



## Equity Research

January 30, 2007

### OUTDOOR's New Measurement Currency

Sector Rating: Outdoor, Market Weight

Company Name	Stock Rating	Price	FY FCF		FY P/FCF	
			2006E	2007E	2006	2007
<b>Outdoor</b>						
Clear Channel Outdoor Holdings, Inc. (CCO)	SR V	\$29.10	NE	NE	NM	NM
Lamar Advertising Company (LAMR)	2	65.80	1.23	1.86	53.5x	35.4x

Source: Company data and WCM, LLC estimates      NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful  
1 = Outperform, 2 = Market Perform, 3 = Underperform, V = Volatile

FCF is defined as EBITDA, less net interest expense, less cash taxes, less capital expenditure, less preferred dividend payments.

- **We Hosted A Client Lunch With Joe Philport Of the Traffic Audit Bureau.** Joe Philport, CEO & President of the TAB, provided detailed information on the outdoor sector's formal audience measurement system, which will be fully rolled out by October 2008. Erwin Ephron, Principal of Ephron Papazian & Ephron, and Andrea MacDonald, of MacDonald Media, LLC, joined Mr. Philport in describing the impact that the audience measurement system will have on the outdoor sector.
- **New System Will Attract New Advertisers & More \$ From Existing Advertisers.** A quantifiable, consistent measurement system provides advertisers with a reliable currency to make buying decisions. Currently, advertisers buy outdoor products based merely on traffic counts, which provide gross exposure (often over-estimated) to a particular board. The system being rolled out by the TAB and its research partners will not only provide demographic data but will also provide "eyes-on" information so that advertisers know who is actually VIEWING their ads. This level of detail should give outdoor an edge over other traditional media, which continue to measure gross exposure rather than actual engagement.
- **Impact Could Be Felt Immediately, With Most Significance Beginning '09.** We think many advertisers will begin to use the audience measurement system for their outdoor buys as the data rolls out in all 200+ U.S. DMAs. However, we do not anticipate a significant impact on the sector until mid 2009, after advertisers have had time to dissect the data and understand its underlying trends.
- **Preliminary Focus Is On Traditional Boards, But Digital Dayparts Are An Option.** While the preliminary focus of this new measurement system is on the traditional billboards (which still comprise over 60% of outdoor industry revenue), the system is able to provide more granular data upon the request of both advertisers and outdoor groups. As the industry's digital rollout continues to accelerate, daypart ratings may become more relevant. We think the demand for these ratings will have to come from advertisers, as outdoor groups are reluctant to "daypart" their boards for fear that certain time periods will be "de-valued."
- **Measurement System Should Increase Outdoor's Share Of Total Advertising.** Currently, outdoor has a 2.2% share of total advertising (per our estimates). We think a new measurement system can at least double this to 4.4%, adding another \$7 billion of revenue. The greatest beneficiaries should be the big three outdoor groups, CCO, CBS and LAMR, which comprise over 85% of industry revenue.

#### Broadcasting

---

Marci Ryvicker, CPA, CFA, Senior Analyst  
(212) 214-5010 / marci.ryvicker@wachovia.com  
Timothy Schlock, CPA, Associate Analyst  
(212) 214-5011 / timothy.schlock@wachovia.com

---

Please see page 5 for rating definitions, important disclosures and required analyst certifications.

WCM does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of the report and investors should consider this report as only a single factor in making their investment decision.

