

Company Name: America Movil
Company Ticker: AMXL MM
Date: 2019-02-13
Event Description: Q4 2018 Earnings Call

Market Cap: 969,957.34
Current PX: 14.53
YTD Change(\$): +.56
YTD Change(%): +4.009

Bloomberg Estimates - EPS
Current Quarter: 0.240
Current Year: 1.044
Bloomberg Estimates - Sales
Current Quarter: 254021.000
Current Year: 1043748.556

Q4 2018 Earnings Call

Company Participants

- Daniela Lecuona Torras
- Daniel Hajj Aboumrad
- Carlos José García Moreno Elizondo

Other Participants

- Rodrigo Villanueva
- Joe Galone
- Matthew Niknam
- Maria Azevedo
- Leonardo Olmos
- Andre Baggio
- Julio Arciniegas
- Maurício Fernandes

MANAGEMENT DISCUSSION SECTION

Operator

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

Now, I will turn the call over to Ms. Daniela Lecuona, Head of Investor Relations.

Daniela Lecuona Torras

Thank you. Good morning, everyone. Thanks for joining us today to discuss our fourth quarter 2018 financial and operating results. We have today on the line, Mr. Daniel Hajj, our CEO; Mr. Carlos García Moreno, CFO; and also Mr. Oscar Von Hauske, our Chief Operating Officer.

Daniel Hajj Aboumrad

Thank you, Daniela. Thank you, everyone, for being in the in call. I will pass to Carlos to make a summary of the fourth quarter results.

Carlos José García Moreno Elizondo

Thank you, Daniel. Good morning, everyone. Well, in the fourth quarter, we continued to economic expansion in the U.S. strong employment gains. [indiscernible] 00:01:14 is about impending interest rate increases by the Fed surfaced again, leading to a [indiscernible] (00:01:19) and depreciation effect with our financial assets and to the strengthening

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of the dollar against most currencies.

Although, in the Brazilian real, recovered by nearly 4% from its election-driven lows, all other currencies in Latin America were down versus the U.S. dollars with the Colombian peso falling on average 6.4% from the prior-year quarter and the Mexican peso 4.1%.

In the fourth quarter, we saw a greater commercial dynamism in Mexico, Brazil, Colombia, Argentinean block, the U.S., the Dominican Republic to name a few with prepaid net additions

surging quarter-over-quarter as you can see in the chart in all of these countries You would prepare serging quarter of a quarter you can see the chart in all of these countries in Brazil and postpaid jumping in Brazil. So you have to look at the chart. In Mexico we went from 100,000 prepaid net additions in the third quarter, 550,000 in the fourth quarter. In Colombia, we went from negative [ph] 35 (00:02:25) and returned to roughly 400,000 in the fourth quarter. And these figures which are quite remarkable on a sequential basis are also very strong if you compare them with the year earlier quarter. That's for instance in the case of Mexico net adds up roughly 65%. In the case of Colombia they were up 150%.

And in the case of the postpaid, we performer – the star performer was Brazil. They are had 1.2 million sold in the last quarter which compares to about 900,000 that they had a year before. So they have very strong sequential growth of net additions, but also very important if you compare them to the results of the year before. Altogether, rather we added 1.44 million postpaid in the quarter. And you can see in the chart they were mostly in Brazil and Mexican.

On the fixed line platform, we gained 590,000 [indiscernible] (00:03:41) principally in Mexico, Central America and Brazil. Now year-on-year, our mobile postpaid base exhibited the fastest rate of growth at 7.2% as you can see in the chart, followed by fixed broadband with

5.6 or postpaid at 7.2, page broadband with 5.6%. Fixed costs and pay TV accesses declined by approximately 0.5% each and in prepaid more we had a major cleanup of our private base in both Brazil and Central America leading to a 4% fall in 2018 in spite of significant prepaid growth in the country that I mentioned earlier and actually Dominican Republic, Colombia.

Now we had revenues of two qualities MXN 2 million which were nearly flat in Mexican peso terms from the year earlier quarter. Constant exchange rates revenues expanded 3% roughly the same pace of the prior quarter. As expiration of preserving revenue growth in Colombia, U.S., and Argentina was compensated by a slight deceleration in Brazil and Mexico stemming from aggressive wholly-owned promotions that included a lots and lots of data near term.

EBITDA came in at MXN 70.6 billion in the quarter and revenues it was almost flat year-on-year in Mexican peso terms. We have a constant exchange rates, it goes 6.7%. [indiscernible] 00:05:14 effect of the release of certain provisions in Brazil and some many charges in Central America, a record for this one-off loss most to make a record for that piece [indiscernible] 00:05:23 by 6.1% year-on-year in constant terms.

