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PRESENTATION

Operator

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

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

Great. Thank you, April, and good morning, everyone. Thank you for joining us today as we discuss our third 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 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, October 21, 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 just want to mention that we will take as many questions as possible following our prepared remarks, but we will 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. Good morning, everyone. Thanks for joining us on the call this morning. As you saw from our results yesterday, we remain on track to generate an anticipated 12% growth in AFFO per share this year. We expect to be at the high end of our long-term growth target in 2022, with 8% AFFO per share growth being driven in large part by our expectation that tower core leasing activity will be approximately 50% higher in 2022 than our trailing 5-year average.

And we increased our annualized common stock dividend by approximately 11% to $5.88 per share, marking the second consecutive year of dividend growth that meaningfully exceeds our long-term target. Given that our dividend payout ratio has remained largely unchanged since 2014, our dividend remains the best indicator of how we are performing, both financially and operationally.

Our significant outperformance in 2021 combined with our forecast for 2022 enabled us to raise our dividend 11%, well above our stated goal for the second year in a row. In essence, we've achieved 3 years of targeted dividend growth in just 2 years. Since we established our common stock dividend in 2014, we have grown dividends per share at a compounded annual growth rate of 9%, with growth ranging from 7% to 11% in each year.

Before adding a little more detail to my summary points from the earnings release, I wanted to comment on the other press release we issued yesterday, where we announced our goal to be carbon neutral by 2025. We aim to provide profitable solutions to connect communities and people, and our carbon neutral goal builds on our commitments to deploy our strategy sustainably.

Our business model is inherently sustainable as shared solutions limit infrastructure in the communities in which we operate and minimize the use of natural resources. Further to the point, our core value proposition, since we began operating more than 25 years ago, has centered around our ability to provide our customers with access to mission-critical infrastructure at a lower cost because we can share that infrastructure across multiple operators.

In addition, our solutions help address societal challenges, like the digital divide, in underserved communities by advancing access to education and technology. To date, we have invested nearly $10 billion in towers, small cells and fiber assets located in low-income areas.

As a way of quantifying how our business model minimizes the use of natural resources, our business emits just 1 ton of CO_2 per $1 billion of enterprise value, which is 90x more efficient than the average company in the S&P 500 based on industry estimates. Although we are proud of our limited environmental impact, we are focused on making even more strides by reducing our energy consumption and sourcing renewable energy to help us achieve our goal of carbon neutrality by 2025. We are excited about this announcement and look forward to continuing to find ways to help our communities and planet while driving significant returns to our shareholders.

Turning back to our 2022 outlook. We are benefiting from record levels of activity in our tower business with our customers upgrading thousands of existing cell sites as a part of their first phase of 5G build-out. Adding to the opportunity, we are seeing the highest level of tower co-location activity in our history with DISH building a nationwide 5G network from scratch.

I believe our strategy and unmatched portfolio of more than 40,000 towers and approximately 80,000 route miles of fiber concentrated in the top U.S. markets have positioned Crown Castle to capitalize both on the current environment and to grow our cash flows and dividends per share in the near term and for years to come.

We are focused on generating this growth while delivering the highest risk-adjusted returns for our shareholders by investing in shared infrastructure assets that lowered the implementation and operating costs for our customers while generating solid returns for our shareholders.

To execute on this strategy, we are providing our customers with access to our 40,000 towers and 80,000 route miles of fiber to help them build out their 5G wireless networks. We are investing in new small cell and fiber assets that meet our disciplined and rigorous underwriting standards to expand our long-term addressable market. And we are identifying where wireless networks are going and investing early to position the company to capitalize on future opportunities as we have done with small cells, edge computing and CBRS.

One of the core principles underpinning our strategy is to focus on the U.S. market because we believe it represents the best market in the world 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 will drive significant returns for shareholders.

With that in mind, we have invested nearly $40 billion in towers, small cells and fiber assets in the top markets that are all foundational for the development of future 5G networks. We believe our unique strategy, portfolio of infrastructure assets and proactive identification of future opportunities provide a platform for sustained long-term dividend growth as wireless network architecture evolves and our customers' priority shift over time.

Today, our customers are primarily focusing their investment on macro sites as towers remain the most cost-effective way to deploy spectrum at scale and establish broad network coverage. With our high-quality towers concentrated in the top markets, we are clearly benefiting from this focus with an expected 6% organic growth for our tower segment in 2021 and an expected 20% increase in tower core leasing activity next year when compared to these 2021 levels.

With history as a guide, we believe the deployment of additional spectrum on existing cell sites will not be enough to keep pace with the persistent 30%-plus annual growth in mobile data traffic. As a result, we expect cell site densification to remain a critical tool for carriers to respond to the continued growth in mobile data demand as it enables our customers to get the most out of their spectrum assets by reusing the spectrum over shorter and shorter distances.

When the current cell site upgrade phase shifts the densification phase, we believe the comprehensive offering of towers, small cells and fiber will be critical for our customers and provide us with an opportunity to further extend the runway of growth in our business. While we expect the densification phase of build-out will drive additional leasing on our tower assets for years to come, we believe small cells will play an even greater role as the coverage area of cell sites will continue to shrink due to the density of people, and therefore, the density of wireless data demand.

With more than 80,000 small cells on air are committed in our backlog, high-capacity fiber assets in the vast majority of the top 30 markets in the U.S. and industry-leading capabilities, we believe we are well positioned to deliver value to our customers as their priorities evolve, driving meaningful growth in our small cell business.

