

AMERICAN TOWER CORP /MA/
Form 10-Q
May 02, 2018

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 March 31, 2018.

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 April 24, 2018, there were 441,659,919 shares of common stock outstanding.

AMERICAN TOWER CORPORATION
 TABLE OF CONTENTS
 QUARTERLY REPORT ON FORM 10-Q
 FOR THE QUARTER ENDED MARCH 31, 2018

	Page Nos.
PART I. FINANCIAL INFORMATION	
Item 1. <u>Unaudited Consolidated and Condensed Consolidated Financial Statements</u>	<u>1</u>
<u>Consolidated Balance Sheets as of March 31, 2018 and December 31, 2017</u>	<u>1</u>
<u>Consolidated Statements of Operations for the three months ended March 31, 2018 and 2017</u>	<u>2</u>
<u>Consolidated Statements of Comprehensive Income for the three months ended March 31, 2018 and 2017</u>	<u>3</u>
<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2018 and 2017</u>	<u>4</u>
<u>Consolidated Statements of Equity for the three months ended March 31, 2018 and 2017</u>	<u>5</u>
<u>Notes to Consolidated and Condensed Consolidated Financial Statements</u>	<u>6</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>28</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>50</u>
Item 4. <u>Controls and Procedures</u>	<u>50</u>
PART II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	<u>52</u>
Item 1A. <u>Risk Factors</u>	<u>52</u>
Item 6. <u>Exhibits</u>	<u>52</u>
<u>Signatures</u>	<u>53</u>

PART I. FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in millions, except share count and per share data)

	March 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$1,125.4	\$802.1
Restricted cash	153.5	152.8
Short-term investments	389.4	1.0
Accounts receivable, net	557.9	513.6
Prepaid and other current assets	571.2	568.6
Total current assets	2,797.4	2,038.1
PROPERTY AND EQUIPMENT, net	11,294.8	11,101.0
GOODWILL	5,647.1	5,638.4
OTHER INTANGIBLE ASSETS, net	11,940.2	11,783.3
DEFERRED TAX ASSET	192.9	204.4
DEFERRED RENT ASSET	1,510.0	1,499.0
NOTES RECEIVABLE AND OTHER NON-CURRENT ASSETS	990.3	950.1
TOTAL	\$34,372.7	\$33,214.3
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$118.7	\$142.9
Accrued expenses	825.4	854.3
Distributions payable	335.0	304.4
Accrued interest	131.0	166.9
Current portion of long-term obligations	2,803.2	774.8
Unearned revenue	331.4	268.8
Total current liabilities	4,544.7	2,512.1
LONG-TERM OBLIGATIONS	18,568.8	19,430.3
ASSET RETIREMENT OBLIGATIONS	1,215.0	1,175.3
DEFERRED TAX LIABILITY	791.7	898.1
OTHER NON-CURRENT LIABILITIES	1,246.0	1,244.2
Total liabilities	26,366.2	25,260.0
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE NONCONTROLLING INTERESTS	1,065.2	1,126.2
EQUITY (shares in thousands):		
Preferred stock: \$.01 par value; 20,000 shares authorized; 5.50%, Series B, 1,375 shares issued, 0 and 1,375 shares outstanding; aggregate liquidation value of \$0.0 and \$1.4, respectively	—	0.0
Common stock: \$.01 par value; 1,000,000 shares authorized; 450,505 and 437,729 shares issued; and 441,596 and 428,820 shares outstanding, respectively	4.5	4.4
Additional paid-in capital	10,224.0	10,247.5
Distributions in excess of earnings	(1,085.7)	(1,058.1)
Accumulated other comprehensive loss	(1,834.6)	(1,978.3)
Treasury stock (8,909 shares at cost)	(974.0)	(974.0)
Total American Tower Corporation equity	6,334.2	6,241.5

Noncontrolling interests	607.1	586.6
Total equity	6,941.3	6,828.1
TOTAL	\$34,372.7	\$33,214.3

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

1

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

	Three Months Ended March 31,	
	2018	2017
REVENUES:		
Property	\$1,710.4	\$1,594.1
Services	31.4	22.1
Total operating revenues	1,741.8	1,616.2
OPERATING EXPENSES:		
Costs of operations (exclusive of items shown separately below):		
Property (each including stock-based compensation expense of \$0.7)	507.4	486.2
Services (including stock-based compensation expense of \$0.3 and \$0.2, respectively)	12.5	6.5
Depreciation, amortization and accretion	446.3	421.1
Selling, general, administrative and development expense (including stock-based compensation expense of \$41.7 and \$35.3, respectively)	204.9	164.8
Other operating expenses	167.8	6.2
Total operating expenses	1,338.9	1,084.8
OPERATING INCOME	402.9	531.4
OTHER INCOME (EXPENSE):		
Interest income, TV Azteca (each net of interest expense of \$0.3)	2.7	2.7
Interest income	15.4	9.9
Interest expense	(199.6)	(183.7)
Loss on retirement of long-term obligations	—	(55.4)
Other income (including unrealized foreign currency gains of \$24.9 and \$28.0, respectively)	27.8	29.3
Total other expense	(153.7)	(197.2)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	249.2	334.2
Income tax benefit (provision)	31.1	(26.8)
NET INCOME	280.3	307.4
Net loss attributable to noncontrolling interests	4.9	8.7
NET INCOME ATTRIBUTABLE TO AMERICAN TOWER CORPORATION STOCKHOLDERS	285.2	316.1
Dividends on preferred stock	(9.4)	(26.8)
NET INCOME ATTRIBUTABLE TO AMERICAN TOWER CORPORATION COMMON STOCKHOLDERS	\$275.8	\$289.3
NET INCOME PER COMMON SHARE AMOUNTS:		
Basic net income attributable to American Tower Corporation common stockholders	\$0.63	\$0.68
Diluted net income attributable to American Tower Corporation common stockholders	\$0.63	\$0.67
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (in thousands):		
BASIC	435,124	427,279
DILUTED	438,520	430,199
DISTRIBUTIONS DECLARED PER COMMON SHARE	\$0.75	\$0.62

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

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

	Three Months Ended March 31,	
	2018	2017
Net income	\$280.3	\$307.4
Other comprehensive income (loss):		
Changes in fair value of cash flow hedges, net of tax expense of \$0	0.0	(0.1)
Reclassification of unrealized losses (gains) on cash flow hedges to net income, net of tax expense of \$0	0.1	(0.1)
Adjustment to redeemable noncontrolling interest	78.8	—
Foreign currency translation adjustments, net of tax expense of \$1.6 and \$3.5, respectively	57.6	293.9
Other comprehensive income	136.5	293.7
Comprehensive income	416.8	601.1
Comprehensive loss (income) attributable to noncontrolling interests	12.1	(45.2)
Comprehensive income attributable to American Tower Corporation stockholders	\$428.9	\$555.9

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

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

	Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$280.3	\$307.4
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation, amortization and accretion	446.3	421.1
Stock-based compensation expense	42.7	36.2
Loss on early retirement of long-term obligations	—	55.4
Other non-cash items reflected in statements of operations	96.8	(45.3)
Increase in net deferred rent balances	(3.9)	(35.1)
Increase in assets	(95.4)	(40.3)
Increase (decrease) in liabilities	25.0	(21.2)
Cash provided by operating activities	791.8	678.2
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchase of property and equipment and construction activities	(198.5)	(168.1)
Payments for acquisitions, net of cash acquired	(673.4)	(777.8)
Proceeds from sale of short-term investments and other non-current assets	84.0	3.8
Payments for short-term investments	(478.1)	—
Deposits and other	(14.6)	21.8
Cash used for investing activities	(1,280.6)	(920.3)
CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings under credit facilities	1,748.3	1,997.0
Proceeds from term loan	1,500.0	—
Proceeds from issuance of securities in securitization transaction	500.0	—
Repayments of notes payable, credit facilities, senior notes, secured debt and capital leases	(2,584.9)	(1,633.4)
(Distributions to) contributions from noncontrolling interest holders, net	(0.3)	265.4
Purchases of common stock	—	(147.2)
Proceeds from stock options	20.0	36.9
Distributions paid on common stock	(304.3)	(250.4)
Distributions paid on preferred stock	(18.9)	(26.8)
Payment for early retirement of long-term obligations	—	(61.8)
Deferred financing costs and other financing activities	(42.6)	(21.8)
Cash provided by financing activities	817.3	157.9
Net effect of changes in foreign currency exchange rates on cash and cash equivalents, and restricted cash	(4.5)	6.0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH	324.0	(78.2)
CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF PERIOD	954.9	936.5
CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD	\$1,278.9	\$858.3
CASH PAID FOR INCOME TAXES (NET OF REFUNDS OF \$4.7 AND \$12.8, RESPECTIVELY)	\$24.7	\$23.1
CASH PAID FOR INTEREST	\$228.6	\$231.0
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
(Increase) decrease in accounts payable and accrued expenses for purchases of property and equipment and construction activities	\$(29.3)	\$10.1
Purchases of property and equipment under capital leases	\$9.7	\$11.9

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

4

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

(in millions, share counts in thousands)

	Preferred Stock - Series A Issued Shares	Preferred Stock - Series B Issued Shares	Preferred Stock - Series Amount	Common Stock Issued Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Distributions in Excess of Comprehensive Earnings	Noncontrolling Interest	Total Equity	
BALANCE, JANUARY 1, 2017	6,000	\$0.1	1,375	\$0.0	429,913	\$4.3	(2,810)	\$(207.7)	\$10,043.5	\$(1,999.3)	\$(1,077.0)	\$212.3	\$6,000.0
Stock-based compensation related activity	—	—	—	—	1,019	0.0	—	50.5	—	—	—	50.5	50.5
Treasury stock activity	—	—	—	—	—	(1,874)	(225.0)	—	—	—	—	(225.0)	(225.0)
Changes in fair value of cash flow hedges, net of tax	—	—	—	—	—	—	—	—	(0.1)	—	—	(0.1)	(0.1)
Reclassification of unrealized gains on cash flow hedges to net income	—	—	—	—	—	—	—	—	(0.1)	—	—	(0.1)	(0.1)
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	—	—	240.1	—	2.7	242.8	242.8
Contributions from noncontrolling interest holders	—	—	—	—	—	—	—	—	—	—	314.0	314.0	314.0
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	—	—	(0.4)	(0.4)	(0.4)
Common stock distributions declared	—	—	—	—	—	—	—	—	—	(266.0)	—	(266.0)	(266.0)
Preferred stock dividends declared	—	—	—	—	—	—	—	—	—	(26.8)	—	(26.8)	(26.8)
Net income	—	—	—	—	—	—	—	—	—	316.1	3.7	319.8	319.8
BALANCE, MARCH 31, 2017	6,000	\$0.1	1,375	\$0.0	430,932	\$4.3	(4,684)	\$(432.7)	\$10,094.0	\$(1,759.4)	\$(1,053.7)	\$532.3	\$7,000.0
	—	\$—	1,375	\$0.0	437,729	\$4.4	(8,909)	\$(974.0)	\$10,247.5	\$(1,978.3)	\$(1,058.1)	\$586.6	\$6,000.0

