



American Tower Corp. (AMT)

Updated August 7th, 2024, by Aristofanis Papadatos

Key Metrics

Current Price:	\$229	5 Year CAGR Estimate:	8.0%	Market Cap:	\$106.6 B
Fair Value Price:	\$234	5 Year Growth Estimate:	5.0%	Ex-Dividend Date¹:	10/8/24
% Fair Value:	98%	5 Year Valuation Multiple Estimate:	0.5%	Dividend Payment Date¹:	10/25/24
Dividend Yield:	2.8%	5 Year Price Target	\$299	Years Of Dividend Growth:	13
Dividend Risk Score:	B	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

American Tower was founded in 1995 and is one of the world's largest global Real Estate Investment Trusts (REITs). The company specializes in owning, operating, and developing multitenant communications real estate, with a portfolio of more than 224,000 communications sites, in the United States and Internationally. Last year, the \$106.6 billion company generated \$4.6 billion in Adjusted Funds from Operations (AFFO) attributable to stockholders.

In late July, American Tower reported (7/30/24) financial results for the second quarter of fiscal 2024. It grew its revenue 5% over the prior year's quarter, as its customers keep investing in their 5G networks and data consumption keeps growing. Consolidated AFFO per share grew 13%, from \$2.46 to \$2.79, and exceeded the analysts' consensus by \$0.21. The REIT benefits from the ramp-up of 5G in the U.S., Canada and India. Its net-debt-to-EBITDA ratio improved from 5.0 to 4.8. Thanks to positive business momentum, American Tower improved its guidance for 2024 for a second quarter in a row. It raised its guidance for growth of property revenue from 1.5% to 1.7% and its guidance for consolidated AFFO per share from \$10.30-\$10.53 to \$10.48-\$10.72, implying 7% growth at the mid-point. Accordingly, we have raised our forecast for annual AFFO per share from \$10.45 to \$10.65.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
AFFO	\$4.57	\$4.45	\$5.81	\$6.72	\$7.59	\$7.90	\$8.49	\$9.43	\$9.76	\$9.87	\$10.65	\$13.59
DPS	\$1.40	\$1.81	\$2.17	\$2.62	\$3.15	\$3.78	\$4.53	\$5.21	\$5.86	\$6.45	\$6.48	\$8.24
Shares²	397	424	427	429	441	446	446	457	467	467	468	540

We are using consolidated AFFO instead of earnings, as this more accurately captures the underlying profitability of the REIT. American Tower has put together an exceptional record in the last decade, and many of those tailwinds still exist today. The company is well entrenched as a leader in the U.S. market and has also been significantly expanding abroad. The continued increase in data usage, especially as it relates to international countries "catching up," will be a trend for some time. Moreover, with long-term leases in place, American Tower has good visibility into the future.

On the other hand, there are some risks that could formulate in the future. For instance, carrier consolidation – such as the tie-up between Sprint and T-Mobile – reduces redundant networks and thus American Tower's revenue. Moreover, the evolution of 5G – while promising for consumers – could disrupt the company's macro tower business model.

Further, it is becoming harder to grow with the company's size, although the company has been actively completing acquisitions. Overall, we expect the REIT to grow its AFFO per share by 5% per year on average over the next five years.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
P/AFFO	21.6	21.7	18.2	21.2	20.8	30.4	26.3	24.7	24.6	19.7	21.5	22.0
Avg. Yld.	1.5%	1.8%	2.2%	2.0%	2.1%	1.6%	2.0%	2.2%	2.4%	3.3%	2.8%	2.8%

¹ Estimated date.

² In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



American Tower Corp. (AMT)

Updated August 7th, 2024, by Aristofanis Papadatos

During the last decade, American Tower exchanged hands at an average price-to-AFFO ratio of 22.9. We believe this premium valuation was warranted thanks to the fast-growing nature of the business and its high visibility into future leases. Moving forward, our growth rate assumption is a bit more cautious, but the same type of visibility still exists. We assume a fair price-to-AFFO ratio of 22.0 for the stock. If the stock trades at our assumed fair valuation level in five years, it will enjoy a 0.5% annualized gain in its returns.

