Communications Infrastructure

4Q23 wrap: Raising SBAC to Buy, lowering CCOI to Neutral, raising DC POs

Rating Change

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Riding the DC wave, flipping SBAC/CCOI ratings

We continue to prefer data center (DC) fundamentals over Towers as we head out of the 4Q23 earnings season but we refresh our ratings based on relative stock price movement and our earnings outlook for 2024 vs. the Street. We upgrade SBAC to Buy (from Neutral) as green shoots emerge for carrier tower demand in 2H24 and refi rates are materially better than expected. SBAC is trading at multi-year lows, pricing in, we believe, known '24/25 headwinds (Sprint churn/rates). We raise our DLR (Digital Realty) and EQIX (Equinix) POs on the back of: (1) strong demand; (2) operating leverage; and (3) lower interest rates coming. We also downgrade CCOI (Cogent) to Neutral (from Buy) as (1) wavelength business revenue, and (2) cost savings (network expense and SG&A) inflection points are taking longer to reach than we previously thought. We have updated our Comm Infra estimates and PO's inside on pg. 14 (see Exhibit 1).

Additional 4Q takeaways

Comm. infra. 4Q23 earnings season wrapped up with multiple companies posting 4Q23 beats and 2024 guidance coming in mixed. Two key sector themes continued to be prominent: (1) data center pricing power remains strong, underpinned by dislocated supply/demand dynamics; and (2) domestic wireless carrier activity remains muted relative to history for Towers. **EQIX is our top data center pick** (+10% upside potential) with its (1) Comm Infra leading AFFO/sh growth; (2) balance sheet quality; and (3) positive business momentum. **AMT** (American Tower) **is our top tower pick** (+17% upside potential) as we favor its (1) holistic domestic MLA (master lease agreement) contract structures; (2) diverse international and data center exposure (~50% of revenues); and (3) peer-leading AFFO/sh growth over the next two years. **DY** (Dycom) **is our Top SMID cap pick** (+11% upside potential, more inside). We remain positive on the DY story as (1) the current estimated backlog is at elevated levels, excluding BEAD funding; (2) it is well-positioned to monetize incremental telecom and cable company wireline buildout initiatives in 2024+; and (3) BEAD funding upside is coming.

Data centers see growth as AI demand just begins

Data center management teams highlighted the strong pricing power they continue to see. AI (artificial intelligence) opportunities continue to surface for both DLR and EQIX, but the teams caution we remain in the very early stages of AI demand as a whole. To capture early-stage AI training deployment opportunities, DLR is focused on evolving its development JV program, while EQIX's focus on xScale JVs has increased.

Tower fundamentals bottoming, 2H could see acceleration

Beyond idiosyncratic factors (e.g., AMT's India and FX), most investors are focused on when a ramp in domestic carrier activity may occur. We believe carrier activity and investor expectations/sentiment has bottomed, and there is potential for a 2H24/2025+ ramp. AMT has noted an expected increase in 2H24 services activity (typically a leading indicator of carrier deployments) while SBAC expects a level-loaded year, which we believe can be attributed to a more conservative approach given current line of sight.

Exhibit 1: BofA ratings for featured companies

Ratings, PO, and multiples for companies discussed herein

	PO	Rating	Multiple
AMT	240	Buy	22.0x
CCI	120	Neutral	17.0x
CCOI	75	Neutral	14*
DLR	170	Buy	24.5x
DY	149	Buy	9.0x*
EQIX	1,000	Buy	26x
SBAC	260	Buy	19.5x
UNIT	3.50	U/P	7.0x*

Source: BofA Global Research
Note: Multiples based on '24 AFFO/sh for AMT, CCI, and SBAC. DLR and EQIX are based '25 AFFO and Core FFO/sh. CCOI, DY, and UNIT are '24 EV/EBITDA .

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BEAD: Broadband Equity, Access, and Deployment program

Comm. infra.: Communications Infrastructure

DC: Data Center

Refer to important disclosures on page 23 to 26. Analyst Certification on page 22. Price Objective Basis/Risk on page 20. **12667909**

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Updating our Comm Infra ratings

SBAC to Buy on historically low valuation, solid outlook

In the middle of 2023 we downgraded SBAC and CCI to Neutral (see our 2Q23 Comm Infra wrap report here) after tower management teams noted an 'abrupt' decline in carrier activity and shared expectations for a weak deployment outlook for 2H23. This news, couple with a higher-for-longer rates outlook, translated into deteriorating investor sentiment and negative estimate revisions.

In the aftermath, tower companies now trade at or near 2017 valuation lows. Coming out of 4Q23 earnings, we believe carrier activity expectations have bottomed and there is potential for 2H24/2025+ improvement. AMT expects increased 2H24 services activity (typically a leading indicator of carrier deployments) while SBAC expects a level-loaded year, which we attribute to a more conservative public posture from the new senior management team. We do not expect robust new activity from domestic wireless carriers in 1H24, but we do believe any incremental (inevitable in our view) activity will represent upside to consensus estimates and renew positive Tower stock sentiment.

We upgrade SBAC to Buy from Neutral. We believe the following:

1. There is inevitable upside to domestic carrier macro tower activity to meet growing customer demand despite decade low valuations;

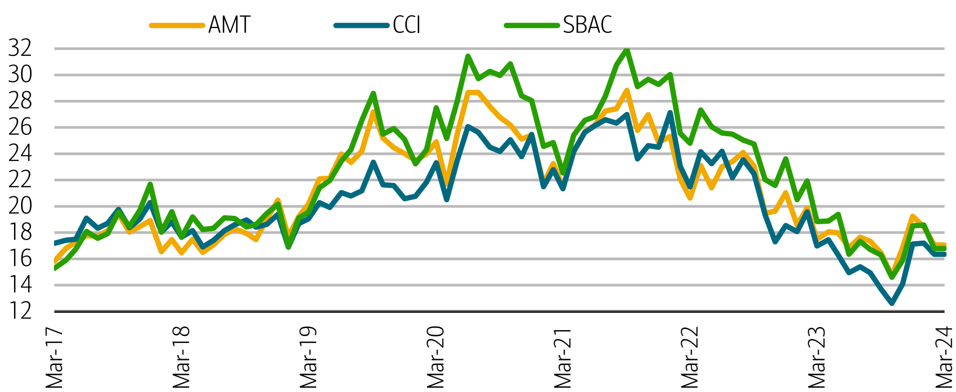
2. There is a rising chance of accelerating buybacks with leverage well below the company's target range, sitting at its lowest level in decades;

3. The downside impact of upcoming 2025/26 Sprint churn is well understood by the market;

4. Interest expense headwind concerns will diminish as the potential for rate cuts in 2024+ grows.

We continue to view AMT as our top tower pick for its peer-leading AFFO/sh growth in 2024/25 but we also believe SBAC's current valuation of ~16x 2025 AFFO is now compelling. We reiterate our SBAC $260 PO (~20% upside), which is based on a ~19.5x 2024 AFFO/sh multiple (or 19.0x 2025 AFFO/sh multiple). We also lower our refinancing interest rate assumptions to 4% from approx. 5.5% as SBAC has shown the ability to issue debt (or swap rates) at sub 4% rates.

