

TRAXION: WE EXPECT A FAVORABLE 4Q19

BUY

Target Price 2020E (MXN\$)	\$ 21.00
Current Price (MXN\$)	\$ 15.85
Min / Max (L12M - MXN\$)	11.91 - 15.99
Expected Dividend (MXN\$)	\$ 0.00
Total Return	32.5%
Mkt Cap (Mn of MXN)	8,530
Enterprise Value (Mn of MXN\$)	14,306
Shares Outstanding (Mn)	538.2
Float	43.5%
ADTV (MXN\$ Mn)	\$ 4.19

Opinion and Recommendation

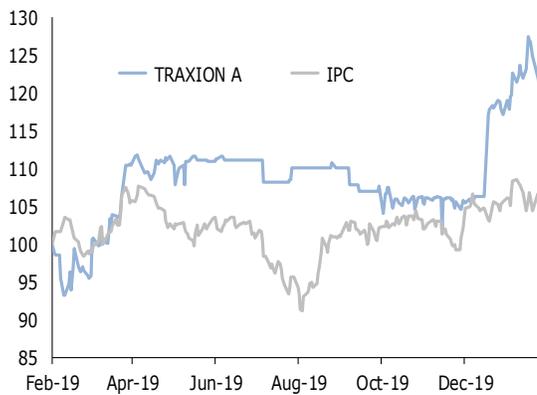
We expect TRAXION to deliver a favorable operating performance in 4Q19, supported by a solid organic growth in the personnel and student transportation business. We recommend taking advantage of any short-term adjustment in the price of TRAXIÓN's shares due to the company's strong fundamentals, as well as their low valuation with a forward EV/EBITDA of 5.1x, estimated P/E of 14.0x and P/BV of 0.8x.

4Q19 Preview

We expect TRAXIÓN's 4Q19 revenues to reach MXN\$3,119 million, up 8% YoY. This will include a 21% YoY increase in the personnel and student transportation business, which we believe continued to experience a significant organic growth. The number of kilometers traveled in this segment will rise 12% YoY to 77 million, while the average revenue per kilometer will advance 8% YoY to MXN\$17. In the freight and logistics business, we expect revenues to remain stable compared to the previous year due to a high comparison base.

We project that total costs will rise 9% YoY as a result of a higher price of fuel and tolls. Meanwhile, expenses will be up only 4% due to economies of scale inherent to the business. This will result in a 10% YoY EBITDA growth to MXN\$639 million. The EBITDA margin will expand to 20.5% in 4Q19, from 20.0% the previous year.

Despite the strong operating performance, we anticipate that net profits will decrease 40% YoY as a result of the reversal of last year's fiscal gains.



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