

LAMAR ADVERTISING CO/NEW  
Form 10-Q  
November 08, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended September 30, 2018

or

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 1-36756

Lamar Advertising Company

Commission File Number 1-12407

Lamar Media Corp.

(Exact name of registrants as specified in their charters)

Delaware	72-1449411
Delaware	72-1205791
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)

5321 Corporate Blvd., Baton Rouge, LA	70808
(Address of principal executive offices)	(Zip Code)

Registrants' telephone number, including area code: (225) 926-1000

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Indicate by check mark whether each 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 No

Indicate by check mark whether each registrant has submitted electronically, every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether Lamar Advertising Company is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if Lamar Advertising Company 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.

Indicate by check mark whether Lamar Media Corp. is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if Lamar Media Corp. 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.

Indicate by check mark whether Lamar Advertising Company is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes No

Indicate by check mark whether Lamar Media Corp. is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes No

The number of shares of Lamar Advertising Company’s Class A common stock outstanding as of November 1, 2018: 85,085,392

The number of shares of the Lamar Advertising Company’s Class B common stock outstanding as of November 1, 2018: 14,420,085

The number of shares of Lamar Media Corp. common stock outstanding as of November 1, 2018: 100

This combined Form 10-Q is separately filed by (i) Lamar Advertising Company and (ii) Lamar Media Corp. (which is a wholly owned subsidiary of Lamar Advertising Company). Lamar Media Corp. meets the conditions set forth in

general instruction H(1) (a) and (b) of Form 10-Q and is, therefore, filing this form with the reduced disclosure format permitted by such instruction.

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## NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information included in this report is forward-looking in nature within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. This report uses terminology such as “anticipates,” “believes,” “plans,” “expects,” “future,” “intends,” “may,” “will,” “should,” “estimates,” “predicts,” “potential,” similar expressions to identify forward-looking statements. Examples of forward-looking statements in this report include statements about:

- our future financial performance and condition;
- our business plans, objectives, prospects, growth and operating strategies;
- our future capital expenditures and level of acquisition activity;
- market opportunities and competitive positions;
- our future cash flows and expected cash requirements;
- estimated risks;
- our ability to maintain compliance with applicable covenants and restrictions included in Lamar Media’s senior credit facility and the indentures relating to its outstanding notes;
- stock price;
- estimated future dividend distributions; and
- our ability to remain qualified as a Real Estate Investment Trust (“REIT”).

Forward-looking statements are subject to known and unknown risks, uncertainties and other important factors, including but not limited to the following, any of which may cause the actual results, performance or achievements of Lamar Advertising Company (referred to herein as the “Company” or “Lamar Advertising”) or Lamar Media Corp. (referred to herein as “Lamar Media”) to differ materially from those expressed or implied by the forward-looking statements:

- the state of the economy and financial markets generally and their effects on the markets in which we operate and the broader demand for advertising;
  - the levels of expenditures on advertising in general and outdoor advertising in particular;
- risks and uncertainties relating to our significant indebtedness;
- the demand for outdoor advertising and its continued popularity as an advertising medium;
- our need for, and ability to obtain, additional funding for acquisitions, operations and debt refinancing;
- increased competition within the outdoor advertising industry;
- the regulation of the outdoor advertising industry by federal, state and local governments;
- our ability to renew expiring contracts at favorable rates;
- the integration of businesses and assets that we acquire and our ability to recognize cost savings and operating efficiencies as a result of these acquisitions;
- our ability to successfully implement our digital deployment strategy;
- the market for our Class A common stock;
- changes in accounting principles, policies or guidelines;
- our ability to effectively mitigate the threat of and damages caused by hurricanes and other kinds of severe weather;
- our ability to qualify as a REIT and maintain our status as a REIT; and
- changes in tax laws applicable to REIT’s or in the interpretation of those laws.

The forward-looking statements in this report are based on our current good faith beliefs, however, actual results may differ due to inaccurate assumptions, the factors listed above or other foreseeable or unforeseeable factors.

Consequently, we cannot guarantee that any of the forward-looking statements will prove to be accurate. The forward-looking statements in this report speak only as of the date of this report, and Lamar Advertising and Lamar Media expressly disclaim any obligation or undertaking to update or revise any forward-looking statement contained in this report, except as required by law.



For a further description of these and other risks and uncertainties, the Company encourages you to read carefully Item 1A to the combined Annual Report on Form 10-K for the year ended December 31, 2017 of the Company and Lamar Media (the “2017 Combined Form 10-K”), filed on February 27, 2018 and as such risk factors may be updated or supplemented, from time to time, in our combined Quarterly Reports on Form 10-Q.

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## PART I — FINANCIAL INFORMATION

## ITEM 1. — FINANCIAL STATEMENTS

## LAMAR ADVERTISING COMPANY

## AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(In thousands, except share and per share data)

	September 30, 2018 (Unaudited)	December 31, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 10,609	\$ 115,471
Receivables, net of allowance for doubtful accounts of \$11,642 and \$10,055 in 2018 and 2017, respectively	227,960	201,699
Prepaid lease expenses	75,690	51,074
Other current assets	51,639	52,275
<b>Total current assets</b>	<b>365,898</b>	<b>420,519</b>
Property, plant and equipment	3,412,221	3,384,723
Less accumulated depreciation and amortization	(2,218,908 )	(2,170,585 )
Net property, plant and equipment	1,193,313	1,214,138
Goodwill	1,737,401	1,740,454
Intangible assets	773,659	796,348
Other assets	54,349	42,886
<b>Total assets</b>	<b>\$ 4,124,620</b>	<b>\$ 4,214,345</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 19,526	\$ 17,961
Current maturities of long-term debt, net of deferred financing costs of \$4,820 and \$5,133 in 2018 and 2017, respectively	26,728	17,664
Accrued expenses	102,586	197,675
Deferred income	107,144	92,694
<b>Total current liabilities</b>	<b>255,984</b>	<b>325,994</b>
Long-term debt, net of deferred financing costs of \$21,034 and \$23,586 in 2018 and 2017, respectively	2,519,153	2,539,026
Deferred income tax liabilities	2,508	884