The dividend of American Tower warrants special mention. Despite the yield not being particularly impressive, especially for a REIT, American Tower raised its dividend (often substantially) every single quarter during 2012-2022. This streak ended in the first quarter of 2023, as the company paid the same dividend as the one in the previous quarter, but the REIT resumed raising its dividend quarter after quarter in the second quarter of 2023. In the first quarter of 2024, the REIT cut its dividend by 5% sequentially, but we still expect it to offer a higher annual dividend this year.

Safety, Quality, Competitive Advantage, & Recession Resiliency

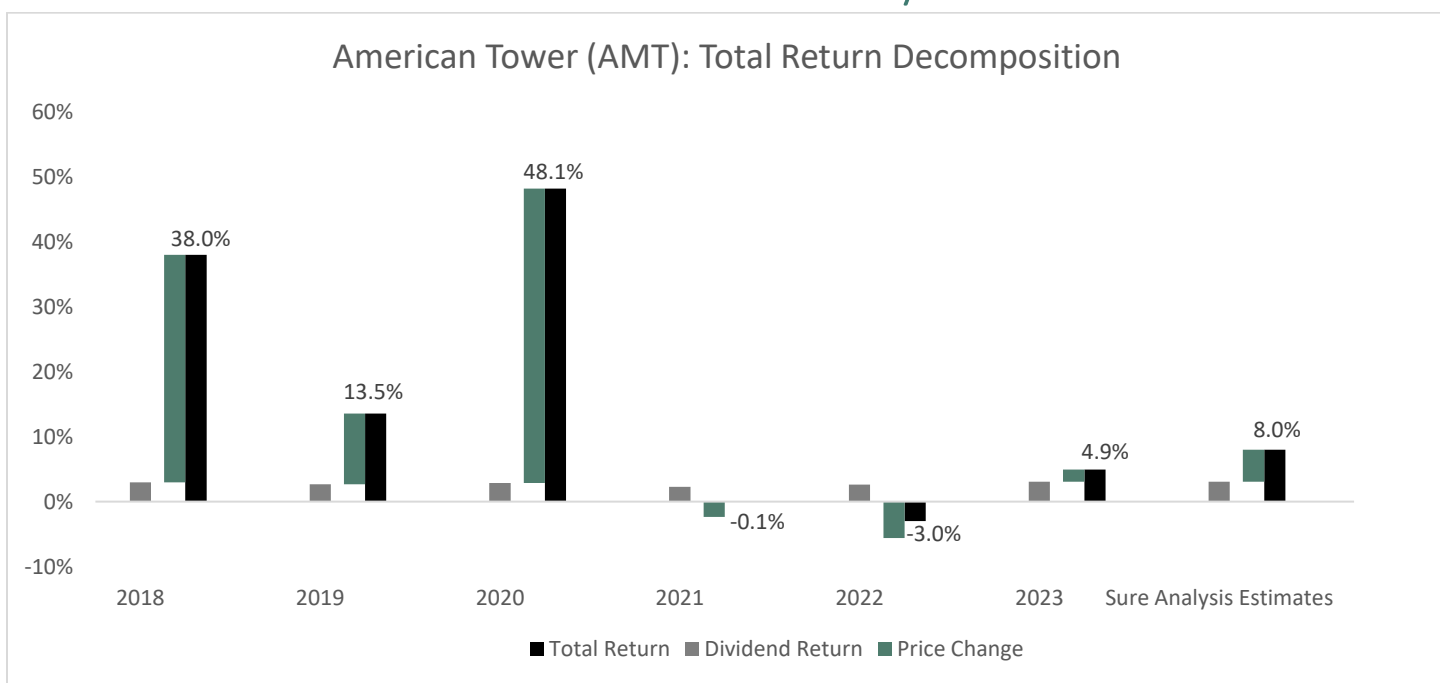
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	31%	41%	37%	39%	42%	48%	53%	55%	60%	65%	61%	61%

