UNIFIN FINANCIERA S.A.B. DE C.V. SOFOM ENR

# Second Quarter 2017 Results

UNIFIN

# UNIFIN Reports 60.1% increase in Total Revenue reaching Ps. 3,664 million in 2Q17
# Total Loan Portfolio Rose 52.0% Y-O-Y

Mexico City, July 20, 2017 - **UNIFIN Financiera, S.A.B. de C.V. SOFOM, E.N.R. ("UNIFIN" or "the Company") (BMV: UNIFIN)**, announced today its results for the second quarter ("2Q17") and first six months of 2017 ("6M17") 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").

## 2Q17 Highlights

- **Total Revenues** increased **60.1% to Ps. 3,664 million** in 2Q17.

- **Nominal financial margin** increased **38.1%** y-o-y.

- **OPEX**, **improved** to **6.7%** in **2Q17** vs. **9.3%** at the close of **2Q16.**

- **Operating income** increase of **43.5%**.

- **Net income rose 33.2%** in 2Q17**,** reaching **Ps. 403 million.**

- As of June 30, 2017, **total loan portfolio** reached **Ps. 35,391 million,** up **52.0%** y-o-y.

- **Net fixed assets** and **total assets increased 57.0%** and **48.2%,** respectively, at the close of 2Q17.

- During the quarter, the Company successfully completed issuances in both the local and international markets. On April 10, it completed the **largest leasing securitization ever in the Mexican market** for up to **Ps. 3,000 million** and on May 15, it completed the Company's **largest senior unsecured notes issuance** in its history for **US$450 million**. Both offerings were oversubscribed, and the yields reached were within the ranges established by the Company's indicative target prices.

- As a result of the aforementioned transactions, the Company significantly improved its debt profile, shielding UNIFIN from further interest rate increases and increased the gap in its debt maturity profile. In addition, on June 29, UNIFIN redeemed the full outstanding amount of its Senior Notes due 2019, and repaid its short-term bank debt.

## Financial and Operating Summary

| Financial metrics (Ps. million) | 2Q17 | 2Q16 | Var. % | 6M17 | 6M16 | Var. % |
|---|---|---|---|---|---|---|
| Total revenues | 3,664 | 2,289 | 60.1% | 6,364 | 4,251 | 49.7% |
| Interest, depreciation & other expenses | (2,845) | (1,696) | 67.7% | (4,909) | (3,137) | 56.5% |
| Nominal financial margin | 819 | 593 | 38.1% | 1,455 | 1,114 | 30.6% |
| Financial margin | 22.3% | 25.9% | | 22.9% | 26.2% | |
| Administrative and promotional expenses | (244) | (213) | 14.4% | (439) | (403) | 8.8% |
| Opex (% of total revenues) | 6.7% | 9.3% | | 6.9% | 9.5% | |
| Operating income | 525 | 366 | 43.5% | 938 | 685 | 36.9% |
| Net income | 403 | 302 | 33.2% | 706 | 557 | 26.8% |
| Net income margin[1] | 11.0% | 13.2% | | 11.1% | 13.1% | |

[1] Calculated as net income over total revenues

| Operating metrics (Ps. million) | 6M17 | 6M16 | Var. % |
|---|---|---|---|
| Total portfolio | 35,391 | 23,279 | 52.0% |
| Leasing portfolio | 26,833 | 17,278 | 55.3% |
| Factoring portfolio | 2,793 | 2,225 | 25.6% |
| Auto loans & others | 5,765 | 3,777 | 52.6% |
| NPL ratio | 0.71% | 0.78% | |

| Return/Leverage | 6M17 | 6M16 |
|---|---|---|
| ROAA | 3.3% | 4.5% |
| ROAE | 25.7% | 27.6% |
| Capitalization (equity/assets) | 11.4% | 15.0% |
| Total leverage (excl. ABS) | 5.0 | 3.6 |
| Financial leverage (excl. ABS) | 4.0 | 2.8 |

## Statement from the Chief Executive Officer:

During the second quarter of the present year, the Mexican economic outlook significantly improved. **The Mexican peso recovered more than 12% against the U.S. dollar** given, among other factors, the improvement of expectations regarding NAFTA negotiations based on public statements by both governments as well as the outcome of the recent sugar commodity negotiations. Mexican Structural Reforms started to post good news, a **new great oil field in the Gulf of Mexico was recently discovered** making it the first reward directly correlated to said reforms. Additionally, **recent analyst´s consensus increased Mexico's GDP expectations** while in recent days **Standard & Poor's upgraded Mexico's credit rating outlook** from negative to **stable**, thus reaffirming the country's renewed perception at local and global scale.

