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, 2020

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, $0.001 par value	LAMR	The NASDAQ Stock Market, LLC

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

Indicate by check mark whether each registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
Emerging growth company	☐		

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

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

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

The number of shares of Lamar Advertising Company's Class A common stock outstanding as of October 30, 2020: 86,427,967

The number of shares of the Lamar Advertising Company's Class B common stock outstanding as of October 30, 2020: 14,420,085

The number of shares of Lamar Media Corp. common stock outstanding as of October 30, 2020: 100

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

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information included in this report is forward-looking in nature within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. This report uses terminology such as “anticipates,” “believes,” “plans,” “expects,” “future,” “intends,” “may,” “will,” “should,” “estimates,” “predicts,” “potential,” “continue” and 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 magnitude of the impact of the novel coronavirus (COVID-19) on our operations and on general economic conditions;
- 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 REITs 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, 2019 of the Company and Lamar Media (the “2019 Combined Form 10-K”), filed on February 20, 2020, as updated and supplemented in Part II, Item 1A of our combined Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 filed on August 6, 2020, and as such risk factors may be further updated or supplemented, from time to time, in our future combined Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

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PART I — FINANCIAL INFORMATION

ITEM 1. — FINANCIAL STATEMENTS

LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)

	September 30, 2020 (Unaudited)	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 68,628	$ 26,188
Receivables, net of allowance for doubtful accounts of $16,610 and $13,185 in 2020 and 2019, respectively	225,748	254,930
Other current assets	25,407	29,051
Total current assets	319,783	310,169
Property, plant and equipment	3,633,109	3,660,311
Less accumulated depreciation and amortization	(2,338,726)	(2,311,196)
Net property, plant and equipment	1,294,383	1,349,115
Operating lease right of use assets	1,265,081	1,320,779
Goodwill	1,912,210	1,912,274
Intangible assets, net	929,683	992,244
Other assets	57,263	56,574
Total assets	$ 5,778,403	$ 5,941,155
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 10,818	$ 14,974
Current maturities of long-term debt, net of deferred financing costs of $556 and $6,081 in 2020 and 2019, respectively	131,068	226,514
Current operating lease liabilities	176,148	196,841
Accrued expenses	76,687	107,225
Deferred income	117,183	127,254
Total current liabilities	511,904	672,808
Long-term debt, net of deferred financing costs of $40,823 and $18,333 in 2020 and 2019, respectively	2,833,120	2,753,604
Operating lease liabilities	1,032,535	1,068,181
Deferred income tax liabilities	3,829	5,713
Asset retirement obligation	223,939	226,137
Other liabilities	34,023	34,406
Total liabilities	4,639,350	4,760,849
Stockholders' equity:		
Series AA preferred stock, par value $.001, $63.80 cumulative dividends, 5,720 shares authorized; 5,720 shares issued and outstanding at 2020 and 2019	—	—
Class A common stock, par value $.001, 362,500,000 shares authorized; 87,042,881 and 86,596,498 shares issued at 2020 and 2019, respectively; 86,427,967 and 86,093,300 outstanding at 2020 and 2019, respectively	87	87
Class B common stock, par value $.001, 37,500,000 shares authorized, 14,420,085 shares issued and outstanding at 2020 and 2019	14	14
Additional paid-in capital	1,958,713	1,922,222
Accumulated comprehensive income	157	685
Accumulated deficit	(775,500)	(708,408)
Cost of shares held in treasury, 614,914 and 503,198 shares at 2020 and 2019, respectively	(44,418)	(34,294)
Stockholders' equity	1,139,053	1,180,306
Total liabilities and stockholders' equity	$ 5,778,403	$ 5,941,155

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 September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Statements of Income				
Net revenues	$ 386,110	$ 457,786	$ 1,140,331	$ 1,290,985
Operating expenses (income)				
Direct advertising expenses (exclusive of depreciation and amortization)	136,309	148,846	419,862	435,706
General and administrative expenses (exclusive of depreciation and amortization)	66,749	80,561	216,361	238,270
Corporate expenses (exclusive of depreciation and amortization)	17,266	23,185	52,507	58,888
Depreciation and amortization	61,237	63,951	187,548	187,150
Gain on disposition of assets	(1,304)	(199)	(4,823)	(5,360)
	280,257	316,344	871,455	914,654
Operating income	105,853	141,442	268,876	376,331
Other expense (income)				
Loss on extinguishment of debt	7,051	—	25,235	—
Interest income	(248)	(168)	(617)	(553)
Interest expense	35,068	38,323	107,058	114,240
	41,871	38,155	131,676	113,687
Income before income tax expense	63,982	103,287	137,200	262,644
Income tax expense (benefit)	1,224	3,578	2,520	(6,714)
Net income	62,758	99,709	134,680	269,358
Cash dividends declared and paid on preferred stock	91	91	273	273
Net income applicable to common stock	$ 62,667	$ 99,618	$ 134,407	$ 269,085
Earnings per share:				
Basic earnings per share	$ 0.62	$ 0.99	$ 1.33	$ 2.69
Diluted earnings per share	$ 0.62	$ 0.99	$ 1.33	$ 2.69
Cash dividends declared per share of common stock	$ 0.50	$ 0.96	$ 2.00	$ 2.88
Weighted average common shares used in computing earnings per share:				
Weighted average common shares outstanding basic	100,812,570	100,329,262	100,722,859	100,019,765
Weighted average common shares outstanding diluted	100,924,981	100,522,177	100,860,870	100,210,143
Statements of Comprehensive Income				
Net income	$ 62,758	$ 99,709	$ 134,680	$ 269,358
Other comprehensive income (loss)				
Foreign currency translation adjustments	330	(174)	(528)	372
Comprehensive income	$ 63,088	$ 99,535	$ 134,152	$ 269,730

See accompanying notes to condensed consolidated financial statements.

LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(In thousands, except share and per share data)

	Series AA PREF Stock	Class A CMN Stock	Class B CMN Stock	Treasury Stock	Add'l Paid in Capital	Accumulated Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance, December 31, 2019	$ —	87	14	(34,294)	1,922,222	685	(708,408)	$ 1,180,306
Non-cash compensation	—	—	—	—	1,261	—	—	1,261
Issuance of 272,813 shares of common stock through performance stock awards	—	—	—	—	24,956	—	—	24,956
Exercise of 14,609 shares of stock options	—	—	—	—	652	—	—	652
Issuance of 58,734 shares of common stock through employee purchase plan	—	—	—	—	2,560	—	—	2,560
Purchase of 110,520 shares of treasury stock	—	—	—	(10,068)	—	—	—	(10,068)
Foreign currency translation	—	—	—	—	—	(1,598)	—	(1,598)
Net income	—	—	—	—	—	—	40,493	40,493
Dividends/distributions to common shareholders ($1.00 per common share)	—	—	—	—	—	—	(100,687)	(100,687)
Dividends ($15.95 per preferred share)	—	—	—	—	—	—	(91)	(91)
Balance, March 31, 2020	$ —	87	14	(44,362)	1,951,651	(913)	(768,693)	$ 1,137,784
Non-cash compensation	—	—	—	—	1,525	—	—	1,525
Exercise of 13,642 shares of stock options	—	—	—	—	671	—	—	671
Issuance of shares 31,114 of common stock through employee purchase plan	—	—	—	—	1,765	—	—	1,765
Purchase of 1,196 shares of treasury stock				(56)				(56)
Foreign currency translation	—	—	—	—	—	740	—	740
Net income	—	—	—	—	—	—	31,429	31,429
Dividends/distributions to common shareholders ($0.50 per common share)	—	—	—	—	—	—	(50,396)	(50,396)
Dividends ($15.95 per preferred share)	—	—	—	—	—	—	(91)	(91)
Balance, June 30, 2020	$ —	87	14	(44,418)	1,955,612	(173)	(787,751)	$ 1,123,371
Non-cash compensation	—	—	—	—	1,011	—	—	1,011
Exercise of 6,455 shares of stock options	—	—	—	—	307	—	—	307
Issuance of shares 31,705 of common stock through employee purchase plan	—	—	—	—	1,783	—	—	1,783
Foreign currency translation	—	—	—	—	—	330	—	330
Net income	—	—	—	—	—	—	62,758	62,758
Dividends/distributions to common shareholders ($0.50 per common share)	—	—	—	—	—	—	(50,416)	(50,416)
Dividends ($15.95 per preferred share)	—	—	—	—	—	—	(91)	(91)
Balance, September 30, 2020	$ —	87	14	(44,418)	1,958,713	157	(775,500)	$ 1,139,053

See accompanying notes to condensed consolidated financial statements

LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(In thousands, except share and per share data)

	Series AA PREF Stock	Class A CMN Stock	Class B CMN Stock	Treasury Stock	Add'l Paid in Capital	Accumulated Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance, December 31, 2018	$ —	86	14	(25,412)	1,852,421	12	(695,337)	$ 1,131,784
Non-cash compensation	—	—	—	—	1,178	—	—	1,178
Issuance of 286,350 shares of common stock through performance stock awards	—	—	—	—	19,919	—	—	19,919
Exercise of 186,521 shares of stock options	—	—	—	—	7,352	—	—	7,352
Issuance of 44,161 shares of common stock through employee purchase plan	—	—	—	—	2,521	—	—	2,521
Purchase of 111,835 shares of treasury stock	—	—	—	(8,682)	—	—	—	(8,682)
Foreign currency translation	—	—	—	—	—	259	—	259
Net income	—	—	—	—	—	—	51,253	51,253
Dividends/distributions to common shareholders ($0.96 per common share)	—	—	—	—	—	—	(95,915)	(95,915)
Dividends ($15.95 per preferred share)	—	—	—	—	—	—	(91)	(91)
Balance, March 31, 2019	$ —	86	14	(34,094)	1,883,391	271	(740,090)	$ 1,109,578
Non-cash compensation	—	—	—	—	1,425	—	—	1,425
Exercise of 85,379 shares of stock options	—	—	—	—	3,943	—	—	3,943
Issuance of shares 31,455 of common stock through employee purchase plan	—	—	—	—	1,796	—	—	1,796
Foreign currency translation	—	—	—	—	—	287	—	287
Net income	—	—	—	—	—	—	118,396	118,396
Dividends/distributions to common shareholders ($0.96 per common share)	—	—	—	—	—	—	(96,039)	(96,039)
Dividends ($15.95 per preferred share)	—	—	—	—	—	—	(91)	(91)
Balance, June 30, 2019	$ —	86	14	(34,094)	1,890,555	558	(717,824)	$ 1,139,295
Non-cash compensation	—	—	—	—	968	—	—	968
Exercise of 28,152 shares of stock options	—	—	—	—	1,466	—	—	1,466
Issuance of shares 26,726 of common stock through employee purchase plan	—	—	—	—	1,840	—	—	1,840
Issuance of 266,410 shares of common stock for cash	—	1	—	—	21,197	—	—	21,198
Foreign currency translation	—	—	—	—	—	(174)	—	(174)
Net income	—	—	—	—	—	—	99,709	99,709
Dividends/distributions to common shareholders ($0.96 per common share)	—	—	—	—	—	—	(96,390)	(96,390)
Dividends ($15.95 per preferred share)	—	—	—	—	—	—	(91)	(91)
Balance, September 30, 2019	$ —	87	14	(34,094)	1,916,026	384	(714,596)	$ 1,167,821

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, 2020	Nine months ended September 30, 2019
Cash flows from operating activities:		
Net income	$ 134,680	$ 269,358
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	187,548	187,150
Stock-based compensation	11,046	18,078
Amortization included in interest expense	4,467	4,012
Gain on disposition of assets	(4,823)	(5,360)
Loss on extinguishment of debt	25,235	—
Deferred tax benefit	(1,870)	(14,459)
Provision for doubtful accounts	9,442	7,607
Changes in operating assets and liabilities		
Decrease (increase) in:		
Receivables	19,253	(35,739)
Prepaid lease expenses	1,002	21,201
Other assets	2,110	(7,688)
(Decrease) increase in:		
Trade accounts payable	(186)	2,829
Accrued expenses	(11,597)	(18,015)
Operating lease liabilities	625	(41,215)
Other liabilities	(15,475)	20,211
Net cash provided by operating activities	361,457	407,970
Cash flows from investing activities:		
Acquisitions	(28,747)	(214,559)
Capital expenditures	(44,633)	(97,680)
Proceeds received from property insurance claims	—	210
Proceeds from disposition of assets and investments	5,699	2,658
Increase in notes receivable	—	(448)
Net cash used in investing activities	(67,681)	(309,819)
Cash flows from financing activities:		
Cash used for purchase of treasury stock	(10,124)	(8,682)
Net proceeds from issuance of common stock	7,740	40,136
Principal payments on long term debt	(273)	(24,446)
Borrowings on long term debt	8,750	—
Payments on revolving credit facility	(805,000)	(495,000)
Proceeds received from revolving credit facility	725,000	430,000
Redemption of senior notes and senior subordinated notes	(1,058,596)	—
Proceeds received from note offerings	1,549,250	255,000
Proceeds received from accounts receivable securitization program	122,500	9,000
Payments on accounts receivable securitization program	(175,000)	(9,000)
Proceeds received from senior credit facility term loans	598,500	—
Payments on senior credit facility term loans	(978,097)	—
Debt issuance costs	(32,667)	(4,454)
Distributions to non-controlling interest	(1,475)	(439)
Dividends/distributions	(201,772)	(288,617)
Net cash used in financing activities	(251,264)	(96,502)
Effect of exchange rate changes in cash and cash equivalents	(72)	144
Net increase in cash and cash equivalents	42,440	1,793
Cash and cash equivalents at beginning of period	26,188	21,494
Cash and cash equivalents at end of period	$ 68,628	$ 23,287
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 115,999	$ 113,580
Cash paid for foreign, state and federal income taxes	$ 3,558	$ 12,532

See accompanying notes to condensed consolidated financial statements.

1. <u>Significant Accounting Policies</u>

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 2019 Combined Form 10-K. Subsequent events, if any, are evaluated through the date on which the financial statements are issued.

The following are updates to our significant accounting policies from our 2019 Combined Form 10-K.

(a) Goodwill, intangibles and long-lived assets

Due to changes in relevant events and circumstances related to COVID-19, which could have a negative impact on the Company's goodwill, the Company updated its goodwill qualitative assessment as of September 30, 2020. The update includes assessing macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, reporting unit dispositions and acquisitions, the market capitalization of the Company and other relevant events specific to the Company. After assessing the totality of events and circumstances, the Company determined that it is not "more likely than not" that the fair value of either of the Company's reporting units is less than its carrying amount. Therefore, management will not perform a quantitative impairment test and concluded its goodwill is not impaired as of September 30, 2020.

