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PRESENTATION

Operator

Good day, everyone, and welcome to the Crown Castle Q1 2021 Earnings Call. Today's call is being recorded. At this time, I'd like to turn the conference over to Ben Lowe. Please go ahead.

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

Great. Thank you, Vicki, and good morning, everyone. Thank you for joining us today as we discuss our first quarter 2021 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 that will be referenced throughout the call this morning.

This conference call will contain forward-looking statements which are subject to certain risks, uncertainties and assumptions and the 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, April 22, 2021, and we assume no obligation 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.

Before I turn the call over to Jay, I want to mention that we will take as many questions as possible following our prepared remarks today, but we plan to limit the call to 60 minutes this morning.

So with that, let me turn the call over to Jay.

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

Thanks, Ben, and good morning, everyone. Thanks for joining us on the call.

As you saw from our first quarter results and increased full year outlook, our consistent execution is delivering outstanding results as we support our customers' growth initiatives with their deployment of nationwide 5G in the U.S. Following a period of building excitement and anticipation, we have seen a significant increase in activity as our customers have started to upgrade their networks to 5G at scale. We expect this elevated level of activity to result in a year of outsized growth for Crown Castle as we now anticipate 11% growth in AFFO per share for the full year 2021, meaningfully above our long-term annual target of 7% to 8%.

Beyond 2021, I believe our strategy and unmatched portfolio of more than 40,000 towers, approximately 80,000 small cells on air or committed in backlog and 80,000 route miles of fiber concentrated in the top U.S. markets have positioned Crown Castle to generate growth in cash flows and dividends per share for years to come.

Our strategy is to deliver the highest risk-adjusted returns for our shareholders by growing our dividend and investing in assets that will drive future growth. That focus has led us to invest in towers, small cells and fiber assets that are all foundational for the development of 5G networks in the U.S. We believe the series of strategic agreements that we have announced in recent months further highlights the synergistic value our shared infrastructure provides to our customers.

Building on the momentum from our recent 15-year agreement with DISH to support our nationwide 5G build-out and our recent long-term 5G small cell agreement with Verizon to support their network deployment, we are excited to once again expand our strategic relationship with Verizon through a recent long-term tower leasing agreement. We believe this agreement will deliver significant value for both parties as it establishes terms for leasing additional capacity on existing tower sites with a structure that is intended to make it easier to expedite the deployment of C-Band equipment over the next several years. The agreement also resulted in an increase in the average remaining current contracted lease term under our Verizon site leases to approximately 10 years. Dan will discuss the expected financial impact of this agreement later in the call.

Turning back to our focus on generating superior long-term returns, one of our core principles of our strategy is to remain U.S. only, because we believe it represents the best market for wireless infrastructure ownership since it has the most attractive growth profile and the lowest risk. And we believe this dynamic of higher growth and lower risk will continue into the future which is why we expect our U.S.-based strategy to drive significant returns for our shareholders.

Starting with the higher growth we see in the U.S., the demand for our shared infrastructure offering across towers, small cells and fiber is tied to the robust demand for mobile data in the U.S. which continues to increase by more than 30% annually. Because the outlook is so compelling, the U.S. wireless market continues to attract a disproportionate amount of global capital investment. This is likely due in part to the fact that the durability and scale of wireless data growth in the U.S. has repeatedly outperformed expectations.

I remember fielding questions from investors and analysts nearly a decade ago trying to understand why we were not expanding our tower business into less established international markets that offered the promise of outsized growth to compensate for the outsized risk. The core set of assumptions underpinning that line of questioning included a view by many that it was inevitable that U.S. growth rates would slow, leading to a desire to augment that growth by investing in international wireless markets that, hopefully, would develop the same key set of fundamentals over time that has made the U.S. market so successful for decades.

We didn't buy into that argument at the time, and sitting here today, on the doorsteps of 5G, we reached a similar conclusion that the U.S. is still among the highest growth markets for wireless infrastructure. Importantly, in a shared infrastructure business with long-term investment horizons, we have benefited from these superior growth rates while avoiding the risks associated with investment opportunities in less established international wireless market.

These risks can have a meaningful impact on long-term returns, and many have materialized in recent years, including the outsized churn due to less favorable industry dynamics relative to the U.S., sustained foreign currency devaluation that results in revenue churn and disruptive social or governmental environments in less developed countries.

Because we believe the U.S. has both greater potential for growth and lower risk, we are focused on growing cash flows on our 40,000 towers by providing access to existing and new customers that are building 5G wireless network.

We are investing in new small cell and fiber assets that our customers need for their wireless networks which we believe increases our ability to capitalize on the 5G growth trends in the U.S. And we are developing new capabilities and offerings that will leverage our existing assets to drive innovation and we believe will further extend our growth opportunity, such as CBRS and edge computing.

I believe that Crown Castle offers shareholders an unmatched opportunity to benefit from the launch of 5G wireless networks in the U.S.

In the near to medium term, we expect to deliver outsized AFFO per share growth of 11% this year as we translate this increasing 5G activity into very attractive bottom line growth.

We expect to once again deliver the highest tower revenue growth rate in the U.S. among our public tower peers in 2021. And our customers are affirming the value we bring with our comprehensive portfolio of shared wireless infrastructure assets by entering into long-term agreements to access those assets.

Longer term, we believe Crown Castle provides an exciting opportunity for shareholders to potentially compound double-digit total returns over a long period of time with a high-quality dividend that currently yields 3%, and that we expect to be able to grow 7% to 8% annually.

