

TRAXION: 3Q20 RESULTS

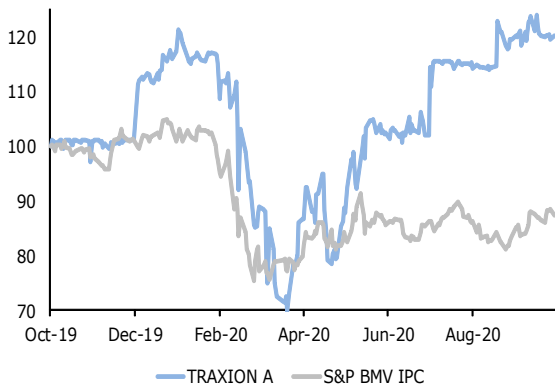
Excellent Results with a Significant Growth in All Indicators; Exceeding Our Expectations

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)	\$ 7.80

Opinion and Recommendation:

- TRAXIÓN presented very favorable 3Q20 results, driven by the logistics business and a high demand from industrial clients in the school and personnel transportation unit. Revenues increased 20.4% YoY, EBITDA grew 21.2% YoY, and net profits rose 37.3% YoY, far exceeding our projections (we expected + 18.4%, + 11.5%, and + 22.2%, respectively). In addition, the net debt to EBITDA ratio fell to 1.69x, the company was able to extend its maturity profile and its cash flow from operations was up 47.4% YoY.
- E-commerce related revenues now represents 10% of total revenues, compared to just 4% last year.
- We believe that 3Q20 results could support TRAXIÓN's share price in the short term. We maintain our BUY recommendation with MXN\$21.0 per share target price.



3Q20 Consolidated Results

TRAXIÓN presented very favorable 3Q20 results with revenues rising 20.4%, EBITDA 21.2% and net profits 37.3%. Cash flow from operations advanced 47.4% YoY to MXN\$565 million. The company benefited mainly from a higher demand for logistics services and transportation of personnel to industrial parks, for which it continued to rebalance its fleet. It also remained focused on generating savings and operating efficiencies. As result, expenses only increased 2.5%, thus offsetting the 23.8% rise in total costs due to the strong growth in logistics. Consolidated EBITDA margin was 22.4% in 3Q20, from 22.2% in 3Q19.

Cargo and Logistics

Cargo and logistics revenues grew 22.2% YoY, reaching MXN\$2,216 million, due to a higher demand for logistics services related to e-commerce activities, 3PL warehousing services and other services. This segment's EBITDA was up 7.9% due to the strong growth of the logistics business, whose profitability is lower than that of cargo. This reduced the EBITDA margin for cargo and logistics to 17.0% in 3Q20, from 19.3% in 3Q19. Kilometers traveled increased 4.5% YoY, while the average price per kilometer decreased 10.3% YoY.

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Personnel and Student Transportation

Personnel and Student Transportation sales were up 18.1% YoY to MXN\$1,559 million. This business experienced a stronger commercial activity and high demand from industrial customers as a result of the gradual re-opening of the Mexican economy. To cope with this effect, TRAXIÓN had to continue using the fleet that was previously dedicated to schools and to temporarily rent some third-party units. Despite this, this business unit's EBITDA grew 32.4% to MXN\$466 million. The EBITDA margin expanded 360 basis points to 29.9%. Kilometers traveled increased 15.7% YoY, while the average revenue per kilometer was up 2.0%.

Financial Structure

During the quarter, TRAXIÓN issued its first bond amounting to MXN\$2.5 billion, thereby improving its maturity profile. Short-term debt now represents 14% of total debt (previously 24%), while debt with 12-24 month maturity represents another 14% (previously 24%). The net debt to EBITDA ratio fell to 1.69x at the end of 3Q20, below the 1.80x we expected.

