



**AMERICAN TOWER®**

## American Tower Corporation

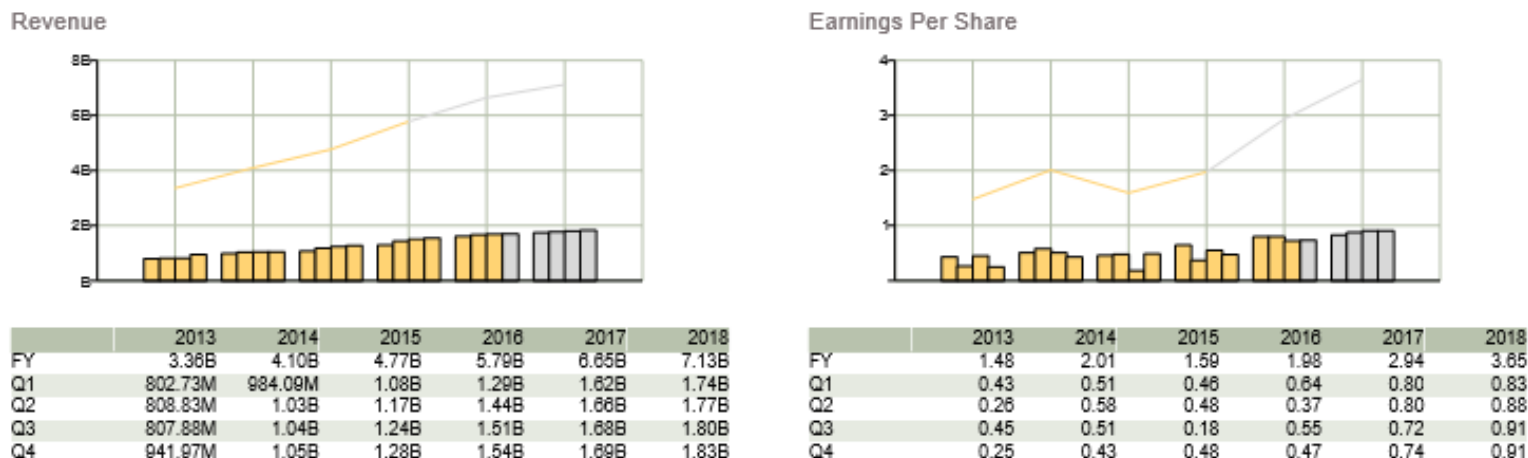
Logan Clemment & Garret Clemment  
Telecommunications, Real Estate, Utilities

### Introduction

American Tower Corporation is a real estate investment trust that owns, operates, and develops wireless communications and broadcast towers in the United States. The company leases antennae sites on on multi-tenant towers for a diverse range of wireless communication industries, including personal communications services, paging, and cellular. The company rents space on towers and rooftop antenna systems to wireless carriers and radio and TV broadcasters who use the infrastructure to enable their services. It operates about 40,000 wireless towers in the US (accounts for about 60% of revenue), and more than 108,000 throughout the rest of the world. The company's vision is to make wireless communication possible everywhere. American Tower's portfolio additionally includes approximately 800 Distributed Antenna System networks used mainly for indoor communications (malls, casinos, hospitals etc.). They also offer tower-related services such as site acquisition, structural analysis to determine support for additional equipment, and zoning and permitting management services. American Tower is led by its Chief Executive Officer James D. Taiclet Jr. and is headquartered in Boston Massachusetts.

Issue Data		Per Share Data	
~ Last Px	USD/144.07	EPS	2.00
P/E	51.6	DPS	2.17
Dvd Ind Yld	1.9%	* Bk Val Per Sh	11.98
* P/B	12.02	Rev/Bas Sh	13.61
P/S	9.5	FAD PS Prim	5.80
Px to FFO Rt	24.5	EBITDA/Sh	2.31
* Mkt Cap	61,785.3M	* Curr Shares Out	428.9M
FFO Yld	4.1%		

Px/Chg 1D (USD)	144.07/+1.6%
52 Wk H (11/08/17)	155.28
52 Wk L (12/07/16)	100.88
YTD Change/%	38.39/36.33%
Mkt Cap USD	61,785.3M
Shrs Out/Float	428.9M/427.8M
SI/% of Float	6.9M/1.6%
Days to Cover	3.2



