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PRESENTATION

Operator

Good day, and welcome to the Crown Castle International Q2 2018 Earnings Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Ben Lowe. Please go ahead, sir.

Benjamin Raymond Lowe - *Crown Castle International Corp. (REIT) - VP of Corporate Finance*

Great. Thank you, Todd, and good morning, everyone. Thank you for joining us today as we review our second quarter 2018 results. With me on the call this morning are Jay Brown, Crown Castle's Chief Executive Officer; and Dan Schlanger, Crown Castle's Chief Financial Officer.

To aid the discussion, we have posted supplemental materials in the Investors section of our website at crowncastle.com, which we will refer to throughout the call this morning.

This conference call will contain forward-looking statements, which are subject to certain risks, uncertainties and assumptions, and actual results may vary materially from those expected. Information about potential factors which could affect our results is available in the press release and the Risk Factors sections of the company's SEC filings. Our statements are made as of today, July 19, 2018, and we assume no obligations to update any forward-looking statements.

In addition, today's call includes discussions of certain non-GAAP financial measures. Tables reconciling these non-GAAP financial measures are available in the supplemental information package in the Investors section of the company's website at crowncastle.com.

With that, I'll turn the call over to Jay.

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

Thanks, Ben, and good morning, everyone. It's a great time to be a part of Crown Castle. We are uniquely positioned to win in our market due to our strategy, solutions and history. Over the past 2 decades, we have created an unmatched portfolio of more than 40,000 towers and 60,000 route miles of dense, high-capacity fiber in the top U.S. markets. As a result, our ability to offer customers integral components of leading-edge communication networks continues to drive our success while generating high returns for our shareholders as we share our assets across multiple tenants.

Based on industry fundamentals and expected growth, we think that the U.S. represents the best market in the world for communications infrastructure and that our differentiated strategy will capitalize on this compelling opportunity. With the positive momentum we are experiencing in our towers and fiber, we remain bullish on investing in our business to generate future growth while delivering dividend per share growth of 7% to 8% per year.

On the call this morning, I want to highlight 3 important themes I'm seeing in our business and the broader industry. First, we're delivering on another great year of growth in 2018. Secondly, we're capitalizing on the trends that continue to build across towers, small cells and fiber. And we are investing at very attractive returns as we build the communications networks of the future.

On the first point, we delivered another great quarter of financial results, reflecting the demand for our shared infrastructure assets and terrific execution by our team. As the volume of data delivered by both wireless and wired networks continues to grow, our customers are increasing the capacity of their networks by leasing access to our towers and fiber, which, in turn, generates growth in our cash flow. As a result, we remain on track to deliver approximately 10% growth in AFFO per share in 2018, with higher levels of new leasing activity across all of our business. The growth in cash flow supports our current annualized dividend of $4.20 per share, representing 11% growth year-over-year. This growing dividend both aligns with our business model and provides a significant source of value to our shareholders.

Turning to the second point. Momentum continues to build across both towers and fiber with a growing backlog of committed new business. We are seeing persistent positive tailwinds across our business that are driving significant demand for our portfolio of shared infrastructure assets. On the tower side of the business, our customers are improving and densifying their networks by adding more equipment to their existing leases and adding new leases on our towers. As our customers invest more in their networks to keep up with the growing demand, our leasing activity remains on track to be higher in 2018 than it was last year.

Within our fiber business, those same underlying demand trends are also creating the need for our customers to deploy fiber-fed small cells at scale to further improve the quality of their networks. After starting the year off in the first quarter with a comparable number of small cell bookings to what we signed in all of 2016, we had another terrific quarter of bookings in the second quarter as our contracted pipeline of small cell nodes to be constructed continues to increase. Due primarily to the permitting and planning process, it typically takes us about 24 -- 18 to 24 months for these contracted nodes to be put on air and start generating revenue.

Consistent with our expectations, we continue to see very attractive returns on small cell investments with initial yields of 6% to 7% for the first tenant. And similar to towers, we're seeing demand for multiple tenants on the same asset, resulting in high incremental margins that grow the yields into the mid- to high teens. We expect these growth trends and attractive returns to hold. And if they do, we will continue to pursue discretionary investments that we believe will expand our long-term opportunity, which brings me to my third and final theme.

We are really excited about the investments we are making to build new assets that we expect will drive long-term growth in cash flow and dividends per share. We believe we're in the very early innings of a huge opportunity with fiber, which has become critical for wireless and wired networks.

Over the last several years, we have built and acquired more than 60,000 route miles of dense high-capacity fiber in the top markets, where we see the greatest long-term demand from multiple customers. While the current utilization of our fiber is less than a single-tenant tower, our current 8% yield is more than double what we saw when our towers only had 1 tenant. We are using the exact same playbook we used with towers by sharing the asset across multiple tenants to drive attractive returns, and it's playing out better than we could have expected. All of this increases our conviction to continue to invest in fiber, where the expected returns and opportunities meet our disciplined investment criteria.

As I reflect on my 19 years at Crown Castle, it's remarkable to me how similar the opportunity around small cells and fiber is to the early days of the tower business. When we were acquiring and building towers nearly 20 years ago, we were making significant upfront investments in assets with really skinny initial yields. This was based on our view at the time that we could increase the cash flows and yields on those assets over time as we added tenants.

Today, everyone agrees the tower business is a great business. But in the early days of towers, there was no shortage of skeptics who thought that the towers wouldn't be shared by multiple customers or the returns would never exceed our cost of capital or anyone could overbuild us or the economics would be lost at renewals. Steady performance and consistent execution over the last 2 decades has proven that providing shared communications infrastructure assets is a great business.

Fast forward to where we sit today, with the opportunity to once again invest in infrastructure needed for the future of communications. Today, we have invested approximately $13 billion of capital that is already yielding 8% and have secured prime fiber real estate across the top U.S. markets, making Crown Castle the clear leader in small cells. Since we made our initial investment in small cells, we have seen the market rapidly evolve from a small opportunity and only a few locations to where we are today with all 4 of the major wireless customers deploying small cells at scale across all of the top markets. And we believe we are at the very beginning of what will ultimately be an opportunity that rivals or exceeds what we have seen play out with towers over the last 2 decades, where demand has far surpassed what even we could imagine at the time we made our initial investments.

