



Rating
Hold

Latin America
Mexico
Telecom

Company
America Movil

Reuters AMX.N Bloomberg AMX US Exchange NYS Ticker AMX

Date
18 July 2018

Forecast Change

Price at 17 Jul 2018 (USD)	17.40
Target price	19.00
52-week range	19.87 - 14.94

Underlying momentum; trimming near-term estimates on F/X

Set up for accelerating (CC) service revenue growth in 2H18; but, F/X headwinds drive our forecasts lower

America Movil's 2Q18 results were broadly in-line with our expectations (service revenues matched DBE, and EBITDA was -0.3% vs. our estimate). Notably, constant currency service revenue growth of +2.0% yoy mirrored 1Q trends, while (on the same basis), EBITDA was +4.5% yoy. **AMX's scale and network quality leadership is paying key dividends in top markets like Mexico and Brazil**, where mobile service revenue growth was +9% and 12% respectively (*smartphone uptake, mobile data growth*). At the same time, a continued shift away from handset subsidies, and focus on cost savings initiatives are helping drive EBITDA growth at multi-year highs in these markets (as we have noted before, scale is a key differentiator for AMX vs. LatAm/global peers).

Looking forward, our updated forecasts assume AMX's constant currency service revenue growth accelerates to +3% yoy in 3Q18/4Q18, up from ~2% in 1H18 (as the company laps natural disasters which weighed on 2H17). With that said, we are reducing our 2018-2020 revenue/EBITDA by 2-5%, given updated (and weaker) F/X assumptions vs. what we had previously modeled. To be clear, we continue to expect constant currency service revenue growth in the 2-3% range in upcoming years (2018-2020), in-line with our prior forecasts.

Netting these estimate reductions (-\$1 impact on PT) with a roll-forward of our valuation framework to 2019YE (+\$2 impact on PT), our price target moves to \$19 (from \$18 prior).

AMX currently trades at 5.5x 2019E EBITDA; our price target implies a 6.0x multiple, above its historical averages (5.5x five-year average, and 5.0x ten-year average). Our 6.0x implied target multiple is also at the higher end of emerging market peers (generally in the 5-6x EBITDA range). Our Hold rating reflects a positive view on underlying trends, offset by F/X risk to consensus estimates (DBE now 2-4% below street) and elevated regulatory/macro risks relative to our broader coverage (see our 6/24/18 initiation [Solid fundamental story, but mindful of risks](#) for additional detail).

Valuation & Risks

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Key changes

TP	18.00 to 19.00	↑	5.6%
EPS (MXN)	1.03 to 0.76	↓	-26.3%
Revenue (MXNm)	1,034,907 to 1,018,056	↓	-1.6%

Source: Deutsche Bank



Valuation and Risks

Valuation: Our \$19 USD, 12-month price target is the blended average of our (1) DCF (\$19, 3% growth and 9% WACC) and (2) EV/EBITDA (\$20, 6.0x 2019E EBITDA) analyses.

Key risks: *Upside:* Accelerating revenue/EBITDA growth, better than expected shareholder returns. *Downside:* Negative regulatory developments, competition, macro and F/X risks.



Figure 1: AMX 2Q18 Actuals vs. Estimates (\$ mns except per share/operating items)

