

Company Name: America Movil
Company Ticker: AMXL MM
Date: 2018-10-17
Event Description: Q3 2018 Earnings Call

Market Cap: 960,971.26
Current PX: 14.54
YTD Change(\$): -2.41
YTD Change(%): -14.218

Bloomberg Estimates - EPS
Current Quarter: 0.270
Current Year: 0.939
Bloomberg Estimates - Sales
Current Quarter: 258026.200
Current Year: 1019419.318

Q3 2018 Earnings Call

Company Participants

- Daniela Lecuona Torras
- Daniel Hajj Aboumrad
- Carlos José García Moreno Elizondo
- Unverified Participant
- <Q >
- Company Representative

Other Participants

- Matthew Niknam
- Leonardo Olmos
- Diego Aragao
- Rodrigo Villanueva Bravo
- Daniel Federle
- Andre Baggio
- Maria Tereza Azevedo
- Cesar A. Medina
- Maurício Fernandes

MANAGEMENT DISCUSSION SECTION

Operator

Good morning. My name is Lisa and I'll be your conference operator today. At this time, I would like to welcome everyone to the América Móvil's Third Quarter 2018 Conference Call and Webcast. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question-and-answer session. [Operator Instructions].

Thank you. Now I'll turn the call over to Ms. Daniela Lecuona, Head of Investor Relations. Please go ahead.

Daniela Lecuona Torras

Thank you. Good morning, everyone. Thank you for joining us today in our third quarter 2018 conference call. With us today on the line Mr. Daniel Hajj, Chief Executive Officer, Mr. Carlos José García Moreno, Chief Financial Officer and Mr. Óscar Von Hauske, Chief Operating Officer.

Daniel Hajj Aboumrad

Good morning. Carlos, as always he's going to give us a summary of the third quarter 2018 financial and operating report.

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2018-10-17
 Event Description: Q3 2018 Earnings Call

Market Cap: 960,971.26
 Current PX: 14.54
 YTD Change(\$): -2.41
 YTD Change(%): -14.218

Bloomberg Estimates - EPS
 Current Quarter: 0.270
 Current Year: 0.939
 Bloomberg Estimates - Sales
 Current Quarter: 258026.200
 Current Year: 1019419.318

Carlos José García Moreno Elizondo

Okay. Thank you. Good morning, everyone. Well, the continued expansion of the U.S. economy through the summer with strong job creation even in the face of historically high levels of employment and they're pushing 10-year U.S. treasury yields decisively above 3%, bringing about a new bout of dollar trend that affected emerging markets in general, including several of the currencies in the region as we operate, more importantly in Argentina and Brazil.

This effect was partially offset by the reduced political uncertainty in some countries with their currencies appreciating versus the dollar the presidential elections were left behind. This is particularly in case of Mexico and Colombia and already partly through halfway in Brazil. In this context, we gained 1.1 million postpaid subscribers in the third quarter, including

postpaid subscribers in the third quarter, including 420 – 472,000 in Brazil, 184,000 in Mexico and a 100,000 in Colombia. All together even after net disconnections of 750 – 7,000 prepaid clients, we ended up with 339,000 net gains of mobile clients as compared to a net loss of 73,000 clients in prior quarter. This is important because I think most analysts were estimating a reduction of net adds for the quarter. This goes to show the importance of our ongoing commercial effort.

In fact, if we look at growth of subscriber rate, still have to correct our prepaid disconnections, they were up 2.9% versus the year earlier quarter, but Brazil and [indiscernible] offsetting the fastest growth 7.9% and 9.7% respectively. This again is the rate of growth of gross subscriber additions.

On the fixed-line platform, broadband continued to be the fastest growing segment at 6.2% year-on-year after adding 284,000 new accesses in the quarter, including 105,000 in Brazil and 93,000 in Central America. In Brazil, with numbers from [indiscernible] through August, we've been increasing market share over the last several quarters practically across the board in the fixed-line platform.

Mobile postpaid is our fastest growing segment with 7.6% followed by fixed-broadband at 4.7%. The declines in PayTV accesses have leveled off. Mobile Prepaid subscribers have continued to come down and we have gone ahead with various disconnections, most notably in Brazil.

Revenues were up 2.1% year-on-year in Mexican peso terms, and were just shy of MXN 250 billion, whereas

EBITDA came in at MXN 71.8 billion and was 7.7% higher to year before. Compared to the prior year, the Mexican peso appreciated sharply 15% versus the Brazilian real, but depreciated moderately around 5%, 6% versus the dollar, the euro and the Colombian pesos, all of which had an impact on the Mexican peso value of the respective operations.

At constant exchange rates, service revenues were up 3.4% year-on-year, the best performance in five quarters. Our service revenue growth improved practically across the board, while EBITDA increased 8.6%, not including the release of certain provisions in Brazil. Relatively our proceedings are stated with taxes. During the latter, EBITDA increased by 13%.

Postpaid mobile revenues led the way with an 8.6% increase, followed by prepaid revenues of 7.7% and by fixed-broadband revenues at 6.2% as you can see in the chart. So the main business lines are growing in the neighborhood of 8% to 7% year-on-year.

In the mobile space, service revenue shot up in Brazil and Mexico, 10.5% and 9.5% respectively, with mobile APRUs rising 13% in Brazil, 11% in the U.S., and 8% in Mexico, as we gain more postpaid clients and in the U.S., more straight top subscribers. Our EBITDA margin 28.8% increased 2 percentage points from a year before. Approximately 1 point of the margin is related to the release of provisions in Brazil.

related to the release of provisions in Brazil. Substantially, all of our operations posted increases in the EBITDA margins in the period.

