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OUTFRONT Media Inc. (OUT)

Q1 2018 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the OUTFRONT Media, Incorporated First Quarter 2018 Earnings Call.

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

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

Good afternoon, everyone. Thank you for joining our 2018 first 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 a slide presentation for today's call and the earnings release on the Investor Relations page of our website. And after today's call has concluded, an audio archive will also be available.

This conference may include forward-looking statements. 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 2017 Form 10-K.

We will 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 will turn the call over to Jeremy.

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Jeremy John Male

Chairman & Chief Executive Officer, OUTFRONT Media, Inc.

Thanks, Greg, and good afternoon, everyone. Our first quarter reported revenue growth was up 2.2%. U.S. billboard revenues returned to growth, including good growth in digital. U.S. transit growth was also led by strong digital revenues, particularly for our new screen deployments in Boston.

Growth this quarter was really a story about the strength of local advertising which remains healthy. This was true on both our billboard and transit assets. National advertising was still slightly down for the quarter. Our key operating and cash flow metrics were in line with our expectation with OIBDA up a point and AFFO down a point.

Also as you may have seen last week, we have been awarded a long-term franchise, subject to final contract, to manage the advertising for the San Francisco Bay Area Rapid Transit System, or BART as it's called. We've mentioned this opportunity before and we're pleased with the outcome. It's a very exciting digitization project similar to Boston and New York City and solidifies our lead in the U.S. transit market. It will add run rate revenues of around $17 million to our business commencing on October which will give us another point plus of growth for 2019, and we believe we will further increase this significantly through digital transformation over the coming years.

All in all, it's a decent start to the year. We are pleased to see our billboard business posting positive growth for the quarter. And before I give you our second quarter outlook and some more color on our digital initiatives, let's review our quarterly results in a bit more detail.

Passing over to Don.

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. For the quarter, organic revenues were up 0.8% which was driven by growth in both U.S. Media transit and billboard. OIBDA increased 1.2% while AFFO, as Jeremy just mentioned, was down 1%.

Please turn to slide 7, we will start with an analysis of revenues during the quarter. Total reported revenues increased 2.2% and organic revenues were up 0.8%. U.S. Media increased 0.9% on both a reported and organic basis. U.S. billboard organic revenues were up 0.5% compared to the first quarter of 2017, but this does not reflect the true underlying billboard strength we saw in Q1 2018. We generated revenue growth from digital billboard conversions and an increase in same board yields including both static and more significantly in digital. Billboard also saw growth in local advertising offset by a slight decline in national advertising.

Partially offsetting this growth in the underlying billboard business is the fact that we had a very low level of condemnations in Q1 2018. You will recall these are amounts we generate when we are bought out of existing leases; as an example, a town changing the path of a road which requires removal of a billboard. Excluding condemnation revenue, our U.S. billboard growth in Q1 2018 would have been markedly better.

U.S. transit and other was up 2% during the quarter on a reported basis, which was driven primarily by digital growth from the Boston market. We also saw good local growth again offset by a national decline. In other, reported revenues were up 19.1% principally reflecting the impact of a new accounting standard on our Sports Marketing operating segment and our acquisition of a digital billboard portfolio in Canada last June.

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I'd like to spend a moment on the accounting change. In the first quarter of 2018, we, like every other public company, had to adopt the FASB's principles-based guidance addressing revenue recognition. We applied the new standard in the first quarter as required without any retroactive or restatements of prior years. The adoption of this guidance did not impact revenues in our billboard business nor in our transit business. But it did slightly impact our Sports Marketing operating segment, resulting in the recognition of additional revenues and also expenses of $1.8 million with no OIBDA impact.

Please turn to slide 8 for an overview of expenses. This presentation isolates some drivers of change for the quarter to get a better analysis of our underlying business. Our reported expenses, excluding stock-based compensation, were up 2.5% year-over-year for the quarter.

There are a couple of items I'd like to call out for you: first, the other segment's higher expenses in 2018 relating to the accounting change in our Sports Marketing operating segment I just mentioned; secondly, the June 2017 acquisition in Canada; and third, one-time expenses in last year's first quarter for a cost consultant and to amend and extend our credit agreement. As you can see at the bottom of the charts, our controllable expenses therefore were up $4.5 million or 1.8% for the quarter.

It is important to recognize that our strategic business development expenses were $5.3 million during the quarter, up $2.9 million year-over-year and are related to the development of our location-based audience selling program and other initiatives associated with incremental new revenue streams. This increase is consistent with what we'd previously communicated that such expenses would increase in 2018 by $2 million to $3 million each quarter.

