

# TRAXION: 2Q20 RESULTS

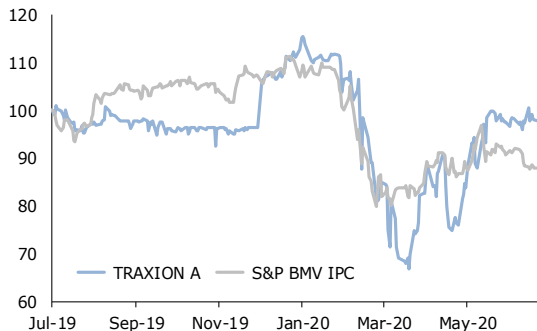
## Record Quarter with Higher-Than-Expected Sales and Profitability Levels and a Lower Leverage

### BUY

Target Price 2020E (MXN\$)	\$ 21.00
Current Price (MXN\$)	\$ 14.04
Min / Max (L12M - MXN\$)	8.50 - 16.77
Expected Dividend (MXN\$)	\$ 0.00
Total Return	49.6%
Mkt Cap (Mn of MXN)	7,630
Enterprise Value (Mn of MXN\$)	12,422
Shares Outstanding (Mn)	543.5
Float	43.5%
ADTV (MXN\$ Mn)	\$ 9.02

### Opinion and Recommendation:

- TRAXIÓN's results were very positive because the company recorded a solid growth in terms of revenues, EBITDA and net profit of 6.8%, 15.9% and 112.5% respectively. These figures exceeded our projections (we estimated + 5.5%, + 9.3% and + 87.5%, respectively), despite such a difficult environment during the quarter. This was the best quarter in the company's history.
- TRAXIÓN benefited from the diversification and flexibility of its business model, which allowed it to take advantage of greater demand from the basic consumer and logistics sectors, and thus offset the impact of the temporary closure of the automotive industry. At the end of the quarter, the company was operating close to 100% of installed capacity.
- In addition, it strengthened its financial structure, generated a high positive free cash flow, and reaffirmed its leadership position in the transportation industry by launching two new mobility applications. After these results, we reiterate our BUY recommendation with a MXP\$21.0 per share target price.



### Cargo and Logistics

In the cargo and logistics business, TRAXIÓN was able to offset the impact of the temporary shutdown of the automotive industry by focusing on basic consumer industries such as self-service, food and beverage, as well as the export sector. At the end of the quarter, some sectors of the Mexican economy recovered due to the re-openings. Additionally, the company experienced increased demand for logistics services. In storage, installed capacity grew 6.7% to 455,735 M2 and the average price per M2 increased 19.4%. As a result, cargo and logistics sales and EBITDA rose 19.0% and 20.3%, respectively. The EBITDA margin was 19.9% in 2Q20, slightly higher than 19.7% in 2Q19.

### School and Personnel Transportation

In school and personnel transportation, kilometers traveled declined 22.6% as a result of the pandemic impact. However, the average revenue per kilometer was up 15.4%, which led to

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a 10.6% sales reduction in this business unit. The company implemented several cost and expense reduction initiatives that enabled it to boost its profitability in a significant way with an EBITDA margin of 29.2% in 2Q20, above 22.7% in 2Q19.

### Consolidated

TRAXIÓN's consolidated revenues advanced 6.8% to MXN\$3,279 million. The company experienced a significant reduction in gasoline and fleet maintenance costs, mainly as a result of fewer kilometers traveled. EBITDA grew 15.9% to MXN\$748 million, with which the EBITDA margin expanded 180 bps year-on-year to 22.8%.

TRAXIÓN presented a higher than expected net profit of MXN\$151 million, supported by a solid operating performance as well as higher interests gains and a small FX gain.

### Operating Cash Flow

TRAXIÓN generated a MXN\$593 million operating cash flow, also supported by the strong operating results and a sound working capital management, which rose 8.4%.

### Financial structure

Net debt fell 6.7% to MXN\$4,792 million, which translated into a net debt to EBITDA ratio of 1.80x at the end of 2Q20, from 2.19x in 2Q19. The company mentioned in its press release that it plans to issue a bond, possibly during 3Q20, which we believe will allow it to extend its maturity profile. We do not rule out the possibility that TRAXIÓN carries out an acquisition in the future.

### Technology

TRAXIÓN released two new applications during the quarter. The first one is "TRAXI", a people mobility application that allows customers to find preset routes and commute more comfortably and safely to their destinations. In a first stage, the company launched this application to support the transportation of medical workers for free. The second application is "TRAXPORTA", a platform that connects customers with cargo operators, which creates an "asset light" business supported by digitalization.

