

# América Móvil

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## Business Summary

Sector	Industry	Full Time Employees
Communication Services	Telecom Services	176,014

We provide telecommunication services over 22 countries. Leading communications services provider in Latin America ranking first in wireless, fixed-line, broadband and Pay TV services based on the number of revenue generating units. We operate in all of our geographic segments under the Claro brand name, except in Mexico (TELCEL, INFINITUM, TELMEX), Europe (A1).

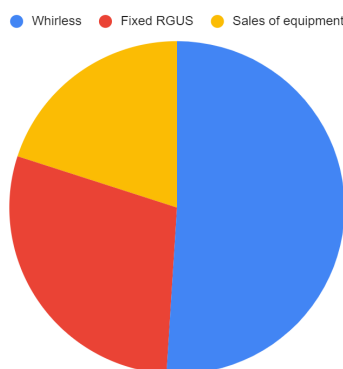
## Recent Developments Relating to Our Business

- November 23, 2021, marked the sale of its U.S. operations to Verizon, resulting in the classification of TracFone's operations as discontinued operations in financial reports prior to 2022.
- July 1, 2022, witnessed the sale of its Panamanian operations to Cable & Wireless Panama, classifying Claro Panama's operations as discontinued in all financial reports.
- August 8, 2022, saw the spin-off of its telecommunications towers and passive infrastructure in Latin America, excluding Mexico, Colombia, Peru, and the Dominican Republic, which were contributed to Sitios. Sitios' assets and liabilities no longer appear in the company's financial information.
- October 6, 2022, marked the combination of its Chilean operations with LLA to create Claro Chile, recognized as a joint venture. Claro Chile's operations were classified as discontinued, and results are presented through the equity method from October 6, 2022.
- February 6, 2023, an agreement was reached with OBAG regarding their participations in Telekom Austria AG, ensuring AMX leadership and control over Telekom Austria Group.

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## Selling segments

Sells are divided essentially in two main categories: Wireless and fixed RGUs.



### Wireless

In 2022, wireless operations generated 51.0% of total revenues, representing 80.4% of total RGUs by year-end. The services include voice, international roaming, and a mix of postpaid (38.0%) and prepaid (62.0%) plans for approximately 300 million subscribers. These operations also offer competitive rates and value-added services like Internet access, messaging, and entertainment through various networks.

### Fixed RGUs

- Fixed Operations

In 2022, our fixed operations generated 30.6% of total revenues, offering a range of services including voice services, data services, broadband access via technologies like hybrid fiber-coaxial and fiber-optic cable, and IT solutions for diverse businesses and sectors, such as industrial, financial, government, and tourism.

- Pay TV

We offer Pay TV to retail and corporate customers with various plans, including cable and satellite subscriptions. By the end of 2022, we had around 13.3 million Pay TV RGUs, a modest increase of approximately 7.6 thousand RGUs from the prior year.

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- [Equipment, Accessories and Computer Sales](#)

Sales primarily include the sale of handsets, accessories and other equipment.

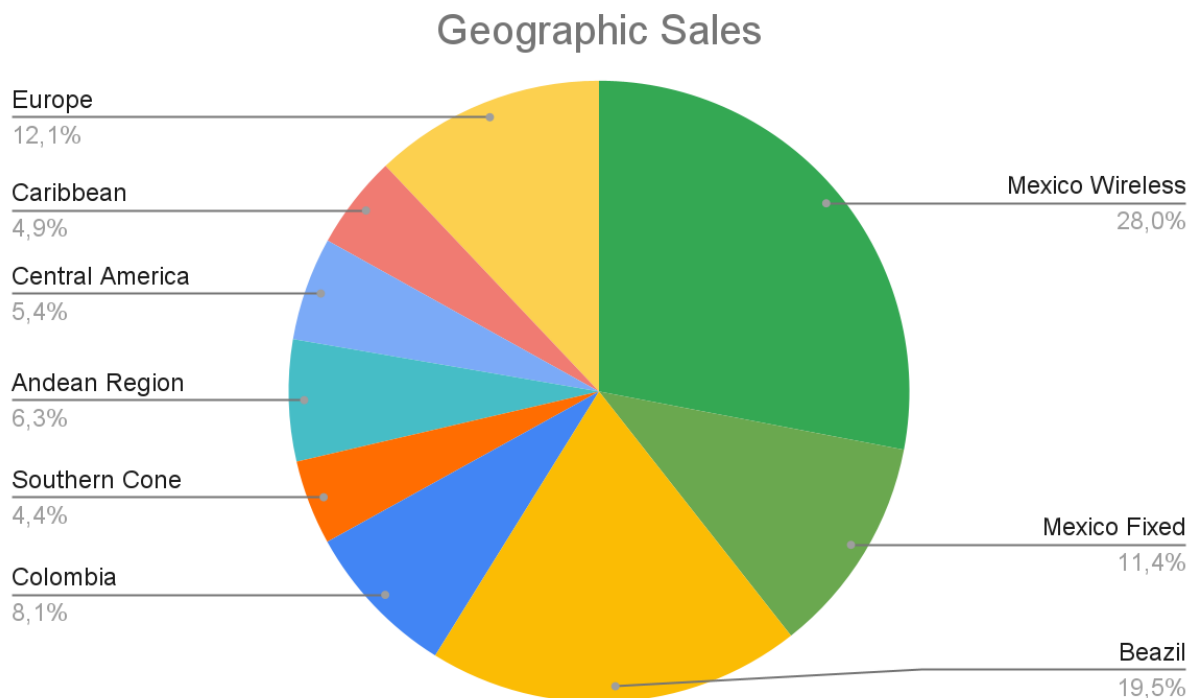
- [Other Services](#)

