

**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 September 30, 2023

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

47-0961620

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 October 27, 2023: 87,578,076

The number of shares of the Lamar Advertising Company's Class B common stock outstanding as of October 27, 2023: 14,420,085

The number of shares of Lamar Media Corp. common stock outstanding as of October 27, 2023: 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;
- our ability to integrate acquired assets and realize operating efficiency from acquisitions;
- 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, Accounts Receivable Securitization Program 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 maintain our status as a REIT; and
- changes in tax laws applicable to REITs 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 for the year ended December 31, 2022 of the Company and Lamar Media (the “2022 Combined Form 10-K”), filed on February 24, 2023, and as such risk factors may be further updated or supplemented, from time to time, in our future 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)**

	September 30, 2023	December 31, 2022
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 39,395	\$ 52,619
Receivables, net of allowance for doubtful accounts of \$12,220 and \$11,418 in 2023 and 2022, respectively	310,170	285,039
Other current assets	28,601	26,894
Total current assets	378,166	364,552
Property, plant and equipment	4,236,573	4,109,146
Less accumulated depreciation and amortization	(2,691,274)	(2,609,447)
Net property, plant and equipment	1,545,299	1,499,699
Operating lease right of use assets	1,320,925	1,271,631
Financing lease right of use assets	11,897	14,037
Goodwill	2,035,213	2,035,269
Intangible assets, net	1,195,367	1,206,625
Other assets	85,455	83,401
Total assets	<u>\$ 6,572,322</u>	<u>\$ 6,475,214</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 17,592	\$ 19,643
Current maturities of long-term debt, net of deferred financing costs of \$440 and \$593 in 2023 and 2022, respectively	247,053	249,785
Current operating lease liabilities	184,620	205,838
Current financing lease liabilities	1,331	1,331
Accrued expenses	96,290	117,593
Deferred income	143,354	131,847
Total current liabilities	690,240	726,037
Long-term debt, net of deferred financing costs of \$30,341 and \$32,022 in 2023 and 2022, respectively	3,154,652	3,063,020
Operating lease liabilities	1,078,545	1,035,655
Financing lease liabilities	14,947	15,945
Deferred income tax liabilities	10,554	9,651
Asset retirement obligation	397,041	390,442
Other liabilities	39,501	39,090
Total liabilities	5,385,480	5,279,840
Stockholders' equity:		
Series AA preferred stock, par value \$0.001, \$63.80 cumulative dividends, 5,720 shares authorized; 5,720 shares issued and outstanding at 2023 and 2022	—	—
Class A common stock, par value \$0.001, 362,500,000 shares authorized; 88,419,011 and 88,110,928 shares issued at 2023 and 2022, respectively; 87,578,076 and 87,327,232 outstanding at 2023 and 2022, respectively	88	88
Class B common stock, par value \$0.001, 37,500,000 shares authorized, 14,420,085 shares issued and outstanding at 2023 and 2022	14	14
Additional paid-in capital	2,095,477	2,061,671
Accumulated comprehensive loss	(901)	(659)
Accumulated deficit	(840,557)	(804,382)
Cost of shares held in treasury, 840,935 and 783,696 shares at 2023 and 2022, respectively	(67,347)	(61,358)
Non-controlling interest	68	—
Stockholders' equity	1,186,842	1,195,374
Total liabilities and stockholders' equity	<u>\$ 6,572,322</u>	<u>\$ 6,475,214</u>

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Statements of Income				
Net revenues	\$ 542,609	\$ 527,390	\$ 1,555,078	\$ 1,496,630
Operating expenses (income)				
Direct advertising expenses (exclusive of depreciation and amortization)	175,188	168,968	515,403	493,463
General and administrative expenses (exclusive of depreciation and amortization)	81,283	87,181	256,943	260,923
Corporate expenses (exclusive of depreciation and amortization)	24,248	24,474	81,331	74,077
Depreciation and amortization	74,636	65,833	222,919	202,210
Gain on disposition of assets	(879)	(53)	(5,243)	(1,990)
	<u>354,476</u>	<u>346,403</u>	<u>1,071,353</u>	<u>1,028,683</u>
Operating income	188,133	180,987	483,725	467,947
Other expense (income)				
Loss on extinguishment of debt	115	—	115	—
Interest income	(621)	(248)	(1,559)	(742)
Interest expense	45,070	33,545	130,163	89,824
Equity in earnings of investee	(699)	(1,554)	(1,326)	(2,655)
	<u>43,865</u>	<u>31,743</u>	<u>127,393</u>	<u>86,427</u>
Income before income tax expense	144,268	149,244	356,332	381,520
Income tax expense	3,843	3,056	8,821	8,976
Net income	140,425	146,188	347,511	372,544
Earnings attributable to non-controlling interest	408	—	833	—
Net income attributable to controlling interest	140,017	146,188	346,678	372,544
Cash dividends declared and paid on preferred stock	91	91	273	273
Net income applicable to common stock	<u>\$ 139,926</u>	<u>\$ 146,097</u>	<u>\$ 346,405</u>	<u>\$ 372,271</u>
Earnings per share:				
Basic earnings per share	<u>\$ 1.37</u>	<u>\$ 1.44</u>	<u>\$ 3.40</u>	<u>\$ 3.67</u>
Diluted earnings per share	<u>\$ 1.37</u>	<u>\$ 1.44</u>	<u>\$ 3.39</u>	<u>\$ 3.66</u>
Cash dividends declared per share of common stock	<u>\$ 1.25</u>	<u>\$ 1.20</u>	<u>\$ 3.75</u>	<u>\$ 3.50</u>
Weighted average common shares used in computing earnings per share:				
Weighted average common shares outstanding basic	101,960,356	101,580,997	101,890,573	101,469,918
Weighted average common shares outstanding diluted	102,130,614	101,685,965	102,085,016	101,599,157
Statements of Comprehensive Income				
Net income	\$ 140,425	\$ 146,188	\$ 347,511	\$ 372,544
Other comprehensive loss				
Foreign currency translation adjustments	(643)	(1,401)	(242)	(1,770)
Comprehensive income	139,782	144,787	347,269	370,774
Earnings attributable to non-controlling interest	408	—	833	—
Comprehensive income attributable to controlling interest	<u>\$ 139,374</u>	<u>\$ 144,787</u>	<u>\$ 346,436</u>	<u>\$ 370,774</u>

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 Loss	Accumulated Deficit	Non- controlling interest	Total
Balance, December 31, 2022	\$ —	\$ 88	\$ 14	\$ (61,358)	\$ 2,061,671	\$ (659)	\$ (804,382)	—	\$ 1,195,374
Non-cash compensation	—	—	—	—	3,305	—	—	—	3,305
Issuance of 161,050 shares of common stock through stock awards	—	—	—	—	15,934	—	—	—	15,934
Exercise of 10,595 shares of stock options	—	—	—	—	678	—	—	—	678
Issuance of 45,232 shares of common stock through employee purchase plan	—	—	—	—	3,530	—	—	—	3,530
Purchase of 56,808 shares of treasury stock	—	—	—	(5,946)	—	—	—	—	(5,946)
Foreign currency translation	—	—	—	—	—	(2)	—	—	(2)
Net income	—	—	—	—	—	—	76,041	157	76,198
Reallocation of capital	—	—	—	—	(1,016)	—	—	397	(619)
Dividends (\$1.25 per common share) and other distributions	—	—	—	—	—	—	(127,460)	(214)	(127,674)
Dividends (\$15.95 per preferred share)	—	—	—	—	—	—	(91)	—	(91)
Balance, March 31, 2023	\$ —	\$ 88	\$ 14	\$ (67,304)	\$ 2,084,102	\$ (661)	\$ (855,892)	\$ 340	\$ 1,160,687
Non-cash compensation	—	—	—	—	2,133	—	—	—	2,133
Issuance of 7,126 shares of common stock through stock awards	—	—	—	—	681	—	—	—	681
Exercise of 11,540 shares of stock options	—	—	—	—	809	—	—	—	809
Issuance of 34,283 shares of common stock through employee purchase plan	—	—	—	—	2,675	—	—	—	2,675
Foreign currency translation	—	—	—	—	—	403	—	—	403
Net income	—	—	—	—	—	—	130,620	268	130,888
Dividends/distributions to common shareholders (\$1.25 per common share)	—	—	—	—	—	—	(127,538)	(153)	(127,691)
Dividends (\$15.95 per preferred share)	—	—	—	—	—	—	(91)	—	(91)
Balance, June 30, 2023	\$ —	\$ 88	\$ 14	\$ (67,304)	\$ 2,090,400	\$ (258)	\$ (852,901)	\$ 455	\$ 1,170,494
Non-cash compensation	—	—	—	—	2,368	—	—	—	2,368
Exercise of 850 shares of stock options	—	—	—	—	55	—	—	—	55
Issuance of shares 37,407 of common stock through employee purchase plan	—	—	—	—	2,654	—	—	—	2,654
Purchase of 431 shares of treasury stock	—	—	—	(43)	—	—	—	—	(43)
Foreign currency translation	—	—	—	—	—	(643)	—	—	(643)
Net income	—	—	—	—	—	—	140,017	408	140,425
Dividends/distributions to common shareholders (\$1.25 per common share)	—	—	—	—	—	—	(127,582)	(795)	(128,377)
Dividends (\$15.95 per preferred share)	—	—	—	—	—	—	(91)	—	(91)
Balance, September 30, 2023	\$ —	\$ 88	\$ 14	\$ (67,347)	\$ 2,095,477	\$ (901)	\$ (840,557)	\$ 68	\$ 1,186,842

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	Non-controlling interest	Total
Balance, December 31, 2021	\$ —	\$ 88	\$ 14	\$ (50,852)	\$ 2,001,399	\$ 855	\$ (734,415)	—	\$ 1,217,089
Non-cash compensation	—	—	—	—	1,405	—	—	—	1,405
Issuance of 241,750 shares of common stock through stock awards	—	—	—	—	30,145	—	—	—	30,145
Exercise of 26,190 shares of stock options	—	—	—	—	1,307	—	—	—	1,307
Issuance of 36,347 shares of common stock through employee purchase plan	—	—	—	—	3,589	—	—	—	3,589
Purchase of 95,091 shares of treasury stock	—	—	—	(10,446)	—	—	—	—	(10,446)
Foreign currency translation	—	—	—	—	—	314	—	—	314
Net income	—	—	—	—	—	—	92,151	—	92,151
Dividends/distributions to common shareholders (\$1.10 per common share)	—	—	—	—	—	—	(111,602)	—	(111,602)
Dividends (\$15.95 per preferred share)	—	—	—	—	—	—	(91)	—	(91)
Balance, March 31, 2022	\$ —	\$ 88	\$ 14	\$ (61,298)	\$ 2,037,845	\$ 1,169	\$ (753,957)	\$ —	\$ 1,223,861
Non-cash compensation	—	—	—	—	1,356	—	—	—	1,356
Issuance of 7,197 shares of common stock through stock awards	—	—	—	—	221	—	—	—	221
Exercise of 13,131 shares of stock options	—	—	—	—	599	—	—	—	599
Issuance of 32,172 shares of common stock through employee purchase plan	—	—	—	—	2,406	—	—	—	2,406
Foreign currency translation	—	—	—	—	—	(683)	—	—	(683)
Net income	—	—	—	—	—	—	134,205	—	134,205
Dividends/distributions to common shareholders (\$1.20 per common share)	—	—	—	—	—	—	(121,808)	—	(121,808)
Dividends (\$15.95 per preferred share)	—	—	—	—	—	—	(91)	—	(91)
Balance, June 30, 2022	\$ —	\$ 88	\$ 14	\$ (61,298)	\$ 2,042,427	\$ 486	\$ (741,651)	\$ —	\$ 1,240,066
Non-cash compensation	—	—	—	—	4,283	—	—	—	4,283
Exercise of 114,440 shares of stock options	—	—	—	—	4,945	—	—	—	4,945
Issuance of shares 35,016 of common stock through employee purchase plan	—	—	—	—	2,455	—	—	—	2,455
Purchase of 588 shares of treasury stock	—	—	—	(60)	—	—	—	—	(60)
Foreign currency translation	—	—	—	—	—	(1,401)	—	—	(1,401)
Net income	—	—	—	—	—	—	146,188	—	146,188
Dividends/distributions to common shareholders (\$1.20 per common share)	—	—	—	—	—	—	(122,100)	—	(122,100)
Dividends (\$15.95 per preferred share)	—	—	—	—	—	—	(91)	—	(91)
Balance, September 30, 2022	\$ —	\$ 88	\$ 14	\$ (61,358)	\$ 2,054,110	\$ (915)	\$ (717,654)	\$ —	\$ 1,274,285

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 347,511	\$ 372,544
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	222,919	202,210
Stock-based compensation	16,362	14,331
Amortization included in interest expense	4,920	4,527
Gain on disposition of assets	(5,243)	(1,990)
Loss on extinguishment of debt	115	—
Equity in earnings of investee	(1,326)	(2,655)
Deferred tax expense	910	1,851
Provision for doubtful accounts	8,609	5,868
Changes in operating assets and liabilities		
(Increase) decrease in:		
Receivables	(33,755)	(29,510)
Prepaid expenses	(1,097)	(2,681)
Other assets	(2,237)	3,510
(Decrease) increase in:		
Trade accounts payable	(1,430)	(895)
Accrued expenses	(8,049)	(12,773)
Operating lease liabilities	(25,838)	(18,881)
Other liabilities	7,049	1,649
Net cash provided by operating activities	<u>529,420</u>	<u>537,105</u>
Cash flows from investing activities:		
Acquisitions	(120,324)	(287,860)
Capital expenditures	(132,152)	(116,808)
Proceeds from disposition of assets and investments	6,489	2,146
Decrease in notes receivable	62	58
Net cash used in investing activities	<u>(245,925)</u>	<u>(402,464)</u>
Cash flows from financing activities:		
Cash used for purchase of treasury stock	(5,989)	(10,506)
Net proceeds from issuance of common stock	10,401	15,301
Principal payments on long-term debt	(284)	(273)
Principal payments on financing leases	(998)	(998)
Payments on revolving credit facility	(243,000)	(575,000)
Proceeds received from revolving credit facility	333,000	400,000
Proceeds received from accounts receivable securitization program	72,000	140,000
Payments on accounts receivable securitization program	(74,900)	(115,000)
Proceeds received from senior credit facility term loans	—	350,000
Debt issuance costs	(2,951)	(1,564)
Distributions to non-controlling interest	(1,162)	(1,019)
Dividends/distributions	(382,853)	(355,783)
Net cash used in financing activities	<u>(296,736)</u>	<u>(154,842)</u>
Effect of exchange rate changes in cash and cash equivalents	17	(232)
Net decrease in cash and cash equivalents	<u>(13,224)</u>	<u>(20,433)</u>
Cash and cash equivalents at beginning of period	52,619	99,788
Cash and cash equivalents at end of period	<u>\$ 39,395</u>	<u>\$ 79,355</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 125,117</u>	<u>\$ 84,611</u>
Cash paid for foreign, state and federal income taxes	<u>\$ 9,093</u>	<u>\$ 8,254</u>

See accompanying notes to condensed consolidated financial statements.

**LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES**
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In thousands, except share and per 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 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 2022 Combined Form 10-K. Subsequent events, if any, are evaluated through the date on which the financial statements are issued.

2. Revenues

Advertising revenues: The majority of our revenues are derived from contracts for advertising space on billboard, logo and transit displays. Contracts which do not meet the criteria of a lease under ASC 842, *Leases* are accounted for under ASC 606, *Revenue from Contracts with Customers*. The majority of our advertising space contracts do not meet the definition of a lease under ASC 842 and are therefore accounted for under ASC 606. The contract revenues are recognized ratably over their contract life. Costs to fulfill a contract, which include our costs to install advertising copy onto billboards, are capitalized and amortized to direct advertising expenses (exclusive of depreciation and amortization) in the Condensed Consolidated Statements of Income and Comprehensive Income.

Other revenues: Our other component of revenue primarily consists of production services which includes creating and printing the advertising copy. 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: 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 expenses (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 for the three and nine months ended September 30, 2023 and 2022.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Billboard advertising	\$ 484,268	\$ 471,450	\$ 1,384,721	\$ 1,337,015
Logo advertising	20,437	19,632	61,975	60,137
Transit advertising	37,904	36,308	108,382	99,478
Net revenues	<u>\$ 542,609</u>	<u>\$ 527,390</u>	<u>\$ 1,555,078</u>	<u>\$ 1,496,630</u>

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3. Leases

During the three months ended September 30, 2023 and 2022, we had operating lease costs of \$80,550 and \$77,472, respectively, and variable lease costs of \$16,111 and \$15,365, respectively. During the nine months ended September 30, 2023 and 2022, we had operating lease costs of \$239,636 and \$229,674, respectively, and variable lease costs of \$44,639 and \$43,240, respectively. These operating lease costs are recorded in direct advertising expenses (exclusive of depreciation and amortization). For the three months ended September 30, 2023 and 2022, we recorded a gain of \$68 and \$106, respectively, in gain on disposition of assets related to the amendment and termination of lease agreements. For the nine months ended September 30, 2023 and 2022, we recorded a gain of \$260 and \$576, respectively, in gain on disposition of assets related to the amendment and termination of lease agreements. Cash payments of \$282,725 and \$255,436 were made reducing our operating lease liabilities for the nine months ended September 30, 2023 and 2022, respectively, 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 \$2,523 and \$1,943 in direct advertising expenses (exclusive of depreciation and amortization) for these agreements during the three months ended September 30, 2023 and 2022, respectively. We recorded \$7,532 and \$5,494 in direct advertising expenses (exclusive of depreciation and amortization) for these agreements during the nine months ended September 30, 2023 and 2022, respectively.

Our operating leases have a weighted-average remaining lease term of 12.6 years. The weighted-average discount rate of our operating leases is 5.0%. Also, during the periods ended September 30, 2023 and 2022, we obtained \$17,906 and \$37,518, respectively, of leased assets in exchange for new operating lease liabilities, which includes liabilities obtained through acquisitions.

The following is a summary of the maturities of our operating lease liabilities as of September 30, 2023:

2023	\$ 45,881
2024	238,648
2025	189,678
2026	163,143
2027	139,640
Thereafter	983,094
Total undiscounted operating lease payments	1,760,084
Less: Imputed interest	(496,919)
Total operating lease liabilities	\$ 1,263,165

During the three months ended September 30, 2023 and 2022, \$713 of amortization expense for each period and \$125 and \$135 of interest expense relating to our financing lease liabilities were recorded in depreciation and amortization and interest expense, respectively, in the Condensed Consolidated Statements of Income and Comprehensive Income. During the nine months ended September 30, 2023 and 2022, \$2,140 of amortization expense for each period and \$382 and \$412 of interest expense relating to our financing lease liabilities were recorded in depreciation and amortization and interest expense, respectively, in the Condensed Consolidated Statements of Income and Comprehensive Income. Cash payments of \$998 were made reducing our financing lease liabilities for each of the nine months ended September 30, 2023 and 2022 and are included in cash flows used in financing activities in the Condensed Consolidated Statements of Cash Flows. Our financing leases have a weighted-average remaining lease term of 4.2 years and a weighted-average discount rate of 3.1%.

Due to our election not to reassess conclusions about lease identification as part of the adoption of ASC 842, *Leases*, our transit agreements were accounted for as leases on January 1, 2019. As we enter into new or renew current transit agreements, those agreements do not meet the criteria of a lease under ASC 842, therefore they are no longer accounted for as a lease. For the three months ended September 30, 2023 and 2022, non-lease variable transit payments were \$22,023 and \$22,019, respectively.

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For the nine months ended September 30, 2023 and 2022, non-lease variable transit payments were \$62,661 and \$63,538, respectively. These transit expenses are recorded in direct advertising expenses (exclusive of depreciation and amortization) on the Condensed Consolidated Statements of Income and Comprehensive Income.

4. 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 22,500 shares of its Class A common stock during the nine months ended September 30, 2023. At September 30, 2023 a total of 1,726,676 shares were available for future grant.

Stock Purchase Plan. On May 30, 2019, our shareholders approved Lamar Advertising’s 2019 Employee Stock Purchase Plan (the “2019 ESPP”). The number of shares of Class A common stock available under the 2019 ESPP was automatically increased by 87,327 shares on January 1, 2023 pursuant to the automatic increase provisions of the 2019 ESPP.

The following is a summary of 2019 ESPP share activity for the nine months ended September 30, 2023:

	<u>Shares</u>
Available for future purchases, January 1, 2023	301,971
Additional shares reserved under 2019 ESPP	87,327
Purchases	<u>(116,922)</u>
Available for future purchases, September 30, 2023	<u>272,376</u>

Performance-based stock 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 2023 results. Any shares issued based on the achievement of performance goals will be issued in the first quarter of 2024. 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 three months ended September 30, 2023 and 2022, the Company recorded \$1,589 and \$3,830, respectively, as stock-based compensation expense related to performance-based awards. For the nine months ended September 30, 2023 and 2022, the Company recorded \$8,034 and \$9,789, respectively, as stock-based compensation expense related to performance-based awards.

LTIP Units. In addition to performance-based stock compensation, the Company may issue LTIP Units of Lamar Advertising Limited Partnership (the “OP”), a subsidiary of the Company, to certain officers, employees and directors under the Incentive Plan of the Company. Such LTIP Units are subject to vesting and forfeiture conditions based on performance criteria approved by the Compensation Committee, which mirrors the performance criteria applicable to the Company’s performance-based stock compensation, as described above. LTIP Units are a class of units intended to qualify as “profits interests” of the OP. The LTIP Units convert into Common Units of the OP upon the occurrence of certain events. Common Units are redeemable by the holder for shares of the Company’s Class A common stock after a holding period of twelve months, or may be paid out in cash at the option of the general partner of the OP. As of the September 30, 2023, the OP issued a total of 176,000 LTIP Units to the Company’s executive officers, of which 88,000 LTIP units have vested. For the three and nine months ended September 30, 2023, the Company recorded \$1,147 and \$4,050, respectively, as stock-based compensation expense related to these LTIP Units.

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Restricted stock compensation. Annually, 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. For the three months ended September 30, 2023 and 2022, the Company recorded \$67 and \$73, respectively, in stock-based compensation expense related to these awards. For the nine months ended September 30, 2023 and 2022, the Company recorded \$587 and \$502, respectively, in stock-based compensation expense related to these awards.

5. Depreciation and Amortization

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Direct advertising expenses	\$ 69,598	\$ 60,842	\$ 208,272	\$ 187,992
General and administrative expenses	1,456	1,538	4,014	3,984
Corporate expenses	3,582	3,453	10,633	10,234
	<u>\$ 74,636</u>	<u>\$ 65,833</u>	<u>\$ 222,919</u>	<u>\$ 202,210</u>

6. Goodwill and Other Intangible Assets

The following is a summary of intangible assets at September 30, 2023 and December 31, 2022:

	Estimated Life (Years)	September 30, 2023		December 31, 2022	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:					
Customer lists and contracts	7—10	\$ 729,648	\$ 634,086	\$ 720,051	\$ 614,840
Non-competition agreements	3—15	71,839	66,249	71,599	65,647
Site locations	15	2,945,955	1,862,990	2,864,854	1,781,164
Other	2—15	52,407	41,157	52,164	40,392
		<u>\$ 3,799,849</u>	<u>\$ 2,604,482</u>	<u>\$ 3,708,668</u>	<u>\$ 2,502,043</u>
Unamortizable intangible assets:					
Goodwill		\$ 2,288,749	\$ 253,536	\$ 2,288,805	\$ 253,536

7. 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, 2022	\$ 390,442
Additions to asset retirement obligations	4,127
Revision in estimates	1,230
Accretion expense	5,358
Liabilities settled	(4,116)
Balance at September 30, 2023	<u>\$ 397,041</u>

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8. 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 September 30, 2023 and December 31, 2022, Lamar Media was permitted under the terms of its outstanding notes to make transfers to Lamar Advertising in the form of cash dividends, loans or advances in amounts up to \$4,352,231 and \$4,187,593, respectively.

As of September 30, 2023, 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 September 30, 2023, 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 7.0 to 1 and (ii) the secured debt ratio does not exceed 4.5 to 1. As of September 30, 2023, the total debt ratio was less than 7.0 to 1 and Lamar Media’s secured debt ratio was less than 4.5 to 1, and the available cumulative credit was \$3,102,710.

9. 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 nine months ended September 30, 2023 or 2022.

10. Long-term Debt

Long-term debt consists of the following at September 30, 2023 and December 31, 2022:

	September 30, 2023		
	Debt	Deferred financing costs	Debt, net of deferred financing costs
Senior Credit Facility	\$ 1,084,159	\$ 8,916	\$ 1,075,243
Accounts Receivable Securitization Program	247,100	440	246,660
3 3/4% Senior Notes	600,000	5,196	594,804
3 5/8% Senior Notes	550,000	6,418	543,582
4% Senior Notes	549,497	5,874	543,623
4 7/8% Senior Notes	400,000	3,937	396,063
Other notes with various rates and terms	1,730	—	1,730
	3,432,486	30,781	3,401,705
Less current maturities	(247,493)	(440)	(247,053)
Long-term debt, excluding current maturities	<u>\$ 3,184,993</u>	<u>\$ 30,341</u>	<u>\$ 3,154,652</u>

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	December 31, 2022		
	Debt	Deferred financing costs	Debt, net of deferred financing costs
Senior Credit Facility	\$ 993,970	\$ 8,171	\$ 985,799
Accounts Receivable Securitization Program	250,000	593	249,407
3 3/4% Senior Notes	600,000	6,000	594,000
3 5/8% Senior Notes	550,000	6,982	543,018
4% Senior Notes	549,437	6,459	542,978
4 7/8% Senior Notes	400,000	4,410	395,590
Other notes with various rates and terms	2,013	—	2,013
	3,345,420	32,615	3,312,805
Less current maturities	(250,378)	(593)	(249,785)
Long-term debt, excluding current maturities	\$ 3,095,042	\$ 32,022	\$ 3,063,020

Senior Credit Facility

On February 6, 2020, Lamar Media entered into a Fourth Amended and Restated Credit Agreement (the “Fourth Amended and Restated Credit Agreement”) with 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 Fourth Amended and Restated Credit Agreement amended and restated the Third Amended and Restated Credit Agreement dated as of May 15, 2017, as amended (the “Third Amended and Restated Credit Agreement”).

The senior credit facility, as established by the Fourth Amended and Restated Credit Agreement (the “senior credit facility”), consists of (i) a \$750,000 senior secured revolving credit facility which will mature on July 31, 2028, subject to certain conditions (see description of Amendment No. 4 below) (the “revolving credit facility”), (ii) a \$600,000 senior secured Term B loan facility (the “Term B loans”) which will mature on February 6, 2027, (iii) a \$350,000 senior secured Term A loan facility (the “Term A loans”) which will mature on February 6, 2025, and (iv) 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 a pro forma secured debt ratio of 4.50 to 1.00, as well as certain other conditions including lender approval. Lamar Media borrowed all \$600,000 in Term B loans on February 6, 2020. The entire amount of the Term B loans will be payable at maturity. The net proceeds from the Term B loans, together with borrowings under the revolving portion of the senior credit facility and a portion of the proceeds of the issuance of the 3 3/4% Senior Notes due 2028 and 4% Senior Notes due 2030 (both as described below), were used to repay all outstanding amounts under the Third Amended and Restated Credit Agreement, and all revolving commitments under that facility were terminated.

The Term B loans mature on February 6, 2027 with no required amortization payments. The Term B loans bear interest at rates based on the Term Secured Overnight Financing Rate (“Term SOFR”) plus a credit spread adjustment of 0.10% (Term SOFR plus such credit spread adjustment, the “Adjusted Term SOFR Rate”) or the Adjusted Base Rate, at Lamar Media’s option. Term B loans bearing interest at a rate based on Term SOFR bear interest at a rate per annum equal to Term SOFR plus 1.50%. Term B loans bearing interest at a rate based on the Adjusted Base Rate bear interest at a rate per annum equal to the Adjusted Base Rate plus 0.50%.

The revolving credit facility bears interest at rates based on Term SOFR (“Term SOFR revolving loans”) or the Adjusted Base Rate (“Base Rate revolving loans”), at Lamar Media’s option. Term SOFR revolving loans bear interest at a rate per annum equal to the Adjusted Term SOFR Rate plus 1.50% (or the Adjusted Term SOFR Rate plus 1.25% at any time the Total Debt Ratio is less than or equal to 3.25 to 1). Base Rate revolving loans bear interest at a rate per annum equal to the Adjusted Base Rate plus 0.50% (or the Adjusted Base Rate plus 0.25% at any time the total debt ratio is less than or equal to 3.25 to 1). The guarantees, covenants, events of default and other terms of the senior credit facility apply to the Term B loans and revolving credit facility.

