

SBA Communications: where should the next dollar go?

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On February 27, 2025, the latest numbers in SBA Communications Corporation's annual report were less than a day old. The tower owner had just reported 2024 results, issued a 2025 outlook, and declared a higher quarterly dividend. Its acquisition of more than 7,000 Millicom sites in Central America was already under contract. Management described the balance sheet as strong and said additional capital could support the acquisition, further portfolio growth, or share repurchases.

The decision for the board was not whether to sign the Millicom deal: that agreement had been announced in October 2024. The question was how to direct capital after funding that commitment and the declared dividend. Should SBA keep expanding its site portfolio, repurchase shares when management believed they traded below intrinsic value, or reduce debt? And what evidence should govern the next allocation?

For this case, assume the board is considering those choices on February 27, after the 2024 Form 10-K became public. This is a hypothetical decision exercise, not a report of a historical board meeting. All facts below were public by the stated cutoff; the 2025 outlook and Millicom economics are management estimates, not realized results.

A business built around shared sites

SBA owns or operates towers, rooftops, and other structures that host wireless communications equipment. It leases space on these sites to mobile network operators and other customers. Its site development business supports wireless network planning, permitting, construction, and equipment installation, including work on towers owned by others.

At December 31, 2024, SBA owned or operated 39,749 communication sites: 17,464 in the United States and its territories and 22,285 internationally. Brazil accounted for 12,520 sites. Site leasing generated 98.4% of the company's total segment operating profit for 2024. The leasing business produced recurring revenue under long-term customer contracts; the site development business was more project-based and cyclical.

A tower can generate incremental revenue when a carrier adds equipment or a new tenant leases space. The cost of adding another tenant to an existing tower may be modest relative to the rent, particularly when the tower has unused capacity. But a new tower requires land access, permits, construction, and capital before the expected tenants are certain. The company's growth therefore depended on carrier spending, local network needs, lease economics, and its ability to build or acquire sites at returns it considered acceptable.

The U.S. market included large independent tower owners American Tower and Crown Castle, regional tower companies, carrier-owned towers, rooftops, distributed antenna systems, billboards, utility poles, and other wireless infrastructure. Competition and available substitutes varied by site and market. SBA's 10-K also described its international tower markets as competitive, with market structure differing by country.

The contracted Central America expansion

On October 28, 2024, SBA announced an agreement to acquire more than 7,000 communication sites from Millicom International Cellular for approximately \$975 million in cash. The sites were in Guatemala, Honduras, Panama, El Salvador, and Nicaragua. SBA estimated that, in the first full year after closing, the acquired sites would produce approximately \$129 million in revenue and \$89 million in Tower Cash Flow.

Under the announced terms, Millicom would lease space on the acquired sites under country-specific master lease agreements with initial 15-year terms. The agreement also extended about 1,500 existing Millicom site leases to new 15-year terms. SBA received a seven-year exclusivity right to build up to 2,500 additional build-to-suit sites for Millicom in the five countries; new leases on those sites would have initial 15-year terms. The transaction included an earn-out contingent on financial performance metrics.

The sites would expand SBA's scale in Central America and strengthen an existing customer relationship. The long lease terms and build-to-suit right offered a path to further growth. The acquisition would also increase SBA's exposure to a major customer and to local regulatory, operational, and permitting conditions. Management's disclosed revenue and Tower Cash Flow figures were estimates for the first full year after closing. They did not disclose a site-by-site lease-up forecast, stabilized return, or the expected value of the build-to-suit rights.

SBA's 2025 outlook assumed a September 1, 2025 closing for Millicom and included only acquisitions under contract at the time of the release. The actual closing date remained subject to approvals and other requirements. The outlook did not include acquisitions not yet identified or under contract, future stock repurchases, or new debt financings.

A large cash engine, with competing uses

SBA reported \$1.45 billion of Adjusted Funds From Operations (AFFO) for 2024, or \$13.37 per share. Its 2025 outlook forecast AFFO of \$1.345 billion to \$1.385 billion, or \$12.40 to \$12.76 per share, on an assumed 108.5 million diluted shares. These are company-defined non-GAAP measures; they are not interchangeable with GAAP operating cash flow, Tower Cash Flow, or free cash flow.

On February 24, 2025, the board declared a quarterly dividend of \$1.11 per share, about 13% above the previous quarter's payment. Management said the annualized dividend represented approximately 35% of AFFO in its 2025 outlook. Management characterized the remaining capital as available for the Millicom closing, potential additional portfolio growth, and possible stock repurchases.

