

SBA Communications Corporation

4Q23 First Look: '24 revenue/EBITDA outlook light but AFFO/sh. in line

Reiterate Rating: NEUTRAL | PO: 260.00 USD | Price: 212.96 USD

4Q results beat slightly on AFFO/sh.

SBAC's 4Q23 results were consistent with BofA and the Street on revenue and adj. EBITDA and slightly above on AFFO/sh (See [Exhibit 1](#)). We maintain our Neutral rating as we remain positive on SBAC's domestic tower exposure but note idiosyncratic items like elevated Sprint churn and higher interest expense are headwinds for AFFO/sh growth in 2024/25 vs. Tower peers.

'24 guide in line on AFFO/sh, soft on revenue/EBITDA

SBAC's 2024 guidance came in mixed vs. the Street on select financial metrics. Revenue and adj. EBITDA guidance ranges are below the Street. The AFFO/sh guidance range captures Street expectations at the high end. SBAC expects 2024 revenue of \$2,669-2,709mn (BofAe \$2,757mn/Street \$2,744mn), adj. EBITDA of \$1,894-1,914mn (BofAe \$1,962mn/Street \$1,947mn), and AFFO/sh of \$13.15-13.51 (BofAe \$13.36/Street \$13.48). Domestically, SBAC expects new same store sales colocation/amendment revenue of \$42mn (BofAe \$47mn/Street \$45mn) and churn of \$55mn (BofAe \$54mn/Street \$60mn). SBAC expects new International colocation/amendment revenue of \$17mn (BofAe \$19mn/Street \$22mn) and churn of \$22mn (BofAe \$23mn/Street \$26mn).

Things to note in the release...

SBAC acquired 23 communication sites (\$21.3mn consideration) in the quarter and, subsequent to qtr. end, 281 sites (~\$88mn) expected to close by 3Q24. SBAC repurchased \$12.7mn of common stock (\$404mn capacity remaining, ~2% of mkt cap) and lowered leverage to 6.3x (from 6.4x 3Q23).

On the conference call...

The conference call is today at **5:00pm ET (Dial in: 866-845-0743, Passcode: 1933372)**. Key discussion topics include 1) 2024 guidance, 2) latest views on US carrier activity, 3) anticipated churn cadence from Oi in Brazil and Sprint in the US, 4) the services business outlook, and 5) how the company will allocated capital now that a) leverage has fallen sharply, b) rates have inflected downward, and c) the company has addressed some of its most expensive pending refinancing with new issuances.

26 February 2024

Equity

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Stock Data

Price	212.96 USD
Price Objective	260.00 USD
Date Established	20-Dec-2023
Investment Opinion	B-2-7
52-Week Range	185.23 USD - 267.42 USD
Mkt Val (mn) / Shares Out (mn)	23,966 USD / 112.5
Free Float	91.0%
Average Daily Value (mn)	210.86 USD
BofA Ticker / Exchange	SBAC / NAS
Bloomberg / Reuters	SBAC US / SBAC.OQ
ROE (2023E)	NA
Net Dbt to Eqty (Dec-2022A)	NA
ESGMeter™	Medium

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Exhibit 1: SBAC 4Q23 Key Metric Summary

SBAC reported 4Q23 results in line with BofA estimates

	Actual 4Q23	BofA est. 4Q23E	Variance %	Cons. 4Q23E	Variance %
Revenues					
Domestic site leasing	467	466	0.0%	468	-0.4%
INTL site leasing	169	168	0.9%	172	-1.2%
Site Lease Revenue	636	634	0.3%	640	-0.6%
Site Development	39	41	-3.9%	43	-10.0%
Total Revenue	675	675	0.0%	683	-1.1%
Segment					
Domestic colo/new builds	15.6	16.4	-5.0%	16.3	-4.0%
Domestic churn	(14.0)	(13.4)	4.6%	(15.2)	-8.1%
Domestic core leasing	423.3	423.7	-0.1%	428.7	-1.2%
INTL colo/new builds	5.8	6.8	-15.0%	5.5	4.7%
INTL churn	(7.4)	(8.7)	-14.4%	(8.0)	-6.8%
INTL core leasing	121.2	121.0	0.2%	124.6	-2.7%
Key Metrics					
Adjusted EBITDA	481	481	0.0%	481	-0.1%
AFFO	366	363	0.8%	361	1.2%
AFFO Per Share	3.37	3.33	1.3%	3.32	1.5%
Interest Expense	110	106	3.4%	106	4.1%
Maintenance Capex	14.9	13.0	14.5%	12.8	16.5%

Source: BofA Global Research, Visible Alpha consensus, and company reports

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Price objective basis & risk**SBA Communications Corporation (SBAC)**

Our \$260 price objective is based on a approx. 19.5x 2024E AFFO/share multiple, a discount to its closest tower peer. We expect slower domestic growth, elevated Sprint churn, and increased interest rates will inhibit AFFO/share growth versus peers in 2024+ and believe that SBAC should trade at a lower multiple than its closest tower peer.

Upside risks to our PO are increased domestic deployments, particularly from T-Mobile and DISH, in 2H24, faster-than-expected interest rate cuts, and outsized growth in SBAC's international profile.

Downside risks to our PO are further domestic tower activity pullback, lower-than-expected Services revenue, increased international churn, regulatory pressures from international laws, and further interest rate increases.

Analyst Certification

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SBA Comm. Corp. (SBAC) Price Chart



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Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	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%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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