SBA Communications Corporation (NASDAQ:SBAC) Q4 2023 Earnings Call Transcript February 26, 2024 5:00 PM ET

Company Participants

Mark DeRussy - VP of Finance
Marc Montagner - CFO
Brendan Cavanagh - President & CEO

Conference Call Participants

Ric Prentiss - Raymond James
Jonathan Atkin - RBC Capital Markets
Nick Del Deo - MoffettNathanson
David Barden - Bank of America
Michael Rollins - Citi
Simon Flannery - Morgan Stanley
Matt Niknam - Deutsche Bank
Richard Choe - JPMorgan
Michael Elias - TD Cowen
Brendan Lynch - Barclays
Walter Piecyk - LightShed
David Guarino - Green Street
Batya Levi - UBS

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the SBA Fourth Quarter Results Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. Instructions will be given at that time. [Operator Instructions] And as a reminder, this conference is being recorded. I would now like to turn the conference over to our host, Mark DeRussy, Vice President of Finance. Please go ahead.

Mark DeRussy

Good morning, everyone -- I'm sorry -- good evening, everyone, and thank you for joining us for SBA's Fourth Quarter 2023 Earnings Conference Call. Here with me today are Brendan Cavanagh, our President and Chief Executive Officer, and Marc Montagner, our Chief Financial Officer.

Some of the information we will discuss on this call is forward-looking, including, but not limited to, any guidance for 2024 and beyond. In today's press release and in our SEC filings, we detail material risks that may cause our future results to differ from our expectations. Our statements are as of today, February 26, and we have no obligation to update any forward-looking statements we may make.

In addition, our comments will include non-GAAP financial measures and other key operating metrics. The reconciliation of and other information regarding these items can be found in our supplemental financial data package, which is located on the landing page of our Investor Relations website.

With that, I will now turn it over to Marc to discuss our fourth quarter results and 2024 outlook.

Marc Montagner

Thank you, Mark. We ended 2023 with another strong quarter. Our fourth quarter results were ahead of our expectations and allow us to finish at or near the high end of our full year 2023 outlook for site leasing revenue, tower cash flow, adjusted EBITDA, AFFO and AFFO per share. Consolidated same tower recurring cash leasing revenue growth for the fourth quarter, which is calculated on a constant currency basis was 3.6% net year-over-year including impact of 3.9% of churn. On a gross basis, same-tower recurring cash leasing revenue growth was 7.5%. Domestic same tower recurring cash leasing revenue growth over the fourth quarter of last year was 6.9% on a gross basis and 3.5% on a net basis, including 3.4% of churn. Of that 3.4%, 1.6% was related to Sprint consolidation churn.

As expected, domestic operational leasing activity or bookings representing new revenue placed under contract during the fourth quarter was consistent with the lower levels of activity we saw during the second and third quarter of 2023. Full year organic leasing contribution to domestic site leasing revenue ended up in line with our previously provided outlook. Non-Sprint related domestic annual churn was also in line with our prior expectations and continues to be between 1% and 2% of our domestic site leasing revenue. International same tower recurring cash leasing revenue growth for the fourth quarter, which is calculated on a constant currency basis was 4.2% net, including 5.9% of churn or 10.1% on a gross basis.

In Brazil, our largest international market, same-tower gross organic growth was 8% on a constant currency basis. Total international churn remained elevated in the fourth quarter due mostly to [carrier] (ph) consolidation. During the fourth quarter, 77.5% of consolidated cash site leasing revenue was denominated in US dollars. The majority of non-US dollar-denominated revenue was from Brazil, with Brazil representing 16.1% of consolidated cash site leasing revenues during the quarter. During the fourth quarter, we expanded our tower portfolio, acquiring 23 communication sites for a total cash consideration of $21.3 million. We also built 138 new sites. Subsequent to the quarter end, we have purchased under agreement to acquire 281 sites in all of our existing markets for an aggregate price of $87.8 million. We anticipate closing on this site under contract by the end of the third quarter.

Looking ahead, this afternoon, earnings press release includes our initial outlook for the full year 2024. Our outlook reflects a continuation of the reduced level of carrier CapEx that began early last year. Despite this, our leasing business will continue to grow organically through contribution from new leases amendment and contracted escalators. Domestically, our outlook assumes $55 million of customer churn in 2024, of which approximately $30 million related to Sprint related decommissioning. Our previously provided estimate of aggregate Sprint related churn over the next several years remain largely unchanged. We anticipate a range of $40 million to $45 million in 2025, $45 million to $55 million in 2026 and $10 million to $20 million in 2027.

