ZACKS | Our Research. Your Success.

Feb 24, 2020

SBA Communications (SBAC)

$295.65 (As of 02/21/20)

Price Target (6-12 Months): **$340.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 02/20/20) Prior Recommendation: Neutral	**Outperform**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**2-Buy**
	Zacks Style Scores:	VGM:F
	Value: F | Growth: F	Momentum: C

Summary

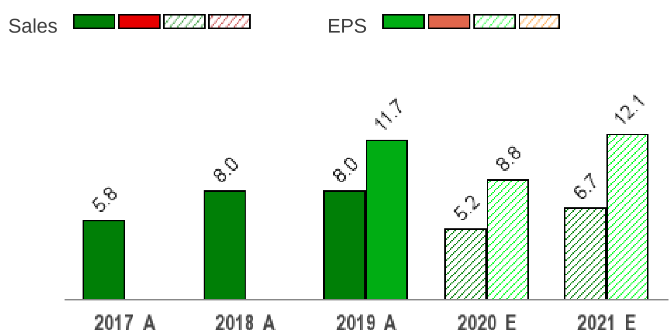
SBA Communications' stellar fourth-quarter 2019 results highlighted solid operating results in its site leasing business. The company continues to benefit from addition of sites to its portfolio. International markets also displayed impressive performance, specifically Brazil and South Africa. It has also announced a 25.7% hike in its quarterly cash dividend. Moreover, with the latest developments regarding the T-Mobile/Sprint transaction, management expects a substantial increase in incremental leasing activity as customers opt for heavy investments in their future 5G networks. Its shares have outperformed the industry over the past year. Yet, it is susceptible to earnings volatility due to the consolidation among telecom-service providers, while tower operations in emerging markets are less profitable relative to the mature domestic market.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	**$309.85 - $178.57**
20 Day Average Volume (sh)	**573,602**
Market Cap	**$33.3 B**
YTD Price Change	**22.7%**
Beta	**0.63**
Dividend / Div Yld	**$1.48 / 0.5%**
Industry	**[REIT and Equity Trust - Other]**
Zacks Industry Rank	**Bottom 39% (156 out of 255)**
Last EPS Surprise	**0.9%**
Last Sales Surprise	**1.4%**
EPS F1 Est- 4 week change	**0.0%**
Expected Report Date	**NA**
Earnings ESP	**0.0%**
P/E TTM	**34.8**
P/E F1	**32.0**
PEG F1	**3.2**
P/S TTM	**16.5**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021					2,260 E
2020	518 E	528 E	535 E	543 E	2,119 E
2019	493 A	500 A	508 A	514 A	2,015 A

EPS Estimates

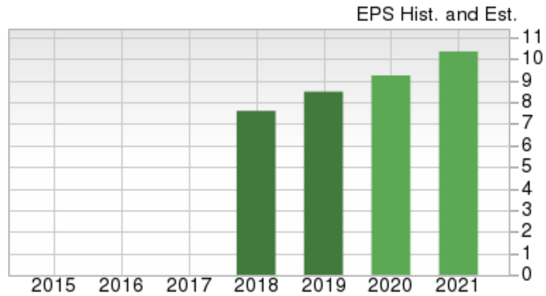
	Q1	Q2	Q3	Q4	Annual*
2021					$10.36 E
2020	$2.23 E	$2.30 E	$2.35 E	$2.41 E	$9.24 E
2019	$2.07 A	$2.09 A	$2.15 A	$2.18 A	$8.49 A

*Quarterly figures may not add up to annual.

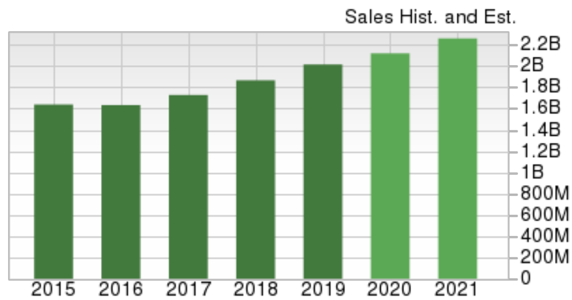
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 02/21/2020. The reports text is as of 02/24/2020.

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 December-end quarter, the company acquired 1,336 communication sites for a total cash consideration of $471.7 million. These included 1,313 sites purchased from Grupo Torre Sur in Brazil in December, for a total cash consideration of $460 million. The company also built 170 towers during this period. It owned or operated 32,403 communication sites as of Dec 31, 2019. Of these, 16,401 sites are located in the United States and its territories, and 16,002 internationally.