Now by region, revenues expanded faster in South America at 3.9% as you can see [indiscernible] 00:05:37 the green line followed by North America which is basically the U.S. or Mexico growing at 3% with stable growth in Europe at 1.2% [indiscernible] 00:05:47 and declining rates in Central America that's the red line which is explained mostly on the countof the situation in Nicaragua and Honduras. Mobile service revenues accelerated in the U.S. In fact, it was the best performance in at least six quarters, Argentina and Dominican Republic. On the fixed-line platform, Colombia, Chile, and Ecuador maintained the positive trend.

If we look at service revenue by business line, fixed-broadband and mobile postpaid were the main drivers of revenue growth for the company as a whole increasing 9.5% and 7.9% respectively, followed by mobile prepaid revenues up 3.2%. As you can see again in the chart, the red line, prepaid revenues stopped their decline and they are now surging. There has been a very sharp acceleration of prepaid revenue growth.

And if we look at the operations all throughout, most of the operations expanded EBITDA margins compared to the prior year. There was an important exception which is Central America which has a 4.4% decline in margins year-on-year. I think this can be explained essentially by one-off noncash adjustments mostly related to some tax

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provisions in Honduras. But as you can see on the right-hand side of the chart, the reported EBITDA for Central America decreased 15.9%. However, if we correct for one-off adjustments and they were partly in the fourth quarter of 2018 but also partly in the fourth quarter of 2017 when we had released certain provisions, the net effect is 7.3%.

And then if we compare with the – we look at constant exchange rates because there were some move in the currencies in Latin America – in Central America. The actual organic reduction of EBITDA was 3.7% and not the 15.9% that was reported initially.

Now, in Mexico, mobile service revenue growth has remained stable. As you can see here on the chart, we've been covering around 8% year-on-year. That's the blue line. But fixed revenues have trended down, okay? So, in the fourth quarter, they were down 5.1% year-on-year.

Continue with Mexico, you can see on the chart prepaid revenues outpaced those from postpaid for the first time in several quarters [indiscernible] (00:08:51) stabilizing on account [indiscernible] (00:08:54) increased prepaid clients and the greater commercial promotions. So, again very importantly, in Mexico, for the first time in various quarters, prepaid revenue is going faster than postpaid than postpaid revenues.

Now, in the case of Mexico again, fixed voice revenues accelerated the decline to minus 12.6%, which reflects continued headwinds from long-distance revenues, which have been falling for quite some time, although, the decline is now much less because we have much less left of revenues by the way. But we also have a potential reduction of interconnection revenues in the fixed line side, driven by a 15% drop in rates and a 7% decline in traffic.

Fixed broadband revenues are growing slightly, less than 1%, as you can see on the right-hand side.

as you can on the right-hand side. So these are the business lines that are going on the fixed line platform. They are growing 0.8% fixed broadband. But corporate networks revenue which had been declining is now recovering fast. In this quarter, it posted a 3.1% growth rate from the prior year.

In Brazil, fixed broadband revenue growth overtook mobile posted revenues with prepaid revenues from device. As you can see, the number one business line today in Brazil is fixed broadband that followed very closely by mobile postpaid. And now you can see that the prepaid revenues which have been declining have turned, affecting a very significant turnaround and they may be accelerating. So that's also very important to Brazil.

On the right-hand side, you see that fixed voice revenues are falling approximately the same rate. But they had been relatively stable at [indiscernible] (00:11:08) decline. But payTV appears to be recovering. Okay. PayTV revenues had been a significant drive on the fixed line platform. They seem to have bottomed as you can see on the chart.

And our operating profit increased by 25.6% to MXN 36 billion. [indiscernible] (00:11:31) were down 68% from the yearly quarter to MXN 12 billion. A reduction that arises from the [indiscernible] 00:11:38 provisions in link to the judicial resolution of tax disputes which I will also [indiscernible] (00:11:47) in Brazil had claimed that this company's taxes should not be considered part of the base for the computation of the

should not be considered part of the base for the computation of the ICMS taxes. We obtained a net profit of MXN 9.5 billion in the quarter bringing the total for the year to probably MXN 6 billion, which was 8% more than the year before.

