakdown:			
Interest rate growth			6 bps
Increase due incremental debt			32 bps
<b>Interest expense</b>	2,504	1,699	805
Breakdown:			
Interest rate growth			32
Increase due incremental debt			773

## Financial margin as % of total revenue

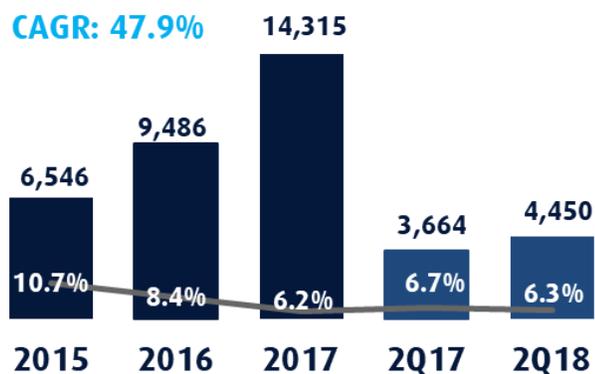


## Nominal financial margin



Nominal financial margin rose a 6.7% year-over-year. The important growth of the Company's interest expense impacted the financial margin. As a result of strict prudent risk management, during 2Q18 the financial margin as percentage of total revenues was 19.6%.

## Total revenue and OPEX



## Admin. & promotional expenses



Administrative & promotional expenses were Ps. 280 million in 2Q18. OPEX, as a percentage of total revenue, improved from 6.7% during 2Q17 to 6.3% in 2Q18. Our continuous cost-control policies and an improvement in our efficiency benefited these figures.

Operating income reached Ps. 499 million during 2Q18, a 5.0% decrease compared to 2Q17. The slowdown in the conversion process of our backlog due to the uncertain environment during the quarter, in addition to the increase on our interest expense that impacted the margins, weighed on results.

Consolidated net income reached Ps. 406 million during 2Q18, a 0.8% increase.

## Operating income

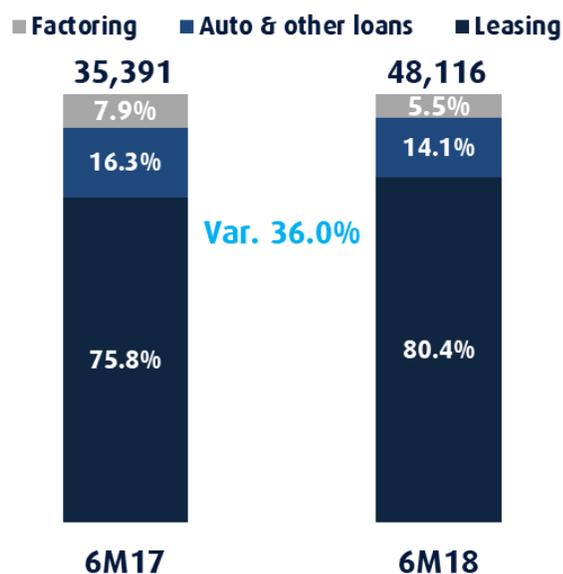


## Net income

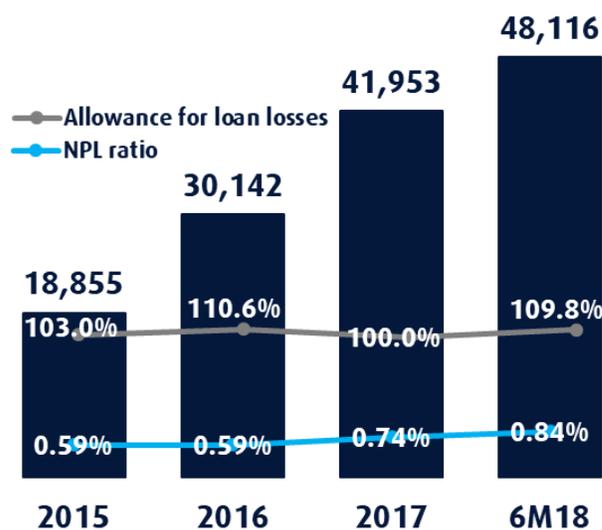


## Balance Sheet

### Portfolio composition



### NPL as % of total portfolio



Total loan portfolio is comprised of: i) the loan portfolio (Ps. 5,690 million), plus ii) leasing accounts receivable and other loans (Ps. 5,814 million) reported under other accounts receivable, and iii) memorandum accounts (Ps. 36,612 million), which are comprised of future rentals of the operating lease portfolio. As a result, total loan portfolio was Ps. 48,116 million in 2Q18, a 36.0% increase year-over-year.

