Conference Transcription

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CONFERENCE DETAILS

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Chairperson:	Jay Brown
Speakers:	Ben Moreland Jay Brown Fiona McKone

ACT Operator

Welcome to the Q1 2010 Earnings Conference Call. During today's presentation all parties will be in a listen-only mode. Following the presentation the conference will be open for questions. If you have a question please press *1 on your touchtone phone. If you would like to withdraw your question press *2. If you are using speaker equipment, please lift the handset before making your selection. This conference is being recorded today Thursday, April 29, 2010.

I would now like to turn the conference over to Fiona McKone, Vice President of Finance. Please go ahead ma'am.

Fiona McKone

Thank you. Good morning, everyone, and thank you all for joining us as we review our first quarter 2010 results. With me on the call this morning are Ben Moreland, Crown Castle's Chief Executive Officer, and Jay Brown, Crown Castle's Chief Financial Officer. To aid the discussion we have posted supplemental materials in the investors section of our website at www.crowncastle.com which we will discuss throughout the call this morning.

This conference call will contain forward-looking statements and information based on management's current expectations. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurances that such expectations will prove to have been correct. Such forward-looking statements are subject to certain risks, uncertainties and assumptions.

Information about the potential factors that could affect the Company's financial results is available in the press release and in the Risk Factor sections of the Company's filings with the SEC. Should one or more of these or other risks or uncertainties materialize or should underlying assumptions prove incorrect, actual results may vary significantly from those expected. Our statements are made as of today, April 29, 2010, and we assume no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

In addition, today's call includes discussions of certain non-GAAP financial measures, including Adjusted EBITDA, recurring cash flow and recurring cash flow per share. Tables reconciling such non-GAAP financial measures are available under the investors section of the company's website at www.crowncastle.com.

With that I will turn the call over to Jay.

Jay Brown

Thanks, Fiona, and good morning everyone. As you have seen in the press release and as outlined on slide three of the presentation that we posted on our website this morning, we have reported another strong quarter of results which reflect the increased demand for wireless infrastructure, as evidenced by the 11% increase in site rental revenues from the first quarter last year. I am happy to report that following the completion of the $1.9 billion financing in January, we have resumed investing activities we believe will enhance long-term recurring cash flow per share. With that, I would like to take you through the results for the quarter and the increase to our 2010 outlook.

Turning to slide four, during the first quarter, we generated site rental revenue of $407 million, up 11% from the first quarter of 2009. Site rental gross margin, defined as site rental revenues less costs of operations, was $293 million, up 14% from the first quarter of 2009. We continued to maintain a disciplined approach to operating costs, resulting in 90% of the growth in site rental revenue finding its way to site rental gross margin, and we held G&A essentially flat year-over-year on a currency neutral basis. Adjusted EBITDA for the first quarter of 2010 was $274 million, up 13% from the first quarter of 2009. It is important to note that these growth rates were achieved almost entirely through organic growth on assets that we owned as of January 1, 2009 as revenue growth from acquisitions was negligible.

Turning to slide five, recurring cash flow defined as Adjusted EBITDA less interest expense less sustaining capital expenditures increased 13% to $149 million compared to $132 million in the first quarter 2009, inclusive of the impact of all of the refinancing activities we have completed over the last four quarters. Recurring cash flow per share increased 12% to $0.52 compared to $0.46 in the first quarter of 2009.

Moving to the outlook for the second quarter as shown on slide six, we expect site rental revenue of between $406 million and $411 million and Adjusted EBITDA of between $271 million and $276 million. The sequential growth is somewhat muted between the first quarter 2010 and our outlook for the second quarter 2010 for several reasons.

First, the first quarter revenue benefited from approximately $1 million payment from a customer in Australia which was expected in our original outlook for the first quarter. Second, as discussed on the fourth quarter call, we expect the commencement of new leases to be back-end loaded in 2010 as is typical in our business. And on the cost side, we expect second quarter repairs and maintenance to increase by approximately $3 million from the first quarter due to the limited amount of R&M that can be carried out in the cold inclement weather. Also, as we ramp up our land purchase program, we expect our related operating costs to be approximately $1 million higher per quarter.

Turning to the full year 2010 outlook on slide seven, based on the strong first quarter results and our expectations for the remainder of the year, we have increased the midpoint of our outlook for site rental revenues by $12.5 million and each of site rental gross margin, Adjusted EBITDA and recurring cash flow by $15 million for the full year 2010. Substantially, all of the anticipated growth is expected to come from the assets we owned at the beginning of 2008 as we have made no significant tower acquisitions during the last two years. Consistent with our practice, our 2010 outlook does not include the benefit from expected future investment around our core business.

Turning to the balance sheet, as illustrated on slide eight, total net debt to last quarter annualized Adjusted EBITDA as of March 31, 2010 was 5.6 times compared to 6.2 times in the same quarter last year. Adjusted EBITDA to cash interest expense as of March 31, 2010 was approximately 2.7 times. Both our Adjusted EBITDA leverage ratio and cash interest expense coverage ratios were comfortably within their respective debt covenants' requirements. Since January 1, 2010, we have used $123 million of cash to settle a portion of the outstanding swap liability due to be settled in cash on June 15, 2010.

As illustrated on slide nine, based on the current interest rates, the remaining balance on the swap liability as of yesterday is approximately $93 million and the liability on a settlement basis associated with our forward-starting interest rate swaps due to be settled in 2011 is approximately $240 million. As shown, we have also provided the sensitivities of these swaps to changes in interest rates.

