

Clear Channel Outdoor Holdings

**September 24, 2024
9:20 AM MST**

Aaron Watts: Okay. Let's get started. Welcome back to the Deutsche Bank LevFin Conference. I'm Aaron Watts. I cover the media, cable, satellite business services sectors here at DB.

We've got another great media lineup again this year. Happy to kick that off with Clear Channel Outdoor. On stage with me is Dave Sailer, Chief Financial Officer, and Jason Menzel, Treasurer, of the company. Guys, thank you very much for being back.

David Sailer: Thanks for having us.

Aaron Watts: So, it has been an active year since we last sat on this stage. And certainly, one notable occurrence during that time is you taking the reins as CFO of the company. For our time today, I'd like to cover three main areas of discussion: the strategic realignment of the company, the fundamental themes of the underlying business, and the capital structure.

So, Dave, before we dive into those, perhaps kick us off with what's been accomplished over the past 12 months and what's at the top of your to-do list for the next year.

David Sailer: Sure. I'll start out operationally. When I think about where we were at this point in time last year and where we are today, I mean, the two things that definitely come to mind would be the performance we've seen on our airports business and also the performance we've seen in Europe. Both businesses perform really, really well from a top line standpoint. If you look at where we are on an airport standpoint in the first half of the year, up 30% on revenue, EBITDA falling through quite nicely, still getting a little bit of some of the relief from COVID. So, the margins are fantastic. So, I'm sure we'll dive in deeper in how we've been accomplishing that, but the team has executed really well from a digital standpoint and the programs that we're putting in.

And it's probably similar to what has gone overseas. And I'm sure we'll get into the sales process, but from a pure operation standpoint, for the team in Europe, they've done a really nice job with obviously a ton of distractions in what's going on and all the diligence that we've done there. When you look at their LTM as of the second quarter for that business, the top line being up close to 10% - I think it was, like, in the 9s - EBITDA up 21%. Just a really nice job.

And I think that's, like, a classic case of really just setting that management team, just trying to simplify what they're doing as far as the assets they're putting in the ground, focusing on the right contracts, and they've executed really well.

I'll talk about America towards the end of the accomplishments, but I'd also – and Jason will get into this – really from a capital structure, just what we've done from a refinancing standpoint over the last year has been great. The term loan being down to \$425 million. I think we locked in some really good rates. And today, obviously, as rates are coming down, but when we did that, we refinanced some of our debt last year. And then it came out we're going to be higher, longer, it really made what we did last year really great, and Jason will get into those details. So, that's been really nice.

And I also would want to just touch on, from a cash flow standpoint, just talking on – from a capital standpoint, really, I feel like the company, we're starting to turn the corner from a cash flow generation standpoint. And we mentioned in our earnings call in the second quarter, you take our AFFO, which is kind of like a cash flow metric, and you actually add in our growth CapEx, which is not included in that calculation, in the second half we're going to be positive. And that's a good milestone for the company with the amount of leverage we have and the interest that we're paying. So, from that standpoint, good accomplishments.

There's no way I could not talk about where we were last year at this time. We've had success selling a lot of the Europe-North, -South countries. And I think the hardest one to sell, we executed since we've been here, which is France. I mean, that was a business that really hurt us from a cash flow standpoint during COVID. So, to be able to – and I think that deal is better for both businesses. I don't think it was the country that we should have been in. It was tough, some tough deals, but it was sold to a French company, and I think they can do a lot better with that company. So, I think that was a win-win on both sides of the coin, but it was great for us from that standpoint.

From an America standpoint, we had a really good first quarter, which was great. So, that was a good accomplishment. A little bit tougher in the second quarter. I see that getting better as we get into the year.

But I think a lot of accomplishments on the America side, and especially from a sales standpoint. I think about some of the verticals that we've gotten into. We talk about pharma a lot. How we sell our digital assets, I think we've gone down a path where it's not really just a direct sale from a digital standpoint. It's sold programmatically. It's sold from an impression standpoint. We're doing more with roadblocks, I think has been well. Our business development from a sales standpoint, which is a little bit on the vertical sides, pharma, beverages has gone well. We started our inside sales team several years ago. That's starting to get a lot of traction.

You've seen a few announcements, even from the RADAR platform. That just keeps continuing to evolve. It obviously helps from a programmatic standpoint. It has helped us from a pharma standpoint. We just had an announcement with Circana, which is a company that we're going to utilize for CPG, which is another vertical that we'll be going after.

