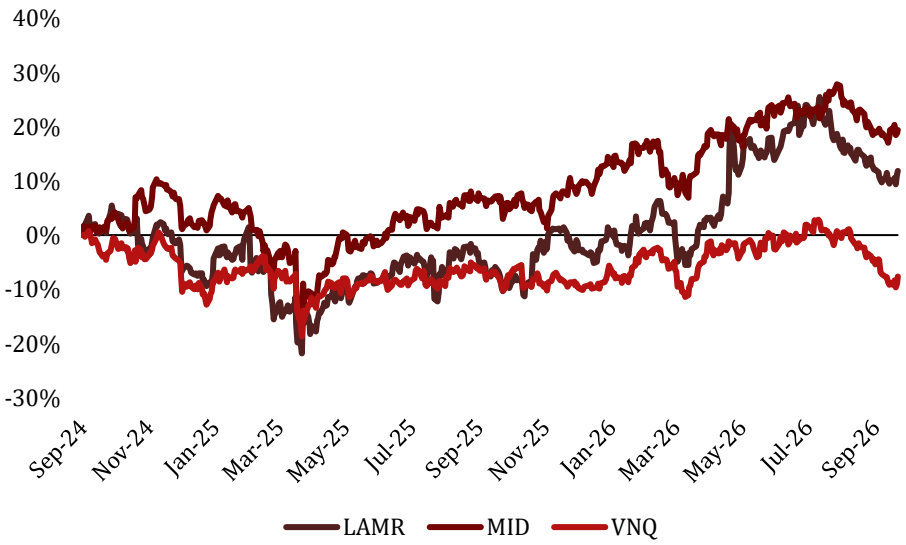
Lamar Advertising Company

Nasdaq: LAMR

Recommendation: **Buy**

Price (10/12/2026)	$ 146.87
Price Target	$ 196.31
Potential Upside	33.7%
Market Cap ($ M)	14,915
Shares Out. (M)	87.13
52-wk Hi-Lo	$144–$166
P/E	26.80x
EV/EBITDA	18.17x
Operating Margin	32.96%
ROE	59.43%

Two-Year Stock Performance



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Investment Rationale

We recommend a Buy on Lamar Advertising Company (Nasdaq: LAMR). LAMR is one of the largest Out-Of-Home advertising companies in the United States. While investors have pulled back from this stock, we believe that the Company is in an incredibly strong position. Through its digitalization program, LAMR will create strong growth opportunities above consensus estimates. The Company will also earn a multiple re-rate as it outperforms competitors in differing economic positions. Over time, these factors will result in stock appreciation and growth in MEF's portfolio.

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Business Overview

Lamar Advertising Company (Nasdaq: LAMR) is one of the largest OOH (out-of-home) advertising companies in the United States in number of displays, with ~360,000. 160,000 of these displays are billboards, of which LAMR owns more displays than its next 10 competitors combined. The Company splits its sales between 2 channels, with 77% of its sales coming from local brands and 23% coming from national corporations. LAMR has 3 different product lines that represent its revenue, those being billboard (88.9%), transit (7.2%), and logo (3.9%). YoY, LAMR's total revenue has grown by 6.5%, which is represented by 7.8% growth in Billboards, a 6.4% contraction in transit, and a relatively flat performance (+0.9%) in Logo. Lamar has a highly diversified customer base with no singular customer representing more than 2% of its revenue.

Fig 1: Revenue Segments Over Time

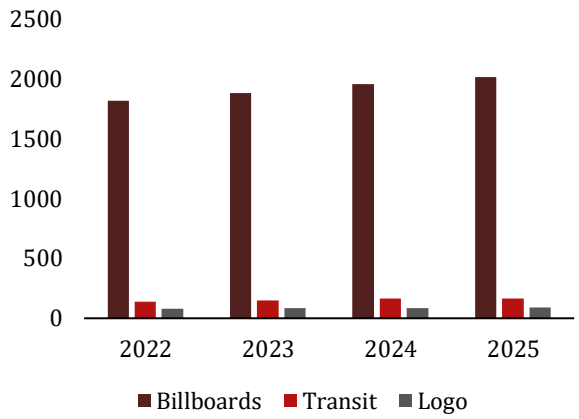
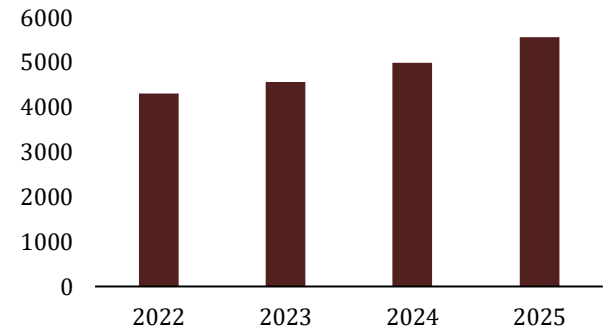