Exhibit 2: Tower consensus AFFO/sh multiples over time
On an AFFO/sh t+1 multiple basis, Towers are trading at or under 2017 levels



Source: Bloomberg, BofA Global Research, Visible Alpha

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Lowering CCOI, tempering merger execution expectations

We upgraded CCOI to buy shortly after the Sprint Wireline acquisition closed in May 2023 (see our upgrade report here) on the belief that (1) the newly launched wavelength business would add a new revenue growth vector; (2) the market underappreciated the breadth of payments to be received from TMUS; and (3) there would be significant cost savings realization once the asset was under CCOI ownership.

We are now almost one-year past the close of the acquisition and, current course and speed, some of the timelines/milestones we previously anticipated, and still expect, have been pushed out. Wavelength provisioning and its attendant revenue realization has been delayed due to underlying network conversion/optimization delays (something CCOI is working to improve). Costs are likely to remain elevated relative to the savings we originally anticipated in our model.

Longer term, we are believers in CCOI's business opportunity, inclusive of the wavelength business addressable market, and its ability to cut costs. Until the company can show investors material progress, however, we downgrade to Neutral (from Buy) as a positive inflection point seems more likely in 2025 vs. mid-year 2024 as we previously thought. Our $75 PO (from $85) represents a 14x 2024 EV/EBITDA multiple, in line with our prior multiple as our estimates now reflect the revenue and cost savings delays just mentioned. A 14x multiple is still a strong premium to historical multiples for wireline network operators.

Bumping data center POs as demand outlook strengthens

We have been bullish on the data center names for some time on the belief that strong secular demand for the economic benefits of shared infrastructure coupled with a dislocated supply/demand dynamic would translate into growing pricing power for traditional data centers. Both DLR and EQIX have materially outperformed tower companies year as the demand outlook, and sentiment, has only improved with the mainstream emergence of Gen AI beginning in mid-2023.

Both DLR and EQIX are starting to capture the very early beginnings of AI demand but we believe the vast majority of the total opportunity is yet to come. The supply picture, conversely, remains problematic given ongoing power procurement issues from utilities, which has pushed out new data center commencements globally. Outside of these fundamental factors, we believe falling interest rates will be a tailwind for both DLR and EQIX estimates, similar to towers, but we note DLR will likely benefit most from interest rate declines in the coming years.

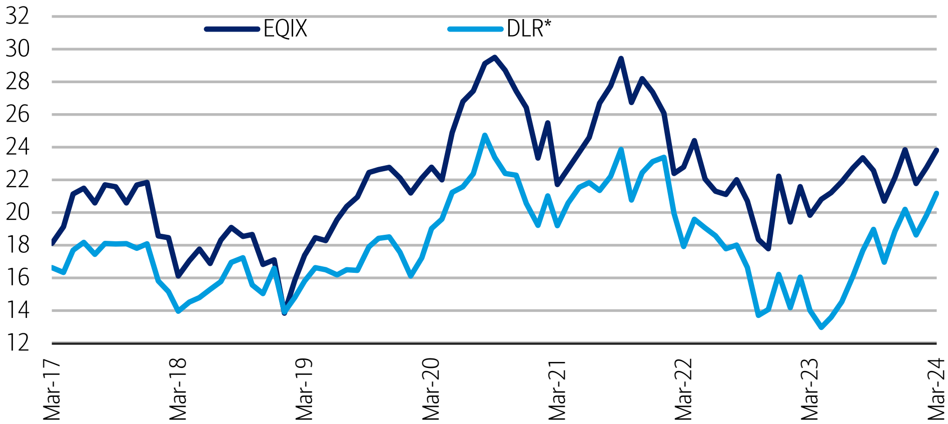
We increase our data center POs as we come out of earnings and roll forward to 2025 multiples.

- **DLR:** We raise our PO to $170 (from $150) based on a ~24.5x 2025E Core FFO/sh multiple (from ~22x on 2024 Core FFO/sh). This is a discount to its closet data center peer at 26x but a premium to the broader REIT average of ~18x.

- **EQIX:** We increase our PO to $1,000 (from $870), which is based on a ~26x 2025E AFFO/sh multiple (from 25x on 2024 AFFO/sh).

Historically, EQIX has traded at a ~3x AFFO multiple premium to DLR (Exhibit 3) and we anticipate this relationship will continue. Both EQIX and DLR project solid 2024 top-line revenue growth but at the bottom line (AFFO or Core FFO metrics) there are diverging stories. DLR expects to grow low-single digits and EQIX expects high-single digit growth in 2024. Strong bottom-line growth at EQIX underpins our Top Pick thesis, while DLR is more of a 'show me story' in this respect. DLR has long been a slower growth story than EQIX due to dilutive M&A, equity issuance, etc. This said, investors have shown they are able to look past this in anticipation of better growth in the future given top-line trends. We believe this will continue and the potential for lower rates and accretive corporate actions will improve DLR's Core FFO/sh growth into 2025E.

Exhibit 3: Data center consensus AFFO/sh multiples over time
DLR is almost trading at its richest valuation



Source: Bloomberg, BofA Global Research, Visible Alpha
Note: DLR is Core FFO/sh

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AMT 4Q23 wrap

AMT reported 4Q23 results that slightly beat on revenue and adj. EBITDA. AFFO/sh attributable to AMT beat estimates but was helped by including 'AFFO for unconsolidated affiliates and noncontrolling interests' (see 4Q23 AMT First Look report). AMT's 2024 guidance came in line vs. the Street on select financial metrics, but it includes a full year contribution from the India business. AMT shared its expectations for the India business contribution assuming an October 1, 2024 close (more below).

Exhibit 4: AMT 4Q23 Key Metric Summary
AMT reported 4Q23 results in line with BofA estimates

	Actual	BofA est.		Cons.	
	4Q23	4Q23E	+/-%	4Q23E	+/-%
Revenues					
Domestic revenue	1,301	1,292	0.7%	1,296	0.4%
Data Center revenue	215	205	4.9%	219	-2.0%
International revenues	1,250	1,216	2.8%	1,199	4.3%
Total property revenue	2,766	2,713	2.0%	2,713	1.9%
Services revenue	21	27	-22.5%	24	-13.0%
Total revenue	2,787	2,740	1.7%	2,738	1.8%
Organic run-rate revenue					
Africa	208	205	1.7%	205	1.4%
Asia	163	160	1.6%	160	1.6%
Europe	124	124	0.1%	124	-0.2%
LatAm	276	275	0.5%	274	0.8%
US/Canada	1,164	1,160	0.3%	1,162	0.1%
Other metrics					
Adjusted EBITDA	1,761	1,733	1.6%	1,739	1.3%
AFFO attributable to AMT	1,070	1,038	3.1%	1,037	3.2%
AFFO attributable per share	2.29	2.23	2.7%	2.22	3.2%
Interest expense	351	356	-1.5%	360	-2.6%

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

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Key conference call items

- **Domestic tower activity:** AMT anticipates 2024 domestic colocation/amendments of $180-190mn, which underpins 4.7% organic 2024 revenue growth. Management noted it had one carrier comprehensive MLA roll off into a more activity-based MLA. There is anticipation of its tower services business gross margin increasing in 2024 to $100mn (+$16mn y/y). AMT is currently seeing customers making plans via RF (radio frequency) sheet activity, which has caused management to believe services will be more weighted towards 2H24.

