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SBAC.OQ - Q3 2018 SBA Communications Corp Earnings Call

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Co. reported 3Q18 AFFO per share of $1.92.

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the SBA Third Quarter Results Conference Call. (Operator Instructions) As a reminder, the conference is being recorded.

I'll now turn the meeting over to our host, Vice President of Finance, Mark DeRussy. Please go ahead, sir.

Mark DeRussy - *SBA Communications Corporation - VP of Finance*

Thank you, Laurie. Good evening, everyone, and thank you for joining us for SBA's Third Quarter 2018 Earnings Conference Call. Here with me today are Jeff Stoops, our President and Chief Executive Officer; and Brendan Cavanagh, our Chief Financial Officer.

Some of the information we'll discuss on this call is forward-looking, including, but not limited to, any guidance for 2018 and beyond.

In today's press release and in our SEC filings, we detail material risks that may cause our future results to differ from our expectations. Our statements are as of today, November 5, and we have no obligation to update any forward-looking statement we may make.

In addition, our comments will include non-GAAP financial measures and other key operating metrics. The reconciliation of and other information regarding these items can be found in our supplemental financial data package, which is located on the landing page of our Investor Relations website.

With that, I'll turn the call over to Brendan.

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

Thank you, Mark. Good evening. We had a great third quarter, with very positive operating results in both our leasing and services businesses. Total GAAP site leasing revenues for the third quarter were $435.3 million, and cash site leasing revenues were $430.2 million.

Foreign exchange rates were weaker than our estimates for the third quarter, which we previously provided with our second quarter earnings release, negatively impacting leasing revenue by $1.7 million. Same-tower recurring cash leasing revenue growth for the third quarter, which is calculated on a constant currency basis, was 5.9% over the third quarter of 2017, including the impact of 1.8% of churn. On a gross basis, same-tower growth was 7.7%.

Domestic same-tower recurring cash leasing revenue growth over the third quarter of last year was 7% on a gross basis and 5% on a net basis, including 2% of churn, approximately half of which was related to Metro/Leap and Clearwire terminations.

Domestic same-tower recurring cash leasing revenue growth on a gross basis increased sequentially for the second quarter in a row, and we expect it to increase again next quarter based on the strong year-to-date operational domestic leasing activity we have experienced.

Internationally, on a constant currency basis, same-tower cash leasing revenue growth was 10.4%, including 80 basis points of churn or 11.2% on a gross basis.

Gross organic growth in Brazil was 12.9% on a constant currency basis, a solid increase over the second quarter, reflecting increased operational leasing activity in Brazil over the last 12 months.

Domestic operational leasing activity representing new revenue signed up during the quarter was very strong in the third quarter, up from second quarter levels, and for the third quarter in a row, well above year ago levels.

During the third quarter, we again had solid contributions from each of the Big Four carriers. Newly signed up domestic leasing revenue came about 60% from amendments and 40% from new leases, and the Big Four carriers represented 95% of total incremental domestic leasing revenue that was signed up during the quarter.

We have solid backlogs with each of our major U.S. customers, and we expect them to remain active, investing in our networks, resulting in a continued healthy level of new lease and amendment signings in the fourth quarter.

Internationally, we had another strong leasing quarter, with Brazil providing the biggest contribution. In Brazil, we had solid contributions from Claro, Vivo and TIM.

During the third quarter, 86.8% of consolidated cash site leasing revenue was denominated in U.S. dollars. The majority of non-U. S. dollar-denominated revenue was from Brazil, with Brazil representing 11.6% of all cash site leasing revenues during the quarter, and 8.3% of cash site leasing revenue, excluding revenues from pass-through expenses.

With regard to third quarter churn, we continue to see churn from leases with Metro, Leap and Clearwire, consistent with our expectations. As of September 30, we have approximately $13 million of annual recurring run rate revenue from leases with Metro, Leap and Clearwire that we ultimately expect to churn off over the next 2 years.

Domestic churn in the third quarter from all other tenants on an annual same-tower basis was 1.1%, and of that, less than 30 basis points was related to Big Four tenants.

We anticipate slightly higher churn in the fourth quarter due to the nonrenewal of certain legacy iDEN-related leases. The impact of which has been and continues to be included in our full year 2018 outlook.

Tower cash flow for the third quarter was $344.8 million. Our industry-leading domestic tower cash flow margin increased to 82.8% in the quarter.

International tower cash flow margin was a very strong 68.6%, and 89.5%, excluding the impact of pass-through reimbursable expenses.

Adjusted EBITDA in the third quarter was $328.1 million. Our adjusted EBITDA results in the quarter were again driven by strong performances in both our leasing and services businesses.