BALANCE, JANUARY 1, 2018													
Stock-based compensation related activity	—	—	—	—	756	0.0	—	—	27.3	—	—	—	27.3
Conversion of preferred stock	—	—	(1,375)	(0.0)	12,020	0.1	—	—	(0.1)	—	—	—
Changes in fair value of cash flow hedges, net of tax	—	—	—	—	—	—	—	—	—	0.0	—	—	0.0
Reclassification of unrealized losses on cash flow hedges to net income	—	—	—	—	—	—	—	—	—	0.1	—	—	0.1
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	—	—	—	64.8	—	15.1	79.9
Adjustment to redeemable noncontrolling interest	—	—	—	—	—	—	—	—	(50.7)	78.8	—	28.1
Impact of the revenue recognition standard adoption	—	—	—	—	—	—	—	—	—	—	38.4	—	38.4
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	—	—	—	(0.3) (0.3
Common stock distributions declared	—	—	—	—	—	—	—	—	—	—	(332.3)	(332.3
Preferred stock dividends declared	—	—	—	—	—	—	—	—	—	—	(18.9)	(18.9
Net income	—	—	—	—	—	—	—	—	—	—	285.2	5.7	290.9
BALANCE, MARCH 31, 2018	—	\$—	—	\$—	450,505	\$4.5	(8,909)	\$(974.0)	\$10,224.0	\$(1,834.6)	\$(1,085.7)	\$607.1	\$6,000.0

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

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(tabular amounts in millions, unless otherwise noted)

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

American Tower Corporation (together with its subsidiaries, “ATC” or the “Company”) is one of the largest global real estate investment trusts and a leading independent owner, operator and developer of multitenant communications real estate. The Company’s primary business is the leasing of space on communications sites to wireless service providers, radio and television broadcast companies, wireless data providers, government agencies and municipalities and tenants in a number of other industries. The Company refers to this business as its property operations. Additionally, the Company offers tower-related services in the United States, which it refers to as its services operations. These services include site acquisition, zoning and permitting (“AZP”) and structural analysis, which primarily support the Company’s site leasing business, including the addition of new tenants and equipment on its sites.

The Company’s portfolio primarily consists of towers that it owns and towers that it operates pursuant to long-term lease arrangements, as well as distributed antenna system (“DAS”) networks, which provide seamless coverage solutions in certain in-building and certain outdoor wireless environments. In addition to the communications sites in its portfolio, the Company manages rooftop and tower sites for property owners under various contractual arrangements. The Company also holds other telecommunications infrastructure, fiber and property interests that it leases primarily to communications service providers and third-party tower operators.

American Tower Corporation is a holding company that conducts its operations through its directly and indirectly owned subsidiaries and joint ventures. ATC’s principal domestic operating subsidiaries are American Towers LLC and SpectraSite Communications, LLC. ATC conducts its international operations primarily through its subsidiary, American Tower International, Inc., which in turn conducts operations through its various international holding and operating subsidiaries and joint ventures.

The Company operates as a real estate investment trust for U.S. federal income tax purposes (“REIT”). Accordingly, the Company generally is not required to pay U.S. federal income taxes on income generated by its REIT operations, including the income derived from leasing space on its towers, as it receives a dividends paid deduction for distributions to stockholders that generally offsets its REIT income and gains. However, the Company remains obligated to pay U.S. federal income taxes on earnings from its domestic taxable REIT subsidiaries (“TRSs”). In addition, the Company’s international assets and operations, regardless of their classification for U.S. tax purposes, continue to be subject to taxation in the foreign jurisdictions where those assets are held or those operations are conducted.

The use of TRSs enables the Company to continue to engage in certain businesses while complying with REIT qualification requirements. The Company may, from time to time, change the election of previously designated TRSs to be included as part of the REIT. As of March 31, 2018, the Company’s REIT-qualified businesses included its U.S. tower leasing business, its operations in Nigeria, most of its operations in Costa Rica and Mexico, a majority of its operations in Germany and a majority of its indoor DAS networks business and services segment.

The accompanying consolidated and condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. The financial information included herein is unaudited. However, the Company believes that all adjustments, which are of a normal and recurring nature, considered necessary for a fair presentation of its financial position and results of operations for such periods have been included herein. The consolidated and condensed consolidated financial statements and related notes should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 (the “2017 Form 10-K”). The results of operations for the three months ended March 31, 2018 are not necessarily indicative of the results that may be expected for the entire year.

Principles of Consolidation and Basis of Presentation—The accompanying consolidated and condensed consolidated financial statements include the accounts of the Company and those entities in which it has a controlling interest. Investments in entities that the Company does not control are accounted for using the equity or cost method, depending upon the Company’s ability to exercise significant influence over operating and financial policies. All intercompany accounts and transactions have been eliminated. As of March 31, 2018, the Company holds (i) a 51% controlling interest, and MTN Group Limited holds a 49% noncontrolling interest, in each of two joint ventures, one in Ghana and one in

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (tabular amounts in millions, unless otherwise noted)

Uganda, (ii) a 51% controlling interest, and PGGM holds a 49% noncontrolling interest, in a joint venture (“ATC Europe”) which primarily consists of operations in Germany and France, (iii) an approximate 75% controlling interest, and South African investors hold an approximate 25% noncontrolling interest, in a subsidiary of the Company in South Africa and (iv) a 63% controlling interest in ATC Telecom Infrastructure Private Limited (“ATC TIPL”), formerly Viom Networks Limited (“Viom”), in India.

Significant Accounting Policies—The Company’s significant accounting policies are described in note 1 to the Company’s consolidated financial statements included in the 2017 Form 10-K. There have been no material changes to the Company’s significant accounting policies during the three months ended March 31, 2018, except the adoption of new revenue recognition guidance, as discussed below.

Changes to Prior-Period Amounts—The Company is now disclosing its results in millions rather than thousands and, as a result, certain rounding adjustments have been made to prior-period amounts.

Cash and Cash Equivalents and Restricted Cash—The reconciliation of cash and cash equivalents and restricted cash reported within the applicable balance sheet that sum to the total of the same such amount shown in the statement of cash flows is as follows:

	Three months ended March 31,	
	2018	2017
Cash and cash equivalents	\$1,125.4	\$712.8
Restricted cash	153.5	145.5
Total cash and cash equivalents and restricted cash	\$1,278.9	\$858.3

Revenue—The new revenue recognition accounting standard requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On January 1, 2018, the Company adopted the new revenue recognition standard using the modified retrospective method applied to contracts that were not completed as of January 1, 2018. Results for reporting periods beginning January 1, 2018 are presented under the new standard, while prior-period amounts are not adjusted and continue to be reported in accordance with accounting under the previously applicable guidance.

The Company recorded a net reduction to opening Distributions in excess of earnings in its consolidated balance sheet of \$38.4 million as of January 1, 2018 due to the cumulative impact of adopting the new revenue recognition standard. The impact is primarily related to the Company’s site inspection revenue, which is now recognized at the point in time when the inspection service is completed. The impact to revenues for the three months ended March 31, 2018 as a result of applying the new standard was an increase of \$2.6 million.

The adoption of the new revenue recognition accounting standard did not have a material impact on the Company’s revenue recognition patterns. Most of the Company’s revenue is derived from leasing arrangements and is accounted for as lease revenue. A small portion of the Company’s revenue is either derived from non-lease performance obligations within the lease arrangements or from other agreements with its tenants. This revenue, designated non-lease revenue, is recognized when control of the promised goods or services is transferred to the tenants, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

Since most of the Company's contracts are leases, costs are capitalized under the applicable lease accounting guidance. Costs incurred to obtain non-lease contracts that are capitalized primarily relate to DAS and are not material to the consolidated financial statements. The Company has excluded sales tax, value-added tax and similar taxes from non-lease revenue.

Non-lease revenue is disaggregated by geography in a manner consistent with the Company's business segments, which are discussed further in note 14 to the consolidated and condensed consolidated financial statements included in this Quarterly Report on Form 10-Q. A summary of non-lease revenue disaggregated by source and geography is as follows:

7

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (tabular amounts in millions, unless otherwise noted)

Three Months Ended March 31, 2018	U.S.	Asia	EMEA	Latin America	Total
Power and fuel pass-through revenue	\$—	\$92.3	\$34.9	\$4.5	\$131.7
Other non-lease revenue	67.7	1.9	0.6	23.7	93.9
Total non-lease property revenue	\$67.7	\$94.2	\$35.5	\$28.2	\$225.6
Services revenue	31.4	—	—	—	31.4
Total non-lease revenue	\$99.1	\$94.2	\$35.5	\$28.2	\$257.0
Property lease revenue	863.7	178.8	138.7	303.6	1,484.8
Total revenue	\$962.8	\$273.0	\$174.2	\$331.8	\$1,741.8

Power and fuel pass-through revenue—Most of the Company's leasing arrangements outside of the U.S. require that the Company provide power to the communications site through an electrical grid connection, diesel fuel generators or other sources and permit the Company to pass through the costs of these services to its tenants. The Company recognizes revenue received in connection with such services as power and fuel pass-through revenue. Many arrangements require that the communications site has power for a specified percentage of time. In most such cases, if delivery of power falls below the specified service level, a corresponding reduction in revenue is recorded. The Company has determined that this performance obligation is satisfied over time for the duration of the arrangement. Other significant judgments related to this revenue stream are the (i) determination that the Company is a principal in these transactions and revenue is therefore recorded on a gross basis and (ii) service level related adjustments to revenue.

Other non-lease revenue—Other non-lease revenue consists primarily of revenue generated from DAS, fiber and other property related revenue. DAS and fiber arrangements require that the Company provide the tenant the right to use the applicable communications infrastructure. Performance obligations are satisfied over time for the duration of the arrangements. Other property related revenue streams, which include site inspections, are not material on either an individual or consolidated basis.

Services revenue—The Company offers tower-related services in the United States. These services include site AZP and structural analysis services. There is a single performance obligation related to AZP, and revenue is recognized over time based on milestones achieved, which are determined based on costs incurred. Structural analysis services may have more than one performance obligation, contingent upon the number of contracted services. Revenue is recognized at the point in time the services are completed.

Some of the Company's contracts with tenants contain multiple performance obligations. For these arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price, which is typically based on the price charged to tenants.

Information about receivables, contract assets and contract liabilities from contracts with tenants is as follows:

	January 1, 2018	March 31, 2018
Accounts receivable	\$222.2	\$234.0
Prepays and other current assets	79.7	73.3
Notes receivable and other non-current assets	24.2	23.5
Unearned revenue	26.6	33.3

Other non-current liabilities	68.5	65.2
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The Company records unearned revenue when payments are received from tenants in advance of the completion of the Company's performance obligations. Long-term unearned revenue is included in Other non-current liabilities. The

8

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(tabular amounts in millions, unless otherwise noted)

increase in the Unearned revenue for the three months ended March 31, 2018 is due to payments received, offset by \$17.9 million of revenue recognized in the three months ended March 31, 2018 that was included in the Unearned revenue balance as of January 1, 2018. There was \$0.1 million of revenue recognized from Other non-current liabilities during the three months ended March 31, 2018.

The Company records unbilled receivables, which are included in Prepaids and other current assets, when it has completed a performance obligation prior to its ability to bill under the customer arrangement. Other contract assets are included in Notes receivable and other non-current assets. The decrease in unbilled receivables and contract assets attributable to revenue recognized during the three months ended March 31, 2018 was less than \$0.1 million.