- **India sale:** The $2.5bn sale of the India business is expected to close in 2H24. The India business is expected to contribute 4Q24 revenue, adj. EBITDA, and AFFO/sh attributable of $295mn, $95mn, and $0.09, respectively. AMT intends to use the proceeds to pay down $2-2.5bn of revolver debt. Our model still reflects the divestiture occurring in 4Q24.

- **Capital allocation:** AMT ended 2023 with net leverage at 5.2x vs. its leverage post the CoreSite acquisition of 6.8x in 4Q21. AMT remains above its longer-term leverage target of 3.0x-5.0x and believes it will be within the target range by year-end 2024. There remains a dislocation between private and public M&A multiples and management noted 'there is no portfolio out there today' which meets its investment criteria. AMT will hold its annual dividend flat y/y, indicating a q/q step down in the dividend to $1.62 per share (from $1.70).

- **International expectations:** AMT expects the following: Africa (7% colo growth y/y, 4% churn y/y); Asia (3.5%/4%); Europe (3-4%/1%); and Latin America (5%/3%).

CCI 4Q23 wrap

CCI reported results that were in line with BofAe and the Street on adj. EBITDA and AFFO/sh (see 4Q23 CCI First Look report). With results, CCI maintained 2024 guidance for revenues, adj. EBITDA, and AFFO/sh. Long-time CFO Dan Schlanger will remain in his role after it was previously announced he would depart the company on March 31, 2024. Mike Kavanagh (COO) 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.

Exhibit 5: 4Q23 Actual vs. BofA/Cons. estimates

Reported results were in-line with estimates

	Actual	BofAe	+/-%	Cons.	+/-%
Revenues					
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%
Segment info					
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%
Other metrics					
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 estimates, Company reports, Visible Alpha

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Key conference call items

We previously published our 4Q23 CCI earnings wrap (see report here) and note our takeaways below.

- **Board of Director actions and mgmt. activity:** CCI's newly enlarged board of directors is steeped in: (1) a strategic review of the fiber/small cell business; and (2) the search for a new CEO. Management did not share further color regarding either process on the 4Q conference call besides saying both are 'ongoing'. It is unclear if the plan is to create a plan and optimize CEO process to an individual best-suited to execute the plan, or the plan is to find a CEO best-suited to forge and own a new plan. CCI's CFO Dan Schlanger will remain in his role as CFO after it was previously announced he would depart the company on March 31, 2024. We believe at least some degree of overhang will persist in the near term as CCI works through its fiber/small cell business strategic review and ongoing CEO search process.

- **Small cells:** CCI completed 8k small cell nodes in 2023 along with 2k nodes completed towards the end of the year, which will begin billing in 1Q24. The majority of CCI's ~50k small cell backlog (vs. ~65k nodes on air) is comprised of orders from T-Mobile and Verizon and ~60% of the nodes are colocation. CCI continues to expect 'double-digit' small cell revenue growth in 2024, yet we note on the margin it does not move our numbers much since it comprises ~10% of CCI's revenues.

CCOI 4Q23 wrap

CCOI announced 4Q23 results that met BofA/Street estimates on revenue but missed on adj. EBITDA (see our 4Q23 CCOI first Look report). CCOI's reported 4Q revenue of $272mn was in line with the BofA/ Street estimates of $270/271mn. EBITDA exclusive of TMUS payments was $6mn vs. BofA/Street estimates of $41/44mn and $111mn inclusive of TMUS payments (BofAe/Street at $128/132mn). The miss seems to have been driven by higher-than-expected network expenses and SG&A costs. CCOI's quota-bearing sales force rose to 657 (from 637 in 3Q23), with FTE (full time equivalent) sales reps flat q/q at ~620. Sales rep productivity fell to 3.3 from 3.6 in 3Q23 and 3.8 in 4Q23.

Exhibit 6: CCOI 4Q23 actual results vs. estimates

CCOI missed adj. EBITDA in 4Q23 vs. BofA and the Street

	4Q23 CCOI	4Q23 BofA	+/-	4Q23 Cons	
On-Net	141.2	130.6	8.1%	129.4	9.1%
Off-Net	123.7	124.4	-0.6%	126.5	-2.2%
Wavelength	*	7.3		4.4	
Non-core	7.3	7.4	-2.2%	8.8	-17.5%
Total Revenue	272.1	269.8	0.9%	269.1	1.1%
Network expense	174.2	167.2	4.1%	167.7	3.9%
SG&A	74.9	62.0	20.7%	59.0	27.0%
Adj. EBITDA	110.5	128.0	-13.6%	131.5	-16.0%
EBITDA mgn.	40.6%	47.4%	-14.4%	48.9%	-16.9%
Operational					
On-net conns.	88,733.0	89,965.9	-1.4%	91,126.0	-2.6%
Off-net conns.	36,895.0	35,685.5	3.4%	36,004.0	2.5%

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

* CCOI did not provide financial metrics for its wavelength segment

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Key conference call items

- **Wavelength business:** CCOI no longer anticipates ~$20mn of wavelength revenues by 2Q24, as provisioning times remain elongated. Overall, wavelength provisioning has been impacted by ongoing network optimizations. To date, CCOI has sold wavelengths in 62 locations and has 285 additional locations that can provision waves. By the end of 2024, CCOI is 'feverishly' working towards being able to offer wavelengths in 800 locations. To do so, CCOI needs to: (1) interconnect the legacy CCOI network and Sprint network; (2) deploy transponder shells to accept wavelengths; and (3) reconfigure metro network rings, amongst other items. It is also working to have wavelength provisioning windows decrease from 60-120 days currently to less than two weeks for provisioning.

- **Opex and SG&A costs:** In 2024, CCOI expects SG&A costs to be around 27% of revenues for the next couple quarters, before declining into the mid- to low-20% of revenues after it is completed with severance payments for Sprint employees. On the network expense front, CCOI expects opex to decline gradually from ~64% in 4Q23.

- **Longer-term financial metrics**: CCOI expects to grow 2024 EBITDA marginally when compared to 2023. Longer term, management remains comfortable about hitting $1.5bn revenues and $500mn of wavelength revenues by 2028.

DY FY4Q24 wrap

DY reported FY4Q24 results that missed BofA and Street estimates on revenues and adj. EBITDA (see our FY4Q24 DY First Look report). DY is anticipating 1Q25 revenues to be 'in line to slightly lower' y/y and also include ~$60mn of revenues from the Bigham Construction acquisition. This implies ~$1,100mn of 1Q25 contract revenues vs. BofAe/Street at $1,100mn/$1,089mn. Adj. EBITDA margins are expected to expand by 25-75bps y/y (vs. BofAe/Street at 44/23bps). Looking ahead to 2Q25, DY mgmt. expects organic revenue growth (ex. acquired revenues from Bigham) to resume.

Exhibit 7: DY's FY4Q24 results were below BofA/Street estimates
BofA vs. Street estimates

Metric	Reported	BofA	+/-	Cons.	+/-
Revenues	952.5	969.4	-1.8%	969.8	-1.8%
Adj. EBITDA	93.7	98.9	-5.3%	97.9	-4.3%
Adj. EBITDA mgn	9.8%	10.2%		10.1%	
Net Income	23.4	27.2	-14.0%	27.9	-16.0%
EPS	0.79	0.92	-13.9%	0.94	-16.0%

Source: BofA Global Research estimates, Visible Alpha

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Key conference call items

- **4Q24 items:** Much of the revenue miss was driven by January weather, limiting construction working days in the field more than average. Mgmt. noted adj. EBITDA margins, which came in at the lower end of guidance, were tracking 'a little ahead' of guidance before the impacts of weather.