Other services encompass a range of businesses, including telephone directories, call center services, wireless security services, advertising, media, and software development services.

- [OTT Services](#)

We offer ClaroVideo, an on-demand streaming service with 33,600+ titles across Latin America and the Caribbean. Our packages include subscription video on demand, transactional options, and add-ons like FOX, HBO, Noggin, and Paramount+. We also provide ClaroMúsica, a music streaming service available in 15 countries with access to around 50 million songs.

## Geographic segments



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## Risk Factors

- Competition could affect the revenues and profitability

Intense competition in the telecommunications industry, driven by new entrants, evolving technologies, and industry consolidation, poses challenges. Competitors may offer better incentives, lower prices, and faster technology adoption. To thrive, we must invest in network quality, pricing strategies, and adaptability to changing industry trends. Failure to do so may impact our revenues and profitability.

- Our fixed-term concessions and licenses are at risk of government revocation, termination, or asset reacquisition, with certain circumstances beyond our control.

Our concessions and licenses, typically lasting 5 to 20 years, are subject to uncertain renewal. Renewal terms depend on factors beyond our control, including regulatory and political conditions. We may need to transfer assets to the government under certain circumstances, and regulatory authorities can revoke concessions in specific situations, posing operational risks.

- We are contesting significant tax assessments

We face substantial tax assessments in countries like Brazil, Mexico, and Colombia, relating to alleged improper deductions and underpayments. These assessments are contested through legal processes, with significant amounts involved. If outcomes are unfavorable, they could materially impact our business, financial condition, or prospects. Additionally, some jurisdictions may require posting bonds, potentially affecting our operational flexibility.

## Stats Summary

### Valuation

	TTM	Average 10y
PE	10,21X	16,57X
PB	2,70X	4,33X
PS	1,14X	1,10X
EV/S	1,93X	1,77X
EV/EBITDA	5,47X	5,87X
EV/EBIT	9,06X	11,08X
EV/FCF	21,91X	0,00X

### Growth

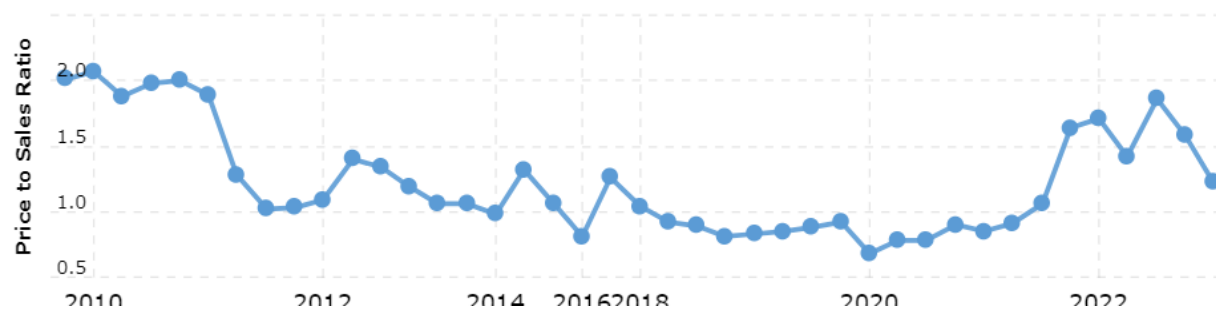
	Growth 10y
Total Revenue	0,86%
Net Income	-20,17%
Op Cash fLow	0,87%
Free Cash Flow	-0,68%
ROIC	-9,74%
Assets	4,89%
Liabilities	5,49%

### Financial Strength

	Year
Total Ratio	3,76X
Current Ratio	3,78X
Cash to Debt	4,78X
Debt to Equity	0,08X
F-Score	6/7
Z-Score	4,74
M-Score	-1,85

### Profitability

	Percentage
Gross Margin	17,04%
Net Margin	6,12%
FCF Margin	1,17%
ROE	11,34%
ROA	8,34%
ROIC	15,92%
ROIC vs WACC	6,11%



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- Valuation

Low price compared to historical pricing, low ratios in general, which can be explained because of the small growth that América Móvil has demonstrated over the years. Past negative free cash flow, which explains the average EV/FCF being 0.00x. Low PS explained because of the low margins that América Móvil has experienced. The stock is currently trading at a “normal” historic valuation based on the price to sales.

