

LAMAR ADVERTISING CO/NEW
Form 10-Q
November 06, 2017

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, 2017

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, 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	(Do not check if a smaller reporting company) 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	(Do not check if a smaller reporting company) 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, 2017: 84,011,614

The number of shares of the Lamar Advertising Company’s Class B common stock outstanding as of November 1, 2017: 14,420,085

The number of shares of Lamar Media Corp. common stock outstanding as of November 1, 2017: 100

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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 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, 2016 of the Company and Lamar Media (the “2016 Combined Form 10-K”), filed on February 24, 2017 and as such risk factors may be updated or supplemented, from time to time, in our combined Quarterly Reports on Form 10-Q.

CONTENTS

<u>PART I — FINANCIAL INFORMATION</u>	Page 5
<u>ITEM 1. FINANCIAL STATEMENTS</u>	5
Lamar Advertising Company	
<u>Condensed Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016</u>	5
<u>Condensed Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2017 and 2016</u>	6
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8-15
Lamar Media Corp.	
<u>Condensed Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016</u>	16
<u>Condensed Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2017 and 2016</u>	17
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016</u>	18
<u>Notes to Condensed Consolidated Financial Statements</u>	19-27
<u>ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	28-43
<u>ITEM 3. Quantitative and Qualitative Disclosures About Market Risk</u>	44
<u>ITEM 4. Controls and Procedures</u>	45
<u>PART II — OTHER INFORMATION</u>	45
<u>ITEM 1A. Risk Factors</u>	45
<u>ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	45
<u>ITEM 5. Other Information</u>	45
<u>ITEM 6. Exhibits</u>	45-46

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, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 29,419	\$ 35,530
Receivables, net of allowance for doubtful accounts of \$11,529 and \$9,356 in 2017 and 2016, respectively	223,088	189,935
Prepaid lease expenses	72,816	48,815
Other current assets	45,187	39,973
Total current assets	370,510	314,253
Property, plant and equipment	3,354,962	3,294,251
Less accumulated depreciation and amortization	(2,174,393)	(2,111,536)
Net property, plant and equipment	1,180,569	1,182,715
Goodwill	1,740,469	1,726,358
Intangible assets	668,667	637,153
Other assets	43,015	38,405
Total assets	\$ 4,003,230	\$ 3,898,884
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 18,054	\$ 17,653
Current maturities of long-term debt, net of deferred financing costs of \$5,085 and \$5,459 in 2017 and 2016, respectively	17,415	33,916
Accrued expenses	99,548	134,433
Deferred income	103,670	91,322
Total current liabilities	238,687	277,324
Long-term debt, net of deferred financing costs of \$24,888 and \$23,510 in 2017 and 2016, respectively	2,432,014	2,315,267
Deferred income tax liabilities	326	279

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Asset retirement obligation	212,141	210,889
Other liabilities	29,536	25,597
Total liabilities	2,912,704	2,829,356
Stockholders' equity:		
Series AA preferred stock, par value \$.001, \$63.80 cumulative dividends, 5,720 shares authorized; 5,720 shares issued and outstanding at 2017 and 2016	—	—
Class A common stock, par value \$.001, 362,500,000 shares authorized; 84,007,335 and 83,038,831 shares issued at 2017 and 2016, respectively; 83,676,051 and 82,822,743 issued and outstanding at 2017 and 2016, respectively	84	83
Class B common stock, par value \$.001, 37,500,000 shares authorized, 14,420,085 and 14,610,365 shares issued and outstanding at 2017 and 2016, respectively	14	15
Additional paid-in capital	1,754,892	1,713,312
Accumulated comprehensive income (loss)	1,480	(624)
Accumulated deficit	(644,644)	(630,955)
Cost of shares held in treasury, 331,284 and 216,088 shares at 2017 and 2016, respectively	(21,300)	(12,303)
Stockholders' equity	1,090,526	1,069,528
Total liabilities and stockholders' equity	\$ 4,003,230	\$ 3,898,884

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, 2017	2016	September 30, 2017	2016
Statements of Income				
Net revenues	\$399,345	\$387,516	\$1,142,785	\$1,113,577
Operating expenses (income)				
Direct advertising expenses (exclusive of depreciation and amortization)	134,977	131,778	401,896	393,228
General and administrative expenses (exclusive of depreciation and amortization)	68,500	67,487	206,452	200,734
Corporate expenses (exclusive of depreciation and amortization)	15,088	19,359	48,451	55,432
Depreciation and amortization	51,796	49,307	155,003	152,729
Gain on disposition of assets	(2,734)	(189)	(4,377)	(12,221)
	267,627	267,742	807,425	789,902
Operating income	131,718	119,774	335,360	323,675
Other expense (income)				
Loss on extinguishment of debt	—	—	71	3,198
Interest income	(2)	(2)	(6)	(6)
Interest expense	32,064	31,102	95,526	92,469
	32,062	31,100	95,591	95,661
Income before income tax expense	99,656	88,674	239,769	228,014
Income tax expense	3,325	3,613	9,257	9,730
Net income	96,331	85,061	230,512	218,284
Cash dividends declared and paid on preferred stock	91	91	273	273
Net income applicable to common stock	\$96,240	\$84,970	\$230,239	\$218,011
Earnings per share:				
Basic earnings per share	\$0.98	\$0.87	\$2.35	\$2.25
Diluted earnings per share	\$0.98	\$0.87	\$2.34	\$2.23
Cash dividends declared per share of common stock	\$0.83	\$0.76	\$2.49	\$2.26
Weighted average common shares used in computing earnings				

per share:				
Weighted average common shares outstanding basic	98,044,523	97,254,125	97,855,642	97,056,456
Weighted average common shares outstanding diluted	98,490,277	97,881,878	98,340,248	97,631,606
Statements of Comprehensive Income				
Net income	\$96,331	\$85,061	\$230,512	\$218,284
Other comprehensive income (loss)				
Foreign currency translation adjustments	1,216	(328)	2,104	1,151
Comprehensive income	\$97,547	\$84,733	\$232,616	\$219,435

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
	2017	2016
Cash flows from operating activities:		
Net income	\$230,512	\$218,284
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	155,003	152,729
Stock-based compensation	7,060	19,650
Amortization included in interest expense	3,866	3,993
Gain on disposition of assets and investments	(4,377)	(12,221)
Loss on extinguishment of debt	71	3,198
Deferred tax expense (benefit)	259	(150)
Provision for doubtful accounts	6,009	5,831
Changes in operating assets and liabilities		
(Increase) decrease in:		
Receivables	(38,083)	(39,072)
Prepaid lease expenses	(23,281)	(21,700)
Other assets	(4,334)	5,923
Increase (decrease) in:		
Trade accounts payable	401	(761)
Accrued expenses	(21,768)	(5,623)
Other liabilities	9,300	7,745
Net cash provided by operating activities	320,638	337,826
Cash flows from investing activities:		
Acquisitions	(119,936)	(526,029)
Capital expenditures	(74,446)	(78,825)
Proceeds from disposition of assets and investments	3,340	7,753
Decrease in notes receivable	13	16
Net cash used in investing activities	(191,029)	(597,085)
Cash flows from financing activities:		
Cash used for purchase of treasury stock	(8,997)	(6,204)
Net proceeds from issuance of common stock	19,817	18,278
Principal payments on long-term debt	(11,250)	(15,015)
Payment on revolving credit facility	(407,000)	(302,000)
Proceeds received from revolving credit facility	317,000	408,000
Proceeds received from note offering	—	400,000

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Payment on senior credit facility term loans	(247,500)	(300,000)
Proceeds received from senior credit facility term loans	450,000	300,000
Debt issuance costs	(4,941)	(9,391)
Distributions to non-controlling interest	(415)	(315)
Dividends/distributions	(244,201)	(219,857)
Net cash (used in) provided by financing activities	(137,487)	273,496
Effect of exchange rate changes in cash and cash equivalents	1,767	915
Net (decrease) increase in cash and cash equivalents	(6,111)	15,152
Cash and cash equivalents at beginning of period	35,530	22,327
Cash and cash equivalents at end of period	\$29,419	\$37,479
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$104,966	\$91,952
Cash paid for foreign, state and federal income taxes	\$9,969	\$11,023

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 2016 Combined Form 10-K. Subsequent events, if any, are evaluated through the date on which the financial statements are issued.

2. 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 87,500 shares of its Class A common stock during the nine months ended September 30, 2017. At September 30, 2017 a total of 1,174,906 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 82,823 shares on January 1, 2017 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, 2017:

	Shares
Available for future purchases, January 1, 2017	250,573
Additional shares reserved under 2009 ESPP	82,823
Purchases	(84,005)
Available for future purchases, September 30, 2017	249,391

Performance-based compensation. Unrestricted shares of our Class A common stock may be awarded to key officers, employees and directors under our 1996 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 2017 results. Any shares issued based on the achievement of performance goals will be issued in the first quarter of 2018. 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, 2017, the Company has recorded \$3,837 as stock-based compensation expense related to performance-based awards. In addition, each non-employee director automatically receives upon election or re-election a restricted stock award of our Class A common stock. 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, 2017.

3. Acquisitions

During the nine months ended September 30, 2017, the Company completed several acquisitions of outdoor advertising assets for a total purchase price of \$122,815, of which \$119,936 was in cash and \$2,879 was in non-cash consideration consisting principally of exchanges of outdoor advertising assets. As a result of these acquisitions, a gain of \$2,389 was recorded during the nine months ended September 30, 2017 related to the transactions that involved the exchange of outdoor advertising assets.

LAMAR ADVERTISING COMPANY

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share data)

Each of these acquisitions was accounted for under the acquisition method of accounting, and, accordingly, the accompanying consolidated financial statements include the results of operations of each acquired entity from the date of acquisition. The acquisition costs have been allocated to assets acquired and liabilities assumed based on preliminary fair market value estimates at the dates of acquisition. The allocations are pending final determination of the fair value of certain assets and liabilities. The following is a summary of the preliminary allocation of the acquisition costs in the above transactions.

	Total
Property, plant and equipment	\$14,305
Goodwill	13,925
Site locations	82,262
Non-competition agreements	325
Customer lists and contracts	10,224
Acquisition costs	194
Current assets	2,465
Current liabilities	(510)
Other liabilities	(375)
	\$122,815

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, 2017	2016	September 30, 2017	2016
Direct advertising expenses	\$47,168	\$46,163	\$144,171	\$142,228
General and administrative expenses	955	900	2,857	2,683

Corporate expenses	3,673	2,244	7,975	7,818
	\$51,796	\$49,307	\$155,003	\$152,729

5. Goodwill and Other Intangible Assets

The following is a summary of intangible assets at September 30, 2017 and December 31, 2016:

	Estimated Life (Years)	September 30, 2017 Gross Carrying Amount	Accumulated Amortization	December 31, 2016 Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:					
Customer lists and contracts	7—10	\$570,073	\$501,556	\$559,513	\$490,514
Non-competition agreements	3—15	64,976	63,861	64,646	63,692
Site locations	15	1,937,725	1,354,594	1,885,554	1,318,976
Other	2—15	45,406	29,502	14,174	13,552
		\$2,618,180	\$1,949,513	\$2,523,887	\$1,886,734
Unamortizable intangible assets:					
Goodwill		\$1,994,005	\$253,536	\$1,979,894	\$253,536

LAMAR ADVERTISING COMPANY

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share data)

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, 2016	\$	210,889
Additions to asset retirement obligations		1,103
Accretion expense		3,182
Liabilities settled		(3,033)
Balance at September 30, 2017	\$	212,141

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, 2017 and December 31, 2016, 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 \$2,834,543 and \$2,702,633, respectively.

As of September 30, 2017, 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, 2017, 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 total debt ratio less than 6.5 to 1 and (ii) the secured debt ratio does not exceed 3.0 to 1. As of September 30, 2017, the total debt ratio was less than 6.5 to 1 and Lamar Media's secured debt ratio was less than 3.0 to 1, and the available cumulative credit was \$1,666,430.

