

American Tower Corp.

AMT seals long-awaited India sale for \$2.5bn, cleaning up international story

Reiterate Rating: BUY | PO: 240.00 USD | Price: 216.08 USD

AMT divests 100% of India business for \$2.5bn

On Friday, January 5th, AMT announced a 100% sale of its India business to Data Infrastructure Trust, an affiliate of Brookfield Asset Management, for \$2.5bn. AMT will receive 1) \$2bn worth of enterprise value for the operating company in cash at the close (we assume 4Q24), 2) ~\$175mn of a 'ticking fee' which accrues monthly (assuming 10/23-10/24) also received at close, 3) ~\$175mn in cash accounts receivable in arrears from VIL received as collected, and 4) ~\$175mn in assumed value from retaining its optional convertible debenture (OCD) again with VIL received when exercised (as soon as February). Speaking with AMT, they note there is a clawback clause within the agreement (up to several hundred million dollars) should customer collections once again become problematic. While the transaction is dilutive to our AFFO/sh estimates (more below), we view the transaction positively at a high level for the AMT story as it cleans up a market which has proven to be historically 'messy' due to delinquent carrier payments. We reiterate AMT as our 2024 top tower pick as we prefer its strong multi-year AFFO/sh growth along with international market and data center exposure. We maintain our \$240 PO, which is based on a 22x 2024E AFFO/sh multiple, based on our updated estimates (see [Exhibit 2](#)).

Refreshing estimates for India sale, FX, forward curve

AMT's India business comprised ~10.5% of total property revenue as of 3Q23, which is nearly the entirety of its APAC business. We have adjusted our model to 1) account for the \$2.5bn cash inflow through 4Q24 which goes to paying down revolving debt facilities, and 2) exclude ~95% of APAC property revenues starting in 4Q24. We view the transaction as **0.8% (\$0.08)** dilutive to our prior 2024 AFFO/sh estimates (~\$0.35 annualized) and **4.3% (\$0.52)** dilutive to our prior 2025 estimates (see [Exhibit 1](#)).

4Q23 earnings preview

AMT will provide 2024 guidance in conjunction with 4Q23 earnings. Domestically, AMT sees the potential for carriers to accelerate from current sluggish activity levels by 'mid-year' 2024. African operations should see a step down in CPI-linked escalators as well as churn in 2024. AMT is seeing positive momentum in new colos/amendments to close out the year. European operations are expected to see positive new colos/amendments momentum into 2024. For Latin America, AMT still expects carrier-related churn will increase for 2024, which will lead to low single-digit organic growth for the region.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
Total Revenues	9,357	10,711	11,097	11,011	10,498
Adj. EBITDA	5,983	6,644	7,059	7,109	7,140
FFO / Share	10.48	11.43	10.20	9.99	10.12
AFFO / Share	9.65	10.13	10.37	10.85	11.39
DPS	5.21	5.86	6.36	6.60	7.18
GAAP EPS	5.69	3.70	3.72	4.57	5.44
Valuation (Dec)					
P/AFFO	22.2	21.2	20.7	19.7	18.8
Dividend Yield	2.4%	2.7%	2.9%	3.1%	3.3%
GAAP P/E	38.1x	56.3x	56.4x	46.4x	39.1x

09 January 2024

Equity

Key Changes

(US\$)	Previous	Current
2023E Rev (m)	11,061.3	11,097.5
2024E Rev (m)	11,243.1	11,010.5
2025E Rev (m)	11,662.8	10,497.7
2023E EPS	4.14	4.18
2024E EPS	4.69	4.67
2025E EPS	5.17	5.54

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Stock Data

Price	216.08 USD
Price Objective	240.00 USD
Date Established	20-Dec-2023
Investment Opinion	B-1-7
52-Week Range	154.58 USD - 235.57 USD
Mkt Val (mn) / Shares Out (mn)	96,004 USD / 444.3
Free Float	100.0%
Average Daily Value (mn)	435.84 USD
BofA Ticker / Exchange	AMT / NYS
Bloomberg / Reuters	AMT US / AMT.N
ROE (2023E)	38.9%
Net Dbt to Eqty (Dec-2022A)	294.4%
ESGMeter™	High

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VIL: Vodafone Idea

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Timestamp: 09 January 2024 05:00AM EST

iQprofileSM American Tower Corp.

