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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Landmark Infrastructure Partners Fourth Quarter 2017 Earnings Conference Call. (Operator Instructions) As a reminder, today's conference is being recorded.

I'd now like to introduce your host for today's conference, Mr. Marcelo Choi, Vice President, Investor Relations. Sir, please go ahead.

Marcelo Choi - *Landmark Infrastructure Partners LP - VP of IR*

Thank you, and good morning. We'd like to welcome you to Landmark Infrastructure Partners fourth quarter earnings call. Today, we'll share an operating and financial overview of the business, and we'll also take your questions, following our presentation.

Presenting on the call today are Tim Brazy, Chief Executive Officer; and George Doyle, Chief Financial Officer.

I would like to remind all participants that our comments today will include forward-looking statements, which are subject to certain risks and uncertainties. A number of factors and uncertainties could cause actual results in future periods to differ materially from our current expectations. For a complete discussion of these risks, we encourage you to read the Partnership's earnings release and documents on file with the SEC.

Additionally, we may refer to non-GAAP measures such as EBITDA, adjusted EBITDA and distributable cash flow during the call. Please refer to the earnings release and the public filings for definitions and reconciliations of these non-GAAP measures to their most comparable GAAP measures.

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

Arthur P. Brazy - *Landmark Infrastructure Partners LP - CEO & Director of Landmark Infrastructure Partners GP LLC*

Marcelo, thank you, very much.

Good morning. Today, we're going to discuss our fourth quarter results, and provide you with an update on our operating activities, including our infrastructure initiatives and other developments, at both the Partnership and our sponsor, Landmark Dividend.

Before I get into the details of the fourth quarter, I'd like to take just a moment to talk about this past year.

2017 was our third full year since our IPO, and we continue to make very significant progress growing the Partnership. This past year, we've achieved several milestones and continued our transition toward a more fully integrated real estate and infrastructure company. Since our initial public offering in November 2014, we've more than tripled the number of assets in our portfolio from approximately 700 at the IPO to more than 2,200 assets at the end of 2017. We'll also increased our revenue by more than 4x from approximately $13 million at the time of the IPO to over $50 million in 2017.

Last year, we continued to execute our core ground lease business and our strategy of extending our activities from real estate to the related infrastructure. We see an enormous opportunities in this market to leverage our relationships and our growing portfolio of critical infrastructure assets to drive meaningful growth across our entire platform.

In our core business, we completed 5 drop-down acquisitions, including the one ROFO drop down that closed last month, along with a number of direct party acquisitions, including $23 million of U.K. billboard assets with our European outdoor advertising joint venture partner.

In total, from the beginning of 2017 through January 18 of this year, we've acquired 350 assets for total consideration of approximately $219 million. Those assets are expected to contribute approximately $16 million in annual rents, and their characteristics are again consistent with our overall portfolio, with 189 wireless communication, 145 outdoor advertising and 16 renewable power generation assets.

At the end of July, we also completed a substantial reorganization of our legal structure, which moved the Partnership's operating assets into a REIT subsidiary. This reorganization was a significant step forward in simplifying tax reporting for unitholders and eliminating unrelated business taxable income, allowing unitholders to freely purchase LMRK units without having to worry about generating taxable income sourced to states outside their own state of residency. This change was intended to broaden the Partnership's investor base, and really has been very well received.

In 2017, we also announced the strategic partnership with Ericsson, to develop Landmark's FLEXGRID product, a comprehensive network connectivity and energy solution for owners of infrastructure in the telecom, smart city, transportation and utility industries. The response for this product has been very strong, with a lot of interest from commercial property owners, transportation centers and municipalities, and we expect that FLEXGRID will be a key growth driver for the Partnership beginning in 2018.

Turning to the fourth quarter, we had another strong quarter of operating and financial results. Rental revenue growth of 27% year-over-year was driven by the acquisitions we completed in the last 12 months and the strong growth profile of the portfolio.

Stable assets, predictable cash flows and the increasing acquisition opportunities in our targeted markets all continue to drive consistent growing quarterly results at the Partnership.

With acquisition volume exceeding our target level for last year, we recently announced the distribution of $0.3675 per common unit for the fourth quarter, marking the 12th consecutive quarter that the Partnership has increased its cash distribution since the IPO.

