November 5, 2015

**Equity Research**

**American Tower REIT, Inc.**

AMT: Global In Its Approach And Expansive In Its Scale

- Over the past 3 days we traveled with Leah Stearns – SVP Treasurer / Investor Relations of AMT. We walked away from the meetings with continued confidence in AMT’s global focused strategy. While AMT has much on its plate right now, we believe the geographic diversification of its assets make it well positioned to participate in different growth cycles of different regions.

- **HOLISTIC PART OF AT&T MLA EXPIRES IN 2016 – BUT ENTIRE MLA NOT OVER** – In 2016 the holistic part of the AT&T Master Lease agreement (MLA) in the legacy ATC sites – which added a higher escalation to the AT&T sites while allowing AT&T more flexibility to do work to those sites – will expire. However, the MLA agreement that AMT has in place with T is NOT expiring. With the expiration of the holistic element of the MLA, T could now move from a pre-defined basket of equipment fee paid up front through the holistic use fee (incremental escalator) to more of an “a la carte” (pay as you go) basis for additional amendment related work. What impact the expiration of the holistic part of the T MLA could have on AMT numbers is not yet fully known and will depend much on AT&T’s spend outlook in wireless for 2016 and beyond. In light of this, we view AMT’s strategy of diversifying its asset basis to be less dependent on the U.S. as a very positive thing, as we believe we could still see some “choppy” wireless spending on the part of AT&T in 2016. We fully expect T spending will come back – but with its fiber commitment to the FCC and the broadcast auction looming. AT&T likely has other priorities in terms of near-term capital deployment.

- **AT&T VERY BUSY SOUTH OF THE BORDER** – AMT remained especially enthused with the growth it continues to see in Mexico. Most of this enthusiasm seems to center on AT&T’s activity in the market. AMX is also now using AMT’s sites, which seems to be noticeable change in behavior vs. the past. AMT management seemed confident that based on the pipeline of activity. Q4’15 revenue in Mexico is on pace to show 2x the growth rate of the year ago period. We would expect to see the rate of growth further increase in 2016.

- **EMPIRE BUILDING? MAYBE – BUT WE LIKE IT!** Since the beginning of this year, it has purchased the VZ assets, announced the Vion acquisition in India and expanded its presence in both Brazil and Africa. The growth in these markets has continued to exceed expectations. AMT management estimates Brazil is roughly 5-7 years behind the U.S. in terms of smartphone penetration and usage with India about 10 years behind. While the FX headwinds in LatAm especially have been a clear headwind, the company has been able to take advantage of a dollar cost averaging approach and getting many of these assets at low prices / multiples.

**Valuation Range: $107.00 to $111.00**

Our valuation range is based on 19.1 - 19.8x our 2016E AFFO per share. Risks to the stock include reduced wireless capex related to consolidation and technological advancements that enhance the voice capacity of wireless carrier networks.

**Investment Thesis:**

We believe the overall macro environment (i.e. spectrum crunch, LTE deployment) bodes well for towers. With over 92,000 towers (US and international), AMT should be able to capture a large amount of capacity and coverage improvement related spending among the wireless carriers.

Please see page 4 for rating definitions, important disclosures and required analyst certifications

All estimates/forecasts are as of 11/05/15 unless otherwise stated.

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**Outperform**

**Sector: Wireless Towers**

**Overweight**

**Company Note**

<table>
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<th>FFO</th>
<th>2014A</th>
<th>2015E</th>
<th>2016E</th>
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<tr>
<td>Rev.(MM)</td>
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<td>$4,737</td>
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</table>

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

**Ticker**

- AMT

**Price**

- (11/04/2015) $102.23
- 52-Week Range: $86-107

**Shares Outstanding: (MM)**

- 403.5

**Market Cap.: (MM)**

- $41,249.8

**S&P 500:***

- 2,102,31

**Avg. Daily Vol.:**

- 2,138,280

**Dividend/Yield:**

- $1.36/1.3%

**LT Debt: (MM):**

- $4,429.0

**LT Debt/Total Cap.:**

- 61.0%

**ROE:**

- 11.0%

**3-5 Yr. Est. Growth Rate:**

- 10.0%

**CY 2015 Est. P/FFO-to-Growth:**

- 2.0x

**Last Reporting Date:**

- 10/29/2015

**Before Open**

**Source:** Company Data, Wells Fargo Securities, LLC estimates, and Reuters

**V = Volatile, NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful**

**Source:** Company Data, Wells Fargo Securities, LLC estimates, and Reuters

**Rev.(MM)**

- 2014A
- 2015E
- 2016E

**NETS**

- AMT

**Before Open**

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**Together we’ll go far**
Over the past 3 days we traveled with Leah Sterns – Treasurer of AMT. We walked away from the meetings with continued confidence in AMT’s global focused strategy. While AMT has much on its plate right now, we believe the geographic diversification of its assets make it well positioned to participate in different growth cycles of different regions.

