

XP Inc.

Easing cycle to support earnings and trading multiple; upgrade to Buy

Rating Change: BUY | PO: 29.00 USD | Price: 24.52 USD

Earnings boosted by lower rates and efficiency gains

We upgrade XP to Buy from Neutral. As the largest independent broker in Brazil, XP's earnings are poised to benefit from an easing cycle, while trading multiples have room to re-rate higher (our economists expect c.400bp cuts in Selic over the next 12 months). On top of this, recent cost control efforts should support better margins. Our new PO of US\$29 (from US\$16) reflects our new earnings estimates and a target P/E of 17x (from 13x) on '24E EPS (from '23E). Our target P/E is above XP's average during the high-rate scenario (12x) but below multiples of private M&A transactions (19x).

We expect earnings growth to accelerate in 2024

We raise our GAAP net income estimates by 6%/6%/1% in '23E/'24E/'25E, implying growth of 11%/18%/19%. Our new '23 estimates reflect lower expenses following a 15% cut in in headcount in early '23. Meanwhile, our '24 earnings also reflect higher revenue generation on retail, institutional and capital markets. Our estimates are c.10% above BBG Consensus. Our sensitivity analysis suggests that EPS growth could exceed 20% in '24 on a more positive scenario (better yields, inflows, margins).

Modal should be EPS neutral in '24

XP should incorporate Modal on July 1st, following the BCB's approval of the transaction in early June. Modal's AUC and earnings have been on a significant downtrend since the deal was announced in January '22, with net income of R\$36mn in LTM down c.80% and representing only c.1% of XP's. Meanwhile, XP is to issue c.3.5% more shares. However, we expect the deal to be EPS Neutral in '24, considering significant cost synergies.

Competition and recent run up are our main concerns

XP's share price rallied 120% in 3M, outperforming Ibov (+35% in USD). Nonetheless, current market cap is in line with mid '22 levels (c.60% below highs). Also, we see more active banks as a risk for XP's AUC growth going forward, as they now use independent digital brands and increased their investment advisors' base. Finally, Itau/Itausa holds 10.5%/4.4% of shares, creating potential overhang that could harm stock performance.

Estimates (Dec) (BRL)	2021A	2022A	2023E	2024E	2025E
EPS	7.00	7.09	8.02	9.42	10.99
GAAP EPS	6.28	6.23	7.41	8.67	10.25
EPS Change (YoY)	72.4%	1.3%	13.1%	17.5%	16.7%
Consensus EPS (Bloomberg)			7.01	8.34	9.57
DPS	0	0	0	2.60	3.07
Valuation (Dec)					
P/E	19.5x	18.3x	14.6x	12.4x	10.6x
GAAP P/E	21.7x	20.8x	15.8x	13.5x	11.4x
Dividend Yield	0%	0%	0%	2.2%	2.6%
EV / EBITDA*	16.6x	19.1x	13.4x	11.6x	9.8x
Free Cash Flow Yield*	-4.6%	-9.7%	-3.7%	-25.1%	-77.7%

* For full definitions of *IQmethod*SM measures, see page 9.

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Refer to important disclosures on page 10 to 12. Analyst Certification on page 8. Price Objective Basis/Risk on page 8.

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Timestamp: 21 June 2023 05:32PM EDT

21 June 2023

Equity

Key Changes

(BRL)	Previous	Current
Inv. Opinion	C-2-9	C-1-9
Inv. Rating	NEUTRAL	BUY
Price Obj.	US\$16.00	US\$29.00

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Stock Data

Price	24.52 USD
Price Objective	29.00 USD
Date Established	21-Jun-2023
Investment Opinion	C-1-9
52-Week Range	10.30 USD -25.30 USD
Mrkt Val / Shares Out (mn)	13,166 USD / 536.9
Average Daily Value	162.14 BRL
BofA Ticker / Exchange	XP / NAS
Bloomberg / Reuters	XP US / XP.OQ
ROE (2023E)	23.0%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "[BofA ESGMeter Methodology](#)".