We expect 2018 will be another strong year as well, and we believe we're very well positioned to execute on our 2018 initiatives.

Helping drive Partnership performance, the pipeline of assets at the sponsor is strong in all 3 of our industry segments, and we're confident we can deliver meaningful growth through asset acquisition and infrastructure development this year.

In 2017, total acquisition volume at the sponsor increased by more than 20% year-over-year. Our strategic initiatives and the reorganization of our internal acquisition teams, both contributed to improved performance. And you can see one result of the strong production at our sponsor in the growing number of assets in the ROFO asset portfolio, plus the additional assets under management, which stood at approximately 900 assets as of January 31, 2018.

This portfolio has continued to grow, notwithstanding the recently completed Fund H transaction in January of this year. Taking into account, the 127 Fund H assets that were dropped down in January, the assets under management at the sponsor still represent approximately $24 million in annual rents, or about 45% of the Partnership's 2017 revenue, assuming all of the assets in the portfolio were dropped down today.

As we've mentioned on previous calls, we continue to pursue strategic partnerships that complement our existing ground lease business, at both the Partnership and the sponsor. These new initiatives, again, all part of our plan to extend our real estate into related infrastructure, are expected to drive significant asset acquisition and infrastructure deployment opportunities for the Partnership.

Our priority is the Landmark FLEXGRID product, and we're making great progress, as we advance our discussions with a variety of tenants and strategic partners.

We're currently targeting over 500 sites in various stages of development in 2018 across multiple engagements. We've broken ground on a number of locations in the rollout of our initial programs in 2017, and we expect to expand and develop a variety of new programs this year.

Again, we see the FLEXGRID product as the perfect complement to our ground lease business. It allows us to deploy infrastructure at scale. It's designed to address critical network efficiency goals through network densification and co-location, and we have the ability to provide customized solutions for major commercial and consumer customers.

We expect the FLEXGRID product will be a very significant ongoing source of growth for the Partnership.

With regard to our European outdoor advertising joint venture, the business has continued to grow and production has started to ramp up as expected.

In 2017, we acquired 10 outdoor advertising assets in the U.K. for a total consideration of approximately $23 million. And we anticipate acquisition volume will continue to grow this year as well.

As we think about our successes last year and look forward to 2018, we believe the Partnership is in a great position to benefit from the enormous market opportunity across all of our business segments. Our industry has continued to grow significantly, driving more opportunity for asset acquisitions and the deployment of infrastructure.

The increasing need to satisfy the virtually unlimited demand for data, whether for mobile video or IoT, consumer or commercial use will drive a world that's increasingly been defined by data and the systems and infrastructure that support it.

Our asset portfolio continues to perform exceptionally well, powering healthy organic growth in 2017, on both an overall and on a same-site basis, and the economic conditions are favorable.

Notwithstanding the recent increase in interest rates we've seen, they remain historically low, creating a positive macro environment for our business to expand.

But most of all, our asset acquisition and development pipeline is the strongest it's ever been in the history of the Partnership.

When you combine all these factors with our new initiatives, where real estate and infrastructure work together to serve our core industries, we believe that we're exactly where we should be to deliver long-term growth and create significant value for our unitholders.

And with that, I'll hand the call over to George, who will provide us with a more detailed financial review of the quarter. George?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Thank you, Tim. Before I walk through the results for the quarter, I want to highlight that our presentation changed in the second quarter as a result of adopting a new accounting standard on April 1, 2017.

Beginning on April 1, 2017, for future acquisitions, we are no longer recasting our historical results for acquisitions from our sponsor.

In addition, we are capitalizing acquisition costs for acquisitions that are not between entities under common control.

During 2016, the Partnership completed 5 drop-down acquisitions from its sponsor and affiliates. These transactions were completed before the adoption of the new accounting standard, with the historical financials of the Partnership, adjusted retroactively as if the transactions occurred on the earliest date during which the assets were under common control. The reconciliation in our press release for 2016 separately presents our results of operations from those of the drop-down asset's predecessor, prior to our ownership during 2016.

I want to focus my comments on the results in the columns labeled Landmark Infrastructure Partners LP, in the reconciliation, which excludes the results of the drop-down asset's predecessor, prior to the date of the acquisitions during 2016.

