America Movil (AMX)

Updated October 23rd, 2018 by Nick McCullum

Key Metrics

Current Price:	$15	**5 Year CAGR Estimate:**	2.4%	**Volatility Percentile:**	72.9%
Fair Value Price:	$10	**5 Year Growth Estimate:**	7.0%	**Momentum Percentile:**	10.8%
% Fair Value:	150%	**5 Year Valuation Multiple Estimate:**	-6.9%	**Growth Percentile:**	62.5%
Dividend Yield:	2.3%	**5 Year Price Target**	$14	**Valuation Percentile:**	5.3%
Dividend Risk Score:	C	**Retirement Suitability Score:**	C	**Total Return Percentile:**	7.0%

Overview & Current Events

America Movil (sometimes stylized as América Móvil) is a Mexican telecommunications company headquartered in Mexico City. The company is the largest wireless telecommunications provider in Latin American based on subscriber count and has the largest market share in Mexico and the third-largest market share in Brazil. America Movil's stock trades on the Mexican Stock Exchange under the ticker AMXL, but United States investors are better off purchasing its stock through American Depository Receipts which trade on the New York Stock Exchange under the ticker AMX. America Movil trades with a market capitalization of US$48 billion and is majority owned by Carlos Slim and family, the richest man in Mexico and one of the wealthiest individuals in the world.

In mid-October, America Movil reported (10/16/18) financial results for the third quarter of fiscal 2018. In the quarter, Peso-denominated revenues increased by 2.1% while constant-currency revenues rose 3.4% year-on-year, which was the company' strongest rate of revenue growth in five quarters. Several points of strength included postpaid mobile revenues (8.6% growth), fixed-broadband revenues (6.2% growth) and service revenue (4.7% growth). Average revenue per user (ARPU) in the mobile segment was also quite strong, rising 13% in Brazil, 11% in the United States and 8% in Mexico. Moving down the income statement, Peso-denominated EBITDA increased by 7.7% while constant-currency EBITDA rose by 13.0%. Remarkably, America Movil's EBITDA margin expanded by *two percentage points* (not two basis points) over the same period last year. The firm's operating profit rose by 23.4%. On the bottom line, the company reported EBITDA per ADR of $1.14 (which represents a 40.7% year-on-year increase) and earnings-per-ADR of $0.30 (which represents a significant improvement over the net loss of $0.16 per ADR reported in the same period a year ago). America Movil's third quarter earnings release was well-received by the markets but and shares rose by more than 2% on the first trading day following the release before retracing these gains later in the month.

Growth on a Per-Share Basis

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2023
EPS	$1.29	$1.80	$2.00	$1.50	$1.85	$1.56	$1.00	$0.66	$0.15	$0.42	***$0.75***	***$1.05***
DPS	$0.26	$0.61	$0.26	$0.29	$0.30	$0.35	$0.36	$0.32	$0.29	$0.33	***$0.35***	***$0.50***
Shares	3422	3274	4017	3850	3792	3524	3408	3299	3289	3304	***3300***	***3350***

America Movil has generated earnings-per-ADR of $0.59 through the first nine months of fiscal 2018. Accordingly, we are leaving our 2018 earnings-per-ADR estimate unchanged, and are also reaffirming our 7% growth estimate (and, accordingly, our 2023 earnings estimate). We also reiterate that our America Movil projections have significant uncertainty due to (1) potential fluctuations in the Peso-USD exchange rate and (2) a release from the Mexican Federal Telecommunications Institute that indicates the intention to loosen the company's dominant grip on Mexico's telecommunications industry, where it has a market share of approximately 60%.

Valuation Analysis

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Now	2023
Avg. P/E	19.4	10.7	12.7	17.1	13.3	13.7	22.0	29.3	---	38.9	***19.3***	***13.5***
Avg. Yld.	1.0%	3.2%	1.0%	1.1%	1.2%	1.6%	1.6%	1.6%	2.2%	2.1%	***2.3%***	***3.5%***

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America Movil is currently trading at a price-to-earnings ratio of 19.3, which compares very poorly to our fair value estimate of 13.5 times earnings. If the company's price-to-earnings ratio declines to 13.5 over the next 5 years, this will reduce its total returns by 6.9% per year during this time period.

