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OUTFRONT Media, Inc. (OUT)

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Marci L. Ryvicker
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MANAGEMENT DISCUSSION SECTION

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

I'm going to introduce Don Shassian, the CFO of OUTFRONT Media. Years ago, it's known as CBS Outdoor, one of the largest out-of-home advertising companies in the U.S.

This is very timely since they reported earnings last night, so we're going to dig into a little bit of that and also, they have just recently renewed the MTA contract, which is very accretive. It was a nice win. It was part of our Outperform thesis, so we're going to dig into that as well.

So, Don, thank you so much for joining us.

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

It's great to be here, Marci. Thank you.

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QUESTION AND ANSWER SECTION

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

So, wanted to dig in a little bit into the results from last night and into the guide, sort of to get that stuff out of the way.

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

A

Yes.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

So, Q3 on an organic basis, as you reported, it was up 1.5% but the way that we actually viewed it and we wrote in the note last night is you were up 2% and I think that was sort of missed in the message. So, can you talk about what happened in the quarter, what was impacting the top line?

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

A

So, organic growth of 1.5%, we split off from CBS. We made a definition of all sort of things; you're coming out as a new company, defining organic growth back in 2014, what's in our segment, everything else was very important and we defined organic by looking at acquisitions and dispositions. So, significant acquisitions and dispositions are not organic. And activities like hurricane costs, other maintenance issues that come up and things you got to deal with in the normal course of the business is organic.

We did a swap during the quarter. It was an OIBDA-neutral swap. It was not a significant transaction as we defined it earlier in the year and therefore our view was, it was inorganic. I don't think you'd want us changing our definition of organic from one quarter to the next; that's a foolhardy way for somebody in my seat to do and it ruins our credibility. So, that was a very strict definition. What we did disclose and let people understand what those numbers were for those hurricane – revenue costs and for the revenue impact from those transactions. Likewise, on the Transit side, we look at [ph] say in a (00:02:12) transit, you win and lose contracts all the time.

So, winning the Boston contract is organic. Likewise, we lost some contracts. We lost a Phoenix bus contract, we lost the Duck buses in Boston, the Double Decker buses in Los Angeles, that's also a part of the transit business that's in and out, which is very consistent with how other players in this industry define organic as well. So, I think it was an okay quarter. It came through the way we expected. Local was very strong, Transit was strong as well, but National and Billboard specifically was not great.

It has improved; we were down 9% to 10% in Q1, it was down to 4% in Q2, it was down to about 2% in Q3, sort of what we had sort of expected. But we've been anticipating even more improvement in National going forward and as we look at this now, beginning November, and looking at fourth quarter, the National was not hitting what we had expected. Hence, we decided to tweak the AFFO guidance down a little bit from – I think census was about 5% down, we said – took it to 7% and it's just – as we see it, we got to call it and we think that we're optimistic about next year, but as we see it for fourth quarter, it just didn't feel appropriate to leave it out there.

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Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

But National is pacing better in the fourth quarter than the third quarter, just not what you had wanted.

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

A

I'm just going to say it's better, yet – we're seeing enough of an uptick at this juncture. So, it's still a little bit weak and still soft in certain areas, but this whole year, we've definitely been seeing advertisers laying down dollars later and later. We've got a bell curve that we analyze, bookings in a month, for which month it's applicable, and we look at the bell curve over time and you can see, the amount of dollars that are being laid down in the last six to eight weeks have seriously increased this year versus prior years.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Okay. Now what is your split between National and Local now?

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

A

Still about 55% Local, 45% National.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

And have you pinpointed what has caused the weakness in National? Is it certain categories, is it certain regions, is it just a broad-based issue?