- **Backlog growth:** DY continues to have a constructive view on the demand outlook for wireline deployments in FY2025. As of 4Q24, the estimated project backlog stood at $6.92bn (NTM $3.97bn), +24% higher than it stood at FY1Q23, driven by new bookings as well as renewals of existing contracts. Mgmt. believes backlog growth remains supportive of FY2025/26 business and noted there is nothing associated with BEAD funding within the current backlog. After a lumpy FY2024 given lack of weather impacts and customer front-end capex loading, DY expects to see customer activity picking up throughout 2025. Lastly, mgmt. continues to be 'encouraged' by the improvement in economic conditions and expects a lower-rate environment, relative to last year, to be conducive to industry growth.

- **BEAD funding:** The $40bn BEAD funding process continues to evolve at the state level, as all states and territories have submitted proposals for NTIA (National Telecommunications and Information Administration). To date, one state has completed all required steps to receive funding, while ~15 others are close to receiving approval. Overall, BEAD funding is expected to start to flow to the states starting in April 2024, but we believe the vast majority will be allocated by CY2Q25, after which could mean revenues flowing to DY starting in late CY2025 and into CY2026.

DLR 4Q23 Wrap

DLR reported 4Q23 results that beat on adj. EBITDA vs. BofAe/Street and came in line on Core FFO/sh vs. Street estimates (see 4Q23 DLR First Look report). DLR's 2024 guidance came in mixed vs. the Street on select financial metrics. The revenue and Core FFO/sh guidance range is below Street estimates while adj. EBITDA guidance range is in line. DLR expects 2024 revenue of $5,550-5,650mn (BofAe $5,658mn/Street $5,750mn), adj. EBITDA of $2,800-2,900mn (BofAe $2,817mn/Street $2,838mn), and Core FFO/sh of $6.60-6.75 (BofAe $6.79/Street $6.82).

Exhibit 8: DLR 4Q23 results summary

DLR reported 4Q23 results ahead of BofA and consensus expectations

	Actual	BofA est.		Cons.	
	4Q23	4Q23E	Variance %	4Q23E	Variance %
Revenue					
Rental Revenue	885.7	886.7	-0.1%	890.8	-0.6%
Tenant reimbursements	363.1	396.6	-8.5%	388.6	-6.6%
Total revenue	1,369.6	1,399.1	-2.1%	1,394.8	-1.8%
Financial Metrics					
Adj. EBITDA	699.5	657.7	6.4%	662.3	5.6%
Adj. EBITDA mgn.	51.1%	47.0%	8.6%	47.5%	7.6%
Core FFO/share	1.63	1.63	0.1%	1.64	-0.3%
AFFO/share	1.30	1.56	-16.8%	1.49	-13.0%
Interest expense	113.6	111.3	2.1%	105.0	8.2%
Capex					
Recur. Capex	142.8	53.3	168.0%	68.1	109.8%
Non-recur. capex	855.4	637.3	34.2%	639.9	33.7%
Total capex	998.2	690.6	44.6%	708.0	41.0%

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

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Key conference call items

- **Releasing spreads:** DLR realized +8.2% cash rental rates on renewal leases in 4Q23 (vs. +7.4% in 3Q23), split between +5.9% for 0-1MW (+4.4% in 3Q23) and +12.8% for >1MW (5.6% in 3Q23). For 2024, DLR expects rental rates on renewal leases to be a healthy 4-6% on a cash basis. ~80% of lease expirations for 2024 are in the 0-1MW range and mgmt. expects inflation (e.g., CPI) to impact a portion of the releasing as it has come down y/y.

- **ATM offering:** DLR sold 8.7mn shares of common stock for ~$1.1bn (average price of $133.21, 8.7mn shares) via its ATM (at-the-market) program in 4Q23 and another ~$84mn of common stock in 1Q24. Subsequent to 4Q, DLR amended its ATM program to provide an additional $2bn of capacity.

- **External funding:** Mgmt. expects to raise $1-1.5bn of external funding via asset dispositions and stabilized JV's in 2024, one-third of which has already been completed. Any contributions from Blackstone via the $7bn development JV would be additional. DLR received $250mn of the $700mn phase 1 closing (remainder in 2Q). Total contributions from Blackstone will be $900mn in 2024, inclusive of the $250mn.

- **Leverage:** Via various funding programs in 2023, DLR delivered the balance sheet from ~7x to 5.8x exiting 2023. Mgmt. intends to lower leverage to 5.5x in 2024.

- **NoVa:** DLR's largest data center market is Northern Virginia (NoVa). It currently has 300MW of capacity to lease in Loudon County and Manassas (split 200/100MW respectively), of which it is in active negotiations with a 'handful of customers'. It also has 900MW of buildable capacity at its Digital Dulles campus that is expected to gain power access in 2026+.

EQIX 4Q23 wrap

EQIX reported 4Q23 results in line with BofAe and the Street on adj. EBITDA and slightly ahead on AFFO/sh (see 4Q23 EQIX First Look report). EQIX's 2024 guidance came in mixed vs. the Street on select financial metrics. The revenue range is in line with Street estimates while the adj. EBITDA and AFFO/sh guidance ranges are above. EQIX reported 287,300 cabinets billing, vs. 283,900 in 3Q23 (+1% q/q), mainly driven by 3% q/q growth in the Americas region. Global utilization fell slightly q/q to 79% (from 80% in 3Q23) and MRR (monthly recurring revenue) per cab increased to $2,227 from Americas and EMEA operations.

Exhibit 9: EQIX reported 4Q23 results in line with BofA estimates

EQIX 4Q23 Key Metric Summary

	Actual	BofA est.		Cons.	
	4Q23	4Q23	Variance %	4Q23	Variance %
Revenue					
Colocation revenue	1,469.4	1,488.8	-1.3%	1,487.1	-1.2%
Interconnection revenue	357.7	363.6	-1.6%	359.0	-0.4%
Total recurring revenue	1,976.0	1,997.4	-1.1%	1,991.3	-0.8%
Total revenue	2,110.5	2,122.9	-0.6%	2,112.4	-0.1%
Financial Metrics					
Adjusted EBITDA	920.5	926.2	-0.6%	921.9	-0.2%
Adj. EBITDA margin	*44%*	*43.6%*	*0.0%*	*43.6%*	*-0.1%*
Total capex	996.0	935.1	6.5%	935.4	6.5%
AFFO	690.8	679.7	1.6%	683.7	1.1%
AFFO/share	7.30	7.19	1.5%	7.25	0.7%
Customer metrics					
Cabinets billing	287,300	289,211	-0.7%	288,765	-0.5%
Utilization (%)	79.0	79.7	-0.9%	79.5	-0.6%

Source: BofA Global Research estimates, company reports, Visible Alpha

BofA GLOBAL RESEARCH

Key conference call items

- **2024 focus areas:** In 2024, mgmt. is focusing on four main areas:)1) expanding its global reach in new markets (India, Malaysia, and South Africa), capacity in existing markets (New York, Paris, and Tokyo), and accelerating xScale; (2) continuing to expand its Digital Services offering; (3) focusing on sustainability; and (4) driving relationships with key partners like Nvidia.