American Tower enjoys a competitive advantage in its leadership in the U.S. market. Not only is the company entrenched in the space, but switching costs for the company's customers (once equipment is installed) are quite high. Meanwhile, American Tower enjoys economies of scale as it grows larger, with the cost to add additional tenants to a tower being essentially negligible. Further, unlike its U.S. counterparts, American Tower is geographically diversified around the globe. This can somewhat increase risk – for instance with currency translation and working in different operating environments – but it insulates the firm from relying on a single country in lesser times.

Final Thoughts & Recommendation

American Tower has performed exceptionally well in the last decade and many of those trends that helped the company in the past remain in place. The stock has rallied 27% since our last research report, in May, but it could still offer an 8.0% average annual return over the next five years, stemming from 5.0% growth, a 2.8% dividend yield and a 0.5% valuation tailwind. We lower our rating from “buy” to “hold”.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



American Tower Corp. (AMT)

Updated August 7th, 2024, by Aristofanis Papadatos

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	4100	4772	5786	6664	7440	7580	8042	9,357	10,711	11,144
Gross Profit	3006	3463	3995	4607	5262	5364	5814	6,675	7,447	7,884
Gross Margin	73.3%	72.6%	69.1%	69.1%	70.7%	70.8%	64.5%	71.3%	69.5%	70.7%
SG&A Exp.	447	498	543	637	733	730	779	812	972	993
D&A Exp.	1004	1285	1526	1716	2111	1778	1882	2,333	3,355	3,087
Operating Profit	1487	1613	1853	1998	1905	2688	3128	3,328	3,037	3,777
Operating Margin	36.3%	33.8%	32.0%	30.0%	25.6%	35.5%	38.9%	35.6%	28.4%	33.9%
Net Profit	825	685	956	1239	1236	1888	1691	2,568	1,766	1,483
Net Margin	20.1%	14.4%	16.5%	18.6%	16.6%	24.9%	21.0%	27.4%	16.5%	13.3%
Free Cash Flow	1160	1438	2019	2122	2835	2761	2850	3,443	1,823	2,924
Income Tax	63	158	156	31	-110	-0.2	130	262	24	154

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	21264	26904	30879	33214	33010	42802	47230	69,888	67,195	66,028
Cash & Equivalents	313	321	787	802	1209	1501	1746	1,950	2,028	1,973
Accounts Receivable	199	227	308	514	459	462	512	729	758	670
Goodwill & Int. Ass.	10856	13930	16345	17422	16676	18497	21120	34,077	30,940	29,160
Total Liabilities	17210	20191	23903	26386	27111	37311	42670	60,818	54,786	55,162
Accounts Payable	90	97	119	143	131	148	139	272	219	259
Long-Term Debt	14540	17119	18534	20205	21160	24055	29290	43,254	38,670	38,922
Shareholder's Equity	3954	6652	6764	6242	5336	5055	4094	5,081	5,572	4,198
LTD/E Ratio	3.68	2.57	2.74	3.24	3.97	4.76	7.16	8.51	6.94	9.27

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	4.0%	2.8%	3.3%	3.9%	3.7%	5.0%	3.8%	4.4%	2.6%	2.2%
Return on Equity	22.0%	12.9%	14.3%	19.1%	21.4%	36.3%	37.0%	56.0%	33.1%	12.7%
ROIC	4.5%	3.2%	3.9%	4.7%	4.6%	6.7%	5.3%	5.9%	3.4%	2.9%
Shares Out.	397	424	427	429	441	446	446	457	463	467
Revenue/Share	10.25	11.28	13.48	15.44	16.80	17.01	38.92	20.64	23.15	23.86
FCF/Share	2.90	3.40	4.70	4.92	6.40	6.20	6.01	7.60	3.94	6.26

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.