Q1 2023 Earnings Call *(Corrected version)*

Event Details

Date: 2023-04-20
Company: Crown Castle, Inc.
Ticker: CCI-US

Company Participants

Ben R. Lowe - Crown Castle, Inc., Senior Vice President-Corporate Finance & Treasurer
Jay A. Brown - Crown Castle, Inc., President, Chief Executive Officer & Director
Daniel K. Schlanger - Crown Castle, Inc., Executive Vice President & Chief Financial Officer

Other Participants

Simon Flannery - Analyst
Brett Feldman - Analyst
Michael I. Rollins - Analyst
Brendan James Lynch - Analyst
Gregory Williams - Analyst
Matthew Niknam - Analyst
Ric Prentiss - Analyst
Nick Del Deo - Analyst
Jonathan Atkin - Analyst
Brandon Nispel - Analyst
David W. Barden - Analyst
Walter Piecyk - Analyst

MANAGEMENT DISCUSSION SECTION

Operator

00:00:26 Good morning, everyone, and welcome to the Crown Castle First Quarter 2023 Earnings Conference Call. All participants will be in a listen-only mode. After today's presentation, there will be an opportunity to ask questions. Please also note today's event is being recorded.

00:00:45 At this time I'd like to turn the floor over to Ben Lowe, Senior Vice President of Corporate Finance. Please go ahead.

Ben R. Lowe

00:00:51 Great thank you, Jaimie, and good morning, everyone. Thank you for joining us today as we discuss our first quarter 2023 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 Investor section of our website at crowncastle.com that will be referenced throughout the call this morning.

00:01:16 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 factor sections of the company's SEC filings. Our statements are made as of today, April 20, 2023, and we assume no obligations to update any forward-looking statements.

00:01:42 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 Investor section of the company's website at crowncastle.com.

00:01:56 So with that, let me turn the call turn the call over to Jay.

Jay A. Brown

00:01:59 Thanks, Ben, and good morning, everyone. Thanks for joining us on the call. We continue to see positive underlying demand trends since 5G has developed across the US driving first quarter results that were in line with our expectations and no changes to our 2023 outlook.

00:02:15 As we discussed in the press release, we expect our near-term results to be impacted by a combination of the Sprint network rationalization and a higher interest rate environment which will result in minimal dividend growth in 2024 and 2025 despite strong projected underlying growth throughout our business. Looking past these discrete items we believe our strategy will allow us to deliver on our long-term target of growing dividends per share at 7% to 8% per year.

00:02:44 Our strategy is to grow revenues on our shared infrastructure and invest in new assets that will generate additional future growth. By executing this strategy, we aim to deliver the highest risk-adjusted returns by consistently returning money to our shareholders through a growing dividend. This strategy is underpinned by the durability of the underlying demand trends we see in the US.

00:03:07 Growth in our business has consistently been driven by our customers investing in their networks with the deployment of more spectrum and cell sites to keep pace with the rapid growth in mobile data demand. The need for substantial investment in networks has persisted from 2G through 5G. Slide 4 focuses on wireless capital spending since the early days of 4G to support mobile data demand that has increased by a factor of 62 times since 2011.

00:03:38 While industry-wide capital may vary year to year particularly as new spectrum is acquired, wireless capital spending throughout the deployment of 4G was relatively consistent averaging approximately $30 billion per year. During this time, priorities shifted back and forth between acquiring new spectrum and deploying that spectrum with the addition of new cell sites, with both being essential for our customers to keep up with the increasing data demand.

00:04:07 With our shared infrastructure model we have helped our customers to maximize the benefits of these investments by lowering the cost of deployment. This value proposition has allowed us to generate significant growth in our Towers business throughout the 4G rollout and we added to that growth with investment in small cells which began to play a critical role in helping our customers keep up with the increasing demand in the later stages of 4G.

00:04:34 Each new generation of wireless technology has provided expanded capacity for connectivity and over time it also created a platform for innovation that expanded how we use and rely on our mobile devices driving ever-increasing demand for data and connectivity. As a result, we expect our customers' network and investment in the 5G era to exceed what they spent deploying 4G. Since we are still in the early innings of 5G, we believe these positive underlying demand trends will support our ability to sustain at least 5% organic tower revenue growth and continued acceleration in our small cell business.

00:05:18 In the first two years of 5G deployment at scale, we led the industry with organic tower growth of greater than 6%. Additionally, we believe our current small cell backlog provides line of sight into doubling our on-air nodes over the next several years, which we expect will drive double-digit small cell revenue growth beginning in 2024.

00:05:41 Looking at how our overall strategy is performing since we established our long-term dividend-per-share growth target of 7% to 8% per year in 2017, we've delivered 9% compounded annualized dividends-per-share growth returning $12 billion, or 20% of our current market capitalization to our shareholders over that period, and we have been able to deliver these results while limiting our risk by focusing on the US, which we continue to believe is the best market in the world for wireless infrastructure ownership.

00:06:16 Over the long term, the durability and scale of wireless data growth in the US, combined with our unmatched opportunity to benefit from the likely decade-long 5G development, gives us confidence in our ability to deliver on our long-term target of growing dividends per share 7% to 8% per year. We believe this growth, paired with the dividend that currently yields about 5% provides the potential for shareholders to compound double-digit total returns over a long period of time.

00:06:46 And with that, I'll turn the call over to Dan.

Daniel K. Schlanger

00:06:50 Thanks, Jay, and good morning, everyone. The continued development of 5G has extended the positive operating trends in our business into this year and positions us to deliver another year of solid growth. Results for the first quarter were in line with our expectations and our full year 2023 outlook is unchanged highlighted by an expectation for 5% organic tower revenue growth and accelerating small cell activity with the addition of 10,000 nodes during the year.

00:07:17 Turning to our first quarter financial results on page 5, we generated nearly 6.5% organic growth in site rental billings or 3% when adjusted for the impact of the Sprint cancelations. The organic growth in site rental billings contributed to 3% growth in site rental revenues, 1% growth in adjusted EBITDA and 2% growth in AFFO. As we discussed last quarter, we expect the Sprint cancelations will result in some movements in our financial results that are not typical for our business.