**Broadcasting**

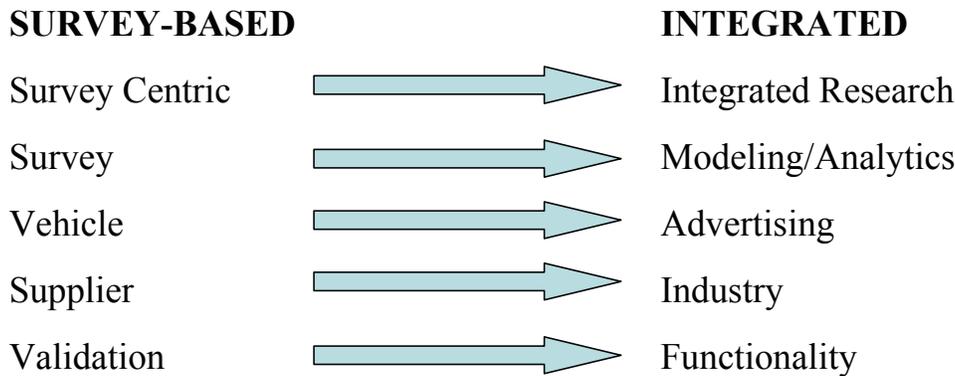
**We Hosted A Client Lunch With Joe Philport Of the Traffic Audit Bureau.** Joe Philport, CEO and President of the Traffic Audit Bureau, provided detailed information on the outdoor sector's formal audience measurement system, which will be fully rolled out by October 2008. Erwin Ephron, Principal of Ephron, Papazian and Ephron, and Andrea MacDonald, of MacDonald Media, LLC, joined Mr. Philport in describing the impact that the audience measurement system will have on the outdoor sector.

**What Is The New Audience Measurement System?** The Traffic Audit Bureau (TAB) was created in 1933 with the mission to audit the circulation of out of home media in the United States. Over the first 70 year period, little changed in the way measurement occurred, however the last five years have provided significant advancements in this area, which caused the TAB to begin an RFP process for an audience measurement system that included 20 world-class research companies.

After considerable research, the TAB concluded that in order to be a fully effective measurement system, three basic requirements must be met:

- 1) Board by board ratings must be provided,
- 2) Every market must be included within the ratings system (200+ DMA's), and
- 3) "Real" commercial ratings must be provided. (By "real" we don't just mean gross impressions – we mean, how many people are actually engaged with the advertisement?)

To achieve these goals, the TAB has focused on an integrated audience measurement system rather than the typical survey-based measurement system.



Source: TAB

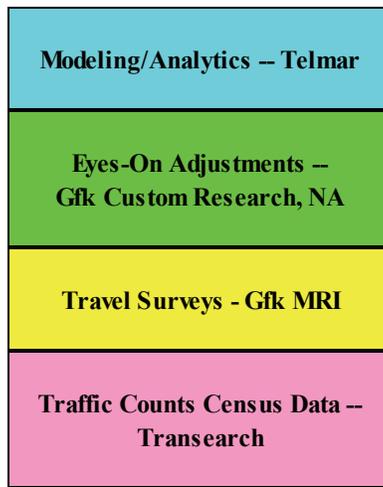
The integrated audience measurement system is comprised of four main attributes:

- 1) **Traffic counts**, which are being compiled by Transearch. Transearch has developed circulation measurement models for non-traditional out-of-home including mobile media and place-based advertising on campuses, in restaurants, bars, shopping malls and health clubs. Over 90% of the traffic count data that will be used in the measurement system is collected by the Department of Transportation (DOT). In addition, independent hand-counts will be performed in order to ensure DMA-level consistency. Pedestrian traffic will be measured separately and integrated into the measurement system sometime between 2007 and 2009.
- 2) **"Eyes-on" adjustment** will provide "real" commercial ratings to advertisers by determining the likelihood that a driver notices (or is engaged with) a given outdoor advertisement. Currently, this metric is measured by creating a simulated car driving experience, using high definition videos, in which the likelihood of an individual's eye focusing on an outdoor display is measured. GfK Custom Research, NA, a subsidiary of global research leader GfK, is providing the TAB with the eyes-on adjustment data.
- 3) **Travel surveys** will provide demographic data of travelers in 15 markets, including the top 10. Approximately 45,000 diary (or paper and pen) surveys will be completed as well as 4,200 CAPI

OUTDOOR's New Measurement Currency

(computer assisted) surveys in 5 of the top 10 markets. CAPI surveys provide a higher response rate (roughly 3x) and better quality data than the typical surveying methods. The biggest downfall of the CAPI is the increased cost associated with it. GfK MRI (or Media Research Inc.) is conducting the travel surveys and should be able to deliver the results for all 200+ DMAs in less than two years. GfK MRI is best known for its syndicated Survey of the American Consumer, which is the primary source of audience size and composition information for the American magazine industry.

