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PRESENTATION

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

All right. Well, good morning, everyone. Thanks for joining us. I'm Nick Del Deo with MoffettNathanson. And I'm thrilled to be joined by Brendan Cavanagh, the long-time CFO of SBA Communications. Thanks so much for joining us.

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

Yes, happy to be here. Thanks.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

And there are question cards on your chairs. If anyone has questions, feel free to fill out the card, and [Connor] or Sydney will bring them up, and we'll try to incorporate them into the discussion.

QUESTIONS AND ANSWERS

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

So obviously, the big news in tower land is T-Mobile's brand. And we know we've all kind of beaten this horse to death over the past couple of years, but I've got the list. As an analyst, I want to ask at least a few questions on the topic. Yes. So one of the more interesting debates is how we should quantify the first-step impact of the deal, right? So the tower industry has typically dimensioned the risk in terms of same-tower overlaps. T-Mobile and Sprint have actually disclosed what sort of decommissioning they expect to achieve because of the deal. And even if you adjust for sites that would have been decommissioned from Clearwire and MetroPCS to begin with, it seems to be meaningfully in excess of what the same-tower overlaps would suggest. So I guess, to start off, why should we use same-tower overlaps as the foundation for our estimates of what this deal might mean as opposed to what the companies have told us they plan to do?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

Yes. Well, I mean, we have historically -- to the extent that we've had consolidation events in the industry, we definitely have focused in terms of trying to quantify what the potential risk looks like by focusing on the overlaps because it is the most direct, obvious, quantifiable metric that we can provide as to where there is, in theory, additional exposure. I'm sure that there are other sites where they don't both currently exist, where there will be some decommissioning that take place. There also are sites where they both currently exist, where I believe there will be 2 rad centers camped with some of those sites depending on the specific location, the type of tower and what their coverage needs are. So even a direct overlap isn't necessarily indicative of a true churn. So I think when you kind of net some of these things together, it is the best indication, but it doesn't take into account the other big things which, of course, are the mitigants that exist to offset the impact of churn. So really, what we're trying to do when we give that information out is to say, "Hey, if you want to take what we perceive to be kind of a worst-case scenario in terms of potential risk, this would be it." And in our case, you're looking at somewhere north of 5%, close to 6% of revenue on those overlap sites from an individual carrier, Sprint specifically, that we think would be at risk over an extended period of time. But really, the net impact should be much, much less than that.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. Now are there any effective churn mitigation tactics that you'd employ? Or is it really out of your hands?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

Yes. Well, I think one of the more -- let me say it this way. In terms of churn, getting rid of it altogether, I don't think -- I think that is out of our hands ultimately. I mean, at some point in time, if they don't need a site, they don't need a lease, it will eventually be canceled. The big mitigant is really how quickly can they do that, and over what period of time. They all have different individual term end dates. That's really, for us, the biggest mitigant. So when they're going through this process, it will be driven heavily based on engineering needs that will driven based on network decisions more than anything else. But within those network decisions, they will also have to contemplate, well, when can I actually get out this agreement? When does the term expire? So you will have agreements that all have different end dates. So for instance, some may end tomorrow. And those agreements will be renewed into a new term that's probably at least 5 years long. And so now the date for that site has just moved up 5 years. And that will take place pretty much every day, every week as we move through the next so many years. So at any given point in time, you'll have different sites that are eligible to be canceled or stop paying rent on in any way at a given point in time. And so that's the biggest thing that kind of spreads us out over a very long period of time. But on top of that, since we're talking about in terms of mitigants, I mean, we -- the real mitigant is that they're going to have to upgrade all of the existing sites, right? So every site that is maintained today does not have all of the spectrum bands that would be owned by the combined company. And so if they're truly going to be able to provide ubiquitous coverage across all of the spectrum band, every single site that's maintained will have some upgrade or change in equipment that will drive incremental amendment activity and incremental rents. So as we work through that process with them, we would expect to see meaningful investment. And upgrading the existing networks, that will be the biggest mitigant from a revenue standpoint. Is it possible that we'll discuss something more a long term, some sort of master way of working through this, as we've done kind of in the past, for instance, with Sprint when it was the Nextel decommissioning? Yes, it's possible, but it's really way too early. We're off to see -- whether to see even if it actually happens at all. But I think what you'll see is something that's not as material as the general market seems to think it is when these things get announced over time. But ideally like that 4 carrier that are active and spending, yes, but we don't really have that anyway. Our 4 carriers haven't really been actively spending for years. So if you have 3 strong carriers that are well capitalized and committed to investing competitively in their networks, I think we'll be just fine in terms of the outcomes of this.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. And just to clarify one point you were making in the prior comments, essentially, what you're suggesting is that you could grant additional flexibility around lease termination dates in exchange for some sort of compensation to facilitate the engineering on their end?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

