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FTAI - Q2 2016 Fortress Transportation and Infrastructure Investors LLC Earnings Call

EVENT DATE/TIME: AUGUST 03, 2016 / 12:00PM GMT

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PRESENTATION

Operator

Good day ladies and gentlemen, and welcome to the Fortress Transportation and Infrastructure Investors LLC Q2 2016 earnings call. At this time all participants are in a listen-only mode. Later we will conduct a question-and-answer session, and instructions will follow at that time. (Operator Instructions). As a reminder this conference is being recorded. I would now like to introduce your host for today's conference, Alan Andreini, Managing Director and Head of Investor Relations. Sir, you may begin.

Alan Andreini - *Fortress Transportation and Infrastructure Investors - Managing Director, IR*

Thank you. I would like to welcome you to the Fortress Transportation and Infrastructure second quarter 2016 earnings call. Joining me here today are Joe Adams, our Chief Executive Officer, and Scott Christopher, our interim Chief Financial Officer. We have posted an Investor Presentation in our press release on our website which we encourage you to download if you have not already done so. Also please note that this call is open to the public in listen-only mode, and it is being webcast. In addition, we will be discussing some non-GAAP financial measures during the call today. The reconciliation of those measures to the most directly comparable GAAP measures can be found in the earnings supplement.

Before I turn the call over to Joe I would like to point out that certain statements made today will be forward-looking statements. These statements by their nature are uncertain and may differ materially from actual results. We encourage you to review the disclaimers on our press release and Investor Presentation regarding forward-looking statements, and to review the Risk Factors contained in our Quarterly Report filed with the SEC. Now I would like to turn the call over to Joe.

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Thanks very much, Alan, and good morning everyone. To start with I am pleased to announce our fifth dividend as a public company, and our 20th consecutive dividend since we started the Company. The dividend of $0.33 per share will be paid on August 29th based on a shareholder record date of August 19th. We remain committed to this dividend, and there's nothing in this past quarter or ahead that we see which places the dividend in question. We continue to deploy capital at attractive levels in aviation, we made meaningful progress at Jefferson, we have closed on Repauno, and we have a robust pipeline of new investment opportunities. In short our confidence in both the dividend and our business model grows every quarter.

Let me first give you an overview for the quarter before going into the numbers and respective areas in more detail. Aviation. When we started this business five years ago, we set out to build a platform which is deep in engine expertise, and adds value through better management and understanding of engine repair and maintenance cycles. We have that and continue to refine and improve this outstanding business. I believe our people, the capital structure, and our focus gives us a sustainable competitive advantage in a high growth capital intensive business. Our portfolio is centered around the most liquid and long lived asset types, including 737-700s and 800s, A320s and 321s, and Boeing 757, 767, and 74 aircraft, which provides the best combination of high returns and low risk available. Offshore remains extremely distressed. Many companies today are restructuring and several are in liquidation. This is ultimately a good thing as the available vessel supply is coming down fast. On the demand side, we're seeing some increase in activity, particularly in offshore power cable and wind, as well as regular offshore oil and gas field maintenance. To this point the Pride, our largest vessel will be on charter for most of Q3, assisting a company called Prysmian in a power cable laying project in the Philippines.

We have taken a noncash impairment charge of approximately $4 million after terminating a contract on our only new build vessel. Given the extremely challenging market environment, we did not think that this was a good use of capital at this time, and as such we nixed the deal, and have no further obligations. Our remaining equity in containers is approximately $10 million. We continue to look at deals in this space, but at this time we have seen nothing that gets us very excited, even though there has been a slight uptick in new container prices.

The Central Maine and Quebec Railroad. The good story continues. Revenues and car loads were up 38% and 15% respectively year-over-year. As expected Q2 is not quite as strong as Q1, due to the seasonality of some of the business, but the CMQR again was a positive contributor to FAD, and has a strong new business pipeline. Repauno we have started to work on our first projects. The 186,000-barrel underground granite storage cavern, and a 200,000 square foot industrial warehouse. And I'll talk more about that later.

Let's turn now to the financials. A key metric for us continues to be funds available for distribution, or FAD. During the second quarter total FAD was $13.3 million, made up of $29.3 million from our equipment leasing portfolio minus $6.8 million from our infrastructure investments, and minus $9.2 million from corporate. Our equipment leasing FAD was comprised of FAD from aviation of $33 million, which includes $11.5 million of FAD from the sale of two engines and one airframe for a gain of $1.5 million.

Offshore Energy was minus $3.8 million of FAD, an improvement from Q1 when FAD was minus $5.6 million. The improvement was a result of both the Pride and the Pioneer being on charter for part of the quarter, as well as lower maintenance and repositioning costs. Our infrastructure FAD continues to be negative at minus $6.8 million, slightly larger than Q1 due to a one-time charge of $1.2 million at Jefferson, and the seasonality at CMQR which I mentioned.

