OUTFRONT Media Inc.
Jeremy Male,
Chairman & CFO
at
Goldman Sachs Communacopia
New York, NY
September 16, 2015, 10:30am Eastern Time

Drew M. Borst, Analyst, Goldman Sachs & Co.
Okay. Why don't we get started with the next session, please, everybody grab a seat. Thank you. So, I'm pleased to welcome to the stage Jeremy Male, who is the CEO of OUTFRONT. He has served in that position since September of 2013. Prior to joining OUTFRONT, Jeremy spent 13 years as CEO of the UK, Northern Europe and Australia business for JCDecaux. So, thank you very much for being here, Jeremy.

Jeremy John Male, Chairman & Chief Executive Officer
Thank you, Drew. Pleasure.

QUESTION AND ANSWER SECTION

Q – Drew Borst – Goldman Sachs & Co.:
Why don't we start off with – it's been basically two years since you took the CEO seat at OUTFRONT. So, you can start off by sharing some thoughts on how things look compared to your original expectations when you joined?

A – Jeremy Male – OUTFRONT Media, Inc.:
Yeah, for sure. Maybe before I make any comments, just usual Safe Harbor comments with regards to forward-looking statement, et cetera. So, yeah, two years on, I think it's been a very exciting time for the business. I think we've achieved a lot, the initial IPO, and the split, and the REIT conversion, and then the rebranding of the business, and then the acquisition of Van Wagner, which was the most significant independent player out in the market at that time. It was about 3% of the market, largest independent player. And frankly, it's been transformative in terms of our billboard platform in L.A. and New York, in particular. So, I think we've accomplished quite a lot over that two years.

In terms of sort of how do I feel about the scale of the opportunity, which was really I guess what interested me originally, I still think it's all there. I think out-of-home is in [very good shape]. If you look at the first half of this year, I think it's going to be outside of the Internet online mobile bucket. I think it's going to be the only medium that's showing any sort of real growth; and, indeed, many somewhat sharply negative over that time. And I think when you sort of look to the future now of out-of-home, I think, in two ways. I think speaking generically about the medium, I think, as we continue to digitize our platform, I believe that we can continue to be the glue in that sort of virtual world in terms of delivering strong branding.

We're very much location-based, but the way advertisers think about right now often is about, okay, how am I interfacing with that consumer, in terms of, where are they and what they're doing? And I think our medium and the mobile medium, which is also growing, are locked together wonderfully. So, I think the medium is generically in a strong state. And I believe that the opportunity in the U.S., to be fair, talked about for a time, I still think it's there.

In the U.S., out-of-home, is 4.5% of spend. It's significantly higher than that, often double that in most European markets. So that still presents an opportunity specific to the U.S. beyond just, if you like the generic out-of-home attributes. I think it's all there, so two years on, I think the answer is – I think, it's been a sort of pretty good two years. But if I was sort of doing the report card, I think, could do better. I think we haven't seen the growth in our billboard business this year that we wanted to.

We've had an amazing year on our transport business, a very strong growth, up double-digits. But I think in the "could do better" bit, we need to get our billboard revenues moving faster north over the coming quarters.

Q – Drew Borst – Goldman Sachs & Co.:
Yeah. Maybe we can dig into that last point in a little bit more detail, I mean, the U.S. transit business has been gangbusters. I mean, it's up double-digits 13% in the first half of the year. Can you speak about what is driving that extraordinary growth. I mean, it's certainly faster than I think we've seen historically out of the transit piece. So, what are you guys doing, in particular, to kind of drive that growth and how sustainable do you think it might be as you look out?

A – Jeremy Male – OUTFRONT Media, Inc.:
I think there's a couple of things. I think when you look at our transit business, it is very focused towards New York and L.A. Between New York and L.A., we're doing 65% of our transit revenues. And New York and L.A. have been strong markets for us full stop. Transit and billboard, there's a lot of money going into New York and L.A. So, I think that's one piece of it.

I think the second piece of it is that, by definition, transit is a very urban medium. And I think the advertisers at the moment are thinking increasingly about that urban millennial sort of audience and that's exactly what our transit assets deliver versus our billboards which deliver just a different audience, because it's principally vehicular, it's principally male. And it has an older demographic than our transit audiences for example. So, I think that's part of it.

