

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

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## CORPORATE PARTICIPANTS

**Jeffrey A. Stoops** *SBA Communications Corporation - President, CEO & Director*

## PRESENTATION

**Unidentified Analyst**

All right. We're going to go ahead and get started. We have Jeff Stoops, the President and CEO of SBA. So last year, for those of you remember, this was a virtual presentation because Jeff was joining us via conference call, due to the fact that he and the rest of his company, which are based in Florida, were dealing with the aftermath of Hurricane Irma. We do have another hurricane this year, but unfortunately, it has not prevented you from being here, so welcome back in real life to Communacopia.

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**Jeffrey A. Stoops** - *SBA Communications Corporation - President, CEO & Director*

Well, thank you. It's good to be here. There's something though about the weather gods and me appearing at Communacopia, so -- but none of it tops my appearance here compared to September of 2008, when, I don't know if those of you who'll remember that, it was the week that Lehman declared bankruptcy. And I -- it was before the fireside chat format, and I was up giving up my presentation, and nobody was paying attention. It was in the afternoon, and that's not unusual for me, nobody paying attention. But it was the day where in 1 hour the Dow fell like 500 points. So I have had tremendous lack of success here at Communacopia. So hopefully, we'll do better this afternoon.

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**Unidentified Analyst**

We promise not to run back any words to prevent any of that.

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**Jeffrey A. Stoops** - *SBA Communications Corporation - President, CEO & Director*

Where would you like to start?

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## QUESTIONS AND ANSWERS

**Unidentified Analyst**

Let's start with domestic leasing activity. So you had a pretty solid second quarter. Your domestic operation leasing activity, so basically the new business you signed up in the quarter, was well above year ago levels. High level, what's driving this? How broad-based is it?

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**Jeffrey A. Stoops** - *SBA Communications Corporation - President, CEO & Director*

We did have a good second quarter. And we kind of indicated to folks that the second half was going to be better than the first half, and I'm pleased to say that our feelings around that continue. It's fairly broad-based in the sense that all 4 carriers are active, but they're not all active equally. And I would kind of refer you all back to our customers' own disclosures about their CapEx spending for what I think are fairly accurate views as to who's busiest and who's least busy. But I would say, the biggest differences that we got off to maybe not as fast of a start at the beginning of the year, but we are now what I have said to some folks and some of our one-to-one meetings, we've now kind of reached cruising altitude. We're busy. We're busy across the board, and it feels like it's going to stay that way well into 2019.



**Unidentified Analyst**

And can maybe we just sort of walk through, when we are FirstNet, we've got 600 megahertz. I think you said DISH was in your backlog. I mean, are these things -- are they still building or do you feel like you've hit a very high run rate with all of those projects now?

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**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

Well, I would clearly from the beginning of the year, our backlogs have grown tremendously. And they've, in fact, even grown a little bit since we last spoke on our earnings call. And whether they continue to grow or not, I don't know really want to speak to that, we can cover that in more detail when we're next together on earnings. But things have grown at a very good clip. I don't want to speculate as to how much more capacity there is in the industry to go higher perhaps, but I also want to emphasize that we're busy. We're busy. And the backlogs are such that I expect us to stay busy. When I say busy, we're talking about executing contracts, which ultimately will, of course, lead to revenue and recognition and the financial statements in periods ahead to come. So it's going very well right now.

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**Unidentified Analyst**

And just to put the numbers on it and to make sure we're still comfortable here. I mean, in order to hit your guidance of \$45 million in domestic new leasing revenue, the second half of the year has about 40% better than what you saw in the first half of the year. It seems like you're keep enough into it that's it's not an issue anymore.

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**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

We continue to feel comfortable with the guidance that we've got out there.

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**Unidentified Analyst**

Okay. We'll move on and talk a little bit about some of the other things that are helping out your business or expected to, such as 5G. We're beginning to hear carriers talk about preparing your networks for 5G and with the previous generational upgrades, we saw higher leasing. With 4G, we saw acceleration in organic growth. And I just want to know, how do you think about the 5G opportunity for SBA and maybe compare and contrast it versus what we saw with 4G, which is still fairly fresh to a lot of people.

