

AMERICAN TOWER CORPORATION (NYSE: AMT)

(as at May 31, 2020)

Business Description:

American Tower Corporation is a real estate investment trust (REIT), which owns, operates and develops multi-tenant communications real estate. It operates through the following segments: U.S. Property, Asia Property, Europe Property, Africa Property, Latin America Property and Services. The U.S. Property segment operates in the United States. The Asia Property segment refers to the operations in India. The Services segment offers tower-related services in the United States, including site acquisition, zoning & permitting services and structural analysis services. The company was founded in 1995 and is headquartered in Boston, MA.

Investment Thesis:

- **Favourable long-term tenant leases.** The company has tenant leases with an initial non-cancellable term of five to ten years with multiple renewal terms. Most of the tenant leases have provisions that periodically increase the rent due under the lease, typically annually, based on a fixed escalation percentage or an inflation index in international markets, or a combination of both.
- **The company possesses large growth potential.** The portfolio of communications properties provides organic growth potential due to the capacity to add new tenants and new equipment for existing tenants on sites.
- **Strong capital allocation drives future long-term returns.** The company has relatively low maintenance capital expenditures, which allows for a majority of capital investments to be made towards growth-orientated projects.

Industry Drivers/Trends: Telecommunications REIT:

- The industry is experiencing a rapidly growing usage of mobile data and other wireless services, which is being met with a corresponding amount of capital investment by members of the wireless industry. We believe that this will generate consistent demand for American Tower's communications sites.
- The industry is highly competitive. Site location and capacity, network density, price, quality and speed of service have been, and we believe will continue to be, significant competitive factors.

Competitive Advantages:

- Established tenant relationship
- High lease renewal rates
- High operating margins
- Low maintenance capital expenditures

Competitors:

- CenturyLink Inc., Duke Realty Corporation., CatchMark Timber Trust, Inc., Power REIT

Customers:

- Global multi-national telecommunications companies including AT&T Inc., Verizon Communication Inc., Airtel Africa PLC, Vodafone Group PLC

Barriers to Entry:

- **Long-term Tenant Leases** – With much of the leases being non-cancellable for 5 years or more, it is hard for new entrants to take away market space from incumbents who have already gained the network within an area.
- **Established Relationship** – Many customers are multi-national large telecommunications companies. This poses as a barrier to entry due to the reluctance from customers to switch providers.
- **Asset Heavy** – Each network communication site requires heavy capital investment to build out. This upfront cost discourages new entrants within this industry.

Officers and Directors:

Thomas Bartlett, President & Chief Executive Officer; **Rodney Smith**, Executive VP, Treasurer & Chief Financial Officer; **Edmund DiSanto**, Secretary, Chief Administrative Officer & EVP; **James Taiclet**, Executive Chairman.

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Financial Summary:

Income Statement (USD millions, years ended December 31st)

	2015	2016	2017	2018	2019
Revenue	4,680.4	5,713.1	6,565.9	7,314.7	7,464.9
Operating Expenses	(3,158.7)	(3,932.6)	(4,665.5)	(5,535.1)	(4,891.9)
Operating Income (EBIT)	1,612.8	1,853.0	1,998.4	1,905.0	2,688.4
Profit before Tax	830.0	1,125.9	1,256.1	1,154.6	1,916.4
Net Profit	672.0	970.4	1,225.4	1,264.7	1,916.6
EPS (Diluted)	1.41	1.98	2.67	2.77	4.24
Dividend per Share	1.81	2.17	2.62	3.15	3.72

Balance Sheet

Total Assets	26,904.3	30,879.2	33,214.3	33,010.4	42,801.6
Long-Term Debt	17,068.8	18,294.7	19,430.3	18,405.1	27,638.0
Total Equity	6,651.7	6,763.9	6,241.5	5,336.1	5,055.4

Statement of Cash Flow

Cash Flows from Operations	2,166.9	2,701.7	2,925.6	3,748.3	3,752.6
Cash Flows from Investing	(7,741.7)	(2,102.3)	(2,800.9)	(2,749.5)	(3,987.5)
Cash Flows from Financing	5,593.1	(99.3)	(113.0)	(607.7)	521.7

Key Ratios and Figures (%)

EBIT Margin	34.5%	32.4%	30.4%	26.0%	36.0%
Net Leverage Ratio	5.2x	4.7x	4.7x	3.5x	4.6x

Source: American Tower Corporation Annual Report 2019; Wall Street Journal



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