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Asset retirement obligation	216,050	215,089
Other liabilities	33,966	29,859
Total liabilities	3,027,661	3,110,852
Stockholders' equity:		
Series AA preferred stock, par value \$.001, \$63.80 cumulative dividends,  5,720 shares authorized; 5,720 shares issued and outstanding at 2018 and 2017	—	—
Class A common stock, par value \$.001, 362,500,000 shares authorized; 85,111,569 and  84,169,118 shares issued at 2018 and 2017, respectively; 84,722,666 and 83,837,834  shares issued and outstanding at 2018 and 2017, respectively	85	84
Class B common stock, par value \$.001, 37,500,000 shares authorized, 14,420,085 shares  issued and outstanding at 2018 and 2017	14	14
Additional paid-in capital	1,820,911	1,762,499
Accumulated comprehensive income	703	1,302
Accumulated deficit	(699,342 )	(639,106 )
Cost of shares held in treasury, 388,903 and 331,284 shares at 2018 and 2017,  respectively	(25,412 )	(21,300 )
Stockholders' equity	1,096,959	1,103,493
Total liabilities and stockholders' equity	\$ 4,124,620	\$ 4,214,345

See accompanying notes to condensed consolidated financial statements.

## LAMAR ADVERTISING COMPANY

## AND SUBSIDIARIES

## Condensed Consolidated Statements of Income and Comprehensive Income

(Unaudited)

(In thousands, except share and per share data)

	Three months ended		Nine months ended	
	September 30, 2018	2017	September 30, 2018	2017
<b>Statements of Income</b>				
Net revenues	\$418,498	\$399,345	\$1,199,324	\$1,142,785
Operating expenses (income)				
Direct advertising expenses (exclusive of depreciation and amortization)	140,699	134,977	419,776	401,896
General and administrative expenses (exclusive of depreciation and amortization)	73,166	68,500	213,060	206,452
Corporate expenses (exclusive of depreciation and amortization)	20,776	15,088	62,027	48,451
Depreciation and amortization	55,089	51,796	167,251	155,003
Loss (gain) on disposition of assets	407	(2,734)	7,265	(4,377)
	290,137	267,627	869,379	807,425
Operating income	128,361	131,718	329,945	335,360
Other expense (income)				
Loss on extinguishment of debt	—	—	15,429	71
Interest income	(157)	(2)	(313)	(6)
Interest expense	31,850	32,064	97,321	95,526
	31,693	32,062	112,437	95,591
Income before income tax expense	96,668	99,656	217,508	239,769
Income tax expense	2,612	3,325	7,969	9,257
Net income	94,056	96,331	209,539	230,512
Cash dividends declared and paid on preferred stock	91	91	273	273
Net income applicable to common stock	\$93,965	\$96,240	\$209,266	\$230,239
Earnings per share:				
Basic earnings per share	\$0.95	\$0.98	\$2.12	\$2.35
Diluted earnings per share	\$0.95	\$0.98	\$2.12	\$2.34
Cash dividends declared per share of common stock	\$0.91	\$0.83	\$2.73	\$2.49
Weighted average common shares used in computing earnings				

per share:				
Weighted average common shares outstanding basic	98,943,535	98,044,523	98,596,828	97,855,642
Weighted average common shares outstanding diluted	99,253,008	98,490,277	98,870,116	98,340,248
Statements of Comprehensive Income				
Net income	\$94,056	\$96,331	\$209,539	\$230,512
Other comprehensive income (loss)				
Foreign currency translation adjustments	221	1,216	(599)	) 2,104
Comprehensive income	\$94,277	\$97,547	\$208,940	\$232,616

See accompanying notes to condensed consolidated financial statements.

## LAMAR ADVERTISING COMPANY

## AND SUBSIDIARIES

## Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Nine months ended	
	September 30, 2018	2017
Cash flows from operating activities:		
Net income	\$209,539	\$230,512
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	167,251	155,003
Stock-based compensation	22,745	7,060
Amortization included in interest expense	3,662	3,866
Loss (gain) on disposition of assets and investments	7,265	(4,377 )
Loss on extinguishment of debt	15,429	71
Deferred tax expense	1,575	259
Provision for doubtful accounts	5,547	6,009
Changes in operating assets and liabilities		
(Increase) decrease in:		
Receivables	(31,672 )	(38,083 )
Prepaid lease expenses	(24,989 )	(23,281 )
Other assets	1,698	(4,334 )
Increase (decrease) in:		
Trade accounts payable	1,268	401
Accrued expenses	(20,708 )	(21,768 )
Other liabilities	11,479	9,300
Net cash provided by operating activities	370,089	320,638
Cash flows from investing activities:		
Acquisitions	(48,141 )	(119,936)
Capital expenditures	(82,174 )	(74,446 )
Proceeds received from property insurance claims	4,222	—
Proceeds from disposition of assets and investments	5,760	3,340
Decrease in notes receivable	7	13
Net cash used in investing activities	(120,326)	(191,029)
Cash flows from financing activities:		
Cash used for purchase of treasury stock	(4,112 )	(8,997 )
Net proceeds from issuance of common stock	31,990	19,817
Principal payments on long-term debt	(20,119 )	(11,250 )
Payment on revolving credit facility	(368,000)	(407,000)
Proceeds received from revolving credit facility	275,000	317,000

