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SBAC.OQ - Q4 2018 SBA Communications Corp Earnings Call

EVENT DATE/TIME: FEBRUARY 21, 2019 / 10:00PM GMT

## OVERVIEW:

Co. reported 4Q18 AFFO per share of \$2.00.



## CORPORATE PARTICIPANTS

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

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## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by, and welcome to the SBA fourth quarter results call. (Operator Instructions) And as a reminder, today's call is being recorded. I would now like to turn the call over to our host, Mark DeRussy, Vice President of Finance. Please go ahead.

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

Good evening, everyone, and thank you for joining us for SBA's Fourth 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 will discuss on this call is forward-looking, including, but not limited to, any guidance for 2019 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, February 21, 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 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.

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

Thanks, Mark. Good evening. We had a tremendous fourth quarter with very strong results across all areas of our business, including very positive operating and financial results in both our leasing and services businesses.



Total GAAP site leasing revenues for the fourth quarter were \$444.7 million, and cash site leasing revenues were \$441.8 million. Foreign exchange rates were generally in line with our estimates for the fourth quarter, which we've previously provided with our third quarter earnings release, only modestly impacting our results in comparison to our 2018 outlook that we provided last quarter. They were much more of a headwind on year-ago comparisons, but we still did very well.

Same-tower recurring cash leasing revenue growth for the fourth quarter, which is calculated on a constant currency basis, was 6% over the fourth quarter of 2017, including the impact of 2.1% of churn. On a gross basis, same-tower growth was 8.1%. Domestic same-tower recurring cash leasing revenue growth over the fourth quarter of last year was 7.4% on a gross basis, and 5.1% on a net basis, including 2.3% of churn, over half of which was related to Metro/Leap, Clearwire and iDEN terminations.

Domestic same-tower recurring cash leasing revenue growth on a gross basis increased to its highest point in over 2 years, reflecting our strong 2018 operational domestic leasing activity. Domestic operational leasing activity, representing new revenue signed up during the quarter, was very strong in the fourth quarter and once again well above the year-ago levels. During the fourth quarter, we again had solid but varied contributions from each of the Big Four carriers. Newly signed up domestic leasing revenue came about 53% from amendments and 47% from new leases, and the Big Four carriers represented 84% of total incremental domestic leasing revenue signed up during the quarter.

We also had a nice contribution to our domestic operational leasing activity from DISH. We exited the year with a solid domestic backlog, which we expect to provide us with a continued healthy level of new lease and amendment signings as we move into 2019, and earlier activity has been consistent with that.

Internationally, on a constant currency basis, same-tower cash leasing revenue growth was 10.3%, including 1% of churn or 11.3% on a gross basis. International churn consisted almost entirely of 1 non-Big Four customer in Brazil and 1 minor tenant in Nicaragua. Gross same-tower organic growth in Brazil was 12.7% on a constant currency basis, resulting from strong operational leasing activity in Brazil over the last 12 months.

Across our international markets, as a whole, we had another strong leasing quarter, with Brazil again providing the biggest contribution. In Brazil, we had solid contributions from Claro, Vivo, Oi and TIM. During the fourth quarter, 86.3% 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 12.1% of all cash site leasing revenues during the quarter, and 8.8% of cash site leasing revenue, excluding revenues from pass-through expenses.

With regard to fourth quarter churn, we continue to see churn from leases with Metro, Leap and Clearwire, consistent with our expectations. As of year-end, we have approximately \$11 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.

Also in the fourth quarter, we incurred approximately \$6 million of annualized churn from certain legacy iDEN-related leases. Because the iDEN churn occurred late in the year, it will have a greater impact on our 2019 results than our 2018 results. The formal expiration of these leases had been anticipated within our full year 2018 outlook, and it is incorporated into our full year 2019 outlook.

Domestic churn in the fourth quarter from all other tenants on an annual same-tower basis was 1.1%, most of which relates to narrowband technologies and vestiges of individually immaterial carrier consolidation.

