

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission File Number 1-36756

Lamar Advertising Company

Commission File Number 1-12407

Lamar Media Corp.

(Exact name of registrants as specified in their charters)

Delaware
Delaware
(State or other jurisdiction of incorporation or organization)
5321 Corporate Blvd., Baton Rouge, LA
(Address of principal executive offices)

72-1449411
72-1205791
(I.R.S Employer Identification No.)
70808
(Zip Code)

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

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

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

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

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

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

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

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

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

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

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PART I — FINANCIAL INFORMATION

ITEM 1. — FINANCIAL STATEMENTS

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

	<u>September 30, 2018</u> (Unaudited)	<u>December 31, 2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,609	\$ 115,471
Receivables, net of allowance for doubtful accounts of \$11,642 and \$10,055 in 2018 and 2017, respectively	227,960	201,699
Prepaid lease expenses	75,690	51,074
Other current assets	51,639	52,275
Total current assets	365,898	420,519
Property, plant and equipment	3,412,221	3,384,723
Less accumulated depreciation and amortization	(2,218,908)	(2,170,585)
Net property, plant and equipment	1,193,313	1,214,138
Goodwill	1,737,401	1,740,454
Intangible assets	773,659	796,348
Other assets	54,349	42,886
Total assets	\$ 4,124,620	\$ 4,214,345
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 19,526	\$ 17,961
Current maturities of long-term debt, net of deferred financing costs of \$4,820 and \$5,133 in 2018 and 2017, respectively	26,728	17,664
Accrued expenses	102,586	197,675
Deferred income	107,144	92,694
Total current liabilities	255,984	325,994
Long-term debt, net of deferred financing costs of \$21,034 and \$23,586 in 2018 and 2017, respectively	2,519,153	2,539,026
Deferred income tax liabilities	2,508	884
Asset retirement obligation	216,050	215,089
Other liabilities	33,966	29,859
Total liabilities	3,027,661	3,110,852
Stockholders' equity:		
Series AA preferred stock, par value \$.001, \$63.80 cumulative dividends, 5,720 shares authorized; 5,720 shares issued and outstanding at 2018 and 2017	—	—
Class A common stock, par value \$.001, 362,500,000 shares authorized; 85,111,569 and 84,169,118 shares issued at 2018 and 2017, respectively; 84,722,666 and 83,837,834 shares issued and outstanding at 2018 and 2017, respectively	85	84
Class B common stock, par value \$.001, 37,500,000 shares authorized, 14,420,085 shares issued and outstanding at 2018 and 2017	14	14
Additional paid-in capital	1,820,911	1,762,499
Accumulated comprehensive income	703	1,302
Accumulated deficit	(699,342)	(639,106)
Cost of shares held in treasury, 388,903 and 331,284 shares at 2018 and 2017, respectively	(25,412)	(21,300)
Stockholders' equity	1,096,959	1,103,493
Total liabilities and stockholders' equity	\$ 4,124,620	\$ 4,214,345

See accompanying notes to condensed consolidated financial statements.

**LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES**
Condensed Consolidated Statements of Income and Comprehensive Income
(Unaudited)
(In thousands, except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Statements of Income				
Net revenues	\$ 418,498	\$ 399,345	\$ 1,199,324	\$ 1,142,785
Operating expenses (income)				
Direct advertising expenses (exclusive of depreciation and amortization)	140,699	134,977	419,776	401,896
General and administrative expenses (exclusive of depreciation and amortization)	73,166	68,500	213,060	206,452
Corporate expenses (exclusive of depreciation and amortization)	20,776	15,088	62,027	48,451
Depreciation and amortization	55,089	51,796	167,251	155,003
Loss (gain) on disposition of assets	407	(2,734)	7,265	(4,377)
	<u>290,137</u>	<u>267,627</u>	<u>869,379</u>	<u>807,425</u>
Operating income	128,361	131,718	329,945	335,360
Other expense (income)				
Loss on extinguishment of debt	—	—	15,429	71
Interest income	(157)	(2)	(313)	(6)
Interest expense	31,850	32,064	97,321	95,526
	<u>31,693</u>	<u>32,062</u>	<u>112,437</u>	<u>95,591</u>
Income before income tax expense	96,668	99,656	217,508	239,769
Income tax expense	2,612	3,325	7,969	9,257
Net income	94,056	96,331	209,539	230,512
Cash dividends declared and paid on preferred stock	91	91	273	273
Net income applicable to common stock	<u>\$ 93,965</u>	<u>\$ 96,240</u>	<u>\$ 209,266</u>	<u>\$ 230,239</u>
Earnings per share:				
Basic earnings per share	\$ 0.95	\$ 0.98	\$ 2.12	\$ 2.35
Diluted earnings per share	\$ 0.95	\$ 0.98	\$ 2.12	\$ 2.34
Cash dividends declared per share of common stock	<u>\$ 0.91</u>	<u>\$ 0.83</u>	<u>\$ 2.73</u>	<u>\$ 2.49</u>
Weighted average common shares used in computing earnings per share:				
Weighted average common shares outstanding basic	98,943,535	98,044,523	98,596,828	97,855,642
Weighted average common shares outstanding diluted	99,253,008	98,490,277	98,870,116	98,340,248
Statements of Comprehensive Income				
Net income	\$ 94,056	\$ 96,331	\$ 209,539	\$ 230,512
Other comprehensive income (loss)				
Foreign currency translation adjustments	221	1,216	(599)	2,104
Comprehensive income	<u>\$ 94,277</u>	<u>\$ 97,547</u>	<u>\$ 208,940</u>	<u>\$ 232,616</u>

See accompanying notes to condensed consolidated financial statements.

**LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES**
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Nine months ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 209,539	\$ 230,512
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	167,251	155,003
Stock-based compensation	22,745	7,060
Amortization included in interest expense	3,662	3,866
Loss (gain) on disposition of assets and investments	7,265	(4,377)
Loss on extinguishment of debt	15,429	71
Deferred tax expense	1,575	259
Provision for doubtful accounts	5,547	6,009
Changes in operating assets and liabilities		
(Increase) decrease in:		
Receivables	(31,672)	(38,083)
Prepaid lease expenses	(24,989)	(23,281)
Other assets	1,698	(4,334)
Increase (decrease) in:		
Trade accounts payable	1,268	401
Accrued expenses	(20,708)	(21,768)
Other liabilities	11,479	9,300
Net cash provided by operating activities	<u>370,089</u>	<u>320,638</u>
Cash flows from investing activities:		
Acquisitions	(48,141)	(119,936)
Capital expenditures	(82,174)	(74,446)
Proceeds received from property insurance claims	4,222	—
Proceeds from disposition of assets and investments	5,760	3,340
Decrease in notes receivable	7	13
Net cash used in investing activities	<u>(120,326)</u>	<u>(191,029)</u>
Cash flows from financing activities:		
Cash used for purchase of treasury stock	(4,112)	(8,997)
Net proceeds from issuance of common stock	31,990	19,817
Principal payments on long-term debt	(20,119)	(11,250)
Payment on revolving credit facility	(368,000)	(407,000)
Proceeds received from revolving credit facility	275,000	317,000
Redemption of senior subordinated notes	(509,790)	—
Payment on senior credit facility term loans	—	(247,500)
Proceeds received from senior credit facility term loans	599,250	450,000
Debt issuance costs	(6,374)	(4,941)
Distributions to non-controlling interest	(388)	(415)
Dividends/distributions	(351,400)	(244,201)
Net cash used in financing activities	<u>(353,943)</u>	<u>(137,487)</u>
Effect of exchange rate changes in cash and cash equivalents	(682)	1,767
Net decrease in cash and cash equivalents	(104,862)	(6,111)
Cash and cash equivalents at beginning of period	115,471	35,530
Cash and cash equivalents at end of period	<u>\$ 10,609</u>	<u>\$ 29,419</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 110,576	\$ 104,966
Cash paid for foreign, state and federal income taxes	\$ 7,983	\$ 9,969

See accompanying notes to condensed consolidated financial statements.

**LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES**
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In thousands, except share and per share data)

1. Significant Accounting Policies

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

2. Revenues

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

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

Revenue Recognition

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

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

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

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

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

**LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES**
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In thousands, except share and per share data)

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

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

3. Stock-Based Compensation

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

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

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

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

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

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

**LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES**
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In thousands, except share and per share data)

4. Depreciation and Amortization

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

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

5. Goodwill and Other Intangible Assets

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

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

6. Asset Retirement Obligations

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

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

7. Distribution Restrictions

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

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

**LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES**
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In thousands, except share and per share data)

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

8. Earnings Per Share

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

9. Long-term Debt

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

	September 30, 2018		
	Debt	Deferred financing costs	Debt, net of deferred financing costs
Senior Credit Facility	\$ 1,123,187	\$ 12,207	\$ 1,110,980
5% Senior Subordinated Notes	535,000	4,314	530,686
5 3/8% Senior Notes	510,000	4,446	505,554
5 3/4% Senior Notes	400,000	4,887	395,113
Other notes with various rates and terms	3,548	—	3,548
	2,571,735	25,854	2,545,881
Less current maturities	(31,548)	(4,820)	(26,728)
Long-term debt, excluding current maturities	<u>\$ 2,540,187</u>	<u>\$ 21,034</u>	<u>\$ 2,519,153</u>
	December 31, 2017		
	Debt	Deferred financing costs	Debt, net of deferred financing costs
Senior Credit Facility	\$ 636,750	\$ 7,689	\$ 629,061
5 7/8% Senior Subordinated Notes	500,000	5,850	494,150
5% Senior Subordinated Notes	535,000	4,927	530,073
5 3/8% Senior Notes	510,000	4,982	505,018
5 3/4% Senior Notes	400,000	5,271	394,729
Other notes with various rates and terms	3,659	—	3,659
	2,585,409	28,719	2,556,690
Less current maturities	(22,797)	(5,133)	(17,664)
Long-term debt, excluding current maturities	<u>\$ 2,562,612</u>	<u>\$ 23,586</u>	<u>\$ 2,539,026</u>

Senior Credit Facility

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

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

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

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

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

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

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

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

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

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

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

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

5 7/8% Senior Subordinated Notes

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

5% Senior Subordinated Notes

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

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

5 3/8% Senior Notes

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

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

5 3/4% Senior Notes

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

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

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

10. Fair Value of Financial Instruments

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

11. New Accounting Pronouncements

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

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

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

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

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12. Dividends/Distributions

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

13. Information about Geographic Areas

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

14. Non-cash Financing and Investing Activities

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

15. Stockholders' Equity

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

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

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

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

16. Divestiture of Assets

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

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

	<u>September 30, 2018</u> (Unaudited)	<u>December 31, 2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,109	\$ 114,971
Receivables, net of allowance for doubtful accounts of \$11,642 and \$10,055 in 2018 and 2017, respectively	227,960	201,699
Prepaid lease expenses	75,690	51,074
Other current assets	51,639	52,275
Total current assets	<u>365,398</u>	<u>420,019</u>
Property, plant and equipment	3,412,221	3,384,723
Less accumulated depreciation and amortization	(2,218,908)	(2,170,585)
Net property, plant and equipment	<u>1,193,313</u>	<u>1,214,138</u>
Goodwill	1,727,250	1,730,303
Intangible assets	773,191	795,879
Other assets	48,683	37,603
Total assets	<u>\$ 4,107,835</u>	<u>\$ 4,197,942</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Trade accounts payable	\$ 19,526	\$ 17,961
Current maturities of long-term debt, net of deferred financing costs of \$4,820 and \$5,133 in 2018 and 2017, respectively	26,728	17,664
Accrued expenses	98,001	193,667
Deferred income	107,144	92,694
Total current liabilities	<u>251,399</u>	<u>321,986</u>
Long-term debt, net of deferred financing costs of \$21,034 and \$23,586 in 2018 and 2017, respectively	2,519,153	2,539,026
Deferred income tax liabilities	2,508	884
Asset retirement obligation	216,050	215,089
Other liabilities	33,966	29,859
Total liabilities	<u>3,023,076</u>	<u>3,106,844</u>
Stockholder's equity:		
Common stock, par value \$.01, 3,000 shares authorized, 100 shares issued and outstanding at 2018 and 2017	—	—
Additional paid-in-capital	2,890,971	2,832,940
Accumulated comprehensive income	703	1,302
Accumulated deficit	(1,806,915)	(1,743,144)
Stockholder's equity	<u>1,084,759</u>	<u>1,091,098</u>
Total liabilities and stockholder's equity	<u>\$ 4,107,835</u>	<u>\$ 4,197,942</u>

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

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,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 209,843	\$ 230,809
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	167,251	155,003
Stock-based compensation	22,745	7,060
Amortization included in interest expense	3,662	3,866
Loss (gain) on disposition of assets and investments	7,265	(4,377)
Loss on extinguishment of debt	15,429	71
Deferred tax expense	1,575	259
Provision for doubtful accounts	5,547	6,009
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	(31,672)	(38,083)
Prepaid lease expenses	(24,989)	(23,281)
Other assets	1,714	(4,334)
Increase (decrease) in:		
Trade accounts payable	1,268	401
Accrued expenses	(20,708)	(21,768)
Other liabilities	(15,643)	(13,033)
Net cash provided by operating activities	<u>343,287</u>	<u>298,602</u>
Cash flows from investing activities:		
Acquisitions	(48,141)	(119,936)
Capital expenditures	(82,174)	(74,446)
Proceeds received from property insurance claims	4,222	—
Proceeds from disposition of assets and investments	5,760	3,340
Decrease in notes receivable	7	13
Net cash used in investing activities	<u>(120,326)</u>	<u>(191,029)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(20,119)	(11,250)
Payment on revolving credit facility	(368,000)	(407,000)
Proceeds received from revolving credit facility	275,000	317,000
Redemption of senior subordinated notes	(509,790)	—
Payment on senior credit facility term loans	—	(247,500)
Proceeds received from senior credit facility term loans	599,250	450,000
Debt issuance costs	(6,374)	(4,941)
Distributions to non-controlling interest	(388)	(415)
Contributions from parent	58,427	41,580
Dividend to parent	(355,147)	(252,925)
Net cash used in financing activities	<u>(327,141)</u>	<u>(115,451)</u>
Effect of exchange rate changes in cash and cash equivalents	(682)	1,767
Net decrease in cash and cash equivalents	<u>(104,862)</u>	<u>(6,111)</u>
Cash and cash equivalents at beginning of period	114,971	35,030
Cash and cash equivalents at end of period	<u>\$ 10,109</u>	<u>\$ 28,919</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 110,576</u>	<u>\$ 104,966</u>
Cash paid for foreign, state and federal income taxes	<u>\$ 7,983</u>	<u>\$ 9,969</u>

See accompanying notes to condensed consolidated financial statements.

**LAMAR MEDIA CORP.
AND SUBSIDIARIES**
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In Thousands, Except for Share Data)

1. Significant Accounting Policies

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

Certain notes are not provided for the accompanying condensed consolidated financial statements as the information in notes 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 13, 14 and 16 to the condensed consolidated financial statements of Lamar Advertising included elsewhere in this report is substantially equivalent to that required for the condensed consolidated financial statements of Lamar Media. Earnings per share data is not provided for Lamar Media, as it is a wholly owned subsidiary of the Company.

2. Summarized Financial Information of Subsidiaries

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

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AND SUBSIDIARIES**
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(Unaudited)
(In Thousands, Except for Share Data)

Condensed Consolidating Balance Sheet as of September 30, 2018

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (unaudited)	Eliminations	Lamar Media Consolidated
ASSETS					
Total current assets	\$ 6,180	\$ 342,780	\$ 16,438	\$ —	\$ 365,398
Net property, plant and equipment	—	1,187,773	5,540	—	1,193,313
Intangibles and goodwill, net	—	2,480,597	19,844	—	2,500,441
Other assets	3,674,150	11,407	9,498	(3,646,372)	48,683
Total assets	<u>\$ 3,680,330</u>	<u>\$ 4,022,557</u>	<u>\$ 51,320</u>	<u>\$ (3,646,372)</u>	<u>\$ 4,107,835</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	\$ 26,694	\$ 34	\$ —	\$ —	\$ 26,728
Other current liabilities	22,050	183,809	18,812	—	224,671
Total current liabilities	<u>48,744</u>	<u>183,843</u>	<u>18,812</u>	<u>—</u>	<u>251,399</u>
Long-term debt	2,519,076	77	—	—	2,519,153
Other noncurrent liabilities	27,751	223,199	29,529	(27,955)	252,524
Total liabilities	<u>2,595,571</u>	<u>407,119</u>	<u>48,341</u>	<u>(27,955)</u>	<u>3,023,076</u>
Stockholders' equity	1,084,759	3,615,438	2,979	(3,618,417)	1,084,759
Total liabilities and stockholders' equity	<u>\$ 3,680,330</u>	<u>\$ 4,022,557</u>	<u>\$ 51,320</u>	<u>\$ (3,646,372)</u>	<u>\$ 4,107,835</u>