And a little bit of it was just there with the old advertisers that just strategically decided to have a sort of change of direction, where they were using billboard and then shifted some of that to transit. But that's – I'm going to say, it's not a trend, there was just a couple of advertisers.

And what I think we're executing – I think we're just executing very well. I think we just need to – as I say, we just need to get some of that execution going better in our billboard business, wherein some of our – some local markets, I think performance could be better and we have some sort of change-out of personnel there; and indeed, we're seeing sort of an uptick in terms of billboard pacing in Q3 versus Q2.

Q – Drew Borst – Goldman Sachs & Co.:
Just on that last point about a couple of larger advertisers shifting, what was the reason? What was the color they gave you for why they wanted to make that shift? Did it have to do with, as you said earlier about the millennials or that kind of thing?

A – Jeremy Male – OUTFRONT Media, Inc.:
Yeah. I mean, I guess the first thing is that we should expect advertiser churn, because actually your media mix at any particular point in time is going to depend very much on what you're doing. Is it a product launch? Is it a branding point? Are we talking about sort of driving at the point of sale?

So, we should expect, if you like, churn on our advertising base, and indeed we get that. And so, when an advertiser sort of looks at what they're doing each year, frankly, very few advertisers keep doing the same thing all the time.

Q – Drew Borst – Goldman Sachs & Co.:
Yeah. And then how do you think about the outlook of this piece of your business? It sounds like what is sort of a more normalized sort of growth rate over multiyear frame. It seems like there's some unique circumstances that help kind of drive it up a little bit, but you tend to think that this is kind of a low to mid-single-digit grower on a more normalized basis or a longer-term basis?

A – Jeremy Male – OUTFRONT Media, Inc.:
Yeah. I mean, while I'd love to pencil in double-digits for next year as well, I think the management in our transit business would be disappointed if I budgeted them for that next year.

Look, I think it's – I actually believe that it's – if you look back over the last four years or five years, it's now paced our billboard business by about a point or so. So, I think, yeah, it's in that kind of mid-single-digit range I would hope.

Q – Drew Borst – Goldman Sachs & Co.:
Okay. And then going to the larger billboard business in the U.S., the organic growth was flat in the first half and with Van Wagner, it was still up less than the industry average, which is about 4% in the first half. So, what's sort of causing this relative underperformance do you think and how are you trying to rectify it?

A – Jeremy Male – OUTFRONT Media, Inc.:
I think, there's a couple of things there. We don't think about the business separately at all. So, we think about it, it's one business now. People are sort of when they're booking billboards from us, they're not thinking, "Oh, was it an old Van Wagner board or a CBS board." So, from that point of view, we were up. And the 4% that you're referring to is also, I mean that's like an industry number and pushing that 4% is, for example,13.6% in our transit business. So, I don't think it's a fair comp.

That said, I think if you look at us versus our peer groups, that report, we're kind of in the middle of the pack. And I think when you look at one of our competitors, they have a different shape of business in a much more local driven rather than national, so I think that impacts much more small market driven rather than big market driven. So, you have sort of different geographies, geographic things going on there.

And as I referenced earlier on, I think in a couple of our markets, frankly, I think the execution wasn't great. I think that was the bottom, and we're now sort of starting to see that tick up, as I referred to on our call at the end of Q2.

Q – Drew Borst – Goldman Sachs & Co.:
Yeah. You touched on it also earlier, but just to sort of nail the point. In terms of what you're seeing in the third quarter, how would you describe sort of how has the quarter unfolded? How is the pace of business? How is the tone of business? You've heard recently from some of the TV players that they've been taking about a little bit of a healthier scatter market, a little bit better demand environment. I don't know. What are you guys seeing?

A – Jeremy Male – OUTFRONT Media, Inc.:
Drew, we obviously made the comments, relatively short amount of time ago with regards to Q3, that – just to anyone who didn't pick them up – we said we're looking at sort of low single-digits

with the continued outperformance in our transit business, but an improving picture in billboards, and that's kind of "no update" to that today.

