

TRAXIÓN: 2Q22 Preview

High revenue growth, but lower margins due to rising gasoline costs

TRAXION A	BUY
Target Price (MXN\$)	\$ 45.00
Current Price (MXN\$)	\$ 26.49
Min / Max (L12M - MXN\$)	24.51 - 38.20
Expected Dividend (MXN\$)	\$ 0.00
Total Return	69.9%
Mkt Cap (Mn of MXN)	14,397
Enterprise Value (Mn of MXN\$)	20,276
Shares Outstanding (Mn)	543.5
Float	43.5%
ADTV (MXN\$ Mn)	\$ 24.20



Opinion and recommendation

We expect TRAXIÓN to continue delivering strong double-digit revenue growth in its three businesses. However, profitability will be lower as a result of the increase in gasoline costs and higher labor expenses, with which EBITDA will remain stable.

We believe the impact on profitability will be temporary as we expect the company to gradually pass on the higher energy cost to its end customers during the second half of the year. We thus continue with a BUY recommendation and MXN\$45.0/share target price. We recommend to take advantage of the current price level.

2Q22 Preview

We estimate that TRAXIÓN's revenues will grow at a high 15.9% YoY rate to nearly MXN\$4.9 billion, driven by double-digit growth in the three business units. Logistics and Technology revenues will rise 20% once again due to technological applications. In Mobility of Cargo, we project a 13% increase as a result of the company's focus on specialized services such as refrigerated cargo and petrochemicals. In Mobility of Personnel, we anticipate that sales will be up 16.0% due to high demand.

The consolidated EBITDA margin will contract to 17.4%, from 20.1%, due to the increase in gasoline costs that will reduce the profitability of Mobility of Cargo and Mobility of Personnel, which will be partially offset by higher margins in Logistics and Technology, given the change in the sales mix. Consolidated EBITDA will remain at MXN\$849 million, in line with the previous year.

TRAXIÓN's net profits will decline 40.8% YoY to MXN\$144 million because of higher financial expenses.

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July 20th, 2022

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