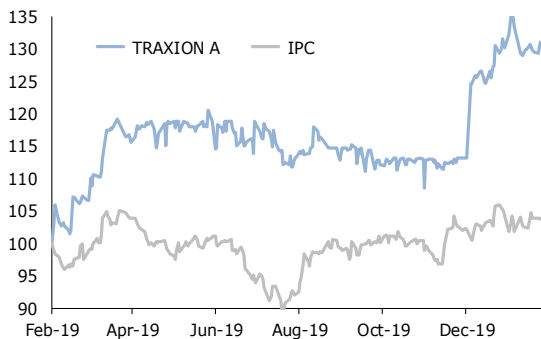


TRAXION: 4Q19 RESULTS

Positive Results with a Strong Organic Growth and Higher Margins

BUY	
Target Price 2020E (MXN\$)	\$ 21.00
Current Price (MXN\$)	\$ 14.84
Min / Max (L12M - MXN\$)	12.10 - 16.77
Expected Dividend (MXN\$)	\$ 0.00
Total Return	41.5%
Mkt Cap (Mn of MXN\$)	7,986
Enterprise Value (Mn of MXN\$)	13,562
Shares Outstanding (Mn)	538.2
Float	43.5%
ADTV (MXN\$ Mn)	\$ 10.00



Opinion and Recommendation:

- **TRAXIÓN's results were positive as the company reported a very healthy 7.8% organic revenue growth supported by the personnel and student business. The EBITDA margin improved 50 basis points due to economies of scale. However, net profit fell 28.2% as a result of higher interests paid and a small exchange loss. Revenue and EBITDA were in line with our projections while net income exceeded our expectations.**
- **TRAXIÓN reached its 2019 guidance and established a very favorable guidance for 2020, which includes an 8% organic sales and EBITDA growth, with a 21% EBITDA margin, and a MXN\$1.2 billion Capex. The company plans to consolidate its current operations, capitalize on selected growth opportunities, boost the logistics segment and carry out the necessary renovations. In addition, it will reduce leverage, increase future investment capacity and optimize current installed capacity. It is worth mentioning that this year's guidance does not include any new acquisition.**
- **Our fundamental recommendation remains in BUY with a year-end MXN\$21.0 target price. The valuation of TRAXIÓN's shares continues to be attractive as they currently trade at a forward EV/EBITDA of 5.1x and a projected P/U of 15.0x.**

Revenues

TRAXIÓN's sales increased 7.8% (in line with our expectations) to MXN\$3,119 million in 4Q19. This performance was mainly driven by a 20.8% revenue growth in the personnel and student transportation business, which derived from a healthy rise both in terms of kilometers traveled and revenue per kilometer.

However, sales of the cargo and logistics business remained stable for two reasons. The first one was the fact that a percentage of the volume of kilometers contracted for 4Q19 was previously registered in 3Q19. The second one was a fleet rebalancing due to an increase in exports compared to import volume, which generated a higher volume of empty kilometers. Total kilometers traveled rose 9.4% to 140.3 million in 4Q19, with a similar performance in cargo and logistics (+ 9.3%) than

TRAXION: 4Q19 Results

in personnel and student transportation (+ 9.9%). Revenue per kilometer decreased 6.0% in cargo and logistics due to the aforementioned impact, but improved 13.4% in personnel and student transportation.

TRAXIÓN's total fleet averaged 8,176 units, up 19.4% compared to the previous year.

Profitability

Total costs were rose 9.7% as a result of higher costs of facilities, services and supplies and a higher depreciation, due to the company's strong growth and the integration of "El Bisonte" fleet in October 2018. General expenses advanced only 7.3% due to the economies of scale, which was partially offset by pre-operational expenses due to the start-up of new units at the personnel and student transportation segment. The expense to sale ratio was 22.2% in 4Q19 from 20.0% in 4Q18. As a result, EBITDA grew 10.5% (vs. 10.4% E) to MXN\$640 million in 4Q19. EBITDA margin improved 50 bp to 20.5%, in line with our expectations.

