Macquarie Infrastructure Corp
Form 10-Q
May 01, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the Quarterly Period Ended March 31, 2019**

OR

o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the Transition Period from _____ to _____**

Commission File Number: 001-32384

MACQUARIE INFRASTRUCTURE CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	43-2052503 (IRS Employer Identification No.)

125 West 55th Street
New York, New York 10019

(Address of Principal Executive Offices) (Zip Code)

(212) 231-1000

(Registrant s Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year if Changed Since Last Report): **N/A**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value $0.001 per share	MIC	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer , accelerated filer , smaller reporting company , and emerging growth company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer x	Accelerated Filer o	
Non-accelerated Filer o	Smaller Reporting Company o	Emerging Growth Company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).Yes o No x

There were 86,044,799 shares of common stock, with $0.001 par value, outstanding at April 30, 2019.

MACQUARIE INFRASTRUCTURE CORPORATION

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Macquarie Infrastructure Corporation is not an authorized deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia) and its obligations do not represent deposits or other liabilities

of Macquarie Bank Limited ABN 46 008 583 542 (MBL). MBL does not guarantee or otherwise provide assurance in respect of the obligations of Macquarie Infrastructure Corporation.

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Cautionary Note Regarding Forward-Looking Statements

In addition to historical information, this quarterly report on Form 10-Q (Quarterly Report) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements may appear throughout this Quarterly Report, including without limitation, the Management s Discussion and Analysis of Financial Condition and Results of Operations section. We use words such as believe , intend , expect , anticipate , plan , may , will , shoul potential , project and similar expressions to identify forward-looking statements. Such statements include, among others, those concerning our expected financial performance and strategic and operational plans, as well as all assumptions, expectations, predictions, intentions or beliefs about future events. You are cautioned that any such forward-looking statements are not guarantees of future performance and that a number of risks and uncertainties could cause actual results to differ materially from those anticipated in the forward-looking statements. Such risks and uncertainties include, but are not limited to, the risks identified in our Annual Report on the Form 10-K for the year ended December 31, 2018, and in other reports we file from time to time with the Securities and Exchange Commission (SEC).

Given the risks and uncertainties surrounding forward-looking statements, you should not place undue reliance on these statements. Many of these factors are beyond our ability to control or predict. Our forward-looking statements speak only as of the date of this Quarterly Report. Other than as required by law, we undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I

FINANCIAL INFORMATION

Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the financial condition and results of operations of Macquarie Infrastructure Corporation (MIC) should be read in conjunction with the consolidated condensed financial statements and the notes to those statements included elsewhere herein.

MIC is a Delaware corporation formed on May 21, 2015. MIC s predecessor, Macquarie Infrastructure Company LLC, was formed on April 13, 2004. Except as otherwise specified, all references in this Form 10-Q to MIC , we , us , and o refer to Macquarie Infrastructure Corporation and its subsidiaries.

MIC is externally managed by Macquarie Infrastructure Management (USA) Inc. (our Manager), pursuant to the terms of a Management Services Agreement, that is subject to the oversight and supervision of our Board. The majority of the members of our Board, and each member of all Board committees, is independent and has no affiliation with Macquarie. Our Manager is a member of the Macquarie Group of companies comprising Macquarie Group Limited and its subsidiaries and affiliates worldwide. Macquarie Group Limited is headquartered in Australia and is listed on the Australian Securities Exchange.

We currently own and operate a portfolio of infrastructure and infrastructure-like businesses that provide services to other corporate, government agencies and individual customers primarily in the U.S. Our businesses are organized into four segments:

International-Matex Tank Terminals (IMTT): a business providing bulk liquid terminalling to third parties at 17 terminals in the U.S. and two in Canada;
Atlantic Aviation: a provider of fuel, terminal, aircraft hangaring and other services primarily to owners and operators of general aviation (GA) jet aircraft at 70 airports throughout the U.S.;
MIC Hawaii: comprising an energy company that processes and distributes gas and provides related services (Hawaii Gas) and several smaller businesses collectively engaged in efforts to reduce the cost and improve the reliability and sustainability of energy in Hawaii; and
Corporate and Other: comprised of MIC Corporate (holding company), a shared services center and other smaller businesses.

