

TRAXIÓN: 1Q24 Results

Positive results fueled by Logistics and Technology and Mobility of Personnel due to “nearshoring”, in line

TRAXION A	BUY
Target Price (MXN\$)	\$ 53.00
Current Price (MXN\$)	\$ 31.13
Min / Max (L12M - MXN\$)	26.50 - 38.91
Expected Dividend (MXN\$)	\$ 0.00
Total Return	70.3%
Mkt Cap (Mn of MXN)	16,918
Enterprise Value (Mn of MXN\$)	26,688
Shares Outstanding (Mn)	543.5
Float	63.0%
ADTV (MXN\$ Mn)	\$ 29.02

Opinion and recommendation

TRAXIÓN reported a positive quarter with double-digit revenue, EBITDA and net profit growth once again driven by the Logistics and technology and Mobility of personnel businesses. These figures were in line with our projections. We still expect a favorable short-term reaction in the stock price. Our recommendation remains BUY with a MXN\$53.0/share target price, after this quarterly report.

We believe that TRAXIÓN's prospects are very favorable since around 70% of its revenues are exposed to the “nearshoring” process. In addition, its shares trade at a forward EV/EBITDA of 5.7x and an estimated P/E of 19.2x.

1Q24 Results

Total revenues increased 15.5% YoY to MXN\$6.661 billion, practically in line with our MXN\$6.624 billion projection. The Logistics and technology segment remained the main driver with a 28.9% sales increase supported by technological applications and 3PL logistics services (with greater area and revenue per M2). For its part, the Mobility of personnel business recorded an 18.9% sales rise driven by a similar fleet expansion (with 1,245 new units in the last twelve months) as it continued to experience high demand from industrial customers in the north and the Bajío regions due to the “nearshoring” process. This offset the 2.1% reduction in Mobility of cargo revenues due to the appreciation of the Mexican peso on dollarized revenues.



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The EBITDA margin was 17.2% in the quarter, in line with that of the previous year. Higher profitability in Mobility of cargo due to its focus on cross-border and specialized services was offset by the change in the sales and EBITDA mix given the higher growth of the other two businesses. Therefore, EBITDA grew 15.7% YoY to MXN\$1.147 billion (vs. MXN\$1.143 billion E).

Net profits rose 92.1% YoY to MXN\$139 million (vs. P\$140 million E) supported by operating performance and stability in financial costs.

TRAXIÓN closed the quarter with a net debt to EBITDA ratio of 2.07x, slightly lower than the 2.39x in 1Q23. On the other hand, the company invested MXN\$1.148 billion in the quarter, more than doubling last year's amount, of which 78% was in Mobility of personnel.

TRAXIÓN continued to move forward in its ESG strategy. During the quarter, it carried out tests of 100% electric zero-emission buses in Mobility of personnel, incorporated zero-emission electric vans in the last mile and is evaluating alternative fuels. Its fuel consumption intensity and GHG emissions intensity indicators also improved slightly.

(Figures in Millions of MXN\$)	1Q24	1Q24E	Diff.	1Q23	YoY Chg.
Revenues	6,661	6,624	0.6%	5,765	15.5%
Operating Profit	558	531	5.1%	458	42.8%
<i>Operating Margin</i>	<i>8.4%</i>	<i>8.0%</i>		<i>7.9%</i>	
EBITDA	1,147	1,143	0.3%	991	15.7%
<i>EBITDA Margin</i>	<i>17.2%</i>	<i>17.3%</i>		<i>17.2%</i>	
Financial Gains	39	36	8.4%	54	-27.8%
Financial Cost	-400	-408	-2.1%	-417	-4.1%
Net Profit	139	140	-0.6%	72	92.0%

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2025E	2026E	2027E	2028E	2029E	Perp.
OPERATING PROFIT	3,414	4,103	4,860	5,802	6,933	7,278
Tax Rate	30%	30%	30%	30%	30%	30%
Tax Shield	-1,024	-1,231	-1,458	-1,740	-2,080	-2,183
NOPLAT	2,390	2,872	3,402	4,061	4,853	5,095
Depreciation	2,624	2,744	2,904	3,024	3,156	3,313
Working Capital Changes	-322	-423	-427	-477	-570	-598
CAPEX	-3,808	-3,612	-3,816	-4,144	-4,224	-4,434
FCFF	884	1,581	2,063	2,464	3,216	3,376
Perpetuity Growth Rate						5.0%
PV of Explicit Period (2025 - 2029E)						7,278
Perpetuity Value						63,721
PV of Perpetuity Value						35,431
Enterprise Value						42,708
Net Debt						12,615
Market Value						30,093
Outstanding Shares						568
Target Price						P\$ 53.00
Current Market Price						P\$ 31.13
Potential Return Incl. Dividends						70.3%
Forward EV/EBITDA						7.3x
Forward P/E						29.4x
Average Cost of Debt						10.8%
LT Tax Rate						30.0%
After-Tax Cost of Debt						7.6%
Cost of Equity						13.6%
Market Risk Premium						6.0%
Risk-Free Rate						10.3%
Beta						0.54
% Total Debt						49.2%
% Capital						50.8%
ESG Adjusted WACC						10.3%

