UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2019

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from _________ to _________

Commission File Number 1-36756

Lamar Advertising Company

Commission File Number 1-12407

Lamar Media Corp.

(Exact name of registrants as specified in their charters)

Delaware	**72-1449411**
Delaware	**72-1205791**
(State or other jurisdiction of incorporation or organization)	*(I.R.S Employer Identification No.)*
5321 Corporate Blvd., Baton Rouge, LA	**70808**
(Address of principal executive offices)	**(Zip Code)**

Registrants' telephone number, including area code: (225) 926-1000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, $0.001 par value	LAMR	The NASDAQ Stock Market, LLC

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether each registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether Lamar Advertising Company is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if Lamar Advertising Company has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether Lamar Media Corp. is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if Lamar Media Corp. has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether Lamar Advertising Company is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

Indicate by check mark whether Lamar Media Corp. is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

The number of shares of Lamar Advertising Company's Class A common stock outstanding as of August 1, 2019: 85,956,465

The number of shares of the Lamar Advertising Company's Class B common stock outstanding as of August 1, 2019: 14,420,085

The number of shares of Lamar Media Corp. common stock outstanding as of August 1, 2019: 100

This combined Form 10-Q is separately filed by (i) Lamar Advertising Company and (ii) Lamar Media Corp. (which is a wholly owned subsidiary of Lamar Advertising Company). Lamar Media Corp. meets the conditions set forth in general instruction H(1) (a) and (b) of Form 10-Q and is, therefore, filing this form with the reduced disclosure format permitted by such instruction.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information included in this report is forward-looking in nature within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. This report uses terminology such as "anticipates," "believes," "plans," "expects," "future," "intends," "may," "will," "should," "estimates," "predicts," "potential," "continue" and similar expressions to identify forward-looking statements. Examples of forward-looking statements in this report include statements about:

- our future financial performance and condition;
- our business plans, objectives, prospects, growth and operating strategies;
- our future capital expenditures and level of acquisition activity;
- market opportunities and competitive positions;
- our future cash flows and expected cash requirements;
- estimated risks;
- our ability to maintain compliance with applicable covenants and restrictions included in Lamar Media's senior credit facility and the indentures relating to its outstanding notes;
- stock price;
- estimated future dividend distributions; and
- our ability to remain qualified as a Real Estate Investment Trust ("REIT").

Forward-looking statements are subject to known and unknown risks, uncertainties and other important factors, including but not limited to the following, any of which may cause the actual results, performance or achievements of Lamar Advertising Company (referred to herein as the "Company" or "Lamar Advertising") or Lamar Media Corp. (referred to herein as "Lamar Media") to differ materially from those expressed or implied by the forward-looking statements:

- the state of the economy and financial markets generally and their effects on the markets in which we operate and the broader demand for advertising;
- the levels of expenditures on advertising in general and outdoor advertising in particular;
- risks and uncertainties relating to our significant indebtedness;
- the demand for outdoor advertising and its continued popularity as an advertising medium;
- our need for, and ability to obtain, additional funding for acquisitions, operations and debt refinancing;
- increased competition within the outdoor advertising industry;
- the regulation of the outdoor advertising industry by federal, state and local governments;
- our ability to renew expiring contracts at favorable rates;
- the integration of businesses and assets that we acquire and our ability to recognize cost savings and operating efficiencies as a result of these acquisitions;
- our ability to successfully implement our digital deployment strategy;
- the market for our Class A common stock;
- changes in accounting principles, policies or guidelines;
- our ability to effectively mitigate the threat of and damages caused by hurricanes and other kinds of severe weather;
- our ability to qualify as a REIT and maintain our status as a REIT; and
- changes in tax laws applicable to REIT's or in the interpretation of those laws.

The forward-looking statements in this report are based on our current good faith beliefs, however, actual results may differ due to inaccurate assumptions, the factors listed above or other foreseeable or unforeseeable factors. Consequently, we cannot guarantee that any of the forward-looking statements will prove to be accurate. The forward-looking statements in this report speak only as of the date of this report, and Lamar Advertising and Lamar Media expressly disclaim any obligation or undertaking to update or revise any forward-looking statement contained in this report, except as required by law.

For a further description of these and other risks and uncertainties, the Company encourages you to read carefully Item 1A to the combined Annual Report on Form 10-K/A for the year ended December 31, 2018 of the Company and Lamar Media (the "2018 Combined Form 10-K/A"), filed on February 26, 2019 and as such risk factors may be updated or supplemented, from time to time, in our combined Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

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PART I — FINANCIAL INFORMATION

ITEM 1. — FINANCIAL STATEMENTS

LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)

	June 30, 2019 (Unaudited)	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,254	$ 21,494
Receivables, net of allowance for doubtful accounts of $13,643 and $11,161 in 2019 and 2018, respectively	249,281	235,576
Prepaid lease and contract expenses	—	80,684
Other current assets	35,624	25,915
Total current assets	302,159	363,669
Property, plant and equipment	3,596,390	3,525,725
Less accumulated depreciation and amortization	(2,280,132)	(2,230,677)
Net property, plant and equipment	1,316,258	1,295,048
Operating lease right of use assets	1,290,963	—
Goodwill	1,882,553	1,919,386
Intangible assets	953,710	915,453
Other assets	53,522	51,085
Total assets	$ 5,799,165	$ 4,544,641
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 16,152	$ 21,246
Current maturities of long-term debt, net of deferred financing costs of $6,016 and $5,245 in 2019 and 2018, respectively	209,696	204,120
Current operating lease liabilities	172,408	—
Accrued expenses	79,674	122,467
Deferred income	126,545	107,202
Total current liabilities	604,475	455,035
Long-term debt, net of deferred financing costs of $21,368 and $20,619 in 2019 and 2018, respectively	2,762,806	2,684,568
Operating lease liabilities	1,030,915	—
Deferred income tax liabilities	4,717	20,734
Asset retirement obligation	224,234	222,989
Other liabilities	32,723	29,531
Total liabilities	4,659,870	3,412,857
Stockholders' equity:		
Series AA preferred stock, par value $.001, $63.80 cumulative dividends, 5,720 shares authorized; 5,720 shares issued and outstanding at 2019 and 2018	—	—
Class A common stock, par value $.001, 362,500,000 shares authorized; 86,190,180 and 85,551,595 shares issued at 2019 and 2018, respectively; 85,689,442 and 85,162,692 outstanding at 2019 and 2018, respectively	86	86
Class B common stock, par value $.001, 37,500,000 shares authorized, 14,420,085 shares issued and outstanding at 2019 and 2018	14	14
Additional paid-in capital	1,890,555	1,852,421
Accumulated comprehensive income	558	12
Accumulated deficit	(717,824)	(695,337)
Cost of shares held in treasury, 500,738 and 388,903 shares at 2019 and 2018, respectively	(34,094)	(25,412)
Stockholders' equity	1,139,295	1,131,784
Total liabilities and stockholders' equity	$ 5,799,165	$ 4,544,641

See accompanying notes to condensed consolidated financial statements.

LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES
Condensed Consolidated Statements of Income and Comprehensive Income
(Unaudited)
(In thousands, except share and per share data)

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Statements of Income				
Net revenues	$ 448,742	$ 419,800	$ 833,199	$ 780,826
Operating expenses (income)				
Direct advertising expenses (exclusive of depreciation and amortization)	146,390	140,784	286,860	279,077
General and administrative expenses (exclusive of depreciation and amortization)	78,416	69,686	157,709	139,894
Corporate expenses (exclusive of depreciation and amortization)	18,674	20,147	35,703	41,251
Depreciation and amortization	61,693	55,322	123,199	112,162
(Gain) loss on disposition of assets	(537)	(1,843)	(5,161)	6,858
	304,636	284,096	598,310	579,242
Operating income	144,106	135,704	234,889	201,584
Other expense (income)				
Loss on extinguishment of debt	—	—	—	15,429
Interest income	(232)	(132)	(385)	(156)
Interest expense	38,322	31,892	75,917	65,471
	38,090	31,760	75,532	80,744
Income before income tax expense	106,016	103,944	159,357	120,840
Income tax (benefit) expense	(12,380)	3,513	(10,292)	5,357
Net income	118,396	100,431	169,649	115,483
Cash dividends declared and paid on preferred stock	91	91	182	182
Net income applicable to common stock	$ 118,305	$ 100,340	$ 169,467	$ 115,301
Earnings per share:				
Basic earnings per share	$ 1.18	$ 1.02	$ 1.70	$ 1.17
Diluted earnings per share	$ 1.18	$ 1.02	$ 1.69	$ 1.17
Cash dividends declared per share of common stock	$ 0.96	$ 0.91	$ 1.92	$ 1.82
Weighted average common shares used in computing earnings per share:				
Weighted average common shares outstanding basic	100,012,827	98,532,110	99,862,452	98,417,467
Weighted average common shares outstanding diluted	100,222,082	98,834,588	100,058,054	98,725,475
Statements of Comprehensive Income				
Net income	$ 118,396	$ 100,431	$ 169,649	$ 115,483
Other comprehensive income (loss)				
Foreign currency translation adjustments	287	(277)	546	(820)
Comprehensive income	$ 118,683	$ 100,154	$ 170,195	$ 114,663

See accompanying notes to condensed consolidated financial statements.

LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(In thousands, except share and per share data)

	Series AA PREF Stock	Class A CMN Stock	Class B CMN Stock	Treasury Stock	Add'l Paid in Capital	Accumulated Comprehensive Income	Accumulated Deficit	Total
Balance, December 31, 2018	$ —	86	14	(25,412)	1,852,421	12	(695,337)	$ 1,131,784
Non-cash compensation	—	—	—	—	1,178	—	—	1,178
Issuance of 286,350 shares of common stock through performance stock awards	—	—	—	—	19,919	—	—	19,919
Exercise of 186,521 shares of stock options	—	—	—	—	7,352	—	—	7,352
Issuance of 44,161 shares of common stock through employee purchase plan	—	—	—	—	2,521	—	—	2,521
Purchase of 111,835 shares of treasury stock	—	—	—	(8,682)	—	—	—	(8,682)
Foreign currency translation	—	—	—	—	—	259	—	259
Net income	—	—	—	—	—	—	51,253	51,253
Dividends/distributions to common shareholders ($0.96 per common share)	—	—	—	—	—	—	(95,915)	(95,915)
Dividends ($15.95 per preferred share)	—	—	—	—	—	—	(91)	(91)
Balance, March 31, 2019	$ —	86	14	(34,094)	1,883,391	271	(740,090)	$ 1,109,578
Non-cash compensation	—	—	—	—	1,425	—	—	1,425
Exercise of 85,379 shares of stock options	—	—	—	—	3,943	—	—	3,943
Issuance of shares 31,455 of common stock through employee purchase plan	—	—	—	—	1,796	—	—	1,796
Foreign currency translation	—	—	—	—	—	287	—	287
Net income	—	—	—	—	—	—	118,396	118,396
Dividends/distributions to common shareholders ($0.96 per common share)	—	—	—	—	—	—	(96,039)	(96,039)
Dividends ($15.95 per preferred share)	—	—	—	—	—	—	(91)	(91)
Balance, June 30, 2019	$ —	86	14	(34,094)	1,890,555	558	(717,824)	$ 1,139,295

See accompanying notes to condensed consolidated financial statements

LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(In thousands, except share and per share data)

	Series AA PREF Stock	Class A CMN Stock	Class B CMN Stock	Treasury Stock	Add'l Paid in Capital	Accumulated Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance, December 31, 2017	$ —	84	14	(21,300)	1,762,499	1,302	(639,106)	$ 1,103,493
Non-cash compensation	—	—	—	—	956	—	—	956
Issuance of 150,259 shares of common stock through performance stock awards	—	—	—	—	11,012	—	—	11,012
Exercise of 54,480 shares of stock options	—	—	—	—	1,836	—	—	1,836
Issuance of 39,514 shares of common stock through employee purchase plan	—	—	—	—	2,138	—	—	2,138
Purchase of 57,619 shares of treasury stock	—	—	—	(4,112)	—	—	—	(4,112)
Foreign currency translation	—	—	—	—	—	(543)	—	(543)
Net income	—	—	—	—	—	—	15,052	15,052
Dividends/distributions to common shareholders ($0.91 per common share)	—	—	—	—	—	—	(89,542)	(89,542)
Dividends ($15.95 per preferred share)	—	—	—	—	—	—	(91)	(91)
Balance, March 31, 2018	$ —	84	14	(25,412)	1,778,441	759	(713,687)	$ 1,040,199
Non-cash compensation	—	—	—	—	1,302	—	—	1,302
Exercise of 132,898 shares of stock options	—	—	—	—	5,001	—	—	5,001
Issuance of 28,864 shares of common stock through employee purchase plan	—	—	—	—	1,676	—	—	1,676
Issuance of 213,276 shares of common stock for cash	—	1	—	—	15,061	—	—	15,062
Foreign currency translation	—	—	—	—	—	(277)	—	(277)
Net income	—	—	—	—	—	—	100,431	100,431
Dividends/distributions to common shareholders ($0.91 per common share)	—	—	—	—	—	—	(89,783)	(89,783)
Dividends ($15.95 per preferred share)	—	—	—	—	—	—	(91)	(91)
Balance, June 30, 2018	$ —	85	14	(25,412)	1,801,481	482	(703,130)	$ 1,073,520

See accompanying notes to condensed consolidated financial statements

LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Six months ended June 30,	
	2019	**2018**
Cash flows from operating activities:		
Net income	$ 169,649	$ 115,483
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	123,199	112,162
Stock-based compensation	7,506	14,121
Amortization included in interest expense	2,670	2,448
(Gain) loss on disposition of assets and investments	(5,161)	6,858
Loss on extinguishment of debt	—	15,429
Deferred tax (benefit) expense	(15,121)	437
Provision for doubtful accounts	4,657	3,940
Changes in operating assets and liabilities		
(Increase) decrease in:		
Receivables	(19,103)	(30,891)
Prepaid lease expenses	20,173	(25,717)
Other assets	(11,108)	(4,559)
Increase (decrease) in:		
Trade accounts payable	1,520	908
Accrued expenses	(13,528)	(16,956)
Operating lease liabilities	(45,836)	—
Other liabilities	17,532	22,121
Net cash provided by operating activities	237,049	215,784
Cash flows from investing activities:		
Acquisitions	(78,141)	(16,165)
Capital expenditures	(60,560)	(52,473)
Proceeds received from property insurance claims	—	3,804
Proceeds from disposition of assets and investments	2,100	3,407
(Increase) decrease of notes receivable	(544)	5
Net cash used in investing activities	(137,145)	(61,422)
Cash flows from financing activities:		
Cash used for purchase of treasury stock	(8,682)	(4,112)
Net proceeds from issuance of common stock	15,612	25,723
Principal payments on long term debt	(14,421)	(12,911)
Payments on revolving credit facility	(375,000)	(270,000)
Proceeds received from revolving credit facility	220,000	190,000
Redemption of senior subordinated notes	—	(509,790)
Proceeds received from note offering	255,000	—
Proceeds received from accounts receivable securitization program	9,000	—
Payments on accounts receivable securitization program	(9,000)	—
Proceeds received from senior credit facility Term B loan	—	599,250
Debt issuance costs	(4,435)	(6,349)
Distributions to non-controlling interest	(285)	(241)
Dividends/distributions	(192,136)	(261,132)
Net cash used in financing activities	(104,347)	(249,562)
Effect of exchange rate changes in cash and cash equivalents	203	(683)
Net decrease in cash and cash equivalents	(4,240)	(95,883)
Cash and cash equivalents at beginning of period	21,494	115,471
Cash and cash equivalents at end of period	$ 17,254	$ 19,588
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 66,968	$ 74,352
Cash paid for foreign, state and federal income taxes	$ 9,260	$ 5,660

See accompanying notes to condensed consolidated financial statements.

1. Significant Accounting Policies

The information included in the foregoing interim condensed consolidated financial statements is unaudited. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company's financial position and results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year. These interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and the notes thereto included in the 2018 Combined Form 10-K/A. Subsequent events, if any, are evaluated through the date on which the financial statements are issued.

2. Revenues

On January 1, 2018, we adopted FASB Accounting Standards Update ("ASU") No. 2014-09 (Codified as ASC 606), *Revenue from Contracts with Customers* using the cumulative effect transition method applied to those contracts which were not completed as of January 1, 2018 and are not accounted for under ASC 840, *Leases*. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606 and ASC 840, while comparative information has not been adjusted and continues to be reported under ASC 605.

The majority of our billboard, logo, and transit advertising space contracts commencing prior to January 1, 2019 are accounted for under ASC 840 and will continue to be accounted for under the topic until they are completed or modified. Advertising space contracts commencing or amended on or after January 1, 2019 which do not meet the criteria of a lease under ASC 842 are accounted for under ASC 606, *Revenue*. The majority of our new and modified advertising space contracts do not meet the definition of a lease under ASC 842.

Due to the transition of our advertising space contracts into ASC 606 we are now required to capitalize our costs to fulfill a contract and expense the costs over the contract period. These costs include our costs to install advertising copy onto billboards. These costs were expensed as incurred under ASC 840. During the period ended June 30, 2019, we capitalized $12,562 of costs to fulfill a contract which is included in other current assets on the Condensed Consolidated Balance Sheets, net of expensed costs of $4,258. The expensed costs are recorded in direct advertising expenses (exclusive of depreciation and amortization) in the Condensed Consolidated Statements of Income and Comprehensive Income.

Revenue Recognition

Advertising revenues: The majority of our revenues are derived from contracts for advertising space on billboard, logo and transit displays. Our contracts commencing prior to January 1, 2019 are accounted for under ASC 840, *Leases*. The majority of our contracts amended or commencing on or after January 1, 2019 are accounted for under ASC 606, *Revenue*. The contract revenues, under ASC 840, *Leases* and ASC 606, *Revenue*, are recognized ratably over their contract life.