Effective October 1, 2018, the Bayonne Energy Center (BEC) and substantially all of our portfolio of solar and wind power generation businesses were classified as discontinued operations and our Contracted Power segment was eliminated. Effective January 1, 2019, our interest in our renewable power development business was also classified as discontinued operations. A remaining relationship with a third party developer of renewable power facilities has been reported as a component of Corporate and Other and is expected to conclude during 2019 pursuant to the agreement. All prior comparable periods have been restated to reflect this change. We did not restate the prior period related to the commencement of the sale process involving our majority interest in a renewable power development business as the disposition is insignificant. See *Recent Developments* below for further information.

Our businesses generally operate in sectors with barriers to entry including high initial development and construction costs, contracted revenues or the requirement to obtain government approvals and a lack of immediate cost-effective alternatives to the services provided. Collectively, they tend to generate sustainable, stable and growing cash flows over the long-term.

Overview

Use of Non-GAAP measures

In addition to our results under U.S. GAAP, we use certain non-GAAP measures to assess the performance and prospects of our businesses. In particular, we use EBITDA excluding non-cash items and Free Cash Flow.

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We measure EBITDA excluding non-cash items as it reflects our businesses ability to effectively manage the volume of products sold or services provided, the operating margin earned on those transactions and the management of operating expenses independent of the capitalization and tax attributes of those businesses.

In analyzing the financial performance of our businesses, we focus primarily on cash generation and Free Cash Flow in particular. We believe investors use Free Cash Flow as a measure of our ability to sustain and potentially increase our quarterly cash dividend and to fund a portion of our growth.

See *Results of Operations Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) excluding non-cash items and Free Cash Flow* for further information on our calculation of EBITDA excluding non-cash items and Free Cash Flow and for reconciliations of these non-GAAP measures to the most comparable GAAP measures.

At IMTT, we focus on providing bulk liquid storage, handling and other services pursuant to take-or-pay contracts with a revenue weighted average remaining contract life of 2.0 years to customers who place a premium on ease of access and operational flexibility.

At Atlantic Aviation, our focus is on the sale of fuel and other services to owners and pilots of GA aircraft through our fixed based operations (FBOs) resulting in a gross margin that is positively correlated with the number of GA flight movements (take-offs and landings) in the U.S. and the business ability to service a portion of the aircraft involved in those operations.

MIC Hawaii comprises Hawaii Gas and several smaller businesses that generate revenue primarily from the provision of gas services to commercial, residential and governmental customers and the generation of power while engaging in efforts to reduce the cost and improve the reliability and sustainability of energy in Hawaii.

Dividends

Since January 1, 2018, MIC has paid or declared the following dividends:

Declared	Period Covered	$ per Share	Record Date	Payable Date
April 29, 2019	First quarter 2019	$ 1.00	May 13, 2019	May 16, 2019
February 14, 2019	Fourth quarter 2018	1.00	March 4, 2019	March 7, 2019
October 30, 2018	Third quarter 2018	1.00	November 12, 2018	November 15, 2018
July 31, 2018	Second quarter 2018	1.00	August 13, 2018	August 16, 2018
May 1, 2018	First quarter 2018	1.00	May 14, 2018	May 17, 2018
February 19, 2018	Fourth quarter 2017	1.44	March 5, 2018	March 8, 2018

We intend to provide investors with the benefits of access to a portfolio of infrastructure and infrastructure-like businesses that we believe will generate growing amounts of cash flow over time as a result of their positive correlation with inflation and provision of basic services to customers. Consistent with this, we intend to distribute the majority of the cash generated from operations of our businesses as a quarterly cash dividend. Our Board has authorized a quarterly cash dividend of $1.00 per share for the quarter ended March 31, 2019.