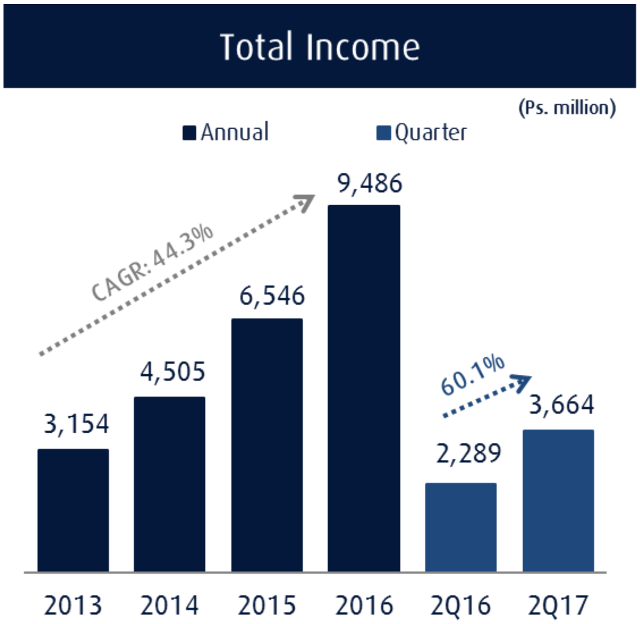
The economic policies of Mexico's central bank, maintained its conservative profile by increasing the reference rate by **50 bps** merely in the last three months. In the light of this policy, UNIFIN has continued to be proactive by protecting the Company from said hikes as well as continue shielding the balance sheet and increasing the debt maturity profile. For this effect, UNIFIN issued in April the **largest leasing securitization** in the history of the Mexican market for **Ps. 3,000 million**, and on May 15, the Company's **largest unsecured issuance for US$450 million**. Both transactions were oversubscribed, highlighting the market´s trust in the Company and its importance as a recurring issuer in the debt markets, over the last 9 months the Company has issued over **US$1,300 million** in both local and international markets. As of June 30, 2017, **83.8%** of our total financial debt was denominated in fixed rates.

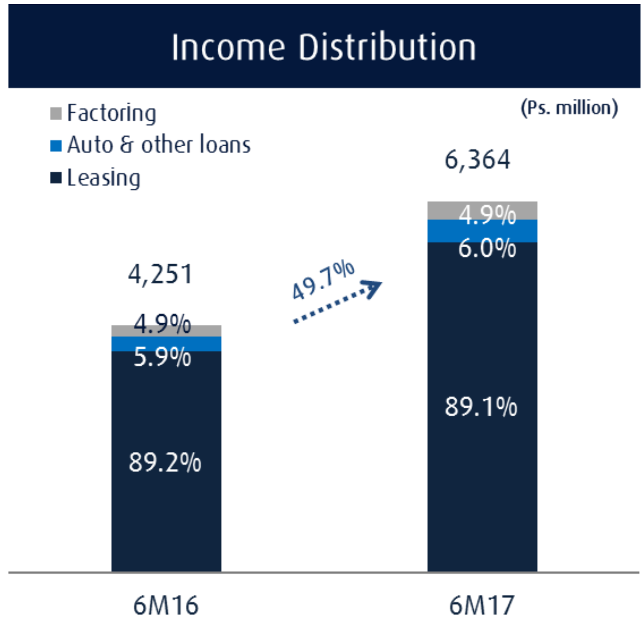
Our credit and origination process continues to deliver, since we continue to present **strong and positive results**, while maintaining absolute prudence in the underwriting across our range of products. Total revenues grew, **60.1%** compared to the same period of last year, an increase in our nominal financial margin by **38.1%**, and an increment in our operating income and net income by **45.3%** and **33.2%** respectively. The Company's total assets reached **Ps. 46,088 million** a **48.2%** increase while our portfolio increased by **52.0%**. As a result of the above, the Company keeps demonstrating great capability to maintain sound healthy growth reporting a non-performing loan ratio of **0.7%**.

At UNIFIN we are greatly satisfied with the results obtained during the first half of the year and remain optimistic about the Company's future as well as regarding the economy in general. We will keep on striving to reach greater results, while remaining steadfast in our position as one of the leaders in the industry.

**Luis Barroso, CEO of UNIFIN**

## Discussion of Profit and Loss Statement



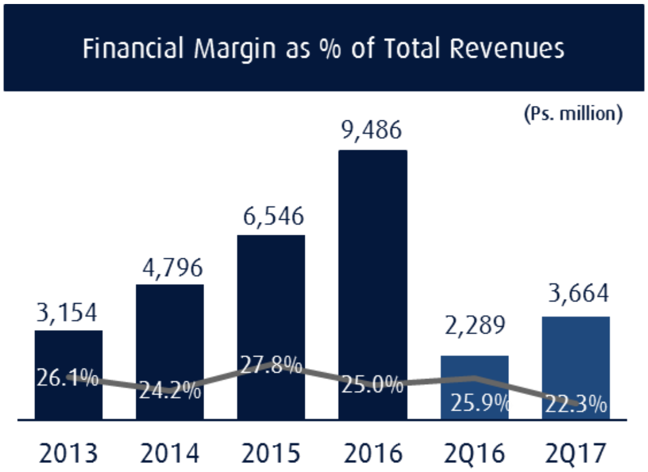

**Total revenue** consists of i) operating lease income, ii) interest income, primarily derived from factoring and auto loans, and iii) other lease benefits, mainly generated from asset sales at the end of the leasing contract, insurance fees and commissions.