Q – Drew Borst – Goldman Sachs & Co.:
Okay. Shifting gears a little bit, you guys made an announcement back in July that you were going to be partnering with Diamond Communications to lease some of your billboard space to potentially to wireless operators. Can you talk a little bit about that initiative and maybe try to help us think about the scale or the size of the opportunity that could unfold over the next couple of years?

A – Jeremy Male – OUTFRONT Media, Inc.:
Yeah. I mean, the initiative is basically to offer our real estate, okay, to the carriers for small cell opportunities to meet increasing demand for voice and data on a going-forward basis.

So, in terms of, kind of sum numbers, which I can share with you. We have around 45,000 billboard locations in the U.S. Of those, we think that there are about 25,000 that may be of interest to carriers. Now, they might not all be interesting tomorrow, but over time, is that as the data and voice demand curve increases, they could be of interest.

When we then think – okay, so, how is it going to work? Basically, the carrier will be responsible for the capital. So, most of the boards have electricity, but they'll be responsible for pulling the fiber through the conduit and putting the small cell up.

And then, we will charge the carriers a flat rent and we will then share the revenue that we receive, a piece will go to Diamond for going out next – and it's likely that we will also be putting a piece back to the landlord because as you know, in 8% of locations, we are the landlord in that we own the site, but in the other 92%, we have a landlord so we'll be making payment on that.

We announced the initiatives sort of four weeks ago so – literally just kind of mobilizing to go out and have the conversation. So, until such time as we're starting to get some traction, I don't want to be pinned down to a kind of a revenue number for 2016 or whatever. I think what I can say, Drew, is that I would like to think by six or seven months time, we'll start to get some feeling and as soon as we do and as soon as we can get a little bit more color on that, we will.

Q – Drew Borst – Goldman Sachs & Co.:
Okay. Yeah. I think I asked this question, I think, every year of outdoor companies including yourself, but I'll ask it again just to see where we are. But it's about the issue of measurement of the outdoor, because outdoor kind of sticks out as one of the few media that historically hasn't had really well-defined sort of third-party measurement.

I know the industry has worked on various initiatives over the years. The current one is called TAB Out-of-Home Ratings. And so, I want to see – just sort of get us a status update on where that is and if it's having any sort of noticeable impact to the extent it is now being widely deployed.

A – Jeremy Male – OUTFRONT Media, Inc.:
Okay. So, through the TAB data now, you can say for every billboard in the country and indeed now transit systoms, you can say how many and who pass and the likelihood of them seeing it in terms of – i.e., is it parallel? Is it head on, et cetera? So, you can score, every billboard now has a rating.

And look, that's great. But as far as I'm concerned, that frankly in today's media landscape, that's table stakes. I mean, that's all that is. So, the way we're starting to think about the future is that, we believe that their data and insights are going to be increasingly important if we're going to be competing for dollars in the other 96% of the market in terms of how those dollars are traded because they're traded on platforms whereby insight is a huge piece of that.

So, we're working at the moment, our own DMP, the agency and advertisers be able to log into through an API. In that, we're going to have – also it's a different types of data sources. So, we'll have to carrier data sources, for example, we've potentially got connected car data sources, we will have our own data sources, because all of our locations, digital locations or, indeed, number of locations will be putting in beacons, so we'll be sucking in our own data. So, over time, we will have much, much more robust data about our audience.

So, it's not too far away when we'll be able to say, okay, in terms of in an aggregated way, that doesn't breach privacy, we'll be able to say, look, these people went past that McDonald's board, okay, and x% of them then, actually were in the McDonald's and it was saying turn left board, because we picked up when they logged on or to the Wi-Fi signal. And that compares to this month last year when there wasn't a McDonald's board out there.

So, you can start to get really very, very granular. So, we think that actually – when you look at some of the investments we're making in our business now, well, that's where we're putting considerable time and energy, because we think that is going to be one of the game-changers for out-of-home, because you will then be able to – so you'll be able to – when an ad agency is saying, I'm after Hispanic females, 25 to 45, that have a propensity to shop at Target, okay, that's how they would do a search now. And, okay, all of those data sources they'd say, right, go to this website, go to that website. And you'll get a CPM of X. What it will also be saying, is that – or you could use these boards out-of-home, these individual boards out-of-home, you get a CPM of whatever. And then, you can then click through and purchase.

