LAMAR ADVERTISING CO/NEW
Form 425
June 03, 2014

Filed by Lamar Advertising Company

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

under the Securities and Exchange Act of 1934, as amended

Subject Company: Lamar Advertising Company

Commission File No. 000-30242

The following are copies of slides that Lamar Advertising Company intends to use in meetings with investors beginning on June 3, 2014.

INVESTOR PRESENTATION
June 2014

Disclaimer
2
Forward-looking Statements
This presentation contains forward-looking statements, including our financial guidance for 2014, the statements regarding our
trust status; our ability to complete the REIT conversion effective for the taxable year beginning January 1, 2014; our intention
stockholders and make regular quarterly distributions to stockholders in 2014. These statements are subject to risks and uncerta
from those projected in these forward-looking statements. These risks and uncertainties include, among others: (1) that we may
beginning January 1, 2014 or at all, and, if we do qualify as a REIT, we may be unable to maintain that qualification (2) legisla

REITs, including positions taken by the IRS; (3) our significant indebtedness; (4) the state of the economy and financial marke demand for advertising; (5) the continued popularity of outdoor advertising as an advertising medium; (6) our need for and abi refinancing or acquisitions; (7) the regulation of the outdoor advertising industry; (8) our ability to successfully implement our acquired companies and our ability to recognize cost savings or operating efficiencies as a result of these acquisitions. For addi actual results to differ materially from those indicated in our forward-looking statements, we refer you to the risk factors incluc year ended December 31, 2013. We caution investors not to place undue reliance on the forward-looking statements contained the date of this presentation, and we undertake no obligation to update or revise these statements, except as may be required by

Use of Non-GAAP Measures

Adjusted EBITDA, Funds From Operations, Adjusted Funds From Operations and Adjusted Funds From Operations Per Dilute accounting principles generally accepted in the United States of America (GAAP). These measures should not be considered operating activities or other GAAP figures as indicators of the Company s financial performance. Our management believes tl Funds From Operations and Adjusted Funds From Operations Per Diluted Share are useful in evaluating the Company s perfo better understanding of the Company s core operating results. Our presentations of these measures may not be comparable to s the appendix, which provide reconciliations of each of these measures to the most directly comparable GAAP measure.

Additional Information

In connection with the proposed REIT conversion, we plan to effect a merger with and into a wholly owned subsidiary, which file a proxy statement to be used in connection with the stockholder vote on this merger. That proxy statement will be containe Lamar Advertising REIT Company, and both companies will file other relevant documents concerning the proposed merger tra (SEC). INVESTORS ARE URGED TO READ THE FORM S-4 AND PROXY STATEMENT (INCLUDING ALL AMENDN BECOME AVAILABLE AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC BECAUSE THEY WIL PROPOSED MERGER. You will be able to obtain documents free of charge at the website maintained by the SEC at www.sec the SEC by Lamar free of charge by contacting Secretary, 5321 Corporate Blvd., Baton Rouge, LA 70808.

We, our directors and executive officers and certain other members of management and employees may be deemed to be partic stockholders in connection with the merger. Information regarding the persons who may, under the rules of the SEC, be consid connection with the merger will be included in the Form S-4 and proxy statement when they become available. Information ab ownership of Lamar Advertising stock is set forth the proxy statement for our 2014 Annual Meeting of Stockholders, which wa obtain additional information regarding the interest of such participants by reading the Form S-4 and proxy statement for the m Investors should read the Form S-4 and proxy statement carefully when they become available before making any voting or inv This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of ar

Agenda

3

Appendix
29

Introduction
4
Experienced management team
Name
Title
Years with Lamar
Kevin Reilly, Jr.
Chairman of the Board and President

35
Sean Reilly
Chief Executive Officer
23
Keith Istre
Chief Financial Officer and Treasurer
35
Regional Managers (average years)
31
Lamar s
management
team
has
been
with
the
company
for
an
average
of
31
years

