Lamar Advertising (LAMR)

Updated March 1st, 2025 by Samuel Smith

Key Metrics

Current Price:	$122	**5 Year CAGR Estimate:**	5.2%	**Market Cap:**	$12.7B
Fair Value Price:	$110	**5 Year Growth Estimate:**	2.4%	**Ex-Dividend Date:**	06/14/25[1]
% Fair Value:	111%	**5 Year Valuation Multiple Estimate:**	-2.1%	**Dividend Payment Date:**	06/28/25[2]
Dividend Yield:	5.1%	**5 Year Price Target**	$124	**Years of Dividend Growth:**	5
Dividend Risk Score:	F	**Retirement Suitability Score:**	C	**Rating:**	Hold

Overview & Current Events

Lamar Advertising traces its lineage back to 1902 when Charles Lamar helped form a small poster company in Florida. Since that time, the business has grown exponentially into an advertising giant with ~350,000 outdoor displays in nearly every state, Canada and Puerto Rico. The trust changed its corporate structure to become a REIT in 2014 and today, it trades with a $12.7 billion market capitalization.

On February 20, 2025, Lamar Advertising Company reported its financial results for the fourth quarter of 2024. The company achieved acquisition-adjusted revenue growth of 4.1% compared to the same quarter in 2023, with increases across all lines of business, including outdoor, logos, transit, and airports. Adjusted EBITDA grew by 3.9% on an acquisition-adjusted basis, leading to full-year adjusted funds from operations (AFFO) of $7.99 per share, surpassing the top end of the revised guidance range provided at the end of the third quarter.

For the full year, AFFO per share increased by 7%, bolstered by acquisition-adjusted revenue growth of 4.2%, EBITDA growth of 4.5%, and a slight improvement in the EBITDA margin to 46.8%. This performance enabled the company to increase its distribution by 13%. Looking ahead to 2025, Lamar anticipates another year of growth, with local sales remaining solid and indications that national sales are firming up after a challenging period. The company has provided full-year AFFO per share guidance in the range of $8.13 to $8.28, reflecting confidence in its strategic initiatives and market position.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
AFFO/S	$4.59	$5.00	$5.05	$5.50	$5.80	$5.10	$6.59	$7.38	$7.47	$7.99	***$8.45***	***$9.50***
DPS	$2.50	$2.75	$3.02	$3.56	$3.84	$2.00	$4.00	$5.00	$5.00	$5.65	***$6.20***	***$7.00***
Shares[3]	96.7	97.4	98.3	99.6	100.5	100.9	101.3	101.7	102.1	102.4	***102.4***	***105***

At times in the past, Lamar has struggled to grow. However, over the past decade Lamar has been busy growing organically and through acquisitions, fueling strong FFO-per-share growth. The trust took a slight hit from COVID-19 headwinds in 2020 but has recovered nicely since then.

We see revenue as the main driver of growth as Lamar grows organically and through acquisition, as the additional revenue should provide some leverage on the trust's largely fixed expense base, improving margins, providing extra FFO/share growth. Lamar has significant debt, so interest expense consumes a significant amount of operating income. However, it has done a nice job in recent years of keeping its debt at manageable levels. Overall, we expect FFO per share to grow at a 2.4% annualized clip over the next half decade.

[1] Estimate
[2] Estimate
[3] In millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/AFFO	13.1	13.4	14.7	14.2	15.3	16	18.7	13.1	12.7	16.5	***14.4***	***13.0***
Avg. Yld.	4.2%	4.1%	4.1%	4.6%	4.3%	2.5%	3.2%	5.2%	5.3%	4.3%	***5.1%***	***5.7%***

Lamar's price-to-funds-from-operations ratio has moved around a lot in the past decade due to choppy AFFO results. We see the current valuation as being above fair value, which we've estimated at 13 times AFFO due to the choppiness of earnings and the leveraged, acquisition-focused business model. At today's multiple of 14.4 times 2025 expected AFFO, we see a headwind to total returns in the years to come from multiple contraction.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	54%	55%	60%	65%	66%	39%	61%	68%	67%	71%	***73%***	***74%***

