

Live Nation Entertainment, Inc.  
Form 10-K  
February 26, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014,

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-32601

LIVE NATION ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State of Incorporation)

9348 Civic Center Drive

Beverly Hills, CA 90210

(Address of principal executive offices, including zip code)

(310) 867-7000

(Registrant's telephone number, including area code)

20-3247759

(I.R.S. Employer Identification No.)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Common Stock, \$.01 Par Value per Share;

Preferred Stock Purchase Rights

Name of Each Exchange on which Registered

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form

10-K.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

On June 30, 2014, the last business day of the registrant’s most recently completed second fiscal quarter, the aggregate market value of the Common Stock beneficially held by non-affiliates of the registrant was approximately \$3,565,000,000. (For purposes hereof, directors, executive officers and 10% or greater stockholders have been deemed affiliates).

On February 20, 2015, there were 201,500,637 outstanding shares of the registrant’s common stock, \$0.01 par value per share, including 1,385,134 shares of unvested restricted stock awards and excluding 408,024 shares held in treasury.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of our Definitive Proxy Statement for the 2015 Annual Meeting of Stockholders, expected to be filed within 120 days of our fiscal year end, are incorporated by reference into Part III.

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LIVE NATION ENTERTAINMENT, INC.

GLOSSARY OF KEY TERMS

ADA	Americans with Disabilities Act of 1990
AOCI	Accumulated other comprehensive income (loss)
AOI	Adjusted operating income (loss)
Clear Channel	Clear Channel Communications, Inc.
Company	Live Nation Entertainment, Inc. and subsidiaries
DDA	United Kingdom's Disability Discrimination Act of 1995
FASB	Financial Accounting Standards Board
FTC	Federal Trade Commission
GAAP	United States Generally Accepted Accounting Principles
Liberty Media	Liberty Media Corporation
Live Nation	Live Nation Entertainment, Inc., formerly known as Live Nation, Inc., and subsidiaries
SEC	United States Securities and Exchange Commission
Separation	The contribution and transfer by Clear Channel of substantially all of its entertainment assets and liabilities to Live Nation
Trust	The family trust of a former executive, of which the former executive is co-Trustee
Trust Note	A note issued to the Trust as part of a prior acquisition. This note had been issued in exchange for shares of Ticketmaster's series A convertible redeemable preferred stock held by this trust
VIE	Variable interest entity
Ticketmaster	For periods prior to May 6, 2010, Ticketmaster means Ticketmaster Entertainment LLC and its predecessor companies (including without limitation Ticketmaster Entertainment, Inc.); for periods on and after May 6, 2010, Ticketmaster means the Ticketmaster ticketing business of the Company

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PART I

“Live Nation” (which may be referred to as the “Company,” “we,” “us” or “our”) means Live Nation Entertainment, Inc. and its subsidiaries, or one of our segments or subsidiaries, as the context requires.

Special Note About Forward-Looking Statements

Certain statements contained in this Form 10-K (or otherwise made by us or on our behalf from time to time in other reports, filings with the SEC, news releases, conferences, internet postings or otherwise) that are not statements of historical fact constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended, notwithstanding that such statements are not specifically identified. Forward-looking statements include, but are not limited to, statements about our financial position, business strategy, competitive position, potential growth opportunities, potential operating performance improvements, the effects of competition, the effects of future legislation or regulations and plans and objectives of our management for future operations. We have based our forward-looking statements on our beliefs and assumptions based on information available to us at the time the statements are made. Use of the words “may,” “should,” “continue,” “plan,” “potential,” “anticipate,” “believe,” “estimate,” “expect,” “intend,” “outlook,” “could,” “target,” “project,” “seek,” “pre” of such words and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to, those set forth under Item 1A.—Risk Factors as well as other factors described herein or in our quarterly and other reports we file with the SEC (collectively, “cautionary statements”). Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described in any forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the applicable cautionary statements. We do not intend to update these forward-looking statements, except as required by applicable law.

ITEM 1. BUSINESS

Our Company

We believe that we are the largest live entertainment company in the world, connecting nearly 519 million fans across all of our platforms in 33 countries in 2014.

We believe we are the largest producer of live music concerts in the world, based on total fans that attend Live Nation events as compared to events of other promoters, connecting nearly 59 million fans to almost 23,000 events for over 2,700 artists in 2014. Live Nation owns, operates, has exclusive booking rights for or has an equity interest in 158 venues, including House of Blues<sup>®</sup> music venues and prestigious locations such as The Fillmore in San Francisco, the Hollywood Palladium, the Ziggo Dome in Amsterdam and 3Arena in Ireland.

We believe we are the world’s leading live entertainment ticketing sales and marketing company, based on the number of tickets we sell. Ticketmaster provides ticket sales, ticket resale services and marketing and distribution globally through [www.ticketmaster.com](http://www.ticketmaster.com) and [www.livenation.com](http://www.livenation.com), numerous retail outlets and call centers. Ticketmaster serves clients worldwide across multiple event categories, providing ticketing services for leading arenas, stadiums, professional sports franchises and leagues, college sports teams, performing arts venues, museums and theaters.

We believe we are one of the world’s leading artist management companies based on the number of artists represented. Our artist management companies manage musical artists and acts across all music genres. As of December 31, 2014, we had over 60 managers providing services to approximately 280 artists.

We believe our global network is the world’s largest music marketing network for corporate brands and includes one of the world’s leading ecommerce websites, based on a comparison of gross sales of top internet retailers. In 2014, we had over 130 million customers in our database based on visitors to [www.livenation.com](http://www.livenation.com) and [www.ticketmaster.com](http://www.ticketmaster.com) and our other online properties.

Our principal executive offices are located at 9348 Civic Center Drive, Beverly Hills, California 90210 (telephone: 310-867-7000). Our principal website is [www.livenationentertainment.com](http://www.livenationentertainment.com). Live Nation is listed on the New York Stock Exchange, trading under the symbol “LYV.”

Our Strategy

Our strategy is to leverage our leadership position in live entertainment and our relationships with fans, venues, artists and advertisers to sell more tickets and grow our revenue, earnings and cash flow. We pay artists, venues and teams to secure

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content and tickets; we invest in technology to build innovative products which advance our ticketing, advertising and mobile platforms; and we are paid by sponsors and advertisers that want to connect their brands with our passionate fan base.

Our core businesses surrounding the promotion of live events include ticketing, sponsorship and advertising, and artist management. We believe our focus on growing these businesses will increase shareholder value as we continue to enhance our revenue streams and achieve economies of scale with our global platforms. We also continue to strengthen our core operations, further expanding into additional global markets and optimizing our cost structure. Our strategy is to grow and innovate through the initiatives listed below.

**Expand our Concert Platform.** We will grow our fan base and increase our ticket sales by continuing to build our portfolio of festivals globally, expanding our business into select additional top global music markets, and further building our presence in existing markets.

**Drive Conversion of Ticket Sales through Development of Innovative Products.** We are focused on selling tickets through a wide set of sales channels, including mobile and online, and leveraging our extensive fan database to better reach consumers. We will continue to focus on developing innovative products to build fan traffic to our sales channels and drive increased ticket sales.

**Grow Sponsorship and Advertising.** Our goal is to continue to drive growth in this area and capture a larger share of the music sponsorship market. We will focus on expanding and developing new relationships with corporate sponsors to provide them with targeted strategic programs through our unique relationship with fans and artists, our network of venues and our extensive ticketing operations and online presence. In addition, we have established one of the few ecommerce sites that has a substantial and growing online advertising platform.

**Sell more Tickets and Drive Reductions in the Cost to Sell a Ticket.** We will continue to invest in our ticketing platforms and related venue and fan products to strengthen the functionality of our system and drive additional ticket sales through an improved user experience while also creating a more efficient system.

**Grow Secondary Ticket Volume.** We will continue to grow the volume of secondary tickets sold in partnership with content owners through a trusted environment for fan ticket exchanges. We will expand globally the availability of secondary tickets, allowing our fans to have a dependable, secure destination for all events.

**Drive Artist Management through our Other Core Businesses.** We believe that effective artist management provides further connections to our concert platform, supporting its growth. By delivering strong and consistent services to our artist managers and their clients, we believe we can continue to build our market share in both artist management and concert promotion.

### Our Assets

We believe we have a unique portfolio of assets that is unmatched in the live entertainment industry.

**Fans.** During 2014, our events were attended by nearly 59 million live music fans. Our database of our fans and their interests provides us with the means to efficiently market our shows to them as well as to offer other music-related products and services. This fan database is an invaluable asset that we are able to use to provide unique services to our artists and corporate clients.

**Artists.** We have extensive relationships with artists ranging from those acts that are just beginning their careers to established superstars. In 2014, we promoted shows or tours for over 2,700 artists globally. In addition, through our artist management companies, we manage approximately 280 artists. We believe our artist relationships are a competitive advantage and will help us pursue our strategy to develop additional ancillary revenue streams around the ticket purchase, live event and the artists themselves.

**Online Services and Ticketing.** We own and operate various branded websites, both in the United States and abroad, which are customized to reflect services offered in each jurisdiction. Our primary online websites, [www.livenation.com](http://www.livenation.com) and [www.ticketmaster.com](http://www.ticketmaster.com), together with our other branded ticketing websites, are designed to promote ticket sales for live events and to disseminate event and related merchandise information online. Fans can access [www.livenation.com](http://www.livenation.com) and [www.ticketmaster.com](http://www.ticketmaster.com) directly, from affiliated websites and through numerous direct links from banners and event profiles hosted by approved third-party websites. We also have both Live Nation and Ticketmaster mobile apps that our fans can use to access event information and buy tickets.

Distribution Network. We believe that our global distribution network of promoters, venues and festivals provides us with a strong position in the live concert industry. We believe we have one of the largest global networks of live entertainment businesses in the world, with offices in 76 cities in North America and 27 countries worldwide. In addition, we own, operate, have exclusive booking rights or have an equity interest in 158 venues located across six countries as of the end of 2014, making us, we believe, the second largest operator of music venues in the world. We



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also believe that we are one of the largest music festival producers in the world with more than 60 festivals globally. In addition, we believe that our global ticketing distribution network, with one of the largest ecommerce sites on the internet, approximately 8,400 sales outlets and 16 call centers serving more than 12,000 clients worldwide, makes us the largest ticketing network in the industry.

**Sponsors.** We employ a sales force of approximately 230 people that worked with approximately 750 sponsors during 2014, through a combination of local venue-related deals and national deals, both in North America and internationally. Our sponsors include some of the most well-recognized national and global brands including Citi, American Express, Carlsberg, O<sub>2</sub>, Anheuser-Busch, Red Bull, Pepsi and SAP (each of these brands is a registered trademark of the sponsor).

**Employees.** At December 31, 2014, we employed approximately 7,900 full-time employees who are dedicated to providing first-class service to our artists, fans, ticketing clients and corporate sponsors. Many of our employees have decades of experience in promoting and producing live concerts, ticketing operations, sales and marketing, artist management and venue management.

### **Our History**

We were incorporated in Delaware on August 2, 2005 in preparation for the contribution and transfer by Clear Channel of substantially all of its entertainment assets and liabilities to us. We completed the Separation on December 21, 2005, and became a publicly traded company on the New York Stock Exchange trading under the symbol "LYV."

On January 25, 2010, we merged with Ticketmaster and it became a wholly-owned subsidiary of Live Nation. Effective with the merger Live Nation, Inc. changed its name to Live Nation Entertainment, Inc.

### **Our Industry**

We operate in five main industries within the live entertainment business, including live music events, venue operations, ticketing services, sponsorship and advertising sales and artist management and services.

The live music industry includes concert promotion and/or production of music events or tours. Typically, to initiate live music events or tours, booking agents directly contract with artists to represent them for defined periods. Booking agents then contact promoters, who will contract with them or directly with artists to arrange events. Booking agents generally receive fixed or percentage fees from artists for their services. Promoters earn revenue primarily from the sale of tickets. Artists are paid by the promoter under one of several different formulas, which may include fixed guarantees and/or a percentage of ticket sales or event profits. In addition, promoters may also reimburse artists for certain costs of production, such as sound and lights. Under guaranteed payment formulas, promoters assume the risks of unprofitable events. Promoters may renegotiate lower guarantees or cancel events because of insufficient ticket sales in order to reduce their losses. Promoters can also reduce the risk of losses by entering into global or national touring agreements with artists and including the right to offset lower performing shows against higher performing shows on the tour in the determination of overall artist fees.

For music tours, two to nine months typically elapse between initially booking artists and the first performances. Promoters, in conjunction with artists, managers and booking agents, set ticket prices and advertise events. Promoters market events, sell tickets, rent or otherwise provide venues and arrange for local production services, such as stages and equipment.

Venue operators typically contract with promoters to rent their venues for specific events on specific dates and receive fixed fees or percentages of ticket sales as rental income. In addition, venue operators provide services such as concessions, parking, security, ushering and ticket-taking, and receive some or all of the revenue from concessions, merchandise, venue sponsorships, parking and premium seating.

Ticketing services include the sale of tickets primarily through online channels but also through phone, mobile devices, outlet and box office channels. Ticketing companies will contract with venues and/or promoters to sell tickets to events over a period of time, generally three to five years. The ticketing company does not set ticket prices or seating charts for events as this information is given to them by the venue and/or promoter in charge of the event. The ticketing company generally gets paid a fixed fee per ticket sold or a percentage of the total ticket service charges. Venues will often also sell tickets through a local box office at the venue using the ticketing company's technology. The ticketing company will generally not earn a fee on these box office tickets. The ticketing company receives the

cash for the ticket sales and related service charges at the time the ticket is sold and periodically remits these receipts to the venue and/or promoter after deducting their fee. As ticket sales increase, related ticketing operating income generally increases as well.

Ticketing resale services refers to the sale of tickets by a holder who originally purchased the tickets from a venue, promoter or other entity, or a ticketing services provider selling on behalf of a venue, promoter or other entity. Resale tickets are also referred to as secondary tickets. Generally, the ticket reseller is paid a service charge when the ticket is resold and the negotiated ticket value is paid to the holder.

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Artist managers primarily provide services to music recording artists to manage their careers. The artist manager negotiates on behalf of the artist and is paid a fee, generally as a percentage of the artist's earnings. Artist services creates and sells merchandise for music artists at live performances, to retailers and directly to consumers via the internet, and also connects artists to corporate clients for events, and generally are paid a percentage of the artist's earnings.

The sponsorship and advertising industry within the live entertainment business involves the sale of international, national, regional and local advertising campaigns and promotional programs to a variety of companies to advertise or promote their brand or product. The advertising campaigns typically include venue naming rights, on-site venue signage, online banner advertisements and exclusive partner rights in various categories such as beverage, hotel and telecommunications. These promotional programs may include event pre-sales and on-site product activation.

### Our Business

Our reportable segments are Concerts, Ticketing, Artist Nation and Sponsorship & Advertising.

**Concerts.** Our Concerts segment principally involves the global promotion of live music events in our owned or operated venues and in rented third-party venues, the operation and management of music venues and the production of music festivals across the world. During 2014, our Concerts business generated approximately \$4.7 billion, or 68.8%, of our total revenue. We promoted 22,800 live music events in 2014, including artists such as One Direction, Jay-Z & Beyonce, Justin Timberlake, Luke Bryan, Jason Aldean and Lady Gaga and through festivals such as Electric Daisy Carnival, Rock Werchter, Reading and T in the Park. While our Concerts segment operates year-round, we generally experience higher revenue during the second and third quarters due to the seasonal nature of shows at our outdoor amphitheaters and festivals, which primarily occur from May through September.

As a promoter, we earn revenue primarily from the sale of tickets and pay artists under one of several formulas, including a fixed guaranteed amount and/or a percentage of ticket sales or event profits. For each event, we either use a venue we own or operate, or rent a third-party venue. Revenue is generally impacted by the number of events, volume of ticket sales and ticket prices. Event costs such as artist fees and production service expenses are included in direct operating expenses and are typically substantial in relation to the revenue. As a result, significant increases or decreases in promotion revenue do not typically result in comparable changes to operating income.

As a venue operator, we generate revenue primarily from the sale of concessions, parking, premium seating, rental income, venue sponsorships and ticket rebates or service charges earned on tickets sold through our internal ticketing operations or by third parties under ticketing agreements. In our amphitheaters, the sale of concessions is outsourced and we receive a share of the net revenue from the concessionaire, which is recorded in revenue with no significant direct operating expenses associated with it. Revenue generated from venue operations typically has a higher margin than promotion revenue and therefore typically has a more direct relationship to changes in operating income.

As a festival producer, we typically book artists, secure festival sites, provide for third-party production services, sell tickets and advertise events to attract fans. We also provide or arrange for third-parties to provide operational services as needed such as concessions, merchandising and security. We earn revenue from the sale of tickets and typically pay artists a fixed guaranteed amount. We also earn revenue from the sale of concessions, camping fees, festival sponsorships and ticket rebates or service charges earned on tickets sold. For each event, we either use a festival site we own or rent a third-party festival site. Revenue is generally impacted by the number of events, volume of ticket sales and ticket prices. Event costs such as artist fees and production service expenses are included in direct operating expenses and are typically substantial in relation to the revenue. Since the artist fees are typically fixed guarantees for these events, significant increases or decreases in festival promotion revenue will generally result in comparable changes to operating income.

**Ticketing.** Our Ticketing segment is primarily an agency business that sells tickets for events on behalf of its clients and retains a fixed fee or a percentage of the total convenience charge and order processing fee for its services. We sell tickets for our events and also for third-party clients across multiple live event categories, providing ticketing services for leading arenas, stadiums, amphitheaters, music clubs, concert promoters, professional sports franchises and leagues, college sports teams, performing arts venues, museums and theaters. We sell tickets through websites, mobile apps, ticket outlets and telephone call centers. During the year ended December 31, 2014, we sold 69%, 18%, 9% and 4% of primary tickets through these channels, respectively. Our Ticketing segment also manages our online

activities including enhancements to our websites and bundled product offerings. During 2014, our Ticketing business generated approximately \$1.6 billion, or 22.7%, of our total revenue, which excludes the face value of tickets sold. Through all of our ticketing services, we sold 154 million tickets in 2014 on which we were paid fees for our services. In addition, approximately 300 million tickets in total were sold using our Ticketmaster systems, through season seat packages and our venue clients' box offices, for which we do not receive a fee. Our ticketing sales are impacted by fluctuations in the availability of events for sale to the public, which may vary depending upon event scheduling by our clients.

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We sell tickets on behalf of our clients through our ticketing platforms across the world. In order to provide state-of-the-art ticketing technology services, we are currently in the process of re-platforming portions of our Ticketmaster ticketing system which we believe will result in an improved experience for our fans and better tools and information resources for our venue clients. We started this re-platforming for our North America business in 2011 and currently expect to start using the new technology at certain of our venue clients in 2015. In addition to providing improved technology products, we believe that once this re-platforming is complete and rolled out to all our clients it will allow us to improve the efficiency of our ticketing systems and processes and lead to cost reductions.

