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PRESENTATION

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

All right. Good morning, everybody. I'm Ric Prentiss, the head of telecom services research at Raymond James. Welcome to my 22nd Raymond James Conference. But I think we're at, what, year 39? Somebody's got the book out there. How many years have we done this? It's a long time. So really excited to have a slew of telecom companies, from wireless to towers, to data centers, to fiber companies, to satellite companies with us for the next 3 days. We'll kick it off this morning with Brendan Cavanagh from SBAC. For those of you webcasting in, we're in the process of trying to figure out where the slides are at. For you in the room, Brendan's going to flip through a couple in his hand. We like to do the modified fireside chat format here in telecom land where we give a -- frame up the company in just a handful of slides of who they are, what they do and how they're positioned in the industry. And then we'll take fireside chat kind of comments about key topics in the industry. And then we'll save time at the end of the presentation for questions from the audience. And then of course, we'll go down to the breakout session.

So with that, Brendan, I'm sorry the slides aren't here, but, hey, you're flexible.

Brendan T. Cavanagh - *SBA Communications Corporation - CFO and EVP*

Thanks. Well, I apologize that the slides are not here. But what I will do is just kind of -- just give you a quick overview. I know Ric wants to get to the Q&A anyway, which we'll do quickly. So without the slides, it may move me along quicker.

It's a pleasure to be here with you today. I'm Brendan Cavanagh. I'm the CFO of SBA Communications. SBA was founded in 1989. It is one of the 3 public -- domestic public tower companies here in the U.S. We were around kind of during the early stages of the industry and contributed to the original formation of it. We are really a real estate company. We're surrounded by a lot of technology and telecom companies, and we kind of get swept in with the telecom companies, but in fact, we are much more of a real estate company in a traditional landlord-tenant type of relationship. And so we own the tower structures that the wireless carriers put their equipment on. We do not own the actual active electronics, the antennas, the radios et cetera. That is owned by our customers, and they pay us rent for putting that equipment on those sites. The value of this business has been created really as a result of the exclusivity of the assets that we own. And the exclusivity is driven in large part by local zoning restrictions that prevents the proliferation of these assets. So once you kind of have a tower in a particular location, very often it's the only opportunity in town, which it does help us to have long, secure relationships, long-term leases, very, very low churn rates. Typically, we've only seen churn in situations where carriers have consolidated, maybe T-Mobile buys Metro PCS, or something like that. But very long, sticky revenue cycles. Fixed escalators within those lease agreements. So you have kind of a built-in growth profile. And then in terms of organic growth opportunities beyond the escalators, you see that as a result of carriers looking to upgrade their networks. So as we've moved from 2G to 3G to 4G, and into the future, you hear people talking about 5G, it's required changes in the equipment that's located at the sites. And those changes allow us the opportunity to monetize that through charging them amendments for the new or additional equipment that's added to the sites.

So that's the basic of how the business works. We have extremely high margins in the tower cash flow line, which is kind of like a gross profit line, excluding the depreciation. We're north of 80% margins. And the reason for that is as you add incremental dollars through new leases and amendments, they drop almost 100% at the bottom line because the costs are relatively fixed. There's only a limited number of costs associated with running the tower, and they don't change as you add incremental tendencies. So those are some of the basics about the business. Our primary customer base is, of course, the large wireless carriers. Well over 90% of our domestic leasing revenue comes from AT&T, Verizon, Sprint and T-Mobile. And internationally, our customers consist of Telefonica, Claro, Tigo, companies like that.



The biggest driver of growth for our business has been and will continue to be mobile data consumption as the end-users, as all of us continue to eat up mobile data usage, it puts tremendous strain on the existing wireless networks. And that strain can only be solved in a couple of ways by the carriers. One of those ways is the deployment of new spectrum, which typically requires additional equipment in order to deploy that new spectrum; or just simply more antennas to handle the increased amount of activity; or denser networks. So more sites a little closer together. So all of those dynamics are very favorable for the tower industry and have been a huge driver of growth for us over the past and are expected to be in the future. If you could see the slides, I have a beautiful bar chart here that shows some projections from Cisco as to growth in mobile data usage over the next 5 years or so. And those growth rates are expected to be 47% in Latin America and 34% in North America. So the projections are that this will be a phenomenon that continues, and it's what gives us great confidence in the future for us.

And I think I had all kinds of other stuff here, Ric, but maybe we'll just get to it in the Q&A, probably the easiest way to do it. So we'll jump to that.

