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Crown Castle International Corp.
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Dear Members of the Board:

We are writing to you again on behalf of Elliott Associates, L.P. and Elliott International, L.P. (together, "Elliott" or "we"). Since releasing our letter and presentation on July 6th, we have had the opportunity to exchange views with many shareholders, prospective shareholders and equity research analysts. The purpose of today's letter is to share our conclusions from those conversations and propose near-term steps to reach consensus on the optimal long-term plan for Crown Castle.

As a result of these conversations, we believe there is broad-based consensus that Crown Castle must address the following three questions without delay:

1. **How should Crown Castle's overall success be measured?**
2. **How should investors analyze whether the Company's fiber and small cell strategy is working?**
3. **Who is best to oversee the Company to ensure accountability on these measures?**

Regarding all three of these questions, we believe the feedback we have received points to an urgent need for near-term action to provide investors with more clarity, improved accountability and ultimately a path to greater value. Crown Castle has had more than two months to evaluate our perspectives and recommendations: **Investors expect answers on the Q2 earnings call on July 30th**.

How Should Crown Castle Measure Success?

In our letter and presentation, we made the case that Crown Castle has underperformed its substantial potential. Despite its ownership of premier U.S. tower assets and attractive fiber infrastructure, Crown Castle has underperformed its direct peers – companies that were nearly identical a decade ago – across multiple parameters over a long-term time horizon. This underperformance is evident in Crown Castle's total shareholder returns, return on invested capital (ROIC), AFFO per share growth and valuation multiples. Our strong conclusion was and remains that Crown Castle can do better.

In contrast, Crown Castle has suggested that "the strategy is playing out exactly as we thought." Noticeably absent from its press release on July 6th was any analysis-driven response to the issues we highlighted with the Company's fiber and small cell strategy. The silence on our proposals was referenced in nearly all of our conversations over the past two weeks. Further, the Company compared its performance against the broader REIT index and the S&P 500 rather than its direct peers with comparable assets. Of course, no one disputes the strong equity returns generated from the tower industry over many years, but **few investors would agree that comparisons to non-tower benchmarks are an appropriate barometer of success for Crown Castle**.

This dispute is not simply rhetorical – as we lay out in our "Reclaiming The Crown" presentation of July 6th, Crown Castle's apparent acceptance of underperformance against its peers is evident in how the Board has designed and approved management compensation. The lack of ambition that we have identified in the Company's incentive plan is demonstrated by easily achieved financial targets and the decision in 2018 to untether any portion of its incentive plan from performance against peers. Progress toward achieving Crown Castle's full potential (and the value that shareholders deserve) begins with using the right metrics to determine success. The feedback we have received over the past two weeks strongly indicates that your shareholders agree.

<u>How Should Investors Judge Crown Castle's Fiber and Small Cell Strategy?</u>

Over the last five years, investors and analysts have been asking the Company for actual data and analysis that demonstrates that the strategy is on the right path and that incremental yields will inflect higher over a reasonable time horizon. To date, the Company has provided only high-level, anecdotal commentary about selective markets. The *actual* disclosed results tell a different story: repeatedly missed fiber revenue targets, repeatedly missed small cell node goals and consistently declining ROIC. **We believe Crown Castle owes the investment community a robust plan and appropriate disclosure of actual, quantitative metrics to justify its <u>most important capital allocation decision in the last decade</u>**. Most analysts agree:

> *"We believe <u>CCI should improve quarterly fiber segment disclosures</u> on product mix, bookings, small cell nodes, deferred revenue (prepaid rent), capex by product or project returns, customers, and aggregate ROIC. Ultimately, <u>disclosures that help to frame long-term internal organic revenue growth & net ROIC can help to influence the narrative on how fiber assets should be valued</u>."*[1]
>
> *– Citi, July 7, 2020*