- 4) **Modeling/Analytics**, which will be conducted by Telmar, a world-leading supplier of computer based advertising information services, is the final step in the audience measurement system. Telmar will integrate all primary (e.g. traffic counts, travel surveys, and “eyes-on” adjustments) and secondary data (e.g. census and transportation) to create a consistent audience measurement currency in all 200+ DMA markets.



Source: TAB

The total cost of the measurement system, which will be fully funded by members of the TAB, is around \$25 million over a 5-year period (i.e. \$5 million per year), according to some outdoor groups. As this system boasts an “open architecture” (i.e. a non-proprietary model), most outdoor groups are welcoming the new currency and are not balking at the cost.

**New System Will Attract New Advertisers & More \$ From Existing Advertisers.** A quantifiable, consistent measurement system provides advertisers with a reliable currency to make buying decisions. Currently, advertisers buy outdoor products based merely on traffic counts, which provide gross exposure (often over-estimated) to a particular board. The system being rolled out by the TAB and its media partners will not only provide demographic data but will also provide "eyes-on" information so that advertisers know who is actually VIEWING or ENGAGING their ads. This level of detail should give outdoor an edge over other traditional media, which continue to measure gross exposure rather than actual engagement.

**Impact Will Be Felt Immediately, With Most Significance Beginning '09.** We think many advertisers will begin to use the audience measurement system for their outdoor buys as the data is rolled out in all 200+ U.S. DMAs. The rollout should be fully complete by October 2008. We do not anticipate a significant impact on the sector until mid 2009, after advertisers have had time to dissect the data and understand its underlying trends.

The TAB and its research partners are in the middle of preparing the marketplace so that acceptance of the new measurement system is achievable and widespread. There has been continuous dialogue between media buyers and sellers, so the new currency should not be a “shock” to the sector. The TAB is planning to hold three forums beginning in March 2007 to further the dialogue among all parties. Preliminary data is expected to be released in H1 2008 with the goal of all markets available by Q4 2008.

**Preliminary Focus Is On Traditional Boards, But Digital Dayparts Are An Option.** While the preliminary focus of this new measurement system is on the traditional billboards (which still comprise over 60% of outdoor industry revenue), the system is able to provide more granular data upon the request of both advertisers and outdoor groups. The TAB will begin work on measuring other areas of the outdoor sector, such as transit, street furniture and alternative advertisements, once the traditional billboard system is fully operational.

As the industry's digital rollout continues to accelerate, daypart ratings may become more relevant. We think the demand for these ratings will have to come from advertisers, as outdoor groups are reluctant to "daypart" their boards for fear that certain time periods will be de-valued.