BBG: Bloomberg

BCB: Brazilian Central Bank

AUC: assets under custody

ECM/DCM: equity/debt capital markets

iQprofileSM XP Inc.

iQmethodSM – Bus Performance*

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	10.5%	5.6%	4.8%	4.1%	3.6%
Return on Equity	31.7%	25.9%	23.0%	22.9%	22.8%
Operating Margin	32.8%	28.9%	33.0%	32.8%	34.3%
Free Cash Flow	(3,302)	(6,569)	(2,347)	(15,772)	(48,819)

iQmethodSM – Quality of Earnings*

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	-0.5x	-1.5x	-0.4x	-3.0x	-8.0x
Asset Replacement Ratio	5.0x	1.8x	2.4x	2.5x	2.0x
Tax Rate	5.9%	NM	1.5%	2.0%	5.4%
Net Debt-to-Equity Ratio	-110.5%	-37.7%	-23.4%	41.5%	203.3%
Interest Cover	29.1x	9.6x	7.6x	10.5x	13.7x

Income Statement Data (Dec)

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Sales	12,077	13,348	14,098	16,186	18,690
% Change	48.2%	10.5%	5.6%	14.8%	15.5%
Gross Profit	8,555	9,382	9,619	10,893	12,442
% Change	56.9%	9.7%	2.5%	13.2%	14.2%
EBITDA	4,364	3,792	5,407	6,228	7,352
% Change	64.7%	-13.1%	42.6%	15.2%	18.1%
Net Interest & Other Income	(136)	(402)	(611)	(507)	(468)
Net Income (Adjusted)	4,012	4,075	4,323	5,122	6,033
% Change	76.7%	1.6%	6.1%	18.5%	17.8%

Free Cash Flow Data (Dec)

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	3,599	3,580	3,995	4,713	5,623
Depreciation & Amortization	231	206	221	261	287
Change in Working Capital	(6,386)	(10,477)	(6,353)	(20,509)	(54,579)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	404	494	328	409	410
Capital Expenditure	(1,151)	(372)	(539)	(647)	(561)
Free Cash Flow	-3,302	-6,569	-2,347	-15,772	-48,819
% Change	-135.8%	-99.0%	64.3%	-571.9%	-209.5%

Balance Sheet Data (Dec)

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	42,299	51,979	68,508	82,342	76,276
Trade Receivables	469	598	701	793	925
Other Current Assets	50,150	73,960	99,827	143,288	241,586
Property, Plant & Equipment	314	311	679	1,065	1,338
Other Non-Current Assets	3,849	7,991	7,363	7,566	7,776
Total Assets	97,081	134,839	177,079	235,055	327,902
Short-Term Debt	26,358	45,550	63,692	92,405	134,443
Other Current Liabilities	48,032	60,155	78,554	101,041	143,698
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	8,271	12,093	14,282	17,350	21,156
Total Liabilities	82,661	117,797	156,529	210,796	299,297
Total Equity	14,420	17,042	20,551	24,259	28,605
Total Equity & Liabilities	97,081	134,839	177,079	235,055	327,902

* For full definitions of iQmethodSM measures, see page 9.

Company Sector

Financial Services-Consumer/Commercial

Company Description

XP is the leading independent investment platform in Brazil and offers low cost brokerage, investment advisory and asset management services through an omni-channel distribution network that includes the largest network of IFAs in the country. Its unique proprietary financial media content and online education portal help it to attract and engage clients. The company also expects to expand into complementary products and services such as insurance, cards, banking, and lending

Investment Rationale

As the largest independent broker in Brazil, XP's earnings are poised to benefit from cyclical tailwinds in an easing cycle (such as better inflows, revenue yield and capital markets activity). We also see room for trading multiple to re-rate. On top of this, recent cost control efforts should support better margins.

Stock Data

Average Daily Volume 6612,754

Quarterly Earnings Estimates

	2022	2023
Q1	1.71A	1.48A
Q2	1.81A	1.96E
Q3	2.00A	2.11E
Q4	1.56A	2.43E

Revised earnings estimates

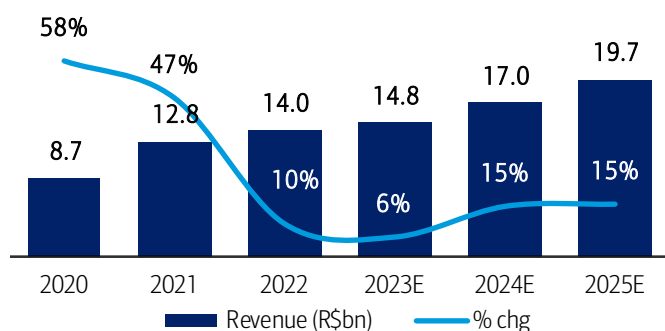
We expect GAAP net income of R\$4.0/R\$4.7/R\$5.6bn in '23E/'24E/'25E, suggesting growth of +12%/+18%/+19%. We assume +6%/+15%/+15% revenue growth, supported by higher revenue yield. Gross margin should be pressured by increased mix of equity trading, but operating margin should benefit from controlled SG&A expenses.