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, 2017 or 2016.

9. Long-term Debt

Long-term debt consists of the following at September 30, 2017 and December 31, 2016:

	September 30, 2017		
		Deferred	Debt, net of deferred
	Debt	financing costs	financing costs
Senior Credit Facility	\$534,375	\$ 8,133	\$526,242
5 7/8% Senior Subordinated Notes	500,000	6,162	493,838
5% Senior Subordinated Notes	535,000	5,127	529,873
5 3/8% Senior Notes	510,000	5,155	504,845
5 3/4% Senior Notes	400,000	5,396	394,604
Other notes with various rates and terms	27	—	27
	2,479,402	29,973	2,449,429
Less current maturities	(22,500)	(5,085)	(17,415)
Long-term debt, excluding current maturities	\$2,456,902	\$ 24,888	\$2,432,014

LAMAR ADVERTISING COMPANY

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share data)

	December 31, 2016		
		Deferred	Debt, net of deferred
	Debt	financing costs	financing costs
Senior Credit Facility	\$433,125	\$ 4,769	\$428,356
5 7/8% Senior Subordinated Notes	500,000	7,071	492,929
5% Senior Subordinated Notes	535,000	5,709	529,291
5 3/8% Senior Notes	510,000	5,662	504,338
5 3/4% Senior Notes	400,000	5,758	394,242
Other notes with various rates and terms	27	—	27
	2,378,152	28,969	2,349,183
Less current maturities	(39,375)	(5,459)	(33,916)
Long-term debt, excluding current maturities	\$2,338,777	\$ 23,510	\$ 2,315,267

5 7/8% Senior Subordinated Notes

On February 9, 2012, Lamar Media completed an institutional private placement of \$500,000 aggregate principal amount of 5 7/8% Senior Subordinated Notes, due 2022 (the “5 7/8% Notes”). The institutional private placement resulted in net proceeds to Lamar Media of approximately \$489,000.

On or after February 1, 2017, Lamar Media may redeem the 5 7/8% Notes, in whole or in part, in cash at redemption prices specified in the 5 7/8% 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 7/8% Notes at a price equal to 101% of the principal amount of the 5 7/8% Notes, plus accrued and unpaid interest, up to but not including the repurchase date.

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.

At any time prior to May 1, 2018, Lamar Media may redeem some or all of the 5% 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 May 1, 2018, 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.

LAMAR ADVERTISING COMPANY

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share data)

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% 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.

Senior Credit Facility

On May 15, 2017, Lamar Media entered into a Third Restatement Agreement (“Restatement Agreement”) to its Second Amended and Restated Credit Agreement (“existing senior credit facility”) dated as of February 3, 2014 with the Company, certain of Lamar Media’s subsidiaries as guarantors, JPMorgan Chase Bank, N.A. as administrative agent and the lenders party thereto, under which the parties agreed to amend and restate Lamar Media’s existing senior credit facility.

Lamar Media’s Third Amended and Restated Credit Agreement dated as of May 15, 2017 (as amended, the “senior credit facility”) consists of (i) a new \$450,000 senior secured revolving credit facility which will mature on May 15, 2022, (ii) a new \$450,000 Term A loan facility (the “Term A loans”) which will mature on May 15, 2022, and (iii) 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 described below.

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 began amortizing on September 30, 2017 in quarterly installments on each December 31, March 31, June 30 and September 30 thereafter. The remaining quarterly installments scheduled to be paid are as follows:

Principal Payment Date	Principal Amount
December 31, 2017-June 30, 2019	\$5,625.0
September 30, 2019-June 30, 2020	\$8,437.5
September 30, 2020-March 31, 2022	\$16,875.0
Term A Loan Maturity Date	\$253,125.0

For each borrowing of Term A loans or revolving credit loans, Lamar Media can elect whether such loans bear interest at (i) the Adjusted Base Rate plus (a) 0.75%, or (b) 0.50% at any time that the total debt ratio is less than 3.25 to 1 as of the last day of the most recently ended fiscal quarter for which Lamar Media has delivered financial statements, or (ii) the Adjusted LIBO Rate plus (a) 1.75%, or (b) 1.50% at any time that the total debt ratio is less than 3.25 to 1 as of the last day of the most recently ended fiscal quarter for which Lamar Media has delivered financial statements. The guarantees, covenants, events of default and other terms of the senior credit facility apply to the Term A loans and revolving credit facility.

LAMAR ADVERTISING COMPANY

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share data)

As of September 30, 2017, there was \$90,000 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 \$13,091 in letters of credit outstanding as of September 30, 2017 resulting in \$346,909 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.

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.

10. Fair Value of Financial Instruments

At September 30, 2017 and December 31, 2016, 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

\$2,578,645 which exceeded the carrying amount of \$2,479,402 as of September 30, 2017. 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 Accounting Standards Update (“ASU”) No. 2014-09, 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 will replace most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles (“GAAP”) when it becomes 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 is in the final stages of its review of contracts and we do not expect any material impact on our consolidated financial statements for the adoption of ASU No. 2014-09. We currently believe the only contracts with customers which will be accounted for under ASU No. 2014-09 are our Transit advertising contracts and production services. We have preliminarily determined to adopt the provisions of ASU No. 2014-09 using the cumulative effect transition method with an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application.

LAMAR ADVERTISING COMPANY

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share data)

In November 2015, the FASB issued ASU No. 2015-17 Income taxes – Balance Sheet Classification of Deferred Taxes. The amendments in this update require deferred tax liabilities and assets be classified as noncurrent in the balance sheet. The amendments are effective for annual and interim periods beginning after December 15, 2016, with early adoption permitted as of the beginning of an interim or annual reporting period. The Company adopted the update in ASU No. 2015-17 as of January 1, 2017. The Company's 2016 consolidated balance sheet has been adjusted to reflect retrospective adoption of the update and the impact was not considered material.

In February 2016, the FASB issued ASU No. 2016-02, 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 ASU No. 2016-02 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 August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments. The update clarifies how certain cash receipts and cash payments are presented in the statement of cash flows. The update is effective for annual periods beginning January 1, 2018 with early adoption permitted. The Company adopted the update in ASU No. 2016-15 as of January 1, 2017. The adoption of this update did not have a material impact on the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations: Clarifying the definition of a business. The update clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions of assets or businesses. The update is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. Early adoption is allowed for transactions which the acquisition date occurs before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance. The Company adopted the update in ASU 2017-01 for transactions which occurred on or after October 1, 2016. The adoption of this update did not have a material impact on the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles – Goodwill and other (Topic 350): Simplifying the test for goodwill impairment. The update simplifies how a company completes its goodwill impairment test by eliminating the two-step process, which requires determining the fair value of assets acquired or liabilities assumed in a business combination. The update requires completing the goodwill impairment test by comparing the difference between the reporting unit's carrying value and fair value. Goodwill charges, if any, would be determined by reducing the goodwill balance by the excess of the reporting unit's carrying value over its fair value. The update is effective for annual and interim fiscal periods beginning after December 15, 2019, with early adoption permitted for interim or annual goodwill impairment tests performed on or after January 1, 2017. The Company plans to early adopt this update for its December 31, 2017 goodwill impairment test.

12. Dividends/Distributions

During the three months ended September 30, 2017 and September 30, 2016, the Company declared and paid cash distributions of its REIT taxable income in an aggregate amount of \$81,408 or \$0.83 per share and \$73,938 or \$0.76 per share, respectively. During the nine months ended September 30, 2017 and September 30, 2016, the Company declared and paid cash distributions of its REIT taxable income in an aggregate amount of \$243,928 or \$2.49 per share and \$219,584 or \$2.26 per share, respectively. 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, 2017 and September 30, 2016, 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, 2017 and September 30, 2016, 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.

LAMAR ADVERTISING COMPANY

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share data)

13. Information about Geographic Areas

Revenues from external customers attributable to foreign countries totaled \$24,335 and \$24,076 for the nine months ended September 30, 2017 and 2016, respectively. Net carrying value of long lived assets located in foreign countries totaled \$4,121 and \$4,893 as of September 30, 2017 and December 31, 2016, respectively. All other revenues from external customers and long lived assets relate to domestic operations.

LAMAR MEDIA CORP.

AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands, except share data)

	September 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 28,919	\$ 35,030
Receivables, net of allowance for doubtful accounts of \$11,529 and \$9,356 in 2017		
and 2016, respectively	223,088	189,935
Prepaid lease expenses	72,816	48,815
Other current assets	45,187	39,973
Total current assets	370,010	313,753
Property, plant and equipment	3,354,962	3,294,251
Less accumulated depreciation and amortization	(2,174,393)	(2,111,536)
Net property, plant and equipment	1,180,569	1,182,715
Goodwill	1,730,318	1,716,207
Intangible assets	668,197	636,685
Other assets	37,731	33,120
Total assets	\$ 3,986,825	\$ 3,882,480
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Trade accounts payable	\$ 18,054	\$ 17,653
Current maturities of long-term debt, net of deferred financing costs of \$5,085 and		
\$5,459 in 2017 and 2016, respectively	17,415	33,916
Accrued expenses	95,715	131,171
Deferred income	103,670	91,322
Total current liabilities	234,854	274,062
Long-term debt, net of deferred financing costs of \$24,888 and \$23,510 in 2017 and		
2016, respectively	2,432,014	2,315,267
Deferred income tax liabilities	326	279
Asset retirement obligation	212,141	210,889
Other liabilities	29,536	25,597
Total liabilities	2,908,871	2,826,094
Stockholder's equity:		
Common stock, par value \$.01, 3,000 shares authorized, 100 shares issued and		
outstanding at 2017 and 2016	—	—

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Additional paid-in-capital	2,825,333	2,783,753
Accumulated comprehensive income (loss)	1,480	(624)
Accumulated deficit	(1,748,859)	(1,726,743)
Stockholder's equity	1,077,954	1,056,386
Total liabilities and stockholder's equity	\$ 3,986,825	\$ 3,882,480

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,		September 30,	
	2017	2016	2017	2016
Statements of Income				
Net revenues	\$399,345	\$387,516	\$1,142,785	\$1,113,577
Operating expenses (income)				
Direct advertising expenses (exclusive of depreciation and amortization)	134,977	131,778	401,896	393,228
General and administrative expenses (exclusive of depreciation and amortization)	68,500	67,487	206,452	200,734
Corporate expenses (exclusive of depreciation and amortization)	14,982	19,252	48,154	55,143
Depreciation and amortization	51,796	49,307	155,003	152,729
Gain on disposition of assets	(2,734)	(189)	(4,377)	(12,221)
	267,521	267,635	807,128	789,613
Operating income	131,824	119,881	335,657	323,964
Other expense (income)				
Loss on extinguishment of debt	—	—	71	3,198
Interest income	(2)	(2)	(6)	(6)
Interest expense	32,064	31,102	95,526	92,469
	32,062	31,100	95,591	95,661
Income before income tax expense	99,762	88,781	240,066	228,303
Income tax expense	3,325	3,613	9,257	9,730
Net income	\$96,437	\$85,168	\$230,809	\$218,573
Statements of Comprehensive Income				
Net income	\$96,437	\$85,168	\$230,809	\$218,573
Other comprehensive (loss) income				
Foreign currency translation adjustments	1,216	(328)	2,104	1,151
Comprehensive income	\$97,653	\$84,840	\$232,913	\$219,724

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	2016
Cash flows from operating activities:		
Net income	\$230,809	\$218,573
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	155,003	152,729
Stock-based compensation	7,060	19,650
Amortization included in interest expense	3,866	3,993
Gain on disposition of assets and investments	(4,377)	(12,221)
Loss on extinguishment of debt	71	3,198
Deferred tax expense (benefit)	259	(150)
Provision for doubtful accounts	6,009	5,831
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	(38,083)	(39,072)
Prepaid lease expenses	(23,281)	(21,700)
Other assets	(4,334)	5,923
Increase (decrease) in:		
Trade accounts payable	401	(761)
Accrued expenses	(21,768)	(5,623)
Other liabilities	(13,033)	(16,410)
Net cash provided by operating activities	298,602	313,960
Cash flows from investing activities:		
Acquisitions	(119,936)	(526,029)
Capital expenditures	(74,446)	(78,825)
Proceeds from disposition of assets and investments	3,340	7,753
Decrease in notes receivable	13	16
Net cash used in investing activities	(191,029)	(597,085)
Cash flows from financing activities:		
Principal payments on long-term debt	(11,250)	(15,015)
Payment on revolving credit facility	(407,000)	(302,000)
Proceeds received from revolving credit facility	317,000	408,000
Proceeds received from note offering	—	400,000
Payment on senior credit facility term loans	(247,500)	(300,000)
Proceeds received from senior credit facility term loans	450,000	300,000

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Debt issuance costs	(4,941)	(9,391)
Distributions to non-controlling interest	(415)	(315)
Contributions from parent	41,580	41,872
Dividend to parent	(252,925)	(225,789)
Net cash (used in) provided by financing activities	(115,451)	297,362
Effect of exchange rate changes in cash and cash equivalents	1,767	915
Net (decrease) increase in cash and cash equivalents	(6,111)	15,152
Cash and cash equivalents at beginning of period	35,030	21,827
Cash and cash equivalents at end of period	\$28,919	\$36,979
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$104,966	\$91,952
Cash paid for foreign, state and federal income taxes	\$9,969	\$11,023

See accompanying notes to condensed consolidated financial statements.

