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EDITED TRANSCRIPT

SBAC.OQ - SBA Communications Corp at Citi Global TMT West Conference

EVENT DATE/TIME: JANUARY 09, 2019 / 9:15PM GMT



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PRESENTATION

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

Registration desk and for those joining us via the webcast, I'm Mike Rollins, covering the telecom and communication infrastructure categories for Citi Research. It's a pleasure to welcome back Brendan Cavanagh, CFO of SBA Communications, for our next roundtable discussion in the rectangle. We do have microphones across the room. So if you'd like to ask a question at any time, please push the button, red light goes on and we'll get you into the queue. So Brendan, thanks again for being with us today.

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

Great. Glad to be here. Thanks for having me.

QUESTIONS AND ANSWERS

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

So the question we like to start with, just being the new year is just to share with us your strategic and operating priorities for 2019.

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

Yes, Mike. Again, appreciate you having us here. One of the interesting things about that question is that I think you ask it each year and I probably give virtually the same answer every year because things don't change too much for us or for the industry. So our goals are really very similar to what they've been in the past, that's to continue to maximize the organic growth on the assets that we already have, both domestically and internationally, to continue to optimize our capital allocation, maintaining our -- sorry to interrupt, but somebody just spilled water all over his -- make sure it doesn't -- sorry about that. Yes, I just saw it going. I didn't want something to light on fire. So to keep our leverage range the same, 7 to 7.5 turns, continuing to operate within that. We're very comfortable about that. We'll talk about that, I'm sure, more. And within that band, continue to allocate capital, both to new assets and to share repurchases, and maximize our growth and FFO per share. It really is very similar to what it's been before. We'll look to continue to grow the portfolio, if we can this year, 5% to 10%, which has been kind of our historical annual goal. We've generally come close to it or exceeded it most years, and that's our target again this year.

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

So maybe you could talk to us a bit about how you're seeing site leasing growth right now in the U.S. versus the Latin American markets, then we can kind of peel back further in a moment.



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

Yes. So I mean, the U.S. continues to be obviously our primary market. So we continue to see very nice growth here. It's been growing. As we've moved through 2018, we've seen a steady uptick in the amount of new leasing activity in terms of bookings and signings of revenue. It got better during the second half of the year. And I would expect, based on backlogs, that we continue to see a nice pace of growth moving forward. Internationally, we also had a great year, led by our largest international market, which is Brazil, had a great lease-up year, actually our best organic leasing year that we've had since we've been in Brazil. So notwithstanding kind of a tough economy down there, we've seen things pick up nicely and feel very good going forward as well. So in terms of the 2, the U.S. is going to drive the lion's share of the impact because it's such a large percentage of our existing base. But in terms of absolute growth numbers, international would certainly be higher because the towers are just simply less mature than those here in the U.S.

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

If we drill down the U.S. business for a few minutes, some of the comments that the team provided in the third quarter call was about just some of the churn impacts that you're expecting over the next 12 to 24 months, that it could stay elevated. Can you provide a little more context of what's happening on the churn front? And then maybe you could help us better understand what a more normalized churn rate would look like once you get through these items?

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

Sure. Yes. So we've -- what we've tried to do when we've given some of our churn disclosures is to break out the components between sort of your normal kind of regular churn, if you will, which would be maybe paging companies or other ancillary one-off leases that are getting terminated versus those that are driven by consolidation situations. So we've given some breakouts over the last year or 2 related specifically to Metro/Leap and Clearwire-related consolidation. I think on our last call, we mentioned that we still have roughly \$13 million, as of last September, left in terms of annualized revenue that we expect to churn off over the next close to 2 years, I would say. We also had a little bit of iDEN churn that was left that took place in the fourth quarter of 2018, October 1. So that will show up next year, which is incremental to what we had during most of the year. But beyond that, our base churn has been, in the U.S., around 1%, maybe a little below 1% recently, ticked up slightly just this past quarter. But we would expect that we'll probably be in a similar range to our historical levels, which have been 1% to 1.5% of leasing revenue. We expect that's probably the right range to assume for the next several years going forward, once we, kind of, get beyond some of that consolidation churn. So that's a little higher than where it's been in the last couple of years, but it's in line with where it was throughout our history. These things tend to move from quarter to quarter. One quarter might be a little lower than another and another little higher. It's just a matter of when the leases come up.