QUESTIONS AND ANSWERS

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Sure, great. Let's go over to the fireside, poolside chat. Sorry for those of you still in snowstorms. So Brendan, nice lead into the tower space, real estate portfolio business. I think that nailed it pretty well. One question we get from time and time is about how much do you compete against American Tower or Crown Castle or Mark Ganzi's Digital Bridge, Vertical Bridge?

Brendan T. Cavanagh - *SBA Communications Corporation - CFO and EVP*

Yes. Well we, we don't -- can you all hear me, by the way? Is this okay? Good. We don't really compete when it comes to our existing assets. As I mentioned, we are sort of a traditional landlord, and so it's really about the locations. Generally speaking, we don't have sites that are near each other that kind of goes against the fundamentals of the industry. Where we do compete is for new assets, either building new assets or buying assets from existing owners who are selling them. We will compete actively against those guys for that. But in terms of just the day-to-day, really, once you own the assets, there's very little competition for that particular location.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Makes sense. We also get questions occasionally, because obviously, the tower industry is rolled up to be 3 public companies right now. But if there were ever further consolidation, how would the regulators look at any further consolidation given that it is kind of not much competition between each other in your opinion, obviously.

Brendan T. Cavanagh - *SBA Communications Corporation - CFO and EVP*

In my opinion, of course. I don't -- for the very reason that we just talked about, I actually don't think that there would be much issue from a regulatory standpoint because they really aren't competitive in terms of pricing or anything of that nature. So if you're somebody who owns 1 tower or you're somebody that owns 15,000 towers, there's not that much difference when it comes to the individual locations and your ability to market those and what you're pricing them at. That's not largely impacted by your overall size. So I don't think it would matter. And if you think about the history of the tower industry here in the U.S. over many years, it's been a consolidation. There's 3 public tower companies now, there were 5 at one time, and there have been many other large private tower companies. Many of them have been bought by one of the existing remaining companies and there's never really been any question about that.



Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

We wrote on our first report, deciphering the communication tower battle back, January of '99. So 19 years ago. We still give out the report, and that's probably the biggest change, is the names of the tower companies have boiled down, the names of the customers have all consolidated down, and rent's gone up.

Brendan T. Cavanagh - *SBA Communications Corporation - CFO and EVP*

[Are they up?] Well that's -- not too much. But yes, yes. It has grown. I mean, the biggest change probably is what we all thought the business was at that time, which was heavily focused on -- well, we all thought about cellphones as phones. That's what they were, right? It was making sure you had coverage so that you could have phone service and you could call whomever it was. And it's changed so much because it's now all about data and mobile video, and you have these minicomputers, basically. And I used to think -- I've been at SBA over 20 years, and at that time, I thought, well, this is a great business. But once you've leased space on these towers to these carriers, that's pretty much it, right? But in fact, you could keep leasing the same space over and over again to the same customers because the needs of the technology has shifted here, have been greater and greater every year. And so they have to continue to keep coming back to you to upgrade those networks. It's been really kind of amazing.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Yes. As an ex M&A guy in the industry, best business I've ever found. So amazing. So when you think about that growth that you talked about, it just keeps -- like an Energizer bunny, keeps going and going and going. What was your, what I'd like to call, NOC, net of churn, organic, no buying or building and cash gets through all that accounting stuff as they like to mess us up with, and let's get to cash. So when we think about the NOC, net organic cash, growth rate in the U.S., what did you guys see in '17? What's in your '18 guidance? And what do you think the pacing and sustainability of it is over the next few years?

Brendan T. Cavanagh - *SBA Communications Corporation - CFO and EVP*

Yes. Well, you were talking U.S, right, domestically? Yes. So in the U.S., for 2017 over 2016, that number was about 3.9%. There was actually a heavier amount of churn during last year, largely driven by some consolidations that have taken place. T-Mobile buying Metro, AT&T buying Cricket, and Sprint buying Clearwire. All those things weighed on it a little bit. So if you -- the churn was about 3% on that number. So the gross number was 6.9%. So that is true recurring cash. That doesn't include any of the other items. Going forward, we just gave our guidance for 2018 about 1 week ago. And it implies on the surface that the domestic growth rates, same growth rate will be similar on a gross basis but will be about 4.8% or 4.9% on a net of churn basis, so actually about 1% higher. And that's all basically based on less churn expected as those consolidations are starting to wind down in terms of their impact. We're having less and less of that, and the churn number is coming down. The gross number, while at a similar percentage level, is really just a representation of a couple of things, including what happened the second half of 2017. That has a big impact on your 2018 numbers. And while we had a decent year last year in terms of activity, it certainly wasn't particularly high. The fourth quarter was actually even a little bit slow in terms of actual executions. But what's changed is that our backlogs, the application backlogs for new leases and amendments in particular, are materially higher. They're at multiyear highs right now. And I'm sure we're going to get into a couple of the reasons why, FirstNet and Sprint being active again being a couple of the key ones. Those items give us great confidence that we're going to see continued growth in that rate as we move through the year. So that as we're exiting 2018, I expect that, that will actually be a much higher rate, which will bode well for '19 and beyond.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

