

## Crown Castle Inc

# 4Q First Look: No change to '24 guide; questions linger about leadership/strategy

Reiterate Rating: NEUTRAL | PO: 120.00 USD | Price: 105.56 USD

## 4Q23 results in line with BofA/Street

CCI reported 4Q23 results that were in line with BofA and the Street on adj. EBITDA and AFFO/sh (see table below). Within the tower segment, CCI reported a \$5mn one-time Tower revenue help in the quarter. CCI reported 4Q23 Fiber core leasing activity of \$37mn (vs. \$30mn in 4Q22) and also completed 8k small cells in 2023, 2k of which are expected to begin billing in 1Q24. We maintain our Neutral rating.

## Things to note in the release...

CCI maintained 2024 guidance for revenue, adj. EBITDA, and AFFO/sh. CCI also announced multiple management changes within the release. Long-time CFO Dan Schlanger will remain in his role after it was previously announced he would depart the company on March 31, 2024. Current CCO, Mike Kavanagh, was appointed to EVP and COO of the Tower business. Finally, select members of the Board of Directors are 'progressing' with the strategic review of CCI's fiber business as well as conducting a search for CCI's next CEO, after CEO Jay Brown retired last week.

## On the conference call we want to hear more on...

Key issues for the conference call tomorrow at **10:30am ET** include 1) recent management changes and the criteria and timeline for hiring a new permanent CEO, 2) early thoughts on the fiber business strategic review, criteria, timing and menu of potential outcomes, 3) the outlook for small cell and fiber core leasing, and 4) carrier 5G activity developments. We expect CCI shares to trade well in trading tomorrow as the print proved to be 'down the fairway' after a tumultuous end to 2023.

### Exhibit 1: 4Q23 Actual vs. BofA/Cons. estimates

Reported results were in-line with estimates

	Actual	BofAe	+/-%	Cons.	+/-%
<b>Revenues</b>					
Tower site revenues	1,079	1,082	-0.3%	1,078	0.1%
Fiber site revenues	524	511	2.6%	506	3.5%
Site Rental Revenues	1,603	1,593	0.7%	1,584	1.2%
Network services	71	85	-16.8%	76	-6.5%
Total revenues	1,674	1,678	-0.2%	1,659	0.9%
<b>Segment info</b>					
Tower new leasing	32.0	32.3	-0.8%	30.8	3.7%
Tower churn	(7.0)	(7.1)	-0.8%	(8.8)	-20.7%
Fiber & Small cell new leasing	47.0	47.1	-0.3%	50.1	-6.2%
Fiber & Small churn	(30.0)	(30.0)	-0.1%	(36.5)	-17.9%
<b>Other metrics</b>					
Adj. EBITDA	1,076	1,071	0.5%	1,062	1.3%
AFFO/sh	1.82	1.79	1.5%	1.80	1.1%
Interest expense	223	234	-4.5%	223	-0.1%

Source: BofA Global Research, Company reports, Visible Alpha

BofA GLOBAL RESEARCH

24 January 2024

## Equity

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## Stock Data

Price	105.56 USD
Price Objective	120.00 USD
Date Established	20-Dec-2023
Investment Opinion	B-2-7
52-Week Range	84.72 USD - 153.98 USD
Mkt Val (mn) / Shares Out (mn)	45,707 USD / 433.0
Free Float	85.0%
Average Daily Value (mn)	361.81 USD
BofA Ticker / Exchange	CCI / NYS
Bloomberg / Reuters	CCI US / CCLN
ROE (2023E)	21.5%
Net Dbt to Eqty (Dec-2022A)	287.4%
ESGMeter™	High

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CCO: Chief Commercial Officer

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Timestamp: 24 January 2024 06:56PM EST

## Price objective basis & risk

### Crown Castle Inc (CCI)

Our \$120 PO is based on a weighted approx. 17x 2024E AFFO multiple. We apply a 19.5x multiple to CCI's macro tower business (60% weighting given business exposure). We apply a 18x multiple to CCI's small cell business (10% weighting) and a 12.5x multiple to CCI's fiber business (30% weighting), a discount to the macro tower business based on higher business risks and capital intensity. We view the CCI story as a 'show me story' as we see the recent 2023E reduction in Tower leasing, increased interest rates, absence of 1x 2023 Sprint payments, elevated Sprint churn, and fiber business headwinds challenging AFFO/sh growth during the next couple years. We view CCI's small cell exposure and double digit revenue expectations positively, but note on the margin it will not drive revenue at scale (10% revenue exposure).

Upside risks to our PO are better line-of-sight to fiber new leasing and lower than historical churn, elevated domestic tower activity, increased small cell adoption leading to outsized growth, and faster than expected interest rate cuts.

Downside risks to our PO are further domestic tower activity pull back, lower than expected Services revenue, decline in small cell adoption and use, continued headwinds in fiber new leasing and increased churn, and further interest rate increases.

### Analyst Certification

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### Crown Castle Inc (CCI) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

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Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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