

# TRAXIÓN: 3Q21 Results

Record Sales, EBITDA and Net Profits, In Line

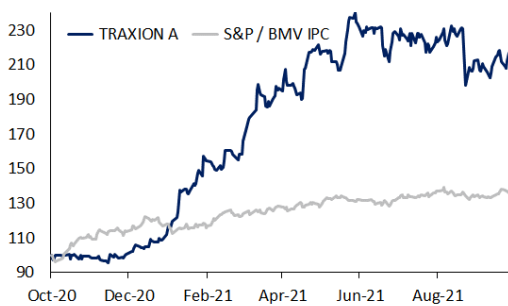
TRAXION A	BUY
Target Price (MXN\$)	\$ 45.00
Current Price (MXN\$)	\$ 35.41
Min / Max (L12M - MXN\$)	15.50 - 40.00
Expected Dividend (MXN\$)	\$ 0.00
Total Return	32.4%
Mkt Cap (Mn of MXN)	18,478
Enterprise Value (Mn of MXN\$)	23,525
Shares Outstanding (Mn)	543.5
Float	43.5%
ADTV (MXN\$ Mn)	\$ 32.10

## Opinion and Recommendation

TRAXIÓN reported favorable 3Q21 results that were practically in line with our projections. The company continued to experience strong growth in the logistics and technology, and in the mobility of cargo segments, which boosted its revenues by 14.5%, above our estimates. Its EBITDA grew 6.9% (in line) due to the impact of higher costs and expenses and a strong growth in logistics and technology, which generates lower margins. However, net profits rose 45.0% (exceeding our projections) due to FX gains, lower net financial expenses and mark-to-market gains. Worth mentioning that revenues, EBITDA and net profits reached all-time high levels. Additionally, TRAXIÓN continued to successfully implement its ESG strategy. We continue with a BUY recommendation and MXN\$45.0/share target price.

## Revenues

TRAXIÓN's 3Q21 revenues were up 14.5% YoY to MXN\$4.32 billion (vs. our estimate of MXN\$4.27 billion). The logistics and technology segment was the main driver with a 39.1% sales increase fueled by higher demand for last mile solutions (+ 45.8%) and 3PL logistics given the continued expansion of the e-commerce business. The last mile fleet expanded 34.0% to 808 units, while warehouse space rose 32.4% to nearly 597 thousand M2. In mobility of cargo, sales advanced 11.7% due to a greater demand for specialized and refrigerated cargo services, which led to a 7.4% increase in kilometers traveled. This division's fleet rose 6.3%. In terms of mobility of personnel, revenues were slightly higher due to the demand normalization and the reopening of schools. Kilometers traveled were practically unchanged.



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### **Profitability**

TRAXIÓN's total costs were up 20.4% due to the company's higher activity. The main increases were in tolls (+ 22.9%), fuel (+ 22.6%), facilities, services and supplies (+ 19.3%) and labor costs (+ 19.1%). EBITDA rose 6.9% YoY to MXN\$902 million, while the EBITDA margin contracted to 20.9% in 3Q21, from the 3Q20 high comparison base of 22.4%. By business segment, the logistics and technology margin remained practically unchanged at 10.0%, the mobility of cargo margin slightly improved to 21.5%, while the personal mobility margin contracted 100 bps annually to 28.9% due to incremental costs and expenses related to the rebalancing of its operations.

### **Net Profits**

TRAXIÓN's quarterly net profits were 45.0% higher to MXN\$277 million (vs. MXN\$265 million E). It was driven by FX gains, lower net financial expenses and mark-to-market gains, which were partially offset by a higher tax level.

### **Financial Structure**

The net debt to EBITDA ratio was 1.56x at the end of the quarter, slightly lower than the 1.69x in 3Q20. Short-term debt represented 9% of total debt, up from 14% the previous year.

### **ESG**

TRAXIÓN presented its quarterly ESG metrics which included a fuel efficiency of 3.45 km/l in 3Q21, (from 3.70 in 2020), a fuel consumption intensity of 0.29 l/km (vs. 0.27 in 2020), and a scope emissions intensity of 0.80 tCO<sub>2</sub>eq/1,000 km (in line with 2020). The company seeks to maximize its contribution to the Sustainable Development Goals (SDGs) and is committed to the implementation of the 10 principles of the United Nations' Global Pact.

Last July, the company completed the CDP 2021 questionnaire, which is the world's largest environmental and climate change information system. TRAXIÓN, along with 30 other Latin American companies, is part of the first generation of the Climate Ambition Accelerator of the UN Global Pact.

In terms of governance, TRAXIÓN obtained ISO-37001 and ISO-19600 certifications in terms of anti-corruption and tax compliance and prevention of money laundering, respectively.

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