	CY2Q18				Consensus
	New	Old	\$ Diff	% Diff	
Income Statement					
Service Revenue	218,899	218,856	43	0.0%	
% growth yoy (reported)	1.4%	1.4%	NM	0.0%	
% growth yoy (constant currency)	2.0%	2.8%	NM	-0.8%	
Equipment Revenue	38,410	35,768	2,642	7.4%	
Total Revenue	257,309	254,624	2,685	1.1%	256,227
Cost of Service	81,823	81,358	465	0.6%	
Cost of Equipment	42,375	40,363	2,012	5.0%	
SG&A	59,142	58,647	495	0.8%	
Adjusted EBITDA	72,021	72,210	(189)	-0.3%	72,341
% of Revenue	28.0%	28.4%			
D&A	39,377	40,309	(932)	-2.3%	
Operating Income	32,644	31,901	743	2.3%	32,844
% of Revenue	12.7%	12.5%			
Interest Expense	7,176	7,471	(295)	-3.9%	
Net Income	(236)	15,709	(15,945)	-101.5%	
Adjusted Diluted EPS	(0.00)	0.24	(0.24)	-101.5%	0.12
Average Shares Outstanding	66,060	66,054	6	0.0%	
Balance Sheet					
Gross Debt (incl. affiliate debt)	686,553	672,075	14,478	2.2%	
Cash	68,949	100,793	(31,844)	-31.6%	
Net Debt	617,604	571,282	46,322	8.1%	
Cash Flow					
Operating Cash Flow	110,647	81,936	28,711	35.0%	
Capital Expenditures	33,100	31,971	1,129	3.5%	
Free Cash Flow	77,547	49,965	27,582	NM	49,965
FCF/Share	1.17	0.76	0.42	NM	
Operating Metrics					
Wireless Subscribers	279,029	280,111	(1,082)	-0.4%	
Net Adds	(71)	1,009	(1,080)	-107.0%	
Mexico	427	94	333	354.3%	
Brazil	195	462	(267)	-57.8%	
Colombia	(233)	(22)	(211)	959.1%	
Fixed Subs (Voice/Data/TV)	83,348	83,324	24	0.0%	
Net Adds	504	213	291	136.6%	
Mexico	(96)	162	(258)	-159.3%	
Brazil	(70)	(118)	48	-40.7%	
Colombia	120	67	53	79.1%	

Source: Deutsche Bank estimates, company information, FactSet.



Figure 2: AMX Changes to our estimates (\$ mns, except per share/operating items)

	CY18					CY19					CY20				
	New	Old	\$ Diff	% Diff	Consensus	New	Old	\$ Diff	% Diff	Consensus	New	Old	\$ Diff	% Diff	Consensus
Income Statement															
Service Revenue	862,597	884,479	(21,881)	-2.5%		858,187	901,194	(43,007)	-4.8%		879,759	922,708	(42,948)	-4.7%	
% growth yoy (reported)	-1.8%	0.7%	NM	-2.5%		-0.5%	1.9%	NM	-2.4%		2.5%	2.4%	NM	0.1%	
% growth yoy (constant currency)	2.7%	2.8%	NM	0.0%		2.3%	2.5%	NM	-0.2%		2.5%	2.4%	NM	0.1%	
Equipment Revenue	155,459	150,428	5,031	3.3%		158,709	155,054	3,654	2.4%		163,026	158,127	4,898	3.1%	
Total Revenue	1,018,056	1,034,907	(16,851)	-1.6%	1,035,280	1,016,896	1,056,249	(39,353)	-3.7%	1,055,280	1,042,785	1,080,835	(38,050)	-3.5%	1,071,720
Cost of Service	326,662	329,118	(2,456)	-0.7%		327,665	333,834	(6,169)	-1.8%		332,767	338,951	(6,184)	-1.8%	
Cost of Equipment	184,038	166,705	(2,666)	-1.6%		161,390	166,584	(5,194)	-3.1%		169,161	169,848	(687)	-0.4%	
SG&A	234,794	237,269	(2,475)	-1.0%		228,596	237,900	(9,303)	-3.9%		224,848	239,721	(14,873)	-6.2%	
Adjusted EBITDA	284,571	292,727	(8,156)	-2.8%	291,247	293,452	309,543	(16,091)	-5.2%	302,761	310,159	323,843	(13,684)	-4.2%	314,029
% of Revenue	28.0%	28.3%				28.9%	29.3%				29.7%	30.0%			
D&A	156,710	163,051	(6,341)	-3.9%		154,067	163,855	(9,788)	-6.0%		156,302	165,969	(9,667)	-5.8%	
Operating Income	127,861	129,676	(1,815)	-1.4%	130,050	139,385	145,688	(6,303)	-4.3%	141,429	153,857	157,874	(4,017)	-2.5%	157,402
% of Revenue	12.6%	12.5%				13.7%	13.8%				14.8%	14.6%			
Interest Expense	29,221	29,775	(554)	-1.9%		28,266	27,320	946	3.5%		26,457	23,749	2,707	11.4%	
Net Income	50,069	67,881	(17,812)	-26.2%		70,326	75,630	(5,303)	-7.0%		80,568	85,356	(4,788)	-5.6%	
Adjusted Diluted EPS	0.76	1.03	(0.27)	-26.3%	0.93	1.06	1.14	(0.08)	-6.9%	1.14	1.24	1.30	(0.06)	-4.4%	1.25
Average Shares Outstanding	66,213	66,188	25	0.0%		66,375	66,421	(46)	-0.1%		64,963	65,798	(835)	-1.3%	
Balance Sheet															
Gross Debt (incl. affiliate debt)	681,553	652,075	29,478	4.5%		646,553	572,075	74,478	13.0%		596,553	492,075	104,478	21.2%	
Cash	81,032	111,866	(30,834)	-27.6%		117,060	115,892	1,168	1.0%		123,098	104,396	18,702	17.9%	
Net Debt	600,521	540,209	60,312	11.2%		529,493	456,183	73,310	16.1%		473,455	387,679	85,776	22.1%	
Cash Flow															
Operating Cash Flow	261,946	254,467	7,479	2.9%		273,404	288,301	(14,897)	-5.2%		285,899	293,442	(7,543)	-2.6%	
Capital Expenditures	147,438	148,717	(1,279)	-0.9%		147,090	152,780	(5,690)	-3.7%		150,347	155,966	(5,619)	-3.6%	
Free Cash Flow	114,508	105,750	8,758	8.3%	82,679	126,315	135,521	(9,206)	-6.8%	97,469	135,552	137,476	(1,924)	-1.4%	115,088
FCF/Share	1.73	1.60	0.13	8.3%		1.90	2.04	(0.14)	-6.7%		2.09	2.09	(0.00)	-0.1%	
Operating Metrics															
Wireless Subscribers	279,751	281,922	(2,171)	-0.8%		282,327	285,938	(3,612)	-1.3%		285,283	290,324	(5,041)	-1.7%	
Net Adds	739	2,908	(2,169)	-74.6%		2,576	4,016	(1,441)	-35.9%		2,957	4,385	(1,429)	-32.6%	
Mexico	1,845	946	899	95.0%		1,938	901	1,037	115.1%		1,808	846	962	113.7%	
Brazil	(428)	479	(901)	-190.5%		30	1,398	(1,368)	-97.3%		130	1,698	(1,568)	-92.3%	
Colombia	(221)	112	(333)	-297.3%		(97)	132	(229)	-173.5%		(47)	122	(169)	-138.5%	
Fixed Subs (Voice/Data/TV)	84,147	84,363	(216)	-0.3%		85,850	85,864	(14)	0.0%		87,413	87,240	173	0.2%	
Net Adds	1,570	1,519	51	3.4%		1,703	1,501	202	13.5%		1,563	1,376	187	13.6%	
Mexico	74	723	(649)	-89.8%		291	423	(132)	-31.2%		191	273	(82)	-30.0%	
Brazil	(53)	(122)	69	-56.6%		80	13	67	515.4%		105	88	17	19.3%	
Colombia	397	268	129	48.1%		400	243	157	64.6%		380	223	157	70.4%	

