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Elliott's Perspectives on Crown Castle

July 6, 2020

ReclaimingTheCrown.com

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Executive Summary

About Elliott Management

- Founded in 1977 and is one of the oldest investment firms of its kind under continuous management
- More than \$40 billion of assets under management
- Offices in New York, London, Hong Kong, Tokyo and Menlo Park
- Extensive experience in the Technology, Media and Telecommunications (TMT) industry

About Our Investment in Crown Castle

- Conducted detailed due diligence on Crown Castle's tower and fiber businesses, including enlisting former executives, industry experts, lawyers, accountants, consultants and investment bankers
- Evaluated nearly all areas of telecom infrastructure, including wireless towers, fiber, cable MSOs, data centers, incumbent telecom networks, wireless carriers and satellite TV providers
- Initially approached Crown Castle privately in May 2020 about our comprehensive plan to remedy Crown Castle's chronic underperformance
- Today present our "Reclaiming The Crown" plan directly to current and prospective shareholders

Representative TMT Investments

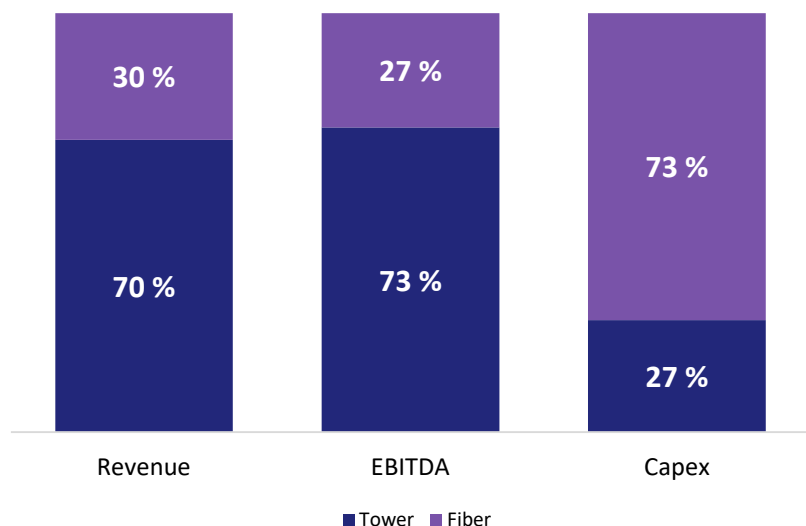


Crown Castle Business Overview

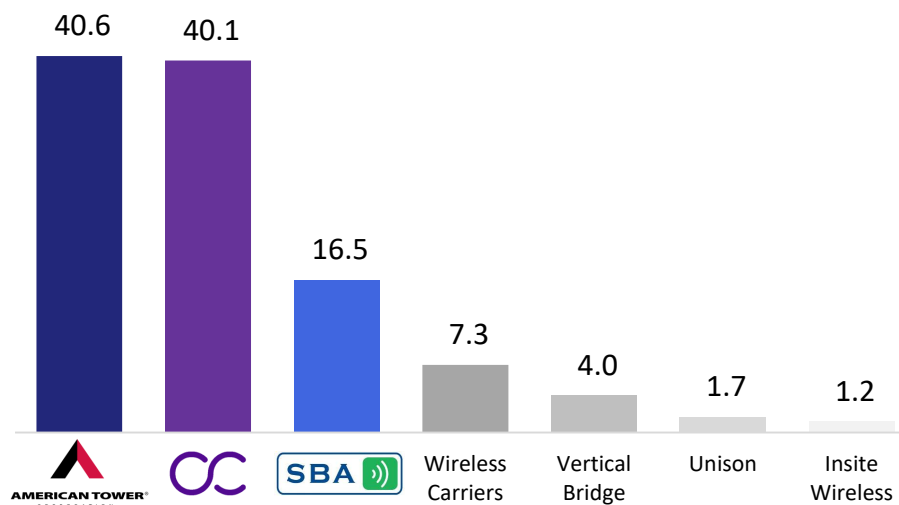
Crown Castle is one of the largest owners of wireless towers in the United States and has assembled a leading network of metro fiber assets

- \$70B market cap¹ and \$91B enterprise value¹; valued at 26x NTM adjusted funds from operations (AFFO)
- Second-largest global REIT; trades with a 3% dividend yield
- Operates two businesses: Towers and Fiber
 - **Towers:** Owns ~40,000 wireless towers in the United States and provides critical shared infrastructure for wireless carriers; frequently considered the “best business ever” given the quality of revenue
 - **Fiber:** Provides fiber infrastructure to enterprise and carrier customers on ~80,000 route miles of fiber; revenue is split 70% enterprise fiber and 30% small cells

Financial Summary by Segment²



U.S. Towers Owned (000s)



Why Are We Here?

We believe Crown Castle's premier U.S. wireless infrastructure is highly valuable and has significant opportunity for improved performance

CURRENT ISSUES

RETURNS BELOW CLOSEST PEERS	Crown Castle has underperformed its close peers American Tower and SBA Communications on a persistent basis for more than a decade
DILUTIVE FIBER STRATEGY	Crown Castle has invested \$16 billion in a fiber strategy that has detracted from shareholder returns and will continue to do so unless changes are made
MISALIGNED INCENTIVES	Despite the capital intensity of its fiber strategy, Crown Castle's current incentive program does not incorporate returns on invested capital (ROIC). Furthermore, TSR goals do not include its close peers
INSUFFICIENT OVERSIGHT	Crown Castle has a long-tenured Board lacking in diversity; eight of the 11 non-executive directors have at least 13 years of tenure, and the Chairman of the Board has ~25 years of tenure

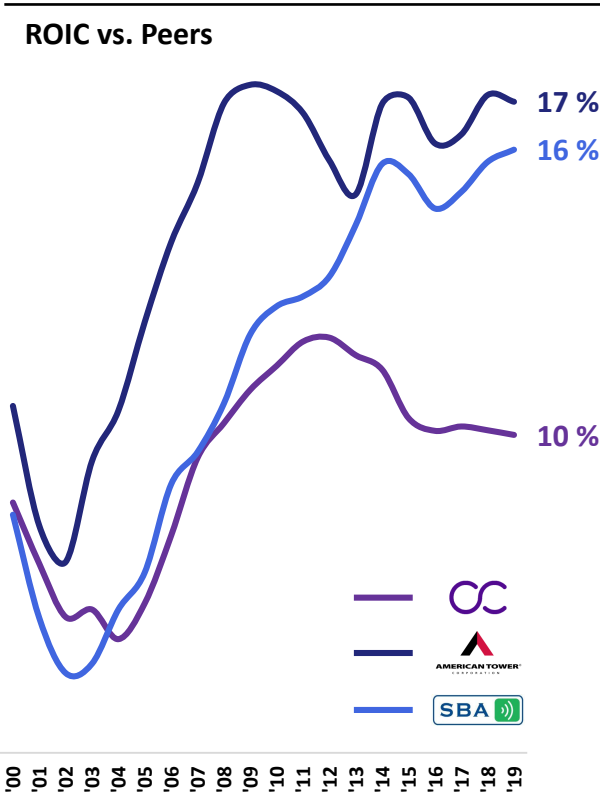
RECLAIMING THE CROWN PLAN

The RTC Plan will target fiber capex return on investment (ROI) of 40%, in-line with results achieved by other best-in-class fiber businesses, ensuring superior return on fiber investments and avoiding low-ROI dilution	ROI-FOCUSED FIBER CAPEX
The RTC Plan features a new incentive program that incorporates ROIC, appropriately aligning capital allocation decisions with compensation and TSR goals relative to close peers	OPTIMIZED INCENTIVE PLAN
The RTC Plan will increase free cash flow ¹ by 35% ² while still allowing for \$600M of annual fiber discretionary capex, providing capacity to increase the dividend from \$4.80 to \$7.00 in 2021 and to grow it by 7-8% per year thereafter	ENHANCED RETURNS
The RTC Plan would bring new Board members with fresh perspectives and greater diversity and would ensure the management team has the necessary fiber expertise	IMPROVED OVERSIGHT

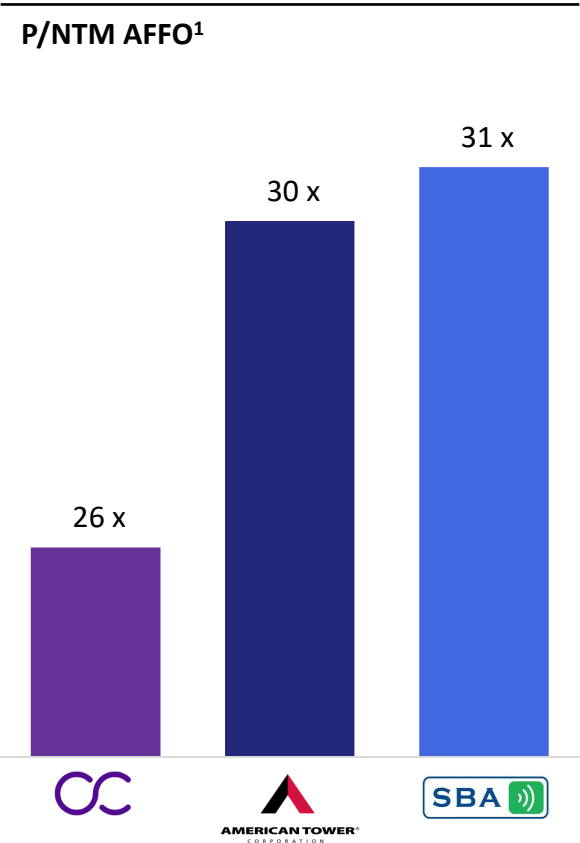
Crown Castle Has Deeply Underperformed

Crown Castle’s underperformance has been persistent for more than a decade, driven by a depressed ROIC and the market’s skepticism toward its fiber and small cell strategy

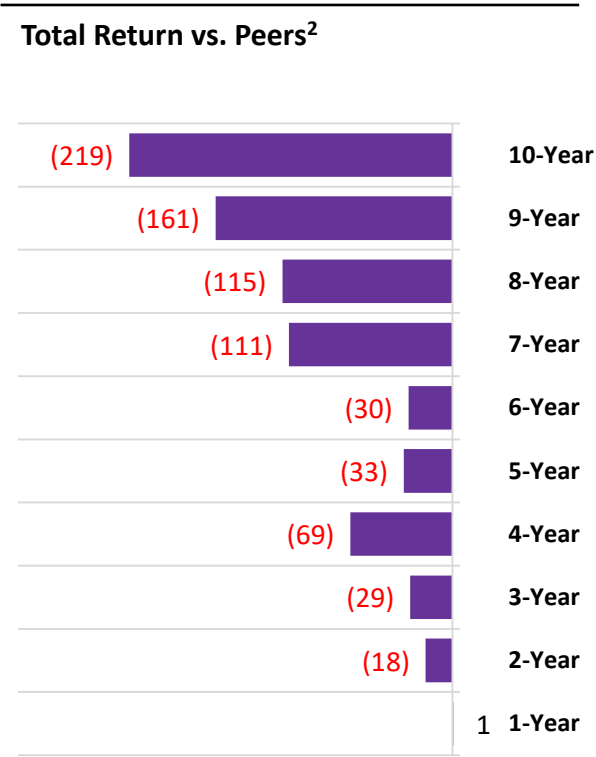
Crown Castle’s **ROIC underperforms peers**, and the divergence is expanding



Crown Castle trades at a discount to peers, and the **discount is widening**



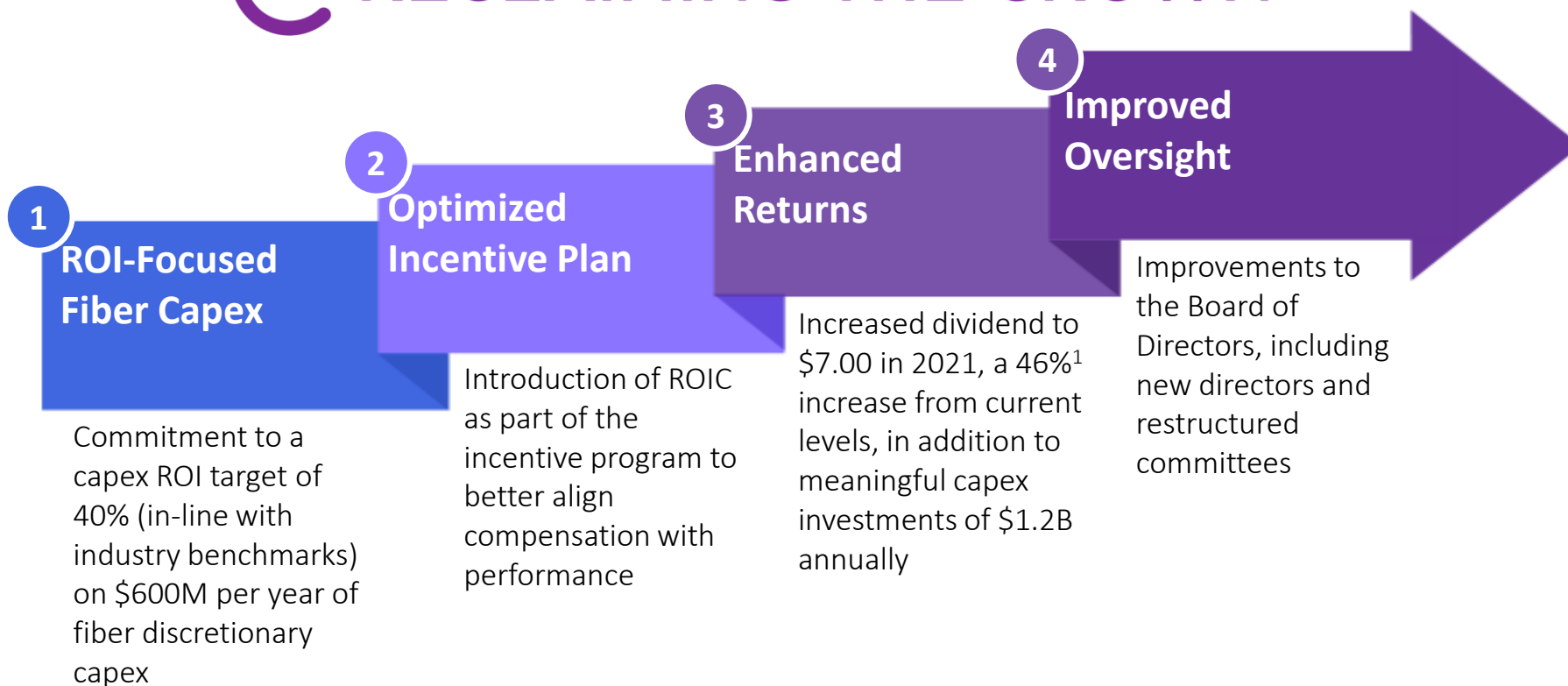
Crown Castle **has underperformed nearly all time periods** for 10+ years



Reclaiming The Crown Plan

Crown Castle's underperformance can be remedied and requires improved performance in its fiber business. With readily achievable fiber targets and enhanced oversight, Crown Castle can deliver compelling returns to shareholders

RECLAIMING THE CROWN

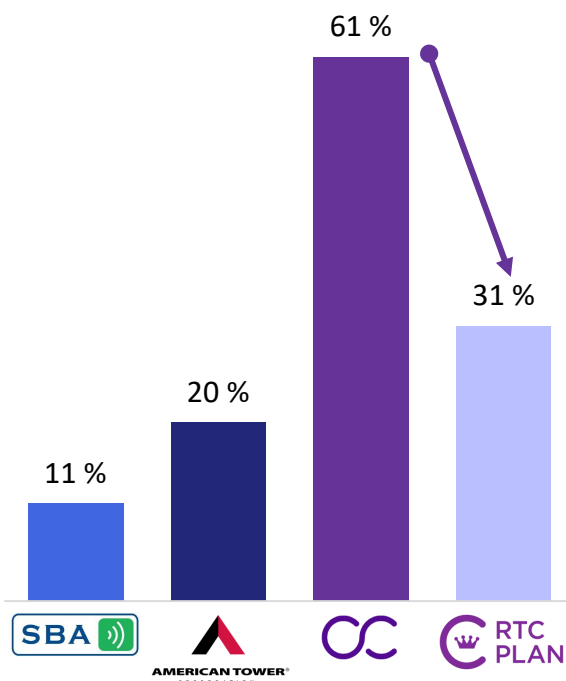


What an Improved Crown Castle Looks Like

The RTC Plan calls for a balanced approach to capital allocation that maintains robust growth investment above peer levels and accelerates the dividend to \$8.00+ per share in 2023

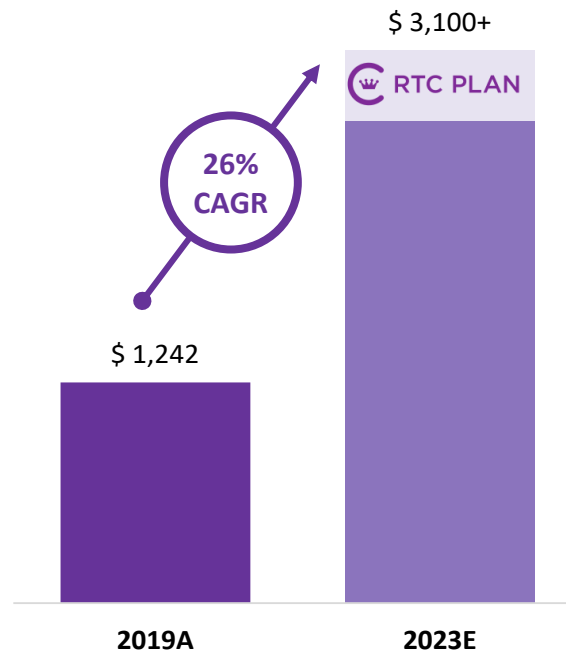
RTC Plan targets capex % of EBITDA of 31%, resulting in **organic investment well above American Tower and SBA**

Capex % of EBITDA¹



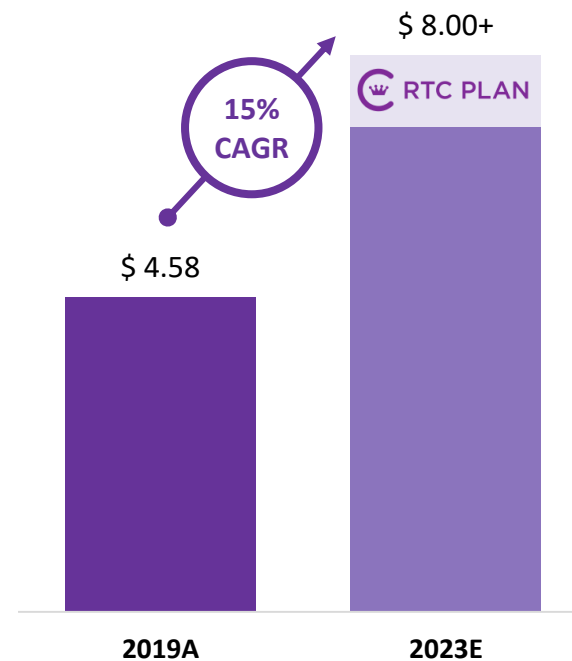
Enhanced FCF provides **greater capacity for superior capital allocation**, including M&A and capital return

Crown Castle EBITDA-Capex (\$M)



RTC Plan **accelerates dividends per share** and provides REIT investors with stable, growing dividends

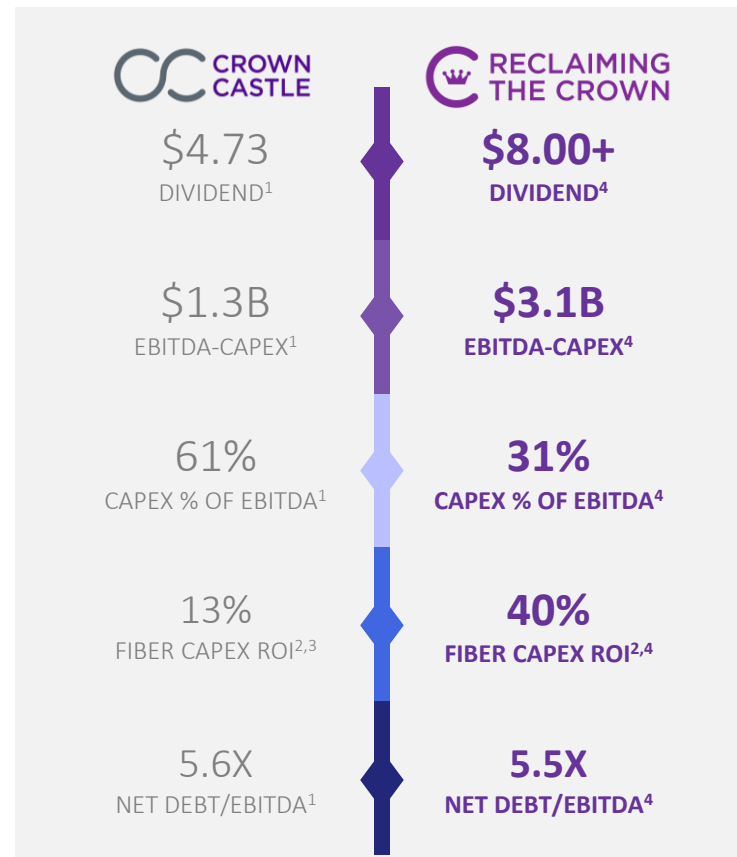
Crown Castle Dividends per Share



Improved Crown Castle Offers Compelling Value Proposition

We are enthusiastic about our investment in Crown Castle and see a readily achievable path for the Company to greatly enhance long-term value

Sound Capital Allocation	New discipline in allocating capital to projects that generate returns well in excess of its cost of capital
Thriving Fiber Business	Prudent investment in its fiber business combined with sound capital allocation turns fiber cash-flow-positive
More Flexibility	Improved capital allocation discipline and reversal of losses in fiber business generates more cash flow for M&A, growth investments and capital return
Sustainable Governance	Refreshed Board with greater diversity improves Crown Castle's ability to remain steadfast in its new capital allocation discipline
Ability to Reclaim the Crown	Virtuous cycle of improvement drives greater appreciation for Crown Castle's assets and positions the Company to become a best-in-class performer



