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OUTFRONT Media, Inc. (OUT)

Q1 2016 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, everyone, and welcome to the OUTFRONT Media First Quarter 2016 Earnings Call.

At this time, I would like to turn the call over to Mr. Greg Lundberg. Please go ahead, sir.

Gregory Lundberg
Senior Vice President-Investor Relations

Good afternoon, everyone. Thank you for joining our 2016 first quarter earnings call. On the call today, as usual, are Jeremy Male, Chairman and Chief Executive Officer; and Donald Shassian, Executive Vice President and Chief Financial Officer.

After a discussion of our financial results, we'll open up the lines for [Technical Difficulty] (00:27). A slide presentation to accompany today's call can be found in the Investor Relations section of our website along with the earnings release and an audio webcast of the call.

The conference call may include forward-looking statements. Relevant factors that could cause actual results to differ materially from those forward-looking statements are listed in our earnings release materials and in our SEC filings, including our 2015 Form 10-K.

We will refer to certain non-GAAP financial measures on this call. Any references to OIBDA made on today's call will be on an adjusted basis and reconciliations of OIBDA and other non-GAAP financial measures are in the appendix of the slide presentation, the earnings release and on our website, outfrontmedia.com.

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And with that, I will now turn the call over to Jeremy.

Jeremy John Male
Chairman & Chief Executive Officer

Thanks, Greg, and good afternoon, everyone. We're happy to have you on today's call to discuss our first quarter results.

Before Don takes you though the numbers, please turn to slide four for some key highlights. First of all, I'm pleased to report that we delivered overall revenue performance right in line with the expectation we gave you back in February. Total organic revenue growth came in as forecasted, 3%. This was principally driven by an organic 3.6% increase in our U.S. billboard revenues, the highest level over the past four quarters, driven by increases in both static and digital yields.

We believe this reflects both increasing advertiser demand for our assets and good execution from our sales teams, particularly in local. Looking forward into the second quarter, we're seeing continued solid performance in local and improving trends in national. And I'll give further color on this later on the call.

I'd also like to note that we're seeing a positive conversion on OIBDA, which grew 1.3% year-over-year similar to our reported revenue growth. This growing OIBDA also includes some headwinds from Latin America that Don will go into. The takeaway for you is that we remain focused on balancing our strategic growth initiatives with cost control throughout the business.

Over the last few weeks, our asset base was enhanced through a smart combination of acquisition, divestiture and investments. This has been a constant process since our IPO. And we believe that the many changes we made to our portfolio has improved the attractiveness of our portfolio to advertisers.

Finally, our board has declared the second quarter 2016 dividend of $0.34 a share, payable June 30. A healthy level of dividend income is fundamental to our REIT structure and we look forward to updating you on this throughout the course of the year.

I'll now turn the call over to Don for a more in-depth look at the quarterly results.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

Thank you, Jeremy, and good afternoon, everyone. Please turn to slide six which shows a summary of the year-over-year performance of some of our key financial metrics for the quarter. This is on a reported basis, so it's not adjusted for foreign exchange or other items.

I would like to remind you that our results this quarter include our Latin America operations for the full quarter. We closed the sale on April 1, 2016. Our earnings release contains an exhibit that shows Latin America calculations of organic revenues, adjusted OIBDA, FFO and AFFO to help your modeling. When you factor in the disposition of Latin America, you will see that revenue, OIBDA and AFFO, all posted positive growth well above the levels shown here in this table.

There is one unusual item impacting net income in this table, a $1.3 million loss on real estate assets held for sale or $0.01 per share. We grew both reported revenues and adjusted OIBDA by 1% during the quarter, while AFFO

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was slightly down, once again, including our LatAm business. I would like to go into the drivers of this beginning with revenues on slide seven.

Our total revenue growth was 1.3% on a reported basis and 3% on an organic basis. This growth rate is higher if you factor in the impact of Latin America from both periods. Looking just at the U.S., total organic revenues were up 3.3%.

Driving this were U.S. billboard organic revenues of 3.6%, reflecting another solid billboard revenue quarter. These results were driven by an improvement in average revenue per display, or yield, on both static and digital and also from the conversion of static billboards to digital.

We attribute this improved performance to our ongoing sales force enhancement and a continued focus on pricing throughout our business. Transit and other growth moderated during the quarter as expected with a 2.6% increase compared to the step-function increase of 13.3% in Q1 of 2015. Most important, transit continues to operate at this higher revenue level.

