THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

CCI - Q3 2017 Crown Castle International Corp Earnings Call

EVENT DATE/TIME: OCTOBER 19, 2017 / 2:30PM GMT

OVERVIEW:

Co. reported 3Q17 results.

CORPORATE PARTICIPANTS

Daniel K. Schlanger *Crown Castle International Corp. - CFO and SVP*

Jay A. Brown *Crown Castle International Corp. - CEO, President and Director*

Son Nguyen *Crown Castle International Corp. - VP of Corporate Finance & Treasurer*

CONFERENCE CALL PARTICIPANTS

Amir Rozwadowski *Barclays PLC, Research Division - Director and Senior Research Analyst*

Batya Levi *UBS Investment Bank, Research Division - Executive Director and Research Analyst*

Brandon Lee Nispel *KeyBanc Capital Markets Inc., Research Division - Research Analyst*

Brett Feldman *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Colby Alexander Synesael *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

David William Barden *BofA Merrill Lynch, Research Division - MD*

Jonathan Atkin *RBC Capital Markets, LLC, Research Division - MD and Senior Analyst*

Matthew Niknam *Deutsche Bank AG, Research Division - Director*

Michael Rollins *Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst*

Nicholas Ralph Del Deo *MoffettNathanson LLC - Analyst*

Simon William Flannery *Morgan Stanley, Research Division - MD*

Spencer Kurn *New Street Research LLP - Founding Partner*

Timothy Kelly Horan *Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst*

Walter Paul Piecyk *BTIG, LLC, Research Division - Co-Head of Research and MD*

Yong Choe *JP Morgan Chase & Co, Research Division - VP in Equity Research*

PRESENTATION

Operator

Good day, and welcome to the Crown Castle Q3 2017 Earnings Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Son Nguyen. Please go ahead, sir.

Son Nguyen *- Crown Castle International Corp. - VP of Corporate Finance & Treasurer*

Thank you, Gina, and good morning, everyone. Thank you for joining us today as we review our third quarter 2017 results. With me on the call this morning are Jay Brown, Crown Castle's Chief Executive Officer; and Dan Schlanger, Crown Castle's Chief Financial Officer. To aid the discussion, we have posted supplemental materials in the Investors section of our website at crowncastle.com, which we will refer to throughout the call this morning.

This conference call will contain forward-looking statements, which are subject to certain risks, uncertainties and assumptions, and actual results may vary materially from those expected. Information about potential factors which could affect our results is available in the press release and the Risk Factors sections of the company's SEC filings. Our statements are made as of today, October 19, 2017, and we assume no obligation to update any forward-looking statements.

In addition, today's call includes discussions of certain non-GAAP financial measures. Tables reconciling these non-GAAP financial measures are available in the supplemental information package in the Investors section of the company's website at crowncastle.com.

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

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

Thanks, Son, and thank you, everyone, for joining us on the call this morning. As you saw from our press release yesterday, we continue to build on our track record of delivering great financial results with another strong quarter that exceeded our expectations. As Dan will discuss in further detail, our third quarter results and 2018 outlook clearly demonstrate how strong our business is performing today, and our expectation that those positive trends will continue into 2018.

As a result of the sustainability and growth in our cash flows, we are increasing our quarterly common stock dividend by 11% per share, reflecting our expectations of continued growth in 2018 and the anticipated contribution from the pending acquisition of Lightower, which remains on track to close by year-end.

As we look beyond 2018, we see a tremendous opportunity to leverage our unparalleled portfolio of towers, small cells and fiber to deliver 7% to 8% long-term annual growth in dividends per share by capitalizing on the attractive secular growth trends driving demand for our leading portfolio of shared communications infrastructure assets.

To keep pace with the anticipated demand growth in data, we expect significant investments by our customers across our towers, small cells and fiber for years to come. According to industry estimates, mobile data is expected to grow nearly 40% annually through 2021, largely tied to 4G use cases, including the continued adoption of high-bandwidth applications such as mobile video and the increasing number of connected devices. This trend is further highlighted by the carriers' recent move to unlimited data plans in the U.S., which we believe are likely to result in our customers competing on network quality and speed.

Similar to the wireless industry, the expected 20% annual growth in wired data traffic is driving additional demand across our dense metro fiber assets. To meet this demand, our strategy is to provide differentiated fiber solutions that serve high-bandwidth, multi-location customers such as large enterprises, health care providers, educational institutions and carriers. This strategy allows us to enhance our competitive position in small cells by increasing the opportunities we serve with the underlying fiber assets, thereby improving the already attractive shared economic model we see in our Small Cell business.

Turning to the bigger picture. Our portfolio of towers, small cells and fiber uniquely positions Crown Castle to take advantage of the investment our customers are making to augment their network. Our assets provide the mission-critical infrastructure required for the ongoing shift to a world where mobile is the platform of choice for an ever more digital economy. This transition is impacting every industry and will serve to increase the long-term value of our infrastructure assets. We believe all of this expected investment activity will provide a long runway of growth, cash flow, sustained growth over -- across our portfolio of assets, supporting our long-term annual dividend growth target of 7% to 8%. To date, we have underwritten our investments based on 4G and existing applications alone, but we believe there is more to come. This is similar to the late 1990s, when we underwrote tower acquisitions assuming only voice applications.

Over time, as the wireless use cases have expanded, the infrastructure has played a vital role, and our growth in returns have followed. We believe a sequel to that movie is coming. As we look further out, the development of 5G has the potential to revolutionize how businesses in all industries operate and further extend the runway of growth across our infrastructure assets. We believe the faster data speeds and lower latency powered by 5G will create new business models that are hard to imagine today, much in the same way that 10 years ago, the iPhone and the transition from 3G to 4G dramatically changed the way consumers live and work. To date, mobile data traffic has been largely one way, with end users primarily pulling data from the wireless networks. As we look forward and consider the potential impact of emerging technologies, including virtual and augmented reality, autonomous cars and smart city applications, to name just a few, we believe these applications will likely drive additional data growth as the traffic becomes 2-way exchanges across the wireless networks.

As an example, Intel estimates that a single autonomous vehicle will generate approximately 4 terabytes of data per 1.5 hours of drive time. To put that into perspective, that equals the same amount of data used by approximately 1,000 mobile subscribers on a monthly basis. The trend towards greater reliance on wireless networks points to the need for carriers to continue to invest in hyper-dense networks of towers and small cells, all connected by high-capacity fiber. In advance of deploying 5G, the architecture of wireless networks will continue to evolve as carriers preposition their networks to support new business models and applications powered by 5G.