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Redemption of senior subordinated notes	(509,790)	—
Payment on senior credit facility term loans	—	(247,500)
Proceeds received from senior credit facility term loans	599,250	450,000
Debt issuance costs	(6,374 )	(4,941 )
Distributions to non-controlling interest	(388 )	(415 )
Dividends/distributions	(351,400)	(244,201)
Net cash used in financing activities	(353,943)	(137,487)
Effect of exchange rate changes in cash and cash equivalents	(682 )	1,767
Net decrease in cash and cash equivalents	(104,862)	(6,111 )
Cash and cash equivalents at beginning of period	115,471	35,530
Cash and cash equivalents at end of period	\$10,609	\$29,419
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$110,576	\$104,966
Cash paid for foreign, state and federal income taxes	\$7,983	\$9,969

See accompanying notes to condensed consolidated financial statements.

LAMAR ADVERTISING COMPANY

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share data)

1. Significant Accounting Policies

The information included in the foregoing interim condensed consolidated financial statements is unaudited. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company's financial position and results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year. These interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and the notes thereto included in the 2017 Combined Form 10-K. Subsequent events, if any, are evaluated through the date on which the financial statements are issued.

2. Revenues

On January 1, 2018, we adopted FASB Accounting Standards Update ("ASU") No. 2014-09 (Codified as ASC 606), Revenue from Contracts with Customers using the cumulative effect transition method applied to those contracts which were not completed as of January 1, 2018 and are not accounted for under ASC 840, Leases. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606 or 840, while comparative information has not been adjusted and continues to be reported under ASC 605.

A majority of our billboard, logo, and transit space contracts are accounted for under ASC 840 and will continue to be accounted for under the topic until January 1, 2019, our adoption date of ASU No. 2016-02 (Codified as ASC 842), Leases. Contracts which begin prior to January 1, 2019 and are accounted for under ASC 840 will continue to be accounted for as a lease until the contract ends or is modified. Contracts beginning or modified on or after January 1, 2019 which do not meet the criteria of a lease under ASC 842 will be accounted for under ASC 606, Revenue. The majority of our advertising space contracts will not meet the definition of a lease under ASC 842.

Revenue Recognition

Advertising revenues: The majority of our revenues are derived from contracts for advertising space on billboard, logo and transit displays and are currently accounted for under ASC 840, Leases. Upon the Company's adoption of ASC 842, Leases the majority of our contracts for advertising space will transition to being accounted for under ASC 606, Revenue. The contract revenues, under ASC 840, Leases and ASC 606, Revenue, are recognized ratably over their contract life.

Other revenues: Our other component of revenue primarily consists of production services which includes creating and printing the advertising copy. As of January 1, 2018 revenue for production contracts is recognized under ASC 606. Contract revenues for production services are recognized upon satisfaction of the contract which is typically less than one week.

Arrangements with multiple performance obligations: Our contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on the relative standalone selling price. We determine standalone selling prices based on the prices charged to customers using expected cost plus margin.

Deferred revenues: We record deferred revenues when cash payments are received or due in advance of our performance obligation. The term between invoicing and when a payment is due is not significant. For certain services we require payment before the product or services are delivered to the customer. The balance of deferred income is considered short-term and will be recognized in revenue within twelve months.

Practical expedients and exemptions: Upon our transition to ASC 606 from ASC 840, the Company plans to utilize the following practical expedients and exemptions from ASC 606. We generally expense sales commissions when incurred because the amortization period is one year or less. These costs are recorded within direct advertising expense (exclusive of depreciation and amortization). We do not disclose the value of unsatisfied performance obligations as the majority of our contracts with customers have an original expected length of less than one year. For contracts with customers which exceed one year, the future amount to be invoiced to the customer corresponds directly with the value to be received by the customer.

## LAMAR ADVERTISING COMPANY

## AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share data)

The following table presents our disaggregated revenue by source including both revenues accounted for under ASC 840 and ASC 606 for the three and nine months ended September 30, 2018 and September 30, 2017.

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Billboard Advertising	\$364,604	\$346,264	\$1,042,774	\$995,875
Logo Advertising	20,796	21,107	62,803	62,194
Transit Advertising	33,098	31,974	93,747	84,716
Net Revenues	\$418,498	\$399,345	\$1,199,324	\$1,142,785

### 3. Stock-Based Compensation

**Equity Incentive Plan.** Lamar Advertising's 1996 Equity Incentive Plan, as amended, (the "Incentive Plan") has reserved 15.5 million shares of Class A common stock for issuance to directors and employees, including shares underlying granted options and common stock reserved for issuance under its performance-based incentive program. Options granted under the plan expire ten years from the grant date with vesting terms ranging from three to five years and include 1) options that vest in one-fifth increments beginning on the grant date and continuing on each of the first four anniversaries of the grant date and 2) options that cliff-vest on the fifth anniversary of the grant date. All grants are made at fair market value based on the closing price of our Class A common stock as reported on the Nasdaq Global Select Market on the date of grant.

We use a Black-Scholes-Merton option pricing model to estimate the fair value of share-based awards. The Black-Scholes-Merton option pricing model incorporates various and highly subjective assumptions, including expected term and expected volatility. The Company granted options for an aggregate of 86,000 shares of its Class A common stock during the nine months ended September 30, 2018. At September 30, 2018 a total of 987,815 shares were available for future grant.