Revenue growth supported by retail

We increase our retail revenue yield by 2p/6bp/5bp in '23E/'24E/'25E, reflecting higher equity trading volumes. We also assume banking revenues to grow above 50% in coming years (reaching close to 30% of total revenues in '25E). All in, we expect retail revenue growth to accelerate to +19%/+19% in '24E/'25E, from +13% in '23. We also assume revenues from institutional clients to accelerate to +6%/+4% in '24E/'25E following a 29% contraction in '23, reflecting increased trading activity. We assume issuer services revenues in '24E to return to close to '22 levels (+7% growth), supported by increased ECM/DCM/M&A activity. Acceleration on retail, institutional and issuer revenues should lead to revenue growth of 15% in '24E, accelerating from +6% in '23.

Exhibit 1: Gross revenues evolution

We expect revenue growth to accelerate in coming years (+15% in '24E)

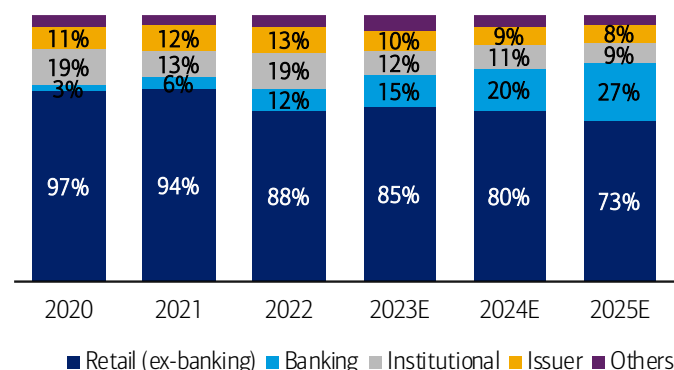


Source: Company, BofA Global Research estimates

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Exhibit 2: Gross revenue breakdown

We expect banking to reach almost 30% of revenues in '25E



Source: Company, BofA Global Research estimates

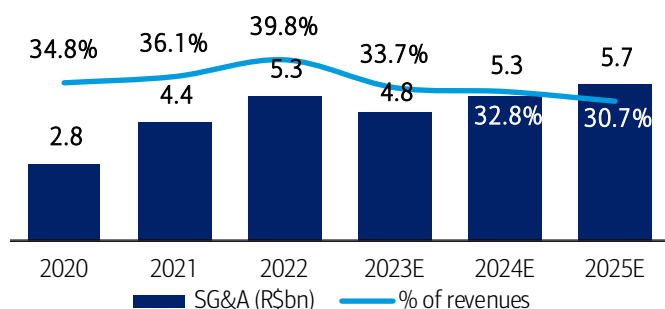
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Focus on expenses should support sequential margin improvement

Management has promoted a strong efficiency agenda, which led to c.15% headcount reduction at the beginning of the year. We believe these efforts should allow the company to deliver SG&A close to the bottom of the guidance range of R\$5.0-R\$5.5bn in '23E. All in, we expect EBT margin to expand to 28.8%/29.7%/31.8% in '23E/'24E/'25E, within management's medium term guidance range of 26-32%.

Exhibit 3: SG&A evolution

We expect SG&A to fall in '23E following headcount reductions

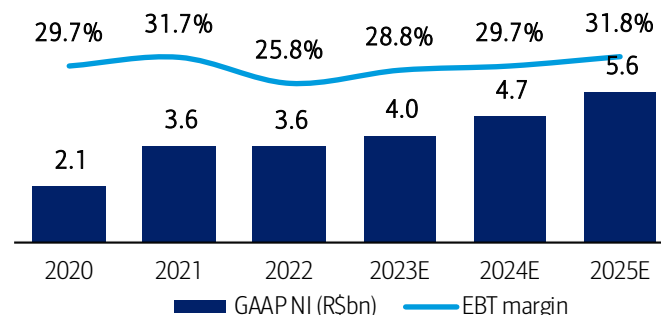


Source: Company, BofA Global Research estimates

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Exhibit 4: GAAP net income evolution

We expect sequential net margin improvement through '25E



Source: Company, BofA Global Research estimates

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Exhibit 5: New vs old estimates