> *"[W]e do believe the company may be more open to enhancing its disclosure around the Small Cell business. Examples may include increasing visibility around the type of discretionary investments it's making (ie: color on payback periods), <u>providing more disclosure on profitability and returns across the distinct Small Cell and Fiber portfolios, and potentially more detail on the returns for Small Cells by market and/or vintage (as Data Center REITs often do)</u>. In turn, this could help investors get more comfortable with the longer-term return profile on CCI's Fiber/Small Cell assets, and help close the multiple gap relative to peers."*

[1] All emphases in analyst quotations added by Elliott

– Deutsche Bank, July 6, 2020

> *"We, and others, <u>have long voiced frustration with Crown Castle's disclosures</u>, which are not as robust as those its peers provide. The <u>statistics we have to work with are inadequate to confidently evaluate the performance of its fiber segment</u>, especially when disaggregating fiber solutions and small cells. We understand that it can be hard to tease out cohort-level results for a fiber business given the overlapping nature of investments, especially given M&A activity and some fiber being multi-use in nature (fiber solutions and small cell). Still, <u>the company can do much better than it has</u>...It presumably has compelling small cell data and analytics that it has used to justify billions of dollars in organic investment and M&A activity over the years. It certainly has sophisticated tools and processes in place to evaluate the lease-up and return potential of the systems it is building (assessing competing fiber, forecasting carrier demand, estimating local construction costs, determining pole availability, etc.). There should be plenty of space for the company to illuminate those of us on the outside without jeopardizing any customer or competitively sensitive information. Doing so would considerably narrow the parameters of the small cell debate. In contrast, <u>not sharing information along these lines, especially when facing activist scrutiny, could fuel concerns that the company is hoarding the data because it simply isn't that compelling</u>."*
>
> *– MoffettNathanson, July 7, 2020*

> *"In our conversations with investors, <u>it is clear that the company's fiber investments remain the key driver of the persistent valuation discount vs peers</u>. Management appears committed to providing additional information moving forward. Historically, <u>disclosure has come in the form of periodic updates and case studies, which we do not view as sufficient to appease most investors</u>. Given that meaningful fiber/small cell lease-up could take another 5-10 years, <u>the company should begin providing additional KPIs by which their success can be judged</u>."*
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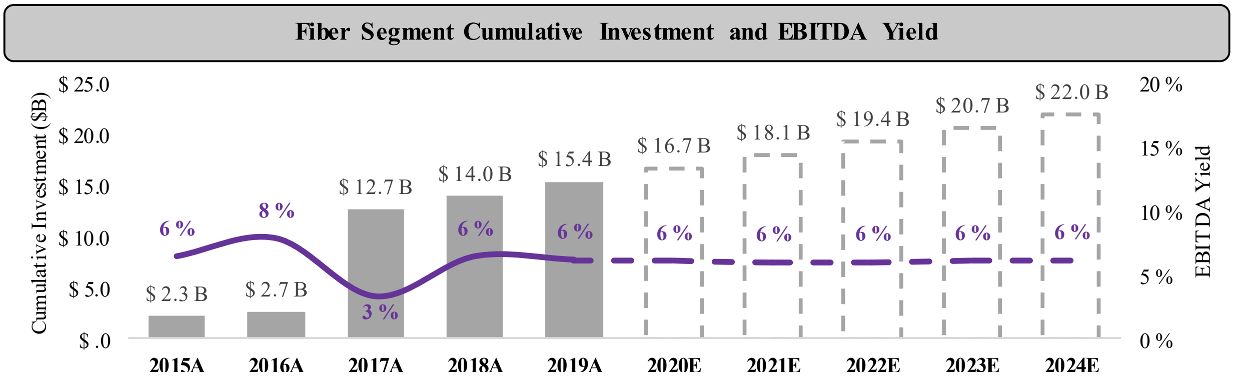
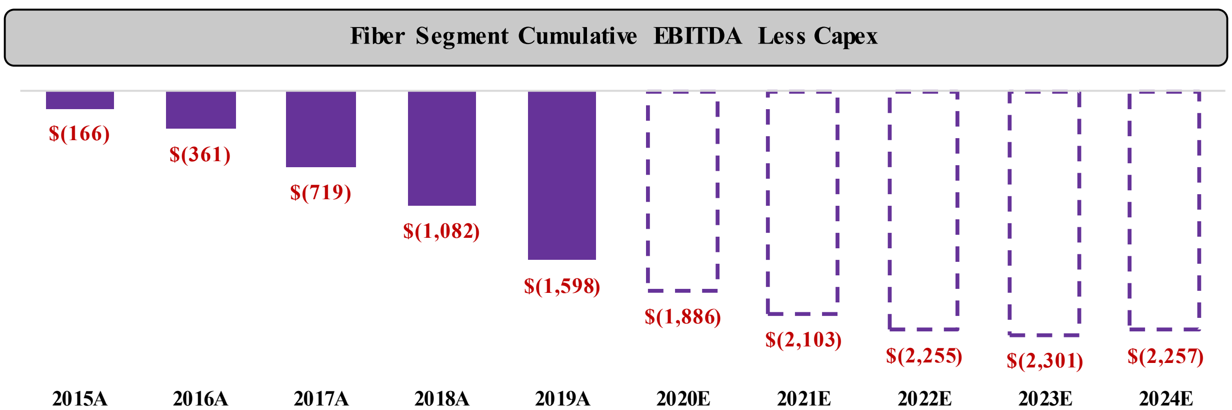
> *– Morgan Stanley, July 7, 2020*