Moving on to investments and liquidity, in January 2010 we issued $1.9 billion of notes to refinance $1.6 billion of tower revenue notes that had an anticipated refinancing date of June 2010. The notes were refinanced at a weighted average interest rate of 5.75% and a weighted average expected maturity of 8.7 years. Since the beginning of 2009, we have raised $5.2 billion of debt, refinancing all of our near term debt maturities. A portion of the excess proceeds from both the $1.9 billion and some of our earlier financings in 2009 allowed us to purchase $461 million of higher coupon debt in January 2010. The table on slide ten reflects our current debt balances and maturities.

The completion of this refinancing enables us to resume our historical practice of investing cash flow and activities, including land purchases and share purchases, that we expect will maximize long-term recurring cash flow per share. As we believe, this is the best long-term measure of shareholder value creation. To that end, as shown on slide 11, during the first quarter of 2010 we purchased 2.8 million common shares using $109 million in cash at an average price of $38.80 per share. In addition, in April 2010, we purchased 0.8 million common shares using $30 million in cash at an average price of $37.61 per share.

I would point out that investing 70% to 75% of our recurring cash flow in activities, such as we did in the first quarter, enhances the organic growth produced by our tower business by approximately 30% at the recurring cash flow per share line. Pro forma for the common shares purchased in April 2010, common shares outstanding at March 31, 2010 were 286 million. Since January 2003, we spent $2.4 billion buying back 92 million shares or potential shares at an average share price of $25.57. Without these purchases, our current share count would be nearly a third higher than it is.

During the first quarter, we also spent $37 million on capital expenditures, including $20 million on land purchases as we resume spending on our land lease purchase program. We would expect to spend approximately $140 million on the land purchase program in 2010, as well as continuing our efforts to extend the maturity of the remaining ground leases. We have had significant success with this land purchase program over the last several years. In fact, today 31% of our site rental gross margin is generated from towers on land that we own, up from less than 15% in January 2007, just after we completed our acquisition of Global Signal.

In addition, when we take into account the ground lease extensions we have accomplished, today 68% of our site rental gross margin is on sites we own or control for greater than 20 years, up from less than 40% in January 2007. These facts are the results of more than 7,000 individual real estate transactions, which we have completed to secure the rights on the land on which our towers reside.

Lastly, a note on our liquidity position. As of March 31, 2010, pro forma for the aforementioned transactions in April 2010, we had approximately $300 million in cash and cash equivalents, excluding our restricted cash, and $400 million of availability under our revolving credit facility.

In summary, we had a great quarter. I am excited about the balance of 2010, and I am pleased that we are back to investing capital in areas related to our core tower business to enhance long-term growth rates and recurring cash flow per share. With that, I will turn the call over to Ben.

Ben Moreland

Thanks, Jay, and thank you all for joining us this morning. As Jay just mentioned, we had a strong first quarter exceeding our outlook for site rental revenue, site rental gross margin, Adjusted EBITDA and recurring cash flow. I am particularly pleased to be back investing in our core tower business. As we have said in the past, our focus is in maximizing long-term recurring cash flow per share through opportunistic investments that can include share purchases and land purchases as we did this quarter and both of which we resumed in a meaningful way here recently. The trends underlying our business remain very positive as mobile data usage continues to stretch available bandwidth with the continued adoption of the mobile Internet.

We believe the increased lease amendment activity we are seeing is consistent with the expected network investments over the coming years, fueled by the continued growth in the broader wireless and mobile Internet markets. Further, we are hearing early indications that we may see an increase in activity related to brand new leases for cell splitting and coverage sites beginning as early as next year.

If you will indulge me for just a moment, I would like to discuss with you some amazing trends we are seeing in the mobile Internet demand, cited in a recent report from Cisco and some sell-side research, which has become the fundamental growth driver of our business and we believe will be for years to come. The reality is that the annual mobile data traffic is growing faster than expected, increasing 160% over the past year with the rapid consumer adoption of smartphones, netbooks, e-readers, Internet ready cameras, as well as machine to machine applications like e-Health monitoring and asset tracking systems continuing to place unprecedented demands on mobile networks.

Cisco's research projects that annual global mobile data traffic will increase 39 fold from 2009 to 2014 for a compound annual growth rate over 108%. To put that another way, just for some reality, the projected 2014 total mobile data traffic is expected to be at the equivalent of 133 times all the data traffic that has ever gone over mobile networks from the outset of wireless in the 80s till today.

Two major global trends are driving this increase. First, the proliferation of devices with access to the mobile Internet and the widespread mobile video content consumption. That was clearly evident from the presentations I attended at CTIA. By 2014, there could be over 5 billion personal devices connected to mobile networks and billions more machine to machine nodes. In fact, mobile Internet users are expected to exceed desktop Internet users by 2014, and mobile Internet usage is ramping faster than the initial adoption of desktop Internet with game-changing devices like the iPhone and iPad leading the charge.

It is estimated that by 2014 more than 400 million of the world's Internet users could be accessing the network solely through a mobile connection with smartphones and laptop AirCards expected to drive more than 90% of global mobile traffic by 2014. Global data traffic today is growing 2.4 times faster than fixed broadband data traffic, and North America is expected to have mobile data traffic growth rates of over 117% through 2014.