Our Board regularly reviews our dividend policy and the proportion of our Free Cash Flow that the distribution represents (payout ratio). In determining whether to adjust the amount of our quarterly dividend, our Board will take into account such matters as the state of the capital markets and general business and economic conditions, the Company s financial condition, results of operations, indebtedness levels, capital requirements, capital opportunities and any contractual, legal and regulatory restrictions on the payment of dividends by the Company to its shareholders or by its subsidiaries to the Company, and any other factors that it deems relevant, subject to maintaining a prudent level of reserves and without creating undue volatility in the amount of such dividends where possible. Moreover, the Company s senior secured credit facility and the debt commitments at our businesses contain restrictions that may limit the Company s ability to pay dividends. Although historically we have declared cash dividends on our shares, any or all of these or other factors could result in the modification of our dividend policy, or the reduction, modification or elimination of our dividend in the future.

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Recent Developments

Business Divestitures

During the fourth quarter of 2018, the Company commenced a sale process involving its portfolios of solar and wind facilities within the former Contracted Power segment. In April 2019, the Company entered into agreements for the sale of these portfolios. Aggregate gross proceeds to the Company from the sales are expected to be approximately $215 million or approximately $160 million net of taxes and transaction related expenses. In addition, upon closing, MIC will deconsolidate $302 million of long-term debt. Under the agreements, the Company will sell its 203 megawatts (MW) (gross) portfolio of wind generation assets to DIF Infrastructure V, a fund managed by Dutch Infrastructure Fund, a global infrastructure fund management company, and its 142 MW portfolio of solar power generation assets to Goldman Sachs Renewable Power LLC. Closing of the transactions is subject to receipt of customary consents for transactions of this type. The sale of the individual businesses comprising the portfolios are expected to close in two or possibly three stages over the balance of 2019.

Discontinued Operations Presentation

Effective October 1, 2018, BEC and substantially all of our portfolio of solar and wind power generation businesses were classified as discontinued operations and our Contracted Power segment was eliminated. Effective January 1, 2019, our interest in our renewable power development business was also classified as discontinued operations. A remaining relationship with a third party developer of renewable power facilities has been reported as a component of Corporate and Other and is expected to conclude during 2019 pursuant to the agreement. All prior comparable periods have been restated to reflect this change. We did not restate the prior period related to the commencement of the sale process involving our majority interest in a renewable power development business as the disposition is insignificant. For additional information, see Note 3, Discontinued Operations and Dispositions , in our Notes to Consolidated Condensed Financial Statements in Part I of this Form 10-Q.

Results of Operations

Consolidated

Our consolidated results for the quarter ended March 31, 2019 compared with the quarter ended March 31, 2018 reflect: (i) proceeds received related to the termination of an agreement with the owner of a refinery at IMTT s terminal in St. Rose, LA (the refinery termination payment); (ii) increases in the volume of fuel sold, hangar rentals and ancillary fees at Atlantic Aviation; (iii) the positive impact of the rate case and lower propane costs at Hawaii Gas and the divestment of a design-build mechanical contractor business at MIC Hawaii; and (iv) fee income from a third party developer of renewable power projects in Corporate and Other. These increases are partially offset by the expected lower storage utilization levels and storage rates at IMTT and overall higher professional fees.

Contributions from discontinued operations decreased primarily due to the impact of change in tax rates from the Tax Cuts and Jobs Act during the quarter ended March 31, 2018 and sale of BEC in October 2018.

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Results of Operations: *Consolidated* (continued)

Our consolidated results of operations are as follows:

