

## American Tower Corp.

**4Q23 heads up: AMT reporting tomorrow, 2/27, BMO; call at 8:30am ET**

Reiterate Rating: BUY | PO: 240.00 USD | Price: 188.01 USD

**Digesting India sale and Argentinian/Nigerian FX**

American Tower Corp (AMT) is due to report 4Q23 earnings and host its conference call on Tuesday, February 27, BMO. We expect mgmt. to discuss 1) 2024 guidance, 2) the pending India business divestiture and closing timeline (see our [M&A report here](#)), 3) the cadence of colocations/churn in international markets, 4) FX impacts, and 5) capital allocation priorities (buybacks vs. M&A). We remain relatively in line with the Street on 4Q23 and below on 2024 estimates (see [Exhibit 1](#)). We have updated our model to reflect the Argentinian Peso and Nigerian Naira currency devaluation that began recently (more below). We maintain AMT as our top tower pick for its holistic domestic MLA contract structures smoothing the domestic tower revenue growth outlook, diverse international and data center exposure, and peer leading AFFO/sh growth in 2024/25. Reiterate Buy.

**Rounding out the domestic tower demand picture**

It is widely known that domestic leasing will decline in 2024 as carrier activity has slowed throughout 2023 and into the early part of the year. We expect 2024 will continue to represent a lull in carrier deployments as the initial 5G coverage phase has concluded. We believe AMT is best positioned to weather the slowdown due to its holistic MLA contracts with all four national facilities-based wireless carriers.

**Trimming AFFO growth for latest FX assumptions**

AMT is ~45% exposed to international markets and we will listen for the latest insights on regional growth trends, particularly in Africa and Europe. 1Q24 has already been a busy quarter for AMT as it sold its India business at the beginning of January for \$2.5bn (2H24 expected closing). The transaction is dilutive to AFFO/sh and our model reflects this dilution beginning in 4Q24. We view the transaction positively at a high level as it cleans up a market which has proven to be historically 'messy' due to delinquent carrier payments. Next, the Argentinian Peso and Nigerian Naira currencies have devalued so far this year. The current spot rates are 834/1,531, respectively, which compares to 532/850 for AMT's 4Q23 projection. Using the current spot rates for the Peso and Naira, and updating other FX rates, gives us a ~2% headwind to our previous 2024 AFFO/sh estimates (see [Exhibit 2](#)).

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
Total Revenues	9,357	10,711	11,097	10,818	10,352
Adj. EBITDA	5,983	6,644	7,059	6,992	7,050
FFO / Share	10.48	11.43	10.20	9.76	9.92
AFFO / Share	9.65	10.13	10.37	10.62	11.19
DPS	5.21	5.86	6.36	6.60	7.18
GAAP EPS	5.69	3.70	3.72	4.34	5.24
<b>Valuation (Dec)</b>					
P/AFFO	19.5	18.6	18.1	17.7	16.8
Dividend Yield	2.8%	3.1%	3.4%	3.5%	3.8%
GAAP P/E	33.2x	49.0x	49.1x	42.5x	35.3x

26 February 2024

## Equity

**Key Changes**

(US\$)	Previous	Current
2024E Rev (m)	11,010.5	10,818.1
2025E Rev (m)	10,497.7	10,351.7
2024E EPS	4.67	4.44
2025E EPS	5.52	5.34

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**Stock Data**

Price	188.01 USD
Price Objective	240.00 USD
Date Established	20-Dec-2023
Investment Opinion	B-1-7
52-Week Range	154.58 USD - 219.10 USD
Mkt Val (mn) / Shares Out (mn)	83,533 USD / 444.3
Free Float	100.0%
Average Daily Value (mn)	432.86 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

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

BMO – Before market open

MLA – Master lease agreement

AFFO – Adjusted funds from operations

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Refer to important disclosures on page 6 to 8. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

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Timestamp: 26 February 2024 05:00AM EST

# iQprofile<sup>SM</sup> American Tower Corp.

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	5.2%	3.4%	5.2%	5.5%	6.3%
Return on Equity	43.6%	23.7%	38.9%	49.0%	66.0%
Operating Margin	33.5%	22.0%	31.5%	33.5%	39.2%
Free Cash Flow	3,443	1,823	3,270	3,576	4,065

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	2.4x	2.9x	2.5x	2.5x	2.3x
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%	326.2%	347.0%
Interest Cover	3.6x	2.1x	2.5x	2.5x	2.9x

