

AMX

Company Note

March 19, 2019

Acquires Nextel operations in Brazil

- América Móvil announced today that it has entered into an agreement to acquire 100% stake of Nextel Telecommunications in Brazil from NII Holdings for an amount totaling US\$905 million
- Nextel has 3.3 million subscribers concentrated mainly in the cities of Sao Paulo and Rio de Janeiro, which produce a higher ARPU than AMX (R\$54 vs. R\$17 AMX)
- The combination of Nextel with Claro could generate significant synergies in terms of costs and expenses in addition to a slight increase in market share

Amx acquires attractive income-generating subscribers. Recently, América Móvil acquired Telefonica operations in Guatemala and El Salvador, complementing its presence in Central America. Yesterday, the company announced it had agreed with NII Holdings to acquire Nextel operations in Brazil. This deal will strengthen Amx presence in Sao Paulo and Rio de Janeiro, cities that concentrate most of Nextel's subscribers. As at the close of 4Q18, Nextel had a 3.3 million subscriber base, most of them being business clients, reflecting thus, a higher average revenue per user (R\$54 ARPU). We expect AMX's market share in Brazil to increase from 25 % to 26.5%. In 2018, Nextel generated R\$2.2 billion in revenue and R\$89 million in EBITDA, equaling a 4% margin. With proforma figures, Nextel's consolidation in **Claro Brazil** would represent an additional 6.3% in revenue and 0.8% in EBITDA. The total amount of such transaction (US\$905 million) represents a 1.45x FV/Sales multiple, similar to that of AMX. We expect news on potential synergies and will incorporate this transaction into our estimates.

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BUY	
Current Price	\$14.09
PT 2019	\$17.00
Dividend 2019e	0.34
Dividend Yield (%)	2.4%
Upside Potential	23.1%
ADR price	US\$14.79
PT2019 ADR	US\$15.96
Shares per ADR	20
Max – Min LTM (P\$)	17.98 – 12.57
Market Cap (US\$m)	48,925
Shares Outstanding (m)	66,035
Float	49%
Daily Turnover US\$m	585
Valuation metrics TTM	
FV/EBITDA	5.4x
P/E	19.2x

Relative performance to Mexbol LTM



Financial Statements

	2017	2018	2019E	2020E
Revenue	1,021,634	1,020,820	1,022,523	1,071,473
Operating Income	100,143	137,662	140,744	149,156
EBITDA	258,755	289,657	294,134	310,182
EBITDA Margin	25.3%	28.4%	28.8%	28.9%
Net Income	29,326	48,512	52,916	68,410
Net Margin	2.9%	4.8%	5.2%	6.4%
Total Assets	1,486,212	1,413,891	1,436,457	1,484,143
Cash	91,429	83,010	79,320	76,340
Total Liabilities	1,225,578	1,183,696	1,197,734	1,176,857
Debt	712,244	663,076	685,495	672,313
Common Equity	260,634	230,195	238,723	307,286

Source: Banorte

Valuation and Financial metrics

	2017	2018	2019E	2020E
EV/EBITDA	6.3x	5.4x	5.4x	5.2x
P/E	32.1x	19.4x	17.8x	13.7x
P/BV	4.8x	5.2x	5.0x	3.9x
ROE	11.3%	21.1%	22.2%	22.3%
ROA	2.0%	3.4%	3.7%	4.6%
EBITDA/ Interest	8.5x	8.5x	9.1x	8.9x
Net Debt/EBITDA	2.4x	2.0x	2.1x	1.9x
Debt/Equity	2.7x	2.9x	2.9x	2.2x

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Document for distribution among public