Management also reviewed the recoverability of our long-lived assets including intangibles, fixed assets and operating lease right of use assets and concluded there were no indicators of impairment as of September 30, 2020.

(b) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. These estimates take into account historical and forward-looking factors that the Company believes are reasonable, including but not limited to the potential impacts arising from the COVID-19 pandemic, based on available information to date.

2. <u>Revenues</u>

Advertising revenues: The majority of our revenues are derived from contracts for advertising space on billboard, logo and transit displays. Our contracts commencing prior to January 1, 2019 are accounted for under ASC 840, *Leases*. The majority of our contracts amended or commencing on or after January 1, 2019 are accounted for under ASC 606, *Revenue.* The contract revenues, under ASC 840, *Leases* and ASC 606, *Revenue*, are recognized ratably over their contract life. Costs to fulfill a contract, which include our costs to install advertising copy onto billboards, are capitalized and amortized to direct advertising expenses (exclusive of depreciation and amortization) in the Condensed Consolidated Statements of Income and Comprehensive Income.

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

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

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

(In thousands, except share and per share data)

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

The following table presents our disaggregated revenue by source including both revenues accounted for under ASC 840 and ASC 606 for the three and nine months ended September 30, 2020 and 2019.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Billboard Advertising	$ 348,361	$ 404,046	$ 1,015,761	$ 1,134,039
Logo Advertising	19,790	21,056	62,235	62,779
Transit Advertising	17,959	32,684	62,335	94,167
Net Revenues	$ 386,110	$ 457,786	$ 1,140,331	$ 1,290,985

3. <u>Leases</u>

During the three months ended September 30, 2020 and 2019, we had operating lease costs of $76,739 and $78,261, respectively, and variable lease costs of $13,494 and $19,030, respectively. During the nine months ended September 30, 2020 and 2019, we had operating lease costs of $235,473 and $233,427, respectively, and variable lease costs of $41,238 and $55,047, respectively. These operating lease costs are recorded in direct advertising expenses (exclusive of depreciation and amortization). Also, for the three months ended September 30, 2020 and 2019, we recorded a gain of $76 and a loss $36, respectively, in (gain) loss of disposition of assets related to the amendment and termination of lease agreements. For the nine months ended September 30, 2020 and 2019, we recorded a loss of $241 and a gain of $3,875, respectively, in (gain) loss of disposition of assets related to the amendment and termination of lease agreements. Cash payments of $234,400 and $262,327 were made reducing our operating lease liabilities for the nine months ended September 30, 2020 and 2019, respectively, and are included in cash flows provided by operating activities in the Condensed Consolidated Statements of Cash Flows.

We elected the short-term lease exemption which applies to certain of our vehicle agreements. This election allows the Company to not recognize lease right of use assets (ROU assets) or lease liabilities for agreements with a term of twelve months or less. We recorded $1,172 and $1,131 in direct advertising expenses (exclusive of depreciation and amortization) for these agreements during the three months ended September 30, 2020 and 2019, respectively. We recorded $3,679 and $3,357 in direct advertising expenses (exclusive of depreciation and amortization) for these agreements during the nine months ended September 30, 2020 and 2019, respectively.

Our operating leases have a weighted-average remaining lease term of 12.0 years. The weighted-average discount rate of our operating leases is 4.5%. Also, during the periods ended September 30, 2020 and 2019, we obtained $25,250 and $31,620, respectively, of leased assets in exchange for new operating lease liabilities, which includes liabilities obtained through acquisitions.

(In thousands, except share and per share data)

The following is a summary of the maturities of our operating lease liabilities as of September 30, 2020:

2020	$ 57,705
2021	209,158
2022	180,743
2023	160,872
2024	144,349
Thereafter	867,268
Total undiscounted operating lease payments	1,620,095
Less: Imputed interest	(411,412)
Total operating lease liabilities	$ 1,208,683

4. Stock-Based Compensation

Equity Incentive Plan. Lamar Advertising's 1996 Equity Incentive Plan, as amended, (the "Incentive Plan") has reserved 17.5 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 59,000 shares of its Class A common stock during the nine months ended September 30, 2020. At September 30, 2020 a total of 2,443,063 shares were available for future grant.

Stock Purchase Plan. Lamar Advertising's 2009 Employee Stock Purchase Plan (the "2009 ESPP"), approved by our shareholders on May 28, 2009, expired by its terms on June 30, 2019. On May 30, 2019, our shareholders approved Lamar Advertising's 2019 Employee Stock Purchase Plan (the "2019 ESPP"). The 2019 ESPP became effective upon the expiration of the 2009 ESPP. The number of shares of Class A common stock available under the 2019 ESPP was automatically increased by 86,093 shares on January 1, 2020 pursuant to the automatic increase provisions of the 2019 ESPP.

The following is a summary of 2019 ESPP share activity for the nine months ended September 30, 2020:

	Shares
Available for future purchases, January 1, 2020	438,434
Additional shares reserved under 2019 ESPP	86,093
Purchases	(121,553)
Available for future purchases, September 30, 2020	402,974

Performance-based stock compensation. Unrestricted shares of our Class A common stock may be awarded to key officers, employees and directors under the 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 2020 results. Any shares issued based on the achievement of performance goals will be issued in the first quarter of 2021. 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, 2020, the Company has recorded $7,219 as stock-based compensation expense related to performance-based awards. In addition, each non-employee director automatically receives a restricted stock award of our Class A common stock upon election or re-election. The awards vest 50% on grant date and 50% on the last day of the directors' one year term. The Company recorded $640 in stock-based compensation expense related to these awards for the nine months ended September 30, 2020.

(In thousands, except share and per share data)

5. Depreciation and Amortization

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Direct advertising expenses	$ 57,556	$ 59,556	$ 176,395	$ 175,871
General and administrative expenses	1,126	942	3,558	3,203
Corporate expenses	2,555	3,453	7,595	8,076
	$ 61,237	$ 63,951	$ 187,548	$ 187,150

6. Goodwill and Other Intangible Assets

The following is a summary of intangible assets at September 30, 2020 and December 31, 2019:

	Estimated Life (Years)	September 30, 2020		December 31, 2019	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:					
Customer lists and contracts	7—10	$ 644,684	$ 557,239	$ 641,714	$ 539,405
Non-competition agreements	3—15	66,102	64,579	66,014	64,379
Site locations	15	2,401,175	1,572,008	2,384,520	1,509,335
Other	2—15	49,980	38,432	49,864	36,749
		$ 3,161,941	$ 2,232,258	$ 3,142,112	$ 2,149,868
Unamortizable intangible assets:					
Goodwill		$ 2,165,746	$ 253,536	$ 2,165,810	$ 253,536

7. 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, 2019	$ 226,137
Additions to asset retirement obligations	477
Accretion expense	3,091
Liabilities settled	(5,766)
Balance at September 30, 2020	$ 223,939

(In thousands, except share and per share data)

8. 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, 2020 and December 31, 2019, Lamar Media was permitted under the terms of its outstanding notes to make transfers to Lamar Advertising in the form of cash dividends, loans or advances in amounts up to $3,505,265 and $3,389,763, respectively.

As of September 30, 2020, 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, 2020, 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 is less than 7.0 to 1 and (ii) the secured debt ratio does not exceed 4.5 to 1. As of September 30, 2020, the total debt ratio was less than 7.0 to 1 and Lamar Media's secured debt ratio was less than 4.5 to 1, and the available cumulative credit was $2,255,744.

9. 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, 2020 or 2019.

10. Long-term Debt

Long-term debt consists of the following at September 30, 2020 and December 31, 2019:

	September 30, 2020		
	Debt	Deferred financing costs	Debt, net of deferred financing costs
Senior Credit Facility	$ 668,402	$ 12,134	$ 656,268
Accounts Receivable Securitization Program	122,500	556	121,944
3 3/4% Senior Notes	600,000	8,236	591,764
4% Senior Notes	549,260	7,855	541,405
4 7/8% Senior Notes	400,000	5,725	394,275
5 3/4% Senior Notes	653,810	6,873	646,937
Other notes with various rates and terms	11,595	—	11,595
	3,005,567	41,379	2,964,188
Less current maturities	(131,624)	(556)	(131,068)
Long-term debt, excluding current maturities	$ 2,873,943	$ 40,823	$ 2,833,120

	December 31, 2019		
	Debt	Deferred financing costs	Debt, net of deferred financing costs
Senior Credit Facility	$ 1,127,069	$ 9,077	$ 1,117,992
Accounts Receivable Securitization Program	175,000	846	174,154
5% Senior Subordinated Notes	535,000	3,237	531,763
5 3/8% Senior Notes	510,000	3,502	506,498
5 3/4% Senior Notes	654,345	7,752	646,593
Other notes with various rates and terms	3,118	—	3,118
	3,004,532	24,414	2,980,118
Less current maturities	(232,595)	(6,081)	(226,514)
Long-term debt, excluding current maturities	$ 2,771,937	$ 18,333	$ 2,753,604

Senior Credit Facility

On February 6, 2020, Lamar Media entered into a Fourth Amended and Restated Credit Agreement (the “Fourth Amended and Restated Credit Agreement”) with 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. The Fourth Amended and Restated Credit Agreement amended and restated the Third Amended and Restated Credit Agreement dated as of May 15, 2017, as amended (the “Third Amended and Restated Credit Agreement”).

The new senior credit facility, as established by the Fourth Amended and Restated Credit Agreement (the “senior credit facility”), consists of (i) a new $750,000 senior secured revolving credit facility which will mature on February 6, 2025 (the “revolving credit facility”), (ii) a new $600,000 Term B loan facility (the “Term B loans”) which will mature on February 6, 2027, and (iii) an incremental facility (the “Incremental Facility”) pursuant to which Lamar Media may incur additional term loan tranches or increase its revolving credit facility subject to a pro forma secured debt ratio of 4.50 to 1.00, as well as certain other conditions including lender approval. Lamar Media borrowed all $600,000 in Term B loans on February 6, 2020. The entire amount of the Term B loans will be payable at maturity. The net proceeds from the Term B loans, together with borrowing under the revolving portion of the senior credit facility and a portion of the proceeds of the issuance of the 3 3/4% Senior Notes due 2028 and 4% Senior Notes due 2030 (both as described below), were used to repay all outstanding amounts under the Third Amended and Restated Credit Agreement, and all revolving commitments under that facility were terminated. As a result of refinancing our credit facility the Company incurred a loss on debt extinguishment of $5,608 for the nine months ended September 30, 2020.

The Term B loans mature on February 6, 2027 with no required amortization payments. The Term B loans bear interest at rates based on the Adjusted LIBO Rate (“Eurodollar term loans”) or the Adjusted Base Rate (“Base Rate term loans”), at Lamar Media’s option. Eurodollar Term B loans bear interest at a rate per annum equal to the Adjusted LIBO Rate plus 1.50%. Base Rate Term B loans bear interest at a rate per annum equal to the Adjusted Base Rate plus 0.50%.

The revolving credit facility bears interest at rates based on the Adjusted LIBO Rate (“Eurodollar revolving loans”) or the Adjusted Base Rate (“Base Rate revolving loans”), at Lamar Media’s option. Eurodollar revolving loans bear interest at a rate per annum equal to the Adjusted LIBO Rate plus 1.50% (or the Adjusted LIBO Rate plus 1.25% at any time the Total Debt Ratio is less than or equal to 3.25 to 1). Base Rate revolving loans bear interest at a rate per annum equal to the Adjusted Base Rate plus 0.50% (or the Adjusted Base Rate plus 0.25% at any time the total debt ratio is less than or equal to 3.25 to 1). The guarantees, covenants, events of default and other terms of the senior credit facility apply to the Term B loans and revolving credit facility.

As of September 30, 2020, there were $70,000 in outstanding borrowings under the revolving credit facility. Availability under the revolving credit facility is reduced by the amount of any letters of credit outstanding. Lamar Media had $13,084 in letters of credit outstanding as of September 30, 2020 resulting in $666,916 of availability under its revolving credit facility. Revolving credit loans may be requested under the revolving credit facility at any time prior to its maturity on February 6, 2025.

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 secured debt ratio as long as a revolving credit commitment, revolving loan or letter of credit remains outstanding, 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.

Accounts Receivable Securitization Program

On December 18, 2018, Lamar Media entered into a $175,000 Receivable Financing Agreement (the "Accounts Receivable Securitization Program") with its wholly-owned special purpose entities, Lamar QRS Receivables, LLC and Lamar TRS Receivables, LLC (the "Special Purpose Subsidiaries") maturing on December 17, 2021. The Accounts Receivable Securitization Program is limited to the availability of eligible accounts receivable collateralizing the borrowings under the agreements governing the Accounts Receivable Securitization Program.

Pursuant to two separate Purchase and Sale Agreements dated December 18, 2018, each of which is among Lamar Media as initial Servicer, certain of Lamar Media's subsidiaries and a Special Purpose Subsidiary, the subsidiaries sold substantially all of their existing and future accounts receivable balances to the Special Purpose Subsidiaries. The Special Purpose Subsidiaries use the accounts receivable balances to collateralize loans pursuant to the Accounts Receivable Securitization Program. Lamar Media retains the responsibility of servicing the accounts receivable balances pledged as collateral under the Accounts Receivable Securitization Program and provides a performance guaranty.

On June 30, 2020, Lamar Media and the Special Purpose Subsidiaries entered into the Third Amendment (the "Amendment") to the Receivables Financing Agreement dated December 18, 2018. The Amendment increases the maximum three month average Delinquency Ratio, Dilution Ratio and Days' Sales Outstanding to 11.00% (from 8.00%), 7.00% (from 4.00%) and 75 days (from 65 days), respectively, for each of the months of June, July and August 2020. The Amendment does not modify any other financial covenant. Additionally, the Amendment establishes a new Minimum Funding Threshold, which requires the Special Purpose Subsidiaries to maintain minimum borrowings under the Accounts Receivable Securitization Program on any day equal to the lesser of (i) 50.00% of the aggregate Commitment of all Lenders or (ii) the Borrowing Base, though the Special Purpose Subsidiaries have the right to borrow less than the Minimum Funding Threshold during certain periods prior to December 21, 2020 at their election.

As of September 30, 2020 there was $122,500 outstanding aggregate borrowings under the Accounts Receivable Securitization Program. Lamar Media had an additional $35,300 available for borrowing under the Accounts Receivable Securitization Program as of September 30, 2020. The commitment fees based on the amount of unused commitments under the Accounts Receivable Securitization Program were immaterial during the nine months ended September 30, 2020.

