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Think Strategically

Birling Capital Puerto Rico Stock Index Surges 32.49% in 2023, Outperforming Major U.S. Indices

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The Top Three Economic News of 2023

En route to the end of 2023, we must highlight the top three economic news for 2023, of which we chose to highlight the Puerto Rico public companies' performance.

#1 The Abertis Metro Pistas Public-Private Partnership contract award for the operation of three highways through a 40-year public contract in a transaction valued at \$2.85 billion. Metropistas will now also operate highways PR-52, PR-53, PR-66, the Martínez Nadal Expressway or PR-20, and the PR-22 and PR-18 highways it already operates.

#2 The Genera Contract: The contract award that transferred the former power generation operations of the Puerto Rico Electric Power Authority to Genera PR, an independently managed subsidiary of the New York-based energy company New Fortress Inc., has been awarded a multimillion-dollar 10-year contract to operate, maintain, and decommission the power generation units on the island.

Genera is being paid a yearly fee of \$22.5 million during the first five years. The cost will decrease after the fifth year to a minimum of \$5 million annually.

#3 The Solid Performance of the four Puerto Rico public companies with Overall Performance Metrics of Consolidated Total Asset of \$100.14 billion, Consolidated Net Income of \$884.408 million and Consolidated Market Capitalization of \$13,257 billion YTD.

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 year's culmination, a comprehensive examination of the market dynamics that transpired on Wall Street throughout 2023 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.

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The months of November and December 2023 witnessed historic market gains, propelling the indices to attain new peaks for the year. The substantial magnitude of these gains resonated across the five indices we monitor, revealing remarkable results from the best to the worst performers in YTD 2023:

1. **Nasdaq Composite** recorded an impressive return of **43.25%**.
2. **Birling's Puerto Rico Stock Index** demonstrated a robust return of **32.49%**.
3. **S&P 500** exhibited a solid return of **23.83%**.
4. **Birling U.S. Bank Index** delivered a commendable return of **17.10%**.
5. **Dow Jones** achieved a return of **12.79%**.

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.

In reflection of the market challenges faced between **March 1 and March 17, 2023**, the four local public companies, including the three Puerto Rico banks and Evertec, collectively experienced a loss of \$2.537 billion in market capitalization due to a bank sector's confidence crisis. During this period, the Birling Capital Puerto Rico Stock Index dropped from 2,520.76 points to 2,273.19 points, reflecting a negative return of -18.97%. Individual company returns during the crisis were as follows:

- Popular, Inc. (BPOP): -28.71%
- First Bankcorp (FBP): -22.57%
- OFG Bancorp. (OFG): -15.23%
- Evertec, Inc. (EVTC): -10.48%

Key Highlights of the Birling Puerto Rico Stock Index for 2023

- The Birling Capital Puerto Rico Stock Index achieved a remarkable 32.49% return YTD in 2023.
- Opening at 2,520.74 points in 2023, the index closed at 3,339.80 points on December 22, 2023, marking an increase of 819.06 points and a total return YTD of 32.49%. A \$10,000 investment at the beginning of the year would yield \$3,249 today.
- All companies within the index reported third-quarter earnings that either met or surpassed consensus estimates, demonstrating increased revenues, net incomes, and strong capital ratios.



Dow Jones, S&P 500, Nasdaq Composite, Birling P.R. Stock Index & Birling U.S. Bank Index Performance



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Critical Insights into the Puerto Rico Public Companies and their Market Trends:

1. OFG Bancorp. (OFG):

- YTD Total Assets: \$10.035 billion
- Net Income: \$135.275 million
- Earnings per Share: \$2.84
- Tier 1 Capital: 14.03%
- Total Market Capitalization: \$1.794 billion
- Total Return: 37.75%
- Despite a -15.23% return during the bank crisis, OFG Bancorp has surged 347.86% since then.