Growth this quarter was driven by ongoing advertiser demand for transit advertising increasingly by local advertisers, which helped drive increased yields once again. Internationally, organic revenues were down 1.2% in total. This was driven primarily by Latin America with Canada essentially flat.

Please turn to slide eight for an overview of expenses this quarter. Overall expenses including stock-based compensation were up 1.8% to $265.1 million. As a percentage of total revenues, expenses were 76.1%, up slightly from 75.7% in Q1 of 2015. This increase is driven primarily by corporate expenses and SG&A as collectively we saw a decline in the level of billboard lease, transit franchise and posting and maintenance expenses as a percentage of total revenues.

Corporate expenses were up $1.5 million over Q1 2015. Over half of this or $800,000 were legal expenses which we did not incur last year and which we do not expect to be recurring. The remainder of the increase was attributable to compensation-related expenses. Strategic business development expenses were $2.4 million in the quarter, broadly the same as last year's Q1.

Our adjusted OBIDA is on slide nine. For Q1 2016, our OBIDA was up 1.3% year-over-year, and the margin was flat at 25.3%. When thinking about flow through of revenues to OBIDA, there are two items to consider this quarter. One, as I mentioned a moment ago, we incurred $800,000 of legal costs that did not incur in Q1 2015. We expect these costs to trend out.

Secondly, our Latin America operations, which were sold on April 1, 2016, are less profitable than our U.S. segment and reported a negative OBIDA of $500,000 in Q1 2016 compared to a positive $700,000 in Q1 2015. If you take these two factors into account, you will see that adjusted OIBDA growth was higher than the reported 1.3% and in excess of total organic revenue growth of 3%. And that our OIBDA margin expanded year-over-year as well.

Turning to slide 10, capital expenditures were $14.4 million during the quarter or 4.1% of total revenues. For the quarter, growth spending was 3% of total revenues and maintenance was 1.1%. We still expect 2016 total capital expenditures to be between $65 million, and $70 million including $25 million to $30 million of maintenance.

In terms of growth investment during the quarter, we completed 23 digital board conversions in the U.S. and four internationally, including one in Canada and three in Mexico that were a part of the business sold on April 1. We

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also made investments in other initiatives, including new enhanced lighting fixtures for our static boards and some selected deployments of our new ON Smart digital technology screens in New York and Washington.

Please turn now to slide 11 for our cash flow for the quarter. AFFO declined $500,000 or 1% year-over-year. Looking at the drivers of this, positively impacting AFFO was adjusted OIBDA was up $1.1 million and maintenance CapEx was down $2.5 million.

Negatively impacting AFFO were cash paid for lease acquisition costs were up $2.7 million. These are sales force commissions paid on new advertiser contracts and this quarter reflects both increased numbers of salespeople and some timing issues. Interest expense was up $800,000. Latin America AFFO was down $1.2 million.

As we look at the balance of the year, we expect higher revenue growth to drive greater operating leverage and we are maintaining our full-year 2016 AFFO outlook of growth in the mid to high single-digit range.

On a trailing 12-month basis, AFFO provided very solid support of our dividends as you can see on slide 12. Dividends were 71% of AFFO and 72% of free cash flow on a trailing 12-month basis as of March 31, 2016. This equates to $72 million of free cash flow after dividends.

Our balance sheet overview is on slide 13. Our net leverage ratio was five times as of March 31, 2016. Our liquidity position was $402 million at the end of the quarter, including $43 million of cash and $359 million of availability on our revolving credit facility. The slight uptick in leverage is largely a timing issue as a result of our small acquisitions during the quarter negatively impacting our debt, without having the numerator being assisted by the incremental OIBDA.

Subsequent to the end of the quarter, we used a portion of the Latin America sales proceeds to pay down the $35 million outstanding balance in our revolving credit facility. We also paid $20 million on the principal balance of our term loan on April 20, 2016 (sic) [April 29, 2016]. Factoring these actions into the calculation, net leverage could be 4.8 times.

I'd like to point out one item on our balance sheet. Historically, unamortized debt issuance costs were recorded in other assets on our balance sheet. During the quarter, we adopted a new accounting standard to classify these debt issuance costs as a reduction from the carrying value of our long-term debt.

This reclassification is reflected on our balance sheet. And when you see our 10-Q, it is clearly described and broken out in the debt table. The reclassification, however, did not impact our leverage calculation since our covenants define debt to be gross and not net of debt issuance costs.