Importantly for our business, relating it back to our strategy, the success of the global transition to the wireless Internet is concentrated in developing markets, and the US is leading the way having the largest 3G subscriber base in the world. In fact, the US has one-third of the advanced 3G network subscribers globally. Furthermore, the US is the leader in investment in mobile broadband with US carriers projected to spend $22 billion to $23 billion in wireless capital spending this year with 80% of that spend related to data related projects.

As consumers demonstrate their preference for portability, smartphones sales in the US are growing rapidly. The US is expected to remain the most dynamic 3G market for the foreseeable future, driven by compelling devices such as Apple's iPhone, Motorola's Android and the rollout of new devices such as the iPad. As the next generation of mobile broadband networks evolve, the US also leads in the deployment of 4G technologies with the launch of WiMAX and LTE networks well underway.

These impressive growth statistics and network investment are why we are focused on the US market; it is the largest and fastest growing market for the wireless Internet. To that end, I believe our tower portfolio and ability to execute for customers best positions us in the US to capture this anticipated activity in the form of site listing revenue growth as carriers continue to upgrade and add sites to meet this unprecedented demand for wireless Internet services.

Having the right assets in the right locations is critical to meeting the demands of carriers today. We have the best located tower portfolio in the industry with 71% of our towers in the top 100 BTAs where a significant share of the incremental leasing demand from 3G and 4G activity originates. And, as indicated by quarterly surveys of our customers, we continue to deliver the highest level of customer service in the industry. This is further evidenced by our success in growing the services portion of our business.

I am not only excited about the underlying trends driving our site rental leasing business, but I am also very excited about the opportunities I see to invest in our core tower business to augment the strong organic growth we were seeing. I believe this investment of recurring cash flow can add between 4% and 6% to our organic growth rate annually. These investments can take the form of, as in this quarter, share purchases, prospectively tower purchases in the future as we have done significantly in the past and continued commitment to our distributed antenna systems business opportunity and our land purchase program, as Jay mentioned.

As has been our practice for a number of years, we are investing capital in these activities in a way that we believe maximizes long-term recurring cash flow per share.

To wrap up: I am excited about data growth in the US market and the carriers' profitable investment in network enhancements to support this growth; secondly, our position and focus on capturing this opportunity through our leadership in the US market; and finally, our ability today to invest capital in meaningful ways that increase our organic growth as we resumed this quarter.

With that, operator, I would like to turn the call over for questions. Thank you.

ACT Operator

Thank you sir. We will now begin the question and answer session. As a reminder if you have a question, please press *1 on your touchtone phone. If you would like to withdraw your question, press *2. If you are using speaker equipment you will need to lift the handset before making your selection.

Our first question comes from the line of Rick Prentiss with Raymond James. Please go ahead.

Rick Prentiss – Raymond James

Good morning guys.

Jay Brown

Hi, Rick.

Rick Prentiss – Raymond James

Couple of quick questions for you. First, on your 2010 outlook, can you update us as far as what's baked into the assumptions for the second half of the year? How good is the visibility, which this business usually has very good visibility, but just how good is your visibility for the 2010 leasing, and what's kind of baked into it?

Jay Brown

OK. Obviously, we have pretty good visibility for a big portion of 2010. Typically we will have good visibility for four to six months, so we would be seeing into the fourth quarter basically in terms of leasing activity. We have baked into the 2010 outlook about 5% growth in organic activity, new leasing activity. Those will be a combination of amendments to existing leases, as well as our brand new tenants going on the towers, and then the benefit of 3% from the existing base revenues that were on the books at the end of 2009.

Rick Prentiss – Raymond James

OK. And as you mentioned getting back to the table for stock buybacks and land programs, can you help us understand how you kind of moderate and allocate that capital? What leverage are you trying to get to? What kind of returns are you trying to get to? How do you decide when to put money into the stock buyback program versus the land program versus tower deals that might be out there? How do you kind of prioritize and think through that process?

Ben Moreland

Yes, Rick this is Ben. First let me segment that discussion into land first, land being a little bit different when we think about that it is ultimately a refinancing transaction, off-balance sheet versus on. And we will continue to do a very healthy mix of purchases as well as extensions because we really look at that as an investment but also very important strategic initiative of the company.

With respect to allocating capital to share purchases versus acquisitions, it's something that our executive team spends a lot of time on and, frankly, with our board even. We do a lot of work, as you know and we have discussed on these calls over the last few years, evaluating opportunities around acquisitions versus our own future revenue growth opportunities on the sites we already own. Because our view is that making that allocation of capital decision whether we are buying shares or buying brand new assets is really the same transaction. You are essentially consolidating ownership for the shareholders in the sites we already own or purchasing new sites, and we have done a significant amount of both over the years.

But it really comes down to very specific expectations around future lease up of sites certainly with an eye towards short-term and balancing long-term objectives. And the reason I added that to the end of that is, as we mentioned I think on this call last quarter, prices have gotten pretty heady in the acquisition market. And while some of those sites certainly do have attractive lease prospects, everything had a price. And so when you look where we are currently trading in a multiple of cash flow versus a multiple of cash flow that may be on offer for an acquisition, we certainly try to balance sort of the short, medium and long-term objectives of the firm in driving recurring cash flow growth. And it's sort of an art not a science, I would say, and we do the best we can to make those decisions.

As you can see this last quarter, where those acquisition analysis took us was to buy our own stock. I would suggest to you that that's probably not always going to be the case, most certainly won't be the case. We are looking at some acquisitions today that I feel pretty comfortable we are probably going to get some of, so that would be funds that we would reallocate from share purchases into assets that we think have a very attractive growth profile.

