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SBA Communications Corporation (SBAC) CEO Jeff Stoops on Q3 2019 Results - Earnings Call Transcript

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Q3: 10-28-19 Earnings Summary

Press Release *10-Q* *Slides*

EPS of $0.1922 misses by $-0.14 | Revenue of $507.55M (8.63% Y/Y) beats by $10.02M

Earning Call Audio

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SBA Communications Corporation (NASDAQ:SBAC) Q3 2019 Earnings Conference Call
October 28, 2019 5:00 PM ET

Company Participants

Mark DeRussy - VP, Finance

Jeff Stoops - President & CEO

Brendan Cavanagh - CFO

Conference Call Participants

Spencer Kurn - New Street Research

Batya Levi - UBS

Landon Park - Morgan Stanley

Jonathan Atkins - RBC

Nick Del Deo - MoffettNathanson

Michael Rollins - Citi

Ric Prentiss - Raymond James

Walter Piecyk - LightShed

Joshua Frantz - BOA

Brandon Nispel - KeyBanc

Colby Synesael - Cowen

Operator

Ladies and gentlemen, thank you for standing by and welcome to the SBA Third Quarter Earnings Results Call. At this time all participants are in a listen-only mode and later you will have an opportunity to ask questions. [Operator Instructions] And as a reminder, this conference is being recorded.

I would now like to turn the conference over to our host, Chief Financial Officer, Brendan Cavanagh, please go ahead.

Brendan Cavanagh

Good evening and thank you for joining us for SBA's Third Quarter 2019 Earnings Conference Call. Here with me today is Jeff Stoops, our President and Chief Executive Officer. Mark DeRussy Vice President of Finance, is a little under the weather today and thus will not be on this afternoon's call. However Mark will be available subsequent to the call to address any follow-up questions you may have.

Some of the information we will discuss on this call is forward-looking, including but not limited to any guidance for 2019 and beyond. In today's press release and in our SEC filings we detail material risks that may cause our future results to differ from our expectations. Our statements are as of today, October 28 and we have no obligation to update any forward-looking statement, we may make.

In addition, our comments will include non-GAAP financial measures and other key operating metrics. The reconciliation of and other information regarding these items can be found in our supplemental financial data package, which is located on the landing page of our Investor Relations website.

With that I will now turn to our third quarter results. We had another solid quarter in the third quarter with strong operating and financial results in both our Leasing and Services businesses. Total GAAP site leasing revenues for the third quarter were $468.6 million, and cash site leasing revenues were $464.8 million.

Foreign exchange rates were weaker on average than our estimates for the third quarter, which we previously provided with our second quarter earnings release, negatively impacting leasing revenues by $2.7 million.

FX rates were also a slight headwind on a year-ago comparisons. Same tower recurring cash leasing revenue growth for the third quarter, which is calculated on a constant currency basis was 6.5% over the third quarter of 2018, including the impact of 2.4% of churn. On a gross basis, same tower growth was 8.9%.

Domestic same tower recurring cash leasing revenue growth over the third quarter of last year was 8.6% on a gross basis and 5.9% on a net basis, including 2.7% of churn, a large portion of which continues to be related to Metro Leap, Clearwire and iDEN consolidation terminations.

Domestic same tower recurring cash leasing revenue growth increased again quarter-over-quarter, due to our strong operational domestic leasing activity during the last 12 months. Domestic operational leasing activity representing new revenue placed under contract during the quarter was again very solid in the third quarter, although down sequentially from the second quarter due to delays in the resolution of the Sprint, T-Mobile merger.

Amendment activity was again very high, with newly signed up domestic leasing revenue coming 84% from amendments, and 16% from new leases. We saw contributions from each of the big 4 carriers, with the big 4 carriers representing 84% of total incremental domestic leasing revenue signed up during the quarter. Our domestic application backlog continues to be strong as well, indicating a significant amount of future investment into our customers 4G and 5G networks.

Internationally, on a constant currency basis, same tower cash leasing revenue growth was 9.4% including 0.6% of churn or 10% on a gross basis. We had another solid leasing quarter internationally with Brazil, the largest contributor. Gross same tower organic growth in Brazil was 12.7% on a constant currency basis and we continue to have contributions from all 4 major carriers there. During the third quarter, 85.7% of consolidated cash site leasing revenue was denominated in US dollars.

The majority of non-US dollar-denominated revenue was from Brazil, with Brazil representing 12.1% of all cash site leasing revenues during the quarter and 8.7% of cash site leasing revenue excluding revenues from pass-through expenses.

Moving now to third quarter churn. We continue to see churn from leases with Metro Leap and Clearwire consistent with our expectations. As of quarter-end, we have approximately $5 million of annual recurring run-rate revenue from leases with Metro Leap and Clearwire that we expect to ultimately churn off over roughly the next two years.