LAMAR MEDIA CORP.

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In Thousands, Except for 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 Lamar Media'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 Lamar Media's consolidated financial statements and the notes thereto included in the 2016 Combined Form 10-K.

Certain notes are not provided for the accompanying condensed consolidated financial statements as the information in notes 1, 2, 3, 4, 5, 6, 7, 9, 10, 11 and 13 to the condensed consolidated financial statements of Lamar Advertising included elsewhere in this report is substantially equivalent to that required for the condensed consolidated financial statements of Lamar Media. Earnings per share data is not provided for Lamar Media, as it is a wholly owned subsidiary of the Company.

2. Summarized Financial Information of Subsidiaries

Separate condensed consolidating financial information for Lamar Media, subsidiary guarantors and non-guarantor subsidiaries are presented below. Lamar Media and its subsidiary guarantors have fully and unconditionally guaranteed Lamar Media's obligations with respect to its publicly issued notes. All guarantees are joint and several. As a result of these guarantee arrangements, we are required to present the following condensed consolidating financial information. The following condensed consolidating financial information should be read in conjunction with the accompanying consolidated financial statements and notes. The condensed consolidating financial information is provided as an alternative to providing separate financial statements for guarantor subsidiaries. Separate financial statements of Lamar Media's subsidiary guarantors are not included because the guarantees are full and unconditional and the subsidiary guarantors are 100% owned and jointly and severally liable for Lamar Media's outstanding publicly issued notes. The accounts for all companies reflected herein are presented using the equity method of accounting for investments in subsidiaries.

LAMAR MEDIA CORP.

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In Thousands, Except for Share Data)

Condensed Consolidating Balance Sheet as of September 30, 2017

	Lamar Media Corp. (unaudited)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
ASSETS					
Total current assets	\$3,405	\$327,313	\$39,292	\$—	\$370,010
Net property, plant and equipment	—	1,158,402	22,167	—	1,180,569
Intangibles and goodwill, net	—	2,368,590	29,925	—	2,398,515
Other assets	3,575,806	11,450	8	(3,549,533)	37,731
Total assets	\$3,579,211	\$3,865,755	\$91,392	\$(3,549,533)	\$3,986,825
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	\$17,415	\$—	\$—	\$—	\$17,415
Other current liabilities	25,597	168,779	23,063	—	217,439
Total current liabilities	43,012	168,779	23,063	—	234,854
Long-term debt	2,432,014	—	—	—	2,432,014
Other noncurrent liabilities	26,231	215,029	56,898	(56,155)	242,003
Total liabilities	2,501,257	383,808	79,961	(56,155)	2,908,871
Stockholders' equity	1,077,954	3,481,947	11,431	(3,493,378)	1,077,954
Total liabilities and stockholders' equity	\$3,579,211	\$3,865,755	\$91,392	\$(3,549,533)	\$3,986,825

20

LAMAR MEDIA CORP.

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In Thousands, Except for Share Data)

Condensed Consolidating Balance Sheet as of December 31, 2016

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
ASSETS					
Total current assets	\$13,886	\$268,091	\$31,776	\$—	\$313,753
Net property, plant and equipment	—	1,161,205	21,510	—	1,182,715
Intangibles and goodwill, net	—	2,321,160	31,732	—	2,352,892
Other assets	3,453,161	10,379	116	(3,430,536)	33,120
Total assets	\$3,467,047	\$3,760,835	\$85,134	\$(3,430,536)	\$3,882,480
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	\$33,916	\$—	\$—	\$—	\$33,916
Other current liabilities	38,904	180,107	21,135	—	240,146
Total current liabilities	72,820	180,107	21,135	—	274,062
Long-term debt	2,315,267	—	—	—	2,315,267
Other noncurrent liabilities	22,574	213,916	53,609	(53,334)	236,765
Total liabilities	2,410,661	394,023	74,744	(53,334)	2,826,094
Stockholders' equity	1,056,386	3,366,812	10,390	(3,377,202)	1,056,386
Total liabilities and stockholders' equity	\$3,467,047	\$3,760,835	\$85,134	\$(3,430,536)	\$3,882,480

LAMAR MEDIA CORP.

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In Thousands, Except for Share Data)

Condensed Consolidating Statements of Income and Comprehensive Income for the Three Months Ended September 30, 2017

	Lamar Media Corp. (unaudited)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
Statement of Income					
Net revenues	\$—	\$ 387,095	\$ 13,303	\$ (1,053)	\$ 399,345
Operating expenses					
Direct advertising expenses ⁽¹⁾	—	128,175	7,408	(606)	134,977
General and administrative expenses ⁽¹⁾	—	66,467	2,033	—	68,500
Corporate expenses ⁽¹⁾	—	14,705	277	—	14,982
Depreciation and amortization	—	49,475	2,321	—	51,796
(Gain) loss on disposition of assets	—	(2,737)	3	—	(2,734)
	—	256,085	12,042	(606)	267,521
Operating income (loss)	—	131,010	1,261	(447)	131,824
Equity in (earnings) loss of subsidiaries	(128,500)	—	—	128,500	—
Other expenses (income)	32,063	(2)	448	(447)	32,062
Income (loss) before income tax expense	96,437	131,012	813	(128,500)	99,762
Income tax expense ⁽²⁾	—	2,659	666	—	3,325
Net income (loss)	\$96,437	\$ 128,353	\$ 147	\$ (128,500)	\$ 96,437
Statement of Comprehensive Income					
Net income (loss)	\$96,437	\$ 128,353	\$ 147	\$ (128,500)	\$ 96,437
Total other comprehensive loss, net of tax	—	—	1,216	—	1,216
Total comprehensive income (loss)	\$96,437	\$ 128,353	\$ 1,363	\$ (128,500)	\$ 97,653

(1) Caption is exclusive of depreciation and amortization.

(2) The income tax expense reflected in each column does not include any tax effect of the equity in earnings from subsidiaries.

LAMAR MEDIA CORP.

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In Thousands, Except for Share Data)

Condensed Consolidating Statements of Income and Comprehensive Income for the Three Months Ended September 30, 2016

	Lamar Media Corp. (unaudited)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
Statement of Income					
Net revenues	\$—	\$ 374,909	\$ 13,510	\$ (903)	\$ 387,516
Operating expenses					
Direct advertising expenses ⁽¹⁾	—	124,609	7,793	(624)	131,778
General and administrative expenses ⁽¹⁾	—	64,949	2,538	—	67,487
Corporate expenses ⁽¹⁾	—	18,895	357	—	19,252
Depreciation and amortization	—	47,491	1,816	—	49,307
(Gain) loss on disposition of assets	—	(217)	28	—	(189)
	—	255,727	12,532	(624)	267,635
Operating income (loss)	—	119,182	978	(279)	119,881
Equity in (earnings) loss of subsidiaries	(116,264)	—	—	116,264	—
Other expenses (income)	31,096	(2)	285	(279)	31,100
Income (loss) before income tax expense	85,168	119,184	693	(116,264)	88,781
Income tax expense ⁽²⁾	—	3,014	599	—	3,613
Net income (loss)	\$85,168	\$ 116,170	\$ 94	\$ (116,264)	\$ 85,168
Statement of Comprehensive Income					
Net income (loss)	\$85,168	\$ 116,170	\$ 94	\$ (116,264)	\$ 85,168
Total other comprehensive loss, net of tax	—	—	(328)	—	(328)
Total comprehensive income (loss)	\$85,168	\$ 116,170	\$ (234)	\$ (116,264)	\$ 84,840

(1) Caption is exclusive of depreciation and amortization.

(2) The income tax expense reflected in each column does not include any tax effect of the equity in earnings from subsidiaries.

LAMAR MEDIA CORP.

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In Thousands, Except for Share Data)

Condensed Consolidating Statements of Income and Comprehensive Income for the Nine Months Ended September 30, 2017

	Lamar Media Corp. (unaudited)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
Statement of Income					
Net revenues	\$—	\$ 1,107,583	\$ 38,191	\$ (2,989)	\$ 1,142,785
Operating expenses					
Direct advertising expenses ⁽¹⁾	—	381,317	22,330	(1,751)	401,896
General and administrative expenses ⁽¹⁾	—	199,979	6,473	—	206,452
Corporate expenses ⁽¹⁾	—	47,320	834	—	48,154
Depreciation and amortization	—	148,357	6,646	—	155,003
(Gain) loss on disposition of assets	—	(4,377)	—	—	(4,377)
	—	772,596	36,283	(1,751)	807,128
Operating income (loss)	—	334,987	1,908	(1,238)	335,657
Equity in (earnings) loss of subsidiaries	(326,401)	—	—	326,401	—
Other expenses (income)	95,592	(5)	1,242	(1,238)	95,591
Income (loss) before income tax expense	230,809	334,992	666	(326,401)	240,066
Income tax expense ⁽²⁾	—	7,528	1,729	—	9,257
Net income (loss)	\$230,809	\$ 327,464	\$ (1,063)	\$ (326,401)	\$ 230,809
Statement of Comprehensive Income					
Net income (loss)	\$230,809	\$ 327,464	\$ (1,063)	\$ (326,401)	\$ 230,809
Total other comprehensive income, net of tax	—	—	2,104	—	2,104
Total comprehensive income (loss)	\$230,809	\$ 327,464	\$ 1,041	\$ (326,401)	\$ 232,913

(1) Caption is exclusive of depreciation and amortization.

(2) The income tax expense reflected in each column does not include any tax effect of the equity in earnings from subsidiaries.

LAMAR MEDIA CORP.