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

So we're often asked about growth rates between different carriers -- different tower companies. And if we take a look at your growth, it hasn't picked up maybe as much as, let's say, American Tower for example. So are there technology factors or deployment factors that you're seeing or not seeing on your sites right now that could explain some of that variance? And how should investors think about the opportunities for that to improve over the coming quarters or years?

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

Yes, I don't -- there's no technology differences. I'm -- at its core, I'm highly confident that all 3 tower companies are seeing a similar level of activity among the different carriers at our sites. There might be small variances in timing of when one happens to hit certain sites versus another. But generally speaking, the activity levels are very similar. I think the differences are caused by a couple of things. One of which is that the calculations aren't exactly the same. That's a minor difference. But there are -- ours is a true same tower number. So growth on towers that we have -- haven't had for a full year is not including growth on other ancillary-related businesses that are included with leasing is not included in our number. So I think there are some differences in that. But even beyond that, to the extent that there are differences, it's largely going to be timing related

ultimately, but it may be due, rather than to technology, more to the type of contracts or the structures that we've entered into. So if you enter into an agreement that allows for increased escalators, for instance, over a period of years, that might be a little smoother and spread something out as opposed to entering into increases on a one-off basis as they occur, which might be a little lumpier. But again, we're all seeing the same amount of activity. We're all dealing with the same technology upgrades at our sites. There's really no difference between the companies. So at a given time period, there may be a difference, but I think, ultimately, you'll see those things normalize.

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

If you were to look at what's on your towers today, one of the big upgrade cycles that has been happening is the move to MIMO antennas. Is there a way for you to judge how much of that's done? Or whether certain carriers are over or well penetrated on MIMO versus others that are maybe not well penetrated so you could sort of sense that there's an incremental opportunity from that over time?

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

Yes, there is. We certainly see the specific types of antennas that are going up on the sites. And there are some carriers that have done more than others. It's interesting when you talk about MIMO, there's also massive MIMO, which there really has been almost none, frankly, only Sprint with some of the 2.5 spectrum have put out massive MIMOs. So anybody that's going to go that direction, which I think is going to be necessary for true 5G deployments, there is a long runway to go as far as that goes. But yes, the different carriers are in different places as it relates to that. Right now, we're kind of in a, I think, a peak level with several of our customers, AT&T, which is not so much just driven by MIMO antennas, but it's driven more by FirstNet as well as the deployment of some of the AWS and WCS spectrum. T-Mobile has been very active in deploying both 600 and 700. We're seeing that they have a long way to go still, and based on the backlogs, we expect them to be a big contributor too. So it's really more where are they in the different waves of the kind of rollouts of deployments of the specific spectrum. Sometimes you can tell from the type of antenna, and other times, it's not as clear. So we do it more based on how many sites have been touched.

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

And you didn't mention Verizon and Sprint. Is there a different behavior that you're seeing from those 2?

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

Yes. I think with regard to Sprint, we had a very good year last year. I think I had mentioned maybe at this conference a year ago that we had entered into an MLA with them at that time. We've seen a lot of new business signed up throughout the course of this year, this year being '18, with them. There's still a little more we would expect into '19. But depending on what happens with the merger, there's obviously a chance for that to step down if it goes through. So we'll have to wait and see. But they've been pretty active, mostly in deploying 2.5. In terms of Verizon, actually they were probably a little low this year in 2018, relative to where they've been in previous years. I was glad to hear them say yesterday that they expect their CapEx to be higher in 2019 versus last year, which is usually a good sign for us. They've always been kind of the slow, steady executor of agreements. So I expect that, that probably doesn't change much. But probably compared to all of them, they've been a little slower with us, at least on the macro side so...