Also, our same tower churn numbers continue to include the impact of approximately $6 million of annualized churn incurred in the fourth quarter of 2018 from certain legacy iDEN related leases. This is the last quarter that this iDEN churn will affect our reported same tower churn results.

Domestic churn in the third quarter from all other tenants on an annual same tower basis was 1.5%, the same as last quarter. Tower cash flow for the third quarter was $376.3 million, our industry leading domestic tower cash flow margin was 83.9% in the quarter. International tower cash flow margin was 69.3% and was 90% excluding the impact of pass-through reimbursable expenses.

Adjusted EBITDA in the third quarter was $355.4 million, our adjusted EBITDA results in the quarter were again driven by strong performances in both our Leasing and Services businesses. Services revenues in the third quarter were $39 million, up 21.9% over the third quarter of 2018 driving about $1 million more services gross profit than the year ago period.

Our adjusted EBITDA margin was 70.6% in the quarter, down slightly year-over-year, partially due to the larger contribution from our Services business. Excluding the impact of revenues from pass-through expenses, adjusted EBITDA margin was 75%, approximately 98% of our total adjusted EBITDA was attributable to our tower leasing business in the third quarter.

AFFO in the third quarter was $247.4 million, AFFO per share was $2.15, an increase of 12% over the third quarter of 2018. During the third quarter, we continue to invest in expanding our tower portfolio. On August 30, we closed on our option to acquire all but 6% of Atlas Tower South Africa, a previously unconsolidated joint venture.

At closing Atlas had 889 towers in operation with many more in development, including 12 built sites completed in the quarter, post closing, to a total of 901 sites in South Africa, at September 30. In addition, we acquired 78 other communication sites during the quarter for $27.8 million and we built a total of 86 sites in the quarter, excluding those built in South Africa.

Most of the added sites were located internationally. Subsequent to the end of the quarter, we acquired 6 additional sites for $6.7 million. As of today, we have under contract for acquisition and anticipate closing by the end of the first quarter of 2020 on107 additional sites at an aggregate price of $32.7 million.

We also continue to invest in the land under our sites, which provides both strategic and financial benefits. During the quarter, we spent an aggregate of $15.9 million to buy land and easements and to extend ground lease terms.

At the end of the quarter we owned or controlled for more than 20 years, the land underneath approximately 72% of our towers and the average remaining life under our ground leases, including renewal options under our control is approximately 35 years.

In today's earnings press release, we included our updated outlook for full-year 2019. We have left the midpoints of our guidance ranges largely the same, with minor improvements to our outlook for services revenue. net cash interest expense AFFO and AFFO per share. Our outlook has been negatively impacted by weaker than previously anticipated foreign exchange rates, particularly in Brazil.

Variances in the actual third quarter FX rates versus our prior assumptions, as well as changes in our FX assumptions for the fourth quarter have negatively impacted our 2019 full-year outlook by approximately $7.7 million for site leasing revenue, $5 million for tower cash flow and $4.6 million for adjusted EBITDA and AFFO, meaning that our strong third quarter performance would have otherwise resulted in solid full-year guidance increases across the board.

We did in fact increase our outlook for domestic site leasing revenue by $4 million. Our outlook does though imply a moderation in the fourth quarter for our Services business. As has been widely reported there has been some slowdown since the first half of the year and the activity of T-Mobile, Sprint and Dish as they await certainty around the outcome of the T-Mobile, Sprint merger and their future paths.

This is logical and to be expected given the circumstances. We expect an immediate escalation in activity once the outcome of the merger becomes clear and long-term network decisions can be made with certainty.

Moving now to our liquidity position and balance sheet, we ended the third quarter with $9.9 billion of total debt and $9.8 billion of net debt. Our net debt to annualized adjusted EBITDA leverage ratio was 6.9 times. Our third quarter net cash interest coverage ratio of adjusted EBITDA to net cash interest expense was 3.7 times.

On September 13, we issued one $1.165 billion of Secured Tower Revenue Securities, which have an anticipated repayment date of January 2025 and final maturity date of January 2050. The fixed interest rate on these securities is 2.836% per annum. The net proceeds of this offering were used to repay in full our $920 million of 2014-1C Tower Securities, as well as accrued and unpaid interest and all amounts outstanding under our revolving credit facility.

Pro forma for this issuance, the weighted average coupon of our outstanding debt is 3.8% and our weighted average maturity is approximately 4 years. As of today, we have no amounts outstanding under our $1.25 billion committed revolver. During the third quarter, we repurchased just over 700,000 shares of our common stock for $175.7 million for an average price of $249.04 per share. All shares purchased were retired.

