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PRESENTATION

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

Okay, good evening, everybody, and hope you all had a productive day 1 at the TMT Conference. It's my great pleasure to welcome Jeff Stoops, CEO of SBA, to the conference. Welcome, Jeff.

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

Thank you, Simon. Pleasure to be here.

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

Before we get started, please note that all important disclosures, including personal holding disclosures and Morgan Stanley disclosures, appear on the Morgan Stanley public website at www.morganstanley.com/researchdisclosures or at the registration desk.

So it's great to wrap up today with SBA because our strategist was telling us earlier about earnings growth decelerating across the broader market, and I think the tower companies really stand out as a pocket of accelerating growth. So hoping to learn a little bit more about what you're expecting for 2019.

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

Yes, good. Well, I hate to say your strategist is wrong, I don't know him, but he's going to be wrong as it applies to us. We're looking at a very good 2019, and I think the biggest difference between 2019 and 2018 is, we started the year with all of the 4, and actually 5, frankly, including DISH, U.S. carriers really being busy from the start. That is the big difference as we look at 2019 versus 2018. So our strategies for the year are really not much different than they have been. We want to capture all the business we can. We want to execute well, continue to lead our industry in margins. We want to grow the portfolio, again, 5% to 10%. We want to stay fully invested, which, for us, has meant being capitalized in the 7.5 to 7x net debt-to-EBITDA range. Although as we get closer to 2021, where we expect to be required to pay a dividend because of our REIT status, we will be probably be paring down to the lower end of that and then transitioning even, perhaps more so, into the 6s as we get into the 2021 time frame, something I'm personally excited about. And while I don't know that it would be necessarily material this year, as we will be taking a broader view towards some newer things, at least for us anyway, more exclusive real estate, mobile edge computing, taking a step beyond a traditional macro tower site architecture that we've been focused on for the last 20 years. And folks shouldn't think about that as a dramatic difference for us. I mean, we're going to be looking for the same asset attributes that have made us so successful, barriers to entry, high-quality assets, things that will give us good exclusivity, good renewal powers, good high margins, but just perhaps a little different than just the traditional towers. And we've added some folks and looking to spend some more time and investment dollars in that area. So yes, we're excited about 2019.



QUESTIONS AND ANSWERS

Simon William Flannery - Morgan Stanley, Research Division - MD

Great. All right. I'd love to dig into that. Let's start with the U.S., with the Big Four. So we have projects like FirstNet. We have the 600 megahertz build-out. So essentially, these are at full tilt all 2020 -- all of 2019. Is that kind of what you're building into your guidance versus ramping during 2018? Do you think about '19 looks a lot like, say, the second half of '18?

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

Yes. Yes, we hit the ground January 1 without really missing a beat. Yes, last year, I think, we were waiting a little bit for AT&T to get up to what I've talked about as cruising altitude, and I'd say we're there. We were there in the fourth quarter. We continue to be there as we moved into 2019 with respect to AT&T. T-Mobile continues to be very, very busy, particularly around the 600 megahertz. I think they're growing as fast as they possibly can and as fast as they can clear that spectrum. Sprint continues to be very, very busy, and I think we'll continue to be very, very busy until there is a final resolution on the merger. And Verizon, as it has been for many years, continues to be steady.

Simon William Flannery - Morgan Stanley, Research Division - MD

Great. And you brought up DISH. So you think you're getting a lot of the incremental activity from DISH. So maybe talk about what that -- from those initial reports, it wouldn't be that material, but it sounds like it's starting to become...

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

Well, DISH is new to the wireless space. So from a reported financial perspective, it's not material. But within a quarter, in terms of the amount of new business we are booking, it actually is a fair amount of work, or at least it was in the fourth quarter when we expect it to be all through 2019. DISH is very serious about their network deployment, and they're doing all the things that -- as we've seen over many years, of helping carriers build out networks that you would expect to see from someone who's working on a network deployment, and they certainly seem to be headed down the path where they're working towards meeting their March 2020 obligations.

Simon William Flannery - Morgan Stanley, Research Division - MD

And you have a pretty holistic arrangement with them. Maybe just talk about all the things you're doing for them.

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

I think one of the reasons we're doing a lot with DISH is we're the only one of our peers that continues to be a full-service provider in the sense that we offer site acquisitions, zoning, permitting, construction and, obviously, tower space. Remember that's how SBA got its start, and we continue to offer those services. We continue to have our own crews. We have the folks who can do all that work. So we are somewhat a one-stop shop in that respect, and that -- DISH has found that very, I think, attractive. And we're certainly not doing all the work and -- nor do we expect to, but I think we're doing a fair share and helping them out where we can, and we expect to continue to do so and happy to have their business.