- Growth

Almost no growth in sales, which discounting average inflation in Mexico for the past 10 years (2.65%) would represent a real growth of -1.79%. Net income has had a strong loss in growth as well as ROIC. Liabilities have been growing faster than Assets.

- Financial Strength

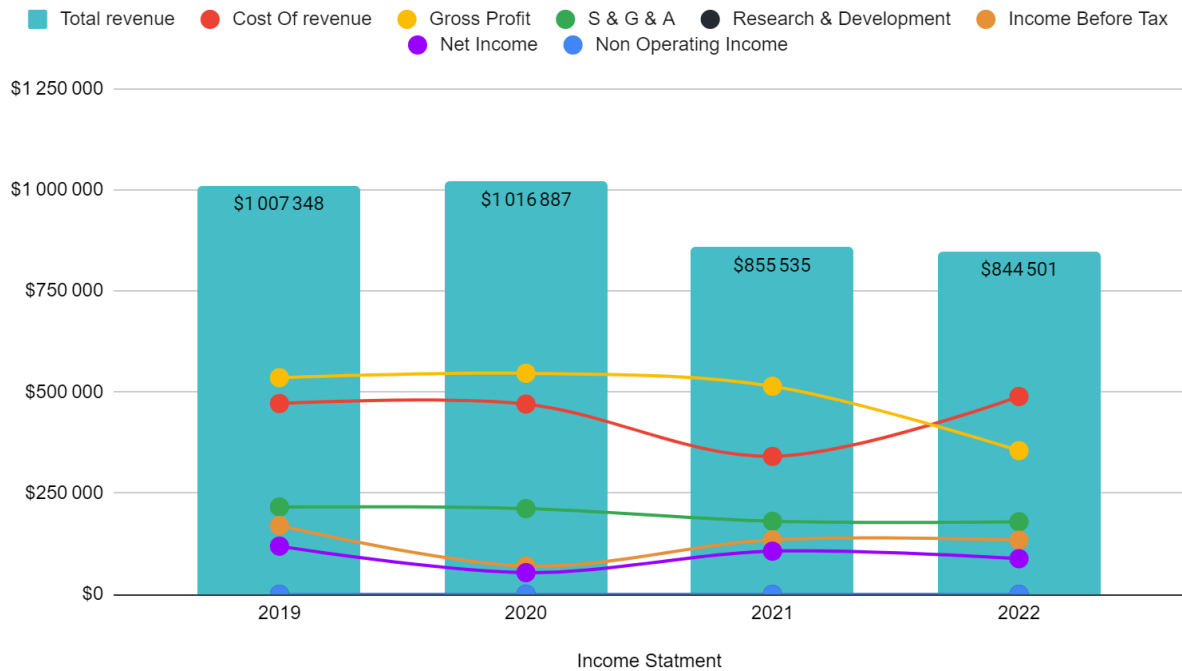
Low total ratio, América Móvil can't afford to pay all its current debt with their current assets. Considerably high level of debt compared to overall business balance sheet. Considerably low Z-Score, strong indication of possible bankruptcy.

- Profitability

América Móvil's ROIC is not high enough against its cost of investing, which results in a net negative return on invested capital. Small net margin compared to gross margin, and lower free cash flow than net margin.