00:07:48 Our expectation for the full year impact from Sprint cancelations remains unchanged with nonrenewals of approximately $30 million and accelerated payments of $160 million to $170 million. During the first quarter we received $48 million in accelerated payments related to Sprint cancelations within our Fiber Solutions business offset by $2 million of nonrenewals. We expect the majority of the remaining $110 million to $120 million in accelerated payments to occur in the second quarter and as a result we continue to expect the second quarter to represent the high-watermark for adjusted EBITDA and AFFO in 2023.

00:08:27 Turning to page 6, our full year 2023 outlook remains unchanged and includes site rental revenue growth of 4%, adjusted EBITDA growth of 3% and AFFO growth of 4%. When adjusting for the full year impact of the Sprint cancelations, we continue to expect organic site rental billings growth of approximately 4% which consists of 5% growth in towers, 8% growth in small cells and flat site rental billings and fiber solutions.

00:08:56 Turning to our financing activities, over the last several years we have purposefully managed our balance sheet consistent with our aim to deliver the best risk-adjusted returns to shareholders. As a result, we believe our strong investment-grade balance sheet is well positioned to support our future financing needs with leverage in line with our target of approximately 5 times net debt to adjusted EBITDA, $5 billion of available liquidity under our revolving credit facility, 85% fixed-rate debt, a weighted average maturity of eight years and less than 10% of total debt maturing through 2024.

00:09:33 Our discretionary CapEx outlook for full year 2023 also remains unchanged with gross CapEx of $1.4 billion to $1.5 billion or approximately $1 billion net of expected prepaid rent.

00:09:46 So to wrap up, we remain excited by the opportunities we see to lease our existing tower and fiber assets while also deploying capital to expand our portfolio with additional assets that we believe will extend our growth runway and position us to deliver on our long-term dividends-per-share growth target of 7% to 8%.

00:10:22 And with that, Jaimie, I'd like to open the call to questions.

QUESTION AND ANSWER SECTION

Operator

00:10:26 Ladies and gentlemen, at this time we'll begin the question-and-answer session. Our first question comes from Simon Flannery from Morgan Stanley. Please go ahead with your question.

Analyst: Simon Flannery

00:10:42 **Question – Simon Flannery:** Great. Thank you very much and good morning. If I could start with leasing, you've talked about reiterating guidance. That about implies a nice acceleration in leasing over the course of the year. Perhaps you could just update us on how you expect that to track over the next several quarters and what gives you confidence at this point that you will hit those guidance numbers.

00:11:02 And then secondly, pulling back a bit, you talked about small cells doubling over the next few years. You see a lot of different numbers out there about the addressable market, the total demand for small cells 5, 10 years out. I know you've talked a lot about that in the past. Perhaps you could just update us with what you think the TAM is for you and others over time. Thanks.

00:11:20 **Answer – Jay A. Brown:** You bet. Good morning, Simon.

00:11:22 **Question – Simon Flannery:** Good morning.

00:11:23 **Answer – Jay A. Brown:** On the first question, feel good about where we are in the year from a leasing standpoint. First quarter, as we mentioned, as Dan and I mentioned in our comments, came in, in line with what we expected for the first quarter. Obviously, we have the great benefit in the vast majority of our business for both towers and small cells of a long visibility cycle, and so have pretty good view as to when we'll see that revenue growth over the balance of the year.

00:11:51 We think this year will ultimately be a year that's level loaded for the most part from first half to second half, which is a little different than kind of our historical experience. If we go back over the last 20 years or so and most years, we would see somewhere between 35% and 40% of the total year's activity in the first half of the year and then the balance of it in the second half. And we think this year's a little bit more level loaded between first half and second half of the year.

00:12:22 So good start to the year. Pleased with where we're at and visibility as suggested by our numbers that we're unchanged for revenue growth from prior guidance, coming in as expected, and the pipeline looks like it's shaping up as we would have expected when we originally gave guidance last October.

00:12:41 On your second question around small cells, the big driver here as we saw and I mentioned this in my comments with 4G certainly have seen a significant amount of site densification that frankly towers just can't serve that need for densification of the network. We saw that at the end of 4G and both I think in terms of the number of small cells that we've seen thus far in 5G commitments from the carrier customers as well as the conversations that we're having about what is to come in the future suggests that that opportunity is significantly more than what we saw during the 4G era.

00:13:21 So I don't know whether we're going to see a double or we're going to see a quadruple from here. I think time will tell, but certainly the trajectory of that business would suggest we're going to see a growing total addressable market. And then the portion of that that will be interesting to us will be a combination of those opportunities that fall on the assets that we already own and improve the yield on those assets and the co-location which we've seen even thus far in the early commitments that we've seen out of our customers in 5G and then the portion of further expansion beyond there will come down to whether or not we think it meets the rigorous test that we put through each of our capital expenditures as to whether or not the returns are such that they're appropriate and will drive long-term growth in our dividend and drive a good outcome for equity holders based on the returns of those. And we'll just have to see how it plays out.

00:14:23 **Question – Simon Flannery:** Great. And so you're still focused on that core of, what is it, 20, 30 key markets?

00:14:29 **Answer – Jay A. Brown:** Yeah, the vast majority of the activity thus far as related to where we own our fiber is in those top 30 markets. We've seen some activity outside of that and certainly believe that the carriers will build and need to build small cells beyond the top 30 markets in the US probably all the way out to the top 100 and beyond. And our willingness to play there will, again, come down to what do we believe are the return opportunities there. And if we think it's highest and best use, then we'll continue to follow the carriers there. But we'll have to wait and see as that opportunity develops.

00:15:09 **Question – Simon Flannery:** Great. Thank you.

Operator

00:15:14 Our next question comes from Brett Feldman from Goldman Sachs. Please go ahead with your question.

Analyst: Brett Feldman

00:15:20 **Question – Brett Feldman:** Thanks for taking the question. I was hoping we could talk a little bit about what's going on in the market for fiber solutions. A lot of investors think of this as being one of your more economically sensitive business lines so I was hoping you could maybe talk a bit about what the market environment and the demand funnel looks like.

00:15:35 And then just if we look at the leasing activity, which I know is a year-over-year metric, at $19 million in the quarter that's obviously pretty far below the run rate you would have to be at for the remainder of the year to get into your guidance range. Is that merely a year-over-year comp dynamic that gets easier? Or do you have visibility into a pickup in leasing as you move into the second quarter and the back half? Thank you.