The company's capital allocation policy described several uses. SBA sought to invest in quality assets meeting its return criteria. It would repurchase shares when management believed the share price was below intrinsic value. It returned cash through dividends. It also considered debt repayment, particularly variable-rate debt when interest rates were high or expected to remain high. The 10-K said that, despite the additional distribution and debt-repayment tools, its priority remained investment to increase AFFO per share.

For 2025, SBA forecast non-discretionary cash capital expenditures of \$53 million to \$63 million for tower maintenance and general corporate needs. It forecast discretionary cash capital expenditures of \$1.255 billion to \$1.275 billion. The company defined this discretionary category to include new tower builds, augmentations, communication-site acquisitions, and ground-lease purchases. It excluded easements and payments to extend lease terms. The category was a forecast of identified investment uses, not an amount freely available for a new board allocation; it included acquisitions under contract, including Millicom.

SBA said its quarter-end net debt to annualized Adjusted EBITDA leverage ratio was at the lowest level in company history. It did not claim that debt reduction was unnecessary. Its 10-K described repayment of variable-rate debt as potentially accretive during a high-rate environment. The choice was how much balance-sheet capacity to preserve and how to compare the risk-adjusted return on incremental investment with the cost and risk of debt.

Growth is not guaranteed by tower count

The company's 2024 site leasing revenue was concentrated among a handful of mobile operators. T-Mobile generated 38.1% of domestic site leasing revenue, AT&T Wireless 29.6%, and Verizon Wireless 20.1%. Internationally, Telefónica generated 21.3% of site leasing revenue, Claro 19.2%, and TIM 15.9%. These percentages were within their respective domestic or international site-leasing categories, not total company revenue.

Carrier consolidation, network rationalization, delayed spectrum deployment, or reduced capital spending could slow leasing activity or cause tenants to leave sites. SBA noted that its growth depended on wireless providers' willingness to invest in new spectrum and technologies. Past 3G and 4G deployments had experienced delays; the 10-K identified possible delays to future deployment as a risk. New-site returns could also depend on permitting, construction costs, timing, and whether carriers actually leased the site.

International operations offered access to different carriers and markets, but earnings were exposed to foreign exchange movements. International operations generated 26.3% of 2024 site leasing revenue. A further 23.1% of site leasing revenue was denominated in non-U.S.-dollar currencies, including 15.0% in Brazilian reais. The real's average exchange rate weakened 6.9% between 2023 and 2024. SBA reported a \$156.8 million after-tax loss in 2024 from remeasurement of foreign-denominated intercompany loans. Millicom's cash flows were expected to be mostly U.S.-dollar-denominated, but the transaction would not remove the company's existing currency exposure.

What should the board ask management to prove?

The alternatives compete for capital but do not share the same evidence base. An acquisition proposal could show contracted leases and a purchase price, while organic builds might depend on forecasts of demand, permits, and lease-up. A repurchase decision would depend on a view of intrinsic value that was not publicly quantified in the filings. Debt repayment would reduce interest expense and risk, but its value would depend on the cost and terms of the relevant debt and the investments forgone.

The public information did not disclose project-level build costs, site lease-up probabilities, time to first tenant, incremental tenant contribution, or SBA's precise investment hurdle. It also did not disclose management's estimate of intrinsic share value or a single marginal interest rate applicable to all debt. The board therefore had to decide not only where to allocate capital, but also which project-level measures and gates were required before the next commitment.

Discussion questions

1. What strategic advantage does SBA's tower-sharing model offer to carriers, to SBA, and to customers? Where could that model fail to create value?
2. Should the board prioritize further organic builds or selective acquisitions, share repurchases, or debt repayment after the signed Millicom deal and declared dividend? Would you recommend a priority order, a mix, or a rule for deciding among uses?
3. What evidence should management provide before approving a new tower build, an acquisition, a share repurchase, or debt repayment? Which uncertainties should be monitored before committing additional capital?
4. How should SBA account for carrier concentration, foreign exchange, customer churn, and the timing of 5G and fixed-wireless deployments in its capital allocation process?

Exhibits

Exhibit 1. Operating scale at December 31, 2024

Measure	Reported amount
Total communication sites owned or operated	39,749
Domestic sites	17,464
International sites	22,285
Sites in Brazil	12,520
Site leasing share of total segment operating profit, FY2024	98.4%

Source: SBA Communications 2024 Form 10-K, Item 1, pp. 1-2; site count also in Q4 2024 earnings release, “Investing Activities,” p. 3.

