

TRAXIÓN: 4Q23 Results

Positive results fueled once again by the Logistics and technology and Mobility of personnel units

TRAXION A	BUY
Target Price (MXN\$)	\$ 53.00
Current Price (MXN\$)	\$ 31.19
Min / Max (L12M - MXN\$)	26.50 - 40.00
Expected Dividend (MXN\$)	\$ 0.00
Total Return	69.9%
Mkt Cap (Mn of MXN)	16,951
Enterprise Value (Mn of MXN\$)	25,926
Shares Outstanding (Mn)	543.5
Float	63.0%
ADTV (MXN\$ Mn)	\$ 33.35

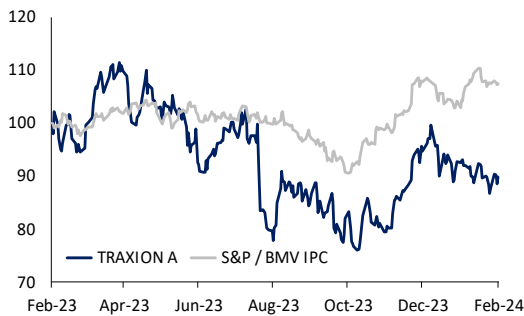
Opinion and recommendation

TRAXIÓN reported positive results that were in line with our revenue, EBITDA, and net profit forecasts supported by the Logistics and technology, and Mobility of personnel units. The company delivered record figures for the sixth consecutive year. We expect a favorable short-term reaction in the share price. We reiterate our BUY recommendation and raised the target price to MXN\$53.0/share, from MXN\$51.0/share.

TRAXIÓN released its 2024 guidance, which includes a 19% revenue growth with an 18.3% EBITDA margin. Capex will be MXN\$4.2 billion for organic growth. We consider such a guidance to be achievable.

4Q23 Results

TRAXIÓN's revenues grew 21.6% YoY to MXN\$6.67 billion (vs. our MXN\$6.59 billion expectation). As we anticipated, this performance was driven by the Logistics and technology division, whose revenues increased 35% supported by the expansion of the 3PL logistics and pharmaceutical businesses (with greater storage capacity and revenue per M2), as well as high demand for technological applications. Mobility of personnel sales rose 20.3% fueled by clients in the northern and Bajío regions with exposure to the "nearshoring" process. For its part, Mobility of cargo revenues advanced 10.9% given the focus on cross-border and specialized services, which are more profitable.



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The consolidated EBITDA margin expanded 80 bps to 18.3% due to lower fuel costs, which boosted the profitability of both Mobility of personnel and Mobility of cargo. This offset higher personnel, and facilities, services and supplies expenses. Consolidated EBITDA thus grew 27.2% to MXN\$1.22 billion (vs. our MXN\$1.2 billion expectation).

Net profit stood at MXN\$209 million (in line with our estimate), comparing favorably with MXN\$15 million in 4Q22, thanks to the operating performance that offset the higher net financial cost. Operating flow increased 21.4% as a result of a working capital reduction.

TRAXIÓN invested MXN\$3.4 billion in 2023, mainly for the fleet expansion, which reached 10,669 units (+8.0%), and in the 3PL warehouse area (+22.8%). The company recorded a 1.96x net debt to EBITDA ratio at the end of 4Q23, lower than the 2.38x in 4Q22, thanks to last year's equity offering.

(Figures in Millions of MXN\$)	4Q23	4Q23E	Diff.	4Q22	YoY Chg.
Revenues	6,673	6,591	1.2%	5,488	21.6%
Operating Profit	637	667	-4.5%	401	42.8%
<i>Operating Margin</i>	<i>9.6%</i>	<i>10.1%</i>		<i>7.3%</i>	
EBITDA	1,222	1,201	1.7%	961	27.2%
<i>EBITDA Margin</i>	<i>18.3%</i>	<i>18.2%</i>		<i>17.5%</i>	
Financial Gains	51	39	30.1%	36	39.6%
Financial Cost	-405	-401	1.0%	-339	19.4%
Net Profit	209	209	-0.1%	15	n.a.

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2025E	2026E	2027E	2028E	2029E	Perp.
OPERATING PROFIT	3,645	4,420	5,250	6,219	7,544	7,815
Tax Rate	30%	30%	30%	30%	30%	30%
Tax Shield	-1,093	-1,326	-1,575	-1,866	-2,263	-2,345
NOPLAT	2,551	3,094	3,675	4,353	5,281	5,471
Depreciation	2,572	2,708	2,884	3,020	3,156	3,269
Working Capital Changes	-473	-485	-500	-552	-661	-685
CAPEX	-3,808	-3,612	-3,816	-4,144	-4,224	-4,376
FCFF	842	1,705	2,243	2,677	3,552	3,680
Perpetuity Growth Rate						3.6%
PV of Explicit Period (2024 - 2028E)						7,967
Perpetuity Value						60,225
PV of Perpetuity Value						34,552
Enterprise Value						42,519
Net Debt						12,429
Market Value						30,091
Outstanding Shares						568
Target Price						P\$ 53.00
Current Market Price						P\$ 31.19
Potential Return Incl. Dividends						69.9%
Forward EV/EBITDA						7.2x
Forward P/E						26.0x
Average Cost of Debt						10.8%
LT Tax Rate						30.0%
After-Tax Cost of Debt						7.6%
Cost of Equity						12.4%
Market Risk Premium						6.0%
Risk-Free Rate						9.2%
Beta						0.54
% Total Debt						49.6%
% Capital						50.4%
ESG Adjusted WACC						9.7%