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**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

Yes. 4G was an extremely equipment-intensive upgrade. A lot more equipment got added to the towers than previously year 2, 4 was located on the towers. It remains to be seen how much more equipment will be added for 5G. I mean, we're -- there's really not a true spec out there yet. Obviously, there's no device as yet. The one thing that is becoming clear, and I think almost all of our customers have now publicly talked about this, we've actually talked about it on some earnings calls. The technical literature says and supports this, for true 5G to occur and outside of the urban markets, which will be a different type of technology, but you're going to need to have the MIMO antennas. And the MIMO antennas are generally be larger, wider, heavier, and that's going to really be part and parcel of the next upgrade cycle. We're only into very early innings, perhaps even in the first inning of that as we move forward. So we expect to see a lot of that. Particularly as the carriers have talked about outside of the heavy urban markets using their low- to mid-band spectrum for their 5G initiatives.

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**Unidentified Analyst**

Got it. And that's one of the questions I was trying to think about is, what's incremental. Because we do hear carriers say, well, we're already starting to do some 5G-related work or upgradable related deployments. And you've even acknowledged that there's been some 5G-specific infrastructure

you've been able to identify on your sites. Do you think that as the standards-based gear is available, that creates some sort of inflection for your business? Or do you think it's just one of these things that's going to help you stay at cruising altitude for an extended period of time?

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**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

Yes, probably more the latter. One of the things that has been a constant over my 20 years in the business is, radios and antennas are typically changed out every 3 years. And that's not because of weather or damage, it's because that's really how long the technology last before the next generation of that particular piece of equipment comes along. And I don't believe that, that -- no reason to believe that's going to change. So we continue to think that, that will drive our growth for the foreseeable future. But specifically, the MIMO antenna and the radios necessary to transmit 5G, which really have not begun yet to be introduced, they're going to be the more immediate driver once we get past this round of FirstNets and 600 megahertz and a lot of the spread work that's being done. So that will be the immediate future over the next couple of years. And then you'll have the 5G-type things that we're talking about be that next more definable leg of growth for the industry.

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**Unidentified Analyst**

Because if you think about it, it would seem that the visibility for the next few years is pretty high. You just listed things that are happening now, like FirstNet. We've had all the carriers here or going to be here over the course of this week, at the conference, they all seem to be talking about 2020 is when they think they're going to be getting to scale around 5G. And then, of course, they have to fill in once they get to scale, that would imply that you could look to 2021, 2022 and have a reasonable degree of conviction that you have robust leasing, even if putting an exact number in any given year is hard, is that a fair assessment?

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**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

Yes. I mean, we feel very good about staying busy for the foreseeable future.

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**Unidentified Analyst**

Okay. Despite all these good feelings, it seems like the feelings between you and your customers haven't been as good as they've been in sometimes in the past. We continue to hear carriers express frustration with the term of -- the terms of traditional tower leases. They have been working with some new or alternative providers and they've even been talking about moving sites. And so I guess, the first question would be, in the process of talking to them and hearing about this have you found common ground, where actually you've been able to make changes to the way you structure leases with them to meet some of their agreements? Or is it still just a matter of different points of view on the way the relationship should be structured?

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**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

Well, we've -- I mean, given the level of activity that we're experiencing, of course, we found common ground and we're doing business every single day. Our customers, there are certain folks in their organizations whose sole mission and their job is to reduce expenses, right? Just like there is in our company. So that's what they do, and that's what they're expected to do. So there will always be a voice inside those companies that will want things for cheaper or more for the same price. And that has really never changed. There were various points where perhaps it seems louder than at other points, but that's really not that much different than it's ever been. And there will be instances where, while we generally always find a middle ground, perhaps there is a different alternative for a better alternative for them where we can't quite get there. God bless them. If that's the better option. Go for it. Makes them stronger, which is great ultimately for their business, which ultimately will move to our business. At the end of the day, it builds a better, stronger, wireless ecosystem system which can only benefit the tower industry. So I'm not sure that there is any big change that has occurred there or will occur there.