The Company does not disclose the value of unsatisfied performance obligations for agreements (i) with an original expected length of one year or less or (ii) for which it recognizes revenue at the amount to which it has the right to invoice for services performed.

Accounting Standards Updates—In January 2016, the Financial Accounting Standards Board (the “FASB”) issued new guidance on the recognition and measurement of financial assets and financial liabilities. The guidance amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. This standard is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017. The adoption of this guidance did not have a material impact on the Company’s financial statements.

In February 2016, the FASB issued new guidance on the accounting for leases. The guidance amends the existing accounting standards for lease accounting, including the requirement that lessees recognize right of use assets and lease liabilities for leases with terms greater than twelve months in the statement of financial position. Under the new guidance, lessor accounting is largely unchanged. This guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018. The Company (i) has established a multidisciplinary team to assess and implement the new guidance, (ii) expects the guidance to have a material impact on its consolidated balance sheets due to the recording of right of use assets and lease liabilities for leases in which it is a lessee and which it currently treats as operating leases and (iii) continues to evaluate the impact of the new guidance.

In January 2018, the FASB issued new guidance on the treatment of land easements. The guidance provides a practical expedient to not evaluate existing or expired land easements under the new lease accounting standards if those easements were not previously accounted for as leases under the existing lease guidance. The Company does not expect the adoption of this guidance to have a material impact on its financial statements or its adoption of the lease accounting guidance.

In January 2017, the FASB issued new guidance on accounting for goodwill impairments. The guidance eliminates Step 2 from the goodwill impairment test and requires, among other things, recognition of an impairment loss when the carrying value of a reporting unit exceeds its fair value. The loss recognized is limited to the total amount of goodwill allocated to that reporting unit. The guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not expect the adoption of this guidance to have a material impact on its financial statements.

In August 2017, the FASB issued new guidance on hedge and derivative accounting. The guidance simplifies accounting rules around hedge accounting and the disclosures of hedging arrangements. Among other things, the guidance eliminates the need to separately measure and report hedge ineffectiveness and generally requires the entire

change in fair value of a hedging instrument to be presented in the same income statement line as the hedged item. The guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on its financial statements.

In February 2018, the FASB issued new guidance on the treatment of tax effects that are presented in other comprehensive income. The guidance allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects as a result of the December 2017 legislation commonly referred to as the Tax Cuts and Jobs Act. The guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(tabular amounts in millions, unless otherwise noted)

after December 15, 2018, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on its financial statements.

2. PREPAID AND OTHER CURRENT ASSETS

Prepaid and other current assets consisted of the following:

	As of	
	March 31, 2018	December 31, 2017
Prepaid operating ground leases	\$ 150.6	\$ 148.6
Prepaid income tax	136.5	136.5
Unbilled receivables	110.7	107.9
Value added tax and other consumption tax receivables	63.6	64.2
Prepaid assets	42.5	39.6
Other miscellaneous current assets	67.3	71.8
Prepaid and other current assets	\$ 571.2	\$ 568.6

3. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying value of goodwill for each of the Company's business segments were as follows:

	Property					
	U.S.	Asia	EMEA	Latin America	Services	Total
Balance as of January 1, 2018	\$ 3,379.2	\$ 1,095.0	\$ 404.9	\$ 757.3	\$ 2.0	\$ 5,638.4
Effect of foreign currency translation	—	(21.9)	10.8	19.8	—	8.7
Balance as of March 31, 2018	\$ 3,379.2	\$ 1,073.1	\$ 415.7	\$ 777.1	\$ 2.0	\$ 5,647.1

The Company's other intangible assets subject to amortization consisted of the following:

		As of March 31, 2018			As of December 31, 2017		
	Estimated Useful Lives (years)	Gross Carrying Value	Accumulated Amortization	Net Book Value	Gross Carrying Value	Accumulated Amortization	Net Book Value
Acquired network location intangibles (1)	Up to 20	\$ 4,922.5	\$ (1,584.1)	\$ 3,338.4	\$ 4,858.8	\$ (1,525.3)	\$ 3,333.5
Acquired tenant-related intangibles	15-20	11,431.9	(2,883.7)	8,548.2	11,150.9	(2,754.7)	8,396.2
Acquired licenses and other intangibles	3-20	60.5	(10.2)	50.3	58.8	(8.1)	50.7
Economic Rights, TV Azteca	70	15.7	(12.4)	3.3	14.5	(11.6)	2.9
Total other intangible assets		\$ 16,430.6	\$ (4,490.4)	\$ 11,940.2	\$ 16,083.0	\$ (4,299.7)	\$ 11,783.3

Acquired network location intangibles are amortized over the shorter of the term of the corresponding ground (1) lease, taking into consideration lease renewal options and residual value, or up to 20 years, as the Company considers these intangibles to be directly related to the tower assets.

The acquired network location intangibles represent the value to the Company of the incremental revenue growth that could potentially be obtained from leasing the excess capacity on acquired communications sites. The acquired tenant-

10

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (tabular amounts in millions, unless otherwise noted)

related intangibles typically represent the value to the Company of tenant contracts and relationships in place at the time of an acquisition or similar transaction, including assumptions regarding estimated renewals.

The Company amortizes its acquired network location intangibles and tenant-related intangibles on a straight-line basis over their estimated useful lives. As of March 31, 2018, the remaining weighted average amortization period of the Company's intangible assets, excluding the TV Azteca Economic Rights detailed in note 5 to the Company's consolidated financial statements included in the 2017 Form 10-K, was 15 years. Amortization of intangible assets for the three months ended March 31, 2018 and 2017 was \$202.4 million and \$183.2 million, respectively. Based on current exchange rates, the Company expects to record amortization expense as follows over the remaining current year and the five subsequent years:

Remainder of 2018	\$620.6
2019	823.8
2020	804.1
2021	787.6
2022	783.1
2023	778.7

4. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	As of	
	March 31,	December 31,
	2018	2017
Accrued property and real estate taxes	\$156.9	\$ 154.4
Amounts payable to tenants	62.0	60.8
Accrued rent	57.4	54.0
Payroll and related withholdings	54.1	82.2
Accrued pass-through costs	52.9	59.7
Accrued income tax payable	35.7	15.3
Accrued pass-through taxes	35.5	25.3
Accrued construction costs	21.9	31.9
Other accrued expenses	349.0	370.7
Total accrued expenses	\$825.4	\$ 854.3

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(tabular amounts in millions, unless otherwise noted)

5. LONG-TERM OBLIGATIONS

Outstanding amounts under the Company's long-term obligations, reflecting discounts, premiums, debt issuance costs and fair value adjustments due to interest rate swaps consisted of the following:

	As of		Maturity Date
	March 31, 2018	December 31, 2017	
2018 Term Loan (1)	\$1,499.2	\$—	March 29, 2019
2013 Credit Facility (1)	1,641.8	2,075.6	June 28, 2021
2013 Term Loan (1)	994.7	994.5	January 31, 2023
2014 Credit Facility (1)	600.0	495.0	January 31, 2023
3.40% senior notes	999.9	999.8	February 15, 2019
2.800% senior notes	746.7	746.3	June 1, 2020
5.050% senior notes	698.2	698.0	September 1, 2020
3.300% senior notes	746.3	746.0	February 15, 2021
3.450% senior notes	645.4	645.1	September 15, 2021
5.900% senior notes	498.0	497.8	November 1, 2021
2.250% senior notes	564.5	572.4	January 15, 2022
4.70% senior notes	696.9	696.7	March 15, 2022
3.50% senior notes	991.3	990.9	January 31, 2023
3.000% senior notes	682.4	692.5	June 15, 2023
5.00% senior notes	1,002.4	1,002.4	February 15, 2024
1.375% senior notes	605.1	589.1	April 4, 2025
4.000% senior notes	741.3	741.0	June 1, 2025
4.400% senior notes	495.8	495.6	February 15, 2026
3.375% senior notes	985.2	984.8	October 15, 2026
3.125% senior notes	397.1	397.1	January 15, 2027
3.55% senior notes	743.0	742.8	July 15, 2027
3.600% senior notes	691.3	691.1	January 15, 2028
Total American Tower Corporation debt	17,666.5	16,494.5	
Series 2013-1A securities (2)	—	499.8	N/A
Series 2013-2A securities (3)	1,292.2	1,291.8	March 15, 2023
Series 2018-1A securities (3)	493.0	—	March 15, 2028
Series 2015-1 notes (4)	348.2	348.0	June 15, 2020
Series 2015-2 notes (5)	520.3	520.1	June 16, 2025
India indebtedness (6)	518.6	512.6	Various
India preference shares (7)	25.6	26.1	March 2, 2020
Shareholder loans (8)	101.8	100.6	Various
Other subsidiary debt (1) (9)	239.6	246.1	Various
Total American Tower subsidiary debt	3,539.3	3,545.1	
Other debt, including capital lease obligations	166.2	165.5	
Total	21,372.0	20,205.1	
Less current portion of long-term obligations	(2,803.2)	(774.8)	
Long-term obligations	\$18,568.8	\$19,430.3	

- (1) Accrues interest at a variable rate.
- (2) Repaid in full on the March 2018 payment date.
- (3) Maturity date reflects the anticipated repayment date; final legal maturity is March 15, 2048.
- (4) Maturity date reflects the anticipated repayment date; final legal maturity is June 15, 2045.
- (5) Maturity date reflects the anticipated repayment date; final legal maturity is June 15, 2050.

Denominated in Indian Rupees (“INR”). Includes India working capital facility, remaining debt assumed by the
(6) Company in connection with the Viom Acquisition (as defined in note 9) and debt that has been entered into by ATC TIPL.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in millions, unless otherwise noted)

- (7) Mandatorily redeemable preference shares (the “Preference Shares”) classified as debt. The Preference Shares are to be redeemed on March 2, 2020 and have a dividend rate of 10.25% per annum. Denominated in INR.
- (8) Reflects balances owed to the Company’s joint venture partners in Ghana and Uganda. The Ghana loan is denominated in Ghanaian Cedi and the Uganda loan is denominated in Ugandan Shillings.
Includes the BR Towers debentures and the Brazil credit facility, which are denominated in Brazilian Reais and amortize through October 15, 2023 and January 15, 2022, respectively, the South African credit facility, which is
- (9) denominated in South African Rand and amortizes through December 17, 2020 and the Colombian credit facility, which is denominated in Colombian Pesos and amortizes through April 24, 2021.

Current portion of long-term obligations—The Company’s current portion of long-term obligations primarily includes (i) 14.6 billion INR (\$223.6 million) of India indebtedness, (ii) \$1.5 billion under its unsecured term loan entered into on March 29, 2018 (the “2018 Term Loan”) and (iii) \$999.9 million under the 3.40% senior unsecured notes due 2019.

Securitized Debt—Cash flows generated by the sites that secure the securitized debt of the Company are only available for payment of such debt and are not available to pay the Company’s other obligations or the claims of its creditors. However, subject to certain restrictions, the Company holds the right to receive the excess cash flows not needed to pay the securitized debt and other obligations arising out of the securitizations. The securitized debt is the obligation of the issuers thereof or borrowers thereunder, as applicable, and their subsidiaries, and not of the Company or its other subsidiaries.