I would like to reiterate our intention and commitment to reduce our leverage to 3.5 times to 4 times via growing OIBDA and paying down debt. We remain comfortable with the financial flexibility of our balance sheet and believe that it gives us the operational flexibility to run our business the way we would like to, including the funding of our growth initiatives alongside an attractive dividend for our shareholders.

Let me now turn this back over to Jeremy.

Jeremy John Male
Chairman & Chief Executive Officer

Thank you, Don. And if you could perhaps now turn to slide 15.

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So looking forward, at this point in time, we expect the second quarter revenue growth will be in the low to mid single-digit range with further improvement expected in both billboard and transit. As usual, this outlook only represents our point of view at this moment in time and is on a constant dollar basis for our international segment.

Supporting this outlook are both the continued strength of the out-of-home sector and continued growth and improvement at OUTFRONT. The sector, as you've seen from results reported by our peers, continued to grow in the first quarter and appears to be tracking favorably into the second quarter. As an industry, out-of-home has an increasingly strong strategic position. As we become smarter in data and analytics, we believe we'll capture more of the current media spend flowing to other media as we go forward.

The out-of-home industry is making further investments in data and is enhancing its audience measurement platform. We're doing that as an industry and we continue to build our own proprietary data management platform to make out-of-home easier for advertisers and agencies to measure, plan and buy.

While this piece of the ON Smart Media platform remains fundamentally important to our long-term success, we're also engaged on several other strategic growth initiatives. On the asset enhancement front, we're pleased to have closed the sale of Latin America on April 1 as well as the first quarter purchase of some outstanding displays in Dallas and Houston from Reynolds Outdoor Media along with several smart and selective smaller acquisitions in various top markets.

Our geofenced out-of-home and mobile integration continues to sell very well. We've more than doubled the number of advertisers since last quarter. Revenues are still early stage, but we expect the growth rate to be steep. As we signaled last quarter, we rolled out additional advanced displays and notably an impressive new retail space in New York City called TurnStyle located at Columbus Circus (sic) [Columbus Circle] (14:57). I encourage you all to see this when you're in the city.

And lastly, 25,000 of our U.S. billboards are ready for new wireless equipment tenants. And we continue to work through extensive documentation that necessarily precedes any deployment. And we'll update you as we go forward. I sincerely believe that these initiatives alongside improvements in our core business are indications that we're taking the right steps to enhance returns for our shareholders.

So with that, operator, let's open the line for any questions.

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QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] We'll take our first question today from Marci Ryvicker with Wells Fargo.

Marci L. Ryvicker
Wells Fargo Securities LLC

Q

Thank you. First question is on the New York City MTA contracts. I believe the RFPs were due today if I'm not mistaken. Just any comment you can make on your thoughts there and when we might be able to know of their response or their decision. And I have a follow-up.

Jeremy John Male
Chairman & Chief Executive Officer

A

Thanks, Marci. One thing we've always said in terms of dealing with municipalities is that we don't control the timing, actually. And in this particular instance, that initial submission date was pushed back. It's still due to be submitted in May. We're working hard through it at the moment. Nothing really to say, as you would expect, for competitive reasons other than the fact that we feel, as we've always said, very good about where we are on this bid. We're looking forward to submitting it and then the ongoing process from there, which we still anticipate will take a significant number of months. So it's likely to be, I guess, backend of summer, early fall when there's sort of something more definitive on that, Marci.

Marci L. Ryvicker
Wells Fargo Securities LLC

Q

Okay. And you mentioned local was very strong and national is improving. Can you just give a little bit of color on national and maybe when this might turn positive? I don't know if it is positive or it's not as strong as local.

Jeremy John Male
Chairman & Chief Executive Officer

A

Yeah, national is very slightly down for us in Q1. It was a little disappointing. A couple of advertisers – there's one in particular. We had sort of one film client where we had some very tough comps year-on-year. So local was certainly very positive for us. As I said, the trend is that that's looking certainly more positive for Q2. I think it's also worth just sort of thinking about where we are in terms of our comps because – actually, we had a relatively strong top-line growth in Q1 last year. It started with – it was 5% and change. And a good piece of that was driven by national. So in national we had sort of tougher comps. Local business, I think, progressed very well for us and continues to look solid as we look into the second quarter.

Marci L. Ryvicker
Wells Fargo Securities LLC

Q

And then my last question. Based on your results and commentary on [indiscernible] (18:35), it sounds like the industry is firming. I also know that you have some specific positives coming up just in terms of transitions and what you're doing internally. But is that a fair assessment that the actual out-of-home industry is getting healthier?

