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PRESENTATION

Operator

Good day and welcome to the Crown Castle Q3 2020 Earnings Call.

Today's conference is being recorded. At this time, I would like to turn the conference over to Ben Lowe. Please go ahead.

Benjamin Raymond Lowe ***Crown Castle International Corp. (REIT) - VP of Corporate Finance & Treasurer***

Great. Thank you, Mary, and good morning, everyone. Thank you for joining us today as we review our third quarter 2020 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 22, 2020, 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.

So with that, let me turn the call over to Jay.

Jay A. Brown ***Crown Castle International Corp. (REIT) - President, CEO & Director***

Thanks, Ben, and good morning, everyone. As you saw in our earnings press release from last night, we delivered another quarter of positive results. We remain on track to generate growth in AFFO per share this year that is consistent with our 7% to 8% target. And we expect growth to accelerate to 10% in 2021.

I would highlight 3 key financial points in our earnings press release: the 11% increase in our dividend; the reduction in capital intensity in fiber while delivering consistent growth; and the ability to fund our 2021 capital plan without the need for equity issuance.

Dan will discuss the results and our expectations for the balance of 2020 and the full year 2021 outlook in a bit more detail, so I want to focus my comments this morning on our strategy to maximize long-term shareholder value while delivering attractive near-term returns.

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I believe our strategy and unmatched portfolio of more than 40,000 towers and approximately 80,000 route miles of fiber concentrated in the top U.S. markets have positioned Crown Castle to generate growth in cash flows and dividends per share both in the near term and for years to come.

Steady execution against this strategy is resulting in consistent dividend growth as we increased our annualized common stock dividend by 11% to $5.32 per share, in line with the high end of our outlook for AFFO per share growth in 2021.

Despite some timing challenges this year, we continue to build on our long history of consistently delivering compelling growth through various market cycles, highlighting both the strength of our business model and the significant value creation opportunity our strategy provides to shareholders.

Over the last 6 years, and inclusive of the increase we announced yesterday, we have grown the dividend at a compounded annual growth rate of more than 8% per share. Additionally, since the acquisition of Lightower in 2017, when we increased our annual growth target by 100 basis points to 7% to 8%, we have grown the dividend on average by 9% per year. Importantly, as you can see on Slide 4, while we have returned a total of $10 billion to shareholders through dividends, we have also invested in assets we believe will generate great returns for our shareholders over the long term as our portfolio of assets positions us to benefit from what we expect will be a decade-long investment cycle as our customers deploy 5G.

One of the core principles of our long-term strategy is to focus on the U.S. market because we believe it represents the fastest-growing market for wireless network investment with the least amount of risk, leading to superior long-term returns.

According to CTIA, as shown on Slide 5, our carrier customers have invested nearly $300 billion of capital to upgrade their wireless network since the beginning of 2010, significantly increasing the density of their networks with tens of thousands of new cell sites while deploying additional spectrum.

The U.S. wireless market attracts a disproportionate amount of capital investment because the market fundamentals are so attractive. In 2019, as an example, carriers in the U.S. invested approximately $30 billion, representing nearly 20% of all mobile CapEx globally to serve demand from less than 5% of the world's population.

To go after this sizable and growing opportunity, we have invested nearly $40 billion over the last couple of decades in shared infrastructure assets that we believe are mission-critical for both today's wireless networks and the next generation of wireless networks our customers are just beginning to develop for 5G.

Our tower investment began more than 20 years ago when we built and acquired assets that we could share across multiple customers, providing a lower cost to each customer while generating compelling returns for our shareholders over time as we leased up those assets.

As we have proven out the value proposition for our customers over time, we have leased up our tower assets so that they now generate a yield on invested capital approaching 11% with ample capacity to support additional tenants and generate future growth in cash flow.

More recently, we began investing in small cells as wireless network architecture evolves with 4G, requiring a network of cell sites that is much denser and closer to the end users in order to serve the rapid growth in mobile data demand.

The impact on wireless networks from the persistent 30%-plus annual growth in mobile data demand is staggering. The amount of wireless data used in 2019 was 96x greater than the data demand was in 2010. Further to the point, the incremental growth from 2018 to 2019 alone exceeded the total data usage from 2010 through 2013 on a combined basis. To respond to this insatiable demand, our carrier customers have deployed more wireless spectrum for more locations.

Since 2010, the total number of locations where wireless carriers are broadcasting their spectrum has increased by approximately

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150,000 to nearly 400,000 at the end of 2019, with most new sites deployed on existing macro towers as well as new small cells.

The increasing site densification has always been a key tool that carriers have used to add network capacity, enabling our customers to get the most out of their spectrum assets by reusing the spectrum over shorter and shorter distances. The law of physics dictates that the site -- the cell site densification will continue, particularly given the higher spectrum bands coming to market in recent and upcoming auctions.

We expect the densification trends to drive additional leasing on our tower assets for years to come. But with the radius of cell sites continuing to shrink, we expect small cells to play a greater role in network densification going forward. During our earnings call in July, I talked about our assessment that our small cell business has significant potential upside and limited downside. This is in part because we have assumed a relatively low density of small cells compared to industry estimates and carrier commentary.

The wireless ecosystem is beginning to show signs that would lead towards our potential upside cases. Last week, we saw an important milestone in the march towards greater network densification when Apple announced that all iPhone 12 models sold in the U.S. support millimeter wave spectrum band while models offered in other regions of the world are limited to sub-6 gigahertz band. This announcement reminds me a lot of 2007. At the time, the wireless carriers in the U.S. had accumulated a vast supply of 3G-capable spectrum, but there were no use cases identified requiring that much capacity. At the time, phones were used for talking and, in limited cases, Texting. Ring tones were the exciting feature you could download to personalize your device. Then Apple launched the original iPhone, and the world changed. People could use their phones to surf the web, listen to music, share pictures and communicate with each other without speaking. And more importantly, the introduction of the iPhone kicked off a new era of wireless innovation that spurred unprecedented investment in wireless communication networks in the U.S., and no one really saw it coming.