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

And as we come full circle, could that part of the variance between, for example, maybe your performance on a gross basis in AMT right now, whereas AMT talked about, at the third quarter call, seeing activity from all 4 of the carriers. So is that maybe an opportunity for you in '19 that maybe didn't come through as well during '18?

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

Yes, I mean, I guess so. Just to be clear, we saw activity from all 4 carriers too. We had plenty of activity with Verizon, just relatively speaking, it was less than the others. I don't know what AMT saw specifically. I think they may have signed sort of a more master agreement with them. I don't really know the specifics of that. But that could have had some impact on it, sure. But again, ultimately, Verizon, just like the rest of the carriers, if they're going to upgrade their network, they're going to upgrade all their network. They're not going to only do one tower company sites and not another. That's just not the way it works. So to the extent that, that is the case, yes, I would expect that we would ultimately begin to see that flow through to our sites.

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

And then maybe since the subject of Sprint and T-Mobile came up in the discussion of activity, can you help frame how investors should think about Sprint/T-Mo, both on a kind of a short to mid-term basis and then the long-term basis, in terms of impact to your business?

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

Sure. Yes, I think it probably takes place in 3, kind of, phases. The first phase being some increase in amendment activity as they upgrade their sites in order to integrate the different technologies to different spectrum bands. So T-Mobile maybe adds 2.5 spectrum to some of their existing sites or 600 onto existing Sprint sites and so forth. So I would expect in the first phase, the first couple of years there that we see actually perhaps some increase in leasing activity through that process. The second phase would be more of the churn of overlapping sites, where you've got leases that are on the same site or right next to each other that become duplicative after they've kind of integrated them. So we would expect we'll see some churn there. And then the third phase is really sort of that steady state where you now have this third carrier that has to compete with Verizon and AT&T. I would expect they will be aggressive in their investment in the network in order to be competitive with those guys. So that's the way we would see it playing out. In terms of our actual numbers of -- in terms of exposures, we have roughly 6% or so of our leasing revenue that would be represented by one of those carriers on sites where they overlap where you have the lease with both of them. And the average remaining terms on those today about 5.5 years for the Sprint leases and a little less than 3 for the T-Mobile leases.

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

Okay. That's helpful. Has SBA ruled out entry into the fiber business within the U.S.? Clearly, you were an investor years ago in ExteNet. But what's the current feeling on fiber for you?

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

Yes. I wouldn't say that we've ruled anything out specifically, but we have been -- I can't imagine we would be in fiber in a material way the way that one of our peers is. We would be open to investing in any asset that we saw as being exclusive to having some of the characteristics that have made our business very successful today. And if we could do that and find those type of assets that would drive high shareholder returns, that's what we're all about. So we are open to it from that perspective in that we don't rule things out in that regard. But fiber specifically, in many cases, is not exclusive and frankly, the prices that are being paid for it are kind of at all-time highs. So when you put those 2 things together, it's not likely that we would be doing a lot of fiber deals. But again, I don't rule anything out completely.

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

And as you see the shift to 5G, are you starting to see deployments of -- or tests of mid-band spectrum on your sites? Are you seeing any trials of millimeter wave and figuring out whether you could put that on the macro versus small cell?

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

Yes. It's somewhat limited because most of those type of deployments of millimeter wave spectrum have been in urban -- dense urban markets. They're not really tower markets. It's not a place where we have a huge presence anyway. So we really haven't seen much of that. A lot of it's focused on kind of fixed wireless. We're really more of a portfolio that's well suited for true mobility. And so we haven't seen too much of that. But over time, I think as it starts to evolve and grow, which it's still -- notwithstanding all the talk about 5G and all these different things, it's still very early days. There's a lot that still has to be decided and done. So we'll see how it progresses from here. But it's been minimal to this point.