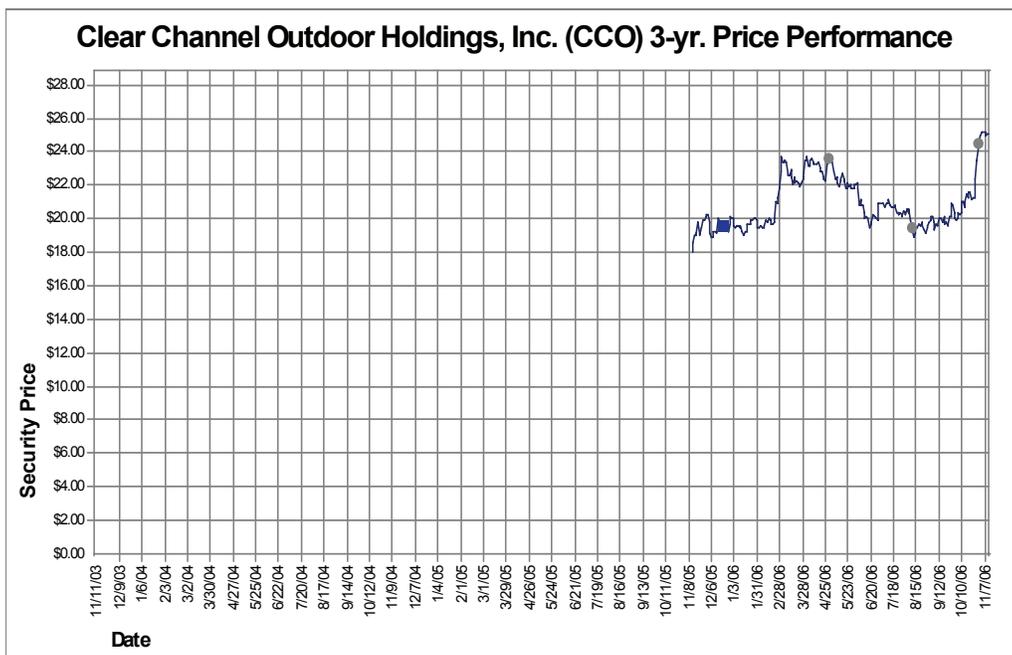
**Measurement System Should Increase Outdoor's Share Of Total Advertising.** Currently, outdoor has a 2.2% share of total advertising (per our estimates). This is the lowest percent of any other country. For example, outdoor comprises 12% of total advertising dollars in France, 10% of total advertising dollars in the UK, and 8% of total advertising dollars in Spain.

We think a new measurement system can at least double outdoor's share of total advertising dollars, to 4.4%, which would add another \$7 billion of revenue. How will this happen? We see three ways:

- 1) Existing advertisers will allocate a greater portion of their ad budgets to outdoor once they have a reliable measure of ROI;
- 2) Advertisers who were not able to use the medium because it lacked a reliable currency will begin to allocate dollars to the outdoor medium; and
- 3) The excess demand from both existing and new advertisers is likely to push rates higher.

The greatest beneficiaries should be the big three outdoor groups, CCO, CBS and LAMR, which together comprise over 85% of domestic industry revenue.

## Required Disclosures



Date	Close Price (\$)	Rating Code	Target Price (\$)	Val. Rng. Low	Val. Rng. High
12/21/2005	Ryvicker				
12/21/2005	19.61	1	NE	24.00	25.00
4/28/2006	23.60	1	NE	26.00	27.00
8/9/2006	19.52	1	NE	24.00	25.00
10/31/2006	24.55	1	NE	25.00	27.00