Source: Deutsche Bank estimates, company information, FactSet.



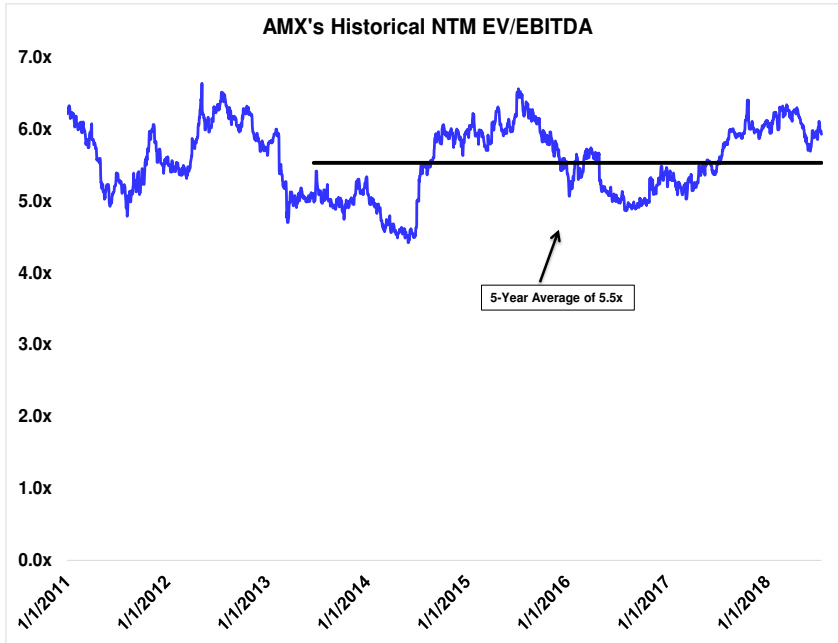
Figure 3: AMX Summary financial and operating metrics (\$ mns, except per share/operating items)