So, just a lot of exciting things, and a lot of things I said at the end are things as we go into the second half of this year, into next year from a sales standpoint, those are all top of mind and goals that we'll be working on as we get into 2025.

Aaron Watts:

Okay. Great. That really sets the stage well. So, let's jump into kind of the first area of discussion, which is the strategic review. I've been asking you questions about the strategic review for going on two and a half years now. For the benefit of the audience – and you already did a little bit of this – remind us, kind of check the boxes, what have

you done so far – and you mentioned France – what's still in process, and when do you envision wrapping things up and allowing me to cross this topic off the list.

David Sailer:

I'll go back, and I'll give a little bit of background for folks that may not have the whole, total story. We went to become more of a U.S.-focused business, really focus our energy on our higher-margin businesses in the U.S., which would obviously be our America segment and airports.

And we put up for sale in early 2022 our European business, which encompasses the North and the South, and that was the beginning of 2022. We put a pretty broad net out there, had a lot of interest, had really good conversations. But then anything externally that could hurt a process happened. I mean, I never thought the war in Ukraine was going to break out. I remember that in the early stages. So, that happened. Inflation, interest rates, you name it. What could hurt a process happened.

So, we reassessed. And what we did, we kind of pulled Europe-North back off the market, and we focused on selling the assets that really hurt us during COVID, that really hurt us from a cash flow standpoint. And those were the businesses in Europe-South.

And the team executed really well. I mean, those were tough businesses to sell, some of them harder than others. But we sold Switzerland first. That was in May of – in March of 2023. We then sold Italy and Spain. Spain has not exactly transacted yet. That's still going under regulatory review with Decaux. But that was accomplished. And then, finally, and probably the hardest business to sell, was France.

So, once we had that set and we sold those tougher-performing businesses, the whole goal was then to sell Europe-North as a platform. But during that time really – I mentioned this earlier on – obviously, that business has performed well. But from a strategic standpoint, we really looked at that business to get that business performing where it is and really going after the right contracts, putting in the right digital assets. And that business has performed really well.

And we then, beginning of this year, we put that business back up for sale. I still think it will sell as a platform. And I think the outreach and the conversations have been well. Yes, it's taking longer than we want. But look, at the end of the day, if I just wanted to sell the business, we would have sold it already. But at the end of the day, the business is performing well. We want to get the value that we feel that business deserves. It's performing well. It's free cash flow positive.

So, I do think we will transact on that business. It is taking longer. It's a complicated business. There's a lot of diligence. There are a lot of contracts. That's probably the biggest thing, I'd say. There's a lot of contracts. So, when companies are looking at it and they're diligencing, it's a lot to look at. But I do think we will transact. And the goal is to get what we think is the value. I'm not looking to go crazy with it because I think it makes sense to sell the business from a strategic standpoint. But on the flip side, I want to get the value that I think that business deserves. And from a board standpoint, they're behind us on that.

Aaron Watts:

Okay. Your sale announcements thus far have brought you closer to your desired goal to focus on the U.S. business, but haven't led to much material deleveraging. Would you expect any remaining assets sold that are left in the strategic review – mainly Europe-North and LatAm – to have any discernible impact on leverage?

David Sailer: No. I mean, we've been pretty upfront. It's not a deleveraging transaction, but I think it's more of a transaction that makes sense, to focus that energy on the U.S. business, which is a higher-performing business. But when you look at the businesses in Europe and even in Latin America, they're capital intensive. The multiples they trade at are really less than the leverage we're at. We're at a leverage of over 9x. Those businesses probably trade – if you look at businesses overseas, they're trading between 5x and 7x.

So, do I expect it to be deleveraging? No. But I think the cash that you generate from those transactions – there will be some, and Jason will get into this – pay down of debt with some of those proceeds. And then there's also a chance to invest those proceeds as well.

But the core of it is it's a strategy to really focus on the U.S. business. We have a lot of manpower. Look, we've been in this process for a while in Europe. We put Latin America up for sale early this year. A lot of time and energy. I mean, you'll go into board meetings, and we're spending a lot of time on parts of the business that are driving 10% of earnings or 15% of earnings. And to me, that's not the best use of our board. So, if we can streamline the business, I think there's definitely an advantage to that, moving forward.

