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OUTFRONT Media, Inc. (OUT)

Goldman Sachs Leveraged Finance Conference

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CORPORATE PARTICIPANTS

Donald R. Shassian
Chief Financial Officer & Executive Vice President

OTHER PARTICIPANTS

Jason K. Kim
Goldman Sachs & Co.

MANAGEMENT DISCUSSION SECTION

Jason K. Kim
Goldman Sachs & Co.

Thank you for joining us. We're very pleased to welcome Don Shassian from OUTFRONT Media. Don is the Executive Vice President and Chief Financial Officer of OUTFRONT Media. Don joined OUTFRONT in the fall of 2013 and played an instrumental role in the company's split from CBS Corporation, REIT conversion and the acquisition of Van Wagner in 2014.

So, Don, thank you very much for joining us in this conference.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

Thanks, Jason.

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QUESTION AND ANSWER SECTION

Jason K. Kim
Goldman Sachs & Co.

Q

So you've been at the company for two years, three years. Can we start out by talking about the company's significant transformation since the split from CBS Corporation and how things look today compared to your initial expectations?

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

Thanks, Jason, and thanks everybody for being here. First of all, I would say it's a good business. Revenue is pretty predictable. Expenses are pretty predictable. We got some great assets, great locations, great people who know the industry, know the assets very well and have great relationships with customers. We've been making a lot of changes since Jeremy and I joined, and I think the best way to think about it is more of a multi-year strategic change. We're really trying to drive this business for growth versus the other side of what I would say was more of a tactical harvest strategy.

So we're doing a lot of things to try to drive an earnings culture, trying to put some more performance accountability into the business, more operating metrics and decision making based on facts into the business, reshaping the sales force, productivity, more training, more tools for them, changing systems and processes, and really trying to build a platform for multi-year growth on revenue.

So there's executing existing business. There's select M&A and there's investments for the future. We're trying to make a number of investments, I'm sure we're going to get into, of thinking about where are we going to drive revenues in years three, four and five from now as well as to try to make those investments. So it's really trying to – a multi-year strategy of really trying to improve what we're doing today and really build a platform and growth vehicle for the number of years, so it's really sustainable platform. And it's been fun. It's really been fun, good assets, good people and making some good changes.

Jason K. Kim
Goldman Sachs & Co.

Q

Okay. And then looking at the business today, in your view, what are the top three priorities over the next several years and what is the biggest opportunity to drive that, the growth that you're focused on since joining the company?

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

There's three areas. One is just pure execution. Existing business execution in terms of getting more yield, more rate from existing assets, better productivity from our sales people, better yields, developing those assets and really just executing better and giving them more tools. So pure execution is number one.

Secondly, it's smart and selected M&A. We are focused on top 25 DMAs, so picking up the right assets at the right price. Not any asset at any price, but the right ones, the right price is the second item that's really important.

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And then the third are these investments in the future, so the execution has nice lift and they can give nice lift. But the investments in the future can dramatically change the landscape of this business in terms of additional product set which we're going to be talking about. And it's really those three items that I think about. It's execution, M&A and these investments in the future.

Jason K. Kim
Goldman Sachs & Co.

Q

Okay. On the flip side of the M&A, obviously, you actually recently completed the sale of your Latin American business to JCDecaux.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

Right.

Jason K. Kim
Goldman Sachs & Co.

Q

Any assets or any other assets that you currently own that you operate that you think we'll be interested in divesting in order to kind of focus on areas that are more beneficial to you and to your long-term growth?

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

Short answer is no. You got Canada and sports marketing businesses. Both are pretty good businesses, we feel are pretty core and we'll continue to focus on them. So I don't see any divestments. We like these assets.

Jason K. Kim
Goldman Sachs & Co.