Our capital expenditures total MXN 152 billion, while 2018 whereas our overall shareholder distributions which our share buybacks and net dividend payment totaled MXN 21 billion. We directed a significant part of our cash flow to the reduction of liabilities, directing a total of MXN 14 billion pension obligations, MXN 42 billion to our net debt. So here, I'd just like to stress whereas financial debt came down by MXN 42 billion. That's the one that we will look at when we are looking at leverage ratios [indiscernible] (00:12:46) that we are solely directed in 56 billion all-in-all to reduction of liabilities and this is the number that the rating agencies look at. They are not only looking at the financial debt but also the one that we have on the pension obligation. So total amount [indiscernible] (00:13:08) to reduction of overall liabilities was MXN 56 billion in the year which is a bit more than a third of the totaled CapEx that we had just to put in perspective.

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Altogether and after [indiscernible] (00:13:25) we have outstanding obligations. Our net debt came down by MXN 46 billion from the close of 2017 to MXN 568 billion which is equivalent to 1.80 selling times the year's EBITDA. Well, thank you for [indiscernible] (00:13:41)to the presentation. I would like to pass the floor back to Daniel, so that we can begin the Q&A session

to Daniel so that we can begin the Q&A session. Thank you.

Daniel Hajj Aboumrاد

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

Q&A

Operator

[Operator Instructions] Your first question comes from the line of Rodrigo Villanueva with Merrill Lynch. Your line is open.

<Q - **Rodrigo Villanueva**>: Thank you. Good morning, Daniel, Carlos, Daniela. My first question is related to Mexico. We saw Mexico ARPU increasing strongly 6% year-on-year at MXN 150. So, I was wondering if it's reasonable to assume that it will keep growing in 2019 particularly supported by the strong data usage that we are seeing. And also, particularly considering that as you were mentioning prepaid has been recovering in a significant way. That will be my first question. Thank you.

<A>: Good morning, Rodrigo. Yes, I think we have a good increase in revenue in Telcel during the year. I think maybe three years ago when we start, we were at this ARPU when we have these big promotions in Mexico and that the big reductions from prices will reduce maybe to MXN 120, something like that. And, again, we are at MXN 150 so we have been doing good in the commercial even what Carlos is saying in the fourth quarter. We grew like more than 60%, our prepaid the net adds. Postpaid has been growing very good during the year.

And just what I can tell you Rodrigo is that we're still investing a lot in our network. We have the best quality. We have the best the capacity. A 4.5 has been very successful for us even in him in Mexico. And I think that that's the reason why people is preferring to be with [indiscernible] 00:16:14.

Our number portability is growing again. So I think we're getting good scribe some good revenue for them and they are using a lot our service. So I don't know if we can grow more than a 150 because well there's the high end subscribers already have a back cuts. Promotions has been increasing. But I think all overall in Mexico Intel were doing very good.

<Q>: Understood. And yes thank you very much. And my second question is related to the pay TV license in Mexico. I was wondering if you could give us an update on the status of this process. When would you expect to get approval for these?

<A>: Well on the pay TV we have submitted that request and interest on the revision of with the [indiscernible] 00:17:07 so we don't know more than that. And also we have another thing is the functional separation. In the functional separation, we're in due process there are certain targets that we have to be met during that year during 2019. These targets are public. You can see all these targets and we have to be ready by March of 2020. And as there are still serious of legal proceedings initiated by us and other affiliates challenging if that decision to separate the company, so those are the two processes that we have. with [indiscernible] (00:17:47) is the PayTV and the functional separation and that's where we are right now.

<Q - **Rodrigo Villanueva**>: Perfect. Thank you very much, Daniel.

<A - **Daniel Hajj Aboumrاد**>: Thank you. Thank you, Rodrigo.

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Operator

Your next question comes from the line Walter Piecyk with BTIG. Your line is open.

<Q - **Joe Galone**>: Yes. Hi. This is Joe Galone for Walt. Thanks for taking the question. Based on the commentary in the release, it sounds like investments – and in particular in fiber – will continue this year, and CapEx was up about 10% in 2018 to about \$8 billion. What is your target for CapEx for 2019 and how do you plan to deploy it? That's my first question.

<A>: Yeah. The target would be around \$8.5 billion for 2019 – more or less what we think we're going to invest. We are putting fiber all around Latin America. We are at fiber to a home and rings with fiber and fiber is important for us so we're putting a lot of fiber. And mainly it's going to be for increasing our data capacity. We're also investing a lot in IT. Sorry, in data capacity we're doing the new technology that it's photonic that it's a new technology that will give us a lot more capacity at better cost. So, we're doing that in all Latin America.