# Financials

## Income Statment



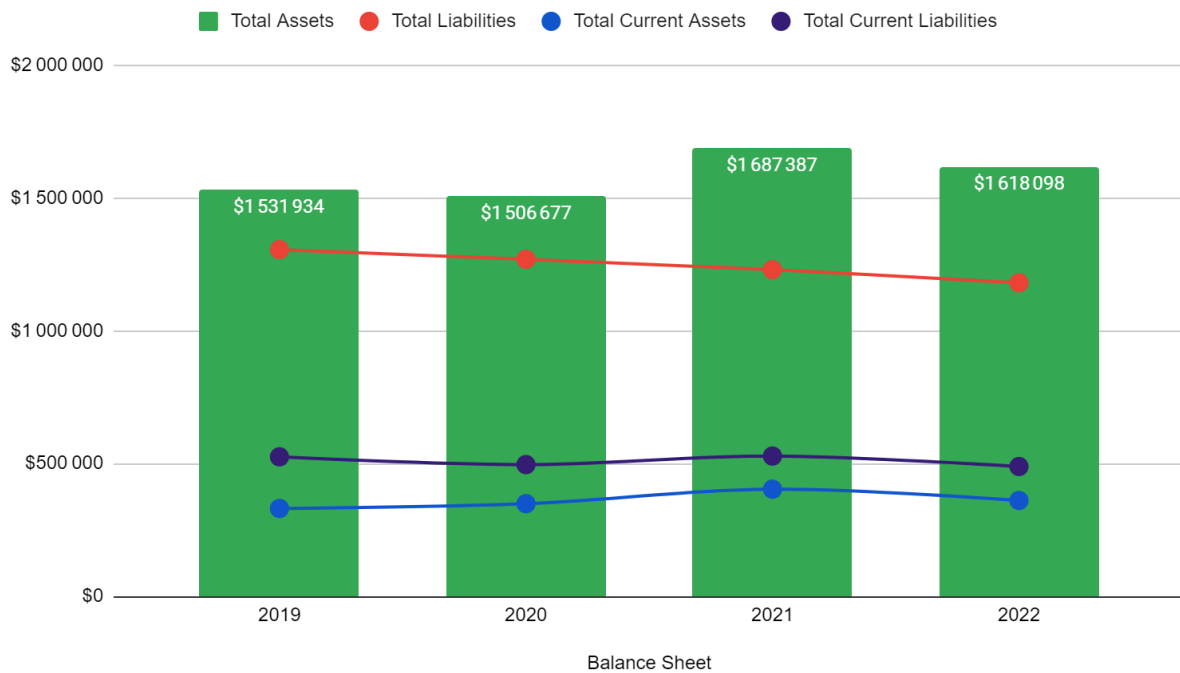
- No growth whatsoever in the total revenue
- No investment in research and development, they don't think about the long term and how to compete against new technologies.
- Interest payments way superior to interest income, and interest income ttm equal to zero, put their interest payments still increase.



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Date	2019	2020	2021	2022
Total revenue	\$1 007 348	\$1 016 887	\$855 535	\$844 501
Cost Of revenue	\$471 737	\$470 427	\$341 059	\$489 166
Gross Profit	\$535 611	\$546 460	\$514 476	\$355 335
S & G & A	\$215 994	\$212 136	\$180 838	\$179 454
Research & Development	\$0	\$0	\$0	\$0
Total Operating Expenses	\$374 909	\$376 380	\$343 465	\$184 464
Operating Income	\$160 702	\$170 080	\$171 011	\$170 871
Non Operating Income	\$0	\$0	\$0	\$0
Interest Income	\$6 285	\$5 062	\$3 835	\$35 109
Interest Expense	\$3 162	\$33 600	\$32 190	\$69 898
Other Finance Cost	\$7 075	-\$1 291	\$14 250	\$0,19
NetInterest Income	\$10 198	-\$29 829	-\$14 105	-\$34 790
Other Income Expense	-\$636	-\$70 091	-\$21 923	-\$1 811
Income Before Tax	\$170 264	\$70 160	\$134 983	\$134 270
Tax Provision	\$51 034	\$16 366	\$28 145	\$46 044
Net Income	\$119 230	\$53 794	\$106 838	\$88 225

