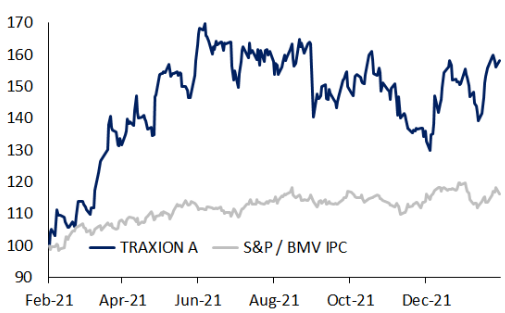
TRAXIÓN: 4Q21 Preview

Logistics and Technology and Mobility of Cargo Will Continue as The Main Drivers

TRAXION A	BUY
Target Price (MXN$)	$ 45.00
Current Price (MXN$)	$ 36.99
Min / Max (L12M - MXN$)	23.18 - 39.35
Expected Dividend (MXN$)	$ 0.00
Total Return	21.7%
Mkt Cap (Mn of MXN)	20,103
Enterprise Value (Mn of MXN$)	25,307
Shares Outstanding (Mn)	543.5
Float	43.5%
ADTV (MXN$ Mn)	$ 27.60



Opinion and Recommendation

We expect TRAXIÓN to report solid 4Q21 results, mainly driven by a high demand in the Logistics and Technology business and in Mobility of Cargo. The company will likely continue to generate high cash flow and maintain an adequate financial structure that could allow it to undertake an acquisition in the future. We believe that these results could support TRAXION's share price in the short term. Our fundamental recommendation is BUY with a MXN$45.0/share target price.

4Q21 Preview

We project that TRAXIÓN's consolidated revenues will increase 11.9% YoY to MXN$4.55 billion. This will derive mainly from a 25.1% rise in Logistics and Technology, which will continue to benefit from a high demand for last-mile services and 3PL logistics, as well as high growth at Traxporta. In Mobility of Cargo, we believe that sales will be up 9.9% supported by higher specialized and refrigerated cargo services, which will boost the revenue per kilometer by 15%, thus offsetting a slight decrease in kilometers traveled. In Mobility of Personnel, we estimate that revenues will advance 4.5% due to the normalization of demand and a temporary delay in the delivery of new units due to the global semiconductors shortage.

The consolidated EBITDA will likley stand at 18.8% in 4Q21, slightly below the 19.3% level of 4Q20. This will happen as a result of the strong growth in Logistics and Technology, and the normalization of costs in this division that will lead to a 7.0% margin. In Mobility of Cargo, we expect a 22.1% margin, similar to previous quarters. In Mobility of Personnel, we see a 25.0% margin, in line with the previous year, although lower sequentially.

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Net profits will likely be down 9.6% YoY, mainly due to a higher fiscal reserve, which will offset the favorable operating performance. On the other hand, we expect the company to continue generating a higher operating cash flow than that of the previous year, which will allow it to further strengthen its financial structure.

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