Rick Prentiss – Raymond James

What do you think has caused M&A prices to get a little better from where they were a month or three months ago?

Ben Moreland

Well, I think certainly the credit markets help. If you look at spreads tightening and just overall coupons being pretty low, for not only the large tower companies but even private tower companies, certainly the cost of credit has a material impact on what people will pay for the equity component of a tower portfolio. That's probably the single biggest thing, and that is the availability of capital. Then I would say also visibility in the future leasing. What we see around the wireless Internet and data deployments in our portfolio is certainly not unique to our portfolio, and it's driving substantial expectations of future growth that I think everyone is looking at and underwriting in these acquisitions. So I think both of those combined have driven prices, frankly, up and through our public trading multiple in some cases.

Rick Prentiss – Raymond James

OK. And then on the land, just to go back for one second on that. What type of day one returns or yields are you trying to target in the land programs, and what are the costs that Jay was mentioning as far as the $1 million in a quarter kind of thing?

Ben Moreland

Well, $1 million in a quarter are transaction costs that we are not capitalizing into the transaction. So principally legal costs and some closing costs and things that we are not able to capitalize. So those hit the P&L as did ongoing G&A. In fact, our run rate of G&A is up to, where do you think we are, Jay?

Jay Brown

About 10.

Ben Moreland

About $10 million annually run rate G&A in the company that we are incurring for this activity, that we have been able to basically swallow with our incremental margins staying very healthy, and we are still probably doing more extensions than we are purchasing. The net effect at the margin line is about a push. So no one should take away from this conversation that we are purchasing land to just grow margins. In fact, it's the contrary. When you take the lease extensions into account, on a good day, it's a push and many days it's negative. But obviously when you hear the kind of improvements that we have made in the overall portfolio up to now 68% of the portfolio is owned or controlled beyond 20 years, and that's up over 20 percentage points in the last couple of years. That's remarkable progress the team has delivered for us. But, Jay, in terms of initial yield, do you want to answer that?

Jay Brown

Well, I think the initial yield, you hit on it. Most of that evaporates as we straight line the ground lease expense over the new longer term of the leases. The average term remaining now on the ground lease portfolio is just over 30 years. That number was inside 20 years right after the Global Signal acquisition back in January 2007. As we extend the maturity on all of those ground leases, the benefit that we would otherwise get in the income statement from purchasing land basically evaporates from the impact of straight line in the ground rent over a much longer period of time.

Rick Prentiss – Raymond James

Thanks guys.

ACT Operator

Thank you and our next question comes from the line of Simon Flannery with Morgan Stanley. Please go ahead.

Simon Flannery – Morgan Stanley

Thank you very much, good morning. You talked a lot about visibility into the second half of the year and recovering or accelerating growth. But coming out of CTIA, I think that there was a lot of concern that some of the carriers had done what they needed to do this year for their 4G deployments. Perhaps you can help us square that away. And related to that, I think you said in your comments that you are seeing early signs of cell splitting and focus on building coverage for next year. Perhaps you can just drill down on that. Is that across the board, is that specific carriers, what are you trying to get us thinking about there?

Ben Moreland

Sure, Simon first of all, I think coming out of CTIA, there were some potential misunderstandings or some comments that were misconstrued. And I think one of the other analysts on the call did a pretty good job of trying to set the record straight. But what it came down to was a discussion around phasing of the LTE build. In fact, the phasing of the LTE build is ongoing and well at hand, and we see application volume out many quarters and expect, I think as Verizon has said in their case, that they will be building LTE sites out through2013 and ultimately approach virtually 100% of the portfolio. From our perspective, that was just a little bit of a misinterpretation of some statements that were made because we see a very steady pipeline of LTE applications out a long, long time and are still substantially less than half way through our portfolio. So we are excited about that.

What I was mentioning in my comments is we are also beginning to pick up on some discussion with customers that's also evident from our own Project SouthPointe drive test data. Let me just remind everyone briefly what that is. Where we drive test most of our sites and determine what the coverage opportunities remain at those sites to be. So, for example, it's sort of the who is not there analysis, and who needs the site. But interestingly enough over the last year or so, the amount of leasing that we have actually enjoyed as a result of those opportunities has been diminishing. And it has been diminishing because almost all of the carriers' activity today is devoted to amendment activity building out LTE or further augmenting third generation networks. So it's really around the data deployments that I mentioned in my prepared remarks.

That does cause a question in our mind as to say when do we think the carriers will circle back and pick up coverage holes and/or capacity cell splitting requirements that we would have picked up in our drive testing. And we are beginning to hear from some customers that is actually in their planning horizon. It won't be this year but perhaps next year or even as we move into 2012. So it's not an abandonment of some of those opportunities. It's a deferral, if you will, as they have been focused very much as we talked about 80% of the capital spend being data related activities, but then would circle back and augment the coverage holes and inevitably the cell splitting that's required as the data take up continues to add burdens to the sites.

That's really what we are seeing, Simon. It's nothing that's in our outlook for this year, but I was quite heartened to hear that some of this sort of confusion, if you will, or questions that we had in our drive test material, is actually visible to the carriers and they would expect to come back and address that in years to come.

Simon Flannery – Morgan Stanley

OK, thank you.