Securitizations

Secured Tower Revenue Securities, Series 2018-1, Subclass A and Series 2018-1, Subclass R—On March 29, 2018, the Company completed a securitization transaction (the “2018 Securitization”), in which the American Tower Trust I (the “Trust”) issued \$500.0 million aggregate principal amount of Secured Tower Revenue Securities, Series 2018-1, Subclass A (the “Series 2018-1A Securities”). To satisfy the applicable risk retention requirements of Regulation RR promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act” and, such requirements, the “Risk Retention Rules”), the Trust issued, and one of the Company’s affiliates purchased, \$26.4 million aggregate principal amount of Secured Tower Revenue Securities, Series 2018-1, Subclass R (the “Series 2018-1R Securities” and, together with the Series 2018-1A Securities, the “2018 Securities”) to retain an “eligible horizontal residual interest” (as defined in the Risk Retention Rules) in an amount equal to at least 5% of the fair value of the 2018 Securities.

The assets of the Trust consist of a nonrecourse loan (the “Loan”) made by the Trust to American Tower Asset Sub, LLC and American Tower Asset Sub II, LLC (together, the “AMT Asset Subs”). The AMT Asset Subs are jointly and severally liable under the Loan, which is secured primarily by mortgages on the AMT Asset Subs’ interests in 5,116 broadcast and wireless communications towers and related assets (the “Trust Sites”).

The 2018 Securities correspond to components of the Loan made to the AMT Asset Subs pursuant to the Second Amended and Restated Loan and Security Agreement among the Trust and the AMT Asset Subs, dated as of March 29, 2018 (the “Loan Agreement”) and were issued in two separate subclasses of the same series. The 2018 Securities represent a pass-through interest in the components of the Loan corresponding to the 2018 Securities. The Series 2018-1A Securities have an interest rate of 3.652% and the Series 2018-1R Securities have an interest rate of 4.459%. The 2018 Securities have an expected life of approximately ten years with a final repayment date in March 2048.

The debt service on the Loan will be paid solely from the cash flows generated from the operation of the Trust Sites held by the AMT Asset Subs. The AMT Asset Subs are required to make monthly payments of interest on the Loan. Subject to certain limited exceptions described below, no payments of principal will be required to be made on the

components of the Loan corresponding to the 2018 Securities prior to the monthly payment date in March 2028, which is the anticipated repayment date for such components.

The AMT Asset Subs may prepay the Loan at any time provided it is accompanied by applicable prepayment consideration. If the prepayment occurs within thirty-six months of the anticipated repayment date for the 2018 Securities, no prepayment consideration is due. The entire unpaid principal balance of the components of the Loan corresponding to the 2018 Securities will be due in March 2048.

Under the Loan Agreement, the AMT Asset Subs are required to maintain reserve accounts, including for ground rents, real estate and personal property taxes and insurance premiums, and, in certain circumstances, to reserve a portion of advance rents from tenants on the Trust Sites. Based on the terms of the Loan Agreement, all rental cash receipts received each month are reserved for the succeeding month and held in an account controlled by the trustee and then

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (tabular amounts in millions, unless otherwise noted)

released. The \$88.8 million held in the reserve accounts as of March 31, 2018 is classified as restricted cash on the Company's accompanying condensed consolidated balance sheet.

The Secured Tower Revenue Securities, Series 2013-2A (the "Series 2013-2A Securities") issued in a securitization transaction in March 2013 (the "2013 Securitization" and, together with the 2018 Securitization, the "Trust Securitizations") remain outstanding and are subject to the terms of the Second Amended and Restated Trust and Servicing Agreement entered into in connection with the 2018 Securitization. The component of the Loan corresponding to the Series 2013-2A Securities also remains outstanding and is subject to the terms of the Loan Agreement. The Loan Agreement includes terms and conditions, including with respect to secured assets, substantially consistent with the First Amended and Restated Loan and Security Agreement dated as of March 15, 2013, and as further described in note 8 to the Company's consolidated financial statements included in the 2017 Form 10-K.

Bank Facilities

2013 Credit Facility—During the three months ended March 31, 2018, the Company borrowed an aggregate of \$620.0 million and repaid an aggregate of \$1.1 billion of revolving indebtedness under its multicurrency senior unsecured revolving credit facility entered into in June 2013, as amended (the "2013 Credit Facility"). The Company used the borrowings to fund acquisitions and for general corporate purposes.

2014 Credit Facility—During the three months ended March 31, 2018, the Company borrowed an aggregate of \$1.1 billion and repaid an aggregate of \$945.0 million of revolving indebtedness under its senior unsecured revolving credit facility entered into in January 2012 and amended and restated in September 2014, as further amended (the "2014 Credit Facility"). The Company used the borrowings to repay existing indebtedness, including the Secured Tower Revenue Securities, Series 2013-1A, and for general corporate purposes.

2018 Term Loan—During the three months ended March 31, 2018, the Company entered into the 2018 Term Loan, the net proceeds of which were used to repay \$1.1 billion of outstanding indebtedness under the 2013 Credit Facility and \$445.0 million of outstanding indebtedness under the 2014 Credit Facility.

The 2018 Term Loan matures on March 29, 2019. Any outstanding principal and accrued but unpaid interest will be due and payable in full at maturity. The 2018 Term Loan may be paid prior to maturity in whole or in part at the Company's option without penalty or premium.

The loan agreement for the 2018 Term Loan contains certain reporting, information, financial and operating covenants and other restrictions (including limitations on additional debt, guaranties, sales of assets and liens) with which the Company must comply. Any failure to comply with the financial and operating covenants of the loan agreement may constitute a default, which could result in, among other things, the amounts outstanding, including all accrued interest and unpaid fees, becoming immediately due and payable.

As of March 31, 2018, the key terms under the 2013 Credit Facility, the 2014 Credit Facility, the Company's unsecured term loan entered into in October 2013, as amended (the "2013 Term Loan") and the 2018 Term Loan were as follows:

	Outstanding Principal Balance	Undrawn letters of credit	Maturity Date	Current margin over LIBOR (1)	Current commitment fee (2)	
2013 Credit Facility	\$ 1,641.8	(3)\$ 4.0	June 28, 2021	(4)1.125 %	0.125	%
2014 Credit Facility	\$ 600.0	\$ 6.3	January 31, 2023	(4)1.250 %	0.150	%

2013 Term Loan	\$ 1,000.0	N/A	January 31, 2023	1.250 %	N/A
2018 Term Loan	\$ 1,500.0	N/A	March 29, 2019	0.875 %	N/A

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- (1) LIBOR means the London Interbank Offered Rate.
 - (2) Fee on undrawn portion of each credit facility.
 - (3) Includes \$140.0 million borrowed at the base rate of 4.750% plus a margin of 0.125%.
 - (4) Subject to two optional renewal periods.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (tabular amounts in millions, unless otherwise noted)

6. FAIR VALUE MEASUREMENTS

The Company determines the fair value of its financial instruments based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Below are the three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Items Measured at Fair Value on a Recurring Basis—The fair values of the Company's financial assets and liabilities that are required to be measured on a recurring basis at fair value were as follows:

	March 31, 2018			December 31, 2017		
	Fair Value Measurements Using			Fair Value Measurements Using		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Short-term investments (1)	\$—	\$389.4	—	\$1.0	—	—
Embedded derivative in lease agreement	—	—	\$12.2	—	—	\$12.4
Liabilities:						
Interest rate swap agreements	—	\$45.4	—	—	\$29.0	—
Acquisition-related contingent consideration	—	—	\$1.0	—	—	\$10.1
Fair value of debt related to interest rate swap agreements	\$(43.0)	—	—	\$(24.5)	—	—

(1) Consists of highly liquid investments with original maturities in excess of three months and mutual funds with a portfolio duration of less than 90 days.

As of March 31, 2018, the Company had marketable securities with a cost basis of \$386.7 million and recognized unrealized gains of \$2.7 million on these securities. During the three months ended March 31, 2018, the Company made no changes to the methods described in note 11 to its consolidated financial statements included in the 2017 Form 10-K that it used to measure the fair value of its interest rate swap agreements, the embedded derivative in one of its lease agreements and acquisition-related contingent consideration. The changes in fair value during the three months ended March 31, 2018 and 2017 were not material to the consolidated financial statements. As of March 31, 2018, the Company estimated the value of all potential acquisition-related contingent consideration payments to be between zero and \$1.0 million.

Items Measured at Fair Value on a Nonrecurring Basis

Assets Held and Used—The Company's long-lived assets are recorded at amortized cost and, if impaired, are adjusted to fair value using Level 3 inputs. There were no other items measured at fair value on a nonrecurring basis during the

three months ended March 31, 2018 or 2017.

15

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(tabular amounts in millions, unless otherwise noted)

On February 28, 2018, one of the Company's tenants in Asia, Aircel Ltd. ("Aircel"), filed for bankruptcy protection with the National Company Law Tribunal of India. The bankruptcy process is expected to take at least several months to complete and the ultimate outcome has yet to be determined. The Company performed an impairment test based on current expectations of the impact of the bankruptcy on projected cash flows for assets related to Aircel. These assets consisted primarily of towers, which are assessed on an individual basis, network location intangibles, which relate directly to towers, and tenant-related intangibles. As a result, an impairment of \$40.1 million was taken on the tower and network intangible assets. The Company also fully impaired the tenant-related intangible asset for Aircel, which resulted in an impairment of \$107.3 million during the three months ended March 31, 2018. These impairments were recorded in Other operating expenses in the consolidated statements of operations.

In October 2017, one of the Company's tenants in Asia, Tata Teleservices Limited ("Tata Teleservices"), informed the Department of Telecommunications in India of its intent to exit the wireless telecommunications business and announced plans to transfer its business to another telecommunications provider. The Company considered the recent developments regarding these events, including ongoing negotiations with Tata Teleservices, when updating its impairment test for the Tata Teleservices tenant relationship, which did not result in an impairment since the estimated probability-weighted undiscounted cash flows were in excess of the carrying value of this asset. However, the Company will continue to monitor the status of these developments, as it is possible that the estimated future cash flows may differ from current estimates. Changes in estimated cash flows from Tata Teleservices could impact previously recorded tangible and intangible assets, including amounts originally recorded as tenant-related intangibles, which have a current net book value of \$417.0 million as of March 31, 2018.

Fair Value of Financial Instruments—The Company's financial instruments for which the carrying value reasonably approximates fair value at March 31, 2018 and December 31, 2017 include cash and cash equivalents, restricted cash, accounts receivable and accounts payable. The Company's estimates of fair value of its long-term obligations, including the current portion, are based primarily upon reported market values. For long-term debt not actively traded, fair value is estimated using either indicative price quotes or a discounted cash flow analysis using rates for debt with similar terms and maturities. As of March 31, 2018 and December 31, 2017, the carrying value of long-term obligations, including the current portion, was \$21.4 billion and \$20.2 billion, respectively. As of March 31, 2018, the fair value of long-term obligations, including the current portion, was \$21.4 billion, of which \$13.0 billion was measured using Level 1 inputs and \$8.4 billion was measured using Level 2 inputs. As of December 31, 2017, the fair value of long-term obligations, including the current portion, was \$20.6 billion, of which \$13.3 billion was measured using Level 1 inputs and \$7.3 billion was measured using Level 2 inputs.