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

A

I'm not sure it's a broad-based issue. I do think it's been specifically a number of categories that have definitely been down whether it's hesitation coming out of the election cycle and looking at things, but Auto has certainly been down. There was an excess amount of inventory beginning of the year and I think we've been seeing them starting to pick up a little bit. Health and Pharmaceuticals has also been down and Food and Beverage, and within those, there are certain big players that have used out-of-home that have sort of pulled back this year. We're seeing some improvements, but not enough to offset the declines you like.

On the flip side, you see technology that uses our assets and they've been up significantly. I mean, the Apples, the Facebooks, the Googles, and Netflix, the Hulus, they're about 24% and they're really building brand. It's a great percentage increase, but the dollar amount is not sufficient enough to offset some of the declines elsewhere.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

And are they on the National side?

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

A

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They're on the National side.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Okay. Can we talk a little bit about Local because your Local has been pretty healthy all year; and I don't recall if you said on last night's earnings call, what Local was in the quarter and how Q4 compares to Q3 from a local perspective?

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

A

This is a really good story from my standpoint. Local has been up about 5% or 6% first quarter. I think it was 8% second quarter, I think it's almost 5% or 6% third quarter and this is a very important story for us because when we – Jeremy and I came to this business, our local markets, our 53 local markets were really sales offices and they really didn't own the business, and they looked at explaining if their numbers were down, they'd say, well, National was soft and say, well, what are you doing about it? They really didn't take ownership. And so we've changed a number of those people out, we've been more transparent with information, really giving them ownership of the P&L, real estate included, and really get them to own this business.

In the beginning of this year, as National was soft, our local managers turned on a dime and said – I got to kick on Local and they really made some investments and pushed on things and they've really reacted the way we'd want them to react to own that business. And I think they're just being very smart and being very aggressive, taking advantage of the fact that some great locations are not being taken by National advertisers and they're taking advantage of it.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

You really are outperforming in Local; are you taking share either from other media or other outdoor companies because you have the best Local trends out of anybody that I cover.

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

A

Marci, I'm not sure I can answer that. I just think that it's a – our folks are holding on price and pushing on price and are pushing the ownership; and it's getting people an empowerment of owning their business and telling them, here's your objective, and we'll give you the tools to drive your revenue, we'll support you in changing your people out; we've given them real estate, now they're involved in the development cycle of more assets, the conversions in the future, I think they're just really addressing that and going with it.

I can't tell you exactly where they're pulling it from, but they're doing a nice job on both on the pricing side and taking advantage of the [ph] occupancy (00:07:40) opportunities.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Okay. I'll come back to the Billboard business, but I want to go Transit...

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

A

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Yeah.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

...because the New York City MTA contract was something that I know the Street was waiting for, for a long time, you were waiting for, for a very long time. So can you just remind us some of the consequences of this contract? Revenue, EBITDA, AFFO and just remind us of some of the – what we should expect?

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

A

So, we're obviously very pleased to get this resolved. Contract's about $220 million of revenue, ballpark about $45 million of EBITDA; contract is not done yet, it's been announced, but we are still finalizing, crossing the t's, dotting i's. It's not changing any of the framework of the contract, but it's a 15-year contract, and the MTA, they've done a very thorough job in this RFP process, they're doing a very thorough job on the contract, really trying to make sure that everything is documented, is going to be able to stand test of time.

It's really important for us for a variety of reasons. One, retaining that contract is important. It gives us leverage and to be able to sell transit throughout the rest of the country which is important. I think they selected us because of the technology solution that we have developed and have deployed here at Hudson Yards which we're deploying up in Boston, in Washington and other places. They can see it works and they have an interest in trying to revolutionize and transform the ridership experience going from static to digital. They really want to be able to enhance the communications for the ridership and our solution here is to transform and change all those static signs both on rail and on car, into digital over a number of years and done in a way that we think was pretty smart.

