

CROWN CASTLE INTERNATIONAL CORP
Form 10-Q
May 04, 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 March 31, 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 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, 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 (Do not check if a smaller reporting company) 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 May 1, 2018: 414,822,942

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

INDEX

	Page
PART I—FINANCIAL INFORMATION	<u>3</u>
ITEM 1. FINANCIAL STATEMENTS	<u>3</u>
CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)	<u>3</u>
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (Unaudited)	<u>4</u>
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)	<u>5</u>
CONDENSED CONSOLIDATED STATEMENT OF EQUITY (Unaudited)	<u>6</u>
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—Unaudited	<u>7</u>
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	<u>18</u>
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	<u>30</u>
ITEM 4. CONTROLS AND PROCEDURES	<u>31</u>
PART II—OTHER INFORMATION	<u>31</u>
ITEM 1. LEGAL PROCEEDINGS	<u>31</u>
ITEM 1A. RISK FACTORS	<u>31</u>
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	<u>31</u>
ITEM 6. EXHIBITS	<u>32</u>
EXHIBIT INDEX	<u>32</u>
SIGNATURES	<u>33</u>

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," 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 our communications infrastructure, (2) expectations regarding non-renewals of tenant contracts, (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) anticipated growth in our financial results, including future revenues, 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, and our ability to service our debt and comply with debt covenants and the plans for 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 utilization of our net operating loss carryforwards ("NOLs"), (9) expectations related to the impact of customer consolidation or ownership changes, including the potential combination of T-Mobile and Sprint and (10) our dividend policy and the timing, amount, growth or tax characterization of any dividends.

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.

1

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)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 220	\$ 314
Restricted cash	120	121
Receivables, net	402	398
Prepaid expenses	175	162
Other current assets	157	139
Total current assets	1,074	1,134
Deferred site rental receivables	1,304	1,300
Property and equipment, net of accumulated depreciation of \$7,760 and \$7,500, respectively	13,051	12,933
Goodwill	10,075	10,021
Other intangible assets, net	5,854	5,962
Long-term prepaid rent and other assets, net	892	879
Total assets	\$ 32,250	\$ 32,229
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 248	\$ 249
Accrued interest	104	132
Deferred revenues	465	457
Other accrued liabilities	240	339
Current maturities of debt and other obligations	130	115
Total current liabilities	1,187	1,292
Debt and other long-term obligations	15,616	16,044
Other long-term liabilities	2,615	2,554
Total liabilities	19,418	19,890
Commitments and contingencies (note 9)		
CCIC stockholders' equity:		
Common stock, \$0.01 par value; 600 shares authorized; shares issued and outstanding:		
March 31, 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: March 31, 2018—2 and December 31, 2017—2; aggregate liquidation value: March 31, 2018—\$1,650 and December 31, 2017—\$1,650	—	—
Additional paid-in capital	17,690	16,844
Accumulated other comprehensive income (loss)	(4) (4
Dividends/distributions in excess of earnings	(4,858) (4,505
Total equity	12,832	12,339
Total liabilities and equity	\$ 32,250	\$ 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 March 31,	
	2018	2017
Net revenues:		
Site rental	\$1,153	\$857
Network services and other	146	159
Net revenues	1,299	1,016
Operating expenses:		
Costs of operations ^(a) :		
Site rental	347	265
Network services and other	86	99
General and administrative	134	101
Asset write-down charges	3	1
Acquisition and integration costs	6	6
Depreciation, amortization and accretion	374	289
Total operating expenses	950	761
Operating income (loss)	349	255
Interest expense and amortization of deferred financing costs	(160)	(134)
Gains (losses) on retirement of long-term obligations	(71)	(4)
Interest income	1	—
Other income (expense)	(1)	6
Income (loss) before income taxes	118	123
Benefit (provision) for income taxes	(4)	(4)
Net income (loss) attributable to CCIC stockholders	114	119
Dividends on preferred stock	(28)	—
Net income (loss) attributable to CCIC common stockholders	\$86	