Corporate costs decreased due to lower compensation-related expenses and some one-time expenses in 2017, including professional fees and costs related to amending and extending the credit agreement.

On slide 9, you can see that our adjusted OIBDA showed positive growth of 1.2% for the quarter, while margins were essentially flat. Obviously, if one were to exclude the increase in strategic development expenses this quarter, OIBDA would have been up in the mid-single digit range.

Turning to slide 10, capital expenditures were $16.8 million during the quarter or 5% of total revenues. Growth spending was 4.1% of total revenues and maintenance was 0.9%. During the quarter, we built or converted 14 digital boards in the U.S. and 10 in Canada and continued the expansion of small format Liveboards, primarily in Boston. For 2018, our guidance for capital expenditures is unchanged at $75 million with maintenance at $20 million to $25 million and growth at $50 million to $55 million.

As I mentioned, digital yields were up in the quarter, and we continue to see good IRRs on conversions. Please note that this 2018 CapEx guidance does not include the deployment of digital displays under our new MTA transit agreement in New York. This is because the assets will ultimately belong to the MTA, so our spending is not accounted for or categorized as capital expenditures or a part of property, plant and equipment.

With this quarter's reporting, there's a new line item on our balance sheet entitled prepaid MTA equipment deployment costs, and there are two new line items in our cash flow statement related to the MTA. First, in the working capital section, there is a new line item called increase in prepaid MTA equipment deployment cost; these totaled $7.2 million in the quarter. And secondly, in the investing activities section, there's a new line called MTA franchise rights, these totaled $1.4 million in the quarter. Additional details regarding the MTA are on slide 11.

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We announced last quarter that we expect to deploy over 3,000 displays during the year, and that our spending for the deployment of these displays and for down payments on the 2019 equipment being manufactured would be approximately $100 million.

We are still in the very early stages of the deployment of this multiyear contract. We are selecting sites and doing electrical design work and other planning with the MTA. Down payments on the purchase of screens will occur in the second quarter. Initial screen deployments will be later this spring and a more expansive deployment will commence in the backend of this year.

Please turn now to slide 12 for a look at AFFO. One of the key drivers of the slight decline in AFFO this quarter was higher interest expense. This was caused by higher outstanding debt balances and rising interest rates that impact a-third of our debt structure as well as from increased letter of credit fees arising from our new MTA contract.

As we look forward, we expect continued improvement in advertising, especially on billboards, to increase the AFFO growth rate and drive us to our previously announced guidance of low-to-mid-single digit growth for the year.

Slide 13 shows our last 12 months AFFO of $277.2 million and a dividend payout ratio of 73%, which coincidentally is also the average dividend payout of the major publicly-traded REITs. Our adjusted free cash flow payout ratio was 92%. This is a significant sequential improvement from our LTM coverage in Q4 2017 as we have lapped the one-time issue we have discussed previously related to the timing of MTA payments last year created by the various MTA contract extensions.

Please note that adjusted free cash flow excludes MTA equipment deployment costs from our free cash flow calculation in order to give you a better understanding of the true cash flow of our underlying business. This deployment is being funded with debt and will be recouped from incremental revenues generated under the MTA contract.

On April 25, our board of directors approved a quarterly cash dividend of $0.36 per share payable on June 29 to shareholders of record at the close of business on June 8.

Slide 14 shows an overview of our debt and liquidity. As of the end of the quarter, our liquidity position was $384 million, including $52.5 million of cash and $331.5 million of availability on our $430 million revolving credit facility, net of outstanding letters of credit and an outstanding balance of $10 million.

An additional source of liquidity is our $300 million at-the-market or ATM equity offering program we put in place in November. There is no timeline or usage requirement on the ATM and no shares have been issued to-date.

Our net leverage ratio on March 31 was 4.9 times, up slightly from last quarter. We remain focused on our goal to reduce this to our long-standing target range of 3.5 times to 4 times, which will be achieved through growth in OIBDA and debt paydown.

Let me now turn it back over to Jeremy.

Jeremy John Male

Chairman & Chief Executive Officer, OUTFRONT Media, Inc.

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Thank you, Don, and moving on to slide 16, let me now give you some color on our second quarter, which represents our view at this point in time. We expect revenue growth to be up in the low-single digits, reflecting an increased growth rate in billboard and continued strength in local.