Past due loan portfolio was Ps. 403 million. Of which; Ps. 149 million were related to the factoring and auto loans business, plus Ps. 254 million were from the operating leasing portfolio (which were registered in other accounts receivable). The non-performing loan ratio ("NPL") (calculated as past due loan portfolio/total loan portfolio) was 0.84% at the close of 2Q18.

To adhere towards the best practices in the industry and in full compliance with the Mexican Banking and Securities Commission (CNBV), our methodology for provisioning expected losses changed during the second quarter, resulting in an allowance for loan losses coverage for the Company's NPL's of 109.8% as of 2Q18.

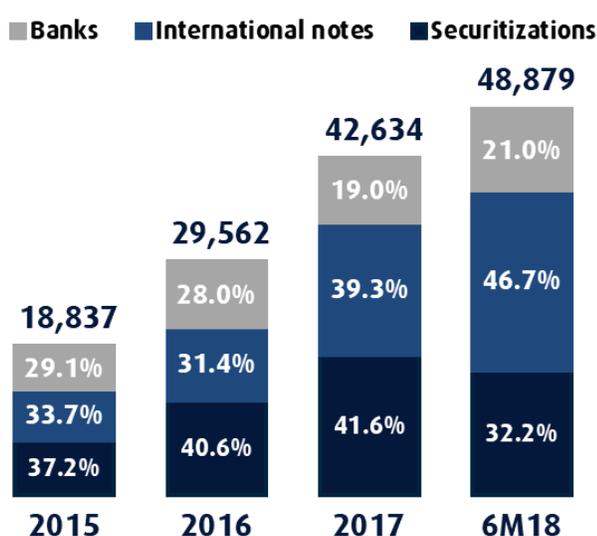
## Portfolio composition

	6M18	6M17	Var. %
Leasing (accrued rentals), factoring, auto loans & others	11,504	9,760	17.9%
Memorandum accounts (future lease rentals)	36,612	25,632	42.8%
<b>Total</b>	<b>48,116</b>	<b>35,391</b>	<b>36.0%</b>

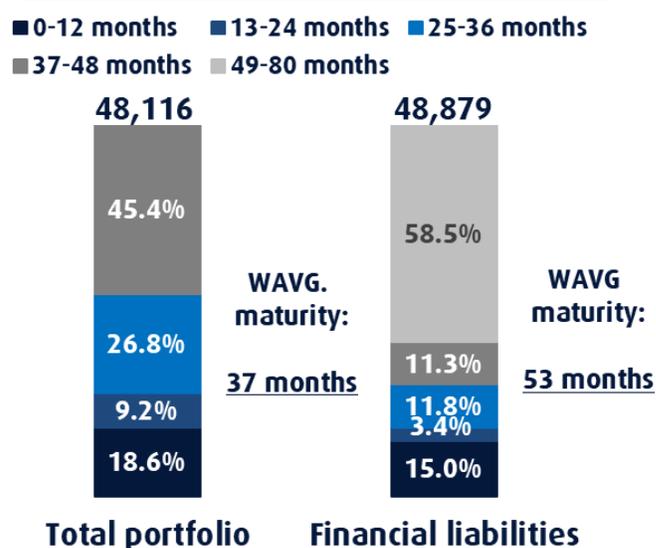
**Total assets** as of June 30, 2018, were Ps. 67,855 million, a 47.2% increase compared to the close of June 2017. This was mainly due to growth of the **total net portfolio**, **net fixed assets** and **cash and cash equivalents** which presented a considerable increase this quarter.

**Financial liabilities** rose 39.6% to Ps. 49,751 million (including Ps. 872 million of accrued interest) at the end of the period. This increase is explained by the borrowing from disbursement of various credit facilities that the Company conducted throughout the quarter in accordance with its prudent risk management.