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	5.2%	3.4%	5.2%	5.7%	6.4%
Return on Equity	43.6%	23.7%	38.9%	51.0%	65.7%
Operating Margin	33.5%	22.0%	31.5%	33.9%	39.5%
Free Cash Flow	3,443	1,823	3,270	3,716	4,153

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	2.4x	2.9x	2.5x	2.4x	2.2x
Asset Replacement Ratio	0.6x	0.6x	0.5x	0.5x	0.6x
Tax Rate	9.3%	1.4%	10.1%	9.0%	9.0%
Net Debt-to-Equity Ratio	451.1%	294.4%	325.9%	321.4%	337.9%
Interest Cover	3.6x	2.1x	2.5x	2.6x	3.0x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	9,357	10,711	11,097	11,011	10,498
% Change	16.4%	14.5%	3.6%	-0.8%	-4.7%
Gross Profit	6,675	7,447	7,825	7,823	7,821
% Change	14.8%	11.6%	5.1%	0%	0%
EBITDA	5,983	6,644	7,059	7,109	7,140
% Change	16.0%	11.0%	6.2%	0.7%	0.4%
Net Interest & Other Income	(303)	(632)	(1,555)	(1,336)	(1,301)
Net Income (Adjusted)	2,002	1,263	1,950	2,181	2,587
% Change	3.6%	-36.9%	54.4%	11.8%	18.6%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	2,568	1,697	1,747	2,181	2,587
Depreciation & Amortization	2,333	3,355	3,079	3,033	2,666
Change in Working Capital	1,193	(306)	79	(239)	171
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(1,274)	(1,049)	33	315	306
Capital Expenditure	(1,377)	(1,874)	(1,667)	(1,574)	(1,578)
Free Cash Flow	3,443	1,823	3,270	3,716	4,153
% Change	20.8%	-47.1%	79.4%	13.6%	11.8%
Share / Issue Repurchase	0	(19)	0	0	0
Cost of Dividends Paid	(2,271)	(2,630)	(2,945)	(3,080)	(3,355)
Change in Debt	26,966	5,484	11,433	(2,134)	689

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	2,343	2,141	2,309	1,824	1,824
Trade Receivables	729	758	637	619	667
Other Current Assets	657	723	971	971	971
Property, Plant & Equipment	19,784	19,998	19,614	17,145	17,457
Other Non-Current Assets	46,375	43,574	42,191	42,191	42,191
Total Assets	69,888	67,195	65,721	62,749	63,110
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	4,499	3,798	3,782	3,300	3,294
Long-Term Debt	43,254	38,670	38,674	36,541	37,230
Other Non-Current Liabilities	13,066	12,318	12,107	12,107	12,107
Total Liabilities	60,818	54,786	54,564	51,948	52,631
Total Equity	9,070	12,409	11,158	10,802	10,479
Total Equity & Liabilities	69,888	67,195	65,721	62,749	63,110

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Telecom Services-Wireless/Cellular

Company Description

Boston-based American Tower is the largest global owner and operator of wireless and broadcast communications towers. The American Tower portfolio includes approximately 180,000 sites in the U.S., Latin America, India, Europe, and Africa. The core business for AMT is leasing space on its wireless towers primarily to wireless carriers, government agencies and broadband data providers.

Investment Rationale

Towers are inherently stable and occupy a mission-critical role within the operations of wireless networks. Revenue growth is a function of network development and enhancement and contractual price hikes. Towers should benefit from wireless sub growth, subscriber usage growth, data needs and the development of newly auctioned spectrum. AMT appears to be the most conservative, least-levered tower stock and we expect shares to perform as the market sees gathering evidence of still-robust demand.

Stock Data

Average Daily Volume 2017,011

Quarterly Earnings Estimates

	2022	2023
Q1	0.98A	0.88A
Q2	1.11A	1.16A
Q3	0.73A	1.29A
Q4	-0.09A	0.84E

Dilution analysis for AMT's India business sale

We view the transaction as 0.8% (\$0.08) dilutive to our prior 2024 AFFO/sh estimates (assuming 4Q24 closing) and 4.3% (\$0.52) dilutive to our prior 2025 estimates.

Exhibit 1: We view the India transaction as \$0.08 dilutive to our prior 2024 numbers

AMT India Sale Dilution Analysis

Metric	2024 New	2024 Old	2025 New	2025 Old
Revenues	10,837	11,131	10,329	11,550
\$ dilution	(293.56)		(1,221.59)	
% dilution	-2.6%		-10.6%	
Adj. EBITDA	7,072	7,159	7,106	7,476
\$ dilution	(86.38)		(370.66)	
% dilution	-1.2%		-5.0%	
AFFO	5,073	5,111	5,348	5,590
\$ dilution	(38.87)		(241.98)	
% dilution	-0.8%		-4.3%	
AFFO/sh	10.87	10.95	11.45	11.96
\$ dilution	(0.08)		(0.52)	
% dilution	-0.8%		-4.3%	

Source: BofA Global Research estimates

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Estimate changes

We update our estimates for 1) the inclusion of the India sale in 4Q24, 2) updated FX assumptions, and 3) management commentary from our pre-qr. catch up.