2. Firstbank Corp. (FBP):

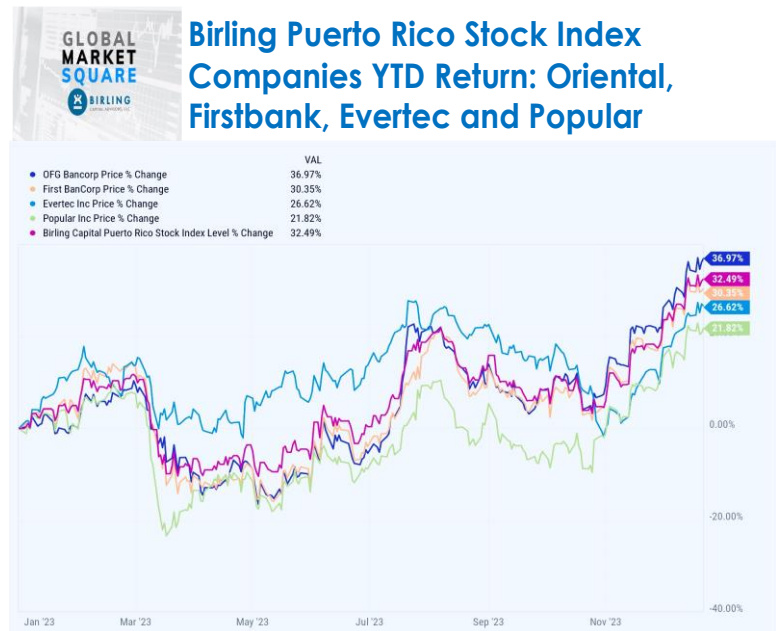
- YTD Total Assets: \$19.108 billion
- Net Income: \$223.375 million
- Earnings per Share: \$1.23
- Tier 1 Capital Ratio: 16.35%
- Total Market Capitalization: \$2.883 billion
- Total Return: 30.35%
- Recovering from a -22.57% return during the crisis, Firstbank Corp. has improved by 234.47%.

3. Evertec, Inc. (EVTC):

- YTD Total Assets: \$1,261,460 billion
- Net Income: \$68,069 million
- Earnings per Share: \$1.04
- Total Market Capitalization: \$2.653 billion
- Total Return: 26.62%
- With a -10.48% return during the crisis, Evertec, Inc. has seen an impressive 354% improvement.

4. Popular, Inc. (BPOP):

- YTD Total Assets: \$69,736 billion
- Net Income: \$446.689 million
- Earnings per Share: \$6.22
- Tier 1 Capital: 16.88%
- Total Market Capitalization: \$5.921 billion



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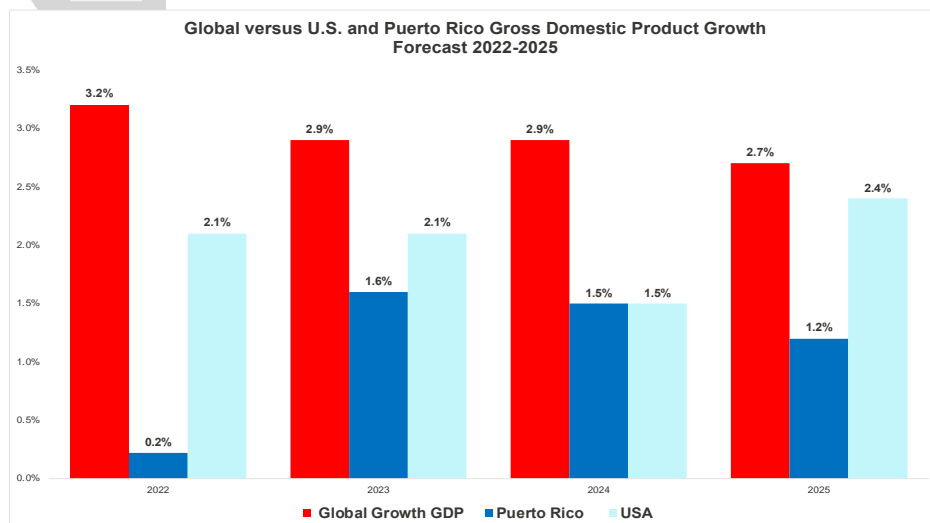
- Total Return: 21.80%
- Despite a -28.71% return during the crisis, Popular, Inc. has shown resilience with a 176.00% improvement.

The Final Word: Puerto Rico Economic Outlook and Forecast:

For Puerto Rico, the strength of infrastructure investment serves as the engine of economic growth. With the additional benefit of \$2.7 billion in debt service savings, the government has ample resources to expand, enhance, and improve Puerto Rico's infrastructure. Birling Capital forecasts a closing GDP of 1.6% for 2023, with projections of 1.5% in 2024 and 1.2% in 2025, comparing favorably against the overall GDP growth forecast for the U.S.



Global, U.S. and Puerto Rico GDP Growth Forecast 2023-2025



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