Possibly. I mean, in theory, anything is on the table. We're obviously only going to do things that are, we believe, beneficial to SBA in the course of that negotiation. But if there's something that can be accommodated to them and helps them be more efficient in what they're trying to accomplish, and we can benefit from that, we will be open to that. But as I said, it's really way too early. There's been no conversation of any kind about this kind of thing. So we'll see.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Sure, sure. So if we think about the long-term potential for the industry, so forget about what's going to happen with the churn in the near term, but longer term, if we stayed at 3 carriers into perpetuity, would that meaningfully change your assessment of the attractiveness of the tower leasing model at all? Or no?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

No, definitely not. Really relaying it to what I was just saying, I think that if you have 3 strong carriers that are truly competitive, that are compelled either through regulatory reasons or just through competition, which I think it would be, to invest in their network, the same drivers exist, right, the drive, the value of our business. While it's nice to have 4 different customers that's probably better on average than having 3 different customers, the ultimate drivers of the technology and the constant increases in mobile data consumption are taking place. And so the “n” number of subscribers that are out there that are using wireless services hasn't changed, the amount of bandwidth that's being consumed hasn't changed and we'll continue to grow at a rapid pace. None of those things changed, and the equipment that's necessary to deliver that efficiently really hasn't changed yet either. And so while there are small differences, as long as the companies are able to, from an economic standpoint, continue to invest in their networks to remain competitive, I think it doesn't change that this system in the tower business will still provide that critical underlying infrastructure that is necessary, and still have the same exclusivity attributes that it's always had.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

If we think about the flip side of that, let's say, that's going to quarter 3 in the sense another carrier to enter versus some sort of new entrant, would we also then for that, again, the long-term outlook in that sort of state versus a 3-player state will be largely unchanged?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

If you have a new entrant coming into, yes, I suppose that's possible. Though I think if you have a true new entrant that is coming in from ground zero, there would be incremental spending certainly for some period of time because they're starting with nothing and have to invest meaningfully in order to build out that network. I think that's what makes it not impossible, but somewhat unlikely, is to start from that level. Now there could be other additives that are taken in terms of companies that partner with each other. But today, if you assume that none of the existing big 4 are part of this, it really would only be able to happen from a true ground-up build. And that would certainly be very positive for us assuming that it could be sustained economically by that new participant. So I think it's definitely a positive. Eventually, you get to a steady state, where it's not that dissimilar to maybe where we are today in current terms of meeting the current needs of the marketplace. But the initial wave would have to be a positive.

Whitney Fletcher - *Deutsche Bank AG, Research Division - Research Associate*

Okay. Well, let's move on to some other topics. I think investors came into the year expecting a pretty healthy pickup in gross growth. And for all of the reasons that we've come to know and love, whether it's first in that areas, 4 or Sprint coming to market and so on. It seems like the benefits and what's been baked into guidance have always been a bit more modest and perhaps coming at a slower pace than what people anticipated. Would you say that those of us in the outside were simply too optimistic about the speed of the monetization rates? Or are you actually seeing the business coming a bit slower than you would have expected?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

Yes. No, I don't know that it's been materially different from our expectations, and I'm not sure whether our focus has been too optimistic. I certainly don't think that they're too optimistic in terms of the actual activity and the needs that the carriers have. And the lease of that is taking place, and that will take place, perhaps the pacing in terms of its impact to the financials and what we're reporting when, is where maybe people were a little bit ahead. I think there seems -- I'm not sure why because it's not really that different than it's ever been throughout our history, the history of the industry. But I think when folks look at some of these things that you mentioned. And so it's always going to be all these incremental leasing activity. There's sort of an expectation that, immediately, the financial statements are going to reflect the increased revenue. Well, I mean, we're not selling a service or something that happens in that period, and you immediately see the benefit of it. We are signing agreements, many, many, many individual agreements over an extended period of time that go through a process to not only be executed, but then to ultimately drive the commencement of revenue, oftentimes tied to installation of equipments or some other permitting or some other factor. And so there is a kind of process that this -- a process that this flows through that we're in the midst of. We're highly confident in seeing continued growth, while our growth levels increases will move through the year because we see what's in our application backlog. We see what we're signing. We know that it's meaningfully higher than it's been over the last few years. And so it's really just timing as much as anything, and we're trying to take more of a longer-term view on it. If it doesn't happen this quarter, that doesn't mean that it's gone forever, and it's just going to happen next quarter. So I think there maybe was some little bit of disconnect in terms of that. But you're seeing it across the industry, and I don't think it must be any different than anybody else.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Is the whole framework of thinking about, here's a new spectrum band, therefore, that's an incremental pop for the industry is a long way to think about things, in that if that spectrum end didn't come to market, the carriers would've used other techniques on that capacity, which should act as stabilizer?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