**Stock Purchase Plan.** Lamar Advertising's 2009 Employee Stock Purchase Plan or 2009 ESPP was approved by our shareholders on May 28, 2009. The number of shares of Class A common stock available under the 2009 ESPP was automatically increased by 83,838 shares on January 1, 2018 pursuant to the automatic increase provisions of the 2009 ESPP.



The following is a summary of 2009 ESPP share activity for the nine months ended September 30, 2018:

	Shares
Available for future purchases, January 1, 2018	225,418
Additional shares reserved under 2009 ESPP	83,838
Purchases	(97,257 )
Available for future purchases, September 30, 2018	211,999

Performance-based compensation. Unrestricted shares of our Class A common stock may be awarded to key officers, employees and directors under the Equity Incentive Plan. The number of shares to be issued, if any, will be dependent on the level of achievement of performance measures for key officers and employees, as determined by the Company's Compensation Committee based on our 2018 results. Any shares issued based on the achievement of performance goals will be issued in the first quarter of 2019. The shares subject to these awards can range from a minimum of 0% to a maximum of 100% of the target number of shares depending on the level at which the goals are attained. For the nine months ended September 30, 2018, the Company has recorded \$19,642 as stock-based compensation expense related to performance-based awards. In addition, each non-employee director automatically receives a restricted stock award of our Class A common stock upon election or re-election. The awards vest 50% on grant date and 50% on the last day of the directors' one year term. The Company recorded a \$326 stock-based compensation expense related to these awards for the nine months ended September 30, 2018.

## LAMAR ADVERTISING COMPANY

## AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share data)

## 4. Depreciation and Amortization

The Company includes all categories of depreciation and amortization on a separate line in its Statements of Income and Comprehensive Income. The amounts of depreciation and amortization expense excluded from the following operating expenses in its Statements of Income and Comprehensive Income are:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Direct advertising expenses	\$51,360	\$47,168	\$155,832	\$144,171
General and administrative expenses	927	955	2,935	2,857
Corporate expenses	2,802	3,673	8,484	7,975
	\$55,089	\$51,796	\$167,251	\$155,003

## 5. Goodwill and Other Intangible Assets

The following is a summary of intangible assets at September 30, 2018 and December 31, 2017:

	Estimated Life (Years)	September 30, 2018		December 31, 2017	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
<b>Amortizable intangible assets:</b>					
Customer lists and contracts	7—10	\$582,156	\$510,291	\$586,055	\$505,778
Non-competition agreements	3—15	65,752	64,062	65,477	63,924
Site locations	15	2,091,912	1,404,915	2,072,059	1,372,954
Other	2—15	45,898	32,791	45,741	30,328
		\$2,785,718	\$2,012,059	\$2,769,332	\$1,972,984
<b>Unamortizable intangible assets:</b>					
Goodwill		\$1,990,937	\$253,536	\$1,993,990	\$253,536

## 6. Asset Retirement Obligations

The Company's asset retirement obligations include the costs associated with the removal of its structures, resurfacing of the land and retirement cost, if applicable, related to the Company's outdoor advertising portfolio. The following table reflects information related to our asset retirement obligations:

Balance at December 31, 2017	\$ 215,089
Additions to asset retirement obligations	793
Accretion expense	3,332
Liabilities settled	(3,164 )
Balance at September 30, 2018	\$ 216,050

## 7. Distribution Restrictions

Lamar Media's ability to make distributions to Lamar Advertising is restricted under both the terms of the indentures relating to Lamar Media's outstanding notes and by the terms of its senior credit facility. As of September 30, 2018 and December 31, 2017, Lamar Media was permitted under the terms of its outstanding senior subordinated and senior notes to make transfers to Lamar Advertising in the form of cash dividends, loans or advances in amounts up to \$3,065,217 and \$2,975,593, respectively.

As of September 30, 2018, Lamar Media's senior credit facility allows it to make transfers to Lamar Advertising in any taxable year up to the amount of Lamar Advertising's taxable income (without any deduction for dividends paid). In addition, as of September 30, 2018, transfers to Lamar Advertising are permitted under Lamar Media's senior credit facility and as defined therein up to the available cumulative credit, as long as no default has occurred and is continuing and, after giving effect to such distributions, (i) the

## LAMAR ADVERTISING COMPANY

## AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share data)

total debt ratio is less than 6.5 to 1 and (ii) the secured debt ratio does not exceed 3.5 to 1. As of September 30, 2018, the total debt ratio was less than 6.5 to 1 and Lamar Media's secured debt ratio was less than 3.5 to 1, and the available cumulative credit was \$1,815,696.

## 8. Earnings Per Share

The calculation of basic earnings per share excludes any dilutive effect of stock options, while diluted earnings per share includes the dilutive effect of stock options. There were no dilutive shares excluded from this calculation resulting from their anti-dilutive effect for the three and nine months ended September 30, 2018 or 2017.