Company profile
Established in 1902
over 110 years of operating experience
Largest
outdoor
advertising
company
in

the
US
based
on
number
of
displays

Operates approximately 145,000 billboard displays in 44 states, Canada and Puerto Rico

Operates over 128,000 logo sign advertising displays in 23 states and Ontario, Canada

Operates over 40,000 transit advertising displays in 16 states, Canada and Puerto Rico
Industry characterized by high barriers to entry due to permitting restrictions
Approximately 18% US market share
second behind Clear Channel Outdoor
78%
of
revenue
generated
from
less
volatile
local
business,
with
diversified
base
of
over
40,000 total billboard tenants

Leading out of home provider in the vast majority of Lamar s markets
Approximately
825
local
account
executives
across
the
US,
Canada
and
Puerto
Rico
5

Key REIT investment considerations
6
Largest
pure-play
outdoor
operator
with
expansive

national
footprint
and over
145,000 billboard displays
Significant barriers to entry due to permitting restrictions which make real estate portfolio nearly impossible to replicate
Diversified base of 40,000+ tenants, none accounting for more than 1% of sales
Flexible
business
model
allows
Lamar
to
reduce
maintenance
capex
to protect
AFFO in economic downturns
Strong balance sheet with no near-term maturities; long & low fixed-rate profile
Potential to expand market share through AFFO-accretive acquisitions
Experienced, goal-oriented management team with disciplined approach to returning capital to shareholders
Approximately 20% of billboard revenue is generated on Lamar-owned property, with balance divided among 60,000 lessors
OOH media effectively complements social & mobile advertising

Expansive national footprint with approximately
145,000 billboards
7
Puerto Rico
Canada

Largest provider of logo signs in the US
8
Operates nearly 89% of privatized state logo contracts covering over 128,000 displays

Lamar maintains a leading share of the U.S. outdoor
advertising market
9
Source: Company filings; Outdoor Advertising Association of America
Note: Market share based on Lamar, CBS Outdoor and Clear Channel Outdoor domestic revenue as a percentage of 2013 out of home media spending
Potential acquisitions could expand market share and increase AFFO

~$2bn in high-quality,
REIT-eligible billboard assets
Other
47%
18%
16%
19%

Out-of-home regulations provide high barriers to
entry
10
Lamar typically owns permits that allow OOH advertising at each location

Control of permit protects current inventory and prevents encroachment from
other players in local and national markets

Permits are the most valuable assets typically obtained in an acquisition

Lamar's permits have been collected over the course of its 110+ year history
Federal,
state
and
local
regulations
help
Lamar
maintain
leading
share
within
its
markets and provide high barriers to entry for new entrants

Rules govern where and how billboards may be built (i.e. typically cannot build new billboard within a certain distance of existing structures)

Many existing structures have been grandfathered in and cannot be rebuilt by another operator without obtaining zoning variance

No advertising tenant accounts for more than 1% of total
revenue
11
Net advertising revenue breakdown
FY 2007
FY 2008
FY 2009
FY 2010

FY 2011
FY 2012
FY 2013
Restaurants
10%
10%
12%
12%
13%
13%
13%
Retailers
10%
11%
10%
10%
10%
11%
11%
Healthcare
7%
7%
8%
9%
9%
10%
10%
Service
6%
6%
7%
8%
8%
8%
9%
Amusement
5%
5%
6%
6%
7%
7%
7%
Automotive
9%
7%
6%
6%
6%
6%

7%
Gaming
6%
6%
7%
6%
6%
6%
5%
Financial

5%
5%
5%
5%
4%
Telecom
5%
5%
4%
5%
5%
4%
3%
Hotels & Motels
5%
5%
5%
4%

3%
Education

4%
4%

Real Estate
9%
6%

Total

72%
68%
70%
71%
73%
74%
72%
Top 10 tenants (2013)
Long-standing relationships with many of our tenants
Contracts range from 30 days to 1 year
One-stop-shopping capabilities with billboard and transit products

