America Movil (AMX)

Updated February 25th, 2021 by Aristofanis Papadatos

Key Metrics

Current Price:	$13	**5 Year CAGR Estimate:**	11.8%	**Market Cap:**	$43.2 B
Fair Value Price:	$16	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	6/16/2021
% Fair Value:	80%	**5 Year Valuation Multiple Estimate:**	4.5%	**Dividend Payment Date:**	7/26/2021[1]
Dividend Yield:	2.7%	**5 Year Price Target**	$21	**Years Of Dividend Growth:**	0
Dividend Risk Score:	B	**Retirement Suitability Score:**	B	**Last Dividend Increase:**	N/A

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$43.2 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 early February, America Movil reported (2/9/21) financial results for the fourth quarter of fiscal 2020. The company continued to recover from the pandemic. It added 6.8 million wireless subscribers in the quarter, including 2.7 million mobile postpaid subscribers. Brazil led the way in postpaid growth, with nearly 2.0 million net additions. Thanks to the strong performance of the company, its earnings-per-share grew from $0.33 in the prior year's quarter to $0.54. Moreover, thanks to the massive vaccination program underway, the pandemic could subside in the second half of the year and hence we expect America Movil to post earnings-per-share of approximately $1.20 this year.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPS	$1.50	$1.85	$1.56	$1.00	$0.66	$0.15	$0.42	$0.76	$1.06	$0.61	***$1.20***	***$1.53***
DPS	$0.29	$0.30	$0.35	$0.36	$0.32	$0.29	$0.33	$0.33	$0.37	$0.35	***$0.35***	***$0.45***
Shares[2]	3850	3792	3524	3408	3299	3289	3304	3302	3288	3322	***3300***	***3200***

Despite its dominant business position in Mexico, America Movil has exhibited a remarkably volatile performance record, partly due to the inevitable currency fluctuations. The company was also greatly affected by the pandemic last year. However, as we expect the pandemic to subside later this year, we expect 5.0% average annual earnings-per-share growth over the next five years, partly thanks to the rollout of the 5G network of the company.

On the other hand, 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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	17.1	13.3	13.7	22.0	29.3	---	38.9	22.0	14.1	22.3	***10.8***	***13.5***
Avg. Yld.	1.1%	1.2%	1.6%	1.6%	1.6%	2.2%	2.1%	2.0%	2.5%	2.6%	***2.7%***	***2.2%***

[1] Estimated date for semiannual dividend.

[2] In millions.

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.

America Movil (AMX)

Updated February 25th, 2021 by Aristofanis Papadatos

America Movil is trading at a forward price-to-earnings ratio of 10.8, which is lower than our fair value estimate of 13.5 times earnings. If the company's price-to-earnings ratio reaches 13.5 over the next five years, the stock will enjoy a 4.5% annualized gain in its returns over this period thanks to the expansion 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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	19.3%	16.2%	22.4%	36.0%	48.5%	193%	78.6%	43.4%	34.9%	57.4%	***29.2%***	***29.2%***

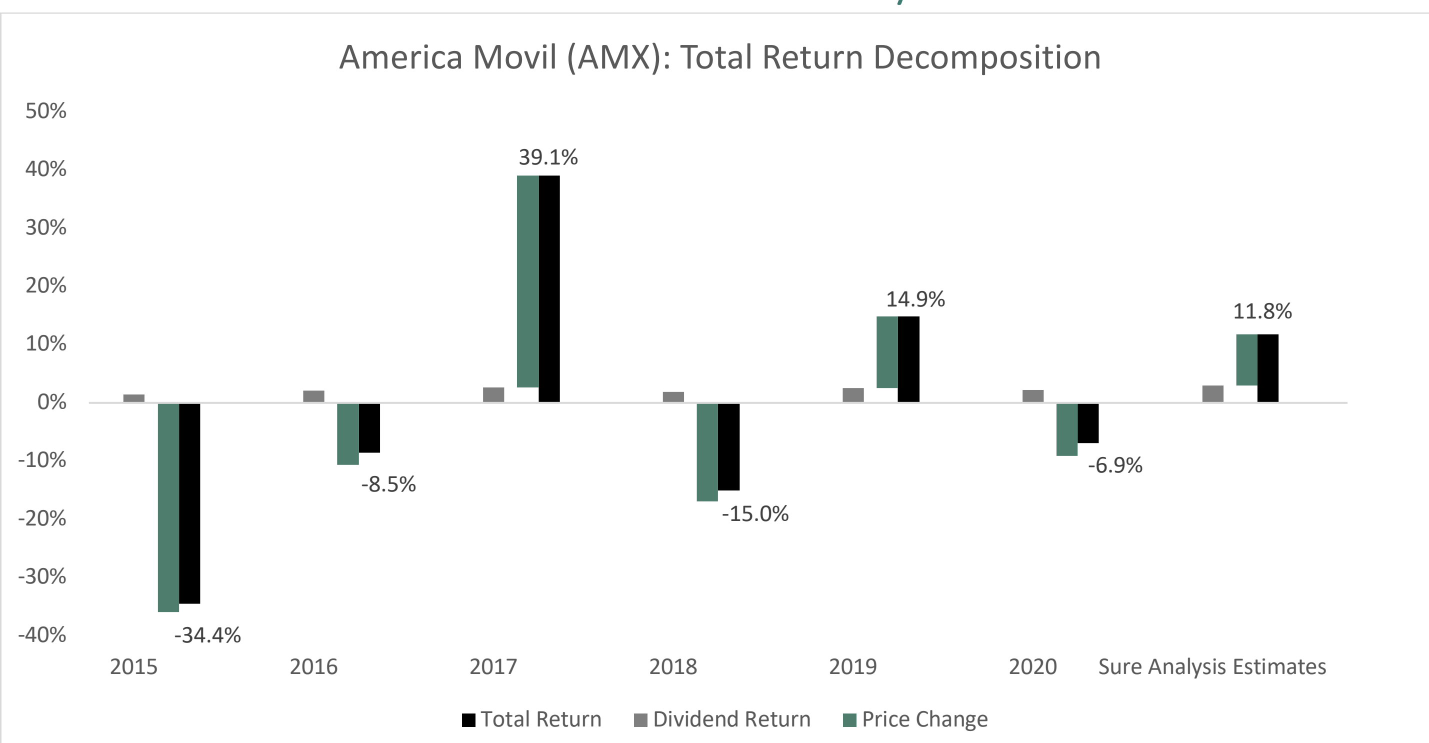
America Movil benefits from being the largest telecommunications company in its operating geography. In addition, America Movil is rated A3 by Moody's, A- by S&P, and A- by Fitch. While the company carries a significant amount of debt, just like almost all the companies in this sector, its interest expense consumes only one-fifth 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 -67% over the last decade. 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 we expect it to recover from the pandemic later this year, along with the global economy. The stock could offer an 11.8% average annual return over the next five years thanks to 5.0% earnings growth, its 2.7% dividend and a 4.5% annualized expansion of its valuation level. We thus rate the stock as a buy but only for investors who can stomach the volatile record and the currency risks of the stock.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.]