Internationally, our outlook includes approximately $22 million churn in 2024. During the fourth quarter of '23, we signed a multiyear agreement with Vivo in Brazil. Under this agreement, we expect to incur $4 million wireless consolidation churn in 2024 and an additional $2 million over the next several years. Total anticipated wireless consolidated churn remains at approximately $30 million. Additionally, our full year 2024 outlook reflects a year-over-year decline in service revenue and gross profit due to the lower overall carrier activity in the US. However, our outlook is in line with the historical performance, excluding our very strong result in 2022 and '23 due to the initial rollout of 5G network by some of our wireless customers during these years. This outlook does not assume any further acquisitions beyond those under contract and does not assume any share repurchase. However, we are likely to invest in additional assets and/or share repurchase during the year. Our outlook for net cash interest expense and core FFO and FFO per share include the recent refinancing of our term loan B debt, the upsize of our credit facility and the future [refinancing up with rerating rate] (ph) in the future of our $620 million ABS tower securities maturing in October 2024.

Our balance sheet remains very strong, and we have ample liquidity. In January of 2024, we refinanced our $2.3 billion credit facility, pushing out the maturity to 2031. We also increased our revolver capacity by $500 million. Our $2 billion revolver is almost fully paid down. Our leverage remains at historical lows and well below our steady target of 7 to 7.5 turns, giving us plenty of dry powder for opportunistic acquisition and/or share repurchase. Lastly, we purchased a forward-starting interest rate swap in the fourth quarter. This will give us great certainty around great uncertainty on future interest costs.

With that, let me turn the call over to Mark, who will provide additional detail.

Mark DeRussy

Thank you, Marc. We ended the quarter with $12.4 billion of total debt and $12.1 billion of net debt. Our net debt to annualized adjusted EBITDA leverage ratio was 6.3 times, which is below the low end of our target range and near the lowest level we have seen in decades. Our fourth quarter net cash interest coverage ratio of adjusted EBITDA to net cash interest expense was very strong at 5.2 times. During the fourth quarter 2023, the company entered into a $1 billion forward starting interest rate swap, which will swap one-month SOFR for a fixed rate of 3.83%. The swap has an effective start date of March 31, 2025, which coincides with the expiration of our existing $1.95 billion notional interest rate swap. This forward starting interest rate swap agreement will expire April 11, 2028.

Subsequent to the fourth quarter and on January 25th of 2024, the company issued a new $2.3 billion secured term loan B under its amended and restated senior credit agreement. This matures in January of 2031. The new term loan accrues interest at SOFR plus 200 basis points. The existing $1.95 billion interest rate swap will remain in effect until expiration on March 31, 2025. The term loan was issued at 99.75% of par value. The proceeds were used to retire the company's 2018 term loan and to pay related fees and expenses. Also subsequent to the quarter, on February 23, 2024, the company further increased the total commitments under the revolving credit facility from $1.75 billion to $2 billion. We continue to use cash on hand to repay amounts under the revolver. And as of today, we have a $70 million outstanding balance under our $2 billion revolver. The current weighted average interest rate of our total outstanding debt is 3% with a weighted average maturity of approximately 4.1 years. The current rate on our outstanding revolver balance is 6.4%. The interest rate on 97% of our current outstanding debt is fixed.

During the fourth quarter, as we previously discussed on our third quarter earnings call, we repurchased 235 -- I'm sorry, 234,000 shares of our common stock, $46 million at an average price of $198.27 per share. We currently have $405 million of repurchase authorization remaining under our $1 billion stock repurchase plan. The company shares outstanding at December 31, 2023, were 108.1 million. In addition, during the fourth quarter, we declared and paid a cash dividend of $91.8 million or $0.85 a share.

And today, we announced that our Board of Directors declared a first quarter dividend of $0.98 per share payable on March 28, 2024, to shareholders of record as of the close of business on March 14, 2024. This dividend represents an increase of approximately 15% over the dividend we paid in the fourth quarter.

With that, I'll now turn the call over to Brendan.

Brendan Cavanagh

Thank you, Mark. Good afternoon. I am pleased for the opportunity to reflect on our 2023 performance and to share our thoughts about 2024 and beyond. 2023 was a year marked by some significant macro headwinds, in particular, the consistently high interest rate environment that not only directly affected SBA's floating rate debt costs and the views around our cost of future refinancing, but also impacted our customers and their network spending levels. In spite of these macro headwinds, SBA executed extremely well and produced solid financial results. When compared against the initial outlook for 2023, given in February of last year, our actual results for the year finished materially above the high end of the ranges given for site leasing revenue, tower cash flow, adjusted EBITDA, AFFO and AFFO per share. Most of the outperformance was organic as we spent very little incremental discretionary CapEx in comparison to our initial outlook. Our excess free cash flow was instead largely spent on paying down our floating rate revolver debt, and we finished the year at a multi-decade low leverage level of 6.3 times and today have a current revolver balance of only $70 million.

Internally, it was a year of leadership transition for the company. Jeff Stoops retirement, the addition of Marc Montagner to the team and new leaders in our international, legal and IT functions. Everyone has stepped up extremely well into their roles, and I am very happy with how the team is collaborating and performing. The disciplined succession planning and highly capable team members assembled throughout the organization have positioned us well for the future.

As we look forward to 2024, we recognize that we are coming off of a period of reduced network investment by our largest domestic customers. However, future network needs for each of these customers remain significant, and we anticipate being a critical partner for our customers in meeting their operational goals and objectives. A significant percentage of our sites still require 5G-related upgrades, which we are confident will take place over the next couple of years.

