

# TRAXIÓN: 4Q22 Results

High revenue growth in the three business units, but profitability fell due to fuel cost

TRAXION A	BUY
Target Price (MXN\$)	\$ 49.00
Current Price (MXN\$)	\$ 33.90
Min / Max (L12M - MXN\$)	17.34 - 40.00
Expected Dividend (MXN\$)	\$ 0.00
Total Return	44.5%
Mkt Cap (Mn of MXN)	18,424
Enterprise Value (Mn of MXN\$)	27,234
Shares Outstanding (Mn)	543.5
Float	43.5%
ADTV (MXN\$ Mn)	\$ 19.78

## Opinion and recommendation

TRAXIÓN reported positive 4Q22 results that were in line with our estimates for revenue and EBITDA, although below in terms of net profits. The company exceeded its annual guidance for sales growth, but its profitability was slightly below. Despite this, the results reached record levels.

We reiterate our BUY recommendation and are raising our target price to MXN\$49.0/share, from MXN\$38.0/share, after having updated our projections model.

TRAXIÓN released its guidance for 2023, which includes a 16% increase in revenue with an 18% EBITDA margin. In addition, the company expects to invest MXN\$2.2 billion in the year. We believe that such guidance is achievable.

## Revenues

TRAXIÓN registered total revenues of MXN\$5.5 billion in 4Q22 (in line with our forecast), which represented an annual increase of 21%. They were supported by a solid performance in the three business units, mainly in Logistics and Technology.

## Profitability

The consolidated EBITDA margin contracted 120 bps to 17.5% as a result of a higher gasoline cost, labor costs and fleet maintenance. Despite this situation, EBITDA grew 13% to MXN\$961 million (vs. MXN\$958 million E), which seemed favorable to us.

Net profits fell 90% to MXN\$13 million (vs. MXN\$96 million E) due to higher interest paid, resulting from an increased debt level and rising interest rates, in addition to a higher depreciation.



**Martin Lara**

+5255-6413-8563

[martin.lara@miranda-gr.com](mailto:martin.lara@miranda-gr.com)

February 28<sup>th</sup>, 2023

## Financial structure

TRAXIÓN closed the quarter with a 2.38x debt to EBITDA ratio, compared to 1.57x in 4Q21. We believe this was due to the acquisitions the company made during the year.

## Logistics and Technology

Revenues were up 27% YoY driven by a higher demand for digital applications, the start of the pharmaceutical business, expansion in the 3PL warehouse area and the contribution of acquired companies. The EBITDA margin improved 138 bps to 8.7%.

## Mobility of Cargo

Sales rose 15% YoY due to higher rates as the company has been passing on the higher fuel cost, in addition to the expansion of the specialized services business. The average revenue per kilometer was up 9%. However, the EBITDA margin contracted 553 bps to 18.5% due to the higher fuel cost.

## Mobility of Personnel

Derived from a higher demand in the north of the country, revenues advanced 21%. Profitability decreased 124 bps to 24.5% also due to higher fuel costs and pre-operating expenses.

(Figures in Millions of MXN\$)	4Q22	4Q22E	Diff.	4Q21	YoY Chg.
Revenues	5,488	5,478	0.2%	4,550	20.6%
Operating Profit	402	457	-12.0%	464	-13.3%
Operating Margin	7.3%	8.3%		10.2%	
EBITDA	962	958	0.4%	849	13.3%
EBITDA Margin	17.5%	17.5%		18.7%	
Financial Gains	40	5	637.7%	10	290.5%
Financial Cost	-341	-303	12.5%	-230	48.0%
Net Profit	13	96	-86.0%	146	-90.9%

## Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2024E	2025E	2026E	2027E	2028E	Perp.
OPERATING PROFIT	3,213	3,840	4,545	5,487	6,675	6,951
Tax Rate	30%	30%	30%	30%	30%	30%
Tax Shield	-964	-1,152	-1,364	-1,646	-2,003	-2,085
NOPLAT	2,249	2,688	3,182	3,841	4,673	4,866
Depreciation	1,828	2,036	2,244	2,344	2,344	2,441
Working Capital Changes	-673	-448	-494	-561	-635	-661
CAPEX	-2,404	-2,608	-2,812	-3,016	-3,224	-3,357
FCFF	1,000	1,668	2,119	2,609	3,158	3,289
Perpetuity Growth Rate						4.1%
PV of Explicit Period (2024 - 2028E)						7,547
Perpetuity Value						53,041
PV of Perpetuity Value						29,408
Enterprise Value						36,955
Net Debt						10,324
Market Value						26,631
Outstanding Shares						543
Target Price						P\$ 49.00
Current Market Price						P\$ 33.90
Potential Return Incl. Dividends						44.5%
Forward EV/EBITDA						7.6x
Forward P/E						21.6x
Average Cost of Debt						12.2%
LT Tax Rate						30.0%
After-Tax Cost of Debt						8.5%
Cost of Equity						12.7%
Market Risk Premium						6.0%
Risk-Free Rate						9.3%
Beta						0.57
% Total Debt						49.6%
% Capital						50.4%
ESG Adjusted WACC						10.3%

