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LMRK - Q2 2017 Landmark Infrastructure Partners LP Earnings Call

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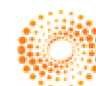

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Landmark Infrastructure Partners' Q2 2017 Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

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

Marcelo Choi

Thank you, and good morning. We'd like to welcome to Landmark Infrastructure Partners' Second 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 partnerships 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 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 & Director of Landmark Infrastructure Partners GP LLC*

Marcelo, thanks, and thank you, everyone, for joining the call this morning. Today, we're going to present our second quarter results and discuss our acquisitions to date, our pipeline and business outlook and give you an update on recent developments and initiatives at both the Partnership and our sponsor, Landmark Dividend.

In Q2, the Partnership delivered another quarter of very solid operating and financial results. Total rental revenue increased 69% year-over-year, driven primarily by the multiple acquisitions we completed during the last 12 months, and the strong growth profile of the assets in our portfolio.

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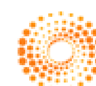

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Operating and financial results have been consistently strong and growing, the result of the stable and predictable cash flow that our assets generate, and increasing acquisition activity at our sponsor in the attractive markets we target.

With the previously announced distribution of $0.355 per common unit for the second quarter of 2017, we've now increased our cash distributions 10 conservative 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.

With regard to acquisitions, we continue to execute on our core business strategy. Year-to-date, as of July 31, we've acquired 107 assets for total consideration of approximately $82 million. These assets are expected to contribute approximately $6.4 million in annual rents, and their characteristics are consistent with our overall portfolio, with 75 wireless communication, 27 outdoor advertising and 5 renewable power generation assets.

Our sponsor's acquisition pipeline continues to be very strong, increasing within each of our 3 industry segments, and we're confident we can deliver growth in the second half of this year. As our sponsor continues to acquire assets at an increasing rate, the ROFO asset portfolio, plus our additional assets under management, has grown to approximately 860 tenant sites as of June 30. These tenant sites under management at the sponsor represent approximately $20.3 million in annual rents, which would represent an increase of about 40% over the Partnership's current total revenue run rate if the entire portfolio of assets were dropped down today.

As you know from the last call, the Partnership had previously announced proposed changes to its legal structure that contemplated moving assets under a subsidiary intended to be taxed as a REIT. LMRK unitholders recently approved that proposal and the Partnership just implemented those changes at the end of July. We believe this restructuring will be a terrific benefit for both our existing and new unitholders, as it substantially eliminates unrelated business taxable income, or UBTI, and also significantly simplifies state income tax filings for unitholders. These changes should make the Partnership more appealing to a much broader range of investors and grant us better access to the equity markets as a result.

We've also recently announced a number of new strategic partnerships, where we see extremely attractive investment opportunities beyond our core ground lease business. These opportunities are complementary to our existing lines of business at both the Partnership and the sponsor, and are important steps toward our becoming a fully integrated real estate and infrastructure company. The initiatives are a natural extension to our base business, allowing us to leverage the large and growing portfolio of mission-critical assets the Partnership owns, and they are expected to drive significant additional growth.

Now let me give you a brief update on a few of our major efforts. Today, we're announcing the launch of Landmark FLEXGRID, a comprehensive network connectivity and energy solution for owners of critical infrastructure in the utility, smart city, transportation and telecom industries. We expect to deploy the FLEXGRID product in several stages, with the initial stage focused primarily on creating private networks and enhancing network densification through the use of structures that conceal the actual LTE technology, allowing for rapid co-location of multiple tenants including MNOs, mobile network operators, IoT providers, utilities, municipalities and other businesses requiring connectivity.

As a first step, our sponsors formed a Partnership with Ericsson, a major global telecom leader, to build and deploy communications infrastructure for an intelligent IoT microgrid system across North America utilizing Ericsson's Zero Site solution. For those of you who aren't familiar with the Zero Site product, it's a self-contained neutral-host stealth smart pole that's designed for carrier and other wireless operator co-location. Think of it as a 30-foot-tall smart light pole that provides multiple options for cellular and WiFi network coverage, high-quality LED lighting and a number of other potential features and functions, including security surveillance and IoT sensing applications. The Zero Site is designed for macro, mini macro and small cell deployment and supports carrier densification, IoT, private LTE networks and other wireless applications. The assets themselves are easier to permit and maintain than a standard macro site and offer a more tenant-friendly model for MNOs. They're connected to the core network through fiber and can be rolled out quickly and cost-effectively, allowing us to deploy at scale, but they are also highly customizable, which allows us to provide tailored solutions to a significant commercial and consumer customer base.