Importantly, our customers are making many of those investments today by augmenting their macro networks with the deployment of fiber-fed small cells and C-RAN to increase the capacity, efficiency and agility of their networks as they meet the demands of a 4G world. As they evolve, we believe the critical elements of the wireless network will continue to consist of towers, which provide the critical foundation for coverage and capacity; small cells, which offload traffic and bolster capacity in areas of the network where data demand is the greatest; and fiber, which provides the connective tissue needed to create an integrated network of towers and small cells.

With approximately 40,000 towers, 50,000 small cells on air or under contract and more than 60,000 route miles of dense metro fiber, pro forma for the Lightower acquisition, Crown Castle is the only infrastructure provider in the U.S. that can provide these critical elements at scale. We have positioned the company for both what is needed now and for what we believe will be needed as wireless networks continue to densify to meet the coming data demand, all the while creating value for our shareholders.

A significant driver of our shareholder value creation is our dividend. Over the last 4 years, we have tripled our dividend from an annualized $1.40 per share to the current $4.20 per share. Looking forward, we remain confident in our ability to deliver on our stated goal of driving long-term annual growth in dividends of 7% to 8%, supported by expected growth in AFFO, which, when combined with our current yield, offers a very compelling investment opportunity.

Over the last 20 years, we have intentionally positioned our firm through thoughtful and disciplined investments to be at the leading edge of the deployment of wireless networks. Our team has consistently made those strategic investments well in advance of when the market opportunity had fully materialized. For example, as I mentioned before, we began investing in towers in 1996 and have since assembled a leading portfolio of towers across all of the top U.S. markets. While it took some time for those early investments to turn into the tower business we know today, the belief in the underlying fundamentals of the shared infrastructure model drove our team to make those investment decisions. The same is true today of small cells, where more recently, we have strategically built upon our expertise in shared wireless infrastructure to extend our capabilities to include small cells and fiber in 23 of the top 25 U.S. markets, pro forma for the pending Lightower acquisition.

As with the early tower investments, we started investing in small cells in advance of the market fully appreciating their importance in the development of networks, starting with our acquisition of NewPath in 2010. Ultimately, our strategy is to grow our dividend by being a leading provider of the essential infrastructure needed to deploy wireless networks in the U.S., driven by our focus on meeting our customers' needs while positioning Crown Castle for the long term.

Since 2007, pursuing this strategy has resulted in us doubling our tower portfolio, developing a market leadership position in small cells and securing more than 60,000 route miles of high-capacity, dense fiber in top U.S. markets, all the while growing our AFFO per share by 13% on an annualized basis, returning approximately $6 billion to our shareholders in dividends and share purchases and delivering shareholders more than 2x the total returns generated by the S&P 500 over that time period, and I believe there is much more to come.

And with that, I'll turn the call over to Dan.

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

Thanks, Jay, and good morning, everyone. We have a lot of good things to discuss today, including our 2018 outlook, but I'd like to start with an overview of third quarter results on Slide 4.

Our third quarter results for site rental revenues and adjusted EBITDA were at the high end of our previously provided third quarter 2017 outlook, while AFFO exceeded the high end of guidance, driven in large part by the continued health in the leasing environment. For AFFO, the quarter benefited from approximately $5 million in lower-than-expected sustaining capital expenditures. This benefit was due to timing, and we expect that capital will now be spent during the fourth quarter. Adjusting for the timing of benefits, we still would have exceeded the high end of our third quarter outlook for AFFO.

Moving on to investment activities. During the third quarter, we invested approximately $288 million in capital expenditures, consisting of $24 million of sustaining capital expenditures and approximately $264 million for discretionary investment opportunities, including $24 million of land acquisitions. In July, we raised approximately $7 billion of equity and debt capital, which will impact full year 2017 results as that capital is earmarked to fund the pending acquisition of Lightower, which we expect to close by the end of this year. During the quarter, we continued to return significant capital to our shareholders through our quarterly common stock dividend of $386 million in the aggregate or $0.95 per share.

Turning to Slide 5. Our updated full year 2017 outlook reflects the outperformance during the third quarter and a modest increase in leasing expectations during the fourth quarter, offset by expected higher repair and maintenance expenses driven by hurricanes Harvey, Irma and Maria. The increase in repair and maintenance expense from these 3 hurricanes is primarily related to having crews on standby in preparation for the storms as well as inspections, debris removal and responding to customers following the hurricanes. I want to thank all of our employees who have worked tirelessly in the wake of these natural disasters to help get our customers' assets back online. During some very stressful times, they went above and beyond the call of duty, and I'm proud to work at a company with employees like ours.

Importantly, though, our assets did not sustain significant damage, and we do not anticipate additional impacts from those hurricanes subsequent to the fourth quarter of 2017. Given these puts and takes and adjusting to exclude the impact of the Lightower financings, our full year 2017 outlook for AFFO and AFFO per share remains unchanged from our previous guidance of $1.826 billion and $4.99 per share, respectively.

Turning to Slide 6. Our full year 2018 outlook highlights include: 10% growth in AFFO per share from a 2017 figure of $4.99 per share, which excludes the impact of the Lightower financings, to $5.50 per share in 2018; an 11% increase to our dividends from an annualized $3.80 per share to an annualized $4.20 per share, demonstrating our confidence in the organic growth of our business and the expected accretion from the pending acquisition of Lightower; and an acceleration in new leasing activity during 2018.

Focusing on these specifics, as shown on Slide 7, our expectations for growth in site rental revenues of approximately $1.044 billion at the midpoint is driven by approximately $205 million of organic contribution to site rental revenues plus the full year contribution of Lightower and an additional half year from Wilcon. The approximately $205 million of organic contribution to site rental revenues is comprised of new leasing activity of approximately $205 million compared to approximately $172 million in 2017. The expected acceleration includes new leasing activity in 2018 of approximately $110 million for towers, up from $105 million in 2017; $55 million for small cells, up from $40 million in 2017; and $45 million for fiber solutions, up from $25 million in 2017.