Diversified underlying real-estate portfolio
12
Lamar has opportunistically purchased easements beneath key locations, including many digital structures
Diversification and regulatory regime help preserve footprint and limit inflation in lease expense
Lamar owns approximately 10% of its billboard

locations
82% of billboard revenue from
structures on property leased
from 60,000 lessors
18% of billboard revenue
generated on structures on
Lamar-owned property

Focus on local advertising spending differentiates
Lamar
13
Note: As of December 31, 2013
Local demand less influenced
by economic
swings
Large on-the-ground sales

force cultivates strong
relationships with local
decision makers and retailers
Lamar s local revenue
generation compares favorably
to industry s

Clear share leader in vast
majority of our markets
Yields optimized at local levels
Local focus
National performance
Diversified, blue chip customer
base
Fifty member sales team
across nine cities manages
relationships with OOH
agencies and large customers
Recent acquisitions and
greenfield development have
bolstered presence in key
markets such as Phoenix,
Boston and Philadelphia
Lamar is the leading out of home provider in the vast majority of its markets
National
22%
Local
78%

Outdoor remains a low cost, wide reaching
advertising
medium
14
Relative average cost to reach 1,000 adults between ages 25 and 54 (CPM)
Source: Outdoor Advertising Association of America
Broadcast TV
Radio

Online
Cable TV
OOH
Magazines
Newspapers
Direct Mail

Diverse product mix across digital and analog
assets
Company profile
15
Revenue contribution FYE 2013
($mm)
(%)
Analog bulletin displays

$657
53%
Analog poster displays
263
21%
Digital posters & bulletins
184
15%
Transit displays
75
6%
Logos
67
5%
Total
$1,246
100%

Historically, Lamar has emerged strongly
from economic downturns
16
Annual pro forma financials
1991
1992
1993
1994

1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
Y/Y net
revenue
growth[1]
1%
(2)%
4%
11%
9%
7%
7%
8%
6%
9%
(2)%
2%
2%
7%
7%
8%
7%
(3)%(13)%
3%
3%
3%
2%
Adj. EBITDA
margin
32%
31%
35%
37%

40%
41%
46%
47%
47%
48%
45%
43%
43%
45%
45%
44%
46%
43%
42%
43%
43%
43%
44%
Economic downturn
Economic downturn
Economic downturn

[1]

Represents organic growth of the Company adjusted for acquisitions; Pro forma net revenue includes adjustments to the compa
periods to
include the effect of any acquisitions or divestitures

Historical financial information
17
Lamar Advertising Co. ($mm)
FY 2007
FY 2008
FY 2009
FY 2010
FY 2011

FY 2012
FY 2013
Net revenues
$1,209.6
$1,198.4
$1,055.1
$1,094.1
$1,130.7
$1,179.7
$1,245.8
% growth
8.0%
(0.9%)
(12.0%)
3.7%
3.3%
4.3%
5.6%
Operating expenses
653.7
686.3
614.7
627.1
646.4
668.4
700.7
% of net revenues
54.0%
57.3%
58.3%
57.3%
57.2%
56.7%
56.2%
Adjusted EBITDA
$555.9
$512.1
$440.5
$467.0
$484.3
$511.3
$545.1
% of net revenues
46.0%
42.7%
41.7%
42.7%
42.8%
43.3%
43.8%

Capital expenditures
220.5
198.1
38.8
43.5
107.1
105.6
105.7
% of net revenues
18.2%
16.5%
3.7%
4.0%
9.5%
9.0%
8.5%
1
Excludes non-cash compensation
2
Adjusted EBITDA is defined as earnings (loss) before non-cash compensation, interest, taxes, depreciation, amortization, gain
disposition of assets and investments and loss on debt extinguishment. Refer to the appendix for a reconciliation of Adjusted E
Income (Loss)
1
2

