



# U.S. Outdoor Advertising

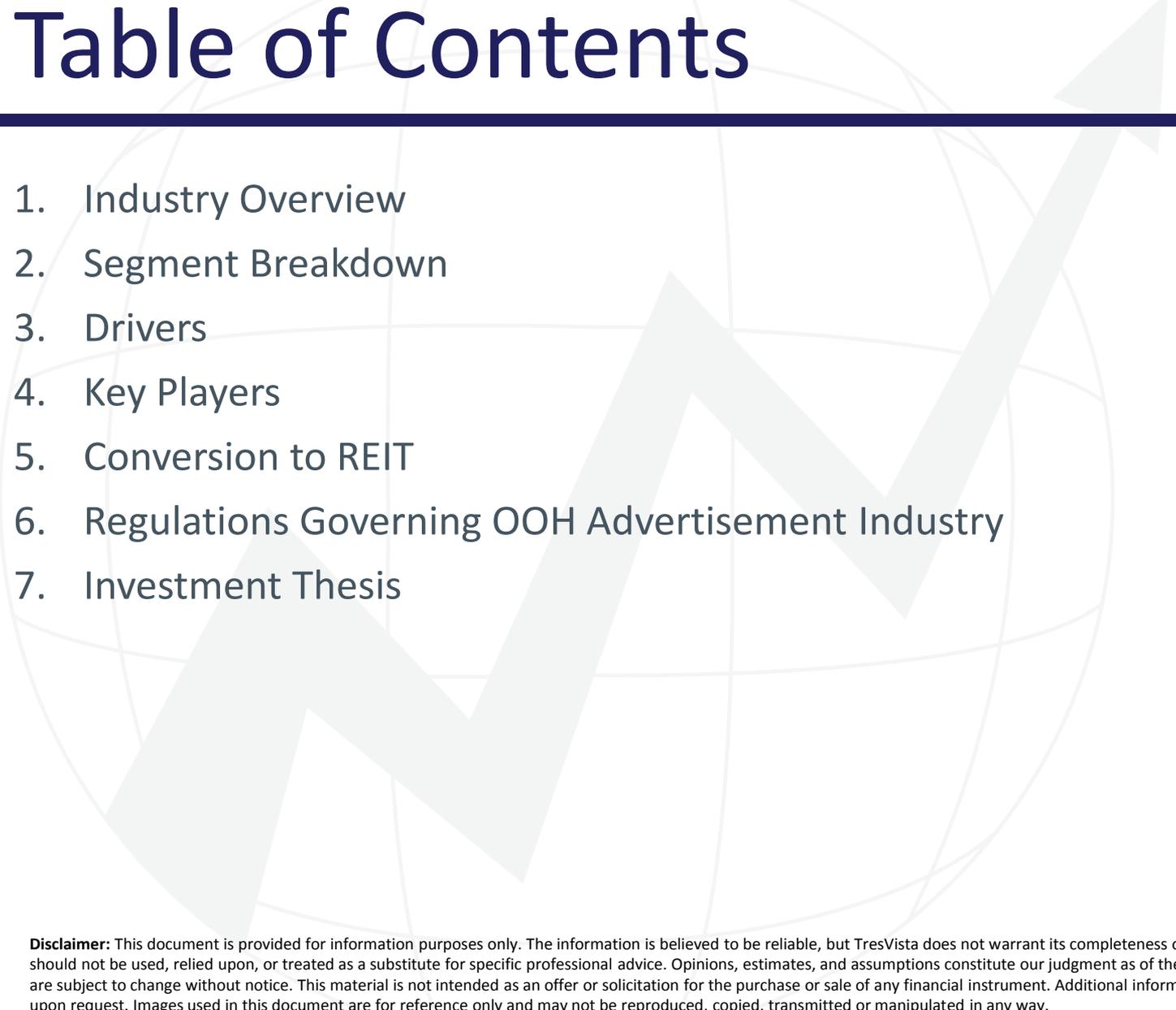
XXXX XX, 20XX



**TresVista**

FINANCIAL SERVICES

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# Executive Summary

# Executive Summary

## U.S. Outdoor Advertising

### Industry Overview

- Out Of Home (OOH) advertising is focused on marketing to consumers when they are “on the go”. It consists of three principal segments: billboards, street furniture and transit
- In 20XX, outdoor advertising spending in the U.S. was ~\$XX bn and is expected to grow at XX% CAGR over the next five years

### Segment Breakdown

- As of 20XX, billboards accounted for XX%, transit accounted for XX%, alternative media accounted for XX% & street furniture accounted for XX% of the total U.S. OOH advertising market

### Key Players

- Xx, XX, and XX are the major players in the current U.S. outdoor advertising industry landscape
- As of 20XX, they make up for XX%, XX% & XX% of the market share, respectively

### Major Drivers

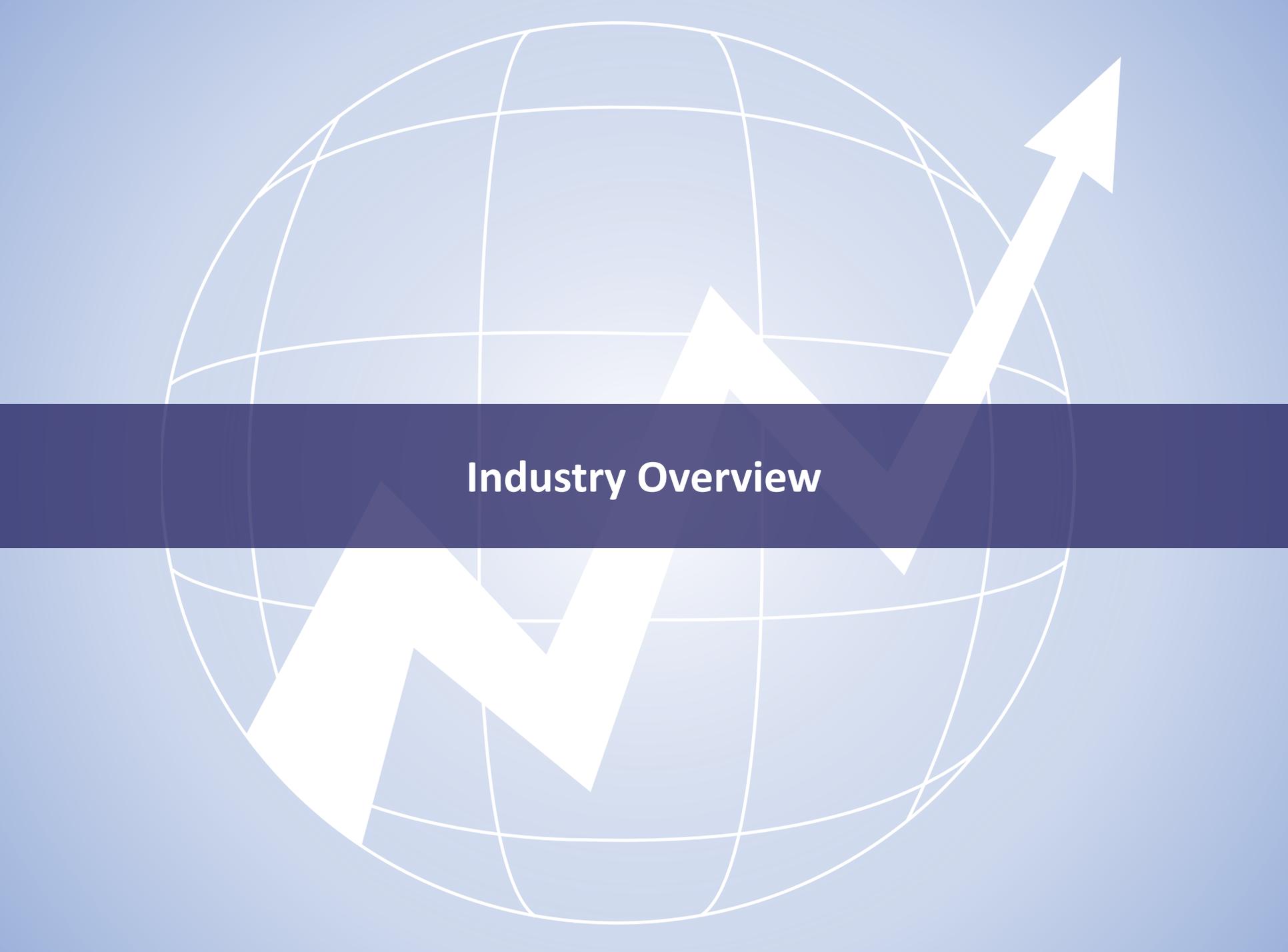
- Increase in wallet share of OOH advertising as % of total spending and digitalization of billboards
- Increasing urbanization of population in the U.S.
- Increase in total miles traveled & total time spent in transit by an average U.S. citizen

### Conversion to REIT

- Over the last few years, outdoor media advertising companies are applying for REIT status mainly due to the tax benefits to REIT, relatively higher market valuation & investor demand for income investments
- Due to REIT conversion, ROIC of Company 2 has increased to XX% in 20XX from XX% in 20XX

### Investment Thesis

- Positives: Increasing share of OOH advertising, digitalization of billboards, industry’s resistance against economic downturns, and relatively low cost advertising source
- Negatives: Highly regulated industry with high barriers to new entrants such as getting their hands on permits that existing operators already own



# Industry Overview

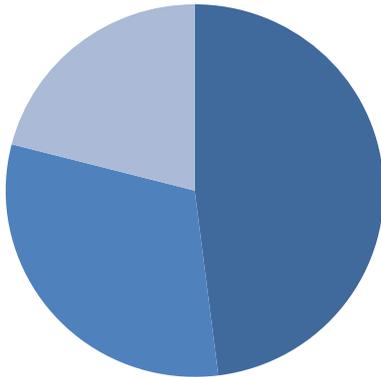
# Industry Overview

## Global Outdoor Advertising Industry

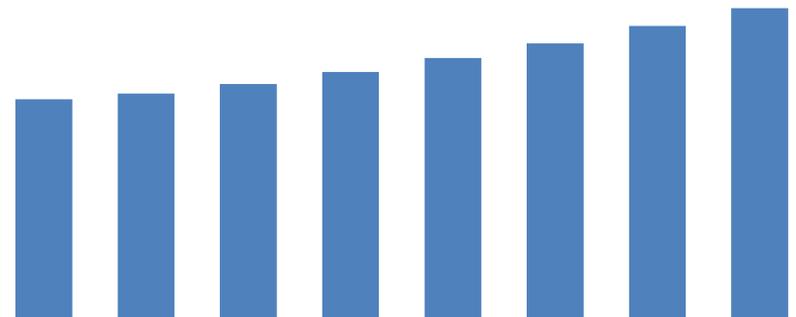
### Overview

- Out of home (OOH) advertising is focused on marketing to consumers when they are "on the go"
- Consists of three principal segments: street furniture (bus shelters, free-standing information panels), transit (public transportation vehicles, stations & airports), and billboards
- Billboard is a traditional and most utilized form of outdoor advertising
- In 20XX, outdoor advertising spending worldwide was ~XX bn, or XX% of worldwide advertising spending, which was estimated at XX bn
- OOH's share of overall spending is highest in Asia-Pacific region at XX%, versus XX% in North and Latin America<sup>(1)</sup>
- Globally, the top four outdoor companies by 20XX revenues are XX(\$XX bn), XX (\$XX bn), XX (\$XX bn) and XX (\$XX bn)<sup>(1)</sup>