## Financial liabilities breakdown

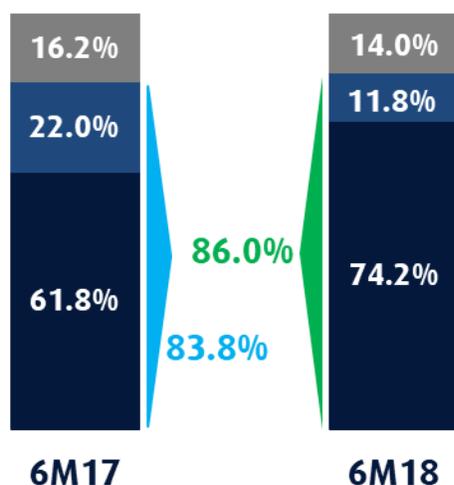


## Portfolio vs. financial liabilities



## Rate profile

■ Variable ■ Cap @ 7.33 ■ Fixed



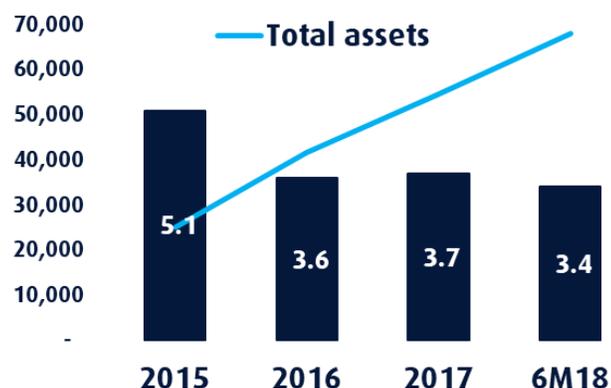
**Total liabilities** reached Ps. 55,129 million at the close of 2Q18, a 35.0% increase compared to 2Q17.

**Subordinated obligations** which for accounting purposes will be recorded and classified as equity, accounted for Ps. 4,531 million. The coupons will be treated as dividends. This capital infusion, will allow the Company to sustain a healthy growth.

**Stockholders' equity** increased by 142.1% to Ps. 12,726 million in 2Q18 and was explained by the capital infusion related to the Sub-perpetual notes in addition to retained earnings. The equity was benefited by the effect from mark-to-market (MTM) of hedging derivatives. Excluding the MTM, UNIFIN's **capitalization ratio** remains at a solid 17.3%.

## Financial Ratios

### ROAA

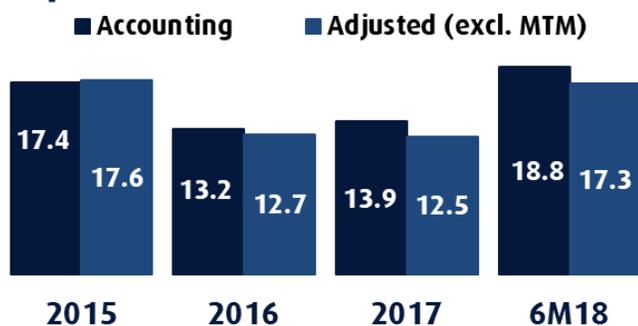


### ROAE

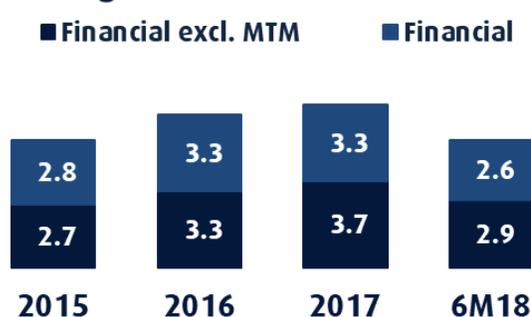


Return on average assets (“ROAA”) at the close of 2Q18 was 3.4%. Return on average equity (“ROAE”) was 21.2% for 2Q18. The decrease in ROAE is explained by the capital increase made by the Company at the beginning of the year for Ps. 4,531 million.

### Capitalization



### Leverage



UNIFIN’s financial leverage ratio (**financial liabilities excluding securitizations/shareholders’ equity**) was 2.6x at the close of 2Q18. The Company’s total leverage ratio (**total liabilities excluding securitizations/shareholders’ equity**) at the close of 2Q18 was 3.0x compared to 5.0x during the same period of 2017.