00:15:58 **Answer – Jay A. Brown:** You bet. Good morning, Brett. On your first question, the vast majority of our business comes from government, education and medical. That's the big driver of our solutions business as well as large enterprise. We have not historically seen that business be as sensitive to economic movements. Small and medium businesses tend to have much more volatility and sensitivity to economic movements. Those are a not a customer base that we serve in our business. So we're very focused on the types of customers.

00:16:36 The activity that we've seen thus far in the calendar year as well as when we look at the pipeline for the balance of the year looks in line with the expectations that we gave last October. The first quarter comp is just difficult, in part answer to your second question but also following on from the first question. The comparison in the first quarter of 2022 had the benefit of about $10 million of out-of-run-rate activity in it, so when you compare that to the current quarter, you need to adjust for that to get kind of an apples-to-apples comparison.

00:17:11 We think based on the pipeline that both we expect to build as well as where we sit now, that by the end of 2023 as we exit the year, we'll be back in line with kind of our expectation of being able to grow that business at about 3% at the revenue line and all the growth in data, not just wireless data, but the growth in data would suggest kind of our core markets and core customer segments will continue to need additional services and that our fiber is well placed to be able to capture that opportunity.

00:17:48 **Question – Brett Feldman:** Thank you.

Operator

00:17:52 Our next question comes from Michael Rollins from Citi. Please go ahead with your question.

Analyst: Michael I. Rollins

00:18:00 **Question – Michael I. Rollins:** Thanks and good morning. So curious, going back to the subject of leasing activity, can you give us an update in terms of what you're seeing from some of the newer tenants like DISH on your sites and how that relationship is progressing?

00:18:17 **Answer – Jay A. Brown:** Good morning, Mike. We don't like to speak to individual customers in terms of the activity that we're seeing. I think, as we've said many times about DISH, we have seen them behave in a very consistent way with desiring to build a nationwide network. Our teams are doing everything that we can to help them get sites on air and get them there quickly. DISH has made a very significant commitment to us in terms of the number of sites necessary for their network and a financial commitment around that, and so we're committed to doing everything we can to help them get those sites on air.

00:18:56 Broadly, beyond the carriers that are deploying nationwide networks, we're continuing to see the space that we refer to as verticals, we're seeing that vertical space continue to develop. And there are a number of companies that are looking at wireless plays and they need access to our infrastructure in order to deploy either licensed or unlicensed spectrum. Those tend to be more market-by-market decisions, and we've got a team focused on capturing as much of that opportunity as there is and feel good about the longer-term opportunity.

00:19:34 It's not so much meaningful in our short-term results, but we think over the next decade as 5G is deployed that it's another way that spectrum will be used to meet the growing data minutes that are happening from a wireless standpoint and we'll see a number of opportunities in our business to capture some of that growth both on the tower side as well as small cells.

00:19:58 **Question – Michael I. Rollins:** And when you look at the guidance ranges, particularly on tower leasing activity for 2023, can you remind us what are the things that can go incrementally right to put you at the higher end of the range versus some of the factors that could push you to the lower end of the range.

00:20:17 **Answer – Jay A. Brown:** When it comes to towers, we have pretty long visibility, and the majority of our revenue growth is contracted as we look at 2023. So by this point of the year, we have pretty good view as to where we're going to come out from a tower standpoint. And things that we would see positively and negatively might affect a little bit of our run rate as we go into 2024 but are unlikely to have a material impact in calendar year 2023, so we'd have to update you as we get into the year.

00:20:54 The biggest drivers – this is always the case in the business. The biggest drivers over the long term are the investment of the carriers of improving their network and in cycles where they're upgrading as they are now upgrading to 5G, the biggest driver is the number of sites that they go out and upgrade from, in this case, 4G to 5G shows up in the form of amendments on our existing sites. And then as the adoption cycle happens and devices get into the hands of consumers that enables 5G, we would expect densification to be required.

00:21:33 We're still in the early stages, as I mentioned in my comments, of the deployment of 5G which means the majority of the activity that we're seeing would still be amendments to existing sites and upgrading those sites to 5G, and then we'll get into the next phase in the coming years as we start to see more site densification which will be a combination, we believe, of both towers and small cells.

00:21:57 The big driver, though, is minutes of use, and that trend line appears to be really healthy, and the carriers have acquired a significant amount of spectrum over the last several years for 5G, and our business is about putting that spectrum to work and getting it deployed, the best indication of what our future growth will be.

Question – Michael I. Rollins: Thanks.

Operator

00:22:24 Our next question comes from Brendan Lynch from Barclays. Please go ahead with your question.

Analyst: Brendan James Lynch

00:22:29 **Question – Brendan James Lynch:** Great. Good morning. Thanks for taking the question. Maybe two on the dividend. You've suggested it's going to be below your 7% to 8% target for the next couple years. I'm wondering, if you're at the lower end of your CapEx guidance, would you be more inclined to raise the dividend to hit your target range or potentially use the available cash for buybacks?

00:22:51 **Answer – Jay A. Brown:** Good morning, Brendan. Thanks for the question. We think about the business, let me just step back big picture and talk about how we think about capital allocation. Our goal is to distribute virtually all of the cash flow that we produce in the business to shareholders. We think that that's the best way to operate the business because we think it drives the most value for shareholders over the long period of time and it creates a lot of discipline internally about how we think about capital allocation. It makes the capital scarce, and in order to make investments we need to come to the debt market or to the equity market, in our case mostly the debt market, to make the case for why these investments should be made, and that scarcity of resource I think creates good discipline around capital allocation.

00:23:42 So we start with a view that we're going to distribute all of the cash flow, so the amount of capital that we spend whether it goes a little up or a little down really does not impact how we think about the dividend. So my comments around the minimal dividend growth and below our target for 2024 and 2025 relate to the two discrete items that we highlighted in the press release and Dan and I mentioned in our comments around the rationalization that's ongoing in the Sprint network and the increase of the interest rate environment. Between those two items over 2024 and 2025 as we've given you guidance, that would suggest a number that's in the neighborhood of $350 million of headwind that we're facing over those two years.

00:24:39 So that's the reason why we're giving you some view as to the dividend. We've given you both the numbers and our view and then where the cash flow comes out will ultimately determine how we set the dividend.

00:24:53 **Question – Brendan James Lynch:** Okay. Great. Thank you. And maybe just one other capital-related question. You have the $750 million maturity in July. You've got a good deal of balance sheet flexibility at this point. What are you thinking about in terms of de-levering or refinancing or potentially just using the capacity of the revolver?