Yes. Although the new spectrum bands are definitely helpful. Because you've got in almost every case, when a new spectrum band is rolled out, it almost always requires some new equipment, whether it's incremental or it's a change. And that's the easiest place for us to monetize what's happening is whenever they're touching the equipment, specifically touching it in a way that is adding something to the tower, where it wasn't there before, even if it's replacing something else. So I think we'll continue to get -- because there's so much balance of spectrum that's still out there, it's in the hands of these guys that as they deploy it, that is what drives growth as much as anything.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. Now on that note, a number of the spectrum bands that are being deployed, so I guess, for or arguably the 600 megahertz are close to or adjacent to the existing spectrum bands. Have you seen the carriers use multiband antennas more frequently than they have in the past because of that dynamic? Or is that not something you're seeing?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

We are seeing more of it. I would not say that it's particularly material just yet, but that is the wave. So for instance, Sprint, we signed an agreement with them in the fourth quarter. A lot of that is built around deploying multiband, tri-band antennas. So we are seeing more of that. I think it's -- what's interesting about that is, sometimes, at one point, that was seen as -- or maybe that's a risk because now you can push multiple bands through the same antenna. So maybe that's a negative, but the funny thing is that those antennas are so big and take up so much capacity, but there really is no decrease in the amount of actual consumption of tower space, if you will, that's happening. And so our ability to monetize those in a much higher rate exists. So in terms of its financial impact on us, I haven't really seen that. In fact, in many ways, it's been positive.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay, that's good to know. If I think back to a couple of years ago, probably the 2015, '16 timeframe, there's kind of a step-down level of recent activity costs in the industry, I think largely correlated with the carriers wrapping up their initial LTE deployments. It hasn't picked up since despite the increases in traffic that we've seen across the carriers. Has anything fundamentally changed about how efficiently the carriers can deploy incremental capacity at least as it relates to towers?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

No. I don't -- I think when you go back to that time period and you look at the step-down, it was largely driven by one customer, in particular AT&T, and that was more on the basis of the fact -- or a variety of factors, but perhaps not the least important one, of which was that they just spent in extremely high levels the previous couple of years. So in 2013 and 2014, they were investing in their network at what were record levels from our perspective in terms of network investment. And so we had extremely high growth rates during those periods, and then they slowed town. Somewhat understandably saying, okay, well we just made this huge investment. What if we can't continue with that pace? And some of that was getting ahead of things that they had to do. So if they've been done on a smoother basis, you wouldn't have necessarily seen it. So I think that was really more of a driver because when you go to the other carriers, we didn't necessarily see that sort of change in behavior. Some carriers spend a little more cyclically, and others are a little steadier in terms of their approach, their network investment. But at the end of the day, they're all kind of investing to try and keep up with each other. It just may happen at different moments in time. So I don't think that necessarily tells us anything about the future other than you might see cyclicality at some point in the future, too, right? So AT&T and Sprint, for instance, have gotten a lot of attention, as we've headed into this year, as the big contributors. Well, that's because of the incremental change. It doesn't mean that T-Mobile and Verizon aren't spending. They are. They just haven't been quite as up and down in terms of their level of spending. But it doesn't mean that over the long term, you won't have the same level of investment, I think, by all the carriers.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. You've noted that you have more capital to invest in any given period than you do attracting investment opportunities. And that kind of leads you to the purchase stock. So long as the stock is trading below your estimate of intrinsic value, how do you dimension intrinsic value for your stock? Over what range of values do repurchases make sense?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

