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American Tower (AMT) Earnings Report: Q2 2015 Conference Call Transcript

The following American Tower conference call took place on July 29, 2015, 08:30 AM ET. This is a transcript of that earnings call:

Company Participants

- Leah Stearns; American Tower Corporation; SVP, Treasurer & IR
- Tom Bartlett; American Tower Corporation; EVP & CFO
- Jim Taiclet; American Tower Corporation; Chairman, President & CEO

Other Participants

- Ric Prentiss; Raymond James & Associates, Inc.; Analyst
- Amir Rozwadowski; Barclays Capital; Analyst
- Batya Levi; UBS; Analyst
- David Barden; BofA Merrill Lynch; Analyst
- Colby Synesael; Cowen and Company; Analyst
- Kevin Smithen; Macquarie Research; Analyst
- Michael Bowen; Pacific Crest Securities; Analyst
- Jonathan Atkin; RBC Capital Markets; Analyst

MANAGEMENT DISCUSSION SECTION

Operator:

Good morning. My name is Sean and I'll be your conference operator today. At this time, I'd like to welcome everyone to the American Tower second-quarter earnings conference call.

(Operator Instructions)

Leah Stearns, Senior Vice President, Treasurer, and Investor Relations, you may begin your conference.

Leah Stearns (SVP, Treasurer & IR):

Thank you. Good morning and thank you for joining American Tower's second-quarter earnings conference call. We have posted a presentation, which we will refer to throughout our prepared remarks, under the Investor Relations tab on our Web site. Our agenda for this morning's call will be as follows.

First, Tom Bartlett, our Executive Vice President and CFO, will review our financial and operational performance for the second quarter, as well as our full-year outlook for 2015. And then Jim Taiclet, our Chairman, President, and CEO, will discuss the organic growth and returns being generated by our key international markets and how our diversified portfolio of assets positions us to drive compelling returns for shareholders well into the future.

After these comments, we will open up the call for your questions. Before I begin, I would like to remind you that this call will contain forward-looking statements that involve a number of risks and uncertainties. Examples of these statements include those regarding our 2015 outlook and future operating performance, our expectations regarding our future growth, industry trends, anticipated contributions of recently closed acquisitions, and any other statements regarding matters that are not historical facts.

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You should be aware that certain factors may affect us in the future and could cause actual results to differ materially from those expressed in these forward-looking statements. Such factors include the risk factors set forth in this morning's earnings press release, those set forth in our Form 10-K for the year ended December 31, 2014, and in our other filings we make with the SEC. We urge you to consider these factors and remind you that we undertake no obligation to update the information contained in this call to reflect subsequent events or circumstances.

With that, please turn to slide 4 of the presentation, which provides a summary of our second-quarter 2015 results. During the quarter, our rental and management revenue grew 14.8% from the second quarter of 2014, to over $1.15 billion. As we previewed for you during our first-quarter earnings call, we expected domestic revenue growth in the second quarter to be impacted unfavorably by the timing of revenue recognition of our customer decommissioning agreement.

This did, in fact, occur and the $5-million decline in decommissioning revenue recorded in the second quarter versus the prior-year period brought down our consolidated organic core growth by approximately 70 basis points and our domestic organic core growth by about 100 basis points. During the second quarter, our adjusted EBITDA grew 11.7%, to approximately $762 million, and adjusted funds from operations increased 13.3%, to approximately $537 million.

During the quarter, net income attributable to American Tower Corporation common stockholders declined by approximately $100 million, to about $129 million, or $0.31 per basic and $0.30 per diluted common share. The contributing factors to the year-over-year decline in net income were the losses we incurred on the early retirement of certain long-term debt obligations, which we refinanced during the quarter; an increase in our depreciation expense from the addition of about 25,000 new assets we acquired or built over the last year; and the preferred dividends relating to our recently issued mandatory convertible preferred stock. Adjusting for the one-time impact of the loss on retirement of long-term obligations, net income for common and diluted share would have been approximately $0.48 for the quarter.

Subsequent to the end of the second quarter, we completed the acquisition of approximately 4,700 sites from Airtel in Nigeria for approximately $1.09 billion, including VAT. Approximately $736 million of the consideration was paid in July and we expect that the remainder will be paid to Airtel on or before January 15, 2016. In addition, we've completed all of the necessary steps to file a tax election, pursuant to which the GTP REIT for federal and state income tax purposes will no longer operate as a separate REIT.

You may recall that we highlighted this as an opportunity when we announced the transaction nearly two years ago. We are pleased to be in a position to complete this important tax planning process. As a result, we expect to incur approximately $92 million in one-time costs in the second half of the year, which will lead to several long-term financial and operational benefits for American Tower .

These benefits include more efficient cash management; increased cash flow potential, allowing us greater flexibility to fund operations and future growth; enhancement of customer relationships through contract simplification; and improved business alignment, in addition to eliminating the complication costs and risk associated with managing a subsidiary REIT.

And with that, I would like to turn the call over to Tom, who will discuss the results in more detail.

Tom Bartlett (EVP & CFO):

Thanks, Leah. Good morning, everyone. As you can see, we had a solid second quarter, exceeding our earlier expectations for growth in revenue, margins, and AFFO across the business. We are progressing well with the integration of the nearly 11,500 Verizon towers we added in the first quarter and are pleased with their performance so far. We acquired about 4,200 sites in Brazil from Telecom Italia at the

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end of April and most recently added around 4,700 towers in Nigeria from Airtel on July 1.

We expect to acquire the remaining 2,300 or so sites in Brazil from TIM and up to an additional 200 sites in Nigeria from Airtel over the next 12 months or so. Our strategy of pursuing international investments to strengthen and extend our consolidated growth rate is delivering results, and we are pleased with the benefits we are experiencing due to the scale we have added to our international business. We believe these international investments will continue to help drive returns significantly above those of our US business.

If you'll please turn to slide 6, our consolidated rental and management revenue in the quarter increased by nearly 15%, to approximately $1.2 billion. On a core basis, our total rental and management revenue growth was over 23%. And of this core growth, over 7% was organic, or about 8% excluding our US decommissioning revenues. The balance of our core growth, or about 16%, was attributable to properties we've added since the beginning of last year, including more than 12,000 in each of our domestic and international segments.