We're investing also a lot in IT, the digital transformation of the company, in all the countries. So, capacity on wireless, more coverage also on wireless, moving more 4.5G.

So all around this more or less what we are investing in 2019.

<Q>: Okay. Thanks. And then, Carlos, share repurchase activity appears like it was down again in 2018. And now that leverage is below 2, would you consider picking up that pace?

<A - **Carlos José García Moreno Elizondo**>: Well I think that we have said is we are going to be like a more active distributions once we get to our target [indiscernible] (00:20:16). I think that we are close to getting there at 188 in this quarter. I don't know if this [indiscernible] (00:20:27) was a function of exchange rate among other things. But I would say that we still need to do a little bit of de-levering before we can think of other things.

<Q>: Okay. Thank you.

<A - **Carlos José García Moreno Elizondo**>: Thank you.

Operator

Your next question comes from the line of Matthew Niknam with Deutsche Bank. Your line is open.

<Q - **Matthew Niknam**>: Hey, guys. Thank you for taking the question. Just to go back to Brazil and Mexico, I think it's for both regions to talk about aggressive holiday promotions with large allotments of data and airtime. Will this typical holiday seasonality or is this something that's continued into the first quarter?

And then secondly as a follow-up, I think in the past you've talked about targeting roughly 2 percentage points of margin expansion in both Mexico and Brazil. How should we think about that sort of pacing? Should we expect that to continue in 2019? Thank you.

<A>: I think the promotions are due to the Christmas promotions. I think always been reducing the first quarter of the next year and it's going the same way for this year. So – but last year the promotions were high. And, still, I think we do intelligent promotions because as you see, let's say Mexico and in Brazil, the growth in the wireless was good. If you compare with our competitors, our growth was also very good in the fourth quarter. So, the promotions that we have been doing are intelligent promotions.

In terms of the EBITDA margin, as you see in Brazil since 2016, we have been growing like 1.5 points per year 2016 to 2017, 2017 to 2018 and I think 2018 to 2019. So, I think it could be also 1.5 points what – around 1.5 points what we can grow in EBITDA margin in Brazil. And in Mexico, I think it could be the same. We think we can grow, depends a lot on the promotions, depends a lot on the aggressiveness of the market but I think we can grow our EBITDA also.

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<Q - **Matthew Niknam**>: Thank you. And just to follow up on Mexico. I just want to clarify a comment in response to a prior question. So ARPU you think maybe would stabilize around the MXN 150 level?

<A>: Yes. I think it will stabilize at MXN 150, depends a lot on how the growth that we are going to have on the prepaid market. So, the prepaid is starting to grow again. You know that a prepaid is less ARPU than the postpaid. And if prepaid starts to grow again, I think that smartphone is growing a lot. Data is consuming a lot and also is going to depend on the promotions that we do in the market.

<Q - **Matthew Niknam**>: Thank you. Operator: Your next question comes from the line of Maria Azevedo with UBS. Your line is open.

<Q - **Maria Azevedo**>: Hi everyone. Thanks for taking the question. So, my first question is on capital allocation. You mentioned that deleveraging is your top priority. But do you see further M&A in the short term following your Guatemala and El Salvador deal announcement or do you think that cash distribution should be the most natural way for capital allocation after you meet your targets?

And then, my follow-up question would be on the CapEx. Given the recent investment that you made to upgrade your mobile networks, is it fair to assume that 5G is not going to require disruptive CapEx [indiscernible] (00:24:23) for 2020 and beyond? And what's going to be your strategy in 5G? Thank you.

<A>: I'm going to start with this question. I think a lot of the things that we're doing and investing today are working for pre-5G; so, the fiber to the node, more fiber during the backbone, photonics, more towers. So, all of these things we are already investing in 2018, 2017 and 2019. So, we don't see disrupt CapEx in 2020 with the introduction of 5G. I think the CapEx is going to be more or less the same as it has been in the last year. So, that's in the CapEx. And in the...

<A>: And I think on the M&A side, it would [indiscernible] (00:25:22) with the shareholder distribution. There's always a little bit that is being done even though we have this deleveraging target. So, for instance, we have been looking at more things that we had in Eastern Europe. There are few things that are being thrown from time to time here in Latin America. There's nothing that is very material [indiscernible] (00:25:52) isolated transaction. I think the last two ones that we announced are very significant to the extent that they are in market consolidation that will tend to improve conditions in the market and that would allow us to very quickly extract synergies from the acquisitions.