SBA Communications also spent $13.7 million to purchase land and easements, and extend lease terms. Markedly, total cash capital expenditures were $533.1 million in the reported quarter, of which $9.9 million was non-discretionary and $523.2 million represented discretionary. Subsequent to the quarter end, the company acquired 11 communication sites for $11.9 million in cash. In addition, it has agreed to purchase and anticipates closing on 166 additional communication sites for $97.8 million, and expects to close a majority of these by the end of second-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 (93.7% of total revenues in fourth-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 (6.3%): This segment provides wireless service providers and operators assistance in developing their own networks through site acquisition, zoning, construction and equipment installation.

Note*: *Certain information will be updated once the company files its latest 10-K.*

Reasons To Buy:

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.

- 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. 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 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.

- Finally, solid dividend payouts are arguably the biggest enticement for REIT shareholders and concurrent with its fourth-quarter 2019 earnings release, SBA Communications announced a quarterly cash dividend of 46.5 cents on its Class A common stock, indicating a 25.7% hike from its dividend paid in the October-December quarter. Given the company's financial position compared with the industry's, this dividend rate is anticipated to be sustainable.

- Additionally, with the latest developments regarding the T-Mobile/Sprint transaction, management expects a substantial increase in incremental leasing activity as customers opt for heavy investments in their future 5G networks. Also, shares of SBA Communications have jumped 63.2% over the past year, outperforming the industry's rally of 18.2%. Therefore, given its progress on fundamentals, the stock has decent upside potential.

Risks

- 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.

Last Earnings Report

SBA Communications Q4 AFFO Tops Estimate, Dividend Up

Quarter Ending	12/2019
Report Date	Feb 20, 2020
Sales Surprise	1.43%
EPS Surprise	0.93%
Quarterly EPS	2.18
Annual EPS (TTM)	8.49

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

Adjusted funds from operations (AFFO) per share of $2.18 for the fourth quarter surpassed the Zacks Consensus Estimate of $2.16. The reported figure also came in higher than the prior-year quarter tally of $2.00.

Results reflect solid operating results in its site leasing business and the company continues to benefit from addition of sites to its portfolio. International markets also displayed impressive performance, specifically Brazil and South Africa. Moreover, the company has announced a 25.7% hike in its quarterly cash dividend.

Quarterly total revenues increased 6.2% year over year to $ 513.7 million, outpacing the consensus estimate of $506.4 million. This upswing resulted from strong site leasing business.

Quarter in Detail

Revenues from Site Leasing increased 8.2% year over year to $481.1 million. Domestic site leasing revenues totaled $380.4 million. Domestic cash site leasing revenues were $377.7 million, up 6% from the year-ago quarter's $356.4 million. International site leasing revenues came in at $100.7 million. International cash site leasing revenues were $100.4 million, up 17.6% from the $85.4 million reported in the prior year. The segment's operating profit was $386.3 million, marking an increase of 10% year on year. However, revenues from Site Development declined 16.7% to $32.6 million.

Overall operating income improved to $153.9 million from the year-ago quarter's $150.3 million.

Adjusted EBITDA totaled $362.4 million, up 6.8% year on year, while adjusted EBITDA margin improved to 71% from the year-earlier quarter's 70.5%.

During the December-end quarter, the company acquired 1,336 communication sites for a total cash consideration of $471.7 million. These included 1,313 sites purchased from Grupo Torre Sur in Brazil in December, for a total cash consideration of $460 million. The company also built 170 towers during this period. It owned or operated 32,403 communication sites as of Dec 31, 2019. Of these, 16,401 sites are located in the United States and its territories, and 16,002 internationally.

SBA Communications also spent $13.7 million to purchase land and easements, and extend lease terms. Markedly, total cash capital expenditures were $533.1 million in the reported quarter, of which $9.9 million was non-discretionary and $523.2 million represented discretionary.

Cash Flow & Liquidity

During the final quarter of 2019, SBA Communications generated $265.1 million of net cash from operations compared with the year-ago quarter's $226.5 million. As of Dec 31, 2019, the company had $108.3 million in cash and equivalents with $9.8 billion of net long-term debt.

During the reported quarter, the company repurchased 0.9 million shares for $200.0 million, at an average price of $232.77 per share under its $1-billion stock-repurchase plan. As of the date of filing, the company had $624.3 million of authorization remaining under the plan. Further, the company paid out a cash dividend of $41.5 million in fourth-quarter 2019.

Outlook

SBA Communications expects 2020 AFFO per share in the range of $9.07-$9.47.

The company expects total revenues of $2,103-$2,143 million, of which site leasing revenues are expected in the band of $1,973-$1,993 million, and site development revenues between $130 million and $150 million. Moreover, adjusted EBITDA is projected between $1,495 million and $1,515 million.

Dividend Hike

Concurrent with its earnings release, SBA Communications announced a quarterly cash dividend of 46.5 cents on its Class A common stock, indicating a 25.7% hike from its dividend paid in the October-December quarter. The dividend will be paid on Mar 26, to shareholders of record as of the close of business on Mar 10, 2020.

