LAMAR MEDIA CORP/DE
Form 10-Q
August 06, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2015

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 0-36756

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

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 x 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 x No ¨

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

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

The number of shares of Lamar Advertising Company s Class A common stock outstanding as of August 1, 2015: 81,917,250

The number of shares of the Lamar Advertising Company s Class B common stock outstanding as of August 1, 2015: 14,610,365

The number of shares of Lamar Media Corp. common stock outstanding as of August 1, 2015: 100

This combined Form 10-Q is separately filed by (i) Lamar Advertising Company and (ii) Lamar Media Corp. (which is a wholly owned subsidiary of Lamar Advertising Company). Lamar Media Corp. meets the conditions set forth in general instruction H(1) (a) and (b) of Form 10-Q and is, therefore, filing this form with the reduced disclosure format permitted by such instruction.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information included in this report is forward-looking in nature within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. This report uses terminology such as anticipates, believes, plans, expects, future, intends, may, will, should, estimates, predicts, po 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; and
- our ability to remain qualified as a Real Estate Investment Trust (REIT).

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

- the state of the economy and financial markets generally and their effects on the markets in which we operate and the broader demand for advertising;

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

The forward-looking statements in this report are based on our current good faith beliefs, however, actual results may differ due to inaccurate assumptions, the factors listed above or other foreseeable or unforeseeable factors. Consequently, we cannot guarantee that any of the forward-looking statements will prove to be accurate. The forward-looking statements in this report speak only as of the date of this report, and Lamar Advertising and Lamar Media expressly disclaim any obligation or undertaking to update or revise any forward-looking statement contained in this report, except as required by law.

For a further description of these and other risks and uncertainties, the Company encourages you to read carefully Item 1A to the combined Annual Report on Form 10-K for the year ended December 31, 2014 of the Company and

Lamar Media (the 2014 Combined Form 10-K), filed on February 26, 2015 and as such risk factors may be updated or supplemented, from time to time, in our combined Quarterly Reports on Form 10-Q.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LAMAR ADVERTISING COMPANY

AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands, except share and per share data)

	June 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 27,455	$ 26,035
Receivables, net of allowance for doubtful accounts of $10,151 and $7,957 in 2015 and 2014, respectively	183,310	169,610
Prepaid lease expenses	65,839	42,713
Deferred income tax assets	775	729
Other current assets	39,317	34,057
Total current assets	316,696	273,144
Property, plant and equipment	3,145,793	3,110,385
Less accumulated depreciation and amortization	(2,059,468)	(2,026,745)
Net property, plant and equipment	1,086,325	1,083,640
Goodwill	1,525,992	1,512,768
Intangible assets	369,809	366,985
Deferred financing costs, net of accumulated amortization of $17,090 and $14,764 in 2015 and 2014, respectively	30,399	32,725
Deferred income tax assets	1,466	12,496
Other assets	39,019	37,060
Total assets	$ 3,369,706	$ 3,318,818
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Trade accounts payable	$ 19,170	$ 16,368
Current maturities of long-term debt	17,552	15,625
Accrued expenses	95,120	108,790
Deferred income	99,097	84,558

Total current liabilities	230,939	225,341
Long-term debt	1,922,887	1,884,270
Asset retirement obligation	206,165	204,327
Other liabilities	26,285	23,414
Total liabilities	2,386,276	2,337,352
Stockholders equity:		
Series AA preferred stock, par value $.001, $63.80 cumulative dividends, authorized 5,720 shares; 5,720 shares issued and outstanding at 2015 and 2014		
Class A common stock, par value $.001, 362,500,000 shares authorized, 82,020,154 and 80,933,071 shares issued at 2015 and 2014, respectively; 81,915,318 and 80,933,071 issued and outstanding at 2015 and 2014, respectively	82	81
Class B common stock, par value $.001, 37,500,000 shares authorized, 14,610,365 shares issued and outstanding at 2015 and 2014	15	15
Additional paid-in capital	1,652,959	1,611,775
Accumulated comprehensive income	1,251	2,454
Accumulated deficit	(664,778)	(632,859)
Cost of shares held in treasury, 104,836 and 0 shares at 2015 and 2014, respectively	(6,099)	
Stockholders equity	983,430	981,466
Total liabilities and stockholders equity	$ 3,369,706	$ 3,318,818

See accompanying notes to condensed consolidated financial statements.

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LAMAR ADVERTISING COMPANY

AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

(In thousands, except share and per share data)

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Statements of Operations				
Net revenues	$ 344,249	$ 330,433	$ 646,726	$ 615,366
Operating expenses (income)				
Direct advertising expenses (exclusive of depreciation and amortization)	115,951	114,277	229,183	225,785
General and administrative expenses (exclusive of depreciation and amortization)	60,729	56,054	119,935	113,731
Corporate expenses (exclusive of depreciation and amortization)	19,689	17,035	35,080	32,319
Depreciation and amortization	48,725	71,049	97,955	140,575
Gain on disposition of assets	(191)	(1,020)	(2,027)	(1,226)
	244,903	257,395	480,126	511,184
Operating income	99,346	73,038	166,600	104,182
Other expense (income)				
Loss on extinguishment of debt		20,847		26,023
Other-than-temporary impairment of investment				4,069
Interest income	(24)	(43)	(26)	(88)
Interest expense	24,712	26,086	49,244	56,354
	24,688	46,890	49,218	86,358
Income before income tax expense	74,658	26,148	117,382	17,824
Income tax expense	15,298	10,726	17,306	7,239
Net income	59,360	15,422	100,076	10,585
Cash dividends declared and paid on preferred stock	91	91	182	182
Net income applicable to common stock	$ 59,269	$ 15,331	$ 99,894	$ 10,403