When I consider the durability of the underlying demand trends we see in the U.S. that provide significant visibility into the future growth for our business, the deliberate decisions we have made to reduce the risks associated with our strategy and our history of steady execution, I believe that Crown Castle stands out as a unique investment that will generate compelling returns over time.

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

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

Thanks, Jay. Good morning, everyone. As Jay mentioned, we are excited to see our customers beginning to deploy 5G at scale. We have seen a significant increase in activity levels, leading to solid first quarter results that exceeded our expectations and support our increased full year guidance.

Turning to Slide 4 of our earnings presentation. You can see our strong top line results were driven by more than 6% growth and organic contribution to site rental revenue. This growth included more than 9% growth from new leasing activity and contracted escalators, net of approximately 3% from nonrenewals.

We also generated a $23 million increase in contribution from services when compared to the first quarter 2020, culminating in 10% growth in adjusted EBITDA and 20% growth in AFFO per share on a year-over-year basis.

Turning to Slide 5. We increased our full year AFFO guidance by $40 million, reflecting a $25 million increase in expected services contribution as a result of higher-than-expected tower activity levels, and a $30 million reduction to interest expense following our successful recent refinancing activities, partially offset by $15 million of additional labor-related costs associated with the higher activity levels.

Additionally, as Jay discussed, we entered into a long-term tower leasing agreement with Verizon that resulted in increasing the average current lease term of our Verizon tower site leases to approximately 10 years and adding straight-line revenue of approximately $140 million in 2021.

Taking these changes into account, we now expect our adjusted EBITDA to be $150 million higher than our previously provided 2021 outlook. Our expectation for site rental revenue growth has increased to approximately 7%, inclusive of the expected organic contribution to site rental revenues of 6%, which remains unchanged.

Our expectation for growth -- organic growth across towers, small cells and fiber solutions, also remain consistent, with approximately 6% growth from towers, approximately 15% growth from small cells and approximately 3% growth from fiber solutions.

Focusing on investment activities, during the first quarter, capital expenditures totaled $302 million, including $17 million of sustaining capital expenditures, $49 million of discretionary capital expenditures for our tower segment and $225 million of discretionary capital expenditures for our fiber segment.

Our full year expectation for capital expenditures remains unchanged at approximately $1.5 billion or less than $1 billion after customer cash flow contributions. And we continue to expect to fund our discretionary investments this year with free cash flow and incremental borrowings.

Turning to the balance sheet. We finished the first quarter at approximately 5.5x net debt-to-EBITDA and expect to exit 2021 at our target leverage of approximately 5x based on the anticipated growth and cash flows through the balance of the year.

As Jay discussed, in addition to driving significant dividend growth, a key part of our strategy is to reduce the overall risk profile of the business to further enhance the value created for shareholders over time. Along with focusing on what we believe is the highest-growth and lowest-risk market in the world for wireless infrastructure ownership, we have methodically reduced the risk profile of our balance sheet with the same goal of maximizing long-term shareholder value. With that in mind, we were able to opportunistically access the bond market during the first quarter to refinance upcoming maturities, reduce our debt costs and extend our maturity profile.

Looking back 5 years to when we achieved our initial investment grade credit rating, and inclusive of our recent refinancing transaction, we have increased our debt -- average debt maturity to nearly 10 years from just over 5 years, reduced our average borrowing cost to 3.1% from 3.8%, increased our mix of fixed-rate debt to more than 90% from just under 70% and reduced our reliance on secured debt to just 15% from nearly 50%. With limited upcoming debt maturities in the near term and more than $4 billion of undrawn capacity on our revolving credit facility, we believe the balance sheet is positioned well to support our growth initiatives.

Turning back to the growth side of the value equation and to wrap things up, we are excited about the increasing level of activity we are seeing as our customers begin to deploy 5G at scale. Our customers continue to recognize the differentiated value our comprehensive shared infrastructure offering brings, leading them to sign significant long-term agreements with us.

We expect to once again generate industry-leading U.S. tower revenue growth this year. And we expect to generate 11% growth in AFFO per share in 2021, which provides a very attractive total return opportunity when combined with the current 3% dividend yield. Importantly, we are generating these returns while making strategic investments in new small cell and fiber assets that we believe will add to our long-term growth opportunity.

And with that, Vicki, I'd like to open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we will take our first question today from Simon Flannery with Morgan Stanley.

Simon William Flannery ***Morgan Stanley, Research Division - MD***

Jay, perhaps you could dive into the services business. What are you seeing going on there that led you to increase the guidance? And then how you see that translating time-wise into higher leasing trends? And any comments on the U.S. M&A environment?

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

Simon, we're obviously very, very encouraged by the activity that we're seeing among the carriers. We're not surprised by the urgency that our customers are showing in deploying 5G. The level of commitment that they showed during the C-Band auction was really a clear sign that they're going to invest heavily in 5G. And so the activity we're seeing, I think, just flows from that. We're seeing that turn into actions as they're deploying significant amounts of 5G networks. And we're really encouraged by the activity that we're seeing.

When we think about that activity translating towards revenue growth, we obviously saw a big step up towards the end of last year and that's continued into this first quarter.

And as it relates to the services activity, obviously, most of that activity is either in the nature of preconstruction work that we're doing for carriers and then some portion of it carries over to work that we're doing as we actually install them on the site.

So the elevated activity that we saw, the step-up we think sort of continues through the balance of this year and is a direct result of the overall encouraging level of activity that we're seeing from the carriers.

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

Yes. And the second part was just on the M&A environment in the U.S. I think what we're seeing across the board, Simon, I think you understand, is that there's a lot of money that's interested in infrastructure right now. And that's reflecting itself in the M&A environment, both for towers and for fiber assets. What we've been focused on and been clear about is that we think that there's not a lot of the of additional M&A we're going to pursue in the U.S. for fiber. We think most of those assets that we wanted, we have purchased.

