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Research Update: American Tower Corp. Upgraded To ‘BBB+’, Outlook Stable, Under Our Updated Methodology; Off UCO

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Rating Action Overview

S&P Global



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Support

Ratings

- S&P Global Ratings has completed a review of American Tower Corp. following the implementation of our updated methodology for digital infrastructure companies.
- We recognize the benefits of its relatively stable and predictable cash flows, especially from the U.S. tower business, which represents about half of the company's revenue.
- We have loosened our debt-to-EBITDA rating triggers following a comprehensive peer review.
- We have raised all ratings, including our issuer credit rating, to 'BBB+' from 'BBB', and removed the ratings from 'under criteria observation'.
- The stable outlook reflects our expectation that adjusted leverage will remain in the mid-5x area as modest EBITDA growth is offset by higher capital expenditures (capex) and the company's large common dividend such that discretionary cash flow (DCF) is modestly negative. We expect funds from operations (FFO) to debt to be around 13%-14%, which is supportive of the rating and outlook.

Rating Action Rationale

Stable and predictable earnings growth and cash flow . American Tower's U.S. tower business benefits from attractive tower leasing economics, strong margins in the mid-to-high-60% area, and long-term contracts with price escalators. Despite sluggish growth over the past couple of years as the U.S. wireless carriers scaled back their capital spending (capex), we expect the next phase of 5G wireless network deployments will focus on densification and enable American Tower to improve revenue growth. In 2025 we expect organic tenant billings growth (less Sprint churn) of around 4.0%-4.5%, somewhat weaker than 2024. That said, increased wireless capex in the U.S. should bode well for the tower operators in 2026 and beyond.