Aaron Watts: All right. And Jason, since Dave mentioned it, maybe you can talk about as proceeds do come in from these sales, what the priorities are for that cash.

Jason Menzel: So, I think one of the most important things to emphasize in this process is it has taken some time. So, the company, back in March, went through the process to extend the maturity of the CCIBV notes that were originally due in 2025, and we've pushed that out to 2027. But what we were able to do in that issuance is build in some specific carve-outs for asset sale proceeds so that we can still pay back that loan at par, and that's exactly what we intend to do with the proceeds from the European sale.

Now, as you think through the waterfall of those proceeds, obviously, we still have it out there that Spain will close sometime this year. Those proceeds will go to reduce that quantum of debt. And then as the eventual larger European platform sale completes, those proceeds will also go to pay off the remainder of those term loans.

Any remaining proceeds – I'm not going to speculate as to value – any remaining proceeds, if you were to follow the letter of the law, would flow through the asset sale covenant under the indentures and the term loan at the CCOH level. So, to the extent there are remaining proceeds, the options that we have under those agreements are pretty flexible, right? Like, we could either decide to reinvest those proceeds in the business via CapEx, and we have an 18-month window to do so. Or if there are still remaining proceeds after which we've reinvested, we are required to make a par (ph) asset offer on all of our first-lien debts. So, that would be all of our term loan and any of the secured notes that are in the capital structure on a pro rata basis. In any event, it does provide opportunity for us to reduce debt and, I think more importantly, reduce our interest costs and contribute further cash flow at the business.

Aaron Watts: Okay. And one other potential saving that you've discussed is around the corporate expense side as you refocus the business. Remind us any framework around what those savings might be and when they start to flow through.

David Sailer: I mean, that's something we've talked about. Obviously, when you sell your European business, it will be a smaller business from a corporate standpoint. You'll need less resources. And that will come over time. We've had the number out there of \$30 million. I still think that's the correct number. Could you get a little bit more? Maybe. But that

will come over time. It's not something where you sell the business and \$30 million just drops off the back of the truck. There's still a lot of reporting, tax work, and things that will happen, but that is the number that we're focusing that will happen over time.

Aaron Watts: Okay. So, last question in this area, I often get the inquiry of, why wouldn't the company sell some high-margin, high-multiple U.S. assets to accelerate the deleveraging process? I believe taxes are a big factor there, but I'm sure there's other forces as well. Maybe you can talk to that.

David Sailer: Sure. I mean, I look at the markets in the U.S., if you ever needed liquidity, that's something you would do, which we don't need. But it really is taxes. We've had these assets for a very long time. Our basis is very, very low. So, when you think about it from a math standpoint, yes, if you could get 18x, 19x, 17x for an asset in the U.S., that would work. But a more realistic number is probably in the 10x to 12x if you sell a U.S. asset. And then when Uncle Sam takes his piece of it, I mean, when you're at 9x leverage, the math really doesn't work and you're probably descaling the business. And at the end of the day, I do think there's a lot of synergies with the markets that we do have. I think it wouldn't be in the best interest of our shareholders to do that at the present time.

Aaron Watts: Okay. Let's move on to my secondary I wanted to cover, which was the core business performance. We'll start with airports, not because it's the largest contributor to the business, but rather because it's really rode the wave of the travel bounce-back and performed solidly year to date. First-half revenues were up 31%. EBITDA was up even more than that. Can you unpack the strength there? And are the driving forces of that one-time in nature? Or is that momentum more sustainable?

David Sailer: I think the momentum is sustainable. Look, is the business going to grow at 30% in the near future? No, I mean, but it is going to grow. And I think it's been a plan that the airports team – Morton Gotterup, who runs – who is our president – I mean, he came to me and Scott several years ago, and he had a plan that he wanted to execute. And the beginning stages of that plan was, "I want to be in less airports." And we were kind of like, "Whoa. What were you thinking here?" And it were airports that actually made money.

But he has executed where he wanted to be in certain airports, probably larger airports, a little less on the smaller side, which has a – which takes probably the same amount of time as some of the larger ones. And he kind of instituted a plan where we actually have gone down in some of the airports. I think we've gained the correct airports. Obviously, New York being a big one that we went after. From a strategic, from a program standpoint, if you walk through our airports – and New York is probably the best one to talk about; it's new – the signs are great. They definitely went after bigger, bolder signs. The advertisers really like them. And the airports aren't cluttered with advertising. I think the programs have really jumped off the page. The advertisers have really come forward with it. And that has enabled us to do a lot of longer-term deals. We're doing more sponsorships now. From a sponsorships standpoint, we have our airport in San Jose, which really started – that was our first, like, all-digital airport, and it was all sponsorship driven, and it went well. We've done sponsorships where we do connector tunnels in JFK and Chicago.