That makes sense. So we started touching on, so AT&T with FirstNet, and Sprint with their tribanding. For those in the room, why don't you kind of lay out what you're seeing from those companies so far and what you think you might see from them and what it might mean?



Brendan T. Cavanagh - *SBA Communications Corporation - CFO and EVP*

Okay. Well, we'll take Sprint first. Sprint, who's really not been actively spending on their network now for a number of years, so everything that we're starting to see from them is incremental. We signed a master lease agreement with them during the fourth quarter. And that lease agreement was focused on a mix of anticipated or committed, in their case, amendments to thousands of their existing leases with us, as well as a new colocation commitment as well. Now that will happen over the next 2 years here where they will have to sign some of these agreements. It also included some other things such as some extensions to existing lease agreements so the terms were extended out, which is certainly a positive in that you never know what happens in the M&A environment. Things -- the winds shift back or something. It gives us a certain amount of greater protection. But what they're doing is they are deploying their 2.5 spectrum and putting up much bigger antennas that is all require -- it's taking up more capacity at the towers, but it's allowing us to charge them materially bigger amendment rates and new lease rates. So it's really all incremental to what we've seen over the last few years. And we're excited about it and they seem to be very active. It's really starting to build now. It was just signed late last year. So we're just kind of getting into that today. In terms of AT&T and FirstNet. FirstNet, of course, is a public safety network. The government awarded the right to bill that out to AT&T. All the different states have the ability to either opt in or opt out of that particular project. They all ultimately opted in. But a lot of them waited until very late in the game. Deadline was in late December. They all ultimately did opt in, which was very positive. But AT&T really had not done much in terms of actually spending money on that investment while they kind of awaited what was going to be the results of that. So we've only just recently, over the last couple of months here, started to see applications coming in from them around FirstNet in particular, as well as some other things that they're doing. And as those applications are starting to come in and build, we signed some, but it gives us great confidence that we're going to see a lot of incremental spending from them over the next couple of years related to this project. They have certain very specific deadlines they need to meet as the years go by in order to meet the commitments that they made to the government. So it's a really good time for us because you still have Verizon and T-Mobile very active. So all 4 carriers are actually active at the same time, which we don't always have actually in this industry.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

So it sounds like leading indicator is the pipeline, the applications. Guidance is really more baked on what you already have firmly in hand. How should we think about...

Brendan T. Cavanagh - *SBA Communications Corporation - CFO and EVP*

Yes. Well, the guidance is just for 2018, of course, right? And so -- and it's financial statement-oriented. So it's what revenue are you going to report in the case of leasing revenue during the course of the year. And so we're doing it the same way we've always historically done, which is largely based on the backlogs that have built up. Certainly, what's executed and already scheduled to commence, of course, is in there. But what we see in our backlogs, and we have to make some assumptions and estimates as to when do those things get executed and then when do installations take place and revenue actually commence, and what's the timing on that. And we've used our history of what we've seen throughout our existence as to when those things will take place, but there is some estimation there. Beyond that, there's some assumption that you make around new stuff that will come on and when will it be signed up. And it doesn't exist today. We usually don't get too far out there in terms of projecting that. So that's usually a very small piece of our guidance for the year. So a lot of this is really going to come down to when do these things commence revenue recognition? And how late or early in the year does that happen in order to impact this year's numbers? But what I'm focused on, we're focused on internally, is getting as much of it done and up and running by the time we get to the end of the year because it sets us up well. Whether it starts in August or it starts in November is not that material in the grand scheme of things. What's material is that it gets signed up and in the pipeline and now is there for 30 years.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

So you can see the waves coming, and they're setting up nicely for the surfers?

Brendan T. Cavanagh - SBA Communications Corporation - CFO and EVP

Yes, absolutely.

Richard Hamilton Prentiss - Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research

And the time from visibility is still typically 3 months kind of when you -- they come to you with a lease and get it executed?

