

AMX

Quarterly Report

February 16, 2023

2022 ends with weakness, in line with expectations

- **4Q22 reflected declines, in line with estimates, although profitability pressures were lower than expected. Adjusting for extraordinary items, the weakest regions were Argentina, CA, and Colombia**
- **While the report might not be well received by the market, our view for AMX remains positive on the expectation of resilient demand and higher profitability during 2023**

Despite subscribers increase, ARPU declined, such as margins. Mobile subscribers increased 7.6% y/y and RGUs adds 6.0% y/y. Sequentially, subscribers' variation was -0.3%, even considering the 3.9% q/q reduction in Brazil which did not generate traffic. ARPU declined 8.0% y/y, with falls in Argentina (-17.9%) and Telekom Austria (-7.7%). Therefore, service revenues fell 1.4% and equipment sales declined 4.8%. As a result, consolidated revenues fell 2.4% y/y to MXN 215.96 billion. Regions' profitability performance was mixed, with CA, Mexico, and Colombia showing the strongest pressures, followed by Brazil, while the Caribbean and Peru recorded the strongest gains. It is worth noting that, excluding some extraordinary effects (Telmex tower sale and in Peru, as well as reserve releases), Mexico registered a margin expansion of 0.4% and Peru of 2.6%. As a result, consolidated EBITDA decreased 4.4% y/y to MXN 84.76 billion (-2.3% excluding non-recurring items), with a margin decline of 0.8pp to 39.2% (-0.3pp excluding non-recurring items). Finally, there was a contraction in net income of 89.6% y/y, in the absence of the revenue from the sale of Tracfone in 4Q21. **Demand for 2023 should remain resilient.** Despite the weak 4Q22, the outlook remains positive, including growth, albeit moderate, as well as higher profitability. Value creation strategies (such as Telekom Austria's upcoming tower spin-off), leadership position, financial strength, and attractive valuation (5.4x FV/EBITDA vs. 6.1x sector median), make AMX stand out as an interesting investment option as a value company.

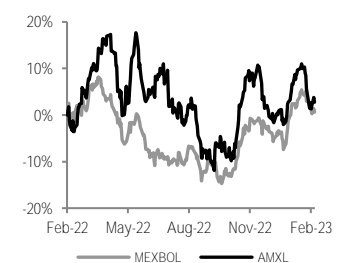
www.banorte.com
@ analisis_fundam

José Itzamna Espitia Hernández
Senior Strategist, Equity
jose.espitia@banorte.com

Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com

BUY	
Current Price	\$18.55
PT	\$20.00
Dividend	\$0.44
Dividend and Buybacks (%)	3.6%
Upside Potential	11.4%
ADR current price	US\$20.08
PT ADR	US\$19.80
Shares per ADR	15
Max – Min LTM (\$)	21.47–15.69
Market Cap (US\$m)	63,101
Shares Outstanding (m)	63,033
Float	49%
Daily Turnover US\$m	868.7
Valuation metrics TTM	
FV/EBITDA	5.4x
P/E	15.4x
MSCI ESG Rating*	BB

Relative performance to Mexbol LTM



Financial Statements				
MXN, million	2020	2021	2022	2023E
Revenue	1,016,887	855,535	844,501	860,504
Operating Income	165,355	166,133	170,871	184,786
EBITDA	329,599	328,760	329,505	337,722
EBITDA Margin	32.4%	38.4%	39.0%	39.2%
Net Income	46,853	196,025	76,159	72,952
Net Margin	4.6%	22.9%	9.0%	8.5%
Total Assets	1,506,677	1,687,387	1,618,098	1,675,808
Cash	90,554	156,383	122,129	139,053
Total Liabilities	1,268,789	1,229,743	1,180,269	1,167,542
Debt	751,940	672,719	670,069	663,845
Common Equity	237,888	457,644	437,829	508,265

