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LMRK - Q1 2017 Landmark Infrastructure Partners LP Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Q1 2017 Landmark Infrastructure Partners LP Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

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

Marcelo Choi

Thank you, and good morning. We'd like to welcome you to Landmark Infrastructure Partners' First Quarter (technical difficulty) Call. Today, we will share an operating and financial overview of the business, and we will 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 in our 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 of Landmark Infrastructure Partners GP LLC and Director of Landmark Infrastructure Partners GP LLC*

Marcelo, thank you. Good morning, everyone, and thank you, all for joining us today. This morning, we're going to present our first quarter results and provide you with an update on some significant developments in both the Partnership and our sponsor, Landmark Dividend. In the first quarter, the Partnership delivered another quarter of strong growth. Total revenue increased 57% year-over-year, driven primarily by the multiple acquisitions we completed during the last 12 months and the inherent growth profile of the assets in the portfolio.

Our operating and financial results have been consistently strong and growing, since our initial public offering in November 2014. The result of the stable and predictable is that our assets generate and the acquisition growth and activity at our sponsor in our increasingly attractive markets. With the previously announced distribution of $0.3525 per common unit for Q1 2017, we've now increased our cash distributions 9 consecutive quarters, and we believe we're very well positioned to execute on our 2017 guidance of $200 million in acquisitions and 10% distribution growth this year.

Year-to-date, we've continued to execute on our core business strategy. We've directly acquired 17 assets and closed on an acquisition contract of 3 assets that had been previously assigned to LMRK last year. On a combined basis, total consideration for the 20 acquired assets was about $24.7 million, and the assets are expected to contribute approximately $2.1 million in annual rents to the portfolio.

These acquisitions are consistent with the characteristics of our overall portfolio and include 9 wireless communication and 11 outdoor advertising assets. As we mentioned in the fourth quarter conference call, we believe the opportunity for the Partnership is greater today than it's ever been as these markets continue to grow their product and service offerings to satisfy almost unlimited consumer and commercial demand. We expect the acquisition activity to grow significantly over the course of 2017.

Our sponsor, Landmark Dividend, continues to increase it's pipeline across each of our 3 primary segments, wireless communication, outdoor advertising and renewable energy with wireless seeing the most activity.

As our sponsor continues to acquire assets at an increasing pace, the ROFO asset portfolio, plus additional assets under management, has grown to more than 770 tenant sites as of March 31, 2017. These tenant sites under management at the sponsor represent approximately $18 million in annual rents, which would represent an increase of about 36% over the Partnership's current total revenue run rate if the entire portfolio of assets were drop-down today.

To complement our core business, the Partnership has taken some major steps to simplify certain tax requirements that affect unitholders and has expanded its business strategy to take advantage of certain market opportunities.

LMRK recently announced the proposed changes to its legal structure that contemplates moving the Partnership's assets under a subsidiary that is intended to be taxed as a REIT. We decided to make this change based on feedback from our investors, and it's specifically designed to broaden our investor base by substantially eliminating unrelated business taxable income, otherwise known as UBTI. It also significantly simplifies state income tax filings for the unitholders.

With this change, we are not eliminating the Partnership structure since that will continue to give us operating flexibility. But we do believe the change to our legal structure will be greatly beneficial to both our existing and new unitholders, and we anticipate the new organizational structure will be implemented shortly after the Partnership holds its special meeting in the third quarter of 2017.

With regard to our overall strategy, we're seeing many opportunities internationally as well as with operating partners that has a unique expertise, experience in industry relationships that complement our efforts at the Partnership and the sponsor. As we discussed on the last call, the onsourcing transactions on our behalf, these JV arrangements allow us to look for situations where we can add more value to the properties we acquire and then drive higher organic growth.

In many cases, we can create incremental cash flow through value-add strategies with these partners. For example, we can bring telecommunications equipment and services to existing assets or facilitate the conversion of outdoor advertising assets from static to digital in a more systematic and scalable way. Although, we're not in a position to go into specifics at the present time, the Partnership together with it's sponsor and affiliates, owns and controls approximately 3,000 tenant sites, a high-value diversified portfolio of sites that we can leverage through these operating partnerships and strategies designed to maximize site value.