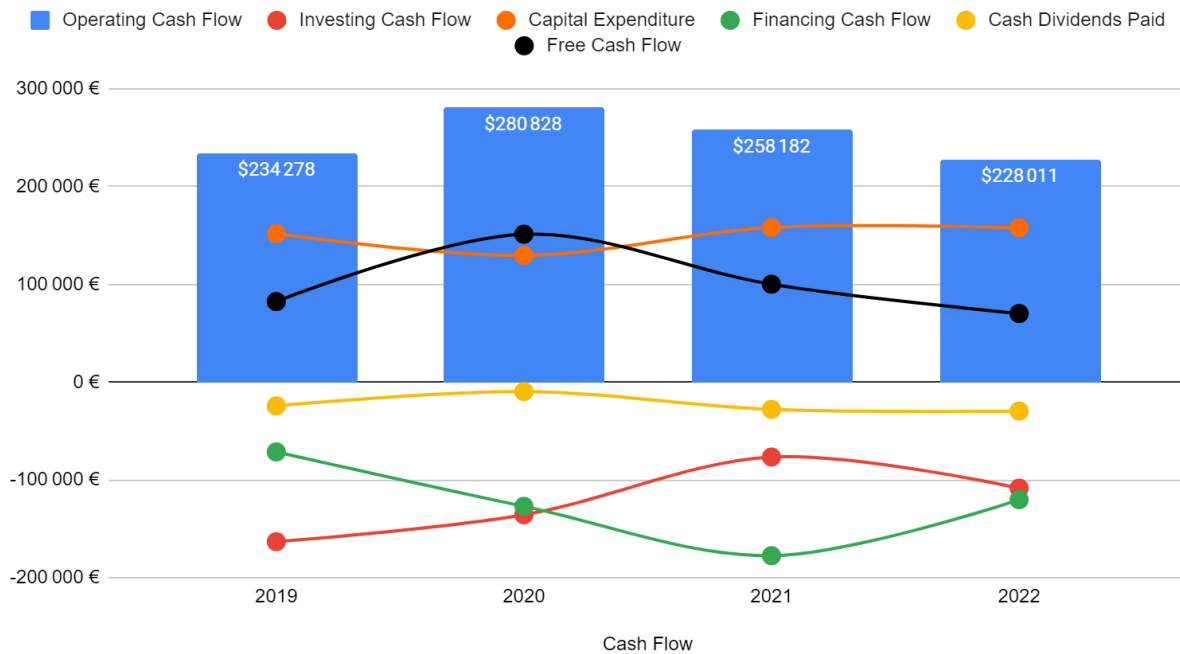
## Balance Sheets



- No enough current Assets to pay the current debt
- Strong net Debt
- A lot of shares issued, diluting investors value in order to pay their debts very bad

Date	2019	2020	2021	2022
Total Assets	\$1 531 934	\$1 506 677	\$1 687 387	\$1 618 098
Total Cash	\$67 464	\$90 554	\$156 383	\$124 731
Total Current Assets	\$330 844	\$349 005	\$403 518	\$361 003
Total Liabilities	\$1 305 027	\$1 268 789	\$1 229 743	\$1 180 269
Total Current Liabilities	\$525 400	\$496 092	\$528 148	\$488 876
Total Equity	\$226 907	\$237 888	\$457 644	\$437 829
Net Debt	\$624 254	\$628 383	\$563 949	\$476 889
Shares Issued	\$66 005	\$66 862	\$66 639	\$63 325

## Cash Flow Statment



- Capital Expenditure went up while operating income came down, results in a strong decline in free cash flow
- An important amount is distributed to investors in form of dividends, looks like America mobile is more focus on attracting investors in the short term then in growth for the future.

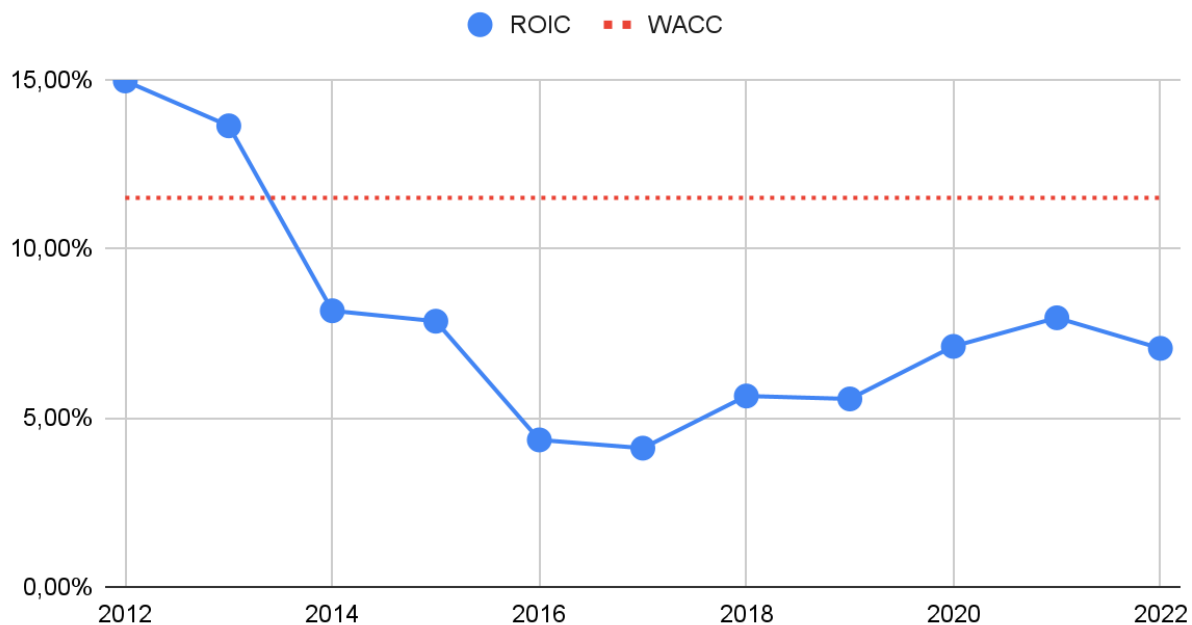
Date	2019	2020	2021	2022
Operating Cash Flow	\$234 278	\$280 828	\$258 182	\$228 011
Investing Cash Flow	-\$163 080	-\$135 557	-\$76 521	-\$108 343
Capital Expenditure	\$151 847	\$129 555	\$158 071	\$157 854
Financing Cash Flow	-\$71 305	-\$126 910	-\$177 366	-\$120 089
Cash Dividends Paid	-\$24 248	-\$9 592	-\$27 829	-\$29 534
Free Cash Flow	\$82 431	\$151 273	\$100 111	\$70 158

