

Company Name: America Movil
Company Ticker: AMXL MM
Date: 2019-04-30
Event Description: Q1 2019 Earnings Call

Market Cap: 937,956.31
Current PX: 14.11
YTD Change(\$): +.14
YTD Change(%): +1.002

Bloomberg Estimates - EPS
Current Quarter: 0.218
Current Year: 1.027
Bloomberg Estimates - Sales
Current Quarter: 256132.750
Current Year: 1033149.625

Q1 2019 Earnings Call

Company Participants

- Daniela Lecuona Torras
- Daniel Hajj Aboumrad
- Carlos José García Moreno Elizondo
- Oscar Von Hauske Solís

Other Participants

- Rodrigo Villanueva Bravo
- Matthew Niknam
- Walter Piecyk
- Diego Aragao
- Maria Tereza Azevedo
- Carlos Antonio de Legarreta Diaz
- Ernesto González
- Ric Prentiss
- Valder Nogueira

MANAGEMENT DISCUSSION SECTION

Operator

Good morning. My name is Chris and I will be your conference operator today. At this time, I would like to welcome everyone to the América Móvil First Quarter 2019 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.

I will now turn the call over to Ms. Daniela Lecuona, Head of Investor Relations. You may begin your conference.

Daniela Lecuona Torras

Thank you. Good morning, everyone. Thank you for joining us today to discuss our first quarter 2019 financial and operating report. We have today on the line Mr. Daniel Hajj, our CEO; Mr. Carlos García Moreno, our CFO; and Mr. Oscar Von Hauske, our COO.

Daniel Hajj Aboumrad

Good morning. Carlos is going to make a summary of the results. Carlos?

Carlos José García Moreno Elizondo

Thank you, Daniel. Good morning, everyone. Well, the – before going into the summary of the quarter, I'd just like to make sure that we're all on the same page in terms of the accounting changes that have been inactive and have been

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2019-04-30
 Event Description: Q1 2019 Earnings Call

Market Cap: 937,956.31
 Current PX: 14.11
 YTD Change(\$): +.14
 YTD Change(%): +1.002

Bloomberg Estimates - EPS
 Current Quarter: 0.218
 Current Year: 1.027
 Bloomberg Estimates - Sales
 Current Quarter: 256132.750
 Current Year: 1033149.625

implemented in this quarter. So, one that is completely new is the IFRS 16 that we will talk a little bit more about it throughout the presentation, which has been implemented beginning January 1. The other one that is present all throughout the report, although not always mentioned, is the IFRS 15. This is the standard that was implemented. These are being mostly service revenues, the allocation between service and equipment revenues. And this, we were presenting on a consolidated basis all of last year. But beginning this year, we are presenting it on a per country basis as well.

So, all of the numbers, all of the figures are comparable from the point of view of revenues in 2019 to 2018. This is relevant for things like ARPUs. You cannot consider anymore the ARPU figure that we had in the past. But for changes and the new levels, you have to look at the present numbers in this report.

Anyway with the – the first quarter of 2019 ended up with a reduction in U.S. long-term interest rates as it became apparent that the Federal Reserve would not be able to continue increasing interest rates throughout the year as it had signaled late in 2018 and in the first months of 2019. The world economy appeared to be slowing down.

During this period, the value of the U.S. dollar versus the main Latin American countries were fairly stable. Not too different at the end of the quarter than it had been at its beginning.

Our wireless subscriber base ended March with 277.4 million subscribers including 1.4 million that came from the acquisition of Telefonía Guatemala. We added in the quarter 1.3 million postpaid subscribers organically [indiscernible] (03:24) 159,000 to the acquisition of Telefonía traffic. Growth was particularly strong in Brazil where we added 972,000 subs, then came Mexico with 201,000 and Austria with 96,000. In Brazil, we have consistently driven through April being the main operator in growth in the postpaid parts of the market.

On the fixed platform, we connected 487,000 broadband accesses including 74,000 in Brazil bringing the total to 30.2 million, which is 5.6% more than a year before. PayTV units 21,400 were down 0.9% affected by disconnections of DTH services in Brazil. Mobile postpaid and fixed-broadband were the main drivers of access growth at 6.4% and 5.6% year-on-year respectively, with mobile prepaid declining 4.1% mostly in Brazil, we've got significant disconnections in Brazil, and both fixed-voice and PayTV almost flat from a year before.

Our revenues totaled MXN 246 billion in the quarter, were 3.1% lower than a year before in Mexican peso terms, reflecting the depreciation of most of our operating currencies versus the Mexican peso with the U.S. dollar being the main exception.

On average, the Brazilian real fell 11.7%, the Chilean peso 7.5%, the Colombian peso 6.6% and the euro 5.3% versus the Mexican peso in the first quarter, this is the first quarter of 2019 vis-à-vis first quarter of 2018. So, this basically means that most of the international operations of América Móvil when expressed in peso terms ended up showing a decline, again because the currencies of those operations declined in value vis-à-vis the Mexican peso.