### OOH Spending by Segment<sup>(1)</sup>



### OOH Advertising Market Size (in \$bn)<sup>(2)</sup>



(1) Source: XX

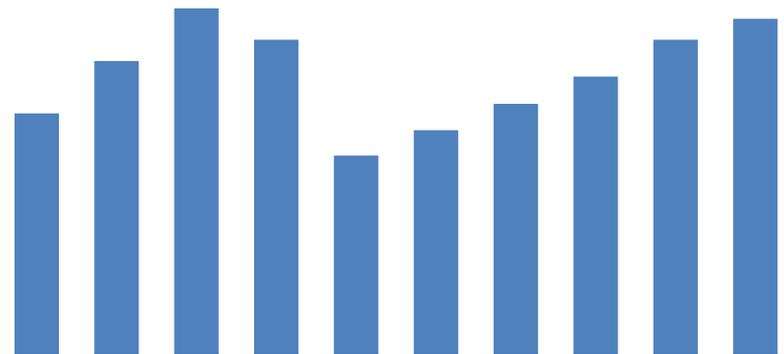
# Industry Overview

## U.S. Outdoor Advertising Industry

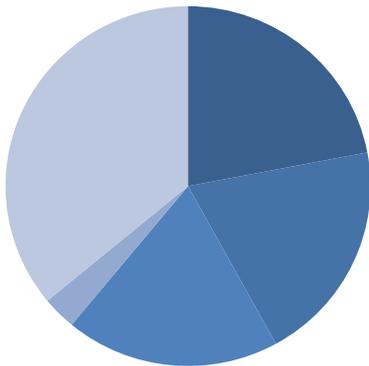
### Overview<sup>(1)</sup>

- The U.S. outdoor industry generated \$XX bn in ad revenues in 20XX, accounting for about XX% of total media advertising spending
- The three largest U.S. outdoor advertising operators, accounting for over XX% of outdoor industry revenues are:
  - XX
  - XX
  - XX
- Billboards account for a major number of displays in OOH followed by transit

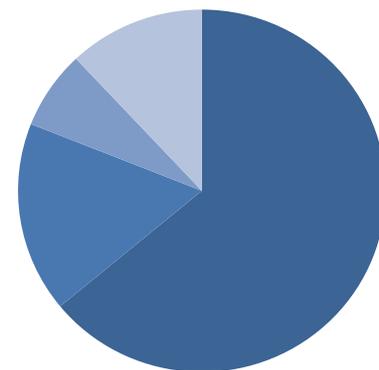
### U.S. OOH Growth Trends (in \$bn)<sup>(2)</sup>



### Top OOH Advertising Companies in the U.S.<sup>(1)</sup>



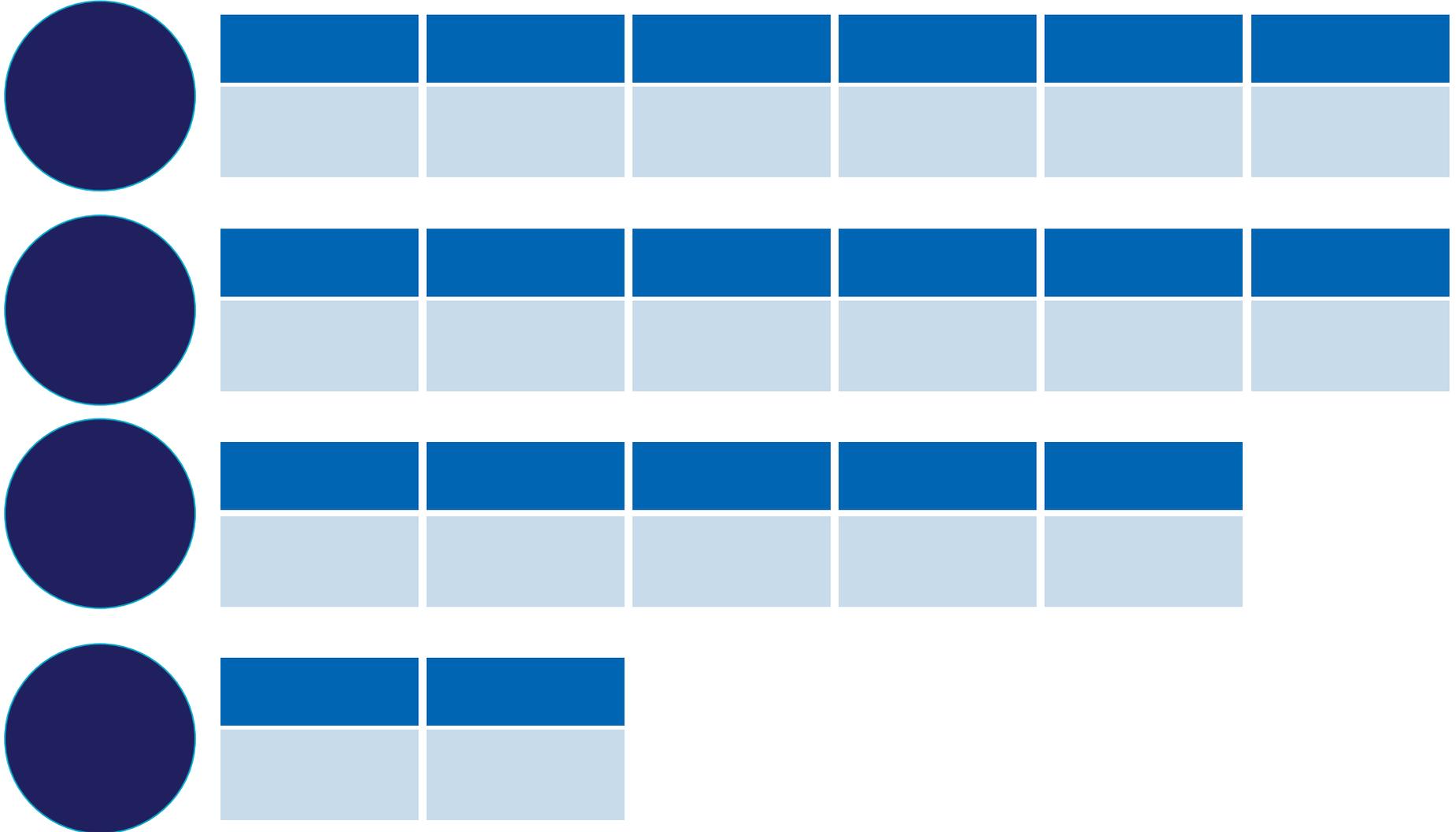
### OOH Spending by Segment<sup>(1)</sup>



(1) Source: XX

# Industry Overview

## OOH Displays in the U.S.



(1) Source: XX

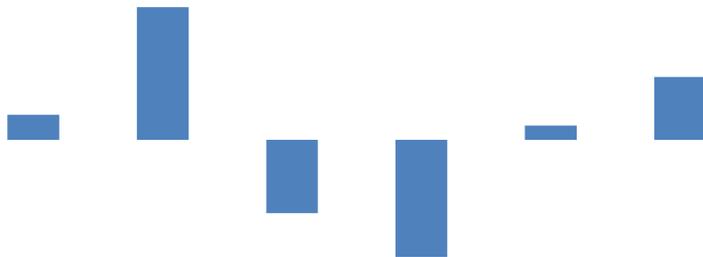
# Industry Overview

## U.S. Outdoor Advertising Industry

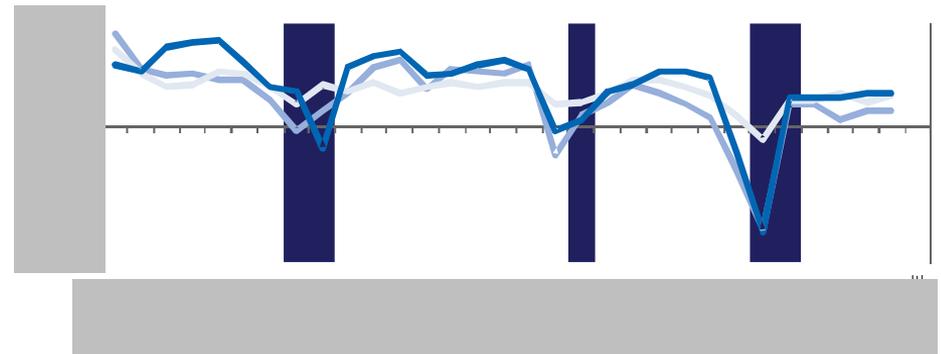
### Growth in OOH Advertising

- The U.S. OOH advertising industry is expected to grow at a XX% CAGR from 20XX-20XX, second only to internet's XX%
- Growth is expected to be driven by increasing media fragmentation, digital display expansion, improved audience measurement, and increasing traffic congestion & travel time
- Further supporting the industry and larger incumbents are the high barriers to entry due to regulation & scale, and the potential for further consolidation
- Outdoor advertising is generally priced at a discount to most other media. Its CPM is roughly a third the cost of radio and a fifth that of newspapers, making it less prone to downward revenue pressure
- During the most recent economic downturn, outdoor outperformed most traditional mediums and the overall advertising industry, down just XX% (vs industry XX%). Post recession, the industry has been growing at roughly a XX% CAGR

### U.S. Advertisement Expected Growth (20XX-20XX)



### Growth of Outdoor vs Total vs GDP



(1) Source: XX

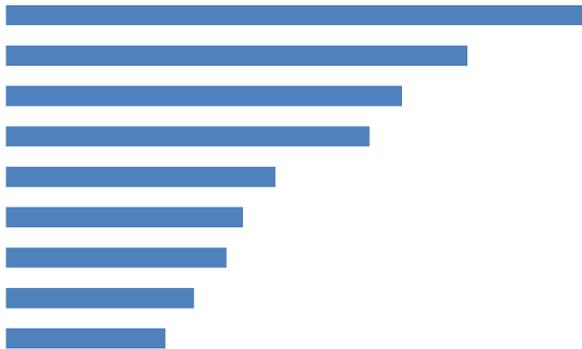
# Industry Overview

## U.S. Outdoor Advertising Industry

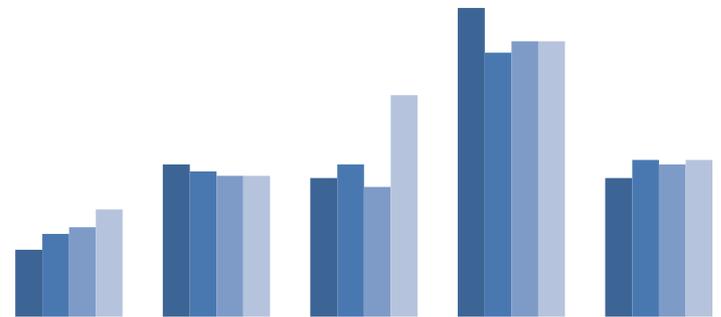
### Outlook

- OOH is around XX% of advertising revenue on a global basis (and as high as XX% and XX% in places like France and Switzerland, respectively), in the U.S. OOH penetration is below average (just under XX%) suggesting that U.S. OOH's share has upside versus the rest of the world<sup>(1)</sup>
- The key reasons for the lower-than-average share of the U.S. OOH market:
  - It is a fragmented and local medium
  - Geographical factors such as the physical size of the U.S. market have also constrained growth
- Over the past XX years, traffic delays have increased to XX hours per commuter on average in 20XX (vs XX hours in 19XX) and congestion has increased substantially in all sized U.S. markets. These trends are positive for outdoor advertising, as increasing traffic congestion is a key driver of audience, and therefore revenues<sup>(2)</sup>