Turning to slide 7, our domestic rental and management segment generated core growth in revenue of about 21% during the second quarter, with organic core growth in revenue of 5.8%, or nearly 7% excluding our US decommissioning revenues. T-Mobile and Verizon led the way in terms of both new leases and amendments in Q2 and continued to comprise the bulk of our new business pipeline. As expected, we saw sequential improvement and signed new business trends during the quarter, with signed new business increasing over 50% from Q1.

Overall, our US business continues to deliver good performance, with organic growth for the year expected to be right around the midpoint of our long-term target range. Our new Verizon sites are also delivering solid results and are performing in line with our expectations. Domestic rental and management gross margin increased by about 16% on both a reported and core basis, to $621 million, and reflected a 61% revenue conversion rate. Excluding the Verizon sites, this conversion rate would've been approximately 90%. We constructed 12 towers in the quarter and purchased or extended the remaining term on nearly 500 ground leases, with extensions averaging about 29 years.

Including the new Verizon sites, around 62% of the land under our US towers is now either owned or controlled for more than 20 years and we are targeting to achieve 80% in the next five years. We also enhanced our domestic small cell offering and have nearly 300 domestic indoor DAS systems online. On a year-over-year basis, we have grown this portfolio nearly 11%, adding 32 new systems since the second quarter of last year. We are pleased with the performance of these systems and have been able to attain average indoor DAS tenancies of about 2.2, with an NOI yield of nearly 16%.

DAS, in combination with our managed rooftop business, represents about 6% of our US revenues and add revenue growth of over 25% in the quarter. Our US segment, including towers and managed networks, generated reported and core domestic rental and management operating profit growth of nearly 17%. This reflects strong revenue growth, our continuing focus on property-level cost controls, and SG&A as a percentage of revenue of around 4%. We're also managing the integration of the Verizon portfolio efficiently and have added less SG&A to date as compared to the levels we initially contemplated for the transaction.

Moving on to slide 8, our international rental and management segment had a solid quarter, with core growth of about 28% and organic core growth in revenue of nearly 12%. Reported revenue growth was negatively impacted by foreign currency translation effects of about $80 million from the prior-year period.

We saw strong demand for sites across our portfolio, with markets such as a India, Brazil, and Mexico all

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generating double-digit growth in signed new business over the prior-year period. Large investment-grade tenants like Airtel, Vodafone, and Telefonica continued to generate the majority of our international revenues in organic new business growth. In Mexico, for example, AT&T has been our top new business customer so far this year. And in Latin America as a whole, AT& T and Telefonica now comprise nearly 50% of our revenues.

We also continue to invest in our existing markets through new tower construction and built more than 900 new towers across our international footprint in Q2. In India, we built over 600 sites during the quarter for operators such as Bharti Airtel and Vodafone. We built over 150 sites in Brazil to support the needs of Vivo and TIM and are continuing to see new build activity ramp significantly in that market. We built an additional 61 towers in Ghana and Uganda as well during the quarter, with MTN as our anchored tenant.

Simultaneously, we're investing in small cells, not only in the US, but also in our international markets, where we think the indoor opportunity may even be greater. In fact, in just the last year, we have grown our international indoor DAS asset base more than 50%. We now have over 125 systems installed. Our international indoor DAS portfolio is performing well and is already delivering an NOI yield comparable to that of the US indoor DAS portfolio.

We continue to view indoor DAS as a good complement to our core global macro tower business and remain focused on deploying capital to multi-tenant small cell solutions in all of our markets where it makes financial sense. International rental and management gross margin in the quarter grew nearly 5%, to about $222 million, while core growth in gross margin was around 33%.

Our reported international rental and management segment's operating profit grew more than 8%, to $192 million, and the operating profit margin improved about 340 basis points over the second quarter of last year, to nearly 55%. Excluding pass-through revenue, this segment's operating margin grew to 75%, which is up from 70% generated in Q2 of last year. Our core growth in international operating profit was 40% for the quarter.

Turning to slide 9, on a consolidated basis, reported adjusted EBITDA growth in the quarter was 11.7%, with core growth of over 21%, and our adjusted EBITDA margin was about 65%. Excluding the impact of international pass-through revenue, our adjusted EBITDA margin for the quarter was about 71% and the adjusted EBITDA conversion ratio was about 57%.

This was impacted by both the timing of the decommissioning revenue in the US and the addition of the Verizon and TIM Brasil assets to the base. Excluding these impacts, our adjusted EBITDA conversion ratio would have been around 90% due to our legacy site revenue outperformance and solid expense management during the quarter. Cash SG&A as a percentage of total revenue in the quarter was under 8%, and for the full year, we expect our cash SG&A as a percentage of revenue to be around 8.5%, as we absorb the costs associated with the launch of our newest market in Nigeria.

Longer term, we would expect our SG&A as a percentage of revenues to decline as we drive organic growth across the portfolio. Our strong adjusted EBITDA performance resulted in solid growth in AFFO, which increased over 13%, to $537 million, or $1.26 per share. Core AFFO growth was over 25% and our adjusted EBITDA-to-AFFO conversion ratio during the quarter was just under 80%.

Moving on to slide 10, given the performance of the business, we are raising our full-year outlook for rental and management revenue and adjusted EBITDA. Our new outlook does not include the 2,300 sites from TIM in Brazil or the 200 towers from Airtel in Nigeria yet to be closed. We now expect 2015 rental and management segment revenue of about $4.67 billion at the midpoint. The increase is driven by about $110 million in additional rental revenue from Airtel Nigeria assets, including about $30 million in pass-

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through revenue, as well as about $10 million of legacy international outperformance.

This growth is being partially offset by around $15 million of negative foreign currency translation effects relative to our prior outlook and the reduction of approximately $15 million in US non-cash straight-line revenue recognition. For the year, we now expect core growth in consolidated rental and management segment revenue of around 23%, which includes organic core growth expectations of about 7% and nearly 10.5% for our domestic and international segments, respectively. On a consolidated basis, we expect 2015 organic core growth in revenue to be around 8%.

In addition, we are increasing our outlook for adjusted EBITDA by $30 million at the midpoint, which primarily reflects the new assets we have added to our portfolio, complemented by international organic revenue outperformance and solid cost controls globally of about $22 million. This is partially offset by the US straight-line revenue reduction I just mentioned and about $7 million in unfavorable FX translation effects relative to our prior outlook. We now expect core growth and adjusted EBITDA for the full year to be over 21%.