Bigger picture, when I consider the durability of the underlying demand trends we see in the U.S. how well we are positioned to consistently deliver growth through all phases of the 5G build-out with significant potential upside in our comprehensive asset base as wireless networks continue to evolve. Our proven ability to proactively identify where wireless network architecture is heading and to be an early investor in solutions to help future networks, the deliberate decisions we have made to reduce 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.

In the near term, as I mentioned before, we expect to deliver outsized AFFO per share growth of 12% in 2021. We expect to generate 8% growth in AFFO per share in 2022 at the high end of our long-term growth target and supported by an expected 20% increase in tower core leasing activity. And we increased our common stock dividend by 11% for the second consecutive year.

Longer term, we believe Crown Castle provides an exciting opportunity for shareholders to invest in the development of 5G in the U.S., which we believe is the best market for communications infrastructure ownership. Importantly, we provide access to such attractive industry dynamics while providing a compelling total return opportunity, comprised of a high-quality dividend that currently yields 3.5% with expected growth in net dividend of 7% to 8% annually.

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 discussed, we delivered another great quarter of results in the third quarter. We remain on track to grow AFFO per share by an anticipated 12% this year. We expect to be at the high end of our growth target in 2022 with 8% AFFO per share growth. And we increased our quarterly common stock dividend by 11% for the second consecutive year, meaningfully above our long-term target growth rate while maintaining a consistent payout ratio.

We are excited about the outsized growth we are experiencing in the early stages of 5G. And we continue to believe our portfolio of towers, small cells and fiber provides unmatched exposure to what we believe will be a decade-long build-out by our customers.

Turning to Slide 4 of the presentation. Our third quarter results were highlighted by 8% growth in site rental revenues, 11% growth in adjusted EBITDA and 13% growth in AFFO per share when compared to the same period last year. Record tower activity level supported this strong growth, generating organic tower growth of 6.3% and higher services contribution when compared to the same period in 2020.

Looking at our full year outlook for 2021 and 2022 on Slide 5. We are maintaining our 2021 outlook with site rental revenues, adjusted EBITDA and AFFO growing 7%, 11% and 14%, respectively. For full year 2022, we expect continuing investments in 5G to drive another very good year for us with 5% site rental revenue growth, 6% growth in adjusted EBITDA and 8% AFFO growth.

Turning now to Slide 6. The full year 2022 outlook includes an expected organic contribution to site rental revenues of $245 million to $285 million or 5%, consisting of approximately 5.5% growth from towers, 5% growth from small cells and 3% growth from fiber solutions.

As you likely saw in our press release, when we refer to new leasing activity, we include the change in amortization of prepaid rent, consistent with how we have discussed activity in the past. To address feedback we've received to provide more detail around our expectations for future -- for leasing activity, we have introduced a new concept of core leasing activity, which excludes the impact of changes in prepaid rent amortization.

Core leasing activity is more indicative of current period activity, whereas changes in prepaid rent amortization also include activity from prior periods as prepaid rent received in those prior periods eventually amortizes to 0 over the life of the associated contract. Although we have consistently provided disclosure on prepaid rent amortization by segment in our supplemental earnings materials, we hope this new presentation format provides a cleaner way for investors to analyze our performance.

With that definition in mind, we expect 2022 core leasing activity of $340 million at the midpoint or $350 million inclusive of the year-over-year change in prepaid rent amortization. The 2022 expected core leasing activity includes $160 million in towers, representing a 20% increase when compared to our 2021 outlook and an approximately 50% increase when compared to our 5-year trailing average; $30 million in small cells compared to $45 million in 2021; and a $150 million in fiber solutions compared to $165 million expected this year.

Turning to Slide 7. You can see we expect approximately 90% of the organic site rental revenue growth to flow through to AFFO growth, highlighting the strong operating leverage in our business. As we discussed in July, we expect to deploy an additional 5,000 small cells in 2022, which is the same number we expect to build in 2021.

We expect discretionary CapEx to be approximately $1.1 billion to $1.2 billion in 2022, including approximately $300 million for towers and $800 million to $900 million for fiber, similar to what we expect in 2021. This translates to $700 million to $800 million of net CapEx when factoring in the $400 million of prepaid rent contribution we expect to receive in 2022.

The full year 2022 outlook for CapEx represents an expected 30% reduction in discretionary CapEx for our fiber segment relative to full year 2022 when we deployed approximately 10,000 small cells. Based on the expected growth in cash flows for full year 2022 and consistent with our investment-grade credit profile, we expect to fund our discretionary CapEx with free cash flow and incremental debt capacity without the need for new equity for the fourth consecutive year.

In addition, we believe our business and balance sheet are well positioned to support consistent AFFO growth through various economic cycles, including during periods of higher inflation and interest rates. Our cost structure is largely fixed in nature, as you can see, with nearly 90% of the full year 2022 expected organic site rental revenue growth to flow through to AFFO growth as I referenced earlier.

And we have taken steps to further strengthen our investment-grade balance sheet that now has more than 90% fixed rate debt, a weighted average maturity of more than 9 years and a weighted average interest rate of 3.1%.

In conclusion, we are excited about the outsized growth we are generating as a result of the initial 5G build-out by our customers, which is translating into back-to-back years of 11% growth in our quarterly common stock dividend. This dividend currently equates to an approximate 3.5% yield, which we believe is a compelling valuation given our expectation of growing the dividend 7% to 8% per year, combined with our high-quality, predictable and stable cash flows.

