

American Tower - Where Should the India Proceeds Go?

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Decision scope: Policy for allocating eventual net proceeds from the proposed India divestiture

Case convention: Author-created decision exercise. The assignment and alternatives are hypothetical; company disclosures are historical. No private deliberations are represented.

The decision

On 30 April 2024, American Tower Corporation (AMT) released first-quarter results before its scheduled 8:30 a.m. earnings call. Its agreement to sell its Indian operating subsidiary remained pending. The transaction could produce aggregate consideration of up to INR 210 billion, about \$2.5 billion at the company's stated conversion, but the headline included several forms of consideration and obligations. It was not a forecast of unrestricted cash proceeds. AMT said it expected to use proceeds to repay indebtedness. [S1], India transaction, p.43; [S2], lines 81-86, 113-115.

At quarter-end AMT reported \$39.260 billion of debt, \$2.389 billion of cash, \$36.870 billion of net debt and \$9.3 billion of total liquidity. Its reported net leverage was 5.0 times first-quarter adjusted EBITDA annualized. The company had repaid two 2024 notes totaling \$1.5 billion using revolving facilities. [S2], leverage and financing, lines 87-106.

The company also had substantial continuing investment needs. Its updated 2024 capex outlook was \$1.545-\$1.655 billion, including tower and data-center projects, redevelopment, start-up costs, ground-lease purchases and capital improvements. It expected 2,500-3,500 new sites, including about 800 in India, and \$450 million of Data Centers development. [S2], outlook, lines 161-174.

Assignment: You are advising a hypothetical capital-allocation committee preparing a policy for the eventual *net cash* from the proposed India sale. Recommend one of three approaches: repay debt as proceeds arrive; preserve a defined portion for projects that clear explicit investment gates and repay the balance; or repay debt first and consider residual cash for repurchases only after required distributions, planned investment and liquidity needs. You may propose a different staged rule. Respect AMT's disclosed expectation that proceeds would repay indebtedness, or explain what evidence would justify changing the sequence. Do not assume the sale has closed or that the announced maximum is net cash.

Use only information available by the cutoff. The 8:30 a.m. call, subsequent filings and later transaction developments are outside the case. Prepare a two-page recommendation identifying the allocation rule, the conditions for releasing capital, the strongest objection to your recommendation and the information that would change your decision.

What AMT owns and sells

AMT owns, operates and develops multi-tenant communications real estate. Its tower portfolio includes sites on both owned and leased land; at year-end 2023 it reported 222,830 towers, with about 90% on leased land. It also operated 28 data-center facilities in 10 U.S. markets, with 3.3 million net rentable square feet, and had U.S. tower-related services. The businesses differ in operating model and capital needs. [S1], Item 1, business and properties, pp.4, 24.

The tower model allows AMT to lease space and equipment positions to multiple wireless customers at a site. AMT says that adding tenants or equipment to existing sites generally produces the highest incremental returns and can add capacity with relatively modest investment. It describes new-site development and data-center construction as more capital-intensive. These are management's characterizations; the public materials do not provide project-level returns with which to test them. [S1], capital allocation, pp.5-6.

AMT's three largest customers at year-end 2023 were T-Mobile (17% of revenue), AT&T (16%) and Verizon (12%). About 56% of tenant leases had a renewal date in 2029 or later. These contracts provide duration and recurring rent, while leaving customer concentration and future renewal economics relevant to investment decisions. [S1], properties and tenants, p.24.

The India sale agreement, announced in January, covered 100% of ATC TIPL. AMT retained the economic benefit of certain Vodafone Idea (VIL) optional convertible debentures and receivables. The "up to" INR 210 billion aggregate consideration included VIL instruments and shares, receivable payments, intercompany-debt repayment, repayment or assumption of India term loans, and an accrued ticking fee. At the cutoff, AMT reported that VIL shares had been sold on 29 April for expected net proceeds of about INR 18 billion (\$216 million); the subsidiary had distributed about \$115 million in the quarter, to be deducted from eventual aggregate consideration. Closing was expected in the second half of 2024, subject to conditions and regulatory approval. [S1], Item 7, p.43; [S2], India transaction, lines 81-86, 113-115.