So I think it's very much a case by case situation but it's also something which we are not looking at anything that is major transformational but it's simply something that we add to the existing footprint that we have to which basically allows us to improve the efficiency of our operations in a given market. That's basically the scope.

<Q>: Perfect. Thank you very much, Carlos.

<A - **Carlos José García Moreno Elizondo**>: Thank you.

Operator

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

<Q - **Leonardo Olmos**>: Hi. Good morning. My question is regarding Telefónica de America to the two countries you acquired from them Guatemala and Salvador. The first thing is regarding revenue share in those countries. Aside from just taking almost 50% of market share, how much revenue share do you think you can get there? And then about [indiscernible] (00:27:13) that you could discuss with the two operations. Thank you.

<A>: I don't have exactly the specific numbers. What I can tell you that for us to buy these two assets in Central America, it's very important. It's in market consolidation, a lot of synergies,

All the market doesn't have a lot of the spectrum all the competitors in Guatemala, so give us the opportunity to give more 4G, give us the opportunity to give more data, to expand our 4G coverage and capacity. So I think it's very important. The spectrum [indiscernible] (00:28:01) the licensees is maybe it's more than what we have what we buy. So

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for us, it's very important what we get in terms of spectrum, subscribers and infrastructure because a lot of this infrastructure, we're going to consolidate and use it in the rest of Central America. So I think it's a very good acquisition that we get with these two companies.

<Q>: Good. Quick follow-up on the spectrum seen down here, is there any opportunity for maybe saving since you're acquiring so much spectrum especially Guatemala which is a more scarce asset. Is there any opportunity of saving, maybe reducing towers on any other type of savings from the spectrum side?

<A>: Yes, of course that the synergies that we are talking about and we're in the process of doing that. And of course, we're going to have synergies in towers, synergies in platforms, synergies in infrastructure and with these synergies, we were going to have more capacity and more coverage. So I think it's very good in market consolidation that we what we're getting in Guatemala and in El Salvador.

<Q>: Great. Thank you very much.

<A>: Thank you.

Operator

Your next question comes from the line of Alejandro [indiscernible] 00:29:37 with BBVA. Your line is open.

<Q>: Hi. Good morning, everyone. Thank you so much for taking my questions. My first question is regarding the [indiscernible] 00:29:53 even though [indiscernible] 00:29:56

<A>: We can't hear you.

<A>: We can't hear you very well.

<A>: We cannot hear you very well. Can you talk a little bit louder or?

<Q>: Okay. I'm going to speak up. Yes.

<A>: Good.

<Q>: I'm going to speak up. My first question is regarding the Disney and Fox merger even though we're still waiting for you to vote the approvals in some key markets. How do you think this merger could impact your business and especially in Brazil? What do you think are the main driving forces behind the increase in the postpaid subscriber base in most of the countries that you operate?

<A>: Really I don't have any comment on that. So we buy content from all of them and there – I don't have any comment on that merger.

<Q>: Okay. And that could you please perhaps talk a little bit about the forces behind the increase in the postpaid subscriber base in months in countries and how do you see the trend going forward?

<A>: What we have been doing and our strategies have been to have the best networks all around the countries coverage networks 4.5G moving to 5G in the future have a lot penetration on smartphones and that has been very successful for us

because a lot of subscribers are coming to our network. Number portability has been good. A lot of prepaid are moving to postpaid to get some benefits from that. And I think this year is going to be more or less the same. So, people is using more the phone, is using more data, and I don't see any change on the postpaid base for 2019.

<Q>: So, basically, you are not being anything different, just coming in natural? Is does what you say?

<A>: I don't hear you. Sorry. Nothing different. Nothing different. So, I think different would be for bad because every year, every day we have a better network, a better quality, more speed, more coverage, so that will be the only

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difference than what we had last year, no?

If you could see, let's say talking a little bit about Brazil, well, our footprint in 4G may be doubled last year. So, we have been investing a lot in 4G and that's what the market is asking and that's what we're giving to the market. So, the perception of the brand of Claro – right now, Claro is very competitive in the postpaid market in Brazil and that's why we have more than 1 million net adds in the fourth quarter. So, that's very important.

We, three years ago, have a little bit and lack of coverage. But we have been putting a lot of fiber to the node, giving more capacity, more speed, 4.5G

and that is helping us a lot in Brazil. We have a very, very – I think we have the best network today in Brazil in terms of quality and that's what [indiscernible] 00:33:44 tell in their report they're saying.

<Q>: Thank you, Daniel.

Operator

Your next question comes from the line of Ernesto González with Morgan Stanley. Your line is open.