One of the things that we learned from our experience in towers is that investing early in the right assets in the top markets positions us to capture potential future demand that may arise beyond what is visible at the time of the investment as communications evolve in ways we can't even conceive today. With our unmatched portfolio of assets, I believe Crown Castle is best positioned to capture these immense long-term opportunities while consistently returning capital to shareholders through a high-quality dividend that we expect to grow 7% to 8% annually.

And with that, I'll turn the call over to Dan.

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

Thanks, Jay, and good morning, everyone. As Jay mentioned, we had another great quarter of results and remain on track to generate solid growth in cash flows and dividends for the full year. We continue to benefit from very favorable industry fundamentals that are creating significant demand for our unmatched portfolio of towers and high-capacity fiber assets, which is apparent in our financial results and outlook.

Starting with second quarter 2018 results, as you can see on Slide 4 of the presentation, we exceeded the high end of guidance for site rental revenues and adjusted EBITDA, with AFFO exceeding the midpoint of the range. When compared to our prior outlook, there were 2 primary items that impacted second quarter results. First, site rental revenues benefited from approximately $9 million of additional straight-lined revenues primarily resulting from term extensions associated with leasing activity. Second, some of the network services contributions we previously expected in the second quarter is now expected to come through the remainder of 2018.

Turning to the balance sheet. We recently executed 2 financing transactions that increased our financial flexibility. Specifically, we increased the commitments under our revolver by $750 million and extended the maturity date on our credit facility by approximately 1 year. And in July, we refinanced $1 billion of existing secured tower revenue notes that would have matured in 2020 with new secured tower revenue notes that have a weighted average term of nearly 9 years and an average coupon of 4.1%.

Pro forma for those transactions, we now have nearly $4 billion of available capacity on our revolver and no meaningful debt maturities before 2021. Additionally, we finished the quarter at 5.2x debt-to-EBITDA and expect to end the year at approximately 5x due to the anticipated growth in EBITDA in the second half of 2018.

Now turning to Slide 5. At the midpoints, we increased the full year 2018 outlook for site rental revenues and adjusted EBITDA while leaving the outlook for AFFO unchanged. The increases to site rental revenues and adjusted EBITDA primarily reflect a higher expected contribution from straight-lined revenues, which does not impact AFFO. Consistent with the additional straight-lined revenues in the second quarter, the higher expected straight-lined revenues for 2018 are a result of term extensions associated with leasing activity.

Turning to Slide 6. The only changes to our outlook for site rental revenue growth relate to the increase to straight-lined revenues I just discussed that impact both the third bar from the right and the total growth in site rental revenues on the far right. The left half of the chart, which relates to the organic contribution to site rental revenues, remains unchanged at the midpoints when compared to our prior outlook.

Moving on to Slide 7. We have maintained our outlook for the midpoint of AFFO growth from 2017 to 2018 but narrowed the ranges to now be between $400 million and $430 million.

So in closing, we delivered another quarter of great financial results and remain on track to generate 10% growth in AFFO per share in 2018. Momentum continues to build across towers, small cells and fiber, which illustrates how well positioned our business is to capitalize on the positive industry fundamentals in the U.S. Looking further out, we are excited about the current investments we are making in new assets that we believe will extend the long-term opportunity while generating compelling returns for our shareholders through a high-quality dividend that we expect to grow 7% to 8% annually.

With that, Todd, I'd like to open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Nick Del Deo with MoffettNathanson.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

First, with respect to Lightower and some of the other fiber assets you've acquired, now, you've indicated in the past that one of your goals was to apply some of Lightower's management practices to the other assets to wring more business out of them. Where does -- where do things stand on that front? And I guess, if you could comment on the integration more generally that would be helpful.

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

Sure, Nick. We do plan to do that. One of our premises, as I talked about multiple tenants across the same asset, is both the synergies that we bring in terms -- revenue synergies that we bring in terms of adding small cells to the fiber that Lightower had constructed and also taking the platform that Lightower had and selling fiber solutions across the nearly 30,000 miles of fiber that we had, which were built and acquired primarily for small cells. And we're in the process of just -- of doing exactly that, so we're prioritizing the markets where we think there's the greatest opportunity, and we're in the process of working on that and more to come. But as we had initially thought, we believe there really are revenue synergies and growth opportunities around that, and we're in the process, early days, of working towards that end. On the integration front, things are going well, on track for what we had expected. And we expect the financial results for calendar year 2018 to come in right where we expected them. So everything's performing within expectations, and we're pretty excited about what the longer-term opportunity of taking that platform out beyond just the fiber that we acquired directly from Lightower.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay, that's great. And maybe one for Dan. Prepaid rent received in the quarter was pretty substantial. Is there anything that we should be aware of behind that? And I guess more generally, should we think of that as a leading indicator for activity or a lagging indicator? Or is it tough to read much into it one way or another?

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

Yes, it's tough to read much into it one way or the other. The way I would interpret it is there is more activity. It's just the timing of any one quarter versus another is too hard to read into. The good part about it is -- I think what it shows is that activity is increasing overall and that we're continuing to see a contribution from our customers as we build out small cell nodes and systems.

Operator

Our next question comes from David Barden with Bank of America.

David William Barden - *BofA Merrill Lynch, Research Division - MD*

I guess a couple if I could. Just first on the straight-lined revenue increase and the customer term extensions. It does appear it was AT&T. I know you guys don't like to talk about individual customers, but it does appear that it's AT&T based on your disclosures. And I was wondering kind of how this term extension relates to the MLA that got signed last quarter, that AT&T announced that they signed, and whether there's relationship between these 2 things and if we can expect that this is the sort of thing that might continue or if this was more of a one-off exercise. The second one was kind of ignoring the year-over-year asymmetry in the business with the Lightower acquisition and looking more at the kind of quarter-on-quarter sequential progress in the fiber services business. Could you disaggregate that between what's kind of the small cell business growth and the enterprise services revenue growth in that fiber business? That'd be helpful.

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

Sure. On the straight-lined and term extensions that you were talking about, the -- you're right that the supplement shows that we increased the overall term with AT&T. We're not going to talk specifically about what happened, but I would just say that it doesn't mean that's the only thing that happened in the quarter. This is related to -- as we sign new amendments and new leasing activity that we're getting extensions to some of those -- with some of those amendments and new leasing activity. And because of that, it is driving an increase in the straight-lined revenues and then ultimately driving an increase in the term that we have with our customer. I would not necessarily tie it to the MLA one way or the other. It's just as we are getting extensions when we're signing amendments and new leases.