Fig 2: Digital Growth Over Time



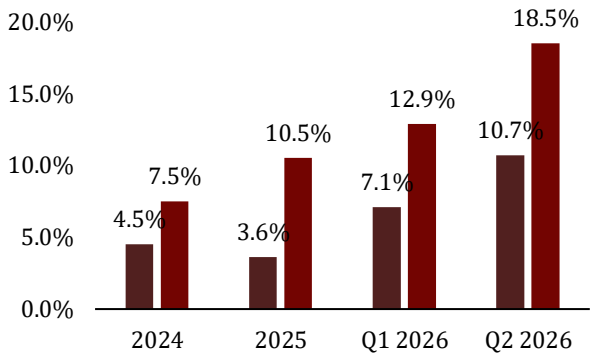
One of the major initiatives that the Company is currently undergoing is its billboard digitalization campaign. This includes replacing existing static billboards with newer digital versions. This allows for a significant increase in revenue, as digital billboards have rotating displays and generate ~5x more revenue per display. Due to this disproportionate revenue gain, 3.5% of LAMR's total displays represent ~33% of the Company's revenue. The market currently projects ~300 conversions per year, which will bolster LAMR's revenue growth into the future.

Sources: Bloomberg, Lamar Investor Relations, Yahoo Finance, Earnings calls

Industry Overview

Lamar operates in the US out-of-home (OOH) advertising industry, primarily through billboards, highway logo signs, and transit advertising. The broader OOH market includes street furniture, cinema as well, and is led by national operators like Lamar, OUTFRONT Media and Clear Channel Outdoor, in addition to hundreds of regional companies. US out-of-home advertising (OOH) hit record revenue levels, growing 4.5% in 2024 and another 3.6% to $9.46 billion in 2025. However, OOH still represents only 2.3% of total US media spend compared with 78.6% for digital media, 8.0% for broadcast TV, 7.2% for cable TV and 2.4% for radio.

Fig 2: Digital Growth Over Time



The OOH advertising industry remains exposed to macroeconomic headwinds, particularly during interest rate tightening cycles, as higher borrowing costs pressure corporate profitability and discretionary advertising budgets. During the 2022–2023 tightening cycle, U.S. OOH revenue growth decelerated from 20.7% in 2022 to just 2.1% in 2023, while advertising spending in financial services declined 10.5% YoY in Q4 2023. In downturns, large national advertisers may reduce brand-awareness campaigns, delay product launches, and prioritize measurable, conversion-driven advertising, pressuring OOH occupancy and pricing. This creates differentiated exposure among operators: OUT's greater reliance on national advertisers and transit contracts increases its sensitivity to concentrated advertising pullbacks, while LAMR's diversified local customer base, representing 79% of 2025 revenue, provides some insulation against individual budget cuts. Meanwhile, higher rates increase financing costs and constrain returns on capital-intensive digital conversions, particularly for leveraged operators.

Industry growth has accelerated in 2026 as OOH moves toward digital billboards and attracts new categories of advertisers. Revenue rose 7.1% YoY in Q1 2026 and 10.7% in Q2 2026 to reach a record $3.6B, with 73% of the top 100 OOH advertisers increasing spending during the quarter, according to the Out of Home Advertising Association of America (OAAA). Digital OOH (DOOH) is gaining share quickly, growing 18.5% in Q2 vs 10.7% for the overall advertising market. EMARKETER expects digital to reach 45.2% of OOH spending by 2028. This shift is changing how inventory is purchased, with programmatic buying expected to rise from 24% in DOOH to 65% in 2029, making it easier for advertisers to integrate DOOH into their digital campaigns. Additionally, there is new demand for new advertisers in the space. Tech spending increased ~150% YoY in Q2 2026 and tech companies represented 30% of the top 100 OOH advertisers, while legal services still remain the industry's largest product category.