7. INCOME TAXES

The Company provides for income taxes at the end of each interim period based on the estimated effective tax rate ("ETR") for the full fiscal year. Cumulative adjustments to the Company's estimate are recorded in the interim period in which a change in the estimated annual ETR is determined. Under the provisions of the Internal Revenue Code of 1986, as amended, the Company may deduct amounts distributed to stockholders against the income generated by its REIT operations. The Company continues to be subject to income taxes on the income of its TRSs and income taxes in foreign jurisdictions where it conducts operations. In addition, the Company is able to offset certain income by utilizing its net operating losses, subject to specified limitations.

The Company provides valuation allowances if, based on the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Management assesses the available evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets.

The change in the income tax benefit (provision) for the three months ended March 31, 2018 was primarily attributable to the tax effect of an increase in impairment charges and a one-time benefit for merger-related activity in the Company's Asia property segment.

As of March 31, 2018 and December 31, 2017, the total unrecognized tax benefits that would impact the ETR, if recognized, were approximately \$102.8 million and \$105.8 million, respectively. The amount of unrecognized tax benefits during the three months ended March 31, 2018 includes additions of \$2.1 million to the Company's existing tax positions, reductions of \$2.6 million due to a settlement with authorities and reductions of \$1.7 million related to

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (tabular amounts in millions, unless otherwise noted)

positions taken in prior years. Unrecognized tax benefits are expected to change over the next 12 months if certain tax matters ultimately settle with the applicable taxing jurisdiction during this time frame, as described in note 12 to the Company's consolidated financial statements included in the 2017 Form 10-K. The impact of the amount of these changes to previously recorded uncertain tax positions could range from zero to \$8.7 million.

The Company recorded the following penalties and income tax-related interest expense during the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31, 2018 2017	
Penalties and income tax-related interest expense	\$1.0	\$1.3

As of March 31, 2018 and December 31, 2017, the total amount of accrued income tax related interest and penalties included in the consolidated balance sheets was \$28.9 million and \$29.0 million, respectively.

8. STOCK-BASED COMPENSATION

Summary of Stock-Based Compensation Plans—The Company maintains equity incentive plans that provide for the grant of stock-based awards to its directors, officers and employees. The 2007 Equity Incentive Plan, as amended (the "2007 Plan"), provides for the grant of non-qualified and incentive stock options, as well as restricted stock units, restricted stock and other stock-based awards. Exercise prices for non-qualified and incentive stock options are not less than the fair value of the underlying common stock on the date of grant. Equity awards typically vest ratably, generally over four years for time-based restricted stock units ("RSUs") and stock options and three years for performance-based restricted stock units ("PSUs"). Stock options generally expire 10 years from the date of grant. As of March 31, 2018, the Company had the ability to grant stock-based awards with respect to an aggregate of 7.6 million shares of common stock under the 2007 Plan. In addition, the Company maintains an employee stock purchase plan (the "ESPP") pursuant to which eligible employees may purchase shares of the Company's common stock on the last day of each bi-annual offering period at a 15% discount from the lower of the closing market value on the first or last day of such offering period. The offering periods run from June 1 through November 30 and from December 1 through May 31 of each year.

During the three months ended March 31, 2018 and 2017, the Company recorded and capitalized the following stock-based compensation expense:

	Three Months Ended March 31, 2018 2017	
Stock-based compensation expense	\$42.7	\$36.2
Stock-based compensation expense capitalized as property and equipment	\$0.5	\$0.5

Stock Options—As of March 31, 2018, total unrecognized compensation expense related to unvested stock options was \$10.0 million, which is expected to be recognized over a weighted average period of approximately two years.

The Company's option activity for the three months ended March 31, 2018 was as follows (shares disclosed in full amounts):

	Number of Options
Outstanding as of January 1, 2018	5,557,561
Granted	—

Exercised	(243,118)
Forfeited	—
Expired	—
Outstanding as of March 31, 2018	5,314,443

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (tabular amounts in millions, unless otherwise noted)

Restricted Stock Units—As of March 31, 2018, total unrecognized compensation expense related to unvested RSUs granted under the 2007 Plan was \$166.1 million and is expected to be recognized over a weighted average period of approximately three years.

Performance-Based Restricted Stock Units—During the three months ended March 31, 2018, 2017 and 2016, the Company’s Compensation Committee granted an aggregate of 131,311 PSUs (the “2018 PSUs”), 154,520 PSUs (the “2017 PSUs”) and 169,340 PSUs (the “2016 PSUs”), respectively, to its executive officers and established the performance metrics for these awards. Threshold, target and maximum parameters were established for the metrics for a three-year performance period with respect to the 2018 PSUs, the 2017 PSUs and the 2016 PSUs, and will be used to calculate the number of shares that will be issuable when each award vests, which may range from zero to 200% of the target amounts. At the end of each three-year performance period, the number of shares that vest will depend on the degree of achievement against the pre-established performance goals. PSUs will be paid out in common stock at the end of each performance period, subject generally to the executive’s continued employment. In the event of an executive’s death, disability or qualifying retirement, PSUs will be paid out pro rata in accordance with the terms of the applicable award agreement. PSUs will accrue dividend equivalents prior to vesting, which will be paid out only in respect of shares that actually vest.

Restricted Stock Units and Performance-Based Restricted Stock Units—The Company’s RSU and PSU activity for the three months ended March 31, 2018 was as follows (shares disclosed in full amounts):

	RSUs	PSUs
Outstanding as of January 1, 2018 (1)	1,742,725	444,031
Granted (2)	671,618	131,311
Vested (3)	(644,022)	(120,171)
Forfeited	(12,063)	—
Outstanding as of March 31, 2018	1,758,258	455,171

(1) PSUs consist of the target number of shares issuable at the end of the three-year performance period for the 2017 PSUs and the 2016 PSUs, or 154,520 and 169,340 shares, respectively, and the shares issuable at the end of the three-year vesting period for the PSUs granted in 2015 (the “2015 PSUs”), based on achievement against the performance metrics for the the first, second and third year’s performance periods, or 120,171 shares.

(2) PSUs consist of the target number of shares issuable at the end of the three-year performance period for the 2018 PSUs, or 131,311 shares.

(3) PSUs consist of shares vested pursuant to the 2015 PSUs. There are no additional shares to be earned related to the 2015 PSUs.

During the three months ended March 31, 2018, the Company recorded \$8.8 million in stock-based compensation expense for equity awards in which the performance goals had been established and were probable of being achieved. The remaining unrecognized compensation expense related to these awards at March 31, 2018 was \$41.8 million based on the Company’s current assessment of the probability of achieving the performance goals. The weighted average period over which the cost will be recognized is approximately two years.

9. REDEEMABLE NONCONTROLLING INTERESTS

Redeemable Noncontrolling Interests—On April 21, 2016, the Company, through its wholly owned subsidiary, ATC Asia Pacific Pte. Ltd., acquired a 51% controlling ownership interest in ATC TIPL (formerly Viom), a telecommunications infrastructure company that owns and operates wireless communications towers and indoor DAS networks in India (the “Viom Acquisition”).

In connection with the Viom Acquisition, the Company, through one of its subsidiaries, entered into a shareholders agreement (the “Shareholders Agreement”) with Viom and the following remaining Viom shareholders: Tata Sons Limited, Tata Teleservices, IDFC Private Equity Fund III, Macquarie SBI Infrastructure Investments Pte Limited and SBI Macquarie Infrastructure Trust (collectively, the “Remaining Shareholders”). During the three months ended March 31, 2018, pursuant to the terms of the Shareholders Agreement, the Company received regulatory approval to merge its other wholly-owned India subsidiaries into ATC TIPL. As a result, the Company’s controlling interest in ATC TIPL increased from 51% to 63%, which resulted in an increase in the Company’s additional paid-in capital of \$28.1 million. Similarly, the noncontrolling interest was reduced from 49% to 37%, and a corresponding adjustment to reduce the

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (tabular amounts in millions, unless otherwise noted)

redeemable noncontrolling interest value by \$28.1 million was recorded during the three months ended March 31, 2018. In addition, the Company reclassified \$78.8 million of previously recorded accumulated other comprehensive loss to additional paid-in capital due to the change in ownership of ATC TIPL.

The Shareholders Agreement also provides certain of the Remaining Shareholders with put options, which allow them to sell outstanding shares of ATC TIPL to the Company, and the Company with call options, which allow it to buy the noncontrolling shares of ATC TIPL. The put options, which are not under the Company's control, cannot be separated from the noncontrolling interests. As a result, the combination of the noncontrolling interests and the redemption feature requires classification as redeemable noncontrolling interests in the consolidated balance sheet, separate from equity.

Given the provisions governing the put rights, the redeemable noncontrolling interests are recorded outside of permanent equity at their redemption value. The noncontrolling interests become redeemable after the passage of time, and therefore, the Company records the carrying amount of the noncontrolling interests at the greater of (i) the initial carrying amount, increased or decreased for the noncontrolling interests' share of net income or loss and foreign currency translation adjustments, and (ii) the redemption value. If required, the Company will adjust the redeemable noncontrolling interests to redemption value on each balance sheet date with changes in redemption value recognized as an adjustment to Distributions in excess of earnings. Due to the impact of impairment charges on net income, the Company adjusted certain noncontrolling interests, which are subject to minimum redemption values, by \$17.5 million for the three months ended March 31, 2018.

The put options may be exercised, requiring the Company to purchase the Remaining Shareholders' equity interests, on specified dates beginning April 1, 2018 through March 31, 2021.

The changes in Redeemable noncontrolling interests for the three months ended March 31, 2018 and 2017 were as follows:

	Three Months Ended March 31,	
	2018	2017
Balance as of January 1,	\$1,126.2	\$1,091.3
Net loss attributable to noncontrolling interests	(28.1)	(12.3)
Adjustment to noncontrolling interest redemption value	17.5	—
Adjustment to noncontrolling interest due to merger	(28.1)	—
Foreign currency translation adjustment attributable to noncontrolling interests	(22.3)	51.1
Balance as of March 31,	\$1,065.2	\$1,130.1

10. EQUITY

Series B Preferred Stock—In March 2015, the Company issued 1,375,000 shares of its 5.50% Mandatory Convertible Preferred Stock, Series B, par value \$0.01 per share (the "Series B Preferred Stock"). During the three months ended

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (tabular amounts in millions, unless otherwise noted)

March 31, 2018, all outstanding shares of the Series B Preferred Stock converted at a rate of 8.7420 per share of Series B Preferred Stock, or 0.8742 per depositary share, each representing a 1/10th interest in a share of Series B Preferred Stock, into an aggregate of 12,020,064 shares of the Company's common stock pursuant to the provisions of the Certificate of Designations governing the Series B Preferred Stock. The Company paid cash in lieu of fractional shares of the Company's common stock. These payments were recorded as a reduction to Additional paid-in capital.

On February 15, 2018, the Company paid the final dividend of \$18.9 million to holders of the Series B Preferred Stock at the close of business on February 1, 2018.

Sales of Equity Securities—The Company receives proceeds from the sale of its equity securities pursuant to the ESPP and upon exercise of stock options granted under its equity incentive plan. During the three months ended March 31, 2018, the Company received an aggregate of \$20.0 million in proceeds upon exercises of stock options.

Stock Repurchase Program—In March 2011, the Board of Directors approved a stock repurchase program, pursuant to which the Company is authorized to repurchase up to \$1.5 billion of its common stock (the "2011 Buyback"). In December 2017, the Board of Directors approved an additional stock repurchase program, pursuant to which the Company is authorized to repurchase up to \$2.0 billion of its common stock (the "2017 Buyback" and, together with the 2011 Buyback, the "Buyback Programs").