David William Barden - *BofA Merrill Lynch, Research Division - MD*

Just to clarify, Dan, it's just more on the cadence of the business. Leases come up for renewal all the time and this just happened to be more of a one-off exercise rather than something part of a larger picture.

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

Well, I think it's not necessarily a one-off exercise. It's part of how we are entering into contracts with our customers. And as you can see, we expect to increase straight-lined revenue through the remainder of 2018. So it's not just that it happened once and we never expect it again. But the magnitude of it was such that we wanted to call it out in the second quarter and then show what it does for the remainder of 2018.

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

On your second question, Dave, the way we look at the business and really manage it is thinking about it on a year-over-year basis. And so if you disaggregate it, the revenue growth from the various components, from a tower standpoint -- I'll give you the 2017 growth numbers and then compare that to 2018. So in '17, we grew towers about $105 million, and this year, we'll do about $110 million, so up about $5 million on the tower side year-over-year. On the small cell side, we did about $40 million of increase last year. This year, we'll do about $55 million from small cells. And then last year, we did about $25 million on the fiber side, and this year, we'll do about $45 million. So as Dan mentioned, those numbers are consistent with what we talked about last quarter and really pretty consistent with what we thought going into the calendar year, and the business has performed right there where we expected it to.

Operator

Our next question comes from Jonathan Atkin with RBC Markets.

Jonathan Atkin - *RBC Capital Markets, LLC, Research Division - MD and Senior Analyst*

So I was interested a little bit in your small cell pipeline that you talked about that continues to grow. And how diverse is that in terms of the number of operators that you see and ramping up their spend? And then secondly, my question around -- I wonder if there's any sort of an update around the activities of Vapor IO.

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

So on the first question, Jonathan, we are seeing activity across all 4 of the major operators on small cells, and we're seeing them throughout -- the vast majority of our fiber and small cells are in the top 25 markets, and that continues. So we're seeing the vast majority of the activity there. We are starting to see some activity outside of the NFL markets, and that's growing. I think our long-term belief is that we're going to continue to see the carriers invest and need small cells likely through the top 25, 30 markets and into the top 50 and potentially all the way through the top 100 markets in a meaningful way. But right now, the activity is mostly focused NFL cities, and we're seeing that from all 4 of the operators. So there's pretty good diversity, both in terms of geography as well as the carrier spend and focus there. On the second question, I don't know that we have a lot to update on Vapor. For folks on the call who aren't familiar with that, Vapor is a company that's focused on edge data centers at the very edge of the network, which becomes increasingly important in low-latency applications. We made a small investment last year and have continued to follow that. And we believe there's a tremendous opportunity as networks develop, particularly around C-RAN, and the importance of tower sites as an important hub to the overall wireless communications networks. And we believe that, over time, there will be edge data centers that are there, and Vapor is in that business. So it doesn't contribute anything to our revenues or EBITDA at this point, but we believe that's a long-term opportunity. And it may result in -- we certainly wouldn't have done it if we didn't think so. Long term, we think there's an opportunity there for site rental revenues from that business. But we're not -- we're not anywhere close to putting that inside of the outlook.

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

Just adding a little bit to that...

Jonathan Atkin - *RBC Capital Markets, LLC, Research Division - MD and Senior Analyst*

And then -- go ahead.

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

Sorry, Jon. Just adding a little bit to that, I think it just further indicates how important having a dense network of fiber is because what edge data centers will ultimately do is try to, as Jay was pointing out, reduce latency. But in order to do that, you have to have them connected by fiber so things can move quickly between them and among them. And while we have that dense network of fiber, there are multiple avenues to generate revenues on it, and an edge data center is just one of them. We think that the more nearer-term ones will likely be on the small cell and the fiber solution side. So why we're so excited in what we've invested in is that, as Jay mentioned in his prepared remarks, is that owning these assets opens up all of these opportunities for us. And as they come up, we will -- we'll continue to be, I think, the best positioned to take advantage of them however they evolve.

Jonathan Atkin - *RBC Capital Markets, LLC, Research Division - MD and Senior Analyst*

And just a quick follow-up on small cell tenancy levels. If we look at sort of in-place infrastructure, anything in the way of seeing store metrics? Any additional color you could add on how tenancy levels are growing?

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

Sure, Jon. We continue to see lease-up on small cells growing at about twice the rate of what we saw and have seen in towers. So the co-location activity continues to be very robust and, when compared to towers, is very, very encouraging. In terms of -- I made a passing reference to this but important to reiterate. The returns that we're seeing as we're adding that co-location does bring the yield into the double digits, exactly in line with our expectation. And some of our older systems that have been there for a while are continuing to see that lease-up over time, just like what we've seen play out with towers. What has happened at the same time that we're seeing that on the investments that we've made over time is the scale of the opportunity has continued to grow. We started off in small cells, and our initial investments and really, probably, our initial investment thesis was that there were going to be very few locations and really dense urban areas where small cells were going to be needed. And so the opportunity to put capital there at attractive returns, I would say, was also small in scale. And what we see today is not just that the returns are coming in as we expected on a small scale, but rather, the opportunity is continuing to grow, and our ability to win, based on our expertise and experience in that market, has continued to expand. So we're both excited about the data points that we have, which point to that the business model is performing at least as well as what we had expected when we made the investment. But I think our general excitement is that the opportunity to do that in scale is appearing in much greater scale than what we initially expected.

Jonathan Atkin - *RBC Capital Markets, LLC, Research Division - MD and Senior Analyst*

Since you have macro sites in the immediate vicinity of your small cell investments, are you noticing any impacts on the tower business in terms of growth rates?

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

We're not seeing any change there. Macro sites continue to be and, we believe, will always be the lowest-cost and most effective way to deploy the network. So to the extent that there's a macro site that can solve the challenge that the carriers have, that's their low-cost approach to solving that need. But macro sites can't solve all of the needs given the increase in data traffic and density of that traffic in specific areas. So I think the best analogy is the macro sites become the overhead lights in the room, and small cells become the lamps in the room, where they put a concentration of light in a specific area in order to solve a need. And that's exactly how we're seeing the carriers deploy these networks. The macro sites, in essence, become like hub sites upon which the small cells are designed in order to provision enough capacity to meet the demand.