Now, if it's a digital board, you'll be able to just – effectively with a diversion that we can check copy –pretty much put the ad straight up. With an analog board, it will effectively go to be a creative posting instruction.

Q – Drew Borst – Goldman Sachs & Co.:
Yeah.

A – Jeremy Male – OUTFRONT Media, Inc.:
So, it's early days, but that's where we're going with this, and we hope to have the platform, at least, in test basis, as up and running next year.

Q – Drew Borst – Goldman Sachs & Co.:
Really, that soon?

A – Jeremy Male – OUTFRONT Media, Inc.:
Yeah. In a test basis, yes, next year.

Q – Drew Borst – Goldman Sachs & Co.:
And so, will you intend to be sort of market-by-market type of rollout, or do you think it will be more kind of across the whole platform sign...

A – Jeremy Male – OUTFRONT Media, Inc.:
It'll be across the platform.

Q – Drew Borst – Goldman Sachs & Co.:
Really. It'll be like a national rollout?

A – Jeremy Male – OUTFRONT Media, Inc.:
Yeah, yeah, yeah.

Q – Drew Borst – Goldman Sachs & Co.:
And how do that relationship between OUTFRONT and the data providers, whether there's the wireless carriers that you mentioned, I mean, is it just sort of a fixed fee that you're paying to license data or is there some type of revenue share? Or how does the economics flow on that?

A – Jeremy Male – OUTFRONT Media, Inc.:
As you know, data at the moment is, if you like, it's one of the kind of media battlegrounds. You know, what I mean? Data-infused decision making is huge. We'll be purchasing data in. We also believe that actually, over time, we will be generating data that we'll be able to push outside because our boards can all be connected as well. So, over time, we may be able to be a data provider as well as a data purchaser.

Q – Drew Borst – Goldman Sachs & Co.:
So, it could be swaps or those kinds of things down the line, or partnering?

A – Jeremy Male – OUTFRONT Media, Inc.:
Yeah. I mean, all of that is theoretically possible, but not there yet. But yeah, it's theoretical.

Q – Drew Borst – Goldman Sachs & Co.:
It sounds like in the near-term, it's more to see you're paying a license fee to get access to the data.

A – Jeremy Male – OUTFRONT Media, Inc.:
For the most part, yeah. In the short-term, it's just about – yeah, it'll be an incremental cost that we believe will deliver significant benefit for us in terms of getting those billboard growth rates up.

Q – Drew Borst – Goldman Sachs & Co.:
Yeah. Let's shift over to digital billboards and sort of the discussion on conversion. Last quarter, Lamar made some comments that they thought that they maybe were a little bit overly ambitious with their rollout of digital and it impacted their yields in a negative way. Can you discuss the pace of your deployment, I think you guys are targeting about 100 digital conversions per year, and sort of how that's going and if you're seeing any similar sort of challenges on managing the yields?

A – Jeremy Male – OUTFRONT Media, Inc.:
Yeah. I mean, with digital, one of the key issues is that if you digitize 12% of your inventory in a given market, you've doubled the inventory available, because you go from 1 to 8 flips. And if you double the amount of inventory that the chances are that you're not going to have enough – that there will not be enough demand for the inventory.

So, we've tended to be, I think, probably more careful, in terms of how we've rolled out our digital. So that everybody starts with digitizing your best billboards first. So, if you got – we've got great boards right at the top, we've got a relatively small number of great boards. And then as you go down, there's a sort of pyramid of quality. And as you come down that pyramid, further down the pyramid, it's harder to get the pricing that you are getting down here as you're getting out there. So, that's one point.

The second point is the, let's say, in terms of just that overall level of build-out, so that you're not – so you're minimizing the attrition that you get on your static boards, because as I say, you do get new advertisers coming in, because it's a different model. You can do smarter stuff, you can be more creative, you can be more timely. All of those arguments for digital do draw new advertisers, but you also just take some advertisers from the boards you've got.

And then you have the layerd on top – you have zoning, we can't build out digital boards wherever we want to build out. Every single digital board that we put up has been the subject of some negotiation. We have to take down some boards over here, to get a digital board there. It's been two years of literally turning up every three months at local meetings to say – hey, guys, and if we do this, we'll, whatever it happens to be – we'll go cut the grass in the park every month for you.