Leasing. Let me take you through the progress we have made this quarter it is it relates to our equipment leasing portfolio. Our aircraft and engine portfolio continues to perform well, as of June 30, 2016 our aviation segment is our largest, with approximately $436 million of book equity, which includes 24 aircraft and 47 engines. We continue to see strong demand for aviation assets and our utilization has remained high. As of the end of July our current overall utilization is approximately 90%, which reflects aircraft utilization of 95%, and engine utilization of 71%. Engine utilization is up from Q1, and as you may recall we target engine utilization between 50% and 75%.

During Q2 of 2016 and so far this quarter we have executed multiple aircraft lease extensions such that our average remaining aircraft lease term remained at 36 months as of the end of July. Our average remaining lease term on the engines is 11 months, down slightly from Q1. We sold two engines and one airframe for a gain of $1.5 million in Q2, and going forward as a regular course, we intend to continue to take advantage of our strong sourcing capabilities, and opportunistically realize gains through periodic asset sales.

In Q2 we closed on $54 million of new deals in aviation and for the six months ended June 30 we have closed on $80 million. Looking ahead we have approximately $80 million in signed letters of intent, and we're close to signing another $40 million deal as we speak. If all of these new investments close, we're now estimating a run-rate FAD from aviation to be over $130 million per annum, assuming no asset sales and no new deals. Our target continues to be to grow this portfolio with the existing team into a $1 billion business of approximately 75 to 100 engines, and 40 to 50 aircraft, while maintaining our targeted 20% unlevered returns. Given the size of our target market, we believe our goals are imminently achievable.

Let me now turn to offshore. As you remember offshore struggled in Q1 and generated minus $5.6 million in FAD. While the industry's Q2 was probably even worse than Q1, our Q2 improved slightly to minus $3.8 million. We own two of the best vessels in the industry, and we're seeing more opportunities for these vessels today than we have for quite a while, including work in offshore power and brownfield re-developments. Both the Pride and the Pioneer started short-term jobs during Q2 and the Pride is still on hire. The stress in the overall offshore IRM inspection repair maintenance is the worst we have ever seen. As we look at the offshore IRM space, we still like the long-term fundamentals. But having said that, while we believe the sector is bottoming out and better demand is developing, the distressed deals that we have looked at so far still entail too much risk.

Let me now turn to infrastructure and cover Jefferson, CMQR, Repauno, and Hannibal. Starting with Jefferson, we have been focusing this year on four business development projects. One Canadian crude-by-rail, two, crude storage and blending, three, ethanol storage and distribution, and four, refined products to Mexico. Firstly, our system was designed and built to handle the heaviest Canadian undiluted crude, which has been and still is an attractive move. We sold the first train load of Lloydminister at a profit in Q3, and we will be bringing additional unit trains into the terminal later in Q3 and Q4. We're working diligently on lining up both end of this move, working with producers in Alberta and refineries in the Gulf Coast to ramp-up the volume. Increasing pipeline constraints in Canada with expanding production in Canada, concerns about the reliability of Venezuelan production, Gulf Coast refinery expansions, like Exxon's announcement last week, are all positive macros in our favor. And we are making progress on this front.

As to the crude storage in Hambley, we signed last week a new contract with one of the local refineries for 500,000 barrels of heated storage for a minimum three year term. Jefferson will invest between $25 million and $30 million in capital for the construction of two 250,000-barrel tanks, and a new ship loading/unloading arm which can transfer over 30,000 barrels per hour. Construction should take approximately one year, and once in service this should generate between $4 million to $5 million in annual EBITDA, and this investment will be funded 100% with the municipal debt, which we raised earlier this year in 2016. This deal will increase our storage capacity from 700,000 barrels today to 1.2 million barrels. Importantly, we have space for and are permitted to build up to 3 million barrels of storage on the property. In addition to being a steady cash flow business, storage facilitates and drives blending and additional transportation revenues for the terminal.

Ethanol. Following the announcement in June of the joint venture with Green Plains, the market reception from a number of industry producers, traders and exporters has been quite positive. The high flow rates capability of terminal, the sizable storage capacity, the lack of dock and rail congestion, we have three Class 1's that serve Beaumont, and access to deep water are real advantages for the terminal. Given this high indicated interest level, we and Green Plains are evaluating options for expanding the terminal capacity beyond our original plan. Refined products. The level of activity around the US refineries gaining access to the Mexican market with gasoline and diesel by rail and barge is very high. And we are actively working both ends of that originated product in Beaumont, either by rail or by water, and terminating in Mexico, and we currently have several proposals out that are being negotiated.

Turning to the rail CMQR, Central Maine and Quebec Railroad, the Railroad continues to perform very well. FAD was $0.5 million this quarter versus minus $1.3 million a year ago. And Q2 is generally a bit weaker than Q1 due to propane shipments in the spring being less than in the winter. Management continues to do a great job and multiple new business initiatives are developing very nicely.