Also thinking about our longer-term growth, there's a continued expansion of digital displays in both transit and billboard. As you well know, digital is a bigger part of everything we all do every day and it's certainly a bigger part of advertising spend. For out-of-home, digital is becoming more than half of the revenues in some other important markets around the world.

On slide 17, you can see a top-level view of OUTFRONT's current digital assets and revenues. During the first quarter of 2018, digital was 15.5% of our total revenues, up from 12.6% in the same quarter last year. So, the transformation of the business continues as expected with digital revenues as an underlying driver and an increasing percentage of our total business.

Looking at the composition of this growth, our digital billboard inventory was up 22% during the year through both conversions and acquisitions with 1,015 boards at the end of the first quarter and revenue growth of 26%. Importantly, on a year-over-year same board basis, I can tell you that almost half of the U.S. growth came from an increase in yield and the balance came from new inventory deployed.

Small-format digital transit displays ended the quarter at just over 1,300 units and revenue growth of 25%. The key driver of the revenue growth was from the deployment of video Liveboards in Boston where you can see a bit more detail on slide 18.

We announced the MBTA win in late 2016 and took over the business at the beginning of 2017. As of March 31 this year, we had 330 Liveboards in operation and we are halfway through our total deployment. For the quarter, our digital revenue is more than doubled on these new displays. Importantly, the digital displays are bringing in new advertising clients that did not previously advertise in the MBTA system. The displays are also seeing previous advertisers commit to larger overall plans that include both static and digital elements, which helped drive strong total growth for the franchise.

We're pleased with the results we're seeing on our digital asset portfolio and this is important in the context of other digital deployments, particularly the New York MTA. You'll recall from last September's conference call on the MTA that we expect our revenue to double over a 10-year period. Our current experience in Boston is certainly a positive indicator for our New York contract as we commence the digital rollout.

In closing, I'm feeling good about 2018. Our billboard revenue, which is the largest growth engine in the company, is improving. Local continues to demonstrate growth. The uncertainty of winning the MTA contract is behind us and we're working closely with the MTA on the launch plans for later this year. Our digital assets are performing well and will be an increasing growth driver for the business and we've also added San Francisco to our transit growth story.

Before moving on to Q&A, this is likely to be Don Shassian's last quarterly call with us, having announced his retirement from OUTFRONT in March. We want to formally thank him on this call for his hard work and dedication. It's been a privilege working with him and he's contributed inordinately to this company. Looking forward, we'll be making announcement with regard to his successor in due course.

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

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QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And our first question will come from Ben Swinburne from Morgan Stanley.

Benjamin Daniel Swinburne
Analyst, Morgan Stanley & Co. LLC

Q

Thank you. Good afternoon, guys. Jeremy, can you talk a little bit about the timing of the MTA build this year as you move through the year? I know you're going to be putting deposits down in Q2. But how much of the inventory do you expect to be put in place in calendar 2018? And maybe help us think about the phasing through the quarters of CapEx and any revenue you expect.

And then, Don, just before we let you go, I'm just curious, as you think about your balance sheet and the rate environment we're in today, does it make sense to consider swapping into some fixed just to mitigate interest rate risk? How are you guys thinking about your floating rate debt at a high level? Thank you.

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

A

Thanks, Ben. So, let me take the first part of the question and then, hand you over to Don. In terms of how we anticipate the physical build this year with the MTA, we're going to be undertaking sort of test deployments in a couple of stations in Brooklyn around about April time. We're going to be then starting to install screens, if you like, in the normal course as we get towards the back-end of the year, as we said. And the actual schedule still moves around a bit, but right now, we're still anticipating that we could build around 3,000 screens this year, as I say, very much sort of back-end flowed.

But that won't necessarily – the build-out on timing doesn't necessarily reflect the cash-out timing, because we will be sort of cashing out the screens later this year and we gave that somewhat catch-all figure of $100 million that will also relate to down payments on product that's actually going to be installed next year. So, you can't actually – as I say, the build doesn't necessarily reflect the cash-out.

Benjamin Daniel Swinburne
Analyst, Morgan Stanley & Co. LLC

Q

And just a follow-up would be how quickly can you start selling that inventory once it's in place?

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

A

Right away. I think we've already seen, if you like the difference, that relatively small number of screens has been making for us in Boston. There's no reason – we're already looking for launch advertising partners for the screens that we're going to be putting into Brooklyn. So, as I say, it's going to be – it's relatively small beer until we start getting towards the back quarter. It's much more of – it's a 2019 event, really, in terms of starting to think about strong incremental revenues, but we can start generating revenues as soon as they're in.