So, the team has done a nice job as far as what airports to go after, the programs that they've put in. And even from a sales strategy, like, another thing we could talk about is in a lot of our airports, we'll do category exclusives, and advertisers will pay for that. They're longer-term contracts, but they'll own that space.

And you can do different things within airports. You can do experiential type of programs. You'll see a lot of lounges popping up. You'll see Capital One lounges or the credit cards. From that standpoint, that has really been beneficial to the group.

And we've also done a better job internally where we're now doing, we call it, the cross-selling, where our America sales force is selling into airports and our airports team is selling into the America inventory. So, right now, we're talking about airports. Really, what that has done is it increased the amount of AEs that are selling into airports. And we've seen obviously really, really good growth.

And look, I expect that to continue. Not at the rates we're at. I mean, if we talk about the fourth quarter, which is a big number that we did last year, two or three years ago the fourth quarter was probably \$70 million. Last year, we did \$111 million. I think we can grow off of that, but it'll be in a more reasonable growth rate.

Aaron Watts: Okay. My experience walking through at least the New York airports, it's a really impressive visual experience, for sure. You did a good job.

David Sailer: Thank you. I appreciate it. And we'll even get comments like, "Wow, I thought you would have more." And I think, like, they've done strategically what makes sense and where the consumer sees it, but it's not cluttered. Thank you. I appreciate that.

Aaron Watts: So, local sales account for around 42% of revenue in the airports unit. They were up 37% in your last quarter. So, very healthy. But what I wanted to ask you on is national sales. Those were up 12% year on year. Why has the airports business been able to buck a theme of softer national performance that we've seen across media?

David Sailer: You know that they really have – you mentioned this earlier. You said the bounce-back in travel. That has definitely helped. It's definitely not a one-for-one, where your revenue is going to go up just because the air travel is going up. But the audience that you get in the airports, it's phenomenal. Business travel is probably at 95% of where it was pre-COVID. Just the leisure travel is absolutely further ahead than we were back in 2019. But that leisure travel, that is a wealthy audience, and it's also your decision makers are traveling. So, that has absolutely helped.

I think the advertisers want to be in airports to attract that space, but it's also a very safe space in the sense that there's no ad skipping from that standpoint. You know what you're going to get. What has helped the airports as well is I mentioned before the lounges, the experiential. The credit card companies have come in really strong in the last couple of years. Luxury goods have done well. Travel has done really well. We'll talk about education. You'll see in a lot of our airports – if you're in Detroit, you'll see category exclusive for Michigan. If you're in New Jersey, you'll see a category exclusive for Rutgers. You'll see it on the healthcare side.

So, a lot of those factors have really driven the national dollars on the airports side.

Aaron Watts: Okay. One last question on airports. Your margins were over 23% for the first half of the year, but I know you and Scott have managed those margin expectations to more of the high-teens area.

David Sailer: Yes.

Aaron Watts: What has elevated margins year to date? And should we expect that to trend a little lower, going forward?

David Sailer: It will trend lower. I mean, you'll see a little bit of that, even in the third quarter. I mean, what has elevated the margins? Obviously, the growth of the business. As you're growing the top line, your bottom line is going to grow. It's a rev share. So, what I mean by that is you're paying the airports a percentage of revenue. In a bigger airport, that percentage is going to be higher than some of the midsize to small airports. But you're going to see that flow through.

But really what has driven the airports from a teens to sometimes a mid-20 business has been that revenue growth, but also has been the site lease reductions we have gotten because of COVID. And they're still trickling in, but it's starting to go down. So, you'll see the margins will go down a little bit.

But I still think at this point with the revenue growth we've gotten, I think we've crossed that threshold to be at 20%, or at least in the very low 20s. And you'll get a little bit of the relief, the site lease relief coming in from COVID. Some may trickle in third quarter, fourth quarter. It will probably be done in 2025. But that's when you get the margins that could be at 23% and 24%.

But overall, the business has performed, and that's why the margins have gone north, which has been great.