Services revenues in the third quarter were $32 million, up 25.8% over the third quarter of 2017, driving an increase of over 75% in services gross profit over the year ago period. Cash SG&A for the quarter was in line with expectations and continues to remain very low as a percentage of total revenue. Our industry-leading adjusted EBITDA margin was 71% in the quarter compared to 70.6% in the year earlier period. Excluding the impact of revenues from pass-through expenses, adjusted EBITDA margin was 75.6%. Approximately 98% of our total adjusted EBITDA was attributable to our tower leasing business in the third quarter.

AFFO in the third quarter was $222.7 million. AFFO per share was $1.92, an increase of 9.7% over the third quarter of 2017, or 13.1% on a constant currency basis. AFFO was negatively impacted by $1 million or $0.01 per share due to weaker foreign exchange rates in the quarter than we had forecasted for our prior outlook, which was given July 30.

During the third quarter, we continued to invest in expanding our tower portfolio, deploying incremental capital into both new tower builds and acquisitions. During the third quarter, we acquired 679 communication sites for $106.9 million, with most of those sites located internationally. We also built 90 sites during the third quarter.

Subsequent to quarter end, we have acquired 46 additional communication sites for $17.1 million. And as of today, we have 410 total additional sites under contract for acquisition at an aggregate price of $97.9 million.

We also continued to invest in the land under our sites, which provides both strategic and financial benefits. During the quarter, we spent an aggregate of $14.6 million to buy land and easements and to extend ground lease terms. At the end of the quarter, we owned or controlled, for more than 20 years, the land underneath approximately 71% of our towers, and the average remaining life under our ground leases, including renewal options under our control, is approximately 35 years.

Our across-the-board strong third quarter results have allowed us to increase the midpoint of our full year 2018 outlook in almost every category. We increased at the midpoint our full year leasing revenue and tower cash flow outlook by $6 million, adjusted EBITDA by $11 million, AFFO by $9.5 million, and AFFO per share by $0.115 cents.

Consistent with our historical practice, our updated full year 2018 outlook does not assume any further acquisitions beyond those closed or under contract today, and it does not assume any additional debt financings or share repurchases beyond those completed prior to today.

We have, however, increased the midpoint of our full year outlook for net cash interest expense by $3 million, primarily to account for increased borrowings under our revolver, which was used to fund share repurchases during the third and fourth quarters.

I will now turn things over to Mark, who will provide an update on our liquidity position and balance sheet.

Mark DeRussy - *SBA Communications Corporation - VP of Finance*

Thanks, Brendan.

SBA ended the third quarter with $9.7 billion of net debt, and our net debt to annualized adjusted EBITDA leverage ratio was 7.4x, within our targeted range of 7 to 7.5x. Our third quarter net cash interest coverage ratio of adjusted EBITDA to net cash interest expense was 3.5x. The weighted average coupon of our outstanding debt is 3.9%, and our weighted average maturity is approximately 4.5 years.

We continue to believe that we managed our balance sheet very effectively, and we're pleased to see the recent upgrade of our corporate credit rating by S&P to BB.

During the third quarter, we borrowed under our $1.25 billion revolving credit facility in order to fund share repurchases. And as of today, we have $215 million outstanding under the revolver. During the third quarter, we spent $108 million under our $1 billion stock repurchase plan to repurchase 696,000 shares of our Class A common stock at an average price of $155.16. Subsequent to September 30, we repurchased 937,000 shares for $142 million or $151.55 per share. All the shares repurchased were retired. As of today, we have $404.5 million of authorization remaining under the repurchase plan. The company's shares outstanding at the end of September 30, 2018, are 114.2 million, down from 118.4 million at September 30, 2017, which is a 3.5% reduction.

With that, I'll turn the call over to Jeff.

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

Thanks, Mark, and good evening, everyone.

We had another very solid quarter of financial results that exceeded our expectations and showed continued strength in operational leasing activity. Our positive third quarter results and expectations of a strong fourth quarter have allowed us to increase our full year 2018 financial outlook in all of our key metrics.

In the U.S., new business signed up continued to be healthy, increasing from Q2 levels. This activity came primarily from the Big Four carriers, with all of them contributing to our results. Our leasing and services backlogs remain high, giving us comfort in a strong finish to the year. Domestic wireless data consumption continues to climb, including heavy bandwidth usage applications like mobile video streaming. In order to meet the constantly growing needs of their networks, our customers continue to deploy more spectrum and advanced technologies at our sites.

In addition, contributions continue to come from the rollout of FirstNet and the early stage activities being done ahead of 5G, including the deployment of MIMO antennas in the 600 megahertz and 2.5 gigahertz spectrum bands. We're working really hard for our customers in both leasing and services, doing whatever it takes to get the job done on time and on budget. We're happy to do it to meet our customers' needs as they're very busy, busier than they have been in years, and we are here to meet those needs.