In addition to new leasing activity, organic growth is also supported by annual contracted tenant escalators, which we expect will contribute approximately $85 million in growth during 2018, in line with 2017. Growth from tenant escalations is offset by tenant nonrenewals of approximately $85 million, which is slightly lower than what we expect in 2017, to arrive at organic growth of approximately $205 million, up from approximately $166 million in 2017. Change in straight-line adjustment is expected to remain consistent with 2017, offsetting organic contribution to site rental revenues by approximately $55 million in 2018. We have not included any contribution from FirstNet as part of our 2018 outlook. We are, however, optimistic about the FirstNet rollout and recognize there is additional growth potential once the deployment begins.

Turning to Slide 8. I would like to take you through the expected AFFO growth of approximately $460 million at the midpoint of outlook from 2017 to 2018. Similar to site rental revenues, Lightower is expected to be a significant contributor to AFFO growth in 2018, adding approximately $345 million to AFFO, net of financings.

Starting on the left, organic contribution to site rental revenues growth at the midpoint of $205 million is partially offset by a $65 million increase in operating and G&A expenses. Beyond the typical cost escalations in the business, this increase is primarily related to the additional staff we have added throughout 2017 to support growth at our Small Cell business, including investments related to increasing annual node production as we work through a robust backlog of nodes to be brought on air through 2019. A significant portion of the increased headcount will be in place as we exit 2017.

Continuing on, contribution from network services is expected to be in line with 2017. And finally, 2018 AFFO growth is expected to be negatively impacted by approximately $20 million, on a net basis, of other items. These items include changes in cash interest expense, sustaining capital expenditures and contribution from acquisitions that closed in 2017. We expect to generate 10% growth in AFFO per share in 2018 based on the midpoint of our initial guidance after excluding the impact of the Lightower financings in 2017.

As we previously mentioned, we see significant opportunities ahead. And based on our expectations for 2018, including the contribution from Lightower, we have increased our quarterly dividend by 11% per share, further adding to our track record of dividend growth. Returning capital to shareholders through a growing dividend aligns well with our business profile, defined by high-quality and growing, long-term recurring cash flows.

To wrap up, we remain confident that our shared communications infrastructure portfolio is well positioned to generate significant growth over the long term as our strategy aligns with where the market is today and where we believe it is headed in the future, while, at the same time, allowing us to return significant capital to our shareholders through dividends.

Our visibility of the near-term fundamentals and positioning over the long term give us confidence in our ability to grow AFFO, return capital to shareholders and invest in the future, all while we deliver on our target long-term dividend growth rate of 7% to 8% per year over the coming years.

With that, Gina, I would like to open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we'll take our first question from Brett Feldman of Goldman Sachs.

Brett Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

I was hoping we could try to spend a little more time unpacking the outlook you have for organic leasing activity in 2018. It sounds like Towers is going to be pretty stable, but you're expecting to step up on the Small Cells side. So I was hoping you can maybe help us understand what's giving you the visibility into that. And then just on the quarter itself, I'm curious how much of the growth in the Small Cell business, how much of the organic growth was coming from fiber you had already deployed, so you're getting more revenue on existing fiber versus how much of it was deployment of new fiber.

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

So on the first one, Brett, to your comment, in each of the 3 areas that we talked about, both -- towers, small cells and fiber, we expect the contribution from new revenue growth to be higher in 2018 than it was in 2017. Towers is up about 5% from about $105 million to $110 million. Small Cells is up from about $40 million to $55 million, and then fiber solutions is up $25 million to $45 million. So we're seeing that growth across the board in each of the 3 areas where we're selling communications -- space on communication assets. To your second question, I think I would point to the comments that we've made recently, which would reflect the entire pipeline of small cells. This would be true in the quarter as well as true in our outlook for '18. We expect about 70% of the activity that we're seeing on small cells to be anchor builds, and we would describe that as building new fiber to cover geographic areas where small cells have not previously been deployed. And then about 30% of the activity would be co-locations on existing fiber assets.

Brett Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Let me rephrase my first question. The habit you guys have typically had when you give this initial outlook tends to be conservative in a sense. It tends to be based on things you have visibility on. And so I think it's intriguing that around your Small Cell and Fiber businesses, you're saying that you have visibility around fairly meaningful step-ups in leasing activity. And so I guess that's what I was really trying to get to, is what are you actually seeing in the market where, before the year's even begun, you're confident telling us you're going to see that level of uplift on an organic basis.

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

I think part of it is driven from the long time line that we have, the visibility associated with that revenue growth. You'll remember, Brett, earlier this year, we started talking about the big step-up that we saw in the pipeline related to Small Cells. That activity takes us about 2 years to actually get on air. So the activity that we're talking about in 2018 would be things that we won during calendar year 2016 and that are on various production schedules for us as to when we think that revenue will turn on. So it gives us, frankly, pretty good visibility based on when we'll actually turn things on air. So what you're seeing is the graduation, as we've been talking about for a couple of years, the expected acceleration that we've been talking about. You can actually see it in the numbers that were given in our 2018 guide. The growth is higher in '18 than it is in '17. That was higher than it was in '16.

Operator

And we'll take our next question from David Barden of Bank of America.

David William Barden - *BofA Merrill Lynch, Research Division - MD*

Two if I could. I guess the first one, maybe, Dan, on the dividend hike being close to 11%. Should we look at that as kind of a pull-forward of some of what the Lightower dividend increase might have otherwise been? Or is this maybe just a gift to the investor base and that $0.15 to $0.20 from Lightower is still on the [comm] line? And then the second question would be -- I think you basically said you're not baking in any FirstNet from -- into 2018 guidance. But just to kind of help us understand, so FirstNet is expected to be kind of part and parcel of the AT&T kind of network deployment as well, kind of the same thing. So is that saying that you've got baked any real incremental growth from AT&T in the numbers also? Or are you trying to split the baby there and include some from AT&T but none from FirstNet? If you could kind of just clarify that, it would be helpful.

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

All right, David. I'll take the first one. The dividend increase of 11% is a combination of what we would normally do around this time of the year, which we were talking about in the 6% to 7% range, plus the accretion from Lightower. And we're pretty -- we think the Lightower deal is going to close by the end of the year, and so we're confident in that and wanted to declare the dividend based on that. But I think it's both a gift and part of Lightower, to answer your first question.

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

On the second question on FirstNet, I don't want to get specifically into any one customer or what we assumed in the growth, but we did not -- in the 2018 outlook, Dave, we did not put in anything from assuming there was any deployment of FirstNet. Obviously, we've read and had conversations about what that will likely look like over time, but at this point, we don't have enough visibility to really put it into our 2018 numbers. To the extent we have -- visibility develops as we get into the course of '18, we'll be happy to update the outlook based on that.

