

# AMX

Quarterly Report

July 14, 2021

## Remarkable profitability and subscribers growth

- Amx recorded a positive quarter, in line with our estimates at operating level, while net income came in above expectations, supported by higher FX gains
- Results in Mexico and the increase in subscribers in Brazil were positive. While we remain attentive to transactions that will generate greater value for investors

**A positive report that should be welcomed by the market.** Wireless subscribers increased 7.3% y/y, higher than expected, following the net connection of 4.2 million q/q of mobile users, with Brazil once again accounting for more than a third of net additions. On the other hand, the growing demand for fixed-broadband access continued to offset declines in voice and pay TV lines. Thus, RGUs contracted 0.5%. Although ARPU performance in Mexico was outstanding, in the consolidated figure it showed a 8.3% y/y decline, due to the adverse FX effect in all functional currencies. Meanwhile, MOU fell 4.6%, with declines in practically all subsidiaries, excluding Mexico and Chile. Service revenues dropped 4.6%, while equipment sales rose 34.0% y/y. As a result, consolidated revenues amounted to MXN 252.5 billion (+0.4% y/y). In terms of EBITDA, cost and expense efficiencies, as well as improvements in profitability in virtually all countries, resulted in a 2.8% y/y rise in EBITDA to MXN 84.9 billion, with a margin expansion of 70bps. On a net level, higher operating income, coupled with significant FX gains that compare favorably with the previous year's losses, boosted net income 113.4% y/y to MXN 42.8 billion.

**Focus continues on operations to unlock value.** We continue to monitor news regarding the closing of [the sale of Tracfone](#), the [acquisition of OI](#), as well as the potential spin-off of the towers in Latam, which would represent a catalyst for America Movil's growth.

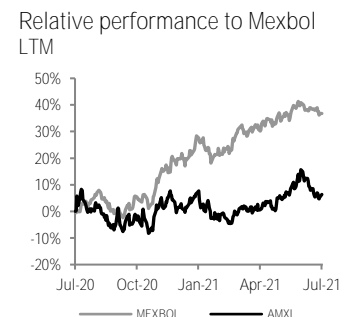
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BUY	
Current Price	\$15.04
PT	\$18.00
Dividend	\$0.40
Dividend Yield (%)	2.7%
Upside Potential	22.4%
ADR current price	US\$14.95
PT ADR	US\$17.80
# Shares per ADR	20
Max – Min LTM (\$)	16.82 – 12.33
Market Cap (US\$m)	49,452.9
Shares Outstanding (m)	66,541.3
Float	49%
Daily Turnover US\$m	609.3
Valuation metrics LTM	
FV/EBITDA	5.0x
P/E	9.9x
MSCI ESG Rating*	B



Financial Statements	2019	2020	2021E	2022E
Revenue	1,007,348	1,016,887	934,508	934,843
Operating Income	154,841	165,355	194,811	204,962
EBITDA	313,756	329,599	322,706	332,857
EBITDA Margin	31.1%	32.4%	34.5%	35.6%
Net Income	67,731	46,853	90,973	97,790
Net Margin	6.7%	4.6%	9.7%	10.5%
Total Assets	1,531,934	1,506,677	1,468,830	1,538,270
Cash	67,464	90,554	68,682	105,373
Total Liabilities	1,305,027	1,268,789	1,165,462	1,160,426
Debt	754,448	751,940	639,185	660,036
Common Equity	226,907	237,888	303,367	377,844

Source: Banorte

Valuation and Financial metrics	2019	2020	2021E	2022E
FV/EBITDA	5.5x	5.2x	4.8x	4.6x
P/E	14.2x	21.4x	10.5x	8.8x
P/BV	5.6x	4.0x	3.4x	2.6x
ROE	39.5%	18.7%	32.4%	29.9%
ROA	4.4%	3.1%	6.2%	6.4%
EBITDA/ interest	8.3x	8.5x	9.2x	8.8x
Net Debt/EBITDA	2.2x	2.0x	1.7x	1.8x
Debt/Equity	3.3x	3.2x	2.1x	1.7x

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AMX – Results 2021  
MXN, million