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

Are you seeing any impact to your business from some of the insurgent activity that's happened, whether it's a Tillman or a Uniti or others building towers in the U.S. and doing some of the development work?

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

Yes. It's been very small, anything that we've seen. We're certainly aware of those guys being out there. And to the extent that they can build sites in places where sites are needed that either we don't find attractive or they have a different arrangement with the carriers, that's fine. But it's had very little impact on us. I think over time, most of our sites are fairly well protected and that's the kind of site we like. So I wouldn't expect it to be material. But we are aware of them, and I'm sure they'll be around for a little while.

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

What -- in your mind, what provides the most protection to your portfolio? Is it just general zoning? Is it the quality and build and height of the towers? What are the characteristics that investors should think through in terms of the durability and the potential moat around the business?

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

Yes. It's all of those things. Certainly, zoning is a big part of it. It's not easy to just put up towers anywhere you want. There's also just practical limitations. I mean, from an RF standpoint, the carriers have designed their network in a certain way. I always kind of compare it to a jigsaw puzzle that you can't just pull a piece out and stick it somewhere else. So it has to be very, very close if it's going to be an actual alternative location. And the opportunities for that are very limited in those cases. And we do have high-quality sites with power and fiber typically and backhaul where it's not that easy to replicate. So there are a number of barriers to entry. And we also, I think, do a good job in terms of the service that we provide to our customers, both on the services side and on the leasing side. So all of those things make it very difficult to just easily replicate.

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

How do you think about the decision to put more money in the international markets, whether it's for development, whether it's for new deals relative to the uses, kind of, here domestically, whether it's buying back stock, deleveraging? Eventually, you'll be paying a dividend. How do you think about the allocation of capital right now?

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

Yes. I mean, the goal is to obviously, do whatever we think is going to create the highest return. And we generally determine the highest return by what we think will drive the greatest growth in AFFO per share. So our first priority would be to add new sites. We love the U.S., of course, but the opportunity set in the U.S. is very, very limited and the pricing on assets is very, very high for those that are available. So we have a lot more capital available to us than there are opportunities here, which, of course, leads us to look internationally. But again, our focus there is to try and find assets that as closely as possible, mirror what we have today, mirror the value creation that we've had here, which means good land use, laws

and rules, decent zoning protection, good wireless growth opportunities, good quality carriers available, multiple carriers. So if we can find those opportunities internationally, that would be our next preferred choice. But it's all kind of done against the backdrop of, hey, I could always buyback my stock. And that I think will return a certain amount to me depending upon where it's priced at a given point in time. And if that's sort of my default, everything else I'm doing should be at least as good as that or better. And if it's at least as good as that, our preference is towards portfolio growth. And if it's not, we're happy to buy back stock. So if you look at our last few years, I think you've seen a mix of both of those things, and I would expect you'll continue to see that as we move through this year as well. And then on the dividend side, that's a couple of years away. But at that point, that will be another item that we allocate capital to because we will have to.

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

So we have a live survey that we've introduced into the rooms. And so we can go to the first one.

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

Okay. That's exciting.

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

What's that?

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

I said that's very exciting.

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

Yes. Get everyone involved in this. So the first question and it takes us back a little to the earlier discussion -- and by the way, you have a remote to your right, if you like to put in your vote for this too, Brendan.

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

Okay.

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

What will U.S. same tower revenue growth be for SBAC in 2019? So 3% or less, over 3% to 5%, over 5% to 7%, over 7% to 9% and over 9%. And I'm reading this off for those on the webcast too, who don't have the benefit of seeing the slide.

[Voting]

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

I'm not going to vote because I might know. So...



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

You don't want to bias the sample.

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

Right.

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

So 0, 3% or less; 17%, over 3 to 5; 75%, over 5% to 7%; 8% over 7% to 9%; and 0% over 9%. Thoughts for...

