

CROWN CASTLE INTERNATIONAL CORP
Form 10-Q
November 05, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period _____ to _____
Commission File Number 001-16441

CROWN CASTLE INTERNATIONAL CORP.
(Exact name of registrant as specified in its charter)

Delaware 76-0470458
(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) Identification No.)

1220 Augusta Drive, Suite 600, Houston, Texas
77057-2261
(Address of principal executives office) (Zip Code)
(713) 570-3000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of common stock outstanding at November 2, 2018: 414,850,442

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

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Cautionary Language Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q ("Form 10-Q") contains forward-looking statements that are based on our management's expectations as of the filing date of this report with the Securities and Exchange Commission ("SEC"). Statements that are not historical facts are hereby identified as forward-looking statements. In addition, words such as "estimate," "anticipate," "project," "plan," "intend," "believe," "expect," "likely," "predicted," "positioned," "continue" and any variations of these words and similar expressions are intended to identify forward-looking statements. Such statements include plans, projections and estimates contained in "Part I—Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") and "Part I—Item 3. Quantitative and Qualitative Disclosures About Market Risk" herein. Such forward-looking statements include (1) expectations regarding anticipated growth in the wireless industry, carriers' investments in their networks, tenant additions, and demand for data and our communications infrastructure, (2) expectations regarding our communications infrastructure and the potential benefits that may be derived therefrom, (3) availability and adequacy of cash flows and liquidity for, or plans regarding, future discretionary investments, including capital expenditures, (4) potential benefits of our discretionary investments, including acquisitions, (5) our full year 2018 outlook and the anticipated growth in our financial results, including future revenues and operating cash flows, (6) expectations regarding construction of small cells and fiber, (7) expectations regarding our capital structure and the credit markets, our availability and cost of capital, our leverage ratio and interest coverage targets, and our ability to service our debt and comply with debt covenants and the plans for and the benefits of any future refinancings, (8) expectations regarding loss on retirement of debt, (9) expectations related to remaining qualified as a real estate investment trust ("REIT") and the advantages, benefits or impact of, or opportunities created by, our REIT status, (10) the utilization of our net operating loss carryforwards ("NOLs"), (11) expectations related to the impact of customer consolidation or ownership changes, including the potential combination of T-Mobile and Sprint and (12) our dividend policy and the timing, amount, growth or tax characterization of any dividends. All future dividends are subject to declaration by our board of directors. Such forward-looking statements should, therefore, be considered in light of various risks, uncertainties and assumptions, including prevailing market conditions, risk factors described in "Part II—Item 1A. Risk Factors" herein and "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 ("2017

Form 10-K") and other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those expected.

Interpretation

As used herein, the term "including," and any variation thereof, means "including without limitation." The use of the word "or" herein is not exclusive. Unless this Form 10-Q indicates otherwise or the context otherwise requires, the terms, "we," "our," "our company," "the company" or "us" as used in this Form 10-Q refer to Crown Castle International Corp. and its predecessor (organized in 1995), as applicable, each a Delaware corporation (together, "CCIC"), and their subsidiaries. Additionally, unless the context suggests otherwise, references to "U.S." are to the United States of America and Puerto Rico, collectively.

PART I—FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)
(Amounts in millions, except par values)

| | September 30, 2018 | December 31, 2017 |
|--|-----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 323 | \$ 314 |
| Restricted cash | 125 | 121 |
| Receivables, net | 471 | 398 |
| Prepaid expenses | 182 | 162 |
| Other current assets | 148 | 139 |
| Total current assets | 1,249 | 1,134 |
| Deferred site rental receivables | 1,357 | 1,300 |
| Property and equipment, net of accumulated depreciation of \$8,292 and \$7,500, respectively | 13,433 | 12,933 |
| Goodwill | 10,074 | 10,021 |
| Other intangible assets, net | 5,620 | 5,962 |
| Long-term prepaid rent and other assets, net | 911 | 879 |
| Total assets | \$ 32,644 | \$ 32,229 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 302 | \$ 249 |
| Accrued interest | 101 | 132 |
| Deferred revenues | 484 | 457 |
| Other accrued liabilities | 306 | 339 |
| Current maturities of debt and other obligations | 111 | 115 |
| Total current liabilities | 1,304 | 1,292 |
| Debt and other long-term obligations | 16,313 | 16,044 |
| Other long-term liabilities | 2,732 | 2,554 |
| Total liabilities | 20,349 | 19,890 |
| Commitments and contingencies (note 9) | | |
| CCIC stockholders' equity: | | |
| Common stock, \$0.01 par value; 600 shares authorized; shares issued and outstanding: September 30, 2018—415 and December 31, 2017—406 | 4 | 4 |
| 6.875% Mandatory Convertible Preferred Stock, Series A, \$0.01 par value; 20 shares authorized; shares issued and outstanding: September 30, 2018—2 and December 31, 2017—2; aggregate liquidation value: September 30, 2018—\$1,650 and December 31, 2017—\$1,650 | — | — |
| Additional paid-in capital | 17,743 | 16,844 |
| Accumulated other comprehensive income (loss) | (5 |) (4 |
| Dividends/distributions in excess of earnings | (5,447 |) (4,505 |
| Total equity | 12,295 | 12,339 |
| Total liabilities and equity | \$ 32,644 | \$ 32,229 |

See notes to condensed consolidated financial statements.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND
 COMPREHENSIVE INCOME (LOSS) (Unaudited)

(Amounts in millions, except per share amounts)

| | Three Months Ended September 30, 2018 | | Nine Months Ended September 30, 2017 | |
|--|--|--------|---|---------|
| Net revenues: | | | | |
| Site rental | \$1,184 | \$ 893 | \$3,507 | \$2,619 |
| Network services and other | 191 | 170 | 497 | 499 |
| Net revenues | 1,375 | 1,063 | 4,004 | 3,118 |
| Operating expenses: | | | | |
| Costs of operations ^(a) : | | | | |
| Site rental | 355 | 281 | 1,057 | 815 |
| Network services and other | 119 | 107 | 304 | 310 |
| Selling, general and administrative | 145 | 100 | 418 | 300 |
| Asset write-down charges | 8 | 5 | 18 | 10 |
| Acquisition and integration costs | 4 | 13 | 18 | 27 |
| Depreciation, amortization and accretion | 385 | | | |