As of today, we have $824.3 million dollars of repurchase authorization remaining under our $1 billion stock repurchase plan. The company's shares outstanding at September 30, 2019 are 112.6 million, down 1.4% from September 30, 2018. In addition, during the third quarter, we declared and paid our first cash dividend of $41.9 million or $0.37 per share.

Last week, we announced that our Board of Directors declared another dividend of $0.37 per share payable on December 19, 2019 to shareholders of record as of the close of business on November 21, 2019.

With that I will now turn the call over to Jeff.

Jeff Stoops

Thanks, Brendan and good evening, everyone. The third quarter was another very good one for SBA. We delivered strong financial results in both our Leasing and Services segments and as a result, continue to deliver very healthy growth in AFFO per share. We allocated capital into new assets, share repurchases and our first cash dividend.

We took advantage of the low interest rate environment with a successful new financing and we continue to work closely with our customers on their network investment plans. In the US, we are continuing to see the majority of spending around 4G densification. All 4 major US wireless carriers were active during the quarter, with the bulk of investment coming from amendments.

These amendments represent upgrades to our customers existing networks through technological improvements, the deployment of new spectrum bands and the addition of capacity. We anticipate this type of activity to continue for at least the next several years.

In addition, initial 5G investment is underway and we believe we are at the very beginning of a long 5G deployment cycle. In the future 5G networks will involve the deployment or redeployment of low and mid-band spectrum further solidifying the importance of macro sites to our customers network plans.

As a primarily macro-focused company, we remain well-positioned to capitalize on the organic growth opportunities this future network investment will create. We continue to take important and meaningful steps to position SBA well for the upcoming 5G world. Time and energy spent by all participants in the 5G ecosystem continue to build.

As Brendan mentioned earlier, once there is clarity around the resolution of the Sprint, T-Mobile merger we believe activity explodes, as all impacted parties continue active planning discussions and both T-Mobile and Dish have committed to concrete and aggressive 5G coverage requirements.

We think the availability of 5G iPhone, just as it has with prior generational upgrades will prove to be a decisive catalyst. Cable companies and facilities based wireless carriers are actively engaged with CBRS analysis and trials, and we believe the upcoming auctions of CBRS will unleash a new era of demand for both macro and in building deployments.

As one of the first recipients of a test CBRS license from the FCC, we have been trialing a number of new users and initiatives that we think will open up a whole host of new properties, particularly in building, the previously found traditional solutions such as DAS on economic.

We've been growing our portfolio then building properties under contract quite materially in anticipation of these opportunities and now manage close to 14,000 properties in addition to the sites we own. Further, our expertise to enriching this area in the third quarter, we made a minority investment in Federated Wireless, the nation's premier development company related to the use and commercialization of CBRS.

The anticipation and excitement around the auction of C-band spectrum continues to build and the focus placed on moving the spectrum into the hands of the traditional wireless community by the FCC is clear evidence of its importance to our 5-G future. It is also increasingly clear that this spectrum will be deployed in large part on macro sites.

Finally, to further our readiness and expertise to best capitalize on mobile edge computing on the over 30,000 sites we own globally, we purchased in the third quarter a standalone data center in West Chicago together with the fiber loop connecting to downtown Chicago that will provide us with a perfect platform to test various business models, so that when mobile edge computing becomes a reality we will be ready to best maximize SBA's opportunities. There are truly exciting times ahead.

Internationally, we also had another solid leasing quarter with steady contributions across all of our markets. The contractual revenue signed up during this quarter in our international markets came 57% from new leases and 43% from amendments. Brazil was once again our largest contributor internationally and we continue to have solid contributions from all four major wireless carriers in Brazil, including Oi, who has been investing and upgrading their sites to 4G.

The recent congressional approval of the Bill of Law 79 which removes many of the concession restrictions on the country's wireline providers, Oi and Vivo should have a positive impact on those companies and the overall telecom situation in Brazil, improving its ability to further invest in their wireless operations. Our core operations in Brazil continue to do well on a constant currency basis and are ahead of plan.

Our other big news internationally, during the quarter was that we closed on the purchase of additional equity interest in the South African joint venture, bringing our total ownership interest to 94%. The closing went very smoothly and we added around 900 high-quality sites in South Africa and a first class operational team.

We're very excited about the opportunities for organic and portfolio growth in this new market. With the closing and consolidation of our investment in South Africa, we expect we once again we'll achieve our annual growth of 5% or greater portfolio growth. During the third quarter, in addition to portfolio growth, we also continued to increase shareholder value through enhancing our capital structure and allocating capital to both share repurchases and cash dividends.