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On July 29, 2022, Lamar Media entered into Amendment No. 2 (the "Amendment No. 2") to the Fourth Amended and Restated Credit Agreement with certain of Lamar Media's subsidiaries as guarantors, JPMorgan Chase Bank, N.A. as administrative agent and the lenders party thereto. Amendment No. 2 established the Term A loans as a new class of incremental term loans. The Term A loans will mature on February 6, 2025 with no required amortization payments prior to maturity and bear interest at rates based on Term SOFR ("Term SOFR Term A loans") or the Adjusted Base Rate ("Base Rate Term A loans"), at Lamar Media's option. Term SOFR Term A loans bear interest at a rate per annum equal to the Adjusted Term SOFR Rate plus 1.50% (or the Adjusted Term SOFR Rate plus 1.25% at any time the Total Debt Ratio is less than or equal to 3.25 to 1). Base Rate Term A loans bear interest at a rate per annum equal to the Adjusted Base Rate plus 0.50% (or the Adjusted Base Rate plus 0.25% at any time the total debt ratio is less than or equal to 3.25 to 1). The covenants, events of default and other terms of the senior credit facility apply to the Term A loans. Lamar Media borrowed all \$350,000 in Term A loans on July 29, 2022. The entire amount of the Term A loans will be payable at maturity. Proceeds from the Term A loans were used to repay outstanding balances on the revolving credit facility and a portion of the outstanding balance on the Accounts Receivable Securitization Program.

On April 26, 2023, Lamar Media entered into Amendment No. 3 (the "Amendment No. 3") to the Fourth Amended and Restated Credit Agreement with certain of Lamar Media's subsidiaries as guarantors, JPMorgan Chase Bank N.A. as administrative agent and the lenders party thereto. Amendment No. 3 replaced the London Interbank Offered Rates as administered by the ICE Benchmark Administration with Term SOFR as the successor rate, as set in the Fourth Amended and Restated Credit Agreement. All other material terms and conditions of the Fourth Amended and Restated Credit Agreement remain unchanged by Amendment No. 3.

On July 31, 2023, Lamar Media entered into Amendment No. 4 (the "Amendment No. 4"), to the Fourth Amended and Restated Credit Agreement with certain of Lamar Media's subsidiaries as guarantors, JPMorgan Chase Bank, N.A., as administrative agent and the lenders party thereto. Amendment No. 4 extends the maturity date of Lamar Media's \$750,000 revolving credit facility such that the revolving credit facility matures July 31, 2028; provided, that, if on the date (a "Springing Maturity Test Date") that is 91 days prior to either the then scheduled maturity date of Lamar Media's Term B loans (which is currently February 6, 2027) or the February 15, 2028 maturity date of Lamar Media's 3 3/4% Notes, the Company and its restricted subsidiaries do not have sufficient liquidity (defined as unrestricted cash and cash equivalents of the Company and its restricted subsidiaries plus unused commitments under the revolving credit facility) to repay in full the aggregate outstanding amount (including all accrued and unpaid interest, premiums and make-whole amounts (if any)) of the Term B loans or the 3 3/4% Notes (as applicable), the revolving credit facility will mature on such Springing Maturity Test Date. On the maturity date of the revolving credit facility, the entire principal amount of revolving loans outstanding under the revolving credit facility, together with all accrued and unpaid interest on such revolving loans, will be due and payable.

Amendment No. 4 also establishes a \$75,000 swingline as a sublimit of the revolving credit facility, which allows Lamar Media to borrow revolving loans on a same-day basis, in an aggregate outstanding principal amount of up to \$75,000. In addition, Amendment No. 4 amends the provisions of the Fourth Amended and Restated Credit Agreement related to incremental facilities to allow Lamar Media to establish, from time to time, one or more new incremental revolving facilities on the terms, and subject to the conditions, set forth therein.

As of September 30, 2023, there were \$135,000 in borrowings outstanding under the revolving credit facility. Availability under the revolving credit facility is reduced by the amount of any letters of credit outstanding. Lamar Media had \$8,682 in letters of credit outstanding as of September 30, 2023 resulting in \$606,318 of availability under its revolving credit facility. Revolving credit loans may be requested under the revolving credit facility at any time prior to its maturity.

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.

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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 secured debt ratio as long as a revolving credit commitment, revolving loan or letter of credit remains outstanding, 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 "Receivable Financing Agreement") with its wholly-owned special purpose entities, Lamar QRS Receivables, LLC and Lamar TRS Receivables, LLC (the "Special Purpose Subsidiaries") (the "Accounts Receivable Securitization Program"). 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.

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 Accounts Receivable Securitization Program. Lamar Media retains the responsibility of servicing the accounts receivable balances pledged as collateral under the Accounts Receivable Securitization Program and provides a performance guaranty.

On June 24, 2022, Lamar Media and the Special Purpose Subsidiaries entered into the Sixth Amendment (the "Sixth Amendment") to the Receivables Financing Agreement. The Sixth Amendment increased the Accounts Receivable Securitization Program from \$175,000 to \$250,000 and extended the maturity date of the Accounts Receivable Securitization Program to July 21, 2025. Additionally, the Sixth Amendment provides for the replacement of LIBOR-based interest rate mechanics with Term SOFR based interest rate mechanics for the Accounts Receivable Securitization Program.

As of September 30, 2023 there was \$247,100 outstanding aggregate borrowings under the Accounts Receivable Securitization Program. Lamar Media had no additional availability for borrowing under the Accounts Receivable Securitization Program as of September 30, 2023. The commitment fees based on the amount of unused commitments under the Accounts Receivable Securitization Program were immaterial during the nine months ended September 30, 2023.

The Accounts Receivable Securitization Program will mature on July 21, 2025. Lamar Media may amend the facility to extend the maturity date, enter into a new securitization facility with a different maturity date, or refinance the indebtedness outstanding under the Accounts Receivable Securitization Program using borrowings under its senior credit facility or from other financing sources.

The Accounts Receivable Securitization 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.

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4% Senior Notes

On February 6, 2020, Lamar Media completed an institutional private placement of \$400,000 aggregate principal amount of 4% Senior Notes due 2030 (the “Original 4% Notes”). The institutional private placement on February 6, 2020 resulted in net proceeds to Lamar Media of approximately \$395,000.

On August 19, 2020, Lamar Media completed an institutional private placement of an additional \$150,000 aggregate principal amount of its 4% Notes (the “Additional 4% Notes”, and together with the Original 4% Notes, the “4% Notes”). Other than with respect to the date of issuance and issue price, the Additional 4% Notes have the same terms as the Original 4% Notes. The institutional private placement on August 19, 2020 resulted in net proceeds to Lamar Media of approximately \$146,900.

At any time prior to February 15, 2025, Lamar Media may redeem some or all of the 4% Notes at a price equal to 100% of the aggregate principal amount, plus accrued and unpaid interest thereon and a make-whole premium. On or after February 15, 2025, Lamar Media may redeem the 4% Notes, in whole or in part, in cash at redemption prices specified in the 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 4% Notes at a price equal to 101% of the principal amount of the 4% Notes, plus accrued and unpaid interest, up to but not including the repurchase date.

3 3/4% Senior Notes

On February 6, 2020, Lamar Media completed an institutional private placement of \$600,000 aggregate principal amount of 3 3/4% Senior Notes due 2028 (the “3 3/4% Notes”). The institutional private placement on February 6, 2020 resulted in net proceeds to Lamar Media of approximately \$592,500.

On or after February 15, 2023, Lamar Media may redeem the 3 3/4% Notes, in whole or in part, in cash at redemption prices specified in the 3 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 3 3/4% Notes at a price equal to 101% of the principal amount of the 3 3/4% Notes, plus accrued and unpaid interest, up to but not including the repurchase date.

4 7/8% Senior Notes

On May 13, 2020, Lamar Media completed an institutional private placement of \$400,000 aggregate principal amount of 4 7/8% Senior Notes due 2029 (the “4 7/8% Notes”). The institutional private placement on May 13, 2020 resulted in net proceeds to Lamar Media of approximately \$395,000.

At any time prior to January 15, 2024, Lamar Media may redeem some or all of the 4 7/8% Notes at a price equal to 100% of the aggregate principal amount, plus accrued and unpaid interest thereon and a make-whole premium. On or after January 15, 2024, Lamar Media may redeem the 4 7/8% Notes, in whole or in part, in cash at redemption prices specified in the 4 7/8% 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 4 7/8% Notes at a price equal to 101% of the principal amount of the 4 7/8% Notes, plus accrued and unpaid interest, up to but not including the repurchase date.

3 5/8% Senior Notes

On January 22, 2021, Lamar Media completed an institutional private placement of \$550,000 aggregate principal amount of 3 5/8% Senior Notes due 2031 (the “3 5/8% Notes”). The institutional private placement on January 22, 2021 resulted in net proceeds to Lamar Media of approximately \$542,500.

Lamar Media may redeem up to 40% of the aggregate principal amount of the 3 5/8% Notes, at any time and from time to time, at a price equal to 103.625% of the aggregate principal amount so redeemed, plus accrued and unpaid interest thereon, with the net cash proceeds of certain public equity offerings completed before January 15, 2024 provided that following the redemption, at least 60% of the 3 5/8% Notes that were originally issued remain outstanding and any such redemption occurs within 120 days following the closing of any such public equity offering. At any time prior to January 15, 2026, Lamar Media may redeem some or all of the 3 5/8% Notes at a price equal to 100% of the aggregate principal amount, plus accrued and unpaid interest thereon and a make-whole premium. On or after January 15, 2026, Lamar Media may redeem the 3 5/8% Notes, in whole or in

**LAMAR ADVERTISING COMPANY
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(In thousands, except share and per share data)

part, in cash at redemption prices specified in the 3 5/8% 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 3 5/8% Notes at a price equal to 101% of the principal amount of the 3 5/8% Notes, plus accrued and unpaid interest, up to but not including the repurchase date.

Debt Repurchase Program

On March 16, 2020, the Company's Board of Directors authorized Lamar Media to repurchase up to \$250,000 in outstanding senior or senior subordinated notes and other indebtedness outstanding from time to time under its Fourth Amended and Restated Credit Agreement. On February 23, 2023, the Board of Directors authorized the extension of the repurchase program through September 30, 2024. There were no repurchases under the program as of September 30, 2023.

11. Fair Value of Financial Instruments

At September 30, 2023 and December 31, 2022, 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. The estimated fair value of the Company's long-term debt (including current maturities) was \$3,130,384 which does not exceed the carrying amount of \$3,432,486 as of September 30, 2023. 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).

12. New Accounting Pronouncements

In October 2021, the FASB issued ASU 2021-08 *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which provides guidance on the recognition and measurement of contract assets and contract liabilities acquired in a business combination. At the acquisition date, the acquirer should account for the related revenue contracts as if the acquirer had originated the contracts. The guidance also provides certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination. This guidance is effective for public entities as of December 15, 2022. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

13. Dividends/Distributions

During the three months ended September 30, 2023 and 2022, the Company declared and paid cash distributions in an aggregate amount of \$127,582 or \$1.25 per share and \$122,100 or \$1.20 per share, respectively. During the nine months ended September 30, 2023 and 2022, the Company declared and paid cash distributions in an aggregate amount of \$382,580 or \$3.75 per share and \$355,510 or \$3.50 per share, respectively. 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), the impact of general economic conditions on the Company's operations and other factors that the Board of Directors may deem relevant. During the three and nine months ended September 30, 2023 and 2022, 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 \$273 or \$47.85 per share for each period, respectively.

14. Information about Geographic Areas

Revenues from external customers attributable to foreign countries totaled \$21,684 and \$21,721 for the nine months ended September 30, 2023 and 2022, respectively. Net carrying value of long-lived assets located in foreign countries totaled \$13,235

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(In thousands, except share and per share data)

and \$11,763 as of September 30, 2023 and December 31, 2022, respectively. All other revenues from external customers and long-lived assets relate to domestic operations.

15. Stockholders' Equity

Sales Agreement. On June 21, 2021, the Company entered into an equity distribution agreement (the "2021 Sales Agreement") with J.P. Morgan Securities LLC, Wells Fargo Securities LLC, Truist Securities, Inc., SMBC Nikko Securities America, Inc. and Scotia Capital (USA) Inc. as our sales agents (each a "Sales Agent", and collectively, the "Sales Agents"), which replaced the prior Sales Agreement with substantially similar terms. Under the terms of the 2021 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.

Sales of the Class A common stock, if any, may be made in negotiated transactions or transactions that are deemed to be "at-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 directly 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 2021 Sales Agreement and may at any time suspend solicitations and offers under the 2021 Sales Agreement.

As of September 30, 2023, no shares of our Class A common stock have been sold under the 2021 Sales Agreement and accordingly \$400,000 remained available to be sold under the 2021 Sales Agreement as of September 30, 2023.

Shelf Registration. On June 21, 2021, the Company filed an automatically effective shelf registration statement that allows Lamar Advertising to offer and sell an indeterminate amount of additional shares of its Class A common stock. During the nine months ended September 30, 2023 and the year ended December 31, 2022, the Company did not issue any shares under this shelf registration.

Stock Repurchase Program. On March 16, 2020, the Company's Board of Directors authorized the repurchase of up to \$250,000 of the Company's Class A common stock. On February 23, 2023, the Board of Directors authorized the extension of the repurchase program through September 30, 2024. There were no repurchases under the program as of September 30, 2023.