Q

Okay. Sounds good. Talk about some of those underlying trends in both local and national. And obviously, I know guys – being an outdoor company, you guys have two different sales that – one being local and one being national, and a lot of times, sort of driven by a different set of macro factors. Tell us about what you're seeing in the local market versus the national market if there's any strength in one versus the other right now.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

Local is very strong. It continues be strong and just feels very strong. Local sales force is doing very well. And local just continues to feel pretty good. National is getting better. I think Jeremy's comments on the first quarter earnings call was national was looking stronger in the second quarter than the first quarter. I think that'll continue to bear out. And we feel pretty good.

A number of months ago, back last fall, I was looking for signs in the economy and different aspects of our business of any kind of weakening as I was sort of thinking about, being the Chief Worrier Officer, if you would, and anticipating is there anything going on. And I'm not seeing any letdown, I'm not seeing any softness. You see the normal – one movie house has got some blockbusters, they do great. Another one doesn't have, but that's normal business. I'm not seeing a slowdown. We're not seeing anybody take the pedal – the foot off the pedal at all, and I feel that there's a good business going. I wouldn't say it's robust, but it's nice and solid. It's got some nice growth, and we're doing some things in-house to just continue to improve that in both the transit side and the billboard side, both local and national. So feeling good.

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Jason K. Kim
Goldman Sachs & Co.

Q

What's the current split, though, between local and national at the moment?

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

Local's about 55%. National's about 45%.

Jason K. Kim
Goldman Sachs & Co.

Q

Okay. Got you. And what are some of the verticals that have been strong for you in some of these markets?

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

Well, it moves around. But auto has gotten – was strong the past couple of quarters. And we've seen retail being strong. And there's been – it just moves around. It's very difficult to look one quarter upon one quarter. You really need to look 12 months, and there's been an increase in some areas like auto has definitely been up. I think it's an effort, a successful effort by our sales force in working the automobile sector a lot more. Pharmaceutical has been kind of strong. We've seen some food and beverage being strong. Flipside, lottery, gaming has been down which was strong last year, a lot of the online gaming, big push last year, and that didn't pan out as strong as people anticipated.

So we're feeling pretty good with things that are being shown around. Some others in our sector, you'll hear somebody say like telecom's strong or telecom's weak. And it's difficult to use those comments by ourselves or even our competitors because it really depends on who's strong and spending with one of us versus somebody else. Like there's a couple of wireless folks that are with us and they've been very, very strong, but they don't advertise with some other players. And whether they're in or they're out can have a significant impact on how people see a vertical.

Jason K. Kim
Goldman Sachs & Co.

Q

Right.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

So, it's not really – it's difficult to use form comparisons, but overall, we're feeling strengthened in a lot of places right now.

Jason K. Kim
Goldman Sachs & Co.

Q

Okay. Can you talk about the ways and given your mix of trends which is inherent at lower margin business, but then where do you see the medium to long-term margin target that is appropriate for the overall business over the next couple of years in terms of margin today?

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

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To get margins up in this business, bar none, it's one thing and it's growing billboard.

Jason K. Kim
Goldman Sachs & Co.

Q

Yeah.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

Billboard has significant margins. If you think about the transit business, transit business you're giving away $0.65 on the dollar to municipality. And so, your OIBDA margins are about 20%. On the billboard side, you're giving away, let's say, $0.30 on the dollar to the underlying landowner. Your OIBDA margin is about 40%. Growing billboard, that kind of operating leverage, is absolutely critical to grow margins.

There are some things on the expense side you can go after. There are some things on the lease you can go after. I think our folks do a nice job on our lease renewals. We can continue to do more there. There are some operating costs you can go after in terms of reducing electricity costs, lighting costs, et cetera. But the real mover is the revenue on the billboard really to drive this business and get the operating leverage.

Jason K. Kim
Goldman Sachs & Co.

Q

You recently introduced ON Smart Media to the outdoor industry. Can you talk about how the rollout is progressing and provide your perspective on how that will increase consumer and advertiser engagement with your digital billboards for longer-term revenue, EBITDA, and cash flow benefits from that production?

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

So ON Smart Media is my comments earlier about investing long term for growth. So this is a division, a group of people that are helping us think through additional products to be able to sell today and tomorrow.