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In Thousands, Except for Share Data)

Condensed Consolidating Statements of Income and Comprehensive Income for the Nine Months Ended September 30, 2016

	Lamar Media Corp. (unaudited)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
Statement of Income					
Net revenues	\$—	\$ 1,077,116	\$ 39,228	\$ (2,767)	\$ 1,113,577
Operating expenses					
Direct advertising expenses ⁽¹⁾	—	371,915	23,139	(1,826)	393,228
General and administrative expenses ⁽¹⁾	—	192,631	8,103	—	200,734
Corporate expenses ⁽¹⁾	—	54,079	1,064	—	55,143
Depreciation and amortization	—	147,158	5,571	—	152,729
(Gain) loss on disposition of assets	—	(12,482)	261	—	(12,221)
	—	753,301	38,138	(1,826)	789,613
Operating income (loss)	—	323,815	1,090	(941)	323,964
Equity in (earnings) loss of subsidiaries	(314,228)	—	—	314,228	—
Other expenses (income)	95,655	(6)	953	(941)	95,661
Income (loss) before income tax expense	218,573	323,821	137	(314,228)	228,303
Income tax expense ⁽²⁾	—	8,248	1,482	—	9,730
Net income (loss)	\$218,573	\$ 315,573	\$ (1,345)	\$ (314,228)	\$ 218,573
Statement of Comprehensive Income					
Net income (loss)	\$218,573	\$ 315,573	\$ (1,345)	\$ (314,228)	\$ 218,573
Total other comprehensive income, net of tax	—	—	1,151	—	1,151
Total comprehensive income (loss)	\$218,573	\$ 315,573	\$ (194)	\$ (314,228)	\$ 219,724

(1) Caption is exclusive of depreciation and amortization.

(2) The income tax expense reflected in each column does not include any tax effect of the equity in earnings from subsidiaries.

LAMAR MEDIA CORP.

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In Thousands, Except for Share Data)

Condensed Consolidating Statement of Cash Flows for the Nine Months Ended September 30, 2017

	Lamar Media Corp. (unaudited)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	\$227,195	\$398,200	\$5,472	\$(332,265)	\$298,602
Cash flows from investing activities:					
Acquisitions	—	(119,936)	—	—	(119,936)
Capital expenditures	—	(69,665)	(4,781)	—	(74,446)
Proceeds from disposition of assets and investments	—	3,340	—	—	3,340
Investment in subsidiaries	(119,936)	—	—	119,936	—
(Increase) decrease in intercompany notes receivable	(2,713)	—	—	2,713	—
Decrease in notes receivable	13	—	—	—	13
Net cash (used in) provided by investing activities	(122,636)	(186,261)	(4,781)	122,649	(191,029)
Cash flows from financing activities:					
Principal payments on long-term debt	(11,250)	—	—	—	(11,250)
Payment on revolving credit facility	(407,000)	—	—	—	(407,000)
Proceeds received from revolving credit facility	317,000	—	—	—	317,000
Payment on senior credit facility	(247,500)	—	—	—	(247,500)
Proceeds received from senior credit facility	450,000	—	—	—	450,000
Debt issuance costs	(4,941)	—	—	—	(4,941)
Intercompany loan proceeds (payments)	—	—	2,713	(2,713)	—
Distributions to non-controlling interest	—	—	(415)	—	(415)
Contributions from (to) parent	41,580	119,936	—	(119,936)	41,580
Dividends (to) from parent	(252,925)	(332,265)	—	332,265	(252,925)
Net cash (used in) provided by financing activities	(115,036)	(212,329)	2,298	209,616	(115,451)
Effect of exchange rate changes in cash and cash equivalents	—	—	1,767	—	1,767

Net (decrease) increase in cash and cash equivalents	(10,477)	(390)	4,756	—	(6,111)
Cash and cash equivalents at beginning of period	12,762	1,201	21,067	—	35,030
Cash and cash equivalents at end of period	\$2,285	\$ 811	\$ 25,823	\$ —	\$ 28,919

26

LAMAR MEDIA CORP.

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In Thousands, Except for Share Data)

Condensed Consolidating Statement of Cash Flows for the Nine Months Ended September 30, 2016

	Lamar Media Corp. (unaudited)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	\$240,727	\$402,988	\$4,412	\$(334,167)	\$313,960
Cash flows from investing activities:					
Acquisitions	—	(526,029)	—	—	(526,029)
Capital expenditures	—	(76,468)	(2,357)	—	(78,825)
Proceeds from disposition of assets and investments	—	7,753	—	—	7,753
Investment in subsidiaries	(526,029)	—	—	526,029	—
(Increase) decrease in intercompany notes receivable	(462)	—	—	462	—
Decrease in notes receivable	16	—	—	—	16
Net cash (used in) provided by investing activities	(526,475)	(594,744)	(2,357)	526,491	(597,085)
Cash flows from financing activities:					
Principal payments on long-term debt	(15,015)	—	—	—	(15,015)
Payment on revolving credit facility	(302,000)	—	—	—	(302,000)
Proceeds received from revolving credit facility	408,000	—	—	—	408,000
Proceeds received from note offering	400,000	—	—	—	400,000
Payment on senior credit facility	(300,000)	—	—	—	(300,000)
Proceeds received from senior credit facility	300,000	—	—	—	300,000
Debt issuance costs	(9,391)	—	—	—	(9,391)
Intercompany loan proceeds (payments)	—	—	462	(462)	—
Distributions to non-controlling interest	—	—	(315)	—	(315)
Contributions from (to) parent	41,872	526,029	—	(526,029)	41,872
Dividends (to) from parent	(225,789)	(334,167)	—	334,167	(225,789)
Net cash provided by (used in) financing activities	297,677	191,862	147	(192,324)	297,362
	—	—	915	—	915

Effect of exchange rate changes in cash and cash equivalents					
Net increase in cash and cash equivalents	11,929	106	3,117	—	15,152
Cash and cash equivalents at beginning of period	4,955	454	16,418	—	21,827
Cash and cash equivalents at end of period	\$ 16,884	\$ 560	\$ 19,535	\$ —	\$ 36,979

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains forward-looking statements. Actual results could differ materially from those anticipated by the forward-looking statements due to risks and uncertainties described in the section of this combined report on Form 10-Q entitled “Note Regarding Forward-Looking Statements” and in Item 1A to the 2016 Combined Form 10-K filed on February 24, 2017, as supplemented by any risk factors contained in our combined Quarterly Reports on Form 10-Q. You should carefully consider each of these risks and uncertainties in evaluating the Company’s and Lamar Media’s financial conditions and results of operations. Investors are cautioned not to place undue reliance on the forward-looking statements contained in this document. These statements speak only as of the date of this document, and the Company undertakes no obligation to update or revise the statements, except as may be required by law.

LAMAR ADVERTISING COMPANY

The following is a discussion of the consolidated financial condition and results of operations of the Company for the nine months and three months ended September 30, 2017 and 2016. This discussion should be read in conjunction with the consolidated financial statements of the Company and the related notes thereto.

Overview

The Company’s net revenues are derived primarily from the rental of advertising space on outdoor advertising displays owned and operated by the Company. Revenue growth is based on many factors that include the Company’s ability to increase occupancy of its existing advertising displays; raise advertising rates; and acquire new advertising displays and its operating results are therefore affected by general economic conditions, as well as trends in the advertising industry. Advertising spending is particularly sensitive to changes in general economic conditions which affect the rates that the Company is able to charge for advertising on its displays and its ability to maximize advertising sales or occupancy on its displays.

Historically, the Company has made strategic acquisitions of outdoor advertising assets to increase the number of outdoor advertising displays it operates in existing and new markets. The Company continues to evaluate and pursue strategic acquisition opportunities as they arise. The Company has financed its historical acquisitions and intends to finance any future acquisition activity from available cash, borrowings under its senior credit facility or the issuance of debt or equity securities. See “Liquidity and Capital Resources-Sources of Cash” for more information. During the nine months ended September 30, 2017, the Company completed several acquisitions for a total cash purchase price of approximately \$119.9 million. See—“Uses of Cash – Acquisitions” for more information.

The Company’s business requires expenditures for maintenance and capitalized costs associated with the construction of new billboard displays, the entrance into and renewal of logo sign and transit contracts, and the purchase of real estate and operating equipment.

The following table presents a breakdown of capitalized expenditures for the three and nine months ended September 30, 2017 and 2016:

Three months ended	Nine months ended
September 30,	September 30,

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	(in thousands)		(in thousands)	
	2017	2016	2017	2016
Total capital expenditures:				
Billboard — traditional	\$10,161	\$10,950	\$23,700	\$34,322
Billboard — digital	8,605	9,283	29,568	24,757
Logos	2,498	2,160	6,409	5,421
Transit	290	387	578	603
Land and buildings	3,682	2,956	8,196	8,504
Operating equipment	1,374	1,576	5,995	5,218
Total capital expenditures	\$26,610	\$27,312	\$74,446	\$78,825

Non-GAAP Financial Measures

Our management reviews our performance by focusing on several key performance indicators not prepared in conformity with Generally Accepted Accounting Principles in the United States (“GAAP”). We believe these non-GAAP performance indicators are meaningful supplemental measures of our operating performance and should not be considered in isolation of, or as a substitute for their most directly comparable GAAP financial measures.

Included in our analysis of our results of operations are discussions regarding earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”), Funds From Operations (“FFO”), as defined by the National Association of Real Estate Investment Trusts, Adjusted Funds From Operations (“AFFO”) and acquisition-adjusted net revenue.

We define Adjusted EBITDA as net income before income tax expense (benefit), interest expense (income), gain (loss) on extinguishment of debt and investments, stock-based compensation, depreciation and amortization and gain or loss on disposition of assets and investments.

FFO is defined as net income before gains or losses from the sale or disposal of real estate assets and investments and real estate related depreciation and amortization and including adjustments to eliminate unconsolidated affiliates and non-controlling interest.

We define AFFO as FFO before (i) straight-line revenue and expense; (ii) stock-based compensation expense; (iii) non-cash portion of tax provision; (iv) non-real estate related depreciation and amortization; (v) amortization of deferred financing costs; (vi) loss on extinguishment of debt; (vii) non-recurring infrequent or unusual losses (gains); (viii) less maintenance capital expenditures; and (ix) an adjustment for unconsolidated affiliates and non-controlling interest.

Acquisition-adjusted net revenue adjusts our net revenue for the prior period by adding to it the net revenue generated by the acquired assets before our acquisition of these assets for the same time frame that those assets were owned in the current period. In calculating acquisition-adjusted revenue, therefore, we include revenue generated by assets that we did not own in the period but acquired in the current period. We refer to the amount of pre-acquisition revenue generated by the acquired assets during the prior period that corresponds with the current period in which we owned the assets (to the extent within the period to which this report relates) as “acquisition net revenue”. In addition, we also adjust the prior period to subtract revenue generated by the assets that have been divested since the prior period and, therefore, no revenue derived from those assets is reflected in the current period.

Adjusted EBITDA, FFO, AFFO and acquisition-adjusted net revenue are not intended to replace net income or any other performance measures determined in accordance with GAAP. Neither FFO nor AFFO represent cash flows from operating activities in accordance with GAAP and, therefore, these measures should not be considered indicative of cash flows from operating activities as a measure of liquidity or of funds available to fund our cash needs, including our ability to make cash distributions. Rather, Adjusted EBITDA, FFO, AFFO and acquisition-adjusted net revenue are presented as we believe each is a useful indicator of our current operating performance. We believe that these metrics are useful to an investor in evaluating our operating performance because (1) each is a key measure used by our management team for purposes of decision making and for evaluating our core operating results; (2) Adjusted EBITDA is widely used in the industry to measure operating performance as depreciation and amortization may vary significantly among companies depending upon accounting methods and useful lives, particularly where acquisitions and non-operating factors are involved; (3) acquisition-adjusted net revenue is a supplement to net revenue to enable investors to compare period over period results on a more consistent basis without the effects of acquisitions and divestures, which reflects our core performance and organic growth (if any) during the period in which the assets were owned and managed by us; (4) Adjusted EBITDA, FFO and AFFO each provides investors with a meaningful

measure for evaluating our period-to-period operating performance by eliminating items that are not operational in nature; and (5) each provides investors with a measure for comparing our results of operations to those of other companies.

Our measurement of Adjusted EBITDA, FFO, AFFO and acquisition-adjusted net revenue may not, however, be fully comparable to similarly titled measures used by other companies. Reconciliations of Adjusted EBITDA, FFO, AFFO and acquisition-adjusted net revenue to net income, the most directly comparable GAAP measure, have been included herein.