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

That's a nice tool you have here. No, I mean, I can't comment on, obviously, what we'll be guiding to next month. But we've -- if you look at it relative to what we reported for last year, and obviously, our growth numbers have increased each quarter as we've reported them, and there is a delay, it's obviously the same tower, so that's really reflecting the trailing 12 months, our activity levels were probably a little bit better in the second half of the year than the first half, and I would expect probably continue at a similar level as we move into '19. So if you compare it to what we reported last year, I think you should be able to kind of estimate where it is relative to what we reported last year.

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

And remind us the guidance at the midpoint for '18 on an organic U.S. growth?

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

Yes. I believe -- we give it 2 different ways. So we give it gross and net. Our implied fourth quarter gross number is, I believe, 7.4% or something like that.

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

On the gross?

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

One on a gross basis. And roughly, 2% or so on a churn basis. So -- and that would be the difference.

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

And then...

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

That's the fourth quarter, that's where we're ending the year. It's not the average for the year.



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

Okay. And then just in terms of just while we're thinking about growth rates, if you look at -- you mentioned the activity and the backlog. So this -- so the expectation would be that as more of that comes through, to your point, that helps the averaging over the next number of quarters.

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

Right. Yes. Oh, yes. Is it -- so when we talk about it, this number I'm assuming you're asking about when you think about it full year, which is different than what I just gave you, that's really comparing full year '18 to full year '17, or in this case, full year '19 to '18. We tend to look at every quarter. When we give it to you, we're really giving you what represents the trailing quarters. So for the fourth quarter, when we're giving you that number, it's going to be compared to what it was a year ago, in the fourth quarter of 2017 in this case. Throughout the course of 2018, you've seen those numbers move up. And that's really representative of the lease-up that we've had, but also it's starting to hit the financial statements. There's a delay in that. So if we sign something up today, we may tell you we had a great lease-up quarter because we signed up maybe more revenue in a given quarter than we had in the previous quarter, but you don't see that in the financials that quarter. You see that 1, 2 maybe even 3 quarters out. So that's the way I would expect that it would progress.

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

And the tower companies used to provide -- they used to say at the beginning of each year -- they'd say this on their fourth quarter call, we have visibility in x percent of our revenue for the year already because it's a recurring business. You know the escalators, you have an expectation for churn. Roughly, what is that visibility these days?

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

Oh, it's high 90s. I don't -- I'm not sure what the exact number is. But it's high 90s. I mean, there's -- because even the growth component of it, a lot of it's based on what's already been booked. So yes, you're talking about a relatively small number of millions of potential shortfall if nothing happened. Most of it's already secured.

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

Let's go to the second question. What is your expectation for 2020 AFFO per share? So \$9 or less. Over \$9 to \$9.50. Over \$9.50 to \$10. And greater than \$10. And again, feel free to vote.

(Voting)

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

So the survey says, for those of us on the webcast: 0% at \$9 or less, 45% over \$9 to \$9.50, 55% over \$9.50 to \$10, 0% for greater than \$10. So we've had some ups and downs in rates over the last 12 months. There's been some ups and downs in the share price. There's been updates to your capital allocation, whether you want to do more build-to-suits, some acquisitions, buybacks. What's your current thinking on the original aspiration of that \$10 per share number in 2020? And where should the buy side be thinking in terms of the opportunities?

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

Yes. I mean, we've gone away from trying to guide to a number that's a couple of years out now. I mean, at the time that we gave that, which was several years ago, the goal -- obviously, I would have liked to have given a number that we end up hitting, but the real goal was to try and make it clear to folks -- because we were getting very caught up in kind of quarter to quarter, what is this million dollars up or million dollars down. And

that's really not what this business is. I mean, as we just talked about the percentage of revenue that's kind of baked in, it doesn't move that way. It is a long-term steady grower. Even during periods of time where we've got recessions and other things happening, there is -- it's very steady. Our operational growth continues on. And that's the nature of what we have. So the real goal was to say, hey, it's going to continue to grow, and I can assure you one thing, we will hit \$10 of AFFO per share. The timing might be slightly later than what we have originally anticipated when we started talking about that. But it's just a matter of quarters. It comes a quarter later, a quarter earlier. It doesn't really change the overall big-picture view of the business. So we'll continue to look at things that may influence it like interest rate. You mentioned most of them interest rates, the price of our stock, we're buying back stock, foreign exchange rates. There are some things that we have limited control on, and on those things, they may influence what that result is. But again, the bigger picture, we're a steady grower that can be relied on pretty regularly.