We increase our '23E/'24E/'25E GAAP net income estimates by +6%/+6%/+1%

R\$ mn	2022	2023E			2024E			2025E			YoY Growth		
	Actual	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg	23E/ 22	24E/ 23E	25E/ 24E
Retail	10,158	11,423	11,481	1%	13,185	13,642	3%	15,745	16,188	3%	13%	19%	19%
Institutional	1,918	1,285	1,359	6%	1,349	1,441	7%	1,417	1,499	6%	-29%	6%	4%
Issuer services	1,295	1,151	1,165	1%	1,208	1,246	3%	1,269	1,259	-1%	-10%	7%	1%
Other	666	757	837	11%	669	712	6%	706	732	4%	26%	-15%	3%
Gross revenues	14,036	14,617	14,842	2%	16,412	17,041	4%	19,137	19,677	3%	6%	15%	15%
Net revenues	13,348	13,916	14,098	1%	15,625	16,186	4%	18,219	18,690	3%	6%	15%	15%
COGS	3,966	4,312	4,478	4%	4,905	5,293	8%	5,904	6,249	6%	13%	18%	18%
Gross profit	9,382	9,603	9,619	0%	10,720	10,893	2%	12,315	12,442	1%	3%	13%	14%
SG&A	5,317	5,122	4,751	-7%	5,461	5,315	-3%	5,865	5,739	-2%	-11%	12%	8%
Adj. EBITDA	3,792	5,140	5,407	5%	5,919	6,228	5%	7,108	7,352	3%	43%	15%	18%
Financial expenses	402	578	611	6%	449	507	13%	415	468	13%	52%	-17%	-8%
D&A	206	232	221	-5%	282	261	-7%	314	287	-9%	8%	18%	10%
EBT	3,445	3,670	4,055	10%	4,529	4,810	6%	5,720	5,947	4%	18%	19%	24%
Net income - GAAP	3,580	3,758	3,995	6%	4,454	4,713	6%	5,554	5,623	1%	12%	18%	19%
Net income - non-GAAP	4,075	4,173	4,323	4%	4,869	5,122	5%	5,969	6,033	1%	6%	18%	18%
EPS (R\$)	6.23	6.52	7.41	14%	7.66	8.67	13%	9.48	10.25	8%	19%	17%	18%
EPS (US\$)	1.19	1.25	1.44	15%	1.44	1.63	13%	1.72	1.90	10%	20%	14%	16%
EPS - non-GAAP (R\$)	7.09	7.24	8.02	11%	8.38	9.42	12%	10.18	10.99	8%	13%	17%	17%
EPS - non-GAAP (US\$)	1.36	1.39	1.56	12%	1.58	1.78	12%	1.85	2.04	10%	14%	14%	15%
Gross margin	70.3%	69.0%	68.2%	-78bp	68.6%	67.3%	-131bp	67.6%	66.6%	-102bp	-206bp	-93bp	-73bp
EBT margin	25.8%	26.4%	28.8%	239bp	29.0%	29.7%	73bp	31.4%	31.8%	42bp	296bp	95bp	210bp
Adj. effective tax rate	14.7%	16.0%	17.4%	139bp	18.0%	18.0%	0bp	18.0%	20.0%	200bp	266bp	61bp	200bp
Net margin	26.8%	27.0%	28.3%	133bp	28.5%	29.1%	61bp	30.5%	30.1%	-40bp	151bp	78bp	97bp
Net margin - non-GAAP	30.5%	30.0%	30.7%	68bp	31.2%	31.6%	49bp	32.8%	32.3%	-48bp	14bp	98bp	63bp
Active clients - EOP (th)	3,877	4,177	4,191	0%	4,577	4,591	0%	4,977	4,991	0%	8%	10%	9%
Net client adds (th)	461	300	314	5%	400	400	0%	400	400	0%	-32%	27%	0%
Total AUC - EOP (R\$bn)	946	1,102	1,083	-2%	1,277	1,257	-2%	1,459	1,438	-1%	15%	16%	14%
Inflows (R\$bn)	148	116	96	-18%	128	128	0%	128	128	0%	-35%	34%	0%
Revenue yield	1.15%	1.12%	1.13%	2bp	1.11%	1.17%	6bp	1.15%	1.20%	5bp	-2bp	3bp	4bp

Source: BofA Global Research estimates

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Earnings sensitivity

We estimate revenue growth of 15% in 2024E, assuming monthly net inflows of R\$11bn and 4bp pick-up in revenue yield (reflecting improved AUC mix and successful development of banking verticals). Our estimates yield an EBT margin of 29.7% and net income of R\$4.7bn, for growth of 18%.

However, if inflows return to the top-end of management's medium-term guidance range of R\$10-15bn, and retail revenue yield rises almost 10bp instead (on better AUC mix, and faster growth of new revenue verticals) then our revenue growth estimate would exceed 20%. Considering EBT margin close to the top of management's medium-term guidance range of 26-32%, net income would grow to R\$5.2bn (30% growth in '24E).

