

LAMAR ADVERTISING CO/NEW
Form 10-Q
November 03, 2016

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, 2016

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 and posted on their corporate web sites, 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 No

Indicate by check mark whether Lamar Advertising Company is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether Lamar Media Corp. is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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, 2016: 82,711,932

The number of shares of the Lamar Advertising Company’s Class B common stock outstanding as of November 1, 2016: 14,610,365

The number of shares of Lamar Media Corp. common stock outstanding as of November 1, 2016: 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.

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 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, 2015 of the Company and Lamar Media (the “2015 Combined Form 10-K”), filed on February 25, 2016 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, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 37,479	\$ 22,327
Receivables, net of allowance for doubtful accounts of \$10,668 and \$8,984 in 2016 and 2015, respectively	207,507	174,398
Prepaid lease expenses	70,186	44,437
Deferred income tax assets	1,336	1,352
Other current assets	38,734	39,218
Total current assets	355,242	281,732
Property, plant and equipment	3,273,931	3,139,239
Less accumulated depreciation and amortization	(2,094,330)	(2,044,102)
Net property, plant and equipment	1,179,601	1,095,137
Goodwill	1,726,724	1,546,594
Intangible assets	601,567	402,886
Other assets	39,386	37,395
Total assets	\$ 3,902,520	\$ 3,363,744
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 17,637	\$ 17,452
Current maturities of long-term debt, net of deferred financing costs of \$5,403 and \$4,823 in 2016 and 2015, respectively	28,824	16,509
Accrued expenses	110,145	115,208
Deferred income	102,485	87,661
Total current liabilities	259,091	236,830
Long-term debt, net of deferred financing costs of \$24,829 and \$23,211 in 2016 and 2015, respectively	2,351,198	1,874,941
Deferred income tax liabilities	1,745	2,052
Asset retirement obligation	210,275	206,234

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Other liabilities	23,905	22,628
Total liabilities	2,846,214	2,342,685
Stockholders' equity:		
Series AA preferred stock, par value \$.001, \$63.80 cumulative dividends, 5,720 shares authorized; 5,720 shares issued and outstanding at 2016 and 2015	—	—
Class A common stock, par value \$.001, 362,500,000 shares authorized; 82,928,020 and 82,188,372 shares issued at 2016 and 2015, respectively; 82,711,932 and 82,083,536 issued and outstanding at 2016 and 2015, respectively	83	82
Class B common stock, par value \$.001, 37,500,000 shares authorized, 14,610,365 shares issued and outstanding at 2016 and 2015	15	15
Additional paid-in capital	1,705,910	1,664,038
Accumulated comprehensive loss	(27)	(1,178)
Accumulated deficit	(637,372)	(635,799)
Cost of shares held in treasury, 216,088 and 104,836 shares at 2016 and 2015, respectively	(12,303)	(6,099)
Stockholders' equity	1,056,306	1,021,059
Total liabilities and stockholders' equity	\$ 3,902,520	\$ 3,363,744

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, 2016	2015	September 30, 2016	2015
Statements of Income				
Net revenues	\$387,516	\$350,701	\$1,113,577	\$997,427
Operating expenses (income)				
Direct advertising expenses (exclusive of depreciation and amortization)	131,778	121,676	393,228	350,859
General and administrative expenses (exclusive of depreciation and amortization)	67,487	59,489	200,734	179,424
Corporate expenses (exclusive of depreciation and amortization)	19,359	16,654	55,432	51,734
Depreciation and amortization	49,307	46,441	152,729	144,396
Gain on disposition of assets	(189)	(5,203)	(12,221)	(7,230)
	267,742	239,057	789,902	719,183
Operating income	119,774	111,644	323,675	278,244
Other expense (income)				
Loss on extinguishment of debt	—	—	3,198	—
Interest income	(2)	(2)	(6)	(28)
Interest expense	31,102	24,709	92,469	73,953
	31,100	24,707	95,661	73,925
Income before income tax expense	88,674	86,937	228,014	204,319
Income tax expense	3,613	972	9,730	18,278
Net income	85,061	85,965	218,284	186,041
Cash dividends declared and paid on preferred stock	91	91	273	273
Net income applicable to common stock	\$84,970	\$85,874	\$218,011	\$185,768
Earnings per share:				
Basic earnings per share	\$0.87	\$0.89	\$2.25	\$1.93
Diluted earnings per share	\$0.87	\$0.89	\$2.23	\$1.93
Cash dividends declared per share of common stock	\$0.76	\$0.69	\$2.26	\$2.06
Weighted average common shares used in computing earnings				

per share:				
Weighted average common shares outstanding basic	97,254,125	96,541,766	97,056,456	96,220,306
Weighted average common shares outstanding diluted	97,881,878	96,602,429	97,631,606	96,284,482
Statements of Comprehensive Income				
Net income	\$85,061	\$85,965	\$218,284	\$186,041
Other comprehensive (loss) income				
Foreign currency translation adjustments	(328)	(1,713)	1,151	(2,916)
Comprehensive income	\$84,733	\$84,252	\$219,435	\$183,125

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,	
	2016	2015
Cash flows from operating activities:		
Net income	\$218,284	\$186,041
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	152,729	144,396
Stock-based compensation	19,650	17,508
Amortization included in interest expense	3,993	3,498
Gain on disposition of assets and investments	(12,221)	(7,230)
Loss on extinguishment of debt	3,198	—
Deferred tax (benefit) expense	(150)	9,572
Provision for doubtful accounts	5,831	4,845
Changes in operating assets and liabilities		
(Increase) decrease in:		
Receivables	(39,072)	(20,645)
Prepaid lease expenses	(21,700)	(19,758)
Other assets	5,923	(4,494)
Increase (decrease) in:		
Trade accounts payable		