On the capital structure front, we completed our largest single tranche ABS deal in the company's history, raising $1.165 billion at a fixed interest rate of approximately 2.8%, an outcome that we are very pleased with. We will continue to actively evaluate our existing capital structure and look for opportunities to take advantage of the current low interest rate environment in order to improve our cost of debt.

During the third quarter, we were able to use some of our incremental capital to return value directly to our shareholders through both our first-ever cash dividend and also through share repurchases. We distribute approximately $42 million in dividends and we spent approximately $175 million on share repurchases. Combined with our investments in tower acquisitions and new builds we were able to effectively allocate capital and to all three of our primary areas of shareholder value creation during the quarter.

We were also pleased to be able announce plans to pay our second quarterly dividend during the fourth quarter, next quarter when we develop our full-year guidance we'll also consider an increase to our dividend, which we will evaluate on an annual basis.

We expect to continue with the balanced capital allocation approach into the next year that we believe will help us continue to meaningfully grow AFFO per share. We ended the quarter at 6.9 times leverage and we are comfortable operating at that level or perhaps even slightly higher for the next year.

Lastly, I'd like to thank our team members and our customers for their contributions to our success, without each of them, we would not be able to successfully do what we do connecting people. We have had a great 2019 thus far and we are excited for a strong finish to the year.

And with that, Caroline, we are ready to take some questions.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] And we do have a question from the line of Spencer Kurn from New Street Research. Please go ahead.

Spencer Kurn

Hey, guys. Thanks for taking my question. So I'm trying to get a little bit better understanding of the level of activity you're seeing. You previously talked about an expectation for a slowdown in network services following your agreement with Sprint, but you didn't really seem to have that.

So was it the case that you did see a slowdown from Sprint and T-Mobile as you've called out but the Act was replaced by others or did that full -- or just never actually occur?

Jeff Stoops

Well, I think we have suggested that there has been a slowdown by any and all of, Sprint, T-Mobile and Dish, as a result of the uncertainty that is pending, because of in-decisions around the -- and uncertainty around the merger.

Spencer Kurn

Okay, got it. I was just a little bit confused that it didn't really seem to manifest in the Services business.

Brendan Cavanagh

The third quarter results during the first half of the quarter continued to be at a similar pace to what we've seen in the first half of the year. It was only towards the end of the quarter, we started to see some of the slowdown Jeff just referred to.

Spencer Kurn

Got it. Thanks. And then if you could just help us on the organic growth guide for the US. To get to your guide of $63 million for the year are you assuming essentially a similar quarter in Q4 that you saw in Q3?

Jeff Stoops

We would expect the incremental year-over-year growth to probably be slightly less than it was in Q3, but in terms of activity levels and contributions not that different.

Spencer Kurn

Awesome. Thank you.

Operator

We have a question from the line of Batya Levi from UBS. Please go ahead.

Batya Levi

Thank you. I was just trying to plan for next year. Can you help us understand how you think about the base case for Sprint, T-Mobile, if you would expect that new leasing activity to ramp from the current levels if the deal closes? And any churn that we should think about next year? Thank you.

Jeff Stoops

Yeah, I don't think we're going to get into next year's guidance because we'll be giving that next quarter. And I do think with the pending lawsuit from the State's Attorney Generals that I believe is scheduled to start in December, we fully expect by the time we will be given our report in late February, that there will be clarity and resolution that will allow us to speak to that issue with the degree of certainty, Batya.

But I can tell you that today both Sprint and T-Mobile are pretty much neck and neck in terms of sites where they're both tenants, Sprint is 6.4% of cash leasing revenue and T-Mobile is 6.5% and the Sprint leases have a remaining term of 4.6 years and T mobile leases have a remaining term of 4.3 years.

Batya Levi

All right. And maybe just one follow-up. T-Mobile just increased guidance saying that they're ramping 600 coverage sooner than they had anticipated. Are you seeing any pickup in their activity as we exit the quarter into the year-end?

Jeff Stoops

Our comments were as to the combined magnitude of Sprint, T-Mobile and Dish and I don't really want to call out variances as amongst any one or the other.

Operator

We have a question from the line of Simon Flannery from Morgan Stanley. Please go ahead.

Landon Park

Thank you. This is Landon Park on for Simon. I'm just wondering if you can shed any light on, if you're seeing anything out of the cable companies or how maybe your discussions are progressing on that front? And if there's anything you can talk about on the M&A front either domestically or internationally? How do you see some of that shaping up as we head into next year?

Jeff Stoops

That's two separate questions, right?

Landon Park

Yes, two separate questions.

Jeff Stoops

Well, there is a number of discussions around CBRS. So I do think there are some active interest there. Tests and uses of existing available CBRS and which may or may not lead to further interest in what ultimately gets auctioned. And as far -- so that's a positive sign as to potential additional activity for our sector.