Conversely, if i) inflows remain weak (R\$7bn/month), close to current levels (in light of already high market share and a more competitive industry), and ii) revenue yield fails to improve (due to competition), then our revenue growth would be closer to 10% (vs base case of 15% and bullish case of 20%). Considering EBT margin closer to the low-end of management's guidance range, we estimate net income estimate of R\$4.2bn, suggesting only marginal growth from '23E.

Exhibit 6: Net revenues sensitivity to revenue yield and monthly inflows (R\$bn) - '24E

We estimate revenues of R\$16.2bn in '24, considering net monthly inflow of R\$11bn (R\$8bn in '23E) and revenue yield of 1.17% (1.13% in '23E)

		Monthly net inflows (R\$bn)				
		7	9	11	13	15
Retail rev. yield	1.11%	15,267	15,393	15,519	15,645	15,771
	1.14%	15,594	15,723	15,853	15,982	16,112
	1.17%	15,920	16,053	16,186	16,319	16,452
	1.22%	16,465	16,603	16,742	16,880	17,019
	1.27%	17,009	17,153	17,298	17,442	17,586

Source: BofA Global Research estimates

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Exhibit 7: Net revenue growth sensitivity to revenue yield and monthly inflows (R\$bn) - '24E

We estimate revenue growth of 15% in '24, considering net monthly inflow of R\$11bn (R\$8bn in '23E) and revenue yield of 1.17% (1.13% in '23E)

		Monthly net inflows (R\$bn)				
		7	9	11	13	15
Retail rev. yield	1.11%	8%	9%	10%	11%	12%
	1.14%	11%	12%	12%	13%	14%
	1.17%	13%	14%	15%	16%	17%
	1.22%	17%	18%	19%	20%	21%
	1.27%	21%	22%	23%	24%	25%

Source: BofA Global Research estimates

Exhibit 8: Net income sensitivity to revenue growth and EBT margin - '24E

We estimate net income of R\$4.7bn in '24, considering revenue growth of 15% (6% in '23E) and EBT margin of 30% (29% in '23E)

		EBT margin				
		28%	29%	30%	31%	32%
Revenue growth	5%	4,013	4,158	4,302	4,447	4,592
	10%	4,204	4,356	4,508	4,659	4,811
	15%	4,396	4,554	4,713	4,871	5,030
	20%	4,587	4,752	4,918	5,083	5,249
	25%	4,778	4,951	5,123	5,296	5,468

Source: BofA Global Research estimates / Note: GAAP net income

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Exhibit 9: Net income growth sensitivity to revenue growth and EBT margin - '24E

We estimate net income growth of 18% in '24, considering revenue growth of 15% (6% in '23E) and EBT margin of 30% (29% in '23E)

		EBT margin				
		28%	29%	30%	31%	32%
Revenue growth	5%	0%	4%	8%	11%	15%
	10%	5%	9%	13%	17%	20%
	15%	10%	14%	18%	22%	26%
	20%	15%	19%	23%	27%	31%
	25%	20%	24%	28%	33%	37%

Source: BofA Global Research estimates / Note: GAAP net income

Raising our PO to \$29

We increase our PO to \$29 from \$16, as we now apply a target P/E multiple of 17x (up from 13x before) to our '24 net income estimates (vs '23E before). Our new PO is just above the IPO level (\$27), when assets under custody were 60% smaller. Our PO suggests 21% upside potential, and we upgrade the stock to Buy.

Exhibit 10: Fair value/share sensitivity to earnings and target P/E

We reach a PO of US\$29, considering NI of R\$4.7bn and target P/E of 17x

		Net income (R\$bn)				
		4.4	4.6	4.7	4.9	5.0
24E target P/E	13	20	21	22	23	23
	15	24	24	25	26	27
	17	27	28	29	30	31
	19	30	31	32	33	34
	21	33	34	35	37	38

Source: BofA Global Research estimates / Note: GAAP net income

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Exhibit 11: Upside sensitivity to earnings and target P/E

Our PO suggests 25% upside

		Net income (R\$bn)				
		4.4	4.6	4.7	4.9	5.0
24E target P/E	13	-14%	-11%	-8%	-5%	-2%
	15	-1%	3%	6%	10%	14%
	17	13%	17%	21%	25%	29%
	19	26%	30%	35%	39%	44%
	21	39%	44%	49%	54%	59%

Source: BofA Global Research estimates / Note: GAAP net income

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Putting our target multiple into perspective