- **xScale:** EQIX currently has 300MW of xScale capacity leased across its assets in APAC and EMEA, including ~32MW of space leased to start 2024. EQIX saw wins in 4Q23 supporting Gen AI workloads and hyperscale development and mgmt. expects to have a strong pipeline of xScale demand to drive 'momentum in the quarters to come'. In terms of US xScale, mgmt. believes there is an opportunity to capture demand and expects to announce something in the 'near future'.

- **AI opportunity:** Gen AI was being used by ~5% of enterprises in 2023, which is expected to increase to 80% by 2026, according to Gartner. EQIX is currently seeing a strong interest in AI services in all its regions from biopharma, financial services, software, automotive, and retail companies. Overall, mgmt. is encouraged by the runway of AI demand and anticipates the $21bn AI TAM (total addressable market) provided at June 2023 Analyst Day is likely larger.

- **2024 items:** Mgmt. expects 1Q24 non-recurring revenues to decline q/q, but to remain elevated (vs. historical) due to APAC xScale leasing. MRR churn should stay at the higher end of EQIX's range (2-2.5%) in 1H24, and moderate in 2H24. Lastly, EQIX expects to pull down the $500mn of ATM sales in late 2024.

SBAC 4Q23 wrap

SBAC's 4Q23 results were consistent with BofAe and the Street on revenue and adj. EBITDA and slightly above on AFFO/sh (see 4Q23 SBAC First Look report). 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.

Exhibit 10: SBAC 4Q23 Key Metric Summary

SBAC reported 4Q23 results in line with BofA estimates

	Actual	BofA est.		Cons.	
	4Q23	4Q23E	Variance %	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 estimates, Visible Alpha consensus, and company reports

BofA GLOBAL RESEARCH

Key conference call items

- **Domestic activity:** SBAC anticipates $42mn of domestic colo/amendment leasing in 2024 (vs. $72mn in 2023). The 2024 outlook reflects the reduced level of carrier capex in 2H23 carrying through into the year. For this reason, SBAC expects 2024 to be a 'little more' front-end loaded, and if there was a material pickup in activity throughout the year, it would most likely impact 2025 operations. Lastly, management noted if there was not an uplift in 2H24 activity, the yearly exit rate could indicate a sub $40mn in colo/amendments. For its services business, SBAC expects it to remain relatively balanced throughout 2024.

- **Sprint Churn:** SBAC continues to work through sprint churn, with 2025 and 2026 likely the heavy churn years. 2024 sprint churn should be ~$30mn, 2025 = $40-50mn, 2026 = $45-55mn, and 2027 = $10-20mn.

- **Capital allocation:** SBAC continues to weigh M&A and share buybacks as its YE23 leverage stood at 6.3x, significantly below its long-term target of 7.0-7.5x. Management will continue to weigh capital allocation options and is looking how best to maximize their international portfolio, whether via emerging or developed market expansion. Share buyback capacity remains is at $405mn (2% of market cap).

UNIT 4Q23 wrap

Uniti Group reported 4Q revenue below Street expectations, mainly on lower one-time equipment sales within its E-rate and government fiber service segment. This goes towards UNIT's long-term strategy of transitioning out of equipment sales due to the nature of its variability and low-margin bookings. The team expects $20mn of lower equipment sales in 2024 from 2023, -$15mn of Sprint ETL (extract, transform, load) fees, and $4mn of recent asset sales to contribute to lower-than-expected consolidated revenue in 2024 ($1.16bn at the mid-point vs the Street at $1.19bn). UNIT foresees strong fiber enterprise and wholesale sales funnel in 2024 due to the increasing demand for data connectivity, particularly from hyperscalers. We forecast -2.6% y/y growth in Fiber EBITDA for FY24, as we remain cautious on the current slowdown in wireless Enterprise demand through 2024 coupled with one-time headwinds (equipment sales, Sprint ETL fees). We lower our FY24 AFFO estimate to $370mn, the low end of the Street. We reiterate our Underperform rating due to UNIT's tight liquidity position, high leverage, and unsteady dividend yield.

Exhibit 11: UNIT 4Q23 Key Metric Summary

UNIT reported 4Q23 results below BofA estimates

	Actual 4Q23	BofA 4Q23	A vs. E %	Cons. 4Q23	A vs C. %
Leasing revenue	214.9	216.8	-1%	215.5	0%
Fiber infrastructure revenue	70.7	80.8	-13%	80.1	-12%
Total revenue	285.7	297.6	-4%	295.7	-3%
Adj. EBITDA	231.1	236.5	-2%	233.8	-1%
Capex	49.0	58.9	-17%	60.9	-20%
AFFO	91.6	83.2	10%	88.0	4%

Source: Company reports; Visible Alpha; BofA Global Research estimates

BofA GLOBAL RESEARCH

Key conference call items

- **Capital allocation priorities:** UNIT has three main cash outflows within its core strategy: (1) expanding its fiber network for organic Enterprise growth; (2) providing growth capital investments (GCI) to leasing operator Windstream; and (3) maintaining REIT status and providing $0.60 DPS to shareholders (~11% dividend yield).

  Windstream is maximizing its capital demands from Uniti at $250mn total GCI payments for the year, weighted heavily in 1H24. UNIT is pulling back investments in fiber, its core long-term organic revenue growth engine, proving its difficulty to maintain all its financial obligations. At some point, we think, something will have to give. At current payout levels, UNIT is overdistributing dividends by ~$100mn cumulatively through 2025. While a dividend cut is unlikely due to the advantageous tax-shield, it is not an impossible outcome.

- **Recent ABS bridge loan:** UNIT raised a $350mn ABS bridge loan with the intention of repaying the facility using proceeds from a future fiber-backed ABS. The bridge loan provides Uniti with near-term financial flexibility while the team works to set up a long-term asset-backed securitized loan backed by enterprise fiber contracts. A potential ABS deal would unlock a differentiated financing source at an attractive investment-grade rating; however, it would add to UNIT's already highly levered balance sheet. UNIT expects net leverage to tick up in 1H24 to 6.15x-6.25x as it works through heightened investments. We believe UNIT's high leverage, tight liquidity position, and uncertain operating environment will remain an overhang on the equity.

Estimate changes and PO adjustments

We have updated our estimates below for 4Q23 results, 2024 guidance revisions, and management commentary. We are adjusting the following PO's:

- **CCOI:** We downgrade to Neutral (from Buy), as the inflection point seems to be more so in 2025 vs. mid-year 2024 as previously thought. Our $75 PO (from $85) is based on a 14x 2024 EV/EBITDA multiple, in line with our prior multiple as our estimates now reflect the revenue and cost savings delays just mentioned. A 14x multiple is still a strong premium to historical multiples for wireline network operators.

- **DY:** DY remains our top 2024 SMID cap pick as (1) the current estimated backlog is at elevated levels, excluding BEAD funding; (2) it is positioned to monetize incremental telecom and cable company wireline buildout initiatives in 2024+; and (3) the potential to capture BEAD funding is forthcoming. We increase our PO to $149 (from $125), which is based on an ~9.0x FY2025E EV/EBITDA multiple (from 8.5x) as we update our model. This represents a premium to DY's current ~8x multiple and a discount to its largest competitor's implied 2024 EV/EBITDA multiple of ~10.0x.

