

# TRAXIÓN

Raising TP to MXN\$45.00/share; Favorable Outlook

TRAXION A	BUY
Target Price (MXN\$)	\$ 45.00
Current Price (MXN\$)	\$ 35.58
Min / Max (L12M - MXN\$)	10.23 - 38.99
Expected Dividend (MXN\$)	\$ 0.00
Total Return	26.5%
Mkt Cap (Mn of MXN)	19,337
Enterprise Value (Mn of MXN\$)	24,856
Shares Outstanding (Mn)	543.5
Float	43.5%
ADTV (MXN\$ Mn)	\$ 24.90



## Opinion and Recommendation

We are revising upwards TRAXIÓN's estimated revenues, EBITDA and net profits for the next few years, after having updated our model. We believe that the main drivers for the next few years will be the logistics and technology business, driven by the growth of e-commerce in Mexico (TRAXIÓN has an exposure of 17% of total revenue) and cargo outsourcing services, as well as the personnel mobility business. For this year, we expect TRAXIÓN's consolidated revenues to increase 14% and EBITDA to rise 12%, which is above the company's guidance of a 10% growth in both cases. In the logistics and technology business, we expect revenues of MXN\$4.3 billion with an EBITDA margin of 10.2%, in personnel mobility we project revenues of MXN\$6.3 billion with an EBITDA margin of 26.7% and in cargo mobility we estimate sales of MXN\$5.6 billion with a 22.7% margin.

We are increasing our target price for TRAXIÓN's shares to MXN\$45.00/share, from an original level of MXN\$39.00/share, as a result of this revision in our estimates. Our new target price is based on a discounted cash flow model, which includes a 7.5% WACC and a 4.6% growth rate in perpetuity. The potential return is 26.5%.

TRAXIÓN's valuation remains attractive to us as its shares are currently trading at an EV/EBITDA of 7.6x and a P/E of 20.3x, which are below the averages of 19.2x and 42.4x, respectively, of emerging markets transportation and logistics companies. In addition, in 1Q21 TRAXIÓN reported the performance of its three business units independently and its main ESG indicators, which we believe will boost its valuation.

June 1st, 2021

**Martin Lara**  
 +5255-6413-8563  
 martin.lara@miranda-gr.com

### Summary of our recent talk with Aby Lijtszain, Co-founder and Executive President of TRAXIÓN:

**Measures during the pandemic.** TRAXIÓN was able to prove its resilient model during the pandemic as it was able to increase its revenues, maintain its margins and grow its net profits. The flexibility of its business model allowed it to re-assign its fleet very rapidly where it was required, thus avoiding any impact. In addition, TRAXIÓN positioned itself very well in the last mile business.

**High ROIC in the asset light business.** TRAXIÓN expects revenues of US\$200 million this year in the asset light business, which is consistent with our projections. This business will likely generate a 10% margin, which can reach 10-15% in the long term. However, it does not require large investments, so the ROIC is very high, between 80-200%.

**Attractive valuation.** TRAXIÓN considers that its logistics and technology business (27% of revenues in 1Q21) is similar to that of the Brazilian company Sequoia Logística e Transportes. This company generates sales of around US\$200 million and trades at an estimated EV/EBITDA multiple of 15.5x. North American logistics services company XPO Logistics is trading at a forward multiple of 11.5x. Multi-service companies trade at around 12x, while multi-services companies at 16x. These multiples are higher than TRAXIÓN's 7.6x, which is why we believe that there is potential for additional upside in this indicator.

**Last Mile:** RedPack sold around MXN\$650 million in 2017 (it was acquired by TRAXIÓN in May 2018), currently it sells around MXN\$1.8 billion with a 10% margin. The outlook is attractive due to the significant growth in e-commerce (+81% in 2020), which should remain at double-digit rates over the next few years. Amazon and Liverpool are among the main clients.