So, the contract is a revenue share contract. It was previously about 67% of revenue and what we're doing here is, the base revenue about $209 million is going to – not be 67%, it's going to be 55%. So there's an improvement there and it gives us de-risk aspects of this contract. Any revenue north of that base revenue of $209 million adjusted for inflation, they will get 70%. So, as that revenue grows, there will be a higher incremental on just that revenue amount. However, during the period that we are deploying assets, these screens, 50,000 screens over X number of years, which is about $800 million over 15 years, about $600 million over about eight years – seven to eight years; while we're spending that 70% that they would otherwise be getting instrumental revenue while it's hitting P&L from an accounting standpoint, we are retaining the cash. So, it potentially reimburses us for the cost for spending, and that dollars that we're spending, that $800 million, et cetera, is not CapEx from an accounting standpoint, it's a prepaid asset for franchise REIT.

So, as we spend and the prepaid asset builds in the balance sheet and as we retain their 70%, that prepaid asset goes down over time. So, it enables us to be able to de-risk from the front end because it's also a bit of more cash flow out of the base revenue, it gives us an ability to recover both off and on because we get an interest recovery on that, and then, once it's fully recovered, then the base revenue that was 55% rev share, will go up to 65% because once we recover, then it looks like a normal Transit contract; it doesn't have a lot of risk and recovery, it's about a 65% base and 70% incremental.

Very excited about this; we started the process of ordering screens, we're finalizing our contracts, we're building up our capabilities and the deployment of the assets that we're going to do is really something we should be thinking about happening in third and fourth quarter. People should not be thinking that there's going to be a revenue pop...

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Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

It's third and fourth quarter of next year.

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

A

...of next year. You should not be thinking about a revenue pop next year. You're going to see a change in OIBDA, yes, effective no later than January 1, 2018, but the revenue lift from the deployment of these digital screens is not something you're going to see until the end of 2018, but really into 2019. And we do hope that in number of months from now that we can give you even better guidance on revenue. We talked about 8% compounded growth which essentially doubles in 10 years. So, it's a doubling of revenue.

We're hoping that our experience in Boston, where we now hold about 150 screens deployed, we'll have about 300 by the end of the year, and then in another few months, we'll be able to give perspective of what that lift is there. Is that a doubling of a static revenue or not and I think that'll help give us a better guidance to give to you as well.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

It feels and I've been asked that the 8% is conservative; given that digital does provide a lot more opportunity, is that a fair characteristic?

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

A

From your mouth to God's ears. I mean, we really need to see this proved out. We need more mass deployment. We're seeing very good results in Washington and in Boston, but we need more to really feel comfortable to be able to get perspective on that.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

And one of the questions I've gotten, because Transit is a much bigger focus for you than for some of your peers, how big is transit as a percent of revenue and where does it fall from a REIT standpoint?

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

A

Well, transit, it's – both talk about 30%, but the REIT perspective – the only portion of the transit that is not REIT, that is taxable, is the assets, the revenues generated on moving trains. So, the screens that are – and static cards are in subways that are on Metro-North rail cars, [ph] Long Island railroad cars is what is taxable. And so, the deployment we're doing here with the MTA is stations and is cars, but it's fist foremost going to be on stations and that's where we think there's a huge opportunity for the revenue growth opportunity here.

The other one does give you TRS and taxable, it is a minority portion of the transit contract on revenue.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

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Okay. Now, other than in the New York City MTA, what other major renewals may be coming up over the next couple of years?

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

There's one right now, Los Angeles City Bus contract is under way. Best and final offer has been submitted and we're waiting to hear any day. We're cautiously optimistic, we've had that for a while, we've got all the various transit franchises around Los Angeles, very anxious about that.

Opportunities, San Francisco BART comes up later this year, and Chicago. Those are both are intriguing; Chicago is a – the transit system is very large. BART is actually not as significant because it's really just that limited rail line, it's not the more general transit contract.

So, there's a couple of opportunities out there, and we'll try to participate on those, but I think the...

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC
Q

You have the capacity even with the New York City [indiscernible] (00:14:52)?

