

TRAXIÓN: 3Q24 Results

Positive operating results with historically high revenues and adjusted EBITDA; exceeded our expectations

TRAXION A	BUY
Target Price (MXN\$)	\$ 53.00
Current Price (MXN\$)	\$ 21.62
Min / Max (L12M - MXN\$)	18.01 - 35.01
Expected Dividend (MXN\$)	\$ 0.00
Total Return	145.1%
Mkt Cap (Mn of MXN)	12,257
Enterprise Value (Mn of MXN\$)	23,094
Shares Outstanding (Mn)	566.9
Float	63.0%
ADTV (MXN\$ Mn)	\$ 32.32

Opinion and recommendation

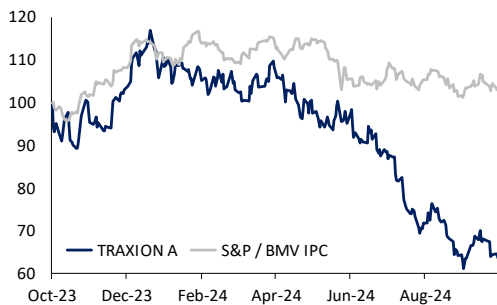
TRAXIÓN reported positive quarterly operating results, with revenues and EBITDA slightly above our estimates due to a stronger-than-expected performance in Logistics and Technology and Mobility of Cargo. Net profits were marginally lower. We reiterate our BUY recommendation with a MXN\$53.0/share target price.

TRAXIÓN is awaiting regulatory approvals to carry out the Solística acquisition, which will make its Logistics and Technology division the largest one.

3Q24 Results

TRAXIÓN's revenues increased 17.9% YoY to MXN\$7.53 billion (vs. our MXN\$7.45 billion forecast). Logistics and Technology was once again the main driver, with revenues up 24.5% due to higher demand in Traxporta, and 3PL and 4PL logistics services, in addition to the reconfiguration of the last mile B2B business. Mobility of Cargo sales accelerated to +15.5% as a result of higher revenue per kilometer from a focus on dedicated services and specialized cargo, in addition to a favorable FX effect. Mobility of Personnel revenues rose 14.1%, we believe due to high demand from the industrial sector, which required a 17.2% fleet expansion, thus allowing a 10.2% increase in kilometers traveled.

Consolidated adjusted EBITDA (not including a MXN\$139 million charge related to the reduction of the B2C last mile business), grew 18.7% YoY to MXN\$1.39 billion (vs. MXN\$1.38 billion E) with a slight 10 bps expansion in the adjusted EBITDA margin to 18.5%.



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However, net profits decreased 61.4% YoY to MXN\$91 million (vs. MXN\$101 million E) due to higher depreciation and interest paid, in addition to the extraordinary charge.

Operating cash flow increased 203.9% to MXN\$1.47 billion mainly supported by an improvement in working capital, while Capex decreased 9.1% to MXN\$1.0 billion. The company expects to invest MXN\$3.6 billion in 2024.

ESG

TRAXIÓN obtained a score of 58 (up 6 places) in its “Corporate Sustainability Assessment (CSA)” rating by S&P for 2024. It is among the 8% of the best-rated companies globally, in 25th place within a universe of 315 companies in the world.

(Figures in Millions of MXN\$)	3Q24	3Q24E	Diff.	3Q23	YoY Chg.
Revenues	7,529	7,453	1.0%	6,390	17.8%
Operating Profit	608	595	2.2%	643	42.8%
<i>Operating Margin</i>	<i>8.1%</i>	<i>8.0%</i>		<i>10.1%</i>	
EBITDA	1,394	1,376	1.3%	1,174	18.7%
<i>EBITDA Margin</i>	<i>18.5%</i>	<i>18.5%</i>		<i>18.4%</i>	
Net Profit	95	101	-5.7%	246	-61.2%

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2025E	2026E	2027E	2028E	2029E	Perp.
OPERATING PROFIT	3,361	4,081	4,815	5,670	6,479	6,853
Tax Rate	30%	30%	30%	30%	30%	30%
Tax Shield	-1,008	-1,224	-1,444	-1,701	-1,944	-2,056
NOPLAT	2,352	2,857	3,370	3,969	4,535	4,797
Depreciation	2,624	2,744	2,904	3,024	3,156	3,338
Working Capital Changes	-679	-592	-594	-622	-621	-656
CAPEX	-3,651	-3,771	-3,816	-4,144	-4,224	-4,468
FCFF	647	1,237	1,864	2,227	2,846	3,011
Perpetuity Growth Rate						5.8%
PV of Explicit Period (2025 - 2029E)						6,214
Perpetuity Value						64,583
PV of Perpetuity Value						35,601
Enterprise Value						41,815
Net Debt						11,848
Market Value						29,967
Outstanding Shares						565
Target Price						P\$ 53.00
Current Market Price						P\$ 21.62
Potential Return Incl. Dividends						145.2%
Forward EV/EBITDA						7.3x
Forward P/E						32.0x
Average Cost of Debt						10.8%
LT Tax Rate						30.0%
After-Tax Cost of Debt						7.6%
Cost of Equity						13.8%
Market Risk Premium						6.0%
Risk-Free Rate						10.5%
Beta						0.54
% Total Debt						48.0%
% Capital						52.0%
ESG Adjusted WACC						10.4%