Our portfolio has been assembled over a number of years and gives us a great competitive advantage as we consider these strategies and partnerships, where we can bring together a critical mass of sites to take advantage of select market opportunities.

In particular, we're exploring opportunities that are a natural extension to Landmark's existing portfolio of mission-critical wireless and communication's infrastructure assets. In many situations, we can provide solutions to the owners of critical operating assets in the utility, smart city transportation and telecom industries, bringing high-speed connectivity to existing sites and surrounding locations and serving multiple customers who require that connectivity, including global network operators, utilities and commercial users to name just a few. As data consumption continues to grow exponentially in the connected world, the Internet of Things develops faster and faster, we believe expanding and densifying existing network infrastructure will present very meaningful opportunities to the Partnership.

On the international front, Q1 was the first full quarter of our European outdoor advertising joint venture. We've already completed several acquisitions today in the U.K., and we anticipate growing the JV effort significantly this year. In addition to opening up new European markets for asset acquisition, our JV focuses on those specific strategies where we can add value to the assets.

And in total, we expect international acquisitions to make up approximately 20% of our 2017 acquisition volume guidance of $200 million and that effort is expected to increase over time. Overall, the partnership delivered another quarter of solid operating and financial results with strong year-over-year growth.

As we look out over the next few quarters, we see a clear pipeline of assets available for purchase and feel very confident that we have the financial capabilities and flexibility to deliver on our guidance through acquisitions and growth.

Going forward, we'll continue to build on our leadership position and expand our core businesses to take advantage of what we believe are some tremendous market opportunities. We look forward to sharing these new developments with you. And as always, we're committed to delivering sustainable long-term growth and creating value for all of our unitholders.

And with that, I'll hand the call over to George for a detailed financial review of the quarter. George?

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

Thank you, Tim. As I review the first quarter, keep in mind that during 2016, the Partnership completed 5 drop-down acquisitions from the sponsor and its affiliates. The assets acquired were recorded at the historical cost to the sponsor, as the transactions are between the entities under common control. The historical financials of the Partnership were 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 separately presents our results of operations from those of the drop-down assets predecessor prior to our ownership. On April 1, the Partnership adopted a new accounting standard as expected to signify our financial reporting. We expect that our future acquisitions, including drop-downs from the sponsor were no longer require our financial statements to be retroactively adjusted.

In addition, certain asset acquisition costs are expected to be capitalized rather than expensed. I will focus my comments on the results in the call labeled, Landmark Infrastructure Partners LP, in the reconciliation, which excludes the results of the drop-down assets (technical difficulty) prior to the date of the acquisition.

We generated revenue for the first quarter of $12.2 million, which was an increase of 57% 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 first quarter of last year and organic growth from the portfolio, including additional revenue from contractual rent escalators.

G&A expenses for the quarter were $1.4 million before the reimbursement from our sponsor of $955,000. 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 were higher than Q1 2016, as a result of increased activity levels at the Partnership, and the $112,000 in the implementation cost incurred for our newly proposed organizational structure.

We expect the implementation cost for our proposed organizational structure will total approximately $1 million and will be incurred mostly during the second and third quarters. Once the new organizational structure is completed, we do not anticipate any incremental G&A resulting from the new structure.

Adjusted EBITDA, which excludes several noncash items, including unrealized gain on derivatives and acquisition-related expenses, increased to $11.2 million for the first quarter, an increase of 56% year-over-year. We ended the quarter with 1,966 leased tenant sites out of the total of 2,039 available tenant sites and the occupancy rate for the quarter was 96%.

We finished the quarter with $244.5 million of outstanding borrowings under our revolving credit facility. We expect to create additional capacity under our revolving credit facility through additional commitments and by terming out existing balances.

As of March 31, our leverage ratio under our revolving credit facility was at 7.1x adjusted EBITDA. The Partnership-wide leverage ratio was 7.8x adjusted EBITDA and approximately 72% of our total borrowings were fixed or fixed through interest rate swaps as of March 31.

In regards to our ATM programs, in April, we issued a 144,000 Series A preferred units and 51,000 Series B preferred units with gross proceeds of approximately $3.6 million and $1.3 million, respectively.

We did not have any activity for the common units today in 2017. On April 20, the Partnership announced it's first quarter cash distribution of $0.3525 for common unit or $1.41 per common unit on an annualized basis.