### U.S. vs Other OOH Markets<sup>(1)</sup>



### Global OOH Market Share Trends<sup>(2)</sup>



(1) Source: XX

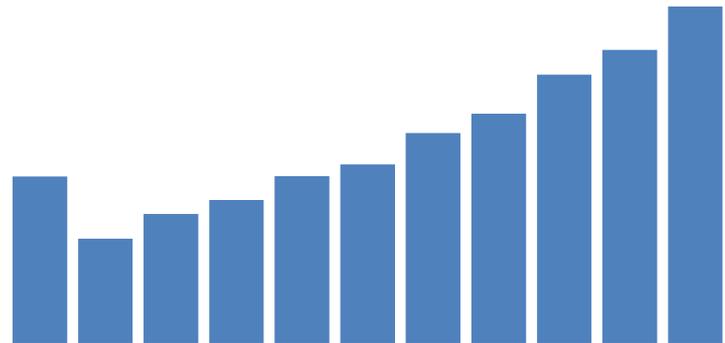
# Industry Overview

## U.S. Outdoor Advertising Industry

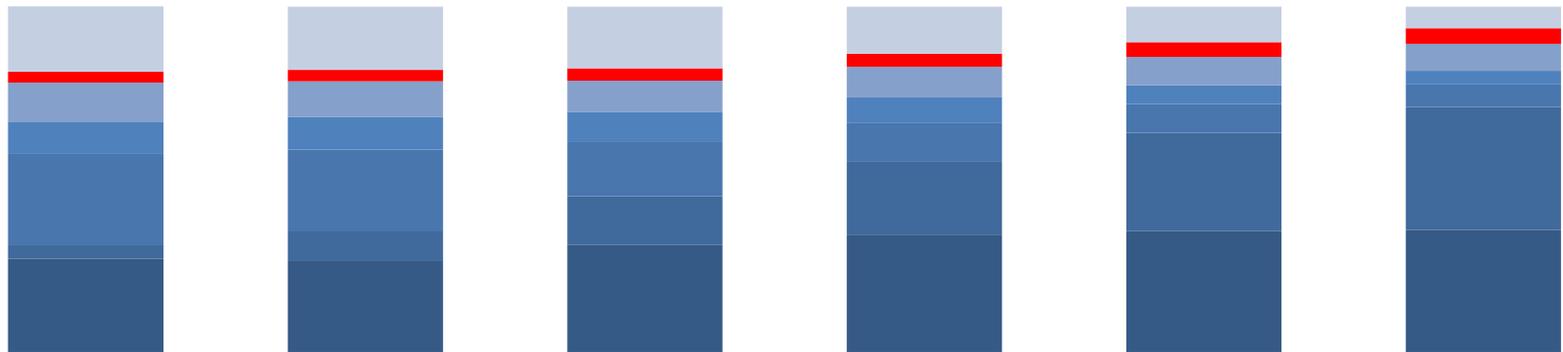
### Constant Growth

- Over the past decade, OOH's market share has been consistently growing
- While advertising dollars have been shifting to the internet, it has been at the expense of more traditional print media
- Outdoor has increased its wallet share to XX% in 20XX (from XX% in 20XX) and is estimated to continue to increase to XX% by 20XX<sup>(1)</sup>
- Advertising in North America is expected to expand at XX% CAGR, enhanced by sports and political advertising in 20XX<sup>(2)</sup>

### U.S. Total Ad Spending (in \$bn)<sup>(2)</sup>



### Outdoor Expected to Gain Market Share<sup>(1)</sup>



(1) Source: XX



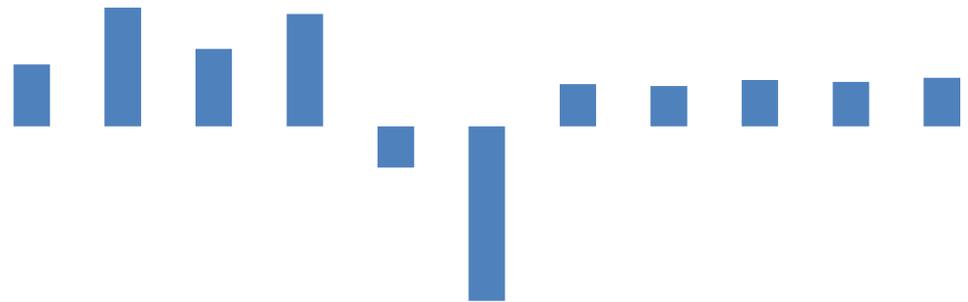
# Segment Breakdown

# Segment Breakdown

## Billboards, Street Furniture & Transit

### Growth in Billboard Segment

- Billboards account for ~XX% (or ~\$XX bn) of the revenues of the \$XX bn industry
- The growth in the billboards after being at a high during 20XX took a dip during the economic downturn in 20XX-20XX. After recovering it has been constantly growing at a steady pace of ~XX% YOY
- Digital billboards, a bright area in this segment are expected to form ~XX% (vs XX% now) of the billboards inventory in the next five years



### Growth in Street Furniture, Transit and Others

- Transit, street furniture and alternatives form the rest of the OOH industry, generating ~XX% (or \$XX bn) of the revenues in the \$XX bn market
- Among the two segments:
  - Transit and other generates XX% of the revenues
  - Street furniture generates XX% of the revenues

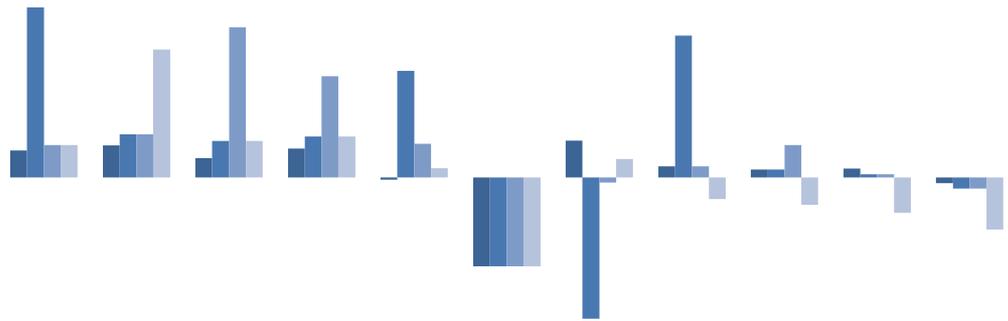


# Segment Breakdown

## Company Breakdown

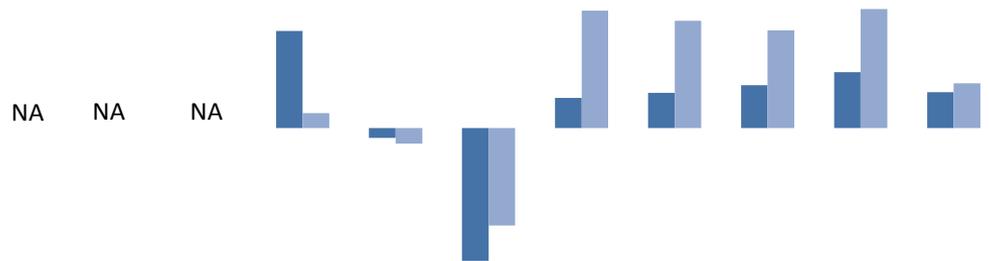
### Company 1 Segment Growth<sup>(1)</sup>

- For Company 1 billboards have shown a positive growth over the years with a slight negative growth only in FY 20XX
- Street furniture has been volatile since FY 20XX with negative growth in FY 20XX
- Transit has been comparatively constant, with negative growth in FY 20XX
- Other OOH mediums have constantly been negative since 20XX



### Company 2 - Growing Consistently After the Economic Downturn<sup>(2)</sup>

- After a declining trend in FY 20XX-20XX, the billboards segment for Company 2 Advertising has had a constant growth in the XX% - XX% range
- Transit & others have shown a greater growth than billboards after going through a phase of negative growth in FY 20XX-20XX



(1) Source: XX



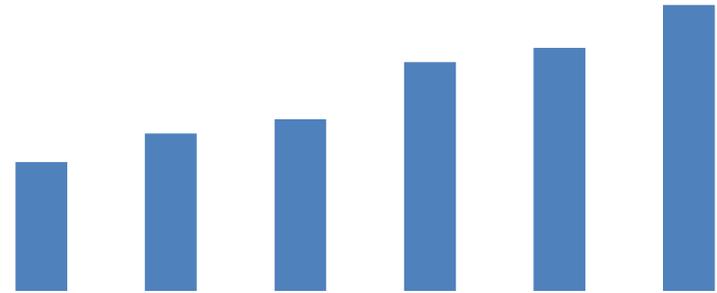
**Drivers**

# Drivers

## OOH Advertising Growth & Urbanization

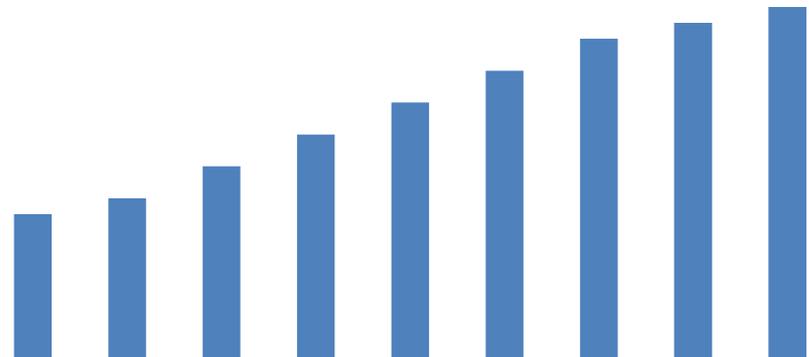
### U.S. Outdoor Media as a % of Total Advertising<sup>(1)(2)</sup>

- U.S. outdoor media as a % of total advertising has shown steady growth from XX% in 19XX to XX% in 20XX<sup>(2)</sup> due to consistently higher growth of the out-of-home (OOH) ad market as compared to the total ad market
- This is mostly attributed to the higher outreach of OOH media compared to other forms of advertising
- Advertising on static billboards, digital billboards, sides of public buses, bus shelters, taxi cabs, commuter rails, subways or any street level advertising such as kiosks or newspaper stands in an average month reaches ~XX% of the adult U.S. population<sup>(3)</sup>



### Growth of Urbanization in U.S.<sup>(1)</sup>

- The long-term growth in the outdoor audience is in part driven by structural changes in population, which increasingly urbanized
- Population shifts to town centers increases the target audience for outdoor advertising
- XX% of the total U.S. population is expected to live in urban areas by 20XX, as compared to XX% in 19XX
- A higher urban population will drive billboard construction, street furniture displays, transit & alternative media displays to cater to the increasing target audience



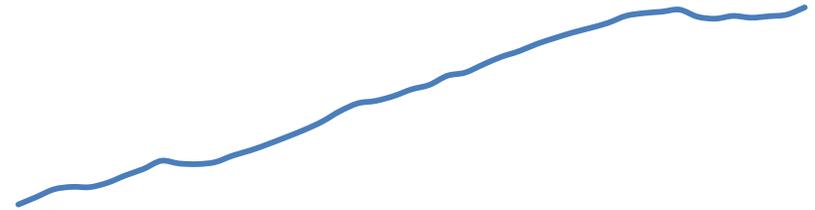
(1) Source: XX

# Drivers

## Total Miles Traveled & Total Time Spent in Transit

### Total Miles Traveled by U.S. Citizens

- Total miles traveled for an average U.S. citizen is a direct driver of the OOH media industry since it drives time spent potentially exposed to OOH media
- Annual vehicle miles traveled in the U.S. have increased ~XX times from XX tn miles in 19XX to XX tn miles in 20XX
- American travelers\* aged XX and older travel an average of XX miles in a vehicle as a passenger or driver per week<sup>(2)</sup>
- XX% of the travelers\* traveled XX to XX miles while XX% of travelers traveled XX or more miles in an average week<sup>(2)</sup>