Other revenues: Our other component of revenue primarily consists of production services which includes creating and printing the advertising copy. As of January 1, 2018 revenue for production contracts is recognized under ASC 606. Contract revenues for production services are recognized upon satisfaction of the contract which is typically less than one week.

Arrangements with multiple performance obligations: Our contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on the relative standalone selling price. We determine standalone selling prices based on the prices charged to customers using expected cost plus margin.

Deferred revenues: We record deferred revenues when cash payments are received or due in advance of our performance obligation. The term between invoicing and when a payment is due is not significant. For certain services we require payment before the product or services are delivered to the customer. The balance of deferred income is considered short-term and will be recognized in revenue within twelve months.

Practical expedients and exemptions: Upon our transition to ASC 606 from ASC 840, the Company is utilizing the following practical expedients and exemptions from ASC 606. We generally expense sales commissions when incurred because the amortization period is one year or less. These costs are recorded within direct advertising expense (exclusive of depreciation and amortization). We do not disclose the value of unsatisfied performance obligations as the majority of our contracts with customers have an original expected length of less than one year. For contracts with customers which exceed one year, the future amount to be invoiced to the customer corresponds directly with the value to be received by the customer.

The following table presents our disaggregated revenue by source including both revenues accounted for under ASC 840 and ASC 606 for the three and six months ended June 30, 2019 and June 30, 2018.

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Billboard Advertising	$ 393,798	$ 365,367	$ 729,993	$ 678,170
Logo Advertising	21,811	21,378	41,723	42,007
Transit Advertising	33,133	33,055	61,483	60,649
Net Revenues	$ 448,742	$ 419,800	$ 833,199	$ 780,826

3. Leases

On January 1, 2019, the Company adopted ASC 842, *Leases*, using a modified retrospective transition with January 1, 2019 as the effective date of our initial application. We also elected the package of practical expedients, which permitted us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. We also elected the practical expedient pertaining to land easements, which allows the Company not to reassess its accounting treatment for our previously existing land easements as to whether they qualify as a lease under ASC 842.

The Company is party to various operating leases for production facilities, vehicles and sites upon which advertising structures are built, including our billboard land leases, leases of logo structures and leases of transit advertising space. The leases expire at various dates, have varying options to renew and cancel, and may contain escalation provisions. We expense our non-variable lease payments ratably over the lease term. Also, certain of our leases contain variable lease payments based on percentage of revenue or consumer price index or other inflation-based indices. The variable lease costs are expensed in the period incurred.

The key estimates for our leases include (1) the discount rate used to discount the unpaid lease payment to present value and (2) lease term. Our leases generally do not include a readily determinable implicit rate, therefore, using a portfolio approach, we determine our collateralized incremental borrowing rate to discount the lease payment based on the information available at lease commencement. Our lease terms include the noncancellable period of the lease plus any additional periods covered by either a Company option to extend (or not to terminate) the lease that the Company is reasonably certain to exercise, or an option to extend the lease controlled by the lessor.

During the three and six months ended June 30, 2019, we had operating lease costs of $77,816 and $155,166, respectively, and variable lease costs of $18,933 and $36,017, respectively, which are recorded in direct advertising expenses (exclusive of depreciation and amortization). Also, for the three and six months ended June 30, 2019, we recorded a loss of $193 and gain of $3,911, respectively, in (gain) loss of disposition of assets related to the amendment and termination of lease agreements. Cash payments of $180,487 were made reducing our operating lease liabilities for the six months ended June 30, 2019 and are included in cash flows provided by operating activities in the Condensed Consolidated Statements of Cash Flows.

We elected the short-term lease exemption which applies to certain of our vehicle agreements. This election allows the Company to not recognize lease right of use assets (ROU assets) or lease liabilities for agreements with a term of twelve months or less. We recorded $1,097 and $2,226 in direct advertising expenses (exclusive of depreciation and amortization) for these agreements during the three and six months ended June 30, 2019, respectively.

Our operating leases have a weighted-average remaining lease term of 12.0 years. The weighted-average discount rate of our operating leases is 4.85%. Also, during the period ended June 30, 2019, we obtained $8,671 of leased assets in exchange for new operating lease liabilities.

The following is a summary of the maturities of our operating lease liabilities as of June 30, 2019:

2019	$	105,835
2020		202,776
2021		176,523
2022		154,795
2023		131,925
Thereafter		829,245
Total undiscounted operating lease payments		1,601,099
Less: Imputed interest		(397,776)
Total operating lease liabilities	$	1,203,323

The following is a summary of minimum annual rental payments required under our operating lease that have original or remaining lease terms in excess of one year as of December 31, 2018:

2019	$	254,866
2020	$	188,138
2021	$	165,642
2022	$	144,814
2023	$	122,814
Thereafter	$	819,004

4. Acquisitions

Six months ended June 30, 2019

During the six months ended June 30, 2019, the Company completed several acquisitions of outdoor advertising assets for a net purchase price of $78,141. This amount includes $79,451 of outdoor advertising assets purchased in 2019, offset by $1,310 in post-closing adjustments to acquired working capital related to the purchase of Fairway in 2018.

Each of these acquisitions was accounted for under the acquisition method of accounting, and, accordingly, the accompanying consolidated financial statements include the results of operations of each acquired entity from the date of acquisition. The acquisition costs have been allocated to assets acquired and liabilities assumed based on fair market value at the dates of acquisition.

The following is a summary of the allocation of the acquisition costs in the above transactions.

		Total
Property, plant and equipment	$	16,094
Site locations		54,386
Non-competition agreements		150
Customer lists and contracts		9,166
Asset acquisition costs		583
Current assets		736
Current liabilities		(164)
Other liabilities		(1,500)
	$	79,451

Total acquired intangible assets for the six months ended June 30, 2019 were $64,285, of which $0 was assigned to goodwill. The acquired intangible assets have a weighted average useful life of approximately 14 years. The intangible assets include customer lists and contracts of $9,166 (7 year weighted average useful life) and site locations of $54,386 (15 year weighted average useful life). The aggregate amortization expense related to the 2019 acquisitions for the six months ended June 30, 2019 was approximately $1,592.

Year Ended December 31, 2018

During the twelve months ended December 31, 2018, the Company completed several acquisitions of outdoor advertising assets for a total purchase price of $489,671, net of acquired cash of $8,554. The total purchase price consisted of the issuance of 163,137 shares of its Class A common stock for $12,282 and cash of $477,389. The purchases included the acquisition of assets in five U.S markets from Fairway Outdoor Advertising ("Fairway") on December 21, 2018 for an aggregate purchase price of $418,500.

As of June 30, 2019, our fair value allocation of the assets acquired and liabilities assumed from Fairway is still considered preliminary and is subject to revision, which may result in adjustments to this allocation. We expect to finalize these amounts as soon as possible but not later than the end of 2019. In order to develop our updated preliminary fair values, the Company utilized a third party valuation firm to develop a fair value model which is currently under review by Management. Our updated preliminary fair value allocation of Fairway as of June 30, 2019 includes property, plant and equipment, intangibles and goodwill of $99,386, $186,130 and $145,188, respectively. As of June 30, 2019, goodwill was adjusted $36,929 due to updates from the original preliminary allocation provided as of December 31, 2018. The updated preliminary allocation resulted in prior and current period changes to depreciation and amortization. These changes were considered immaterial and recorded during the six months ended June 30, 2019. As of June 30, 2019 assets purchased from Fairway which were initially placed into our taxable REIT subsidiary were transferred to our qualifying REIT subsidiary, as a result the Company wrote off $17,031 in deferred tax liabilities assumed from our purchase.

Each of these acquisitions was accounted for under the acquisition method of accounting, and, accordingly, the accompanying consolidated financial statements include the results of operations of each acquired entity from the date of acquisition. The acquisition costs have been allocated to assets acquired and liabilities assumed based on fair market value at the dates of acquisition.

The following is a summary of the allocation of the acquisition costs in the above transactions, excluding the preliminary allocation of Fairway.

	Total
Property, plant and equipment	$ 8,648
Site locations	57,105
Non-competition agreements	342
Customer lists and contracts	6,521
Asset acquisition costs	336
Current assets	1,041
Current liabilities	(355)
	$ 73,638

Total acquired intangible assets for the year ended December 31, 2018 were $402,740, of which $182,117 was assigned to goodwill. Goodwill is not amortized for financial statement purposes, and no goodwill related to 2018 acquisitions is expected to be deductible for tax purposes. The remaining $220,623 of acquired intangible assets have a weighted average useful life of approximately 14 years. The intangible assets include customer lists and contracts of $33,310 (7 year weighted average useful life) and site locations of $186,635 (15 year weighted average useful life). The aggregate amortization expense related to the 2018 acquisitions for the year ended December 31, 2018 was approximately $2,681.

5. Stock-Based Compensation

Equity Incentive Plan. Lamar Advertising's 1996 Equity Incentive Plan, as amended, (the "Incentive Plan") has reserved 17.5 million shares of Class A common stock for issuance to directors and employees, including shares underlying granted options and common stock reserved for issuance under its performance-based incentive program. Options granted under the plan expire ten years from the grant date with vesting terms ranging from three to five years and include 1) options that vest in one-fifth increments beginning on the grant date and continuing on each of the first four anniversaries of the grant date and 2) options that cliff-vest on the fifth anniversary of the grant date. All grants are made at fair market value based on the closing price of our Class A common stock as reported on the Nasdaq Global Select Market on the date of grant.

We use a Black-Scholes-Merton option pricing model to estimate the fair value of share-based awards. The Black-Scholes-Merton option pricing model incorporates various and highly subjective assumptions, including expected term and expected volatility. The Company granted options for an aggregate of 81,000 shares of its Class A common stock during the six months ended June 30, 2019. At June 30, 2019 a total of 2,714,981 shares were available for future grant.

Stock Purchase Plan. Lamar Advertising's 2009 Employee Stock Purchase Plan or 2009 ESPP was approved by our shareholders on May 28, 2009. The number of shares of Class A common stock available under the 2009 ESPP was automatically increased by 85,162 shares on January 1, 2019 pursuant to the automatic increase provisions of the 2009 ESPP. The 2009 ESPP expired by its terms on June 30, 2019. On May 30, 2019, our shareholders approved Lamar Advertising's 2019 Employee Stock Purchase Plan or the 2019 ESPP. The 2019 ESPP became effective upon the expiration of the 2009 ESPP. The number of shares of Class A common stock available for issuance under the 2019 ESPP consists of (1) 300,000 shares of Class A common stock and (2) any shares of Class A common stock available for future purchase under the 2009 ESPP at June 30, 2019.

The following is a summary of 2009 and 2019 ESPP share activity for the six months ended June 30, 2019:

	Shares
Available for future purchases, January 1, 2019	183,244
Additional shares reserved under 2009 ESPP	85,162
Additional shares reserved under 2019 ESPP	300,000
Purchases	(75,617)
Available for future purchases, June 30, 2019	492,789

Performance-based compensation. Unrestricted shares of our Class A common stock may be awarded to key officers, employees and directors under the Incentive Plan. The number of shares to be issued, if any, will be dependent on the level of achievement of performance measures for key officers and employees, as determined by the Company's Compensation Committee based on our 2019 results. Any shares issued based on the achievement of performance goals will be issued in the first quarter of 2020. The shares subject to these awards can range from a minimum of 0% to a maximum of 100% of the target number of shares depending on the level at which the goals are attained. For the six months ended June 30, 2019, the Company has recorded $4,955 as stock-based compensation expense related to performance-based awards. In addition, each non-employee director automatically receives a restricted stock award of our Class A common stock upon election or re-election. The awards vest 50% on grant date and 50% on the last day of the directors' one year term. The Company recorded a $326 stock-based compensation expense related to these awards for the six months ended June 30, 2019.

6. Depreciation and Amortization

The Company includes all categories of depreciation and amortization on a separate line in its Statements of Income and Comprehensive Income. The amounts of depreciation and amortization expense excluded from the following operating expenses in its Statements of Income and Comprehensive Income are:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Direct advertising expenses	$ 58,200	$ 51,457	$ 116,315	$ 104,473
General and administrative expenses	1,140	1,012	2,261	2,007
Corporate expenses	2,353	2,853	4,623	5,682
	$ 61,693	$ 55,322	$ 123,199	$ 112,162

7. Goodwill and Other Intangible Assets

The following is a summary of intangible assets at June 30, 2019 and December 31, 2018:

	Estimated Life (Years)	June 30, 2019		December 31, 2018	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:					
Customer lists and contracts	7—10	$ 627,836	$ 527,034	$ 610,376	$ 514,928
Non-competition agreements	3—15	65,924	64,247	65,771	64,119
Site locations	15	2,305,338	1,465,416	2,228,767	1,422,794
Other	2—15	46,575	35,266	45,992	33,612
		$ 3,045,673	$ 2,091,963	$ 2,950,906	$ 2,035,453
Unamortizable intangible assets:					
Goodwill		$ 2,136,089	$ 253,536	$ 2,172,922	$ 253,536

8. Asset Retirement Obligations

The Company's asset retirement obligations include the costs associated with the removal of its structures, resurfacing of the land and retirement cost, if applicable, related to the Company's outdoor advertising portfolio. The following table reflects information related to our asset retirement obligations:

Balance at December 31, 2018	$ 222,989
Additions to asset retirement obligations	1,024
Accretion expense	2,080
Liabilities settled	(1,859)
Balance at June 30, 2019	$ 224,234

9. Distribution Restrictions

Lamar Media's ability to make distributions to Lamar Advertising is restricted under both the terms of the indentures relating to Lamar Media's outstanding notes and by the terms of its senior credit facility. As of June 30, 2019 and December 31, 2018, Lamar Media was permitted under the terms of its outstanding senior subordinated and senior notes to make transfers to Lamar Advertising in the form of cash dividends, loans or advances in amounts up to $3,225,011 and $3,156,061, respectively.

As of June 30, 2019, Lamar Media's senior credit facility allows it to make transfers to Lamar Advertising in any taxable year up to the amount of Lamar Advertising's taxable income (without any deduction for dividends paid). In addition, as of June 30, 2019, transfers to Lamar Advertising are permitted under Lamar Media's senior credit facility and as defined therein up to the available cumulative credit, as long as no default has occurred and is continuing and, after giving effect to such distributions, (i) the total debt

ratio is less than 6.5 to 1 and (ii) the secured debt ratio does not exceed 3.5 to 1. As of June 30, 2019, the total debt ratio was less than 6.5 to 1 and Lamar Media's secured debt ratio was less than 3.5 to 1, and the available cumulative credit was $1,975,490.

10. Earnings Per Share

The calculation of basic earnings per share excludes any dilutive effect of stock options, while diluted earnings per share includes the dilutive effect of stock options. There were no dilutive shares excluded from this calculation resulting from their anti-dilutive effect for the three and six months ended June 30, 2019 or 2018.

11. Long-term Debt

Long-term debt consists of the following at June 30, 2019 and December 31, 2018:

	June 30, 2019		
	Debt	Deferred financing costs	Debt, net of deferred financing costs
Senior Credit Facility	$ 1,121,891	$ 10,456	$ 1,111,435
Accounts Receivable Securitization Program	175,000	1,050	173,950
5% Senior Subordinated Notes	535,000	3,676	531,324
5 3/8% Senior Notes	510,000	3,887	506,113
5 3/4% Senior Notes	654,702	8,315	646,387
Other notes with various rates and terms	3,293	—	3,293
	2,999,886	27,384	2,972,502
Less current maturities	(215,712)	(6,016)	(209,696)
Long-term debt, excluding current maturities	$ 2,784,174	$ 21,368	$ 2,762,806

	December 31, 2018		
	Debt	Deferred financing costs	Debt, net of deferred financing costs
Senior Credit Facility	$ 1,291,088	$ 11,576	$ 1,279,512
Accounts Receivable Securitization Program	175,000	1,168	173,832
5% Senior Subordinated Notes	535,000	4,104	530,896
5 3/8% Senior Notes	510,000	4,262	505,738
5 3/4% Senior Notes	400,000	4,754	395,246
Other notes with various rates and terms	3,464	—	3,464
	2,914,552	25,864	2,888,688
Less current maturities	(209,365)	(5,245)	(204,120)
Long-term debt, excluding current maturities	$ 2,705,187	$ 20,619	$ 2,684,568

Senior Credit Facility

Lamar Media's Third Amended and Restated Credit Agreement dated as of May 15, 2017 (as amended, the "senior credit facility") originally consisted of (i) a $450,000 senior secured revolving credit facility which will mature on May 15, 2022 (the "revolving credit facility"), (ii) a $450,000 Term A loan facility (the "Term A loans") which will mature on May 15, 2022, and (iii) an incremental facility pursuant to which Lamar Media may incur additional term loan tranches or increase its revolving credit facility subject to pro forma compliance with the secured debt ratio financial maintenance covenant (the "Incremental Facility"). Lamar Media borrowed all $450,000 in Term A loans on May 15, 2017. The net proceeds of the Term A loans, together with borrowing under the revolving portion of senior credit facility and cash on hand, were used to repay all outstanding amounts under the existing senior credit facility, and all revolving commitments under that facility were terminated.

On March 16, 2018, Lamar Media entered into Amendment No. 1 to the Third Amended and Restated Credit Agreement dated May 15, 2017, which amended the existing senior credit facility to establish a new $600,000 Term B Loan Facility (the "Term B loan"), which will mature on March 16, 2025. Lamar Media borrowed the full amount of the Term B loan on March 16, 2018. The proceeds from the Term B loan, together with available cash on hand were used to redeem in full Lamar Media's 5 7/8% Senior Subordinated Notes due 2022.

On January 17, 2019, Lamar Media entered into an incremental amendment to the senior credit facility to include $100,000 in additional revolving commitments, thereby increasing the total borrowing capacity under the revolving credit facility to $550,000.