Operator

(Operator Instructions) Our next question comes from Brett Feldman with Goldman Sachs.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Two questions. And the first one's a point of clarification. Jay, in your remarks, you talked about your annual dividend per share growth target of 7% to 8%, but the press release does actually introduce the term near-term. And so I just wanted to see if you could clarify whether the duration of what you think about that target has shifted at all. And then I have a follow-up question.

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

Brett, we got a couple of questions last night based on that, and we're not quite that sophisticated, where none of us are Janet Yellen, I think, at this point. So we were not trying to be cute or clever in the release. We were just trying to point to the fact that some investment stories, when teams start to talk about the long-term strategic opportunities in front of them, it's a wait-and-see story to investors. And we don't believe that's the case with our story. Our story is about the long-term growth opportunity that we're building by the investment in small cells, which we believe creates not just a few years' worth of opportunity but decades of opportunity, just like the acquisition of towers did in the late 1990s. And on top of that, investors don't have to wait for those investments to materialize and to exceed the cost of capital because, in the near term, there's reward in the form of a growing dividend of 7% to 8%. So I think the word we've used maybe in the past is foreseeable future that we expect to grow the dividend 7% to 8% for the foreseeable future, and that's still the case today. Our goal in my comments and the press release was to just point out the difference between near term and long term. And I think our model, in a compelling way, provides both the near-term, medium-term and foreseeable future return of 7% to 8% growing dividend. And at the same time, we're making investments to ensure that there's long-term growth opportunities in our business.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

So another question that I have is, if I think about your very upbeat commentary about what you're seeing in small cells, it sounds like that the opportunity set may be even bigger than it was when you initially set that target. And the reason I'm bringing it up is that when we look at the sum total of the capital you deploy every year on your CapEx program and on your dividend, it exceeds what you organically generate to fund those 2 uses. And so you have a funding program that you engage in every year, both in the equity and the credit markets. And so a question we've gotten is that, if the demand side, which is very capital-intensive, were much bigger than you anticipated, at a certain point, you have to make a challenging decision to say we would rather prioritize revenue growth as opposed to dividend growth. Or do you think that your funding program could grow with your demand for your assets?

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

The short answer is, I think, our funding program can grow with the demand for the assets. We have a tremendous access to capital in the market. And this is part of the reason -- going back to the strategy of why we initially put the dividend in place and pay out a substantial portion of our cash flow. Our view on capital is that it's not our capital. This capital belongs to shareholders, both the capital in the form of debt and equity. And we like the discipline of coming to the market when the capital investments exceed that of our cash flow. So the vast majority of our cash flow, we return that in the form of dividends to shareholders, and then we come and make the case for why the investment makes sense to raise additional debt and equity as needed over time. We think that's good discipline, and it gives us a chance to tell the story as to why that investment opportunity is compelling and should be invested in. So we do think -- to your point, we do think that the opportunity is continuing to grow. And as that opportunity grows, to the extent that we need to increase the sizing of funding, we think the returns are compelling enough that investors will come alongside us and want to invest in that future opportunity. So at this point, we are not, in any way, limiting the capital spend. We're pursuing the opportunities because the returns are compelling and, we believe, will provide long-term growth in dividends per share, which is really where we zero in on how to decide whether or not it's worth us going out and raising debt and equity to pursue the opportunities.

Operator

Our next question comes from Ric Prentiss with Raymond James.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

A couple questions. First, on the straight-line adjustment change, was that mostly on the tower side? Or is it coming on small cell fiber?

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

No, it's mostly on the tower side.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Okay. And it looks like, if we're right in our math, that the difference kind of is more like maybe a bonus escalator structure. It looks like the cash benefit you mentioned was 0 in '18, looks like maybe a couple million in '19 and then more in '20, then a lot more in '21, '22. Is that the way we think of it, it's kind of been pushing itself out into the later years as far as the cash benefit?

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

Not necessarily. Again, we're not going to get into what we negotiated in terms of how the MLA works or what we're going to do specifically with customers. But generally speaking, what's happening is we're signing amendments. We're signing new leases. It's extending the term on those as we sign them. And at some point, though, all of that will have a cash impact. So the straight-line impact of it will -- as it has in the past. In the nearer term, the noncash is greater than the cash. And at some point, it turns the other way. We just re-extended that and made the nearer-term noncash look bigger than the cash because we're extending contracts. But I would not get into how exactly we structured the economics of the transaction with our customers.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Okay. And I guess the question we've gotten from a lot of investors has just been was it just a lease term extension or was there some real new business to it. It seemed like there might have been some new business as well.

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

New amendments and new leasing is new business. I mean, that is what we're trying to point out is that this is part of the activity that we're seeing that Jay was talking about earlier, that we see good activity in '18, higher than in '17. This is part of that activity. We also just get lease extension to it.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Okay, cool. And the last question I got is the organic contribution to site rental revenues in the supplement, the 5.6%. We get a lot of questions from people on can that go higher. How much higher could it go? What would it take to -- could it get above 6%? Could it get above 7%? I understand the law of large numbers. But just as you think about that 5.6%, given the upbeat commentary, where are the thoughts on where that could go over time?

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

I think the answer to your question is yes, it could go higher. It's a question of the timing of when we see activity come in and, as we're investing in small cells, with the timing of when we get those investments in small cells to come on air. So we can see all of that go higher. And we would be optimistic, as Jay pointed out, that on the small cell side, that the opportunity set is growing and that we are very optimistic about what that looks like. Having said that, though, trying to compare -- and I think a lot of the question comes from what we've heard historically, but tell me if you're asking something differently, is can we get back to where we were sometime in the 2013 or 2014 time frame. And that question is really hard to answer because it's more of a question to our customers about how quickly they are going to deploy additional spectrum or densify their networks. And while we think everything looks good and there's -- what we said historically is we see a long runway of growth here, we can't tell you exactly what the timing is of all that and how it plays out, especially in comparison to what it has been historically.