Sensitivity Analysis, EV/EBITDA vs. EBITDA

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	5,595	5,906	6,217	6,528	6,839
Target EV/EBITDA					
5.7x	30.38	33.47	36.57	39.67	42.77
6.2x	35.30	38.68	42.05	45.42	48.79
6.7x	40.23	43.88	47.52	51.17	54.81
7.2x	45.16	49.08	53.00	56.91	60.83
7.7x	50.09	54.28	58.47	62.66	66.86
8.2x	55.01	59.48	63.95	68.41	72.88

Sensitivity Analysis, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	1,041	1,099	1,156	1,214	1,272
Target P/E					
23.0x	42.20	44.54	46.89	49.23	51.57
24.0x	44.03	46.48	48.92	51.37	53.81
25.0x	45.86	48.41	50.96	53.51	56.06
26.0x	47.70	50.35	53.00	55.65	58.30
27.0x	49.53	52.28	55.03	57.78	60.54
28.0x	51.36	54.22	57.07	59.92	62.78

(Figures in Millions of MXN\$)

INCOME STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Revenues	24,807	29,251	33,273	37,123	41,161	45,692	50,790
Cost of Sales	-18,990	-22,974	-26,119	-28,929	-31,955	-35,368	-38,984
Gross Profit	5,817	6,277	7,155	8,194	9,206	10,324	11,807
<i>Gross Margin</i>	23.4%	21.5%	21.5%	22.1%	22.4%	22.6%	23.2%
General Expenses	-3,616	-3,330	-3,510	-3,774	-3,956	-4,105	-4,262
Operating Profit	2,310	2,947	3,645	4,420	5,250	6,219	7,544
<i>Operating Margin</i>	9.3%	10.1%	11.0%	11.9%	12.8%	13.6%	14.9%
Depreciation and Amortization	-2,239	-2,448	-2,572	-2,708	-2,884	-3,020	-3,156
EBITDA	4,549	5,395	6,217	7,128	8,134	9,239	10,700
<i>EBITDA Margin</i>	18.3%	18.4%	18.7%	19.2%	19.8%	20.2%	21.1%
Financial Gains	222	151	194	245	304	372	448
Financial Cost	-1,673	-1,782	-2,187	-2,486	-2,770	-3,094	-3,361
Pre-Tax Profit	860	1,317	1,652	2,179	2,784	3,497	4,631
Income Tax & Profit Sharing	-221	-395	-496	-654	-835	-1,049	-1,389
Net Profit	639	922	1,156	1,526	1,949	2,448	3,242
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	31,975	34,729	38,309	41,702	45,860	50,451	55,299
Current Assets	7,807	9,666	11,184	12,748	14,448	16,386	18,633
LT Assets	24,169	25,063	27,125	28,954	31,412	34,065	36,666
TOTAL LIABILITIES	18,073	21,030	24,053	26,521	29,330	32,072	34,278
ST Liabilities	6,805	8,762	9,285	9,253	10,062	10,805	11,011
LT Liabilities	11,268	12,268	14,768	17,268	19,268	21,268	23,268
TOTAL DEBT	10,355	14,003	16,555	18,593	20,948	23,183	24,845
NET DEBT	8,976	12,429	14,407	15,795	17,404	18,761	19,382
TOTAL CAPITAL	13,902	14,224	14,780	15,706	17,055	18,903	21,545
CASH FLOW STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Net Profit	639	922	1,156	1,526	1,949	2,448	3,242
Inv. Related Activities	3,734	4,843	5,668	6,657	7,816	9,108	10,607
Pre-Tax Cash Flow	4,800	3,694	4,157	4,791	5,006	5,866	6,967
Working Capital Changes	-1,376	-307	-473	-485	-500	-552	-661
Operating Cash Flow	3,424	3,387	3,684	4,307	4,506	5,314	6,306
Investment Cash Flow	-3,314	-3,561	-3,130	-2,887	-3,036	-3,300	-3,304
Financing Cash Flow	277	373	23	-766	-718	-1,132	-1,956
Net Incr. (Decr.) in Cash & Temp. Inv.	384	199	577	654	751	882	1,046
Beg. of Period Cash and Temp. Inv.	996	1,380	1,574	2,147	2,797	3,544	4,422
End of Period Cash and Temp. Inv.	1,380	1,574	2,147	2,797	3,544	4,422	5,464

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