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Jeremy John Male
Chairman & Chief Executive Officer

A

Yeah, absolutely. I think the industry remains extremely well-placed to capitalize on where the media market is going right now. One thing we do know is that with the proliferation in the online world, actually being able to use a medium to be able to cut through, reach large audiences at mass scale; out-of-home remains if you like and is increasingly we believe that medium. And as I said in the script, I think that as we start – all of the companies in out-of-home and the industry as a whole, we're all making investments in data to make sure that we become – if you like, to give the absolute rationale to advertisers in terms of who they're reaching and then being able to sort of get much closer to be delivering real ROI metrics. So if we're doing that on the one hand and making our medium easier to plan and buy on the other hand, we believe that that will continue to be a growth driver for our medium as we go forward.

Marci L. Ryvicker
Wells Fargo Securities LLC

Q

Thank you so much.

Operator: We'll take our next question from Ben Swinburne with Morgan Stanley.

Cameron Mansson-Perrone
Morgan Stanley & Co. LLC

Q

Hi, this is Cam Perrone on for Ben. Any color that you guys could give us around particular verticals that performed well this quarter to start off?

Jeremy John Male
Chairman & Chief Executive Officer

A

Yes. Thanks, Cameron. So if we look at it by dollar change, our top three were Auto, in number one, beer and liquor was strong for us. That was number two. And restaurants, fast food were number three by dollar change. If we sort of look at the other end of that spectrum – and for us, retail was down a bit in Q1. Casinos was also weak and the television was weak in that quarter. So that was the top and bottom categories, Cameron.

Cameron Mansson-Perrone
Morgan Stanley & Co. LLC

Q

Great. And then any color you can provide in kind of how you guys think about in a way, de-levering versus increasing your dividend.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

Cameron, as we mentioned in our earnings call last quarter, we are committed to continue to pay down our debt. We do believe this business is about growing the top line, growing our free cash flow, our AFFO and increasing that dividend. When we feel more comfortable with the stock price as these business continues to grow, then we'll certainly make recommendations to the board to make a decision on that. But I don't think it's one versus another. I think it's the both. We are committed to try to do both of those. Definitely want to get the leverage down and definitely want to increase that dividend. And once we have the right metrics in and around that, we can talk about that and talk to our board which meets quarterly and talks about the dividend, we'll do so. But it's an "and." It's not one versus another.

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Cameron Mansson-Perrone
Morgan Stanley & Co. LLC

Q

Okay, thank you.

Operator: Our next question will come from Tracy Young with Evercore.

Tracy Young
Evercore ISI

Q

Hi. There were two comments during your commentary I just wanted to follow up on. The lease acquisition costs were up in the quarter and you mentioned it was related to the sales force. Can you talk about your ability to crunch all that expense? And then also I believe you said that the digital boards are conversions from static. Are those new boards or how should we be thinking about how you roll out the digital? Thanks.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

Well, the second one, the conversions is true conversions for the most part of static to digital. We've said ballpark about 100 a year. I still think that's still a good ballpark number. Things flow. These have a long lead time and I think that's still the path I would take for right now. Lease acquisition cost was both a increase in some of the commissions for salespeople. We've made some investments into more people. It also has some timing items to do with accruals on commissions. We feel good about the number. We feel good about the sales force transformation that's been happening. We feel good about what they're doing, the incentives we have on the table. But I do think the amount that is reflected this quarter on that schedule is probably going to be a little bit high when you think about some of the other quarters coming forward.

Tracy Young
Evercore ISI

Q

Okay, thank you.

Operator: Moving on, we'll hear from Alexia Quadrani with JPMorgan.

Alexia S. Quadrani
JPMorgan Securities LLC

Q

Thank you. I'm just following up on your comments earlier about the strength that you saw in the organic growth billboard growth. Do you think there is any benefit of the shift maybe out of transit into the billboard business, helping that in the quarter?

Jeremy John Male
Chairman & Chief Executive Officer

A

Yeah, I don't particularly think there's anything to do with that, Alexia. I think if you look at our transit business last year, we really did have a step-change. It was at $400 million business. That sort of double digits in media last year was a very, very strong performance. So I think the fact that we're lapping those tough comps and continue to grow the business, it says a lot about the inherent strength of transit. We love the business, and it's obviously why we'll be working very, very hard to make sure that we renew our MTA footprint.

I think when we look at our billboard business right now, what we're working very hard on, quite frankly, is actually getting our rates up. I think for a while it seemed that the rates were pretty much flat particularly on our

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static inventory. And it's really that that's starting to, we think, translate into some of the billboard growth as we go forward.