00:25:16 **Answer – Daniel K. Schlanger:** Yeah, Brendan. I'm going to take, as Jay just did, take a step back, just talk about how we think about the revolver and our balance sheet in general. We have a $7 billion revolver, and the reason for that is, when we size a revolver, we want to look out for the next 18 months or so and ensure that we have liquidity that is sufficient to pay for any upcoming debt maturities plus any capital expenditures we would need to run the business. The thinking behind that is that there are times when the debt capital markets shut down and we don't want to be caught in a position where we have to access a really bad market and in order to pay off our maturities or spend our capital.

00:26:01 So with $5 billion remaining on that revolver, it depends on what the market is of how we're going to refinance the $750 million maturity. We'll either utilize the revolver for what it was in place for, which is to take advantage of that liquidity if, in this case, what would happen would be a bad debt market would keep us out of the debt markets, or if the debt markets are really good, we might access them in order to refinance the maturity or pay down or reduce the borrowings on our revolver. So that's a decision we make all the time depending on what the debt market looks like and what we think is coming in terms of our maturities and capital expenditures.

00:26:43 But like I said, we feel really good about this because we've spent the last several years trying to manage our balance sheet so that we would not be caught accessing a dislocated debt market or in a position where we have too much debt that is necessary to be refinanced in any given year, which is why the total weighted-average maturity life has been so important to us over the last several years. We're at eight years. The reason that we've been focused on that number is so that we don't get caught with any one stack of maturities in one year that would cause us some difficulty in refinancing.

00:27:17 So when you put it all together it depends on the debt markets but we feel really good about our opportunities and the flexibility we've put into the business.

00:27:26 **Question – Brendan James Lynch:** Great. Thanks for the color.

Operator

00:27:30 Our next question comes from Greg Williams from TD Cowen. Please go ahead with your question.

Analyst: Gregory Williams

00:27:35 **Question – Gregory Williams:** Great. Thanks for taking my questions. Just back on the tower leasing guide, you're messaging confidence on hitting the 135 to 145 (27:42) range. You mentioned that a lot of it is baked in with MLAs. Can you give us a finer point on how much of that? Some of your peers have noted that 80% to 90% of their guide has MLAs baked in. I was wondering if you are at similar levels.

00:27:58 And then I was asking about the mix of your new leasing and what's colo versus amendment leasing. And I'm just trying to figure out when we're going to move on from coverage mode to densification mode and subsequently more colo spending. Thanks.

00:28:14 **Answer – Jay A. Brown:** Sure. Good morning, Greg. On your first question, at this point in the year, laying aside customer commitments that we've received, at this point in the year, the time required from application and approved application and known lease amendment, if you will, as you're asking the question, to when it's actually on air, that generally takes kind of six to nine months. So by the time we're at the end of April of any given year, we have really good visibility as to what we're going to put on air in that calendar year just from a pure timeline standpoint.

00:28:53 So as we mentioned in our commentary, the majority of our revenue growth is contracted. We were in that position in October of last year. Today, we not only have the majority of that contracted, but we also have visibility to where those applications are and the specific sites that they're going on, and we're all diligently working in order to get them on air.

00:29:19 So the impact to our numbers at this point from movements one way or the other, either to the positive or to the negative, is relatively limited just because of our longer-term visibility. I don't know if that answers kind of both of the way you're thinking about your questions there, but the visibility that we have and – we feel really good about where we are for the balance of this year both in terms of the applications we've received to date as well as the contracted revenues.

00:29:56 On the second part of your question more specifically to amendments and new leases, I mentioned this earlier in one of my answers but we're still at a point in time in the deployment cycle where the vast majority of the activity is amendments to existing leases. That has been true and is – is true in typical technology upgrade cycles of the past. We're finding that to be true in 5G, so the vast majority of the activity we've seen thus far and would expect really frankly in this calendar year is going to be more amendment driven.

00:30:30 And then once they get to the point where they've touched the vast majority of their existing sites with 4G upgrades to 5G, then we'll start to see the shift towards first-time installs on new sites in order to densify the network. And that work has begun. You can see some of that in small cells, which is probably the best place to see that discrete activity. Those, for the most part, are infill sites where they're increasing the density of the network in order to improve the 5G network that they're delivering for consumers.

00:31:09 **Answer – Daniel K. Schlanger:** The only thing I would add to that, Greg, is that the one difference there is that DISH is mostly or almost all colocation because they didn't have anything else, so what Jay is talking about probably excludes DISH as an outlier. But it probably went without saying, but I said it anyway.

00:31:25 **Question – Gregory Williams:** Got it. Thanks for the color.

Operator

00:31:29 Our next question comes from Matt Niknam from Deutsche Bank. Please go ahead with your question.

Analyst: Matthew Niknam

00:31:35 **Question – Matthew Niknam:** Hey, guys. Thank you for taking the questions. Just two if I could. First on small cells, any incremental color you can share on the backlog and the percent of the nodes in the backlog that are either colo relative to or maybe newer sort of greenfield build.

00:31:50 And then on leverage, there was some allusion to this before, but you've obviously got benefits this year to EBITDA from the Sprint termination payments and some of the accelerated amortization of prepaid rents. In 2025, you obviously have the loss of $200 million of Sprint tower rents that churns off. So I'm just wondering, in the context of those headwinds, how do you think about leverage the next two years relative to that 5 turns sort of target we've talked about as a more maybe long-term level? Thanks.

00:32:22 **Answer – Jay A. Brown:** I'll let Dan take the second question. On the first question around the backlog of nodes, we have two significant customer agreements that we've previously announced, 35,000 nodes from T-Mobile and 15,000 nodes from Verizon. In the case of the T-Mobile 35,000 nodes, we were specific that the vast majority of those were going to be colocated on existing fiber, and so, those would – almost all of those would be colocations. In the Verizon agreement, it's a combination of colocations and first-time installs.

00:33:03 The activity that we're undertaking in the business both in calendar year 2024 and over frankly the next couple of years as we finish out the backlog is going to be a pretty healthy mix of colocation driving the yields on the existing assets that we have, and at the same time we're talking to customers about future projects that may expand the footprint that we have, and we'll put those through the rigorous process of analysis of making sure that we think there's good returns over time and that it's a good allocation of capital that will drive those returns. But in the short to medium term here as we build out the backlog, it's going to be more weighted towards colocations than first-time.