	Quarter Ended March 31,		Change Favorable/(Unfavorable)	
	2019	2018	$	%
	($ In Millions, Except Share and Per Share Data) (Unaudited)			
Revenue				
Service revenue	$418	$403	15	4
Product revenue	64	64		
Total revenue	482	467	15	3
Costs and expenses				
Cost of services	168	187	19	10
Cost of product sales	40	48	8	17
Selling, general and administrative	80	80		
Fees to Manager-related party	8	13	5	38
Depreciation	48	47	(1)	(2)
Amortization of intangibles	15	16	1	6
Total operating expenses	359	391	32	8
Operating income	123	76	47	62
Other income (expense)				
Interest income	3		3	NM
Interest expense[1]	(42)	(18)	(24)	(133)
Other income, net	4		4	NM
Net income from continuing operations before income taxes	88	58	30	52
Provision for income taxes	(24)	(18)	(6)	(33)
Net income from continuing operations	$64	$40	24	60
Discontinued Operations				
Net income from discontinued operations before income taxes	$3	$6	(3)	(50)
Benefit for income taxes	2	1	1	100
Net income from discontinued operations	$5	$7	(2)	(29)
Net income	$69	$47	22	47
Net income from continuing operations	$64	$40	24	60
Net income from continuing operations attributable to MIC	$64	$40	24	60
Net income from discontinued operations	$5	$7	(2)	(29)
Less: net loss attributable to noncontrolling interests	(1)	(30)	(29)	(97)
Net income from discontinued operations attributable to MIC	$6	$37	(31)	(84)
Net income attributable to MIC	$70	$77	(7)	(9)
Basic income per share from continuing operations attributable to MIC	$0.75	$0.47	0.28	60

Basic income per share from discontinued operations attributable to MIC	0.07	0.44	(0.37)	(84)
Basic income per share attributable to MIC	$0.82	$0.91	(0.09)	(10)
Weighted average number of shares outstanding: basic	85,872,132	84,821,453	1,050,679	1

NM Not meaningful

(1) Interest expense includes losses on derivative instruments of $4 million and gains on derivative instruments of $10 million for the quarters ended March 31, 2019 and 2018, respectively.

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Results of Operations: *Consolidated* (continued)

Revenue

Consolidated revenues increased for the quarter ended March 31, 2019 compared with the quarter ended March 31, 2018 primarily as a result of, (i) proceeds received from the refinery termination payment at IMTT; and (ii) increases in the volume of fuel sold, hangar rentals and ancillary fees at Atlantic Aviation; partially offset by (iii) the divestment of a design-build mechanical contractor business at MIC Hawaii; and (iv) the absence of revenue as a result of the sale of IMTT s subsidiary OMI Environmental Solutions (OMI) and the expected lower storage utilization and storage rates at IMTT.

Cost of Services and Product Sales

Consolidated cost of services and product sales decreased for the quarter ended March 31, 2019 compared with the quarter ended March 31, 2018 primarily as a result of, (i) the absence of costs related to the divested design-build mechanical contractor business; (ii) the favorable change in unrealized gains (losses) on commodity hedges at Hawaii Gas; and (iii) lower propane costs at Hawaii Gas. See Results of Operations *MIC Hawaii* below).

Selling, General and Administrative Expenses

Selling, general and administrative expenses were flat for the quarter ended March 31, 2019 compared with the quarter ended March 31, 2018 reflecting the absence of expenses related to businesses that were sold during 2018, partially offset by higher professional fees, including costs incurred in connection with addressing shareholder and other legal matters.

Fees to Manager

Our Manager is entitled to a monthly base management fee based on our market capitalization and potentially a quarterly performance fee based on total stockholder returns relative to a U.S. utilities index. For the quarters ended March 31, 2019 and 2018, we incurred base management fees of $8 million and $13 million, respectively. Base management fees decreased for the quarter ended March 31, 2019 compared with the quarter ended March 31, 2018 primarily due to the Manager s waiver of two portions of the base management fee to which it is entitled and a reduction in the market capitalization of our Company. In the first quarter of 2019, base management fees were calculated on the equity market capitalization of our Company less cash on hand at the holding company. No performance fees were incurred in either of the current or prior comparable period. The unpaid portion of base management fees and performance fees, if any, at the end of each reporting period is included in the line item *Due to Manager-related party* in our consolidated condensed balance sheets.

In all of the periods shown below, our Manager elected to reinvest any fees to which it was entitled in additional shares. In accordance with the Third Amended and Restated Management Services Agreement, our Manager has currently elected to reinvest future base management fees and performance fees, if any, in new primary shares.

