

TRAXIÓN (BUY, T.P. MXN\$45.00)

Highlights of “TRAXIÓN DAY”

These were the highlights of “TRAXIÓN DAY”:

- **Guidance.** The guidance for the year includes an organic 13% revenue growth with a 19% EBITDA margin. It does not incorporate the Medistik acquisition which we believe will contribute with 3% in sales and 6% in EBITDA.
- **State-of-the-art technology.** One of TRAXIÓN's main competitive advantages is its state-of-the-art technology, which includes the use of artificial intelligence. We believe that such technology will allow the company to continue growing in a significant way and gaining market share in all business segments.
- **Logistics and Technology.** TRAXIÓN expects Logistics and Technology revenues to grow at a double-digit rate in the medium term, with which it will become the majority business in the future (it currently represents 28% of consolidated revenues). It forecasts that Traxporta's revenues will amount to 5% of total revenues in the short term. The company expects the Logistics and Technology EBITDA margin to be 10-15% in the medium term.
- **Mobility of cargo.** The company will continue focusing on refrigerated cargo, fuels and specialized products in order to increase its profitability. It will increase the refrigerated fleet by 20% in 2022. It plans to continue gaining market share by taking advantage of its state-of-the-art technology and its leading position in certain segments such as "cross border".
- **Mobility of personnel.** TRAXIÓN expects to continue benefiting from the expansion of the Mexican industrial sector and the near-shoring trend (bringing production closer to the consumption center). Investment in the Mexican industrial sector will continue to grow significantly due to the competitive advantages that the country has in several productive segments and its proximity to the US. TRAXIÓN is the leader in personnel transportation to and from industrial parks in Mexico, as it owns the largest and most modern fleet with 6,500 units. It offers comprehensive mobility solutions for large industries with 24/7 capacity.
- **Gasoline prices.** TRAXIÓN experienced a higher gasoline cost since the end of 1Q22. It will pass on such cost to clients in 3Q22 and 4Q22, which we believe will help it increase its profitability.
- **Acquisitions.** TRAXIÓN is analyzing possible acquisitions in the “asset light” and “cross border” business that will strengthen its current operations. It will take advantage of its solid financial structure with a 1.71x net debt to EBITDA ratio at the end of 1Q22. The leverage will not be greater than 2.5x in the case of an acquisition. The company ruled out a follow-on at this time.
- **Medistik purchase.** Medistik’s revenues will likely reach US\$30 million in 2022 and grow to at least US\$60 million in a year. There are important commercial, operational and financial synergies between this company and TRAXIÓN. The Medistik purchase is subject to regulatory approval and is expected to close soon. The amount of the transaction was MXN\$1,567 million, which will be financed through cash and existing lines.

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- ESG. TRAXION will continue to strengthen its ESG strategy in the future, which is based on four pillars: governance, people, planet and growth.
- New projects. New projects compete with each other. TRAXION requires a minimum ROIC of 14% and an internal rate of return of 20% to approve them.

The TRAXION DAY reinforced our positive view on the company. We reiterate our BUY recommendation with a MXN\$45.0/share target price.

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