On October 23, 2020, Lamar Media and the Special Purpose Subsidiaries entered into the Fourth Amendment (the "Subsequent Amendment") to the Receivables Financing Agreement dated December 18, 2018. The Subsequent Amendment increases the maximum three month average Delinquency Ratio generally to 13.00% (and up to 16.00% for up to two additional periods upon written notice from Lamar Media), and increases the maximum three month average Dilution Ratio to 5.00% for the remaining term of the Accounts Receivable Securitization Program. Additionally, the Subsequent Amendment increases the Minimum Funding Threshold which, as amended, requires the Special Purpose Subsidiaries to maintain minimum borrowings under the Accounts Receivable Securitization Program on any day equal to the lesser of (i) 70.00% of the aggregate Commitment of all Lenders or (ii) the Borrowing Base, though the Special Purpose Subsidiaries have the right to borrow less than the Minimum Funding Threshold during certain periods prior to December 21, 2020 at their election.

The Accounts Receivable Securitization Program is accounted for as a collateralized financing activity, rather than a sale of assets, and therefore: (i) accounts receivable balances pledged as collateral are presented as assets and the borrowings are presented as liabilities on our Condensed Consolidated Balance Sheets, (ii) our Condensed Consolidated Statements of Income and Comprehensive Income reflect the associated charges for bad debt expense (a component of general and administrative expenses) related to the pledged accounts receivable and interest expense associated with the collateralized borrowings and (iii) receipts from customers related to the underlying accounts receivable are reflected as operating cash flows and borrowings and repayments under the collateralized loans are reflected as financing cash flows within our Condensed Consolidated Statements of Cash Flows.

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.

On August 31, 2020, Lamar Media redeemed $267,500 in aggregate principal amount of the outstanding 5% Notes at a redemption price of 100.833%, plus accrued and unpaid interest up to but not including the redemption date. On September 16, 2020 Lamar Media redeemed the remaining aggregate principal amount of $267,500 of the outstanding 5% Notes at a redemption price of 100.833%, plus accrued and unpaid interest up to but not including the redemption date. These redemptions were funded using cash on hand, borrowings under our revolving credit facility and the Accounts Receivable Securitization Program and proceeds from the additional 4% Senior Notes issued on August 19, 2020. These redemptions combined resulted in a loss on debt extinguishment of $7,051, of which $4,456 was cash, for the period ended September 30, 2020.

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. Lamar Media used the proceeds from the 4% Senior Notes and 3 3/4% Senior Notes to redeem in full all of the 5 3/8% Notes on February 20, 2020 at a redemption price of 101.792% of the aggregate principal amounts of the outstanding 5 3/8% Notes, plus accrued and unpaid interest up to but not including the redemption date. In conjunction with the redemption, the Company recorded a loss on debt extinguishment of $12,576, of which $9,139 was cash, for the period ended September 30, 2020.

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 on January 28, 2016 resulted in net proceeds to Lamar Media of approximately $394,500.

On February 1, 2019, Lamar Media completed an institutional private placement of an additional $250,000 aggregate principal amount under its 5 3/4% Notes (the “New 2026 Notes”). Other than with respect to the date of issuance, issue price and CUSIP number, the New 2026 Notes have the same terms as the 5 3/4% Notes. The net proceeds after underwriting fees and expenses, was approximately $251,500 and were used to repay a portion of the borrowings outstanding under the revolving credit facility.

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.

4% Senior Notes

On February 6, 2020, Lamar Media completed an institutional private placement of $400,000 aggregate principal amount of 4% Senior Notes due 2030 (the “4% Notes”). The institutional private placement on February 6, 2020 resulted in net proceeds to Lamar Media of approximately $395,000.

On August 19, 2020, Lamar Media completed an institutional private placement of an additional $150,000 aggregate principal amount of its 4% Notes (the “New 2030 Notes”). Other than with respect to the date of issuance and issue price, the New 2030 Notes have the same terms as the 4% Notes. The institutional private placement on August 19, 2020 resulted in net proceeds to Lamar Media of approximately $146,900.

Lamar Media may redeem up to 40% of the aggregate principal amount of the 4% Notes, at any time and from time to time, at a price equal to 104% of the aggregate principal amount redeemed, plus accrued and unpaid interest thereon, with the net cash proceeds of certain public equity offerings completed before February 15, 2023, provided that following the redemption, at least 60% of the 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 15, 2025, Lamar Media may redeem some or all of the 4% 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 February 15, 2025, Lamar Media may redeem the 4% Notes, in whole or in part, in cash at redemption prices specified in the 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 4% Notes at a price equal to 101% of the principal amount of the 4% Notes, plus accrued and unpaid interest, up to but not including the repurchase date.

3 3/4% Senior Notes

On February 6, 2020, Lamar Media completed an institutional private placement of $600,000 aggregate principal amount of 3 3/4% Senior Notes due 2028 (the "3 3/4% Notes"). The institutional private placement on February 6, 2020 resulted in net proceeds to Lamar Media of approximately $592,500.

Lamar Media may redeem up to 40% of the aggregate principal amount of 3 3/4% Notes, at any time and from time to time, at a price equal to 103.75% of the aggregate principal amount redeemed, plus accrued and unpaid interest thereon, with the net cash proceeds of certain public equity offerings completed before February 15, 2023, provided that following the redemption, at least 60% of the 3 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 15, 2023, Lamar Media may redeem some or all of the 3 3/4% 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 February 15, 2023, Lamar Media may redeem the 3 3/4% Notes, in whole or in part, in cash at redemption prices specified in the 3 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 3 3/4% Notes at a price equal to 101% of the principal amount of the 3 3/4% Notes, plus accrued and unpaid interest, up to but not including the repurchase date.

4 7/8% Senior Notes

On May 13, 2020, Lamar Media completed an institutional private placement of $400,000 aggregate principal amount of 4 7/8% Senior Notes due 2029 (the "4 7/8% Notes"). The institutional private placement on May 13, 2020 resulted in net proceeds to Lamar Media of approximately $395,000.

Lamar Media may redeem up to 40% of the aggregate principal amount of the 4 7/8% Notes, at any time and from time to time, at a price equal to 104.875% of the aggregate principal amount redeemed, plus accrued and unpaid interest thereon, with the net cash proceeds of certain public equity offerings completed before May 15, 2023, provided that following the redemption, at least 60% of the 4 7/8% 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, 2024, Lamar Media may redeem some or all of the 4 7/8% 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, 2024, Lamar Media may redeem the 4 7/8% Notes, in whole or in part, in cash at redemption prices specified in the 4 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 4 7/8% Notes at a price equal to 101% of the principal amount of the 4 7/8% Notes, plus accrued and unpaid interest, up to but not including the repurchase date.

Debt Repurchase Program

On March 16, 2020, the Company's Board of Directors authorized Lamar Media to repurchase up to $250,000 outstanding senior or senior subordinated notes and other indebtedness outstanding from time to time under its Fourth Amended and Restated Credit Agreement. The repurchase program will expire on September 30, 2021 unless extended by the Board of Directors. There were no repurchases under the program as of September 30, 2020.

11. Fair Value of Financial Instruments

At September 30, 2020 and December 31, 2019, 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 $3,023,177 which exceeds the carrying amount of $3,005,567 as of September 30, 2020. 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).

12. New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326*) – Measurement of Credit Losses on Financial Instruments, and additional changes modifications, clarifications, or interpretations related to this guidance thereafter, which require a reporting entity to estimate credit losses on certain types of financial instruments, and present assets held at amortized cost and available-for-sale debt securities at the amount expected to be collected. The new guidance is effective for annual and interim periods beginning after December 15, 2019. The Company adopted this guidance on January 1, 2020 and the impact of the adoption was not material to the Company's consolidated financial statements. As of September 30, 2020, our allowance for credit losses considered the current and future impacts caused by the COVID-19 pandemic, based on available information to date. The Company will continue to actively monitor the impact of COVID-19 on expected credit losses.

13. Dividends/Distributions

During the three months ended September 30, 2020 and 2019, the Company declared and paid cash distributions in an aggregate amount of $50,416 or $0.50 per share and $96,390 or $0.96 per share, respectively. During the nine months ended September 30, 2020 and 2019, the Company declared and paid cash distributions in an aggregate amount of $201,499 or $2.00 per share and $288,344 or $2.88 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), the impact of COVID-19 on the Company's operations and other factors that the Board of Directors may deem relevant. During the three and nine months ended September 30, 2020 and 2019, 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 and $273 or $47.85 per share for each period, respectively.

14. Information about Geographic Areas

Revenues from external customers attributable to foreign countries totaled $16,295 and $25,635 for the nine months ended September 30, 2020 and 2019, respectively. Net carrying value of long-lived assets located in foreign countries totaled $5,930 and $4,549 as of September 30, 2020 and December 31, 2019, respectively. All other revenues from external customers and long lived assets relate to domestic operations.

15. Stockholders' Equity

On May 1, 2018, the Company entered into an equity distribution agreement (the "Sales Agreement") with J.P. Morgan Securities LLC, Wells Fargo Securities LLC, and SunTrust Robinson Humphrey, Inc. as its sales agents (each a "Sales Agent", and collectively, the "Sales Agents"). Under the terms of the Sales Agreement, the Company may, from time to time, issue and sell shares of its Class A common stock, having an aggregate offering price of up to $400,000, through the Sales Agents as either agents or principals. As of September 30, 2020, 842,412 shares of our Class A common stock have been sold under the Sales Agreement and accordingly $336,668 remained available to be sold under the Sales Agreement as of September 30, 2020.

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

On August 6, 2018, the Company filed an automatically effective shelf registration statement that registered the offer and sale of an indeterminate amount of additional shares of our Class A common stock. During the year ended December 31, 2018, the Company issued 163,137 shares of its Class A common stock in connection with acquisitions occurring during the period. The Company filed a prospectus supplement to the shelf registration statement relating to the offer and resale of such shares of Class A common stock. There were no additional shares issued under this shelf registration during the year ended December 31, 2019 and the nine months ended September 30, 2020.

On March 16, 2020, the Company's Board of Directors authorized the repurchase of up to $250,000 of the Company's Class A common stock. The repurchase program will expire on September 30, 2021 unless extended by the Board of Directors. There were no repurchases under the program as of September 30, 2020.

LAMAR MEDIA CORP.
AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except share data)

	September 30, 2020 (Unaudited)	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 68,128	$ 25,688
Receivables, net of allowance for doubtful accounts of $16,610 and $13,185 in 2020 and 2019, respectively	225,748	254,930
Other current assets	25,407	29,051
Total current assets	319,283	309,669
Property, plant and equipment	3,633,109	3,660,311
Less accumulated depreciation and amortization	(2,338,726)	(2,311,196)
Net property, plant and equipment	1,294,383	1,349,115
Operating lease right of use assets	1,265,081	1,320,779
Goodwill	1,902,059	1,902,123
Intangible assets, net	929,215	991,776
Other assets	51,647	50,959
Total assets	$ 5,761,668	$ 5,924,421
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Trade accounts payable	$ 10,818	$ 14,974
Current maturities of long-term debt, net of deferred financing costs of $556 and $6,081 in 2020 and 2019, respectively	131,068	226,514
Current operating lease liabilities	176,148	196,841
Accrued expenses	70,088	101,266
Deferred income	117,183	127,254
Total current liabilities	505,305	666,849
Long-term debt, net of deferred financing costs of $40,823 and $18,333 in 2020 and 2019, respectively	2,833,120	2,753,604
Operating lease liabilities	1,032,535	1,068,181
Deferred income tax liabilities	3,829	5,713
Asset retirement obligation	223,939	226,137
Other liabilities	34,023	34,406
Total liabilities	4,632,751	4,754,890
Stockholder's equity:		
Common stock, par value $.01, 3,000 shares authorized, 100 shares issued and outstanding at 2020 and 2019	—	—
Additional paid-in-capital	3,029,221	2,992,729
Accumulated comprehensive income	157	685
Accumulated deficit	(1,900,461)	(1,823,883)
Stockholder's equity	1,128,917	1,169,531
Total liabilities and stockholder's equity	$ 5,761,668	$ 5,924,421

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 September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Statements of Income				
Net revenues	$ 386,110	$ 457,786	$ 1,140,331	$ 1,290,985
Operating expenses (income)				
Direct advertising expenses (exclusive of depreciation and amortization)	136,309	148,846	419,862	435,706
General and administrative expenses (exclusive of depreciation and amortization)	66,749	80,561	216,361	238,270
Corporate expenses (exclusive of depreciation and amortization)	17,129	23,062	52,141	58,567
Depreciation and amortization	61,237	63,951	187,548	187,150
Gain on disposition of assets	(1,304)	(199)	(4,823)	(5,360)
	280,120	316,221	871,089	914,333
Operating income	105,990	141,565	269,242	376,652
Other expense (income)				
Loss on extinguishment of debt	7,051	—	25,235	—
Interest income	(248)	(168)	(617)	(553)
Interest expense	35,068	38,323	107,058	114,240
	41,871	38,155	131,676	113,687
Income before income tax expense	64,119	103,410	137,566	262,965
Income tax expense (benefit)	1,224	3,578	2,520	(6,714)
Net income	$ 62,895	$ 99,832	$ 135,046	$ 269,679
Statements of Comprehensive Income				
Net income	$ 62,895	$ 99,832	$ 135,046	$ 269,679
Other comprehensive income (loss)				
Foreign currency translation adjustments	330	(174)	(528)	372
Comprehensive income	$ 63,225	$ 99,658	$ 134,518	$ 270,051

See accompanying notes to condensed consolidated financial statements.