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

	September 30, 2023	December 31, 2022
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 38,895	\$ 52,119
Receivables, net of allowance for doubtful accounts of \$12,220 and \$11,418 in 2023 and 2022, respectively	310,170	285,039
Other current assets	28,601	26,894
Total current assets	<u>377,666</u>	<u>364,052</u>
Property, plant and equipment	4,236,573	4,109,146
Less accumulated depreciation and amortization	(2,691,274)	(2,609,447)
Net property, plant and equipment	<u>1,545,299</u>	<u>1,499,699</u>
Operating lease right of use assets	1,320,925	1,271,631
Financing lease right of use assets	11,897	14,037
Goodwill	2,025,062	2,025,117
Intangible assets, net	1,194,899	1,206,158
Other assets	79,831	77,778
Total assets	<u>\$ 6,555,579</u>	<u>\$ 6,458,472</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Trade accounts payable	\$ 17,592	\$ 19,643
Current maturities of long-term debt, net of deferred financing costs of \$440 and \$593 in 2023 and 2022, respectively	247,053	249,785
Current operating lease liabilities	184,620	205,838
Current financing lease liabilities	1,331	1,331
Accrued expenses	86,766	108,724
Deferred income	143,354	131,847
Total current liabilities	<u>680,716</u>	<u>717,168</u>
Long-term debt, net of deferred financing costs of \$30,341 and \$32,022 in 2023 and 2022, respectively	3,154,652	3,063,020
Operating lease liabilities	1,078,545	1,035,655
Financing lease liabilities	14,947	15,945
Deferred income tax liabilities	10,554	9,651
Asset retirement obligation	397,041	390,442
Other liabilities	39,501	39,090
Total liabilities	<u>5,375,956</u>	<u>5,270,971</u>
Stockholder's equity:		
Common stock, par value \$0.01, 3,000 shares authorized, 100 shares issued and outstanding at 2023 and 2022	—	—
Additional paid-in-capital	3,165,983	3,132,178
Accumulated comprehensive loss	(901)	(659)
Accumulated deficit	(1,985,527)	(1,944,018)
Non-controlling interest	68	—
Stockholder's equity	<u>1,179,623</u>	<u>1,187,501</u>
Total liabilities and stockholder's equity	<u>\$ 6,555,579</u>	<u>\$ 6,458,472</u>

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Statements of Income				
Net revenues	\$ 542,609	\$ 527,390	\$ 1,555,078	\$ 1,496,630
Operating expenses (income)				
Direct advertising expenses (exclusive of depreciation and amortization)	175,188	168,968	515,403	493,463
General and administrative expenses (exclusive of depreciation and amortization)	81,284	87,181	256,944	260,923
Corporate expenses (exclusive of depreciation and amortization)	24,110	24,337	80,948	73,694
Depreciation and amortization	74,636	65,833	222,919	202,210
Gain on disposition of assets	(879)	(53)	(5,243)	(1,990)
	<u>354,339</u>	<u>346,266</u>	<u>1,070,971</u>	<u>1,028,300</u>
Operating income	188,270	181,124	484,107	468,330
Other expense (income)				
Loss on extinguishment of debt	115	—	115	—
Interest income	(621)	(248)	(1,559)	(742)
Interest expense	45,070	33,545	130,163	89,824
Equity in earnings of investee	(699)	(1,554)	(1,326)	(2,655)
	<u>43,865</u>	<u>31,743</u>	<u>127,393</u>	<u>86,427</u>
Income before income tax expense	144,405	149,381	356,714	381,903
Income tax expense	3,843	3,056	8,821	8,976
Net income	140,562	146,325	347,893	372,927
Earnings attributable to non-controlling interest	408	—	833	—
Net income attributable to controlling interest	<u>\$ 140,154</u>	<u>\$ 146,325</u>	<u>\$ 347,060</u>	<u>\$ 372,927</u>
Statements of Comprehensive Income				
Net income	\$ 140,562	\$ 146,325	\$ 347,893	\$ 372,927
Other comprehensive loss				
Foreign currency translation adjustments	(643)	(1,401)	(242)	(1,770)
Comprehensive income	139,919	144,924	347,651	371,157
Earnings attributable to non-controlling interest	408	—	833	—
Comprehensive income attributable to controlling interest	<u>\$ 139,511</u>	<u>\$ 144,924</u>	<u>\$ 346,818</u>	<u>\$ 371,157</u>

See accompanying notes to condensed consolidated financial statements.

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

	Common Stock	Additional Paid-In Capital	Accumulated Comprehensive Loss	Accumulated Deficit	Non-controlling interest	Total
Balance, December 31, 2022	\$ —	\$ 3,132,178	\$ (659)	\$ (1,944,018)	\$ —	\$ 1,187,501
Contribution from parent	—	23,447	—	—	—	23,447
Reallocation of capital	—	(1,016)	—	—	397	(619)
Foreign currency translations	—	—	(2)	—	—	(2)
Net income	—	—	—	76,177	157	76,334
Dividend to parent	—	—	—	(133,406)	(214)	(133,620)
Balance, March 31, 2023	\$ —	\$ 3,154,609	\$ (661)	\$ (2,001,247)	\$ 340	\$ 1,153,041
Contribution from parent	—	6,298	—	—	—	6,298
Foreign currency translations	—	—	403	—	—	403
Net income	—	—	—	130,729	268	130,997
Dividend to parent	—	—	—	(127,539)	(153)	(127,692)
Balance, June 30, 2023	\$ —	\$ 3,160,907	\$ (258)	\$ (1,998,057)	\$ 455	\$ 1,163,047
Contribution from parent	—	5,076	—	—	—	5,076
Foreign currency translations	—	—	(643)	—	—	(643)
Net income	—	—	—	140,154	408	140,562
Dividend to parent	—	—	—	(127,624)	(795)	(128,419)
Balance, September 30, 2023	\$ —	3,165,983	(901)	(1,985,527)	\$ 68	\$ 1,179,623

	Common Stock	Additional Paid-In Capital	Accumulated Comprehensive Income (Loss)	Accumulated Deficit	Non-controlling interest	Total
Balance, December 31, 2021	\$ —	\$ 3,071,905	\$ 855	\$ (1,864,414)	\$ —	\$ 1,208,346
Contribution from parent	—	36,447	—	—	—	36,447
Foreign currency translations	—	—	314	—	—	314
Net income	—	—	—	92,287	—	92,287
Dividend to parent	—	—	—	(122,047)	—	(122,047)
Balance, March 31, 2022	\$ —	\$ 3,108,352	\$ 1,169	\$ (1,894,174)	\$ —	\$ 1,215,347
Contribution from parent	—	4,582	—	—	—	4,582
Foreign currency translations	—	—	(683)	—	—	(683)
Net income	—	—	—	134,315	—	134,315
Dividend to parent	—	—	—	(121,809)	—	(121,809)
Balance, June 30, 2022	\$ —	\$ 3,112,934	\$ 486	\$ (1,881,668)	\$ —	\$ 1,231,752
Contribution from parent	—	11,683	—	—	—	11,683
Foreign currency translations	—	—	(1,401)	—	—	(1,401)
Net income	—	—	—	146,325	—	146,325
Dividend to parent	—	—	—	(122,159)	—	(122,159)
Balance, September 30, 2022	\$ —	3,124,617	(915)	(1,857,502)	\$ —	\$ 1,266,200

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 347,893	\$ 372,927
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	222,919	202,210
Non-cash compensation	16,362	14,331
Amortization included in interest expense	4,920	4,527
Gain on disposition of assets	(5,243)	(1,990)
Loss on extinguishment of debt	115	—
Equity in earnings of investee	(1,326)	(2,655)
Deferred tax expense	910	1,851
Provision for doubtful accounts	8,609	5,868
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	(33,755)	(29,510)
Prepaid expenses	(1,097)	(2,681)
Other assets	(2,237)	3,510
Decrease in:		
Trade accounts payable	(1,430)	(895)
Accrued expenses	(8,049)	(12,773)
Operating lease liabilities	(25,838)	(18,881)
Other liabilities	(18,026)	(36,419)
Net cash provided by operating activities	<u>504,727</u>	<u>499,420</u>
Cash flows from investing activities:		
Acquisitions	(120,324)	(287,860)
Capital expenditures	(132,152)	(116,808)
Proceeds from disposition of assets and investments	6,489	2,146
Decrease in notes receivable	62	58
Net cash used in investing activities	<u>(245,925)</u>	<u>(402,464)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(284)	(273)
Principal payments on financing leases	(998)	(998)
Payments on revolving credit facility	(243,000)	(575,000)
Proceeds received from revolving credit facility	333,000	400,000
Proceeds received from accounts receivable securitization program	72,000	140,000
Payments on accounts receivable securitization program	(74,900)	(115,000)
Proceeds received from senior credit facility term loans	—	350,000
Debt issuance costs	(2,951)	(1,564)
Distributions to non-controlling interest	(1,162)	(1,019)
Contributions from parent	34,821	52,712
Dividend to parent	(388,569)	(366,015)
Net cash used in financing activities	<u>(272,043)</u>	<u>(117,157)</u>
Effect of exchange rate changes in cash and cash equivalents	17	(232)
Net decrease in cash and cash equivalents	<u>(13,224)</u>	<u>(20,433)</u>
Cash and cash equivalents at beginning of period	52,119	99,288
Cash and cash equivalents at end of period	<u>\$ 38,895</u>	<u>\$ 78,855</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 125,117</u>	<u>\$ 84,611</u>
Cash paid for foreign, state and federal income taxes	<u>\$ 9,093</u>	<u>\$ 8,254</u>

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 2022 Combined Form 10-K.

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, 10, 11, 12, 14 and 15 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 is 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 September 30, 2023

	<u>Lamar Media Corp.</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u> (unaudited)	<u>Eliminations</u>	<u>Lamar Media Consolidated</u>
ASSETS					
Total current assets	\$ 29,797	\$ 33,504	\$ 314,365	\$ —	\$ 377,666
Net property, plant and equipment	—	1,528,064	17,235	—	1,545,299
Operating lease right of use assets	—	1,285,803	35,122	—	1,320,925
Intangibles and goodwill, net	—	3,203,025	16,936	—	3,219,961
Other assets	4,626,686	353,991	246,698	(5,135,647)	91,728
Total assets	<u>\$ 4,656,483</u>	<u>\$ 6,404,387</u>	<u>\$ 630,356</u>	<u>\$ (5,135,647)</u>	<u>\$ 6,555,579</u>
LIABILITIES AND STOCKHOLDER'S EQUITY					
Current liabilities:					
Current maturities of long-term debt	\$ —	\$ 393	\$ 246,660	\$ —	\$ 247,053
Current operating lease liabilities	—	177,223	7,397	—	184,620
Other current liabilities	43,355	192,259	13,429	—	249,043
Total current liabilities	<u>43,355</u>	<u>369,875</u>	<u>267,486</u>	<u>—</u>	<u>680,716</u>
Long-term debt	3,153,315	1,337	—	—	3,154,652
Operating lease liabilities	—	1,052,662	25,883	—	1,078,545
Other noncurrent liabilities	280,258	422,853	345,873	(586,941)	462,043
Total liabilities	<u>3,476,928</u>	<u>1,846,727</u>	<u>639,242</u>	<u>(586,941)</u>	<u>5,375,956</u>
Stockholder's equity	<u>1,179,555</u>	<u>4,557,660</u>	<u>(8,886)</u>	<u>(4,548,706)</u>	<u>1,179,623</u>
Total liabilities and stockholder's equity	<u>\$ 4,656,483</u>	<u>\$ 6,404,387</u>	<u>\$ 630,356</u>	<u>\$ (5,135,647)</u>	<u>\$ 6,555,579</u>

**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, 2022

	<u>Lamar Media Corp.</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Lamar Media Consolidated</u>
ASSETS					
Total current assets	\$ 39,829	\$ 36,667	\$ 287,556	\$ —	\$ 364,052
Net property, plant and equipment	—	1,483,395	16,304	—	1,499,699
Operating lease right of use assets	—	1,252,414	19,217	—	1,271,631
Intangibles and goodwill, net	—	3,214,284	16,991	—	3,231,275
Other assets	4,514,221	325,052	250,056	(4,997,514)	91,815
Total assets	<u>\$ 4,554,050</u>	<u>\$ 6,311,812</u>	<u>\$ 590,124</u>	<u>\$ (4,997,514)</u>	<u>\$ 6,458,472</u>
LIABILITIES AND STOCKHOLDER'S EQUITY					
Current liabilities:					
Current maturities of long-term debt	\$ —	\$ 378	\$ 249,407	\$ —	\$ 249,785
Current operating lease liabilities	—	198,320	7,518	—	205,838
Other current liabilities	23,360	222,871	15,314	—	261,545
Total current liabilities	<u>23,360</u>	<u>421,569</u>	<u>272,239</u>	<u>—</u>	<u>717,168</u>
Long-term debt	3,061,385	1,635	—	—	3,063,020
Operating lease liabilities	—	1,025,385	10,270	—	1,035,655
Other noncurrent liabilities	281,804	418,163	301,957	(546,796)	455,128
Total liabilities	<u>3,366,549</u>	<u>1,866,752</u>	<u>584,466</u>	<u>(546,796)</u>	<u>5,270,971</u>
Stockholder's equity	<u>1,187,501</u>	<u>4,445,060</u>	<u>5,658</u>	<u>(4,450,718)</u>	<u>1,187,501</u>
Total liabilities and stockholder's equity	<u>\$ 4,554,050</u>	<u>\$ 6,311,812</u>	<u>\$ 590,124</u>	<u>\$ (4,997,514)</u>	<u>\$ 6,458,472</u>

**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 September 30, 2023

Statement of Income	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
			(unaudited)		
Net revenues	\$ —	\$ 532,112	\$ 11,228	\$ (731)	\$ 542,609
Operating expenses (income)					
Direct advertising expenses ⁽¹⁾	—	167,920	7,999	(731)	175,188
General and administrative expenses ⁽¹⁾	—	79,755	1,529	—	81,284
Corporate expenses ⁽¹⁾	—	23,798	312	—	24,110
Depreciation and amortization	—	73,477	1,159	—	74,636
Gain on disposition of assets	—	(879)	—	—	(879)
	—	344,071	10,999	(731)	354,339
Operating income	—	188,041	229	—	188,270
Equity in (earnings) loss of subsidiaries	(181,237)	—	—	181,237	—
Loss on extinguishment of debt	115	—	—	—	115
Interest expense (income), net	40,968	(552)	4,033	—	44,449
Equity in earnings of investee	—	(699)	—	—	(699)
Income (loss) before income tax expense (benefit)	140,154	189,292	(3,804)	(181,237)	144,405
Income tax expense (benefit) ⁽²⁾	—	3,923	(80)	—	3,843
Net income (loss)	140,154	185,369	(3,724)	(181,237)	140,562
Earnings attributable to non-controlling interest	—	122	286	—	408
Net income (loss) attributable to controlling interest	\$ 140,154	\$ 185,247	\$ (4,010)	\$ (181,237)	\$ 140,154
Statement of Comprehensive Income					
Net income (loss)	\$ 140,154	\$ 185,369	\$ (3,724)	\$ (181,237)	\$ 140,562
Total other comprehensive loss, net of tax	—	—	(643)	—	(643)
Total comprehensive income (loss)	140,154	185,369	(4,367)	(181,237)	139,919
Earnings attributable to non-controlling interest	—	122	286	—	408
Comprehensive income (loss) attributable to controlling interest	\$ 140,154	\$ 185,247	\$ (4,653)	\$ (181,237)	\$ 139,511

(1) Caption is exclusive of depreciation and amortization.