Repauno. We closed on the purchase of Repauno on July 1st. We indicated about six months ago that we would close when we had a clear line of sight with respect to acquiring the necessary permitting and contract negotiations for commercial use. We now have that. Site preparation has commenced on the 200,000 square foot industrial warehouse. We expect to execute tenant contracts within the next three months, and have a plan to have that building operational in Q2 of 2017. With our first warehouse building we also plan to construct rooftop solar, which generates an incremental cash flow, while not taking up any incremental acreage.

In the cavern we made significant progress on restoring the cavern, and readying it for butane storage. We have several negotiations ongoing, and intend to have the cavern operational in early 2017 before the start of the butane storage season. Having the cavern available has facilitated discussions around our larger master plan for natural gas liquid storage and distribution at Repauno. The attributes of the site, the location, the rail access, the water, deep water, truck and storage are very valuable, and we expect to advance the commercial aspects of this larger plan in the next several months.

Auto. We're making good progress on our automobile car distribution facility plan. We are negotiating with a potential customer, and expect a decision to be made toward the end of Q3, early Q4. As we prioritize the multiple options at Repauno, we will firm up the capital plan, and we expect to give more color next call as to the projects, the capital requirements, and the timing of expected cash flows.

Hannibal. As you know we announced on our last call that we filed an application with the PJM Interconnection to build a 500-megawatt gas-fired combined cycle power plant on the property. It's an ideal location because of the access to low-cost gas and ethane in the region, access to water on the Ohio River for cooling, and transmission lines that are already in place from the old aluminum smelter. Making the project even more attractive today are a number of announced plants closures of coal-fired plants in the area. Encouragingly we have received inquiries from several developers who are interested in partnering with us if we decide to go that route.

Let me speak briefly about the pipeline of new investments. The pipeline of deals remains robust, excellent investments in aviation are available, even while we become more sharply focused on our targeted asset types. We know it when we see it, which is a very good feeling to have in this business. We're also looking at some engine repair and maintenance related investments which would further differentiate our business model, and bring additional competitive advantages. On the infrastructure side we're looking at a number of dealings in the port terminal and rail space which would fit nicely with our existing investments.

In conclusion this last quarter was a really good quarter for us. We got a lot done. We continue to build-out our fantastic aviation business, Jefferson signed two new deals, we have contractors on-site at Repauno, and our position in the port rail and terminal space is really taking shape. Our vision for FTAI has been to combine the best of equipment leasing, which is high contracted cash flows were low volatility, with long dated growth opportunities from exceptional infrastructure assets, and we are in a very good spot. Finally, I am very proud of the Management Team that we're fortunate to work with at FTAI, both the Fortress team and the management of our companies. You get so much more done when you are surrounded top talent, and we're doing that very well. With that, let me turn the call back over to Alan.

Alan Andreini - *Fortress Transportation and Infrastructure Investors - Managing Director, IR*

Thank you, Joe. Operator, you may now open the call to Q&A.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions). Our first question Justin Long with Stephens. Your line is now open.

Justin Long - *Stephens Inc. - Analyst*

Thanks and good morning. So my first question on the Jefferson slide you walked through some of the commercial opportunity being discussed, but could you potentially rank these opportunities, in terms of both their size and the expected timing?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Sure. So in terms of size I think the biggest opportunity overall would be crude-by-rail from Canada. And so that is something we're very keenly focused on, spending a lot of time on, and have a number of discussions ongoing on both sides of that, the supply and the off-take, and the good news is we have infrastructure in place that can handle most of that. We would probably need to build some additional storage, but we're not, there's no long lead times on that. Then I would say in terms of ranking Mexico is high, in terms of potential and near-term opportunities. So there is a lot of activity around.

As most people are aware and if you follow the rails, Kansas City has talked about this in that the Mexican market is opened up, and people are looking at a variety of different ways to get product into Mexico. There's not a lot of pipeline infrastructure, so it's really a combination of rail and water. Trucking is a bit hazardous so it tends to be a little safer to move it by the rail. So we're well-positioned to do either of those, and we have a number of negotiations that we are actively engaged in right now, and the commitment I think of the refineries in the Gulf Coast area to that market is significant. I mean they're all, it's a high priority for lots of them. It's a big market for quite a while.

And then ethanol as I mentioned is I think a very good opportunity which we can probably ramp-up. We have got additional customers that have come and following the announcement, potential customers following the announcement of the joint venture, and there are other things that we might be able to do like DDG is a byproduct of ethanol production, and we're looking at whether we could use a portion of the terminal for DDG export opportunities as well. And then we have also got other things in the works which hasn't really fully developed, things like propane, which we got permitted, which is not an easy thing from the Coast Guard, to be able to export propane. So we're working on that to be able to sort of develop that as another new product opportunity.