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

One of the questions that comes up a bit is, what -- how to think about the net debt leverage targets as you're making this transition from having more flexible capital allocation versus in future years where you start paying a dividend to meet the requirements of the REIT structure. And so can you help with some mile markers of -- right now you mentioned the 7 to 7.5 is the target leverage. But I think the context is by 2021, you would expect to start to paying a dividend. So how should investor think about, call it, the end of 2020 kind of leverage and then maybe like the 5-year view of leverage? Just to try to get some mile markers along the way of how to anticipate capital allocation for the company.

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

Yes. I think as we get to where we are, and it would be 2021 is when we expect that we would be a dividend payer, as we approach that time period, that we would shave off a turn or so from our existing leverage range and target. So somewhere in the 6s, maybe low 6s. But a lot of that is also a function of what are the opportunities for us to invest that capital. And what assets are out there. What's the pricing around those assets? Even stock repurchase opportunities or other things that we might allocate capital to. Depending on what that opportunity set looks like, if we determine that delevering is a better way to go, or paying a bigger dividend, then so be it. That's what it will be. But we won't know that I think until we're there. But certainly, with the dividend obligation, we would expect to have a slightly lower leverage level than we do today.

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

And that 6 to 6.5, is at the end of '20 or it's at the end of '21? How to...

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

That would be, as we head into the year, when we pay a dividend. So I would say, end of 2020, probably.

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

End of '20. And then on the dividend question, have you decided or have thoughts -- there's 2 dividend strategies right now for the public tower REITs. One was to pay above the requirement and have a higher-yielding dividend. Another was a lower dividend with growth -- more growth, higher growth rate and kind of put more back into the organic business. Do you have a view of which side of that you would prefer to focus more on the reinvestment and more dividend growth or kind of push more returns out?

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

Yes. I mean, sitting here today, we would be certainly more in the latter camp, which is to pay out what we have to pay out and use most of that capital to reinvest in the business and grow the portfolio, et cetera. But that all is obviously, underpinned by what underpins our entire strategy today. The reason we don't pay a dividend today -- we could pay a dividend now, we don't pay it now because we think that the places that we



are able to invest that capital is creating a better return ultimately for our shareholders than if we were just simply to return that money to them. So if we're in a similar place, which right now, I have no reason to think we won't be, but I don't know, in a couple of years, then I would assume that we would pay out what we're required to and continue to invest otherwise in the business. And if that's not the case, then we have the flexibility to pay higher dividend.

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

Let's go to the third question. Got one more.

Should SBA pursue new investments into international markets? Yes, pursue new build-to-suit towers and M&A. No, focus on increasing colocation on existing assets. No, sell the international assets.

(Voting)

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

Survey says, for those on the webcast, 60%, yes, pursue build-to-suit towers and M&A; 20%, no, focus on increasing colo on the existing; And 20%, no, sell the assets.

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

Okay. Well, one thing is interesting is I'm not sure why b is a separate trust because we already focus on increasing colocation of the existing assets, whether we pursue new assets or not. So we're going to do b no matter what, I can assure you of that. In terms of the assets, what I guess I'd say, you didn't really ask me a question but I'm responding to...

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

I welcome your feedback.