	2017	FY18				2018E	FY19				2019E	2020E
		1Q18	2Q18	3Q18	4Q18		1Q19	2Q19	3Q19	4Q19		
Income Statement												
Service Revenue	878,411	221,031	218,899	210,727	211,940	862,597	212,191	213,148	215,538	217,309	858,187	879,759
% YoY Growth	5.6%	-4.4%	1.4%	0.2%	-4.1%	-1.8%	-4.0%	-2.6%	2.3%	2.5%	-0.5%	2.5%
% YoY Growth (constant currency)	2.6%	2.1%	2.0%	2.8%	3.0%	2.7%	2.3%	2.1%	2.3%	2.5%	2.3%	
Equipment Revenue	143,223	33,337	38,410	38,351	45,361	155,459	36,011	37,862	38,874	45,962	158,709	163,026
% YoY Growth	-0.2%	1.4%	14.7%	13.1%	5.6%	8.5%	8.0%	-1.4%	1.4%	1.3%	2.1%	2.7%
Total Revenue	1,021,634	254,368	257,309	249,078	257,301	1,018,056	248,202	251,010	254,413	263,272	1,016,896	1,042,785
% YoY Growth	4.7%	-3.7%	3.2%	2.0%	-2.5%	-0.4%	-2.4%	-2.4%	2.1%	2.3%	-0.1%	2.5%
EBITDA	277,549	71,205	72,021	70,866	70,479	284,571	71,736	72,233	74,581	74,903	293,452	310,159
% YoY Growth	8.4%	-0.8%	3.0%	6.9%	0.5%	2.5%	0.7%	0.3%	5.2%	6.3%	3.1%	5.7%
% of Service Revenue	31.6%	32.2%	32.9%	33.6%	33.3%	33.0%	33.8%	33.9%	34.6%	34.5%	34.2%	35.3%
% of Total Revenue	27.2%	28.0%	28.0%	28.5%	27.4%	28.0%	28.9%	28.8%	29.3%	28.5%	28.9%	29.7%
Operating Income	118,691	29,793	32,644	33,009	32,414	127,861	33,655	33,747	35,912	36,071	139,385	153,857
% YoY Growth	8.3%	-1.9%	4.8%	15.4%	13.5%	7.7%	13.0%	3.4%	8.8%	11.3%	9.0%	10.4%
% of Total Revenue	11.6%	11.7%	12.7%	13.3%	12.6%	12.6%	13.6%	13.4%	14.1%	13.7%	13.7%	14.8%
Net Income	29,326	17,748	(236)	15,678	16,879	50,069	16,681	16,710	17,599	19,336	70,326	80,568
Diluted EPS	0.45	0.27	(0.00)	0.24	0.25	0.76	0.25	0.25	0.27	0.29	1.06	1.24
% YoY Growth	240.1%	-50.7%	-101.6%	-263.7%	-248.4%	69.0%	-6.8%	-7135.6%	12.1%	15.3%	40.2%	17.0%
Average Shares Outstanding	65,910	66,060	66,060	66,219	66,512	66,213	66,622	66,483	66,311	66,083	66,375	64,963
Dividend / Share	0.30	0.00	0.00	0.16	0.16	0.32	0.00	0.00	0.17	0.17	0.35	0.38
% YoY Growth	7.1%	NM	NM	7.5%	7.5%	7.5%	NM	NM	8.0%	8.0%	8.0%	9.0%
Balance Sheet												
Net Debt	614,494	614,072	617,604	611,424	600,521	600,521	593,716	538,894	534,285	529,493	529,493	473,455
Net Debt / Annualized EBITDA	2.2x	2.2x	2.1x	2.2x	2.1x	2.1x	2.1x	1.9x	1.8x	1.8x	1.8x	1.5x
Cash Flow Statement												
Capex	119,185	24,000	33,100	43,454	46,884	147,438	26,754	32,203	42,263	45,870	147,090	150,347
% YoY Growth	-14.1%	-16.1%	47.8%	30.5%	34.4%	23.7%	11.5%	-2.7%	-2.7%	-2.2%	-0.2%	2.2%
% of Service Revenue	13.6%	10.9%	15.1%	20.6%	22.1%	17.1%	12.6%	15.1%	19.6%	21.1%	17.1%	17.1%
Free Cash Flow	98,587	(991)	77,547	16,349	21,603	114,508	12,625	63,562	23,032	27,095	126,315	135,552
% YoY Growth	1.5%	-105.1%	18.1%	-200.8%	-27.8%	16.1%	-1373.8%	-18.0%	40.9%	25.4%	10.3%	7.3%
FCF/share	1.50	(0.02)	1.17	0.25	0.32	1.73	0.19	0.96	0.35	0.41	1.90	2.09
% YoY Growth	1.4%	-105.1%	17.6%	-200.5%	-28.3%	15.5%	-1363.1%	-18.6%	40.7%	26.2%	10.0%	9.7%
Operating Metrics												
Wireless Subscribers	279,013	279,102	279,029	279,804	279,751	279,751	280,787	281,379	282,585	282,327	282,327	285,283
% YoY Growth	-0.6%	-0.3%	-0.4%	-0.2%	0.3%	0.3%	0.6%	0.8%	1.0%	0.9%	0.9%	1.0%
Net Adds	(1,560)	88	(71)	775	(54)	739	1,036	592	1,206	(258)	2,576	2,957
Fixed Subscribers (Voice/Data/PayTV)	82,844	83,111	83,348	83,806	84,147	84,147	84,457	84,762	85,320	85,850	85,850	87,413
% YoY Growth	-0.1%	0.3%	1.0%	1.3%	1.6%	1.6%	1.6%	1.7%	1.8%	2.0%	2.0%	1.8%
Net Adds	(71)	267	504	458	341	1,570	310	305	558	530	1,703	1,563