Brendan T. Cavanagh - SBA Communications Corporation - CFO and EVP

Yes. It varies depending on what it is. In the case of -- for instance, if you take Sprint and you -- given the structure that we've got with them, if they're submitting applications for amendments, they can tend to move through a little bit quicker because everything is pretty well known at that point. If it's a brand new application with specifications that are different, and each one of them is, you have to -- we price them one at a time. We price them individually. We don't have like a rate sheet that we use. So basically, if we get an application for an individual site for a specific spec in terms of that equipment, we take all that into account, including the location of the site and a variety of factors, and we set a price on that one individually. So that process can sometimes take a little bit longer, and it also depends on structural capability of the towers and other things. But yes, I'd say on average, from the time you get it to the time it commences, 3 to 6 months.

Richard Hamilton Prentiss - Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research

One of the other hot topics coming out of Barcelona World Congress last week, it seems every day, a new 5G announcement. Oh, we're going to launch 5 cities. Now we're launching 10 cities. Now we're launching 25 cities. How do you guys think about 5G? What's real? What's not real? And how does it affect your business?

Brendan T. Cavanagh - SBA Communications Corporation - CFO and EVP

Yes, I mean 5G, we certainly think it's real, but a lot of it's undefined like at this point in time. It certainly gets a lot of talk. But most of the talk in the near term, the next couple of years seems to be focused on more of a fixed wireless solution. So it's somewhat urban-centric. A lot of it using millimeter waves spectrum. So it's very specific in where it's being deployed. A lot of that is not well-suited to traditional macro tower sites. It's more maybe small cells or something that are located in urban centers. As it evolves, and it will, standards aren't even set for mobile 5G at this point, so there is a lot of uncertainty. But as it eventually gets to that point, we expect that the core of a true mobile 5G network that's truly national will have to be based on the macro tower sites just like the previous generations were. And if you take as an example what T-Mobile's talked about using their 600 megahertz spectrum for a true nationwide mobile 5G network. And I think in that sort of dynamic, with that lower band spectrum, the only way to effectively and efficiently do it, as well as cost efficiently do it, is through using the traditional macro tower sort of design. And we've even seen a little bit of that starting to happen specifically as it relates to the 600 megahertz spectrum. So we think it's going to be a positive though (inaudible) to continue that organic growth trajectory. But I don't think it's anything material in the next 2 years.

Richard Hamilton Prentiss - Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research

Makes sense. You brought up small cells. So clearly, within...

Brendan T. Cavanagh - SBA Communications Corporation - CFO and EVP

I could tell you'll bring them up.



Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Yes, you know I would anyway. When you think about small cells, a lot of people think 5G equals small cells equals fiber. You talked a little bit about that. Within the tower space, people aren't really towers anymore. There's fiber, there's international towers, so it's not just U.S. tower business. How do you think about small cells, fiber? And do you want to be involved? If so, or if not?

Brendan T. Cavanagh - *SBA Communications Corporation - CFO and EVP*

Yes. I mean, we have, generally speaking, stayed out of that business. And there's a couple of reasons for it. The biggest one being that it's really not -- it's not at all the same business as the tower business in our view. Yes, you're providing infrastructure to wireless carriers. That part is the same. But it doesn't have the exclusive characteristics that the towers do that we've talked about earlier. And without that exclusivity, you now are competing in somewhat of a more RFP-driven, commodity-like business. And so your opportunity to drive margins higher, to have pricing power is not at all the same. And in fact, one of the things that concerned us is that being in the tower business and then also potentially spreading into a fiber-based kind of outdoor small cell or DAS-type business is that you've now combined these 2 dynamics that have 2 totally different elements to them and yet you're serving the same customer. And so the customer now can say, "Well, if you want volume here on your small cell business, I'm expecting better pricing over here on the towers." And we just don't feel like that's a good place to be in terms of dynamic to maximize the value of the assets that we have. So that's the primary reason. We have some other concerns about it that we don't think is truly co-locatable in the traditional sense that towers work. There's a lot of costs. There's a lot of overhead that go into it. And you need a lot of upfront investment. Fiber, I mean, you see what's being spent on fiber these days. It's not a small investment, and it's going to take a long time for that to pay dividends, if in fact it does. So all of those factors have had us kind of shy away from it. But what I will say is that to the extent that there are opportunities to get into small cell-type businesses that have exclusive characteristics to them, that is something that we're interested in. We actually have a small group that focuses on that. Certainly, nothing material at this point. But if you can lock up venues that do provide you that same sort of barrier to competition -- no, to entry, I should stay, that is something we would be interested in. And there's not as many of those opportunities in the U.S. anymore. A lot of those venues have been secured. But if you have Gillette Stadium in Boston, or you have the MGM Grand casino or whatever it is, you have something and you've got the rights to that and you can develop the network there, well then you have something that's tantamount to a tower. And that, we do have interest in. So I think you'll see us do a little bit of that, but it's going to be at a scale that I don't think moves the needle materially.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Let's see if there's some questions from the audience. Sure, go ahead, Travis.