As of June 30, 2019, the senior credit facility consisted of (i) the revolving credit facility, (ii) the Term A loans, (iii) the Term B loans and (iv) the Incremental Facility.

The Term A loans mature on May 15, 2022 and the Term B loans mature on March 16, 2025. The remaining quarterly installments are scheduled to be paid on each September 30, December 31, March 31 and June 30 as follows:

Principal Payment Date	Term A	Term B
September 30, 2019-June 30, 2020	$ 8,437.5	$ 1,500.0
September 30, 2020-March 31, 2022	$ 16,875.0	$ 1,500.0
Term A Loan Maturity May 15, 2022	$ 253,125.0	$ —
June 30, 2022-December 31, 2024	$ —	$ 1,500.0
Term B Loan Maturity March 16, 2025	$ —	$ 559,500.0

The Term loans bear interest at rates based on the Adjusted LIBO Rate ("Eurodollar term loans") or the Adjusted Base Rate ("Base Rate term loans"), at Lamar Media's option. Eurodollar term loans bear interest at a rate per annum equal to the Adjusted LIBO Rate plus 1.75%; (or the Adjusted LIBO Rate plus 1.50% at any time the Total Debt Ratio is less than or equal to 3.25 to 1 for Term A loans only). Base Rate term loans bear interest at a rate per annum equal to the Adjusted Base Rate plus 0.75% (or the Adjusted Base Rate plus 0.50% at any time the Total Debt Ratio is less than or equal to 3.25 to 1 for Term A loans only). The revolving credit facility bears interest at rates based on the Adjusted LIBO Rate ("Eurodollar revolving loans") or the Adjusted Base Rate ("Base Rate revolving loans"), at Lamar Media's option. Eurodollar revolving loans bear interest at a rate per annum equal to the Adjusted LIBO Rate plus 2.25% (or the Adjusted LIBO Rate plus 2.00% at any time the Total Debt Ratio is less than or equal to 4.25 to 1; or the Adjusted LIBO Rate plus 1.75% at any time the Total Debt Ratio is less than or equal to 3.00 to 1). Base Rate revolving Loans bear interest at a rate per annum equal to the Adjusted Base Rate plus 1.25% (or the Adjusted Base Rate plus 1.0% at any time the total debt ratio is less than or equal to 4.25 to 1, or the Adjusted Base Rate plus 0.75% at any time the Total Debt Ratio is less than or equal to 3.00 to 1). The guarantees, covenants, events of default and other terms of the senior credit facility apply to the Term A and B loans and revolving credit facility.

As of June 30, 2019, there was $125,000 outstanding under the revolving credit facility. Availability under the revolving facility is reduced by the amount of any letters of credit outstanding. Lamar Media had $13,107 in letters of credit outstanding as of June 30, 2019 resulting in $411,893 of availability under its revolving facility. Revolving credit loans may be requested under the revolving credit facility at any time prior to its maturity on May 15, 2022.

The terms of Lamar Media's senior credit facility and the indentures relating to Lamar Media's outstanding notes restrict, among other things, the ability of Lamar Advertising and Lamar Media to:

- dispose of assets;
- incur or repay debt;
- create liens;
- make investments; and
- pay dividends.

The senior credit facility contains provisions that allow Lamar Media to conduct its affairs in a manner that allows Lamar Advertising to qualify and remain qualified as a REIT, including by allowing Lamar Media to make distributions to Lamar Advertising required for the Company to qualify and remain qualified for taxation as a REIT, subject to certain restrictions.

Lamar Media's ability to make distributions to Lamar Advertising is also restricted under the terms of these agreements. Under Lamar Media's senior credit facility the Company must maintain a specified senior debt ratio at all times and in addition, must satisfy a total debt ratio in order to incur debt, make distributions or make certain investments.

Lamar Advertising and Lamar Media were in compliance with all of the terms of their indentures and the senior credit facility provisions during the periods presented.

Accounts Receivable Securitization Program

On December 18, 2018 Lamar Media entered into a $175,000 Receivable Financing Agreement (the "AR Program") with its wholly-owned special purpose entities, Lamar QRS Receivables, LLC and Lamar TRS Receivables, LLC (the "Special Purpose Subsidiaries") maturing on December 17, 2021. The AR Program is limited to the availability of eligible accounts receivable collateralizing the borrowings under the agreements governing the AR Program.

Pursuant to two separate Purchase and Sale Agreements dated December 18, 2018, each of which is among Lamar Media as initial Servicer, certain of Lamar Media's subsidiaries and a Special Purpose Subsidiary, the subsidiaries sold substantially all of their existing and future accounts receivable balances to the Special Purpose Subsidiaries. The Special Purpose Subsidiaries use the accounts receivable balances to collateralize loans pursuant to the AR Program. Lamar Media retains the responsibility of servicing the accounts receivable balances pledged as collateral under the AR Program and provides a performance guaranty.

As of June 30, 2019 there was $175,000 outstanding on the AR Program bearing interest at approximately 3.8%. The commitment fee based on the amount of unused commitments under the AR Program was immaterial during the six months ended June 30, 2019.

The AR Program is accounted for as a collateralized financing activity, rather than a sale of assets, and therefore: (i) accounts receivable balances pledged as collateral are presented as assets and the borrowings are presented as liabilities on our Condensed Consolidated Balance Sheets, (ii) our Condensed Consolidated Statements of Income and Comprehensive Income reflect the associated charges for bad debt expense (a component of general and administrative expenses) related to the pledged accounts receivable and interest expense associated with the collateralized borrowings and (iii) receipts from customers related to the underlying accounts receivable are reflected as operating cash flows and borrowings and repayments under the collateralized loans are reflected as financing cash flows within our Condensed Consolidated Statements of Cash Flows.

5 7/8% Senior Subordinated Notes

On February 9, 2012, Lamar Media completed an institutional private placement of $500,000 aggregate principal amount of its 5 7/8% Senior Subordinated Notes (the "5 7/8% Notes"). The institutional private placement resulted in net proceeds to Lamar Media of approximately $489,000. The Company used the proceeds from the Term B loans to redeem all of the 5 7/8% Notes on March 19, 2018 at a redemption price of 101.958% of the aggregate principal amount of the outstanding 5 7/8% Notes, plus accrued and unpaid interest up to but not including the redemption date. In conjunction with the redemption the Company recorded a loss on debt extinguishment of $15,429, of which $9,790 was cash, for the six months ended June 30, 2018.

5% Senior Subordinated Notes

On October 30, 2012, Lamar Media completed an institutional private placement of $535,000 aggregate principal amount of 5% Senior Subordinated Notes due 2023 (the "5% Notes"). The institutional private placement resulted in net proceeds to Lamar Media of approximately $527,100.

Lamar Media may redeem the 5% Notes, in whole or in part, in cash at redemption prices specified in the 5% Notes. In addition, if the Company or Lamar Media undergoes a change of control, Lamar Media may be required to make an offer to purchase each holder's 5% Notes at a price equal to 101% of the principal amount of the 5% Notes, plus accrued and unpaid interest, up to but not including the repurchase date.

5 3/8% Senior Notes

On January 10, 2014, Lamar Media completed an institutional private placement of $510,000 aggregate principal amount of 5 3/8% Senior Notes due 2024 (the "5 3/8% Notes"). The institutional private placement resulted in net proceeds to Lamar Media of approximately $502,300.

Lamar Media may redeem the 5 3/8% Notes, in whole or in part, in cash at redemption prices specified in the 5 3/8% Notes. In addition, if the Company or Lamar Media undergoes a change of control, Lamar Media may be required to make an offer to purchase each holder's 5 3/8% Notes at a price equal to 101% of the principal amount of the 5 3/8% Notes, plus accrued and unpaid interest, up to but not including the repurchase date.

5 3/4% Senior Notes

On January 28, 2016, Lamar Media completed an institutional private placement of $400,000 aggregate principal amount of 5 3/4% Senior Notes due 2026 (the "5 3/4% Notes"). The institutional private placement on January 28, 2016 resulted in net proceeds to Lamar Media of approximately $394,500.

On February 1, 2019, Lamar Media completed an institutional private placement of an additional $250,000 aggregate principal amount under its 5 3/4% Notes (the "New Notes"). Other than with respect to the date of issuance, issue price and CUSIP number, the New Notes have the same terms as the 5 3/4% Notes. The net proceeds after underwriting fees and expenses, was approximately $251,500 and were used to repay a portion of the borrowings outstanding under the revolving credit facility.

At any time prior to February 1, 2021, Lamar Media may redeem some or all of the 5 3/4% Notes at a price equal to 100% of the aggregate principal amount, plus accrued and unpaid interest thereon plus a make-whole premium. On or after February 1, 2021, Lamar Media may redeem the 5 3/4% Notes, in whole or in part, in cash at redemption prices specified in the 5 3/4% Notes. In addition, if the Company or Lamar Media undergoes a change of control, Lamar Media may be required to make an offer to purchase each holder's 5 3/4% Notes at a price equal to 101% of the principal amount of the 5 3/4% Notes, plus accrued and unpaid interest, up to but not including the repurchase date.

12. Fair Value of Financial Instruments

At June 30, 2019 and December 31, 2018, the Company's financial instruments included cash and cash equivalents, marketable securities, accounts receivable, investments, accounts payable and borrowings. The fair values of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings and current portion of long-term debt approximated carrying values because of the short-term nature of these instruments. Investment contracts are reported at fair values. Fair values for investments held at cost are not readily available, but are estimated to approximate fair value. The estimated fair value of the Company's long-term debt (including current maturities) was $3,057,277 which exceeded the carrying amount of $2,999,886 as of June 30, 2019. The majority of the fair value is determined using observed prices of publicly traded debt (level 1 in the fair value hierarchy) and the remaining is valued based on quoted prices for similar debt (level 2 in the fair value hierarchy).

13. New Accounting Pronouncements

Leases

In February 2016, the FASB established Topic 842, *Leases*, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU No. 2018-10 and ASU No. 2019-01, *Codification Improvements to Topic 842*, *Leases*; and ASU No. 2018-11, *Targeted Improvements*. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

We adopted the new standard effective January 1, 2019 using a modified retrospective transition approach, applying the new standard to all leases existing at the date of initial application. An entity was permitted to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the

effective date. The entity must also recast its comparative period financial statements and provide the disclosures required by the new standard for the comparative periods. Consequently, financial information was not updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.

The new standard provided a number of optional practical expedients in transition. We elected the 'package of practical expedients', which permitted us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. We elected the practical expedient pertaining to land easements. We also elected the short-term lease recognition exemption for certain of our vehicle agreements. This means, for those leases that qualify, we will not recognize ROU assets or lease liabilities.

Upon adoption, we recognized additional operating liabilities of $1.2 billion, with corresponding ROU assets of the same amount based on the present value of the remaining minimum rental payments under current leasing standards for our existing operating leases. In addition to the increase to the operating lease liabilities and right-of-use assets, Topic 842 also resulted in reclassifying the presentation of prepaid and deferred rent to operating lease right-of-use assets. The Company did not have any changes to its opening balance of retained earnings for the adoption of this update.

Other recently released pronouncements

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and other (Topic 350): Simplifying the test for goodwill impairment.* The update simplifies how a company completes its goodwill impairment test by eliminating the two-step process, which requires determining the fair value of assets acquired or liabilities assumed in a business combination. The update requires completing the goodwill impairment test by comparing the difference between the reporting unit's carrying value and fair value. Goodwill charges, if any, would be determined by reducing the goodwill balance by the excess of the reporting unit's carrying value over its fair value. The update is effective for annual and interim fiscal periods beginning after December 15, 2019, with early adoption permitted for interim or annual goodwill impairment tests performed on or after January 1, 2017. The Company adopted this update beginning with its December 31, 2017 goodwill impairment test.

In November 2018, the FASB issued ASU No. 2018-18, *Collaborative Arrangements (Topic 808).* The update is to clarify when certain transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606 and when the collaborative arrangement participant is a customer in the context of a unit of account. The update also adds unit-of-account guidance in Topic 808 and requires that a collaborative arrangement participant that is not directly related to sales to a third party, presenting the transaction together with revenue recognized under Topic 606 is precluded if the collaborative arrangement participant is not a customer. The update is effective for annual and interim fiscal periods beginning after December 15, 2019 with early adoption permitted. The Company does not believe this update will have a material effect on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326*) – Measurement of Credit Losses on Financial Instruments, and additional changes modifications, clarifications, or interpretations related to this guidance thereafter, which require a reporting entity to estimate credit losses on certain types of financial instruments, and present assets held at amortized cost and available-for-sale debt securities at the amount expected to be collected. The new guidance is effective for annual and interim periods beginning after December 15, 2019, and early adoption is permitted. The Company is currently evaluating the impact of the new guidance on its Consolidated Financial Statements.

14. Dividends/Distributions

During the three and six months ended June 30, 2019, the Company declared and paid cash distributions of its REIT taxable income in an aggregate amount of $96,039 or $0.96 per share and $191,954 or $1.92 per share, respectively. During the three and six months ended June 30, 2018, the Company paid cash distributions of its REIT taxable income in the amount of $89,783 or $0.91 per share and $260,859 or $2.65 per share, respectively. The distributions paid during the six months ended June 30, 2018 include distributions declared during the reporting period of $179,325 or $1.82 per share, as well as distributions declared and accrued as of December 31, 2017 of $81,534 or $0.83 per share. The amount, timing and frequency of future distributions will be at the sole discretion of the Board of Directors and will be declared based upon various factors, a number of which may be beyond the Company's control, including financial condition and operating cash flows, the amount required to maintain REIT status and reduce any income and excise taxes that the Company otherwise would be required to pay, limitations on distributions in our existing and future debt instruments, the Company's ability to utilize net operating losses to offset, in whole or in part, the Company's distribution

requirements, limitations on its ability to fund distributions using cash generated through its taxable REIT subsidiaries (TRSs) and other factors that the Board of Directors may deem relevant. During the three and six months ended June 30, 2019, the Company paid cash dividend distributions to holders of its Series AA Preferred Stock in an aggregate amount of $91 or $15.95 per share and $182 or $31.90 per share, respectively. During the three months ended June 30, 2018, the Company paid cash dividend distributions to holders of its Series AA Preferred Stock in an aggregate amount of $91 or $15.95 per share. During the six months ended June 30, 2018, the Company paid cash dividend distributions to holders of its Series AA Preferred Stock in an aggregate amount of $273 or $47.85 per share, which included distributions declared during the period as well as those declared and accrued in the fourth quarter of 2017.

15. Information about Geographic Areas

Revenues from external customers attributable to foreign countries totaled $17,057 and $16,794 for the six months ended June 30, 2019 and 2018, respectively. Net carrying value of long lived assets located in foreign countries totaled $3,407 and $2,387 as of June 30, 2019 and December 31, 2018, respectively. All other revenues from external customers and long lived assets relate to domestic operations.

16. Stockholders' Equity

On May 1, 2018, the Company entered into an equity distribution agreement (the "Sales Agreement") with J.P. Morgan Securities LLC, Wells Fargo Securities LLC, and SunTrust Robinson Humphrey, Inc. as its sales agents (each a "Sales Agent", and collectively, the "Sales Agents"). Under the terms of the Sales Agreement, the Company may, from time to time, issue and sell shares of its Class A common stock, having an aggregate offering price of up to $400,000, through the Sales Agents as either agents or principals. As of June 30, 2019, 576,002 shares of our Class A Common Stock have been sold under the Sales Agreement and accordingly $357,885 remained available to be sold under the Sales Agreement as of June 30, 2019.

Sales of the Class A Common Stock, if any, may be made in negotiated transactions or transactions that are deemed to be "at-the-market offerings" as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on or through the Nasdaq Global Select Market and any other existing trading market for the Class A Common Stock, or sales made to or through a market maker other than on an exchange. The Company has no obligation to sell any of the Class A Common Stock under the Sales Agreement and may at any time suspend solicitations and offers under the Sales Agreement.

On August 6, 2018, the Company filed an automatically effective shelf registration statement that registered the offer and sale of an indeterminate amount of additional shares of our Class A common stock. As of December 31, 2018 the Company issued 163,137 shares of its Class A common stock in connection with acquisitions occurring during the period. The Company filed a prospectus supplement to the shelf registration statement relating to the offer and resale of such shares of Class A common stock. There were no additional shares issued under this shelf registration during the six months ended June 30, 2019.

LAMAR MEDIA CORP.
AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except share data)

	June 30, 2019 (Unaudited)	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,754	$ 20,994
Receivables, net of allowance for doubtful accounts of $13,643 and $11,161 in 2019 and 2018, respectively	249,281	235,576
Prepaid lease and contract expenses	—	80,684
Other current assets	35,624	25,915
Total current assets	301,659	363,169
Property, plant and equipment	3,596,390	3,525,725
Less accumulated depreciation and amortization	(2,280,132)	(2,230,677)
Net property, plant and equipment	1,316,258	1,295,048
Operating lease right of use assets	1,290,963	—
Goodwill	1,872,401	1,909,235
Intangible assets	953,242	914,984
Other assets	47,888	45,450
Total assets	$ 5,782,411	$ 4,527,886
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Trade accounts payable	$ 16,152	$ 21,246
Current maturities of long-term debt, net of deferred financing costs of $6,016 and $5,245 in 2019 and 2018, respectively	209,696	204,120
Current operating lease liabilities	172,408	—
Accrued expenses	74,127	117,300
Deferred income	126,545	107,202
Total current liabilities	598,928	449,868
Long-term debt, net of deferred financing costs of $21,368 and $20,619 in 2019 and 2018, respectively	2,762,806	2,684,568
Operating lease liabilities	1,030,915	—
Deferred income tax liabilities	4,717	20,734
Asset retirement obligation	224,234	222,989
Other liabilities	32,723	29,531
Total liabilities	4,654,323	3,407,690
Stockholder's equity:		
Common stock, par value $.01, 3,000 shares authorized, 100 shares issued and outstanding at 2019 and 2018	—	—
Additional paid-in-capital	2,961,042	2,922,907
Accumulated comprehensive income	558	12
Accumulated deficit	(1,833,512)	(1,802,723)
Stockholder's equity	1,128,088	1,120,196
Total liabilities and stockholder's equity	$ 5,782,411	$ 4,527,886

See accompanying notes to condensed consolidated financial statements.