TRAXPORTA is a platform that offers services with third-party trucks (20-15% commission), similar to a cargo UBER, but with business-to-business (B2B) logistics solutions. It depends mainly on technology and people and there are many entry barriers. In fact, there are 3-4 similar competing companies that lose money. Last year, TRAXPORTA sold MXN\$700 million with a 10% margin. However, the growth potential is enormous as the trucking industry is worth around US\$80 billion annually.

**3PL services.** In Mexico, only 14% of companies outsource their logistics processes, compared to 65% in developed countries. TRAXIÓN is the second largest 3PL service provider in the country.

**Traditional businesses.** The outlook of TRAXIÓN's traditional businesses is favorable as they remain healthy and with high margins, generate high cash flow and enable the company to invest in the growth of the asset light business.

**Mergers / Acquisitions.** TRAXIÓN is not currently analyzing any acquisition, but is open to purchase companies in the asset light business in the future, which could include last mile. TRAXIÓN has a solid financial structure with a net debt to EBITDA ratio of 1.49x.

**Investments:** The MXN\$2 billion Capex for the current year includes US\$100 million in the technology business, which we believe is excellent news.

---

## Change in Estimates

	2021E			2022E			2023E		
	Before	After	Change	Before	After	Change	Before	After	Change
Revenues	15,748	16,316	4%	17,333	17,723	2%	19,068	19,257	1%
EBITDA	3,309	3,385	2%	3,665	3,785	3%	4,056	4,217	4%
Net Income	967	1,017	5%	1,151	1,267	10%	1,339	1,440	8%

## Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2022E	2023E	2024E	2025E	2026E	Perp.
OPERATING PROFIT	2,317	2,561	2,791	3,066	3,375	3,530
Tax Rate	30%	30%	30%	30%	30%	30%
Tax Shield	-695	-768	-837	-920	-1,013	-1,059
NOPLAT	1,622	1,793	1,954	2,147	2,363	2,471
Depreciation	1,472	1,660	1,848	2,036	2,224	2,326
Working Capital Changes	-284	-313	-346	-381	-406	-424
CAPEX	-2,200	-2,400	-2,600	-2,800	-3,000	-3,137
FCFF	610	739	856	1,002	1,181	1,235
Perpetuity Growth Rate						4.6%
PV of Explicit Period (2022 - 2026E)						3,471
Perpetuity Value						42,611
PV of Perpetuity Value						27,639
Enterprise Value						31,110
Net Debt						4,999
Market Value						26,110
Outstanding Shares						580
Target Price						P\$ 45.00
Current Market Price						P\$ 35.58
Potential Return Incl. Dividends						26.5%
Forward EV/EBITDA						8.3x
Forward P/E						20.6x
Average Cost of Debt						7.9%
LT Tax Rate						30.0%
After-Tax Cost of Debt						5.5%
Cost of Equity						8.5%
Market Risk Premium						6.0%
Risk-Free Rate						6.7%
Beta						0.31
% Total Debt						34.8%
% Capital						65.2%
WACC						7.5%

Source: Miranda Global Research

**Sensitivity Analysis Table, EV/EBITDA vs. EBITDA**

	-10%	-5%	<i>Original</i>	+5%	+10%
<b>Projected EBITDA</b>	<b>3,406</b>	<b>3,596</b>	<b>3,785</b>	<b>3,974</b>	<b>4,163</b>
<b>Target EV/EBITDA</b>					
6.8x	30.78	33.00	35.22	37.43	39.65
7.3x	33.72	36.10	38.48	40.86	43.24
7.8x	36.65	39.20	41.74	44.28	46.82
<b>8.3x</b>	<b>39.59</b>	<b>42.30</b>	<b>45.00</b>	<b>47.71</b>	<b>50.41</b>
8.8x	42.53	45.39	48.26	51.13	54.00
9.3x	45.46	48.49	51.52	54.56	57.59