Well, I might tell you the exact thing, the value that makes sense. But in terms of intrinsic value, the most common way that we approach what's intrinsic value is using a DCF methodology because it's, on average, the longer -- the longest term, the most permanent sort of way of calculating value, I think, in all the particular business in particular. So that's the way we would generally go about intrinsic value. But we are also opportunistic in terms of our buybacks, and we see the stock trade-off doesn't always work out that way. But at times, if we see something -- so for instance, after the presidential election back in 2016, our stock traded off quite a bit. And we felt it was already a good buy, but then it really seemed like an extraordinarily good buy. The only regret I have about that time period is that we didn't buy back more. We would have, except we were conscious of our leverage. In retrospect, it's easy to say we should have. But so we will be opportunistic at times as well about it. But I -- over time, we will probably have the mix of buybacks and other investments and new assets. As you said, it's been a little bit more challenging. There's a lot of money to chase these towers these days, which is nice, but it also causes pricing to be a little bit out of whack at times. And so we've always been -- we've tried to be very, very disciplined about return on investment as kind of our primary focus. That means that the times we are passing on stuff, where we're losing if we bid on stuff. And so we've done more stock buybacks over the last couple of years, but we would prefer to buy assets if we could find good returning investment opportunities. But it will be both, I think, going forward.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. So when you think about -- okay. You're not going to tell us the number. But when we think about the inputs versus what's baked into the market price, do you think your stock gets credit for some of the attributes that are different from your peers? So for example, prior to higher average escalator, which affects the long-term growth rate, your leases are probably a little tighter in how they're written. Do you get the sense that that's appropriately embedded in your shares?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

It's hard to...

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Or at least appreciated by investors?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

I think it's mixed. Obviously, we've been the highest valued tower company at most points in our history or many points in our history. And so perhaps that is one of the reasons why or maybe it's not. Maybe we don't get enough credit for it. But I do think the things that you're pointing out are -- they are kind of inherent in our approach to things, which is we have no desire to be the biggest, to be in certain locations or any of that kind of stuff. We would love to do those things if they're of a high return to our share price. That's why we would do them. And if they're not, then we would choose to go another route. So I think that will continue to be our case. And the contract, the terms of the escalators, the equipment specificity, at which we structure then the price, those are all components that I think do make us, over time, more valuable. That may not show up at a given moment in time, but over the long term, I think we will monetize on assets better than anyone else. And so that's what we're ultimately trying to do. And I think we've learned. Sometimes, the hard way, we've learned things. We've made mistakes certainly over the years. But with each of those, we learn from those, and we make sure that, that doesn't happen again. And I think as a result, we've refined our process for our leasing contracting to be as optimum as it can be within the industry.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. A couple of years ago, you gave your first kind of long-term guidance by $10 or better in the AFFO per share by 2020. And since then, you've always expressed confidence that you're going to get there. And I've had a couple of clients freaked out after the last earnings call. We're trying to figure out, was it intentional that they didn't mention upfront? Or were they just not crisp on how they delivered the message? Are you still confident in that $10 goal?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

Yes, it's that great. Yes. No, I mean, we are. It's unfortunate that it was seen that way because that wasn't -- certainly not our intention. But I think what we're trying to do is to be just more specific about some of the variables. And what was mentioned on the call, which is true, on the positive side, is certainly that we just talk about all the backlogs being up and what we're seeing in terms of organic leasing activity in the U.S. in particular. And that's all very positive, and that actually gives us great confidence. I think it was set above the EBITDA line. That is very true. We feel very good about where we are in that regard. There are other factors that do affect AFFO per share, and some of them are slightly worse than when we originally kind of gave that guidance out. And so it does create a potential headwind. It creates a headwind that exist, but also a potential headwind if it were to get worse, whether that's interest rates, which, of course, are higher. And we've assumed some increase in notes. Have we assumed enough? I don't know whether we have, but it has some impact. And our share price, as great as it is, that it went up. And I think this is still a good buy. The reality is we buy back less shares than we were able to buy back after the presidential election if it was like that. The negative is, our stock price would be down, but the positive would be we'd be growing through this metric. So yes, and you have things like FX as well. So that's a little bit out of our hands at this stage. We have what we have, and Brazil in particular. And the FX rate has weakened in the last 1.5 months. So if that would continue on that trend, it would be a headwind. If it improves, it would help us. The most important thing though that I want to emphasize on this is not -- we're kind of getting -- and here I'm doing it again, probably messing it up by talking about this again, but it's not to try and create excuses or anything like that, it's to say this is just a reality of this situation. But even if those things happen, those are negative things, and it does negatively impact our ability to be at $10 in 2020. What we're really talking about is that we'll be there a quarter later. We'll be there by the end of 2020 if you took the fourth quarter and you annualize it. So I mean, even -- so if things aren't going well -- it's not like we don't ever get there. If we get there 3 months later, and then we blow right through it, then we keep going, right? So in 2021, we're going to be well above it. So if I'm at $9.50