The Partnership will own the physical smart pole asset itself, and engage with the tenant customers, while Ericsson will serve as the equipment supplier, coordinate manufacturing and installation and provide maintenance services. One important thing to note, we will not be installing any Zero Sites that don't have an anchor tenant. With the first anchor tenant, the initial return on a Zero Site asset is expected to be comparable to our traditional wireless ground lease assets. However, as we bring additional tenants to the smart pole, there's significant potential for increased

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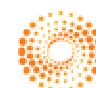

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revenue and higher organic growth without any additional CapEx. The Ericsson microgrid solution will initially focus on mostly wireless and telecom applications, but can also include utility services such as battery storage and power grid management applications.

After evaluating our existing portfolio of over 3,000 tenant sites owned by the Partnership and our sponsor and its affiliates, as well as new site acquisitions, we expect there will be a very significant opportunity to deploy these Zero Site product. Right now, we're in discussion with a variety of potential tenants, and have over 100 sites in various stages of development, some of which we expect to complete by the end of the fourth quarter. Based on these discussions, we expect our pipeline of development opportunities to increase significantly as we enter 2018.

Taking a step back, Landmark's entrée into vertical real estate, like the Zero Site, is part of the natural evolution of Landmark I mentioned earlier. It complements the horizontal real estate, the ground lease assets that we've historically owned, again, with comparable initial returns, but with much greater potential upside in growth.

And in a similar way, the strategic partnership with Penteon we announced this past quarter also extends our reach. Penteon is a globally focused IoT engineering firm that leverages its sensor and cloud enterprise expertise to develop hardware, software, telecommunications and intelligent data analytics for IoT applications. The plan here is to deploy a nationwide, low-power wide-area network, based on the open standard called LoRA, which we'll use to leverage the Partnership's unique portfolio. A LoRA network provides for a solution that's cost-effective and features long battery life and wide-ranging IoT connectivity, which is ideal for long-term monitoring and sensing applications. Penteon is developing low-cost smart city solutions for a variety of customers, including communities, universities and commercial enterprises. And under the Landmark-Penteon partnership, Landmark will provide access to its existing and new tenant sites in exchange for long-term lease revenue, helping drive higher occupancy and growth for the Partnership. We've already identified a number of initial sites which are currently being evaluated, and we expect site installations to commence in Q3, with a significant opportunity going forward.

And finally, with regard to our European outdoor advertising joint venture, we continue to build the operating (inaudible) infrastructure and ramp up production. Year-to-date, we've acquired approximately $9 million of assets in the U.K. and we're targeting another $20 million in acquisitions in the second half of this year. In addition, we continue to review opportunities in other Western European markets, as well as new asset classes in our targeted industries, including data centers.

As I said, overall, the Partnership delivered another quarter of solid operating and financial results. And as we look out to the remainder of this year and into the next, we see tremendous growth opportunities from our core ground lease business, both in the U.S. and overseas, and we're incredibly excited about our new ventures and initiatives. These new market opportunities are central to our sustainable long-term growth strategy, and are important drivers in creating additional 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 & 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 has changed as a result of adopting the 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 earlier state 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 during 2016.

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

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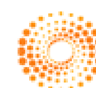

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We generated rental revenue for the second quarter of $12.8 million, which was an increase of 69% year-over-year. The year-over-year growth is primarily due to the drop-down transactions and third-party acquisitions that we have completed since the second quarter of last year, and organic growth from the portfolio.

G&A expenses for the quarter were $1.4 million, before the reimbursement from our sponsor of $1.1 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 were higher than Q2 2016, primarily as a result of the implementation costs for the new organizational structure, which totaled $406,000 for the quarter and $518,000 year-to-date. We anticipate additional implementation costs in Q3 of approximately $0.7 million.

Adjusted EBITDA, which excludes several noncash items, including unrealized loss on derivatives and acquisition-related expenses, increased to $12.4 million for the second quarter, an increase of 72% year-over-year. We ended the quarter with 2,016 leased tenant sites out of a total of 2,093 available tenant sites, and the occupancy rate for the quarter was 96%.

We finished the quarter with $279 million of outstanding borrowings under our revolving credit facility. During the quarter, we signed an amendment to our revolving credit facility to increase the Partnership's borrowing capacity by $85 million to $367 million.

In regards to our ATM programs, year-to-date through July 31, we have issued 503,000 preferred units, with gross proceeds of approximately $12.6 million. We have not issued any common units from our ATM program to date in 2017.

