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OUTFRONT Media, Inc. (OUT)

Wells Fargo Technology, Media & Telecom Conference

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CORPORATE PARTICIPANTS

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

OTHER PARTICIPANTS

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

MANAGEMENT DISCUSSION SECTION

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Thank you, guys. This, I think, is the last session of the first day of our conference. So, thank you for staying with us. I have Don Shassian who is the CFO of OUTFRONT Media that is formerly CBS Outdoor and at some point, I'm never going to have to say that. I think, at some point, we'll forget about that...

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

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QUESTION AND ANSWER SECTION

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

All right. So, I won't say it again. In this panel, we actually don't have to talk about political revenue because, it doesn't really matter for you and you reported on Monday and Q3 was in line to better, I think Q4 you're pacing as expected, you're going to come in at the high end of AFFO if not better than the high end of AFFO. Can you just talk about the puts and takes to the top line and to the AFFO and the strength in the business?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

Yeah. Thank you, Marci – thanks for – pleasure to be here. This business at the end of the day we've got billboard in the states, we got transit states, we've got Canada operation, we got sports marketing. At the end of the day the billboard business is what drives us; that's the operating leverage. So, billboard is doing well. It's got great margins and the growth in billboard was in the markets where we have primarily fixed cost leases, we have the nice flow through. And that's, we want to keep that doing. Local is very strong, our yields on both static and digital are again up. So, a nice trend that's going on there. Canada is improving and so a lot of things were kicking in gear. A lot of things have been going on for the past couple of years and we're starting to see some nice momentum. A lot of activity is behind it and I just feel pretty good with where we're going.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Now is this company specific, is it market driven, is it a bit of both and then you have had some growing pains post the IPO. We've been very impressed with I think the strategy that you've taken and investing where you needed to invest to kind of catch up and then investing even more so to innovate. So, I don't know if you could parse out what's market driven, what's company driven?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

No, I think the market is doing well. I think out-of-home is a good medium. And I think it's for all of us – our goal is trying to bring a more sophisticated way of running this business, a thoughtful way of pricing and dealing with customers, balancing investments, so that we can continue to grow in the years three, four, five and beyond, and trying to balance, right. I look at the scale, in all honesty, we're trying to balance that scale and I'd say, we had a couple of blips, but they've been, as you say, a growing pain. In second quarter of 2015, we had some personnel changes we have to make, right and we took it on the chin and we made changes, and we've built a process to evaluate our people more consistently, built the pipeline of folks, worked on our compensation plans more, give our people better tools to make better decisions and are constantly doing that.

And I think, one of the main things that Jeremy and I've been pushing on, is really trying to give our people throughout the organization, whether it's sales, it's our real estate folks, its operations, and it's in the departments, we're trying to give them better visibility, line of site, ownership, accountability, more than what they had before.

It was primarily a sales organization only, and we're really trying to get our general managers in each one of our markets to own that P&L, own the expenses, own the decision making, and it's taking a while, but that's what a changing an entitlement culture to an earnings culture and I think we were on that path. We're starting to see

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some of the fruits of that. We're clearly not done, but it's starting to move and really – so I think, a lot of it is, but I think the out-of-home Industry is, it's a solid industry. I think, everybody else is, and Lamar's results also are pretty good, right. So, and I think it was pretty good something to go on here.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Yeah. You said on the call that, this year you'll have 15 to 20 fewer digital, new digital boards. I specifically asked on the call, is this because of demand or is there anything underlying going on with digital, you want to...

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

The low end – we've guided about a 100 boards a year, we did a 139 boards in 2014, we did about a 125 boards in 2015, and we said at those times it is really a timing issue, and likewise we're around at 80 boards to 85 boards this year, it's a timing issue. When you want to convert a static to a digital or even build a new digital in new location, you got zoning requirements, you got permits, you got to get access to the equipment, you got to get it shipped over from overseas, and there is a lot of logistic items in there. The shortfall, if you will, that what our original projection was, is going to flow over into the first quarter, and hopefully we'll see the 2017 is a higher number than 100. I am not ready to say that yet, but it's all the timing issue. We are not seeing a slowdown in demand. Every one of these conversions or every one of these builds requires, we call business support documents, it's a mini business case. And the pipeline of those is still quite robust coming through. So, we still feel pretty good at sort of looking at a 100, love to get it higher. Because, I love to get that number higher, but right now not a slowdown. This is all timing.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Got it. Now, when you reported OIBDA and AFFO, the numbers beat and I see a lot of it was expense control, and so one of the questions that I've been asked after the call is how sustainable is this and where was the cost cuts or discipline coming from?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

First, it's as I mentioned earlier, billboard drives this.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Okay.