David William Barden - *BofA Merrill Lynch, Research Division - MD*

And if I could just ask one follow-up. So I know that you guys, when you guide to the churn for the Metro/Leap/Clearwire, you kind of look at the -- you guide to the worst possible case in terms of tearing down sites immediately and the highest-revenue sites first. But obviously, given general conversations that we've been hearing and reported in the market, has there been any change in activity level in decommissioning in that portfolio of towers that you've been able to detect?

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

I would -- you're right, and it's accurate to say. As we've talked about churn over the years, we've always put in kind of the bookend and think about it and talk about it as a bookend. Ultimately, what's realized tends to be less than that bookend of the worst-case scenario. As we would think about 2018, our outlook would assume basically what we have visibility to. And still some of the worst case of -- if everything comes down, our experience has been it's not as significant as the bookend, assuming that everything comes down. But I would tell you, based on kind of when we talk big picture about the 7% to 8% growth in dividends over the long term, we try to be balanced in that view. So a part of that balancing is what's going to happen with churn, and we assume kind of the worst-case scenario in that longer-term view. And then our short-term view will adjust based on what we actually learn from the carriers as we get closer to those conversations.

Operator

And we'll take our next question from Simon Flannery of Morgan Stanley.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Maybe you can just touch on the current small cell activity. Just I know, sometimes, you give us some examples of the co-location activity, the tenants per node and so forth. Any color you could give us about sort of the operational performance this quarter would be great. And then on Lightower, any more color on what you still need to do to get this closed? Is that going to be right at year-end? Or might it be earlier than that?

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

You bet, Simon. On the first question, small cell activity is continuing to deliver what we expected. Obviously, as you can see from the step to '18, we think the activity level is going to increase in '18. The teams are working hard at putting those nodes on air. And based on how we've been able to align the operations, you're seeing the step in the results in '18 as a result of the operating capabilities of the team. The other thing I would point to is some of the case studies that we talked to when we did the Lightower acquisition on the call. We're seeing those return dynamics continue to play out. So the assets that we've owned for a long period of time in the densest markets in the U.S., those are continuing to see healthy leasing activity at a rate that's about twice the level of lease-up that we've seen historically in the Tower business. So we've continued to see that play out. And then from a returns standpoint, the returns continue to be very attractive, initial yields in the 6% to 7% with anchor builds. And then as we add additional tenants, the returns move into the teens and beyond as we lease up beyond that, and that has been the -- that's been the operating performance that's continued in the quarter. On Lightower, we're far enough along in terms of approvals as we go through federal and state approvals that were required on the transaction to be confident that, at this point, that we will be able to close it before we get to the end of the year. We're obviously working as hard as we can to close it as quickly as we can. And to the extent that we clear all of the hurdles, we'll give you an update when we've cleared those hurdles as to the exact timing. But for now, we're confident we'll have it closed by the time we get to January 1, which is why we include it in the outlook.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

And on the guidance, any concerns around some of the -- California, obviously, just vetoed the infrastructure bill. Is that any hindrance here? Or do you think you can still work with what -- the current status there?

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

We'll be able to work with the current status there. So it doesn't give us any concerns about our ability to deliver on the time lines that we've provided.

Operator

Our next question is from Matthew Niknam from Deutsche Bank.

Matthew Niknam - *Deutsche Bank AG, Research Division - Director*

Just 2 if I could. One, on the competitive front around Small Cells. I know in the past, you've talked about pretty strong win rates. Just curious whether you've seen any change in terms of the competitive dynamics there. And then secondly, more broadly, I guess, around Fiber, if you could maybe shed some more light, particularly around how the segment and some of the various recent acquisitions are operating under sort of a new structure within Crown Castle. And wondering maybe if you can give us a little more color on the real step-up you expect in Fiber from $25 million up to $45 million within your guidance.

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

Sure. On the win rates for Small Cells, they continue to be about what we believe is about half of the total activity that's going on in the market, which is consistent to the last few quarters, at least, maybe the last year or so. And we continue to see similar market dynamics in terms of the carriers self-performing some portion of that, building their own fiber in cases, and then us winning about half of those opportunities. We continue to believe, based on the market dynamics, that the places where the infrastructure can be shared, that's the most cost-effective model, and that continues to be playing out in our win rates. On the Fiber segment, I would describe that as our base of fiber has gotten larger, and so our growth in revenue has continued to increase. Product mix, again, as I mentioned in my comments, still focused on large enterprises, educational facilities, health care providers, where we're doing multi-locations and the high-capacity of bandwidth required. As we've increased the asset base and grown the number of miles of fiber that we have, we're increasing the revenue associated with that.

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

And generally, those businesses are performing very much in line with what we expected when we did the acquisitions. So this is -- the outlook that we provided for 2018 is much to what we would have expected at this point.

Operator

We'll take our next question from Jonathan Atkin from RBC Capital Markets.

Jonathan Atkin - *RBC Capital Markets, LLC, Research Division - MD and Senior Analyst*

So Jay, you spent a lot of time talking about 5G and a number of the use cases and the bandwidth requirements and so forth. And I wonder, perhaps, does it make sense to talk a little about Vapor IO in that context and kind of your thoughts around that investment and activity?

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

Yes. Vapor IO is a company that provides many data centers at the edge of the network, which is an important component of -- in a 5G world, of reducing the latency. We made a relatively small investment last year in Vapor there as an early stage of deployment. We've used them in a number of trials that we've done with our traditional customers as well as other customers that we believe will likely be meaningful customers to us over time. I would describe that as an opportunity that we think will leverage our real estate assets over a long period of time. The tower sites that we have today, we believe, will likely be hubs in a C-RAN environment, and those tower -- our towers will become increasingly important as the market develops towards C-RAN in a 5G environment. So it's more of a trial, small investment that gives us an opportunity to get some insight into the way people are thinking about the importance of moving computing power to the very edge of the network.

Jonathan Atkin - *RBC Capital Markets, LLC, Research Division - MD and Senior Analyst*

So how soon do you think it might be? Is it quarters, years or just no comment at this point in terms of when you might start to utilize your real estate assets and monetize them in that type of manner?