Turning to slide 11, we are also raising our full-year AFFO outlook at the midpoint by $60 million. This is being driven by about $30 million in incremental cash EBITDA from the Airtel Nigeria assets and around $17 million in incremental cash EBITDA from legacy sites. In addition, we now expect net cash interest expense and cash taxes, collectively, to be $15 million lower than our prior outlook. This is being partially offset by a few million dollars in negative foreign currency translation effects versus our prior AFFO outlook.

Our AFFO growth is expected to be about 17% for the year, or about 25% on a core basis. As a result, our AFFO per share growth is forecasted to be over 10%, or nearly 18% on a core basis, inclusive of the impact of our financing transactions completed during the year. Consequently, we now expect to reach $5 per share in AFFO at the midpoint.

Moving on to slide 12, we remain committed to our capital deployment strategy, which we believe will support our business in generating consistent, robust growth in a variety of business and economic cycles. We are focused on simultaneously funding growth, returning cash to our stockholders, and maintaining a strong balance sheet. So far this year, we've invested nearly $7 billion through our M&A program, declared about $400 million in common and mandatory convertible preferred stock dividends, and deployed over $300 million in CapEx.

We believe that the combination of our growth in AFFO per share and our growing dividends will create meaningful value for our stockholders. This includes expected annual growth in our redistribution of at least 20%, which has actually averaged around 30% over the last 12 months. Our payout ratio as a percent of AFFO is currently over 30% and is expected to grow to over 40% within the next few years, due to anticipated growth in our taxable income and the reduction of our net operating losses.

We also seek to maintain a substantial base of liquidity, and pro forma for the Airtel Nigeria acquisition purchase price had nearly $2 billion in cash and borrowing capacity under our revolvers. From a capital markets perspective, our focus for the remainder of the year will be to opportunistically extend duration and ladder out our maturities, which today have an average remaining term of around 5.5 years with an average interest cost of about 3.5%. We took steps toward achieving this in the second quarter by refinancing securitized notes assumed through our acquisition of GTP in 2013 and by issuing senior notes to term out revolver borrowings.

Secured debt now composes around 20% of our total debt and we expect, in 2015, with net leverage in the mid-5 times range and anticipate reaching 5 times leverage or below by the end of 2016. Longer term, our target leverage rate continues to be between 3 and 5 times net debt-to-adjusted EBITDA. This

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solid financial platform will continue to give us the flexibility to invest in the most compelling global multi-tenant commercial real estate opportunities well into the future.

Turning to slide 13, and in summary, we started 2015 with a solid first half and believe we are well positioned to leverage our global asset base to drive strong growth throughout the rest of 2015. We are, again, raising our 2015 outlook for rental and management revenue, adjusted EBITDA, and AFFO, and similar to last year, expect core growth in all three metrics to be above our long-term targets, all over 20%.

By year end, we anticipate having nearly 100,000 sites worldwide, with a solid balance sheet, ample liquidity, and manageable leverage in the mid-5 times range. Trends across our global footprint, particularly in our international markets, continue to be favorable. Mobile voice and data usage is increasing rapidly, advanced handsets are becoming more affordable for more and more people, and carriers are monetizing incremental usage and generating solid returns. Our disciplined capital allocation process has positioned us to benefit from these trends on a global basis, and we expect to utilize our industry-leading portfolio and financial position to drive compelling returns for our stockholders for many years to come.

With that, I'll turn the call over to Jim for some closing remarks before we take some Q&A. Jim?

Jim Taiclet (Chairman, President & CEO):

Thanks, Tom, and good morning, everyone. As demonstrated by the second-quarter results and updated outlook, both our domestic and international segments continue to perform well. This performance is a result of the combination of accelerating data demand across our markets and the scale, diversification, and quality of our global tower and small cell distributed antenna system portfolios.

As Tom mentioned, we augmented our US operations significantly with the addition of the Verizon tower assets earlier this year. I participated in some of the initial site inspections myself and have been in close touch with our US team. And the team has the integration of the Verizon portfolio solidly on track and the new business pipeline on the towers is shaping up nicely. Consequently, our experience to date with the Verizon towers is confirming our valuation assumptions on the attractiveness of those sites' locations, pent-up demand for both co-location and amendment activity, and the quality of those assets. We expect that the addition of the Verizon portfolio will further strengthen our domestic growth [price] profile and operational performance for many years to come.

Consistent with my prepared remarks in past years' second-quarter calls, my focus this morning will be on our international segment, where we're seeing outperformance relative to our initial projections for the year. After a very brief recap of our international investment philosophy, I'll discuss the key current and future trends in our largest international markets and then review our extensive track record of generating outsized growth and return on investment internationally, while discussing our confidence in being able to replicate this performance on our newly acquired assets as well.

This has been a long journey. Over the last 15 years, we've carefully selected a series of markets, interconnected through a strong core of common multinational customers, solid underpinning of rule of law and property rights, and long-term wireless industry growth potential. For markets where 4G is being deployed, like the US and Germany, to markets where additional voice networks are still being built out, such as India, we're positioned to benefit from carrier investments in both the short and the long term.

In developing and emerging markets, this growth will be supported by several key factors. First, wireless carriers in these markets continue to generate healthy margins and return on investment, despite ARPUs, or average revenue per user per month, that appear to be low on the surface. For example, in India, where per SIM ARPU is around $3, average wireless carrier EBITDA margins are still over 30%. This is

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attributable to the typical customer behavior in that country, where individuals utilize multiple SIM cards to power their devices, often from different wireless carriers. Moreover, leading mobile operators in markets such as India also take full advantage of low-cost inputs, such as labor, and modest, if any, handset subsidies.

Similarly, in Brazil, where the ARPU is around $8, mobile operator EBITDA margins are also above 30%. This is especially notable given that, in the US, where ARPUs are in the $50 range, carrier EBITDA margins are similar to these much lower ARPU markets. As a result, we continue to believe that the mobile network operators across our served markets have the financial capacity to make meaningful investments in their network and resulting in incremental equipment on our towers and ongoing revenue growth opportunities for us.

Simultaneously, the middle class in these markets, along with its buying power, is growing substantially, while importantly, smartphone prices, as Tom said, are coming down. There are now a number of smartphones available internationally in the $100 range which have about 70% to 80% of the functionality of a device that would sell for $700 or $800 in the United States. With increasing incomes, more and more people are now able to afford one of these advanced devices, while also been able to pay more for data plans.

As historical analyses have shown, getting more advanced devices in the hands of consumers leads to more usage on wireless networks. In turn, as the carriers benefit from increasing ARPUs from those smartphone users, they're able to redeploy that cash into investments to further support network quality.