Jason K. Kim
Goldman Sachs & Co.

Q

Right.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

And there's several items to go through. One is a product we're selling today, which is mobile geofencing, all right? So it's selling, it's doing great, we got hundreds of these sales, our people are pushing on every single sale to do this and it's an up-sell on a billboard sale. And it's moving great.

The number's very, very small. So rounding errors you look at our numbers. But the real critical part is our salespeople are learning to sell solutions, not selling a location. So it's changing how they sell. They're coming to an advertiser and they're able to sell more than just a showing of locations. They can sell solutions about how to tether mobile into the whole product set. So, that's important. I think it's engaging mobile into our platform.

The second item is leasing space on a billboard to cellular carriers. And so, we are talking to all the fiber-based players, all the cellular carriers. My background's in telecom. I'm very aware that 5G is coming. We all know 5G is

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coming. 5G is going to be a huge another step-up in generational change in that whole industry platform and the need for more locations around these countries can be paramount.

Our assets are as ideal as any other assets out there, so we are trying to position ourselves to be able to utilize our assets for microcell deployment around it. And so, we announced an agreement with SIGFOX for IoT and we're talking to everyone else and, hopefully, this will – you'll see more coming out of this in not-too-distant future. But we're talking to all the players and that's a good opportunity...

Jason K. Kim
Goldman Sachs & Co.

Q

Right.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

...with the CapEx all being deployed by somebody else.

Jason K. Kim
Goldman Sachs & Co.

Q

Right.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

So, it's really just leasing space.

Third item, really important is digital technology displays. It's really introducing a new low-power, great-quality, WiFi-enabled screens for subways, shelters, et cetera. We deployed this in Hudson Yards in New York, in Washington MTA, in Minneapolis, and they're a great product and combined with a content management system that will enable digital to be on smaller displays at an appropriate cost.

And so, if you think in the subway systems, today, you don't see digital because it's very, very expensive but imagine if it's at a number of screens, it's no longer static; it's digital. And the opportunity for advertisers to utilize mass showings throughout a network of the same advertisement by time of day in that environment is a very significant lift of revenue opportunities that we think advertisers will be very much engaged to.

And the last part is the data management platform. Our industry today sells primarily by location. There's TAB data, there's audience information available. But to be able to really tap advertisers, moving money into mobile and to give them more ROI opportunity, it's being able to sell our assets based on real-time audience information.

So, we're building a data management platform to be able to enable advertisers who want to buy by location. That's fine. But if they want to target 18- to 25-year-old males on the west side of Manhattan that purchased something from a sporting goods store in the past six months, we can show them where that showing of assets is, and that can help them be much more targeted.

The combination of all these items are the investments we're making that we think is going to transform and enable us as an industry to bring more dollars into the sector from others in the media and help us really grow this platform in years three, four and five.

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Jason K. Kim
Goldman Sachs & Co.

Q

Okay.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

So, it's not – none of those are going to have a significant impact on 2016, but they're going to be incrementally important to us. And we think about 2017 and 2018, these are items that are really could significantly move the needle.

Jason K. Kim
Goldman Sachs & Co.

Q

Right. Right. I'm going to ask a couple more questions and maybe turn to the audience. Let's see if there's questions from the audience as well. But maybe taking a step back, sort of a big-picture question and, obviously, outdoor as a sector has been much more resilient in the face of competition from digital. And in fact, more recently, the chatter in the media space – the traditional media on the space for that matter is the growth in digital, while still significant, it seems there has been some disappointment from some of the digital players, while some of the more traditional media companies actually have been doing a little bit better than what people had assumed and I lump TV broadcasting, outdoor, everybody kind of together than in non-digital space.

