AGIOS PHARMACEUTICALS INC
Form 10-Q
November 01, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-36014

AGIOS PHARMACEUTICALS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**26-0662915**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

88 Sidney Street, Cambridge, Massachusetts	**02139**
(Address of Principal Executive Offices)	**(Zip Code)**

(617) 649-8600
(Registrant's Telephone Number, Including Area Code)
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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.:

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
Number of shares of the registrant's Common Stock, $0.001 par value, outstanding on October 29, 2018: 58,178,676

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AGIOS PHARMACEUTICALS, INC.
FORM 10-Q
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018
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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited)
AGIOS PHARMACEUTICALS, INC.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)
(Unaudited)

	September 30, 2018		December 31, 2017	
Assets				
Current assets:				
Cash and cash equivalents	$	156,478	$	102,724
Marketable securities	513,414		321,212	
Accounts receivable, net	2,631		—	
Collaboration receivable – related party	3,395		2,448	
Collaboration receivable – other	440		—	
Royalty receivable – related party	1,863		1,222	
Inventory	863		—	
Prepaid expenses and other current assets	16,458		17,655	
Total current assets	695,542		445,261	
Marketable securities	208,508		143,814	
Property and equipment, net	24,613		24,431	
Other non-current assets	416		891	
Total assets	$	929,079	$	614,397
Liabilities and stockholders' equity				
Current liabilities:				
Accounts payable	$	16,616	$	22,767

Accrued expenses	25,303	34,031
Deferred revenue – related party	42,141	37,842
Deferred rent	686	301
Total current liabilities	84,746	94,941
Deferred revenue, net of current portion – related party	66,294	125,798
Deferred rent, net of current portion	17,826	18,155
Total liabilities	168,866	238,894
Stockholders’ equity:		
Preferred stock, $0.001 par value; 25,000,000 shares authorized; no shares issued or outstanding at September 30, 2018 and December 31, 2017	—	—
Common stock, $0.001 par value; 125,000,000 shares authorized; 58,167,932 and 48,826,153 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	58	49
Additional paid-in capital	1,775,113	1,174,904
	(2,119)	(1,389)

Accumulated other comprehensive loss				
Accumulated deficit	(1,012,839)		(798,061)	
Total stockholders' equity	760,213		375,503	
Total liabilities and stockholders' equity	$	929,079	$	614,397

See accompanying Notes to Condensed Consolidated Financial Statements.

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AGIOS PHARMACEUTICALS, INC.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018		2017		2018		2017	
Revenues:								
Product revenue, net	$	4,465	$	—	$	4,465	$	—
Collaboration revenue – related party	8,732		10,643		42,478		32,497	
Collaboration revenue – other	—		—		12,440		—	
Royalty revenue – related party	2,001		715		4,991		715	
Total revenue	15,198		11,358		64,374		33,212	
Cost and expenses:								
Cost of sales	695		—		695		—	
Research and development (net of $1,078 and $6,343 of cost reimbursement from related party for the three and nine months ended September 30, 2017)	82,561		72,917		247,515		215,465	
Sales, general and administrative	31,104		17,458		82,287		48,411	
Total cost and expenses	114,360		90,375		330,497		263,876	
Loss from operations	(99,162)		(79,017)		(266,123)		(230,664)	
Interest income	4,498		1,880		11,889		4,279	
Net loss	$	(94,664)	$	(77,137)	$	(254,234)	$	(226,385)
Net loss per share – basic and diluted	$	(1.63)	$	(1.59)	$	(4.45)	$	(4.94)
Weighted-average number of common shares used in	58,033,386		48,459,424		57,158,492		45,851,203	

computing net
loss per share –
basic and diluted

See accompanying Notes to Condensed Consolidated Financial Statements.

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AGIOS PHARMACEUTICALS, INC.
Condensed Consolidated Statements of Comprehensive Loss
(in thousands)
(Unaudited)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018		2017		2018		2017	
Net loss	$	(94,664)	$	(77,137)	$	(254,234)	$	(226,385)
Other comprehensive income (loss)								
Unrealized gain (loss) on available-for-sale securities	279		135		(730)		(202)	
Comprehensive loss	$	(94,385)	$	(77,002)	$	(254,964)	$	(226,587)

See accompanying Notes to Condensed Consolidated Financial Statements.

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AGIOS PHARMACEUTICALS, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Nine Months Ended September 30, 2018		2017	
Operating activities				
Net loss	$	(254,234)	$	(226,385)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation	5,261		4,778	
Stock-based compensation expense	55,170		35,128	
Net amortization of premium and discounts on investments	(2,540)		25	
(Gain) loss on disposal of property and equipment	(20)		40	
Changes in operating assets and liabilities:				
Accounts receivable, net	(2,631)		—	
Collaboration receivable – related party	(947)		1,397	
Collaboration receivable – other	(440)		—	
Royalty receivable – related party	(641)		(715)	
Inventory	(863)		—	
Prepaid expenses and other current and non-current assets	1,711		(1,886)	
Accounts payable	(5,830)		742	

Accrued expenses	(8,537)	(1,242)
Deferred revenue – related party	(15,749)	(20,141)
Deferred rent	56	(2,519)
Net cash used in operating activities	(230,234)	(210,778)
Investing activities		
Purchases of marketable securities	(755,368)	(604,525)
Proceeds from maturities and sales of marketable securities	500,281	508,116
Purchases of property and equipment	(5,933)	(3,347)
Net cash used in investing activities	(261,020)	(99,756)
Financing activities		
Payment of public offering costs, net of reimbursements	(391)	(89)
Proceeds from public offering of common stock, net of commissions	516,206	270,250
Net proceeds from stock option exercises and employee stock purchase plan	29,193	12,360
Net cash provided by financing activities	545,008	282,521
Net change in cash and cash equivalents	53,754	(28,013)
Cash and cash equivalents at	102,724	160,754

beginning of the period				
Cash and cash equivalents at end of the period	$	156,478	$	132,741
Supplemental disclosure of non-cash investing and financing transactions				
Additions to property and equipment in accounts payable and accrued expenses	$	501	$	226
Proceeds from stock option exercises in other current assets	$	39	$	95
Public offering costs in other current assets, net of amounts in accounts payable and accrued expenses	$	—	$	318

See accompanying Notes to Condensed Consolidated Financial Statements.

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AGIOS PHARMACEUTICALS, INC.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Overview and Basis of Presentation

References to Agios

Throughout this Quarterly Report on Form 10-Q, “we,” “us,” and “our,” and similar expressions, except where the context requires otherwise, refer to Agios Pharmaceuticals, Inc. and its consolidated subsidiaries, and “our Board of Directors” refers to the board of directors of Agios Pharmaceuticals, Inc.

Overview

We are a biopharmaceutical company committed to the fundamental transformation of patients’ lives through scientific leadership in the field of cellular metabolism, with the goal of making transformative, first- or best-in-class medicines. Our therapeutic areas of focus are cancer and rare genetic diseases, or RGDs, which are diseases that are directly caused by changes in genes or chromosomes, often passed from one generation to the next. Most RGDs are often associated with severe or life-threatening features. The incidence of a single RGD can vary widely but is generally very infrequent, usually equal to or less than one per 100,000 births. In both areas of cancer and RGDs, we are seeking to unlock the biology of cellular metabolism as a platform to create transformative therapies. We are located in Cambridge, Massachusetts.

Basis of presentation

The condensed consolidated balance sheet as of September 30, 2018, the condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2018 and 2017, and cash flows for the nine months ended September 30, 2018 and 2017 are unaudited. The unaudited condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of our management, reflect all adjustments, which include only normal recurring adjustments, necessary to fairly state our financial position as of September 30, 2018, our results of operations for the three and nine months ended September 30, 2018 and 2017, and cash flows for the nine months ended September 30, 2018 and 2017. The financial data and the other financial information disclosed in these notes to the condensed consolidated financial statements related to the three and nine-month period are also unaudited. The results of operations for the three and nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for the year ending December 31, 2018 or for any other future annual or interim period. The year-end condensed consolidated balance sheet data was derived from our audited financial statements, but does not include all disclosures required by U.S. generally accepted accounting principles, or U.S. GAAP. Accordingly, the condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2017 that was filed with the Securities and Exchange Commission, or the SEC, on February 14, 2018.