or something, it doesn't -- yes, it matters. And I don't want to take away from it. The real reason we gave that out a couple of years ago was to try and focus people on what we really are, which is a very steady, long-term, stable cash flow grower. And that has not changed at all, and that will not change. And so we were trying to get away from the quarter-by-quarter kind of noise of one little thing here or there that really were immaterial to the true story of what we are. That's why we gave it out. Now we're getting to the point where we're very close to it. So it's becoming a short-term item again. But the bottom line is we're going to continue to grow AFFO per share going forward. It's going to grow at a very healthy pace. And yes, if there's some headwind, you're talking about very minor implications that's really immaterial to the overall picture.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. That's great color. So also, in your earnings call, you mentioned that you're starting to see some 5G-oriented deployments, mostly the mono antennas. So that would make sense to discuss a couple of 5G-related topics. So from a network architecture perspective, how reliant do you think 5G will be on crucial macro towers versus small cells?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

I think it will be very reliant outside of the dense urban areas within -- if you're in Downtown Manhattan, it won't be. But it isn't -- 4G isn't really either. So I think it will be very reliant. It's -- what's really interesting is, as kind of proof of that, you can almost go to the T-Mobile-Sprint announcement, right, and you look at what they said. Even though they talked about an increase in the number of small cells from running 10,000. 50,000, I believe, was the numbers they gave. They're still saying 50,000 small cells, and yet they're talking about 85,000 macro sites. Well, on a relative basis for what small cell covers versus what a micro site covers, it's much, much small. And I'm talking about less of the -- this is their 5G plan. Well, how is that even possible if you don't significantly rely on the macro sites for that? And I think, ultimately, it's just physics, right? I mean, you have -- you're not going to be able to -- you can do it with small cells. You can't do it economically with small cells, cover suburban, certainly rural areas, highway corridors, those things. The macro sites will be a fundamental part of it. And our commentary on the quarter, the earnings call was really meant to kind of just highlight the fact that we're starting to see some of these mono antennas, which are really the beginning and precursors for 5G. Using the millimeter wave spectrum is effective if you're driving to get from one street corner to another in Manhattan. It's not as effective if you're driving down the road and expecting your devices to work at a 5G pace. So we feel very confident in that, and we actually took comfort in the Sprint-T-Mobile about their announcement specifically in that aspect of what they said they were going to do network-wise.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay, that's interesting. Yes, I recognize it's early, so you may not have a fully formed opinion. But when you're thinking about 5G-related activity, do you think it could generate a burst in leasing activity across the industry akin to what we saw with 4G? Or do you think it's more likely to support the sort of growth levels we see today, but over an extended period of time?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

It's a little hard to say right now there. There definitely will be a lot of activity necessary because 5G is not capable with the existing equipment that's there. So again, you have a way with equipment upgrades that needs to take place. But I think it's probably more likely to just continue to extend a solid pace of leasing -- organic leasing grow farther into the future more than it is to get pop. But we talked about the cyclicality of some of the spending of some of the carriers in the past. It's hard to say today, where several years from now, they'll be focused in terms of a network project that could drive it higher at a particular point, and then lower. But I think the best assumption is that it kind of extends the pace of growth for an extended period of time.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. Obviously, as you alluded to, a lot of the work is -- a lot of the equipment are these big antenna arrays. Yes, I know across your portfolio, you have significant latent capacity to accommodate this sort of equipment. As we think about the more, yes, call it the higher-value, most leased up towers in your portfolio, are we getting anywhere close to the point where it might be difficult to fit that equipment on the tower and monetize it? Or is that the least we should be worried about?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

Well, generally no. I mean, there may be isolated locations where that's the case. But generally speaking, the answer is no. There have -- there are plenty of places where there needs to be some sort of augmentation to the towers. I think we've talked about this in the past over the last couple of years. Generally speaking, the carriers usually will pay for those augmentations or the majority of them. But in terms of just truly being able to accommodate the incremental equipment, that's almost never an issue with us.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. The 3.5 gigahertz CBRS band is going to come online soon. Kind of an interesting band. Are you seeing much interest from carriers or other users for that? Or does it not fit that well with your portfolio, given it's more suburban...