India is a prime example of a market where we believe there will be a very long runway of wireless network investment, accompanied by strong organic growth for our 14,000-site portfolio there. With smartphone penetration at just 10%, a population of over 1.2 billion people, and minimal access to wireline, cable fiber, or satellite-based alternatives, mobile is poised to be the primary method of communication and entertainment for the future. Today, 85% to 90% of Indian mobile-phone users are still on 2G and there remains a significant portion of the rural population with no access at all.

We're working with public and private sector partners in India to develop innovative concepts like the digital town square, with the tower as the centerpiece. The digital town square concept brings together electrical power, internet connectivity, site security, educational kiosks connected to the Internet, and mobile service via our customers to support the Indian government's digital India plan. We believe this can not only accelerate bringing mobile voice and Internet service to underserved rural populations, but it will also provide us at American Tower with some great opportunity for incremental tower-built investments, which have historically generated our highest return on invested capital.

Brazil is another market where we expect to generate very strong growth in both the short and long term. Clustered around key population centers like Sao Paulo and Rio de Janeiro are more than 16,000 Brazilian sites, providing our tenants with the real estate they need to respond to rapidly growing usage across their networks. With over 4,000 SIM cards per cell site, or about double that of the United States, Brazilian networks are extremely congested and increasing mobile data usage is compounding the issue.

As smartphone prices continue to drop, penetrations [climb] and, today, it stands over 35% as compared to under 10% of smartphone penetration just five years ago in Brazil. Furthermore, industry projections call for mobile data usage to grow approximately eightfold in Brazil over the next five years, prompting the leading mobile operators in that country to recommit significant network investment. These include the local Telefonica unit, Vivo, and Telecom Italian Mobile, or TIM, from whom we recently acquired about 4,200 sites in April.

The story is similar throughout the other markets within our international footprint. In Mexico, AT&T's

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recently announced $3-billion investment and America Movil's recently announced $6-billion investment should both be excellent opportunities for us, given our portfolio position there. In South Africa, Vodafone, Telecom, and Cell C are all actively rolling out and augmenting their 3G networks, as the population continues to increasingly consume mobile data in that country. And in markets like Nigeria and Ghana, both 2G and 3G rollouts are happening concurrently.

To be in a position to benefit from these type of trends, we have built a diversified international business with a long track record of generating compelling returns. It's important to hear numbers, some real facts, so let's run through some specific examples. I'll start in Brazil, where over the last three years, organic core revenue growth has averaged more than 12%, or 400 basis points or so higher than the US equivalent. Since our entry into the market in the year 2000, we have focused on building and acquiring high-quality towers in prime locations. This is evidenced by our ability to drive leasing activity.

On Brazilian sites that we've constructed or acquired between the year 2000 and 2005, for example, we have averaged nearly three tenants and a local currency NOI yield approaching 50%, or well over 30% on a dollar basis taking into account changes in foreign currency. For the 2005 to 2010 vintage in Brazil, we have nearly two tenants per tower and an average local currency NOI yield of almost 30% and a US dollar yield of more than 20%. So, as you can see, with the performance of our longest-tenured vintages, the more time that we independently own and operate a tower asset, the higher the tenancy and return profile of that asset tends to become.

This is repeatable in all the markets. In Mexico, our international market with the longest tenure, we have generated organic core growth rates averaging nearly 10% over the last three years. Going back to the 2000 to 2005 vintage in Mexico, for example, it generates NOI yields of more than 30% on both the local currency and the US dollar basis, with average tenancy of over two. For assets in Mexico added to the portfolio between 2005 and 2010, we're also generating approximately 30% NOI yields, with over two tenants per tower on average.

We now anticipate significant incremental new business in Mexico from AT&T , America Movil, and other mobile operators as a competitive environment in that market becomes increasingly dynamic and 4G is aggressively introduced. If it is estimated that for a robust near-nationwide 4G network to cover Mexico's population, at least twice as many cell sites than currently exist will be required there.

Turning to South Africa, where we started doing business only in 2011, organic core revenue growth rates for us there have averaged almost 15%, while our consolidated local currency NOI yields sit at nearly 26%, with a US dollar equivalent at about 19% there. Carriers have aggressively spent capital to improve and extend their networks and a significant portion of those investments has resulted in incremental equipment being placed on our South African real estate.

In India, we have experienced average organic core revenue growth of over 10% in the past year, including nearly 14% in the second quarter. On a three-year basis, the average has been around 9%. We've been able to generate solid returns on our assets in India since entering the market.

For the 2005 to 2010 vintage in India, for example, local currency NOI yields are about 12%, with a US dollar equivalent at more than 10% and average tenancy above two per tower. And for sites we've added since 2010, which have all been build-to-suits, the yields are actually even higher, at around 20% with an average tenancy of 1.7 or so. Currently in India, Idea, Vodafone, Bharti, and the other major carriers there are re-accelerating their spending after gaining increased clarity with respect to spectrum positions and the regulatory environment in that country.

Finally, in Nigeria, we're already seeing indications of very strong demand as we convert formerly captive, underutilized Airtel assets into the multi-tenant commercial real estate leasing model. With the largest

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population in Africa, very limited fixed-line infrastructure, a competitive wireless sector, and a massive need for better networks, we believe we can aggressively add tenants to our portfolio of approximately 4,700 sites there. Given our acquired return hurdles in Nigeria, even with one tenant, these assets have an NOI yield of over 8% and by adding just one more tenant, we believe we can grow those yields to 17% or more. This illustrates the huge potential we see in this market.

In closing, our focus has always been, and will continue to be, to leverage our international operations to extend and prolong our ability to drive compelling, consistent long-term stockholder returns. We have an extensive track record and a great team putting together great deployment of these assets and delivering really great, high organic growth rates and, consequently, higher NOI yields to our investors. Importantly, a significant portion of our current international portfolio is comprised of sites that we have added over just the last few years, which we expect will complement our high-performing US business with even greater growth rates for an extended period of time.

Tom and I will now be happy to take your questions. So, operator, can you open up the line, please?

QUESTIONS & ANSWERS

Operator:

(Operator Instructions)

Ric Prentiss, Raymond James.

Ric Prentiss (Analyst - Raymond James & Associates, Inc.):

Thanks. Good morning, guys.

Tom Bartlett (EVP & CFO):

Hi, Ric.