(2) The income tax expense (benefit) 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 September 30, 2022

Statement of Income	Lamar Media Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
			(unaudited)		
Net revenues	\$ —	\$ 515,993	\$ 11,470	\$ (73)	\$ 527,390
Operating expenses (income)					
Direct advertising expenses ⁽¹⁾	—	161,629	7,412	(73)	168,968
General and administrative expenses ⁽¹⁾	—	85,388	1,793	—	87,181
Corporate expenses ⁽¹⁾	—	23,810	527	—	24,337
Depreciation and amortization	—	65,032	801	—	65,833
Gain on disposition of assets	—	(53)	—	—	(53)
	—	335,806	10,533	(73)	346,266
Operating income	—	180,187	937	—	181,124
Equity in (earnings) loss of subsidiaries	(178,405)	—	—	178,405	—
Interest expense (income), net	32,080	(32)	1,249	—	33,297
Equity in earnings of investee	—	(1,554)	—	—	(1,554)
Income (loss) before income tax expense	146,325	181,773	(312)	(178,405)	149,381
Income tax expense ⁽²⁾	—	2,940	116	—	3,056
Net income (loss)	<u>\$ 146,325</u>	<u>\$ 178,833</u>	<u>\$ (428)</u>	<u>\$ (178,405)</u>	<u>\$ 146,325</u>
Statement of Comprehensive Income					
Net income (loss)	\$ 146,325	\$ 178,833	\$ (428)	\$ (178,405)	\$ 146,325
Total other comprehensive loss, net of tax	—	—	(1,401)	—	(1,401)
Total comprehensive income (loss)	<u>\$ 146,325</u>	<u>\$ 178,833</u>	<u>\$ (1,829)</u>	<u>\$ (178,405)</u>	<u>\$ 144,924</u>

(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 Nine Months Ended September 30, 2023

	<u>Lamar Media Corp.</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Lamar Media Consolidated</u>
Statement of Income					
(unaudited)					
Net revenues	\$ —	\$ 1,525,275	\$ 31,810	\$ (2,007)	\$ 1,555,078
Operating expenses (income)					
Direct advertising expenses ⁽¹⁾	—	494,070	23,340	(2,007)	515,403
General and administrative expenses ⁽¹⁾	—	250,839	6,105	—	256,944
Corporate expenses ⁽¹⁾	—	79,809	1,139	—	80,948
Depreciation and amortization	—	219,839	3,080	—	222,919
(Gain) loss on disposition of assets	—	(5,245)	2	—	(5,243)
	—	1,039,312	33,666	(2,007)	1,070,971
Operating income (loss)	—	485,963	(1,856)	—	484,107
Equity in (earnings) loss of subsidiaries	(466,361)	—	—	466,361	—
Loss on extinguishment of debt	115	—	—	—	115
Interest expense (income), net	119,186	(1,447)	10,865	—	128,604
Equity in earnings of investee	—	(1,326)	—	—	(1,326)
Income (loss) before income tax expense	347,060	488,736	(12,721)	(466,361)	356,714
Income tax expense ⁽²⁾	—	8,691	130	—	8,821
Net income (loss)	347,060	480,045	(12,851)	(466,361)	347,893
Earnings attributable to non-controlling interest	—	257	576	—	833
Net income (loss) attributable to controlling interest	\$ 347,060	\$ 479,788	\$ (13,427)	\$ (466,361)	\$ 347,060
Statement of Comprehensive Income					
Net income (loss)	\$ 347,060	\$ 480,045	\$ (12,851)	\$ (466,361)	\$ 347,893
Total other comprehensive loss, net of tax	—	—	(242)	—	(242)
Total comprehensive income (loss)	347,060	480,045	(13,093)	(466,361)	347,651
Earnings attributable to non-controlling interest	—	257	576	—	833
Comprehensive income (loss) attributable to controlling interest	\$ 347,060	\$ 479,788	\$ (13,669)	\$ (466,361)	\$ 346,818

(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 Nine Months Ended September 30, 2022

	Lamar Media Corp.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Lamar Media Consolidated
Statement of Income					
(unaudited)					
Net revenues	\$ —	\$ 1,466,109	\$ 30,776	\$ (255)	\$ 1,496,630
Operating expenses (income)					
Direct advertising expenses ⁽¹⁾	—	471,633	22,085	(255)	493,463
General and administrative expenses ⁽¹⁾	—	255,546	5,377	—	260,923
Corporate expenses ⁽¹⁾	—	71,499	2,195	—	73,694
Depreciation and amortization	—	199,623	2,587	—	202,210
Gain on disposition of assets	—	(1,990)	—	—	(1,990)
	—	996,311	32,244	(255)	1,028,300
Operating income (loss)	—	469,798	(1,468)	—	468,330
Equity in (earnings) loss of subsidiaries	(459,799)	—	—	459,799	—
Interest expense (income), net	86,872	(132)	2,342	—	89,082
Equity in earnings of investee	—	(2,655)	—	—	(2,655)
Income (loss) before income tax expense (benefit)	372,927	472,585	(3,810)	(459,799)	381,903
Income tax expense (benefit) ⁽²⁾	—	9,085	(109)	—	8,976
Net income (loss)	\$ 372,927	\$ 463,500	\$ (3,701)	\$ (459,799)	\$ 372,927
Statement of Comprehensive Income					
Net income (loss)	\$ 372,927	\$ 463,500	\$ (3,701)	\$ (459,799)	\$ 372,927
Total other comprehensive loss, net of tax	—	—	(1,770)	—	(1,770)
Total comprehensive income (loss)	\$ 372,927	\$ 463,500	\$ (5,471)	\$ (459,799)	\$ 371,157

(1) Caption is exclusive of depreciation and amortization.

(2) The income tax expense (benefit) 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 Nine Months Ended September 30, 2023

	<u>Lamar Media Corp.</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u> (unaudited)	<u>Eliminations</u>	<u>Lamar Media Consolidated</u>
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	\$ 392,347	\$ 640,356	\$ (39,521)	\$ (488,455)	\$ 504,727
Cash flows from investing activities:					
Acquisitions	—	(120,324)	—	—	(120,324)
Capital expenditures	—	(128,157)	(3,995)	—	(132,152)
Proceeds from disposition of assets and investments	—	6,489	—	—	6,489
Decrease in notes receivable	—	62	—	—	62
Investment in subsidiaries	(120,324)	—	—	120,324	—
(Increase) decrease in intercompany notes receivable	(15,384)	—	—	15,384	—
Net cash (used in) provided by investing activities	(135,708)	(241,930)	(3,995)	135,708	(245,925)
Cash flows from financing activities:					
Proceeds received from revolving credit facility	333,000	—	—	—	333,000
Payment on revolving credit facility	(243,000)	—	—	—	(243,000)
Principal payments on long-term debt	—	(284)	—	—	(284)
Principal payments on financing leases	—	(998)	—	—	(998)
Payment on accounts receivable securitization program	—	—	(74,900)	—	(74,900)
Proceeds received from accounts receivable securitization program	—	—	72,000	—	72,000
Debt issuance costs	(2,926)	—	(25)	—	(2,951)
Intercompany loan (payments) proceeds	—	(29,489)	44,873	(15,384)	—
Distributions to non-controlling interest	—	(330)	(832)	—	(1,162)
Dividends (to) from parent	(388,569)	(488,455)	—	488,455	(388,569)
Contributions from (to) parent	34,821	120,324	—	(120,324)	34,821
Net cash (used in) provided by financing activities	(266,674)	(399,232)	41,116	352,747	(272,043)
Effect of exchange rate changes in cash and cash equivalents	—	—	17	—	17
Net decrease in cash and cash equivalents	(10,035)	(806)	(2,383)	—	(13,224)
Cash and cash equivalents at beginning of period	39,729	1,285	11,105	—	52,119
Cash and cash equivalents at end of period	<u>\$ 29,694</u>	<u>\$ 479</u>	<u>\$ 8,722</u>	<u>\$ —</u>	<u>\$ 38,895</u>

**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 Nine Months Ended September 30, 2022

	<u>Lamar Media Corp.</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u> (unaudited)	<u>Eliminations</u>	<u>Lamar Media Consolidated</u>
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	\$ 391,078	\$ 611,985	\$ (30,726)	\$ (472,917)	\$ 499,420
Cash flows from investing activities:					
Acquisitions	—	(287,860)	—	—	(287,860)
Capital expenditures	—	(113,736)	(3,072)	—	(116,808)
Proceeds from disposition of assets and investments	—	2,146	—	—	2,146
Investment in subsidiaries	(287,860)	—	—	287,860	—
Decrease (increase) in intercompany notes receivable	14,158	—	—	(14,158)	—
Decrease in notes receivable	—	58	—	—	58
Net cash (used in) provided by investing activities	(273,702)	(399,392)	(3,072)	273,702	(402,464)
Cash flows from financing activities:					
Proceeds received from revolving credit facility	400,000	—	—	—	400,000
Payment on revolving credit facility	(575,000)	—	—	—	(575,000)
Principal payments on long-term debt	—	(273)	—	—	(273)
Principal payments on financing leases	—	(998)	—	—	(998)
Payment on accounts receivable securitization program	—	—	(115,000)	—	(115,000)
Proceeds received from accounts receivable securitization program	—	—	140,000	—	140,000
Proceeds received from senior credit facility term loans	350,000	—	—	—	350,000
Debt issuance costs	(1,328)	—	(236)	—	(1,564)
Intercompany loan (payments) proceeds	—	(28,204)	14,046	14,158	—
Distributions to non-controlling interest	—	—	(1,019)	—	(1,019)
Dividends (to) from parent	(366,015)	(472,917)	—	472,917	(366,015)
Contributions from (to) parent	52,712	287,860	—	(287,860)	52,712
Net cash (used in) provided by financing activities	(139,631)	(214,532)	37,791	199,215	(117,157)
Effect of exchange rate changes in cash and cash equivalents	—	—	(232)	—	(232)
Net (decrease) increase in cash and cash equivalents	(22,255)	(1,939)	3,761	—	(20,433)
Cash and cash equivalents at beginning of period	91,023	3,494	4,771	—	99,288
Cash and cash equivalents at end of period	<u>\$ 68,768</u>	<u>\$ 1,555</u>	<u>\$ 8,532</u>	<u>\$ —</u>	<u>\$ 78,855</u>

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 2022 Combined Form 10-K filed on February 24, 2023, and as such risk factors as further updated or supplemented, from time to time, in our combined Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. 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 three and nine months ended September 30, 2023 and 2022. This discussion should be read in conjunction with the condensed 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.

Acquisitions and capital expenditures

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 nine months ended September 30, 2023, the Company completed multiple acquisitions for a total cash purchase price of approximately \$120.3 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 nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Total capital expenditures:				
Billboard — traditional	\$ 11,658	\$ 12,165	\$ 40,619	\$ 30,388
Billboard — digital	18,057	19,218	59,598	61,172
Logos	2,368	3,636	9,499	9,639
Transit	1,001	817	2,390	3,021
Land and buildings	2,094	2,467	9,785	5,102
Operating equipment	3,967	2,703	10,261	7,486
Total capital expenditures	<u>\$ 39,145</u>	<u>\$ 41,006</u>	<u>\$ 132,152</u>	<u>\$ 116,808</u>

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), equity in earnings (loss) of investees, loss (gain) on extinguishment of debt and investments, stock-based compensation, depreciation and amortization, loss (gain) on disposition of assets and investments, transaction expenses and capitalized contract fulfillment costs, net.

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 income and expense; (ii) capitalized contract fulfillment costs, net (iii) stock-based compensation expense; (iv) non-cash portion of tax expense (benefit); (v) non-real estate related depreciation and amortization; (vi) amortization of deferred financing costs; (vii) loss on extinguishment of debt; (viii) transaction expenses; (ix) non-recurring infrequent or unusual losses (gains); (x) less maintenance capital expenditures; and (xi) 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 divestitures, 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 provide 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

Nine months ended September 30, 2023 compared to nine months ended September 30, 2022

Net revenues increased \$58.4 million or 3.9% to \$1.56 billion for the nine months ended September 30, 2023 from \$1.50 billion for the same period in 2022. This increase was primarily attributable to an increase in billboard net revenues of \$47.7 million and an increase in transit net revenues of \$8.9 million over the same period in 2022.

For the nine months ended September 30, 2023, there was a \$29.7 million increase in net revenues as compared to acquisition-adjusted net revenue for the nine months ended September 30, 2022, which represents an increase of 1.9%. See "Reconciliations" below. The \$29.7 million increase in revenue is primarily due to an increase of \$19.6 million in billboard net revenues as well as an increase in transit net revenues of \$8.3 million over the same period in 2022.

Total operating expenses, exclusive of depreciation and amortization and gain on disposition of assets, increased \$25.2 million, or 3.0%, to \$853.7 million for the nine months ended September 30, 2023 from \$828.5 million for the same period in 2022. The \$25.2 million increase over the prior year is comprised of a \$27.0 million increase in total direct, general and administrative and corporate expenses (excluding stock-based compensation and transaction expenses) primarily related to the operations of our outdoor advertising assets, as well as a \$2.0 million increase in stock-based compensation, offset by a \$3.8 million decrease in transaction expenses related to acquisitions and the write-off of deferred offering costs.

Depreciation and amortization expense increased \$20.7 million to \$222.9 million for the nine months ended September 30, 2023 as compared to \$202.2 million for the same period in 2022, primarily related to acquisitions and capital expenditures completed during 2022.

For the nine months ended September 30, 2023, the Company recognized a gain on disposition of assets of \$5.2 million primarily resulting from transactions related to the sale of billboard locations and displays.

Due to the above factors, operating income increased by \$15.8 million to \$483.7 million for the nine months ended September 30, 2023 as compared to \$467.9 million for the same period in 2022.

Interest expense increased \$40.3 million for the nine months ended September 30, 2023 to \$130.2 million as compared to \$89.8 million for the nine months ended September 30, 2022 primarily due to the increase in interest rates on the Accounts Receivable Securitization Program and senior credit facility.