EBITDA came in at MXN 75 billion in the quarter with the renewed IFRS 16 standard, by which most lease payments are not deducted anymore from the operating cash flow and instead are capitalized as new debt coupled with rights of use of assets. Under this accounting convention, the EBITDA margin for the quarter was 30.6%. Under the prior reporting methodology, EBITDA would have declined 5.6% year-on-year in Mexican peso terms. And again, as with the case of the revenues, it's mostly to do with the change of value of the currencies vis-à-vis the Mexican peso.

At constant exchange rates, service revenues were up 2.5% in line with the trend of first half of last year and EBITDA 2.6% which represents a deceleration from the level seen in the last quarters. In this deceleration of EBITDA, two factors are important, and I think it's important to highlight them. One is restructuring costs in Telekom Austria associated with plans to incentivize early retirement of employees and that represents onetime compensation costs. They were important and in this particular quarter, they amounted to roughly MXN 500 million. And we also had one-off charges in Telmex, mostly to do with the loss of a dispute with another operator and the payment of a fine to this regulator.

Again, all of this together, between Telekom Austria and Telmex, we are talking about roughly MXN 1 billion in one-off charges.

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2019-04-30
 Event Description: Q1 2019 Earnings Call

Market Cap: 937,956.31
 Current PX: 14.11
 YTD Change(\$): +.14
 YTD Change(%): +1.002

Bloomberg Estimates - EPS
 Current Quarter: 0.218
 Current Year: 1.027
 Bloomberg Estimates - Sales
 Current Quarter: 256132.750
 Current Year: 1033149.625

In Telekom Austria, by the way, and in the section of Telekom Austria and the reporting of the company [indiscernible] (07:33), it is very clearly highlighted what these so-called restructuring costs are. We will continue to see them from time to time. The company Telekom Austria has a line item that is adjusted EBITDA [indiscernible] (07:49) EBITDA adjusted for this restructuring cost.

Mobile service revenues continued very much along their trend and fixed service revenues although down from the prior quarter appeared to be improving, buoyed by fixed-broadband revenues that were up 9.9% and postpaid mobile revenues that increased 6.8%. Fixed-broadband revenues have accelerated significantly and are outpacing all other revenue units, including postpaid mobile. Only PayTV revenues declined, minus 3%, continuing the trend seen throughout most of the last two years.

In the South American block, service revenue growth 3.8%, remained in line with that of the prior quarter; whereas in Central America, it rose from 0.5% in the fourth quarter to 4.2% in the first one, basically to do with the incorporation of Telefonica's former operation in Guatemala from February 2019. Service revenue growth decelerated in both Mexico and the U.S. to 1.6% in Mexico and to 0.6% in the U.S.

And our operations in Europe, Austria and Eastern European countries, service revenue growth picked up to 2.9%, from minus 1.1% the prior quarter.

In Mexico, service revenue growth was stable in both postpaid and fixed-broadband at 6.9% and 1.0% decelerating prepaid to 4.7%. Fixed-broadband revenues continued their trend lower, declining 8.2% year-on-year which includes as I mentioned before some one-off charges that are appearing in this quarter.

In Brazil, service revenue growth was also stable in postpaid and fixed-broadband at 9.2% and 14.5% respectively and improving in prepaid that was almost flat year-on-year.

Fixed-voice and PayTV revenues continued to decline at roughly the same pace they have [indiscernible] (09:55) the last few quarters. With comparable figures, the consolidated EBITDA margins was slightly down at 0.3% from the year-earlier quarter. EBITDA margin was up 2.9% in the Caribbean and roughly 1% in Peru, Colombia and Brazil with Colombia improving 0.5 percentage points and declining slightly in Mexico 0.3 percentage points and Central America.

Our operating profit reached MXN 35 billion under the same IFRS 16 standard while our comprehensive financing costs totaled MXN 1.2 billion. Both the line items reflect changes under the new methodology, including the allocation of the former rental payments as greater depreciation costs, coming from the new rights of use that were created as assets in the balance sheet, and greater interest costs, that is the interest component associated with the former rental payments. We obtained a net profit of MXN 19 billion in the quarter which was 3.6% higher than the one observed the year-earlier quarter.

Our net debt ended March at MXN 703 billion, which includes now MXN 116 billion in former lease payments that were capitalized under IFRS 16, as you can see in the chart.

In the first quarter, our capital expenditures totaled MXN 28 billion, and were partly funded by new debt. We paid MXN 6.3 billion for Telefonica's operation in Guatemala and contributed MXN 5.9 billion to our pension funds.

We made changes in our income statement brought about by the introduction of IFRS 16 as summarized in the following table. There are now new depreciation, as you can see the amount of cost and expenses is reduced by MXN 7.1 billion. We have now [indiscernible] (12:15) EBITDA by the same amount and there are now new depreciation charges of MXN 5.9 billion, an incremental financing cost of MXN 2.1 billion, all of which result in a reduction of net income of MXN 782 million. So, here is the bridge between the prior methodology which is IAS 17 to the new accounting standards which is IFRS 16. Okay. So, this is summarized in the table right before you.

The new leverage metrics would be 2.27% – I'm sorry, 2.27 times which is if we were to annualize the first quarter EBITDA which is the only one that we have under IFRS 16 or it would be 2.08 times if a new metric is introduced which is one that is now utilized very much in the industry which is called EBITDA AL, EBITDA After Leases which means that the change in accounting standard brings our – and increasing the leverage metrics of approximately 0.2 times.