00:33:47 **Answer – Daniel K. Schlanger:** Yeah. And on the leverage point, I think everything you said is true. And the way we think about our leverage is we want to maintain leverage that's close to our target of five times net debt to EBITDA, which we were this quarter, but that number does fluctuate. As we've seen over the course of the last several years, that number can be a little bit below, a little bit above. And we believe that the long-term growth of the business allows us to grow into that additional leverage that we will take on to pay for the CapEx, as Jay was mentioning earlier, and keep us around that five times debt to EBITDA, but if there's any one year that we're a little bit above, I think we're okay. We have some flexibility there as long as we have a plan over time to get back to close to our leverage target. That's how we've managed it for the past five years and I believe that'll be very similar to how we'll manage over the next five years.

00:34:40 **Question – Matthew Niknam:** That's excellent. Thank you both.

Operator

00:34:44 Our next question comes from Ric Prentiss from Raymond James. Please go ahead with your question.

Analyst: Ric Prentiss

00:34:48 **Question – Ric Prentiss:** Thanks. Good morning, everybody.

00:34:52 **Answer – Jay A. Brown:** Good morning, Ric.

00:34:53 **Question – Ric Prentiss:** Hey. A couple questions. I think in the past you've updated us maybe on what percent of your sites do you think the carriers have touched as far as getting 5G midband deployed? Is there kind of an aggregate number as you kind of blend together the different schedules of your major carrier customers?

00:35:13 **Answer – Jay A. Brown:** Yeah. We think we're a little north of 50% at the moment across all of the carriers.

00:35:19 **Question – Ric Prentiss:** Okay. And obviously, it varies by carrier.

00:35:24 **Answer – Jay A. Brown:** Exactly.

00:35:25 **Question – Ric Prentiss:** As we think about DISH obviously you mentioned you've got the significant financial commitment. I think it was for 20,000 sites. What's the timeframe of that 20,000 sites which was contemplated to be included on the financial commitment?

00:35:40 **Answer – Jay A. Brown:** It was a 15-year agreement that we signed with them. And, Ric, we gave that number. We talked about the number of sites and a 15-year commitment that they were making to us. We don't get more specific than that because we're careful about guarding their deployment plan. So it's a 15-year commitment that they're making to us.

00:36:02 Maybe the other point that's important is obviously the timing of the cash flows have impacts as we think about the guidance that we give around organic tower revenue growth. That would be a component of that, and so our view of our ability to both deliver the 2023 numbers that are in our outlook as well as the longer-term commentary that both Dan and I have made around being able to be able to grow at 5% at the tower line, a part of that commitment that they've made plays into our view of that over the longer term.

00:36:41 **Question – Ric Prentiss:** And I think -

00:36:45 **Answer – Daniel K. Schlanger:** Sorry, Ric. I was just going to add. I think you understand that the contract, as Jay was alluding to, gives us a minimum contractual payment that grows over time as well regardless of how many sites they're on. So they have the opportunity to go on up to 20,000 of our sites, but not an obligation to do so. And our view has been that that provides us tremendous amount of value because we want them on as many sites as possible for us because we believe that this is a long-term network investment and the more sites we're on, the more sites we can grow on going forward. But also, it provides us an opportunity to be very early on in the planning of that network and understanding what they're going to do. And I think that that's just a good relationship for us to have. So it's not just the 20,000 sites that's important. It's the minimum contractual payment that goes along with those up to 20,000 sites they can go on.

00:37:34 **Question – Ric Prentiss:** Makes sense. And from your supplement it looked like T-Mobile maybe is 38% of revenue, T (37:30) and Verizon are in the high teens, almost looking at 20%. Since DISH is not called out, is it safe to assume DISH is not yet a 10%-type customer.

00:37:49 **Answer – Daniel K. Schlanger:** Yeah, not necessarily. That chart is there to give you a general view, but we have a lot of customers that aren't called out specifically, and DISH is just one of the lot of customers that aren't called out specifically.

00:38:03 **Question – Ric Prentiss:** Okay. A more detailed question and then I'll wrap it up. Obviously non-cash amortization of prepaid rent somewhat flat from 2022 to 2023 but it feels like the amount attributable to towers is probably coming down, the amount attributable to small cells is going up. Can you just kind of confirm that?

00:38:21 And then as we think about the 2024 supplement talking about where non-cash amortization of prepaid rent could drop by more than $200 million if there's no more prepaid rent put in, how's that drop kind of attributable to how much drops in towers versus small cells?

00:38:39 **Answer – Daniel K. Schlanger:** Yeah, so the way you characterize where we are in prepaid rent in this year is true. The tower number will come down about $50 million and it will be offset primarily by small cells which is generally because of the cancelation payments accelerate some of that prepaid rent to get us back to about flat on prepaid rent amortization. Going forward, as we've talked about a lot, those tables are not projections. They're just as we sit today as statically what would happen, and we believe we will continue to add CapEx and generate additional prepaid rent amortization as we get reimbursements for our customers for that CapEx over the course of the year but as you mentioned like in 2023 the drop-off will be more likely to happen in towers with an acceleration in small cells to offset that drop-off in towers.

00:39:29 **Question – Ric Prentiss:** Okay. Very good. Thanks, guys. Stay well.

00:39:34 **Answer – Jay A. Brown:** You too.

Operator

00:39:35 Our next question comes from Nick Del Deo from SVB MoffettNathanson. Please go ahead with your question.

Analyst: Nick Del Deo

00:39:44 **Question – Nick Del Deo:** Hey. Good morning, guys. Thanks for taking my questions. First one on fiber solutions. I was wondering if you could talk about any changes you may be seeing in the competitive environment for fiber solutions. Yeah. I think some of your large competitors are reorganizing internally and maybe taking some more aggressive steps to try to grow. The cable guys are pushing in that direction a little bit. So any observations there and the degree to which you're observing and responding to change or not seeing change even would be helpful.

00:40:14 **Answer – Jay A. Brown:** Sure. Good morning, Nick. I mentioned this in the earlier question but our fiber solutions business is a bespoke solution that we offer that has a very unique customer set that we pursue. It's largely focused around government, education and medical solutions. And we don't pursue medium and small businesses. A lot of the changes that we've seen whether it's economically driven or as you mentioned driven by broader macro environment matters and more subject to competition, there have been, obviously, in that space a number of changes. We haven't really seen a big change in the environment for the core customers that we pursue.