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

I would describe it in the broadest sense of -- our aim over time is to gain as much revenue and cash flow off of the assets that we own. And as I described in my comments, we believe towers are important to that, small cells are important to that, and fiber is the connective tissue that connects both towers and small cells. And we're looking at every opportunity we can to drive revenue growth and cash flow growth across those assets. Some of the things that we look at are near-term that we're comfortable underwriting investments based on. As I mentioned in my comments, we underwrote all the investments that we made based on 4G applications and what we currently see consumers using today. But we also have a view that there's more than just current applications to come. I would describe mobile edge computing as one of the areas that we believe has the potential to provide upsize to our revenue, cash flow growth as well as returns and extends the runway of growth from the infrastructure over a long period of time. So it's just one of many opportunities that are -- that is directly tied, as I mentioned in my comments, to the deployment of 5G. So it's not near term. It's not going to show up in the '18 and likely probably not '19 results. It's a longer-dated activity that we're keeping our eye on and positioning ourselves to benefit from.

Jonathan Atkin - *RBC Capital Markets, LLC, Research Division - MD and Senior Analyst*

And on Small Cells, is there any way to kind of ballpark the incremental (inaudible) tower sites?

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

Jon, you were breaking up through your question. Can you ask it again?

(technical difficulty)

Operator

Our next question is from Amir Rozwadowski from Barclays.

Amir Rozwadowski - *Barclays PLC, Research Division - Director and Senior Research Analyst*

Two questions if I may. If we think about sort of the site leasing activity on the macro side, I mean, it seems like you're continuing to see healthy activity levels. You've obviously mentioned that FirstNet is not included in your outlook. Can you talk to us about what type of initiatives you're seeing from the operators at the moment that's giving you sort of that improved activity levels at this point? I know you can't talk about carrier-specific initiatives. But just holistically, is this a reaction to some of the unlimited data plans that we've seen in the marketplace? Any color on that would be helpful.

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

We're seeing each of the carriers work on increasing both the capacity of the network and the speed of the network. So we're seeing a combination of new co-locations where they're densifying the network through cell-splitting as well as going back on sites that they're already on and amending their existing installations to provide additional spectrum bands, in some cases, or additional capacity in the network. So it's similar to what we've seen in the past, just, frankly, more of it.

Amir Rozwadowski - *Barclays PLC, Research Division - Director and Senior Research Analyst*

Okay. That's very helpful. And then if we can shift gears over to the fiber and small cell side, clearly, you guys have bolstered your fiber footprint, and that's driving additional growth initiatives going forward. How do we think about sort of your current fiber footprint? I mean, if we think, Jay, about sort of how you're thinking about the longer-term evolution owning this sort of connectivity tissue, there does seem to be other areas where you could potentially bolster the footprint in order to position the company for that longer-term densification initiative. Are there thought process about other inorganic activities, building additional fiber? How should we think about sort of those initiatives going forward?

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

A couple of things I would say about that, Amir. First of all, the pipeline that we have and the nodes to be constructed, in some cases, we are building additional fiber. The vast majority of that fiber build, as I mentioned in my earlier comments, about 70% of the total nodes relates to places where we are building additional fiber. That additional fiber build is primarily in those top 25 markets in the U.S. So we're getting a more dense portfolio of assets in the top 25 markets, primarily from what we're constructing in terms of fiber. On the inorganic side, Lightower is obviously a very sizable transaction, and it's going to take us some time to digest that and integrate it into the portfolio. So you shouldn't look for us to do anything of scale in the near term as we focus on integrating that asset and beginning to expand the returns on the asset. As we articulated when we did it, we certainly believe there are significant revenue synergies across both sets of assets, both the fiber that we bring to the transaction that has not been utilized to its fullest opportunity for fiber solutions as well as the fiber that they bring to the 2 companies, where they've not been utilized to the fullest extent from a small cell side. So we see revenue synergies there, and we're going to be focused on gaining those revenue synergies because we think it's the best way to drive the returns on the assets over a long period of time. So over time, we may turn our eyes back towards looking at opportunities to acquire assets. Those will need to go through the same filter that we've put Lightower and FiberNet and Wilcon and other transactions through. But we've got to believe that over the long term, it has the ability to increase and grow our dividend and be additive to our growth rate and that the assets have the opportunity to add significant small cells on them in order to drive those returns.

Operator

And we'll take our next question from Phil Cusick from JPMorgan.

Yong Choe - *JP Morgan Chase & Co, Research Division - VP in Equity Research*

This is Richard for Phil. I just wanted to get a little more color on the piecing of the revenue for each of the segments for the growth in Towers, Small Cells and Fiber Solutions. Should it be steady through the year? Or is it more back-end loaded and might differ by category?

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

Richard, similar to the past, it -- the business is back-end loaded as you go through the course of this -- any year. So roughly, probably about 55%, 60% of the growth would be in the second half of the year, and about 40% to 45% would be in the first half of the year. Obviously, the results, as they play out, that's only speaking to the small incremental change. So if you think about -- if you did it in totality, the year is pretty evenly loaded. But if you were just looking at the incremental growth, you'd see somewhere in the neighborhood of about 55% to 60% of the incremental growth in the back half of the year.

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

And that's already baked into how we've provided the outlook. So we think of where we are in EBITDA and the AFFO and take that into consideration.

Yong Choe - *JP Morgan Chase & Co, Research Division - VP in Equity Research*

And then on the churn side, it looks like the non-acquired network churn is going to be higher this year. Is that just kind of getting back to a normal level of activity now that the acquired network churn is gone? Or is there something else going on there?

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

I think the churn is flat basically on a nominal basis, which, on a bigger base of business, is actually lower year-over-year. So we're seeing that the churn profile is what we would expect it to be on Towers and Small Cells for the non-consolidation portion of our churn.

Yong Choe - *JP Morgan Chase & Co, Research Division - VP in Equity Research*

Got it. And then final question. The escalator, the dollar number is pretty much the same year-over-year, but the asset base is bigger. Is that just because the asset base of some of those acquisitions don't have escalators? Or is there something else going on there that the escalator is actually coming down for the other parts of the business?

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

No, the escalator is not coming down. It is going to be consistent to what it's been historically. There's a portion of it where we have a -- where we had a holistic MLA roll-off in '16 that has a lop-over effect, so it continued into '17, and therefore, it comes down a little bit into '18. But that was already understood, I think, by everybody and part of what is the normal escalator is now what we think going forward. But you're right. There is some portion of it where we're bringing in businesses that don't typically have escalators on the fiber solutions, which, as we add that revenue, will pull it down on a percentage basis. But we're seeing very similar trends in pricing and the escalator in the core business on the Towers and Small Cells side.