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

I think – exactly where I was going. We're going to participate and try to be very careful about those. We don't want to get too far over our skis. The Boston contract is going well, but we're still in the deployment. And MTA has started and it is huge. So, I think we've got to look at those and be very cautious about those and be smart. We want to do these right, we want to make sure that both Boston and New York are done really, really well. So, we look at them, we'll be cautious, will be great to have them but I think we've got to be very careful.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC
Q

Just big picture, are there any synergies between the Transit business and the Billboard business?

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

We actually sell them differently. Some advertisers want our people to sell them jointly, but we do sell them differently. People that want to buy on transit are usually buying a showing, a domination of stations or cars. There's synergies that a transit has with other transit, like bus, the people want to buy on bus, particularly in New York, they don't want to buy in bus in a lot of other cities we have. Relative to billboard, there is not a lot. We've tried to combine it in a bunch of different ways, but the people who buy usually are buying distinctly different.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC
Q

Okay. And big picture, over the last couple of years, you've added to the portfolio with Van Wagner, you've recently purchased some assets in Canada, you've sold some assets in Latin America. How do you feel that OUTFRONT is positioned from an asset standpoint?

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

A

We think we're in a very good position. Canada was an acquisition that we needed to do because we did not have the right digital strength. Our previous owner didn't invest a ton in digital in Canada. And while we kicked it in gear, we really were, we're third player and really needed to either get out or get in.

And so, we made an acquisition of a company with some great digital assets and it makes us a player up there significantly, and we've used equity since we're in the transaction.

In the States, we've picked up in a couple of key areas and I think that the best phrase for us is smart and selective. We don't think that we need scale for the sake of scale. We like our assets. We like to pick off certain areas where we can improve on acquisitions, but the really, really important aspect of this business is can you do it organically.

Having to let somebody else billboards and then have to pay them at 8, 9, 10, 11, 12 times multiple why couldn't we have done that ourselves. And so, we've been putting an emphasis on more organic development, both conversions of static to digital, but also new developments. And there are, believe it or not, when you sit here in New York, you think there's no place you'll be building things. Around the country there are lot of opportunities with expanding communities and changing regulations in communities that are looking for tax dollars in different ways.

There's opportunities to build new assets and we've got a lot of real estate people around the country, they've been doing a nice job, we've done a very, very robust pipeline that really taking advantage of that pipeline over the next three to five years I think it's really, really important. It's a hidden gem in this business because you lose boards because of development construction that goes on, but organic development is really, really important. So M&A, smart and selective, I don't think we need it from a scale perspective.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Okay. And I was going to ask you because there's M&A popping up in every sector that we cover now, they'll have media, and one of the questions that we often get is, would a Lamar, a Clear, and an OUTFRONT makes sense to come together in some way, shape or form?

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

A

Bold question. I think there is some aspects of that can make some sense from a synergy standpoint, from a cost side, but there are regulatory hurdles with that. The market ownership perspectives when you look at Clear Channel and ourselves, we look very similar in a lot of the cities and trying to pull something off can have some regulatory challenges. Lamar, not so much in certain areas; but other areas, there are some challenges. So there's opportunities from a synergy perspective, but I think having three players, three strong players is good for the industry.

I mean, the goal here for this industry, of how we all are going to be successful, is getting more dollars into the out-of-home sector. How do you bring from mobile from social into the sector? And strong players and new technology, I think we bring more dollars into the sector, I think that we really can grow here.

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Consolidating, get some cost synergies, but the revenue isn't going anywhere, you just – you're moving the pie around a revenue. The goal here is growing revenue in total because it's a fixed cost business, you really can get up a lot of operating levers there.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Let's talk a little bit about the industry and we had, heard for such a long time, that new measurement is coming. Can you talk about the state of measurement for out-of-home?