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

A

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I think you need to really think about the build has got to get to a cadence. When we're starting the build, it's going to have some trials and the like. And once the cadence of building many stations at the same time, it's going to enable that to really start ramping up. I think this year is going to more of a learning curve to get that really going.

To your second question, Ben, on balance sheet, yes, we are looking at ways of hedging a portion of that term loan to lock in some rates, yes.

Benjamin Daniel Swinburne
Analyst, Morgan Stanley & Co. LLC

Q

Got it. Thank you both.

Operator: Our next question will come from Alex (sic) [Alexia] (21:44) Quadrani with JPMorgan.

Alexia S. Quadrani
Analyst, JPMorgan Securities LLC

Q

Hi. Thank you. Just a couple questions. The first one, just following up on the acceleration in growth that you're seeing in the billboard business in Q2, I guess any more color on the drivers or components of that pickup and any influence or any benefit from political spending in there?

And then, sort of a follow-up question or second question, if you could maybe provide a little bit of color on the terms of the structure of the new San Francisco sort of BART contract.

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

A

Hi, Alexia. Thanks for the question. So, as we look forward, the acceleration that we're seeing is very much from local advertising. When we look at our local advertising portfolio across the country, it's worth saying that in Q1 pretty much all of our markets were up. As we look at Q2, as we said in the call, we're feeling more positive. It's actually not driven by political. Political for us, given that we're far more focused towards the larger markets and tends not to be the same driver for our businesses, for other operators. That was always the case. So, we didn't budget a particular increase in political, because actually they are a somewhat de minimis part of our overall portfolio.

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

A

On BART, we are really excited about this. San Francisco is a great market that is already a pretty important business for us on the West Coast. There's a great audience on the transit system. And with this, we've got New York, we've got Boston, we've got L.A. and obviously, San Francisco is a great one and Chicago is coming up for bid in 2019.

Structure – the contract is not done yet. It's been awarded, but we still have to negotiate the contract and there're still things got to be worked out. Contract is about 10.75 years with two one-year extensions and we have to commit to build approximately 600 screens.

The old contract on the incumbent was a 70% rev share. This is a 55% rev share, but similar to the MTA, once we have recouped the investment, then that 55% will jump up to 70%. So, very excited about it. Our CapEx that we estimate is approximately $20 million over about four years. But again, the contract still has to be negotiated and a lot of the Ts and Cs have to be worked out.

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Does that help?

Alexia S. Quadrani
Analyst, JPMorgan Securities LLC

Q

Yes. Very much. Thank you.

Operator: Our next question will come from Marci Ryvicker with Wells Fargo.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Thanks. I have a couple questions. First, you gave a revenue number for San Francisco, but not an EBITDA number. So, I'm not sure if you can give us that in addition to the $17 million in revenue.

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

A

So, if you think about the transit business, we typically – EBITDA is there in the sort of 20% range of that order.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Okay. And then, the lower condemnation proceeds, is this the first time this has happened, because it's the first time this was called out? And, Don, you said things are meaningfully better, excluding this. Can you quantify that for us in the first quarter?

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

A

Condemnation revenue, Marci, for us, has usually been about $1 million to $2 million a quarter for a number of years. First quarter 2017 was a little bit higher than that and first quarter of 2018 was like almost nothing. So, it had a meaningful change for the quarter and really drove – billboard growth could have been significantly higher if we were a little bit less than 1%, several percent higher.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

And is this going to continue in Q2, do you know? Is that impacting you as well?

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

A

We're seeing low levels of condemnations right now for the first – the stuff still works its way through like any sort of billboard conversion, but right now, I think we're seeing low levels of condemnations in the next couple quarters.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Okay. And then, Jeremy, on the second quarter pace, any comment you can make on national? Is national actually positive in Q2 or is it still slightly down?

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

A

So, if we look back to Q1, Marci, our national revenues bounced around a lot. One thing that typifies national is that the revenues are lumpy and they're late. And as we ended up Q1, we were down, I think, 2 points, something like that.

So, as we look forward, right now, we just think that as at May 3, we don't want to get over our skis on national right now. We've still got a number of booking weeks ahead of us, I'd say, because it books late, I don't think it would be prudent to call it right now. And you might also have noticed we talked pretty much about billboard in that guidance.