Concept	2020	2021	Var %	2021e	Diff% vs Estim.
Revenue	251,583	252,507	0.4%	254,791	-0.9%
Operating Income	40,909	44,706	9.3%	40,237	11.1%
Ebitda	82,649	84,947	2.8%	84,669	0.3%
Net Income	20,060	42,816	113.4%	26,064	64.3%
<b>Margins</b>					
Operating Margin	16.3%	17.7%	1.4pp	15.8%	1.9pp
Ebitda Margin	32.9%	33.6%	0.7pp	33.2%	0.4pp
Net Margin	8.0%	0.7%	-7.3pp	10.2%	-9.5pp
EPS	\$0.30	\$0.65	112.9%	\$0.39	64.3%

Income Statement (Million pesos)

Year	2020	2021	2021	Change	Change
Quarter	2	1	2	% y/y	% q/q
Net Revenue	251,583.0	248,185.6	252,507.3	0.4%	1.7%
Costs of goods sold	154,379.0	156,205.8	156,280.0	1.2%	0.0%
Gross profit	97,204.0	91,979.8	96,227.3	-1.0%	4.6%
General expenses	55,142.0	49,430.0	50,004.0	-9.3%	1.2%
Operating Income	40,909.0	41,147.3	44,706.2	9.3%	8.6%
Operating Margin	16.3%	16.6%	17.7%	1.4pp	1.1pp
Depreciation	41,740.0	40,508.9	40,241.0	-3.6%	-0.7%
EBITDA	82,649.0	81,656.2	84,947.2	2.8%	4.0%
EBITDA Margin	32.9%	32.9%	33.6%	0.7pp	0.7pp
Interest Income (Expense) net	(11,107.0)	(35,849.4)	17,160.6	N.A.	N.A.
Interest expense	10,802.0	9,461.4	9,186.0	-15.0%	-2.9%
Interest income	1,830.0	719.7	823.1	-55.0%	14.4%
Other income (expense)	(1,339.0)	(10,746.9)	4,446.7	N.A.	N.A.
Foreign exchange gain (loss)	(796.0)	(16,360.8)	21,076.8	N.A.	N.A.
Unconsolidated subsidiaries	(286.0)	13.5	2.6	N.A.	-80.4%
Income before taxes	29,516.0	5,311.3	61,869.4	109.6%	>500%
Income taxes	8,172.0	2,557.7	17,762.4	117.4%	>500%
Discontinued operations					
Consolidated Net Income	21,344.0	2,753.6	44,107.0	106.6%	>500%
Non-controlling interest	1,284.0	943.4	1,291.3	0.6%	36.9%
Net Income	20,060.0	1,810.3	42,815.7	113.4%	>500%
Net Margin	8.0%	0.7%	17.0%	9.0pp	16.2pp
EPS	0.304	0.027	0.648	112.9%	>500%

Balance Sheet (Million pesos)

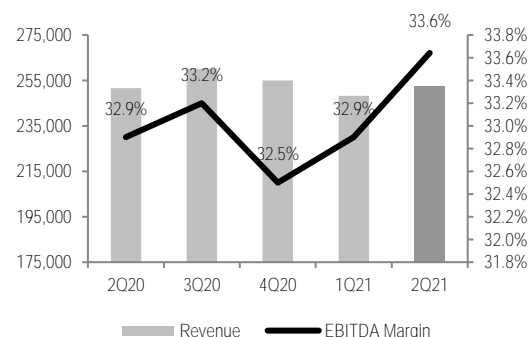
Total Current Assets	404,274.0	384,606.2	364,918.7	-9.7%	-5.1%
Cash & Short Term Investments	102,574.0	118,967.0	100,140.0	-2.4%	-15.8%
Long Term Assets	1,256,749	1,246,975.4	1,242,161.5	-1.2%	-0.4%
Property, Plant & Equipment (Net)	659,097.0	711,152.0	709,332.2	7.6%	-0.3%
Intangible Assets (Net)	143,791.0	130,401.0	128,307.8	-10.8%	-1.6%
Total Assets	1,661,022	1,631,581.6	1,607,080.2	-3.2%	-1.5%
Current Liabilities	496,787.0	492,197.1	505,417.7	1.7%	2.7%
Short Term Debt	141,296.0	154,236.5	155,606.8	10.1%	0.9%
Accounts Payable	249,919.0	240,881.5	248,940.4	-0.4%	3.3%
Long Term Liabilities	945,355.0	845,828.4	785,169.4	-16.9%	-7.2%
Long Term Debt	740,835.0	604,647.7	545,878.2	-26.3%	-9.7%
Total Liabilities	1,442,142	1,338,025.5	1,290,587.1	-10.5%	-3.5%
<b>Stockholders' Equity</b>	218,880.0	293,556.1	316,493.1	44.6%	7.8%
Non-controlling interest	55,336.0	66,111.2	63,400.2	14.6%	-4.1%
Total Equity	163,544.0	227,444.8	253,092.9	54.8%	11.3%
Liabilities & Equity	1,661,022	1,631,581.6	1,607,080.2	-3.2%	-1.5%
Net Debt	779,557.0	639,917.2	601,345.0	-22.9%	-6.0%