Lamar is a strong free cash flow generator
18
Lamar Advertising Co. ($mm)
FY 2007
FY 2008
FY 2009
FY 2010
FY 2011

FY 2012
FY 2013
Adjusted EBITDA[1]
$555.9
$512.1
$440.5
$467.0
$484.3
$511.3
$545.1
Less:
Interest expense, net
155.3
153.0
177.1
168.7
152.0
139.0
131.4
Current tax expense (benefit)
31.0
(10.7)
(16.0)
1.1
2.8
1.9
4.0
Preferred dividends
0.4
0.4
0.4
0.4
0.4
0.4
0.4
Capital expenditures
220.5
198.1
38.8
43.5
107.1
105.6
105.7
Free cash flow
$148.7
$171.3
$240.2
$253.3
$222.0
$264.4

$303.6

1

Adjusted EBITDA is defined as earnings (loss) before non-cash compensation, interest, taxes, depreciation, amortization, gain
disposition of assets and investments and loss on debt extinguishment. Refer to the appendix for a reconciliation of adjusted EI
income (loss)

Lamar has the ability to reduce maintenance capex,
allowing it to protect AFFO even in difficult economic cycles

Capital expenditures overview
19
$mm
FY 2007
FY 2008
FY 2009
FY 2010
FY 2011

FY 2012
FY 2013
Billboards Traditional
68.7
58.1
7.4
9.5
34.5
29.1
21.3
Billboards Digital
92.1
103.7
15.2
13.2
41.3
42.1
50.2
Logos
10.2
7.6
5.3
8.5
10.1
8.7
11.2
Transit
2.0
1.0
5.4
0.9
0.8
0.3
0.2
Land and buildings
31.4
11.2
0.6
2.5
4.5
12.8
9.5
Other PP&E
16.1
16.5
4.9
8.9
15.9
12.6
13.3

Total capex
220.5
198.1
38.8
43.5
107.1
105.6
105.7
FY
2014:
~$100mm
consisting
of
~$45mm
growth
and
~$55mm
maintenance
capital
expenditures

Strong balance sheet with no near term maturities
20
$mm
Capital structure highlights
As of March 31, 2014
Amount[1]
xEBITDA
Cash

$28.4
$400mm Revolving credit facility
80.0
New Term Loan A
300.0
Total secured debt
$380.0
0.7x
5.375% senior notes due 2024
510.0
Total senior debt
$890.0
1.6x
5.000% senior sub notes due 2023
535.0
5.875% senior sub notes due 2022
500.0
Other debt
1.8
Total debt
$1,926.8
3.5x
Net debt
$1,898.4
3.5x
LTM 3/31/14 Adjusted EBITDA
$546.4
Memo: Interest coverage ratio
3.9x
Redeemed $400mm 2018
subordinated notes in April 2014 with
$300mm new term debt, revolving
credit borrowings and cash on hand
Lamar maintains modest leverage
ratios post-conversion
Very strong interest and fixed charge
coverage ratios
Simple and transparent capital
structure
Annual dividends expected to be paid
out of internally-generated cash flow
Maturity profile ($mm)
1

Balances shown are pro forma for the borrowing of $300mm under our Term Loan A and $80mm under our revolving credit fa
which was used to fund the redemption of the $400mm Senior Subordinated Notes on April 21, 2014

Key business initiatives
21
Focus on financial discipline and capital allocation

Limited strategic acquisition activity

Continue to use free cash flow to reduce debt

Continue to invest in highly profitable digital billboards
No approved stock buyback plan
Focus on cost containment

No near term plans to increase headcount; headcount in 2008 was 3,500+ and currently stands at approximately 3,000
Focus on improving pricing and occupancy statistics
Expect to elect REIT status effective January 1, 2014
Through numerous initiatives, Lamar has demonstrated its prudent financial strategy, generated free cash flow and is well positioned as the economy accelerates