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## ROIC & Growth

### ROIC

#### America Movil ROIC

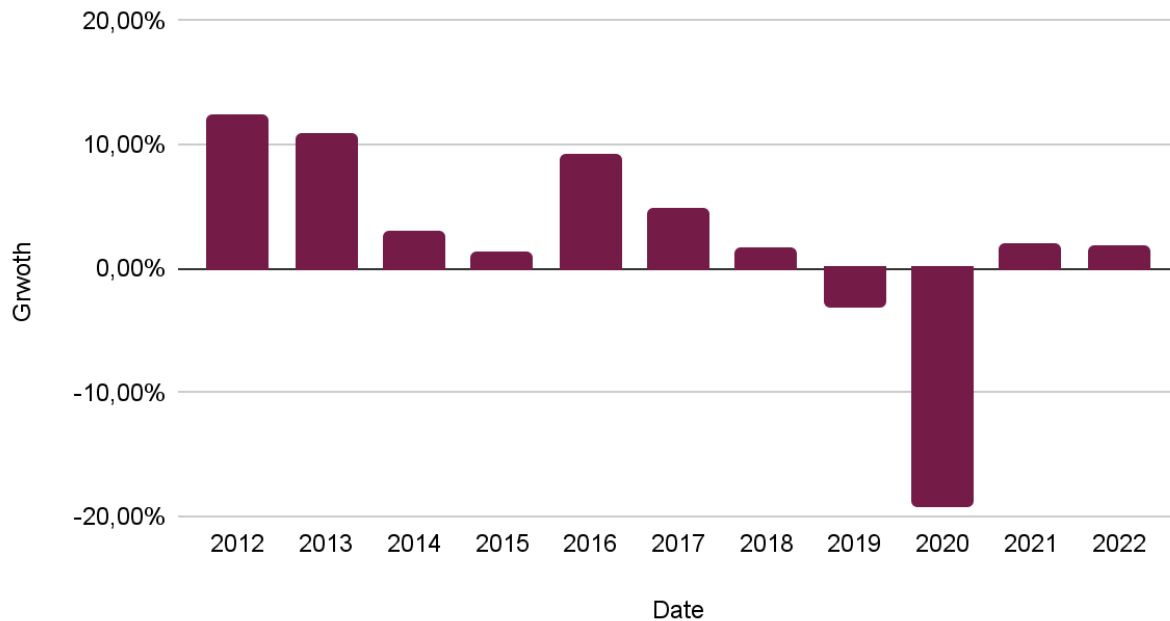


- Small ROIC compare to average return in the market. It has dropped dramatically since 2012 but started a small growth since 2015, still their ROIC is under the cost that they face in order to obtain that return. Average ROIC of 7.85%.
- This is due to a small focus on long term growth an improvement of operations shown by the none existent investment in R&D, which has had big consequences in growth.
- Intense Competition is also a reason explaining this low ROIC the telecommunications industry is highly competitive, which can put pressure on pricing and profitability. If América Móvil faces aggressive pricing competition, it may struggle to maintain high ROIC.
- High Debt Levels lead to higher interest expenses, reducing the NOPAT and, the ROIC which is the case for América Móvil, net interest income being negative.

Date	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating Income		\$157 310	\$154 257	\$156 554	\$141 413	\$109 610	\$100 143	\$139 557	\$143 798	\$145 503	\$166 132	\$170 870
Pretax Income		\$138 518	\$105 367	\$87 205	\$56 140	\$23 477	\$57 096	\$100 993	\$110 382	\$47 543	\$102 760	\$134 269
Tax Expense		\$46 378	\$30 392	\$39 707	\$19 179	\$11 398	\$24 941	\$46 477	\$49 914	\$13 509	\$28 144	\$46 044
Tax Rate		33,48%	28,84%	45,53%	34,16%	48,55%	43,68%	46,02%	45,22%	28,41%	27,39%	34,29%
NOPAT		\$104 640	\$109 763	\$85 270	\$93 102	\$56 395	\$56 398	\$75 333	\$78 774	\$104 159	\$120 632	\$112 275
Total Assets	\$807 333	\$876 694	\$1 025 592	\$1 278 356	\$1 296 486	\$1 515 042	\$1 486 211	\$1 429 223	\$1 531 933	\$1 625 048	\$1 689 649	\$1 618 099
Accounts Payable & Accrued Expense	\$124 578	\$145 594	\$154 137	\$191 503	\$189 938	\$237 265	\$212 673	\$221 957	\$216 112	\$186 995	\$206 487	\$174 472
Cash, Cash Equi..	\$59 766	\$95 938	\$48 163	\$66 473	\$45 160	\$23 218	\$24 270	\$21 659	\$19 745	\$35 917	\$38 679	\$33 700
Current Liab	\$214 809	\$204 543	\$273 954	\$382 190	\$425 218	\$470 003	\$413 336	\$467 090	\$525 399	\$507 310	\$534 012	\$488 876
Current Assets	\$200 198	\$233 711	\$236 698	\$288 408	\$341 446	\$341 909	\$342 235	\$349 055	\$330 844	\$525 399	\$404 156	\$361 003
Invested Capital	\$697 366	\$701 932	\$908 711	\$1 180 635	\$1 190 320	\$1 405 871	\$1 344 639	\$1 325 301	\$1 510 376	\$1 419 964	\$1 613 018	\$1 571 500
Avr Invested Cap		\$699 649	\$805 322	\$1 044 673	\$1 185 478	\$1 298 096	\$1 375 255	\$1 334 970	\$1 417 839	\$1 465 170	\$1 516 491	\$1 592 259
ROIC		14,96%	13,63%	8,16%	7,85%	4,34%	4,10%	5,64%	5,56%	7,11%	7,95%	7,05%