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	9,357	10,711	11,097	10,818	10,352
% Change	16.4%	14.5%	3.6%	-2.5%	-4.3%
Gross Profit	6,675	7,447	7,825	7,692	7,721
% Change	14.8%	11.6%	5.1%	-1.7%	0.4%
EBITDA	5,983	6,644	7,059	6,992	7,050
% Change	16.0%	11.0%	6.2%	-0.9%	0.8%
Net Interest & Other Income	(303)	(632)	(1,555)	(1,344)	(1,317)
<b>Net Income (Adjusted)</b>	<b>2,002</b>	<b>1,263</b>	<b>1,950</b>	<b>2,070</b>	<b>2,494</b>
<b>% Change</b>	<b>3.6%</b>	<b>-36.9%</b>	<b>54.4%</b>	<b>6.2%</b>	<b>20.5%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	2,568	1,697	1,747	2,070	2,494
Depreciation & Amortization	2,333	3,355	3,079	3,033	2,666
Change in Working Capital	1,193	(306)	79	(265)	180
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(1,274)	(1,049)	33	312	304
Capital Expenditure	(1,377)	(1,874)	(1,667)	(1,574)	(1,578)
<b>Free Cash Flow</b>	<b>3,443</b>	<b>1,823</b>	<b>3,270</b>	<b>3,576</b>	<b>4,065</b>
<b>% Change</b>	<b>20.8%</b>	<b>-47.1%</b>	<b>79.4%</b>	<b>9.3%</b>	<b>13.7%</b>
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	(2,019)	776

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	2,343	2,141	2,309	1,798	1,798
Trade Receivables	729	758	637	608	659
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
<b>Total Assets</b>	<b>69,888</b>	<b>67,195</b>	<b>65,721</b>	<b>62,712</b>	<b>63,075</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	4,499	3,798	3,782	3,262	3,267
Long-Term Debt	43,254	38,670	38,674	36,655	37,431
Other Non-Current Liabilities	13,066	12,318	12,107	12,107	12,107
<b>Total Liabilities</b>	<b>60,818</b>	<b>54,786</b>	<b>54,564</b>	<b>52,025</b>	<b>52,806</b>
<b>Total Equity</b>	<b>9,070</b>	<b>12,409</b>	<b>11,158</b>	<b>10,687</b>	<b>10,269</b>
<b>Total Equity &amp; Liabilities</b>	<b>69,888</b>	<b>67,195</b>	<b>65,721</b>	<b>62,712</b>	<b>63,075</b>

\* For full definitions of iQmethod<sup>SM</sup> 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 2,302,317

## 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

**Exhibit 1: BofA vs. Cons.**

We have updated estimates for updated FX assumptions

	4Q23			2023			2024		
	BofAE	Cons.	+/-%	BofAE	Cons.	+/-%	BofAE	Cons.	+/-%
<b>Revenues</b>									
Domestic revenue	1,292	1,296	-0.3%	5,208	5,212	-0.1%	5,226	5,254	-0.5%
Data Center revenue	201	216	-6.7%	840	836	0.5%	887	908	-2.4%
International revenue	1,216	1,201	1.2%	4,945	4,905	0.8%	4,593	5,008	-8.3%
<b>Total property revenue</b>	<b>2,713</b>	<b>2,713</b>	<b>0.0%</b>	<b>10,948</b>	<b>10,950</b>	<b>0.0%</b>	<b>10,706</b>	<b>11,171</b>	<b>-4.2%</b>
Services revenue	27	24	12.2%	149	146	2.4%	112	104	7.7%
Total revenue	2,740	2,738	0.1%	11,097	11,097	0.0%	10,818	11,248	-3.8%
<b>Organic run-rate revenue</b>									
Africa	205	205	-0.3%	858	859	-0.1%	875	866	1.0%
Asia	160	160	-0.1%	658	658	0.0%	668	656	1.7%
Europe	124	124	-0.2%	504	504	-0.1%	559	553	1.1%
LatAm	275	274	0.3%	1,122	1,121	0.1%	1,212	1,215	-0.3%
US/Canada	1,160	1,162	-0.2%	4,647	4,649	0.0%	4,884	4,863	0.4%
<b>Other metrics</b>									
Adjusted EBITDA	1,733	1,739	-0.4%	7,059	7,062	0.0%	6,992	7,198	-2.9%
AFFO	1,101	1,100	0.0%	4,840	4,838	0.0%	4,955	5,081	-2.5%
AFFO per share	2.36	2.36	0.2%	10.37	10.36	0.1%	10.62	10.87	-2.3%
Interest expense	356	360	-1.0%	1,404	1,407	-0.2%	1,446	1,434	0.8%

Source: BofA Global Research, Company reports, Visible Alpha

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**Exhibit 2: AMT new vs. old estimates**