## Recommendation

We are recommending a **BUY** rating to American Tower Corporation for several reasons. American Tower Corp has experienced explosive growth in both revenue and net income over the past several years. Analysts are predicting that this growth is only going to continue for several reasons. This growth has mainly been driven by the rising demand of wireless products around the world. American Tower has noticed this trend of wireless demand in emerging markets and has implemented a very strong strategy of expanding in many different countries. Additionally, as we mentioned in our sector presentation, American Tower is the top constituent in the real estate sector and they are also the largest wireless tower investment company. With this being said, we believe that this gives them a competitive advantage when implementing their strategy of expanding globally. Another reason why we believe that American Tower is undervalued is because of the continued growth of the wireless communications sector. The mobile phone started out as simply a talk and text device and since grown to a multifunctional necessity capable of internet access, entertainment, travel, health monitoring, document delivery and personal documentation among countless other functions. This growth in technology has resulted in a 92% compound annual growth rate (CAGR) in mobile data usage from 2006-2016. Lastly, the race for 5G capability has a positive impact on American Tower because this will increase demand for tower and cell sites. Analysts are predicting that this technology will be available starting in 2018.

## Investment Thesis

1. **Global Expansion** – American Tower is currently in the process of expanding globally. In 2016 American Tower spent about \$1.4 billion on acquisitions to expand its global tower portfolio. Recently, in November 2017 they have announced an agreement to acquire tower businesses from Vodafone India and Idea Cellular. This transaction brought in an additional 20,000 telecommunications sites throughout India, costing them about \$1.2B. The average remaining non-cancellable contract term within these towers for both Vodafone and Idea Cellular is 5

years. They have also have a pending transaction within Mexico to purchase over 50,000 concrete poles and 2,100 route miles of primarily aerial urban fiber. Both of these transactions are expected to enhance long-term cash flow growth.

2. **Growing wireless communications sector** – The telecommunications sector specifically the use of cell phones and other wireless communications products have grown tremendously since 2006 (the first iPhone was released in 2007). With this being said, data usage and the need for cellphone towers have also experienced large amounts of growth. Since 2006, there has been a CAGR of 92% in data usage in the United States. We also think it is important to mention that tower leasing costs in the U.S have decreased at a 40% CAGR. In turn, this allows American Tower to invest in new tower equipment and technology such as carrier aggregation to support this exponential growth in mobile data traffic.
3. **Technological Upgrades** – The race for 5G technology has started to crowd over the telecommunications sector. This has a large impact on American Tower's position because this will increase demand for cell tower tenants as wireless communications companies are always looking to expand their networks. Many analysts are predicting that this new technology will be arriving to the U.S market starting in 2018. Also, this new idea titled, "Internet of Things" has been gaining a lot of popularity as of late. Many new products ranging from security cameras for your house, to television streaming services such as Netflix or Hulu require the use of data. All of which, increases the demand for American Tower Corporation's towers.

## Valuation

We have created a 5 year DCF model for American Tower Corp. We took an average of a discount rate between 9.5 and 8.5%, an EBITDA multiple average of 19.7 and 21.7x, which gave us an average fair value of \$169.03. The fair value range is between \$156.72 and \$181.75 therefore, our fair value of \$169.03 offers a 14% upside.

## Risks

1. **Global economic risk** – American Tower does face risk within its developing markets simply because these economies are not as strong as some others that they have in their portfolio. However, American Tower has long term lease structures to enhance its cash flow growth.
2. **Problems in India** – There has recently been some consolidation between telecommunications companies within India. Some of the companies that American Tower had as clients have now combined with larger Indian companies that do not operate on AMT's towers. However, they have recently announced an agreement with Vodafone and Idea Cellular, both of which operate in India, to purchase approximately 20,000 tower sites. This will help combat the loss of customers with the consolidation of other companies. Management has also expressed that these consolidations will help the health of the longer term leasing environment within India.
3. **52 Week High** – Their stock price did reach its 52 week high on November 8, 2017. However, analysts are predicting that their stock price will continue to rise especially with their strategic