Ric Prentiss (Analyst - Raymond James & Associates, Inc.):

Two questions, if I could, first, I appreciate slide 11 in the deck. I think that was a very important slide for us to understand the AFFO increase in guidance. Just wanted to make sure I've got it clear, so $30 million from the external Airtel in Nigeria acquisition, but then $17 million from organic legacy assets, and then $15 million from net cash interest taxes. Can you give me a little color on that? I just to make sure I want understand it and then also about the cash interest.

Tom Bartlett (EVP & CFO):

Sure. You're thinking about it absolutely the right way. As I mentioned, on the EBITDA side with the adjusted outlook -- the updated outlook, there's $22 million of outperformance there, of which $17 million is cash and that comes from global. That comes from the international outperformance that we're seeing on the revenue side and some cost controls going on globally. So, reduced costs versus what we'd actually thought in the original outlook.

And then, on the net cash interest, the $15 million, my hat's off to Leah and the treasury group in terms of how they've managed the portfolio, refinanced an awful lot during the second quarter in terms of the -- also, the GTP, we got slightly better rates than we had thought that we were going to get and turned out some of the revolvers better than we had thought. So, net, that's actually generated some sizable interest savings, and cash taxes is up a little bit versus our prior outlook, to net to the $15 million.

Ric Prentiss (Analyst - Raymond James & Associates, Inc.):

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Okay. Great. And then, Jim, for you, I appreciate a lot of good color there on the facts about the international business. When we think about the international business, clearly one of the key topics on everybody's mind right now is the Brazil economy. How do you feel about the push of wireless being able to push against the local environment?

Jim Taiclet (Chairman, President & CEO):

Ric, I've had some opportunities to interact at very high levels with the Brazilian government and try to understand the President and Finance Minister's plans. We think that those plans are going to fully support the mobile operators, the continued deployment of 3G and 4G in the country. One aspect of this is that this emergent middle class that has developed in Brazil over, say, the last five years or so, 5- to 10-year time period, it's stabilizing. One of the government's major goals, as was portrayed to us, was that they didn't want backsliding from people who had made it in the middle class to backslide into a lower socioeconomic situation.

They feel that they've been fairly successful in that. So that middle class is really the core customer for the 3G and 4G handset as it gets down to that $100 mark and the ARPUs go from, call it, $8 to $10 or $12. These people can afford that, which is really important. However, the government also recognizes that it's time to get back to business, if you will, and the global economic situation is stable enough for them to do that.

And I think, with the new Finance Minister in place and government policies that he and President Rousseff are implementing, you're going to see a comeback by Brazil over the next few years on a larger scale. We think it's very supportive. And, the last point I'll make about Brazil is, who are these mobile operators? They are global, multi-national, very well-capitalized companies with long-term views of their business. And they're stepping up their investment in this market, even while it may be sort of a down-tick year on some of the in-country metrics.

Ric Prentiss (Analyst - Raymond James & Associates, Inc.):

Great. Then, in Mexico, you mentioned, I think, 2015 guidance includes just a minimal amount from AT&T in Mexico. Can you talk about what you think -- how that transpires, and now that you also have America Movil's tele-sites coming into the business of towers?

Jim Taiclet (Chairman, President & CEO):

Ric, there's a couple aspects to that. One is, we don't put anything in the guidance until we see applications in the office in Mexico City or in Woburn, Mass, or wherever the operations team is accepting those around the world. So you're absolutely right that we don't have anything significant in the guidance that Tom just laid out. And probably won't see the significant impacts until 2016 because the [outpaces] have to come in. We've got to process them, price them, negotiate with the client, et cetera. That's a few months' process before the notice to proceed with equipment installation comes through and we start billing. So, 2016 is the prime time to see the full benefits of the increasing competitive nature in the Mexican mobile market.

But, what's already clear is the value that AT&T and America Movil have publicly stated they're putting on, ramping up their networks, and I mentioned earlier, their public statements are $3 billion and $6 billion, respectively, in investments over the next few years. That's going to be a sizable increase in the CapEx devoted to Mexican mobile networks, and all of our aggression analyses in the US and elsewhere say when that happens, we should have positive revenue upside. But until we see those actual plans and have the MLA firmly in place and can model that based on the deployment plan we get from our customer, we won't be able to quantify it quite yet.

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Ric Prentiss (Analyst - Raymond James & Associates, Inc.):

Makes sense. Hopefully, AT&T gives us more clarity on their August 12 Analyst Day on Mexico, as well. Thanks. Good luck, guys.

Jim Taiclet (Chairman, President & CEO):

Thanks, Ric.

Operator:

Amir Rozwadowski, Barclays.

Amir Rozwadowski (Analyst - Barclays Capital):

Thank you very much. Good morning, folks. With regards to the domestic market, obviously, there's been a lot of chatter about various spending initiatives, various technology deployments taking place to help augment and enhance capacity from the various carriers. I was wondering if you could give us a little bit more color in terms of the demand trends that you're seeing in the near term when it comes to upgrade opportunities and you continue to see fairly healthy growth when it comes to domestic site rental, but how we should think about those trends playing out over the next 12 months when you start to look at the different carrier initiative. Any color you can provide there would be very helpful.

Jim Taiclet (Chairman, President & CEO):

It's Jim. Again, I can sort of encapsulate the core elements of public statements our customers have made for you as they apply to our business. Indulge me while I just run down the four major carriers quickly and you can let me know if there's a follow-up you'd like. I'll just start with Verizon . What they're in the midst of doing right now is enhancing their network and the [burgeoning] data load that it's carrying based on their 4G service products by deploying AWS spectrum throughout the country and on many, if not most, and maybe someday, almost all their sites.

AWS spectrum is a much higher frequency, of course, than the 700-megahertz spectrum that's the foundation of the Verizon 4G network. And so we're seeing, as a consequence of that, additional trend by Verizon towards co-locating on brand new towers that they hadn't had equipment on in the past with us. That means there's cell splitting going on, partly because of, I would imagine, capacity requirements, but also driven, in large part, by the fact that these sites just need to be closer together because the spectrum's higher and it doesn't travel as far. So I think that's one of the keys there.

The next phase for Verizon will be to refarm their 1900 PCS spectrum from 3G to 4G. I think that'll continue the phenomenon there. Their CapEx spending has been really stable. I do believe Verizon's network planning and operations team, which is excellent and we know well, has the confidence of the Corporation to continue to spend at the levels they're spending and reinvest in that network, which is pretty high performing right now.