There may be some others out there that meet the criteria we've looked at, being high-capacity dense metro fiber, but not a lot. So we anticipate most of our capital will go to organic growth in our business but also in fiber business.

Operator

We'll now go to Michael Rollins with Citi.

Michael Ian Rollins ***Citigroup Inc., Research Division - MD & U.S. Telecoms Analyst***

Curious, first, just to start with the Verizon agreement and extension. Can you frame the types of activities and upgrades that Verizon's committed to within this agreement and extension and what might be opportunities that fall outside the scope of this agreement? Just to think about what's kind of predetermined versus what other activities you could pursue with Verizon to further grow your revenue over time.

And then just a quick follow-up. On the net debt leverage, can you just give us an update on what the target range is? And to the extent that the leverage, I think, in the deck ended at 5.5x in the first quarter, just how you see that progressing over the next couple of years.

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

Sure, Mike. Obviously, really excited about the Verizon agreement that we announced on the tower side. I think it provides significant value and certainty to Verizon as well as to ourselves. And I think the significance of that agreement is obviously evidenced by the impact that it has on our 2021 outlook and the step-up that we put into that outlook last night in the press release.

This really went through the same thought process that we've gone through over the last several years as we've done large transactions with the carriers on the MLA side, and have similar components to it, we're trying to meet the customers' needs, particularly with regards to certainty of price and then lowering or reducing the amount of time that it takes to go through the paper portion of getting them on to our site. So it's designed to facilitate their ability to go back to sites that they're already on and speed up that process of them being able to do upgrades. And obviously, they've been specific about the desire to do that with regards to C-Band.

And then on our side of it, we're trying to make sure that we price the economics of that transaction appropriately. And I think we've seen over multiple of those kinds of transactions with customers, multiple customers and multiple transactions over time, an ability to do that well, to both get the right economics on the site and then provide our customers with the right access and speed to get there.

So we did something similar, it has a lot of components to things that we've done in the past and thought about it in a similar way. We get the 10-year extension on the leases that they're already on which moves the maturity out from about 4 years to about 10 years on those sites. And then over the next several years, gives them an opportunity on those sites that they're already on to upgrade their equipment to handle new spectrum bands and to get that where they want it to be from a 5G standpoint.

We still maintain the upside on new leasing and other activities associated with that. And then once we get past sort of this initial push into 5G, then obviously the opportunity is there for us to see greater growth over time.

So excited about the agreement there and excited about what it means in terms of total activity. And as I said before in the prepared remarks, I think right on the doorsteps of seeing 5G deployments at scale enables us to be able to be responsive to Verizon's desires to get there.

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

And Mike, it's Dan, I'll take the second question on leverage. Our target still remains 4 to 5x. We believe we'll stay in that 5x as we continue to invest in our small cell and fiber business, which should be for several years.

We're, as you pointed out, at 5.5x at the end of Q1. We believe that with the growth in EBITDA that we see coming through the rest of the year, that we will end the year close to that 5x, maybe slightly above it, but pretty close to that 5x debt leverage target and feel really good about that position we're in. Because we're able to invest in the growth of our business while relying on cash flows and incremental borrowing capacity and not equity to fund that growth.

Operator

We'll take the next question from Matt Niknam with Deutsche Bank.

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

One on small cells and then one on services. On the small cell side, revenues were flat sequentially. I think year-on-year growth slowed into the high single digits. So can you give any color in terms of the drivers there? And then how we should think about the outlook for the rest of the year if you're reiterating the 15% growth guide?

And then on services, if you can give any more color in terms of what drove the strength in margins this quarter. And I'm just trying to get a sense of what the cadence for services contribution will look like in the next couple of quarters over the course of the year.

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

On small cells, I would point to, as we've tried to do in our outlook, look at the full year. So a little bit of timing changes kind of -- which is naturally going to happen as we go through the construction phase of small cells, it's going to have some quarter-to-quarter movements that may not tie out exactly to the full year outlook.

But as we look at the full year outlook, still think small cell growth year-over-year is in the 15% range, that mid-teens that we've talked about for a long time. We think on the fiber solutions side will be around 3% for the full year. And then towers right there at around 6%, as we previously expected.

So I don't see anything, Matt, in terms of those numbers in the quarter that are indicative of anything happening in the underlying business that I would point to. I think it's just the timing differences quarter-to-quarter. And as we look at the full year, I think that's more indicative of the actual activity, what we're seeing from the carriers and how we expect those businesses to perform.

On the services side and the cadence there, look, we're at a level of elevated activity. So we probably had a better first quarter in terms of services than we would in many years, where we often talk about years being back -- heavily back-end loaded to the second half or even towards the fourth quarter. And we saw a step-up in activity going into the end of last year. And that level of elevated activity just carried right into the first quarter.

So we saw a real nice contribution from services in the first quarter and expect, basically, our full year assumption to be pretty similar to where we were previously with that adjustment for the first quarter.

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

Yes. Matt, it's Dan. Just on the question on margins specifically. It's the mix of business Jay talked about earlier, having a mix between preconstruction and construction as part of our services business. The preconstruction is a little bit higher margin, and that's what we had a little bit higher mix of within the quarter, and that drove the higher overall margin.

Operator

And we'll go to Colby Synesael with Cowen.