In terms of M&A activity, there is always something out there and there are a number of opportunities that we're currently looking at, which we're always looking at. So we continue to believe that we will once again have a goal for next year of at least 5% portfolio growth and we are optimistic that we'll hit it once again.

Landon Park

Thank you. And just one follow-up, on your earlier comments related to the leasing activity and how that trended in the quarter, were you able to pull any specific numbers around sequential decrease or maybe what the year-over-year looks like?

Jeff Stoops

I think we gave you the year-over-year for the quarter.

Brendan Cavanagh

Yeah, I mean we can't really get into the specifics in terms of individual dollars. The quarter was in terms of operational leasing activity, meaning new business signed up, and I'm talking just domestically here, was a little bit lower in the third quarter than it was in the second quarter, but it's not something that we would get into parsing the specifics on.

Landon Park

Great. Thank you very much.

Operator

Next we have a question from the line of Jonathan Atkins from RBC. Please go ahead.

Jonathan Atkins

Thanks very much. I wanted to drill down a little bit on the topic of mobile edge compute and you talked about the New Continuum acquisition that you made in West Chicago. And going forward, do you anticipate that your macro towers are going to be kind of the core of your participation in that segment?

Or do you think that buying smaller sites, data centers, not necessarily tied directly to mobile infrastructure might be an activity that you would get more into following on your initial investment in the New Continuum?

Brendan Cavanagh

No, John. At this point, we're thinking about it as the former that the focus would be on maximizing the opportunities presented by the existing investment we have around our macro sites in the related real estate and that the New Continuum investment gives us really a research and development opportunity to understand the variety of business models that may come to pass at the cell site.

Jonathan Atkins

Okay. So it sounds like nothing of that nature in the near-term, in addition to what you've already done? And then in Africa -- in South Africa or Africa more broadly just any kind of further thoughts on the opportunity set for further M&A?

Jeff Stoops

We will look. But as we've discussed South Africa opportunity the rest of Africa is very different. We have the operational expertise and capabilities to handle it, should we find a opportunity that we like from a price and future opportunities perspective, but nothing imminent.

Jonathan Atkins

Thanks you much.

Operator

Next we have a question from the line of Nick Del Deo from MoffettNathanson. Please go ahead.

Nick Del Deo

Hi. Thanks for taking my questions. First there have been some M&A rumblings regarding Oi both from established players in the market and potentially new entrants. Can you update us on your remaining lease terms at Oi and if Oi were to merger with an existing carrier or be carved up somehow, how should we think about the puts and takes for your business?

Jeff Stoops

Well, for a big picture perspective, Nick. As we've discussed many, many times it wouldn't be necessarily bad if four players went to three in Brazil, because we think that the overall health of the Brazilian wireless telecommunications sector would be improved by that.

Depending on how things would get carved up, if they are amongst existing players there would be some consolidation, decommissioning issues which will to be tower specific and participants specific and we'd have to look at that and see how that played out.

Obviously, if there were new players coming in from outside of Brazil that would definitely be a positive thing. So it's all very fact specific, but even if there were a short-term intra-country event where there was four going to three, we think over the long haul that's ultimately very positive for the health of the Brazilian wireless sector and we think long-term we would be a great beneficiary of that.

Brendan Cavanagh

Yeah Nick on the average lease terms. I'll have to get back to you after the call with the exact number, but it's pretty extensive because most of the leases we have with them and as part of sale leasebacks are on varying schedules. But we had very long-term commitments from them that were double-digit years. So let me get the exact number based on how much time has gone by and we'll get that to you offline.

Nick Del Deo

Okay. Sure. And then on. Jeff, I think you made 14,000 managed properties, where you had the rights to install in building systems and you said that it grow material -- materially. I guess first, can you say what that number was a year or two ago, so we get a sense for how aggressive you been in terms of snapping up these rights.

And second, can you tell us how many generate revenue today? Or if we think out a few years, what a reasonable percentage might be for the share that might generate revenue?

Jeff Stoops

Yeah, it was probably half that a year ago, maybe 10% of those generate revenue and I wouldn't say we have unfettered rights to do whatever we want with those properties. I mean that's part of why there isn't more a higher percentage of participation, revenue participation on them and why we're more excited about CBRS, because really what we found in the -- in building area over time is, unless it's like a premier venue like a casino or a stadium, you get to venues where there is just a real economic issue as to who pays and where is the value proposition.

And we believe CBRS is going to be a so much better economics solution than DAS that it's going to open up just so many more venues. So that really gets to the heart of the optimism around that.

