America Movil (AMX)

Updated February 17th, 2020 by Aristofanis Papadatos

Key Metrics

Current Price:	$18	**5 Year CAGR Estimate:**	6.4%	**Market Cap:**	$59.2 B
Fair Value Price:	$16	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	7/9/2020[1]
% Fair Value:	114%	**5 Year Valuation Multiple Estimate:**	-2.6%	**Dividend Payment Date:**	7/20/2020
Dividend Yield:	2.1%	**5 Year Price Target**	$22	**Years Of Dividend Growth:**	3
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Last Dividend Increase:**	12.1%

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$59 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-February, America Movil reported (2/11/20) financial results for the fourth quarter of fiscal 2019. Peso-denominated revenues remained flat due to the appreciation of Peso vs. all the operating currencies of the company. The company gained 1.9 million postpaid subscribers in the quarter, including 1.2 million in Brazil. Mobile postpaid and fixed-broadband remained the main growth drivers, with 8.1% and 4.2% revenue growth, respectively, whereas revenues in mobile prepaid and PayTV declined -2.3% and -2.8%, respectively. Earnings-per-share increased from $0.20 in the prior year's quarter to $0.33. On December 18th, 2019, America Movil completed the acquisition of Nextel Brazil and thus enhanced its mobile network capacity and market position in the postpaid segment.

Growth on a Per-Share Basis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
EPS	$2.00	$1.50	$1.85	$1.56	$1.00	$0.66	$0.15	$0.42	$0.76	$1.06	***$1.17***	***$1.64***
DPS	$0.26	$0.29	$0.30	$0.35	$0.36	$0.32	$0.29	$0.33	$0.33	$0.37	***$0.38***	***$0.55***
Shares[2]	4017	3850	3792	3524	3408	3299	3289	3304	3302	3288	***3280***	***3200***

Despite its dominant business position in Mexico, America Movil has exhibited a remarkably volatile performance record, partly due to the inevitable currency fluctuations. However, thanks to positive business momentum and the appreciation of the peso vs. most currencies, we expect 7.0% average annual earnings-per-share growth over the next five years. Nevertheless, we 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 nearly one-third of its total revenues.

Valuation Analysis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Now	2025
Avg. P/E	12.7	17.1	13.3	13.7	22.0	29.3	---	38.9	22.0	14.1	***15.4***	***13.5***
Avg. Yld.	1.0%	1.1%	1.2%	1.6%	1.6%	1.6%	2.2%	2.1%	2.0%	2.5%	***2.1%***	***2.5%***

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[1] Estimated date.

[2] In millions.

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America Movil is currently trading at a price-to-earnings ratio of 15.4, which is 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 would incur a -2.6% 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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
Payout	13.0%	19.3%	16.2%	22.4%	36.0%	48.5%	193%	78.6%	43.4%	34.9%	***32.5%***	***33.2%***

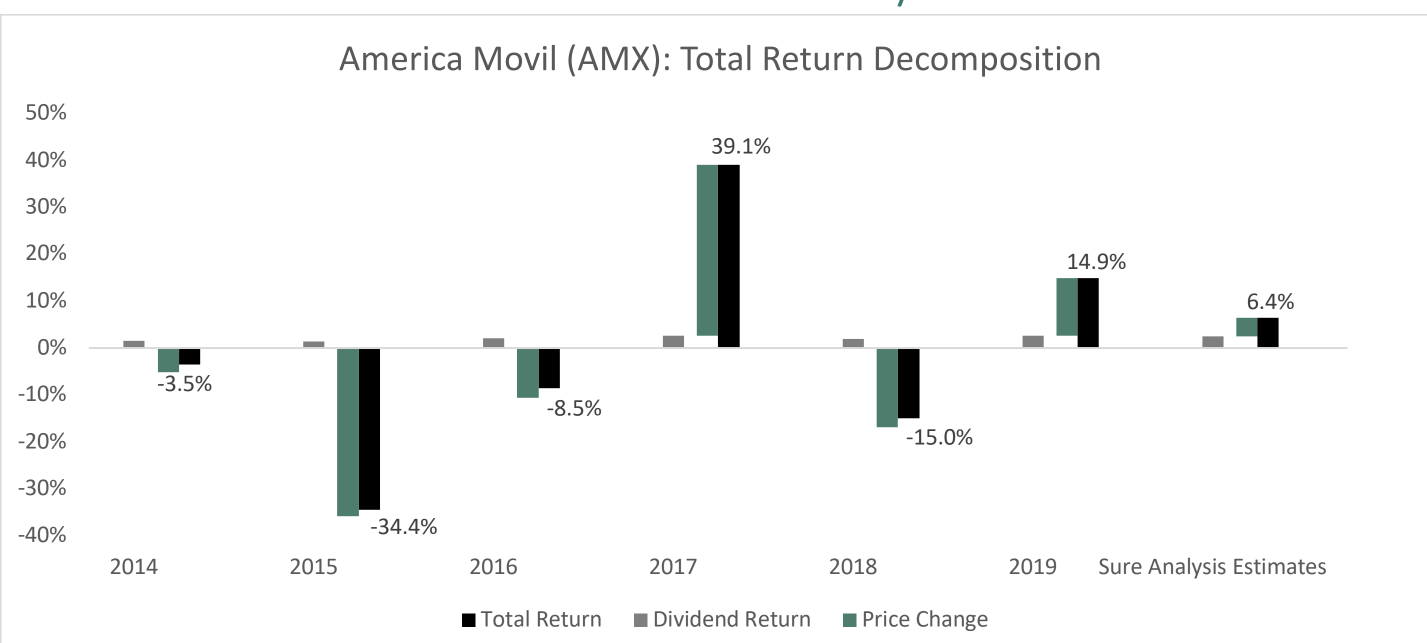
America Movil benefits from being the largest telecommunications company in its operating geography. In addition, America Movil is rated A3 by Moody's, A- by S&P, and A- by Fitch. While the company carries a significant amount of debt, just like almost all the companies in this sector, its interest expense consumes only one-quarter of its operating income and hence its debt is manageable. In June, America Movil issued an 8-year bond to raise €1.0 billion and achieved a 0.75% coupon, the lowest coupon achieved by any Latin American company in the Euro market.