Source: Miranda Global Research

**Sensitivity Analysis Table, P/E vs. Net Profit**

	-10%	-5%	<i>Original</i>	+5%	+10%
<b>Projected Net Profit</b>	<b>1,140</b>	<b>1,204</b>	<b>1,267</b>	<b>1,330</b>	<b>1,394</b>
<b>Target P/E</b>					
17.6x	34.61	36.53	38.45	40.37	42.30
18.6x	36.57	38.60	40.63	42.67	44.70
19.6x	38.54	40.68	42.82	44.96	47.10
<b>20.6x</b>	<b>40.50</b>	<b>42.75</b>	<b>45.00</b>	<b>47.25</b>	<b>49.50</b>
21.6x	42.47	44.83	47.18	49.54	51.90
22.6x	44.43	46.90	49.37	51.84	54.30

Source: Miranda Global Research

**Global Valuation Table - Transportation and Logistics**

Company	Country	Price (USD) 01-Jun-21	Mkt Cap (USD Mn)	EV/EBITDA			P/E			P/BV	Net Debt / EBITDA	ROE	EBITDA Margin
				L12M	2021E	2022E	L12M	2021E	2022E				
<i>Emerging Markets</i>													
Traxión	MEXICO	\$ 1.78	969	8.0x	7.6x	6.9x	28.3x	20.3x	16.3x	1.8	1.5x	6.8	20.1
SF Holdings Co	CHINA	\$ 10.98	50,025	n.a.	26.6x	19.5x	62.4x	64.0x	43.4x	5.7	0.4x	14.8	9.5
ZTO Express	CHINA	\$ 31.92	26,402	23.7x	20.3x	15.9x	40.0x	33.4x	26.3x	3.6	(1.8x)	10.5	25.1
YTO Express Group	CHINA	\$ 1.71	5,412	n.a.	8.7x	7.3x	19.6x	19.1x	16.3x	2.0	(1.2x)	11.8	9.2
Sequoia Logística e Transportes	BRAZIL	\$ 4.66	639	30.3x	16.4x	11.6x	n.a.	35.4x	21.1x	9.1	2.9x	(0.7)	10.8
Simpár	BRAZIL	\$ 10.29	2,120	8.3x	7.3x	6.5x	30.5x	21.4x	17.1x	3.0	4.0x	23.8	25.3
Santos Brasil Participações	BRAZIL	\$ 1.71	1,474	26.4x	16.2x	11.5x	261.8x	55.2x	28.0x	3.9	(2.2x)	1.8	27.4
Tegma Gestao Logística	BRAZIL	\$ 4.71	310	10.2x	6.5x	6.2x	22.4x	11.5x	10.1x	2.6	(0.0x)	12.3	15.4
GD Express Carrier	MALAYSIA	\$ 0.09	502	17.7x	24.0x	22.0x	77.3x	81.9x	68.0x	4.2	(1.8x)	5.7	25.0
<b>Total / Average Emerging Markets</b>			<b>87,854</b>	<b>50.3x</b>	<b>19.3x</b>	<b>15.0x</b>	<b>47.0x</b>	<b>42.2x</b>	<b>31.5x</b>	<b>4.2</b>	<b>0.2x</b>	<b>9.6</b>	<b>18.8</b>
<i>Developed Markets</i>													
UPS	UNITED STATES	\$ 213.29	185,676	15.7x	13.6x	12.9x	35.3x	19.1x	18.5x	25.9	1.4x	100.6	14.5
FedEx	UNITED STATES	\$ 310.85	82,482	12.6x	9.8x	8.6x	27.2x	17.2x	15.4x	3.8	3.3x	14.8	11.3
Deutsche Post	GERMANY	\$ 68.15	84,533	8.5x	7.9x	7.6x	18.7x	16.3x	16.2x	4.2	1.2x	25.3	14.2
AP Moller - Maersk	DENMARK	\$ 2,844.49	53,864	5.7x	4.1x	5.7x	10.1x	6.2x	11.5x	1.7	0.7x	18.4	25.7
JB Hunt	UNITED STATES	\$ 172.14	18,190	14.6x	12.6x	11.3x	33.2x	26.1x	22.7x	6.7	0.6x	21.9	13.0
CH Robinson Worldwide	UNITED STATES	\$ 96.42	12,823	14.6x	14.0x	14.0x	21.3x	19.0x	19.4x	6.9	1.5x	34.8	5.7
XPO Logistics	UNITED STATES	\$ 149.35	16,684	18.6x	11.4x	9.9x	82.6x	24.7x	21.6x	5.7	5.6x	6.0	7.5
Knight Swift Transportation	UNITED STATES	\$ 48.39	8,009	7.0x	6.4x	6.0x	16.9x	13.4x	13.5x	1.3	0.4x	8.2	25.6
Landstar System	UNITED STATES	\$ 169.48	6,509	18.5x	13.1x	13.9x	28.5x	19.9x	21.5x	8.5	(0.3x)	32.9	7.7
Schneider National	UNITED STATES	\$ 24.58	4,365	6.9x	5.8x	5.5x	19.6x	14.8x	13.7x	2.1	(0.4x)	10.2	12.9
TFI International	CANADA	\$ 95.44	8,904	13.8x	11.8x	9.3x	31.0x	24.5x	19.1x	4.9	1.6x	18.4	18.3
Covenant Logistics	UNITED STATES	\$ 23.01	385	6.4x	n.a.	n.a.	(13.1x)	9.0x	8.3x	1.3	1.6x	(9.4)	9.4
<b>Total / Average Developed Markets</b>			<b>482,423</b>	<b>11.1x</b>	<b>9.0x</b>	<b>9.2x</b>	<b>23.3x</b>	<b>15.0x</b>	<b>16.5x</b>	<b>4.8</b>	<b>1.5x</b>	<b>23.5</b>	<b>13.8</b>

