



Landmark Infrastructure Partners, LP (LMRK)

Updated December 21st, 2019 by Trond Odegaard

Key Metrics

Current Price:	\$17	5 Year CAGR Estimate:	9.8%	Market Cap:	\$432.8M
Fair Value Price:	\$15	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	02/01/20
% Fair Value:	110%	5 Year Valuation Multiple Estimate:	-1.9%	Dividend Payment Date:	02/14/20
Dividend Yield:	8.6%	5 Year Price Target	19.8	Years Of Dividend Growth:	3
Dividend Risk Score:	F	Retirement Suitability Score:	C	Last Dividend Increase:	6.7%

Overview & Current Events

Landmark Infrastructure Partners (LMRK) is a small to medium sized business providing real estate on a leased basis to wireless carriers for their cell towers, advertising operators for their outdoor displays, and power companies for their renewable energy units. 49% of revenues is from wireless carriers, 35% from advertising, and the rest from power generation. LMRK also recently began leasing a neutral-host smart pole designed for carrier and other wireless operators. They have a clever business model, using triple net leases with contractual rent escalation. The company has essentially no maintenance capex and owns property rights (real property interests) in difficult-to-replicate major population centers. The partnership garners 75% of its revenues from so-called tier 1 tenants (large publicly traded companies with national footprints). Three-fourths of its real property interests have lives in excess of 40 years; 40% of them are perpetual. The partnership has a 95% occupancy rate with a 99% historical lease renewal rate. Landmark's sponsor, Landmark Dividend LLC, does the work of finding and negotiating the purchase of the properties using their proprietary database. Landmark Dividend owns a 13% common unit interest in LMRK. Though the traded entity is structured as a partnership, the properties themselves are owned by its REIT subsidiary. They explicitly state that there will be no UBTI tax resulting from their operations. Revenue from operations was \$65 million in 2018.

Third quarter results – specifically AFFO - were lower versus 3Q a year ago (\$0.20 vs \$0.29/unit). FFO was lower versus the comparable 9-month period in 2018, as well: \$0.4 vs. \$0.95/unit. Management provides no guidance, but the company is clearly not a growth story in 2019.

Growth on a Per-Unit Basis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024
AFFO	-	-	-	-	-	\$0.25	\$1.36	\$1.26	\$1.26	\$1.34	\$1.29	\$1.65
DPU	-	-	-	-	-	-	\$1.06	\$1.33	\$1.42	\$1.47	\$1.47	\$1.47
Units¹	-	-	-	-	-	7.8	10.7	17.1	22.8	25.0	25.3	25.3

The company chooses to show AFFO/unit using diluted shares, but since full dilution has now occurred, basic equals diluted. As is apparent from the table, growth in cash flow per unit has been non-existent, and the dividend paid has generally been in excess of the distributable cash flow. While the company's generosity is to be commended, such generosity is not usually sustainable. Although the company should have exciting growth opportunities going forward given the nationwide roll out of 5G – which will require densification of existing cell tower networks, until such time that they demonstrate growth we are leery of giving them too much credit for hopes and dreams. However, we will give them some credit and we note that about a 5% CAGR on 2019 expected AFFO (about equal to the estimate shown in the table above, which is a linear extrapolation of results through 3Q) is required to get to 1.1X coverage of the current dividend. We will assume the company achieves this over the next 5 years. Since they are now fully diluted, and have indicated a desire to grow organically, we assume no further share issuance.

¹ Average Weighted Unit count is in millions.

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Valuation Analysis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Now	2024
P/DCFU	-	-	-	-	-	-	11.6	11.9	13.2	11.1	13.2	12.0
Avg. Yld.	-	-	-	-	-	-	6.7%	8.9%	8.5%	9.9%	8.6%	7.4%

The current multiple is a bit higher than its average of 11.9, and probably a bit higher than is warranted for this business. We think 12 is about right for a relatively stable and mostly recession proof business of this nature. Units have traded in a range from \$10.4 to \$19.3 since the IPO in late 2014; at \$17, it's towards the higher end of that range.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024
Payout	-	-	-	-	-	-	78%	105%	112%	110%	114%	89%