Simon William Flannery - Morgan Stanley, Research Division - MD

What are the overall trends in pricing? And there's always new stories about build-to-suit competitors out here. So how is that panning out right now versus, say, the last year or 2?

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

Things haven't really changed materially. I mean, there are -- because there are fewer build-to-suits generally available to the smaller developer, they tend to take what the market will give. So there are a number of folks who are doing things that we don't necessarily find attractive, which is why we're not building as many towers in the U.S. as we used to. But that's okay. I mean, there's plenty of assets that we own today that are seeing tremendous demand for new equipment, which is why so much of our growth is tilted towards the amendment side. And then of course, we have the international side, which is where we're seeing the predominance of the new builds.

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

Okay. And talking about amendments, there's a lot of questions we get just about your openness to doing holistic MLAs. And is that something we could see more of (inaudible)?

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

Sure. We've done 4 now, 2 with T-Mobile, 2 with Sprint, and we would do them with anyone where we would find a mutually beneficial arrangement.

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

And what's been -- you haven't done as many as, say, some of your peers, but what has been your kind of perspective? Is it more that you think that there's more upside from a kind of a la carte, to pay by the kind of the work rather than a holistic MLA?

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

Yes, generally, that has been our approach. But even with that, you could strike some arrangement where if there were some other basis upon which there was a certain entitlement against a certain payment, I'm sure there would be some X on this side and Y on this side, where a meeting of the minds could be struck. I mean, it's really -- I think we, for some reason, have -- there's been a perception developing, no way, no how would SBA ever enter into an agreement for some kind of philosophical or religious reason. It's just not the case. It's all financially driven and what we think would be the right arrangement for our shareholders long term. I personally think we happen to have made the right decisions back in the 2013, '14, '15 time period. We'll see what the future brings.

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

So how do you think about the impact of the potential merger? There's been a lot of talk about tower decommissioning. How do you see that affecting your business in the near term and in the longer term?

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

I assume you're talking specifically about T-Mobile, Sprint. As it's been explained to us and, I think, publicly, the first stage of a T-Mobile/Sprint combination would involve T-Mobile beefing up their network, which has been publicly talked about as being the surviving network, to be able to accommodate the Sprint subscribers. And that's going to require additional equipment, and so that's going to be a new source of business. So for some period of time, couple years, as that's going to be a lot of work, that will be an upward movement, a positive benefit for our industry, then -- and that probably also corresponds with when the existing lease terms may offer the opportunity for decommissioning. So 2, 3, 4 years out, then you might start to see decommissioning rationalization, which, of course, you're going to see some of that in a combination of that size. And then after that, you're going to see the future, which is where a combined company like T-Mobile/Sprint is going to need to spend to stay competitive with whatever AT&T and Verizon spend.

Simon William Flannery - Morgan Stanley, Research Division - MD

And we've got a number of other spectrum bands coming out over the next few years. Are you seeing new players, cable companies, tech companies trying to learn a little bit more about what a network might take that we might have new customers coming on board over the next few years? Is that still very early?

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

It's still early, but there is particularly a lot of interest in the CBRS space from the tech industry. There's an alliance there that -- I think it's got most all of the big Amazon, Microsoft, Google players in that, and there's a -- they're fairly active in all that. So it would be interesting to see where that goes. There's a fair amount of discussion about that particular spectrum being used quite a bit for private LTE networks by enterprise customers. And that's one of the things that has gotten us more excited about kind of branching, extending our efforts and initiatives a little bit beyond the traditional macro site towers. We're actually one of the few licensees by the FCC who have been granted rights to test that spectrum. We actually have that working in our building. And it is very easy to install and operate. There's not a lot of gadgets yet that are available to work on it, but it actually is a much cheaper alternative than traditional DAS, and even WiFi to that extent. So that's exciting and could bring in that whole new class of company that we haven't traditionally seen in the telco space.

Simon William Flannery - Morgan Stanley, Research Division - MD

When you say edging out, you generally stayed away -- you had ExteNet you divested, and you stayed away from the outdoor small cells, fiber, some of these other -- is there any change in that mindset? Or is it...

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

No, our focus will always be first on the asset and the real estate and is it something that is defensible, protectable, barriers to entry, things that look and feel and smell like a tower where you're going to be able to have good margins and maintain those margins going forward.

Simon William Flannery - Morgan Stanley, Research Division - MD

Okay. So maybe we'll turn to Latin America. You've had some strong organic growth there. [Can you take us on] what you see for 2019 in Brazil and Central America and elsewhere?