Equity in earnings of investee was \$1.3 million and \$2.7 million for the nine months ended September 30, 2023 and 2022, respectively.

The increase in operating income, offset by the increase in interest expense, resulted in a \$25.2 million decrease in net income before income taxes. The effective tax rate for the nine months ended September 30, 2023 was 2.5%, 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 nine months ended September 30, 2023 of \$347.5 million, as compared to net income of \$372.5 million for the same period in 2022.

Reconciliations:

Because acquisitions occurring after December 31, 2021 have contributed to our net revenue results for the periods presented, we provide 2022 acquisition-adjusted net revenue, which adjusts our 2022 net revenue for the nine months ended September 30, 2022 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 nine months ended September 30, 2023.

Reconciliations of 2022 reported net revenue to 2022 acquisition-adjusted net revenue for the nine months ended September 30, as well as a comparison of 2022 acquisition-adjusted net revenue to 2023 reported net revenue for the nine months ended September 30, are provided below:

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

	Nine Months Ended September 30,	
	2023	2022
(in thousands)		
Reported net revenue	\$ 1,555,078	\$ 1,496,630
Acquisition net revenue	—	28,706
Adjusted totals	<u>\$ 1,555,078</u>	<u>\$ 1,525,336</u>

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Nine Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2023	2022		
Net income	\$ 347,511	\$ 372,544	\$ (25,033)	(6.7)%
Income tax expense	8,821	8,976	(155)	
Loss on extinguishment of debt	115	—	115	
Transaction expenses	—	3,769	(3,769)	
Interest expense (income), net	128,604	89,082	39,522	
Equity in earnings of investee	(1,326)	(2,655)	1,329	
Gain on disposition of assets	(5,243)	(1,990)	(3,253)	
Depreciation and amortization	222,919	202,210	20,709	
Capitalized contract fulfillment costs, net	(203)	(463)	260	
Stock-based compensation expense	16,362	14,331	2,031	
Adjusted EBITDA	<u>\$ 717,560</u>	<u>\$ 685,804</u>	<u>\$ 31,756</u>	4.6 %

Adjusted EBITDA for the nine months ended September 30, 2023 increased 4.6% to \$717.6 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 capitalized contract fulfillment costs, net) of \$36.8 million, offset by an increase in total general and administrative and corporate expenses of \$5.0 million, excluding the impact of stock-based compensation expense and transaction expenses.

Net Income/FFO/AFFO

(in thousands)

	Nine Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2023	2022		
Net income	\$ 347,511	\$ 372,544	\$ (25,033)	(6.7)%
Depreciation and amortization related to real estate	213,925	193,164	20,761	
Gain from sale or disposal of real estate, net of tax	(5,113)	(1,783)	(3,330)	
Adjustments for unconsolidated affiliates and non-controlling interest	(2,159)	(2,135)	(24)	
FFO	<u>\$ 554,164</u>	<u>\$ 561,790</u>	<u>\$ (7,626)</u>	(1.4)%
Straight line expense	3,476	2,884	592	
Capitalized contract fulfillment costs, net	(203)	(463)	260	
Stock-based compensation expense	16,362	14,331	2,031	
Non-cash portion of tax provision	910	1,851	(941)	
Non-real estate related depreciation and amortization	8,994	9,046	(52)	
Amortization of deferred financing costs	4,920	4,527	393	
Loss on extinguishment of debt	115	—	115	
Transaction expenses	—	3,769	(3,769)	
Capital expenditures - maintenance	(43,642)	(44,681)	1,039	
Adjustments for unconsolidated affiliates and non-controlling interest	2,159	2,135	24	
AFFO	<u>\$ 547,255</u>	<u>\$ 555,189</u>	<u>\$ (7,934)</u>	(1.4)%

FFO for the nine months ended September 30, 2023 decreased from \$561.8 million in 2022 to \$554.2 million for the same period in 2023, a decrease of 1.4%. AFFO for the nine months ended September 30, 2023 decreased 1.4% to \$547.3 million as compared to \$555.2 million for the same period in 2022. The decrease in AFFO was primarily attributable to an increase in our interest expense of \$40.3 million and an increase in total general and administrative and corporate expenses (excluding the effect of stock-based compensation expense and transaction expenses), offset by an increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization and capitalized contract fulfillment costs, net).

Three months ended September 30, 2023 compared to three months ended September 30, 2022

Net revenues increased \$15.2 million or 2.9% to \$542.6 million for the three months ended September 30, 2023 from \$527.4 million for the same period in 2022. This increase was primarily attributable to an increase in billboard net revenues of \$12.8 million and an increase in transit net revenues of \$1.6 million over the same period in 2022.

For the three months ended September 30, 2023, there was a \$8.5 million increase in net revenues as compared to acquisition-adjusted net revenue for the three months ended September 30, 2022, which represents an increase of 1.6%. See "Reconciliations" below. The \$8.5 million increase in revenue is primarily due to an increase of \$5.4 million in billboard net revenues as well as an increase in transit net revenues of \$2.3 million over the same period in 2022.

Total operating expenses, exclusive of depreciation and amortization and gain on disposition of assets, increased \$0.1 million to \$280.7 million for the three months ended September 30, 2023 from \$280.6 million for the same period in 2022. The \$0.1 million increase over the prior year is comprised of a \$1.4 million increase in total direct, general and administrative and corporate expenses (excluding stock-based compensation and transaction expenses) primarily related to the operations of our outdoor advertising assets, offset by a \$1.2 million decrease in stock-based compensation.

Depreciation and amortization expense increased \$8.8 million to \$74.6 million for the three months ended September 30, 2023 as compared to \$65.8 million for the same period in 2022, primarily related to acquisitions and capital expenditures completed during 2022.

For the three months ended September 30, 2023, the Company recognized a gain on disposition of assets of \$0.9 million primarily resulting from transactions related to the sale of billboard locations and displays.

Due to the above factors, operating income increased by \$7.1 million to \$188.1 million for the three months ended September 30, 2023 as compared to \$181.0 million for the same period in 2022.

Interest expense increased \$11.5 million for the three months ended September 30, 2023 to \$45.1 million as compared to \$33.5 million for the three months ended September 30, 2022 primarily due to the increase in interest rates on the Accounts Receivable Securitization Program and senior credit facility.

Equity in earnings of investee was \$0.7 million and \$1.6 million for the three months ended September 30, 2023 and 2022, respectively.

The increase in operating income, offset by the increase in interest expense, resulted in a \$5.0 million decrease in net income before income taxes. The effective tax rate for the three months ended September 30, 2023 was 2.7%, 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 September 30, 2023 of \$140.4 million, as compared to net income of \$146.2 million for the same period in 2022.

Reconciliations:

Because acquisitions occurring after December 31, 2021 have contributed to our net revenue results for the periods presented, we provide 2022 acquisition-adjusted net revenue, which adjusts our 2022 net revenue for the three months ended September 30, 2022 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 September 30, 2023.

Reconciliations of 2022 reported net revenue to 2022 acquisition-adjusted net revenue for the three months ended September 30, as well as a comparison of 2022 acquisition-adjusted net revenue to 2023 reported net revenue for the three months ended September 30, are provided below:

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

	Three Months Ended September 30,	
	2023	2022
	(in thousands)	
Reported net revenue	\$ 542,609	\$ 527,390
Acquisition net revenue	—	6,733
Adjusted totals	<u>\$ 542,609</u>	<u>\$ 534,123</u>

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Three Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2023	2022		
Net income	\$ 140,425	\$ 146,188	\$ (5,763)	(3.9)%
Income tax expense	3,843	3,056	787	
Loss on extinguishment of debt	115	—	115	
Transaction expenses	—	93	(93)	
Interest expense (income), net	44,449	33,297	11,152	
Equity in earnings of investee	(699)	(1,554)	855	
Gain on disposition of assets	(879)	(53)	(826)	
Depreciation and amortization	74,636	65,833	8,803	
Capitalized contract fulfillment costs, net	(117)	(772)	655	
Stock-based compensation expense	3,916	5,108	(1,192)	
Adjusted EBITDA	<u>\$ 265,689</u>	<u>\$ 251,196</u>	<u>\$ 14,493</u>	5.8 %

Adjusted EBITDA for the three months ended September 30, 2023 increased 5.8% to \$265.7 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 capitalized contract fulfillment costs, net) of \$9.7 million and a decrease in total general and administrative and corporate expenses of \$4.8 million, excluding the impact of stock-based compensation expense and transaction expenses.

Net Income/FFO/AFFO

(in thousands)

	Three Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2023	2022		
Net income	\$ 140,425	146,188	\$ (5,763)	(3.9)%
Depreciation and amortization related to real estate	71,519	63,089	8,430	
Gain from sale or disposal of real estate, net of tax	(806)	(10)	(796)	
Adjustments for unconsolidated affiliates and non-controlling interest	(1,107)	(1,364)	257	
FFO	<u>\$ 210,031</u>	<u>\$ 207,903</u>	<u>\$ 2,128</u>	1.0 %
Straight line expense	1,136	741	395	
Capitalized contract fulfillment costs, net	(117)	(772)	655	
Stock-based compensation expense	3,916	5,108	(1,192)	
Non-cash portion of tax provision	1,255	639	616	
Non-real estate related depreciation and amortization	3,117	2,743	374	
Amortization of deferred financing costs	1,626	1,577	49	
Loss on extinguishment of debt	115	—	115	
Transaction expenses	—	93	(93)	
Capital expenditures - maintenance	(13,402)	(13,008)	(394)	
Adjustments for unconsolidated affiliates and non-controlling interest	1,107	1,364	(257)	
AFFO	<u>\$ 208,784</u>	<u>\$ 206,388</u>	<u>\$ 2,396</u>	1.2 %

FFO for the three months ended September 30, 2023 increased from \$207.9 million in 2022 to \$210.0 million for the same period in 2023, an increase of 1.0%. AFFO for the three months ended September 30, 2023 increased 1.2% to \$208.8 million as compared to \$206.4 million for the same period in 2022. The increase in AFFO was primarily attributable to an increase in our

gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization and capitalized contract fulfillment costs, net) and a decrease in total general and administrative and corporate expenses (excluding the effect of stock-based compensation and transaction expenses), offset by an increase in interest expense of \$11.5 million.

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 September 30, 2023 we had \$645.7 million of total liquidity, which is comprised of \$39.4 million in cash and cash equivalents and \$606.3 million of availability under the revolving portion of Lamar Media's senior credit facility. We expect our total liquidity to be adequate for the Company to meet its operational requirements for the next twelve months. 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 September 30, 2023 and December 31, 2022, the Company had a working capital deficit of \$312.1 million and \$361.5 million, respectively. The decrease in working capital deficit of \$49.4 million is primarily due to an increase in receivables and decreases in current operating lease liabilities and payroll related accrued expenses.

Cash Generated by Operations. For the nine months ended September 30, 2023 and 2022, our cash provided by operating activities was \$529.4 million and \$537.1 million, respectively. The decrease in cash provided by operating activities for the nine months ended September 30, 2023 over the same period in 2022 primarily relates to an increase in operating expenses (excluding stock-based compensation, gain on disposition of assets, and depreciation and amortization) of \$23.2 million and an increase in interest expense of \$40.3 million, offset by an increase in revenues of \$58.4 million. We expect to generate cash flows from operations during 2023 in excess of our cash needs for operations, capital expenditures and dividends, as described herein. We believe we have sufficient liquidity available under our revolving credit facility to meet our operating cash needs for the next twelve months.

Accounts Receivable Securitization Program. On June 24, 2022, Lamar Media and the Special Purpose Subsidiaries entered into the Sixth Amendment (the "Sixth Amendment") to the Receivables Financing Agreement. The Sixth Amendment increased the Accounts Receivable Securitization Program from \$175.0 million to \$250.0 million and extended the maturity date of the Accounts Receivable Securitization Program to July 21, 2025. Additionally, the Sixth Amendment provides for the replacement of LIBOR-based interest rate mechanics with Term Secured Overnight Financing Rate ("Term SOFR") based interest rate mechanics for the Accounts Receivable Securitization Program.

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 September 30, 2023, there was \$247.1 million in outstanding aggregate borrowings under the Accounts Receivable Securitization Program. Lamar Media had no additional availability under the Accounts Receivable Securitization Program as of September 30, 2023. The Accounts Receivable Securitization Program will mature on July 21, 2025.

"At-the-Market" Offering Program. On June 21, 2021, the Company entered into an equity distribution agreement (the "2021 Sales Agreement"), with J.P. Morgan Securities LLC, Wells Fargo Securities LLC, Truist Securities, Inc., SMBC Nikko Securities America, Inc. and Scotia Capital (USA) Inc. as our sales agents (each a "Sales Agent", and collectively, the "Sales Agents"), which replaced the prior Sales Agreement with substantially similar terms. Under the terms of the 2021 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 2021 Sales Agreement and may at any time suspend solicitations and offers under the 2021 Sales Agreement. The Company intends to use the net proceeds, if any, from the sale of the Class A common stock pursuant to the 2021 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. The Company did not issue any shares under this program from its inception through September 30, 2023.

Shelf Registration Statement. On June 21, 2021, the Company filed a new automatically effective shelf registration statement that allows Lamar Advertising to offer and sell an indeterminate amount of additional shares of its Class A common stock. During the nine months ended September 30, 2023 and the year ended December 31, 2022, the Company did not issue any shares under either shelf registration.

Credit Facilities. On February 6, 2020, Lamar Media entered into a Fourth Amended and Restated Credit Agreement (the "Fourth Amended and Restated Credit Agreement") with 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 Fourth Amended and Restated Credit Agreement amended and restated the Third Amended and Restated Credit Agreement dated as of May 15, 2017, as amended (the "Third Amended and Restated Credit Agreement").

On July 2, 2021, Lamar Media entered into Amendment No. 1 (the "Amendment"), to the Fourth Amended and Restated Credit Agreement. The Amendment amends the definition of "Subsidiary" to exclude each of Lamar Partnering Sponsor LLC and Lamar Partnering Corporation and any of their subsidiaries (collectively, the "Lamar Partnering Entities") such that, after the giving effect to the Amendment, none of the Lamar Partnering Entities are subject to the Fourth Amended and Restated Credit Agreement covenants and reporting requirements, but any investment by Lamar Media in any of the Lamar Partnering Entities would be subject to the Fourth Amended and Restated Credit Agreement covenants. The Amendment also amends the definition of "EBITDA" to replace the existing calculation with a net income-based calculation, which excludes the income of non-Subsidiary entities such as the Lamar Partnering Entities, except to the extent that income of such entities is received by Lamar Media in the form of dividends or distributions.

