

# TRAXIÓN: 1Q23 Results

Positive results due to acquisitions and high demand for traditional services, as expected

TRAXION A	BUY
Target Price (MXN\$)	\$ 51.00
Current Price (MXN\$)	\$ 38.08
Min / Max (L12M - MXN\$)	17.34 - 40.00
Expected Dividend (MXN\$)	\$ 0.00
Total Return	33.9%
Mkt Cap (Mn of MXN)	20,696
Enterprise Value (Mn of MXN\$)	30,093
Shares Outstanding (Mn)	543.5
Float	43.5%
ADTV (MXN\$ Mn)	\$ 18.46

## Opinion and recommendation

TRAXIÓN reported positive 1Q23 results, which were practically in line with our forecasts in terms of revenues, EBITDA and net profits. We expect the share price to react favorably in the short term. We are reiterating our BUY recommendation and raising our target price to MXN\$51.00/share, from MXN\$49.00/share, after having updated our model.

TRAXIÓN mentioned in its press release that it has identified several business opportunities related to the nearshoring trend and that it plans to capitalize on them efficiently and profitably, which we believe is excellent news.

## Consolidated

Total revenues reached MXN\$5,765 million (marginally above our MXN\$5,698 million projection), up 27.5% YoY. They were driven mainly by high growth in the three divisions, mainly in Logistics and Technology.

The EBITDA margin contracted 150 bps to 17.2% as a result of pre-operating expenses in Logistics and Technology, as well as higher personnel expenses due to the expansion of the company. Despite this, EBITDA grew 17.3% YoY to MXN\$991 million (vs. our MXN\$993 million estimate). Worth mentioning that the fuel cost rose only 12% in this quarter, well below the sales performance.



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Consolidated net profits decreased 64.2% YoY to MXN\$72.0 million (vs. MXN\$70 million E), as a consequence of higher interests paid, as well as higher labor expenses, depreciation and amortization, and fleet maintenance.

The debt to EBITDA ratio was 2.39x at the end of 1Q23, compared to 1.71x in 1Q22, which related to the acquisitions that the company carried out.

### Logistics and Technology

Revenues advanced 49.2% supported by an 82.1% increase in technology applications and services and 143.1% in logistics and 3PL services due to the acquisitions that the company carried out last year in the pharmaceutical and intermodal business. This was accompanied by an expansion of 142 thousand M2 in the warehouse area. The EBITDA margin contracted to 7.0%, from 9.1%, due to pre-operating expenses.

### Mobility of Cargo

This business' revenues were up 15.7% due to the tariff adjustments in addition to a greater demand for refrigerated and petrochemical transportation services. There was a 20.3% improvement in revenue per kilometer to MXN\$28.4, thus offsetting the 5.9% drop in kilometers traveled. The EBITDA margin stood at 19.5%, slightly higher than the 19.4% of the previous year due to the rate hike.

### Mobility of Personnel

This business unit benefited from a growing demand, we believe, from the industrial sector, which allowed it to adjust rates and record a greater number of kilometers, resulting in a 22.5% increase in total revenue. The fleet expanded by around 600 new units during the last year. The EBITDA margin contracted 99 bps to 25.1%, but recovered sequentially.

### ESG

TRAXIÓN expanded the "En Ruta por la Educación" program to the States of Mexico and Puebla. In February, it received the recognition of "Best Corporate Sustainability Strategy Mexico 2023", as part of the "Annual Global Banking & Finance Awards 2023".

(Figures in Millions of MXN\$)	1Q23	1Q23E	Diff.	1Q22	YoY Chg.
Revenues	5,765	5,692	1.3%	4,520	27.5%
Operating Profit	458	442	3.7%	452	1.3%
Operating Margin	7.9%	7.8%		10.0%	
EBITDA	991	993	-0.2%	845	17.3%
EBITDA Margin	17.2%	17.4%		18.7%	
Financial Gains	54	49	10.4%	16	237.2%
Financial Cost	-417	-391	6.7%	-220	89.8%
Net Profit	72	70	3.4%	201	-64.1%

## Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2024E	2025E	2026E	2027E	2028E	Perp.
OPERATING PROFIT	3,139	3,761	4,418	5,335	6,419	6,668
Tax Rate	30%	30%	30%	30%	30%	30%
Tax Shield	-942	-1,128	-1,325	-1,600	-1,926	-2,000
NOPLAT	2,197	2,633	3,093	3,734	4,494	4,667
Depreciation	2,312	2,540	2,768	2,912	2,956	3,070
Working Capital Changes	-711	-441	-476	-537	-607	-631
CAPEX	-2,404	-2,608	-2,812	-3,016	-3,224	-3,349
FCFF	1,394	2,124	2,572	3,093	3,618	3,758
Perpetuity Growth Rate						3.9%
PV of Explicit Period (2024 - 2028E)						9,148
Perpetuity Value						55,744
PV of Perpetuity Value						30,432
Enterprise Value						39,580
Net Debt						11,861
Market Value						27,718
Outstanding Shares						543
Target Price						P\$ 51.00
Current Market Price						P\$ 38.08
Potential Return Incl. Dividends						33.9%
Forward EV/EBITDA						7.4x
Forward P/E						29.0x
Average Cost of Debt						13.5%
LT Tax Rate						30.0%
After-Tax Cost of Debt						9.5%
Cost of Equity						12.6%
Market Risk Premium						6.0%
Risk-Free Rate						9.3%
Beta						0.54
% Total Debt						53.0%
% Capital						47.0%
ESG Adjusted WACC						10.6%