Our condensed consolidated financial statements include our accounts and the accounts of our wholly owned subsidiaries, Agios Securities Corporation, Agios International Sarl, and Agios Limited. All intercompany transactions have been eliminated in consolidation. The condensed consolidated financial statements have been prepared in conformity with U.S. GAAP.

Liquidity

In January 2018, we completed a public offering of 8,152,986 shares of common stock at an offering price of $67.00 per share. We received net proceeds from this offering of $516.2 million, after deducting underwriting discounts and commissions paid by us.

As of September 30, 2018, we had cash, cash equivalents and marketable securities of $878.4 million. Although we have incurred recurring losses and expect to continue to incur losses for the foreseeable future, we expect our cash, cash equivalents and marketable securities will be sufficient to fund current operations for at least the next twelve months from the issuance date of these financial statements.

2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements

Significant accounting policies

Accounts receivable, net

Our trade accounts receivable arise from product sales and represent amounts due from specialty distributors and specialty pharmacy providers in the U.S. We monitor the financial performance and creditworthiness of our customers so that we can

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properly assess and respond to changes in their credit profile. We reserve against these receivables for estimated losses that may arise from a customer's inability to pay. Amounts determined to be uncollectible are charged or written-off against the reserve.

Concentrations of credit risk

Financial instruments which potentially subject us to credit risk consist primarily of cash, cash equivalents, and marketable securities. We hold these investments in highly rated financial institutions, and, by policy, limit the amounts of credit exposure to any one financial institution. These amounts at times may exceed federally insured limits. We have not experienced any credit losses in such accounts and do not believe we are exposed to any significant credit risk on these funds. We have no off-balance sheet concentrations of credit risk, such as foreign currency exchange contracts, option contracts, or other hedging arrangements.

We are also subject to credit risk on our receivables, including trade receivables from our customers and collaboration and royalty receivables from Celgene Corporation, or Celgene, and CStone Pharmaceuticals, or CStone. Concentrations of credit risk with respect to receivables, which are typically unsecured, are somewhat mitigated due to the number of customers using our products. Our trade receivables arise from product sales in the U.S. and have standard payment terms that generally require payment within 30 to 60 days. We have evaluated the creditworthiness of our customers, including Celgene, and determined them to be creditworthy. To date we have not experienced any losses with respect to our receivables.

Inventory

Inventory is stated at the lower of cost or estimated net realizable value on a first-in, first-out basis. Prior to the regulatory approval of our product candidates, we incur expenses for the manufacture of drug product that could potentially be available to support the commercial launch of those products. Until the date at which regulatory approval has been received or is otherwise considered probable, we record all such costs as research and development expenses. Our wholly owned product, TIBSOVO® (ivosidenib), received approval from the U.S. Food and Drug Administration, or FDA, on July 20, 2018 for the treatment of adult patients with relapsed or refractory acute myeloid leukemia, or R/R AML, with susceptible isocitrate dehydrogenase 1, or IDH1, mutation as detected by an FDA-approved test, and we began to capitalize inventories of TIBSOVO® beginning on July 20, 2018.

We perform an assessment of the recoverability of capitalized inventory during each reporting period and write down any excess and obsolete inventory to its estimated net realizable value in the period in which the impairment is first identified. Such impairment charges, should they occur, are recorded as a component of cost of sales in the condensed consolidated statements of operations. The determination of whether inventory costs will be realizable requires the use of estimates by management. If actual market conditions are less favorable than projected by management, additional write-downs of inventory may be required.

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which was codified as Accounting Standards Codification 606, Revenue from Contracts with Customers, or ASC 606, and amended through subsequent ASUs. We adopted ASC 606 effective January 1, 2018 using the modified retrospective method. Under this method, we recognized the cumulative effect of the change in the opening balance of accumulated deficit in the current period condensed consolidated balance sheet.

In adopting ASC 606, we applied the practical expedient that permits aggregating the effect of all contract modifications that occurred prior to January 1, 2018. No other practical expedients were used.

Upon finalization of our assessment, which resulted in changes to our estimates as of December 31, 2017, the impact of the cumulative effect of the accounting changes upon the adoption of the standard (in thousands) is as follows:

	December 31, 2017	Cumulative Effect	January 1, 2018
Deferred revenue – related party, current and net of current	$ 163,640	$ (39,456)	$ 124,184

portions			
Accumulated deficit	(798,061)	39,456	(758,605)

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The following tables summarize the effects of adopting ASC 606 on our unaudited condensed consolidated financial statements (in thousands, except per share data):

Condensed Consolidated Balance Sheets

	September 30, 2018		
	Under Topic 606	Under Topic 605	Effect of Change
Accounts receivable, net	$ 2,631	$ 2,631	$ —
Collaboration receivable – related party	3,395	3,395	—
Collaboration receivable – other	440	—	440
Total current assets	695,542	695,102	440
Total assets	929,079	928,639	440
Deferred revenue – related party	42,141	33,648	8,493
Total current liabilities	84,746	76,253	8,493
Deferred revenue, net of current portion – related party	66,294	107,714	(41,420)
Total liabilities	168,866	201,793	(32,927)
Accumulated deficit	(1,012,839)	(1,046,206)	33,367
Total stockholders' equity	760,213	726,846	33,367
Total liabilities and stockholders' equity	929,079	928,639	440

Condensed Consolidated Statements of Operations

	Three Months Ended September 30, 2018					Nine Months Ended September 30, 2018
	Under Topic 606	Under Topic 605	Effect of Change	Under Topic 606	Under Topic 605	Effect of Change
Product revenue, net	$ 4,465	$ 4,465	$ —	$ 4,465	$ 4,465	$ —
Collaboration revenue –	8,732	10,137	(1,405)	42,478	46,096	(3,618)

related party						
Collaboration revenue – other	—	—	—	12,440	12,000	440
Research and development expense	82,561	81,714	847	247,515	244,604	2,911
Total cost and expenses	114,360	113,513	847	330,497	327,586	2,911
Loss from operations	(99,162)	(96,910)	(2,252)	(266,123)	(260,034)	(6,089)
Net loss	(94,664)	(92,412)	(2,252)	(254,234)	(248,145)	(6,089)
Net loss per share – basic and diluted	(1.63)	(1.59)	(0.04)	(4.45)	(4.34)	(0.11)

Condensed Consolidated Statements of Comprehensive Loss

	Three Months Ended September 30, 2018					**Nine Months Ended September 30, 2018**
	Under Topic 606	**Under Topic 605**	**Effect of Change**	**Under Topic 606**	**Under Topic 605**	**Effect of Change**
Net loss	$ (94,664)	$ (92,412)	$ (2,252)	$ (254,234)	$ (248,145)	$ (6,089)
Comprehensive loss	(94,385)	(92,133)	(2,252)	(254,964)	(248,875)	(6,089)

Condensed Consolidated Statements of Cash Flows

	Nine Months Ended September 30, 2018		
	Under Topic 606	**Under Topic 605**	**Effect of Change**
Net loss	$ (254,234)	$ (248,145)	$ (6,089)
Adjustments to reconcile net loss to net cash used in operating activities:			
Accounts receivable, net	(2,631)	(2,631)	—
Collaboration receivable – related party	(947)	(947)	—
Collaboration receivable – other	(440)	—	(440)
	(15,749)	(3-20	60.5 (10)2 50.358.8(8.1 50.7

Deferred revenue – related party				Acquired licenses and other intangibles			
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

(1) Acquired network location intangibles are amortized over the shorter of the term of the corresponding ground 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-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.

(tabular amounts in millions, unless otherwise noted)

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, 2018	December 31, 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 March 31, 2018	December 31, 2017	Maturity Date
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	

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

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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.

(9) 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 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

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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

(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.

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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 Fair Value Measurements Using			December 31, 2017 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.

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

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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

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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 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.

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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

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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.

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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 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

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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

(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 (1) (2)	Other (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.

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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 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.

(tabular amounts in millions, unless otherwise noted)

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							
	U.S.	Asia	EMEA	Latin America	Total Property	Services	Other	Total
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.