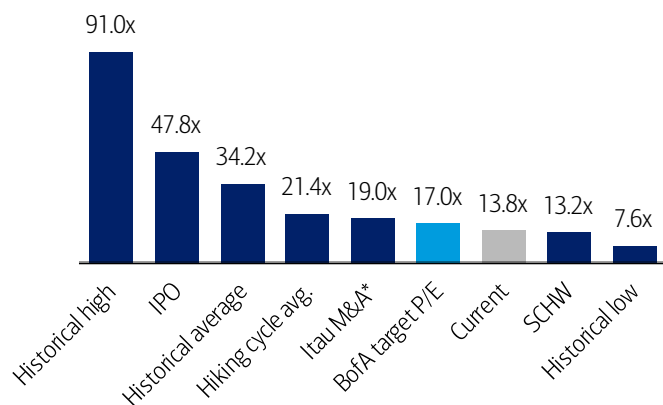
XP re-rated from 8x to 14x 12m forward P/E in only three months, as capital market stocks (and XP in particular) started to re-rate as the Market started to price in the benefits from an easing cycle on earnings momentum. Despite such impressive re-rating, we believe there is further room for multiple expansion and use a target P/E multiple of 17x to derive our PO, which is the mid-point between what we think are the bottom and peak fair multiples.

Our target multiple reflects our view that XP should not trade below 12-13x P/E in an easing cycle, considering that it traded at an average P/E multiple of 12x during the tightening cycle, and SCHW (XP's closest comp) trades at 13x, although it provides lower

long-term growth potential given the more mature nature of the US market. However, we do not think that XP should trade above 19x P/E, considering that it was valued at c.19x during Itaú's acquisition of shares and XP's private transactions, when earnings expanded at a much stronger pace. The company is now expected to deliver softer earnings growth and competition is much stronger (limiting potential market share gains and pressuring revenue yield).

Exhibit 12: XP historical 12m forward P/E

We believe XP should trade at 17x, premium to SCHW, but still below historical levels given weaker earnings growth

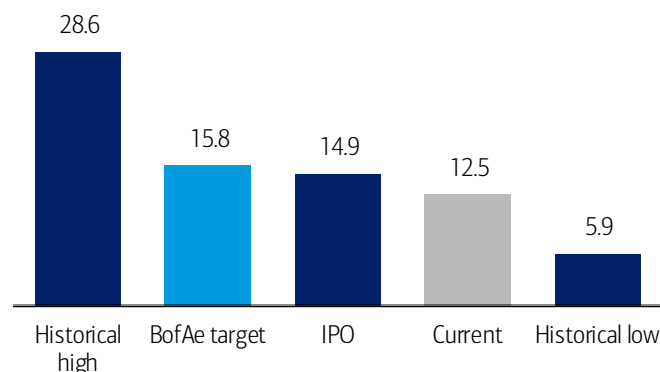


Source: BofA Global Research estimates, Bloomberg / *trailing

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Exhibit 13: XP historical market cap (US\$bn)

Our PO suggests market cap below historical highs and IPO levels



Source: BofA Global Research estimates, Bloomberg

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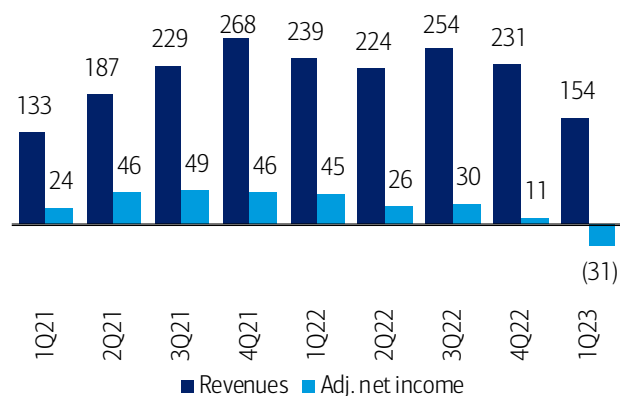
Acquisition of Modal could be EPS neutral

Modal's AUC and earnings have been on a significant downtrend since the deal with XP was announced in January '22, as the business is highly exposed to equity trading and capital markets activity. Modal's net income of R\$36mn in LTM declined c.80% and represented only c.1% of XP's, down from 5%. Meanwhile, XP is to issue c.3.5% more shares for the transaction, which makes the deal 2% dilutive in the absence of any cost or revenue synergies in '24. (This is a sharp contrast to our origination expectation for the deal to be 3% accretive at the time of the announcement).