Aaron Watts: All right. So, let's move over to your largest segment, the America's roadside business. Following a fast start out of the gates that you mentioned earlier, 2Q growth slowed down a little bit.

David Sailer: Yes.

Aaron Watts: I think on a combined basis the first half was up 3% year over year. Local doing better than national. I asked you about national on the airports side, but now for the roadside business, it's been a little soft for you. Do you view those headwinds as more cyclical and temporary in nature? Or are there longer-term secular issues at play?

David Sailer: When I think about national, I probably would bucket it into two areas. One is certain verticals have been tough for us, which I think has driven national to be a little bit lumpy, I would say. Like, it was better in the first quarter, it was down in the second quarter. It was the opposite the year before. If you look at our pacing, our guidance for Q3, I expect that to be stronger as we get into Q3 in the second half of the year.

But as far as, like, the overall view from a national standpoint, we've had some verticals that were very big for the business come down over the last several years. That being auto insurance, and it's a pretty big number that that has gone down. Media and entertainment has been tough. I feel like that landscape is changing a little bit. Obviously, the strikes last year didn't help. The auto industry, just that form of advertising, has come down.

But the national business has been able to offset that with different verticals. We talk a lot about going after certain verticals. Pharma has been one. We talk about going after CPG. We talk about going after the beverage verticals. So, we've been able to offset some pretty large declines. So, I think that the team is doing a good job.

But I think an area that we really need to focus on I think that hurts from a national standpoint is really when you talk about national – and Scott, our CEO, will say this – no one's really buying out-of-home at a national level. It's really the large agency buys and

the large multinational companies that are going through the agencies. And right now the agencies, some of them are doing better than others, but it's a tough business model. And they're trying to drive the dollars where they're making their most money. And right now from an out-of-home standpoint, they don't make the higher margins doing out-of-home, which they would do in other areas. And specifically, video. We're more of a static. We do have obviously digital boards, but it's not full-motion video. And they do make money from a production standpoint. So, that is an area that we have to go after, and that's all about our direct-to-client approach, is going direct to the clients, working with the agencies to try to drive those dollars.

But that's – when I think about national, I think that is definitely some of the impediments. And vertical, as well. But I think the dollars are there. I mean, you look at the overall ad industry, it is growing.

Aaron Watts: On the topic of concerns around the macro backdrop, cancellations have historically been a precursor to downturns in your business. As of the 2Q call, you hadn't seen any notable cancellation activity. Is that still true as we sit here today?

David Sailer: That is still true. I mean, I get this question all the time. Cancellations probably wasn't even a report we were running pre-COVID, and then we had an avalanche of them. But we're always cognizant of where they are, and we saw more cancellations probably a little bit more last year as you got into the summer. It got a little soft. But we're not seeing that.

People have asked me the question about just the economy in general and inflation and consumer confidence. And with inflation at 4.5%, I mean, that's still historically low. So, I still feel pretty good overall from an economy standpoint.

Look, could ad sales change on a dime? That is obviously possible. But right now, we're not seeing it. We actually feel like the deal activity is good, the conversations are pretty good, and that's kind of what's reflected in the guidance we've given for Q3.

Aaron Watts: Okay. One last question on the Americas. Digital has clearly been a driver of growth for the platform. How much more room is there to run there? And will that be driven more by continued expansion of faces or more organically via price and/or taking share?

David Sailer: I think it's really a combination of both. I think there's still a lot of runway. And just to kind of throw the math out there, 5% of our inventory is digital, but accounts for roughly one-third of our revenue, in the 30% range; like, 30%, 35%. I think there's a lot of run room. We have markets that are closer to 50, and then we have a lot of large markets that are in the teens. So, there's absolutely runway for that asset.

And I think we're definitely changing how we're selling our digital assets. I mentioned this earlier. I mean, programmatic is obviously a channel that's growing, that's helping sell the digital channel. We still have our direct buys. We also have a product that we're selling this year which is new, which is really almost like an impression-based buy, similar to programmatic, but it's direct with the company. We'll do roadblocks where you can buy every digital in a certain market or across a certain region.

So, there's definitely more runway to go.

I would say more the impediment from a digital standpoint is really the form of regulatory. Every market that we're in – and we're in 27 markets across the country – in the U.S., there are federal laws and there are state laws. So, that's really the area where

when we put a digital in the ground, we probably started looking at that location two to three years ago and how that process rolls out.