Looking further out, we believe our unique ability to offer towers, small cells and fiber solutions, which are all integral components of communications networks, provides significant optionality to capitalize on the long-term positive industry trends of network improvement and densification and gives us the best opportunity to consistently deliver growth as wireless network architecture continues to evolve and our customers' priorities shift over time.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we'll first hear from Michael Rollins of Citi.

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

I was curious if you could unpack the leasing commentary in terms of like the activity levels relative to what's coming through the income statement and revenue in '22? And included in that would be, are you seeing an elevated backlog if some of the leasing from companies like DISH just have a longer lead time?

And then the other part of this, I noticed was it seemed like other customer revenue bounced up a couple of hundred basis points in 3Q from 2Q. And curious if that's also signifying some contribution from DISH.

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

You bet. I'll take the big picture question, and Dan can walk through how it flow into the income statement. One of the things that we made the comment, I made the comment in the prepared remarks and was also in the press release. The amount of leasing activity we're seeing in the business is just unprecedented, 50% above our historical 5-year average in terms of core activity is just remarkable. A business that rarely has inflection points, to see that kind of uplift in activity is just really unique.

And it's been 20 years since we've seen this kind of level of activity. And I think largely that is occurring because of the backdrop that we have with the wireless carriers. Among Verizon, AT&T and T-Mobile, all 3 of them are at a place where they're deploying network at scale, both new sites as well as upgrading existing sites to 5G. So that's a very healthy dynamic to have all of the existing carriers spending at a pretty healthy rate.

And just as an aside, I would say it's also really encouraging to us based on the commentary that they've made and the CapEx dollars that they've allocated towards this, this is going to be a multiyear activity. It's not as though the activity is just sort of going to wind down in calendar year '22. So we feel like the backdrop for those 3 carriers is really good and likely to stay for an extended period of time.

And then on top of that, as you referenced with DISH on top of the 3 carriers, the legacy carriers deploying 5G, we also have this new entrant who is deploying a network from scratch. And that activity is beginning in earnest in 2022. So obviously, we signed the agreement with them last year. They made a large commitment to us for 20,000 sites. And it's been impressive to watch as they've stood up that organization and gotten themselves in a place where they can deploy network at scale and at speed.

And so I know our team, employees listening to this call this morning, a lot of them are very, very busy standing up this new nationwide network for DISH. And so that is causing some of the other revenues in the mix to tick up a little bit.

I would also point out, in addition to kind of the -- what you would think of as traditional wireless carriers, there are also a number of new business models that any one of them are not having a meaningful uplift on tower leasing activity. But as a combined group of others, there are lots of businesses that are trying to figure out ways to deploy wireless network, and they're using spectrum bands outside of the spectrum bands that are owned by the wireless carriers. And that's contributing to our revenue growth, and we think that will continue over time.

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

Yes. Mike, I'll try to address the other part of your question, which is the activity levels versus what flows through into the income statement going into 2022.

As you pointed out, there's always a bit of a lag time between activity and when we can see the revenue. We don't start recognizing revenue until a lease has begun, and that means that the site is up and running and able to produce -- and able to deploy the spectrum.

And what that can do at times is delink for a period of time activity from when we see the improvement in our income statement. But what I'll say is that when we look at 2022, we're really excited by how that's going because as Jay had mentioned, the increase in activity is flowing through both in 2021, which has a 30% increase in core leasing tower activity over 2020 and then again, in 2022, where we're increasing again by 20%.

And as Jay mentioned, those are huge numbers when you're talking about our business. So it is flowing through our income statement even with those delays or delays in -- from activity to when we actually turn on a lease.

And the last thing I would point out is as we've made this point before, but with -- specifically with DISH, even though we signed a long-term contract with them, we won't recognize revenue until we have a lease, which means we have a site that is capable of deploying spectrum and propagating that spectrum. So there will be time between the activity levels and when that leasing activity hits our income statement as well, but that's reflected in our 2022 outlook.

Operator

And next, we'll hear from Simon Flannery of Morgan Stanley.

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

Right. I noticed in the guidance you have nonrenewals stepping up a little year-over-year. I wonder if you could just go through some of the assumptions there by business unit? And in particular, on the T-Mobile, Sprint churn, is this sort of a worst-case scenario? Do you expect these to be turned down? And any updates on how you're addressing some of the future churn? Is there any more clarity on perhaps some sort of mass release agreement around that?

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

Yes, Simon, I'll take the first part of that, and I'll hand it over to Jay for the longer-term question. With respect to the churn in 2022, as you pointed out, it is up a bit. It's -- part of that increase is we expect to be on the low end of our churn in 2021, which is around 1% or around $40 million or so in 2021 in our tower business going to about $60 million or 1.5% in 2022.

The majority of that incremental $20 million of churn is related to Sprint sites. And it would be consistent with what our disclosure has been in our supplemental earnings materials over time of what those sites look like and what could be at risk for 2022.

So we do think that's going to happen, which is why we have it in the outlook. I wouldn't say it's conservative or aggressive. It's just our belief of how that's going to play out. And with respect to the rest of the churn, you can see that we are going to have churn on our fiber solutions business is a bit down year-over-year from 2021 to 2022. But we also have a corresponding reduction in new leasing activity on our fiber solutions business. So we think that business will continue to grow around 3%. That's how we're thinking about churn going into 2022.

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

Simon, on the second part of your question, longer term, we certainly intend to work with T-Mobile. I don't have anything to report on this front. Obviously, they've been clear about the need to achieve some synergies in their network as they go through the process of combining with Sprint and rationalizing some sites. We think those are most likely to come on the sites that we refer to as dual residency, meaning sites where both T-Mobile and Sprint are co-located on the same site.