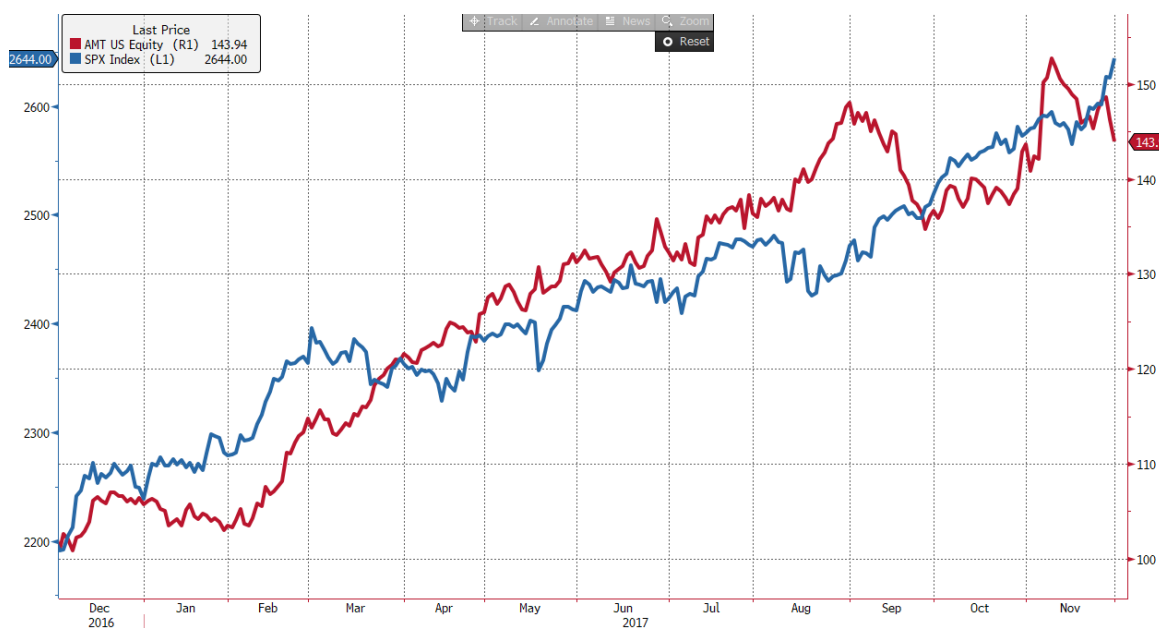
efforts to expand globally. There is currently 25 analysts following this stock and 23 vote buy and 2 vote hold.

## Management

James D. Taiclet, Jr. has served as the President and Chief Executive Officer for American Tower Corporations since February 2004. Prior to joining American Tower, he served as the President of Honeywell Aerospace Services. He has also held positions with United Technologies Corporation, McKinsey & Company, and also the United States Air Force. Tom Bartlett is the current Chief Financial Officer and Executive Vice President and has held this position since April 2009. Prior to joining American Tower, Bartlett had a 25 year career with Verizon Communications where he was the Senior Vice President and Corporate Controller.

## Stock Chart of Past Year Performance





## Peer Analysis

Ticker	Name	Mkt Cap	Last Px	EBITDA T12M	EPS - 1 Yr Gr LF	P/E
None (6 securities)						
Median	Median	11,808.25	110.09	883.22	12.86	39.80
AMT US Equity	AMERICAN TOWER CORP	61,751.03	143.99	3,796.82	25.00	51.61
CCI US Equity	CROWN CASTLE INTL CORP	45,844.08	112.84	2,208.17	-15.38	90.13
SBAC US Equity	SBA COMMUNICATIONS CORP	19,904.68	169.34	1,129.86		153.41
DY US Equity	DYCOM INDUSTRIES INC	3,320.66	107.33	384.64	-42.59	28.00
MTZ US Equity	MASTEC INC	3,711.81	44.85	636.58	12.86	15.22
PRIM US Equity	PRIMORIS SERVICES CORP	1,440.82	28.01	168.34	344.44	24.03

## Ownership of Shares

### Insider vs Institutional/Mutual Funds

Inst Holdings   OWN »	
# of Inst. Owners	1,534
Shares Owned	438.75M
Shares Out/Float	102.3%/102.6%
# of Buyers/Sellers	531/521
Shares Sold	7.88M
Insider Holdings   OWN »	
% Held by Insiders	0.25%
Net change last 6M	0.79%

### Top Shareholders

Top Holders   HDS »	
VANGUARD GROUP	6.81%
BLACKROCK	6.16%
WELLINGTON MANAGEMENT GROUP LLP	5.20%
T ROWE PRICE GROUP INC	5.00%
STATE STREET CORP	4.18%
FMR LLC	3.80%
CAPITAL GROUP COMPANIES INC	2.48%