

SBA Communications (SBAC)

\$299.37 (As of 06/15/20)

Price Target (6-12 Months): **\$317.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/25/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: F

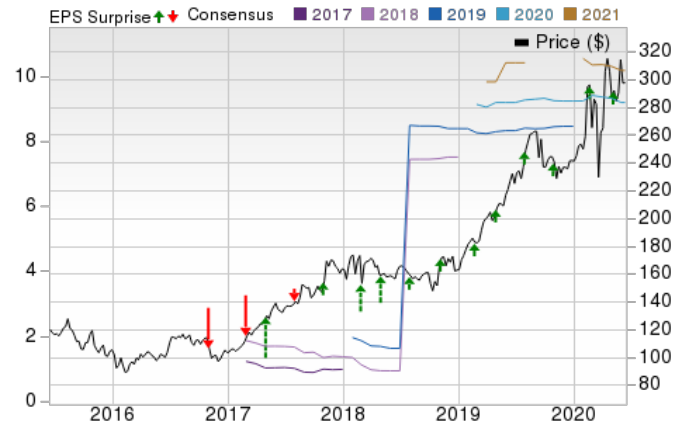
Growth: A

Momentum: F

Summary

Shares of SBA Communications have outperformed the industry over the past year. The company continues to benefit from solid operating performance in its site-leasing business. Amid an increase in data volume as well as the deployment of a 5G network and additional spectrum, wireless carriers are expanding and enhancing their networks. The company is expanding its tower portfolio to capitalize on the trend. Also, recurring revenues from long-term tower leases are likely to drive site-leasing revenue growth over the long term. It also enjoys a decent balance sheet and sufficient liquidity. Yet, high leverage and tenant concentration are worrisome. The evolution of new technologies may impact the company's site-leasing activities. Also, the volatility in foreign currency exchange rates and weaker operating currencies is likely to impact revenues.

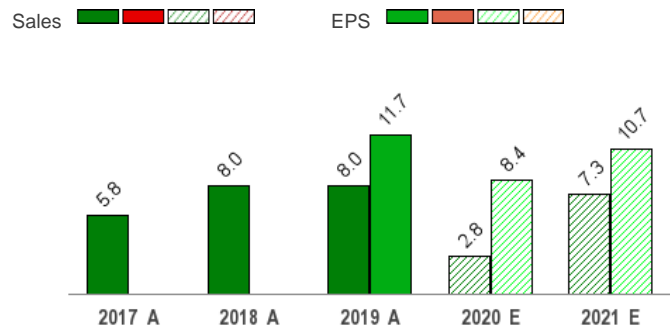
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$323.03 - \$205.20
20 Day Average Volume (sh)	701,974
Market Cap	\$33.4 B
YTD Price Change	24.2%
Beta	0.41
Dividend / Div Yld	\$1.86 / 0.6%
Industry	REIT and Equity Trust - Other
Zacks Industry Rank	Bottom 34% (168 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	0.9%
Last Sales Surprise	1.1%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	08/03/2020
Earnings ESP	0.0%
P/E TTM	34.4
P/E F1	32.6
PEG F1	3.3
P/S TTM	16.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	547 E	546 E	557 E	576 E	2,222 E
2020	517 A	503 E	519 E	532 E	2,071 E
2019	493 A	500 A	508 A	514 A	2,015 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$2.54 E	\$2.50 E	\$2.57 E	\$2.73 E	\$10.18 E
2020	\$2.28 A	\$2.23 E	\$2.31 E	\$2.41 E	\$9.20 E
2019	\$2.07 A	\$2.09 A	\$2.15 A	\$2.18 A	\$8.49 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 06/15/2020. The reports text is as of 06/16/2020.

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.

The company elected to qualify as a real estate investment trust ("REIT") for tax purposes, commencing with the taxable year ended Dec 31, 2016.

During the March-end quarter, it acquired 69 communication sites for a total cash consideration of \$79.9 million. It also built 49 towers during this period. The company owned or operated 32,515 communication sites as of Mar 31, 2020. Of these, 16,463 sites are located in the United States and its territories, and 16,052 internationally.