And we'll work with them as they go through that process of achieving those synergies. At the same time, they need to port the spectrum on to other sites and onto the legacy T-Mobile assets. And so there's a large coordination work with them, both in terms of achieving their synergies and also standing their network up and getting it ready for 5G.

And so we're actively engaged in that. I think we still have the view that over the long term, the growth opportunities there are going to exceed that of any churn that we'll realize. And then obviously, to help investors understand kind of the bookends, we've provided details in the supplement so that you can see we had both the amount of future leases as they come up for renewal and the dates of those renewals. So -- but at the moment, nothing to report other than continuing to we want to be a good partner with them, and we'll certainly help to facilitate the goals that they have around their network.

Operator

Next, we'll hear from Brett Feldman of Goldman Sachs.

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

Two questions. You've made the point that there tends to be a lag between when you sign business and when it shows up on your P&L. And I think it's also pretty true with regards to your CapEx, particularly in the small cell business, there can be a pretty big lag between when you're deploying that fiber and when you're actually getting the leasing activity.

So with this being the sort of second consecutive year where your discretionary CapEx is at a lower run rate predominantly because of what's going on, I believe, predominantly because of what's going on with the node deployment, is this deployment run rate of about 5,000 that you're seeing this year probably what you're going to get next year until we get visibility into CapEx moving higher? So that would be the first question.

And then the second is, why did you decide to go ahead and once again raised dividend by more than the rate of growth in AFFO per share? It certainly seems like you could also consider doing buybacks in years where you think you have excess capacity. And I was hoping you can maybe give some insight in terms of how you're thinking about outsized dividend growth versus other forms of capital returns.

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

Absolutely. On your first question, I think you correctly characterized the nature of the CapEx. As it's coming down, we're putting less nodes on air, small cell nodes on air in 2021, similar level in 2022. So naturally, the amount of CapEx would come down.

There is CapEx in those numbers related to nodes going into future periods. We've had a lot of bookings in 2021. On the small cell side, we'll be well north of 15,000 of new bookings in calendar year 2021, and we're getting started on building those nodes while they won't come on until in all likelihood 2023 and beyond, we've already begun work on that. So there is a bit of a lag there.

In terms of CapEx per node and unit economics, all of that has basically stayed in line with what we've seen historically. So as we get through the soft cost of getting these nodes permitted, et cetera, then we'll have a better sense of when they'll come on air, and then the bulk of the CapEx is incurred in the last few months prior to installation of the nodes. In the earlier months, we incur the CapEx associated with more soft costs around zoning and planning that we go down the process of.

So I think we would expect to see some uplift in CapEx as we get into 2023. And the total number of nodes that we're deploying moved north of where we're going to see it in this calendar year and in 2022.

On the dividend question, the reason why we raised it 11% this year is a combination of both the outsized growth that we saw in calendar year 2021 and then where we think the guidance will be for 2022. So our philosophy around the dividend has been basically to hold the payout ratio. Think of that as a percentage of AFFO per share, to hold that payout ratio in that 75% to 80% of AFFO per share and to pay that out in the form of a dividend.

So in essence, the dividend raise this year is a combination of the outperformance that we've seen in 2021 and raising the dividend to bring it back in line associated with that outperformance in the calendar year and then what we think the performance will be in 2022 in the operating business. So that's our goal and how we think about sizing it is just looking at AFFO per share for the next year and then sizing the dividend appropriately for that.

With regards to the last part of your question around how do we think about share purchases, we're coming right in line here based on the growth with where we'll be at our targeted amount of leverage of about 5x debt-to-EBITDA. And we certainly, as we have done historically, want to put the capital to work at its highest and best use. And highest and best use to us is a risk-adjusted return based on what we think the long-term dividend per share will be.

And recently -- most recently, the answer to that question has been answered largely by what we believe the benefit of small cells will be to the business long-term of growing that dividend over the long-term and maximizing the dividend per share. To the extent that as we move to a place where we're at our targeted level of leverage, and we're creating additional leverage capacity and investment capacity, we'll continue to do that same analysis and rigorously look at what we think maximizes the return and uses up the capital that we have available to us.

Historically, we've done a lot of share purchases with that excess capital and leverage capacity, and that's absolutely what we test the returns against. So we'll have to see as we get into the future years around what's the opportunity around small cells. Is there an opportunity to invest there that meets that hurdle of highest and best use for the capital, and test that always against the opportunity to buy back shares.

So you should certainly expect at points in time in the future that we will be buyers of our shares because that will be the highest and best use. And we'll use some of the capacity that we have to go into the market and buy back our shares.

Operator

Philip Cusick of JPMorgan.

Amir Razban

This is Amir for Phil. In your current outlook for 2022, are you expecting any carriers to be more active or less active than they are currently? Or do you assume that they kind of continue at the current level of activity? And I assume this is already baked into those estimates. And another one that I had was, how should macro tower activity be weighted in 2022? Is it somewhat back-end loaded?

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

Yes. On your first question around the activity by carrier, I don't want to speak to kind of the specific deployment plans of our customers. As I mentioned in the question, I think, that Mike asked, the activity across all of the carriers is elevated. We're going to see -- we think we'll see in 2022 about a 20% increased activity as compared to 2021. And that's really coming across the board. So we're seeing elevated levels of activity from all of the carriers.

With regards to whether the year is back-end loaded. We're going into this year with a lot of activity that's currently underway. And given the nature of the business where we signed a lot of leases in the current year and the next year, we get the benefit of having all 12 months of leasing in that year. We're going up the ramp as we go through 2021.