(Figures in Millions of MXNS)

	2020	2021E	2022E	2023E	2024E	2025E	2026E	2021E	2022E	2023E	2024E	2025E	2026E
<b>INCOME STATEMENT</b>													
Revenues	14,298	16,316	17,723	19,257	20,941	22,825	24,803	14%	9%	9%	9%	9%	9%
Cost of Sales	-10,162	-11,647	-12,720	-13,841	-15,091	-16,524	-18,010	15%	9%	9%	9%	9%	9%
Gross Profit	4,136	4,668	5,003	5,417	5,850	6,301	6,793	13%	7%	8%	8%	8%	8%
<i>Gross Margin</i>	28.9%	28.6%	28.2%	28.1%	27.9%	27.6%	27.4%						
General Expenses	-2,482	-2,582	-2,690	-2,860	-3,063	-3,239	-3,422	4%	4%	6%	7%	6%	6%
Operating Profit	1,682	2,088	2,317	2,561	2,791	3,066	3,375	24%	11%	11%	9%	10%	10%
<i>Operating Margin</i>	11.8%	12.8%	13.1%	13.3%	13.3%	13.4%	13.6%						
Depreciation and Amortization	-1,337	-1,300	-1,472	-1,660	-1,848	-2,036	-2,224	-3%	13%	13%	11%	10%	9%
EBITDA	3,018	3,385	3,785	4,217	4,635	5,098	5,595	12%	12%	11%	10%	10%	10%
<i>EBITDA Margin</i>	21.1%	20.7%	21.4%	21.9%	22.1%	22.3%	22.6%						
Financial Gains	117	40	14	14	15	15	16	-66%	-65%	3%	3%	3%	3%
Financial Cost	-796	-656	-521	-518	-519	-530	-526	-18%	-21%	-1%	0%	2%	-1%
Pre-Tax Profit	1,002	1,472	1,810	2,058	2,287	2,551	2,865	47%	23%	14%	11%	12%	12%
Income Tax & Profit Sharing	-341	-455	-543	-617	-686	-765	-860	33%	19%	14%	11%	12%	12%
<i>Tax &amp; Profit Sharing Rate</i>	34.0%	30.9%	30.0%	30.0%	30.0%	30.0%	30.0%						
Net Profit	661	1,017	1,267	1,440	1,601	1,786	2,006	54%	25%	14%	11%	12%	12%
Outstanding Shares	584	580	580	580	580	580	580	-1%	0%	0%	0%	0%	0%
EPS	P\$ 1.16	P\$ 1.75	P\$ 2.18	P\$ 2.48	P\$ 2.76	P\$ 3.08	P\$ 3.46	51%	25%	14%	11%	12%	12%
<b>BALANCE SHEET</b>													
TOTAL ASSETS	21,178	22,639	24,783	26,531	29,335	31,711	34,128	7%	9%	7%	11%	8%	8%
Current Assets	5,820	7,594	7,999	8,494	9,033	9,630	10,255	30%	5%	6%	6%	7%	6%
Cash & Temp. Inv.	1,597	1,600	1,600	1,650	1,700	1,750	1,800	0%	0%	3%	3%	3%	3%