LAMAR MEDIA CORP.
AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholder's Equity
(Unaudited)
(In thousands, except share and per share data)

	Common Stock	Additional Paid-In Capital	Accumulated Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance, December 31, 2019	$ —	2,992,729	685	(1,823,883)	$ 1,169,531
Contribution from parent	—	29,429	—	—	29,429
Foreign currency translations	—	—	(1,598)	—	(1,598)
Net income	—	—	—	40,617	40,617
Dividend to parent	—	—	—	(110,755)	(110,755)
Balance, March 31, 2020	$ —	3,022,158	(913)	(1,894,021)	$ 1,127,224
Contribution from parent	—	3,962	—	—	3,962
Foreign currency translations	—	—	740	—	740
Net income	—	—	—	31,534	31,534
Dividend to parent	—	—	—	(50,453)	(50,453)
Balance, June 30, 2020	$ —	3,026,120	(173)	(1,912,940)	$ 1,113,007
Contribution from parent	—	3,101	—	—	3,101
Foreign currency translations	—	—	330	—	330
Net income	—	—	—	62,895	62,895
Dividend to parent	—	—	—	(50,416)	(50,416)
Balance, September 30, 2020	$ —	3,029,221	157	(1,900,461)	$ 1,128,917

	Common Stock	Additional Paid-In Capital	Accumulated Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance, December 31, 2018	$ —	2,922,907	12	(1,802,723)	$ 1,120,196
Contribution from parent	—	30,970	—	—	30,970
Foreign currency translations	—	—	259	—	259
Net income	—	—	—	51,362	51,362
Dividend to parent	—	—	—	(104,597)	(104,597)
Balance, March 31, 2019	$ —	2,953,877	271	(1,855,958)	$ 1,098,190
Contribution from parent	—	7,165	—	—	7,165
Foreign currency translations	—	—	287	—	287
Net income	—	—	—	118,485	118,485
Dividend to parent	—	—	—	(96,039)	(96,039)
Balance, June 30, 2019	$ —	2,961,042	558	(1,833,512)	$ 1,128,088
Contribution from parent	—	25,491	—	—	25,491
Foreign currency translations	—	—	(174)	—	(174)
Net income	—	—	—	99,832	99,832
Dividend to parent	—	—	—	(96,391)	(96,391)
Balance, September 30, 2019	$ —	2,986,533	384	(1,830,071)	$ 1,156,846

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, 2020	Nine months ended September 30, 2019
Cash flows from operating activities:		
Net income	$ 135,046	$ 269,679
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	187,548	187,150
Stock-based compensation	11,046	18,078
Amortization included in interest expense	4,467	4,012
Gain on disposition of assets	(4,823)	(5,360)
Loss on extinguishment of debt	25,235	—
Deferred tax benefit	(1,870)	(14,459)
Provision for doubtful accounts	9,442	7,607
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	19,253	(35,739)
Prepaid lease expenses	1,002	21,201
Other assets	2,110	(7,688)
(Decrease) increase in:		
Trade accounts payable	(186)	2,829
Accrued expenses	(11,597)	(18,015)
Operating lease liabilities	625	(41,215)
Other liabilities	(44,865)	(3,872)
Net cash provided by operating activities	332,433	384,208
Cash flows from investing activities:		
Acquisitions	(28,747)	(214,559)
Capital expenditures	(44,633)	(97,680)
Proceeds received from property insurance claims	—	210
Proceeds from disposition of assets and investments	5,699	2,658
Increase in notes receivable	—	(448)
Net cash used in investing activities	(67,681)	(309,819)
Cash flows from financing activities:		
Principal payments on long term debt	(273)	(24,446)
Borrowings on long term debt	8,750	—
Payments on revolving credit facility	(805,000)	(495,000)
Proceeds received from revolving credit facility	725,000	430,000
Redemption of senior notes and senior subordinated notes	(1,058,596)	—
Proceeds received from note offerings	1,549,250	255,000
Proceeds received from accounts receivable securitization program	122,500	9,000
Payments on accounts receivable securitization program	(175,000)	(9,000)
Proceeds received from senior credit facility term loans	598,500	—
Payments on senior credit facility term loans	(978,097)	—
Debt issuance costs	(32,667)	(4,454)
Distributions to non-controlling interest	(1,475)	(439)
Contributions from parent	36,492	63,626
Dividend to parent	(211,624)	(297,027)
Net cash used in financing activities	(222,240)	(72,740)
Effect of exchange rate changes in cash and cash equivalents	(72)	144
Net increase in cash and cash equivalents	42,440	1,793
Cash and cash equivalents at beginning of period	25,688	20,994
Cash and cash equivalents at end of period	$ 68,128	$ 22,787
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 115,999	$ 113,580
Cash paid for foreign, state and federal income taxes	$ 3,558	$ 12,532

See accompanying notes to condensed consolidated financial statements.

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 2019 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, 8, 10, 11, 12, and 14 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 is 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, 2020

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (unaudited)	Eliminations	Lamar Media Consolidated
ASSETS					
Total current assets	$ 60,374	$ 27,270	$ 231,639	$ —	$ 319,283
Net property, plant and equipment	—	1,284,158	10,225	—	1,294,383
Operating lease right of use assets	—	1,240,402	24,679	—	1,265,081
Intangibles and goodwill, net	—	2,813,473	17,801	—	2,831,274
Other assets	3,950,549	224,809	132,337	(4,256,048)	51,647
Total assets	$ 4,010,923	$ 5,590,112	$ 416,681	$ (4,256,048)	$ 5,761,668
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ —	$ 9,124	$ 121,944	$ —	$ 131,068
Current operating lease liabilities	—	166,848	9,300	—	176,148
Other current liabilities	19,326	163,890	14,873	—	198,089
Total current liabilities	19,326	339,862	146,117	—	505,305
Long-term debt	2,830,649	2,471	—	—	2,833,120
Operating lease liabilities	—	1,018,197	14,338	—	1,032,535
Other noncurrent liabilities	32,031	227,552	250,930	(248,722)	261,791
Total liabilities	2,882,006	1,588,082	411,385	(248,722)	4,632,751
Stockholders' equity	1,128,917	4,002,030	5,296	(4,007,326)	1,128,917
Total liabilities and stockholders' equity	$ 4,010,923	$ 5,590,112	$ 416,681	$ (4,256,048)	$ 5,761,668

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, 2019

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
ASSETS					
Total current assets	$ 13,859	$ 53,756	$ 242,054	$ —	$ 309,669
Net property, plant and equipment	—	1,340,675	8,440	—	1,349,115
Operating lease right of use assets	—	1,293,674	27,105	—	1,320,779
Intangibles and goodwill, net	—	2,875,644	18,255	—	2,893,899
Other assets	4,193,629	229,905	184,805	(4,557,380)	50,959
Total assets	$ 4,207,488	$ 5,793,654	$ 480,659	$ (4,557,380)	$ 5,924,421
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 51,480	$ 34	$ 175,000	$ —	$ 226,514
Current operating lease liabilities	—	189,071	7,770	—	196,841
Other current liabilities	26,960	196,689	19,845	—	243,494
Total current liabilities	78,440	385,794	202,615	—	666,849
Long-term debt	2,753,570	34	—	—	2,753,604
Operating lease liabilities	—	1,049,220	18,961	—	1,068,181
Other noncurrent liabilities	205,947	231,416	250,859	(421,966)	266,256
Total liabilities	3,037,957	1,666,464	472,435	(421,966)	4,754,890
Stockholder’s equity	1,169,531	4,127,190	8,224	(4,135,414)	1,169,531
Total liabilities and stockholder’s equity	$ 4,207,488	$ 5,793,654	$ 480,659	$ (4,557,380)	$ 5,924,421

(In Thousands, Except for Share Data)

Condensed Consolidating Statements of Income and Comprehensive Income for the Three Months Ended September 30, 2020

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
Statement of Income			(unaudited)		
Net revenues	$ —	$ 378,652	$ 7,825	$ (367)	$ 386,110
Operating expenses					
Direct advertising expenses (1)	—	130,496	6,180	(367)	136,309
General and administrative expenses (1)	—	65,340	1,409	—	66,749
Corporate expenses (1)	—	16,918	211	—	17,129
Depreciation and amortization	—	60,751	486	—	61,237
Gain on disposition of assets	—	(1,304)	—	—	(1,304)
	—	272,201	8,286	(367)	280,120
Operating income (loss)	—	106,451	(461)	—	105,990
Equity in (earnings) loss of subsidiaries	(104,769)	—	—	104,769	—
Loss on extinguishment of debt	7,051	—	—	—	7,051
Interest expense (income), net	34,823	(92)	89	—	34,820
Income (loss) before income tax expense (benefit)	62,895	106,543	(550)	(104,769)	64,119
Income tax expense (benefit) (2)	—	1,449	(225)	—	1,224
Net income (loss)	$ 62,895	$ 105,094	$ (325)	$ (104,769)	$ 62,895
Statement of Comprehensive Income					
Net income (loss)	$ 62,895	$ 105,094	$ (325)	$ (104,769)	$ 62,895
Total other comprehensive income, net of tax	—	—	330	—	330
Total comprehensive income (loss)	$ 62,895	$ 105,094	$ 5	$ (104,769)	$ 63,225

(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.

(In Thousands, Except for Share Data)

Condensed Consolidating Statements of Income and Comprehensive Income for the Three Months Ended September 30, 2019

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
Statement of Income			(unaudited)		
Net revenues	$ —	$ 446,838	$ 11,539	$ (591)	$ 457,786
Operating expenses					
Direct advertising expenses (1)	—	142,412	7,025	(591)	148,846
General and administrative expenses (1)	—	78,470	2,091	—	80,561
Corporate expenses (1)	—	22,645	417	—	23,062
Depreciation and amortization	—	63,033	918	—	63,951
Gain on disposition of assets	—	(185)	(14)	—	(199)
	—	306,375	10,437	(591)	316,221
Operating income	—	140,463	1,102	—	141,565
Equity in (earnings) loss of subsidiaries	(136,714)	—	—	136,714	—
Interest expense (income), net	36,882	(7)	1,280	—	38,155
Income (loss) before income tax expense	99,832	140,470	(178)	(136,714)	103,410
Income tax expense (2)	—	3,255	323	—	3,578
Net income (loss)	$ 99,832	$ 137,215	$ (501)	$ (136,714)	$ 99,832
Statement of Comprehensive Income					
Net income (loss)	$ 99,832	$ 137,215	$ (501)	$ (136,714)	$ 99,832
Total other comprehensive loss, net of tax	—	—	(174)	—	(174)
Total comprehensive income (loss)	$ 99,832	$ 137,215	$ (675)	$ (136,714)	$ 99,658

(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.

(In Thousands, Except for Share Data)

Condensed Consolidating Statements of Income and Comprehensive Income for the Nine Months Ended September 30, 2020

Statement of Income	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
			(unaudited)		
Net revenues	$ —	$ 1,116,947	$ 24,514	$ (1,130)	$ 1,140,331
Operating expenses					
Direct advertising expenses (1)	—	402,033	18,959	(1,130)	419,862
General and administrative expenses (1)	—	211,090	5,271	—	216,361
Corporate expenses (1)	—	51,526	615	—	52,141
Depreciation and amortization	—	186,201	1,347	—	187,548
(Gain) loss on disposition of assets	—	(4,878)	55	—	(4,823)
	—	845,972	26,247	(1,130)	871,089
Operating income (loss)	—	270,975	(1,733)	—	269,242
Equity in (earnings) loss of subsidiaries	(265,353)	—	—	265,353	—
Loss on extinguishment of debt	25,235	—	—	—	25,235
Interest expense (income), net	105,072	(151)	1,520	—	106,441
Income (loss) before income tax expense (benefit)	135,046	271,126	(3,253)	(265,353)	137,566
Income tax expense (benefit) (2)	—	3,373	(853)	—	2,520
Net income (loss)	$ 135,046	$ 267,753	$ (2,400)	$ (265,353)	$ 135,046
Statement of Comprehensive Income					
Net income (loss)	$ 135,046	$ 267,753	$ (2,400)	$ (265,353)	$ 135,046
Total other comprehensive loss, net of tax	—	—	(528)	—	(528)
Total comprehensive income (loss)	$ 135,046	$ 267,753	$ (2,928)	$ (265,353)	$ 134,518

(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.

(In Thousands, Except for Share Data)

Condensed Consolidating Statements of Income and Comprehensive Income for the Nine Months Ended September 30, 2019

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
Statement of Income			(unaudited)		
Net revenues	$ —	$ 1,258,493	$ 34,563	$ (2,071)	$ 1,290,985
Operating expenses					
Direct advertising expenses (1)	—	417,271	20,506	(2,071)	435,706
General and administrative expenses (1)	—	232,602	5,668	—	238,270
Corporate expenses (1)	—	57,542	1,025	—	58,567
Depreciation and amortization	—	184,897	2,253	—	187,150
Gain on disposition of assets	—	(1,195)	(4,165)	—	(5,360)
	—	891,117	25,287	(2,071)	914,333
Operating income	—	367,376	9,276	—	376,652
Equity in (earnings) loss of subsidiaries	(379,424)	—	—	379,424	—
Interest expense (income), net	109,745	(94)	4,036	—	113,687
Income (loss) before income tax (benefit) expense	269,679	367,470	5,240	(379,424)	262,965
Income tax (benefit) expense (2)	—	(9,357)	2,643	—	(6,714)
Net income (loss)	$ 269,679	$ 376,827	$ 2,597	$ (379,424)	$ 269,679
Statement of Comprehensive Income					
Net income (loss)	$ 269,679	$ 376,827	$ 2,597	$ (379,424)	$ 269,679
Total other comprehensive income, net of tax	—	—	372	—	372
Total comprehensive income (loss)	$ 269,679	$ 376,827	$ 2,969	$ (379,424)	$ 270,051

(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.