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Three Months Ended March 31, 2017	Property U.S.	Asia	EMEA	Latin America	Total Property	Services	Other	Total
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 uncertainty of future events or outcomes, 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).

- 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 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

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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 direct site level expenses and consist primarily of ground rent and power and fuel costs, some or all of which may be passed through to our tenants, as well as property taxes, repairs and maintenance. These segment direct operating expenses exclude all segment and corporate selling, general, administrative and development expenses, which are aggregated into one line item entitled Selling, general, administrative and development expense in our consolidated statements of operations. In general, our property segments' selling, general, administrative and development expenses do not significantly increase as a result of adding incremental tenants to our sites and typically increase only modestly year-over-year. As a result, leasing additional space to new tenants on our sites provides significant incremental cash flow. We may, however, incur additional segment selling, general, administrative and development expenses as we increase our presence in our existing markets or expand into new markets. Our profit margin growth is therefore positively impacted by the addition of new tenants to our sites but can be temporarily diluted by our development activities.

Services Segment Revenue Growth. As we continue to focus on growing our property operations, we anticipate that our services revenue will continue to represent a small percentage of our total revenues.

Non-GAAP Financial Measures

Included in our analysis of our results of operations are discussions regarding earnings before interest, taxes, depreciation, amortization and accretion, as adjusted (“Adjusted EBITDA”), Funds From Operations, as defined by the National Association of Real Estate Investment Trusts (“Nareit FFO”) attributable to American Tower Corporation common stockholders, Consolidated Adjusted Funds From Operations (“Consolidated AFFO”) and AFFO attributable to American Tower Corporation common stockholders.

We define Adjusted EBITDA as Net income before Income (loss) from equity method investments; Income tax benefit (provision); Other income (expense); Gain (loss) on retirement of long-term obligations; Interest expense; Interest income; Other operating income (expense); Depreciation, amortization and accretion; and stock-based compensation expense.

Nareit FFO attributable to American Tower Corporation common stockholders is defined as net income before gains or losses from the sale or disposal of real estate, real estate related impairment charges, real estate related depreciation, amortization and accretion and dividends on preferred stock, and including adjustments for (i) unconsolidated affiliates and (ii) noncontrolling interests. In this section, we refer to Nareit FFO attributable to American Tower Corporation common stockholders as “Nareit FFO (common stockholders).”

We define Consolidated AFFO as Nareit FFO (common stockholders) before (i) straight-line revenue and expense; (ii) stock-based compensation expense; (iii) the deferred portion of income tax; (iv) non-real estate related depreciation, amortization and accretion; (v) amortization of deferred financing costs, capitalized interest, debt discounts and premiums and long-term deferred interest charges; (vi) other income (expense); (vii) gain (loss) on retirement of long-term obligations; (viii) other operating income (expense); and adjustments for (ix) unconsolidated affiliates and (x) noncontrolling interests, less cash payments related to capital improvements and cash payments related to corporate capital expenditures.

We define AFFO attributable to American Tower Corporation common stockholders as Consolidated AFFO, excluding the impact of noncontrolling interests on both Nareit FFO (common stockholders) and the other adjustments included in the calculation of Consolidated AFFO. In this section, we refer to AFFO attributable to American Tower Corporation common stockholders as “AFFO (common stockholders).”
Adjusted EBITDA, Nareit FFO (common stockholders), Consolidated AFFO and AFFO (common stockholders) are not intended to replace net income or any other performance measures determined in accordance with GAAP. None of Adjusted EBITDA, Nareit FFO (common stockholders), Consolidated AFFO or AFFO (common stockholders) represents cash flows from operating activities in accordance with GAAP and, therefore, these measures should not be considered indicative of cash flows from operating activities, as a measure of liquidity or a measure of funds available to fund our cash needs, including our ability to make cash distributions. Rather, Adjusted EBITDA, Nareit FFO (common stockholders), Consolidated AFFO and AFFO (common stockholders) are presented as we believe each is a useful indicator of our current operating performance. We believe that these metrics are useful to an investor in evaluating our operating performance because (1) each is a key measure used by our management team for decision making purposes and for evaluating our operating segments’ performance; (2) Adjusted EBITDA is a component underlying our credit ratings; (3) Adjusted EBITDA is widely used in the telecommunications real estate sector to measure operating performance as depreciation, amortization and accretion may vary significantly among companies depending upon accounting methods and useful lives, particularly where acquisitions and non-operating factors are involved; (4) Consolidated AFFO is widely used in the telecommunications real estate sector to adjust Nareit FFO (common stockholders) for items that may otherwise cause material fluctuations in Nareit FFO (common stockholders) growth from period to period that would not be representative of the underlying performance of property assets in those periods; (5) each provides investors with a meaningful measure for evaluating our period-to-period operating performance by eliminating items that are not operational in nature; and (6) each provides

investors with a measure for comparing our results of operations to those of other companies, particularly those in our industry.

Our measurement of Adjusted EBITDA, Nareit FFO (common stockholders), Consolidated AFFO and AFFO (common stockholders) may not, however, be fully comparable to similarly titled measures used by other companies.

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Reconciliations of Adjusted EBITDA, Nareit FFO (common stockholders), Consolidated AFFO and AFFO (common stockholders) to net income, the most directly comparable GAAP measure, have been included below.

Results of Operations
Three Months Ended March 31, 2018 and 2017
(in millions, except percentages)

We are now disclosing our results in millions rather than thousands and, as a result, certain rounding adjustments have been made to prior-period amounts.

Revenue

	Three Months Ended March 31, 2018	2017	Percent Increase (Decrease)
Property			
U.S.	$931.4	$891.9	4 %
Asia	273.0	275.5	(1)
EMEA	174.2	150.4	16
Latin America	331.8	276.3	20
Total property	1,710.4	1,594.1	7
Services	31.4	22.1	42
Total revenues	$1,741.8	$1,616.2	8 %

U.S. property segment revenue growth of $39.5 million was attributable to:
- Tenant billings growth of $58.9 million, which was driven by:
- $37.6 million due to colocations and amendments;
- $15.3 million from contractual escalations, net of churn; and
- $7.3 million generated from newly acquired or constructed sites;
- Partially offset by a decrease of $1.3 million from other tenant billings; and
- A decrease of $19.4 million in other revenue growth, primarily due to a $25.3 million impact of straight-line accounting, partially offset by a $5.9 million increase in other revenue.

Asia property segment revenue decrease of $2.5 million was attributable to:
- Tenant billings decrease of $6.3 million, which was driven by:
- A decrease of $19.6 million resulting from churn in excess of contractual escalations, including $14.3 million due to carrier consolidation-driven churn;
- Partially offset by:
Growth of $11.6 million due to colocations and amendments; and
Growth of $1.7 million generated from newly acquired or constructed sites;
- A decrease of $3.7 million in other revenue primarily due to an increase of $3.0 million in revenue reserves; and
- A decrease in pass-through revenue of $4.6 million.

Segment revenue decrease was partially offset by an increase of $12.1 million attributable to the impact of foreign currency translation related to fluctuations in Indian Rupees.

EMEA property segment revenue growth of $23.8 million was attributable to:
- Tenant billings growth of $14.0 million, which was driven by:
- $5.6 million generated from newly acquired or constructed sites, primarily due to the acquisition of FPS Towers in France through our European joint venture (the “FPS Acquisition”);
- $4.3 million from contractual escalations, net of churn;
- $3.8 million due to colocations and amendments; and
- $0.3 million from other tenant billings;

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- $6.5 million of other revenue growth;
- An increase in pass-through revenue of $0.7 million; and
- A decrease of $1.3 million, attributable to the impact of straight-line accounting.

Segment revenue also increased by $3.9 million attributable to the positive impact of foreign currency translation, which included, among others, $4.7 million related to fluctuations in the Euro and $3.5 million related to fluctuations in South African Rand, partially offset by a decrease of $3.7 million related to fluctuations in Nigerian Naira.

