

TRAXIÓN: 1Q22 Results

Double digit revenue growth fueled by technological applications, but lower profitability; in line

TRAXION A	BUY
Target Price (MXN\$)	\$ 45.00
Current Price (MXN\$)	\$ 27.55
Min / Max (L12M - MXN\$)	26.46 - 40.00
Expected Dividend (MXN\$)	\$ 0.00
Total Return	63.3%
Mkt Cap (Mn of MXN)	14,973
Enterprise Value (Mn of MXN\$)	20,852
Shares Outstanding (Mn)	543.5
Float	43.5%
ADTV (MXN\$ Mn)	\$ 20.00

Opinion and recommendation

TRAXIÓN reported neutral 1Q22 results which were basically in line with our projections. As expected, sales grew 13.2% YoY driven by the Logistics and Technology division. The main difference compared to previous quarters is that this business unit experienced a high demand for applications and technology platforms. However, the company's profitability decreased due to the change in the sales mix and higher fuel costs.

We recommend taking advantage of the current price level. TRAXION's valuation seems attractive to us with a forward EV/EBITDA of 6.1x and projected P/E of 15.3x. We reaffirm our BUY recommendation with a MXN\$45.0/share target price.

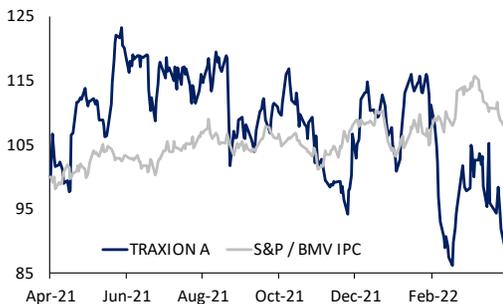
Consolidated

TRAXIÓN's revenues accelerated slightly as they were up 13.2% YoY (in line with our projections) to MXN\$4.5 billion, due mainly to an 18.7% rise in the Logistics and Technology division, as well as double-digit increases in the other two business units.

Total costs rose 22.7% due to increases of 46.2% in the fuel cost, 38.8% in labor costs and 26.6% in tolls. The strict expense control caused this item to fall 14.4%. Consolidated EBITDA advanced 5.5% to MXN\$845 million. The EBITDA margin fell 140 bps to 18.7%.

Net financial costs reached MXN\$204 million, from MXN\$150 million, due to higher interest payments and FX losses. Net profits improved marginally to MXN\$201 million (vs. MXN\$203 million E).

Net debt grew 24.7% to MXN\$5.88 billion. The net debt to EBITDA ratio was 1.71x at the end of 1Q22, slightly higher than 1.57x in 4Q21 and 1.49x in 1Q21.



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Logistics and Technology

The Logistics and Technology division benefited from a high 86.2% growth in technological applications, mainly in TRAXPORTA and in TRAXIÓN Logistics' 4PL platform. Sales of last-mile solutions and 3PL logistics services expanded 10.1% and 8.7%, respectively, we believe as a result of a high base of comparison. This division's EBITDA margin contracted slightly to 9.1%, from 9.8%, due to pre-operating expenses of the new initiatives. Worth mentioning that the warehouse area grew 14.4%, which is expected to boost sales from 2Q22.

Mobility of Cargo

Revenues advanced 12.9% as the company continued to focus on refrigerated cargo and petrochemical transportation, both of which generate a higher profitability. In fact, the average revenue per kilometer was 12.2% higher, which offset the slight growth in kilometers traveled. The division's EBITDA margin decreased to 19.4%, from 22.6%, due to higher gasoline costs.

Mobility of Personnel

Revenues were up 9.7%, which we believe was a favorable performance, taking into account the previous year's high comparison base. The company expects to meet the prevailing high demand through proper planning. The EBITDA margin contracted marginally to 26.1%, from 26.8%, due to higher fuel costs.

MEDISTIK Acquisition

On March 17th, TRAXION announced that it had reached an agreement to acquire MEDISTIK, a 4PL services company that provides logistics solutions for medicines and medical accessories. The agreed price was MXN\$1,567 million. MEDISTIK expects to generate MXN\$625 million in revenues with an EBITDA margin of 35% in 2022. This is equivalent to an EV/EBITDA of 7.2x, which is reasonable for this industry. In addition, we expect synergies between the two companies.

ESG

TRAXIÓN continued to advance in its ESG strategy as it began to report its indicators on the Bloomberg platform. The company will publish its third integrated report next July.

(Figures in Millions of MXN\$)	1Q22	1Q22E	Diff.	1Q21	YoY Chg.
Revenues	4,520	4,519	0.0%	3,993	13.2%
Operating Profit	452	480	-5.7%	467	-3.1%
Operating Margin	10.0%	10.6%		11.7%	
EBITDA	845	848	-0.3%	801	5.5%
EBITDA Margin	18.7%	18.8%		20.1%	
Financial Gains	16	11	44.3%	29	-45.5%
Financial Cost	-220	-179	23.1%	-179	22.7%
Net Profit	201	203	-1.0%	197	1.9%

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