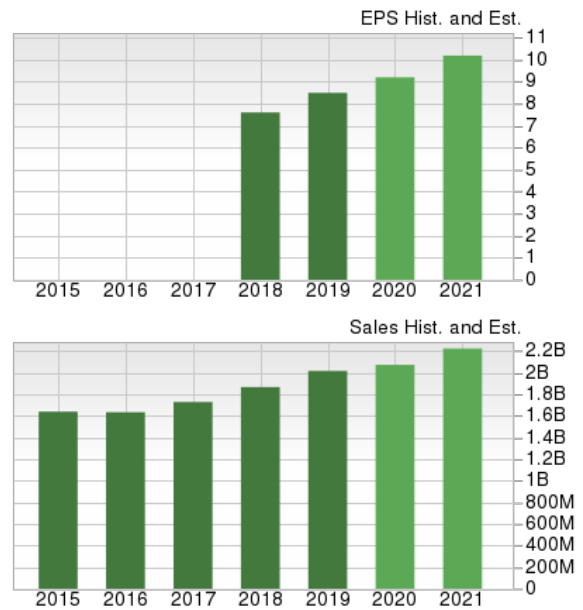
SBA Communications spent \$6.9 million to purchase land and easements, and extend lease terms. Markedly, total cash capital expenditure was \$128.8 million in the reported quarter, of which \$9.2 million was non-discretionary and \$119.6 million was discretionary.

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. The company's site-development business is only conducted in the United States.

Site Leasing (95.2% of total revenues in first-quarter 2020): 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 (4.8%): This segment provides wireless service providers and operators assistance in developing their own networks through site acquisition, zoning, construction and equipment installation.

Note: All EPS numbers presented in this report represent funds from operations ("FFO") per share. FFO, a widely used metric to gauge the performance of REITs, is obtained after adding depreciation and amortization and other non-cash expenses to net income.



Reasons To Buy:

- ▲ Apart from operating in the United States and its territories, SBA Communications owns and operates towers in Brazil, Canada, Chile, Argentina, Costa Rica, Colombia, Ecuador, El Salvador, Guatemala, Nicaragua, Panama, Peru and South Africa. 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, the company has developed or acquired thousands of towers throughout Central and South America and across Canada. Continuing the tower expansion efforts in the first quarter, it invested more than \$100 million in new assets. Subsequent to the first-quarter end, it purchased or agreed to purchase 137 additional sites for \$52 million. The acquisitions are expected to close by the third-quarter end.
- ▲ 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 5G 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 services capability 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. The company expects its service business to pick up pace in the second half of the year.
- ▲ 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 a significant portion of its quarterly revenues come from wireless service providers. Furthermore, wireless consumer demand is expected to shoot up considerably in the upcoming years on 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 has emerged as 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 has a resilient and stable site-leasing business model. The company generates most of its revenues from long-term (typically 5-10 year) tower leases that have built-in rent escalators. With lower customer churn and higher operating margins, its tower-leasing business remains attractive. Wireless service providers continue to lease additional antenna space on the company's towers amid the increase in network use, data transfer, network expansion and network coverage requirements. This is expected to drive site-leasing revenue growth over the long term. For the remainder of 2020, the company expects organic site-leasing revenue growth in both domestic and international segments to be more than the 2019 levels.
- ▲ SBA Communications' share buybacks and dividend hikes demonstrate its commitment to drive shareholder value and superior capital-deployment ability. During first-quarter 2020, the company repurchased 0.8 million shares for \$200 million. As of May 5, 2020, it had \$242.3 million of capacity available under its repurchase program. Further, solid dividend payouts remain arguably the biggest attraction for REIT investors. In October 2019, SBA Communications announced a quarterly cash dividend of 46.5 cents on its Class A common stock, indicating a sequential hike of 25.7%. Given the company's financial position and lower dividend payout rate (compared to that of the industry), the dividend distribution is expected to be sustainable. Such measures also boost shareholders' confidence in the stock.
- ▲ Additionally, with the T-Mobile/Sprint merger now closed, management expects a substantial increase in incremental leasing activity as the new T-Mobile invests in upgrades across its new portfolio to meet required 5G coverage goal. Dish Network is also set to enter the wireless market and intends to build a 5G network in the coming years. Moreover, heavy investments in future 5G networks and additional spectrum deployment by the company's other U.S. customers are expected to drive leasing activities.
- ▲ SBA Communications has a decent balance sheet and sufficient liquidity. The company exited first-quarter 2020 with cash and cash equivalents of \$228 million. In February, it issued \$1 billion of new unsecured senior notes that were used to redeem other obligations and repay a portion of the balance outstanding under our revolving credit facility. As of May 5, the company had \$380 million outstanding under its revolving credit facility. Other than external financing, it generates significant recurring revenues, contributing to internally-generated cash from operating activities. In fact, the company enjoys an industry-leading domestic tower cash flow margin of 84.2%.

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.