On July 19, the Partnership announced its second quarter cash distribution of $0.355 per common unit, or $1.42 per common unit on an annualized basis. This distribution is 6.8% higher than the second quarter 2016 distribution of $0.3325 per common unit, and marked the 10th consecutive quarter that the Partnership has increased its 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 0.87x in the second quarter, and we expect our coverage ratio to continue to improve, based on the acquisitions completed to date. In addition, one of the assets we mentioned last quarter that have not yet commenced paying revenue, commenced in June at the annual rate of approximately $0.5 million per annum.

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 includes direct third-party acquisitions. These acquisitions, combined with the 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 2017. Our guidance continues to not contemplate a marketed common unit offering in 2017.

In summary, we are pleased with second quarter results and remain focused on executing our 2017 business plan. Our assets continue to perform well, and we are excited about the new opportunities with our strategic partners.

We will now take your questions.

QUESTIONS AND ANSWERS

Operator

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

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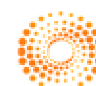

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Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Couple of questions for you. First, you've done $82 million year-to-date through July, I guess, in acquisitions, but you're shooting for $200 million. Can you help us understand kind of the pacing we're looking at? And how much of the extra between $82 million and $200 million will come from some of these new partnerships and ventures?

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

Sure. We expect that there to be some additional acquisition activity in the third quarter and then, it's going to get a little bit heavier into the fourth quarter. Some of what we'll see in the fourth quarter will be tied to some of our new initiatives, so we would expect that there are some Zero Site developments that are completed in the fourth quarter. They do take a bit of time to complete. So by the time we identify a real estate site, get the initial development work done and completed and get the tenant arrangements in place, it's a pretty good lead time. But we do expect some to hit in the fourth quarter.

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

And when we think about that, the Zero Sites, what do you guys pay for and does it affect your G&A at all? I know you said Ericsson would do the maintenance, but it would seem like there might need to be some extra staffing somewhere?

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

Yes, we have staffed up a little bit on the Landmark Dividend side. So that is not going to impact the G&A of LMRK, it will be all on the Landmark Dividend side. For the most part, these smart pole installations are, they're relatively simple and easy to maintain. They're not like a typical macro tower site, which would require a bit more maintenance than the installations we're doing. As far as a cost per implementation, it varies a bit depending upon the opportunities. So it's a -- if it's maybe a single tenant, initial site, it might be one pole. So the -- combined with development installation type costs, we're looking at a couple hundred thousand to implement that. If it's a larger site, where maybe we're going to have multiple poles, it might be in $300,000 or potentially even $400,000 range. We think they are probably going to average around $300,000 a piece. So that's the equipment and installation and real estate acquisition cost, all kind of lumped together.

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

Is that what you guys pay for on your cash flow and balance sheet side?

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

Yes, so that would be the payment we make. We don't expect there to be ongoing real estate costs. We'll basically buy our real estate interest and then, I would expect that there'd just be a little bit of maintenance expenses, little bit of property tax insurance, but for the most part, it's going to be very high margins. And then as we lease out additional space, either to the MNOs or other wireless type solutions, then the margins on that additional revenue would pretty much be 100%.

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

Yes, no more CapEx.

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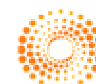

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Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Right. So not much maintenance CapEx. What are you expecting for the life of the assets as far as depreciation? And then also when you might have to replace it?

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

I think the assets, they should last at least 20 years. These are pretty beefy poles that are going into the ground. It's hard to -- it's hard to say for certain the life of them, but they could easily last well beyond 20 years. I think it's going to be a bit of wait and see how they perform and look at what happens on the wireless side. It's possible at some point maybe we want to switch them out and put in a different type solution at some point in time that maybe makes more sense given the environment at that point. But they are pretty solid structures that should be able to last a considerable period of time.

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

Yes, you're talking about steel manufacturing, more tenant-friendly, so that there may be, depending on the design, secure compartments for the different tenants, so easier for them to access the site and make any adjustments to their own equipment. So these are, as George said, very, very substantial installations.

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

So if we think about how many of these you could do, just trying to think scaling and then the funding of them?

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

Sure. So what -- our approach has been to, basically to identify real estate locations where we think a rollout would make sense. So we're working on a number of different initiatives at the moment. We're not quite ready to announce which ones that we've secured. But it depends on how many of those programs that we can get in place, so it could -- it could certainly go well above 100 sites. I mean, we think in 2018, we'll do closer to the, I would say, 300-plus range, based on what we're seeing in our pipeline right now. But there are some larger opportunities that we're pursuing. It really depends on being able to secure the real estate locations and then it also, of course, depends on what the MNO build-outs look like at that point in time. The nice thing about these sites, though, is from a carrier perspective, they are relatively easy to co-locate on. So we think that they're going to be a very attractive option for carriers.