Our operating profit increased 23.4% to MXN 35.3 billion. Together with a comprehensive financing income and that cost of MXN 3.3 billion mostly driven by foreign exchange gains, but also the relief of provisions in Brazil, it brought

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2018-10-17
 Event Description: Q3 2018 Earnings Call

Market Cap: 960,971.26
 Current PX: 14.54
 YTD Change(\$): -2.41
 YTD Change(%): -14.218

Bloomberg Estimates - EPS
 Current Quarter: 0.270
 Current Year: 0.939
 Bloomberg Estimates - Sales
 Current Quarter: 258026.200
 Current Year: 1019419.318

about our net profit of MXN 18.6 billion for the business.

Through September, we funded our capital expenditures of MXN 91.7 billion, reviewed by MXN 14 billion of our net debt. Paid out net dividend and share buybacks is the amount of MXN 10.4 billion and contributed MXN 50.6 billion to our pension funds. Our net debt stood at MXN 584 billion at the end of September, down MXN 45 billion from December.

Relative to our last 12 months EBITDA, our net debt stood at 2.0 times, the lower leverage ratio we have attained in at least two years. So, I think that we continued to gain traction in reducing our leverage ratios and I think that we are very much on track to deliver to get to our target of net debt to EBITDA over one and half times in the next few quarters.

Well, with this, I would like to turn the floor back to Daniel and we will begin the Q&A session.

Daniel Hajj Aboumrad

Thank you, Carlos. We can start with the Q&A session.

Operator

[Operator Instructions]

[Operator Instructions] And our first question comes from the line of Matthew Niknam from Deutsche Bank. Your line is open.

<Q - **Matthew Niknam**>: Hey guys, thank you for taking the question. Just two if I could, one on Mexico, you see insurance stabilized their solid ARPU growth. Any updates that you can share on the competitive landscape in Mexico? And then secondly, Carlos, on the point on leverage now at 2 turns, you've talked about getting to 1.5 turns in the next couple of quarters. Is that sort of the timing we should look at in terms of a potential acceleration in the rate of shareholder returns once you get to that 1.5 turn target? Thanks.

<A>: Thanks. Starting with Mexico, I think, on overall our results in Mexico are very good. Talking a little bit about wireless in Telcel, I think everything that we have been doing on the network, remember that we launched 4.5G and we are investing a lot in wireless network has been very successful. I think people is using more and more data and that's the reason why ARPUs are going – are going up. So, we to – this quarter we are more or less in the highest level of service revenue, at the same service revenue that we have two years ago, two-and-a-half years ago. So, on overall, Mexico is doing very good. We are also working very hard on the digital transformation, improving the coverage, improving capacity and the market as you know is very competitive, still our competitors are in some things are doing very aggressive promotions, but I think we feel comfortable and with everything that we have been doing here in Telcel quality coverage, capacity, the digital transformations, our stores, our dealers, I think we feel very, very – we have very good support to maintain what we have been achieving.

<A>: And well on the leverage, just to repeat, I will say the next two quarters – after the next few quarters, but yes the expectation is that sometime soon we're certainly rolling probably as soon as the middle of the next year, depends on the exchange rates, so it's very difficult to say exactly when, but we don't really have any M&A of any significance that we're looking at. So that means that once that we get to our leverage ratio, we basically don't have any other way out for our cash other than our shareholder distributions, which is your request. So, yes, once we get to our target I mean the absence of M&A which we're not really looking at, then we will have to think of our shareholder distributions.

<Q>: Got it. Thank you.

<A>: Thank you.

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2018-10-17
 Event Description: Q3 2018 Earnings Call

Market Cap: 960,971.26
 Current PX: 14.54
 YTD Change(\$): -2.41
 YTD Change(%): -14.218

Bloomberg Estimates - EPS
 Current Quarter: 0.270
 Current Year: 0.939
 Bloomberg Estimates - Sales
 Current Quarter: 258026.200
 Current Year: 1019419.318

Operator

Our next question comes from the line of Leonardo Olmos from Santander. Your line is open.

<Q - Leonardo Olmos>: Hi. Good morning, everyone. My question is on 5G. On last week, we saw some statements about \$1 billion in Dominican Republic, being the first one in Mexico to launch 5G and in Brazil and for telecom, Claro is very advanced on 5G tests this week.

cloud is very advanced on 5G that's this week. So, my question is regarding 5G. Regardless if the investments begin in 2019 or 2020 or 2021. How do you see it impacting the long-term guideline of \$8 billion CapEx? Can it be sustained? Can it be fitted into that \$8 billion or should we expect in those years some type of increasing CapEx?

<A>: So, I think what we said in – in Dominican Republic and everything that we have been doing and what we're going to do, it doesn't change a lot the guidance that we have in CapEx. I think, we can sustain our \$8 billion, \$8.5 billion in CapEx for the next years and we're going to launch 5G when we feel it's the right time to do it. But we are doing a lot of things to launch 5G. So, we're not – the networks are – are not this way. So, you wait until you decide to launch 5G now. We are virtually – virtualizing our network right now putting fiber to the node more and more fiber all around Latin America. So, all these things that we're doing right now are preparing to launch 5G. So that's not something that we're going to do and then we're going to spend more money. The money and the CapEx that we're spending right now, part of this CapEx is to, we do the photonic and more and more of these technologies that we're doing. So, we – we are not thinking to change the CapEx, okay? We're buying some frequencies in some country so we are as everyday improving

the everyday improving our networks to do 5G in the future.

<Q>: Very good. And on the other side and this side of opportunities, also [indiscernible] mentioned, sorry, Brazil's management mentioned about IoT, Internet of Things and opportunities and some specific verticals specifically agri business. So, how do you see the B2B opportunities for América Móvil, either in Brazil as a whole with 4.5G or 5G, do you see in the mix changing more to B2B?