Reasons To Sell:

- ▼ Customer concentration remains high for SBA Communications and the top four among its customers, namely Verizon Wireless, AT&T Wireless, Sprint and T-Mobile, account for majority of its domestic site-leasing 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 has a substantially leveraged balance sheet, with \$10.4 billion of net debt as of the first-quarter end. The company's debt-to-capital ratio is significantly higher than its industry's ratio. This limits its strength to withstand the credit crisis.
- ▼ SBA Communications mainly operates in the United States and its territories. In addition, it owns and operates towers in Brazil, Canada, Chile, Argentina, Costa Rica, Colombia, Ecuador, El Salvador, Guatemala, Nicaragua, Panama, Peru and South Africa. 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. In fact, the ongoing coronavirus pandemic has volatized foreign currency exchange rates, impacting the company's revenue growth for the first quarter. Additionally, SBA Communications lowered the 2020 outlook to reflect the foreign exchange impact due to weaker operating currencies.
- ▼ 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.
- ▼ Shares of SBA Communications jumped 31.4% over the past year against the industry's decline of 7.7%. However, the recent trend in estimate revisions of current-year FFO per share does not indicate a favorable outlook for the company as estimates have moved 1.8% south over the past two months. Therefore, given the above-mentioned concerns and downward estimate revisions, the stock has limited upside potential.

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 Q1 AFFO & Revenues Top Estimates

SBA Communications delivered solid first-quarter 2020 results, wherein the bottom and top lines increased year over year, and surpassed the Zacks Consensus Estimate.

AFFO per share of \$2.28 for the first quarter surpassed the Zacks Consensus Estimate of \$2.26. The reported figure was also higher than the prior-year quarter's \$2.07.

Results reflected solid operating performance in its site leasing business. The company continues to benefit from the addition of sites to its portfolio. Demand in international markets also remained robust.

Quarterly total revenues increased 4.8% year over year to \$517.07 million, outpacing the consensus estimate of \$511.58 million. The upswing resulted from strong site-leasing business.

Quarter in Detail

Site-leasing revenues increased 8.9% year over year to \$492.3 million. Domestic site-leasing revenues totaled \$386.3 million. Domestic cash site-leasing revenues were \$383.9 million, up 6.3% year over year. International site-leasing revenues were \$106 million. International cash site-leasing revenues were \$106.1 million, up 20.1% year over year. The segment's operating profit was \$396.6 million, marking an increase of 10.3% year over year. However, site development revenues declined around 40% to \$24.7 million.

Overall operating income improved to \$151.2 million from the year-ago quarter's \$139.3 million.

Adjusted EBITDA totaled \$369.9 million, up 7.1% year over year, while adjusted EBITDA margin improved to 71.9% from the year-earlier quarter's 70.4%.

During the March-end quarter, the company acquired 69 communication sites for a total cash consideration of \$79.9 million. It also built 49 towers during this period. The company owned or operated 32,515 communication sites as of Mar 31, 2020. Of these, 16,463 sites are located in the United States and its territories, and 16,052 internationally.

SBA Communications also spent \$6.9 million to purchase land and easements, and extend lease terms. Markedly, total cash capital expenditure was \$128.8 million in the reported quarter, of which \$9.2 million was non-discretionary and \$119.6 million represented discretionary.

Cash Flow & Liquidity

During the first quarter of 2020, the company generated \$277.7 million of net cash from operations compared with the year-ago quarter's \$222.7 million. As of Mar 31, 2020, it had \$228 million in cash and equivalents, with \$10.4 billion of net debt.

During the reported quarter, the company repurchased 0.8 million shares for \$200 million, at an average price of \$242.86 per share, under its \$1-billion stock repurchase plan.

Outlook

SBA Communications now expects 2020 AFFO per share of \$8.89-\$9.29 compared with \$9.07-\$9.47 mentioned earlier.

The company expects total revenues of \$2,040-\$2,080 million, of which site-leasing revenues are expected to be \$1,930-\$1,950 million, and site development revenues are likely to be between \$110 million and \$130 million. Moreover, adjusted EBITDA is projected between \$1,464 million and \$1,484 million.

Quarter Ending **03/2020**

Report Date	May 05, 2020
Sales Surprise	1.07%
EPS Surprise	0.88%
Quarterly EPS	2.28
Annual EPS (TTM)	8.70

Recent News

Dividend Update

On May 5, SBA Communications announced a quarterly cash dividend of 46.5 cents on its Class A common stock. The dividend will be paid out on Jun 18 to shareholders of record as of the close of business on May 28, 2020.

Valuation

SBA Communications shares have jumped 31.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector have declined 3.4% and 12.9% in the past year.

The S&P 500 Index has been up 9.1% both in the trailing 12-month period.

