



Puerto Rico's Public Companies, Economic Resilience, Growth, and Performance: A Comparative Analysis

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The Top Five Economic News YTD 2024

En route to the second half of 2024, we must highlight the top five economic news shaping 2024, of which we chose to highlight the Puerto Rico public companies' performance.

1. **Enomic Activity Index Growth:** The Puerto Rico Economic Development Bank's Economic Activity Index (EAI-EDB) demonstrated a robust 3.4% growth in December compared to the previous month. This significant increase, marking the 11th successive year-on-year rise, indicates Puerto Rico's economic health and resilience.
2. **Forecasted Economic Growth:** The Puerto Rico Planning Board forecasts 2.8% economic growth for the fiscal year 2024, buoyed by a 21.2% increase in Community Development Block Grant (CDBG) Program funds, totaling \$1.8 billion.
3. **Puerto Rico's Electric Power Authority Bonded Debt:** A critical hearing over the future of Puerto Rico's crumbling power company and its \$9 billion debt began on March 4, 2024, in federal court following years of talks between the U.S. territory's government and creditors seeking to recover their investments
4. **Inflation Forecast:** For fiscal year 2024, inflation is expected to decrease significantly in the United States, including Puerto Rico. The IMF expects the inflation rate to hover between 1.5% and 2% in 2024 and 2025, down from 2.9% in 2023. Inflation in Puerto Rico is likely to stabilize at 2%, down from 3.3% in the fiscal year 2023.
5. **Puerto Rico Public Companies Rise:** Puerto Rico Banks Report 1Q24 Consolidated Revenues of \$1,298,802 billion, Net Income of \$226,475 million showing strong fundamentals.

These impressive metrics underscore the market's confidence in Puerto Rico's public companies' resilience, credibility, and growth potential. In an environment where market sentiment plays a pivotal role, the substantial market capitalization is a testament to the companies' influence within Puerto Rico's economic ecosystem.

Wall Street versus the Birling Puerto Rico Stock Index

As we approach the second half of 2024, a comprehensive examination of the market dynamics that transpired on Wall Street becomes imperative. Our scrutiny extends to a year-to-date (YTD) evaluation of the five indices, focusing on identifying standout performers in this financial landscape.

The first quarter of 2024 was impressive for Wall Street. The Dow surged by **5.62%**, reflecting its strongest first-quarter Performance since 2021. The S&P 500 rallied **10.16%**, marking its best first-quarter Performance since 2019. The Nasdaq Composite rose **9.11%** in the same quarter, The Birling Puerto Rico Stock Index rose **3.06%**, and The Birling U.S. Bank Index rose **14.28%**.

Let's examine how the Performance has changed as of April 26, 2024, ranked by Returns:

- Birling U.S. Bank Index delivered a commendable return of **14.34%**.
- The S&P 500 exhibited a return of **6.92%**.
- Nasdaq Composite has a return of **6.11%**.
- Dow Jones achieved a return of **1.46%**.
- Birling's Puerto Rico Stock Index has a return of **0.93%**.

Understanding the Birling Capital Puerto Rico Stock Index:

The Birling Capital Puerto Rico Stock Index, one of the five indices we diligently track, is a stock market index comprising common stocks and similar securities listed on the NYSE and NASDAQ stock markets. This index focuses on companies with origins, headquarters, and principal offices in Puerto Rico. Notably, it is heavily weighted towards bank holding companies and one information technology firm.

Reflecting the market challenges, we review the 1Q24 Performance and YTD returns and stock prices as of April 26, 2024, of the four local public companies, including the three Puerto Rico banks and Evertec, that collectively have \$13,358 billion in market capitalization. During this period, the Birling Capital Puerto Rico Stock Index rose from 3,343.32 points to 3,374.37 points, reflecting a timid rise of 31.05 points and a return of 0.93%.

