

## SBA Communications (SBAC)

**\$241.03** (As of 01/03/20)

Price Target (6-12 Months): **\$253.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 03/11/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:D

Value: F

Growth: B

Momentum: B

### Summary

SBA Communications is a preferred partner for wireless service providers both in the United States and internationally, offering its customers in-depth management experience, scale and resources. As the company continues to expand its tower portfolio, it is augmenting business into select international markets with high-growth characteristics. It remains optimistic about the growth profile of its communication sites across the globe. However, SBA Communications is susceptible to earnings volatility due to the consolidation among telecom service providers and cable TV operators. Tower operations in emerging markets are also not as profitable as that in the mature domestic market. Moreover, the developments of satellite-delivered radio and video services are likely to weigh on the need for tower-based broadcast transmission.

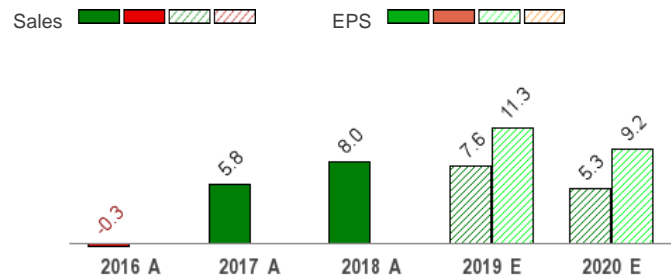
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$270.42 - \$163.04
20 Day Average Volume (sh)	645,884
Market Cap	\$27.1 B
YTD Price Change	0.0%
Beta	0.60
Dividend / Div Yld	\$1.48 / 0.6%
Industry	<a href="#">REIT and Equity Trust - Other</a>
Zacks Industry Rank	Bottom 33% (169 out of 252)

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	3.4%
Last Sales Surprise	1.9%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/20/2020
Earnings ESP	0.0%
P/E TTM	29.0
P/E F1	26.1
PEG F1	2.6
P/S TTM	13.7

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	521 E	529 E	533 E	541 E	2,114 E
2019	493 A	500 A	508 A	507 E	2,008 E
2018	458 A	456 A	467 A	484 A	1,866 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$2.20 E	\$2.29 E	\$2.33 E	\$2.39 E	\$9.24 E
2019	\$2.07 A	\$2.09 A	\$2.15 A	\$2.16 E	\$8.46 E
2018		\$1.83 A	\$1.92 A	\$2.00 A	\$7.60 A

\*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/03/2020. The reports text is as of 01/06/2020.

## Overview

SBA Communications Corporation is a leading independent owner and operator of wireless communications infrastructure in the North, Central and South America. The company was founded in 1989 and is headquartered in Boca Raton, FL.

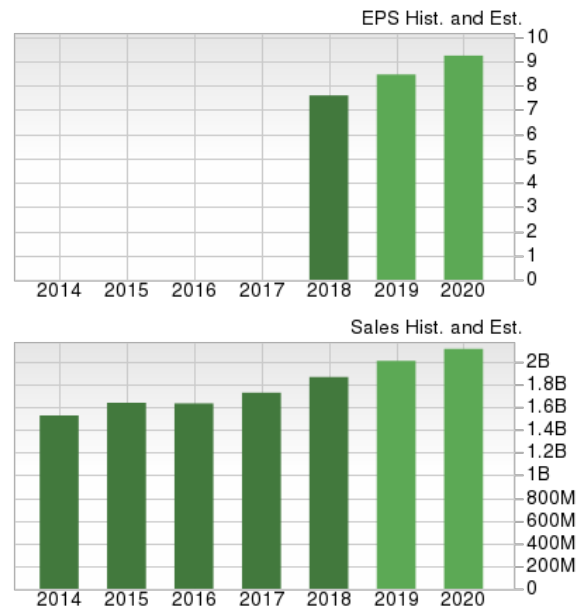
During the third quarter of 2019, the communications tower operator expanded its portfolio, investing incremental capital in new tower builds, tower augmentations, and purchase of land and easements. It purchased 78 communication sites for \$27.8 million in cash, and built 98 towers during the quarter. As of Sep 30, 2019, the company owned or operated 30,904 communication sites, of which, 16,385 are located in the United States and its territories.