I probably rambled on a little bit here, but to answer your question directly, I think there's definitely run room.

Aaron Watts: Okay. I wanted to ask you one question about your overall cost base and how we should be thinking about that: where it lives today, where it might go in the future, any further levers to be pulled. And anything you would call out as far as comparisons go in the back half of this year from an abatement standpoint or otherwise that could affect the cost?

David Sailer: I'll go with the end of your question first. When you're looking at comparisons year over year – and this would be for the America segment – we talked about in the third quarter last year, we actually had a very favorable tax settlement, which was multiple millions of dollars in the third quarter of last year. That's obviously not going to repeat. So, that will absolutely be a headwind on earnings or on EBITDA growth year over year.

We actually had some pretty good bad debt collection favorability in the third quarter of last year. That's something that's not going to repeat.

And we mentioned this in Q3, there were certain just property and casualty claims that kind of came through that were a little abnormal in the second quarter. Some of that's going to bleed into third quarter. So, that will have an issue from a comparability standpoint.

On the airport segment, maybe. It really depends. There is still some site lease relief out there. I think we got in the neighborhood of \$2.5 million to \$3 million in the third quarter of last year. If we get some in this year, that will probably offset. If it doesn't, that will have an effect on comparability.

Not too much on the European side. Business rates are up a little bit higher year over year. I think you'll probably see it in the third quarter, but nothing too crazy on the European side.

And going back to your cost base question, I mean, I think overall I think we've done a good job on the America side managing our site lease year over year. That's more of kind of like it grows roughly at inflation, probably a little bit less.

I mean, the big cost I'd probably say that's going to be a headwind this year is probably more on employee comp. Last year – and this is probably more on the bonus side – as inflation goes up, raises will be out there. But we didn't – obviously, our performance, especially in the Americas business, wasn't as strong. It's stronger this year than it was last year. So, bonuses were lower last year. They at this point in time are tracking higher. That definitely has an impact.

Aaron Watts: Okay. All right. You mentioned this at the start of our chat today, and I want to go back to highlight it, and it was about turning the corner on free cash flow. Is that something you envision happening over the next 12 months? And touch on some of the variables that go into that. Anything you'd highlight in terms of cash taxes or capital expenditures, working capital swings that might play into it?

David Sailer: Sure. I'll start, and then I can hand some of this off to Jason from a treasury standpoint.

I mean, when you look at where we are, like, when we came out of COVID, since that time our interest expense has gone up \$100 million. That's a big amount of cash that has gone up. And we've been able to cover that. What I had mentioned earlier today from an AFFO standpoint is to be positive in the second half when you add in your growth capital – and I expect that to continue into next year – that the goal is to be cash-generating, which we'll do on an AFFO basis in that calculation, which is a big milestone for the business, considering where our interest was three years ago and where it is today, and we're going to be able to cover that.

As I look forward, as rates go down, we're still – we're heavily fixed from a debt standpoint, but I think we will see some of that – look, if we sell the European assets, we pay down debt, you'll get some interest savings as this business performs better – and I see that, moving forward – I mean, that's really where the conversation gets exciting for the business.

But in the short term, as we're focusing on that second half, I think that's a good milestone for the business to have that positive cash when you look at it from an AFFO minus growth CapEx standpoint.

Aaron Watts: Okay. All right. Great. And now the final area of discussion. Let's talk about the capital structure. You spoke earlier about what you've accomplished over the past 12 months. So, what's next? And how do you think about the timing of those next steps?

Jason Menzel: I think just stepping back briefly – and I know we did hit on it earlier – we took out this action to kind of de-risk the maturity stack last year. We saw the term loan maturity staring us in the face. We were in a rising interest rate environment. We took it upon ourselves to kind of de-risk that capital stack. And we went through a series of transactions. First, with some senior secured notes last year in August, and then kind of put a stamp on it this year with another issuance of 7.875% notes due 2030, simultaneous with kind of an extension of the term loan to 2028. So, we definitely created some runway here for us to step back and make sure that anything that we look at in the future is opportunistic.

One thing that we will need to address in the coming years is our cash flow revolver and our ABL facility. Those have a maturity of 2026. So, we have some time, but it's never too early to start watching. So, we will look to address those things, I think, in the coming year.

Alternatively, as we think through the European sale process and the proceeds – we've talked about how the waterfall would work – there could be some opportunities for optimizing some cash from that transaction to opportunistically go after debt. We've gone after purchases of debt in the open market before if we think the returns are right.