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A Tale of Two Businesses

Towers and Fiber

Tower Industry Overview: The “BBE”

The “Big Three” U.S. public tower companies dominate the domestic tower market. The **U.S. tower business is highly attractive**, highlighted by long-lived physical structures, low churn, built-in price escalators and 95% incremental margins

The “Big Three” U.S. Players^{1,2}

American Tower
(NYSE: AMT)



- Market Cap: \$113B
- EV: \$139B
- P/NTM AFFO: 30x

Crown Castle
(NYSE: CCI)



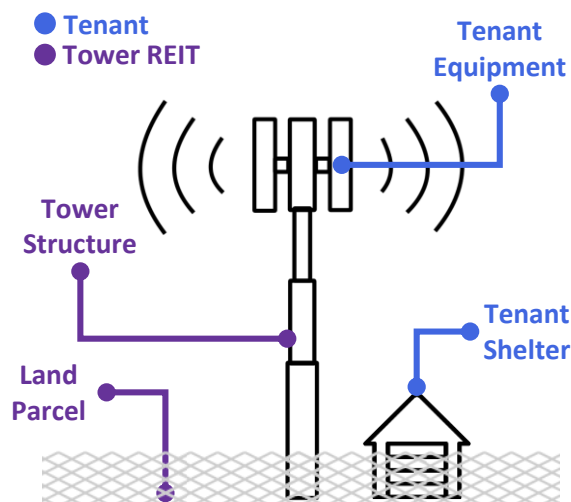
- Market Cap: \$70B
- EV: \$91B
- P/NTM AFFO: 26x

SBA Communications
(NasdaqGS: SBAC)



- Market Cap: \$32B
- EV: \$43B
- P/NTM AFFO: 31x

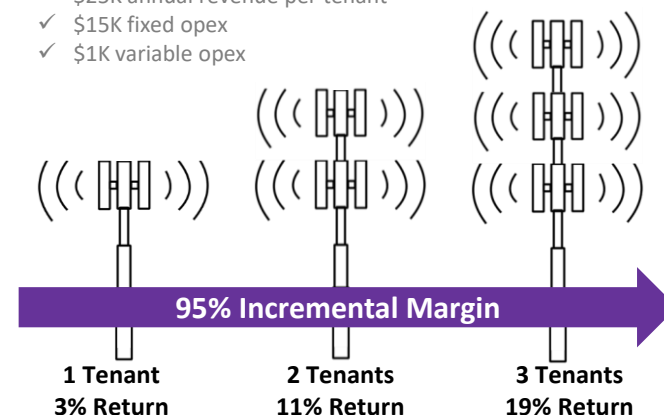
Ownership Structure of Cell Tower



Tower Economics

Assumptions

- ✓ \$300K Investment
- ✓ \$25K annual revenue per tenant
- ✓ \$15K fixed opex
- ✓ \$1K variable opex



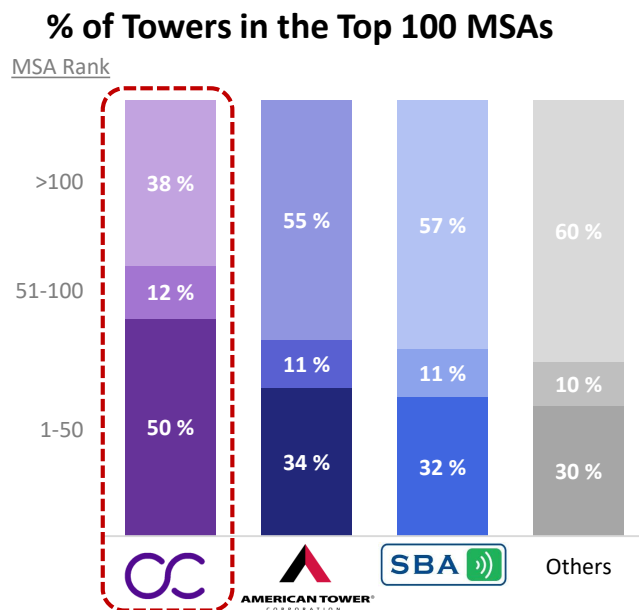
*“We believe **U.S. towers could be the BBE (Best Business Ever)** and should command a premium, compared to small cell/fiber systems or international towers.”*

Raymond James
March 2020

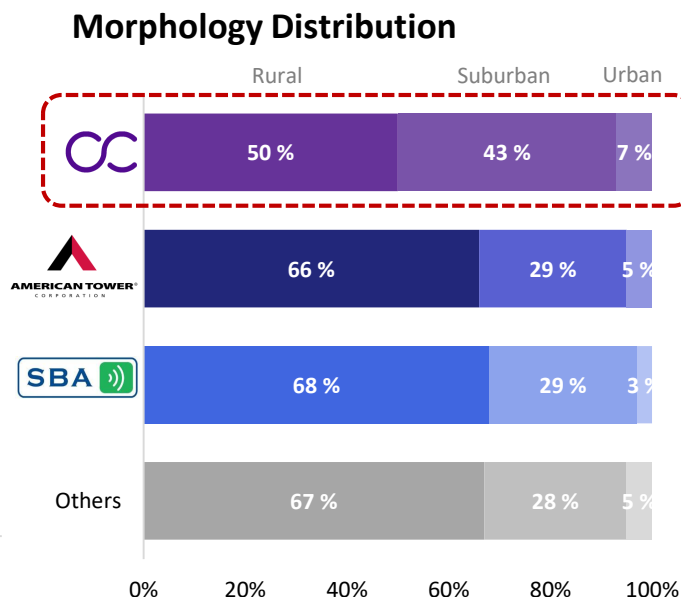
Crown Castle's U.S. Towers are Superior Assets

Crown Castle's underperformance is especially disappointing based on our view that its U.S. tower portfolio has more attractive characteristics than its peers and is better positioned for the 5G upgrade cycle

Crown Castle has the **highest % of towers in the Top 50 MSAs**



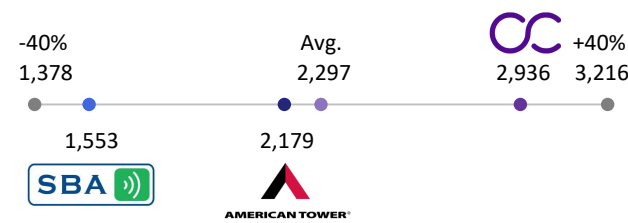
Crown Castle has the **highest % of suburban and urban towers**



Crown Castle's towers are in areas with the **highest population density**

Population Density (per sq. mile)

- Crown Castle's towers cover census block groups with an average max population density that is ~30% greater than national average
- Higher population density tends to drive factors that drive higher rents



*“Despite’s Crown’s massive investment in fiber and small cells, which we acknowledge are less attractive relative to towers, **we view the company’s underlying domestic macro business as under-appreciated relative to peers.**”*

JPMorgan
November 2019

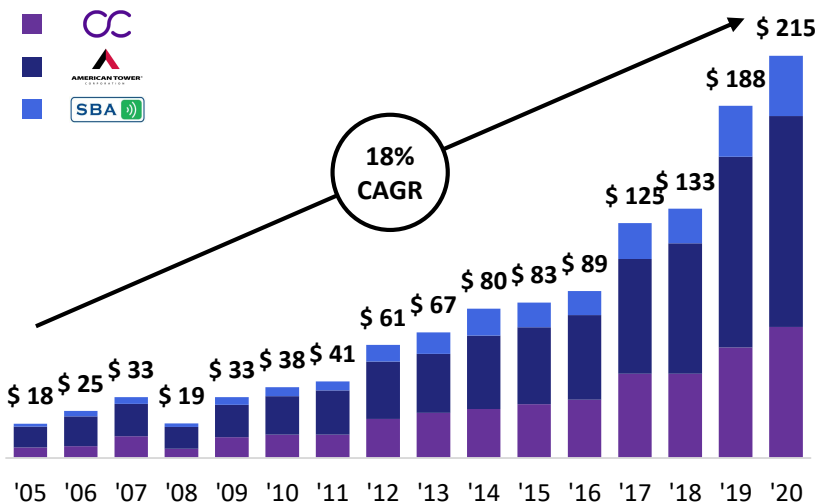


“Towers kind of run themselves, so management’s value add comes from keeping costs down and intelligently allocating capital.”

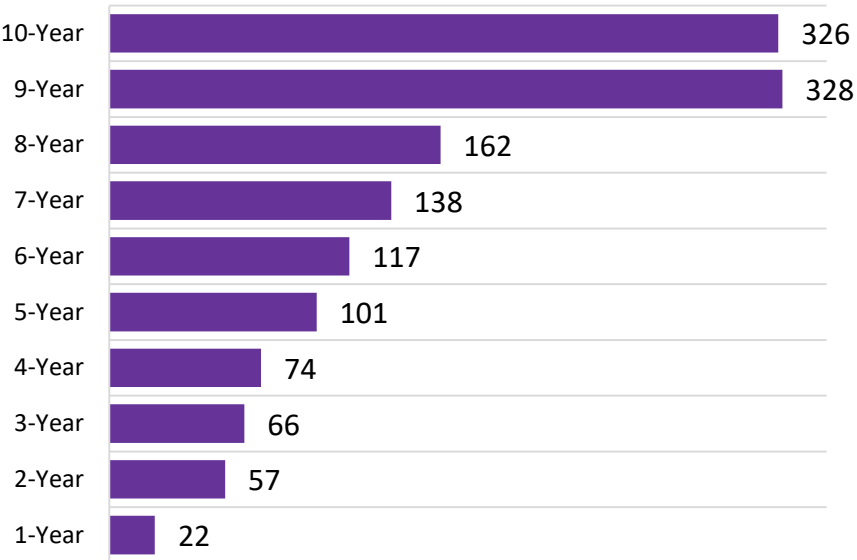
Tower Industry's Remarkable Equity Value Creation

The independent tower industry has thrived over the last two decades as shared telecom infrastructure has become universal in the U.S. wireless industry, generating **tremendous equity value creation for the “Big Three,” with equity returns well above market indices**

Cumulative Market Cap¹ of Big Three (\$B)



Tower Industry² vs. S&P 500



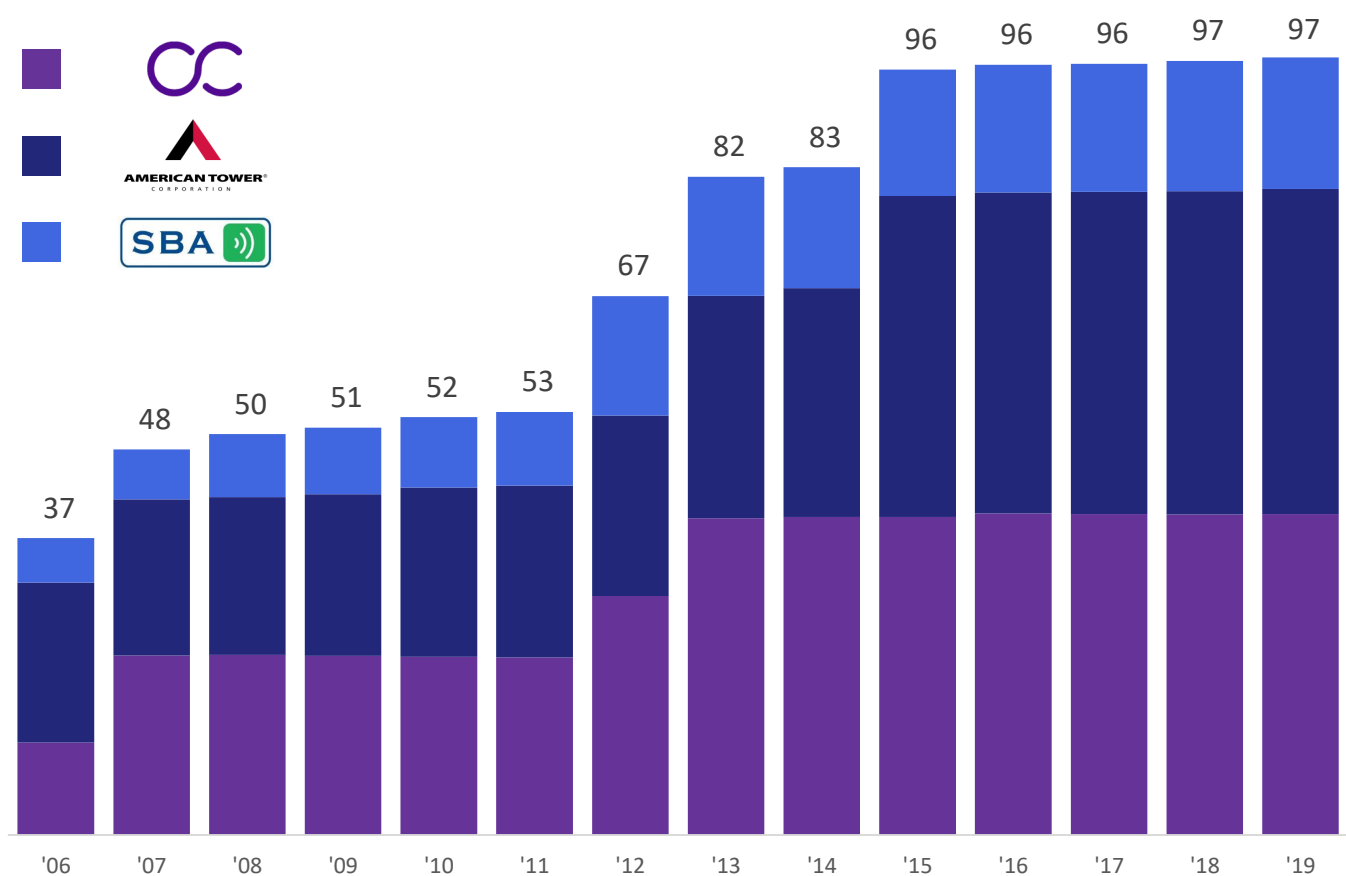
*“Tower leasing is commonly described as one of the best business models out there for a reason: **it’s one of the best business models out there.**”*

MoffettNathanson
May 2019

The U.S. Tower Industry Has Matured

The U.S. tower industry is now mature with modest new build activity. Today, growth is primarily driven by increased tenancy, amendment activity and contractual price escalators

U.S. Towers Owned by Big Three (000s)



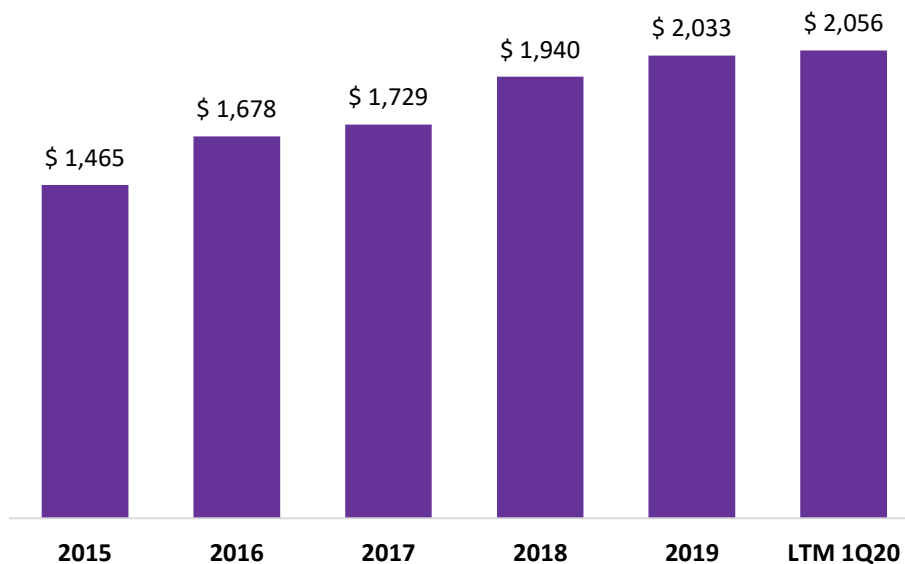
“Tower counts from the most notable private operators remain low, with each comprising just 1-2% of public tower counts. Tillman was the most active tower company last year, expanding its footprint by 20%. That said, this equates to just ~180 towers.”

UBS
June 2020

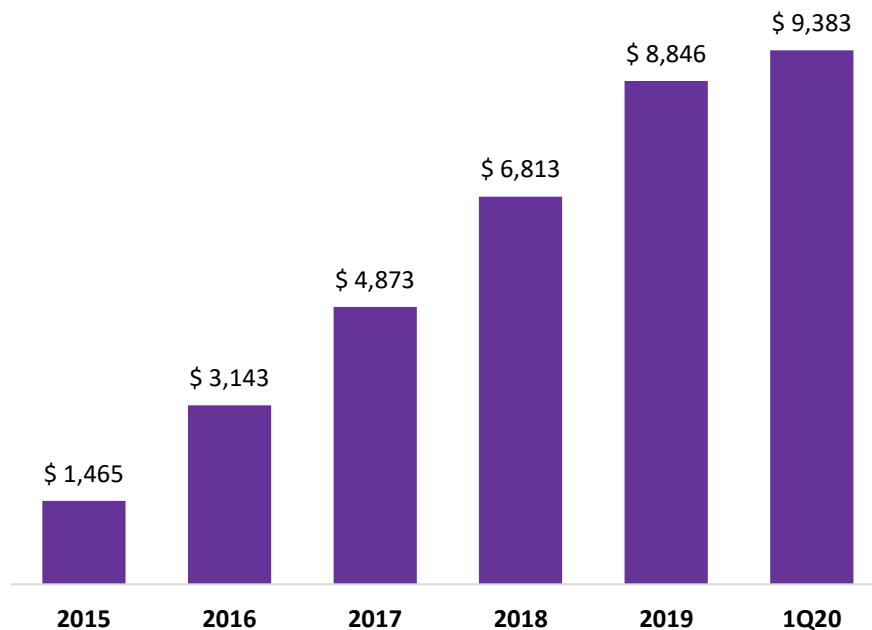
Tower Industry is Highly Cash Generative

With robust cash flow generation, U.S. tower REITs have enjoyed the luxury of significant excess cash. The magnitude of this unique benefit **amplifies the importance of capital allocation**. For Crown Castle, its tower business has generated a cumulative \$9.4B in EBITDA – Capex since 2015

Crown Castle: Tower EBITDA – Capex (\$M)



Crown Castle: Cumulative Tower EBITDA – Capex (\$M)

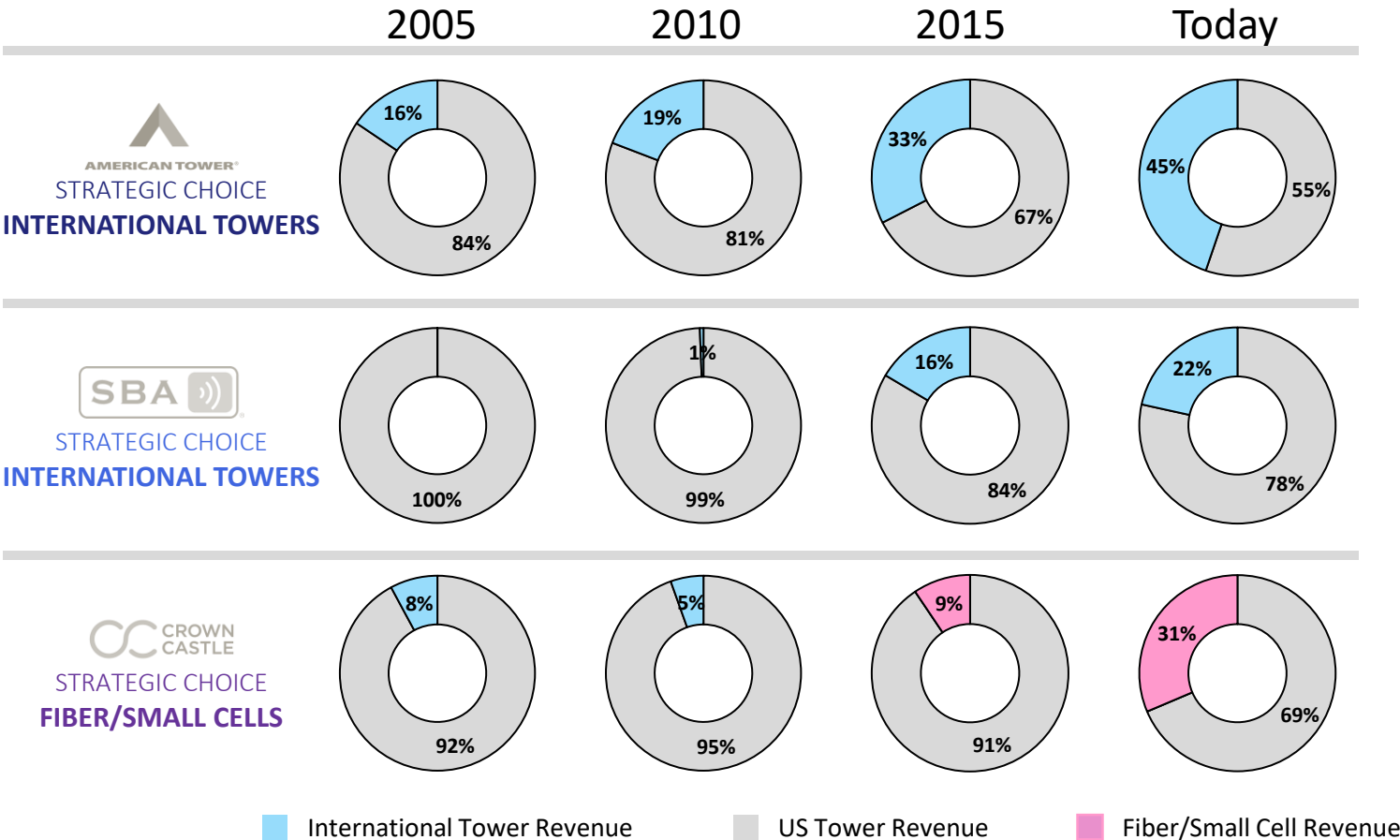


*“CCI, like the rest of the tower companies, is **highly cash generative**.”*

Credit Suisse
June 2014

With Consistent Cash Flow and a Mature Industry, the “Big Three” Pursued New Areas of Growth