## 9. Long-term Debt

Long-term debt consists of the following at September 30, 2018 and December 31, 2017:

	September 30, 2018		
		Debt, net of	
		Deferred	deferred
	Debt	financing costs	financing costs
Senior Credit Facility	\$1,123,187	\$12,207	\$1,110,980
5% Senior Subordinated Notes	535,000	4,314	530,686
5 3/8% Senior Notes	510,000	4,446	505,554
5 3/4% Senior Notes	400,000	4,887	395,113
Other notes with various rates and terms	3,548	—	3,548
	2,571,735	25,854	2,545,881
Less current maturities	(31,548 )	(4,820 )	(26,728 )

Long-term debt, excluding current maturities \$2,540,187 \$21,034 \$2,519,153

	December 31, 2017		
		Deferred	Debt, net of deferred
	Debt	financing costs	financing costs
Senior Credit Facility	\$636,750	\$7,689	\$629,061
5 7/8% Senior Subordinated Notes	500,000	5,850	494,150
5% Senior Subordinated Notes	535,000	4,927	530,073
5 3/8% Senior Notes	510,000	4,982	505,018
5 3/4% Senior Notes	400,000	5,271	394,729
Other notes with various rates and terms	3,659	—	3,659
	2,585,409	28,719	2,556,690
Less current maturities	(22,797 )	(5,133 )	(17,664 )
Long-term debt, excluding current maturities	\$2,562,612	\$23,586	\$2,539,026

#### Senior Credit Facility

On March 16, 2018, Lamar Media Corp. entered into Amendment No. 1 (“Amendment No. 1”) to the Third Amended and Restated Credit Agreement dated May 15, 2017, with Lamar Advertising, certain of Lamar Media’s subsidiaries as Guarantors, JPMorgan Chase Bank, N.A. as Administrative Agent and the lenders named therein, under which the parties agreed to amend the existing senior credit facility to establish a new \$600,000 Term B Loan Facility (the “Term B loan”), which will mature on March 16, 2025. The Term B loan began amortizing on June 30, 2018 in equal quarterly installments of \$1,500 with the remainder payable at maturity. Lamar borrowed the full amount of the Term B loan on March 16, 2018. The proceeds from the Term B loan, together with available cash on hand were used to redeem in full Lamar Media’s 5 7/8% Senior Subordinated Notes due 2022 (the “5 7/8% Notes”).

## LAMAR ADVERTISING COMPANY

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## Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share data)

Lamar Media's Third Amended and Restated Credit Agreement dated as of May 15, 2017 (as amended by Amendment No. 1, the "senior credit facility") consists of (i) a \$450,000 senior secured revolving credit facility which will mature on May 15, 2022, (ii) a \$450,000 Term A loan facility (the "Term A loans" and together with the Term B loans, the "Term loans") which will mature on May 15, 2022, (iii) the Term B loans and (iv) an incremental facility pursuant to which Lamar Media may incur additional term loan tranches or increase its revolving credit facility subject to pro forma compliance with the secured debt ratio financial maintenance covenant.

Under the senior credit facility Lamar Media borrowed all \$450,000 in Term A loans on May 15, 2017. The net proceeds, together with borrowing under the revolving portion of senior credit facility and cash on hand, were used to repay all outstanding amounts under the existing senior credit facility, and all revolving commitments under that facility were terminated.

The Term A loans mature on May 15, 2022 and the Term B loans mature on March 16, 2025. The remaining quarterly installments are scheduled to be paid on each December 31, March 31, June 30 and September 30 as follows:

Principal Payment Date	Term A	Term B
December 31, 2018-June 30, 2019	\$5,625	\$1,500
September 30, 2019-June 30, 2020	\$8,438	\$1,500
September 30, 2020-March 31, 2022	\$16,875	\$1,500
Term A Loan Maturity May 15, 2022	\$253,125	\$—
June 30, 2022-December 31, 2024	\$—	\$1,500
Term B Loan Maturity March 16, 2025	\$—	\$559,500

The Term loans bear interest at rates based on the Adjusted LIBO Rate ("Eurodollar term loans") or the Adjusted Base Rate ("Base Rate term loans"), at Lamar Media's option. Eurodollar term loans bear interest at a rate per annum equal to the Adjusted LIBO Rate plus 1.75%; (or the Adjusted LIBO Rate plus 1.50% at any time the Total Debt Ratio is less than or equal to 3.25 to 1 for Term A loans only). Base Rate term loans bear interest at a rate per annum equal to the Adjusted Base Rate plus 0.75% (or the Adjusted Base Rate plus 0.50% at any time the Total Debt Ratio is less than or equal to 3.25 to 1 for Term A loans only). The revolving credit facility bears interest at rates based on the Adjusted LIBO Rate ("Eurodollar revolving loans") or the Adjusted Base Rate ("Base Rate revolving loans"), at Lamar Media's option. Eurodollar revolving loans bear interest at a rate per annum equal to the Adjusted LIBO Rate plus 2.25% (or the Adjusted LIBO Rate plus 2.00% at any time the Total Debt Ratio is less than or equal to 4.25 to 1; or the Adjusted LIBO Rate plus 1.75% at any time the Total Debt Ratio is less than or equal to 3.00 to 1). Base Rate revolving Loans bear interest at a rate per annum equal to the Adjusted Base Rate plus 1.25% (or the Adjusted Base Rate plus 1.0% at any time the total debt ratio is less than or equal to 4.25 to 1, or the Adjusted Base Rate plus 0.75% at any time the

Total Debt Ratio is less than or equal to 3.00 to 1). The guarantees, covenants, events of default and other terms of the senior credit facility apply to the Term A and B loans and revolving credit facility.

As of September 30, 2018, there was \$105,000 outstanding under the revolving credit facility. Availability under the revolving facility is reduced by the amount of any letters of credit outstanding. Lamar Media had \$12,953 in letters of credit outstanding as of September 30, 2018 resulting in \$332,047 of availability under its revolving facility. Revolving credit loans may be requested under the revolving credit facility at any time prior to its maturity on May 15, 2022.

The terms of Lamar Media's senior credit facility and the indentures relating to Lamar Media's outstanding notes restrict, among other things, the ability of Lamar Advertising and Lamar Media to:

- dispose of assets;
- incur or repay debt;
- create liens;
- make investments; and
- pay dividends.