Period	Base Management Fee Amount ($ in millions)	Performance Fee Amount ($ in millions)	Shares Issued

2019 Activities:				
First quarter 2019	$	8	$	184,448 (1)
2018 Activities:				
Fourth quarter 2018	$	9	$	220,208
Third quarter 2018		12		269,286
Second quarter 2018		11		277,053
First quarter 2018		13		265,002

(1) Our Manager elected to reinvest all of the monthly base management fees for the first quarter of 2019 in shares. We issued 184,448 shares for the quarter ended March 31, 2019, including 62,467 shares that were issued in April 2019 for the March 2019 monthly base management fee.

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Results of Operations: *Consolidated* (continued)

Depreciation

Depreciation expense increased for the quarter ended March 31, 2019 compared with the quarter ended March 31, 2018 primarily as a result of assets placed in service.

Amortization of Intangibles

Amortization of intangibles decreased for the quarter ended March 31, 2019 compared with the quarter ended March 31, 2018 primarily due to sales of certain non-core businesses in 2018.

Interest Expense and Gains (Losses) on Derivative Instruments

Interest expense includes losses on derivative instruments of $4 million and gains on derivative instruments of $10 million for the quarters ended March 31, 2019 and 2018, respectively. Gains (losses) on derivatives recorded in interest expense are attributable to the change in fair value of interest rate hedging instruments. Excluding the derivative adjustments, cash interest expense was $28 million and $23 million for the quarters ended March 31, 2019 and 2018, respectively. The increase in cash interest expense reflects primarily an increase in the weighted average interest rate. See discussions of interest expense for each of our operating businesses below.

Other Income, net

Other income, net, increased primarily due to fee income from a third party developer of renewable power facilities during the quarter ended March 31, 2019.

Income Taxes

We file a consolidated federal income tax return that includes the financial results of IMTT, Atlantic Aviation, MIC Hawaii and our allocable share of the taxable income (loss) from the solar and wind facilities in discontinued operations. The solar and wind facilities in which we own less than 100% of the equity are held in limited liability companies and treated as partnerships for tax purposes. Pursuant to a tax sharing agreement, the businesses included in our consolidated federal income tax return pay MIC an amount equal to the federal income tax each would have paid on a standalone basis as if they were not part of the consolidated federal income tax return. In addition, our businesses file income tax returns and may pay taxes in the state and local jurisdictions in which they operate.

We expect our current year federal taxable income from continuing operations for the year ending December 31, 2019 to be approximately $145 million and current year state income taxes to be approximately $16 million including tax benefits associated with planned capital deployments of $275 million to $300 million. Our federal NOL carryforward at December 31, 2018 was $152 million. In calculating our consolidated state income tax provision, we have provided a valuation allowance for certain state income tax NOLs, the use of which is uncertain. These estimates exclude the impact of gains from announced sales of assets expected to concluded in 2019. Such gains, or deployment of less than the planned amounts of growth capital, would increase our federal and state income taxes payable.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) excluding non-cash items and Free Cash Flow

In addition to our results under U.S. GAAP, we use certain non-GAAP measures to assess the performance and prospects of our businesses. In particular, we use EBITDA excluding non-cash items and Free Cash Flow.

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Results of Operations: *Consolidated* (continued)

We measure EBITDA excluding non-cash items as it reflects our businesses ability to effectively manage the volume of products sold or services provided, the operating margin earned on those transactions and the management of operating expenses independent of the capitalization and tax attributes of those businesses. We believe investors use EBITDA excluding non-cash items primarily as a measure of the operating performance of MIC s businesses and to make comparisons with the operating performance of other businesses whose depreciation and amortization expense may vary widely from ours, particularly where acquisitions and other non-operating factors are involved. We define EBITDA excluding non-cash items as net income (loss) or earnings *the most comparable GAAP measure* before interest, taxes, depreciation and amortization and non-cash items including impairments, unrealized derivative gains and losses, adjustments for other non-cash items and pension expense reflected in the statements of operations. EBITDA excluding non-cash items also excludes base management fees and performance fees, if any, whether paid in cash or stock.

Our businesses are characteristically owners of high-value, long-lived assets capable of generating substantial Free Cash Flow. We define Free Cash Flow as cash from operating activities *the most comparable GAAP measure* which includes cash interest, tax payments and pension contributions, less maintenance capital expenditures, which includes principal repayments on capital lease obligations used to fund maintenance capital expenditures, and excludes changes in working capital.