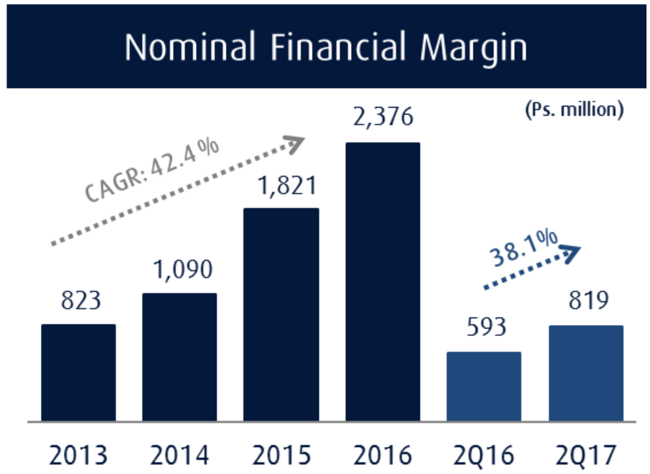
Total revenue increased 60.1% in 2Q17 to Ps. 3,664 million compared to Ps. 2,289 million in 2Q16. During 2Q17, operating lease income reached Ps. 2,760 million, a 46.4% increase versus 2Q16. Interest income reached Ps. 597 million, an increase of 88.6%. Other lease benefits during 2Q17 were Ps. 307 million, a 249.9% increase year-over-year.

**Depreciation of assets under lease** during 2Q17 was Ps. 1,593 million, a 53.1% increase compared to 2Q16. This increase was directly related to leasing portfolio growth.

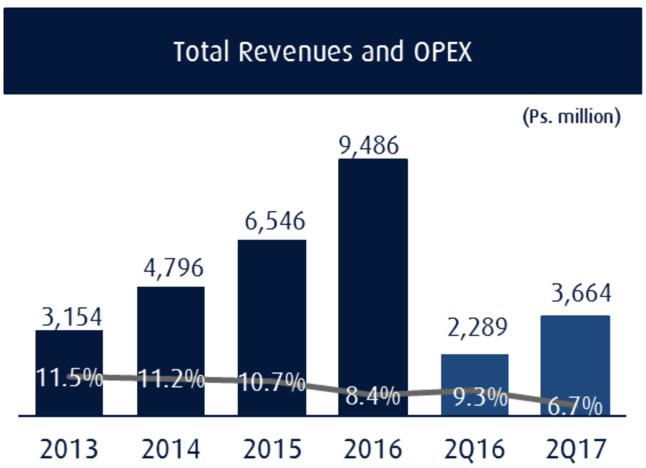
**Interest expense** rose 120.6% during 2Q17 to Ps. 942 million. This increase was due to higher financial liabilities that supported the growth of the Company's operating volume, as well as interest rate increases, **280 bps** from July 2016 to the close of 2Q17 which account for **20.9%** of our interest expense increase. Considering the Company's prudent risk management approach, by acquiring fixed-rate debt, **UNIFIN was shielded from volatility in the long-term as all US$ dollar debt is fully hedged.** At the close of the quarter, **83.8% of the outstanding debt is fixed** and **only 16.2% remains denominated in floating rates.**

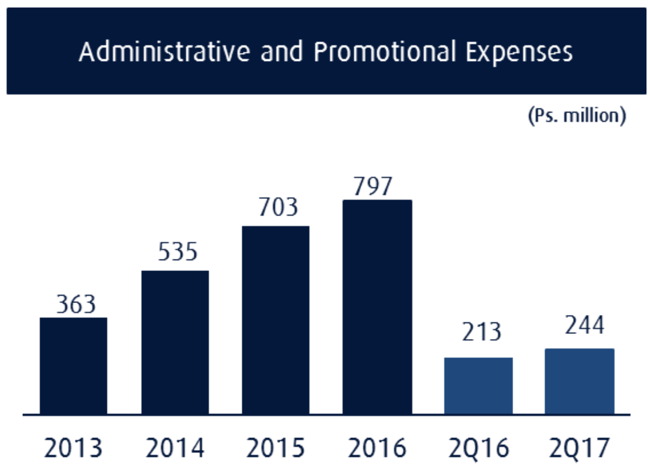
**Nominal financial margin,** calculated as total revenue minus depreciation of assets under operating lease, interest and other lease expenses, rose a nominal 38.1% year-over-year. This increase was due to total revenue growth. During 2Q17, the financial margin as a percentage of total revenues was 22.3%.




**Administrative and promotional expenses** increased 14.4%, to Ps. 244 million in 2Q17 compared to 2Q16. Furthermore, **as a percentage of total revenues**, this figure improved from 9.3% during 2Q16 to 6.7% in 2Q17. Lower OPEX, was the result of continuous cost-control policies, which result in a more efficient operating structure for the Company.

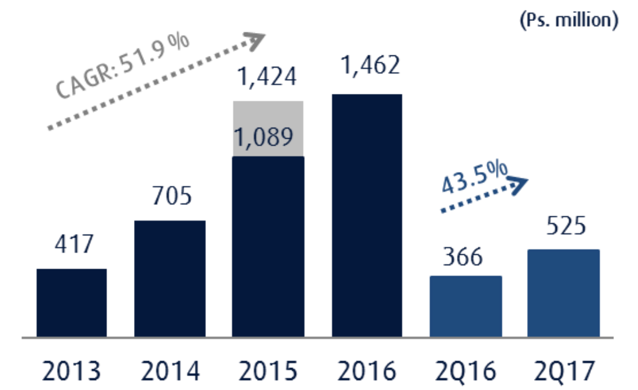


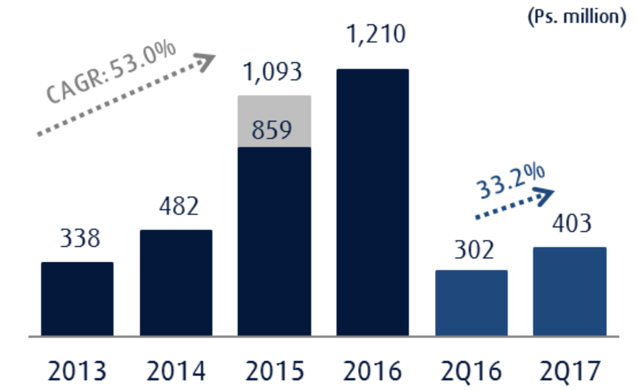

**Operating income** reached Ps. 525 million during 2Q17, a 43.5% increase compared to 2Q16. These results were due to the Company's operating efficiency improvements and the revenue growth.