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

Ric, maybe one other thing I would add to that is I think one of the things that's most commonly missed in our model is that people try to find inflection points, either to the positive or to the negative. And they try to read through some of the commentary from the carriers or equipment manufacturers and try to figure out what the impact to our results in any given calendar year or the next year will be as a result of that. And as I made the comment in my prepared remarks, I've been here for about 20 years now. And my experience has been that there's very little, if ever, inflection points in our business. That almost in every calendar year, we've fallen within a band of about 5% or 10% of leasing activity. And so as we look at long-term trends, which we're really trying to talk to and highlight this morning, it gives us confidence that the growth that we're seeing, as we talked about, kind of $110 million, thereabouts, in towers and $55 million on small cells and $45 million around fiber, we think the dynamics of the market and what the customers need are set up to continue to deliver that. And so when we've underwritten and talked about kind of our 7% to 8% dividend growth per year for the foreseeable future, that's really matched up to this view that, within any given year, we think leasing kind of falls within a relatively close band, and inflection points are less -- are, frankly, less likely. So I would encourage folks to, say, look at our story, to not to try to pick an inflection point and certainly don't try to look for those in any given quarterly results but take a longer view. And our view is that the runway of growth here has really been extended much more so than any near-term inflection point that might happen in our results.

Operator

Our next question comes from Philip Cusick with JPMorgan.

Philip A. Cusick - *JP Morgan Chase & Co, Research Division - MD and Senior Analyst*

Thanks for those broken out unit growth numbers. Can you break out CapEx the same way for us?

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

Yes. We'll say that it's harder to break out CapEx because the underlying asset is the same asset. So the majority of our CapEx is on the fiber. And so there's probably close to $1.5 billion of our CapEx on the fiber side and about $400 million or $500 million on the tower side. But breaking it out between fiber solutions and small cells really doesn't make sense because it's the same asset being deployed to try to get all of those revenue streams. And as Jay was pointing out earlier in the prepared remarks, really, the multiple tenancy is what drives the business. And why we're so excited about it is that we do have the opportunity to add those different revenue streams to a similar asset base.

Philip A. Cusick - *JP Morgan Chase & Co, Research Division - MD and Senior Analyst*

Okay. Can you talk about the fiber business? What's the latest with management there? And the first and second quarters were pretty strong for e-rate for a number of people. Did you see anything similar?

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

Yes, sure. On the -- I'm assuming you're referring to the Lightower management team. We did not -- as just a reminder, we did not model any synergies in that acquisition in terms of cost synergies. And I think our -- as I've talked about before, we have a great deal of respect for what that team had built and accomplished. And the team of more than 900 people at Lightower is really to be commended for how well they built that business, and we've certainly been the beneficiary of watching them continue to run that business. And they're off to a great start as they've joined the Crown team. And as I mentioned earlier, Phil, we're planning to use their platform, their expertise and their leadership to really continue to grow the platform and expand it beyond the markets that we're currently in as we grow the tenancy across multiple places that we own the fiber. We had a handful of their executive team that told us they wanted to move on, and so -- and they have, but they did a great job of having successors, in most cases, ready for those positions. And so for the most part, we've had people internally who've been with Lightower for a long period of time, including in the sales role and finance role, who have stepped up and taken those roles and have done a terrific job. And then we went outside and found somebody with a tremendous amount of operating experience and brought them in, that had been at Verizon and Google and Frontier, most recently, on the operating side in order to beef up our operating expertise. So the team has done an incredible job, and they're really to be commended for how well they've done. And we're really excited about what their opportunity is ahead.

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

Yes. And what we talked about, Phil, this is a bit of a complex integration because we're trying to integrate all the fiber assets we had bought previously into Lightower and Lightower into Crown Castle. And as Jay mentioned, it's gone as well as we could have expected, and the team really should be commended. That is a difficult thing to get done and still deliver on the business plan that we laid out at the beginning of the year. And for all of that to be going as well as it is, I think we're excited about it and optimistic about the future.

Operator

Our next question comes from Matthew Niknam with Deutsche Bank.

Matthew Niknam - *Deutsche Bank AG, Research Division - Director*

Just 2 if I could. One, are there any updates you can share in terms of the pacing of activity or cadence of activity from Sprint and T-Mobile? And as mentioned before, I know you don't really comment on specific customers, but just curious in light of the merger announcement, whether you've seen any sort of change in activity or pacing since the deal was announced. And then secondly, just following up on the small cell investments. I think, Dan, right now, you're sitting at about 5 turns of leverage. Just wondering if there's been any change in the way you think about the target leverage and effectively funding these investments between debt and potential equity.

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

Matt, on your first question, you sort of answered it in your question. I'm not going to comment specifically about T-Mobile and Sprint and what their activity is. I'd refer you to them. I'd go back to the comments that we made around both towers and small cells. In the case of towers, our expectation going into the year, and that still is the case today, we expect to grow tower revenues about $110 million this year compared to about $105 million last year, so up about $5 million. And that's held consistent both before and after the deal and over the course of this year. And then on the small cell side, last year, we grew revenues about $40 million. This year, we see about $55 million of contribution from small cells, and that's been consistent since the end of last year. So it's going up to a high level. We haven't seen any change in the activity over the course of the year, so we feel pretty good about where we are going into the second half of the year.

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

Yes. And on your second question around leverage target, our target is still around 5x. We ended the quarter around 5.2x. We believe that the growth in EBITDA over the back half of the year will get us down to that 5x and that -- when we did our equity offering earlier in this year, we had known about what the small cell investments were going to be and sized it appropriately to try to make sure that we had the capital locked in to invest at the rates that we knew we could -- would match the economics that we had run in our models. And we still believe that's the case. Going forward, depending on what that investment profile looks like, we will be out, as Jay pointed out, accessing debt and equity capital markets over the course of whatever that investment profile looks like going forward to try to maintain that investment-grade rating that we have around the 5x leverage position.

Operator

Our next question comes from Amir Rozwadowski with Barclays.

Amir Rozwadowski - *Barclays Bank PLC, Research Division - Director, Head of the U.S. Telecom Service and Comm Infra Research & Senior Research Analyst*

One of the things that I'd loved to touch upon is, in looking at sort of what the FCC is planning in terms of upcoming spectrum auctions, it seems as though the cadence of the embrace of the industry for millimeter-wave spectrum and higher-band spectrum has improved versus where it was a couple of years ago. What has been your experience in supporting some of those current deployments? And how should we think about the opportunity set for you folks going forward? Is this more of a small cell opportunity, macro site opportunity? How are you thinking about that opportunity set?