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

Okay. And I guess a final one for me then. Why choose Landmark versus one of the public tower guys to perform this? What do you bring to the table, do you think? And do you expect more competition into that type area?

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

Sure. Landmark is bit of a unique company. We're very much a real estate and ground leasing focused company. So we have a lot of relationships with real estate owners, with -- obviously, with our current property owners that we've worked with, but also, a lot of other real estate relationships. We know a lot of the REITs, other large property owners, and we can bring together potential locations, and with Ericsson, now we bring the potential technology. So it was kind of a nice fit, the two of us coming together, there's a lot of synergies working together. And that's a little bit different from the tower companies, which are a little bit more focused on building towers or leasing up their existing sites. We're approaching it a bit from a different angle. And we have a little bit different business model as well, that I think the carriers find attractive.

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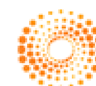

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Arthur P. Brazy - *Landmark Infrastructure Partners LP - CEO of Landmark Infrastructure Partners GP LLC & Director of Landmark Infrastructure Partners GP LLC*

Yes, we're also in 3 different industries. So obviously, the tower companies are specialized in what they focus on. But some of these installations will be broadened beyond just telecommunications to include everything from battery storage to utility grid management solution opportunities. We talked a little bit about sensing and IoT applications. Those are areas where we're focused, that the tower companies aren't necessarily looking at.

Operator

(Operator Instructions) Our next question is from Liam Burke of FBR Capital.

Liam Dalton Burke - *FBR Capital Markets & Co., Research Division - Analyst*

Tim, with the new partnership, how does it change your current view of the traditional ground lease business beyond 2017? Is there going to be less concentration on that? Or can you continue to grow out both?

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

Now there's -- the basic core business is performing extremely well and it's a pretty large runway of assets. I mean, we barely scratched the surface in terms of the assets that we can buy in the basic business. So these new partnerships are complementary to the existing lines of business and allows us to sort of move throughout the telecom ecosystem. So historically, we bought the real property, the horizontal property. Now we're leasing out vertical real estate and even with the Penteon joint venture, we're now expanding into backbone development for IoT. But that's all part of the same system that we're targeting. The core business continues to be a real opportunity for the company and we expect that to continue to grow -- grow significantly over the next several years.

Liam Dalton Burke - *FBR Capital Markets & Co., Research Division - Analyst*

And on the new partnership, do you see significant risk if customer take-up of the facilities don't roll out as quickly as you anticipate?

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

No, I don't think so. I think this is simply an opportunity to deploy capital at attractive returns. And if it's a little bit slower, it doesn't really have any financial impact on us. We are focused on trying to expand the opportunity, but we think there is more upside than there is potential risk associated with what we're doing.

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

Yes, we're also not taking greenfield development risk. If the poles don't go into the ground without an anchor tenant, so the requirement is that we're going to get comparable returns to a traditional wireless asset. The upside potential for additional tenancies driving high organic growth, importantly, without additional CapEx, gives us a lot of additional benefits that the traditional ground lease acquisition business does not.

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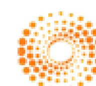

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Operator

Our next question is from Mike Gyure of Janney.

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

Yes, I think you touched on a little bit the international opportunities. Can you talk a little bit about, I guess, what's going on in the U.K., and sort of elsewhere internationally?

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

Sure. The U.K., right now, is entirely outdoor focused. We're not looking at, or we're not currently investing in wireless or renewable assets over there. It's a great market for us from the standpoint, I'd call it a bit of a greenfield market. You haven't had the acquisition activity that we're doing over there, quite the way you've seen it in the U.S., so there is very attractive investment opportunities. And it's also, from a structural standpoint, a great market to be in. We're seeing our acquisition activity in the U.K. pick up as we formed the venture in the fourth quarter of last year. We're starting to see a little bit more transaction on -- or traction on the acquisition side. So we're very optimistic as to where our portfolio and what the opportunities are going to be in that market. Outside of the U.K., we are seeing some opportunities in both Canada and Australia. Those are markets where historically, we have invested in both wireless and outdoor assets. Not as much on the renewable side, there really is not much in Australia for renewables; in Canada, we just haven't really found opportunities to target. But both of them are -- they are healthy markets, they are growing industries, the 2 that we're focusing in. And there is very attractive acquisition opportunities there. The portfolios there are still relatively small. They only represent about 1% of our total revenue, but there's certainly a lot -- a large runway looking in the future.