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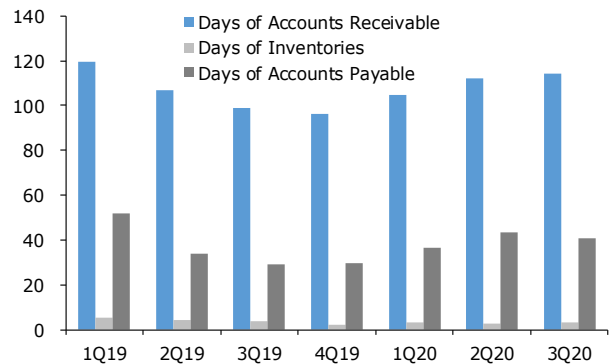
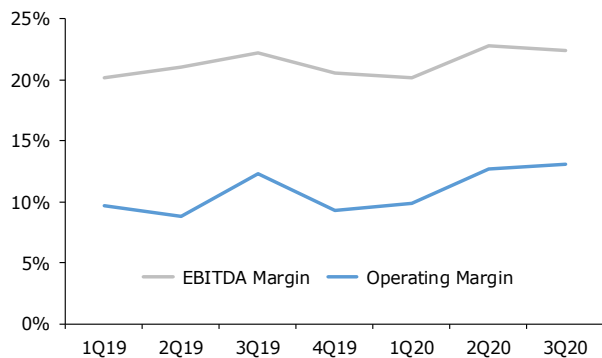
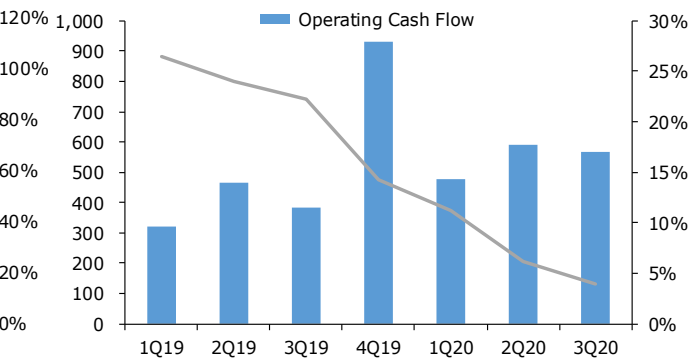
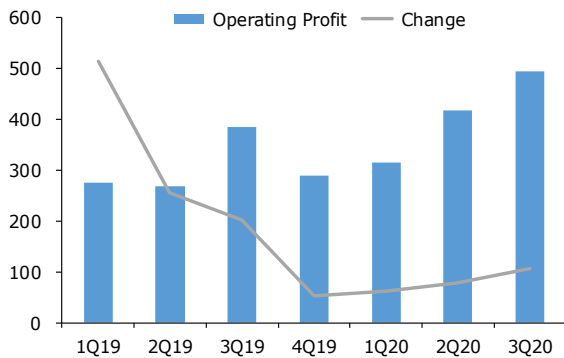
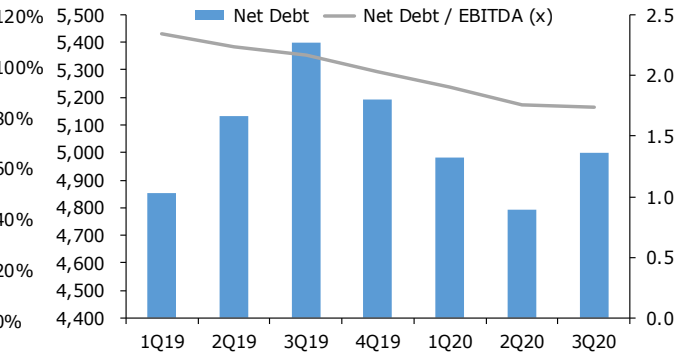
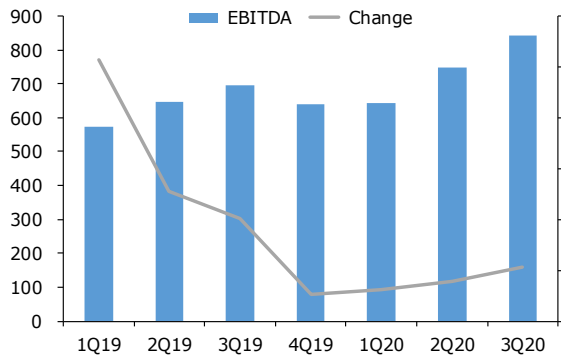
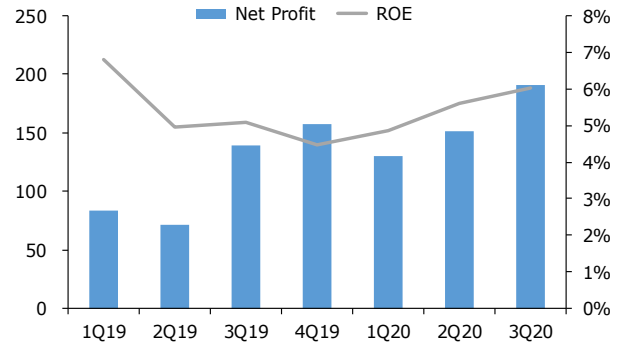
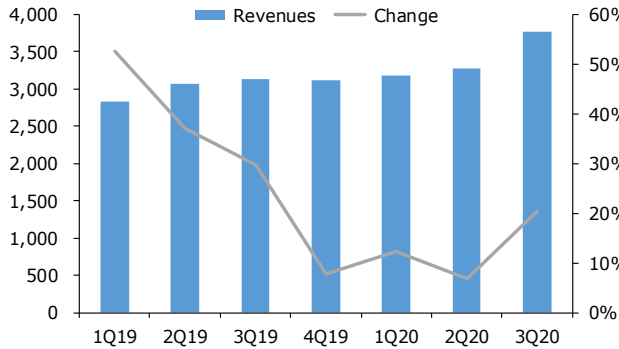
(Figures in Millions of MXN\$)

