

AMERICAN TOWER CORP /MA/
Form 10-Q
October 31, 2017

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, 2017.

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, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check One):
Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 24, 2017, there were 428,856,376 shares of common stock outstanding.

AMERICAN TOWER CORPORATION
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 FOR THE QUARTER ENDED SEPTEMBER 30, 2017

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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, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$799,467	\$787,161
Restricted cash	155,208	149,281
Short-term investments	1,032	4,026
Accounts receivable, net	508,626	308,369
Prepaid and other current assets	499,241	441,033
Total current assets	1,963,574	1,689,870
PROPERTY AND EQUIPMENT, net	10,795,057	10,517,258
GOODWILL	5,371,679	5,070,680
OTHER INTANGIBLE ASSETS, net	11,580,994	11,274,611
DEFERRED TAX ASSET	221,759	195,678
DEFERRED RENT ASSET	1,454,780	1,289,530
NOTES RECEIVABLE AND OTHER NON-CURRENT ASSETS	931,483	841,523
TOTAL	\$32,319,326	\$30,879,150
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$119,745	\$118,666
Accrued expenses	774,072	620,563
Distributions payable	286,911	250,550
Accrued interest	103,242	157,297
Current portion of long-term obligations	687,382	238,806
Unearned revenue	288,884	245,387
Total current liabilities	2,260,236	1,631,269
LONG-TERM OBLIGATIONS	18,581,381	18,294,659
ASSET RETIREMENT OBLIGATIONS	1,054,092	965,507
DEFERRED TAX LIABILITY	976,725	777,572
OTHER NON-CURRENT LIABILITIES	1,190,486	1,142,723
Total liabilities	24,062,920	22,811,730
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE NONCONTROLLING INTERESTS	1,146,773	1,091,220
EQUITY:		
Preferred stock: \$.01 par value; 20,000,000 shares authorized; 5.25%, Series A, 6,000,000 shares issued, 0 and 6,000,000 shares outstanding; aggregate liquidation value of \$0 and \$600,000, respectively	—	60
5.50%, Series B, 1,375,000 shares issued, 1,374,986 and 1,375,000 shares outstanding; aggregate liquidation value of \$1,374,986 and \$1,375,000, respectively	14	14
Common stock: \$.01 par value; 1,000,000,000 shares authorized; 437,510,284 and 429,912,536 shares issued; and 429,243,720 and 427,102,510 shares outstanding, respectively	4,375	4,299
Additional paid-in capital	10,212,535	10,043,559
Distributions in excess of earnings	(975,158) (1,076,965)

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Accumulated other comprehensive loss	(1,839,029)	(1,999,332)
Treasury stock (8,266,564 and 2,810,026 shares at cost, respectively)	(884,610)	(207,740)
Total American Tower Corporation equity	6,518,127	6,763,895
Noncontrolling interests	591,506	212,305
Total equity	7,109,633	6,976,200
TOTAL	\$32,319,326	\$30,879,150

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,	
	2017	2016	2017	2016
REVENUES:				
Property	\$1,655,349	\$1,497,936	\$4,887,588	\$4,191,779
Services	25,417	16,909	71,850	54,340
Total operating revenues	1,680,766	1,514,845	4,959,438	4,246,119
OPERATING EXPENSES:				
Costs of operations (exclusive of items shown separately below):				
Property (including stock-based compensation expense of \$476, \$426, \$1,776 and \$1,325, respectively)	511,151	485,525	1,504,552	1,280,386
Services (including stock-based compensation expense of \$189, \$172, \$613 and \$578, respectively)	8,608	5,712	25,098	22,007
Depreciation, amortization and accretion	432,354	397,999	1,249,849	1,137,398
Selling, general, administrative and development expense (including stock-based compensation expense of \$23,798, \$19,628, \$84,034 and \$68,309, respectively)	147,961	131,537	465,905	405,086
Other operating expenses	19,541	14,998	44,595	37,509
Total operating expenses	1,119,615	1,035,771	3,289,999	2,882,386
OPERATING INCOME	561,151	479,074	1,669,439	1,363,733
OTHER INCOME (EXPENSE):				
Interest income, TV Azteca, net of interest expense of \$292, \$279, \$874 and \$846, respectively	2,713	2,742	8,183	8,206
Interest income	8,313	6,376	26,551	16,378
Interest expense	(188,784)	(190,160)	(559,507)	(531,076)
(Loss) gain on retirement of long-term obligations	(14,183)	—	(69,897)	830
Other (expense) income (including unrealized foreign currency (losses) gains of (\$5,344), (\$8,321), \$30,392 and (\$3,544), respectively)	(1,114)	(12,260)	39,970	(25,894)
Total other expense	(193,055)	(193,302)	(554,700)	(531,556)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	368,096	285,772	1,114,739	832,177
Income tax provision	(33,412)	(22,037)	(84,155)	(94,671)
NET INCOME	334,684	263,735	1,030,584	737,506
Net (income) loss attributable to noncontrolling interests	(17,416)	774	(30,185)	(10,288)
NET INCOME ATTRIBUTABLE TO AMERICAN TOWER CORPORATION STOCKHOLDERS	317,268	264,509	1,000,399	727,218
Dividends on preferred stock	(18,907)	(26,781)	(68,531)	(80,344)
NET INCOME ATTRIBUTABLE TO AMERICAN TOWER CORPORATION COMMON STOCKHOLDERS	\$298,361	\$237,728	\$931,868	\$646,874
NET INCOME PER COMMON SHARE AMOUNTS:				
Basic net income attributable to American Tower Corporation common stockholders	\$0.70	\$0.56	\$2.18	\$1.52
Diluted net income attributable to American Tower Corporation common stockholders	\$0.69	\$0.55	\$2.16	\$1.51