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2019-04-30
 Event Description: Q1 2019 Earnings Call

Market Cap: 937,956.31
 Current PX: 14.11
 YTD Change(\$): +.14
 YTD Change(%): +1.002

Bloomberg Estimates - EPS
 Current Quarter: 0.218
 Current Year: 1.027
 Bloomberg Estimates - Sales
 Current Quarter: 256132.750
 Current Year: 1033149.625

Using our previous methodology and considering the EBITDA of the prior 12 months, not only this quarter annualized, but last 12 months, the metric was 1.95 times as shown in the chart. Okay, so we've increased it slightly from 1.88 times at the end of last year to 1.95 times in the first quarter, basically to do with the seasonality of our cash flow which tends to be – to require more working capital in the first quarter and which tends to give it back in the next quarters and particularly in the fourth quarter, okay. So, using the prior methodology, as we can see the net debt-to-EBITDA ended up March in 1.95 times.

So, with this, I would like to give the floor back to Daniel. And maybe we can give you the questions – the Q&A session. Thank you all.

Daniel Hajj Aboumrad

Thank you, Carlos.

Daniela Lecuona Torras

We're ready to take the first question.

Q&A

Operator

Okay. [Operator Instructions] As a reminder, we ask you to please limit yourself to one question and one follow-up question. We will pause for just a moment to compile the Q&A roster. Your first question comes from the line of Rodrigo Villanueva with Merrill Lynch. Your line is open.

<Q - **Rodrigo Villanueva Bravo**>: Yes. Thank you. Good morning, Daniel, Carlos, Daniela. My first question is related to wireless prices in Mexico. I was wondering with now that AT&T decided to raise prices in a significant way from the second quarter of this year, you would be in a position to do the same. And if so, if you could please quantify the potential increase and when would it be effective. Thank you.

<A - **Daniel Hajj Aboumrad**>: Good morning, Rodrigo. Well, I think Mexico is – in the wireless side, is becoming a little bit more rational. Prices were very low in the last years, a lot of promotions. And I think competitors last year stabilized a little bit some prices and the promotions, and our competitor increased prices in April. We increased also prices in the prepaid segment. We'll reduce the duration of the card – of the MXN 100 card. It's a very important card for us. We've reduced from 17 to 15. And also, we increase our low end plans around 4% – 3% to 4%, so we start on that and we're going to see how the market behaves. And of course, we're open to do more things, but what we want to see how those – the market is behaving and the demand it's having. What I can tell you also in Mexico data usage is going up, still we're growing in data usage. We're putting the network. Our network is giving very good speeds, very good quality. We are very good also in number portability, so we're gaining in number portability. Our ARPUs are still growing, so I think all overall our wireless segment in Mexico is doing very good. So, we are willing to increase prices as we do it and we want to see how the market is behaving.

<Q - **Rodrigo Villanueva Bravo**>: Understood. Thank you very much, Daniel. And my second question is related to the recent acquisition of Nextel Brazil. Could you please give us an update on the potential date for the transaction to close? And also, if you could please help us quantify potential synergies, that would be very helpful. Thank you.

<A - **Daniel Hajj Aboumrad**>: Well, I think the process is going. I think that we can close the deal in the fourth quarter of this year, end of third quarter or fourth quarter of this year. What we do, I think it's very important, is an in-market consolidation. We are not looking for acquisitions but this acquisition as the Nextel acquisition is giving us a good subscriber's in the main cities in Brazil, in Rio de Janeiro, in São Paulo give us a lot of spectrum, so we can have

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2019-04-30
 Event Description: Q1 2019 Earnings Call

Market Cap: 937,956.31
 Current PX: 14.11
 YTD Change(\$): +.14
 YTD Change(%): +1.002

Bloomberg Estimates - EPS
 Current Quarter: 0.218
 Current Year: 1.027
 Bloomberg Estimates - Sales
 Current Quarter: 256132.750
 Current Year: 1033149.625

a better network savings on CapEx with more spectrum. They have good people. And I think all overall is very important for the market to consolidate and does not [indiscernible] (18:51) and instead of having five competitors to have four competitors. So, I think all overall is good. We don't – I don't have the number specifically on what is going to be the synergies, but the synergies are very important in terms of spectrum and subscribers, so we have very good subscribers in there.

<Q - **Rodrigo Villanueva Bravo**>: Okay. Understood. Thank you, Daniel.

<A - **Daniel Hajj Aboumrad**>: On OpEx, of course, we can reduce the big part of the operating OpEx on – we have the same towers, we can reduce the number of towers, we can reduce a lot of savings, energy. There is a lot of things that we can reduce in the operating side. So, makes a lot of sense for América Móvil to do that. We have been doing very good in the wireless side also in Brazil, growing faster than our competitors, growing ARPU, minutes of used, data. So, our network is the best network in Brazil. So, I think makes a lot of sense to do the Nextel deal.

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

<A - **Daniel Hajj Aboumrad**>: Thank you.

<A - **Oscar Von Hauske Solís**>: Thank you, Rodrigo.