During the three months ended March 31, 2018, there were no repurchases under either program. As of March 31, 2018, the Company had repurchased a total of 12,356,054 shares of its common stock under the 2011 Buyback for an aggregate of \$1.2 billion, including commissions and fees.

Under the Buyback Programs, the Company is authorized to purchase shares from time to time through open market purchases, in privately negotiated transactions not to exceed market prices, and (with respect to such open market purchases) pursuant to plans adopted in accordance with Rule 10b5-1 under the Exchange Act in accordance with securities laws and other legal requirements, and subject to market conditions and other factors.

The Company expects to fund any further repurchases of its common stock through a combination of cash on hand, cash generated by operations and borrowings under its credit facilities. Purchases under the Buyback Programs are subject to the Company having available cash to fund repurchases.

Distributions—During the three months ended March 31, 2018, the Company declared or paid the following cash distributions (per share data reflects actual amounts):

Declaration Date	Payment Date	Record Date	Distribution per share	Aggregate Payment Amount (1)
Common Stock				
December 6, 2017	January 16, 2018	December 28, 2017	\$ 0.70	\$ 300.2
March 8, 2018	April 27, 2018	April 11, 2018	\$ 0.75	\$ 331.2
Series B Preferred Stock				
January 22, 2018	February 15, 2018	February 1, 2018	\$ 13.75	\$ 18.9

(1) Does not include amounts accrued for distributions payable related to unvested restricted stock units.

The Company accrues distributions on unvested restricted stock units, which are payable upon vesting. As of March 31, 2018, the amount accrued for distributions payable related to unvested restricted stock units was \$7.1 million. During the three months ended March 31, 2018, the Company paid \$4.1 million of distributions upon the vesting of restricted stock units. To maintain its qualification for taxation as a REIT, the Company expects to continue paying distributions, the amount, timing and frequency of which will be determined, and subject to adjustment, by the Company's Board of Directors.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (tabular amounts in millions, unless otherwise noted)

11. EARNINGS PER COMMON SHARE

The following table sets forth basic and diluted net income per common share computational data (shares in thousands, per share data reflects actual amounts):

	Three Months Ended March 31,	
	2018	2017
Net income attributable to American Tower Corporation stockholders	\$285.2	\$316.1
Dividends on preferred stock	(9.4)	(26.8)
Net income attributable to American Tower Corporation common stockholders	275.8	289.3
Basic weighted average common shares outstanding	435,124	427,279
Dilutive securities	3,396	2,920
Diluted weighted average common shares outstanding	438,520	430,199
Basic net income attributable to American Tower Corporation common stockholders per common share	\$0.63	\$0.68
Diluted net income attributable to American Tower Corporation common stockholders per common share	\$0.63	\$0.67

Shares Excluded From Dilutive Effect—The following shares were not included in the computation of diluted earnings per share because the effect would be anti-dilutive (in thousands, on a weighted average basis):

	Three Months Ended March 31,	
	2018	2017
Restricted stock units	118	159
Stock options	—	30
Preferred stock	5,904	17,547

12. COMMITMENTS AND CONTINGENCIES

Litigation—The Company periodically becomes involved in various claims, lawsuits and proceedings that are incidental to its business. In the opinion of Company management, after consultation with counsel, there are no matters currently pending that would, in the event of an adverse outcome, materially impact the Company’s consolidated financial position, results of operations or liquidity.

Verizon Transaction—In March 2015, the Company entered into an agreement with various operating entities of Verizon Communications Inc. (“Verizon”) that currently provides for the lease, sublease or management of approximately 11,250 wireless communications sites commencing March 27, 2015. The average term of the lease or sublease for all sites at the inception of the agreement was approximately 28 years, assuming renewals or extensions of the underlying ground leases for the sites. The Company has the option to purchase the leased sites in tranches, subject to the applicable lease, sublease or management rights upon its scheduled expiration. Each tower is assigned to an annual tranche, ranging from 2034 to 2047, which represents the outside expiration date for the sublease rights to the towers in that tranche. The purchase price for each tranche is a fixed amount stated in the lease for such tranche plus the fair market value of certain alterations made to the related towers. The aggregate purchase option price for the towers leased and subleased is approximately \$5.0 billion. Verizon will occupy the sites as a tenant for an initial term

of ten years with eight optional successive five-year terms; each such term shall be governed by standard master lease agreement terms established as a part of the transaction.

AT&T Transaction—The Company has an agreement with SBC Communications Inc., a predecessor entity to AT&T Inc. (“AT&T”), that currently provides for the lease or sublease of approximately 2,340 towers commencing between December 2000 and August 2004. Substantially all of the towers are part of the Trust Securitizations. The average term of the lease or sublease for all sites at the inception of the agreement was approximately 27 years, assuming renewals or

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (tabular amounts in millions, unless otherwise noted)

extensions of the underlying ground leases for the sites. The Company has the option to purchase the sites subject to the applicable lease or sublease upon its expiration. Each tower is assigned to an annual tranche, ranging from 2013 to 2032, which represents the outside expiration date for the sublease rights to that tower. The purchase price for each site is a fixed amount stated in the lease for that site plus the fair market value of certain alterations made to the related tower by AT&T. As of March 31, 2018, the Company has purchased an aggregate of 88 of the subleased towers upon expiration of the applicable agreement. The aggregate purchase option price for the remaining towers leased and subleased is \$851.1 million and will accrete at a rate of 10% per annum through the applicable expiration of the lease or sublease of a site. For all such sites, AT&T has the right to continue to lease the reserved space through June 30, 2020 at the then-current monthly fee, which shall escalate in accordance with the standard master lease agreement for the remainder of AT&T's tenancy. Thereafter, AT&T shall have the right to renew such lease for up to four successive five-year terms.

ALLTEL Transaction—In December 2000, the Company entered into an agreement with ALLTEL Communications, LLC, a predecessor entity to Verizon Wireless, to acquire towers through a 15-year sublease agreement. Pursuant to the agreement, as amended, with Verizon Wireless, the Company acquired rights to approximately 1,800 towers in tranches between April 2001 and March 2002. The Company has the option to purchase each tower at the expiration of the applicable sublease. During the year ended December 31, 2016, the Company exercised the purchase options for 1,523 towers and provided notice to the tower owner, Verizon's assignee, of its intent to exercise the purchase options related to the 243 remaining towers. As of March 31, 2018, the purchase price per tower was \$42,844 payable in cash or, at the tower owner's option, with 769 shares of the Company's common stock per tower. The aggregate cash purchase option price for the subleased towers was \$10.4 million as of March 31, 2018.

Other Contingencies—The Company is subject to income tax and other taxes in the geographic areas where it operates, and periodically receives notifications of audits, assessments or other actions by taxing authorities. In certain jurisdictions, taxing authorities may issue preliminary notices or assessments while audits are being conducted. These preliminary notices or assessments do not represent amounts that the Company is obligated to pay and are often not reflective of the actual tax liability for which the Company will ultimately be liable. The Company evaluates the circumstances of each notification or assessment based on the information available and records a liability for any potential outcome that is probable or more likely than not unfavorable if the liability is also reasonably estimable. On December 5, 2016, the Company received an income tax assessment of Essar Telecom Infrastructure Private Limited ("ETIPL") from the India Income Tax Department (the "Tax Department") for the fiscal year ending 2008 in the amount of 4.75 billion INR (\$69.8 million on the date of assessment) related to capital contributions. The Company challenged the assessment before the Office of Commissioner of Income Tax - Appeals, which ruled in the Company's favor in January 2018. However, the Tax Department may appeal this ruling at a higher appellate authority. The Company estimates that there is a more likely than not probability that the Company's position will be sustained upon appeal. Accordingly, no liability has been recorded. Additionally, the assessment was made with respect to transactions that took place in the tax year commencing in 2007, prior to the Company's acquisition of ETIPL. Under the Company's definitive acquisition agreement of ETIPL, the seller is obligated to indemnify and defend the Company with respect to any tax-related liability that may arise from activities prior to March 31, 2010.

Tenant Leases—The Company's lease agreements with its tenants vary depending upon the region and the industry of the tenant, and generally have initial terms of ten years with multiple renewal terms at the option of the tenant.

Future minimum rental receipts expected from tenants under non-cancellable operating lease agreements in effect at March 31, 2018 were as follows (in billions):

Remainder of 2018	\$4
2019	5
2020	5
2021	4
2022	3

Thereafter	11
Total	\$32

22

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (tabular amounts in millions, unless otherwise noted)

Lease Obligations—The Company leases certain land, office and tower space under operating leases that expire over various terms. Many of the leases contain renewal options with specified increases in lease payments upon exercise of the renewal option. Escalation clauses present in operating leases, excluding those tied to a consumer price index or other inflation-based indices, are recognized on a straight-line basis over the non-cancellable term of the leases. Future minimum rental payments under non-cancellable operating leases include payments for certain renewal periods at the Company's option because failure to renew could result in a loss of the applicable communications sites and related revenues from tenant leases, thereby making it reasonably assured that the Company will renew the leases. Such payments at March 31, 2018 are as follows (in billions):

Remainder of 2018	\$1
2019	1
2020	1
2021	1
2022	1
Thereafter	6
Total	\$11

13. ACQUISITIONS

Impact of current year acquisitions—The Company typically acquires communications sites from wireless carriers or other tower operators and subsequently integrates those sites into its existing portfolio of communications sites. The financial results of the Company's acquisitions have been included in the Company's consolidated statements of operations for the three months ended March 31, 2018 from the date of the respective acquisition. The date of acquisition, and by extension the point at which the Company begins to recognize the results of an acquisition, may depend on, among other things, the receipt of contractual consents, the commencement and extent of leasing arrangements and the timing of the transfer of title or rights to the assets, which may be accomplished in phases. Sites acquired from communications service providers may never have been operated as a business and may instead have been utilized solely by the seller as a component of its network infrastructure. An acquisition may or may not involve the transfer of business operations or employees.

The Company evaluates each of its acquisitions under the accounting guidance framework to determine whether to treat an acquisition as an asset acquisition or a business combination. For those transactions treated as asset acquisitions, the purchase price is allocated to the assets acquired, with no recognition of goodwill.

For those acquisitions accounted for as business combinations, the Company recognizes acquisition and merger related expenses in the period in which they are incurred and services are received; for transactions accounted for as asset acquisitions, these costs are capitalized as part of the purchase price. Acquisition and merger related costs may include finder's fees, advisory, legal, accounting, valuation and other professional or consulting fees and general administrative costs directly related to the transaction. Integration costs include incremental and non-recurring costs necessary to convert data, retain employees and otherwise enable the Company to operate new businesses or assets efficiently. The Company records acquisition and merger related expenses for business combinations, as well as integration costs for all acquisitions, in Other operating expenses in the consolidated statements of operations.

During the three months ended March 31, 2018 and 2017, the Company recorded acquisition and merger related expenses for business combinations and non-capitalized asset acquisition costs and integration costs as follows:

Three
Months

	Ended	
	March 31,	
	2018	2017
Acquisition and merger related expenses	\$1.4	\$5.7
Integration costs	\$0.5	\$4.6

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (tabular amounts in millions, unless otherwise noted)

2018 Transactions

The estimated aggregate impact of the acquisitions completed in 2018 on the Company's revenues and gross margin for the three months ended March 31, 2018 was approximately \$0.9 million and \$0.6 million, respectively. The revenues and gross margin amounts also reflect incremental revenues from the addition of new tenants to such sites subsequent to the transaction date.

