

American Tower Corp(AMT)

\$236.63 (As of 05/04/20)

Price Target (6-12 Months): **\$248.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/26/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: F

Growth: C

Momentum: C

Summary

American Tower's better-than-expected results for first-quarter 2020 were supported by decent organic tenant billing growth and higher property revenues. However, amid the coronavirus-led volatility in foreign currency exchange rates, the company lowered the 2020 outlook. Mobile-data usage growth, 4G densification and 5G technology are spurring demand for its telecom towers. Therefore, this will likely continue to support the company's leasing activities and organic tenant billings growth over the long term. Moreover, it is expanding its international presence, which opens up new areas of growth. Additionally, shares of American Tower have outperformed the industry over the past year. However, consolidation trends in the telecom sector is concerning for the company. Furthermore, stiff competition in the tower industry is a headwind.

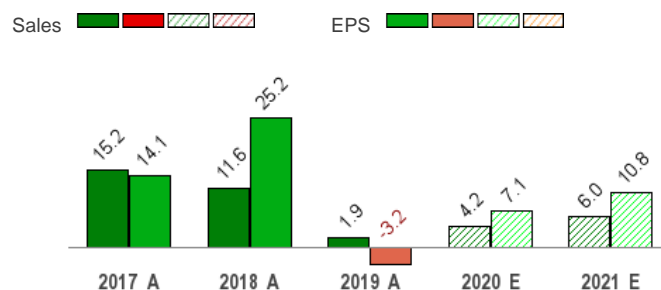
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$260.43 - \$174.32
20 Day Average Volume (sh)	2,108,006
Market Cap	\$104.8 B
YTD Price Change	3.0%
Beta	0.44
Dividend / Div Yld	\$4.32 / 1.8%
Industry	REIT and Equity Trust - Other
Zacks Industry Rank	Top 31% (79 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	3.9%
Last Sales Surprise	-0.4%
EPS F1 Est- 4 week change	-3.1%
Expected Report Date	07/29/2020
Earnings ESP	0.5%
P/E TTM	29.3
P/E F1	28.6
PEG F1	1.8
P/S TTM	13.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,129 E	2,086 E	2,110 E	2,114 E	8,377 E
2020	1,993 A	1,953 E	1,976 E	1,973 E	7,900 E
2019	1,813 A	1,890 A	1,954 A	1,924 A	7,580 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$2.31 E	\$2.25 E	\$2.29 E	\$2.27 E	\$9.17 E
2020	\$2.12 A	\$2.04 E	\$2.08 E	\$2.05 E	\$8.28 E
2019	\$1.84 A	\$2.01 A	\$2.00 A	\$1.95 A	\$7.73 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 05/04/2020. The reports text is as of 05/05/2020.

Overview

Boston, MA-based American Tower Corporation is a leading independent operator of wireless communications towers in the United States, Brazil, Mexico, India and Chile. American Tower leases antenna space on its towers to wireless service providers as well as to radio and television broadcast companies. The company's major customers include AT&T, Sprint, T-Mobile and Verizon Wireless. T-Mobile and Sprint completed the merger on Apr 1, 2020, creating the New T-Mobile.

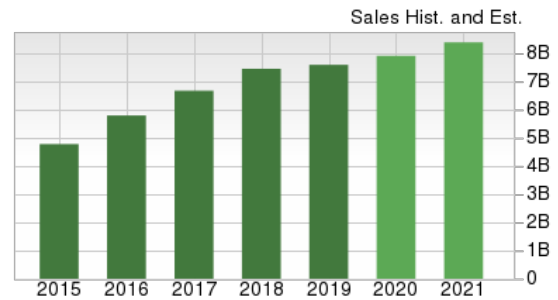
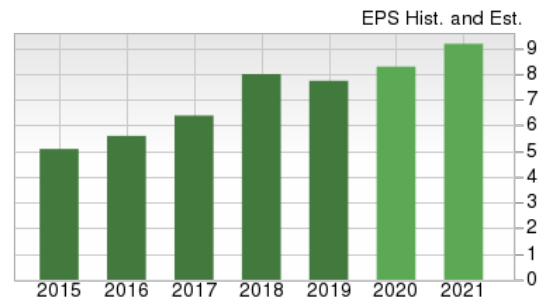
As of Mar 31, 2020, American Tower's communications real estate portfolio included approximately 41,000 properties in the United States and 139,000 internationally.