Operator

And we'll take our next question from Nick Del Deo from MoffettNathanson.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

First, can you quantify your expectation for changes in the amortization of prepaid rent in '18 versus '17 and how much that contributes to your 2018 leasing forecast by segment?

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

The prepaid rent is going to be in the neighborhood of growth the same way it was from '16 to '17, so it's consistent. And so we think the trends that we laid out in terms of the new leasing activities across towers, small cells and fiber are very representative of what it is, whether you include or exclude prepaid rent. The way we think about it, though, is that it's all cash. It just depends on when we get that cash. And so we're making investments over the long term that are generating good cash-on-cash returns, which is the way we think about the business. So we think that those -- the numbers that I talked about earlier in terms of new leasing activity are what we think are the new leasing growth in the business.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. And is the reason that's not stepping up because the small cell installs are kind of back-end loaded or you'll only start amortizing it when the site is turned on air?

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

What you said is true, but I wouldn't say that's the reason it's not increasing. I think that, overall, the business is -- it is increasing. There's not anything that would change the trajectory or the growth that we talked about.

Nicholas Ralph Del Deo - *MoffettNathanson LLC - Analyst*

Okay. Maybe one more if I can. If I remember correctly, on your Q1 call, you said it was your expectation that most of your small cell backlog would get turned up in the second half of '18, with some falling into 2019. Does that remain the case? Or has it been pushed back some? I might be reading too much into it, but in some of your earlier comments, you seemed to suggest that small cell growth in 2018 is more a function of awards that you got in 2016, not necessarily 2017.

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

Yes, Nick. I think when we talked about the big step-up earlier this year, we said it was 2019, not 2018. We saw it as being a 2019 event. So our view on timing of when we'll turn these nodes on has not changed from what we thought about previously. We are seeing, obviously, an increase in Small Cell revenue growth. That's a function of what we won in 2016, which was a step-up from the activity that we saw in 2015.

Operator

And we'll take our next question from Colby Synesael from Cowen and Company.

Colby Alexander Synesael - *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

Two questions if I may. The first question, I was hoping you could provide some color on 2018 discretionary CapEx. And if so, if you're able to break out what's coming from Lightower versus the stand-alone business. And then secondly, you're spending $20 million to $40 million in '18 on integration. I was wondering what -- you could give us a little bit color on what's being done. Have each of the -- you've done a lot of fiber acquisitions over the last few years. Is your intention now to, from a technical perspective, integrate those? So for example, combining billing systems, combining the OSS. Just talk about what's been done thus far and what the intention is in 2018 will be helpful.

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

Sure, Colby. Discretionary CapEx, we anticipate that the discretionary CapEx in Lightower is around what it has been historically, in the $300 million range. And the rest of the business will be a step-up from '17 because of the big growth in the small cells that we're putting on air. So we anticipate overall discretionary CapEx to be up $200 million to $300 million, I would say, '18 over '17.

Colby Alexander Synesael - *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

I'm sorry, so $300 million for Lightower in that...

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

And then on the base business, another $200 million or $300 million because of the small cells that we're putting on air. On the integration, what we are planning on doing is integrating all the fiber solutions companies we have bought recently into the new operating structure that we announced not too long ago with Jim Young. And we would anticipate trying to put it all on a platform and same operating platform and management style. And the timing of that happening is still unclear because we haven't gotten into it. We haven't closed on Lightower to have enough of those conversations. But the overall goal is to run that as one business so that we can get the most out of the expertise that we got with the Lightower team, along with the expertise we already have in place, and then providing the asset base across the U.S. as opposed in pockets. So we think that there's going to be a lot of revenue synergy that we can get from putting all those things together, which, as Jay was talking about earlier, was really the driver behind the Lightower transaction, was get access to the fiber and then drive additional revenue across that fiber. So we anticipate doing all that.

Colby Alexander Synesael - *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

So the $20 million to $40 million will go towards that in 2018, but in terms of when that project actually gets completed and we start to see the synergies, whether it's revenue or OpEx, that's still TBD.

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

Well, to be clear, we have not announced any synergies on the OpEx side, but the revenue synergies will be to be determined. They are not baked into our outlook. So we didn't put these small cells on Lightower's fiber, nor did we put any revenue synergies on the fiber outside of the Lightower footprint.

Operator

And we'll take our next question from Tim Horan from Oppenheimer.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst*

On the pricing on small cells and fiber, is that a change? Or has that been fairly consistent over the last couple of years? Or are you seeing any improvements there?

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

Tim, the pricing on both small cells and fiber solutions is consistent with what we've seen in past years.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst*

Great. And how about for carrier demand? I think it had been a little bit concentrated in the past in terms of the carriers that were deploying small cell. Is that pretty broad, spread out at this point?

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

We've seen demand across all of the carriers. And what I would describe as maybe a change from the past has been the markets that they focused on. Prior to the conversation that we started having at the beginning of this year, where we saw significant increase in the number of nodes that we were getting from carriers, I would have described the vast majority of our activity, coming close to probably 90% of the activity, occurring in the top 10 markets in the U.S. and really focused on the top 5 markets, specifically. And what we've seen over the last 12 months is that has moved outside of the top 5, 10 markets to the top 25 markets. So the increase in volume has followed with multiple carriers, Tim, but really, it's a function of the number of markets that are being focused on and the overall quantum of nodes being deployed.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst*

Great. And lastly, it looks like Softbank is looking to partner to kind of enter the U.S. market, wireless infrastructure market. Do you think there's an opportunity for you guys to partner with them? Or do you see them kind of being more of a competitor going forward?

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

I think we're always hoping to having partnership conversations with folks. I saw their announcement earlier this week, and I think it affirms the great returns that are in our business. I'm not surprised that a firm like Lendlease would desire to come into the U.S. market given the returns that we've been able to demonstrate over a long, long period of time. And so I think they find the returns and opportunity to put capital to work as attractive, and that's why they're willing to put funds into it. So not surprising, and we'd be open to having a partnership conversation if they wanted to.

Operator

And our next question comes from Mike Rollins from Citi.

Michael Rollins - *Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst*

First, if you could just help level set, so if you take the midpoint of the organic growth guidance for 2018, can you split that percentage growth rate and help us with what the comparable Tower number would be versus the Small Cell/Fiber growth rate? And then I'll follow up with a second question if I could.