Exhibit 2. Millicom transaction announced October 28, 2024

Term	Publicly disclosed detail
Portfolio	More than 7,000 sites in Guatemala, Honduras, Panama, El Salvador, and Nicaragua
Announced cash consideration	Approximately \$975 million, plus a contingent earn-out tied to financial performance metrics
SBA estimate, first full year after closing	Approximately \$129 million revenue; approximately \$89 million Tower Cash Flow
Leaseback terms	Initial 15-year master lease agreements; approximately 1,500 existing leases extended to new 15-year terms
Additional growth right	Seven-year exclusivity to build up to 2,500 sites for Millicom; new build-to-suit leases with 15-year initial terms
2025 outlook assumption	Estimated closing date September 1, 2025; subject to approvals and other requirements

Sources: SBA Q3 2024 earnings release, “Subsequent to the third quarter” transaction paragraph; Millicom Form 6-K exhibit, October 28, 2024; SBA Q4 2024 release, 2025 outlook assumptions. Financial projections are management estimates, not actual results.

Exhibit 3. FY2024 results and FY2025 outlook

Measure	FY2024 reported	FY2025 outlook as of February 24, 2025
AFFO	\$1.45 billion	\$1.345-\$1.385 billion
AFFO per share	\$13.37	\$12.40-\$12.76
Adjusted EBITDA	\$1.894 billion	\$1.885-\$1.905 billion
Tower Cash Flow	-	\$2.040-\$2.065 billion
Non-discretionary cash capital expenditures	-	\$53-\$63 million
Discretionary cash capital expenditures	-	\$1.255-\$1.275 billion
Quarterly dividend declared Feb. 24, 2025	-	\$1.11 per share

Source: SBA Q4 2024 earnings release, highlights and “Outlook,” pp. 1, 4-5, with non-GAAP reconciliations pp. 11-15. Company definitions apply. FY2025 outlook is management guidance, not actual performance. Discretionary cash capex includes new tower builds, augmentations, communication-site acquisitions, and ground-lease purchases; it excludes easements and payments to extend lease terms. The outlook included contracted acquisitions, assumed Millicom’s estimated closing date, and excluded future repurchases and new debt financings.

Exhibit 4. Selected customer and currency exposures

Exposure	2024 share / movement
T-Mobile share of domestic site leasing revenue	38.1%
AT&T Wireless share of domestic site leasing revenue	29.6%
Verizon Wireless share of domestic site leasing revenue	20.1%
Telefónica share of international site leasing revenue	21.3%
Claro share of international site leasing revenue	19.2%
TIM share of international site leasing revenue	15.9%
International share of total site leasing revenue	26.3%
Revenue denominated in non-U.S.-dollar currencies	23.1%
Revenue denominated in Brazilian reais	15.0%
Average Brazilian real weakening, 2024 vs. 2023	6.9%

Source: SBA 2024 Form 10-K, Item 1A, “Foreign Currency Exchange Rate Fluctuations,” and Note 18 customer concentration tables. Customer percentages are shown within the domestic or international site-leasing category. The \$156.8 million after-tax intercompany-loan

remeasurement loss is reported in Item 1A; it is not a recurring operating cost estimate.

Exhibit 5. Capital allocation choices

Use of capital	Company's stated rationale	Questions for the board
Organic builds and augmentations	Add sites or capacity where leasing demand and return criteria support investment	What tenant evidence, permitting status, cost, lease-up time, and downside case justify committing before all demand is certain?
Selective site acquisitions	Expand the tower portfolio and potentially add recurring cash flow	What is the complete price and return after earn-out, financing, integration, lease obligations, FX, and customer concentration?
Share repurchases	Repurchase when management believes shares trade below intrinsic value	What estimate of intrinsic value and margin of safety supports the repurchase? How does it compare with investment opportunities?
Debt repayment	Reduce interest expense and risk, especially on variable-rate debt in a high-rate environment	What is the marginal after-tax funding cost and refinancing risk? What investment or repurchase is forgone?
Dividends	Return a portion of operating cash flow to shareholders	The \$1.11 quarterly dividend has been declared; how should this existing commitment affect remaining choices?

Source: SBA 2024 Form 10-K, Item 7, "Capital Allocation Strategy"; SBA Q4 2024 earnings release, opening capital-allocation discussion and 2025 outlook. The table summarizes company policy and poses decision questions; it does not state a recommendation.

Source note

The information cutoff is February 27, 2025, 11:59 p.m. Eastern Time. Primary sources: SBA Communications 2024 Form 10-K (SEC accession 0001034054-25-000002); SBA Q4 2024 earnings release furnished as Form 8-K Exhibit 99.1 (February 24, 2025); SBA Q3 2024 earnings release (October 28, 2024); and Millicom Form 6-K transaction exhibit (October 28, 2024). Full links and additional source locators are in the research dossier's source-register.md. Later results, closing events, and market outcomes are outside the case.