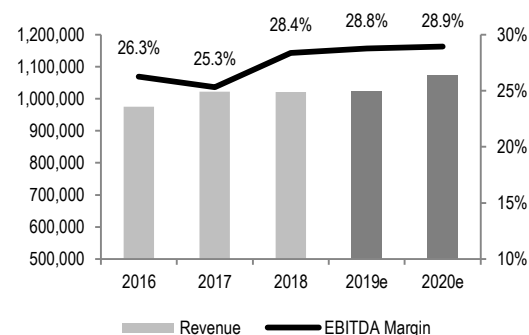
AMX – Financial Statements

MXN, million *

Income Statement					
Year	2017	2018	2019E	2020E	CAGR
Net Revenue	1,021,634	1,020,820	1,022,523	1,071,473	1.6%
Cost of goods sold	656,511	653,827	646,598	667,781	0.6%
Gross profit	365,123	366,993	375,924	403,691	3.4%
General expenses	238,883	220,903	230,068	249,178	1.4%
Operating Income	100,143	137,662	140,744	149,156	14.2%
Operating Margin	9.8%	13.5%	13.8%	13.9%	12.4%
Depreciation	158,612	151,995	153,389	161,026	0.5%
EBITDA	258,755	289,657	294,134	310,182	6.2%
EBITDA Margin	25.3%	28.4%	28.8%	28.9%	
Interest income (expense) net	(43,138)	(40,317)	(58,055)	(42,302)	-0.7%
Interest expense	30,301	31,772	33,168	35,340	5.3%
Interest income	2,926	10,617	5,763	4,776	17.7%
Other income (expenses)	(1,944)	(14,624)	(6,632)	(6,768)	51.6%
Exchange Income (loss)	(13,819)	(4,538)	(24,018)	(4,970)	-28.9%
Unconsolidated subsidiaries	91	0	70	70	-8.5%
Net Income before taxes	57,097	97,346	82,759	106,924	23.3%
Provision for Income taxes	24,942	46,883	27,310	35,285	12.3%
Discontinued operations					
Consolidated Net Income	32,155	50,463	55,448	71,639	30.6%
Minorities	2,829	1,951	2,532	3,229	4.5%
Net Income	29,326	48,512	52,916	68,410	32.6%
Net Margin	2.9%	4.8%	5.2%	6.4%	
EPS	0.444	0.735	0.802	1.038	32.7%
Balance Sheet (Million pesos)					
Total Current Assets	342,235	351,913	340,849	365,298	2.2%
Cash & Short Term Investments	91,429	83,010	79,320	76,340	-5.8%
Long Term Assets	1,143,977	1,061,979	1,095,608	1,118,845	-0.7%
Property, Plant & Equipment (Net)	676,343	629,088	663,476	685,519	0.5%
Intangible Assets (Net)	143,540	115,864	115,864	115,864	-6.9%
Total Assets	1,486,212	1,413,891	1,436,457	1,484,143	0.0%
Current Liabilities	413,336	473,415	453,541	425,853	1.0%
Short Term Debt	62,348	116,817	105,323	85,330	11.0%
Accounts Payable	249,486	256,953	243,725	234,843	-2.0%
Long Term Liabilities	812,242	710,281	744,193	751,005	-2.6%
Long Term Debt	649,896	546,260	580,172	586,983	-3.3%
Total Liabilities	1,225,578	1,183,696	1,197,734	1,176,857	-1.3%
Common Stock	260,634	230,195	238,723	307,286	5.6%
Noncontrolling Interest	66,469	49,877	51,725	66,580	0.1%
Total Equity	194,164	180,319	186,999	240,706	7.4%
Liabilities & Equity	1,486,212	1,413,891	1,436,457	1,484,143	0.0%
Net Debt	620,816	580,067	606,175	595,973	-1.4%
Cash Flow (Million pesos)					
	2017	2018	2019E	2020E	
Cash Flow from Operating Activities	384,126	401,058	236,753	227,910	
Cash Flow from Investing Activities	(140,877)	(148,783)	(163,862)	(173,225)	
Cash Flow from Financing Activities	(76,038)	(101,357)	(76,580)	(57,665)	
Change in Cash Balance	167,211	150,918	(3,690)	(2,980)	

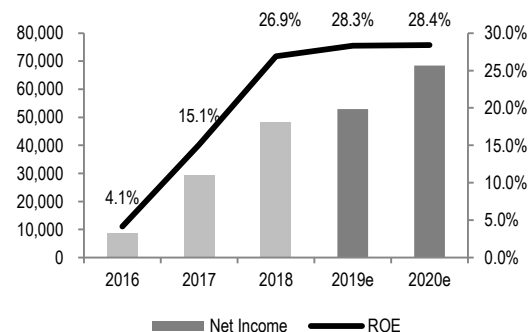
Revenue & EBITDA Margin

MXN, million



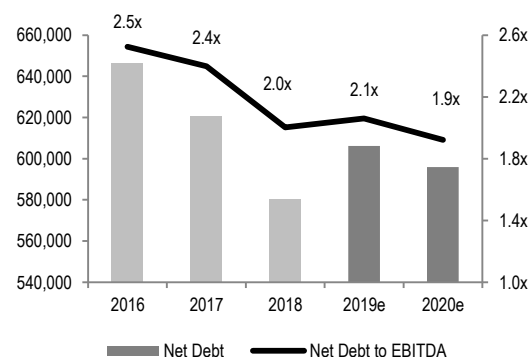
Net Income & ROE

MXN, million



Net Debt & Net debt to EBITDA ratio

MXN, million



Source: Banorte, MSE. * Figures in line with IFRS, excluding IFRS 15.

Certification of Analysts.

We, Gabriel Casillas Olvera, Delia Maria Paredes Mier, Alejandro Padilla Santana, Manuel Jiménez Zaldivar, Tania Abdul Massih Jacobo, Katia Celina Goya Ostos, Juan Carlos Alderete Macal, Víctor Hugo Cortes Castro, Marissa Garza Ostos, Miguel Alejandro Calvo Domínguez, Hugo Armando Gómez Solís, Gerardo Daniel Valle Trujillo, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Santiago Leal Singer, Francisco José Flores Serrano, Francisco Duarte Alcocer, Jorge Antonio Izquierdo Lobato and Leslie Thalía Orozco Vélez, 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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	Reference
BUY	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
SELL	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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History of PT and Ratings

Stock	Date	Rating	PT
Amx L	8/01/2019	Buy	P\$17.00
Amx L	17/01/2018	Buy	P\$19.50
Amx L	24/04/2017	Hold	P\$19.50
Amx L	18/07/2017	Buy	P\$16.50

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