Latin America property segment revenue growth of $55.5 million was attributable to:

- Tenant billings growth of $29.0 million, which was driven by:
- $11.9 million due to colocations and amendments;
- $9.0 million from contractual escalations, net of churn;
- $6.4 million generated from newly acquired or constructed sites; and
- $1.7 million from other tenant billings;
- Pass-through revenue growth of $7.3 million; and
- An increase of $14.9 million in other revenue, due in part to $15.3 million from our newly acquired fiber business and a $6.0 million reduction in revenue reserves from a settlement related to the judicial reorganization of a tenant in Brazil, partially offset by the impact of straight-line accounting.

Segment revenue also increased by $4.3 million attributable to the impact of foreign currency translation, which included, among others, $8.6 million related to fluctuations in Mexican Peso, partially offset by a decrease of $4.6 million related to fluctuations in Brazilian Real.

The increase in services segment revenue of $9.3 million was primarily attributable to an increase in site acquisition projects.

Gross Margin

	Three Months Ended March 31, 2018	2017	Percent Increase (Decrease)
Property			
U.S.	$745.1	$710.5	5 %
Asia	115.1	126.1	(9)
EMEA	115.1	88.9	29
Latin America	231.1	185.8	24
Total property	1,206.4	1,111.3	9
Services	19.2	15.8	22 %

- The increase in U.S. property segment gross margin was primarily attributable to the increase in revenue described above, partially offset by an increase in direct expenses of $4.9 million.

- The decrease in Asia property segment gross margin was primarily attributable to the decrease in revenue described above, as well as an increase in direct expenses of $1.6 million. Direct expenses increased an additional $6.9 million attributable to the impact of foreign currency translation.

- The increase in EMEA property segment gross margin was primarily attributable to the increase in revenue described above, as well as a decrease in direct expenses of $1.2 million. Direct expenses decreased an additional $1.2 million attributable to the impact of foreign currency translation.

- The increase in Latin America property segment gross margin was primarily attributable to the increase in revenue described above, partially offset by an increase in direct expenses of $9.3 million. Direct expenses increased an additional $0.9 million attributable to the impact of foreign currency translation.

- The increase in services segment gross margin was primarily due to increased project volume.

Selling, General, Administrative and Development Expense (“SG&A”)

	Three Months Ended March 31,		Percent Increase (Decrease)	
	2018	2017		
Property				
U.S.	$35.4	$34.6	2	%
Asia	44.2	20.5	116	
EMEA	16.8	16.5	2	
Latin America	24.6	18.6	32	
Total property	121.0	90.2	34	
Services	3.5	3.1	13	
Other	80.4	71.5	12	
Total selling, general, administrative and development expense	$204.9	$164.8	24	%

- The increases in each of our U.S., EMEA and Latin America property segments’ SG&A were primarily driven by increased personnel costs to support our business, including additional costs as a result of the FPS Acquisition in our EMEA property segment and our acquisition of urban telecommunications assets in our Latin America property segment.

- The increase in our Asia property segment SG&A was primarily driven by an increase in bad debt expense of $23.0 million as a result of receivable reserves with certain tenants, including Aircel.

- The increase in other SG&A was primarily attributable to an increase in stock-based compensation expense of $6.4 million and an increase in corporate SG&A.

- The increase in our services segment SG&A was primarily attributable to an increase in personnel costs within our tower services group.

Operating Profit

	Three Months Ended March 31,		Percent Increase (Decrease)	
	2018	2017		
Property				
U.S.	$709.7	$675.9	5	%
Asia	70.9	105.6	(33	)
EMEA	98.3	72.4	36	
Latin America	206.5	167.2	24	
Total property	1,085.4	1,021.1	6	
Services	15.7	12.7	24	%

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The growth in operating profit for each of our U.S., EMEA and Latin America property segments, as well as our services segment, was primarily attributable to an increase in our segment gross margin, partially offset by increases in our segment SG&A.

- The decrease in operating profit in our Asia property segment was primarily attributable to a decrease in our segment gross margin combined with an increase in our segment SG&A.

Depreciation, Amortization and Accretion

	Three Months Ended March 31, 2018	2017	Percent Increase (Decrease)
Depreciation, amortization and accretion	$446.3	$421.1	6 %

The increase in depreciation, amortization and accretion expense for the three months ended March 31, 2018 was primarily attributable to the acquisition, lease or construction of new sites since the beginning of the prior-year period, which resulted in increases in property and equipment and intangible assets subject to amortization.

Other Operating Expenses

	Three Months Ended March 31, 2018	2017	Percent Increase (Decrease)
Other operating expenses	$167.8	$6.2	2,606 %

The increase in other operating expenses for the three months ended March 31, 2018 was primarily attributable to an increase in impairment charges of $145.3 million. These charges included $40.1 million related to tower and network intangible assets and $107.3 million related to tenant-related intangible assets in our Asia property segment due to Aircel’s filing for bankruptcy protection. The increase was also attributable to the absence of a $21.5 million refund of acquisition costs recorded in the prior-year period related to an acquisition in Brazil.

Total Other Expense

	Three Months Ended March 31, 2018	2017	Percent Increase (Decrease)
Total other expense	$153.7	$197.2	(22)%

The decrease in total other expense during the three months ended March 31, 2018 was primarily due to a loss on retirement of long-term obligations of $55.4 million recorded in the prior-year period attributable to the redemption of the 7.25% senior unsecured notes due 2019 and the repayment of the Secured Cellular Site Revenue Notes, Series 2012-2 Class A, Series 2012-2 Class B and Series 2012-2 Class C and Secured Cellular Site Revenue Notes, Series 2010-2, Class C and Series 2010-2, Class F. The decrease was offset by additional interest expense of $15.9 million due to a $2.2 billion increase in our average debt outstanding.

Income Tax (Benefit) Provision

	Three Months Ended March 31, 2018	2017	Percent Increase (Decrease)
Income tax (benefit) provision	$(31.1)	$26.8	(216)%
Effective tax rate	(12.5)%	8.0 %	

As a real estate investment trust for U.S. federal income tax purposes (“REIT”), we may deduct earnings distributed to stockholders against the income generated by our REIT operations. In addition, we are able to offset certain income by utilizing our net operating losses (“NOLs”), subject to specified limitations. Consequently, the effective tax rate on income from continuing operations for the three months ended March 31, 2018 and 2017 differs from the federal statutory rate.

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 Asia.

Net Income/Adjusted EBITDA and Net Income/Nareit FFO/Consolidated AFFO

	Three Months Ended March 31, 2018	2017	Percent Increase (Decrease)
Net income	$280.3	$307.4	(9)%
Income tax (benefit) provision	(31.1)	26.8	(216)
Other income	(27.8)	(29.3)	(5)
Loss on retirement of long-term obligations	—	55.4	(100)
Interest expense	199.6	183.7	9
Interest income	(15.4)	(9.9)	56
Other operating expenses	167.8	6.2	2,606
Depreciation, amortization and accretion	446.3	421.1	6
Stock-based compensation expense	42.7	36.2	18
Adjusted EBITDA	$1,062.4	$997.6	6 %

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Percent Increase (Decrease)
Net income	$280.3	$307.4	(9)%
Real estate related depreciation, amortization and accretion	397.3	378.0	5
Losses from sale or disposal of real estate and real estate related impairment charges	166.3	7.4	2,147
Dividends on preferred stock	(9.4)	(26.8)	(65)
Adjustments for unconsolidated affiliates and noncontrolling interests	(86.9)	(31.7)	174
Nareit FFO attributable to American Tower Corporation common stockholders	$747.6	$634.3	18 %
Straight-line revenue	(17.8)	(51.9)	(66)
Straight-line expense	14.0	17.0	(18)
Stock-based compensation expense	42.7	36.2	18
Deferred portion of income tax (1)	(55.8)	3.7	(1,608)
Non-real estate related depreciation, amortization and accretion	49.0	43.1	14
Amortization of deferred financing costs, capitalized interest, debt discounts and premiums and long-term deferred interest charges	2.9	6.0	(52)
Other income (2)	(27.8)	(29.3)	(5)
Loss on retirement of long-term obligations	—	55.4	(100)
Other operating expense (income) (3)	1.5	(1.2)	(225)
Capital improvement capital expenditures	(33.7)	(20.5)	64
Corporate capital expenditures	(2.4)	(3.2)	(25)
Adjustments for unconsolidated affiliates and noncontrolling interests	86.9	31.7	174
Consolidated AFFO	$807.1	$721.3	12 %
Adjustments for unconsolidated affiliates and noncontrolling interests (4)	(47.8)	(40.8)	17 %
AFFO attributable to American Tower Corporation common stockholders	$759.3	$680.5	12 %

(1) For the three months ended March 31, 2018, amount includes a tax benefit primarily attributable to the tax effect of an increase in impairment charges and a one-time benefit for merger-related activity in our Asia property segment.
(2) Includes unrealized gains on foreign currency exchange rate fluctuations of $24.9 million and $28.0 million, respectively.
(3) Includes integration and acquisition-related costs.
(4) Includes adjustments for the impact on both Nareit FFO attributable to American Tower Corporation common stockholders as well as the other line items included in the calculation of Consolidated AFFO.