RESULTS OF OPERATIONS

Nine Months ended September 30, 2017 compared to Nine Months ended September 30, 2016

Net revenues increased \$29.2 million or 2.6% to \$1.14 billion for the nine months ended September 30, 2017 from \$1.11 billion for the same period in 2016. This increase was attributable primarily to an increase in billboard net revenues of \$21.8 million, which represents an increase of 2.2% over the same period in 2016. In addition, logo sign revenue increased \$3.3 million, which represents an increase of 5.6% over the prior period and transit revenue increased \$4.1 million which represents an increase of 5.1% over the same period in 2016.

For the nine months ended September 30, 2017, there was a \$15.3 million increase in net revenues as compared to acquisition-adjusted net revenue for the nine months ended September 30, 2016, which represents an increase of 1.4%. See “Reconciliations” below. The \$15.3 million increase in revenue primarily consists of a \$9.6 million increase in billboard revenue which is largely due to an increase in digital revenue, a \$3.8 million increase in logo revenue and a \$1.9 million increase in transit revenue over the acquisition-adjusted net revenue for the comparable period in 2016.

Total operating expenses, exclusive of depreciation and amortization and gain on sale of assets, increased \$7.4 million, or 1.1% to \$656.8 million for the nine months ended September 30, 2017 from \$649.4 million in the same period in 2016. The \$7.4 million increase over the prior year is comprised of a \$17.0 million increase in direct and general and administrative operating expenses related to the operations of our outdoor advertising assets and an increase of \$3.0 million in corporate expenses (excluding stock-based compensation expense), offset by a \$12.6 million decrease in stock-based compensation expense.

Depreciation and amortization expense increased \$2.3 million to \$155.0 million for the nine months ended September 30, 2017 as compared to \$152.7 million for the same period in 2016.

For the nine months ended September 30, 2017, gain on disposition of assets decreased \$7.8 million to \$4.4 million as compared to \$12.2 million for the same period in 2016. The decrease in gain on disposition of assets is primarily related to a \$5.9 million decrease in gain recognized for acquisition swap transactions in 2017 as compared to the same period in 2016.

Due to the above factors, operating income increased by \$11.7 million to \$335.4 million for the nine months ended September 30, 2017 compared to \$323.7 million for the same period in 2016.

During the nine months ended September 30, 2017 the Company recognized a \$0.1 million loss on extinguishment of debt, related to the amendment of Lamar Media’s senior credit facility. See “Sources of Cash” for more information.

Interest expense increased \$3.0 million during the nine months ended September 30, 2017 to \$95.5 million as compared to \$92.5 million for the nine months ended September 30, 2016. The increase in interest expense is primarily related to the increased debt outstanding, primarily related to the refinancing of Lamar Media’s senior credit facility in 2017.

The increase in operating income and a decrease in loss on debt extinguishment, offset by the increase in interest expense described above resulted in \$239.8 million in net income before income taxes. The effective tax rate for the nine months ended September 30, 2017 was 3.9%, which differs from the federal statutory rate primarily due to our qualification for taxation as a REIT and adjustments for foreign items.

As a result of the above factors, the Company recognized net income for the nine months ended September 30, 2017 of \$230.5 million, as compared to net income of \$218.3 million for the same period in 2016.

Reconciliations:

Because acquisitions occurring after December 31, 2015 (the “acquired assets”) have contributed to our net revenue results for the periods presented, we provide 2016 acquisition-adjusted net revenue, which adjusts our 2016 net revenue for the nine months ended September 30, 2016 by adding to or subtracting from it the net revenue generated by the acquired or divested assets prior to our acquisition or divestiture of these assets for the same time frame that those assets were owned in the nine months ended September 30, 2017.

Reconciliations of 2016 reported net revenue to 2016 acquisition-adjusted net revenue for the nine months ended September 30, as well as a comparison of 2016 acquisition-adjusted net revenue to 2017 reported net revenue for the nine months ended September 30, are provided below:

Reconciliation and Comparison of Reported Net Revenue to Acquisition-Adjusted Net Revenue

	Nine months ended	
	September 30, 2017	2016
	(in thousands)	
Reported net revenue	\$1,142,785	\$1,113,577
Acquisition net revenue	—	13,932
Adjusted totals	\$1,142,785	\$1,127,509

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Nine Months Ended		Amount of	Percent
	September 30, 2017	2016	Increase (Decrease)	Increase (Decrease)
Net income	\$230,512	\$218,284	\$ 12,228	5.6 %
Income tax expense	9,257	9,730	(473)	
Loss on debt extinguishment	71	3,198	(3,127)	
Interest expense (income), net	95,520	92,463	3,057	
Gain on disposition of assets	(4,377)	(12,221)	7,844	
Depreciation and amortization	155,003	152,729	2,274	
Stock-based compensation expense	7,060	19,650	(12,590)	
Adjusted EBITDA	\$493,046	\$483,833	\$ 9,213	1.9 %

Adjusted EBITDA for the nine months ended September 30, 2017 increased 1.9% to \$493.0 million. The increase in Adjusted EBITDA was primarily attributable to an increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization) of \$20.5 million, and was offset by an increase in general administrative and corporate expenses of \$11.3 million, excluding the impact of stock-based compensation expense.

Net Income/FFO/AFFO

(in thousands)

	Nine Months Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)	
	September 30, 2017	2016			
Net income	\$230,512	\$218,284	\$12,228	5.6	%
Depreciation and amortization related to real estate	145,999	142,394	3,605		
Gain from sale or disposal of real estate	(4,114)	(12,020)	7,906		
Adjustments for unconsolidated affiliates and non-controlling interest	580	318	262		
FFO	\$372,977	\$348,976	\$24,001	6.9	%
Straight line (income) expense	(382)	231	(613)		
Stock-based compensation expense	7,060	19,650	(12,590)		
Non-cash portion of tax provision	259	(150)	409		
Non-real estate related depreciation and amortization	9,004	10,335	(1,331)		
Amortization of deferred financing costs	3,866	3,993	(127)		
Loss on extinguishment of debt	71	3,198	(3,127)		
Capital expenditures – maintenance	(31,760)	(25,942)	(5,818)		
Adjustments for unconsolidated affiliates and non-controlling interest	(580)	(318)	(262)		
AFFO	\$360,515	\$359,973	\$542	0.2	%

FFO for the nine months ended September 30, 2017 increased 6.9% to \$373.0 million as compared to FFO of \$349.0 million for the same period in 2016. AFFO for the nine months ended September 30, 2017 increased 0.2% to \$360.5 million as compared to \$360.0 million for the same period in 2016. The increase in AFFO was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization) offset by an increase in maintenance capital expenditures, interest expense and general and administrative expenses and corporate expenses (excluding the effect of stock-based compensation expense).

Three Months ended September 30, 2017 compared to Three Months ended September 30, 2016

Net revenues increased \$11.8 million or 3.1% to \$399.3 million for the three months ended September 30, 2017 from \$387.5 million for the same period in 2016. This increase was attributable primarily to an increase in billboard net revenues of \$6.1 million, which represents an increase of 1.8% over the same period in 2016. In addition, logo sign revenue increased \$1.5 million, which represents an increase of 7.8% over the prior period and there was a \$4.3 million increase in transit revenue, which represents an increase of 15.3% over the prior period.

For the three months ended September 30, 2017, there was a \$4.1 million increase in net revenues as compared to acquisition-adjusted net revenue for the three months ended September 30, 2016, which represents an increase of 1.0%. See “Reconciliations” below. The 1.0% increase is primarily due to an increase in digital revenue and production revenue for three months ended September 30, 2017, as compared to the same period in 2016. The \$4.1 million increase in revenue primarily consists of a \$1.2 million increase in billboard revenue largely due to an increase in digital revenue, a \$1.8 million increase in logo revenue, and a \$1.2 million increase in transit revenue over the acquisition-adjusted net revenue for the comparable period in 2016.

Total operating expenses, exclusive of depreciation and amortization and gain on sale of assets, decreased \$0.1 million for the three months ended September 30, 2017 as compared to the same period in 2016. The \$0.1 million decrease over the prior year is comprised of a \$6.3 million decrease in stock-based compensation expense offset by a \$5.7 million increase in direct and general and administrative operating expenses related to the operations of our outdoor advertising assets and a \$0.5 million increase in corporate expenses (excluding stock-based compensation expense).

Depreciation and amortization expense increased \$2.5 million to \$51.8 million for the three months ended September 30, 2017 as compared to \$49.3 million for the same period in 2016.

For the three months ended September 30, 2017, gain on disposition of assets increased \$2.5 million to \$2.7 million as compared to \$0.1 million for the same period in 2016. The increase is primarily due to a \$2.4 million gain resulting from acquisition swap transactions during the three months ended September 30, 2017.

The increase in operating income offset by a slight increase in interest expense resulted in a \$11.0 million increase in net income before income taxes. The effective tax rate for the three months ended September 30, 2017 was 3.3%, which differs from the federal statutory rate primarily due to our qualification for taxation as a REIT and adjustments for foreign items.

As a result of the above factors, the Company recognized net income for the three months ended September 30, 2017 of \$96.3 million, as compared to net income of \$85.1 million for the same period in 2016.

Reconciliations:

Because acquisitions occurring after December 31, 2015 (the “acquired assets”) have contributed to our net revenue results for the periods presented, we provide 2016 acquisition-adjusted net revenue, which adjusts our 2016 net revenue for the three months ended September 30, 2016 by adding to or subtracting from it the net revenue generated by the acquired or divested assets prior to our acquisition or divestiture of these assets for the same time frame that those assets were owned in the three months ended September 30, 2017.

Reconciliations of 2016 reported net revenue to 2016 acquisition-adjusted net revenue for the three months ended September 30, as well as a comparison of 2016 acquisition-adjusted net revenue to 2017 reported net revenue for the three months ended September 30, are provided below:

Reconciliation and Comparison of Reported Net Revenue to Acquisition-Adjusted Net Revenue

	Three months ended	
	September 30, 2017	2016
	(in thousands)	
Reported net revenue	\$399,345	\$387,516
Acquisition net revenue	—	7,736
Adjusted totals	\$399,345	\$395,252

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Three Months Ended		Amount of	Percent
	September 30, 2017	2016	Increase (Decrease)	Increase (Decrease)
Net income	\$96,331	\$85,061	\$ 11,270	13.2 %
Income tax expense	3,325	3,613	(288)	
Interest expense (income), net	32,062	31,100	962	

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Gain on disposition of assets	(2,734)	(189)	(2,545)		
Depreciation and amortization	51,796	49,307	2,489		
Stock-based compensation expense	2,017	8,358	(6,341)		
Adjusted EBITDA	\$182,797	\$177,250	\$ 5,547	3.1	%

Adjusted EBITDA for the three months ended September 30, 2017 increased 3.1% to \$182.8 million. The increase in Adjusted EBITDA was primarily attributable to an increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization) of \$8.6 million, and was offset by an increase in general administrative and corporate expenses of \$3.1 million, excluding the impact of stock-based compensation expense.