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**Unidentified Analyst**

Are you seeing any notable uptick in churn or losing opportunities to win new business? Or is it still, for the most part, on the fringe?

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**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

Yes, it's still on the fringe. I mean, several years ago, we started to build less towers domestically and that was because there was a crop of small new startup builders who were choosing to accept terms that we just frankly didn't find attractive. That continues to this day. And I don't think the bigger tower companies are building as many towers, but that's not really anything new. And -- but other than that, we continue on and business is good, and we're doing a lot of business every single day. And our customers need us. We need them. We have a great relationship, we all understand that. And while they'd like to see some things cheaper, we'd like to see some things priced perhaps a little differently as well. At the end of the day, we need each other and we work it out.

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**Unidentified Analyst**

Got it. And one of the other things that investors talk about as risk is consolidation among your customers. So obviously, T-Mobile and Sprint have announced an intention to merge their businesses. They're going to that regulatory process right now, and when you go through their earnings or their merger materials, the single biggest source of savings and synergies they've identified is the network, specifically, decommissioning 35,000 sell sites. Now you have seen carrier consolidation with the 3G cycle, you saw it with the 4G cycle, not shocking, we're now seeing it again with the 5G cycle. So based on your historical experience with carrier consolidation, what do you think the net impact to SBA's business is going to be over the long term putting aside the specific numbers we've already gotten around lease exposure and all that other stuff?

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**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

Yes, the problem with that question is, it's hard to define where you stop the effects of the transaction, where the natural growth in the industry picks up. For example, AT&T Cingular, a lot of decommissioning, but they were -- that occurred at a point in time where the overall growth in wireless caused their additional network development to dwarf any type of decommissioning loss. T-Mobile was very efficient around decommissioning metro sites, yet T-Mobile has been extremely busy, and I would guess for everyone in the industry that the growth in T-Mobile's business has dwarfed any metro losses. So when you -- it depends on how expansive you want to look at things. Sure, there are going to be some finite decommissioning losses where there is certainly overlapping Sprint, T-Mobile sites if the merger goes through. But if you look at the power of the combined company and the fact that the -- if you take them at their word, they will invest right along aside AT&T and Verizon, which actually would be more than T-Mobile and Sprint have ever done on a combined basis. You're likely to see, and should see what we've seen in the past, which is the growth in the combined entity and the network development and the passage of time and the huge demand of data is going to dwarf anything that you see from a decommissioning side and an economization side and we're all going to be better off for it.

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**Unidentified Analyst**

Do you have a preferred outcome. Are you indifferent? It sounds like you're actually not so worried about this at all?

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**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

Well, I mean, ideally, I want 4 equally well-capitalized customers with 25% market share battling it out forever and making a ton of money and all of us paying a lot of money for our wireless, but I'm not sure that's the world. If there wasn't going to be anything else that would happen to any of the players, I think this is the preferred result.

**Unidentified Analyst**

Have you seen any change in their leasing activity since they announced the transaction?

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**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

No. It's been business as usual. They have been -- they've both been very, very busy.

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**Unidentified Analyst**

All right. When we think about 5G, which we were talking about earlier, a lot of 5G is going to be deployed over, what we're now calling mid- and high-band spectrum. So this is 3.5 gigahertz, maybe it's 28 gigahertz or even higher. And historically, we really haven't seen much of any of that in wireless networks. This doesn't propagate well, particularly off tower-based networks. This is going to be a pretty big part of a highly built 5G. How do you think about that? Do you have some degree of confidence that if that's the primary spectrum resource, it's going to be used at SBA, which is a tower operator is ultimately still well positioned for that?