### Total Time Spent Travelling per Week

- On an average weekday (Monday through Friday) time spent on the road or rails by U.S. adults increased from XX hours and XX minutes per day in 20XX to XX hours and XX minutes per day in 20XX
- Travel on the weekend is comparatively lighter and decreased slightly by XX minutes in the period from 20XX to 20XX
- Overall, the total time spent traveling in a vehicle per week for an average American traveler\* increased from XX hours and XX minutes in 20XX to XX hours and XX minutes in 20XX



(1) Source: XX

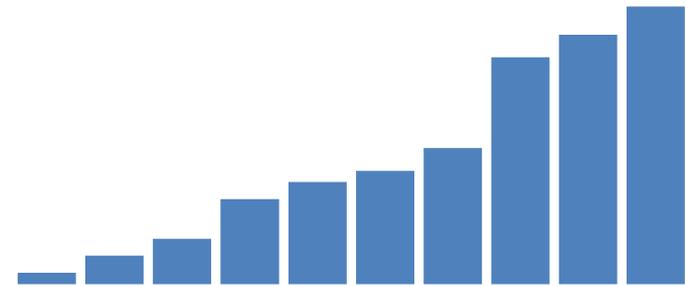
# Drivers

## Digital Billboards

### Digital Billboard Conversion: A Key Growth Driver

- Digital billboards are expected to be a bright spot in OOH
- The number of boards are estimated to account for ~XX% of industry-wide billboard inventory in the next five years, increasing from ~XX% at present
- Unlike traditional static billboards, which display one advertiser at a time, digital billboards have the ability to house multiple advertisers, with ads changing every six to eight seconds
- Favorable trends supporting digital expansion:
  - **Declining Installation Cost:** Largely due to increased competition among vendors and declining component costs, the average cost has declined by XX% over the last four years
  - **Supportive Regulatory Environment:** The number of boards has grown steadily since the Federal Highway Administration in 20XX relaxed a rule against digital billboards, saying they don't violate the 19XX Highway Beautification Act's ban on "intermittent," "flashing" or "moving" lights
  - **Better Economics than Static Counterpart:** Digital displays command higher CPM than static and revenue potential 4-6 times at roughly two times the lease costs. Operating costs as a percentage of revenues are lower for digital billboards
  - **Strong Advertiser Demand:** Due to wider reach, more attractive advertisements, and ability to have multiple ads at one time, there is strong demand for digital billboards

### Growth in Digital Billboards



### Declining Cost of Installation per Billboard (in \$'000)



# Drivers

## Major U.S. Outdoor Media Advertising Companies

### Overview

- Companies that invest in outdoor media as a form of advertising drive OOH company revenues
- As these companies grow, their marketing budget increases which directly increases their spending on OOH advertisement displays
- Most of the major corporations prefer outdoor media as their choice of advertisement due to the higher consumer engagement of OOH media compared to other forms of advertising
- The combined revenue of these companies is expected to increase in the future increasing their expense on OOH

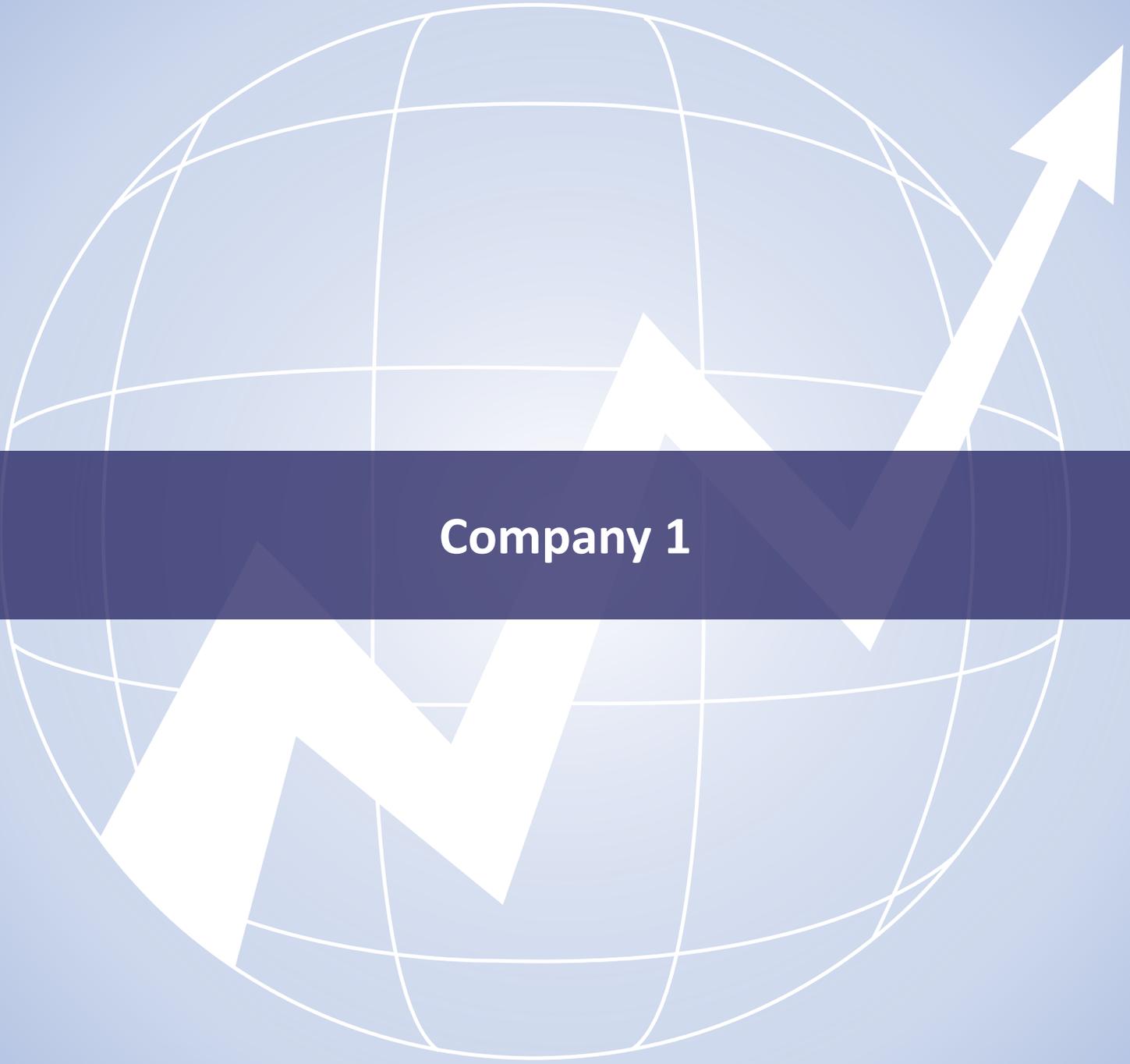
### Major OOH Advertisers Combined Revenue Growth <sup>(1)</sup> vs U.S. OOH Growth <sup>(2)</sup>



(1) Source: XX



**Key Players**



**Company 1**

# Company 2

## Company Overview

### Business Description<sup>(1)</sup>

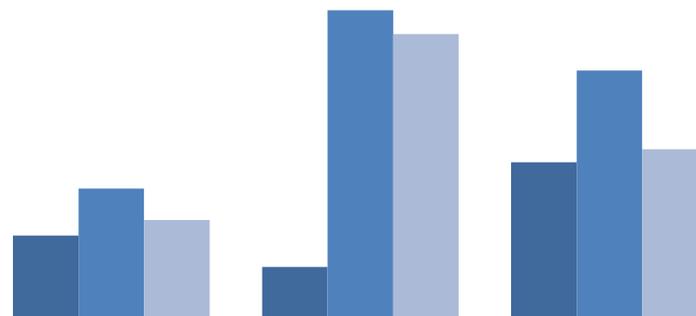
- Founded in 19XX, Company 2 is one of the largest outdoor advertising companies in the United States based on number of displays
- The company gives on lease, space for advertising on billboards, buses, shelters, benches and logo plates in U.S., Canada and Puerto Rico
- Its services range from ad copy production to placement and maintenance
- Company 2 operates three types of outdoor advertising displays:
  - **Billboards:** Includes bulletins and posters. As of December 31, 20XX, it owned and operated ~ XX billboard advertising displays
  - **Logo Signs:** It leases advertising space on logo signs located near highway exits. As of December 31, 20XX, Company 2 operated ~ XX logo sign advertising displays
  - **Transit Advertising Displays:** Leases advertising space on the exterior and interior of public transportation vehicles, transit shelters and benches. As of December 31, 20XX, operated ~XX transit advertising displays
- During 20XX, it completed a reorganization in order to qualify as a REIT for federal income tax purposes
- Headquartered at Baton Rouge, LA, Sean Reilly serves as the CEO of the company

### Public Market Overview<sup>(2)</sup>

*(In \$ bn, except per share data)*

Share Price	\$XX
52 week High/Low	\$XX
Shares Outstanding	XX mn
Market Cap	XX
Minority Interest	XX
Net Debt	XX
<b>Enterprise Value</b>	<b>XX</b>

### Advertisement Components Growth Analysis<sup>(1)</sup>



(1) Source: XX

# Company 2

## Company Key Financials

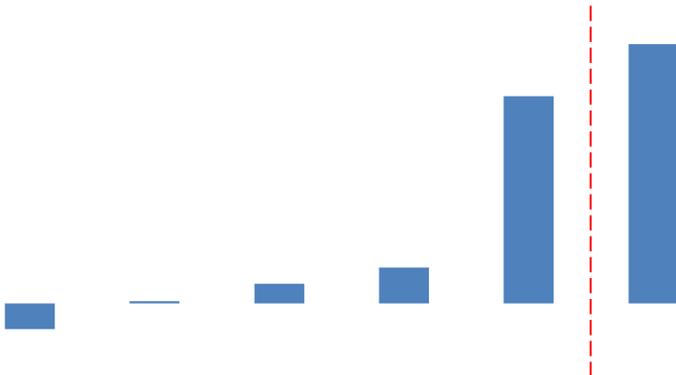
Revenue (in \$bn)



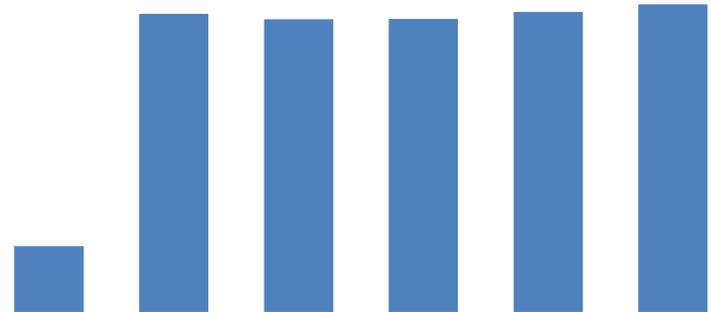
Margins



Adjusted EPS (\$)



CapEx (in \$mn)



(1) Source: XX

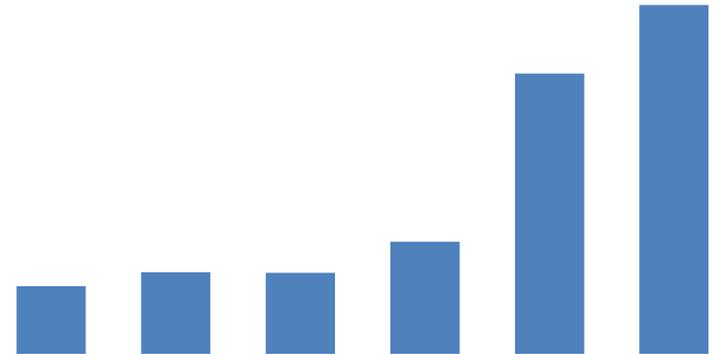
# Company 2

## Financial Analysis

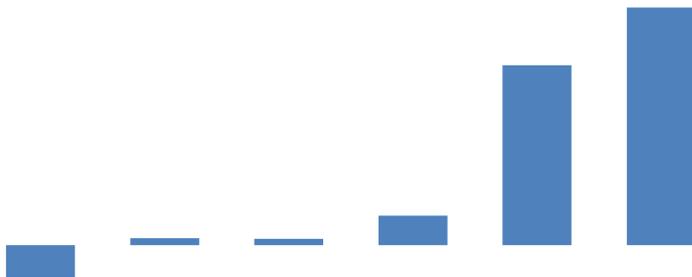
### Overview<sup>(1)</sup>

- The ROIC and the net income margin show a major increase in FY20XX
- The company acquired REIT status in Oct. 20XX and has reported its financials for 20XX as REIT
- Due to the REIT conversion, the company received a deferred tax benefit of \$XX mn due to which the net income increased to \$XX mn in 20XX as compared to \$XX mn in 20XX