Justin Long - *Stephens Inc. - Analyst*

Okay. Great. That's helpful color. And Joe, I wanted to clarify some of your comments on aviation and the FAD run-rate you expect. So is the run-rate in aviation at the end of 2Q around $110 million excluding sales, but if you successfully deploy this $120 million of additional capital that FAD run-rate goes it to over $130 million? Is that correct?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Yes. You got it.

Justin Long - *Stephens Inc. - Analyst*

Okay. Great. And then my last question with everything you discussed between the new contracts and the investments that you're making it seems like visibility on cash flow and the ramp is improving. Would you be willing to share your thoughts on when you think you will be able to start covering the dividend?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Well, I mean the way I think about it is if aviation generates $130 million, then assuming corporate is about $30 million, the dividend is $100 million, it's pretty covered with aviation. Then what you need to assume is that offshore is breakeven or positive, which I think is likely to happen in Q3, and hopefully beyond that, I think we have a number of contracts going on, negotiations going on that seem promising so I think that will happen. CMQR is positive. And then the remaining question is Jefferson, and I feel very good about that, given that we have got two new deals that we just announced, and we have got a lot of irons in the fire. So I would think by early 2017 we would have pretty good line of sight on that.

Justin Long - *Stephens Inc. - Analyst*

Okay. Perfect. Congratulations on the quarter and I will hop back in the queue. Thanks for the time.

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Thanks.

Operator

Thank you. And our next question comes from Chris Wetherbee with Citigroup. Your line is now open.

Prashant Rao - *Citigroup - Analyst*

Good morning guys. This is Prashant [Rao] in for Chris. I wanted to pick up on Repauno. Looking at the number of opportunities that you mentioned there. I just wanted to get a sense of, I know you said that you have a little bit more color at the time of the cash flows, but just a generalized sense of how you think about maybe fast forward a year from now or two months from now, what sort of run-rate earnings and FAD contribution could you see from the opportunity set, and maybe how we should think about the progress through 2017? Maybe even bigger picture conceptually just to get our arms around that?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Well, I mean it's something we think a lot about, but I think it's probably a few months early to be too--, I would say in the next three to six months we should have a lot more visibility on the commercial deals that we can strike. As mentioned, the two first projects are the cavern, and we have a number of people interested in that. The capital required to get that back in service is not significant. It's not a huge amount. it's $10 million or so, and should generate some single-digit EBITDA off of that, but it's the path really to a much larger deal that I am keenly interested in. And so that is developing. Then I think on the warehouse side, it's a fairly straightforward business model.

There's tremendous demand in that region for both dry and refrigerated space. There are not a lot of the new buildings in the area and you could build properties at 7% or 8% cap rates, and the sell them at 4.5% or 5%, so it's a nice business given what we have there and the logistics capability. So those two are fairly easy. And as I mentioned I think auto is a little too early to predict, but we have got a party that we're engaged with, which would be a meaningful deal which would both give us a long-term contract with a tenant, and also open up the dock. Which would be partially used, so we would have other opportunities to expand off of that. And so those are the main, right now those are the main projects. I don't have specific numbers yet, but that's the best I can do at the moment.

Prashant Rao - *Citigroup - Analyst*

Okay. Thanks. That's helpful. And then turning to offshore, you talked about the distressed situation in that market. Is maybe rationalizing some of your economic interest there, or maybe selling an asset, or specifically looking at the ROE, is that something that you are considering if the market doesn't turn, and sort of kind of leads to my next question on asset sales, how should we, I know aviation will continue to do asset sales as a regular course of business, but could we see asset sales from other segments as you sort of reposition the business?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Well, I think, I think offshore is a question. We have looked at a number of options, to either combine our assets into some other situation, or to try to leverage what we have into an a opportunity which has asymmetric upside. In other words, you have a lot of upside and no down side, and thus far I haven't found that yet, but that's not so that I at that isn't, we keep looking. Having said that, I don't feel as much enthusiasm in the near-term for offshore as I do for aviation, so it would be logical at some point that we would look to sell that and probably redeploy it in aviation, but it's really a function of us it continuing to beat the market and see what's going on out there. It's pretty, for a lot of companies it's really dire. There are lot of liquidation and bankruptcies happening in every sort of contract that was let by one of the offshore oil companies has been renegotiated. So it's challenging for a lot of people. The good news is we have really good assets an there are a lot of people that recognize the capabilities. It's just we have got to pick the right time to sort of do a deal, and then decide whether we stay in or get out. Other than that I don't see any significant asset sales. Aviation as I mentioned is part of our regular business to sell things opportunistically. It's built the way we do things is we'll have engines available, and sometimes people come in and they have to have that engine because they might have had a maintenance event unscheduled that they need an engine, and that's a great business for us. It's a price that we would, puts a smile on our face. So we will continue to do that periodically just as a way of running the Company.

Prashant Rao - *Citigroup - Analyst*

Okay. Great. Thanks very much for the time.