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**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

Actually. I'm not sure I agree with that premise. I think all have said that the high band and anything that is in the millimeter wave is going to be pretty much confined to the very dense urban markets, which is not really areas where we have a lot of assets. And that the x ultra dense urban markets are going to be low- to mid-band, and certainly, in the T-Mobile, Sprint case, the 2.5G. So those are all going to be prime macro site installations. And I get back to the MIMO antennas. I think outside of the millimeter wave applications, which I'm not sure that in those particular areas, we're going to be heavily impacted by. I think the rest of it is going to be requiring the MIMO antennas and that's -- we're going to be smack in the middle of all that.

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**Unidentified Analyst**

One of the things 5G is supposed to be able to do is support new business models, in which it should bring potentially new customers into your industry. And you've acknowledged in the past that you've had some degree of conversations with nontraditional tenants, DISH is already in your backlog as you've acknowledged and that's using traditional spectrum. Can you give us an update on that? I mean, have you seen any acceleration or broadening of those discussions?

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**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

Well, DISH has been very active. The -- we have had a number of conversations with narrowband IoT providers who are focusing on the unlicensed space. The challenges for those folks is, they are needing to produce an extremely low-expense business model. And there are just practical limitations to that. And it remains to be seen whether they will be able to compete against the license spectrum holders when they ultimately turn their -- the license spectrum holders ultimately turn their attention to IoT. The CBRS stuff is extremely interesting. I don't know, if you saw the application that was filed the other day by Federated Wireless. But a 14,000 site deployment was filed by Packet with the FCC, far and away, the largest proposal or application in this space. We're one of the few, at least to date, licensed CBRS testing firms, where we actually have a CBRS system installed in our building, where we're testing a lot of things. Right now, it's limited to the use of dongles and stuff. But it works really well. And it's relatively easy and cheap to install. I actually think the whole CBRS thing is going to be a real substitute for Wi-Fi. And what will be good about it is, it will ultimately be in your phones. So it'll handoff and become a true mobility application. And the CBRS Alliance is actually a pretty interesting organization, which I'd encourage some of you to maybe take a look at because you got people in there like Google, and Amazon and Facebook. So this is how they're following and interested in all this So there's a lot of non-big-4 things that are going on. All of it, very interesting, none of it I think is remotely material this year, but who knows. In years to come, I think it's going to be increasingly so.

**Unidentified Analyst**

How about edge computing. These are potentially miniature data centers that could be inside your fences and under your towers, is that picking up steam at all?

**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

It is. It is. There was a news bureau the other day from a company called Packet, which disclosed that there -- we are working together on a site of ours in New England. And this is an area that we're actually doing a lot of work in and working with a number of different companies. It's actually easy for us. I mean, we already have real estate, we have the ideal facilities, right? We have the fiber, the electricity and the tower sites. So what we're watching and helping to facilitate is the coming to fruition of the need. And the -- and so for us the question will be how do we capitalize and monetize on this. Do we do it just as landlords, which is one opportunity for us. Or do we go a little deeper and become to true operators of these mini data centers at the sell site and that's what we're working on or figuring out now. But if you read a little bit about the -- what folks expect out of 5G, and particularly, the true autonomous driving or the highest level of autonomous driving, I should say. Folks suggest that you must have computing power at the sell site that is feeding back and forth to the computing power in the car for that ever become a reality. So many people believe that this is going to become a reality, it's just a question of when. I don't know the answer to that. But I do know that we have a built-in kind of opportunity there that we've already spent the money on, so we must -- we'll be ready to capitalize on it when it's available to us.

**Unidentified Analyst**

All right. You have very consistently expressed your lack of interest in outdoor small cells and metro fiber assets, so I'm not going to ask you again about that. But you have invested in indoor systems, and you have identified opportunities to own outdoor systems in international markets. So I was hoping maybe we could get a little bit of an update on that in terms of the way you're thinking about international small cells. Do you think that there are going to be growing opportunities to deploy capital there?