INCOME STATEMENT	3Q20	3Q20E	Diff.	3Q19	YoY Chg.	Acum 2020	Acum 2019	YoY Chg.
Revenues	3,774	3,711	1.7%	3,134	20.4%	10,236	9,038	13.3%
Operating Profit	495	430	15.0%	384	28.9%	1,225	928	32.0%
<i>Operating Margin</i>	<i>13.1%</i>	<i>11.6%</i>		<i>12.2%</i>		<i>12.0%</i>	<i>10.3%</i>	
EBITDA	844	776	8.8%	696	21.3%	2,234	1,914	16.7%
<i>EBITDA Margin</i>	<i>22.4%</i>	<i>20.9%</i>		<i>22.2%</i>		<i>21.8%</i>	<i>21.2%</i>	
Financial Gains	-1	27	-102.4%	86	-100.8%	107	133	-19.7%
Financial Cost	-204	-163	24.9%	-271	-24.8%	-557	-631	-11.7%
Pre-Tax Profit	290	294	-1.3%	198	46.4%	775	430	80.3%
Net Profit	191	170	12.3%	139	37.3%	472	294	60.7%
EPS	P\$ 0.33	P\$ 0.31	7.5%	P\$ 0.25	31.2%	P\$ 0.83	P\$ 0.54	55.1%
BALANCE SHEET	3Q20	3Q20E	Diff.	3Q19	YoY Chg.	Acum 2020	Acum 2019	YoY Chg.
TOTAL ASSETS	20,841	20,810	0.1%	19,200	8.5%	20,841	19,200	8.5%
Current Assets	5,665	6,516	-13.1%	3,892	45.5%	5,665	3,892	45.5%
Cash & Temp. Inv.	1,388	1,700	-18.4%	579	139.6%	1,388	579	139.6%
Accounts Receivable	2,741	2,375	15.4%	2,222	23.4%	2,741	2,222	23.4%
Inventories	77	108	-28.6%	86	-10.5%	77	86	-10.5%
LT Assets	15,176	14,294	6.2%	15,308	-0.9%	15,176	15,308	-0.9%
P, P & E	7,838	8,066	-2.8%	8,587	-8.7%	7,838	8,587	-8.7%
Intangible Assets	5,607	5,609	0.0%	5,603	0.1%	5,607	5,603	0.1%
Deffered Tax Assets	269	335	-19.9%	348	-22.9%	269	348	-22.9%
Other LT Assets	103	69	48.6%	108	-4.9%	103	108	-4.9%
TOTAL LIABILITIES	10,230	10,428	-1.9%	9,088	12.6%	10,230	9,088	12.6%
ST Liabilities	3,642	4,335	-16.0%	3,160	15.2%	3,642	3,160	15.2%
LT Liabilities	6,589	6,092	8.1%	5,928	11.2%	6,589	5,928	11.2%
Stockholder's Equity	10,610	10,575	0.3%	10,112	4.9%	10,610	10,112	4.9%
TOTAL DEBT	6,387	7,228	-11.6%	5,978	6.8%	6,387	5,978	6.8%
NET DEBT	4,999	5,528	-9.6%	5,399	-7.4%	4,999	5,399	-7.4%
Net Debt / EBITDA (x)	1.7x	1.8x		2.2x		1.7x	2.2x	

Source: Company, BMV

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(Figures in Millions of MXN\$)



Source: Company, BMV

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