Turning to T-Mobile, they're going the opposite direction and aggressively deploying A Block spectrum of the 700 megahertz band, which means additional equipment on a lot of sites they already are transmitting from, so we see relatively more amendments from them, as an example, because they're going from a network that was designed around higher-frequency spectrum and augmenting that with the 700, and then they'll fill in, I think, in Phases II and III beyond that over the next few years, but that's much of what they're doing now.

The other interesting thing in our space for T-Mobile is their success in gaining customers on their marketing side. They're adding subscribers. Some of those subscribers are then bringing up the usage in

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places where T-Mobile used to roam on other carriers' networks. And, as a result of that, increasing revenue opportunity by being successful in the subscriber marketplace. The business case for T-Mobile is to now start building out their own network assets in places where they used to pay their competitors to carry their traffic. The jargon in our industry for that is a roaming overbuild and we're seeing that in some areas of the country from T-Mobile, which helps also drive new business with us. Those, of course, tend to be new leases in those cases.

Turning to AT&T , we have a holistic agreement with AT&T that's run a few years now and designed to give them a steady opportunity to continue to deploy equipment on our sites under that agreement and they are. The other benefit of that agreement for us is when they're in a grooming period, as they are now; you'll recall that, 18 to 12 months ago, AT&T was doing really outsized investment in their network. When you have an outsized investment, you tend to have a -- logically, a little bit longer grooming period to get that investment in the network tuned perfectly, see how it performs, and then you go into another reinvestment cycle. We're in the trough of that now, but our holistic agreement keeps their revenues with us pretty steady.

One of the interesting facts that AT&T's disclosed that their smartphone ARPU is double that of non-smartphone ARPU, and now they're to a point where they're really aggressively transitioning, as Verizon is, almost all of their investor base to smartphones and then upgrading those smartphones as well. This rolling, sort of compounding network demand is going to continue. But that's just an interesting data point for us that they've talked about as a mobile operator, which is when somebody does that conversion, their ARPU doubles and the usage goes up, too, but their ARPU doubles and that allows them to reinvest to support that customer.

And Sprint is still in the, we expect, final planning stages of how they're going to go to their next network reinvestment cycle and we'll be closely working with them on that. But at the moment, again, with a holistic agreement in place, we have a steady and stable revenue trajectory from Sprint over the last few years; that continues, and we're looking forward to see if there's upside to that when the new rollout plan comes out. Amir, does that cover your question?

Amir Rozwadowski (Analyst - Barclays Capital):

Jim, that's very helpful. If I could just add one more follow-up question, you had mentioned that AT&T is sort of in this grooming period and that Sprint is at the final throes of its next-generation network plan build. As you see your opportunity set with both of those carriers, any signs in terms of when either carrier or both carriers could sort of transition more from this current stage that they're in right now to a more accelerated investment cycle? Thanks a lot.

Jim Taiclet (Chairman, President & CEO):

Amir, that's really a question for those companies. We have really solid contractual arrangements in place right now. So, while our trajectory with both customers ought to be fairly stable over the next couple years, we're looking forward to that day. But, again, as I said, until we get applications in Woburn at our lease-processing center, we're not going to try to make estimates as to when and the magnitude, but we will soon as we can, when we have the data.

Amir Rozwadowski (Analyst - Barclays Capital):

Thank you very much for thinking about the color.

Operator:

Batya Levi, UBS.

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Batya Levi (Analyst - UBS):

Thank you. Just a follow-up on the prior question, with all the color you gave on the carrier activity, where do you think you will exit the year in terms of organic growth in the US? How does that bode for just the outlook for next year? Just some color around that. The second point, I just noticed that the discretionary CapEx was lowered for the year. Is there a project that you thought you would spend and no longer think it's visible, or if you could provide some color there? Thanks.

Tom Bartlett (EVP & CFO):

Sure. Hello, Batya, it's Tom. What we've said is what we said last quarter is that, in the US, we would expect our core organic growth in 2015 to be at the 7%. We were there in the first quarter. We were really there in the second quarter when you back out the decommissioning revenues in terms of what the trends are. And so we would expect that to be for the balance of the year. On the discretionary, we see a bit of a mixed trend difference in terms of our build-to-suits.

So the biggest piece of the declining CapEx is in our development part of the budget. While we're still going to be building, we expect, in the 3,000 range, we expect more of those sites to be built outside of the United States than inside of the United States. As a result, given the cost to build is lower outside of the United States, we are taking down our overall discretionary build.

Batya Levi (Analyst - UBS):

Okay. Thank you.

Operator:

David Barden, Bank of America .

David Barden (Analyst - BofA Merrill Lynch):

Hello, guys. Thanks for taking my questions. If I could just ask a few. First, thank you for the disclosure on the Verizon asset take rate. I think, if I'm not mischaracterizing it, when the deal was concluded, the expectation that you guys laid out was that, that portfolio could grow at or in excess of the core portfolio in the US market. Could you elaborate a little bit on whether this 900-site application that you've gleaned to this point in time is putting you on that trajectory? And if you have any greater color on when you might be able to get to some run rate growth on that Verizon portfolio would be helpful.

Second, it looks like, this quarter, you took up the core organic international growth rate a little bit, half a percentage point. It sounds like that's not coming from Mexico. If you could elaborate on which international markets are driving that. And then, the last one, if I could, is just could you share any insights that you may have gleaned into the small cell site business and the multiples that you have to pay for it from the recent ExteNet recap announcement? Thanks a lot.

Jim Taiclet (Chairman, President & CEO):

Okay, David. It's Jim. I'll try to get as much of that done in the time that we have left as possible and still give time for someone else to pop in.

David Barden (Analyst - BofA Merrill Lynch):

Sorry.

Jim Taiclet (Chairman, President & CEO):

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Let me speak quickly about Verizon , as any other large asset acquisition in our space by any of the peer group, there's an integration period that needs to happen. We get the sites and the sites' information and data on day one of the closing. And we get the right to market those sites to others who may or may not have felt they've had access to them in the past.

And so, there's a ramp-up period to get to, if you will, full leasing speed. It's like accelerating a car from 0 to 60. What we are seeing is the first six months, or three to six months, of what we expected to happen during that initial launch and acceleration period is indeed happening. There's a lot of pent-up demand, both literally applications that were around Verizon's regions that were in drawers and files to be processed. We've gotten all of those and, we hope, more speedily implementing those applications than otherwise had been.