Operator

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

<Q - **Matthew Niknam**>: Hey, guys, thank you for taking the questions. Just two if I could, maybe to go back to the last question and maybe just expand on the margin opportunity both in Mexico and Brazil. I think Mexico, obviously, Carlos, you'd called out some onetime items, but maybe if we sort of look past that, how should we think about the pacing of margin expansion on a comparable basis this year both in Mexico and Brazil? And then, secondly just in terms of leverage, you mentioned sort of you're at 1.95 times under the sort of prior methodology. How should we think about leverage targets and where you'd like to get to? Any updates there that you can provide? Thanks.

<A - **Daniel Hajj Aboumrad**>: Well, in Mexico, we said that we want to increase our margin like 1 points to 2 points this year, and we are on target. As Carlos said, we have so – in Mexico specifically, we have some things on the revenue side. We are – as we talk a little bit about the wireless segment in the fixed, we are increasing speeds, we're giving unlimited voice in the fixed side. So, it had been more competitive and more aggressive this market, and we're putting a lot more network, more fiber-to-the-home. So, we're investing a lot in the fixed side. And I think we're going to get more revenue in the broadband side – in the fixed-broadband side in Mexico. We have some one-offs like some fines that – we have one fine that we have with the IFD that we paid, there are some legal disputes that we have and other ones that we have, that's one-off that we have. And of course, some costs that are increasing, energy in Mexico is increasing a lot, so despite of the cost that we have been increasing. But all overall, I think in the mobile side, we're doing very good and looks like for this year, it's going to be better. And in the fixed side, I think it's going to be a little bit more aggressive and we're looking for good customers. So, for more fixed-broadband customers, we're investing a lot on fiber-to-the-home. And that's more or less how we see the market in Mexico. And on...

<A - **Carlos José García Moreno Elizondo**>: I think on – for the leveraged metrics, I think that we can continue to look at the old numbers, so the old net debt to EBITDA. We will continue to post the EBITDA under the old methodology and the debt under the old methodology. So that, we can keep it very clear, and very simple, where we are not changing our target. So, 1.5 times net debt-to-EBITDA under the prior methodology. Okay?

<Q - **Matthew Niknam**>: Thank you.

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

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2019-04-30
 Event Description: Q1 2019 Earnings Call

Market Cap: 937,956.31
 Current PX: 14.11
 YTD Change(\$): +.14
 YTD Change(%): +1.002

Bloomberg Estimates - EPS
 Current Quarter: 0.218
 Current Year: 1.027
 Bloomberg Estimates - Sales
 Current Quarter: 256132.750
 Current Year: 1033149.625

Operator

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

<Q - Walter Piecyk>: Thanks. My first question is for Carlos. I think the CapEx expectation is MXN 8.5 billion for the year. I wonder if that's on target and if you could comment on – as a result, incremental free cash flow, thought process on share repurchase and/or dividends over the course of the year.

And then, for Daniel, in the U.S. market, your margins were down in 2018 and looks like get down again in the first quarter. When you think about the U.S. strategically, if there's an opportunity to add scale and buy an existing large prepaid customer base to add to Tracfone, I mean, I'm specifically thinking of the Sprint, T-Mobile is required to divest their boost business for prepaid. Is that something that would be of interest to you? Or alternatively, if you could get a sale of that to like T-Mobile or AT&T at a decent EBITDA multiple, which way strategically do you think makes more sense for América Móvil going forward? Thank you.

<A - Daniel Hajj Aboumrاد>: Well, I'm going to start on the U.S. Just to let you know, you said that we reduce our margin this year against last year and last year against 2017. Just to – on what we do on 2018, we start to grow. So 2017, what we decide is check on the growth of the company and the subscribers, and that's the reason why we have a very good EBITDA margin.

In 2018, we start to grow. And in 2019, we start growing very good, we have a soft first quarter because of the tax, it was softer than expected, the tax return season. So, that's why we don't grow more, but I think in April we are growing more. But we have budget on EBITDA in U.S. that is a little bit higher than \$600 million and we are on target on that. We feel that we accomplished that and this EBITDA is with more growth than what we had last year. So, I think in Tracfone, we are doing good. We are developing the market. Prepaid is doing also – we are better than some of our bigger carriers in the U.S. They have released the numbers. And in Tracfone, we're doing good in the first quarter. So, we are good.

You said about the remedies on T-Mobile and Sprint, we are open to see what would be the alternatives. And we're happy with this company and how Tracfone is evolving.

<A - Carlos José García Moreno Elizondo>: On the CapEx, we are sticking through our MXN 8.5 billion CapEx for the year, that's the budget. The dividend that was approved by the Shareholders Assembly in the last several weeks is MXP 0.35 per share. So, that's already been defined.

And I think that other than the [indiscernible] (27:23) transaction that we have is [indiscernible] (27:26) so far with Telefonica and Nextel. I think the intent is actually to keep on with this impact. Okay. So, we are very [indiscernible] (27:35) going to be tracking our goal of 1.5 times net debt-to-EBITDA, continues to be a priority. We've discussed this with the rating agencies. We've discussed this with our fixed income investors in the context of our – the – our placing coupons issued in the market a few days ago. So, I think that we are very much intent on continue to bring our leverage down.

<Q - Walter Piecyk>: Thanks, Carlos.