ACT Operator

Thank you. Our next question comes from the line of Mike McCormack with JP Morgan, please go ahead.

Mike McCormack – JP Morgan

Hi guys, thanks. Couple of things. Can you just comment about your thoughts on how the wireless marketplace is developing here in the US with postpaid subscribers slowing down fairly dramatically and pre-paid becoming more of an opportunity and how that might impact you guys specifically? And then second, your thoughts on the risk or even reasonableness of Sprint decommissioning the iDEN network?

Ben Moreland

Sure, we focus for obvious reasons we watch very carefully the results of our carrier customers and how they are tracking in terms of the economic proposition of what they are doing. One of the things we follow most closely is the incremental returns or the incremental value being created in those firms from the massive capital investments that they are making to build these data networks as we have talked about. And from my view, from what I can tell from their public statements, certainly the growth in data revenues, which approaches 30% year-over-year and is substantially the growth that they are seeing in the business, including growing overall ARPU on a per customer basis.

The incremental margin or incremental revenue opportunity against that incremental capital spend is a very healthy opportunity and it is why not only is there an economic proposition, but certainly there is a defensive proposition that you don't even really have to consider thus far. If you are a carrier that doesn't maybe have as fully developed a wireless data plan service for their consumers, that they are certainly on that train to get there relatively quickly because it appears that the opportunity is there, as you see, substitution even.

We used to talk about wireline substitution like that was a novelty. I think we will now talk about Internet broadband connection substitution and people that don't even have a wired Internet connection in the future. And things like we had to get Jay off The Masters on his iPhone the other day because he was addicted to the data feed from the application. But things like that that are driving that incremental usage in ARPU at a very healthy return. And that's really what we pay attention to, and at the straight economic proposition it's very viable, and then certainly at a defensive level at a much lower level, it's viable. But I don't even think you have to really consider that yet if you are a carrier.

The second question was around iDEN.

Jay Brown

Related to Sprint there are a couple of things I would say. Obviously Sprint made some public comments yesterday related to this and basically said that they had no intention to remove the iDEN network in the near future. We have seen Sprint behave over the last couple of years by renewing their existing leases if they would come up.. Both in terms of their statements and the activity we have seen from them, we don't have any indication that iDEN would go away.

And then more broadly, we believe based on where we were with Nextel prior to our acquisition of Global Signal and prior to the merger of Sprint and Nextel, that today iDEN revenues are probably less than 3%. And has been the practice by Sprint over the last several years in lot of cases, they are going and overlaying CDMA on the places where iDEN is, so there is swap out of equipment. I guess if you are trying to bookend a worst case scenario it would be 3% of revenues, but it certainly doesn't look like that's going to be coming off of the run rate revenues anytime soon.

Mike McCormack – JP Morgan

Great, thanks guys.

Jay Brown

Sure, Mike.

ACT Operator

Thank you and our next question comes from the line of Brett Feldman with Deutsche Bank. Please go ahead.

Brett Feldman - Deutsche Bank

Thanks for taking my question. In terms of thinking about how you allocate capital, it also involves how much capital you have to allocate. I was hoping, Jay, maybe you could just remind us how you think about leverage. I believe that you have said in some of the other public appearances that you are sort of targeting a stable level of gross debt, and then as you grow EBITDA, you will naturally de-lever. I am just wondering if we could go back over the merits of why you would even want to de-lever from this point going forward based on the strong demand trend that you are seeing and based on the way you laddered out the maturity to this point?

Jay Brown

Sure Brett thanks for the question. I think we have talked about this a little bit over the last couple of quarters and what I would say is we certainly have no intention to take a portion of our cash flow and pay down our existing indebtedness. We are comfortable with the gross amount of debt outstanding and would expect that the business will de-lever to some degree from this point down towards in the range of about five times net debt to EBITDA. Again, that's just from growth in Adjusted EBITDA.

I would obviously say, though, as we have said for a long period of time, as we approach three times interest coverage and five turns of net debt to Adjusted EBITDA, it's not that the business can't withstand a little bit more leverage than that. And if we have something strategic, be it in asset or something else that looks attractive to us, I certainly would not want to foreclose the idea of never going back up the turns of debt to EBITDA. I think it's just going to come down to what do we think the return is on the particular investment that we would have in front of us.

But I think in normal course you will see a sort of trend down towards that five times range. And if you look at that growth that were showing in terms of the outlook we are pretty much there by the fourth quarter of 2010. If you are thinking about this roll forward beyond that and we continue to grow EBITDA in the neighborhood of $100 million a year and then cash flow somewhere in the neighborhood of $600 million growing at 100 a year, it's conceivable as we get into next year you are going to have borrowing capacity in the neighborhood of about $500 million assuming we hold that kind of five times or $600 million if we hold that six times. Plus, another $600 million to $700 million of recurring cash flow. So I think easily you get north of $1 billion dollars and could get $1.2 billion depending on where we come out on the opportunities that sit in front of us.

Brett Feldman - Deutsche Bank

That was exactly my point, which is just that you were going to be at five times so quickly. It does sound like you don't necessarily see the value in continuing to de-lever through that five times level because right now most of your capital deployment is based on the cash flow that you are generating from the business. You are not really dipping into the revolver or any excess capacity, but it does seem that you might be willing to do that as we move into next year. Is that the right interpretation of what I am thinking about?