The decrease in net income was primarily due to an increase in other operating expenses, primarily related to an increase in impairment charges of $145.3 million, increases in interest expense and depreciation, amortization and accretion expense, partially offset by an increase in our operating profit, the change in the income tax (benefit) provision and the absence of a loss on retirement of long-term obligations of $55.4 million recorded in the prior-year period.

The increase in Adjusted EBITDA was primarily attributable to the increase in our gross margin and was partially offset by an increase in SG&A of $33.7 million, excluding the impact of stock-based compensation expense.

The growth in Consolidated AFFO and AFFO attributable to American Tower Corporation common stockholders was primarily attributable to the increase in our operating profit, a decrease in dividends on preferred stock and a decrease in the adjustment for straight-line revenue, partially offset by increases in cash paid for interest, capital improvement expenditures and corporate SG&A.

Liquidity and Capital Resources

The information in this section updates as of March 31, 2018 the "Liquidity and Capital Resources" section of the 2017 Form 10-K and should be read in conjunction with that report.

Overview

As a holding company, our cash flows are derived primarily from the operations of, and distributions from, our operating subsidiaries or funds raised through borrowings under our credit facilities and debt or equity offerings.

The following table summarizes the significant components of our liquidity (in millions):

	As of March 31, 2018
Available under the 2013 Credit Facility	$1,108.2
Available under the 2014 Credit Facility	1,400.0
Letters of credit	(10.3)
Total available under credit facilities, net	2,497.9
Cash and cash equivalents	1,125.4
Total liquidity	$3,623.3

Subsequent to March 31, 2018, we borrowed a net amount of $749.1 million under our multicurrency senior unsecured revolving credit facility entered into in June 2013, as amended (the "2013 Credit Facility"), which included the repayment of 38.0 million Euros previously borrowed by one of our German subsidiaries. We primarily used the borrowings to repay existing indebtedness and for general corporate purposes. We also repaid $600.0 million under our multicurrency senior unsecured revolving credit facility entered into in January 2012 and amended and restated in September 2014, as further amended (the "2014 Credit Facility").

Summary cash flow information is set forth below (in millions):

	Three Months Ended March 31, 2018	2017
Net cash provided by (used for):		
Operating activities	$791.8	$678.2
Investing activities	(1,280.6)	(920.3)
Financing activities	817.3	157.9
Net effect of changes in foreign currency exchange rates on cash and cash equivalents	(4.5)	6.0
Net increase (decrease) in cash and cash equivalents	$324.0	$(78.2)

We use our cash flows to fund our operations and investments in our business, including tower maintenance and improvements, communications site construction and managed network installations and tower and land acquisitions. Additionally, we use our cash flows to make distributions, including distributions of our REIT taxable income to maintain our qualification for taxation as a REIT under the Internal Revenue Code of 1986, as amended. We may also repay or repurchase our existing indebtedness or equity from time to time. We typically fund our international expansion efforts primarily through a combination of cash on hand, intercompany debt and equity contributions.

As of March 31, 2018, we had total outstanding indebtedness of $21.5 billion, with a current portion of $2.8 billion. During the three months ended March 31, 2018, we generated sufficient cash flow from operations to fund our capital expenditures and debt service obligations, as well as our required distributions. We believe cash generated by operating activities during the year ending December 31, 2018, together with our borrowing capacity under our credit facilities, will be sufficient to fund our required distributions, capital expenditures, debt service obligations (interest and principal repayments) and signed acquisitions. As of March 31, 2018, we had $1.0 billion of cash and cash equivalents held by our foreign subsidiaries, of which $661.3 million was held by our joint ventures. A portion of these amounts are being held in anticipation of funding signed acquisitions. While certain subsidiaries may pay us interest or principal on intercompany debt, it has not been our practice to repatriate earnings from our foreign subsidiaries primarily due to our

ongoing expansion efforts and related capital needs. However, in the event that we do repatriate any funds, we may be required to accrue and pay taxes.

Cash Flows from Operating Activities

The increase in cash provided by operating activities for the three months ended March 31, 2018 was attributable to an increase in the operating profit of most of our property segments, a decrease in straight-line revenue and an increase in interest income, partially offset by an increase in cash used for working capital.

Cash Flows from Investing Activities

Our significant investing activities during the three months ended March 31, 2018 are highlighted below:

- We spent $673.4 million for acquisitions, primarily to fund the acquisition of communications sites from Vodafone India Limited and Vodafone Mobile Services Limited in India.

- We spent $206.3 million for capital expenditures, as follows (in millions):

Discretionary capital projects (1)	$67.0
Ground lease purchases	31.7
Capital improvements and corporate expenditures (2)	36.1
Redevelopment	50.3
Start-up capital projects	21.2
Total capital expenditures (3)	$206.3

(1) Includes the construction of 313 communications sites globally.
(2) Includes $9.3 million of capital lease payments included in Repayments of notes payable, credit facilities, senior notes, secured debt and capital leases in the cash flow from financing activities in our condensed consolidated statements of cash flows.
(3) Net of purchase credits of $1.5 million on certain assets, which are reported in operating activities in our consolidated statements of cash flows.

We plan to continue to allocate our available capital, after satisfying our distribution requirements, among investment alternatives that meet our return on investment criteria, while maintaining our commitment to our long-term financial policies. Accordingly, we expect to continue to deploy capital through our annual capital expenditure program, including land purchases and new site construction, and through acquisitions. We expect that our 2018 total capital expenditures will be between $850 million and $950 million, as follows (in millions):

Discretionary capital projects (1)	$250	to	$290
Ground lease purchases	150	to	170
Capital improvements and corporate expenditures	150	to	160
Redevelopment	210	to	230
Start-up capital projects	90	to	100
Total capital expenditures	$850	to	$950

(1) Includes the construction of approximately 2,500 to 3,500 communications sites globally.

Cash Flows from Financing Activities

Our significant financing activities were as follows (in millions):

	Three Months Ended March 31,	
	2018	2017
(Repayments of) proceeds from credit facilities, net	(330.0)	1,038.8
Proceeds from term loan	1,500.0	—
Proceeds from issuance of securities in securitization transaction	500.0	—
Repayments of securitized debt	(500.0)	(302.5)
Repayment of senior notes	—	(300.0)
(Distributions to) contributions from noncontrolling interest holders, net (1)	(0.3)	265.4
Distributions paid on common and preferred stock	(323.2)	(277.2)
Purchases of common stock	—	(147.2)

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(1) 2017 contributions primarily relate to the funding of the FPS Acquisition.

Securitizations

Repayment of Series 2013-1A Securities. On the March 2018 payment date, we repaid the $500.0 million aggregate principal amount outstanding under the Secured Tower Revenue Securities, Series 2013-1A (the “Series 2013-1A Securities”), pursuant to the terms of the agreements governing such securities. The repayment was funded with borrowings under the 2014 Credit Facility and cash on hand.

Secured Tower Revenue Securities, Series 2018-1, Subclass A and Series 2018-1, Subclass R. On March 29, 2018, we 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 our 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 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.