**Consolidated net income** reached Ps. 403 million during 2Q17, a 33.2% increase. This was the result of higher revenues across the portfolio, as well as achieved operating efficiencies reached during the quarter.

Operating Income

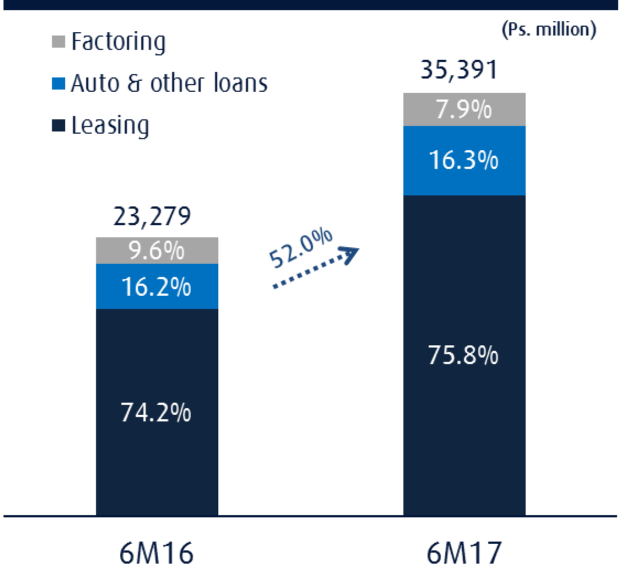



Net Income

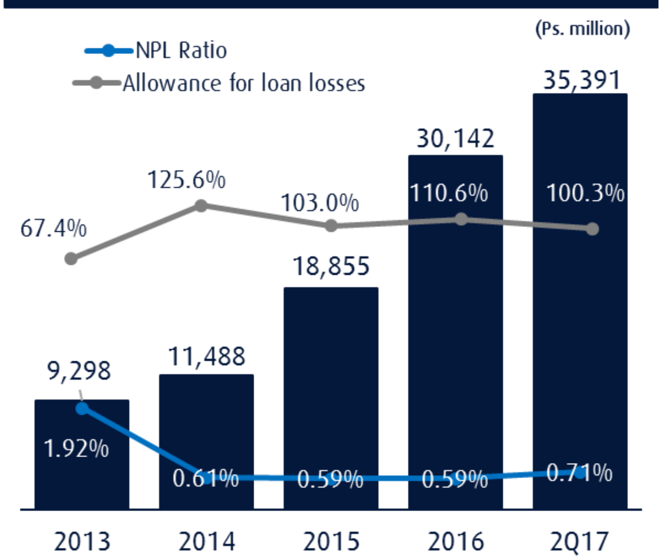



## Balance Sheet Review

Portfolio Composition




NPL as % of Total Portfolio

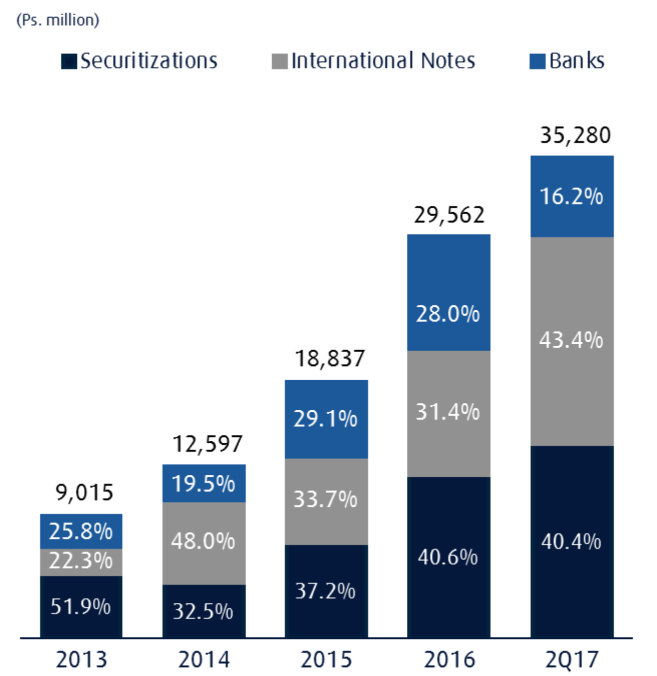



**Total loan portfolio** is comprised of: i) the current loan portfolio (performing loans plus past-due loan portfolio) and ii) off balance sheet accounts, which are comprised of future rentals of the Company's operating lease portfolio. The total loan portfolio reached Ps. 35,391 million in 2Q17, a 52.0% year-over-year increase. Current loan portfolio (excluding off-balance sheet accounts) was Ps. 9,509 million, non-performing loans were Ps. 251 million and off-balance sheet accounts were Ps. 25,632 million.