Exhibit 2: AMT new vs. old estimates

We have updated estimates for our 4Q23 pre qtr catch up and India sale

	2023E New	2023E Old	+/-%	2024E New	2024E Old	+/-%	2025E New	2025E Old	+/-%
Revenues									
Total property revenue	10,948	10,912	0.3%	10,963	11,131	-1.5%	10,385	11,550	-10.1%
Services revenue	149	149	0.0%	112	112	0.0%	112	112	0.0%
Total revenue	11,097	11,061	0.3%	11,076	11,243	-1.5%	10,498	11,663	-10.0%
Other metrics									
Adjusted EBITDA	7,059	7,038	0.3%	7,128	7,159	-0.4%	7,140	7,476	-4.5%
AFFO	4,840	4,826	0.3%	5,066	5,111	-0.9%	5,329	5,590	-4.7%
AFFO per share	10.37	10.34	0.3%	10.86	10.95	-0.9%	11.41	11.96	-4.7%
Interest expense	1,404	1,404	0.0%	1,455	1,477	-1.5%	1,396	1,536	-9.1%

Source: BofA Global Research estimates

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Price objective basis & risk

American Tower Corp. (AMT)

Our PO of \$240 is based on a 22x '24E AFFO multiple, a premium to the broader REIT sector (approx. 18.5x 2024E AFFO multiple) and tower peers. We believe AMT should trade at a higher multiple than the broader REIT sector as well as Tower peer group for its 1) peer leading AFFO/sh growth, 2) international exposure, 3) relatively small remaining Sprint churn impact, and 4) relative shielding from domestic carrier moderation due to its holistic MLA contract structure.

Risks: With contract-based pricing and margins a function of fixed tower economics, the biggest moving part to the tower story is future lease demand. Weaker-than-expected wireless subscriber growth could engender concern regarding the rate of future tower lease growth and negatively affect the stock. Delayed network upgrades among national carriers or slower market launches from new carriers could have a negative effect on the growth trajectory of wireless towers. With more than half its towers located outside the US, AMT is exposed to foreign currency fluctuations that could affect results and be negative for shares. Lastly, AMT's floating rate exposure (approx. 15%) will be a headwind to earnings in this higher interest rate environment.

Analyst Certification

I, David W. Barden, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Telecom Services Coverage Cluster

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	Uniti Group Inc	UNIT	UNIT US	David W. Barden, CFA

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +
Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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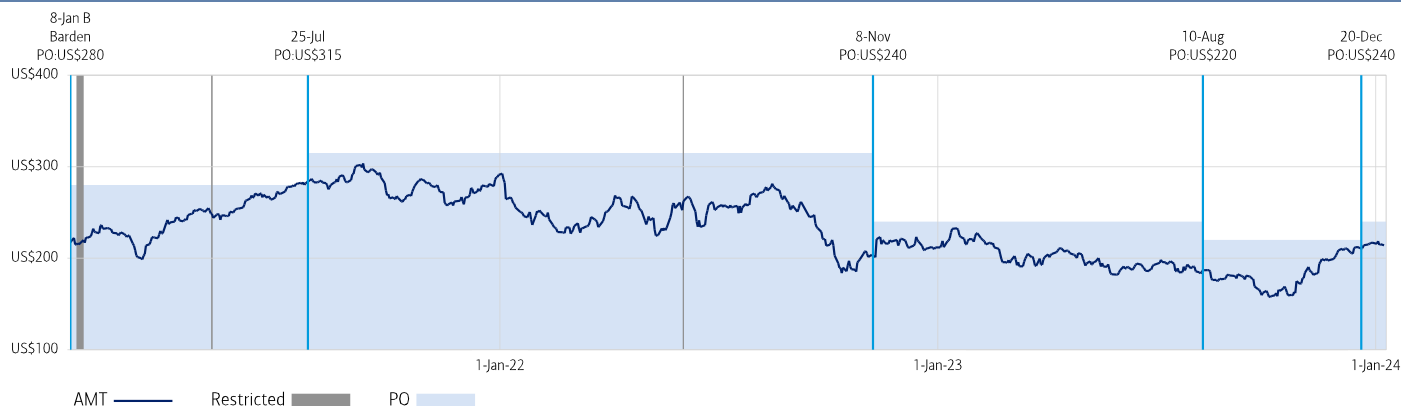
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American Tower (AMT) Price Chart



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Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Underperform	N/A	≥ 20%

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