Nick Del Deo

Okay. Sounds great. Thanks, guys.

Operator

[Operator Instructions] We do have a question from the line of Michael Rollins from Citi. Please go ahead.

Michael Rollins

Hi, thanks. Curious, as you look at the antenna structures that are on your domestic towers, are you able to tell based upon your inspections and the work that's done ahead of time from your carrier customers in terms of what they're putting on your structures, where the tenants are technologically in terms of, are they MIMO, advanced MIMO type of antennas and from all of that information are you able to deduce the percentage of these antennas that might be upgraded over a 1, 3 or 5-year period, based on their age capability, new technology as it's become available? I'm just kind of curious how you look at that cycle of antenna updates and upgrades from your carrier customers? Thanks.

Jeff Stoops

We are able to do that, Mike. And if you're driving at where are you in terms of 5G and if you believe that outside of the dense urban markets you need the massive MIMO type antennas, which will be primarily necessary in mid-band spectrum to effectively offer 5G service, which we are of that general belief.

The only carrier that has done any of that today to a -- I won't say small degree, but certainly not to a large degree is Sprint, with the 2.5G spectrum, so if you're trying to gauge the remaining opportunity set there it's very large.

Michael Rollins

And are you starting to see some of those applications for amended structures come into the pipeline? Or is it too early for that?

Jeff Stoops

For a while, we were seeing a fair amount of that from Sprint, and I think we will continue to see that from Sprint and we will see an even greater -- much greater dramatically greater amount of that once there is clarity around the deal and others are going to follow.

Michael Rollins

And one other question. Based on your experience with Federated and CBRS,8 do you expect that spectrum to be deployed for outdoor applications and appear on your macro towers? Or do you think that's going to end up being more of a indoor spectrum there?

Jeff Stoops

Right now it looks like it's going to be more indoor because there are power limitations on its use, but there are petitions afoot that would change the power regulations around that spectrum that could make it a more viable outdoor use.

Michael Rollins

Thanks.

Operator

Next we have a question from the line of Ric Prentiss from Raymond James. Please go ahead.

Ric Prentiss

Thanks. Good afternoon, guys.

Jeff Stoops

Good afternoon, Ric.

Ric Prentiss

Hope Mark is feeling better. Question on the Services business in the guidance. I think you mentioned the total of T-Mobile, Sprint, Dish you've seen a little slowdown in the Services business. I know you're not giving 2020 guidance yet obviously, but should we assume that could have a pacing issue as we look into leasing activity into the first half of 2020, then if you've seen kind of a slowdown in the Services business going into fourth quarter? Maybe you don't get a decision until maybe sometime in February of '20? Just trying to think pacing.

Jeff Stoops

Well, I mean you -- Dish has kind of gotten a free pass, right? So they don't have to do anything, nor if you were Charlie Ergen, why would you do anything until you have clarity, since you don't know whether you're deploying a narrow band or a broadband network. So I think when you kind of think through the logic of where the vast difference in the roads that some of these folks are on yes or no, merger up or down, I think that answers your question, Ric.

Ric Prentiss

That's good. Thanks, Jeff. And then as we think through the -- what if the answer is a, no, on the merger and was a, yes, we could see an explosion of applications coming in that could help the pacing? But what if it's a, no, what do you think might happen or how we're going to [Indecipherable]?

Jeff Stoops

You're going to see a ton of stuff happen because one road is really good, the other road is really good for activity. The problem is the two don't really overlap.

Ric Prentiss

Yes. Just need a decision, so they know which way they are going?

Jeff Stoops

Dish is the best example. You can't spend money on narrow band and have it work on broadband and vice-versa.

Ric Prentiss

Okay. To Michael's question on CBRS and does sound like it seems more indoor now for CBRS and once those petitions come through, what would the role you play in an indoor CBRS type situation look like? Would it be providing capital, providing neutral host systems, but what would the role of SBAC and how are the economics compare to say macro towers versus small cells?

Jeff Stoops

We will be a capital provider, a network owner, we would basically take the burden off of the -- we would basically be appealing to the building owners to upgrade and offer them a solution that they would find attractive at a price point that made sense for everybody. And then it will be a recurring revenue model for us.

Ric Prentiss

And again, trying for probably significant co-location to tell the owner of the building, we'll get everybody, so you don't everybody pestering you individually?

Jeff Stoops

Yes, that's one. Although there are also models where they just pay one fee, and if they want to -- if that's the way they want to provide their people whether it'd be a residential complex or commercial complex, Internet, for example, for a private LTE system, there might not need to be any co-location for it to be an attractive proposition.

