

CROWN CASTLE INTERNATIONAL CORP  
Form 10-Q  
August 08, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-16441

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CROWN CASTLE INTERNATIONAL  
CORP.

(Exact name of registrant as specified in its charter)

|   |   |
|---|---|
| Delaware  | 76-0470458                              |
| (State or other jurisdiction<br>of incorporation or organization) | (I.R.S. Employer<br>Identification No.) |

1220 Augusta Drive, Suite 600, Houston, Texas 77057-2261  
(Address of principal executives office) (Zip Code)  
(713) 570-3000  
(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |

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

Number of shares of common stock outstanding at August 4, 2014: 333,860,230

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## CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

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## Cautionary Language Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q ("Form 10-Q") contains forward-looking statements that are based on our management's expectations as of the filing date of this report with the SEC. Statements that are not historical facts are hereby identified as forward-looking statements. In addition, words such as "estimate," "anticipate," "project," "plan," "intend," "believe," "expect," "likely," "predicted," any variations of these words and similar expressions are intended to identify forward-looking statements. Such statements include plans, projections and estimates contained in "Part I—Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part I—Item 3. Quantitative and Qualitative Disclosures About Market Risk" herein. Such forward-looking statements include (1) expectations regarding anticipated growth in the wireless communication industry, carriers' investments in their networks, new tenant additions, non-renewals of customer contracts, including the impact of Sprint decommissioning its iDEN network, customer consolidation or ownership changes, or demand for our wireless infrastructure, (2) availability and adequacy of cash flows and liquidity for, or plans regarding, future discretionary investments including capital expenditures, (3) potential benefits of our discretionary investments, (4) anticipated growth in our future revenues, margins, Adjusted EBITDA, and operating cash flows, (5) expectations regarding our capital structure and the credit markets, our availability and cost of capital, or our ability to service our debt and comply with debt covenants and the benefits of any future refinancings, (6) expectations for sustaining capital expenditures, (7) the potential advantages, benefits or impact of, or opportunities created by, our real estate investment trust ("REIT") status, (8) our intention to pursue certain steps and corporate actions in connection with our REIT conversion, including our future inclusion of REIT-related ownership limitations and transfer restrictions related to our capital stock and (9) our dividend policy, including the timing, amount or growth of any dividends.

Such forward-looking statements are subject to certain risks, uncertainties and assumptions, including prevailing market conditions, risk factors described in "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 ("2013 Form 10-K") and other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from

those expected. As used herein, the term "including," and any variation of thereof, means "including without limitation." The use of the word "or" herein is not exclusive.

PART I—FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS

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

|  | June 30,<br>2014<br>(Unaudited) | December 31,<br>2013 |
|--|---------------------------------|----------------------|
| <b>ASSETS</b>  |                                 |                      |
| Current assets:  |                                 |                      |
| Cash and cash equivalents  | \$227,479                       | \$223,394            |
| Restricted cash  | 155,725                         | 183,526              |
| Receivables, net   | 304,015                         | 249,925              |
| Prepaid expenses   | 150,873                         | 132,003              |
| Deferred income tax assets   | 33,379                          | 26,714               |
| Other current assets   | 76,275                          | 77,121               |
| Total current assets   | 947,746                         | 892,683              |
| Deferred site rental receivables   | 1,180,646                       | 1,078,995            |
| Property and equipment, net of accumulated depreciation of \$5,125,715 and \$4,732,956, respectively   | 8,888,426                       | 8,947,677            |
| Goodwill   | 4,939,755                       | 4,916,426            |
| Other intangible assets, net   | 3,922,063                       | 4,057,865            |
| Deferred income tax assets   | 13,283                          | 19,008               |
| Long-term prepaid rent, deferred financing costs and other assets, net   | 780,140                         | 682,254              |
| Total assets   | \$20,672,059                    | \$20,594,908         |
| <b>LIABILITIES AND EQUITY</b>  |                                 |                      |
| Current liabilities:   |                                 |                      |
| Accounts payable   | \$132,529                       | \$145,390            |
| Accrued interest   | 66,848                          | 65,582               |
| Deferred revenues  | 320,134                         | 260,114              |
| Other accrued liabilities  | 170,743                         | 181,715              |
| Current maturities of debt and other obligations   | 105,624                         | 103,586              |
| Total current liabilities  | 795,878                         | 756,387              |
| Debt and other long-term obligations   | 11,464,627                      | 11,490,914           |
| Deferred income tax liabilities  | 54,123                          | 56,513               |
| Deferred credits and other liabilities   | 1,477,995                       | 1,349,919            |
| Total liabilities  | 13,792,623                      | 13,653,733           |
| Commitments and contingencies (note 8)   |                                 |                      |
| CCIC stockholders' equity:   |                                 |                      |
| Common stock, \$.01 par value; 600,000,000 shares authorized; shares issued and outstanding: June 30, 2014—333,861,080 and December 31, 2013—334,070,016   | 3,339                           | 3,341                |
| 4.50% Mandatory Convertible Preferred Stock, Series A, \$.01 par value; 20,000,000 shares authorized; shares issued and outstanding: June 30, 2014 and December 31, 2013—9,775,000; aggregate liquidation value: June 30, 2014 and December 31, 2013—\$977,500 | 98                              | 98                   |
| Additional paid-in capital   | 9,488,414                       | 9,482,769            |
| Accumulated other comprehensive income (loss)  | 26,205                          | (23,612 )            |
| Dividends/distributions in excess of earnings  | (2,656,718 )                    | (2,535,879 )         |

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|                                 |              |              |
|---------------------------------|--------------|--------------|
| Total CCIC stockholders' equity | 6,861,338    | 6,926,717    |
| Noncontrolling interest         | 18,098       | 14,458       |
| Total equity                    | 6,879,436    | 6,941,175    |
| Total liabilities and equity    | \$20,672,059 | \$20,594,908 |

See notes to condensed consolidated financial statements.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND  
 COMPREHENSIVE INCOME (LOSS) (Unaudited)  
 (In thousands of dollars, except per share amounts)

|                                      | Three Months Ended |           | Six Months Ended |             |
|--------------------------------------|--------------------|-----------|------------------|-------------|
|                                      | June 30,<br>2014   | 2013      | June 30,<br>2014 | 2013        |
| Net revenues:                        |                    |           |                  |             |
| Site rental                          | \$746,340          | \$616,849 | \$1,493,502      | \$1,232,264 |
| Network services and other           | 170,005            | 118,079   | 298,793          | 242,724     |
| Net revenues                         | 916,345            | 734,928   | 1,792,295        | 1,474,988   |
| Operating expenses:                  |                    |           |                  |             |
| Costs of operations <sup>(a)</sup> : |                    |           |                  |             |
| Site rental                          | 236,991            | 179,015   | 465,067          | 356,621     |
| Network services and other           | 103,447            | 70,199    | 176,321          | 147,576     |
| General and administrative           | 69,153             | 54,790    | 134,002          | 113,035     |
| Asset write-down charges             | 3,136              | 3,097     |                  |             |