The stock is currently trading at 15.62X forward 12-month sales, which compares to 8.11X for the Zacks sub-industry, 6.00X for the Zacks sector and 3.471X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 16.65X and as low as 5.53X, with a 5-year median of 9.49X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$317 price target reflects 16.54X 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	15.62	8.11	6.00	3.41
	5-Year High	16.65	8.14	6.65	3.44
	5-Year Low	5.53	5.91	4.95	2.53
	5-Year Median	9.49	6.89	6.06	3.02
EV/Sales F12M	Current	20.34	11.19	NA	3.21
	5-Year High	21.29	11.66	3.3	3.51
	5-Year Low	8.77	8.17	NA	2.28
	5-Year Median	14.45	9.53	0.92	2.83
P/EBITDA TTM	Current	24.34	17.23	13.62	12.08
	5-Year High	26.01	19.67	15.56	13.85
	5-Year Low	8.13	11.77	7.81	8.73
	5-Year Median	15.34	14.81	13.1	11.74

As of 06/15/2020

Industry Analysis Zacks Industry Rank: Bottom 34% (168 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
American Tower Corporation REIT (AMT)	Neutral	3
Alexandria Real Estate Equities, Inc. (ARE)	Neutral	3
Crown Castle International Corporation (CCI)	Neutral	3
Columbia Property Trust, Inc. (CXP)	Neutral	3
Digital Realty Trust, Inc. (DLR)	Neutral	3
Hudson Pacific Properties, Inc. (HPP)	Neutral	3
OUTFRONT Media Inc. (OUT)	Neutral	3
PLYMOUTH IND RE (PLYM)	Neutral	3

Industry Comparison Industry: Reit And Equity Trust - Other				Industry Peers		
	SBAC	X Industry	S&P 500	AMT	ARE	PLYM
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	D	C	C
Market Cap	33.42 B	2.04 B	21.70 B	116.36 B	20.87 B	226.57 M
# of Analysts	4	4	14	6	3	4
Dividend Yield	0.62%	4.05%	1.95%	1.65%	2.49%	9.82%
Value Score	F	-	-	D	D	C
Cash/Price	0.01	0.06	0.06	0.01	0.02	0.19
EV/EBITDA	32.52	14.46	12.55	30.19	25.23	17.87
PEG Ratio	3.26	3.68	2.96	2.16	5.57	NA
Price/Book (P/B)	NA	1.34	2.99	28.63	1.91	2.01
Price/Cash Flow (P/CF)	37.32	11.25	11.61	31.49	22.97	7.46
P/E (F1)	32.63	15.76	21.21	31.73	22.74	7.57
Price/Sales (P/S)	16.39	4.94	2.26	15.00	12.94	2.67
Earnings Yield	3.07%	5.88%	4.43%	3.15%	4.40%	13.23%
Debt/Equity	-2.33	0.92	0.76	5.40	0.67	3.55
Cash Flow (\$/share)	8.02	2.03	7.01	8.34	7.20	2.05
Growth Score	A	-	-	C	B	B
Hist. EPS Growth (3-5 yrs)	NA%	2.02%	10.87%	12.81%	7.76%	NA
Proj. EPS Growth (F1/F0)	8.30%	-2.81%	-10.58%	7.01%	4.50%	1.89%
Curr. Cash Flow Growth	17.05%	3.36%	5.46%	9.58%	4.79%	197.59%
Hist. Cash Flow Growth (3-5 yrs)	6.55%	12.74%	8.55%	15.15%	23.85%	41.42%
Current Ratio	0.39	1.83	1.29	0.64	0.37	0.29
Debt/Capital	NA%	48.50%	45.06%	84.37%	40.16%	62.12%
Net Margin	-0.30%	12.85%	10.54%	24.55%	15.68%	-17.71%
Return on Equity	-4.24%	3.98%	16.08%	35.63%	2.64%	-15.42%
Sales/Assets	0.22	0.13	0.55	0.19	0.09	0.13
Proj. Sales Growth (F1/F0)	2.78%	0.00%	-2.59%	4.31%	0.00%	37.85%
Momentum Score	F	-	-	D	C	F
Daily Price Chg	0.67%	0.91%	0.98%	1.71%	3.84%	5.82%
1 Week Price Chg	0.06%	-6.10%	-7.25%	-2.57%	0.43%	-7.02%
4 Week Price Chg	3.47%	14.04%	5.45%	11.21%	13.77%	13.45%
12 Week Price Chg	38.94%	40.68%	39.81%	46.57%	43.91%	93.29%
52 Week Price Chg	31.45%	-17.22%	-4.47%	22.61%	10.87%	-14.45%
20 Day Average Volume	701,974	899,062	2,587,370	1,916,589	880,431	113,159
(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%	0.00%	0.00%	0.00%
(F1) EPS Est 12 week change	-2.33%	-4.54%	-15.39%	-3.87%	-0.68%	-2.77%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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.

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	A
Momentum Score	F
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.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.