Internationally, we also had another very strong leasing quarter, with Brazil once again leading the charge. In Brazil, we had one of our biggest quarters in years in terms of new business signed up, with solid contributions from all 4 major wireless carriers. We also had another nice jump in organic same-tower revenue growth in Brazil on a constant currency basis, reflecting the positive leasing trends in that market over the last 12 months.

The contractual revenue signed up during this quarter in our international markets came about 53% from new leases and 47% from amendments, which is similar to the mix we would expect going forward.

During the third quarter, we once again saw a sizable decline in the Brazilian real, which negatively affected our reported results. However, with some of the uncertainties related to the recently completed Brazilian elections now behind us, we've seen the exchange rate subsequent to quarter end improve and stabilize somewhat. President Bolsonaro is the first President elected in Brazil outside of the Workers' Party during our period of investment, and he ran on a platform of debt reduction and fiscal and economic reform. We are optimistic as to the future under his leadership.

Regardless of some of the noise created by the volatile movements in FX rates, we're extremely pleased with the performance of our Brazilian operations. Not only have we seen continued strengthening in the organic growth trends, we've seen a clear acceptance and a sense of normalcy adopted around the basic operations of the tower industry by regulatory authorities, landowners and our customers in Brazil.

And as we mentioned in our second quarter earnings call, the underlying Brazilian economy seems to continue to be improving, which is supportive of continued growth opportunities for both us and our customers.

During the third quarter, we also continued to add to our international portfolio, acquiring 663 towers in several transactions, including 463 towers in El Salvador, as part of our acquisition of sites there for Millicom International, and 179 towers acquired in Ecuador. We also built 83 towers in our international markets during the quarter.

We expect to continue to add sites in our existing markets through disciplined builds and acquisitions. Our primary focus for portfolio expansion remains the Western Hemisphere, but we also continue to be open to and regularly explore opportunities in other markets.

Our tower additions year-to-date across our entire tower portfolio have ensured we will once again grow our portfolio by 5% to 10% in 2018.

Ahead of our dividend obligations, which we currently estimate to start in 2021, we continue to target 7 to 7.5x net debt leverage, notwithstanding the recent increase in interest rates. Our bias has always been and remains today toward portfolio growth. However, we are always willing to repurchase our stock when we believe it is undervalued, particularly in times like now where we are seeing such strong organic growth.

Our balance sheet management and focus on quality portfolio growth and opportunistic share repurchases has been a key component of our value creation throughout our history.

In addition to tower portfolio growth, we are excited about our prospects and some of our recent success associated with investments we are making in other strategic real estate. These efforts are built around securing exclusive wireless rights to world-class venues. Some of the solutions we were able to provide to these venues include rooftop and exterior wireless management, small cell solutions and in-building wireless networks, including DAS, Wi-Fi and CBRS solutions. While we are in the early stages of some of these initiatives, we believe the quality of the real estate we are accumulating will drive extremely attractive returns on our investments.

In addition, we continue to work on initial prototype mobile edge computing locations built around our existing property locations. It's still very early in the development of these solutions, but we believe we have a distinct advantage with the quality locations we are targeting, and we are excited about the potential for this additional business line down the road.

Operationally, we continue to perform at a high level of efficiency, managing our costs and growing our margins. In the third quarter, we once again produced industry-leading operating margins, demonstrating the quality of our assets and effectiveness of operations.

Our tower cash flow margin was 80.2%, and our adjusted EBITDA margin was 71.0%, both up from the third quarter of last year as well as sequentially over the second quarter of this year. This will continue to be an area of focus for us, as it always has been.

We're in a great time in this industry. We've had a tremendous 2018 so far, and we are optimistic about the end of the year and our prospects for 2019. We intend to use our strong cash flows and access to attractive financing to make disciplined yet opportunistic capital allocation decisions. These investments, along with the strength of our current customer demand and our operational excellence, will allow us to drive growth and shareholder value through growth in AFFO per share.

I'd like to thank our employees and our customers for their contributions to our success. And Laurie, at this time, we are ready for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question, from Phil Cusick with JPMorgan.

Yong Choe - *JP Morgan Chase & Co, Research Division - VP in Equity Research*

This is Richard for Phil. Just wanted to go into the organic growth rate increase on the domestic side from 6.4% to 7.0%, despite churn kind of ticking up. Can you give us a little bit more detail on what you're seeing there and how it should trend going forward.