Jay Brown

That's exactly how we are thinking about the business. I don't see really any value of de-levering down into the four times range. I think at five times we are real comfortable. We have three turns of interest coverage as I mentioned, and I am happy to run the business with that kind of level. And then again, leaving open the opportunity, if there is something strategic that we would like to pursue, we have got some capacity to go after it.

Brett Feldman - Deutsche Bank

And then just one final point here. I talked about the laddering of your maturities. You are kind of at this point where you never really have a significant amount of debt maturing in any given year. Do you have any particular targets on that basis like no more than 25% or something along those lines?

Jay Brown

Yes, I think what the last cycle taught us was in and around a billion dollars, you have got access to the market, even in pretty difficult periods of times. So just sort of an internal target would be somewhere around a billion dollars per year, no more than a billion dollars and if it is more than a billion dollars, then we try to spread it out inside that year so that it's multiple transactions. And some of things that we did with the securitization deal that we did most recently in January really effectuates some more flexibility in terms of how we refinance the debt on the balance sheet, and we will look to maintain that flexibility over time.

Brett Feldman - Deutsche Bank

Great, thank you for taking the question.

Jay Brown

You bet. Thanks, Brett.

ACT Operator

Thank you. Our next question comes from the line of Jonathan Atkin with RBC Capital Markets. Please go ahead.

Jonathan Atkin – RBC Capital Markets

Yes, good morning. I wondered if you could comment on any expense one-timers that might have benefited your results sequentially on the EBITDA line? And with respect to the 4G deployment, can you give us a flavor for the volumes that you saw in WiMAX in first quarter versus fourth quarter, as well as for LTE 1Q versus 4Q?

Jay Brown

Thanks Jon. On the expense one-timers, we didn't really have any benefits from expense one-timers. I mentioned the seasonality in R&M expense. Obviously, that happens to us every year in the first quarter where we spend less in the first quarter than we would in the warmer months of the year. We expect R&M to go up about $3.5 million from Q1 to Q2 but that lower level of R&M spending in the first quarter was included in the outlook for the first quarter of 2010 that we gave back in the January timeframe. I don't know how to classify that as one-timers necessarily. I think it's just more of the seasonality that we see in the business. And if you are doing the year-over-year comparison, I wouldn't see anything in there that was one time relative to the way it looked in the business last year.

Ben Moreland

Jon, your second question in terms of just application volume or activity, I would say that it's pretty steady on the WiMAX side, and that continues out through this year. And then, if you ask about LTE and 3G even, I would say that's modestly ramping in the first four quarters of the year, but not off the chart by any means. Sort of still run rate stable and modestly ramping towards the second half of the year.

Jonathan Atkin – RBC Capital Markets

And then I wondered if you have any expectations regarding the Harbinger's spectrum, and would you expect to be perhaps on the leases during this calendar year? And then one more on outdoor DAS. I know that you had an announcement a couple of days back, I think it was one of your newer DAS deployments, and we hadn't seen too many of those in recent years. So are we going to be seeing more of that emphasis going forward?

Ben Moreland

Sure, with respect to Harbinger, I am not going to comment specifically on any specific carrier. Although you can certainly expect that given our portfolio in the major metropolitan areas, that anyone looking to deploy a major network as they may be, and I think we have all probably read the same things, as most recently the example being Clearwire, we would expect to materially participate in that. And then you did see the press release we put on the Stanford DAS opportunity that we completed. Thanks for noticing. We are quite pleased with that system, and would hope to be able to do more like it in a very engaging venue of a university. We have done some sports events as well, sports facilities, and I do think you will continue to see us focus on that. It will always be by definition a small part of the business given that it's pretty hard to overcome a $1.1 billion run rate of EBITDA. But at the margin incrementally, we find it to be profitable, and it's something we are going to continue to pursue. I do believe the carriers are increasing their focus on some of these hard to cover geographic areas whether they be a residential area or commercial district or a venue and that we are certainly exploring the opportunity to continue to grow that business. But it will more than likely always be pretty small.

Jonathan Atkin – RBC Capital Markets

Thank you very much.

ACT Operator

Thank you. Our next question comes from the line of David Barden with Bank of America Merrill Lynch. Please go ahead.

David Barden – Bank of America Merrill Lynch

Hey guys, thanks. Just a couple of questions if I could. The first one with respect to the second quarter guidance, obviously we appreciate the full-year look, and we kind of explored your conviction level there. But the low end of the second quarter guidance given now here at the end of April would suggest that there is literally no site rental revenue growth in the second quarter, which seems unlikely. I guess if you could talk us through why the range includes 0% growth for the second quarter and obviously the strong ramp into the second half.

The second question I wanted to ask was, we have heard a lot at least from Sprint and some of the other operators this quarter that there is a secular move towards pre-pay and away from post-paid from a voice services perspective. And the average pre-paid voice user is using about two to three times as much voice as the average post-pay user. So you are almost creating two or three new subscriptions as that happens. I was wondering if you guys have seen that, not just data but that migration or planning for that evolution is starting to impact network planning prospects in the next couple of years. Thanks.

Jay Brown

Thanks Dave. I will take the first one, Ben, you can take the second one, I guess. In terms of the sequential quarter-to-quarter move, obviously that's probably the first thing we looked at when we looked at the results and then started looking at the quarter. I would tell you it's not unprecedented. When we go back and look at past quarters, there have been a couple of times over the last couple of years where the quarter move from one quarter to the next looked a little bit light. It's obviously not concerning given the visibility that we have for the balance of the year. Specifically around what's moving and as predictable as this business, we don't give you an actual exact revenue number. We give you a wide range of $5 million on a very large amount of revenue and so I think we are fairly precise in terms of our outlook.