Vodafone Acquisition—On March 31, 2018, the Company acquired 10,238 communications sites from Vodafone India Limited and Vodafone Mobile Services Limited (together, "Vodafone") for an aggregate total purchase price of 38.2 billion INR (\$586.9 million at the date of acquisition). This acquisition was accounted for as an asset acquisition.

Other Acquisitions—During the three months ended March 31, 2018, the Company acquired a total of 338 communications sites in the United States, Colombia, Mexico, Paraguay and Peru for an aggregate purchase price of \$93.2 million. Of the aggregate purchase price, \$1.6 million is reflected in Accounts payable in the consolidated balance sheet as of March 31, 2018. These acquisitions were accounted for as asset acquisitions.

The following table summarizes the allocations of the purchase prices for the fiscal year 2018 acquisitions based upon their estimated fair value at the date of acquisition:

	Asia	
	Vodafone	Other
	(1) (2)	(1) (3)
Current assets	\$ 16.6	\$ 1.3
Non-current assets	9.9	1.1
Property and equipment	197.6	30.1
Intangible assets (4):		
Tenant-related intangible assets	326.1	42.5
Network location intangible assets	64.5	23.5
Current liabilities	(15.8)	(0.7)
Other non-current liabilities	(12.0)	(4.6)
Net assets acquired	586.9	93.2
Goodwill	—	—
Fair value of net assets acquired	586.9	93.2
Debt assumed	—	—
Purchase price	\$ 586.9	\$ 93.2

(1) Accounted for as asset acquisitions.

(2) Includes \$1.3 million in acquisition and merger related expenses that were capitalized as part of the purchase price.

(3) Includes 35 sites in Peru held pursuant to long-term capital leases.

(4) Tenant-related intangible assets and network location intangible assets are amortized on a straight-line basis over periods of up to 20 years.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (tabular amounts in millions, unless otherwise noted)

Pro Forma Consolidated Results (Unaudited)

The following table presents the unaudited pro forma financial results as if the 2018 acquisitions had occurred on January 1, 2017 and acquisitions completed in 2017 had occurred on January 1, 2016. The pro forma results do not include any anticipated cost synergies, costs or other integration impacts. Accordingly, such pro forma amounts are not necessarily indicative of the results that actually would have occurred had the transactions been completed on the date indicated, nor are they indicative of the future operating results of the Company.

	Three Months Ended March 31,	
	2018	2017
Pro forma revenues	\$1,780.3	\$1,690.0
Pro forma net income attributable to American Tower Corporation common stockholders	\$275.8	\$284.9
Pro forma net income per common share amounts:		
Basic net income attributable to American Tower Corporation common stockholders	\$0.63	\$0.67
Diluted net income attributable to American Tower Corporation common stockholders	\$0.63	\$0.66

Other Signed Acquisitions

Idea Cellular Limited—On November 13, 2017, the Company entered into an agreement with Idea Cellular Limited (“Idea”) and Idea’s subsidiary, Idea Cellular Infrastructure Services Limited (“ICISL”), to acquire 100% of the outstanding shares of ICISL, a telecommunications company that owns and operates approximately 9,900 communications sites in India, for cash consideration of approximately 40 billion INR (\$611.4 million at the date of signing), subject to certain adjustments (the “Idea Transaction”). Consummation of the Idea Transaction is subject to certain conditions, including regulatory approval. The Idea Transaction is expected to close in the second quarter of 2018.

14. BUSINESS SEGMENTS

The Company’s primary business is leasing space on multitenant communications sites to wireless service providers, radio and television broadcast companies, wireless data providers, government agencies and municipalities and tenants in a number of other industries. This business is referred to as the Company’s property operations, which as of March 31, 2018, consisted of the following:

• U.S.: property operations in the United States;

• Asia: property operations in India;

• Europe, Middle East and Africa (“EMEA”): property operations in France, Germany, Ghana, Nigeria, South Africa and Uganda; and

• Latin America: property operations in Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Paraguay and Peru.

The Company has applied the aggregation criteria to operations within the EMEA and Latin America property operating segments on a basis that is consistent with management’s review of information and performance evaluations of these regions.

The Company’s services segment offers tower-related services in the United States, including site AZP and structural analysis, which primarily support its site leasing business, including the addition of new tenants and equipment on its sites. The services segment is a strategic business unit that offers different services from, and requires different resources, skill sets and marketing strategies than, the property operating segments.

The accounting policies applied in compiling segment information below are similar to those described in note 1. Among other factors, in evaluating financial performance in each business segment, management uses segment gross margin and

25

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(tabular amounts in millions, unless otherwise noted)

segment operating profit. The Company defines segment gross margin as segment revenue less segment operating expenses excluding stock-based compensation expense recorded in costs of operations; Depreciation, amortization and accretion; Selling, general, administrative and development expense; and Other operating expenses. The Company defines segment operating profit as segment gross margin less Selling, general, administrative and development expense attributable to the segment, excluding stock-based compensation expense and corporate expenses. For reporting purposes, the Latin America property segment gross margin and segment operating profit also include Interest income, TV Azteca, net. These measures of segment gross margin and segment operating profit are also before Interest income, Interest expense, Gain (loss) on retirement of long-term obligations, Other income (expense), Net income (loss) attributable to noncontrolling interests and Income tax benefit (provision). The categories of expenses indicated above, such as depreciation, have been excluded from segment operating performance as they are not considered in the review of information or the evaluation of results by management. There are no significant revenues resulting from transactions between the Company's operating segments. All intercompany transactions are eliminated to reconcile segment results and assets to the consolidated statements of operations and consolidated balance sheets.

Summarized financial information concerning the Company's reportable segments for the three months ended March 31, 2018 and 2017 is shown in the following tables. The "Other" column (i) represents amounts excluded from specific segments, such as business development operations, stock-based compensation expense and corporate expenses included in Selling, general, administrative and development expense; Other operating expenses; Interest income; Interest expense; Gain (loss) on retirement of long-term obligations; and Other income (expense), and (ii) reconciles segment operating profit to Income from continuing operations before income taxes.

Three Months Ended March 31, 2018	Property				Total Property	Services	Other	Total
	U.S.	Asia	EMEA	Latin America				
Total segment revenues	\$931.4	\$273.0	\$174.2	\$331.8	\$1,710.4	\$31.4		\$1,741.8
Segment operating expenses (1)	186.3	157.9	59.1	103.4	506.7	12.2		518.9
Interest income, TV Azteca, net	—	—	—	2.7	2.7	—		2.7
Segment gross margin	745.1	115.1	115.1	231.1	1,206.4	19.2		1,225.6
Segment selling, general, administrative and development expense (1)	35.4	44.2	16.8	24.6	121.0	3.5		124.5
Segment operating profit	\$709.7	\$70.9	\$98.3	\$206.5	\$1,085.4	\$15.7		\$1,101.1
Stock-based compensation expense							\$42.7	42.7
Other selling, general, administrative and development expense							38.7	38.7
Depreciation, amortization and accretion							446.3	446.3
Other expense (2)							324.2	324.2
Income from continuing operations before income taxes								\$249.2
Total assets	\$18,894.7	\$5,796.8	\$3,343.4	\$6,084.1	\$34,119.0	\$47.0	\$206.7	\$34,372.7

(1) Segment operating expenses and segment selling, general, administrative and development expenses exclude stock-based compensation expense of \$1.0 million and \$41.7 million, respectively.

(2) Primarily includes interest expense and \$147.4 million in impairment charges.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (tabular amounts in millions, unless otherwise noted)

Three Months Ended March 31, 2017	Property				Total Property	Services	Other	Total
	U.S.	Asia	EMEA	Latin America				
Segment revenues	\$891.9	\$275.5	\$150.4	\$276.3	\$1,594.1	\$ 22.1		\$1,616.2
Segment operating expenses (1)	181.4	149.4	61.5	93.2	485.5	6.3		491.8
Interest income, TV Azteca, net	—	—	—	2.7	2.7	—		2.7
Segment gross margin	710.5	126.1	88.9	185.8	1,111.3	15.8		1,127.1
Segment selling, general, administrative and development expense (1)	34.6	20.5	16.5	18.6	90.2	3.1		93.3
Segment operating profit	\$675.9	\$105.6	\$72.4	\$167.2	\$1,021.1	\$ 12.7		\$1,033.8
Stock-based compensation expense							\$36.2	36.2
Other selling, general, administrative and development expense							36.2	36.2
Depreciation, amortization and accretion							421.1	421.1
Other expense (2)							206.1	206.1
Income from continuing operations before income taxes								\$334.2
Total assets	\$18,768.4	\$4,765.9	\$3,054.5	\$5,189.3	\$31,778.1	\$ 49.2	\$230.1	\$32,057.4

(1) Segment operating expenses and segment selling, general, administrative and development expenses exclude stock-based compensation expense of \$0.9 million and \$35.3 million, respectively.

(2) Primarily includes interest expense.

15. SUBSEQUENT EVENTS

Kenya—On April 3, 2018, the Company, through its recently formed Kenyan subsidiary, entered into a definitive agreement with Telkom Kenya Limited to acquire up to 723 communications sites in Kenya. The transaction is expected to close during the second half of 2018, subject to customary closing conditions, including the satisfaction of regulatory approvals.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains forward-looking statements relating to our goals, beliefs, plans or current expectations and other statements that are not of historical facts. For example, when we use words such as "project," "believe," "anticipate," "expect," "forecast," "estimate," "intend," "should," "would," "could," "may" or other words, we are making forward-looking statements. Certain important factors may cause actual results to differ materially from those indicated by our forward-looking statements, including those set forth under the caption "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017 (the "2017 Form 10-K"). Forward-looking statements represent management's current expectations and are inherently uncertain. We do not undertake any obligation to update forward-looking statements made by us.

The discussion and analysis of our financial condition and results of operations that follow are based upon our consolidated and condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates and such differences could be material to the financial statements. This discussion should be read in conjunction with our consolidated and condensed consolidated financial statements herein and the accompanying notes thereto, information set forth under the caption "Critical Accounting Policies and Estimates" in the 2017 Form 10-K, and in particular, the information set forth therein under Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Overview

We are one of the largest global real estate investment trusts and a leading independent owner, operator and developer of multitenant communications real estate. Our primary business is the leasing of space on communications sites to wireless service providers, radio and television broadcast companies, wireless data providers, government agencies and municipalities and tenants in a number of other industries. In addition to the communications sites in our portfolio, we manage rooftop and tower sites for property owners under various contractual arrangements. We also hold other telecommunications infrastructure, fiber and property interests that we lease primarily to communications service providers and third-party tower operators. We refer to this business as our property operations, which accounted for 98% of our total revenues for the three months ended March 31, 2018 and includes our U.S. property segment, Asia property segment, Europe, Middle East and Africa ("EMEA") property segment and Latin America property segment.

We also offer tower-related services in the United States, including site acquisition, zoning and permitting and structural analysis, which primarily support our site leasing business, including the addition of new tenants and equipment on our sites.