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

I would look at this as we have looked at many of the auctions in the past that the FCC has gone down the path. There are 2 things that are really critical in order for us to benefit from. Carriers need to have spectrum available, and they need to have capital to deploy that spectrum. And millimeter wave and some of the other auctions that are on the drawing board at this point and being talked about would represent an opportunity for additional spectrum to get into the hands of operators. And our hope would be they'd end up in the hands of operators who have the capital to ultimately deploy them. Specifically to your question around millimeter wave, I think the opportunity set there is a combination of both macro sites and small cells. Given the distance that that's going to travel, it's likely that the benefit probably goes a little bit more toward small cells than it would macro sites. But ultimately, those business models have to develop, and we have to see what it's going to look like and what it's going to be used for in order to answer that question with a lot of precision. But I think generally, we would think that that's likely to (inaudible) to the benefit of small cells to a greater degree than macro sites if you're specifically just looking at millimeter wave.

Amir Rozwadowski - *Barclays Bank PLC, Research Division - Director, Head of the U.S. Telecom Service and Comm Infra Research & Senior Research Analyst*

Great. That's very helpful. And then one of the things that you guys have mentioned in the past is that there's a bit more of a preference today of building out your fiber assets versus acquiring additional fiber assets because of the asset quality that you're looking to deploy. If we think about that, whether it's the reach, breadth of the fiber or the strands per line, how do you believe that, that will play out in terms of a competitive differentiator going forward? It does seem as though you're getting more and more opportunities for co-location. As you mentioned, sort of the returns have been better than expected. So really trying to think about, if we fast forward a couple of years, do you believe that, that ultimately will prove to be a competitive differentiator for the fiber business?

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

Yes. Two things come to mind. First of all, one of the strict investment criteria that we've looked at is we want the fiber that we acquire to be dense, urban, high-capacity fiber. And as we look at the universe of opportunities, as we've mentioned in several occasions and you reference in your question, we really don't see a large opportunity set in the market to acquire. There are some markets where maybe we can find a tuck-in acquisition or 2. But we don't see a large opportunity set there to go out and acquire it, which means that as we think about the growth in the business and the opportunities that we're talking about, we believe most of that fiber will be a result of fiber that we build organically and construct over time. And I think the opportunity there is going to be, as I mentioned earlier in my comments, in markets that go beyond just kind of the top 25 markets. As I think about the competitive dynamic there, the opportunity, just like it's been in towers, obviously, the deployment cycle is long, as we talked about, 18 to 24 months to deploy small cells, a long cycle to deploy fiber. And there's a limited aspect of it in the market today, so there's real benefit to the customer of sharing that infrastructure. And I don't see any scenario where the cost to construct comes down dramatically from where it is today such that the shared model is not the lowest-cost alternative. So our job, day in and day out, here at Crown Castle is to provide infrastructure at a much lower cost to our customers than what they could do on their own. And I don't see anything in either the near term or the long term that really changes that dynamic. So taking an asset that has an enormous amount of value and then bringing it to customers with solutions that offer them a much lower cost than what constructing it themselves would be, I think, is a path to success for us that will be sustainable over a long period.

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

And to your competitive dynamic point, I think we have focused on that dense, high-capacity urban fiber in the top markets because we do believe that having that capacity early on will position us best to get the most out of the market going forward. And we think that we are in a very good competitive position because we do have fiber assets in 23 of the top 25 markets. And as Jay pointed out, we think they will continue to expand. But we see a lot of benefit for being the first mover in those markets and having the expertise that we have to deliver small cells on that fiber. So we feel good about where that positions -- how that positions us competitively in those markets and then going forward.

Operator

Our next question comes from Colby Synesael with Cowen and Company.

Colby Alexander Synesael - *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

Two, if I may. First one, you talked a lot about how you're seeing all 4 carriers spending heavily now on small cells. And I just wanted to go back to small cells versus macro in terms of the spend. I appreciate you said that they need both and used the Light example to show that. But when you think of the incremental spend in terms of dollars, are you seeing more of it shifting to smalls and, I would assume then, at the expense of macro towers? Because from my understanding or just looking at the CapEx budgets of the carriers, they're still holding back on raising their actual CapEx budgets. So it would just seem natural to assume then that if they're spending more on small cells, they're spending less on macros on an incremental go-forward basis despite, I would agree with you, the fact that they need both longer term. I'm just trying to get some color on that. And then secondly, just from a modeling perspective, network services revenue, again, was low. I know you commented and mentioned in the press release that, that will go up. But I was wondering if you can just give us any color there, particularly around, I think it was network services with fiber. It's been down the last 2 quarters' results to what we saw in 2017. And are you in a position just to give us some color on what total network services revenue should be for 2018?

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

Sure, Colby. On your first question around small cells versus macro sites, the incremental spend from the carriers -- obviously, I can't speak across the entire industry, so I can really only speak to what we've seen with our assets. The spend on macro sites is up year-over-year when compared to 2017, and '17 was up from 2016. So at least with regard to the 40,000 towers that we have, those are largely, predominantly focused in the top 100 markets in the U.S. The carrier spend and investment in macro sites to further improve their networks has actually grown over the last several years. We're not seeing anything that would suggest that, that dynamic is going to change. At the same time, the carriers have obviously significantly increased the amount of spend that they're having in small cells. So the growth rates there over the last several years are well in excess of the growth rates that we've seen on macro sites. So I don't know that it's to the detriment of towers because towers have continued to grow, but it is a fair point that there has been a meaningful allocation of their capital dollars and network improvement focus that is going to small cells. And we think that, that focus on small cells is going to continue to increase, particularly geographically and density-wise, in the markets that they've already deployed those.

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

Yes. And Colby, I'll take on your second question on the services. We don't guide specifically to services, so I won't tell you exactly what it is. But clearly, we think the second half is going to be bigger than the first half. It really is the only way that you can get into the EBITDA guidance that we have given. So the second quarter reduction in services, we do think it's just timing, and it's pushing out into the second half of the year. And I don't know exactly on the fiber side. There's very little services revenue associated with the fiber side, so that may bounce around here and there. But I wouldn't take trends out of that just because of the small sample set.

Operator

Our next question comes from Walter Piecyk with BTIG.