We generally enter into written agreements with individual clients to provide primary ticketing services for specified multi-year periods, typically ranging from three to five years. Pursuant to these agreements, clients generally determine and then tell us what tickets will be available for sale, when such tickets will go on sale to the public and what the ticket price will be. Agreements with venue clients generally grant us the right to sell tickets for all events presented at the relevant venue for which tickets are made available to the general public. Agreements with promoter clients generally grant us the right to sell tickets for all events presented by a given promoter at any venue, unless that venue is already covered by an existing exclusive agreement with our ticketing business or another ticketing service provider. Where we have exclusive contracts, clients may not utilize, authorize or promote the services of third-party ticketing companies or technologies while under contract with us. While we generally have the right to sell a substantial portion of our clients' tickets, venue and promoter clients often sell and distribute group sales and season tickets in-house. In addition, under many written agreements between promoters and our clients, the client often allocates certain tickets for artist, promoter, agent and venue use and does not make those tickets available for sale by us. We also generally allow clients to make a certain limited number of tickets available for sale through fan clubs, or other similar arrangements, from which we generally derive no revenue unless selected by the club to facilitate the sales. As a result, we do not sell all of our clients' tickets and the amount of tickets that we sell varies from client to client and from event to event, and varies as to any single client from year to year.

We currently offer ticket resale services, or secondary ticketing, through our integrated inventory platform, referred to as TM+, TicketsNow (in the United States and Canada), our TicketExchange service (in the United States, Europe and Canada) and GET ME IN! (in the United Kingdom). We enter into listing agreements with ticket resellers to post their ticket inventory for sale at a purchase price equal to a ticket resale price determined by the ticket reseller plus an amount equal to a percentage of the ticket resale price and a pre-determined service fee. We remit the ticket resale price to the ticket resellers and retain the remainder of the purchase price as our fee. While we do not generally acquire tickets for sale on our own behalf, we may do so from time to time on a limited basis. In addition to enabling premium primary ticket sales, the TicketExchange service allows consumers to resell and purchase tickets online for certain events for our venue clients who elect to participate in the TicketExchange service. Sellers and buyers each pay a fee that has been negotiated with the relevant client, a portion of which may be shared with the client.

**Artist Nation.** Our Artist Nation segment primarily provides management services to music artists in exchange for a commission on the earnings of these artists. Our Artist Nation segment also creates and sells merchandise for music artists at live performances, to retailers and directly to consumers via the internet. During 2014, our Artist Nation business generated approximately \$389 million, or 5.7%, of our total revenue. Revenue earned from our Artist Nation segment is impacted to a large degree by the touring schedules of the artists we represent and generally we experience higher revenue during the second and third quarters as the period from May through September tends to be a popular time for touring events.

**Sponsorship & Advertising.** Our Sponsorship & Advertising segment employs a sales force that creates and maintains relationships with sponsors, through a combination of strategic, international, national and local opportunities that allow businesses to reach customers through our concert, venue, artist relationship and ticketing assets, including advertising on our websites. We work with our corporate clients to help create marketing programs that drive their business goals and connect their brands directly with fans and artists. We also develop, book and produce custom events or programs for our clients' specific brands which are typically experienced exclusively by the clients' consumers. These custom events can involve live music events with talent and media, using both online and traditional outlets. During 2014, our Sponsorship & Advertising business generated approximately \$300 million, or 4.4%, of our total revenue. We typically experience higher revenue in the second and third quarters as a large portion

of sponsorships are typically associated with our outdoor venues and festivals which are primarily used in or occur from May through September.

We believe that we have a unique opportunity to connect the music fan to corporate sponsors and therefore seek to optimize this relationship through strategic sponsorship programs. We continue to also pursue the sale of national and local sponsorships, both domestically and internationally, and placement of advertising, including signage, online advertising and promotional programs. Many of our venues have venue naming rights sponsorship programs. We believe national and international sponsorships allow us to maximize our network of venues and to arrange multi-venue branding opportunities for advertisers. Our local and venue-focused sponsorships include venue signage, promotional programs, on-site activation, hospitality and tickets, and are derived from a variety of companies across various industry categories.

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### Live Nation Venue Details

In the live entertainment industry, venue types generally consist of:

**Stadiums**—Stadiums are multi-purpose facilities, often housing local sports teams. Stadiums typically have 30,000 or more seats. Although they are the largest venues available for live music, they are not specifically designed for live music.

**Amphitheaters**—Amphitheaters are generally outdoor venues with between 5,000 and 30,000 seats that are used primarily in the summer season. We believe they are popular because they are designed specifically for concert events, with premium seat packages and better lines of sight and acoustics.

**Arenas**—Arenas are indoor venues that are used as multi-purpose facilities, often housing local sports teams. Arenas typically have between 5,000 and 20,000 seats. Because they are indoors, they are able to offer amenities that other similar-sized outdoor venues cannot, such as luxury suites and premium club memberships. As a result, we believe they have become increasingly popular for higher-priced concerts aimed at audiences willing to pay for these amenities.

**Theaters**—Theaters are indoor venues that are built primarily for music events but may include theatrical performances. These venues typically have a capacity between 1,000 and 6,500. Because these venues have a smaller capacity than an amphitheater, they do not offer as much economic upside on a per show basis. However, because theaters can be used year-round, unlike most amphitheaters, they can generate annual profits similar to those of an amphitheater. Theaters represent less risk to concert promoters because they have lower fixed costs associated with hosting a concert and may provide a more appropriately-sized venue for developing artists and more artists in general.

**Clubs**—Clubs are indoor venues that are built primarily for music events but may also include comedy clubs. These venues typically have a capacity of less than 1,000 and often without full fixed seating. Because of their small size, they do not offer as much economic upside, but they also represent less risk to a concert promoter because they have lower fixed costs associated with hosting a concert and also may provide a more appropriately-sized venue for developing artists. Clubs can also be used year-round and can therefore generate higher profits for the year, even though per show profits are lower.

**House of Blues**—House of Blues venues are indoor venues that offer customers an integrated live music and dining experience. The live music halls are specially designed to provide optimum acoustics and typically can accommodate between 1,000 to 2,000 guests. A full-service restaurant and bar is located adjacent to the live music hall. We believe that the high quality of the food, service and unique atmosphere in our restaurants attracts customers to these venues independently from an entertainment event and generates a significant amount of repeat business from local customers.

**Festival Sites**—Festival sites are outdoor locations used primarily in the summer season to stage large single-day or multi-day concert events featuring several artists on multiple stages. Depending on the location, festival site capacities can range from 10,000 to 135,000. We believe they are popular because of the value provided to the fan by packaging several artists together for an event. While festival sites only host a few events each year, they can provide higher operating income because we are able to generate income from many different services provided at the event and they have lower costs associated with producing the event and maintaining the site.

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The following table summarizes the number of venues by type that we owned, leased, operated, had exclusive booking rights for or had an equity interest in as of December 31, 2014:

Venue Type	Capacity	Owned	Leased	Operated	Exclusive Booking Rights	Equity Interest	Total
Stadium	More than 30,000	—	—	—	1	—	1
Amphitheater	5,000 - 30,000	8	27	6	11	—	52
Arena	5,000 - 20,000	1	3	3	3	—	10
Theater	1,000 - 6,500	7	25	5	15	1	53
Club	Less than 1,000	3	13	—	11	—	27
House of Blues	1,000 - 2,000	2	10	—	—	—	12
Festival Site	N/A	3	—	—	—	—	3
Total venues in operation		24	78	14	41	1	158
Venues currently under construction		—	3	1	—	—	4
Venues not currently in operation		1	3	—	—	—	4
Total venues in operation:							
North America		17	70	7	41	1	136
International		7	8	7	—	—	22

## Competition

Competition in the live entertainment industry is intense. We believe that we compete primarily on the basis of our ability to deliver quality music events, sell tickets and provide enhanced fan and artist experiences. We believe that our primary strengths include:

- the quality of service delivered to our artists, fans, ticketing clients and corporate sponsors;
- our track record in promoting and producing live music events and tours both domestically and internationally;
- artist relationships;
- our global footprint;
- ticketing software and services;
- our ecommerce site and associated database;
- distribution platform (venues);
- the scope and effectiveness in our expertise of marketing and sponsorship programs; and
- our financial stability.

Although we believe that our products and services currently compete favorably with respect to such factors, we cannot provide any assurance that we can maintain our competitive position against current and potential competitors, especially those with significantly greater brand recognition, or financial, marketing, support, technical and other resources.

In the markets in which we promote music concerts, we face competition from both promoters and venue operators. We believe that barriers to entry into the promotion services business are low and that certain local promoters are increasingly expanding the geographic scope of their operations.

Some of our competitors in the live music industry are Anschutz Entertainment Group, or AEG, Another Planet Entertainment, Jam Productions, Ltd., I.M.P. and SFX Entertainment, in addition to numerous smaller regional companies and various casinos and venues in North America and Europe. AEG operates under a number of different names including AEG Live, Concerts West, Goldenvoice and The Messina Group. Some of our competitors in the live music industry have a stronger presence in certain markets, have access to other sports and entertainment venues and may have greater financial resources in those markets, which may enable them to gain a greater competitive advantage in relation to us.





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In markets where we own or operate a venue, we compete with other venues to serve artists likely to perform in that general region. Consequently, touring artists have various alternatives to our venues when scheduling tours. Our main competitors in venue management include SMG, AEG and The Nederlander Organization, in addition to numerous smaller regional companies in North America and Europe. Some of our competitors in venue management have a greater number of venues in certain markets and may have greater financial resources in those markets.

The ticketing services industry includes the sale of tickets primarily through online channels, but also through telephone, mobile devices and ticket outlets. As online and mobile ticket purchases increase, related ticketing costs generally decrease, which has made it easier for technology-based companies to offer primary ticketing services and standalone, automated ticketing systems that enable venues to perform their own ticketing services or utilize self-ticketing systems. In the online environment, we compete with other websites, online event sites and ticketing companies to provide event information, sell tickets and provide other online services such as fan clubs and artist websites.

We experience competition from other national, regional and local primary ticketing service providers to secure new venues and to reach fans for events. Resale, or secondary, ticketing services and the consolidation of the resale industry, which historically had been more fragmented and consisted of a significant number of local resellers with limited inventory selling through traditional storefronts, has created more aggressive buying of primary tickets whereby brokers are using automated internet “bot” technology to attempt to buy the best tickets when they go on sale. The internet allows fans and other ticket resellers to reach a vastly larger audience through the aggregation of inventory on online resale websites and marketplaces, and provides consumers with more convenient access to tickets for a larger number and greater variety of events. We also face significant and increasing competition from companies that sell self-ticketing systems, as well as from venues that choose to integrate self-ticketing systems into their existing operations or acquire primary ticketing service providers. Our main competitors include primary ticketing companies such as Tickets.com, AXS, Paciolan, Inc., Veritix and CTS Eventim AG, online and event companies such as Eventbrite, eTix and Ticketfly and secondary ticketing companies such as StubHub.

In the artist management business, we compete with other artist managers both at larger talent representation companies, such as Red Light Management, as well as smaller artist management companies and individuals. In the artist services business, we compete with companies typically only involved in one or a few of the services we provide. Some of these competitors include Bravado, Artist Arena and Global Merchandising Services.

Our main competitors at the local market level for sponsorships and advertising dollars include local sports teams, which often offer state-of-the-art venues and strong local media packages, as well as festivals, theme parks and other local events. On the national level, our competitors include the major sports leagues that sell sponsorships combined with significant national media packages.

### Government Regulations

We are subject to federal, state and local laws, both domestically and internationally, governing matters such as:

- construction, renovation and operation of our venues;
- licensing, permitting and zoning, including noise ordinances;
- human health, safety and sanitation requirements;
- the service of food and alcoholic beverages;
- working conditions, labor, minimum wage and hour, citizenship and employment laws;
- compliance with the ADA and the DDA;
- historic landmark rules;
- compliance with United States Foreign Corrupt Practices Act, the United Kingdom Bribery Act 2010 and similar regulations in other countries;
- hazardous and non-hazardous waste and other environmental protection laws;
- sales and other taxes and withholding of taxes;
- privacy laws and protection of personally identifiable information;
- marketing activities via the telephone and online; and
- primary ticketing and ticket resale services.

We believe that we are in material compliance with these laws. The regulations relating to our food service in our venues are many and complex. A variety of regulations at various governmental levels relating to the handling, preparation and serving

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of food, the cleanliness of food production facilities and the hygiene of food-handling personnel are enforced primarily at the local public health department level.

We also must comply with applicable licensing laws, as well as state and local service laws, commonly called dram shop statutes. Dram shop statutes generally prohibit serving alcoholic beverages to certain persons such as an individual who is intoxicated or a minor. If we violate dram shop laws, we may be liable to third parties for the acts of the customer. Although we generally hire outside vendors to provide these services at our larger operated venues and regularly sponsor training programs designed to minimize the likelihood of such a situation, we cannot guarantee that intoxicated or minor customers will not be served or that liability for their acts will not be imposed on us.

We are also required to comply with the ADA, the DDA and certain state statutes and local ordinances that, among other things, require that places of public accommodation, including both existing and newly-constructed venues, be accessible to customers with disabilities. The ADA and the DDA require that venues be constructed to permit persons with disabilities full use of a live entertainment venue. The ADA and the DDA may also require that certain modifications be made to existing venues to make them accessible to customers and employees who are disabled. In order to comply with the ADA, the DDA and other similar ordinances, we may face substantial capital expenditures in the future.

We are required to comply with the laws of the countries in which we operate and also the United States Foreign Corrupt Practices Act and the United Kingdom Bribery Act 2010 regarding anti-bribery regulations. These regulations make it illegal for us to pay, promise to pay or receive money or anything of value to, or from, any government or foreign public official for the purpose of directly or indirectly obtaining or retaining business. This ban on illegal payments and bribes also applies to agents or intermediaries who use funds for purposes prohibited by the statute. We are required to comply with federal, state and international laws regarding privacy and the storing, sharing, use, disclosure and protection of personally identifiable information and user data. Specifically, personally identifiable information is increasingly subject to legislation and regulations in numerous jurisdictions around the world, the intent of which is to protect the privacy of personal information that is collected, processed and transmitted in or from the governing jurisdiction.

From time to time, governmental bodies have proposed legislation that could have an effect on our business. For example, some legislatures have proposed laws in the past that would impose potential liability on us and other promoters and producers of live music events for entertainment taxes and for incidents that occur at our events, particularly relating to drugs and alcohol. More recently, some jurisdictions have proposed legislation that would restrict ticketing methods, mandate ticket inventory disclosure and attack current policies governing season tickets for sports teams.

In addition, we and our venues are subject to extensive environmental laws and regulations relating to the use, storage, disposal, emission and release of hazardous and non-hazardous substances, as well as zoning and noise level restrictions which may affect, among other things, the hours of operations of and the type of events we can produce at our venues.

### Intellectual Property

We create, own and distribute intellectual property worldwide. It is our practice to protect our trademarks, brands, copyrights, patents and other original and acquired works, ancillary goods and services. Our trademarks include, among others, the word marks “Live Nation,” “Ticketmaster,” “House of Blues” and “The Fillmore,” as well as the Live Nation, Ticketmaster, House of Blues and The Fillmore logos. We have registered many of our trademarks in numerous foreign countries. We believe that our trademarks and other proprietary rights have significant value and are important to our brand-building efforts and the marketing of our services. We cannot predict, however, whether steps taken by us to protect our proprietary rights will be adequate to prevent misappropriation of these rights.

### Employees

As of December 31, 2014, we had approximately 7,900 full-time employees, including 5,400 in North America and 2,500 international employees, of which approximately 7,700 were employed in our operations departments and approximately 200 were employed in our corporate group.

Our staffing needs vary significantly throughout the year. Therefore, we also employ part-time and/or seasonal employees, primarily for our live music venues. As of December 31, 2014, we employed approximately 6,100

seasonal and/or part-time employees and during peak seasonal periods, particularly in the summer months, we employed as many as 15,500 seasonal employees in 2014. The stagehands at some of our venues and other employees are subject to collective bargaining agreements. Our union agreements typically have a term of three years and thus regularly expire and require negotiation in the course of our business. We believe that we enjoy good relations with our employees and other unionized labor involved in our events, and there have been no significant work stoppages in the past three years. Upon the expiration of any of our collective bargaining agreements, however, we may be unable to renegotiate on terms favorable to us, and our business operations at one or more of our facilities may be interrupted as a result of labor disputes or difficulties and delays in the process of renegotiating our collective bargaining agreements. In addition, our business operations at one or more of our facilities may also be

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interrupted as a result of labor disputes by outside unions attempting to unionize a venue even though we do not have unionized labor at that venue currently. A work stoppage at one or more of our owned or operated venues or at our promoted events could have a material adverse effect on our business, results of operations and financial condition. We cannot predict the effect that a potential work stoppage will have on our results of operations.

## Executive Officers

Set forth below are the names, ages and current positions of our executive officers and other significant employees as of February 20, 2015.

Name	Age	Position
Michael Rapino	49	President, Chief Executive Officer and Director
Ron Bension	60	President–HOB Entertainment
Joe Berchtold	50	Chief Operating Officer
Mark Campana	57	Co-President–North America Concerts
Brian Capo	48	Chief Accounting Officer
Arthur Fogel	61	Chairman–Global Music and President–Global Touring
John Hopmans	56	Executive Vice President–Mergers and Acquisitions and Strategic Finance
John Reid	53	President–Live Nation Europe Concerts
Alan Ridgeway	48	President–International and Emerging Markets
Bob Roux	57	Co-President–North America Concerts
Michael Rowles	49	General Counsel and Secretary
Jared Smith	37	President–Ticketmaster North America
Russell Wallach	49	President–North America Sponsorships
Kathy Willard	48	Chief Financial Officer
Mark Yovich	40	President–Ticketmaster International
David Zedeck	50	President–Global Talent and Artist Development

Michael Rapino is our President and Chief Executive Officer and has served in this capacity since August 2005. He has also served on our board of directors since December 2005. Mr. Rapino has worked for us or our predecessors since 1999.

Ron Bension is President of our HOB Entertainment division and has served in this capacity since November 2010. Until November 2010, Mr. Bension served as Chief Executive Officer for TicketsNow, a division of Ticketmaster, since joining us in January 2010.

Joe Berchtold is our Chief Operating Officer and has served in this capacity since joining us in April 2011. Prior to that, Mr. Berchtold was at Technicolor, where he was most recently President of Technicolor Creative Services, after joining them in 2003.