Ric Prentiss

Last one for me is none of us are FX experts, I know, but in the past you'd hazard a guess on with the elections or other things happening in Brazil or the economy in Brazil. How do you look at the Brazilian FX rate, where you think it might be headed as you look at that being a fairly sizable amount of your revenues, at least from a book leasing standpoint?

Brendan Cavanagh

Yes. I mean, Ric, we look at what the, I'll say, "experts" say. I mean, all the various banks and financial institutions and economists that study that sort of thing. Unfortunately, nobody has been quite right over the last few years, but expectations are that there will be some modest improvement from where we are today.

We've actually seen some improvement, just over the last week or so. But I think the more that pension reform is now kind of getting addressed and some of the other big question marks that are sort of overhangs in Brazil get settled, it will provide some stability that will hopefully go through to the exchange rates as well.

I mean, from our perspective, we have what we have down there. We try to address it by being wise in terms of the timing of when we repatriate money, to the extent that we can, put expenses that we have a choice between US dollar-based and BRL-based, we try to offset our revenues with expenses in local currency.

Although, we found financing options down there to now be particularly attractive in terms of pricing. So at this stage, it's a little bit limited in terms of our options to mitigate it. But, no, we watch it closely and we try to manage the timing on the repatriation of funds and one funds go down.

Jeff Stoops

Yes. And Brendan, in his comments raises a good point. We haven't put any fresh US dollars into Brazil probably including two years now. So everything that is really being considered is the timing of money that's coming at -- Brazil is a source of cash, not a use of cash. So what you're seeing and what's frustrating from a reporting perspective is just that. It's a reporting issue as opposed to real -- realized economic gain or loss.

Yes. It's also a relative issue, I mean as the -- a lot of good things are happening in Brazil. But if the US dollar continues to strengthen relative to other currencies around the world that's -- you have a relativity issue as well there.

Ric Prentiss

Right. Although you do get probably some benefit on the escalator side, then as you go through what's happened..

Jeff Stoops

We do. That's on a much more absolute basis and there is some real logical tie to the way the Brazilian currency tracks its own inflator, but not a lot of tie to how the inflator necessarily tracks relative strength with the US dollar. I mean, that's more of a wild-card.

Ric Prentiss

Yes. Okay. And thanks for the extra color.

Operator

Next we have a question from the line of Walter Piecyk from LightShed. Please go ahead.

Walter Piecyk

Thanks. Jeff, I'm going to mix it up on you this time and go after the dividend this time as opposed to the share repurchase. You had a couple of quarters and you talked about growth rate or having a growth rate there being appealing to investors. How are you thinking about that in 2020?

Is this going to be kind of you put up four quarters of the same dividend and increase it? Have you considered maybe increasing that on a sequential basis that's something, I think it's worked well for Cogent in terms of investing or finding some new investors? Just thoughts on the dividend?

Jeff Stoops

Good question, Walt. We actually have talked to a number of investors about that very concept, because we know Cogent has done it and we know American has done it and actually, no offense to both those companies who I respect quite a bit, but the investors didn't really seem to move one way or the other about it. So we have decided and I tried to make this clear in my comments that we will look at this once a year. So four times at one number and then look for a nice jump.

Walter Piecyk

Okay, got it.

Jeff Stoops

Or in the case of starting halfway through the year, like we did this year, we'll basically be looking to revisit the dividend, every time we look at and give out guidance, which just so happens to be our next release.

Walter Piecyk

Understood. Also, has there been any increase by some of the major telecom operators about kind of a new plan for 2020? I just trying to get a sense of like look T-Mobile was planning on spending on 2.5 and that was going to hit your towers maybe in the first half of 2020 and now things are delayed, there is a low whatever.

But have they gone so far as to say, well, maybe if this deal doesn't happen here's some other bands and looking at other towers? Or is it really you don't know until you literally get the orders now say okay now we're putting on these towers in for this spectrum we're using?

Jeff Stoops

No, there is a merger plan and there is a non-merger plan.

Walter Piecyk

My non-merger plan. Got it. And has that always been the case or is the non-merger plan something new that's kind of emerged in a lot of couple of weeks, months, whatever?

Jeff Stoops

No I don't know any details about what that is. I don't know that, but I know that that's a practical discussions at these companies and they'd like to know which way they're going.

Walter Piecyk

Got it. Understood. All right. Thanks, Jeff.

Operator

Next we have a question from the line of David Barden from Bank of America. Please go ahead.

Joshua Frantz

Hey, guys. It's Josh in for Dave. Thanks for taking the question. Just following up on your comments on Brazil and the pension reform, outside of the strengthening of real, which we've seen in the past week, like you mentioned. Do you think there's any change in the business on an organic basis based on that, on what kind of could happen in the fall out potentially positive.