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Thank you.

Operator

Thank you. Our next question comes from Ariel Rosa with Bank of America Merrill Lynch.

Ariel Rosa - *Bank of America Merrill Lynch - Analyst*

Hi. Morning, Joe, Scott, Alan. First question wanted to get a sense on the aviation market, Joe, maybe you could talk a little bit about what you're seeing there in terms of the overall industry condition, as well as maybe the supply-demand balance, and what are some of the top concerns that you're hearing from some customers?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Sure. So I mean the market is pretty bifurcated, and the newer equipment the market is extremely competitive, and prices are quite high. So there is a lot of capital chasing that, and there's actually not much differentiated, the way leasing companies and others look at it, and so it's a business that I think is pretty pricey. And I think on the airline side, you have seen a number of postponements of new deliveries, and so airlines are looking at a softer revenue environment, lower growth and low fuel prices, and so their point is why rush taking new equipment when I don't have the growth rate, and I think fuel prices are going to stay down and be low, so you see the older equipment getting extended, and demand for that being quite good, and that's really the market. The market that we are attracted to is I'm attracted to long lived assets that I think are going to be in service for many, many, many years, and particularly if you look at it that, also ones that can be converted to freighter aircraft. So you have got a lot of new demand from e-commerce companies and 737-700s or 800s and 767, 757s fit perfectly into that category, and so we are looking at the engine life, and the economic life of those aircraft being very long, and that's what is exciting us. And so what we're buying, typically are things that other people are not buying, and in that they might be difficult to finance, they might have no lease attached, and because we have I think a really strong capability to handle the engines, we're in a much better position to execute on those deals, and actually have done that a number of times now.

So a feel our confidence in what we, when I say we know it when we see it we now look at deals, and we say that actually is a deal we should do and we should win and we do. So I find like we're not in an intensely competitive area. We're in aircraft that I think are going to be extremely in demand for many, many years, and I think we do things, we add value, so we're going to make, we should and will make above average returns and take the low average risk, and we have no debt on the portfolio. So if you do see a downturn, watch the companies that always get the most affected, are the ones that use a lot of leverage, and there's a lot of people out there in the space doing that right now.

Ariel Rosa - *Bank of America Merrill Lynch - Analyst*

So that's actually a great answer and that kind of leads into my next question. So the cash balance is declining. Obviously you guys have a decent run-rate with that in terms of (inaudible), et cetera. But is there any point at which you think maybe it's appropriate to put a little bit more leverage onto the business, maybe in terms of the returns of the aviation portfolio, and give yourself a little bit more cushion in terms of the some of the development projects that you're working on, or is that not something that's really in the cards right now?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

No. It is and we have thought about it, and looked at it and have done some planning on it, so we're positioned to be able to take advantage of that, and obviously the world is, interest rates keep going lower. People say they can't, but they do, and it could be an interesting time to add some leverage. We have overall told people we don't intend to go over 50% debt to total cap, but we have got a lot of room to bring the leverage up, and it's something that we will look at.

Ariel Rosa - *Bank of America Merrill Lynch - Analyst*

Is there a certain cash level that you want to maintain in order to be able to do these deals? Like a minimum cash balance, or something of that sort?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

I would think, we wouldn't go below $20 million to $50 million of available cash, but I do think that we tend to be an opportunistic purchaser, so we always want to have the ability to execute on a deal quickly, so we'll have liquidity. We'll build in liquidity to be able to do that.

Ariel Rosa - *Bank of America Merrill Lynch - Analyst*

Okay. Great. And then just the last question. Last quarter there was some talk about buybacks, just wanted to get updated thoughts on where that stands, or if you guys have kind of put that to rest given some of the other opportunities you're looking at?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Well, we didn't have an open window period last quarter to execute on any buybacks, and it's still authorized and it's still something the Board has at its disposal, and we'll take it as it comes, in terms of where markets are.

Ariel Rosa - *Bank of America Merrill Lynch - Analyst*

Okay. Great. Thank you.

Operator

Thank you. And our next question comes from Devin Ryan with JMP Securities. Your line is now open.

Devin Ryan - *JMP Securities - Analyst*

Okay. Thanks. Good morning, guys. A couple here on Jefferson. I guess first you spoke about Mexico. It seems like it could be a huge opportunity for the industry and for Jefferson as well. So I'm just trying to think about kind of how you guys position within that, and how much of that is a function of the Jefferson kind of terminal having the right being the right geography, versus how much is FTAI kind of differentiating itself, and really looking to be different to kind of take advantage of that opportunity?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Sure. So I think it's partly both. It's location really matters and being in the Gulf Coast is quite helpful. Obviously, Corpus Christi is closer to Mexico than Beaumont, but there's less congestion, and the number of the refineries that don't want to rely on any single point-of-origin to ship product down there. The second thing is the rail, and I don't think there's anybody that has better rail capability on the Gulf Coast than we do. So three Class 1s and very little congestion, and opportunity to load directly from barges to railcars, so the rail capability is I a big deal. And the physical location. So I think then it's just being responsive to refinery needs, which I think we're doing a pretty good job of. So it won't take much in the way of equipment to be able to (inaudible). I think we have the attributes. We just have to see where the market develops and who we partner with.