<A>: Well, our new network of 4.5G, I think at the end of the year I -- probably we're going to have 4.5G in all of the countries where we operate. So -- but the ones that we already have like Mexico, Dominican Republic, Brazil, all those places, I think people is using more and more -- more and more data.

So, when we talked the last question about the ARPUs in Mexico is because people say the megabytes of use, let's say in América Móvil are growing around 80%. So, people is using more and more data and that's the reason why people is spending and ARPUs are growing. So, it's very important. The networks in the terms of IoT, we think that we're going to do a lot of things in IoT, we have a good platform of IoT, we have a good platform for the verticals, we are doing the cloud and we're doing all these new services and we are being successful, so we are prepared to do all the -- I think América Móvil today is the company

to do all the, I think América Móvil today is the company that – we are well prepared to be the first ones in our country to do all these services. I think what we need a little bit more is that the countries start to be more digital that we have more e-government or more services in health or more services in other things but we are prepared for everything. Brazil is doing very well in that scenario. So, I think we are in the right way to do that.

<Q>: Great. Thank you, Daniel.

<A>: Thank you.

Operator

Our next question comes from the line of Diego Aragao from Goldman Sachs. Your line is open.

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2018-10-17
 Event Description: Q3 2018 Earnings Call

Market Cap: 960,971.26
 Current PX: 14.54
 YTD Change(\$): -2.41
 YTD Change(%): -14.218

Bloomberg Estimates - EPS
 Current Quarter: 0.270
 Current Year: 0.939
 Bloomberg Estimates - Sales
 Current Quarter: 258026.200
 Current Year: 1019419.318

<Q - Diego Aragao>: Hi. Good morning, Daniel, Carlos and Daniela, thank you for taking my question. Two questions if I may. The first one is a follow-up related to your business in Mexico. You mentioned that prepaid revenue grew almost 11% year-on-year while postpaid expanded by 7% on a yearly basis. So my question is how can – can you share these numbers and how these numbers would compare to the past two quarters? I mean, I just want to understand whether or not postpaid and prepaid are accelerating or decelerating on a sequential basis? Thank you.

<A>: I think we are accelerating a little bit. We have two quarters also with good growth, and first quarter, second quarter are also quarters that we have good growth in revenues in Mexico, and this one is also good one. So, people is using, people is prepare – is – we are the preferred network for the customers in Mexico and we – we are selling a lot of data and

we are selling a lot of data and people is happy with that. We also have the World Cup and people use a lot of data, because of the World Cup. But I think people is happy with the network that we have. We have a very, very good speed, a lot of capacity and very good coverage. So, by far we are the best network in – in Mexico.

<Q>: Perfect. So, just to make sure that I understood correctly, so this 11% growth in prepaid, we should expect the trends to continue going forward, right?

<A>: Yes, we think we can expect the same trend for the fourth quarter and we're growing at a very good pace right now.

<Q>: Okay, perfect. And my second question is related to Brazil. Can you provide further details on the one-time items accounted in the quarter? I just want to understand where our margins could eventually benefit from lower provisions in the upcoming quarters. And also, if you don't mind to provide more colors on the PayTV revenue dynamic in Brazil, when do you expect for instance to see broadband revenue growth to fully offset the structure headwinds from both long distance and PayTV? Thank you.

<A>: I'm going to talk a little bit about the market in Brazil and the results in Brazil. Óscar can add something, but what I see is if you compare our results quarter – year-over-year, we're growing. I think we have our EBITDA is growing. Our revenues are growing. So, we – right now, we – we – I feel that we have the best platform in Brazil. We're modernizing our network we are modernizing our network, we're working a lot on giving more for LTE as the capacity in more rural areas. So, I think we're working a lot in the conversion network that we said that we're working. We're very advanced on that. And all overall, if you see year-over-year, we're gaining market share in postpaid, we're gaining market share in broadband, we're gaining market share in PayTV even that the PayTV is losing and we have these connections in DTH, our cable TV is also growing.

So, I think in the commercial side, we're doing very well. Even in the corporate business, I think we're doing also very strong. So, in the commercial side in Brazil, I feel very comfortable on that. And in terms of the digital transformation that we're looking, we're investing in our stores, we're investing in platforms, we're working in paper less. So, we're trying to improve a lot all this digital. And we're selling more and more digital. So, we feel that we are working very hard. I cannot see, of course this quarter is -- we don't --- does not have the same growth that we have been having in the last quarters in terms of EBITDA. But in year-over-year, we're growing in EBITDA and we're doing very good.

So, if Oscar can talk a little bit more about the networks and a little bit more about the market share. So, Oscar in Brazil and how do you see the market?

<A>: Sure. What we -- if you do look at the total fixed market revenues are decreasing, I mean the total market is obviously 3.4%. We are decreasing

I mean the total market is decreasing 3.4%. We are decreasing less than the market. But if you look at the breakdown of the revenues in fixed-broadband, we are growing 12% revenues. Of course, in cable TV, we are steady. I mean, the revenues are not growing. We have the impact of satellite TV mainly is coming for the disconnections and the fact of the disconnection is on collection that people could not pay, so we need to disconnect some of the DTH customer, because this product was really focused on the PayTV e-market of the population and as you can see the economy is not very good in the past. So when we look at the economy, the trend of the economy it looks better than the last

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2018-10-17
 Event Description: Q3 2018 Earnings Call

Market Cap: 960,971.26
 Current PX: 14.54
 YTD Change(\$): -2.41
 YTD Change(%): -14.218

Bloomberg Estimates - EPS
 Current Quarter: 0.270
 Current Year: 0.939
 Bloomberg Estimates - Sales
 Current Quarter: 258026.200
 Current Year: 1019419.318

quarter, so we will too expect that will give increase of revenues coming from our better economy in the country. And on the corporate market, as the economy increase there is a lot of price erosions. I mean, if you look at the unit approach we are steady in units, but it has been a lot of price erosions in the marketplace.

