

Supervielle

Earnings inflected, although below our expectations mainly on higher taxes

Maintain Rating: UNDERPERFORM | PO: 49.00 ARS | Price: 214.35 ARS

1Q net gain, 2.0% ROAE in the quarter

Reported a net gain AR\$557mn after seventh-consecutive quarters with losses. Indeed, earnings inflected QoQ and YoY, one quarter ahead management's expectations, benefiting on securities' gains on higher rates, the company's cost control program and normalized provision charges. On a negative side, results showed negative real loan growth, a wider loss in the net monetary position, and a high effective tax rate of 67%. Also, considering a net loss in 2022, we expect Supervielle not to pay dividends this year, which negatively compares against dividend yields of 16-17% from Macro and Galicia.

Management's fine-tuned 2023 expectations

Mgmt. expects i) peso loan & deposit growth below inflation (vs. in-line inflation before); iii) NPL and cost of risk above 2022 (vs. stable before); iv) higher NIMs (vs. stable before); v) kept fees re-pricing in-line with inflation, vi) maintained opex to grow significantly below inflation on strategies implemented in '22; and vii) CET1 capital of 13-14% (vs. 12.5-13.5% before) in '23.

Key operating highlights

Loan Growth (+): contracted 13% YoY (relatively unchanged QoQ), although came 6% above our estimates, due to a relatively stable behavior in commercial loans, and a slower decline in consumer loans. We continue to see no real loan growth affected by high inflation, lending seasonality and stricter lending in credit cards.

Net interest margin (=): NIM including securities advanced 30bp QoQ to 21.9% supported by higher yields in the investments and loan portfolios on higher rates. NII with securities behaved relatively unchanged QoQ and YoY, and came roughly in-line.

Asset Quality (+): NPL ratio rose +60bp QoQ to 4.1% (vs. 4.0% expected), affected by lower loan volumes and inflationary pressures on individuals. Nonetheless, provision charges declined 25% QoQ, and came 15% below BofA, as the company already registered write-offs in the previous quarter, reflecting a cost of risk of 4.0% (vs. 5.3% in 4Q22). Finally, reserve coverage ratio declined to 116% from 136% in 4Q22.

Fees (=): grew 7% QoQ (-2% YoY), and came roughly in-line, supported by i) a 35% inflation adjustment in fees, ii) broker fees, and iii) AM favored by different products.

Opex (-): declined 4% YoY (2% above BofA), reflecting the company's cost control program of lower personnel costs, reducing branches, and lowering marketing expenses.

Tax rate (-): up to 67% from 30% in 4Q22 given by lower tax benefits.

Maintain Underperform rating

We continue to see challenges related to the Argentina's macro-outlook (high inflation and interest rates), which might translate into no real loan growth in '23. SUPV's 2023 ROE stood at 2.0% and is expected to remain at low single-digit in 2023. U/P

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Refer to important disclosures on page 4 to 11. Analyst Certification on page 3. Price Objective Basis/Risk on page 2.

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Stock Data

Price (Common / ADR)	214.35 ARS / 2.15 USD
Price Objective	49.00 ARS / 0.70 USD
Date Established	11-May-2023 / 11-May-2023
Investment Opinion	C-3-7 / C-3-7
52-Week Range	63.50 ARS - 244.75 ARS
Market Value (mn)	77,976 ARS
Average Daily Value	0.23 ARS
Shares Outstanding (mn)	363.8 / 61.3
BofA Ticker / Exchange	XAZFF / BUE
BofA Ticker / Exchange	SUPV / NYS
Bloomberg / Reuters	SUPV AR / SUPV.BA
ROE (2023E)	3.7%

NII: Net Interest Income

SME: Small and Medium Enterprise

NPL: Non-performing Loans

IUDU: Supervielle's consumer business

AM: Asset Management

U/P: Underperform

Exhibit 2: Supervielle – 1Q23 results

Earnings inflected YoY, although came below expectations on softer FX gains and a higher effective tax rate.

ArP\$ mn	1Q/22	4Q/22	1Q/23	1Q/23A	YoY	QoQ	vs. BofAe
Net interest income	24,943	26,272	25,354	24,459	-2%	-7%	-4%
Fee income	6,323	5,813	6,220	6,204	-2%	7%	0%
Income from securities	6,982	5,840	6,807	7,533	8%	29%	11%
Fx gains	960	617	617	516	-46%	-16%	-16%
Insurance	1,438	1,303	1,368	1,640	14%	26%	20%
Non-interest expense	31,937	34,971	30,075	30,724	-4%	-12%	2%
Provision for loan losses	4,340	3,952	3,449	2,947	-32%	-25%	-15%
Non-operating income	814	-2,318	-500	258	-68%	-111%	-152%
Net monetary position	-5,592	-4,531	-4,993	-5,249	-6%	16%	5%
Extraordinary income	0	0	0	0			
Net Income	-546	-965	850	557	-202%	-158%	-34%
EPS - reported	-1.19	-2.11	1.86	1.22	-202%	-158%	-34%
Gross loans + Leasing	341,051	296,305	278,527	296,305	-13%	0%	6%
Total assets	907,430	848,989	857,894	761,085	-16%	-10%	-11%
Deposits	697,247	666,492	673,157	576,599	-17%	-13%	-14%
Equity	121,329	113,015	113,866	113,155	-7%	0%	-1%
ROAE - reported	-1.8%	-3.4%	3.0%	2.0%	376 bps	535 bps	-103 bps
NIM	13.2%	15.4%	14.8%	14.5%	134 bps	-83 bps	-27 bps
NIM + securities	19.2%	21.6%	n.a.	21.9%	270 bps	+30 bps	n.a.
Efficiency ratio	80.5%	89.1%	75.7%	77.1%	-335 bps	-1202 bps	147 bps
Effective tax rate	-33.5%	83.7%	37.0%	67.0%	10054 bps	-1671 bps	3001 bps
Cost of Risk	4.8%	5.3%	4.8%	4.0%	-82 bps	-128 bps	-82 bps
NPLs/ Gross loans	4.3%	3.5%	4.0%	4.1%	-21 bps	59 bps	10 bps
LLR/ NPLs	142.3%	135.9%	123.4%	115.9%	-2640 bps	-2000 bps	-746 bps