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

It's not despite churn. It's before churn, but it's just more activity. I mean, as we have been telegraphing all year, we expected to see a pickup in those rates. And remember, those are trailing 12-month rates, so it's also a function of the year ago periods not being as strong. So the comparison to the year ago periods are, in fact, helping this. So one way to look at it is we've had successive periods that were stronger than the year ago period. Third quarter just completed much stronger than the year ago period, which dropped off stronger than the fourth quarter of last year. So you've seen just successive increases in those periods of revenue added -- new revenue added. But don't confuse the churn. I'd say we exclude the churn from the gross numbers, and you can see that in the supplemental materials.

Yong Choe - *JP Morgan Chase & Co, Research Division - VP in Equity Research*

I guess, what I was trying to get at is, are you seeing an increase in activity? Or is this more of a...

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

Yes. By definition, we have to be seeing more revenue added per tower for those growth rates to be increasing, so yes.

Operator

Our next question, from the line of Rick Prentiss with Raymond James.

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

A couple of questions. First, we noted that there was a change in your 2019 straight line adjustment in the supplement. Appreciate the supplement. You guys don't do a lot of MLAs, but how should we think about that? It looked like maybe it was a -- the delta was maybe $5 million to $6 million. Have you done an MLA? And is that an indicator of some new business coming in '19?

Mark DeRussy - *SBA Communications Corporation - VP of Finance*

Well, Rick, we had done an agreement with Sprint last year, which incorporated the potential for term extensions as amendments were done, plus the agreements that are signed as new leases have longer term. So when we gave you those 2019 numbers, it's really just to give you a guide, but it's at a moment in time. And so a quarter ago, when we gave it to you, it's whatever is in the system at that time. But as we sign up additional amendments that extend terms, or leases with longer terms, it affects that. So those numbers are going to move around a little bit. I'm sure there going to be a little different again next quarter too, but that's one of the primary drivers.

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

Okay. I think, I noticed that Sprint's now about 19.5% of your domestic revenue. What's the remaining life then on those leases? And also, maybe update what T-Mobile average life is?

Mark DeRussy - *SBA Communications Corporation - VP of Finance*

Well, specifically on the overlap sites, Sprint is about 5 years on average remaining, and T-Mobile is about 3 years left, which is not that different than the portfolio at large.

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

Right. Okay. And then, last question. Jeff, you talked a little bit about the stock buyback pacing. How should we think about as you guys look at the potential for M&A out there versus obviously a volatile market? And when do you need to re-up? I think, you're down -- Mark was saying you're down to about $405 million left on the authorized program. So how should we think about the pacing of the buyback versus portfolio, and also when you might re-up the program?

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

Well, as has been always the case, we would like to spend all the money on high-quality portfolio growth that meets our investment goals. If we can't do that, then we turn our attention towards staying fully invested through stock repurchases, so it's really hard to say. Some quarters will be more than others. And we have the ability through a very decisive and promptly reactive board to kind of re-up that stock plan whenever we need to. So obviously, we do it before we ran out. But I can't really tell you when that would be, and it's all going to be a function of the quality and the investment returns that we see on the portfolio side.

Operator

And we'll go next to Nick Del Deo with MoffettNathanson.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

First, on churn. Looks like churn in the U.S., excluding Metro, Leap and iDEN -- or Clearwire, stepped up a bit to 1.1% this quarter. Brendan, in your prepared remarks, you said that 30 basis points of it came from the Big Four carriers. Can you talk about where the other 80 basis points came from and how persistent it will be? It seems like a fairly high number, given only about 10% or so of your revenue comes from non-Big Four customers.

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

Yes. I mean, they certainly represent a disproportionate amount of the churn, though. So it's really a wide-ranging -- it's a very long list of a lot of small numbers, Nick. So it includes companies that are even paging companies, other miscellaneous broad -- narrowband providers, that kind of stuff. It's a lot of cats and dogs.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. Should we think of this as persisting for a few quarters until it kind of laps itself?

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

Yes. I think you should from the standpoint that, historically, our churn level, excluding these consolidations that we've had that boosted it up, has been in the 1% to 1.25% range. Over the last year or 2, it's been a little bit lower than that, but I don't think you should assume that, that is the new norm. It could be somewhere in that 1% to, say, 1.25% probably range in the future.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. That's helpful. And then, Jeff, you spent a little more time than normal talking about some of your non-macro initiatives, like indoor solutions. Recognizing that they're growing off a pretty small base, what should we expect from those from a growth perspective? And should they be more than a few percentage points of total revenue?

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

I think it will take a while -- they're going to grow really fast, but it's going to be a while before they get to be 1% or 2% of revenue. We're excited about them because it's things that we're very happy with some of the early results in terms of the quality of the venues and what we think will be some very, very good results on a per project basis for us, Nick. But still a long way away from being material. But these are the kind of things that you have to start at some point to get there, and we're doing it.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

What sort of venues are you finding that are on your sweet spot?

