America Movil (AMX)

Updated February 15th, 2022 by Aristofanis Papadatos

Key Metrics

Current Price:	$19	**5 Year CAGR Estimate:**	6.1%	**Market Cap:**	$60.1 B
Fair Value Price:	$18	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	7/13/2022[1]
% Fair Value:	105%	**5 Year Valuation Multiple Estimate:**	-0.8%	**Dividend Payment Date:**	7/24/2022
Dividend Yield:	2.1%	**5 Year Price Target**	$23	**Years Of Dividend Growth:**	1
Dividend Risk Score:	B	**Retirement Suitability Score:**	C	**Last Dividend Increase:**	14.3%

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$60.1 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 (2/8/22) financial results for the fourth quarter of fiscal 2021. The company accelerated its recovery from the pandemic. It added 4.8 million wireless subscribers in the quarter, including 2.2 million mobile postpaid subscribers. Brazil remained the main growth contributor. Service revenue grew 4.4% at constant exchange rates and 7.7% in nominal peso terms. Moreover, thanks to strong profits from asset sales, earnings-per-share jumped from $0.54 in the prior year's quarter to $2.01. Unfortunately, the company did not specify how much of its abnormally high profit in the fourth quarter resulted from asset sales. As the profits from asset sales are non-recurring, we expect the earnings-per-share of America Movil to revert towards their normal range this year, around $1.35.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	$1.85	$1.56	$1.00	$0.66	$0.15	$0.42	$0.76	$1.06	$0.61	$2.88	***$1.35***	***$1.72***
DPS	$0.30	$0.35	$0.36	$0.32	$0.29	$0.33	$0.33	$0.37	$0.35	$0.40	***$0.40***	***$0.50***
Shares[2]	3792	3524	3408	3299	3289	3304	3302	3288	3322	3235	***3200***	***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 in 2020. However, as the pandemic has subsided, 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	13.3	13.7	22.0	29.3	---	38.9	22.0	14.1	22.3	5.6	***14.1***	***13.5***
Avg. Yld.	1.2%	1.6%	1.6%	1.6%	2.2%	2.1%	2.0%	2.5%	2.6%	2.5%	***2.1%***	***2.1%***

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[1] Estimated date for semiannual dividend.

[2] In millions.

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America Movil is trading at a price-to-earnings ratio of 14.1, which is higher 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 incur a -0.8% 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	16.2%	22.4%	36.0%	48.5%	193%	78.6%	43.4%	34.9%	57.4%	13.9%	***29.6%***	***28.9%***