On May 19, 2011, the board of directors of American Tower approved the steps necessary to reorganize the company to qualify as a Real Estate Investment Trust (REIT) for tax purposes. American Tower became a REIT on Jan 1, 2012. A REIT has to pay at least 90% of its taxable income to shareholders in the form of dividend every year.

American Tower reports in two segments:

- **Property Segment** (98% of total revenues in 2019): The property segment includes the following regional segments: (i) Asia, (ii) Europe, Middle East and Africa ("EMEA") (iii) Latin America and (iv) The United States.
- **Services Segment** (2%): This segment offers tower-related services, including site acquisition, zoning and permitting, and structural analysis services, which primarily support the company's site-leasing business, including the addition of new tenants and equipment at sites.

Note: All EPS numbers presented in this report represent funds from operations ("FFO") per share. FFO, a widely used metric to gauge the performance of REITs, is obtained after adding depreciation and amortization and other non-cash expenses to net income.



Reasons To Buy:

- ▲ Secular growth in mobile data usage is a global phenomenon and amid this, colocation levels and demand for communications real estate will likely grow over the long term. In fact, amid ongoing 4G transitions, carriers across the company's footprint are increasing their 4G network deployments. Further, with the advent of technologies, especially 5G and Internet of Things (IoT), there are solid prospects for growth of American Tower. Moreover, the merger between T-Mobile and Sprint is likely to accelerate the deployment of multiple band spectrums, including a number of mid-band assets. Further, the increased pace of nationwide 5G coverage requirements related to this move will likely boost demand for tower space.
- ▲ The company's core tower business continues to drive solid revenue growth globally. Moreover, organic new business, contributions from new assets and lower churn are likely to buoy International Property Revenue growth in the current year. In addition to organic growth, efficiencies throughout business will likely drive margin improvements.
- ▲ Moreover, American Tower is ramping-up its investments in international business. The company is strengthening its global footprint through acquisitions. During the first quarter, it shelled out around \$49 million to purchase 193 communications sites, primarily in international markets. The company also made substantial efforts to integrate portfolios acquired at 2019 end. Such efforts augur well for long-term growth.
- ▲ American Tower has a resilient and stable business model. The company generates most of its revenues from long-term (typically 5-10 year) tower leases with major wireless carriers. In addition, the company provides on-site maintenance and servicing of antennas, amplifiers, and base station equipment. Since moving equipment from one tower to another is cumbersome, carriers normally renew these contracts upon expiration. This generates a strong long-term lease up-cycle. The revenues generated from leasing and management of such networks is substantial and around 95% is recurring in nature. Moreover, most of its towers are over 210 feet tall, thus allowing sufficient space for its customers to install transmission equipment, thereby enabling the company to accommodate more tenants.
- ▲ Although American Tower's total debt/total capital ratio has been deteriorating over the past few quarters, the company has a robust operating platform and ample liquidity to support its debt servicing. Its consistent adjusted EBITDA margins, double-digit revenue growth and favorable return on invested capital indicate the strength in its core underlying business and support its ability to manage its near-term obligations. For the quarter, its net leverage ratio was at 4.6, in line with its historical levels. As of the March-quarter end, it had \$4.2 billion of total liquidity, consisting \$1.3 billion in cash and cash equivalents, and availability of \$2.9 billion under its revolving credit facilities (net of any outstanding letters of credit). Further, in April, the company bolstered its liquidity position (on pro-forma basis) to \$5.4 billion by completing a one-year term loan. Finally, as of first-quarter end, the company enjoyed investment-grade credit rating of BBB-, BBB+ and Baa3 as well as a stable outlook from S&P Global Ratings, Fitch and Moody's, respectively.
- ▲ American Tower has a disciplined capital-allocation strategy and remains committed to increase shareholder value through dividend hikes. The company has consistently increased its quarterly dividends since 2012. In fact, its average annual dividend per share has witnessed growth of more than 20% since 2012. In December 2019, the company announced a 6.3% sequential hike to \$1.01 in fourth quarter dividends. Given its financial strength and lower dividend payout (as compared to its industry), the company's dividend distribution is expected to be sustainable. Further, during first-quarter 2020, it repurchased nearly 213,000 shares of common stock under its stock repurchase program for around \$45 million. From the end of first quarter through Apr 22, it repurchased around additional 48,000 shares of for approximately \$10 million, with almost \$2 billion remaining under its current stock repurchase programs. Such moves also boost investors' confidence in the stock.