Cash Flow

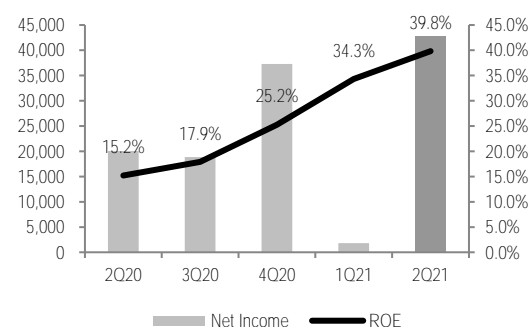
CF from Operating Activities	31,215.0	53,234.9	130,813.0
CF from Investing Activities	(26,837.0)	(28,206.5)	(58,817.5)
CF from Financing Activities	82,991.0	(8,314.5)	(67,285.9)
FX effect on cash	2,303.0	(791.8)	(634.4)
Change in Cash Balance	89,672.0	15,922.1	4,075.1

Source: Banorte, MSE.

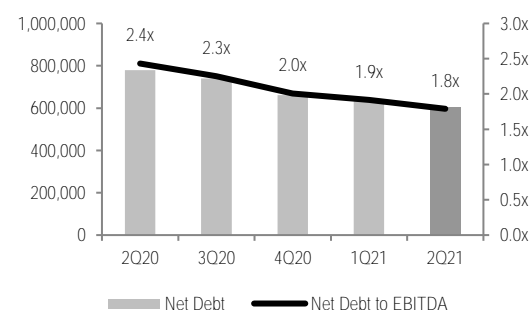
Revenue & EBITDA Margin  
MXN, million



Net Income & ROE  
MXN, million



Net Debt & Net Debt to EBITDA ratio  
MXN, million



Operating performance per country as of 2021

Country	Operating Breakdown			Mobile Access			Fixed Access	
	Revenue	EBITDA	Margin	Var	ARPU	MOU	Var	\$ / RGU
	% y/y	% y/y	pp y/y	% y/y	% y/y	% y/y	% y/y	% y/y
Mexico	19.7	20.6	0.3	4.5	7.5	1.7	-1.9	1.4
Brazil	2.3	2.6	0.1	15.8	-4.3	-14.0	-4.0	-1.6
USA	0.7	-13.1	-2.1	-2.8	3.6	-2.1	0.0	0.0
Ecuador	4.1	-5.0	-4.4	5.5	-11.1	-29.5	8.6	-5.9
Colombia	14.1	15.6	0.5	7.3	-0.7	-12.5	9.3	4.6
Argentina	39.8	45.7	1.6	5.3	23.9	-13.7	31.4	25.2
Central America	12.2	21.3	3.2	9.4	0.0	-5.0	-0.2	3.1
Peru	43.8	47.1	0.8	10.7	9.1	-1.6	8.7	13.6
Chile	6.6	0.5	-1.2	-0.7	-4.8	0.6	-2.1	9.6
Caribbean	15.3	27.1	3.3	10.3	9.1	-6.9	4.2	0.1
Telekom Austria	6.4	9.7	1.1	5.3	0.0	-2.5	-0.5	4.0
Consolidated	0.4	2.8	0.7	7.3	-8.3	-4.6	-0.5	

Source: América Móvil, Banorte

## Certification of Analysts.

We, Gabriel Casillas Olivera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalia 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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Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

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The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

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	Reference
<b>BUY</b>	When the share expected performance is greater than the MEXBOL estimated performance.
<b>HOLD</b>	When the share expected performance is similar to the MEXBOL estimated performance.
<b>SELL</b>	When the share expected performance is lower than the MEXBOL estimated performance.

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### History of PT and ratings

Stock	Date	Rating	PT
Amx L	21/12/2020	Buy	\$18.00
Amx L	4/12/2019	Buy	\$16.60
Amx L	8/01/2019	Buy	\$17.00
Amx L	17/01/2018	Buy	\$19.50

### MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD		AVERAGE		LEADER		

\*MSCI ESG Rating is an indicator that evaluates companies in Environment, Social and Governance (ESG) metrics.

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