LAMAR MEDIA CORP.
AND SUBSIDIARIES
Condensed Consolidated Statements of Income and Comprehensive Income
(Unaudited)
(In thousands, except share and per share data)

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Statements of Income				
Net revenues	$ 448,742	$ 419,800	$ 833,199	$ 780,826
Operating expenses (income)				
Direct advertising expenses (exclusive of depreciation and amortization)	146,390	140,784	286,860	279,077
General and administrative expenses (exclusive of depreciation and amortization)	78,416	69,686	157,709	139,894
Corporate expenses (exclusive of depreciation and amortization)	18,585	20,058	35,505	41,056
Depreciation and amortization	61,693	55,322	123,199	112,162
(Gain) loss on disposition of assets	(537)	(1,843)	(5,161)	6,858
	304,547	284,007	598,112	579,047
Operating income	144,195	135,793	235,087	201,779
Other expense (income)				
Loss on extinguishment of debt	—	—	—	15,429
Interest income	(232)	(132)	(385)	(156)
Interest expense	38,322	31,892	75,917	65,471
	38,090	31,760	75,532	80,744
Income before income tax expense	106,105	104,033	159,555	121,035
Income tax (benefit) expense	(12,380)	3,513	(10,292)	5,357
Net income	$ 118,485	$ 100,520	$ 169,847	$ 115,678
Statements of Comprehensive Income				
Net income	$ 118,485	$ 100,520	$ 169,847	$ 115,678
Other comprehensive income (loss)				
Foreign currency translation adjustments	287	(277)	546	(820)
Comprehensive income	$ 118,772	$ 100,243	$ 170,393	$ 114,858

See accompanying notes to condensed consolidated financial statements.

LAMAR MEDIA CORP.
AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(In thousands, except share and per share data)

	Common Stock	Additional Paid-In Capital	Accumulated Comprehensive Income	Accumulated Deficit	Total
Balance, December 31, 2018	$ —	2,922,907	12	(1,802,723)	$ 1,120,196
Contribution from parent	—	30,970	—	—	30,970
Foreign currency translations	—	—	259	—	259
Net income	—	—	—	51,362	51,362
Dividend to parent	—	—	—	(104,597)	(104,597)
Balance, March 31, 2019	$ —	2,953,877	271	(1,855,958)	$ 1,098,190
Contribution from parent	—	7,165	—	—	7,165
Foreign currency translations	—	—	287	—	287
Net income	—	—	—	118,485	118,485
Dividend to parent	—	—	—	(96,039)	(96,039)
Balance, June 30, 2019	$ —	2,961,042	558	(1,833,512)	$ 1,128,088

	Common Stock	Additional Paid-In Capital	Accumulated Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance, December 31, 2017	$ —	2,832,940	1,302	(1,743,144)	$ 1,091,098
Contribution from parent	—	15,941	—	—	15,941
Foreign currency translations	—	—	(543)	—	(543)
Net income	—	—	—	15,158	15,158
Dividend to parent	—	—	—	(93,654)	(93,654)
Balance, March 31, 2018	$ —	2,848,881	759	(1,821,640)	$ 1,028,000
Contribution from parent	—	22,787	—	—	22,787
Foreign currency translations	—	—	(277)	—	(277)
Net income	—	—	—	100,520	100,520
Dividend to parent	—	—	—	(89,783)	(89,783)
Balance, June 30, 2018	$ —	2,871,668	482	(1,810,903)	$ 1,061,247

See accompanying notes to condensed consolidated financial statements

LAMAR MEDIA CORP.
AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Six months ended June 30,	
	2019	**2018**
Cash flows from operating activities:		
Net income	$ 169,847	$ 115,678
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	123,199	112,162
Stock-based compensation	7,506	14,121
Amortization included in interest expense	2,670	2,448
(Gain) loss on disposition of assets and investments	(5,161)	6,858
Loss on extinguishment of debt	—	15,429
Deferred tax (benefit) expense	(15,121)	437
Provision for doubtful accounts	4,657	3,940
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	(19,103)	(30,891)
Prepaid lease expenses	20,173	(25,717)
Other assets	(11,108)	(4,549)
Increase (decrease) in:		
Trade accounts payable	1,520	908
Accrued expenses	(13,528)	(16,956)
Operating lease liabilities	(45,836)	—
Other liabilities	(5,371)	8,373
Net cash provided by operating activities	214,344	202,241
Cash flows from investing activities:		
Acquisitions	(78,141)	(16,165)
Capital expenditures	(60,560)	(52,473)
Proceeds received from property insurance claims	—	3,804
Proceeds from disposition of assets and investments	2,100	3,407
(Increase) decrease of notes receivable	(544)	5
Net cash used in investing activities	(137,145)	(61,422)
Cash flows from financing activities:		
Principal payments on long-term debt	(14,421)	(12,911)
Payment on revolving credit facility	(375,000)	(270,000)
Proceeds received from revolving credit facility	220,000	190,000
Redemption of senior subordinated notes	—	(509,790)
Proceeds received from note offering	255,000	—
Proceeds received from accounts receivable securitization program	9,000	—
Payments on accounts receivable securitization program	(9,000)	—
Proceeds received from senior credit facility term B loan	—	599,250
Debt issuance costs	(4,435)	(6,349)
Distributions to non-controlling interest	(285)	(241)
Contributions from parent	38,135	38,992
Dividend to parent	(200,636)	(264,970)
Net cash used in financing activities	(81,642)	(236,019)
Effect of exchange rate changes in cash and cash equivalents	203	(683)
Net decrease in cash and cash equivalents	(4,240)	(95,883)
Cash and cash equivalents at beginning of period	20,994	114,971
Cash and cash equivalents at end of period	$ 16,754	$ 19,088
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 66,968	$ 74,352
Cash paid for foreign, state and federal income taxes	$ 9,260	$ 5,660

See accompanying notes to condensed consolidated financial statements.

LAMAR MEDIA CORP.
AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In Thousands, Except for Share Data)

1. Significant Accounting Policies

The information included in the foregoing interim condensed consolidated financial statements is unaudited. In the opinion of management all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of Lamar Media's financial position and results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year. These interim condensed consolidated financial statements should be read in conjunction with Lamar Media's consolidated financial statements and the notes thereto included in the 2018 Combined Form 10-K/A.

Certain notes are not provided for the accompanying condensed consolidated financial statements as the information in notes 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 15 and 16 to the condensed consolidated financial statements of Lamar Advertising included elsewhere in this report is substantially equivalent to that required for the condensed consolidated financial statements of Lamar Media. Earnings per share data is not provided for Lamar Media, as it is a wholly owned subsidiary of the Company.

2. Summarized Financial Information of Subsidiaries

Separate condensed consolidating financial information for Lamar Media, subsidiary guarantors and non-guarantor subsidiaries are presented below. Lamar Media and its subsidiary guarantors have fully and unconditionally guaranteed Lamar Media's obligations with respect to its publicly issued notes. All guarantees are joint and several. As a result of these guarantee arrangements, we are required to present the following condensed consolidating financial information. The following condensed consolidating financial information should be read in conjunction with the accompanying consolidated financial statements and notes. The condensed consolidating financial information is provided as an alternative to providing separate financial statements for guarantor subsidiaries. Separate financial statements of Lamar Media's subsidiary guarantors are not included because the guarantees are full and unconditional and the subsidiary guarantors are 100% owned and jointly and severally liable for Lamar Media's outstanding publicly issued notes. The accounts for all companies reflected herein are presented using the equity method of accounting for investments in subsidiaries.

LAMAR MEDIA CORP.
AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In Thousands, Except for Share Data)

Condensed Consolidating Balance Sheet as of June 30, 2019

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (unaudited)	Eliminations	Lamar Media Consolidated
ASSETS					
Total current assets	$ 9,094	$ 49,217	$ 243,348	$ —	$ 301,659
Net property, plant and equipment	—	1,309,748	6,510	—	1,316,258
Operating lease right of use assets	—	1,259,256	31,707	—	1,290,963
Intangibles and goodwill, net	—	2,806,868	18,775	—	2,825,643
Other assets	4,144,125	236,530	184,456	(4,517,223)	47,888
Total assets	$ 4,153,219	$ 5,661,619	$ 484,796	$ (4,517,223)	$ 5,782,411
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 34,662	$ 34	$ 175,000	$ —	$ 209,696
Other current liabilities	23,375	339,244	26,613	—	389,232
Total current liabilities	58,037	339,278	201,613	—	598,928
Long-term debt	2,762,755	51	—	—	2,762,806
Other noncurrent liabilities	204,339	1,238,805	274,735	(425,290)	1,292,589
Total liabilities	3,025,131	1,578,134	476,348	(425,290)	4,654,323
Stockholders' equity	1,128,088	4,083,485	8,448	(4,091,933)	1,128,088
Total liabilities and stockholders' equity	$ 4,153,219	$ 5,661,619	$ 484,796	$ (4,517,223)	$ 5,782,411

LAMAR MEDIA CORP.
AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In Thousands, Except for Share Data)

Condensed Consolidating Balance Sheet as of December 31, 2018

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
ASSETS					
Total current assets	$ 4,653	$ 121,549	$ 236,967	$ —	$ 363,169
Net property, plant and equipment	—	1,289,348	5,700	—	1,295,048
Intangibles and goodwill, net	—	2,804,915	19,304	—	2,824,219
Other assets	4,056,288	230,504	184,247	(4,425,589)	45,450
Total assets	$ 4,060,941	$ 4,446,316	$ 446,218	$ (4,425,589)	$ 4,527,886
LIABILITIES AND STOCKHOLDER'S EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 29,086	$ 34	$ 175,000	$ —	$ 204,120
Other current liabilities	27,067	204,103	14,578	—	245,748
Total current liabilities	56,153	204,137	189,578	—	449,868
Long-term debt	2,684,500	68	—	—	2,684,568
Other noncurrent liabilities	200,092	246,312	251,835	(424,985)	273,254
Total liabilities	2,940,745	450,517	441,413	(424,985)	3,407,690
Stockholders' equity	1,120,196	3,995,799	4,805	(4,000,604)	1,120,196
Total liabilities and stockholders' equity	$ 4,060,941	$ 4,446,316	$ 446,218	$ (4,425,589)	$ 4,527,886

LAMAR MEDIA CORP.
AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In Thousands, Except for Share Data)

Condensed Consolidating Statements of Income and Comprehensive Income for the Three Months Ended June 30, 2019

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
Statement of Income			(unaudited)		
Net revenues	$ —	$ 437,074	$ 12,498	$ (830)	$ 448,742
Operating expenses					
Direct advertising expenses [1]	—	140,108	7,112	(830)	146,390
General and administrative expenses [1]	—	76,475	1,941	—	78,416
Corporate expenses [1]	—	18,274	311	—	18,585
Depreciation and amortization	—	61,031	662	—	61,693
(Gain) loss on disposition of assets	—	(550)	13	—	(537)
	—	295,338	10,039	(830)	304,547
Operating income	—	141,736	2,459	—	144,195
Equity in (earnings) loss of subsidiaries	(155,336)	—	—	155,336	—
Interest expense (income), net	36,851	(82)	1,321	—	38,090
Income (loss) before income tax expense	118,485	141,818	1,138	(155,336)	106,105
Income tax (benefit) expense [2]	—	(13,231)	851	—	(12,380)
Net income (loss)	$ 118,485	$ 155,049	$ 287	$ (155,336)	$ 118,485
Statement of Comprehensive Income					
Net income (loss)	$ 118,485	$ 155,049	$ 287	$ (155,336)	$ 118,485
Total other comprehensive income, net of tax	—	—	287	—	287
Total comprehensive income (loss)	$ 118,485	$ 155,049	$ 574	$ (155,336)	$ 118,772

(1) Caption is exclusive of depreciation and amortization.
(2) The income tax expense reflected in each column does not include any tax effect of the equity in earnings from subsidiaries.

LAMAR MEDIA CORP.
AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In Thousands, Except for Share Data)

Condensed Consolidating Statements of Income and Comprehensive Income for the Three Months Ended June 30, 2018

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
Statement of Income			(unaudited)		
Net revenues	$ —	$ 406,521	$ 14,119	$ (840)	$ 419,800
Operating expenses					
Direct advertising expenses [1]	—	134,716	6,770	(702)	140,784
General and administrative expenses [1]	—	67,915	1,771	—	69,686
Corporate expenses [1]	—	19,611	447	—	20,058
Depreciation and amortization	—	54,231	1,091	—	55,322
Gain on disposition of assets	—	(862)	(981)	—	(1,843)
	—	275,611	9,098	(702)	284,007
Operating income (loss)	—	130,910	5,021	(138)	135,793
Equity in (earnings) loss of subsidiaries	(132,412)	—	—	132,412	—
Interest expense (income), net	31,892	(8)	14	(138)	31,760
Income (loss) before income tax expense	100,520	130,918	5,007	(132,412)	104,033
Income tax expense [2]	—	2,829	684	—	3,513
Net income (loss)	$ 100,520	$ 128,089	$ 4,323	$ (132,412)	$ 100,520
Statement of Comprehensive Income					
Net income (loss)	$ 100,520	$ 128,089	$ 4,323	$ (132,412)	$ 100,520
Total other comprehensive loss, net of tax	—	—	(277)	—	(277)
Total comprehensive income (loss)	$ 100,520	$ 128,089	$ 4,046	$ (132,412)	$ 100,243

(1) Caption is exclusive of depreciation and amortization.
(2) The income tax expense reflected in each column does not include any tax effect of the equity in earnings from subsidiaries.

LAMAR MEDIA CORP.
AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In Thousands, Except for Share Data)

Condensed Consolidating Statements of Income and Comprehensive Income for the Six Months Ended June 30, 2019

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
Statement of Income			(unaudited)		
Net revenues	$ —	$ 811,655	$ 23,024	$ (1,480)	$ 833,199
Operating expenses					
Direct advertising expenses [1]	—	274,858	13,482	(1,480)	286,860
General and administrative expenses [1]	—	154,132	3,577	—	157,709
Corporate expenses [1]	—	34,897	608	—	35,505
Depreciation and amortization	—	121,864	1,335	—	123,199
Gain on disposition of assets	—	(1,010)	(4,151)	—	(5,161)
	—	584,741	14,851	(1,480)	598,112
Operating income	—	226,914	8,173	—	235,087
Equity in (earnings) loss of subsidiaries	(242,710)	—	—	242,710	—
Interest expense (income), net	72,863	(87)	2,756	—	75,532
Income (loss) before income tax expense	169,847	227,001	5,417	(242,710)	159,555
Income tax (benefit) expense [2]	—	(12,612)	2,320	—	(10,292)
Net income (loss)	$ 169,847	$ 239,613	$ 3,097	$ (242,710)	$ 169,847
Statement of Comprehensive Income					
Net income (loss)	$ 169,847	$ 239,613	$ 3,097	$ (242,710)	$ 169,847
Total other comprehensive income, net of tax	—	—	546	—	546
Total comprehensive income (loss)	$ 169,847	$ 239,613	$ 3,643	$ (242,710)	$ 170,393

(1) Caption is exclusive of depreciation and amortization.
(2) The income tax expense reflected in each column does not include any tax effect of the equity in earnings from subsidiaries.

LAMAR MEDIA CORP.
AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In Thousands, Except for Share Data)

Condensed Consolidating Statements of Income and Comprehensive Income for the Six Months Ended June 30, 2018

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
Statement of Income			(unaudited)		
Net revenues	$ —	$ 756,383	$ 26,221	$ (1,778)	$ 780,826
Operating expenses					
Direct advertising expenses [1]	—	265,840	14,520	(1,283)	279,077
General and administrative expenses [1]	—	135,476	4,418	—	139,894
Corporate expenses [1]	—	40,216	840	—	41,056
Depreciation and amortization	—	108,580	3,582	—	112,162
(Gain) loss on disposition of assets	—	(827)	7,685	—	6,858
	—	549,285	31,045	(1,283)	579,047
Operating income (loss)	—	207,098	(4,824)	(495)	201,779
Equity in (earnings) loss of subsidiaries	(196,577)	—	—	196,577	—
Interest expense (income), net	65,470	(10)	350	(495)	65,315
Other expenses	15,429	—	—	—	15,429
Income (loss) before income tax expense	115,678	207,108	(5,174)	(196,577)	121,035
Income tax expense [2]	—	3,541	1,816	—	5,357
Net income (loss)	$ 115,678	$ 203,567	$ (6,990)	$ (196,577)	$ 115,678
Statement of Comprehensive Income					
Net income (loss)	$ 115,678	$ 203,567	$ (6,990)	$ (196,577)	$ 115,678
Total other comprehensive loss, net of tax	—	—	(820)	—	(820)
Total comprehensive income (loss)	$ 115,678	$ 203,567	$ (7,810)	$ (196,577)	$ 114,858

(1) Caption is exclusive of depreciation and amortization.
(2) The income tax expense reflected in each column does not include any tax effect of the equity in earnings from subsidiaries.

