

Company: American Tower	Ticker: AMT	Current Price: \$ 142.74	Industry: Real Estate - REIT
Target Price: \$160	TTM P/E: 52.24	Beta: 0.71	Market Cap: \$58.94B
Stop Loss: \$116.82(15%)	Forward P/E: 38.93	Credit Rating: BBB- (S&P)	Avg Vol (3M): 2.49m
52 Week High/ Low: \$155.28 / \$108.02	EPS: \$2.00	Rating Outlook: Stable	Dividend Yield: 2.00%

Company Background:

American Tower Corp. is the largest independent owner, operator and developer of wireless telecom and broadcast towers. AMT operates as a real estate investment trust (REIT) for tax purposes, this status exempts them from federal income tax. Their primary business is the leasing of space on communications sites to wireless service providers, radio and television broadcast companies, wireless data providers, government agencies and municipalities and tenants in a number of other industries. AMT owns/operates 40,414 sites in the U.S (59% of revenue), and 104,470 sites overseas; Asia (14% of revenue), Europe and the Middle East (9% of revenue) and Latin America (17% of revenue). AMT services the following providers: **U.S.:** AT&T, Verizon Wireless, Sprint and T-Mobile US accounted for an aggregate of 88% of U.S. property segment revenue. **Asia:** TATA, Idea Cellular, Vodafone and Bharti Airtel Limited ("Airtel") accounted for an aggregate of 66% of Asia property segment revenue. **EMEA:** Airtel and MTN Group Limited accounted for an aggregate of 70% of EMEA property segment revenue. **Latin America:** Telefónica, AT&T, Telecom Italia and Nextel International accounted for an aggregate of 71% of Latin America property segment revenue.

Industry Outlook: (Source: JP Morgan 11/17)

JP Morgan analyst updated estimates for American Tower, Crown Castle and SBA Communications after earnings and a meeting with Crown Castle management in November, 2017. The tower companies already see increasing macro tower activity in the US and we expect acceleration in 2018 from FirstNet and Sprint, though they currently include only a small level of acceleration from these two in our 2018 estimates. The termination of merger talks between Sprint and T-Mobile removes a substantial overhang on the tower stocks, and analysts expect steady activity from T-Mobile and a pick-up from Sprint to levels not seen in 4+ years. Verizon continues to be active and AT&T appears to be prepared to ramp once the FirstNet licenses transferred at the end of this year.

Investment Thesis: (Source: JP Morgan 11/17)

American Tower, with its scale, conservative financial position, and focus on profitability, has been the most stable tower company and offers an attractive risk/reward. International opportunities could drive higher returns in comparison to those in domestic markets, and the company has diversified into 12 countries already, with no country but the US and India accounting for more than 10% of revenue. AMT expects organic tenant billings growth of >6.5% for domestic and ~25% for international, for a total growth rate of ~13%. JP Morgan estimates 2017 property revenue of \$6.55b (up14.6% y/y), adj. EBITDA of \$4.09b (up 15.2% y/y) and AFFO/share of \$6.29 (up12.6%). American Tower spent \$500m to purchase urban telecom assets in Mexico including more than 50,000 concrete poles and ~2,100 route miles of fiber. Additionally, the company seems more interested in the US small cell landscape as well, but specifically does not believe that it needs to buy or own fiber assets. Finally, the company also did large US macro deals, buying ~500 towers in two deals at low-mid 20's times TCF

Investment Risks:

Foreign operations are subject to economic, and political risk; increasing competition for tenants in the tower industry may materially and adversely affect revenue; foreign operations are subject to economic, political and other risks that could materially and adversely affect our revenues or financial position, including risks associated with fluctuations in foreign currency exchange rates; expansion initiatives involve a number of risks and uncertainties, including those related to integrating acquired or leased assets; new technologies or changes in a tenant's business model could make tower leasing business less desirable and result in decreasing revenues; leverage and debt service obligations may materially and adversely affect AMT's ability to raise additional financing to fund capital expenditures, future growth and expansion initiatives and to satisfy distribution requirements; A substantial portion of revenue is derived from a small number of tenants.