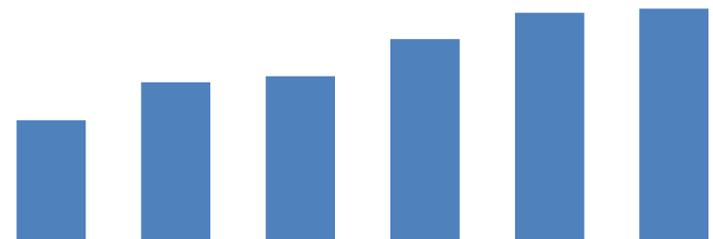
### ROIC<sup>(2)</sup>



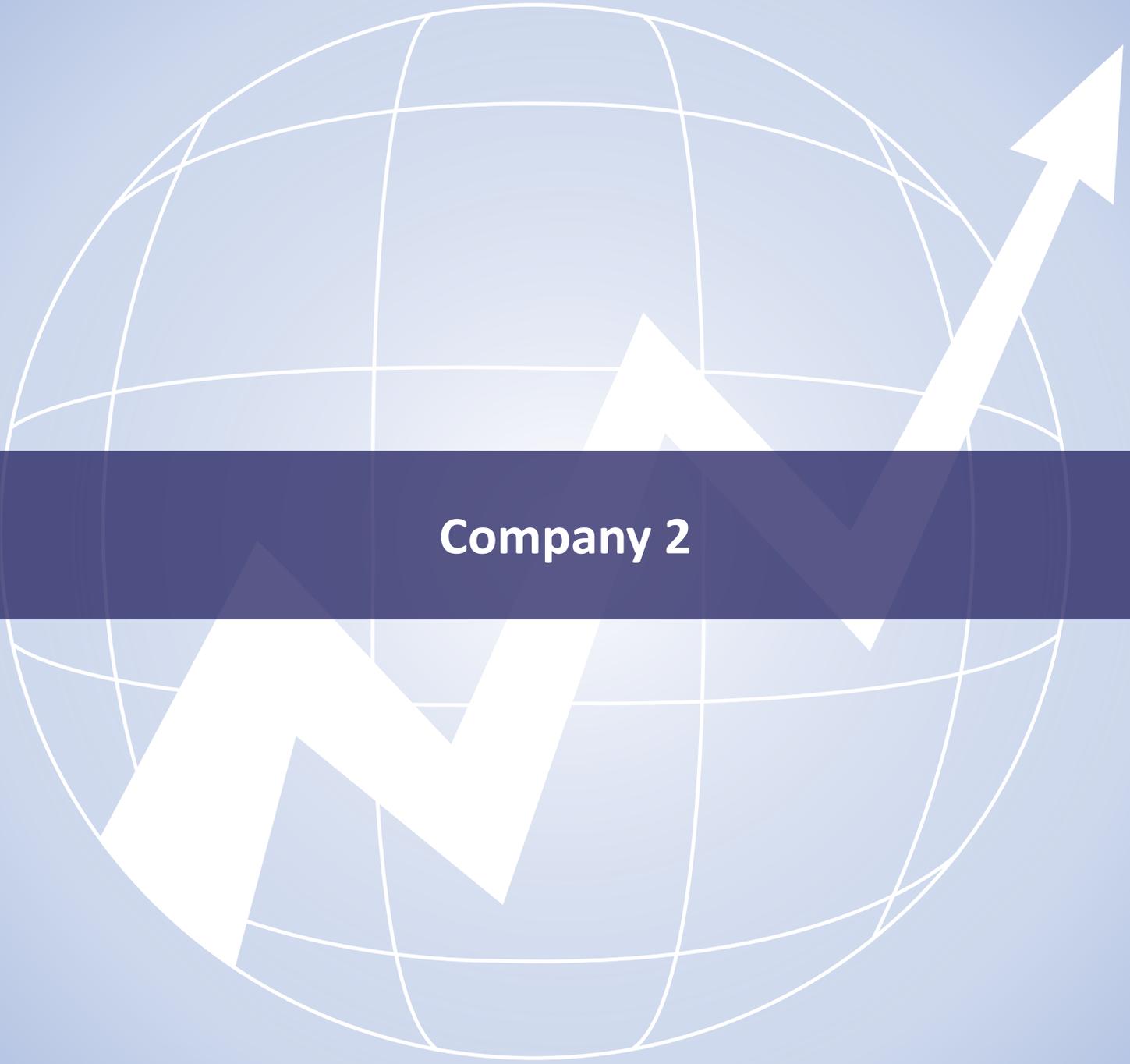
### Net Income Margin<sup>(2)</sup>



### Asset Turnover Ratio<sup>(2)</sup>



(1) Source: XX



**Company 2**

# Company 2

## Company Overview

### Business Description<sup>(1)</sup>

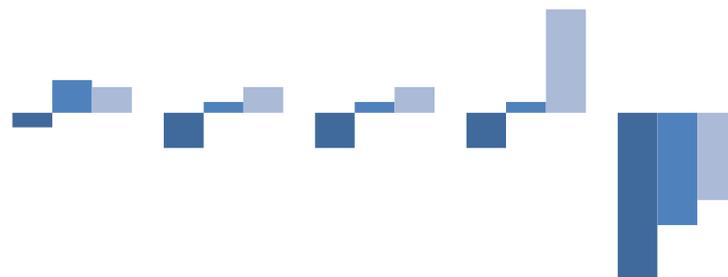
- Founded in 19XX, Company 2, is a global outdoor advertising company operating as a subsidiary of iHeartCommunications, Inc.
- It provides clients with advertising opportunities through billboards, street furniture displays, transit displays and other out-of-home advertising displays
- As of December 31, 20XX, the company owned or operated more than X advertising displays worldwide
- The business consists of two reportable operating segments:
  - **Americas:** It owns or operates ~103,000 display structures in the Americas segment. It has operations in XX of the XX largest markets in the United States, including all of the XX largest markets
  - **International:** This segment includes operations in Asia, Australia, Europe and Latin America. As of December 31, 20XX, the company owned or operated ~XX displays across XX countries
- The company operates under four major categories: bulletins, posters, street furniture and transit
- Headquartered at San Antonio, Texas, Scott Wells serves as the CEO of the company

### Public Market Overview<sup>(2)</sup>

*(In \$ bn, except per share data)*

Share Price (XX/XX/XX)	\$XX
52 week High/Low	\$XX/\$XX
Shares Outstanding	XX
Market Cap	XX
Minority Interest	XX
Net Debt	XX
<b>Enterprise Value</b>	<b>XX</b>

### Growth Analysis (Americas Segment)<sup>(1)</sup>



(1) Source: XX

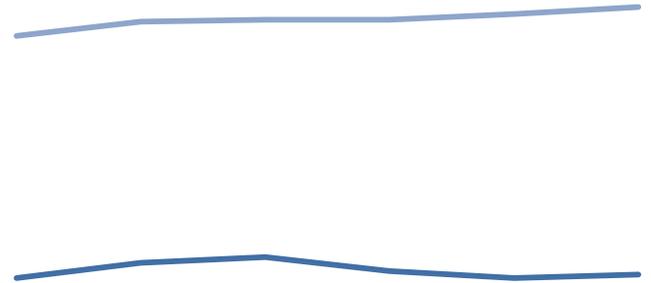
# Company 2

## Company Key Financials

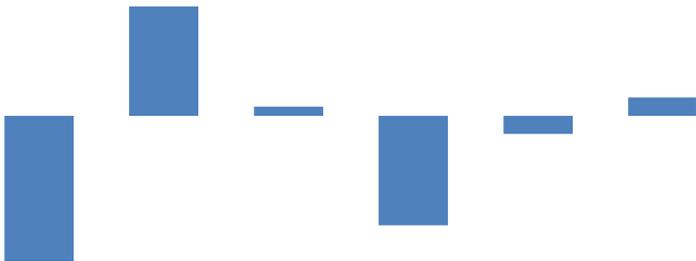
Revenue (in \$bn)



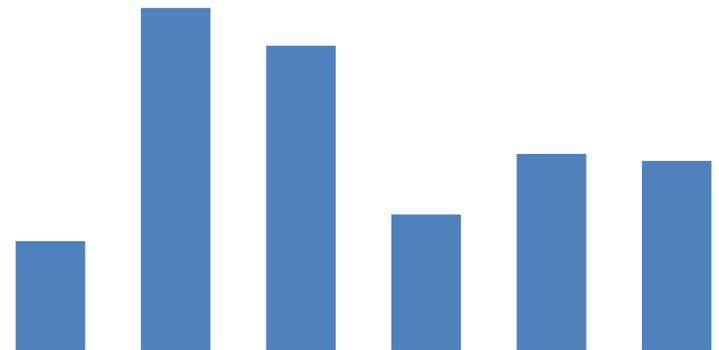
Margins



Adjusted EPS (\$)



CapEx (in \$mn)



(1) Source: XX

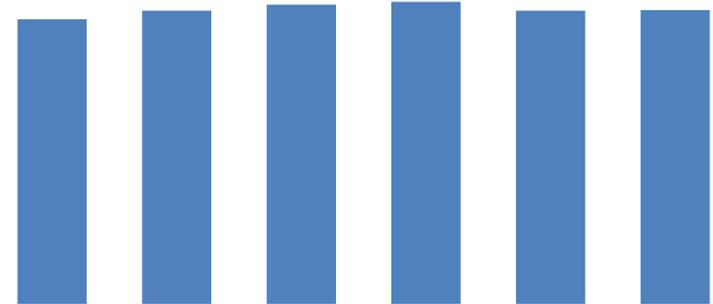
# Company 2

## Americas - Segment Information

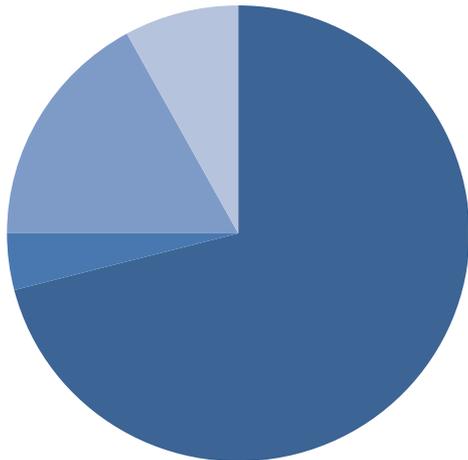
### Overview

- Americas segment consists of traditional and digital billboards, street furniture and transit displays, airport displays, and wallscapes and other spectaculars
- Generated consolidated revenue of ~\$XX bn, with \$XX bn (~XX%) from Americas
- ~XX% of the revenue in this segment was derived from the U.S. in each of the years ended December 31, 20XX, 20XX and 20XX
- Billboards comprise ~XX% of this segment's revenues

