# Crown Castle International Corporation (CCI)

*Updated April 30th, 2022, by Josh Arnold*

## Key Metrics

| | | | | | |
|---|---|---|---|---|---|
| **Current Price:** | $185 | **5 Year CAGR Estimate:** | 6.0% | **Market Cap:** | $82 B |
| **Fair Value Price:** | $185 | **5 Year Growth Estimate:** | 3.0% | **Ex-Dividend Date:** | 06/14/22[1] |
| **% Fair Value:** | 100% | **5 Year Valuation Multiple Estimate:** | 0.0% | **Dividend Payment Date:** | 06/30/22 |
| **Dividend Yield:** | 3.2% | **5 Year Price Target** | $214 | **Years Of Dividend Growth:** | 7 |
| **Dividend Risk Score:** | C | **Retirement Suitability Score:** | C | **Rating:** | Hold |

## Overview & Current Events

Crown Castle International was founded in 1994 and has since become a powerhouse in the data infrastructure business. It is structured as a real estate investment trust, or REIT, and operates cell phone towers with small cells where larger towers are not feasible, and fiber connections for data transmission. The trust owns, operates and leases more than 40,000 cell towers and 80,000 route miles of fiber across every major US market, helping it to support data infrastructure across the country. Crown Castle is headquartered in Texas, produces annual revenue of nearly $7 billion, and trades with an $82 billion market capitalization.

Crown Castle reported first quarter earnings on April 20th, 2022, and results were weaker than expected on both the top and bottom lines. FFO-per-share came to $1.87, which was two cents shy of estimates. Revenue was $1.6 billion, which was up 15% year-over-year, but missed estimates by $120 million.

Site rental revenues were $1.57 billion in Q1, up from $1.36 billion in the year-ago period. Income from operations was $421 million, up sharply from $121 million a year ago. Adjusted EBITDA was $1.09 billion, up from $897 million in the year-ago period.

Th company lifted its guidance for the year despite relatively weak Q1 earnings, and Crown Castle now expects site rental revenues to be $6.26 billion this year, up ~$40 million from prior guidance. Income from continuing operations is now forecast at $1.71 billion for the year, also ~$40 million higher than the prior forecast.

Following the boosted guidance, we're now expecting $7.70 in adjusted FFO-per-share this year.

## Growth on a Per-Share Basis

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2027 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CF/S | $2.76 | $2.59 | $4.07 | $4.30 | $4.30 | $4.15 | $5.27 | $5.69 | $6.12 | $6.39 | ***$7.70*** | ***$8.93*** |
| DPS | --- | --- | $1.87 | $3.35 | $3.61 | $3.90 | $4.28 | $4.58 | $4.93 | $5.46 | ***$5.88*** | ***$7.15*** |
| Shares[2] | 293 | 334 | 334 | 334 | 361 | 406 | 417 | 418 | 433 | 432 | ***431*** | ***429*** |

Crown Castle's cash flow per share – defined as the sum of earnings plus depreciation, minus preferred dividends – has shown robust levels of growth over the past decade. The trust has managed to grow per-share cash flow at more than 9% annually on average for the past decade. While we don't see that sort of growth as feasible for the long-term, we forecast 3% growth in cash flow moving forward.

The trust can achieve this growth through continued organic revenue increases in the low- to mid-single-digits, a bit of margin expansion as it boosts organic revenue and integrates acquisitions, as well as new revenue purchased from acquisitions. The trust's robust cash flow generation will afford it the opportunity to continue to do this over time, as well as pay the ample dividend. Crown Castle's penchant for buying growth will help expand the top line, in addition to organic revenue gains, but both are important pieces of the growth outlook moving forward. We think the future is still bright as consumers demand more and more access to data over time, and Crown Castle is poised to deliver. In addition, its portfolio is centered in metropolitan areas with favorable long-term demand outlooks, so the trust is well positioned

---

[1] Estimated date

[2] Share count in millions

in a variety of ways. We see this as being somewhat offset by stubbornly high tenant non-renewals. However, the trust's leverage to the 5G rollout puts it in a very strong position for the years to come. Management noted in recent earnings calls that it continues to secure a high number of commitments, indicating still-growing demand.

