

AMX

Quarterly Report

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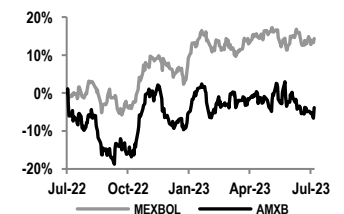
Improvement in profitability in main countries

- 2Q23 figures showed decreases at the operating level, although an increase in profitability in line with expectations. Meanwhile, higher foreign exchange gains boosted net income beyond estimates
- We believe that the report should not have a major impact on the stock price. Our view for AMX remains positive on the prospect of resilient demand and better margins for the year

Despite the slight increase in subscribers, ARPU decreases, while the EBITDA margin advances. In 2Q23, mobile subscribers increased 1.8% y/y and RGUs adds 1.5% y/y. Sequentially, these presented a marginal variation of +0.7%. In contrast, ARPU declined 6.0% y/y, impacted by falls in Austria (-8.1%) and Colombia (-5.5%), although the advances in Brazil (+6.5%) and Mexico (+3.7%) stood out. Thus, service revenues and equipment sales fell 4.2% and 7.5%, respectively, on an annual basis. Considering this, consolidated revenues contracted 4.6% y/y to MXN 202.5 billion. In turn, consolidated EBITDA decreased 3.8% y/y to MXN 78.7 billion, although with an expansion in the respective margin of 0.4pp to 38.9%, supported by cost and expense control. Most regions registered an advance in profitability, highlighting Mexico (+0.6pp), Brazil (+0.5pp), Peru (+3.4pp) and Ecuador (+3.0pp). Finally, there was an increase in net income of 89.1% y/y, mainly due to higher foreign exchange gains. **Resilient demand and value strategies underpin strong fundamentals.** In our opinion, the outlook remains positive, with expected growth, albeit moderate, and higher profitability. This, coupled with the company's leadership position, financial strength (1.6x ND/EBITDA) and ongoing value creation strategies (such as the upcoming spin-off of Telekom Austria towers), as well as an attractive valuation (5.4x FV/EBITDA vs. 5.7x sector median), lead us to reiterate our positive view for AMX. However, we do not rule out volatility in the stock price in the short term due to the possible revision in the methodology to calculate the Mexbol sample, which, if applied (in the September rebalancing), would affect the company's weighting.

BUY	
Current Price	\$18.81
PT	\$20.00
Dividend	\$0.46
Dividend and Buybacks (%e)	3.7%
Upside Potential	10.0%
ADR current price	US\$21.99
PT ADR	US\$23.00
Shares per ADR	20
Max - Min LTM (\$)	20.55-15.69
Market Cap (US\$m)	69,711
Shares Outstanding (m)	63,165
Float	49%
Daily Turnover US\$m	1,608.0
Valuation metrics TTM	
FV/EBITDA	5.4x
P/E	13.5x
MSCI ESG Rating*	BB

Relative performance to Mexbol LTM



Winners of the 2023 award for the best economic forecasters in Mexico, awarded by Focus Economics.



Financial Statements

MXN, million	2021	2022	2023E	2024E
Revenue	830,687	844,501	838,502	863,954
Operating Income	167,556	170,871	177,009	188,469
EBITDA	323,859	329,505	330,500	342,142
EBITDA Margin	39.0%	39.0%	39.4%	39.6%
Net Income	192,423	76,159	82,899	81,811
Net Margin	23.2%	9.0%	9.9%	9.5%
Total Assets	1,689,650	1,618,098	1,613,477	1,691,395
Cash	156,383	122,129	130,831	142,032
Total Liabilities	1,235,608	1,180,269	1,176,810	1,196,986
Debt	672,719	670,069	658,906	658,906
Common Equity	454,042	437,829	436,667	494,409

Source: Banorte

Valuation and Financial metrics

	2021	2022	2023E	2024E
EV/EBITDA	5.6x	5.5x	5.4x	5.2x
P/E	6.4x	15.6x	14.3x	14.5x
P/BV	3.2x	3.2x	3.2x	2.8x
ROE	49.4%	20.4%	22.4%	19.4%
ROA	11.4%	4.7%	5.1%	4.8%
EBITDA/ Interest	9.1x	8.0x	7.3x	7.5x
Net Debt/EBITDA	1.6x	1.7x	1.6x	1.5x
Debt/Equity	1.7x	1.8x	1.8x	1.6x

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Document for distribution among public