(Figures in Millions of MXN\$)

INCOME STATEMENT	2Q20	2Q20E	Diff.	2Q19	Change
Revenues	3,279	3,237	1.3%	3,069	6.8%
Operating Profit	416	401	3.8%	269	54.6%
Operating Margin	12.7%	12.4%		8.8%	
EBITDA	748	716	4.5%	646	15.8%
EBITDA Margin	22.8%	22.1%		21.1%	
Financial Gains	44	9	393.3%	34	28.7%
Financial Cost	-187	-195	-4.2%	-200	-6.7%
Pre-Tax Profit	273	215	27.0%	103	165.3%
Net Profit	151	140	8.1%	71	112.5%
EPS	P\$ 0.27	P\$ 0.25	6.9%	P\$ 0.13	104.1%
Net Debt / EBITDA (x)	1.8x	2.3x		2.2x	

Source: Company, BMV

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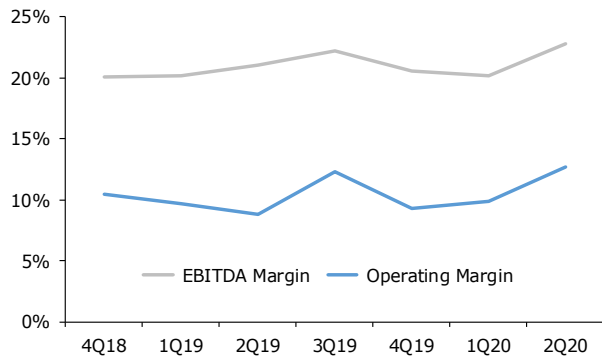
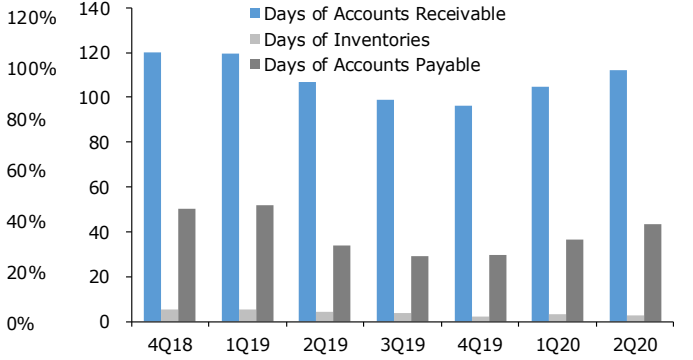
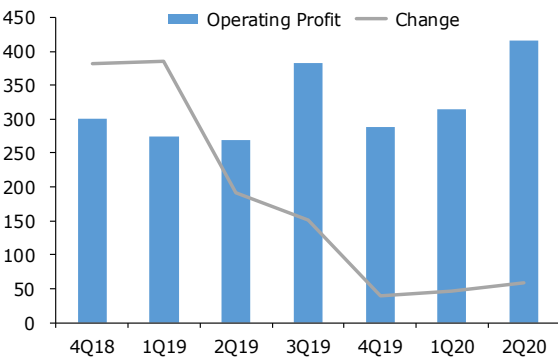
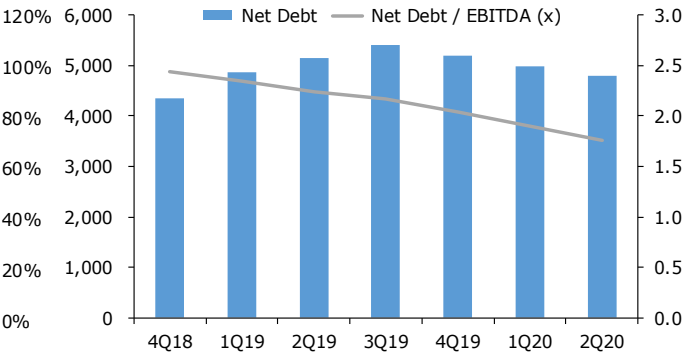
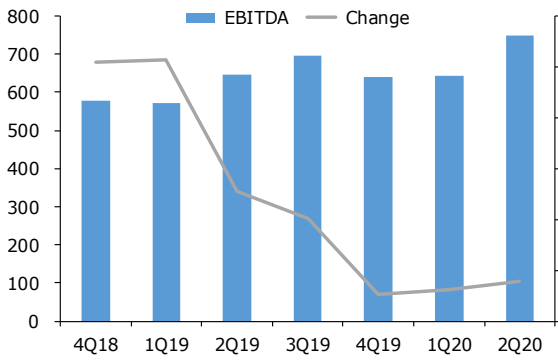
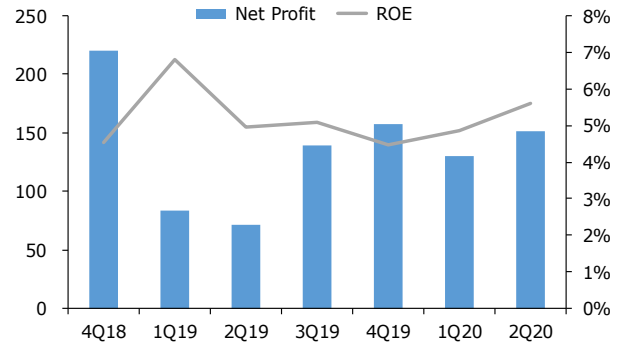
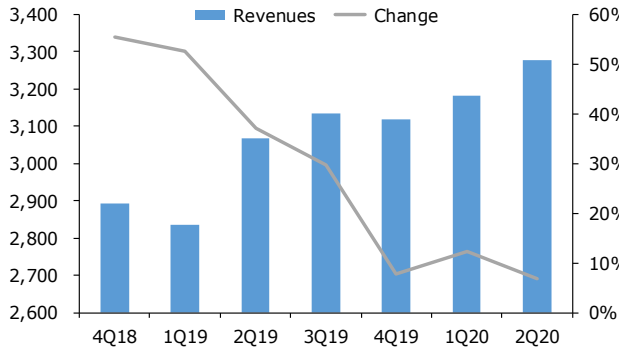
(Figures in Millions of MXN\$)