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(In thousands, except share and per share data)

The senior credit facility contains provisions that allow Lamar Media to conduct its affairs in a manner that allows Lamar Advertising to qualify and remain qualified as a REIT, including by allowing Lamar Media to make distributions to Lamar Advertising required for the Company to qualify and remain qualified for taxation as a REIT, subject to certain restrictions.

Lamar Media's ability to make distributions to Lamar Advertising is also restricted under the terms of these agreements. Under Lamar Media's senior credit facility the Company must maintain a specified senior debt ratio at all times and in addition, must satisfy a total debt ratio in order to incur debt, make distributions or make certain investments.

Lamar Advertising and Lamar Media were in compliance with all of the terms of their indentures and the senior credit facility provisions during the periods presented.

5 7/8% Senior Subordinated Notes

On February 9, 2012, Lamar Media completed an institutional private placement of \$500,000 aggregate principal amount of its 5 7/8% Notes. The institutional private placement resulted in net proceeds to Lamar Media of approximately \$489,000. The Company used the proceeds from the Term B loans to redeem all of the 5 7/8% Notes on March 19, 2018 at a redemption price of 101.958% of the aggregate principal amount of the outstanding 5 7/8% Notes, plus accrued and unpaid interest up to but not including the redemption date. In conjunction with the redemption the Company recorded a loss on debt extinguishment of \$15,429, of which \$9,790 was cash, for the nine months ended September 30, 2018.

5% Senior Subordinated Notes

On October 30, 2012, Lamar Media completed an institutional private placement of \$535,000 aggregate principal amount of 5% Senior Subordinated Notes due 2023 (the "5% Notes"). The institutional private placement resulted in net proceeds to Lamar Media of approximately \$527,100.

Lamar Media may redeem the 5% Notes, in whole or in part, in cash at redemption prices specified in the 5% Notes. In addition, if the Company or Lamar Media undergoes a change of control, Lamar Media may be required to make an offer to purchase each holder's 5% Notes at a price equal to 101% of the principal amount of the 5% Notes, plus accrued and unpaid interest, up to but not including the repurchase date.

5 3/8% Senior Notes

On January 10, 2014, Lamar Media completed an institutional private placement of \$510,000 aggregate principal amount of 5 3/8% Senior Notes due 2024 (the "5 3/8% Notes"). The institutional private placement resulted in net proceeds to Lamar Media of approximately \$502,300.



At any time prior to January 15, 2019, Lamar Media may redeem some or all of the 5 3/8% Notes at a price equal to 100% of the aggregate principal amount, plus accrued and unpaid interest thereon plus a make-whole premium. On or after January 15, 2019, Lamar Media may redeem the 5 3/8% Notes, in whole or in part, in cash at redemption prices specified in the 5 3/8% Notes. In addition, if the Company or Lamar Media undergoes a change of control, Lamar Media may be required to make an offer to purchase each holder's 5 3/8% Notes at a price equal to 101% of the principal amount of the 5 3/8% Notes, plus accrued and unpaid interest, up to but not including the repurchase date.

#### 5 3/4% Senior Notes

On January 28, 2016, Lamar Media completed an institutional private placement of \$400,000 aggregate principal amount of 5 3/4% Senior Notes due 2026 (the "5 3/4% Notes"). The institutional private placement resulted in net proceeds to Lamar Media of approximately \$394,500.

Lamar Media may redeem up to 35% of the aggregate principal amount of the 5 3/4% Notes, at any time and from time to time, at a price equal to 105.750% of the aggregate principal amount so redeemed, plus accrued and unpaid interest thereon, with the net cash proceeds of certain public equity offerings completed before February 1, 2019, provided that following the redemption, at least 65% of the 5 3/4% Notes that were originally issued remain outstanding and any such redemption occurs within 120 days following the closing of any such public equity offering. At any time prior to February 1, 2021, Lamar Media may redeem some or all of the 5 3/4%

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Notes at a price equal to 100% of the aggregate principal amount, plus accrued and unpaid interest thereon plus a make-whole premium. On or after February 1, 2021, Lamar Media may redeem the 5 3/4% Notes, in whole or in part, in cash at redemption prices specified in the 5 3/4% Notes. In addition, if the Company or Lamar Media undergoes a change of control, Lamar Media may be required to make an offer to purchase each holder's 5 3/4% Notes at a price equal to 101% of the principal amount of the 5 3/4% Notes, plus accrued and unpaid interest, up to but not including the repurchase date.

#### 10. Fair Value of Financial Instruments

At September 30, 2018 and December 31, 2017, the Company's financial instruments included cash and cash equivalents, marketable securities, accounts receivable, investments, accounts payable and borrowings. The fair values of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings and current portion of long-term debt approximated carrying values because of the short-term nature of these instruments. Investment contracts are reported at fair values. Fair values for investments held at cost are not readily available, but are estimated to approximate fair value. The estimated fair value of the Company's long-term debt (including current maturities) was \$2,616,346 which exceeded the carrying amount of \$2,571,735 as of September 30, 2018. The majority of the fair value is determined using observed prices of publicly traded debt (level 1 in the fair value hierarchy) and the remaining is valued based on quoted prices for similar debt (level 2 in the fair value hierarchy).

#### 11. New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09 (Codified as ASC 606), Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaced most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles ("GAAP") when it became effective. In August 2015, the FASB issued ASU No. 2015-14 deferring the effective date from January 1, 2017 to January 1, 2018, while allowing for early adoption as of January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. The Company adopted the provisions of ASC 606 on January 1, 2018 using the cumulative effect transition method. The Company did not have an adjustment to its opening balance of retained earnings for the adoption of this update.