Most recent quarter financial highlights (October 31, 2017):

Organic Tenant Billings Growth sustained at over 6% in the U.S.; Continued solid activity across diverse international footprint; Consolidated AFFO per Share growth of 16%; expanded ROIC 0.7% vs. prior year; Grew common stock dividend per share by ~20% over prior-year period; Repurchased ~\$750 million in shares year to date; Expect to drive compelling combination of growth and yield while maintaining investment-grade balance sheet with laddered maturities and net leverage below 5x; Anticipate continued annual common dividend growth of at least 20%; Dynamic capital deployment program focused on investments in sustainable growth with excess capital returned to shareholders via share repurchases; Multi-year network deployments such as FirstNet in U.S. and Red Compartidain Mexico expected to support long-term growth trajectory.

Financial Performance:

Millions USD	2013	2014	2015	2016	2017	2018 Est	2019 Est
Revenue	3,361.4	4,100.0	4,771.5	5,785.7	6,652.3	7,120.7	3,361.4
Operating Income	1,214.3	1,486.9	1,612.8	1,853.0	2,236.1	2,486.2	1,214.3
Net Income	590.0	804.5	674.5	848.1	1,286.9	1,565.4	590.0
Revenue Growth %	16.9	22.0	16.4	21.3	15.0	7.0	16.9
EBITDA%	59.93	60.75	60.74	58.40	59.93	61.34	61.79
Operating Income %	36.1	36.3	33.8	32.0	33.6	34.9	36.1
Net Income Margin	17.6	19.6	14.1	14.7	19.3	22.0	17.6
D/E	403.29	358.72	255.02	229.73	233.38	255	271
EPS	1.38	2.00	1.41	1.98	2.80	3.00	3.30
PE Ratio	54.04	49.21	60.66	53.45	48.52	39.92	
Current Ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ROE	15.51	23.26	14.82	17.95	15.51	n/a	n/a
ROA	3.21	3.97	2.84	3.31	3.21	n/a	n/a
Dividend P/S	1.10	1.40	1.81	2.17	2.64	3.17	1.10
FFO P/S	3.15	4.19	4.10	5.10	6.13	7.08	n/a

Discounted Cash Flow

	2012-16	2018-22
Avg Revenue growth	18.81%	24%
Avg EBITDA Margin	60.23%	62%
Avg Net Income Margin	17.91%	18%
Avg Debt/Equity	296.87%	290%
Avg FCF / EBITDA Margin	66%*	72%*
Cost of Debt		3.8%
Tax Rate		13.27%
Cost of Equity		8%
WACC		6.9%
Perpetuity growth rate		3.5%

Analyst Opinion Source: Bloomberg

Buy:23	Hold: 2	Sell:0
Target Price Range	153-177	Avg. 160.84

* Unlevered FCF & Adjusted EBITDA

Relative Valuation

	AMT	Crown Castle	Equinix	Weyerhaeuser	Digital Realty	Industry Median*
P/E	50.85	99.65	99.83	29.49	89.58	49.4
P/B	11.41	4.22	5.23	2.99	2.52	2.71
Dividend Yield	2%	3.65%	2.08%	3.60%	3.80%	3.82%
Revn Grth	21.25%	11.08%	20.94%	13.06%	14.74%	10.18%
NI Grth	19.95%	-21.33%	5.61	-50.82%	-22.55%	9.44%
Operating Margin	33.39%	21.68%	19.33%	26.11%	16.02%	27.79%
Debt / Equity	233.38%	130.96%	147.16%	70.73%	77.89%	97.82%
Market Cap	60.84B	43.39B	30.11B	26.28B	20.96B	6.02B
Revenue TTM	6.5 B	4.36B	4.37B	7.2B	2.46B	869.55M
Net Income TTM	1.3B	465.4M	300.85M	892.8M	257.2M	176.99M
FCF TTM	2.09B	816.11M	-34.57M	782.00M	-100.16M	11.30M

Total Return (TRA FUNCTION BLOOMBERG)

	AMT	REIT Index	S&P 500
YTD	-.025%	-7.86%	1.64%
2017	37.80%	8.69%	19.33%
Last 3 Years	53.06%	11.25%	40.56%
Last 5 Years	106.45%	49.92%	83.8%

CSR Characteristics

	AMT	Industry
Governance Disclosure Score	51.79	51.79
ESG Disclosure:	21.07	16.12
Social Disclosure Score	17.54	15.79
Environmental Disclosure Score	9.30	24.03

Data: Bloomberg data of FY 2016 (CSR)

* Resource: Bloomberg, Value Line - Prepared by John Lundeen 2/27/2018