SBA Communications also spent \$15.9 million to purchase land and easements, and to extend lease terms. Markedly, for the third quarter, total cash capital expenditures were \$171 million, of which \$8.8 million was non-discretionary and \$162.2 million represented discretionary. Subsequent to the quarter end, the company acquired six communication sites for \$6.7 million in cash. In addition, it has agreed to purchase 107 additional sites for \$32.7 million, and expects to close a majority of them by the end of first-quarter 2020.

The company generates revenues from two primary businesses, site leasing and site development services. The primary focus of the company is the leasing of antenna space on its multi-tenant towers to a variety of wireless service providers under long-term lease contracts.

**Site Leasing** (92.3% of total revenues in third-quarter 2019): Through this site leasing business, SBA Communications leases antenna space on their multi-tenant towers to a variety of wireless service providers under long-term lease contracts.

**Site Development** (7.7%): This segment provides wireless service providers and operators assistance in developing their own networks through site acquisition, zoning, construction and equipment installation.



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## Reasons To Buy:

- ▲ Apart from operating in the United States and its territories, SBA Communications owns and operates towers in Brazil, Canada, Chile, Costa Rica, Ecuador, El Salvador, Guatemala, Nicaragua and Panama. As the company continues to expand its tower portfolio and seek new growth opportunities, it is extending its business into select international markets with high growth characteristics. Over the years, it has developed or acquired thousands of towers throughout Central and South America and across Canada.
- ▲ Mobile subscriber growth has significantly boosted the wireless tower industry. Next-generation 4G LTE networks and the increased usage of smartphones and tablets are creating impressive demand for tower leasing. With increasing smartphone adoption, greater broadband demand and plans for 4G service worldwide, the company will pursue wireless infrastructure opportunities beyond the domestic borders to advance the strong portfolio growth to which its investors are accustomed. The company is optimistic about the global growth of wireless and thus anticipates international expansion.
- ▲ SBA Communications offers wireless service providers assistance in developing their own networks. The company's services include site identification and acquisition as well as obtaining zoning approvals and permitting networks representing all technologies. It also provides a broad range of cell site equipment installation, optimization and integration services. SBA Communications' extensive site development experience includes participation in the development of more than 45,000 communication sites.
- ▲ Wireless services are advancing rapidly in terms of additional features and capabilities. Much of the infrastructure and upgrades require effective site management of cell towers and equipment. SBA Communications effectively addresses this opportunity as more than 90% of its quarterly revenues come from wireless service providers. Moreover, wireless consumer demand is expected to increase considerably over the next years, driven by increased innovation and adoption of data-driven mobile devices and applications such as machine-to-machine connections, social networking and streaming of video. SBA Communications is a preferred partner for wireless service providers both in the United States and internationally, offering its wireless customers in-depth management experience, scale and resources.

SBA Communications anticipates a healthy growth momentum with extensive infrastructure assets, driven by increased consumer demand and adoption of data-driven mobile devices and applications.

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## Reasons To Sell:

- ▼ Customer concentration remains high for SBA Communications and the top four among its customers, namely Verizon Wireless, AT&T, Sprint and T-Mobile, account for majority of its overall revenues. Loss of any of these customers or consolidation among them will lead to a significant material impact on the company's top line. Moreover, the ongoing consolidation trend among telecom and cable TV operators may cause financial fluctuations for the company.
- ▼ SBA Communications mainly operates in the United States and its territories. In addition, it owns and operates towers in Brazil, Canada, Chile, Costa Rica, Ecuador, El Salvador, Guatemala, Nicaragua and Panama. Although this geographic diversification is likely to boost revenues, it exposes the company to adverse foreign currency translation impact. Also, tower operations in emerging markets are not as profitable as that in the mature domestic market.
- ▼ Evolution of new technologies is likely to reduce demand for site leases. Furthermore, the developments of satellite-delivered radio and video services are likely to weigh on the need for tower-based broadcast transmission. Frequent changes in demand for network services and infrastructure support will tend to increase volatility in SBA Communications' revenues.
- ▼ A large number of carriers are experimenting with alternative technologies like Voice over Wi-Fi (VoWiFi). This technology allows users to make and receive calls on Wi-Fi networks as they would on standard cellular networks. Such a feature is useful in areas with strong Wi-Fi but low cellular signal strength. With the increasing popularity of the VoWiFi network in metro cities and both mobile handset manufacturers and wireless carriers rapidly adopting it, SBA Communications' revenues are likely to come under pressure.

Increasing customer concentration coupled with the ongoing consolidation in wireless industry remain perennial threats for SBA Communications' top-line growth.

## Last Earnings Report

### SBA Communications Beats Q3 AFFO & Revenue Estimates

SBA Communications delivered solid third-quarter 2019 results, wherein both the bottom line and the top line increased year over year, and topped the respective Zacks Consensus Estimate.

#### Net Income

On a GAAP basis, net income for the September quarter was \$21.8 million or 19 cents per share compared with \$16.1 million or 14 cents per share in the year-ago quarter, primarily driven by top-line growth and lower expenses.

Adjusted funds from operations (AFFO) were \$247.4 million or \$2.15 per share compared with \$222.7 million or \$1.92 per share in the year-earlier quarter. The bottom line beat the Zacks Consensus Estimate by 7 cents.

#### Revenues

Quarterly total revenues increased 8.6% year over year to \$507.5 million, surpassing the consensus estimate of \$498 million. The top-line growth was supported by strong leasing and site development businesses.

#### Segment Results

Revenues from **Site Leasing** increased 7.7% year over year to \$468.6 million. Domestic site leasing revenues totaled \$374.7 million. Domestic cash site leasing revenues were \$371.4 million compared with \$350.4 million in the year-ago quarter. International site leasing revenues came in at \$93.9 million. International cash site leasing revenues were \$93.4 million compared with \$79.8 million a year ago. The segment's operating profit was \$375.6 million, which marks an increase of 9.5% year over year. Revenues from **Site Development** improved 21.9% to \$39 million.

#### Other Details

Total operating expenses increased to \$353.7 million from \$329.2 million. Overall operating income improved to \$153.8 million from \$138 million in the year-ago quarter. Adjusted EBITDA totaled \$355.4 million, up 8.3% on the back of healthy performance in both leasing and services businesses. Adjusted EBITDA margin slipped to 70.6% from 71% year over year.

On Sep 13, 2019, SBA Communications, through a trust, issued \$1.165 billion of Secured Tower Revenue Securities Series 2019-1C, which has an anticipated repayment date in January 2025 and a final maturity date in January 2050.

During the reported quarter, it repurchased 0.7 million shares for \$175.7 million, of which \$2.7 million was funded in the ongoing quarter, at an average price of \$249.04 per share under its \$1 billion stock repurchase plan. As of the date of filing, the company had \$824.3 million of authorization remaining under the plan. Further, the company paid out its first cash dividend of \$41.9 million in third-quarter 2019.

#### Notable Developments

On Aug 30, 2019, the company closed the acquisition of 94% of a previously unconsolidated joint venture in South Africa. The cumulative amount invested by the company in South Africa through the closing date is nearly \$140 million. At closing, the South Africa joint venture had 889 towers in operation. During the third quarter, the communications tower operator expanded its portfolio, investing incremental capital in new tower builds, tower augmentations, and purchase of land and easements.