(In Thousands, Except for Share Data)

Condensed Consolidating Statement of Cash Flows for the Nine Months Ended September 30, 2020

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
			(unaudited)		
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	$ 310,395	$ 436,270	$ 4,949	$ (419,181)	$ 332,433
Cash flows from investing activities:					
Acquisitions	577	(29,324)	—	—	(28,747)
Capital expenditures	—	(42,792)	(1,841)	—	(44,633)
Proceeds from disposition of assets	—	5,699	—	—	5,699
Investment in subsidiaries	(29,324)	—	—	29,324	—
Increase in intercompany notes receivable	(57,807)	—	—	57,807	—
Net cash (used in) provided by investing activities	(86,554)	(66,417)	(1,841)	87,131	(67,681)
Cash flows from financing activities:					
Proceeds received from revolving credit facility	725,000	—	—	—	725,000
Payment on revolving credit facility	(805,000)	—	—	—	(805,000)
Principal payments on long term debt	—	(273)	—	—	(273)
Borrowings on long term debt	—	8,750	—	—	8,750
Proceeds received from note offering	1,549,250	—	—	—	1,549,250
Redemption of senior notes and senior subordinated notes	(1,058,596)	—	—	—	(1,058,596)
Proceeds received from senior credit facility term loans	598,500	—	—	—	598,500
Payments on senior credit facility term loans	(978,097)	—	—	—	(978,097)
Payment on accounts receivable securitization program	—	—	(175,000)	—	(175,000)
Proceeds received from accounts receivable securitization program	—	—	122,500	—	122,500
Debt issuance costs	(32,667)	—	—	—	(32,667)
Intercompany loan proceeds	—	4,111	53,696	(57,807)	—
Distributions to non-controlling interest	—	—	(1,475)	—	(1,475)
Dividends (to) from parent	(211,624)	(419,181)	—	419,181	(211,624)
Contributions from (to) parent	36,492	29,324	—	(29,324)	36,492
Net cash (used in) provided by financing activities	(176,742)	(377,269)	(279)	332,050	(222,240)
Effect of exchange rate changes in cash and cash equivalents	—	—	(72)	—	(72)
Net increase (decrease) in cash and cash equivalents	47,099	(7,416)	2,757	—	42,440
Cash and cash equivalents at beginning of period	13,185	8,278	4,225	—	25,688
Cash and cash equivalents at end of period	$ 60,284	$ 862	$ 6,982	$ —	$ 68,128

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, 2019

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
			(unaudited)		
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	$ 289,262	$ 510,514	$ (11,358)	$ (404,210)	$ 384,208
Cash flows from investing activities:					
Acquisitions	—	(214,559)	—	—	(214,559)
Capital expenditures	—	(94,820)	(2,860)	—	(97,680)
Proceeds from disposition of assets	—	2,658	—	—	2,658
Proceeds received from insurance claims	—	210	—	—	210
Investment in subsidiaries	(214,559)	—	—	214,559	—
Decrease in intercompany notes receivable	7,236	—	—	(7,236)	—
Increase in notes receivable	(448)	—	—	—	(448)
Net cash (used in) provided by investing activities	(207,771)	(306,511)	(2,860)	207,323	(309,819)
Cash flows from financing activities:					
Proceeds received from revolving credit facility	430,000	—	—	—	430,000
Payment on revolving credit facility	(495,000)	—	—	—	(495,000)
Principal payments on long-term debt	(24,421)	(25)	—	—	(24,446)
Proceeds received from note offering	255,000	—	—	—	255,000
Payment on accounts receivable securitization program	—	—	(9,000)	—	(9,000)
Proceeds received from accounts receivable securitization program	—	—	9,000	—	9,000
Debt issuance costs	(4,454)	—	—	—	(4,454)
Intercompany loan proceeds	—	(19,641)	12,405	7,236	—
Distributions to non-controlling interest	—	—	(439)	—	(439)
Dividends (to) from parent	(297,027)	(404,210)	—	404,210	(297,027)
Contributions from (to) parent	63,626	214,559	—	(214,559)	63,626
Net cash (used in) provided by financing activities	(72,276)	(209,317)	11,966	196,887	(72,740)
Effect of exchange rate changes in cash and cash equivalents	—	—	144	—	144
Net increase (decrease) in cash and cash equivalents	9,215	(5,314)	(2,108)	—	1,793
Cash and cash equivalents at beginning of period	4,029	11,655	5,310	—	20,994
Cash and cash equivalents at end of period	$ 13,244	$ 6,341	$ 3,202	$ —	$ 22,787

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 2019 Combined Form 10-K filed on February 20, 2020, as updated and supplemented in Part II, Item 1A of our combined Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 filed on August 6, 2020, and as such risk factors may be further updated or supplemented, from time to time, in our future combined Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. 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 and three months ended September 30, 2020 and 2019. 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.

Impact of the COVID-19 Pandemic

The unprecedented and rapid spread of COVID-19 and the related government-imposed restrictions and social distancing measures implemented throughout the world have reduced demand for out-of-home advertising. Beginning in late March, large public events were cancelled, and governments began imposing restrictions on non-essential activities, which in turn lead to advertisers suspending, delaying or cancelling their advertising campaigns. The government-imposed restrictions have had an adverse impact on the volume of vehicles on roadways (particularly in larger markets), pedestrians in airports and riders on public transit and numerous advertising customer segments including, but not limited to, entertainment, retail, restaurant and amusement advertisers.

As a result, demand for billboard, transit and airport advertising declined, which has had an adverse impact on our revenues and financial position. The decrease in outdoor advertising demand during the three months ended September 30, 2020 resulted in a 15.7% decrease in our consolidated net revenues as compared to the same period in 2019. As revenues declined, the Company responded through a variety of cost saving and liquidity measures as discussed below. While we cannot predict the length and severity of the reduction in demand due to the pandemic, we observed an improvement in customer activity beginning in June and through October as the government-imposed restrictions on travel were eased. However, the pace of the recovery remains uncertain given the continued impact of the pandemic on the overall U.S. and global economy, and new or renewed government-imposed restrictions on travel may be enacted in the future. Our liquidity measures and expense management initiatives may be modified as we monitor the timing of economic recovery.

In response to the ongoing pandemic, we have implemented measures to mitigate the impact on our financial position and operations. These measures include, but are not limited to, the following:

- issuing $400.0 million in 4 7/8% Senior Notes on May 13, 2020 which, along with cash on hand, were used to pay-down all then outstanding balances under our revolving credit facility;
- redeeming our $535.0 million 5% Senior Subordinated Notes due 2023 funded through a combination of cash on hand, draws under our revolving credit facility and the Accounts Receivable Securitization Program and through the issuance of an additional $150.0 million in 4% Senior Notes on August 19, 2020;
- reducing our consolidated operating costs (exclusive of depreciation and amortization and gain on disposition of assets) by $32.3 million or 12.8% for the three months ended September 30, 2020 over the same period in 2019 which included:
    - o reductions in our transit and airport franchise costs and billboard lease costs; and
    - o reducing our workforce by approximately 8% through attrition and selected layoffs;

- sharply curtailing spending on capital projects, including new digital displays;
- limiting acquisition activity; and
- utilizing portions of the CARES Act for deferral of employer portions of social security taxes through the end of 2020, with 50% of the deferral due December 31, 2021 and the remaining 50% due December 31, 2022.

We will continue to evaluate the impact of the COVID-19 pandemic on our business and we may access the debt and/or equity capital markets for additional liquidity, if necessary.

The Company’s management and Board of Directors are continuing to evaluate our quarterly dividend plans for the remainder of 2020. This evaluation includes ensuring the Company remains in compliance with its REIT dividend requirements for the year.

As of September 30, 2020, we did not incur any impairment charges related to goodwill or long-lived assets (including operating lease right of use assets). We also did not incur any significant credit losses for the three and nine months ended September 30, 2020.

While some of our corporate, front office and sales workforce continues to work from home, a large majority has returned to their offices while adhering to the Centers for Disease Control and Prevention and state and local governmental guidelines and recommendations. The impacts of working from home have been minimal on productivity. Also, while working from home has minimally impacted our processes, there have been no material impacts to our internal control environment.

We continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state or local authorities, or that we determine are in the best interests of our employees, customers, partners and stockholders.

Acquisitions and capital expenditures

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, 2020, the Company completed acquisitions for a total cash purchase price of approximately $28.7 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, 2020 and 2019:

	Three months ended September 30, (in thousands)		Nine months ended September 30, (in thousands)	
	2020	**2019**	**2020**	**2019**
Total capital expenditures:				
Billboard — traditional	$ 678	$ 11,894	$ 8,701	$ 34,587
Billboard — digital	2,620	14,461	19,422	40,498
Logos	1,853	3,249	5,398	7,153
Transit	817	497	2,672	2,293
Land and buildings	1,210	4,818	3,468	6,514
Operating equipment	1,181	2,201	4,972	6,635
Total capital expenditures	$ 8,359	$ 37,120	$ 44,633	$ 97,680

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), loss (gain) on extinguishment of debt and investments, stock-based compensation, depreciation and amortization, gain or loss on disposition of assets and investments, capitalized contract fulfillment costs, net and the impact of ASC 842 adoption (lease accounting standard).

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 income and expense; (ii) impact of ASC 842 adoption; (iii) capitalized contract fulfillment costs, net (iv) stock-based compensation expense; (v) non-cash portion of tax provision; (vi) non-real estate related depreciation and amortization; (vii) amortization of deferred financing costs; (viii) loss on extinguishment of debt; (ix) non-recurring infrequent or unusual losses (gains); (x) less maintenance capital expenditures; and (xi) 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, 2020 compared to Nine Months ended September 30, 2019

Net revenues decreased $150.7 million or 11.7% to $1.140 billion for the nine months ended September 30, 2020 from $1.291 billion for the same period in 2019. This decrease was primarily attributable to a decrease in billboard and transit net revenues of $118.3 million and $31.8 million, respectively, over the same period in 2019, which related to the effects of the ongoing pandemic.

For the nine months ended September 30, 2020, there was a $160.2 million decrease in net revenues as compared to acquisition-adjusted net revenue for the nine months ended September 30, 2019, which represents a decrease of 12.3%. See “Reconciliations” below. The $160.2 million decrease in revenue is primarily due to a $130.3 million and $31.2 million decrease in billboard and transit net revenues, respectively, which are due to the effects of the ongoing pandemic. The decrease in outdoor and transit revenues was slightly offset by an increase of $1.4 million in logo revenue.

Total operating expenses, exclusive of depreciation and amortization and loss (gain) on disposition of assets, decreased $44.1 million, or 6.0% to $688.7 million for the nine months ended September 30, 2020 from $732.9 million in the same period in 2019. The $44.1 million decrease over the prior year is comprised of a $37.1 million decrease in total direct, general and administrative and corporate expenses (excluding stock-based compensation) primarily related to the operations of our outdoor advertising assets, as well as a $7.0 million decrease in stock-based compensation.

Depreciation and amortization expense increased $0.4 million to $187.5 million for the nine months ended September 30, 2020 as compared to $187.2 million for the same period in 2019.

For the nine months ended September 30, 2020, the Company recognized a gain on disposition of assets of $4.8 million primarily resulting from transactions related to billboard locations.

Due to the above factors, operating income decreased by $107.5 million to $268.9 million for the nine months ended September 30, 2020 as compared to $376.3 million for the same period in 2019.

The Company recognized a loss on debt extinguishment of $25.2 million during the nine months ended September 30, 2020, which relates to the early repayment of our 5 3/8% Senior Notes and 5% Senior Subordinated Notes and refinancing of our senior credit facility.

Interest expense decreased $7.2 million for the nine months ended September 30, 2020 to $107.1 million as compared to $114.2 million for the nine months ended September 30, 2019. The decrease is primarily related to the Company’s debt transactions completed in 2020, as well as a reduction in our senior credit facility interest rates.

The decrease in operating income and increase in loss on extinguishment of debt, offset by the decrease in interest expense, resulted in a $125.4 million decrease in net income before income taxes. The effective tax rate for the nine months ended September 30, 2020 was 1.8%, 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, 2020 of $134.7 million, as compared to net income of $269.4 million for the same period in 2019.

Reconciliations:

Because acquisitions occurring after December 31, 2018 (the “acquired assets”) have contributed to our net revenue results for the periods presented, we provide 2019 acquisition-adjusted net revenue, which adjusts our 2019 net revenue for the nine months ended September 30, 2019 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, 2020.

Reconciliations of 2019 reported net revenue to 2019 acquisition-adjusted net revenue for the nine months ended September 30, as well as a comparison of 2019 acquisition-adjusted net revenue to 2020 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, 2020	Nine months ended September 30, 2019
	(in thousands)	
Reported net revenue	$ 1,140,331	$ 1,290,985
Acquisition net revenue	—	9,515
Adjusted totals	$ 1,140,331	$ 1,300,500

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Amount of Increase (Decrease)	Percent Increase (Decrease)
Net income	$ 134,680	$ 269,358	$ (134,678)	(50.0)%
Income tax expense (benefit)	2,520	(6,714)	9,234	
Loss on debt extinguishment	25,235	—	25,235	
Interest expense (income), net	106,441	113,687	(7,246)	
Gain on disposition of assets	(4,823)	(5,360)	537	
Depreciation and amortization	187,548	187,150	398	
Impact of ASC 842 adoption (lease accounting standard)	—	3,029	(3,029)	
Capitalized contract fulfillment costs, net	1,036	(9,984)	11,020	
Stock-based compensation expense	11,046	18,078	(7,032)	
Adjusted EBITDA	$ 463,683	$ 569,244	$ (105,561)	(18.5)%

Adjusted EBITDA for the nine months ended September 30, 2020 decreased 18.5% to $463.7 million. The decrease in adjusted EBITDA was primarily attributable to a decrease in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization, the impact of ASC 842 adoption and capitalized contract fulfillment costs, net) of $126.7 million, and was offset by a decrease in total general and administrative and corporate expenses of $21.1 million, excluding the impact of stock-based compensation expense.

Net Income/FFO/AFFO

(in thousands)

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Amount of Increase (Decrease)	Percent Increase (Decrease)
Net income	$ 134,680	$ 269,358	$ (134,678)	(50.0)%
Depreciation and amortization related to real estate	178,884	175,920	2,964	
Gain from sale or disposal of real estate, net of tax	(4,422)	(5,048)	626	
Non-cash tax benefit for REIT converted assets	—	(17,031)	17,031	
Adjustments for unconsolidated affiliates and non-controlling interest	456	561	(105)	
FFO	$ 309,598	$ 423,760	$ (114,162)	(26.9)%
Straight line expense (income)	2,615	(217)	2,832	
Impact of ASC 842 adoption (lease accounting standard)	—	3,029	(3,029)	
Capitalized contract fulfillment costs, net	1,036	(9,984)	11,020	
Stock-based compensation expense	11,046	18,078	(7,032)	
Non-cash portion of tax provision	(1,870)	2,572	(4,442)	
Non-real estate related depreciation and amortization	8,664	11,230	(2,566)	
Amortization of deferred financing costs	4,467	4,012	455	
Loss on extinguishment of debt	25,235	—	25,235	
Capital expenditures – maintenance	(17,616)	(35,888)	18,272	
Adjustments for unconsolidated affiliates and non-controlling interest	(456)	(561)	105	
AFFO	$ 342,719	$ 416,031	$ (73,312)	(17.6)%

FFO for the nine months ended September 30, 2020 decreased from $423.8 million in 2019 to $309.6 million for the same period in 2020, a decrease of 26.9%. AFFO for the nine months ended September 30, 2020 decreased 17.6% to $342.7 million as compared to $416.0 million for the same period in 2019. The decrease in AFFO was primarily attributable to the decrease in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization, capitalized contract fulfillment costs, net and the impact of ASC 842 adoption) offset by decreases in the total of general and administrative and corporate expenses (excluding the effect of stock-based compensation expense).

Three Months ended September 30, 2020 compared to Three Months ended September 30, 2019

Net revenues decreased $71.7 million or 15.7% to $386.1 million for the three months ended September 30, 2020 from $457.8 million for the same period in 2019. This decrease was primarily attributable to a decrease in billboard and transit net revenues of $55.7 million and $14.7 million, respectively, over the same period in 2019, which related to the effects of the ongoing pandemic.

For the three months ended September 30, 2020, there was a $71.0 million decrease in net revenues as compared to acquisition-adjusted net revenue for the three months ended September 30, 2019, which represents a decrease of 15.5%. See “Reconciliations” below. The $71.0 million decrease in revenue is primarily due to a $57.0 million and $14.7 million decrease in billboard and transit net revenues, respectively, and is a result of the effects of the ongoing pandemic.