Unidentified Analyst

Can you talk a little about the international business, kind of what your goals are there?

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

So the question is talk a little bit about international, what your goals are there.

Brendan T. Cavanagh - *SBA Communications Corporation - CFO and EVP*

Okay. Well today, we are in -- I wish you could see my slides. I had a beautiful map of all these countries we're in. But we are in 13 different countries, counting the United States. It's all in the western hemisphere. So other than the U.S. and Canada, it's all Latin American countries, 5 in Central America, and the balance in South America. The largest country that we are in outside the U.S. is Brazil, where we have about 8,400 towers as of today. So that's our biggest concentration. The goal really for us, the reason we went international and the reason that we continue to focus on expanding there is really to try and replicate to the extent possible what we had here in the U.S. So to find markets where we could invest at a level



that allows us to make similar returns or maybe better returns, ideally, than what we can do now in the U.S. But then have some level of exclusivity to have a good rule of law that allows you to secure the land around your sites to have something that's tantamount to zoning protections that have political stability, all those things. But also have multiple carriers that are investing or need to invest in their wireless networks in a competitive environment. So in Brazil, there's 4 nationwide -- national wireless carriers. And I would say on average, they're probably about 5 years behind the U.S. in terms of their network technology, where they are in terms of their wireless network. But that means there's a tremendous growth ramp potential available to us as they have to invest, because presumably, they will be in the same place where we are. Wireless is going to be just as important to their population as it is here in the U.S., and it already is. So we think that we're well positioned to see an increase in growth that even as the U.S., just because of our sheer size, as the growth rate comes down, that you'll actually be able to have that offset by increased growth.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Let's make sure -- give me 2 numbers. What was that net organic cash growth rate in Brazil last year and thinking this year?

Brendan T. Cavanagh - *SBA Communications Corporation - CFO and EVP*

Yes. In Brazil, last year was about 12% on a gross basis. There's very little churn. So maybe slightly less. But basically 12%. And this year, it will likely be lower. Probably closer to 9%. But that's really due to escalators. So the escalators in Brazil are based on the local CPI rates. So they float with inflation. Inflation has dropped materially in Brazil. And while it does lower our organic growth rate on a constant currency basis, it's really a very positive thing because there's a lot of stabilization happening in the economy there. You don't have the wild fluctuations and foreign exchange rates that we had during our first couple of years there, which was one of the biggest negatives, frankly, to our international expansion. And so as that's starting to normalize, it's making the carriers stronger. They're spending more money, investing in their networks, which is actually driving additional organic growth for us.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

One more question from the audience. Somebody got one? Here we go.

Unidentified Analyst

(inaudible) can you talk about the competitive environment for (inaudible).

Brendan T. Cavanagh - *SBA Communications Corporation - CFO and EVP*

Yes, internationally?

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

International and competitive dynamics for people buying portfolios as they come up, U.S. and international to them both?

Unidentified Analyst

Just international.



Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Just international.

Brendan T. Cavanagh - *SBA Communications Corporation - CFO and EVP*

Okay. Yes, internationally, it's become very competitive recently. Actually, it's very competitive here in the U.S. We've seen that expand out across the globe. And we do spend time looking at portfolios that are outside of the western hemisphere. We haven't bought any. In some cases, we've chosen not to pursue that. In some cases, we've been outbid. But the markets -- the tower business has a lot of money chasing it. There's a lot of people very interested in it all across the globe. And so as we see that dynamic occurring, every deal that you go into now is hotly contested. And so as prices come up, we have to be disciplined in terms of our projections around lease up potential and other factors. And make sure that we're doing what's right for our shareholders and that we're going to drive the highest return. We don't have to be bigger. A part of our goal is not to become bigger. It's not to become -- to have more towers. We're the third largest of the 3 public tower companies here today. And that's perfectly fine. There's no need to be the biggest. It's really about the highest return on investment. And so that's where we focused. And I think we've done a decent job in ferreting out opportunities. But if we pass and we just buy back stock, which is a lot of what we've done the last couple of years, that's okay, too.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

We'll take the rest of the questions down in the breakout. Thanks.

Brendan T. Cavanagh - *SBA Communications Corporation - CFO and EVP*

Great. Thank you.

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