Ten years ago, the “Big Three” owned comparable portfolios of U.S. tower assets. While American Tower and SBA decided to remain pure-play tower businesses and expand into international towers, **Crown Castle alone decided to venture away from towers and into fiber**



“Well, I think they made an effort to move into the international market about the time we made that decision to move into the small cell market. We chose the U.S. business being the best for wireless infrastructure. **They, I think, looked out and saw that the tower business is one of the best businesses ever** and they would like to take that to different geographies. **I think both of those decisions are really good decisions.”**

CEO Jay Brown
November 2017

The Strategic Choices of the “Big Three”

In the context of a maturing U.S. tower industry, each of the “Big Three” made strategic decisions on how to deploy capital, and investors should evaluate the efficacy of those decisions

American Tower

- Strategic Choice: **International Towers**
- Owns ~41,000 U.S. towers and ~137,000 international towers, primarily in India, Latin America and Africa
- More than 40% of revenue is derived from international towers
- Capital allocation is focused on building its international tower portfolio

SBA Communications

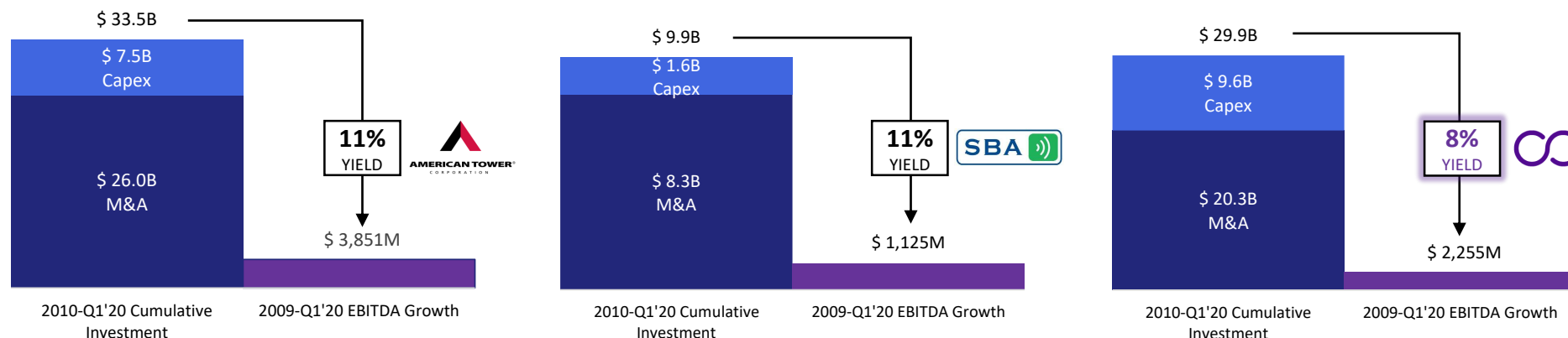
- Strategic Choice: **International Towers**
- Owns ~16,000 U.S. towers and ~16,000 international towers, primarily in Brazil and South Africa
- More than 20% of revenue is derived from international towers
- Capital allocation is balanced between its U.S. and international tower portfolios

Crown Castle

- Strategic Choice: **Fiber**
- Owns ~40,000 U.S. towers and ~80,000 route miles of fiber across the U.S.
- Approximately 1/3rd of revenue is derived from fiber and small cells
- Capital allocation is focused on buying and building fiber through M&A and heavy fiber capex

American Tower and SBA have generated a **52% and 50% higher yield** than Crown Castle, respectively, on their investments. Crown Castle would have **\$1B+ more EBITDA** today if it achieved the yield of its peers¹

2010-Q1'20 Invested Capital & 2009-Q1'20 EBITDA Growth²



A man in a dark suit, white shirt, and striped tie stands with his arms crossed, smiling. He is positioned in the lower center of the frame. Behind him are two tall, lattice-structured communication towers that stretch towards the top of the image. The background is a cloudy sky. The entire image has a purple tint.

*“The fiber business isn’t a bad business. It’s a great business. **It’s just not the tower business.** And we are very clear, at **American Tower**, we want to be a tower business. **We focus on being a tower business.** We want to be the best tower business we can possibly be. **We want to be the best tower business in the U.S.**”*

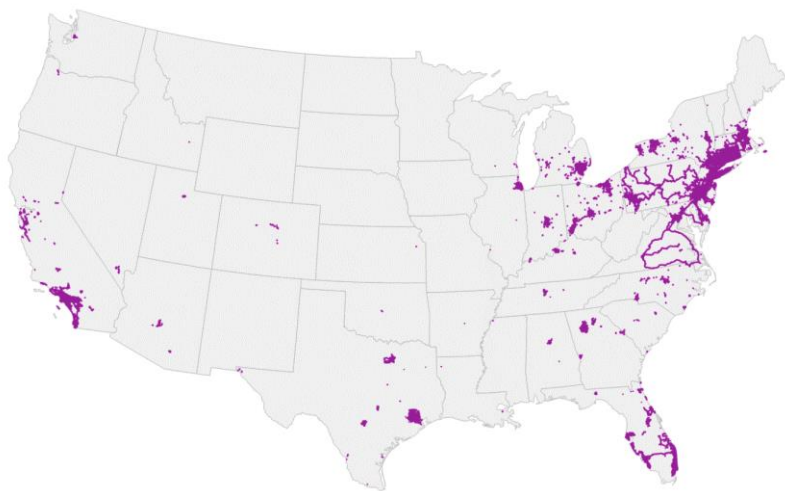
American Tower, August 2017

Overview of Fiber & Small Cell Industry

The fiber industry began more than two decades ago and has become the foundational infrastructure for high-bandwidth telecommunications. Fiber infrastructure has a wide range of use-cases, including providing backhaul to wireless towers and small cell nodes

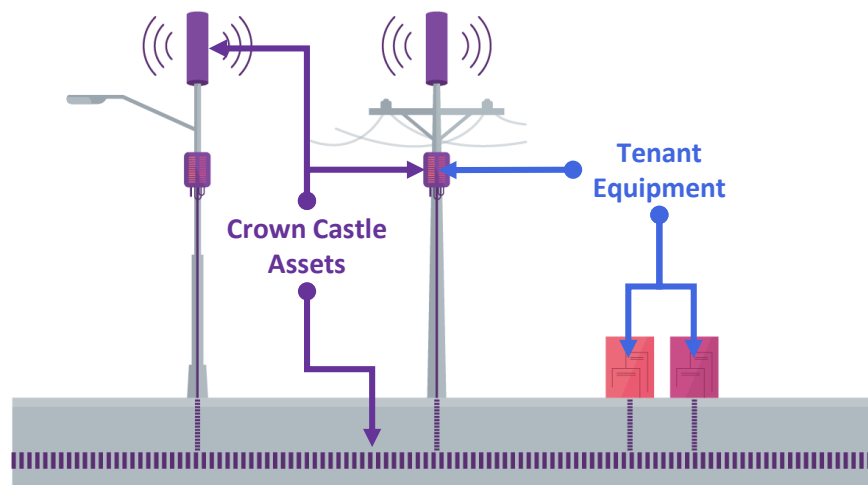
Crown Castle's Fiber Network

- Owns 80,000 route miles of fiber, primarily in the Top 25 metro markets with dense, high-fiber-count metro fiber
- Provides both traditional enterprise fiber (70% of revenue) and small cell backhaul (30% of revenue)



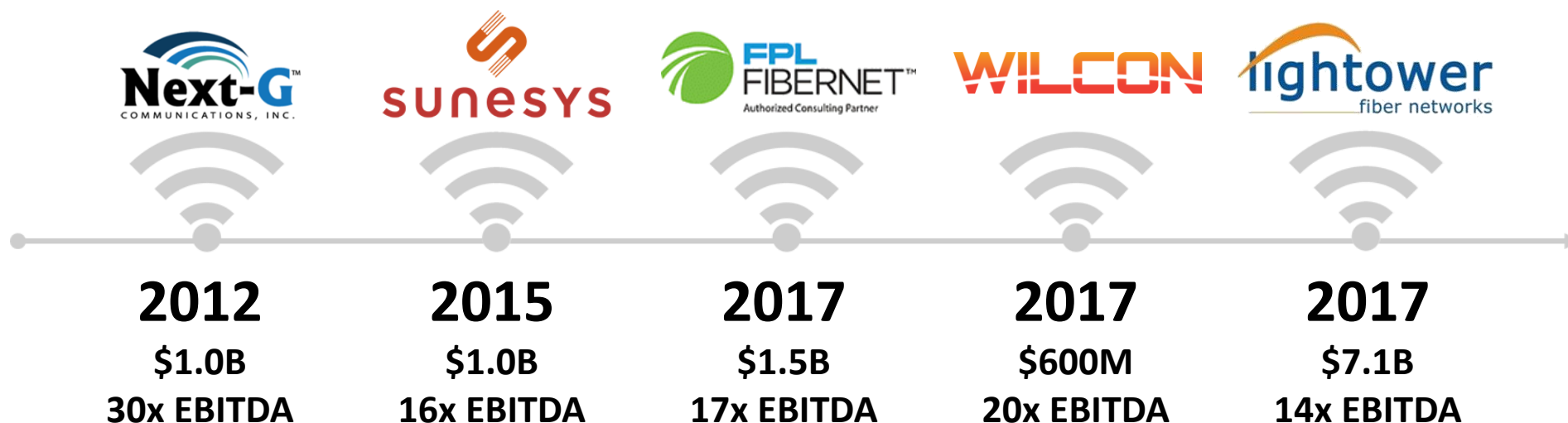
Crown Castle's Small Cell Business Model

- Manages 45,000 small cell nodes on behalf of wireless carriers
- Revenue is primarily derived from providing fiber backhaul
- Wireless carriers have the option to either in-source their own fiber or use a third-party fiber provider



Crown Castle Dove Into Fiber Industry With Large Acquisitions

Crown Castle has made five fiber acquisitions since 2012 for more than **\$11 billion**



“Crown’s thesis for paying premium multiples on fiber is that it values fiber & towers similarly; CCI expects fiber economics to be very similar to towers, albeit at an earlier stage of development and investment.”

Citi
May 2017

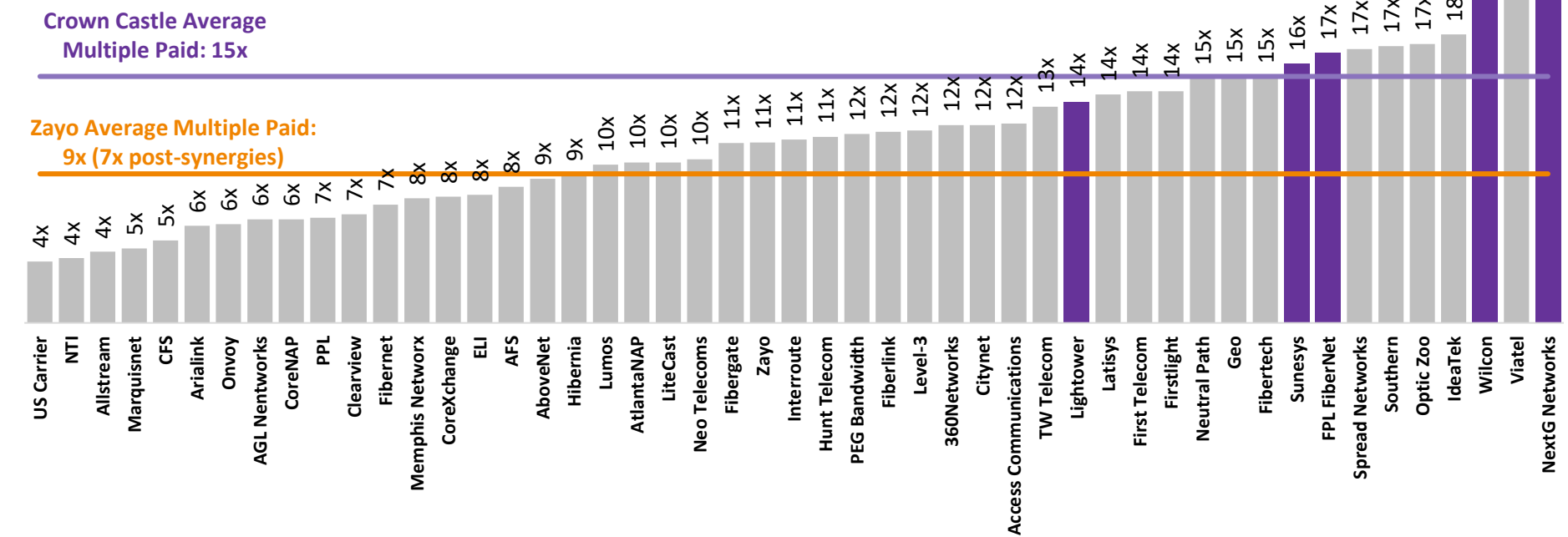
Crown Castle has Been the Premium Buyer of Fiber Assets

Crown Castle has paid among the highest multiples for its fiber acquisitions across the 50+ fiber M&A transactions since 2007

Fiber Transaction Multiples Since 2007 – EV / EBITDA ■ Crown Castle Acquisition

“The multiples are interesting. **Crown's entry into the fiber space clearly has caused an increase in the multiples.** If you look at starting at FPL, and then at Wilcon, and then ultimately with Lighttower. It's hard to say they're not right or fair. It's just – **it requires a different level of conviction and comfort that those core business are going to continue to grow at the rates they've been growing at the time they were acquired.**”

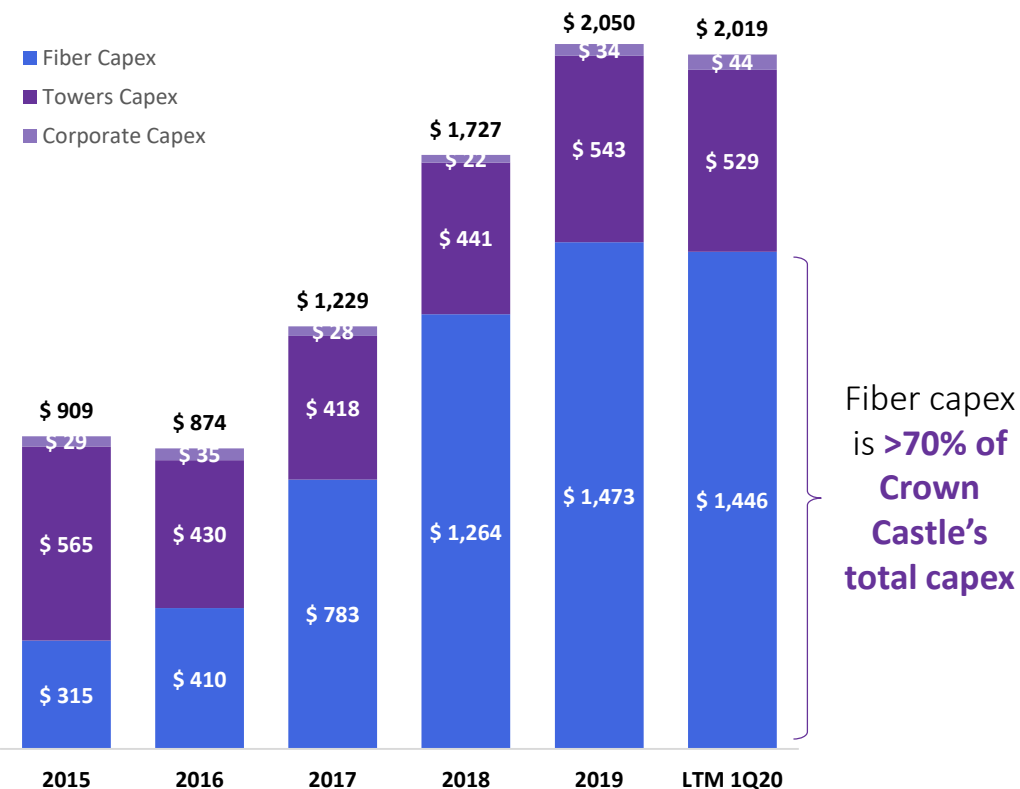
CFO Matt Steinfort, Zayo
October 2017



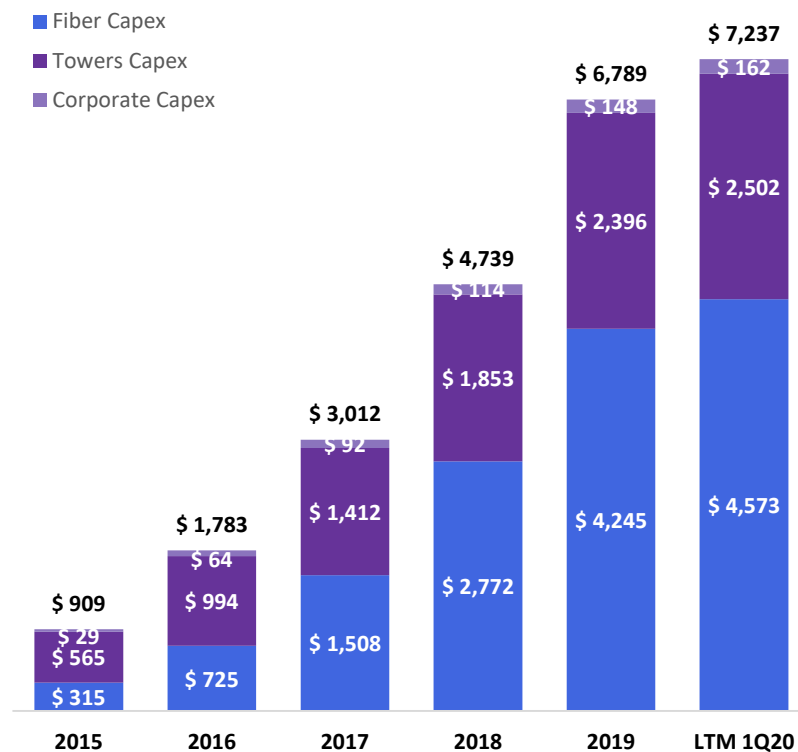
Crown Castle's Fiber Capex Dwarfs Spend on Towers

Crown Castle's fiber capex has **grown ~5x since 2015** to \$1.4B annually. Despite towers' reputation as being the "best business ever," Crown Castle is spending **more on fiber capex than tower capex by a factor of ~3x**

Capex by Segment (\$M)¹



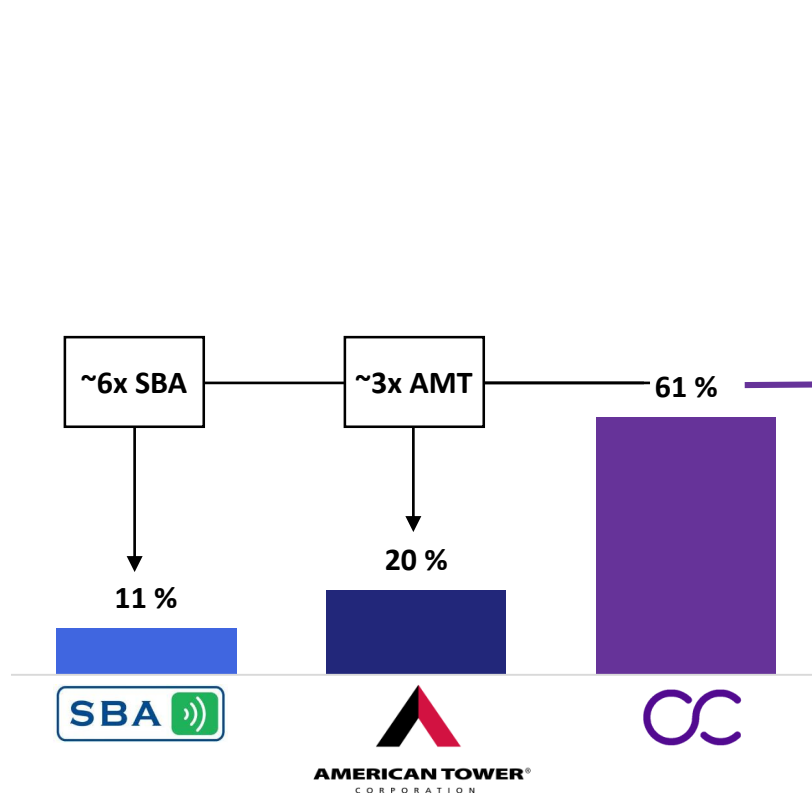
Cumulative Capex by Segment Since 2015 (\$M)¹



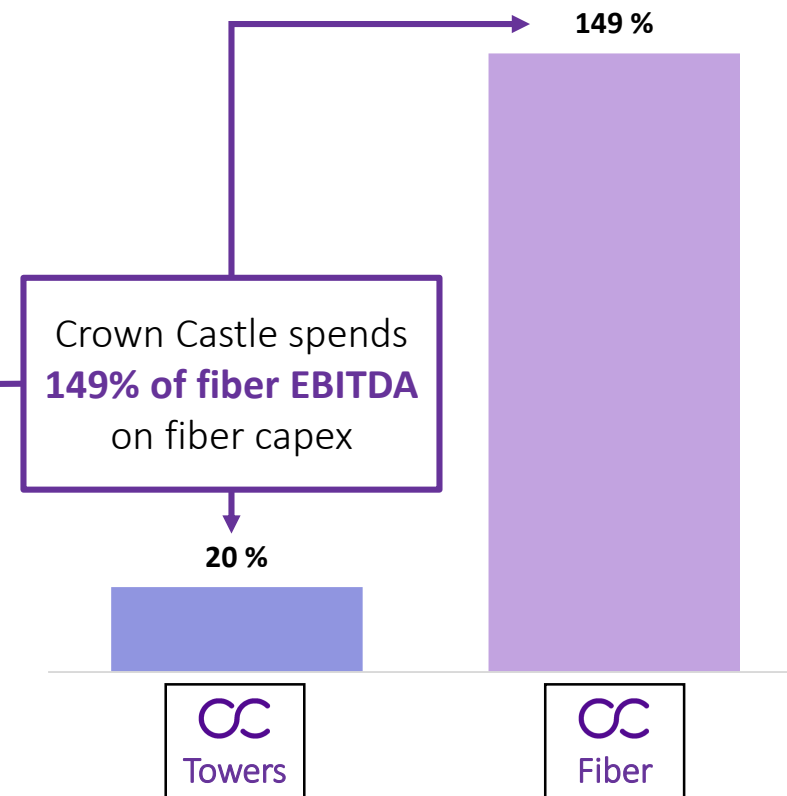
Crown Castle's Capital Intensity Far Exceeds Peers