Total operating expenses, exclusive of depreciation and amortization and loss (gain) on disposition of assets, decreased $32.3 million, or 12.8% to $220.3 million for the three months ended September 30, 2020 from $252.6 million in the same period in 2019. The $32.3 million decrease over the prior year is comprised of a $26.6 million decrease in total direct, general and administrative and corporate expenses (excluding stock-based compensation) primarily related to the operations of our outdoor advertising assets, as well as a $5.7 million decrease in stock-based compensation.

Depreciation and amortization expense decreased $2.7 million to $61.2 million for the three months ended September 30, 2020 as compared to $64.0 million for the same period in 2019.

For the three months ended September 30, 2020, the Company recognized a gain on disposition of assets of $1.3 million primarily resulting from transactions related to billboard locations.

Due to the above factors, operating income decreased by $35.6 million to $105.9 million for the three months ended September 30, 2020 as compared to $141.4 million for the same period in 2019.

The Company recognized a loss on debt extinguishment of $7.1 million during the three months ended September 30, 2020, which relates to the early repayment of the 5% Senior Subordinated Notes.

Interest expense decreased $3.3 million for the three months ended September 30, 2020 to $35.1 million as compared to $38.3 million for the three months ended September 30, 2019.

The decrease in operating income and increase in loss on extinguishment of debt, offset by the decrease in interest expense, resulted in a $39.3 million decrease in net income before income taxes. The effective tax rate for the three months ended September 30, 2020 was 1.9%, 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 three months ended September 30, 2020 of $62.8 million, as compared to net income of $99.7 million for the same period in 2019.

Reconciliations:

Because acquisitions occurring after December 31, 2018 (the "acquired assets") have contributed to our net revenue results for the periods presented, we provide 2019 acquisition-adjusted net revenue, which adjusts our 2019 net revenue for the three months ended September 30, 2019 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, 2020.

Reconciliations of 2019 reported net revenue to 2019 acquisition-adjusted net revenue for the three months ended September 30, as well as a comparison of 2019 acquisition-adjusted net revenue to 2020 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,	
	2020	2019
	(in thousands)	
Reported net revenue	$ 386,110	$ 457,786
Acquisition net revenue	—	(694)
Adjusted totals	$ 386,110	$ 457,092

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Three Months Ended September 30,		Amount of Increase	Percent Increase
	2020	2019	(Decrease)	(Decrease)
Net income	$ 62,758	$ 99,709	$ (36,951)	(37.1)%
Income tax expense	1,224	3,578	(2,354)	
Loss on debt extinguishment	7,051	—	7,051	
Interest expense (income), net	34,820	38,155	(3,335)	
Gain on disposition of assets	(1,304)	(199)	(1,105)	
Depreciation and amortization	61,237	63,951	(2,714)	
Impact of ASC 842 adoption (lease accounting standard)	—	1,099	(1,099)	
Capitalized contract fulfillment costs, net	—	(1,680)	1,680	
Stock-based compensation expense	4,884	10,572	(5,688)	
Adjusted EBITDA	$ 170,670	$ 215,185	$ (44,515)	(20.7)%

Adjusted EBITDA for the three months ended September 30, 2020 decreased 20.7% to $170.7 million. The decrease in adjusted EBITDA was primarily attributable to a decrease in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization, the impact of ASC 842 adoption and amortization of capitalized contract fulfillment costs, net) of $58.4 million, and was offset by a decrease in total general and administrative and corporate expenses of $13.9 million, excluding the impact of stock-based compensation expense.

Net Income/FFO/AFFO

(in thousands)

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Amount of Increase (Decrease)	Percent Increase (Decrease)
Net income	$ 62,758	$ 99,709	$ (36,951)	(37.1)%
Depreciation and amortization related to real estate	58,431	59,742	(1,311)	
Gain from sale or disposal of real estate	(1,324)	(164)	(1,160)	
Adjustments for unconsolidated affiliates and non-controlling interest	67	207	(140)	
FFO	$ 119,932	$ 159,494	$ (39,562)	(24.8)%
Straight line expense (income)	882	(1)	883	
Impact of ASC 842 adoption (lease accounting standard)	—	1,099	(1,099)	
Capitalized contract fulfillment costs, net	—	(1,680)	1,680	
Stock-based compensation expense	4,884	10,572	(5,688)	
Non-cash portion of tax provision	(557)	662	(1,219)	
Non-real estate related depreciation and amortization	2,806	4,209	(1,403)	
Amortization of deferred financing costs	1,589	1,342	247	
Loss on extinguishment of debt	7,051	—	7,051	
Capital expenditures – maintenance	(3,124)	(12,492)	9,368	
Adjustments for unconsolidated affiliates and non-controlling interest	(67)	(207)	140	
AFFO	$ 133,396	$ 162,998	$ (29,602)	(18.2)%

FFO for the three months ended September 30, 2020 decreased from $159.5 million in 2019 to $119.9 million for the same period in 2020, a decrease of 24.8%. AFFO for the three months ended September 30, 2020 decreased 18.2% to $133.4 million as compared to $163.0 million for the same period in 2019. The decrease in AFFO was primarily attributable to the decrease in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization, capitalized contract fulfillment costs, net and the impact of ASC 842 adoption) offset by decreases in the total of general and administrative 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, 2020 we had approximately $770.8 million of total liquidity, which is comprised of approximately $68.6 million in cash and cash equivalents and approximately $666.9 million of availability under the revolving portion of Lamar Media's senior credit facility and $35.3 million of availability under our Accounts Receivable Securitization Program. We expect the liquidity measures taken (as discussed above) and the remaining availability under the revolving portion of the senior credit facility and Accounts Receivable Securitization Program to be adequate for the Company to meet its operational requirements for the next twelve months as we continue to contend with the impacts of the COVID-19 pandemic. 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.

As of September 30, 2020 and December 31, 2019, the Company had a working capital deficit of $192.1 million and $362.6 million, respectively. The increase in working capital of $170.5 million is primarily due to a decrease in current maturities of long-term debt of $95.4 million and an increase in cash on hand of $42.4 million as of September 30, 2020.

Cash Generated by Operations. For the nine months ended September 30, 2020 and 2019, our cash provided by operating activities was $361.5 million and $408.0 million, respectively. The decrease in cash provided by operating activities for the nine months ended September 30, 2020 over the same period in 2019 relates to a decrease in revenues offset by a decrease in operating expenses (excluding depreciation and amortization). Due to the adverse economic impact of the COVID-19 pandemic, we may not generate cash flows from operations during 2020 in excess of our cash needs for operations, capital expenditures and dividends, as described herein. However, we do expect to have sufficient cash on hand and availability under our revolving credit facility and Accounts Receivable Securitization Program to meet our operating cash needs for the next twelve months.

Accounts Receivable Securitization Program. On December 18, 2018, we entered into the Accounts Receivable Securitization Program. The Accounts Receivable Securitization Program provides up to $175.0 million in borrowing capacity, plus an accordion feature that would permit the borrowing capacity to be increased by up to $125.0 million. Borrowing capacity under the Accounts Receivable Securitization Program is limited to the availability of eligible accounts receivable collateralizing the borrowings under the agreements governing the Accounts Receivable Securitization Program. In connection with the Accounts Receivable Securitization Program, Lamar Media and certain of its subsidiaries (such subsidiaries, the “Subsidiary Originators”) sell and/or contribute their existing and future accounts receivable and certain related assets to one of two special purpose subsidiaries, Lamar QRS Receivables, LLC (the “QRS SPV”) and Lamar TRS Receivables, LLC (the “TRS SPV” and together with the QRS SPV the “Special Purpose Subsidiaries”), each of which is a wholly-owned subsidiary of Lamar Media. Existing and future accounts receivable relating to Lamar Media and its qualified REIT subsidiaries will be sold and/or contributed to the QRS SPV and existing and future accounts receivable relating to Lamar Media’s taxable REIT subsidiaries will be sold and/or contributed to the TRS SPV. Each of the Special Purpose Subsidiaries has granted the lenders party to the Accounts Receivable Securitization Program a security interest in all of its assets, which consist of the accounts receivable and related assets sold or contributed to them, as described above, in order to secure the obligations of the Special Purpose Subsidiaries under the agreements governing the Accounts Receivable Securitization Program. Pursuant to the Accounts Receivable Securitization Program, Lamar Media has agreed to service the accounts receivable on behalf of the two Special Purpose Subsidiaries for a fee. Lamar Media has also agreed to guaranty its performance in its capacity as servicer and originator, as well as the performance of the Subsidiary Originators, of their obligations under the agreements governing the Account Receivable Securitization Program. None of Lamar Media, the Subsidiary Originators or the Special Purpose Subsidiaries guarantees the collectability of the receivables under the Accounts Receivable Securitization Program. In addition, each of the Special Purpose Subsidiaries is a separate legal entity with its own separate creditors who will be entitled to access the assets of such Special Purpose Subsidiary before the assets become available to Lamar Media. Accordingly, the assets of the Special Purpose Subsidiaries are not available to pay creditors of Lamar Media or any of its subsidiaries, although collections from receivables in excess of the amounts required to repay the lenders and the other creditors of the Special Purpose Subsidiaries may be remitted to Lamar Media.

On June 30, 2020 Lamar Media and the Special Purpose Subsidiaries entered into the Third Amendment of the Accounts Receivable Securitization Program which increased the maximum three month average Delinquency Ratio, Dilution Ratio, and Days’ Sales Outstanding to 11.00% (from 8.00%), 7.00% (from 4.00%) and 75 days (from 65 days), respectively. Additionally, the Amendment establishes a new Minimum Funding Threshold, which requires the Special Purpose Subsidiaries to maintain borrowings under the Accounts Receivable Securitization Program on any day equal to the lesser of (i) 50.00% of the aggregate Commitment of all Lenders or (ii) the Borrowing Base, though the Special Purpose Subsidiaries have the right to borrow less than the Minimum Funding Threshold during certain periods prior to December 21, 2020, at their election.

As of September 30, 2020 there was $122.5 million in outstanding aggregate borrowings under the Accounts Receivable Securitization Program. Lamar Media had approximately $35.3 million of unused availability under the Accounts Receivable Securitization Program as of September 30, 2020.

On October 23, 2020, Lamar Media and the Special Purpose Subsidiaries entered into the Fourth Amendment (the “Subsequent Amendment”) to the Accounts Receivable Securitization Program. The Subsequent Amendment increases the maximum three month average Delinquency Ratio generally to 13.00% (and up to 16.00% for up to two additional periods upon written notice from Lamar Media), and increases the maximum three month average Dilution Ratio to 5.00% for the remaining term of the Accounts Receivable Securitization Program. Additionally, the Subsequent Amendment increases the Minimum Funding Threshold which, as amended, requires the Special Purpose Subsidiaries to maintain minimum borrowings under the Accounts Receivable Securitization Program on any day equal to the lesser of (i) 70.00% of the aggregate Commitment of all Lenders or (ii) the Borrowing Base, though the Special Purpose Subsidiaries have the right to borrow less than the Minimum Funding Threshold during certain periods prior to December 21, 2020 at their election.

"At-the-Market" Offering Program. On May 1, 2018, the Company entered into an equity distribution agreement (the "Sales Agreement") with J.P. Morgan Securities LLC, Wells Fargo Securities LLC and SunTrust Robinson Humphrey, Inc. as our sales agents (each a "Sales Agent", and collectively, the "Sales Agents"). Under the terms of the Sales Agreement, the Company may, from time to time, issue and sell shares of its Class A common stock, having an aggregate offering price of up to $400.0 million through the Sales Agents as either agents or principals. Sales of the Class A common stock, if any, may be made in negotiated transactions or transactions that are deemed to be "at-the-market offerings" as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on or through the Nasdaq Global Select Market and any other existing trading market for the Class A common stock, or sales made to or through a market maker other than on an exchange. The Company has no obligation to sell any of the Class A common stock under the Sales Agreement and may at any time suspend solicitations and offers under the Sales Agreement. The Company intends to use the net proceeds, if any, from the sale of the Class A common stock pursuant to the Sales Agreement for general corporate purposes, which may include the repayment, refinancing, redemption or repurchase of existing indebtedness, working capital, capital expenditures, acquisition of outdoor advertising assets and businesses and other related investments. During the nine months ended September 30, 2020, the Company did not issue any shares under this program.

*Shelf Registration Statement***.** On August 6, 2018, we filed an automatically effective shelf registration statement (No. 333-226614) that registered the offer and sale of an indeterminate amount of additional shares of our Class A common stock. During the nine months ended September 30, 2020, the Company did not issue any shares under this shelf registration, however, we may issue additional shares under the shelf registration statement in the future in connection with future acquisitions or for other general corporate purposes.

Credit Facilities. On February 6, 2020, Lamar Media entered into a Fourth Amended and Restated Credit Agreement (the "Fourth Amended and Restated Credit Agreement") with 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. The Fourth Amended and Restated Credit Agreement amended and restated the Third Amended and Restated Credit Agreement dated as of May 15, 2017, as amended (the "Third Amended and Restated Credit Agreement").

The senior credit facility, as established by the Fourth Amended and Restated Credit Agreement (the "senior credit facility"), consists of (i) a new $750.0 million senior secured revolving credit facility which will mature on February 6, 2025 (the "revolving credit facility"), (ii) a new $600.0 million Term B loan facility (the "Term B loans") which will mature on February 6, 2027, and (iii) an incremental facility (the "Incremental Facility") pursuant to which Lamar Media may incur additional term loan tranches or increase its revolving credit facility subject to a pro forma secured debt ratio calculated as described under *"Restrictions under Senior Credit Facility"* of 4.50 to 1.00, as well as certain other conditions including lender approval. Lamar Media borrowed all $600.0 million in Term B loans on February 6, 2020. The entire amount of the Term B loans will be payable at maturity. The net proceeds from the Term B loans, together with borrowing under the revolving credit facility and a portion of the proceeds of the issuance of the 3 3/4% Senior Notes due 2028 and 4% Senior Notes due 2030 (both as described below), were used to repay all outstanding amounts under the Third Amended and Restated Credit Agreement, and all revolving commitments under that facility were terminated.