Tower cash flow for the fourth quarter was \$354.1 million. Our industry-leading domestic tower cash flow margin increased to 82.9% in the quarter. International tower cash flow margin increased to 68.8% and was 89.5%, excluding the impact of pass-through reimbursable expenses.

Adjusted EBITDA in the fourth quarter was \$339.3 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 fourth quarter were \$39.1 million, up 34.9% over the fourth quarter of 2017, driving over twice as much services gross profit as the year-ago period. Our adjusted EBITDA margin was 70.5% 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 75.1%. Approximately 97% of our total adjusted EBITDA was attributable to our tower leasing business in the fourth quarter.



AFFO in the fourth quarter was \$229.9 million. AFFO per share was \$2, an increase of 12.4% over the fourth quarter of 2017 or 15.2% on a constant currency basis. During the fourth quarter, we continue to invest in expanding our tower portfolio, acquiring 79 communication sites for \$28.5 million and building 169 sites. Most of the added sites were located internationally. Subsequent to quarter-end, we have acquired 27 additional communication sites for \$10.7 million. And as of today, we have 264 total additional sites under contract for acquisition at an aggregate price of \$78.1 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 \$21.5 million to buy land and easements and to extend ground lease terms. At the end of the year, 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 36 years.

Beyond portfolio investments, we also invested in significant share repurchases during the quarter. During the fourth quarter, we spent \$342 million to repurchase 2.2 million shares at an average price of \$158.09 per share. Our total 2018 share repurchases were \$795.5 million for 5 million shares, representing an average price of \$159.87 per share. Share repurchases remain an important contributor to our efforts to continually grow our AFFO per share.

Looking ahead now, our earnings press release includes our initial outlook for full year 2019. Our outlook reflects another year of solid growth in our leasing business. Our anticipated outlook for 2019 leasing revenue is built upon the strong operational leasing activity we saw throughout 2018 but particularly in the second half of the year. We also anticipate continued healthy levels of domestic operational leasing activity in 2019, based largely on current application backlogs. We have also assumed an increase in year-over-year domestic churn levels, driven partially by the full year impact of the fourth quarter 2018 iDEN churn mentioned earlier as well as an assumed return to our historical range of normal churn of between 1% and 1.5%.

With regard to the potential Sprint/T-Mobile merger, we do not have any specific knowledge regarding the likelihood of the merger receiving regulatory approval. However, we have assumed, for purposes of our 2019 services guidance, that the transaction does get approved, and we see a stop to all activity with Sprint starting this summer. We would not anticipate the outcome of the merger approval process to meaningfully impact our 2019 leasing outlook.

In our international business, our outlook anticipates continued steady organic leasing contributions. We have incorporated consensus estimates of a slight weakening in the Brazilian foreign exchange rate from where we are today, assuming a consistent FX rate during 2019 of BRL 3.80 to USD 1.

Effective January 1, 2019, SBA will be adopting the new lease accounting standard. This accounting standard requires lessees to now recognize a lease liability and offsetting right of use asset on their balance sheet. As a result, beginning in 2019, we anticipate recording a new lease liability on our balance sheet of approximately \$2.5 billion related to our existing ground lease obligations. There will be a corresponding right-of-use asset recorded on our balance sheet as well. We do not expect this new accounting to have any material impact on our income statement, our reported adjusted EBITDA or AFFO, our liquidity, our ratings or our debt covenant compliance. However, the adoption of this new standard will require a change in the treatment of tenant lease origination costs, which will result in a reduction to cost-of-site leasing revenue and an increase to selling, general and administrative expense. As such, our reported tower cash flow as well as our reported SG&A will each be higher in 2019 than they would have been without the impact of the new standard by about \$9 million. The impact of this change has been incorporated into our 2019 full year outlook for tower cash flow.

Our full year 2019 outlook does not assume any further acquisitions beyond those under contract today, and it does not assume any share repurchases at all. We have assumed 1 new financing during the third quarter of 2019 at an interest rate of 4.25% to refinance our maturing 2014-1C securitization notes. For our floating rate debt, we have assumed a 1 month LIBOR rate of 2.60% throughout the year as well as including the impact of our recently entered into interest rate swap, which Mark will discuss further in a moment. We estimate an increase in our cash taxes of approximately \$4 million to \$5 million at the midpoint, mostly related to state taxes where we do not have any NOLs and increases in international taxes. Finally, our outlook for AFFO per share is based on an assumed weighted average number of diluted common shares of 114.4 million, which assumption



is influenced in part by estimated future share prices. We are excited and optimistic about 2019, and we see great opportunities for SBA throughout the year ahead.