We generated rental revenue for the fourth quarter of $14.5 million, which is an increase of 27% year-over-year. The year-over-year growth is primarily due to the drop-down transactions and third-party acquisitions that we have completed since the fourth quarter of last year, and organic growth from the portfolio.

Our fourth quarter organic drop-down was completed on December 20, and therefore, contributed very little revenue during the quarter.

Combined with the drop-down that was completed on January 18, 2018, our first quarter revenue will more fully reflect the revenue run rate, post our recently completed acquisitions.

G&A expenses for the quarter were $1 million, before the reimbursement from our sponsor of $0.5 million. The G&A reimbursement from our sponsor is reflected as a capital contribution rather than as a direct reduction to our G&A expense. Our G&A expenses increased year-over-year, primarily due to higher professional service fees.

Adjusted EBITDA, which excludes several noncash items, including unrealized gain on derivatives and acquisition-related expenses, increased to $14.1 million for the fourth quarter, an increase of 29% year-over-year.

During the fourth quarter of 2017, we reported an income tax benefit of $3.2 million. During the quarter, we reduced our valuation allowance on our net deferred tax asset, and recorded an income tax benefit for federal and state income taxes. Although, we reduced our valuation allowance on the deferred tax asset, we are not yet generating current federal or state income taxes. The reduction in the valuation allowance was not a result of the recent tax law changes. Regarding the recent tax law changes, we believe that they are generally favorable to us. Specifically, the recent tax reform provides a 20% deduction for REIT dividend income and MLP Partnership income.

We ended the quarter with 2,157 leased tenant sites, out of a total of 2,239 available tenant sites. And the occupancy rate for the quarter remained at 96%.

We continue to see very little churn in our portfolio, and expect this favorable trend to continue over the course of 2018.

In addition, we're seeing significant tenant modification activity on existing sites, and additional lease up opportunities. The MNOs have started to upgrade equipment for 5G deployments, as well as the roll out of new sites for densification.

In November, we closed our $80 million outdoor advertising securitization transaction, which included a $16 million site acquisition account. The securitization allowed us to refinance borrowings under our revolving credit facility at an attractive fixed rate.

On January 18, 2018, we used the net proceeds in the site acquisition account to partially complete the Fund H drop-down. This securitization is the first outdoor advertising ground lease securitization, and demonstrates the high quality of the assets and our ability to secure attractive financing.

We finished the quarter with $304 million of outstanding borrowings under our revolving credit facility.

For 2018, we will continue to execute on refinancing activities to maintain availability under our revolving credit facility.

Refinancing markets remained attractive, and we expect rates throughout 2018 to approximate the rate under our revolving line of credit.

On January 24, the Partnership announced its fourth quarter cash distribution of $0.3675 per common unit or $1.47 per common unit on an annualized basis. This quarter's distribution represents a 5% increase year-over-year. The distribution increase was in line with the mix of acquisitions and developments, completed through the first part of January.

Our coverage ratio, which is defined as distributable cash flow divided by distributions declared on the weighted average common and subordinated units outstanding during the quarter, was 0.86x in the fourth quarter.

The coverage ratio this quarter was impacted by several factors, including the timing of capital raises in the deployment of capital. As I previously mentioned, our drop-down for the fourth quarter was completed in the second half of December and contributed very little revenue during the quarter.

And a larger concentration of the $10 million of capital raised under the ATMs during the fourth quarter occurred in the first half of the quarter.

In addition, a handful of our larger assets that we've acquired and our FLEXGRID developments have not yet commenced generating revenue. The annual revenue expected from these assets is expected to be approximately $1 million, and will commence at various times over the course of 2018. We expect our coverage to improve, but the revenue from the acquisitions completed in December and January, including the Fund H drop-down transaction, driving higher revenue in the first quarter of 2018.

Turning to our guidance for 2018. We expect acquisition volume and development spending in the range of $250 million to $300 million. We anticipate new development spending of approximately $50 million for 2018, as we continue to make progress on the growing initiatives in the pipeline.

As part of our guidance, the Partnership's sponsor intends to offer us the right to purchase between $200 million and $250 million of assets in 2018. As I indicated earlier, we expect our financing cost in 2018 to remain attractive and approximate the rate on our revolving line of credit.

These acquisitions and developments, combined with organic portfolio growth, are expected to drive distribution growth of 10% over the fourth quarter 2017 distribution of $0.3675 per common unit by the fourth quarter of 2018.