LAMAR MEDIA CORP.
AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In Thousands, Except for Share Data)
Condensed Consolidating Statement of Cash Flows for the Six Months Ended June 30, 2019

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (unaudited)	Eliminations	Lamar Media Consolidated
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	$ 158,778	$ 287,842	$ (2,208)	$ (230,068)	$ 214,344
Cash flows from investing activities:					
Acquisitions	—	(78,141)	—	—	(78,141)
Capital expenditures	—	(59,193)	(1,367)	—	(60,560)
Proceeds from disposition of assets and investments	—	2,100	—	—	2,100
Investment in subsidiaries	(78,141)	—	—	78,141	—
Decrease (increase) in intercompany notes receivable	5,161	—	—	(5,161)	—
Increase in notes receivable	(127)	(417)	—	—	(544)
Net cash (used in) provided by investing activities	(73,107)	(135,651)	(1,367)	72,980	(137,145)
Cash flows from financing activities:					
Proceeds received from revolving credit facility	220,000	—	—	—	220,000
Payment on revolving credit facility	(375,000)	—	—	—	(375,000)
Principal payments on long-term debt	(14,421)	—	—	—	(14,421)
Proceeds received from note offering	255,000	—	—	—	255,000
Payment on accounts receivable securitization program	—	—	(9,000)	—	(9,000)
Proceeds received from accounts receivable securitization program	—	—	9,000	—	9,000
Debt issuance costs	(4,435)	—	—	—	(4,435)
Intercompany loan proceeds	—	(8,461)	3,300	5,161	—
Distributions to non-controlling interest	—	—	(285)	—	(285)
Dividends (to) from parent	(200,636)	(230,068)	—	230,068	(200,636)
Contributions from (to) parent	38,135	78,141	—	(78,141)	38,135
Net cash (used in) provided by financing activities	(81,357)	(160,388)	3,015	157,088	(81,642)
Effect of exchange rate changes in cash and cash equivalents	—	—	203	—	203
Net increase (decrease) in cash and cash equivalents	4,314	(8,197)	(357)	—	(4,240)
Cash and cash equivalents at beginning of period	4,029	11,655	5,310	—	20,994
Cash and cash equivalents at end of period	$ 8,343	$ 3,458	$ 4,953	$ —	$ 16,754

LAMAR MEDIA CORP.
AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In Thousands, Except for Share Data)

Condensed Consolidating Statement of Cash Flows for the Six Months Ended June 30, 2018

	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (unaudited)	Eliminations	Lamar Media Consolidated
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	$ 146,324	$ 268,161	$ 7,790	$ (220,034)	$ 202,241
Cash flows from investing activities:					
Acquisitions	—	(16,165)	—	—	(16,165)
Capital expenditures	—	(48,506)	(3,967)	—	(52,473)
Proceeds from disposition of assets and investments	—	—	3,407	—	3,407
Proceeds received from insurance claims	—	—	3,804	—	3,804
Investment in subsidiaries	(16,165)	—	—	16,165	—
Decrease (increase) in intercompany notes receivable	28,618	—	—	(28,618)	—
Decrease in notes receivable	5	—	—	—	5
Net cash provided by (used in) investing activities	12,458	(64,671)	3,244	(12,453)	(61,422)
Cash flows from financing activities:					
Proceeds received from revolving credit facility	190,000	—	—	—	190,000
Payment on revolving credit facility	(270,000)	—	—	—	(270,000)
Principal payments on long-term debt	(12,897)	(14)	—	—	(12,911)
Proceeds received from senior credit facility term loan	599,250	—	—	—	599,250
Redemption of senior subordinated notes	(509,790)	—	—	—	(509,790)
Debt issuance costs	(6,349)	—	—	—	(6,349)
Intercompany loan proceeds	—	—	(28,618)	28,618	—
Distributions to non-controlling interest	—	—	(241)	—	(241)
Dividends (to) from parent	(264,970)	(220,034)	—	220,034	(264,970)
Contributions from (to) parent	38,992	16,165	—	(16,165)	38,992
Net cash (used in) provided by financing activities	(235,764)	(203,883)	(28,859)	232,487	(236,019)
Effect of exchange rate changes in cash and cash equivalents	—	—	(683)	—	(683)
Net decrease in cash and cash equivalents	(76,982)	(393)	(18,508)	—	(95,883)
Cash and cash equivalents at beginning of period	86,546	1,625	26,800	—	114,971
Cash and cash equivalents at end of period	$ 9,564	$ 1,232	$ 8,292	$ —	$ 19,088

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains forward-looking statements. Actual results could differ materially from those anticipated by the forward-looking statements due to risks and uncertainties described in the section of this combined report on Form 10-Q entitled "Note Regarding Forward-Looking Statements" and in Item 1A to the 2018 Combined Form 10-K/A filed on February 26, 2019, as supplemented by any risk factors contained in our combined Quarterly Reports on Form 10-Q. You should carefully consider each of these risks and uncertainties in evaluating the Company's and Lamar Media's financial conditions and results of operations. Investors are cautioned not to place undue reliance on the forward-looking statements contained in this document. These statements speak only as of the date of this document, and the Company undertakes no obligation to update or revise the statements, except as may be required by law.

LAMAR ADVERTISING COMPANY

The following is a discussion of the consolidated financial condition and results of operations of the Company for the six months and three months ended June 30, 2019 and 2018. This discussion should be read in conjunction with the consolidated financial statements of the Company and the related notes thereto.

Overview

The Company's net revenues are derived primarily from the rental of advertising space on outdoor advertising displays owned and operated by the Company. Revenue growth is based on many factors that include the Company's ability to increase occupancy of its existing advertising displays; raise advertising rates; and acquire new advertising displays and its operating results are therefore affected by general economic conditions, as well as trends in the advertising industry. Advertising spending is particularly sensitive to changes in general economic conditions which affect the rates that the Company is able to charge for advertising on its displays and its ability to maximize advertising sales or occupancy on its displays.

Historically, the Company has made strategic acquisitions of outdoor advertising assets to increase the number of outdoor advertising displays it operates in existing and new markets. The Company continues to evaluate and pursue strategic acquisition opportunities as they arise. The Company has financed its historical acquisitions and intends to finance any future acquisition activity from available cash, borrowings under its senior credit facility or the issuance of debt or equity securities. See "Liquidity and Capital Resources-*Sources of Cash*" for more information. During the six months ended June 30, 2019, the Company completed several acquisitions for a total cash purchase price of approximately $78.1 million. See—"*Uses of Cash – Acquisitions*" for more information.

The Company's business requires expenditures for maintenance and capitalized costs associated with the construction of new billboard displays, the entrance into and renewal of logo sign and transit contracts, and the purchase of real estate and operating equipment. The following table presents a breakdown of capitalized expenditures for the three and six months ended June 30, 2019 and 2018:

	Three months ended June 30, (in thousands)		Six months ended June 30, (in thousands)	
	2019	**2018**	**2019**	**2018**
Total capital expenditures:				
Billboard — traditional	$ 13,431	$ 8,420	$ 22,693	$ 15,207
Billboard — digital	14,418	11,815	26,037	20,117
Logos	2,492	2,653	3,904	5,105
Transit	617	368	1,796	740
Land and buildings	1,208	2,598	1,696	6,029
Operating equipment	2,443	3,367	4,434	5,275
Total capital expenditures	$ 34,609	$ 29,221	$ 60,560	$ 52,473

Non-GAAP Financial Measures

Our management reviews our performance by focusing on several key performance indicators not prepared in conformity with Generally Accepted Accounting Principles in the United States ("GAAP"). We believe these non-GAAP performance indicators are meaningful supplemental measures of our operating performance and should not be considered in isolation of, or as a substitute for their most directly comparable GAAP financial measures.

Included in our analysis of our results of operations are discussions regarding earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), Funds From Operations ("FFO"), as defined by the National Association of Real Estate Investment Trusts, Adjusted Funds From Operations ("AFFO") and acquisition-adjusted net revenue.

We define Adjusted EBITDA as net income before income tax expense (benefit), interest expense (income), loss (gain) on extinguishment of debt and investments, stock-based compensation, depreciation and amortization, gain or loss on disposition of assets and investments, and the impact of ASC 842 adoption.

FFO is defined as net income before gains or losses from the sale or disposal of real estate assets and investments and real estate related depreciation and amortization and including adjustments to eliminate unconsolidated affiliates and non-controlling interest.

We define AFFO as FFO before (i) straight-line revenue and expense; (ii) impact of ASC 842 adoption; (iii) stock-based compensation expense; (iv) non-cash portion of tax provision; (v) non-real estate related depreciation and amortization; (vi) amortization of deferred financing costs; (vii) loss on extinguishment of debt; (viii) non-recurring infrequent or unusual losses (gains); (ix) less maintenance capital expenditures; and (x) an adjustment for unconsolidated affiliates and non-controlling interest.

Acquisition-adjusted net revenue adjusts our net revenue for the prior period by adding to it the net revenue generated by the acquired assets before our acquisition of these assets for the same time frame that those assets were owned in the current period. In calculating acquisition-adjusted revenue, therefore, we include revenue generated by assets that we did not own in the period but acquired in the current period. We refer to the amount of pre-acquisition revenue generated by the acquired assets during the prior period that corresponds with the current period in which we owned the assets (to the extent within the period to which this report relates) as "acquisition net revenue". In addition, we also adjust the prior period to subtract revenue generated by the assets that have been divested since the prior period and, therefore, no revenue derived from those assets is reflected in the current period.

Adjusted EBITDA, FFO, AFFO and acquisition-adjusted net revenue are not intended to replace net income or any other performance measures determined in accordance with GAAP. Neither FFO nor AFFO represent cash flows from operating activities in accordance with GAAP and, therefore, these measures should not be considered indicative of cash flows from operating activities as a measure of liquidity or of funds available to fund our cash needs, including our ability to make cash distributions. Rather, Adjusted EBITDA, FFO, AFFO and acquisition-adjusted net revenue are presented as we believe each is a useful indicator of our current operating performance. We believe that these metrics are useful to an investor in evaluating our operating performance because (1) each is a key measure used by our management team for purposes of decision making and for evaluating our core operating results; (2) Adjusted EBITDA is widely used in the industry to measure operating performance as depreciation and amortization may vary significantly among companies depending upon accounting methods and useful lives, particularly where acquisitions and non-operating factors are involved; (3) acquisition-adjusted net revenue is a supplement to net revenue to enable investors to compare period over period results on a more consistent basis without the effects of acquisitions and divestures, which reflects our core performance and organic growth (if any) during the period in which the assets were owned and managed by us; (4) Adjusted EBITDA, FFO and AFFO each provides investors with a meaningful measure for evaluating our period-to-period operating performance by eliminating items that are not operational in nature; and (5) each provides investors with a measure for comparing our results of operations to those of other companies.

Our measurement of Adjusted EBITDA, FFO, AFFO and acquisition-adjusted net revenue may not, however, be fully comparable to similarly titled measures used by other companies. Reconciliations of Adjusted EBITDA, FFO, AFFO and acquisition-adjusted net revenue to net income, the most directly comparable GAAP measure, have been included herein.

RESULTS OF OPERATIONS

Six Months ended June 30, 2019 compared to Six Months ended June 30, 2018

Net revenues increased $52.4 million or 6.7% to $833.2 million for the six months ended June 30, 2019 from $780.8 million for the same period in 2018. This increase was attributable primarily to an increase in billboard net revenues of $51.8 million, which represents an increase of 7.6% over the same period in 2018, largely due to the acquisition of new operating assets during 2018 and 2019. In addition, transit sign revenue increased $0.8 million, which represents an increase of 1.4% over the prior period and logo sign revenue decreased $0.3 million, which represents a decrease of 0.7%.

For the six months ended June 30, 2019 there was a $18.8 million increase in acquisition-adjusted net revenue as compared to acquisition-adjusted net revenue for the six months ended June 30, 2018, which represents an increase of 2.3%. See “Reconciliations” below. The $18.8 million increase in revenue primarily consists of an $17.3 million increase in billboard revenue which is largely due to an increase in digital revenue, and a $1.7 million increase in transit revenue over the acquisition-adjusted net revenue for the comparable period in 2018.

Total operating expenses, exclusive of depreciation and amortization and loss on disposition of assets, increased $20.1 million, or 4.4% to $480.3 million for the six months ended June 30, 2019 from $460.2 million in the same period in 2018. The $20.1 million increase over the prior year is comprised of a $25.5 million increase in direct and general and administrative operating expenses (excluding stock-based compensation expense) related to the operations of our outdoor advertising assets and an increase in corporate expense of $1.2 million (excluding stock-based compensation expense), offset by a decrease in stock-based compensation of $6.6 million.

Depreciation and amortization expense increased 9.8% to $123.2 million for the six months ended June 30, 2019 as compared to the same period in 2018, primarily related to the addition of approximately $407.3 million of depreciable assets acquired through acquisitions and $125.7 million in capitalized expenditures since July 1, 2018.

For the six months ended June 30, 2019, the Company recognized a gain on disposition of assets of $5.2 million primarily resulting from an amendment of a transit contract in the first quarter of 2019. The $5.2 million gain represents an increase of $12.0 million over the same period in 2018, primarily due to the Company’s $7.7 million loss recognized on the sale of its Puerto Rico assets which closed on April 16, 2018.

Due to the above factors, operating income increased by $33.3 million to $234.9 million for the six months ended June 30, 2019 as compared to $201.6 million for the same period in 2018.

The Company did not recognize any losses on debt extinguishment during the six months ended June 30, 2019 as compared to same period in 2018, whereby the Company recorded a $15.4 million loss on debt extinguishment related to Lamar Media’s prepayment of its 5 7/8% Notes.

Interest expense increased $10.4 million for the six months ended June 30, 2019 to $75.9 million as compared to $65.5 million for the six months ended June 30, 2018. The increase in interest expense is primarily related to the increased debt outstanding as compared to the same period in 2018.

The increases in operating income and interest expense as well as the decrease in loss on debt extinguishment described above resulted in a $38.5 million increase in net income before income taxes.

The Company recorded an income tax benefit for the six months ended June 30, 2019 of $10.3 million as compared to an income tax expense of $5.4 million for the same period in 2018. The $10.3 million tax benefit is comprised of a $17.0 million non-cash tax benefit resulting from REIT converted assets offset by income tax expense of $6.7 million. The $6.7 million tax expense equates to an effective tax rate for the six months ended June 30, 2019 of 4.2% which differs from the federal statutory rate primarily due to our qualification for taxation as a REIT and adjustments for foreign items.

As a result of the above factors, the Company recognized net income for the six months ended June 30, 2019 of $169.6 million, as compared to net income of $115.5 million for the same period in 2018.

Reconciliations:

Because acquisitions occurring after December 31, 2017 (the “acquired assets”) have contributed to our net revenue results for the periods presented, we provide 2018 acquisition-adjusted net revenue, which adjusts our 2018 net revenue for the six months ended June 30, 2018 by adding to or subtracting from it the net revenue generated by the acquired or divested assets prior to our acquisition or divestiture of these assets for the same time frame that those assets were owned in the six months ended June 30, 2019.

Reconciliations of 2018 reported net revenue to 2018 acquisition-adjusted net revenue for the six months ended June 30, as well as a comparison of 2018 acquisition-adjusted net revenue to 2019 reported net revenue for the six months ended June 30, are provided below:

Reconciliation and Comparison of Reported Net Revenue to Acquisition-Adjusted Net Revenue

	Six months ended June 30,	
	2019	2018
	(in thousands)	
Reported net revenue	$ 833,199	$ 780,826
Acquisition net revenue	—	33,530
Adjusted totals	$ 833,199	$ 814,356

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Six Months Ended June 30,		Amount of Increase	Percent Increase
	2019	2018	(Decrease)	(Decrease)
Net income	$ 169,649	$ 115,483	$ 54,166	46.9%
Income tax (benefit) expense	(10,292)	5,357	(15,649)	
Loss on debt extinguishment	—	15,429	(15,429)	
Interest expense (income), net	75,532	65,315	10,217	
(Gain) loss on disposition of assets	(5,161)	6,858	(12,019)	
Depreciation and amortization	123,199	112,162	11,037	
Impact of ASC 842 adoption (lease accounting standard)	(6,374)	—	(6,374)	
Stock-based compensation expense	7,506	14,121	(6,615)	
Adjusted EBITDA	$ 354,059	$ 334,725	$ 19,334	5.8%

Adjusted EBITDA for the six months ended June 30, 2019 increased 5.8% to $354.1 million. The increase in Adjusted EBITDA was primarily attributable to an increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization and the impact of ASC 842 adoption) of $38.2 million, and was offset by an increase in total general and administrative and corporate expenses of $18.9 million, excluding the impact of stock-based compensation expense.

Net Income/FFO/AFFO
(in thousands)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Amount of Increase (Decrease)	Percent Increase (Decrease)
Net income	$ 169,649	$ 115,483	$ 54,166	46.9%
Depreciation and amortization related to real estate	116,178	105,909	10,269	
(Gain) loss from sale or disposal of real estate, net of tax of $0 and $878 in 2019 and 2018, respectively	(4,884)	7,845	(12,729)	
Non-cash tax benefit for REIT converted assets	(17,031)	—	(17,031)	
Adjustments for unconsolidated affiliates and non-controlling interest	354	342	12	
FFO	$ 264,266	$ 229,579	$ 34,687	15.1%
Straight line income	(216)	(957)	741	
Impact of ASC 842 adoption (lease accounting standard)	(6,374)	—	(6,374)	
Stock-based compensation expense	7,506	14,121	(6,615)	
Non-cash portion of tax provision	1,910	(441)	2,351	
Non-real estate related depreciation and amortization	7,021	6,253	768	
Amortization of deferred financing costs	2,670	2,448	222	
Loss on extinguishment of debt	—	15,429	(15,429)	
Capital expenditures – maintenance	(23,396)	(19,205)	(4,191)	
Adjustments for unconsolidated affiliates and non-controlling interest	(354)	(342)	(12)	
AFFO	$ 253,033	$ 246,885	$ 6,148	2.5%

FFO for the six months ended June 30, 2019 increased from FFO of $229.6 million in 2018 to $264.3 million for the same period in 2019, an increase of 15.1%. AFFO for the six months ended June 30, 2019 increased 2.5% to $253.0 million as compared to $246.9 million for the same period in 2018. The increase in AFFO was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization and the impact of ASC 842 adoption) offset by increases in interest expense and the total of general and administrative and corporate expenses (excluding the effect of stock-based compensation expense).