And I would take the point it's probably unlikely that we hit the bottom end of the range, but from time to time there are things that happen in a quarter, one-time events or other things that we don't plan on or can't anticipate. At the high end of the range, it's sequential growth of about $5 million from Q1 to Q2 if you back off the million dollars that I spoke about in Australia. It's just one of those quarters where maybe the sequential growth looks a little bit light, but as we look at the balance of the year, we feel real good about what we are seeing around revenue growth for the balance of the year.

Ben Moreland

Dave, on your second question around some migration in Sprint to pre-paid and the increased voice usage that those consumers typically use, my only takeaway on that would be that if you look at broadly what's happening in the network architecture and the data usage that's growing and how much consumption – how much larger data growth is than voice, voice requiring a very low bitstream basically to maintain a voice connection versus what some estimate over the next three or four years, two-thirds of all the traffic could ultimately be streaming video. That I would speculate with you and the group this morning that that voice migration may be on the prepaid side to using more voice that will exaggerate some coverage holes. But, otherwise, I am not sure we will see a material change in our leasing as a result of that because of the relative immateriality of that given what's going on on the data side. That would be my take on that. Others might differ, but I would think that the data demand curve is going to overwhelm that, and that will remain the focus for the carriers.

David Barden – Bank of America Merrill Lynch

All right, thanks for all those, Ben.

ACT Operator

Thank you and our next question comes from the line of James Ratcliffe with Barclays Capital. Please go ahead.

James Ratcliffe – Barclays Capital

Good morning guys. Thanks for taking the question. Couple of things. One, it looked like site improvement CapEx was very low in the quarter, the lowest it's been since maybe early '07. Was there something specific driving that or should we have a read through in terms of lease up trends? And secondly, if you can just give us an update on where you guys are in your thinking around fiber to the tower, both how carrier deployments are going and whether there's an opportunity for you guys either as a service provider or facilitator?

Jay Brown

On the first question related to CapEx, you are right to notice that, and we have talked about that our expectation -- and a couple of things I think that are driving that -- our expectation was that after the Global Signal acquisition that for some period of time we would incur a little bit more CapEx as we added tenants to the tower as we did some catch up on maintenance related activities, beefed up the tower to hold additional tenants, and generally given the good location of those assets, they may have had a little wider gauged steel. We have gone through that process over the last several years since that acquisition and to some degree it's starting to tail off a little bit. That's our expectation for the year.

The second thing that I would mention relative to that, as Ben mentioned in his comments, we are seeing a lot of amendment activity and as that amendment activity ramps up and it's a larger portion of our overall new leasing growth, we would expect that that amendment activity would carry with it a little less CapEx. But I think the first part of my answer is probably the bigger driver there, and the second part of my answer may prove that we do a little bit better even than we are planning on for the balance of the year. But certainly under any scenario, the incremental return on that capital is very, very high, and I would expect over time we may see it tail off just a little bit.

Ben Moreland

Our teams think we have probably seen the crest of the wave there. Last year it was just over $100 million and maybe it's down potentially $20 million for the year, we will see how that goes. Obviously, as Jay mentioned, those were the highest returning activities in the company so we don't skimp on that, but I think we may have seen the crest of the wave there.

On fiber to the tower, as the carriers have discussed, that is absolutely an ongoing initiative that they are pursuing. Connecting fiber to the sites that's being done by themselves. They have engaged third-party contractors in some cases. We have been hired out as a service provider to facilitate that on the service side of the business. It's something that we think is very indicative of the long-term commitment the carriers are making to these sites. Obviously that becomes very valuable as the backhaul commitments are increased and the capabilities are increased. So that's out there.

In terms of the revenue opportunity on an ongoing basis I think it's going to be small, James. We potentially have some views, we have worked with some folks on the ability to facilitate sharing of the fiber at sites and there are some ways to do that. But I think it will be a relatively small contribution to the revenue. And really it certainly is facilitative on our part and minimizes the capital investment on the part of the carrier to have to pull two or three different fiber runs to the site, but I think it will be relatively small.

James Ratcliffe – Barclays Capital

Thank you.

ACT Operator

Thank you and our next question comes from the line of Jason Armstrong with Goldman Sachs. Please go ahead.

Jason Armstrong – Goldman Sachs

Thanks. Good morning guys. Maybe I will just stick to one. Related to the guidance in the back half of the year, obviously really strong step up. You guys have visibility through 3Q at this point. From what I can pick up, there's some skepticism in the investing community that we saw the same thing last year from 2Q to 3Q. But to a certain extent there is still sort of this overhang that there is a view that this was partly tied into lease extensions and straight line accounting increases, which I think the market was less willing to give you credit for. With the forecast uptick you are thinking about this year 2Q to 3Q, to what extent is that playing a role? Thanks.

Jay Brown

Yes, thanks Jason for the question. As I mentioned, if you look at the full year 2010 outlook, we think the benefit from escalations is going to be about 3% and the organic growth would be about 5%. If I compare that back to 2009, we thought the benefits from escalations was about 4% and organic was about 6%. At the base of business, if you think about the base of business at the beginning of 2009, that base grew 4%. The base of business in 2010 is going to grow about 3% we think. The benefit from all escalations, be those cash or renewal of existing leases, is down about 100 basis points year from year from the activity in 2009 to 2010.

