SBA Communications Corporation (SBAC)

Updated March 3rd, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	$218	**5 Year CAGR Estimate:**	10.4%	**Market Cap:**	$23.5 B
Fair Value Price:	$220	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	03/13/2025
% Fair Value:	99%	**5 Year Valuation Multiple Estimate:**	0.2%	**Dividend Payment Date:**	03/27/2025
Dividend Yield:	2.0%	**5 Year Price Target**	$323	**Years Of Dividend Growth:**	6
Dividend Risk Score:	B	**Retirement Suitability Score:**	C	**Rating**	Buy

Overview & Current Events

SBA Communications is a leading independent owner and operator of wireless communications infrastructure, primarily including tower structures that support antennas used for wireless communications. The company owns nearly 40,000 tower sites which it leases to multiple wireless telecom providers. SBA also owns a site development business, through which it assists telecom providers in developing and maintaining their own wireless service networks. The company generates about $2.7 billion in annual revenues and is headquartered in Boca Raton, Florida.

On February 24th, 2025, SBA raised its dividend by 13.3% to a quarterly rate of $1.11.

On the same day, SBA posted its Q4 and full-year results for the period ending December 31st, 2024. For the quarter, revenues were $693.6 million, 2.7% higher year-over-year. Total site leasing revenue increased by 1.6% in constant currency, while site development revenues grew 21.9%. AFFO grew by 2.6% year-over-year to $375.1 million. On a per-share basis, AFFO grew by 3.0% to $3.47, boosted further by share buybacks.

During the quarter, SBA acquired seven communication sites for a total cash consideration of $1.3 million and also built 159 towers on its own. Subsequent to the quarter-end, SBAC purchased or is under contract to purchase 32 towers for an aggregate consideration of approximately $14.6 million, suggesting its growth pipeline is well sustained.

For the year, AFFO per share was $13.77. Management introduced its FY2025 outlook. They are now expecting site leasing revenues to be between $2.530 and $2.555 billion and AFFO/share to be between $12.40 and $12.76. We have applied the midpoint of $12.58 in our estimates.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
AFFO/shr[1]	$5.69	$5.95	$6.95	$7.60	$8.48	$9.43	$10.74	$12.25	$13.08	$13.37	***$12.58***	***$18.48***
DPS	---	---	---	---	$0.74	$1.86	$2.32	$2.84	$3.40	$3.92	***$4.44***	***$8.55***
Shares[2]	127.8	124.4	119.9	114.9	112.8	111.5	109.3	108.0	108.2	107.6	***108.5***	***100.0***

SBA Communications displays an excellent record of AFFO/share growth powered by continuous development and acquisitions of new towers, increased leasing activity, and rate hikes (typically in the range of 3 to 4% per year).

Further, the company maximizes its tower capacity by accommodating multiple tenants per tower structure without incurring additional costs just by placing additional antennas. SBA currently accommodates around two tenants per tower, with the capacity for more to be added going forward.

As a result, we forecast AFFO/share of 8% in the medium-term, driven by the aforementioned drivers, as well as stock buybacks, which are rare for REITs, and showcase the company's ability to self-fund its future growth without diluting shareholders.

Despite its REIT status, due to SBA reporting losses amid reinvesting the majority of its gross profits over the past decade, the company was not required to pay dividends. Dividend payments were initiated in 2019 and are growing

[1] The metric is used due to real estate-related depreciation, amortization, and accretion as well as other meaningful adjustments.
[2] Share count is in millions.

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.

rapidly amid starting out from humble levels. The previous two quarterly hikes were 15.3% and 13.3%, respectively, with ample room for further growth. We forecast DPS growth of around 14% in the medium-term, expecting the company to gradually pay out a larger chunk of its bottom line to shareholders.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/AFFO	20.7	16.6	20.1	20.4	26.5	31.8	29.3	24.9	19.6	16.3	***17.3***	***17.5***
Avg. Yld.	---	---	---	---	0.3%	0.6%	0.7%	0.9%	1.3%	1.8%	***2.0%***	***2.6%***

SBA Communications has historically traded at around 23X its underlying AFFO. Investors have historically attached a premium price tag to the stock due to improving growth prospects, the 5G rollout, and economies of scale expanding its profitability potential. The stock's P/AFFO now stands at 17.3X its projected AFFOs. A valuation compression is justified in the current macroeconomic environment, despite the REIT's qualities. Thus, we believe shares are now fairly valued. SBA's modest yield may not be as attractive in the current market climate. However, we expect the dividend to grow rapidly over time.