We will now take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Dave Rodgers with Baird.

David Bryan Rodgers - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Wanted to go back to your guidance that you gave, kind of, early November. I think it was November 2 the last time you ended up reporting and you had talked about closing $200 million of acquisitions in the year, and you'd also given guidance at that time of a 10% dividend increase for the fourth quarter. So, I guess, help me between then and the decision-making that you guys have had over the last 3 months, kind of what made you decide not to make those acquisitions, and frankly, why didn't you increase the dividend more? And, again, I wanted to go back, one more thing on the dividend, you talked that the dividend increase was consistent with the returns on the assets that you closed, kind of, year-to-date in '18. And I want to understand that better. So, sorry, a little long winded. But if we could start there.

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Sure, no problem. Yes, the fourth quarter was a very busy quarter for us. We had a lot of different things that were coming together in the fourth quarter. We had to complete a couple of financings. One of which we completed, one of which has pushed out until the second part of February. Based on the different pieces that we're moving around in the quarter, the mix of what we acquired shifted between what we were anticipating we were going to acquire at the time of -- we had our last call, and then what we actually closed. The fund drop-downs tend to be less accretive than, what I would call, organic acquisitions or drop downs. Those tend to be a bit more accretive. So some of our transactions that are more accretive transactions had shifted out into the first and second quarter of 2018, and we changed our approach for the quarter and did a drop-down of some of the ROFO assets, Fund H specifically. So there's a number of things that shifted around in the fourth quarter that caused our -- the level of accretion we were able to drive to change fairly significantly. So we're mindful of the coverage on the distribution. We want to increase our coverage fairly significantly, from where we are today. Make sure that we're covering with some cushion, and we didn't think that given the mix of what we were ultimately able to acquire in the fourth quarter, that it was prudent to raise the distribution more than 5% for the year.

David Bryan Rodgers - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. I appreciate that color. As you look at '18, I think your $250 million to $300 million acquisition guidance includes $50 million of, kind of, organically sourced product. Is that going to be FLEXGRID development? Or is that going to be cash flowing assets similar to what we've seen in the past?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Sure. So out of the guidance, the $50 million of developments are predominantly going to be FLEXGRID-type deployments. So they will occur a little bit more heavily in the second half of the year. We're working on a number of contractual arrangements at this point in time that basically give the green light to start on those developments. The developments that we're targeting for this year are expected to be more accretive than what we've targeted in 2017. So the spend will start to ramp-up a little bit in the second quarter. It'd be fairly heavy in the third and fourth quarters, and that's the quarters that some of the revenue will start appearing in the financial statements.

David Bryan Rodgers - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. And then last question for me. Taking all the fundraising that you did and then the one you said that drifted into February, what is your total capacity today, kind of, enterprise wide, do you think, George?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Sure. Our capacity today is, I would say, on the lower end of what we typically have. It's more in the, call it, $30 million, $40 million in acquisition range. So likely, the approach for 2018, will -- we will raise some capital with issuing units with our UEP program. We've definitely seen a pickup in interest and activity for basically stock acquisitions. We will, blankly have a little bit of ATM activity over the course of the year, and then potentially preferred type offering as well. The common -- on the common side, may have some ATM activity and we may issue some units either in a private fund, or ROFO asset drop-down, or potentially issue some units, in an acquisition from the sponsor. We don't really have any plans at this point to do another common offering.

Operator

Our next question comes from the line of Rick Prentiss with Raymond James.

Alexander Chase Donovan

This is Chase Donovan for Rick. Two, if I may. You said there is going to be some -- $1 million of asset -- or $1 million of revenue from assets that isn't currently generating. What would trigger that revenue to start generating for you guys?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

I would say out of the $1 million, there is 2 components. Little over a half of it is related to outdoor advertising. So basic billboard structures need to be -- the construction needs to be completed. We're not involved in that construction activity, but the tenant needs to effectively have the board completed. And then revenue will commence on the ground lease. That should take about 3 to 6 months for that type of activity to complete. And then the second piece of it is the leases on some of the FLEXGRID deployments that we've started to spend money on, those leases won't commence until the -- likely the second half of the year, they won't start actually generating revenue.