Source: Banorte

Valuation and Financial metrics				
	2020	2021	2022	2023E
EV/EBITDA	5.9x	5.5x	5.4x	5.2x
P/E	26.5x	6.3x	15.4x	16.0x
P/BV	6.7x	3.1x	3.1x	2.7x
ROE	25.2%	49.4%	20.4%	16.6%
ROA	3.1%	11.4%	4.7%	4.4%
EBITDA/ Interest	8.5x	9.1x	8.0x	7.8x
Net Deb/EBITDA	2.0x	1.6x	1.7x	1.6x
Deb/Equity	4.1x	1.7x	1.8x	1.5x

This document is provided for the reader's convenience only. The translation from the original Spanish version was made by Banorte's staff. Discrepancies may possibly arise between the original document in Spanish and its English translation. For this reason, the original research paper in Spanish is the only official document. The Spanish version was released before the English translation. The original document entitled "Cierra 2022 con debilidad alineada a lo esperado" was released on February 14, 2023. Document for distribution among public

AMX – Results 4Q22
MXN, million

Concept	4Q21	4Q22	Var %	4Q22e	Diff% vs Estim.
Revenue	221,357	215,962	-2.4%	215,043	0.4%
Operating Income	48,148	44,685	-7.2%	44,124	1.3%
Ebitda	88,698	84,755	-4.4%	83,748	1.2%
Net Income	131,986	13,710	-89.6%	25,187	-45.6%
Margins					
Operating Margin	21.8%	20.7%	-1.1pp	20.5%	0.2pp
Ebitda Margin	40.1%	39.2%	-0.8pp	38.9%	0.3pp
Net Margin	59.6%	6.3%	-53.3pp	11.7%	-5.4pp
EPS	\$2.02	\$0.22	-89.3%	\$0.40	-45.4%

Income Statement (Million pesos)

Year	2021	2022	2022	Change	Variation
Quarter	4	3	4	% y/y	% q/q
Net Revenue	221,356.7	214,466.3	215,962.1	-2.4%	0.7%
Costs of goods sold	126,584.0	124,038.2	124,994.1	-1.3%	0.8%
Gross profit	94,772.7	90,428.1	90,968.0	-4.0%	0.6%
General expenses	46,624.5	46,857.1	46,282.5	-0.7%	-1.2%
Operating Income	48,148.1	43,571.0	44,685.4	-7.2%	2.6%
Operating Margin	21.8%	20.3%	20.7%	(1.1pp)	0.4pp
Depreciation	40,549.5	39,641.3	40,069.2	-1.2%	1.1%
EBITDA	88,697.7	83,212.3	84,754.7	-4.4%	1.9%
EBITDA Margin	40.1%	38.8%	39.2%	(0.8pp)	0.4pp
Interest Income (Expense) net	(19,550.1)	(16,469.2)	(8,301.1)	-57.5%	-49.6%
Interest expense	8,825.7	10,693.1	10,318.5	16.9%	-3.5%
Interest income	1,045.0	1,326.3	1,711.3	63.8%	29.0%
Other income (expense)	(1,792.0)	(5,239.5)	4,585.2	N.A.	N.A.
Foreign exchange gain (loss)	(9,977.5)	(1,863.0)	(4,279.1)	-57.1%	129.7%
Unconsolidated subsidiaries	(4.8)	52.3	(1,859.4)	>500%	N.A.
Income before taxes	28,593.2	27,154.1	34,524.9	20.7%	27.1%
Income taxes	6,753.1	10,852.1	10,386.8	53.8%	-4.3%
Discontinued operations	110,043.8	3,405.0	(9,390.6)	N.A.	N.A.
Consolidated Net Income	21,840.2	16,302.0	24,138.1	10.5%	48.1%
Non-controlling interest	(102.5)	1,737.8	1,037.8	N.A.	-40.3%
Net Income	131,986.4	17,969.2	13,709.7	-89.6%	-23.7%
Net Margin	59.6%	8.4%	6.3%	(53.3pp)	(2.0pp)
EPS	2.017	0.284	0.216	-89.3%	-23.7%

Balance Sheet (Million pesos)