WEIGHTED AVERAGE COMMON SHARES

OUTSTANDING:

BASIC	429,281	425,517	427,960	424,831
DILUTED	432,831	429,925	431,319	429,019
DISTRIBUTIONS DECLARED PER COMMON SHARE	\$0.66	\$0.55	\$1.92	\$1.59

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	\$334,684	\$263,735	\$1,030,584	\$737,506
Other comprehensive income (loss):				
Changes in fair value of cash flow hedges, net of tax of \$0	14	(432)	(286)	(367)
Reclassification of unrealized losses (gains) on cash flow hedges to net income, net of tax of \$0	19	(108)	(99)	(173)
Foreign currency translation adjustments, net of tax expense (benefit) of \$2,292, (\$1,495), \$4,714 and \$5,388, respectively	12,581	(91,608)	252,016	(43,282)
Other comprehensive income (loss)	12,614	(92,148)	251,631	(43,822)
Comprehensive income	347,298	171,587	1,282,215	693,684
Comprehensive income attributable to noncontrolling interests	(20,256)	(12,454)	(121,513)	(5,844)
Comprehensive income attributable to American Tower Corporation stockholders	\$327,042	\$159,133	\$1,160,702	\$687,840

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,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$1,030,584	\$737,506
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation, amortization and accretion	1,249,849	1,137,398
Stock-based compensation expense	86,423	70,212
Loss (gain) on early retirement of long-term obligations	69,897	(830)
Other non-cash items reflected in statements of operations	(6,574)	120,170
(Increase) decrease in restricted cash	(4,822)	4,126
Increase in net deferred rent balances	(106,048)	(51,762)
Increase in assets	(265,641)	(8,863)
Increase (decrease) in liabilities	78,084	(29,526)
Cash provided by operating activities	2,131,752	1,978,431
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchase of property and equipment and construction activities	(554,967)	(475,174)
Payments for acquisitions, net of cash acquired	(956,943)	(1,309,915)
Payment for Verizon transaction	—	(4,748)
Proceeds from sale of short-term investments and other non-current assets	10,144	4,459
Deposits, restricted cash, investments and other	(8,730)	(824)
Cash used for investing activities	(1,510,496)	(1,786,202)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings, net	—	(7,337)
Borrowings under credit facilities	3,667,020	1,600,283
Proceeds from issuance of senior notes, net	1,279,435	3,236,383
Repayments of notes payable, credit facilities, senior notes, term loan and capital leases	(4,295,715)	(4,116,645)
Contributions from (distributions to) noncontrolling interest holders, net	264,685	(700)
Purchases of common stock	(669,690)	—
Proceeds from stock options and ESPP	105,717	76,601
Distributions paid on common stock	(789,522)	(651,966)
Distributions paid on preferred stock	(72,468)	(80,344)
Payment for early retirement of long-term obligations	(75,274)	(125)
Deferred financing costs and other financing activities	(28,114)	(29,423)
Cash (used for) provided by financing activities	(613,926)	26,727
Net effect of changes in foreign currency exchange rates on cash and cash equivalents	4,976	(9,284)
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,306	209,672
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	787,161	320,686
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$799,467	\$530,358
CASH PAID FOR INCOME TAXES (NET OF REFUNDS OF \$19,832 AND \$16,219, RESPECTIVELY)	\$87,672	\$71,868
CASH PAID FOR INTEREST	\$584,310	\$516,382
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Increase (decrease) in accounts payable and accrued expenses for purchases of property and equipment and construction activities	\$21,019	\$(36,609)
Purchases of property and equipment under capital leases	\$33,713	\$37,049
See accompanying notes to unaudited consolidated and condensed consolidated financial statements.		

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	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Dis- in E Ear
BALANCE, JANUARY 1, 2016	6,000,000	\$60 1,375,000	\$14 426,695,279	\$4,267	(2,810,026)	\$(207,740)	\$9,690,609	\$(1,836,996)	\$(9)
Stock-based compensation related activity	—	—	1,691,546	17	—	—	123,359	—	—
Issuance of common stock—stock purchase plan	—	—	44,733	—	—	—	3,847	—	—
Changes in fair value of cash flow hedges, net of tax	—	—	—	—	—	—	—	(367)) —
Reclassification of unrealized gains on cash flow hedges to net income	—	—	—	—	—	—	—	(173))