Devin Ryan - *JMP Securities - Analyst*

That's great color. Thanks, Joe. And then just to follow up there, obviously a lot of irons in the fire at Jefferson. Just trying to think about the capital outlay in all of these deals. Obviously, every contract now is kind of a new contract, or kind of a new opportunity just as you're getting going here, but as you think about as the opportunity that develops, and you have more contracts in hand, how are you guys going to think about kind of opportunities where you have to put up capital, versus can you maybe get partners to kick in more going forward, just because you are further along, versus thinking about leveraging existing kind of investments that have been made, where maybe the return our on that investment is going to be higher because you have you have already, you're kind of leverage willing offer of the prior contract that was made?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Well, you covered the water front, so we think about all of those. I mean we have access, we did access the tax-exempt bonds market so we have that as a potential, and as I mentioned, the storage deal is going to be funded 100% from that debt financing we did earlier this year, which is good. We haven't really figured out yet how we're going to finance the joint venture with Green Plains. Our portion of that is probably $25 million to $30 million, and that's with no debt financing so we will look at that as another opportunity, and then we would entertain having partners. I haven't met anyone yet who didn't tell me that we have a great asset and a great location. So people are interested, but we're not desperate, so we can do whatever we want when we want to.

Devin Ryan - *JMP Securities - Analyst*

Understood. That's great. And then maybe just last here. It sounded like since announcing Great Plains you had a number of kind of similar discussions. So just trying to get a sense bigger picture for Jefferson, now that the ball is rolling forward on a lot of front, what's the sense of urgency not on your end but on kind of the end of potential partners, just as people are kind of seeing a more visible way, that there's a lot going on at the terminal?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Well, I mean people are motivated. I always say faster and cheaper wins, right? So if you can do things at a lower cost and do it more efficiently and quicker you win, and that's really what we're presenting to the marketplace. There will be a point at some stage where people realize if they don't move, then there's less flexibility and less capacity available, but I don't think, I don't feel like we're there yet. We have a lot of, we have 250 acres we could add another several hundred acres we could take storage of 3 million barrels up from there, so we have got a lot of flexibility to keep expanding. It's really the location and the logistics capability that work, and that's exactly what drove the ethanol opportunity. We're advantaged because of the location, the rail, the ability to load and unload quickly, which is not, you think that's obvious and other people have it. It's not the case everywhere, so there are inherent real advantages in what we have and where we have built it, so we're just going to keep exploiting those.

Devin Ryan - *JMP Securities - Analyst*

All right. Great. Thanks for the color.

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Yes.

Operator

Thank you. (Operator Instructions). And our next question comes from Rob Salmon of Deutsche Bank. Your line is now open.

Rob Salmon - *Deutsche Bank - Analyst*

Hey. Good morning guys.

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Morning.

Rob Salmon - *Deutsche Bank - Analyst*

Joe, in your prepared remarks you kind of alluded to an opportunity in aviation with regard to engine repair and maintenance related investments. Could you talk a little bit more about kind of what the benefits, if you guys decided to move into that opportunity, and what sort of investment that required from either an operating expense or CapEx perspective, and how those IRRs compare to your broader aviation assets that you have today?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Sure. I don't have a specific investment or dollar amount to talk about. It's more of expanding on what we have already started doing, and one of the major areas of costs and expense in older engines is the overhaul of the engine, which is why you need spare engines. So every four years you have to put it through the shop, and managing that overhaul expense in a more efficient way adds tremendous value, and we have been successful at doing that several ways, one of which is instead of always overhauling the engine that the airline currently has, swapping in a different engine, which you can acquire or obtain in the marketplace at a lower price, and then parting out the other engine or selling it, and so we have saved millions of dollars on that for our benefit. It's the airline gets what they want, and we spend millions less on the repair and maintenance side.

And so those partnerships we have looked around, and said well, how can we do at that even better, and how can we continue to be the best at lowering the overall maintenance costs, and there are several companies out there that focus on that and the repair and maintenance in the independent MROs and parts companies, and we have had a number of discussions with them about continuing to focus on certain engine types, how do be the most efficient and the best at those overhauls, and that's the concept. It's sort of early going, but it's similar, it's what I like to think of as sort of building the competitive barriers, and increasing the distance between us and everyone else. That's kind of the next frontier.

