America Movil (AMX)

Updated April 28th, 2023 by Aristofanis Papadatos

Key Metrics

Current Price:	$21	**5 Year CAGR Estimate:**	5.8%	**Market Cap:**	$66.4 B
Fair Value Price:	$19	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	8/24/2023[1]
% Fair Value:	111%	**5 Year Valuation Multiple Estimate:**	-2.1%	**Dividend Payment Date:**	9/5/2023
Dividend Yield:	2.2%	**5 Year Price Target**	$25	**Years Of Dividend Growth:**	3
Dividend Risk Score:	B	**Retirement Suitability Score:**	C	**Rating:**	Hold

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$66.4 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 (4/25/23) financial results for the first quarter of fiscal 2023. It added 1.1 million wireless subscribers in the quarter, including 1.9 million mobile postpaid subscribers. Brazil, Austria and Colombia were the main growth contributors. Service revenue grew 2% at constant exchange rates. EBITDA and operating income grew 13% and 10%, respectively, at constant exchange rates. We still expect earnings per share around $1.40 this year. America Movil started paying an annual dividend in August last year instead of offering two semiannual dividends.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	$1.56	$1.00	$0.66	$0.15	$0.42	$0.76	$1.06	$0.61	$2.88	$1.18	***$1.40***	***$1.87***
DPS	$0.35	$0.36	$0.32	$0.29	$0.33	$0.33	$0.37	$0.35	$0.40	$0.44	***$0.46***	***$0.55***
Shares[2]	3524	3408	3299	3289	3304	3302	3288	3322	3235	3175	***3160***	***3100***

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 6.0% 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) the intention of the Mexican Federal Telecommunications Institute 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	13.7	22.0	29.3	---	38.9	22.0	14.1	22.3	5.6	16.2	***15.0***	***13.5***
Avg. Yld.	1.6%	1.6%	1.6%	2.2%	2.1%	2.0%	2.5%	2.6%	2.5%	2.3%	***2.2%***	***2.2%***

America Movil is trading at a price-to-earnings ratio of 15.0, which is higher than our fair value estimate of 13.5 times earnings. If the stock trades at a price-to-earnings ratio of 13.5 in five years, it will incur a -2.1% annualized drag in its

[1] Estimated date for annual 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.

returns 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	22.4%	36.0%	48.5%	193%	78.6%	43.4%	34.9%	57.4%	13.9%	37.3%	***32.9%***	***29.2%***