**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, 2017

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
ASSETS					
Total current assets	\$ 87,167	\$ 293,536	\$ 39,316	\$ —	\$ 420,019
Net property, plant and equipment	—	1,193,705	20,433	—	1,214,138
Intangibles and goodwill, net	—	2,495,370	30,812	—	2,526,182
Other assets	3,707,352	10,571	7	(3,680,327)	37,603
Total assets	<u>\$ 3,794,519</u>	<u>\$ 3,993,182</u>	<u>\$ 90,568</u>	<u>\$ (3,680,327)</u>	<u>\$ 4,197,942</u>
LIABILITIES AND STOCKHOLDER'S EQUITY					
Current liabilities:					
Current maturities of long-term debt	\$ 17,664	\$ —	\$ —	\$ —	\$ 17,664
Other current liabilities	120,500	164,393	19,429	—	304,322
Total current liabilities	<u>138,164</u>	<u>164,393</u>	<u>19,429</u>	<u>—</u>	<u>321,986</u>
Long-term debt	2,539,026	—	—	—	2,539,026
Other noncurrent liabilities	26,231	218,900	61,587	(60,886)	245,832
Total liabilities	<u>2,703,421</u>	<u>383,293</u>	<u>81,016</u>	<u>(60,886)</u>	<u>3,106,844</u>
Stockholders' equity	1,091,098	3,609,889	9,552	(3,619,441)	1,091,098
Total liabilities and stockholders' equity	<u>\$ 3,794,519</u>	<u>\$ 3,993,182</u>	<u>\$ 90,568</u>	<u>\$ (3,680,327)</u>	<u>\$ 4,197,942</u>

**LAMAR MEDIA CORP.
AND SUBSIDIARIES**
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In Thousands, Except for Share Data)

Condensed Consolidating Statements of Income and Comprehensive Income for the Three Months Ended September 30, 2018

Statement of Income	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
			(unaudited)		
Net revenues	\$ —	\$ 407,656	\$ 11,659	\$ (817)	\$ 418,498
Operating expenses					
Direct advertising expenses (1)	—	134,863	6,522	(686)	140,699
General and administrative expenses (1)	—	71,046	2,120	—	73,166
Corporate expenses (1)	—	20,252	415	—	20,667
Depreciation and amortization	—	53,956	1,133	—	55,089
Loss (gain) on disposition of assets	—	559	(152)	—	407
	—	280,676	10,038	(686)	290,028
Operating income (loss)	—	126,980	1,621	(131)	128,470
Equity in (earnings) loss of subsidiaries	(126,015)	—	—	126,015	—
Other expenses (income)	31,850	(8)	(18)	(131)	31,693
Income (loss) before income tax expense	94,165	126,988	1,639	(126,015)	96,777
Income tax expense (2)	—	2,167	445	—	2,612
Net income (loss)	<u>\$ 94,165</u>	<u>\$ 124,821</u>	<u>\$ 1,194</u>	<u>\$ (126,015)</u>	<u>\$ 94,165</u>
Statement of Comprehensive Income					
Net income (loss)	\$ 94,165	\$ 124,821	\$ 1,194	\$ (126,015)	\$ 94,165
Total other comprehensive income, net of tax	—	—	221	—	221
Total comprehensive income (loss)	<u>\$ 94,165</u>	<u>\$ 124,821</u>	<u>\$ 1,415</u>	<u>\$ (126,015)</u>	<u>\$ 94,386</u>

(1) Caption is exclusive of depreciation and amortization.

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

**LAMAR MEDIA CORP.
AND SUBSIDIARIES**
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In Thousands, Except for Share Data)

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

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

(1) Caption is exclusive of depreciation and amortization.

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

**LAMAR MEDIA CORP.
AND SUBSIDIARIES**
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In Thousands, Except for Share Data)

Condensed Consolidating Statements of Income and Comprehensive Income for the Nine Months Ended September 30, 2018

Statement of Income	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
			(unaudited)		
Net revenues	\$ —	\$ 1,164,039	\$ 37,880	\$ (2,595)	\$ 1,199,324
Operating expenses					
Direct advertising expenses (1)	—	400,703	21,042	(1,969)	419,776
General and administrative expenses (1)	—	206,522	6,538	—	213,060
Corporate expenses (1)	—	60,468	1,255	—	61,723
Depreciation and amortization	—	162,536	4,715	—	167,251
(Gain) loss on disposition of assets	—	(268)	7,533	—	7,265
	—	829,961	41,083	(1,969)	869,075
Operating income (loss)	—	334,078	(3,203)	(626)	330,249
Equity in (earnings) loss of subsidiaries	(322,592)	—	—	322,592	—
Interest expense (income), net	97,320	(18)	332	(626)	97,008
Other expenses (income)	15,429	—	—	—	15,429
Income (loss) before income tax expense	209,843	334,096	(3,535)	(322,592)	217,812
Income tax expense (2)	—	5,708	2,261	—	7,969
Net income (loss)	<u>\$ 209,843</u>	<u>\$ 328,388</u>	<u>\$ (5,796)</u>	<u>\$ (322,592)</u>	<u>\$ 209,843</u>
Statement of Comprehensive Income					
Net income (loss)	\$ 209,843	\$ 328,388	\$ (5,796)	\$ (322,592)	\$ 209,843
Total other comprehensive loss, net of tax	—	—	(599)	—	(599)
Total comprehensive income (loss)	<u>\$ 209,843</u>	<u>\$ 328,388</u>	<u>\$ (6,395)</u>	<u>\$ (322,592)</u>	<u>\$ 209,244</u>

(1) Caption is exclusive of depreciation and amortization.

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

**LAMAR MEDIA CORP.
AND SUBSIDIARIES**
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In Thousands, Except for Share Data)

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

Statement of Income	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
	(unaudited)				
Net revenues	\$ —	\$ 1,107,583	\$ 38,191	\$ (2,989)	\$ 1,142,785
Operating expenses					
Direct advertising expenses (1)	—	381,317	22,330	(1,751)	401,896
General and administrative expenses (1)	—	199,979	6,473	—	206,452
Corporate expenses (1)	—	47,320	834	—	48,154
Depreciation and amortization	—	148,357	6,646	—	155,003
(Gain) loss on disposition of assets	—	(4,377)	—	—	(4,377)
	—	772,596	36,283	(1,751)	807,128
Operating income (loss)	—	334,987	1,908	(1,238)	335,657
Equity in (earnings) loss of subsidiaries	(326,401)	—	—	326,401	—
Interest expense (income), net	95,521	(5)	1,242	(1,238)	95,520
Other expenses (income)	71	—	—	—	71
Income (loss) before income tax expense	230,809	334,992	666	(326,401)	240,066
Income tax expense (2)	—	7,528	1,729	—	9,257
Net income (loss)	<u>\$ 230,809</u>	<u>\$ 327,464</u>	<u>\$ (1,063)</u>	<u>\$ (326,401)</u>	<u>\$ 230,809</u>
Statement of Comprehensive Income					
Net income (loss)	\$ 230,809	\$ 327,464	\$ (1,063)	\$ (326,401)	\$ 230,809
Total other comprehensive income, net of tax	—	—	2,104	—	2,104
Total comprehensive income (loss)	<u>\$ 230,809</u>	<u>\$ 327,464</u>	<u>\$ 1,041</u>	<u>\$ (326,401)</u>	<u>\$ 232,913</u>

(1) Caption is exclusive of depreciation and amortization.

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

**LAMAR MEDIA CORP.
AND SUBSIDIARIES**
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In Thousands, Except for Share Data)

Condensed Consolidating Statement of Cash Flows for the Nine Months Ended September 30, 2018

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (unaudited)	Eliminations	Lamar Media Consolidated
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	\$ 273,307	\$ 445,984	\$ 7,259	\$ (383,263)	\$ 343,287
Cash flows from investing activities:					
Acquisitions	—	(48,141)	—	—	(48,141)
Capital expenditures	—	(78,944)	(3,230)	—	(82,174)
Proceeds from disposition of assets and investments	—	2,952	2,808	—	5,760
Proceeds received from insurance claims	—	—	4,222	—	4,222
Investment in subsidiaries	(60,424)	—	—	60,424	—
Decrease (increase) in intercompany notes receivable	32,849	—	—	(32,849)	—
Decrease in notes receivable	7	—	—	—	7
Net cash (used in) provided by investing activities	(27,568)	(124,133)	3,800	27,575	(120,326)
Cash flows from financing activities:					
Principal payments on long-term debt	(20,097)	(22)	—	—	(20,119)
Payment on revolving credit facility	(368,000)	—	—	—	(368,000)
Proceeds received from revolving credit facility	275,000	—	—	—	275,000
Redemption of senior subordinated notes	(509,790)	—	—	—	(509,790)
Proceeds received from senior credit facility term loans	599,250	—	—	—	599,250
Debt issuance costs	(6,374)	—	—	—	(6,374)
Intercompany loan (payments) proceeds	—	—	(32,849)	32,849	—
Distributions to non-controlling interest	—	—	(388)	—	(388)
Contributions from (to) parent	58,427	60,424	—	(60,424)	58,427
Dividends (to) from parent	(355,147)	(383,263)	—	383,263	(355,147)
Net cash (used in) provided by financing activities	(326,731)	(322,861)	(33,237)	355,688	(327,141)
Effect of exchange rate changes in cash and cash equivalents	—	—	(682)	—	(682)
Net (decrease) increase in cash and cash equivalents	(80,992)	(1,010)	(22,860)	—	(104,862)
Cash and cash equivalents at beginning of period	86,546	1,625	26,800	—	114,971
Cash and cash equivalents at end of period	<u>\$ 5,554</u>	<u>\$ 615</u>	<u>\$ 3,940</u>	<u>\$ —</u>	<u>\$ 10,109</u>