**Sensitivity Analysis Table, EV/EBITDA vs. EBITDA**

	-10%	-5%	<i>Original</i>	+5%	+10%
<b>Projected EBITDA</b>	<b>4,537</b>	<b>4,789</b>	<b>5,041</b>	<b>5,293</b>	<b>5,545</b>
<b>Target EV/EBITDA</b>					
6.1x	29.47	32.28	35.09	37.90	40.70
6.6x	33.65	36.69	39.73	42.77	45.80
7.1x	37.82	41.09	44.36	47.64	50.91
<b>7.6x</b>	<b>42.00</b>	<b>45.50</b>	<b>49.00</b>	<b>52.50</b>	<b>56.01</b>
8.1x	46.17	49.90	53.64	57.37	61.11
8.6x	50.34	54.31	58.28	62.24	66.21

**Sensitivity Analysis Table, P/E vs. Net Profit**

	-10%	-5%	<i>Original</i>	+5%	+10%
<b>Projected Net Profit</b>	<b>1,109</b>	<b>1,170</b>	<b>1,232</b>	<b>1,293</b>	<b>1,355</b>
<b>Target P/E</b>					
18.6x	37.98	40.09	42.20	44.31	46.42
19.6x	40.02	42.25	44.47	46.69	48.92
20.6x	42.06	44.40	46.74	49.07	51.41
<b>21.6x</b>	<b>44.10</b>	<b>46.55</b>	<b>49.00</b>	<b>51.45</b>	<b>53.90</b>
22.6x	46.14	48.70	51.27	53.83	56.39
23.6x	48.18	50.86	53.53	56.21	58.89

(Figures in Millions of MXN\$)

<b>INCOME STATEMENT</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Revenues	20,325	23,561	26,632	30,064	33,615	37,561	41,965
Cost of Sales	-16,064	-18,226	-20,574	-23,216	-25,827	-28,670	-31,759
Gross Profit	4,261	5,335	6,058	6,848	7,788	8,891	10,207
<i>Gross Margin</i>	21.0%	22.6%	22.7%	22.8%	23.2%	23.7%	24.3%
General Expenses	-2,741	-2,663	-2,845	-3,008	-3,243	-3,404	-3,531
Operating Profit	1,686	2,672	3,213	3,840	4,545	5,487	6,675
<i>Operating Margin</i>	8.3%	11.3%	12.1%	12.8%	13.5%	14.6%	15.9%
Depreciation and Amortization	-1,913	-1,620	-1,828	-2,036	-2,244	-2,344	-2,344
EBITDA	3,600	4,292	5,041	5,876	6,789	7,831	9,019
<i>EBITDA Margin</i>	17.7%	18.2%	18.9%	19.5%	20.2%	20.8%	21.5%
Financial Gains	119	55	66	77	88	100	113
Financial Cost	-1,057	-1,393	-1,520	-1,652	-1,742	-1,834	-1,916
Pre-Tax Profit	748	1,335	1,760	2,265	2,891	3,754	4,873
Income Tax & Profit Sharing	-244	-400	-528	-680	-867	-1,126	-1,462
Net Profit	504	934	1,232	1,586	2,024	2,627	3,411
<b>BALANCE SHEET</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
TOTAL ASSETS	26,809	27,938	30,126	32,452	34,938	38,258	41,907
Current Assets	6,055	7,709	8,816	9,765	10,777	11,919	13,180
Cash & Temp. Inv.	996	1,261	1,414	1,587	1,771	1,979	2,209
LT Assets	20,754	20,229	21,310	22,687	24,161	26,339	28,726
P, P & E	11,798	12,578	13,654	15,026	16,494	18,666	21,046
Other LT Assets	160	160	160	160	160	160	160
TOTAL LIABILITIES	15,644	16,640	18,196	19,536	20,598	21,891	22,728
ST Liabilities	5,449	5,445	6,000	6,341	6,903	7,696	8,033
LT Liabilities	10,195	11,195	12,195	13,195	13,695	14,195	14,695
TOTAL DEBT	9,936	11,585	12,860	13,872	14,601	15,520	15,960
NET DEBT	8,940	10,324	11,445	12,285	12,830	13,541	13,752
TOTAL CAPITAL	11,165	11,754	12,386	13,372	14,796	16,823	19,634
Stockholder's Equity	11,165	11,754	12,386	13,372	14,796	16,823	19,634
<b>CASH FLOW STATEMENT</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Net Profit	504	934	1,232	1,586	2,024	2,627	3,411
Inv. Related Activities	2,987	2,550	2,883	3,217	3,555	3,800	3,961
Pre-Tax Cash Flow	3,421	3,220	3,351	3,727	4,350	4,531	5,382
Working Capital Changes	9	-474	-673	-448	-494	-561	-635
Operating Cash Flow	3,430	2,745	2,678	3,279	3,856	3,970	4,747
Investment Cash Flow	-4,965	-1,724	-1,921	-2,118	-2,315	-2,511	-2,710
Financing Cash Flow	1,272	-754	-601	-986	-1,354	-1,249	-1,805
Net Incr. (Decr.) in Cash & Temp. Inv.	-265	267	155	175	187	210	232
Beg. of Period Cash and Temp. Inv.	1,475	996	1,261	1,414	1,587	1,771	1,979
End of Period Cash and Temp. Inv.	996	1,261	1,414	1,587	1,771	1,979	2,209

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