I mean, honestly, this is...

Q – Drew Borst – Goldman Sachs & Co.:
…very time consuming and arduous.

A – Jeremy Male – OUTFRONT Media, Inc.:
It is. Yeah. And what it seems to us is that actually thinking about the parameters that we're targeting taking all those accounts, we think it and that the opportunities available, it's about 100 units a year. That's on the billboard side.

Where digital is going to be increasingly important for us as a business going forward, is in our transit business. We're working very hard at the moment on our new hardware platform, which is a low cost digital screen that we'll be able to deploy in transit systems.

Now, an early iteration of this, for those that are in New York and can be bothered, can be seen at Hudson Yards station, which opened at the weekend. So, it's a brand new station, it's the first I think new station on the MTA – on the subway, about forty years or something, and it looks great.

And in there, you'll see the first iteration of these new screens. And we're going to be deploying these screens and transit systems more generally. We're also looking at other adjacent opportunities, where we can deploy these screens. They are going to be connected by the cloud. So, content distribution. I have a screen in my office. For example, we sit here, right now, if I had my iPad with you and we had – you had a photo shot at my office, I'll just be able to change the content on the screen in my office now. So, you'll be able to change the content theoretically on a million screens around the world by just doing that, because it's all cloud delivered. So, we're working hard on that platform as well.

So, when we talk about digital or when we previously talked about digitals, we've talked about digital billboards of 100 units a year. As we go forward, increasingly, we'll be talking about that, but we'll also be talking about how we're moving in terms of deploying in a smaller format digital, particularly in indoor rather than outdoor locations.

Q – Drew Borst – Goldman Sachs & Co.:
And so, the advantage of this new hardware, how much lower is the cost? I mean, since that's one main advantage, are there other advantages, too? It's obviously network. I don't know if the visual quality much different or this could be pretty similar to the past. So, three questions in there, right? So, how much cheaper is it?

A – Jeremy Male – OUTFRONT Media, Inc.:
A lot. Okay. Significantly. So, in other words, one of the issues with deploying digital small screens in both indoor and outdoor locations in terms of transit shelters, for example, there's been the cost of the screen. The cost of the screen, given that when you put a digital screen in sunlight, I mean, it needs to be very, very powerful. It obviously needs to – you then have to – so when it's very powerful, that means that it can generate sort of heat, so how do you dissipate the heat and also some other stuff. It's made it very, very expensive. So, we found ways to get around most of that, so lower cost, great resolution, and we think that's going to be very exciting for it as we go forward.

Q – Drew Borst – Goldman Sachs & Co.:
And you mentioned some of the benefits to the advertiser of these digital boards versus static or to the extent they're going to be connected even more benefits. Have you seen the advertiser start to more fully embrace like those opportunities?

Because I seem to recall initially they were buying digital boards just like they bought static, and certainly they would buy it for a period of time and keep up an image when there was tremendous opportunity to do things like day parting, sort of change the image over the course of one day or over a couple of week period. But are you starting to see the ad buyers embrace that opportunity?

A – Jeremy Male – OUTFRONT Media, Inc.:
Look, I think they do in part, but it's fair to say that we also carry a lot of copy on our digital boards that could equally as well be a static board.

Q – Drew Borst – Goldman Sachs & Co.:
Yeah.

A – Jeremy Male – OUTFRONT Media, Inc.:
They're just choosing digital for other reasons. But, yeah, I think it is getting more creative. One of the interesting pieces with the new platform I was just describing earlier on is that actually what we're going to be delivering, all of the advertisers is going to be within an app. So, it's going to be app-based rather than, if you like, traditional content. And what that then enables you to do is you effectively you run an app and then you deliver the app to the screen. What that app can then do is because it's intelligent, it now becomes a smart screen. So, you have an app that sits there and doesn't do anything until the Dow Jones breaks 18,000, for example, and, bang, it pings to life, does stuff, whatever it happens to do. So, the creative opportunity and flexibility of app-based media world in the future, for out-of-home, I think will be significant.

Q – Drew Borst – Goldman Sachs & Co.:
Wanted to ask about the MTA contract. So, recently, the MTA changed– they took the subway contract, extended it so that it'll now co-terminate with their bus and rail contract next year. And I guess, first question, do you anticipate any significant changes to the RFP compared to sort of the past years particularly as it relates to maybe some of the digital capabilities?

