

AMERICAN TOWER CORP /MA/
Form 10-Q
October 27, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One):

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. For the quarterly period ended September 30, 2016.

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Commission File Number: 001-14195

AMERICAN TOWER CORPORATION
(Exact name of registrant as specified in its charter)

Delaware 65-0723837
(State or other jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

116 Huntington Avenue
Boston, Massachusetts 02116
(Address of principal executive offices)

Telephone Number (617) 375-7500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes No

As of October 20, 2016, there were 425,687,843 shares of common stock outstanding.

AMERICAN TOWER CORPORATION
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 FOR THE QUARTER ENDED SEPTEMBER 30, 2016

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PART I. FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	September 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$530,358	\$320,686
Restricted cash	150,655	142,193
Accounts receivable, net	273,907	227,354
Prepaid and other current assets	415,836	306,235
Total current assets	1,370,756	996,468
PROPERTY AND EQUIPMENT, net	10,452,038	9,866,424
GOODWILL	4,997,224	4,091,805
OTHER INTANGIBLE ASSETS, net	11,557,964	9,837,876
DEFERRED TAX ASSET	197,914	212,041
DEFERRED RENT ASSET	1,265,700	1,166,755
NOTES RECEIVABLE AND OTHER NON-CURRENT ASSETS	813,931	732,903
TOTAL	\$30,655,527	\$26,904,272
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$105,551	\$96,714
Accrued expenses	571,989	516,413
Distributions payable	236,608	210,027
Accrued interest	108,077	115,672
Current portion of long-term obligations	242,992	50,202
Unearned revenue	254,336	211,001
Total current liabilities	1,519,553	1,200,029
LONG-TERM OBLIGATIONS	18,436,144	17,068,807
ASSET RETIREMENT OBLIGATIONS	965,087	856,936
DEFERRED TAX LIABILITY	792,139	106,333
OTHER NON-CURRENT LIABILITIES	1,068,121	959,349
Total liabilities	22,781,044	20,191,454
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE NONCONTROLLING INTERESTS	1,100,202	—
EQUITY:		
Preferred stock: \$.01 par value; 20,000,000 shares authorized; 5.25%, Series A, 6,000,000 shares issued and outstanding; aggregate liquidation value of \$600,000	60	60
5.50%, Series B, 1,375,000 shares issued and outstanding, respectively; aggregate liquidation value of \$1,375,000	14	14
Common stock: \$.01 par value; 1,000,000,000 shares authorized; 428,431,558 and 426,695,279 shares issued; and 425,621,532 and 423,885,253 shares outstanding, respectively	4,284	4,267
Additional paid-in capital	9,817,815	9,690,609
Distributions in excess of earnings	(1,030,663)	(998,535)
Accumulated other comprehensive loss	(1,876,374)	(1,836,996)

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Treasury stock (2,810,026 shares at cost)	(207,740)	(207,740)
Total American Tower Corporation equity	6,707,396	6,651,679
Noncontrolling interests	66,885	61,139
Total equity	6,774,281	6,712,818
TOTAL	\$30,655,527	\$26,904,272

See accompanying notes to unaudited consolidated and condensed consolidated financial statements.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
REVENUES:				
Property	\$1,497,936	\$1,212,849	\$4,191,779	\$3,429,264
Services	16,909	25,061	54,340	62,211
Total operating revenues	1,514,845	1,237,910	4,246,119	3,491,475
OPERATING EXPENSES:				
Costs of operations (exclusive of items shown separately below):				
Property (including stock-based compensation expense of \$426, \$396, \$1,325 and \$1,218, respectively)	485,525	356,082	1,280,386	929,624
Services (including stock-based compensation expense of \$172, \$99, \$578 and \$336, respectively)	5,712	9,307	22,007	22,863
Depreciation, amortization and accretion	397,999	341,096	1,137,398	932,972
Selling, general, administrative and development expense (including stock-based compensation expense of \$19,628, \$17,850, \$68,309 and \$70,697, respectively)	131,537	114,832	405,086	354,460
Other operating expenses	14,998	15,668	37,509	40,891
Total operating expenses	1,035,771	836,985	2,882,386	2,280,810
OPERATING INCOME	479,074	400,925	1,363,733	1,210,665
OTHER INCOME (EXPENSE):				
Interest income, TV Azteca, net of interest expense of \$279, \$40, \$846 and \$780, respectively	2,742	2,993	8,206	8,251
Interest income	6,376	4,503	16,378	11,871
Interest expense	(190,160)	(149,787)	(531,076)	(446,228)
Gain (loss) on retirement of long-term obligations	—	—	830	(78,793)
Other expense (including unrealized foreign currency losses of \$8,321, \$77,864, \$3,544 and \$107,871, respectively)	(12,260)	(66,659)	(25,894)	(123,291)
Total other expense	(193,302)	(208,950)	(531,556)	(628,190)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	285,772	191,975	832,177	582,475
Income tax provision	(22,037)	(94,235)	(94,671)	(132,063)
NET INCOME	263,735	97,740	737,506	450,412
Net loss (income) attributable to noncontrolling interests	774	5,259	(10,288)	1,960
NET INCOME ATTRIBUTABLE TO AMERICAN TOWER CORPORATION STOCKHOLDERS	264,509	102,999	727,218	452,372
Dividends on preferred stock	(26,781)	(26,781)	(80,344)	(63,382)
NET INCOME ATTRIBUTABLE TO AMERICAN TOWER CORPORATION COMMON STOCKHOLDERS	\$237,728	\$76,218	\$646,874	\$388,990
NET INCOME PER COMMON SHARE AMOUNTS:				
Basic net income attributable to American Tower Corporation common stockholders	\$0.56	\$0.18	\$1.52	\$0.93
Diluted net income attributable to American Tower Corporation common stockholders	\$0.55	\$0.18	\$1.51	\$0.92