Sensitivity Analysis, EV/EBITDA vs. EBITDA

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	5,386	5,685	5,985	6,284	6,583
Target EV/EBITDA					
5.8x	31.00	34.07	37.13	40.19	43.25
6.3x	35.77	39.09	42.42	45.74	49.07
6.8x	40.53	44.12	47.71	51.30	54.89
7.3x	45.30	49.15	53.00	56.86	60.71
7.8x	50.06	54.18	58.30	62.42	66.54
8.3x	54.82	59.21	63.59	67.97	72.36

Sensitivity Analysis, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	842	889	936	983	1,030
Target P/E					
29.0x	43.23	45.64	48.04	50.44	52.84
30.0x	44.72	47.21	49.69	52.18	54.66
31.0x	46.21	48.78	51.35	53.92	56.48
32.0x	47.70	50.35	53.00	55.66	58.31
33.0x	49.19	51.93	54.66	57.39	60.13
34.0x	50.68	53.50	56.32	59.13	61.95

(Figures in Millions of MXN\$)

INCOME STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Revenues	24,807	29,272	33,354	37,510	41,664	45,881	50,247
Cost of Sales	-18,990	-22,949	-25,630	-28,900	-32,125	-35,282	-38,625
Gross Profit	5,817	6,323	7,725	8,609	9,539	10,600	11,622
General Expenses	-3,616	-4,003	-4,364	-4,528	-4,725	-4,929	-5,143
Operating Profit	2,310	2,392	3,361	4,081	4,815	5,670	6,479
Depreciation and Amortization	-2,239	-2,650	-2,624	-2,744	-2,904	-3,024	-3,156
EBITDA	4,549	5,206	5,985	6,825	7,719	8,694	9,635
Financial Gains	222	233	127	160	196	235	276
Financial Cost	-1,673	-1,784	-2,175	-2,469	-2,772	-3,110	-3,410
Pre-Tax Profit	860	841	1,313	1,772	2,238	2,795	3,344
Income Tax & Profit Sharing	-221	-260	-394	-532	-671	-839	-1,003
Net Profit	639	581	919	1,240	1,567	1,957	2,341
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	31,975	34,506	38,147	41,849	46,128	50,726	55,399
Current Assets	7,838	9,845	11,609	13,332	15,149	17,075	19,127
LT Assets	24,138	24,661	26,538	28,516	30,979	33,651	36,272
TOTAL LIABILITIES	18,074	20,676	23,531	26,119	28,953	31,708	34,147
ST Liabilities	6,811	7,767	8,622	9,710	11,044	11,799	12,238
LT Liabilities	11,263	12,909	14,909	16,409	17,909	19,909	21,909
TOTAL DEBT	10,355	13,243	15,728	17,842	20,199	22,489	24,436
NET DEBT	8,976	11,848	13,619	15,076	16,687	18,138	19,146
TOTAL CAPITAL	13,901	14,332	15,118	16,231	17,677	19,519	21,753
CASH FLOW STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Net Profit	639	583	936	1,263	1,596	1,993	2,384
Inv. Related Activities	3,734	4,545	5,056	5,895	6,848	7,862	8,999
Pre-Tax Cash Flow	4,791	5,424	4,299	4,863	4,978	5,729	6,458
Working Capital Changes	-1,370	-937	-679	-592	-594	-622	-621
Operating Cash Flow	3,421	4,487	3,620	4,271	4,383	5,107	5,837
Investment Cash Flow	-3,366	-3,926	-3,579	-3,671	-3,684	-3,976	-4,016
Financing Cash Flow	332	-555	658	41	30	-308	-899
Net Incr. (Decr.) in Cash & Temp. Inv.	384	11	699	641	729	823	923
Beg. of Period Cash and Temp. Inv.	996	1,380	1,395	2,110	2,766	3,512	4,351
End of Period Cash and Temp. Inv.	1,380	1,395	2,110	2,766	3,512	4,351	5,290

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