So I think you'll see a similar ramping as we go through calendar year 2022, but maybe not quite as back-end loaded as what we've seen in past years because a lot of that uplift in actual activity applications that will drive that leasing activity that we're going to see in terms of the numbers that Dan was walking through earlier and impact the income statement. A lot of that actual application and leasing activity is actually occurring in this calendar year in 2021.

So we've either got signed leases or we have a lot of visibility to it, which would indicate that it's not a back-end loaded here. We're not counting on a big uplift in the second half of next year.

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

Yes. And Amir, I'll just answer one last question you threw in there, which is DISH included in our outlook. The answer is yes. We have included the activity that we anticipate for all our customers in 2022.

Amir Razban

Okay. Great. And if I may, on the small cell side, how much of -- in 3Q was that activity is onetimers? And what do you expect in 4Q? And like overall kind of looking at the outlook for small cells into 2022, do some of that lost activity roll over to 2023? Or should we be thinking about that differently?

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

Yes, there was a little bit, but not enough to be material to the results in the quarter. Certainly, as we talked about big picture the number of nodes, we talked about this some last quarter. The reason why we lowered the number of nodes that we're going to put on air in '21 and '22 was the decision that the carriers made around where to put their CapEx dollars on equipment. And they focused those dollars towards macro sites and pushed to the right the delivery timing on small cells. And so we're reflecting that in our outlook.

In terms of nodes committed, there's no change in the number of nodes. So all it did was slide those nodes into years '23 and '24. And so we've got some work that we've gotten done that are ready to install those nodes once equipment is delivered, and we'll see the benefit of that in '23 and '24. But we didn't lose any of the nodes. We just pushed them out into future periods.

Operator

We're next hear from Colby Synesael of Cowen.

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

Great. Two questions. One is implied in your 8% AFFO growth for 2022 would be a step down in AFFO sequentially in the fourth quarter of this year to get to the midpoint effectively to your guidance, which is what your growth assumptions are based off of for next year.

I appreciate that I think sustaining CapEx will go up. But even if you go to the higher end of your range, which you maintained, it doesn't quite get you, quite frankly, low enough on AFFO to get that number low enough to get to that effectively 8% for next year. Are there any other items that are worth flagging that we should be mindful of going 3Q to 4Q that would take AFFO down to effectively get you to that midpoint for 2021?

And then secondly, just as a follow-up to the question that was just asked. Is it fair to assume that you would anticipate seeing leasing of around 15,000 small cells again this year and really what we need to be sensitive to is really just how that rolls in? Or would you anticipate that leasing itself could be down as well this year?

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

Yes. Colby, I'll take the first part of that and hand it to Jay for the leasing question. You're right. And everything you said about going into Q4, there is a step down in AFFO. It is largely driven by an increase in expenses and capital, both operating expenses and sustaining capital that happens in the fourth quarter. That has happened in plenty of times in our past as well.

Having said that, it will -- as you pointed out, it will likely be towards the higher end of the range when we get toward -- when we get -- when we end 2021, we'll be at the higher end of our range. We don't move the range when we are going to still be within it. That's why we give a range. We don't want to continually move it, but it will be -- likely be higher than the midpoint when we...

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

That's for sustaining CapEx -- you're referring to sustaining CapEx being at the higher end?

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

No. I mean, well, sustaining CapEx will be. But I mean, our AFFO per share will be higher than the midpoint most likely as it plays out in 2021.

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

Colby, on your second question around small cell nodes, let me just back up and make sure I give the full picture. In terms of what we're going to put on air, meaning go through the operational process of building them and turning them up, we think we'll do about 5,000 this year, calendar year 2021 and turn another 5,000 on in calendar year 2022. Those will be that we put on air.

In terms of bookings, which would refer to a node that a carrier makes a commitment to us, they sign a contract, commit to a node, and then we'll build it in future periods. Our bookings in calendar year 2021 will be well in excess of 15,000 nodes that we do in terms of bookings this calendar year. And those will come on in future years.

As we get into calendar year 2022, we'll give you an update on where we think bookings will be at that point. But for calendar year '21, we think the number will be well in excess of 15,000, which is by far the highest bookings year we've ever had in our history on the small cell side.

And I think it's interesting. I think it just points to the conversation I was having a few minutes ago around the landscape that we have with the carriers. This is as healthy in environment with the carriers as we've ever seen, long-term commitments on the capital side, committed amounts by each of the legacy carriers and the build-out of a brand-new network.

And at the moment, the mix that they have is heavily weighted towards macro sites. But I think over time, as we have seen in the past, I think there will be some shift of that mix of total capital spend where a portion of it will go towards small cells, and there will be less focused on macro sites.

I think you can see that in the commitments that the carriers are making to us by over 15,000 small cell bookings this year that they're thinking about in future periods. That's going to take a significant chunk of their CapEx in those future years that we would think would move away from macro sites and towards small cells.

And it may look more like what it did 2 or 3 years ago when we saw a real slowdown on the macro site side, and we're benefiting from an allocation of that capital towards small cells. So I think that's the benefit that we have in terms of our strategy of providing wireless networks to the carriers, and we'll benefit if they're focused on small cells or we'll benefit if they're focused on macro sites. And over time, both are just critically important to the way networks are going to be developed.

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

Great. One real quick just follow-up or actually not a follow-up, a separate question. Should we still think of the book-to-bill for towers being roughly 6 months? Is that roughly kind of how you think about on average? Or has that number changed much?