Crown Castle's **capex spend is an industry outlier**, driven by fiber capex well in excess of fiber EBITDA

Capex % of EBITDA vs. Peers ^{1, 2}



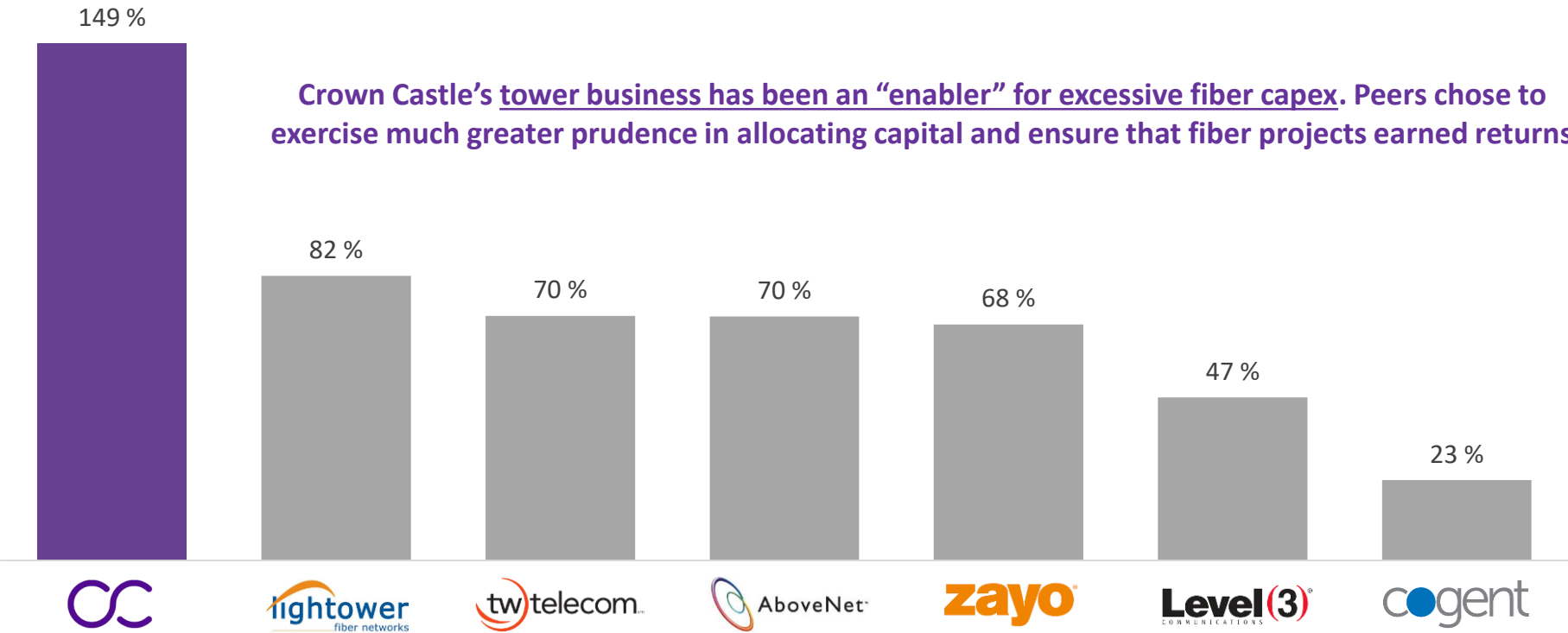
Crown Castle Capex^{1,2} % of Segment EBITDA³



Crown Castle's Fiber Capex Is An Outlier Within the Fiber Industry

Fiber businesses can be far more capital efficient than Crown Castle. In fact, **Crown Castle is spending approximately 2x more fiber capex than industry peers**

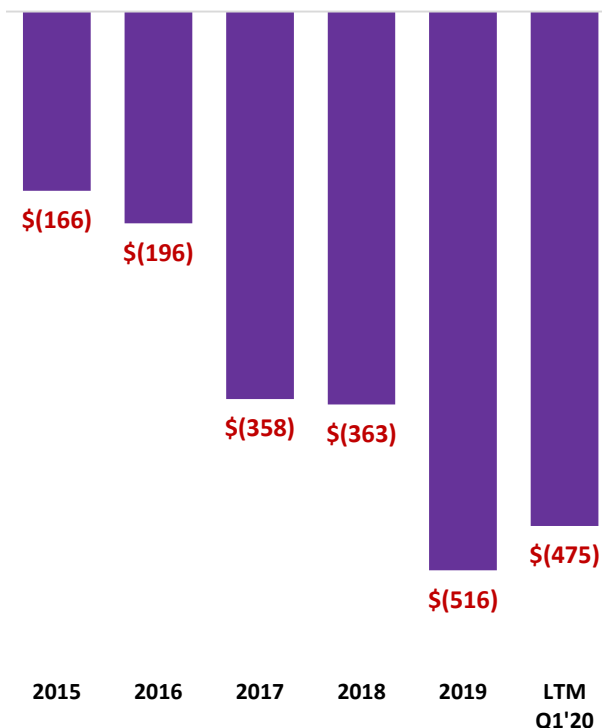
Capex % of EBITDA ¹



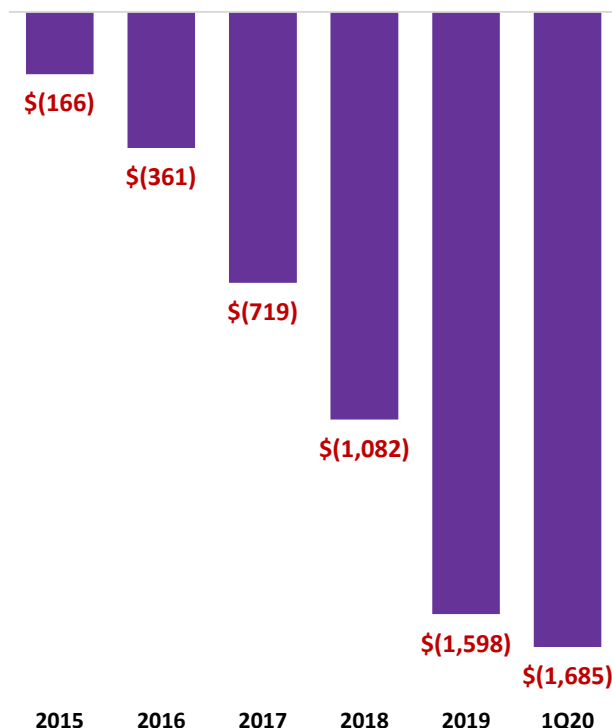
Crown Castle Fiber Operates Deeply Cash Flow Negative...

Crown Castle has claimed that the fiber strategy will “enhance” its dividend capacity, but fiber has never generated positive cash flow, which raises the question: **How can an investment that is compounding negative cash flow help fund dividends?**

Annual Fiber EBITDA – Capex (\$M)



Cumulative Fiber EBITDA – Capex (\$M)



*“Our view on capital is that it's not our capital. This capital belongs to shareholders both the capital in the form of debt and equity and **we like the discipline of coming to the market when the capital investments exceed that of our cash flow.**”*

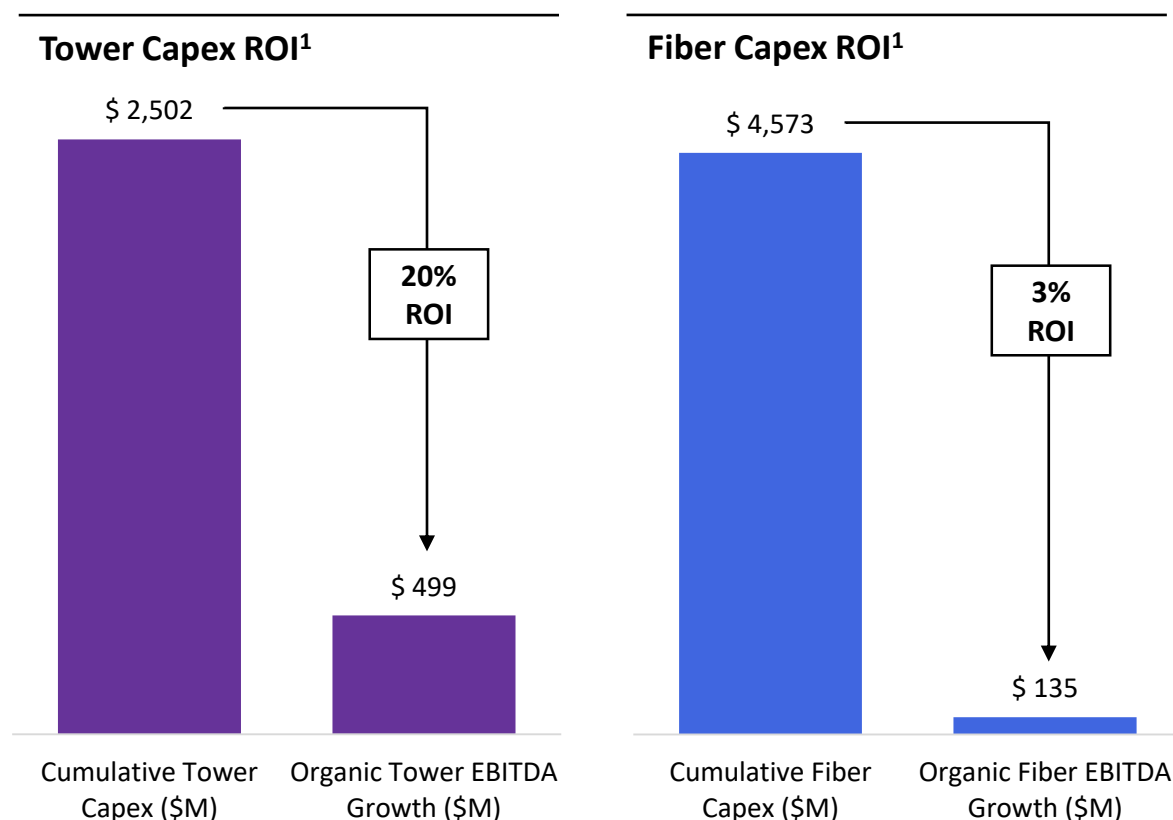
CEO Jay Brown
July 2017

*“We’ve invested in fiber because **we think it enhances long-term dividends per share.** And **that’s the measure upon which we make all of our discretionary capital investments,** whether it’s in towers or on the fiber side.”*

CEO Jay Brown
April 2018

...With Much Lower Capex Return on Investment (ROI)

Crown Castle has realized a paltry 3% EBITDA yield on its fiber capex, relative to the highly attractive ROIs achieved in its tower business



*“So, what we see is **the CapEx that we're spending for things like fiber for small cells is very much in our head like an acquisition.**”*

CFO Daniel Schlanger
May 2017

*“[T]hat's why we are very excited about small cells because as you think about the total return story there, with the second tenant being low to mid-teens plus the escalator, the opportunity to do third and fourth tenant, **we think that's a very attractive investment that will drive growth in dividend over the long-term.**”*

Crown Castle Investor Relations
June 2016

Towers vs. Fiber: KPI Comparison

While fiber businesses can be excellent investments, towers are simply superior businesses. Crown Castle's strategic choice has been to diversify away from the "best business ever"

	Towers	Fiber	Commentary
Contract Length	✓		Typical contract length of 10+ years for towers and 3-5 years for fiber
Price Escalators	✓		Towers have contracted CPI or CPI+ price escalators while fiber generally does not
Churn Rate	✓		Towers have 1% to 2% normalized churn rates while fiber typically has 8% to 12% annualized churn rates
EBITDA Margin	✓		Tower segment margins of 64% vs. fiber segment margins of 56%
Capex ROIC	✓		Crown Castle has generated a 20% ROI on tower capex vs. 3% ROI on fiber capex
Competition	✓		Towers operate as local "monopolies" while fiber is generally more competitive with a larger group of peers and at risk of overbuilding
Valuation Multiple	✓		U.S. towers trade at premium multiples of 33-34x EBITDA while fiber businesses are valued at a substantial discount

Crown Castle's Fiber Business Can Be Successful

While we have raised questions about how Crown Castle has pursued its fiber strategy, fiber investments need not be value destructive. Instead, there is a well-trodden path for long-term value creation in fiber

By implementing the RTC Plan, Crown's fiber business can contribute to dividend capacity and value-creation for shareholders

01

Crown Castle's current capital allocation framework in fiber is destroying value. Nonetheless, **we believe in the potential of its fiber assets**

02

An **ROI-focused fiber strategy can be attractive, driven by a fiber industry that enjoys strong tailwinds from rapid data growth** and has benefited from the two-decade trend of fiber consolidation

03

Small cells will be a critical component of 5G networks for urban densification, and carriers will need third-parties to help meet the need for large node deployments. **Crown Castle's network is well-positioned for small cell backhaul but projects must be prudently underwritten**

04

Though Crown Castle has paid premium multiples for its fiber acquisitions, **its fiber network is high quality, with dense, high-strand-count fiber footprint in major metro markets**

05

An ROI-focused strategy is critical to success in fiber and small cells. Deploying the appropriate amount of capital and investing behind a required rate of return is the right path forward

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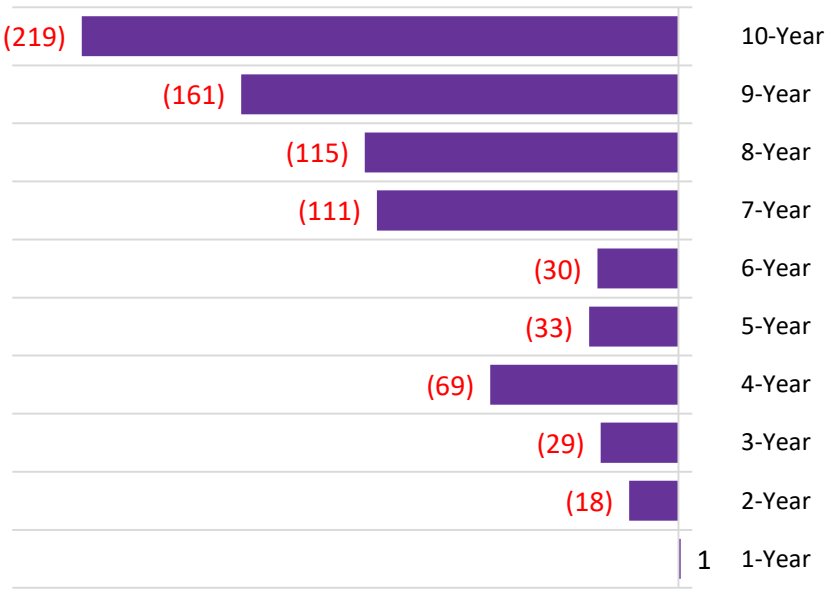
Underperformance

Why Has Crown Castle Underperformed?

Crown Castle's Consistent Underperformance

Despite a highly comparable tower portfolio a decade ago, Crown Castle's **strategic choice to enter the fiber industry has led to long-term, consistent underperformance**

Crown Castle vs. Peers¹



“Crown Castle’s **stock has meaningfully underperformed that of American Tower and SBA over the last several years, and this divergence merits attention.** Crown Castle’s organic domestic tower growth has lagged its peers. It bought into fiber in a big way just as the sheen on that business model was wearing off **and fiber solution solutions growth has come in shy of investor expectations.**”

– MoffettNathanson, January 2020

“We **believe CCI shares could underperform near-term** as the surprising pull-back in fiber leasing combined with **unchanged capital investments may raise new questions as to whether or not fiber assets should trade at a discounted multiple to Towers,** despite the positive long-term demand narrative for fiber infrastructure & small cells.”

– Citi, July 2019

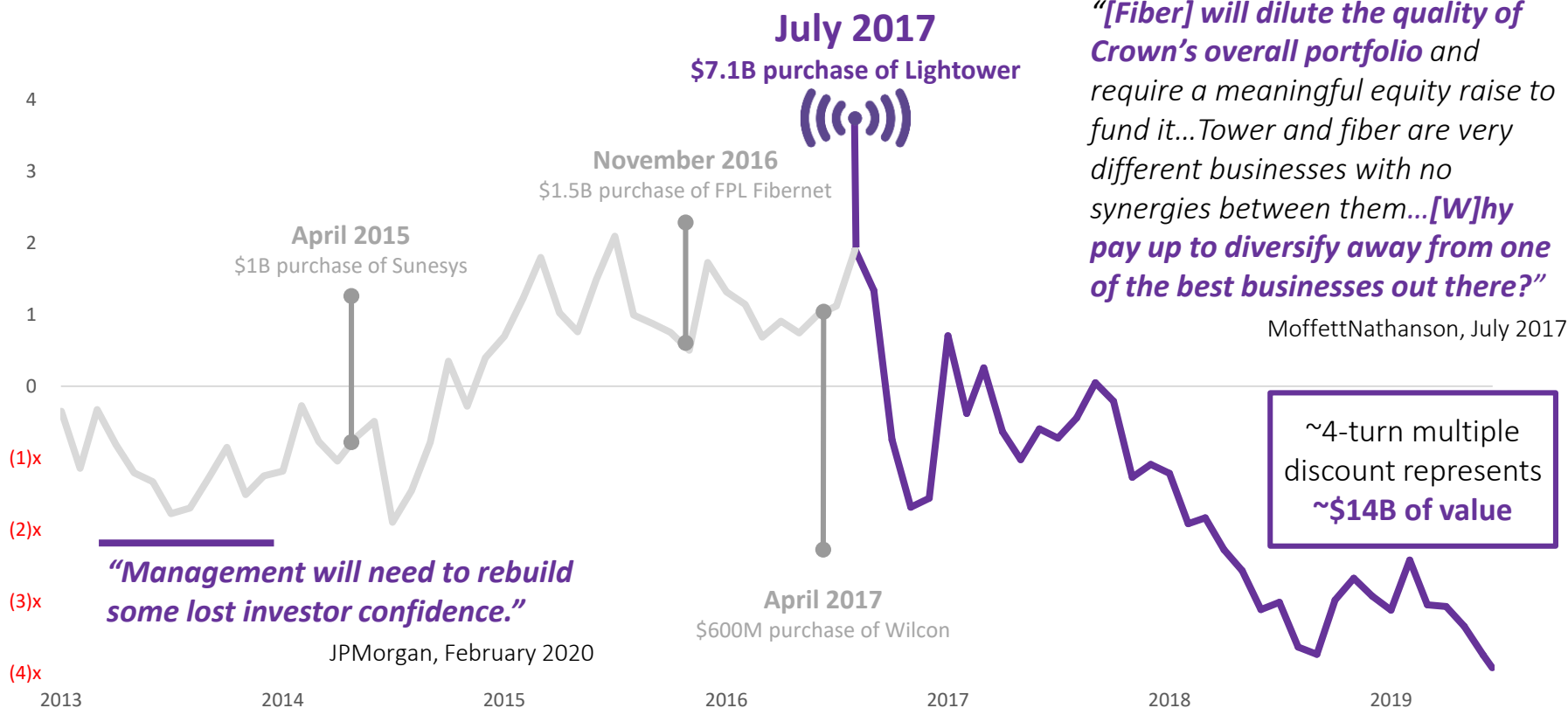
“The Tower stocks have enjoyed a strong run so far in 2017, though **CCI has lagged with a ~16% gain compared to over 30% for both AMT and SBAC.**”

– BAML, October 2017

Crown Castle's stock has been the best performer of the group **ONLY ONCE** over the last 10 years



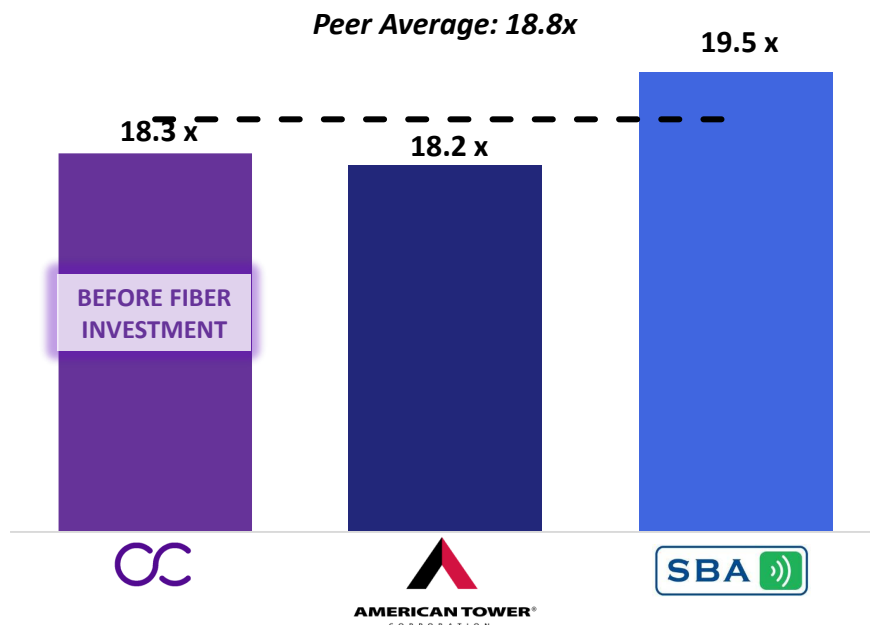
Crown Castle's valuation multiple has diverged from peers, coinciding with its largest fiber acquisition, Lightower, in 2017 for \$7 billion. This divergence underscores investor skepticism of Crown Castle's strategy