Net Income/FFO/AFFO

(in thousands)

	Three Months Ended		Amount of	Percent	
	September 30, 2017	2016	Increase (Decrease)	Increase (Decrease)	
Net income	\$96,331	\$85,061	\$ 11,270	13.2	%
Depreciation and amortization related to real estate	48,613	46,327	2,286		
Gain from sale or disposal of real estate	(2,707)	(546)	(2,161)		
Adjustments for unconsolidated affiliates and non-controlling interest	190	52	138		
FFO	\$142,427	\$130,894	\$ 11,533	8.8	%
Straight line income	(287)	(46)	(241)		
Stock-based compensation expense	2,017	8,358	(6,341)		
Non-cash portion of tax provision	229	(509)	738		
Non-real estate related depreciation and amortization	3,183	2,980	203		
Amortization of deferred financing costs	1,243	1,332	(89)		
Capital expenditures – maintenance	(11,082)	(9,005)	(2,077)		
Adjustments for unconsolidated affiliates and non-controlling interest	(190)	(52)	(138)		
AFFO	\$137,540	\$133,952	\$ 3,588	2.7	%

FFO for the three months ended September 30, 2017 increased 8.8% to \$142.4 million as compared to FFO of \$130.9 million for the same period in 2016. AFFO for the three months ended September 30, 2017 increased 2.7% to \$137.5 million as compared to \$134.0 million for the same period in 2016. The increase in AFFO was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization) offset by an increase in maintenance capital expenditures, interest expense and general and administrative expense and corporate expenses (excluding the effect of stock-based compensation expense).

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Company has historically satisfied its working capital requirements with cash from operations and borrowings under the senior credit facility. The Company's wholly owned subsidiary, Lamar Media Corp., is the borrower under the senior credit facility and maintains all corporate operating cash balances. Any cash requirements of the Company, therefore, must be funded by distributions from Lamar Media.

Sources of Cash

Total Liquidity. As of September 30, 2017 we had approximately \$376.3 million of total liquidity, which is comprised of approximately \$29.4 million in cash and cash equivalents and approximately \$346.9 million of availability under

the revolving portion of Lamar Media's senior credit facility. We are currently in compliance with the maintenance covenant included in the senior credit facility and we would remain in compliance after giving effect to borrowing the full amount available to us under the revolving portion of the senior credit facility.

Cash Generated by Operations. For the nine months ended September 30, 2017 and 2016 our cash provided by operating activities was \$320.6 million and \$337.8 million, respectively. The decrease in cash provided by operating activities for the nine months ended September 30, 2017 over the same period in 2016 relates to an increase in revenues offset by an increase in operating expenses (excluding depreciation and amortization), and a net increase in operating assets and liabilities. We expect to generate cash flows from operations during 2017 in excess of our cash needs for operations, capital expenditures and dividends, as described herein.

Credit Facilities. On May 15, 2017, Lamar Media entered into a Third Restatement Agreement ("Restatement Agreement") to its Second Amended and Restated Credit Agreement ("existing senior credit facility") dated as of February 3, 2014 with the Company, certain of Lamar Media's subsidiaries as guarantors, JPMorgan Chase Bank, N.A. as administrative agent and the lenders party thereto, under which the parties agreed to amend and restate Lamar Media's existing senior credit facility.

Lamar Media's Third Amended and Restated Credit Agreement dated as of May 15, 2017 (as amended, the "senior credit facility") consists of (i) a new \$450.0 million senior secured revolving credit facility which will mature on May 15, 2022, (ii) a new \$450.0

million Term A loan facility (the “Term A loans”) which will mature on May 15, 2022, and (iii) 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 described below.

Under the senior credit facility Lamar Media borrowed all \$450.0 million 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.

As of September 30, 2017, Lamar Media had \$444.4 million outstanding in Term A loans, \$90.0 million of revolving credit loans and approximately \$13.1 million in letters of credit outstanding under the revolving credit facility.

Factors Affecting Sources of Liquidity

Internally Generated Funds. The key factors affecting internally generated cash flow are general economic conditions, specific economic conditions in the markets where the Company conducts its business and overall spending on advertising by advertisers.

Restrictions Under Debt Securities. Lamar Media must comply with certain covenants and restrictions related to its outstanding debt securities. Currently Lamar Media has outstanding \$500 million 5 7/8% Senior Subordinated Notes issued in February 2012 (the “5 7/8% Senior Subordinated Notes”), \$535 million 5% Senior Subordinated Notes issued in October 2012 (the “5% Senior Subordinated Notes”), \$510 million 5 3/8% Senior Notes issued in January 2014 (the “5 3/8% Senior Notes”) and the \$400 million 5 3/4% Senior Notes issued in January 2016 (the “5 3/4% Senior Notes”).

The indentures relating to Lamar Media’s outstanding notes restrict its ability to incur additional indebtedness but permit the incurrence of indebtedness (including indebtedness under the senior credit facility), (i) if no default or event of default would result from such incurrence and (ii) if after giving effect to any such incurrence, the leverage ratio (defined as the sum of (x) total consolidated debt plus (y) the aggregate liquidation preference of any preferred stock of Lamar Media’s restricted subsidiaries to trailing four fiscal quarter EBITDA (as defined in the indentures)) would be less than 7.0 to 1. Currently, Lamar Media is not in default under the indentures of any of its outstanding notes and, therefore, would be permitted to incur additional indebtedness subject to the foregoing provision.

In addition to debt incurred under the provisions described in the preceding paragraph, the indentures relating to Lamar Media’s outstanding notes permit Lamar Media to incur indebtedness pursuant to the following baskets:

- up to \$1.5 billion of indebtedness under the senior credit facility;
- indebtedness outstanding on the date of the indentures or debt incurred to refinance outstanding debt;
- inter-company debt between Lamar Media and its restricted subsidiaries or between restricted subsidiaries;
- certain purchase money indebtedness and capitalized lease obligations to acquire or lease property in the ordinary course of business that cannot exceed the greater of \$50 million or 5% of Lamar Media’s net tangible assets; and
- additional debt not to exceed \$75 million.

Restrictions under Senior Credit Facility. Lamar Media is required to comply with certain covenants and restrictions under the senior credit facility. If the Company or Lamar Media fails to comply with these tests, the lenders under the senior credit facility will be entitled to exercise certain remedies, including the termination of the lending commitments and the acceleration of the debt payments under the senior credit facility. At September 30, 2017, and currently, we were in compliance with all such tests under the senior credit facility.

Lamar Media must maintain a secured debt ratio, defined as total consolidated secured debt of Lamar Advertising, Lamar Media and its restricted subsidiaries, minus the lesser of (x) \$150 million and (y) the aggregate amount of

unrestricted cash and cash equivalents of Lamar Advertising, Lamar Media and its restricted subsidiaries to EBITDA, as defined below, for the period of four consecutive fiscal quarters then ended, of less than or equal to 3.0 to 1.0.

Lamar Media is restricted from incurring additional indebtedness subject to exceptions, one of which is that it may incur additional indebtedness not exceeding the greater of \$250.0 million and 6% of total assets.

Lamar Media is also restricted from incurring additional unsecured senior indebtedness under certain circumstances unless, after giving effect to the incurrence of such indebtedness, it is in compliance with the secured debt ratio covenant and its senior debt ratio, defined as (a) total consolidated debt (excluding subordinated debt) of Lamar Advertising, Lamar Media and its restricted subsidiaries

as of any date minus the lesser of (i) \$150 million and (ii) the aggregate amount of unrestricted cash and cash equivalents of Lamar Advertising, Lamar Media and its restricted subsidiaries to (b) EBITDA, as defined below, for the most recent four fiscal quarters then ended is less than 4.5 to 1.0.

Lamar Media is also restricted from incurring additional subordinated indebtedness under certain circumstances unless, after giving effect to the incurrence of such indebtedness, it is in compliance with the secured debt ratio covenant and its total debt ratio, defined as (a) total consolidated debt (including subordinated debt) of Lamar Advertising, Lamar Media and its restricted subsidiaries as of any date minus the lesser of (i) \$150 million and (ii) the aggregate amount of unrestricted cash and cash equivalents of Lamar Advertising, Lamar Media and its restricted subsidiaries to (b) EBITDA, as defined below, for the most recent four fiscal quarters then ended, is less than 6.5 to 1.0.

Under the senior credit facility, "EBITDA" means, for any period, operating income for Lamar Advertising, Lamar Media and its restricted subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP) for such period (calculated (A) before (i) taxes, (ii) interest expense, (iii) depreciation, (iv) amortization, (v) any other non-cash income or charges accrued for such period, (vi) charges and expenses in connection with the senior credit facility, any actual or proposed acquisition, disposition or investment (excluding, in each case, purchases and sales of advertising space and operating assets in the ordinary course of business) and any actual or proposed offering of securities, incurrence or repayment of indebtedness (or amendment to any agreement relating to indebtedness), including any refinancing thereof, or recapitalization and (vii) any loss or gain relating to amounts paid or earned in cash prior to the stated settlement date of any swap agreement that has been reflected in operating income for such period) and (B) after giving effect to the amount of cost savings, operating expense reductions and other operating improvements or synergies projected by Lamar Media in good faith to be realized as a result of any acquisition, investment, merger, amalgamation or disposition within 18 months of any such acquisition, investment, merger, amalgamation or disposition, net of the amount of actual benefits realized during such period from such action; provided, (a) the aggregate amount for all such cost savings, operating expense reductions and other operating improvements or synergies shall not exceed an amount equal to 15% of EBITDA for the applicable four quarter period and (b) any such adjustment to EBITDA may only take into account cost savings, operating expense reductions and other operating improvements or synergies that are (I) directly attributable to such acquisition, investment, merger, amalgamation or disposition, (II) expected to have a continuing impact on Lamar Media and its restricted subsidiaries and (III) factually supportable, in each case all as certified by the chief financial officer of Lamar Media) on behalf of Lamar Media, and excluding (except to the extent received or paid in cash by Lamar Advertising, Lamar Media or any of its restricted subsidiaries income or loss attributable to equity in affiliates for such period), excluding any extraordinary and unusual gains or losses during such period, and excluding the proceeds of any casualty events and dispositions. For purposes hereof, the effect thereon of any adjustments required under Statement of Financial Accounting Standards No. 141R shall be excluded.

If during any period for which EBITDA is being determined, Lamar Media shall have consummated any acquisition or disposition, EBITDA shall be determined on a pro forma basis as if such acquisition or disposition had been made or consummated on the first day of such period.

The Company believes that its current level of cash on hand, availability under the senior credit facility and future cash flows from operations are sufficient to meet its operating needs through fiscal 2017. All debt obligations are reflected on the Company's balance sheet.

Uses of Cash

Capital Expenditures. Capital expenditures, excluding acquisitions were approximately \$74.4 million for the nine months ended September 30, 2017. We anticipate our 2017 total capital expenditures will be approximately \$110

million.

Acquisitions. During the nine months ended September 30, 2017, the Company completed 36 acquisitions for a cash purchase price of approximately \$119.9 million, which included the acquisition of more than 480 billboard displays from Steen Outdoor Advertising. The acquisition of the Steen displays expanded Lamar's presence in Philadelphia and surrounding Pennsylvania suburbs, New Jersey and Delaware. The acquisitions occurring during the nine months ended September 30, 2017 were financed using available cash on hand or borrowings under its revolving credit facility.

Term A Loans. The Term A Loans mature on May 15, 2022 and began amortizing on September 30, 2017. The remaining quarterly installments scheduled to be paid on each September 30, December 31, March 31 and June 30 are as follows:

36

Principal Payment Date	Principal Amount
December 31, 2017-June 30, 2019	\$ 5,625,000
September 30, 2019-June 30, 2020	\$ 8,437,500
September 30, 2020-March 31, 2022	\$ 16,875,000
Term A Loan Maturity Date	\$ 253,125,000

For each borrowing of Term A loans or revolving credit loans, Lamar Media can elect whether such loans bear interest at (i) the Adjusted Base Rate plus (a) 0.75%, or (b) 0.50% at any time that the total debt ratio is less than 3.25 to 1 as of the last day of the most recently ended fiscal quarter for which Lamar Media has delivered financial statements, or (ii) the Adjusted LIBO Rate plus (a) 1.75%, or (b) 1.50% at any time that the total debt ratio is less than 3.25 to 1 as of the last day of the most recently ended fiscal quarter for which Lamar Media has delivered financial statements. The guarantees, covenants, events of default and other terms of the senior credit facility apply to the Term A loans and revolving credit facility.