Rob Salmon - *Deutsche Bank - Analyst*

Got it. Yes. That makes a lot of sense. When you're thinking about just the broader portfolio and diversification, truly we have been seeing a lot of opportunities on aviation, meaningfully expanded that business, you have shrunk the container business in a very difficult market, the offshore also you have reduced the scope of a little bit, with regard to deciding not to kind of pursue that investment that you talked about earlier on the call. How are you guys thinking about diversification here? Is this more I should be thinking about just the equipment leasing side holistically, as opposed to kind of the sub-investments there versus the infrastructure, or are you guys thinking about it a little bit differently? I would be curious to get your perspective there.

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

No. We do look at other types of equipment and other leasing and I have, sort I have this happy problem, is that when I compare other opportunity to putting money into aviation, I sort of feel like aviation is an exceptional return with a very low risk profile, and so if you can't sort ever see that in another opportunity where you can actually see a similar type advantage, it's hard to say well, we should put money in that just to diversify and get a lower return. So I feel like the aviation business is somewhat, it is diversified by the asset class, by the user, by the timing of the contract, the contract extensions, and in a lot of different ways. And it has extremely high cash on cash yield, which to me is also the best risk mitigant you could ever have is to collect a lot of cash. So there is a bit of a, as I said, it's a happy problem I have to compare other opportunities against that, but we will look at other things if they present themselves and they could compare, and it doesn't mean that everything has to be 20% unleveraged. That's not fair, but you would need a pretty compelling return scenario to want to put significant money in things other than the aviation, particularly when I think we should see, we're continuing to see, and I think we'll have many opportunities to invest in that space.

Rob Salmon - *Deutsche Bank - Analyst*

Got it. And before I turn it over to someone else, I guess my last question gets back to the concept you were alluding to earlier in the Q&A about kind of getting to a FAD where you're fully kind of covering the dividend. Is that when you think about kind of increasing the leverage once you have already got the to kind of support the stable dividend, then we should kind of think about increasing leverage in aviation, and potentially a few of the other assets?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Well, yes. I mean I don't think they are necessarily linked. If we had an opportunity to deploy capital into something and we needed to use leverage, we would do that, but going hand in hand with that would be cash flows, so by definition if we're going to be investing all of our cash, we will probably be over, we'll have covered the dividend.

Rob Salmon - *Deutsche Bank - Analyst*

Right. Or any of the future cash flows to cover going forward?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Exactly.

Rob Salmon - *Deutsche Bank - Analyst*

Perfect. Thanks so much for the time.

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Thank you.

Operator

Thank you. And our next question comes from Nicholas Chen with Alembic. Your line is now open.

Nick Chen - *Alembic Global Advisors - Analyst*

Hi. Thanks for taking our questions this morning. I was hoping you guys could opine a little bit just on the seasonality at CMQR in terms of different products that ship in different seasons, and sort of the margins we should expect to see as a result?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Yes. The season, the biggest seasonal commodity we carry is the propane, and it's because in Maine there's a lot of winter, a lot of homes and houses that are heated with propane, and so that comes across the railroad most of it from Canada, and so you will see a decline as we experienced last year, you will see a decline in propane shipments in Q2 and Q3. And so our strongest quarters are going to be the winter, the Q4 and Q1. But it's not that dramatic, and then the rest of the business there's a lot of lumber, forest products, paper, chemicals. Those aren't extremely seasonal. It's really related more to the production from the factories and the users and the origin and particleboard, things like that, that is tied to housing. So there can be some weather-related disruptions but by and large those are fairly level. So I don't think you will see wide swings, but some seasonality.

Nick Chen - *Alembic Global Advisors - Analyst*

Okay. And I know it's not a huge focus right now, but in the past I think we had talked about on some of the calls on expansion opportunities within CMQR maybe tying those rail lines into certain ports or opportunities like that, any updates there?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Sure. Yes. We serve the Port of Searsport in Maine, and we have had a number of conversations with both CP on the western, bringing western Canadian product to access a port, woodchips to Europe has been a discussion, where there's a lot of power plants that are using woodchips as a biofuel in Europe, and so there's a good source of that in the main market. So we have had discussions on that. We have had discussions about auto business coming across and also going to St. John's, so there are a number of port-related moves that we are bidding on and working on, and so I think we'll continue to do that and I think, I would be surprised if we didn't get something.

Nick Chen - *Alembic Global Advisors - Analyst*

That's helpful. Thanks guys.

Operator

Thank you. (Operator Instructions). And we do have a follow-up question from Ariel Rosa with Bank of America Merrill Lynch. Your line is now open.

Ariel Rosa - *Bank of America Merrill Lynch - Analyst*

Hey. Just wanted to follow up with a quick one. So the CFO transition, maybe you guys could comment on that. I don't believe there has been much said about that. I just wanted to see if you guys could provide a little color on why Jonathan is I guess no longer with FTAI?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Sure. So Jonathan has been in private equity for his whole career, and when we went public he volunteered or stepped up to be the CFO, and did that, but his true love was doing deals, and being on the investing side, and so he decided as his own, for his own career purposes that he wanted do that, so he's still at Fortress, but he's working on different, on the deal and investment side of the house. And so Scott has stepped in as interim CFO, and is doing a great job, and so we're happy to have a deep team here at Fortress, and haven't skipped a beat.