Thus, the announced total combines cash, securities, receivables and debt-related items, with timing and closing conditions. AMT had not disclosed final net cash, transaction costs, taxes, the resulting balance-sheet movements, or the closing date. Students should not treat \$2.5 billion as cash ready for immediate allocation.

The capital-allocation framework

AMT stated that its long-term objective was to increase AFFO per share and return on invested capital. It expected to distribute at least 90% of REIT taxable income, then allocate capital to alternatives meeting or exceeding its return criteria while considering debt repayment. It described returning "excess" cash only after distributions, capex, policy-consistent debt repayment and anticipated investment or acquisition needs. The 90% rule is based on REIT taxable income, not AFFO, free cash flow or GAAP earnings; AMT did not disclose its current investment hurdle or a mechanical debt target. [S1], capital-allocation policy, pp.5-6.

Exhibit 1. First-quarter 2024 operating and capital snapshot

USD millions except per-share data and ratios; company-reported unless marked. Figures are for the three months ended 31 March 2024.

Measure	Q1 2024
Revenue	\$2,834

Measure	Q1 2024
Property revenue	\$2,804
Adjusted EBITDA	\$1,854
AFFO attributable to common stockholders	\$1,303
Cash provided by operating activities	\$1,284
Cash capex	\$402
Free cash flow	\$882
Quarterly common distribution per share	\$1.62
Aggregate common distributions	\$756.5

Source: [S2], Q1 highlights and financial measures, lines 14-22, 30-54, 68-80. AMT defines AFFO, adjusted EBITDA and free cash flow; they are not GAAP measures. The quarter's year-over-year comparisons were affected by foreign-exchange changes, the prior-year Mexico Fiber sale loss and revised useful-life/asset-retirement estimates. [S2], lines 55-65, 228-234.

The Q1 distribution had already been declared and paid on 26 April. The board retains discretion over future distributions. AMT's 10-K described the distribution requirement and its broader capital-allocation sequence, but neither disclosure equates the REIT minimum with the full common distribution. [S1], pp.5-6; [S2], lines 68-80.

Exhibit 2. 2024 operating outlook and planned investment

Measure	2024 outlook as of 30 April
Total property revenue midpoint	\$11.17bn
Adjusted EBITDA midpoint	\$7.175bn
AFFO midpoint	\$4.875bn
AFFO per share midpoint	\$10.415
Total capex range	\$1.545-\$1.655bn
Discretionary capital projects	\$790-\$820m
Redevelopment	\$455-\$485m
Ground-lease purchases	\$70-\$90m
Start-up costs	\$65-\$85m
Capital improvements and corporate capex	\$165-\$175m

The discretionary-project forecast included 2,500-3,500 new sites globally (about 800 in India) and \$450 million of Data Centers development. AMT's outlook also estimated 2024 property-revenue growth of 0.5% in U.S. & Canada, 1.4% internationally and 9.0% in Data Centers. Management's billings outlook was about 4.7% organic growth in U.S. & Canada and

5% internationally, with new-site billings growth around 0% and 2%, respectively. These are forecasts, and billings are not the same measure as GAAP revenue. [S2], outlook, lines 108-174.

Exhibit 3. Debt and liquidity at quarter-end

Measure	31 March 2024
Total debt	\$39.260bn
Cash	\$2.389bn
Net debt	\$36.870bn
Net leverage	5.0x
Total liquidity	\$9.3bn

Source: [S2], lines 87-106. Net leverage is net debt divided by quarterly adjusted EBITDA multiplied by four. It is issuer-defined and not a credit-agency covenant or an indication, by itself, of distress. Total liquidity includes facility capacity and should not be treated as unrestricted cash. AMT said expected operating cash and borrowing capacity would be sufficient for distributions, capex, debt service and signed acquisitions. [S1], Item 7, pp.43-44.