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

A

There is data that is available today from the industry that is audience measurements. It's based on drive-bys and people use it to the extent they can, but this industry and advertisers really want real-time audience data. And so, we had been embarking, behind the scenes, in the strategic development expense that we talk about every quarter, it's about $2.5 million a quarter, a lot of that dollars is going to the development of these screens but also the development of these capabilities for both content management of the screens but also for real-time audience geolocation data and that's where we think that the next big lever could be in this industry because you can give advertisers an opportunity to truly target who they want to go after with dollars and it is something that should be done. It's being done obviously on the Internet when anybody looks at your site, they track you, and advertisers are targeting you. It can be done on a geolocation basis and that is what we're working on.

It's a big deal to get it done. It's not a snap of the fingers. We're going to be piloting internally in end of 2017-2018 and we'll work this thing through. I'm not sure it's going to be available until the end of 2018 or into 2019; that's what I feel comfortable about, but it works. I've seen some of the prototypes of this and I think it would be very, very intriguing to really attract dollars in from the other sectors into this.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Okay. I'm going to ask you a balance sheet question and then if anybody has any question, you can open it up at this point. Just wait for a mic. Your leverage, remind me, was what?

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

A

4.9 times.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Okay. Where do you want it to go and how do you get there?

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

A

We have – we stated the target since we came out and we did the event. We were 3.5 times when we did Van Wagner. We took it up. We set the target to be 3.5 to 4 since then and we still want to do that.

It requires growth in OIBDA, requires pay down of debt, but it really requires growth in OIBDA. It is something that's important to us. We – with this MTA contract, which, as I look at the deployment of these assets and the

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dollars, I sort of, in my own mind visualize it as an M&A deal, and we're going to finance that with debt. And we said, it could be $300 million at a peak in year four but if the rest of business is generating cash, it will be a lot less.

So that's when they take leverage up a little bit, but we really want to get it down, we got to grow this OIBDA and it's a concerted issue for us. We don't want to get over our skis. At some point there's going to be a change in this economy, we all lived through 2008, 2009. And we believe that a much lower leverage is important, simply for the refinancing towers we got out a number of years, and just having a more solid balance sheet. So it's not talk, it's got to be through OIBDA, it's got to be through debt pay down. And if we do transactions using some stock as we did in Canada, and we'll continue to use stock where it makes some sense.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Okay, are there any questions? Yes. Oh, go ahead. Sorry.

Q

Hi. You've mentioned some of end-market clients such as auto, food and beverage, healthcare areas, you're experiencing some pressure there, but technology sector is growing pretty significantly. How do you interact the client differently in different sectors?

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

A

How do you...

Q

How do you interact differently in terms of like pricing, contract, how do you interact differently for the technology client?

A

There's relationships – a lot of those major companies are national companies, so they're coming through agencies so we're working through the agencies. The buying specialist, the creative people in the agency, the account executives or their CMO at the company everyone's different. Where we've got relationships with the CMO, we go for that and we work with that. But it really depends on how they want to buy and interact with us. So they're all quite different.

Q

[indiscernible] (00:23:55) I'm just wondering because the growth of technology sector has been so material. Like have you tried a different pricing? That's what I'm kind of trying to get at.

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

A

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I think the technology sector that's using us, they are building a new brand. Right? And they're trying to get face time in front of all us all the time. And they look at the fact that we're up 24/7 and they see a significant advantage for that and take advantage of that and they pick great locations.

Other companies who would think they want to really push brand would be adopting their perspective and start seeing more of that. We don't take advantage of the fact that someone's trying to buy it and do something more with price. We try to price where the market will bear and try to deal with what their interests are. What we're trying to do and solve problems for advertisers, right? Their problem is they're trying to do something with their business, whether they're trying to grow in a certain area, with a certain segment, a certain constituency or whatever.

So, we're trying to bring our assets to them that meets their objectives and, if it's billboard, we'll help with billboard; if it's certain cities alone, we'll do that; if it's other cities or if its transit. So it's really trying to understand where they're trying to go. We're not trying to sell widgets. We're really trying to help them grow their revenue.