And then, we've already got about another 400 or 500 that have come in over through our sales force since we've gotten the sites. So, for this stage of the 0 to 60 acceleration, we feel we're at or ahead of where we need to be. In addition to that, our initial SG&A review is showing that we'll probably come in under the SG&A we thought we needed to add American Tower to manage these sites. Again, by the end of the first full year of owning and operating the Verizon sites, we see ourselves bringing in the new business and revenue that we thought, at least that much, and we also see us underspending on the cost side, as well.

We'll finish this integration process and be up to the 60 miles an hour speed in the first half of 2016 some time. We've got 12,000 sites to do. I've been out to some of the site visits. These are extensive and thorough, as they should be. And when we get that site visit done and get all of the information and drawings into our system as I've seen done, we're ready to go and lease that site quickly, and that's our goal. So, that's we are in Verizon and I would say at or on the trajectory or the speed that we had hoped for at this point.

Core organic growth in the international markets, India and Brazil, are outperforming, as are some others, but those are the two biggest ones with the most impact. And, as far as small cells, I'm going to give you the short answer. I have a very extensive one someday for you when we're together, David, based on our entire strategy of the three strategic pillars that we put in place when I got here in 2001.

Those are to reach sufficient asset scale to drive performance in whatever asset class we participate in, to then drive superior operational execution to expand margins with those assets and, at the same time, maintain a strong financial position. So, those are still our goals. We are an investor in small cells, by the way. We're the largest player, both in the US and outside, to my knowledge, in the independent third-party provisioning indoor distributed antenna systems, which we think are the best-performing, fast growth, most co-locatable, and highest margin types of small cells that we're aware of so far, and we're evaluating everything else.

As to individual transactions, we don't have visibility to the details behind those and really can't speak to them. But we're an active player in this, we're looking at every asset class. We are going to rate those asset classes in those three categories and on our expected ability to drive growth and returns. We're looking all those asset classes and, at the moment, we're very focused on US macro towers, international macro towers, indoor DAS systems, and there may be more to come based on our ongoing assessment.

David Barden (Analyst - BofA Merrill Lynch):

Okay. Thanks, guys.

Operator:

Colby Synesael, Cowen and Co.

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Colby Synesael (Analyst - Cowen and Company):

Great, thanks for fitting me in. I just wanted to go back to David's question as it relates to the international. I'm not sure if you answered that, but just want to get a sense of where the slight uptick in organic growth is coming from? And then, just a housekeeping question, you mentioned $15 million in US non-cash straight-line impact, the change there in the guidance. What exactly drove that? I guess I'll just stop there.

Jim Taiclet (Chairman, President & CEO):

Colby, to be honest, my mentioning Brazil and India as being the outsized drivers of the increase in international guidance, is this more color you're asking for, here?

Colby Synesael (Analyst - Cowen and Company):

No, I guess I might have just missed that. Maybe if I could just pivot on my question, then. Also, the strong margins, both in the US and international, we saw, is there anything that was notable that maybe was one-time in nature that we should be taking into consideration while we're modeling out as we go into the third quarter?

Tom Bartlett (EVP & CFO):

No, no there isn't Colby. I think what we've been able to demonstrate is demonstrating the beauty of the scale that we've been able to create in the market. Excluding the past that we went from 70% up to 75% margins and, again, it just is a function of increased tenancy, which as Jim said, is just an increase of what we're seeing organically going on in those markets. I mean India grew at 14%. You've got a May overall grow 14%.

In Mexico, while AT&T hasn't started its program, we saw a pickup in Mexico which, as I've said before, has been a little bit sleepy over the past couple of years and even the first quarter, it was about 5% and went up to about 7%. So, we saw an uptick in that market as well. So, we're seeing it globally.

And, with regards to your second question on driving the straight line, we reviewed contracts associated with some recent contract extensions that we'd done at the end of last year and determined that there were certain leases that were not straight line-able and made the adjustment to our expectations for non-cash straight-line revenues. And we do that regularly and review the methodology and discovered that we just needed to make the adjustments for the year.

Colby Synesael (Analyst - Cowen and Company):

Thank you.

Operator:

Kevin Smithen, Macquarie Research.

Kevin Smithen (Analyst - Macquarie Research):

Thanks. Given there's been a couple of recent IPOs in Europe, I wanted to get your thoughts on strategically, will you have enough scale in that market to be competitive long term and do you want to be the leader in that market? And, if the price was right, would you consider ever selling your asset? And then, a follow-up to that, with Deutsche Tel buying towers from Telefonica, does that impact your lease-up assumptions for the German side?

Jim Taiclet (Chairman, President & CEO):

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Hi, Kevin. It's Jim. We've had a team evaluating EMEA, and specifically western Europe, since 2007. And some of our conclusions so far make the investments there for us a little more challenging, let's say. Some of those are structural issues. Without going into all of the technical details, the towers themselves in most of the markets, and the German sites that we have bought from E-Plus 1.5 to 2 years ago, or don't fit in this category, tend to be vary short, structurally really only designed for the individual one carrier that put it up.

The other issue sometimes in some of these countries, the governments have mandated network swapping or noncommercial sharing, which then takes away some of the upside. So we had to put these kinds of structural and regulatory elements into our assessment. Therefore, again, it's a tougher investment case for us in many of the countries with a lot of the assets. The other side of the coin is that because these are short, small, single-use towers, when there is industry consolidation in terms of carriers going from, say, five to four or four to three in a country in Europe, they're going to want to try to rationalize some of those towers, which makes the hurdle for investment in the towers potentially even higher.

So, the structural and regulatory issues raise the bar for us, so to speak, in many investment scenarios in western Europe. However, the one exception we did find so far was the E-Plus sites in Germany. We anticipated the merger of Deutsche Telekom and E-Plus -- I'm sorry the merger of Telefonica's assets there and E-Plus, based under the business model, we knew it was coming. So, it doesn't really affect the business case.

In that situation, we're all going to meet our growth and return on investment combination that we seek, a little less growth and a little more return on investment up front, and all the math worked for us. So we're going to keep looking for those, but I'm not sure we're going to be the market leader under current conditions in western Europe, although we're going to keep at it.

Kevin Smithen (Analyst - Macquarie Research):

Would you exit that market if you got a good offer for the asset?

Jim Taiclet (Chairman, President & CEO):

We would -- the right investor -- the right shareholder question is we would exit the market if we got an offer that was greater than the intrinsic value we put on that market, in combination with -- if there is a combination -- of strategic integration with any other market. But in this particular case, there isn't one. So, yes.