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

Brazil has been a very good market for us last year. Actually, we've even had some currency headwinds last year, but we still actually did extremely well in Brazil. And with the election of Bolsonaro, there's a great feeling of optimism in Brazil. A lot of good things are happening. There was just an article that I read where Petrobras looks like it's finally going to emerge from its slump over the last couple of years, and it's going to emerge as one of the leading producers in the world. So they can fix their energy issues and get that producer back to where it's a net contributor to the country. Brazil has a lot of very good things going for it. The biggest issue down there is the pension reform. That, of course, is what Bolsonaro ran on and continues to focus on that as the single most important thing that he needs to fix. So we're all optimistic that he follows through on that. There's some telecom reforms down there that look like they're heading in the right direction. Spectrum caps are being lifted. The concessions that have saddled Telefonica and Oi with some crazy expenditure requirements like putting the pay phones in the Amazon literally have -- they need to get fixed. It looks like there's the right political will to do that now. So hopefully, that gets done. And if the spectrum cap gets lifted and the concessions get fixed, you could see -- actually, I would generally not say consolidation is good for us, but in this particular case, if 3 -- 4 carriers went to 3 in Brazil, actually, I think it would be very healthy for the market, and we would see net increased CapEx expenditures. And there's still -- in terms of towers per subscriber, there's still a lot of tremendous infrastructure needs.



Simon William Flannery - Morgan Stanley, Research Division - MD

Yes, as the smartphone penetration ramps?

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

Yes. And we did have some consolidation in Central America. You saw Claro buying Telefonica's assets in Guatemala and El Salvador. That will take many years to shake out. So there will be some movement there. And then you saw Millicom buy Telefonica's assets in Nicaragua, Costa Rica and Panama, which we think will clearly be a positive for us because they would bring in investment that Telefonica was not going to move forward with.

Simon William Flannery - Morgan Stanley, Research Division - MD

So how do you think about international as a -- sizing it relative to your U.S. portfolio? It's been fairly stable and is kind of low double digits over the last few quarters.

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

Yes. We think about it, I think, differently than investors do. Investors want all international as kind of one bucket, one risk bucket. We really only think about international risk as non-U. S. dollar-denominated. So when we have U.S. dollar-denominated contracts like we have all through Central America, it's really not any riskier than where we are in the U.S. I mean, there's obviously a little bit more when you're in Nicaragua and you have some issues there, but we've had absolutely no problems with the movement of money or anything like that, and the cost structure down there has been phenomenal. We've hit it out of the park. So when we think about international, besides getting through all the regulatory and country and tax issues, it's really about managing your FX risk. So that's really what we're focused on. So that will be a total FX exposure and then a per-country FX exposure. And while we're levered the way we are, we wouldn't want to have more than 25% to, at max, 30% of our servicing revenues denominated in a currency or currencies other than the United States dollar, okay? And that's been how we've kind of looked at -- that's the same answer I would have given you 3 years ago.

Simon William Flannery - Morgan Stanley, Research Division - MD

And any thoughts beyond the Americas?

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

Well, we -- look, I think it's going to be hard for us to find success in Europe. I made a comment on the call about infrastructure funds and the valuations, and I meant that as a reinforcement to where our company should be valued, but it also -- as a practical matter, it will make things hard to buy things in Europe when they can borrow at 0% and they settle for 5% returns. So as a practical matter, we will probably have to look in the emerging markets, which, of course, have more risk, currency, stability. So you have to be careful. You have to bring the right risk-reward quotient. There's some calculations to all that. It's our job to look, and that's what people would expect us to do. And so far, we haven't found anything outside of the Western Hemisphere, but we sure keep our eyes open.

Simon William Flannery - Morgan Stanley, Research Division - MD

If there's enough singles and doubles to hit the 5% to 10% portfolio growth?



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

Yes, particularly with the new builds. I mean, we look to do 450 to 500 new builds and then combine that with some purchases and...

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

And how do you...

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

There'd be enough to...

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

Mostly Brazil or what's the...

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

Build -- yes, Brazil will once again be our largest new build market this year.

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

Okay, okay. And how do you think about the math on those sort of new builds? Are you doing it with 1 anchor tenant? Or do you have a second one in reserve at that point in time? [Is that how you feel?]

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

We're doing one with an anchor, but only with the belief and the siting that we feel very confident we will end up over a reasonable period of time with a second. But we won't require a second on day one.

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

You can still cover your cost of capital?

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

Oh, yes.

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

Great. We do have time for some questions. There's some mics in the back. There's one up front here. Just wait a second.



Unidentified Analyst

Yes, I was wondering if you could comment on how you think about the difference between domestic fiber acquisition and potentially acquiring fiber in any international territories.

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

Price -- price and return, just as we would consider a tower difference in those markets. I think there's going to be more opportunity internationally. But taking a step back, we're always going to be interested in those opportunities where it's going to fit our kind of exclusive real estate thought process that I laid out earlier. For example, mobile edge computing. We have a tremendous advantage at some point when that business takes off because we already have the real estate, right? So will it make sense for us to also own the fiber that goes to that mobile edge structure on our land that has to be there? Probably. So those are the kind of opportunities that we're interested in, whether it be domestic or international, but things that we have an advantage.

Unidentified Analyst

I mean, just on that line, can you talk about the size of the commitment you would make into things that are other than tower?

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

I think by definition, to get the exclusivity and the quality in the asset that we're talking about, it's not going to be huge ever because you're not going to find a large-scale opportunity that is going to meet those requirements. It's going to be slow growing to get the high return on invested capital that we're looking for. So you can exhale now. You can breathe easy.

Unidentified Analyst

A question on leverage. Once you guys become a dividend payer in the REIT, is the thinking now about where you're intending to be an IG?

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

No. We have no intention or belief that you need to be an investment-grade credit.

Simon William Flannery - Morgan Stanley, Research Division - MD

So I think you said low 6s is where you'd want to be, is that right?

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

Yes. We would -- we have tremendous access to capital. And first of all, we don't intend to be a maximum dividend payer in the sense that we're going to push the higher end of what we can pay in terms of our AFFO payouts. We're going to continue to -- not continue, we haven't started yet, but we believe that we can do better with the cash inside the company, compounding it and, therefore, we should retain as much as we can. So we're going to lean towards a minimal dividend strategy, paying out only the minimum required, stay a levered company, and we believe that we will maximize total shareholder return in that respect.



Simon William Flannery - Morgan Stanley, Research Division - MD

So just staying on that topic. You've been actively repurchasing your shares and taking advantage of dislocations like we had in the fourth quarter. So I think you said we should expect that to continue in '19, but basically your deleveraging would not kick in until 2020 or when you start -- or happen to. Can you buy a bunch of stock back and delever? And how do you think about intrinsic value and when -- how aggressively -- the stock has obviously rallied since then, but what do you do in a market like this if you have surplus cash versus when the stock was \$150 or something like that?

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

We triangulate through a bunch of different metrics. We look at DCFs. We look at what infrastructure funds are paying and change our views, potentially. We look at it all. Look at history. We look at where we think we're going to be down the road, how much we can grow our AFFO per share by buying the stock back versus not buying the stock back, what our alternate uses of capital are. All those things factor in.

Simon William Flannery - Morgan Stanley, Research Division - MD

Okay. And maybe you can just talk a little bit about the competitive environment. Again, coming back to some of these over-builders, do you have any quick way to think about how many of your sites have competition within a certain radius?

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

Well, there's really -- there's only a handful of states where these over-builders, as you call them, have been able to achieve even a modicum of success, these no-zoning states that are mid-Central U.S. So it's really not very many states at all. And what will happen there is they will offer a tremendous deal to their anchor tenant. And because they will offer such a tremendous deal to their anchor tenant, they will have to offer a much less attractive deal to their second tenant to make their numbers work and they won't get that second tenant. And that's what's happening. So it's getting a lot more noise and air time than it's worth. And as we've said, it's been going on for years. It's really not material. It's always been there and not anything to really worry about.

Simon William Flannery - Morgan Stanley, Research Division - MD

Okay. Well, maybe just to wrap up, you've been driving a strong double-digit AFFO growth over the years. How do you see, beyond '19, the overall environment? Do you think as we get into the heart of 5G that you can sustain that double-digit for the next few years?

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

If you give me a stable interest rate and stable FX, I believe, yes. And that's really all we'd ever need.

Simon William Flannery - Morgan Stanley, Research Division - MD

Right. And that -- will you continue to invest in some portfolio growth and some new purchases?

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

That's right. And with the current capital structure that we've outlined.

Simon William Flannery - Morgan Stanley, Research Division - MD

Okay. And then maybe just any comments on your services business? You've talked about the work you're doing for DISH. Could you see that as a differentiator with some of the Big Four as well?

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

Not as much because they already have networks and they -- it's much different when you already have a network, and you're just basically going back to your existing sites and swapping things out or you're kind of filling in. It's a very different type of deployment, but we're extremely busy with all of them. But I think what really sets us apart with DISH relative to others is the fact that they are in the nascent development stage, and that's what we're very good at.

Simon William Flannery - Morgan Stanley, Research Division - MD

And I think you have some of these tech companies and others (inaudible) you can leverage here.

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

Yes.

Simon William Flannery - Morgan Stanley, Research Division - MD

Okay. Well, Jeff, thanks so much for your time. We really appreciate it.

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

Thank you.

Simon William Flannery - Morgan Stanley, Research Division - MD

Thanks, everybody. Have a great evening.

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

Thank you.



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