**LAMAR MEDIA CORP.
AND SUBSIDIARIES**
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In Thousands, Except for Share Data)

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

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (unaudited)	Eliminations	Lamar Media Consolidated
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	\$ 227,195	\$ 398,200	\$ 5,472	\$ (332,265)	\$ 298,602
Cash flows from investing activities:					
Acquisitions	—	(119,936)	—	—	(119,936)
Capital expenditures	—	(69,665)	(4,781)	—	(74,446)
Proceeds from disposition of assets and investments	—	3,340	—	—	3,340
Investment in subsidiaries	(119,936)	—	—	119,936	—
(Increase) decrease in intercompany notes receivable	(2,713)	—	—	2,713	—
Decrease in notes receivable	13	—	—	—	13
Net cash (used in) provided by investing activities	(122,636)	(186,261)	(4,781)	122,649	(191,029)
Cash flows from financing activities:					
Principal payments on long-term debt	(11,250)	—	—	—	(11,250)
Payment on revolving credit facility	(407,000)	—	—	—	(407,000)
Proceeds received from revolving credit facility	317,000	—	—	—	317,000
Payment on senior credit facility	(247,500)	—	—	—	(247,500)
Proceeds received from senior credit facility	450,000	—	—	—	450,000
Debt issuance costs	(4,941)	—	—	—	(4,941)
Intercompany loan proceeds (payments)	—	—	2,713	(2,713)	—
Distributions to non-controlling interest	—	—	(415)	—	(415)
Contributions from (to) parent	41,580	119,936	—	(119,936)	41,580
Dividends (to) from parent	(252,925)	(332,265)	—	332,265	(252,925)
Net cash (used in) provided by financing activities	(115,036)	(212,329)	2,298	209,616	(115,451)
Effect of exchange rate changes in cash and cash equivalents	—	—	1,767	—	1,767
Net (decrease) increase in cash and cash equivalents	(10,477)	(390)	4,756	—	(6,111)
Cash and cash equivalents at beginning of period	12,762	1,201	21,067	—	35,030
Cash and cash equivalents at end of period	<u>\$ 2,285</u>	<u>\$ 811</u>	<u>\$ 25,823</u>	<u>\$ —</u>	<u>\$ 28,919</u>

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 2017 Combined Form 10-K filed on February 27, 2018, as supplemented by any risk factors contained in our combined Quarterly Reports on Form 10-Q. You should carefully consider each of these risks and uncertainties in evaluating the Company’s and Lamar Media’s financial conditions and results of operations. Investors are cautioned not to place undue reliance on the forward-looking statements contained in this document. These statements speak only as of the date of this document, and the Company undertakes no obligation to update or revise the statements, except as may be required by law.

LAMAR ADVERTISING COMPANY

The following is a discussion of the consolidated financial condition and results of operations of the Company for the nine months and three months ended September 30, 2018 and 2017. This discussion should be read in conjunction with the consolidated financial statements of the Company and the related notes thereto.

Overview

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

Historically, the Company has made strategic acquisitions of outdoor advertising assets to increase the number of outdoor advertising displays it operates in existing and new markets. The Company continues to evaluate and pursue strategic acquisition opportunities as they arise. The Company has financed its historical acquisitions and intends to finance any future acquisition activity from available cash, borrowings under its senior credit facility or the issuance of debt or equity securities. See “Liquidity and Capital Resources-Sources of Cash” for more information. During the nine months ended September 30, 2018, the Company completed several acquisitions for a total cash purchase price of approximately \$48.1 million and the issuance of 163,137 shares of Class A common stock of approximately \$12.3 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, 2018 and 2017:

	Three months ended September 30, (in thousands)		Nine months ended September 30, (in thousands)	
	2018	2017	2018	2017
Total capital expenditures:				
Billboard — traditional	\$ 8,715	\$ 10,161	\$ 23,922	\$ 23,700
Billboard — digital	13,093	8,605	33,210	29,568
Logos	1,895	2,498	7,000	6,409
Transit	3,637	290	4,377	578
Land and buildings	593	3,682	6,622	8,196
Operating equipment	1,768	1,374	7,043	5,995
Total capital expenditures	\$ 29,701	\$ 26,610	\$ 82,174	\$ 74,446

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 and gain or loss on disposition of assets and investments.

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

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

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

Adjusted EBITDA, FFO, AFFO and acquisition-adjusted net revenue are not intended to replace net income or any other performance measures determined in accordance with GAAP. Neither FFO nor AFFO represent cash flows from operating activities in accordance with GAAP and, therefore, these measures should not be considered indicative of cash flows from operating activities as a measure of liquidity or of funds available to fund our cash needs, including our ability to make cash distributions. Rather, Adjusted EBITDA, FFO, AFFO and acquisition-adjusted net revenue are presented as we believe each is a useful indicator of our current operating performance. We believe that these metrics are useful to an investor in evaluating our operating performance because (1) each is a key measure used by our management team for purposes of decision making and for evaluating our core operating results; (2) Adjusted EBITDA is widely used in the industry to measure operating performance as depreciation and amortization may vary significantly among companies depending upon accounting methods and useful lives, particularly where acquisitions and non-operating factors are involved; (3) acquisition-adjusted net revenue is a supplement to net revenue to enable investors to compare period over period results on a more consistent basis without the effects of acquisitions and divestitures, 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, 2018 compared to Nine Months ended September 30, 2017

Net revenues increased \$56.5 million or 4.9% to \$1.20 billion for the nine months ended September 30, 2018 from \$1.14 billion for the same period in 2017. This increase was attributable primarily to an increase in billboard net revenues of \$46.9 million, which represents an increase of 4.7% over the same period in 2017. In addition, logo sign revenue increased \$0.6 million, which represents an increase of 1.0% over the same period in 2017 and transit revenue increased \$9.0 million which represents an increase of 10.7% over the same period in 2017.

For the nine months ended September 30, 2018, there was a \$30.2 million increase in net revenues as compared to acquisition-adjusted net revenue for the nine months ended September 30, 2017, which represents an increase of 2.6%. See “Reconciliations” below. The \$30.2 million increase in revenue primarily consists of a \$25.0 million increase in billboard revenue which is largely due to an increase in digital and political revenue, a \$0.5 million increase in logo revenue and a \$4.8 million increase in transit revenue over the acquisition-adjusted net revenue for the comparable period in 2017.

Total operating expenses, exclusive of depreciation and amortization and loss (gain) on disposition of assets, increased \$38.1 million, or 5.8% to \$694.9 million for the nine months ended September 30, 2018 from \$656.8 million in the same period in 2017. The \$38.1 million increase over the prior year is comprised of a \$15.7 million increase in stock-based compensation expense and a \$22.4 million increase in total direct, general and administrative and corporate expenses (excluding stock-based compensation) primarily related to the operations of our outdoor advertising assets.

Depreciation and amortization expense increased \$12.2 million to \$167.3 million for the nine months ended September 30, 2018 as compared to \$155.0 million for the same period in 2017, primarily related to the addition of approximately \$237.8 million of assets acquired through acquisitions and \$117.1 million in capitalized expenditures since October 1, 2017.

For the nine months ended September 30, 2018, the Company recognized a loss on disposition of assets of \$7.3 million primarily related to the \$7.5 million loss recognized on the sale of our Puerto Rico assets which closed on April 16, 2018.

Due to the above factors, operating income decreased by \$5.4 million to \$329.9 million for the nine months ended September 30, 2018 as compared to \$335.4 million for the same period in 2017.

During the nine months ended September 30, 2018, the Company recorded a \$15.4 million loss on debt extinguishment related to Lamar Media’s prepayment of its 5 7/8% Notes. The \$15.4 million loss is comprised of a cash redemption premium of \$9.8 million and a non-cash write off of unamortized deferred financing costs of approximately \$5.6 million. See “Uses of Cash” for more information.

Interest expense increased \$1.8 million for the nine months ended September 30, 2018 to \$97.3 million as compared to \$95.5 million for the nine months ended September 30, 2017. The increase in interest expense is primarily related to the increased debt outstanding as compared to the same period in 2017.

The decrease in operating income and increases in interest expense and loss on debt extinguishment described above resulted in a \$22.3 million decrease in net income before income taxes. The effective tax rate for the nine months ended September 30, 2018 was 3.7%, which differs from the federal statutory rate primarily due to our qualification for taxation as a REIT and adjustments for foreign items.

As a result of the above factors, the Company recognized net income for the nine months ended September 30, 2018 of \$209.5 million, as compared to net income of \$230.5 million for the same period in 2017.