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

Hospitals, educational facilities, multifamily facilities, large retail organizations are the primary ones, and then some extremely unique industrial properties would be ones that come to mind. And these are all -- I'm being a little coy because we have some very big name brand things that we're not quite ready to talk about yet, but we will here in the not-too-distant future.

Operator

And we'll go to Michael Rollins with Citi.

Michael Rollins - *Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst*

Just a few, if I could. First, can you give us a sense of what the escalators on average are for the domestic and the international segments on a cash basis when you look at the revenue bridge for the third quarter? And then, second, based on the backlog that you have in the pipeline, can you frame where that gross revenue gains in the domestic business can get to, whether it's a 12 or a 24-month perspective?

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

Yes. Mike, on the escalators, domestically, they're about 3.2% approximately annually on average. And internationally, they fluctuate a little bit because the Brazil piece is such a big component of it, and they are obviously CPI-based, and CPI has been moving around a little bit down there. We do have some floors, though, on some of leases in Brazil, a lot of the Oi leasebacks. So when you blend all that together, along with other internationals, we're close to 5% is about the average, but that can move a little bit, depending on how CPI moves.

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

Yes. And on the backlog question, Mike, we don't -- in all due respect, we don't want to get too much into 2019 guidance. But I will tell you, the backlogs domestically right now are materially similar to where they were 3 months ago, so very substantial and very supportive of additional, very strong bookings.

Michael Rollins - *Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst*

And then, how -- maybe on the other side of the equation, on the churn side, is there some help that we should think about in terms of where that churn may get to based on some of the processing that you've described for some of the past carrier consolidations that have taken place?

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

Yes. I mean, on the churn, if you're talking specifically domestically, I assume you are, we've got some remaining Metro/Leap and Clearwire that will run off. We mentioned that number was about $13 million of annualized revenue that we expect we'll lose over the next 2 years approximately. We have a little bit of iDEN churn in the fourth quarter. When you kind of move away from those, that's where we think roughly that 1% to 1.25% range for all other stuff basically is where we'll be. So for the time being and the next so many years, that's probably a reasonable level. Maybe a little bit lower in certain periods, and slightly higher in others, depending on timing of notices. But otherwise, that's where we think it will fall out. And eventually, it obviously comes down, because the revenue base continues to grow, the amount of other types of leases that are churning off is naturally reducing. So -- but that's been our historical level, and we expect it to be similar going forward.

Operator

And we have a question from Walter Piecyk with BTIG.

Walter Paul Piecyk - *BTIG, LLC, Research Division - Co-Head of Research and MD*

So you maintained guidance at $45 million for the amendments and colos. So obviously, you're going to see another nice sequential step-up in the fourth quarter. I mean, simple math gets me to about $15 million or so for the quarter, which is a 30% increase. When I look at past years, fourth quarter new leasing activity amendments on the colos seems to kind of roll over into Q1. Meaning that you do a certain number of -- you do a similar level in Q1 as Q4. Is there any reason to think that's different this year, particularly back-end loaded that, that would kind of drop down in Q1? How should we think about that cadence?

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

Yes, I don't think we know anything today, Walter, that would say there should be an abrupt change, particularly given the fact that a lot of the stuff is coming from projects that are multiyear in nature. And frankly, a lot of this nice buildup that we've seen through the year, and the reason you're seeing this nice step-up in the growth rate as we get to the exit of the year is, again, frankly, because the end of 2017 was not that strong.

Walter Paul Piecyk - *BTIG, LLC, Research Division - Co-Head of Research and MD*

Right. But even on an absolute basis, if you can maintain those levels, that's going to set it up for looks like a pretty continual acceleration in the organic growth rate for the company?

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

Well, I mean, the business -- getting back to your first question, the work that's coming in, and that's filling the backlog today, is coming from multiyear projects. So no reason why there should be a calendar stump just because it's December 31.

Operator

Our next question, from Simon Flannery with Morgan Stanley.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Jeff, could you just talk a little bit more about the services strength and how sustainable do you think that is? What's driving it? And then, on the pipeline, you talked a lot about the strong activity by the Big Four. What are you seeing in pipeline from potentially new tenants or other nontraditional carriers?

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

I will tell you that a lot of our services business is predominantly weighted towards T-Mobile and Sprint. And you'll see that as we file the Q and things. So that should all continue to do very well. The only thing that, of course, could possibly change all that would be some changes that could fall out of announced combination. But short of that, both companies continue to work really hard and go down a path that shows no change at all based on the pending transaction. And in terms of other folks, Simon, we are actually seeing a fair amount of activity from DISH, and that would probably be the most notable outside of the Big Four.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Activity in terms of conversations or in terms of leasing?

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

All the way through to signed leases.