- **DLR:** We adjust our PO to $170 (from $150), which is based on a ~24.5x 2025E Core FFO/sh multiple (from ~22x). This is a discount to its closet data center peer at 26x and a premium to the broader REIT average of ~18x.

- **EQIX:** We increase our PO to $1,000 (from $870), which is based on a ~26x 2025E AFFO/sh multiple (from 25x). This is a premium to EQIX's closer competitors' valuation of ~24.5x AFFO/sh multiple and the broader REIT average of ~18x.

American Tower (AMT)

Exhibit 12: AMT new vs. old estimates

We have updated estimates post-4Q23 earnings

	2024E New	2024E Old	+/-%	2025E New	2025E Old	+/-%
Revenues						
Domestic revenue	5,238	5,226	0.2%	5,259	5,261	0.0%
Data Center revenue	923.7	878.6	5.1%	987.6	940.1	5.0%
Property revenue - International	4,674	4,593	1.7%	4,042	4,042	0.0%
Total property revenue	10,836	10,706	1.2%	10,289	10,239	0.5%
Services revenue	180	112	60.2%	184	112	63.4%
Total revenue	11,016	10,818	1.8%	10,473	10,352	1.2%
Organic run-rate revenue						
Africa	882	875	0.8%	913	838	9.0%
Asia	658	668	-1.5%	681	717	-4.9%
Europe	555	559	-0.7%	597	605	-1.2%
LatAm	1,220	1,212	0.7%	1,248	1,207	3.4%
US/Canada	4,874	4,884	-0.2%	5,089	5,111	-0.4%
Other metrics						
Adjusted EBITDA	7,055	6,992	0.9%	6,995	7,050	-0.8%
AFFO	5,141	4,955	3.7%	5,286	5,230	1.1%
AFFO per share	11.02	10.62	3.8%	11.34	11.19	1.3%
Interest expense	1,422	1,446	-1.7%	1,412	1,419	-0.5%

Source: BofA Global Research estimates

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Cogent Communications (CCOI)

Exhibit 13: CCOI new vs. old estimates

We have updated estimates post-4Q23 earnings

	2024E			2025E			2026E		
	New	Old	% change	New	Old	% change	New	Old	% change
Total Revenue	1,099.0	1,101.3	-0.2%	1,191.1	1,219.5	-2.3%	1,316.0	1,390.8	-5.4%
Adj. EBITDA	334.9	393.0	-14.8%	313.7	376.3	-16.6%	434.1	486.7	-10.8%
Adj. EBITDA mgn.	30.5%	35.7%	-14.6%	26.3%	30.9%	-14.6%	33.0%	35.0%	-5.7%

Source: BofA Global Research estimates

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Digital Realty (DLR)

Exhibit 14: DLR new vs. old estimates

We have updated estimates post-4Q23 earnings

	2024E New	2024E Old	% change	2025E New	2025E Old	% change
Revenue						
Rental revenue	3,650.1	3,706.6	-1.5%	4,019.3	3,992.3	0.7%
Tenant reimbursements	1,435.7	1,466.9	-2.1%	1,457.3	1,488.9	-2.1%
Total revenue	5,593.3	5,658.3	-1.1%	5,997.6	5,979.6	0.3%
Financial Metrics						
Adj. EBITDA	2,845.9	2,816.7	1.0%	3,049.2	2,975.6	2.5%
Adj. EBITDA mgn.	50.9%	49.8%	2.2%	50.8%	49.8%	2.2%
Core FFO/share	6.65	6.79	-2.1%	6.90	6.99	-1.3%
AFFO/share	5.92	6.35	-6.8%	6.11	6.50	-6.1%
Interest expense	485.0	496.4	-2.3%	572.5	579.1	-1.1%
Capex						

Exhibit 14: DLR new vs. old estimates

We have updated estimates post-4Q23 earnings

	2024E	2024E		2025E	2025E	
Recur. Capex	263.3	267.1	-1.4%	281.2	279.9	0.5%
Non-recur. capex	2,284.3	2,348.5	-2.7%	2,151.8	2,078.3	3.5%
Total capex	2,547.6	2,615.6	-2.6%	2,433.0	2,358.2	3.2%

Source: BofA Global Research estimates

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Dycom Industries (DY)

Exhibit 15: DY new vs. old estimates

We have updated estimates post-4Q24 earnings

	2025E			2026E		
Metric	New	Old	+/-	New	Old	+/-
Contract Revenues	4,550.2	4,542.8	0.2%	4,764.9	4,723.1	0.9%
Adj. EBITDA	563.4	545.6	3.3%	613.8	590.9	3.9%
Net Income	226.1	212.6	6.3%	264.9	240.5	10.1%
EPS	7.68	7.14	7.5%	8.99	8.08	11.3%

Source: BofA Global Research estimates

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Equinix (EQIX)

Exhibit 16: EQIX new vs. old estimates

We have updated estimates post-4Q23 earnings

	2024E New	2024E Old	+/-%	2025E New	2025E Old	+/-%
Revenue						
Colocation revenue	6,227.1	6,379.3	-2.4%	6,821.9	6,973.2	-2.2%
Interconnection revenue	1,520.8	1,551.0	-1.9%	1,662.1	1,690.8	-1.7%
Total recurring revenue	8,367.3	8,543.4	-2.1%	9,154.5	9,311.0	-1.7%
Total revenue	8,853.8	8,977.6	-1.4%	9,655.8	9,765.3	-1.1%
Financial Metrics						
Adjusted EBITDA	4,134.9	4,107.9	0.7%	4,588.8	4,543.5	1.0%
Adj. EBITDA margin	46.7%	45.8%	2.1%	47.5%	46.5%	2.1%
Total capex	2,995.0	3,179.7	-5.8%	3,045.4	2,854.6	6.7%
Interest expense	436.1	448.9	-2.9%	504.7	517.6	-2.5%
AFFO	3,337.2	3,279.3	1.8%	3,682.1	3,600.2	2.3%
AFFO/share - Diluted	35.03	34.64	1.1%	38.47	38.03	1.2%
Customer metrics						
Total cross connects	493,616	504,700	-2.2%	516,813	523,945	-1.4%
Cabinets billing	304,706	308,284	-1.2%	319,214	318,976	0.1%
MRR per cab	1,761	1,779	-1.1%	1,822	1,853	-1.6%
Utilization (%)	79.7	80.7	-1.2%	80.0	80.9	-1.1%

Source: BofA Global Research estimates

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SBA Communications (SBAC)

Exhibit 17: SBAC new vs. old estimates
We have updated estimates post-4Q23 earnings