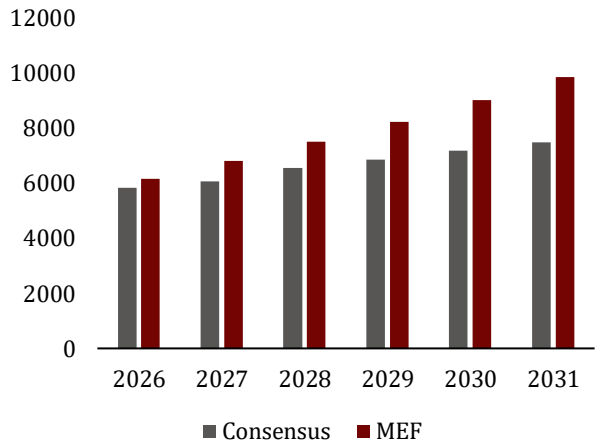
Ultimately, macroeconomic pressures and higher borrowing costs will continue to challenge OOH operators, particularly those reliant on national advertising budgets. Companies with diversified customer bases, lower leverage, and disciplined capital allocation should be better positioned to withstand economic downturns. Conversely, regulation limits new competitive supply and increases the value of established billboards, particularly in high-quality locations. Combined with digital conversions that allow operators to serve multiple advertisers from the same location with low variable costs, these tailwinds favor established players capable of expanding revenue and margins without proportionate increases in physical infrastructure.

Sources: OAAA, EMarkerter, 10K, Cornell Law

Digitalization Initiative Leads to Significant Upside Over Consensus

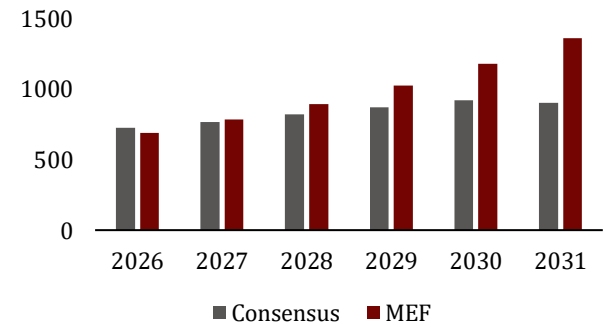
2025 signaled an inflection point in the U.S. OOH market when it grew by 10.7% compared to the previous 6-year CAGR of 1.6%. New data regarding buyers shows companies like OpenAI among the top 25 OOH spenders and growing demand among national players, which did not previously exist in sell-side models. Digital Ad spend has grown 127% in the last 4 years, and companies' preference for this segment is primed to shift as ~30% of internet users have ad blockers. The use of Ad blockers allows almost 200B of US ad spend to be unseen each year. We believe this reflects overconcentration in digital platforms, and U.S. ad spend will shift to unblockable segments like OOH (~2.3% of U.S. ad spend). LAMR's digital campaign is well positioned to take advantage of OOH industry tailwinds. The market underestimates LAMR's growth in its current initiatives, and over time LAMR will see significant stock price appreciation.

Fig 4: Digital Quantity vs Consensus



The sell-side states that Lamar operates in ~4000 jurisdictions, which require a 3-12 month permitting cycle before updating a billboard. This has caused major sell-side research firms (JPM) to estimate digital growth of ~300 billboards per year. Municipal-level legislation, which has been overlooked, will allow Lamar to tear down existing static billboards and erect digital billboards in their place. To validate this claim, we coded a data scraper and scraped municipal city council minutes across all 3,100 counties in the U.S. This revealed 73 documented cases of Lamar citations across 27 states compared to ~10 in 2024 and before. In this scrape, we also cited an approval rate of 56% for LAMR compared to 40% for OUT and limited data on Clear Channel. Lamar is quickly accelerating this movement and destroying its peers in a category that investors are completely oblivious to. This provides proprietary validation for this thesis, which is not mentioned in sell-side notes or reflected in their models.