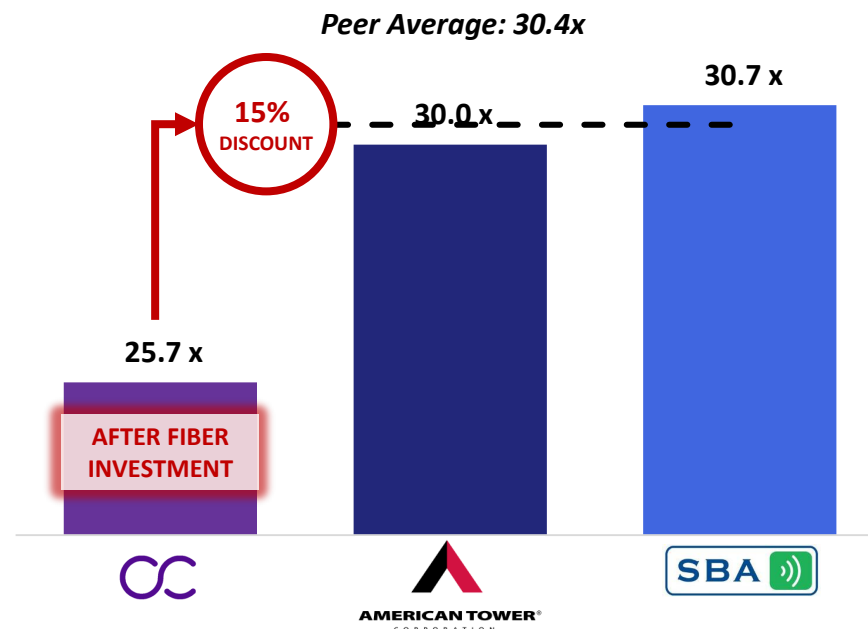
Investment in Fiber Resulted in Deep Valuation Discount

Rather than share in Crown Castle's enthusiasm for fiber and small cells, the investment community values Crown Castle at a steep discount to peers, reflecting a clear difference between tower and fiber valuations

Five Years Ago: P/NTM AFFO^{1,2}



Current: P/NTM AFFO¹



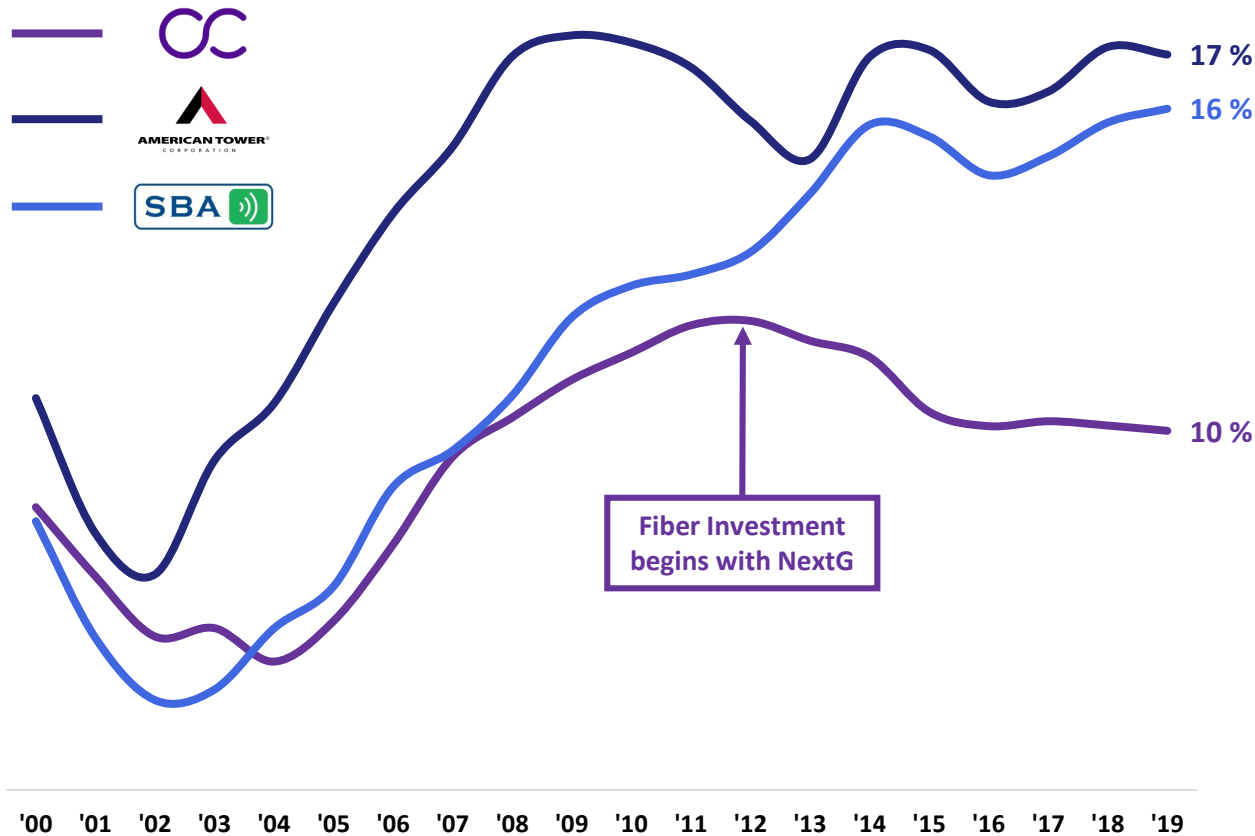
"We believe \$1 of revenue from small cells is as valuable as \$1 of revenue from the tower business. It has all the same characteristics, long-term committed contract, annual escalation, the same components of we don't have the incremental cost as we add additional tenants, high returns ultimately as the asset is leased up...So over time, we need to prove out that small cells has the same characteristics and sustains itself in the same way that towers has for the last couple of decades."

CEO Jay Brown, April 2017

The Most Important Metric: ROIC

In an industry driven by capital allocation, Crown Castle's ROIC has underperformed that of its peers for more than a decade, and **the gap is widening with continued fiber investment**

Return on Invested Capital (ROIC)



"The determinant of whether the [Lighttower] transaction is value-creative beyond the inherent tower/fiber multiple arbitrage will depend on the company's ability to replicate, if not surpass, the return profile of its macro business across its fiber footprint."

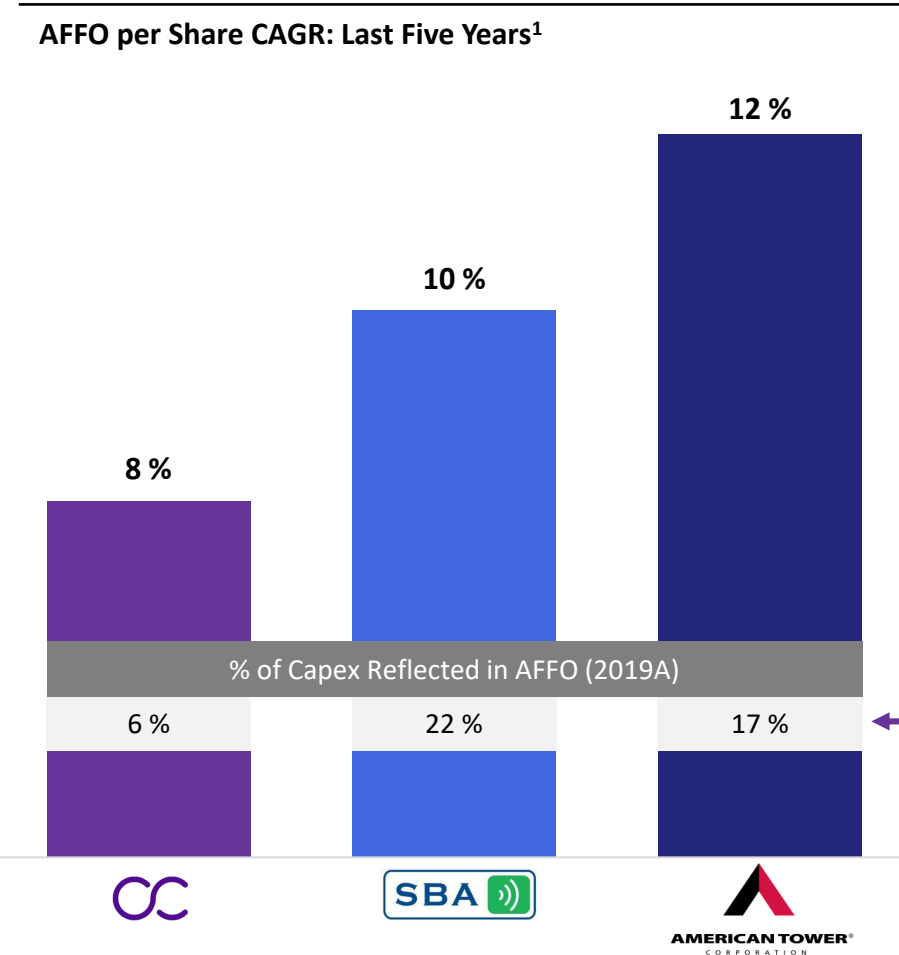
Barclays, July 2017

"Our ROIC trends are robust, even with our continuing investments in younger assets with significant long-term upside but lower initial tenancy and cash flow."

CFO Tom Bartlett, American Tower, July 2018

Significant AFFO Growth Underperformance

Over the last five years, SBA and American Tower have grown AFFO per share **21% and 41% faster than Crown Castle**, respectively. AFFO growth is a critical metric favored by REIT investors



“As you have heard us say for a long time, we evaluate the decisions that we make in the business based on the long-term impact to cash flow per share, and **AFFO is the best proxy for this.**”

CEO Jay Brown
July 2017

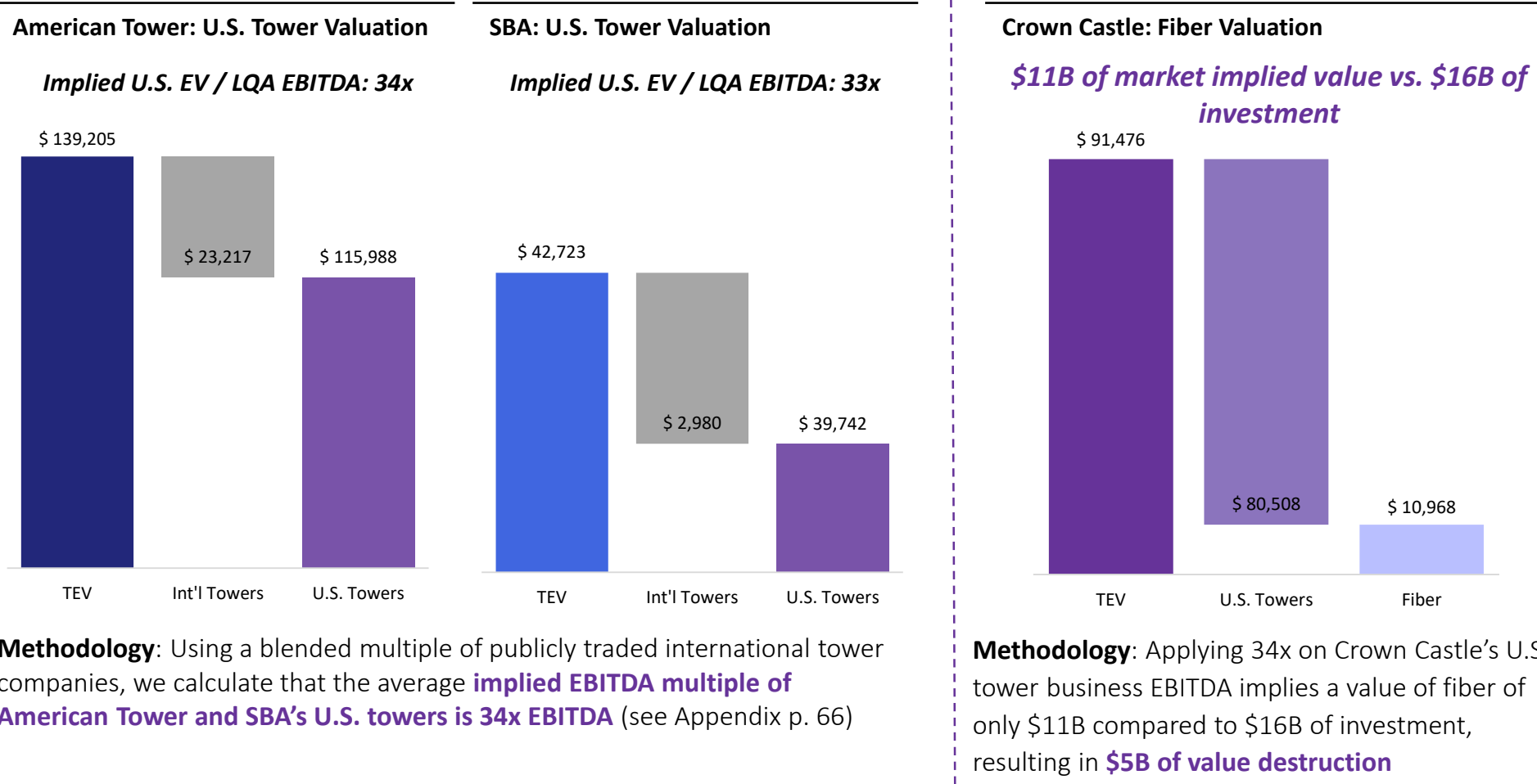
“We will focus the majority of our value creation discussion on AFFO per share. Certainly, **we will be making our capital allocation decisions based on our goal of maximizing long-term AFFO per share.**”

CEO Jay Brown (CFO at the time)
January 2012

Not only has Crown Castle’s AFFO per share grown more slowly than that of peers, but its AFFO also includes less of its total capex. In other words, Crown Castle is **growing cash flow per share slower** than its peers **despite spending far more capital**

How Does the Market Value Crown Castle's Fiber Business?

Based on the valuation of U.S. towers implied by American Tower and SBA, we demonstrate that **the market values Crown Castle Fiber at only \$11B**

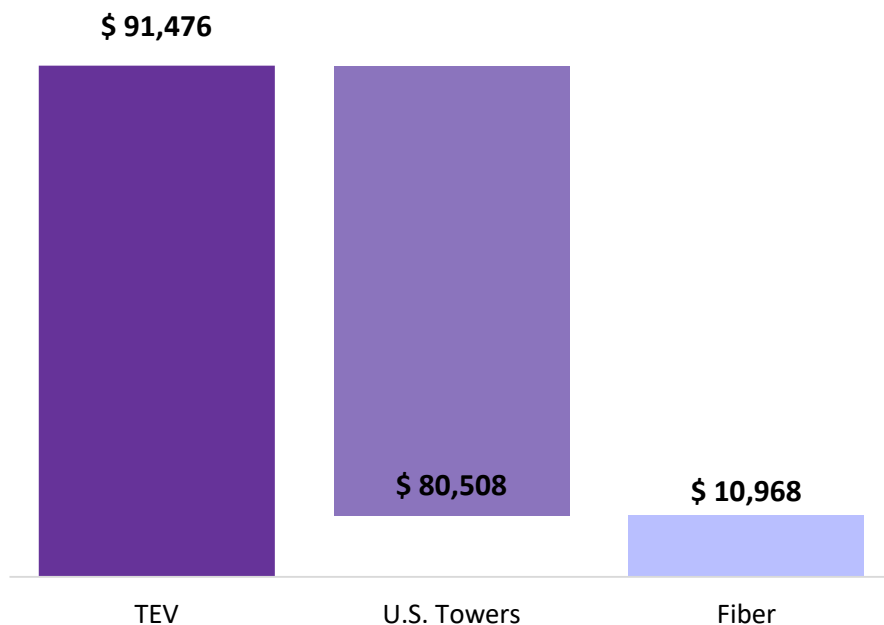


Market Valuation of Crown Castle Fiber Implies Impairment

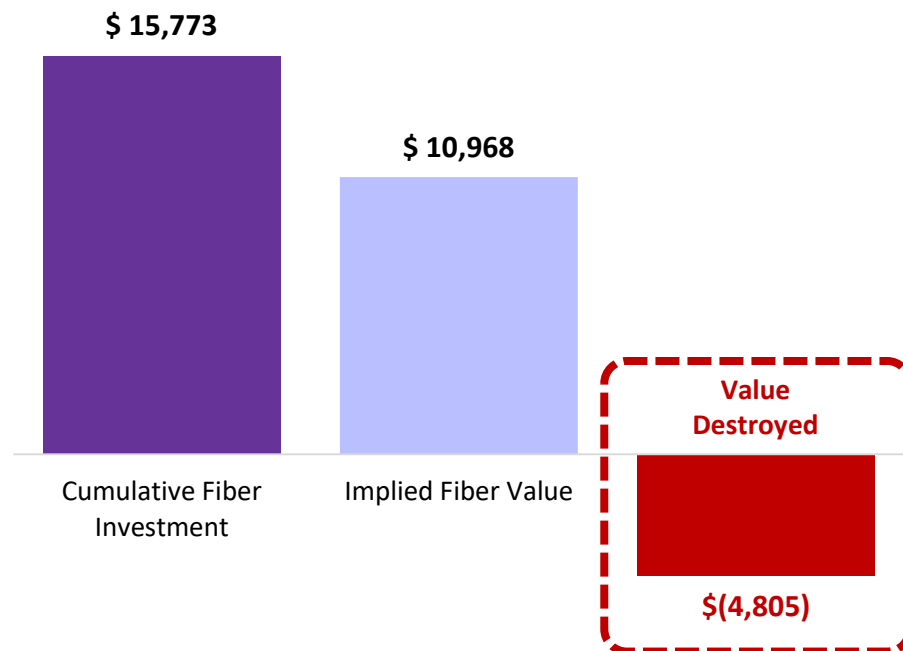
The implied value of Crown Castle's fiber business is only \$11B versus its cumulative investment of \$16B, resulting in \$5B of value destruction over the last 5+ years

Crown Castle: Fiber Valuation (\$M)

Implied Fiber EV/LQA EBITDA: 12x

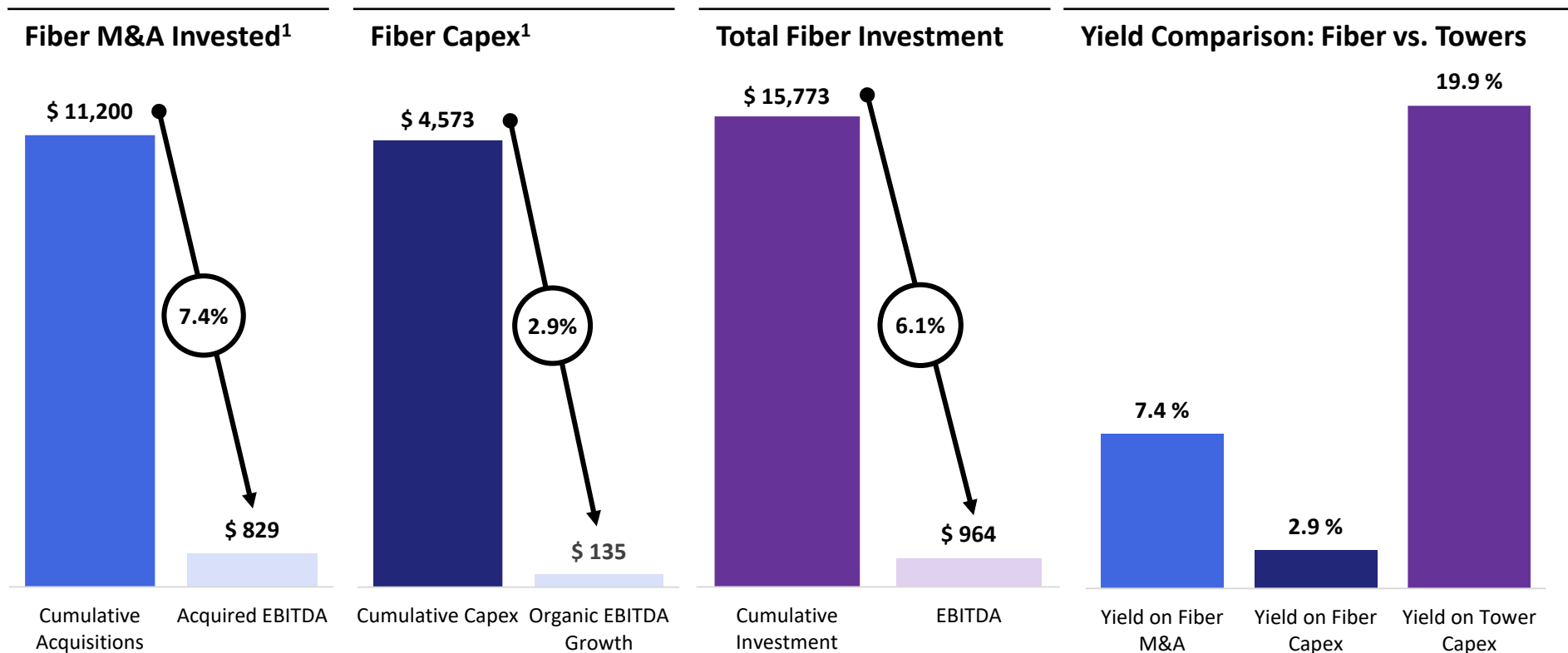


Implied Value Impairment by Fiber Investment (\$M)