So that does and as Daniel mentioned in mobile, we are getting as well as market share, so that blended we believe there is – is the right path to go in revenues and we are working in cost efficiencies. I mean, as Daniel mentioned, the digital transformation we want to digitalize all the customer interactions. We are really focusing revenues, core expenses like energy all different sources are expensive and we are investing in the network. We believe that [indiscernible] is going to bring us lot of bandwidth in the network. We are still doing the integration of all the networks to have a simple, a unique fine network in Brazil. So, we see a good future in Brazil.

Unverified Participant

And in order adding something more, I think that at the end of this year or beginning of next year,

at the end of this year or beginning of next year we're going to modernize all our wireless network, all of our cell sites that we have over there are going to be modernized and ready to cast under 5G. So fiber-to-the-node, the new technology, so all of that we are doing and I think at the beginning of next year, we're going to tap more than 90% of our cell sites modernized. There is a lot of things that we are doing and we're preparing with these companies not going to be for one quarter, it's going to be for the next 20 years. So that's right. And in terms of the taxes, Carlos can explain a little bit.

<A>: In terms of Visa, we lease of provisions, those were the provisions that have been created in Claro, separate from [indiscernible] As regards, the famous [indiscernible] acquisition should have been part of the base for the determination of ITMS taxes. [indiscernible] won the legal proceedings on a definitive basis, and we are basically having a release of results that's on the net basis equivalent of our platform to BRL 1 million in this – in this quarter. This is basically what we are – what we are showing here and that is – that explains a significant part of the – of the equation in the margin in Brazil to 25%. So that – that's basically the basis for this release of the legal provisions of the accounting provisions.

<Q>: Okay. Perfect. This was very helpful. Thank you.

<A>: Thank you.

Operator

Our next question comes from the line of Alejandro Gallostra from BBVA. Your line is open.

<Q>: Hi. Good morning. Daniel [indiscernible] from Manila. Thank you so much for taking my questions.

Thank you very much for taking my questions. First, we're seeing a remarkable sustained strength in the margins of your Mexican operations, so I was wondering how much of your traffic has already been migrated to VoLTE, and how -- and what are your expectations for 2019 or the next few years and the type of efficiencies that you obtain from this migration?

<A>: I think voice on LTE, I see -- I don't remember exactly the number of customers, but we have been migrating that since the beginning of this year. We have our network ready and we have a good quality. We don't want to launch before because what we want this is to have the best quality there. And I don't remember exactly, Daniel, I can give you the number later but I don't have it. But we have been working with VoLTE. It depends a lot on the number of handsets that have that technology, so that does not depend only on what we want, also on what handsets has that technology. Remember that difference as the U.S., we're selling also handsets at \$100 or \$80, handsets that doesn't have that technology, so it depends a lot on the number of handsets that have that technology.

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2018-10-17
 Event Description: Q3 2018 Earnings Call

Market Cap: 960,971.26
 Current PX: 14.54
 YTD Change(\$): -2.41
 YTD Change(%): -14.218

Bloomberg Estimates - EPS
 Current Quarter: 0.270
 Current Year: 0.939
 Bloomberg Estimates - Sales
 Current Quarter: 258026.200
 Current Year: 1019419.318

<Q>: Thank you, Daniel. But is this one of the drivers behind the improvement in margins, and do you think this will continue to help you in the years to come?

<A>: No. No, I don't think that. I cannot say that in Mexico there's only one thing that we are doing that is increasing the margin

increasing the margins. So I think you need to see Mexico all overall, we are, as I said working very hard and investing a lot in our networks. We were the first one in 4.5G. We have the best throughput, the best quality, the best coverage in data, in 4G. Also, we have the best – by far, we have the best in our customer care centers, we have the best services, we have been digitalize all of that. We have a very good network of distributors to good retailers. So all overall, we feel very comfortable in Mexico, and I cannot say that this is only one thing, we are competitive in the market. Also the market has been also aggressive, you know that in Mexico we have one of the lowest prices in the world, not in Latin America but in the world. As I said last time, I don't have the measure today but we are much lower than what the U.S. is selling over there. So it's a very competitive market, and – well, we are competing there and with very good qualities what I said. People is choosing our network. Some people is leaving and then it's returning with us because all of the things that we are saying. So that's – they are testing other networks and then they are returning with us. And that's what you could see all these years.

<Q>: Okay, Daniel. And because of these things that you're implementing, do you still see room for further margin improvements not only Mexico but also across the region, are you really confident that you are able to keep it within your margins.

<A>: I don't know in the short-term, if we can improve margins. We have been improving the margins in the last two years. And we have been improving the margins in the last two years. And of course, I think in the long-term we're going to increase margins. But I cannot say tomorrow, next quarter is a very important quarter in terms of sales. It's a Christmas sales and when you sell more then you have more expenses. But I think we are looking to increase our margins in 2020, 2021. So, we're not looking only short-term, we're looking long-term.

<Q>: Okay, thank you, Daniel. And my second question, it seems that competition from OTT players is intensifying with Netflix showing a good performance especially outside the U.S. and for example Roku getting authorization to sell again in Mexico. So, I would appreciate if you could give us more color on the performance of your entire video platform. What your strategy is and how do you plan to compete in the OTT?