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

Yes. We haven't seen much. I think it's probably more ideally suited to being more of an indoor type of solution. In fact, we're actually at our headquarters building in Boca. We have just put in our own CBRS network. There's much to learn about it versus anything else. So right now, it's just being used to run internal wireless needs that we have in the building. But we'll see how that goes. I do think it could be useful for certain venues, certain buildings as a way to provide incremental level of coverage for our carrier coming in, but they might not otherwise want to really spend money on because they're building a Cowboy stadium or something. This is a smaller office building type of solution. So -- but from a tower perspective, it's been very limited, I would say, to this point. But we'll just have to see.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay, okay. Everyone seems excited about the prospect of alternative uses for towers. And whether it's supporting fleets of drones or putting little edge data centers at the base of towers, things like that. Again, recognizing that it's very, very early days, how meaningful do you think these opportunities might be? American Tower put out a goal of almost 25% of revenue in 10 years from these sources. Are those sorts of numbers crazy? Or are they plausible?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

I would never call them crazy. American, I would never call them crazy. It does work given how big they are, though it does seem like a pretty high number. It seems a little high to me, but I think there are other things around the towers that may develop over time that become incremental sources of revenue. So the edge data centers, for instance, it's really too early to say. We have some -- 1 or 2 of our own sites. We've got our own edge data centers that we're actually developing, putting in place, again, sort of to learn how it works. What's the best way to do it? What's the best way to market it to have a relationship with not just the carriers, but other potential content providers that might want to cache data there? So whether that's Netflix or Facebook or somebody, those kind of folks. So we are having conversations with them. I think it does have a definite potential because -- and the beauty of it is this. I mean, obviously, we've already made the investment in the property. It's the location that is the most valuable component of it. That's what we offer, proximity to these access points to the network. It doesn't require a lot of incremental capital investment from us in order to obtain some value from us. So from that perspective, it certainly is very positive or -- I'm optimistic about the possibilities for it. But it's very early, and it's certainly not been embraced by anybody at any meaningful level yet. So we'll just have to kind of see how it goes over the next few years. I mean, to get to the kind of levels that you mentioned in terms of percentage of revenue, I know they're talking about other things as well. You'd have to have some major shifting happening in the short term. And to me, it all feels like it's a little bit around the edges of what we do right now. And it's nice to have, but it's also not that material, at least not yet.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Right. When you think about these potential alternative applications, whether you use new use cases, the 5G enables, are there 1 or 2 that you think are most plausible or most likely to drive additional recent activity?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

There's not been too many use cases. I think people often talk about the connected car as a potential use case. I mean, I do think that, that type of use or solution and other sort of machine-to-machine type of uses just create additional wireless traffic. And that additional wireless traffic invariably requires incremental infrastructure and equipment. And so I think from that perspective, they are positive drivers for our business. But it's a little hard to say because we haven't seen a ton of it yet. And we see sort of other things. We see high-frequency trading that happens, where you've got networks -- we have migrating networks that were running from Chicago to New York, for instance, and created incremental potential for sites that were in rural. At the end of it, you didn't think, really, we're going to have that opportunity. And suddenly, they were right on the right path for that type of solutions. So you have things like this that occur or Sky or some of these lifeline airplanes that need a certain amount of support. So it's always other things that are additive, but they really are relatively immaterial. I keep saying the same thing, I think, on all of these questions. But it really is the case because the embedded base of what we have is so large that it's hard to move the needles with these other things. It would really have to take off in a material way and require a similar sort of exclusive sort of solution in terms of the infrastructure to have them truly be meaningful. So I think the edge data center has that potential because of the nature of what it is theorized to be. It just isn't there yet. So 3 years from now, we might be having a totally different conversation about it. It might be the next wave of tremendous growth for us, but it might not.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Sure, okay. That's fair. Your leverage target has always been predicated out of interest rates remaining at relatively low levels. Where would interest rates have to go before you start to reassess what makes sense for the business?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