When you talk to, and perhaps this is more relevant to the national book, but when you talk to these big advertisers who were obviously looking at a variety of options to spend their marketing dollars, has there been any notable shifts in how they view digital versus the traditional media? Has there been any change in how they approach outdoor advertising as a medium? Anything you can comment in there would be helpful.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

I think that this has been an item that Jeremy has been very focused on and our Chief Revenue Officer and the whole team in educating national advertisers and the agencies more on the value that out-of-home brings as a complement to all other types of media advertising. And it's enabled certain verticals that start to open up and spend more, and I think it's been much more of an opportunity.

There are certain advertisers who are enamored by digital.

Jason K. Kim
Goldman Sachs & Co.

Q

Sure.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

It's important to them for campaign, for messaging, whatever, but there are others who love the brand recognition of a message being there 24/7 on a vinyl. Apple only does static advertising. They spend a huge amount of their advertising budget on out-of-home and it's all on vinyl. Google, Facebook, a number of others are focusing on brand recognition. So, I think everyone's got a different perspective on where their goals are, but I think we're hoping that we and all of our competitors as we make more and more inroads and demonstrating the value of this

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medium, as we all start to be able to demonstrate better ROI capabilities, to be able to give people an understanding, they're going to see the value of the complement.

The mobile geofencing product that I talked about earlier, the click-through rates and secondary action rates that we've seen on the deployment that we've done have been off the chart, very, very significant for dual recognition where someone seen something on a billboard and then seen something on mobile and be able to click on that and go secondary action. The rates are very, very, very high. And it demonstrates the value of constantly seeing the repetitive messaging, complementing out-of-home with all sorts of other media is very, very strong and I think we're starting to see more and more of that dialogue happen.

Jason K. Kim
Goldman Sachs & Co.

Q

Okay. One more question before I turn to the audience. So, historically, OUTFRONT has been a little underinvested with respect to digital billboards, and you guys have been having ratcheting-up investments to catch up on that front. Where are you in terms of your digital rollout in terms of where you want digital revenues to be? And going forward, how much of your incremental growth will come from digital versus static boards?

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

So our digital billboards in the United States is about 650. Clear Channel, I think, is about 1,100 and Lamar is probably like 2,400, 2,500, right? Our previous owner was very disciplined in their approach to deployment of this. The good part of that is we don't have a lot of third-generation – first-generation screens out there we got to start replacing.

Jason K. Kim
Goldman Sachs & Co.

Q

Right.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

And we've adopted the similar philosophy of being very disciplined of how we deploy. We're doing it in places where it makes sense, where it doesn't commoditize some of our static boards and trying to make sure that it maximizes the revenue of a geographic area. We've been estimating about 100 board conversions a year and we're on path for that.

We recently just completed a Monday morning quarterback review, if you would, of all of our conversions in 2011, 2012, 2013, 2014, and 2015, probably as much data, and analyzed them versus the original business case and they all have returns in excess of 30% after tax.

Jason K. Kim
Goldman Sachs & Co.

Q

Okay. For each year.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

For the period it's been operating...

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Jason K. Kim
Goldman Sachs & Co.

Q

Okay.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

...and versus what the investment was and comparing it to the original business case. We learned a lot from that. Some markets were very good at estimating revenues. Some were not so good. But it really demonstrated the success in our folks making choice points. And so, coming out of that, we actually are looking for people to deploy more and we've asked our folks to go after more opportunities for returns a little bit less than that. You don't need to be that high, right?

Jason K. Kim
Goldman Sachs & Co.

Q

Right.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

Love to be that high. So, I think we're still going to be at path for 100, but I'm expecting that the pipeline of activity is going to grow more. They take time to go through all the zoning restrictions, everything, but I'm hoping that we can get that higher over the next year or so in 2017-2018 and really start to push digital more and more. And as advertisers start to find better ways to utilize digital billboards, that will become much more.

About 1.4% of our billboards are digital today. It represents about 14% of our billboard revenue, right? So it adds a nice lift to it.

Jason K. Kim
Goldman Sachs & Co.

Q

Yeah.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

And so we've got an interest, but we're trying to be judicious, but we're also going to be, I think, opening it up a little bit more and try to grow this a little bit faster if we can. We're not coming from 100 boards to 200...