## Summary by Business Line

<b>Leasing</b>		<b>2Q18</b>	<b>2Q17</b>	<b>Var. %</b>	<b>6M18</b>	<b>6M17</b>	<b>Var. %</b>
Origination volume		6,272	6,123	2.4%	13,012	9,851	32.1%
Portfolio balance					38,712	26,830	44.3%
WAVG (months)					40		
Number of clients					4,592		
<b>Factoring</b>		<b>2Q18</b>	<b>2Q17</b>	<b>Var. %</b>	<b>6M18</b>	<b>6M17</b>	<b>Var. %</b>
Origination volume		2,600	3,069	(15.3%)	4,628	5,809	(20.3%)
Portfolio balance					2,626	2,719	(6.0%)
WAVG (days)					95		
Number of clients					1,156		
<b>Auto loans</b>		<b>2Q18</b>	<b>2Q17</b>	<b>Var. %</b>	<b>6M18</b>	<b>6M17</b>	<b>Var. %</b>
Origination volume		343	430	(20.2%)	672	835	(19.5%)
Portfolio balance					1,962	1,789	25.5%
WAVG (months)					33		
Number of clients					2,220		

### Leasing

### Factoring

### Auto loans

#### Geographic zone

Leasing		Factoring		Auto loans	
Mexico City & metro	50.4%	Mexico City & metro	68.9%	Mexico City & metro	58.1%
Nuevo Leon	11.0%	Tabasco	10.4%	Guanajuato	3.9%
Queretaro	4.7%	Jalisco	6.4%	Queretaro	2.0%
Jalisco	3.7%	Nuevo Leon	3.8%	Coahuila	1.6%
Veracruz	3.3%	Veracruz	2.0%	Hidalgo	1.5%
Sonora	3.2%	Queretaro	1.7%	Morelos	0.8%
Others	23.7%	Others	6.8%	Others	32.0%
	<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>

#### Economic sector

Industry & mfg.	33.2%	Services	44.3%	Services	53.5%
Services	31.9%	Commerce	24.2%	Transportation	34.8%
Commerce	14.6%	Industry & mfg.	22.3%	Commerce	9.7%
Construction	10.3%	Construction	5.4%	Industry & mfg.	1.3%
Transportation	10.0%	Transportation	3.8%	Construction	0.7%
	<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>

## Relevant event

UNIFIN Financiera, S.A.B. de C.V., SOFOM, ENR (ticker symbol: UNIFINA), informs that the Company transferred 500,000 shares from its share repurchase fund to the trust 2405 held with Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero in terms of article 367, section I of the Securities Market Law (Ley del Mercado de Valores) to be allocated to the Company's Stock Compensation Plan.

## Analyst Coverage

### Equity

Institution	Analyst	e-mail
Actinver	Enrique Mendoza	<a href="mailto:emendoza@actinver.com.mx">emendoza@actinver.com.mx</a>
Citibank	Carlos Rivera	<a href="mailto:carlos.rivera@citi.com">carlos.rivera@citi.com</a>
Credit Suisse	Marcelo Telles	<a href="mailto:marcelo.telles@credit-suisse.com">marcelo.telles@credit-suisse.com</a>
NAU Securities	Iñigo Vega	<a href="mailto:inigovega@nau-securities.com">inigovega@nau-securities.com</a>
Scotiabank	Jason Mollin	<a href="mailto:jason.mollin@scotiabank.com">jason.mollin@scotiabank.com</a>
UBS	Frederic De Mariz	<a href="mailto:frederic.de-mariz@ubs.com">frederic.de-mariz@ubs.com</a>

### Fixed income

Institution	Analyst	e-mail
Credit Suisse	Jamie Nicholson	<a href="mailto:jaimenicholson@credit-suisse.com">jaimenicholson@credit-suisse.com</a>
Mizuho	Soummo Mukherjee	<a href="mailto:soummo.mukherjee@us.mizuho-sc.com">soummo.mukherjee@us.mizuho-sc.com</a>
Morgan Stanley	John Haugh	<a href="mailto:john.haugh@morganstanley.com">john.haugh@morganstanley.com</a>

## About UNIFIN

UNIFIN is the leading independent Mexican leasing company, operating as a non-banking financial services company, specializing in three main business lines: operating leasing, factoring and auto and other lending. Through UNIFIN's leasing business line, its core business line, the Company offers operating leases for all types of equipment and machinery, various types of transportation vehicles (including cars, trucks, helicopters, airplanes and other vessels) and other assets in a variety of industries. Through its factoring business line, UNIFIN provides liquidity and financing solutions to its customers by purchasing or discounting accounts receivable and by providing vendor financing. UNIFIN's auto loans business line is focused on financing the acquisition of new and used vehicles.

