

TRAXIÓN: 3Q23 Results

Positive results driven once again by Logistics and Technology and Mobility of Personnel; above our expectations

TRAXION A	BUY
Target Price (MXN\$)	\$ 51.00
Current Price (MXN\$)	\$ 28.97
Min / Max (L12M - MXN\$)	18.27 - 40.00
Expected Dividend (MXN\$)	\$ 0.00
Total Return	76.0%
Mkt Cap (Mn of MXN)	15,745
Enterprise Value (Mn of MXN\$)	24,285
Shares Outstanding (Mn)	543.5
Float	63.0%
ADTV (MXN\$ Mn)	\$ 41.09

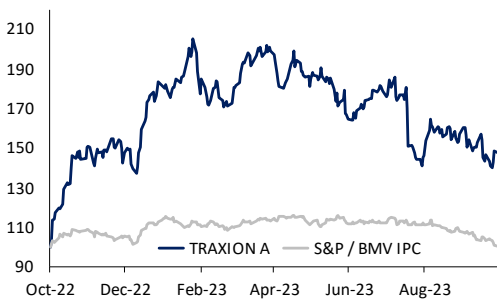
Opinion and recommendation

TRAXIÓN reported positive 3Q23 results that slightly exceeded our projections in terms of revenues and EBITDA and were well above our net profit forecast. Both sales and EBITDA set all-time highs.

We expect a favorable short-term reaction in the share price. We reiterate our BUY recommendation with a MXN\$51.0/share target price.

3Q23 Results

TRAXIÓN recorded revenues of MXN\$6.39 billion (vs. our MXN\$6.2 billion estimate), which represented an annual 18.9% increase. As in previous quarters, Logistics and Technology was the main driver with sales up 38.0% as it continued to benefit from strong demand for 3PL logistics services (the warehouse area expanded 33.7%), we believe as a result of the “nearshoring” trend, and services of the TRAXPORTA digital application. Mobility of Personnel revenues rose 22.7% from clients in the north and Bajío regions with exposure to “nearshoring”. The average fleet of this business unit grew 14.1% to 7,398 while the average revenue per kilometer was 9.3% higher. However, Mobility of Cargo revenues remained stable as the 12.5% increase in average revenue per kilometer was offset by a 10.5% reduction in kilometers traveled, given that the average fleet fell 6.0%.



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Consolidated EBITDA grew 25.7% to MXN\$1.17 billion (vs. MXN\$1.13 billion E), mainly supported by a 20.9% drop in the cost of fuel. Mobility of Cargo profitability improved significantly (margin expansion from 476 bps to 21.9%) due to higher productivity per unit, given the increase in revenue per kilometer. Additionally, the Mobility of Personnel margin expanded 48 bps despite pre-operating expenses. Logistics and Technology profitability decreased due to additional expenses related to expansion.

TRAXIÓN's net profits advanced 60.8% to MXN\$246 million (vs. our MXN\$186 million projection) due to outstanding operating growth, which offset the higher level of financial expenses.

Financial structure / Investments

The financial structure strengthened with the resources of the subsequent equity offer that included a MXN\$2.76 billion primary portion. The net debt to EBITDA ratio was 1.98x at the end of the quarter, below 2.29x in 3Q22.

Worth mentioning that the company invested nearly MXN\$2.5 billion during the first nine months of the year, of which 68% was for the Mobility of Personnel business. We believe that such investments will accelerate the growth of this business unit in the future.

(Figures in Millions of MXN\$)	3Q23	3Q23E	Diff.	3Q22	YoY Chg.
Revenues	6,389	6,209	2.9%	5,373	18.9%
Operating Profit	643	526	22.3%	431	42.8%
<i>Operating Margin</i>	10.1%	8.5%		8.0%	
EBITDA	1,174	1,130	3.9%	934	25.7%
<i>EBITDA Margin</i>	18.4%	18.2%		17.4%	
Financial Gains	69	57	21.3%	41	70.2%
Financial Cost	-394	-335	17.7%	-262	50.4%
Net Profit	246	186	31.8%	153	60.8%

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2024E	2025E	2026E	2027E	2028E	Perp.
OPERATING PROFIT	2,855	3,462	4,124	5,039	6,196	6,454
Tax Rate	30%	30%	30%	30%	30%	30%
Tax Shield	-857	-1,039	-1,237	-1,512	-1,859	-1,936
NOPLAT	1,999	2,424	2,887	3,527	4,337	4,518
Depreciation	2,312	2,540	2,768	2,912	2,956	3,079
Working Capital Changes	167	-467	-461	-578	-651	-678
CAPEX	-2,804	-3,008	-3,212	-3,416	-3,424	-3,567
FCFF	1,673	1,489	1,982	2,445	3,218	3,352
Perpetuity Growth Rate						4.2%
PV of Explicit Period (2024 - 2028E)						7,839
Perpetuity Value						54,545
PV of Perpetuity Value						30,278
Enterprise Value						38,117
Net Debt						10,402
Market Value						27,715
Outstanding Shares						543
Target Price						P\$ 51.00
Current Market Price						P\$ 28.97
Potential Return Incl. Dividends						76.0%
Forward EV/EBITDA						7.5x
Forward P/E						31.6x
Average Cost of Debt						10.8%
LT Tax Rate						30.0%
After-Tax Cost of Debt						7.6%
Cost of Equity						13.2%
Market Risk Premium						6.0%
Risk-Free Rate						10.0%
Beta						0.54
% Total Debt						45.2%
% Capital						54.8%
ESG Adjusted WACC						10.3%