In February 2016, the FASB issued ASU No. 2016-02 (Codified as ASC 842), Leases. The update is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about lease arrangements. The amendments in this update are effective beginning January 1, 2019 with retrospective application. The Company is in the process of assessing the impact ASC 842 will have on our consolidated financial statements. The Company expects the primary impact to our consolidated financial statements will be the recognition, on a discounted basis, of our minimum commitments under non-cancelable operating leases on our consolidated balance sheets, resulting in the recording of right of use assets and lease obligations.

In January 2018, the FASB issued ASU No. 2018-01, Leases (Topic 842) – Land Easement Practical Expedient for Transition to Topic 842. The update provides an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current leases guidance in Topic 840. An entity that elects this practical expedient should evaluate new or modified land easements under Topic 842 upon adoption. An entity that does not elect this practical expedient should evaluate all existing or expired land easements in connection with the adoption of the new lease requirements in Topic 842 to assess whether they meet the definition of a lease. The Company plans to elect the provided practical expedients within this update upon our adoption of Topic 842.

In July 2018, The FASB issued ASU No. 2018-11, Leases (Topic 842) – Targeted Improvements. The update provides an additional (optional) transition method to adopt the new lease standard, allowing entities to apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, rather than adjusting each period presented at the date of adoption. The update also provides lessors a practical expedient to allow them not to separate non-lease components from the associated lease component and instead to account for those components as a single component if certain criteria are met. The Company plans to utilize the updated transition method upon its adoption of Topic 842. The updated practical expedient for lessors will not have a material effect to the Company's consolidated financial statements.

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(Unaudited)

(In thousands, except share and per share data)

12. Dividends/Distributions

During the three months ended September 30, 2018 and September 30, 2017, the Company declared and paid cash distributions of its REIT taxable income in an aggregate amount of \$90,177 or \$0.91 per share and \$81,408 or \$0.83 per share, respectively. During the nine months ended September 30, 2018, the Company paid cash distributions of its REIT taxable income in an aggregate amount of \$351,036 or \$3.56 per share. The distributions paid during the nine months ended September 30, 2018 include distributions declared and accrued as of December 31, 2017 of \$81,534 or \$0.83 per share. During the nine months ended September 30, 2017, the Company declared and paid cash distributions of its REIT taxable income in an aggregate amount of \$243,928 or \$2.49 per share. The amount, timing and frequency of future distributions will be at the sole discretion of the Board of Directors and will be declared based upon various factors, a number of which may be beyond the Company's control, including financial condition and operating cash flows, the amount required to maintain REIT status and reduce any income and excise taxes that the Company otherwise would be required to pay, limitations on distributions in our existing and future debt instruments, the Company's ability to utilize net operating losses to offset, in whole or in part, the Company's distribution requirements, limitations on its ability to fund distributions using cash generated through its taxable REIT subsidiaries (TRSs) and other factors that the Board of Directors may deem relevant. During the three months ended September 30, 2018 and September 30, 2017, the Company paid cash dividend distributions to holders of its Series AA Preferred Stock in an aggregate amount of \$91 or \$15.95 per share. During the nine months ended September 30, 2018, the Company paid cash dividend distributions to holders of its Series AA Preferred Stock in an aggregate amount of \$364 or \$63.80 per share. During the nine months ended September 30, 2017, the Company paid cash dividend distributions to holders of its Series AA Preferred Stock in an aggregate amount of \$273 or \$47.85 per share.

13. Information about Geographic Areas

Revenues from external customers attributable to foreign countries totaled \$25,659 and \$24,335 for the nine months ended September 30, 2018 and 2017, respectively. Net carrying value of long lived assets located in foreign countries totaled \$2,882 and \$3,571 as of September 30, 2018 and December 31, 2017, respectively. All other revenues from external customers and long lived assets relate to domestic operations.

14. Non-cash Financing and Investing Activities

During the nine months ended September 30, 2018, the Company had non-cash investing activities for the issuance of 163,137 shares of its Class A common stock related to our acquisition purchases. The issuance had an approximate value of \$12,282. There were no significant non-cash investing activities for the nine months ended September 30, 2017. Also, there were no significant non-cash financing activities during the nine months ended September 30, 2018 or 2017.

## 15. Stockholders' Equity

On May 1, 2018, the Company entered into an equity distribution agreement (the "Sales Agreement") with J.P. Morgan Securities LLC, Wells Fargo Securities LLC, and SunTrust Robinson Humphrey, Inc. as its sales agents (each a "Sales Agent", and collectively, the "Sales Agents"). Under the terms of the Sales Agreement, the Company may, from time to time, issue and sell shares of its Class A common stock, par value \$0.001 per share (the "Class A Common Stock"), having an aggregate offering price of up to \$400,000, through the Sales Agents as either agents or principals. As of September 30, 2018, 213,276 shares of our Class A Common Stock have been sold under the Sales Agreement and accordingly \$384,929 remains available to be sold under the Sales Agreement.

Sales of the Class A Common Stock, if any, may be made in negotiated transactions or transactions that are deemed to be "at-the-market offerings" as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on or through the Nasdaq Global Select Market and any other existing trading market for the Class A Common Stock, or sales made to or through a market maker other than on an exchange. The Company has no obligation to sell any of the Class A Common Stock under the Sales Agreement and may at any time suspend solicitations and offers under the Sales Agreement.

On August 6, 2018, the Company filed an automatically effective shelf registration statement that registered the offer and sale of an indeterminate amount of additional shares of our Class A common stock. As of September 30, 2018 the Company issued 163,137

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Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share data)

shares of its Class A common stock in connection with acquisitions occurring during the period. The Company filed a prospectus supplement to the shelf registration statement relating to the offer and resale of such shares of Class A common stock.