Dividends. On August 29, 2017, May 25, 2017 and February 23, 2017, Lamar Advertising Company's Board of Directors declared quarterly cash dividends of \$0.83 per share payable on September 29, 2017, June 30, 2017 and March 31, 2017, respectively, to its stockholders of record of its Class A common stock and Class B common stock on September 15, 2017, June 15, 2017 and March 15, 2017, respectively. The Company expects aggregate quarterly distributions to stockholders in 2017, including the dividend paid on September 29, 2017, June 30, 2017 and March 31, 2017 will total \$3.32 per common share.

As a REIT, the Company must annually distribute to its stockholders an amount equal to at least 90% of its REIT taxable income (determined before the deduction for distributed earnings and excluding any net capital gain). 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.

Effect of Recent Hurricanes and Named Storms

The Company has operations in the southeastern United States and the Caribbean island of Puerto Rico, and as such, its operations in those geographical areas may be impacted by disruptions related to tropical storms, should they occur.

During the three months ended September 30, 2017, there were three named storms which made landfall in the Southeastern portion of the United States and Puerto Rico. Specifically, hurricane Harvey made landfall in August and primarily affected markets in southeast Texas; hurricane Irma made landfall on September 12, 2017 primarily affecting markets in Florida and Georgia; and hurricane Maria made landfall on September 20, 2017 affecting Puerto Rico.

The Company has developed contingency plans designed to mitigate damage to our assets such as removing the faces prior to the storms making landfall, which better enables the structures to withstand high winds during the storm and this plan was largely successful. The named storms affecting the markets in Florida, Georgia and Texas caused little

or no damage to our structures and minimal affect to our revenue, operations and/or operating income for the three and nine months ended September 30, 2017. Our operations in those markets were fully operational as of September 30, 2017.

Our billboard structure inventory in Puerto Rico was also largely unaffected by hurricane Maria, however, the island was not. Currently, the island is largely without power and we are continuing to assess the impact of the storm on our operations and the effect, if any, on our existing customers. While it may take several months for our Puerto Rico operations to be fully functioning, the Company does not expect the impact of this storm to materially impact consolidated revenue, operating income or net income.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements with the exception of operating leases.

Commitments and Contingencies

Debt Service and Contractual Obligations. In our Quarterly Report on Form 10-Q for the six months ended June 30, 2017, Part I, Item 2, Management’s Discussion and Analysis of Financial Conditions and Results of Operations, under the heading “Debt Service and Contractual Obligations,” we described our commitments and contingencies. There was no material change in our commitments and contingencies during the three months ended September 30, 2017.

Accounting Standards Update

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, 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 will replace most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles (“GAAP”) when it becomes 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 is in the final stages of its review of contracts and we do not expect any material impact on our consolidated financial statements for the adoption of ASU No. 2014-09. We currently believe the only contracts with customers which will be accounted for under ASU No. 2014-09 are our Transit advertising contracts and production services. We have preliminarily determined to adopt the provisions of ASU No. 2014-09 using the cumulative effect transition method with an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application.

In November 2015, the FASB issued ASU No. 2015-17 Income taxes – Balance Sheet Classification of Deferred Taxes. The amendments in this update require deferred tax liabilities and assets be classified as noncurrent in the balance sheet. The amendments are effective for annual and interim periods beginning after December 15, 2016, with early adoption permitted as of the beginning of an interim or annual reporting period. The Company adopted the update in ASU No. 2015-17 as of January 1, 2017. The Company’s 2016 consolidated balance sheet has been adjusted to reflect retrospective adoption of the update and the impact was not considered material.

In February 2016, the FASB issued ASU No. 2016-02, 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 ASU No. 2016-02 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 August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments. The update clarifies how certain cash receipts and cash payments are presented in the statement of cash flows. The update is effective for annual periods beginning January 1, 2018 with early adoption permitted. The Company adopted the update in ASU No. 2016-15 as of January 1, 2017. The adoption of this update did not have a material impact on the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations: Clarifying the definition of a business. The update clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions of assets or businesses. The update is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. Early adoption is allowed for transactions which the acquisition date occurs before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made

available for issuance. The Company adopted the update in ASU 2017-01 for transactions which occurred on or after October 1, 2016. The adoption of this update did not have a material impact on the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles – Goodwill and other (Topic 350): Simplifying the test for goodwill impairment. The update simplifies how a company completes its goodwill impairment test by eliminating the two-step process, which requires determining the fair value of assets acquired or liabilities assumed in a business combination. The update requires completing the goodwill impairment test by comparing the difference between the reporting units' carrying value and fair value. Goodwill charges, if any, would be determined by reducing the goodwill balance by the excess of the reporting unit's carrying value over its fair value. The update is effective for annual and interim fiscal periods beginning after December 15, 2019, with early adoption permitted for interim or annual goodwill impairment tests performed on or after January 1, 2017. The Company plans to early adopt this update for its December 31, 2017 goodwill impairment test.

LAMAR MEDIA CORP.

The following is a discussion of the consolidated financial condition and results of operations of Lamar Media for the nine months and three months ended September 30, 2017 and 2016. This discussion should be read in conjunction with the consolidated financial statements of Lamar Media and the related notes thereto.

RESULTS OF OPERATIONS

Nine Months ended September 30, 2017 compared to Nine Months ended September 30, 2016

Net revenues increased \$29.2 million or 2.6% to \$1.14 billion for the nine months ended September 30, 2017 from \$1.11 billion for the same period in 2016. This increase was attributable primarily to an increase in billboard net revenues of \$21.8 million, which represents an increase of 2.2% over the same period in 2016. In addition, logo sign revenue increased \$3.3 million, which represents an increase of 5.6% over the prior period and transit revenue increased \$4.1 million, which represents an increase of 5.1% over the same period in 2016.

For the nine months ended September 30, 2017, there was a \$15.3 million increase in net revenues as compared to acquisition-adjusted net revenue for the nine months ended September 30, 2016, which represents an increase of 1.4%. See "Reconciliations" below. The \$15.3 million increase in revenue primarily consists of a \$9.6 million increase in billboard revenue which is largely due to an increase in digital revenue, a \$3.8 million increase in logo revenue and a \$1.9 million increase in transit revenue over the acquisition-adjusted net revenue for the comparable period in 2016.

Total operating expenses, exclusive of depreciation and amortization and gain on sale of assets, increased \$7.4 million, or 1.1% to \$656.5 million for the nine months ended September 30, 2017 from \$649.1 million in the same period in 2016. The \$7.4 million increase over the prior year is comprised of a \$17.0 million increase in direct and general and administrative operating expenses related to the operations of our outdoor advertising assets and an increase of \$3.0 million in corporate expenses (excluding stock-based compensation expense), offset by a \$12.6 million decrease in stock-based compensation expense.

Depreciation and amortization expense increased \$2.3 million to \$155.0 million for the nine months ended September 30, 2017 as compared to \$152.7 million for the same period in 2016.

For the nine months ended September 30, 2017, gain on disposition of assets decreased \$7.8 million to \$4.4 million as compared to \$12.2 million for the same period in 2016. The decrease in gain on disposition of assets is primarily related to a \$5.9 million decrease in gain recognized for acquisition swap transactions in 2017 as compared to the same period in 2016.

Due to the above factors, operating income increased by \$11.7 million to \$335.7 million for the nine months ended September 30, 2017 compared to \$324.0 million for the same period in 2016.

During the nine months ended September 30, 2017 Lamar Media recognized a \$0.1 million loss on extinguishment of debt, related to the amendment of its senior credit facility. See "Sources of Cash" for more information.

Interest expense increased \$3.0 million during the nine months ended September 30, 2017 to \$95.5 million as compared to \$92.5 million for the nine months ended September 30, 2016. The increase in interest expense is primarily related to the increased debt outstanding, primarily related to the refinancing of Lamar Media's senior credit facility in 2017.

The increase in operating income and a decrease in loss on debt extinguishment, offset by the increase in interest expense described above resulted in \$240.1 million in net income before income taxes. The effective tax rate for the nine months ended September 30, 2017 was 3.9%, which differs from the federal statutory rate primarily due to our qualification for taxation as a REIT and adjustments for foreign items.

As a result of the above factors, Lamar Media recognized net income for the nine months ended September 30, 2017 of \$230.8 million, as compared to net income of \$218.6 million for the same period in 2016.

Reconciliations:

Because acquisitions occurring after December 31, 2015 (the “acquired assets”) have contributed to our net revenue results for the periods presented, we provide 2016 acquisition-adjusted net revenue, which adjusts our 2016 net revenue for the nine months ended September 30, 2016 by adding to or subtracting from it the net revenue generated by the acquired or divested assets prior to our

acquisition or divestiture of these assets for the same time frame that those assets were owned in the nine months ended September 30, 2017.

Reconciliations of 2016 reported net revenue to 2016 acquisition-adjusted net revenue for the nine months ended September 30, as well as a comparison of 2016 acquisition-adjusted net revenue to 2017 reported net revenue for the nine months ended September 30, are provided below:

Reconciliation and Comparison of Reported Net Revenue to Acquisition-Adjusted Net Revenue

	Nine months ended	
	September 30, 2017	2016
	(in thousands)	
Reported net revenue	\$1,142,785	\$1,113,577
Acquisition net revenue	—	13,932
Adjusted totals	\$1,142,785	\$1,127,509

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Nine Months Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)	
	September 30, 2017	2016			
Net income	\$230,809	\$218,573	\$12,236	5.6	%
Income tax expense	9,257	9,730	(473))
Loss on debt extinguishment	71	3,198	(3,127))
Interest expense (income), net	95,520	92,463	3,057		
Gain on disposition of assets	(4,377)	(12,221)	7,844		
Depreciation and amortization	155,003	152,729	2,274		
Stock-based compensation expense	7,060	19,650	(12,590))
Adjusted EBITDA	\$493,343	\$484,122	\$9,221	1.9	%

Adjusted EBITDA for the nine months ended September 30, 2017 increased 1.9% to \$493.3 million. The increase in Adjusted EBITDA was primarily attributable to an increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization) of \$20.5 million, and was offset by an increase in general administrative and corporate expenses of \$11.3 million, excluding the impact of stock-based compensation expense.

Net Income/FFO/AFFO

(in thousands)

	Nine Months Ended		Amount of	Percent	
	September 30, 2017	September 30, 2016	Increase (Decrease)	Increase (Decrease)	
Net income	\$230,809	\$218,573	\$12,236	5.6	%
Depreciation and amortization related to real estate	145,999	142,394	3,605		
Gain from sale or disposal of real estate	(4,114)	(12,020)	7,906		
Adjustments for unconsolidated affiliates and non-controlling interest	580	318	262		
FFO	\$373,274	\$349,265	\$24,009	6.9	%
Straight line (income) expense	(382)	231	(613)		
Stock-based compensation expense	7,060	19,650	(12,590)		
Non-cash portion of tax provision	259	(150)	409		
Non-real estate related depreciation and amortization	9,004	10,335	(1,331)		
Amortization of deferred financing costs	3,866	3,993	(127)		
Loss on extinguishment of debt	71	3,198	(3,127)		
Capital expenditures – maintenance	(31,760)	(25,942)	(5,818)		
Adjustments for unconsolidated affiliates and non-controlling interest	(580)	(318)	(262)		
AFFO	\$360,812	\$360,262	\$550	0.2	%

FFO for the nine months ended September 30, 2017 increased 6.9% to \$373.3 million as compared to FFO of \$349.3 million for the same period in 2016. AFFO for the nine months ended September 30, 2017 increased 0.2% to \$360.8 million as compared to \$360.3 million for the same period in 2016. The increase in AFFO was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization) offset by an increase in maintenance capital expenditures, interest expense and general and administrative expenses and corporate expenses (excluding the effect of stock-based compensation expense).