And then secondly, it looks like Amazon kind of launched their Sidewalk program product, and have you had any discussions with them and so could you share? Thanks.

Brendan Cavanagh

Yeah. On the Brazil side, I think it's more of a -- the general pension reform, some of the other austerity moves there, I think will in a long-term be healthier for the economy, which should result in a better situation for our customers and carriers, which historically in our business, it's been a virtuous cycle or circle where you've seen that lead to increased spending on the networks.

But I think the bigger question that will have more of an impact is really around the stuff that Jeff discussed earlier, which is what happens with the carriers down there, is there some combination? Just the change that we mentioned around the concession rules, I think will be very positive. That's more likely to have a direct impact on our business in a positive way.

Joshua Frantz

Okay. It looks like it's using 900-megahertz spectrum, just not sure kind of this, you've been in touch with them, but --okay, fair enough. Thanks for taking the question, guys.

Operator

[Operator Instructions] We do have a question from the line of Brandon Nispel from KeyBanc. Please go ahead.

Brandon Nispel

Thanks for taking the question. I may have missed this, but, Jeff, could you comment just on the level of backlog of signed but not commenced leases from a year-over-year and quarter-over-quarter perspective? Then maybe also if you could just comment on more broadly on the labor market for tower climbers that would be great? Thanks.

Jeff Stoops

The backlogs are relatively similar as to where they were a year ago and probably a quarter ago, materially similar. And the back -- the tower climbers situation I think is okay for the time being. But it may prove tight once there is resolution on the merger and everybody gets really cooking like I think will be the case when that happens, but we'll see. There's a lot of focus on that, lot of people are getting trained and there are a lot of initiatives underway to make sure that there are enough resources when they are needed.

Brandon Nispel

I guess, if I could follow up on a separate topic, you guys commented on CBRS now you think that's going to be in building solution. Verizon has done some tests using dual-band, I guess dual-band in CBRS with some of their existing spectrum. Have you had any discussions with any of your customers on using CBRS in sort of a dual-band with a couple of spectrum band and carrier aggregation?

Jeff Stoops

We may have in the leasing group and worked into some overall antenna and amendment configs but not that I'm uniquely aware of.

Brandon Nispel

Sounds good. Thank you.

Operator

Next we have a question from the line of Colby Synesael from Cowen. Please go ahead.

Colby Synesael

Great. Two questions if I may. There's been some discussion by the cable companies of late that they might look to build out networks on a market-by-market basis to effectively reduce their reliance on roaming from their wireless partners. And I'm just curious if that's something you're starting to have conversations with some of those cable companies about?

And then secondly this morning AT&T guided to $20 billion in CapEx from $23 billion in 2019. Now they did acknowledge that part of that is reduced investment in fiber. But I'm curious if you're seeing anything on the -- your side of the business that would suggest that you're also seeing them pull back or expecting to pull back on their investment, as they start to think about leasing for 2020? Thank you.

Jeff Stoops

Yeah, I'll take the last one first. I mean, no, all of our comments about timing and pacing are purely temporal and specifically merger-related and should be construed that this is very temporal, has nothing to that is secular or even cyclical. This is -- as soon as this uncertainty is done, this is going to really pop. That's what we believe and the conversations that are ongoing amongst everyone involved are evidence for that and we're right in the middle of all that.

So, the answer as it pertains to AT&T, Colby, is no. And as far as the cable companies are concerned, yes, we have had some of those conversations. They're obviously company-specific and if you have certain agreements with certain of those roaming partners, you have a lot less flexibility than others. But I can't really get into any more specifics than that.

Colby Synesael

Do you think it will be just kind of anecdotal in nature and not something we would see from the outside looking in, in terms of having an impact on your numbers at least for the foreseeable future or is it in your opinion pop could happen more rapidly than that and year from now, we could actually be talking in more meaningful manner?

Jeff Stoops

About the cable companies?

Colby Synesael

Yes

Jeff Stoops

No, I think you we'll have to wait and see how they do with these upcoming auctions. And then I think you have to ask that question in a year.

Colby Synesael

Okay. Thank you.

Operator

[Operator Instructions] There are no further questions in the question queue.

Jeff Stoops

Great. Well we appreciate everyone joining us for the call today and we look forward to our next call, which will be our fourth quarter and full-year guidance call. Thank you.

Operator

Ladies and gentlemen, this conference will be available for replay after 8:00 PM Eastern today through November 11. You may access the AT&T executive replay system at any time by calling 1866-207-1041 and entering the access code 1984299. International participants may dial 402-970-0847. Once again, those numbers are 1866-207-1041 402-970-084 with access code 1984299.

And that does conclude your conference for today. Thank you for your participation and for using AT&T conferencing services. You may now disconnect.