

Crown Castle Inc

**Heads up: CCI reporting tomorrow AMC;
call 1/25 at 10:30am**

Maintain Rating: NEUTRAL | PO: 120.00 USD | Price: 108.73 USD

Key issues for the call

CCI will report 4Q23 earnings Wednesday, January 24 AMC, followed by a conference call on Thursday, January 25 at 10:30am ET. CCI's earnings release is of particular focus given recent activism from Elliott Management in late 2023 (more below). CCI released its 2024 guidance with 3Q23 earnings but we believe there is potential for CCI to amend or withdraw it given Elliott's recent activism, management changes, an ongoing fiber/small cell business review, and a positive turn in the rates outlook. We expect mgmt. to discuss 1) recent management and Board of Director changes, 2) potential amendments to its 2024 guidance, 3) any early thoughts on the longer-term fiber and small cell strategy, 4) line-of-sight for fiber and small cell new leasing, and 5) carrier 5G activity developments. We maintain our Neutral rating. [Exhibit 1](#) on Page 2 of our report has our latest model estimates and growth expectations for 4Q23, 2023, and 2024 vs. the Street.

Elliott's activism and subsequent changes top of mind

In early December 2023, CCI found itself once more the subject of activist investor Elliott's attention. The investor disclosed having amassed a \$2bn stake in the company. Elliott's thesis is that, taken in the aggregate, past investments by CCI in the fiber and small cells business have been value destroying and the whole strategy needs to be reassessed immediately. CEO Jay Brown subsequently announced his surprise retirement scheduled for January 16, 2024 after being at CCI for ~25 years. Note that CFO Dan Schlanger previously announced he was leaving the company in March 2024. Since Elliott's involvement, CCI has announced 1) a comprehensive review of its fiber business, 2) two new Board of Director appointments, and 3) a cooperation agreement with Elliott. We believe the ongoing review of the fiber business and CEO/CFO search represent an overhang for CCI shares at least until it shares an update at 4Q23 earnings.

Conference call information

Thursday, January 25th, at 10:30 a.m. (ET). Dial in: 833-816-1115 (International: 412-317-0694), Passcode: Crown Castle.

23 January 2024

Equity

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Stock Data

Price	108.73 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
Mrkt Val (mn) / Shares Out (mn)	47,080 USD / 433.0
Free Float	85.0%
Average Daily Value (mn)	391.91 USD
BofA Ticker / Exchange	CCI / NYS
Bloomberg / Reuters	CCI US / CCI.N
ROE (2023E)	21.5%
Net Dbt to Eqty (Dec-2022A)	287.4%
ESGMeter™	High

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Timestamp: 23 January 2024 05:00AM EST

Exhibit 1: BofA vs. Consensus estimates (\$mns)

We are in line with consensus on 4Q23 and full-year 2023 estimates

	BofAE	4Q23E Cons.	+/-%	BofAE	2023E Cons.	+/-%	BofAE	2024E Cons.	+/-%
Revenues									
Tower site revenues	1,082	1,078	0.4%	4,317	4,313	0.1%	4,283	4,296	-0.3%
Small Cell	173	167	3.0%	798	781	2.1%	731	720	1.5%
Fiber Solutions	338	340	-0.6%	1,408	1,403	0.4%	1,356	1,377	-1.5%
Fiber site revenues	511	506	0.9%	2,206	2,200	0.2%	2,088	2,091	-0.2%
Site Rental Revenues	1,593	1,584	0.5%	6,523	6,513	0.1%	6,370	6,373	0.0%
Network services	85	76	12.5%	463	454	2.1%	294	247	19.3%
Total revenues	1,678	1,659	1.1%	6,986	6,966	0.3%	6,665	6,613	0.8%
Segment info									
Tower new leasing	32.3	30.3	6.4%	127	124	2.3%	106	108	-2.1%
Tower churn	(7.1)	(7.6)	-7.0%	(30)	(31)	-1.7%	(45)	(37)	22.6%
Tower organic revenue	47.4	45.0	5.3%	184	183	0.9%	151	165	-8.4%
Other metrics									
Adj. EBITDA	1,071	1,062	0.8%	4,410.1	4,400.6	0.2%	4,171	4,178	-0.2%
AFFO	779	782	-0.4%	3,265	3,268	-0.1%	3,035	3,025	0.3%
AFFO/sh	1.79	1.80	-0.4%	7.52	7.53	-0.1%	6.98	6.96	0.3%
Interest expense	234	223	4.9%	861	850	1.3%	919	938	-2.0%
Sustaining CapEx	23	24	-5.8%	78	79	-1.3%	80	86	-7.4%
Discretionary CapEx	338	329	2.8%	1,350	1,336	1.1%	1,524	1,496	1.8%

Source: BofA Global Research, Visible Alpha

BofA GLOBAL RESEARCH

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



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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)

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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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Underperform	N/A	≥ 20%

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