Mark Campana is Co-President of our North America Concerts division and has served in this capacity since October 2010. Prior to that, Mr. Campana served as President of our Midwest Region in North America Concerts.

Mr. Campana has worked for us or our predecessors since 1980.

Brian Capo is our Chief Accounting Officer and has served in this capacity since joining us in December 2007.

Arthur Fogel is the Chairman of our Global Music group and President of our Global Touring division and has served in this capacity since 2005. Mr. Fogel has worked for us or our predecessors since 1999.

John Hopmans is our Executive Vice President of Mergers and Acquisitions and Strategic Finance and has served in this capacity since joining us in April 2008.

John Reid is President of our Europe Concerts division and has served in that capacity since joining us in January 2012. Prior to that, Mr. Reid was the Chief Executive Officer of Warner Music Europe and International Marketing from November 2010 to December 2011. From February 2007 to October 2010, Mr. Reid was the Vice Chairman of Warner Music International and President of Warner Music Continental Europe.

Alan Ridgeway is President of our International and Emerging Markets division and has served in this capacity since November 2011. Prior to that, Mr. Ridgeway was Chief Executive Officer of our International divisions from September 2007

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to October 2011. From September 2005 to August 2007, Mr. Ridgeway was our Chief Financial Officer.

Mr. Ridgeway has worked for us or our predecessors since 2002.

Bob Roux is Co-President of our North America Concerts division and has served in this capacity since October 2010.

Prior to that, Mr. Roux served as President of our Southwest Region in North America Concerts. Mr. Roux has worked for us or our predecessors since 1990.

Michael Rowles is our General Counsel and has served in this capacity since joining us in March 2006 and as our Secretary since May 2007.

Jared Smith is President of Ticketmaster's North America division and has served in this capacity since May 2013.

Prior to that, Mr. Smith served as Ticketmaster's Chief Operating Officer from May 2010 to April 2013 and has worked for us or our predecessors since 2003.

Russell Wallach is President of our North America Sponsorships division and has served in this capacity since July 2006. Mr. Wallach has worked for us or our predecessors since 1996.

Kathy Willard is our Chief Financial Officer and has served in this capacity since September 2007. From September 2005 to August 2007, Ms. Willard was our Chief Accounting Officer. Ms. Willard has worked for us or our predecessors since 1998.

Mark Yovich is President of Ticketmaster's International division and has served in this capacity since November 2011. Prior to that, Mr. Yovich served as Executive Vice President and General Manager of our International eCommerce division from January 2010 to October 2011. Mr. Yovich has worked for us or our predecessors since 2000.

David Zedeck is President of Global Talent and Artist Development for our Concerts segment and has served in this capacity since joining us in July 2013. Prior to that, Mr. Zedeck was a music agent, most recently spending eight years at Creative Artists Agency.

Available Information

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any materials we have filed with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our filings with the SEC are also available to the public through the SEC's website at [www.sec.gov](http://www.sec.gov).

You can find more information about us online at our investor relations website located at [investors.livenationentertainment.com](http://investors.livenationentertainment.com). Our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to those reports are available free of charge on our website as soon as reasonably practicable after we electronically file such material with the SEC. The information posted on or accessible through our website is not incorporated into this annual report on Form 10-K.

ITEM 1A. RISK FACTORS

You should carefully consider each of the following risks and all of the other information set forth in this Annual Report. The following risks relate principally to our business and operations, our leverage and our common stock. If any of the risks and uncertainties develop into actual events, this could have a material adverse effect on our business, financial condition or results of operations. In that case, the trading price of our common stock could decline.



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### Risks Relating to Our Business and Operations

Our business is highly sensitive to public tastes and is dependent on our ability to secure popular artists and other live music events, and we and our ticketing clients may be unable to anticipate or respond to changes in consumer preferences, which may result in decreased demand for our services.

Our business is highly sensitive to rapidly changing public tastes and is dependent on the availability of popular artists and events. Our live entertainment business depends in part on our ability to anticipate the tastes of consumers and to offer events that appeal to them. Since we rely on unrelated parties to create and perform at live music events, any unwillingness to tour or lack of availability of popular artists could limit our ability to generate revenue. In particular, there are a limited number of artists that can headline a major North American or global tour or who can sell out larger venues, including many of our amphitheaters. If those artists do not choose to tour, or if we are unable to secure the rights to their future tours, then our business would be adversely affected. Our ticketing business relies on third parties to create and perform live entertainment, sporting and leisure events and to price tickets to such events. Accordingly, our ticketing business' success depends, in part, upon the ability of these third parties to correctly anticipate public demand for particular events, as well as the availability of popular artists, entertainers and teams. Our artist management business could be adversely affected if the artists it represents do not tour or perform as frequently as anticipated, or if such tours or performances are not as widely attended by fans as anticipated due to changing tastes, general economic conditions or otherwise.

In addition, our live entertainment business typically books our live music tours two to nine months in advance of the beginning of the tour and often agrees to pay an artist a fixed guaranteed amount prior to our receiving any revenue. Therefore, if the public is not receptive to the tour, or we or an artist cancel the tour, we may incur a loss for the tour depending on the amount of the fixed guarantee or incurred costs relative to any revenue earned, as well as revenue we could have earned at booked venues. We have cancellation insurance policies in place to cover a portion of our losses if an artist cancels a tour but such policies may not be sufficient and are subject to deductibles. Furthermore, consumer preferences change from time to time, and our failure to anticipate, identify or react to these changes could result in reduced demand for our services, which would adversely affect our business, financial condition and results of operations.

Our business depends on relationships between key promoters, executives, agents, managers, artists and clients and any adverse changes in these relationships could adversely affect our business, financial condition and results of operations.

The live music business is uniquely dependent upon personal relationships, as promoters and executives within live music companies such as ours leverage their existing network of relationships with artists, agents and managers in order to secure the rights to the live music tours and events which are critical to our success. Due to the importance of those industry contacts to our business, the loss of any of our promoters, officers or other key personnel could adversely affect our business. Similarly, the artist management business is dependent upon the highly personalized relationship between a manager and an artist, and the loss of a manager may also result in a loss in the artist represented by the manager, which could adversely affect our business. Although we have entered into long-term agreements with many of those individuals described above to protect our interests in those relationships, we can give no assurance that all or any of these key employees or managers will remain with us or will retain their associations with key business contacts, including musical artists.

The success of our ticketing business depends, in significant part, on our ability to maintain and renew relationships with existing clients and to establish new client relationships. We anticipate that, for the foreseeable future, the substantial majority of our Ticketing segment revenue will be derived from both online and direct sales of tickets. We also expect that revenue from primary ticketing services, which consist primarily of per ticket convenience charges and per order "order processing" fees, will continue to comprise the substantial majority of our Ticketing segment revenue. We cannot provide assurances that we will be able to maintain existing client contracts, or enter into or maintain new client contracts, on acceptable terms, if at all, and the failure to do so could have a material adverse effect on our business, financial condition and results of operations.

Another important component of our success is our ability to maintain existing and to build new relationships with third-party distribution channels, advertisers, sponsors and service providers. Any adverse change in these

relationships, including the inability of these parties to fulfill their obligations to our businesses for any reason, could adversely affect our business, financial condition and results of operations.

We face intense competition in the live music, ticketing and artist management industries, and we may not be able to maintain or increase our current revenue, which could adversely affect our business, financial condition and results of operations.

Our businesses are in highly competitive industries, and we may not be able to maintain or increase our current revenue due to such competition. The live music industry competes with other forms of entertainment for consumers' discretionary spending and within this industry we compete with other venues to book artists, and, in the markets in which we promote music concerts, we face competition from other promoters and venue operators. Our competitors compete with us for key employees who have relationships with popular music artists and that have a history of being able to book such artists for concerts and

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tours. These competitors may engage in more extensive development efforts, undertake more far-reaching marketing campaigns, adopt more aggressive pricing policies and make more attractive offers to existing and potential artists. Our competitors may develop services, advertising options or music venues that are equal or superior to those we provide or that achieve greater market acceptance and brand recognition than we achieve. It is possible that new competitors may emerge and rapidly acquire significant market share.

Our ticketing business faces significant competition from other national, regional and local primary ticketing service providers to secure new and retain existing clients on a continuous basis. Additionally, we face significant and increasing challenges from companies that sell self-ticketing systems and from clients who choose to self-ticket, through the integration of such systems into their existing operations or the acquisition of primary ticket services providers or by increasing sales through venue box offices and season, subscription or group sales. We also face competition in the resale of tickets from online auction websites and resale marketplaces and from other ticket resellers with online distribution capabilities. The advent of new technology, particularly as it relates to online ticketing, has amplified this competition. The intense competition that we face in the ticketing industry could cause the volume of our ticketing services business to decline. As we are also a content provider and venue operator we may face direct competition with our prospective or current primary ticketing clients, who primarily include live event content providers. This direct competition with our prospective or current primary ticketing clients could result in a decline in the number of ticketing clients we have and a decline in the volume of our ticketing business, which could adversely affect our business, financial condition and results of operations.

In the secondary ticket sales market, we have restrictions on our business that are not faced by our competitors, which restrictions include those that are self-imposed, imposed as a result of agreements entered into with the FTC and the Attorneys General of several individual states, and statutory. These restrictions include: restrictions on linking from our page on the [www.ticketmaster.com](http://www.ticketmaster.com) website that informs consumers that no tickets were found in response to their ticket request to our resale ticketing options without first obtaining approval from the State of New Jersey as to any changes to our current linking practices; a restriction on using or allowing our affiliates to use domain names that, among other things, contain the unique names of venues, sports teams or performers, or contain names that are substantially similar to or are misspelled versions of same; a requirement to clearly and conspicuously disclose on any resale website owned by us or on any primary ticketing website where a link or redirect to such a resale website is posted that it is a resale website and ticket prices often exceed the ticket's original price; and a requirement to make certain clear and conspicuous disclosures and in certain instances to create separate listings when a ticket being offered for resale is not "in-hand" as well as a requirement to monitor and enforce the compliance of third parties offering tickets on our websites with such disclosure requirements. Our competitors in the secondary ticket sales market are not, to our knowledge, bound by similar restrictions. As a result, our ability to effectively compete in the secondary ticket sales market may be adversely affected, which could in turn adversely affect our business, financial condition and results of operations.

The artist management industry is also a highly competitive industry, with numerous other artist management companies and individual managers in the United States alone. We compete with these companies and individuals to discover new and emerging artists and to represent established artists. In addition, certain of our arrangements with clients of our artist management business are terminable at will by either party, leading to competition to retain those artists as clients. Competition is intense and may contribute to a decline in the volume of our artist management business, which could adversely affect our business, financial condition and results of operations.

In connection with our merger with Ticketmaster, we became subject to both a court-imposed final judgment in the United States and a consent agreement with Canadian authorities, pursuant to which we have agreed to abide by certain behavioral remedies that prevent us from engaging in retaliatory business tactics or improper tying arrangements. In addition, we are restricted from engaging in certain business activities that would be lawful for us to undertake absent the final judgment and the consent agreement. Our inability to undertake these business strategies could disadvantage us when we compete against firms that are not restricted by any such order, and we therefore face certain unquantifiable business risks as a result of compliance.

Other variables that could adversely affect our financial performance by, among other things, leading to decreases in overall revenue, the number of sponsors, event attendance, ticket prices and fees or profit margins include:

an increased level of competition for advertising dollars, which may lead to lower sponsorships as we attempt to retain advertisers or which may cause us to lose advertisers to our competitors offering better programs that we are unable or unwilling to match;

unfavorable fluctuations in operating costs, including increased guarantees to artists, which we may be unwilling or unable to pass through to our customers via ticket prices;

inability to fund the significant up-front cash requirements associated with our touring and ticketing businesses due to insufficient cash on hand or capacity under our senior secured credit facility, which could result in the loss of key tours to competitors or the inability to secure and retain ticketing clients;

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competitors' offerings that may include more favorable terms than we do in order to obtain agreements for new venues or ticketing arrangements or to obtain events for the venues they operate;

technological changes and innovations that we are unable to adopt or are late in adopting that offer more attractive entertainment alternatives than we or other live entertainment providers currently offer, which may lead to a reduction in attendance at live events, a loss of ticket sales or to lower ticket fees;

- other entertainment options available to our audiences that we do not offer;

general economic conditions which could cause our consumers to reduce discretionary spending; and

unfavorable changes in labor conditions which may require us to spend more to retain and attract key employees.

Our operations are seasonal and our results of operations vary from quarter to quarter and year over year, so our financial performance in certain financial quarters or years may not be indicative of, or comparable to, our financial performance in subsequent financial quarters or years.

We believe our financial results and cash needs will vary greatly from quarter to quarter and year to year depending on, among other things, the timing of tours, tour cancellations, event ticket on-sales, capital expenditures, seasonal and other fluctuations in our operating results, the timing of guaranteed payments and receipt of ticket sales and fees, financing activities, acquisitions and investments and receivables management. Because our results may vary significantly from quarter to quarter and year to year, our financial results for one quarter or year cannot necessarily be compared to another quarter or year and may not be indicative of our future financial performance in subsequent quarters or years. Typically, we experience our lowest financial performance in the first and fourth quarters of the calendar year as our outdoor venues are primarily used, and our festivals primarily occur, during May through September. In addition, the timing of tours of top grossing acts can impact comparability of quarterly results year over year and potentially annual results. The timing of event on-sales by our ticketing clients can also impact this comparability.

The following table sets forth our operating income (loss) for the last eight fiscal quarters:

Fiscal Quarter Ended	Operating income (loss)
	(in thousands)
March 31, 2013	\$(33,189 )
June 30, 2013	\$97,806
September 30, 2013	\$126,037
December 31, 2013	\$(50,994 )
March 31, 2014	\$(12,308 )
June 30, 2014	\$55,686
September 30, 2014	\$150,604
December 31, 2014	\$(186,818 )

Our success depends, in significant part, on entertainment, sporting and leisure events and economic and other factors adversely affecting such events could have a material adverse effect on our business, financial condition and results of operations.

A decline in attendance at or reduction in the number of live entertainment, sporting and leisure events may have an adverse effect on our revenue and operating income. In addition, during periods of economic slowdown and recession, many consumers have historically reduced their discretionary spending and advertisers have reduced their advertising expenditures. The impact of economic slowdowns on our business is difficult to predict, but they may result in reductions in ticket sales, sponsorship opportunities and our ability to generate revenue. The risks associated with our businesses may become more acute in periods of a slowing economy or recession, which may be accompanied by a decrease in attendance at live entertainment, sporting and leisure events. Many of the factors affecting the number and availability of live entertainment, sporting and leisure events are beyond our control. For instance, certain sports leagues have recently had labor disputes leading to threatened or actual player lockouts. Any such lockouts that result

in shortened or canceled seasons would adversely impact our business to the extent that we provide ticketing services to the affected teams both due to the loss of games and ticketing opportunities as well as the possibility of decreased attendance following such a lockout due to adverse fan reaction.

Our business depends on discretionary consumer and corporate spending. Many factors related to corporate spending and discretionary consumer spending, including economic conditions affecting disposable consumer income such as employment, fuel prices, interest and tax rates and inflation can significantly impact our operating results. Business conditions, as well as

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various industry conditions, including corporate marketing and promotional spending and interest levels, can also significantly impact our operating results. These factors can affect attendance at our events, premium seat sales, sponsorship, advertising and hospitality spending, concession and merchandise sales, as well as the financial results of sponsors of our venues, events and the industry. Negative factors such as challenging economic conditions, public concerns over terrorism and security incidents, particularly when combined, can impact corporate and consumer spending, and one negative factor can impact our results more than another. There can be no assurance that consumer and corporate spending will not be adversely impacted by current economic conditions, or by any future deterioration in economic conditions, thereby possibly impacting our operating results and growth.

We operate in international markets which subject us to risks associated with the legislative, judicial, accounting, regulatory, political and economic risks and conditions specific to such markets, which could adversely affect our business, financial condition and results of operations.

We provide services in various jurisdictions abroad through a number of brands and businesses that we own and operate, as well as through joint ventures, and we expect to continue to expand our international presence. We face, and expect to continue to face, additional risks in the case of our existing and future international operations, including:

- political instability, adverse changes in diplomatic relations and unfavorable economic conditions in the markets in which we currently have international operations or into which we may expand;
- more restrictive or otherwise unfavorable government regulation of the live entertainment and ticketing industries, which could result in increased compliance costs and/or otherwise restrict the manner in which we provide services and the amount of related fees charged for such services;
- limitations on the enforcement of intellectual property rights;
- limitations on the ability of foreign subsidiaries to repatriate profits or otherwise remit earnings;
- adverse tax consequences;
- expropriations of property and risks of renegotiation or modification of existing agreements with governmental authorities;
- diminished ability to legally enforce our contractual rights in foreign countries;
- limitations on technology infrastructure, which could limit our ability to migrate international operations to a common ticketing system;
- lower levels of internet usage, credit card usage and consumer spending in comparison to those in the United States;
- and

difficulties in managing operations and adapting to consumer desires due to distance, language and cultural differences, including issues associated with (i) business practices and customs that are common in certain foreign countries but might be prohibited by United States law and our internal policies and procedures, and (ii) management and operational systems and infrastructures, including internal financial control and reporting systems and functions, staffing and managing of foreign operations, which we might not be able to do effectively or cost-efficiently. Our ability to expand our international operations into new jurisdictions, or further into existing jurisdictions will depend, in significant part, on our ability to identify potential acquisition candidates, joint venture or other partners, and enter into arrangements with these parties on favorable terms, as well as our ability to make continued investments to maintain and grow existing international operations. If the revenue generated by international operations is insufficient to offset expenses incurred in connection with the maintenance and growth of these operations, our business, financial condition and results of operations could be materially and adversely affected. In addition, in an effort to make international operations in one or more given jurisdictions profitable over the long term, significant additional investments that are not profitable over the short term could be required over a prolonged period.

In foreign countries in which we operate, a risk exists that our employees, contractors or agents could, in contravention of our policies, engage in business practices prohibited by applicable United States laws and regulations, such as the United States Foreign Corrupt Practices Act, as well as the laws and regulations of other countries prohibiting corrupt payments to government officials such as the United Kingdom Bribery Act 2010. We maintain policies prohibiting such business practices and have in place global anti-corruption compliance programs

designed to ensure compliance with these laws and regulations. Nevertheless, the risk remains that one or more of our employees, contractors or agents, including those based in or from countries where practices that violate such United States laws and regulations or the laws and regulations of other countries may be customary, will engage in business practices that are prohibited by our policies, circumvent our compliance programs and, by doing so, violate such laws and regulations. Any such violations, even if prohibited by our internal policies, could result



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in fines, criminal sanctions against us and/or our employees, prohibitions on the conduct of our business and damage to our reputation, which could adversely affect our business, financial condition and results of operations.