Evaluating Crown Castle's Fiber Investment

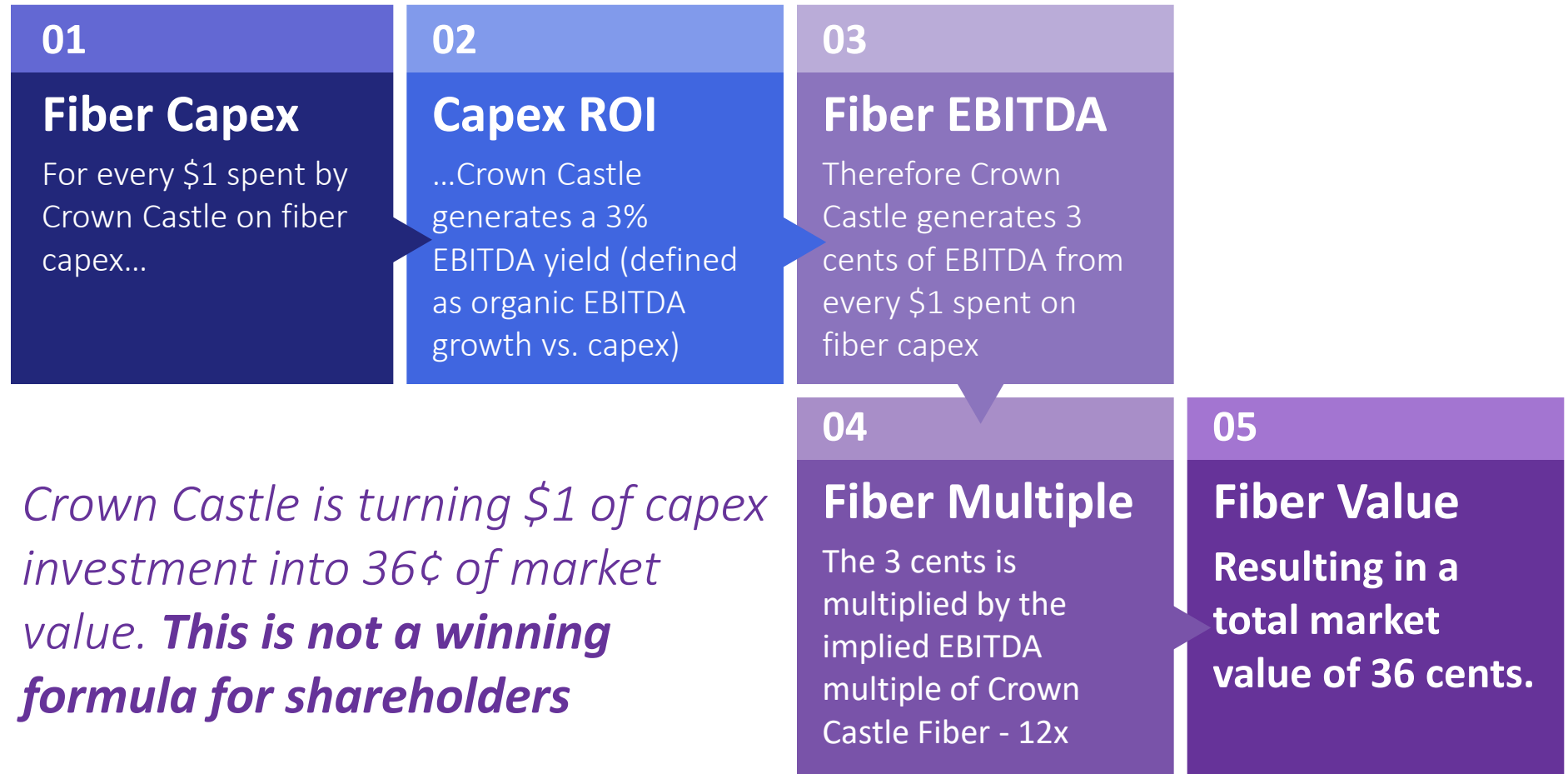
When evaluating Crown Castle's fiber investment, it is critical to evaluate the **yield** generated by M&A and capex investments separately to better understand **investment returns** and **organic growth**



Fiber businesses can be attractive when “network effects” allow for increasingly attractive incremental returns on investment. For Crown Castle, the opposite is happening, with capex yields driving the total yield down further and further

Step-by-Step Evaluation of Crown Castle's Fiber Capex

Given the very high capital intensity of Crown Castle's current fiber strategy, evaluating the financial implications of its fiber capex is critical



Fiber Capex Yield Well Below Fiber Cost of Capital

Over the last 5+ years, Crown Castle has compared its low-return fiber yield to its “cost of capital.” This comparison is entirely wrong because the Company’s overall cost of capital is driven primarily by higher quality towers than by lower quality fiber. Instead, **we must compare fiber yields to fiber cost of capital**

Crown Castle Explanation

*“Those [fiber & small cell] returns are very attractive, **meaningfully exceeding our cost of capital.**”*

CEO Jay Brown
April 2018

*“The [discretionary capex] returns we see on those investments so far **exceed our cost of capital...** Those investments continue to look really good even in this rate environment.”*

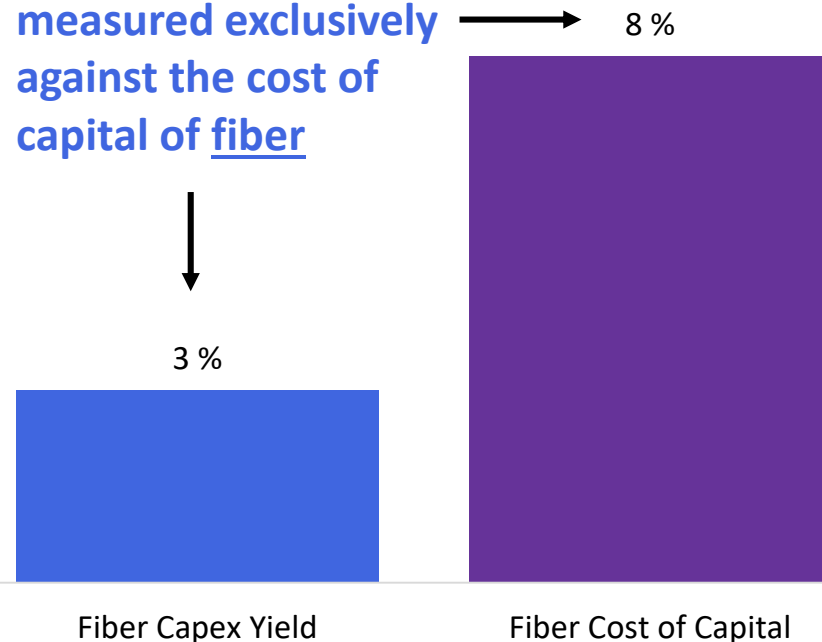
CFO Dan Schlanger
October 2018

*“[W]e make investment decisions based on what we think the recurring yield on those assets is going to be and, ultimately, **whether or not it is enhancing to our long-term dividend per share growth rate...** [W]e have to consider all of the **cost of capital** associated with the assets that we're looking at.”*

CEO Jay Brown
April 2020

Fiber Capex Yield¹ vs. Implied Fiber Cost of Capital²

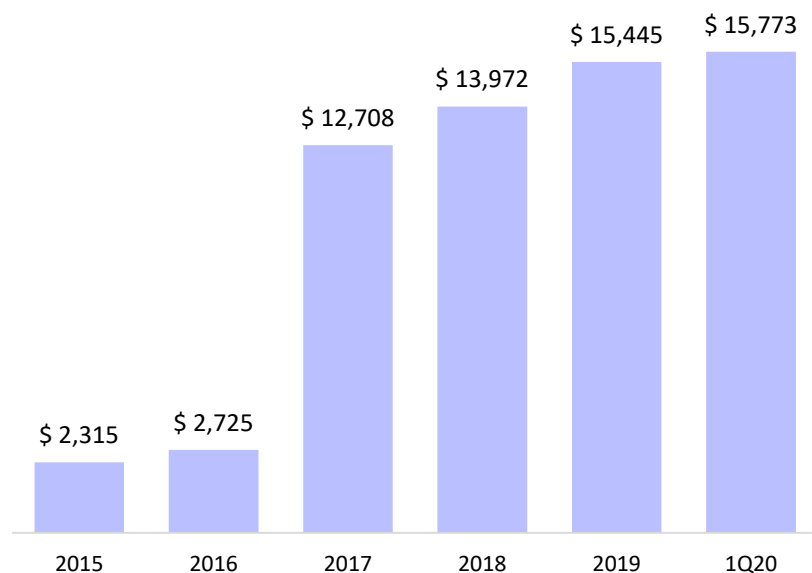
ROI on fiber must be measured exclusively against the cost of capital of fiber



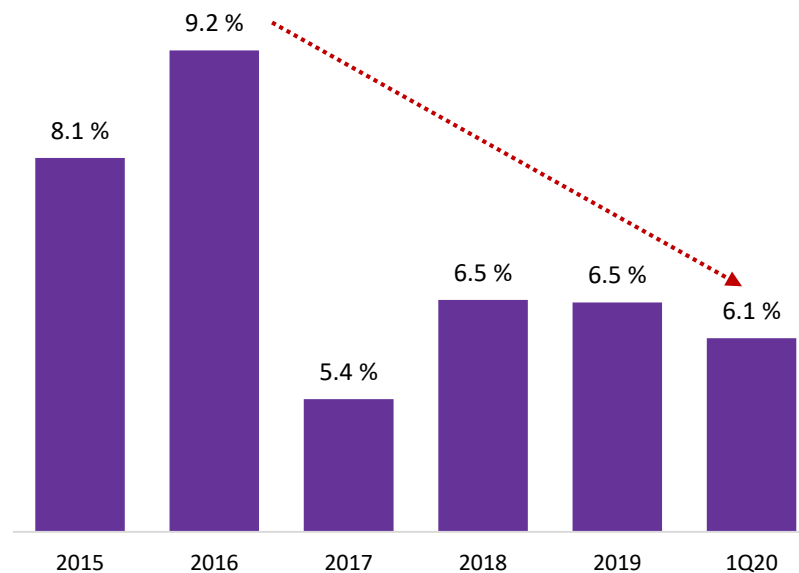
Fiber Yields Have Not Inflected as Management Suggests

Management claims that second-tenant and third-tenant economics will drive higher yields, but actual results demonstrate that **low-return projects remain low-return**

Cumulative Fiber Investment ¹ (\$M)



Cumulative Fiber Yield Over Time ² (\$M)



*“[W]e’ve gotten more and more comfortable that we build these and other carriers, so we get an anchor built, that is what we call the first carrier. **We build it, we get about a 6% to 7% return on that capital for the first carrier, which is not over our cost of capital.** But when we add a second tenant to that, which happens **over the course of about 10 years in our business**, our returns go to the 10% to 12% range.”*

CFO Dan Schlanger
June 2020

Ramp in Small Cell Tenancy Far From a Sure Thing

Crown Castle admits to investors that small cell projects require a second or third tenant for attractive investment returns. Unfortunately, that outcome is not assured

2016

"We're choosing today to invest in and build immature assets because we believe there will be an environment over time that will fill those assets up and increase the yields over time."

2017

"So we're adding immature assets that have future potential and showing that the immature assets that we've built thus far are increasing in returns as we're seeing colocation opportunity."

2018

"So we're building very immature assets that, at the moment, that we believe have significant amount of upside and future growth."

2019

"[G]iven the opportunities that we see in small cells to invest further capital, a significant portion of the activity that's ongoing for small cells is the continuation of building new assets or immature assets."

2020

"[W]e're at the very early stages of it, where we're spending a lot of money on immature assets, but building up a huge pipeline of future growth for the business as we continue to invest in fiber and get small cells to go on that fiber."

Small cell multi-tenancy is not a foregone conclusion: Verizon and AT&T actively prefer their own fiber in their incumbent markets

"But as a general matter of philosophy, we do like owner's economics, especially if -- I go back to the point where if it's really a fiber network with antennas hanging off of it, we'd want to be positioned with the owner's economics."

Verizon CTO
June 2019

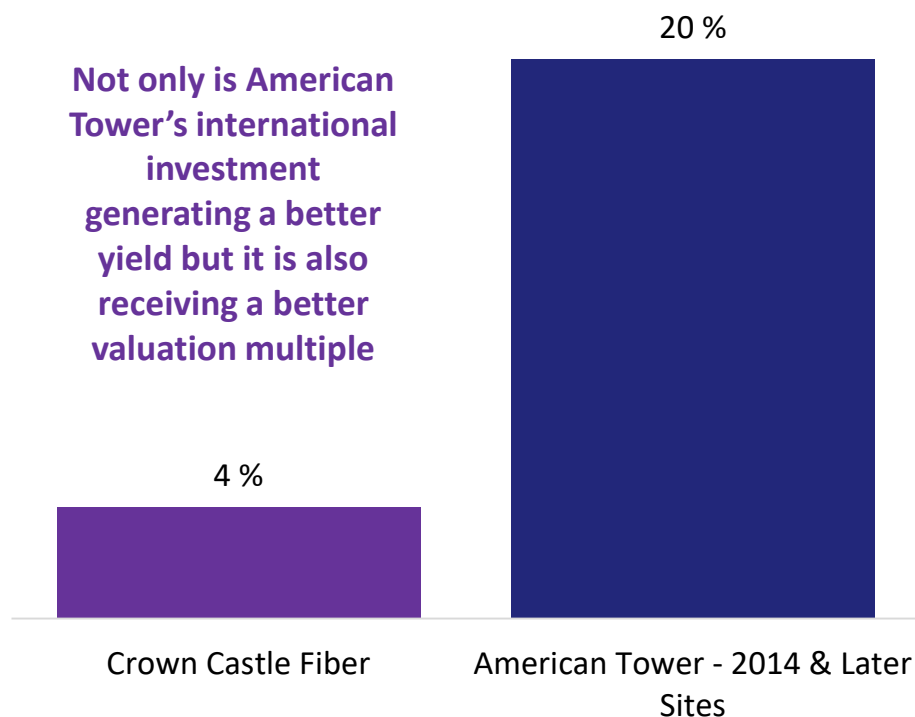
"Where we have our enfranchised footprint or fiber outside of our footprint, we'll look to build that (small cells) ourselves. And many times, we do."

President of AT&T Operations
May 2019

What Does Crown Castle's Peer Generate from Capex?

In the same time period when Crown Castle was investing in fiber and small cells, American Tower was building **international towers at significantly higher yields**

NOI Yield¹ Comparison: CCI Fiber vs. AMT International Towers



*"The **issue for us has always been the relative return of a U.S. small cell opportunity versus our ability to deploy capital primarily on the macro side in international markets.** And when we've looked at that historically, **the international opportunities have tended to present a more attractive and more compelling return opportunity,** and that's guided our capital deployment decisions."*

Senior Director of Investor Relations, American Tower
May 2018

Excessive Turnover in Crown Castle's Fiber Business

Nearly the entire executive ranks of Crown Castle's fiber acquisitions have left, and the fiber business is now led by a long-time tower executive. **Has the Board ensured that the fiber business has the right skillsets?**



What do Crown Castle's Peers Think of Its Fiber Strategy?

It is instructive to recognize that **Crown Castle's tower peers have chosen not to pursue low-return small cell projects** and have instead decided to allocate capital to higher-return areas



*"[We] continue to **view U.S. fiber assets as inherently less attractive due to the expensive availability of competitive fiber supply in the U.S.** and the resulting less attractive growth and return characteristics of domestic U.S. fiber."*

Former CEO James Taiclet, May 2019

*"With respect to outdoor small cells and fiber in the U.S., we've been a little bit less aggressive than some of our peers, in large part because when **we run the numbers and input all of the modeling assumptions into our 10-year DCF, which we use for all of our investment evaluation, we arrive at overall returns that don't quite hit where we need them to hit.** And for that reason, we've chosen to deploy our capital elsewhere."*

Senior Director of Investor Relations, March 2019



*"To be big in fiber, by necessity, you probably have to have an enterprise business, which is a very, very different business. It's just different. And **we tend to stick with the stuff we know.**"*

CEO Jeffrey Stoops, August 2019

*"**We continue to be focused on macro sites...**I mean, you used the word small cells, but really what small cells is, is fiber. **And our shareholders want us to be a tower company, so we are very much focused on that.** We will continue to look at exclusive pieces of real property where we might have some advantages that could lead to small cells, but **to move into the fiber business is not something that we're pursuing today.**"*

CEO Jeffrey Stoops, May 2017

What do Crown Castle's Peers Think of Its Fiber Strategy?

Zayo is the largest pure-play provider of fiber infrastructure in the U.S. and, consistent with American Tower and SBA, has concluded that **many small cell deals are not attractive investments**



*"We look at some of [these small cell deals] and we're looking at them and saying, boy, we either were getting some completely wrong or **this is going to end up poorly for some folks.**"*

CEO Dan Caruso, August 2017

***"A lot of the [small cell] deals that we've looked at don't – they're not justified by that first tenant...not all of the deals that we've looked at have been such where we were confident that there was a good investment,** where whether it was the commercial terms of the first tenant and the lack of confidence we had and the durability of that, just based on the rights or whether it was just the fundamental economics that they were looking for, or **it was our knowledge of the likelihood of getting a second, third or fourth tenant based on the competitive dynamics and who's already working with whom within that market.**"*

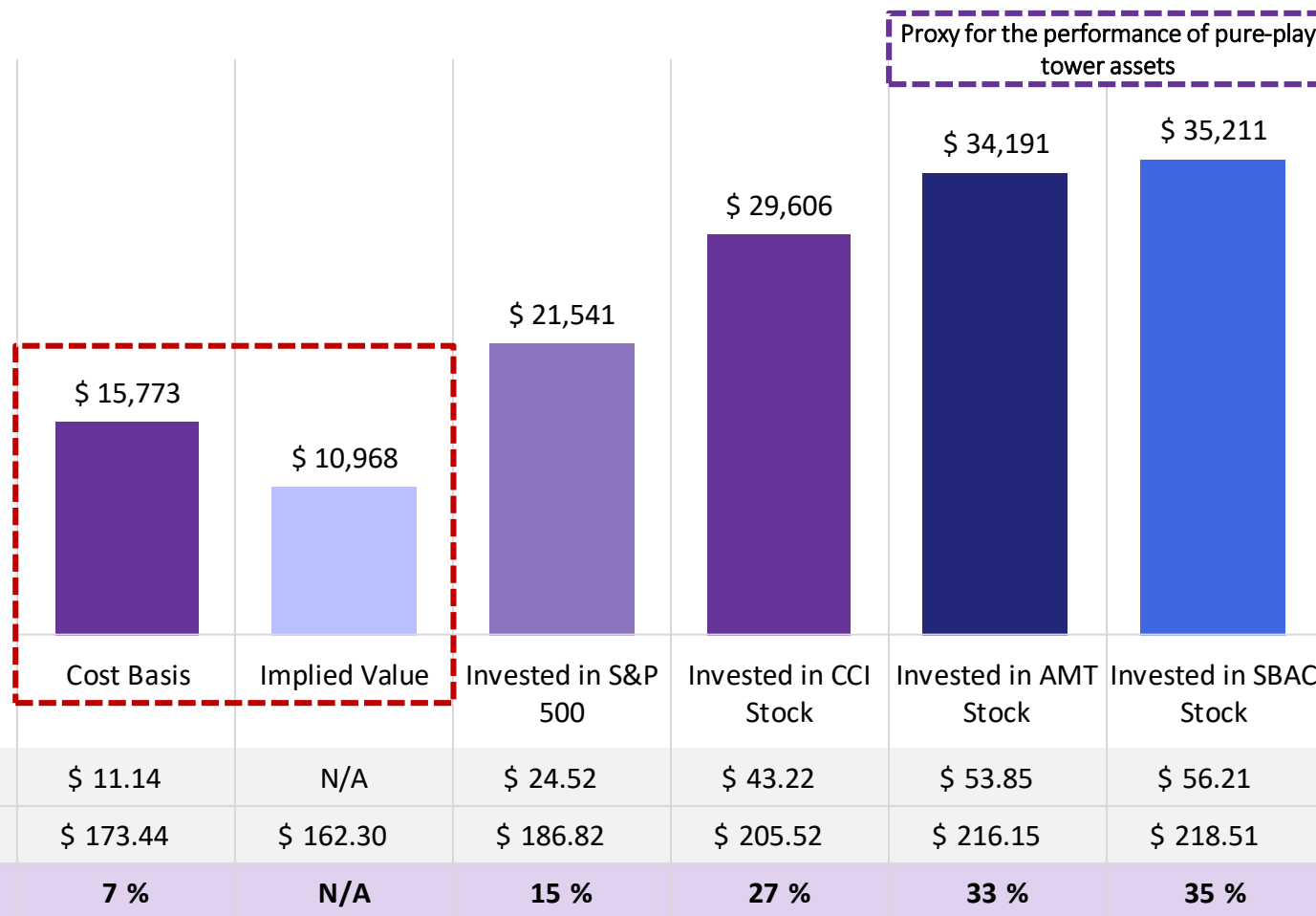
CFO Matt Steinfort, November 2017

What Could Crown Castle Have Done With its Capital?