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

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

Thanks, Brendan. SBA ended the year with \$9.9 billion of net debt, and our net debt-to-annualized adjusted EBITDA leverage ratio was 7.3x, within our targeted range of 7 to 7.5x. Our fourth quarter net cash interest coverage ratio of adjusted EBITDA to net cash interest expense was 3.5x. The weighted average coupon on our outstanding debt is 3.9%, and our weighted average maturity is approximately 4.3 years. As of today, we have \$205 million outstanding under our \$1.25 billion dollar committed revolver.

On February 1, 2019, we entered into a 4-year \$1.2 billion interest rate swap, effectively fixing the interest expense at 4.495% on approximately half of our outstanding 2018 Term Loan B. This rate is essentially flat with the rate we are paying under our term loan today. The unhedged portion of our Term Loan B will continue to accrue interest at 1 month LIBOR plus a spread of 200 basis points. Pro forma for this transaction, approximately 88% of our non-revolver debt outstanding is fixed, which will reduce the impact of future interest rate fluctuations and create greater certainty in our future AFFO.

With regard to stock repurchases, as Brendan mentioned earlier, during the fourth quarter, we spent \$342 million to repurchase 2.2 million shares of our Class A common stock at an average price of \$158.09 per share. All of the shares purchased were retired. As of today, we have \$204.5 million of authorization remaining under our \$1 billion stock repurchase plan. The company shares outstanding at December 31, 2018, are 112.4 million, down 3.4% from 116.4 million at December 31, 2017.

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

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

Thanks, Mark, and good evening, everyone. The fourth quarter was a particularly strong one for SBA. We exceeded our expectations across all financial metrics. We continue to see robust operational leasing activity at our services business at one of its strongest quarters in years. Importantly, we entered the year with a very healthy backlog of leasing applications, setting us up for a nice start to 2019.

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

Our tower cash flow margin was 80.2%, and our adjusted EBITDA margin was 70.5%. Our domestic tower cash flow margin hit an all-time high of 82.9% this quarter. We will continue our focus on being an industry leader in this area.

In the U.S., the strong operational leasing activity we saw throughout 2018 has left us well positioned for good financial results in 2019. All 4 major U.S. wireless carriers were active during the year, with each of them continuing to invest in their networks, deploying new and incremental equipment in order to address the continual growth in wireless data consumption.

Contributions continue to come from new spectrum deployments, the rollout of FirstNet, new coverage and capacity build-outs and early-stage activities as a precursor to 5G. In the fourth quarter, we also began to execute leases with DISH, which activity has continued into 2019.

Internationally, we had another strong leasing quarter with organic leasing activity exceeding our internal expectations in most of our markets. The contractual revenue signed up during this quarter in our international markets came about 43% from new leases and 57% from amendments. We had another very positive quarter in Brazil with solid contributions from all major wireless carriers there. The Brazilian economy appears to



continue to be improving, and we have seen the exchange rates stabilized since last quarter's presidential election. There are legislative and regulatory movements afoot that we believe will improve the structure of the wireless industry around spectrum caps and concessions. There remains a lot of 700-megahertz spectrum from prior TVs yet to be deployed and potentially additional new 700-megahertz spectrum to be auctioned in the near future. Consequently, we're optimistic about prospects for 2019 in Brazil.

During the fourth quarter, we also continued to allocate capital into quality new assets and accretive share repurchases. We grew our tower portfolio by 6% in 2018, within our targeted range of 5% to 10% annual portfolio growth. We are targeting this range again during 2019 through disciplined builds and acquisitions. Our primary focus for portfolio growth will remain in the Western Hemisphere, but we also continue to be open to and regularly explore opportunities in other markets.