While some analysts are *hopeful* that the small cell strategy will prove correct, we have seen limited proof points and limited analytical support from the Company for such views. In fact, we can look toward consensus projections for the fiber segment as additional evidence that the investment community harbors skepticism regarding whether and when investment yields will inflect higher. Based on consensus projections for the fiber segment, analysts forecast that Crown Castle will spend another $6 billion through 2024 and yields will remain *stagnant* at a disappointing ~6%. Notably, 2024 represents a **decade** since the major onset of Crown Castle's fiber investment strategy. If fiber investment yields do not inflect higher over the next five years during the major 5G upgrade cycle at wireless carriers, why should investors expect better returns at any point in the future?



Source: Actuals from company filings and projections represent average of Street models projecting Fiber EBITDA and Capex through 2024. Yield calculated as fiscal year EBITDA divided by cumulative M&A spend and capex through fiscal year end. Cumulative M&A spend includes 2012 acquisition of NextG.

In our presentation, we also illustrated that the fiber and small cell strategy operates deeply free cash flow negative (defined as EBITDA less Capex) and has resulted in a cumulative negative free cash flow of $1.7 billion through Q1 2020. Despite the fact that Crown Castle has repeatedly characterized the fiber and small cell strategy as enhancing "long-term dividends per share," there is no foreseeable period when this will be true. Analyst projections assume continued negative free cash flow and the accumulation of $2.3 billion of losses through 2024, which represents a **decade** of performance. If the strategy was intended to increase dividend capacity, when does it yield the targeted result?



Source: Historicals per company financials. Projections represent average of Street models projecting Fiber EBITDA and Capex through 2024.

We believe the charts above reaffirm the most important question: What does success look like for Crown Castle's fiber and small cell strategy? What metrics should shareholders use to measure success in fiber and small cells? Should the Board and investors be satisfied with a 6% yield on $22 billion of capital after ten years of investment? And do investors need to wait beyond **2030** for the fiber strategy to achieve its original intent of contributing to "long-term dividends per share?" **So far, Crown Castle has provided no answers**.