Three Months ended June 30, 2019 compared to Three Months ended June 30, 2018

Net revenues increased $28.9 million or 6.9% to $448.7 million for the three months ended June 30, 2019 from $419.8 million for the same period in 2018. This increase was attributable primarily to an increase in billboard net revenues of $28.4 million over the same period in 2018, due to growth from acquired assets over the past twelve months and a $0.4 million increase in logo sign revenue over the comparable period in 2018.

For the three months ended June 30, 2019, there was a $10.7 million increase in acquisition-adjusted net revenue as compared to acquisition-adjusted net revenue for the three months ended June 30, 2018, which represents an increase of 2.4%. See “Reconciliations” below. The $10.7 million increase in revenue is primarily due to a $9.4 million increase in billboard revenue which is largely due to an increase in digital revenue as compared to the same period in 2018. In addition, there was an increase in logo sign revenue of $0.7 million and a $0.6 million increase in transit revenue, over the acquisition-adjusted net revenue for the comparable period in 2018.

Total operating expenses, exclusive of depreciation and amortization and loss (gain) on disposition of assets, increased $12.9 million, or 5.6% to $243.5 million for the three months ended June 30, 2019 from $230.6 million in the same period in 2018. The $12.9 million increase over the prior year is comprised of a $16.8 million increase in total direct, general and administrative and corporate expenses (excluding stock-based compensation) primarily related to the operations of our outdoor advertising assets, offset by a $1.3 million reduction in stock-based compensation and a $2.6 million reduction in direct expenses related to the adoption of ASC 842.

Depreciation and amortization expense increased $6.4 million to $61.7 million for the three months ended June 30, 2019 as compared to $55.3 million for the same period in 2018, primarily related to the addition of approximately $407.3 million of depreciable assets acquired through acquisitions and $125.7 million in capitalized expenditures since July 1, 2018.

Primarily due to the above factors, operating income increased by $8.4 million to $144.1 million for the three months ended June 30, 2019 as compared to $135.7 million for the same period in 2018.

Interest expense increased $6.4 million for the three months ended June 30, 2019 to $38.3 million as compared to $31.9 million for the three months ended June 30, 2018. The increase in interest expense is primarily related to the increased debt outstanding as compared to the same period in 2018 offset by a slight decrease in interest rates.

The increase in operating income offset by the increase in interest expense described above resulted in a $2.1 million increase in net income before income taxes.

The Company recorded an income tax benefit for the three months ended June 30, 2019 of $12.4 million as compared to an income tax expense of $3.5 million for the same period in 2018. The $12.4 million tax benefit is comprised of a $17.0 million non-cash tax benefit resulting from REIT converted assets offset by income tax expense of $4.6 million. The $4.6 million tax expense equates to an effective tax rate for the three months ended June 30, 2019 of 4.4% which differs from the federal statutory rate primarily due to our qualification for taxation as a REIT and adjustments for foreign items.

As a result of the above factors, the Company recognized net income for the three months ended June 30, 2019 of $118.4 million, as compared to net income of $100.4 million for the same period in 2018.

Reconciliations:

Because acquisitions occurring after December 31, 2017 (the "acquired assets") have contributed to our net revenue results for the periods presented, we provide 2018 acquisition-adjusted net revenue, which adjusts our 2018 net revenue for the three months ended June 30, 2018 by adding to or subtracting from it the net revenue generated by the acquired or divested assets prior to our acquisition or divestiture of these assets for the same time frame that those assets were owned in the three months ended June 30, 2019.

Reconciliations of 2018 reported net revenue to 2018 acquisition-adjusted net revenue for the three months ended June 30, as well as a comparison of 2018 acquisition-adjusted net revenue to 2019 reported net revenue for the three months ended June 30, are provided below:

Reconciliation and Comparison of Reported Net Revenue to Acquisition-Adjusted Net Revenue

	Three months ended June 30,	
	2019	2018
	(in thousands)	
Reported net revenue	$ 448,742	$ 419,800
Acquisition net revenue	—	18,230
Adjusted totals	$ 448,742	$ 438,030

Key Performance Indicators

Net Income/Adjusted EBITDA
(in thousands)

	Three Months Ended June 30,		Amount of Increase	Percent Increase
	2019	2018	(Decrease)	(Decrease)
Net income	$ 118,396	$ 100,431	$ 17,965	17.9%
Income tax (benefit) expense	(12,380)	3,513	(15,893)	
Interest expense (income), net	38,090	31,760	6,330	
Gain on disposition of assets	(537)	(1,843)	1,306	
Depreciation and amortization	61,693	55,322	6,371	
Impact of ASC 842 adoption (lease accounting standard)	(2,600)	—	(2,600)	
Stock-based compensation expense	5,273	6,607	(1,334)	
Adjusted EBITDA	$ 207,935	$ 195,790	$ 12,145	6.2%

Adjusted EBITDA for the three months ended June 30, 2019 increased 6.2% to $207.9 million. The increase in Adjusted EBITDA was primarily attributable to an increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation

and amortization and the impact of ASC 842 adoption) of $20.7 million, and was offset by an increase in total general and administrative and corporate expenses of $8.6 million, excluding the impact of stock-based compensation expense.

Net Income/FFO/AFFO
(in thousands)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Amount of Increase (Decrease)	Percent Increase (Decrease)
Net income	$ 118,396	$ 100,431	$ 17,965	17.9%
Depreciation and amortization related to real estate	58,178	52,184	5,994	
Gain from sale or disposal of real estate, net of tax of $0 and ($57) in 2019 and 2018, respectively	(410)	(1,848)	1,438	
Non-cash tax benefit for REIT converted assets	(17,031)	—	(17,031)	
Adjustments for unconsolidated affiliates and non-controlling interest	156	147	9	
FFO	$ 159,289	$ 150,914	$ 8,375	5.5%
Straight line expense (income)	20	(680)	700	
Impact of ASC 842 adoption (lease accounting standard)	(2,600)	—	(2,600)	
Stock-based compensation expense	5,273	6,607	(1,334)	
Non-cash portion of tax provision	1,118	581	537	
Non-real estate related depreciation and amortization	3,515	3,138	377	
Amortization of deferred financing costs	1,338	1,206	132	
Capital expenditures – maintenance	(13,689)	(11,080)	(2,609)	
Adjustments for unconsolidated affiliates and non-controlling interest	(156)	(147)	(9)	
AFFO	$ 154,108	$ 150,539	$ 3,569	2.4%

FFO for the three months ended June 30, 2019 increased 5.5% to $159.3 million as compared to FFO of $150.9 million for the same period in 2018. AFFO for the three months ended June 30, 2019 increased 2.4% to $154.1 million as compared to $150.5 million for the same period in 2018. The increase in AFFO was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization and the impact of ASC 842 adoption) offset by increases in interest expense and the total of general and administrative and corporate expenses (excluding the effect of stock-based compensation expense).

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Company has historically satisfied its working capital requirements with cash from operations and borrowings under the senior credit facility. The Company's wholly owned subsidiary, Lamar Media Corp., is the borrower under the senior credit facility and maintains all corporate operating cash balances. Any cash requirements of the Company, therefore, must be funded by distributions from Lamar Media.

Sources of Cash

Total Liquidity. As of June 30, 2019 we had approximately $429.2 million of total liquidity, which is comprised of approximately $17.3 million in cash and cash equivalents and approximately $411.9 million of availability under the revolving portion of Lamar Media's senior credit facility. We are currently in compliance with the maintenance covenant included in the senior credit facility and we would remain in compliance after giving effect to borrowing the full amount available to us under the revolving portion of the senior credit facility.

As of June 30, 2019 and December 31, 2018, the Company had a working capital deficit of $302.3 million and $91.4 million, respectively. The increase in the working capital deficit of $210.9 million is primarily due to the impact of the new lease accounting standard (see Note 3. *Leases* to the Condensed Consolidated Financial Statements), which resulted in the recognition of short-term operating lease liabilities and a decline in prepaid lease and contract expenses on our Condensed Consolidated Balance Sheet.

Cash Generated by Operations. For the six months ended June 30, 2019 and 2018 our cash provided by operating activities was $237.0 million and $215.8 million, respectively. The increase in cash provided by operating activities for the six months ended June 30, 2019 over the same period in 2018 relates to an increase in revenues offset by an increase in operating expenses (excluding depreciation and amortization), and a net decrease in operating assets and liabilities. We expect to generate cash flows from operations during 2019 in excess of our cash needs for operations, capital expenditures and dividends, as described herein.

Accounts Receivable Securitization Program. On December 18, 2018, we entered into the Accounts Receivable Securitization Program. The Accounts Receivable Securitization Program provides up to $175.0 million in borrowing capacity, plus an accordion feature that would permit the borrowing capacity to be increased by up to $125.0 million. Borrowing capacity under the Accounts Receivable Securitization Program is limited to the availability of eligible accounts receivable collateralizing the borrowings under the agreements governing the Accounts Receivable Securitization Program. In connection with the Accounts Receivable Securitization Program, Lamar Media and certain of its subsidiaries (such subsidiaries, the "Subsidiary Originators") sell and/ or contribute their existing and future accounts receivable and certain related assets to one of two special purpose subsidiaries, Lamar QRS Receivables, LLC (the "QRS SPV") and Lamar TRS Receivables, LLC (the "TRS SPV" and together with the QRS SPV the "Special Purpose Subsidiaries"), each of which is a wholly-owned subsidiary of Lamar Media. Existing and future accounts receivable relating to Lamar Media and its qualified REIT subsidiaries will be sold and/ or contributed to the QRS SPV and existing and future accounts receivable relating to Lamar Media's taxable REIT subsidiaries will be sold and/ or contributed to the TRS SPV. Each of the Special Purpose Subsidiaries has granted the lenders party to the Accounts Receivable Securitization Program a security interest in all of its assets, which consist of the accounts receivable and related assets sold or contributed to them, as described above, in order to secure the obligations of the Special Purpose Subsidiaries under the agreements governing the Accounts Receivable Securitization Program. Pursuant to the Accounts Receivable Securitization Program, Lamar Media has agreed to service the accounts receivable on behalf of the two Special Purpose Subsidiaries for a fee. Lamar Media has also agreed to guaranty its performance in its capacity as servicer and originator, as well as the performance of the Subsidiary Originators, of their obligations under the agreements governing the Account Receivable Securitization Program. None of Lamar Media, the Subsidiary Originators or the Special Purpose Subsidiaries guarantees the collectability of the receivables under the Accounts Receivable Securitization Program. In addition, each of the Special Purpose Subsidiaries is a separate legal entity with its own separate creditors who will be entitled to access the assets of such Special Purpose Subsidiary before the assets become available to Lamar Media. Accordingly, the assets of the Special Purpose Subsidiaries are not available to pay creditors of Lamar Media or any of its subsidiaries, although collections from receivables in excess of the amounts required to repay the lenders and the other creditors of the Special Purpose Subsidiaries may be remitted to Lamar Media.

As of June 30, 2019 there were $175.0 million of outstanding aggregate borrowings under the Accounts Receivable Securitization Program at a borrowing rate of approximately 3.8%.

"At-the-Market" Offering Program. On May 1, 2018, the Company entered into an equity distribution agreement (the "Sales Agreement") with J.P. Morgan Securities LLC, Wells Fargo Securities LLC and SunTrust Robinson Humphrey, Inc. as our sales agents (each a "Sales Agent", and collectively, the "Sales Agents"). Under the terms of the Sales Agreement, the Company may, from time to time, issue and sell shares of its Class A common stock, having an aggregate offering price of up to $400.0 million through the Sales Agents as either agents or principals. Sales of the Class A common stock, if any, may be made in negotiated transactions or transactions that are deemed to be "at-the-market offerings" as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on or through the Nasdaq Global Select Market and any other existing trading market for the Class A common stock, or sales made to or through a market maker other than on an exchange. The Company has no obligation to sell any of the Class A common stock under the Sales Agreement and may at any time suspend solicitations and offers under the Sales Agreement. The Company intends to use the net proceeds, if any, from the sale of the Class A common stock pursuant to the Sales Agreement for general corporate purposes, which may include the repayment, refinancing, redemption or repurchase of existing indebtedness, working capital, capital expenditures, acquisition of outdoor advertising assets and businesses and other related investments. During the six months ended June 30, 2019, the Company did not issue any shares under this program. In July 2019, the Company received gross proceeds of approximately $21.4 million, resulting in net proceeds of approximately $21.2 million, in exchange for issuing 266,410 shares of its Class A common stock under this program. The aggregate commissions paid to the Sales Agents in July 2019 was approximately $0.2 million.

*Shelf Registration Statement***.** On August 6, 2018, we filed an automatically effective shelf registration statement (No. 333-226614) that registered the offer and sale of an indeterminate amount of additional shares of our Class A common stock. During the six months ended June 30, 2019, the Company did not issue any shares under this shelf registrations, however, we may issue additional shares under the shelf registration statement in the future in connection with future acquisitions or for other general corporate purposes.

Credit Facilities. On May 15, 2017, Lamar Media entered into a Third Restatement Agreement ("Restatement Agreement") with the Company, certain of Lamar Media's subsidiaries as guarantors, JPMorgan Chase Bank, N.A. as administrative agent and the lenders party thereto, under which the parties agreed to amend and restate Lamar Media's existing senior credit facility. The Restatement

Agreement amended and restated the Second Amended and Restated Credit Agreement dated as of February 3, 2014, as amended, which consisted of a $400.0 million revolving credit facility and a $300.0 million Term A loan facility.

Lamar Media's Third Amended and Restated Credit Agreement dated as of May 15, 2017 (as amended, the "senior credit facility") originally consisted of (i) a new $450.0 million senior secured revolving credit facility which will mature on May 15, 2022 (the "revolving credit facility"), (ii) a new $450.0 million Term A loan facility (the "Term A loans") which will mature on May 15, 2022, and (iii) an incremental facility (the "Incremental Facility") pursuant to which Lamar Media may incur additional term loan tranches or increase its revolving credit facility subject to pro forma compliance with the secured debt ratio financial maintenance covenant described under *"Restrictions under Senior Credit Facility."* Lamar Media borrowed all $450.0 million in Term A loans on May 15, 2017. The Term A loans began amortizing on September 30, 2017 in quarterly installments, as set forth therein, with the remainder payable at maturity. The net proceeds from the Term A loans, together with borrowing under the revolving portion of senior credit facility and cash on hand, were used to repay all outstanding amounts under the Second Amended and Restated Credit Agreement, and all revolving commitments under that facility were terminated.

On March 16, 2018, Lamar Media entered into Amendment No. 1 to the Third Amended and Restated Credit Agreement dated May 15, 2017, with Lamar Advertising, certain of Lamar Media's subsidiaries as Guarantors, JPMorgan Chase Bank, N.A. as administrative agent and the lenders named therein, under which the parties agreed to amend the existing senior credit facility to establish a new $600.0 million Term B Loan Facility, which will mature on March 16, 2025. The Term B loan began amortizing on June 30, 2018 in equal quarterly installments of $1.5 million with the remainder payable at maturity. Lamar Media borrowed the full amount of the Term B loan on March 16, 2018. The proceeds from the Term B loan, together with available cash on hand were used to redeem in full Lamar Media's 5 7/8% Senior Subordinated Notes due 2022. *See Uses of Cash for more information.*

On January 17, 2019, Lamar Media entered into an incremental amendment to the senior credit facility to include $100.0 million in additional revolving commitments, thereby increasing the total borrowing capacity under the revolving credit facility to $550.0 million.

As of June 30, 2019 the aggregate balance outstanding under the senior credit facility was approximately $1.122 billion, consisting of $405.0 million outstanding in Term A loans, $591.9 million in Term B loans (net of $0.6 million of original issue discount) and $125.0 million in revolving credit loans. In addition, Lamar Media had approximately $411.9 million of unused capacity under the revolving credit facility included in the senior credit facility.

Note Offerings. On February 1, 2019, Lamar Media issued $250.0 million in aggregate principle amount of 5 3/4% Senior Notes due 2026 through an institutional private placement (the "New Notes"). The New Notes were issued as additional notes to the existing $400.0 million aggregate principal amount of 5 3/4% Senior Notes due 2026 that Lamar issued on January 28, 2016 (the "Existing Notes"). The net proceeds after underwriting fees and expenses, was approximately $251.5 million and were used to repay a portion of the borrowings outstanding under the revolving credit facility.

Factors Affecting Sources of Liquidity

Internally Generated Funds. The key factors affecting internally generated cash flow are general economic conditions, specific economic conditions in the markets where the Company conducts its business and overall spending on advertising by advertisers.

Credit Facilities and Other Debt Securities. The Company and Lamar Media must comply with certain covenants and restrictions related to the senior credit facility and its outstanding debt securities.

Restrictions Under Debt Securities. The Company and Lamar Media must comply with certain covenants and restrictions related to its outstanding debt securities. Currently Lamar Media has outstanding $535.0 million 5% Senior Subordinated Notes issued in October 2012 (the "5% Senior Subordinated Notes"), $510.0 million 5 3/8% Senior Notes issued in January 2014 (the "5 3/8% Senior Notes") and the $650.0 million 5 3/4% Senior Notes issued in January 2016 and February 2019 (the "5 3/4% Senior Notes").

The indentures relating to Lamar Media's outstanding notes restrict its ability to incur additional indebtedness but permit the incurrence of indebtedness (including indebtedness under the senior credit facility), (i) if no default or event of default would result from such incurrence and (ii) if after giving effect to any such incurrence, the leverage ratio (defined as the sum of (x) total consolidated debt plus (y) the aggregate liquidation preference of any preferred stock of Lamar Media's restricted subsidiaries to trailing four fiscal quarter EBITDA (as defined in the indentures)) would be less than 7.0 to 1. Currently, Lamar Media is not in default under the indentures of any of its outstanding notes and, therefore, would be permitted to incur additional indebtedness subject to the foregoing provision.

