America Movil (AMX)

Updated May 8th, 2019 by Aristofanis Papadatos

Key Metrics

Current Price:	$14	**5 Year CAGR Estimate:**	8.8%	**Volatility Percentile:**	60.7%
Fair Value Price:	$13.50	**5 Year Growth Estimate:**	7.0%	**Momentum Percentile:**	13.5%
% Fair Value:	104%	**5 Year Valuation Multiple Estimate:**	-0.7%	**Growth Percentile:**	66.4%
Dividend Yield:	2.5%	**5 Year Price Target**	$19	**Valuation Percentile:**	47.6%
Dividend Risk Score:	B	**Retirement Suitability Score:**	C	**Total Return Percentile:**	48.6%

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 America 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 can purchase 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$47 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 late April, America Movil reported (4/29/19) financial results for the first quarter of fiscal 2019. Peso-denominated revenues decreased 3.1% but constant-currency revenues rose 2.5% year-on-year. The company gained 1.5 million postpaid subscribers in the quarter, including almost one million in Brazil and over 200,000 in Mexico. Fixed-broadband and mobile postpaid were the main growth drivers, with 5.6% and 6.4% revenue growth, respectively.

Moving down the income statement, Peso-denominated EBITDA declined 5.6% but constant-currency EBITDA rose 2.6%. On the bottom line, the company achieved net income of 19.4 billion pesos ($0.31 per ADR), which was 3.6% higher than that of last year.

On March 18th, America Movil entered into an agreement to acquire 100% of Nextel Brazil from NII Holdings for $905 million. The acquisition is subject to approvals from regulatory authorities and the shareholders of NII. If the acquisition materializes, it will significantly strengthen the network capacity and subscriber base of America Movil in Sao Paulo and Rio de Janeiro.

Growth on a Per-Share Basis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024
EPS	$1.80	$2.00	$1.50	$1.85	$1.56	$1.00	$0.66	$0.15	$0.42	$0.76	***$1.00***	***$1.40***
DPS	$0.61	$0.26	$0.29	$0.30	$0.35	$0.36	$0.32	$0.29	$0.33	$0.33	***$0.35***	***$0.50***
Shares	3274	4017	3850	3792	3524	3408	3299	3289	3304	3302	***3300***	***3350***

Despite its dominant business position in Mexico, America Movil has exhibited a remarkably volatile performance record, partly due to the inevitable wide currency fluctuations. We expect this year's earnings-per-share to rise to approximately $1.00 thanks to strong business performance and we also reaffirm our 7% annual growth rate estimate beyond this year. 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% and generates approximately one-third of its total revenues.

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Valuation Analysis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Now	2024
Avg. P/E	10.7	12.7	17.1	13.3	13.7	22.0	29.3	---	38.9	22.0	***14.0***	***13.5***
Avg. Yld.	3.2%	1.0%	1.1%	1.2%	1.6%	1.6%	1.6%	2.2%	2.1%	2.0%	***2.5%***	***2.6%***

America Movil is currently trading at a price-to-earnings ratio of 14.0, which is slightly higher than our fair value estimate of 13.5 times earnings. If the company's price-to-earnings ratio declines to 13.5 over the next five years, the stock will incur a 0.7% annualized drag in its returns over this period due to the contraction of its valuation level.

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024
Payout	33.9%	13.0%	19.3%	16.2%	22.4%	36.0%	48.5%	193%	78.6%	43.4%	***35.0%***	***35.7%***

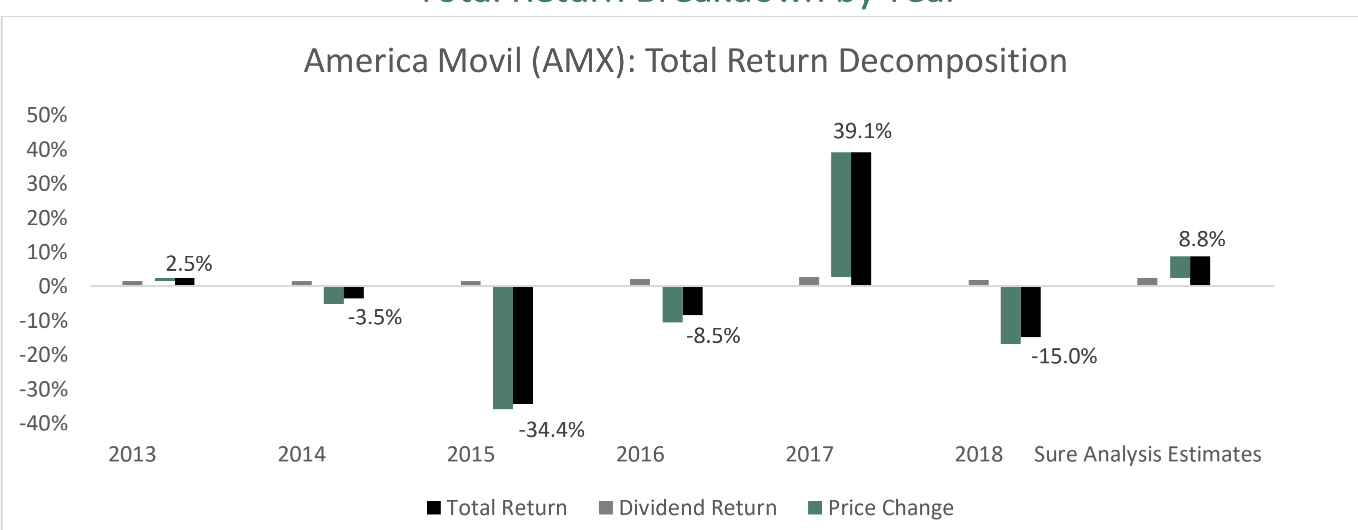
America Movil benefits from being the largest telecommunications company in its operating geography. In addition, America Movil is rated A3 by Moody's, A- by S&P, and A- by Fitch. While the company carries a significant amount of debt, just like almost all the companies in this sector, its interest expense consumes less than one-third of its operating income and hence its debt is manageable.