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.

America Movil (AMX)

Updated February 25th, 2021 by Aristofanis Papadatos

Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	55,646	58,915	61,607	63,825	56,444	52,293	54,044	54,056	52,316	47,690
Gross Profit	32,290	32,985	33,528	34,739	29,902	26,288	27,788	27,563	27,817	25,628
Gross Margin	58.0%	56.0%	54.4%	54.4%	53.0%	50.3%	51.4%	51.0%	53.2%	53.7%
SG&A Exp.	11,742	12,590	13,102	13,957	12,717	12,229	12,729	11,829	11,217	9,949
D&A Exp.	7,581	7,874	7,957	8,649	7,940	7,963	8,473	8,107	8,253	---
Operating Profit	12,711	12,249	12,089	11,775	8,931	5,876	5,298	7,266	8,042	7,976
Op. Margin	22.8%	20.8%	19.6%	18.4%	15.8%	11.2%	9.8%	13.4%	15.4%	16.7%
Net Profit	6,698	6,916	5,848	3,471	2,214	464	1,551	2,737	3,518	2,197
Net Margin	12.0%	11.7%	9.5%	5.4%	3.9%	0.9%	2.9%	5.1%	6.7%	4.6%
Free Cash Flow	5,811	5,839	5,175	7,147	768	4,330	4,287	5,025	4,281	---
Income Tax	3,206	3,495	2,382	2,987	1,211	611	1,319	2,420	2,650	768

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	67,041	75,765	78,396	86,685	74,574	73,077	75,500	72,722	80,888	75,729
Cash & Equivalents	4,218	3,489	3,682	4,508	2,598	1,120	1,233	1,102	1,043	---
Acc. Receivable	9,160	7,427	7,442	8,328	7,049	8,504	9,888	11,066	10,876	10,941
Inventories	2,436	2,201	2,807	2,436	2,046	1,778	1,972	2,051	2,170	1,527
Goodwill & Int.	8,175	11,115	9,991	17,510	15,062	14,711	14,986	13,621	14,682	13,898
Total Liabilities	50,169	56,216	62,321	70,774	65,322	60,004	62,259	60,211	68,907	63,772
Accounts Payable	10,019	7,042	7,549	7,135	6,120	6,405	5,409	6,025	5,986	11,359
Long-Term Debt	27,157	32,039	37,480	40,924	39,291	34,139	35,451	32,509	32,961	31,584
Total Equity	16,408	18,838	15,472	12,503	6,458	10,077	9,864	9,973	9,394	11,957
D/E Ratio	1.66	1.70	2.42	3.27	6.08	3.39	3.59	3.26	3.51	2.64

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	9.7%	9.7%	7.6%	4.2%	2.7%	0.6%	2.1%	3.7%	4.6%	2.8%
Return on Equity	32.5%	39.2%	34.1%	24.8%	23.4%	5.6%	15.6%	27.6%	36.3%	20.6%
ROIC	14.0%	14.5%	11.1%	6.3%	4.2%	1.0%	3.2%	5.8%	7.8%	5.0%
Shares Out.	3850	3792	3524	3408	3299	3289	3304	3302	3288	3322
Revenue/Share	14.16	15.47	16.91	18.43	16.88	15.92	16.40	16.37	15.85	14.26
FCF/Share	1.48	1.53	1.42	2.06	0.23	1.32	1.30	1.52	1.30	---

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