We see the dividend increasing to a payout of $7.15 per share in five years' time. We note Crown Castle's payout ratio is currently elevated.

## Valuation Analysis

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Now | 2027 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Avg. P/CF | 26.1 | 28.4 | 19.3 | 20.1 | 20.2 | 26.7 | 20.6 | 22.9 | 26.0 | 28.3 | ***24.0*** | ***24.0*** |
| Avg. Yld. | --- | --- | 2.4% | 4.0% | 4.0% | 3.9% | 3.9% | 3.5% | 3.1% | 3.0% | ***3.2%*** | ***3.3%*** |

Crown Castle's cash flow multiple has varied quite widely in the past decade. Its long-term average is 21 and we see the stock as fairly valued today given shares trade for 24 times this year's cash flow estimate. Crown Castle's very high-quality earnings and decent growth outlook mean that its yield is likely to be lower than other REITs, and we expect the yield to remain in the low-3% area for the foreseeable future.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2027 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Payout | --- | --- | 46% | 78% | 84% | 94% | 81% | 80% | 81% | 85% | ***76%*** | ***80%*** |

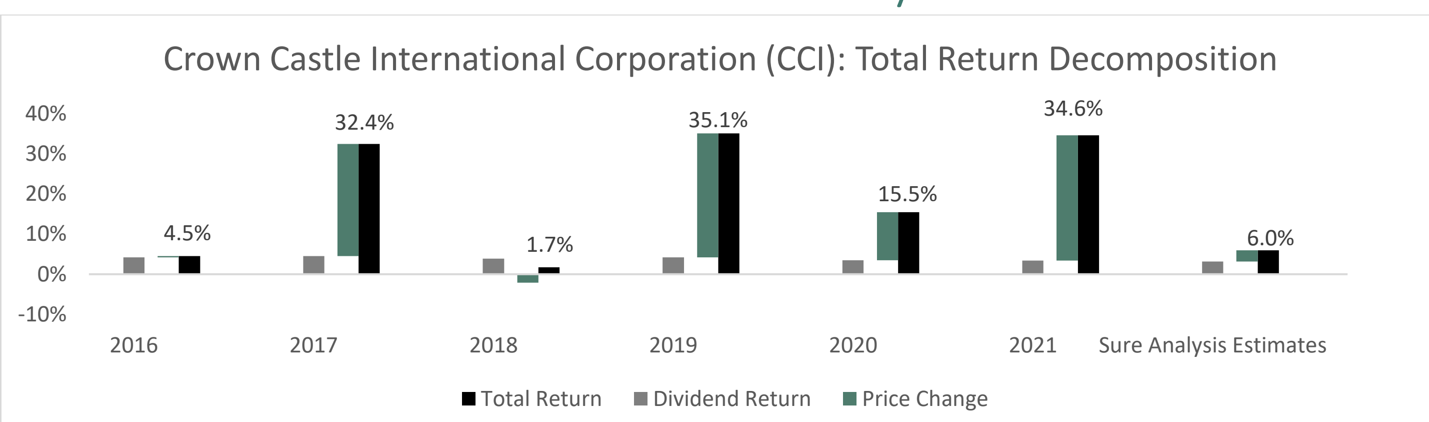
The trust continues to pay most of its earnings out as dividends, as it is required to do as a REIT. The current payout ratio is 76% of FFO. We forecast continued relatively modest increases in the payout, around that of FFO growth, and we believe the payout is safe. Crown Castle has stable and growing cash flows that allow it to invest in the business and return cash to shareholders.

Crown Castle should be quite resilient to recessions given its place in what amounts to a utility in the burgeoning telecommunications industry. The trust performed very well during the Great Recession, and we see no reason for investors to be alarmed should another recession strike. Its competitive advantage is somewhat weak given it provides a service with a relatively low barrier to entry, but Crown Castle's scale is an advantage.

## Final Thoughts & Recommendation

We continue to rate Crown Castle a hold given the recent sideways movement in the stock, as well as modest earnings growth that is currently forecast. We still see the stock as fairly valued, but prospects are decent at 6% total projected annual returns.

## Total Return Breakdown by Year




[Click here to rate and review this research report. Your feedback is important to us.]

*Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.*

# Crown Castle International Corporation (CCI)

*Updated April 30th, 2022, by Josh Arnold*

## Income Statement Metrics

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 2433 | 2866 | 3539 | 3664 | 3921 | 4356 | 5423 | 5,773 | 5,840 | 6,340 |
| Gross Profit | 1704 | 1875 | 2232 | 2342 | 2480 | 2792 | 3576 | 3,782 | 3,871 | 4,347 |
| Gross Margin | 70.0% | 65.4% | 63.1% | 63.9% | 63.2% | 64.1% | 65.9% | 65.5% | 66.3% | 68.5% |
| SG&A Exp. | 213 | 214 | 257 | 311 | 371 | 426 | 563 | 614 | 678 | 680 |
| D&A Exp. | 623 | 741 | 986 | 1036 | 1109 | 1242 | 1528 | 1,574 | 1,608 | 1,644 |
| Operating Profit | 869 | 920 | 989 | 995 | 1000 | 1124 | 1485 | 1,594 | 1,947 | 2,023 |
| Operating Margin | 35.7% | 32.1% | 27.9% | 27.2% | 25.5% | 25.8% | 27.4% | 27.6% | 33.3% | 31.9% |
| Net Profit | 189 | 90 | 391 | 1521 | 357 | 445 | 671 | 863 | 1,056 | 1,096 |
| Net Margin | 7.8% | 3.1% | 11.0% | 41.5% | 9.1% | 10.2% | 12.4% | 14.9% | 18.1% | 17.3% |
| Free Cash Flow | 331 | 703 | 908 | 885 | 913 | 815 | 761 | 641 | 1,431 | 1,498 |
| Income Tax | -100 | 191 | -11 | -51 | 17 | 26 | 19 | 21 | 20 | 21 |

## Balance Sheet Metrics

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Assets | 16,089 | 20,595 | 21,143 | 21,937 | 22,675 | 32,229 | 32,351 | 32,621 | 38,768 | 39,040 |
| Cash & Equivalents | 441 | 223 | 151 | 179 | 568 | 314 | 206 | 323 | 232 | 292 |
| Acc. Receivable | 193 | 250 | 313 | 313 | 374 | 398 | 455 | 471 | 431 | 543 |
| Goodwill & Int. | 6,062 | 8,974 | 8,878 | 9,293 | 9,408 | 15,983 | 15,804 | 15,694 | 14,511 | 14,124 |
| Total Liabilities | 13,137 | 13,654 | 14,406 | 14,848 | 15,118 | 19,890 | 20,222 | 20,775 | 29,307 | 30,782 |
| Accounts Payable | 116 | 145 | 162 | 160 | 189 | 249 | 272 | 302 | 230 | 246 |
| Long-Term Debt | 11,611 | 11,595 | 11,921 | 12,150 | 12,171 | 16,159 | 15,956 | 16,424 | 19,280 | 20,629 |
| Total Equity | 2,939 | 6,927 | 6,716 | 7,089 | 7,557 | 12,339 | 12,129 | 11,846 | 9,461 | 8,258 |
| LTD/E Ratio | 3.95 | 1.67 | 1.77 | 1.71 | 1.61 | 1.31 | 1.32 | 1.39 | 2.04 | 2.50 |

## Profitability & Per Share Metrics

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Return on Assets | 1.4% | 0.5% | 1.9% | 7.1% | 1.6% | 1.3% | 1.9% | 2.6% | 3.0% | 2.8% |
| Return on Equity | 7.1% | 1.8% | 5.7% | 22.0% | 4.9% | 3.7% | 5.1% | 7.2% | 9.9% | 12.4% |
| ROIC | 1.6% | 0.5% | 2.1% | 8.0% | 1.8% | 1.5% | 2.2% | 3.1% | 3.7% | 3.8% |
| Shares Out. | 293 | 334 | 334 | 334 | 361 | 406 | 417 | 418 | 433 | 434 |
| Revenue/Share | 8.35 | 9.58 | 10.62 | 10.97 | 11.50 | 11.11 | 12.94 | 13.79 | 13.74 | 14.61 |
| FCF/Share | 1.14 | 2.35 | 2.72 | 2.65 | 2.68 | 2.13 | 1.83 | 1.53 | 3.37 | 3.45 |

*Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.*