Ariel Rosa - *Bank of America Merrill Lynch - Analyst*

Okay. Great. And I guess Scott was previously involved with Fortress. He was the Chief Accounting Officer is that right?

Scott Christopher - *Fortress Transportation and Infrastructure Investors - Interim CFO*

Yes. I was the Chief Accounting Officer, kind of came and joined Fortress right before we went public ,so I've been here about a year and a half now.

Ariel Rosa - *Bank of America Merrill Lynch - Analyst*

Okay. Great. That's helpful. Just one last question on Repauno. In terms of the operations of the facility is that something where you guys would get involved in actually operating of the facility, and if so what are the kind of the operating expenses associated with that? Or is it really just kind of renting out the land, and there aren't too many expenses incurred that are associated with that, or where the people renting out the facility would then be in charge of kind of managing the facility?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Well, if you take the three different parts of it, the industrial warehouse business I doubt we'll operate any of those, so that would be really a tenant net lease opportunity. Then the auto business, also I don't see us operating, very likely operating that. Most of the participants we're talking to have a very clear idea what they want, and what they want to do, and so our value-added is delivering to them what they want, so I don't see any operations there.

The energy side as I said we want to build out a master plan of much larger scope for natural gas liquids, potentially crude, and that could involve us being an operator, or being a partner with somebody. I wouldn't expect that we would just turn that over to somebody, and say okay you run it, and just pay us rent. That business has a lot of upside and tremendous opportunity, so I think we will be taking a more active operating role in that side.

Ariel Rosa - *Bank of America Merrill Lynch - Analyst*

Okay. And any environmental risk associated with the storage, or have the permits all been secured around that?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

No. We have the permit, the storage is permitted, and it's been tested and it's dewatered and we have done a lot there, and everybody is very pleased with that, and if you look across the river, if you're familiar with Marcus Hook, they have 2 million barrels of underground granite storage caverns, and we have 186,000, and we're in the same formation. And the beauty of underground storage is you have very, very low operating costs once it's built. So that's a great asset, and I think we'll be at the start of doing something much more significant.

Ariel Rosa - *Bank of America Merrill Lynch - Analyst*

Okay. Great. Thanks for taking the follow-up questions.

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Yes.

Operator

Thank you. And our next question comes from Jared Shojaian with Wolfe Research. Your line is now open.

Jared Shojaian - *Wolfe Research - Analyst*

Hi. Good morning. Thanks for taking my question. So the tone of the call today definitely sounds more positive than prior calls, and it does sound like you're involved in similar negotiation than before, so just curious how would you characterize the environment today versus say three months ago, six months ago? I mean are things picking up, or is this more a function of just some of the things you guys are doing internally?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

I would say that it is the result of when you put a lot of irons in the fire, hopefully, you get some actions, or lines in the water, whatever analogy you want to use. It's really the maturation or development of a lot of business development that we have started months ago. And that is the way these projects go. The overall environment I think is probably a little better, the volatility in the energy space in Q1 of this year was pretty dramatic, and so you do get a lot of people that sit on their hands when that starts to happen. And it feels like people have said okay, we have got $30 to $50 oil, and let's get on with life, and what do we need to do and how do we do it, and I think things are that thawing and loosening up, and people are doing, you have to move on, right? So I think there's a little more action on that front. And on the deal side, I do think we have been disciplined which has been good, and we have looked at a lot of stuff and we know it when we see it, and I think that also is an effort that's maturing and developing, and we're seeing things that I think are quite attractive.

Jared Shojaian - *Wolfe Research - Analyst*

Okay. That's helpful. And then just for clarification I think I missed this. The $120 million for aviation that you guys talked about is that entirely engine repair and maintenance, and do you have an expectation for timing on that?

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

No. It's $130 million of FAD if we fully deploy, we have $80 million of signed LOIs, we have another $40 million that are close to being executed or in negotiation. In fact, if those deals were to close, then we had said we would be at a run-rate FAD of $130 million, and that is a combination. It's rent from people, paying rent for airplanes, and it's also a portion of maintenance reserves that we collect, which is really payment of maintenance reserves, which is payment for hours and cycles of the engines and airplanes that are used.

Jared Shojaian - *Wolfe Research - Analyst*

Okay. Thank you.

Joe Adams - *Fortress Transportation and Infrastructure Investors - CEO*

Yes.

Operator

Thank you. I am showing no further questions at this time. I would like to turn the call back over to Alan Andreini for closing remarks.

Alan Andreini - *Fortress Transportation and Infrastructure Investors - Managing Director, IR*

Thank you Operator. And thank you all for participating in today's conference call. We look forward to updating you again after Q3.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program, and you may all disconnect. Everyone have a great day.