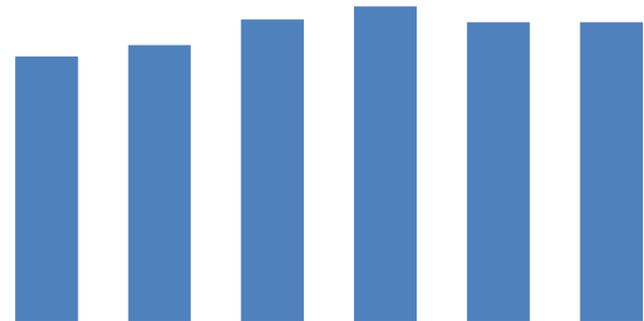
### Revenue (in \$bn)

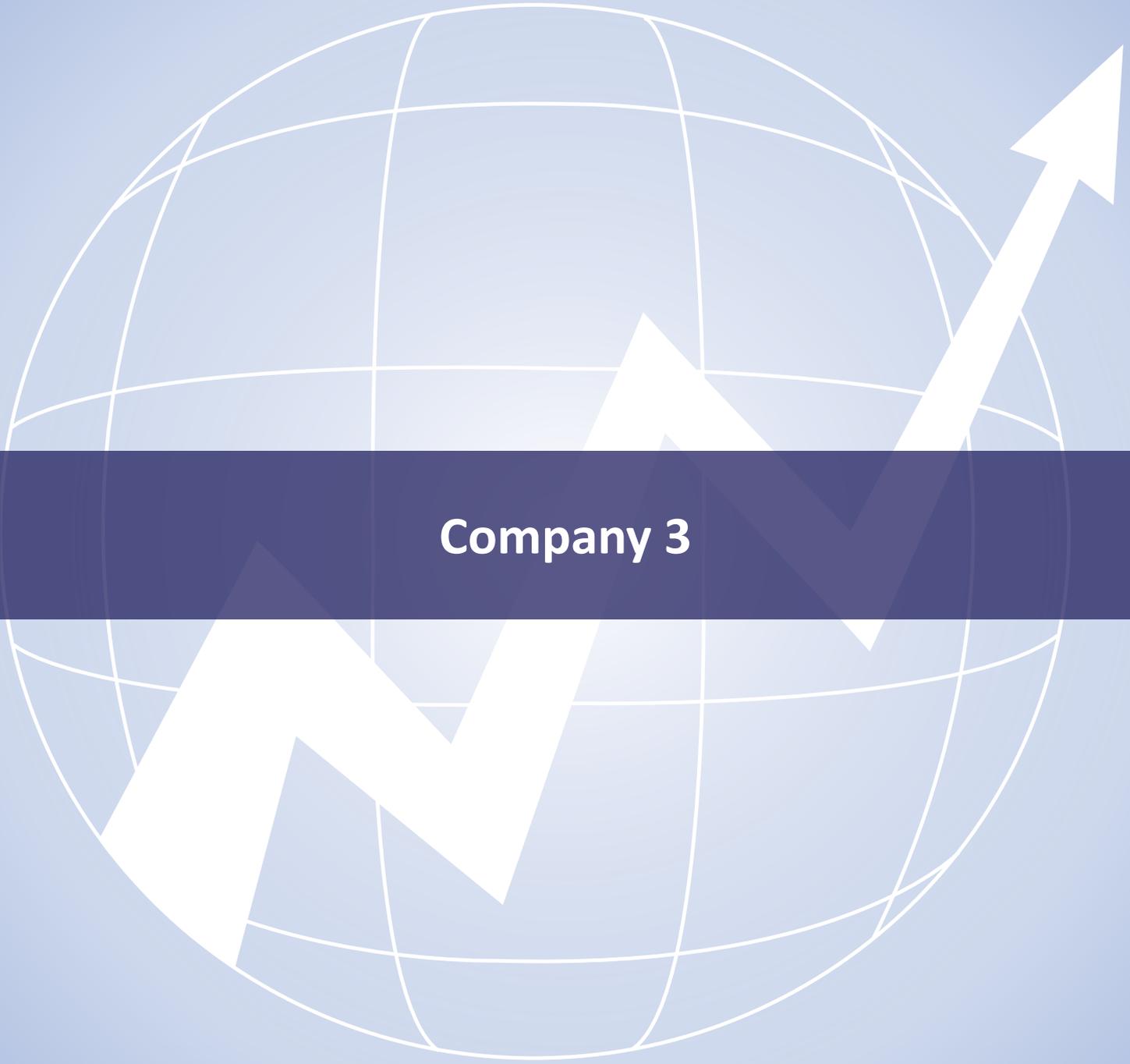


### Segment Breakdown



### Operating Income (in \$mn) & Margin





**Company 3**

# Company 3

## Company Overview

### Business Description<sup>(1)</sup>

- Founded in 19XX, Company 3 provides advertising space on out-of-home advertising structures and sites across the United States, Canada and Latin America
- Company's inventory portfolio consists of billboard displays and transit advertising displays
- It has displays in all of the XX largest markets in the United States and over XX markets in the United States, Canada and Latin America
- Services offered include:
  - **Transit Advertising Services:** Including bus exterior and interior, platform posters, car cards, commuter rail brand train, station domination
  - **Billboard Advertising Services:** Such as bulletin, tall wall, and sheets
  - **Advertising Services in Malls**
  - **Street Furniture Advertising Services:** Such as bus shelter, telephone kiosks, urban panels, beach kiosk, and bus benches
  - **Sports Media & Specialty Advertising Services**
- The business consists of two reportable operating segments: United States and International
- Headquartered at New York, ABC serves as the CEO of the company

### Public Market Overview<sup>(2)</sup>

*(In \$ bn, except per share data)*

Share Price (XX)	\$XX
52 week High/Low	\$XX/\$XX
Shares Outstanding	XX
Market Cap	XX
Minority Interest	XX
Net Debt	XX
<b>Enterprise Value</b>	<b>XX</b>

### Segment Growth Analysis (United States Segment)<sup>(1)</sup>

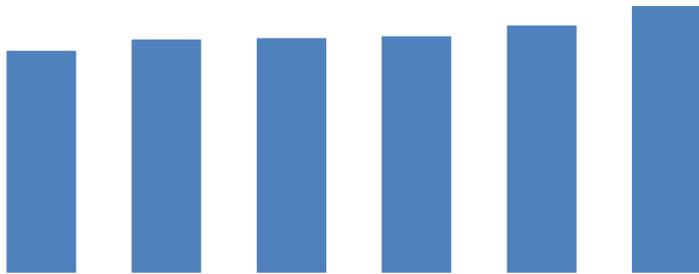


(1) Source: XX

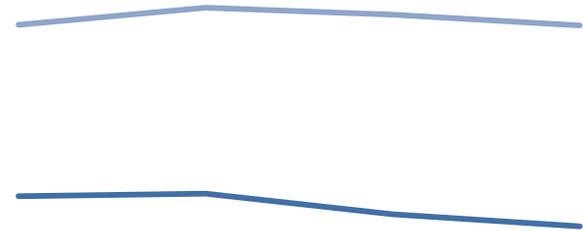
# Company 3

## Company Key Financials

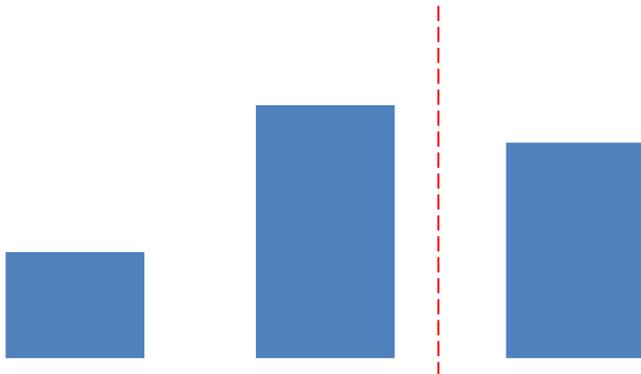
Revenue (in \$bn)



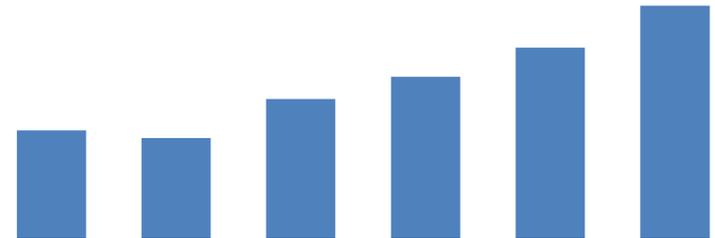
Margins



Adjusted EPS (\$)



CapEx (in \$mn)



(1) Source: XX

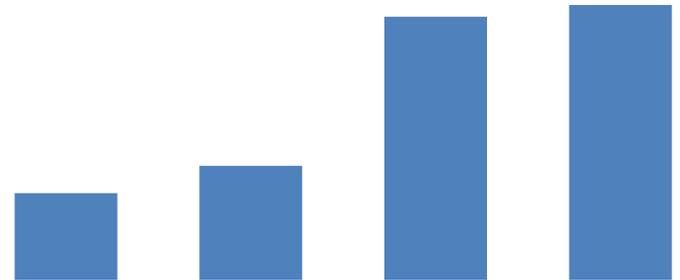
# Company 3

## Financial Analysis

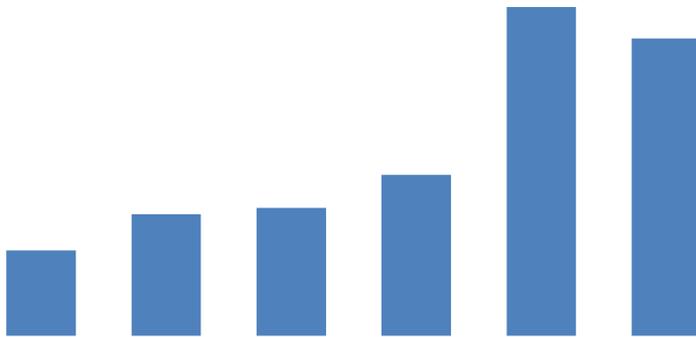
### Overview<sup>(1)</sup>

- The ROIC and the net income margin show a major increase in FY20XX
- In 20XX, as a result of REIT conversion, all deferred income tax liabilities of the company was reversed into Net income via a non-cash benefit of ~\$XX mn. As a result of the conversion, the effective tax rate for the second half of 20XX was substantially lower than previous periods
- In March 20XX, the company raised capital via an IPO on the NYSE raising ~\$XX bn through the issue of shares and also took on debt of ~\$XX bn which partially offset the increase in net income

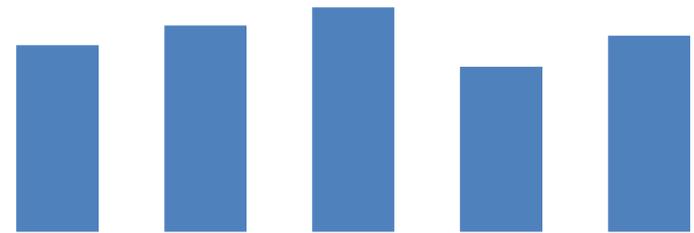
### ROIC<sup>(2)</sup>



### Net Income Margin<sup>(2)</sup>



### Asset Turnover Ratio<sup>(2)</sup>



(1) Source: XX

# Company 3

## United States - Segment Information

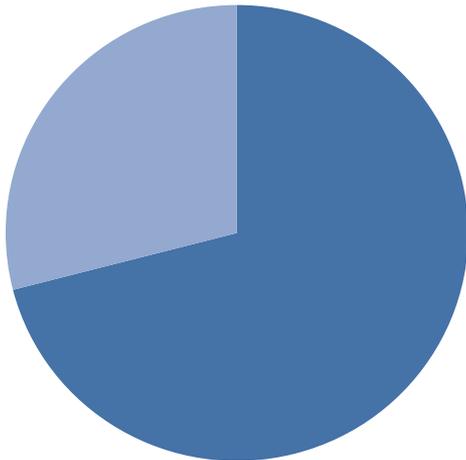
### Overview

- As of December 31, 20XX, Company 3 had the largest number of advertising displays of any OOH advertising company operating in the XX largest markets in the U.S.
- The U.S. segment generated % of its revenues in the New York City metropolitan area, and XX% in the Los Angeles metropolitan area in 20XX
- The U.S. segment generated revenues of \$XX bn in 20XX
- ~XX% of the company's total revenue in this segment was generated from billboards