Source: Wachovia Capital Markets, LLC estimates and Bridge data

Beginning 01/04/2003 stock valuation range replaces target price

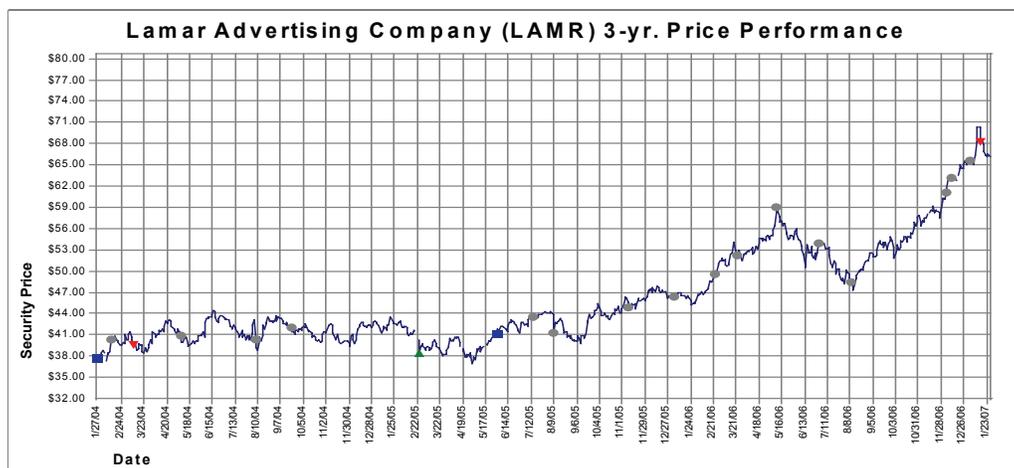
**Symbol Key**

- ◆ Rating Scale Conversion
- Rating, Target Price and/or Val. Rnge. Chnge.
- ▼ Rating Downgrade

- ▲ Rating Upgrade
- Analyst Change
- Ⓟ Split Adjustment

**Rating Code Key**

- |                  |                 |
|------------------|-----------------|
| 1 Outperform     | SR Suspended    |
| 2 Market Perform | NR Not Rated    |
| 3 Underperform   | NE Not Estimate |



Date	Close Price (\$)	Rating Code	Target Price (\$)	Val. Rng. Low	Val. Rng. High
1/27/2004	Boyle				
1/27/2004	37.66	1	NE	NE	NE
2/11/2004	40.37	1	NE	43.00	45.00
3/10/2004	39.50	2	NE	41.00	43.00
5/6/2004	40.78	2	NE	42.00	44.00
8/6/2004	40.29	2	NE	43.00	45.00
9/20/2004	42.00	2	NE	44.00	46.00
2/24/2005	38.40	1	NE	NE	NE
5/31/2005	Ryvicker				
7/14/2005	43.43	1	NE	47.00	51.00
8/9/2005	41.34	1	NE	47.00	50.00
11/9/2005	44.87	1	NE	49.00	51.00
1/4/2006	46.29	1	NE	52.00	53.00
2/22/2006	49.50	1	NE	54.00	55.00
3/22/2006	52.12	1	NE	58.00	62.00
5/10/2006	59.04	1	NE	62.00	66.00
6/30/2006	53.86	1	NE	62.00	65.00
8/9/2006	48.41	1	NE	60.00	62.00
12/4/2006	61.10	1	NE	65.00	67.00
12/11/2006	63.20	1	NE	67.00	69.00
1/3/2007	65.53	1	NE	68.00	72.00
1/16/2007	68.15	2	NE	NE	NE

Source: Wachovia Capital Markets, LLC estimates and Bridge data

Beginning 01/04/2004 stock valuation range replaces target price

**Symbol Key**  
 ◆ Rating Scale Conversion  
 ● Rating, Target Price and/or Val. Rnge. Chnge.  
 ▼ Rating Downgrade  
 ▲ Rating Upgrade  
 ■ Analyst Change  
 □ Split Adjustment

**Rating Code Key**  
 1 Outperform  
 2 Market Perform  
 3 Underperform  
 SR Suspended  
 NR Not Rated  
 NE Not Estimate

**Additional Information Available Upon Request**

I certify that:

- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

- Wachovia Capital Markets, LLC maintains a market in the common stock of Lamar Advertising Company.
- Wachovia Capital Markets, LLC or its affiliates intends to seek or expects to receive compensation for investment banking services in the next three months from Clear Channel Outdoor Holdings, Inc.
- Wachovia Capital Markets, LLC and/or its affiliates, have beneficial ownership of 1% or more of any class of the common stock of Clear Channel Outdoor Holdings, Inc.
- An affiliate of Wachovia Capital Markets, LLC has received compensation for products and services other than investment banking services from Clear Channel Outdoor Holdings, Inc. in the past 12 months.
- Wachovia Capital Markets, LLC is acting as financial advisor to the investor group led by Thomas H. Lee Partners, L.P. and Bain Capital Partners, LLC in the announced acquisition of Clear Channel Communications, Inc. This proposed transaction is subject to shareholder and regulatory approval.

Wachovia Capital Markets, LLC does not compensate its research analysts based on specific investment banking transactions. WCM's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm, which includes, but is not limited to investment banking revenue.