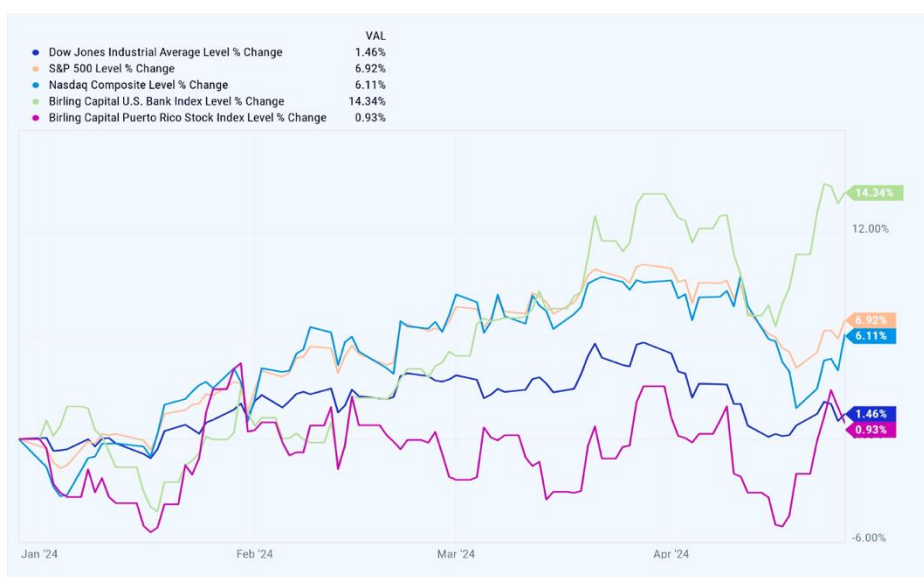
Key Highlights of the Birling Puerto Rico Stock Index for 2024

- **Total Market Capitalization** for cominded Puerto Rico Public Companies **\$13,358 billion**.
- **Out of the four companies** within the index, three have reported 1Q24 earnings that either met or surpassed consensus estimates. Only Evertec has yet to report and will do so on May 1. All have demonstrated increased revenues, net incomes, and strong capital ratios.



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Dow Jones, S&P 500, Nasdaq Composite, Birling P.R. Stock Index & Birling U.S. Bank Returns YTD as of 4/26/24



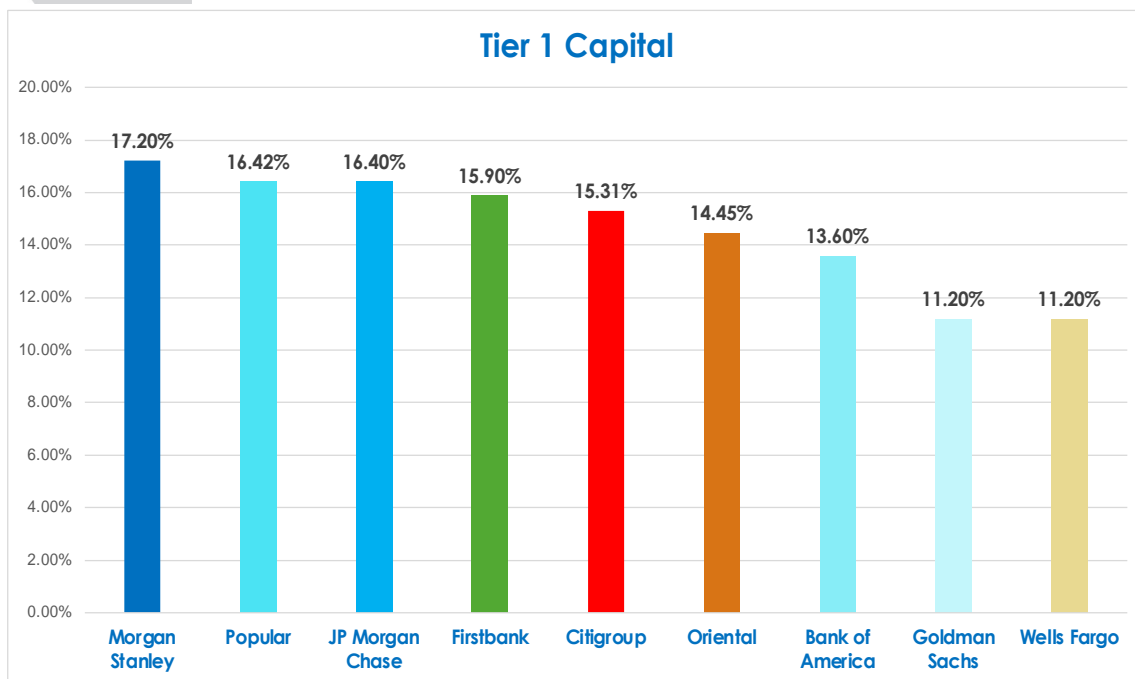
- Solid Tier 1 Capital Rates:** When comparing the Puerto Rico Banks' Tier 1 Capital with the Tier 1 Capital of the Top 6 US Banks, we note that the Puerto Rico banks are second, fourth, and sixth among these titans; see below.