00:41:06 And so we think our fiber brings a really compelling solution in terms of our ability to identify where their data travels and to provide a bespoke solution to them and, have seen underlying outside of kind of the (41:15) onetime items that we mentioned in the comments, have seen that business grow at a pretty steady pace and think we'll by the end of this year return back to kind of our 3% target of growth in the business.

00:41:37 **Question – Nick Del Deo:** Okay. Okay. That's helpful. And then maybe one more on fiber more generally. Any sort of update you can share as it relates to supply chain? I know a couple of players have talked about that loosening up a bit. I think you've historically said that permitting has generally been a bit more of a hurdle for you than supply chain specifically. So any comments there and the degree to which it may influence your growth path in coming periods.

00:42:05 **Answer – Jay A. Brown:** Sure. I think our team has done a really good job navigating some really difficult supply chain challenges over the last several years, and it has not impacted our results, which is a real credit to the team as to how well they've navigated through that and worked with our customers.

00:42:22 I would say, as you mentioned, the more challenging thing for us has been navigating through municipalities, both from a utility standpoint as well as a permitting standpoint. The moat and protection around the business is significant, and that makes the initial deployment of these technologies and this infrastructure a very long cycle and very difficult to do. And I'll mention it again that I'm really proud of the team in terms of how they've learned to work at the local level to preserve the aesthetic that's desired in the community, which is always a really key point of the deployment of this technology and then work with what's needed for our customers.

00:43:11 And I think that's the sweet spot for us and how we make money. Our customers view us as an opportunity to lower their cost of deployment by delivering a shared asset and then us being able to deliver that asset, that shared solution, on a timeline that is faster than any other solution would provide. And in order to do that, we've got to be good both on the supply chain side, but we've also got to be good on the permitting side and getting both power and the ability to deploy at those sites in order to be able to deploy the network for our customers.

00:43:50 **Question – Nick Del Deo:** Okay. Got it. Thank you, Jay.

Operator

00:43:55 Our next question comes from Jonathan Atkin from Royal Bank of Canada. Please go ahead with your question.

Analyst: Jonathan Atkin

00:44:02 **Question – Jonathan Atkin:** Thanks very much. A couple questions. Small cell ramp that you're talking about, what are the implications for discretionary CapEx going forward because you're up this year on a year-on year basis and then given the potential opportunities that you see going forward maybe just review with us the directionality for that trend for CapEx discretionary.

00:44:27 **Answer – Daniel K. Schlanger:** Yeah. Hey, Jon. I think you're alluding to, as the number of nodes increases, CapEx generally increases as well. What you can see this year, though, following on, on what Jay was talking about earlier around colocation is that even though we're doubling the number of nodes we're putting on air we're only increasing our CapEx by a little over 10% on a net basis in our fiber business, so you can see that the impact of colocation can have a pretty substantial impact on the magnitude of the change of CapEx on a year-over-year basis compared to the magnitude of the change to the nodes.

00:45:03 So we can't give specific guidance on what we believe will happen in 2024 and beyond on small cell because we don't understand everything that's going to go into those numbers yet but generally speaking, as we add more nodes, we'll add more CapEx so the trajectory would be up a bit.

00:45:19 **Question – Jonathan Atkin:** And the timeframe to get a node on air, I think you've talked about 24 to 36 months. And any changes in that sort of colocation cycle time or node deployment time that you've shared in the past?

00:45:33 **Answer – Jay A. Brown:** Jon, we haven't seen any movement in that. The vast majority of the nodes are still falling into that 24- to 36-month cycle.

00:45:44 **Question – Jonathan Atkin:** And then two more quick ones. Just the MLA question that you alluded to, if we're entering into an environment where a lot of the operators for various reasons have kind of hit or are about to hit their medium-term milestones for midband spectrum deployments and overlays, if we do enter a period of kind of tapering growth, what commentary can you provide around your MLAs that might (46:06) would your site rental revenue growth ratably go down, or do the MLAs kind of perhaps provide a little bit of downside protection? Any color on that would be interesting.

00:46:25 And then the last one I'll kind of throw in on the 3% growth number. What products are you seeing demand for that underlie that growth assumption? Is it number of connections around dark fiber or wavelengths? Or you talked about bandwidth as a driver. But, is it maybe more dark- and infrastructure-type products driving the growth? Or is it more network, traditional network products, that are driving the growth assumption for fiber?

00:46:52 **Answer – Jay A. Brown:** Sure. On your first question around longer-term growth for towers, the MLAs obviously give us some portion of that future growth as contracted and so we have visibility towards that end. We also have beyond the contracted amount, we have the opportunity to make that even more beyond the contracted growth as the carriers deploy network. And our long-term view is that we can grow tower revenues around 5% organically over the long period of time which drives our assumption of being able to return to 7% to 8% dividend growth.

00:47:33 I think it's probably one of those times as people start to think about where we're at in the cycle as we're past the first couple of years of deployment of 5G that our industry has faced during the deployment years of 2G and then 2.5G and 3G and 4G and now we're at 5G where people wonder whether the early spending of a technology cycle is over after the carriers have acquired some spectrum and started to deploy sites. And I think past cycles, as an indication and a teacher of the future, would indicate that more investment will come over a long period of time, and it will take, as I mentioned in my comments, it'll probably take a full decade to basically deploy 5G.

00:48:23 And as we look at the growth in minutes of use as the best indicator of that, the steepness of that curve is not flattening out in terms of consumer behavior. In fact, the curve is steepening as the devices are used more. And there's only two ways to deliver that increased need for capacity in a wireless network. It's either through additional spectrum in the hands of the carrier or sites. And our experience has taught us that both are necessary. The carriers will have some spectrum that they have not deployed to date. As they deploy that spectrum, we'll get the benefit in our revenue growth numbers. And then additional density will be required, and our infrastructure will benefit from that.

00:49:18 As we look at each of those cycles from 2G to 3G, 3G to 4G and 4G to 5G in each of those cycles as I mentioned in my comments it's resulted in more CapEx over the era or over the period of time that the network was deployed. So it certainly is stacking up that way as we look at the early part of 5G. We think ultimately the capital spend on 5G is likely to be more than what we saw in 4G.