Exchange rates may cause fluctuations in our results of operations that are not related to our operations.

Because we own assets overseas and derive revenue from our international operations, we may incur currency translation losses or gains due to changes in the values of foreign currencies relative to the United States Dollar. We cannot predict the effect of exchange rate fluctuations upon future operating results. For the year ended December 31, 2014, our international operations accounted for approximately 34% of our revenue. Although we cannot predict the future relationship between the United States Dollar and the currencies used by our international businesses, principally the British Pound, Euro, Australian Dollar and Canadian Dollar, we experienced foreign exchange rate operating losses of \$6.2 million, \$0.4 million and \$5.3 million for the years ended 2014, 2013 and 2012, respectively, which had a negative impact on our operating income (loss). See Item 7A—Quantitative and Qualitative Disclosures about Market Risk.

We may enter into future acquisitions and take certain actions in connection with such transactions, including actions taken to comply with antitrust, competition and other regulations, that could affect our business and results of operations; if we are unsuccessful in our future acquisition endeavors, our business could be adversely impacted.

Our future growth rate depends in part on our selective acquisition of additional businesses. A significant portion of our growth has been attributable to acquisitions. We may be unable to identify other suitable targets for further acquisition or make further acquisitions at favorable prices. If we identify a suitable acquisition candidate, our ability to successfully complete the acquisition would depend on a variety of factors, and may include our ability to obtain financing on acceptable terms and requisite government approvals. In addition, the credit agreement for our senior secured credit facility restricts our ability to make certain acquisitions. In connection with future acquisitions, we could take certain actions that could adversely affect our business, including:

- using a significant portion of our available cash;
- issuing equity securities, which would dilute current stockholders' percentage ownership;
- incurring substantial debt;
- incurring or assuming contingent liabilities, known or unknown;
- incurring amortization expenses related to intangibles; and
- incurring large accounting write-offs or impairments.

In addition, acquisitions involve inherent risks which, if realized, could adversely affect our business and results of operations, including those associated with:

- integrating the operations, financial reporting, technologies and personnel of acquired companies;
- managing geographically dispersed operations;
- the diversion of management's attention from other business concerns;
- the inherent risks in entering markets or lines of business in which we have either limited or no direct experience; and
- the potential loss of key employees, customers and strategic partners of acquired companies.

We are also subject to laws and regulations, including those relating to antitrust at the state, federal and international levels, that could significantly affect our ability to expand our business through acquisitions. For example, the FTC and the Antitrust Division of the United States Department of Justice with respect to our domestic acquisitions, and the European Commission (the antitrust regulator of the European Union) and the United Kingdom Competition Commission with respect to our European acquisitions, have the authority to challenge our acquisitions on antitrust grounds before or after the acquisitions are completed. Our failure or inability to complete future acquisitions as a result of such laws and regulations, or the imposition of unfavorable terms as a condition to the completion of an acquisition, could have a material adverse effect on our business and results of operations.

Failure to successfully complete the re-platforming of our Ticketmaster ticketing system in a timely or cost-effective manner could adversely affect our business, financial condition and results of operations.

We are currently in the process of re-platforming our Ticketmaster ticketing system and migrating our international brands and businesses to a common ticketing platform in an attempt to provide consistent and state-of-the-art services across our businesses and to reduce the cost and expense of maintaining multiple systems, which we may not be able to complete in a timely or cost-effective manner. As with any significant capital project, there are numerous factors,

many of which are beyond

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our control, which could influence the ultimate costs and timing of the re-platforming project. Delays or difficulties in making these changes to our ticketing systems, as well as any new or enhanced systems, may limit our ability to achieve the desired results in a timely manner. Similarly, there can be no assurance that the project, once completed, will yield the anticipated benefits. Notwithstanding the current re-platforming project, we may in the future be unable to devote financial resources to new technologies and systems that may become necessary or desirable. If any of the foregoing risks related to the re-platforming of our Ticketmaster ticketing system were to occur, our business, financial condition and results of operations could be adversely impacted.

There is the risk of personal injuries and accidents in connection with our live music events, which could subject us to personal injury or other claims and increase our expenses, as well as reduce attendance at our live music events, causing a decrease in our revenue.

There are inherent risks involved with producing live music events. As a result, personal injuries and accidents have, and may, occur from time to time, which could subject us to claims and liabilities for personal injuries. Incidents in connection with our live music events at any of our venues or festival sites that we own or rent could also result in claims, reducing operating income or reducing attendance at our events, which could cause a decrease in our revenue. We have been subject to wrongful death claims and are currently subject to other litigation. While we maintain insurance policies that provide coverage within limits that are sufficient, in management's judgment, to protect us from material financial loss for personal injuries sustained by persons at our venues or events or accidents in the ordinary course of business, there can be no assurance that such insurance will be adequate at all times and in all circumstances. The success of our ticketing operations depends, in part, on the integrity of our systems and infrastructures. System interruption, the lack of integration and redundancy in these systems and infrastructures may have an adverse impact on our business, financial condition and results of operations.

The success of our ticketing operations depends, in part, on our ability to maintain the integrity of our systems and infrastructures, including websites, information technology systems, call centers and distribution and fulfillment facilities. System interruption and the lack of integration and redundancy in our information systems and infrastructures of our ticketing operations may adversely affect our ability to operate websites, process and fulfill transactions, respond to customer inquiries and generally maintain cost-efficient operations. We may experience occasional system interruptions that make some or all systems or data unavailable or prevent our businesses from efficiently providing services or fulfilling orders. We lack documentation regarding certain components of our key ticketing software and systems operations and rely on certain key technology personnel to maintain such software and systems. The loss of some or all of such personnel could require us to expend additional resources to continue to maintain such software and systems and could subject us to frequent systems interruptions.

We also rely on affiliate and third-party computer systems, broadband and other communications systems and service providers in connection with the provision of services, as well as to facilitate, process and fulfill transactions. Any interruptions, outages or delays in their systems, infrastructures, or businesses, or deterioration in the performance of these systems and infrastructures, could impair our ability to provide services, fulfill orders and/or process transactions. Fire, flood, power loss, telecommunications failure, hurricanes, tornadoes, earthquakes, acts of war or terrorism, other acts of God and similar events or disruptions may damage or interrupt computer, broadband or other communications systems and infrastructures at any time. Any of these events could cause system interruption, delays and loss of critical data, and could prevent us from providing services, fulfilling orders and/or processing transactions. While we have backup systems for certain aspects of our operations, disaster recovery planning by its nature cannot be sufficient for all eventualities. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption. If any of these adverse events were to occur, it could adversely affect our business, financial condition and results of operations.

Data loss or other breaches of our network security could materially harm our business and results of operations, and the processing, storage, use and disclosure of personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements or differing views of personal privacy rights.

Due to the internet-based nature of a significant portion of our ticketing and other businesses, we process, store, use and disclose large amounts of data, including personal information, for our customers. Any penetration of network security or other misappropriation or misuse of personal consumer information and data, including credit card

information could cause interruptions in our operations and subject us to increased costs, litigation and other liabilities. Network security issues could lead to claims against us for others' misuse of personal information, such as for credit card fraud or identity theft, which could result in litigation and financial liabilities, as well as administrative action from governmental authorities. In addition, security breaches or the inability to protect our data could lead to increased incidents of ticketing fraud and counterfeit tickets. Security breaches could also significantly damage our reputation with consumers, ticketing clients and other third parties and impose significant costs related to remediation efforts, such as credit or identity theft monitoring or repair costs for impacted customers. Although we have developed systems and processes that are designed to protect customer information and prevent

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data loss and other security breaches, such measures cannot provide absolute security or certainty. It is possible that advances in computer capabilities, new discoveries, undetected fraud, inadvertent violations of company policies or procedures or other developments could result in a compromise of information or a breach of the technology and security processes that are used to protect consumer transaction data. Recently, large retailers and website operators have been the victims of targeted security breaches resulting in the disclosure and/or misappropriation of large amounts of customer data, including credit card information. We have expended significant capital and other resources to protect against and remedy any such potential security breaches and their consequences, including the establishment of a dedicated cybersecurity organization within our larger technology environment, and will be required to continue to do so in the future. We also face risks associated with security breaches affecting third parties with which we are affiliated or with which we otherwise conduct business. Consumers are generally concerned with security and privacy of the internet, and any publicized security problems affecting our businesses and/or those of third parties may discourage consumers from doing business with us, which could have an adverse effect on our business, financial condition and results of operations.

In addition to the above concerns related to network and data security, the sharing, use, disclosure and protection of personally identifiable information and other user data are governed by federal, state and international laws.

Specifically, personally identifiable information is increasingly subject to legislation and regulations in numerous jurisdictions around the world, the intent of which is to protect the privacy of personal information that is collected, processed and transmitted in or from the governing jurisdiction. We could be adversely affected if legislation or regulations are expanded to require changes in business practices or privacy policies, or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business, financial condition and results of operations. As we expand our operations into new jurisdictions worldwide, the costs associated with compliance with these regulations increases. It is possible that government or industry regulation in these markets will require us to deviate from our standard deployment mechanism(s), which will increase operational cost and risk. We may also become exposed to potential liabilities as a result of differing views on the privacy of the consumer and other user data collected by us. Our failure or the failure of the various third-party vendors and service providers with which we do business to comply with applicable privacy policies or federal, state or similar international laws and regulations or any compromise of security that results in the unauthorized release of personally identifiable information or other user data could damage our reputation, discourage potential users from trying our products and services and/or result in fines and/or proceedings by governmental agencies and/or consumers, one or all of which could adversely affect our business, financial condition and results of operations.

Costs associated with, and our ability to obtain, adequate insurance could adversely affect our profitability and financial condition.

Heightened concerns and challenges regarding property, casualty, liability, business interruption and other insurance coverage have resulted from terrorist and related security incidents along with varying weather-related conditions and incidents. As a result, we may experience increased difficulty obtaining high policy limits of coverage at a reasonable cost, including coverage for acts of terrorism and weather-related property damage. We have a material investment in property and equipment at each of our venues, which are generally located near major cities and which hold events typically attended by a large number of fans. We also have a significant investment in technology including our ticketing systems. At December 31, 2014, we had property and equipment with a net book value of \$695.3 million. These operational, geographical and situational factors, among others, may result in significant increases in insurance premium costs and difficulties obtaining sufficiently high policy limits with premiums and deductibles that we believe to be reasonable. We cannot assure you that future increases in insurance costs and difficulties obtaining high policy limits will not adversely impact our profitability, thereby possibly impacting our operating results and growth.

In addition, we enter into various agreements with artists from time to time, including long-term artist rights arrangements. The profitability of those arrangements depends upon those artists' willingness and ability to continue performing, and we may not be able to obtain sufficient insurance coverage at a reasonable cost to adequately protect us against the death, disability or other failure of such artists to continue engaging in revenue-generating activities under those agreements.

We cannot guarantee that our insurance policy coverage limits, including insurance coverage for property, casualty, liability, artists and business interruption losses and acts of terrorism, would be adequate under the circumstances should one or multiple events occur at or near any of our venues, or that our insurers would have adequate financial resources to sufficiently or fully pay our related claims or damages. We cannot guarantee that adequate coverage limits will be available, offered at a reasonable cost, or offered by insurers with sufficient financial soundness. The occurrence of such an incident or incidents affecting any one or more of our venues could have a material adverse effect on our financial position and future results of operations if asset damage and/or company liability were to exceed insurance coverage limits or if an insurer were unable to sufficiently or fully pay our related claims or damages.

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We may fail to adequately protect our intellectual property rights or may be accused of infringing upon intellectual property rights of third parties.

We regard our intellectual property rights, including patents, service marks, trademarks and domain names, copyrights, trade secrets and similar intellectual property (as applicable) as critical to our success. We also rely heavily upon software codes, informational databases and other components that make up our products and services. We rely on a combination of laws and contractual restrictions with employees, customers, suppliers, affiliates and others to establish and protect these proprietary rights. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use trade secrets or copyrighted intellectual property without authorization which, if discovered, might require legal action to correct. In addition, third parties may independently and lawfully develop substantially similar intellectual properties.

We have generally registered and continue to apply to register, or secure by contract when appropriate, our trademarks and service marks as they are developed and used, and reserve and register domain names as we deem appropriate. We consider the protection of our trademarks to be important for purposes of brand maintenance and reputation. While we vigorously protect our trademarks, service marks and domain names, effective trademark protection may not be available or may not be sought in every country in which we operate, and contractual disputes may affect the use of marks governed by private contract. Similarly, not every variation of a domain name may be available or be registered, even if available. Our failure to protect our intellectual property rights in a meaningful manner or challenges to related contractual rights could result in erosion of brand names and limit our ability to control marketing on or through the internet using our various domain names or otherwise, which could adversely affect our business, financial condition and results of operations.

Some of our businesses have been granted patents and/or have patent applications pending with the United States Patent and Trademark Office and/or various foreign patent authorities for various proprietary technologies and other inventions. We consider applying for patents or for other appropriate statutory protection when we develop valuable new or improved proprietary technologies or identify inventions, and will continue to consider the appropriateness of filing for patents to protect future proprietary technologies and inventions as circumstances may warrant. The status of any patent involves complex legal and factual questions, and the breadth of claims allowed is uncertain. Accordingly, any patent application filed may not result in a patent being issued or existing or future patents may not be adjudicated valid by a court or be afforded adequate protection against competitors with similar technology. In addition, third parties may create new products or methods that achieve similar results without infringing upon patents that we own. Likewise, the issuance of a patent to us does not mean that its processes or inventions will not be found to infringe upon patents or other rights previously issued to third parties.

From time to time, we are subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of the trademarks, copyrights, patents and other intellectual property rights of third parties. In addition, litigation may be necessary in the future to enforce our intellectual property rights, protect trade secrets or determine the validity and scope of proprietary rights claimed by others. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business, financial condition and results of operations. Patent litigation tends to be particularly protracted and expensive.

We are subject to extensive governmental regulation, and our failure to comply with these regulations could adversely affect our business, financial condition and results of operations.

Our operations are subject to federal, state and local statutes, rules, regulations policies and procedures, both domestically and internationally, which are subject to change at any time, governing matters such as:

- construction, renovation and operation of our venues;
- licensing, permitting and zoning, including noise ordinances;
- human health, safety and sanitation requirements;
- the service of food and alcoholic beverages;
- working conditions, labor, minimum wage and hour, citizenship and employment laws;
- compliance with the ADA and the DDA;
- historic landmark rules;

compliance with the United States Foreign Corrupt Practices Act, the United Kingdom Bribery Act 2010 and similar regulations in other countries, as more particularly described above under the risk factor related to our international operations;

hazardous and non-hazardous waste and other environmental protection laws;



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sales and other taxes and withholding of taxes;  
privacy laws and protection of personally identifiable information;  
marketing activities via the telephone and online; and  
primary ticketing and ticket resale services.

Our failure to comply with these laws and regulations could result in fines and/or proceedings against us by governmental agencies and/or consumers, which if material, could adversely affect our business, financial condition and results of operations. While we attempt to conduct our business and operations in a manner that we believe to be in compliance with such laws and regulations, there can be no assurance that a law or regulation will not be interpreted or enforced in a manner contrary to our current understanding of the law or regulation. In addition, the promulgation of new laws, rules and regulations could restrict or unfavorably impact our business, which could decrease demand for services, reduce revenue, increase costs and/or subject us to additional liabilities. For example, some legislatures have proposed laws in the past that would impose potential liability on us and other promoters and producers of live music events for entertainment taxes and for incidents that occur at our events, particularly relating to drugs and alcohol. New legislation could be passed that may negatively impact our business, such as provisions that have recently been proposed in various jurisdictions that would restrict ticketing methods, mandate ticket inventory disclosure and attack current policies governing season tickets for sports teams. Additionally, governmental actions such as the recent sanctions by the U.S. Department of the Treasury's Office of Foreign Assets Control and European regulators on certain Russian individuals and entities could restrict or limit our business activities in certain areas or subject us to sanction for noncompliance, even if inadvertent.

From time to time, federal, state and local authorities and/or consumers commence investigations, inquiries or litigation with respect to our compliance with applicable consumer protection, advertising, unfair business practice, antitrust (and similar or related laws) and other laws. Our businesses have historically cooperated with authorities in connection with these investigations and have satisfactorily resolved each such material investigation, inquiry or litigation. We are currently subject to agreements with the States of New Jersey, Maryland and Illinois and the FTC which govern, and in certain cases place limitations on, our ticketing resale practices. Our competitors in the secondary ticket sales market are not, to our knowledge, bound by such limitations and as a result, we may be at a competitive disadvantage. Other states and Canadian provinces have commenced investigations or inquiries regarding the relationship between us and certain of our subsidiaries and other aspects of our ticketing business. We have incurred significant legal expenses in connection with the defense of governmental investigations and litigation in the past and may be required to incur additional expenses in the future regarding such investigations and litigation. In the case of antitrust (and similar or related) matters, any adverse outcome could limit or prevent us from engaging in the ticketing business generally (or in a particular market thereof) or subject us to potential damage assessments, all of which could have a material adverse effect on our business, financial condition and results of operations.

Unfavorable outcomes in legal proceedings may adversely affect our business and operating results.

Our results may be affected by the outcome of pending and future litigation. Unfavorable rulings in our legal proceedings, including those described in Note 7—Commitments and Contingent Liabilities to our consolidated financial statements, may have a negative impact on us that may be greater or smaller depending on the nature of the rulings. In addition, we are currently, and from time to time in the future may be, subject to various other claims, investigations, legal and administrative cases and proceedings (whether civil or criminal) or lawsuits by governmental agencies or private parties, as further described in the immediately preceding risk factor. If the results of these investigations, proceedings or suits are unfavorable to us or if we are unable to successfully defend against third-party lawsuits, we may be required to pay monetary damages or may be subject to fines, penalties, injunctions or other censure that could have a material adverse effect on our business, financial condition and results of operations. Even if we adequately address the issues raised by an investigation or proceeding or successfully defend a third-party lawsuit or counterclaim, we may have to devote significant financial and management resources to address these issues, which could harm our business, financial condition and results of operations.

We depend upon unionized labor for the provision of some of our services and any work stoppages or labor disturbances could disrupt our business; potential union pension obligations could cause us to incur unplanned liabilities.

The stagehands at some of our venues and other employees are subject to collective bargaining agreements. Our union agreements typically have a term of three years and thus regularly expire and require negotiation in the ordinary course of our business. Upon the expiration of any of our collective bargaining agreements, however, we may be unable to negotiate new collective bargaining agreements on terms favorable to us, and our business operations may be interrupted as a result of labor disputes or difficulties and delays in the process of renegotiating our collective bargaining agreements. In addition, our business operations at one or more of our facilities may also be interrupted as a result of labor disputes by outside unions attempting to unionize a venue even though we do not have unionized labor at that venue currently. A work stoppage at one or more of our owned or operated venues or at our promoted events could have a material adverse effect on our business, financial condition and results of operations. We cannot predict the effect that a potential work stoppage would have on our business.