Three Months ended September 30, 2017 compared to Three Months ended September 30, 2016

Net revenues increased \$11.8 million or 3.1% to \$399.3 million for the three months ended September 30, 2017 from \$387.5 million for the same period in 2016. This increase was attributable primarily to an increase in billboard net revenues of \$6.1 million, which represents an increase of 1.8% over the same period in 2016. In addition, logo sign revenue increased \$1.5 million, which represents an increase of 7.8% over the prior period and there was a \$4.3 million increase in transit revenue, which represents an increase of 15.3% over the prior period.

For the three months ended September 30, 2017, there was a \$4.1 million increase in net revenues as compared to acquisition-adjusted net revenue for the three months ended September 30, 2016, which represents an increase of

1.0%. See “Reconciliations” below. The 1.0% increase is primarily due to an increase in digital revenue and production revenue for three months ended September 30, 2017, as compared to the same period in 2016. The \$4.1 million increase in revenue primarily consists of a \$1.2 million increase in billboard revenue largely due to an increase in digital revenue, a \$1.8 million increase in logo revenue, and a \$1.2 million increase in transit revenue over the acquisition-adjusted net revenue for the comparable period in 2016.

Total operating expenses, exclusive of depreciation and amortization and gain on sale of assets, decreased \$0.1 million for the three months ended September 30, 2017 as compared to the same period in 2016. The \$0.1 million decrease over the prior year is comprised of a \$6.3 million decrease in stock-based compensation expense offset by a \$5.7 million increase in direct and general and administrative operating expenses related to the operations of our outdoor advertising assets and a \$0.5 million increase in corporate expenses (excluding stock-based compensation expense).

Depreciation and amortization expense increased \$2.5 million to \$51.8 million for the three months ended September 30, 2017 as compared to \$49.3 million for the same period in 2016.

For the three months ended September 30, 2017, gain on disposition of assets increased \$2.5 million to \$2.7 million as compared to \$0.1 million for the same period in 2016. The increase is primarily due to a \$2.4 million gain resulting from acquisition swap transactions during the three months ended September 30, 2017.

Due to the above factors, operating income increased by \$11.9 million to \$131.8 million for the three months ended September 30, 2017 compared to \$119.9 million for the same period in 2016.

The increase in operating income offset by a slight increase in interest expense resulted in a \$11.0 million increase in net income before income taxes. The effective tax rate for the three months ended September 30, 2017 was 3.3%, which differs from the federal statutory rate primarily due to our qualification for taxation as a REIT and adjustments for foreign items.

As a result of the above factors, Lamar Media recognized net income for the three months ended September 30, 2017 of \$96.4 million, as compared to net income of \$85.2 million for the same period in 2016.

Reconciliations:

Because acquisitions occurring after December 31, 2015 (the “acquired assets”) have contributed to our net revenue results for the periods presented, we provide 2016 acquisition-adjusted net revenue, which adjusts our 2016 net revenue for the three months ended September 30, 2016 by adding to or subtracting from it the net revenue generated by the acquired or divested assets prior to our acquisition or divestiture of these assets for the same time frame that those assets were owned in the three months ended September 30, 2017. Reconciliations of 2016 reported net revenue to 2016 acquisition-adjusted net revenue for the three months ended September 30, as well as a comparison of 2016 acquisition-adjusted net revenue to 2017 reported net revenue for the three months ended September 30, are provided below:

Reconciliation and Comparison of Reported Net Revenue to Acquisition-Adjusted Net Revenue

	Three months ended	
	September 30, 2017	2016
	(in thousands)	
Reported net revenue	\$399,345	\$387,516
Acquisition net revenue	—	7,736
Adjusted totals	\$399,345	\$395,252

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Three Months Ended		Amount of	Percent
	September 30, 2017	2016	Increase (Decrease)	Increase (Decrease)
Net income	\$96,437	\$85,168	\$ 11,269	13.2 %

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Income tax expense	3,325	3,613	(288)		
Interest expense (income), net	32,062	31,100	962		
Gain on disposition of assets	(2,734)	(189)	(2,545)		
Depreciation and amortization	51,796	49,307	2,489		
Stock-based compensation expense	2,017	8,358	(6,341)		
Adjusted EBITDA	\$182,903	\$177,357	\$ 5,546	3.1	%

Adjusted EBITDA for the three months ended September 30, 2017 increased 3.1% to \$182.9 million. The increase in Adjusted EBITDA was primarily attributable to an increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization) of \$8.6 million, and was offset by an increase in general administrative and corporate expenses of \$3.1 million, excluding the impact of stock-based compensation expense.

Net Income/FFO/AFFO

(in thousands)

	Three Months Ended		Amount of	Percent	
	September 30, 2017	2016	Increase (Decrease)	Increase (Decrease)	
Net income	\$96,437	\$85,168	\$ 11,269	13.2	%
Depreciation and amortization related to real estate	48,613	46,327	2,286		
Gain from sale or disposal of real estate	(2,707)	(546)	(2,161)		
Adjustments for unconsolidated affiliates and non-controlling interest	190	52	138		
FFO	\$142,533	\$131,001	\$ 11,532	8.8	%
Straight line income	(287)	(46)	(241)		
Stock-based compensation expense	2,017	8,358	(6,341)		
Non-cash portion of tax provision	229	(509)	738		
Non-real estate related depreciation and amortization	3,183	2,980	203		
Amortization of deferred financing costs	1,243	1,332	(89)		
Capital expenditures – maintenance	(11,082)	(9,005)	(2,077)		
Adjustments for unconsolidated affiliates and non-controlling interest	(190)	(52)	(138)		
AFFO	\$137,646	\$134,059	\$ 3,587	2.7	%

FFO for the three months ended September 30, 2017 increased 8.8% to \$142.5 million as compared to FFO of \$131.0 million for the same period in 2016. AFFO for the three months ended September 30, 2017 increased 2.7% to \$137.6 million as compared to \$134.1 million for the same period in 2016. The increase in AFFO was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization) offset by an increase in maintenance capital expenditures, interest expense and general and administrative expense and corporate expenses (excluding the effect of stock-based compensation expense).

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Lamar Advertising Company and Lamar Media Corp.

The Company is exposed to interest rate risk in connection with variable rate debt instruments issued by its wholly owned subsidiary Lamar Media. The information below summarizes the Company's interest rate risk associated with its principal variable rate debt instruments outstanding at September 30, 2017, and should be read in conjunction with Note 9 of the Notes to the Company's Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

Loans under Lamar Media's senior credit facility bear interest at variable rates equal to the Adjusted LIBO Rate or Adjusted Base Rate plus the applicable margin. Because the Adjusted LIBO Rate or Adjusted Base Rate may increase or decrease at any time, the Company is exposed to market risk as a result of the impact that changes in these base rates may have on the interest rate applicable to borrowings under the senior credit facility. Increases in the interest rates applicable to borrowings under the senior credit facility would result in increased interest expense and a reduction in the Company's net income.

At September 30, 2017, there was approximately \$534.4 million of aggregate indebtedness outstanding under the senior credit facility, or approximately 21.8% of the Company's outstanding long-term debt on that date, bearing interest at variable rates. The aggregate interest expense for the nine months ended September 30, 2017 with respect to borrowings under the senior credit facility was \$11.7 million, and the weighted average interest rate applicable to borrowings under this credit facility during the nine months ended September 30, 2017 was 3.0%. Assuming that the weighted average interest rate was 200-basis points higher (that is 5.0% rather than 3.0%), then the Company's nine months ended September 30, 2017 interest expense would have increased by \$7.2 million.

The Company attempted to mitigate the interest rate risk resulting from its variable interest rate long-term debt instruments by issuing fixed rate, long-term debt instruments and maintaining a balance over time between the amount of the Company's variable rate and fixed rate indebtedness. In addition, the Company has the capability under the senior credit facility to fix the interest rates applicable to its borrowings at an amount equal to LIBOR plus the applicable margin for periods of up to twelve months (in certain cases with the consent of the lenders), which would allow the Company to mitigate the impact of short-term fluctuations in market interest rates. In the event of an increase in interest rates, the Company may take further actions to mitigate its exposure. The Company cannot guarantee, however, that the actions that it may take to mitigate this risk will be feasible or if these actions are taken, that they will be effective.

ITEM 4. CONTROLS AND PROCEDURES

a) Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures.

The Company's and Lamar Media's management, with the participation of the principal executive officer and principal financial officer of the Company and Lamar Media, have evaluated the effectiveness of the design and operation of the Company's and Lamar Media's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this quarterly report. Based on this evaluation, the principal executive officer and principal financial officer of the Company and Lamar Media concluded that these disclosure controls and procedures are effective and designed to ensure that the information required to be disclosed in the Company's and Lamar Media's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the requisite time periods.

b) Changes in Internal Control Over Financial Reporting.

There was no change in the internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) of the Company and Lamar Media identified in connection with the evaluation of the Company's and Lamar Media's internal control performed during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's and Lamar Media's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described in Part I, Item 1A, "Risk Factors" in our combined Annual Report on Form 10-K for the year ended December 31, 2016, which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our Class A common stock. There have been no material changes to our risk factors since our combined Annual Report on Form 10-K for the year ended December 31, 2016.

ITEM. 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM. 5. OTHER INFORMATION

On July 5, 2017, the Company adopted immaterial amendments to its 2009 Employee Stock Purchase Plan. A copy of the plan as amended is attached as Exhibit 10.1.

ITEM 6. EXHIBITS

Exhibit

Number

Description

3.1	<u>Amended and Restated Certificate of Incorporation of Lamar Advertising Company (the "Company"), as filed with the Secretary of the State of Delaware effective as of November 18, 2014. Previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K (File No.</u>
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1-36756) filed on November 19, 2014 and incorporated herein by reference.

- 3.2 Certificate of Merger, effective as of November 18, 2014. Previously filed as Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 1-36756) filed on November 19, 2014 and incorporated herein by reference.
- 3.3 Amended and Restated Certificate of Incorporation of Lamar Media Corp. ("Lamar Media") Previously filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2007 (File No. 0-30242) filed on May 10, 2007 and incorporated herein by reference.
- 3.4 Amended and Restated Bylaws of the Company, adopted as of November 18, 2014. Previously filed as Exhibit 3.3 to the Company's Current Report on Form 8-K (File No. 1-36756) filed on November 19, 2014 and incorporated herein by reference.

Exhibit

Number	Description
3.5	<u>Amended and Restated Bylaws of Lamar Media. Previously filed as Exhibit 3.1 to Lamar Media's Quarterly Report on Form 10-Q for the period ended September 30, 1999 (File No. 1-12407) filed on November 12, 1999 and incorporated herein by reference.</u>
10.1	<u>Lamar Advertising Company 2009 Employee Stock Purchase Plan, as amended. Filed herewith.</u>
12(a)	<u>Statement regarding computation of earnings to fixed charges for the Company. Filed herewith.</u>
12(b)	<u>Statement regarding computation of earnings to fixed charges for Lamar Media. Filed herewith.</u>
31.1	<u>Certification of the Chief Executive Officer of the Company and Lamar Media pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.</u>
31.2	<u>Certification of the Chief Financial Officer of the Company and Lamar Media pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.</u>
32.1	<u>Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.</u>
101	The following materials from the combined Quarterly Report of the Company and Lamar Media on Form 10-Q for the nine months ended September 30, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016 of the Company and Lamar Media, (ii) Condensed Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2017 and 2016 of the Company and Lamar Media, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016 of the Company and Lamar Media, and (iv) Notes to Condensed Consolidated Financial Statements of the Company and Lamar Media

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LAMAR ADVERTISING COMPANY

DATED: November 6, 2017 BY: /s/ Keith A. Istre
Chief Financial and Accounting Officer and Treasurer

LAMAR MEDIA CORP.

DATED: November 6, 2017 BY: /s/ Keith A. Istre
Chief Financial and Accounting Officer and Treasurer