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

I think that's a pretty fair average. To the extent that we're doing amendments to existing sites, that's a really fair average. To the extent that somebody is going on a tower for the first time, that average is probably a little closer to 12 months than it is 6 months. And the zoning and planning process really unchanged. But depends on the type of activity. If it's amendments, we're probably getting close to in that 6 to 9 months range. If it's a brand-new installation on an existing site, we're probably closer to 12 months.

Operator

Next we'll hear from David Barden of Bank of America.

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

I appreciate the opportunity to take some questions. So I guess, I got a couple. The first one is maybe, Dan, when looking at the kind of core leasing macro tower revenue increment, $155 million to $165 million, there's a lot of interest in kind of making sure we understood the percentage of that, that is kind of locked in within holistic MLA guardrails and the percentage that could conceivably maybe be a little bit better than what your kind of initial expectation is depending on what we learn about carrier activity levels as we go into 2022.

The second question was I want to make sure I understand, Jay, some of the comments you're making in your -- at the end of last year, we had 50,000 small cells on air and 30,000 in the committed backlog. That's 80,000. In your opening remarks, you said you still have 80,000 on air are committed. But then you said there's 15,000 that we've build and when you build -- or sorry, that you've booked this year, which makes me think that, that 80,000 should actually be 95,000. Am I wrong about that?

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

Yes, I'll take the second question, and Dan can take the first question. The 15 -- obviously, this year, calendar year 2021, 15,000 of the nodes that we booked is Verizon, the big announcement that we made in January of this year. So it may just be, Dave, a little bit of a timing difference between are you looking at the 80,000 nodes at 12/31/2020 or when we did fourth quarter earnings in the first quarter of this year, I think is -- so I'm referring -- when I made my comments, I'm referring to total nodes on air or in process of 80,000 nodes in total.

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

Okay. So that's the same number as at the fourth quarter result, which was in February?

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

Correct, correct. And obviously, we're rounding to 5,000 increments. So we're not showing the movements as they move in anything less than 5,000 increments.

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

Okay. Got it. And so then just to follow up on that is, so there really hasn't been any new small cell bookings outside of that very initial part of the year. So is there an expectation on your part that as people kind of pivot from the macro build and start to plan for that '23, '24 time frame that the bookings should kind of come back into next year?

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

Well, there have been bookings just not to the point where we're increasing the increment by 5,000. So that there have been bookings this year, and I think there will be. So we'll be in excess of just the Verizon commitment in calendar year 2021.

I do think based on zooming out a little bit and thinking about this from a bigger picture standpoint, the second part of your question there, I would affirm that as we get further into this year and into next year, we would expect there to be more bookings. The carriers are focused at the moment on macro sites and building those out, but they're -- we're also having significant conversations with them about the requirements that they're going to have around cell site density. And we think that will drive a lot of activity towards small cells.

So in periods beyond 2023 and beyond, I think we will see an uplift to the total of number of nodes that both we have in bookings and then ultimately that we're putting on air as a need that they have in the network once they've done this initial overlay of putting it all on macro sites.

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

Got it.

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

Okay. So Dave, I'll take that first question around our core leasing on the towers, how much is in MLAs. When we look out into future periods like 2022, we obviously take into account the agreements we have with our customers. And as I think you're implying in the question, we have those with several of our customers at this point.

But even within those agreements, we have upside. They're not necessarily capped. And therefore, what we try to do is come up with an estimate of what we think the activity will be from each of our customers based off of what we know today have already been signed, what we have a really good line of sight into going into next year and then what we think will happen in next year.

And when we come up with that -- when we came up with the $155 million to $165 million, that's our best guess of what we think that activity will look like and how it will be monetized within our agreements. But I would say that there's always going to be some ability for that to be better or worse than what we expect if the activity is going to be better or worse than what we expect.

And as Jay has mentioned a few times, we're really excited about the level of activity going into next year. That $155 million to $165 million is an increase over a really good 2021. So we're excited. We feel good about what that activity level looks like. And we'll see how it plays out in terms of when our customers come to us and want to put more equipment on towers.

Operator

Nick Del Deo of MoffettNathanson.

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

One on fiber solutions and one on small cells. First, as we think about the lease in for fiber solutions in '22 versus '21, is that decline just a function of lapping some COVID-driven capacity sales in '21? And what's causing that churn to come down a little bit?

And then on the small cell front, as we think about the potential timing for installing what you have in the backlog over the next few years, do all those nodes have firm dates by which the carriers need to start paying you for them? Or do they have flexibility to kind of keep deferring installations if they choose? What's the dynamic there?

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

You bet. On the first question, we've talked about this for a long time. We think that the fiber solutions business is going to operate at around a 3% annual growth rate. And that's what we're seeing in calendar year '21. I think we'll see a similar level in '22.

There was some impact during COVID, particularly in the early months of 2021 and late 2020 associated with offices being closed. But honestly, our business was -- because of the nature of large enterprises, universities and government, which make up the bulk of the fiber solutions revenue that we do, we were not impacted nearly to the extent that fiber companies who are more focused on small and medium enterprises saw an impact.

So we didn't see a falloff as many of them did. And then conversely, as the economy started to open back up, we just did not see as much of an uplift. So I would say, similar business environment to what we've seen the last couple of years, maybe a little bit better. But I think the growth is basically in line with what we've seen of about 3%.

Churn is down. We think it will be down. This is an area that I know our team has focused really hard on. A part of it is making sure that we're being thoughtful about the kind of customers that we pursue on the front end. And then also, as we manage the relationship as we get close to a contract renewal, being thoughtful about how we handle those contract renewals. And I think the team has done a really nice job, and we've seen some benefit from some of their work. And we think we'll see more of that in '22 as we go through the process of managing the renewals in the end of term on some of those contracts.