Operator

And our next question, from the line of Spencer Kurn with New Street Research.

Spencer Harris Kurn - *New Street Research LLP - Analyst of Towers and Infrastructure*

So as we look across the tower space in the U.S., AMT is growing gross organic growth around 9% versus your 7% today. And it sounds like the 7% is going to climb higher in the fourth quarter. But my question is, is there anything structurally different between your 2 businesses, why they should be growing faster? Or as activity continues to build, is the level -- is 9% within reach over the coming years?

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

I would say 2 things to that. I don't think the calculations are apples-to-apples, point one. And no, I don't think there's anything structurally different.

Spencer Harris Kurn - *New Street Research LLP - Analyst of Towers and Infrastructure*

Great. And just a follow-up, it looks like the biggest increase to your guide came in the other category for revenue. I was just wondering if you could provide some color on what those actions were?

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

Spencer, it's a handful of a variety of different things. We had some additional revenues that came, what we call cash basis, basically our tenants that we don't book revenue on an accrual basis based on a category that we put them in. That was a little bit higher in terms of collections. We had some -- a little bit of collections that were higher than what we had included in our projections from out of period billings. We had some termination fees. We had some holdover fees for customers that had canceled leases long ago but hadn't removed their equipment on time. So it's just a wide variety of stuff. But usually, just to give you kind of perspective on it, when we project that out and we give you a bridge, we kind of use historical norms, but we also are a little bit cautious because that stuff is a little bit uncertain. So sometimes, we have a tendency to see a little bit more than what we project out of a little bit of caution there.

Operator

And we'll go next to David Barden with Bank of America.

Joshua Matthew Frantz - *BofA Merrill Lynch, Research Division - Associate*

It's Josh on for Dave. On Brazil, I know it's quick, but is there any tangible change to the market since the election? And have you had any conversations with the carriers down there that might give you -- make you feel better or worse kind of going forward?

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

Hard to say that we've seen a tangible change there. It looks like they may be lifting the spectrum cap, which could be very good for the market in terms of activity down there. We'll see. The other thing that may happen, was not going to happen certainly before the election, would be the addressing of the concessions down there. That would need to happen along with the spectrum cap lifting before the -- any kind of large M&A or kind of structural changes can occur in that market. We believe Bolsonaro was in favor of both, so we'll see. But the spectrum cap was positive, and all that was kind of wrapped up in our comments as to why we are optimistic now that he has been elected.

Joshua Matthew Frantz - *BofA Merrill Lynch, Research Division - Associate*

And did you have any conversations with the carriers, I mean, not naming them individually, leading into the election about what they may or may not do, depending on who was ultimately elected?

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

Not that we can comment on.

Operator

And our next question, from the line of Amir Rozwadowski with Barclays.

Amir Rozwadowski - *Barclays Bank PLC, Research Division - Director, Head of the U.S. Telecom Service and Comm Infra Research & Senior Research Analyst*

A couple of questions, if I may. In thinking about sort of the growth trajectory of the business, your exit runway for 2018 seems to be fairly healthy. And recognizing that we don't really want to get into 2019 too much here, are there any potential limitations that are out there right now that could cap some of the growth? I don't know if it's more tower climbers or just the ability to move at the pace that the carriers would like to move that. Is there anything along those lines that you're seeing, either through your sales or through the industry at the moment that could put an upward limit in terms of the potential for growth?

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

Besides just the basic raw demand, no, I don't think it's going to be anything other than just the amount of orders that ultimately come in the door.

Amir Rozwadowski - *Barclays Bank PLC, Research Division - Director, Head of the U.S. Telecom Service and Comm Infra Research & Senior Research Analyst*

That's very helpful. And then, thinking about sort of the sustainability of the investment environment at this point, I think that there's still been some debate in terms of how some of the new spectrum that could come to market would be optimized or deployed, either via small cells or macro site investment. And I'm thinking about ranges like 3.7, 3.5, 3.7 to 4.1. How do you think about sort of the opportunity set from a macro perspective for those types of spectrum bands?

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

Well, based on -- I think there's still a lot of work and thought to be put into it. But I think the C-band would be mostly -- have the greater macro opportunities. The CBRS will be more of an in-building, perhaps Wi-Fi substitute, which is actually good because it may break through a lot of in-building resistance with owners where economics previously didn't make sense. Small cells, probably going to benefit from both, but that's not an area that we have certainly the greatest expertise in. But as to the macro sites, probably more of the C-band than CBRS. But all in all, very good for the ecosystems. The more things you have out there and the greater the money and the folks who are participating, particularly if we can get some other players involved, maybe some of the nontraditional, the Googles, the Amazons, and these are folks who are keenly interested in the CBRS ecosystem, I think it can only be good for infrastructure as a whole.