This distribution is 6.8% higher than the first quarter 2016 distribution of $0.33 per common unit and marked the 9th consecutive quarter that the Partnership has increased it's quarterly distribution, since its initial public offering in November 2014.

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 0.8x in the first quarter. As we've discussed in recent quarters, our coverage ratio has been temporarily impacted by the common unit offering in October of last year. We expect the coverage ratio to improve significantly in Q2 based on the acquisitions completed in the first quarter and the beginning of the second quarter.

The assets acquired in the first quarter were predominantly acquired at the end of the quarter and contributed very little revenue in Q1. In addition, we've acquired several assets over the last 9 months where the lease has now started and revenue has not been recognized.

Collectively, this represents $0.8 million in annual revenue that we expect to begin recognizing in the next 6 months. In addition to the assets we have already acquired, we have a growing pipeline of direct acquisitions. Restoring the coverage ratio remains a priority for the Partnership. We expect to make meaningful progress in this area in the next couple of quarters.

Today, we are reiterating our guidance for 2017. The sponsor has expressed its intent to offer us the right to purchase $200 million of assets, which include direct third-party acquisition opportunities. These acquisitions, combined with organic portfolio growth are expected to drive distribution growth of 10% over the fourth quarter 2016 distribution of $0.35 per common unit by the fourth quarter of 2017.

Our guidance does not contemplate a common unit offering in 2017, as the common unit offering in October and other sources of capital planned for 2017 are expected to provide us with sufficient capital to finance the acquisitions in our guidance.

In summary, we are pleased with the first quarter results. We remain focused on executing our 2017 business plan. Our assets are performing well, and as we look into the future opportunities of the sponsor and partnership levels, we are confident that we can continue to deliver consistent and predictable cash flows.

We will now take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from Ric Prentiss of Raymond James.

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

A couple of questions. George, I appreciate that comment at the end about the leases. We have to start paying revenue, because we were trying to figure out why revenue came in a little lighter than what we were looking for. And so when you say, about $0.8 million on an annual basis next 6 months, is it kind of a step function up where that will occur in the fourth quarter, or just trying to think when that revenue comes in, is it more April or is it kind of a step function?

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

There is a -- it's going to a step. There is a couple of leases that will start at different dates. So one, we expect will start in probably the latter part of May, and then 1 will start probably towards the end of the third quarter. The 1 that starts in May is about, let's say, about $500,000 of the $800,000 and then the other 1 obviously, $300,000. So that's roughly how they'll show us as revenue in our financial statements.

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

Okay. And then, I appreciate the extra color on the simplification. I think, a lot of investors have been looking for that. It sounds like there's going to be $1 million worth of cost with just over $100,000 incurred in second quarter. How should we think about -- with the majority of that $1 million total will be coming in 2Q then given the timing or in the third quarter, and is there a date yet for the vote?

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

There is not a date yet for the vote, but what we're targeting is the end of July. It's going to depend on whether the proxy gets selected for a review by the SEC. We won't know whether it's going to select it here into a few more weeks. The bulk of the costs are going to be probably Q3. There's going to be some that are going to be incurred in Q2. Some of it relates to transfer taxes on the movement of the real estate. And so that's why a lot of it won't happen until Q3. So there is probably going to be I think around $300,000 to $300,000, maybe this quarter and then the rest in Q3.

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

Okay. And then my final question is, given the revenue coming in a little bit later on those leases that haven't started yet and the implementation cost, what should we think about the coverage ratio as we look at 2Q, 3Q, given a little bit of pressure on revenue and EBITDA and what that coverage or distribution might look like?

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

Sure. So the coverage should pickup a fair amount in Q2, simply by virtue of the acquisitions we completed at the end of Q1 and what we completed in the first part of Q2. We also would expect more acquisitions, potentially a drop-down in Q2 as well. So that will help coverage. So I would expect that we're in the -- I would say, probably about $1.20, $1.25 coverage range on the distribution, then in Q3, that should pick up meaningfully, and then in Q4, we should be more than covering where we're at today. And then at that point, we would be in a better position to drive the distribution growth that we've outlined in our guidance.

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

Got you. Okay. And then, can you break out the acquisition, the $25 million between 1Q -- end of 1Q and so far in 2Q?