Fig 5: Digital Revenue vs Consensus ($M)



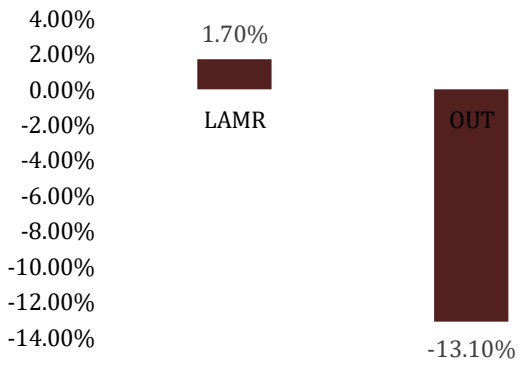
We reflected increased demand and management prioritization through increased pricing power and volume. By breaking out the Capex required to make one digital billboard and projecting spend on digital billboards to grow by~4% per year, we arrived at a total number of 8239 Digital billboards in 2029 (20% variance from consensus). Due to increased demand mentioned in paragraph 1, we also projected accelerating revenue growth per digital display; coupled with the quantity variance, we arrived at a variance from consensus of 51% in the terminal year in digital revenue. Flatlining outside revenue build line items were to arrive at a total revenue variance of 20% in the terminal year, providing significant upside for MEF to take advantage of.

Sources: Oberlo, Statista, Backlinko, OAAA, eMarketer, Bloomberg, JPM, Wells Fargo, Citizenportal, Billboard Insider, Municipal council minutes, Lamar investor relations

OUT Goes OUT, LAMR Comes In

OUT's transit-led growth inflection began in Q3 2025, when MTA revenue rose ~37% and transit revenue increased 23.7%, sending OUT shares up ~16% following the results. This momentum continued into Q2 2026, with OUT revenue growing 13.5% versus LAMR's 6.5%. Transit also accounted for ~27% of OUT's Q2 2026 revenue versus just ~7% for LAMR, representing nearly 4x greater exposure. Transit also contributed ~55% of OUT's incremental quarterly revenue, displaying the concentration of its recent growth. Investors have rewarded OUT's near-term transit outperformance, compressing LAMR's relative P/AFFO premium from 35% to 27%.

Fig 6: 2023 AFFO Growth in 2023



However, we believe the market is overestimating the durability of OUT's MTA-driven acceleration. JPM estimates revised MTA contract accounting will contribute ~$20M to Q4 2026 AFFO, representing around 6% of annual AFFO growth and reducing management's upgraded low-20% growth guidance to the low-teens when excluded. Meanwhile, OUT has incurred $633M in MTA equipment deployment costs, with only $34M recouped through contract revenues, while still expecting ~$40M in annual equipment spending

Despite OUT's recent earnings momentum, the Street's long-term forecasts already favor LAMR, projecting 2026–2028 revenue CAGR of 4.0% versus OUT's 3.8%, ROIC of 15.5% versus 9.2%, and lower 2028 net leverage of 2.4x versus 3.4x. We believe LAMR's compressed valuation premium reflects an overemphasis on OUT's near-term earnings strength rather than its long-term fundamentals, creating an opportunity for multiple re-expansion as OUT's growth normalizes.

Following the September 2026 rate hike, OUT returned approximately 5.0% through October 8, while LAMR declined 0.1%, resulting in 5.1% relative outperformance. This contrasts with the final 2023 rate hike, after which LAMR outperformed OUT by 25.3% through early October. We expect this trend to reverse as higher rates pressure OUT's greater exposure to national advertising budgets and capital-intensive transit operations, while LAMR's diversified local customer base and lower leverage provide greater resilience against tightening financial conditions. Management guidance pointed towards rate hikes and pressure towards national advertising budgets as the cause of earnings disappointment. Since then, OUT's exposure remains unchanged, with national advertising representing 44% of 2025 revenue versus 42% in 2023, while LAMR's local advertising mix has remained consistent at 79% vs 78%. In 2023, higher rates created weaker national advertising demand, which drove OUT's transit revenue down 3.0%, while rising MTA guarantees increased operating pressure. Thus, OUT's operating profit declined 4.5% and AFFO fell 13.1%, compared to LAMR's growth of 5.1% and 1.7% respectively. With the same structural exposure persisting into another tightening environment, we expect pressure on national advertising budgets to slow OUT's revenue growth and weaken AFFO, while LAMR's majority local customer base will provide greater earnings stability, showing that the future earnings disappointment and subsequent multiple compression will overshadow OUT's recent outperformance.