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

You spoke pretty bullishly about what you're seeing from an activity perspective. But it's, I guess, a little surprising then that you didn't raise your organic tower growth. And given that you gave your guidance all the way back in October of 2020, were you already seeing or had the conviction that you would see this acceleration in demand and therefore it's already built into the guidance? It just seems like given how early you gave your guidance and how quickly the demand has kind of ramped that you wouldn't have necessarily included that.

And then secondly, as it relates to the Verizon MLA, you talked about making it easier to deploy. And I guess one of the bigger questions people are trying to get a sense -- investors are trying to get a sense on, is whether or not the agreement includes just some standardized pricing to make it easier for them to move quicker or whether or not there's actually some type of financial benefit where you allow them to go to x amount of sites over x amount of period, shorter than that 10-year period, to kind of move quickly. And if that's the case, I would assume that there's some type of cash benefit, yet we didn't really see the AFFO change for that in particular. So again, any color you can give on that would be helpful.

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

Colby, thanks for the questions. On the first question around organic tower growth, a couple of things I would put in front of you on that.

One is there's a pretty good lead time or lag time from the time that we see revenue start to turn on, start to get the applications from the customers to when we actually see the revenues start to turn on. That's about 6 to 9 months. So the increased level of activity that we've been talking about for 2021 is something we did see all the way back into the fourth quarter of 2020. We started to see the application step up then, and that informed our increase in the overall activity.

I was sort of curious to this point the other day and just looks back to kind of our organic revenue growth over the last 2017 through 2020. And the organic revenue growth in '21 is in our outlook is a step-up of a little over 25% of that average over those previous 4 years. So it's a meaningful increase in the activity, and we bake that into our outlook when we gave 2021.

So what we're seeing now in terms of that activity is pretty consistent with what we had expected. But it's always good to see it materialized and then not just the expectations as where we were back in the October time frame.

The other thing that I would mention about this is, as we look at this activity, we're encouraged and think that there's the opportunity for it to stay at this level of elevated activity for a period of time.

So I think in the business, oftentimes people start to look for inflection points or points where it's going to be the highest and then expect it to kind of fall off. And our prior experience would tell us that those inflection points are relatively rare, that you see the carrier step up level of activities and hold at a plus or minus a certain amount for a long period of time. So when we look at that activity, really encouraged by what we're seeing and not -- and, frankly, not surprised.

To the broader point on, as we look at revenue growth and activity, the way that we create value for shareholders is by stacking years of good growth one on top of another. And what is happening in the business right now is a tremendous year of growth, of growing that AFFO at 11% year-over-year on a per share basis and just stacking another year of great growth on top of what was a good base. And our goal is to consistently deliver that growth, like we've talked about over the long term, 7% to 8%. And what we're seeing at the top line certainly indicates our ability to achieve that longer-term goal.

On your second question around the Verizon MLA, we try to stay away from getting too specific about the terms of the agreement that we do with our customers. We'll let them speak to how they think about their deployment plans and why they structured certain agreements with us.

But I would tell you that there are components of both parts of your question in the agreement. It certainly does include certainty of pricing for them and if -- depending on levels of activity, then it will drive an answer for us in terms of top line growth over a long period of time. So it does provide pricing with them. And then there's also a component of committed activity that's in it where we have certainty of some revenues associated with activity as they deploy C-Band over the next several years.

So there's components of both of those in the agreement. And as we go forward, we'll see more consolidated, rather than specific to a customer relationship, the contribution of cash revenues beyond what Dan spoke to in terms of the impact of the GAAP financial statements this year and years to come.

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

Yes, presumably, the reason then that the AFFO is not benefiting from that committed activity then is that it's not actually starting necessarily in 2021, but at some future point. Is that fair?

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

No, I don't think that's fair. I think I would look at some of the activity that we would have assumed would occur in 2021 when we gave the outlook would be associated with all of our customers. So some component of that activity was already embedded in our guidance and maybe it's under a different construct now as a result of this agreement. But it wouldn't necessarily change our view of activity for the year and, therefore, the cash flow...

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

The only thing -- Colby, it's Dan. The only thing I would add to that is I just want to put a little bit of context around it that our growth in the tower business of around 6% is double that where our closest peers have guided to for 2021. So we feel really good about that. And this deal that we signed with Verizon, the one we signed with DISH, all went into our understanding of what was going to drive that 6% growth, that it's almost double what our peers are seeing.

So I think looking for us to increase above what is already a really good number probably is too much than can happen, as Jay pointed, in any one year for the tower business. And we're just excited that we're able to provide as much growth as we are right now and driving the type of returns that we are for our shareholders.

Operator

Next is Phil Cusick with JPMorgan.

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

First, Jay, to your comment on leverage remaining at 5x, should we expect accelerating CapEx next year to keep that leverage at 5x? Because it seems otherwise it would be falling below that pretty quickly.

And then second, DISH announced yesterday it will be using the AWS Cloud, not a big surprise. But can you give us thoughts on how that may impact Crown over time on site leasing revenue as well as any impact on the opportunity in edge computing?

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

Yes, Phil, thanks for the questions. On -- around CapEx, we spent some time, I think, over the last couple of quarters talking about our expectation for this year's CapEx, which on a net basis is down about $400 million from the levels that we saw in 2019. That was largely related to the fiber acquisitions that we made. Those companies had committed to a number of large enterprise and government buildouts that were built specifically for kind of those kind of activities, enterprise and government broadband services. And post those acquisitions, we just haven't signed up those kind of agreements at any kind of scale like those prior companies had done.

And as a result of that and our strategic focus around small cells, the CapEx has come down as we've built out those really long lead-time contracts. Many times, they were 3 to 5 years of build-out and commitment.

So those have basically rolled off. And now as we think about capital spending, it's strategically focused on what we believe is the long-term value driver of the business around small cells and the opportunity to kind of build these networks for carriers as they build 5G networks.

