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OUTFRONT Media, Inc. (OUT)

Q2 2017 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, and welcome to the OUTFRONT Media Second Quarter 2017 Earnings Conference Call.

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

Gregory Lundberg
Senior Vice President-Investor Relations, OUTFRONT Media, Inc.

Hey. Good afternoon everybody. Thanks for joining our 2017 second quarter earnings call. On the call today 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 a question-and-answer session. You can find the slide presentation for today's call and the earnings release on the Investor Relations page of our website. And after the call has concluded, we'll put an audio archive on the website as well.

This conference call may include forward-looking statements and relevant factors that could cause actual results to differ materially from these forward-looking statements are listed in our earnings materials and in our SEC filings, including our 2016 Form 10-K.

We'll also refer to certain non-GAAP financial measures on this call. Any references to OIBDA made today 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.

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

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Jeremy John Male

Chairman & Chief Executive Officer, OUTFRONT Media, Inc.

Thank you, Greg, and good afternoon everyone. So, we grew organic revenues 2.9% in the second quarter, in-line with the guidance we gave you back in May. Transit revenues were the key driver, particularly with the addition of our Boston franchise and billboard revenues returned to slightly positive growth.

We also saw growth in our Canadian and sports marketing segments. Looking more closely at the advertising mix in the U.S. Media segment, revenue improvement was led by solid local growth across both our billboard and transit displays and overall [audio gap] (02:02) revenue accounted for about 58% of revenues during the quarter.

Our local sales force did a great job of bringing new business across substantially all of our key markets. National revenues in U.S. media were still down year-over-year but the decline was about half the rate of the first quarter. So things did improve somewhat. I'll get into more detail regarding national later on this call.

Improving our billboard revenues, particularly through more national advertising, is important to driving meaningful increases in OIBDA which was down very slightly this quarter.

In the meantime, we're working hard on our cost base, holding our controllable expenses flat overall, while investing for future growth.

Let me now hand over the call to Don to give you a more detailed review of our financial results.

Donald R. Shassian

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

Good afternoon, everyone, and thank you for being on our call today. Please turn to Slide 6, which shows a high level summary of the year-over-year performance of some of our key financial metrics. We have analysis of the three month period, please note that we lapped the divestiture of Latin America on April 1 last year, but a small portion is still in our year-to-date results. Financials for LatAm are provided in the back of the earnings release.

Reported revenues for the quarter were up 2.8% and organic revenues were up 2.9%. Adjusted OIBDA was down just under 1%, a significant improvement from last quarter, but it still reflects the higher mix of transit relative to billboard that we've been experiencing recently.

Despite the slight drop in OIBDA, AFFO was down 10% in the quarter due to higher maintenance CapEx and higher cash taxes.

Please turn now to Slide 7 for a discussion of our revenues during the quarter. We grew revenues across both billboard and transit and other in both the U.S. media and Other. As you see in the chart here, and as I just mentioned, transit and other was the largest contributor to our reported 2.8% year-over-year growth this quarter.

U.S. Media increased 3% on both a reported and organic basis. Billboard organic revenues were up 0.2%. This was driven by strong local results, offset by decline in national, which was nevertheless an improved loss rate from the prior quarter. Both static and digital same board yields were down slightly at under 1%. Higher rates were offset by lower occupancy.

Digital revenue was up high single-digits and is over 15% of our U.S. Media billboard revenue.

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U.S. transit and other was up 10.3% organically during the quarter. In the second quarter, this was principally driven by the MBTA Boston. As I mentioned earlier, local was also very strong in our U.S. transit business.

In other, organic revenues rose 1.4%, driven by growth in our sports marketing operating segment, while organic revenues in Canada were up slightly.

Our Canadian acquisition only closed on June 14. We are already seeing good traction in the third quarter as the new digital billboards, combined with our legacy static and digital displays, has doubled our daily audience impressions in the market and gives us a leading platform for brands in the top markets in Canada.

Please turn to Slide 8 for an overview of expenses this quarter. This is a somewhat different presentation than we've used in the past as it more clearly presents to you the main changes on a segment basis and isolates the true drivers of change for the quarter and year-to-date.

Our reported expenses excluding stock-based compensation were up 4.5% year-over-year in the quarter and up 0.4% for the six months.