While we may disagree on the right path forward today, we believe there is common ground that Crown Castle is undervalued and that investors struggle to see the path to value creation from the fiber and small cell strategy. A significant contributing factor is the fact that Crown Castle has never laid out a multi-year plan or the metrics necessary to properly evaluate its fiber business performance. In order to facilitate a more thoughtful discussion, we believe it is necessary for Crown Castle to finally provide the analytical underpinnings of its small cell strategy and outline a multi-year plan with definitive metrics that will **allow investors to track its performance and fairly judge whether or not this strategy is on a path to success**.

We propose the following framework for Crown Castle to outline publicly on July 30th:

1. Five-Year Plan for Fiber Segment: Revenue, gross margin, segment profit and discretionary capex from 2020 to 2024, including revenue and capex mix between enterprise fiber and small cells as well as bifurcation of anchor build capex and colocation capex for small cells.

2. New Quarterly KPIs for Fiber Segment: New bookings (including expected capex associated with new bookings), installations, churn, upfront cash payments and capex segmented by payback period, including separate disclosure for enterprise fiber and small cells.

3. Small Cell Cohort Analysis: Quantitative framework that describes Crown Castle's small cell investments by year of deployment, including capital invested, fiber route miles, small cell nodes, small cell revenue and any associated enterprise fiber revenue over time.

We believe the framework outlined above, if credibly presented, would be well-received by investors (and has already been supported by many shareholders in our conversations) and help the investment community determine their own view on the best path forward. This disclosure is a critical first step for shareholders and analysts to assess the merits of the strategy and determine the changes necessary to remedy Crown Castle's persistent underperformance against its peers.

Who Should Oversee Crown Castle As It Seeks to Improve?

We are calling for Crown Castle to present a multi-year plan to allow investors to track its performance and determine if the fiber and small cell strategy is value-accretive to shareholders. A related question must be answered pertaining to governance: Given the long-term performance issues at Crown Castle that we outlined in our July 6th presentation, is the current Board the right one to guide and oversee the Company as it seeks to improve transparency and accountability?

Crown Castle is *markedly* off best-in-class governance with respect to Board composition. Consider the following:

- Director tenure is extraordinarily long, with **eight of the 11 non-executive directors having a tenure of at least 13 years**.
- Five directors have been on the Board for more than **18 years**.
- A majority of the members of each of the Audit Committee, the Compensation Committee and the Nominating & Corporate Governance Committee have a tenure of at least **13 years**.
- The Chairman has been in the role since 2002 and has served on the Board for ~**25 years**.
- Two other directors, in addition to the Chairman, have served on the Board for **25 years**.
- There are **two former Crown Castle CEOs** on the Board.

- Regarding diversity, among 12 total directors, there are, for example, only **two women** serving on the Board.

When presented with these facts, **no one** with whom we have spoken is willing to defend the Company's current Board composition. When such a large majority of directors has served together on a Board for such a long period of time, it raises legitimate questions about that Board's independence and diversity of perspectives, especially when that Board includes two of the Company's former CEOs. At Crown Castle, this dynamic has undoubtedly served to insulate management and the Board from accountability to shareholders. There is a clear need for the Company to refresh the Board and improve its approach to corporate governance. This need is even greater given investors' understandable expectation of greater accountability to clear, well-defined metrics for success.

Crown Castle would benefit from engaging in a collaborative and constructive process with shareholders on refreshing the Board and improving the Company's corporate governance practices to instill greater accountability and align the interests of shareholders and the Board in driving shareholder value.

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As a result of the large volume of feedback we have received in the two weeks since we published our thoughts on Crown Castle, we believe the overall sentiment of your investors can be summed up as follows: Crown Castle can do much better. Crown Castle investors want better disclosures, better incentives, better returns, better explanations of strategic choices (with real numbers) and better oversight. Being "good" is not the right benchmark.

Crown Castle has a great opportunity to become the best performer of its peers, and we believe our recommendations position the Company to achieve that. In our view, that is the bar for success. We look forward to continued dialogue and hope we can find alignment on the best value-enhancing plan for Crown Castle.

Best regards,

Jesse Cohn
Partner

Jason Genrich
Portfolio Manager