Safety, Quality, Competitive Advantage, & Recession Resiliency

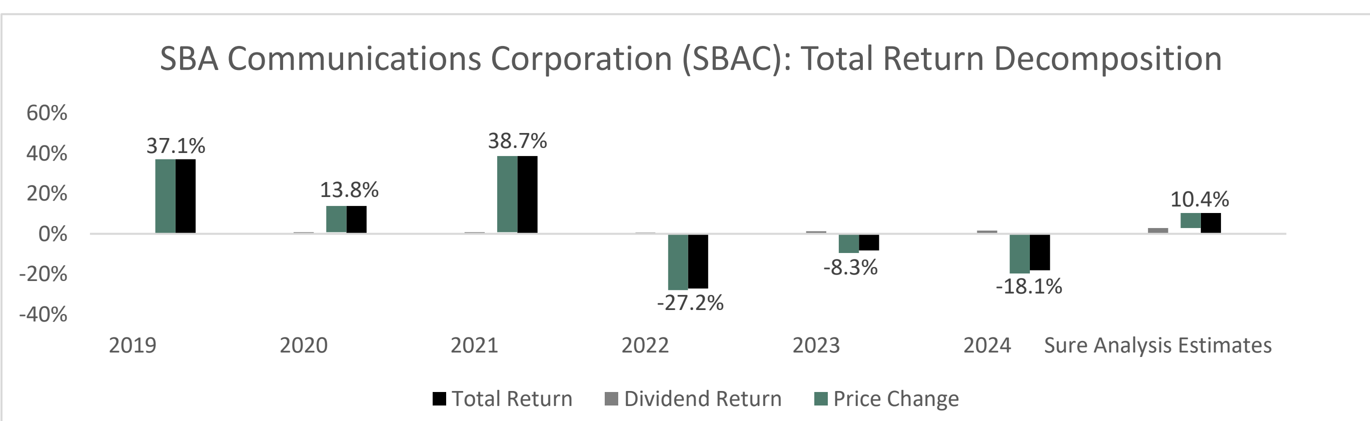
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	---	9%	20%	22%	23%	26%	29%	***35%***	***46%***

We consider SBA's dividend quite safe and widely covered by the underlying AFFO. The company enjoys several qualities, including a highly scalable business model, a credit-worthy tenant base of telecom majors, contractually secured and predictable revenues, and a clear runaway for gradual growth ahead. The company also enjoys a distinct competitive advantage along with the handful of other tower REITs which have formed an oligopoly in the space, which has become quite expensive to penetrate into. Unlike traditional real estate properties, whose tenants may struggle to pay rent during a potential recession, telecom companies enjoy extremely resilient revenues, while the essential and mission-critical nature of telecommunication ensures no adverse impact on SBA's performance. This was proven both during the Great Financial Crisis and the COVID-19 pandemic when revenues continued to grow during both periods.

Final Thoughts & Recommendation

Shares of SBAC have had a rough time in recent years. Still, the company's results and overall growth prospects remain robust. The current dividend, while not substantial, should gradually contribute to total returns. Our growth forecasts remain strong, and the company enjoys unique qualities. Along with relatively stable valuation assumptions, we forecast annualized returns of 10.4% in the medium-term. Thus, we continue to rate SBA Communications a buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	1,527	1,638	1,633	1,728	1,866	2,015	2,083	2,309	2,633	2,712
Gross Profit	1,099	1,194	1,212	1,281	1,397	1,522	1,607	1,763	1,956	2,099
Gross Margin	71.9%	72.9%	74.2%	74.2%	74.9%	75.5%	77.1%	76.4%	74.3%	77.4%
SG&A Exp.	103	115	143	131	143	193	194	220	262	268
D&A Exp.	627	660	638	643	672	697	722	700	708	716
Operating Profit	368	419	431	508	580	629	689	841	995	1,115
Operating Margin	24.1%	25.6%	26.4%	29.4%	31.1%	31.2%	33.1%	36.4%	37.8%	41.1%
Net Profit	(24)	(176)	76	104	47	147	24	238	461	502
Net Margin	-1.6%	-10.7%	4.7%	6.0%	2.5%	7.3%	1.2%	10.3%	17.5%	18.5%
Free Cash Flow	463	514	603	671	701	816	997	1,056	1,071	1,308
Income Tax	9	9	11	13	4	40	(42)	15	66	51

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	7,841	7,313	7,361	7,320	7,214	9,760	9,158	9,802	10,590	10,180
Cash & Equivalents	39	118	146	69	143	108	309	367	144	209
Accounts Receivable	104	83	78	91	111	132	74	102	184	183
Goodwill & Int. Ass.	4,190	3,735	3,657	3,598	3,331	3,627	3,156	2,803	2,776	2,456
Total Liabilities	8,502	9,019	9,357	9,919	10,591	13,427	13,982	15,090	15,830	15,310
Accounts Payable	43	27	28	33	34	32	110	34	51	42
Long-Term Debt	7,861	8,452	8,776	9,311	9,939	10,334	11,096	12,300	12,870	12,320
Shareholder’s Equity	(661)	(1,706)	(1,996)	(2,599)	(3,377)	(3,667)	(4,824)	(5,283)	(5,276)	(5,171)
LTD/E Ratio	(11.90)	(4.95)	(4.40)	(3.58)	(2.94)	(2.82)	(2.30)	(2.33)	(2.44)	(2.38)

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	-0.3%	-2.3%	1.0%	1.4%	0.7%	1.7%	0.3%	2.5%	4.5%	4.8%
Return on Equity	---	---	---	---	---	---	---	---	---	---
ROIC	-0.4%	-2.5%	1.1%	1.5%	0.7%	2.2%	0.4%	3.6%	6.3%	6.9%
Shares Out.	128.9	127.8	124.4	119.9	114.9	112.8	111.5	111	109.4	108.9
Revenue/Share	11.84	12.82	13.05	14.28	16.01	17.57	18.36	20.77	24.07	24.90
FCF/Share	3.59	4.02	4.81	5.55	6.01	7.11	8.79	9.50	9.79	12.01

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