When you isolate the changes, however, you can see that our controllable U.S. expenses were flattish. There are three items to be pointed out in order for you to understand that, one, the U.S. Media segment includes the MBTA in Boston, which added franchise fees and expenses.

Two, the other segment reflects higher expenses related to the recent renewals of several sports marketing contracts. And third, Latin America was divested on April 1 of last year.

So as you can see at the bottom of the two charts on page 8, on a more comparable basis, our expenses were closer to flat for the quarter and were down slightly year-to-date.

While we cannot control an expense like transit franchise fees, which are a fixed percentage and go up when our revenues go up, we can control other fixed costs. In the detailed expense breakdown provided in our earnings release, for example, you can see the U.S. media SG&A was down 4% this quarter.

I can also tell you that our entire posting, maintenance and other expense line was flat year-over-year excluding the renewed sports marketing fees that are booked in this line item. So in addition to wage costs, we are becoming more efficient in our operations and this includes some of the strategic cost reductions we identified and targeted for this year.

As we look to the remainder of 2017, we are keeping a very close eye on the cost base to decrease spending where we can. As we mentioned in the last earnings call, it is our goal to keep these controllable expenses flat for 2017 as we are demonstrating through June.

On Slide 9, you can see that our 4.5% higher expenses combined with 2.8% higher revenue lead to a slight decline in adjusted OIBDA, which was a significant improvement from the 9% decline in the first quarter of the year.

Turning to Slide 10, capital expenditures were $25.6 million during the quarter or 6.5% of total revenues. Growth spending was 4.6% of total revenues, and maintenance was 1.9%. These are higher levels than we've seen historically both in dollars and as a percentage of revenue.

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Maintenance primarily reflects safety and new vehicle spending that we needed to get done this quarter. Growth reflects increased spending on a digital initiatives including the building and employment of additional ON Smart transit displays, as well as the building of our conversion of 19 digital boards in the U.S. and 7 in Canada, more than twice the level in total that we did in Q2 2016.

As you heard me say a moment ago, digital is an important growth driver of our business and this continued investment fuels that growth.

For 2017, our guidance for capital expenditures is increased slightly by $5 million to reflect incremental digital growth opportunities. Therefore, our new guidance is a range of $70 million to $75 million, including approximately $25 million of maintenance CapEx. As we've done in previous years, we'll update you on our CapEx spending as we move throughout the year.

Please turn now to Slide 11 for a look at AFFO. For the quarter, AFFO was down 10.2%, primarily as a result of higher cash taxes and higher maintenance CapEx. The change in taxes reflects a benefit we had last year from CBS Corp related to the split off and the higher maintenance CapEx I just discussed.

For the six months ended June 30, AFFO is down 12% from last year. On a trailing 12-month basis AFFO is essentially flat. We reaffirm our guidance from our last earnings call that AFFO is likely to be down slightly for the full year.

Slide 12 shows our 12 months trailing AFFO of $278 million and a dividend payout ratio of 70%, relative to the 67% we were at in Q1 of 2017. The increase is primarily due to higher maintenance CapEx and higher taxes. A payout ratio of around 70% is still right within the zone we established when we went public and set our original dividend level.

Our 12-month trailing free cash flow, however, was $190 million, and our dividend payout ratio on this metric was 102%. I'd like to spend a moment explaining this calculation and metric. The lower free cash flow number on a 12-month trailing basis is due to $10.1 million in higher CapEx and several abnormalities on our working capital this year. In particular, there was $29 million of working capital used on a trailing 12-month basis that when normalized would result in a much lower payout ratio of 89%.

First there is a $9 million use that comes from the new Boston MBTA contract and a delay in receipts caused by systems issues within a large national advertising agency. Secondly, and more importantly, our MTA contract extensions in 2017 had a very different payment structure than in the past.

In 2016, we made six monthly payments with an annual revenue share true-up in the following year. In 2017, the extensions are structured to pay the actual revenue share amounts currently with no true-ups the following year. As a result, in 2017, we not only paid the 2016 revenue share true-up, but we're also paying the higher revenue share currently. So, this is not an indication of an increased cash use as much as it is a one-time change in timing.

These working capital matters have colored the cash flow generation calculation this year and are not an indication of the true cash flow of this business on a recurring basis. All of these working capital items will reverse themselves in 2018.