The marketplace for new tower assets does continue to be very competitive, domestically and internationally. As a result, we stayed within our target capitalization by opportunistically purchasing 2.2 million shares of our stock during the fourth quarter at very attractive prices. While our bias will remain toward portfolio growth, we will continue to look for opportunities to repurchase our stock when we believe it is undervalued.

Speaking of valuation, there is a very interesting dynamic that is occurring in our space, which is the rise of the institutional infrastructure investor. Different than the traditional telecom investor, these investors are attracted to the core attributes that have been the hallmark of our industry, long-term, predictable, growing cash flows. These infrastructure funds have huge pools of capital to invest and are funded by pension funds, insurance companies and sovereign wealth funds. These funds value assets over much longer periods of time than our historical investors.

In the last 12 months, these funds have outbid strategic investors for a number of communications assets around the globe, and that's the first. And why is that important? Because I know that the assets being purchased by these funds at much higher multiples are nearly of the same quality as ours. And with our unparalleled margin and operating performance, this shows us that we have a clear opportunity for much greater value creation. These infrastructure funds, much like the traditional REIT investor, are very smart. They've seen this dynamic, and as a result, we are seeing them increasing their interest and positioning our shareholder base, and we welcome that. We had a tremendous 2018 and expect to have a great 2019 as well, with an excellent business at a great time in history for building out 4G networks and the beginning of the development of 5G, which we believe will provide us with multiple years of solid customer demand and strong growth. With those demand drivers, our quality assets, excellent operating performance and our strong capital structure, we think we are well positioned to continue to drive growth and shareholder value. I'd like to thank our employees and our customers for a great 2018 and their contributions to our success.

And with that, Carrie, we're going to open it up for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) And we now go to the line of Jon Atkin from RBC Capital Markets.

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

So a couple of questions. One, I wondered if the U.S. wireless industry were to see major consolidation. If you can kind of update us on your thoughts and philosophy around MLAs, holistic MLAs. And then secondly, I wondered if you could maybe talk a little bit about DAS and small cells. Your website actually mentions a number of very interesting use cases in health care, hospitality, retail. And to the extent that you get further involved in those activities, is that the services line item? Or is that rental revenue -- source of rental revenues for you going forward as you kind of see that developing?



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

Jon, it's Jeff. We are open and willing and have, in the past, entered into MLAs. It's entirely term and transaction-specific. And we have no issues with entering into one and have, in fact, as you know, entered into MLAs in the past with both T-Mobile and Sprint. And in terms of the small cells and DAS, we have a growing line of business here, which we -- all are exclusive asset or exclusive real estate business where we focused on unique and underlying pieces of real estate that we think have very unique attributes, and we are developing alternate to macro uses in these facilities, whether it be DAS or small cells or, in the future, we're focused on CBRS potentials. And those will most certainly be in our site lease -- and are today, although they're immaterial today, and as they grow, they will be in the site leasing line of our income statement. We have some actual pretty neat facilities today. Again, they're immaterial, but we have some hospital chains. We actually manage and own the DAS system inside the Macy's Herald Square building.

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**Operator**

And now to the line of Nick Del Deo from MoffettNathanson.

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**Nicholas Ralph Del Deo** - *MoffettNathanson LLC - Analyst*

I'm not sure how much details you can share with respect to customer-specific activity, but you called out DISH, I figured it's a fair game to ask. Can you expound at all upon what you're seeing them -- from them, what sort of work they're doing and how durable you think that leasing contribution might be in future periods?

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

Well, they're very active. They're signing leases. They have a strong backlog of applications. They are -- from all intents and purposes, based on what we can tell, they are firmly committed to a very active 2019.

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**Nicholas Ralph Del Deo** - *MoffettNathanson LLC - Analyst*

Okay, it's good to hear. And then looking at your domestic new leasing guidance for 2019, it looks like it's about equal to what we saw in the fourth quarter of '18 annualized. So should we basically expect the 2019 leasing volumes will be relatively flat over the course of the year? Or will there be some sort of cadence to it that we should bear in mind?