Crown Castle has thus far destroyed value through its fiber investment and would have been far better off reinvesting in itself through either tower acquisitions or share repurchases

*"I think we're getting better at both identifying and building a pipeline of future tenancy, and **the strategy is playing out exactly as we thought.**"*

CEO Jay Brown
February 2020



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Reclaiming The Crown Plan

Reclaiming The Crown Plan

We believe Crown Castle's underperformance can be remedied and requires improved performance in its fiber business. With readily achievable fiber targets and enhanced oversight, we believe Crown Castle can deliver compelling returns to shareholders

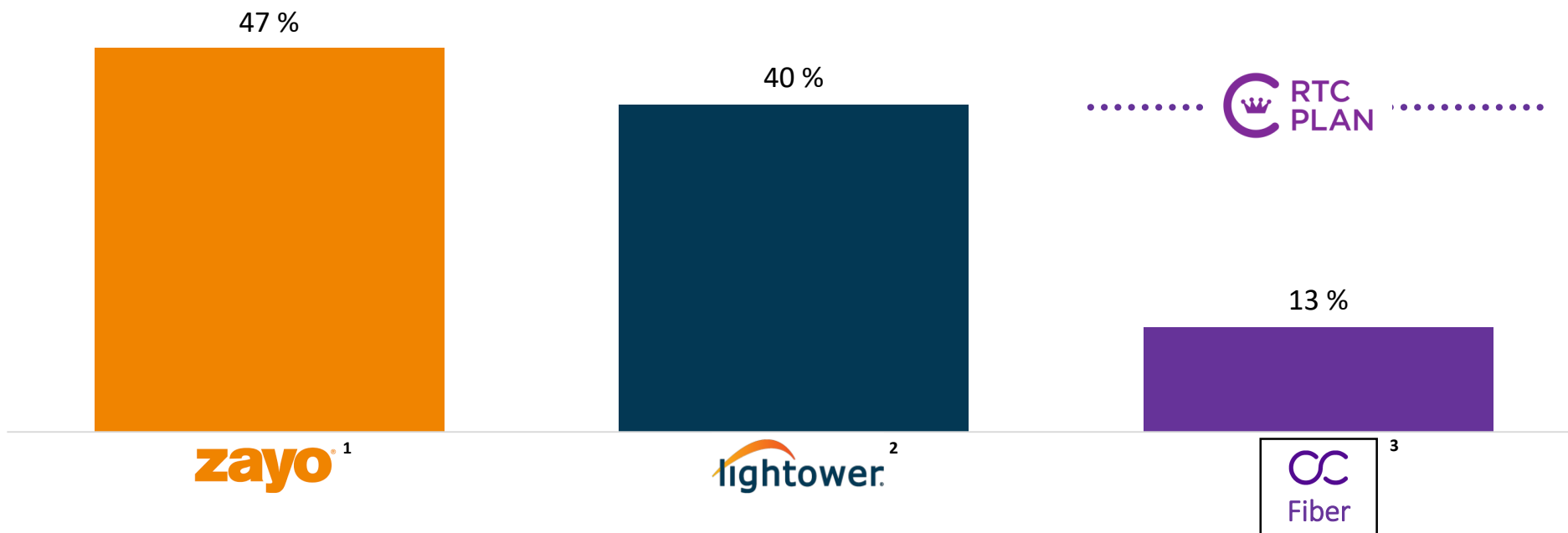
01	ROI-Focused Fiber Capex	Commitment to a capex revenue ROI target of 40% (in-line with industry benchmarks) on \$600M per year of fiber discretionary capex
02	Optimized Incentive Plan	Introduction of ROIC as part of the incentive program to better align compensation with shareholders
03	Enhanced Returns	Increased dividend to \$7.00 in 2021 , a 46% ¹ increase from current levels, in addition to meaningful capex investments of \$1.2B annually
04	Improved Oversight	Improvements to the Board of Directors of Crown Castle including new directors and restructured committees

1. ROI-Focused Fiber Capex

Today, Crown Castle's fiber business is generating ROI's well below industry benchmarks. We can look toward two highly relevant peers – Lighttower (Crown Castle's largest acquisition) and Zayo (the largest pure-play fiber provider) – for what is achievable by an ROI-focused fiber business

Based on our diligence, we believe Crown Castle can achieve a **40% capex revenue ROI on \$600M of Fiber discretionary capex**

Capex Revenue ROI



1. ROI-Focused Fiber Capex

As an important example, we can look to how Lighttower thought about its business and the interplay between revenue growth, capex and capex revenue ROI

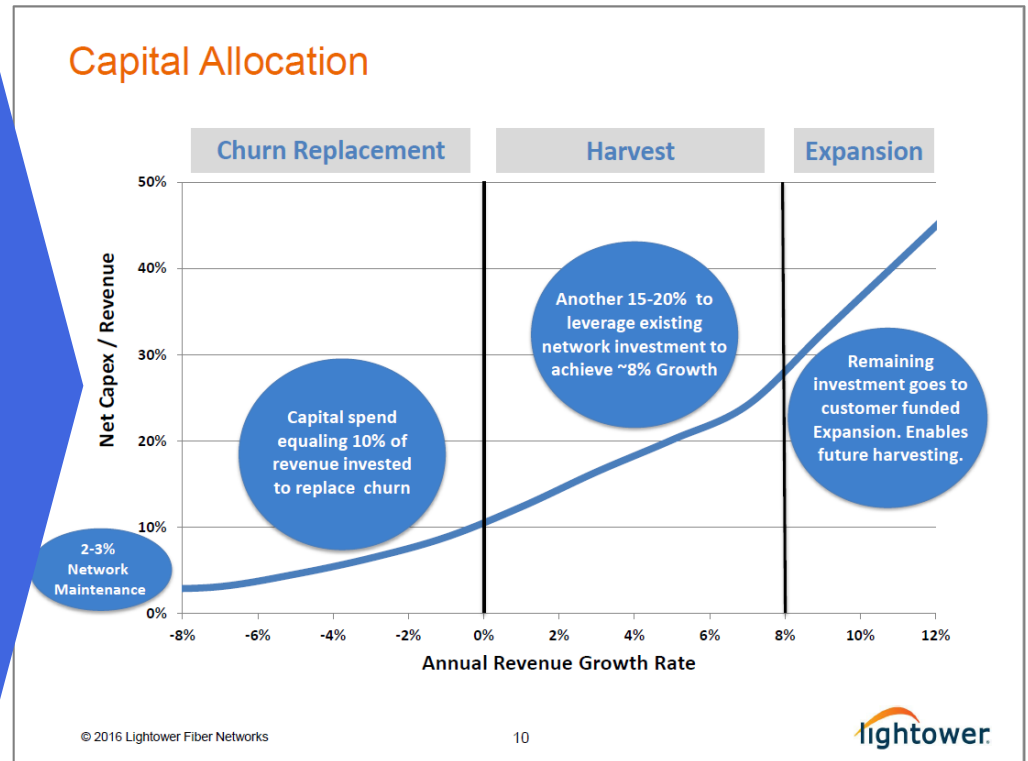
HOW FIBER CAPEX WORKS

➤ Discretionary fiber capex is *discretionary* and driven by success-based projects with customers.

➤ Fiber providers can *choose* which projects to pursue and which projects to dismiss.

– Fiber businesses are attractive because “maintenance” or “sustaining” capex is relatively limited, and the majority of capex is driven by discretionary capex.

➤ As the chart on the right demonstrates, revenue growth can be calibrated to the amount of capex spent: More revenue growth requires more capex.



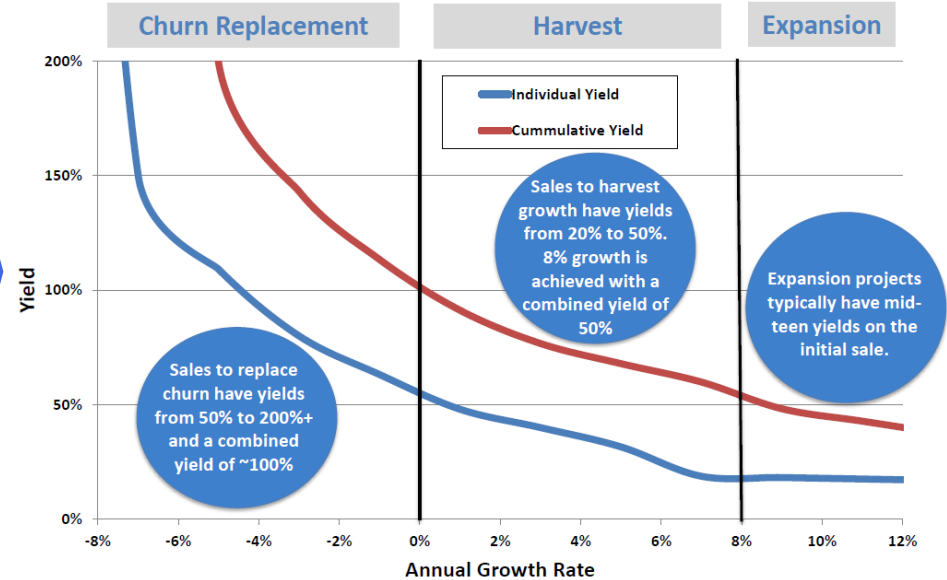
1. ROI-Focused Fiber Capex

As an important example, we can look to how Lighttower thought about its business and the interplay between revenue growth, capex and capex revenue ROI

HOW FIBER CAPEX WORKS (CONT.)

- Fiber businesses have a mixture of success-based projects with varying “yield” or “return” profiles.
 - *Because these projects are discretionary, fiber providers can choose the mix of projects pursued and the required yield profiles of those projects.*
- The chart on the right illustrates an essential fact about fiber: **providers can generate significantly higher capex yields by spending less capex and only pursuing higher yield projects.** We believe Crown Castle has exactly this opportunity.

Excellent Return on Investment Profile



© 2016 Lighttower Fiber Networks

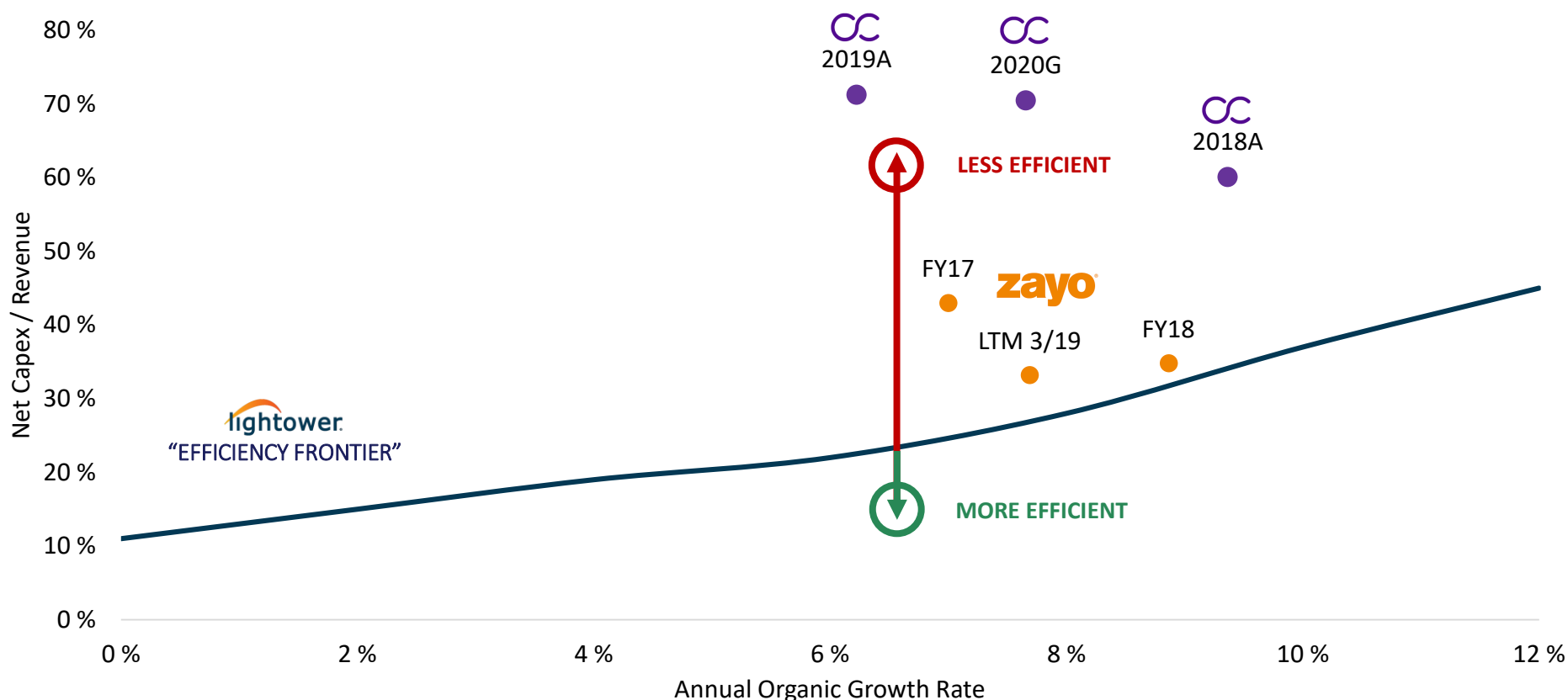
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lighttower

1. ROI-Focused Fiber Capex

Today, Crown Castle is spending significantly **more capex to achieve disappointing revenue growth because its capex ROI is poor**. We believe this issue is fixable and **entirely within Crown Castle's control to change**

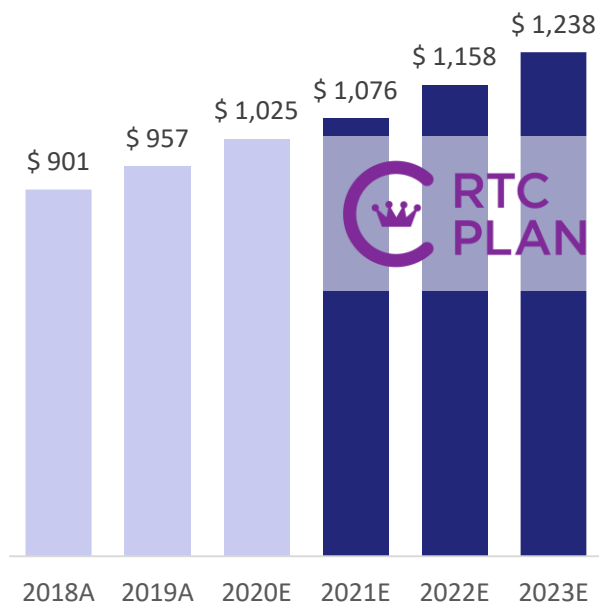
Capital Project Selectivity: Crown Castle Fiber¹ vs. Lighttower and Zayo²



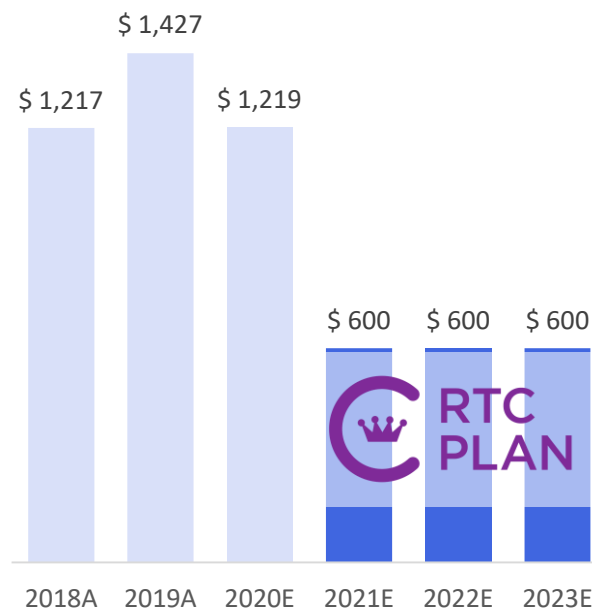
1. ROI-Focused Fiber Capex

RTC Plan calls for Crown Castle to achieve a capex revenue ROI in excess of 40% on annual fiber discretionary capex of \$600M (versus \$1.4B), which **turns fiber into a cash flow generative business**

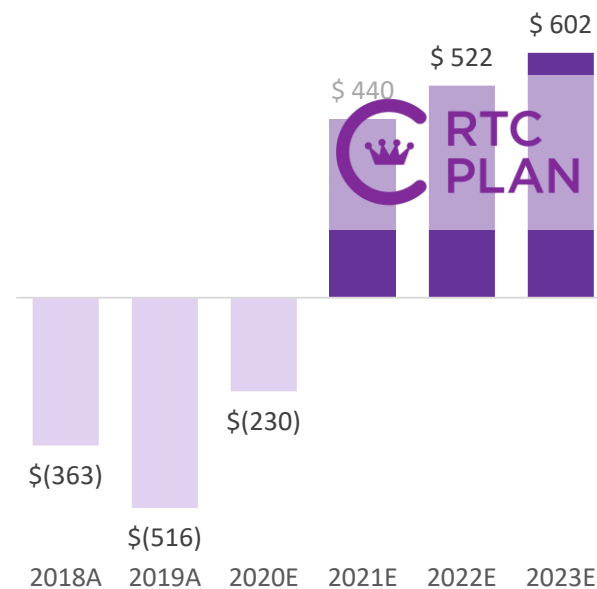
Fiber EBITDA (\$M)



Fiber Discretionary Capex (\$M)



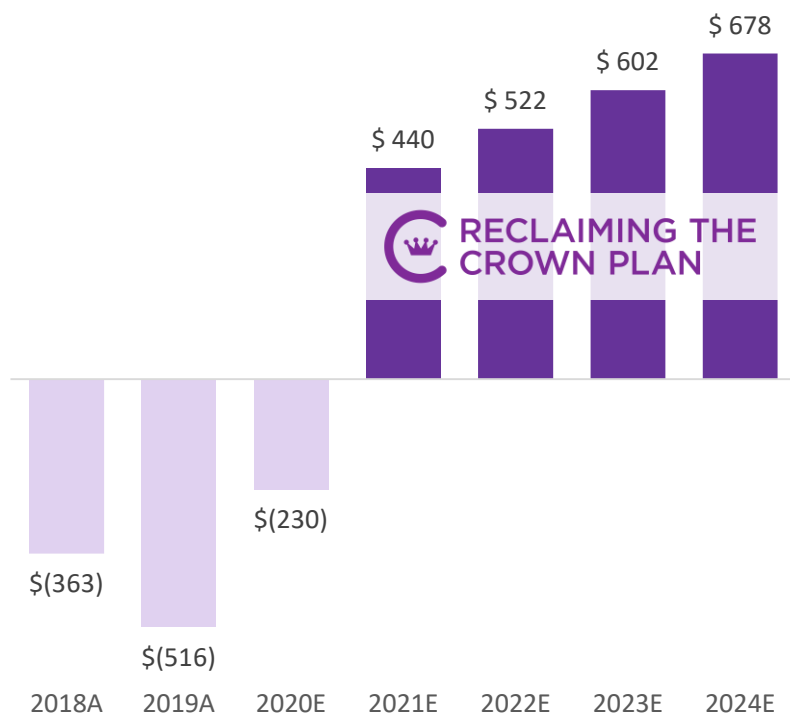
Fiber EBITDA – Capex¹ (\$M)



1. ROI-Focused Fiber Capex

Under the RTC Plan, Crown Castle's fiber will achieve *positive cumulative* EBITDA – Capex **by 2024, finally achieving Crown Castle's stated intention that fiber would contribute to dividend capacity**

Fiber EBITDA – Capex (\$M)



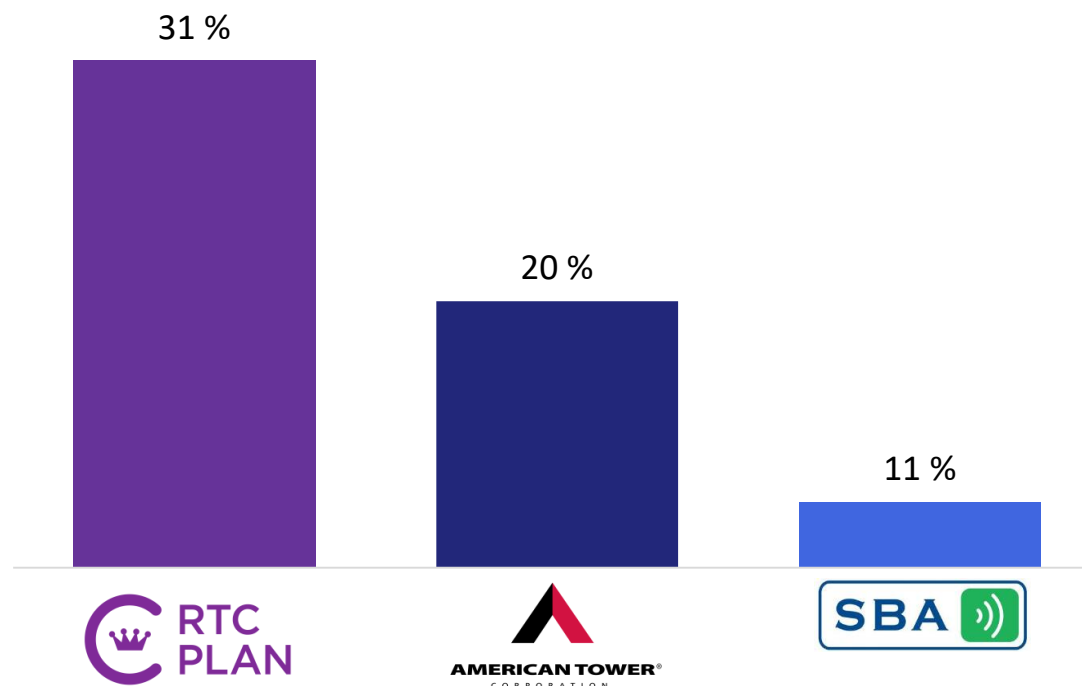
Cumulative Fiber EBITDA – Capex (\$M)



1. ROI-Focused Fiber Capex

The RTC Plan aims to provide a balanced approach to capital allocation, including maintaining substantial organic investment. At \$600M of annual fiber discretionary capex, **Crown Castle would still be spending far more capex than its peers on a relative basis**

Capex % of EBITDA¹



2. Optimized Incentive Plan

To ensure that Crown Castle's management team is properly aligned with shareholders, we are recommending a revised incentive plan that encourages sound capital allocation and bridging the performance gap to industry peers

The Problems with Crown Castle's Current Incentive Plan

01	NO RETURN ON INVESTMENT GOALS	<ul style="list-style-type: none">▪ Crown Castle invests more of its cash flow than any of its peers on capex (overwhelmingly on fiber)▪ Despite the massive capital investments, Crown Castle has no ROI/ROIC metric in its incentive plan▪ In fact, Crown Castle's current incentive plan uses only AFFO and EBITDA – both metrics exclude discretionary capex, thereby giving management no accountability to focus on ROIC
02	LACK OF AMBITION	<ul style="list-style-type: none">▪ A review of the annual incentive plan demonstrates that the annual target for EBITDA and AFFO are almost always met or eclipsed, suggesting that the compensation committee's goals lack ambition▪ In Crown Castle's Long Term Incentive Plan, or "LTIP," TSR is the lone metric for evaluating long-term performance. Recent change removes any TSR comparison from peers and instead establishes a "TSR goal" of 11.5% annualized returns. Given the historical returns of pure tower REITs (which have averaged 22% annual returns), this arbitrary goal seems especially inappropriate

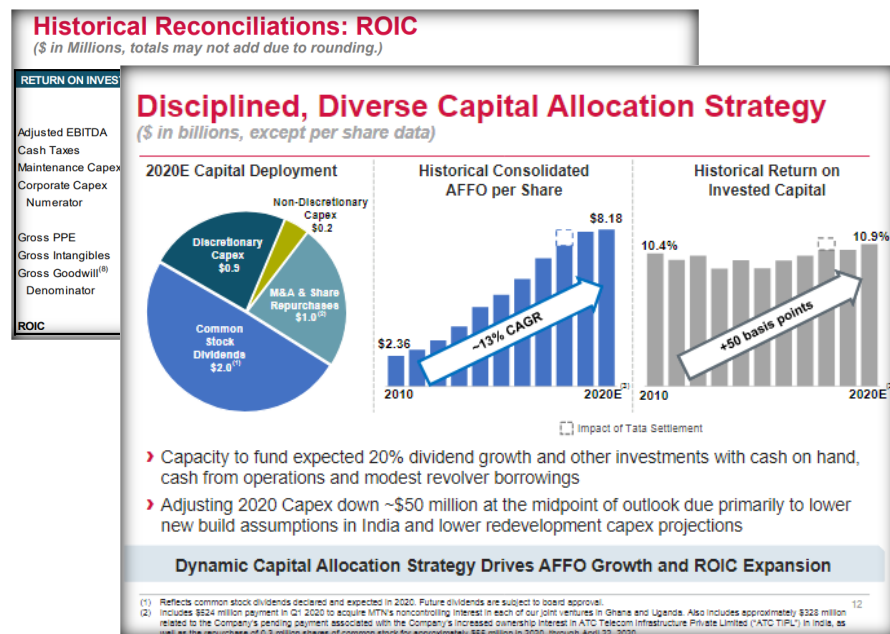
Reclaiming The Crown Plan Recommended Changes

01	ADD ROIC GOAL	<ul style="list-style-type: none">▪ A critical requirement given the quantum of capital that Crown Castle invests
02	FIX TSR GOAL	<ul style="list-style-type: none">▪ Add component of TSR goal to benchmark performance against American Tower and SBA

2. Optimized Incentive Plan

Unlike its two better-performing peers, **Crown Castle does not report its own ROIC metric** to the investment community. This is highly unusual when considering Crown Castle's capital intensity and suggests that **the Board and management team are not focused on this essential metric**

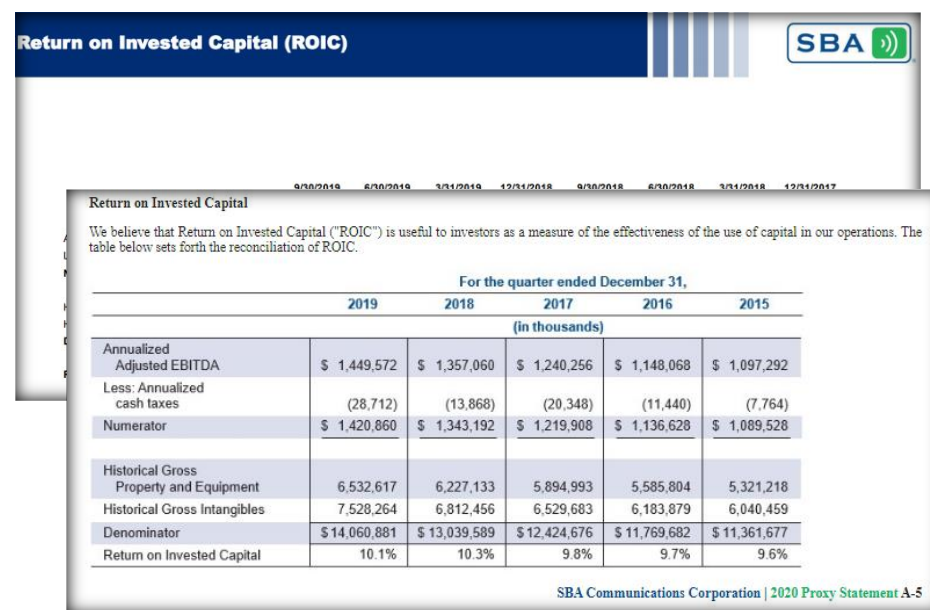
American Tower: ROIC Disclosure and Focus



"I'm compensated based upon AFFO per share growth and ROIC. And so, it's very simple. And so, everything that we do, every new dollar that we allocate within the business will be to drive those - those two metrics in a very high quality way."