Our transit revenues are actually skewed very much towards national, which is – so, that's also the reason why we don't – we really want to call transit out right now. So, as I say, we're telling it as we see it. Locally, it remains strong and billboard we can certainly say is improving.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Okay. And then, the last question is the initiative spend was, I think, $5 million in the first quarter. Is it heavier weighted to the first quarter? I thought we were looking at $2 million to $3 million per quarter. So, I just want to make sure that we have everything in our expenses.

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

A

The first thing is that $2 million to $3 million was an increase over and above last year, but it is fair to say there were a couple of one-offs in Q1. So, it's unlikely to be at quite that rate as we look Q2 onward.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Okay. That is it. I just want to say, Don, congratulations and we will miss you.

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

A

Marci, [indiscernible] (28:24) very much.

Marci L. Ryvicker
Analyst, Wells Fargo Securities LLC

Q

Thanks.

Operator: Our next question will come from Jason Bazinet with Citi.

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.

Q

Thanks. You guys did a good job managing expenses in aggregate, but the billboard property lease expenses, I think, was up almost 7% year-over-year and I was just wondering, is that just a natural outgrowth of digital growing more briskly or was there something unusual in the year-ago period? Any color would be helpful.

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

Last year, we talked an awful lot about the New York transit contract and that whole economics. What we didn't talk an awful lot about was the MTA billboard contract, which also was renewed the end of last year and that rev share went up and that had an impact on that. And I think what also has an impact on that I think is – I'm not sure if you are looking at consolidated, or if you're looking at U.S./consolidated – it's also up because of the acquisition of billboards in Canada.

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

Got it.

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

Those two items really will drive both of those.

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

Sorry, just worth adding on just to what Don said, thinking about that MTA billboard contract, what that actually came with was the opportunity to develop a significant number of new digital boards in the New York DMA. And looking forward with the length of that contract and with the portfolio we already have, it puts OUTFRONT really in a very strong and enviable position with regards to our digital product in the New York area.

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

Okay. Thank you.

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

I think – Jason, I was just going to add that if you're thinking about how do you model that going out forward, I think our – as a percentage of revenue, billboard property lease costs are pretty much in the same ballpark. So if the revenue is going to grow for the most part, I think it's going to be there. So there will be a little bit of an increase if you're looking year-over-year next quarter as well.

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

Okay. Thank you.

Operator: Our next question will come from Drew Borst with Goldman Sachs.

Drew Borst
Analyst, Goldman Sachs & Co. LLC
Q

Thanks. I had a couple of questions about your U.S. boards. In particular, I was hoping you might be able to elaborate a little bit more on the digital growth. I think if I have the numbers correct, your U.S. digital billboard

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business was up 19% and last year it was only up 6%. So I was trying to better understand what's really driving that acceleration, and also understand if it's – if you think it's sustainable through the balance of the year.

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

I'm not sure about those numbers, but I think the digital – you got digital billboard growth, you got digital transit. Digital billboard, you've got both conversions, and we're seeing very healthy improvements in yields on a same-board basis on digital. Both of those is driving the billboard side on digital growth.

On the transit side, you have this deployment of these new screens. We're deploying these Liveboards in Boston, in Washington and elsewhere, and that's also driving the change, and we're also seeing the same thing in Canada as we made an acquisition up there of substantially all digital boards as well. So all those factors are driving more of our revenue from static to digital, and I think you're seeing us continue to make those sort of investments. And I think as we look in Q2, it's going to continue the same.

Drew Borst
Analyst, Goldman Sachs & Co. LLC
Q

Okay. Maybe I'll take it offline, but you guys disclosed in the appendix of the slides the growth in digital boards just in the U.S., but we can take it offline.

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

Yeah.

Drew Borst
Analyst, Goldman Sachs & Co. LLC
Q

And then the static – the U.S. static inventory continues to decline at kind of a low-single digit. As you think about that business over the next couple of years, I mean, do you think that it continues at this pace, or is there some risk that it just might continue to accelerate?

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

So if we look at Q1, I think it's important to say that same-board yields in analog were actually up, Drew. So I think that's one point to make. I think it's also worth remembering that a couple of other things are going on. One, every time that we convert a board for the most – well, which is a significant part of our digital expansion, we are taking down an analog board.

And typically, you're digitizing great board so you're losing out of your analog board total count a number of decent signs. And the other point is that a number of analog boards tend to be in areas that are going through some sort of urban renewal. So if you sort of think of a classic analog board in a car lot in the top 20 DMAs right now quite often on that car lot a 20-storey building is going up. So in that case, we were taking down those boards so that will impact. But I think the key point there is that actually yield was up in Q1 on our analog business.