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

Hey, Nick, it's Brendan. It is similar to what the fourth quarter contribution is. But again, it is driven by activity. As we talked about in the past, you have leasing activity that where you sign stuff up, and there's some delay in the timing of when it kind of kicks in. So a decent percentage of our guidance is obviously based on stuff that we already know, what's already been signed up in the second half of the year. So I'm pretty confident that we'll see similar levels to the end of the year as we get to the first half of the year, maybe even slightly higher. It's hard to say for sure whether the cadence changes at all in the back half of the year. But I would expect it to be a little bit flatter than it was during 2018.

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**Operator**

And now to the line of Batya Levi from UBS.





**Batya Levi** - *UBS Investment Bank, Research Division - Executive Director and Research Analyst*

Just a follow-up on your churn commentary. Can you quantify how much more churn we should expect from iDEN and maybe the pacing of the \$11 million left from Metro/Leap and Clearwire? And the normal churn, I think, you guided to 1% to 1.5%. Is there any reason why it would be at the higher end? One other question I had was mostly related to your comments on interest from infrastructure fund. Given that, do you find valuations are increasing as you look at new portfolio acquisition opportunities internationally and in the U.S.?

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

Hi, Batya. On the churn questions, Metro/Leap and Clearwire, as we said, has about \$11 million of annualized churn, where we have not yet received any notifications. In pacing, I would expect it's going to take place over the next 2 years. Hard to say what the exact timing will be, but based on our expectations, we'll see it fairly evenly over that time period, maybe a little bit heavier in 2019, but not that noticeable. On the iDEN side, we had some leftover iDEN leases from the TowerCo deal that expired October 1, 2018. So the vast majority of the iDEN impact has actually already taken place. But in a year -- on a year-over-year standpoint, you'll see most of that impact in 2019 because it happened later in the year. And on the other churn, it's hard to say whether it will be at the high end or the middle of that range or the low end of it as some of our assumptions or estimates we're making around turn has not actually been realized yet, we haven't received any notifications. But if anything, it's really just a timing issue when we receive a particular notice, when there's a particular firm end date, that kind of thing. So it's possible that it would be towards the high end of the 1% to 1.5%, but could just as easily be towards the lower half.

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

Yes, on the infrastructure question, Batya, I think the fact that they've emerged and have been seen in processes and been the winner in those processes, which really hadn't been really heretofore shows that they are a factor in valuation. And I think that's really a function of the time horizon that they apply to their decision-making and also, of course, the return requirements that they're underwriting to. And really, my comments are -- they're pretty straightforward. It's -- there's a whole new asset class out there of investor that is looking at things, that is finding value at multiples or assets that I know aren't nearly as good as SBA's at much higher values, and we certainly take a lot of optimism from things like that.

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**Operator**

And now to the line of Ric Prentiss from Raymond James.

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

I want to follow up from Batya's question a little bit. So is there anything you've seen on the historical churn that would cause you to think it should go up to the 1.0 to 1.5 since you've been kind of running in the sub-1% for quite a while.

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

Yes. I mean, there's not anything that I would point to as being a specific item. We saw -- we had some legacy leases with 1 particular carrier where they actually were never on air. And so we saw some notifications, I think, where they have decided to clean up some of that or maybe they made a poor decision 5 years ago. So the timing of that may cause it to be a little bit higher. A lot of the churn that we're seeing -- and I'm talking about domestically, obviously, specifically, is related to narrowband tenants. So the timing of when those guys are going to close up shop or cancel leases, it's a little hard for us to peg down. But it can happen in waves. So that's all I can really say about it is that it's a matter of timing, and a specific customer can kind of shift things one way or the other.





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

Okay, that helps. And then, Jeff, you shared a little bit on Jonathan's question about small cell, DAS. Hospital chains and Macy's Herald Square building, sounds more like indoor. Are you looking at outdoor? Are you looking at fiber solutions? Or is it really the exclusive real estate business is kind of more like an indoor system? Just trying to get a little color.

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

It's mostly indoor, but it will be outdoor when it can meet the exclusive attributes we're looking for. But you should assume that, that would be kind of limited in its application.