Operator

We'll go next to Jonathan Atkin with RBC Capital Markets.

Jonathan Atkin - *RBC Capital Markets, LLC, Research Division - MD and Senior Analyst*

A couple of questions. You mentioned rooftops in the script alongside all the other things that you're talking about. And I thought that was sort of a low-margin business compared to indoor DAS and venues and so forth. So just wondering what you see in rooftops that might have changed over the years? And then, secondly, I was interested in the -- you talked about strength across the Big Four in the U.S. And have you noticed any sequential changes in a negative direction in terms of leasing volumes from any single of the Big Four? Or is it that universally flat to positive in terms of leasing volumes sequentially from the Big Four?

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

Yes. I'll cover the last one first. I mean, it's -- we were speaking more as a whole. I mean, not -- there's not total equality in terms of the strength amongst the Big Four, Jonathan, and I prefer not to get into who's red hot and who's not. I think you can derive all that from your own readings of their CapEx reports. But in terms of rooftops, you're absolutely right, but the beauty rooftops is you can generally secure them with relationships that require little to no CapEx. And as you know, return on invested capital is something we're very much focused on, and you can do pretty well there with the right asset.

Jonathan Atkin - *RBC Capital Markets, LLC, Research Division - MD and Senior Analyst*

Are you planning to leverage rights that you had for the better part of the last 10 years? Or are there new assets coming into the portfolio where you would deploy these?

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

Both.

Jonathan Atkin - *RBC Capital Markets, LLC, Research Division - MD and Senior Analyst*

And then, lastly, I was interested in just inorganic portfolio growth opportunities in the U.S. And do you see the pace changing notably from what we've seen in the last couple of quarters?

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

I don't see the pace changing. I think the quality assets in the U.S. will continue to be elusive.

Operator

And our next question, from the line of Colby Synesael with Cowen and Company.

Colby Alexander Synesael - *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

Two questions, if I may. In your press release, you noted that you executed new domestic leasing that was at the highest level since 2014. And I'm just curious, if you adjust for the law of large numbers on an absolute -- on a percentage basis, would you anticipate, based on the leasing that you saw in the third quarter, that we get to a point where you would see the same level of absolute growth that we saw in 2014, somewhere over the next 2 quarters? And then, secondly...

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

Absolute growth on a percentile basis?

Colby Alexander Synesael - *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

No, absolute -- so not on a percentile basis. So I appreciate that you can't to get the same percentage rates because of the law of large numbers, but...

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

Like on a revenue per tower basis, you mean?

Colby Alexander Synesael - *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

Yes, like in terms of growth, yes.

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

Dollars added per tower.

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

Probably not, Colby. I mean, it depends on what period you're talking about. I mean, when we said we're -- that was the highest lease up since 2014, that is on a dollars added per site basis. So from that perspective, it is what you're saying. It is more dollars signed up on a per tower basis than it has been at any time in the last 4 years.

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

But not as high as our peak metrics in 2014.

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

Right. Exactly.

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

On that particular metric.

Colby Alexander Synesael - *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

Got it. So there's still a notable gap between what was done in the third quarter and '14, even though the next comparable high watermark would be 2014?

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

Correct.

Colby Alexander Synesael - *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

Okay. And then, the second question, in your script, you mentioned massive MIMO, and you mentioned you're seeing activity in the 600 and 2.5. I was just curious, are those only 2 bands that you're currently seeing demand for massive MIMO?

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

Call us back tomorrow because I'm not sure I can give you a perfect answer on that. I want to make sure that I don't misspeak. Those are certainly the 2 predominant ones.

Operator

Our next question, from Matthew Niknam with Deutsche Bank.

Matthew Niknam - *Deutsche Bank AG, Research Division - Director*

Just two on rates and debt. Can you talk about the impact of rising rates on forward AFFO per share growth, given, I think, a little over 20% of your debt is floating rate? And then, just leverage-wise, with rates rising, does that change at all how you're thinking about capital allocation and optimal leverage you'd like to operate the business at, given you've been a little bit closer to the higher end of that 7% to 7.5% range of late?

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

Well, I mean, you can -- that's a great question for all of you modelers because you can take our floating rate debt, which is very clearly laid out, and you can apply the forward curve because it's a LIBOR-based instrument, it's very clearly laid out, and you can make your own assumptions as to what our interest expense will be going forward. And that's the great question, right? And you can actually figure it out to the penny, Matt. So you can answer that question. So what was your second question?

Matthew Niknam - *Deutsche Bank AG, Research Division - Director*

Just about how you're thinking about leverage. With rates rising, I know you guys have been fairly comfortable where you are. But with the 7%, 7.5%, you've been operating at about 7.5%, is there any change to the way you're thinking optimal leverage in the current environment?

