

# TRAXIÓN: 2Q21 Results

## High Growth Driven by Personnel Mobility

TRAXION A	BUY
Target Price (MXN\$)	\$ 45.00
Current Price (MXN\$)	\$ 37.15
Min / Max (L12M - MXN\$)	13.91 - 39.35
Expected Dividend (MXN\$)	\$ 0.00
Total Return	21.1%
Mkt Cap (Mn of MXN)	20,190
Enterprise Value (Mn of MXN\$)	24,982
Shares Outstanding (Mn)	543.5
Float	43.5%
ADTV (MXN\$ Mn)	\$ 31.60

### Opinion and Recommendation

TRAXIÓN reported positive 2Q21 results, in line with our projections. Revenues were up 28.8% driven mainly by strong performance in the three divisions. In the current quarter, personnel mobility (+ 38.9%) was the best performer, followed by mobility of cargo (+ 25.2%) and logistics and technology (+ 21.0%). EBITDA grew 13.6% due to higher fuel and fleet maintenance costs. Net profit rose 60.9% due to the favorable operating performance, a slightly lower financial cost and a 17.7% reduction in the fiscal reserve. Additionally, leverage decreased to 1.5x, from 1.8x the previous year. We reiterate our BUY recommendation with a MXN\$45.00/share target price.

Last June, TRAXIÓN presented its second 2020 integrated report that includes the progress on ESG-related issues.

### Revenues

TRAXIÓN reported consolidated revenues of MXN\$4.2 billion in 2Q21, up 28.8% YoY (vs. + 26.5% E) as a result of the solid performance in its three business divisions. The main driver in the quarter was personnel mobility with a 38.9% increase in sales, followed by mobility of cargo with + 25.2% and logistics and technology with + 21.0%.

Total costs advanced 35.0% YoY mainly as a consequence of higher fuel cost (+ 95.4%), which was due to a 39.4% increase in total kilometers traveled in the personnel mobility and mobility of cargo divisions, in conjunction with an 11.9% increase in the price of fuel. Likewise, fleet maintenance costs grew 87.8% due to deferred maintenance since 2Q20 and the maintenance of the leased fleet in personnel mobility. Toll costs rose 37.7%, facilities, services and supplies + 24.1%, and the labor cost 9.7%.



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Consolidated EBITDA grew 13.6% YoY to a record level of MXN\$850 million (vs. +15.2 E). The EBITDA margin contracted 270 bp annually to 20.1%.

### **Net Profits**

Net profits were up 60.9% YoY to MXN\$243 million (vs MXN\$230 million E) driven by the favorable operating performance, a slightly lower financial cost and a 17.7% reduction in the fiscal reserve.

### **Financial Structure**

Net debt increased 5.3% YoY to MXN\$5.0 billion, which translated into a net debt to EBITDA ratio of 1.54x this quarter, from 1.80x in 2Q20.

### **Personnel Mobility**

Revenues advanced 38.9% due to higher demand from customers in the industrial sector and organic growth. This boosted the number of kilometers by 52.2%, which was partially offset by an 8.7% decrease in average revenue per kilometer. The EBITDA margin contracted 200 bps annually, standing at 27.2%. However, it remained in line with that of previous quarters.

### **Mobility of Cargo**

Sales of the mobility of cargo business grew 25.2% due to a 26.0% increase in kilometers traveled which derived from the expansion of specialized services fleet. The average price per kilometer remained practically unchanged at MXN\$22.25. However, the EBITDA margin suffered a 488 bps contraction to 21.2% as a result of higher fuel costs and the appreciation of the exchange rate, which reduced the US Dollar denominated rates.

### **Logistics and Technology**

Revenues were 21.0% YoY higher supported by a 31.8% expansion in 3PL storage space to more than 600 thousand M2 and the significant growth of the e-commerce business that included a 29.3% increase in the last fleet mile. Last mile represented 59% of this division's revenues, 3PL warehousing 27% and technological applications the remainder 14%. The EBITDA margin slightly expanded to 11.4% due to expense efficiencies.

### **Capex**

In the first half of the year, TRAXIÓN's Capex amounted to MXN\$926 million of which 49% was aimed at Personnel Mobility, 45% at Mobility of cargo, and only 6% at Logistics and Technology. This clearly shows the benefits of the company's Asset Light business. On the other hand, 82% of total investments were for expansion, mainly in Personnel Mobility and Mobility of Cargo, while the rest was in renovation. Capex represented 11% of revenues for the first half of the year.

### **ASG / Others**

Last June, TRAXIÓN released its 2020 integrated report. It was developed in accordance with the Global Reporting Initiative (GRI) methodology, the Sustainability Standards Board (SASB), responds to the recommendations of the Task Force on Climate- Related Financial Disclosures (TCFD), reports on the Sustainable Development Goals (SDGs) and includes the progress of the Global Pact and the implementation of the 10 principles.

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The company also completed the implementation of the international standards ISO-37001 of anti-corruption practices and ISO-19600 of compliance management in matters of prevention of money laundering and tax.

(Figures in Millions of MXN\$)	2Q21	2Q21E	Diff.	2Q20	YoY Chg.
Revenues	4,222	4,148	1.8%	3,279	28.8%
Operating Profit	481	517	-7.0%	416	15.6%
<i>Operating Margin</i>	<i>11.4%</i>	<i>12.5%</i>		<i>12.7%</i>	
EBITDA	850	862	-1.4%	748	13.6%
<i>EBITDA Margin</i>	<i>20.1%</i>	<i>20.8%</i>		<i>22.8%</i>	
Financial Gains	49	3	n.a.	44	12.0%
Financial Cost	-187	-142	31.5%	-187	-0.1%
Pre-Tax Profit	343	379	-9.4%	273	25.8%
Net Profit	243	230	5.7%	151	60.9%

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