American Tower will benefit from increased investment of wireless carriers in 4G LTE and 5G networks. Solid business model fundamentals and prudent capital-allocation strategy augur well for growth.

Reasons To Sell:

- ▼ Customer concentration is high for American Tower, and AT&T, Verizon Wireless, Sprint and T-Mobile US are its top four customers, accounting a total of 89% of the company's U.S. property segment revenues in 2019. Notably, the pending merger between T-Mobile and Sprint impacted the company's new business activity levels in first-quarter 2020. The loss of any of these customers or consolidation among them leads to material impact on the company's top line.
- ▼ The ongoing consolidation trend among telecom and cable TV operators is likely to affect American Tower's profitability. In fact, the accelerated Indian carrier consolidation-driven churn due to the bankruptcy of Aircel has emerged as a headwind for the company and is likely to affect its property revenues in the near term.
- ▼ American Tower faces stiff competition in its industry for new business and asset acquisitions. In fact, the company competes with several tower companies, such as Crown Castle International Corp. and SBA Communications Corporation, as well as other wireless carrier tower companies, broadcasters and owners of non-communications sites. Given the solid growth potential, competition is expected to intensify in the upcoming period from existing players, as well as the entry of new players. The increased competition is likely to increase pricing pressure for American Tower.
- ▼ American Tower is rapidly expanding in the international markets, especially in the emerging Asian and Latin American markets. Although this geographic diversification will boost revenues, it may affect the bottom line. Tower operations in the emerging markets are not as profitable as that in the mature U.S. market. Further, the ongoing coronavirus pandemic have resulted in volatility in foreign currency exchange rates. In fact, the company has lowered its 2020 outlook to reflect the unfavorable impacts of foreign currency exchange rate fluctuations.
- ▼ In the past year, shares of American Tower have outperformed the industry it belongs to. During the period, shares of the company have gained 23.1% against its industry's decline of 11.6%. However, estimates for 2020 FFO per share for the company have seen a marginal downward revision over the past month. Therefore, given the above mentioned concerns and southward estimate revisions, the stock has limited upside potential.

High tenant concentration, ongoing consolidations in the industry, impacts of unfavorable forex fluctuations and stiff competition from other tower companies are hurdles to growth for American Tower.

Last Earnings Report

American Tower Q1 AFFO Tops Estimate, Revenues Up Y/Y

American Tower reported first-quarter 2020 adjusted funds from operations (AFFO) per share of \$2.12, beating the Zacks Consensus Estimate of \$2.04. Further, the reported figure improved 15.2% year over year.

The company's consolidated AFFO results include the impacts of a non-recurring cash interest expense charge of \$63 million, resulting from the purchase of MTN's stake in each of the joint ventures in Ghana and Uganda. The company now owns the full ownership of the operations.

The company generated total revenues of \$1.99 billion, which narrowly missed the Zacks Consensus Estimate of \$2 billion. Nonetheless, the figure improved 9.9% year over year.

The company witnessed decent organic tenant billing growth. However, results were adversely impacted by Indian carrier consolidation-driven churn and non-recurrence of the Tata settlement, leading to an overall reduction in Indian contracted tenant revenues.

Quarter in Detail

Adjusted EBITDA in the reported quarter was \$1,271 million, up 14.1% from the prior-year quarter. Adjusted EBITDA margin was 63.8% in the first quarter of 2020. Operating income was \$736.8 million compared with the \$614.9 million reported in the year-ago quarter.

During the first quarter, the company spent around \$49 million to acquire 193 communications sites, primarily in international markets.

Cash Flow and Liquidity

In the first quarter of 2020, American Tower generated \$800 million of cash from operating activities, up 1.9% year over year. Free cash flow during the period was \$575 million, up 3.7% year over year.