The Term B loans bear interest at rates based on the Adjusted LIBO Rate ("Eurodollar term loans") or the Adjusted Base Rate ("Base Rate term loans"), at Lamar Media's option. Eurodollar Term B loans bear interest at a rate per annum equal to the Adjusted LIBO Rate plus 1.50%. Base Rate Term B loans bear interest at a rate per annum equal to the Adjusted Base Rate plus 0.50%. The revolving credit facility bears interest at rates based on the Adjusted LIBO Rate ("Eurodollar revolving loans") or the Adjusted Base Rate ("Base Rate revolving loans"), at Lamar Media's option. Eurodollar revolving loans bear interest at a rate per annum equal to the Adjusted LIBO Rate plus 1.50% (or the Adjusted LIBO Rate plus 1.25% at any time the Total Debt Ratio is less than or equal to 3.25 to 1). Base Rate revolving loans bear interest at a rate per annum equal to the Adjusted Base Rate plus 0.50% (or the Adjusted Base Rate plus 0.25% at any time the total debt ratio is less than or equal to 3.25 to 1). The guarantees, covenants, events of default and other terms of the senior credit facility apply to the Term B loans and revolving credit facility.

As of September 30, 2020 the aggregate balance outstanding under the senior credit facility was $670.0 million, consisting of $600.0 million in Term B loans aggregate principal balance and $70.0 million outstanding under our revolving credit facility loans. Lamar Media had approximately $666.9 million of unused capacity under the revolving credit facility. The Company recorded a loss on debt extinguishment of approximately $5.6 million related to the refinancing of its senior credit facility.

Note Offerings. On February 6, 2020, Lamar Media issued, through an institutional private placement, $1.0 billion in aggregate principal amount of new senior notes consisting of $600.0 million in aggregate principal amount of 3 3/4% Senior Notes due 2028 (the "3 3/4% Senior Notes") and $400.0 million in aggregate principal amount of 4% Senior Notes due 2030 (the "4% Senior Notes"). Lamar Media used the proceeds of this offering to repay its existing Term A loans, redeem in full all $510.0 million in aggregate principal amount of its outstanding 5 3/8% Senior Notes due 2024 and partially repay borrowings under its revolving credit facility. The Company recorded a loss on debt extinguishment of approximately $12.6 million, of which $9.1 million was cash related to its redemption of the 5 3/8% Senior Notes. See *Uses of Cash-Note Redemption* for more information.

On May 13, 2020, Lamar Media issued, through an institutional private placement, $400.0 million in aggregate principal amount of 4 7/8% Senior Notes due 2029 (the "4 7/8% Senior Notes"). The issuance of the 4 7/8% Senior Notes resulted in net proceeds to Lamar Media of approximately $395.0 million. Lamar Media used the proceeds of this offering to repay outstanding borrowings under its revolving credit facility and for general corporate purposes.

On August 19, 2020, Lamar Media issued, through an institutional private placement, $150.0 million in aggregate principal amount of 4% Senior Notes due 2030 (the "New 2030 Notes"). The issuance was an add-on to the existing 4% Senior Notes due 2030 that Lamar Media issued on February 6, 2020. Other than with respect to the issuance date and issue price, the New 2030 Notes have the same terms as the 4% Senior Notes and resulted in proceeds to Lamar Media of approximately $146.9 million. Lamar Media used the proceeds of this offering to redeem a portion of its 5% Senior Subordinated Notes due 2023. See *Uses of Cash-Note Redemption* for more information.

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. As a result of COVID-19, we incurred an adverse effect on our internally generated cash flows for the quarter ended September 30, 2020, and while we are uncertain of the timing and pace of an economic rebound, we experienced an increase in customer spending in the three months ended September 30, 2020 as compared to the three months ended June 30, 2020, which has continued into the fourth quarter of 2020.

Credit Facilities and Other Debt Securities. The Company and Lamar Media must comply with certain covenants and restrictions related to the senior credit facility, its outstanding debt securities and its Accounts Receivable Securitization Program.

Restrictions Under Debt Securities. The Company and Lamar Media must comply with certain covenants and restrictions related to its outstanding debt securities. Currently, Lamar Media has outstanding the $650.0 million 5 3/4% Senior Notes issued in January 2016 and February 2019 (the "5 3/4% Senior Notes"), the $600.0 million 3 3/4% Senior Notes issued February 2020, the $550.0 million 4% Senior Notes issued February 2020 and August 2020, and the $400.0 million 4 7/8% Senior Notes issued in May 2020.

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 1.0. 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 (or up to $2.0 billion in the case of the indentures governing the 3 3/4% Senior Notes, the 4% Senior Notes and the 4 7/8% Senior Notes) 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 $50.0 million or 5% of Lamar Media's net tangible assets;
- additional debt not to exceed $75.0 million; and
- up to $500.0 million of permitted securitization financings, in the case of the indentures governing the 3 3/4% Senior Notes, the 4% Senior Notes and the 4 7/8% Senior Notes.

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, 2020 and currently, we are 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 (including capital lease obligations), minus the lesser of (x) $150.0 million and (y) the aggregate amount of unrestricted cash and cash equivalents of Lamar Advertising, Lamar Media and its restricted subsidiaries (other than the Special Purpose Subsidiaries (as defined above under *Sources of Cash – Accounts Receivable Securitization Program*)) to EBITDA, as defined below, for the period of four consecutive fiscal quarters then ended, of less than or equal to 4.5 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 or 6% of its 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 if, after giving effect to the incurrence of such indebtedness, Lamar Media would have a 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) $150.0 million and (ii) the aggregate amount of unrestricted cash and cash equivalents of Lamar Advertising, Lamar Media and its restricted subsidiaries (other than the Special Purpose Subsidiaries) to (b) EBITDA, as defined below, for the most recent four fiscal quarters then ended, is less than 7.0 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 is less than 7.0 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 (viii) any loss on sales of receivables and related assets to a Securitization Entity in connection with a Permitted Securitization Financing) 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 will 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 (other than the special purpose 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 has consummated any acquisition or disposition, EBITDA will 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 for the next twelve months. All debt obligations are reflected on the Company's balance sheet.

Restrictions under Accounts Receivable Securitization Program. The agreements governing the Accounts Receivable Securitization Program contain customary representations and warranties, affirmative and negative covenants, and termination event provisions, including but not limited to those providing for the acceleration of amounts owed under the Accounts Receivable Securitization Program if, among other things, the Special Purpose Subsidiaries fail to make payments when due, Lamar Media, the Subsidiary Originators or the Special Purpose Subsidiaries become insolvent or subject to bankruptcy proceedings or certain judicial judgments, breach certain representations and warranties or covenants or default under other material indebtedness, a change of control occurs, or if Lamar Media fails to maintain the maximum secured debt ratio of 4.5 to 1.0 required under Lamar Media's senior credit facility.

Uses of Cash

Capital Expenditures. Capital expenditures, excluding acquisitions were approximately $44.6 million for the nine months ended September 30, 2020. Due to the economic impacts of COVID-19 we have updated our anticipated 2020 total capital expenditures to be approximately $65.0 million.

Acquisitions. During the nine months ended September 30, 2020, the Company completed acquisitions for an aggregate purchase price of approximately $28.7 million, which were financed using available cash on hand or borrowings under its revolving credit facility. Due to the economic impacts of COVID-19 we are limiting our acquisition activity.

Note Redemption. On February 20, 2020, the Company used a portion of the proceeds from the 3 3/4% Senior Notes and 4% Senior Notes to redeem in full all $510.0 million in aggregate principal amount of Lamar Media's 5 3/8% Senior Notes. The notes were redeemed at a redemption price equal to 101.792% of the aggregate principal amount of the outstanding notes, plus accrued and unpaid interest up to the redemption date. The Company recorded a loss on debt extinguishment of approximately $12.6 million related to the note redemption. See *Sources of Cash-Note Offerings* for more information.

During the three months ended September 30, 2020 the Company redeemed all of its $535.0 million in aggregate principal amount of its outstanding 5% Senior Subordinated Notes due 2023 (the "5% Notes"), redeeming half of the 5% Notes on August 31, 2020 and the remainder on September 16, 2020. The total 5% Notes redemption was funded with a combination of cash on hand, borrowings under our revolving credit facility and Accounts Receivable Securitization Program along with proceeds received from the New 2030 Notes issuance completed on August 19, 2020. The redemption resulted in a loss on debt extinguishment of $7.1 million, of which $4.5 million was in cash prepayment penalties.

*Dividends***.** On February 27, 2020, Lamar Advertising's Board of Directors declared a quarterly cash dividend of $1.00 per share, paid on March 31, 2020 to its stockholders of record of its Class A common stock and Class B common stock on March 16, 2020. On May 28, 2020, Lamar Advertising's Board of Directors declared a quarterly cash dividend of $0.50 per share, paid on June 30, 2020 to its stockholders of record of its Class A common stock and Class B common stock on June 22, 2020. On September 1, 2020, Lamar Advertising's Board of Directors declared a quarterly cash dividend of $0.50 per share, paid on September 30, 2020 to its stockholders of record of its Class A common stock and Class B common stock on September 21, 2020. The Company's Board of Directors will evaluate our future dividend plans on a quarterly basis, giving consideration to our liquidity, our leverage and the anticipated operating environment. We intend to distribute at least 90% of our REIT taxable income and remain REIT qualified.

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"), the impact of COVID-19 on the Company's operations and other factors that the Board of Directors may deem relevant.

Stock and Debt Repurchasing Program. On March 16, 2020, the Company's Board of Directors authorized the repurchase of up to $250.0 million of the Company's Class A common stock. Additionally, the Board of Directors has authorized Lamar Media to repurchase up to $250.0 million in outstanding senior or senior subordinated notes and other indebtedness outstanding from time to time under its senior credit agreement. The repurchase program will expire on September 30, 2021 unless extended by the Board of Directors. There were no repurchases under the program as of September 30, 2020. The Company's management may opt not to make any repurchases under the program, or may make aggregate purchases less than the total amount authorized.

Off-Balance Sheet Arrangements

Our off-balance sheet commitments consist of guaranteed minimum payments to local transit municipalities and airport authorities for agreements which entitle us to rent advertising space to customers, in airports and on buses, benches or shelters. These agreements no longer meet the criteria of a lease under ASC 842, *Leases*, adopted on January 1, 2019 and are a result of our normal course of business.

Commitments and Contingencies

As of September 30, 2020, we had outstanding debt of approximately $2.964 billion. In the future, Lamar Media has principal revolver commitment reductions under the senior credit facility. In addition, it has fixed commercial commitments. These commitments are detailed on a contractual basis as follows:

Contractual Obligations	Total	Payments Due by Period Less Than 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years
			(In millions)		
Long-term debt	$ 2,964.2	$ 9.1	$ 122.7	$ 66.1	$ 2,766.3
Interest obligations on long-term debt(1)	863.5	116.4	236.9	234.6	275.6
Billboard site and other operating leases	1,724.9	250.5	394.6	303.8	776.0
Total payments due	$ 5,552.6	$ 376.0	$ 754.2	$ 604.5	$ 3,817.9

(1) Interest rates on our variable rate instruments are assuming rates at the September 2020 levels.

Other Commercial Commitments	Total Amount Committed	Amount of Expiration Per Period Less Than 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years
			(In millions)		
Revolving Bank Facility(2)	$ 750.0	$ —	$ —	$ 750.0	$ —
Standby Letters of Credit(3)	$ 13.1	$ 13.0	$ 0.1	$ —	$ —

(2) Lamar Media had $70.0 million outstanding under the revolving credit facility as of September 30, 2020.

(3) The standby letters of credit are issued under the revolving credit facility and reduce the availability of the facility by the same amount.

Critical Accounting Estimates

Our discussion and analysis of our results of operations and liquidity and capital resources are based on our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The presentation of these financial statements requires us to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses. There have been no material changes to the critical accounting policies and estimates as previously disclosed in Item 7 of our 2019 Combined Form 10-K.

Accounting Standards Update

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326*) – Measurement of Credit Losses on Financial Instruments, and additional changes modifications, clarifications, or interpretations related to this guidance thereafter, which require a reporting entity to estimate credit losses on certain types of financial instruments, and present assets held at amortized cost and available-for-sale debt securities at the amount expected to be collected. The new guidance is effective for annual and interim periods beginning after December 15, 2019, and early adoption is permitted. The Company's adoption of this update did not have a material impact on our Consolidated Financial Statements. As of September 30, 2020, our allowance for credit losses considered the current and future impacts caused by the COVID-19 pandemic, based on available information to date. The Company will continue to actively monitor the impact of COVID-19 on expected credit losses.

LAMAR MEDIA CORP.

The following is a discussion of the consolidated financial condition and results of operations of Lamar Media for the nine and three months ended September 30, 2020 and 2019. 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, 2020 compared to Nine Months ended September 30, 2019

Net revenues decreased $150.7 million or 11.7% to $1.140 billion for the nine months ended September 30, 2020 from $1.291 billion for the same period in 2019. This decrease was primarily attributable to a decrease in billboard and transit net revenues of $118.3 million and $31.8 million, respectively, over the same period in 2019, which related to the effects of the ongoing pandemic.

For the nine months ended September 30, 2020, there was a $160.2 million decrease in net revenues as compared to acquisition-adjusted net revenue for the nine months ended September 30, 2019, which represents a decrease of 12.3%. See “Reconciliations” below. The $160.2 million decrease in revenue is primarily due to a $130.3 million and $31.2 million decrease in billboard and transit net revenues, respectively, which are due to the effects of the ongoing pandemic. The decrease in outdoor and transit revenues was slightly offset by an increase of $1.4 million in logo revenue.

Total operating expenses, exclusive of depreciation and amortization and loss (gain) on disposition of assets, decreased $44.2 million, or 6.0% to $688.4 million for the nine months ended September 30, 2020 from $732.5 million in the same period in 2019. The $44.2 million decrease over the prior year is comprised of a $37.2 million decrease in total direct, general and administrative and corporate expenses (excluding stock-based compensation) primarily related to the operations of our outdoor advertising assets, as well as a $7.0 million decrease in stock-based compensation.

Depreciation and amortization expense increased $0.4 million to $187.5 million for the nine months ended September 30, 2020 as compared to $187.2 million for the same period in 2019.

For the nine months ended September 30, 2020, Lamar Media recognized a gain on disposition of assets of $4.8 million primarily resulting from transactions related to billboard locations.

Due to the above factors, operating income decreased by $107.4 million to $269.2 million for the nine months ended September 30, 2020 as compared to $376.7 million for the same period in 2019.

Lamar Media recognized a loss on debt extinguishment of $25.2 million during the nine months ended September 30, 2020, which relates to the early repayment of our 5 3/8% Senior Notes and 5% Senior Subordinated Notes and refinancing of our senior credit facility.

Interest expense decreased $7.2 million for the nine months ended September 30, 2020 to $107.1 million as compared to $114.2 million for the nine months ended September 30, 2019. The decrease is primarily related Lamar Media’s debt transactions completed in 2020, as well as a reduction in our senior credit facility interest rates.