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

Right. So, revenue in the right markets with fixed costs, I mean, in Sacramento and Louisville and Chicago, there're a lot of markets that are at fixed cost leases versus the market like a New York, which is a lot of rev share. So, you can sell like crazy in the New York, but you're not going to see that flow through all the way down the bottom line. You can in a lot in these other markets. Number one, it was billboards in the right markets.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

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Okay.

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.
A

But then, as I mentioned earlier, our folks I think are taking better ownership and accountability on renewal of leases, operations crew is running very tight and very efficient, and all of our people throughout our organization are really starting to manage our expenses a lot better. They understand that your bonus is tied to OIBDA and OIBDA is not just revenue, it's expenses. So, you got to be really careful on the expenses. And I think, if a couple of years people start to really understand that and start to become aware of the fabric. So I think the expense side, I think it is very sustainable. What we have to continue to do is balance the investments. Because, we are making investments in the other side of trying to develop new products, capabilities to be able to sell even better and bring more dollars into the sector in the future.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC
Q

There's been concern up until, really, today – there's been concern about the landscape in the macro front and not necessarily a recession, but a slowdown for next year and I know that we have already talked about that on the earnings call, but where a lot of the radio and TV companies have been asked is about auto and retail and telecom and financials, and can you talk a little bit about the different ad categories for OUTFRONT? Are they pretty consistent?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.
A

Yeah. It moves around quite a bit, we have had certain advertisers that will buy 12 months. Will buy boards for 12-month perm as we call it and this is sort of locked in, but everybody else and it's a vast majority of our business are people that are coming in for four weeks to eight weeks and that comes in and comes out.

And they can really swing. The categories this past quarter, I mean, beer and liquor was extremely strong. It's actually been for a couple of quarters now. Auto has been very strong for us. And so a number of categories are still doing pretty well. I've had a concern about the economy dating back 12 months, right, just trying to keep my ear to the ground and get a perspective if there is anything slowing down, concerned about the election, a lot of other stuff and I haven't been seeing it.

And absent the election last night, does anything change with that, and I don't know and I don't have any insight if anything has changed. So far, we haven't seen any sort of slowdown. We're still seeing national advertisers pushing. We're still seeing local being pretty strong and there has been no significant pull back of any shape or form that I've had an indication as of yet.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC
Q

I want to get into some of the transit contracts, we'll talk about New York City, but outside of New York City you have signed a bunch, over the past 12 months. How do you evaluate each contract and then we've heard from some of your peers that in each contract, the margin is a little bit worse. I don't know if you can speak to that and how you evaluate these contracts?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.
A

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We've been very successful in these transit contracts the past couple of years. Jeremy, our CEO's background and history is in transit, and we've built some capabilities on the business development side to really start building relationships there and we've won a number of contracts on the West Coast, Los Angeles, Department of Transportation buses, Long Beach buses, Orange County transit, City of Irvine shelters, a whole bunch of pretty small ones, and then we have the announcement of the Massachusetts Bay Transportation Authority, which we've just announced would be taking over the end of December, which is a really great one, very excited to be able to have a even greater presence. So, there's been a lot of wins, which has been super.

And when these come up, we look at those and we evaluate them sort of like any acquisition, what can we do from a revenue standpoint compared to the incumbent. And as we've taken over a number of these contracts, I'd say that we've been able to generate higher revenue than the incumbent has been. So, it gives us confidence of going after them, and you do have to sweeten the revenue share, have to, period. They're looking for a little more, you do that. But we look at it from a standpoint, if we think we can do better execution on the existing set of assets, and then overlay that with the technology we're bringing where we can deploy digital, where we can get even more revenue, we're okay with that because, the total revenue is going to grow. The Massachusetts win we just got, is fabulous one for us, because they really are lockstep with us in terms of vision. There is no minimum annual guarantee on that one. It's a pure rev share.