However, investors should be aware of the greatest risk of America Movil, namely its exposure to the exchange rate of the Peso vs. USD. Currencies of weak economies tend to depreciate vs. the dollar in the long run. This has proved to be the case for the peso, as it has depreciated by almost 50% in the last five years. This is a strong headwind, which can pronouncedly reduce the long-term returns of the stock even if the company exhibits great business performance.

Final Thoughts & Recommendation

Thanks to its dominant position and its decent business performance, America Movil can offer an 8.8% average annual return over the next five years. However, this return does not compensate investors adequately for the high risk that comes from the depreciation of the Peso vs. USD over time. We need a much higher expected return to be compelled this stock. Accordingly, America Movil earns a hold rating from Sure Dividend at current prices.

Total Return Breakdown by Year



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Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	41616	49798	55646	58915	61607	63825	56444	52293	54044	53257
Gross Profit	24364	29761	32290	32985	33528	34739	29902	26288	27788	27114
Gross Margin	58.5%	59.8%	58.0%	56.0%	54.4%	54.4%	53.0%	50.3%	51.4%	50.9%
SG&A Exp.	7153	10233	11742	12590	13102	13957	12717	12229	12729	11804
D&A Exp.	5925	7200	7581	7874	7957	8649	7940	7963	8473	N/A
Operating Profit	11034	12042	12711	12249	12089	11775	8931	5876	5298	6957
Op. Margin	26.5%	24.2%	22.8%	20.8%	19.6%	18.4%	15.8%	11.2%	9.8%	13.1%
Net Profit	6873	7204	6698	6916	5848	3471	2214	464	1551	2377
Net Margin	16.5%	14.5%	12.0%	11.7%	9.5%	5.4%	3.9%	0.9%	2.9%	4.5%
Free Cash Flow	10132	9393	5811	5839	5175	7147	768	4330	4287	N/A
Income Tax	2692	2863	3206	3495	2382	2987	1211	611	1319	2390

Balance Sheet Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Assets	61567	70705	67041	75765	78396	86685	74574	73077	75500	70351
Cash & Equivalents	4558	7737	4218	3489	3682	4508	2598	1120	1233	3596
Acc. Receivable	7131	7514	8917	7375	7339	8238	7569	9007	9079	9972
Inventories	1812	2103	2436	2201	2807	2436	2046	1778	1972	2028
Goodwill & Int.	9552	9676	8175	11115	9991	17510	15062	14711	14986	12512
Total Liabilities	37637	43604	50169	56216	62321	70774	65322	60004	62259	59753
Accounts Payable	162	154	10019	7042	7549	7135	6120	6405	5409	15202
Long-Term Debt	21142	24445	27157	32039	37480	40924	39291	34139	35451	32510
Total Equity	18597	24812	16408	18838	15472	12503	6458	10077	9864	10598
D/E Ratio	1.14	0.99	1.66	1.70	2.42	3.27	6.08	3.39	3.59	3.07

Profitability & Per Share Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Return on Assets	14.7%	10.9%	9.7%	9.7%	7.6%	4.2%	2.7%	0.6%	2.1%	3.3%
Return on Equity	47.2%	33.2%	32.5%	39.2%	34.1%	24.8%	23.4%	5.6%	15.6%	23.2%
ROIC	20.8%	14.9%	14.0%	14.5%	11.1%	6.3%	4.2%	1.0%	3.2%	5.2%
Shares Out.	3274	4017	3850	3792	3524	3408	3299	3289	3304	3302
Revenue/Share	10.68	12.60	14.16	15.47	16.91	18.43	16.88	15.92	16.40	16.13
FCF/Share	2.60	2.38	1.48	1.53	1.42	2.06	0.23	1.32	1.30	N/A

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