Alexander Chase Donovan

Got you. And then one more if I could. Nice to see the 150 properties in Canada. Are you guys looking to do -- is that one site per property or multiple sites per property? And then how should we think about the deployment of that contract?

Arthur P. Brazy - *Landmark Infrastructure Partners LP - CEO & Director of Landmark Infrastructure Partners GP LLC*

Sure. So that's -- that likely would be one site per property, and we may not develop all 150 sites. We have a lot of interest up in Canada, similar to what you see in the U.S., the carriers and the MNOs, they need to upgrade equipment. They need to densify networks. So similar type activity. So we'll provide more updates on our progress in Canada. But it's a good first step for us. It's one of our first larger FLEXGRID contractual deployments, and we have a number of other projects that are in process. So hopefully, we'll have some more announcements over the course of the first and second quarter. But we've definitely had good reception in the -- our program with the -- with not only the MNOs, but also with real estate owners. We've got, let's say, attractive proposition for development.

Operator

(Operator Instructions) Our next question comes from the line of Mike Gyure with Janney.

Michael Christopher Gyure - *Janney Montgomery Scott LLC, Research Division - Director of Forensic Accounting and MLPs*

Can we talk a little bit about -- and I think, maybe you touched on it, in your -- some of your comments on some of the environment for the renewals and kind of what you're looking at as far as price increases and things like that, with some of the telecom guys?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Sure. We actually don't have that many assets that are renewing at the moment. And most of our renewals are typically going to be pretty close to the existing rates on the assets, where we tend to see a little bit more uplift in the lease arrangements or when additional equipment is being added to the sites. And I did mention in some of the earlier comments, we are seeing very strong retention rates with the tenants. We still have 99% plus renewal rates on sites. And we do see a lot of activity in the market. So we're optimistic that, in 2018, we'll see a little bit more lease up activity than what we've seen in the last, I would say, to 2 to 3 years.

Operator

Our next question comes from the line of John Atkin with RBC.

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

So on that last point, is it -- is there anything that -- is it primarily rooftops or is there anything in terms of your ground rights that would lead to faster-than-expected growth in terms of leasing? It's just rooftops, is that correct?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

It's mostly rooftops. We have a very small percentage of tower sites that have a rev share provision. I wouldn't expect that to move the needle at all for us. But yes, mainly all rooftops where we're seeing a lot of activity.

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

And is there any way to -- just kind of remind us what exposure you may have to projects that are kind of being talked about in the market or in the industry around rent reduction and relocation? So specifically for rooftops, a company called Lendlease put out a press release, and they are working with Sprint to try to optimize rent. And it doesn't sound like you're really seeing much impact from that. But any color or perspective views on that, I'd be interested.

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Sure. We know Lendlease is out in the market. We're not entirely sure what their strategy is yet. What we've generally done with our portfolio to mitigate potential exposure to relocations is we generally have stayed away from higher rent sites. The rents that are significantly above market in an area where you have alternatives for relocation are potentially relocation candidates, because you could save enough relocating on your, essentially your rooftop rent, such that it will cover all the cost to move. We think for the most part, what they're doing is not going to have a significant impact on us. In fact, what they're doing is not really new in the industry. There's been a number of groups that have done this over at least the last 10, if not, 15 years. So this is not a new concept. We rarely get impacted by these type of activities, because our rents are reasonable, if not, in a lot of cases below market, where you can't justify moving the site and we're not open for rent reductions. We -- really, we take a reasonable approach to rents with our tenants, and we don't press them or gouge them when we have opportunities. We try to be fair. So we don't think that lot of our portfolio would be exposed to relocations.

Arthur P. Brazy - *Landmark Infrastructure Partners LP - CEO & Director of Landmark Infrastructure Partners GP LLC*

Yes, there actually may be a modest benefit because we have lower end sites where tenants relocating may come onto our rooftops, not leave our rooftops.

Operator

I'm not showing any further questions at this time.

Arthur P. Brazy - *Landmark Infrastructure Partners LP - CEO & Director of Landmark Infrastructure Partners GP LLC*

Great. Well, thank you all for joining us today. We appreciate the time and as you can tell, we have some very exciting opportunities in front of us. We're confident in our ability to take full advantage of the market in all of our business lines, and we're looking forward to continuing our strong start to the year and sharing continued progress with you next quarter. Thank you again.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program. You may now disconnect. Everyone, have a great day.