Earnings per share:								
Basic and diluted earnings per share	$	0.61	$	0.16	$	1.04	$	0.11
Cash dividends declared per share of common stock	$	0.69	$	0.83	$	1.37	$	0.83
Weighted average common shares used in computing earnings per share:								
Weighted average common shares outstanding		96,405,105		95,174,692		96,056,912		95,041,097
Incremental common shares from dilutive stock options		77,814		415,530		58,675		423,180
Weighted average common shares diluted		96,482,919		95,590,222		96,115,587		95,464,277
Statements of Comprehensive Income								
Net income	$	59,360	$	15,422	$	100,076	$	10,585
Other comprehensive income (loss)								
Foreign currency translation adjustments		407		669		(1,203)		285
Comprehensive income	$	59,767	$	16,091	$	98,873	$	10,870

See accompanying notes to condensed consolidated financial statements.

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LAMAR ADVERTISING COMPANY

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Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Six months ended June 30, 2015	2014
Cash flows from operating activities:		
Net income	$ 100,076	$ 10,585
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	97,955	140,575
Stock-based compensation	11,387	10,513
Amortization included in interest expense	2,324	2,451
Gain on disposition of assets and investments	(2,027)	(1,226)
Other-than-temporary impairment of investment		4,069
Loss on extinguishment of debt		26,023
Deferred tax expense (benefit)	10,878	(2,215)
Provision for doubtful accounts	3,986	2,750
Changes in operating assets and liabilities		
(Increase) decrease in:		
Receivables	(18,419)	(25,420)
Prepaid lease expenses	(22,798)	(20,941)
Other assets	(5,324)	(5,378)
Increase (decrease) in:		
Trade accounts payable	1,856	2,846
Accrued expenses	(4,301)	2,321
Other liabilities	12,624	26,479
Net cash provided by operating activities	188,217	173,432
Cash flows from investing activities:		
Acquisitions	(59,389)	(9,195)
Capital expenditures	(56,365)	(54,255)
Proceeds from disposition of assets and investments	5,692	1,664
(Increase) decrease of notes receivable	(15)	4,477
Net cash used in investing activities	(110,077)	(57,309)
Cash flows from financing activities:		
Debt issuance costs		(17,081)

Cash used for purchase of treasury stock	(6,099)	(2,987)
Net proceeds from issuance of common stock	22,084	11,911
Principal payments on long term debt	(7,510)	(3,797)
Payment on revolving credit facility	(107,000)	(220,000)
Proceeds received from revolving credit facility	155,000	155,000
Proceeds received from note offering		510,000
Payment on senior subordinated notes		(415,752)
Proceeds received from senior credit facility		300,000
Payment on senior credit facility		(352,106)
Distributions to non-controlling interest	(360)	(734)
Dividends/distributions	(131,995)	(79,195)
Net cash used in financing activities	(75,880)	(114,741)
Effect of exchange rate changes in cash and cash equivalents	(840)	(177)
Net increase in cash and cash equivalents	1,420	1,205
Cash and cash equivalents at beginning of period	26,035	33,212
Cash and cash equivalents at end of period	$ 27,455	$ 34,417
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 46,906	$ 47,570
Cash paid for foreign, state and federal income taxes	$ 7,453	$ 9,295

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 2014 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 23,000 shares of its Class A common stock during the six months ended June 30, 2015.

Stock Purchase Plan. In 2009 our Board of Directors adopted a new employee stock purchase plan, the 2009 Employee Stock Purchase Plan or 2009 ESPP, which was approved by our shareholders on May 28, 2009. The 2009 ESPP reserved 588,154 shares of Class A common stock for issuance to our employees, which included 88,154 shares of Class A common stock that had been available for issuance under our 2000 Employee Stock Purchase Plan or 2000 ESPP. The 2000 ESPP was terminated following the issuance of all shares that were subject to the offer that commenced under the 2000 ESPP on January 1, 2009 and ended June 30, 2009. The terms of the 2009 ESPP are substantially the same as the 2000 ESPP.

The number of shares of Class A common stock available under the 2009 ESPP was automatically increased by 80,932 shares on January 1, 2015 pursuant to the automatic increase provisions of the 2009 ESPP.

The following is a summary of 2009 ESPP share activity for the six months ended June 30, 2015:

	Shares
Available for future purchases, January 1, 2015	307,448
Additional shares reserved under 2009 ESPP	80,932
Purchases	(55,676)
Available for future purchases, June 30, 2015	332,704

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 2015 results. Any shares issued based on the achievement of performance goals will be issued in the first quarter of 2016. 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 six months ended June 30, 2015, the Company has recorded $6,355 as non-cash 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 $229 non-cash compensation expense related to these awards for the six months ended June 30, 2015.