<Q>: Hello. Thank you for taking my question. My first question is now that you have requested your PayTV in-license – or your PayTV licensed in Mexico, sorry. How soon after approval would you expect to be able to offer triple play packages in Mexico?

<A>: I think we can do it fast. We have the expertise in all the other countries. So if we have some commercial agreements with content, we have fiber to a lot of maybe 6 million houses here in Mexico. So, we can do this or we can give the service fast as they give us the license, their permission.

<Q>: Great. Thank you. And just a second question. When do you expect to reach your leverage target? Just to have an idea of when we could expect higher shareholder distributions. Thank you.

<A>: I think, again, this is always a moving target because of these exchanges. But at constant exchanges, I think that we could be [indiscernible] 00:35:12

<Q>: Great. Thank you.

<A>: Thank you.

<A>: Thank you.

Operator

Your next question comes from the line of [indiscernible] 00:35:21 with Bradesco. Your line is open.<Q>: Yes. Hi. Thank you for taking my question. It is related to the fixed business in Mexico. When looking at the [indiscernible] (00:35:38) data we see still a lot of copper based network. So, we were wondering just what is your strategy to compete with players that have more of a cable or fiber based network and how are investment headed towards updating the network and how to balance that with your leverage target? Thanks.

<A>: Well, in the fixed world in Mexico we've been investing previous years. And as Daniel mentioned, we have 6 million home passes ready fiber-to-the-home. And in the corporate we've been working to getting close with the fiber to the end user. So we have [ph] PDSL (00:36:20) of technology in a great part of the network and then we had [ph] ADSL2 plus (00:36:26) it's pretty close as well than fiber. So I think we've been working to get ready the network to handle IPTV in fiber and as well in corporate. You see the streaming video needs, let's say 2 megabits per second to streaming video in IPTV. So I think the network is ready to really to deliver these products.

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<Q>: Okay. Thanks. And if I may just have a follow-up on the fixed infrastructure. What is the strategy for the bundled packages you're selling in Mexico considering the current services and the potential authorization for payTV as well?

<A>: Well, we've been reshaping our practice in Mexico, of course always focusing and deliver the fast speed on broadband. What we've been adding a new value-added services. You could see our packages include [ph] Claro Video, Claro Rights, (00:37:40) security. We have found new services in order to make the proposal more, more oriented in the market. And adding pay-TV as you know, we have the experienced of people paying in different countries. So we don't have a proposal right now. We will wait until we have this commission to go, but we have the experience in other countries and for sure we will use in Mexico in the marketplace.

<Q>: Okay. That's clear. Thank you.

<A>: Thank you.

Operator

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

<Q - Andre Baggio>: Good morning. So some of the follow on question to Rodrigo which is about the Mexican ARPU, in fact, I saw a deceleration ARPU that's in the beginning of the year was growing around 11% and that was growing about 5%. What explains this deceleration during the year on the ARPU? Is there any accounting or is just more like a market?

<A>: No, no, nothing to be on the accounting side. I think it's a different base no, when you are written at the 120, then you can grow faster than when you are almost 150. So I think 150, it's a good ARPU for the country of Mexico where we have a lot of prepaid subscribers and people is using. I think it would grow a little bit more as prepaid subscribers start to use more change for an smartphone and use more data.

So, I think I depends a lot – it's going to depend a lot on the economy. If the economy of the country grows, I think we can grow also our ARPU. So, competition also – I don't know exactly what those competition is going to do in the future, difficult to do, difficult to say and to understand. But I think, overall, Mexico is doing fine. We have very, very competitive prices in Mexico so it's one of the more competitive countries in Latin America, maybe in the world. So, the prices are very competitive and I think, as I said, with the network, with the coverage, with the capacity, quality that we have, I think we can gain more high-end subscribers and can help us for the ARPU. So, I don't know, Carlos, if you want to.

<A - Carlos José García Moreno Elizondo>: Yeah. Yeah. Well, only one thing. Maybe if you look at ARPU in Mexico for the full year 2018 over 2017, the increase was 8% exactly, okay? By the fourth quarter of 2018 it was 5.7%. But this basically means that this deceleration of ARPU growth is to some extent related to the change in the subscriber mix. Because if you will be looking at how fast, we are growing postpaid and how fast we're growing prepaid, which is the first slide that I showed today. You will see that we are seeing increasingly a change in the mix of subscribers. So, that really has an effect on the ARPU, which is the average of our base.