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.

Valuation

SBA Communications shares have jumped 63.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector have gained 18.2% and 7.9% over the past year.

The S&P 500 Index is up 18.5% over the past year.

The stock is currently trading at 15.54X forward 12-month sales, which compares to 8.67X for the Zacks sub-industry, 6.55X for the Zacks sector and 3.51X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 15.57X and as low as 5.53X, with a 5-year median of 9.34X. Our Outperform recommendation indicates that the stock will perform better than the market. Our $340 price target reflects 17.87X 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	15.54	8.67	6.55	3.51
	5-Year High	15.57	8.67	6.65	3.51
	5-Year Low	5.53	5.91	5.39	2.54
	5-Year Median	9.34	6.88	6.04	3
EV/Sales F12M	Current	20.3	10.46	1.18	3.26
	5-Year High	20.3	10.84	3.26	3.37
	5-Year Low	8.77	8.2	NA	2.3
	5-Year Median	14.16	9.46	0.85	2.79
P/EBITDA TTM	Current	44.31	18.15	11.74	13.76
	5-Year High	44.31	18.24	15.53	13.97
	5-Year Low	8.13	12.6	9.92	9.34
	5-Year Median	14.54	14.73	12.99	11.67

As of 02/21/2020

Industry Analysis **Zacks Industry Rank:** Bottom 39% (156 out of 255)

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)**	Neutral

Industry Comparison Industry: Reit And Equity Trust - Other

Industry Peers

	SBAC Outperform	X Industry	S&P 500	AMT Neutral	ARE Neutral	PLYM Neutral
VGM Score	F	-	-	D	C	B
Market Cap	33.29 B	3.06 B	24.03 B	109.41 B	20.61 B	270.13 M
# of Analysts	4	4	13	6	3	3
Dividend Yield	0.50%	3.97%	1.76%	1.64%	2.45%	7.19%
Value Score	F	-	-	F	F	C
Cash/Price	0.00	0.02	0.04	0.01	0.01	0.14
EV/EBITDA	37.38	18.21	14.08	32.45	24.74	30.64
PEG Ratio	3.20	3.36	2.08	1.54	5.01	NA
Price/Book (P/B)	NA	1.75	3.29	18.88	2.03	2.33
Price/Cash Flow (P/CF)	43.39	15.15	13.42	32.33	23.33	11.29
P/E (F1)	32.00	16.20	19.00	28.48	22.73	10.24
Price/Sales (P/S)	16.52	7.00	2.64	14.05	13.46	4.07
Earnings Yield	3.13%	6.17%	5.26%	3.51%	4.40%	9.78%
Debt/Equity	-2.76	0.87	0.70	4.40	0.67	2.76
Cash Flow ($/share)	6.81	2.15	7.03	7.64	7.20	1.85
Growth Score	F	-	-	C	B	A
Hist. EPS Growth (3-5 yrs)	NA%	2.91%	10.84%	14.55%	7.84%	NA
Proj. EPS Growth (F1/F0)	8.86%	3.60%	7.09%	9.97%	6.18%	3.74%
Curr. Cash Flow Growth	-6.22%	8.40%	6.72%	13.26%	4.79%	22.55%
Hist. Cash Flow Growth (3-5 yrs)	6.38%	18.15%	8.25%	19.91%	23.85%	NA
Current Ratio	0.65	1.28	1.22	0.53	0.19	1.14
Debt/Capital	NA%	46.63%	42.37%	81.47%	40.07%	56.84%
Net Margin	7.30%	13.98%	11.56%	20.58%	23.72%	-23.05%
Return on Equity	-4.32%	4.54%	16.80%	27.12%	4.07%	-37.39%
Sales/Assets	0.22	0.13	0.55	0.21	0.09	0.13
Proj. Sales Growth (F1/F0)	5.20%	4.61%	3.90%	7.13%	0.00%	20.47%
Momentum Score	C	-	-	B	A	D
Daily Price Chg	1.20%	0.02%	-0.83%	-0.21%	-0.44%	-1.23%
1 Week Price Chg	13.83%	2.46%	1.65%	7.33%	4.40%	13.76%
4 Week Price Chg	15.94%	1.35%	-0.37%	3.86%	1.55%	12.10%
12 Week Price Chg	24.46%	3.99%	3.74%	14.94%	3.49%	11.86%
52 Week Price Chg	61.86%	11.61%	14.14%	39.94%	23.98%	33.65%
20 Day Average Volume	573,602	466,971	1,992,841	1,519,491	624,589	176,996
(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%	-0.02%	0.00%	0.18%	0.00%
(F1) EPS Est 12 week change	0.04%	-0.08%	-0.17%	0.26%	0.36%	1.83%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	-0.48%	0.00%	1.40%	0.00%

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	F
Momentum Score	C
VGM Score	F

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.