WEIGHTED AVERAGE COMMON SHARES

OUTSTANDING:

BASIC	425,517	423,375	424,831	417,280
DILUTED	429,925	427,227	429,019	421,352
DISTRIBUTIONS DECLARED PER COMMON SHARE	\$0.55	\$0.46	\$1.59	\$1.32

See accompanying notes to unaudited consolidated and condensed consolidated financial statements.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	\$263,735	\$97,740	\$737,506	\$450,412
Other comprehensive (loss) income:				
Changes in fair value of cash flow hedges, net of tax benefit of \$0, \$9, \$0 and \$18, respectively	(432	) 710	(367	) 365
Reclassification of unrealized (gains) losses on cash flow hedges to net income, net of tax benefit of \$0, \$20, \$0 and \$66, respectively	(108	) 158	(173	) 2,771
Foreign currency translation adjustments, net of tax (benefit) expense of (\$1,495), (\$12,863), \$5,388 and (\$25,275), respectively	(91,608	) (600,798	) (43,282	) (1,077,788)
Other comprehensive loss	(92,148	) (599,930	) (43,822	) (1,074,652)
Comprehensive income (loss)	171,587	(502,190	) 693,684	(624,240
Comprehensive (income) loss attributable to noncontrolling interests	(12,454	) 807	(5,844	) 37,930
Comprehensive income (loss) attributable to American Tower Corporation stockholders	\$ 159,133	\$ (501,383)	\$ 687,840	\$ (586,310)

See accompanying notes to unaudited consolidated and condensed consolidated financial statements.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (in thousands)

	Nine Months Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$737,506	\$450,412
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation, amortization and accretion	1,137,398	932,972
Stock-based compensation expense	70,212	72,251
(Gain) loss on early retirement of long-term obligations	(830)	78,793
Other non-cash items reflected in statements of operations	120,170	143,412
Decrease in restricted cash	4,126	19,971
Increase in net deferred rent balances	(51,762)	(69,019)
Increase in assets	(8,863)	(106,535)
(Decrease) increase in liabilities	(29,526)	21,358
Cash provided by operating activities	1,978,431	1,543,615
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchase of property and equipment and construction activities	(475,174)	(518,018)
Payments for acquisitions, net of cash acquired	(1,309,915)	(1,616,205)
Payment for Verizon transaction	(4,748)	(5,058,895)
Proceeds from sale of short-term investments and other non-current assets	4,459	1,002,214
Payments for short-term investments	—	(1,011,320)
Deposits, restricted cash, investments and other	(824)	(2,053)
Cash used for investing activities	(1,786,202)	(7,204,277)
CASH FLOW FROM FINANCING ACTIVITIES		
(Repayments of) proceeds from of short-term borrowings, net	(7,337)	8,282
Borrowings under credit facilities	1,529,477	5,727,831
Proceeds from issuance of senior notes, net	3,236,383	1,492,298
Proceeds from term loan	—	500,000
Proceeds from other borrowings	70,806	—
Proceeds from issuance of securities in securitization transaction	—	875,000
Repayments of notes payable, credit facilities, senior notes, term loan and capital leases	(4,116,645)	(6,092,710)
(Distributions to) contributions from noncontrolling interest holders, net	(700)	4,449
Proceeds from stock options and ESPP	76,601	29,324
Distributions paid on common stock	(651,966)	(516,012)
Distributions paid on preferred stock	(80,344)	(57,866)
Proceeds from the issuance of common stock, net	—	2,440,327
Proceeds from the issuance of preferred stock, net	—	1,337,946
Payment for early retirement of long-term obligations	(125)	(86,107)
Deferred financing costs and other financing activities	(29,423)	(30,314)
Cash provided by financing activities	26,727	5,632,448
Net effect of changes in foreign currency exchange rates on cash and cash equivalents	(9,284)	2,126
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	209,672	(26,088)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	320,686	313,492
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$530,358	\$287,404
CASH PAID FOR INCOME TAXES (NET OF REFUNDS OF \$16,219 AND \$5,206, RESPECTIVELY)	\$71,868	\$130,231
CASH PAID FOR INTEREST	\$516,382	\$472,079

NON-CASH INVESTING AND FINANCING ACTIVITIES:

Decrease in accounts payable and accrued expenses for purchases of property and equipment and construction activities	\$(36,609)	\$(6,703)
Purchases of property and equipment under capital leases	\$37,049	\$19,870
Settlement of accounts receivable related to acquisitions	\$—	\$735

See accompanying notes to unaudited consolidated and condensed consolidated financial statements.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

(in thousands, except share data)

	Preferred Stock - Series A Issued Shares	Preferred Stock - Series B Issued Shares	Common Stock Issued Shares	Treasury Stock Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Distributed in Excess of Earnings	
BALANCE, JANUARY 1, 2015	6,000,000	\$60 —	\$399,508,751	\$3,995 (2,810,026)	\$(207,740)	\$5,788,786	\$(794,221)	\$(837,32)
Stock-based compensation related activity	—	—	—904,645	9	—	79,878	—	—
Issuance of common stock—stock purchase plan	—	—	—43,940	—	—	3,465	—	—
Issuance of common stock	—	—	—25,850,000	259	—	2,440,068	—	—
Issuance of preferred stock	—	—	1,375,000	14	—	—	—	—