

American Tower

3Q21 Results – US Growth Remains Solid; Improving Europe a Buoy to Sprint Churn; Firming India an Incremental Tailwind

Tower REITs | Increase Target Price

AMT

Target price (12M, US\$)

328.00

Outperform

- **3Q21 Results:** AMT reported revenue/ adj. EBITDA/ AFFOS of \$2,454M (+21.9% y/y)/ \$1,552M (+19.5% y/y)/ \$2.53 (+10.6% y/y) compared to CS estimates of \$2,450M/ \$1,533M/ \$2.38, respectively. AMT's 2021 outlook was raised, with adj. EBITDA/AFFO rising by \$50M/\$60M, respectively, despite FX impacts of -\$20M/-\$15M. The revenue guide was maintained while facing -\$30M of FX headwind. Following model updates, we adjust our 2021 revenue/AFFOS estimates to \$9,330M/ \$9.66 (from \$9,303M/ \$9.63). We reiterate our Outperform rating, and raise our target price to \$328 from \$324.
- **Sprint Churn In-Line, Gross U.S. Growth a LT Driver:** AMT reported strong results ahead of expectations on robust activity identified in our recently updated [Tower Outlook](#). Domestic organic billings growth was solid again (+4.3% y/y), and while 4Q21 growth will be hindered by outsized Sprint churn, mgmt's total quarterly churn forecast of -6.6% y/y is roughly on par with our prior -6.5% estimate. We believe this churn outlook matches investors' expectations, and implies we can look beyond it to the more normalized growth of 2023. Tower activity should remain elevated for the foreseeable future, and with it bring 4%+ y/y organic billings growth including Sprint churn in 2023 and beyond.
- **Growth Ahead in Europe, More M&A Likely:** European growth was impressive, providing +6.8% y/y colocation (gross growth) and +5.4% organic billings growth. Looking ahead to 2022, we forecast organic billings growth of +5.9%, ahead of 2021's +5.2%, as the Telxius ramp continues and 5G begins in earnest in Europe. Mgmt noted it continues to survey the European market for additional portfolios, and we [reiterate](#) that CDPQ and Allianz's stakes are likely being used to enable further M&A by returning capital to AMT.
- **AGR Relief = Better Growth:** Indian organic growth was positive for only the 2nd quarter in the past 3.5 years. Look for better growth due to AGR relief, as we noted in our [Outlook](#).
- **Thesis:** We reiterate our Outperform rating on AMT, based on the following key factors: (1) accelerating domestic tower activity through 2022; (2) improving international churn dynamics; (3) opportunity for additional European expansion; and (4) limited supply chain impact and CPI-escalators offer inflation protection. See [Tower REITs: Growing Confidence in Robust Tower Outlook](#).
- **Valuation:** We value AMT based on the average of two methods arriving to a \$328 target price, implying upside of 15%: (1) P/AFFOS multiple of 30x our 2022E AFFOS of \$10.34; and (2) DCF valuation assuming a WACC of 5.5% and terminal growth rate of 2.8%. Risks include: interest rates, telco spending, and customer concentration.

Previous target price (12M, US\$)	324.00
Price (28 Oct 21, US\$)	286.01
52-week price range	303.62 - 198.66
Enterprise value (US\$ m)	160,294

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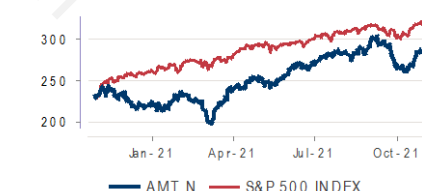
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Financial and valuation metrics

Year	12/19A	12/20A	12/21E	12/22E
Normalized FFO/Share (US\$)	7.84	7.87	10.37	10.26
Adjusted FFO/Share (US\$)	7.90	8.49	9.66	10.34
Credit Suisse diluted EPS (US\$)	4.24	3.79	5.80	5.07
P/AFFO(US\$ m)	36.2	33.7	29.6	27.7
Dividend Yield (US\$ m)	1.3	1.6	1.8	2.1
AFFO Payout Ratio %	47.8	53.3	53.8	57.2
EBITDA Margin %	62.6	64.1	64.1	64.1
Revenue (US\$ m)	7,580	8,042	9,330	9,992
Current Dividend yield (%)	1.8	Debt-to-Capitalization		
Price/AFFO	29.6	Net Debt-to-EBITDA		
EV/EBITDA	25.8	Enterprise Value (\$m)		
			154,103	