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

Sure. Maybe, it was -- $13 million was 1Q, which a lot of that happened actually on the 28th of March. So literally, there is no revenue for a lot of those acquisitions and the rest happened towards the end of April.

Operator

Our next question is from Dave Rodgers of Baird.

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

I guess, either George or Tim, I'll throw it out there and you guys can take it at your will. You did the equity raise, which you said a couple of times on the call, was dilutive in terms of the growth rate of the distribution. And now we're sitting in May. You didn't really see any drop-downs unless my math is wrong in the first quarter. So I guess, why are we sitting here almost 6 months later still dilutive with that equity?

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

Yes, we have a lot of what we think are very attractive acquisitions that are starting to line up in the pipeline. But these are a little bit more back-end loaded. We did not want to deploy all the capital at the beginning of the year and then have to do another capital raise to buy the assets that we have in the pipeline. So we're very confident that we will have at least $200 million in acquisitions for the year. But it just was not going to take place in the first quarter, and we expect them to start picking up here in the second quarter.

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

The $200 million, I think, was the commitment from the sponsor. How much of that's going to be -- and I think, you also said that was going to be 20% European JV, if I heard that, maybe I didn't. And then the other component I wanted to ask about was, how much of that's direct versus actually part of the kind of ROFO assets that are owned already by the sponsor?

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

At this point, I think probably about 30% to 50% of the $200 million would be direct acquisition opportunities. And then the rest would be drop-downs. We haven't decided yet whether they would -- any of those drop-downs would be ROFO assets or not. But whether they're ROFO assets or balance sheet assets, we do think that there will be enough acquisitions there to take it to $200 million mark. And you're right on the 20% of acquisitions, we expect a lot of those to be the European JV acquisitions, but that includes all international acquisitions.

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

All international, okay. On the REIT side of your discussion, I guess, I wanted to follow-up on any concerns getting a private letter ruling from the IRS with regard to any of the easement structures or asset types. I know there's some others that have gotten it, just wondered if there's any hurdles you feel like you have to cross?

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

No, I don't think so. We had PLRs for what we needed to be an MLP. It's a different entity that would now be buying the assets or reimburses the MLP, but we still follow the same rules. So we don't really see any significant issues with the assets qualifying.

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

And I guess last question for me. And may be this goes to Tim. I think, in your prepared comments, you said something to the effective -- maintaining the partnership, while still creating a REIT subsidiary within it. Is there a benefit to the REIT investors, whether common shareholders or common unitholders over time to maintaining the Partnership structure on top of the REIT as of?

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

For now, there is. There is some added flexibility by being an MLP. The REITs can generally only own 20% of their assets in a tax per REIT subsidiary, that's one of the things that we have flexibility over, because we can create essentially a TRS directly under the MLP. We're not subject to that 20% limitation and then there is a few other advantages as well. So we think that for now, it's a great structure. And we may never need that added flexibility, but we have it and it was easier to basically create the REIT underneath the MLP. At this point in time, there was the contemplate full REIT conversion.

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

And a direct response to investor concerns. So you're not always in a position to do that, but we were in this case.

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

I'm sorry, I'm going to follow-up on that one. Is there any asset or asset class you own today that wouldn't fit within the REIT minus the taxable REIT subsidiary, or otherwise said, what have to go into that today that you own?

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

The only thing that would go into the taxable REIT subsidiary today are leases where they don't qualify -- they're real estate leases, but they don't qualify as good income. So items like percentage, rent, leases, whether based on something other than gross revenues, some of the finer REIT requirements, but we don't have what I would say is an asset class in general that doesn't work for the REIT or the MLP.

Operator

Our next question is from Jonathan Atkin of RBC Capital.

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

So actually -- so just on that last question that Dave asked. So in the rooftop what was -- in terms of the rooftop assets, is that most of those are good income from your perspective?

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

Yes, almost all of them are. Sometimes, there is an unusual tenant lease structure that may fall out, but a huge percentage of them would qualify.

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

Got it. And then the acquisition pipeline, can you give a little bit of color in terms of asset mix, maybe even a little bit more in geographic mix, the type of assets that we're looking at?