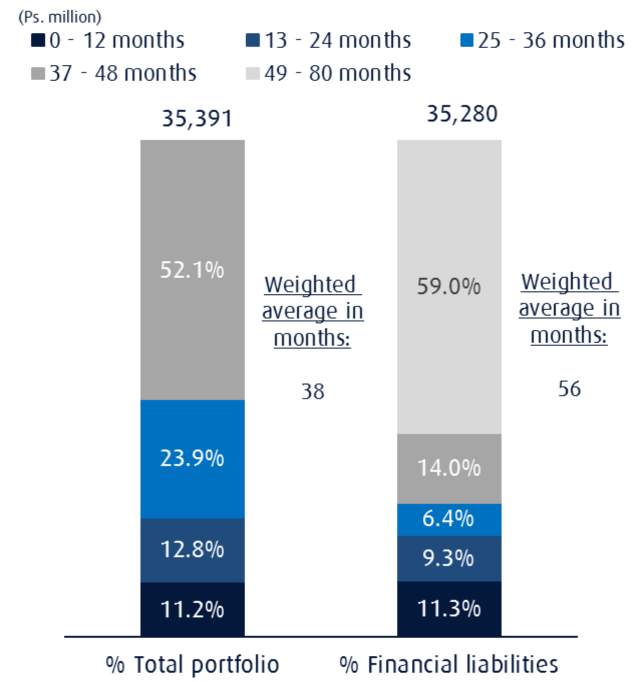
**Past due loan portfolio** was Ps. 251 million. The non-performing loan ("NPL") ratio (calculated as past due loan portfolio/total loan portfolio) was 0.7% at the close of 2Q17. The allowance for loan losses coverage for the Company´s NPL's was above 100.0% as of 2Q17. It is important to mention that UNIFIN considers financial health to be an utmost priority.

**Total assets** as of June 30, 2017, were Ps. 46,088 million, a 48.2% increase compared to the end of June 2016. This was mainly due to growth of the total net portfolio, net fixed assets, and cash and equivalents.

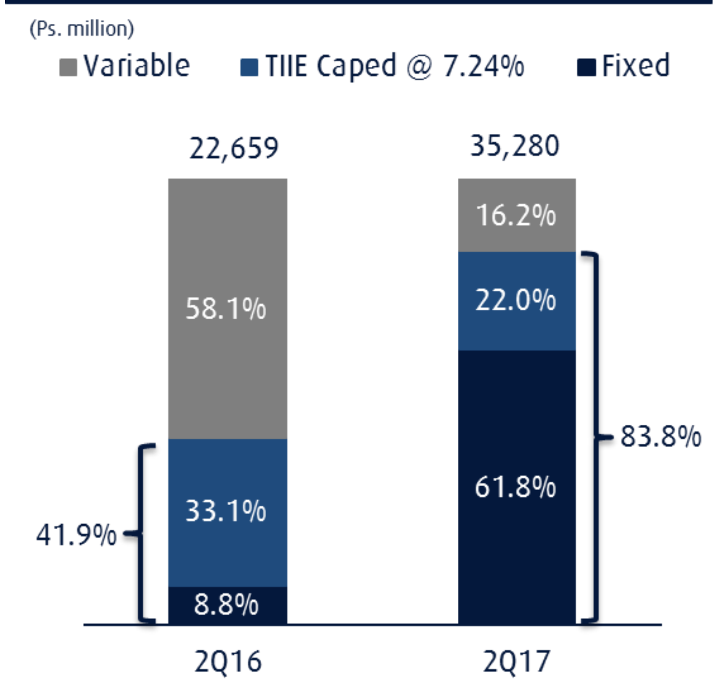
## Financial Liabilities Breakdown




## Portfolio vs. Financial Liabilities




## Debt profile




**Financial liabilities** rose 55.9% to Ps. 35,643 million (including Ps. 363 million of accrued interest) at the end of the period. This increase was mainly attributed to the growth of our operations year-over-year.

UNIFIN enhanced its debt profile, not only by extending the maturity, but by fixing the rates of a substantial amount of total debt, shown as follows.

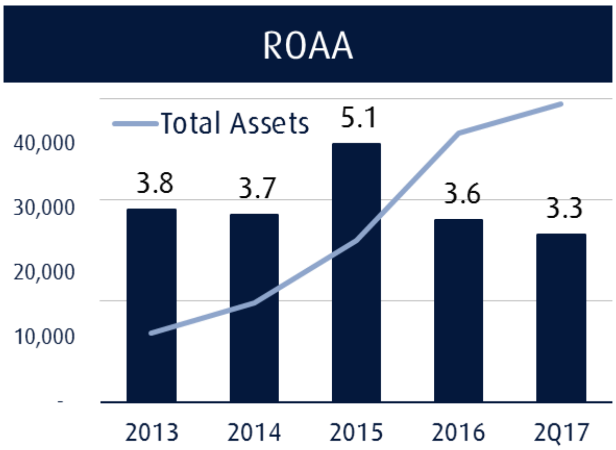
The Company's debt maturity profile reached a **weighted average of 56 months** at the close of 2Q17. **As of June, 30, 2017, 83.8% of our total debt was fixed vs. 8.8% in 2Q16**, this mitigates any impact of rising interest rates. Additionally, only 16.2% of the debt remains variable, compared to 58.1% in 2Q16.