Slide 13 shows the highlights of our balance sheet. As of the end of the quarter, our liquidity position was $466.6 million, including $23.1 million of cash, $343.5 million of availability on a revolving credit facility and $100 million

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of availability under a new three-year accounts receivable securitization facility entered into on June 30. The interest rate on that accounts receivable facility is favorable to the revolving credit facility by over 100 basis points.

You can see that at the end of the quarter, we had $85 million drawn on the revolver. $50 million of that was used to pay the cash portion of our Canadian acquisition in mid-June. In July, subsequent to the quarter, we used the new accounts receivable facility to replace the drawn funds of the revolver.

Due to the decline in OBIDA, and a slight increase in net debt, our net leverage ratio has increased slightly to 4.9 times. We remain focused on our goal to reduce this to our long-standing target of 3.5 times to four 4 times [indiscernible] (13:48) achieved through growth in OIBDA and further debt pay down.

Let me now turn this back to Jeremy.

Jeremy John Male

Chairman & Chief Executive Officer, OUTFRONT Media, Inc.

Thanks very much Don, and I'm on Slide 15. So looking forward, let me give you some color on our third quarter. We expect revenue growth to be in the low-single-digit range with good local growth, partially offset by some continued softness in national and with transit once again outperforming billboards. As usual, this outlook only represents our view at this moment in time and is on a constant-dollar basis.

So referring back to national and to put some context on the trends we're seeing from advertisers. The three advertising categories with the strongest U.S. growth in dollar terms for us in the second quarter across both billboard and transit were – one, technology, number two, health and pharma, number three, food and beverage.

Looking at technology, technology advertising was up over 25% growth year-over-year. Some of the big names in this group, brands like, Amazon, Apple, Google, Netflix, Snapchat and Facebook, collectively increased their spending with us significantly. This is an example of an increasingly important category for us. Looking back, it was just 1% of revenues in 2007 and is growing steadily to 5% of revenues as of the second quarter.

Our bottom three categories during quarter were telecom, automotive and then thirdly, travel and leisure. As we said many times before, we think it's more helpful to look at category changes over time. One of the strengths of our business is the breadth of our customer base and the consistency of our main categories over long periods of time.

In the second quarter, our [ph] good (15:49) growth from technology and other advertising categories was offset somewhat by this decline in telecom. But as you're aware, telecom has not been favorable for the last few quarters, but it has been a consistent 5% to 6% of our total revenues for the past few years.

It's worth noting that automotive is one of a handful of our larger categories and has also been around 5% to 6% of total U.S. earnings for many years. Auto remained a headwind during the second quarter although improved slightly from the first quarter. So a little bit too early right now to make a comment on the back half of this year, particularly with industry data out this week, that paints a picture of a somewhat challenging summer for the auto manufacturers.

Let's step away from categories now and look at the entire industry. Second quarter data isn't in yet for the industry. But during the first quarter, according to Kantar, out-of-home slightly grew its share of U.S. media spending across the top 100 U.S. advertisers.

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Together, the Top 100 allocated 1.5% of their budgets to our medium. This is still a very low level, both in relation to the 4.2% allocated by all advertisers according to Magna Global and by any sort of international comparison. We believe that this represents a big opportunity for us in the future.

Data, insight and new audience metrics will give brands better analytics across all our billboards, transit systems and new digital displays and we believe that this will be one of the pieces that will begin to move the needle in media allocation toward our assets.

So, overall, our business is in good shape. Solid growth in local revenues, good cost control and our continued investments in our strategic initiatives in digital platforms make us well poised for enhanced revenue growth and value creation.

In closing, before I turn the call over to questions, I'd like to update you on the New York City transit renewal. Based on public comments, the MTA expects to make an announcement regarding the outcome of the bid process at its September 25 board meeting.

So the key takeaway is that the process is very active and now appears to be nearing a conclusion. So with that, operator, let's open the line for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And we'll go to our first caller, her name is Marca, sorry, Marci...

Jeremy John Male
Chairman & Chief Executive Officer, OUTFRONT Media, Inc.

A

Operator, could we open the line for questions.

Operator: Yes, sir. I'm sorry, are you not hearing me? Hello. Gentlemen, are you hearing me now?

Jeremy John Male
Chairman & Chief Executive Officer, OUTFRONT Media, Inc.

A

Yes. We're hearing you now.

