

A RULE BREAKERS SPECIAL REPORT

THE ULTIMATE WIRELESS WINNER: ONE STOCK YOU MUST BUY BEFORE IPHONE FEVER STRIKES AGAIN

MOTLEY FOOL RULE BREAKERS 
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The Ultimate Wireless Winner:

One Stock You Must Buy Before iPhone Fever Strikes Again

Brought to you by **David Gardner, Co-founder, The Motley Fool** 

Dear Fool,

First off, I would like to welcome you to *Motley Fool Rule Breakers*, where we're dedicated to finding the ultimate growth stocks and helping you become a better investor — not to mention make you wealthy along the way.

Below, you'll find the stock you just read about which is poised to benefit as the newest smartphones continue to hit shelves all around the world.

After you're done reading this special report, I invite you to visit our website: <http://rulebreakers.fool.com>. Once there, you'll be able to see all the stocks we have recommended over the past seven years, check out our latest updates, our Best Buys Now, our Core Stocks, and our most recent stock recommendations.

You'll also be able to interact with me, our Rule Breakers community and my team of analysts on our discussion boards.

I look forward to investing alongside you, and here's to many years of profits!

Fool on!



David Gardner
Co-founder, The Motley Fool

COMPANY SNAPSHOT Data as of July 5, 2011

American Tower (NYSE: AMT)

Market Cap: \$21.3 billion

Recent Share Price: \$53.59

Cash/Debt: \$374 million - \$5.6 billion

Revenue (TTM): \$2.1 billion

Earnings (TTM): \$369 million

Revenue (2008/09/10): \$1.59b / \$1.72b / \$1.99b

Earnings (2008/09/10): \$347m / \$247m / \$373m

Headquarters: Boston, MA

Website: www.americantower.com

Sign of a Breaker: Top Dog

CAPS Rating: 3 Stars (59.45 out of 100)

American Tower (NYSE: AMT)

Keeping India's 1 billion people connected is a towering task. Half a million new wireless phone lines are going live *every day*, fueling an industry that's racing to keep pace in this fast-developing nation.

That growth requires infrastructure and **American Tower** (NYSE: AMT) — already the top dog wireless tower owner in the United States — is in great position to make sure India stays in touch.

A PASSAGE TO INDIA

Today's high-tech mobile communication isn't all up in the air. It requires physical equipment, including the towers where carriers rent space for their antennas. American Tower owns over 37,000 towers worldwide, most with multiyear leases that include annual rent increases.

However, the key to this growth story lies in who is renting that tower space. In the United States, home to three-fourths of American Tower's sites, it's common for carriers to share steel, and the average U.S. tower hosts 2.6 carriers. India's phone companies aren't nearly as cozy; tenancy there appears to top off at 1.4 carriers per tower. That has to rise because the demand for phone service is so great.

Analysts say as many as 150,000 new towers are needed in the next two years. That would double the current tally, but India's carriers are cutting prices too quickly and too steeply to fund this expansion on their own. They'll need to share space with their rivals in order preserve capital -- but instead of renting space from those rivals, the better alternative is partnering with a third-party tower owner such as American Tower. The company is acquiring towers today and plans to build sites to triple its presence in India.

It's better positioned than U.S. rivals **Crown Castle International** (NYSE: CCI) and **SBA Communications** (Nasdaq: SBAC) to capture the lion's share of this growth because it has the balance sheet muscle to win an arms race.

A STIMULUS PROFIT PLAY

India isn't the only catalyst. Here in the U.S., market-leading American Tower recently spent \$100 million to buy 196 sites from Cincinnati Bell, and it invested \$120 million worldwide for 900 new sites during the third quarter. The company is getting aggressive at a good time. Smartphone traffic at AT&T alone has soared 8,000% over the past four years (thanks, iPhone!). Verizon could face a similar problem. All signs points to more cellular traffic — and more demand for new towers.

And if you own an iPhone, Droid, or other smartphone, you know that making calls is just one part of the equation. The fastest way to download applications, surf the Web, and keep up with Facebook is over Wi-Fi, not your carrier's network.

This wireless broadband access is gaining ground via WiMax technology, but it can't do that without towers — one more way American Tower stands to benefit from our wireless communications revolution.

VALUATION

American Tower looks expensive, with a \$53 stock trading for 59 times earnings. But the traditional P/E ratio is misleading, as this is a capital-intensive business that generates boatloads of cash — more than \$662 million over the past 12 months. Crown Castle, its closest peer, generated a little over \$405 million over the same period.

A better measure of American Tower's earnings power is EBITDA, which strips away interest, depreciation, amortization, and taxes to focus on the company's core operating income. We can then compare that figure with enterprise value, also known as the purchase value because it adjusts for cash and debt. On this basis, American Tower's stock trades for 16 times EBITDA. That's a reasonable multiple, given that American Tower is on the cusp of a massive growth opportunity in India.

But what will make this stock double is a doubling of its global tower inventory. India, Brazil, and other emerging markets where wireless is in demand should contribute the bulk of American Tower's portfolio growth over the next five years, with some help from a U.S. stimulus-fueled buildup.

RISKS AND WHEN WE'D SELL

There are roughly a dozen carriers in India, and they own 90% of the towers now delivering service. If those carriers continue to build their own infrastructure, or if Crown Castle gains traction in India's urban areas the same way it has grown here in the U.S., it could gut American Tower's chances for hypergrowth on the subcontinent.

American Tower is targeting to reach 10,000 towers in India by the end of 2011, so that's another important milestone we're be watching closely. And we also want to continue seeing growth in its American market.

THE FOOLISH BOTTOM LINE

Telecom stocks aren't the riskiest Rule Breakers, but they're not as safe as our cash-rich cloud computing kings. American Tower is about as safe as we can hope for in playing the Indian telecom boom. We've seen the model work here in the United States, and it's already gaining traction on the subcontinent.

What the wireless world needs is towers, and American Tower is standing tall to capitalize as the technology spreads. It is the top dog, an aggressive mover, and a worthy buy for the rebellious portion of your portfolio.