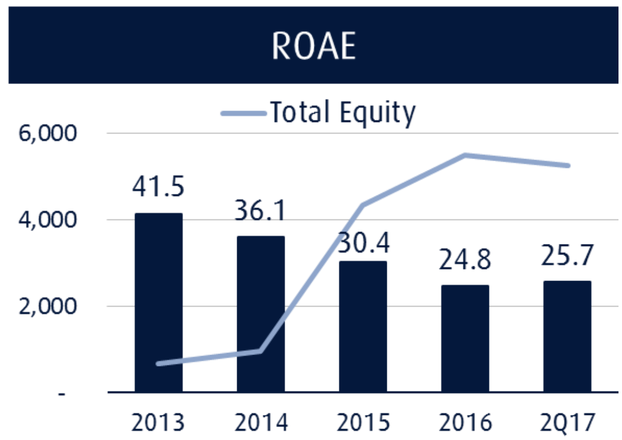
**Total liabilities** reached Ps. 40,831 million at the close of 2Q17, a 54.4% increase compared to 2Q16.

**Stockholders' equity** increased by 13.0% to Ps. 5,258 million in 2Q17 from Ps. 4,651 million at the close of 2Q16.

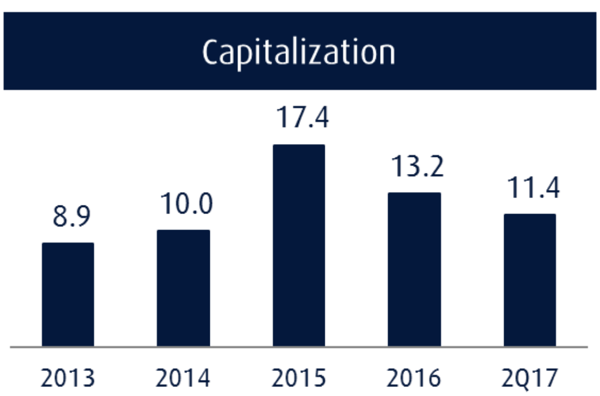
## Financial Ratios

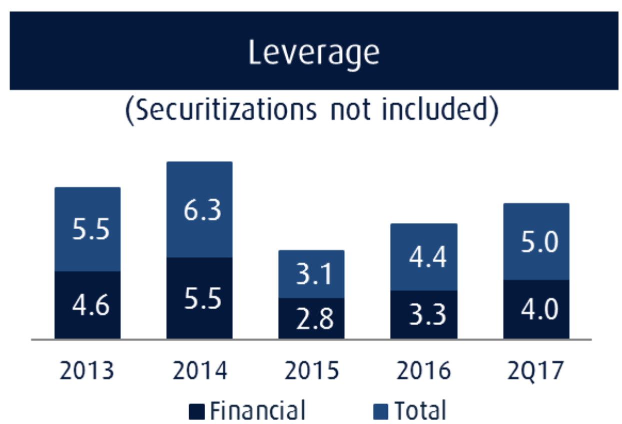
Return on average assets ("ROAA") at the close of 2Q17 was 3.3%. Return on average equity ("ROAE") was 25.7% for 2Q17.




UNIFIN's capitalization ratio (shareholders' equity/total assets) was 11.4% at the close of 2Q17. While at the end of the quarter, our net income registered important growth, the capitalization ratio was offset by the impact in the mark-to-market valuation of our derivatives with hedging purposes, which due to the appreciation of the Mexican peso (3.2% or 0.60 pesos per dollar) throughout the quarter, affected our Shareholders' Equity. Excluding the variations in the hedging account corresponding to Shareholders' Equity, the Company's capitalization ratio reached 12.2%.




UNIFIN's financial leverage ratio (financial liabilities excluding securitizations/shareholders' equity) was 4.0x at the close of 2Q17, compared to 2.8x at the close of 2Q16. The Company's total leverage ratio (total liabilities excluding securitizations/shareholders' equity) at the close of 2Q17 was 5.0x. The higher leverage levels were the result of the increased operations, as well as the variation in the equity tranche of the hedging derivatives registered in the Shareholders' Equity.

## Summary by Business Line

### Leasing

| | 2Q16 | 2Q17 | Var. |
|---|---|---|---|
| Originated | 4,564 | 6,123 | 34.2% |

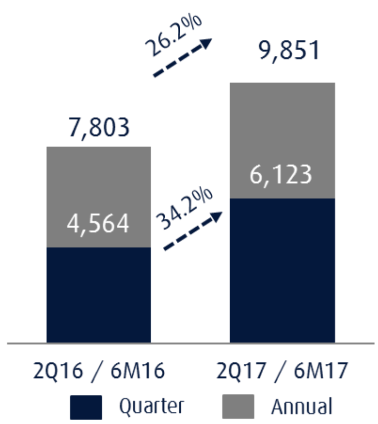
### Factoring

| | 2Q16 | 2Q17 | Var. |
|---|---|---|---|
| Originated | 2,241 | 3,069 | 36.9% |

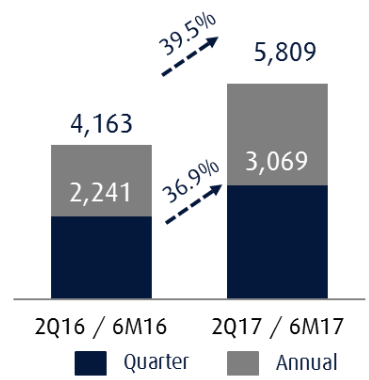
### Auto loans

| | 2Q16 | 2Q17 | Var. |
|---|---|---|---|
| Originated | 400 | 436 | 9.0% |

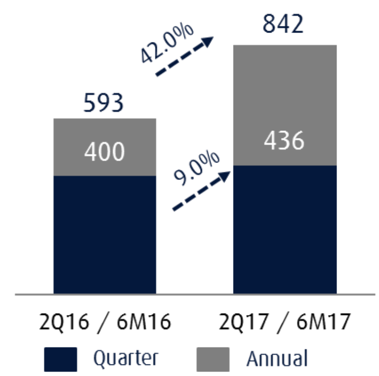
(Ps. million)
**Leasing operation volume**




(Ps. million)
**Factoring operation volume**




(Ps. million)
**Auto loans operation volume**




**Leasing** origination increased 34.2% in 2Q17 year-over-year. The **operating lease portfolio balance** grew 55.3% year-over-year, reaching Ps. 26,833 million at the close of 2Q17.