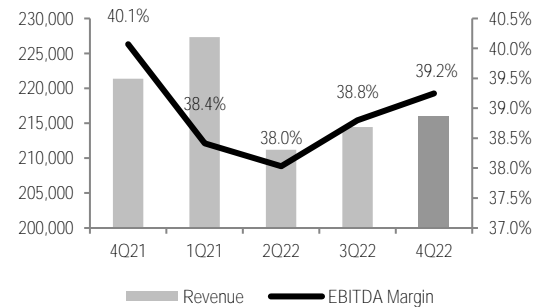
Total Current Assets	404,156.7	376,582.2	361,002.8	-10.7%	-4.1%
Cash & Short Term Investments	156,383.0	112,845.0	122,129.0	-21.9%	8.2%
Long Term Assets	1,285,493.2	1,253,721.3	1,257,095.6	-2.2%	0.3%
Property, Plant & Equipment (Net)	731,196.7	664,396.5	657,226.2	-10.1%	-1.1%
Intangible Assets (Net)	143,225.8	131,646.4	128,893.4	-10.0%	-2.1%
Total Assets	1,689,649.8	1,630,303.6	1,618,098.4	-4.2%	-0.7%
Current Liabilities	534,012.8	542,997.8	488,876.0	-8.5%	-10.0%
Short Term Debt	182,889.5	212,240.8	160,257.1	-12.4%	-24.5%
Accounts Payable	237,206.4	207,482.4	208,741.9	-12.0%	0.6%
Long Term Liabilities	701,595.4	655,749.4	691,393.1	-1.5%	5.4%
Long Term Debt	489,829.3	480,643.4	509,811.6	4.1%	6.1%
Total Liabilities	1,235,608.1	1,198,747.2	1,180,269.2	-4.5%	-1.5%
Stockholders' Equity	454,041.7	431,556.4	437,829.3	-3.6%	1.5%
Non-controlling interest	64,406.8	62,077.5	64,024.6	-0.6%	3.1%
Total Equity	389,634.9	369,478.9	373,804.7	-4.1%	1.2%
Liabilities & Equity	1,689,649.8	1,630,303.6	1,618,098.4	-4.2%	-0.7%
Net Debt	550,589.8	580,039.2	547,939.7	-0.5%	-5.5%
	404,156.7	376,582.2	361,002.8	-10.7%	-4.1%

Cash Flow

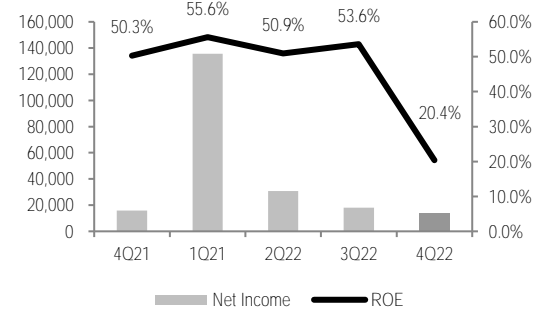
CF from Operating Activities	258,181.6	149,372.2	228,011.5
CF from Investing Activities	(76,520.9)	(66,694.6)	(108,343)
CF from Financing Activities	(177,366.2)	(90,695.3)	(120,089)
Change in Cash Balance	4,294.4	(8,017.6)	(420.3)

Source: Banorte, MSE.