We have updated estimates for updated FX in Nigeria

	2023E			2024E			2025E		
	New	Old	+/-%	New	Old	+/-%	New	Old	+/-%
<b>Revenues</b>									
<b>Total property revenue</b>	<b>10,948</b>	<b>10,948</b>	<b>0.0%</b>	<b>10,706</b>	<b>10,898</b>	<b>-1.8%</b>	<b>10,239</b>	<b>10,385</b>	<b>-1.4%</b>
Services revenue	149	149	0.0%	112	112	0.0%	112	112	0.0%
Total revenue	11,097	11,097	0.0%	10,818	11,011	-1.7%	10,352	10,498	-1.4%
<b>Other metrics</b>									
Adjusted EBITDA	7,059	7,059	0.0%	6,992	7,109	-1.6%	7,050	7,140	-1.3%
AFFO	4,840	4,840	0.0%	4,955	5,061	-2.1%	5,230	5,317	-1.6%
AFFO per share	10.37	10.37	0.0%	10.62	10.85	-2.1%	11.19	11.38	-1.6%
Interest expense	1,404	1,404	0.0%	1,446	1,441	0.3%	1,419	1,410	0.6%

Source: BofA Global Research

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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

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	American Tower Corp.	AMT	AMT US	David W. Barden, CFA
	AT&T Inc.	T	T US	David W. Barden, CFA
	Cogent	CCOI	CCOI US	David W. Barden, CFA
	Digital Realty Trust Inc	DLR	DLR US	David W. Barden, CFA
	Dycom Industries, Inc.	DY	DY US	Alexander Waters
	Equinix, Inc.	EQIX	EQIX US	David W. Barden, CFA
	Quebecor Inc.	YQBRB	QBR/B CN	Matthew Griffiths, CFA
	Rogers Communications	RCI	RCI US	David W. Barden, CFA
	Rogers Communications	YRCIB	RCI/B CN	David W. Barden, CFA
	TELUS Corporation	YT	T CN	David W. Barden, CFA
	TELUS Corporation	TU	TU US	David W. Barden, CFA
	T-Mobile US	TMUS	TMUS US	David W. Barden, CFA
<b>NEUTRAL</b>				
	BCE Inc.	YBCE	BCE CN	David W. Barden, CFA
	BCE Inc.	BCE	BCE US	David W. Barden, CFA
	Crown Castle Inc	CCI	CCI US	David W. Barden, CFA
	SBA Communications Corporation	SBAC	SBAC US	David W. Barden, CFA
	Verizon Communications Inc.	VZ	VZ US	David W. Barden, CFA
<b>UNDERPERFORM</b>				
	Cogeco Communications Inc.	YCCA	CCA CN	Matthew Griffiths, CFA
	Lumen Technologies Inc.	LUMN	LUMN US	David W. Barden, CFA
	Uniti Group Inc	UNIT	UNIT US	David W. Barden, CFA

## iQmethod<sup>SM</sup> 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

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

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

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

### Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

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

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

iQmethod<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

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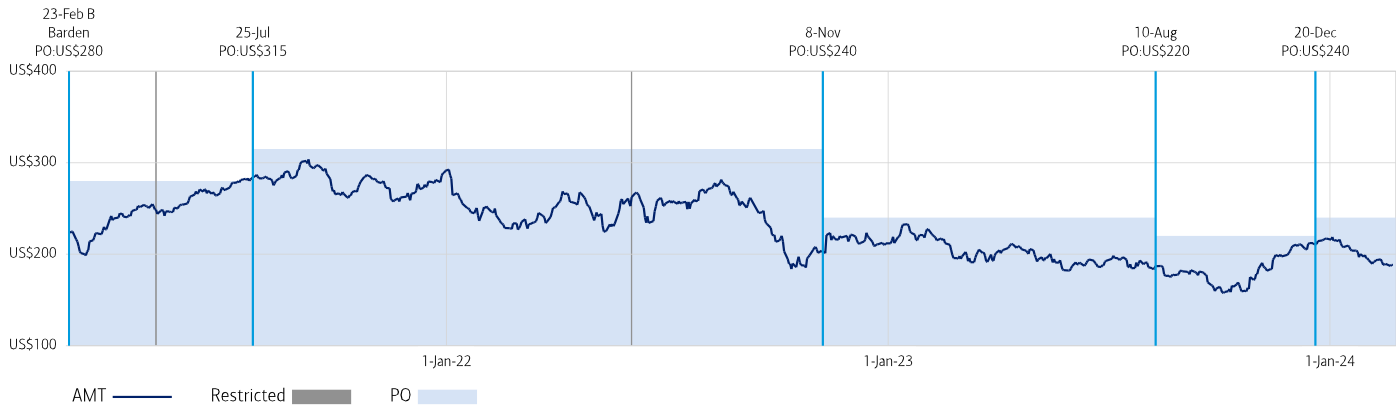
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# Disclosures

## Important Disclosures

### American Tower (AMT) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 <sup>R1</sup>	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%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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