Alexia S. Quadrani
JPMorgan Securities LLC

Q

And just a follow-up on your earlier comments about the New York transit contract. I know you gave a little bit of color in terms of the timing. When you do hear something, is it sort of make or break or how does the process typically work? Does it get winnowed down to just maybe a couple of contenders, then we'll get sort of incremental data points throughout the process?

Jeremy John Male
Chairman & Chief Executive Officer

A

To be honest, it's their process. So it's really very, very hard to comment on how that process is – how that's going to go forward. We'll obviously do our best to sort of give you some sort of further guidance as we move forward. But right now, we're not sure ourselves exactly how that process is going to move on.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

You probably should not anticipate that there'll be any data points or milestones or things that will be shared during this process. We'll leave that to the MTA and we're going to keep our head down and do what we need to do. But you probably aren't going to hear a lot of information coming out on this process.

Alexia S. Quadrani
JPMorgan Securities LLC

Q

Okay. Thank you very much.

Donald R. Shassian
Chief Financial Officer & Executive Vice President

A

Thank you.

Operator: [Operator Instructions] We'll hear next from Jason Bazinet with Citi.

Jason Boisvert Bazinet
Citigroup Global Markets, Inc. (Broker)

Q

I just have a high-level question. On the one hand, the Fed seems very reluctant to raise rates. Retail sales have been very anemic. And on the other hand, we've seen very strong TV numbers and as you said, you guys had good numbers as well as some of your peers in outdoor. And I guess my question for Jeremy is, in that context, what does your history in this industry tell you in terms of maybe root causes for why the ad numbers seem to be outpacing the health of the economy and what that tells us about the durability of the strength?

Jeremy John Male
Chairman & Chief Executive Officer

A

Well, I guess in terms of the ad market in general, if you go back over time, the ad market has been a GDP-plus business and out-of-home within that has been a GDP-plus and then plus a little bit more because if you look over the last 20 years, the out-of-home media market has increased its share from around about – I think it's about

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3.5% to sort of 4.5% today. So it not only expanded its share, but it's expanded its share within a growing media market.

I think I sort of go out and talk to agencies and advertisers. I think generally, it's obviously a very interesting time right now. On the political front, who knows what surprises or bunts we might see there as we go down the road. But right now, let's say from what we can see, and we've got a sort of pretty good view on Q2, we continue to feel generally positive about the state of the media market.

Jason Boisvert Bazinet
Citigroup Global Markets, Inc. (Broker)

Q

Interesting. Okay, thank you.

Operator: Next, we'll hear from James Goss with Barrington Research.

James Charles Goss
Barrington Research Associates, Inc.

Q

Thanks. I was curious about the ON Smart Media initiative and digital signage applications beyond some of the traditional billboards and other signage. Over what period of time do you think some of this will become significant and how do you see it sort of scaling into your business?

Jeremy John Male
Chairman & Chief Executive Officer

A

There's certainly, if you like, three pieces, if you like, to our digital initiative. One is that we continue to go out and convert digital billboards. And as Don said, we're sort of doing that at the rate of about 100 a year, and we're now in the 600s there. We see digital then, if you like, the digitization of our back office, which will then include the DMP and trading platform, et cetera.

And then the third piece is certainly putting out small digital screens into indoor environments. So we're principally going to be leading that through our current transit environments. And what we would expect to be in a deployment of such assuming that we're successful in our MTA bid. So in terms of when will this be likely to be having a significant impact on revenues; obviously, it's dependent upon some of the projects I just mentioned. But certainly I'd like to think that we'll be having meaningful revenues coming through in 2017.

James Charles Goss
Barrington Research Associates, Inc.

Q

Do you think there are other sort of tangential businesses that you might almost morph into as your business becomes more digital and it might sort of open up the landscape to you beyond what you've traditionally had as your charter?

Jeremy John Male
Chairman & Chief Executive Officer

A

I have an expression which is we are very, very good at doing what we're very good at. And I'm not certain that when you look at sort of tangential businesses, I'd need to certainly have some pretty good feeling or sort of proof points that we're going to be successful in those as well. So I think we're going to be using it principally, if you like, as a driver of our core business when we have absolute confidence that we're in the right core business. So I think that's really where we're going to remain focused.

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James Charles Goss
Barrington Research Associates, Inc.

Q

Okay. And then in terms of industry consolidation, what do you sense is the appetite both in terms of your interest as a buyer and maybe some of the smaller competitors as sellers, and how do you see multiples coming into play at this stage?