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Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share data)

3. Depreciation and Amortization

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

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Direct advertising expenses	$ 44,805	$ 66,946	$ 89,890	$ 132,538
General and administrative expenses	834	1,080	1,557	2,101
Corporate expenses	3,086	3,023	6,508	5,936
	$ 48,725	$ 71,049	$ 97,955	$ 140,575

Effective January 1, 2015, the Company changed its depreciation method from the double declining balance method to the straight-line method. The Company believes that the straight-line method better reflects the pattern of consumption of the future benefits to be derived from those assets being depreciated. The increase to operating income and net income and decrease to depreciation expense for the Company s assets existing as of January 1, 2015 is $5,544 and $11,089 for the six months ended June 30, 2015 and the year to end December 31, 2015, respectively.

4. Goodwill and Other Intangible Assets

The following is a summary of intangible assets at June 30, 2015 and December 31, 2014:

	Estimated Life (Years)	June 30, 2015		December 31, 2014	
		Gross Carrying Amount	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Customer lists and contracts	7 10	$ 503,722	$ 473,478	$ 499,310	$ 470,170
Non-competition agreements	3 15	64,302	63,324	64,062	63,192
Site locations	15	1,562,315	1,224,229	1,531,161	1,194,709

Other	5 15	14,008	13,507	14,008	13,485
		$ 2,144,347	$ 1,774,538	$ 2,108,541	$ 1,741,556
Unamortizable intangible assets:					
Goodwill		$ 1,779,528	$ 253,536	$ 1,766,304	$ 253,536

5. 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, 2014	$ 204,327
Additions to asset retirement obligations	1,120
Accretion expense	2,436
Liabilities settled	(1,718)
Balance at June 30, 2015	$ 206,165

6. Summarized Financial Information of Subsidiaries

Separate financial statements of each of the Company s direct or indirect wholly owned subsidiaries that have guaranteed Lamar Media s obligations with respect to its publicly issued notes (collectively, the Guarantors) are not included herein because the Company has no independent assets or operations, the guarantees are full and unconditional and joint and several and the only subsidiaries that are not guarantors are in the aggregate minor.

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 June 30, 2015 and December 31, 2014, 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 $2,361,949 and $2,269,393, respectively.

LAMAR ADVERTISING COMPANY

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share data)

As of June 30, 2015, transfers to Lamar Advertising are permitted under Lamar Media s senior credit facility and as defined therein, unless, after giving effect to such distributions, (i) the total debt ratio is equal to or greater than 6.0 to 1 or (ii) the senior debt ratio is equal to or greater than 3.5 to 1. As of June 30, 2015, the total debt ratio was less than 6.0 to 1 and Lamar Media s senior debt ratio was less than 3.5 to 1; therefore, dividends or distributions to Lamar Advertising were not subject to any additional restrictions under the senior credit facility. In addition, as of June 30, 2015 the senior credit facility allows Lamar Media to conduct its affairs in a manner that would allow Lamar Advertising to qualify and remain qualified for taxation as a REIT, including by allowing Lamar Media to make distributions to Lamar Advertising required for Lamar Advertising to qualify and remain qualified for taxation as a REIT, subject to certain restrictions.

7. 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 six months ended June 30, 2015 or 2014.

8. Long-term Debt

Long-term debt consists of the following at June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
Senior Credit Facility	$ 394,250	$ 353,750
5 7/8% Senior Subordinated Notes	500,000	500,000
5% Senior Subordinated Notes	535,000	535,000
5 3/8% Senior Notes	510,000	510,000
Other notes with various rates and terms	1,189	1,145
	1,940,439	1,899,895
Less current maturities	(17,552)	(15,625)
Long-term debt, excluding current maturities	$ 1,922,887	$ 1,884,270

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.

Lamar Media may redeem up to 35% of the aggregate principal amount of the 5 7/8% Notes, at any time and from time to time, at a price equal to 105.875% 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, 2015, provided that following the redemption, at least 65% of the 5 7/8% Notes that were originally issued remain outstanding. At any time prior to February 1, 2017, Lamar Media may redeem some or all of the 5 7/8% Notes at a price equal to 100% of the aggregate principal amount plus a make-whole premium.

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.

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(In thousands, except share and per share data)

Lamar Media may redeem up to 35% of the aggregate principal amount of the 5% Notes, at any time and from time to time, at a price equal to 105% 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 November 1, 2015, provided that following the redemption, at least 65% of the 5% Notes that were originally issued remain outstanding. 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 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 Notes at a price equal to 101% of the principal amount of the 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% Senior Notes). The institutional private placement resulted in net proceeds to Lamar Media of approximately $502,300.