On your second question around small cell nodes and firm dates, we talked a little bit, I think, Nick, about this on the last quarterly call. We made a -- and it should be viewed this way, we made an affirmative choice to work with our customers on pushing out these nodes into future periods.

Our contractual rights, I think, would have given us the ability to really push to turn these nodes to the point where we could have handed them over and charge rent to the carriers. But we made the affirmative decision -- given the volume that was coming our way and the reallocation of the dollars from the small cells to the macro sites, we made the affirmative decision to work with them and give them an ability to push out those dates.

So there may be circumstances that arise in the future where we would not be willing to do that. But this was an affirmative decision that we made based on managing the customer relationship and maximizing what we thought was the return.

The volume, as I said before, the volume and the revenues and cash flows all end up at the same place. But if we could maximize early some of the macro site revenues and work with the customers to give them an extension on when we turn the small cells on, we thought that made good business sense, and that's why we did it. But contractually, we would have a right to do something a little different.

Operator

Next we'll hear from Matt Niknam of Deutsche Bank.

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

Just 2 if I could. First, maybe going back to a question that was asked earlier on the call. In terms of new entrants or maybe newer contributors, to what extent are you seeing or maybe anticipating contributions from either new CBRS deployments from cable or via fixed wireless broadband deployments from some newer entrants?

And then secondly, on the topic of supply chain constraints. I'm just wondering, has that to any extent impacted customer behavior, either to date or have you embedded any more conservatism that some of these constraints may have in terms of customer activity next year?

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

On your first question, you called out a number of different items. I would put all of those in a bucket and say, yes, all of those are helping. CBRS is helping. Cable is helping. There's broadcast that is helping. There are a number of areas that we're seeing leasing demand for macro sites. And we think that will continue into the future.

I wouldn't call it out as a material impact to our 2021 or 2022 leasing results. But at the margin, it does help and does drive the incremental growth that we're talking about in site rental revenues. I think given the amount of spectrum that there is outside of the hands of the carriers and the capital that is in some of those sectors in order to deploy wireless network, I think on the longer term model, if you take a 5- or a 10-year view, I think there is some meaningful leasing activity that's going to happen outside of what you think of as the legacy or traditional wireless carriers that will benefit macro and small -- macro sites as well as small cells over time. And as we start to see that, we'll give you more details around what those impacts are going to be.

On your second question around supply chain constraints, obviously, I think the whole world is feeling the impacts of that, and much has been written about it. We've worked really closely with our customers on when they expect to receive equipment and the timing of that and then trying to make sure we line up sites to be ready for them based on when the equipment is received.

I think they've done a nice job of working with their supply chains and having equipment available to get 5G networks launched in the time frame that they expected. So it's a coordination activity, certainly a communication activity that our teams are having with their team. And thus far, that dialogue has proven to be a predictable indicator of when actual activity does happen on our sites.

So we're watching it, paying attention to it, but feel pretty good about the fact that our outlook does assume the environment of constraints that are out there and our leasing expectations are a function of the coordination and communication we're having with our carriers on when equipment will be available.

Operator

Ric Prentiss of Raymond James.

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

A couple of questions. First, really appreciate you guys breaking out the details on the '22 guidance on what's been, obviously, a big issue for us that noncash amortization of prepaid rent, really appreciate your focus on core. Wondering if it's possible when you do the supplement or do you think the supplement where you give the segment information, but it's just towers versus fiber. Can we get that information historical going forward towers versus small cells versus fiber solutions?

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

Thanks for the suggestion. We'll take a look at that.

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

Yeah. Since you're putting it into the guidance, that will really help to break that out because it's important. I'm glad you guys are focusing on the core side because that really is the ongoing forward cash flow.

Second one, you had touched on it a couple of times. David and others asked it. Is there an update to how many small cell nodes are on air right now? Or is that also something that comes like in 5,000 increments?

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

Yes. We're just under 55,000 that are on air today.

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

Okay.

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

There's about 25,000 in the backlog.

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

Right. Makes sense. And then conceptually, augmentation of towers, so you get prepaid rent adds from. With Verizon doing C-band, T-Mobile integrating Sprint, DISH putting 5G on the network, is there a thought that the tower augmentation spending needs to go up at some point to handle all this and then the reimbursement could come up as well in the future?

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

Yes. I mean that obviously could happen. It depends on how we're going to work through with our customers and what that prepaid rent looks like and also is impacted by what they want to put on which towers.

Typically speaking, co-locations come with more augmentation CapEx than do the amendments. So it really depends on how that all is going to play out. And what we have going into 2022 is tower CapEx is coming down slightly from 2021 but nothing all that meaningful. So it's all activity-based, ultimately, Ric, and then where that activity ends up and how we can -- what we get back from our customers. And that does fluctuate up and down over time.

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

Makes sense. One more quick and then we get someone else squeeze in. Any updated thoughts on in-building systems? There's been a lot of talk about private 5G networks and what the opportunity might be. What are your thoughts as far as capital deployment back to Brett's kind of question on what's the opportunity for private 5G maybe in building systems?

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

Yes, the in-building, and I would put venues into this category, too. 5 or 6 years ago, we had talked about in-building and venues. And we saw some opportunities but relatively limited. And that business has really picked up on the small cell side, and we are seeing some really nice opportunities on in-building and venues and seeing some healthy growth there.