<A - Daniel Hajj Aboumrاد>: And just to finish with a Tracfone, EBITDA, I think margins – I think that this year, we're going to have around the same EBITDA of last year with a better growth than what we have last year. So, I think we are improving and this year is going to be an improved on Tracfone against last year.

<Q - Walter Piecyk>: Understood, Daniel. Can I just have one quick follow-up on that? Does it ever make sense...

<A - Daniel Hajj Aboumrاد>: Yes.

<Q - Walter Piecyk>: ...to be a network owner in Mexico, are you happy just remaining as an MVNO?

<A - Daniel Hajj Aboumrاد>: In Mexico?

<Q - Walter Piecyk>: I'm sorry, in the U.S. In the U.S. Sorry.

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2019-04-30
 Event Description: Q1 2019 Earnings Call

Market Cap: 937,956.31
 Current PX: 14.11
 YTD Change(\$): +.14
 YTD Change(%): +1.002

Bloomberg Estimates - EPS
 Current Quarter: 0.218
 Current Year: 1.027
 Bloomberg Estimates - Sales
 Current Quarter: 256132.750
 Current Year: 1033149.625

<A - Daniel Hajj Aboumrad>: Yes. No, no, no it makes – doesn't make sense for us to be getting less, it's – we're happy to be an MVNO. We are – the company is doing very good and we still want to be an MVNO. Well, of course, if there's a possibility of buying more subscribers, not the network subscribers, would be good, and we're open to think about it.

<Q - Walter Piccyk>: Thank you.

<A - Daniel Hajj Aboumrad>: Our capacity, no, but we don't want to own the network in the U.S.

<Q - Walter Piccyk>: Understood. Thank you.

<A - Daniel Hajj Aboumrad>: Thank you.

Operator

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

<Q - Diego Aragao>: Yes. Thanks. Good morning, Carlos, Daniel, Daniela. Thank you for taking my question. First, about Mexico, you mentioned on the release that you had some onetime items impacting EBITDA this quarter. So, I was wondering if you can quantify the total amount of these items, so we can properly calculate the business performance in Mexico. And separately, if you can comment about the overall business performance in the country as numbers in the first quarter implied some deceleration on a sequential basis. This is my first question. Thank you.

<A - Daniel Hajj Aboumrad>: Okay. The one-offs that we have, we calculated, it's around MXN 400 million is what we have in Mexico. The one-offs that we have in Mexico are around MXN 400 million is what we have. And as I'd say, to talk a little bit about the develop of the Mexican market, as I said in the wireless side looks good. I think looks more rational the competition. You never know with the competitors, but looks like everybody wants to be a little bit more rational and some price increases of our competition, some price increases from us. So, things are going in the right direction and we're still having a good data usage going on, good network in the wireless side. A lot of postpaid, I think we're going to be the leaders by far in adding postpaid customers in Mexico. So, things are going very good in the wireless side in the Mexican market. On the fixed, we think there is a good room to grow where there is still a lot of broadband that we have still to grow in the market. In the TV side, prices are too high. So, I think there's still room to do something in the PayTV market and that we're investing in our networks not only on the wireless, also on the fixed-broadband – fiber-to-the-home. So, I think we – these things are not one day to the other one, but we're investing and we're doing good things in the market. So, we can see in the future a better result in the fixed-broadband market.

<Q - Diego Aragao>: Perfect. Thank you.

<A - Daniel Hajj Aboumrad>: I think the other side also in the fixed side, we have a big reduction on the voice. On voice, we have – but we – the voice is still going down and down. So, there's no more room to go down in voice. So, this is finished. So, that's also some good news. Our voice is going down and down. So, long distance, we don't have any more long distance. So, things that are not going good in the right direction are disappearing. So – and in the other side, we have a very good room in the fixed-broadband side. So, that's how I see the Mexican market.

<Q - Diego Aragao>: That's excellent. Thank you. Just to clarify the MXN 400 million is net impact on EBITDA, right?

<A - Daniel Hajj Aboumrad>: Yes.

<Q - Diego Aragao>: Okay. Perfect.

<A - Daniel Hajj Aboumrad>: Yes.

<Q - Diego Aragao>: Yeah. Thank you for that. So, just – and second, just a follow-up on the recent deals in LatAm. I mean you acquired assets from Telefonica in Central America and also the deal were to buy Nextel in Brazil. And I

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2019-04-30
 Event Description: Q1 2019 Earnings Call

Market Cap: 937,956.31
 Current PX: 14.11
 YTD Change(\$): +.14
 YTD Change(%): +1.002

Bloomberg Estimates - EPS
 Current Quarter: 0.218
 Current Year: 1.027
 Bloomberg Estimates - Sales
 Current Quarter: 256132.750
 Current Year: 1033149.625

understand you do not want to disclose some synergies numbers. But I was wondering if you can just share what will be the timing for you to reach, let's say, a run rate of the expected synergies for those deals above 100 – let's say, of 100%. Also, would you consider further acquisitions in the LatAm region? Thank you.