**HOLISTIC PART OF AT&T MLA EXPIRES IN 2016 – BUT ENTIRE MLA NOT OVER** – In 2016 the holistic part of the AT&T MLA agreement in the legacy ATC sites – which added a higher escalation to the AT&T sites while allowing AT&T more flexibility to do work to those sites – will expire. However, the MLA agreement which AMT has in place with T is NOT expiring. With the expiration of the holistic element of the MLA, T could now move from a pre-defined basket of equipment fee paid up front through the holistic use fee (incremental escalator) to more of an “a la carte” (pay as you go) basis for additional amendment related work. That said, we still sense AMT and T are in negotiations about this element of the contract (which could be extended). What impact the expiration of the holistic part of the T MLA could have on AMT numbers is not yet fully known and will depend much on AT&T’s spend outlook in wireless for 2016 and beyond. As we have written in the past, our sense is the T wireless spending has continued to be somewhat muted since the close of the DTV deal. We do not see this meaningfully changing given more of T’s near-term enthusiasm seems to be centered around fiber deployment. In light of this, we view AMT’s strategy of diversifying its asset basis to be less dependent on the U.S. as a very positive thing, as we believe we could still see some “choppy” wireless spending on the part of AT&T in 2016. We fully expect T spending will come back – but with its fiber commitment to the FCC and the broadcast auction looming, AT&T likely has other priorities in terms of near-term capital deployment.

**AT&T VERY BUSY SOUTH OF THE BORDER** – AMT remained especially enthused with the growth it continues to see in Mexico. Most of this enthusiasm seems to center on AT&T’s activity in the market. AT&T is AMT’s most active customer in Mexico and is currently on 2/3 of its sites in the region. AMT signed a 14-year agreement with T. AMX is also now using AMT’s sites, which seems to be noticeable change in behavior vs. the past. AMT management seemed confident that based on the pipeline of activity. Q4’15 revenue in Mexico is on pace to show 2x the growth rate of the year-ago period. We would expect to see the rate of growth further increase in 2016.

**EMPIRE BUILDING? MAYBE – BUT WE LIKE IT!** By any measure, 2015 has been an extremely busy year for AMT. Since the beginning of this year, it has purchased the VZ assets, announced the Viom acquisition in India and expanded its presence in both Brazil and Africa. The growth in these markets has continued to exceed expectations. AMT management estimates Brazil is roughly 5-7 years behind the U.S. in terms of smartphone penetration and usage with India about 10 years behind. While the FX headwinds in LatAm especially have been a clear headwind, the company has been able to take advantage of a dollar cost averaging approach and getting many of these assets at low prices / multiples. Although the macro headlines coming from Brazil have been difficult ones, mobile data usage does not seem to be a discretionary expense and continues to ramp at an aggressive rate.

**VZ TOWERS RAMPING** – Since acquiring the VZ towers earlier this year, AMT has added a run rate of $800K monthly / revenue and is well on track to a rate of $1MM / month. AMT management expects the VZ sites will show a faster growth (8-10% / year) that the legacy US business. Additionally – Sterns noted the company is spending less in augmentation capital for this tower portfolio than its original due diligence suggested it may. We believe much of this additional activity is likely coming from TMUS as it lights up additional 700MHz A block spectrum in these markets.
Company Description:
Based in Boston, Massachusetts, American Tower REIT is the largest tower company, with ownership in over 87,000 sites globally. Like other tower companies, AMT has a diverse tenant mix. Approximately 75% of its domestic tower revenue comes from the Big Four U.S. wireless operators and their respective affiliates. The company's tower portfolio is high in quality, with over 65% of its domestic towers in the top 100 U.S. markets and core corridors. The company is 60% larger than the second-largest tower company—Crown Castle International.
### Required Disclosures

*American Tower REIT, Inc. (AMT) 3-yr. Price Performance*

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<th>Date</th>
<th>Published Price ($)</th>
<th>Rating Code</th>
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Source: Wells Fargo Securities, LLC estimates and Reuters data

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**AMT:** Risks to the stock include reduced wireless capex related to consolidation and technological advancements that enhance the voice capacity of wireless carrier networks.

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