I don't want to get too much into what we think in '22 and beyond. We've given guidance this year that our net CapEx will be a little less than $1 billion. For the longer term, the driver of CapEx will be what are the opportunities mostly around small cells. And those will go through the same rigorous process that we put all of our CapEx processes through, understanding what the return is.

We look to see a 6% to 7% initial yield on invested capital. And then we want to make sure that we believe there's good opportunity for additional lease-up beyond that, that can drive that yield into the double digits and higher returns on capital over time as we see more lease-up.

So in the future, we'll just have to evaluate what the opportunities are, and then we'll give you an update on CapEx as we get later in the year. In October, we would plan to give our 2022 outlook as we typically do.

With regards to DISH, I'll probably beg off most of that and let DISH and Amazon speak to how their agreements between the 2 of them are going to drive activity. But obviously, DISH has made a significant commitment to us recently in terms of the deployment of their network, and our operating team is incredibly busy and focused on delivering for them based on their expectations. The team has done a great job out of the gate and I believe delivering for them what they had hoped. And we're ready to support DISH in any way possible as they work on building out their 5G network.

Your last question around edge computing. We think, today, a lot of this -- a lot of the edge computing activity is around traffic management and potentially reducing costs. But as wireless networks move into 5G, I think the opportunity is going to expand well beyond that to really delivering solutions to customers and increasing the applications as innovation occurs. And we think tower sites are uniquely positioned to be able to provide the real estate, the connectivity as well as power that enables edge computing. So it's a foundation of long-term innovation and our [combination with fiber,] I think really uniquely position us to be able to capture that.

I know we've highlighted that component of both fiber and towers in the DISH agreement. It was something that was really important to them as they designed and decided to anchor their network around our sites. And I think it's another example of kind of the combination of our assets sets us up for opportunities for growth that are frankly beyond what we put into our forecast.

When we talk about being able to grow the dividend 7% to 8% over a long period of time, things like edge computing and CBRS are really not in our forecast. So we view that as unmodeled upside and opportunity and believe the type of assets we've acquired and where those assets are located really gives us the optionality to benefit from that over the long term.

Operator

We'll now go to Jon Atkin with RBC.

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

Question just on balance sheet, any kind of thoughts on additional debt refi activities that you would contemplate?

And then on the small cells, it does seem, as I think you alluded to in the script and elsewhere, that you have some structural advantages as we get to the infill and densification part of C-Band and other mid-band frequencies. I just wondered if you're starting to see that in the pipeline yet. I realize the revenues might be a little ways off, but are there active discussions at this point? Or is that more on the come?

And then finally, one of the C-Band licensees talked earlier this morning about supply chain constraints that they're seeing. On the other hand, another one put out a press release talking about how second quarter they're already kind of starting to deploy C-Band. And as you kind of consider all those data points around what the carriers are saying, I wondered how that affects your expectation around second half and what type of ramp you might see.

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

Sure, Jon. I'll take the first one on the balance sheet on debt refinancing activities. We're always looking at our balance sheet to identify opportunities for us to, as we mentioned in the script, reduce our borrowing costs, extend our maturities.

We won't get specifically into what we're going to do right now, but the interest rate environment does remain attractive, and we'll continue to look at that versus whatever the economic trade is and the early premium we would have to pay to take out any of that future debt. That's just part of our normal ongoing everyday operations within our finance department. And our -- we'll find out what we're going to do, or we'll figure out what we'll do over time and let everybody know when it happens.

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

On your second question around small cells, we believe that we do have a structural advantage around the assets that we've acquired, as Dan mentioned in his earlier comments. We were intentional about acquiring highcapacity dense, urban, fiber. And as we've seen kind of in the later stages of 4G and now as we enter into 5G, there is a disproportionate amount of traffic in dense urban and suburban areas in the United States. And in order to solve that increased traffic, small cells are absolutely necessary.

They're a critical component of their network. And I think the locations that we've acquired fiber in and where we've built fiber and then where we started to build small cells sets us up really nicely as we get into 5G and we start to see network densification. And that fiber that we have existing, I think we'll see additional co-location on, driving up the yields and the returns of those assets.

And as has happened in prior cycles of going from 2 to 2.5G and then to 3G and then to 4G and now into 5G, we would expect there will be innovation that will further drive demand, wireless traffic demand. And that increased traffic, again, (inaudible) to kind of the benefit of those those assets.

So we think we've got great assets in the right location and think that we're going to see a really strong tailwind in the business over a long period of time.

And you're right to point out the impact directly to site rental revenues is not going to happen overnight. It will happen over time. But the conversations and the discussions that we're having with carriers and the activity, and I would point to the Verizon commitment of 15,000 small cells that we talked about in the last quarter, those are all early indications that these assets are of the critical nature necessary to deploy wireless carrier networks, and we're really excited about where we're positioned.

On your last question around C-Band spectrum and constraints and supply chain, et cetera, we haven't seen anything at this point that would suggest to us that the numbers that we have out there are not going to be achievable. If we start to see something, obviously, we'll update you on our expectations.

But normally in the business, sort of the quarter-to-quarter changes and timing are not that impactful to our overall results, as I spoke to earlier, in terms of the lead time and the commitment of revenues. We have a pretty long lead time.

So we have a lot of visibility into what we'll do in 2021 and feel good about where the forecast is. And if that changes, we'll update you. But I think the supply chains will resolve themselves over time, and don't expect that to have an impact in terms of our growth.