Lamar Media may redeem up to 35% of the aggregate principal amount of the 5 3/8% Senior Notes, at any time and from time to time, at a price equal to 105.375% 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 January 15, 2017, provided that following the redemption, at least 65% of the 5 3/8% Senior 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 January 15, 2019, Lamar Media may redeem some or all of the 5 3/8% Senior Notes at a price equal to 100% of the aggregate principal amount, plus accrued and unpaid interest thereon and a make-whole premium. On or after January 15, 2019, Lamar Media may redeem the 5 3/8% Senior Notes, in whole or in part, in cash at redemption prices specified in the 5 3/8% Senior 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% Senior Notes at a price equal to 101% of the principal amount of the 5 3/8% Senior Notes, plus accrued and unpaid interest, up to but not including the repurchase date.

Senior Credit Facility

On February 3, 2014, Lamar Media entered into a Second Restatement Agreement (the Second Restatement Agreement) with the Company, certain of Lamar Media s subsidiaries as Guarantors, JPMorgan Chase Bank, N.A., as Administrative Agent and the Lenders named therein, under which the parties agreed to amend and restate Lamar Media s existing senior credit facility on the terms set forth in the Second Amended and Restated Credit Agreement attached as Exhibit A to the Second Restatement Agreement (such Second and Amended and Restated Credit Agreement together with the Second Restatement Agreement being herein referred to as the senior credit facility). The senior credit facility consists of a $400,000 revolving credit facility and a $500,000 incremental facility. Lamar Media is the borrower under the senior credit facility. We may also from time to time designate wholly-owned subsidiaries as subsidiary borrowers under the incremental loan facility. Incremental loans may be in the form of additional term loan tranches or increases in the revolving credit facility. Our lenders have no obligation to make additional loans to us, or any designated subsidiary borrower, under the incremental facility, but may enter into such commitments in their sole discretion.

On April 18, 2014, Lamar Media entered into Amendment No. 1 to the Second Amended and Restated Credit Agreement (the Amendment) with Lamar Advertising, certain of Lamar Media s subsidiaries as Guarantors, JPMorgan Chase Bank, N.A. as Administrative Agent and the Lenders named therein under which the parties agreed to amend Lamar Media s existing senior credit facility on the terms set forth in the Amendment. The Amendment created a new $300,000 Term A Loan facility (the Term A Loans) and certain other amendments to the senior credit agreement. The Term A Loans are not incremental loans and do not reduce the existing $500,000 Incremental Loan facility. Lamar Media borrowed all $300,000 in Term A Loans on April 18, 2014. The net loan proceeds, together with borrowings under the revolving portion of the senior credit facility and cash on hand, were used to fund the redemption of all $400,000 in aggregate principal amount of Lamar Media s 7 7/8% Notes due 2018 on April 21, 2014.

The Term A Loans began amortizing on June 30, 2014 in quarterly installments on each September 30, December 31, March 31, and June 30 thereafter, as follows:

Principal Payment Date	Principal Amount
September 30, 2015-March 31, 2016	$ 3,750
June 30, 2016- March 31, 2017	$ 5,625
June 30, 2017-December 31, 2018	$ 11,250
Term A Loan Maturity Date	$ 168,750

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(Unaudited)

(In thousands, except share and per share data)

The Term A Loans bear interest at rates based on the Adjusted LIBO Rate (Eurodollar loans) or the Adjusted Base Rate (Base Rate loans), at Lamar Media s option. Eurodollar loans bear interest at a rate per annum equal to the Adjusted LIBO Rate plus 2.0%; (or the Adjusted LIBO Rate plus 1.75% at any time the Total Debt Ratio is less than or equal to 3.00 to 1). Base Rate Loans bear interest at a rate per annum equal to the Adjusted Base Rate plus 1.00% (or the Adjusted Base Rate plus 0.75% at any time the Total Debt Ratio is less than or equal to 3.00 to 1). The revolving credit facility bears interest at rates based on the Adjusted LIBO Rate (Eurodollar loans) or the Adjusted Base Rate (Base Rate loans), at Lamar Media s option. Eurodollar loans bear interest at a rate per annum equal to the Adjusted LIBO Rate plus 2.25% (or the Adjusted LIBO Rate plus 2.00% at any time the Total Debt Ratio is less than or equal to 4.25 to 1; or the Adjusted LIBO Rate plus 1.75% at any time the Total Debt Ratio is less than or equal to 3.00 to 1). Base Rate Loans bear interest at a rate per annum equal to the Adjusted Base Rate plus 1.25% (or the Adjusted Base Rate plus 1.0% at any time the total debt ratio is less than or equal to 4.25 to 1, or the Adjusted Base Rate plus 0.75% at any time the Total Debt Ratio is less than or equal to 3.00 to 1). The guarantees, covenants, events of default and other terms of the senior credit facility apply to the Term A Loans and revolving credit facility.

As of June 30, 2015, there was $113,000 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 $6,846 in letters of credit outstanding as of June 30, 2015 resulting in $280,154 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 February 2, 2019, and bear interest, at Lamar Media s option, at the Adjusted LIBO Rate or the Adjusted Base Rate plus applicable margins, such margins are set at an initial rate with the possibility of a step down based on Lamar Media s ratio of debt to trailing four quarters EBITDA, as defined in the senior credit facility.

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 would allow Lamar Media to conduct its affairs in a manner that would allow 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 agreement provisions during the periods presented.