**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

We do. Some of the things that we're doing in our Latin American markets are basically high-yield cash flowing plays, where they're more mini-macro perhaps than there are small cells. But they're single-tenant opportunities. They cash flow 12%, 13% on day 1, where we get a nice long-term contract either from the municipality or from the carrier. A little different from the higher investment, traditional macro tower that relies on multiple tenants. But more similar, more targeted, a little bit like the small cell business. The in-building things that we're doing and it extends beyond just buildings. So I mean, we're doing things with hospitals and state lands, and municipalities and railroads. Anything where we can gain contractual rights or exclusive rights, things that develop the barriers to entry that have made, in our opinion, the tower business so great. If we can replicate those, that is the kind of asset that we're interested in working with or owning. And those are going to present a lot of, we think, opportunities. And we think CBRS, because it will become, we believe, a good solution and a much less expensive solution for in-building coverage and flexibility actually is going to open a lot of doors that previously might have been economically shut on the in-building side. So we're pretty excited about that.

**Unidentified Analyst**

Do you have any interest in owning any of those priority access licenses? Or that's not the point, you just think it creates infrastructure demands?

**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

The latter, yes.



**Unidentified Analyst**

Okay. Just sticking with this type of infrastructure outside the U.S. American Tower did a deal in Mexico, where they bought a bunch of utility poles in fiber. And they have had expressed a similar view to you on domestic infrastructure. But they've indicated that fiber in emerging markets can potentially be interesting, because there's not a lot of it. So you may actually have an exclusive asset. But also, you need to have fiber into towers in order to really drive LTE investment and upgrades in those markets. So I'm curious, do you have a same point of view and you're not in the same markets they're in, so whether there's something you may be able to do that incorporates fiber a bit more in outdoor basis, not inside the U.S.?

**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

If there are enough attributes that lend exclusivity, and particularly, if you add the aspect of and you see a clear path to generating lease up on assets that you've already invested capital in, you certainly can see some traction to that.

**Unidentified Analyst**

It doesn't seem like it's probably a big part of what you're looking at in the market right now. Is that fair?

**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

No. But it would be -- I mean, if it -- if the opportunity came up, it would not be something that we would automatically pass on. We would take a look.

**Unidentified Analyst**

Okay. Let's talk a little bit more about Brazil. So net of your pass-throughs, it's about 10% of your revenue coming international, it's predominantly Brazil. You saw your gross organic revenue growth in Brazil improve a bit in the second quarter, you're now pushing up to almost 11%. Can you walk us through what's behind it? And sort of the same question as U.S., how broad-based is it? And what type of momentum do you think you see in Brazil right now?

**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

Yes, Brazil for the last several quarters, probably going back into -- last year certainly has been our best-performing market. All the carriers are contributing. It's not even. Some are busier than others. Oi has emerged from bankruptcy. The creditors who are now the equityholders have expressed a strong interest in improving operations and improving the network before they would consider any type of strategic transaction. They also want to see the concessions removed down there, which there are some political will to do, although after the election. The environment has generally been good. It's all going well, except the reais. Every part of Brazil has met or exceeded our expectations, certainly on a constant-currency basis. But again, the reais has -- certainly this year, has wiped all that out. And there's really no good explanation for it other than the craziness, for lack of a better word, around the upcoming presidential elections, which we got about a month to go. And we'll see what shakes out. We've been down there now through 3 different Presidents starting with Lula. They've all had a very reasonable approach to telecommunications. We've not seen any hugely different view that affects the way we operate. We've not seen a hugely different view on our customers. Nothing from either the political right or left down there that's extremely troubling to our business. But it has resulted in big swings in the reais. We're now of a size down there that we're fairly large. We are generating a lot of excess cash. We are growing organically and even funding acquisitions down there totally off the cash we generate. Haven't put any new U.S. dollars into Brazil in almost a year. Don't think we will, based on how we see things continuing to grow down there. We actually still have money left over that we bring back to the United States. So it's actually working extremely well in every respect, except for the currency translations this year.

**Unidentified Analyst**

So in terms of thinking about the elections, it seems like the primary think you would expect that to maybe impact is the exchange rate. But you're not necessarily anticipating that your business fundamentals as far as you can see it are exposed to that?