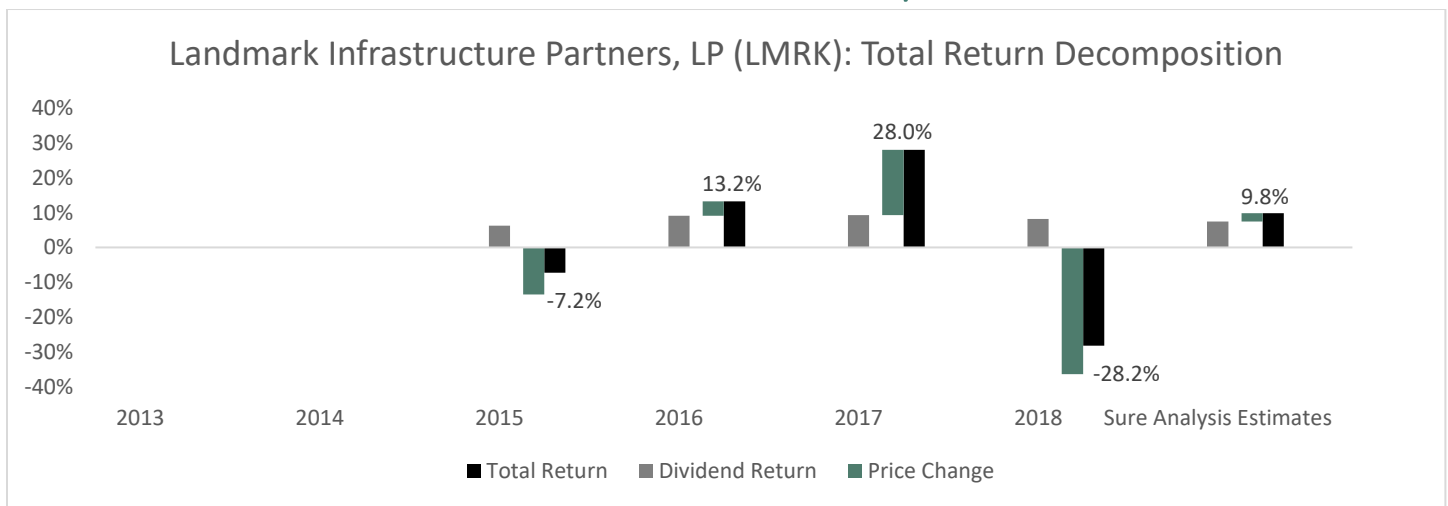
Payout ratios have been in excess of 100% for this company other than their first year of paying dividends. This is generally not a good place to be. We do note however that they are not egregiously in excess of 100%, and that their underlying business model is the very essence of stability. The company's D/E ratio is quite low at 0.68X, but their D/EBITDA is a more concerning 3.5X.

LMRK should be reasonably recession proof, for several reasons. Firstly, 65% of revenues come from wireless carriers and renewable energy. These industries should be relatively unimpacted by a recession; people still need energy and the 5G rollout will continue. These are not only the sustaining components of the LMRK's business, they are also the growth drivers. Secondly, about 75% of their leases have a term beyond ten years.

Final Thoughts & Recommendation

LMRK is a hold for several reasons. Patience might well reward the investor with a lower priced entry (it's been as low as \$15 several times this year), though having said this, LMRK's technicals do look good at the moment. Secondly, their multi-year record of paying more dividends than they have distributable cash is concerning - as is their D/EBITDA ratio. However, they made meaningful progress on their debt last year, and their growth prospects ought to be bright. Given their high current yield, risk seeking investors might consider legging in gradually. More cautious investors will wait to see if expected growth opportunities materialize.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	-	-	-	7	17	25	34	41	53	65
Gross Profit	-	-	-	7	17	25	34	41	52	64
Gross Margin	-	-	-	99.6%	100%	99.9%	99.9%	99.7%	99.3%	98.2%
SG&A Exp.	-	-	-	0	1	2	3	4	5	5
D&A Exp.	-	-	-	1	4	5	7	11	14	16
Operating Profit	-	-	-	5	12	17	22	26	33	43
Operating Margin	-	-	-	72.6%	67.0%	68.7%	64.0%	63.0%	63.5%	66.0%
Net Profit	-	-	-	2	0	-3	1	10	19	116
Net Margin	-	-	-	22.4%	0.0%	-10.7%	3.6%	24.1%	36.6%	178.8%
Distr. Cash Flow	-	-	-	4	10	15	-119	21	28	31
Income Tax	-	-	-					0	-3	0

Balance Sheet Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Assets	-	-	-	134	186	305	486	603	768	787
Cash & Equivalents	-	-	-	25	1	0	2	3	9	4
Accounts Receivable	-	-	-	0	0	0	1	2		
Goodwill & Int. Ass.	-	-	-	3	4	8	13	16	18	21
Total Liabilities	-	-	-	74	99	156	328	359	514	449
Accounts Payable	-	-	-	1	1	0	2			
Long-Term Debt	-	-	-	67	89	142	307	337	491	379
Partner's Equity	-	-	-	59	87	149	157	244	254	337
D/E Ratio	-	-	-	1.13						

Profitability & Per Share Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Return on Assets	-	-	-		0.0%	-1.1%	0.3%	1.8%	2.8%	14.9%
Return on Equity	-	-	-		0.0%	-2.3%	0.8%	4.9%	7.7%	39.1%
ROIC	-	-	-		0.0%	-2.3%	0.5%	3.1%	4.6%	26.6%
Shares Out.	-	-	-	7.84	7.84	7.84	10.69	17.12	22.84	26.97
Revenue/Share	-	-	-	0.87	2.22	3.21	3.14	2.40	2.30	2.40
DCF/Share	-	-	-	0.49	1.26	1.89	-11.15	1.25	1.25	1.16

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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