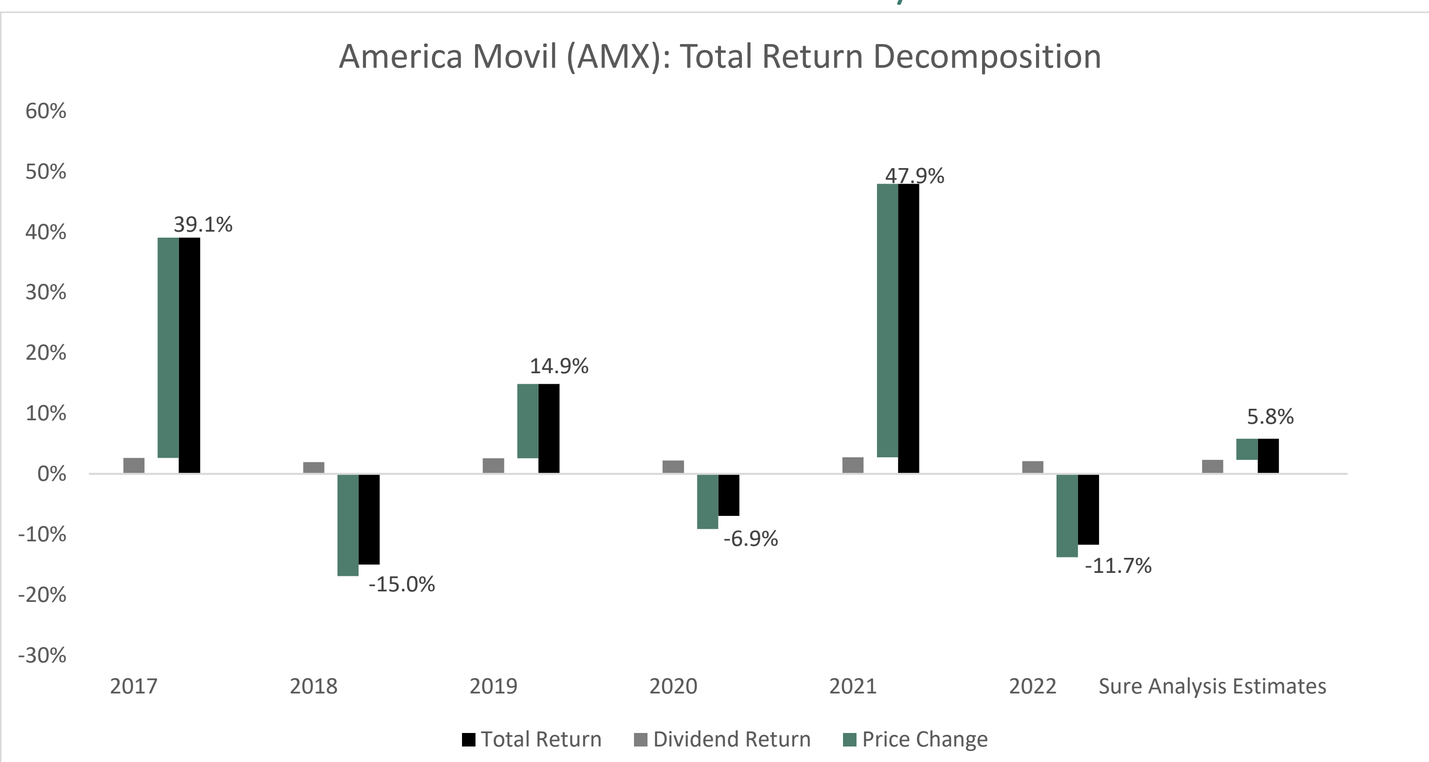
America Movil benefits from being the largest telecommunications company in its operating geography. In addition, America Movil is rated A3 by Moody's, A- by S&P, and A- by Fitch. While the company carries a significant amount of debt, just like almost all the companies in this sector, its interest expense consumes about 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 -33% 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 recovered strongly from the pandemic, though it is currently facing a currency headwind due to the surge of the dollar to a multi-year high. The stock has rallied 25% off its bottom in October and thus it has become less attractive. It could offer a 5.8% average annual return over the next five years thanks to 6.0% earnings growth and its 2.2% dividend, partly offset by a potential -2.1% annualized contraction of the valuation level. We maintain our hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	61,607	63,825	56,444	52,293	54,044	54,056	52,316	47,690	42,198	41,977
Gross Profit	33,528	34,739	29,902	26,288	27,788	27,563	27,817	25,628	25,376	17,662
Gross Margin	54.4%	54.4%	53.0%	50.3%	51.4%	51.0%	53.2%	53.7%	60.1%	42.1%
SG&A Exp.	13,102	13,957	12,717	12,229	12,729	11,829	11,217	9,949	8,920	8,920
D&A Exp.	7,957	8,649	7,940	7,963	8,473	8,107	8,253	7,703	8,021	7,885
Operating Profit	12,089	11,775	8,931	5,876	5,298	7,266	8,042	7,755	8,435	8,493
Op. Margin	19.6%	18.4%	15.8%	11.2%	9.8%	13.4%	15.4%	16.3%	20.0%	20.2%
Net Profit	5,848	3,471	2,214	464	1,551	2,737	3,518	2,197	9,669	3,786
Net Margin	9.5%	5.4%	3.9%	0.9%	2.9%	5.1%	6.7%	4.6%	22.9%	9.0%
Free Cash Flow	5,175	7,147	768	4,330	4,287	5,025	4,281	7,094	4,938	3,487
Income Tax	2,382	2,987	1,211	611	1,319	2,420	2,650	768	1,388	2,289

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	78,396	86,685	74,574	73,077	75,500	72,722	80,888	81,678	82,449	82,997
Cash & Equivalents	3,682	4,508	2,598	1,120	1,233	1,102	1,043	1,805	1,890	1,729
Acc. Receivable	7,442	8,328	7,049	8,504	9,888	11,066	10,876	10,523	10,375	7,938
Inventories	2,807	2,436	2,046	1,778	1,972	2,051	2,170	1,527	1,182	1,231
Goodwill & Int.	9,991	17,510	15,062	14,711	14,986	13,621	14,682	13,898	13,672	13,850
Total Liabilities	62,321	70,774	65,322	60,004	62,259	60,211	68,907	65,840	60,088	60,540
Accounts Payable	7,549	7,135	6,120	6,405	5,409	6,025	5,986	3,734	12,496	10,707
Long-Term Debt	37,480	40,924	39,291	34,139	35,451	32,509	32,961	31,583	27,556	---
Total Equity	15,472	12,503	6,458	10,077	9,864	9,973	9,394	12,590	22,361	19,174
LTD/E Ratio	2.42	3.27	6.08	3.39	3.59	3.26	3.51	2.51	1.23	---

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	7.6%	4.2%	2.7%	0.6%	2.1%	3.7%	4.6%	2.7%	11.8%	4.6%
Return on Equity	34.1%	24.8%	23.4%	5.6%	15.6%	27.6%	36.3%	20.0%	55.3%	19.8%
ROIC	11.1%	6.3%	4.2%	1.0%	3.2%	5.8%	7.8%	4.8%	19.9%	10.5%
Shares Out.	3524	3408	3299	3289	3304	3302	3288	3322	3235	3200
Revenue/Share	16.91	18.43	16.88	15.92	16.40	16.37	15.85	14.39	13.05	13.12
FCF/Share	1.42	2.06	0.23	1.32	1.30	1.52	1.30	2.14	1.50	1.09

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