Well, we have talked historically about seeing a 10-year treasury that got to 5%, being the point of which we've said "Okay. I think we need to revisit our leverage levels." That's just the interest rate component of it. And I think all other things staying equal, that's still an appropriate answer. But I think other things will probably intercede in between that actually occurring, not the least of which is that in a few years, we will start to become a dividend payer once we've run through our NOLs. And I think once we get to that point, we will likely start to look at bringing leverage down. That's my expectation today. That's a few years away, but that would probably happen before the interest rates will be the reason that we fall back. The other thing is, of course, what we talked about earlier, which is we're investing the incremental capital that's created through the additional leverage that we take on, as the asset center out there are very competitively sought after sometimes to the point of returns that we don't think make sense. Or our stock trades to a level which is not today, but it did trade to a level where we're kind of borderline relative to where the interest rates sit now than we might to choose to delever instead. But I think the first real shift in, it will be become a dividend there.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. Let's shift to international a bit. So one of the things that I always admired about SBA is how you have a very well-defined view of what assets you want to own, and you could stick to that. You don't restrain from it. Well, to-date, the overseas investments you've made have been primarily markets that are a lot like the U.S. More so than thinking about Brazil or Central America, in particular, they have a lot of commonalities with the U.S. You suggested recently that, at some point, you might expand outside of the Western Hemisphere. As you look at those markets, how many attributes are going to be similar or different? And what's going to make or break that decision as to when it makes sense for the dollars to work?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

Yes. I mean, we -- as I said earlier, we don't have a goal to expand to anywhere in particular. It's really not about that. It's about if we see an opportunity to drive nice returns, then we're open to it. We don't foreclose anything either is basically the point. So you're right in that. Our focus has been on markets where we saw the opportunity to as closely as possible -- nothing's as good as the U.S. market, but as closely as possible to find places where we could have many of the similar attributes that we have here to drive value. We have spent a lot of time looking at many opportunities in many other markets around the globe, frankly. Some of them, we have backed off on because of things that we just weren't that comfortable with maybe, with some of these attributes were not things that we can just get comfortable underwriting regulatory risk or risk other things. And then others were places that we thought we could get comfortable at a certain valuation. And we would bid on those portfolios and not win some cases, right, in many cases. So again, we're okay with that because we felt like we're getting to a level that would drive an appropriate level of return on a risk-adjusted basis. And if that's not good enough, then that's fine. We'll do other things. And so I think the overall answer is that we're open to anything, but it's all a return analysis. It's not anything more than that. And some of these factors feed into what we believe the actual returns could be. Or maybe there are opportunities where maybe it'll be better than what we assume, but the risks associated with that have to be considered and, sometimes, will persuade us in that direction. But I think it's possible the markets in the future, but it's also possible we will never be in other markets beyond the ones we're in.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. Your biggest overseas market is Brazil. And just like we talked about 4 to 3 consolidation in the U.S., there's always been a speculation that you might see 4 to 3 in Brazil, with Oi being the likely take-out candidate or the most speculated candidate. If not mistaken, the majority of your towers in Brazil were acquired from Oi or a cluster majority. I'm sure it was top of mind when you struck those deals. So how would carrier consolidation in that market play out versus in the U.S?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

Yes. I do think it's a little bit different than the U.S., and would actually be more of a positive than I think it is here. One, it's not as big as the U.S. You have 2/3 of the population that you have here in the U.S. So it's kind of the idea that you have 3 carriers in the U.S. and 4 in Brazil, just on the surface, is a little bit maybe. But there's been some level of, I think, if I use the word, dysfunction, maybe in terms of the carriers' behavior in Brazil because they have the same needs that we do. They're well behind us in terms of the development of their wireless networks. But the end population, the end subscribers have the same desires. They see what's out there. They want more and more of these solutions available to them. The networks are really not able to support it on average. And so there is a definite need for material investment in the network. And we've seen decent pace of that, but I think the overall economic and political uncertainty that they've had in Brazil over the last few years has weighed on that. And the fact you have 4 carriers has created a dynamic where none of them were really feeling strong enough, healthy enough to be the one to drive that meaningful step in investment. And so I think there's been some level of kind of moving along at a pace that would be driven much faster if you actually have 3 healthier, stronger carriers. And I do think that if you have the consolidation much like in the U.S., there will be some -- they will be compelled to invest meaningfully in their network, which will drive the remaining 2 companies to also do the same. So I think it actually could create a very positive dynamic if it happened in the right way. Plus, Oi is our largest tenant. I think it's actually probably good for us in a sense that they would be a big party to this depending on how it happened. I don't want to speculate on possibilities, but a lot of times, they talk about, okay, what if they merge with TIM or something with almost no overlap -- I know you all like the overlap, but almost no overlap within our portfolio. And we have extremely long-term contracts with them. So I think we've been in a very good position to see meaningful incremental spending at our existing sites to bring their network in line with whoever the acquiring entity is. So overall, we feel actually like it could be a positive. But it's not going to happen just yet. I think they need to work through some of these concession issues and other things before they could practically happen. But that may be in the next year or couple of years.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. Now the churn in your international businesses has been extremely low, in part because it's such a new basic business. It hasn't, again, reached contract expirations yet. As we think over a longer period of time, is there any reason why churn overseas should be different than what it in the U.S. in any material way?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

