

AMERICAN TOWER CORPORATION (NYSE: AMT)



(as at February 28, 2023)

Business Description:

American Tower Corporation is a real estate investment trust (REIT), which owns, operates and develops multi-tenant communications real estate. The company is spread across 25 countries and held more than 220,000 total communications assets as at December 2021. It operates through the following segments: U.S. & Canada Property, Asia-Pacific Property, Europe Property, Africa Property, Latin America Property, Data Centers and Services.

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 deploying advanced mobile technology, such as 4G and 5G to provide higher-speed data services and further enable fixed broadband substitution.
- 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
- Continued deployment of equipment across tenants' existing networks

Competitors:

- Crown Castle International Corp., SBA Communications Corporation, Telesites S.A.B. de C.V. and Cellnex Telecom, S.A. Other competitors include private tower companies, carrier-affiliated tower companies, etc.

Customers:

- Global multi-national telecommunications companies including AT&T Inc., Airtel Africa PLC, Vodafone Group PLC, Reliance Jio Infocomm Limited, and Telefónica, S.A. among others.

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 A. Bartlett, President & Chief Executive Officer;
Rodney M. Smith, Executive VP, Treasurer & Chief Financial Officer;
Edmund DiSanto, Chief Administrative Officer, General Counsel, and Secretary;
Oliver Puech, Executive Vice President and President, Latin America, and EMEA;
Sanjay Goel, Executive VP and President, Asia-Pacific;
Steven O. Vondran, Executive VP and President, U.S. Tower Division

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Financial Summary:

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

	2017	2018	2019	2020	2021
Rental Income	6,565.9	7,314.7	7,464.9	7,953.6	9,109.6
Operating Expenses	(4,665.5)	(5,535.1)	(4,891.9)	(5,154.0)	(6,224.9)
Earnings Before Interest and Taxes (EBIT)	1,998.4	1,905.0	2,688.4	2,887.5	3,132.0
Profit before Tax	1,256.1	1,154.6	1,916.4	1,821.1	2,829.4
Net Profit	1,238.9	1,236.4	1,887.8	1,690.6	2,567.6
Earnings Per Share (Diluted)	2.67	2.77	4.24	3.79	5.66
Dividend per Share	2.62	3.15	3.78	4.53	5.21

Balance Sheet

Total Assets	33,214.3	33,010.4	42,801.6	47,233.5	69,887.9
Long-Term Debt	19,430.3	18,405.1	21,127.2	28,497.7	38,685.5
Total Equity	6,241.5	5,336.1	5,055.4	4,093.5	5,081.2

Statement of Cash Flow

Cash Flows from Operations	2,925.6	3,748.3	3,752.6	3,881.4	4,819.9
Cash Flows from Investing	(2,800.9)	(2,749.5)	(3,987.5)	(4,784.6)	(20,692.2)
Cash Flows from Financing	(113.0)	(607.7)	521.7	1,215.3	16,424.5

Key Ratios and Figures (%)

EBIT Margin	30.0%	25.6%	35.5%	35.9%	33.5%
Consolidated Adjusted Funds From Operations Per Share	6.7	8.0	7.9	8.5	9.7

Source: American Tower Corporation Annual Report 2021; Wall Street Journal; Bloomberg



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