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

Probably not because of rate, but as we get -- we're a quarter away from the calendar turn to 2019, that brings us within 2 years of a dividend. So as we've talked about before, we're going to want to, as we enter into that period, have a probably sixth handle on our net debt leverage. So we are thinking about it more today than we were a year ago and how we're going to segue into that time period. But it's more because of the dividend than it is because of interest rate.

Operator

(Operator Instructions) We'll go to Brandon Nispel with KeyBanc Capital.

Brandon Lee Nispel - *KeyBanc Capital Markets Inc., Research Division - Research Analyst*

Two for Jeff. Number one, Jeff, are you guys seeing any changes in the prices that sellers of tower portfolios are expecting to get if interest rates rise? Number two, are you having any conversations with any of your customers in the U.S. on LTE spectrum band refarming for 5G? Are you primarily seeing amendments at this point from 2G and 3G to LTE?

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

I don't think anybody is refarming any 4G because there's really no 5G devices or even true equipment out there yet, and my understanding is the 4G is going to sit with the 5G for quite some time. So none of that yet. And are sellers expecting changes? Sellers never expect changes. But do they actually get them? I think all that is starting to work through. And it just takes time, but interest rates, clearly, are something that we certainly take into consideration when we bid for assets. And I think other serious and disciplined buyers do as well. So it will have an impact. Should have an impact, will have an impact.

Operator

Our next question, from the line of Robert Gutman with Guggenheim Securities.

Robert Ari Gutman - *Guggenheim Securities, LLC, Research Division - Senior Analyst*

With escalating activity through the year coming from the areas that you mentioned, FirstNet, 600 and 2.5, where would you say we are these days right about now in terms of how far those initiatives have worked through your entire footprint, percentage wise or in some sort of buckets or innings, however you choose to describe it?

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

Maybe the third inning. I'm an innings kind of guy. How about the third inning?

Robert Ari Gutman - *Guggenheim Securities, LLC, Research Division - Senior Analyst*

That works. Third inning is still pretty early.

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

I think that's our last question, right, Laurie?

Operator

We do have one remaining question in the queue.

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

Okay. We'll take that last one and we'll call it a night.

Operator

We'll go back to Rick Prentiss with Raymond James.

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

I took her up on that if I had any questions to ask. Jeff, I wanted to press you a little bit on your comment about open to exploring other markets beyond the Western Hemisphere. Can you share with us what would make an attractive market? I know people have looked at European assets, but none of the U.S. guys have really jumped at it, so help us understand, as you look at portfolio growth outside of markets you're already in, what would make an attractive market and what -- obviously, you look at every direction, but walk us through how you think about other markets?

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

Well, something where we feel after taking into account all of the risks and potential negatives weighed appropriately against the potential growth and the upsides, we can make an appropriate positive spread on our WAC. I mean, we're pretty good at this stuff in terms of operations, and we have found that particularly Latin America and South America, Brazil in particular, where I think everyone is really kind of been blinded by the movements in the reais to actually how we've really -- well we've done down there on every other aspect. We take those things, and we can take those skills to other markets. Europe for us has been a problem just because the returns haven't been there based on the competition from the European infrastructure funds to fund in euros and can borrow money at 0% and things like that. So we'll be looking at other conceivably higher risk parts of the globe. That, of course, would have to be carefully looked at and evaluated and would have to come with obviously double-digit plus returns for them to make sense for us. But assuming they did, and we did our homework, we would not be afraid to go there.

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

Okay. Good. And did you check how many carriers are on, just trying to think how we should think about the checking of the boxes and what makes it an attractive market...

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

Yes. I mean, you got to obviously have to have the right multiplicity of carriers to make the model work. It's going to be a very rare, if ever, situation where you can go into a 2 carrier market. We have been able to do that in Nicaragua, for example, and done very, very well, but that's, I think, much more the exception rather than the rule. So you're generally going to be looking at the 3 carrier market and a relatively evenly spread 3 carrier market, not a disproportionate 3 carrier market. You're going to need -- in a lot of these other markets, you're going to need to understand the politics, and where they're all basically beating off of the telecom industry, as there's a lot of that in parts of the world. There's a lot to it. We would never take it lightly, but we would never say unequivocally never. I don't think that's what our shareholders expect us to do. They expect us to get in there, do the work and make the right decision.

Operator

I'll turn it back to our speakers for closing remarks.

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

Well, thanks, everyone, for joining us, and we look forward to our next call where we will wrap up our year results and give you our 2019 outlook.

Operator

Ladies and gentlemen, this will conclude our teleconference for today. Thank you for your participation and for using AT&T Executive TeleConference service. You may now disconnect.