So that is one where we're going to deploy capital, which is different in transit, but it's a rev share only so the deployment timing is going to be worked out between us and there is no collateral there of real concern. It's really build it as you can grow this business, which we're very excited about. So yeah, you do what you do, have to throttle them up a little bit, but our view is that we can execute better and the new technology is going to be able to get much more digital revenue and they really grow that revenue, so giving them a larger percentage, not an issue. We're going to be growing total OIBDA.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

I think Jeremy characterized that contract as a mini New York City MTA contract?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

I definitely think it is. It's a nice really exciting contract.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

So, talking about New York City, it was – you formally announced on Monday afternoon that you have extended the contract. You both extended the contract through June 30, 2017, and the MTA has to give you 90 days notice up on termination. Is that any sort of sign positive or negative for you as the incumbent? We had always said that the longer it takes them to do this, the better it is for you.

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

First, I think it's absolutely fine. And I'm going to call it, it's a process they're following and they're going about it. This is not kicking the can down on the road, nothing going on. They're being extremely thoughtful about this and being very, very careful about and clarifying what they want. It's almost what we submitted back in May. You can also look at it as almost a request for information. And we put in a full bid. A lot of excruciating level detail and I

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think it's enabled them now to come back and say you know what, this is now a specific RFP, we want you to bid on this type of a build, this type of an asset structure.

I think it's helped what we did and much what everyone else did, but I think what we did helped them clarify what might have been more 40,000 foot, 50 foot thought process into something much more concrete. And now they're saying, all right, we want you to bid on this. We want to understand what this looks like. So, we can compare you to others and I took it as a positive signal because, it looks a lot like some of the information we did. So, they're following a very good process. I think they're being as thoughtful as they can. It is a large contract. They're looking to transform the transit system, communications, and advertising throughout their system and they're trying to do it very thoughtfully.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

So, if you do win this again, is there going to be a lot more investment that you need to do or have you already gotten yourself there where you can...?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

Still to be worked out is who's going to pay for the investment.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Okay.

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

But there is going to be a deployment of new screens throughout the system through most of the assets. The economics of who pays for that, what the return is, TBD. But they're looking at a longer contract for that and we're very anxious about it. We are – as we've been deploying these screens in the Hudson Yards Station, in the transit system of Washington, the skyways of Minneapolis, and seeing advertisers really enjoying and liking these, being attracted to them. We think there's a very strong opportunity to significantly increase the revenue by deployment of these screens over a number of years. So, we do it effectively.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

And I just want to put context into what I learned, so iHeart had an Investor Day in September and we met with the guy who runs Clear Channel Outdoor and he basically said that the RFP was so intensely complex that would have taken his IT department three months to just answer the question. Forget about actually being able to deploy what was in the RFP. So, that tells us that it was extremely detailed...

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

We think...

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

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...and that I think it also gives context to why it has been extended?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

Exactly, exactly. And we have personally – in our organization, we have spent months thinking about this, what to deploy, where to deploy new screens, how many in each station, what it's going to cost, how long it's going to take to deploy, how much force account , how many people from the city are needed to help us. Logistically, it's a big activity and I think the MTA appreciates that and understand it's not a pie in the sky discussion. It's real and I think they're being very thoughtful about that.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Moving on from this, is there any update on the measurement of billboards?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

The industry association, OAAA, has the measurement and they're building a process to refine those measurements. We are in parallel with that doing something on our own. This industry today while there's a measurement process out there, it's not universally accepted, used and many, many, many advertisers buy based on location whether it's a billboard location or multiple billboard locations or transit displays, there's a showing of a multitude of displays.

We are building a data management platform that is going to enable us to collect information about our customers and correlate that with buying patterns all anonymously that will enable advertisers to, if they choose, buy based on audience versus location. And that will enable advertisers of today are increasingly of getting away from just doing mass media.

There are some that want to do mass media. Apple is mass media what they do today, but a lot of advertisers who want to do campaigns, they want to target a specific audience and we want to be able to respond to those requests by saying which displays, in which parts of the city or the East Coast or geographic area, is going to more meet their needs and be able to prove it to them.

