American Tower Corp

Stock Report | November 13, 2016 | NYS Symbol: AMT | AMT is in the S&P 500

S&P Capital IQ
Recommendation: BUY
S&P Capital IQ Equity Analyst: A. Zino-CFA

GICS Sector: Real Estate
Sub-Industry: Specialized REITs

Summary: This company operates the largest independent portfolio of wireless communications and broadcast towers in North America.

Key Stock Statistics (Source: S&P Capital IQ, Vickers, company reports)

- **52-Wk Range**: $118.26 – $83.07
- **Trailing 12-Month EPS**: $2.00
- **Trailing 12-Month P/E**: 2.9
- **$10K Invested 5 Yrs Ago**: $19,616

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst: A. Zino-CFA on Oct 27, 2016 11:58 AM, when the stock traded at $115.69.

**Highlights**

- We estimate revenue increases of around 10% in 2017, following our outlook for a 21% increase in 2016 and a 16% rise in 2015. We anticipate growth being driven by higher lease activity and more new towers, specifically within the U.S. We believe that AMT will benefit from higher demand from U.S. wireless carriers as growth in mobile data traffic remains robust and as AWS-3 spectrum deployments take place. We think AMT will also benefit from the need for carriers to improve their network quality and coverage. Despite recent challenges in Latin America, we are optimistic about longer-term trends in the region. We expect AMT to continue to expand internationally in Mexico, Brazil, India, Chile, Colombia, Peru, South Africa and Ghana.

- We expect EBITDA margins between 60% and 61% in both 2016 and 2017. We anticipate double-digit EBITDA growth over the next two years, driven by both organic growth and from additional tower acquisitions.

- We estimate EPS of $2.31 for 2016 and $2.72 in 2017. We anticipate more favorable currency trends going forwards.

**Investment Rationale/Risk**

- Our recommendation is Buy, which reflects our view of valuation and expectation that fundamentals will improve through 2017. AMT is a market leader in the wireless tower industry, and further tower purchases will enable it to continue to achieve greater economies of scale, we think. The network upgrades to 4G, notably LTE, will provide an additional revenue boost over the next several years, we believe. We believe the company is capable of generating healthy free cash flow growth through 2017, which should aid strategic purchases and dividend increases. We note a recent dividend lift of around 1.7%.

- Risks to our recommendation and target price include slower demand in the tower lease business if carriers begin to cut back on spending, and difficulty servicing AMT's $8.9 billion of debt obligations.

- Our 12-month target price of $130 is largely based on an enterprise value-to-EBITDA multiple of 19.3X to our 2017 estimate, near comparable peers. This compares to AMT's three-, five- and ten-year historical averages all of which are between 20X to 21X.

**Price Performance**

- **Price**: $105.71 (as of Nov 11, 2016 4:00 PM ET)
- **12-Mo. Target Price**: $130.00
- **Market Capitalization**: $44,999
- **Beta**: 2.08
- **Dividend Rate/Share**: $2.20
- **Yield (%)**: 95

**Dividend Data**

- **Amount ($)**: 0.490
- **Date Decl.**: Dec 3
- **Ex-Div. Date**: Dec 16
- **Stk. of Record**: Jan

Dividends have been paid since 2011. Source: Company

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