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CORPORATE PARTICIPANTS

Mark DeRussy *SBA Communications Corporation - VP of Finance*

PRESENTATION

Unidentified Analyst

All right. Good morning to everybody. Thanks for joining us for the last of the telecom presentations for our 2019 conference. We're really pleased to have the Treasurer of SBA, Mark DeRussy, with us here today. CFO, Brendan Cavanagh, was going to come, but he had a family situation, so we hope everything is doing well for him, which I understand it is. So welcome, Mark. Thank you for coming.

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

Thank you for having me. It's great to be here.

Unidentified Analyst

Apologies, we didn't have the golf this year, but we'll work on that next.

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

Work on that, okay, good.

Unidentified Analyst

Good. Good. That's why Brendan really didn't come.

QUESTIONS AND ANSWERS

Unidentified Analyst

So I wanted to start, so we've been talking about a few different topics with people kind of going backwards in the news. And one of those was the launch of Altice Mobile and they have 8.5 million homes in the household. They've got 4 million homes adjacent to New York City. They've been talking about something around 35 million potential households covered underneath their -- the scope of their agreement with Sprint. And they have this ambition to do kind of a hybrid mobile virtual network operator. And I was wondering, a, if that's shown up on your radar screen as a tower infrastructure provider to the Star's? Or if it hasn't, kind of how you think about it, it potentially being relevant to SBA, if at all?

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

It has shown up to a certain extent. I'm not going to speak about that particular carrier, but what we have seen over the last year or so is interest from the cable companies deploying some equipment on our towers using some of the CBRS spectrum.

Unidentified Analyst

So you mean Charter?



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

Okay, which is part of their inside-out strategy. So it's been on our radar. We're having conversations with them. I think we're a ways away still from it being a material driver of our business.

Unidentified Analyst

But do you see like a regional cable provider trying to build out wireless network as being potentially substantive, or is it more rounding error to the business given your size?

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

Given our size right now, it may just be a rounding error at this point -- very high margin rounding point.

Unidentified Analyst

Yes, very high margin rounding error, good. The next thing I wanted to talk about was this kind of thing that came together over the summer, the Sprint/T-Mobile DISH agreement. You were putting together your 2019 and forward business plan at the end of last year. I'm pretty sure you didn't have DISH in there the way that they could be from this agreement. So I think that first, I'd like to start by just asking because DISH, you guys have called out in the first half of the year DISH as being a pretty significant contributor to, at a minimum, the services side of the business and I assume also the macro side. But now they've got this kind of, I guess, 9-month hiatus related to this Sprint/T-Mobile merger lawsuit with the state attorney's general, has that -- is that hiatus going to lead to volatility in SBA earnings in the back half of the year given DISH's contribution in the first half of the year?

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

No, I don't think so. We did do some leasing with them earlier this year. The magnitude of that is not such that the absence of that would really affect the numbers going forward.

Unidentified Analyst

Okay. But what about the services side?

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

Well, the services side, we have got that going down in the back half of the year. While DISH was certainly a part of that, we were also doing a lot of business with Sprint that related to the MLA that we had with them. That is coming to its natural conclusion here sort of midyear.

Unidentified Analyst

Okay. So -- but as a kind of as more the expert in the tower field, we're all kind of struggling a little bit to kind of put our arms around what would a DISH build-out look like to get to 70% of low band coverage of the population by 2022, 20% of the population covered with higher band spectrum. Like can you rough-size what you think the opportunity is, like if I wanted to start modeling in what I think it's doing, would it be -- what would it look like?

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

Well, I think he -- they've sort of given guidance that they want to have 15,000 sites up and running in the next 3 years, which will get them to the required or the coverage requirements. I think that to have a robust network, which is what they would endeavor to do if they're going to go down this path, is clearly going to require more than that. I mean it could be upwards of 35,000, 40,000, 45,000 sites. The pace of that is to be determined and we'll have to see. But there -- they will have a lot of work ahead of them, which will be very beneficial not only for SBA, but the tower sector in general.

Unidentified Analyst

Are they engaging on this conversation today in preparation for that? Or are they waiting for more certainty on where this lawsuit goes?