AMX – Results 2Q23

MXN, million

Concept	2Q22	2Q23	Var %	2Q23e	Diff% vs Estim.
Revenue	212,254	202,532	-4.6%	207,229	-2.3%
Operating Income	41,456	40,308	-2.8%	41,944	-3.9%
Ebitda	81,775	78,699	-3.8%	80,339	-2.0%
Net Income	13,683	25,875	89.1%	23,930	8.1%
Margins					
Operating Margin	19.5%	19.9%	0.4pp	20.2%	-0.3pp
Ebitda Margin	38.5%	38.9%	0.3pp	38.8%	0.1pp
Net Margin	6.4%	12.8%	6.3pp	11.5%	1.2pp
EPS	\$0.21	\$0.41	91.2%	\$0.38	8.2%

Income Statement (Million pesos)

Year	2022	2023	2023	Change	Variation
Quarter	2	1	2	% y/y	% q/q
Net Revenue	212,254.1	208,926.3	202,531.7	-4.6%	-3.1%
Costs of goods sold	123,071.0	118,054.0	116,991.0	-4.9%	-0.9%
Gross profit	89,183.0	90,872.3	85,540.7	-4.1%	-5.9%
General expenses	47,726.7	46,747.3	45,232.7	-5.2%	-3.2%
Operating Income	41,456.3	44,125.0	40,308.0	-2.8%	-8.7%
Operating Margin	19.5%	21.1%	19.9%	0.4pp	(1.2pp)
Depreciation	40,318.5	38,583.5	38,391.1	-4.8%	-0.5%
EBITDA	81,774.8	82,708.4	78,699.1	-3.8%	-4.8%
EBITDA Margin	38.5%	39.6%	38.9%	0.3pp	(0.7pp)
Interest Income (Expense) net	(17,614.4)	374.2	(2,103.7)	-88.1%	N.A.
Interest expense	10,742.3	10,731.9	10,067.0	-6.3%	-6.2%
Interest income	939.2	2,009.6	1,950.2	107.6%	-3.0%
Other income (expense)	(12,228.3)	(4,605.5)	(8,033.7)	-34.3%	74.4%
Foreign exchange gain (loss)	4,417.0	13,702.0	14,046.8	218.0%	2.5%
Unconsolidated subsidiaries	11.3	(583.1)	(1,029.5)	N.A.	76.5%
Income before taxes	23,853.2	43,916.0	37,174.8	55.8%	-15.4%
Income taxes	8,519.1	12,676.7	10,085.5	18.4%	-20.4%
Discontinued operations	(252.1)			N.A.	N.A.
Consolidated Net Income	15,334.1	31,239.4	27,089.3	76.7%	-13.3%
Non-controlling interest	1,398.5	1,093.7	1,214.7	-13.1%	11.1%
Net Income	13,683.5	30,145.6	25,874.6	89.1%	-14.2%
Net Margin	6.4%	14.4%	12.8%	6.3pp	(1.7pp)
EPS	0.214	0.477	0.410	91.2%	-14.1%

Balance Sheet (Million pesos)

Total Current Assets	414,046.6	376,729.1	368,127.7	-11.1%	-2.3%
Cash & Short Term Investments	150,756.0	130,373.0	120,238.0	-20.2%	-7.8%
Long Term Assets	1,292,373.4	1,216,611.9	1,204,960.4	-6.8%	-1.0%
Property, Plant & Equipment (Net)	734,675.5	624,723.6	621,144.5	-15.5%	-0.6%
Intangible Assets (Net)	134,020.0	123,503.6	119,615.1	-10.7%	-3.1%
Total Assets	1,706,420.1	1,593,341.0	1,573,088.1	-7.8%	-1.3%
Current Liabilities	544,448.7	565,625.0	558,470.7	2.6%	-1.3%
Short Term Debt	182,900.6	227,841.2	226,143.1	23.6%	-0.7%
Accounts Payable	246,565.5	218,113.2	212,774.1	-13.7%	-2.4%
Long Term Liabilities	715,567.0	618,445.2	598,340.5	-16.4%	-3.3%
Long Term Debt	511,302.2	435,128.9	418,065.7	-18.2%	-3.9%
Total Liabilities	1,260,015.7	1,184,070.3	1,156,811.2	-8.2%	-2.3%
Stockholders' Equity	446,404.4	409,270.7	416,276.9	-6.7%	1.7%
Non-controlling interest	61,807.8	63,319.7	60,587.3	-2.0%	-4.3%
Total Equity	384,596.6	345,951.0	355,689.6	-7.5%	2.8%
Liabilities & Equity	1,706,420.1	1,593,341.0	1,573,088.1	-7.8%	-1.3%
Net Debt	543,446.8	532,597.2	523,970.8	-3.6%	-1.6%

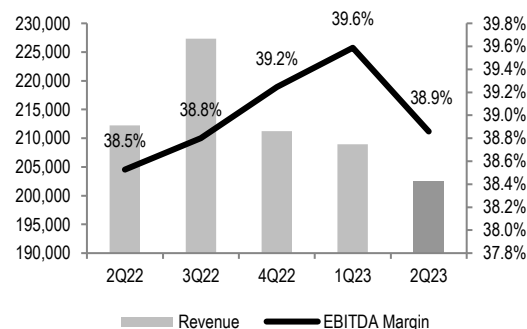
Cash Flow

CF from Operating Activities	86,808.3	23,431.8	80,166.9		
CF from Investing Activities	(81,439.4)	(17,618.6)	(60,648.3)		
CF from Financing Activities	(6,734.7)	(260.9)	(18,181.6)		
Change in Cash Balance	(1,365.7)	5,552.3	1,337.0		

Source: Banorte, MSE.