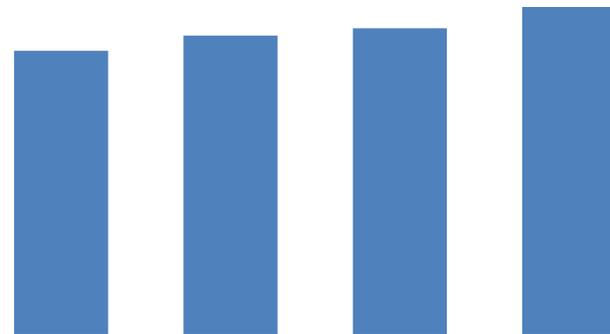
### Revenue (in \$bn)

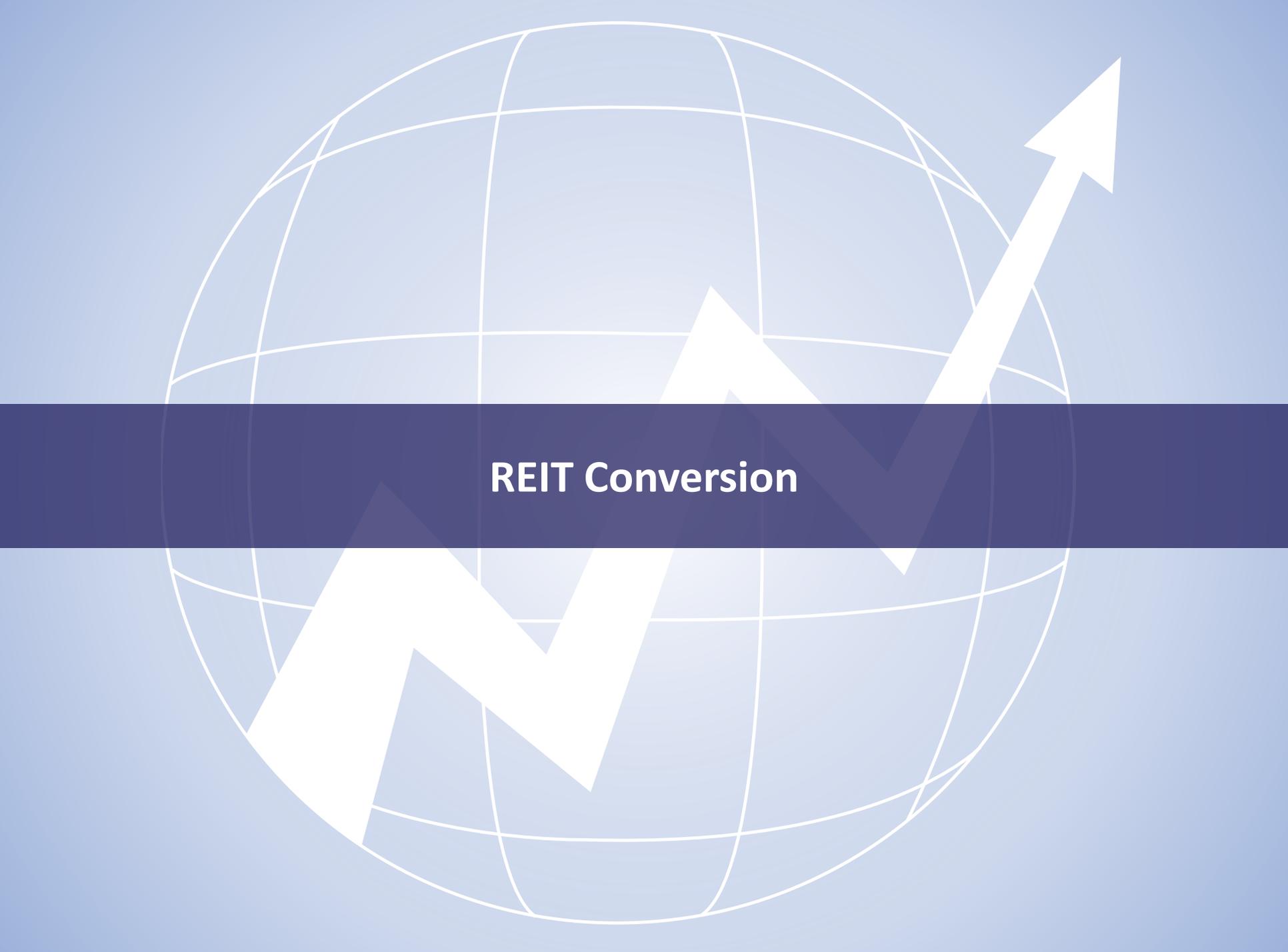


### Segment Breakdown (FY 20XX: \$1.4bn)



### Adjusted Operating Income (in \$mn) & Margin





**REIT Conversion**

# REIT Conversion

## Overview

### Introduction

- Traditionally, real estate assets have been office buildings, warehouses, industrial complexes, shopping centers, multi-family residential properties and health care facilities
- Over the last few years, there has been a spike in applications for REIT status for non-traditional real estate assets due to:
  - The tax benefits to REIT
  - Relatively higher market valuation, owing to investor demand for income investments
- REITs only pay corporate taxes on the undistributed portion of their taxable income and tend to trade at a sizeable premium to the broader market
- Rooftop sites (e.g. Crown Castle), wireless communications systems (e.g. American Tower), power distribution facilities (e.g. Hannon Armstrong), billboards (e.g. Company 2 Advertising), and gaming (Gaming and Leisure Properties), among others, are now recognized by the IRS as qualifying REIT assets
- Becoming a REIT limits capital retention, creates higher recurring pay-out obligations and can increase dependency on capital markets

Item	Requirement to qualify as REIT
Dividends	A REIT must distribute at least XX% of its taxable net income to investors
Assets	At least XX% of total assets must be real estate assets or cash
Income	At least XX% of gross income must come from real estate-related sources, such as rents or mortgage interest; at least XX% must be from real estate or certain passive investments
Taxable REIT subsidiaries	No more than XX% of assets can be in taxable REIT subsidiaries, which must pay taxes at the corporate level
Ownership	Minimum of 100 shareholders and no more than XX% of shares can be held by XX or fewer individuals

(1) Source: XX

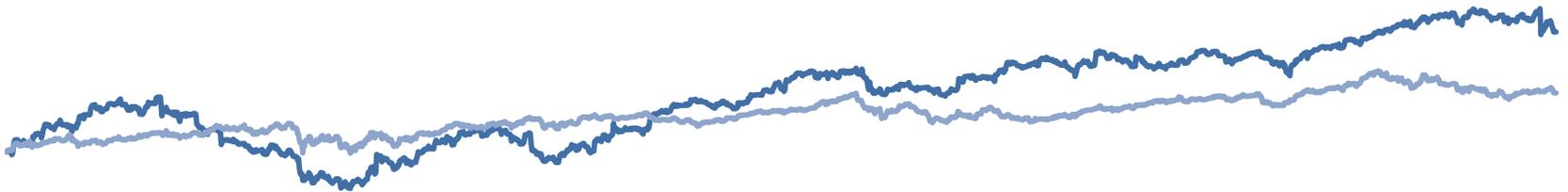
# REIT Conversion

## Company 2

### Overview

- Company 2 had initially indicated it was exploring the move of REIT conversion in August 20XX and then officially applied in November 20XX
- The company had been operating its books as a REIT since late-20XX and in April 20XX, it received a favourable IRS ruling for the REIT conversion (effective retroactively on January 1, 20XX)
- In October 20XX, the company said its registration statement was declared effective by the SEC pursuant to its conversion to REIT
- The company has been spending heavily in the M&A activities in the past 3-4 years. However, after the conversion to REIT, the cash flow is expected to shift dividends and shareholder returns
- Company 2 has historically traded at a premium to other outdoor companies. Over the last couple of years, that premium has expanded due to expectations of REIT conversion as REITs typically trade at richer valuations

### Stock Performance



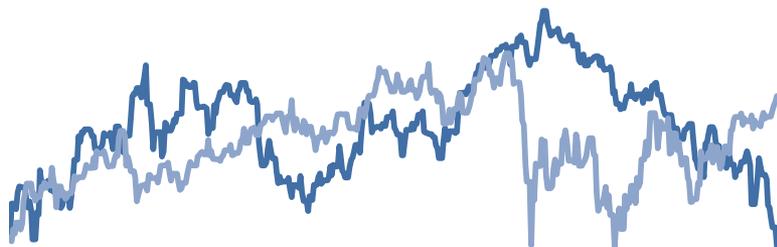
# REIT Conversion

## Company 3

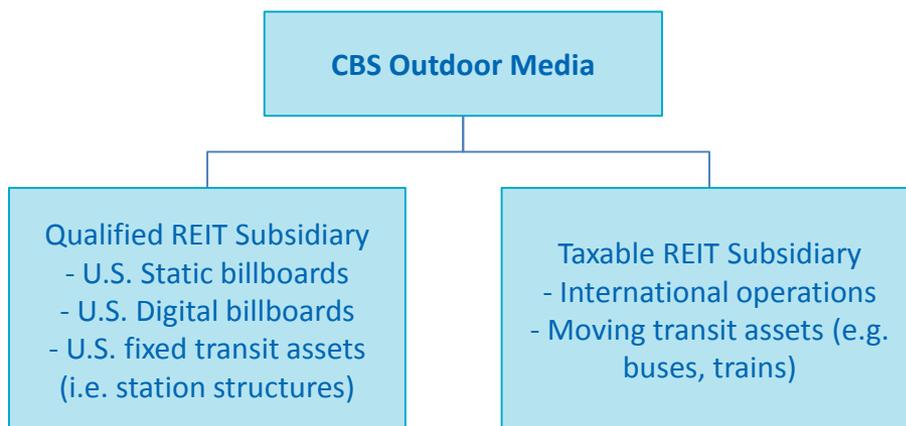
### Overview

- In March 20XX, CBS submitted a letter to IRS as a request to be taxed as a REIT. From July 17, 20XX, the began operating in a manner that will allow it to qualify as a REIT
- On April 16, 20XX, the company announced that it had received a “favourable” response from the IRS to its request and expects to be converted to a REIT later this year
- The company had to wait to get approval from IRS until ABC Corp divested a significant portion of its remaining XX% ownership stake
- Upon conversion, the company expects to make its ~\$XX m E&P purging distribution in cash (~\$XX m or ~\$XX per share) and stock, in addition to its regular recurring dividend of \$XX per share
- Dividend to grow with profits as the company expects to pay out XX% of its taxable REIT income
- Billboards (including digital) and non-moving transit assets will be placed into a qualified REIT subsidiary (QRS), while the international and moving-transit (e.g. advertising on buses and trains) assets will be in a taxable REIT subsidiary (TRS)