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

No. We've got a great relationship with DISH. We've known them for a couple of years. We were -- have been doing a lot of business with them on the IoT network. We continue to have a dialogue with them. I can't really speak to the specifics of that, but they are doing things to understand what it would take to have a larger build-out, talking about having interest in more of our portfolio, having more thorough conversations with our services people. So they were serious about their IoT network and I would expect that they're going to be serious about building out a nationwide broadband network.

Unidentified Analyst

So let's just think about the Sprint/T-Mobile merger generally. Kind of where was SBA coming out on happy or sad on the Sprint/T-Mobile merger? And how has that changed with now this kind of DISH caveat?

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

I think that in the absence of DISH, if you just go from 4 to 3, it would have been a net negative, right? We would have had a period where we would see significant leasing activity from T-Mobile as they integrate the new network for newco followed by a longer protracted period of churn. And I think that would probably be slightly negative. Now I think when you add DISH into the mix, I think this will be a positive event. I think that DISH will be busy over a number of years. So I think we're happier with this outcome.

Unidentified Analyst

As we kind of noodle through this exercise, I tried to noodle through it in a report we put out the other day, but our starting point was the idea that the Sprint network is probably going to get shut down. That's where the synergies come from. And then replacing the vacuum of Sprint doesn't happen right away. It kind of gets phased down through some time, they probably have a year or 2 of planning, then there are some leases. What's your average lease term with Sprint/T-Mobile these days?

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

A little over 4 years.



Unidentified Analyst

Right today?

Mark DeRussy - SBA Communications Corporation - VP of Finance

Yes. And that's a weighted average so that will involve a period that could be a month or 7 years or 8 years.

Unidentified Analyst

Right. That's interesting. So the way I was going to say is, for every tower lease that's expiring in 1 year, there's a tower lease that's expiring in 7 years or 8 years.

Mark DeRussy - SBA Communications Corporation - VP of Finance

Yes. Yes.

Unidentified Analyst

A lot of the other tower companies said that when they have a 5-year lease average or a 4-year lease average, they tend to be clustered around the middle. Is there a reason why your relationships, MLAs or towers are different?

Mark DeRussy - SBA Communications Corporation - VP of Finance

Yes. I mean keep in mind that on the Sprint side, definitely as part of our MLA, we were actually extending lease terms from a lot of the amendment activity that they were doing over the past 2 years. So that's allowed our weighted average to be a little bit longer.

Unidentified Analyst

And also spread out?

Mark DeRussy - SBA Communications Corporation - VP of Finance

Spread out, yes, yes.

Unidentified Analyst

Got it. Okay. So the kind of starting point of the hypothesis was, we kind of assumed the Sprint network gets shut down. There is a year planning, there's 4 years average leases, so it probably takes -- with SBA, it would probably take 7 years to shut the thing down. But in the nearer term, there's going to be augmentation of the T-Mobile network to accommodate the migration of the customers. And then there's going to be this kind of ramp to 15,000 over 3 years from DISH and then probably continues growing as they get ready for the transition in year 7 for the MVNO.

Mark DeRussy - SBA Communications Corporation - VP of Finance

Yes, yes.



Unidentified Analyst

Does that thought process resonate with you? Or do you kind of find fault with some of that?

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

Well, I'm not so sure we're going to lose every single lease, right?

Unidentified Analyst

With Sprint?

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

With Sprint.

Unidentified Analyst

And why do you think that is? Do you think they're going to keep the...

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

Yes. I mean they're going to want to have a robust network with newco. They're going to take advantage of that 2.5 spectrum, which will require a little bit more density. And so there's the obvious where you've got both of those tenants on the same tower. That's probably going to go away. And then you need to look at what we call the adjacent site risk where we don't necessarily have both of them on a tower. We have one of them, but nearby somebody else has got the other tenant carried on their tower, and we may -- it's like a jump-ball situation, we may lose out, but it still remains to be seen what the actual churn will look like.

Unidentified Analyst

Got it. And so as we kind of then think more about where the core business is today, there's a lot of different kind of trajectories going out there like, American Tower started out strong with 8%, but it's actually guiding to 7% and kind of a downward trajectory over the course of the year. You guys have been more kind of steady state in that 6.5% kind of zip code. As people are thinking about next year, there's been different kind of conversations, is it a little slower? Is it the same? Is DISH going to contribute to maybe a little better growth? Where does SBA kind of come out just directionally -- I don't want guidance, but what are the forces at work that are going to move the tower industry in the second half into '20?