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We participate in, and make recurrent contributions to, various multiemployer pension plans that cover many of our current and former union employees. Our required recurrent contributions to these plans could unexpectedly increase during the term of a collective bargaining agreement due to ERISA laws that require additional contributions to be made when a pension fund enters into critical status, which may occur for reasons that are beyond our control. In addition, we may be required by law to fulfill our pension withdrawal liability with respect to any multiemployer pension plans from which we may withdraw or partially withdraw. Our potential withdrawal liability will increase if a multiemployer pension plan in which we participate has significant underfunded liabilities. Any unplanned multiemployer pension liabilities could have a material adverse effect on our business, financial condition and results of operations.

We are dependent upon our ability to lease, acquire and develop live music venues, and if we are unable to do so on acceptable terms, or at all, our results of operations could be adversely affected.

Our Concerts and Sponsorship & Advertising segments require access to venues to generate revenue from live music events. For these events, we use venues that we own, but we also operate a number of our live music venues under various agreements which include leases with third parties, ownership through an equity interest or booking agreements, which are agreements where we contract to book the events at a venue for a specific period of time. Our long-term success in the live music business will depend in part on the availability of venues, our ability to lease these venues and our ability to enter into booking agreements upon their expiration. As many of these agreements are with third parties over whom we have little or no control, we may be unable to renew these agreements or enter into new agreements on acceptable terms or at all, and may be unable to obtain favorable agreements with venues. Our ability to renew these agreements or obtain new agreements on favorable terms depends on a number of other factors, many of which are also beyond our control, such as national and local business conditions and competition from other promoters. If the cost of renewing these agreements is too high or the terms of any new agreement with a new venue are unacceptable or incompatible with our existing operations, we may decide to forego these opportunities. There can be no assurance that we will be able to renew these agreements on acceptable terms or at all, or that we will be able to obtain attractive agreements with substitute venues, which could have a material adverse effect on our results of operations.

We may continue to expand our operations through the development of live music venues and the expansion of existing live music venues, which poses a number of risks, including:

- construction of live music venues may result in cost overruns, delays or unanticipated expenses;
- desirable sites for live music venues may be unavailable or costly; and
- the attractiveness of our venue locations may deteriorate over time.

Growth or maintenance of our existing revenue depends in part on consistent investment in our venues. Therefore, we expect to continue to make substantial capital improvements to meet long-term increasing demand, improve value and grow revenue. We frequently have a number of significant capital projects underway. Numerous factors, many of which are beyond our control, may influence the ultimate costs and timing of various capital improvements.

The amount of capital expenditures can vary significantly from year to year. In addition, actual costs could vary materially from our estimates if our assumptions about the quality of materials, equipment or workmanship required or the cost of financing such expenditures were to change. Construction is also subject to governmental permitting processes which, if changed, could materially affect the ultimate cost.

Additionally, the market potential of live music venue sites cannot be precisely determined, and our live music venues may face competition in markets from unexpected sources. Newly constructed live music venues may not perform up to our expectations. We face significant competition for potential live music venue locations and for opportunities to acquire existing live music venues. Because of this competition, we may be unable to add to or maintain the number of our live music venues on terms we consider acceptable.

Poor weather adversely affects attendance at our live music events, which could negatively impact our financial performance from period to period.

We promote and/or ticket many live music events. Weather conditions surrounding these events affect sales of tickets, concessions and merchandise, among other things. Poor weather conditions can have a material effect on our results of operations particularly because we promote and/or ticket a finite number of events. Due to weather conditions, we

may be required to cancel or reschedule an event to another available day or a different venue, which would increase our costs for the event and could negatively impact the attendance at the event, as well as concession and merchandise sales. Poor weather can affect current periods as well as successive events in future periods.

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We may be adversely affected by the occurrence of extraordinary events, such as terrorist attacks.

The occurrence and threat of extraordinary events, such as terrorist attacks, intentional or unintentional mass-casualty incidents, natural disasters or similar events, may substantially decrease the use of and demand for our services and the attendance at live music events, which may decrease our revenue or expose us to substantial liability. The terrorism and security incidents in the past, military actions in foreign locations and periodic elevated terrorism alerts have raised numerous challenging operating factors, including public concerns regarding air travel, military actions and additional national or local catastrophic incidents, causing a nationwide disruption of commercial and leisure activities.

Following past terrorism actions, some artists refused to travel or book tours, which adversely affected our business. The occurrence or threat of future terrorist attacks, military actions by the United States or others, contagious disease outbreaks, natural disasters such as earthquakes and severe floods or similar events cannot be predicted, and their occurrence can be expected to negatively affect the economies of the United States and other foreign countries where we do business.

### Risks Relating to Our Leverage

We have a large amount of debt and lease obligations that could restrict our operations and impair our financial condition. The agreements governing our senior secured credit facility and certain of our other indebtedness impose restrictions on us that limit the discretion of management in operating our business and that, in turn, could impair our ability to meet our obligations under our debt.

The agreements governing our senior secured credit facility and certain of our other indebtedness include restrictive covenants that, among other things, restrict our ability to:

- incur additional debt;
- pay dividends and make distributions;
- make certain investments;
- repurchase our stock and prepay certain indebtedness;
- create liens;
- enter into transactions with affiliates;
- modify the nature of our business;
- enter into sale-leaseback transactions;
- transfer and sell material assets; and
- merge or consolidate.

In addition, our senior secured credit facility includes other restrictions, including requirements to maintain certain financial ratios. Our failure to comply with the terms and covenants of our indebtedness could lead to a default under the terms of the governing documents, which would entitle the lenders to accelerate the indebtedness and declare all amounts owed due and payable.

As of December 31, 2014, our total indebtedness, excluding unamortized debt discounts of \$33.0 million and including debt premium of \$7.3 million was \$2.1 billion. Our available borrowing capacity under the revolving portion of our senior secured credit facility at that date was \$273.0 million, with outstanding letters of credit of \$62.0 million. We may also incur significant additional indebtedness in the future.

Our substantial indebtedness could have adverse consequences, including:

- making it more difficult for us to satisfy our obligations;
- increasing our vulnerability to adverse economic, regulatory and industry conditions;
- limiting our ability to obtain additional financing for future working capital, capital expenditures, acquisitions and other purposes;
- requiring us to dedicate a substantial portion of our cash flow from operations to fund payments on our debt, thereby reducing funds available for operations and other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- making us more vulnerable to increases in interest rates; and
- placing us at a competitive disadvantage compared to our competitors that have less debt.



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To service our debt and lease obligations and to fund potential acquisitions, artist and ticketing advances and capital expenditures, we will require a significant amount of cash, which depends on many factors beyond our control. As of December 31, 2014, \$47.5 million of our total indebtedness (excluding interest and unamortized debt discount) is due in 2015, \$100.8 million is due in the aggregate in 2016 and 2017, \$346.8 million is due in the aggregate in 2018 and 2019 and \$1.6 billion is due thereafter. In addition, as of December 31, 2014, we had \$2.2 billion in operating lease agreements, of which \$135.8 million is due in 2015 and \$135.0 million is due in 2016. All long-term debt without a stated maturity date is considered current and is reflected here as due in 2015. See the table in Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations and Commitments—Firm Commitments.

Our ability to service our debt and lease obligations and to fund potential acquisitions, artist and ticketing advances and capital expenditures will require a significant amount of cash, which depends on many factors beyond our control. Our ability to make payments on and to refinance our debt will also depend on our ability to generate cash in the future. This is, to an extent, subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot assure you that our business will generate sufficient cash flow or that future borrowings will be available to us in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs. If our future cash flow from operations and other capital resources is insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to reduce or delay our business activities and capital expenditures, sell assets, obtain additional equity capital or restructure or refinance all or a portion of our debt on or before maturity. In addition, the terms of our existing debt, including our senior secured credit facility, and other future debt may limit our ability to pursue any of these alternatives.

These measures might also be unsuccessful or inadequate in permitting us to meet scheduled debt service or lease obligations. We may be unable to restructure or refinance our obligations and obtain additional debt or equity financing or sell assets on satisfactory terms or at all. Capital markets have been volatile in the recent past; a downturn could negatively impact our ability to access capital should the need arise. As a result, the inability to meet our debt or lease obligations could cause us to default on those obligations. Any such defaults could materially harm our financial condition and liquidity.

We depend on the cash flows of our subsidiaries in order to satisfy our obligations.

We rely on distributions and loans from our subsidiaries to meet our payment requirements under our obligations. If our subsidiaries are unable to pay dividends or otherwise make payments to us, we may not be able to make debt service payments on our obligations. We conduct substantially all of our operations through our subsidiaries. Our operating cash flows and consequently our ability to service our debt is therefore principally dependent upon our subsidiaries’ earnings and their distributions of those earnings to us and may also be dependent upon loans or other payments of funds to us by those subsidiaries. Our subsidiaries are separate legal entities and may have no obligation, contingent or otherwise, to pay any amount due pursuant to our obligations or to make any funds available for that purpose. Our foreign subsidiaries generate a portion of our operating cash flows. Although we do not intend to repatriate these funds from our foreign subsidiaries in order to satisfy payment requirements in the United States, we would be required to accrue and pay United States federal and state income taxes on any future repatriations, net of applicable foreign tax credits. These taxes could be substantial and could have a material adverse effect on our financial condition and results of operations. In addition, the ability of our subsidiaries to provide funds to us may be subject to restrictions under our senior secured credit facility and may be subject to the terms of such subsidiaries’ future indebtedness, as well as the availability of sufficient surplus funds under applicable law.

### Risks Relating to Our Common Stock

Our corporate governance documents, rights agreement and Delaware law may delay, deter or prevent an acquisition of us that stockholders may consider favorable, which could decrease the value of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws and Delaware law contain provisions that could make it more difficult for a third party to acquire us without the consent of the board of directors. These provisions include supermajority voting requirements for stockholders to amend our organizational documents and to remove directors as well as limitations on action by our stockholders by written consent. In

addition, the board of directors has the right to issue preferred stock without stockholder approval, which could be used to dilute the stock ownership of a potential hostile acquirer. Delaware law, for instance, also imposes some restrictions on mergers and other business combinations between any holder of 15% or more of our outstanding common stock and us. Although we believe these provisions protect our stockholders from coercive or otherwise unfair takeover tactics and thereby provide for an opportunity to receive a higher bid by requiring potential acquirers to negotiate with the board of directors, these provisions apply even if the offer may be considered beneficial by some stockholders.

We have also adopted a stockholder rights plan intended to deter hostile or coercive attempts to acquire us. Under the plan, if any person or group acquires, or begins a tender or exchange offer that could result in such person acquiring, 15% or more of our common stock, and in the case of certain Schedule 13G filers, 20% or more of our common stock, and in the case of Liberty Media and certain of its affiliates, more than 35% of our common stock, without approval of the board of directors



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under specified circumstances, our other stockholders have the right to purchase shares of our common stock, or shares of the acquiring company, at a substantial discount to the public market price. Therefore, the plan makes an acquisition much more costly to a potential acquirer.

In addition, the terms of our senior secured credit facility provide that the lenders can require us to repay all outstanding indebtedness upon a change of control. These provisions make an acquisition more costly to a potential acquirer. See Item 7— Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.

We have no plans to pay dividends on our common stock, which could affect its market price.

We currently intend to retain any future earnings to finance the growth, development and expansion of our business and/or to repay existing indebtedness. Accordingly, we do not intend to declare or pay any dividends on our common stock for the foreseeable future. The declaration, payment and amount of future dividends, if any, will be at the sole discretion of the board of directors after taking into account various factors, including our financial condition, results of operations, cash flow from operations, current and anticipated capital requirements and expansion plans, the income tax laws then in effect and the requirements of Delaware law. In addition, the agreement governing our senior secured credit facility includes restrictions on our ability to pay cash dividends without meeting certain financial ratios and obtaining the consent of the lenders. Accordingly, holders of common stock will not receive cash payments on their investment and the market price may be adversely affected.

Conversion of our convertible notes may dilute the ownership interest of existing stockholders and may affect our per share results and the trading price of our common stock.

The issuance of shares of our common stock upon conversion of our convertible notes may dilute the ownership interests of existing stockholders. Issuances of stock on conversion may also affect our per share results of operations. Any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock.

We can issue preferred stock without stockholder approval, which could materially adversely affect the rights of common stockholders.

Our certificate of incorporation authorizes us to issue “blank check” preferred stock, the designation, number, voting powers, preferences and rights of which may be fixed or altered from time to time by the board of directors. Our subsidiaries may also issue additional shares of preferred stock. Accordingly, the board of directors has the authority, without stockholder approval, to issue preferred stock with rights that could materially adversely affect the voting power or other rights of the common stockholders or the market value of the common stock.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

As of December 31, 2014, we own, operate or lease 94 entertainment venues and 112 other facilities, including office leases, throughout North America and 22 entertainment venues and 92 other facilities internationally. We believe our venues and facilities are generally well-maintained and in good operating condition and have adequate capacity to meet our current business needs. We have a lease ending June 30, 2020 for our corporate headquarters in Beverly Hills, California, used primarily by our executive and certain of our domestic operations management staff.

Our leases are for varying terms ranging from monthly to multi-year. These leases can typically be for terms of three to five years for our office leases and ten to 20 years for our venue leases, and many include renewal options. There is no significant concentration of venues under any one lease or subject to negotiation with any one landlord. We believe that an important part of our management activity is to negotiate suitable lease renewals and extensions.

**ITEM 3. LEGAL PROCEEDINGS**

Information regarding our legal proceedings can be found in Part II—Financial Information—Item 8. Financial Statements and Supplementary Data—Note 7—Commitments and Contingent Liabilities.

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## PART II—FINANCIAL INFORMATION

## ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock was listed on the New York Stock Exchange under the symbol “LYV” on December 21, 2005. There were 4,178 stockholders of record as of February 20, 2015. This figure does not include an estimate of the indeterminate number of beneficial holders whose shares may be held of record by brokerage firms and clearing agencies. The following table presents the high and low sales prices of our common stock on the New York Stock Exchange during the calendar quarter indicated.

	Common Stock Market Price	
	High	Low
2013		
First Quarter	\$12.68	\$9.37
Second Quarter	\$16.31	\$11.76
Third Quarter	\$18.93	\$15.53
Fourth Quarter	\$19.94	\$17.16
2014		
First Quarter	\$24.80	\$19.75
Second Quarter	\$24.71	\$19.61
Third Quarter	\$25.28	\$20.82
Fourth Quarter	\$27.42	\$21.14

## Dividend Policy

Since the Separation and through December 31, 2014, we have not declared or paid any dividends. We presently intend to retain any future earnings to finance the expansion of our business and to make debt repayments as they become due. Therefore, we do not expect to pay any cash dividends in the foreseeable future. Moreover, the terms of our senior secured credit facility limit the amount of funds that we will have available to declare and distribute as dividends on our common stock. Payment of future cash dividends, if any, will be at the discretion of our board of directors in accordance with applicable law after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, plans for expansion and contractual restrictions with respect to the payment of dividends.

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## ITEM 6. SELECTED FINANCIAL DATA

The Selected Financial Data should be read in conjunction with Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands except per share data)				
Results of Operations Data <sup>(1)</sup> :					
Revenue	\$6,866,964	\$6,478,547	\$5,819,047	\$5,383,998	\$5,063,748
Operating income (loss) <sup>(2)</sup>	\$7,164	\$139,660	\$(21,639 )	\$18,337	\$(63,700 )
Loss from continuing operations before income taxes <sup>(2)</sup>	\$(99,820 )	\$(5,137 )	\$(132,161 )	\$(96,627 )	\$(188,654 )
Net loss attributable to common stockholders of Live Nation <sup>(3)</sup>	\$(90,807 )	\$(43,378 )	\$(163,227 )	\$(83,016 )	\$(228,390 )
Basic and diluted loss from continuing operations per common share attributable to common stockholders of Live Nation <sup>(4)</sup>	\$(0.49 )	\$(0.23 )	\$(0.88 )	\$(0.46 )	\$(1.36 )
Cash dividends per share	\$—	\$—	\$—	\$—	\$—
	As of December 31,				
	2014	2013	2012	2011	2010
	(in thousands)				
Balance Sheet Data <sup>(1)</sup> :					
Total assets	\$5,988,361	\$5,683,521	\$5,290,806	\$5,077,344	\$5,195,560
Long-term debt, net (including current maturities)	\$2,063,400	\$1,808,887	\$1,740,005	\$1,705,261	\$1,731,864

(1) Acquisitions and dispositions significantly impact the comparability of the historical consolidated financial data reflected in this schedule of Selected Financial Data.

(2) The year ended December 31, 2014 includes \$135.0 million of goodwill impairments recorded in conjunction with our annual impairment tests.

(3) The year ended December 31, 2014 includes \$97.4 million of goodwill impairments, net of the noncontrolling interests share of the impairments, recorded in conjunction with our annual impairment tests.

(4) The year ended December 31, 2014 includes a loss of \$0.48 per common share from the impact of the goodwill impairments.

## ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with the audited consolidated financial statements and notes to the financial statements included elsewhere in this Annual Report. This discussion contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed under 1A.—Risk Factors and other sections in this Annual Report.

## Executive Overview

In 2014, all of our segments reported revenue growth as a result of higher attendance at our North America concerts, increased ticket sales globally in our Ticketing segment, higher artist management commissions and expansion of our sponsorship business. This led to our fourth consecutive year of overall revenue growth. Revenue increased 6% as compared to last year and while all our segments contributed to this success, it was largely driven by an increase in the number of stadium concert events in North America along with growth in our primary and resale businesses in Ticketing. Excluding the impact of a goodwill impairment in 2014, operating income and net income for the year both

improved. As the leading global live event

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and ticketing company, we believe that we are well-positioned to provide the best service to artists, teams, fans and venues and therefore drive growth across all our businesses. We believe that by leveraging our leadership position in the entertainment industry to reach fans through the live concert experience, we will sell more tickets which will then grow our sponsorship and advertising revenue.

Our Concerts segment revenue increased 5% as compared to last year driven by our North America business which had sell-out stadium tours as well as increased festival attendance resulting from our expanding portfolio of events. The number of fans attending our Concert events in North America rose by 6% for the year as a result of creatively packaged tours and festivals crossing all genres of music including rock/pop, country and electronic dance music. Due to a reduction of touring content in our international markets, we had fewer arena shows and, therefore, fewer fans attending events internationally which caused global concert attendance to fall by 2% for the year. Our overall Concerts operating results declined to a loss of \$190.5 million for the year which includes a \$117.0 million charge for a goodwill impairment relating to our international concerts division. We will continue to look for expansion opportunities in Concerts, both domestically and internationally, as well as ways to market our events more effectively in order to continue to expand our fan base and geographic reach and to sell more tickets.