This document may contain certain forward-looking statements. These statements are non-historical facts, and they are based on the current vision of the Management of UNIFIN Financiera, S.A.B. de C.V., SOFOM, ENR for future economic circumstances, the conditions of the industry, the performance of the Company and its financial results. The terms "anticipated", "believe", "estimate", "expect", "plan" and other similar terms related to the Company, are solely intended to identify estimates or predictions. The statements relating to the declaration or the payment of dividends, the implementation of the main operational and financial strategies and plans of investment of equity, the direction of future operations and the factors or trends that affect the financial condition, the liquidity or the operating results of the Company are examples of such statements. Such statements reflect the current expectations of the management and are subject to various risks and uncertainties. There is no guarantee that the expected events, trends or results will occur. The statements are based on several suppositions and factors, including economic general conditions and market conditions, industry conditions and various factors of operation. Any change in such suppositions or factors may cause the actual results to differ from expectations.

## Income Statement

Figures in Ps. million

	2Q18	2Q17	Var. %	6M18	6M17	Var. %
Operating lease income	3,484	2,760	26.2%	6,817	5,086	34.0%
Interest income	567	597	(4.9%)	1,162	892	30.3%
Other lease benefits	399	307	30.0%	858	386	122.3%
<b>Total revenue</b>	<b>4,450</b>	<b>3,664</b>	<b>21.5%</b>	<b>8,837</b>	<b>6,364</b>	<b>38.8%</b>
Depreciation of assets under operating lease	(1,936)	(1,593)	21.5%	(3,732)	(2,853)	30.8%
Interest expense	(1,288)	(942)	36.6%	(2,504)	(1,699)	47.4%
Other lease expenses	(353)	(310)	14.0%	(777)	(357)	117.9%
<b>Total expenses</b>	<b>(3,577)</b>	<b>(2,845)</b>	<b>25.7%</b>	<b>(7,014)</b>	<b>(4,909)</b>	<b>42.9%</b>
<b>Nominal financial margin</b>	<b>873</b>	<b>819</b>	<b>6.7%</b>	<b>1,823</b>	<b>1,455</b>	<b>25.2%</b>
Allowance for loan losses	(90)	(30)	200.0%	(135)	(55)	145.5%
<b>Financial margin adjusted for credit risk</b>	<b>783</b>	<b>789</b>	<b>(0.7%)</b>	<b>1,688</b>	<b>1,400</b>	<b>20.5%</b>
Commissions and fees (paid) - Net	(10)	(19)	(47.1%)	(26)	(37)	(31.3%)
Financial intermediation results	0	0	0.0%	0	0	0.0%
Other operating income - Net	5	(0)	(3,531.5%)	6	14	(56.7%)
Administration and promotional expenses	(280)	(244)	14.5%	(546)	(439)	24.4%
<b>Operating income</b>	<b>499</b>	<b>525</b>	<b>(5.0%)</b>	<b>1,122</b>	<b>938</b>	<b>19.6%</b>
Current income tax	(203)	(135)	50.4%	(421)	(332)	26.8%
Deferred income tax	99	(2)	(5,576.9%)	166	86	93.7%
Income tax expense	(104)	(137)	(23.7%)	(256)	(247)	3.6%
Equity methods/subsidiaries	11	14	(100.0%)	10	14	(100.0%)
<b>Net income</b>	<b>406</b>	<b>403</b>	<b>0.8%</b>	<b>877</b>	<b>706.0</b>	<b>24.2%</b>