Walter Paul Piecyk - *BTIG, LLC, Research Division - Co-Head of Research and MD*

Jay, I want to go back to your answer to Ric's last question in terms of trying to figure out inflection points. At the -- I think it was North Carolina, you were talking about maybe the industry gets to a point of adding a couple hundred thousand small cells a year as kind of an end goal. Where now, I think, you, just as a company, are probably in the 10,000 to 15,000 range with whatever market share you got. So we look at that, and then you hear Verizon talk very aggressively about small cells as a capacity solution, then you look at the radius of a small cell, and then you apply that to the 15,000 at your market share and then the square mileage that's just in the top 20 markets. And then we kind of factor in what you've talked about in terms of 12- to 18-month time frame -- or 18- to 24-month time frame. So it seems like if you kind of put all these things together, if Verizon is actually doing what they're saying they're doing in terms of a really aggressive fiber build, then you're going to have that visibility to let us know when that inflection point is. So if we look at your small cells this year, $55 million new versus $40 million last year, it doesn't necessarily show the inflection point. But maybe you can give us a better sense of when that inflection point is going to hit based on what Verizon has been saying in terms of the aggression and using densification for their capacity needs.

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

Yes, Walt. I guess we're sitting here in July of '18, so I'm not going to give you 2019 and 2020 guidance. But your point is well taken, and all of the comments that I've been trying to make this morning and Dan has echoed in some of his comments is that the opportunity set is certainly growing. And we are -- we believe, based on what we've seen thus far, the returns that we've seen, it would suggest that as Verizon and other carriers, I don't want to just single out Verizon in this conversation, although they have been very public and very bullish in terms of what the opportunity is, believe that's true for all of the carriers, and the need is there for all of the carriers. And all of them are using small cells, and that opportunity set is continuing to grow. And given the returns that we see in the business, we want to continue to pursue that. So I'm not at a place this morning where I want to give specific numbers around how much we think we'll capture and what that revenue growth will be like in future years, but it is fair to say that that's -- the trajectory there is towards higher levels of activity than what we've seen in the last couple of years around small cells. The inflection point that I'm really trying to make is that's a trajectory of growth that could be sustainable over a period of time. The point I was trying to make in Ric's comment was more towards the changes that happened quarter to quarter are generally not nearly as pronounced as the market tends to fear they are or believe, to the positive, they're going to impact numbers. There tends to be a much longer, smoother curve than kind of the volatile inflection points that sometimes are looked for in our business model.

Walter Paul Piecyk - *BTIG, LLC, Research Division - Co-Head of Research and MD*

Understood. I guess it's just difficult for all of us, given what Verizon had said, that we're thinking there is going to be more of a quarter-to-quarter lift, and it never seems to happen. My second question is on prepaid. Is the expectation that prepaid is going to increase -- the prepaid rent is going to increase $40 million? I think the way you've described this in the past is it will increase the same this year as it did last year, and I think that equated to $40 million. Is that still the number for 2018?

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

Yes, that is still the number for 2018. Just to be fulsome about that, though, we also added from Lightower acquisition an additional $40 million on top of that. So it looks like $80 million in total, but the number you're trying to isolate is how much the prepaid rent grow on the business. It's about $40 million this year.

Walter Paul Piecyk - *BTIG, LLC, Research Division - Co-Head of Research and MD*

And most of that's going to be in the fiber business, right? So if we look at the $55 million and the $45 million that, substantially, most of that $40 million or let's call it $30 million is going to be in the fiber/small cell business, right? So the true new leasing activity would basically be the $100 million minus that $30 million or $40 million from prepaid?

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

It will be in the fiber business. I think that it's all true leasing activity, but it is -- the majority of that $40 million will be in the fiber business, yes.

Operator

Our next question comes from Spencer Kurn with New Street Research.

Spencer Harris Kurn - *New Street Research LLP - Analyst of Towers and Infrastructure*

I just wanted to follow up on the commentary around the services ramp, the network services ramp for the back half of the year. Your guidance implies a really sharp sequential increase in the fourth quarter. Should we look at that as a sort of leading or [coincidal] indicator of leasing activity? Or is that just simply the timing of how it flowed in this year?

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

It's both the timing of how it flowed in this year and it's generally what we see in the business is that the fourth quarter is a high quarter in terms of services. So it's something that we've seen historically and we expect to happen this year. In terms of the second question is can you look through that and try to find an indicator of what the new leasing activity is, it's not really a one-for-one type of correlation there. So I wouldn't take it necessarily that, that is an indicator that things are changing or not. It's just the way that the timing of the services revenue is coming in through '18 is a big sequential jump in the fourth quarter.

Spencer Harris Kurn - *New Street Research LLP - Analyst of Towers and Infrastructure*

Got it. And just one more question, if I may. We keep hearing that backlog and activity levels are rising, but it hasn't really flown through to organically seeing revenue growth in a material way this year. Could you just provide a little bit of context on how your backlogs, as they stand today, compare relative to prior years and how that sort of -- how the backlog is trending overall?

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

Sure. Spencer, maybe going up to really high level on that question, from a tower standpoint, typically, when we get an application, from the time we get an application to when we're on air, that revenue stream, depending on whether it's an amendment or a new lease, is somewhere between about 3 to 5 months and as long as about 9 to 12 months. That's true on the tower side. On the small cell side, which is -- we've spent the last several quarters talking more about the backlog there, that's generally an 18- to 24-month cycle from the time that we have the commitment until the time the small cell fiber is built and we're then on air and generating revenue. I wouldn't dismiss, though, the growth that we saw. I mean, going from $40 million to $55 million is a significant growth rate in the organic revenue. Now admittedly, this activity in 2018 correlates all the way back to activity that, in many cases, was signed during calendar year 2016. And we've made comments publicly on multiple occasions that in the first quarter of 2018, we signed as many nodes, contracted nodes, of new bookings in that first quarter as we did in all of calendar year 2016. So that portends activity that is 18 to 24 months from now. And as we continue to do that activity in bookings, we're continuing to kind of sort of push that cycle out another 18 to 24 months. So we have good visibility in terms of what's (inaudible) near-term results. You can see the benefit of the last couple of years of activity that we've seen and we've signed up, and (inaudible) is already starting to generate revenue and cash flows in line with what we had expected.

Operator

Our next question comes from Batya Levi with UBS.

Batya Levi - *UBS Investment Bank, Research Division - Executive Director and Research Analyst*

Just a few follow-ups. First, on Lightower, can you provide more color on the trends that you're seeing from demand from the enterprise segment and if there's any change in the churn that you had expected? And also, just SG&A has gone up to about 9% of revenues. How should we think about that on an ongoing basis?