Reconciliations:

Because acquisitions occurring after December 31, 2016 (the “acquired assets”) have contributed to our net revenue results for the periods presented, we provide 2017 acquisition-adjusted net revenue, which adjusts our 2017 net revenue for the nine months ended September 30, 2017 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, 2018.

Reconciliations of 2017 reported net revenue to 2017 acquisition-adjusted net revenue for the nine months ended September 30, as well as a comparison of 2017 acquisition-adjusted net revenue to 2018 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,	
	2018	2017
(in thousands)		
Reported net revenue	\$ 1,199,324	\$ 1,142,785
Acquisition net revenue	—	26,328
Adjusted totals	<u>\$ 1,199,324</u>	<u>\$ 1,169,113</u>

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Nine Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2018	2017		
Net income	\$ 209,539	\$ 230,512	\$ (20,973)	(9.1)%
Income tax expense	7,969	9,257	(1,288)	
Loss on debt extinguishment	15,429	71	15,358	
Interest expense (income), net	97,008	95,520	1,488	
Loss (gain) on disposition of assets	7,265	(4,377)	11,642	
Depreciation and amortization	167,251	155,003	12,248	
Stock-based compensation expense	22,745	7,060	15,685	
Adjusted EBITDA	<u>\$ 527,206</u>	<u>\$ 493,046</u>	<u>\$ 34,160</u>	6.9%

Adjusted EBITDA for the nine months ended September 30, 2018 increased 6.9% to \$527.2 million. The increase in Adjusted EBITDA was primarily attributable to an increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization) of \$38.7 million, and was offset by an increase in total general and administrative and corporate expenses of \$4.5 million, excluding the impact of stock-based compensation expense.

Net Income/FFO/AFFO
(in thousands)

	Nine Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2018	2017		
Net income	\$ 209,539	\$ 230,512	\$ (20,973)	(9.1)%
Depreciation and amortization related to real estate	157,941	145,999	11,942	
Loss (gain) from sale or disposal of real estate, net of tax of \$878 and \$0 in 2018 and 2017, respectively	8,350	(4,114)	12,464	
Adjustments for unconsolidated affiliates and non-controlling interest	385	580	(195)	
FFO	<u>\$ 376,215</u>	<u>\$ 372,977</u>	<u>\$ 3,238</u>	0.9%
Straight line income	(220)	(382)	162	
Stock-based compensation expense	22,745	7,060	15,685	
Non-cash portion of tax provision	697	259	438	
Non-real estate related depreciation and amortization	9,310	9,004	306	
Amortization of deferred financing costs	3,662	3,866	(204)	
Loss on extinguishment of debt	15,429	71	15,358	
Capital expenditures – maintenance	(30,453)	(31,760)	1,307	
Adjustments for unconsolidated affiliates and non-controlling interest	(385)	(580)	195	
AFFO	<u>\$ 397,000</u>	<u>\$ 360,515</u>	<u>\$ 36,485</u>	10.1%

FFO for the nine months ended September 30, 2018 increased 0.9% to \$376.2 million as compared to FFO of \$373.0 million for the same period in 2017. AFFO for the nine months ended September 30, 2018 increased 10.1% to \$397.0 million as compared to \$360.5 million for the same period in 2017. The increase in AFFO was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization) offset by increases in interest expense and the total of general and administrative and corporate expenses (excluding the effect of stock-based compensation expense).

Three Months ended September 30, 2018 compared to Three Months ended September 30, 2017

Net revenues increased \$19.2 million or 4.8% to \$418.5 million for the three months ended September 30, 2018 from \$399.3 million for the same period in 2017. This increase was attributable primarily to an increase in billboard net revenues of \$18.3 million, which represents an increase of 5.3% over the same period in 2017 and a \$1.1 million increase in transit revenue, which represents an increase of 3.5% over the same period in 2017. In addition, logo sign revenue decreased \$0.3 million, which represents a decrease of 1.5% over the same period in 2017.

For the three months ended September 30, 2018, there was a \$12.5 million increase in net revenues as compared to acquisition-adjusted net revenue for the three months ended September 30, 2017, which represents an increase of 3.1%. See “Reconciliations” below. The \$12.5 million increase in revenue primarily consists of a \$12.2 million increase in billboard revenue largely due to an increase in digital revenue and political revenue and a \$0.8 million increase in transit revenue offset by a \$0.5 million decrease in logo revenue, over the acquisition-adjusted net revenue for the comparable period in 2017.

Total operating expenses, exclusive of depreciation and amortization and loss (gain) on sale of assets, increased \$16.1 million for the three months ended September 30, 2018 as compared to the same period in 2017. The \$16.1 million increase over the prior year is comprised of a \$6.6 million increase in stock-based compensation expense and a \$9.5 million increase in total direct, general and administrative and corporate expenses (excluding stock-based compensation), primarily related to the operations of our outdoor advertising assets.

Depreciation and amortization expense increased 6.4% to \$55.1 million for the three months ended September 30, 2018 as compared to the same period in 2017, primarily related to the addition of approximately primarily related to the addition of approximately \$237.8 million of assets acquired through acquisitions and \$117.1 million in capitalized expenditures since October 1, 2017.

Due to the above factors, operating income decreased by \$3.4 million to \$128.4 million for the three months ended September 30, 2018 compared to \$131.7 million for the same period in 2017.

The decrease in operating income primarily resulted in a \$3.0 million decrease in net income before income taxes. The effective tax rate for the three months ended September 30, 2018 was 2.7%, which differs from the federal statutory rate primarily due to our qualification for taxation as a REIT and adjustments for foreign items.

As a result of the above factors, the Company recognized net income for the three months ended September 30, 2018 of \$94.1 million, as compared to net income of \$96.3 million for the same period in 2017.

Reconciliations:

Because acquisitions occurring after December 31, 2016 (the “acquired assets”) have contributed to our net revenue results for the periods presented, we provide 2017 acquisition-adjusted net revenue, which adjusts our 2017 net revenue for the three months ended September 30, 2017 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, 2018.

Reconciliations of 2017 reported net revenue to 2017 acquisition-adjusted net revenue for the three months ended September 30, as well as a comparison of 2017 acquisition-adjusted net revenue to 2018 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,	
	2018	2017
	(in thousands)	
Reported net revenue	\$ 418,498	\$ 399,345
Acquisition net revenue	—	6,672
Adjusted totals	<u>\$ 418,498</u>	<u>\$ 406,017</u>

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Three Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2018	2017		
Net income	\$ 94,056	\$ 96,331	\$ (2,275)	(2.4)%
Income tax expense	2,612	3,325	(713)	
Interest expense (income), net	31,693	32,062	(369)	
Loss (gain) on disposition of assets	407	(2,734)	3,141	
Depreciation and amortization	55,089	51,796	3,293	
Stock-based compensation expense	8,624	2,017	6,607	
Adjusted EBITDA	<u>\$ 192,481</u>	<u>\$ 182,797</u>	<u>\$ 9,684</u>	5.3%

Adjusted EBITDA for the three months ended September 30, 2018 increased 5.3% to \$192.5 million. The increase in Adjusted EBITDA was primarily attributable to an increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization) of \$13.4 million, and was offset by an increase in the total of general and administrative and corporate expenses of \$3.7 million, excluding the impact of stock-based compensation expense.

Net Income/FFO/AFFO
(in thousands)

	Three Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2018	2017		
Net income	\$ 94,056	\$ 96,331	\$ (2,275)	(2.4)%
Depreciation and amortization related to real estate	52,032	48,613	3,419	
Loss (gain) from sale or disposal of real estate	505	(2,707)	3,212	
Adjustments for unconsolidated affiliates and non-controlling interest	43	190	(147)	
FFO	\$ 146,636	\$ 142,427	\$ 4,209	3.0%
Straight line expense (income)	737	(287)	1,024	
Stock-based compensation expense	8,624	2,017	6,607	
Non-cash portion of tax provision	1,138	229	909	
Non-real estate related depreciation and amortization	3,057	3,183	(126)	
Amortization of deferred financing costs	1,214	1,243	(29)	
Capital expenditures – maintenance	(11,248)	(11,082)	(166)	
Adjustments for unconsolidated affiliates and non-controlling interest	(43)	(190)	147	
AFFO	\$ 150,115	\$ 137,540	\$ 12,575	9.1%

FFO for the three months ended September 30, 2018 increased 3.0% to \$146.6 million as compared to FFO of \$142.4 million for the same period in 2017. AFFO for the three months ended September 30, 2018 increased 9.1% to \$150.1 million as compared to \$137.5 million for the same period in 2017. The increase in AFFO was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization) offset by increases in maintenance capital expenditures and total 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, 2018 we had approximately \$342.6 million of total liquidity, which is comprised of approximately \$10.6 million in cash and cash equivalents and approximately \$332.0 million of availability under the revolving portion of Lamar Media's senior credit facility. We are currently in compliance with the maintenance covenant included in the senior credit facility and we would remain in compliance after giving effect to borrowing the full amount available to us under the revolving portion of the senior credit facility.