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

And just a quick follow-up. So last September, we had American Tower announced their MLA with T-Mobile. And philosophically, can you maybe just remind us how you might want to think about that structure of agreement or any kind of an MLA that would address the Sprint and T-Mobile churn? I appreciate that you put out the kind of the expiration schedule in the supplement, which is quite helpful. But any thoughts philosophically on willingness to enter into some sort of an MLA that captures all of that?

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

Sure. So we did -- thanks for mentioning the disclosure. We did add some additional disclosure to the supplement. We have gotten some questions, we thought it would be helpful to give you a little more granularity.

It's not intended to be a forecast. So that's -- what's in the supplement is not our forecast of actual churn, but just the actual numbers so you can separate locations where the legacy Sprint and T-Mobile were on the same sites and sites where legacy Sprint was stand-alone on the site and not co-located with T-Mobile.

We're always open to considering a new structure or an agreement with a customer, but there's not any need per se to do that. We were intentional a number of years ago about extending the terms. So if you look back in that disclosure, we've got a lot of term remaining on those leases. And it's provided a lot of -- which was the goal when we did it, of extending those Sprint leases, we were trying to make sure that we had a lot of flexibility through the -- if there was consolidation. So pleased about where we are there.

And I would look at what we've been historically. We're always open to, as I mentioned earlier, of working with the carriers to help them facilitate what they need. And whether that's achieving synergies or increasing speed of deployment of network, we're happy to work with carriers on that basis and, at the same time, making sure we maintain and protect the economics of both the agreements that we have in place as well as the economics of the site and driving the right return on the asset.

So we'll hold that in balance as we usually do and make sure we do the right thing for both shareholders and for our customers.

I would just point out this, which I think is helpful as we think about entering 2023 and beyond, the next big date of 2028, where we have some exposure to leases potentially being terminated from the T-Mobile acquisition. In past carrier consolidation, we've been able to grow AFFO and dividend right through those periods of time. And the other reality is that consolidations have actually led to increased spending.

So we've had this view for a long period of time that, ultimately, the combination of T-Mobile and Sprint will be a good thing for the tower industry and, net-net, will end up with more activity and more leasing than we would have otherwise. And so I certainly expect that at some point in time, we'll see some -- the benefit to T-Mobile of some synergies of taking down some sites.

But I think the overall investment and activity that they will do in -- with regards to 5G will far exceed the deducts that we may see from synergies that they try to achieve in taking down some sites.

So net-net, back to the earlier comments, feel really good about the activity we're going to see in 5G. And we'll work through the consolidation when the time comes several years from now.

Operator

We'll take our next question from Rick Prentiss with Raymond James.

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

Congrats to Baylor on the NCAA tournament.

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

Rick, that was a lot of fun.

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

That was great. And thanks for the supplement on Sprint, that was helpful as well.

I want to follow up on something [Nick] asked you about the pacing. Are we looking still at about 50,000 small cell nodes on air at 1Q? And are you still thinking kind of 10,000 a year as a good pacing number for us to look at over the next couple of years?

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

We do. We think that the activity -- we think, we'll end this year with about 60,000, give or take, nodes on air. And I think that's a pretty good forecast for the time going forward.

As we look out over a longer period of time, I think that the demand for small cells is going to be well in excess of what we've seen thus far. So I think our view would be, over a longer period of time, that, that activity will increase beyond those levels. But in the near term, I think that, that's a pretty good gauge.

The carriers and the activity and the discussions and their public comments around the necessity of small cells I think really sets the environment for the opportunity for us to capture a larger portion of it. But as you know, there's a long lead time for that. So we get lots of visibility as we go from commitments of the carriers to go on certain sites to when we're actually turning them on. So as we go through the process, certainly update you on our view.

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

And Rick, it's Dan. Let me just add one thing to that. We get a lot of questions around why 10,000? Is there some sort of structural cap to how many we can put on air? And I would just like to just be clear, the 10,000 is just a result of the bookings we have and the time it takes to get those bookings on air, which is typically between 18 and 36 months. We don't see the 18 to 36 months changing all that much. But if we got a lot more bookings, we could put a lot more on air than just 10,000 in a year.

So 10,000 is a good point to look at for the next few years just because -- or next couple of years because of where we are with the bookings that we've had recently.

But as Jay pointed out, there's nothing that would stop us with greater bookings to speed up that deployment, and we would anticipate that to be the case as the necessity of small cells continues to get clearer for the deployment of 5G and networks overall.

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

Makes sense. It's one of the nice things about a visible business. Anything [tapped] from the Verizon contract as far as putting that on to a time line? I know you had the 15,000, but it was kind of uncertain time, I think.

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

No, nothing more specific than what we've previously mentioned.

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

Okay. And then on fiber, 3% net growth. Can you help us understand how is that business doing gross- and churn- wise? Is it still kind of double digit -- close to double-digit churn and better than double-digit gross?

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

Yes. We're still churn is around 9% and then to top growth would be in the 12% plus range, netting to that 3% that we expect for full year '21.

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

Okay. Last one for me, Jay. You've talked about it a couple of times, about CBRS. What do you think the opportunities in CBRS will be that you're not in guidance yet it sounded like? Is it increased power to put it on towers? Is it in building systems that you'd like to get involved with? Help us understand a little bit about where you see opportunity might be coming to CBRS.

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

Yes. I think it's all of the above. I think there is opportunity in building that we have seen and we'll see. We've done a number of trials on that front and with some success. So I think there's an opportunity to expand the density of the network for the wireless carriers into buildings to reach places that are very difficult to do from the outside. So I think there's opportunities there.