9. Fair Value of Financial Instruments

At June 30, 2015 and December 31, 2014, 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 $1,965,303 which exceeded both the gross and carrying amount of $1,940,439 as of June 30, 2015. 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).

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LAMAR ADVERTISING COMPANY

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(In thousands, except share and per share data)

10. New Accounting Pronouncements

In May 2014, the FASB issued 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 Generally Accepted Accounting Principles in the United States when it becomes effective. The FASB has voted to approve a one-year deferral of 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 evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In April 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-03, *Interest Imputation of interest: Simplifying the Presentation of Debt Issuance Costs*. The pronouncement requires reporting entities to present debt issuance costs related to a note as a direct deduction from the face amount of that note presented in the balance sheet. The pronouncement is effective for fiscal years and for interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted. A reporting entity may apply the amendments in the ASU retrospectively to all prior periods. The Company does not expect that the adoption of this pronouncement will have a material impact on the consolidated financial statements.

11. Dividends/Distributions

During the six months ended June 30, 2015, the Company declared and paid cash distributions of its REIT taxable income of an aggregate of $131,813 or $1.37 per share. The amount, timing and frequency of future distributions will be at the sole discretion of the Board of Directors and will be declared based upon various factors, a number of which may be beyond the Company s control, including financial condition and operating cash flows, the amount required to maintain REIT status and reduce any income and excise taxes that the Company otherwise would be required to pay, limitations on distributions in our existing and future debt instruments, the Company s ability to utilize net operating losses to offset, in whole or in part, the Company s distribution requirements, limitations on its ability to fund distributions using cash generated through its taxable REIT subsidiaries (TRSs) and other factors that the Board of Directors may deem relevant. During the six months ended June 30, 2015, the Company paid cash dividend distributions to holders of its Series AA Preferred Stock in an aggregate of $182 or $31.90 per share.

12. Information about Geographic Areas

Revenues from external customers attributable to foreign countries totaled $15,259 and $16,106 for the six months ended June 30, 2015 and 2014, respectively. Net carrying value of long lived assets located in foreign countries totaled $6,597 and $7,324 for the periods ended June 30, 2015 and December 31, 2014, respectively. All other revenues from external customers and long lived assets relate to domestic operations.

13. Income Taxes

During the six months ended June 30, 2015 the Company recorded a non-cash valuation allowance of $13,100 related to the net operating losses on its Puerto Rico operations. The valuation allowance was necessary due to an enacted tax law change in Puerto Rico on May 29, 2015, which limits our ability to use these net operating losses prior to their expiration.

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LAMAR MEDIA CORP.

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Condensed Consolidated Balance Sheets

(In thousands, except share data)

	June 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 26,955	$ 25,535
Receivables, net of allowance for doubtful accounts of $10,151 and $7,957 in 2015 and 2014, respectively.	183,310	169,610
Prepaid lease expenses	65,839	42,713
Deferred income tax assets	775	729
Other current assets	39,317	34,057
Total current assets	316,196	272,644
Property, plant and equipment	3,145,793	3,110,385
Less accumulated depreciation and amortization	(2,059,468)	(2,026,745)
Net property, plant and equipment	1,086,325	1,083,640
Goodwill	1,515,840	1,502,616
Intangible assets	369,341	366,518
Deferred financing costs net of accumulated amortization of $7,802 and $5,476 in 2015 and 2014, respectively	28,446	30,771
Deferred income tax assets	1,466	12,496
Other assets	33,733	31,775
Total assets	$ 3,351,347	$ 3,300,460
LIABILITIES AND STOCKHOLDER S EQUITY		
Current liabilities:		
Trade accounts payable	$ 19,170	$ 16,368
Current maturities of long-term debt	17,552	15,625
Accrued expenses	90,979	105,007
Deferred income	99,097	84,558
Total current liabilities	226,798	221,558
Long-term debt	1,922,887	1,884,270

Asset retirement obligation	206,165	204,327
Other liabilities	26,285	23,414
Total liabilities	2,382,135	2,333,569
Stockholder s equity:		
Common stock, par value $.01, 3,000 shares authorized, 100 shares issued and outstanding at 2015 and 2014		
Additional paid-in-capital	2,723,400	2,682,216
Accumulated comprehensive income	1,251	2,454
Accumulated deficit	(1,755,439)	(1,717,779)
Stockholder s equity	969,212	966,891
Total liabilities and stockholder s equity	$ 3,351,347	$ 3,300,460

See accompanying note to condensed consolidated financial statements.

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LAMAR MEDIA CORP.