In addition, the success and growth of fixed wireless access as a product offering for our customers will add greater demand for increased network capacity as the average user of this product uses 20 times or more broadband data than the typical mobile customer. And the evolution of AI-infused 5G offerings will continue to fuel the demand for improved speeds and lower latency. All of these factors as well as good old-fashioned service-based competition are supportive of steady organic leasing activity on our US assets for years to come.

Internationally, we also see a dynamic of significant network needs, providing a backdrop for continued solid organic leasing activity throughout many of our markets. Financial pressures have impacted many of our international customers as well but the demand for advanced wireless products and services is significant, and in a number of cases, even greater than that seen in the US. We expect this will in turn drive continued demand

for incremental space at our tower sites. Nonetheless, there have been customer consolidations in several of our markets. As a result, we have worked closely with our customers to help them achieve necessary efficiencies in their operations, but while preserving the breadth of our business relationships, and solidifying our contractual commitments for the long term. While this temporarily leads to elevated churn, we believe the long-term strength and stability of our cash flow streams produced as a result of these efforts meaningfully improves our go-forward value proposition.

This is a good segue into my views around our forward strategy. Internally, we are highlighting a desire to analyze everything we do or consider doing through the lens of stabilizing our results, growing our core business and shifting our mix more and more to high-quality assets and operations. While this is not materially different than the approach SBA has taken throughout its history, we recognize that not all of our assets or business lines fit well within this goal. As a result, we are doing the work to evaluate our full portfolio and develop action plans around how we improve our position in each business line and in each market. For instance, in our international operations, we have found it to be valuable to be a market leader in the markets we operate in. In places where we hold a more significant position, we have tended to do better than those places where we do not. This ultimately means that we need to find a path to increase scale in certain markets or possibly exit a market. An example of this was our fourth quarter exit from Argentina. Not only was our market position subscale, but the economic instability in that country created operational challenges that were dilutive to the otherwise typically very attractive attributes of the tower business. We will pursue incremental investments to drive continued growth as we always have. But we will prioritize either an overall favorable shift in the quality and stability of our asset mix or an opportunistic investment that improves our standing and existing markets.

Financial results always matter. We will be disciplined toward producing the best possible financial results over the long term. We believe high-quality assets ultimately produce that result. We also believe that when opportunities for incremental asset investments are not available, stock repurchases and debt reductions are worthwhile uses of capital. We intend to continually evaluate our optimal capital structure, and we'll look to balance the lowest cost of capital with retaining appropriate investment flexibility.

Our attention to optimize capitalization of the company has placed us in what I believe is the best position in the industry. We are the fastest dividend grower, but yet have the greatest retained AFFO post dividend to invest in the business. We have maintained an average cost of debt very close to our larger peers, but have retained access to up to two turns more leverage. We have recently extended and expanded our revolver capacity by $500 million, creating increased liquidity. This structure provides us with significant optionality to move in whichever direction we believe will provide the best return for our shareholders. The strength and stability of our core tower business remains and it provides a tremendous foundation for all future endeavors.

As a result, I have great confidence in our ability to create future value for our shareholders. I want to thank our customers for their support and their confidence in SBA. I also want to thank our team members for their contributions to our success.

And with that, Eric, we are ready to take questions.

Question-and-Answer Session

Operator

[Operator Instructions] First, we will hear from Ric Prentiss with Raymond James. Please go ahead.

Ric Prentiss

Thanks. Good afternoon, everyone and Brendan, congrats on the new seat. Mark with the K, welcome to the calls.

Mark DeRussy

Thank you.

Ric Prentiss

First, leverage obviously has been a key focus. You guys have been paying down floating rate debt. You've got your net leverage down to 6.3 turns. Almost all the floating is paid off as of today then. How should we think about 6.3, where it heads in the future versus stock buyback? And then on the M&A side, update us as far as what you're seeing out there, you mentioned that you like to be the leader in your markets. Are there any deals out there that would give you an industry-leading position? And what would kind of make that an interesting market if there were new markets out there?

Brendan Cavanagh

Yeah. So Rick, on the leverage side, we're at 6.3 times mostly because we believe that throughout the last year, the best use of our capital was into paying down that floating rate debt that we had with some of the highest cost debt in our structure. And we didn't necessarily see opportunities that we thought were a better use of capital. but we're comfortable at a higher level of leverage if we see the right place to use that capital. That may include some amount of stock buybacks, but it also obviously would include quality acquisitions if we see that opportunity. So really, what we're doing is, we're retaining flexibility as it relates to our balance sheet to go in whichever direction we think produces the best result. We don't feel that we have to stay at this level, but if we do, that's fine too. On the M&A front, yeah, it's one of the aspects of what we look for when we're looking at a new market or even at opportunities within some of our existing markets where we're perhaps not a market leader in terms of our position is to be a leader, if we can in terms of our size and importance to our customers. We used to just assume that we look at all opportunities that are available throughout the globe, frankly, as they come available, and we consider that among a number of other factors where we're looking at that. I can't really speak to anything specific that we're looking at, but there definitely are opportunities out there.