At the end of the first quarter, the company had \$4.2 billion of total liquidity. This comprised \$1.3 billion in cash and cash equivalents, and availability of \$2.9 billion under its revolving credit facilities (net of any outstanding letters of credit).

Property Segment

Quarterly revenues grossed \$1,973 million, up 10.5% year over year. Operating profit was \$1,306 million and operating profit margin was 66% during first-quarter 2020.

In the Property segment, revenues from the United States totaled \$1,090 million, up 10.5% year over year. Further, total international revenues amounted to \$883 million, up 10.5% year over year.

Within this, revenues from Asia totaled \$287 million, edging down 0.8% year over year. Africa revenues grossed \$226 million, up 56.6% year over year, while Europe revenues of \$35 million improved 3% from the year-ago period. Latin America revenues totaled \$337 million, improving 1% year over year.

Services Segment

Quarterly revenues totaled \$20 million, down 27.4% year over year. Operating profit was \$9 million and operating profit margin was 44% during the March-end quarter.

Outlook

The company has revised its 2020 guidance on forex headwinds. In fact, for 2020, American Tower anticipates property revenues of \$7,675-\$7,825 million, suggesting growth rate of 3.8% at the mid-point. Adjusted EBITDA is projected to be \$4,920-\$5,020 million, indicating a mid-point growth rate of 4.8%. Consolidated AFFO is estimated to be \$3,600-\$3,700 million, suggesting a mid-point expansion of 3.7%.

Quarter Ending **03/2020**

Report Date	Apr 29, 2020
Sales Surprise	-0.41%
EPS Surprise	3.92%
Quarterly EPS	2.12
Annual EPS (TTM)	8.08

Recent News

American Tower Informs About Succession in Management – Mar 16, 2020

American Tower recently announced that Jim Taiclet would be succeeded by Tom Bartlett as president and chief executive officer, effective immediately. Previously, Bartlett had served as vice president and chief financial officer of the organization for over a decade.

The company also announced that Rodney M. Smith will assume the role of executive vice president, chief financial officer and treasurer. Notably, Smith has been with the company for over a decade, also serving as chief financial officer of the U.S. Tower Division.

American Tower Closes Eaton Towers Buyout, Agree to Acquire JV Stakes From MTN - Jan 2, 2020

American Tower announced closing the acquisition of Eaton Towers Holdings Limited for a total consideration, subject to certain post-closing adjustments, of around \$1.85 billion. This also included existing Eaton Towers' debt assumption. The move led to addition of approximately 5,700 communications sites to the company's African portfolio.

American Tower also disclosed agreement with MTN Group Limited for acquisition of MTN's minority stakes in each of the company's joint ventures in Ghana and Uganda.

Dividend Update

On Mar 13, American Tower announced a quarterly cash distribution of \$1.08 per share on its common stock. The dividend was paid out on Apr 29 to the shareholders of record as of Apr 14, 2020.

Valuation

American Tower's shares have been up 23.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector declined 11.6% and 22.0% in the past year, respectively.

The S&P 500 index is down 3.7% in the past year.

The stock is currently trading at 26.97X forward 12-month FFO, which compares to 16.5X for the Zacks sub-industry, 14.85X for the Zacks sector and 20.16X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 48.79X and as low as 14.72X, with a 5-year median of 19.48X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$248 price target reflects 28.27X FFO.

The table below shows summary valuation data for AMT.

Valuation Multiples - AMT					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	26.97	16.5	14.85	20.16
	5-Year High	48.79	18.1	16.18	20.16
	5-Year Low	14.72	14.32	11.24	15.19
	5-Year Median	19.48	16.04	13.94	17.44
P/S F12M	Current	13.01	7.26	4.98	3.19
	5-Year High	13.96	8.14	6.7	3.44
	5-Year Low	6.55	5.91	4.98	2.54
	5-Year Median	8.4	6.87	6.06	3.01
P/B TTM	Current	25.79	2.41	2.08	3.75
	5-Year High	28.29	3.01	2.9	4.55
	5-Year Low	5	1.8	1.71	2.84
	5-Year Median	8.59	2.51	2.53	3.64