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

Well, if we think about the way we get to that growth number that you're talking about, it's a lagging indicator. It represents the activity on a same tower basis over the past year. But if we think about we're in a period of elevated activity, which started in the first half of 2018 and then it just ramped throughout the year and we arrived at a steady state of new leasing activity -- call it bookings, if you will -- around the fourth quarter, third quarter of last year. So that number -- that numerator, if you will, has been very stable. It's stable today, right? We're seeing the same level of activity across the board. So at some point, if that doesn't increase, you're going to run up against the law of large numbers, right, which will impact that lagging indicator that you're talking about.



Unidentified Analyst

The -- just can you -- we touched on it earlier, there's a couple of spectrum auction opportunities coming out that could be incremental to the kind of tower sector demand at the margin. One big kind of controversial one is CBRS, whether that really is outdoor solution given its limited power output because of its interference with the naval observation stations on the coast. Is -- where does SBA come out? Is it -- there's been a lot of -- there's been a range; some people think it's an outdoor solution, some people think it's a limited indoor solution, some people are looking at it as a business opportunity that might be an extension of the tower business or the DAS -- into a DAS business. How does -- where does SBA come out on that?

Mark DeRussy - SBA Communications Corporation - VP of Finance

I think it's definitely going to be an indoor solution. And we are looking at ways to capitalize on that. As you know, we've got a nascent but growing indoor small cell DAS business, and the deployment of the CBRS spectrum could be complementary to that. But I also think there's an opportunity for it to be a spectrum issued outdoors on macro sites. We're seeing that today, actually, with a couple of carriers; not by any means a large deployment, it looks more like they're in a learning period right now. But the power output is -- can be different outdoors. I mean you can turn the amplifier up and you can get fairly respectable propagation out of that spectrum. Now there's people working on the potential interference with the navy there, some pretty smart people putting together some pretty interesting algorithms. So yes.

Unidentified Analyst

Okay. And then the next one is kind of C band. I think this one actually seems to me to be probably the most legitimate next -- I mean outside of 2.5, it probably seems to be the next big deployment. We had a couple of regulatory guys here yesterday. Both of whom said that they thought that an order is coming out by the end of this year, which means we could have a couple of lawsuits and potentially an auction next year, but it's not forever away where I could see that C band showing up maybe 2021 in people's hands in certain parts of the country. Kind of were you of that same view that it's a legitimate kind of outdoor demand opportunity?

Mark DeRussy - SBA Communications Corporation - VP of Finance

No, I think that, that sort of mid-band spectrum is definitely in demand. I think a lot of carriers would like to use that. And we hope that it happens, it would be a great benefit to the tower industry. I mean that's obviously going to get deployed fairly ubiquitously. And so, typically, new spectrum getting put into service has been beneficial for SBA as well as existing spectrum sort of getting repurposed. So that velocity usually ends up being a good thing for us.

Unidentified Analyst

And then here's my last question on the spectrum front is, millimeter wave we've all kind of assumed it's more of a dense urban deployment. But I've seen some places where it isn't actually being deployed in dense urban, it just happens to be there's a tower there, let's disrupt the cell. Are you seeing any millimeter wave-related demand or are you anticipating any?

Mark DeRussy - SBA Communications Corporation - VP of Finance

Not anything material at this point, no. The propagation is just, as you know, it just doesn't go that far. And our towers tend to be in suburban and rural highway corridors. So I don't think -- I mean there could be some deployment there, but I don't think it's going to be a major contributor to our business anytime soon.



Unidentified Analyst

And then kind of all these spectrum bands are really kind of being -- kind of uses the anchor tenant for, what, the 5G stuff that people would like to talk about. It feels -- one of the things that someone got brought up yesterday was massive MIMO antennas and their size and kind of -- as you -- I don't know how you're thinking about the time frame and the proliferation and the magnitude of that opportunity because we turn every 1.9 and 2.5 antenna into a massive MIMO. It's a pretty nice revenue step-up. And so could you kind of maybe share your color on that and kind of maybe quantify what you think the magnitude of the kind of delta is from one to another.