	2024E New	2024E Old	% change	2025E New	2025E Old	% change
Revenues						
Domestic site leasing revenue	1,861	1,899	-2.0%	1,904	1,925	-1.1%
INTL site leasing	683	705	-3.2%	721	760	-5.1%
Site Lease Revenue	2,544	2,604	-2.3%	2,625	2,685	-2.2%
Site Development Revenue	147	153	-4.1%	169	160	5.9%
Total Revenue	2,691	2,757	-2.4%	2,794	2,844	-1.8%
Segment						
Domestic colo/new builds	47	47	0.0%	52	52	-0.2%
Domestic churn	(55)	(54)	1.5%	(73)	(73)	-0.2%
Domestic core leasing	1,725	1,729	-0.2%	1,763	1,770	-0.4%
INTL colo/new builds	17	19	-12.4%	18	21	-15.1%
INTL churn	(23)	(23)	0.1%	(8)	(8)	-2.9%
INTL core leasing	509	524	-2.9%	548	580	-5.6%
Other metrics						
Adjusted EBITDA	1,903	1,962	-3.0%	1,976	2,033	-2.8%
AFFO	1,462	1,459	0.2%	1,487	1,476	0.7%
AFFO per Share	13.52	13.36	1.1%	13.86	13.50	2.7%
Interest Expense	430	424	1.3%	458	488	-6.1%
Maintenance Capex	51	51	0.7%	52	51	0.8%

Source: BofA Global Research estimates

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Uniti Group (UNIT)

Exhibit 18: UNIT new vs. old estimates
We have updated estimates post-4Q23 earnings

Key deltas	New 1Q24	Old 1Q24	Delta (%)	New 2024E	Old 2024E	Delta (%)
Leasing revenue	216	218	-0.9%	873	881	-0.9%
Fiber infrastructure revenue	73	76	-4.3%	285	310	-8.1%
Total revenue	289	294	-1.8%	1,158	1,191	-2.8%
Adj. EBITDA	232	234	-0.8%	935	953	-2.0%
Capex	105	109	-4.2%	(383)	(410)	-6.6%
AFFO	89	93	-5.0%	370	389	-5.0%

Source: BofA Global Research estimates

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Telco/Comm Infra comp table

Exhibit 19: US Telecom and Communications Infrastructure Comparative Valuation Table
Below is latest pricing data and our forward looking valuations.

Company	Ticker	Last Close Price	Price Obj.	Rating	QRQ	Market Cap.	FV/EBITDA 2023	FV/EBITDA 2024E	'22-'24 EBITDA CAGR	FCF Yield 2023E	FCF Yield 2024E	2023 Fwd. Div. Yield	PE 2023	PE 2024E	'23 Net Debt/ EBITDA
Wireless															
AT&T	T	$17.18	$20.00	Buy	B-1-7	123,366	7.0x	6.8x	2.6%	13.4%	14.3%	6.5%	7.2x	7.1x	3.1x
Verizon	VZ	$39.93	$41.00	Neutral	B-2-7	170,035	7.5x	7.4x	0.5%	10.6%	10.8%	6.6%	8.6x	8.8x	3.2x
T-Mobile US (Adjusted)	TMUS	$167.42	$175.00	Buy	B-1-9	206,048	9.4x	8.6x	9.0%	6.5%	8.1%	0.0%	22.7x	15.6x	3.6x
Wireless Average						166,483	8.0x	7.6x	4.0%	10.2%	11.1%	4.4%	12.8x	10.5x	3.3x
Data Centers															
Digital Realty	DLR	$149.81	$170.00	Buy	B-1-7	43,646	22.2x	22.0x	7.3%	1.2%	3.9%	3.3%	nm	nm	6.2x
Equinix	EQIX	$906.64	$1,000.00	Buy	B-1-7	68,633	21.9x	19.9x	18.0%	1.3%	1.3%	1.5%	nm	nm	3.3x
Data Center Average						56,140	22.0x	21.0x	12.6%	1.2%	2.6%	2.4%	nm	nm	4.8x
Wireline															
Lumen Technologies	LUMN	$1.71	$1.00	Underperform	C-3-9	1,828	4.6x	4.8x	(21.7%)	(58.4%)	5.0%	0.0%	(0.2x)	(10.6x)	4.2x
Cogent	CCOI	$71.69	$75.00	Neutral	B-2-7	3,507	13.4x	14.1x	19.9%	0.5%	4.0%	5.3%	nm	nm	3.7x
Dycom Industries	DY	$134.55	$149.00	Buy	B-1-9	3,951	9.4x	8.4x	24.1%	1.0%	6.2%	nm	18.0x	17.3x	1.9x
Uniti Group	UNIT	$6.56	$3.50	Underperform	C-3-8	1,853	8.3x	8.4x	1.9%	(0.7%)	0.5%	9.1%	nm	nm	6.3x
Wireline Average						2,785	8.9x	8.9x	6.0%	(14.4%)	3.9%	4.8%	nm	nm	4.0x
US Telecom Wireless & Wireline						84,634	8.4x	8.3x	5.0%	(2.1%)	7.5%	4.6%	12.8x	10.5x	3.7x
Towers															
American Tower	AMT	$206.01	$240.00	Buy	B-1-7	91,269	18.7x	18.5x	5.1%	3.2%	4.6%	3.1%	nm	nm	5.2x
Crown Castle	CCI	$112.07	$120.00	Neutral	B-2-7	48,421	16.8x	17.6x	3.7%	3.9%	4.1%	5.6%	nm	nm	5.4x
SBA Comm.	SBAC	$216.97	$260.00	Buy	B-1-7	23,682	19.2x	18.8x	3.7%	4.5%	5.2%	1.6%	nm	nm	6.5x
Tower Average						54,458	18.2x	18.3x	4.2%	3.9%	4.6%	3.4%	nm	nm	5.7x
US Telecom						69,966	8.4x	8.3x	5.0%	(2.1%)	7.5%	4.6%	nm	nm	3.7x
US Telecom Comm Infrastructure (Data Centers, Fiber, Towers)						37,794	14.3x	13.9x	6.7%	0.2%	5.6%	3.8%	nm	nm	4.4x

Source: Bloomberg, BofA Global Research estimates

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Price objective basis & risk

American Tower Corp. (AMT)

Our PO of $240 is based on a 22x '24E AFFO multiple, a premium to the broader REIT sector (approx. 18.5x 2024E AFFO multiple) and tower peers. We believe AMT should trade at a higher multiple than the broader REIT sector as well as Tower peer group for its 1) peer leading AFFO/sh growth, 2) international exposure, 3) relatively small remaining Sprint churn impact, and 4) relative shielding from domestic carrier moderation due to its holistic MLA contract structure.
Risks: With contract-based pricing and margins a function of fixed tower economics, the biggest moving part to the tower story is future lease demand. Weaker-than-expected wireless subscriber growth could engender concern regarding the rate of future tower lease growth and negatively affect the stock. Delayed network upgrades among national carriers or slower market launches from new carriers could have a negative effect on the growth trajectory of wireless towers. With more than half its towers located outside the US, AMT is exposed to foreign currency fluctuations that could affect results and be negative for shares. Lastly, AMT's floating rate exposure (approx. 15%) will be a headwind to earnings in this higher interest rate environment.

AT&T Inc. (T)

Our $20 price objective is based on a P/E multiple of 9.0x our FY24 EPS estimate. The multiple is a slight premium to the historical average. We think this is warranted based on AT&T's focused investing in its core wireless and wireline connectivity businesses to drive subscriber growth.

Downside risks to our price objective are lower-than-projected growth, greater wireless competition, and litigation risk.