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

	-10%	-5%	<i>Original</i>	+5%	+10%
<b>Projected EBITDA</b>	<b>4,906</b>	<b>5,179</b>	<b>5,451</b>	<b>5,724</b>	<b>5,996</b>
<b>Target EV/EBITDA</b>					
5.9x	30.00	32.98	35.96	38.93	41.91
6.4x	34.52	37.74	40.97	44.20	47.43
6.9x	39.03	42.51	45.99	49.46	52.94
<b>7.4x</b>	<b>43.54</b>	<b>47.27</b>	<b>51.00</b>	<b>54.73</b>	<b>58.46</b>
7.9x	48.06	52.04	56.02	60.00	63.98
8.4x	52.57	56.80	61.03	65.26	69.49

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

	-10%	-5%	<i>Original</i>	+5%	+10%
<b>Projected Net Profit</b>	<b>861</b>	<b>909</b>	<b>956</b>	<b>1,004</b>	<b>1,052</b>
<b>Target P/E</b>					
26.0x	41.15	43.44	45.72	48.01	50.29
27.0x	42.73	45.11	47.48	49.86	52.23
28.0x	44.32	46.78	49.24	51.70	54.17
<b>29.0x</b>	<b>45.90</b>	<b>48.45</b>	<b>51.00</b>	<b>53.55</b>	<b>56.10</b>
30.0x	47.49	50.12	52.76	55.40	58.04
31.0x	49.07	51.79	54.52	57.25	59.97

(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	24,920	28,283	31,882	35,761	40,115	44,892
Cost of Sales	-16,064	-19,627	-22,082	-24,885	-27,855	-31,122	-34,677
Gross Profit	4,261	5,293	6,201	6,996	7,906	8,993	10,215
<i>Gross Margin</i>	21.0%	21.2%	21.9%	21.9%	22.1%	22.4%	22.8%
General Expenses	-2,741	-2,999	-3,062	-3,235	-3,488	-3,658	-3,796
Operating Profit	1,686	2,351	3,139	3,761	4,418	5,335	6,419
<i>Operating Margin</i>	8.3%	9.4%	11.1%	11.8%	12.4%	13.3%	14.3%
Depreciation and Amortization	-1,913	-2,147	-2,312	-2,540	-2,768	-2,912	-2,956
EBITDA	3,600	4,498	5,451	6,301	7,186	8,247	9,375
<i>EBITDA Margin</i>	17.7%	18.1%	19.3%	19.8%	20.1%	20.6%	20.9%
Financial Gains	119	91	68	80	92	105	118
Financial Cost	-1,057	-1,676	-1,841	-1,952	-2,012	-2,071	-2,113
Pre-Tax Profit	748	766	1,366	1,889	2,498	3,368	4,425
Income Tax & Profit Sharing	-244	-224	-410	-567	-749	-1,010	-1,327
Net Profit	504	542	956	1,322	1,748	2,358	3,097
<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	29,382	31,407	33,284	35,315	38,129	41,223
Current Assets	6,055	7,377	8,806	9,809	10,891	12,094	13,413
Cash & Temp. Inv.	996	835	1,186	1,337	1,501	1,682	1,882
LT Assets	20,754	22,005	22,602	23,475	24,424	26,034	27,809
P, P & E	11,798	12,540	13,132	14,000	14,944	16,548	18,316
Other LT Assets	160	167	167	167	167	167	167
TOTAL LIABILITIES	15,644	18,755	20,424	21,578	22,461	23,517	24,114
ST Liabilities	5,449	7,780	8,449	8,603	8,986	9,542	9,638
LT Liabilities	10,195	10,975	11,975	12,975	13,475	13,975	14,475
TOTAL DEBT	9,936	12,697	13,999	14,742	15,183	15,754	15,838
NET DEBT	8,940	11,861	12,813	13,405	13,682	14,072	13,956
TOTAL CAPITAL	11,165	11,260	11,616	12,339	13,487	15,244	17,742
Stockholder's Equity	11,165	11,260	11,616	12,339	13,487	15,244	17,742
<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	542	956	1,322	1,748	2,358	3,097
Inv. Related Activities	2,987	3,166	3,564	3,947	4,317	4,619	4,836
Pre-Tax Cash Flow	3,421	3,144	4,281	4,671	5,275	5,475	6,290
Working Capital Changes	9	-1,034	-711	-441	-476	-537	-607
Operating Cash Flow	3,430	2,110	3,570	4,230	4,798	4,938	5,683
Investment Cash Flow	-4,965	-1,874	-2,348	-2,544	-2,740	-2,935	-3,134
Financing Cash Flow	1,272	-389	-863	-1,528	-1,888	-1,814	-2,343
Net Incr. (Decr.) in Cash & Temp. Inv.	-265	-156	358	159	171	189	207
Beg. of Period Cash and Temp. Inv.	1,475	996	835	1,186	1,337	1,501	1,682
End of Period Cash and Temp. Inv.	996	835	1,186	1,337	1,501	1,682	1,882

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