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

Sure. We're seeing a lot of opportunities in the wireless areas. We're also seeing some in the outdoor and the renewables. But a lot of opportunities in wireless right now. As far as geographies, the billboard acquisitions, a lot of those are going to be in Europe. The JV or the partnership that we put together in the fourth quarter is working out really well. We're seeing some very attractive assets to acquire over there. So that's where a lot of our outdoor advertising assets will be acquired during the year. Wireless will generally all be domestic as will the renewables.

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

And the domestic wireless, will that be ground leases under towers or rooftops or what's kind of mix that you're seeing in the pipeline?

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

It's going to a mix of both, some towers, rooftops, and then there are some other opportunities that we're looking at, but we're not quite ready to go into detail and what those are.

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

Okay. And then finally, just interested in the tenants that you have, the wireless carrier tenants, in particular, and any kind of discussions around potential demand driven by the buildouts of low band spectrum whether it's a 600 megahertz or 700 megahertz?

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

Yes, we haven't seen that quite yet, but we are starting to see a little bit of activity in some other technologies like LoRa technologies. We are seeing some demand for real estate there. So we are expecting to see some lease-up potentially in the latter part of the year and into 2018. I would expect that as the new spectrum is rolled out that we will see some more demand for our sites, but we haven't seen it quite yet.

Operator

Our next question is from Matt Boone of FBR.

Matthew David Boone - *FBR Capital Markets & Co., Research Division - Associate*

Sorry, if I missed this, but looking at the European JV, what kind of opportunities are you guys seeing in terms of specific markets, and how did the cap rates in those markets compared to what you're seeing in the U.S. for your outdoor, advertising acquisitions?

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

So far, most of our acquisitions have been focused in the U.K., but we do anticipate expanding a little bit more broadly across Europe. It's mainly going to be focused on Western Europe, but the U.K. is one of the larger markets over there and I expect that the majority of the acquisitions this year would be specifically in the U.K.

Matthew David Boone - *FBR Capital Markets & Co., Research Division - Associate*

And will those cap rates kind of be low mid-7s or around that?

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

Right. So the outdoor advertising cap rates are usually a little bit higher than that, simply because they are a little bit lower growth rate asset. But the assets we're acquiring in Europe, a lot of these structures are digital, very attractive assets with potential opportunities for step-ups in rent down the road.

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

There is probably more of an opportunity there to do conversions from static to digital in some of these other geographies, and we see in our core markets here in the U.S. So the assets not only work the way they're priced today, but there is upside from additional enhancement that might be able to done on a site-by-site basis.

Operator

Our next question is from Mike Gyure of Janney.

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

Tim, can you talk a little bit about the competitive environment you're seeing out there for, I guess, the sponsor acquiring new leases, anything to do with, I guess, the changes in the interest rate environment or anything like that that's driving kind of the supply-demand out there?

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

Sure. We have not seen any real changes in that competitive landscape since our last call. I think the typical players that we see and I would include some of the industry participants, tower companies, for example, are still involved in terms of brokers and consensus, but the market is so large, it's so significantly growing, it's highly so fragmented, and there is so much product to go after, we really don't see any issues in terms of our pipeline or our ability to continue to acquire. Fundamentally, as interest rates go up, you would think that it might affect the acquisition pace. But going back, over 15 years, the management team has seen, that the sponsor has seen a very consistent ability to acquire assets. When the property owners are ready to transact, they're ready to transact. Interest rates really don't have a meaningful impact on that and we expect that to continue.

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

Okay. And then maybe one for George. On the -- I guess, on the debt side of things, are you, I guess, targeting kind of a long-term maybe debt-to-adjusted-EBITDA kind of metric that you're looking at or how you're thinking about sort of the debt lever as you move to the end of the year?

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

Sure. We historically on our revolving have operated in that 6 to 8x range. And then overall, from a company-wide standpoint, we're targeting, I'd say, closer to 7 to 8x, so we're in that range. And so we will likely refinance some of the balances on our revolver that are there today simply because we're starting to run out of capacity. That's part of the reason why our acquisitions were a little bit light in the first quarters. We have to open up some more revolver capacity.

Operator

Our next question is from Liam Burke of Wunderlich.