The senior credit facility, as established by the Fourth Amended and Restated Credit Agreement (the "senior credit facility"), consists of (i) a \$750.0 million senior secured revolving credit facility which will mature on July 31, 2028, subject to certain conditions (see description of Amendment No. 4 below) (the "revolving credit facility"), (ii) a \$600.0 million senior secured Term B loan facility (the "Term B loans") which will mature on February 6, 2027, (iii) a \$350.0 million senior secured Term A loan facility (the "Term A loans") which will mature on February 6, 2025, and (iv) 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 a pro forma secured debt ratio calculated as described under "Restrictions under Senior Credit Facility" of 4.50 to 1.00, as well as certain other conditions including lender approval. Lamar Media borrowed all \$600.0 million in Term B loans on February 6, 2020. The entire amount of the Term B loans will be payable at maturity.

The Term B loans bear interest at rates based on Term SOFR plus a credit spread adjustment of 0.10% (Term SOFR plus such credit spread adjustment, the "Adjusted Term SOFR Rate") or the Adjusted Base Rate, at Lamar Media's option. Term B loans

bearing interest at a rate based on Term SOFR bear interest at a rate per annum equal to the Adjusted Term SOFR Rate plus 1.50%. Term B loans bearing interest at a rate based on the Adjusted Base Rate bear interest at a rate per annum equal to the Adjusted Base Rate plus 0.50%. The revolving credit facility bears interest at rates based on Term SOFR ("Term SOFR revolving loans") or the Adjusted Base Rate ("Base Rate revolving loans"), at Lamar Media's option. Term SOFR revolving loans bear interest at a rate per annum equal to the Adjusted Term SOFR Rate plus 1.50% (or the Adjusted Term SOFR Rate plus 1.25% at any time the Total Debt Ratio is less than or equal to 3.25 to 1). Base Rate revolving loans bear interest at a rate per annum equal to the Adjusted Base Rate plus 0.50% (or the Adjusted Base Rate plus 0.25% at any time the total debt ratio is less than or equal to 3.25 to 1). The guarantees, covenants, events of default and other terms of the senior credit facility apply to the Term B loans and revolving credit facility.

On July 29, 2022, Lamar Media entered into Amendment No. 2 ("Amendment No. 2") to the Fourth Amended and Restated Credit Agreement with certain of Lamar Media's subsidiaries as guarantors, JPMorgan Chase Bank, N.A. as administrative agent and the lenders party thereto. Amendment No. 2 established the Term A loans as a new class of incremental term loans. The Term A loans will mature on February 6, 2025 and bear interest based on Term SOFR ("Term SOFR Term A loans") or the Adjusted Base Rate ("Base Rate Term A loans"), at Lamar Media's option. Term SOFR Term A loans bear interest at a rate per annum equal to the Adjusted Term SOFR Rate plus 1.50% (or the Adjusted Term SOFR Rate plus 1.25% at any time the Total Debt Ratio is less than or equal to 3.25 to 1). Base Rate Term A loans bear interest at a rate per annum equal to the Adjusted Base Rate plus 0.50% (or the Adjusted Base Rate plus 0.25% at any time the total debt ratio is less than or equal to 3.25 to 1). The covenants, events of default and other terms of the senior credit facility apply to the Term A loans. Lamar Media borrowed all \$350.0 million in Term A loans on July 29, 2022. Proceeds from the Term A loans were used to repay outstanding balances on the revolving credit facility and a portion of the outstanding balance on our Accounts Receivable Securitization Program.

On April 26, 2023, Lamar Media entered into Amendment No. 3 ("Amendment No. 3") to the Fourth Amended and Restated Credit Agreement with certain of Lamar Media's subsidiaries as guarantors, JPMorgan Chase Bank N.A. as administrative agent and the lenders party thereto. Amendment No. 3 replaced the London Interbank Offered Rates as administered by the ICE Benchmark Administration with Term SOFR as the successor rate, as set in the Fourth Amended and Restated Credit Agreement. All other material terms and conditions of the Fourth Amended and Restated Credit Agreement remain unchanged by Amendment No. 3.

On July 31, 2023, Lamar Media entered into Amendment No. 4 (the "Amendment No. 4"), to the Fourth Amended and Restated Credit Agreement with certain of Lamar Media's subsidiaries as guarantors, JPMorgan Chase Bank, N.A., as administrative agent and the lenders party thereto. Amendment No. 4 extends the maturity date of Lamar Media's \$750.0 million revolving credit facility such that the revolving credit facility matures July 31, 2028; provided, that, if on the date (a "Springing Maturity Test Date") that is 91 days prior to either the then scheduled maturity date of Lamar Media's Term B loans (which is currently February 6, 2027) or the February 15, 2028 maturity date of Lamar Media's 3 3/4% Notes, the Company and its restricted subsidiaries do not have sufficient liquidity (defined as unrestricted cash and cash equivalents of the Company and its restricted subsidiaries plus unused commitments under the revolving credit facility) to repay in full the aggregate outstanding amount (including all accrued and unpaid interest, premiums and make-whole amounts (if any)) of the Term B loans or the 3 3/4% Notes (as applicable), the revolving credit facility will mature on such Springing Maturity Test Date. On the maturity date of the revolving credit facility, the entire principal amount of revolving loans outstanding under the revolving credit facility, together with all accrued and unpaid interest on such revolving loans, will be due and payable.

Amendment No. 4 also establishes a \$75.0 million swingline as a sublimit of the revolving credit facility, which allows Lamar Media to borrow revolving loans on a same-day basis, in an aggregate outstanding principal amount of up to \$75.0 million. In addition, Amendment No. 4 amends the provisions of the Fourth Amended and Restated Credit Agreement related to incremental facilities to allow Lamar Media to establish, from to time to time, one or more new incremental revolving facilities on the terms, and subject to the conditions, set forth therein.

As of September 30, 2023 the aggregate balance outstanding under the senior credit facility was \$1.09 billion, consisting of \$600.0 million in Term B loans aggregate principal balance, \$350.0 million in Term A loans aggregate principal balance and \$135.0 million outstanding borrowings under our revolving credit facility. Lamar Media had approximately \$606.3 million of unused capacity 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. We expect to generate cash flows from operations during 2023 in excess of our cash needs for operations, capital

expenditures and dividends, as described herein, and we believe we have sufficient liquidity with cash on hand and availability under our revolving credit facility to meet our operating cash needs for the next twelve months.

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

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 the \$600.0 million 3 3/4% Senior Notes issued February 2020, the \$550.0 million 4% Senior Notes issued February 2020 and August 2020, the \$400.0 million 4 7/8% Senior Notes issued in May 2020 and the \$550.0 million 3 5/8% Senior Notes issued in January 2021.

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 1.0. 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 \$2.0 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;
- additional debt not to exceed \$75.0 million; and
- up to \$500.0 million of permitted securitization financings.

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 September 30, 2023 we were, and currently, we are, 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 (including capital lease obligations), 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 (other than the Special Purpose Subsidiaries (as defined above under *Sources of Cash – Accounts Receivable Securitization Program*)) to EBITDA, as defined below, for the period of four consecutive fiscal quarters then ended, of less than or equal to 4.5 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, Lamar Media would have a 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 (other than the Special Purpose Subsidiaries) to (b) EBITDA, as defined below, for the most recent four fiscal quarters then ended, is less than 7.0 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 is less than 7.0 to 1.0.

Under the senior credit facility, as amended, “EBITDA” means, for any period, net income, plus (a) to the extent deducted in determining net income for such period, the sum determined without duplication and in accordance with GAAP, of (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, (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 (viii) any loss on sales of receivables and related assets to a securitization entity in connection with a permitted securitization financing, plus (b) 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 pursuant to this clause (b) 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, minus (c) to the extent included in net income for such period (determined without duplication and in accordance with GAAP) (i) any extraordinary and unusual gains or losses during such period, and (ii) the proceeds of any casualty events and dispositions. For purposes of this EBITDA definition, the effect thereon of any adjustments required under Statement of Financial Accounting Standards No. 141R will be excluded. If during any period for which EBITDA is being determined, we have 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.

Under the senior credit facility, “net income” means for any period, the consolidated net income (or loss) of Lamar Advertising, us, and our restricted subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that the following is excluded from net income: (a) the income (or deficit) of any person accrued prior to the date it becomes a restricted subsidiary or is merged into or consolidated with Lamar Advertising, us or any of our restricted subsidiaries, and (b) the income (or deficit) of any person (other than any of our restricted subsidiaries) in which Lamar Advertising, we or any of our subsidiaries has an ownership interest, except to the extent that any such income is received by Lamar Advertising, us or any of our restricted subsidiaries in the form of dividends or similar distributions.

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 for the next twelve months. All debt obligations are reflected on the Company’s balance sheet.

Restrictions under Accounts Receivable Securitization Program. The agreements governing the Accounts 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 4.5 to 1.0 required under Lamar Media’s senior credit facility.

Uses of Cash

Capital Expenditures. Capital expenditures, excluding acquisitions, were approximately \$132.2 million for the nine months ended September 30, 2023. We anticipate our 2023 total capital expenditures to be between approximately \$180.0 million and \$185.0 million.

Acquisitions. During the nine months ended September 30, 2023, the Company completed acquisitions for an aggregate purchase price of approximately \$120.3 million, which were financed using available cash on hand and borrowings on the Accounts Receivable Securitization Program and senior credit facility.

Dividends. On February 23, 2023, the Company's Board of Directors declared a quarterly cash dividend of \$1.25 per share, paid on March 31, 2023 to its stockholders of record of its Class A common stock and Class B common stock on March 17, 2023. On May 10, 2023, the Company's Board of Directors declared a quarterly cash dividend of \$1.25 per share, paid on June 30, 2023 to its stockholders of record of its Class A common stock and Class B common stock on June 19, 2023. On August 29, 2023, the Company's Board of Directors declared a quarterly cash dividend of \$1.25 per share, paid on September 29, 2023 to its stockholders of record of its Class A common stock and Class B common stock on September 18, 2023. Subject to approval of the Company's Board of Directors, the Company expects aggregate quarterly distributions to stockholders in 2023 will be \$5.00 per share of common stock, including the dividends paid on March 31, 2023, June 30, 2023 and September 29, 2023.

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"), the impact of general economic conditions on the Company's operations and other factors that the Board of Directors may deem relevant. The foregoing factors may also impact management's recommendations to the Board of Directors as to the timing, amount and frequency of future distributions.

Stock and Debt Repurchasing Program. On March 16, 2020, the Company's Board of Directors authorized the repurchase of up to \$250.0 million of the Company's Class A common stock. Additionally, the Board of Directors has authorized Lamar Media to repurchase up to \$250.0 million in outstanding senior or senior subordinated notes and other indebtedness outstanding from time to time under its senior credit agreement. On February 23, 2023, the Board of Directors authorized the extension of the repurchase program through September 30, 2024. There were no repurchases under the program as of September 30, 2023. The Company's management may opt not to make any repurchases under the program, or may make aggregate purchases less than the total amount authorized.

Material Cash Requirements

Our expected material cash requirements for the twelve months following September 30, 2023 and thereafter are comprised of contractual obligations, required annual distributions and other opportunistic expenditures.

Debt and Contractual Obligations. The following table summarizes our future debt maturities, interest payment obligations, and contractual obligations including required payments under operating and financing leases as of September 30, 2023 (in millions):

	Less than 1 year	Thereafter
Debt maturities ⁽¹⁾	\$ 247.1	\$ 3,154.7
Interest obligations on long-term debt ⁽²⁾	173.5	557.9
Contractual obligations, including operating and financing leases	283.5	1,695.5
Total payments due	<u>\$ 704.1</u>	<u>\$ 5,408.1</u>

(1) Debt maturities assume there is no refinancing prior to the existing maturity date.

(2) Interest rates on our variable rate instruments assume rates at the September 2023 levels.

Required Annual Distributions. 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). On February 23, 2023, the Company's Board of Directors declared a quarterly cash dividend of \$1.25 per share, paid on March 31, 2023 to its stockholders of record of its Class A common stock and Class B common stock on March 17, 2023. On May 10, 2023, the Company's Board of Directors declared a quarterly cash dividend of \$1.25 per share, paid on June 30, 2023 to its stockholders of record of its Class A common stock and Class B common stock on June 19, 2023. On August 29, 2023, the Company's Board of Directors declared a quarterly cash dividend of \$1.25 per share, paid on September 29, 2023 to its stockholders of record of its Class A common stock and Class B common stock on September 18, 2023. Subject to approval of

the Company's Board of Directors, the Company expects aggregate quarterly distributions to stockholders in 2023 will be \$5.00 per share of common stock, including the dividends paid on March 31, 2023, June 30, 2023 and September 29, 2023.

Opportunistic Expenditures. As part of our capital allocation strategy, we plan to continue to allocate our available capital among investment alternatives that meet our return on investment criteria. We will continue to reinvest in our existing assets and expand our outdoor advertising display portfolio through new construction. We will also continue to pursue strategic acquisitions of outdoor advertising businesses and assets. This includes acquisitions in our existing markets and in new markets where we can meet our return on investment criteria.

Cash Flows

The Company's cash flows provided by operating activities decreased \$7.7 million from \$537.1 million for the nine months ended September 30, 2022 to \$529.4 million for the nine months ended September 30, 2023, primarily resulting from an increase in operating expenses (excluding stock-based compensation, gain on disposition of assets, and depreciation and amortization) of \$23.2 million and an increase in interest expense of \$40.3 million, offset by an increase in revenues of \$58.4 million, as compared to the same period in 2022.

Cash flows used in investing activities decreased \$156.5 million from \$402.5 million for the nine months ended September 30, 2022 to \$245.9 million for the nine months ended September 30, 2023 primarily due to a net decrease in the amount of assets acquired through acquisitions, investments and capital expenditures of \$152.2 million, as compared to the same period in 2022.

The Company's cash flows used in financing activities were \$296.7 million for the nine months ended September 30, 2023 as compared to \$154.8 million for the nine months ended September 30, 2022. The cash flows used in financing activities of \$296.7 million for the nine months ended September 30, 2023 is primarily due to cash paid for dividends and distributions offset by net borrowings on the senior credit facility.

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 preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. There have been no material changes to the critical accounting policies and estimates as previously disclosed in Item 7 of our 2022 Combined Form 10-K.

Accounting Standards and Regulatory Update

See Note 12, "New Accounting Pronouncements" to our condensed consolidated financial statements included in Part 1, Item 1 of this report for a discussion of our Accounting Standards and Regulatory Update.

LAMAR MEDIA CORP.

The following is a discussion of the consolidated financial condition and results of operations of Lamar Media for the three and nine months ended September 30, 2023 and 2022. This discussion should be read in conjunction with the consolidated financial statements of Lamar Media and the related notes thereto.

RESULTS OF OPERATIONS

Nine months ended September 30, 2023 compared to nine months ended September 30, 2022

Net revenues increased \$58.4 million or 3.9% to \$1.56 billion for the nine months ended September 30, 2023 from \$1.50 billion for the same period in 2022. This increase was primarily attributable to an increase in billboard net revenues of \$47.7 million and an increase in transit net revenues of \$8.9 million over the same period in 2022.

For the nine months ended September 30, 2023, there was a \$29.7 million increase in net revenues as compared to acquisition-adjusted net revenue for the nine months ended September 30, 2022, which represents an increase of 1.9%. See "Reconciliations" below. The \$29.7 million increase in revenue is primarily due to an increase of \$19.6 million in billboard net revenues as well as an increase in transit net revenues of \$8.3 million over the same period in 2022.

Total operating expenses, exclusive of depreciation and amortization and gain on disposition of assets, increased \$25.2 million, or 3.0% to \$853.3 million for the nine months ended September 30, 2023 from \$828.1 million for the same period in 2022. The

\$25.2 million increase over the prior year is comprised of a \$27.0 million increase in total direct, general and administrative and corporate expenses (excluding stock-based compensation and transaction expenses) primarily related to the operations of our outdoor advertising assets, as well as a \$2.0 million increase in stock-based compensation, offset by a \$3.8 million decrease in transaction expenses related to acquisitions and the write-off of deferred offering costs.

Depreciation and amortization expense increased \$20.7 million to \$222.9 million for the nine months ended September 30, 2023 as compared to \$202.2 million for the same period in 2022, primarily related to acquisitions and capital expenditures completed during 2022.

For the nine months ended September 30, 2023, Lamar Media recognized a gain on disposition of assets of \$5.2 million, primarily resulting from transactions related to the sale of billboard locations and displays.

Due to the above factors, operating income increased by \$15.8 million to \$484.1 million for the nine months ended September 30, 2023 as compared to \$468.3 million for the same period in 2022.

Interest expense increased \$40.3 million for the nine months ended September 30, 2023 to \$130.2 million as compared to \$89.8 million for the nine months ended September 30, 2022 primarily due to the increase in interest rates on the Accounts Receivable Securitization Program and senior credit facility.

Equity in earnings of investee was \$1.3 million and \$2.7 million for the nine months ended September 30, 2023 and 2022, respectively.

The increase in operating income, offset by the increase in interest expense, resulted in a \$25.2 million decrease in net income before income taxes. The effective tax rate for the nine months ended September 30, 2023 was 2.5%, 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 nine months ended September 30, 2023 of \$347.9 million, as compared to net income of \$372.9 million for the same period in 2022.

Reconciliations:

Because acquisitions occurring after December 31, 2021 have contributed to our net revenue results for the periods presented, we provide 2022 acquisition-adjusted net revenue, which adjusts our 2022 net revenue for the nine months ended September 30, 2022 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 nine months ended September 30, 2023.

Reconciliations of 2022 reported net revenue to 2022 acquisition-adjusted net revenue for the nine months ended September 30, as well as a comparison of 2022 acquisition-adjusted net revenue to 2023 reported net revenue for the nine months ended September 30, are provided below:

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

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Reported net revenue	\$ 1,555,078	\$ 1,496,630
Acquisition net revenue	—	28,706
Adjusted totals	<u>\$ 1,555,078</u>	<u>\$ 1,525,336</u>

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Nine Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2023	2022		
Net income	\$ 347,893	\$ 372,927	\$ (25,034)	(6.7)%
Income tax expense	8,821	8,976	(155)	
Loss on extinguishment of debt	115	—	115	
Transaction expenses	—	3,769	(3,769)	
Interest expense (income), net	128,604	89,082	39,522	
Equity in earnings of investee	(1,326)	(2,655)	1,329	
Gain on disposition of assets	(5,243)	(1,990)	(3,253)	
Depreciation and amortization	222,919	202,210	20,709	
Capitalized contract fulfillment costs, net	(203)	(463)	260	
Stock-based compensation expense	16,362	14,331	2,031	
Adjusted EBITDA	<u>\$ 717,942</u>	<u>\$ 686,187</u>	<u>\$ 31,755</u>	4.6 %

Adjusted EBITDA for the nine months ended September 30, 2023 increased 4.6% to \$717.9 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 capitalized contract fulfillment costs, net) of \$36.8 million, offset by an increase in total general and administrative and corporate expenses of \$5.0 million, excluding the impact of stock-based compensation expense and transaction expenses.

Net Income/FFO/AFFO

(in thousands)

	Nine Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2023	2022		
Net income	\$ 347,893	\$ 372,927	\$ (25,034)	(6.7)%
Depreciation and amortization related to real estate	213,925	193,164	20,761	
Gain from sale or disposal of real estate, net of tax	(5,113)	(1,783)	(3,330)	
Adjustments for unconsolidated affiliates and non-controlling interest	(2,159)	(2,135)	(24)	
FFO	<u>\$ 554,546</u>	<u>\$ 562,173</u>	<u>\$ (7,627)</u>	(1.4)%
Straight line expense	3,476	2,884	592	
Capitalized contract fulfillment costs, net	(203)	(463)	260	
Stock-based compensation expense	16,362	14,331	2,031	
Non-cash portion of tax provision	910	1,851	(941)	
Non-real estate related depreciation and amortization	8,994	9,046	(52)	
Amortization of deferred financing costs	4,920	4,527	393	
Loss on extinguishment of debt	115	—	115	
Transaction expenses	—	3,769	(3,769)	
Capital expenditures - maintenance	(43,642)	(44,681)	1,039	
Adjustments for unconsolidated affiliates and non-controlling interest	2,159	2,135	24	
AFFO	<u>\$ 547,637</u>	<u>\$ 555,572</u>	<u>\$ (7,935)</u>	(1.4)%

FFO for the nine months ended September 30, 2023 decreased from \$562.2 million in 2022 to \$554.5 million for the same period in 2023, a decrease of 1.4%. AFFO for the nine months ended September 30, 2023 decreased 1.4% to \$547.6 million as

compared to \$555.6 million for the same period in 2022. The decrease in AFFO was primarily attributable to an increase in our interest expense of \$40.3 million and an increase in total general and administrative and corporate expenses (excluding the effect of stock-based compensation expense and transaction expenses), offset by an increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization and capitalized contract fulfillment costs, net).

Three months ended September 30, 2023 compared to three months ended September 30, 2022

Net revenues increased \$15.2 million or 2.9% to \$542.6 million for the three months ended September 30, 2023 from \$527.4 million for the same period in 2022. This increase was primarily attributable to an increase in billboard net revenues of \$12.8 million and an increase in transit net revenues of \$1.6 million over the same period in 2022.

For the three months ended September 30, 2023, there was a \$8.5 million increase in net revenues as compared to acquisition-adjusted net revenue for the three months ended September 30, 2022, which represents an increase of 1.6%. See "Reconciliations" below. The \$8.5 million increase in revenue is primarily due to an increase of \$5.4 million in billboard net revenues as well as an increase in transit net revenues of \$2.3 million over the same period in 2022.

Total operating expenses, exclusive of depreciation and amortization and gain on disposition of assets, increased \$0.1 million, to \$280.6 million for the three months ended September 30, 2023 from \$280.5 million for the same period in 2022. The \$0.1 million increase over the prior year is comprised of a \$1.4 million increase in total direct, general and administrative and corporate expenses (excluding stock-based compensation and transaction expenses) primarily related to the operations of our outdoor advertising assets, offset by a \$1.2 million decrease in stock-based compensation.

Depreciation and amortization expense increased \$8.8 million to \$74.6 million for the three months ended September 30, 2023 as compared to \$65.8 million for the same period in 2022, primarily related to acquisitions and capital expenditures completed during 2022.

For the three months ended September 30, 2023, Lamar Media recognized a gain on disposition of assets of \$0.9 million, primarily resulting from transactions related to the sale of billboard locations and displays.

Due to the above factors, operating income increased by \$7.1 million to \$188.3 million for the three months ended September 30, 2023 as compared to \$181.1 million for the same period in 2022.

Interest expense increased \$11.5 million for the three months ended September 30, 2023 to \$45.1 million as compared to \$33.5 million for the three months ended September 30, 2022 primarily due to the increase in interest rates on the Accounts Receivable Securitization Program and senior credit facility.

Equity in earnings of investee was \$0.7 million and \$1.6 million for the three months ended September 30, 2023 and 2022, respectively.

The increase in operating income, offset by the increase in interest expense, resulted in a \$5.0 million decrease in net income before income taxes. The effective tax rate for the three months ended September 30, 2023 was 2.7%, 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 September 30, 2023 of \$140.6 million, as compared to net income of \$146.3 million for the same period in 2022.

Reconciliations:

Because acquisitions occurring after December 31, 2021 have contributed to our net revenue results for the periods presented, we provide 2022 acquisition-adjusted net revenue, which adjusts our 2022 net revenue for the three months ended September 30, 2022 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 September 30, 2023.

Reconciliations of 2022 reported net revenue to 2022 acquisition-adjusted net revenue for the three months ended September 30, as well as a comparison of 2022 acquisition-adjusted net revenue to 2023 reported net revenue for the three months ended September 30, are provided below:

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

	Three Months Ended September 30,	
	2023	2022
(in thousands)		
Reported net revenue	\$ 542,609	\$ 527,390
Acquisition net revenue	—	6,733
Adjusted totals	<u>\$ 542,609</u>	<u>\$ 534,123</u>

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Three Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2023	2022		
Net income	\$ 140,562	\$ 146,325	\$ (5,763)	(3.9)%
Income tax expense	3,843	3,056	787	
Loss on extinguishment of debt	115	—	115	
Transaction expenses	—	93	(93)	
Interest expense (income), net	44,449	33,297	11,152	
Equity in earnings of investee	(699)	(1,554)	855	
Gain on disposition of assets	(879)	(53)	(826)	
Depreciation and amortization	74,636	65,833	8,803	
Capitalized contract fulfillment costs, net	(117)	(772)	655	
Stock-based compensation expense	3,916	5,108	(1,192)	
Adjusted EBITDA	<u>\$ 265,826</u>	<u>\$ 251,333</u>	<u>\$ 14,493</u>	5.8 %

Adjusted EBITDA for the three months ended September 30, 2023 increased 5.8% to \$265.8 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 capitalized contract fulfillment costs, net) of \$9.7 million and a decrease in total general and administrative and corporate expenses of \$4.8 million, excluding the impact of stock-based compensation expense and transaction expenses.

Net Income/FFO/AFFO

(in thousands)

	Three Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2023	2022		
Net income	\$ 140,562	\$ 146,325	\$ (5,763)	(3.9)%
Depreciation and amortization related to real estate	71,519	63,089	8,430	
Gain from sale or disposal of real estate, net of tax	(806)	(10)	(796)	
Adjustments for unconsolidated affiliates and non-controlling interest	(1,107)	(1,364)	257	
FFO	<u>\$ 210,168</u>	<u>\$ 208,040</u>	<u>\$ 2,128</u>	1.0 %
Straight line expense	1,136	741	395	
Capitalized contract fulfillment costs, net	(117)	(772)	655	
Stock-based compensation expense	3,916	5,108	(1,192)	
Non-cash portion of tax provision	1,255	639	616	
Non-real estate related depreciation and amortization	3,117	2,743	374	
Amortization of deferred financing costs	1,626	1,577	49	
Loss on extinguishment of debt	115	—	115	
Transaction expenses	—	93	(93)	
Capital expenditures - maintenance	(13,402)	(13,008)	(394)	
Adjustments for unconsolidated affiliates and non-controlling interest	1,107	1,364	(257)	
AFFO	<u>\$ 208,921</u>	<u>\$ 206,525</u>	<u>\$ 2,396</u>	1.2 %

FFO for the three months ended September 30, 2023 increased from \$208.0 million in 2022 to \$210.2 million for the same period in 2023, an increase of 1.0%. AFFO for the three months ended September 30, 2023 increased 1.2% to \$208.9 million as compared to \$206.5 million for the same period in 2022. The increase in AFFO was primarily attributable to an increase in our gross margin (net revenue less direct advertising expense, exclusive of depreciation and amortization and capitalized contract fulfillment costs, net) and a decrease in total general and administrative and corporate expenses (excluding the effect of stock-based compensation and transaction expenses), offset by an increase in interest expense of \$11.5 million.

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 September 30, 2023, and should be read in conjunction with Note 10 of the Notes to the Company's Condensed 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 September 30, 2023 there was approximately \$1.33 billion of indebtedness outstanding under the senior credit facility and the Accounts Receivable Securitization Program, or approximately 38.8% of the Company's outstanding long-term debt on that date, bearing interest at variable rates. The aggregate interest expense for 2023 with respect to borrowings under the senior credit facility and the Accounts Receivable Securitization Program was \$60.7 million, and the weighted average interest rate applicable to these borrowings during 2023 was 6.3%. Assuming that the weighted average interest rate was 200 basis points higher (that is 8.3% rather than 6.3%), then the Company's 2023 interest expense would have increased by approximately \$18.9 million for the nine months ended September 30, 2023.

The Company attempts 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 the Adjusted Term SOFR Rate (as applicable), 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.

There have been no 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 for the year ended December 31, 2022, 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 for the year ended December 31, 2022.

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.
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	Amendment No. 4, dated as of July 31, 2023 to the Fourth Amended and Restated Credit Agreement dated February 6, 2020, by and among Lamar Media, as Borrower, the Company, Lamar Media’s subsidiary guarantors party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent and certain lenders from time to time party thereto. Previously filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K (File No. 1-36756) filed on August 2, 2023 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.

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- 101 The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income and Comprehensive Income, (iii) Condensed Consolidated Statements of Stockholders' Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