Cogent (CCOI)

Our $75 price objective is based on an EV/EBITDA multiple of approx. 14x 2024E inclusive of the TMUS/Sprint wireline acquisition (closed 5/1/23). This multiple is in line with historic comparables, which we believe is appropriate based on projected growth. Our Neutral rating represents the revenue and cost savings delays now contemplated in our model.

Upside risks include faster return-to-office recovery, quicker than anticipated cost-savings realizations, and stronger wavelength business ramp. Downside risks to our PO are continued sluggish return-to-office causing below-normal legacy business growth, a longer-than-expected realization period and/or higher-than-forecasted costs for integration of the new Sprint Wireline business, greater-than-expected competition as CCOI enters new business markets, and challenges training and retaining a productive sales force.

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 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). We view CCI as a 'show me story' with 1) the ongoing fiber business strategic review, 2) CEO search, and 3) our expectation for AFFO/sh growth to be challenged in 2024/25 as domestic carriers slow down wireless deployments and CCI realizes idiosyncratic headwinds.

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.

Digital Realty Trust Inc (DLR)

Our PO of $170 is based on a target 2025E core FFO multiple of approx. 24.5x. This multiple is a premium to the broader REIT sector but at a discount to its closest data center peer. We believe DLR should trade a premium to other REITs due to it being exposed to global pricing power and secular digital transformation tailwinds. Yet, we believe DLR deserves a slight discount to EQIX due to its external funding model and lower forecasted core FFO/share growth.

Downside risks to our price objective are increased competition, customer consolidation or bankruptcies. As a real estate company, Digital Realty remains exposed to excessive new supply in its markets, rising construction and capital costs, real estate values, and rising interest rates.

Dycom Industries, Inc. (DY)

Our $149 Price Objective is based on a FY25E EV/EBITDA multiple of approx. 9x. An 8.5x EV/EBITDA multiple is slightly above DY's average consensus EV/EBITDA (t+1) multiple of approx. 8x since January 2021. It is also a discount to its largest competitor implied consensus multiple of approx. 10x (current multiple of approx. 9.0x). Since 2021, DY has traded at an approx. 2.0x average discount on an EV/EBITDA(t+1) basis. Going forward, we believe DY should trade at a discount to its peer given exposure to oil and gas sector opportunities, which DY does not possess to the same extent.

Downside risks are: 1) an abrupt slowdown in carrier capex throughout the US, 2) fixed wireless access taking a strong share vs. traditional wireline, 3) adverse weather impacting days in the field, 4) macro events impacting customer financial health, and 5) delays in government funding.

Equinix, Inc. (EQIX)

Our $1,000 price objective is based on a target multiple of approximately 26x 2025E AFFO/share. Our target multiple is a premium to the broader average REIT multiple of 18.5x as we believe EQIX's superior AFFO/sh growth, pricing power tailwinds, and competitive moat still merit a similar relative valuation premium to other REITs.

The risks to our price objective are 1) a prolonged downturn in Enterprise IT spending, 2) meaningful exposure to the financial industry, and 3) fluctuating FX rates.

Lumen Technologies Inc. (LUMN)

We believe LUMN should be trading at a discount to its peers. Our price objective is $1.00/share based on a 4.7x 2024E EV/EBITDA multiple. We view 4.7x as appropriate given Lumen has high capital intensity, few growth opportunities, and declining cash flow.

Downside risks to our PO are increased competition from wireless, cable, and enterprise service providers and LVLT deal integration. Upside risks are faster-than-expected revenue, EBITDA, and free cash flow growth.

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. Relative to historical levels, SBAC is trading at or near its historic lows. We expect slower domestic growth (relative to prior years), elevated Sprint churn, and increased interest rates will inhibit AFFO/share growth versus peers in 2024+, but believe at current levels SBAC's stock price is attractive.

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.

T-Mobile US (TMUS)
Our PO of $175 applies a 9x EV/EBITDA multiple to our '24 EBITDA estimate, a premium to other wireless companies. Our 9x multiple is a discount to Charter due to integration risk and less FCF generation and capital returns but a premium to AT&T/Verizon due to faster growth.

Downside risks to our price objective are greater-than-expected competition, Sprint/T-Mobile integration issues, and potential threat of new competition from DISH.

Uniti Group Inc (UNIT)
Our $3.50 price objective is based on a 7.0x EV/EBITDA multiple on our 2024 estimates. 7.0x is a fair target in our view given the recent trading of its closest wireline peers which average 8.0x. Uniti's REIT structure implies a tax-free cash flow stream in perpetuity, however, tough industry valuations and dramatic shifts in trends in wireline enterprise sector has challenged UNIT's market dynamics and financial outlook. UNIT has a higher cost of capital and high leverage compared to peers which limits its ability to access funding and may make M&A less attractive.

Upside risks to our price objective are 1) an attractive dividend yield, 2) stable liquidity profile through 2027, and 3) a value-unlocking M&A event with a third party. Downside risks are a dividend cut and a more contentious relationship with anchor tenant Windstream given new management there.

Verizon Communications Inc. (VZ)
Our $41 price objective is based on a target multiple of 9.0x. The target multiple is at a discount to the historical average multiple of 11.4x over the last decade and the more recent average of 10.4x over the past 5-years. The discounted multiple is justified as VZ must adjust its value proposition to account for the improved network quality and coverage of its competitors.

Downside risks to our price objective are rising competitive pressure in wireless and corresponding margin pressure, higher inflation-related costs, litigation risk, and negative economic impacts on the Business segment.

Upside risks are faster-than-expected traction with VZ's new price plan, expense reduction, emergence of 5G killer-apps, and a re-rating of risk in the market.

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We, David W. Barden, CFA and Alexander Waters, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Telecom Services Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	American Tower Corp.	AMT	AMT US	David W. Barden, CFA
	AT&T Inc.	T	T US	David W. Barden, CFA
	Digital Realty Trust Inc	DLR	DLR US	David W. Barden, CFA
	Dycom Industries, Inc.	DY	DY US	Alexander Waters
	Equinix, Inc.	EQIX	EQIX US	David W. Barden, CFA
	Quebecor Inc.	YQBRB	QBR/B CN	Matthew Griffiths, CFA
	Rogers Communications	RCI	RCI US	David W. Barden, CFA
	Rogers Communications	YRCIB	RCI/B CN	David W. Barden, CFA
	SBA Communications Corporation	SBAC	SBAC US	David W. Barden, CFA
	TELUS Corporation	YT	T CN	David W. Barden, CFA
	TELUS Corporation	TU	TU US	David W. Barden, CFA
	T-Mobile US	TMUS	TMUS US	David W. Barden, CFA
NEUTRAL				
	BCE Inc.	YBCE	BCE CN	David W. Barden, CFA
	BCE Inc.	BCE	BCE US	David W. Barden, CFA
	Cogent	CCOI	CCOI US	David W. Barden, CFA
	Crown Castle Inc	CCI	CCI US	David W. Barden, CFA
	Verizon Communications Inc.	VZ	VZ US	David W. Barden, CFA
UNDERPERFORM				
	Cogeco Communications Inc.	YCCA	CCA CN	Matthew Griffiths, CFA
	Lumen Technologies Inc.	LUMN	LUMN US	David W. Barden, CFA
	Uniti Group Inc	UNIT	UNIT US	David W. Barden, CFA

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Important Disclosures

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

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

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%

[R1] Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2]Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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