<A>: Well, remember that we have our ClaroVideo and we're selling our ClaroVideo this over-the-top platform. We're sending all over in Latin America, but also in some countries we're selling. I think Netflix is also as you're saying Netflix is a compliment for us. So in Brazil, we're going to start selling also Netflix and a lot of our customers has Netflix. We have Óscar can explain a little bit about in ClaroVideo we have other services that we can sell HBO and Fox, but...

<A>: Yeah, yeah, yeah we include – we call add-ons in ClaroVideo. So, we have HBO. We have Fox Plus. We have [ph] Crackle. And we have new [indiscernible], now being is for kids. So, we are selling

for kids. So we are selling – adding to our ClaroVideo this that we call add-ons. That are different providers of streaming over-the-top. So, we are bundle of these products within our ClaroVideo platform. So, I think it's important all over-the-top, so now I think we're bundling our services with – over-the-top. So...

<A>: Yeah. To get to the customer, all the impairment is together in that success, importantly.

<A>: Great.

<Q>: Okay. So, could you just explain us where are the economic [indiscernible] strategy.

<A>: Dr. Chandra, I'm sorry, we have to move to the next question. Please, everyone try to limit your questions to two per person.

<Q>: Okay. I'll get back in the queue. Thank you.

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2018-10-17
 Event Description: Q3 2018 Earnings Call

Market Cap: 960,971.26
 Current PX: 14.54
 YTD Change(\$): -2.41
 YTD Change(%): -14.218

Bloomberg Estimates - EPS
 Current Quarter: 0.270
 Current Year: 0.939
 Bloomberg Estimates - Sales
 Current Quarter: 258026.200
 Current Year: 1019419.318

<A>: Thank you.

Operator

As a reminder, please limit questions to two questions. Our next question comes from the line of Rodrigo Villeneuve from Merrill Lynch. Your line is open.

<Q - **Rodrigo Villanueva Bravo**>: Thank you. Good morning, Daniel, Carlos, Daniela. My first question is related to Mexico. I was wondering if you could share with us your thoughts on the court ruling in Mexico that ordered Telcel to compensate. Are there carriers for anti-competitive practices? And is there any potential amount that you could share with us? And the second question it relates to the U.S. I think you had – just to have around 3 million subscribers that are still using safely. And I was wondering if you could tell us if you expect to disconnect all the subscribers at some point in the future? Thank you.

<A>: Well, in the first question, Rodrigo, it's a damaged claim from one of our competitors that they relate from an old proceeding related to interconnection disputes. It is based on the resolution from the competition for mission that has been revoked by a court for the benefit of themselves. So, we believe there are no

for the benefit of Telcel. So we believe there are no basis for the damages. And the ruling does not provide a specific amount. So we don't know about the amounts. And we have appealed the ruling and we will initiate additional procedures, given certain irregularities that we have detected on such procedures. So that's at this time is the only thing that – the only comment that we have on that. And the second question is on the platform? What was your question on platform?

<Q>: Sure. Thank you, Daniel. So basically it seems to me that you have been disconnecting your SafeLink subscribers, but you used to have around 3 million. The question is if you expect to keep disconnecting the subscribers before probably migrating them to other brands?

<A>: In SafeLink, we have two different subscribers. They are subscribers that are consuming a little bit more than the other ones. So maybe part of the subscribers are disconnecting. The ones that are – the lowest APRU as the ones that are disconnecting, we are still selling SafeLink. So we are not cancelling the sales of SafeLink. But we have been more cautious on where we sell, how we sell and the subsidies that we're putting there. We're trying to be profitable since the beginning. So we're focusing in the States, in SafeLink that are the highest APRUs. So that's where we're focusing, and well, we have been seeing that we have a lot of disconnections of these customers, but on the other side, we have been very successful with our other brands. So if we talk a little bit about platform, I think this year, platform has been very good because all overall, we are not achieving exactly the same EBITDA as last year,

but we are growing a lot. So, we have a good base of growing. If you take out Straight Talk, I think we are going to end, I hope we are going to end our year having a little bit of gains in some subscriber. So, we are thinking that for next year we can sell more. So, in TracFone -- and we're still with that we're having a very good EBITDA margin. So...

<A>: And Rodrigo, you're [indiscernible] for that. As I mentioned at the beginning, our posting the U.S. growth is close to 11% and that's basically a reflection of what I maybe saying. We have been gaining a lot of new Straight Talk clients that are very high ARPU clients. We have now is totally \$40, \$45 per ARPU client and we have disconnected -- continue to disconnect some of the SafeLink client total. Net-net, we've been getting an improvement in ARPU, where I think is quite remarkable.

<A>: And sorry, that not only Straight Talk, we have also good apps on simple mobile in Walmart family. So, we got some brands of high ARPUs that we have been growing very good as globally.

<A>: And also one thing that [indiscernible] o with, what I mentioned the ARPU. If you look at a grade of growth of service revenues, it was 1.5% year-on-year could achieve better than what we have had for at least five or six quarters. It was already positive last quarter, but today it continues to accelerate and we're expecting a good quarter in the fourth one. And likewise in the case of EBITDA, all of the last five quarters I think

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2018-10-17
 Event Description: Q3 2018 Earnings Call

Market Cap: 960,971.26
 Current PX: 14.54
 YTD Change(\$): -2.41
 YTD Change(%): -14.218

Bloomberg Estimates - EPS
 Current Quarter: 0.270
 Current Year: 0.939
 Bloomberg Estimates - Sales
 Current Quarter: 258026.200
 Current Year: 1019419.318

all of the last five quarters, I think, or six quarters, EBITDA was experiencing negative growth. Now, it is growing 3.2%, okay. So it is again recovering, so a positive growth on revenues, positive growth on EBITDA, and we expect this to continue going forward.

<Q>: Okay. Understood. Thank you very much.

<A>: Thank you, Rodrigo.

