American Tower Corp.
(AMT)
Investment Thesis

- We believe that American Tower is a solid buy at its current price level due to its potential growth which is fueled by its solid fundamentals, ability to keep up with demand, and recent strategic acquisitions.
  - **Recommendation**: Purchase 10 shares at the current market price ($238.45)
    - Totals to $2,384.50
    - ~1.3% of the total portfolio
Introduction
Background

- Founded in 1995, they are one of the largest global Real Estate Investment Trusts (REITs) companies
- American Tower is a leading independent owner and operator of telecommunications real estate and ~99% of revenue is generated from leasing out properties, fiber and other urban telecommunications assets in international markets to their tenants
- Primary business is property operations
  - 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 various other industries
Wireless Tower Intro

- Tower are built on parcels of land which are owned and managed by AMT
- These towers utilize many different technologies, including telephones, mobile data, broadcast television, machine to machine and radio
- Tenants lease vertical space on the tower and portions of the land underneath for their equipment
**Operated by American Tower**

- Tower structure – constructed of galvanized steel with the capacity for multiple tenants
- Land parcel – owned or operated pursuant to long-term leases

**Operated by Tenant**

- Antenna equipment, including microwave equipment
- Tenant shelters containing base-station equipment and HVAC, which tenants own, operate and maintain
- Coaxial cable
Global Outreach

- They span 5 continents, 20 countries, and have ~5,500 employees.
- Their global portfolio of more than 181,000 sites is composed of towers in advanced, evolving and developing wireless markets, in various stages of wireless network deployment.
- Expanded internationally to complement their core U.S. operations.
- AMT believes that the network development trajectory seen in the U.S. will ultimately be replicated overseas.

- 8,600 towers in Mexico
- 6,900 towers in Brazil
- 12,000 towers in India
- 1,100 towers in Chile
- 3,400 towers in Chile
- 490 towers in Peru
- 1,900 towers in South Africa
- 1,900 towers in Ghana
- 1100 towers in Uganda
- 2000 towers in Germany
- 4700 towers in Nigeria
- 2500 towers in France
Industry Overview
The Industry As A Whole

- Majority of cell phone towers are controlled by a small number of REITs (high barrier to entry)
- Telecom companies forced to sign multi-year contracts, results in stable income for 5+ years (70% of AMT contracts not up for renewal until 2024)
- Operating expenses relatively low (mostly tower maintenance)
- **Largest Competitor:** Crown Castle International Corp (CCI)
- Similar but not identical business strategies
## Comparison with Crown Castle Int’l

<table>
<thead>
<tr>
<th></th>
<th>AMT</th>
<th>CCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Cap</td>
<td>105.7B</td>
<td>69.2B</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>62%</td>
<td>60.6%</td>
</tr>
<tr>
<td>Increase in Funds from Operations</td>
<td>7,460%</td>
<td>1,980%</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>1.96%</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

*Note: Over past 5 years, AMT dividend yield increased 145%, while CCI dividend yield has increased 46.3%*
So why AMT over CCI?

- Ironically, majority of CCI business based in US, while American Towers holds majority of assets outside of the US
- AMT focuses on bringing towers in developing countries vs. CCI operating in an already saturated US market
- AMT is focusing on exponential growth in India and South America
- IAC focuses on long-term holdings, and AMT is better positioned to capitalize on rising cellular usage in developing nations
Valuation
Valuation #1 - NAV (intrinsic)

- Estimated value of the REIT’s (market value of assets - market value of liabilities)/ total diluted shares outstanding
- **Formula:** Annualized 12 Months NOI / Cap Rate = Property Value
  
  + Construction in Progress
  
  + Cash/Other Assets
  
  - Liabilities
  
  = NAV

Q: What is a cap rate?

A: The cap rate is used in real estate to indicate the rate of return expected to be generated on a real estate property.
Valuation - NAV - Model

<table>
<thead>
<tr>
<th>Assets</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and Equipment</td>
<td>$11,643,600,000</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$1,626,000,000</td>
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<tr>
<td>Deferred Tax Assets</td>
<td>$115,000,000</td>
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<tr>
<td>Notes Receivable</td>
<td>$315,200,000</td>
</tr>
<tr>
<td>Restricted Cash</td>
<td>$104,200,000</td>
</tr>
<tr>
<td>Prepaid Assets</td>
<td>$548,700,000</td>
</tr>
<tr>
<td>Deferred Rent Assets</td>
<td>$1,918,000,000</td>
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<tr>
<td>Construction in Progress</td>
<td>$80,726,000,000</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>$7,252,000,000</td>
</tr>
</tbody>
</table>

2020 NOI: $3,140,400,000
Cap rate: 7.66%
Property Value: $40,997,389,034

Total Liabilities: $36,718,200,000

NAV: $108,527,889,034
NAV/Share = 244.31
Market Cap: $105,940,000,000
Valuation #2 - Public Comps (relative)

- **Formula for FFO**: FFO = Net Income + Depreciation + Amortization - Gains on Sale of Property

- **Depreciation**: As you know, most properties tend to INCREASE in value over time, but GAAP inaccurately tacks on these massive amounts of depreciation which takes away from the true value of the REIT.

- **Gains on Sale of Property**: This is a non-recurring item on the income statement, and especially not a part of AMT's business model!

- **Adjusted Funds from Operations (AFFO)**: Funds from Operations - Recurring Capital Expenditures - Straight Lined Rents
## Valuation #2 - Public Comps (relative)

<table>
<thead>
<tr>
<th></th>
<th>Market Data</th>
<th>Financial Data</th>
<th>Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Price</td>
<td>Shares</td>
<td>Market Cap</td>
</tr>
<tr>
<td>($/share)</td>
<td>($B)</td>
<td>(M)</td>
<td>($B)</td>
</tr>
<tr>
<td>238.06</td>
<td>105.749</td>
<td>444.213</td>
<td>22.554</td>
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<tr>
<td>164.03</td>
<td>70.789</td>
<td>431.298</td>
<td>16.101</td>
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<td>297.64</td>
<td>33.111</td>
<td>111.115</td>
<td>10.226</td>
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Future Catalysts and Risks
Future Catalysts

- American Tower Corporation recently entered into a deal to acquire InSite Wireless Group, LLC. for a total price of $3.5 billion.
- InSite Wireless owns, operates and manages around 3,000 communications sites, mainly in the United States and Canada.
- The move seems a strategic fit as it will represent the company’s entry into Canada, furthering global outreach and market share.
- AMT expects InSite Wireless to generate around $150 million in property revenue and $115 million in gross margin in the first year.
Future Catalysts

- American Tower and T-Mobile announced that they have entered into a 15-year site access master lease agreement (MLA)
- T-Mobile is the leader when it comes to 5G wireless carriers
- The deal extends T-Mobile's access to American Tower's U.S. towers while delivering synergies and facilitating T-Mobile's rollout of its nationwide 5G service
- This deal is expecting to generate at least $23 billion in total revenue from T-Mobile through the contract term and bring total consolidated revenue to more than $58 billion
Future Risks

- With such a large global outreach, COVID-19 could hurt AMT global operational revenue especially in emerging economies within South America and in India.
- With AMT’s strong fundamentals, recent MLA with T-Mobile and acquisition of InSite Wireless there are not many!
Thank you!

Any Questions?