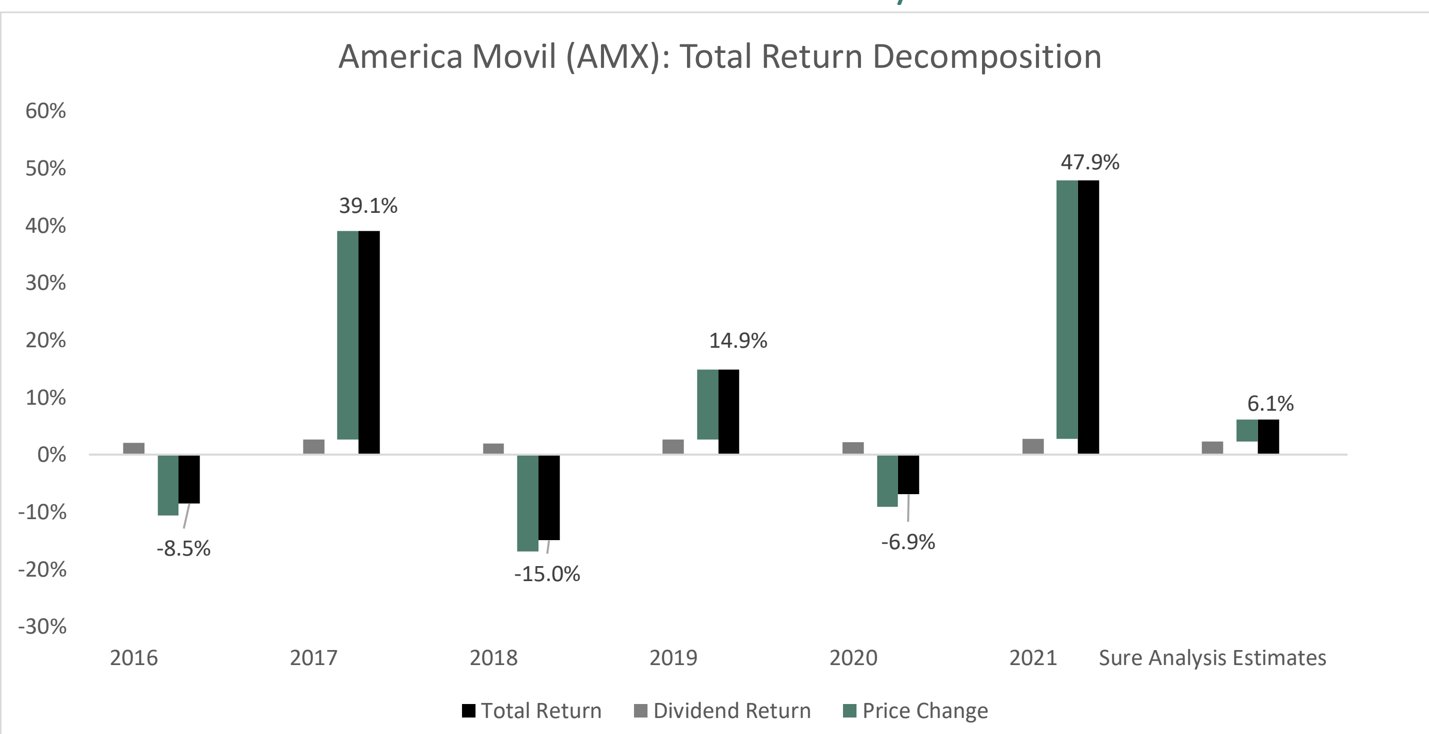
America Movil benefits from being the largest telecommunications company in its operating geography. In addition, America Movil is rated A3 by Moody's, A- by S&P, and A- by Fitch. While the company carries a significant amount of debt, just like almost all the companies in this sector, its interest expense consumes just 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 -58% 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 has begun to recover strongly from the pandemic, along with the global economy. The stock could offer a 6.1% average annual return over the next five years thanks to 5.0% earnings growth and its 2.1% dividend, which may be partly offset by a -0.8% annualized contraction of the valuation level. We thus rate the stock as a hold but only for investors who can stomach the volatile record and the currency risks of the stock.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	58,915	61,607	63,825	56,444	52,293	54,044	54,056	52,316	47,690	42,198
Gross Profit	32,985	33,528	34,739	29,902	26,288	27,788	27,563	27,817	25,628	25,376
Gross Margin	56.0%	54.4%	54.4%	53.0%	50.3%	51.4%	51.0%	53.2%	53.7%	60.1%
SG&A Exp.	12,590	13,102	13,957	12,717	12,229	12,729	11,829	11,217	9,949	8,920
D&A Exp.	7,874	7,957	8,649	7,940	7,963	8,473	8,107	8,253	7,703	---
Operating Profit	12,249	12,089	11,775	8,931	5,876	5,298	7,266	8,042	7,755	8,435
Op. Margin	20.8%	19.6%	18.4%	15.8%	11.2%	9.8%	13.4%	15.4%	16.3%	20.0%
Net Profit	6,916	5,848	3,471	2,214	464	1,551	2,737	3,518	2,197	9,669
Net Margin	11.7%	9.5%	5.4%	3.9%	0.9%	2.9%	5.1%	6.7%	4.6%	22.9%
Free Cash Flow	5,839	5,175	7,147	768	4,330	4,287	5,025	4,281	7,094	---
Income Tax	3,495	2,382	2,987	1,211	611	1,319	2,420	2,650	768	1,388

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	75,765	78,396	86,685	74,574	73,077	75,500	72,722	80,888	81,678	82,449
Cash & Equivalents	3,489	3,682	4,508	2,598	1,120	1,233	1,102	1,043	1,805	---
Acc. Receivable	7,427	7,442	8,328	7,049	8,504	9,888	11,066	10,876	10,523	10,375
Inventories	2,201	2,807	2,436	2,046	1,778	1,972	2,051	2,170	1,527	1,182
Goodwill & Int.	11,115	9,991	17,510	15,062	14,711	14,986	13,621	14,682	13,898	13,672
Total Liabilities	56,216	62,321	70,774	65,322	60,004	62,259	60,211	68,907	65,840	60,088
Accounts Payable	7,042	7,549	7,135	6,120	6,405	5,409	6,025	5,986	3,734	12,496
Long-Term Debt	32,039	37,480	40,924	39,291	34,139	35,451	32,509	32,961	31,583	27,556
Total Equity	18,838	15,472	12,503	6,458	10,077	9,864	9,973	9,394	12,590	22,361
LTD/E Ratio	1.70	2.42	3.27	6.08	3.39	3.59	3.26	3.51	2.51	1.23

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	9.7%	7.6%	4.2%	2.7%	0.6%	2.1%	3.7%	4.6%	2.7%	11.8%
Return on Equity	39.2%	34.1%	24.8%	23.4%	5.6%	15.6%	27.6%	36.3%	20.0%	55.3%
ROIC	14.5%	11.1%	6.3%	4.2%	1.0%	3.2%	5.8%	7.8%	4.8%	19.9%
Shares Out.	3792	3524	3408	3299	3289	3304	3302	3288	3322	3235
Revenue/Share	15.47	16.91	18.43	16.88	15.92	16.40	16.37	15.85	14.39	13.05
FCF/Share	1.53	1.42	2.06	0.23	1.32	1.30	1.52	1.30	2.14	---

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