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Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

(In thousands, except share and per share data)

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Statements of Operations				
Net revenues	$ 344,249	$ 330,433	$ 646,726	$ 615,366
Operating expenses (income)				
Direct advertising expenses (exclusive of depreciation and amortization)	115,951	114,277	229,183	225,785
General and administrative expenses (exclusive of depreciation and amortization)	60,729	56,054	119,935	113,731
Corporate expenses (exclusive of depreciation and amortization)	19,600	16,942	34,903	32,124
Depreciation and amortization	48,725	71,049	97,955	140,575
Gain on disposition of assets	(191)	(1,020)	(2,027)	(1,226)
	244,814	257,302	479,949	510,989
Operating income	99,435	73,131	166,777	104,377
Other expense (income)				
Loss on extinguishment of debt		20,847		26,023
Other-than-temporary impairment of investment				4,069
Interest income	(24)	(43)	(26)	(88)
Interest expense	24,712	26,086	49,244	56,354
	24,688	46,890	49,218	86,358
Income before income tax expense	74,747	26,241	117,559	18,019
Income tax expense	15,298	10,761	17,306	7,317
Net income	$ 59,449	$ 15,480	$ 100,253	$ 10,702
Statements of Comprehensive Income				
Net income	$ 59,449	$ 15,480	$ 100,253	$ 10,702
Other comprehensive income (loss)				
Foreign currency translation adjustments	407	669	(1,203)	285

Comprehensive income	$ 59,856	$ 16,149	$ 99,050	$ 10,987

See accompanying note to condensed consolidated financial statements.

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LAMAR MEDIA CORP.

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Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Six months ended June 30, 2015	Six months ended June 30, 2014
Cash flows from operating activities:		
Net income	$ 100,253	$ 10,702
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	97,955	140,575
Stock-based compensation	11,387	10,513
Amortization included in interest expense	2,324	2,451
Gain on disposition of assets and investments	(2,027)	(1,226)
Other-than-temporary impairment of investment		4,069
Loss on extinguishment of debt		26,023
Deferred tax expense (benefit)	10,878	(2,137)
Provision for doubtful accounts	3,986	2,750
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	(18,419)	(25,420)
Prepaid lease expenses	(22,798)	(20,941)
Other assets	(5,324)	(5,378)
Increase (decrease) in:		
Trade accounts payable	1,856	2,846
Accrued expenses	(4,301)	2,321
Other liabilities	(6,834)	13,993
Net cash provided by operating activities	168,936	161,141
Cash flows from investing activities:		
Acquisitions	(59,389)	(9,195)
Capital expenditures	(56,365)	(54,255)
Proceeds from disposition of assets and investments	5,692	1,664
(Increase) decrease of notes receivable	(15)	4,477
Net cash used in investing activities	(110,077)	(57,309)
Cash flows from financing activities:		
Principal payments on long-term debt	(7,510)	(3,797)

Payment on revolving credit facility	(107,000)	(220,000)
Proceeds received from revolving credit facility	155,000	155,000
Payment on senior subordinated notes		(415,752)
Proceeds received from note offering		510,000
Proceeds received from senior credit facility		300,000
Payment on senior credit facility		(352,106)
Debt issuance costs		(17,081)
Distributions to non-controlling interest	(360)	(734)
Contributions from parent	41,184	24,020
Dividend to parent	(137,913)	(82,000)
Net cash used in financing activities	(56,599)	(102,450)
Effect of exchange rate changes in cash and cash equivalents	(840)	(177)
Net increase in cash and cash equivalents	1,420	1,205
Cash and cash equivalents at beginning of period	25,535	32,712
Cash and cash equivalents at end of period	$ 26,955	$ 33,917
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 46,906	$ 47,570
Cash paid for foreign, state and federal income taxes	$ 7,453	$ 9,295

See accompanying note to condensed consolidated financial statements.

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LAMAR MEDIA CORP.

AND SUBSIDIARIES

Note 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 2014 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, 8, 9, 10, 12 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.

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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 2014 Combined Form 10-K filed on February 26, 2015, 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 three and six months ended June 30, 2015 and 2014. 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 below. During the six months ended June 30, 2015, the Company completed acquisitions for a total cash purchase price of approximately $59.4 million.

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 six months ended June 30, 2015 and 2014:

	Three months ended June 30, (in thousands)		Six months ended June 30, (in thousands)	
	2015	2014	2015	2014

Total capital expenditures:				
Billboard traditional	$ 6,880	$ 6,584	$ 12,689	$ 11,202
Billboard digital	15,876	18,060	30,138	27,858
Logos	2,105	2,002	5,047	3,870
Transit	32	178	162	268
Land and buildings	968	2,401	4,139	5,702
Operating equipment	1,463	2,632	4,190	5,355
Total capital expenditures	$ 27,324	$ 31,857	$ 56,365	$ 54,255

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 non-controlling interest.

We define AFFO as FFO before (i) straight-line revenue and expense; (ii) stock-based compensation expense; (iii) non-cash tax expense (benefit); (iv) non-real estate related depreciation and amortization; (v) amortization of deferred financing and debt issuance 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 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

Six Months ended June 30, 2015 compared to Six Months ended June 30, 2014

Net revenues increased $31.4 million or 5.1% to $646.7 million for the six months ended June 30, 2015 from $615.4 million for the same period in 2014. This increase was attributable primarily to an increase in billboard net revenues of $26.4 million, which represents an increase of 4.8% over the same period in 2014, primarily due to increases in local billboard revenue and from the addition of 247 digital billboard units since June 2014. In addition, logo sign revenue increased $2.1 million, which represents an increase of 6.0% over the prior period and there was a $2.9 million increase in transit revenue, which represents an increase of 8.4% over the prior period.