In addition to debt incurred under the provisions described in the preceding paragraph, the indentures relating to Lamar Media's outstanding notes permit Lamar Media to incur indebtedness pursuant to the following baskets:

- up to $1.5 billion of indebtedness under the senior credit facility;
- indebtedness outstanding on the date of the indentures or debt incurred to refinance outstanding debt;
- inter-company debt between Lamar Media and its restricted subsidiaries or between restricted subsidiaries;
- certain purchase money indebtedness and capitalized lease obligations to acquire or lease property in the ordinary course of business that cannot exceed the greater of $50.0 million or 5% of Lamar Media's net tangible assets; and
- additional debt not to exceed $75.0 million.

Restrictions under Senior Credit Facility. Lamar Media is required to comply with certain covenants and restrictions under the senior credit facility. If the Company or Lamar Media fails to comply with these tests, the lenders under the senior credit facility will be entitled to exercise certain remedies, including the termination of the lending commitments and the acceleration of the debt payments under the senior credit facility. At June 30, 2019 and currently, we were in compliance with all such tests under the senior credit facility.

Lamar Media must maintain a secured debt ratio, defined as total consolidated secured debt of Lamar Advertising, Lamar Media and its restricted subsidiaries, minus the lesser of (x) $150.0 million and (y) the aggregate amount of unrestricted cash and cash equivalents of Lamar Advertising, Lamar Media and its restricted subsidiaries to EBITDA, as defined below, for the period of four consecutive fiscal quarters then ended, of less than or equal to 3.5 to 1.0.

Lamar Media is restricted from incurring additional indebtedness subject to exceptions, one of which is that it may incur additional indebtedness not exceeding the greater of $250.0 million or 6% of its total assets.

Lamar Media is also restricted from incurring additional unsecured senior indebtedness under certain circumstances unless, after giving effect to the incurrence of such indebtedness, it is in compliance with the secured debt ratio covenant and its senior debt ratio, defined as (a) total consolidated debt (excluding subordinated debt) of Lamar Advertising, Lamar Media and its restricted subsidiaries as of any date minus the lesser of (i) $150.0 million and (ii) the aggregate amount of unrestricted cash and cash equivalents of Lamar Advertising, Lamar Media and its restricted subsidiaries to (b) EBITDA, as defined below, for the most recent four fiscal quarters then ended, is less than 4.5 to 1.0.

Lamar Media is also restricted from incurring additional subordinated indebtedness under certain circumstances unless, after giving effect to the incurrence of such indebtedness, it is in compliance with the secured debt ratio covenant and its total debt ratio, defined as (a) total consolidated debt (including subordinated debt) of Lamar Advertising, Lamar Media and its restricted subsidiaries as of any date minus the lesser of (i) $150.0 million and (ii) the aggregate amount of unrestricted cash and cash equivalents of Lamar Advertising, Lamar Media and its restricted subsidiaries to (b) EBITDA, as defined below, for the most recent four fiscal quarters then ended, is less than 6.5 to 1.0.

Under the senior credit facility, "EBITDA" means, for any period, operating income for Lamar Advertising, Lamar Media and its restricted subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP) for such period (calculated (A) before (i) taxes, (ii) interest expense, (iii) depreciation, (iv) amortization, (v) any other non-cash income or charges accrued for such period, (vi) charges and expenses in connection with the senior credit facility, any actual or proposed acquisition, disposition or investment (excluding, in each case, purchases and sales of advertising space and operating assets in the ordinary course of business) and any actual or proposed offering of securities, incurrence or repayment of indebtedness (or amendment to any agreement relating to indebtedness), including any refinancing thereof, or recapitalization and (vii) any loss or gain relating to amounts paid or earned in cash prior to the stated settlement date of any swap agreement that has been reflected in operating income for such period) and (B) after giving effect to the amount of cost savings, operating expense reductions and other operating improvements or synergies projected by Lamar Media in good faith to be realized as a result of any acquisition, investment, merger, amalgamation or disposition within 18 months of any such acquisition, investment, merger, amalgamation or disposition, net of the amount of actual benefits realized during such period from such action; provided, (a) the aggregate amount for all such cost savings, operating expense reductions and other operating improvements or synergies will not exceed an amount equal to 15% of EBITDA for the applicable four quarter period and (b) any such adjustment to EBITDA may only take into account cost savings, operating expense reductions and other operating improvements or synergies that are (I) directly attributable to such acquisition, investment, merger, amalgamation or disposition, (II) expected to have a continuing impact on Lamar Media and its restricted subsidiaries and (III) factually supportable, in each case all as certified by the chief financial officer of Lamar Media) on behalf of Lamar Media, and excluding (except to the extent received or paid in cash by Lamar Advertising, Lamar Media or any of its restricted subsidiaries (other than the special purpose subsidiaries) income or loss attributable to equity in affiliates for such period), excluding any extraordinary and unusual gains or

losses during such period, and excluding the proceeds of any casualty events and dispositions. For purposes hereof, the effect thereon of any adjustments required under Statement of Financial Accounting Standards No. 141R shall be excluded. If during any period for which EBITDA is being determined, Lamar Media has consummated any acquisition or disposition, EBITDA will be determined on a pro forma basis as if such acquisition or disposition had been made or consummated on the first day of such period.

The Company believes that its current level of cash on hand, availability under the senior credit facility and future cash flows from operations are sufficient to meet its operating needs through fiscal 2019. All debt obligations are reflected on the Company's balance sheet.

Restrictions under Accounts Receivable Securitization Program. The agreements governing the Account Receivable Securitization Program contain customary representations and warranties, affirmative and negative covenants, and termination event provisions, including but not limited to those providing for the acceleration of amounts owed under the Accounts Receivable Securitization Program if, among other things, the Special Purpose Subsidiaries fail to make payments when due, Lamar Media, the Subsidiary Originators or the Special Purpose Subsidiaries become insolvent or subject to bankruptcy proceedings or certain judicial judgments, breach certain representations and warranties or covenants or default under other material indebtedness, a change of control occurs, or if Lamar Media fails to maintain the maximum secured debt ratio of 3.50 to 1.00 required under Lamar Media's senior credit facility.

Uses of Cash

Capital Expenditures. Capital expenditures, excluding acquisitions were approximately $60.6 million for the six months ended June 30, 2019. We anticipate our 2019 total capital expenditures will be approximately $128.0 million.

Acquisitions. During the six months ended June 30, 2019, the Company completed acquisitions for an aggregate purchase price of approximately $78.1 million, which were financed using available cash on hand or borrowings under its revolving credit facility.

Note Redemption. On March 19, 2018, the Company used proceeds from the Term B loan, together with cash on hand, to redeem in full all $500.0 million in aggregate principal amount of Lamar Media's 5 7/8% Senior Subordinated Notes due 2022 and repay a portion of the borrowings outstanding under Lamar Media's revolving credit facility. The notes were redeemed at a redemption price equal to 101.958% of the aggregate principal amount of the outstanding notes, plus accrued and unpaid interest up to the redemption date. The Company recorded a loss on debt extinguishment of $15.4 million related to this redemption which is comprised of a $9.8 million prepayment penalty and a $5.6 million non-cash write off of unamortized deferred financing costs. See *Sources of Cash-Credit Facility* for more information.

Term Loans. The Term A loans mature on May 15, 2022 and the Term B loans mature on March 16, 2025. The remaining quarterly installments scheduled to be paid on each September 30, December 31, March 31 and June 30 are as follows:

	Term A		Term B	
Principal Payment Date	(in thousands)			
September 30, 2019-June 30, 2020	$	8,437.5	$	1,500.0
September 30, 2020-March 31, 2022	$	16,875.0	$	1,500.0
Term A Loan Maturity May 15, 2022	$	253,125.0	$	—
June 30, 2022-December 31, 2024	$	—	$	1,500.0
Term B Loan Maturity March 16, 2025	$	—	$	559,500.0

The Term Loans bear interest at rates based on the Adjusted LIBO Rate ("Eurodollar term loans") or the Adjusted Base Rate ("Base Rate term loans"), at Lamar Media's option. Eurodollar term loans bear interest at a rate per annum equal to the Adjusted LIBO Rate plus 1.75%; (or the Adjusted LIBO Rate plus 1.50% at any time the Total Debt Ratio is less than or equal to 3.25 to 1 for Term A loans only). Base Rate term loans bear interest at a rate per annum equal to the Adjusted Base Rate plus 0.75% (or the Adjusted Base Rate plus 0.50% at any time the Total Debt Ratio is less than or equal to 3.25 to 1 for Term A loans only). The revolving credit facility bears interest at rates based on the Adjusted LIBO Rate ("Eurodollar revolving loans") or the Adjusted Base Rate ("Base Rate revolving loans"), at Lamar Media's option. Eurodollar revolving loans bear interest at a rate per annum equal to the Adjusted LIBO Rate plus 2.25% (or the Adjusted LIBO Rate plus 2.00% at any time the Total Debt Ratio is less than or equal to 4.25 to 1; or the Adjusted LIBO Rate plus 1.75% at any time the Total Debt Ratio is less than or equal to 3.00 to 1). Base Rate revolving loans bear interest at a rate per annum equal to the Adjusted Base Rate plus 1.25% (or the Adjusted Base Rate plus 1.0% at any time the total debt ratio is less than or equal to 4.25 to 1, or the Adjusted Base Rate plus 0.75% at any time the Total Debt Ratio is less than or equal to 3.00 to 1). The guarantees, covenants, events of default and other terms of the senior credit facility apply to the Term A and B loans and revolving credit facility.

Dividends. On February 28, 2019 and May 30, 2019, Lamar Advertising's Board of Directors declared a quarterly cash dividend of $0.96 per share, paid on March 29, 2019 and June 28, 2019, respectively, to its stockholders of record of its Class A common stock and Class B common stock on March 15, 2019 and June 14, 2019, respectively. The Company expects aggregate quarterly distributions to stockholders in 2019 will total $3.84 per common share.

As a REIT, the Company must annually distribute to its stockholders an amount equal to at least 90% of its REIT taxable income (determined before the deduction for distributed earnings and excluding any net capital gain). The amount, timing and frequency of future distributions will be at the sole discretion of the Board of Directors and will be declared based upon various factors, a number of which may be beyond the Company's control, including financial condition and operating cash flows, the amount required to maintain REIT status and reduce any income and excise taxes that the Company otherwise would be required to pay, limitations on distributions in our existing and future debt instruments, the Company's ability to utilize net operating losses to offset, in whole or in part, the Company's distribution requirements, limitations on its ability to fund distributions using cash generated through its Taxable REIT Subsidiaries ("TRSs") and other factors that the Board of Directors may deem relevant.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Commitments and Contingencies

In our 2018 Combined Form 10-K/A, Part II, Item 7, Management's Discussion and Analysis of Financial Conditions and Results of Operations, under the heading "Debt Service and Contractual Obligations," we described our commitments and contingencies. There were no material changes in our commitments and contingencies during the six months ended June 30, 2019.

Critical Accounting Estimates

Our discussion and analysis of our results of operations and liquidity and capital resources are based on our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The presentation of these financial statements requires us to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses. Except as described below, there have been no material changes to the critical accounting policies and estimates as previously disclosed in ITEM 7 of our 2018 Combined Form 10-K/A.

The policy below is critical because it requires management to make estimates and judgements about the carrying values of the assets and liabilities that are subjective, complex and are subject to an inherent degree of uncertainty. Actual results may differ from our estimates.

Leases. We adopted the new lease standard on January 1, 2019 and recognized operating lease right of use assets and operating lease liabilities that have not been previously recorded. The Company has approximately 75,000 operating leases for land at our outdoor sites, logo structures, transit contracts, buildings and vehicles. We recorded an operating lease right of use asset of $1.291 billion and operating lease liability of $1.203 billion as of June 30, 2019 for these agreements.

The Company discounts its remaining non-cancelable lease payments using either an interest rate implicit in the lease or our collateralized incremental borrowing rate. The collateralized incremental borrowing rate is determined using a portfolio approach based on the rate of interest that the Company would have to pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term.

The Company is also required to assess a reasonably certain lease term for each lease at lease commencement, modification or if there is a change in relevant facts or circumstances of the lease. The reasonably certain lease term is assessed based on information available at the time of lease commencement, modification or change in relevant facts or circumstances. Our lease terms include the non-cancelable period of the lease plus any additional periods covered by either the Company's option to extend (or not to terminate) the lease that the Company is reasonably certain to exercise, or an option to extend the lease controlled by the lessor.

Due to the adoption of the lease standard, our prepaid lease expenses and accrued lease expenses are now recorded as an increase or decrease to our operating lease right of use assets.

Accounting Standards Update

<u>Leases</u>

In February 2016, the FASB established Topic 842, *Leases*, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU No. 2018-10 and

ASU No. 2019-01, *Codification Improvements to Topic 842*, *Leases*; and ASU No. 2018-11, *Targeted Improvements*. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

We adopted the new standard effective January 1, 2019 using a modified retrospective transition approach, applying the new standard to all leases existing at the date of initial application. An entity was permitted to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the effective date. The entity must also recast its comparative period financial statements and provide the disclosures required by the new standard for the comparative periods. Consequently, financial information was not updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.

The new standard provided a number of optional practical expedients in transition. We elected the 'package of practical expedients', which permitted us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. We elected the practical expedient pertaining to land easements. We also elected the short-term lease recognition exemption for certain of our vehicle agreements. This means, for those leases that qualify, we will not recognize ROU assets or lease liabilities.

Upon adoption, we recognized additional operating liabilities of $1.2 billion, with corresponding ROU assets of the same amount based on the present value of the remaining minimum rental payments under current leasing standards for our existing operating leases. The Company did not have any changes to its opening balance of retained earnings for the adoption of this update.

Other recently released pronouncements

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and other (Topic 350): Simplifying the test for goodwill impairment.* The update simplifies how a company completes its goodwill impairment test by eliminating the two-step process, which requires determining the fair value of assets acquired or liabilities assumed in a business combination. The update requires completing the goodwill impairment test by comparing the difference between the reporting units carrying value and fair value. Goodwill charges, if any, would be determined by reducing the goodwill balance by the excess of the reporting unit's carrying value over its fair value. The update is effective for annual and interim fiscal periods beginning after December 15, 2019, with early adoption permitted for interim or annual goodwill impairment tests performed on or after January 1, 2017. The Company adopted this update beginning with its December 31, 2017 goodwill impairment test.

In November 2018, the FASB issued ASU No. 2018-18, *Collaborative Arrangements (Topic 808).* The update is to clarify when certain transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606 and when the collaborative arrangement participant is a customer in the context of a unit of account. The update also adds unit-of-account guidance in Topic 808 and requires that a collaborative arrangement participant that is not directly related to sales to a third party, presenting the transaction together with revenue recognized under Topic 606 is precluded if the collaborative arrangement participant is not a customer. The update is effective for annual and interim fiscal periods beginning after December 15, 2019 with early adoption permitted. The Company does not believe this update will have a material effect on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326*) – Measurement of Credit Losses on Financial Instruments, and additional changes modifications, clarifications, or interpretations related to this guidance thereafter, which require a reporting entity to estimate credit losses on certain types of financial instruments, and present assets held at amortized cost and available-for-sale debt securities at the amount expected to be collected. The new guidance is effective for annual and interim periods beginning after December 15, 2019, and early adoption is permitted. The Company is currently evaluating the impact of the new guidance on its Consolidated Financial Statements.

LAMAR MEDIA CORP.

The following is a discussion of the consolidated financial condition and results of operations of Lamar Media for the six months and three months ended June 30, 2019 and 2018. This discussion should be read in conjunction with the consolidated financial statements of Lamar Media and the related notes thereto.

RESULTS OF OPERATIONS

Six Months ended June 30, 2019 compared to Six Months ended June 30, 2018

Net revenues increased $52.4 million or 6.7% to $833.2 million for the six months ended June 30, 2019 from $780.8 million for the same period in 2018. This increase was attributable primarily to an increase in billboard net revenues of $51.8 million, which

represents an increase of 7.6% over the same period in 2018, largely due to the acquisition of new operating assets during 2018 and 2019. In addition, transit sign revenue increased $0.8 million, which represents an increase of 1.4% over the prior period and logo sign revenue decreased $0.3 million, which represents a decrease of 0.7%.

For the six months ended June 30, 2019 there was a $18.8 million increase in acquisition-adjusted net revenue as compared to acquisition-adjusted net revenue for the six months ended June 30, 2018, which represents an increase of 2.3%. See “Reconciliations” below. The $18.8 million increase in revenue primarily consists of an $17.3 million increase in billboard revenue which is largely due to an increase in digital revenue, and a $1.7 million increase in transit revenue over the acquisition-adjusted net revenue for the comparable period in 2018.

Total operating expenses, exclusive of depreciation and amortization and loss on disposition of assets, increased $20.1 million, or 4.4% to $480.1 million for the six months ended June 30, 2019 from $460.0 million in the same period in 2018. The $20.1 million increase over the prior year is comprised of a $25.5 million increase in direct and general and administrative operating expenses (excluding stock-based compensation expense) related to the operations of our outdoor advertising assets and an increase in corporate expense of $1.2 million (excluding stock-based compensation expense), offset by a decrease in stock-based compensation of $6.6 million.

Depreciation and amortization expense increased 9.8% to $123.2 million for the six months ended June 30, 2019 as compared to the same period in 2018, primarily related to the addition of approximately $407.3 million of depreciable assets acquired through acquisitions and $125.7 million in capitalized expenditures since July 1, 2018.

For the six months ended June 30, 2019, Lamar Media recognized a gain on disposition of assets of $5.2 million primarily resulting from an amendment of a transit contract in the first quarter of 2019. The $5.2 million gain represents an increase of $12.0 million over the same period in 2018, primarily due to the Company’s $7.7 million loss recognized on the sale of its Puerto Rico assets which closed on April 16, 2018.