Cash Generated by Operations. For the nine months ended September 30, 2018 and 2017 our cash provided by operating activities was \$370.1 million and \$320.6 million, respectively. The increase in cash provided by operating activities for the nine months ended September 30, 2018 over the same period in 2017 relates to an increase in revenues offset by an increase in operating expenses (excluding depreciation and amortization), and a net decrease in operating assets and liabilities. We expect to generate cash flows from operations during 2018 in excess of our cash needs for operations, capital expenditures and dividends, as described herein.

"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, par value \$.001 per share (the "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, 2018, the Company received net proceeds of approximately \$15.1 million in exchange for issuing 213,276 shares of its Class A common stock under this program. During the nine months ended September 30, 2018, the aggregate commissions paid to the sales agent was approximately \$0.2 million. In addition, in October 2018, the Company issued 362,276 shares of its Class A common stock for net proceeds of \$27.0 million. The commission paid to the sales agent for the October purchases was approximately \$0.4 million.

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. On August 23, 2018, we filed a prospectus supplement to the shelf registration statement relating to the offer and resale of 163,137 shares of Class A common stock previously issued in connection with an acquisition. We may issue additional shares under the shelf registration statement in the future in connection with future acquisitions or for other general corporate purposes.

Sale of Puerto Rico Operations. On April 16, 2018, the Company sold substantially all of its operating assets in Puerto Rico to B-Billboard BB LLC and B-Billboard BG LLC which resulted in a loss on disposition of assets of approximately \$7.5 million.

Credit Facilities. On March 16, 2018, Lamar Media Corp. entered into Amendment No. 1 to the Third Amended and Restated Credit Agreement dated May 15, 2017, with Lamar Advertising, certain of Lamar Media's subsidiaries as Guarantors, JPMorgan Chase Bank, N.A. as Administrative Agent and the lenders named therein, under which the parties agreed to amend the existing senior credit facility to establish a new \$600.0 million Term B Loan Facility, which will mature on March 16, 2025. The Term B loan began amortizing on June 30, 2018 in equal quarterly installments of \$1.5 million with the remainder payable at maturity. Lamar borrowed the full amount of the Term B loan on March 16, 2018. The proceeds from the Term B loan, together with available cash on hand were used to redeem in full Lamar Media's 5 7/8% Senior Subordinated Notes due 2022. *See Uses of Cash for more information.*

On May 15, 2017, Lamar Media entered into a Third Restatement Agreement ("Restatement Agreement") with the Company, certain of Lamar Media's subsidiaries as guarantors, JPMorgan Chase Bank, N.A. as administrative agent and the lenders party thereto, under which the parties agreed to amend and restate Lamar Media's existing senior credit facility. The Restatement Agreement amended and restated the Second Amended and Restated Credit Agreement dated as of February 3, 2014, as amended, which consisted of a \$400.0 million revolving credit facility and a \$300.0 million Term A loan facility.

Lamar Media's Third Amended and Restated Credit Agreement dated as of May 15, 2017 (as amended by Amendment No. 1, the "senior credit facility") consists of (i) a new \$450.0 million senior secured revolving credit facility which will mature on May 15, 2022, (ii) a new \$450.0 million Term A loan facility (the "Term A loans") which will mature on May 15, 2022, and (iii) the Term B loans, and (iv) an incremental facility pursuant to which Lamar Media may incur additional term loan tranches or increase its revolving credit facility subject to pro forma compliance with the secured debt ratio financial maintenance covenant described under "Restrictions under Senior Credit Facility."

Under the senior credit facility Lamar Media borrowed all \$450.0 million in Term A loans on May 15, 2017. The net proceeds, together with borrowing under the revolving portion of senior credit facility and cash on hand, were used to repay all outstanding amounts under the existing senior credit facility, and all revolving commitments under that facility were terminated.

As of September 30, 2018 the aggregate balance outstanding under the senior credit facility was approximately \$1.123 billion, consisting of \$421.9 million outstanding in Term A loans, \$596.3 million in Term B loans (net of \$0.7 million of original issue discount) and \$105.0 million in revolving credit loans. In addition, Lamar Media had approximately \$332.0 million of unused capacity under the revolving credit facility included in the senior credit facility.

Factors Affecting Sources of Liquidity

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

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

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 \$535 million 5% Senior Subordinated Notes issued in October 2012 (the “5% Senior Subordinated Notes”), \$510 million 5 3/8% Senior Notes issued in January 2014 (the “5 3/8% Senior Notes”) and the \$400 million 5 3/4% Senior Notes issued in January 2016 (the “5 3/4% Senior Notes”).

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

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

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

Restrictions under Senior Credit Facility. Lamar Media is required to comply with certain covenants and restrictions under the senior credit facility. If the Company or Lamar Media fails to comply with these tests, the lenders under the senior credit facility will be entitled to exercise certain remedies, including the termination of the lending commitments and the acceleration of the debt payments under the senior credit facility. At September 30, 2018 and currently, we were in compliance with all such tests under the senior credit facility.

Lamar Media must maintain a secured debt ratio, defined as total consolidated secured debt of Lamar Advertising, Lamar Media and its restricted subsidiaries, minus the lesser of (x) \$150 million and (y) the aggregate amount of unrestricted cash and cash equivalents of Lamar Advertising, Lamar Media and its restricted subsidiaries to EBITDA, as defined below, for the period of four consecutive fiscal quarters then ended, of less than or equal to 3.5 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 and 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 its senior debt ratio, defined as (a) total consolidated debt (excluding subordinated debt) of Lamar Advertising, Lamar Media and its restricted subsidiaries as of any date minus the lesser of (i) \$150 million and (ii) the aggregate amount of unrestricted cash and cash equivalents of Lamar Advertising, Lamar Media and its restricted subsidiaries to (b) EBITDA, as defined below, for the most recent four fiscal quarters then ended is less than 4.5 to 1.0.

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

Under the senior credit facility, “EBITDA” means, for any period, operating income for Lamar Advertising, Lamar Media and its restricted subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP) for such period (calculated (A) before (i) taxes, (ii) interest expense, (iii) depreciation, (iv) amortization, (v) any other non-cash income or charges accrued for such period, (vi) charges and expenses in connection with the senior credit facility, any actual or proposed acquisition, disposition or investment (excluding, in each case, purchases and sales of advertising space and operating assets in the ordinary course of business) and any actual or proposed offering of securities, incurrence or repayment of indebtedness (or amendment to any agreement relating to

indebtedness), including any refinancing thereof, or recapitalization and (vii) any loss or gain relating to amounts paid or earned in cash prior to the stated settlement date of any swap agreement that has been reflected in operating income for such period) and (B) after giving effect to the amount of cost savings, operating expense reductions and other operating improvements or synergies projected by Lamar Media in good faith to be realized as a result of any acquisition, investment, merger, amalgamation or disposition within 18 months of any such acquisition, investment, merger, amalgamation or disposition, net of the amount of actual benefits realized during such period from such action; provided, (a) the aggregate amount for all such cost savings, operating expense reductions and other operating improvements or synergies 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 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 through fiscal 2018. All debt obligations are reflected on the Company's balance sheet.

Uses of Cash

Capital Expenditures. Capital expenditures, excluding acquisitions were approximately \$82.2 million for the nine months ended September 30, 2018. We anticipate our 2018 total capital expenditures will be approximately \$110 million.

Acquisitions. During the nine months ended September 30, 2018, the Company completed acquisitions for an aggregate purchase price of approximately \$60.4 million, which were financed using available cash on hand or borrowings under its revolving credit facility and the issuance of 163,137 shares of Class A common stock.

5 7/8% Senior Subordinated Note Redemption. On March 19, 2018, the Company used proceeds from the Term B loan, together with cash on hand, to redeem in full all \$500.0 million in aggregate principal amount of Lamar Media's 5 7/8% Senior Subordinated Notes due 2022 and repay a portion of the borrowings outstanding under Lamar Media's revolving credit facility. The Notes were redeemed at a redemption price equal to 101.958% 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 \$15.4 million related to this redemption which is comprised of a \$9.8 million prepayment penalty and a \$5.6 million non-cash write off of unamortized deferred financing costs.

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

Principal Payment Date	Term A		Term B	
	(in thousands)			
December 31, 2018-June 30, 2019	\$	5,625.0	\$	1,500.0
September 30, 2019-June 30, 2020	\$	8,437.5	\$	1,500.0
September 30, 2020-March 31, 2022	\$	16,875.0	\$	1,500.0
Term A Loan Maturity May 15, 2022	\$	253,125.0	\$	—
June 30, 2022-December 31, 2024	\$	—	\$	1,500.0
Term B Loan Maturity March 16, 2025	\$	—	\$	559,500.0

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

interest at a rate per annum equal to the Adjusted Base Rate plus 1.25% (or the Adjusted Base Rate plus 1.0% at any time the total debt ratio is less than or equal to 4.25 to 1, or the Adjusted Base Rate plus 0.75% at any time the Total Debt Ratio is less than or equal to 3.00 to 1). The guarantees, covenants, events of default and other terms of the senior credit facility apply to the Term A and B loans and revolving credit facility.