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



On 28-Oct-2021 the S&P 500 INDEX closed at 4596.42/Daily Oct28, 2020 - Oct28, 2021, 10/28/20 = US\$230.13

Adjusted FFO	Q1	Q2	Q3	Q4
2020A	2.03	2.07	2.29	2.10
2021E	2.52	2.42	2.53	2.18
2022E	2.52	2.56	2.64	2.62

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American Tower (AMT)

Price (28 Oct 2021): **US\$286.01**Target Price: (from 324.00) **328.00**Analyst: **Sami Badri**Rating: **Outperform**

Per share	12/19A	12/20A	12/21E	12/22E
Equiv. FFO (period Avg.) (mn)	445	446	453	464
Adjusted FFO/Share (US\$)	7.9	8.5	9.7	10.3
DPS (US\$)	3.8	4.5	5.2	5.9
BV per unit (US\$)	0.0	0.0	0.0	0.0
Income Statement	12/19A	12/20A	12/21E	12/22E
Revenue (US\$)	7,580	8,042	9,330	9,992
Property operating expenses	2,217	2,226	2,649	2,859
Real estate taxes	-	-	-	-
Net operating income (US\$)	5,364	5,816	6,681	7,133
Interest and investment income	-	-	-	-
Other income	-	-	-	-
Asset management fees (exp. item)	-	-	-	-
Other expenses	2,675	2,928	3,394	3,698
Interest expense/finance costs	767	754	836	880
Total non-property expenses	2,675	2,928	3,394	3,698
Share of associates/JVs' equity	-	-	-	-
Net income before tax	1,916	1,821	2,865	2,556
Income tax (expense)	(0)	130	222	203
Distributable income to unitholders	1,916	1,821	2,865	2,556
Net income (US\$)	1,917	1,691	2,642	2,352
Cash Flow	12/19A	12/20A	12/21E	12/22E
Net interest paid	(767)	(754)	(836)	(880)
Other cash & non-cash items	4,467	4,770	5,599	5,927
Cash flow from operations	4,467	4,770	5,599	5,927
Other investment/(outflows)	-	-	-	-
Cash flow from investment	-	-	-	-
Dividends paid	-	-	-	-
Equity raised	-	-	-	-
Net borrowings	-	-	-	-
Other financing cash flows	-	-	-	-
Financial cashflow	-	-	-	-
Net cash flow	4,467	4,770	5,599	5,927
Balance Sheet	12/19A	12/20A	12/21E	12/22E
Assets				
Cash and equivalents	1,501	1,746	5,929	6,082
Accounts receivable	-	-	-	-
Total current assets	2,092	2,394	7,887	8,628
Total fixed assets	12,084	12,809	14,602	15,531
Investment properties	-	-	-	-
Other investments	-	-	-	-
Other non-current assets	9,667	10,397	11,971	11,971
Total assets	42,339	46,722	63,570	64,681
Accounts payable	-	-	-	-
Short-term debt	2,928	790	2,106	2,106
Total current liabilities	4,381	2,473	6,742	7,818
Long-term debt	22,224	28,498	33,942	33,942
Other non-current liabilities	1,453	1,683	4,636	5,711
Total non-current liabilities	31,824	38,798	46,820	46,820
Total liabilities	36,205	41,270	53,562	54,638
Unit funds	5	5	5	5
Reserves	0	0	0	0
Shareholders' equity	6,135	5,452	9,926	9,984
Total capital employed	37,958	44,249	56,747	56,805
Earnings	12/19A	12/20A	12/21E	12/22E
EBITDA growth (%)	1.7	8.7	16.0	7.0
EBITDA Margin (%)	62.6	64.1	64.1	64.1
Valuation	12/19A	12/20A	12/21E	12/22E
EV/Sales (x)	-	-	-	-
EV/EBITDA (x)	32.4	30.6	26.8	25.0
EV/EBIT (x)	57.2	54.6	48.8	46.6
P/E (x)	67.5	75.5	49.3	56.4
Dividend yield (%)	1.3	1.6	1.8	2.1
P/B (x)	28310.4	27733.7	27575.7	28209.6
Gearing	12/19A	12/20A	12/21E	12/22E
Net Debt to EBITDA (X)	5.0	5.3	5.0	4.7
Debt/Asset (%)	59.4	62.7	56.7	55.7
Adjusted FFO	Q1	Q2	Q3	Q4
2020A	2.03	2.07	2.29	2.10
2021E	2.52	2.42	2.53	2.18
2022E	2.52	2.56	2.64	2.62

Source: FTI, Company data, Refinitiv, Credit Suisse Securities (EUROPE) LTD. Estimates

Company Background

American Tower Corp. is a REIT, which owns, operates, and develops multitenant communications real estate. It operates through the following segments: U.S. Property, Asia Property, Europe, Middle East and Africa Property, LatAm Property and Services.