Ric Prentiss

Obviously, we're sitting here at the end of February. Can you help us understand the pacing of what you think new lease activity in the United States will kind of play out through the year? And is it still kind of three months, maybe closer to six months as far as when you get an application in to where it actually turns into revenue?

Brendan Cavanagh

Yeah. The time frame from signing something to when it actually gets into revenue is still pretty consistent with what it's been in the past. Obviously, it's a little bit longer for a brand-new lease when we sign that. That's usually a good six months or more on the amendments, it's typically shorter, closer to three months, but it depends on the specific circumstances. So that's pretty consistent with what it's been in the past. In terms of the pacing throughout the year, our projections, if you look at our bridge in terms of what we've put forth as contributions, and I assume you're asking about domestic specifically. But domestically, that number should be a little bit more front-end loaded today because it's based on activity that we've seen throughout last year and that's kind of rolling over. And at this point, we're not necessarily forecasting a material pickup in activity. But to the extent there is that pickup in activity, it's mostly going to impact next year.

Ric Prentiss

Great. Thanks a lot.

Operator

And next we will hear from Jonathan Atkin with RBC Capital Markets. Please go ahead.

Jonathan Atkin

Thanks. Two questions. One, you talked about the willingness to examine an exit from markets where you lack scale, does that apply to product areas such as data centers? And then my second question is, you called out the Vivo relationship in Brazil. Anything with TIM or Claro along similar lines where you might be renegotiating some of your commercial terms or looking to kind of react to market conditions in Brazil? Thanks.

Brendan Cavanagh

Yeah. On your first question, there's no specific plans to exit anything -- to exit the data centers or anything else in particular. But I will tell you that we are applying the same lens to everything that we do as we kind of evaluate these various things, whether it's international markets or its other product lines. And we look at that through a financial lens and what the future can be, opportunities to grow it, what are the synergies with our base core business. I mean, ultimately, we're a tower company, how do things fit in with that. As we go through that analysis, we may come to the conclusion with something that we should exit it, but we may also come to the conclusion that we should grow it too. So at this stage, it's premature to say that we would make a decision one way or the other, but you should assume that we're looking at each of our holdings through that lens. With regard to Brazil, we did actually -- I don't know if you recall, Jon, but last year, we announced about a year ago at this time that we had entered into an agreement with TIM related to the Oi consolidation and it actually pulled forward some of the churn into 2023 associated with that consolidation, but it dealt with a number of other issues and extended agreements out. So we already have something largely in place with Tim. In the case of Claro, there's currently nothing in place, but we're constantly in discussions with them and it may or may not lead to something, but we're talking with them about what would be best for them and for us.

Operator

Thank you. Next, weÂ'll hear form Nick Del Deo with MoffettNathanson. Please go ahead.

Nick Del Deo

Hey, thanks for taking my question and congratulations both Brendan and Mark on your newish positions. Brendan, I guess to start, you noted that you tend to do better in markets where you have meaningful scale or a leadership position. How do you define a leadership position? Is that share of total assets owned both on threshold? Or is it some other measure? And does this general framework that you're embracing mean it's less likely that you're going to enter into a new market? Or is that sort of a separate consideration if you think you're on a path to a leadership position in it?

Brendan Cavanagh

Yeah. It basically means your relevance in the market to your customers, which generally means the size and scale of your operations. So the percentage of the portfolio that you represent for the larger, most important customers in that market. When you are at a level that is frankly immaterial to their network needs, your ability to drive additional business and to negotiate terms on new opportunities is just not as great as when you're a more meaningful partner. So that's really what I mean when I talk about the size and scale. As it relates to new markets, that would be a consideration, obviously, before we go into the new market, what's our position going to look like in that market. So it doesn't mean that we would not go into a new market, but we would consider that factor as one of the factors when we're thinking about it.

Nick Del Deo

Okay. And then regarding domestic leasing in '24 in the US, your guidance of $42 million this year, and you just said it was going to be probably front-end loaded. I think you've previously spoken to sort of the low end of a range of leasing over time as being around $40 million. It seems like the run rate in the second half of the year, if $42 million is front-end loaded, it might annualize to a pace below $40 million. I guess do you see a plausible scenario where full year leasing could go below $40 million in light of current conditions?

Brendan Cavanagh

Well, yeah, it could. Obviously, we're just above $40 million now for this year. So if we don't see any pickup as we get to the second half of the year, I do expect that the run rate at the end of the year today, that's implied in our guidance would be slightly below $40 million. So itÂ's possible. I think though some of this is lumpiness in the way that things come in under our AT&T MLA agreement. So the fact that it's a little higher in the first part of the year and a little lower in the second half of the year could be something we see next year as well.

Nick Del Deo

Okay. Thanks for that, Brendan.

Brendan Cavanagh

Yeah.

Operator

And next, we'll hear from David Barden with Bank of America. Please go ahead.