Fast forward to now, and much of the same dynamics are at play. The new iPhone was launched for spectrum bands that are not yet deployed at scale. As was the case with the original iPhone, the use of millimeter wave opens up a whole new set of opportunities and use cases. And although no one can be certain about which use cases will take hold, it is exciting that the company that started it all with the original iPhone is again at the front end of a wireless communication revolution with the iPhone 12. This is so important to our business because the carriers now have nearly 20x more spectrum capacity than they did in 2007, with a significant portion yet to be deployed and more spectrum scheduled to be auctioned in the next few months.

In aggregate, carriers and other market participants have already purchased approximately $15 billion at auctions plus made acquisitions to gain access to higher spectrum bands needed to deploy 5G. And that investment is likely to increase considerably with the upcoming C-Band auction.

Millimeter wave spectrum currently accounts for more than 80% of the total spectrum that's available for use in the U.S., and we believe the iPhone 12 will speed up its deployment. Because of its RF characteristics, millimeter wave spectrum provides significantly more capacity but over a fraction of the geographic coverage area. As a result, we believe the majority of millimeter wave spectrum will ultimately be deployed using small cells rather than towers.

With that in mind, we are excited about the industry-leading small cell business in the U.S. that complements our tower business and provides substantial potential upside to our 5G growth strategy. The 10% AFFO per share growth that we expect in 2021 is without the benefit of all the 5G investment I just described. Because small cells developed during the 4G investment cycle, we are much earlier on when it comes to our small cell and fiber investments with a 3-year weighted average life across the approximately $14 billion of invested capital.

Given the immaturity of these investments, it's encouraging that the business is already generating a current yield on invested capital that is approaching 8%. Similar to towers, the investments we are making in small cells and fiber have a high initial cost that will ultimately be shared across multiple customers, lowering the capital and ongoing operating costs to each customer while generating returns for our shareholders as we lease up those assets. We expect the yield on our investments to increase gradually over time as we benefit from the lease-up of our existing assets, offset by the pursuit of organic investment opportunities to construct less mature small cell assets for anchor tenants at an initial yield of 6% to 7%.

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In recent years, anchor builds have accounted for 70% to 80% of our small cell leasing, with colocation making up the remaining 20% to 30% of activity. Based on our current pipeline of nodes we plan to construct in 2021, we expect the contribution from colocation to increase to approximately 40% of the activity, contributing to a $400 million projected decrease in our discretionary fiber capital expenditures in 2021 when compared to levels of 2019.

In addition to the benefit from an increase in small cell colocation activity, there are several large multiyear fiber expansion projects that we inherited through acquisitions that are scheduled to be completed this year, contributing to the forecasted decrease in capital expenditures in '21.

We believe the expected reduction in capital intensity and growth within our small cell and fiber business is yet another encouraging sign that our strategy is generating the returns that we expected.

So to wrap up, our strategy is to deliver the highest risk-adjusted return for our shareholders by balancing a growing dividend and investing in assets that will drive future growth. To that end, we are deliberately investing all of our capital in the largest and what we believe is the best market in the world for owning communications infrastructure assets. We offer a comprehensive solution to our customers of towers and small cells to enable and benefit from the wave of investment our wireless customers are expected to make over the next decade to build out 5G and meet the growing demand for wireless data.

We are investing for this future while increasing our dividend by 11%, which is meaningfully above our long-term target of 7% to 8% per year. As we focus on closing out another successful year, I want to take a moment and thank our team for how well they have navigated through a pandemic and a significant carrier consolidation in our space to help deliver AFFO per share growth in 2020 that is consistent with our long-term growth target.

Before turning the call over to Dan, I'd also like to briefly mention our other announcement yesterday. Our Board of Directors appointed Tammy Jones and Matthew Thornton as Directors effective in November of this year. With the addition of these 2 highly qualified and experienced directors, our Board has made significant progress with the first phase of the Board transition process we announced last quarter.

On behalf of all of the Board, I'm excited to welcome Tammy and Matthew to Crown Castle, and I personally look forward to working with them both.

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

Daniel K. Schlanger ***Crown Castle International Corp. (REIT) - Executive VP & CFO***

Thanks, Jay, and good morning, everyone. As Jay mentioned, we delivered another quarter of solid results. We remain on track to generate at least 7% growth in AFFO per share in 2020, and we expect AFFO per share growth to accelerate to 10% in 2021, allowing us to increase our dividend by 11% to $5.32.

Turning to Slide 6 of the presentation. Site rental revenues and adjusted EBITDA grew 4%, while AFFO increased 8% in the third quarter 2020 when compared to the same period last year. During the quarter, we experienced an increase in activity on towers that resulted in a meaningful increase in the contribution from services when compared to recent quarters.

We expect a further increase in industry activity, as our carrier customers invest to improve their existing networks and as 5G investments ramp, which we believe will start in earnest in 2021. However, the full rebound in activity on towers is continuing to occur a bit slower and later than we previously expected, with a portion of the activity we expected to occur in late 2020 shifting into early 2021.

As a result, on Slide 7, you will see that at the midpoint, we've decreased our 2020 outlook for site rental revenue by $43 million, adjusted EBITDA by $83 million and AFFO by $8 million. These changes are primarily the result of the expected shift in timing I mentioned, partially offset by lower-than-expected interest expense and sustaining capital expenditures. Specifically, the change in

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timing of towers activity negatively impacts the expected 2020 organic contribution to site rental revenues by approximately $20 million and services combination -- contribution from towers by approximately $50 million.