Mark DeRussy - SBA Communications Corporation - VP of Finance

Well, I think that to have true ubiquitous 5G networks, you need to deploy massive MIMO where you can. We had seen some of that with Sprint as they were deploying 2.5. It is now a -- it can now be deployed below 2.5 in a 1.9 AWS, as you mentioned, and that opportunity is still in front of us. And I would imagine that the timing is still uncertain, but I would imagine that part of T-Mobile's desire to have that Sprint spectrum fits right into what you're talking about, to have that opportunity to deploy that. And I think once you have one carrier do it, I think you're going to have to have the other carriers respond competitively to do that, which could lead to another period of increased activity from our carrier customers. So we're excited about that.

Unidentified Analyst

As I remember, I don't know, I started doing this a long, long time ago. The old architecture, we would assume it was about \$1,500 for a new cell site on a macro site. And then when the remote radio head-end architecture kind of emerged and we put more weight up on the tower, it kind of shifted to more like a \$2,000 kind of starting point. If we throw -- if I take the \$2,000 as a starting point with a remote radio head end and I throw a massive MIMO on there, where does it go? Does it go \$2,100 or...

Mark DeRussy - SBA Communications Corporation - VP of Finance

Well, I think you're going to see a lot of amendment activity around that.

Unidentified Analyst

So about \$700, \$800 to...

Mark DeRussy - SBA Communications Corporation - VP of Finance

It's going to depend on the size, right, which will be related to the frequency bands. And there's an opportunity for us, I don't want to quantify what the pricing would be, but if we think about the archetypical, if there ever was one amendment, it's been around \$500 a month.

Unidentified Analyst

And that could go to \$700?

Mark DeRussy - SBA Communications Corporation - VP of Finance

I don't want to opine on what the pricing amendments could be here.



Unidentified Analyst

Go ahead and opine.

Mark DeRussy - SBA Communications Corporation - VP of Finance

That's okay.

Unidentified Analyst

Okay. So just shifting gears a little bit. I guess before we kind of move off to kind of just more the big industry level topics, Verizon just signed a MLA with -- sorry, AT&T just signed an MLA with American Tower to kind of presumably smooth their ability. It seems like it was aimed at extending visibility for AMT in exchange for kind of greater flexibility for AT&T to kind of come and touch the towers and such. Are you in the market for that sort of thing? Or are there reasons why you would or wouldn't do it? Is it on offer? If you had the offer and you said no, how does that -- how do you think about those kind of relationships?

Mark DeRussy - SBA Communications Corporation - VP of Finance

We have ongoing strategic level conversations with all of our carrier customers. And some of those amount to agreements that would rise to sort of that MLA level where you've got the accounting adjustments that you guys noticed. And we are willing to do certain types of MLAs. We've done them in the past. We've done, I think, 2 now with Sprint, 1 with T-Mobile. So stay tuned.

Unidentified Analyst

On that front, just kind of going back to the Sprint/T-Mobile question real quick, obviously the last time we saw kind of a network shutdown exercise was Sprint/Nextel. There was a range of ways that people chose to deal with that. You guys chose to kind of just take it as it came, so just take as much money upfront as you can get from Sprint as they kind of did their network vision program and then as they tore down the iDEN business, you just kind of sucked it up.

Mark DeRussy - SBA Communications Corporation - VP of Finance

Right.

Unidentified Analyst

As you look ahead, would you make the same decision again? Are you comfortable making that decision?

Mark DeRussy - SBA Communications Corporation - VP of Finance

Oh, that decision was the right one for our shareholders. That's the one that ended up giving us the highest level of AFFO per share, right? And so as we evaluate situations like that, that's the starting point, right? We know pretty -- we've a pretty good idea of where we would be without it -- without any type of an agreement, right? And to the extent that we can work something out with the carriers that's not going to negatively impact that outcome, then we're more than willing to have those conversations.

Unidentified Analyst

Do you seek to have those conversations? Or are you open to those conversations?

Mark DeRussy - SBA Communications Corporation - VP of Finance

We're open to those conversations, yes.

Unidentified Analyst

Okay. And kind of along that front, just coming kind of back to the core business, churn has been rising for the last actually 2 years basically in the core business. Can you talk about the reasons why that is and the kind of outlook for where that's going to go?