<b>INCOME STATEMENT</b>	<b>2Q20</b>	<b>2Q19</b>	<b>Change</b>	<b>Acum 2020</b>	<b>Acum 2019</b>	<b>Change</b>
Revenues	3,279	3,069	6.8%	6,462	5,904	9.4%
Operating Profit	416	269	54.6%	730	544	34.2%
<i>Operating Margin</i>	<i>12.7%</i>	<i>8.8%</i>		<i>11.3%</i>	<i>9.2%</i>	
EBITDA	748	646	15.8%	1,390	1,218	14.1%
<i>EBITDA Margin</i>	<i>22.8%</i>	<i>21.1%</i>		<i>21.5%</i>	<i>20.6%</i>	
Financial Gains	44	34	28.7%	108	47	127.7%
Financial Cost	-187	-200	-6.7%	-353	-360	-1.8%
Pre-Tax Profit	273	103	165.3%	485	232	109.2%
Net Profit	151	71	112.5%	281	154	81.7%
EPS	P\$ 0.27	P\$ 0.13	104.1%	P\$ 0.50	P\$ 0.28	76.3%
<b>BALANCE SHEET</b>	<b>2Q20</b>	<b>2Q19</b>	<b>Change</b>	<b>Acum 2020</b>	<b>Acum 2019</b>	<b>Change</b>
TOTAL ASSETS	21,003	19,007	10.5%	21,003	19,007	10.5%
Current Assets	5,697	3,946	44.4%	5,697	3,946	44.4%
Cash & Temp. Inv.	1,668	581	187.3%	1,668	581	187.3%
Accounts Receivable	2,580	2,236	15.4%	2,580	2,236	15.4%
Inventories	65	90	-28.4%	65	90	-28.4%
LT Assets	15,306	15,061	1.6%	15,306	15,061	1.6%
P, P & E	7,798	8,536	-8.6%	7,798	8,536	-8.6%
Intangible Assets	5,609	5,658	-0.9%	5,609	5,658	-0.9%
Deffered Tax Assets	335	281	19.5%	335	281	19.5%
Other LT Assets	69	111	-37.8%	69	111	-37.8%
TOTAL LIABILITIES	10,506	8,965	17.2%	10,506	8,965	17.2%
ST Liabilities	4,414	3,433	28.6%	4,414	3,433	28.6%
LT Liabilities	6,092	5,532	10.1%	6,092	5,532	10.1%
Stockholder's Equity	10,497	10,043	4.5%	10,497	10,043	4.5%
TOTAL DEBT	6,705	5,715	17.3%	6,705	5,715	17.3%
NET DEBT	4,792	5,135	-6.7%	4,792	5,135	-6.7%
Net Debt / EBITDA (x)	1.8x	2.2x	-48.1%	1.8x	2.2x	-48.1%
<b>CASH FLOW STATEMENT</b>	<b>2Q20</b>	<b>2Q19</b>	<b>Change</b>	<b>Acum 2020</b>	<b>Acum 2019</b>	<b>Change</b>
PRE-TAX PROFIT	151	71	112.5%	281	154	81.7%
Pre-Tax Cash Flow	778	629	23.7%	1,628	1,240	31.3%
Working Capital Changes	-186	-165	12.3%	-557	-454	22.8%
Operating Cash Flow	593	464	27.8%	1,071	786	36.3%
Investment Cash Flow	-347	-338	2.4%	-433	-671	-35.5%
Financing Cash Flow	-319	-49	557.6%	445	-35	-1355.8%
Net Incr. (Decr.) in Cash & Temp. Inv.	-75	77	-197.7%	1,088	80	1266.2%
FX Gain (Loss) In Cash and Temp. Inv.	-2	0	n.a.	5	0	n.a.
Beg. of Period Cash and Temp. Inv.	1,744	504	246.1%	1,744	504	246.1%
End of Period Cash and Temp. Inv.	1,668	581	187.3%	1,668	581	187.3%

Source: Company, BMV

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(Figures in Millions of MXN\$)



Source: Company, BMV

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