Operator: Okay. I apologize for that. [Operator Instructions] And we'll take our first question from Marci Ryvicker with Wells Fargo.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

So, it sounds like billboard is heading in the right direction...

Operator: Marci, please go ahead.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

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Can you not hear me?

Operator: Marci, your mute function maybe on.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

No, it's not on.

Operator: Okay. Yes, we're hearing you now.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Okay. Billboard seems to be heading back in the right direction, local is up nicely, but is it too early to call an uptick in national for the second half? It feels that way because it's still down, but you gave us color on how it was down, half as much as it in Q2 versus Q1, is there anymore color you can give on Q3 and maybe Q4 for national?

Jeremy John Male
Chairman & Chief Executive Officer, OUTFRONT Media, Inc.

A

Thanks very much, Marci. Yes, billboard certainly heading back in the right direction, we'd still like obviously to get some stronger growth in our billboard business, but very pleased to see local doing well. I'm pleased certainly that the headwinds in national decreased considerably in Q2. Worth remembering that our national business lays down later than our local business on average, but right now, it appears that some Q3 will see also a bit of an uptick versus Q2.

Frankly, Q4 is a little bit far out, Marci, I don't want to give any more specific guidance on, but as I say Q3 at this stage in time, it looks so though the positive trend is increasing, but it will still – overall, we still think it could be a mild headwind. And it's certainly – it couldn't be described as a Snapchat – as a snap back, so you know it's positive but no snap back.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Okay. And then, Don, you gave a data point that yield on both the digital and the analog boards is down I think about a point, can you talk about how that's been trending, has that been stable, getting better or getting worse?

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

A

I think, it's getting better, what's really – the good aspect of this is our sales people been holding an increasing rate across the board in both static and on digital and for us it's been primarily been an occupancy issue, which really comes from the national aspect of this. So I think, it's been holding well and I'm very pleased that our people have holding our rate, because that's obviously if you start playing with rate, trying to get that back in the future is very, very difficult.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Okay. And then, my last question is, it signals to me that when you increase your maintenance CapEx, you obviously have the comfort in the business that you're not going backwards is that the right signal to take?

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

Number one, we do have comfort in the business, very good comfort. And maintenance was up in first quarter and second quarter, primarily because I wanted to get some things done. Some things that we were deferring for a couple of months that we wanted to get done, I wanted to get vehicles done and some safety issues done. And I think that the total maintenance CapEx for the year will still be $20 million to $25 million.

We feel very comfortable about of where we are going. The increase in the growth CapEx of the $5 million, which we may be you're also referring to, we're seeing a lot of digital growth opportunities and we feel very good about those opportunities and the returns we're getting on those. So the increase in our total CapEx of the $5 million, yes, that is a very strong indication from our standpoint of the growth in business, the returns we see in the business and the outlook for the future, yes.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC
Q

Great. Thank you very much.

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

Thank you.

Operator: And we'll go ahead and take our next question from Jason Bazinet with Citi.

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.
Q

I just had a quick question on your leverage. I think it was a couple years ago when you closed Van Wagner, you went a little bit above your target leverage and you said we plan to get back within this 3.5x to 4x in a couple of years. And the leverage is sort of in this sort of elevated mid to high 4s. And my question is what, if you had to simplify what is sort of deviated from your internal plan over the last couple years that had not allowed the leverage to come down?

And if we end up hitting a soft spot in the economy, what sort of leverage do you have to help you sort of delever because it seems like you guys are doing a really good job controlling expenses, which is great, and you have a very benign maturity schedule, which is great. But what other leverages out there if we do hit a soft patch? Thanks.

Jeremy John Male
Chairman & Chief Executive Officer, OUTFRONT Media, Inc.
A

I guess there's a couple of things. If we look back over the last couple of years, we – the growth that we've achieved has been principally oriented towards our transit business where we got lower flow-through. So, looking back to a couple of years ago, I would say that's the main difference from when we made those original comments. I guess the other point also is that, that would have just mechanically OIBDA and OIBDA would have therefore closer to that range.

But as we look forward, I mean we still – we very much believe that we will be able to get that billboard business moving again. I think it's fair to say that most of the industry has had some – and I'm not just talking about out-of-

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home, but media in general has had seen some sort of national headwind this year that was possibly not anticipated.