Over time, no. I mean, most of our churn has historically been driven by either consolidation or technologies, paging companies and things like that have just kind of faded and gone away. I don't think that, that would necessarily be any different internationally. It's obviously much lower because, again, those networks aren't as developed. But excluding some meaningful consolidation that took place in any of our markets, I would actually expect it to be no worse than our kind of ordinary run-of-the-mill domestic churn, which historically has been 1% to 1.5%., but recently has actually been much lower than that when you exclude the consolidation front.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. Now earlier, you mentioned that when you become a REIT, you might take your leverage ratio down some. Has anything else changed about how you fundamentally operate the company when that happens in terms of capital allocation?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

Not really. I mean, we have the dividend obligation, obviously. That would -- has an impact. But beyond that, I wouldn't expect us to operate any differently.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. 5 minutes? Okay. There've been some -- yes, some folks trying to make a model out of overbuilding certain towers, picking off tenants. What are you seeing on the front lines there?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

Not much. We've seen some of that, but it's really, frankly, immaterial. We -- yes, I think it gets a lot more play because it's something to be vocal about almost in an effort to send a message of some kind. But the reality is most site touches just simply can't take place. And the places where it can or accommodated, where we come up with other solutions, are outside. So it's not possible, but it's, frankly, not been that material.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. So maybe we'll close out with a couple bigger-picture or open-ended questions. One, as we look across other players in your industry, there's been some diversification that's taking place, small cells, fiber, data centers to some degree. When you look at your portfolio and, obviously, driving those businesses, but I'm sure you look closely at them, how would you characterize the barriers to entry for towers and, hence, the return potential for towers relative to these other asset classes?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

I mean, I haven't seen anything better than towers, bottom line. We did look at all these other things. And sometimes, there's pressure to get into some of these businesses to grow the top line or whatever it is. For us, I think I said it 10 times in this meeting that it's all about returns. That's still very much the case. And those other alternatives, by and large, just don't provide the incremental returns that the tower business does and, therefore, even just buying back our own stock does. And in some cases, it creates dissynergies depending on what it is. And I know we don't have much time, so I won't get into the details on that. But it is a potential risk that we see. And so the last thing we want to do is bring something on that not only is neutral to what we do, but is potentially negative harmful to the value of the underlying business that we have. So I think we'll continue to look at these other things and just always be aware and familiar. And there may be small places where we can do it, but by and large, we are a macro tower company. That's what we are.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. So maybe final question. You've been in this business for a long time. You've got a perspective that a lot of us don't have. You've also been peppered.

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

I'm old. I'll be there someday.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Yes. And you've been peppered with in your earlier questions from investors, so you have a good sense for where -- kind of what people think about the tower business versus what you see as the reality. What do you think is most underappreciated or misunderstood about SBA or the tower business at large?

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

I think -- I don't know that they're completely underappreciated or misunderstood. But to me, it's somewhat just demonstrated in the volatility of our stock price sometimes. The disconnect between that and the actual underlying stability of the business is not always logical. And I know there's other factors that influence that. But I think, sometimes, people don't appreciate the fact that every single quarter, the EBITDA is going to go up, the cash flow is going to go up, and that's going to happen year after year after year, and we're going to continue to grow and produce more. And while there'll be little ways, this or that, the actual ability to move the numbers meaningfully don't change that much. It's that steady. And so, unfortunately, sometimes, I think we get a little bit penalized for the simplicity of it because it's not -- there's not some new flashy things to talk about. And maybe even these other -- going into these other businesses is part of that desire, but -- that others have. But I think the simplicity of it is sometimes either misunderstood or at least not appreciated. And if you really are truly a long-term investor, there's really no place better to be. I mean, it's almost -- I should say you can't lose, but you don't think everyone's right. At least that's the way I feel about it. So it's -- I think that's probably the biggest thing sometimes looking at it.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. That's a great note on which to close. So thanks again.

Brendan Thomas Cavanagh - *SBA Communications Corporation - Executive VP & CFO*

Thanks for having me. It's great. Appreciate it.