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

So Mike, I think what we tried to do in giving the new leasing activity was split it up. So it's $205 million in new leasing activity, and we said we were going to -- it's about $110 million from Towers, about $55 million from Small Cells and about $45 million from Fiber. And that should give you a pretty good sense of where we are overall. And those have -- like Jay was mentioning earlier, those have each increased over 2017, so we see increasing growth across each of our businesses.

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

And maybe one other thing we would say, Mike, maybe one other way to think about it is we've increased the organic leasing activity on a consolidated basis. That's up several -- it's up about 50 -- 40 basis points, about 1% over 2017, the activity that we saw. So organic leasing going to 6% in 2018. It was 5% and change in '17.

Michael Rollins - *Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst*

Right. So the -- and if you take that -- is that 6% the total business? So if you wanted to look at Towers as a growth rate and Small Cells as a growth rate, what would the comparative be for those 2 pieces?

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

Yes. So Small Cells is growing, as we've talked about, in the high-teens percentages year-over-year, and Towers is still in the 5% to 6% range, as it has been, growing a little bit. But like Jay was mentioning, a lot of that -- because the base of the business in Towers is so much of the base that in order for the whole thing to grow that much, Towers has to be accelerating on some level.

Michael Rollins - *Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst*

Okay. So 5% to 6% is the range for Towers to think about for 2018.

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

Sure, yes.

Michael Rollins - *Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst*

And then just a follow-up. When we look at the revenue bridge that you provide, there's a difference in the way that you look at new leasing for Towers versus new leasing for Small Cells in that Towers, my understanding, is you don't include the build-to-suits. But in Fiber, you are including the build-to-suits. What would the growth rate in Fiber look like if you didn't include the build-to-suits?

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

Just going back to what Jay was talking about earlier, about 70% of what we're building in Small Cells and Fiber is anchor builds, and we anticipate that those are for both current growth and then future growth to come. But as we put on more and more of these nodes and get more and more co-locations, a lot of it will come through that 30% of co-locations. It's just the bigger numbers are also including the bigger anchor builds. So the number would be lower if we didn't include the 70%. We just look at it as this is part of our business going forward. This is part of what we're doing, and it's really not part of the business in the Towers to build to suit at this point. So it's just the difference in how we think about the business. The Small Cell business is in the investment and growth phase, and we're including both the capital and the revenues associated with that.

Michael Rollins - *Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst*

Well, last question. When you were selling co-location, whether it's in Towers or Small Cell, what percentage of the deals are bundling the 2 services together versus kind of like à la carte search rings? Is there a measure we should be tracking on that basis?

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

Mike, the folks at the carriers are looking at the use of both macro sites and small cells, so it's the same group inside of the carrier. So when we're having conversations with them, there is a conversation about both. When you get down to when things actually get signed and done, the nature of those 2 is very different. So from a small cell standpoint, there's a significant amount of RF engineering and design that goes into how our carriers utilize those assets. There's far less of that on the traditional tower side, where it's leasing, in essence, a spot on the map. So the conversations are happening with the same people at the carriers. I wouldn't describe it as a bundling because it's not a cookie-cutter solution on the small cell side. So we've got to have a more robust conversation regarding small cells than we need to have on the tower side.

Operator

And we'll take our next question from Walter Piecyk from BTIG.

Walter Paul Piecyk - *BTIG, LLC, Research Division - Co-Head of Research and MD*

Just want to go back to a couple earlier answers. Did you say that when the deal closes, there will be or won't be an incremental dividend increase?

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

There will not be.

Walter Paul Piecyk - *BTIG, LLC, Research Division - Co-Head of Research and MD*

Got it. And then on the prepaid rent, as far as looking at 2018, similar growth rates. If you look at '17, it looks like you're pacing at 18% growth. So based on the prepaid, you can grow another 18% in 2018. That's in, I guess, what you would consider reported organic growth. So if we're excluding...

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

Dollar amount? So the prepaid rent is growing by a similar dollar amount from '17 to '18 than it did from '16 to '17.

Walter Paul Piecyk - *BTIG, LLC, Research Division - Co-Head of Research and MD*

Similar dollar amount, $40 million, right. That's fine. But it works out the same way, right? So if you're ending up at $240 million for prepaid for the year, then you're looking like $280 million for 2018.

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

Can we take this conversation offline and have it to where we can talk about the numbers more specifically so we can make sure that the question you're asking is being answered appropriately? It's just it can be hard to follow all the numbers you're trying to get to in this type of forum. Can we just talk about it after the call?

Walter Paul Piecyk - *BTIG, LLC, Research Division - Co-Head of Research and MD*

Sure, okay. It just relates to the growth rates you guys are talking about as far as your guidance, but okay.

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

I'm not trying to hide from the question, if you really want it to be answered here. It's just really hard to follow your $240 million and -- I don't know what you're talking about, so if you like, we can go to...

Walter Paul Piecyk - *BTIG, LLC, Research Division - Co-Head of Research and MD*

These are numbers you report, but whatever. I can deal with it offline. I mean, it's in your press release, but whatever. I guess just give us an update on any of the trials that you've talked about in the past for nontraditional wireless providers, how those are going, have they proceeded, have they ended and if you think that they can contribute anything to revenue in 2018.

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

Yes. Walt, on the trials that we've done, I would describe those as more -- there are opportunities for us to learn and understand how the networks are being deployed. So I made the comments earlier about edge computing and some of the things that we've done with Vapor and other components of the real estate. We've done some of those with fiber. As we've done those, they're designed more to learn. They're generally relatively small in terms of dollar amount, so they're not going to affect our 2018 results. They're much more of learning opportunities for us to understand how the market is developing and what's going to be necessary in C-RAN, 5G and as we get into things like Internet of Things and all the connected devices.

Operator

Our next question comes from Batya Levi from UBS.

Batya Levi - *UBS Investment Bank, Research Division - Executive Director and Research Analyst*

One question on the pipeline for the small cell node builds. You had mentioned that you had about 25,000 in the beginning of the year for the next 18 to 24 months. How does that figure look right now? And if we get the federal regulatory reform on pole attachment, do you think that you can speed the delivery of the pipeline?