Net Profit

The comprehensive financing cost was MXN\$191 million in 4Q19, from a MXN\$110 million cost in the previous year. This was due to higher interests paid, resulting from a higher debt level during the last 12 months, and a small exchange loss. For this reason, net profits fell -28.2% (vs. -39.9% E), reaching MXN\$158 million.

Operating Cash Flow

The 4Q19 operating cash flow grew 90.8% to MXN\$933 million thanks to an improvement in the working capital cycle.

Financial structure

The financial structure strengthened with a net debt to EBITDA ratio of 2.05x in 4Q19, from 2.44x in 4Q18. Twenty six percent of total debt matures during the next 12 months. We expect the company to refinance this amount of debt over the coming months.

4Q19 Results

(Figures in MXN\$ Mn)

	4Q19 Actual	4Q19 Estimated	Difference (%)	4Q18 Actual	Change YoY (%)	Change Estimated (%)
Sales	3,119	3,119	-	2,893	7.8	7.8
Costs	-2,230	-2,222	0.3	-2,032	9.7	9.3
Gross Profit	889	896	-0.8	861	3.3	4.1
<i>Gross Margin</i>	<i>28.5</i>	<i>28.7</i>		<i>29.8</i>		
Expenses	-601	-581	3.4	-560	7.3	3.8
<i>Expenses / Sales</i>	<i>19.3</i>	<i>18.6</i>		<i>19.4</i>		
Operating Profit	288	315	-8.7	301	-4.2	4.8
EBITDA	640	639	0.1	579	10.2	10.4
<i>EBITDA Margin</i>	<i>20.5</i>	<i>20.5</i>		<i>20.0</i>		
Net Profit	158	132	19.4	220	-28.2	-39.9
ROE	4.2	4.2		4.5		
Net Debt / EBITDA	2.1x	2.2x		2.4x		