However, investors should be aware of the greatest risk of America Movil, namely its exposure to the exchange rate of the Peso vs. USD. While the Peso has strengthened against most currencies this year, investors should keep in mind that 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 -23% in the last five years. This is a strong headwind, which can significantly reduce the long-term returns of the stock even if the company exhibits great business performance.

Final Thoughts & Recommendation

America Movil has a dominant position and decent business performance but its volatile record and its currency risks warrant cautious expectations going forward. We expect the stock to offer a 6.4% average annual return over the next five years. As this return does not compensate investors adequately for the high risk that comes from the long-term depreciation of the Peso vs. USD, we maintain our hold rating for the stock.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	49798	55646	58915	61607	63825	56444	52293	54044	53257	
Gross Profit	29761	32290	32985	33528	34739	29902	26288	27788	27114	
Gross Margin	59.8%	58.0%	56.0%	54.4%	54.4%	53.0%	50.3%	51.4%	50.9%	
SG&A Exp.	10233	11742	12590	13102	13957	12717	12229	12729	11804	
D&A Exp.	7200	7581	7874	7957	8649	7940	7963	8473	N/A	
Operating Profit	12042	12711	12249	12089	11775	8931	5876	5298	6957	
Op. Margin	24.2%	22.8%	20.8%	19.6%	18.4%	15.8%	11.2%	9.8%	13.1%	
Net Profit	7204	6698	6916	5848	3471	2214	464	1551	2377	
Net Margin	14.5%	12.0%	11.7%	9.5%	5.4%	3.9%	0.9%	2.9%	4.5%	
Free Cash Flow	9393	5811	5839	5175	7147	768	4330	4287	N/A	
Income Tax	2863	3206	3495	2382	2987	1211	611	1319	2390	

Balance Sheet Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Assets	70705	67041	75765	78396	86685	74574	73077	75500	70351	
Cash & Equivalents	7737	4218	3489	3682	4508	2598	1120	1233	3596	
Acc. Receivable	7514	8917	7375	7339	8238	7569	9007	9079	9972	
Inventories	2103	2436	2201	2807	2436	2046	1778	1972	2028	
Goodwill & Int.	9676	8175	11115	9991	17510	15062	14711	14986	12512	
Total Liabilities	43604	50169	56216	62321	70774	65322	60004	62259	59753	
Accounts Payable	154	10019	7042	7549	7135	6120	6405	5409	15202	
Long-Term Debt	24445	27157	32039	37480	40924	39291	34139	35451	32510	
Total Equity	24812	16408	18838	15472	12503	6458	10077	9864	10598	
D/E Ratio	0.99	1.66	1.70	2.42	3.27	6.08	3.39	3.59	3.07	

Profitability & Per Share Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Return on Assets	10.9%	9.7%	9.7%	7.6%	4.2%	2.7%	0.6%	2.1%	3.3%	
Return on Equity	33.2%	32.5%	39.2%	34.1%	24.8%	23.4%	5.6%	15.6%	23.2%	
ROIC	14.9%	14.0%	14.5%	11.1%	6.3%	4.2%	1.0%	3.2%	5.2%	
Shares Out.	4017	3850	3792	3524	3408	3299	3289	3304	3302	
Revenue/Share	12.60	14.16	15.47	16.91	18.43	16.88	15.92	16.40	16.13	
FCF/Share	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.