Jason K. Kim
Goldman Sachs & Co.

Q

Right.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

...but I think we're going to take this. We could get another 40 or 50 a year; I'd love it if we could.

Jason K. Kim
Goldman Sachs & Co.

Q

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Is there like any comment theme in terms of what market you see the best return for your investment in digital conversion? Or is that very – a market-by-market phenomena and no real common theme across the board?

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

There's differences. I mean, we've looked at it the way I just mentioned. We've also looked at where some of the better opportunities are prospectively...

Jason K. Kim
Goldman Sachs & Co.

Q

Right.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

...and places where we have very high occupancy are good opportunities. Where there is a good economic growth, we've got good opportunities. Where we have solid market share, good opportunities. Flip side is reverse. If market shares are low, deploying more digital doesn't work. Where our market share is low, we don't necessarily pull from others.

There is a saturation point. We do have a couple of markets that are overbuilt that there's been too much built. And I think we've heard it from others in our industry where they've built too much and it has pressure on pricing. And so, I think we're trying to throttle those back and those becoming business cases for conversion in those cities. Like hold on a second, we're not going to go after those.

But it's really picking the right spots. Our local people know the market and we've got to make sure they think through the other competitors' boards, our boards, and not think about an isolation of that board's profitability, but the market's profitability. The goal here is maximizing the profitability of the market, so maximizing the revenue in that geographic area. You can't just deploy; you've got to strategically think through the implications for that.

Jason K. Kim
Goldman Sachs & Co.

Q

Right. Make sense. At this point, I'll turn it to the audience to see if there's any questions. Sure. Go ahead.

Q

How concerned are you about the MTA contract and what would be the impact if you did not get that?

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

The question was on the MTA contract. So, the MTA contract, it expires at the end of 2016. It's three contracts: subway, bus and commuter rail. There's an RFP out. We are submitting the response to that actually this week.

I think they're going to go through a process for the rest of the year. I'm sure there are going to be oral presentations, there'll be additional bids and best and final offers. And we expect the decision hopefully in the fall to be effective 01/01 of 2017.

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I can't give you any more color from that. It's an important contract. We've had it essentially for, I don't know, 75 years. We've done this and we've done very well by the MTA, doing it very well. And we're putting forward a solution that we think is responsive to the RFP that's going to help them transform the network and improve the experience and the lives of New Yorkers and also including the economics for the MTA.

It's important. It's about a $200 million-plus revenue contract and also looked at our – the business. I said earlier, it's about 20% OIBDA business, so about $40 million of OIBDA that folks have looked at. And so, it's important. It's important to us.

We expect to be able to retain this and renew this. We do hope that's how we're going to convince the MTA to do so, but we're not being obnoxious in assuming we're going to win anything. There is competition and we're on the soles of our feet to win this at the right economic cost and the right solution for the city.

Q

[Inaudible] (22:41-22:48)

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

Question being whether it could be one person get everything or mix and match. The RFP left it open. It could be any of the above. It could be all three to one. It could be three to three people, three different organizations, or it could be combinations thereof. And so they asked for submissions that will address all the combinations and we'll see how that plays out.

We feel good about our submission, feel good about what we're putting in, and good about the solution. We spent a lot of time on this effort for the past year-and-a-half, gearing up for this, building our capabilities, and bringing technology solutions to help them meet their needs and being smart about this. So important and we are, knock on wood, we're going to retain this.

Q

Can you go into more detail on the mobile geofencing? How does that work? Like, you try to mirror the mobile with the billboard. Are you saying go to this website or something or...?

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

Geofencing is – we're teamed up with a company called xAd that has relationships with – oh, gosh, it's – I'm going to misstate this, maybe it's 40,000 apps. And as you go through a geographic area that xAd has put – tied into those apps, if that app is open, you'll get an advertisement applicable to that billboard or that retail location you've just gone by.