Dividends. On January 2, 2018, the Company paid a quarterly cash dividend of \$0.83 per share to its shareholders of record of its Class A and Class B common stock on December 18, 2017. In addition, on each of February 22, 2018, May 17, 2018 and August 22, 2018, Lamar Advertising's Board of Directors declared quarterly cash dividends of \$0.91 per share, paid on March 29, 2018, June 29, 2018 and September 28, 2018 to its stockholders of record of its Class A common stock and Class B common stock on March 19, 2018, June 15, 2018 and September 14, 2018, respectively. The Company expects aggregate quarterly distributions to stockholders in 2018, excluding the dividend paid on January 2, 2018 but including the dividends paid on March 29, 2018, June 29, 2018 and September 28, 2018, will total \$3.65 per common share.

As a REIT, the Company must annually distribute to its stockholders an amount equal to at least 90% of its REIT taxable income (determined before the deduction for distributed earnings and excluding any net capital gain). The amount, timing and frequency of future distributions will be at the sole discretion of the Board of Directors and will be declared based upon various factors, a number of which may be beyond the Company's control, including financial condition and operating cash flows, the amount required to maintain REIT status and reduce any income and excise taxes that the Company otherwise would be required to pay, limitations on distributions in our existing and future debt instruments, the Company's ability to utilize net operating losses to offset, in whole or in part, the Company's distribution requirements, limitations on its ability to fund distributions using cash generated through its Taxable REIT Subsidiaries ("TRSs") and other factors that the Board of Directors may deem relevant.

Off Balance Sheet Arrangements

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

Commitments and Contingencies

In our Quarterly Report on Form 10-Q for the three months ended March 31, 2018, Part I, Item 2, Management's Discussion and Analysis of Financial Conditions and Results of Operations, under the heading "Debt Service and Contractual Obligations," we described our commitments and contingencies. There were no material changes in our commitments and contingencies during the period ended September 30, 2018.

Accounting Standards Update

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

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

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

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

LAMAR MEDIA CORP.

The following is a discussion of the consolidated financial condition and results of operations of Lamar Media for the nine months and three months ended September 30, 2018 and 2017. 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, 2018 compared to Nine Months ended September 30, 2017

Net revenues increased \$56.5 million or 4.9% to \$1.20 billion for the nine months ended September 30, 2018 from \$1.14 billion for the same period in 2017. This increase was attributable primarily to an increase in billboard net revenues of \$46.9 million, which represents an increase of 4.7% over the same period in 2017. In addition, logo sign revenue increased \$0.6 million, which represents an increase of 1.0% over the same period in 2017 and transit revenue increased \$9.0 million which represents an increase of 10.7% over the same period in 2017.

For the nine months ended September 30, 2018, there was a \$30.2 million increase in net revenues as compared to acquisition-adjusted net revenue for the nine months ended September 30, 2017, which represents an increase of 2.6%. See "Reconciliations" below. The \$30.2 million increase in revenue primarily consists of a \$25.0 million increase in billboard revenue which is largely due to an increase in digital and political revenue, a \$0.5 million increase in logo revenue and a \$4.8 million increase in transit revenue over the acquisition-adjusted net revenue for the comparable period in 2017.

Total operating expenses, exclusive of depreciation and amortization and loss (gain) on disposition of assets, increased \$38.1 million, or 5.8% to \$694.6 million for the nine months ended September 30, 2018 from \$656.5 million in the same period in 2017. The \$38.1 million increase over the prior year is comprised of a \$15.7 million increase in stock-based compensation expense and a \$22.4 million increase in total direct advertising, general and administrative and corporate expenses (excluding stock-based compensation) primarily related to the operations of our outdoor advertising assets.

Depreciation and amortization expense increased \$12.2 million to \$167.3 million for the nine months ended September 30, 2018 as compared to \$155.0 million for the same period in 2017, primarily related to the addition of approximately \$237.8 million of assets acquired through acquisitions and \$117.1 million in capitalized expenditures since October 1, 2017.

For the nine months ended September 30, 2018, Lamar Media recognized a loss on disposition of assets of \$7.3 million primarily related to the \$7.5 million loss recognized on the sale of our Puerto Rico assets which closed on April 16, 2018.

Due to the above factors, operating income decreased by \$5.4 million to \$330.2 million for the nine months ended September 30, 2018 as compared to \$335.7 million for the same period in 2017.

During the nine months ended September 30, 2018, Lamar Media recorded a \$15.4 million loss on debt extinguishment related to the prepayment of its 5 7/8% Notes. The \$15.4 million loss is comprised of a cash redemption premium of \$9.8 million and a non-cash write off of unamortized deferred financing costs of approximately \$5.6 million. See "Uses of Cash" for more information.

Interest expense increased \$1.8 million for the nine months ended September 30, 2018 to \$97.3 million as compared to \$95.5 million for the nine months ended September 30, 2017. The increase in interest expense is primarily related to the increased debt outstanding as compared to the same period in 2017.

The decrease in operating income and increases in interest expense and loss on debt extinguishment described above resulted in a \$22.3 million decrease in net income before income taxes. The effective tax rate for the nine months ended September 30, 2018 was 3.7%, which differs from the federal statutory rate primarily due to our qualification for taxation as a REIT and adjustments for foreign items.

As a result of the above factors, Lamar Media recognized net income for the nine months ended September 30, 2018 of \$209.8 million, as compared to net income of \$230.8 million for the same period in 2017.

Reconciliations:

Because acquisitions occurring after December 31, 2016 (the “acquired assets”) have contributed to our net revenue results for the periods presented, we provide 2017 acquisition-adjusted net revenue, which adjusts our 2017 net revenue for the nine months ended September 30, 2017 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, 2018.

Reconciliations of 2017 reported net revenue to 2017 acquisition-adjusted net revenue for the nine months ended September 30, as well as a comparison of 2017 acquisition-adjusted net revenue to 2018 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,	
	2018	2017
	(in thousands)	
Reported net revenue	\$ 1,199,324	\$ 1,142,785
Acquisition net revenue	—	26,328
Adjusted totals	\$ 1,199,324	\$ 1,169,113

Key Performance Indicators

Net Income/Adjusted EBITDA (in thousands)

	Nine Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2018	2017		
Net income	\$ 209,843	\$ 230,809	\$ (20,966)	(9.1)%
Income tax expense	7,969	9,257	(1,288)	
Loss on debt extinguishment	15,429	71	15,358	
Interest expense (income), net	97,008	95,520	1,488	
Loss (gain) on disposition of assets	7,265	(4,377)	11,642	
Depreciation and amortization	167,251	155,003	12,248	
Stock-based compensation expense	22,745	7,060	15,685	
Adjusted EBITDA	\$ 527,510	\$ 493,343	\$ 34,167	6.9%

Adjusted EBITDA for the nine months ended September 30, 2018 increased 6.9% to \$527.5 million. The increase in Adjusted EBITDA was primarily attributable to an increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization) of \$38.7 million, and was offset by a total increase in general and administrative and corporate expenses of \$4.5 million, excluding the impact of stock-based compensation expense.

Net Income/FFO/AFFO

(in thousands)

	Nine Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2018	2017		
Net income	\$ 209,843	\$ 230,809	\$ (20,966)	(9.1)%
Depreciation and amortization related to real estate	157,941	145,999	11,942	
Loss (gain) from sale or disposal of real estate, net of tax of \$878 and \$0 in 2018 and 2017, respectively	8,350	(4,114)	12,464	
Adjustments for unconsolidated affiliates and non-controlling interest	385	580	(195)	
FFO	\$ 376,519	\$ 373,274	\$ 3,245	0.9%
Straight line income	(220)	(382)	162	
Stock-based compensation expense	22,745	7,060	15,685	
Non-cash portion of tax provision	697	259	438	
Non-real estate related depreciation and amortization	9,310	9,004	306	
Amortization of deferred financing costs	3,662	3,866	(204)	
Loss on extinguishment of debt	15,429	71	15,358	
Capital expenditures – maintenance	(30,453)	(31,760)	1,307	
Adjustments for unconsolidated affiliates and non-controlling interest	(385)	(580)	195	
AFFO	\$ 397,304	\$ 360,812	\$ 36,492	10.1%

FFO for the nine months ended September 30, 2018 increased 0.9% to \$376.5 million as compared to FFO of \$373.3 million for the same period in 2017. AFFO for the nine months ended September 30, 2018 increased 10.1% to \$397.3 million as compared to \$360.8 million for the same period in 2017. The increase in AFFO was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization) offset by increases in interest expense and total general and administrative and corporate expenses (excluding the effect of stock-based compensation expense).