Our Ticketing segment revenue increased 11% as compared to last year largely due to growth of our primary and resale businesses in North America. Our TM+ resale product continued to perform very strongly, delivering significant growth in gross transaction value in each quarter of 2014 as compared to the prior year. At the same time, we continued to invest in our primary ticketing platform in order to improve the ticket buying experience for our fans and provide better tools and information resources for our venue clients. Overall, the total number of tickets sold increased 3% due to strong concert ticket sales as well as growth in the arts and family categories. In our resale business, gross transaction value of resale tickets sold increased by 55% to over \$900 million for the year due in large part to the success of our new TM+ product, which drove significant growth in concert and professional sports ticket sales. Throughout the year, 18% of our total tickets were sold via mobile and tablet devices, up from 14% last year, as we continued to implement new features that are driving further expansion of mobile ticket transactions. Operating margins for the year also improved from 7.2% in 2013 to 7.5% in 2014 as we continue to deliver reductions in our cost structure and to grow our resale business.

Our Artist Nation segment revenue increased 10% as compared to last year primarily due to increased artist management commissions. New manager and artist relationships resulted in increased revenue from touring, recording and other performance fees, leading to the year-over-year growth. Our artist services business declined due to lower retail merchandise sales and less international touring activity. Excluding the impact of a goodwill impairment charge of \$17.9 million relating to our artist services (non-management) business, operating results for the Artist Nation segment improved significantly in the year, due to the increased artist activity along with continued alignment between artist managers and the rest of the Live Nation organization to deliver more services to these artists. Our Artist Nation segment is focused on serving its existing artists as well as developing new relationships with top artists and extending the various services it provides.

Our Sponsorship & Advertising segment revenue increased by 5% as compared to last year driven by growth in online sales in North America as well as new sponsorship deals. Overall, operating income is up due to increased revenue as well as improved margins on our sponsorships compared to last year when we had several clients with higher activation program costs. Our extensive on-site and online reach, global venue distribution network, artist relationships and ticketing operations are the key to securing long-term sponsorship agreements with major brands and we plan to expand these assets while extending our sales reach further into new markets internationally.

We continue to be optimistic about the long-term potential of our company and are focused on the key elements of our business model: expand our concert platform, drive conversion of ticket sales through development of innovative products, grow sponsorship and advertising, sell more tickets and drive reductions in the cost to sell a ticket, grow secondary ticket volume and drive artist management through our other core businesses.

### Segment Overview

Our reportable segments are Concerts, Ticketing, Artist Nation and Sponsorship & Advertising.

#### Concerts

Our Concerts segment principally involves the global promotion of live music events in our owned or operated venues and in rented third-party venues, the operation and management of music venues and the production of music festivals across the world. While our Concerts segment operates year-round, we experience higher revenue during the second and third quarters due to the seasonal nature of shows at our outdoor amphitheaters and festivals, which primarily occur from May through September. Revenue and related costs for events are generally deferred and recognized when the event occurs. All advertising costs incurred during the year for shows in future years are expensed at the end of the year.

To judge the health of our Concerts segment, we primarily monitor the number of confirmed events in our network of owned or operated and third-party venues, talent fees, average paid attendance and advance ticket sales. In addition, at our

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owned or operated venues, we monitor attendance, ancillary revenue per fan and premium ticket sales. For business that is conducted in foreign markets, we also compare the operating results from our foreign operations to prior periods on a constant currency basis.

### Ticketing

The Ticketing segment is primarily an agency business that sells tickets for events on behalf of our clients and retains a convenience charge and order processing fee for these services. We sell tickets through websites, mobile apps, ticket outlets and telephone call centers. Our ticketing sales are impacted by fluctuations in the availability of events for sale to the public, which may vary depending upon scheduling by our clients. We also offer ticket resale services, or secondary ticketing, primarily through our integrated inventory platform, referred to as TM+. Our Ticketing segment also manages our online activities including enhancements to our websites and bundling product offerings. Through our websites, we sell tickets to our own events as well as tickets for our ticketing clients and provide event information. Revenue related to ticketing service charges is recognized when the ticket is sold except for our own events where we control ticketing and then the revenue is deferred and recognized as the event occurs.

To judge the health of our Ticketing segment, we primarily review the gross transaction value and the number of tickets sold through our ticketing operations, average convenience charges and order processing fees, the number of clients renewed or added and the average royalty rate paid to clients who use our ticketing services. In addition, we review the number of visits to our websites, the overall number of customers in our database, the number of tickets sold via mobile apps and the gross transaction value and fees related to secondary ticket sales. For business that is conducted in foreign markets, we also compare the operating results from our foreign operations to prior periods on a constant currency basis.

### Artist Nation

The Artist Nation segment primarily provides management services to music artists in exchange for a commission on the earnings of these artists. Our Artist Nation segment also creates and sells merchandise for music artists at live performances, to retailers and directly to consumers via the internet. Revenue earned from our Artist Nation segment is impacted to a large degree by the touring schedules of the artists we represent and generally, we experience higher revenue during the second and third quarters as the period from May through September tends to be a popular time for touring events.

To judge the health of our Artist Nation segment, we primarily review the annual commissions earned for each artist represented and the percentage of top artists on tour or with planned album releases, as these activities tend to drive higher revenue. For business that is conducted in foreign markets, we also compare the operating results from our foreign operations to prior periods on a constant currency basis.

### Sponsorship & Advertising

Our Sponsorship & Advertising segment employs a sales force that creates and maintains relationships with sponsors, through a combination of strategic, international, national and local opportunities that allow businesses to reach customers through our concert, venue, artist relationship and ticketing assets, including advertising on our websites. We drive increased advertising scale to further monetize our concert platform through rich media offerings including live streaming and music-related original content. We work with our corporate clients to help create marketing programs that drive their business goals and connect their brands directly with fans and artists. We also develop, book and produce custom events or programs for our clients' specific brands which are typically experienced exclusively by the clients' consumers. These custom events can involve live music events with talent and media, using both online and traditional outlets. We typically experience higher revenue in the second and third quarters, as a large portion of sponsorships are typically associated with our outdoor venues and festivals which are primarily used in or occur from May through September.

To judge the health of our Sponsorship & Advertising segment, we primarily review the average revenue per sponsor, the total revenue generated through sponsorship arrangements, the percentage of expected revenue under contract and the online revenue received from sponsors advertising on our websites. For business that is conducted in foreign markets, we also compare the operating results from our foreign operations to prior periods on a constant currency basis.





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## Consolidated Results of Operations

	Year Ended December 31,			% Change	% Change
	2014	2013	2012	2014 vs 2013	2013 vs 2012
	(in thousands)				
Revenue	\$6,866,964	\$6,478,547	\$5,819,047	6%	11%
Operating expenses:					
Direct operating expenses	4,919,969	4,680,507	4,151,277	5%	13%
Selling, general and administrative expenses	1,330,160	1,226,892	1,143,632	8%	7%
Depreciation and amortization	368,143	368,923	429,557	0%	(14)%
Goodwill impairment	134,961	—	—	*	*
Gain on disposal of operating assets	(4,494 )	(38,259 )	(514 )	*	*
Corporate expenses	101,000	94,385	113,364	7%	(17)%
Acquisition transaction expenses	10,061	6,439	3,370	*	*
Operating income (loss)	7,164	139,660	(21,639 )	(95)%	*
Operating margin	0.1	% 2.2	% (0.4 )	%	
Interest expense	106,312	111,659	123,740		
Loss (gain) on extinguishment of debt	188	36,269	(460 )		
Interest income	(3,606 )	(5,071 )	(4,170 )		
Equity in earnings of nonconsolidated affiliates	(4,166 )	(856 )	(9,921 )		
Other expense, net	8,256	2,796	1,333		
Loss before income taxes	(99,820 )	(5,137 )	(132,161 )		
Income tax expense	4,630	30,878	29,736		
Net loss	(104,450 )	(36,015 )	(161,897 )		
Net income (loss) attributable to noncontrolling interests	(13,643 )	7,363	1,330		
Net loss attributable to common stockholders of Live Nation	\$(90,807 )	\$(43,378 )	\$(163,227 )		

\* Percentages are not meaningful.

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## Key Operating Metrics

	Year Ended December 31,		
	2014	2013	2012
Concerts <sup>(1)</sup>			
Estimated events:			
North America	15,948	15,580	14,942
International	6,853	7,270	6,996
Total estimated events	22,801	22,850	21,938
Estimated fans (rounded):			
North America	40,092,000	37,954,000	32,079,000
International	18,486,000	21,527,000	17,915,000
Total estimated fans	58,578,000	59,481,000	49,994,000
Ticketing			
Number of tickets sold (in thousands) <sup>(2)</sup>	153,744	148,852	147,732

(1) Events generally represent a single performance by an artist. Fans generally represent the number of people who attend an event. Festivals are counted as one event in the quarter in which the festival begins, but the number of fans is based on the days the fans were present at the festival and thus can be reported across multiple quarters. Events and fan attendance metrics are estimated each quarter.

(2) The number of tickets sold includes primary tickets only and excludes tickets sold for the 2012 Olympics. This metric includes tickets sold during the year regardless of event timing except for our promoted events in our owned or operated venues and in certain European territories where these tickets are reported as the events occur. The total number of tickets sold reported above for 2014, 2013 and 2012 excludes approximately 300 million, 301 million and 284 million, respectively, of estimated tickets sold using our Ticketmaster systems, through season seat packages and our venue clients' box offices, for which we do not receive a fee.

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### Revenue

Our revenue increased \$388.4 million, or 6%, during the year ended December 31, 2014 as compared to the prior year. The overall increase in revenue was primarily due to increases in our Concerts and Ticketing segments of \$209.7 million and \$149.4 million, respectively. Excluding the decrease of approximately \$0.1 million related to the impact of changes in foreign exchange rates, revenue increased \$388.5 million, or 6%.

Our revenue increased \$659.5 million, or 11%, during the year ended December 31, 2013 as compared to the prior year. The overall increase in revenue was primarily due to an increase in our Concerts segment of \$646.8 million. Excluding the decrease of approximately \$3.9 million related to the impact of changes in foreign exchange rates, revenue increased \$663.4 million, or 11%.

More detailed explanations of these changes along with the impact of changes in foreign exchange rates, if significant, are included in the applicable segment discussions below.

### Direct operating expenses

Our direct operating expenses increased \$239.5 million, or 5%, during the year ended December 31, 2014 as compared to the prior year. The overall increase in direct operating expenses was primarily due to increases in our Concerts and Ticketing segments of \$186.5 million and \$91.1 million, respectively. Excluding the increase of approximately \$5.3 million related to the impact of changes in foreign exchange rates, direct operating expenses increased \$234.2 million, or 5%.

Our direct operating expenses increased \$529.2 million, or 13% during the year ended December 31, 2013 as compared to the prior year. The overall increase in direct operating expenses was primarily due to an increase in our Concerts segment of \$555.0 million. Excluding the decrease of approximately \$3.2 million related to the impact of changes in foreign exchange rates, direct operating expenses increased \$532.4 million, or 13%.

Direct operating expenses include artist fees, event production costs, ticketing client royalties, show-related marketing and advertising expenses, along with other costs.

More detailed explanations of these changes along with the impact of changes in foreign exchange rates, if significant, are included in the applicable segment discussions below.

### Selling, general and administrative expenses

Our selling, general and administrative expenses increased \$103.3 million, or 8%, during the year ended December 31, 2014 as compared to the prior year. The overall increase in selling, general and administrative expenses was primarily due to increases in our Concerts, Ticketing and Artist Nation segments of \$33.9 million, \$29.2 million and \$34.8 million, respectively. Excluding the increase of approximately \$1.0 million related to the impact of changes in foreign exchange rates, selling, general and administrative expenses increased \$102.3 million, or 8%.

Our selling, general and administrative expenses increased \$83.3 million, or 7%, during the year ended December 31, 2013 as compared to the prior year. The overall increase in selling, general and administrative expenses was primarily due to an increase in our Concerts segment of \$63.0 million. Excluding the decrease of approximately \$0.3 million related to the impact of changes in foreign exchange rates, selling, general and administrative expenses increased \$83.6 million, or 7%.

More detailed explanations of these changes along with the impact of changes in foreign exchange rates, if significant, are included in the applicable segment discussions below.

### Depreciation and amortization

Depreciation and amortization decreased \$0.8 million during the year ended December 31, 2014 as compared to the prior year. The overall decrease in depreciation and amortization was primarily due to a decrease in our Concerts segment of \$17.3 million partially offset by an increase in our Ticketing segment of \$14.1 million.

Depreciation and amortization decreased \$60.6 million, or 14%, during the year ended December 31, 2013 as compared to the prior year. The overall decrease in depreciation and amortization was primarily due to decreases in our Concerts and Artist Nation segments of \$13.2 million and \$73.1 million, respectively, partially offset by an increase in our Ticketing segment of \$24.9 million.

More detailed explanations of these changes along with the impact of changes in foreign exchange rates, if significant, are included in the applicable segment discussions below.



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Goodwill impairment

Goodwill impairments of \$117.0 million and \$17.9 million were recorded in conjunction with our annual impairment tests related to the International Concerts reporting unit in the Concerts segment and the Artist Services (non-management) reporting unit in the Artist Nation segment, respectively. See “—Critical Accounting Policies and Estimates —Goodwill” for further discussion of the factors impacting this impairment.

Gain on disposal of operating assets

Gain on disposal of operating assets for the year ended December 31, 2014 was \$4.5 million consisting primarily of a gain recognized in our Concerts segment in connection with the final insurance recovery received for storm damage to an amphitheater in New York during Hurricane Sandy in 2012.

Gain on disposal of operating assets for the year ended December 31, 2013 was \$38.3 million consisting primarily of a \$24.8 million gain recognized in our Concerts segment from the May 2013 sale of a theater in New York. In addition, we recognized a gain in our Concerts segment of \$14.1 million in connection with insurance recoveries for storm damage sustained to an amphitheater as discussed above.

Corporate expenses

Corporate expenses increased \$6.6 million, or 7%, during the year ended December 31, 2014 as compared to the prior year primarily due to higher compensation-related costs driven by higher headcount and annual salary increases.

Corporate expenses decreased \$19.0 million, or 17%, during the year ended December 31, 2013 as compared to the prior year primarily from a reduction in stock-based compensation and expense related to payments on the Trust Note due to the resignation of an executive on December 31, 2012.

Acquisition transaction expenses

Acquisition transaction expenses were \$10.1 million, \$6.4 million and \$3.4 million during the years ended December 31, 2014, 2013 and 2012, respectively. All years include current-year acquisition costs that vary based on the size and number of acquisitions in the year and ongoing litigation costs relating to our merger with Ticketmaster.

Interest expense

Interest expense decreased \$5.3 million, or 5%, during the year ended December 31, 2014 as compared to the prior year primarily due to the interest cost reduction realized from the August 2013 redemption of the 8.125% senior notes and the September 2014 redemption of the 2.875% convertible senior notes partially offset by additional interest cost from the 7% senior notes issued in August 2013 and the 5.375% senior notes and the 2.5% convertible senior notes issued in May 2014.

Interest expense decreased \$12.1 million, or 10%, for the year ended December 31, 2013 as compared to the prior year primarily due to the interest cost reduction realized from the August 2012 redemption of the 10.75% senior notes and the August 2013 redemption of the 8.125% senior notes, partially offset by the additional interest cost from the 7% senior notes issued in August 2012 and 2013.

Our debt balances and weighted-average cost of debt, excluding unamortized debt discounts of \$33.0 million and including debt premium of \$7.3 million, were \$2.1 billion and 4.3%, respectively, as of December 31, 2014.

Loss (gain) on extinguishment of debt

We recorded a loss on extinguishment of debt of \$36.3 million for the year ended December 31, 2013 in connection with the refinancing of the term loans under our senior secured credit facility and the redemption of our 8.125% senior notes in August 2013. These obligations were paid with proceeds from incremental term loans under our amended senior secured credit facility and the issuance of additional 7% senior notes.

Equity in earnings of nonconsolidated affiliates

Equity in earnings of nonconsolidated affiliates increased \$3.3 million during the year ended December 31, 2014 as compared to the prior year primarily due to impairment charges of \$9.2 million recorded in 2013 related to investments in a concert promoter located in Europe and an ecommerce business, partially offset by lower earnings in 2014 on certain investments in the Concerts and Ticketing segments.

Equity in earnings of nonconsolidated affiliates decreased \$9.1 million during the year ended December 31, 2013 as compared to the prior year primarily due to impairment charges of \$9.2 million recorded in 2013 as discussed above.

Other expense, net

Other expense, net includes the impact of changes in foreign exchange rates of \$28.9 million and \$2.8 million in net losses for the years ended December 31, 2014 and 2013, respectively, and a net gain of \$1.4 million for the year ended

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December 31, 2012. The 2014 net loss was partially offset by a gain of \$17.1 million recorded in connection with the consolidation of an artist management business that had been previously accounted for as an equity investment, due to a change in the governing agreements.

Income taxes

For the year ended December 31, 2014, we had a net tax expense of \$4.6 million on a loss before income taxes of \$99.8 million compared to a net tax expense of \$30.9 million on a loss before income taxes of \$5.1 million for 2013. In 2014, income tax expense primarily included \$8.5 million related to tax expense for foreign entities and \$7.0 million related to state and local income taxes partially offset by \$12.9 million related to the reversal of valuation allowances in connection with certain acquisitions. The net decrease is due to a reduction in earnings in our foreign tax jurisdictions and the reversal of valuation allowances. These decreases were partially offset by increased state and local income taxes due to income in excess of available net operating loss carryforwards in certain states.

For the year ended December 31, 2013, we had a net tax expense of \$30.9 million on a loss before income taxes of \$5.1 million compared to a net tax expense of \$29.7 million on a loss before income taxes of \$132.2 million for 2012. In 2013, income tax expense primarily included \$27.8 million related to tax expense for foreign entities and \$3.9 million related to current state and local income taxes. The net increase in 2013 tax expense as compared to 2012 is principally due to higher earnings attributable to the 2012 acquisitions of foreign entities.

Net income (loss) attributable to noncontrolling interests

Net income (loss) attributable to noncontrolling interests decreased \$21.0 million to a loss of \$13.6 million during the year ended December 31, 2014 as compared to the prior year primarily due to the portion of the goodwill impairment attributable to noncontrolling interests partially offset by the prospective consolidation of, and improved operating results from, certain artist management companies.

Net income attributable to noncontrolling interests increased \$6.0 million during the year ended December 31, 2013 as compared to the prior year primarily due to improved operating results from certain artist management businesses driven by an impairment in 2012 partially offset by lower operating results from certain concert promotion businesses.