<A>: Thank you, Rodrigo.

Operator

Our next question comes from the line of Arturo Langa from Itaú BBA. Your line is open.

<Q>: Hi. Thank you very much for taking my question. I just have one brief question. Could you please give us some color on the strategy you plan to follow in the wireless market in Brazil. And I ask this because, it looks like competition is heating up with more aggressive offers. And I just wanted to understand how you think about positioning the brand, positioning the network. Where do you try to differentiate yourself versus Vivo and team. Maybe if you could just provide some color on that it would be very helpful for us. Thank you.

<A>: Well, the first thing that I can tell you is that, this year and last year, we have been improving a lot of our coverage. So we are growing a lot of our coverage. Our 4G coverage, our data coverage is that we have been growing a lot our coverage. And then, we also are giving a lot more speed and quality. If you check the quality with the regulators, you're going to see that the quality of our networks is the best one. So we have been improving a lot the quality overall. So we are not going to compete only with price, we are competing with price and we're going to be as aggressive as the market demands. Both in the other side, we are giving we're giving a very good, very, very, very good the quality of the network. In the other side, what we are also doing is we are not only selling wireless, also we're sending combos now, we are selling wireless, plus broadband or we're selling to our subscribers of PayTV our postpaid service. So we are doing these combos and we have been very successful. So if you are saying, we are only going to compete with price, no, we're going to be competitive and we're going to be competitive as the market demands, to be competitive both in the other side, we're going to try to give something else to our customers in terms of quality, coverage, speed and combos and all of those things.

<Q>: Thank you. And if just on that point, are you comfortable with the market share that you currently have in Brazil or do you think this could increase a little bit?

<A>: We have been increasing our market share in Brazil and I think we can increase a little bit more. So market share is important also ARPUs are important and so I cannot say that we want it or not, if there's, we have been increasing in mobile our market shares around 1.5 points in service revenues. So we really don't care about the market share in subscribers. We care about revenues, so market sharing revenue is the important part for us.

<Q>: Okay. Thank you very much and then thank you for taking my questions.

<A>: Okay. Thank you.

Operator

Our next question comes from the line of Daniel Federle from

Credit Suisse. Your line is open.

<Q - Daniel Federle>: Thank you. Good morning everyone. My first question is regarding EBITDA margin. In Brazil, we see that recurring EBITDA margin expansion was not that strong as we saw in the past few quarters. So, my first question is, is there any cost pressure that is affecting margins in the third quarter in Brazil, any specific points? That's

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2018-10-17
 Event Description: Q3 2018 Earnings Call

Market Cap: 960,971.26
 Current PX: 14.54
 YTD Change(\$): -2.41
 YTD Change(%): -14.218

Bloomberg Estimates - EPS
 Current Quarter: 0.270
 Current Year: 0.939
 Bloomberg Estimates - Sales
 Current Quarter: 258026.200
 Current Year: 1019419.318

the first question.

And if I may use my second question to brief clarifications, the first one, it was said that the company is not looking at any significant M&A. the question is, could you consider that [indiscernible] is not interested in Nextel in Brazil? And the second clarification is that the guidance for \$8 billion to \$8.5 billion in CapEx that includes the spectrum acquisition or it doesn't include any spectrum acquisition? Thank you.

<A>: The first one is \$8 billion to \$8.5 billion in CapEx. It includes -- in our budget includes spectrum, and let's see what are going to be the prices for the second, but for us it's including the spectrum. So, we can increase a little bit depending on the prices, but we think that today it's -- that's our view and our vision is not that the government shouldn't sell the spectrum at the high prices, but they should expect big investments in the country. So that will be the best thing to do in the spectrum side.

In the EBITDA in Brazil, as I told you of course we have less growth that what we have been doing in the first quarter and second quarter, but we have a good growth against last year. So, I am not too worried about first

So I'm not worried about first and second quarter. So I'm not looking the EBITDA and the margins. I think that will recuperate and I'm sure that our growth will recuperate in the future. What we're looking is we have more -- we're doing important commercial airports in Brazil. We have a little bit more of bad debt also in Brazil. So, I'm not really looking if in the short-term, I'm looking in the long-term and what we're doing in Brazil in the long-term is we're consolidating our platforms, we're consolidating our networks, we're investing a lot to modernize the networks.

We are improving our commercial distribution and our digital transformation and that requires a little bit of the short-term more money and little bit more of expenses. But I think I'm feeling very comfortable in Brazil and if Brazil starts to grow as a country again. Then you're going to see that we're going to be well prepared to take part of this growth in the future. So that's more or less and Carlos wants to have some...

<A>: Sure. You have to put it in context. I mean I think if you see mobile service revenues we're nearly at the same pace as last quarter. I think they are the fastest revenue in the Brazil today. They are the -- one of the -- the second best in the last 10 quarters I think nearly identical to last quarter. On the fixed-line side, you see [indiscernible] revenue has been declining for quite some time, but this is the best showing in the last three quarters

So, you seem to see -- you begin to see a deceleration, the stabilization of the decline of fixed mobile revenue. So yes, they are still [indiscernible], but bigger than 3.2%, they were down 4.5% two quarters ago. So that's I think something that is also important.

On the cost side, I don't think that there's anything, but that we can report now. Maybe if there's something, we can -- we can discuss it with you and Daniel later, but at present we don't really have anything identified. Other than what I mentioned at the beginning, which is that growth adds have been doing very, very well, that year-on-year the growth adds in Brazil are up nearly 9% -- related to 8% to 9%, and that this is -- and therefore this is sequentially -- by the way it's sequentially. So there's an increase sequentially and there's an increase, vis-à-vis the prior year. So, the commercial [indiscernible] is ongoing and it's ongoing in a very -- in a very strong base.