For the six months ended June 30, 2015, there was a $24.6 million increase in net revenues as compared to acquisition-adjusted net revenue for the six months ended June 30, 2014, which represents an increase of 3.9%. See Reconciliations below. The $24.6 million increase in revenue primarily consists of a $20.2 million increase in billboard revenue, a $2.9 million increase in transit revenue and a $1.4 million increase in logo revenue over the acquisition-adjusted net revenue for the comparable period in 2014.

Total operating expenses, exclusive of depreciation and amortization and gain on sale of assets, increased $12.4 million to $384.2 million for the six months ended June 30, 2015 from $371.8 million in the same period in 2014. The $12.4 million increase over the prior year is comprised of a $9.6 million increase in direct and general and administrative operating expenses related to the operations of our outdoor advertising assets and corporate expense increases of $2.8 million.

Depreciation and amortization expense decreased $42.6 million, or 30.3% for the six months ended June 30, 2015, as compared to the six months ended June 30, 2014, primarily due to a portion of our digital and traditional billboard structures being fully amortized as well as our change to the straight-line method of depreciation effective January 1, 2015.

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Due to the above factors, operating income increased to $166.6 million for the six months ended June 30, 2015 compared to $104.2 million for the same period in 2014.

The Company did not have any financing transactions during the six months ended June 30, 2015. However, during the six months ended June 30, 2014, the Company recognized a loss on debt extinguishment of $26.0 million related to the redemption of Lamar Media s 7 7/8% Senior Subordinated Notes due 2018 (the 7 7/8% Notes) and the amendment of its senior credit facility. Approximately $10.3 million of which was a non-cash expense attributable to the write off of unamortized debt issuance fees associated with the then existing senior credit facility and the 7 7/8% Notes.

Interest expense decreased $7.1 million from $56.4 million for the six months ended June 30, 2014, to $49.2 million for the six months ended June 30, 2015, primarily resulting from the Company s April 2014 refinancing of the 7 7/8% Notes.

The increase in operating income, decrease in interest expense and decreases in other-than-temporary impairment of investment and loss on debt extinguishment resulted in a $99.6 million increase in net income before income taxes. The Company recognized $17.3 million in income tax expense for the six months ended June 30, 2015. The effective tax rate for the six months ended June 30, 2015 is approximately 14.7%, 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 six months ended June 30, 2015 of $100.1 million, as compared to net income of $10.6 million for the same period in 2014.

Reconciliations:

Because acquisitions occurring after December 31, 2013 (the acquired assets) have contributed to our net revenue results for the periods presented, we provide 2014 acquisition-adjusted net revenue, which adjusts our 2014 net revenue for the six months ended June 30, 2014 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 six months ended June 30, 2015.

Reconciliations of 2014 reported net revenue to 2014 acquisition-adjusted net revenue for the six months ended June 30, as well as a comparison of 2014 acquisition-adjusted net revenue to 2015 reported net revenue for the six months ended June 30, are provided below:

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

	Six months ended June 30,	
	2015	**2014**
	(in thousands)	
Reported net revenue	$ 646,726	$ 615,366
Acquisition net revenue		6,796
Adjusted totals	$ 646,726	$ 622,162

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014	Amount of Increase (Decrease)	Percent Increase (Decrease)
Net income	$ 100,076	$ 10,585	$ 89,491	845.5%
Income tax expense	17,306	7,239	10,067	
Loss on other-than-temporary impairment of investment		4,069	(4,069)	
Loss on debt extinguishment		26,023	(26,023)	
Interest expense (income), net	49,218	56,266	(7,048)	
Gain on disposition of assets	(2,027)	(1,226)	(801)	
Depreciation and amortization	97,955	140,575	(42,620)	
Stock-based compensation expense	11,387	10,513	874	
Adjusted EBITDA	$ 273,915	$ 254,044	$ 19,871	7.8%

Adjusted EBITDA for the six months ended June 30, 2015 increased 7.8% to $273.9 million. The increase in Adjusted EBITDA was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense) of $28.0 million, and was partially offset by an increase in general administrative and corporate expenses of $8.1 million, excluding the impact of stock-based compensation expense.

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Net Income/FFO/AFFO

(in thousands)

	Six Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2015	2014		
Net income	$ 100,076	$ 10,585	$ 89,491	845.5%
Depreciation and amortization related to real estate	90,377	132,071	(41,694)	
Gain from sale or disposal of real estate	(1,799)	(595)	(1,204)	
Adjustments for unconsolidated affiliates and non-controlling interest	350	299	51	
FFO	$ 189,004	$ 142,360	$ 46,644	32.8%
Straight line expense (income)	203	(228)	431	
Stock-based compensation expense	11,387	10,513	874	
Non-cash portion of tax provision	10,878	3,025	7,853	
Non-real estate related depreciation and amortization	7,578	8,504	(926)	
Amortization of deferred financing costs	2,324	2,451	(127)	
Loss on other-than-temporary impairment of investment		4,069	(4,069)	
Loss on extinguishment of debt		26,023	(26,023)	
Capital expenditures maintenance	(24,136)	(34,697)	10,561	
Adjustments for unconsolidated affiliates and non-controlling interest	(350)	(299)	(51)	
AFFO	$ 196,888	$ 161,721	$ 35,167	21.7%

FFO for the six months ended June 30, 2015 was $189.0 million as compared to FFO of $142.4 million for the same period in 2014. AFFO for six months ended June 30, 2015 increased 21.7% to $196.9 million as compared to $161.7 million for the same period in 2014. AFFO growth was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense) and decrease in interest expense, partially offset by increases in general and administrative expenses and corporate expenses.