So, we need to understand where do they think they need to do it, and that's why their comment about technology and future is important because if we can help them not buy by location, but by audience because at the end of the day, they want to buy audience. So if they want to target audience, that's where we're really can help folks do that smartly because they're trying to do something with their dollars very smart.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

And it's the question I want to clarify. I think it's 60%. So, there's a 60% rev share with MTA once you recover CapEx?

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

A

Oh my bad.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Not 65%...

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

A

Sorry. Yeah. Sorry.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

...I just wanted to clarify that.

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

A

Yeah. Yeah. Sorry.

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Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Okay. Go ahead.

Q

Okay. So, given all the changing – moving parts of the business, how should we look – think about like operating margins going forward?

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

A

The Billboard business is a pretty stable business and it has an OIBDA margin about 40%. Transit is about 20%. The MTA contract renewal by itself has a slight tweak up on margins because that 67% rev share down to 55% has an immediate improvement to the operating margin there.

The key on this business is raising your price smartly and trying to fill it up on occupancy. And that's been the challenge this year as we've done very well along price but occupancy has been a challenge.

So, Billboard, I think we got to continue to do the same. Increased national presence puts more tension into the sales process and helps fill up the bucket on occupancy but also puts more tension on the pricing. Transit, [indiscernible] (00:26:58) technology. And we think that's going to give some very good opportunity but the operating margin improvement on Transit because it's revenue share bound, doesn't give you a lot of lift on that. The change in the construct on MTA does.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

There's a question over here. Just keep your hand up.

Q

I'd like to dig in a little bit more on the difference in trends between large and small markets. Is that really, really large markets or large markets for one? So what do you think is causing that difference? And then separately, does booking later in billboards present any operational or expense challenges?

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

A

On the latter question, booking later, most of the later bookings are on digital. And the answer is no, because most of that is automated. And I think we're able to do with most of that. If they've got something creative that we need to do something customized on our systems can cause a little bit of challenge. But it doesn't create a huge increase in cost whatsoever. It's just more of a focus and attention and usually it's got a criticality on timing.

The first question with National being soft, National is in big markets and so, the biggest impact of soft national is New York. A little bit in Chicago, a little bit in Miami, a little bit in LA, but it really is in New York. And so when I say large market, it is the largest market in this country, it's New York.

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Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

A question over here. David?

Q

You mentioned the potential debt capital raise. Just curious about any sort of timing on that. And then secondly, what do you think is at the heart of the issue with national advertising? Do you think these dollars will come back? Do you think this is more of a short term blip? I'm just kind of curious, your thoughts there.

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

A

On the latter question, I think we do believe National comes up and it goes down. We do believe that it's going to change. The economy is doing very well and we do think that our medium is a critical component of advertising budgets for large companies. And we think that it will – we will see it continue to improve and get better.

On debt raise, as I talk about the timing of the deployment of the assets or the MTA, which is more third-fourth quarter, if we're going to do something, it'll probably be second quarter. I think we've got a variety of different ways to do that whether it's using our revolver. We've got room on our accounts receivables securitization. Do we do an add-on to our term loan? Do we do an add-on to an unsecured?

I think we're – we've got a variety of items and every banker on the Street has been coming in to talk to me about different alternatives. I don't think we feel a necessity to do anything right now, but as we get into 2018, we'll start evaluating different alternatives and figure out how to do that and try to be smart about it. Our contract with the MTA, while we get recovery of interest and it's based on – if we do any specific financing for the deployment, that's what we'll get recovery of, or if there is none, we're using all of our existing securities, it will be LIBOR plus [ph] 375 (00:30:22).

So, we'll do what's right. We want to do the smartest thing for them, so they're not paying something that's out of the ballpark, but we'll see how the flexibility gives us in the next number of months.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

All right, we are going to end it there. So, thank you so much for joining us.

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

Thanks, Marci. Thanks.

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