A – Jeremy Male – OUTFRONT Media, Inc.:
Yeah. I mean, I'm always a little cautious when I'm second guessing something; that is sort of outside of my control. My guess would be that when the RFP comes out that a significant piece of that would be given over to thinking about how the MTA's media offering can be enhanced. And I think that digital is likely to play a big part of that.

We understood that one of the reasons that they decided to, if you like, extend one contract rather than pulling others forward for early termination, was that they also want to consider other

communication opportunities that digitizing assets might provide them in terms of just general information, in terms of way-finding, safety, et cetera. So, I think that is likely to play a part in it as well. But until such time, as we've actually seen it, I'm sort of firing a little bit from the hip.

In terms of the bid, in general, we continue to, as I've said before, we've partnered with the MTA in media terms as a company for 70-odd years. We feel that we're doing a great job for them right now. You've seen our transit numbers. Don't forget that they're sharing the lion's share those dollars. So, it's happy days for the MTA right now in terms of the job we're doing for them. And without in any way being arrogant, we feel that we're really well placed to put a great bid in for – to the MTA whenever it comes out.

Q – Drew Borst – Goldman Sachs & Co.:
Yeah. Certainly, the things that you've been talking about today, these initiatives that you're investing in, probably piqued their curiosity, [indiscernible] . Can you just summarize for us sort of the timeline or sort of when do you expect the RFP to be out, how long does the process take, when might be a decision get made? I say this knowing full well that the whole process kind of got turned on its head last year...

A – Jeremy Male – OUTFRONT Media, Inc.:
Yeah, I was expecting it last Thanksgiving. So you're right. It's a little difficult to comment. Look, they've extended our contract for up to a year, okay? So if you sort of said, well, that might be the target date for them, they have the opportunity to bring it forward, but if you said that was the date, then I would guess they'd be wanting to make a decision on that probably at least three months or four months before. So, he then worked back from that and said, okay, so if that were the case, therefore how long will the bid process take, probably three or months four months. So that would mean maybe first quarter...

Q – Drew Borst – Goldman Sachs & Co.:
Yeah.

A – Jeremy Male – OUTFRONT Media, Inc.:
...something like that.

Q – Drew Borst – Goldman Sachs & Co.:
See the RFP in the first quarter?

A – Jeremy Male – OUTFRONT Media, Inc.:
Yeah.

Q – Drew Borst – Goldman Sachs & Co.:
Got it. Keep our eyes peeled as we did last year.

A – Jeremy Male – OUTFRONT Media, Inc.:
I assure you we will be.

Q – Drew Borst – Goldman Sachs & Co.:
Yeah. More broadly, within your transit business, can you maybe talk a little bit about the opportunities to grow that business outside of the MTA situation, but sort of your eagerness or interest in expanding in new markets. Are there sort of contracts that may be coming up for bid in the near-term that maybe of interest?

A – Jeremy Male – OUTFRONT Media, Inc.:

One interesting things about the transit business is that opportunity to go out and organically bolt-on pieces through winning new contracts. We announced a few weeks ago that we won a bus fleet in Orange County, not huge in and of itself, but it really mates in very well with the L.A. bus fleets that we already have.

There's a small bid in Dallas going on for the bus advertising in Dallas right now that we're taking a look at. We've got a pretty good footprint in Dallas, so there may be a bit of synergy for us there to do something. Outside of the MTA, which is obviously significant, and Dallas, there aren't that many contracts coming up over the sort of coming 12 months. And in a way, that's a good thing because the other side of that is that these contracts are now typically like 10 years long. So, they're very sticky. When you got them, they're very sticky because, outside of the MTA, we have a very secure footprint as we look forward into future also.

Q – Drew Borst – Goldman Sachs & Co.:
Shifting gears a little bit, wanted to ask about your international business which is effectively Latin America and Canada, and I wanted to sort of see what your thoughts were on how that business is performing. And then secondly, the strategic importance of that business to OUTFRONT over sort-of the longer-term period?