It may be helpful if I quantify that in terms of dollar amounts. The revenue growth that we are assuming year-over-year of $125 million, about $50 million of that is off the base of business at the beginning of 2010, we think, and then organic would be about $75 million, and that sort of holds. If you think about the baked in escalators on our contracts, they are about 3% on the base of revenue so the total impact of last year's revenues running into this year is moving about 3%, that feels like about a normal year.

Jason Armstrong – Goldman Sachs

That's really helpful. Thanks a lot.

Jay Brown

Sure.

ACT Operator

Thank you and our next question comes from the line of Gray Powell with Wells Fargo Securities. Please go ahead.

Gray Powell – Wells Fargo Securities

Great, thanks. Just a couple of questions. The stats you just gave on the 2010 trends in terms of $125 million incremental revenue, $50 million from the installed base and $75 million organically is very helpful. Can you tell us how that broke out for 2009?

Jay Brown

I don't have the numbers sitting right here in front of me for 2009, but you can go back and use the percentages that I gave. We grew revenues about 10%, and 6% was from organic and 4% was from escalations. I believe our revenue growth was right at about $140 million. So take 4% of that, do the math and you will get right to about the right numbers.

Gray Powell – Wells Fargo Securities

Yes, I guess I am just – maybe I am overthinking it but you said that in 2009 demand related to about 6% organic revenue growth and in 2010 it's 4% so I just – however, the demand in 2010 is up from 2009 so I am just not sure if I fully understand it.

Jay Brown

Let me try one more time. If you look at the organic base of revenues and organic growth what I would refer to there is brand new leases going on the towers or amendments to the existing sites. Last year that activity of new amendments and new leases contributed 6% of our 10% revenue growth in 2009. And this year our outlook would suggest that we get 5% growth in organic activity, new leases and amendments to existing leases. Last year if you look at the base of revenues going into 2009, that base grew 4% in the full year 2009, and this year in 2010, we are assuming in the outlook that the base of revenues going into the beginning of 2010 is going to grow 3%.

Gray Powell – Wells Fargo Securities

OK, thanks. Just one other question on a different topic. Obviously carriers are set to get significant growth in network traffic because of wireless data. How much of that work to meet demand do you think actually involves putting antennas on towers today versus doing things like backhaul.

Ben Moreland

Yes, Gray, it's a good question and you are right to focus on backhaul because it is a very significant amount of the activities going on with the carriers today. Because with all the equipment on the site, if there is no backhaul capability it doesn't really solve anything. It's really a dual process where backhaul and the fiber connections to the site are ongoing and so that is a substantial part of the spend. At the same time, if you think of data services, including things like continued 3G applications from the networks that are already out there that are continuing to get enhanced and I would say significantly enhanced this year as we all continue to use 3G services, and then ultimately the 4G build, which would certainly include the Clearwire activity as well as the LTE applications for Verizon and then the anticipation next year of AT&T as well, there's a lot of activity going on on the sites around data build.

In fact, as I was mentioning on a previous question with Simon, I could say that virtually all of our leasing right now is data related. And that's interesting at one level and yet puzzling at another because we would certainly be able to show you where there is just basic coverage or cell splitting requirements out there today that are not being met. And that's the point about we are beginning to see some evidence in conversations with customers that those are going to be circled back to over time. It's just certainly not the priority this year.

Gray Powell – Wells Fargo Securities

OK, great. Thank you very much for taking the questions.

Jay Brown

We have time to take one more, we are getting towards the bottom of the hour here, operator.

ACT Operator

Thank you and our last question comes from the line of Michael Rollins with Citigroup. Please go ahead.

Jay Brown

Hey Mike.

Michael Rollins - Citigroup

Hi, good morning. Thanks for getting me in the question queue. I had a couple of questions just to follow-up on some of the conversation. As you think about that revenue breakdown of how revenue is growing on a year-over-year basis, how does churn fit into that analysis? Does that get netted against one of those buckets? And how should we think about the rate of churn on an average basis for the company? Thanks.

Jay Brown

Sure, on revenue growth we net that against the base of business, and that depending on the year will be anywhere between about 50 basis points and 150 basis points. If you look at the average over the last six or seven years, I would say we have probably come close to averaging about 1% churn in any given year. Sometimes, as we have experienced some of the churn from the Global Signal portfolio shortly after acquiring it related to paging, it was a little bit higher than that, but if you are trying to come up with some assumption over a longer period of time, I would assume that sort of 1%.

If you look at cash escalations over that same period of time, we have been towards the high end of the threes. And so typically when I am talking to people and they are trying to build the model on the tower business, I encourage them to assume on a cash basis that it's going to grow about 3%, which in my mind is high threes on a cash escalation basis netted against about a 1% churn rate that nets you down to about 3% cash growth in revenues.

Michael Rollins - Citigroup

Great, thanks very much.

Jay Brown

Thanks Mike. Listen I think that wraps up our call for the quarter. I want to thank everybody again for their participation and interest in Crown Castle and look forward to seeing you either on the road or on this call next quarter. Thanks again.

ACT Operator

Ladies and gentlemen, this concludes the Q1 2010 Earnings Conference Call. If you would like to listen to a replay of today's conference please dial 303-590-3030 or 1800-406-7325 followed by a pass code of 4281666. ACT would like to thank you for your participation and you may now disconnect.

END OF CONFERENCE