

TRAXION: 3Q20 PREVIEW

We Expect The Company To Maintain a Solid Operating Performance

BUY

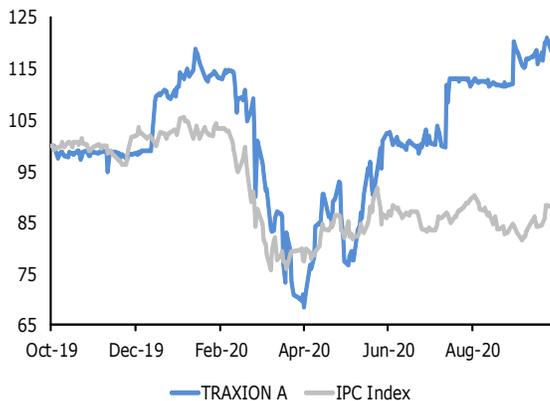
Target Price 2020E (MXN\$)	\$ 21.00
Current Price (MXN\$)	\$ 16.45
Min / Max (L12M - MXN\$)	8.50 - 17.10
Expected Dividend (MXN\$)	\$ 0.00
Total Return	27.7%
Mkt Cap (Mn of MXN\$)	8,940
Enterprise Value (Mn of MXN\$)	13,732
Shares Outstanding (Mn)	543.5
Float	43.5%
ADTV (MXN\$ Mn)	\$ 8.32

Opinion and Recommendation:

- We expect TRAXIÓN to present very favorable results in 3Q20, driven by the logistics and personnel transportation businesses, which will offset the stability of the cargo business. In our opinion, the company is likely to exceed its guidance for the year, which includes an 8% increase in revenue and EBITDA.
- We believe that 3Q20 results could support TRAXIÓN's share price in the short term. We maintain our BUY recommendation with a target value of MXN\$21.0 per share.

3Q20 Preview

We forecast that TRAXIÓN will report increases of 18.4% in revenues, 11.5% in EBITDA and 22.2% in net profits.



In the logistics and cargo business, we anticipate a 20.7% sales growth to MXN\$2,189 million, largely derived from a very solid performance in the logistics unit, which has benefited from higher demand coming from e-commerce customers, and has taken advantage of TRAXIÓN's technology and business platform. This will offset the stability of the cargo business, which experienced a rebalancing of customers with higher demand from the automotive sector (which was operating at 70% capacity during the quarter) and a stabilization in the self-service segment after the panic buying from the previous quarter. This division's EBITDA margin will likely be 17.1% in 3Q20, from 19.3% in 3Q19, since the profitability of the logistics business is lower than that of cargo.

In the student and personnel transportation business, we estimate revenues of M\$1,523 million, up 15.3% YoY since TRAXIÓN is experiencing a strong demand from the industrial segment. In fact, the company has a deficit of around 1,000 units in this business unit and in certain cases it is subleasing. In addition, it has continued to use all the units that were previously dedicated to the schools, as they remained closed during the quarter. The EBITDA margin will be 26.3% in 3Q20, in line with the previous year.

Regarding TRAXIÓN's financial structure, the company issued its first domestic bond amounting to M\$2,500 million on

TRAXION: 3Q20 Preview

September 10. We believe that it used most of these resources to refinance its short-term debt. Therefore, we expect it to close the quarter with a net debt / EBITDA ratio of around 1.8x, in line with 2Q20.

Disclaimer

The current report was prepared by Miranda Global Research ("Miranda GR") for Vector Casa de Bolsa, S.A. de C.V. The information is presented in summarized form and is not meant to be complete. There are no declarations or guarantees, expressed or implicit, in respect to the accuracy, impartiality or integrity of the information.

Miranda GR, in accordance to applicable legislation, has made sure that the presented personalized recommendation is reasonable to the client, as it has verified congruency between the client's profile and the profile of the financial product. Under no circumstance should it be understood that the fulfillment of the previously mentioned recommendation, guarantees the result or the success of the proposed strategies in the presented document.

The information included in this presentation was obtained from public and/or private sources. Projections or previsions included in this presentation, are a generalized recommendation and are based on subjective assumptions and estimations about events and circumstances that have not yet happened and are subjected to significant variations. Therefore, it is not possible to guarantee that any of the results included in the current report will happen in the future, in other words, it does not guarantee the result or the success of the posed strategies.

This report has been prepared solely with informational purposes. No declarations are made in respects to precision, sufficiency, veracity or accuracy of the information and opinions hereby included. Miranda GR will not answer (either because of negligence or for any other reason) for any damage or detriment derived or related to the use of this report or its content, or any connection to the report. Miranda GR is not responsible for the use or association with this report, including but not limited to, any declaration, expressed or implicit or guarantees or omissions included in this information.

This report is based on facts and/or events that have happened up to this date, consequently any future facts and/or events can impair the conclusions hereby expressed. Miranda GR does not assume any responsibility to update, review, rectify or invalidate this report based on any future occurrence.

The opinions related to this report eventually expressed by Miranda GR, should be considered only as suggestions/recommendations to better operate various topics related to the presentation.

This report and its contents are property of Miranda GR and cannot be reproduced or broadcast in part or in its entirety without the previous written consent of Miranda GR.

Miranda Global Research receives fees from Grupo Traxion, S.A.B. de C.V. for independent analyst services.