But if we did have that soft patch, and I think one of the key points is that actually, the vast, vast majority of our CapEx, so this year, if we think maintenance was $20 million to $25 million and the – and the balance sort of $50-ish million is all discretionary. It's all investing for the future and we can effectively turn that tap on and off at our discretion. So – and that's something, I would point to, Jason, if we did hit that that soft patch.

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.

Q

Okay, that's very helpful. Thank you.

Jeremy John Male
Chairman & Chief Executive Officer, OUTFRONT Media, Inc.

A

Thank you.

Operator: And we'll go ahead and take our next question from Alexia Quadrani with JPMorgan.

Julia Yue
Analyst, JPMorgan Securities LLC

Q

Hi. Thank you, this is Julia Yue on for Alexia. I just wanted to follow-up on the increase in the CapEx guide, I think you mentioned this was primarily for new digital growth opportunities. Could you elaborate a bit on where that investment is going, where you see the biggest opportunities are and when you expect to see more notable benefits from these investments?

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

A

The increase in the growth in digital – when we say growth in spending in digital for us it's both building new digital billboards, it's converting static to digital billboards and it is all – also investing in and deploying these new ON Smart digital displays. So we have a plethora of a pipeline of opportunities both on billboard and on these digital displays and as we continue to deploy digital displays and we continue to be [ph] perfected (27:28) the installations, get really good results of what's being deployed, we're just starting to see more opportunities of other places around the country for deployment of those. And what we see in the pipeline, it seems it was appropriate now to start raising the CapEx what we think is coming down the pipe.

Then the other aspect, Julia, if I may, also we had some opportunities in Canada that have also presented themselves, so not just U.S., it's also in Canada, there's some very digital opportunities there.

Julia Yue
Analyst, JPMorgan Securities LLC

Q

Got it. And you mentioned more digital conversion this quarter compared to last year, but I think the yields were down a little bit. What do you think right now the appropriate longer term annual conversion rate is?

Jeremy John Male
Chairman & Chief Executive Officer, OUTFRONT Media, Inc.

A

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I would still say we're ballpark on 100, we really want to get it higher than that, but we've seen the pipeline right now on billboard, I still think it's ballpark for 100.

Julia Yue
Analyst, JPMorgan Securities LLC

Q

Okay. Great. Thank you very much.

Operator: And we'll take our next question from David Miller with Loop Capital Markets.

David W. Miller
Analyst, Loop Capital Markets LLC

Q

Yes. Hey, can you guys hear me?

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

A

Yes, sir.

David W. Miller
Analyst, Loop Capital Markets LLC

Q

Okay, great, great. So, Don, it sounds to me and this is just following up on the first question, I'm just going to kind of ask it in a different way, if you don't mind. It sounds to me like if you had to couch it from 90 days ago, you issue your AFFO guidance as being down for 2017 versus 2016 due to weakness in the national book. It sounds like now 90 days later, things have changed radically for the better and you're keeping your guidance, but it's mostly due to the increase in the maintenance CapEx. Would that be a fair way to couch it?

Jeremy John Male
Chairman & Chief Executive Officer, OUTFRONT Media, Inc.

A

Let me just take the first part of that question, David. I mean when we made the adjustment to our guidance in the first quarter results, we said that our AFFO would be slightly down for the year.

David W. Miller
Analyst, Loop Capital Markets LLC

Q

Yes.

Jeremy John Male
Chairman & Chief Executive Officer, OUTFRONT Media, Inc.

A

And even at that stage, we were actually forecasting an improvement, we were saying that, we were seeing signs of improvement in national advertising. And going back to the – my comments right at the outset from the first question from Marci, this isn't a snap back, what this is an improvement from the position from the first quarter.

And when we look at maintenance CapEx, the maintenance CapEx was a little bit higher in the second quarter than it was in the same period of last year, but some – it's not like to be any appreciable change year-on-year in our maintenance CapEx in total.

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David W. Miller
Analyst, Loop Capital Markets LLC

Q

Okay.

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

A

Our guidance, AFFO is the same as we gave last quarter, slightly down and it's really based on the same fact pattern [indiscernible] (30:18) still then. Maintenance CapEx for this year is going to even itself out and not be issue, cash taxes are going to even themselves out and not be an issue, but they were an issue for this quarter. It was slightly down it was really due to national that we've seen in the first couple of quarters. So it's really – it's no change from what we said three months ago.