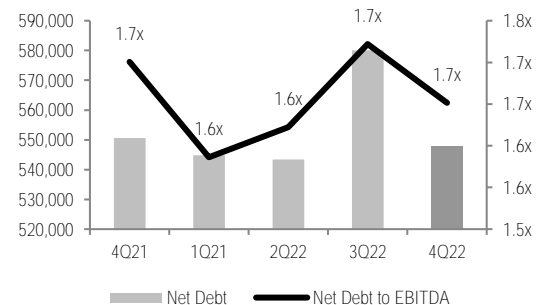
Revenue & EBITDA Margin
MXN, million



Net Income & ROE
MXN, million



Net Debt & Net Debt to EBITDA ratio
MXN, million



Operating performance per country as of 4Q22

COUNTRY	REVENUE			EBITDA			EBITDA Margin		
	4Q21	4Q22	Var y/y	4Q21	4Q22	Var y/y	4Q21	4Q22	Var y/y
Mexico	82,741	83,786	1.3%	36,787	35,212	-4.3%	44.5%	42.0%	-2.4
Brazil	10,169	11,155	9.7%	4,220	4,579	8.5%	41.5%	41.1%	-0.4
Ecuador	259	284	9.7%	122	132	8.2%	47.3%	46.6%	-0.7
Colombia	3,857	3,742	-3.0%	1,686	1,623	-3.7%	43.7%	43.4%	-0.3
Argentina	87,566	75,004	-14.3%	34,299	29,481	-14.0%	39.2%	39.3%	0.1
Central America	576	598	3.8%	261	254	-2.7%	45.3%	42.5%	-2.8
Peru	1,669	1,766	5.8%	534	638	19.6%	32.0%	36.1%	4.1
Caribbean	484	584	20.8%	180	293	62.6%	37.2%	50.1%	12.9
Eastern Europe	566	633	12.0%	178	203	14.1%	31.4%	32.0%	0.6
Austria	682	710	4.2%	234	245	4.6%	34.3%	34.5%	0.2
TOTAL	221,357	215,962	-2.4%	88,698	84,755	-4.4%	40.1%	39.2%	-0.8

COUNTRY	SUSCRIBERS			ARPU monthly			RGUs		
	4Q21	4Q22	Var y/y	4Q21	4Q22	Var y/y	4Q21	4Q22	Var y/y
Mexico	80,539	82,851	2.9%	163	171	5.0%	101,947	103,675	1.7%
Brazil	70,541	83,260	18.0%	22	22	-0.1%	95,832	107,396	12.1%
Ecuador	8,666	9,028	4.2%	8	8	-1.2%	9,201	9,642	4.8%
Colombia	35,062	37,550	7.1%	16,432	16,072	-2.2%	43,938	46,798	6.5%
Argentina	26,348	26,915	2.2%	887	728	-17.9%	28,368	29,780	5.0%
Central America	15,753	16,673	5.8%	7	7	-2.6%	20,129	21,297	5.8%
Peru	12,108	12,338	1.9%	24	25	3.0%	14,017	14,332	2.2%
Caribbean	7,020	7,345	0.0%	12	12	-2.5%	9,628	10,119	5.1%
Eastern Europe	14,922	14,924	14.4%	7	7	7.6%	17,948	18,182	1.3%
Austria	7,844	8,973	7.6%	11	10	-7.7%	10,895	11,919	9.4%
TOTAL	278,803	299,856	2.9%				351,903	373,140	6.0%

Source: AMX, Banorte. Figures in local currency for each country.

Certification of Analyst.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, Daniela Olea Suárez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Daniel Sebastián Sosa Aguilar and Andrea Muñoz Sánchez, 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.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

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.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

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.

Guide for investment recommendations.

	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>

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

History of PT and Ratings

Stock	Date	Rating	PT
AMX	10/18/2022	BUY	\$20.00
AMX	12/21/2020	BUY	\$18.00
AMX	12/04/2019	BUY	\$16.60
AMX	01/08/2019	BUY	\$17.00

MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD			AVERAGE		LEADER	

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

GRUPO FINANCIERO BANORTE S.A.B. de C.V.
Research and Strategy

Alejandro Padilla Santlana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
María Fernanda Vargas Santoyo	Analyst	maria.vargas.santoyo@banorte.com	(55) 1103 - 4000

Economic Research

Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Cintia Gisela Nava Roa	Senior Economist, Mexico	cintia.nava.roa@banorte.com	(55) 1103 - 4000
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707

Market Strategy

Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
-------------------------	-----------------------------	----------------------------	------------------

Fixed income and FX Strategy

Leslie Thalía Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144

Equity Strategy

Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Strategist, Equity	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746

Corporate Debt

Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugoa.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

Quantitative Analysis

Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Daniela Olea Suárez	Senior Analyst, Quantitative Analysis	daniela.olea.suarez@banorte.com	(55) 1103 - 4000
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
Daniel Sebastián Sosa Aguilar	Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Andrea Muñoz Sánchez	Analyst, Quantitative Analysis	andrea.munoz.sanchez@banorte.com	(55) 1103 - 4000

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899