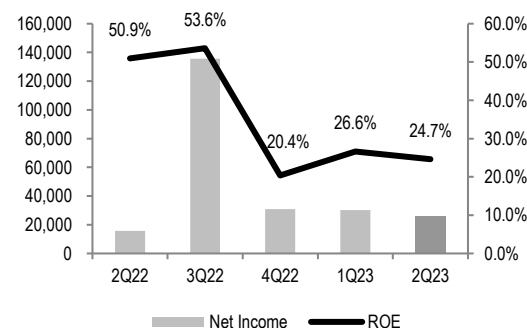
Revenue & EBITDA Margin

MXN, million



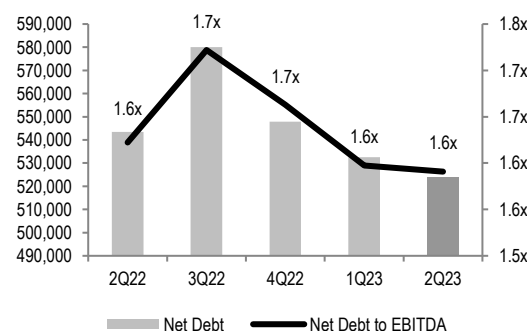
Net Income & ROE

MXN, million



Net Debt & Net Debt to EBITDA ratio

MXN, million



Operating performance per country as of 2Q23

COUNTRY	REVENUE			EBITDA			EBITDA Margin		
	2Q22	2Q23	Var y/y	2Q22	2Q23	Var y/y	2Q22	2Q23	Var y/y
Mexico	76,844	79,617	3.6%	30,978	32,563	5.1%	40.3%	40.9%	0.6
Brazil	10,509	11,306	7.6%	4,261	4,646	9.0%	40.5%	41.1%	0.5
Ecuador	256	261	1.9%	117	127	8.6%	45.6%	48.6%	3.0
Colombia	3,687	3,792	2.8%	1,549	1,569	1.3%	42.0%	41.4%	-0.6
Argentina	119,327	111,881	-6.2%	48,586	44,570	-8.3%	40.7%	39.8%	-0.9
Central America	583	618	5.9%	253	258	2.2%	43.4%	41.9%	-1.5
Peru	1,599	1,584	-0.9%	514	564	9.6%	32.2%	35.6%	3.4
Caribbean	487	487	0.0%	181	186	2.5%	37.2%	38.1%	0.9
Eastern Europe	544	604	11.0%	211	230	9.1%	38.7%	38.0%	-0.7
Austria	676	702	3.8%	258	270	4.3%	38.2%	38.4%	0.2
TOTAL	212,254	202,532	-4.6%	81,775	78,699	-3.8%	38.5%	38.9%	0.4

COUNTRY	SUSCRIBERS			ARPU monthly			RGUs		
	2Q22	2Q23	Var y/y	2Q22	2Q23	Var y/y	2Q22	2Q23	Var y/y
Mexico	81,364	83,243	2.3%	166	172	3.7%	102,620	104,317	1.7%
Brazil	85,735	83,671	-2.4%	22	24	6.5%	110,434	107,123	-3.0%
Ecuador	8,802	9,290	5.5%	8	7	-3.3%	9,384	9,905	5.6%
Colombia	36,322	38,424	5.8%	15,850	14,973	-5.5%	45,397	47,758	5.2%
Argentina	26,638	27,462	3.1%	507	972	91.6%	29,055	30,712	5.7%
Central America	16,189	16,834	4.0%	7	7	2.6%	20,703	21,597	4.3%
Peru	12,202	12,323	1.0%	25	24	3.8%	14,164	14,280	0.8%
Caribbean	7,222	7,469	3.4%	12	12	-2.0%	9,895	10,219	3.3%
Eastern Europe	14,969	14,975	0.0%	7	8	7.5%	18,109	18,332	1.2%
Austria	8,306	9,511	14.5%	11	10	-8.1%	11,301	12,403	9.8%
TOTAL	297,749	303,202	1.8%				371,062	376,646	1.5%

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, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuautencos Mora 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.

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	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	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	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.

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