David W. Miller
Analyst, Loop Capital Markets LLC

Q

Okay. Perfect. Thank you very much.

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

A

Thank you.

Operator: [Operator Instructions] And we'll go to our next question from Jim Goss with Barrington Research.

James Charles Goss
Analyst, Barrington Research Associates, Inc.

Q

Thanks. I was wondering, how big the perceived national headwind is, sort of as a general rule not just for you, that you think you're trying to buck?

Jeremy John Male
Chairman & Chief Executive Officer, OUTFRONT Media, Inc.

A

When we look into our numbers, as we've said right at the start, we were down in the sort of single-digits in the first quarter, it's still single-digits, but it was around half that in the second quarter and we're seeing an improving trend in Q3, but that's how I would describe it. And obviously we've seen some positive local momentum, which has been good local revenues was actually if we look at the 58% of total revenues in the quarter, which was standout so that gives us a little bit more color, Jim.

James Charles Goss
Analyst, Barrington Research Associates, Inc.

Q

Okay. And to the extent that you would like to improve your valuation and reduce your leverage, it would seem like the improvement in AFFO and OIBDA is what you need the target, I was wondering if there are specific strategies that you are trying to employ to regain the momentum that will enable that to happen.

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

A

Our strategies [indiscernible] (32:25) Jim are the same that we've been pursuing number of years here. We're focusing on the yield of our boards, trying to maximize the yield as much we can, trying to convert static to digital,

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build digital, control our expenses, selective M&A and really building out these new strategic initiatives for digital screens in transit and be able to fill in an audience, so we really can maximize the whole yield aspect for our business and all those we're working on.

The national aspect that's happened just recently is sort of something we got to work through and which we'll continue to do that. Transit has been doing very, very well, but we've got to get national moving, because it really helps billboard and helps the operating leverage and it's the same strategies implementation we've been focusing on.

James Charles Goss
Analyst, Barrington Research Associates, Inc.

Q

Okay. And the last thing I would ask about is, you mentioned technology as a small, but emerging category for your [ph] awards (33:20), I think that's really interesting the newest, let's say some of the oldest media and I am wondering what type of displays and locations they've been focusing on and how they're explaining the appeal of using out-of-home advertising to promote technology-type businesses.

Jeremy John Male
Chairman & Chief Executive Officer, OUTFRONT Media, Inc.

A

Hey Jim, when you look at the technology piece, frankly, it's right across the board. Our billboard business is benefiting from that technology piece as is our transit. Now the assets that we're selling are as varied from a [ph] ratch (34:02) train on the New York subway to a Times Square location to Snapchat or to in the case of Apple where they're buying holdings from us across all of our key markets, the best locations in all of our key markets. What is absolutely apparent is that our medium continues to build and support brands and it's fascinating that, if you like, those new technology brands are completely aware of that we can make and keep brands famous and that's why they're coming to us.

James Charles Goss
Analyst, Barrington Research Associates, Inc.

Q

Okay. I mean that's got to be the best advertising for your business of all, I would think, you know, but anyway...

Jeremy John Male
Chairman & Chief Executive Officer, OUTFRONT Media, Inc.

A

Yes. No, absolutely. It's certainly very, very positive that – you know, I talked about that 1.5% of the top 100 advertisers are spending in out-of-home, Jim, and when you drill into it, and you look and you realize that Apple is spending in excess of 10% of their budgets in out-of-home and that Netflix in excess of 10%. It's really a very, very powerful statement for our medium.

James Charles Goss
Analyst, Barrington Research Associates, Inc.

Q

I would agree. Thanks very much.

Jeremy John Male
Chairman & Chief Executive Officer, OUTFRONT Media, Inc.

A

Thank you, Jim.

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

A

Thanks, Jim.

Operator: And it appears we have no further questions in the phone at this time. So I'd like to turn it back over to our hosts for any additional or closing remarks.

Jeremy John Male
Chairman & Chief Executive Officer, OUTFRONT Media, Inc.

Thank you, operator, and thanks to you all for your questions and time today. Enjoy the rest of the summer. And we look forward to seeing many of you at investor events over the next few weeks. Thank you.

Operator: Ladies and gentlemen that does conclude today's conference. We'd like to thank you all for your participation. You may now disconnect.

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