00:49:47 And so one of the great things about our business is we think about it and are able to think about it over a long term. We've got long-term commitments from our customers, and the deployment cycles are long. So our goal is to ensure that we're providing the infrastructure at an appropriate cost to the customers and we're focused on deploying it as quickly as we can for them and then the tailwind of demand from the consumer ultimately drives the need for our infrastructure. And we're as excited today about what 5G is going to mean for this business over the next decade as we've been in past technology cycles and feel really comfortable about where our growth is.

00:50:29 On your second question around the products for fiber, I would say very similar to what we have in the mix today, not much change, the combination of new logos that our sales team is doing a good job of reaching out to and capturing that fit on the fiber plant that we already have in the ground and leveraging that fiber to drive yields. And the products that we're offering there are the same products that we've been offering, a combination of wavelengths and dark fiber. And some of that in your question, some of it is driven by increased growth in the need. Some of it is driven by the movement of data towards the cloud certainly is the driver of that business. And probably those two factors just the overall amount of data being created as well as movement of data to the cloud are probably the two fundamental drivers of the growth that we're seeing in that business and then as we're expanding to new logos across the fiber that we already own.

00:51:40 **Question – Jonathan Atkin:** Thank you very much.

Operator

00:51:45 And our next question comes from Brandon Nispel with KeyBanc Capital Markets. Please go ahead with your question.

Analyst: Brandon Nispel

00:51:52 **Question – Brandon Nispel:** Great. Thank you for taking the questions. Two if I could. Jay, I think you had mentioned bookings not really having a big impact on growth this year. I think that's pretty understandable. I think what I'd like to hear, if you guys could characterize what bookings are looking like in terms of new-lease applications and how that's been trending on a year-over-year basis. Year to date are they trending lower or higher compared to the change in core leasing that we've seen?

00:52:20 And then, Dan, question on the guidance. If we look at the guide for towers, I think it was $140 million in core leasing and for fiber it was $125 million. Just given where you guys started this year, and I think Jay commented that it was more of a level-loaded year for leasing, how do you get to where you expect to be by the end of the year given the run rate at the beginning of the year was so much lower than what would be needed to hit the guide? Thanks.

00:52:49 **Answer – Jay A. Brown:** Yeah, Brandon, thanks for the questions. On your first question, and I'll let Dan take the second one, we've seen the activity from the carriers be consistent with our expectation that we'll be able to grow revenue on the tower side at 5% per annum, so the bookings that we've seen is relevant to that and I would even expand the bookings to include the conversations that are ongoing that will lead to future bookings. Those conversations, those activities, that view of their network and the need would be consistent with our view that we'll be able to grow tower revenues over the long term at about 5%.

00:53:31 **Answer – Daniel K. Schlanger:** Yeah. And taking the second question on the new leasing, as Jay mentioned before, the level-loaded comment that we made is that this year we'll not have, in the tower business, a first half/second half difference as much as our previous years have. That doesn't mean that every quarter is going to be exactly the same. Our business does operate with a little bit of variability, and I think we saw some of that in the first quarter, but it doesn't give us any reason to believe that our full-year guidance won't come true. So everything that we've talked about we still have a lot of confidence in our ability to deliver on the tower business.

00:54:08 On the fiber side, as Jay mentioned, there's one thing that just a comparison period of the first quarter of 2022 to the first quarter of 2023 is that the first quarter of 2022 had $10 million of out-of-period bookings in it, so if you normalize for that, the bookings growth would look a lot more in line with our full year guidance. But we also said through the year that we knew that the back half of 2022 had a little bit less activity which is driving the flat fiber solutions growth in 2023 and that activity would pick up through the year which is why, when we exit the year, we believe we'll be back to the 3% revenue growth. So we do expect some increase in activity in the fiber business to be able to reach our $125 million of new-leasing-activity forecast for 2023.

00:55:01 **Question – Brandon Nispel:** Understood. Thank you.

Operator

00:55:06 Our next question comes from David Barden from Bank of America. Please go ahead with your question.

Analyst: David W. Barden

00:55:12 **Question – David W. Barden:** Hey, guys. Thanks so much. I guess two questions. Just first, a little question, Dan, on fiber services expenses which jumped up about $10 million even as the revenue kind of, new organic revenue came down $10 million. Could you kind of give us a sense as to whether that's a jumping-off point for the rest of the year or there were some other moving parts in that?

00:55:34 And then, Jay, just the second question. I want to kind of just push back a little bit on the minutes-of-use theory, which is that consumption is a driver of capacity demand. And of course, they're correlated, but consumption grows because people are using their phones at night and in the morning. And capacity demand is really a function of that one second in the day in the one sector in (55:54) the one cell that carriers need to anticipate will expand. And applications that consume data, the biggest ones, video, maps, those sorts of things, they work at lowering the required capacity because it expands their addressable market globally to networks that don't have the kinds of capacity that the US has. So absent incremental applications developments, capacity requirements actually shrink through time.

00:56:34 So how do you kind of address that bear market concern that with there are no new applications and the only new application really that people talk about is maybe private networks for enterprise and maybe that is the big opportunity for the tower companies. But I was wondering if you could kind of like elaborate a little bit more on that, because we're having that conversation a lot these days. Thank you.

00:56:59 **Answer – Jay A. Brown:** Sure, Dave. Dan, do you want to take the first question and then I'll take the second one?

00:57:01 **Answer – Daniel K. Schlanger:** Sure. I'll do it really quick. There is some seasonality in the business, Dave, of when we pay some specific things, so a $10 million increase is not something you could annualize for the year. We believe that the growth in expenses will be similar to the growth in the revenues.

Question – David W. Barden: Thanks.

00:57:20 **Answer – Jay A. Brown:** Dave, on your second question, I think you do draw an important point. And certainly my comments are not intended to set an expectation that our top-line revenue growth would track at the growth rate of minutes of use. Minutes of use are growing north of 30% per year. I think the point that I'm trying to make is directionally that suggests a demand on the wireless carriers' network that ultimately is stalled through our use of infrastructure. I think you're correct in pointing out that the carriers have done a really good job over time and device manufacturers have done a good job as well as application developers have done a good job of trying to figure out a way to use that spectrum as efficiently as possible. And some portion of the growth in minutes of use has been solved through spectral efficiency, whether that's applications, as you mentioned, or improvements in the technology, which has certainly happened. And that is significant.