Due to the above factors, operating income increased by $33.3 million to $235.1 million for the six months ended June 30, 2019 as compared to $201.8 million for the same period in 2018.

Lamar Media did not recognize any losses on debt extinguishment during the six months ended June 30, 2019 as compared to same period in 2018, whereby Lamar Media recorded a $15.4 million loss on debt extinguishment related to its prepayment of its 5 7/8% Notes.

Interest expense increased $10.4 million for the six months ended June 30, 2019 to $75.9 million as compared to $65.5 million for the six months ended June 30, 2018. The increase in interest expense is primarily related to the increased debt outstanding as compared to the same period in 2018.

The increases in operating income and interest expense as well as the decrease in loss on debt extinguishment described above resulted in a $38.5 million increase in net income before income taxes.

Lamar Media recorded an income tax benefit for the six months ended June 30, 2019 of $10.3 million as compared to an income tax expense of $5.4 million for the same period in 2018. The $10.3 million tax benefit is comprised of a $17.0 million non-cash tax benefit resulting from REIT converted assets offset by income tax expense of $6.7 million. The $6.7 million tax expense equates to an effective tax rate for the six months ended June 30, 2019 of 4.2% which differs from the federal statutory rate primarily due to our qualification for taxation as a REIT and adjustments for foreign items.

As a result of the above factors, Lamar Media recognized net income for the six months ended June 30, 2019 of $169.8 million, as compared to net income of $115.7 million for the same period in 2018.

Reconciliations:

Because acquisitions occurring after December 31, 2017 (the “acquired assets”) have contributed to our net revenue results for the periods presented, we provide 2018 acquisition-adjusted net revenue, which adjusts our 2018 net revenue for the six months ended June 30, 2018 by adding to or subtracting from it the net revenue generated by the acquired or divested assets prior to our acquisition or divestiture of these assets for the same time frame that those assets were owned in the six months ended June 30, 2019.

Reconciliations of 2018 reported net revenue to 2018 acquisition-adjusted net revenue for the six months ended June 30, as well as a comparison of 2018 acquisition-adjusted net revenue to 2019 reported net revenue for the six months ended June 30, are provided below:

Reconciliation and Comparison of Reported Net Revenue to Acquisition-Adjusted Net Revenue

	Six months ended June 30, 2019	Six months ended June 30, 2018
	(in thousands)	
Reported net revenue	$ 833,199	$ 780,826
Acquisition net revenue	—	33,530
Adjusted totals	$ 833,199	$ 814,356

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Amount of Increase (Decrease)	Percent Increase (Decrease)
Net income	$ 169,847	$ 115,678	$ 54,169	46.8%
Income tax (benefit) expense	(10,292)	5,357	(15,649)	
Loss on debt extinguishment	—	15,429	(15,429)	
Interest expense (income), net	75,532	65,315	10,217	
(Gain) loss on disposition of assets	(5,161)	6,858	(12,019)	
Depreciation and amortization	123,199	112,162	11,037	
Impact of ASC 842 adoption (lease accounting standard)	(6,374)	—	(6,374)	
Stock-based compensation expense	7,506	14,121	(6,615)	
Adjusted EBITDA	$ 354,257	$ 334,920	$ 19,337	5.8%

Adjusted EBITDA for the six months ended June 30, 2019 increased 5.8% to $354.3 million. The increase in Adjusted EBITDA was primarily attributable to an increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization and the impact of ASC 842 adoption) of $38.2 million, and was offset by an increase in total general and administrative and corporate expenses of $18.9 million, excluding the impact of stock-based compensation expense.

Net Income/FFO/AFFO

(in thousands)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Amount of Increase (Decrease)	Percent Increase (Decrease)
Net income	$ 169,847	$ 115,678	$ 54,169	46.8%
Depreciation and amortization related to real estate	116,178	105,909	10,269	
(Gain) loss from sale or disposal of real estate, net of tax of $0 and $878 in 2019 and 2018, respectively	(4,884)	7,845	(12,729)	
Non-cash tax benefit for REIT converted assets	(17,031)	—	(17,031)	
Adjustments for unconsolidated affiliates and non-controlling interest	354	342	12	
FFO	$ 264,464	$ 229,774	$ 34,690	15.1%
Straight line income	(216)	(957)	741	
Impact of ASC 842 adoption (lease accounting standard)	(6,374)	—	(6,374)	
Stock-based compensation expense	7,506	14,121	(6,615)	
Non-cash portion of tax provision	1,910	(441)	2,351	
Non-real estate related depreciation and amortization	7,021	6,253	768	
Amortization of deferred financing costs	2,670	2,448	222	
Loss on extinguishment of debt	—	15,429	(15,429)	
Capital expenditures – maintenance	(23,396)	(19,205)	(4,191)	
Adjustments for unconsolidated affiliates and non-controlling interest	(354)	(342)	(12)	
AFFO	$ 253,231	$ 247,080	$ 6,151	2.5%

FFO for the six months ended June 30, 2019 increased from FFO of $229.8 million in 2018 to $264.5 million for the same period in 2019, an increase of 15.1%. AFFO for the six months ended June 30, 2019 increased 2.5% to $253.2 million as compared to $247.1 million for the same period in 2018. The increase in AFFO was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization and the impact of ASC 842 adoption) offset by increases in interest expense and the total of general and administrative and corporate expenses (excluding the effect of stock-based compensation expense).

Three Months ended June 30, 2019 compared to Three Months ended June 30, 2018

Net revenues increased $28.9 million or 6.9% to $448.7 million for the three months ended June 30, 2019 from $419.8 million for the same period in 2018. This increase was attributable primarily to an increase in billboard net revenues of $28.4 million over the same period in 2018, due to growth from acquired assets over the past twelve months and a $0.4 million increase in logo sign revenue over the comparable period in 2018.

For the three months ended June 30, 2019, there was a $10.7 million increase in acquisition-adjusted net revenue as compared to acquisition-adjusted net revenue for the three months ended June 30, 2018, which represents an increase of 2.4%. See “Reconciliations” below. The $10.7 million increase in revenue is primarily due to a $9.4 million increase in billboard revenue which is largely due to an increase in digital revenue as compared to the same period in 2018. In addition, there was an increase in logo sign revenue of $0.7 million and a $0.6 million increase in transit revenue, over the acquisition-adjusted net revenue for the comparable period in 2018.

Total operating expenses, exclusive of depreciation and amortization and loss (gain) on disposition of assets, increased $12.9 million, or 5.6% to $243.4 million for the three months ended June 30, 2019 from $230.5 million in the same period in 2018. The $12.9 million increase over the prior year is comprised of a $16.8 million increase in total direct, general and administrative and corporate expenses (excluding stock-based compensation) primarily related to the operations of our outdoor advertising assets, offset by a $1.3 million reduction in stock-based compensation and a $2.6 million reduction in direct expenses related to the adoption of ASC 842.

Depreciation and amortization expense increased $6.4 million to $61.7 million for the three months ended June 30, 2019 as compared to $55.3 million for the same period in 2018, primarily related to the addition of approximately $407.3 million of depreciable assets acquired through acquisitions and $125.7 million in capitalized expenditures since July 1, 2018.

Primarily due to the above factors, operating income increased by $8.4 million to $144.2 million for the three months ended June 30, 2019 as compared to $135.8 million for the same period in 2018.

Interest expense increased $6.4 million for the three months ended June 30, 2019 to $38.3 million as compared to $31.9 million for the three months ended June 30, 2018. The increase in interest expense is primarily related to the increased debt outstanding as compared to the same period in 2018 offset by a slight decrease in interest rates.

The increase in operating income offset by the increase in interest expense described above resulted in a $2.1 million increase in net income before income taxes.

Lamar Media recorded an income tax benefit for the three months ended June 30, 2019 of $12.4 million as compared to an income tax expense of $3.5 million for the same period in 2018. The $12.4 million tax benefit is comprised of a $17.0 million non-cash tax benefit resulting from REIT converted assets offset by income tax expense of $4.6 million. The $4.6 million tax expense equates to an effective tax rate for the three months ended June 30, 2019 of 4.4% which differs from the federal statutory rate primarily due to our qualification for taxation as a REIT and adjustments for foreign items.

As a result of the above factors, Lamar Media recognized net income for the three months ended June 30, 2019 of $118.5 million, as compared to net income of $100.5 million for the same period in 2018.

Reconciliations:

Because acquisitions occurring after December 31, 2017 (the “acquired assets”) have contributed to our net revenue results for the periods presented, we provide 2018 acquisition-adjusted net revenue, which adjusts our 2018 net revenue for the three months ended June 30, 2018 by adding to or subtracting from it the net revenue generated by the acquired or divested assets prior to our acquisition or divestiture of these assets for the same time frame that those assets were owned in the three months ended June 30, 2019.

Reconciliations of 2018 reported net revenue to 2018 acquisition-adjusted net revenue for the three months ended June 30, as well as a comparison of 2018 acquisition-adjusted net revenue to 2019 reported net revenue for the three months ended June 30, are provided below:

Reconciliation and Comparison of Reported Net Revenue to Acquisition-Adjusted Net Revenue

	Three months ended June 30,	
	2019	2018
	(in thousands)	
Reported net revenue	$ 448,742	$ 419,800
Acquisition net revenue	—	18,230
Adjusted totals	$ 448,742	$ 438,030

Key Performance Indicators

Net Income/Adjusted EBITDA
(in thousands)

	Three Months Ended June 30,		Amount of Increase	Percent Increase
	2019	2018	(Decrease)	(Decrease)
Net income	$ 118,485	$ 100,520	$ 17,965	17.9%
Income tax (benefit) expense	(12,380)	3,513	(15,893)	
Interest expense (income), net	38,090	31,760	6,330	
Gain on disposition of assets	(537)	(1,843)	1,306	
Depreciation and amortization	61,693	55,322	6,371	
Impact of ASC 842 adoption (lease accounting standard)	(2,600)	—	(2,600)	
Stock-based compensation expense	5,273	6,607	(1,334)	
Adjusted EBITDA	$ 208,024	$ 195,879	$ 12,145	6.2%

Adjusted EBITDA for the three months ended June 30, 2019 increased 6.2% to $208.0 million. The increase in Adjusted EBITDA was primarily attributable to an increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization and the impact of ASC 842 adoption) of $20.7 million, and was offset by an increase in total general and administrative and corporate expenses of $8.6 million, excluding the impact of stock-based compensation expense.

Net Income/FFO/AFFO

(in thousands)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Amount of Increase (Decrease)	Percent Increase (Decrease)
Net income	$ 118,485	$ 100,520	$ 17,965	17.9%
Depreciation and amortization related to real estate	58,178	52,184	5,994	
Gain from sale or disposal of real estate, net of tax of 0 and ($57) in 2019 and 2018, respectively	(410)	(1,848)	1,438	
Non-cash tax benefit for REIT converted assets	(17,031)	—	(17,031)	
Adjustments for unconsolidated affiliates and non-controlling interest	156	147	9	
FFO	$ 159,378	$ 151,003	$ 8,375	5.5%
Straight line expense (income)	20	(680)	700	
Impact of ASC 842 adoption (lease accounting standard)	(2,600)	—	(2,600)	
Stock-based compensation expense	5,273	6,607	(1,334)	
Non-cash portion of tax provision	1,118	581	537	
Non-real estate related depreciation and amortization	3,515	3,138	377	
Amortization of deferred financing costs	1,338	1,206	132	
Capital expenditures – maintenance	(13,689)	(11,080)	(2,609)	
Adjustments for unconsolidated affiliates and non-controlling interest	(156)	(147)	(9)	
AFFO	$ 154,197	$ 150,628	$ 3,569	2.4%

FFO for the three months ended June 30, 2019 increased 5.5% to $159.4 million as compared to FFO of $151.0 million for the same period in 2018. AFFO for the three months ended June 30, 2019 increased 2.4% to $154.2 million as compared to $150.6 million for the same period in 2018. The increase in AFFO was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization and the impact of ASC 842 adoption) offset by increases in interest expense and the total of general and administrative and corporate expenses (excluding the effect of stock-based compensation expense).

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Lamar Advertising Company and Lamar Media Corp.

Lamar Advertising is exposed to interest rate risk in connection with variable rate debt instruments issued by its wholly owned subsidiary Lamar Media. The information below summarizes the Company's interest rate risk associated with its principal variable rate debt instruments outstanding at June 30, 2019, and should be read in conjunction with Note 11 of the Notes to the Company's Consolidated Financial Statements.

Lamar Media has variable-rate debt outstanding under its senior credit facility and its Accounts Receivable Securitization Program. Because interest rates may increase or decrease at any time, the Company is exposed to market risk as a result of the impact that changes in interest rates may have on the applicable borrowings outstanding. Increases in the interest rates applicable to these borrowings would result in increased interest expense and a reduction in the Company's net income.

At June 30, 2019 there was approximately $1.297 billion of indebtedness outstanding under the senior credit facility and Accounts Receivable Securitization Program, or approximately 43.2% of the Company's outstanding long-term debt on that date, bearing interest at variable rates. The aggregate interest expense for 2019 with respect to borrowings under the senior credit facility and the Accounts Receivable Securitization Program was $28.4 million, and the weighted average interest rate applicable to these borrowings during 2019 was 4.2%. Assuming that the weighted average interest rate was 200 basis points higher (that is 6.2% rather than 4.2%), then the Company's 2019 interest expense would have increased by approximately $13.3 million for the six months ended June 30, 2019.

The Company attempted to mitigate the interest rate risk resulting from its variable interest rate long-term debt instruments by issuing fixed rate long-term debt instruments and maintaining a balance over time between the amount of the Company's variable rate and fixed rate indebtedness. In addition, the Company has the capability under the senior credit facility to fix the interest applicable to its borrowings at an amount equal to Adjusted LIBO Rate or Adjusted Base Rate plus the applicable margin for periods of up to twelve months (in certain cases with the consent of the lenders), which would allow the Company to mitigate the impact of short-term fluctuations in market interest rates. In the event of an increase in interest rates, the Company may take further actions to mitigate its exposure. The Company cannot guarantee, however, that the actions that it may take to mitigate this risk will be feasible or that, if these actions are taken, that they will be effective.

ITEM 4. CONTROLS AND PROCEDURES

a) *Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures.*

The Company's and Lamar Media's management, with the participation of the principal executive officer and principal financial officer of the Company and Lamar Media, have evaluated the effectiveness of the design and operation of the Company's and Lamar Media's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this quarterly report. Based on this evaluation, the principal executive officer and principal financial officer of the Company and Lamar Media concluded that these disclosure controls and procedures are effective and designed to ensure that the information required to be disclosed in the Company's and Lamar Media's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the requisite time periods.

b) *Changes in Internal Control Over Financial Reporting.*

Beginning January 1, 2019, we adopted ASU No. 2016-02, "Leases (Codified as ASC 842)," which resulted in recording operating lease liabilities and operating right-of-use assets on our condensed consolidated balance sheet. As a result, we implemented changes to our internal controls related to leases for the six months ended June 30, 2019. These changes include implementing updated accounting policies affected by ASC 842 and implementing a new information technology application to calculate our operating lease right-of-use assets and operating lease liabilities and required disclosures.

There were no other changes in the internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) of the Company and Lamar Media identified in connection with the evaluation of the Company's and Lamar Media's internal control performed during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's and Lamar Media's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described in Part I, Item 1A, "Risk Factors" in our combined Annual Report on Form 10-K/A for the year ended December 31, 2018, which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our Class A common stock. There have been no material changes to our risk factors since our combined Annual Report on Form 10-K/A for the year ended December 31, 2018.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Lamar Advertising Company (the "Company"), as filed with the Secretary of the State of Delaware effective as of November 18, 2014. Previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 1-36756) filed on November 19, 2014 and incorporated herein by reference.
3.2	Certificate of Merger, effective as of November 18, 2014. Previously filed as Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 1-36756) filed on November 19, 2014 and incorporated herein by reference.
3.3	Amended and Restated Certificate of Incorporation of Lamar Media Corp. ("Lamar Media") Previously filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2007 (File No. 0-30242) filed on May 10, 2007 and incorporated herein by reference.

Exhibit Number	Description
3.4	Amended and Restated Bylaws of the Company, adopted as of November 18, 2014. Previously filed as Exhibit 3.3 to the Company's Current Report on Form 8-K (File No. 1-36756) filed on November 19, 2014 and incorporated herein by reference.
3.5	Amended and Restated Bylaws of Lamar Media. Previously filed as Exhibit 3.1 to Lamar Media's Quarterly Report on Form 10-Q for the period ended September 30, 1999 (File No. 1-12407) filed on November 12, 1999 and incorporated herein by reference.
10.1	Lamar Advertising Company 1996 Equity Incentive Plan, as amended and restated by the Board of Directors on February 28, 2019 and approved by Stockholders on May 30, 2019. Previously filed as Exhibit 10.1 to Lamar Advertising's Current Report on Form 8-K (File No. 1-36756) filed on June 5, 2019 and incorporated herein by reference.
10.2	Lamar Advertising Company 2019 Employee Stock Purchase Plan. Previously filed as Exhibit 10.2 to Lamar Advertising's Current Report on Form 8-K (File No. 1-36756) filed on June 5, 2019 and incorporated herein by reference.
31.1	Certification of the Chief Executive Officer of the Company and Lamar Media pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
31.2	Certification of the Chief Financial Officer of the Company and Lamar Media pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, formatted in Inline XBRL: (i) Consolidated Statements of Cash Flows, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Balance Sheets, and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LAMAR ADVERTISING COMPANY

DATED: August 7, 2019

BY: /s/ Keith A. Istre
Chief Financial and Accounting Officer and Treasurer

LAMAR MEDIA CORP.

DATED: August 7, 2019

BY: /s/ Keith A. Istre
Chief Financial and Accounting Officer and Treasurer