Sensitivity Analysis Table, EV/EBITDA vs. EBITDA

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	5,434	5,736	6,038	6,340	6,642
Target EV/EBITDA					
5.8x	30.87	33.96	37.05	40.14	43.23
6.3x	35.65	39.01	42.37	45.72	49.08
6.8x	40.44	44.06	47.68	51.31	54.93
7.3x	45.22	49.11	53.00	56.89	60.78
7.8x	50.01	54.16	58.32	62.47	66.63
8.3x	54.79	59.21	63.64	68.06	72.48

Sensitivity Analysis Table, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	921	972	1,023	1,074	1,125
Target P/E					
26.4x	42.84	45.22	47.60	49.98	52.36
27.4x	44.46	46.93	49.40	51.87	54.34
28.4x	46.08	48.64	51.20	53.76	56.32
29.4x	47.70	50.35	53.00	55.65	58.30
30.4x	49.32	52.06	54.80	57.54	60.28
31.4x	50.94	53.77	56.60	59.43	62.26

(Figures in Millions of MXN\$)

INCOME STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Revenues	24,807	29,152	32,572	36,343	40,253	44,634	49,527
Cost of Sales	-18,990	-22,564	-25,436	-28,229	-31,187	-34,464	-38,053
Gross Profit	5,817	6,588	7,136	8,114	9,065	10,170	11,474
<i>Gross Margin</i>	23.4%	22.6%	21.9%	22.3%	22.5%	22.8%	23.2%
General Expenses	-3,616	-3,690	-3,722	-4,011	-4,206	-4,369	-4,540
Operating Profit	2,310	2,953	3,414	4,103	4,860	5,802	6,933
<i>Operating Margin</i>	9.3%	10.1%	10.5%	11.3%	12.1%	13.0%	14.0%
Depreciation and Amortization	-2,239	-2,371	-2,624	-2,744	-2,904	-3,024	-3,156
EBITDA	4,549	5,324	6,038	6,847	7,764	8,826	10,089
<i>EBITDA Margin</i>	18.3%	18.3%	18.5%	18.8%	19.3%	19.8%	20.4%
Financial Gains	222	138	168	211	260	317	379
Financial Cost	-1,673	-1,771	-2,120	-2,349	-2,569	-2,827	-3,033
Pre-Tax Profit	860	1,320	1,462	1,965	2,551	3,291	4,279
Income Tax & Profit Sharing	-221	-395	-439	-589	-765	-987	-1,284
Net Profit	639	924	1,023	1,375	1,785	2,302	2,993
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	31,975	36,250	39,604	42,963	47,098	51,671	56,502
Current Assets	7,807	10,005	11,352	12,915	14,610	16,531	18,757
LT Assets	24,169	26,244	28,253	30,048	32,489	35,140	37,744
TOTAL LIABILITIES	18,073	22,050	24,535	26,674	29,178	31,603	33,594
ST Liabilities	6,805	10,566	10,552	10,191	10,695	11,120	11,111
LT Liabilities	11,268	11,483	13,983	16,483	18,483	20,483	22,483
TOTAL DEBT	10,355	14,195	16,186	17,819	19,785	21,619	22,965
NET DEBT	8,976	12,615	14,076	15,074	16,312	17,293	17,627
TOTAL CAPITAL	13,902	14,666	15,535	16,755	18,386	20,534	23,373
CASH FLOW STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Net Profit	639	924	1,023	1,375	1,785	2,302	2,993
Inv. Related Activities	3,734	4,081	4,997	5,819	6,790	7,862	9,111
Pre-Tax Cash Flow	4,800	3,719	4,624	5,172	5,313	6,136	7,096
Working Capital Changes	-1,376	-191	-322	-423	-427	-477	-570
Operating Cash Flow	3,424	3,528	4,302	4,749	4,886	5,659	6,527
Investment Cash Flow	-3,314	-4,240	-3,737	-3,502	-3,661	-3,936	-3,954
Financing Cash Flow	277	913	-35	-611	-495	-869	-1,560
Net Incr. (Decr.) in Cash & Temp. Inv.	384	201	530	636	730	854	1,012
Beg. of Period Cash and Temp. Inv.	996	1,380	1,580	2,109	2,744	3,473	4,326
End of Period Cash and Temp. Inv.	1,380	1,580	2,109	2,744	3,473	4,326	5,337

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