Liam D. Burke - *Wunderlich Securities Inc., Research Division - SVP*

Tim, could you just clarify (inaudible) when you talked about adding additional value to the assets? And then you talked about the equipment being one of those avenues. You talk about the technology upgrades, or can you give me a little help there?

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

I can't really go into a lot of specific detail, but the types of things we're talking about allow us to leverage the approximately 3,000 tenant sites that we own within the entire Landmark ecosystem. So you're thinking about companies that need real estate to deploy different kinds of technologies, different types of the network services or products, they would otherwise have to buy or lease rooftop sites or other real estate positions to be able to [roll those] kinds of programs out. And that's a significant opportunity for us to consider looking at potential operating partnerships. I think we've all talked about the ability of colocating small [cells], for example, and billboard assets, that's a very common theme in the industry right now. So the fact that you own a large diversified portfolio gives us the ability to leverage those sites and look at value-add strategies that will enhance the viability and the profitability to each one of those locations.

Liam D. Burke - *Wunderlich Securities Inc., Research Division - SVP*

Okay. And your acquisitions are weighted heavily on the telecom side. That's just the randomness of -- as they roll in, you're still feeling good about the billboard and on the solar renewable side of the business?

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

Yes. Yes, absolutely. It really depends on the opportunities that we see in the market with some of the things that are going on in the wireless segment right now, that's driving a bit more opportunities for us than we see on the outdoor advertising side. Outdoor advertising is -- it's a great industry, very stable and strong performing assets. But it's not growing and doesn't have the activity you're seeing in the wireless segment. Renewables, we have a steady pipeline of renewables, but the transactions of the size that we did last year aren't around all the time, and so they're going to be a bit sporadic. But we expect to have a regular flow of renewables transactions. We think those are our great assets, and we think they're the highest credit quality assets that we have in the portfolio.

Operator

We do have a follow-up from Ric Prentiss of Raymond James.

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

Actually, I had a couple of follow-ups. You mentioned the revolver maybe refreshing it soon. Any consideration as you look at getting larger in U.K. and Europe to doing a euro or U.K. debt deal?

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

Yes, we will. It's something that we'll likely work on in the latter half of this year. We do want to hedge some of our currency exposure with local denominated debt. So either euro or sterling.

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

Make sense, okay. And then what kind of escalators are in some of these international assets?

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

It varies a bit by market, but they generally track with inflation in that market. So in Australia, you tend to see much higher escalators, because in that market -- looking back over the last 20 years, the inflation rates a bit higher there. In the U.K., they're a bit lower. I would put them more in, call it, in the range of the U.S., outdoor advertising assets are in the call it, the 2% range -- 1.5%, 2% range. It's really is -- it's country-specific. In the countries we generally operate in are, a very stable country. So I think on average, you can probably expect them to be around 2.5%, just like you see in the U.S.

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

Okay, that helps. And then I know churn might have picked up a little bit. I think you said 96% occupancy this quarter, but it was 97% last quarter, any changes there?

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

No, we do see a few one-off terminations here and there. There's still a little bit sprint activity that we see that the decommissioning of the site here and there. On the outdoor advertising sites, on occasion, we get a small billboard that's taken out. The one thing I would say about the occupancy measure is, it's not as meaningful as it was when we did our IPO. The composition of portfolio has changed a little bit. And so for example, the $73 million transaction we did in October on renewables counts as 6 sites. But those are very large sites. If you pass one of those, it would have a very meaningful impact to our performance. But on the outdoor advertising site or on the outdoor advertising sites, the average rents on the sites have gone vacant is $500 a month. So they don't really impact our revenue or our EBIT or DCF much. So it's a good indicator of the activity that's going on in the market, but it doesn't necessarily correlate a 100% to our performance.

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

That make sense. The towers guys, of course, report some of their churn on a percent of revenue basis, any thought of may be adding that metric?

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

Yes, we've been thinking about that and we may switch to that at some point over the course of the year.

Operator

Thank you. At this time, I would like to turn the call back to Mr. Brazy for closing remarks.

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

Okay. I would like to thank everybody for joining us today. We're excited about the opportunities we have in front of us. And this is an extremely exciting time for the company, and we're confident in our ability to deliver continued growth at the Partnership. And we appreciate you joining us for the call, and look forward to speaking with you next quarter. Have a good day.

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.