As of 05/05/2020

Industry Analysis Zacks Industry Rank: Top 31% (79 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Crown Castle International Corporation (CCI)	Neutral	3
CyrusOne Inc (CONE)	Neutral	3
Digital Realty Trust, Inc. (DLR)	Neutral	2
Equinix, Inc. (EQIX)	Neutral	3
Iron Mountain Incorporated (IRM)	Neutral	3
SBA Communications Corporation (SBAC)	Neutral	3
CorEnergy Infrastructure Trust, Inc. (CORR)	Underperform	3
Uniti Group Inc. (UNIT)	Underperform	4

Industry Comparison Industry: Reit And Equity Trust - Other				Industry Peers		
	AMT	X Industry	S&P 500	CCI	SBAC	UNIT
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Underperform
Zacks Rank (Short Term)	3	-	-	3	3	4
VGM Score	D	-	-	D	C	D
Market Cap	104.81 B	1.89 B	19.65 B	65.73 B	32.29 B	1.31 B
# of Analysts	6	4	14	5	4	1
Dividend Yield	1.83%	4.78%	2.19%	3.04%	0.64%	8.88%
Value Score	F	-	-	F	F	C
Cash/Price	0.01	0.04	0.06	0.01	0.00	0.11
EV/EBITDA	28.99	12.93	11.76	28.24	31.56	1.42
PEG Ratio	1.78	3.57	2.48	1.66	NA	NA
Price/Book (P/B)	25.78	1.15	2.63	6.49	NA	NA
Price/Cash Flow (P/CF)	28.39	9.20	10.38	26.92	35.96	2.84
P/E (F1)	28.58	13.13	18.81	25.67	30.94	3.77
Price/Sales (P/S)	13.51	4.32	2.02	11.25	16.03	1.23
Earnings Yield	3.50%	7.56%	5.07%	3.89%	3.23%	26.48%
Debt/Equity	6.91	0.87	0.73	2.30	-2.68	-0.04
Cash Flow (\$/share)	8.34	2.03	7.01	5.86	8.02	2.38
Growth Score	C	-	-	B	A	F
Hist. EPS Growth (3-5 yrs)	12.81%	2.43%	10.87%	8.02%	NA	-2.48%
Proj. EPS Growth (F1/F0)	7.12%	-1.34%	-8.14%	7.98%	9.84%	-13.94%
Curr. Cash Flow Growth	9.58%	3.36%	5.88%	10.48%	17.05%	-5.21%
Hist. Cash Flow Growth (3-5 yrs)	15.15%	12.74%	8.55%	10.82%	6.55%	NA
Current Ratio	0.57	1.52	1.25	0.47	0.32	0.04
Debt/Capital	87.35%	46.61%	44.07%	69.73%	NA	NA
Net Margin	24.55%	15.18%	11.00%	15.59%	7.30%	0.84%
Return on Equity	35.63%	4.35%	16.43%	8.39%	-4.24%	-0.60%
Sales/Assets	0.19	0.13	0.55	0.15	0.21	0.22
Proj. Sales Growth (F1/F0)	4.04%	0.44%	-1.76%	2.57%	4.34%	3.03%
Momentum Score	C	-	-	B	A	B
Daily Price Chg	1.04%	-1.29%	-0.01%	0.84%	0.61%	1.58%
1 Week Price Chg	-4.26%	4.30%	0.53%	-3.22%	-6.22%	4.97%
4 Week Price Chg	0.62%	8.35%	6.66%	6.04%	3.98%	19.98%
12 Week Price Chg	-2.90%	-30.86%	-20.38%	3.15%	8.97%	-7.47%
52 Week Price Chg	23.13%	-26.41%	-13.44%	26.42%	40.02%	-39.25%
20 Day Average Volume	2,108,006	833,977	2,567,149	2,138,683	746,376	2,741,195
(F1) EPS Est 1 week change	-3.10%	0.00%	0.00%	-0.14%	0.00%	0.00%
(F1) EPS Est 4 week change	-3.10%	-1.82%	-6.96%	-0.14%	0.00%	0.00%
(F1) EPS Est 12 week change	-4.81%	-4.81%	-13.90%	-3.74%	-0.49%	-16.02%
(Q1) EPS Est Mthly Chg	-3.53%	-2.13%	-13.62%	-1.23%	0.00%	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	F
Growth Score	C
Momentum Score	C
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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