LAMR's diversified local advertiser base and less capital-intensive business model position to have superior returns on capital and lower financial risk. This divergence will drive investors to look back towards LAMR, supporting a higher P/AFFO multiple. A return to LAMR's historical 35% premium from the current 27% would imply approximately 6.3% multiple expansion, assuming OUT's valuation remains constant, providing upside beyond LAMR's underlying AFFO growth.

Sources: Bloomberg, 10K, 10Q, JPM, Yahoo Finance

Risks

Growth From OUT in Non-Transit Segments

Risk: If OUT was less exposed to transit volatility through growth in alternative segments, MTA failures would have a smaller effect. This would cause the market to continue to view OUT as a better alternative to LAMR.

Mitigant: This shift would require significant dilution in mix, which is unlikely as OUT is digitalizing significantly slower than LAMR.

Municipal Decisions Remain Difficult to Predict

Risk: Regulations regarding decisions that affect LAMR's campaigns are set at the municipal level. If many districts rule against Lamar, this could act as a headwind.

Mitigant: This risk is limited due to the fragmentation of municipal courts. LAMR also currently has a high approval rate of 56%, which limits overall risk.

More Difficult Borrowing Environment for CapEx

Risk: Increased interest rates create a more difficult environment for LAMR's increasing CapEx.

Mitigant: LAMR is not highly leveraged compared to its competitors and remains in an anomalously advantageous position.

Sources:

Comparable Companies

	Company Name	Market Data	Valuation			Operating Metrics	
		Market Cap ($B)	P/FFO	EV/EBIT	Net Debt/EBITDA	FFO Yield	Revenue Gr.
OOH	Outfront Media Group	$5.3	15.2x	15.5x	5.0x	8.0%	14%
OOH	Clear Channel Outdoor Holdings	$1.2	9.3x	12.8x	12.9x		9%
OOH	Boston Omaha	$0.4			2.3x		2%
OOH	iHeartMedia	$0.3		7.8x	11.2x		5%
REIT	American Tower	$84.6	16.9x	17.9x	5.4x	6.1%	5%
REIT	Crown Castel	$33.7	19.7x	20.4x	7.8x	6.1%	-5%
REIT	SBA Communications	$9.5	14.2x	17.2x	8.8x	6.5%	2%
	Mean	$19.3	15.1x	15.3x	7.6x	6.7%	4%
	Median	$5.3	15.2x	16.3x	7.8x	6.3%	5%
	LAMR	$14.9	18.0x	16.4x	3.5x	9.8%	6%

Commentary: We separated comparable companies analysis into 2 buckets, the first of which being OOH billboard competitors and the second being REIT competitors. The first bucket is composed of OOH advertisers, including their main competition Outfront Media Group. The second segment is made of REITs that can help benchmark the advertising and billboard industry against other REITs. LAMR trades at a higher multiple to its competitors, though their premium has shifted largely in the last year.

Sources: Bloomberg

Valuation

Lamar Advertising Company	2026	2027	2028	2029	2030	2031
Free Cash Flow Build						
EBIT	$832	$913	$984	$1,027	$1,101	$1,165
(-) Tax Expense	$15	$20	$19	$21	$22	$23
EBIAT	$817	$893	$965	$1,006	$1,079	$1,142
(+)D&A	$311	$331	$353	$378	$405	$429
(-)CapEx	($180)	($192)	($205)	($219)	($235)	($248)
(-) Changes in NWC	($37)	($21)	($21)	($20)	($24)	($21)
Future Free Cash Flow	$911	$1,012	$1,093	$1,145	$1,225	$1,301
Time Until Free Cash Flow	--	00.2	00.7	01.7	02.7	03.7
Present Value of Future Free Cash Flow	$910.98	$983.06	$994.47	$913.81	$857.26	$798.14

