

America Movil

4Q23y Conf Call: Capex is declining significantly for 2024

Reiterate Rating: BUY | PO: 21.00 MXN | Price: 14.58 MXN

Capex to reach ~USD7bn; Was ~MXN8.6bn in 2023

Regarding capex, AMX reiterated its 3-year guidance for 2022-24, which implies it at c. USD7bn in 2024 after reaching ~USD8.6bn in 2023. For the past few years, the company has increased its investments in fiber and its 5G network (Spectrum auctions and rollout), but those are mostly done by now. Although no guidance was given for 2025, AMX does not expect major one-offs for the period (~USD7bn seems sustainable). With the higher operating cash flow (lower capex) AMX is likely to increase its distribution to shareholders. Reiterate Buy rating.

Upselling in Mexico and downgrading in Colombia

For its ARPU expansion in Mexico, although AMX reported a 3% YoY expansion, it was mostly driven by clients seeking higher data package plans and upgrades. Price increase happened mainly for prepaid plans, with ARPU up 4% YoY. In Colombia in the other hand, AMX is not cutting prices but clients are still downgrading its plans, as the company increased data packages due to an increased competition.

Positive net adds trend to continue in MX broadband

In Mexico, AMX reported 165k broadband net adds, up from a soft 20k in 3Q and 140k in 2Q. According to AMX, this was mostly boosted by its new commercial efforts with offers that for example include streaming platform subscriptions. The company expects a similar pace in 2024. In our view, this acceleration may have been boosted by some of its competitors, mainly Televisa, slowing its expansion plans to focus on profitability.

BZ mobile: Price hikes but also market share gain

For the last few quarters, the mobile market in Brazil has been highly rational, with the three major players posting real MSR growth. For the coming quarters, AMX should raise prices, potentially above inflation, but it should also continue to focus on gaining more market share in the segment.

Estimates(Dec) (MXN)	2021A	2022A	2023E	2024E	2025E
EPS	1.26	1.29	1.27	1.45	1.67
EPS Change (YoY)	100.0%	2.4%	-1.6%	14.2%	15.2%
Consensus EPS (Bloomberg)			1.23	1.43	1.68
DPS	0.94	0.79	0.50	1.08	1.32
ADR EPS (US\$)	1.24	1.28	1.48	1.69	1.94
ADR DPS (US\$)	0.93	0.78	0.58	1.26	1.53
Valuation (Dec)					
P/E	11.6x	11.3x	11.5x	10.1x	8.7x
Dividend Yield	6.4%	5.4%	3.4%	7.4%	9.0%
EV / EBITDA*	4.6x	4.8x	4.9x	4.7x	4.4x
Free Cash Flow Yield*	18.3%	13.3%	13.9%	15.8%	16.3%

* For full definitions of *IQmethod*SM measures, see page 5.

14 February 2024

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Stock Data

Price (Common / ADR)	14.58 MXN / 16.86 USD
Price Objective	21.00 MXN / 24.00 USD
Date Established	5-Feb-2024 / 5-Feb-2024
Investment Opinion	A-1-7 / B-1-7
52-Week Range	14.50 MXN - 20.55 MXN
Market Value (mn)	909 MXN
Free Float	46.5%
Average Daily Value	60.98 USD
Shares Outstanding (mn)	62.3 / 3.1
BofA Ticker / Exchange	AMXVF / MEX
BofA Ticker / Exchange	AMX / NYS
Bloomberg / Reuters	AMXB MM / AMXB.MX
ROE (2023E)	18.4%
Net Dbt to Eqty (Dec-2022A)	119.4%

MSR: Mobile Service Revenue

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Timestamp: 14 February 2024 12:25PM EST

iQprofileSM America Movil

iQmethodSM – Bus Performance*

(MXN Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	10.7%	8.7%	9.1%	9.2%	9.7%
Return on Equity	24.0%	18.3%	18.4%	20.3%	22.1%
Operating Margin	18.4%	19.7%	20.6%	20.6%	21.3%
Free Cash Flow	166	121	127	144	149

iQmethodSM – Quality of Earnings*

(MXN Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	4.0x	3.4x	3.5x	3.0x	2.8x
Asset Replacement Ratio	1.0x	1.0x	1.0x	0.8x	0.8x
Tax Rate	25.8%	33.6%	32.6%	33.0%	33.0%
Net Debt-to-Equity Ratio	110.6%	119.4%	114.7%	103.8%	95.8%
Interest Cover	5.6x	4.6x	4.9x	5.3x	6.4x

Income Statement Data (Dec)

(MXN Millions)	2021A	2022A	2023E	2024E	2025E
Sales	981	859	825	845	901
% Change	-3.1%	-12.5%	-3.9%	2.5%	6.6%
Gross Profit	382	358	353	360	390
% Change	1.1%	-6.2%	-1.5%	2.1%	8.3%
EBITDA	344	332	324	334	359
% Change	5.8%	-3.6%	-2.4%	3.1%	7.3%
Net Interest & Other Income	(63)	(37)	(44)	(33)	(30)
Net Income (Adjusted)	83	82	80	91	105
% Change	98.5%	-1.4%	-2.3%	13.7%	15.3%