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

Yes. Is that, we are focusing -- when we focus on new international investments, each one stands on its own. We have no desire to be some big, global company that has to be in all these different places. It's really about return on investment, the whole focus. So if the opportunity that we see in a particular market or a particular deal is one that we think will be accretive to our valuation, not just accretive, but return an outsized return, then that's what we're going to do. And if you don't, we're happy to not do any international deals. Now selling the international assets, I don't know, whether that's necessary or not, but in terms of future growth, it's going to be on a deal-by-deal, opportunity-by-opportunity basis. And it's not a matter of anything else other than what's the best return on investment. And I think our history has shown that we're pretty good at that, by and large. We've done pretty well on the vast majority of the investments we made. And so I guess, I would say, trust us a little bit if we make a decision to invest in assets.

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

And so another question that comes up, back to the domestic business, what are the opportunities to get more revenue out of the portfolio in terms of, whether it's backup generators, edge data centers? Are there things that have you excited that if we're here 5 years from now that we look back and say, this has actually been a sizable contributor of revenue that this really wasn't a part of what people think of as the core tower business right now?

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

Yes. I mean, again, it's hard to say for sure sitting here today. But you may have seen that we have our own -- the first really commercially viable edge data center that's been put into place was done at our Foxborough, Massachusetts site that we recently mentioned that we did in concert with a company called Packet. I think that, that has an opportunity to be a great source of additional growth and opportunity for the existing tower companies because we have these locations, we're already at the edge of the networks. I don't know whether it will be or not. I don't know whether this is going to actually materialize into something meaningful. But we're spending time on it. We're talking to and partnering with the people that are kind of on the leading edge of that effort. And the great thing about it is we already have -- we've already made the investment. We already have the location. We already have the real estate. We're already there. So if it does turn out the way that I think it has the possibility of, we're in a great position and I think it can create a lot of value. But it's really early to know for sure. So we'll see how it goes.

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

If there are any questions, don't forget to light up your mic, and we'll get them in. So just off of that example in the Foxborough, did you -- have you learned the sense of what the edge data center in Foxborough is being used for to try to help explain the use case for that edge deployment?

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

Not yet. Not yet. It's still very early. I mean, there's all kinds of different possibilities of what might happen at these locations, right? It could be just simply caching data that needs to be located closer to an end user and it improves timing or latency or something. It could be actual computing that is necessary. So for instance, a lot of the talk at CES is all about the driverless cars. Seems like it's been the talk for a while. But if that's a true reality, that latency that takes place in terms of the information getting back to that vehicle, it's critical. So the closer you are to the edge of that network and your ability to compute there, maybe very meaningful and may be an absolute use case. But there's any number of things that it could potentially be usable for. I think we're just at a stage where it's very early. Nobody's quite that far out on the edge for any of these things yet. But I think as we start to see -- it's a natural progression from where we are today. You see stuff moving out further, what's being called the edge today is not where we are. We're further out on the edge. So at some point, if it continues to progress in that way, and we think that there's a strong possibility for that, then we feel like we're well positioned. But I'll let you know as we get there, Mike.

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

And last question for me. As we're talking about new frontiers and new opportunities, are you seeing anything in the domestic business from new entrants or insurgents, whether it's in IoT deployment, it's DISH, whether it's cable companies? Are you seeing anything interesting in terms of the potential insurgent activity on your tower portfolio?

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

Yes. I mean, well, we mentioned on our last earnings call that we've started to sign some agreements with DISH specifically. And we did -- we signed a number of leases with them during the fourth quarter. They're pretty active in starting to deploy their network. So that's been very positive. And I think will be a positive contributor into next year as well, based on the backlogs we've got with them. So that certainly is an additional item beyond the Big Four. There's always smaller carriers, other types of providers that have needs here or there. I think for any of it to really move the needle materially though is unlikely because so much of our organic growth is driven off of the back of upgrades to the existing networks. And the 4 big carriers are already a huge part of our embedded base. So just by that default fact, they're going to be the biggest contributors by far to our organic growth. But the prospects with DISH and what we've seen has been great. It's -- we're happy to partner with them and help them in what they're trying to do. And I think we've got a good relationship. And we're very pleased to see that incremental activity.

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

Brendan, thank you for your time today.

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

Yes, great. Thanks, Mike. Appreciate it.

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

Thanks.

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