However, we see significant potential cost synergies, as both companies operate very similar businesses. We estimate that most opportunities are concentrated on personnel, third-party and marketing expenses. Assuming a 50% reduction in Modal's expense base in '24E, we estimate the deal to be EPS Neutral. However, we think the transaction could also bring some revenue synergies, especially as XP's more robust product offering could be cross-sold to Modal's client base (not reflected on our estimates).

Exhibit 14: Modal revenues and adj. net income evolution

Revenues returned to '21 levels

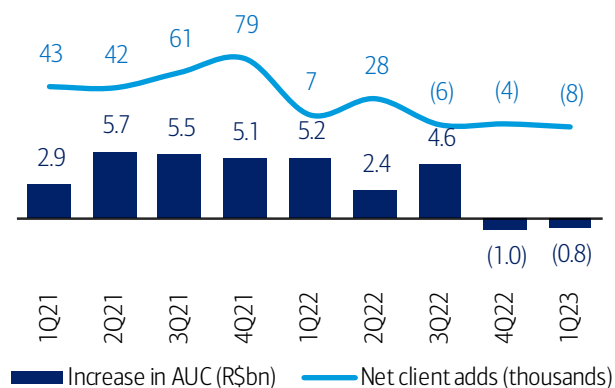


Source: Company

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Exhibit 15: Modal AUC and clients' evolution

Modal lost AUC and clients in the last two quarters



Source: Company

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Exhibit 16: Modal + XP (without synergies)

We estimate that the deal is 2% dilutive to XP, excluding synergies

XP net income '24E	4,713
XP shares outstanding (mn)	544
XP EPS	8.67
XP shares issued (mn)	18.7
Modal net income '24E	65
Pro-forma net income	4,778
Pro-forma shares outs.	562.5
Pro-forma EPS	8.49
Accretion/ (Dilution)	-2%

Source: BofA Global Research estimates

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Exhibit 17: Modal + XP (including cost synergies)

We estimate the deal is EPS Neutral, including potential cost synergies

Potential synergies	
SG&A (50% savings)	181
Total pre-tax	181
Total synergies after tax	49
Pro-forma net income with synergies	4,851
Pro-forma EPS with synergies	8.62
Accretion/ (Dilution)	0%

Source: BofA Global Research estimates

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Acronyms

AUC: assets under custody

BBG: Bloomberg

BCB: Brazilian Central Bank

DCM: debt capital markets

ECM: equity capital markets

SCHW: Charles Schwab (SCHW US)

Price objective basis & risk

XP Inc. (XP)

Our PO of \$29 is based on a target P/E multiple of 17x our '24 GAAP EPS estimate of \$1.68. Our target multiple is the midpoint of multiples during a high-rate environment and recent M&A transactions.

Downside risks are: 1) increased competition from incumbents and new players may lead to margin pressure, and limit XP's growth and profitability, 2) all of XP's revenues are denominated in BRL, and thus are vulnerable to FX volatility, and 3) potential share overhang as Itaúsa divests its stake.

Upside risks are: 1) continued growth of AUC as it gains share from incumbent banks, which should support solid growth over the medium to long-term, 2) the development of new banking products such as credit cards, credit, insurance, and pension, which could support revenue growth.

Analyst Certification

We, Mario Pierry, Antonio Ruetten and Flavio Yoshida, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Latin America - Financials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
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	B3	XIMAF	B3SA3 BZ	Mario Pierry
	B3	BOLSY	BOLSY US	Mario Pierry
	Banco do Brasil	XBBAF	BBAS3 BZ	Mario Pierry
	Banco do Brasil	BDORY	BDORY US	Mario Pierry
	Banorte	GBOOF	GFNORTEO MM	Mario Pierry
	Banorte	GBOOY	GBOOY US	Mario Pierry
	Bci	BZCIF	BCI CI	Ernesto Gabilondo
	BTG Pactual	XXNCF	BPAC11 BZ	Flavio Yoshida
	Caixa Seguridade	XDUF	CXSE3 BZ	Mario Pierry
	Cielo	CIOXF	CIEL3 BZ	Mario Pierry
	Cielo	CIOXY	CIOXY US	Mario Pierry
	ClearSale	XZUOF	CLSA3 BZ	Flavio Yoshida
	Credicorp Ltd	BAP	BAP US	Ernesto Gabilondo
	Gentera	CMPRF	GENTERA* MM	Ernesto Gabilondo
	Grupo BMV	BOMXF	BOLSAA MM	Ernesto Gabilondo
	IFS	IFS	IFS US	Ernesto Gabilondo
	Inter	XBZIF	INBR32 BZ	Mario Pierry
	Inter	INTR	INTR US	Mario Pierry
	PagSeguro Digital Ltd	PAGS	PAGS US	Mario Pierry
	Porto Seguro	PSGUF	PSSA3 BZ	Mario Pierry
	Regional	RGNLF	RA MM	Ernesto Gabilondo
	XP Inc.	XP	XP US	Mario Pierry
NEUTRAL				
	Bajío	BBAJF	BBAJ100 MM	Ernesto Gabilondo
	Banrisul	XGRBF	BRSR6 BZ	Flavio Yoshida
	BB Seguridade	XBDPF	BBSE3 BZ	Mario Pierry
	BB Seguridade	BBSEY	BBSEY US	Mario Pierry
	Bradesco	BRDPF	BBDC4 BZ	Mario Pierry
	Bradesco -A	BBD	BBD US	Mario Pierry
	Itaú Unibanco	ITUBF	ITUB4 BZ	Mario Pierry
	Itaú Unibanco	ITUB	ITUB US	Mario Pierry
	Nubank	NU	NU US	Mario Pierry