Implied DCF Valuation - Exit Multiple	
Terminal Year EBITDA	$1,593
(x) EBITDA Multiple	18.0x
Terminal Value in Final Year	$28,683
Present Value of Terminal Value	$15,883
Present Value of Future FCF	$6,687
Total Enterprise Value	$22,570
(-) Net Debt	$2,640
Equity Value	$19,931
Diluted Shares Outstanding	102
Implied Share Price	$196.31
Implied Upside	33.7%

Cost of Equity	
Risk-Free Rate	5.2%
Beta	1.23
Expected Market Return	14.9%
CAPM	17.1%
Cost of Debt	
Weighted-Average Interest Rate	4.7%
Tax-Rate	3.5%
Tax Adjusted Cost of Debt	4.6%
WACC	
Total Equity	$14,927
Total Debt	$2,891
Total Capital	$17,818
Weight of Equity	83.8%
Weight of Debt	16.2%
Cost of Equity	17.1%
Cost of Debt	4.6%
Weighted Average Cost of Capital	15.0%
Bloomberg WACC	

WAIR	
Term B Loan	700
Interest Rate	5%
Revolving Credit Facility	90
Interest Rate	5%
Receivables Securitization	250
Interest Rate	5%
3.75% Senior Notes	60
Interest Rate	3.75%
4.875% Senior Notes	400
Interest Rate	4.88%
4% Senior Notes	550
Interest Rate	4%
3.625% Senior Notes	550
Interest Rate	3.63%
5.375% Senior Notes	400
Interest Rate	5.38%
WAIR	**4.75%**

Commentary: Using relatively conservative assumptions and an P/FFO multiple of 18.0x, we arrived at an upside of 33.7% using a 15.0% WACC. Upside is driven by the Company's ability to take advantage of digitalization and the imminent multiple re-rate.

Sources:

Revenue Build

	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E	2031E
Revenue Build									
Revenue Summary									
Total Revenue	2,111	2,207	2,266	2,445	2,605	2,780	2,974	3,189	3,373
Growth (%)		5%	3%	8%	7%	7%	7%	7%	6%
Consensus				2,398	2,491	2,606	2,683	2,786	2,827
Variance				2%	5%	7%	11%	14%	19%
Billboard Revenue	1,878	1,956	2,014	2,170	2,309	2,464	2,641	2,843	3,025
Mix (%)	*89%*	*89%*	*89%*	*89%*	*89%*	*89%*	*89%*	*89%*	*90%*
Growth (%)		*4%*	*3%*	*8%*	*6%*	*7%*	*7%*	*8%*	*6%*
Transit Revenue	151	167	163	184	204	222	237	249	249
Mix (%)	*7%*	*8%*	*7%*	*8%*	*8%*	*8%*	*8%*	*8%*	*7%*
Growth (%)		*11%*	*-2%*	*13%*	*11%*	*9%*	*7%*	*5%*	*0%*
Logo Revenue	82	84	89	91	92	94	95	97	98
Mix (%)	*4%*	*4%*	*4%*	*4%*	*4%*	*3%*	*3%*	*3%*	*3%*
Growth (%)		*2%*	*6%*	*2%*	*2%*	*2%*	*2%*	*2%*	*1%*

Commentary: For the revenue build, the focus was placed on digital billboards and the expansion of those billboards. First, we projected out CapEx by growing CapEx mix and determining the total CapEx from the mix. Next, we found the digitalization growth per year and arrived at CapEx per billboard. Then, we added new billboards to existing billboards to arrive at total digital displays and our variance from consensus. That gave us volume and price, to arrive at revenue for billboards. We then added that to consensus revenue to get to our total revenue.