And so, we're working on that. A lot of progress to be made in 2017, but that's where this industry, the out-of-home industry is going and will make us an even more important sector for advertising. I mean, our goal, as an industry, is to get more than 4% of the advertising pie. We want to get that to 5% and 6%, and doing that is, everything we're all doing today on execution, but it's also helping advertisers target audiences, so we think that can bring more money into this sector. And so, the industry association is doing something, we're doing something as well and we'll see who gets there first and which is the better mousetrap, if you would.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Outdoor does have a bigger share of the pie outside of the U.S.?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

8% in Europe.

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Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Yeah.

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

Yeah. Which is – Jeremy would say, it's difficult for the U.S. to get to that level. European cities, you've got a lot of European cities that look a lot like the New York City and Boston, where you've got an extensive rail network. We don't have a lot of those cities in the states. We've got a few that have it, everyone else is, for the most part, bus. So, I think 8% seems like a stretch, but how do we get it north of 4% and that's a big number.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

You've recently started talking about your billboards in terms of operating them to the carriers for small cell opportunities, which I actually feel could be quite real if based on what we're seeing in the incentive auctions, because we don't know that the carriers actually want to own the 600 megs, they may be more inclined to execute small cell. Can you talk about where you are in that initiative? I know at some point, we're going to get a lot more detailed information?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

Yeah. I'm not going to give you any projections as of yet. It is still quite early, unfortunately, taken a little bit longer than it would've liked. We have signed non-disclosure agreements. We have master license agreements with all major players. We've given latitude and longitude to them, they're working with our lat and longs for their existing holes on their propagation, and also, I think building it into their 5G capabilities plans for the future. And we just got to break through that.

We don't have anything that, that's imminent of size. It's moving forward. I've also had dialog personally with carriers, both wireless carriers, as well as fiber-based carriers. And our assets are definitely clearly in the mix of people wanting to utilize. It's a matter of just what are your assets to our holes, and our plans, and trying to work that out. I think it's – maybe taking a little bit longer than I thought.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Are you competing against Clear Channel? Are you competing against buildings for this business?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

I think we're competing buildings, telephone poles. It's – I think a better comparison, in all honesty, is telephone poles, because these things don't have to be very high off the ground. So, you've got utilities who have those. We've got those in a lot of other locations. So, I think that's probably where the mix is going to be.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

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Now, moving on to technology. You've been talking for a while on your ON Smart technology platform, which helps clients manage their ad campaigns. Can you talk about how that rollout is going? I know you said it at a couple other conferences. Where you are today.

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

The ON Smart group comprises a number of different initiatives. One is the deployment of these new technology screens, digital screens, which we've done at Hudson Yards and are these iPads on steroids is the best way of looking at it. It's a big iPad, it's app enabled, it's linked with a new content management, system that can enable you to synchronize screens in a station or domination of a station, or domination of a city or whatever. So, that's one big initiative that we're spending a lot of time trying to perfect and refine, and get the costs of those screens down, and that's a very, very big initiative.

Another one is the cellular you just mentioned, another one is mobile. We have a geofencing product that we've teamed up with xAd to offer our customers buying a billboard. For a little bit more pricing on the billboard, we'll geofence that billboard, so that people coming through that geofence with a cellular phone will push the ad that's on that billboard to the phone. And so, it's a nice supplement, I call it a single.

When you do that, people open up their phones and we've all got apps opened on our phones. The app opens up, there is the ad and it looks like the billboard, the secondary action rates and click-through rates and secondary action rates on this type of scenario is actually pretty high. And so, we're finding that to be a nice revenue enhancement, nice little margin enhancement.

Most importantly, it's actually giving our sales people another tool to sell. So, we're going to be transforming our sales people to sell from location to sell by audience, this is selling solutions. So they have another discussion with their clients, really talk about how to help them in the industry. And so, that's the big piece of this, that sort of helping them transform themselves.

And the last piece of that is the DMP, the data management platform that – to be able to sell by audience. And that is, we're still building that, it's going to probably take a good part of 2017 to get built and then start trialing that and we're trying to be very smart about doing that and continue to go forward, balance that investments, while still trying to grow AFFO. All things moving forward, just trying to do it very thoughtfully.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Any issues with privacy?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

The data we're collecting is totally anonymous. So, I understand the issues, I would have the issue as well and we all would. It is simply getting a data point and correlating that data point to purchasing patterns. We don't know who it is, where they reside, we don't know who it is. It's just what is that, where are they going and what are they buying and use that potential information to do some correlation. Whether you're right or you're wrong, it remains to be seen.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

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All right. Does anyone here have questions, I have a whole other page, but I want to offer it out to you in case you – yes [ph] the other one (21:27). There is a mic.

Q

Thanks. Is there any way to quantify that small cell opportunity, what it could be in terms of revenues or revenue per board would look like or?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

I'll give you the way that I agreed on the business case a long time ago. Folks came in and presented this opportunity and then, in all honesty, pretty quickly, I said stop for a second. We've got about 25,000 structures, right, okay, got 25,000 structures. So, if 10% of those end up being selected by whoever for small cell or macro or whatever. So, you got 2,500, what's the price point per month that you could have on this thing? That's a big variable, because price points on small cell is still TBD, but you could take that from $300 a month up to a $1,000 a month and you could have maybe upwards of two, two and a half, on average on there.

Actually, it ends up being a pretty big number. We share part of the revenue with the guys who are helping us orchestrate this, have to share some of the revenues probably with our landlords, because we'll have to – probably have to renegotiate the contracts with them. So, it's got an OIBDA margins that's probably below 50%. But, if you do that math I just gave you, that's not a bad number. It's bigger than a single, but it's a nice number, no CapEx, right. So, the CapEx is the provider that's going on there. So, we're renting space. And so, we think that it could make some sense and we are open for business, we want to do this, we want to do it right. The only other hidden advantage is that fiber is probably got to be put to that board by the carrier whoever is on there. We're able to work something out, take access to that fiber for other activities that we've done there, so...

Q

Okay. And your ability to win that would be just that a carrier says this particular footprint fits what I need to get coverage in and better than someone else's?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

Somebody else's or those the competition with the pricing rates are or what's the flexibility in being able to build. There is probably a bunch of intangibles. But it's – for them, it's still on a hole, is it a small hole or a big hole and do they have various different alternatives to fill it with. We want to be able to cooperate and make that work for them as best and as possibly can.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Speaking of CapEx, I think it's 1% of revenue?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

Little bit of maintenance.

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Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Is that sustainable?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

I think it's up a little bit; it's probably going to be from 1% to 1.5%. I think we've guided, Marci, this year to about $20 million to $25 million in maintenance. I think it will probably be the low end, as we talked about.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Yeah.

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

We spun-off from the previous owner. We wanted to put a lot of money into the business, both our structures, for the quality of the structure, for the safety of our employees that climb up and down those structures and work there which is very, very dangerous, investment on IT, vehicles, and facilities. And we came out with a spin-off in the first couple of years, in all honesty, we needed to invest in our employees.

So, we ended up fixing up a lot of our offices. Nothing fancy, but really just making a much more better environment. And we've done a bunch of offices and now we're sort of slowing it down a little bit more. So, it's coming down more because of some of those activities. I think it's pretty sustainable, I'm not hearing to push back from operations crew. We're growing through our 2015 budget now. I think it's a lower end of it and I think it is sustainable. We're different than others in the industry, understand others have a lot of wooden structures, we don't have wooden structures.

All of our stuff is, for most part, it is metal, it is up there. So, any enhancements we're doing to those structures is, we're painting it which is an expense, all right. What we're trying to make sure, it's got the right guardrails on it and the like for safety of our employees and then, it's a lot of other things to make sure things are operating. So, I think it is sustainable at this point in time. We don't – we're not holding back and we're holding a bubble, that's going to pop.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

And then, in terms of M&A, you've done a large transaction like Van Wagner, you've done some tuck-ins. Where are you, where is your mind set in M&A in light of your leverage at this point?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

Smart and selective.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Okay.

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Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.
A

We are continuing to look at assets that come up for sale. We've done a number of small ones, as you can see on our cash flow statement, you can see there is additional amount beyond which you think we probably pay for Reynolds. And we look at, are they in top 25 DMAs and what can we do on the revenue side, the expense side, did we buy at the right price, how's it fit in to where we think we need to be.

So, we are – I don't feel constrained by the leverage. Everything really is pretty small, there is not really anything big and big huge, chunky out there from a leverage standpoint. And our – we didn't participate in some of these larger transactions we've done, because they weren't must-have assets, they were nice-to-have assets.

And so, we are looking to execute like the dickens on our existing set of assets, we'll do some tuck-ins, we want to de-lever, get ourselves down 3.5 times to 4 times, so that, when a transaction comes out that's of size in the markets that we really want to have, we can use our balance sheet for that point in time to take it up and then work it way back down again, if it happens. And if it doesn't happen, we'll just continue execute with what we have. We think there is a lot more that we can do with existing assets and with this new technology in next couple of years. There is more revenue that we think we can get coming into this pie.

So, we don't think it's a must do. We don't think it's a scale or gain we have to have to be successful here. Our goal is driving the revenue, the OIBDA, the AFFO and driving the dividend.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC
Q

I think the three large billboard companies, you, Clear Channel, and Lamar, have all said that it would make sense for a lot more consolidation to happen. And I don't think any of us are assuming that is near-term, although it does feel like with the Republicans everything. If that maybe able to happen sooner or rather than later, but do you still believe that there is a lot of synergies by putting, I mean, I feel like each – all three of you have different, very different strategies. So, is it still a lot of synergy to put them together?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.
A

There is – I don't think there's any – some significant revenue synergies at all, I think there's cost synergies, there's overlap. We've all got operation centers in the same cities, we've all got back office. There are sizable back office synergies and that can be beneficial. Question is, is there really revenue enhancement, can you service the customer better and the like. It could happen, they can make some sense, but I don't think it's critical, I don't think you have to happen to be successful.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC
Q

And can you talk about your, you're still at 3.54 times to 4 times target level?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.
A

Same thing. Yeah.

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Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

And you've not raised the dividend, but I feel like that is sort of tied to the MTA contract, is that an incorrect assumption?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

We did not increase it this past February, primarily because we felt that the stock price was so depressed that paying out a dividend was not going to give credit on paying that out.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

You used that money...

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

But we held that to pay down debt, right. So, that's we did. We'll reevaluate the dividend this January, February with the recommendation of the board. Our goal here is to grow this business, grow OIBDA, grow AFFO, and increase the dividend. And I'm hoping the stock price will pop-up when we win the MTA, the stock price moves up and things just keep moving forward.

I will point out, people who've got concerns about the MTA, I'd also encourage you look at the deck we did for the earnings release, it shows you an LTM free cash flow and an LTM on dividend and shows you there is $66 million of headroom there and the MTA OIBDA that's been forecasted is about $40 million. It actually looks like is part of the taxable. So, there is headroom there. So, I'm not concerned about the dividend or the MTA, I think we're going to win it, but I do hope that we're going to be able to demonstrate to the board our confidence, so that we can make a smart recommendation of a dividend.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

I have one last question unless somebody else in the room wants to take it. Has there been any pushback from REIT investors? Any more conversations from REIT investors that feel like, you sort of forget that you're a REIT?

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

There's not pushback. We've had great conversations, we've had some pretty large REIT investors in. Right now, it escapes me whether we're at 10% or a little bit less, about 10% of the shares are owned by REIT holders, which I think is larger than we actually thought it was going to get to.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Yeah.

Donald R. Shassian
Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

A

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Greg and I go to the REIT conferences and there've all been great meetings. It's difficult for them to sort of fit us into the same buckets that they have, but we'll keep talking. I think that as we deliver results, consistent sustainable results, they gain greater confidence in the delivery of the business, so it looks more and more – I look at most REITs and their perspective, like bonds, right. And I think we've just got to deliver that consistency for them to get comfortable with that. And we'll just keep pushing the envelope, there's no pushback. We just – we've had great dialog and I think there's an upside here, but I think we have a little bit time more to gain confidence.

Marci L. Ryvicker

Analyst, Wells Fargo Securities LLC

Got it. So, thank you.

Donald R. Shassian

Chief Financial Officer & Executive Vice President, OUTFRONT Media, Inc.

Thank you.

Marci L. Ryvicker

Analyst, Wells Fargo Securities LLC

End of session. Thank you everyone for joining us today.

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