And so we are teaming with them. We do an up-sell for the asset we've sold by about 15%, share a part of that with xAd, and it's a slight additive to the product sale. But what it's doing, it's – and we can demonstrate to the advertiser the click-through and secondary action rates, and that is the key in this – and earlier, as I mentioned, about our people selling this, it's getting them into a higher level discussion with their customers, which is really important. It's helping them bring a creative solution to help them get a better bang for the buck.

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It's not anything that's new. It's not unique. It's out there. Lot of folks do this, but our salespeople have an audience all the time and selling this on every single sale. We're starting to see just really nice traction on this. I think we've got hundreds of sales so far. Dollar amounts are in seven figures but it's not going to move the needle yet, but it's building capabilities and it's a really nice additive supplement. It's a nice single.

Jason K. Kim
Goldman Sachs & Co.

Q

Can you talk a little bit about your M&A philosophy? The last acquisition you made of Van Wagner I think was completed in October of 2014, so about a year-and-a-half ago. Where are you in terms of your appetite and capability to do more M&A? And if you can kind of tie it into the next question, which is your comfort level with the leverage profile and what your kind of leverage target is and how you would look to use your balance sheet to make accretive M&A and then the subsequent deleveraging you expected afterwards?

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

Yeah. Okay. So let me set the base line. We did Van Wagner, we levered up to do that. It was a set of assets we felt we must have. Our leverage after we sold the LatAm in April 1, net leverage is 4.8 times. We'd like to get it down to 3.5 times to 4 times. We're going to do that two ways is by growing OIBDA, number one, and number two and number three and then it's by paying down debt. We've been paying down term loan slightly as we go forward here. We want to get it down.

Smart and selective M&A is one of the three key items you asked me about earlier. So, smart and selective are the keywords here. We don't think we need to buy any and all assets and it needs to be the right assets at the right price. We are very focused on top 25 DMAs, looking at markets where we can get revenue synergies and expense synergies is very important. So assets coming up that are in a top 25 DMA where we do not have any presence, probably not something you will see us going after.

There's been some recent sales that have occurred and they were not must-haves from our standpoint. They were nice to have but not must-haves. So it helped us internally think about that because as we think about a top 25 DMA strategy, we want to utilize our balance sheet for assets that are must-haves, right. So we've got an incurrence test of maximum, I think it's six times, right. So we've got room to do something here. You buy assets, you got OIBDA coming along, but the key for us is what are the right assets and assets coming up in the top 25 where we can get the right revenue expense synergies, we would like to use the balance sheet. And all assets are at our disposal to do those acquisitions.

In the meantime, there's nothing big that's coming up. We're going to look at tuck-ins, continue to look at things which meet our criteria. We're going to delever and get ourselves down because I want them to have more flexibility in the balance sheet for when the right assets do come up that are really must haves, we do use our balance sheet to do something. And I've also – we are open to – I want to get the stock price up. MTA renewal's going to, I think – hopefully, help the stock the price. And we'll consider doing an ATM as well and be able to use equity, to be able to help finance a bit of the acquisitions as well. So it's smart and selective, and it's important, all of our people now understands we're not going after every asset. It really was a recent very good exercise past six months because a lot of stuff has been on the market lately. And we really thought it through and said, is it a must-have or is it nice to have.

Jason K. Kim
Goldman Sachs & Co.

Q

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Okay. That's cool. I'm actually tying all those things together. Is it fair to think that given your current leverage, which is just south of five times, but it is above your target leverage, and given the waiting period for this MTA contract renewal, et cetera, is that fair to think that perhaps larger deals where you may need to lean on your balance sheet, is more likely to be 2017 and beyond event as you delever the balance sheet even more? Or am I overthinking it in saying that because if there is a very good must-have asset that comes to your table and there's a lot of synergies that you would look to pull the trigger on an acquisition like that, and think about [indiscernible] (29:47).