### Stock Performance



### Organizational Structure



(1) Source: XX



# Regulations Governing OOH Advertisement Industry

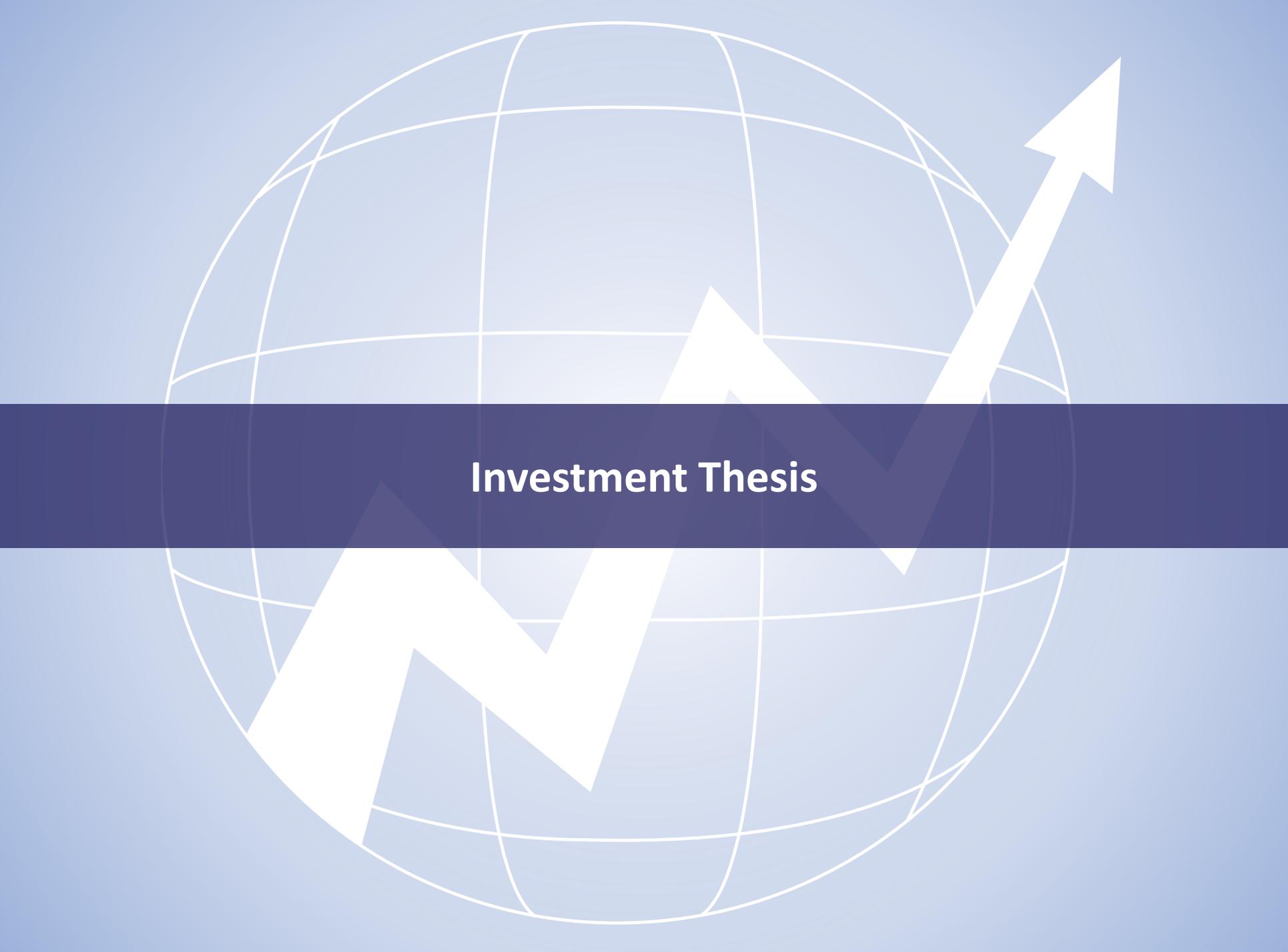
# Regulations

## Highway Beautification Act of 19XX

- Highway Beautification Act (“HBA”), regulates outdoor advertising on Federal-Aid Primary, Interstate and National Highway Systems roads within the United States
- The HBA regulates the size and placement of billboards, requires the development of state standards, mandates a state’s compliance program, promotes the expeditious removal of illegal signs and requires just compensation for takings
- U.S. federal law neither requires nor prohibits the removal of existing lawful billboards, but it does mandate the payment of compensation if a state or political subdivision compels the removal of a lawful billboard along the controlled roads
  - Requires states to maintain effective control of outdoor advertising along federal highways
  - Regulates billboards within XX ft. of federal aid roads
  - Prohibits billboards in areas with non-commercial activity
  - Prohibits new billboards that don’t conform to certain size, spacing and lighting requirements
  - Requires a % reduction in federal highway funding to states in violation of the law

## Other Regulations

- **Billboard Prohibitions:** Four states prohibit all billboards: Maine, Vermont, Alaska and Hawaii. Larger cities with prohibitions on new billboards include Houston, Los Angeles, St. Paul and Kansas City. Scenic America estimates thousands of communities around the country prohibit construction of new billboards
- **Tree Cutting:** About half the states allow billboard companies to cut and remove trees on public property to preserve clear views of their advertising. In many instances the states require only a fraction of the trees’ value as compensation for their removal
- **No Amortization on Federal Highways:** Congress passed an amendment to the HBA in 19XX to revoke the rights of cities and states to amortize billboards along federal highways, therefore governmental agencies must pay cash compensation to remove even nonconforming billboards



# Investment Thesis



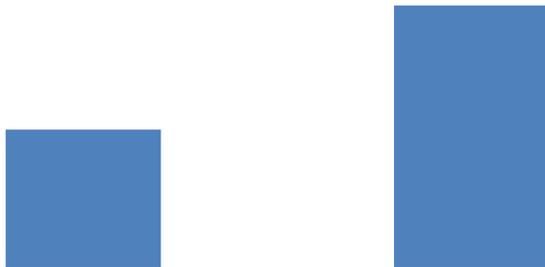
**Positives**

# Investment Thesis

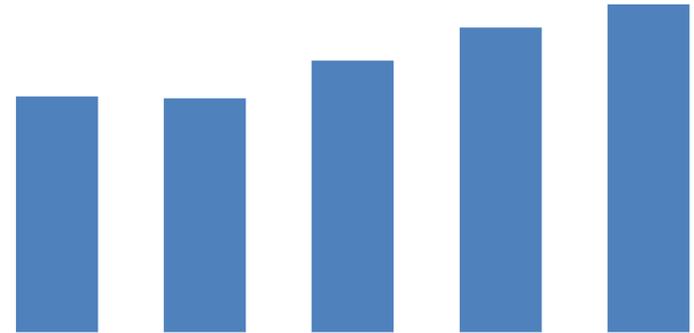
## Positives

### Points in Favor

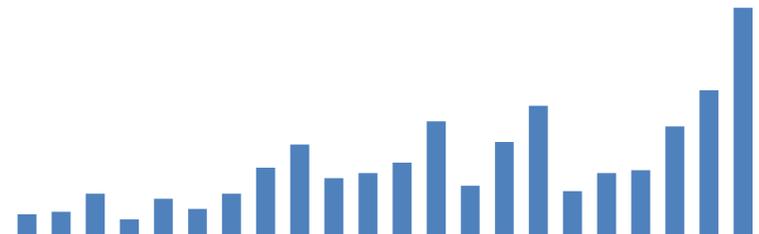
- **Relatively Low-Cost Advertising Medium:** For each dollar spent on OOH advertising, an average of \$XX was received in sales:
  - Television & print advertising have a lower ROI and receive a greater share of the dollars in the average media mix
  - To reach XX people, online can cost up to \$XX, and magazines up to \$XX
  - At \$XX per thousand impressions, OOH delivers the same audience at significantly lower costs<sup>(1)</sup>
- **Commuting Trends Continue to Favor Outdoor:** Traffic delays and congestion trends benefit OOH
  - Over the past XX years, traffic delays have increased to XX hours per commuter on average in 20XX
  - Congestion has increased substantially in all sized U.S. markets



### Sales ROI (\$ received per \$ spent)



### Cost Comparison with Other Mediums (CPM)



(1) Source: XX

# Investment Thesis

## Positives

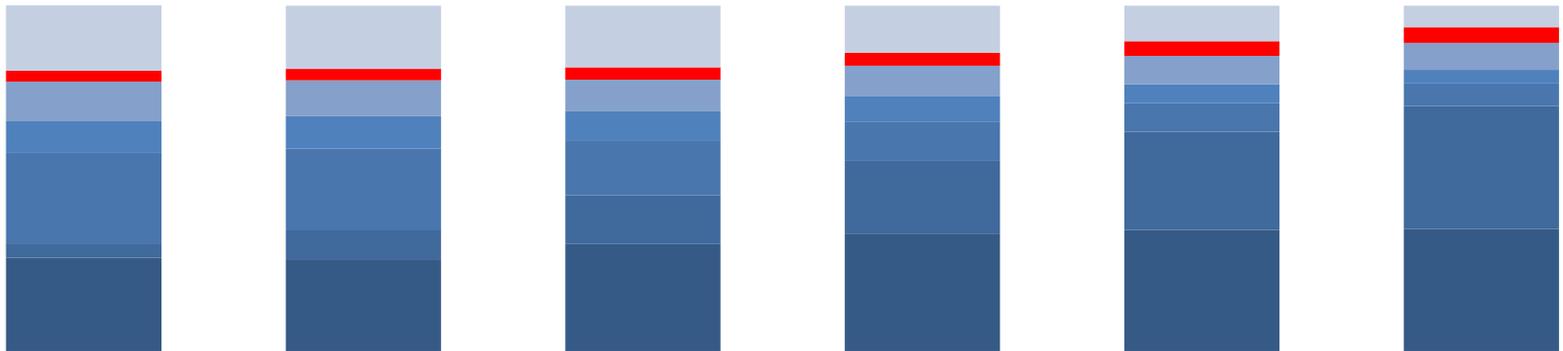
### Points in Favor

- **Outdoor held up Relatively Well in Past Economic Downturns:** During the economic downturn, outdoor outperformed most traditional mediums and the overall advertising industry. Outdoor was down just XX% in 20XX (vs industry XX%)
- **Outdoor Excepted to Gain Market Share:** Outdoor's market share has been consistently growing. Outdoor has increased its wallet share to XX% in 20XX (from XX% in 20XX)

### Growth During Economic Downturn

Medium	20XX	20XX
TV	(XX%)	(XX%)
Internet	XX%	(XX%)
Newspapers	(XX%)	(XX%)
Magazines	(XX%)	(XX%)
Radio	(XX%)	(XX%)
<b>Outdoor</b>	<b>(XX%)</b>	<b>(XX%)</b>
Total industry	(XX%)	(XX%)

### Outdoor Expected to Gain Market Share<sup>(1)</sup>



(1) Source: XX



**Negatives**

# Investment Thesis

## Negatives

### Highly Regulated Industry

- The outdoor industry is highly regulated at the federal, state and local levels
- The Highway Beautification Act of 19XX sets forth the framework for billboards along primary and interstate highways. Regulations generally restrict the size, spacing, lighting and other aspects of advertising structures

### Billboard Operators are Permit Holders

- In the U.S. municipality-issued permits for display structures are held by outdoor companies
- High percentage of legal nonconforming billboard in the industry, gives an advantage to incumbents. New entrants face stricter laws and there's a high probability that once a billboard is removed, a new permit for the same location would not be issued

### Beach Front Property Already Taken & Network Difficult to Replicate

- The prime and high traffic areas are already taken by incumbents
- Outdoor advertising operators with scale are better positioned as advertisers are willing to pay a premium to reach large audiences, particularly on a national basis
- It will be challenging and expensive for new entrants to build a meaningful network, particularly given regulatory hurdles

### Cannibalization

- Cannibalization is a long term concern. Digital billboards significantly increase advertising inventory since more than one advertiser can be housed at a time.
- Digital conversion is expected to plateau at 15% of billboard inventory over time, with the industry limiting cannibalization of the static boards and oversupply of inventory

There are high barriers to entry in the U.S. OOH Industry