A – Jeremy Male – OUTFRONT Media, Inc.:
So, I guess, the answer is in terms of how it's performing, it's performing broadly in line with the rest of the business, ex-forex. Do you know what I mean? The forex is a significant headwind for us this year.

As a general statement, we like being number one or number two in the market. We like being strong in the market. Now, we have a good position in Canada and we think that's a great place to keep investing there. We have a pretty good place and position in Mexico. So, that fits the bill from that point of view, whereas if you look in South America, we are actually subscale. We're very small.

So, in South America, I think to get to where we'd like to be, which is sort of, like, in a position to drive a market, we would need to put a lot of investment in. And frankly, we've said before where we want to put the majority of our investment is into our QRS business here in the U.S.

So, it's fair to say that we're considering alternatives and options for that part of our business. Now, more generally, in terms of international, let's just say, we have a desire to keep building QRS to drive dividend income. That's very much one of our core tenets.

That said, having a healthy taxable REIT subsidiary gives us all sorts of flexibilities in terms of the cash flows that drive us as well. So we want to make sure that we keep growing that piece of the business as well. And there may well be some selective opportunities internationally where we think they're growth markets, that we have knowledge of, that we understand that are going to be high growth, that we might look at. But key focus for now is certainly U.S.

Q – Drew Borst – Goldman Sachs & Co.:
Yeah. And on to the topic of M&A in the U.S., now that you guys are a REIT, it seems to give you some natural advantages if you were to acquire some smaller billboard operators that aren't REIT. You can sort of fold them into the REIT complex and get a...

A – Jeremy Male – OUTFRONT Media, Inc.:
Yeah.

Q – Drew Borst – Goldman Sachs & Co.:

...nice benefit, nice synergy. Obviously, Lamar is also a REIT. And so, I guess, I'm trying to get a gauge on what the M&A landscape is like in the U.S. You obviously did Van Wagner, but do you still see other opportunities to continue to bolt-on some smaller operators?

A – Jeremy Male – OUTFRONT Media, Inc.:
There are opportunities. And we've done a couple of small ones this year. And right now, across my desk there's two or three smaller ones that we're looking at. I think it's fair to say that there was only one Van Wagner.

Q – Drew Borst – Goldman Sachs & Co.:
Yeah.

A – Jeremy Male – OUTFRONT Media, Inc.:
There was only one-time Van Wagner. And a lot – I think some smaller companies have looked at that kind of multiples that Van Wagner achieved and sort of applied it to this business, and they're coming out with numbers that frankly don't make sense.

So from that point of view, I think a number of them feel that it's kind of like a seller's market right now. And we're only going to do deals where it really does make sense. We get the tax piece. Generally, we can leverage our national sales operations better on those boards if they're in the right locations. By right locations, for the most part, we're thinking sort of that's sort of Top 20-ish market. And because we would almost certainly only buy businesses that are in areas where we have our own distribution, so our own operations and everything else, we can take a little bit of G&A out as well. So what that means is that, we can take all that into account, we can generally make these deals stack up. But right now, it think it's fair to say, I think people's expectations are a little on the high side.

Q – Drew Borst – Goldman Sachs & Co.:
Before I open it up to the audience, just sort of related to this topic, if you look at your balance sheet, you're targeting – over the long-term, you want to be sort 3.5 times, 4 times levered. I think right now, you're about 4.9 times. I mean, I guess there has to be a little bit of a consideration as you evaluate some of these deals. I mean, is it still the goal to get back down to that 3.5 times to 4 times?

A – Jeremy Male – OUTFRONT Media, Inc.:
At any stage, you need to take into account a range of factors. I'ts still very much our goal to get into that 3.5 times, 4 times range. But the deals that we're looking at right now they're not, if you know what I mean, they're not of the scale that could actually, if you know what I mean, that's really going to move the needle too much in terms of that objective that we have over the medium-term.

Q – Drew Borst – Goldman Sachs & Co.:
Okay. Well, I want to see if there are any questions from the audience members. I'll jump in with one more. I want to ask about the length of some of the contracts you're doing with your advertisers. I think historically you've talked about sort of 20% of the contracts are served a year long. Does that number sort of – are we still in that neighborhood and what are the trends on that?