The decrease in operating income and increase in loss on extinguishment of debt, offset by the decrease in interest expense, resulted in a $125.4 million decrease in net income before income taxes. The effective tax rate for the nine months ended September 30, 2020 was 1.8%, 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, 2020 of $135.0 million, as compared to net income of $269.7 million for the same period in 2019.

Reconciliations:

Because acquisitions occurring after December 31, 2018 (the “acquired assets”) have contributed to our net revenue results for the periods presented, we provide 2019 acquisition-adjusted net revenue, which adjusts our 2019 net revenue for the nine months ended September 30, 2019 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, 2020.

Reconciliations of 2019 reported net revenue to 2019 acquisition-adjusted net revenue for the nine months ended September 30, as well as a comparison of 2019 acquisition-adjusted net revenue to 2020 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,	
	2020	2019
	(in thousands)	
Reported net revenue	$ 1,140,331	$ 1,290,985
Acquisition net revenue	—	9,515
Adjusted totals	$ 1,140,331	$ 1,300,500

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Amount of Increase (Decrease)	Percent Increase (Decrease)
Net income	$ 135,046	$ 269,679	$ (134,633)	(49.9)%
Income tax expense (benefit)	2,520	(6,714)	9,234	
Loss on debt extinguishment	25,235	—	25,235	
Interest expense (income), net	106,441	113,687	(7,246)	
Gain on disposition of assets	(4,823)	(5,360)	537	
Depreciation and amortization	187,548	187,150	398	
Impact of ASC 842 adoption (lease accounting standard)	—	3,029	(3,029)	
Capitalized contract fulfillment costs, net	1,036	(9,984)	11,020	
Stock-based compensation expense	11,046	18,078	(7,032)	
Adjusted EBITDA	$ 464,049	$ 569,565	$ (105,516)	(18.5)%

Adjusted EBITDA for the nine months ended September 30, 2020 decreased 18.5% to $464.0 million. The decrease in adjusted EBITDA was primarily attributable to a decrease in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization, capitalized contract fulfillment costs, net and the impact of ASC 842 adoption) of $126.7 million, and was offset by a decrease in total general and administrative and corporate expenses of $21.1 million, excluding the impact of stock-based compensation expense.

Net Income/FFO/AFFO

(in thousands)

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Amount of Increase (Decrease)	Percent Increase (Decrease)
Net income	$ 135,046	$ 269,679	$ (134,633)	(49.9)%
Depreciation and amortization related to real estate	178,884	175,920	2,964	
Gain from sale or disposal of real estate, net of tax	(4,422)	(5,048)	626	
Non-cash tax benefit for REIT converted assets	—	(17,031)	17,031	
Adjustments for unconsolidated affiliates and non-controlling interest	456	561	(105)	
FFO	$ 309,964	$ 424,081	$ (114,117)	(26.9)%
Straight line expense (income)	2,615	(217)	2,832	
Impact of ASC 842 adoption (lease accounting standard)	—	3,029	(3,029)	
Capitalized contract fulfillment costs, net	1,036	(9,984)	11,020	
Stock-based compensation expense	11,046	18,078	(7,032)	
Non-cash portion of tax provision	(1,870)	2,572	(4,442)	
Non-real estate related depreciation and amortization	8,664	11,230	(2,566)	
Amortization of deferred financing costs	4,467	4,012	455	
Loss on extinguishment of debt	25,235	—	25,235	
Capital expenditures – maintenance	(17,616)	(35,888)	18,272	
Adjustments for unconsolidated affiliates and non-controlling interest	(456)	(561)	105	
AFFO	$ 343,085	$ 416,352	$ (73,267)	(17.6)%

FFO for the nine months ended September 30, 2020 decreased from $424.1 million in 2019 to $310.0 million for the same period in 2020, a decrease of 26.9%. AFFO for the nine months ended September 30, 2020 decreased 17.6% to $343.1 million as compared to $416.4 million for the same period in 2019. The decrease in AFFO was primarily attributable to the decrease in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization, capitalized contract fulfillment costs, net and the impact of ASC 842 adoption) offset by decreases in the total of general and administrative and corporate expenses (excluding the effect of stock-based compensation expense).

Three Months ended September 30, 2020 compared to Three Months ended September 30, 2019

Net revenues decreased $71.7 million or 15.7% to $386.1 million for the three months ended September 30, 2020 from $457.8 million for the same period in 2019. This decrease was primarily attributable to a decrease in billboard and transit net revenues of $55.7 million and $14.7 million, respectively, over the same period in 2019, which related to the effects of the ongoing pandemic.

For the three months ended September 30, 2020, there was a $71.0 million decrease in net revenues as compared to acquisition-adjusted net revenue for the three months ended September 30, 2019, which represents a decrease of 15.5%. See "Reconciliations" below. The $71.0 million decrease in revenue is primarily due to a $57.0 million and $14.7 million decrease in billboard and transit net revenues, respectively, and is a result of the effects of the ongoing pandemic.

Total operating expenses, exclusive of depreciation and amortization and loss (gain) on disposition of assets, decreased $32.3 million, or 12.8% to $220.2 million for the three months ended September 30, 2020 from $252.5 million in the same period in 2019. The $32.3 million decrease over the prior year is comprised of a $26.6 million decrease in total direct, general and administrative and corporate expenses (excluding stock-based compensation) primarily related to the operations of our outdoor advertising assets, as well as a $5.7 million decrease in stock-based compensation.

Depreciation and amortization expense decreased $2.7 million to $61.2 million for the three months ended September 30, 2020 as compared to $64.0 million for the same period in 2019.

For the three months ended September 30, 2020, Lamar Media recognized a gain on disposition of assets of $1.3 million primarily resulting from transactions related to billboard locations.

Due to the above factors, operating income decreased by $35.6 million to $106.0 million for the three months ended September 30, 2020 as compared to $141.6 million for the same period in 2019.

Lamar Media recognized a loss on debt extinguishment of $7.1 million during the three months ended September 30, 2020, which relates to the early repayment of its 5% Senior Subordinated Notes.

Interest expense decreased $3.3 million for the three months ended September 30, 2020 to $35.1 million as compared to $38.3 million for the three months ended September 30, 2019.

The decrease in operating income and increase in loss on extinguishment of debt, offset by the decrease in interest expense, resulted in a $39.3 million decrease in net income before income taxes. The effective tax rate for the three months ended September 30, 2020 was 1.9%, 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 three months ended September 30, 2020 of $62.9 million, as compared to net income of $99.8 million for the same period in 2019.

Reconciliations:

Because acquisitions occurring after December 31, 2018 (the "acquired assets") have contributed to our net revenue results for the periods presented, we provide 2019 acquisition-adjusted net revenue, which adjusts our 2019 net revenue for the three months ended September 30, 2019 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, 2020.

Reconciliations of 2019 reported net revenue to 2019 acquisition-adjusted net revenue for the three months ended September 30, as well as a comparison of 2019 acquisition-adjusted net revenue to 2020 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,	
	2020	2019
	(in thousands)	
Reported net revenue	$ 386,110	$ 457,786
Acquisition net revenue	—	(694)
Adjusted totals	$ 386,110	$ 457,092

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Three Months Ended September 30,		Amount of Increase	Percent Increase
	2020	2019	(Decrease)	(Decrease)
Net income	$ 62,895	$ 99,832	$ (36,937)	(37.0)%
Income tax expense	1,224	3,578	(2,354)	
Loss on debt extinguishment	7,051	—	7,051	
Interest expense (income), net	34,820	38,155	(3,335)	
Gain on disposition of assets	(1,304)	(199)	(1,105)	
Depreciation and amortization	61,237	63,951	(2,714)	
Impact of ASC 842 adoption (lease accounting standard)	—	1,099	(1,099)	
Capitalized contract fulfillment costs, net	—	(1,680)	1,680	
Stock-based compensation expense	4,884	10,572	(5,688)	
Adjusted EBITDA	$ 170,807	$ 215,308	$ (44,501)	(20.7)%

Adjusted EBITDA for the three months ended September 30, 2020 decreased 20.7% to $170.8 million. The decrease in adjusted EBITDA was primarily attributable to a decrease in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization, capitalized contract fulfillment costs, net and the impact of ASC 842 adoption) of $58.4 million, and was offset by an decrease in total general and administrative and corporate expenses of $13.9 million, excluding the impact of stock-based compensation expense.

Net Income/FFO/AFFO

(in thousands)

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Amount of Increase (Decrease)	Percent Increase (Decrease)
Net income	$ 62,895	$ 99,832	$ (36,937)	(37.0)%
Depreciation and amortization related to real estate	58,431	59,742	(1,311)	
Gain from sale or disposal of real estate, net of tax	(1,324)	(164)	(1,160)	
Adjustments for unconsolidated affiliates and non-controlling interest	67	207	(140)	
FFO	$ 120,069	$ 159,617	$ (39,548)	(24.8)%
Straight line expense (income)	882	(1)	883	
Impact of ASC 842 adoption (lease accounting standard)	—	1,099	(1,099)	
Capitalized contract fulfillment costs, net	—	(1,680)	1,680	
Stock-based compensation expense	4,884	10,572	(5,688)	
Non-cash portion of tax provision	(557)	662	(1,219)	
Non-real estate related depreciation and amortization	2,806	4,209	(1,403)	
Amortization of deferred financing costs	1,589	1,342	247	
Loss on extinguishment of debt	7,051	—	7,051	
Capital expenditures – maintenance	(3,124)	(12,492)	9,368	
Adjustments for unconsolidated affiliates and non-controlling interest	(67)	(207)	140	
AFFO	$ 133,533	$ 163,121	$ (29,588)	(18.1)%

FFO for the three months ended September 30, 2020 decreased from $159.6 million in 2019 to $120.1 million for the same period in 2020, a decrease of 24.8%. AFFO for the three months ended September 30, 2020 decreased 18.1% to $133.5 million as compared to $163.1 million for the same period in 2019. The decrease in AFFO was primarily attributable to the decrease in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization, capitalized contract fulfillment costs, net and the impact of ASC 842 adoption) offset by decreases in the total of general and administrative 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.

Lamar Advertising 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, 2020, and should be read in conjunction with Note 10 of the Notes to the Company's Condensed Consolidated Financial Statements.

Lamar Media has variable-rate debt outstanding under its senior credit facility and its Accounts Receivable Securitization Program. Because interest rates may increase or decrease at any time, the Company is exposed to market risk as a result of the impact that changes in interest rates may have on the applicable borrowings outstanding. Increases in the interest rates applicable to these borrowings would result in increased interest expense and a reduction in the Company's net income.

At September 30, 2020 there was approximately $790.9 million of indebtedness outstanding under the senior credit facility and the Accounts Receivable Securitization Program, or approximately 26.3% of the Company's outstanding long-term debt on that date, bearing interest at variable rates. The aggregate interest expense for 2020 with respect to borrowings under the senior credit facility and the Accounts Receivable Securitization Program was $17.1 million, and the weighted average interest rate applicable to these borrowings during 2020 was 2.3%. Assuming that the weighted average interest rate was 200 basis points higher (that is 4.3% rather than 2.3%), then the Company's 2020 interest expense would have increased by approximately $14.5 million for the nine months ended September 30, 2020.

The Company attempts 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 applicable to its borrowings at an amount equal to Adjusted LIBO Rate or Adjusted Base Rate 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 that, 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 have been no changes 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, 2019 and in Part II, Item 1A. “Risk Factors” in our combined Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, 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, 2019 and in our combined Quarterly Report on Form 10-Q for the quarter ended June 30, 2020.

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	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. 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.
3.5	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.
10.1	Registration Rights Agreement, dated as of August 19, 2020, among Lamar Media, the Guarantors named therein and J.P. Morgan Securities LLC, as representative for the Initial Purchasers named therein. Previously filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K (File No. 1-36756) filed on August 25, 2020 and incorporated herein by reference.
31.1	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.
31.2	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.
32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.
101	The following financial statements from the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in Inline XBRL: (i) Condensed Consolidated Statements of Cash Flows, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Balance Sheets, and (v) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104	Cover Page Interactive Date File (formatted as Inline XBRL and contained in Exhibit 101).

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 5, 2020	BY: /s/ Jay L. Johnson Executive Vice President, Chief Financial Officer and Treasurer
	LAMAR MEDIA CORP.
DATED: November 5, 2020	BY: /s/ Jay L. Johnson Executive Vice President, Chief Financial Officer and Treasurer

Exhibit 31.1

CERTIFICATION

I, Sean E. Reilly, certify that:

1. I have reviewed this combined quarterly report on Form 10-Q of Lamar Advertising Company and Lamar Media Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrants as of, and for, the periods presented in this report;

4. The registrants' other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrants and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrants, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrants' disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrants' internal control over financial reporting that occurred during the registrants' most recent fiscal quarter (the registrants' fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrants' internal control over financial reporting; and

5. The registrants' other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrants' auditors and the audit committee of the registrants' board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrants' abilities to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrants' internal control over financial reporting.

Date: November 5, 2020

/s/ Sean E. Reilly

Sean E. Reilly
Chief Executive Officer, Lamar Advertising Company
Chief Executive Officer, Lamar Media Corp.

Exhibit 31.2

CERTIFICATION

I, Jay L. Johnson, certify that:

1. I have reviewed this combined quarterly report on Form 10-Q of Lamar Advertising Company and Lamar Media Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrants as of, and for, the periods presented in this report;

4. The registrants' other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrants and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrants, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrants' disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrants' internal control over financial reporting that occurred during the registrants' most recent fiscal quarter (the registrants' fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrants' internal control over financial reporting; and

5. The registrants' other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrants' auditors and the audit committee of the registrants' board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrants' abilities to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrants' internal control over financial reporting.

Date: November 5, 2020

/s/ Jay L. Johnson

Jay L. Johnson
Chief Financial Officer, Lamar Advertising Company
Chief Financial Officer, Lamar Media Corp.

Exhibit 32.1

LAMAR ADVERTISING COMPANY
LAMAR MEDIA CORP.

Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Each of the undersigned officers of Lamar Advertising Company ("Lamar Advertising") and Lamar Media Corp. ("Lamar Media") certifies, to his knowledge and solely for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the combined Quarterly Report on Form 10-Q of Lamar Advertising and Lamar Media for the period ended September 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the combined Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Lamar Advertising and Lamar Media.

Dated: November 5, 2020

By: /s/ Sean E. Reilly
Sean E. Reilly
Chief Executive Officer, Lamar Advertising Company
Chief Executive Officer, Lamar Media Corp.

Dated: November 5, 2020

By: /s/ Jay L. Johnson
Jay L. Johnson
Chief Financial Officer, Lamar Advertising Company
Chief Financial Officer, Lamar Media Corp.