16. Divestiture of Assets

On April 16, 2018 the Company sold its assets in Puerto Rico for \$3,000 in cash and non-cash consideration consisting of a note receivable for \$9,500 due April 2024. The Company recorded a loss on the sale of \$7,533 for the nine months ended September 30, 2018.

## LAMAR MEDIA CORP.

## AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(In thousands, except share data)

	September 30, 2018 (Unaudited)	December 31, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 10,109	\$ 114,971
Receivables, net of allowance for doubtful accounts of \$11,642 and \$10,055 in 2018 and 2017, respectively	227,960	201,699
Prepaid lease expenses	75,690	51,074
Other current assets	51,639	52,275
Total current assets	365,398	420,019
Property, plant and equipment	3,412,221	3,384,723
Less accumulated depreciation and amortization	(2,218,908 )	(2,170,585 )
Net property, plant and equipment	1,193,313	1,214,138
Goodwill	1,727,250	1,730,303
Intangible assets	773,191	795,879
Other assets	48,683	37,603
Total assets	\$ 4,107,835	\$ 4,197,942
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 19,526	\$ 17,961
Current maturities of long-term debt, net of deferred financing costs of \$4,820 and \$5,133 in 2018 and 2017, respectively	26,728	17,664
Accrued expenses	98,001	193,667
Deferred income	107,144	92,694
Total current liabilities	251,399	321,986
Long-term debt, net of deferred financing costs of \$21,034 and \$23,586 in 2018 and 2017, respectively	2,519,153	2,539,026
Deferred income tax liabilities	2,508	884
Asset retirement obligation	216,050	215,089
Other liabilities	33,966	29,859
Total liabilities	3,023,076	3,106,844
Stockholder's equity:		
Common stock, par value \$.01, 3,000 shares authorized, 100 shares issued and outstanding at 2018 and 2017	—	—

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Additional paid-in-capital	2,890,971	2,832,940
Accumulated comprehensive income	703	1,302
Accumulated deficit	(1,806,915 )	(1,743,144 )
Stockholder's equity	1,084,759	1,091,098
Total liabilities and stockholder's equity	\$ 4,107,835	\$ 4,197,942

See accompanying notes to condensed consolidated financial statements.



LAMAR MEDIA CORP.

AND SUBSIDIARIES

Condensed Consolidated Statements of Income and Comprehensive Income

(Unaudited)

(In thousands, except share and per share data)

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
<b>Statements of Income</b>				
Net revenues	\$418,498	\$399,345	\$1,199,324	\$1,142,785
<b>Operating expenses (income)</b>				
Direct advertising expenses (exclusive of depreciation and amortization)	140,699	134,977	419,776	401,896
General and administrative expenses (exclusive of depreciation and amortization)	73,166	68,500	213,060	206,452
Corporate expenses (exclusive of depreciation and amortization)	20,667	14,982	61,723	48,154
Depreciation and amortization	55,089	51,796	167,251	155,003
Loss (gain) on disposition of assets	407	(2,734 )	7,265	(4,377 )
Operating income	290,028	267,521	869,075	807,128
Other expense (income)	128,470	131,824	330,249	335,657
Loss on extinguishment of debt	—	—	15,429	71
Interest income	(157 )	(2 )	(313 )	(6 )
Interest expense	31,850	32,064	97,321	95,526
Income before income tax expense	31,693	32,062	112,437	95,591
Income tax expense	96,777	99,762	217,812	240,066
Net income	2,612	3,325	7,969	9,257
Net income	\$94,165	\$96,437	\$209,843	\$230,809
<b>Statements of Comprehensive Income</b>				
Net income	\$94,165	\$96,437	\$209,843	\$230,809
Other comprehensive income (loss)				
Foreign currency translation adjustments	221	1,216	(599 )	2,104
Comprehensive income	\$94,386	\$97,653	\$209,244	\$232,913

See accompanying notes to condensed consolidated financial statements.



LAMAR MEDIA CORP.

AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Nine months ended	
	September 30,	2017
	2018	2017
<b>Cash flows from operating activities:</b>		
Net income	\$209,843	\$230,809
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	167,251	155,003
Stock-based compensation	22,745	7,060
Amortization included in interest expense	3,662	3,866
Loss (gain) on disposition of assets and investments	7,265	(4,377 )
Loss on extinguishment of debt	15,429	71
Deferred tax expense	1,575	259
Provision for doubtful accounts	5,547	6,009
<b>Changes in operating assets and liabilities:</b>		
<b>(Increase) decrease in:</b>		
Receivables	(31,672 )	(38,083 )
Prepaid lease expenses	(24,989 )	(23,281 )
Other assets	1,714	(4,334 )
<b>Increase (decrease) in:</b>		
Trade accounts payable	1,268	401
Accrued expenses	(20,708 )	(21,768 )
Other liabilities	(15,643 )	(13,033 )
Net cash provided by operating activities	343,287	298,602
<b>Cash flows from investing activities:</b>		
Acquisitions	(48,141 )	(119,936)
Capital expenditures	(82,174 )	(74,446 )
Proceeds received from property insurance claims	4,222	—
Proceeds from disposition of assets and investments	5,760	3,340
Decrease in notes receivable	7	13
Net cash used in investing activities	(120,326)	(191,029)
<b>Cash flows from financing activities:</b>		
Principal payments on long-term debt	(20,119 )	(11,250 )
Payment on revolving credit facility	(368,000)	(407,000)
Proceeds received from revolving credit facility	275,000	317,000
Redemption of senior subordinated notes	(509,790)	