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

So maybe more campus situations?

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

Yes.

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

Okay. And the final question is on -- and Batya's also pointed about the institutional infrastructure investor. We've obviously been watching AFFO has become a primary measure of valuation in the tower world, but it seems like the prepaid rent item can kind of skew things. How do you guys view looking at AFFO or prepaid rent? And when you see the infra funds come in, what are they looking at, do you think?

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

Well, I think they're looking at AFFO, but they're also looking at true cash, true cash generation. And so I think they're probably looking at that and the -- basically, the real cash that's there for distribution, which is the way we've always run the business.

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

Cash on cash. Okay, very good.

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**Operator**

And now to the line of Michael Rollins from Citi.

Sorry. I have a little computer issue here. One moment please.

(technical difficulty)

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**Operator**

Sorry. My computer is frozen. One moment please.



(Operator Instructions) And we'll go to the line of Michael Rollins from Citi.

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

So 2 questions. First, if you can just talk about the new activity that you're guiding to for both the domestic and the international operations for 2019, if you kind of think of the visibility that you have now going into 2019, how would you rate that relative to a year ago trying to reverse the thought and your thinking about the visibility going into 2018? And then the second question I had just on this topic of the infrastructure fund, would there be an interest to just take even a portion of your portfolio and just raise money at the tower level, not dissimilar to some of the ways that you secure the highest towers in the past, and think about that as a funding mechanism for your business.

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

Well, I'll start with the second one, first. I'm not sure that we're not doing that through the securitization. So if we ever did need equity financing, I have no doubt that, that type of thing would be available. But as you know, we've been equity reducers and not equity expanders. But I have no doubt that should we find something that would cause us to want to issue equity for an opportunity, that, that source would be there. In terms of the visibility, we do have much greater visibility, frankly, because a lot of the projects that are underway today hadn't really started this time last year. And basically, everything that's going on now, as the calendar turned, you'd have the typical beginning-of-the-year hesitation or pause that's so very typical with our customers. So we did have greater visibility. But you still have the same limited duration of visibility, which lasts about 6 months. So we hit the ground running January 1, but we still could only see about 6 months out. But in terms of seeing the activity levels, they're just much greater than they were this time a year ago.

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**Operator**

And now to the line of Simon Flannery from Morgan Stanley.

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

I wonder if you could just update us on the NOL status and the dividend timing and how you plan to kind of take the leverage down? And then any comments on pricing trends and competitive build activity as we go into 2019?

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

Yes. Simon, on the NOLs, our current federal NOLs as of the end of the year for the REIT structure are about \$755 million. We do have additional NOLs just as a side note of a little over \$100 million for our TRS entities. Our expected timing is similar to what it's been in the past in terms of running through those NOLs, which would be mid-2021. As of right now, our intention is to continue to use those NOLs for paying the dividend.

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

Yes. And there's nothing out in the market, Simon, that has impacted our pricing decisions. They've been fairly consistent for years now.

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

Great. And are you seeing any change in the volume of competitive build activity, build-to-suits. Seems like there's a lot of press releases, but what are you seeing on the ground?



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

Nothing that's material or -- no, it will be the answer to your question.

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**Operator**

And now to the line of Spencer Kurn from New Street Research.

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

So you talked a little bit about your backlog. But I was wondering if you can just provide a little bit more color upon how it's been trending in the back half of 2018 and even today. Is it still rising? Or have you sort of reached your cruising altitude, which should carry you through the year?

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

Yes. I would say more cruising altitude type, Spencer, maybe with slight variations, but we've reached good strong levels of operational conversion of that backlog, but it continues to replenish itself.

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

Got it. And just one follow-up. It looks like you've guided to lower nonorganic revenue in 2019. Can you just comment on what you're seeing in the M&A landscape and if you're seeing it improve? Are there more deals coming in 2019 versus last year?

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

Well, remember, we only guide to what we have signed up. So it's purely a function of what's under contract. So you should never, never think that, that's a reflection of what the market may bring our way. And there's -- there will be the same, I think, level of opportunities out there that will give us a chance to spend a lot more capital if we see the right deals. But what we have in there is just a function of what's signed up today, and I do think there'll be a lot of other things to look at. Now whether we find them acceptable and good returns on where we want to spend our money or not is yet to be seen.