I think there's also going to be some opportunities in the macro environment in certain settings where CBRS may be used by a content provider or others who want access to spectrum. So being able to use some of the unlicensed spectrum components of CBRS is an opportunity to do that in more macro environment.

I think there are probably also some opportunities around campus-specific activities, whether that's universities or other locations where someone controls a large portion of land and has a discrete user use for CBRS that could be interesting as a share provider.

So I think there are a number of opportunities. And it's not in guidance yet because it's not large enough to beyond -- to be beyond a rounding here. But I certainly think, over time, as we see 5G develop, the need for this to be -- for wireless opportunities to be ubiquitous, I think will drive uses for CBRS.

And I think the other component of it is, obviously, everyone is trying to figure out how to get more spectrum into the hands of the wireless operators, and CBRS is another way to do that. And I think that spectrum will be utilized over time. And I think we stand to benefit from that as that spectrum is deployed.

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

Excellent. And I see the FCC put more spectrum options on the block, too.

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

Agree.

Operator

We'll take the next question from Nick Del Deo with MoffettNathanson.

Nicholas Ralph Del Deo ***MoffettNathanson LLC - Analyst***

First, I noticed that both the number of ground leases extended and the number of ground leases acquired in the quarter were probably the lowest in many years and they've been trending down for some time.

So I was wondering if you could just talk a bit about the state of the market for land acquisitions and extensions and how much headroom you think you have left to push on that front.

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

Sure. Nick, this has been a focus of ours for about 15, 18 years, something like that, where we've been specifically focused on extending the maturity of our ground leases. When we started that activity, I think we were in the neighborhood of about 17 or 18 years of remaining term on average. And we had in the neighborhood of about 20% or a little less than 20% of the land that was owned. And we've increased -- over the last 15 to 18 years, we've increased the percentage of land owned to about 1/3, a little over 1/3 of our overall ground leases. And in addition to that, we've taken the average maturity to longer than 30 years.

So there's been a concerted effort for us to get well ahead of any date at which a landlord would have a termination right or gain leverage from a financial standpoint over what those extension terms would be. And the team has just done a phenomenal job over a long period of time of consistently improving the quality of the assets and reducing the risks, albeit relatively small in an individual tower basis.

Cumulatively, I think I would put that in the category, as Dan was talking about, balance sheet risk. That's another risk that we've methodically eliminated in the business and really excited about where we are today. It's an ongoing activity. As long as we're in the business, we're going to continue to be there.

So we are constantly working on buying out land that makes sense, that we can acquire at the appropriate multiple. And at the same time, working on extending ground leases. And some component of the ground leases, I think, will always be in that maintenance mode, where we're extending and working to extend it.

So some of the activity coming down is just a result of terrific execution over a long period of time and the natural evolution of -- once we get 80, 100 years on a ground lease or we acquire it, then that comes off the board and there's no longer any work to do on that site. So it'll probably, in terms of quantity or number, continue to come down over time, and we'll continue to kind of make the right financial decision around buying or extending the leases.

Nicholas Ralph Del Deo ***MoffettNathanson LLC - Analyst***

Do you see a practical limit as to where you can take the ownership?

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

There are owners of these ground leases that I think will want to hold the property forever. So there is an absolute component where we're going to always have ground leases as a component of the business. Some portion of our ground leases are also on things like government land. And obviously, those will remain in the hands of government entities, we won't be able to acquire that.

So yes, there's a natural limitation. We're not really close to it yet. There is just the practical aspects of it where people love to own the land and believe that Crown Castle will be there to pay the ground lease for a long period of time. So it's a good stream of income that they want to continue to hold the lease. And we're happy to be a lessee, if that's the right financial relationship to remain in, as long as we have term and certainty of price.

Nicholas Ralph Del Deo ***MoffettNathanson LLC - Analyst***

Okay. And maybe one on the small cell front. I'm sure you guys have pretty good intelligence for where the carriers are self-building small cells and, in some cases, maybe why they went in-house versus using the vendor like you.

What are the factors that you've been observing as kind of most correlated to carriers choosing to deploy on their own for particular builds versus leasing? Is it proximity to their own wireline assets or some local market attribute or something else?

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

Sure. I think there's probably 2 factors. You mentioned 1 of them, proximity to existing plants that they have is certainly a reason why they would self-perform and use their existing plant to do it.

The other reason, frankly, is that there are places where we're not interested in putting the capital because we don't see the lease-up opportunity. So there are limited number of providers of third-party capital building these small cells. Obviously, ourselves and then inside of the digital colony portfolio, as they're delivering that as a offering to customers. But beyond that, there just aren't anybody -- there isn't anybody else who's doing that at scale.

So we're selective in terms of the opportunities in places where we want to invest the capital and put the capital. It's got to not only meet that kind of initial return, but we've also got to be comfortable that there's going to be big demand over time for other carriers to need it. And in places where we would look at it and evaluate the nodes as not meeting the return thresholds by virtue of either the cost to build them or the lack of certainty of lease-up, then those would be locations where we would pass and decide not to invest the capital and the carrier would self-perform.

So it's a combination of those 2 would lead to the vast majority of the reasons why they would self-perform.

We've talked about this some in the past, but our view of the number of small cells that is going to be needed in the market, aligns pretty closely with a number of the comments that the carriers have made where they've indicated there's going to be more than 1 million small cells in the U.S. We certainly don't anticipate building all of those.

And so I think as long as the business is around and we're building small cell nodes, I think we're going to continue to see the wireless carriers self-perform. And our opportunity for value creation is to be rigorous and disciplined in our approach to evaluating those markets that have the best potential for lease-up and then making sure that we're really thoughtful about which ones we pick and then how we build those sites on cost and on time. And those are sort of the value opportunities that we're looking for.