Source: BMV, Miranda Global Research

TRAXION: 4Q19 Results

4Q19 Results

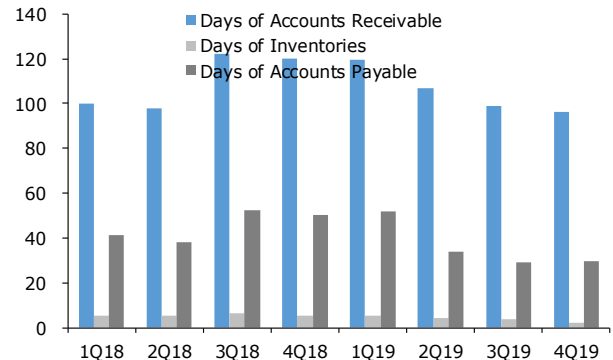
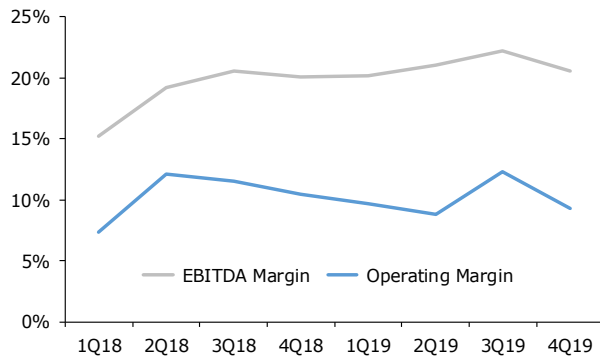
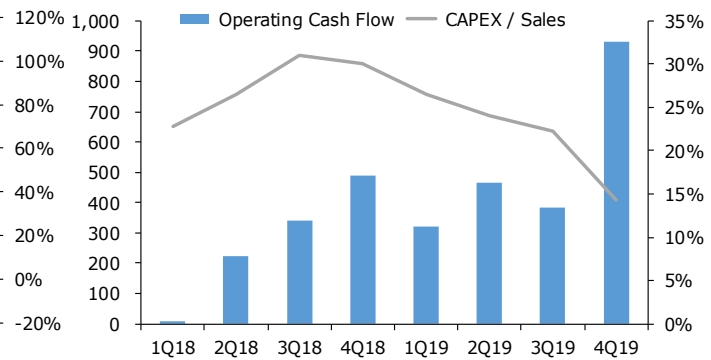
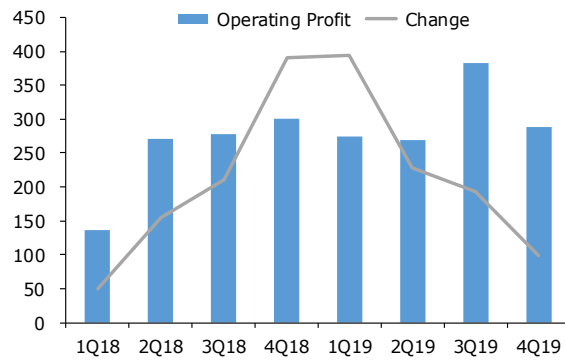
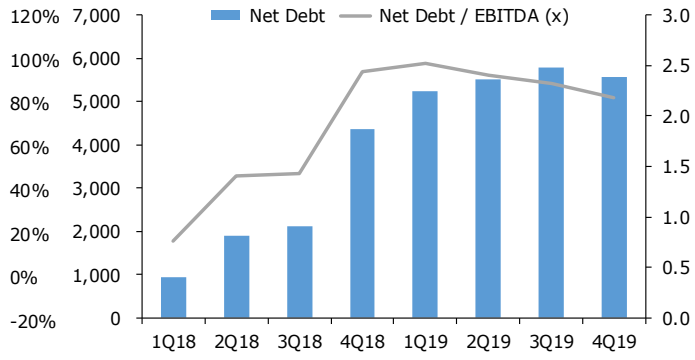
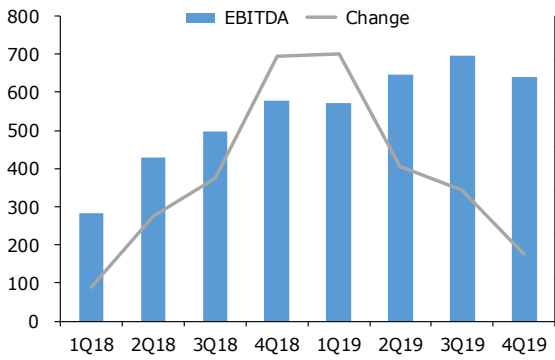
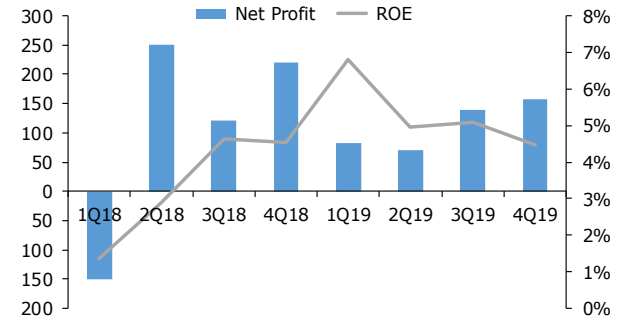
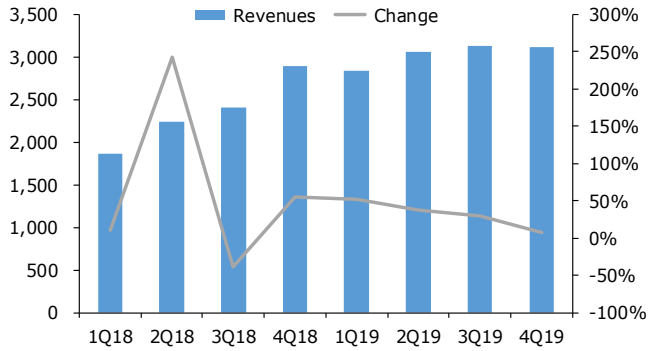
(Figures in Millions of MXN\$)