Dividend investors should also note that America Movil is subject to Mexico's 10% withholding tax on cross-border dividend payments.

Safety, Quality, Competitive Advantage, & Recession Resiliency

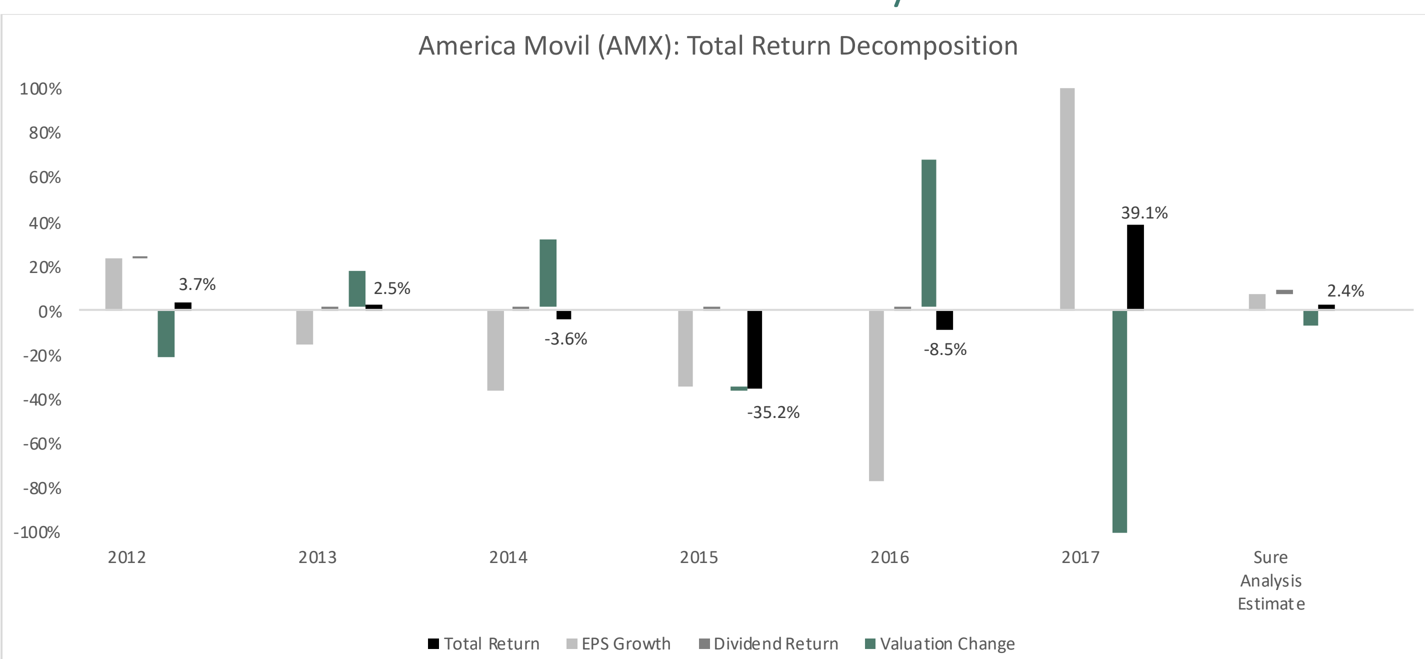
Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2023
GP/A	56.7%	39.6%	42.1%	48.2%	43.5%	42.8%	40.1%	40.1%	36.0%	36.8%	***37.5%***	***40.0%***
Debt/A	66.7%	61.1%	61.7%	74.8%	74.2%	79.5%	81.6%	87.6%	82.1%	82.5%	***80.0%***	***80.0%***
Int. Cov.	13.5	14.4	12.2	7.4	6.3	4.0	3.5	2.5	1.3	2.1	***2***	***2***
Payout	20.2%	33.9%	13.0%	19.3%	16.2%	22.4%	36.0%	48.5%	193%	78.6%	***46.7%***	***47.6%***
Std. Dev.	41.8%	36.1%	22.2%	24.8%	20.4%	24.6%	26.0%	20.2%	30.4%	19.0%	***24.0%***	***24.0%***

