

TRAXIÓN: 4Q20 Preview

We Expect Very Solid Results Driven by the Logistics Business

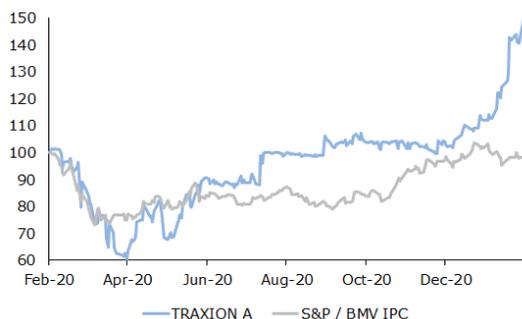
BUY

Target Price (MXN\$)	\$ 29.00
Current Price (MXN\$)	\$ 23.75
Min / Max (L12M - MXN\$)	8.50 - 25.00
Expected Dividend (MXN\$)	\$ 0.00
Total Return	22.1%
Mkt Cap (Mn of MXN\$)	12,908
Enterprise Value (Mn of MXN\$)	17,907
Shares Outstanding (Mn)	543.5
Float	43.5%
ADTV (MXN\$ Mn)	\$ 10.60

Opinion and Recommendation

We expect TRAXIÓN to present very solid 4Q20 results with a significant growth of 29% in revenues, 21% in EBITDA and 17% in net profits, driven mainly by a high demand for logistics services and a favorable performance in cargo and school and personnel transportation. Our recommendation remains BUY.

We are establishing a new target price of MXN\$29.00 per share based on a DCF model that includes a 5.5% growth rate in perpetuity in nominal terms, and a 9.8% WACC.



Cargo and Logistics

We expect Cargo and Logistics revenues to rise 35% YoY thanks to a high demand for e-commerce services, which boosted RedPack's last mile sales. We estimate that this subsidiary's revenues will be around MXN\$600 million in the current quarter, from MXN\$153 million in 4Q19. This means that Redpack will be responsible for around 50% of TRAXIÓN's total sales growth. In the traditional cargo business, we forecast that kilometers traveled will be up 5.4% thanks to a strong domestic and export demand for basic products and a favorable performance of the manufacturing segment. This will allow the company to increase its average price by 15%. We forecast an EBITDA margin of 15.5% in Cargo and Logistics in 4Q20, from 17.0% in 4Q19, due to the strong growth in the logistics business.

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Personnel and Student Transportation

We anticipate a 20% revenue growth in this business supported by a greater number of retail customers as well as a higher demand from the industrial sector. This will result in a 16% increase in the number of kilometers traveled, with a slightly higher average revenue per kilometer. The high flexibility of TRAXIÓN's business model will allow the company to fully offset declining school revenues. We estimate an EBITDA margin of 24.9% in 4Q20, slightly higher than last year's 24.3% level.

TRAXIÓN will report next February 25th after the close.

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