Mark DeRussy - SBA Communications Corporation - VP of Finance

So I think as you mentioned, it's probably close to 7 quarters that, that core number, and I'm not talking about the consolidation related that we disclose separately. It went to 6 -- it was at 60 basis points and now it's at 1.5 and historically, it's sort of been in the 1% to 2% range. What's underlying that, what drives that number in general? A couple of things; one is old technologies and bad business models, like paging, wireless Internet service providers, things like that. We're happy to take their money when they can pay us and we're not deploying any capital to support those businesses.

Now remember that our revenue is 95% coming from the big 4, big 5, with the other 5% being the other and that's where a lot of that churn comes from. The other component of that is actually vestiges of consolidation churn, but it is from deals that are immaterial in and of themselves that happened a long time ago: Alltel, Cingular, SunCom, Dobson, names that we've used to know. So you have that in there. And then from the big 4 telcos, you'll have some and that will be a situation where, for example, they had plans to build out an area, they signed some leases with us and they never deployed, right? And so as you come up to that, that renewal period, they'll be opting out. And we've seen a little bit of that this year.

Unidentified Analyst

Yes. And so the ordinary churn being in that 1% to 2% range, are you comfortable with that being the range like 1.5%? Now that we're there, is this a good place or are we kind of creeping closer to the 2% for whatever reason?

Mark DeRussy - SBA Communications Corporation - VP of Finance

It may creep a little bit closer to the 2%.

Unidentified Analyst

Sustainably or just...

Mark DeRussy - SBA Communications Corporation - VP of Finance

I think you're going to see a range of 1% to 2% over the long term, yes.

Unidentified Analyst

But near term may be close to the 2%?



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

Could be.

Unidentified Analyst

So we kind of talked about kind of organic growth, churn, the inorganic growth, domestically, a couple of interesting things. So we actually just had a presentation earlier where they're having a relationship to do build-to-suits with AT&T for several hundred towers a year for the foreseeable future. I think that the established tower companies have kind of turned their noses up at the terms and conditions that come along with these new build-to-suits. Is the market just moved away from the incumbent tower companies on build-to-suit, that the carriers have gotten more sophisticated, they're asking for more or asking for less in terms of rates and escalators? How has the market kind of evolved there?

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

Well, we've chosen not to do a lot of that build that you're talking about. And the reason for that is we don't think it is the best decision for our shareholders to take those terms. There's a lot of other ways for us to deploy capital as opposed to building those particular towers. The opportunity there for us, I think, peaked at like 140 towers, right? So relative to the size of the company, it got to the point where even the best of times, it just wasn't that material yet. And so we're build it, we'll build some, we'll build a dozen or so this year, but those are going to be more situations where we have local relationships. We kind of have an idea of where the carrier wants that tower to be built and so we sort of control that land and we're able to build it under -- on more historical attractive returns.

Unidentified Analyst

And then kind of thinking about the nonorganic growth, you guys always had the kind of 5% to 10% portfolio growth goal. And back in the day, it was a lot -- it was very domestic-focused. And you guys had an engine of people that were making phone calls to all the mom and pops. I was pretty surprised when American Tower came out last quarter and announced that they were buying a 400-tower portfolio in U.S. I didn't know there were any for sale. And I feel like that's kind of the thing that what would be more your thing to do. And I was wondering if you could kind of, maybe if you have familiar like, if you have a sense as to why didn't SBA win that portfolio? And are there any more portfolios like that out there because I didn't know that one was there?

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

Right, right. Well, we see all these things, right? And we have a very rigorous process for evaluating how we allocate capital. And we did not prevail there because it traded at a price that we didn't think was the best for our shareholders. As you know, M&A pricing has been elevated domestically for a number of years. There's been an influx of capital that's been attracted to the tower business. There will be opportunities for sure. There will be some of these more smaller portfolios, but when there's an auction process, we tend not to prevail. But we're still buying towers domestically, right? We've talked about that in our last call. And those are typically smaller deals, that a lot of those will be a function of our relationships with developers who continually will come to us, we'll transact with them, refresh their capital base and those are great returns for everybody, for the developer and for us.

Unidentified Analyst

The -- and so if it's not domestic, then it's international?



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

Correct.

Unidentified Analyst

And I guess maybe starting with Brazil, kind of -- there's been a lot of chaos. And -- but I think Jeff was -- expressed some optimism about kind of pension reform and kind of cleaning up the domestic balance sheet to improve the currency situation. Could you kind of elaborate a little bit on kind of where we are now? And what your head is at on the Brazil operations? How do we as investors think about you managing it?