<Q>: Thank you. Very clear. Could you comment on the Nextel point? When the company is [indiscernible]

<A>: We're all going to -- we're always open to -- as all the opportunities and when Carlos said that we don't have a May year, it's about -- Carlos, if you want to add?

<A>: See, I think what I said is corrected. I mean, we're not looking at anything of any significance in the money, and I don't think there's anything else to say enough, right.

<A>: And open to all [indiscernible] in Latin America or in Europe in the sense of as Telekom Austria and all of us.

<Q>: Perfect. Thank you very much.

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2018-10-17
 Event Description: Q3 2018 Earnings Call

Market Cap: 960,971.26
 Current PX: 14.54
 YTD Change(\$): -2.41
 YTD Change(%): -14.218

Bloomberg Estimates - EPS
 Current Quarter: 0.270
 Current Year: 0.939
 Bloomberg Estimates - Sales
 Current Quarter: 258026.200
 Current Year: 1019419.318

Operator

Our next question comes from the line of Andre Baggio from JPMorgan. Your line is open.

from JPMorgan. Your line is open.

<Q - Andre Baggio>: Hi. Good morning. So my question is follow-up on the competition like in essence you have been doing a great job in Mexico so that we 00:47:25 some chance that in couple of years ago. So, is it a function of others not being aggressive, price is a function of you reducing again the recharger of the prepaid cards and so on, so can you give a little bit more color on what's going on in Mexico that's backed this performance?

<A>: I don't understand the question.

<Q - Andre Baggio>: Like if the – if there is any difference in competition.

<A>: I think – I don't think there has been a lot of, even the new promotions I think in the market in Mexico we have been having new promotions even that we have a more standardized market in – in turn because their prices are too low. We are still having some new promotions and new things. So, the market is still very, very competitive and I think, I've been telling that during the call, I think some of the things that customers prefer from, also from Telcel is because of the coverage quality, capacity, customer care centers, the digital transformation that we're doing that people is happy when they go to a Telcel center and you attend him very fast, very good so online that we have been doing a lot on online, but mostly, mostly is our network that it's superior than all the other networks in the country.

<A>: And Andre, just to add to that and all the other networks in Mexico.

<A>: And Andre, just to add to that. I think the – we have continued to invest in the network as you know, and need to be fixed on the mobile [indiscernible] and as you know, we are obliged to give capacity even to our network competitors. So, it is the case that all our competitors today have access to the network. They are roaming on our network and this traffic is also helping – helping us also. We are investing a lot. We are making sure that the network is available almost everywhere and that it has sufficient capacity, and I think that we are also having good revenue as a consequence of that.

<Q>: Perfect. And the second question I have is that we are going to have a new administration in Mexico. So, do you think that you could have a better chance of appliance of PayTV license now that with a new government, do you think that the new government is going to make any change that is meaningful for your business?

<A>: No, as you know, [indiscernible] has formally requested regulators for many years, the elimination of the restriction providing it's concession, and I think it's time for the regulators to take steps for promoting competition in a really heavily concentrated TV market, so that's the way we feel, that's the way we think and I hope that the regulators will take that step and decide to give us that TV. So, that's our view.

<Q>: Sorry sir, so in [indiscernible] I had understood that you had to formally apply for something, so it's just on the hands of the government – it's not on the hands of América Móvil in the next step?

<A>: I think it's on the hands of the government right now.

<Q>: Perfect.

<A>: On the regulators, yes.

<Q>: Yes. Regulators. Okay. Thanks a lot.

<A>: Thanks.

Operator

Our next question comes

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2018-10-17
 Event Description: Q3 2018 Earnings Call

Market Cap: 960,971.26
 Current PX: 14.54
 YTD Change(\$): -2.41
 YTD Change(%): -14.218

Bloomberg Estimates - EPS
 Current Quarter: 0.270
 Current Year: 0.939
 Bloomberg Estimates - Sales
 Current Quarter: 258026.200
 Current Year: 1019419.318

Thanks a lot.

<A>: Right.

Operator

Our next question comes from the line of Maria Azevedo from UBS. Your line is open.

<Q - **Maria Tereza Azevedo**>: Hi. Thank you for taking the questions. The first question would be on your [indiscernible] strategy in Brazil and overall geographical expansion plans, if you can comment a little bit on that? And with more visibility on the macro and political side, would you consider intensifying your fiber rollout and even considering a potential M&A of regional fiber players?

And then the second question if I can circle back on the competitive environment in Brazil, you recently added more data and [ph] dual-rating, do you believe that the market is moving towards an unlimited data plan environment? Thank you very much.

<A>: Yes. Well, about fiber to the home, as you know within AMX, we have our cable companies mainly. When you look at Brazil, Colombia, we are really a cable company. So, we are using 3.5 and we reached very, very good high speeds for fixed broadband. And in all the new cities that we are doing, we are using fiber-to-the-home. We are using GPON technology.

In Mexico, we already have our home passes with GPON as well in Puerto Rico, Dominican, Argentina and in Peru. So, the focus is to cover really the ABC plus market with fiber and the rest with cable or copper. So, we have a program from the next two years or three years to really achieve that we will cover the ABC plus market with a very high technology fiber to the home and to upgrade all the networks to DOCSIS 3.1. All the countries in the backbone, the network is already available to deliver 3.1, so we are ready to really have good speeds. In Brazil, as you know in the segment of ultra-broadband, we have a very good market share

in the segment of ultra-broadband, we have a very good market share. We have something market share. So, I think the network is ready to do that. And to be honest, what we do is to make the economic balance to really move to fiber-to-the-home and to use as much as we can, upgrading the corporate network. So, it's the strategy that we are following within AMX.