<A - **Daniel Hajj Aboumrad**>: I think the – what we do is that we were not – as I said, we were not looking to do some acquisitions, but these three acquisitions that we do specifically Guatemala, El Salvador and Nextel in Brazil are in market consolidations give us a lot of the spectrum in all the three acquisitions and good costumers. And I think to do all the synergies while it takes around 18 months to two years, 24 months. So, that's more or less the time that takes you to do all the synergies in the – in each of the countries. Guatemala, we already closed in February, so we are in the process of doing that. Everything is going well. And we hope that El Salvador, we closed the deal at the beginning of the third quarter, I think we can do that. And as I said, Nextel could be in the fourth quarter. So, that's more or less what we have to do and the time that takes is more or less 18 to 24 months the time to do – really to do the synergies that we need to.

<Q - **Diego Aragao**>: Excellent. Thank you.

<A - **Oscar Von Hauske Solís**>: Thank you.

<A - **Daniel Hajj Aboumrad**>: Next question.

Operator

Yes, your next question comes from the line of Maria Azevedo with UBS. Your line is open.

<Q - **Maria Tereza Azevedo**>: Hi, everyone. Thank you for the call. My first question would be on your commercial strategy in Brazil. Following the Nextel acquisition, do you see room to raise prices in that market as well now that you have a higher postpaid market share? Or do you think you can still leverage on your network and spectrum advantage and be a little bit more aggressive to increase data usage and even get a higher postpaid market share?

<A - **Daniel Hajj Aboumrad**>: Well, I don't understand when you talk a little bit about our convergence strategy, but our convergence strategy is very clear. We are going to do all the synergies between the fixed and the mobile. We have been doing that for the last three years, the network, commercial. We have packages, the combo package that we have in Brazil. So, all of these things we start. And as with the new spectrum that we could get with Nextel acquisition, of course, we can have more data, more speed and also we can save some money in CapEx because if you have more spectrum, then you don't have to put so much CapEx. So, there is a lot of things that we could do and – but we have our word convergence strategy going forward and doing very good in Brazil. And also what we can have is with more spectrum, of course, you get better quality, more speed. And I think in Brazil, still data is going to grow a lot. In all Latin America, data is going to grow a lot. So, spectrum is important to do.

<Q - **Maria Tereza Azevedo**>: Perfect. Thank you. And as a follow-up question, I'd like to touch a bit on 5G. Can you please comment on what are your expectations in terms of 5G auction that is expected to happen in 2019, and if your CapEx budget is already considering 5G investments for the coming years? Thank you very much.

<A - **Daniel Hajj Aboumrad**>: Well, I think 5G is not – it's not – CapEx that we're putting this year in 2019 has part of 5G. We are doing the...

<A - **Oscar Von Hauske Solís**>: Fiber.

<A - **Daniel Hajj Aboumrad**>: ...fiber-to-the-node. We're doing the virtualization of the networks. We're buying some spectrum in some countries, so all of that we are doing through this year. I think we're going to do some testings in some countries this year, but I think 5G in América Móvil is going to start to be in 2020. It's not going to be in 2019. So, some opportunities are on the spectrum for 5G, could be in Argentina, Chile, Guatemala, Honduras, Panama, Paraguay, Peru and Austria that we just closed the option, I think it was on February or March we closed the option on Austria. So, Austria is going forward, I think the country that it's more advancing 5G is going to be Austria and I think we can get some countries – some cities in Austria by the end of 2019 in 5G. So, that's more or less where we are. So...

Company Name: America Movil
Company Ticker: AMXL MM
Date: 2019-04-30
Event Description: Q1 2019 Earnings Call

Market Cap: 937,956.31
Current PX: 14.11
YTD Change(\$): +.14
YTD Change(%): +1.002

Bloomberg Estimates - EPS
Current Quarter: 0.218
Current Year: 1.027
Bloomberg Estimates - Sales
Current Quarter: 256132.750
Current Year: 1033149.625

<Q - **Maria Tereza Azevedo**>: Perfect. Thank you very much.

<A - **Oscar Von Hauske Solís**>: Thank you.

Operator

Your next question comes from the line of Carlos Legarreta with GBM. Your line is open.

<Q - **Carlos Antonio de Legarreta Diaz**>: Hi, thank you. Good morning. Just two very brief questions, just the first one on the first quarter, you mentioned a fine of MXN 2.5 billion, we believe were disclosed. I want to know what the status of that is, please.

<A - **Daniel Hajj Aboumrاد**>: No, what we've said is that we have one-offs in Mexico at around MXN 400 million, okay, not billion. It's MXN 400 million one-offs in Mexico, okay, for the first quarter.

<Q - **Carlos Antonio de Legarreta Diaz**>: No, I'm sorry, that's very clear. But on the first – on the fourth quarter, there was a disclosure of a fine that was imposed of around MXN 2.5 billion, if I recall it correctly. I understand it hasn't been paid, you guys are still giving it.

<A - **Daniel Hajj Aboumrاد**>: Yeah. It's being...

<Q - **Carlos Antonio de Legarreta Diaz**>: What I would like to know is...

<A - **Daniel Hajj Aboumrاد**>: It's being contested in court, yeah. Yes, it's what we have in the fourth quarter and it's a fine and it's being contested in court. So, that's nothing to do – nothing related to this.

<Q - **Carlos Antonio de Legarreta Diaz**>: Okay, that's very clear. Thank you. And just to follow up, if I may. Just on – in Mexico, I'm still trying to make sense of the slowdown in service – in wireless service revenue growth. I mean, you guys are like you said still growing ARPU, improving the mix postpaid versus prepaid. So, I want to know how can we understand what's making or explain this acceleration.