Source: Deutsche Bank estimates, company information.



Figure 4: AMX is trading at a premium to its 5-year historical NTM EV/EBITDA average



Source: Deutsche Bank estimates, company information.



Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
America Movil	AMX.N	17.42 (USD) 18 Jul 2018	8, 14, 15

*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <https://research.db.com/Research/Disclosures/CompanySearch>. Aside from within this report, important risk and conflict disclosures can also be found at <https://research.db.com/Research/Topics/Equities?topicId=RB0002>. Investors are strongly encouraged to review this information before investing.

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Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Matthew Niknam



Historical recommendations and target price. America Movil (AMX.N)

(as of 07/17/2018)



Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

** Analyst is no longer at Deutsche Bank

1.	01/11/2017	Sell, Target Price Change USD 10.00	Masha Kahn**	5.	10/16/2017	Upgraded to Buy, Target Price Change USD 21.00	Masha Kahn**
2.	04/24/2017	Upgraded to Hold, Target Price Change USD 15.30	Masha Kahn**	6.	03/09/2018	Buy, Target Price Change USD 22.00	Masha Kahn**
3.	07/19/2017	Hold, Target Price Change USD 17.70	Masha Kahn**	7.	06/24/2018	Downgraded to Hold, Target Price Change USD 18.00	Matthew Niknam
4.	09/18/2017	Hold, Target Price Change USD 20.00	Masha Kahn**				

Equity Rating Key

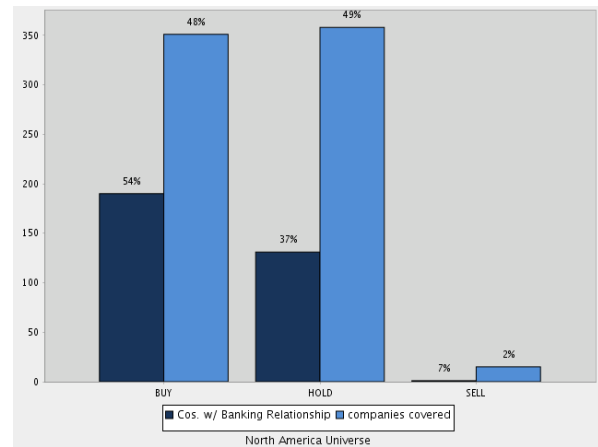
Buy: Based on a current 12-month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Newly issued research recommendations and target prices supersede previously published research.

Equity rating dispersion and banking relationships





Additional Information

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