Kevin Smithen (Analyst - Macquarie Research):

All right, that's helpful. Thank you.

Operator:

Michael Bowen, Pacific Crest.

Michael Bowen (Analyst - Pacific Crest Securities):

Good morning. Thank you very much for taking the questions. I just wanted to ask you a question about DAS. I think you mentioned there were, on average, 2.2 tenancies per site at this point. What, ultimately, do you think might be the right figure for that, long term? And then, can you talk a little bit about what we have been saying will be most likely tailwinds from AWS-3, and then the 600-megahertz option, FirstNet, potential with Dish and T-Mobile, can you talk about any of your expectations with regard to the benefits from each one of those four items? Thank you.

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Jim Taiclet (Chairman, President & CEO):

We're really short on time, so I'm going to summarize both those topics for you, Michael. It's Jim. There's a differentiation between indoor DAS performance that we've seen and outdoor DAS performance. Our tenancies on the indoor DAS systems, which we view as much more co-locatable for a host of technical reasons, which again, we don't have time to get into right now, and that's been borne out in the actual feedback on the sites and systems we have up and running. So, our tenancy on IDAS is over two.

Just like towers, you'd expect them, if you've been running them for five or more years, to have over two customers per tower, say, in the US. And that's our experience with indoor DAS. Outdoor DAS is younger, it isn't there yet, but we're finding the lease-up rate, frankly, to be slower. There's not 100% overlap between all the carriers on an initial design, so you don't have 100% of the lease-up opportunity. And, the ODAS systems tend to be much more expensive to put in and they're, therefore, more expensive to the carrier from a rental perspective and it's a harder decision for them.

Our gross margins with indoor DAS systems, again, right up there with tower, 75% in the US, and return on invested capital in the same ballpark as towers, 16%. So, mid- to high-double-digit returns. Indoor DAS, for us, is meeting our investment criteria. The same sort of investment criteria we have on the US macro towers and the international macro towers, and that's where we focus. We are seeking to find other types of small cell assets in the asset class that we can have confidence can reach these kinds of metrics, and we're going to continue to search for those.

As far as the ultimate opportunity in indoor DAS, it's probably some of the ultimate opportunity with towers. Can you get to three tenants over a period of time? It's a logical thing that you can. So that would be what we would see. Secondly, you asked about a number of additional opportunities to drive leasing. Those are all there. We don't put them, again, into our guidance until they're actually in place, applications based on those are coming in. It's hard to speculate on them individually, but they're all constructive for the long-term trajectory of US tower demand, frankly. Tom, did you want to add anything?

Tom Bartlett (EVP & CFO):

No, I think that's exactly right. We haven't baked them into the guidance and we wouldn't expect them to be hitting in 2015. Generally, they're very constructive positive for us going into 2016 through 2018.

Michael Bowen (Analyst - Pacific Crest Securities):

Okay. Thank you for taking the questions.

Jim Taiclet (Chairman, President & CEO):

You bet.

Operator:

Jonathan Atkin, RBC Capital Markets.

Jonathan Atkin (Analyst - RBC Capital Markets):

Thanks. I was wondering if you're seeing -- apart from Nigeria and Mexico, are you seeing any contributors so far in second-half leasing that weren't present in the first half? That's kind of a global question, so it includes the US. And then, I was interested, specifically in Nigeria and India, what kind of opportunities you see to supplement, in the case of Nigeria, the recent acquisition, and then in the case of India, the build plan that you been on in terms of increasing your assets in both markets?

Jim Taiclet (Chairman, President & CEO):

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Jonathan, the first part of your question broke up a little bit, which means we need some more network investment in the US apparently. Could you just repeat the first part of the question?

Jonathan Atkin (Analyst - RBC Capital Markets):

(Laughter) I was wondering if you're seeing any contributors to second-half leasing that weren't present in the first half, excluding, obviously, Nigeria and Mexico?

Jim Taiclet (Chairman, President & CEO):

I'd say the trends are well established and in place. It's the four carriers I talked about in the US. Verizon , very stable, long-term network plans, steady investment. They have spectrum that they're deploying in a deliberate fashion over a long period of time in a couple different bands. Again, T-Mobile, very successful on the net add side, therefore justifying roaming, over builds, et cetera. All of those things are not quarter to quarter for any of these customers, frankly. They're very long term.

If you want to take a snapshot of Brazil, the four carriers are trying to, on one hand, manage all the mobile data demand that's coming down the road with cheaper smartphones and more penetration, and getting ready for the Olympics, which is in 2016. So, all of the drivers in our business tend to not be for one half or one quarter to come and go, but they tend to be over many years.

And that's why, when you get some real clarity around the Dish spectrum, we don't know when that's going to be, we don't know what that's going be. But when there is, on that deployment, it'll be a long-term benefit in some form for the domestic tower industry. So, nothing really specific that's popped out in recent weeks and months to say the second half is going to be affected by those in a material way.

Tom Bartlett (EVP & CFO):

I would just add, Jonathan, on the second part of the question, Nigeria, we just closed. We're very focused on getting that asset integrated and getting it going forward. We're, as Jim said, excited about the growth that we see there. There are other assets there, but I think our first priority is clearly just integrating that business into our portfolio. And, as you well know, we have business development teams around the world. We continue to look at asset classes in every market that we're in.

India is a significant opportunity. We have significant builds going on in the marketplace. There are a lot of other assets in the market itself and we have a very disciplined process that we'll put each one of those assets through to see whether it meets our criteria and whether we're able to close on it. But, it's clearly our strategy to get deeper and deeper into each and every market that we're in to be the number one or two player in every market that we're at.

And, as we saw, even in the second quarter, as a result of the scale that we've been able to have in our international market, we've really been able to increase significantly the operating margins and the leverage in the market. So, the model works. We just need to continue to put these different opportunities through the process that we have and, to the extent that it meets our criteria, we'll hopefully be able to move on it. And we have the balance sheet to be able to do it.

Jonathan Atkin (Analyst - RBC Capital Markets):

Thank you.

Operator:

That concludes today's question-and-answer session. Leah, I turn the call back to you.

Leah Stearns (SVP, Treasurer & IR):

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Great, thank you.

Jim Taiclet (Chairman, President & CEO):

Thanks, everybody. Any questions, please give us a call. Thank you.

Operator:

This concludes today's conference call. You may now disconnect.

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