Qualitatively, America Movil benefits from being the largest telecommunications company in its operating geography. In addition, America Movil is rated A3 by Moody's, A- by S&P, and A- by Fitch. With that said, several of the company's quality metrics have deteriorated over time. More specifically, the company's payout ratio has spiked while leverage has increased, which has resulted in a decline in its overall interest coverage. Despite this, the company's sub-50% payout ratio allows it to earn a C rating for both Dividend Safety and Retirement Suitability. We also note that America Movil has a far higher stock price standard deviation than its peers in the domestic telecommunications industry.

Final Thoughts & Recommendation

Little has changed with respect to America Movil since the time of our last quarterly research report. With projected returns in the low single-digits combined with far more uncertainty than the average stock in our investment universe, the company continues to earn a sell recommendation from Sure Dividend at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue	31207	41616	49798	55646	58915	61607	63825	56444	52293	54044
Gross Profit	18023	24364	29761	32290	32985	33528	34739	29902	26288	27788
Gross Margin	57.8%	58.5%	59.8%	58.0%	56.0%	54.4%	54.4%	53.0%	50.3%	51.4%
SG&A Exp.	5626	7153	10233	11742	12590	13102	13957	12717	12229	12729
D&A Exp.	3771	5925	7200	7581	7874	7957	8649	7940	7963	8473
Operating Profit	8626	11034	12042	12711	12249	12089	11775	8931	5876	5298
Op. Margin	27.6%	26.5%	24.2%	22.8%	20.8%	19.6%	18.4%	15.8%	11.2%	9.8%
Net Profit	5371	6873	7204	6698	6916	5848	3471	2214	464	1551
Net Margin	17.2%	16.5%	14.5%	12.0%	11.7%	9.5%	5.4%	3.9%	0.9%	2.9%
Free Cash Flow	4224	10132	9393	5811	5839	5175	7147	768	4330	4287
Income Tax	1796	2692	2863	3206	3495	2382	2987	1211	611	1319

Balance Sheet Metrics

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Assets	31784	61567	70705	67041	75765	78396	86685	74574	73077	75500
Cash & Equivalents	1613	4558	7737	4218	3489	3682	4508	2598	1120	1233
Acc. Receivable	3852	7131	7514		7375	7339	8238	7569	9007	9079
Inventories	2321	1812	2103	2436	2201	2807	2436	2046	1778	1972
Goodwill & Int.	6774	9552	9676	8175	11115	9991	17510	15062	14711	14986
Total Liabilities	21206	37637	43604	50169	56216	62321	70774	65322	60004	62259
Accounts Payable	6632	162	154	10019	7042	7549	7135	6120	6405	5409
Long-Term Debt	10473	21142	24445	27157	32039	37480	40924	39291	34139	35451
Total Equity	10530	18597	24812	16408	18838	15472	12503	6458	10077	9864
D/E Ratio	0.99	1.14	0.99	1.66	1.70	2.42	3.27	6.08	3.39	3.59

Profitability & Per Share Metrics

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Return on Assets	16.9%	14.7%	10.9%	9.7%	9.7%	7.6%	4.2%	2.7%	0.6%	2.1%
Return on Equity	48.7%	47.2%	33.2%	32.5%	39.2%	34.1%	24.8%	23.4%	5.6%	15.6%
ROIC	25.4%	20.8%	14.9%	14.0%	14.5%	11.1%	6.3%	4.2%	1.0%	3.2%
Shares Out.	3422	3274	4017	3850	3792	3524	3408	3299	3289	3304
Revenue/Share	9.12	10.68	12.60	14.16	15.47	16.91	18.43	16.88	15.92	16.40
FCF/Share	1.23	2.60	2.38	1.48	1.53	1.42	2.06	0.23	1.32	1.30

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.