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

Okay. And then maybe to support sort of the acquisitions and the growth capital, what are you, I guess, envisioning from a financing -- I guess, liquidity, it looks like you've got about $60 million to $70 million available on the revolver? I guess, how do you envision the financing working out on some of the stuff for the rest of the year?

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

Sure. We're going to look at what the opportunities are for raising capital. We have ATMs on both of the preferred that we've issued. We also have one on the common. We also can issue units in acquisitions and do potentially overnight-type offerings. We're not planning on doing a common overnight offering, and potentially, there could be something on the preferred side, but we're really going to look at what is the -- what makes sense at the point in time that we need the capital, which of those avenues to tap. But we're very -- we're focused very much on being opportunistic as far as raising capital. We're not going to go out and do an issuance if it doesn't make sense.

Operator

And our next question is from Dick Schiller of Baird.

Richard C. Schiller - *Robert W. Baird & Co. Incorporated, Research Division - Junior Analyst*

A quick modeling question from me. In the first quarter and the second and kind of what you expect going forward, what were the REIT conversion costs that were included in G&A?

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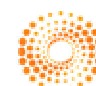

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George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Sure. For the first quarter, it was pretty light, it was about $100,000, where through the second quarter, we're at about $0.5 million, and then in the third quarter, we expect to incur another around $700,000.

Richard C. Schiller - *Robert W. Baird & Co. Incorporated, Research Division - Junior Analyst*

Got it.

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

Yes, so it's about $1.2 million, all together.

Operator

Our next question is from Ric Prentiss of Raymond James.

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

You mentioned, obviously, co-location is a very attractive thing on the new ventures. Who's got the sales and marketing arm? Is it at the Landmark? Is it at -- which side of the structure do you put sales and marketing into?

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

I would say it's -- I would say it's a little bit of Landmark, but then also our relationship with Ericsson certainly helps as well.

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

Okay. When do you have to pay for the equipment? Obviously, it's a timely -- time-consuming process to get the -- identify the land, get the landlord and owner to agree, get the -- any zoning, if needed, get it constructed, connected to fiber. Kind of what's your payment, is it when it's handed over, and said, "It is now in service," is that when you guys have to pay for stuff?

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

There's progress payments along the way. So the actual steel pole infrastructure is the item that we have to order initially. That's the first payment that would be due that -- that's due, for the most part, around the time of delivery. And then as the poles are deployed, we'll make some progress payments during the course of installation. And then after installation, it should be a couple of months before, maybe 2, 3 months before a tenant has installed their equipment and the revenue under the lease starts. So there's generally, I would say, maybe a 3- to 5-month lag between when we start to pay for things and when that revenue would probably come in.

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

Okay. And then can you break it out as far as what the kind of hard cost is versus the soft cost, like the pole order, how much is that, so we can kind of think through the modeling of when the cash would need to be spent?

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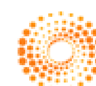

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George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Sure. I would say on average, you're probably around 50% is going to be the pole cost on -- installation. Depending on the site, maybe it's a little bit lower, could be maybe 40% to 50%.

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

Okay. And then 5G, is this a -- how do you make the technology in the pole ready to move from 4G LTE to 5G at some point?

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

They are -- for the most part, they are designed and ready for 5G. If we need to make a change to the structures, that can be done relatively easily, without much cost.

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

Okay. And then last one. Obviously, the coverage ratio is still below 90%. As you think through the migration through the rest of this year and into next year, when do you think you get back above 1?

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

I would say based on the acquisitions that we've done to date, just looking at the run rate, we're roughly at about the low 90s from a coverage perspective. So acquisitions in the third quarter and in the beginning of the fourth quarter would -- without another distribution increase, would get us to the point of covering, but after -- we get all the acquisitions done for a year, the revenue associated with them is in the quarter for a full quarter. That's the point that we would cover, which I think would be reflected in Q1 of next year.

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

Okay. Absent any other kind of operating or funding of the new effort?

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

That's right, yes.

Operator

At this time, I'll turn it to Mr. Brazy for closing remarks.

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

Okay, thanks. And thanks to everybody for joining us this morning. As you've heard, the base business is strong, continues to grow, we're super excited about the opportunities that we have in front of us. And we're confident in our ability to deliver continued growth at the Partnership the second half of this year. So thanks again, and we look forward to speaking with you next quarter.

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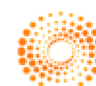

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Operator

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.

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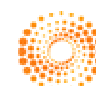

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