

CROWN CASTLE INTERNATIONAL CORP
Form 10-Q
November 01, 2016

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, 2016
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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

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

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

Number of shares of common stock outstanding at October 28, 2016: 338,916,436

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," 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, customer consolidation or ownership changes, or demand for our wireless infrastructure, (2) expectations regarding non-renewals of tenant leases (including the impact of our customers' decommissioning of the former Leap Wireless, MetroPCS and Clearwire networks (collectively, the "Acquired Networks")), (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, (5) anticipated growth in our financial results, including future revenues, margins, Adjusted EBITDA, segment site rental gross margin, segment network services and other gross margin, segment operating profit, and operating cash flows, (6) expectations regarding our capital structure and the credit markets, our availability and cost of capital, or our ability to service our debt and comply with debt covenants and the benefits of any future refinancings, (7) 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, (8) the realization and utilization of our net operating loss carryforwards ("NOLs"), (9) our dividend policy and the timing, amount, growth or tax characterization of any dividends and (10) the anticipated closing of the Proposed FiberNet Acquisition (as defined in note 13).

Such forward-looking statements should, therefore, be considered in light of various risks, uncertainties and assumptions, including prevailing market conditions, risk factors described in "Item 1A. Risk Factors" of our Annual

Report on Form 10-K for the fiscal year ended December 31, 2015 ("2015 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. As used herein, the term "including," and any variation thereof, means "including without limitation." The use of the word "or" herein is not exclusive.

PART I—FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(In thousands of dollars, except share amounts)

| | September 30, 2016 | December 31, 2015 |
|--|-----------------------|----------------------|
| | (Unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 156,219 | \$ 178,810 |
| Restricted cash | 116,932 | 130,731 |
| Receivables, net | 276,259 | 313,296 |
| Prepaid expenses | 157,102 | 133,194 |
| Other current assets | 133,163 | 225,214 |
| Total current assets | 839,675 | 981,245 |
| Deferred site rental receivables | 1,321,777 | 1,306,408 |
| Property and equipment, net of accumulated depreciation of \$6,410,830 and \$5,798,875, respectively | 9,714,149 | 9,580,057 |
| Goodwill | 5,750,033 | 5,513,551 |
| Other intangible assets, net | 3,737,448 | 3,779,915 |
| Long-term prepaid rent and other assets, net | 808,641 | 775,790 |
| Total assets | \$ 22,171,723 | \$ 21,936,966 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 148,916 | \$ 159,629 |
| Accrued interest | 84,244 | 66,975 |
| Deferred revenues | 358,683 | 322,623 |
| Other accrued liabilities | 204,533 | 199,923 |
| Current maturities of debt and other obligations | 101,362 | 106,219 |
| Total current liabilities | 897,738 | 855,369 |
| Debt and other long-term obligations | 12,491,596 | 12,043,740 |
| Other long-term liabilities | 2,028,672 | 1,948,636 |
| Total liabilities | 15,418,006 | 14,847,745 |
| Commitments and contingencies (note 9) | | |
| CCIC stockholders' equity: | | |
| Common stock, \$.01 par value; 600,000,000 shares authorized; shares issued and outstanding: September 30, 2016—337,569,931 and December 31, 2015—333,771,660 | 3,375 | 3,338 |
| 4.50% Mandatory Convertible Preferred Stock, Series A, \$.01 par value; 20,000,000 shares authorized; shares issued and outstanding: September 30, 2016 and December 31, 2015—9,775,000; aggregate liquidation value: September 30, 2016 and December 31, 2015—\$977,500 | 98 | 98 |
| Additional paid-in capital | 9,914,844 | 9,548,580 |
| Accumulated other comprehensive income (loss) | (5,541) | (4,398) |
| Dividends/distributions in excess of earnings | (3,159,059) | (2,458,397) |
| Total equity | 6,753,717 | 7,089,221 |
| Total liabilities and equity | \$ 22,171,723 | \$ 21,936,966 |

See notes to condensed consolidated financial statements.

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

(In thousands of dollars, except per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|--|-----------|------------------------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| Net revenues: | | | | |
| Site rental | \$812,032 | \$764,606 | \$2,415,926 | \$2,233,077 |
| Network services and other | 179,984 | 153,501 | 472,883 | 484,938 |
| Net revenues | 992,016 | 918,107 | 2,888,809 | 2,718,015 |
| Operating expenses: | | | | |
| Costs of operations ^(a) : | | | | |
| Site rental | 256,750 | 247,000 | 762,223 | 716,244 |
| Network services and other | 109,228 | 86,859 | 286,066 | 263,177 |
| General and administrative | 89,941 | 76,699 | 278,909 | 223,880 |
| Asset write-down charges | 8,339 | 7,477 | 28,251 | 19,652 |
| Acquisition and integration costs | 2,680 | 7,608 | 11,459 | 12,001 |
| Depreciation, amortization and accretion | 280,824 | 261,662 | 834,725 | |