## Grwoth

### America Movil Grwoth

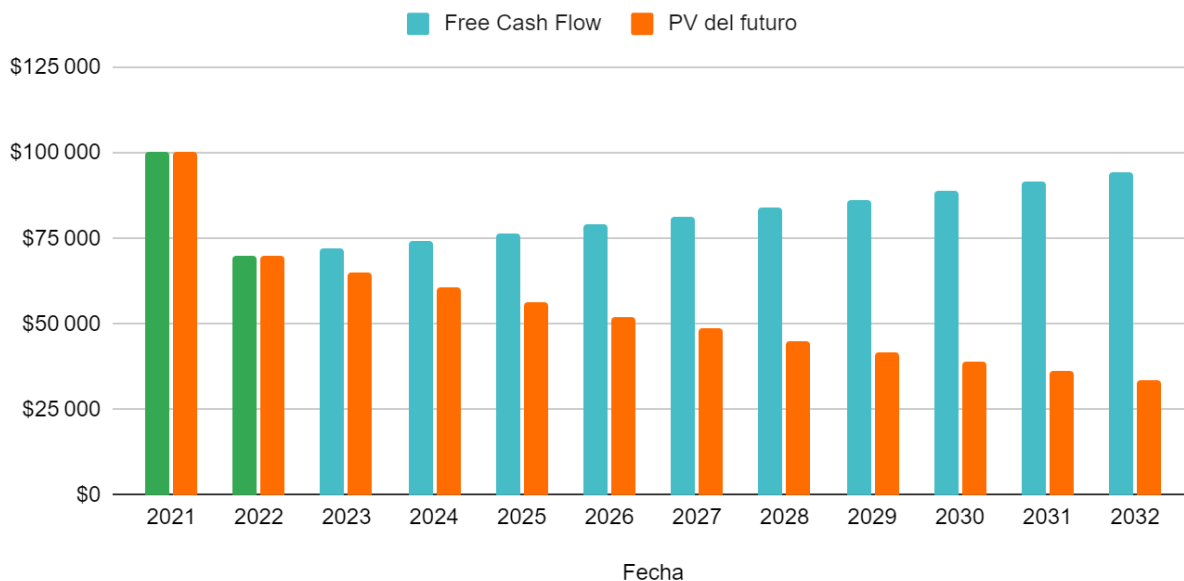


- Market Saturation: In mature markets, telecom companies like América Móvil may face market saturation, meaning that most potential customers already have mobile or fixed-line services. This can limit opportunities for significant revenue growth.
- Price Competition: If América Móvil engages in price competition to gain or retain customers, it may experience slower revenue growth as it sacrifices per-user revenue for market share.

Date	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Revenue	\$689 966	\$775 069	\$858 592	\$883 831	\$893 738	\$975 412	\$1 021 634	\$1 038 208	\$1 007 348	\$815 399	\$830 687	\$844 501
Grwoth		12,33%	10,78%	2,94%	1,12%	9,14%	4,74%	1,62%	-2,97%	-19,05%	1,87%	1,66%

# Valuation

## DCF



Fecha	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Terimnal V
Free Cash Flow	\$100 111	\$70 158	\$72 262	\$74 430	\$76 663	\$78 963	\$81 332	\$83 772	\$86 285	\$88 873	\$91 540	\$94 286	\$1 153 148
Factor de descuent	1,0000	1,0000	1,1088	1,2295	1,3632	1,5116	1,6760	1,8584	2,0606	2,2848	2,5334	2,8091	3,1147
PV del futuro	\$100 111	\$70 158	\$65 171	\$60 539	\$56 236	\$52 239	\$48 526	\$45 077	\$41 874	\$38 897	\$36 133	\$33 565	\$370 224
Grwoth Estimated	3,00%												
Perpetual Growth	2,50%												
Required return	10,88%												
Valor Presente	\$848 483												
Acciones	62 855												
Valor intrinico P/A	\$12,15												
Valor Actual P/A	\$15,16												
Cambio	-19,86%												

Beta	0,28	Most Recent fC	\$70 158
10 years treas	10,28%	10 y ago FCF	\$200 757
Expected retur	12,00%	FCF CAGR	-9,98%

WACC	CAPM
11,00%	10,76%

Margen de seguridad:
<b>10%</b>

Stock currently overvalued based on a projected FCF with 3% growth over 10 years considering that in the past 10 years América Móvil has had a decline FCF of 9% per year. Cash Flows are discounted at a required rate of return of 10.88% an average of the WACC and the CAPM and a 10% margin of safety. Intrinsic value of: **12,15\$** wich would represent a **-27,3%** yield.