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk**Supervielle (XAZFF)**

Our price objective of ArPs49/share (US\$0.7/ADS converted at 365 FX rate) is derived from the Gordon Growth Model, assuming a COE of 23.8% (reflecting a US risk-free rate of 3.5%, Argentina country risk of 900bp (vs. EMBI at 2,565bps), inflation differential of 450bp and beta of 1.2x), 4% growth in perpetuity, and a sustainable ROE of 8%.

Downside risks to our PO are 1) weaker economic activity/higher inflation and sharper deterioration in asset quality, 2) inability to reprice the loan book, 3) implementation of unorthodox economic policies, and 4) unstable political conditions in Argentina.

Upside risks to our PO are: 1) aggressive repurchase program of ArPs2.0bn or 10% of the capital stock within the next 250 days, 2) higher-than-expected securities gains in the next years, 3) faster recovery in macro conditions leading to lower-than-expected NPLs and provision charges, and 4) becoming a potential for consolidation.

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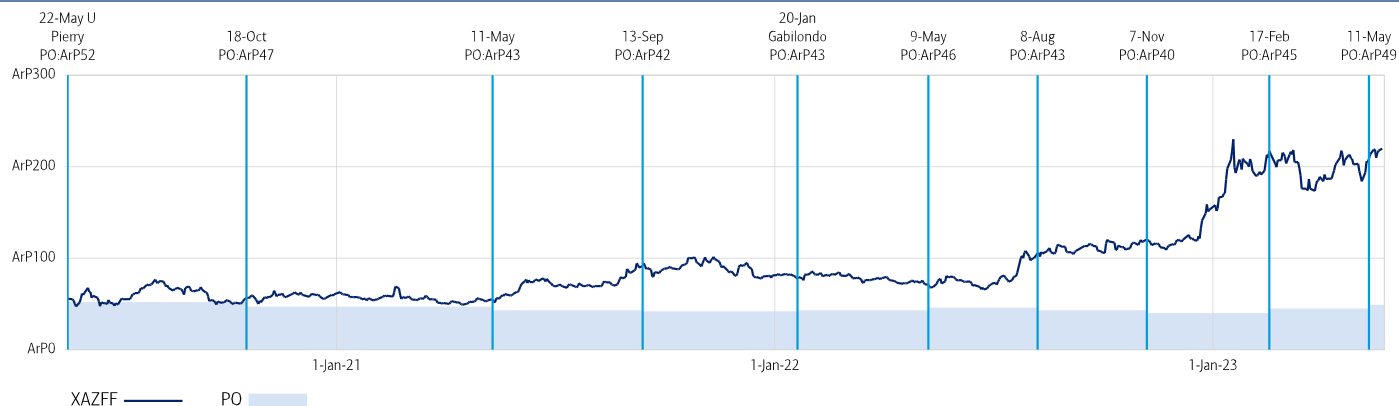
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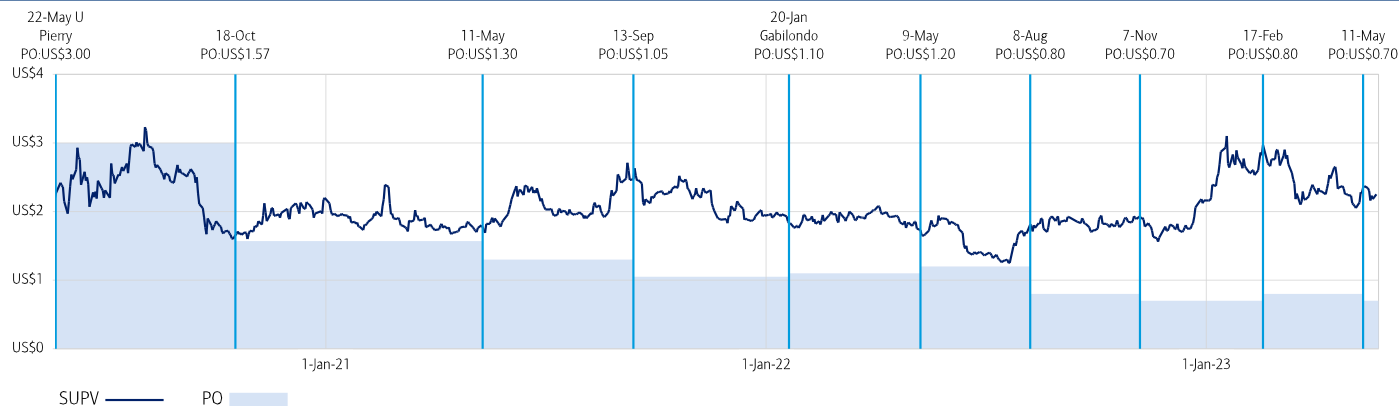
Supervielle (XAZFF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Supervielle (SUPV) Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	88	50.87%	Buy	72	81.82%
Hold	40	23.12%	Hold	29	72.50%
Sell	45	26.01%	Sell	34	75.56%

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Buy	1869	53.01%	Buy	1030	55.11%
Hold	827	23.45%	Hold	476	57.56%
Sell	830	23.54%	Sell	389	46.87%

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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