Sources:

Appendix

Revenue by segment

Billboards	1,878	1,956	2,014	2,170	2,309	2,464	2,641	2,843	3,025
Static	1,315	1,365	1,405	1,480	1,525	1,571	1,618	1,667	1,665
Mix (%)	70%	70%	70%	68%	66%	64%	61%	59%	55%
Digital	562	591	609	690	784	894	1023	1176	1360
Mix (%)	30%	30%	30%	32%	34%	36%	39%	41%	45%
Transit	151	167	163	184	204	222	237	249	249
Logo	82	84	89	91	92	94	95	97	98

Revenue by display

Static Billboard									
Number	151,468	154,009	153,801	157,189	157,077	156,967	156,857	156,747	151,892
Revenue	1,315	1,365	1,405	1,480	1,525	1,571	1,618	1,667	1,665
Revenue/ Unit	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Growth (%)		*2%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*
Digital Billboard									
Number	4,558	4,994	5,553	6,168	6,819	7,507	8,239	9,021	9,859
Revenue	562	591	609	690	784	894	1023	1176	1360
Revenue/ Unit	0.1	0.1	0.1	0.11	0.1	0.1	0.1	0.1	0.1
Growth (%)		*-4%*	*-7%*	*2%*	*3%*	*4%*	*4%*	*5%*	*6%*
Consensus				724	766	819	870	921	901
Variance				*-5%*	*2%*	*9%*	*18%*	*28%*	*51%*
Transit									
Number	47,867	47,495	40,605	40,785	40,965	41,145	41,325	41,505	40,605
Revenue	151	167	163	184	204	222	237	249	249
Revenue/ Unit	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01
Growth (%)		*12%*	*14%*	*12%*	*10%*	*8%*	*6%*	*4%*	*2%*
Logo									
Number	155,233	153,989	160,832	160,882	160,932	160,982	161,032	161,082	160,832
Revenue	82	84	89	91	92	94	95	97	98
Revenue/ Unit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Growth (%)		*3%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*

Number of displays

Total displays	359,126	360,487	360,791	365,024	365,792	366,601	367,453	368,355	363,188
Total Billboard Displays	156,026	159,003	159,354	163,357	163,895	164,474	165,096	165,768	161,751
Static Billboard Displays	151,468	154,009	153,801	157,189	157,077	156,967	156,857	156,747	151,892
Growth (%)		2%	0%	2%	0%	0%	0%	0%	-3%
Digital Billboard Displays	4,558	4,994	5,553	6168	6819	7507	8239	9021	9859
Growth (%)		10%	11%	11%	11%	10%	10%	9%	9%
Consensus				5,835	6,060	6,560	6,870	7,180	7,485
Variance				6%	13%	14%	20%	26%	32%
Transit Displays	47,867	47,495	40,605	40,785	40,965	41,145	41,325	41,505	40,605
Growth (%)		-1%	-15%	0%	0%	0%	0%	0%	-2%
Logo Displays	155,233	153,989	160,832	160,882	160,932	160,982	161,032	161,082	160,832
Growth (%)		-1%	4%	0%	0%	0%	0%	0%	0%

Pace of Digitalization

Digitalization per year	259	436	559	615	651	689	732	782	839
Growth (%)		68%	28%	10%	6%	6%	6%	7%	7%
CapEx/Billlboard	0.3	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Consensus									
Variance									

CapEx Across Segments

Total CapEx	181	127	174	180	187	196	206	218	231
Growth (%)		-30%	37%	3.6%	4.1%	4.6%	5.1%	5.6%	6.1%
Static Billboards	55	28	35	36	37	39	41	43	46
Growth (%)		-48%	23%	4%	3%	5%	5%	6%	6%
CapEx Mix (%)	30%	22%	20%	20%	20%	20%	20%	20%	20%
Digital Billboards	76	61	91	93	98	104	110	118	127
Growth (%)		-20%	50%	2%	6%	6%	6%	7%	7%
CapEx Mix (%)	42%	48%	52%	52%	52%	53%	54%	54%	55%
Transit Displays	5	4	3	3	3	4	4	4	4
Growth (%)		-24%	-27%	2%	12%	38%	0%	0%	1%
CapEx Mix (%)	3%	3%	2%	2%	2%	2%	2%	2%	2%
Logo Displays	13	12	11	23	23	14	14	15	15
Growth (%)		-8%	-6%	99%	2%	-39%	1%	2%	2%
CapEx Mix (%)	7%	9%	7%	8%	8%	7%	7%	7%	7%
Other Capital Expenditures	32	22	34	42	43	35	36	38	39
Growth (%)		-31%	53%	24%	2%	-19%	4%	4%	5%
CapEx Mix (%)	18%	17%	19%	18%	18%	18%	17%	17%	17%

Sources: