

## AMX (BUY, PT2020 \$16.60)

### Flash: Sells Tracfone in the US to Verizon for \$6.25 billion

America Movil just announced that it has agreed to sell 100% of its US subsidiary, Tracfone, to Verizon for US\$6.25 billion. It also notified that such transaction would be paid 50% in cash (US\$3.125 billion) and the remaining with VZ shares. Furthermore, the buyer has committed to pay AMX up to an additional US\$650 million, within the next 2 years at the time the transaction is closed, tied to certain performance goals. Said acquisition's closure is subject to certain common conditions for this type of transactions, and the parties estimate that it will happen during 2021. Therefore, AMX will continue consolidating Tracfone's results in 2020 and until the transaction's closing date.

**Positive Implication:** We believe this news should be welcomed by the market, since the transaction itself is accretive for shareholders, implying a valuation for Tracfone of 8.1x FV/EBITDA LTM (8.9x considering the additional US\$650 million), above the 5.4x at which America Movil is currently trading. Said amount would be equivalent to 16.7% of AMX' current market capitalization and 1.3x of company's cash as of the end of 2Q20, while business in the US only contributed with 5.1% of consolidated EBITDA over the last year. Considering these resources could be used for reducing debt -in line with company's deleveraging strategy-, we estimate ND/EBITDA could drop to 1.9x in 2021E from 2.4x currently, which is undoubtedly positive. Finally, it is worth noting that this divestment should also prove to be accretive for margins, boosting AMX' consolidated profitability by up to 470bps, as its MVNO model yields high single-digit margins (9.5% LTM), while the traditional business profitability stands above 30%.

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Document for distribution among public

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We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentin III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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## History of PT and ratings

Stock	Date	Rating	PT
Amx L	4/12/2019	BUY	\$16.60
Amx L	8/01/2019	BUY	\$17.00
Amx L	17/01/2018	BUY	\$19.50

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