**Factoring** volume grew 36.9% in 2Q17 year-over-year. The **factoring portfolio balance** increased by 25.6% to Ps. 2,793 million at the close of 2Q17, compared to Ps. 2,225 million in 1Q16.

**Auto loans** increased its operations volume by 9.0% in 2Q17 year-over-year. The **auto loan and other loans portfolio balance** increase by 52.6% to reach Ps. 5,765 million, compared to Ps. 3,777 million reported at the close of 2Q16.

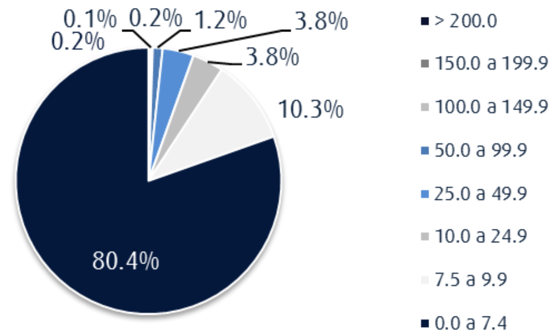
## Portfolio Composition

UNIFIN considers sound financial health to be vital for the business. Thus, the Company regularly monitors its portfolio composition to preserve ample diversification in terms of clients, economic sectors and geographic areas.

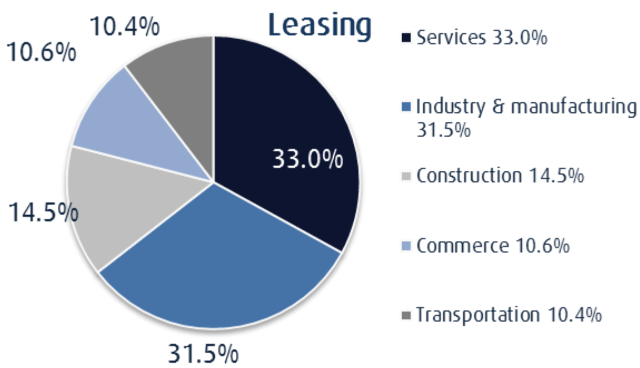
UNIFIN's portfolio composition has no exposure to any client. At the close of 2Q17, the Company´s largest client represented 1.1% of its total portfolio. In addition, 80.4% of its clients have approved credit lines of below Ps. 7.5 million, signaling its low exposure to any client as well as a diversified portfolio.

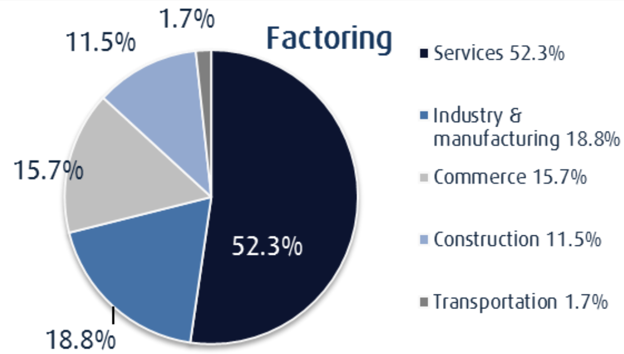
## Portfolio Composition by Client

| Amount (Ps. Million) | No. Clients | % |
|---|---|---|
| >200.0 | 14 | 0.2% |
| 150.0 - 199.9 | 7 | 0.1% |
| 100.0 - 149.9 | 13 | 0.2% |
| 50.0 - 99.9 | 86 | 1.2% |
| 25.0 - 49.9 | 274 | 3.8% |
| 10.0 - 24.9 | 278 | 3.8% |
| 7.5 - 9.9 | 749 | 10.3% |
| 0.0 - 7.4 | 5,826 | 80.4% |
| | **7,247** | **100.0%** |




## Economic Sector

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## 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.