Excluding the sites from the South Africa investment, it purchased 78 communication sites for \$27.8 million in cash, and built 98 towers during the quarter. As of Sep 30, 2019, (including South Africa) the company owned or operated 30,904 communication sites, of which, 16,385 are located in the United States and its territories.

SBA Communications also spent \$15.9 million to purchase land and easements, and to extend lease terms. Markedly, for the third quarter, total cash capital expenditures were \$171 million, of which \$8.8 million was non-discretionary and \$162.2 million represented discretionary. Subsequent to the quarter end, the company acquired 6 communication sites for \$6.7 million in cash. In addition, it has agreed to purchase 107 additional sites for \$32.7 million, and expects to close a majority of them by the end of first-quarter 2020.

#### Cash Flow & Liquidity

During the third quarter of 2019, SBA Communications generated \$238.7 million of net cash from operations compared with \$199.1 million in the year-ago quarter. As of Sep 30, 2019, the company had \$128.8 million in cash and equivalents with \$9,821.5 million of net long-term debt.

#### 2019 View Updated

SBA Communications has updated its outlook for full-year 2019, which assumes an average foreign currency exchange rate of R\$4.10 to \$1, C\$1.33 to \$1, and R15.2 to \$1, for the fourth quarter of 2019.

The company expects total revenues in the range of \$1,994-\$2,014 million (previous expectation was \$1,974-\$2,014 million), of which site leasing revenues are expected in the band of \$1,849-\$1,859 million (previously \$1,844-\$1,864 million), and site development revenues between \$145 million and \$155 million (previously \$130 million and \$150 million).

Adjusted EBITDA is anticipated between \$1,400 million and \$1,410 million (previously \$1,395 million and \$1,415 million). While AFFO is expected to be \$954-\$980 million (previously \$943-\$989 million), AFFO per share is projected between \$8.31 and \$8.54 (previously \$8.20 and \$8.60).

Quarter Ending **09/2019**

Report Date	Oct 28, 2019
Sales Surprise	1.90%
EPS Surprise	3.37%
Quarterly EPS	2.15
Annual EPS (TTM)	8.31



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## Recent News

On Dec 16, 2019, SBA Communications announced that it has appointed Fidelma Russo to its board of directors, effective Jan 1, 2020. Ms. Russo will serve as an independent director and her election has expanded the board to nine members.

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## Valuation

SBA Communications shares are up 46.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 24.2% and 16.6% over the past year, respectively.

The S&P 500 Index is up 25.7% in the past year.

The stock is currently trading at 12.83X forward 12-month sales, which compares to 8X for the Zacks sub-industry, 6.53X for the Zacks sector and 3.47X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 14.7X and as low as 5.5X, with a 5-year median of 9.3X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$253 price target reflects 19.72X forward 12-month sales.

The table below shows summary valuation data for SBAC

Valuation Multiples - SBAC					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	12.83	8	6.53	3.47
	5-Year High	14.65	8.04	6.61	3.47
	5-Year Low	5.53	5.9	5.2	2.54
	5-Year Median	9.27	6.88	6.04	3
EV/Sales F12M	Current	17.41	10.49	1.19	3.26
	5-Year High	18.9	10.86	3.27	3.37
	5-Year Low	8.77	8.23	NA	2.3
	5-Year Median	14.13	9.53	0.85	2.78
P/EBITDA TTM	Current	21.68	16.77	11.69	12.72
	5-Year High	24.12	17.42	15.53	13.85
	5-Year Low	8.13	12.54	9.92	9.35
	5-Year Median	14.46	14.75	12.99	11.6

As of 01/03/2020

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## Industry Analysis Zacks Industry Rank: Bottom 33% (169 out of 252)



## Top Peers

American Tower Corporation (REIT) (AMT)	Neutral
Alexandria Real Estate Equities, Inc. (ARE)	Neutral
Crown Castle International Corporation (CCI)	Neutral
Columbia Property Trust, Inc. (CXP)	Neutral
Digital Realty Trust, Inc. (DLR)	Neutral
Hudson Pacific Properties, Inc. (HPP)	Neutral
OUTFRONT Media Inc. (OUT)	Neutral
PLYMOUTH IND RE (PLYM)	Underperform