**OUTDOOR's New Measurement Currency**

**STOCK RATING**

**1 = Outperform:** The stock appears attractively valued, and we believe the stock's total return will exceed that of the market over the next 12 months. BUY

**2 = Market Perform:** The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

**3 = Underperform:** The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

**SECTOR RATING**

**O = Overweight:** Industry expected to outperform the relevant broad market benchmark over the next 12 months.

**M = Market Weight:** Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

**U = Underweight:** Industry expected to underperform the relevant broad market benchmark over the next 12 months.

**VOLATILITY RATING**

**V =** A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: January 30, 2007

42% of companies covered by Wachovia Capital Markets, LLC Equity Research are rated Outperform.

Wachovia Capital Markets, LLC has provided investment banking services for 40% of its Equity Research Outperform-rated companies.

55% of companies covered by Wachovia Capital Markets, LLC Equity Research are rated Market Perform.

Wachovia Capital Markets, LLC has provided investment banking services for 29% of its Equity Research Market Perform-rated companies.

4% of companies covered by Wachovia Capital Markets, LLC Equity Research are rated Underperform.

Wachovia Capital Markets, LLC has provided investment banking services for 27% of its Equity Research Underperform-rated companies.

***Additional Disclosures For International Clients***

For additional disclosure information please go to: [www.wachoviaresearch.com](http://www.wachoviaresearch.com)

The securities and related financial instruments described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. For certain non-U.S. institutional readers (including readers in the EEA), this report is distributed by Wachovia Securities International Limited. For the purposes of Section 21 of the U.K. Financial Services and Markets Act 2000, this report has been approved by Wachovia Securities International Limited. This research is not intended for, and should not be relied on by, private customers. Please consult your Financial Advisor or the Wachovia Securities office in your area for additional information. U.S. residents are directed to [wachovia.com](http://wachovia.com) for investment and related services.

For Wachovia Securities International Limited's policy for managing conflicts of interest in connection with research, please go to: [www.wachoviaresearch.com/conflicts](http://www.wachoviaresearch.com/conflicts)

***Important Information for Australian Recipients***

Wachovia Capital Markets, LLC ("WCM") is exempt from the requirements to hold an Australian financial services license in respect of the financial services it provides to wholesale clients in Australia. WCM is a registered broker-dealer registered with the U.S. Securities and Exchange Commission, and a member of the New York Stock Exchange, the National Association of Securities Dealers, Inc. and the Securities Investor Protection Corp. WCM is regulated under U.S. laws which differ from Australian laws. Any offer or documentation provided to you by WCM in the course of providing the financial services will be prepared in accordance with the laws of the United States and not Australian laws.

---

*Additional Disclosures*

WCM is a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the New York Stock Exchange, the National Association of Securities Dealers, Inc., and the Securities Investor Protection Corp. Wachovia Securities International Limited is a U.K. incorporated investment firm authorized and regulated by the Financial Services Authority.

This report is for your information only and is not an offer to sell, or a solicitation of an offer to buy, the securities or instruments named or described in this report. Interested parties are advised to contact the entity with which they deal, or the entity that provided this report to them, if they desire further information. The information in this report has been obtained or derived from sources believed by Wachovia Capital Markets, LLC, to be reliable, but Wachovia Capital Markets, LLC, does not represent that this information is accurate or complete. Any opinions or estimates contained in this report represent the judgement of Wachovia Capital Markets, LLC, at this time, and are subject to change without notice. Wachovia Capital Markets, LLC, and its affiliates may from time to time provide advice with respect to, acquire, hold, or sell a position in, the securities or instruments named or described in this report. For the purposes of the U.K. Financial Services Authority's rules, this report constitutes impartial investment research. Each of Wachovia Capital Markets, LLC, and Wachovia Securities International Limited is a separate legal entity and distinct from affiliated banks. Copyright © 2007 Wachovia Capital Markets, LLC.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE
---