Jeremy John Male
Chairman & Chief Executive Officer

A

To be honest, I think it's very much – as always, it's down to the quality of the assets. And we're very focused. In terms of when we look at businesses, we're very focused as we've always said on those sort of top 20, 25 markets. Multiple, the buyer and seller multiple can be two very different things depending on the level of sales synergy that one might be able to obtain and also whether or not we operate in a similar market. So we can sort of cut out infrastructure costs. I think it's fair to say and we've sort of commented publicly before that we thought that some of the expectation out there from some of the sellers right now is probably a little unrealistic. So from that point of view, we continue to sort of pick and choose. From our point of view, there are no must-do deals out there. We just want to keep smart and keep acquiring assets at the right price.

James Charles Goss
Barrington Research Associates, Inc.

Q

Yeah, thanks very much.

Operator: Next question comes from Bryan Goldberg with Bank of America Merrill Lynch.

Bryan Goldberg
Bank of America Merrill Lynch

Q

Hi, thanks. Two quick ones on your growth initiatives. First, I think it was this week or last, Charlie Schumer recently expressed interest in looking into potential privacy issues over at Clear Channel with their RADAR program. And I'm just curious to hear your take on what this could mean for some of the industry's initiatives in this area. And are there any possible implications for the work you're doing right now to drive yield using mobile products?

Jeremy John Male
Chairman & Chief Executive Officer

A

Yeah, thanks for the question, Bryan. It's obviously got quite a bit of outplay over the last few days. And it's fair to say that consumer privacy is extremely important to OUTFRONT. I think there's three words that are very important that I'd like to sort of get over on this call. So we're only planning to collect and use anonymized, aggregated data from consumers that have consented to provide that data. So the three words, anonymized, aggregated and consented are where OUTFRONT is. So we are not anticipating at this stage that given that we would be running into these issues. But we will continue, obviously, to watch the debate with interest.

Bryan Goldberg
Bank of America Merrill Lynch

Q

Okay. And then my second question on the growth initiatives. I think you alluded to earlier on the mini-cell opportunity that you're working through some extensive documentation ahead of actual deployments. And I was just curious if you could just offer anymore color on just sort of how extensive the documentation is. Are there any real hurdles to overcome or is it literally just straight execution on getting all the papers in order?

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

Bryan, it's only just execution. Whether it's carriers, it's fiber-based providers, everyone is looking at significant needs for more cell sites for greater bandwidth. 5G in a couple of years is going to exponentially increase the need. And so we've got great assets that we think could figure in the mix. We're talking to everybody. We're working through the process, trying to get all the documentation in line. And we still feel very bullish about the opportunity and just walking through. We were hoping we'd have a lot more to talk about at this juncture. But I think we got a lot of things cooking and feel pretty good about it. So it's normal course and not huge hurdles here.

Bryan Goldberg
Bank of America Merrill Lynch
Q

Great. And then actually, I've got one more. Just your commentary about the overall outdoor market strength right now as it pertains to the billboard market. If I'm not mistaken, but you guys specifically – you had some unique operational changes in certain markets last year where you...

Jeremy John Male
Chairman & Chief Executive Officer
A

Yeah.

Bryan Goldberg
Bank of America Merrill Lynch
Q

...underperformed the industry. So your comp is a little easier. And I'm just wondering do you think there is enough market strength to extend this trajectory that you've guided for in 2Q. Do you think there are enough legs in the market to see this extend into third quarter where you started to cycle past those specific operational issues?

Jeremy John Male
Chairman & Chief Executive Officer
A

I think the strength in our local businesses is certainly, I think, testament to some of the operational issues that we fixed quite simply. So that's a good thing. As you know, our business is significantly more oriented towards national sales than the marketplace in general. And so to that extent, national sales tend to lay down later than local where you often have, if you like, annual contracts that sort of form a more significant bed of your business. So on that basis, I wouldn't really want to make any comment on Q3 at this stage because we would want to have greater depth of visibility before we make those calls.

Bryan Goldberg
Bank of America Merrill Lynch
Q

Fair enough. Thanks a lot for the answers.

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

Thanks, Bryan.

Operator: We have no further questions at this time. I would like to turn the call back over to our hosts for any additional or closing remarks.

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Jeremy John Male

Chairman & Chief Executive Officer

Thanks for that. So, thank you all very much for your questions and your time today. And we look forward to seeing many of you at investor conferences over the next few weeks. Thank you again.

Operator: Ladies and gentlemen, that does conclude today's conference. Again, we thank you all for joining us.

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