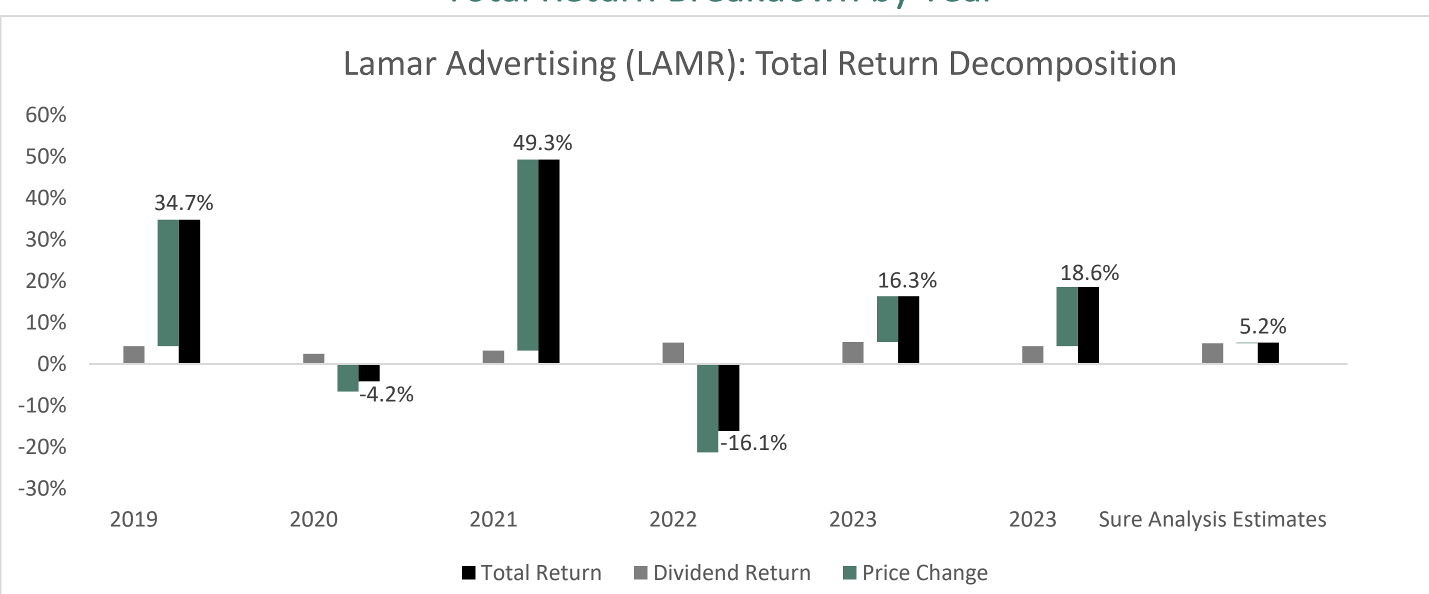
Lamar's quality metrics have been remarkably stable considering the amount of change the trust has gone through in the past decade in terms of strategy and converting to a REIT. Margins have crept a bit higher over time and while we see some operating leverage on its expense base, gross margins have plateaued. The trust's balance sheet remains significantly leveraged, and that should remain the same. Interest coverage has improved markedly in recent years and with a solid FFO growth outlook, it should only improve further.

Lamar is somewhat susceptible to recession but during the Great Recession, its FFO-per-share dipped only briefly before recovering. Its immense size is certainly a competitive advantage, and its long operating history and brand it has built over the past century is certainly a long-term asset. Lamar's competitive positioning should continue to improve with its acquisition-heavy strategy moving forward.

Final Thoughts & Recommendation

Lamar offers investors a well-covered 5.1% yield. We believe management will continue to grow the dividend in the years to come, though growth will slow as the recent headwinds have pushed management to redouble their efforts to deleverage instead of investing in new acquisitions. Overall, we view shares as a Hold as the income looks decent, but total returns are only expected to be 5.2% annualized over the next half-decade.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,353	1,500	1,541	1,627	1,754	1,569	1,787	2,032	2,111	2,207
Gross Profit	880	975	1,000	1,065	1,164	1,011	1,211	1,365	1,414	1,479
Gross Margin	65.0%	65.0%	64.9%	65.5%	66.4%	64.5%	67.7%	67.2%	67.0%	67.0%
SG&A Exp.	314	346	339	372	403	359	327	351	345	361
D&A Exp.	191	205	211	225	250	251	271	349	293	463
Operating Profit	374	424	451	468	511	401	519	562	670	526
Operating Margin	27.7%	28.3%	29.2%	28.7%	29.1%	25.6%	29.0%	27.7%	31.7%	23.8%
Net Profit	263	299	318	305	372	243	388	439	496	362
Net Margin	19.4%	19.9%	20.6%	18.8%	21.2%	15.5%	21.7%	21.6%	23.5%	16.4%
Free Cash Flow	367	414	398	447	490	508	608	615	605	748
Income Tax	22	13	9	11	(4)	5	9	17	10	5

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3,364	3,899	4,214	4,545	5,941	5,791	6,047	6,475	6,564	6,587
Cash & Equivalents	22	36	115	21	26	122	100	53	45	49
Goodwill & Int. Ass.	1,949	2,364	2,537	2,835	2,905	2,827	2,982	3,242	3,207	3,098
Total Liabilities	2,343	2,829	3,111	3,413	4,761	4,589	4,830	5,280	5,347	5,539
Accounts Payable	17	18	18	21	15	12	16	20	18	22
Long-Term Debt	1,891	2,349	2,557	2,889	2,980	2,887	3,014	3,313	3,341	3,211
Shareholder's Equity	1,021	1,070	1,103	1,132	1,180	1,203	1,217	1,195	1,216	1,047
LTD/E Ratio	1.85	2.20	2.32	2.55	2.52	2.40	2.48	2.77	2.75	3.07

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.9%	8.2%	7.8%	7.0%	7.1%	4.1%	6.6%	7.0%	7.6%	5.5%
Return on Equity	26.2%	28.6%	29.2%	27.3%	32.2%	20.4%	32.1%	36.4%	41.1%	32.0%
ROIC	9.1%	9.4%	9.0%	7.9%	9.1%	5.9%	9.3%	10.0%	10.9%	8.2%
Shares Out.	96.7	97.4	98.3	99.6	100.5	100.9	101.3	101.7	102.1	102.4
Revenue/Share	14.04	15.36	15.67	16.42	17.48	15.55	17.64	19.99	20.67	21.52
FCF/Share	3.81	4.24	4.04	4.51	4.88	5.03	6.00	6.05	5.93	7.30

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.