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

Right, I think the macro is clearly important. And I think there's a correlation there between our level of growth, we've seen that recently. Pension reform is a critical thing that needs to happen there. And it sounds like there's the political will to get it done. I'm not sure of the exact timing on that, but there's various levels in their Congress and it's already past one. So we're cautiously optimistic that, that will get pushed through.

Unidentified Analyst

And the hope would be that it kind of affects the real positively and...

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

Could be, yes. Yes. Yes. I mean as that whole situation stabilizes, they have a more visible growth pact, I think you're absolutely right that, that could help the currency.

Unidentified Analyst

Can you remind us what your guided real rate was for...

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

I don't have that number with me.

Unidentified Analyst

Yes, I think it was in the 3...

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

Yes, yes, it was a little lower.

Unidentified Analyst

Or 2-ish now, so there's going to be a little real pressure on the business?

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

Could be, yes, yes, yes.

Unidentified Analyst

And you have Chilean assets, too. Does this...

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

We have operations in Chile, yes.

Unidentified Analyst

And there's a big Chilean tower auction going on right now. Is it fair to say you're participating in it?

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

You should assume that we are participating in any type of large auction in any of the markets that we operate in.

Unidentified Analyst

Fair enough. And you recently did a bigger transaction kind of moving into a new geography. And so the Atlas Tower deal, which I didn't know that, that the CEO was a former SBA manager.

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

Yes, we've have known him for a long time.

Unidentified Analyst

And you're going to close it this quarter, right?

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

Correct.

Unidentified Analyst

Have you put it in the guide?

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

We did.



Unidentified Analyst

Could you kind of tell us the story about why you decided to go to the other side of the world for the first time?

Mark DeRussy - SBA Communications Corporation - VP of Finance

Yes, it's a good question. I mean when we look at countries, we kind of look at the obvious things around political stability, economic growth, the regulatory environment, tenant/landlord laws, land use regulations. We look for a carrier landscape, a carrier market where you've got multiple carriers, typically 3 or 4 with somewhat evenly distributed market share. We need to know that we have people that can operate in these markets. That's always important for us. And so when you think about all those things, South Africa looked a lot like -- it does look a lot like the markets that were in Latin America. Those --- that sort of...

Unidentified Analyst

With better currency.

Mark DeRussy - SBA Communications Corporation - VP of Finance

With better currency, yes, yes. It's been pretty stable. And a path to deploy more capital, so you'll see us building towers there. A path to organic growth from technology evolutions, right, they're busy doing 4G. Spectrum is going to become available, which will inure to our benefit. So...

Unidentified Analyst

And you got it for a pretty good price, right?

Mark DeRussy - SBA Communications Corporation - VP of Finance

And well, it was a situation where obviously, we're a joint venture partner, and we contributed capital along the way and it ended up being a great success. We got in there at, I think, a EBITDA multiple of about 7x.

Unidentified Analyst

So that brings me back to the U.S. and I wanted to ask you some treasurer questions. So the towers have been phenomenal stock performers. And the questions -- there's a lot of questions as to what is the driver, defensive -- just you guys introduced your first dividend yield and it's fast-growing dividend yield, even though it's quite small. There's macro insensitivity, limited currency exposure, but one of the things that's been speculated at is that subsequent to the Vanguard ETF changing its composition to towers, that some of the active fund managers in the world have been changing their benchmarks as recently as, I think, this week we saw another one come out. Have you been seeing REIT money kind of flooding into SBA's ownership register?

Mark DeRussy - SBA Communications Corporation - VP of Finance

Yes, we have. We continue to see a lot of interest not only from REIT investors, but other investor groups that like the predictability of our business, infrastructure funds, global pension funds, things of that nature. I think we're in the early process of transitioning our shareholder base from the more traditional growth-oriented TMT type of investor to people that place a value on what's going to happen over the next 3 years to 5 years.



And even longer; people ask us what happens 10 years from now? And so the real point where we saw this starting to get traction was in the fourth quarter of last year. Cohen & Steers, they're a REIT investor, had gone from maybe Page 2 to being I think it was #4 or 5.

Unidentified Analyst

And they're kind of a leading REIT investor?

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

I think so, yes. I think they're....

Unidentified Analyst

Wherever they go, others may follow.