We use Free Cash Flow as a measure of our ability to sustain and potentially increase our quarterly cash dividend and funding a portion of our growth. GAAP metrics such as net income (loss) do not provide us with the same level of visibility into our performance and prospects as a result of: (i) the capital intensive nature of our businesses and the generation of non-cash depreciation and amortization; (ii) shares issued to our external Manager under the Management Services Agreement; (iii) our ability to defer all or a portion of current federal income taxes; (iv) non-cash unrealized gains or losses on derivative instruments; (v) gains (losses) on disposal of assets; and (vi) pension expenses. Pension expenses primarily consist of interest cost, expected return on plan assets and amortization of actuarial and performance gains and losses. Any cash contributions to pension plans are reflected as a reduction to Free Cash Flow and are not included in pension expense. We believe that external consumers of our financial statements, including investors and research analysts, use Free Cash Flow both to assess MIC s performance and as an indicator of its success in generating an attractive risk-adjusted total return.

In this Quarterly Report on Form 10-Q, we have disclosed Free Cash Flow on a consolidated basis and for each of our operating segments and MIC Corporate and Other. We believe that both EBITDA excluding non-cash items and Free Cash Flow support a more complete and accurate understanding of the financial and operating performance of our businesses than would otherwise be achieved using GAAP results alone.

Free Cash Flow does not take into consideration required payments on indebtedness and other fixed obligations or other cash items that are excluded from our definition of Free Cash Flow. We note that Free Cash Flow may be calculated differently by other companies thereby limiting its usefulness as a comparative measure. Free Cash Flow should be used as a supplemental measure and not in lieu of our financial results reported under GAAP.

Classification of Maintenance Capital Expenditures and Growth Capital Expenditures

We categorize capital expenditures as either maintenance capital expenditures or growth capital expenditures. As neither maintenance capital expenditure nor growth capital expenditure is a GAAP term, we have adopted a framework to categorize specific capital expenditures. In broad terms, maintenance capital expenditures primarily maintain our businesses at current levels of operations, capability, profitability or cash flow, while growth capital expenditures primarily provide new or enhanced levels of operations, capability, profitability or cash flows. We consider a number of factors in determining whether a specific capital expenditure will be classified as maintenance or growth.

We do not bifurcate specific capital expenditures into maintenance and growth components. Each discrete capital expenditure is considered within the above framework and the entire capital expenditure is classified as either maintenance or growth.

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Results of Operations: *Consolidated* (continued)

A reconciliation of net income from continuing operations to EBITDA excluding non-cash items from continuing operations and a reconciliation from cash provided by operating activities from continuing operations to Free Cash Flow from continuing operations, on a consolidated basis, is provided below. Similar reconciliations for each of our operating businesses and Corporate and Other follow.

	Quarter Ended March 31,		Change Favorable/(Unfavorable)	
	2019	2018	$	%
	($ In Millions) (Unaudited)			
Net income from continuing operations	$ 64	$ 40		
Interest expense, net[(1)]	39	18		
Provision for income taxes	24	18		
Depreciation	48	47		
Amortization of intangibles	15	16		
Fees to Manager-related party	8	13		
Other non-cash expense, net[(2)]	4	9		
EBITDA excluding non-cash items-continuing operations	$202	$161	41	25
EBITDA excluding non-cash items-continuing operations	$202	$161		
Interest expense, net[(1)]	(39)	(18)		
Adjustments to derivative instruments recorded in interest expense[(1)]	7	(9)		
Amortization of debt financing costs[(1)]	3	3		
Amortization of debt discount[(1)]	1	1		
Provision for current income taxes	(7)	(4)		
Changes in working capital	(16)	(4)		
Cash provided by operating activities-continuing operations	151	130		
Changes in working capital	16	4		
Maintenance capital expenditures	(10)	(10)		
Free cash flow-continuing operations	157	124	33	27
Free cash flow-discontinued operations	7	13	(6)	(46)
Total Free Cash Flow	$			