LT Assets	15,357	15,045	16,784	18,036	20,302	22,081	23,873	-2%	12%	7%	13%	9%	8%
P, P & E	8,064	8,823	9,551	10,291	12,043	13,807	15,583	9%	8%	8%	17%	15%	13%
Other LT Assets	122	275	275	275	275	275	275	126%	0%	0%	0%	0%	0%
TOTAL LIABILITIES	10,415	10,543	10,950	10,787	11,520	11,639	11,580	1%	4%	-1%	7%	1%	-1%
ST Liabilities	4,055	3,644	4,051	3,888	4,621	4,740	4,681	-10%	11%	-4%	19%	3%	-1%
LT Liabilities	6,360	6,899	6,899	6,899	6,899	6,899	6,899	8%	0%	0%	0%	0%	0%
TOTAL DEBT	6,914	6,599	6,885	6,590	7,180	7,134	6,905	-5%	4%	-4%	9%	-1%	-3%
NET DEBT	5,316	4,999	5,285	4,940	5,480	5,384	5,105	-6%	6%	-7%	11%	-2%	-5%
TOTAL CAPITAL	10,763	12,341	14,079	15,989	18,060	20,317	22,793	15%	14%	14%	13%	12%	12%
Stockholder's Equity	10,763	12,341	14,079	15,989	18,060	20,317	22,793	15%	14%	14%	13%	12%	12%
<b>CASH FLOW STATEMENT</b>													
PRE-TAX PROFIT	661	1,352	1,810	2,058	2,287	2,551	2,865	104%	34%	14%	11%	12%	12%
Inv. Related Activities	2,135	1,719	1,699	1,894	2,089	2,285	2,480	-19%	-1%	11%	10%	9%	9%
Pre-Tax Cash Flow	3,247	3,115	2,174	3,031	2,380	3,265	3,671	-4%	-30%	39%	-22%	37%	12%
Working Capital Changes	-884	-490	-284	-313	-346	-381	-406	-45%	-42%	10%	10%	10%	7%
Operating Cash Flow	2,363	2,625	1,890	2,718	2,034	2,884	3,265	11%	-28%	44%	-25%	42%	13%
Investment Cash Flow	-835	-2,031	-2,185	-2,384	-2,584	-2,783	-2,983	143%	8%	9%	8%	8%	7%
Financing Cash Flow	-512	-608	277	-301	583	-67	-249	19%	-146%	-208%	-294%	-112%	269%
Net Incr. (Decr.) in Cash & Temp. Inv.	1,017	-10	-17	33	33	33	33	-101%	70%	-299%	0%	0%	0%
Beg. of Period Cash and Temp. Inv.	581	1,597	1,600	1,600	1,650	1,700	1,750	175%	0%	0%	3%	3%	3%
End of Period Cash and Temp. Inv.	1,597	1,600	1,600	1,650	1,700	1,750	1,800	0%	0%	3%	3%	3%	3%

Source: Miranda Global Research Research

**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 Traxión, S.A.B. de C.V. for independent analyst services.

---