<A - **Daniel Hajj Aboumrاد**>: It's a – remember that we – I think in 2016, we have a big reduction on revenue because of the big promotions that we have, and every year we have been growing. So, we cannot grow at the same pace as to the last years because we came from another base of revenues. This base is 2018, we have a good growth. And still 2019 is higher than what we had in 2018. Also, if you are comparing against fourth quarter, remember that the Christmas promotions are very important, so there are growth in revenues. People has more money and people spend more. But what I can tell you is that people use this data, it's still consuming more and more. And as promotions get more stable and we don't have to do big promotions in their markets, I think revenues can grow faster.

<A - **Oscar Von Hauske Solís**>: Yeah. I think there's something to be said, Carlos, about changing the accounting standard to IFRS 16 and this is – it's because it's difficult to look at year-on-year comparisons because then you have – you end up with different bases. So, I think that maybe [indiscernible] (42:13) we have these numbers, so we can look at the actual [indiscernible] (42:20) on a common basis of absolute numbers. But looking at growth rates, we can't [indiscernible] (42:28). So, maybe we can maybe share with you the – what it looks like in absolute terms, so that we can have a better idea of the real [indiscernible] (42:38) that we are having.

<A - **Daniel Hajj Aboumrاد**>: And I think a lot of that prepaid subscribers are going to use more and more data and convert to a postpaid or use more in the prepaid side. So, still in Mexico and in the rest of Latin American countries, I think we still have a lot to do in that. So, people is going to use more data and if were available to charge for that data with the reasonable promotions, revenues have to go up, the ARPU has to go up. So, still there is a lot. As I said before, still broadband – fixed-broadband is still a long way to go. There's still a lot of subscribers that needs that fixed-broadband service. Still, I think that a lot of the prepaid subscribers are going to need more and more data. And if we have these reasonable promotions, then it's going to grow – we have a good revenue growth.

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2019-04-30
 Event Description: Q1 2019 Earnings Call

Market Cap: 937,956.31
 Current PX: 14.11
 YTD Change(\$): +.14
 YTD Change(%): +1.002

Bloomberg Estimates - EPS
 Current Quarter: 0.218
 Current Year: 1.027
 Bloomberg Estimates - Sales
 Current Quarter: 256132.750
 Current Year: 1033149.625

<Q - **Carlos Antonio de Legarreta Diaz**>: Thank you very much. And just very quickly, given that there's more money in the pockets of some citizens in Mexico, have you seen an increase in the take-up or the recharge – the average recharge in prepaid?

<A - **Daniel Hajj Aboumrads**>: I don't have the numbers here, but yes, I think there's going to be more money in Mexico. It's going to be – there're really a impact, where eventually it's going to impact our prepaid subscribers. They're talking a lot about giving money to the old people, to the young people and that's a nice thing. That will make a more spending in the prepaid side. So, I'm sure that eventually we could have more, more people using more and spending more in the prepaid side.

<Q - **Carlos Antonio de Legarreta Diaz**>: That's great. Thank you very much.

<A - **Daniel Hajj Aboumrads**>: Thank you.

Operator

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

<Q - **Ernesto González**>: Hi. Thank you for taking my question. I just have – well, two quick questions. The first one is a moment ago you mentioned that this year's EBITDA in the U.S. should be similar to last year but with higher growth. The similar EBITDA, do you mean EBITDA margins, or if it in absolute terms?

<A - **Carlos José García Moreno Elizondo**>: No, I'm talking about absolute terms, our budget is to grow more – to have a little bit more than \$600 million in EBITDA, and I think we are going to have that EBITDA this year.

<Q - **Ernesto González**>: Very clear. Thank you.

<A - **Daniel Hajj Aboumrads**>: I'm sure that we're going to grow more than what we've had as in last – to have better numbers in terms of costumers this year than last year.

<Q - **Ernesto González**>: Great. Thank you. And just my second question, if we could talk a bit about mobile service revenue trends in Brazil. We've seen a slowdown in year-over-year growth. Could you please tell us what you're seeing in the market? Thank you.

<A - **Daniel Hajj Aboumrads**>: Well, we talked a little bit about Brazil, I think the economic situation in Brazil is going at a little bit more slowly than what everybody is expecting. So, the recovery in Brazil is taking a little bit more time on what everybody is suspecting, and that's also related to this. So, we're strong. I think we are being the leaders in net adds, the leaders in service revenue in the wireless segment. And I think we have a very good network, we have good promotions. I think our brand is getting better and good – very good image in our brand. So, I think, all the work that we have been doing for the last three years is getting better. We have doing good investments in the network, in 4G, in 4.5G. We have the best speeds in the market. So, we are very competitive not only in price, we are competitive in everything there. So, also we have a very good fixed network, so the convergence is going well, where combos are doing excellent. So, in Brazil, I think this year we can have a very good year. So, I don't know exactly how fast is going to be the recovery in Brazil. But the recovery is going good, we're going to take advantage of that recovery.

<Q - **Ernesto González**>: Great. Thank you.

<A - **Oscar Von Hauske Solís**>: Thank you.