Concerts Results of Operations

Our Concerts segment operating results were, and discussions of significant variances are, as follows:

	Year Ended December 31,			% Change 2014 vs 2013	% Change 2013 vs 2012
	2014	2013	2012		
	(in thousands)				
Revenue	\$4,726,877	\$4,517,191	\$3,870,371	5%	17%
Direct operating expenses	4,016,540	3,829,991	3,274,951	5%	17%
Selling, general and administrative expenses	666,475	632,614	569,570	5%	11%
Depreciation and amortization	115,088	132,386	145,552	(13)%	(9)%
Goodwill impairment	117,013	—	—	*	*
Gain on disposal of operating assets	(2,954 )	(38,927 )	(453 )	*	*
Acquisition transaction expenses	5,171	723	847	*	*
Operating loss	\$(190,456 )	\$(39,596 )	\$(120,096 )	*	67%
Operating margin	(4.0 )%	(0.9 )%	(3.1 )%		
Adjusted operating income **	\$50,547	\$60,326	\$31,364	(16)%	92%

\* Percentages are not meaningful.

\*\* AOI is defined and reconciled to operating income (loss) below.

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Year Ended 2014 Compared to Year Ended 2013

Concerts revenue increased \$209.7 million, or 5%, during the year ended December 31, 2014 as compared to the prior year. Excluding the increase of \$8.2 million related to the impact of changes in foreign exchange rates, revenue increased \$201.5 million, or 4%, primarily due to more shows at North America stadiums and amphitheaters and increased North America festival activity offset by fewer events in international arenas and stadiums driven by less available touring content. Revenue was also impacted by incremental revenue of \$48.1 million primarily from the acquisition of festival promoter businesses.

Concerts direct operating expenses increased \$186.5 million, or 5%, during the year ended December 31, 2014 as compared to the prior year. Excluding the increase of \$9.3 million related to the impact of changes in foreign exchange rates, direct operating expenses increased \$177.2 million, or 5%, primarily due to higher expenses associated with the increased show activity discussed above. In addition, we incurred incremental expenses of \$50.6 million from the acquisitions noted above.

Concerts selling, general and administrative expenses increased \$33.9 million, or 5%, during the year ended December 31, 2014 as compared to the prior year primarily due to higher compensation costs driven by annual salary increases and additional headcount along with a reduction in rent expense during 2013 due to the recognition of an incentive payment for early termination of a venue lease. In addition, we incurred incremental expenses of \$8.6 million from the acquisitions noted above.

Concerts depreciation and amortization decreased \$17.3 million, or 13%, during the year ended December 31, 2014 as compared to the prior year primarily due to higher impairment charges and amortization acceleration of certain intangible assets recorded during 2013. We recorded impairment charges of \$8.6 million in 2013 primarily associated with venue management and leasehold intangible assets when it was determined that the estimated undiscounted cash flows associated with the respective intangible asset was less than its carrying value. In addition, in 2013 we accelerated \$6.7 million of amortization associated with a change in the estimated useful lives of certain venue management and leasehold intangible assets. We did not record any significant impairment charges or accelerated amortization of long-lived assets during 2014.

Concerts recorded a goodwill impairment of \$117.0 million related to our international concerts business. The impairment was recorded in the fourth quarter of 2014 in connection with our annual impairment test discussed in “—Critical Accounting Policies —Goodwill.”

Concerts gain on disposal of operating assets of \$3.0 million for the year ended December 31, 2014 consists primarily of the final insurance recovery for storm damage to an amphitheater in New York during Hurricane Sandy in 2012. Concerts gain on disposal of operating assets of \$38.9 million for the year ended December 31, 2013 was primarily due to a \$24.8 million gain on the sale of a theater in New York and \$14.1 million related to insurance recoveries from the storm damage discussed above.

Concerts acquisition transaction expenses increased \$4.4 million for the year ended December 31, 2014 as compared to the prior year primarily due to costs associated with our acquisition of a festival and concert promoter in the United States.

The increased operating loss for Concerts for the year ended December 31, 2014 was primarily driven by the goodwill impairment, lower gain on disposal of operating assets, higher selling, general and administrative expenses and lower results from our international business. These decreases were partially offset by increased North America show activity.

Year Ended 2013 Compared to Year Ended 2012

Concerts revenue increased \$646.8 million, or 17%, during the year ended December 31, 2013 as compared to the prior year partially due to incremental revenue of \$144.7 million from the acquisitions of various festival promoters. In addition, revenue increased due to more shows and higher average attendance in our arenas globally and North America owned or operated amphitheaters, increased shows in third-party stadiums globally and expansion of premium ticket package sales. These increases were partially offset by less global touring activity.

Concerts direct operating expenses increased \$555.0 million, or 17%, during the year ended December 31, 2013 as compared to the prior year partially due to incremental direct operating expenses of \$162.1 million from acquisitions. In addition, we incurred higher expenses associated with the additional shows and attendance as discussed above.



These increases were partially offset by lower costs due to reduced global touring activity.

Concerts selling, general and administrative expenses increased \$63.0 million, or 11%, during the year ended December 31, 2013 as compared to the prior year primarily due to higher compensation costs associated with improved operating results and increased headcount along with incremental expenses of \$8.4 million from the acquisitions noted above.

Concerts depreciation and amortization decreased \$13.2 million, or 9%, during the year ended December 31, 2013 as compared to the prior year primarily due to higher impairments of intangible assets in 2012. We recorded impairment charges of \$8.6 million in 2013 primarily associated with venue management and leasehold intangible assets as compared to

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impairment charges of \$26.9 million in 2012 primarily related to revenue-generating contract intangibles. In each case, it was determined that the estimated undiscounted cash flows associated with the respective intangible asset was less than its carrying value. This decrease was partially offset by additional amortization associated with recent acquisitions and \$6.7 million of accelerated amortization recorded in 2013 resulting from a change in the estimated useful life of certain venue management and leasehold intangible assets.

Concerts gain on disposal of operating assets of \$38.9 million for the year ended December 31, 2013 is primarily due to a \$24.8 million gain on sale of a theater in New York and \$14.1 million of insurance recoveries for storm damage to an amphitheater in New York during Hurricane Sandy in 2012.

The decreased operating loss for Concerts for the year ended December 31, 2013 was primarily driven by more shows and higher average attendance, reduced amortization expense and the gain on disposal of operating assets. These increases were partially offset by higher compensation costs related to the improved operating results.

Ticketing Results of Operations

Our Ticketing segment operating results were, and discussions of significant variances are, as follows:

	Year Ended December 31,			% Change	% Change
	2014	2013	2012	2014 vs 2013	2013 vs 2012
	(in thousands)				
Revenue	\$1,557,254	\$1,407,817	\$1,374,049	11%	2%
Direct operating expenses	763,280	672,221	651,055	14%	3%
Selling, general and administrative expenses	471,982	442,788	434,310	7%	2%
Depreciation and amortization	204,901	190,801	165,947	7%	15%
Gain on disposal of operating assets	(1,583)	(4)	(225)	*	*
Acquisition transaction expenses	1,381	245	153	*	*
Operating income	\$117,293	\$101,766	\$122,809	15%	(17)%
Operating margin	7.5	% 7.2	% 8.9	%	
Adjusted operating income **	\$326,121	\$298,121	\$294,625	9%	1%

\* Percentages are not meaningful.

\*\* AOI is defined and reconciled to operating income (loss) below.

Year Ended 2014 Compared to Year Ended 2013

Ticketing revenue increased \$149.4 million, or 11%, during the year ended December 31, 2014 as compared to the prior year. Excluding the decrease of \$11.2 million related to the impact of changes in foreign exchange rates, revenue increased \$160.6 million, or 11%, primarily due to increased primary ticket sales and fees along with higher domestic resale ticket fees driven by growth in concert and professional sports ticket sales as a result of the continuing success of our TM+ resale product.

Ticketing direct operating expenses increased \$91.1 million, or 14%, during the year ended December 31, 2014 as compared to the prior year. Excluding the decrease of \$5.2 million related to the impact of changes in foreign exchange rates, direct operating expenses increased \$96.3 million, or 14%, primarily due to higher costs associated with the increased primary and resale ticket sales discussed above partially offset by a legal settlement received in 2014.

Ticketing selling, general and administrative expenses increased \$29.2 million, or 7%, during the year ended December 31, 2014 as compared to the prior year primarily due to higher compensation costs associated with annual salary increases and legal settlements received from insurance carriers in 2013.

Ticketing depreciation and amortization increased \$14.1 million, or 7%, during the year ended December 31, 2014 as compared to the prior year primarily due to increased depreciation from continued investment in our technology platform and higher amortization associated with the impairment of certain intangible assets. In 2014, we recorded impairment charges of \$9.2 million associated with an indefinite-lived intangible trade name in connection with the

decision to rebrand certain markets that were not currently using the Ticketmaster trade name along with the impairment of certain technology intangible

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assets as it was determined that the estimated undiscounted cash flows associated with the respective intangible asset were less than their carrying value.

Ticketing operating income increased for the year ended December 31, 2014 primarily due to increased domestic primary and resale ticket revenue partially offset by higher compensation costs and increased depreciation and amortization.

**Year Ended 2013 Compared to Year Ended 2012**

Ticketing revenue increased \$33.8 million, or 2%, during the year ended December 31, 2013 as compared to the prior year primarily due to higher domestic primary and resale ticket volumes partially offset by a reduction in fees associated with the 2012 Olympics and lower domestic primary ticket fees resulting from the mix of fee structures on certain domestic primary ticket arrangements.

Ticketing direct operating expenses increased \$21.2 million, or 3%, during the year ended December 31, 2013 as compared to the prior year primarily due to costs related to the higher ticket volumes discussed above. These increases were partially offset by a reduction in expenses associated with the 2012 Olympics and the change in fee structure noted above.

Ticketing selling, general and administrative expenses increased \$8.5 million, or 2%, during the year ended December 31, 2013 as compared to the prior year primarily due to increased compensation costs driven by the re-platforming of our ticketing systems and increased costs associated with the renewal of certain sports league ticketing agreements. These increases were partially offset by legal settlements received from insurance carriers in 2013.

Ticketing depreciation and amortization increased \$24.9 million, or 15%, during the year ended December 31, 2013 as compared to the prior year primarily due to higher amortization of non-recoupable contract advances associated with an increase in the amount of advances paid in 2013 as compared to the completion of the amortization related to several contracts in the prior year.

Ticketing operating income decreased for the year ended December 31, 2013 primarily due to increased compensation expenses associated with the re-platforming of our ticketing systems, increased amortization of contract advances and the reduction due to the 2012 Olympics. These decreases were partially offset by increases in primary and resale ticket volumes.

**Artist Nation Results of Operations**

Our Artist Nation segment operating results were, and discussions of significant variances are, as follows:

	Year Ended December 31,			% Change	% Change
	2014	2013	2012	2014 vs	2013 vs
	(in thousands)			2013	2012
Revenue	\$389,437	\$352,947	\$399,940	10%	(12)%
Direct operating expenses	212,302	218,113	263,896	(3)%	(17)%
Selling, general and administrative expenses	138,066	103,304	99,786	34%	4%
Depreciation and amortization	43,343	42,613	115,696	2%	(63)%
Goodwill impairment	17,948	—	—	*	*
Loss (gain) on disposal of operating assets	34	665	(42)	*	*
Acquisition transaction expenses	566	3	1,163	*	*
Operating loss	\$(22,822)	\$(11,751)	\$(80,559)	(94)%	85%
Operating margin	(5.9)%	(3.3)%	(20.1)%		
Adjusted operating income **	\$48,063	\$32,084	\$38,134	50%	(16)%

\* Percentages are not meaningful.

\*\* AOI is defined and reconciled to operating income (loss) below.

Year Ended 2014 Compared to Year Ended 2013

Artist Nation revenue increased \$36.5 million, or 10%, during the year ended December 31, 2014 as compared to the prior year primarily due to incremental revenue of \$27.3 million resulting from the acquisition or prospective consolidation of various artist management companies. In addition, revenue increased due to higher management commissions and the

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expansion of production management projects. These increases were partially offset by a reduction in VIP ticket revenue due to the decision by the Concerts segment in July 2013 to expand their premium ticket packages and no longer outsource this service to Artist Nation.

Artist Nation direct operating expenses decreased \$5.8 million, or 3%, during the year ended December 31, 2014 as compared to the prior year primarily due to a reduction in costs associated with the VIP ticket program discontinuation partially offset by increased costs related to the production management activity as discussed above. Artist Nation selling, general and administrative expenses increased \$34.8 million, or 34%, during the year ended December 31, 2014 as compared to the prior year primarily due to higher compensation and non-cash compensation expenses in the management business along with incremental expenses of \$10.8 million resulting from the acquisitions and prospective consolidations discussed above.

Artist Nation depreciation and amortization increased \$0.7 million, or 2%, during the year ended December 31, 2014 as compared to the prior year resulting primarily from an impairment charge of \$6.1 million related to a client/vendor relationship intangible in the management business as it was determined that the estimated undiscounted cash flows associated with the respective intangible asset were less than their carrying value. The increase was partially offset by lower amortization from certain intangible assets that became fully amortized in 2013.

Artist Nation recorded a goodwill impairment of \$17.9 million related to our artist services (non-management) business. The impairment was recorded in the fourth quarter of 2014 in connection with our annual impairment test discussed in “—Critical Accounting Policies —Goodwill”

The increased operating loss for Artist Nation for the year ended December 31, 2014 was primarily driven by the goodwill impairment. This was partially offset by higher management commissions and the acquisition or prospective consolidation of various artist management companies.

**Year Ended 2013 Compared to Year Ended 2012**

Artist Nation revenue decreased \$47.0 million, or 12%, during the year ended December 31, 2013 as compared to the prior year primarily from the decision by the Concerts segment in July 2013 to expand their premium ticket packages and no longer outsource VIP ticket sales to Artist Nation along with a reduction in management revenue due to the departure of certain artist managers. This decrease was partially offset by incremental revenue of \$5.2 million resulting from the acquisition of a production services company in July 2012 along with several artist management companies.

Artist Nation direct operating expenses decreased \$45.8 million, or 17%, during the year ended December 31, 2013 as compared to the prior year primarily due to a reduction in costs associated with the VIP ticket program discontinuation discussed above.

Artist Nation depreciation and amortization decreased \$73.1 million, or 63%, during the year ended December 31, 2013 as compared to the prior year primarily due to higher impairments of intangible assets in 2012 in the management business. We recorded impairment charges, primarily associated with client/vendor relationship intangible assets, of \$2.0 million in 2013 compared to \$62.7 million in 2012.

The decreased operating loss for Artist Nation for the year ended December 31, 2013 was primarily driven by the lower amortization expense.

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## Sponsorship &amp; Advertising Results of Operations

Our Sponsorship & Advertising segment operating results were, and discussions of significant variances are, as follows:

	Year Ended December 31,			% Change	% Change
	2014	2013	2012	2014 vs 2013	2013 vs 2012
	(in thousands)				
Revenue	\$300,279	\$284,692	\$247,921	5%	15%
Direct operating expenses	37,973	45,021	34,738	(16)%	30%
Selling, general and administrative expenses	50,292	45,618	38,198	10%	19%
Depreciation and amortization	4,281	2,351	1,187	82%	*
Acquisition transaction expenses	—	64	—	*	*
Operating income	\$207,733	\$191,638	\$173,798	8%	10%
Operating margin	69.2	% 67.3	% 70.1	%	%
Adjusted operating income **	\$213,410	\$194,807	\$175,619	10%	11%

\* Percentages are not meaningful.

\*\* AOI is defined and reconciled to operating income (loss) below.

## Year Ended 2014 Compared to Year Ended 2013

Sponsorship & Advertising revenue increased \$15.6 million, or 5%, during the year ended December 31, 2014 as compared to the prior year. Excluding the increase of \$1.9 million related to the impact of changes in foreign exchange rates, revenue increased \$13.7 million, or 5%, primarily due to higher domestic online advertising and new, or expansion of existing, domestic sponsorship agreements along with incremental revenue of \$4.2 million from the acquisition of various festival businesses. These increases were partially offset by lower international festival sponsorships.

Sponsorship & Advertising direct operating expenses decreased \$7.0 million, or 16%, during the year ended December 31, 2014 as compared to the prior year primarily driven by lower fulfillment costs on certain sponsorship agreements and lower costs associated with the reduction in international festival sponsorships.

Sponsorship & Advertising selling, general and administrative expenses increased \$4.7 million, or 10%, during the year ended December 31, 2014 as compared to the prior year primarily due to higher compensation costs from increased headcount to drive additional sales in future periods.

Sponsorship & Advertising depreciation and amortization increased \$1.9 million, or 82%, during the year ended December 31, 2014 as compared to the prior year primarily due to incremental amortization related to certain intangible assets associated with the acquisitions discussed above.

The increased operating income for the year ended December 31, 2014 was primarily due to increased domestic online advertising and sponsorship programs.

## Year Ended 2013 Compared to Year Ended 2012

Sponsorship & Advertising revenue increased \$36.8 million, or 15%, during the year ended December 31, 2013 as compared to the prior year due to growth in online advertising, new sponsorship agreements globally, expansion of existing sponsorship arrangements and increased custom events. In addition, incremental revenue of \$4.3 million resulting from sponsorships associated with recent acquisitions of festival promoters contributed to the increase.

Sponsorship & Advertising direct operating expenses increased \$10.3 million, or 30%, during the year ended December 31, 2013 as compared to the prior year primarily driven by increased revenue and, in certain cases, higher fulfillment costs related to custom events.

Sponsorship & Advertising selling, general and administrative expenses increased \$7.4 million, or 19%, during the year ended December 31, 2013 as compared to the prior year primarily due to higher compensation costs associated with improved performance and increased headcount to drive additional digital and sponsorship sales.

The increased operating income for the year ended December 31, 2013 was primarily due to higher online advertising and new sponsorship agreements globally partially offset by increased compensation costs.



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## Reconciliation of Segment Adjusted Operating Income (Loss)

AOI is a non-GAAP financial measure that we define as operating income (loss) before acquisition expenses (including transaction costs, changes in the fair value of accrued acquisition-related contingent consideration arrangements, payments under the Trust Note and acquisition-related severance), depreciation and amortization (including goodwill impairment), loss (gain) on disposal of operating assets and non-cash and certain stock-based compensation expense (including expense associated with grants of certain stock-based awards which were classified as liabilities). We use AOI to evaluate the performance of our operating segments. We believe that information about AOI assists investors by allowing them to evaluate changes in the operating results of our portfolio of businesses separate from non-operational factors that affect net income, thus providing insights into both operations and the other factors that affect reported results. AOI is not calculated or presented in accordance with GAAP. A limitation of the use of AOI as a performance measure is that it does not reflect the periodic costs of certain amortizing assets used in generating revenue in our business. Accordingly, AOI should be considered in addition to, and not as a substitute for, operating income (loss), net income (loss), and other measures of financial performance reported in accordance with GAAP. Furthermore, this measure may vary among other companies; thus, AOI as presented herein may not be comparable to similarly titled measures of other companies.