Competitors and capital choices

AMT's closest publicly reporting U.S. tower peers offered useful but incomplete context. Crown Castle reported first-quarter organic contribution to site-rental billings growth of 5.0% after adjusting for lower Sprint-cancellation billings, while AFFO per share fell 10%. It forecast \$1.5-\$1.6 billion of 2024 discretionary capex, with most directed to Fiber and \$180 million to Towers. Crown Castle has a different U.S.-focused tower, small-cell and fiber mix; its metrics and Sprint effects are not directly comparable to AMT's. [S3], Q1 performance, lines 44-63; outlook, lines 73-118 and definitions, 397-430.

The public information leaves two explanations for the allocation tension. First, high leverage, near-term debt repayment and uncertainty about transaction cash support debt reduction and preserving liquidity. Second, AMT may have attractive incremental opportunities in existing sites, new sites or data centers, and an overly rigid repayment rule could reject positive-return projects. A third view is that repurchases can be appropriate once obligations and investment needs are funded, but the cutoff materials do not give a share-price valuation threshold or disclose a current repurchase program.

The academic evidence does not settle AMT's project economics. Studies of REITs find capital structure reflects both target adjustment and governance/incentive factors, but their samples do not establish AMT's optimal leverage. Real-options models explain why staging investment can preserve the value of waiting under uncertainty, while competition can sometimes reward moving sooner. These frameworks suggest questions about committed demand, timing and reversibility; they do not supply AMT-specific hurdle rates or a return estimate. [S4], abstract; [S5], §§4-5; [S6], §§2-3.

Questions for discussion

1. Which is the binding constraint on the proceeds decision: debt capacity, liquidity, investment opportunity, the REIT distribution requirement, or the inability to estimate net proceeds yet?

2. Should AMT follow its stated plan to repay indebtedness, stage repayment alongside gated investment, or permit residual repurchases? What conditions would make your recommendation change?
3. Which project types should compete for capital? How would you assess existing-site augmentation, new towers and Data Centers when project-level costs, signed leases and returns are not disclosed?
4. How do customer concentration, lease duration, regional growth forecasts and Crown Castle's results affect your view of risk and opportunity?
5. What additional information should AMT disclose before the transaction closes or before committing the proceeds?

Sources

- **[S1]** American Tower Corporation, 2023 Form 10-K, filed 27 February 2024, accession 0001053507-24-000011. [SEC filing](#). Cited sections and printed pages are given in the text.
- **[S2]** American Tower Corporation, Q1 2024 results release, Exhibit 99.1 to Form 8-K, accepted 30 April 2024 at 07:16:03 ET, accession 0001053507-24-000081. [SEC exhibit](#). Cited line ranges are given in the text.
- **[S3]** Crown Castle Inc., Q1 2024 results release, Exhibit 99.1 to Form 8-K, 17 April 2024, accession 0001051470-24-000133. [SEC exhibit](#).
- **[S4]** J. Versmissen and J. Zietz, “Is there a leverage target for REITs?” *Quarterly Review of Economics and Finance* 66 (2017), 57-69, abstract. DOI: [10.1016/j.qref.2017.01.001](#).
- **[S5]** C. Ghosh et al., “How Entrenchment, Incentives and Governance Influence REIT Capital Structure,” *Journal of Real Estate Finance and Economics* 43 (2011), 39-72, §§4-5, pp.61-68. [Full text](#).
- **[S6]** N. F. D. Huberts et al., “Capacity Choice in (Strategic) Real Options Models: A Survey,” *Dynamic Games and Applications* 5 (2015), 424-439, §§2-3, pp.426-437. [Full text](#).

The separate AMT Q1 earnings presentation referenced in the results release was not independently retrieved. No claim in this case relies on that deck. The Q1 supplemental package is also excluded because its exact publication time relative to the cutoff is unverified.