So, as we said, always there's a tendency to things to decelerate when you return to a certain level. But on top of that, I think that we have this

expansion of prepaid revenues and prepaid clients. I think that is very relevant to look at the growth of prepaid revenues which I mentioned at the beginning of the call had been growing for the first time in various quarters. They were growing faster even than posted revenues in Mexico. Okay.

So I think there's a lot to be said about this. I think there's a lot to be said about the continued adoption of smartphones by prepaid. We've already seen a very significant surge in the eruption of prepaid in Mexico. But I think that we are still yet to see. We could have yet to see part of the increase in the adoption of smart devices by prepaid is important for the prepaid clients and we [indiscernible] 00:42:16.

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 Company Ticker: AMXL MM
 Date: 2019-02-13
 Event Description: Q4 2018 Earnings Call

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 Current PX: 14.53
 YTD Change(\$): +.56
 YTD Change(%): +4.009

Bloomberg Estimates - EPS
 Current Quarter: 0.240
 Current Year: 1.044
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<A>: And talking a little bit – I'm sorry, talking a little bit about the ARPU. I think you also very good news on Brazil. I think in Brazil we have been able to grow our ARPU to 2017 BRL 0.5 in fourth quarter of could be a big man in a little bit of a story talking a little bit about they are.

I think you know very good news from Brazil I think in Brazil with being able to grow where our pool to two seventeen point five for in fourth quarter of last year we have BRL 15.8. So we have been growing. We think we're really focusing in good subscribers and drivers that consume who spend and that will help us get the growth in the ARPU. All around, I think all overall we have been growing our ARPU Mexico, Brazil and other countries.

<Q>: Thanks a lot. So thanks a lot and if I may second question would be [indiscernible] 00:43:07. We saw in Brazil for the first time in a few quarters positive quarter-over-quarter growth in wireline. So you reverted the quarter-over-quarter decline that we have seen. What's behind this improvement in the wireline revenues that we saw in Brazil? Is it DTH which is performing better or [indiscernible] (00:43:28) less pressure? What is going on?

<A>: Remember, when I presented the chart from Brazil, I know you got to see the chart. But you see that we show on the one side the heavy revenues on the right which are postpaid, prepaid and broadband, fixed broadband, they were all exhibiting positive growth year-on-year. And they are also in very significant upward trend.

And then the ones that we have on decline were fixed voice which has a lot to do with long distance revenues that being wiped out by technology WhatsApp and other things. So they've been declining steadily. So the rate of decline has not increased. [indiscernible] (00:44:20). But the ones that has also been a drag on revenues on the fixed line side was payTV. And that seems to have stabilized and seems to be turning up. That what appears in the last quarter.

So, yes, I think we see through three business lines that are going well, postpaid, prepaid and fixed broadband, and then we see two that are a drag but one of them likely to remain a drag which is fixed voice [indiscernible] (00:44:50) payTV probably becoming a positive contributor to growth.

<Q>: Thanks for all the colors. I would just request if there's someone can send us the [indiscernible] (00:45:02) because unfortunately we have not received the presentation, so it was harder to follow.

<A>: Okay. Sure. We will have it send to you. But I think you can load it directly from the webcast. It's already in the webcast.

Operator

[Operator Instructions] Your next question comes from the line of Julio Arciniegas with Royal Bank of Canada. Your line is open.

<Q - Julio Arciniegas>: Hi. Good morning and thanks for taking my question. In Colombia, we're seeing that some of your competitors – actually, they are pushing postpaid products. Have you seen higher demand for postpaid products in this market? So, basically, can we see in the future a prepaid to postpaid migration process in Colombia as the one that we saw in Brazil? That was my first question. And my second question is regarding Brazil FTTH. Some of their competitors, of course, are increasing their FTTH footprint. Can you give us some color on how the company is facing the competition against FTTH players? Are you upgrading your cable network to FTTH when your competitors deploy FTTH in your footprint? Thank you.

<A>: Well, if you just see that in Brazil, they segmented fixed-broadband into markets, a high speed broadband. That is – it's a problem that is more about 34 megabits per second. And if you look at overall market share on that market, we have 54% of market share. So – and we are competing against the big companies that are building fiber-to-the-home. So I think [indiscernible] 00:46:54 we have a good product to compete on that market. So we have a good market share in the ultrabroadband as they called in Brazil.

So, up to now, we feel that the technology that we have, we have to defend ourselves against the fiber. But the new competitors, the ones that are

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But the new competitors, the ones that are growing is called the small competitors that are outside of our footprint. So, they are selling broadband to a radius of some of them as well with fiber, and they are growing pretty good in the marketplace. And when you look at their combination rate, we're still having a good market share in fixed broadband. And in ultrabroadband we have 52% of market share.