## Balance Sheet

Figures in Ps. million

	6M18	6M17	Var. %
<b>Assets</b>			
Cash & cash equivalents	7,753	2,282	239.7%
Derivatives with hedging purposes	5,624	1,558	261.0%
Performing loan portfolio	5,541	5,774	(4.0%)
Past due loan portfolio	149	46	223.6%
Loan portfolio	5,690	5,820	(2.2%)
Allowance for loan losses	(189)	(47)	302.4%
Loan portfolio - Net	5,501	5,773	(4.7%)
Other accounts receivable	7,017	5,114	37.2%
Foreclosed assets	509	170	198.9%
Property, machinery & equipment - Net	37,395	27,832	34.4%
Other permanent investments	59	56	6.8%
Deferred charges & advanced payments	2,106	2,016	4.4%
Other long-term assets	7	20	(62.8%)
Deferred income taxes	1,884	1,268	48.6%
Total other assets	3,997	3,304	21.0%
Total assets	67,855	46,088	47.2%
<b>Liabilities and Stockholders' equity</b>			
Short term interest	789	281	181.1%
Securitizations	15,750	14,250	10.5%
International Notes	22,843	15,324	49.1%
Total debt securities	39,382	29,854	31.9%
Short term bank borrowings & loans	7,433	4,055	83.3%
Long term bank borrowings & loans	2,937	1,733	69.4%
Total bank borrowings & loans	10,370	5,789	79.1%
Income tax payable	227	194	17.1%
Sundry creditors	3,911	4,117	(5.0%)
Other accounts payable	588	374	57.4%
Deferred credits	651	503	29.3%
Total other accounts payable	5,378	5,188	3.7%
Total liabilities	55,129	40,831	35.0%
<b>Stockholders' Equity</b>			
Capital stock	2,895	2,895	.0%
Subordinated obligations	4,531	0	
Capital reserves	274	186	47.7%
Valuation of hedging derivatives	1,189	(380)	(413.2%)
Retained earnings	2,960	1,850	60.0%
Net income for the year	877	706	24.2%
Total stockholders' equity	12,726	5,257	142.1%
Total liabilities & stockholders' equity	67,855	46,088	47.2%
<b>Memorandum accounts</b>			
Contractual lease rentals to be accrued held in trust	20,829	22,143	(5.9%)
Contractual lease rentals to be accrued	15,783	3,489	352.4%
Total memorandum accounts	36,612	25,632	42.8%

## Annex 1 – Financial liabilities (Ps. million)

International notes	Outstanding*	Maturity	Rate	Currency	Rating <sup>2</sup> S&P/Fitch/HR
UNIFIN 2023	400	Sep-23	Fixed	USD <sup>1</sup>	BB / BB / BBB-
UNIFIN 2025	450	Jan-25	Fixed	USD <sup>1</sup>	BB / BB / BBB-
UNIFIN 2026	300	Feb-26	Fixed	USD	BB / BB / BBB-
<b>Total</b>	<b>1,150</b>				
Securitization	Outstanding*	Maturity	Rate	Currency	Rating <sup>3</sup> S&P/HR
Private securitization	2,250	Mar-23	Variable <sup>1</sup>	MXN	mxAAA S&P / HRAAA
UFINCB15	2,000	Sep-20	Variable <sup>1</sup>	MXN	mxAAA S&P / HRAAA
UFINCB16	2,500	Feb-21	Variable <sup>1</sup>	MXN	mxAAA S&P / HRAAA
UNFINCB16	1,250	Sep-21	Variable <sup>1</sup>	MXN	mxAAA S&P / HRAAA
UNFINCB16-2	1,250	Sep-21	Fixed	MXN	mxAAA S&P / HRAAA
UNFINCB17	1,500	Mar-22	Variable <sup>1</sup>	MXN	mxAAA S&P / HRAAA
UNFINCB17-2	1,500	Mar-22	Fixed	MXN	mxAAA S&P / HRAAA
UNFINCB17-3	2,500	Sep-22	Variable <sup>1</sup>	MXN	mxAAA S&P / HRAAA
UNFINCB17-4	1,000	Sep-22	Fixed	MXN	mxAAA S&P / HRAAA
<b>Total</b>	<b>15,750</b>				
Bank credit lines	Outstanding*	Available			
<b>Total</b>	<b>10,286</b>	<b>3,943</b>			

<sup>1</sup>Hedged to FX & floating rates

<sup>2</sup>International rating

<sup>3</sup>Local rating

\*Excludes accrued interest

## Annex 2 – Share repurchase program

Share repurchase program	Acquired	Sold
1Q17	1,176,266	94,565
2Q17	1,038,840	122,896
3Q17	-	22,593
4Q17	274,576	199,900
<b>Total 2017</b>	<b>2,489,682</b>	<b>439,954</b>
1Q18	95,941	-
2Q18	1,327,306	-
<b>Total 2018</b>	<b>1,423,247</b>	-