Industry Comparison Industry: Reit And Equity Trust - Other				Industry Peers		
	SBAC Neutral	X Industry	S&P 500	AMT Neutral	ARE Neutral	PLYM Underperform
<b>VGM Score</b>	<b>D</b>	-	-	<b>D</b>	<b>F</b>	<b>B</b>
Market Cap	27.14 B	3.09 B	23.66 B	101.26 B	18.22 B	238.00 M
# of Analysts	4	4	13	6	3	3
Dividend Yield	0.61%	4.19%	1.79%	1.77%	2.56%	8.17%
<b>Value Score</b>	<b>F</b>	-	-	<b>F</b>	<b>F</b>	<b>C</b>
Cash/Price	0.01	0.03	0.04	0.01	0.02	0.16
EV/EBITDA	32.03	17.45	13.88	30.46	24.20	29.19
PEG Ratio	2.58	3.49	1.99	1.43	4.56	NA
Price/Book (P/B)	NA	1.68	3.36	17.47	2.05	2.05
Price/Cash Flow (P/CF)	35.38	14.86	13.62	29.93	20.49	9.95
P/E (F1)	25.84	15.11	18.74	26.41	21.84	9.02
Price/Sales (P/S)	13.67	6.92	2.67	13.00	12.45	3.58
Earnings Yield	3.83%	6.62%	5.32%	3.79%	4.58%	11.11%
Debt/Equity	-2.76	0.87	0.72	4.40	0.76	2.76
Cash Flow (\$/share)	6.81	2.28	6.94	7.64	7.84	1.85
<b>Growth Score</b>	<b>B</b>	-	-	<b>C</b>	<b>C</b>	<b>A</b>
Hist. EPS Growth (3-5 yrs)	NA%	3.16%	10.56%	14.55%	7.92%	NA
Proj. EPS Growth (F1/F0)	9.19%	3.74%	7.41%	9.76%	5.50%	3.74%
Curr. Cash Flow Growth	-6.22%	13.22%	14.83%	13.26%	46.47%	22.55%
Hist. Cash Flow Growth (3-5 yrs)	6.38%	18.05%	9.00%	19.91%	20.39%	NA
Current Ratio	0.65	1.27	1.23	0.53	0.37	1.14
Debt/Capital	NA%	46.64%	42.92%	81.47%	42.99%	56.84%
Net Margin	6.89%	13.74%	11.08%	20.58%	9.29%	-23.05%
Return on Equity	-4.16%	4.55%	17.10%	27.12%	1.63%	-37.39%
Sales/Assets	0.23	0.13	0.55	0.21	0.09	0.13
Proj. Sales Growth (F1/F0)	5.28%	4.71%	4.20%	6.76%	NA	20.47%
<b>Momentum Score</b>	<b>B</b>	-	-	<b>C</b>	<b>D</b>	<b>C</b>
Daily Price Chg	0.90%	0.78%	-0.61%	0.05%	0.57%	2.00%
1 Week Price Chg	0.08%	0.07%	0.13%	0.59%	0.73%	-1.67%
4 Week Price Chg	2.16%	0.00%	2.60%	7.06%	-0.27%	-0.70%
12 Week Price Chg	-0.74%	1.94%	8.87%	1.03%	4.22%	-1.02%
52 Week Price Chg	48.29%	19.23%	29.34%	44.98%	43.06%	39.59%
20 Day Average Volume	645,884	549,210	1,603,615	1,440,857	698,489	98,505
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	-0.21%	0.00%	1.83%
(F1) EPS Est 12 week change	-2.43%	-0.40%	-0.57%	-2.09%	-0.79%	-13.15%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	0.00%	8.70%



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## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	F
Growth Score	B
Momentum Score	B
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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### Disclosures

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