Sensitivity Analysis Table, EV/EBITDA vs. EBITDA

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	4,650	4,909	5,167	5,425	5,684
Target EV/EBITDA					
6.0x	31.04	33.89	36.74	39.58	42.43
6.5x	35.32	38.41	41.49	44.57	47.66
7.0x	39.60	42.92	46.24	49.56	52.89
7.5x	43.88	47.44	51.00	54.56	58.11
8.0x	48.16	51.95	55.75	59.55	63.34
8.5x	52.43	56.47	60.50	64.54	68.57

Sensitivity Analysis Table, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	789	833	876	920	964
Target P/E					
28.6x	41.54	43.85	46.16	48.47	50.77
29.6x	42.99	45.38	47.77	50.16	52.55
30.6x	44.45	46.91	49.38	51.85	54.32
31.6x	45.90	48.45	51.00	53.55	56.10
32.6x	47.35	49.98	52.61	55.24	57.87
33.6x	48.80	51.51	54.22	56.93	59.64

(Figures in Millions of MXN\$)

INCOME STATEMENT	2022	2023E	2024E	2025E	2026E	2027E	2028E
Revenues	20,325	24,525	27,221	30,727	33,999	38,203	42,818
Cost of Sales	-16,064	-18,912	-21,109	-23,829	-26,175	-29,285	-32,598
Gross Profit	4,261	5,613	6,112	6,898	7,823	8,917	10,220
<i>Gross Margin</i>	21.0%	22.9%	22.5%	22.4%	23.0%	23.3%	23.9%
General Expenses	-2,741	-3,379	-3,257	-3,436	-3,699	-3,878	-4,024
Operating Profit	1,686	2,339	2,855	3,462	4,124	5,039	6,196
<i>Operating Margin</i>	8.3%	9.5%	10.5%	11.3%	12.1%	13.2%	14.5%
Depreciation and Amortization	-1,913	-2,189	-2,312	-2,540	-2,768	-2,912	-2,956
EBITDA	3,600	4,527	5,167	6,002	6,892	7,951	9,152
<i>EBITDA Margin</i>	17.7%	18.5%	19.0%	19.5%	20.3%	20.8%	21.4%
Financial Gains	119	210	135	321	379	424	474
Financial Cost	-1,057	-1,655	-1,738	-2,211	-2,446	-2,678	-2,896
Pre-Tax Profit	748	894	1,252	1,572	2,057	2,786	3,774
Income Tax & Profit Sharing	-244	-219	-376	-472	-617	-836	-1,132
Net Profit	504	675	876	1,101	1,440	1,950	2,641
BALANCE SHEET	2022	2023E	2024E	2025E	2026E	2027E	2028E
TOTAL ASSETS	26,809	31,495	32,917	37,799	40,473	44,108	47,865
Current Assets	6,055	8,736	9,145	12,733	14,039	15,639	17,393
Cash & Temp. Inv.	996	1,186	1,423	4,168	4,633	5,203	5,829
LT Assets	20,754	22,760	23,772	25,065	26,435	28,470	30,471
P, P & E	11,798	14,508	15,500	16,768	18,112	20,116	22,084
Other LT Assets	160	173	173	173	173	173	173
TOTAL LIABILITIES	15,644	17,883	19,029	23,410	25,244	27,529	29,244
ST Liabilities	5,449	7,245	7,391	9,272	9,106	9,391	9,606
LT Liabilities	10,195	10,638	11,638	14,138	16,138	18,138	19,638
TOTAL DEBT	9,936	11,588	12,395	16,399	17,854	19,687	20,924
NET DEBT	8,940	10,402	10,972	12,231	13,221	14,484	15,096
TOTAL CAPITAL	11,165	14,076	14,352	14,853	15,693	17,043	19,084
Stockholder's Equity	11,165	14,076	14,352	14,853	15,693	17,043	19,084
CASH FLOW STATEMENT	2022	2023E	2024E	2025E	2026E	2027E	2028E
Net Profit	504	675	876	1,101	1,440	1,950	2,641
Inv. Related Activities	2,987	3,680	4,169	7,688	8,884	9,766	10,630
Pre-Tax Cash Flow	3,421	4,909	4,438	4,869	5,504	5,727	6,618
Working Capital Changes	9	-1,969	167	-467	-461	-578	-651
Operating Cash Flow	3,430	2,939	4,605	4,402	5,044	5,149	5,967
Investment Cash Flow	-4,965	-3,697	-3,055	-3,076	-3,226	-3,389	-3,352
Financing Cash Flow	1,272	949	-1,316	1,416	-1,355	-1,192	-1,992
Net Incr. (Decr.) in Cash & Temp. Inv.	-265	189	234	2,742	462	567	623
Beg. of Period Cash and Temp. Inv.	1,475	996	1,186	1,423	4,168	4,633	5,203
End of Period Cash and Temp. Inv.	996	1,186	1,423	4,168	4,633	5,203	5,829

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