**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

No. And the one thing that should come out of the elections is they should take back up the issue of the concessions and the changes there, which should be extremely good for Oi. And could open the way for either a new market entrant to come in and consolidate Oi or actually TIM and Oi to consolidate and that would be -- even though that would be 4 carriers going to 3, that would actually be a positive in that market and I think for our industry.

**Unidentified Analyst**

Just for driving investment?

**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

Yes, yes.

**Unidentified Analyst**

Speaking out, it seems beyond Brazil, you recently acquired 451 sites in El Salvador from a subsidiary of Millicom, and yet I believe another 360-so that are expected to close over the coming months. Can you just give us backdrop of what was interesting about El Salvador?

**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

Well, we've been in El Salvador a long time. It's been a good market for us. The one of the reasons or one of the things that we have found to our pleasant surprise in Central America is costs have been well below where we thought, so results have been even better than expected. This is U.S. dollar denominated market which, of course, we like. Millicom had undertaken some initiatives to reduce debt. And Millicom was the market leader in El Salvador. So one of the things that we saw to be attractive there is, we had the market leader's network, they have more towers than anybody. So with that portfolio, we were able to then and are able to go to the other 3 carriers and say, "Hey, market leader, here's the network. If you want to rapidly expand and try and increase your market share, well, here's the network to do it." And that's already met with some successes as we've had some good lease up on those towers. And the other thing that we have planned for El Salvador is, on the towers that we've previously owned, we've had some tremendous success buying land in under those towers at very reasonable prices increasing our margins and our returns tremendously. Very little, if any of that have been done with the Millicom towers and that will be a big part of our strategy going forward.

**Unidentified Analyst**

You said costs have been lower, what are the -- what costs have been lower in that market?

**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

Maintenance, personnel, every aspect of our cost structure in El Salvador.

### **Unidentified Analyst**

Okay. Right. So your long-stated goal is to grow your portfolio 5% to 10% a year. You're going to achieve that again, this year. You actually acquired 200 towers in the U.S. this year. We haven't seen you do a big tower deal in the U.S. in a long time. Just curious for a little bit of color around what's behind that.

### **Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

That came mostly in a -- in 1 transaction from a long-time seller to SBA, somebody we've known forever and we just -- we have a long-standing great relationship, it's probably the third time we've bought towers from this person. I would love to tell you that there's a lot more of those in the pipeline, but they're not. You -- quality, make that the operative word. Quality U.S. towers are fewer and farther between than they used to be. We continue to be very interested in all that we can find. And we'll continue to buy towers in the U.S. But I would continue to tell you that more of our 5% to 10% portfolio growth will come internationally than in the United States.

### **Unidentified Analyst**

And when you say there's not a lot of quality towers available, is it because there aren't portfolios available or what's available doesn't meet your quality criteria? And just as an extension to that, is it the physical asset? Or is it maybe some of the contractual terms that are attached to that asset?

### **Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

It's combination of all the above, price, terms, asset quality.

### **Unidentified Analyst**

Another thing you use your money for, you're discretionary capital for, is repurchasing shares, you've repurchased about 5% of your shares over the last 4 quarters. You are authorized for another, I guess, you have a 5 -- \$1 billion authorization that you can execute against. When you think about the opportunities to deploy capital and you denoted that U.S. is probably not going to see a lot of that, where do buybacks rank in your capital allocation hierarchy right now?

### **Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

Well, they always rank behind portfolio growth. They are always the second choice. We'd always want to spend everything we can on quality portfolio growth. If we can't do that, we believe it remains extremely important to stay fully invested and fully invested means, spending up to our desired capitalization levels. And then the last criteria to meet is, do we think our stock is undervalued and we've consistently believed that. So if we have -- if we can't spend it on portfolio growth and we have the capacity and the stock's undervalued, we buy our stock back.