Donald R. Shassian
Chief Financial Officer & Executive Vice President
A

Jason, I like to say yes and yes. I mean I think our view is we don't think there's going to be large transactions for another 12 months or so, right. That being said, we intend to delever and we want to do it as quickly as possible. If something came up that was must have, we'd have to sit back and think about it and evaluate it. And we built – we spun off, the split from CBS, and I was a participant in the capital structuring, wasn't the decision maker obviously, CBS was. But despite – we had a lot of dialogue about setting up a company out of the gate with a very strong balance sheet. We resulted in coming out with 50% secured term, 50% unsecured. I would prefer more longer dated unsecured, but we got to a 50/50.

We did the Van Wagner acquisition; we did more unsecured. And we also came out with a $425 million revolver. That was intended to be a very strong balance sheet that's going to give us flexibility to do things in the business, but also withstand any repercussions and craziness that happens in this economy.

So we levered up for some of these important opportunity. We want to lever down. We're going to continue to have that revolver out there to keep us for rainy day perspective. It's not for working capital purposes. And I think it's going to play out that way. If something does come up, we'll look and evaluate. But we want to smart. We don't want to over extend. We don't want to put too much pressure on the business and it's got to be smart, very smart and very selective.

Jason K. Kim
Goldman Sachs & Co.
Q

Okay. I want to end with a, kind of a big picture question which is when you look at the outdoor advertising spending in international markets, specifically in European countries. For one reason or another, the growth rates of those assets seem to be a little bit better than back here in the U.S., now granted the margins are much better here because it's a lot more billboards focused.

Donald R. Shassian
Chief Financial Officer & Executive Vice President
A

Yeah.

Jason K. Kim
Goldman Sachs & Co.
Q

But in the grand scheme of things, how do you – what do you think is the difference between the European advertising market versus the U.S. market as to why this gap exists for outdoor spending, again, European being stronger than the U.S. spending? And what are the catalysts that actually bridge the gap between the two markets?

Donald R. Shassian
Chief Financial Officer & Executive Vice President
A

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I think here in the U.S., I think about 4-point-whatever advertising spend has been out-of-home. In Europe, it's like 8% or 9%.

Jason K. Kim
Goldman Sachs & Co.

Q

Yeah. Right, right. [indiscernible] (32:20)

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

It's a big difference and growing faster. And Jeremy would give a very good perspective on this given his, obviously his entire career over Europe. There are structural differences in our infrastructures, New York City, big transit system, right. So you think about that and that's great. You got that in Chicago. You got that in Boston. Not too many other cities in the States. When you think about that in Europe, you've got that in all the major cities. You've got a huge amount of transit, and so, as we as a population become more mobile and are using our cell phones going around and doing things more and more, advertisers are more attracted to folks who are more mobile. And so their transit businesses over in Europe are growing pretty significantly, more and more dollars. They've also got more national buys in Europe as a result of that.

So they've got more transit displays. And as Jeremy says, in Europe, someone will buy 2,000 units for two weeks. Here in the States, someone's going to buy 30 billboards for maybe a month. It's a different buy, and it's a different perspective. And we believe as the technology changes here in the States that those kind of buys will become more prevalent, where people are going to buy for shorter flights more volume and get messaging out with more of a pop, and that's going to change over time.

But with that gap from 4% to 8%, it cannot be closed because there are structural differences. But there's an opportunity obviously. We want to get more dollars into this out-of-home industry for ourselves and our competitors by improving the technology and demonstrating the value of these assets. And I think that's a big opportunity. That's where the growth is. The growth here is not competing against Lamar and Clear Channel. There is but we're all fighting for our fair share. The real competition is getting more of the pie, getting the pie in out-of-home to grow, getting more of it from mobile, from TV, from print. So getting out-of-home as a bigger pie itself. So we all can benefit from that.

Jason K. Kim
Goldman Sachs & Co.

Okay. I think we're just out of time. So, Don, thank you for joining the conference today.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

Thanks, Jason.

Jason K. Kim
Goldman Sachs & Co.

Thanks.

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