INCOME STATEMENT	4Q19	4Q18	Change	Acum 2019	Acum 2018	Change
Revenues	3,119	2,893	7.8%	12,157	9,403	29.3%
Operating Profit	288	301	-4.2%	1,216	986	23.3%
<i>Operating Margin</i>	<i>9.2%</i>	<i>10.4%</i>		<i>10.0%</i>	<i>10.5%</i>	
EBITDA	640	579	10.5%	2,554	1,785	43.1%
<i>EBITDA Margin</i>	<i>20.5%</i>	<i>20.0%</i>		<i>21.0%</i>	<i>19.0%</i>	
Financial Gains	-66	58	-214.4%	67	147	-54.5%
Financial Cost	-125	-167	-25.5%	-756	-581	30.0%
Pre-Tax Profit	98	192	-48.9%	528	553	-4.5%
Income Tax & Profit Sharing	60	28	112.0%	-76	-110	-30.7%
<i>Tax & Profit Sharing Rate</i>	<i>-61.3%</i>	<i>-14.8%</i>		<i>14.5%</i>	<i>20.0%</i>	
Profit Before Minorities	158	220	-28.2%	451	442	2.0%
Minority Interest	0	0	N.A.	0	0	N.A.
Net Profit	158	220	-28.2%	451	442	2.0%
EPS	P\$ 0.28	P\$ 0.40	-29.8%	P\$ 0.82	P\$ 0.81	1.0%
ROE	4%	5%		4%	5%	
ROIC	12%	8%		12%	8%	
BALANCE SHEET	4Q19	4Q18	Change	Acum 2019	Acum 2018	Change
TOTAL ASSETS	19,105	17,670	8.1%	19,105	17,670	8.1%
Current Assets	3,819	3,675	3.9%	3,819	3,675	3.9%
Cash & Temp. Inv.	574	501	14.6%	574	501	14.6%
Accounts Receivable	2,028	2,004	1.2%	2,028	2,004	1.2%
Inventories	47	97	-51.6%	47	97	-51.6%
LT Assets	15,286	13,996	9.2%	15,286	13,996	9.2%
P, P & E	8,547	7,925	7.9%	8,547	7,925	7.9%
Intangible Assets	5,622	5,670	-0.8%	5,622	5,670	-0.8%
Deferred Tax Assets	374	218	71.6%	374	218	71.6%
Other LT Assets	92	168	-45.5%	92	168	-45.5%
TOTAL LIABILITIES	8,881	7,621	16.5%	8,881	7,621	16.5%
ST Liabilities	3,565	2,717	31.2%	3,565	2,717	31.2%
LT Liabilities	5,316	4,904	8.4%	5,316	4,904	8.4%
Stockholder's Equity	10,224	10,049	1.7%	10,224	10,049	1.7%
TOTAL DEBT	6,150	4,858	26.6%	6,150	4,858	26.6%
NET DEBT	5,576	4,357	28.0%	5,576	4,357	28.0%
Net Debt / EBITDA (x)	2.2x	2.4x	-25.8%	2.2x	2.4x	-25.8%
CASH FLOW STATEMENT	4Q19	4Q18	Change	Acum 2019	Acum 2018	Change
PRE-TAX PROFIT	158	220	-28.2%	451	442	2.0%
Pre-Tax Cash Flow	536	443	21.2%	2,332	1,505	54.9%
Working Capital Changes	396	47	742.6%	-230	-441	-48.0%
Operating Cash Flow	932	489	90.5%	2,102	1,064	97.6%
Investment Cash Flow	-411	-2,077	-80.2%	-1,114	-4,287	-74.0%
Financing Cash Flow	-527	1,614	-132.6%	-915	453	-302.1%
Net Incr. (Decr.) in Cash & Temp. Inv.	-5	26	-120.0%	73	-2,771	-102.6%
FX Gain (Loss) In Cash and Temp. Inv.	0	-1	-100.0%	0	-1	-100.0%
Beg. of Period Cash and Temp. Inv.	579	475	22.0%	579	475	22.0%
End of Period Cash and Temp. Inv.	574	501	14.6%	574	501	14.6%

Source: Company, BMV

TRAXION: 4Q19 Results

(Figures in Millions of MXN\$)



Source: Company, BMV

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