Actinver

MAXCOM, S.A.B. DE C.V.

Very weak 1Q12 as EBITDA declines 18% YoY, below expectations

April 27, 2012

☐ Change in Recommendation ☐ Change in T.P. ☐ Change in Estimates ☑ Quarterly Review ☐ Other

Maxcom presented very weak operating results with a much larger-than-expected 18% EBITDA contraction (we forecasted a flat EBITDA). Following these quarterly results, we are reiterating our SELL recommendation and we are reducing our year-end 2012E target price from MN 3.90 to MN 3.10. These were the main points of the report:

- **Weak top line growth due to the wholesale business.-** Maxcom'a sales declined 7%, which was below the flat revenue growth that we predicted. The main difference was a lower-than-expected performance in the wholesale business with a 5% sales reduction which was below the 35% increase that we anticipated. The other businesses had a poor performance as we broadly anticipated: sales were down 6% in the local business, 29% in public telephony and flat in commercial.
- **Slightly higher subscriber base.-** Maxcom achieved nearly 13 thousand net additions (above the 7 thousand that we predicted) in the quarter which boosted the number of revenue generating units by 2% YoY to 562 thousand.
- **Margins contracted despite lower mobile termination rates.-** We believe that Maxcom has started to transfer the reduction in MTR's to its final customers. This explains why the EBITDA margin contracted to 30.3% in 1Q12, from 34.4% in 1Q11.
- **Positive net profit.-** Maxcom registered a positive MN 98 million net profit in 1Q12 (vs. last year's MN 33 million) on the back of FX gains which more than offset the poor operating performance;
- **Higher cash reserves on a sequential basis.-** Cash reserves increased to MN492 million in 1Q12, vs. MN413 million in 4Q11 as the company did not have to pay the coupon on its 2014 Senior Notes;
- **Leverage continues to increase gradually.-** The net debt to EBITDA ratio was 3.1x at the end of 1Q12, which compares unfavorably against last year's level of 2.9x and 4Q11's figure of 3.0x.

MULTIPLES	2011	2012E	2013E	2014E	2015E
EV/EBITDA	4.0x	3.8x	3.9x	3.9x	3.9x
P/E	(1.5x)	(5.0x)	(2.9x)	(2.5x)	(2.4x)
FCF Yield	12.8%	(6.4%)	8.4%	4.9%	6.2%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%
P/BV	0.3x	0.3x	0.3x	0.3x	0.4x
OPERATING INDICATORS	**2011**	**2012E**	**2013E**	**2014E**	**2015E**
Sales	2,376	2,391	2,414	2,439	2,467
EBITDA	803	801	804	804	817
Net Profit	(536)	(164)	(281)	(324)	(339)
EPCPO	(P$ 2.04)	(P$ 0.62)	(P$ 1.07)	(P$ 1.23)	(P$ 1.29)
Net Debt	2,417	2,253	2,296	2,341	2,405
Sales Growth	(8%)	1%	1%	1%	1%
EBITDA Growth	21%	(0%)	0%	0%	2%
EBITDA Margin	33.8%	33.5%	33.3%	33.0%	33.1%
Net Debt / EBITDA	3.0x	2.8x	2.9x	2.9x	2.9x
RETURNS	**2011**	**2012E**	**2013E**	**2014E**	**2015E**
ROIC	2%	2%	2%	2%	2%
ROE	(6%)	(8%)	(9%)	(11%)	(12%)
ROA	(3%)	(4%)	(4%)	(5%)	(5%)

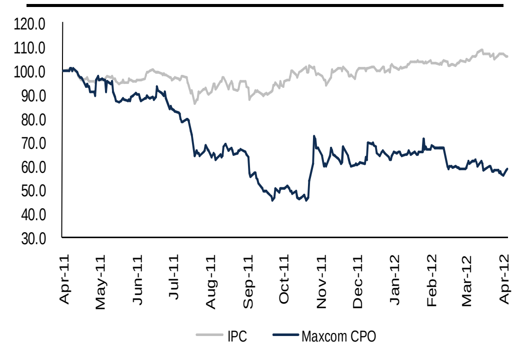
Source: Actinver

SELL

Ticker	**MAXCOM CPO**
Price Target	**MXN 3.10**
Last Price	**MXN 3.09**
Expected Return	**0.3%**
2012E Div. Yield	**0.0%**
Total Return	**0.3%**
Mkt. Cap. (Mn)	MXN 814
Ent. Value (Mn)	MXN 3,067
LTM Price Range	MXN 2.38 - 5.44

Stock performance

Maxcom vs. IPC (Apr. 2011 - Apr. 2012)



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Total Expected Return on any security under coverage includes dividends and/or other forms of wealth distribution expected to be implemented by the issuers, in addition to the expected stock price appreciation or depreciation over the next twelve months based on our analysts' price targets. Analysts uses a wide variety of methods to calculate price targets that, among others, include Discounted Cash Flow models, models based on expected risk-adjusted multiples, Sum-of-Parts valuation techniques, break-up scenarios and relative valuation models.

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Terms such as "price targets, our price targets, total expected return, analyst's price targets" or any other similar phrase are used in this document as complementary to our recommendation or as a condition that could change in our point of view and, according to article 188 of Securities Market Act, do not imply in any way that Actinver, its agents, or its related companies are in any form providing assurance or guarantee, nor assuming any responsibility for the risks associated with any investment in the discussed securities.

Recommendations for companies, both in the Índice de Precios y Cotizaciones (IPyC) Index and also not belonging to the index.
For stocks, we have three possible recommendations:

a) BUY, b) HOLD or c) SELL. A stock classified as **BUY** is expected to yield returns at least 5% above than that of the IPyC Index. Stocks rated as **HOLD** are expected to yield returns similar to the IPyC Index, within a range of +5/-5%. Many of the companies within this range are often times solid companies which have reached their potential in a short amount of time and should still be considered as a good investment. Stocks rated as **SELL** are expected to yield returns below 5% of the IPyC Index.

Rating Distribution as of December 21, 2011

All Companies in the BMV
BUY: 70%
HOLD: 22%
SELL: 8%

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