RESULTS OF OPERATIONS

Three Months ended June 30, 2015 compared to Three Months ended June 30, 2014

Net revenues increased $13.8 million or 4.2% to $344.2 million for the three months ended June 30, 2015 from $330.4 million for the same period in 2014. This increase was attributable primarily to an increase in billboard net revenues of $11.5 million, which represents an increase of 3.9% over the same period in 2014, primarily due to increases in local billboard revenue and from the addition of 247 digital billboard units since June 2014. In addition, logo sign revenue increased $0.9 million, which represents an increase of 4.9% over the prior period and there was a $1.4 million increase in transit revenue, which represents an increase of 7.3% over the prior period.

For the three months ended June 30, 2015, there was a $9.7 million increase in net revenues as compared to acquisition-adjusted net revenue for the three months ended June 30, 2014, which represents an increase of 2.9%. See Reconciliations below. The $9.7 million increase in revenue primarily consists of a $7.5 million increase in billboard revenue, a $1.5 million increase in transit revenue and a $0.7 million increase in logo revenue over the acquisition-adjusted net revenue for the comparable period in 2014.

Total operating expenses, exclusive of depreciation and amortization and gain on sale of assets, increased $9.0 million to $196.4 million for the three months ended June 30, 2015 from $187.4 million in the same period in 2014. The $9.0 million increase over the prior year is comprised of a $6.3 million increase in direct and general and administrative operating expenses related to the operations of our outdoor advertising assets and corporate expense increases of $2.7 million.

Depreciation and amortization expense decreased $22.3 million, or 31.4% for the three months ended June 30, 2015, as compared to the three months ended June 30, 2014, primarily due to a portion of our digital and traditional billboard structures being fully amortized as well as our change to the straight-line method of depreciation effective January 1, 2015.

Due to the above factors, operating income increased to $99.3 million for the three months ended June 30, 2015 compared to $73.0 million for the same period in 2014.

The Company did not have any financing transactions during the three months ended June 30, 2015. However, during the second quarter of 2014, the Company recognized a $20.8 million loss on debt extinguishment related to the redemption of Lamar Media s 7 7/8% Senior Subordinated Notes due 2018 (the 7 7/8% Notes). Approximately $5.1 million was a non-cash expense attributable to the write off of unamortized debt issuance fees associated with the Notes.

Interest expense decreased $1.4 million from $26.1 million for the three months ended June 30, 2014, to $24.7 million for the three months ended June 30, 2015, primarily resulting from the Company s April 2014 refinancing of its 7 7/8% Notes.

The increase in operating income, decrease in interest expense and decrease in loss on debt extinguishment resulted in a $48.5 million increase in net income before income taxes. The Company recognized income tax expense of $15.3 million for the three months ended June 30, 2015. The effective tax rate for the three months ended June 30, 2015 was 20.5%, 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 June 30, 2015 of $59.4 million, as compared to net income of $15.4 million for the same period in 2014.

Reconciliations:

Because acquisitions occurring after December 31, 2013 (the acquired assets) have contributed to our net revenue results for the periods presented, we provide 2014 acquisition-adjusted net revenue, which adjusts our 2014 net revenue for the three months ended June 30, 2014 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 June 30, 2015.

Reconciliations of 2014 reported net revenue to 2014 acquisition-adjusted net revenue for the three months ended June 30, as well as a comparison of 2014 acquisition-adjusted net revenue to 2015 reported net revenue for the three months ended June 30, are provided below:

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

	Three months ended June 30,	
	2015	**2014**
	(in thousands)	
Reported net revenue	$ 344,249	$ 330,433
Acquisition net revenue		4,074
Adjusted totals	$ 344,249	$ 334,507

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Amount of Increase (Decrease)	Percent Increase (Decrease)
Net income	$ 59,360	$ 15,422	$ 43,938	284.9%
Income tax expense	15,298	10,726	4,572	
Loss on debt extinguishment		20,847	(20,847)	
Interest expense (income), net	24,688	26,043	(1,355)	
Gain on disposition of assets	(191)	(1,020)	829	
Depreciation and amortization	48,725	71,049	(22,324)	
Stock-based compensation expense	7,486	6,601	885	
Adjusted EBITDA	$ 155,366	$ 149,668	$ 5,698	3.8%

Adjusted EBITDA for the three months ended June 30, 2015 increased 3.8% to $155.4 million. The increase in Adjusted EBITDA was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense) of $12.1 million, and was partially offset by an increase in general administrative and corporate expenses of $6.4 million, excluding the impact of stock-based compensation expense.

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