The returns are good. It's a place where we like to invest. Certainly, it falls into that category of the densification comments that I was making earlier. Any place you see a densification of people with the growth in traffic that we're seeing really, the only way to manage the network towards a viable solution is to go in and put in small cells. And that's true in the public right of ways, and it's true in venues and in-building. So the growth in traffic that we're talking about and the deployment of these 5G networks just requires greater densification. And in-building and venues are following the same pattern that we're seeing happen in right of ways.

And we can try to squeeze in 2 more callers before we drop off this morning.

Operator

Next we'll hear from Sami Badri of Credit Suisse.

Ahmed Sami Badri ***Crédit Suisse AG, Research Division - Senior Analyst***

I wanted to ask you about your tenants for tower that moved higher in the quarter, and it comes along with a solid move in your rental revenue per tower. Is there any opportunity for accelerated tenancy improvement given the 5G build and some of the other trends that you mentioned? And as you see tenancy go up, what are the impacts of free cash flow at this point?

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

Yes. We are seeing increased tenancy on the towers. Historically, we've added about one tenant every 10 years roughly. I think that's a pretty good forecast for what we'll see over the long-term. It's underpinning our 7% to 8% targeted growth in the dividend over time. So I think we'll -- I think that's kind of the path that we're on.

And as I made the comments earlier around the capital spending by the carriers and the environment that we're in, I think we've got a good tailwind to continue to stay on that path of increasing tenancy of about one tenant over 10 years. The unit economics of the business remain intact, and Dan mentioned this in his prepared remarks. But we're dropping $0.90 of every dollar up at the organic site rental revenue line. We're dropping that all the way down to AFFO.

And it's a real credit to our team, who has done a tremendous job of managing the expenses and being thoughtful about places where we can take out costs in order to achieve that -- those very high incremental margins on incremental dollars of revenue. And it's one of the beauties of our business model and certainly one we think we can continue to sustain and improve upon.

Ahmed Sami Badri ***Crédit Suisse AG, Research Division - Senior Analyst***

Got it. One other follow-up is, does your guidance include any type of benefit from the Biden infrastructure bill that may be passed in the near future? And then if your guidance does not include it, how do you imagine the broadband budgeted spend benefit your business if it -- if there is a path for that?

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

No, we have not anticipated any of that in our current forecast or guidance. I think the most likely path for benefit from that is indirect. I wouldn't necessarily expect that we will be a direct recipient of those federal funds. But the customers that use both our fiber, our small cells and our towers could absolutely be recipients of federal funds that would then need to build network.

And as I made comments earlier, the most efficient way to deploy spectrum and deploy network is to share it. And so our offering of infrastructure, shared infrastructure, lowers their cost and speeds their time to deployment. And so we certainly would expect to benefit indirectly as those federal funds become available and broadband for all becomes built out.

Operator, may we can pick one more. Sure, absolutely. If it may, we can take one more question.

Operator

And that question will come from Walter Piecyk of LightShed.

Walter Paul Piecyk ***LightShed Partners, LLC - Partner & TMT Analyst***

Just, Jay, just from 10,000 feet, when you've talked a lot about this kind of -- I mean, you haven't used the word, but basically the pivot in the near term in terms of the focus on macro versus small cells and at some point, it's going to come back, and you've got these orders in hand.

But like when you talk to Verizon or AT&T, it seems like -- or even T-Mobile, it seems that the macro focus and that the C-band plans even in terms of upgrading to massive MIMO is a 2- to 3-year process. So I'm just curious kind of in your thoughts when do you think there will kind of be this pivot back to the small cells where we'll see some actual growth there?

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

Yes. I think some of it you can see in the -- thanks for the question, Walt. I think some of it you can see in just their activity with us. The commitment that they made of 15,000 small cell nodes is an indication that they're thinking about it in the near-term planning horizon of what's going to be required in their network as they're going through the process of working on macro sites and then working on -- and then starting to infill and densify the network.

And this is a pattern that's followed. We saw this occur with 3G. We saw it occur with 4G, where -- and now we're seeing it with 5G, where the first step of deployment in the network is the carriers go and touch all of the assets that they're already on and upgrade those sites to the new technology. And then once they get that overlay done, then they come back, and they really focus heavily on densification.

So when we look at the way the networks are performing, both on terms of the sites that have already been upgraded and the usage -- the data usage on those sites, from a technical standpoint, the capacity starts to get reached. And therefore, they've got to the term that's been historically used, they've got a cell split. They've got to reuse that spectrum over more sites.

And the dynamic that we've seen in the market, and I think this is reflective of the nodes that we're booking now, there's not other macro sites that they can use to self split that spectrum. They're already on those macro sites. And so they've got to figure out a way to densify the network and reuse the spectrum in places that are not sort of the traditional macro sites.

And we think that's where we get the real benefit on the small cell side. I think as we get into calendar years '23 and beyond, I think we'll really see that movement, probably similar to what we saw at 4G. Like we got to the point where in 4G, we had added 4G to all of the towers, and then we saw significant activity on the small cell side as they upgraded sites to improve the network and densified 4G using small cells. We think we'll see a similar thing on the 5G side to an even greater extent given the types of spectrum bands that are being used and the amount of increase in data traffic is just going to require more than macro sites can deliver.

Okay. Well, I appreciate everyone joining this morning. Thanks for the time. And I do want to thank our team, our employees who have done a phenomenal job navigating through the challenges of COVID over the last 20-plus months here and continuing to deliver for our customers. They are incredibly busy and have done a tremendous job for our customers. So I want to say thank you to them and more to come on that front. So thanks, everyone, for joining. Look forward to talking to you soon.

Operator

That does conclude today's conference. Thank you all for your participation. You may now disconnect.

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