Three Months ended September 30, 2018 compared to Three Months ended September 30, 2017

Net revenues increased \$19.2 million or 4.8% to \$418.5 million for the three months ended September 30, 2018 from \$399.3 million for the same period in 2017. This increase was attributable primarily to an increase in billboard net revenues of \$18.3 million, which represents an increase of 5.3% over the same period in 2017 and a \$1.1 million increase in transit revenue, which represents an increase of 3.5% over the same period in 2017. In addition, logo sign revenue decreased \$0.3 million, which represents a decrease of 1.5% over the same period in 2017.

For the three months ended September 30, 2018, there was a \$12.5 million increase in net revenues as compared to acquisition-adjusted net revenue for the three months ended September 30, 2017, which represents an increase of 3.1%. See “Reconciliations” below. The \$12.5 million increase in revenue primarily consists of a \$12.2 million increase in billboard revenue largely due to an increase in digital revenue and political revenue and a \$0.8 million increase in transit revenue, offset by a \$0.5 million decrease in logo revenue over the acquisition-adjusted net revenue for the comparable period in 2017.

Total operating expenses, exclusive of depreciation and amortization and loss (gain) on sale of assets, increased \$16.1 million for the three months ended September 30, 2018 as compared to the same period in 2017. The \$16.1 million increase over the prior year is comprised of a \$6.6 million increase in stock-based compensation expense and a \$9.5 million increase in total direct, general and administrative and corporate expenses (excluding stock-based compensation), primarily related to the operations of our outdoor advertising assets.

Depreciation and amortization expense increased 6.4% to \$55.1 million for the three months ended September 30, 2018 as compared to the same period in 2017, primarily related to the addition of approximately \$237.8 million of assets acquired through acquisitions and \$117.1 million in capitalized expenditures since October 1, 2017.

Due to the above factors, operating income decreased by \$3.4 million to \$128.5 million for the three months ended September 30, 2018 compared to \$131.8 million for the same period in 2017.

The decrease in operating income primarily resulted in a \$3.0 million decrease in net income before income taxes. The effective tax rate for the three months ended September 30, 2018 was 2.7%, which differs from the federal statutory rate primarily due to our qualification for taxation as a REIT and adjustments for foreign items.

As a result of the above factors, Lamar Media recognized net income for the three months ended September 30, 2018 of \$94.2 million, as compared to net income of \$96.4 million for the same period in 2017.

Reconciliations:

Because acquisitions occurring after December 31, 2016 (the “acquired assets”) have contributed to our net revenue results for the periods presented, we provide 2017 acquisition-adjusted net revenue, which adjusts our 2017 net revenue for the three months ended September 30, 2017 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, 2018.

Reconciliations of 2017 reported net revenue to 2017 acquisition-adjusted net revenue for the three months ended September 30, as well as a comparison of 2017 acquisition-adjusted net revenue to 2018 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,	
	2018	2017
	(in thousands)	
Reported net revenue	\$ 418,498	\$ 399,345
Acquisition net revenue	—	6,672
Adjusted totals	\$ 418,498	\$ 406,017

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Three Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2018	2017		
Net income	\$ 94,165	\$ 96,437	\$ (2,272)	(2.4)%
Income tax expense	2,612	3,325	(713)	
Interest expense (income), net	31,693	32,062	(369)	
Loss (gain) on disposition of assets	407	(2,734)	3,141	
Depreciation and amortization	55,089	51,796	3,293	
Stock-based compensation expense	8,624	2,017	6,607	
Adjusted EBITDA	\$ 192,590	\$ 182,903	\$ 9,687	5.3%

Adjusted EBITDA for the three months ended September 30, 2018 increased 5.3% to \$192.6 million. The increase in Adjusted EBITDA was primarily attributable to an increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization) of \$13.4 million, and was offset by a total increase in general administrative and corporate expenses of \$3.7 million, excluding the impact of stock-based compensation expense.

Net Income/FFO/AFFO
(in thousands)

	Three Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2018	2017		
Net income	\$ 94,165	\$ 96,437	\$ (2,272)	(2.4)%
Depreciation and amortization related to real estate	52,032	48,613	3,419	
Loss (gain) from sale or disposal of real estate	505	(2,707)	3,212	
Adjustments for unconsolidated affiliates and non-controlling interest	43	190	(147)	
FFO	\$ 146,745	\$ 142,533	\$ 4,212	3.0%
Straight line expense (income)	737	(287)	1,024	
Stock-based compensation expense	8,624	2,017	6,607	
Non-cash portion of tax provision	1,138	229	909	
Non-real estate related depreciation and amortization	3,057	3,183	(126)	
Amortization of deferred financing costs	1,214	1,243	(29)	
Capital expenditures – maintenance	(11,248)	(11,082)	(166)	
Adjustments for unconsolidated affiliates and non-controlling interest	(43)	(190)	147	
AFFO	\$ 150,224	\$ 137,646	\$ 12,578	9.1%

FFO for the three months ended September 30, 2018 increased 3.0% to \$146.7 million as compared to FFO of \$142.5 million for the same period in 2017. AFFO for the three months ended September 30, 2018 increased 9.1% to \$150.2 million as compared to \$137.6 million for the same period in 2017. The increase in AFFO was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization) offset by increases in maintenance capital expenditures and total 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.

The Company is exposed to interest rate risk in connection with variable rate debt instruments issued by its wholly owned subsidiary Lamar Media. The information below summarizes the Company's interest rate risk associated with its principal variable rate debt instruments outstanding at September 30, 2018, and should be read in conjunction with Note 9 of the Notes to the Company's Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

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

At September 30, 2018, there was approximately \$1.123 billion of aggregate indebtedness outstanding under the senior credit facility, or approximately 43.7% of the Company's outstanding long-term debt on that date, bearing interest at variable rates. The aggregate interest expense for the nine months ended September 30, 2018 with respect to borrowings under the senior credit facility was \$29.1 million, and the weighted average interest rate applicable to borrowings under this credit facility during the nine months ended September 30, 2018 was 3.7%. Assuming that the weighted average interest rate was 200-basis points higher (that is 5.7% rather than 3.7%), then the Company's nine months ended September 30, 2018 interest expense would have increased by \$15.1 million.

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

ITEM 4. CONTROLS AND PROCEDURES

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

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

b) Changes in Internal Control Over Financial Reporting.

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

PART II — OTHER INFORMATION

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described in Part I, Item 1A, "Risk Factors" in our combined Annual Report on Form 10-K for the year ended December 31, 2017, 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, 2017.

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

On August 21, 2018 the Company issued an aggregate of 163,137 shares of its Class A common stock to the former shareholders of Land Displays, Inc. ("Land Displays"), a Pennsylvania corporation, as a portion of the consideration in connection with the Company's acquisition of Land Displays. The shares of Class A common stock issued in this acquisition were issued in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

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

Exhibit Number	Description
3.5	<u>Amended and Restated Bylaws of Lamar Media. Previously filed as Exhibit 3.1 to Lamar Media's Quarterly Report on Form 10-Q for the period ended September 30, 1999 (File No. 1-12407) filed on November 12, 1999 and incorporated herein by reference.</u>
31.1	<u>Certification of the Chief Executive Officer of the Company and Lamar Media pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.</u>
31.2	<u>Certification of the Chief Financial Officer of the Company and Lamar Media pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.</u>
32.1	<u>Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.</u>
101	The following materials from the combined Quarterly Report of the Company and Lamar Media on Form 10-Q for the nine months ended September 30, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017 of the Company and Lamar Media, (ii) Condensed Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2018 and 2017 of the Company and Lamar Media, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 of the Company and Lamar Media, and (iv) Notes to Condensed Consolidated Financial Statements of the Company and Lamar Media

SIGNATURES

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

LAMAR ADVERTISING COMPANY

DATED: November 8, 2018

BY: /s/ Keith A. Istre
Chief Financial and Accounting Officer and Treasurer

LAMAR MEDIA CORP.

DATED: November 8, 2018

BY: /s/ Keith A. Istre
Chief Financial and Accounting Officer and Treasurer

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 8, 2018

/s/ Sean E. Reilly

Sean E. Reilly

Chief Executive Officer, Lamar Advertising Company

Chief Executive Officer, Lamar Media Corp.

CERTIFICATION

I, Keith A. Istre, 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 8, 2018

/s/ Keith A. Istre

Keith A. Istre

Chief Financial Officer, Lamar Advertising Company

Chief Financial Officer, Lamar Media Corp.

**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, 2018 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 8, 2018

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

Dated: November 8, 2018

By: /s/ Keith A. Istre
Keith A. Istre
Chief Financial Officer, Lamar Advertising Company
Chief Financial Officer, Lamar Media Corp.