Drew Borst
Analyst, Goldman Sachs & Co. LLC
Q

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So you're getting rate but the decline in revenue is, I guess, a function of conversions and losing units and mix. The other question I want to ask about, we don't get geographic revenue very often from you guys. We get it in the K and one of the things that we noticed in the K was the New York billboard was down quite a bit in 2017.

As I understand, it was due to some lost boards. But I guess the question, I'm wondering are you back now to growth in New York billboards and starting in 1Q or is that something you expect to see later on? Like when do you lap the sort of lost boards?

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

Yes. We had some lost boards that impacted certainly the first half of last year when you look back to the previous year. I think when you look at our skew and the skew of our sort of revenues as a company, we are extremely weighted to New York and MTI and – New York and L.A., I'm sorry. And New York and L.A. also carry a significant amount of national advertising and that's where a lot of national advertising dollars go. So if national advertising is a little bit weaker, which it was last year as we know, then that's going to have a disproportionate impact on New York compared to our other markets. And if we look at this year, our local revenues, for example, in New York were up in our billboard business.

Drew Borst
Analyst, Goldman Sachs & Co. LLC
Q

Okay. Great. Thank you for the questions.

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

Thank you.

Operator: Our next question comes from Jim Goss, Barrington Research.

James Charles Goss
Analyst, Barrington Research Associates, Inc.
Q

Thanks. I was curious about a comment you made about the new clients sort of coming up in Boston in the digital environment. I'm wondering if you can go into a little more of what type of new clients are these – are they, and are they having an impact on demand and pricing and is this something you're seeing generally in other areas of the country aside from with these sort of conversions?

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

The comment is emanating from our Boston deployment. It is not actually replacing a lot of static boards. Our static boards that we had when we took over that contract is, of essentially been in place and the static revenue on those static boards is up. We have now deployed several hundred digital and that revenue is growing, and that's obviously bringing more and more advertisers and bigger buys in and that's what we're seeing and obviously it brings more that are just great.

James Charles Goss
Analyst, Barrington Research Associates, Inc.
Q

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Okay. And can you characterize if they're just additional clients or are of the same type you've been dealing with or are there some different categories you think you're getting into that might have a broader...

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

A

So, when we look at it, the fact that we can now if you like, give advertisers a far more creative way of displaying. We're saying that people are taking more creative way of buying, so people are buying some digital assets and some – and analog assets.

Also what that drove with either incremental buys and some new clients coming in was sort of like Boston missing their 20% up for the first quarter, and that's why we're making the comments about that generally being a very good picture as we look forward to other digital upgrades as we look forward to the MTA and obviously BART that we talked about earlier on.

As we go forward, we believe that if you think about the way you buy our transit business, for example, in New York right now, the minimum buy is effectively 50 locations for a month. In the future, you'll be able to buy, as time goes on, a single location arguably for a couple of hours. So when you look at the type of advertiser where suddenly budgets become available to us, it simply wouldn't be available to us today, we think we're significantly going to expand the breadth of advertiser base as we build these programs out.

James Charles Goss
Analyst, Barrington Research Associates, Inc.

Q

Okay. And one final thing, are you tending to find that on digital boards that one client might buy all of the, say, seven opportunities in a board and use different product categories or services or is it generally going to be a variety of different advertisers sharing that space?

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

A

For the most part, Jim, it's about advertisers sharing that space. On occasions, we do get advertisers that want to dominate on the board but for the most part, it's multi-advertiser.

James Charles Goss
Analyst, Barrington Research Associates, Inc.

Q

Okay. Thanks so much.

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

If I may, as we're sort of closing the call, I appreciate Jeremy's comments in the prepared remarks about me, and I appreciate Marci calling out that I'm leaving the business, retiring from the business. I just want to say it's been a pleasure working with Jeremy and the team. It's been a pleasure working with all the equity analysts and debt analysts and all of our institutional investors.

It's been – I've enjoyed this very much. I think we've made a lot of progress in creating some value here, and I think the business is very, very well-positioned for transforming in this digital age. And I want to thank you very much for your support over the past number of years. So, thank you very much. Jeremy?

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Jeremy John Male

Chairman & Chief Executive Officer, OUTFRONT Media, Inc.

Well, thanks, Don, for that. I understand it's your 70th quarterly public company conference call, so congratulations on that milestone. And to everyone else on the call, thank you for your questions and your time today, and we look forward to seeing many of you at investor events in the coming weeks. Thank you very much.

Operator: That does conclude our conference for today. Thank you for your participation.

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