The Loan is secured by (1) mortgages, deeds of trust and deeds to secure debt on substantially all of the Trust Sites and their operating cash flows, (2) a security interest in substantially all of the AMT Asset Subs' personal property and fixtures and (3) the AMT Asset Subs' rights under that certain management agreement among the AMT Asset Subs and SpectraSite Communications, LLC entered into in March 2013. American Tower Holding Sub, LLC (the "Guarantor"), whose only material assets are its equity interests in each of the AMT Asset Subs, and American Tower Guarantor Sub, LLC whose only material asset is its equity interests in the Guarantor, have each guaranteed repayment of the Loan and pledged their equity interests in their respective subsidiary or subsidiaries as security for such payment obligations.

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.

For more information regarding the Trust Securitizations, see "—Factors Affecting Sources of Liquidity" below.

Bank Facilities

2013 Credit Facility. During the three months ended March 31, 2018, we borrowed an aggregate of $620.0 million and repaid an aggregate of $1.1 billion of revolving indebtedness under the 2013 Credit Facility. We used the borrowings to fund acquisitions and for general corporate purposes. We currently have $4.0 million of undrawn letters of credit and maintain the ability to draw down and repay amounts under the 2013 Credit Facility in the ordinary course.

2014 Credit Facility. During the three months ended March 31, 2018, we borrowed an aggregate of $1.1 billion and repaid an aggregate of $945.0 million of revolving indebtedness under the 2014 Credit Facility. We used the borrowings to repay existing indebtedness, including the Series 2013-1A Securities, and for general corporate purposes. We currently have $6.3 million of undrawn letters of credit and maintain the ability to draw down and repay amounts under the 2014 Credit Facility in the ordinary course.

2018 Term Loan. On March 29, 2018, we entered into a $1.5 billion unsecured term loan (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. Any outstanding principal and accrued but unpaid interest will be due and payable in full at maturity.

Our $1.0 billion unsecured term loan entered into in October 2013, as amended (the "2013 Term Loan"), the 2013 Credit Facility, the 2014 Credit Facility and the 2018 Term Loan do not require amortization of principal and may be paid prior to maturity in whole or in part at our option without penalty or premium. We have the option of choosing either a defined base rate or the London Interbank Offered Rate ("LIBOR") as the applicable base rate for borrowings under these bank facilities.

As of March 31, 2018, the key terms under the 2013 Credit Facility, the 2014 Credit Facility, the 2013 Term Loan and the 2018 Term Loan were as follows:

Bank Facility (1)	Outstanding Principal Balance		Maturity Date		LIBOR borrowing interest rate range (2)	Base rate borrowing interest rate range (2)	Current margin over LIBOR and the base rate, respectively
2013 Credit Facility	$ 1,641.8	(3)	June 28, 2021	(4)	0.875% - 1.750%	0.000% - 0.750%	1.125% and 0.125%

2014 Credit Facility	$ 600.0	January 31, 2023 (4)	1.000% - 2.000%	0.000% - 1.000%	1.250% and 0.250%
2013 Term Loan	$ 1,000.0	January 31, 2023	1.000% - 2.000%	0.000% - 1.000%	1.250% and 0.250%
2018 Term Loan	$ 1,500.0	March 29, 2019	0.625% - 1.500%	0.000% - 0.500%	0.875% and 0.000%

(1) Currently borrowed at LIBOR, except where noted.

(2) Represents interest rate above LIBOR for LIBOR based borrowings and the interest rate above the defined base rate for base rate borrowings, in each case based on our debt ratings.

(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.

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We must pay a quarterly commitment fee on the undrawn portion of each of the 2013 Credit Facility and the 2014 Credit Facility. The commitment fee for the 2013 Credit Facility ranges from 0.100% to 0.350% per annum, based upon our debt ratings, and is currently 0.125%. The commitment fee for the 2014 Credit Facility ranges from 0.100% to 0.400% per annum, based upon our debt ratings, and is currently 0.150%.
The loan agreements for each of the 2013 Term Loan, the 2013 Credit Facility, the 2014 Credit Facility and the 2018 Term Loan contain certain reporting, information, financial and operating covenants and other restrictions (including limitations on additional debt, guaranties, sales of assets and liens) with which we must comply. Failure to comply with the financial and operating covenants of the loan agreements could not only prevent us from being able to borrow additional funds under the revolving credit facilities, but 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.
Stock Repurchase Programs. In March 2011, our Board of Directors approved a stock repurchase program, pursuant to which we are authorized to repurchase up to $1.5 billion of our common stock (the “2011 Buyback”). In December 2017, our Board of Directors approved an additional stock repurchase program, pursuant to which we are authorized to repurchase up to $2.0 billion of our common stock (the “2017 Buyback” and, together with the 2011 Buyback, the “Buyback Programs”).
During the three months ended March 31, 2018, we had no repurchases under either program.

We expect to continue managing the pacing of the remaining $2.3 billion (as of April 24, 2018) under the Buyback Programs in response to general market conditions and other relevant factors. We expect to fund further repurchases of our common stock through a combination of cash on hand, cash generated by operations and borrowings under our credit facilities. Purchases under the Buyback Programs are subject to us having available cash to fund repurchases.
Sales of Equity Securities. We receive proceeds from sales of our equity securities pursuant to our employee stock purchase plan and upon exercise of stock options granted under our equity incentive plans. For the three months ended March 31, 2018, we received an aggregate of $20.0 million in proceeds upon exercises of stock options.
Distributions. As a REIT, we must annually distribute to our stockholders an amount equal to at least 90% of our REIT taxable income (determined before the deduction for distributed earnings and excluding any net capital gain). Generally, we have distributed, and expect to continue to distribute, all or substantially all of our REIT taxable income after taking into consideration our utilization of NOLs. We have distributed an aggregate of approximately $4.6 billion to our common stockholders, including the dividend paid in April 2018, primarily classified as ordinary income.
During the three months ended March 31, 2018, we paid $0.70 per share, or $300.2 million, to common stockholders of record. In addition, we declared a distribution of $0.75 per share, or $331.2 million, paid on April 27, 2018 to our common stockholders of record at the close of business on April 11, 2018.
The amount, timing and frequency of future distributions will be at the sole discretion of our Board of Directors and will depend on various factors, a number of which may be beyond our control, including our financial condition and operating cash flows, the amount required to maintain our qualification for taxation as a REIT and reduce any income and excise taxes that we otherwise would be required to pay, limitations on distributions in our existing and future debt, our ability to utilize NOLs to offset our distribution requirements, limitations on our ability to fund distributions using cash generated through our taxable REIT subsidiaries and other factors that our Board of Directors may deem relevant.

During the three months ended March 31, 2018, all outstanding shares of our 5.50% Mandatory Convertible Preferred Stock, Series B, par value $0.01 per share (the “Series B Preferred Stock”), converted automatically 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 our common stock pursuant to the provisions of the Certificate of Designations governing the Series B Preferred Stock.
During the three months ended March 31, 2018, we paid the final dividend of $13.75 per share, or $18.9 million, to holders of the Series B Preferred Stock of record at the close of business on February 1, 2018.

We accrue 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, we paid $4.1 million of distributions upon the vesting of restricted stock units.

Factors Affecting Sources of Liquidity

As discussed in the "Liquidity and Capital Resources" section of the 2017 Form 10-K, our liquidity depends on our ability to generate cash flow from operating activities, borrow funds under our credit facilities and maintain compliance with the contractual agreements governing our indebtedness. We believe that the debt agreements discussed below represent our material debt agreements that contain covenants, our compliance with which would be material to an investor's understanding of our financial results and the impact of those results on our liquidity.

Restrictions Under Loan Agreements Relating to Our Credit Facilities. The loan agreements for the 2013 Credit Facility, the 2014 Credit Facility, the 2013 Term Loan and the 2018 Term Loan contain certain financial and operating covenants and other restrictions applicable to us and our subsidiaries that are not designated as unrestricted subsidiaries on a consolidated basis. These restrictions include limitations on additional debt, distributions and dividends, guaranties, sales of assets and liens. The loan agreements also contain covenants that establish financial tests with which we and our restricted subsidiaries must comply related to total leverage and senior secured leverage, as set forth in the table below. In the event that our debt ratings fall below investment grade, we must also maintain an interest coverage ratio of Adjusted EBITDA to Interest Expense (each as defined in the applicable loan agreement) of at least 2.50:1.00. As of March 31, 2018, we were in compliance with each of these covenants.