David Barden

Thanks so much for taking the questions. So I guess the first one, for the guidance, it was clear that you weren't assuming any new portfolio acquisitions or buybacks, but could you be specific about what you are assuming in the guide for the use of cash? Is it putting it in the bank at a 5% interest rate? Or what should we kind of use as a baseline as a comparison to what's going on? I guess a second question, if I could, is -- Brendan, is there a fuse on any of these decisions about whether to pull the trigger on portfolio acquisition versus stock buybacks, given that your stock buybacks could be pretty powerful if they happen sooner rather than later? And I apologize, if I could just one last one for Mark D. This $1 billion hedge on a forward basis that you've put in place, which replaces the existing hedge on the $2 billion term that comes due March '25, I'm assuming that there's an opportunity if you chose to do something additional to the $3.85 million that you've locked in, is there a timetable to make that decision? Thank you.

Mark DeRussy

There is the possibility to do that. We have done this in the past. This hedge only represents 50% of what our actual outstanding debt is. So there could be room to increase our or hedging along those lines as well. But with respect to any type of timetable, David, no, there is no timetable. We're just going to keep an eye on the market and act appropriately if we decide that that's the thing that we need to do.

Brendan Cavanagh

Yeah. On that item, David, I mean, really the thinking was that we sort of took half of it and created some level of certainty given that there's some instability, obviously, in what interest rates will look like. And we've seen -- we've all seen over the last few months, expectations of when interest rate cuts are going to happen, move around quite a bit. So for us, we basically ensure that a portion of that debt, we would have some stability and certainty on it. And it locks in basically at much lower rate than exists today. So if we let the other piece flow, I think we can have a good natural hedge in that case. On your other questions on the use of cash in our guidance, we do -- because there will be cash that's obviously accumulated, part of it first goes into paying down the revolver, of course, what's left outstanding on that and it covers some of the discretionary spending that is implied in our guidance for deals that are under contract as well as new builds, the items that are basically covered in our discretionary CapEx guidance. Anything excess is assumed to be invested at about a 4% or so interest rate. So that is implied in our net cash interest guidance, some interest income on that. And then I think your other question was the M&A versus buybacks and the timing. I mean, we -- there's a variety of things that we're constantly looking at. And the timing of M&A transactions, you don't have as much control over. Obviously, we have complete control over buybacks. And so -- to some degree, we have to balance the capital that we have available and that we may or may not need. And so sometimes we can jump in earlier. If we have a clear vision as to what's going to happen and other times, we have to hold back a little bit and see how things play out. So I hear what you're saying, and we obviously believe our stock is a good buy at this level that we've got to balance that against all the different options in front of us.

David Barden

Got it, very helpful. Thank you guys.

Operator

And next, we'll hear from Michael Rollins with Citi. Please go ahead.

Michael Rollins

Thanks. Good afternoon. Two questions, if I could. First, as you look at the business going forward, can you give us an update as to what are your North Star metrics that are guiding the decision-making and your measurement of performance? Is it organic leasing, EBITDA, AFFO per share or other metrics that are

important to you and the Board? And can you give us some direction of how you see that growth in those metrics, let's say, over the next three years? And then just separately, just more of an operational question on the tower portfolio. Can you give us an update as to what percent of the sites have been upgraded and touched to bring them to 5G mid-band capabilities? And over what period do you think you get to 100%? Thanks.

Brendan Cavanagh

Yeah. So, Mike, the numbers that we typically report on, we report on because we think they're the most important. I think the number one metric in our view here and with our Board and frankly, with many of our investors is AFFO per share because it represents that amount of actual free cash flow that is available to be returned to shareholders in some form or fashion, whether that be reinvested into the business, or be paid out as a dividend or be used for stock buybacks, whatever the usage is, it's effectively what's available at the end of the day after everything has been paid for. And so that's the metric that we focus on most of all. Having said that, obviously, the next few years, there are some challenges to our AFFO per share metric, largely because of two things that are not new. Interest rates, we've done an excellent job over the last many years locking in very low-cost debt, but the market is what it is. And at some point, you have to refinance at least some of that debt. And so you're going to see higher interest costs that weighs on that a little bit. And of course, the Sprint churn, in particular, that is kind of out there that we know we have ahead of us, and we've scoped for you as to what that looks like. But outside of that, the real goal, frankly, is to see that number go up over an extended period of time. This is a business that is a very long-term business at its core. We have very long-term contracts. Our relationships are long term. The assets are long term. And so we look at how we're going to maximize that number over an extended period of time. As a public company, it can be challenging because you're reporting every single quarter, and so it gets scrutinized every quarter, but the nature of the business is long term. So we try to take that long-term view on how we're going to grow that number out over a period of five to 10 years. And I think we'll be well positioned to do that. The other metrics though are very important as well. Obviously, growing site leasing revenue, growing adjusted EBITDA shows that we're able to find continued returns on our operations, but really AFFO per share is where I focus most of my energy. And then I guess your second question was about the upgrade percentage for 5G. We're a little bit over halfway in terms of upgrades to our sites for 5G, but that is different among the different carriers. Some are much further along and others are below that number. So we still have a pretty good runway. I think we're looking at the next two to three years to get to where they've upgraded all the sites they need to.