## Relative Valuation

Multiplo	America Movil	AT&T	VZ
PER	10,21X	19,23X	6,17X
PSR	1,14X	0,89X	0,96X
PBR	2,70X	1,10X	1,36X
EV/EBITDA	5,47X	12,43X	6,14X
EV/SALES	1,93X	2,12X	2,26X

Multiplo	Target Price
PER	\$18,86
PSR	\$12,30
PBR	\$6,91
EV/EBITDA	\$25,73
EV/SALES	\$17,20

Margin Of Safety	10%
Valor intrinseco P/A	\$14,58
Valor Actual P/A	\$15,16
Cambio	-3,83%

We used AT&T and Verizon for the relative valuation, we consider them directly competitors. The target value comparing them is **14.58\$** with a margin of safety of 10%, which will represent a yield of **-3.83%**. The only valuation metric that could affect this valuation is the AT&T PER, because of the very volatile net income margin that this company have (often being negative).



## Ben Graham Formula

Norm EPS ROE	
Average ROE	43,52%
Equity	\$437 829
Norm NI	\$190 543
Shares Out	62855
Norm EPS	\$3,03

Trailing Net Margin	
NI Margin	10,45%
Total Revenue	\$844 501
Norm NI	\$88 250
Shares Out	62855
Norm EPS	\$1,40

Norm EPS ROIC	
Average ROIC	7,85%
Invested Capital	\$1 571 500
Norm NI	\$123 363
Shares Out	62855
Norm EPS	\$1,96

Norm EPS Net Margin	
Average NI Margin	10,02%
Invested Capital	\$844 501
Norm NI	\$84 619
Shares Out	62855
Norm EPS	\$1,35

Margin Of Safety	10%
30y AAA Corp Bond Y	5,13%
Average EPS	\$1,94
Growth EPS	3%
Valor intrinsic P/A	\$14,95
Valor Actual P/A	\$15,16
Cambio	-1,42%

Benjamin Graham insisted a lot in the importance of normalized EPS, that is why we are going to normalize América Móvil EPS following the average ROE, ROIC and Net Income Margin. Following Ben Graham formula published in the value investor, AMX is trading at a fair valuation, with a 10% margin of safety.

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## Summary

**Business Summary:** América Móvil is a telecommunications services provider in Latin America and other regions. Recent developments include the sale of U.S. operations, spin-off of telecommunications towers, and agreements regarding participations in other companies.

**Selling Segments:** América Móvil's revenue comes primarily from wireless and fixed-line services, pay TV, equipment sales, and other services like OTT services.

**Geographic Segments:** The company operates in various geographic segments, with a significant presence in Latin America.

**Risk Factors:** Intense competition in the telecom industry could impact revenues and profitability. Government actions regarding concessions and licenses could pose risks, América Móvil is contesting significant tax assessments in some countries.

**Stats Summary:** Valuation metrics indicate that the stock is trading at a “normal” historic valuation based on price to sales. Limited growth in sales and negative free cash flow. Financial strength appears weak, with a high level of debt and a low Z-Score.

**Profitability:** América Móvil's ROIC is relatively low and has been declining, potentially due to a lack of investment in R&D and intense competition. High debt levels lead to higher interest expenses, reducing net operating profit after taxes (NOPAT).

**Financials:** Total revenue has shown little to no growth. Operating income has been relatively stable. Balance sheets show insufficient current assets to cover current debt. Cash flow indicates declining free cash flow and significant dividends paid to investors.

**Valuation:** Discounted Cash Flow (DCF) analysis suggests the stock is overvalued with a intrinsic value of \$12,15. Relative valuation compared to competitors AT&T and Verizon suggests a target price of \$14.58 with a 10% margin of safety. Ben Graham Formula normalized EPS based on ROE, ROIC, and net margin indicates fair valuation of \$15,6 with a 10% margin of safety. Overall average target price of: \$14.11 with the stock currently trading at \$15,16.

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## **Conclusion:**

Based on the analysis, América Móvil (AMX) appears to be facing challenges, including limited growth, high debt levels, and intense competition. While some valuation metrics suggest the stock is trading at a fair value, others indicate overvaluation. The company's weak financial strength and limited profitability are concerning. Investors should carefully consider their investment objectives and risk tolerance before buying América Móvil stock. I will personally not recommend to buy the stock, the business does not seem healthy, and the valuation is not that cheap for compensating the risks.