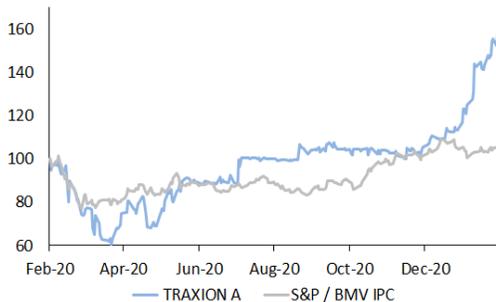


TRAXIÓN: 4Q20 Results

Excellent Results That Exceeded The Guidance for the Year

BUY	
Target Price (MXN\$)	\$ 29.00
Current Price (MXN\$)	\$ 25.38
Min / Max (L12M - MXN\$)	8.50 - 27.00
Expected Dividend (MXN\$)	\$ 0.00
Total Return	14.3%
Mkt Cap (Mn of MXN)	13,793
Enterprise Value (Mn of MXN\$)	18,696
Shares Outstanding (Mn)	543.5
Float	43.5%
ADTV (MXN\$ Mn)	\$ 11.90



Opinion and Recommendation

TRAXIÓN reported very positive 4Q20 results with substantial increases in the main operating indicators (sales + 30.3%, EBITDA + 21.8% and net income + 22.0%), which were basically in line with our forecasts. TRAXIÓN benefitted from a high demand in the logistics business, but also in freight and school and personnel transportation, relying on the flexibility of its business model, cutting-edge technology and diversification. In addition, the company was able to reduce its debt during the year, closing with a net debt to EBITDA ratio of only 1.60x. This means that it has an adequate financial structure to undertake a new acquisition.

Annual results far exceeded the company's guidance.

TRAXIÓN released its guidance for the year, which includes a 10% organic revenue growth with an EBITDA margin similar to last year. Capex will be MXN\$2.0 billion, which will be aimed mainly at technology, fleet renewals and investments in transportation equipment for growth. We believe that this guidance is favorable considering the high comparison base from the previous year. In addition, it is slightly higher than the 8% growth in revenue and EBITDA that we originally anticipated. We thus reiterate our BUY recommendation.

Consolidated 4Q20 Results

TRAXIÓN reported total 4Q20 revenues of MXN\$4,061 million with an impressive 30.3% YoY growth (vs. our expectation of MXN\$4,016 million with an annual increase of 28.8%) mainly driven by a solid performance in the logistics business deriving from the company's high exposure to the e-commerce business, which represented around 12% of total sales. In addition, it experienced a greater demand for personnel transportation to industrial parks.

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Total costs grew 30.0% YoY, mainly in the areas of facilities, services and supplies (+ 68.7%), fleet maintenance (+ 40.1%) and labor costs (+ 37.5%). This was partially offset by an 18.3% drop in fuel costs. Consolidated EBITDA was up 21.8% YoY to MXN\$784 million (we expected MXN\$777 million with a 20.5% YoY increase) due to a higher contribution of the logistics business, which generates a lower profitability. This translated in a 19.3% EBITDA margin in 4Q20, below the 20.7% of the same period last year.

Net profits rose 22.0% YoY to MXN\$189.0 million supported by a favorable performance at the operating level, which was partially offset by a higher integral cost of financing. This was generated by FX and the effect of derivative financial instruments.

Total debt fell MXN\$410 million during the year to MXN\$4,777 million, with which the net debt to EBITDA ratio improved to 1.60x in the current quarter, from 2.05x the previous year. This means that TRAXIÓN has a solid financial structure and is ready to carry out a new acquisition. 18% of the total debt is due within the next 12 months, but we believe that TRAXIÓN will refinance it satisfactorily.

With respect to sustainability, TRAXIÓN adhered to the United Nations' Global Compact and created the TRAXIÓN Foundation during the year. The company has several environmental, social and governance initiatives that will be carried out through such Foundation, which we think is favorable news.

Cargo and Logistics

Revenues from this business unit were up 38.8% YoY in 4Q20, supported by strong 295.9% growth in the last mile business and +56.0% in 3PL warehouse logistics services. Storage space rose 25.6% annually. The number of kilometers traveled increased 3.5%. However, revenue per kilometer was down 3.8%, we believe as a result of the prevailing macroeconomic situation. The EBITDA margin improved 60 bps to 17.9% despite the expansion of the logistics business.

School and Personnel Transportation

TRAXIÓN recorded higher demand from industrial customers, which was covered with the fleet dedicated to schools and with the rental of third-party units. This boosted this business unit's sales by 19.3%. The number of kilometers traveled rose 19.4%, while the average income remained practically unchanged. The EBITDA margin expanded 60 bps annually, reaching 24.9%, being fueled by higher revenues and the costs and expenses control initiatives.

(Figures in Millions of MXN\$)	4Q20	4Q20E	Diff.	4Q19	YoY Chg.	2020	2019	YoY Chg.
Revenues	4,061	4,016	1.1%	3,116	30.3%	14,298	12,154	17.6%
Operating Profit	457	435	4.8%	288	58.7%	1,682	1,215	38.4%
<i>Operating Margin</i>	<i>11.2%</i>	<i>10.8%</i>		<i>9.2%</i>		<i>11.8%</i>	<i>10.0%</i>	
EBITDA	784	771	1.6%	640	22.5%	3,018	2,554	18.2%
<i>EBITDA Margin</i>	<i>19.3%</i>	<i>19.2%</i>		<i>20.5%</i>		<i>21.1%</i>	<i>21.0%</i>	
Financial Gains	10	18	-45.8%	-66	-114.8%	117	67	73.8%
Financial Cost	-239	-190	26.2%	-125	92.1%	-796	-756	5.4%
Pre-Tax Profit	227	264	-14.0%	97	134.0%	1,002	527	90.1%
Net Profit	189	185	2.6%	155	22.0%	661	449	47.3%

Source: Company, BMV

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