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

They're a reference account for a lot of people, yes. Yes.

Unidentified Analyst

And so with kind of for a company that has generated return for shareholders historically not through dividend but through shareholder buybacks, with the stock being so high and even executives over the course of this year having sold stock, how do you maintain that kind of velocity of growth for the shareholder with stock prices? What do you do about it? Should you be issuing stock and buying back then? Well, how are you looking at the stock price now?

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

Buybacks will continue to be a part of our strategy, and we have -- we're not -- we don't have a buyback strategy in place where you're in the market every day, right? I think we've been clear about that. And what we've historically done is taken advantage of volatility, market dislocations, market being concerned about things that we don't think are necessarily should be of a concern. And so I think you should just expect that to sort of continue.

Unidentified Analyst

So the price isn't scaring you away from the stock buyback?

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

We'll report what we do with the stock buybacks every quarter.

Unidentified Analyst

Right now in the quarter?

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

Not right now -- time to report. When we report our...

Unidentified Analyst

Oh, come on, this is a good time in the quarter to report.

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

Yes, I know. I know.

Unidentified Analyst

Yes. So -- and my kind of last question on that front is, I remember, we were talking -- I think it was you and me and me and Brendan last year and I was raising the question about the 20% variable rate debt that you guys had at that time. And obviously everyone knew that rates were going straight to 5%. And so therefore, you actually -- you emailed me back in February...

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

Yes, yes. We have, yes.

Unidentified Analyst

You [done] half your variable rate debt and you got a rate that was even better than the variable rate.

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

That's correct. We did the same thing again in the second quarter. So now we're 95% fixed.

Unidentified Analyst

Yes. Just at the moment when rates are plunging.

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

Yes. And sometimes that hurts, right, because you want to optimize that, but the incremental \$0.05 that whatever we gave up because we weren't hitting the bottom, I think is more than offset by the predictability that we provided by doing that.

Unidentified Analyst

And I think that I've been asking all the finance guys this question over the course of the last couple of days just because last week AT&T was able to go into the euro market, borrow 7-year paper or 6.5-year paper for 30 bps. It's just ridiculous. So you're going to Africa. There's markets in Africa to raise money that are -- they're dollar-linked and other things. So what does a -- when the forward rate curve is telling you that there's a 100%

chance of 3 rate cuts between now and the end of the year, what are you doing day-to-day kind of thinking about your balance sheet to take advantage of that right now?

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

Well, actually, it's a good point you bring up because 2 days ago, we just priced a debt deal. We had \$920 million of ABS paper that was needing to be refinanced, I think, in October. And so we did a little bit earlier to take advantage of the rate situation. We ended up getting a fixed coupon of just below 2.84%, which was actually I think 5 or 6 basis points below what we actually were refinancing. And at the same time, we took incremental proceeds to take advantage of that low cost of capital. So I think we refinanced \$920 million and I believe we -- the proceeds from the deal were just under \$1.2 billion. And we're happy about that.

Unidentified Analyst

And so just as kind of a parting thing, as an equity investor, should I be very excited about all the things that you think you could maybe do to drive an incremental unit of value for me, the equity holder, through the bond market today? Or is it like we're pretty happy with how well we've done and we'll just see where it goes from here?

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

Talking about?

Unidentified Analyst

Taking down 2022 maturities, turning them out at 3% or refinancing.

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

Right. Yes, I mean we're going to be in the market every year, right? And rates are going to go up, rates are going to go down. To try to immunize the portfolio by -- our average term is, I think, 4 years, taking it to 7, that looks good. It's helpful in the near term. But at some point, you're going to have to -- your balance sheet will reflect what the current cost of capital is. So we've not typically done anything like that. I'm not sure we're going to.

Unidentified Analyst

Okay. Great. Well, it looks pretty good anyway right now.

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

Thanks.

Unidentified Analyst

All right. Good job, Mark.

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

Thank you.

Unidentified Analyst

Thank you so much. I appreciate it.

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

All right. You've got it.

Unidentified Analyst

Thanks for coming.

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

Thanks, [Ben].

Unidentified Analyst

Thank you, everybody. Appreciate your time. I think that's the last presentation in this room and the rest of the presentations and the lunch will be down in the ballroom and in the mezzanine where we were yesterday. Thank you.

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