And then there will be lots of small cells, I think, that will exist in the U.S. that are going to be self-performed by the carriers. And I would look at that as -- overall activity as just a trajectory that I think aligns well with our strategy.

Operator

And we'll now go to David Barden with Bank of America.

David William Barden ***BofA Securities, Research Division - MD***

So I guess, Jay, just at a collective level, Is there anything that you're seeing from the operators from a geographic search frame perspective that would lead you to believe that there's an appetite among the carriers collectively who own C-Band to deploy maybe sooner rather than later some of the spectrum outside of the first phase A block clearing? Meaning there's a lot of opportunity for the carriers to deploy beyond the first 45 markets should they choose to do so. And I was interested if you had any color as to whether you have some insight into whether that may or may not be happening.

And then the second question would be, again with respect to the idea that the carriers are mostly looking at C-Band as a macro (inaudible) start primarily because of the (inaudible) and backhaul that they have on existing sites.

Are you seeing or expecting that the kind of incumbent tower carriers are going to be gaining the lion's share of the demand here? Or are you seeing the kind of interlopers, the new tower companies, the Unitis, the Tillmans of the world, are they getting a super normal share of -- or the supernormal part of the conversation at the margin as we think about this new deployment?

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

Dave, on your first question, I'm going to mostly beg off and let the carriers speak to how they're thinking about C-Band deployments. It's probably just a little too specific for us to make those kind of comments or indications. We're obviously -- as I mentioned in my earlier comments, we're seeing a lot of C-Band activity is driving a lot of leasing activity. And I think, over time, the driver of our business is, as I mentioned before, kind of stacking years of growth. And it's going to take multiple years for C-Band to be deployed, and we think it's going to be great for us for an extended period of time.

But specificity beyond that, I'll let the carriers speak to kind of their own plans and initiatives.

On the second component of your question around where does the activity go? History, I think, is a really helpful indication of where the carriers are going to deploy this 5G network and how they'll think about the C-Band spectrum. It is always most cost-effective to deploy the spectrum on locations where they have existing infrastructure.

They've already got connectivity there. They've already got power. They've got the basic infrastructure there to be able to add additional spectrum bands. So at least initially, I think the vast, vast majority of the activity will end up on sites where they are already located on. So the existing owners of towers where these carriers are co-located on those sites I think will see the preponderance of activity for some extended period of time.

As it gets built out and then as the spectrum begins to be used, then step 2 is the densification activity. And then that activity is likely to go, frankly, again, on existing sites where the carrier is not yet co-located. The opportunity for new and upcoming tower companies is generally pretty limited to places that are outside the core areas where the big -- at least the 3 big public tower companies own their assets, into places where new housing developments, the extension of suburbia, the sprawl, those kind of areas. Those companies that you mentioned are often building towers in those locations and putting their capital up to meet that need.

But that's the sort of second, third kind of level of activity. I think the vast majority of the activities in early days and even -- maybe even in the medium term is on existing sites.

Operator

Our last question will come from Brandon Nispel with KeyBanc Capital Markets.

Brandon Lee Nispel ***KeyBanc Capital Markets Inc., Research Division - Research Analyst***

I wanted to go back to Colby's questions on the cash component and the agreement with Verizon. I think that's generally referred to in the industry as it used be. And I'm curious, historically speaking, how long is the contracted committed new leasing portion of the contract lasted when you signed these agreements previously? How does it trend over time? And can you help us think about the value you ascribed to the use fee relative to the term extension? That would be great.

Then second question around T-Mobile churn, the disclosures are super helpful. Can you provide what the churn was this quarter? And then out of the 700 million or so of co-location and other Sprint sites that you have, what would be a good number as you look out over time for you to retain?

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

Yes. On the first question, Brandon, I'm going to beg off that question. There's a little more specificity than we would get into on our customer contracts, as I mentioned to Colby earlier. There's a component of that, that's related to giving them knowledge of what the actual pricing is going to be for new activity. There's a commitment on their part in terms of activity on existing sites. And then there's obviously the extension of the existing sites to 10 years. And we priced that and negotiated that with the economics of the sites in mind and the right returns.

But beyond that, I think that's just too specific and not in our best interest or that of our customers to get into that level of detail.

On the second part of the question, around Sprint churn in the quarter, it was negligible. Longer term and what you should assume, frankly, it's really early. As we laid out that schedule, we have our first meaningful amount of churn not until 2023. And then after that, I think in each year, it's less than $20 million all the way out to 2028, which is the bulk here of the thereafter that's included in the table.

So we're a long way away from kind of needing to have that conversation and too early to predict ultimately what the outcome is.

Big picture, as I mentioned a few minutes ago, I think the net investment by T-Mobile in building out 5G will far exceed any of the synergies that they achieve. I think that's consistent with the public comments that they've made and their desire to build out 5G networks.

And when we get to a place where we have a better view, whether that's because of contract or just because of the activity that we're seeing, we'll certainly come back and take just the disclosure and turn that into more of a forecasted view of what we actually think will start to impact the numbers. But it's a long way out. And at this point, not really ready to provide a specific forecast on timing or amount.

I appreciate everybody joining this morning, and I just want to end the call by thanking our team who has done a tremendous job delivering for our customers over the last year and navigating through COVID. They continue to perform exceptionally well. So to the team, thanks for listening this morning. Really appreciate all the work you're doing for customers and for shareholders.

And thanks, everyone, for joining the call this morning. We look forward to catching up next quarter.

Operator

Thank you very much. And that does conclude our conference for today. I'd like to thank everyone for your participation, and you may now disconnect.