Free Cash Flow Data (Dec)

(MXN Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	83	82	80	91	105
Depreciation & Amortization	163	163	154	160	166
Change in Working Capital	44	7	21	(2)	(5)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	46	29	24	25	24
Capital Expenditure	(170)	(160)	(153)	(131)	(141)
Free Cash Flow	166	121	127	144	149
% Change	NM	-27.1%	4.5%	13.5%	3.3%
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	(62)	(50)	(31)	(68)	(83)
Change in Debt	(75)	20	(59)	34	21

Balance Sheet Data (Dec)

(MXN Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	156	122	129	185	220
Trade Receivables	212	202	205	208	222
Other Current Assets	35	37	32	32	34
Property, Plant & Equipment	1,011	927	921	923	930
Other Non-Current Assets	273	330	327	328	330
Total Assets	1,687	1,618	1,615	1,677	1,735
Short-Term Debt	173	135	177	187	194
Other Current Liabilities	355	354	374	374	385
Long-Term Debt	490	510	453	478	493
Other Non-Current Liabilities	212	182	175	175	175
Total Liabilities	1,230	1,180	1,179	1,214	1,247
Total Equity	458	438	437	463	488
Total Equity & Liabilities	1,687	1,618	1,615	1,677	1,735

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Telecom Services-Wireless/Cellular

Company Description

America Movil (AMX) is the largest full service telecom operator in Latin America, offering mobile and fixed line services, wireless and fixed data transmission, as well as Pay-TV. The company is based in Mexico with operations across 25 countries being Mexico and Brazil the main operating market. The company provides wireless services to 294mn subscribers, while its fixed services customer base adds up to 80.7mn.

Investment Rationale

We believe the solid trends in the mobile segment in its key markets, Mexico and Brazil should boost consolidated growth leading to a margin expansion. On the fixed front, we have seen improving trends in Brazil and Mexico (despite the highly competitive market), boosted by its FTTH expansion strategy. We also see a solid outlook for dividend payout and FCF generation.

Stock Data

Average Daily Volume	73,927,150
Shares / ADR	20.00

Quarterly Earnings Estimates

	2022	2023
Q1	0.35A	NA
Q2	0.35A	NA
Q3	0.35A	NA
Q4	0.35A	NA



Price objective basis & risk

America Movil (AMXVF / AMX)

Our price objective of MXN21/US\$24 per share is based on a 10-year DCF-to-Firm, discounted at a weighted average cost of capital (WACC) of 9.5%, assuming a capital structure of 75% equity / 25% debt in the long term. Our cost of equity (Ke) is composed of a Beta of 0.95, a risk-free rate of 3%, a market risk premium of 6% and a country risk in Mexico of 150bps. We use cost of debt of 4.2% and terminal growth rate of 3%.

Downside risks: (i) macro scenario in its key markets, (ii) regulation in MX, (iii) stronger-than-expected competition for Telcel.

Upside risks: (i) faster-than-expected growth for Telcel due to low competition, (ii) higher synergies from the acquisition of Oi's assets in Brazil and (iii) higher demand in Brazil for both fixed and mobile due to the ICMS reduction

Analyst Certification

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Latin America - Telecom Services and Information Technology Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	America Movil	AMX	AMX US	Fred Mendes, CFA
	America Movil	AMXVF	AMXB MM	Fred Mendes, CFA
	Desktop S.A	XNUKF	DESK3 BZ	Fred Mendes, CFA
	Eletromidia	XSUHF	ELMD3 BZ	Fred Mendes, CFA
	Locaweb	XZVMF	LWSA3 BZ	Fred Mendes, CFA
	Telefonica Brasil	XCPTF	VVT3 BZ	Fred Mendes, CFA
	Telefonica Brasil	VIV	VIV US	Fred Mendes, CFA
	Televisa	TV	TV US	Fred Mendes, CFA
	Televisa	GRPFF	TLEVICPO MM	Fred Mendes, CFA
	TIM Brasil	TIMB	TIMB US	Fred Mendes, CFA
	TIM Brasil	XZUAF	TIMS3 BZ	Fred Mendes, CFA
	TOTVS	XBEGF	TOTS3 BZ	Fred Mendes, CFA
	VTEX	VTEX	VTEX US	Fred Mendes, CFA
NEUTRAL				
	Intelbras S.A.	XLTXF	INTB3 BZ	Fred Mendes, CFA
UNDERPERFORM				
	Brisanet	XNHKF	BRIT3 BZ	Fred Mendes, CFA
	Megacable Holdings SAB	MHSDF	MEGACPO MM	Fred Mendes, CFA
	Unifiqu S.A	XFYDF	FIQE3 BZ	Fred Mendes, CFA

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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America Movil (AMXVF) Price Chart



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America Movil (AMX) Price Chart



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Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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