But the important thing is there are items that we need to address, like the ABL and the cash flow revolver, and then there are items that we look forward to addressing, which is opportunistically taking out further leverage with whether it's the cash flow that David is now generating from selling more ads or just from asset sales.

But I think the important point is the allocation of cash and capital to the reduction of debt is now part of our conversation. And I'm not saying it hasn't been, it's just now it's more of a reality because we've made this turning point in starting to generate real cash flow.

- Aaron Watts: Right. And as you think about where your leverage is today – you mentioned the 9x area – how do you think about the trajectory of that coming down over the next few years? And a common question I get asked is, how does this company grow into its balance sheet over a reasonable amount of time? Are there any other levers you can pull to help accelerate that effort?
- Jason Menzel: I think there's two sides of the equation, right? It's EBITDA growth and debt reduction. I think the business is performing at a level and I think if you look at the guidance that we've put out there, whether it was a few years ago at Investor Day or even us reaffirming over the course of the quarters, there is an inherent level of deleveraging in that number because of the EBITDA growth.
- I think the other side of the equation is how do you add to that by using some of the free cash flow to delever the quantum of debt and inherently start this circle where you have less interest cost and generate more free cash flow and chip away at the stack.
- But there is no silver bullet, right? It is a series of items that we have to – there is a series of things that will have to take place in order for us to grow into the capital structure. But the good thing is that we have really good assets that with the operating leverage (inaudible).
- David Sailer: I would add to what Jason was talking about. When you look at our – and we get it. We're at 9x. And as we get through the European sales process and debt proceeds and you pay down absolute debt, there's a ton of – a lot of firepower from within our organization that's focusing on making those transactions happen, and I'm looking forward to utilizing those folks on looking at what can we do. And yes, growing the business, you're going to get that EBITDA organically. We're going to pay down some debt through the transactions. But I think they're all – there will be other financial things that we can do. Could that be a JV with someone where they contribute assets, we contribute assets, where that could just be more EBITDA for the business? I think there are other avenues that I think we'll be exploring as we go down that road. But I don't think it's something that we need to do right at this moment.
- I do think we have to execute on our plan. We have to execute on the processes, both in Europe and also in Latin America, which is a little bit smaller. And when you get on that other side, I think there's other things that we're going to have to look at. And I think there's tools that we can utilize to really kind of take a look at our debt and get that down over time.
- Aaron Watts: Okay. Let me finish on one last question. And appreciating where your leverage position is at today, but I wanted to ask about M&A. It feels like it's been a little slower pace here in the U.S. over the past year, for larger transactions at least. What are you seeing in the pipeline, going forward? Lamar has hinted that they expect an acceleration of deal activity next year. Are you on that same page? And how should we expect Clear Channel to be a part of that?
- David Sailer: Look, from an industry standpoint, yes, it has definitely slowed down. I think the valuations got very high. I think Outfront and, definitely, Lamar kind of probably drives the industry from an acquisition standpoint and as they've slowed down. You're still seeing acquisitions out there, but it's more of the 10 boards in a market as opposed to, like, a full market or 75 signs somewhere.
- And also, I think as interest rates have gone up, I think that also has hurt. From a certain extent, as they come down, maybe you'll see more deal flow.

Look, from our standpoint, we were active a couple of years ago where it made sense. But we're realistic about our capital structure. Obviously, we've been talking about this up here for a lot of the conversation. If something makes sense – and Jason talked earlier, as sales proceeds come in, obviously there will be a pay-down of debt, but you can reinvest in the business. If something makes sense, probably more within our markets, I think if there's coverage in a market that makes sense to buy assets, we'll be active. But again, we're realistic of kind of where we are. We're probably not going to be as active as others. If things make sense, we'll pull the trigger.

But I think the overall industry kind of ebbs and flows. Like, obviously, during COVID it was really quiet, and then there was that built-up demand came up. As Outfront and Lamar kind of haven't done as many transactions, it kind of slowed down. But I could see that, going forward. And Lamar has said it. I mean, they're probably underleveraged at the moment. So, I can definitely see that helping drive the industry to a certain extent. And I think there is a lot of opportunity out there.

Aaron Watts:

All right. We'll wrap it up there. Thank you very much, guys. This is helpful.

David Sailer:

You're welcome. Thank you.