

TRAXIÓN: 3Q22 Preview

The company will continue to deliver a high revenue growth, but profitability will decline

TRAXION A	BUY
Target Price (MXN\$)	\$ 45.00
Current Price (MXN\$)	\$ 19.00
Min / Max (L12M - MXN\$)	17.34 - 38.19
Expected Dividend (MXN\$)	\$ 0.00
Total Return	136.8%
Mkt Cap (Mn of MXN)	10,326
Enterprise Value (Mn of MXN\$)	16,717
Shares Outstanding (Mn)	543.5
Float	43.5%
ADTV (MXN\$ Mn)	\$ 22.91

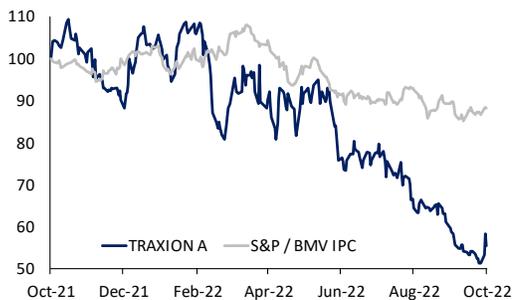
Opinion and recommendation

We expect TRAXIÓN to register a significant sales growth fueled by a solid performance in the three businesses and the Medistik integration. However, profitability will be lower than the previous year due to a higher gasoline cost, but will stabilize sequentially. Net profits will fall due to the reduction in financial gains. We believe that TRAXIÓN's profitability will gradually improve over the next few quarters as the company continues to pass on gasoline costs to its end customers. In our view, the share price is very attractive at current levels. Our recommendation is BUY with a MXN\$45.00/share target price.

3Q22 Preview

We expect TRAXION to record revenues of MXN\$5,302 million in 3Q22, with a strong 22% YoY increase. We believe that the Logistics and Technology business will be the main driver with sales up 29% supported by the expansion of applications and the Medistik acquisition. In Mobility of Cargo, we anticipate the revenue growth to accelerate to 23% due to price adjustments that the company has begun to implement and continued focus on value-added and refrigerated cargo. Average revenue per kilometer will advanced 14% to MXN\$25.0. In Mobility of Personnel, we estimate a 19% revenue rise due to high demand from industrial clients, taking into account the nearshoring effect.

However, TRAXIÓN's profitability will continue to be affected by a higher gasoline cost, translating into an EBITDA margin of 17.5% at a consolidated level, below the 20.9% of the previous year, although in line with the 17.4% of 2Q22. This will result in a 2.7% YoY EBITDA growth. Additionally, we project a MXN\$170 million net profit, down 39% YoY, due to the reduction in financial gains.



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