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SBA Communications Q2 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

[Operator Instructions]. We'll go to Jonathan Atkin with RBC Capital Markets. Please go ahead.

Jonathan Atkin - RBC Capital Markets

Yes, good morning. Couple of questions; one, I noticed your build guidance was lowered by 20 towers for the year and was that driven by more M&A than you thought or just zoning issues, what's kind of driving that? And then in terms of the M&A activity, the 68 towers in 2Q in the 99, so far in 3Q. What's the typical, any multiple transaction side, in terms of number of towers, capacity of the assets reach into the country. Can you give us a kind of a profile of the towers that have been acquiring recently?

Jeffrey A. Stoops - President and Chief Executive Officer

Yeah, on the first question Jonathan, it's not really... because the new build number is not caused by M&A as we have plenty of capital to do both. It continues to be driven by difficult operating environment where zoning and having the right first tenant on the tower upfront before we build it continues to be the gaining issues in our ability to produce more volume. So, it's all about operational issues and having the things in place that we require to have in place before we build the tower. But we're working hard at it and as Kurt said, expect to continue to wrap that up as we move from quarter-to-quarter. What we're buying actually varies quite a bit from a single-tower transaction to the largest we have on the contract is probably 60 towers and it varies on the multiple depending on the maturity of the tower. We're paying anywhere from 13 times tower cash flow for more mature assets to 20 times tower cash flow for assets that are essentially new builds. I would say the average is probably around 17 times type tower cash flow multiple run rate on day one, and I would guess 1.5 tenants per cover on average which is not only accretive to our existing valuation, but it also we think offers a better growth profile... I mean our existing growth profile is great but at 2.52 tenants buying towers that are below that which we believe obviously be as good as our portfolio growth profile and probably will accelerate given the difference in starting tenants. So we are extremely pleased with what we are being able to accumulate out there in the acquisition market and it's really a testament to our hard work and the fact that we've been in this business for ten years and we do have a great network out there and we are prepared to buy good towers one at a time, if it makes sense to do so.

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