Michael Rollins

Thanks. ThatÂ’s very helpful.

Brendan Cavanagh

Sure.

Operator

And next, we will hear from Simon Flannery with Morgan Stanley. Please go ahead.

Simon Flannery

Right. Thank you very much and congrats on your new role, Brendan and Mark, great to reconnect and good luck in your new role. Two, if I could. First, on the M&A. I think in the past, you've noted that the M&A multiples haven't necessarily come in to reflect the new interest rate environment. It would be great to just get some perspective of -- if you see a better risk-reward balance there for the growth and the multiples that you're paying. Obviously, you've done some transactions versus buying back your own stock? And secondly, anything you could share with us on DISH and how you think about DISH within your leasing assumptions, especially given they have some specific FCC and DOJ targets to hit in mid-'25? Thank you.

Brendan Cavanagh

Yeah, the M&A market is still quite competitive. In the US, in particular, because there's such a limited number of assets available, they're very competitively bid. So we continue to see price points that are very high. Internationally, that is also true, although I would say we've seen a little more moderation with the increasing cost of capital in terms of international price points. But the interesting thing about that is what it's resulted in is

not necessarily deals being done at lower prices in many cases, but frankly, deals not getting done at all where there's sort of a disconnect between where seller expectations are and where buyers are willing to pay. I think you'll start to see some of that shift over the course of the coming year, particularly if the interest rate environment remains elevated. In the case of DISH, yeah, they are certainly a component of our assumptions for our leasing growth for this year. They have -- they do have the deadlines that you mentioned, and we've had ongoing conversations with them, and we believe that they will be attacking those obligations aggressively. So we do have some amount of growth in our model associated with DISH. But I would say it's a relatively small percentage of the total.

Simon Flannery

Thank you. Appreciate it.

Operator

And next, we will hear from Matt Niknam with Deutsche Bank. Please go ahead.

Matt Niknam

Hey guys, thanks so much for taking the question. Just a two-parter. First, on the strategic review, Brendan, is this at all a pullback from I guess, more emerging markets and a pivot of the portfolio towards more developed markets? Is there anything of that sort underpinning the review? And then maybe on a related note, any additional color you could provide on the 281 sites that were acquired subsequent to 4Q just in terms of region or any other color you can share? Thank you.

Brendan Cavanagh

Sure. I'll take the second one first. The 281 aren't necessarily all closed at this point. They're either -- I think a few are closed, but most are just under contract at this point. And about 10% of those are in the US. The remaining 90% are located throughout our existing markets in half a dozen different countries that we're already in. In the case of the way we're thinking about the strategic review, it's really -- it's not necessarily emerging markets versus developed although that can be a factor. It's a focus on how we maximize our position in those markets. So we have positions in emerging markets that are very strong because of the strength of our role and our existing relationships with the strongest carriers in those markets. And so if we can enhance that in places where we don't have it, then I think we would be comfortable with the markets regardless of whether they were necessarily developed or emerging markets. However, I think developed markets do offer some aspects of quality that we would find attractive if we can find the right opportunities, things like strong tower siding, regulatory regimes, certainly strength of the wireless carriers in the market and a relative balance to their market share, stability of the currency, stability of the tax regime, things like that would be things that we would find valuable. Because at the end of the day, sort of the value proposition of a tower company when most people look at it is this expectation that you have a long-term, very stable cash flow stream that is going to grow both steadily over time. And sometimes if you're in places that don't have some of those attributes I just mentioned, you can introduce a certain amount of volatility that we would be looking to obviously try to move out of the mix and focus more on that kind of stable growing cash flow stream. So I think we're open to shift in the type of market, but I think the markets that we're in have opportunities to improve our positioning and that's what we're looking at.

Matt Niknam

Is there a time frame attached to the strategic review?

Brendan Cavanagh

It's something that I would expect us to be working on throughout this year, but there are also factors that are outside of our control, things that we would like to do. That may take some time to figure out whether the opportunity is actually exist. So I think it will be an ongoing effort. But the real point -- and this isn't some wholesale change just to kind of reiterate that. It's not like we were doing something totally one way before, we completely shifted. This is more of a refinement of the approach that SBA has historically taken. We've always -- I think you know us to have always focused on quality, financial returns. All those things are still the same. What this really is, is kind of digging in a little bit deeper on some of our current holdings and looking at where

we're underperforming, what are the root causes of that and what can we do to address that? And if we can't -- if we don't feel we can address it, then we would look at it like Argentina and say, "Hey, this we don't think we necessarily can fix so we'll adjust". So again, it's really just a refinement of what has been our long-standing policy.

Matt Niknam

Excellent. Thank you.

Operator

And next, we'll hear from Richard Choe with JPMorgan. Please go ahead.

Richard Choe

Hi, I just wanted to ask about the pacing of the services revenue through the year. And then another question on -- in terms of new activity. How much of it is coming from colocation versus amendments? And do you expect any significant change through the year?