Blue/Grey Sky Scenario



Our Blue Sky Scenario (US\$)

409.00

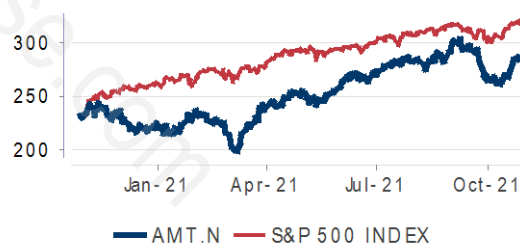
Our Blue Sky scenario of \$409 is based off a one-half weighting to our 35.0x P/2022 AFFO per share estimate of \$10.34 and one-half weighting to our DCF with a WACC of 5.5% and terminal growth rate of 3.2%.

Our Grey Sky Scenario (US\$)

205.00

Our Grey Sky scenario of \$205 is based off a one-half weighting to our 18.0x P/2022 AFFO per share estimate of \$10.34 and one-half weighting to our DCF with a WACC of 5.5% and terminal growth rate of 1.0%.

Share price performance



On 28-Oct-2021 the S&P 500 INDEX closed at 4596.42
Daily Oct28, 2020 - Oct28, 2021, 10/28/20 = US\$230.13

Valuation Methodology and Risks

Target Price and Rating

Valuation Methodology and Risks: (12 months) for American Tower (AMT.N)

Method: Our Target Price of \$328 for American Tower is weighted one-half to our 30.0x P/ 2022 AFFO per share estimate of \$10.34 and one-half to our DCF with a WACC of 5.5% and terminal growth rate of 2.8%. We rate American Tower Outperform as we expect its total return to exceed REIT peers.

Risk: Risks to our \$328 target price and Outperform rating for American Tower are 1) economic risk associated with a slowdown in overall telecom spending, 2) shift away from macro tower infrastructure towards small cells, 3) customer concentration - revenues are highly tied to the three large US carriers, 4) interest rate risk - leading to greater borrowing costs, and 5) REIT qualification risk where the company must abide by numerous complex rules to qualify for its tax free status.

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Companies Mentioned (Price as of 28-Oct-2021)**American Tower** (AMT.N, \$286.01, OUTPERFORM, TP \$328.0)**T-Mobile US** (TMUS.OQ, \$116.04)

Disclosure Appendix

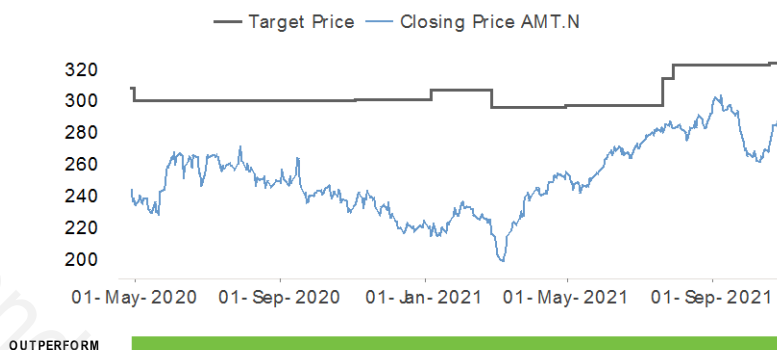
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3-Year Price and Rating History for American Tower (AMT.N)

AMT.N	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
28-Apr-20	243.53	308.00	O *
30-Apr-20	238.00	300.00	
03-Nov-20	234.23	301.00	
06-Jan-21	214.89	307.00	
26-Feb-21	216.13	296.00	
30-Apr-21	254.77	297.00	
21-Jul-21	280.26	314.00	
30-Jul-21	282.80	323.00	
19-Oct-21	272.90	324.00	

* Asterisk signifies initiation or assumption of coverage.

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Outperform (O) : The stock's total return is expected to outperform the relevant benchmark* over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

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Neutral/Hold*	34%	(22% banking clients)
Underperform/Sell*	9%	(21% banking clients)
Restricted	2%	

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