<A>: Yes. And you talked about -- we increased our data in Brazil and we're going to do unlimited data. Well, we don't know if we're going to reach unlimited data in our plans. But right now, I think the plans are very strong plans and giving a lot of data, so very competitive plans what we have.

<Q>: Perfect. Thank you very much.

<A>: Thank you.

Operator

Our next question comes from the line of Cesar Medina from Morgan Stanley. Your line is open.

<Q - **Cesar A. Medina**>: Hi, thanks for taking my call. I have two questions the first one was what are the trends that you're seeing in your own market share of broadband in Mexico? And then second what should we expect for the margins in the U.S. I mean 7.1% I mean it's a bit low relative to the improvement that we saw in the second quarter, so I appreciate your comments on both questions? Thank you.

<A>: No. If we talk about U.S., I think you have to check that if you compare against last year, this year we are growing more than what we have been growing last year. So, you need to check [indiscernible] EBITDA loss with the growth that we have in our subscriber. So, I think we are reducing our EBITDA a little bit, but we're growing our

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2018-10-17
 Event Description: Q3 2018 Earnings Call

Market Cap: 960,971.26
 Current PX: 14.54
 YTD Change(\$): -2.41
 YTD Change(%): -14.218

Bloomberg Estimates - EPS
 Current Quarter: 0.270
 Current Year: 0.939
 Bloomberg Estimates - Sales
 Current Quarter: 258026.200
 Current Year: 1019419.318

subscribers. I think taking out SafeLink, we hope that we have been positive in net debt this year

we hope that we can be positive in net adds this year. So that's the reason of why our EBITDA is a little bit. In this quarter our EBITDA is even a little bit higher than what we saw last year's quarter in TracFone. So, all overall, I think this year -- totally this year TracFone is going to grow much more than what we have been growing last year.

<A>: And I think you have to consider that TracFone's EBITDA is very seasonal. So, if you look at for instance in the second quarter -- in the second quarter, EBITDA were down 22% year-on-year, but in this quarter EBITDA is of 3% -- 3.2% year-on-year. So, there's a very big change from minus 22% to plus 3% from one quarter to the other, okay. And this is basically because of seasonality you have to collect for that.

<Q>: And in Mexico on broadband?

<A>: Well, in Mexico, it's somewhere as I mentioned, mobile is a very competitive environment. So, we are -- we already did, we shared, but we're offering in the marketplace to deliver a more bandwidth, more speed than our competitors and we are added on all the Claro B deal over the top offering in order to compensate the way that we don't have PayTV. So, I think is a way that we see the competition. So, the network is ready to prepare, so we have a good opportunity in network with fiber-to-the-home and that's where we operate all the network to [indiscernible] to deliver more speeds and we are getting closer with fiber in order to really have with the speed all across the network. So that's the environment that we see and then we are setting up these new products in order to be competitive in the marketplace.

<Q >

So relative to the question that was asked before, would you assume that if you get a PayTV license eventually, you're going to get more market share on the broadband side, but then it helps on the commercial?

<A>: You know, well, we have all the elements to be competitive in that share play.

<Q>: Sure. Okay. Thank you.

<A>: Thanks.

<A>: Thanks.

Operator

And due to current time constraints, our final question today will come from the line of Maurício Fernandes from Merrill Lynch. Your line is open.

<Q - **Maurício Fernandes**>: Thank you. Good morning, Daniel, Carlos. Daniela, just a follow-up and apologize for repetitive subjects of Brazil margins. But to Carlos point, revenues were actually up sequentially in the quarter during this year and still the pace of EBITDA margin -- actually EBITDA margin itself was down in the third quarter, so it must be cost related and it doesn't look like even though with a little tougher competitive dynamics, it doesn't look like competitive dynamics were not based on Carlos' comments. So is there anything that -- is there any cost item. Is there anything that has already been achieved that is no longer available that would stop or make the EBITDA margin expansion less than before than what we were seeing in the last couple of quarters? Thank you.

<A>: No, no. I don't think there's nothing specific on that sense and as I told you, Maurício, I think we cannot see quarter-over-quarter. I think what we're doing in Brazil it will not be successful and that you're going to see better growth in the future quarters or I don't -- either we're growing 10% our mobile revenue side. We're growing a lot our broadband.

Company Name: America Movil
Company Ticker: AMXL MM
Date: 2018-10-17
Event Description: Q3 2018 Earnings Call

Market Cap: 960,971.26
Current PX: 14.54
YTD Change(\$): -2.41
YTD Change(%): -14.218

Bloomberg Estimates - EPS
Current Quarter: 0.270
Current Year: 0.939
Bloomberg Estimates - Sales
Current Quarter: 258026.200
Current Year: 1019419.318

In TV, we're losing less than the market, all overall the market. So, we – in revenues we're doing okay and specific some costs that we have no I don't know if we have something specific in this quarter. But I think if you see all over year-over-year, we're doing good.

<A>: I haven't identified specifically anything Maurício about the extent, that we will let you know.

<A>: No, and the growth in the prices. Also some important things is the growth on subscribers, we're growing more, Maurício, and so we're spending a little bit more on the commercial side. So that's the only thing that we can see at this moment.

<Q>: Okay. Thank you.

<A>: Okay. Thank you very much.

<A>: Thank you.

<A>: Thank you.

Operator

I'll now turn the call over to Mr. Hajj.

Daniel Hajj Aboumrad

Thank you for being in the call. Thank you everybody for being in the call. Thank you, Carlos, Óscar and Daniela.

Company Representative

Thank you all. Thank you. Goodbye.

Operator

This concludes today's conference call. You may now disconnect.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP.

© COPYRIGHT 2018, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.