## Income Statement

| Figures in Ps. million | 2Q17 | 2Q16 | % Var | 6M17 | 6M16 | % Var |
|---|---|---|---|---|---|---|
| Operating lease income | 2,760 | 1,885 | 46.4% | 5,086 | 3,538 | 43.8% |
| Interest income | 597 | 316 | 88.6% | 892 | 551 | 61.8% |
| Other lease benefits | 307 | 88 | 249.9% | 386 | 163 | 137.3% |
| **Total revenue** | **3,664** | **2,289** | **60.1%** | **6,364** | **4,251** | **49.7%** |
| Depreciation of assets under lease | (1,593) | (1,040) | 53.1% | (2,853) | (2,016) | 41.6% |
| Interest expense | (942) | (427) | 120.6% | (1,699) | (808) | 110.3% |
| Other lease expenses | (310) | (228) | 35.7% | (357) | (314) | 13.7% |
| **Total expenses** | **(2,845)** | **(1,696)** | **67.7%** | **(4,909)** | **(3,137)** | **56.5%** |
| **Nominal financial margin** | **819** | **593** | **38.1%** | **1,455** | **1,114** | **30.6%** |
| Allowance for loan losses | (30) | (20) | 50.0% | (55) | (32) | 74.6% |
| **Financial margin adjusted for credit risk** | **789** | **573** | **37.7%** | **1,400** | **1,083** | **29.3%** |
| Commissions and fees (paid) - Net | (19) | (9) | 107.1% | (37) | (18) | 112.1% |
| Financial intermediation results | 0 | 2 | (100.0%) | 0 | 7 | (100.0%) |
| Other operating income - Net | (0) | 14 | (101.1%) | 14 | 16 | (15.0%) |
| Administration and promotional expenses | (244) | (213) | 14.4% | (439) | (403) | 8.8% |
| **Operating income** | **525** | **366** | **43.5%** | **938** | **685** | **36.9%** |
| Valuation effects of other investments | 0 | 0 | 0.0% | 0 | 0 | 0.0% |
| Income before income tax: | 525 | 366 | 43.5% | 938 | 685 | 36.9% |
| Current income tax | (135) | (133) | 1.4% | (332) | (229) | 44.9% |
| Deferred income tax | (2) | 58 | (103.1%) | 86 | 89 | (3.6%) |
| Income tax expense | (137) | (75) | 81.7% | (247) | (140) | 75.5% |
| Equity methods/subsidiaries | 14 | 12 | 21.8% | 14 | 12 | 21.8% |
| **Net income** | **403** | **302** | **33.2%** | **706** | **557** | **26.8%** |

## Balance Sheet

| Figures in Ps. million | 6M17 | 6M16 | Var. % |
|---|---|---|---|
| *Assets* | | | |
| Cash & cash equivalents | 2,282 | 1,413 | 61.5% |
| Derivatives with hedging purposes | 1,558 | 2,675 | (41.8%) |
| **Performing loan portfolio** | **9,509** | **7,043** | **35.0%** |
| Past due loan portfolio | 251 | 181 | 38.5% |
| **Loan portfolio** | **9,760** | **7,224** | **35.1%** |
| Allowance for loan losses | (251) | (146) | 71.7% |
| Loan portfolio - Net | 9,508 | 7,078 | 34.3% |
| Other accounts receivable | 1,379 | 491 | 180.8% |
| Foreclosed assets | 170 | 189 | (10.1%) |
| Property, machinery & equipment - Net | 27,832 | 17,732 | 57.0% |
| Other permanent investments | 56 | 30 | 84.0% |
| Deferred charges & advanced payments | 2,016 | 596 | 238.0% |
| Other long term assets | 20 | 11 | 78.7% |
| Deferred income taxes | 1,268 | 881 | 44.0% |
| **Total other assets** | **3,304** | **1,488** | **122.1%** |
| **Total assets** | **46,088** | **31,096** | **48.2%** |
| *Liabilities and Stockholders' equity* | | | |
| Short term interest | 281 | 192 | 45.9% |
| Securitizations | 14,250 | 9,500 | 50.0% |
| International Notes | 15,324 | 6,802 | 125.3% |
| **Total debt securities** | **29,854** | **16,495** | **81.0%** |
| Short term bank borrowings & loans | 4,055 | 6,056 | (33.0%) |
| Long term bank borrowings & loans | 1,733 | 310 | 458.4% |
| **Total bank borrowings & loans** | **5,789** | **6,366** | **(9.1%)** |
| Income tax payable | 194 | 164 | 18.8% |
| Sundry creditors | 4,117 | 2,901 | 41.9% |
| Other accounts payable | 374 | 222 | 69.2% |
| Deferred credits | 503 | 298 | 68.9% |
| **Total other accounts payable** | **5,188** | **3,585** | **44.8%** |
| **Total liabilities** | **40,831** | **26,445** | **54.4%** |
| *Stockholders' Equity* | | | |
| Capital stock | 2,895 | 2,898 | (0.1%) |
| Capital reserves | 186 | 125 | 48.4% |
| Valuation of hedging derivatives | (380) | 20 | (1,995.9%) |
| Retained earnings | 1,850 | 1,051 | 76.0% |
| Net income for the year | 706 | 557 | 26.5% |
| **Total stockholders' equity** | **5,258** | **4,651** | **13.0%** |
| **Total liabilities & stockholders' equity** | **46,088** | **31,096** | **48.2%** |
| Memorandum accounts | | | |
| Contractual lease rentals to be accrued held in trust | 22,143 | 12,564 | 76.2% |
| Contractual lease rentals to be accrued | 3,489 | 3,491 | (0.1%) |
| **Total memorandum accounts** | **25,632** | **16,055** | **59.6%** |

## Contact Information

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## UNIFIN Second Quarter 2017 Earnings Conference Call

**Date: Friday, July 21, 2017**

**Time: 11:30 a.m. Eastern Time / 10:30 a.m. Mexico City Time**

Presenting for UNIFIN:

**Mr. Sergio Camacho, Chief Financial Officer**

**Mr. David Pernas, Investor Relations Officer**

To access the Conference Call, please dial:

1-800-311-9408 (U.S. participants)

0-1-800-847-7666 (Mexico participants)

1-334-323-7224 (International participants)

**Conference ID Number: 32548**

Conference Replay

A replay of this call will be available for 30 days

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