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

On your first question, we continue to see great activity, in line with what we expected from enterprise clients. As I made comments earlier in the call, we think we're going to continue to grow that business not just in the markets that we're in currently but in markets beyond those markets as we utilize fiber that, today, is in locations that would be very attractive for enterprises and large hospitals, government, universities, et cetera. And we're in the process of continuing to pursue that. But Lightower is tracking where we had expected. As we've talked about in the past, we expect churn in the high single digits there. And then, that's basically been our experience over time, and it's playing out there. So we haven't changed our expectation there, and seeing the business perform basically in line with what we expected.

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

And on your second question, Batya, on SG&A, we have increased SG&A as we have invested in the productive capacity of our business, particularly around small cells. So as we've talked about and the question that was just asked by Spencer a second ago is what does the growth look like. Well, we were, a couple of years ago, a few years ago, in the position of putting on 5,000, 6,000, 7,000 small cells per year. Now we're in the position of putting on somewhere between 10,000 and 15,000 small cells per year, and that takes investment. And that's why it has grown and why we're so -- actually, we're excited about that growth because it's allowing us to achieve the strategic goal that we're looking for, which is positioning our company to take advantage of that small cell growth going forward. From here, we think that we are in that 10,000 to 15,000 small cell nodes per year range, and that's about where our backlog would dictate us to be, and therefore, we feel like we're in the right spot. To the extent that we grow even more, we may have to invest more in SG&A. But again, we think that, that would be a good news story because it would just say that the overall market is growing substantially, and it's something that we would be looking out to try to take advantage of. So our historical investments have gotten us this far, and we think that going forward, we can stay where we are or pretty close to it. But to the extent that we get more activity levels, we may need to invest more in our business.

Batya Levi - *UBS Investment Bank, Research Division - Executive Director and Research Analyst*

And you had also mentioned that you didn't include any synergies from these acquisitions. So could there be some relief on that going forward?

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

Batya, I don't see us cutting our way to growth in the business. So I think we're more likely to be hiring individuals and growing the business rather than finding cost synergies. The opportunity here around revenue synergies and growing revenues from both small cells and the enterprise business that you asked about and other solutions there, we think, is enormous. And so we're going to -- if it plays out the way we believe, we're much more likely to be talking about additional revenue synergies rather than finding cost synergies.

Operator

Our next question comes from Robert Gutman with Guggenheim Partners.

Robert Ari Gutman - *Guggenheim Securities, LLC, Research Division - Senior Analyst*

You're taking a $33 million charge next quarter, according to guidance, for retirement of long-term obligations and $107 million for the year. I just want to make sure, does that refer to -- is that based on debt refinancing? Or does that refer to asset retirement obligations?

Daniel K. Schlanger - *Crown Castle International Corp. (REIT) - CFO, Senior VP & Treasurer*

Those are the debt refinancing costs that we incurred by extending the maturities that we've talked about.

Operator

Our last question comes from Tim Horan with Oppenheimer.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst*

Jay, could you just maybe give the backlog on the fiber business, either dollar amount or small cell, and how it compared to a year ago? Because, I mean, all your comments are implying that we are seeing an acceleration of revenue growth next year and the year after. I know you're not looking to give specific guidance, but your commentary around how strong the bookings have been would kind of suggest that. Just any more color. I think that's what everyone's kind of asking at the end of the day. And I just had a quick follow-up.

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

Yes, Tim. Again, I don't want to get into giving specific guidance for '19 and '20. I think this is why the conversation is so helpful for us to put a target out there in terms of what we think the dividend growth is going to be, 7% to 8%, and we believe -- on an annual basis of growth in the dividends per share. We believe we can achieve that dividend growth per share on an annual basis inclusive of the cost of the capital associated with the growing opportunity that we're seeing. So that's extending the long-term growth, and I think the best way to think about it in the current term and in the coming years is to think about and expect from us that we'll be able to grow the dividend 7% to 8% on an annual basis. And then as we get closer to kind of events where we're starting to recognize the revenue, I think we'll be a little clearer on what that opportunity is. And as we have in the past, good news, as we sit here in July, is you're only a few months away from us giving our 2019 outlook, which we typically do in October, and are planning on doing that again this year as we have done in the past. So we'll update you in October on what we're seeing for 2019.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst*

And then just lastly, I know we touched on this, but clearly, it makes a lot more sense to share infrastructure. But Verizon seems to be wanting to build out a lot more of their own and, to a degree, AT&T. Verizon is deploying some passive optical technology that looks like will try to converge wireline and wireless networks together. And I guess the question is, do you think you've totally convinced the carriers that it makes a lot more sense to outsource and it would seem to make financial sense? But maybe is there a point that using some new passive optical technologies or really integrating wireless with wireline in ways that it makes more sense for them to do themselves?

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

I think you're going to see all of the carriers build some components of their needed small cell networks themselves. And we certainly don't believe -- while we're the clear leader at the moment and believe that we're best positioned to capture significant opportunities in the future, I certainly don't believe we're going to capture anywhere close to 100% of those opportunities. And the model that we've underwritten and are pursuing does not assume that we capture anywhere close to 100% of the opportunities. So I think you will continue to see the carriers invest in their own small cells and deploy them themself. I think you'll also have other infrastructure providers who enter the space as the market continues to develop beyond the top 25 markets and beyond the NFL cities, as I was making the point earlier. I think it's likely that you'll see other folks who see the returns that we've been able to achieve and want to invest and enter that business as a third-party infrastructure. I would agree with the part of your question where you note the convergence of wireless and wireline, and it's fundamental, frankly, to our investment thesis that there's a real convergence going on between wireless and wireline. And an integral part of that convergence is fiber. And our investments have positioned us, both in terms of the tower investments that we've made as well as the more recent fiber investments that we've made, have really positioned us at the very leading edge of that convergence and what next-generation communication networks are going to look like. So we believe the opportunity here at Crown Castle is compelling because it's the opportunity to not only get the benefit of the really long-term growth and opportunity that's there but also get the benefit, on an annual basis, of growing the dividend 7% to 8%.

So appreciate the questions. Great way to end the call.

Operator

At this time, speakers, we have no more questions. I'll turn it back to you for closing remarks.

Jay A. Brown - *Crown Castle International Corp. (REIT) - President, CEO & Director*

Okay. Thanks, everyone, for joining the call this morning. We look forward to talking to you in the coming days.

Operator

Thank you, ladies and gentlemen. This concludes today's conference. You may now disconnect.