00:58:26 If you go back and look at where we were even in a 2G world, the spectral efficiency today in 5G is many, many times more efficient than what it was in 2G, but that has not negated the need for continued growth in the network infrastructure and the density of that network.

00:58:47 So I think I would point to two things as the specific driver to go a layer deeper than just the tailwind of growth in minutes of use. The first is where are those minutes of use consumed. And as we look at network deployments in the places where we have, I think, a pretty unique view from a small cell standpoint, our small cells are going in places where there's already tower infrastructure and significant tower infrastructure that's providing overall coverage in a market.

00:59:20 But the growth in minutes inside of an area that today is covered by a tower site, the growth in minutes of use drives a need for additional infrastructure inside of the coverage range of a particular tower. And in order to maintain the spectral efficiency of the tower the carriers have to off load some of those minutes into small cells, and that improves the overall network experience for the consumer. I think all of us have had the experience where we look down at our phone, we have four or five bars, and we still get the spinning wheel of death of not being able to connect. And ultimately, small cells are solving that challenge, and the growth in minutes of use drives the need for that. So that would be one area that I would point to.

01:00:14 The second thing I would point to is the innovation that the platform creates, and I think this is incredibly important to ultimately where will we go. I think the question that you asked around what is the killer application, what is going to be necessary with this technology trend, these were the same questions that we asked in 2G, 3G, 4G. We used to just talk on these devices, and there was seemingly no need for 2.5G to give us access to internet-searching capability, and we've found ways to use the devices in greater ways.

01:00:50 I believe the same thing will be true in 5G, that the innovation and the platform that 5G creates will spur additional innovations and additional uses, and there won't be any one killer application that drives the need, but it will be a multitude of applications and uses for the devices that will drive the need and spur future growth beyond even what we're seeing today.

01:01:16 So I think the combination of those two things gives us a lot of confidence that we'll benefit from the growing minutes of use, and the carriers also will continue to do what is good for them of finding efficient ways to utilize that spectrum and to some degree finding ways to limit their need for additional sites and spectrum. And the combination of good for them and good for us ultimately is good for us. We want our customers to be healthy and provide a good proposition for the consumers, and we want to see minutes of use grow.

01:01:51 **Question – David W. Barden:** Thanks, Jay.

01:01:53 **Answer – Jay A. Brown:** Operator, maybe if we could take one more question.

Operator

01:01:57 Our final question today comes from Walter Piecyk from LightShed. Please go ahead with your question.

Analyst: Walter Piecyk

01:02:06 **Question – Walter Piecyk:** Thanks. Two questions. First one, on the DISH 15-year contract, if there is a change of control or sale or lease of the underlying spectrum, do you still get the minimum payments?

01:02:19 **Answer – Jay A. Brown:** Walter, that's a level of detail of a customer contract we wouldn't get into.

01:02:26 **Question – Walter Piecyk:** Okay. And then on the fiber solutions, the $20 million, $19 million, I guess, if you back out the $10 million, you're still going from $35 million down to $19 million. So I know in like towers and fiber, it's really just execution on bookings, contracts, whatever that you execute on. Is fiber solutions the same thing, meaning that like, I think a lot of us are having a hard time seeing this drop-off to $19 million from $35 million last year which backs out the $10 million and the $30 million-plus in the (01:02:54) quarters, like, just getting to the ramp to get you to the $125 million. So it might be helpful to give, like qualitatively, is it the same type of visibility that you have in towers that you do in fiber solutions? Thank you.

01:03:16 **Answer – Daniel K. Schlanger:** Yeah, Walt. I think the one thing that might be a little different than what you just expressed is the $19 million of growth, you would have to amendment by $10 million because what happened was $10 million you pull out of the previous year which means the growth from Q1 to the growth of – 2022 to Q1 2023 was actually $30 million or $29 million, not $19 million. So you can't just back it out of the new leasing activity from the previous quarter. You've got to back it out of the run rate revenue at that point to show what the growth would have been, and that gets you much closer to the growth that we're talking about for the full year.

01:03:52 And we have visibility, as we've been talking about, to the extent to what Jay was speaking to earlier. We do have visibility to that activity level increasing over time, but I don't think it's such a large leap that it would be not understandable to an external party to say, okay, it makes sense that $30 million could be $35 million or something like that. We've seen those types of quarters in the past. And as we grow through the course of the year, we believe we will get more activity as data demand continues to grow for the reasons Jay expressed earlier.

01:04:23 **Question – Walter Piecyk:** That's very helpful. But can I just do one quick follow-up? So the $125 million, if we're just doing the simple math on that, are we using $19 million as the number? Or we should – $125 million, we should be using $29 million as the number that adds up to the $125 million?

01:04:40 **Answer – Daniel K. Schlanger:** Yeah. So it's $19 million in that case, and we should see the increase over time to get to $35 million-plus of growth in a certain quarter. But like we were talking about, we do think there is activity that's growing through the course of the year in order for us to get there.

01:04:55 **Question – Walter Piecyk:** Got it.

01:04:57 **Answer – Jay A. Brown:** Walt, the second part of your question, just zooming out from the specific numbers in the year, and you alluded to kind of the difference between towers and small cells and maybe fiber solutions, obviously, those businesses are different. Our fiber solutions business is more transactional, and so we don't typically see multiyear commitments from our customers in the same way that we do from a tower small cell, meaning for future business. Obviously, they're multiyear contracts and commitments when we sign. But we don't have multiyear visibility as to what the revenue growth is going to be, so it's more transactional in nature, and we have a shorter timeline of visibility of what that growth is going to be.

01:05:40 We feel good, as Dan and I have mentioned in a couple of answers to a couple of different questions. We feel good about where our guidance is and where we expect the year to fall but if you were looking for differences among kind of our business lines, certainly there is the difference in terms of the number of months of visibility that we would have and then also the more transactional nature of that fiber solutions business.

01:06:03 **Question – Walter Piecyk:** Understood. Thank you.

01:06:04 **Answer – Jay A. Brown:** You bet.

01:06:06 Well, thanks, everybody for joining the call this morning, and thanks to our team who continue to do a really good job executing. Appreciate all you're doing for our customers. Keep up the great work. Thanks, everyone. We'll talk soon.

Operator

01:06:20 And, ladies and gentlemen, with that, we'll end today's conference call and presentation. We thank you for joining. You may now disconnect your line.