CEO Tom Bartlett, American Tower
May 2020

SBA: ROIC Disclosure



"Some folks want to see that growth on the revenue line. I continue to submit to you that the ROIC that we can produce by doing what we're doing is better and the value created for our shareholders will be better."

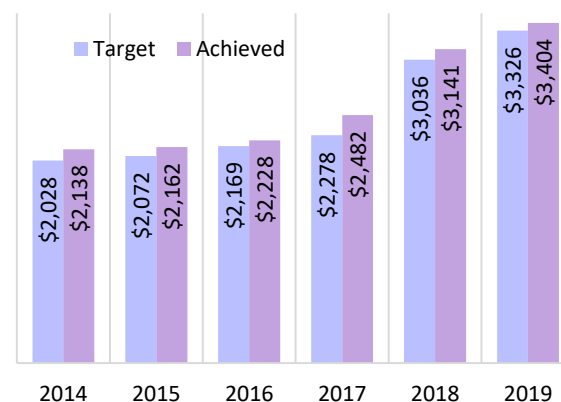
CFO Brendan Cavanagh, SBA
April 2018

2. Optimized Incentive Plan

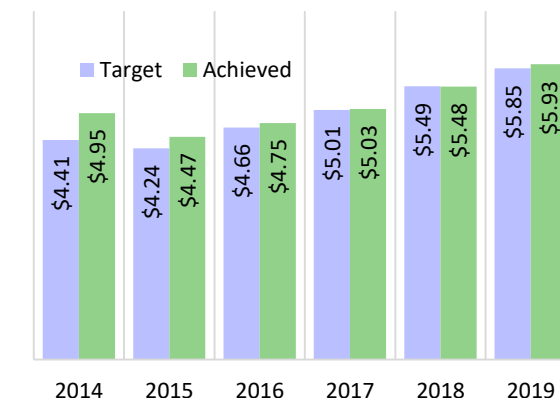
Today, annual incentive targets are weighted 50% each to EBITDA and AFFO, neither of which incorporate the impact of discretionary capex or any analog to ROIC or ROI

- There are two concerning aspects of Crown Castle's annual incentive plan:
 1. Crown Castle's targets for 100% payout are almost always met. In fact, over the last six years, only one goal (AFFO) was missed by one cent (2018). This suggests that the **compensation committee is not establishing challenging goals**
 2. More importantly, the **annual incentives do not take into consideration any metric associated with generating returns on its substantial invested capital**. Both EBITDA and AFFO *exclude* discretionary capex. This is a highly problematic incentive structure for a business that generates billions in cash flow and underperforms so severely on ROIC
- Despite cruising to its annual incentive goals, Crown Castle rarely outperforms its peers (one year in the last 10)

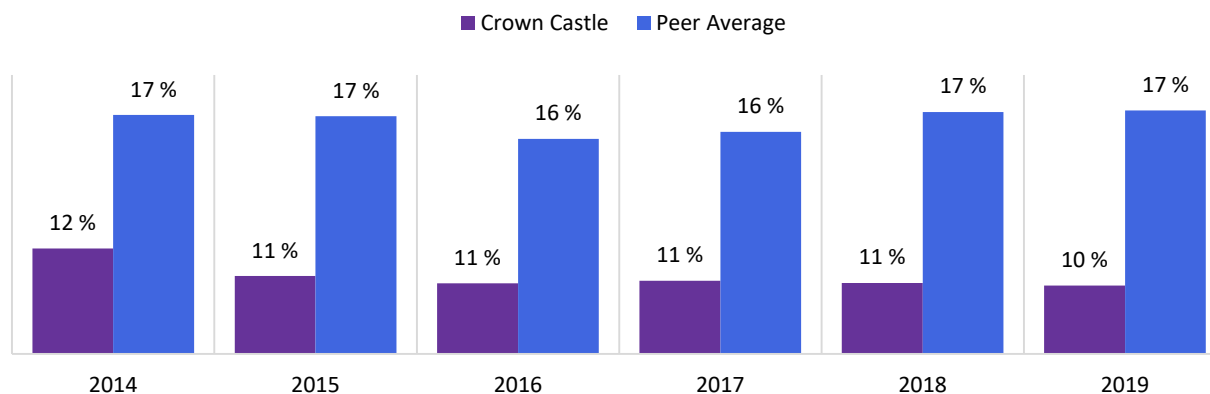
Adjusted EBITDA Goal vs. Achieved (\$M)



Adjusted AFFO Goal vs. Achieved (\$M)



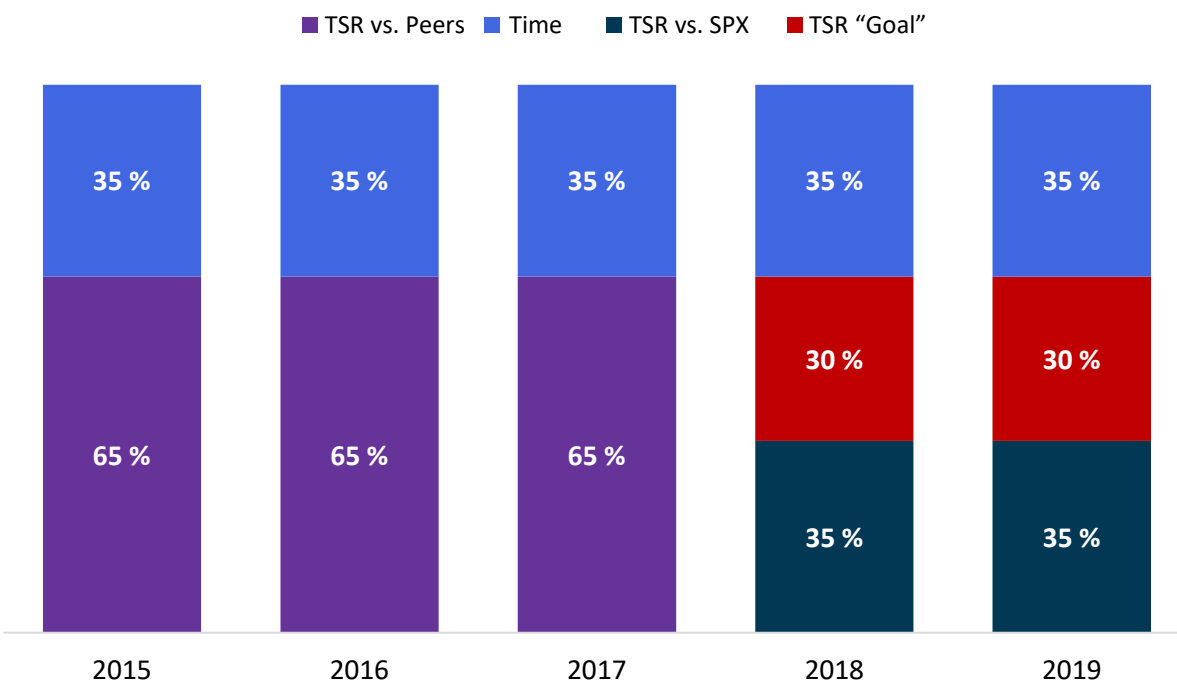
Annual ROIC¹ vs. Peers²



2. Optimized Incentive Plan

Crown Castle recently made a notable change to the Long Term Incentive Plan (LTIP), which should be concerning to shareholders and raise questions about the level of oversight by the Compensation Committee

LTIP Evolution



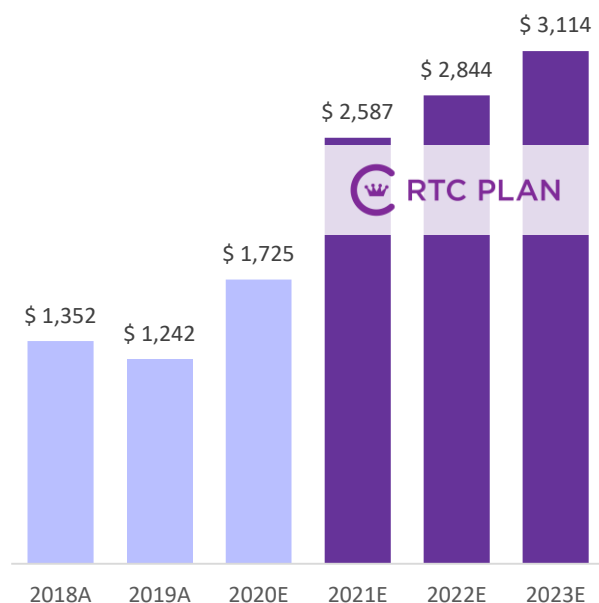
- In 2018, Crown Castle eliminated the TSR vs. Peers metric and replaced it with: (1) TSR vs. S&P 500 and (2) TSR "Goal" of 11.5% annualized return. This change is notable and demonstrates a lack of recognition for how performance should be judged
1. TSR vs. S&P 500: Crown Castle has only underperformed the S&P 500 once in the last 10 years on a three-year lookback basis (2015), despite underperforming its direct peers consistently during this period
 2. TSR "Goal": Since 2009, tower REITs have averaged >20% annual returns, largely driven by the industry-wide increase in tower valuation multiples. The new "goal" of 11.5% is both arbitrary and is well below the historical return profile for the tower REIT peer group

Crown Castle's new LTIP must incorporate relative returns to American Tower and SBA to establish the appropriate bar for "success"

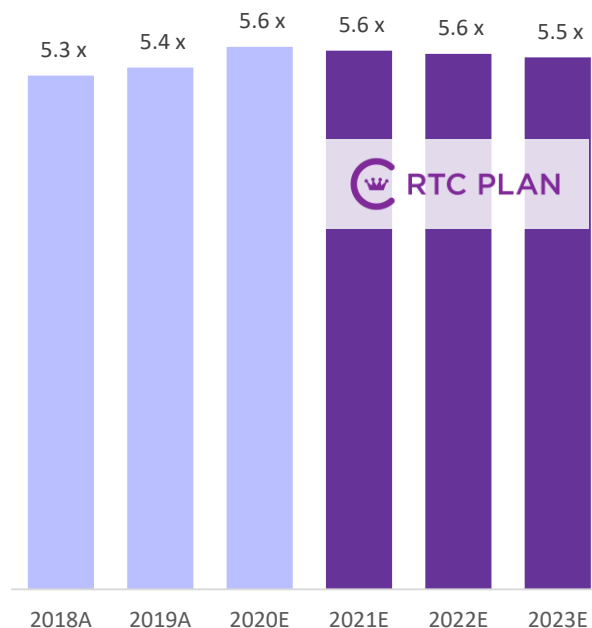
3. Enhanced Returns

By executing on the fiber capex initiatives, Crown Castle will be significantly more cash flow generative and, through prudent leverage, can deliver robust dividend growth. **The RTC Plan calls for a 46% increase in the dividend to \$7.00 per share in 2021 and growing 7-8% annually thereafter**

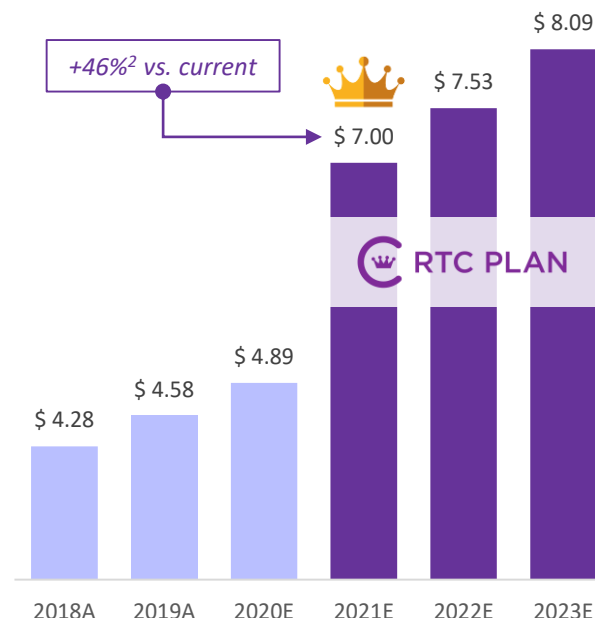
EBITDA – Capex (\$M)



Net Debt / EBITDA



Dividends per Share¹



4. Improved Oversight

BOARD IN NEED OF REFRESHMENT¹

- Director tenure is extraordinarily long, **with eight of the 11 non-executive directors having a tenure of at least 13 years** (including six having a tenure of at least 15 years)
- **Chairman has been in the role for 18 years** and has served on the Board for ~25 years, raising questions about independence
- **Two former Crown Castle CEOs** are on the Board
- Among 12 total directors, there are **only two women** serving on the Board

	GENDER	AGE	TENURE	AFFILIATION
Director 1	M	74	25	Former Crown Castle CEO
Director 2	M	76	25	
Director 3	M	74	25	Chairman since 2002
Director 4	M	75	19	
Director 5	M	57	18	
Director 6	M	78	15	
Director 7	M	56	14	Former Crown Castle CEO
Director 8	F	54	13	
Director 9	M	48	6	
Director 10	M	59	5	
Director 11	M	47	4	Current Crown Castle CEO
Director 12	F	55	2	

IMPROVED BOARD AND GOVERNANCE

- Refresh Board with new directors, greater diversity and reduced overall Board tenure
- Restructure key committees and new committee leadership
- Require new directors with experience in the fiber industry and strong capital allocation experience






*[Crown Castle] **has been flagged for an entrenched board** as around 50% (as of March 2020) of its members have a tenure of more than 15 years.*

MSCI, Crown Castle ESG Report

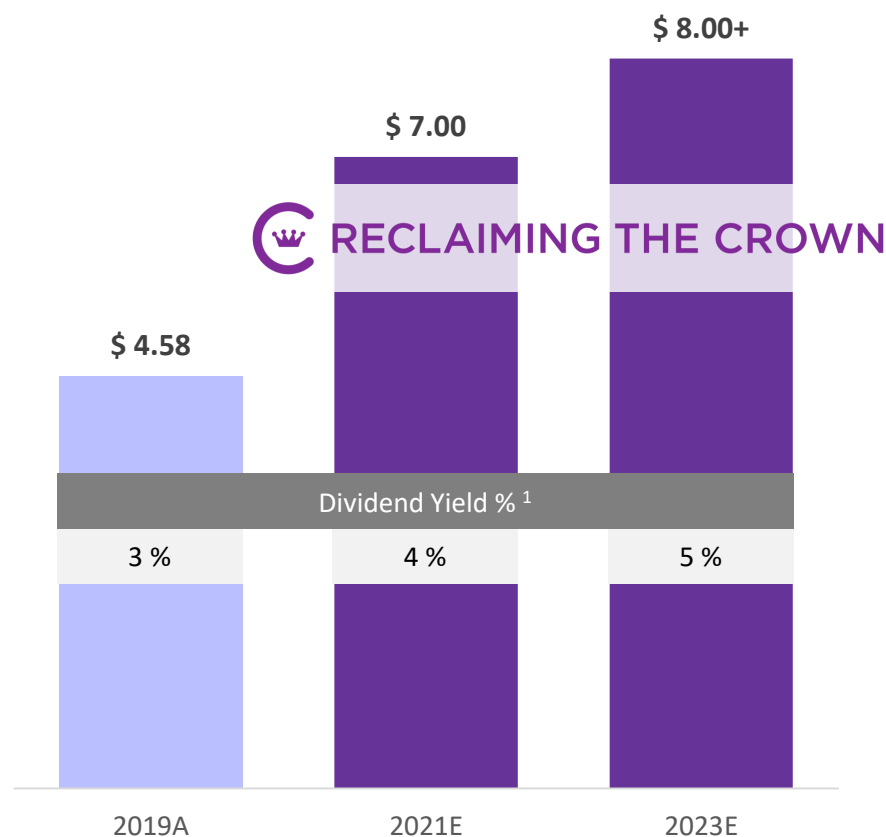
Reclaiming The Crown: Next Steps

Now is the time for Crown Castle's Board to exercise greater prudence in capital allocation, recalibrate the fiber strategy and deliver the shareholder returns befitting its premier shared infrastructure assets

Next Steps for the Crown Castle Board

	Recalibrate fiber capex to achieve a 40% capex revenue ROI and dramatically improve free cash flow
	Evaluate new capital allocation policy to balance organic capex investment and a dividend target of \$7.00 per share next year
	Introduce new incentive plan that incorporates ROIC to better align management with the drivers of shareholder value creation
	Ensure that the fiber business has the right skillsets for success
	Refresh Board with fresh perspectives and new directors with fiber-specific experience

RTC Plan Drives Robust Dividend Growth



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Appendix

Appendix: Market Implied Valuation Of Crown Castle Fiber

Implied Domestic and International Multiples (\$M)

	CCI	AMT	SBAC
Market Cap	\$ 69,993	\$ 112,511	\$ 32,280
(+) Gross debt ¹	18,929	25,599	10,668
(-) Cash ¹	(456)	(2,371)	(239)
(+) NCI	0	972	14
(+) PV Tower Options ²	3,010	2,494	0
Adj. Enterprise Value	\$ 91,476	\$ 139,205	\$ 42,723
(-) Implied Int'l EV		(23,217)	(2,980)
Implied Domestic Tower EV		\$ 115,988	\$ 39,742
x Domestic LQA EBITDA		34.4 x	32.9 x

Int'l EV / EBITDA	13.5 x	11.0 x
Q1'20 LQA Int'l EBITDA	\$ 1,715	\$ 270
Comps Implied Int'l EV	\$ 23,217	\$ 2,980

LQA EBITDA - Geographic Disaggregation³

Domestic	\$ 3,369	\$ 1,210
International	\$ 1,715	\$ 270
International Mix % ⁴		
India	23 %	
EMEA	33 %	
LATAM	44 %	100 %
Mix Implied Int'l Multiple	13.5 x	11.0 x

Crown Castle Implied Fiber Multiple (\$M)

Crown Castle Implied Fiber Multiple

Q1'20 Crown Tower LQA EBITDA ⁵	\$ 2,393
Peer Avg. Domestic EV / EBITDA	33.6 x
Peer Implied CCI Domestic Tower EV	\$ 80,508
Crown Castle Adj. Enterprise Value	\$ 91,476
(-) Implied CCI Domestic Tower EV	\$(80,508)
Implied Crown Fiber EV	\$ 10,968

Q1'20 Crown Fiber LQA EBITDA⁵ \$ 899

Implied Fiber EV / EBITDA 12.2 x

International Comps (\$M)

Company	Region	TEV	1Q20 EBITDA	LQA EBITDA	TEV / LQA EBITDA
Bharti Infratel Ltd	India	\$ 5,407	\$ 229	\$ 914	5.9 x
GTL Infrastructure Ltd	India	\$ 127	\$ 12	\$ 47	2.7 x
India Average					4.3 x
Infrastrutture Wireless Italia	Italy	\$ 13,322	\$ 102	\$ 409	32.6 x
RAI Way SpA	Italy	\$ 1,781	\$ 36	\$ 145	12.2 x
Cellnex Telecom SA	Spain	\$ 28,660	\$ 286	\$ 1,143	25.1 x
EMEA Average					23.3 x
Telesites SAB de CV	Mexico	\$ 3,558	\$ 81	\$ 323	11.0 x

ELLIOTT

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