Bank	Tier 1 Capital
1. Morgan Stanley	17.20%
2. Popular, Inc.	16.42%
3. JP Morgan Chase	16.40%
4. Firstbank PR	15.90%
5. Citigroup	15.31%
6. Oriental	14.45%
7. Bank of America	13.60%
8. Goldman Sachs	11.20%
9. Wells Fargo	11.20%



Top US & Puerto Rico Banks

Tier 1 Capital Comparison



Reviewing the First Quarter 2024 Ranked by Performance of the Top Puerto Rico Banks and their Profile

1. **Popular, Inc. (BPOP)** has the following Profile:
 - Total Assets: \$70, 936, 939 billion up 4.81%.
 - Total Deposits: \$63,808,784 billion, up 5.98%.
 - Total Loans: \$34,379,194, up 8.62%.
 - Market Capitalization: \$6.256 billion.
 - Tier 1 Capital: 16.42%.
 - EPS estimate for 2Q24 of \$2.104.
 - It has a YTD return of **5.50%**, which beats the Dow Jones and Birling PR Stock Index but lags the S&P 500, Nasdaq Composite, and Birling U.S. Bank Index.
 - Popular reported 1Q24 revenues of \$894,141 million, up 20.98%, beating the estimate, and Net Income of \$103,283 million, down 35.03%, when adjusted for specific one-time charges, resulted in an adjusted net income of \$135.2 million, surpassing analyst's net income estimate of \$134.03 million. Popular reached earnings per share of \$1.43 with a price objective of \$104.44. The Stock closed at \$86.58, rising by \$4.51 so far YTD.
2. **First BanCorp (FBP)** has the following Profile:
 - Total Assets: \$18,880,961 billion, down 0.72%.
 - Total Deposits: \$16,545,377 billion, down 0.60%.
 - Total Loans: \$12,059,936, up 1.07%.
 - Market Capitalization: \$2.874 billion.
 - Tier 1 Capital: 15.90%.
 - EPS estimate for 2Q24 of \$0.3975.
 - It has a YTD return of **4.80%**, which beats the Dow Jones and Birling PR Stock Index but lags the S&P 500, Nasdaq Composite, and Birling U.S. Bank Index.
 - Firstbank reported 1Q24 Revenues of \$230.5 million, down 1.24%, and a Net Income of \$73.5 million. It reached earnings per share of \$0.44 with a price objective of \$20.20. The Stock Closed at \$17.24, increasing \$0.79 YTD.
3. **OFG Bancorp (OFG)** has the following Profile:
 - Total Assets: \$11,159,235 billion, up 10.95%.
 - Total Deposits: \$9,548,274 billion, up 11.47%.
 - Total Loans: \$7,541,751, up 9.83%.
 - Market Capitalization: \$1.714 billion.
 - Tier 1 Capital: 14.45%.
 - EPS Estimate for 2Q24 of \$0.96.
 - Its YTD return is **-3.15%**, below the Dow Jones, S&P 500, Nasdaq Composite, Birling PR Stock Index, and Birling U.S. Bank Index.
 - Oriental reported 1Q24 revenues of \$174.161 million, up 5.91%, misses the estimate, and Net Income of \$49.692 million, up 7.49%. Oriental reached earnings per share of \$1.05, beating estimates of \$0.95 by 10.52%, and has a stock price objective of \$42.50. The Stock Closed at \$36.30, decreasing (\$1.18) YTD.
4. **Evertec, Inc. (EVTC): Will Report on May 1, 2024**
 - Earnings per Share Estimate for 1Q24: \$0.6719.
 - Stock Price Objective: \$42.00.
 - Total Market Capitalization: \$2.515 billion.
 - Total Return YTD: **-5.89%**.
 - Stock Price as of 4/26/24: \$38.43, down \$2.51 YTD.