Brendan Cavanagh

Yeah. The services revenue, we actually, in our outlook, expect it to slightly increase, but to be relatively balanced throughout the year. On the colos versus amendments, if you're -- I don't know if you're asking about the actuals of the fourth quarter, where it was more -- we've seen more of a shift towards new leases, but I would expect as we get into this year, you'll see amendment activity again be the lion's share of what we do.

Richard Choe

Got it. And a final one is in terms of Argentina, can you quantify what the impact would have been to revenue and EBITDA had you kept it?

Brendan Cavanagh

Yeah. It was -- it represented about $1 million of EBITDA and a little over $2 million, about $2.3 million of revenue on an annual basis.

Operator

And next, we'll hear from Michael Elias with TD Cowen.

Michael Elias

Great. Thanks for taking the questions. First time caller, long time listener here. My first question for you is, you mentioned earlier in the prepared remarks about the stability of results. I'm curious if on the US side that we should take that to mean you're more open to doing what's holistic MLAs with the carriers that you have with AT&T. That's my first question. And then the second question is when you talked about the use of cash, you were essentially mentioning that you assume the remainder is reinvested at around 4%. So when I take a look at the AFFO yield of your stock, it's implying over 6%. You talked about earlier how you may hold back if you see some opportunities. I guess what I'm getting at here is, are you holding back on the buyback under the expectation that you're going to go forward and do more M&A? Just trying to get some more color in terms of what you're thinking on the buybacks versus the M&A. Thank you.

Brendan Cavanagh

So on holistic MLAs, I think that is a -- when we talk about a goal of trying to ensure that we have stabilized our cash flow streams and results, one of the ways you do that is through enhancing and improving customer relationships. And that can be done in part through master agreements. We obviously signed one with AT&T last year. We've signed others in the past with each of our customers along the way. So I would expect we will continue to make use of that, assuming that it's the best structure for what our customers need to get done and SBA is able to achieve a certain amount of certainty and length of commitment as part of those agreements. But each of those will be determined on an individual basis based on the needs of the customer and what we need.

Again, the buybacks versus M&A, yeah, I mean, we are -- we're not necessarily sitting here saying we've got all this cash we're ready to spend on buybacks. We are -- in fact, we still have balances out on our revolver. So I don't feel like we've necessarily been in that position. We have historically been very opportunistic around share buybacks. I would expect that to continue to be the case now. But individual acquisition opportunities, particularly of size, may influence our timing on when we would buy back our stock if we otherwise saw it as an attractive investment. So that's where we are, and we'll see as time goes by. But just because you don't see us buy back our stock doesn't necessarily mean that we don't see it as a good value. It means there may be other factors we're considering.

Michael Elias

Got it. Thank you.

Operator

Next, we'll hear from Brendan Lynch with Barclays. Please go ahead.

Brendan Lynch

Great. Thanks for taking my question. Maybe just -- it's been asked a few ways but maybe to put it in a different term. Can you talk a little bit about what is assumed in the $42 million of domestic leasing guidance that relates to kind of the lap-over effective signings in 2023 versus what you need to sign in 2024 itself?

Brendan Cavanagh

Yeah. I can't tell you exactly with precision sitting here, but I'm sure we can follow up with you. It is largely based on what's already been signed up to date. I'm sure it's somewhere in the three quarters range of the number, but maybe even more. So we'll follow up with you, Brendan, separately on that.

Brendan Lynch

Okay. ThatÂ's helpful. Thank you. And then one other question on international churn. I know you were expecting some churn in some Latin American markets. Maybe you could talk a little bit about what you're seeing there. It did seem to tick up a bit in the fourth quarter and give some color on what you anticipate throughout the next year.

Brendan Cavanagh

Yeah. So I mentioned it briefly in my prepared comments, but there are a number of markets that we're in where we have consolidations taking place, in particular, in Brazil where you had the Oi wireless consolidation with the other big three carriers there as we kind of work through that. Last year, that was a big factor. It represented roughly 40%. It was just from 10% by itself, associated with that consolidation, there's one item. That is probably going to be a continued driver of some level of international churn over the next few years. But we're working through negotiations with each of our customers. And as we do that, we're kind of pricing this long-term relationship, long-term commitment where we've got stability that we can reintroduce into the relationship, but allow them to get through the efficiencies that they need to achieve as a result of the combination of customers that's taking place in the market. So it's a mix, but Brazil will probably be the biggest just because it's the biggest market we have with the most revenue.

Brendan Lynch

Great. Thanks for the color.

Operator

And next, we'll hear from Walter Piecyk with LightShed. Please go ahead.

Walter Piecyk

Thanks. I guess just a quick follow-on for that one. In your discussions with those customers, is there an opportunity with Mobile and maybe take ownership of those towers? Do you think there would be some

regulatory issues with that?

Brendan Cavanagh

Yes, I probably can't answer that in this forum, Walt. But we do have ongoing conversations with them about all different things that they do that we do that might fit together. So -- go ahead.