Additionally, the combination of this shift in timing as well as fewer lease extensions than previously forecasted negatively impacts our 2020 straight-lined revenues by approximately $20 million. These changes are offset by approximately $10 million in lower expenses, $30 million in lower interest expense and $25 million in lower sustaining capital expenditures. As a result, for full year 2020, we now expect approximately 6% growth in organic contribution to site rental revenues, consisting of approximately 5% growth from towers, more than 15% from small cells and approximately 3% from fiber solutions. We also expect adjusted EBITDA to grow about 4% and AFFO per share to grow around 7% in 2020.

Shifting over to our full year 2021 outlook on Slide 8. We expect organic contribution to site rental revenues of $295 million to $335 million or approximately 6% growth, consisting of approximately 6% growth from towers, 15% from small cells and 3% growth from fiber solutions. It's worth pointing out that our outlook does not include a material contribution from DISH Network's wireless network build-out as we expect activity on that front to begin in late 2021, consistent with their public commentary.

As Jay discussed earlier, we expect discretionary capital expenditures in 2021 to be approximately $400 million lower when compared to 2019, totaling approximately $1.5 billion as we apply a rigorous analytical approach to each capital investment decision. We anticipate the combination of lower capital expenditures and higher cash flow growth will allow us to fund our discretionary capital budget next year with free cash flow and incremental debt capacity consistent with our investment-grade credit profile.

As it relates to the balance sheet, we finished the quarter with 5.4x debt to EBITDA, a weighted average maturity of 9 years, no maturities until 2022 and approximately $4.5 billion of undrawn capacity on our revolving credit facility. Our debt maturity profile is the result of a deliberate approach to minimize financing risk and more closely match our debt maturities for the long-term nature of our asset base while focusing on driving down our overall cost of capital.

Turning to Slide 9. We expect 2021 growth in AFFO of $300 million to $345 million or approximately 12% growth. In addition to the approximately 6% expected growth from organic contribution to site rental revenues, the outlook includes expense increases that primarily reflect the combination of typical escalations and cost of living increases as well as incremental direct costs associated with fiber revenue growth, an increase in services contribution tied to the expected increase in tower activity in 2021 and an expected contribution to growth of $60 million to $90 million from other items, primarily related to the conversion of deferred stock that occurred during the third quarter that will reduce annual preferred stock dividend paid next year by approximately $85 million.

So before we open the call up to questions, there are 3 key things we want to make sure you take away from our discussion: we increased our dividend by 11%; the capital intensity in our fiber business is declining while delivering consistent growth; and we expect to fund our 2021 capital plan without the need for additional equity.

Looking further out, we believe our ability to offer towers, small cells and fiber solutions, which are all integral components of communications networks, provides us the best opportunity to deliver superior risk-adjusted returns for our shareholders. And with that, Mary, I'd like to open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We take our first question now from Michael Rollins with Citi.

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

I was curious if you could delve further into the tower leasing activity. So the prior guide, I believe, was $170 million to $180 million within the total new leasing activity. And as you look at it shifting $20 million into '21, what's holding then that baseline back relative to 2020? And do you see opportunities for site leasing dollars to continue to get better from the '21 level over the next few years as we look out at the potential activity from your carrier customers?

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Jay A. Brown ***Crown Castle International Corp. (REIT) - President, CEO & Director***

Mike, big picture, what I would say is we're continuing to see really consistent growth across all of the carriers in the business. And I think the commentary that I made going back and looking at both our capital allocation plans historically, but also the activity of the carriers over the last decade, shows a consistent investment in the network. And I think we expect the same thing going forward.

Anytime anyone looks at the business and starts to try to figure out inflection points, it always gives me pause because history would suggest that there's a steadiness to the investment of capital and that the improvement to networks in order to provide data capacity for consumers is a long road, not a short one.

And so as we look forward, what I think we're most excited about is the long runway of growth that we see. On the tower side, we see consistent revenue growth over a long period of time as 5G gets built out.

And then in terms of the potential upside, the comments that I made around the iPhone 12 and the opening up of millimeter wave, we think, is probably the most likely path of seeing significant upside to the consistent growth that we would expect, driven by 5G over the coming decades.

Daniel K. Schlanger ***Crown Castle International Corp. (REIT) - Executive VP & CFO***

And I think, Mike, it's important just to point out that we're seeing 6% growth in our tower business going into 2021, which we think will be pretty well received or look pretty good compared to our peers. And that's without all of that investment that Jay is talking about.

So I think we're -- and then we're translating that into 10% AFFO per share growth. I think that's a pretty good setup to be in, where we're moving into 2021 with really good tower growth, really good AFFO growth and a lot of upside from there.

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

And if I can just follow up on the small cells, when you described that you're seeing more colocation opportunity for 2021 in the plan, is that a reflection of more colocation concentrated where you already are seeing success? Or are you seeing the colocation get more distributed across the different markets?

Jay A. Brown ***Crown Castle International Corp. (REIT) - President, CEO & Director***

Now the colocation will be coming on assets that we have both acquired and built over a period of time. And obviously, the colocation that we're putting on in 2021 reflects nodes that we put into the pipeline probably a couple of years ago in most cases. So it's a reflection of those assets that we acquired or built several years ago. And then as we talk about it often, they've been leased up over a long period of time.

And as we look at the business, obviously, we've increased the base of investment over the last several years as we built anchored new systems. And the expectation of those new anchored systems is that, over time, they would see colocation and lease up. And as we look at the pipeline for 2021, as we were talking about the capital intensity associated with that growth, obviously, the capital intensity comes down as colocation goes up. And in 2021, we're reaping the benefit both in terms of higher yields on the assets over time from colocation and also lower capital intensity related to those assets.

Operator

We can now take our next question from Brett Feldman of Goldman Sachs.

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

When I look at the composition of your outlook for next year, you're expecting that nonrenewals at the midpoint of the range will be pretty similar to what you're expecting this year. And the question I have is, you do actually have Sprint leases that come up for nonrenewal next year. I'm curious what are you assuming about them.

And then I know you have a considerable amount of time on average with your T-Mobile and Sprint leases. T-Mobile has clearly shown through its MLAs with your peers that they have a desire to align the lease terminations with when they actually do site

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decommissioning. If you were to allow that, you'd be making a concession. So you've done this in the past. How do you think about the trade-offs that you might be willing to make in a revised customer agreement where you might allow them to take some sites off sooner? What do you have to get to feel like you've been made whole or better off in that relationship as a result of it?

Daniel K. Schlanger ***Crown Castle International Corp. (REIT) - Executive VP & CFO***

Brett, I'll take the first one. On the churn assumption going into 2021, we talked about this before that the acquired network churn that we have seen coming up through the end of last year had a rollover effect into 2020 that would stop by the end of 2020. And so 2021 churn is lower and is at kind of the lower end of our 1% to 2% long-term churn rate. Even within that though, as you pointed out, the specific churn around Sprint, we have some of that assumed in our model and how we're thinking about churn going forward. So that's inclusive of some Sprint churn to be at that low end.

Jay A. Brown ***Crown Castle International Corp. (REIT) - President, CEO & Director***

Yes. On your second question, Brett, obviously, we shy away from talking about specific customers and specific deals with our customers. So I'll mostly beg off of that question. Big picture, in terms of the economics and how we think about our customer relationships, the value that we provide to the customers is a shared solution that ultimately lowers their costs of being able to deploy the network. And that value proposition, regardless of the construct under which it's made with each of our customers, looks to be really healthy and intact.

And so as I look across the landscape, I think both on the tower side and on the small cell side, the value proposition holds through a number of different market cycles. And we're looking -- at the same time, we're providing that value proposition to the customers, we're trying to be thoughtful about making sure we get an appropriate yield on the invested capital that we have. And that's true both on the tower side as well as the small cell side.

So we've laid out our contractual provisions in the supplement. Obviously, we have about 5 years remaining on the T-Mobile leases. And we'll continue to work with them as we do with all of the carriers to make sure we have the right contractual relationship, to ensure that they have access to the assets and get network deployed in an expeditious fashion and we're getting the appropriate returns on the invested capital.

Operator

We now take our next question from Simon Flannery of Morgan Stanley.

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

Great. Good to hear the momentum in the small cell business and the opportunity around millimeter wave. Can you talk a little bit about what the pipeline discussions, the backlog looks like, your ability to kind of add to the -- I think it was a 20,000 in backlog over time? I think there's some concern that companies like Verizon will focus a lot on self-perform. So how are those conversations going? And how do you expect them to evolve to when we really see that, the backlog start to ramp?

And then related to that is I know, going back a couple of years, you were hoping to really accelerate the pace of small cell construction. Any change in that momentum either in the near term or in the medium term that you see where you could start to shorten that time frame?

Jay A. Brown ***Crown Castle International Corp. (REIT) - President, CEO & Director***

Simon, on the first question around the pipeline in small cells, we're continuing to have really encouraging conversations with our customers about their need and our ability to perform for them and both deploy capital and deliver small cell nodes for them. And so the environment in which we're having conversations with the customers, as evidenced by some of the comments that I made around millimeter wave and the necessity of increased cell site density, are really encouraging and support kind of our longer-term view that small cells are just an integral component of wireless networks. And I think if you've heard both Verizon and AT&T talk about this week that you really can't do wireless without wires, without fiber.

And fiber is, I think, in terms of the conversation, both with our customers and more broadly as people look at this industry, I think more

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and more you're seeing the blending of both fiber and wireless. And I think you're going to see that trend continue. So I think we're still early stages in terms of what that's going to look like. But the total addressable market, all of the signs point to an increasingly large addressable market.

Our role and capture of that addressable market, I think, comes down to both where we've chosen to historically invest our capital. As you know, we focus most of the capital in the top markets in the U.S. We think those have the potential to produce the highest returns on invested capital. So we focused our fiber investments in those top markets because we think they have the best opportunity for future small cell lease-up.

As I listen to what the carriers are saying, I think they believe that they're going to need small cells well beyond just the top markets in the U.S., and that's going to require fiber deployed in a lot more locations, then frankly, we'll probably meet our return thresholds.

Dan talked about in some of his prepared remarks the rigorous analysis we go through in terms of allocating capital. We think about what kind of markets in the U.S. do we really want to allocate capital towards. And there are places in the U.S. where we choose not to pursue request for proposals from the carriers, and we've chosen to focus most of the capital investment in those top markets because we think the highest growth is there.

So I think that leads to a commentary both today and what I would expect continue long into the future, where the carriers are going to self-perform a meaningful portion of the small cells that they need. There may be other third parties who also enter the space. And I think that just speaks to how big the addressable market is going to be and also our discipline and limiting where ultimately we're willing to extend capital where we think the best returns for Crown Castle are. I think if those 2 things play themselves out, which we'll see over time, I think there's plenty of addressable market for us to get great returns on the capital that we've invested thus far. And at the same time, I think you'll continue to see the carriers do self-perform in locations where it just doesn't make sense for us to extend the capital.

On your second question around accelerating the construction process. We are obviously working every day to try to figure out ways to do that better and faster. And the team has worked hard at that, and there are instances where we have found some opportunity to be able to do that. I would say, as I've said in the past, the idea that there is a -- that it's easy to deploy small cells and to deploy fiber is really a fallacy. This is a very difficult and long process to go through the zoning and planning process of being able to deploy small cells in the U.S. And I don't really see anything on the horizon that would meaningfully change that. I believe it's a significant moat around the business and will remain intact and in place for a very long period of time.

And to the extent, therefore, somebody has fiber in locations or a small cell network that has been built for future small cells, I think there's a real advantage to that in place operator for capturing future opportunity around small cells. So we're working every day to try to figure out a way to deliver these small cells faster for the customers. But I think the dynamics of zoning and planning and working with the utilities drive a pretty long time line that, thus far, we really haven't seen change meaningfully.

Operator

We now take our next question from Jonathan Atkin, RBC Capital.

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

Got a question about 3Q and then about the 2021 expectations. Can you give us a sense of kind of the monthly cadence that you saw on your macro site leasing? Was September any -- notably stronger than, say, July or August? And then on 2021, you mentioned the timing expectations around DISH, and I wondered if you had any sort of comment about the expectations around some of the, say, mid-3 gigahertz deployments throughout 2021 front end loaded -- or when do you start to see activity from that, on your portfolio?

Daniel K. Schlanger ***Crown Castle International Corp. (REIT) - Executive VP & CFO***

Yes. Jon, on your question on Q3, I think what we can -- what you can just see from the overall Q3 results and then our 2020 guide going into 2021 is activity is accelerating into the back half, albeit at a slower pace than what we would have expected. You can see that in a couple of places: one, the relatively substantial increase in services that we saw from Q2 into Q3; and then again, just the increase in overall leasing activity that's going from 2020 into 2021.

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I think, as always, we've talked about that -- and Jay mentioned this earlier, that we feel really comfortable with the overall activity levels increasing and all of the demand that's being placed on wireless networks requiring an increase in the amount of capital and operating expense that is being required from our customers to keep up. But it's always hard to tell exactly when the timing of that -- any type of change will happen. So trying to pinpoint it to a month or a quarter has always been hard. And what we're seeing, what we're excited about is as we're moving into '21, we see our tower growth accelerating into that 6% range. And like I said earlier, that's a great place for us to be as we see a continuing, as Jay mentioned in his prepared remarks, insatiable demand for data on top of a 5G ecosystem that's being developed now that we think will generate substantial opportunities for us going forward.

Jay A. Brown ***Crown Castle International Corp. (REIT) - President, CEO & Director***

Jonathan, on your second question, again, in my comments earlier about T-Mobile -- I certainly want to let DISH speak to their own plans and timing around what they're thinking about deployment of the network. So I think it's fair to draw from the public commentary that they've given thus far and certainly in our own outlook, we assume -- we did not assume a significant contribution from DISH in 2021. But based on their public commentary, we would expect more of a contribution as we go into 2022.

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

And then finally, on the operations side with Jim Young's announced departure, just any kind of update into how things are going to be run going forward, who you're looking for, how things organizationally might be different, if at all.

Jay A. Brown ***Crown Castle International Corp. (REIT) - President, CEO & Director***

Sure. We did announce that we had hired an outside search firm to help us look at both internal and external candidates for that role, for our COO of Network. And we feel good about the process. It's ongoing. We've seen a number of quality candidates, but no specific updates at this time. I would -- to the part of your question in terms of what are we looking for, what do we expect, obviously, looking for somebody who has a proven ability to lead a large organization of our scale and size. And we want to make sure we pick somebody who has a good understanding of the strategy and ability to execute against that strategy and drive returns on the invested capital that we've put there.

So no specific update beyond that, and we'll let you know as soon as we make a decision on that front.

Operator

We can now take our next question from Tim Long of Barclays.

Timothy Patrick Long ***Barclays Bank PLC, Research Division - MD and Senior Technology Hardware & Networking Analyst***

Two if I could. Just one follow-up on the fiber business. The reduction in capital intensity obviously is something that is interesting, and there's probably some timing there, too. Just wondering if that -- we should look at that as kind of a 2021 event just based on timing. Or is this something that you think has a multiyear tail to it?

And then second, just on a higher level, could you talk a little bit about edge compute? I know you have the Vapor IO deal, but curious to see as we move towards edge compute how you think fiber will play into that. Some of your peers have gotten involved in data centers. So just curious, thoughts there.

Daniel K. Schlanger ***Crown Castle International Corp. (REIT) - Executive VP & CFO***

Yes. In terms of capital intensity, we called out 2 things. One is we finished a few fiber projects that we had inherited with some acquisitions we have done historically. And we're going to -- we finish those in 2020. We wrap them up. And those won't continue going into 2021. A lot of that is in line with our strategy of leading more with small cells and with fiber solutions.

And as we continue to push on that, we do believe that that's more of a longer-term impact to our business, in that when we're looking at building fiber throughout the markets, as Jay pointed out, the top 25 markets, top 30 markets to begin with, that we want to lead with small cells. And there may be cases where we could come up with a situation where we lead with fiber solutions because we think small cells are coming relatively quickly in the same places.

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But for the most part, it's a small cell decision. Are we wanting to invest in that market for small cells or not? And if the answer is no, then we're not going to lead with fiber solutions. And in many cases, these are deals that were based on fiber solutions. So it is a longer-term type of capital allocation decision we're making there.

In terms of the second reason that we called out for why we have less capital intensity, it's an increase in the proportion of small cell nodes that are colocation from where they had been historically. As Jay pointed out, there was about 70% to 80% anchor builds historically. And this year, we're looking more like 60% anchor builds and 40% colocation. And because of that, the capital intensity is coming down. I would say that the remainder of our backlog looks more akin to the 70% to 80% anchor build. So that's not as long term, unless of course we get some bookings that would replace those colocation nodes, which, as you know, are quicker to go into production just because we already have fiber in existing poles already. So that would happen faster. So if we get some bookings, it may change that. But I would say, right now, in our backlog, it looks more like what we have seen historically.

Jay A. Brown ***Crown Castle International Corp. (REIT) - President, CEO & Director***

To your second question, we did make an investment in Vapor IO, which is the edge compute company. And on this topic, I would say, the world is continuing to move towards wireless. And if you look at the amount of data traffic, as referenced -- as I referenced in my prepared remarks, it is growing at an unbelievable pace. And edge compute becomes really important as users and providers using those wireless networks are trying to figure out ways to reduce the latency in the network and lower the overall cost of delivering that data.

And edge compute is a way of doing that by both moving compute power as well as storage as close to the user as possible. And that becomes increasingly important as industrial applications materialize even beyond what we think of today is mostly consumer-driven applications. So I think there's a lot of opportunity there. It also highlights the necessity of everything in the network being connected by fiber, both small cells, macro sites, edge compute. And I think it's another indication of the necessity and importance of fiber in the next generation of wireless network.

So we're excited about the opportunity there. We think we're well positioned in terms of the investment that we've made. It doesn't have a meaningful impact today on any of our results nor do we expect that to be true in 2021. But it does give us a view towards the future, and we're excited about the upside, not just in our investment in edge compute but what that portends for the rest of the business and the increasing data traffic going across the wireless networks and then the investment required in order to get there.

Operator

We can now take our next question from David Barden of Bank of America.

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

So first one, and I apologize if I missed this, but Dan, just in terms of the guide for '21, what, if anything, do you have from C-Band deployments in there? And realistically, could it be a contributor to the '21 outlook?

And then second question on the -- one of your competitors signed an MLA with one of your major customers recently. Last quarter, that company took the carrier contribution to '20 out of their guidance entirely because that carrier was being very aggressive with respect to their willingness to steer business to competitors like yourself. Is there anything about the second half of '20 or 2021 that might represent some kind of supernormal contribution from a carrier that has signed a MLA with one of your competitors that might shift business back in that direction? How do you think about that dynamic in the competitive marketplace?

Daniel K. Schlanger ***Crown Castle International Corp. (REIT) - Executive VP & CFO***

Yes. Thanks, David. I'll take the first question on 2021 outlook. We don't give outlook according to specific spectrum bands or specific customers. What we look to is to try to figure out what is the level of demand that's coming and where do we think that the -- our carrier customers are going to allocate capital in order to meet that demand. I think that there is -- as you pointed out, one of the important aspects that makes the U.S. market so attractive is there's a lot of spectrum that has been purchased recently or will be purchased in the upcoming few months through C-Band specifically that is lying fallow and not generating return and not meeting the demand from end users. And that's what's driving the overall increase in tower leasing activity that we're going to see and we expect to see going into 2021.

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We would anticipate that whoever ultimately owns that C-Band would want to deploy it at some point. And whether that's in 2021 or beyond, it will just add to our tower growth over time just like any spectrum has before. And we're generally agnostic to which spectrum is being deployed. We're looking for how is the ultimate end-user demand going to be met through deploying more spectrum, densifying more sites, building small cells going on additional towers. But there's nothing specific or not specific in that for a C-Band deployment necessarily.

Jay A. Brown ***Crown Castle International Corp. (REIT) - President, CEO & Director***

Dave, to your second question, I would describe the activity that we're expecting in 2021 to be normal levels of activity. And as we look across the landscape of the carriers, they're all investing in the network. And we think we'll benefit from that. And I think the idea of growth in this business, just really big picture, as I step back and look at what's going on in the environment is we're growing top line revenue growth at a very attractive clip. And that is translating, as we talked about, in 2021 into a double-digit dividend increase, some 11%. And if I go backwards and think about what's happened over the last 4 years on those dividend increases, we've grown the dividend about 9%.

So in terms of the return of capital to shareholders, we've seen an acceleration in terms of that increase in dividend to the shareholder. We're seeing tremendous growth on the top line side. And the best part about it is we have a view towards the future that looks like this is going to stay in place for an extended period of time. And there are a lot of elements of it that say there's going to be a really long runway of growth.

And so our business, which has historically been marked by really consistent investment among the carriers, I think that investment trend is in place and looks like there's a pretty long runway ahead of that continued investment by our customers. And I'm pretty excited about where we're positioned in terms of capturing that and then translating it into returning cash to our shareholders through the form of dividends and then continuing to invest along the way in assets we think can further that dividend growth.

Operator

And we can now take our next question from Colby Synesael of Cowen.

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

Two lines of questioning. One is just on all small cell, getting from -- hello? Can you hear me?

Jay A. Brown ***Crown Castle International Corp. (REIT) - President, CEO & Director***

Colby, yes. We can hear you fine.

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

Just on small cells, I was wondering if you can give us the updated numbers for install and backlog. I think you said 20,000 in backlog, which I guess would assume another 5,000 were installed in the quarter, that you would have, I guess, at this point, already hit your 10,000 mark for installs for 2020, which was the previous guidance. Just curious if you'd just confirm that. Then also what is the expectation for installs in the 2021 guidance?

And then secondly, is there any risk to guidance for 2021 that you could go and sign an MLA with any one of your customers in 2021 that could result in accelerated churn beyond which you are currently showing in your 2021 guidance as of today?

Jay A. Brown ***Crown Castle International Corp. (REIT) - President, CEO & Director***

You bet. So on your first question, just to kind of square everybody away in terms of where we are on small cell nodes, we came into 2020 with about 40,000 nodes on air. We expect to exit 2020 with about 50,000 on air. And then we expect by the time we get to the end of 2021 that we'll have about 60,000 nodes on air. So similar levels of activity in 2020 and 2021. That means we'll exit this year with about 20,000 nodes roughly in the pipeline still to be completed.

On your second question around our 2021 outlook, we give a range because there's a number of different things that could obviously

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happen as we get into the year. And I guess you raised one specific area. I wouldn't, again, comment on specific customer contracts. But to the extent that there was an allowance that we were to make contractually with a customer on being able to exit a committed revenue that they have to us, we would expect to have an equivalent value return back as a part of any discussion that we would have.

So I would never say never to a theoretical question like that. But the value would have to be there to us that would materialize in some other forms. So I would look at the outlook that we gave to 2021 as similar to any other year that we would give outlook, and we're trying to give a range of possibilities of potential upsides that could help us if things go well, and then the low end of the guidance if things didn't go quite as well as we expected, and we're trying to give you a balanced view of a number of pluses and minuses as we go into the year.

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

I mean you obviously know why I'm asking that question, given David Barden's question just a moment ago about a particular company in MLA. But is there a situation where that extra value, if you will, that you would have extracted to potentially allow a customer to do that, that would be actually value you would see in outer years, '22, '23, et cetera, and therefore, there could be some nearer-term offsets, if you will, but over the longer term, still a deal you'd want to do?

Jay A. Brown ***Crown Castle International Corp. (REIT) - President, CEO & Director***

Colby, I think the -- answering that in the theoretical is basically impossible. We are economic animals at heart, and we run a massive capital investment base that we've put together over 20-plus years. And our goal is to maximize the yield on that investment by working thoughtfully with the customer to ensure that they have a compelling opportunity to go on the site and to be able to do that as expeditiously as we possibly can. So there's a real value to our customers of sharing it. And we're aiming to maximize the value and the return on the assets. And we hold ourselves out to be as flexible as we can be in accomplishing those 2 goals, both offering a shared solution that's good for our customers and, at the same time, trying to maximize the return on the asset. If we can pick both of those boxes, happy to consider what makes the most sense. But in the theoretical, really, frankly, it's impossible to be any more specific than that.

Operator

We can now take our next question from Spencer Kurn of New Street Research.

Spencer Harris Kurn ***New Street Research LLP - Analyst of Towers and Infrastructure***

I have a couple on your tower guidance. With the $150 million to $160 million of new leasing revenue that you guided to in 2021, could you just talk about the cadence of that throughout the year? Are you expecting to exit at a higher level than you start out with?

Daniel K. Schlanger ***Crown Castle International Corp. (REIT) - Executive VP & CFO***

Yes. It's pretty flat through the year. But typically the case, we generally see a little bit more activity in the back half of the year than we do in the front half of the year.

Spencer Harris Kurn ***New Street Research LLP - Analyst of Towers and Infrastructure***

Got it. And then I just have one follow-up on millimeter wave. It's interesting that you guys are really bullish on it for small cells. And also, we've seen Verizon talk about deploying 5x the number of small cells this year relative to last year, but your deployments have remained pretty steady at around 10,000 a year over this period. Can you just comment on whether you're seeing a bigger proportion of millimeter wave application in your backlog now than maybe you were 6 months ago or a year ago? And are you getting the sense that your backlog volumes will, at some point, increase enough to build up to 15,000 nodes annually, which is what you sort of guided to a couple of years ago? Or are you more of the sense that you believe just steady state build of around 10,000 nodes for the foreseeable future?

Jay A. Brown ***Crown Castle International Corp. (REIT) - President, CEO & Director***

Yes. I think as I was trying to reference in my comments, I think whether it's industry estimates for the carrier commentary, it would look like there are a number of signs of future growth, of accelerating growth in small cells over the coming years. And I would just -- stepping back away from the specifics of it but just looking broadly at what's happened in our industry. Whenever there's been a period of time

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where there was spectrum available, carriers who own that spectrum and has the capital to actually be able to invest to deploy that spectrum and then devices in the hands of consumers that could actually use that spectrum, those 3 things -- when those 3 things come together, it's really good to be an infrastructure provider.

And as I look at the millimeter wave, in particular, that spectrum, I believe that is more suited towards the deployment of small cells than it is macro sites. And the convergence of those 3 things sets up an environment and a tailwind to the business that I think is going to play out over time and go really well for us and anybody else in the third-party provision of small cells.

So I think the overall pie is growing because of those drivers of spectrum, capital and the availability of devices to use that spectrum band. And I think our business is sitting right in the heart of that. And so in my mind, it's not a question of if this is going to happen, if there are going to be small cells that are going to end up on this fiber. It's really more a question of when will it happen. And I think as I referenced earlier in the conversations that we're having with carriers, really encouraging conversations around their deployment plans, both in the near and longer term. And I think that sets up well for the underlying assumptions that we have that when we build these systems, we'll be able to add 1 tenant in addition to the anchor build over a 10-year period of time.

And a lot of the questions that you're asking there and the commentary that I made in my prepared remarks about millimeter wave, that's really to the upside of how we thought about and assess kind of the investment of capital.

So certainly, see an environment where there could be an acceleration, and we think we would benefit from that. I think the business sits right in the heart of a massive trend of growth that's going to happen in the U.S. over the coming decade.

Operator

We'll take our next question from Richard Prentiss from Raymond James.

Richard Hamilton Prentiss ***Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research & Research Analyst***

Nice to see also the dividend increase. A couple of questions, Jay, going back to Colby's. Jay, can you tell us how many nodes there are in the third quarter? Did it go up from above 45,000 in the third quarter?

Jay A. Brown ***Crown Castle International Corp. (REIT) - President, CEO & Director***

Yes, Ric. What we would say right now is there's probably a little less than 50,000 on air. It did go up -- it went up in line with what we would have expected. So we're on track to what we thought was going to happen, as Jay pointed out, going from 40,000 at the beginning of the year to 50,000 at the end of the year.

But yes, we put some on air just like what we expected. And so we went -- our commentary last quarter was a little more than 45,000. We'd say now it's a little less than 50,000.

Richard Hamilton Prentiss ***Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research & Research Analyst***

Okay. And I appreciate your comments earlier talking about capital intensity is down. It looks like also prepaid rent received is going to be up. So gross CapEx is down. Looks like net CapEx goes down even more. How should we think about what happens to prepaid -- amortization of prepaid rent, a noncash item? It looks like that went up maybe $60-plus million from 2019 into 2020. Are you thinking it might go up another $50 million now in '21, that noncash amortization?

Daniel K. Schlanger ***Crown Castle International Corp. (REIT) - Executive VP & CFO***

Yes, that's exactly right, Ric. You got all those numbers right, about $60 million growth in prepaid in 2020, and we have about $50 million growth in prepaid going into 2021.

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Richard Hamilton Prentiss ***Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research & Research Analyst***

Okay. And the final one for me, and I'm sure that's in the release in there, was on the sustaining CapEx side, you guys were able to take out about $25 million in the 2020 guidance on the update here. And the '21 guidance is for midpoint, I think, about $99 million. How should we think about that long term? Because in 2018 and 2019, it was over $100 million, $115 million. How should we think about sustaining -- how are we able to take sustaining CapEx out? And how should we think about long-term trend in that?

Daniel K. Schlanger ***Crown Castle International Corp. (REIT) - Executive VP & CFO***

Yes. I think I'll take that in reverse. So long-term trend is in that $90 million to $120 million range is what we would expect sustaining CapEx to be. How we can take that out is we can be very diligent about how we care for our assets and try to run the business as efficiently as we possibly can in any given period.

But over time, there is some sustaining capital that is required to maintain the asset, as you know. It's a pretty low number. $100 million-ish on the capital base that we have is a low number. And it should be in that ballpark. But in any given one period, we can get really creative in how we think about that. And what we wanted to do is to make sure we're delivering the best AFFO growth we possibly could both in 2020 and in 2021, and that's what you're seeing out of that sustaining number.

Operator

We can now take our final question from Nick Del Deo from MoffettNathanson.

Nicholas Ralph Del Deo ***MoffettNathanson LLC - Analyst***

Maybe to build on some of the prior small cell question and ask it a different way. Your customer conversations regarding small cells are very encouraging. But it's been a while since you've had a real strong small cell bookings in the report. For how long would that sort of dichotomy has to persist before you conclude, okay, maybe it's not just lumpiness in bookings, maybe there's something else going on? Like if we go another year without the backlog being replenished, would that change your confidence level in the outlook?

Jay A. Brown ***Crown Castle International Corp. (REIT) - President, CEO & Director***

No. I think obviously we look at a number of different factors as we think about the commentary that we made and the growing environment and opportunity around the small cell side. I think that business is going to be marked forever by a lumpy and chunky awarding of small cells. It's very different than the tower business in terms of the way the customers award small cells. They're generally done on a market-by-market basis or at least a significant portion of the submarket. And in the tower business, assets are generally leased one at a time. And that's not the way small cells work. So I think, Nick, I would not look at the lumpiness and chunkiness of it as anything other than just that's the nature of the business, and I think it will stay that way.

And as I mentioned, the tone of the conversations privately is really encouraging. But I don't think that's the only thing that's encouraging. As I look at the broader landscape, the public commentary that the carriers are making around the need for small cells and the deployment of those small cells and then as I look on the innovation front in terms of -- as I mentioned in my comments around what Apple is doing, that is a significant amount of network deployment that's coming in order to make those devices work to the fullest extent that they intend. And our business sits right in the middle of that.

And I think we'll benefit from it as the investment lines up with the use cases and the deployment of that spectrum.

Nicholas Ralph Del Deo ***MoffettNathanson LLC - Analyst***

Okay. Would you characterize the tone of the conversations as being comparable to back in 2018 when you signed a bunch of big deals?

Jay A. Brown ***Crown Castle International Corp. (REIT) - President, CEO & Director***

I think it's always difficult to compare the nature of conversations. In 2018, there was a different scale of opportunity than what there is today. So I think in 2018, we would have looked at it and said, we're seeing early signs as a result of some of the awards but probably not the total addressable market starting to materialize in the same way that we are today.

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So today, the scale and opportunity that's out there because of the number of nodes that the carriers need is much larger in terms of scale than what it was in 2018. That's the total addressable market. And then the conversation that we're having around -- back to my previous comments around what fits our investment criteria, that would be a smaller subset of the totality of the conversation and what's available in the market and what we think fits our strategy and fits the assets that we have. So I would indicate that the scale of the conversations today is much larger than what it would have been in 2018.

Okay. Well, thanks, everybody, for joining the call this morning. I know there were a few folks that we weren't able to get to. Feel free to follow up with us today. We're happy to get back to you and try to answer the questions. And we look forward to talking to you next quarter. Thanks so much. Bye-bye.

Operator

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

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