A – Jeremy Male – OUTFRONT Media, Inc.:
Yeah. We're still broadly in that neighborhood. About 20% of our inventory tends to go out permanently. So, you got local advertisers typically who would buy a board for directional signage or whatever it happened to be or just because they want a constant branding presence on that board because their store is right there.

And then you have advertisers such as Apple. And the way Apple work is they take a select bunch of high-quality locations for us for the year and then just change copy, do you know what I mean, depending on what their particular needs are at the time. So, that's about 20%.

Outside of that, we have most of our national business, okay, is for four-week periods, okay? Now when you blend it all together and get the average, we have an average in contract life of whatever it is, something like eight weeks; but actually, for the most part, those four-week pieces on our national business. Actually, I want to see that fall. I would like to see that fall to two weeks.

Q – Drew Borst – Goldman Sachs & Co.:
Really?

A – Jeremy Male – OUTFRONT Media, Inc.:
Yeah. I mean, because when I look at sort of where I sort of spend most of my time is, in Europe, where if you advertise on transit shelters in France, you buy 5,000 shelters and you buy it for a week across the country. Bang, they've got it down in 24 hours, 5,000 shelters worth. If you bought billboards in UK, you bought 2,000 of them for two weeks. So, you turn over your inventory a lot more.

So, you sell a larger number of locations in a shorter amount of time, which actually is a much more efficient way of buying out-of-home, because we think about out-of-home, after a couple of weeks because everyone's journey patterns are the same, your'e reach curve – all you're getting is frequency after that because the same people are just seeing the board multiple times.

So, I think that we can maximize value from our inventory over time if we sell it in shorter and shorter slices, and I think it makes more sense from a media argument point of view as well. But right now, if I get 100-board buy in the U.S., when you think of the scale of the U.S. compared to the UK – where you can fit the UK into Texas –if I get a 100-buy board, that's a huge deal. We were getting 2,000-buy boards in the UK, do you know what I mean, it's just a different way of using it.

So, I think all the time, let's say my expectation and desire is that the time piece for campaigns will shorten. I'm still very happy, by the way, to have people buying boards permanently for a year for their own advertising purposes as well. I'm just talking about as a campaign medium.

Q – Drew Borst – Goldman Sachs & Co.:
Yeah. Great. It requires a change in the mindset of the buyer...

A – Jeremy Male – OUTFRONT Media, Inc.:
It does.

Q – Drew Borst – Goldman Sachs & Co.:
...which is not easy. It takes time. I mean, I've heard you make this point before. I don't know if you have any anecdotes of where maybe you're gaining some traction.

A – Jeremy Male – OUTFRONT Media, Inc.:
We've sold a couple of what we're calling Hyper Burst. Yeah, we've sold a couple. Where it's been for that sort of two-week period more boards; but at the moment, it's seen a kind of a sort of special offer...

Q – Drew Borst – Goldman Sachs & Co.:

Yeah. A one-off or something like that.

A – Jeremy Male – OUTFRONT Media, Inc.:
Yeah, absolutely. And getting that to become the norm, as you said, but it will take time.

Drew M. Borst, Analyst, Goldman Sachs & Co.
Okay. Thank you for joining us. Really helpful. Appreciate it.

Jeremy John Male, Chairman & Chief Executive Officer
Thank you, Drew. Thanks for your questions. Thanks all.

Disclaimer
This transcript is a textual representation of a company presentation, and while efforts are made to provide an accurate transcription, there may be errors, omissions or inaccuracies in the reporting of the substance of the presentation. OUTFRONT Media Inc. and its affiliates disclaim any warranties, express or implied, with respect to this transcript, including but not limited to merchantability or fitness for any particular purpose. OUTFRONT Media Inc. and its affiliates shall not be held liable to any party for any direct, indirect, special, punitive or other consequential damages arising from any use of this transcript, which is provided “as is.” This transcript is published solely for informational purposes. In no way does OUTFRONT Media Inc. assume any responsibility for any investment or other decisions made based on the information provided in this transcript. Users are advised to review OUTFRONT Media Inc.’s presentation itself and its filings with the Securities and Exchange Commission before making any investment or other decisions. This transcript does not constitute an offer to sell or the solicitation of an offer to buy any securities in any state or other jurisdiction in which such offer or solicitation would be unlawful.