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

Yes, the pipeline's up. We continue to win new nodes. It's not a meaningful step. So as we think about the G&A, as Dan mentioned in his comments around the cost structure, we think we size the cost structure to be able to handle the level of activity. To the extent that we see a step-up meaningfully from where we are currently, we'll come back and give you an update on that. Second question was around the federal legislation, speeding up of time. Where the federal legislation, and frankly, even the state legislation is helpful is it gives clarity of the outcome. Small cells, towers are forever going to have the necessity of us working closely with the local municipality to work through planning and zoning and requirements. So we don't anticipate over the long period of time that the legislative efforts are going to meaningfully speed up the activity, but they will give greater clarity to both the municipality, to the carriers and to ourselves as an infrastructure provider of the path of deploying that infrastructure. So to the extent we see federal legislation and we're working towards that or state legislation, I think it gives greater clarity. But I wouldn't necessarily guide you to assume that our time line, where we've talked about, about 2 years to get nodes on air, that, that gets shortened meaningfully. If after the fact, it does, we'll come back and update you on that. But our working assumption is that the 2-year time frame is likely to be about what it's going to be even if we do get new legislation.

Batya Levi - *UBS Investment Bank, Research Division - Executive Director and Research Analyst*

Okay, got it. And one follow-up on the new leasing activity. The $190 million to $200 million that you laid out -- that $220 million you laid out, that's off of the organic base, correct, like it doesn't include new growth coming from Lightower?

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

Yes. That's true. All of the Lightower's held out to the right in the acquisition chart.

Batya Levi - *UBS Investment Bank, Research Division - Executive Director and Research Analyst*

Okay. And in terms of your expectations for Lightower next year, can you give us a sense in terms of maybe the activity growth versus churn, how you expect the trends to show up next year?

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

Yes. So what we talked about when we talked about the transaction to begin with is Lightower has grown its revenue in the high single digits per year, and we anticipate that to continue and that their churn rates will be included in that. And those have also coincidentally been in the high single digits on a percentage basis. So those remain in line with what we continue to believe.

Operator

And our next question comes from Spencer Kurn from New Street Research.

Spencer Kurn - *New Street Research LLP - Founding Partner*

I want to talk about your small cell backlog. So you've been aggressively rolling out fiber, but it seems like 2 of your main customers have also been making a more meaningful push to roll out their own fiber this year. Have the dynamics shifted? Have you detected any shift in the dynamics of your sort of pipeline in the future? Or how do you sort of see both of these dynamics playing out over the next several years?

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

Spencer, we haven't seen any change in the dynamics. What we've seen is a change in the quantum of activity, which is up meaningfully in 2017 from what we've seen in past years. Our win rate has remained about the same, winning about half of the activity in the market. I continue to believe that you're going to see the carriers self-perform some portion of the deployment of small cells and fiber in the networks. I think we'll see other providers of shared infrastructure model in the market that will provide some portion of that activity. And then we certainly expect to continue to provide a meaningful portion of it. Similar to what we've seen on towers, whether it was tower builds or small cells, I think in the places where the shared infrastructure model is available and makes sense from a return standpoint, you'll see providers such as ourselves be willing to put capital in because of the economics and the returns of it being shared. There are going to be other places, though, where there may not be a shared model. We may not have an interest in participating in it. And in those places, I think you're likely to see some other -- and likely self-performed by the carriers, where fiber is going to be needed, and we just -- we can't justify the economics and the likely returns there, and so we don't participate.

Spencer Kurn - *New Street Research LLP - Founding Partner*

I just want to just clarify the -- so the message is either your carrier customers, I guess, aren't -- where you're there, it doesn't sound like they're deploying fiber in similar markets. And then also, even though you're capturing 50% of the win rate today, that might go down, but the overall magnitude of volume is so great that even if you're losing share modestly, your backlog should still continue to ramp over the next couple of years.

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

Yes. I think with regards to the markets themselves, some of the markets are the same. They just may not be in the same areas of those markets. So we could be in the same markets but not in the same areas inside of the market. And longer term, based on where we believe the world is going, I think the total number of small cells to be deployed and, therefore, the fiber to be required, very well could result in our win rate coming down over time. But the actual amount of activity that we have in front of us and the revenue growth associated with that could continue to increase, even though our win rate is coming down. So I believe the number of small cells that are going to be needed in the market as we move towards a 5G environment are significant enough that there are going need to be multiple different providers in the market in order to provide the kind of capital required to do that.

Operator

And we'll take our last question from Brandon Nispel from KeyBanc Capital Markets.

Brandon Lee Nispel - *KeyBanc Capital Markets Inc., Research Division - Research Analyst*

I guess in the markets where you have small cell systems in place, what's the ratio that you're seeing in terms of the number of small cells to macro towers today? And where do you think that could go in a 1- to 2-year period? And then on the CapEx that you guys called out in the first quarter, I think it was $1.2 billion, can you remind us where you are in that build process and how many route miles of fiber you're planning on building?

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

On the first question, it would be very, very small, the ratio of small cells to towers. What we typically see -- and so it's not something that we would look at, Brandon. Maybe a better way to think about it is if we think about building about a mile of fiber, we'll see roughly 2 small cells, 2 to 2.5 small cells per mile of fiber. It's about the density of small cells that they're deploying across the market. It's a pretty good guess at that. But if you were to take the quantum of towers in the market and compare that to small cells, it would be highly weighted towards towers.

Daniel K. Schlanger - *Crown Castle International Corp. - CFO and SVP*

And on the $1.2 billion, what we were talking about in that is that we announced that we had an addition of about 25,000 nodes to our pipeline, and it was going to take about $1.2 billion to get those on air. Like Jay said, that would go into 2019. That is part of the increase in capital that we were -- I was discussing earlier from 2017 to 2018. We believe we will still have some of that to spend in 2019, but we're in the midst of spending that money currently.

Jay A. Brown - *Crown Castle International Corp. - CEO, President and Director*

I'd like to thank everybody for joining the call this morning. Obviously, we're excited about how the business is performing and certainly optimistic as we go into 2018 based on seeing increased revenue activity across all of our businesses.

And then lastly, I'd just like to echo something that Dan mentioned earlier in the call. I'd really like to express my appreciation to our employees who have worked incredibly hard over the last couple of months dealing with some really significant hurricanes. They have done a terrific job delivering for customers, and we certainly appreciate how hard they've worked to get networks back on air and to maintain the assets. So thanks to all our folks. Thanks, everybody, for joining this morning.

Operator

This concludes today's call. Thank you for your participation. You may now disconnect.