Walter Piecyk

Just looking through history, you go back to Oi and then you look at PGE and you maxed the balance sheet at like $7.7 million. Is that coincidental? Or is that kind of your threshold of pain in terms of where you would take something for the opportunities that exist out there?

Brendan Cavanagh

Well, it's probably coincidental to some degree. I don't think you'd see us go above 8x at any point in our history. But now that we've got this -- we've got a pretty big cushion given where our leverage has come down to. So I don't really foresee that ever being a number that we approach.

Walter Piecyk

Okay. Well, that gives us a sense of the size of things that you can consider. And then just lastly, just kind of a touchy-feely question, which is these operators have a lot of spectrum, which makes it a little different than past capital cycles when there's kind of an ebb and flow. What gives you confidence that when this ebb turns to flow, itÂ's not only going to be in markets where it can be satisfied with rooftops and small cells as opposed to traditional areas where densification is required? I'm talking domestically, forget about your global markets.

Brendan Cavanagh

Well, what -- I mean, really what gives me confidence, but we'll see how it plays out, its history. I mean, every time we've seen the cycle of activity, it's ultimately gotten to the suburban markets, the rural markets. Those dense urban centers really were never tower markets to begin with. So it's not really been a factor for us. Anything that's getting resolved with root tops, that's a very limited tower market. So I'm not sure it matters that much to us.

Walter Piecyk

So are there factors that in suburbia that you could hit or not you, but like, let's say, TMS, Verizon, maybe AT&T jumps on board. They hit enough penetration that the depth of spectrum that they have from C-band and the Sprint spectrum is not enough to serve whatever, let's call it, 30% penetration that they would require additional identification.

Brendan Cavanagh

Sure.

Walter Piecyk

Okay. Thank you.

Operator

And next we will hear from David Guarino with Green Street. Please go ahead.

David Guarino

Hey, thanks. Sticking with the US on the $40-ish million in new leasing activity expected in '24, is this level of the new run rate we should expect as we model out over the next few years? Or do you think there's a chance that new leasing levels might reach what we saw in '22 and '23, again? And then the second question was, could you just comment on the discretionary CapEx spend for '24? It looked like it stepped up pretty meaningfully from '23, what drove that increase?

Brendan Cavanagh

So the leasing level into the future, yeah, we think it could go up, sure. Obviously, it's all driven by carrier activity. I mean if you go back over the last three years, David, you will see, if you go back a few years ago, that we were at a level very similar to where we are now. In fact, I think we reported a number lower than the $42 million that we just put in our outlook for this year, three, four years ago. So since that time, obviously, it spiked up much higher than that because of carrier activity. And I think to some degree, the network strain that they may feel the -- and the cost of capital is very impactful to the decisions they're making there. And so yes, we believe there's definitely opportunity to see the number go higher in future years, but we need to see how that moves. In the case of -- I'm sorry, your other question was on CapEx?

David Guarino

Correct.

Brendan Cavanagh

Yeah. I think -- I don't believe -- I believe what we guided to was similar to what last year's number was. Yeah itÂ's where we guided to, $330 million at the midpoint and last year, it was $310 million. So sorry, Dave, what do you -- what's the core of the question?

David Guarino

No, my apologies, I must have misread that wrong. If it's flat, you can disregard the question.

Brendan Cavanagh

Okay. All right. Thanks.

Operator

And next, we'll hear from Batya Levi with UBS. Please go ahead.

Batya Levi

Thank you. Just a couple of follow-ups. First, on -- AT&T recently signed a new contract with FirstNet. Can you provide color if that will be included within the current M&A you have with them or provide some upside? And just another one on M&A. As you think about increasing your portfolio, do you have a preference for carrier-owned towers versus portfolios that are coming out of independent tower operators? Thank you.

Brendan Cavanagh

Sure. With regards to AT&T FirstNet, for the most part, I would expect, based on my understanding of everything that is expected to happen there, that it would have limited upside for us from an amendment or upgrade standpoint, the opportunity set would be more based on a need to densify where they needed to actually have new lease agreements at existing sites or possibly even new tower builds. So it's really a new site leasing opportunity to the extent that there is an impact, but I do not think there's much of an amendment impact potential for us. With regards to the M&A question, we would -- generally speaking, I would say we would prefer independent tower company towers as opposed to carrier owned towers, usually, we find that they've been developed with the mindset of co-location already in there, and they are operated and maintained in a way typically that is better than what you find with the traditional carrier sale leaseback. But having said that, we've done both kinds of deals, and I think our what we bring to the table is our expertise that allows us to kind of improve those operations. Sometimes there's greater opportunity for improvement when you buy things that haven't been run quite as well. So I guess it just depends on the individual opportunity.

Batya Levi

Got it. Thank you.

Operator

And we have no further questions at this time.

Brendan Cavanagh

Well, great. Thank you, everybody, for taking the time, and we look forward to reporting to you next quarter.

Operator

And that does conclude our conference for today. Thank you for your participation. You may now disconnect.