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Popular, Firstbank, Oriental & Evertec Returns YTD 4/26/24



The Final Word: Puerto Rico Economic Outlook and Forecast Aims for Lighting to Strike Twice

In Puerto Rico, strategic investments in infrastructure act as the cornerstone of economic progress, albeit mainly with Federal Reconstruction Funding of at least \$1.8 billion and with an added boon of \$2.7 billion in debt service savings, the government now possesses \$4.5 billion in ample resources to expand, enrich, and fortify the island's infrastructure network.

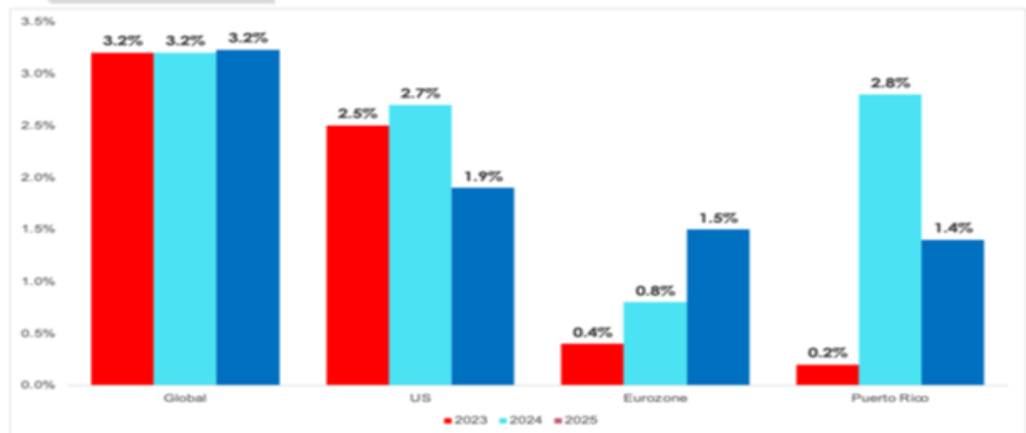
This infusion has prompted a notable surge in economic optimism, as evidenced by the Puerto Rico Planning Board's upward revision of its GDP growth projection from 1.80% to a robust 2.80%, higher than the U.S. forecasted GDP of 2.7%.

Under the current administration, the island has witnessed a commendable average economic growth rate of 2.43% GDP during the combined three years, marking the highest sustained rate over a decade and a half.

Some facts to support this growth on average in the last three years are the Economic Activity Index at 3.40% is 194.12% higher, the unemployment rate at 5.70% is 38.71% lower, the labor participation rate at 44.80% is 12.28% higher, and the sales of cement bags at 1,189 million are 11.85% higher all triple-digit rates.



Global, US, Eurozone & Puerto Rico Economic Growth Forecast 2023-2025



Sources: IMF World Economic Outlook and Puerto Rico Planning Board

Birling Capital's projections for 2024 and 2025 offer a tempered perspective on Puerto Rico's GDP growth, forecasting rates of 1.5% and 1.2%, respectively. This cautious outlook is grounded in the recognition that the recent surge in construction activity, while significant, may not be sufficient to sustain such elevated growth rates over the coming years. It's worth noting that Puerto Rico's outperformance relative to the United States in 2022, with a GDP growth of 3.36% compared to the US GDP growth of 1.94%, was a rare occurrence not seen in two decades. Drawing on this historical context, Birling Capital raises a valid point: placing undue reliance on a singular sector's momentum to outpace broader economic trends consistently may be overly optimistic, akin to expecting lightning to strike the same spot twice.

Furthermore, the broader economic landscape supports Birling Capital's cautious stance. While Puerto Rico has demonstrated resilience and potential for growth, the forecasts for the United States, Eurozone, and Global Economies suggest a more subdued trajectory. Against this backdrop, Puerto Rico's projected growth rates, albeit tempered, still stand favorably, underscoring the island's ability to weather challenges and sustain progress amidst global uncertainties. This nuanced perspective highlights the opportunities and challenges facing Puerto Rico's economic trajectory, providing stakeholders with a more realistic assessment of its growth prospects.



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