Agenda

Appendix
29

REIT conversion highlights
Favorable IRS PLR received, final Board authorization expected

Expect to complete a merger of Lamar into a newly formed, wholly owned subsidiary to adopt a new REIT-compliant charter

Merger will be subject to stockholder approval

Lamar REIT structural reorganization complete

Expect to elect REIT status effective January 1, 2014

No impact on customer service; No asset divestitures; No business disruption
Composition of qualified REIT subsidiary (QRS) and taxable REIT subsidiary (TRS)

TRS comprised of transit advertising business, design, production & installation services and foreign operations in Canada and Puerto Rico; we expect the tax leakage to be approximately $15mm in 2014

QRS comprised of billboard and logo sign assets
Significant increase in shareholder value

Higher net income

Dividends initiated in connection with expected conversion

Potential to expand investor base and valuation multiples

Continued strong access to capital at attractive rates; modest post conversion leverage: ~3.5x
o
Provides dry powder for future accretive acquisitions
23

REIT conversion highlights (cont   d)
Non-REIT E&P dividend

Accumulated non-REIT E&P: ~$40mm

Plan to distribute in cash along with three regular quarterly distributions to stockholders during 2014
2014 financial guidance

Projected earnings per diluted share: $2.81 to $2.91[1]

Projected Adjusted Funds from Operations (AFFO) per diluted share: $4.03 to $4.13[2]

2014 expected annual dividend per share (includes non-REIT E&P distribution of $40mm): $2.50[3]
o
Announced on May 22, 2014 a cash dividend of $0.83 per share to be paid on June 30, 2014 to shareholders of record on June 1, 2014
2014 capital expenditures

~$100mm consisting of ~$45mm growth and ~$55mm maintenance capital expenditures
Targeting annual dividend equal to ~60% of AFFO per diluted share in 2014
Refinancing transaction

On April 21, 2014, Lamar Media Corp. redeemed its outstanding $400mm 7 7/8% Senior Subordinated Notes due 2018 at 103.938% principal

Funded repayment with $300mm new term debt, revolving credit borrowings and cash
Estimated total REIT one-time conversion costs of ~$5mm
24
[1]
Calculated before dividends
[2]
See Reconciliation to AFFO per diluted share in Appendix
[3]
Subject to declaration by Board of Directors

Indicative timeline for 2014 Distributions
25
June 1, 2014
Record date for June 30
quarterly dividend
May 22, 2014
Cash dividend
announced

June 30, 2014
Quarterly dividend
to be paid ($0.83)
End September 2014
Quarterly cash dividend
expected to be paid
End December 2014
Quarterly cash dividend
expected to be paid

Agenda

Appendix
29

Significant opportunities for earnings growth
and value creation
Organic growth potential without the need to raise new capital

Continued investment in ROI efficient digital displays in new
and existing markets to drive revenue growth

Rate and occupancy increases driven by focused local and

national sales force and acceleration in GDP growth
Ability to use free cash flow to reduce debt and interest expense
Additional growth opportunities through select M&A investment
27

Lamar s capital allocation policy
Maintain ample liquidity and solid balance sheet
Target ~3.5x Leverage
2014 AFFO Guidance : $4.03 to $4.13 per diluted share
AFFO for dividend
AFFO available for future growth
Expected
2014

dividends
of
$2.50
per
share[1]

$0.83 dividend declared, payable June 30, 2014 to shareholders of record on June 1, 2014

Additional distributions expected at end of September and end of December 2014

Reflects annualized 2014 dividend of $0.625 per quarter
Expect to pay dividends at the end of each quarter in 2015
Distribute 100% of net taxable income once NOLs are exhausted

Paid out of internally generated cash flow
Revisit payout ratio annually or sooner if required
Increase dividend with future growth and utilization of NOLs
Invest in display acquisitions and development to grow earnings

Opportunistic M&A
Unused amounts available for increased dividends and / or debt reduction
28

