

TRAXIÓN (BUY, T.P. MXN\$45.00)

Announces agreement to acquire MEDISTIK

TRAXION announced it has reached an agreement to acquire MEDISTIK, one of the largest 4PL logistics solutions companies for medicines and medical accessories. This transaction is subject to the corresponding authorizations.

From a strategic point of view, we believe this acquisition makes a lot of sense for TRAXIÓN as it will complement its existing 4PL logistics services and last mile operations for the consumption and e-commerce industries. MEDISTIK has 36 thousand M2 of specialized logistics space (6% of TRAXIÓN's) with 6 warehouses (four in the State of Mexico, one in Monterrey and one in Guadalajara), 10 cross-dock facilities in key locations, and employs 431 people. It makes more than 190 thousand deliveries per year to more than 50 AAA clients, with a 99.99% efficiency. The company has more than 25 years of experience in the sector.

The price will amount to MXN\$1,567 million in cash, which we believe will be financed with a combination of debt and cash flow. This equates to an estimated EV/EBITDA of 7.2x, assuming MEDISTIK has no debt, which seems reasonable to us for the 4PL logistics industry.

The financial impact is positive. MEDISTIK expects to generate revenues of M\$625 million with an EBITDA margin of 35% in 2022. This means that it will represent around 3% of revenues and 6% of TRAXIÓN's EBITDA before synergies. However, we believe that there will be operational, commercial and financial synergies between the two companies in the future. On the other hand, we preliminarily estimate that TRAXIÓN's net debt to EBITDA ratio, including this acquisition, could reach 2.0x at the end of 2022 (vs. 1.57x in 4Q21) should the company finance itself with debt, which is a very manageable.

We reiterate BUY with a MXN\$45.00/share target price after this announcement.

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