### **Unidentified Analyst**

Your leverage target range what you've had for a while is 7 to 7.5 turns, you're basically at the high end of that right now. A common question we get is what would cause SBA to change that? Now you've acknowledged that as you move towards paying a dividend that's something that might move the needle a little bit. The other question is interest rates. What type of rate environment does the math not make sense to be at that level of leverage?



**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

The -- from an absolute are you generating positive growth and AFFO per share, the answer to your question is a 5%, 10-year treasury. The other answer to your question would be, at what point do you think that you would have refinancing issues and our views on leverage really were shaped by the 2 capital market dislocation times that I have lived through, which is 2002 and 2008. And that -- those times really have taught me that, if we can get to 6x, we're -- we can refinance anything. And that's why 7 to 7.5x which is what we can get to within a year's period of time, which is why we also carry an unfunded \$1 billion revolver. So you triangulate into all that and you have a liquidity driven refinancing safety concern. And then you also then have, well, what's the absolute level upon which if interest rates rise just from a AFFO per share generation level that it doesn't make sense anymore. And that's how we get to those, that's how we answer your question.

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**Unidentified Analyst**

Got it. So if we -- from the interest rate standpoint, if we move up to 5%, it seems like that's the new normal. You may have to go back, run some math and decide what a more appropriate level of leverage would be to maintain your...

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**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

If we got to that level.

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**Unidentified Analyst**

Okay.

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**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

Now we have said, and we continue to believe that when we become a dividend payer, which is currently modeled out for us to be, at the earliest, 2021, we'll probably take leverage into the 6s, because at that level, under any circumstance, we believe we are a rock solid under every circumstance refinancing safe company and the dividend would be forever unassailable.

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**Unidentified Analyst**

At what point would you have to start the process of beginning to delever to be in the 6s, when you start to become a dividend payer?

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**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

No more than a year out.

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**Unidentified Analyst**

Got it. All right. So I want to go back to the topic that got too much attention in your conference call, and I'm just going to screw it up, I continue to talk about it, which is, you slightly modified your long-term AFFO per share target. You had originally been targeting over \$10 a share. By 2028, you now think you'll get there, but maybe just a few quarters later. And you walked through a lot of the assumptions that underpin the original outlook and the modification, whether it's leasing activity, portfolio growth, currency interest rates and share repurchase is kind of the list of it. And I just feel like that investors still were a bit uncertain as to what the biggest needle movers were in terms of slightly changing the time line around which you think you can get there?

**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

Well, the reais hasn't really helped much since then. And it really is 2 things that have changed materially since 2016. Interest rates and the reais. Those 2 in particular. And those have been offset by a better domestic leasing environment starting this year than what we'd anticipated. And remember, this all relates back to when we first put this goal out in 2016. Leverage hasn't really changed. Don't think there's any other aspect of our assumptions that has materially changed. But we did not anticipate interest rates moving up the way that they have. This was re-elections and we certainly didn't anticipate the reais moving the way that it has. And geez, it's moved 20 basis points, 40 basis points just since our last earnings call. So those are the 2 that really have kind of taken us off that number by that day. But I think what I want folks to focus on and what I would say is -- and I've been doing this for a long time, as you all know, and I've seen this period of time before. When rates are moving and when FX rates are moving against us, it's very much like we're swimming against a strong current. It's hard to see the strength in the underlying business. But when those rates stabilize, and they will, they always do. You then get back to the strength of the underlying business. And what we have, when you capitalize the business the way that we do, is you have a company that will grow at a double-digit compounded AFFO per share rate. And go ahead and substitute the dividend for that when we become a dividend payer and add that back in, but it will be -- account that as total shareholder return on whatever you want to call it. But I'm extremely confident when we get past this moving time, and it's always difficult for us when it's moving time rates, FX, but those moving times stop. And when it's -- when we're back to reasonable stability, the true operating leverage and strength of the business will once again show itself and we'll be that double-digit compounder that we always have been.

**Unidentified Analyst**

It's a great way to end. Thanks so much, Jeff.

**Jeffrey A. Stoops - SBA Communications Corporation - President, CEO & Director**

Happy to do it.

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