Latin America - Financials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	StoneCo	STNE	STNE US	Mario Pierry
UNDERPERFORM				
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	Banco de Chile	XHND	CHILE CI	Ernesto Gabilondo
	Banco Macro	BMA	BMA US	Ernesto Gabilondo
	Banco Macro	BCVMF	BMA AR	Ernesto Gabilondo
	Banco Santander Chile	BSAC	BSAC US	Ernesto Gabilondo
	Banco Santander Chile	XLDTF	BSAN CI	Ernesto Gabilondo
	GFINbur	GPFOF	GFINBURO MM	Ernesto Gabilondo
	Grupo Financiero Galicia	GGAL	GGAL US	Ernesto Gabilondo
	Grupo Financiero Galicia	GGABF	GGAL AR	Ernesto Gabilondo
	Santander Brasil	XCBD	SANB11 BZ	Mario Pierry
	Santander Brasil	BSBR	BSBR US	Mario Pierry
	Supervielle	SUPV	SUPV US	Ernesto Gabilondo
	Supervielle	XAZFF	SUPV AR	Ernesto Gabilondo
RSTR				
	Bancolombia	CIB	CIB US	Ernesto Gabilondo
	Bancolombia	XAFF	PFBCOLO CB	Ernesto Gabilondo

IQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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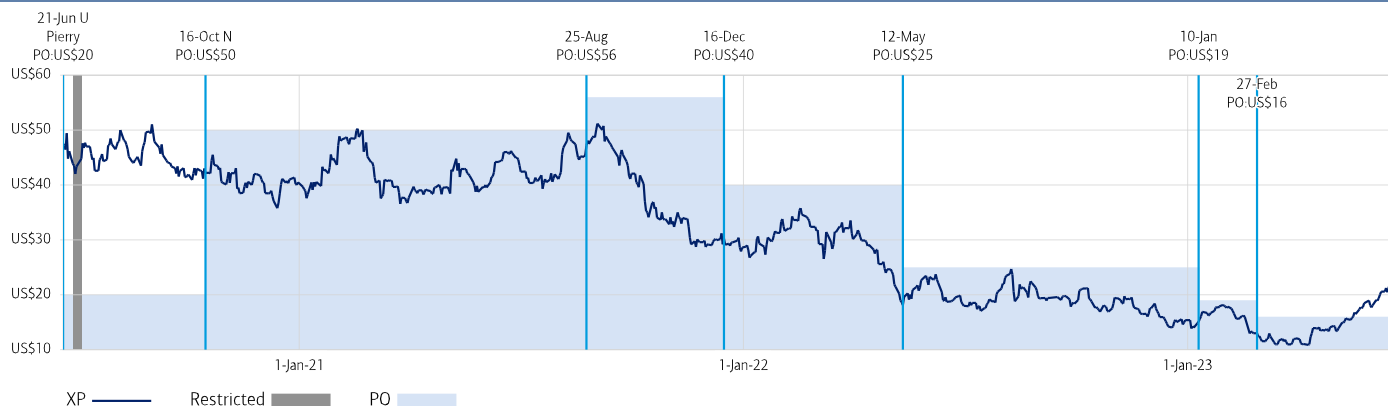
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XP Inc. (XP) Price Chart



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Equity Investment Rating Distribution: Financial Services Group (as of 31 Mar 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	152	52.41%	Buy	92	60.53%
Hold	73	25.17%	Hold	44	60.27%
Sell	65	22.41%	Sell	41	63.08%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1869	53.01%	Buy	1030	55.11%
Hold	827	23.45%	Hold	476	57.56%
Sell	830	23.54%	Sell	389	46.87%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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