		Compliance Tests For The 12 Months Ended March 31, 2018 ($ in billions)	
	Ratio (1)	Additional Debt Capacity Under Covenants (2)	Capacity for Adjusted EBITDA Decrease Under Covenants (3)
Consolidated Total Leverage Ratio	Total Debt to Adjusted EBITDA ≤ 6.00:1.00	~ $4.4	~ $0.7
Consolidated Senior Secured Leverage Ratio	Senior Secured Debt to Adjusted EBITDA ≤ 3.00:1.00	~ $9.3 (4)	~ $3.1

(1) Each component of the ratio as defined in the applicable loan agreement.
(2) Assumes no change to Adjusted EBITDA.
(3) Assumes no change to our debt levels.
(4) Effectively, however, additional Senior Secured Debt under this ratio would be limited to the capacity under the Consolidated Total Leverage Ratio.

The loan agreements for our credit facilities also contain reporting and information covenants that require us to provide financial and operating information to the lenders within certain time periods. If we are unable to provide the required information on a timely basis, we would be in breach of these covenants.

Failure to comply with the financial maintenance tests and certain other covenants of the loan agreements for our credit facilities could not only prevent us from being able to borrow additional funds under these credit facilities, but may constitute a default under these credit facilities, which could result in, among other things, the amounts outstanding, including all accrued interest and unpaid fees, becoming immediately due and payable. If this were to occur, we may not have sufficient cash on hand to repay such indebtedness. The key factors affecting our ability to comply with the debt covenants described above are our financial performance relative to the financial maintenance tests defined in the loan agreements for these credit facilities and our ability to fund our debt service obligations. Based upon our current expectations, we believe our operating results during the next 12 months will be sufficient to comply with these covenants.

Restrictions Under Agreements Relating to the 2015 Securitization and the Trust Securitizations. The indenture and related supplemental indentures governing the American Tower Secured Revenue Notes, Series 2015-1, Class A (the "Series 2015-1 Notes") and the American Tower Secured Revenue Notes, Series 2015-2, Class A (the "Series 2015-2 Notes," and, together with the Series 2015-1 Notes, the "2015 Notes") issued by GTP Acquisition Partners I, LLC ("GTP

Acquisition Partners") in a private securitization transaction in May 2015 (the "2015 Securitization") and the Loan Agreement include certain financial ratios and operating covenants and other restrictions customary for transactions subject to rated securitizations. Among other things, the AMT Asset Subs and GTP Acquisition Partners are prohibited from incurring other indebtedness for borrowed money or further encumbering their assets, subject to customary carve-outs for ordinary course trade payables and permitted encumbrances (as defined in the applicable agreement).

Under the agreements, amounts due will be paid from the cash flows generated by the assets securing the 2015 Notes and the assets securing the Loan, as applicable, which must be deposited into certain reserve accounts, and thereafter distributed, solely pursuant to the terms of the applicable agreement. On a monthly basis, after payment of all required amounts under the applicable agreement, subject to the conditions described in the table below, the excess cash flows generated from the operation of such assets are released to GTP Acquisition Partners or the AMT Asset Subs, as applicable, which can then be distributed to, and used by, us. As of March 31, 2018, $105.5 million held in such reserve accounts was classified as restricted cash.

Certain information with respect to the 2015 Securitization and the Trust Securitizations is set forth below. The debt service coverage ratio ("DSCR") is generally calculated as the ratio of the net cash flow (as defined in the applicable agreement) to the amount of interest, servicing fees and trustee fees required to be paid over the succeeding 12 months on the principal amount of the 2015 Notes or the Loan, as applicable, that will be outstanding on the payment date following such date of determination.

	Issuer or Borrower	Notes/Securities Issued	Conditions Limiting Distributions of Excess Cash		Excess Cash Distributed During the Three Months Ended March 31, 2018	DSCR as of March 31, 2018	Capacity for Decrease in Net Cash Flow Before Triggering Cash Trap DSCR (1)	Capacity for Decrease in Net Cash Flow Before Triggering Minimum DSCR (1)
			Cash Trap DSCR	Amortization Period				
					(in millions)		(in millions)	(in millions)
2015 Securitization	GTP Acquisition Partners	American Tower Secured Revenue Notes, Series 2015-1 and Series 2015-2	1.30x, Tested Quarterly (2)	(3)(4)	$51.1	8.35x	$188.2	$192.3
Trust Securitizations	AMT Asset Subs	Secured Tower Revenue Securities, Series 2013-2A, Secured Tower Revenue Securities, Series 2018-1, Subclass A and Secured Tower Revenue Securities, Series 2018-1, Subclass R	1.30x, Tested Quarterly (2)	(3)(5)	$199.8	10.38x	$542.3	$551.3

(1) Based on the net cash flow of the applicable issuer or borrower as of March 31, 2018 and the expenses payable over the next 12 months on the 2015 Notes or the Loan, as applicable.

(2) Once triggered, a Cash Trap DSCR condition continues to exist until the DSCR exceeds the Cash Trap DSCR for two consecutive calendar quarters. During a Cash Trap DSCR condition, all cash flow in excess of amounts

required to make debt service payments, fund required reserves, pay management fees and budgeted operating expenses and make other payments required under the applicable transaction documents, referred to as excess cash flow, will be deposited into a reserve account (the "Cash Trap Reserve Account") instead of being released to the applicable issuer or borrower.

(3) An amortization period commences if the DSCR is equal to or below 1.15x (the "Minimum DSCR") at the end of any calendar quarter and continues to exist until the DSCR exceeds the Minimum DSCR for two consecutive calendar quarters.

(4) No amortization period is triggered if the outstanding principal amount of a series has not been repaid in full on the applicable anticipated repayment date. However, in such event, additional interest will accrue on the unpaid principal balance of the applicable series, and such series will begin to amortize on a monthly basis from excess cash flow.

(5) An amortization period exists if the outstanding principal amount has not been paid in full on the applicable anticipated repayment date and continues to exist until such principal has been repaid in full.

A failure to meet the noted DSCR tests could prevent GTP Acquisition Partners or the AMT Asset Subs from distributing excess cash flow to us, which could affect our ability to fund our capital expenditures, including tower construction and acquisitions and meet REIT distribution requirements. During an "amortization period," all excess cash flow and any amounts then in the applicable Cash Trap Reserve Account would be applied to pay principal of the 2015 Notes or the Loan, as applicable, on each monthly payment date, and so would not be available for distribution to us. Further, additional interest will begin to accrue with respect to any series of the 2015 Notes or subclass of the Loan from and after the anticipated repayment date at a per annum rate determined in accordance with the applicable agreement. With respect to the 2015 Notes, upon the occurrence of, and during, an event of default, the applicable trustee may, in its discretion or at the direction of holders of more than 50% of the aggregate outstanding principal of any series of the 2015 Notes, declare such series of 2015 Notes immediately due and payable, in which case any excess cash flow would need to be used to pay holders of such notes. Furthermore, if GTP Acquisition Partners or the AMT Asset Subs were to default on a series of the 2015 Notes or the Loan, the applicable trustee may seek to foreclose upon or otherwise convert the ownership of all or any portion of the 3,584 communications sites that secure the 2015 Notes or the 5,116 sites that secure the Loan, respectively, in which case we could lose such sites and the revenue associated with those assets.

As discussed above, we use our available liquidity and seek new sources of liquidity to fund capital expenditures, future growth and expansion initiatives, satisfy our distribution requirements and repay or repurchase our debt. If we determine that it is desirable or necessary to raise additional capital, we may be unable to do so, or such additional financing may be prohibitively expensive or restricted by the terms of our outstanding indebtedness. If we are unable to raise capital when our needs arise, we may not be able to fund capital expenditures, future growth and expansion initiatives, satisfy our REIT distribution requirements and debt service obligations or refinance our existing indebtedness.

In addition, our liquidity depends on our ability to generate cash flow from operating activities. As set forth under the caption “Risk Factors” in Item 1A of the 2017 Form 10-K, we derive a substantial portion of our revenues from a small number of tenants and, consequently, a failure by a significant tenant to perform its contractual obligations to us could adversely affect our cash flow and liquidity.