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**Operator**

And now to the line of Walter Piecyk from BTIG.

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

Jeff, are you happy with the about \$13 million of new leasing activity that you booked in the fourth quarter? Was there anything left on the table from an execution standpoint?

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

Was there anything left on the table? We could always -- I'm never happy, Walter. I always want more. But yes, I thought we did okay. I mean, the way things happen in reality is there's a lot of things that it looks like it's going to get signed up but then, for one reason or another, it slips. But that's life.



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

I think the other thing about that, Walter, is that \$13 million of growth that you're referring to is the -- of revenue growth into the quarter, a lot of that was kind of rebate based on stuff that was signed before. I mean, really, we're just going is what did we sign up during the quarter and do we sign up as much as we would like to? And obviously, we always like to sign up more, which would benefit us in the future quarters.

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

Yes. The stuff I'm talking about hasn't had the financials yet.

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

Right. So Verizon talked about I guess if they got new spectrum as opposed to the small cell strategy, about 3 to 6 months to put into the network. So presumably, and looking at your annual guidance, about 4, 5 months left for the new signings to drop additional new leasing activity. Does that sound about right? Because of the...

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

Yes, about right. Yes, that's about right.

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

My second question, I guess maybe third, but first, would have 2 parts. The second question is there's been a laundry list of potential buyers for Zayo. I'm surprised you guys haven't appeared on the list. Can you just give us your latest thinking on fiber and whether you would have any interest in acquiring Zayo?

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

Well, we don't really want to comment that specifically. But in general, our theory, which kind of goes through the comments that I made to Jon Atkins and Ric Prentiss, is we're looking to expand the things that we do, but in areas that we call exclusive real estate that will have some barriers to entry and our ability to control our destiny going forward. So I'll leave it up to you to decide how interested we would be in that asset.

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

Certainly, that been -- not very interested, but it seems like they're on the block. And if they're willing to sell it \$30 or \$35 a share, is that a compelling enough valuation for that type of business?

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

Yes, I can't comment on that.

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**Operator**

And now to the line of Colby Synesael from Cowen & Company.

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

Great. My questions, I think, are a bit more boring. So the first one is on AT&T and FirstNet. Can you give us a sense how far along you think they are in that process? And is that still building? Or do you think we've already, I guess, reached the tipping point there? And then, secondly, as it relates to T-Mobile and Sprint, I know that it was asked the first question by Atkin, but he asked specific to an MLA. Just can you remind us, I mean, it seems like that deal is more likely now than not to occur. Do you think that when they actually start to get everything together and start to tighten up the network, would you anticipate that having a material impact on growth rates, not just for SBA, but for the sector? And really the question is just a matter of timing.

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

Yes, on the first, I think, call -- I mean, they're pretty busy, and it's hard for me to judge exactly where they are in the process, but I still think there's a long way to go. I think activity goes well into 2020 there. And on the -- we continue to believe that if T-Mobile were approved to acquire Sprint that, initially, the activity levels would revolve around T-Mobile needing to bring on equipment to allow the migration of the Sprint subscribers over to the T-Mobile network. So you're going to have some positive amendments for the industry before you have any kind of decline through decommissionings. And that should be a multiyear period. And we continue to think that, that's how it goes.

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

To that point on the MLA that was asked earlier, I mean, if they were willing to give you something like we're going to be putting all these 2.5 on our towers, rather than pay us charges for all that, we'll promise you less churn, I guess, years out. Is that conceptually something you would consider?

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

I mean, at the broadest level, we would agree to any MLA that makes good sense for both parties. We have no religious or political objections to MLAs.

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**Operator**

We have no one else in queue. Please continue.

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

Thank you, everyone, for joining us. We look forward to continued reporting as we move through 2019.

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**Operator**

Thank you. And ladies and gentlemen, that does conclude our conference for today. Thank you for your participation and for using AT&T Executive TeleConference service. You may now disconnect.

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