Operator

Your next question comes from the line of Ric Prentiss with Raymond James. Your line is open.

<Q - **Ric Prentiss**>: Yeah. Hi. I want to come back to the U.S., if I could for a moment. When you mentioned better customers in 2019 than 2018, do you expect to have net ads positive for the year or just less of a loss?

Company Name: America Movil
 Company Ticker: AMXL MM
 Date: 2019-04-30
 Event Description: Q1 2019 Earnings Call

Market Cap: 937,956.31
 Current PX: 14.11
 YTD Change(\$): +.14
 YTD Change(%): +1.002

Bloomberg Estimates - EPS
 Current Quarter: 0.218
 Current Year: 1.027
 Bloomberg Estimates - Sales
 Current Quarter: 256132.750
 Current Year: 1033149.625

<A - **Daniel Hajj Aboumrاد**>: We separate the Straight Talk and of these – and the SafeLink, I think in SafeLink that as a – the customers that are the lifeline customers that we have. I think we're going to have much less negative ads, so much less than what we have last year. And in the other ones, all the other ones, I think we're going to have positive this year and much better than last year.

<Q - **Ric Prentiss**>: Makes sense. It seems to be that you're having quite a good success with the Straight Talk brand in the United States. How do you think that's being positioned and is that really the strength of the growth?

<A - **Daniel Hajj Aboumrاد**>: Yeah. Straight Talk is one of our main brand and it has been very competitive and very well position in the U.S. market. So, as a prepaid brand, it's doing very good. Also, we have other two or three brands, Simple Mobile is doing very good.

Walmart Family Mobile is doing also very good. So, these brands are going to do very good this year. I mean they are doing good. And the SafeLink, that is the lifeline program, is going to have much less reductions than what we have last year. It's the way we're seeing the market.

<Q - **Ric Prentiss**>: That's great.

<A - **Oscar Von Hauske Solís**>: ARPU has increased nearly 7% year-on-year in the years which goes to show how well the company has positioned itself particularly with Straight Talk.

<A - **Daniel Hajj Aboumrاد**>: Straight Talk has, I think the main program that we have is around \$40. So, it's a very good program and I think we're having a new one of \$50 unlimited. So, it's a very good, very, very good program, the Straight Talk

<A - **Oscar Von Hauske Solís**>: And also the Simple, yeah.

<Q - **Ric Prentiss**>: Great. Thank you.

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

Operator

Thank you. Your last question comes from the line of Valder Nogueira with Santander. Your line is open.

<Q - **Valder Nogueira**>: Hi. Good day, guys. You have been doing a decent job in defending your market share in broadband and fixed-line broadband in Brazil. I believe part of it, of course, is the strength of your network, but also the bundling that you have put forward for the features that the group has in Brazil. Now, my question comes from the sense that part of the competition has come from the so-called regional players, some of them with radios, some of them with fiber and the local ISPs. Do you guys intend to increase your CapEx in fiber or go through M&A including fiber assets? How do you plan to continue well defending these such important market share in Brazil?

<A - **Oscar Von Hauske Solís**>: Yes. You are totally right. What we've been seeing in the market is that they are called smart players. They are taking share – very important share in the fixed-broadband. I think they have like a 20%, 21% of market share and they are really dispersed across all over Brazil. They are using micro ways in some cases, cable in other cases. We believe that – when you look at the market to get in the cities that we have the network, we've been doing pretty well in market share and that's winning the ultra-broadband. I mean we are the leaders in ultra-broadband in Brazil. We believe that maybe get into that market it could be with wireless proposal more than go to fix that is really expensive to go all those regions. So, you are totally right, it's a market that they are growing. I think we will have a room to get there and to compete against these low players.

<Q - **Valder Nogueira**>: Oscar, does it make sense for you to form partnerships with some of these players?

<A - **Oscar Von Hauske Solís**>: Yes. They are only delivering broadband. We've been talking with them to offer combo packages adding PayTV as a mobile as well. It makes sense to do that as well.

Company Name: America Movil
Company Ticker: AMXL MM
Date: 2019-04-30
Event Description: Q1 2019 Earnings Call

Market Cap: 937,956.31
Current PX: 14.11
YTD Change(\$): +.14
YTD Change(%): +1.002

Bloomberg Estimates - EPS
Current Quarter: 0.218
Current Year: 1.027
Bloomberg Estimates - Sales
Current Quarter: 256132.750
Current Year: 1033149.625

<Q - Valder Nogueira>: Okay.

<A - Oscar Von Hauske Solís>: A commercial agreement with them.

<Q - Valder Nogueira>: Okay. And do you believe we should begin seeing numbers on this or is this just...

<A - Oscar Von Hauske Solís>: No. No. We are in the [indiscernible] (52:33) but you are totally right, we are getting closer to them to get our commercial agreements with some of them.

<Q - Valder Nogueira>: Thanks, Oscar.

<A - Oscar Von Hauske Solís>: Thank you.

Operator

Again, I would now like to turn the call over to Mr. Daniel Hajj for final remarks.

Daniel Hajj Aboumrad

Thank you, everybody, for being on the call. And thank you, Daniela, Carlos, Oscar. Thank you very much.

Carlos José García Moreno Elizondo

Adios.

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 2019, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.