For more information regarding the terms of our outstanding indebtedness, please see note 8 to our consolidated financial statements included in the 2017 Form 10-K.

Critical Accounting Policies and Estimates

Management’s discussion and analysis of financial condition and results of operations are based upon our consolidated and condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as related disclosures of contingent assets and liabilities. We evaluate our policies and estimates on an ongoing basis, including those related to impairment of long-lived assets, asset retirement obligations, revenue recognition, rent expense, stock-based compensation, income taxes and accounting for business combinations and acquisitions of assets, which we discussed in the 2017 Form 10-K. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We have reviewed our policies and estimates to determine our critical accounting policies for the three months ended March 31, 2018. We have made no material changes to the critical accounting policies described in the 2017 Form 10-K.

During the quarter ended March 31, 2018, no potential impairment was identified as the fair value of each of our reporting units was in excess of its carrying amount. The fair value of our India reporting unit, which is based on the present value of forecasted future value cash flows (the income approach) exceeded the carrying value by approximately $156.5 million, or 4%. As a result of the telecommunications carrier consolidation occurring in the India market, including the impact of Aircel’s filing for bankruptcy protection, we lowered our discounted cash flow projections, which increases the sensitivity of these projections to changes in the key assumptions used in determining the fair value of the India reporting unit as of March 31, 2018. Key assumptions include future revenue growth rates and operating margins, capital expenditures, terminal period growth rate and the weighted-average cost of capital, which were determined considering historical data and current assumptions related to the impacts of the carrier consolidation.

For this reporting unit, we performed a sensitivity analysis on our significant assumptions and determined that (i) a 7% reduction on projected revenues, (ii) a 35 basis point increase in the weighted-average cost of capital or (iii) a 16% reduction in terminal sales growth rate, individually, each of which we determined to be reasonable, would impact our conclusion that the fair value of the India reporting unit exceeds its carrying value. Events that could negatively affect our India reporting units financial results include increased customer attrition exceeding our forecast resulting from the ongoing carrier consolidation, carrier tenant bankruptcies and other factors set forth under the caption “Risk Factors” in Item 1A of the 2017 Form 10-K.

The carrying value of goodwill in the India reporting unit was $1,073.1 million as of March 31, 2018, which represents 19% of our consolidated balance of $5,647.1 million.

Accounting Standards Update

For a discussion of recent accounting standards updates, see note 1 to our consolidated and condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

As of March 31, 2018, we have one interest rate swap agreement related to debt in Colombia. This swap has been designated as a cash flow hedge, has a notional amount of $23.8 million, has an interest rate of 5.74% and expires in April 2021. We also have three interest rate swap agreements related to the 2.250% senior unsecured notes due 2022 (the “2.250% Notes”). These swaps have been designated as fair value hedges, have an aggregate notional amount of $600.0 million, have an interest rate of one-month LIBOR plus applicable spreads and expire in January 2022. In addition, we have three interest rate swap agreements related to a portion of the 3.000% senior unsecured notes due 2023 (the “3.000% Notes”). These swaps have been designated as fair value hedges, have an aggregate notional amount of $500.0 million and an interest rate of one-month LIBOR plus applicable spreads and expire in June 2023.

Changes in interest rates can cause interest charges to fluctuate on our variable rate debt. Variable rate debt as of March 31, 2018 consisted of $600.0 million under the 2014 Credit Facility, $1,641.8 million under the 2013 Credit Facility, $1.0 billion under the 2013 Term Loan, $1.5 billion under the 2018 Term Loan, $600.0 million under the interest rate swap agreements related to the 2.250% Notes, $500.0 million under the interest rate swap agreements related to the 3.000% Notes, $67.6 million under the South African credit facility, $23.8 million under the Colombian credit facility after giving effect to our interest rate swap agreement, $90.6 million under the BR Towers debentures and $35.3 million under the Brazil credit facility. A 10% increase in current interest rates would result in an additional $4.8 million of interest expense for the three months ended March 31, 2018.

Foreign Currency Risk

We are exposed to market risk from changes in foreign currency exchange rates primarily in connection with our foreign subsidiaries and joint ventures internationally. Any transaction denominated in a currency other than the U.S. Dollar is reported in U.S. Dollars at the applicable exchange rate. All assets and liabilities are translated into U.S. Dollars at exchange rates in effect at the end of the applicable fiscal reporting period and all revenues and expenses are translated at average rates for the period. The cumulative translation effect is included in equity as a component of Accumulated other comprehensive loss. We may enter into additional foreign currency financial instruments in anticipation of future transactions to minimize the impact of foreign currency fluctuations. For the three months ended March 31, 2018, 44% of our revenues and 56% of our total operating expenses were denominated in foreign currencies.

As of March 31, 2018, we have incurred intercompany debt that is not considered to be permanently reinvested and similar unaffiliated balances that were denominated in a currency other than the functional currency of the subsidiary in which it is recorded. As this debt had not been designated as being a long-term investment in nature, any changes in the foreign currency exchange rates will result in unrealized gains or losses, which will be included in our determination of net income. An adverse change of 10% in the underlying exchange rates of our unsettled intercompany debt and similar unaffiliated balances would result in $90.2 million of unrealized losses that would be included in Other expense in our consolidated statements of operations for the three months ended March 31, 2018.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We have established disclosure controls and procedures designed to ensure that material information relating to us, including our consolidated subsidiaries, is made known to the officers who certify our financial reports and to other members of senior management and the Board of Directors.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer concluded that these disclosure controls and procedures were effective as of March 31, 2018 and designed to ensure that the information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the requisite time periods specified in the applicable rules and forms, and that it is accumulated and

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communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION
ITEM 1. LEGAL PROCEEDINGS

We periodically become involved in various claims and lawsuits that are incidental to our business. In the opinion of management, after consultation with counsel, there are no matters currently pending that would, in the event of an adverse outcome, have a material impact on our consolidated financial position, results of operations or liquidity.

ITEM 1A. RISK FACTORS

There were no material changes to the risk factors discussed in Item 1A of the 2017 Form 10-K.

ITEM 6. EXHIBITS

Exhibit No.	Description of Document
10.1	Term Loan Agreement, dated March 29, 2018, among the Company, as borrower, Mizuho Bank, Ltd., as administrative agent, joint lead arranger and joint bookrunner, Royal Bank of Canada and TD Securities (USA) LLC, as co-syndication agents, and RBC Capital Markets and TD Securities (USA) LLC as joint lead arrangers and joint bookrunners
10.2	Second Amended and Restated Loan and Security Agreement, dated as of March 29, 2018, by and between American Tower Asset Sub, LLC and American Tower Asset Sub II, LLC, as Borrowers, and U.S. Bank National Association, as Trustee for American Tower Trust I, as Lender
10.3	Second Amended and Restated Trust and Servicing Agreement, dated as of March 29, 2018, by and among American Tower Depositor Sub, LLC, as Depositor, Midland Loan Services, a Division of PNC Bank, National Association, successor to The Bank of New York Mellon, as Servicer, and U.S. Bank National Association, as Trustee
10.4	Second Amended and Restated Cash Management Agreement, dated as of March 29, 2018, by and among American Tower Asset Sub, LLC and American Tower Asset Sub II, LLC, as Borrowers, U.S. Bank National Association, as Trustee for American Tower Trust I Secured Tower Revenue Securities, as Lender, Midland Loan Services, a Division of PNC Bank, National Association, as Servicer, U.S. Bank National Association, as Agent, and SpectraSite Communications, LLC, as Manager
10.5	Amended and Restated Letter Agreement, dated April 12, 2018, by and between the Company and William H. Hess
12	Statement Regarding Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications filed pursuant to 18. U.S.C. Section 1350
101.INS	XBRL Instance Document

101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN TOWER CORPORATION

Date: May 1, 2018	By: /S/ THOMAS A. BARTLETT
	Thomas A. Bartlett
	Executive Vice President, Chief Financial Officer and Treasurer
	(Duly Authorized Officer and Principal Financial Officer)