

Brazil TMT

TMT Morning radar: Claro reduces “zero rating” in postpaid plans in Brazil

Industry Overview

Claro reduces “zero rating” in post-paid plans

Claro (AMX) is changing its policy for “zero rating” in its new postpaid and hybrid plans. “Zero rating” refers to unlimited access to specific apps that do not consume the customer’s data packages. In its new plans, Claro has removed the unlimited access to most apps, with the exception to WhatsApp. In most cases, although the unlimited access was restricted, it is still offering extra data for the use of some apps.

Our view: Another move showing market rationality

The reduction in “zero rating” policies has been widely discussed among the Telcos in recent months and this move is an important first step. We expect more similar moves in the future. We highlight that in recent weeks, TIM has raised its entry price in prepaid (see: [BZ Telecom Price Tracker: First prepaid entry price hike in years](#)), another positive sign for the segment. All in all, we remain bullish on the Brazilian Mobile sector and expect market rationality should continue to lead to real MSR growth. We reiterate our Buy rating and PO of MXN21 for AMX, as we see solid trends in its main markets and expect a strong FCF yield of 9% for 2024 following a significant YoY capex reduction.

05 February 2024

Equity

Brazil

Telecommunications, Media and Technology

Fred Mendes, CFA >>

Research Analyst
Merrill Lynch (Brazil)
+55 11 2188 4119
fred.mendes@bofa.com

Lucca R Brendim >>

Research Analyst
Merrill Lynch (Brazil)
lucca.brendim@bofa.com

Mirela Oliveira >>

Research Analyst
Merrill Lynch (Brazil)
mirela.oliveira@bofa.com

Gustavo Tiseo >>

Research Analyst
Merrill Lynch (Brazil)
gustavo.tiseo@bofa.com

Glossary

MSR: Mobile Service Revenue

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Refer to important disclosures on page 3 to 6. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.

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Timestamp: 05 February 2024 06:26AM EST

Exhibit 1: Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AMX	AMX US	America Movil	US\$ 18.06	B-1-7

Source: BofA Global Research

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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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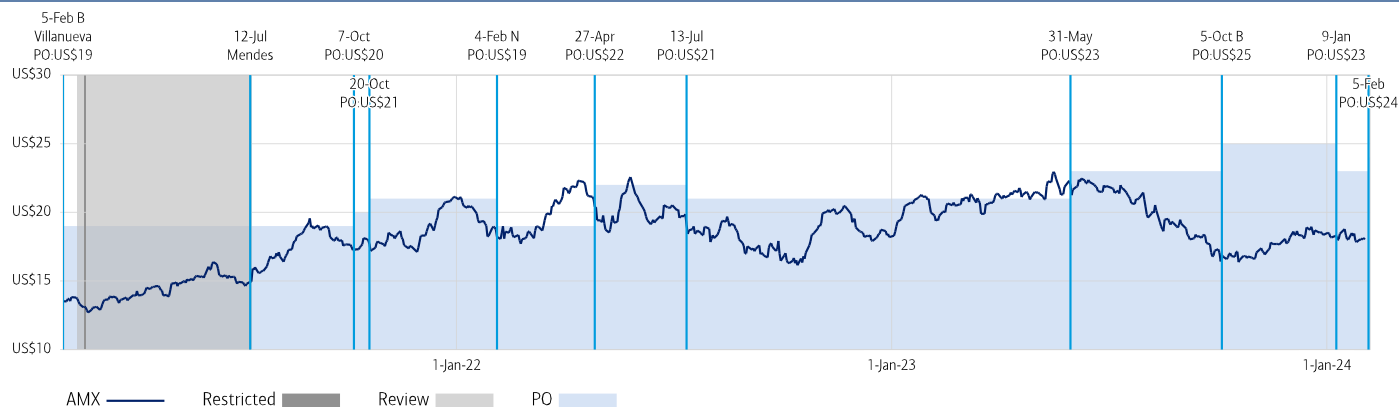
Latin America - Telecom Services and Information Technology Coverage Cluster

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
	Unifone S.A	XYDF	FIQE3 BZ	Fred Mendes, CFA

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America Movil (AMX) Price Chart

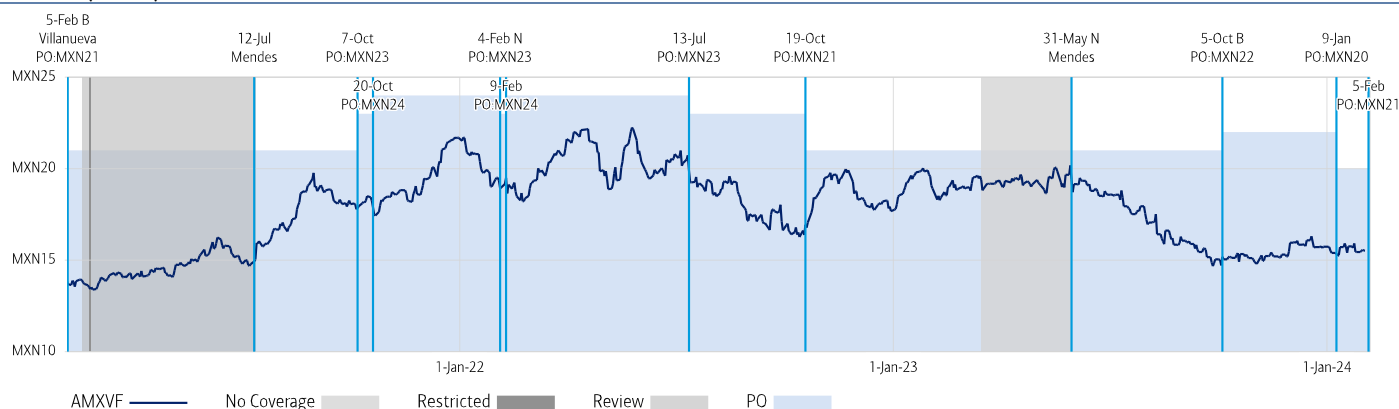


AMX — Restricted — Review — PO

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

America Movil (AMXVF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Media & Entertainment Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	35	53.85%	Buy	15	42.86%
Hold	15	23.08%	Hold	8	53.33%
Sell	15	23.08%	Sell	7	46.67%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

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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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
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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