The following table details the number of communications sites, excluding managed sites, that we owned or operated as of March 31, 2018:

	Number of Owned Towers	Number of Operated Towers (1)	Number of Owned DAS Sites
U.S.	24,295	15,987	379
Asia:			
India	67,071	—	342
EMEA:			
France	2,170	307	9
Germany	2,208	—	—
Ghana	2,181	—	23
Nigeria	4,757	—	—
South Africa (2)	2,533	—	—
Uganda	1,462	—	—
EMEA total	15,311	307	32
Latin America:			
Argentina (3)	9	—	1
Brazil	16,531	2,257	84
Chile	1,295	—	11
Colombia	3,819	777	1
Costa Rica	492	—	2
Mexico (4)	8,932	199	78
Paraguay	957	—	—
Peru	676	162	—
Latin America total	32,711	3,395	177

(1) Approximately 98% of the operated towers are held pursuant to long-term capital leases, including those subject to purchase options.

(2) In South Africa, we also own fiber.

(3) In Argentina, we also own or operate urban telecommunications assets, fiber and the rights to utilize certain existing utility infrastructure for future telecommunications equipment installation.

(4) In Mexico, we also own or operate urban telecommunications assets, including fiber, concrete poles and other infrastructure.

We operate in five reportable segments: U.S. property, Asia property, EMEA property, Latin America property and services. In evaluating operating performance in each business segment, management uses, among other factors, segment gross margin and segment operating profit (see note 14 to our consolidated and condensed consolidated financial statements included in this Quarterly Report on Form 10-Q).

In the section that follows, we provide information regarding management's expectations of long-term drivers of demand for our communications sites, as well as our current results of operations, financial position and sources and uses of liquidity. In addition, we highlight key trends, which management believes provide valuable insight into our operating and financial resource allocation decisions.

Revenue Growth. The primary factors affecting the revenue growth in our property segments are:

- Growth in tenant billings, including:

- New revenue attributable to leases in place on day one on sites acquired or constructed since the beginning of the prior-year period;

New revenue attributable to leasing additional space on our sites (“colocations”) and lease amendments; and
Contractual rent escalations on existing tenant leases, net of churn (as defined below).

29

Revenue growth from other items, including additional tenant payments to cover costs, such as ground rent or power and fuel costs, included in certain tenant leases (“pass-through”), straight-line revenue and decommissioning.

Due to our diversified communications site portfolio, our tenant lease rates vary considerably depending upon numerous factors, including, but not limited to, amount, type and position of tenant equipment on the tower, remaining tower capacity and tower location. We measure the remaining tower capacity by assessing several factors, including tower height, tower type, environmental conditions, existing equipment on the tower and zoning and permitting regulations in effect in the jurisdiction where the tower is located. In many instances, tower capacity can be increased with relatively modest tower augmentation capital expenditures.

In most of our markets, our tenant leases with wireless carriers have an initial non-cancellable term of at least ten years, with multiple renewal terms. Accordingly, the vast majority of the revenue generated by our property operations during the three months ended March 31, 2018 was recurring revenue that we should continue to receive in future periods. Based upon foreign currency exchange rates and the tenant leases in place as of March 31, 2018, we expect to generate over \$32 billion of non-cancellable tenant lease revenue over future periods, before the impact of straight-line lease accounting. Most of our tenant leases have provisions that periodically increase the rent due under the lease, typically based on an annual fixed escalation (averaging approximately 3% in the United States) or an inflationary index in our international markets, or a combination of both. In addition, certain of our tenant leases provide for additional revenue primarily to cover costs, such as ground rent or power and fuel costs.

The revenues generated by our property operations may be affected by cancellations of existing tenant leases. As discussed above, most of our tenant leases with wireless carriers and broadcasters are multiyear contracts, which typically are non-cancellable; however, in some instances, a lease may be cancelled upon the payment of a termination fee.

Revenue lost from either cancellations or the non-renewal of leases or rent renegotiations, which we refer to as churn, historically has not had a material adverse effect on the revenues generated by our property operations. This was again the case during the three months ended March 31, 2018, in which loss of tenant billings from tenant lease cancellations, non-renewal or renegotiations represented approximately 3% of our tenant billings.

We do anticipate an increase in revenue lost from cancellations or non-renewals in 2018 primarily due to carrier consolidation-driven churn in India, which is likely to result in a higher impact on our revenues, including tenant billings, as compared to the historical average, particularly in our Asia property segment. We also expect this churn will compress our gross margin and operating profit for the duration of the carrier consolidation process, particularly in our Asia property segment, although we expect this to be partially offset by lower expenses due to reduced tenancy on existing sites. In addition, we expect to periodically evaluate the carrying value of our Indian assets, which may result in the realization of impairment expense or other similar charges. For more information, please see Item 7 of the 2017 Form 10-K under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates.”

For the three months ended March 31, 2018, carrier consolidation-driven churn in India negatively impacted our consolidated property revenue by \$19.8 million, including approximately \$4.3 million in pass-through revenue, and negatively impacted our gross margin and operating profit by \$14.4 million. We also recorded an impairment charge of approximately \$147.4 million as a result of Aircel Ltd.’s (“Aircel”) filing for bankruptcy protection in February 2018. For the full year ending December 31, 2018, we expect carrier consolidation-driven churn in India to negatively impact our consolidated property revenue by approximately \$190.0 million, including \$70.0 million in pass-through revenue, and our operating profit by approximately \$115.0 million.

Demand Drivers. We continue to believe that our site leasing revenue is likely to increase due to the growing use of wireless services globally and our ability to meet the corresponding incremental demand for our communications real estate. By adding new tenants and new equipment for existing tenants on our sites, we are able to increase these sites' utilization and profitability. We believe the majority of our site leasing activity will continue to come from wireless service providers, with tenants in a number of other industries contributing incremental leasing demand. Our site portfolio and our established tenant base provide us with new business opportunities, which have historically resulted in

30

consistent and predictable organic revenue growth as wireless carriers seek to increase the coverage and capacity of their existing networks, while also deploying next generation wireless technologies. In addition, we intend to continue to supplement our organic growth by selectively developing or acquiring new sites in our existing and new markets where we can achieve our risk-adjusted return on investment objectives.

Consistent with our strategy to increase the utilization and return on investment from our sites, our objective is to add new tenants and new equipment for existing tenants through colocation and lease amendments. Our ability to lease additional space on our sites is primarily a function of the rate at which wireless carriers and other tenants deploy capital to improve and expand their wireless networks. This rate, in turn, is influenced by the growth of wireless services, the penetration of advanced wireless devices, the level of emphasis on network quality and capacity in carrier competition, the financial performance of our tenants and their access to capital and general economic conditions.

Based on industry research and projections, we expect that a number of key industry trends will result in incremental revenue opportunities for us:

In less advanced wireless markets where initial voice and data networks are still being deployed, we expect these deployments to drive demand for our tower space as carriers seek to expand their footprints and increase the scope and density of their networks. We have established operations in many of these markets at the early stages of wireless development, which we believe will enable us to meaningfully participate in these deployments over the long term. Subscribers' use of mobile data continues to grow rapidly given increasing smartphone and other advanced device penetration, the proliferation of bandwidth-intensive applications on these devices and the continuing evolution of the mobile ecosystem. We believe carriers will be compelled to deploy additional equipment on existing networks while also rolling out more advanced wireless networks to address coverage and capacity needs resulting from this increasing mobile data usage.

The deployment of advanced mobile technology across existing wireless networks will provide higher speed data services and further enable fixed broadband substitution. As a result, we expect that our tenants will continue deploying additional equipment across their existing networks.

Wireless service providers compete based on the quality of their existing networks, which is driven by capacity and coverage. To maintain or improve their network performance as overall network usage increases, our tenants continue deploying additional equipment across their existing sites while also adding new cell sites. We anticipate increasing network densification over the next several years, as existing network infrastructure is anticipated to be insufficient to account for rapidly increasing levels of wireless data usage.

Wireless service providers continue to acquire additional spectrum, and as a result are expected to add additional sites and equipment to their networks as they seek to optimize their network configuration and utilize additional spectrum. Next generation technologies centered on wireless connections have the potential to provide incremental revenue opportunities for us. These technologies may include autonomous vehicle networks and a number of other internet-of-things, or IoT, applications, as well as other potential use cases for wireless services.

As part of our international expansion initiatives, we have targeted markets in various stages of network development to diversify our international exposure and position us to benefit from a number of different wireless technology deployments over the long term. In addition, we have focused on building relationships with large multinational carriers such as Bharti Airtel Limited, Telefónica S.A. and Vodafone Group PLC, among others. We believe that consistent carrier network investments across our international markets position us to generate meaningful organic revenue growth going forward.

In emerging markets, such as Ghana, India, Nigeria and Uganda, wireless networks tend to be significantly less advanced than those in the United States, and initial voice networks continue to be deployed in underdeveloped areas. A majority of consumers in these markets still utilize basic wireless services, predominantly on feature phones, while advanced device penetration remains low. In more developed urban locations within these markets, data network

deployments are underway. Carriers are focused on completing voice network build-outs while also investing in initial data networks as mobile data usage and smartphone penetration within their customer bases begin to accelerate.

In India, the ongoing transition from second generation (2G) technology to fourth generation (4G) technology has included and is expected to continue to include a period of carrier consolidation over the next several years, whereby the number of carriers operating in the marketplace will be reduced through mergers, acquisitions and select carrier exits from the marketplace. Over the long term, this consolidation process is expected to result in a more favorable structural environment for both the wireless carriers as well as communications infrastructure providers. In the shorter term, as discussed above, we expect the consolidation process to continue to result in elevated levels of churn within our India business as merging carriers rationalize redundant legacy equipment installations and as select carriers exit the marketplace.

In markets with rapidly evolving network technology, such as South Africa and most of the countries in Latin America where we do business, initial voice networks, for the most part, have already been built out, and carriers are focused on third generation (3G) and 4G network build outs. Consumers in these regions are increasingly adopting smartphones and other advanced devices and, as a result, the usage of bandwidth-intensive mobile applications is growing materially. Recent spectrum auctions in these rapidly evolving markets have allowed incumbent carriers to accelerate their data network deployments and have also enabled new entrants to begin initial investments in data networks. Smartphone penetration and wireless data usage in these markets are advancing rapidly, which typically requires that carriers continue to invest in their networks to maintain and augment their quality of service.

Finally, in markets with more mature network technology, such as Germany and France, carriers are focused on deploying 4G data networks to account for rapidly increasing wireless data usage among their customer base. With higher smartphone and advanced device penetration and significantly higher per capita data usage, carrier investment in networks is focused on 4G coverage and capacity.

We believe that the network technology migration we have seen in the United States, which has led to significantly denser networks and meaningful new business commencements for us over a number of years, will ultimately be replicated in our less advanced international markets. As a result, we expect to be able to leverage our extensive international portfolio of approximately 119,345 communications sites and the relationships we have built with our carrier tenants to drive sustainable, long-term growth.

We have master lease agreements with certain of our tenants that provide for consistent, long-term revenue and reduce the likelihood of churn. Certain of those master lease agreements are holistic in nature and further build and augment strong strategic partnerships with our tenants and have significantly reduced colocation cycle times, thereby providing our tenants with the ability to rapidly and efficiently deploy equipment on our sites.

Property Operations Expenses. Direct operating expenses incurred by our property segments include direc