[1] Subject to declaration by Board of Directors

Agenda

Appendix
29

Summary historical financials
30
Adjusted EBITDA reconciliation (Lamar Advertising
Co.) ($mm)
For the three
months ended
March 31,
LTM

Q1 2014
FY 2007
FY 2008
FY 2009
FY 2010
FY 2011
FY 2012
FY 2013
2013
2014
Adjusted EBITDA
$555.9
$512.1
$440.5
$467.0
$484.3
$511.3
$545.1
$103.1
$104.4
$546.4
Non-cash compensation
27.5
9.0
12.5
17.8
11.7
14.5
25.0
10.8
3.9
18.1
Depreciation and
amortization
306.9
331.7
336.7
312.7
299.6
296.1
300.6
73.9
69.5
296.2
Gain on disposition of
assets/investments
(19.4)
(9.2)
(6.9)
(4.9)

(10.5)
(13.8)
(3.8)
(0.6)
(0.2)
(3.4)
Interest expense, net
166.0
169.1
196.5
185.7
170.5
156.8
146.1
36.7
30.2
139.6
(Gain) loss on debt extinguishment

(3.3)
17.4
0.7
41.6
14.3

5.2
19.5
Loss from other-than-temporary impairment of investment

4.1
4.1
Income tax expense (benefit)
33.9
9.3
(36.4)
(22.7)
5.4
8.2

22.8
(7.4)
(3.5)
26.7
Net income (loss)
$41.0
$2.2
$(58.6)
$(39.0)
$6.9
$7.9
$40.1
$(10.3)
$(4.8)
$45.6
1
Adjusted EBITDA is defined as earnings (loss) before non-cash compensation, interest, taxes, depreciation, amortization, gain disposition of assets and investments and loss on debt extinguishment
1

Reconciliation to AFFO per diluted share
31
$mm
For the three months ended March 31,
For the year ended December 31, 2014
2013[1]
2014[1]
Low end of

guidance
High end of
guidance
Net income (loss)
$(10.3)
$(4.8)
$268.7
$278.3
Real estate related depreciation and amortization
69.9
65.2
230.5
230.5
(Gain) losses from real estate
(0.5)

(4.0)
(4.0)
Adjustment for non-controlling interest
0.2

1.0
1.0
Adjustment to eliminate non-cash tax effect of conversion

(119.0)
(119.0)
Funds From Operations ("FFO")[1]
$59.3
$60.4
$377.2
$386.8
Straight line-revenue

1.3
1.3
Straight-line expense
(0.1)

1.2
1.2
Stock-based compensation expense
10.8
3.9
24.4
24.4
Non-cash tax expense (benefit)
(7.8)

(5.5)

Non-real estate related depreciation and amortization
4.0
4.3
12.1
12.1
Amortization of deferred financing and debt issuance costs
2.9
1.3
4.4
4.4
Loss on debt extinguishment

5.2
20.8
20.8
Loss from other-than-temporary impairment of investment

4.1

Capitalized expenditures
maintenance
(18.7)
(14.9)
(55.0)
(55.0)
Adjustment for non-controlling interest
(0.2)

(1.0)
(1.0)
Adjusted Funds From Operations ("AFFO")[1]
$50.2
$58.8
$385.4
$395.0
Divided by weighted average diluted shares outstanding
94.4
95.4
95.7
95.7
AFFO per diluted share
$0.53
$0.62
$4.03
$4.13
The calculation of FFO is based on the definition as set forth by the National Association of Real Estate Investment Trusts (NA

income (loss) to FFO and the calculation of AFFO are also presented above; FFO and AFFO, which are non-GAAP financial r
comparable to those reported by REITs that do not compute these measures in accordance with NAREIT definitions, or that in
differently than we do; our net loss for the three months ended March 31, 2014 reflects our current status as a regular domestic
Federal Income Tax purposes; if we elect to qualify and elect to be taxed as a REIT, our tax expense would be lower than our h

1

32