<A>: We're growing and I think something on [indiscernible] (00:47:43) is part of our investments in cable is to modernize, always give more speed, our cable...

<A>: And all the new cities we are using fiber-to-the-home, yes, of course. So, all the new development that we are doing in the new cities we are using GPON technology.

<Q>: Okay. Thank you. And the question regarding the potential prepaid to postpaid migration in Colombia, in Brazil is impossible.

<A>: I don't think...

<Q>: What have you seen?

<A>: Yes. I don't think there's something special in Colombia. I think all around Latin America, I think all around the world, they are moving from prepaid to postpaid. They start with the prepaid and then they start to use more. And when they want to add something or applications or more data or other things, they are moving too. So, there's a lot of our subscribers from prepaid that are moving to postpaid. So, there's nothing special in Columbia and I think it's similar to what we have been doing in all the other countries.

<Q>: Okay. Thank you.

Operator

Your next question comes from the line of Maurício Fernandes with Merrill Lynch. Your line is open.

<Q - Maurício Fernandes>: Thank you. Good morning, Daniel and Carlos. A quick question on still on Brazil everybody is expanding fiber on the telcos. I mean they're expanding fiber to us just comment on the expansion of the smaller players as well would not having very large footprint, but cable. What are your plans to basically be able to remain competitive in broadband? Is it to have fewer homes or fewer customers addressed by note? Is do you plan to deploy fiber to the home at the end of the day and a combination of cable you have? So I just want to hear your thoughts there please.

<A>: Well as in Brazil you have these cables that is called [indiscernible] 00:50:05 that is a hybrid fiber and copper networks. So what we've been doing is using DOCSIS 3.1. So we are breaking up nodes to get the speeds. I don't know if you hear the news, but with DOCSIS 3.1 you could deliver 1 gigabit of speed per customer. So I think is a great technology of course you need to upgrade the notes as you mentioned, we need to play the notes. But it's similar that you need to get fiber across the fiber and I know the technology that is common place is called [indiscernible] 00:50:39 that you could combine etches fee networks and as well [indiscernible] 00:50:43 so that's a new technology that we are testing so – is we need to get with fiber to the home that we don't see in the near term. But there is good new technology that allow us to combine both technologies and all [indiscernible] 00:50:59 we are doing in Brazil, we are using [indiscernible] 00:51:02 fiber to the home as well.

But we feel that both technologies are very competitive. So we don't see that one is an advantage as the...

<A>: Yeah. In one of them – and we've been getting growth of the fiber to the [indiscernible] (00:51:19) So we are at 200 meters from the houses, so with the HFC network.

<A>: Yes.

<A>: So that's a...

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<Q>: Got it. And one more if I may ask or the – have you seen, have you either accustom not from [indiscernible] (00:51:36) that I think is rather obvious but from cable, you've seen customer disconnections maybe due to Oct Advance or if you've seen customers trade down to lower ARPU or lower packages as a result in the last say 12 months?

<A>: No. What we've been seen is that do you know the market is [indiscernible] (00:52:00) is asking for more speed. You see the average speeds 12 month ago Brazil was 28 megahertz and not it's close to 40. So while we seeing the market is at – the market is asking for more speed, and I think the situation is video streaming in the houses is my video uses 70% of the network so and is coming more HDs, coming for sure, it's coming more 4K and the requirements we more push to higher speeds.

<A>: And Mauricio, we're giving more applications on that. We have now – we have Claro. So we have good bundle and a good package but of course, I think there's a little bit of pressure because of a lot more offers and content that we're having, but we feel very competitive with our product in Brazil. So we are also having...

<A>: Well, the combo...

<A>: We're having also good packages, lower price packages than what we have today to compete and well – but we feel very good. The quality of our products are excellent and the perception of the people I've met it's very good also.

We have more than 48,000 titles between now. And now our product [ph] Claro TV (00:53:30) and that's also very competitive against that. And in the future we're going to give also bundle Netflix inside our product. So, I think we're really competitive.

<Q>: Okay. Thank you all. Everyone, thank you.

<A>: Thank you.

Operator

Thank you. I will leave the Mr. Daniel Hajj.

Daniel Hajj Aboumrada

Okay. Thank you for being in the call. Thank you, Carlos, Daniela, Oscar. Thank you very much everyone.

Operator

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

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