The following table sets forth the reconciliation of adjusted operating income (loss) to operating income (loss):

	Adjusted operating income (loss)	Non-cash and stock- based compensation expense	Loss (gain) on disposal of operating assets (in thousands)	Depreciation and amortization	Goodwill impairment	Acquisition expenses	Operating income (loss)
2014							
Concerts	\$50,547	\$6,685	\$(2,954 )	\$115,088	\$117,013	\$5,171	\$(190,456 )
Ticketing	326,121	4,129	(1,583 )	204,901	—	1,381	117,293
Artist Nation	48,063	8,994	34	43,343	17,948	566	(22,822 )
Sponsorship & Advertising	213,410	1,396	—	4,281	—	—	207,733
Other and Eliminations	(102 )	—	(29 )	(2,062 )	—	38	1,951
Corporate	(83,175 )	17,825	38	2,592	—	2,905	(106,535 )
Total	\$554,864	\$39,029	\$(4,494 )	\$368,143	\$134,961	\$10,061	\$7,164
2013							
Concerts	\$60,326	\$5,740	\$(38,927 )	\$132,386	\$—	\$723	\$(39,596 )
Ticketing	298,121	5,313	(4 )	190,801	—	245	101,766
Artist Nation	32,084	554	665	42,613	—	3	(11,751 )
Sponsorship & Advertising	194,807	754	—	2,351	—	64	191,638
Other and Eliminations	(1,829 )	—	7	(1,839 )	—	—	3
Corporate	(78,331 )	16,054	—	2,611	—	5,404	(102,400 )
Total	\$505,178	\$28,415	\$(38,259 )	\$368,923	\$—	\$6,439	\$139,660
2012							
Concerts	\$31,364	\$5,514	\$(453 )	\$145,552	\$—	\$847	\$(120,096 )
Ticketing	294,625	6,273	(225 )	165,947	—	(179 )	122,809
Artist Nation	38,134	1,876	(42 )	115,696	—	1,163	(80,559 )
Sponsorship & Advertising	175,619	634	—	1,187	—	—	173,798
Other and Eliminations	(1,639 )	—	206	(1,654 )	—	—	(191 )
Corporate	(78,965 )	22,766	—	2,829	—	12,840	(117,400 )
Total	\$459,138	\$37,063	\$(514 )	\$429,557	\$—	\$14,671	\$(21,639 )



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### Liquidity and Capital Resources

Our working capital requirements and capital for our general corporate purposes, including acquisitions and capital expenditures, are funded from operations or from borrowings under our senior secured credit facility described below. Our cash is centrally managed on a worldwide basis. Our primary short-term liquidity needs are to fund general working capital requirements, capital expenditures and debt service requirements while our long-term liquidity needs are primarily related to acquisitions and debt repayment. Our primary sources of funds for our short-term liquidity needs will be cash flows from operations and borrowings under our senior secured credit facility, while our long-term sources of funds will be from cash flows from operations, long-term bank borrowings and other debt or equity financings. We may from time to time engage in open market purchases of our outstanding debt securities or redeem or otherwise repay such debt.

Our balance sheet reflects cash and cash equivalents of \$1.4 billion at December 31, 2014 and \$1.3 billion at December 31, 2013. Included in the December 31, 2014 and 2013 cash and cash equivalents balance is \$533.8 million and \$538.4 million, respectively, of cash received that includes the face value of tickets sold on behalf of clients and the clients' share of convenience and order processing charges, or client cash. We generally do not utilize client cash for our own financing or investing activities as the amounts are payable to clients on a regular basis. Our foreign subsidiaries held approximately \$477.1 million in cash and cash equivalents, excluding client cash, at December 31, 2014. We do not intend to repatriate these funds, but if we did, we would need to accrue and pay United States federal and state income taxes on any future repatriations, net of applicable foreign tax credits. We may from time to time enter into borrowings under our revolving credit facility. If the original maturity of these borrowings is ninety days or less, we present the borrowings and subsequent repayments on a net basis in the statement of cash flows to better represent our financing activities. Our balance sheet reflects current and long-term debt of \$2.1 billion at December 31, 2014 and \$1.8 billion at December 31, 2013. Our weighted-average cost of debt, excluding the debt discounts and including the debt premium on our term loans and notes, was 4.3% at December 31, 2014.

Our cash and cash equivalents are held in accounts managed by third-party financial institutions and consist of cash in our operating accounts and invested cash. Cash held in interest-bearing operating accounts in many cases exceeds the Federal Deposit Insurance Corporation insurance limits. The invested cash is in interest-bearing funds consisting primarily of bank deposits and money market funds. While we monitor cash and cash equivalent balances in our operating accounts on a regular basis and adjust the balances as appropriate, these balances could be impacted if the underlying financial institutions fail. To date, we have experienced no loss or lack of access to our cash and cash equivalents; however, we can provide no assurances that access to our cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

For our Concerts segment, we generally receive cash related to ticket revenue at our owned or operated venues in advance of the event, which is recorded in deferred revenue until the event occurs. With the exception of some upfront costs and artist deposits, which are recorded in prepaid expenses until the event occurs, we pay the majority of event-related expenses at or after the event.

We view our available cash as cash and cash equivalents, less ticketing-related client cash, less event-related deferred revenue, less accrued expenses due to artists and cash collected on behalf of others for ticket sales, plus event-related prepaids. This is essentially our cash available to, among other things, repay debt balances, make acquisitions and finance capital expenditures.

Our intra-year cash fluctuations are impacted by the seasonality of our various businesses. Examples of seasonal effects include our Concerts and Artist Nation segments, which report the majority of their revenue in the second and third quarters. Cash inflows and outflows depend on the timing of event-related payments but the majority of the inflows generally occur prior to the event. See "—Seasonality" below. We believe that we have sufficient financial flexibility to fund these fluctuations and to access the global capital markets on satisfactory terms and in adequate amounts, although there can be no assurance that this will be the case, and capital could be less accessible and/or more costly given current economic conditions. We expect cash flows from operations and borrowings under our senior secured credit facility, along with other financing alternatives, to satisfy working capital requirements, capital expenditures and debt service requirements for at least the succeeding year.

We may need to incur additional debt or issue equity to make other strategic acquisitions or investments. There can be no assurance that such financing will be available to us on acceptable terms or at all. We may make significant acquisitions in the near term, subject to limitations imposed by our financing agreements and market conditions.

The lenders under our revolving loans and counterparties to our interest rate hedge agreements consist of banks and other third-party financial institutions. While we currently have no indications or expectations that such lenders and counterparties will be unable to fund their commitments as required, we can provide no assurances that future funding availability will not be impacted by adverse conditions in the financial markets. Should an individual lender default on its obligations, the remaining lenders would not be required to fund the shortfall, resulting in a reduction in the total amount available to us for future borrowings, but would remain obligated to fund their own commitments. Should any counterparty to our interest rate hedge agreements default on its obligations, we could experience higher interest rate volatility during the period of any such default.

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## Sources of Cash

## Senior Secured Credit Facility

At December 31, 2014, our senior secured credit facility consisted of (i) a \$115 million term loan A, (ii) a \$950 million term loan B and (iii) a \$335 million revolving credit facility. In addition, subject to certain conditions, we have the right to increase the facility by at least \$450 million or a greater amount so long as the senior secured leverage ratio calculated on a pro-forma basis (as defined in the credit agreement) is no greater than 3.25x. The revolving credit facility provides for borrowings up to the amount of the facility with sublimits of up to (i) \$150 million to be available for the issuance of letters of credit, (ii) \$50 million to be available for swingline loans and (iii) \$150 million to be available for borrowings in Euros or British Pounds and (iv) \$50 million to be available for borrowings in one or more other approved currencies. The senior secured credit facility is secured by a first priority lien on substantially all of our tangible and intangible personal property and the domestic subsidiaries that are guarantors, and by a pledge of substantially all of the shares of stock, partnership interests and limited liability company interests of our direct and indirect domestic subsidiaries and 65% of each class of capital stock of any first-tier foreign subsidiaries.

The interest rates per annum applicable to revolving credit facility loans and term loan A under the senior secured credit facility are, at our option, equal to either LIBOR plus 2.25% or a base rate plus 1.25%, subject to stepdowns based on our net leverage ratio. The interest rates per annum applicable to term loan B are, at our option, equal to either LIBOR plus 2.75% or a base rate plus 1.75%, subject to a LIBOR floor of 0.75% and a base rate floor of 1.75%. We are required to pay a commitment fee of 0.5% per year on the undrawn portion available under the revolving credit facility, subject to stepdowns based on our net leverage ratio, and variable fees on outstanding letters of credit. For the term loan A, we are required to make quarterly payments increasing over time from \$2.9 million to \$13.8 million with the balance due at maturity in August 2018. For the term loan B, we are required to make quarterly payments of \$2.4 million with the balance due at maturity in August 2020. The revolving credit facility matures in August 2018. We are also required to make mandatory prepayments of the loans under the credit agreement, subject to specified exceptions, from excess cash flow, and with the proceeds of asset sales, debt issuances and specified other events.

During the year ended December 31, 2014, we made principal payments totaling \$18.1 million primarily on these term loans. At December 31, 2014, the outstanding balances on these term loans, net of discounts, were \$1.0 billion. There were no borrowings under the revolving credit facility as of December 31, 2014. Based on our letters of credit of \$62.0 million, \$273.0 million was available for future borrowings.

## 7% Senior Notes

In August 2013, we issued an additional \$200 million principal amount of notes under the indenture governing our existing 7% senior notes due 2020 with a \$9.0 million premium, which increased the total principal amount of such notes outstanding to \$425 million. Interest on the notes is payable semi-annually in arrears on March 1 and September 1 of each year and the notes will mature on September 1, 2020. We may redeem some or all of the notes at any time prior to September 1, 2016 at a price equal to 100% of the aggregate principal amount, plus any accrued and unpaid interest to the date of redemption, plus a 'make-whole' premium using a discount rate equal to the treasury rate plus 50 basis points. We may also redeem up to 35% of the notes from the proceeds of certain equity offerings prior to September 1, 2015, at a price equal to 107% of the principal amount, plus any accrued and unpaid interest. In addition, on or after September 1, 2016, we may redeem at our option some or all of the notes at redemption prices that start at 103.5% of their principal amount, plus any accrued and unpaid interest to the date of redemption. We must make an offer to redeem the notes at 101% of the aggregate principal amount, plus any accrued and unpaid interest to the repurchase date, if we experience certain defined changes of control.

Proceeds from the issuance of the additional 7% senior notes and refinancing of our senior secured credit facility, excluding the outstanding principal amounts for lenders who elected to convert their outstanding term loans, of \$802.2 million were used to repay \$472.5 million principal amount of our outstanding borrowings under our then existing senior secured credit facility, to repay all of our outstanding 8.125% senior notes due 2018 with a principal amount of \$250 million and to pay the related 'make-whole' premium on these senior notes and total accrued interest and fees of \$35.3 million along with related fees and expenses for the refinancing of \$22.0 million, leaving \$22.4 million in additional cash for general corporate purposes. We recorded \$36.3 million as a loss on extinguishment of debt related

to this refinancing in 2013.

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### 5.375% Senior Notes

In May 2014, we issued \$250 million of 5.375% senior notes due 2022. Interest on the notes is payable semi-annually in arrears on June 15 and December 15, beginning December 15, 2014, and the notes will mature in June 2022. We may redeem some or all of the notes at any time prior to June 15, 2017 at a price equal to 100% of the principal amount, plus any accrued and unpaid interest to the date of redemption, plus a 'make-whole' premium. We may also redeem up to 35% of the aggregate principal amount of the notes from the proceeds of certain equity offerings prior to June 15, 2017, at a price equal to 105.375% of the principal amount, plus any accrued and unpaid interest. In addition, on or after June 15, 2017, we may redeem at our option some or all of the notes at redemption prices that start at 104.0313% of their principal amount, plus any accrued and unpaid interest to the date of redemption. We must make an offer to redeem the notes at 101% of the aggregate principal amount, plus any accrued and unpaid interest to the repurchase date, if we experience certain defined changes of control.

### 2.5% Convertible Senior Notes

In May 2014, we issued \$275 million of convertible senior notes due 2019. The notes pay interest semiannually in arrears on May 15 and November 15 at a rate of 2.5% per annum, beginning on November 15, 2014. The notes will mature in May 2019 and may not be redeemed by us prior to the maturity date. The notes will be convertible, under certain circumstances, until November 15, 2018, and on or after such date without condition, at an initial conversion rate of 28.8363 shares of our common stock per \$1,000 principal amount of notes, subject to adjustment, which represents a 52.5% conversion premium based on the last reported sale price for our common stock of \$22.74 on May 19, 2014. Upon conversion, the notes may be settled in shares of common stock or, at our election, cash or a combination of cash and shares of common stock. Assuming we fully settled the notes in shares, the maximum number of shares that could be issued to satisfy the conversion is currently 7.9 million.

If we experience a fundamental change, as defined in the indenture governing the notes, the holders of the 2.5% convertible senior notes may require us to purchase for cash all or a portion of their notes, subject to specified exceptions, at a price equal to 100% of the principal amount of the notes plus accrued and unpaid interest, if any.

### Extinguishment of Debt

In July 2014, the holders of \$29.3 million in aggregate outstanding principal of the 2.875% convertible senior notes exercised their right to redeem their notes for cash and in late September 2014, pursuant to our option under the indenture governing the notes, we redeemed the remaining outstanding notes using the net proceeds from the issuances of our 5.375% senior notes and our 2.5% convertible senior notes. In addition to redeeming the principal amount of \$220 million of the notes, we paid total accrued interest of \$1.1 million and related fees and expenses of \$0.2 million, leaving \$293.9 million in additional cash available for general corporate purposes. The loss on extinguishment of debt in 2014 related to the redemption of the 2.875% convertible senior notes was not significant.

### Debt Covenants

Our amended senior secured credit facility contains a number of covenants and restrictions that, among other things, requires us to satisfy certain financial covenants and restricts our and our subsidiaries' ability to incur additional debt, make certain investments and acquisitions, repurchase our stock and prepay certain indebtedness, create liens, enter into agreements with affiliates, modify the nature of our business, enter into sale-leaseback transactions, transfer and sell material assets, merge or consolidate, and pay dividends and make distributions (with the exception of subsidiary dividends or distributions to the parent company or other subsidiaries on at least a pro-rata basis with any noncontrolling interest partners). Non-compliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the credit facility becoming immediately due and payable. The amended senior secured credit facility agreement has one covenant, measured quarterly, that relates to total leverage. The consolidated total leverage covenant requires us to maintain a ratio of consolidated total funded debt to consolidated EBITDA (both as defined in the amended credit agreement) of 5.0x over the trailing four consecutive quarters through September 30, 2015. The consolidated total leverage ratio will reduce to 4.75x on December 31, 2015 and 4.50x on December 31, 2016.

The indentures governing our 7% senior notes and 5.375% senior notes contain covenants that limit, among other things, our ability and the ability of our restricted subsidiaries to incur certain additional indebtedness and issue preferred stock, make certain distributions, investments and other restricted payments, sell certain assets, agree to any

restrictions on the ability of restricted subsidiaries to make payments to us, merge, consolidate or sell all of our assets, create certain liens, and engage in transactions with affiliates on terms that are not arms-length. Certain covenants, including those pertaining to incurrence of indebtedness, restricted payments, asset sales, mergers and transactions with affiliates will be suspended during any period in which the notes are rated investment grade by both rating agencies and no default or event of default under the indenture has occurred and is continuing. The 7% senior notes and the 5.375% senior notes contain two incurrence-based financial covenants, as defined, requiring a minimum fixed charge coverage ratio of 2.0x and a maximum secured indebtedness leverage ratio of 3.25x for the 7% senior notes and 3.5x for the 5.375% senior notes.



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Some of our other subsidiary indebtedness includes restrictions on entering into various transactions, such as acquisitions and disposals, and prohibits payment of ordinary dividends. They also have financial covenants including minimum consolidated EBITDA to consolidated net interest payable, minimum consolidated cash flow to consolidated debt service and maximum consolidated debt to consolidated EBITDA, all as defined in the applicable debt agreements.

As of December 31, 2014, we believe we were in compliance with all of our debt covenants. We expect to remain in compliance with all of our debt covenants throughout 2015.

### Disposals of Assets

During 2013 we received \$82.6 million of proceeds primarily related to the sale of a theater in New York and insurance recoveries for storm damage sustained to an amphitheater located in New York. There were no significant disposals of operating assets in 2014 and 2012.

### Stock Option Exercises

During 2014 and 2013 we received \$21.8 million and \$85.1 million, respectively, of proceeds from the exercise of stock options. There were no significant stock option exercises during 2012.

### Uses of Cash

#### Acquisitions

When we make acquisitions, the acquired entity may have cash on its balance sheet at the time of acquisition. All amounts discussed in this section are presented net of any cash acquired. During 2014, we used \$210.2 million of cash primarily for acquisitions of a controlling interest in a festival and concert promoter located in the United States in our Concerts and Sponsorship & Advertising segments and three acquisitions of artist management businesses located in the United States in our Artist Nation segment.

During 2013, we used \$93.5 million of cash primarily for acquisitions of controlling interests in festival promoters located in the United States and the United Kingdom, both in our Concerts segment, along with the acquisition in our Artist Nation segment of an artist management business located in the United Kingdom.

During 2012, we used \$75.6 million of cash primarily for acquisitions in our Concerts segment of a controlling interest in a concert promoter located in Australia and two festival promoters located in the United States and the United Kingdom.

#### Intangibles

During 2012, we used \$14.6 million of cash primarily related to the purchase of rights to a festival in Europe. There was no significant use of cash to purchase intangible assets during 2014 and 2013.

#### Purchases of Noncontrolling Interests

During 2013, we used \$50.9 million of cash primarily for the acquisition of the remaining equity interest in a company that owns the 3Arena in Ireland. There were no significant acquisitions of noncontrolling interests during 2014 and 2012.

#### Deferred and Contingent Consideration

We used \$10.6 million of cash to settle deferred and contingent consideration liabilities for certain past acquisitions during 2012. There were no significant payments during 2014 and 2013.

#### Capital Expenditures

Venue and ticketing operations are capital intensive businesses, requiring continual investment in our existing venues and ticketing systems in order to address audience and artist expectations, technological industry advances and various federal, state and/or local regulations.

We categorize capital outlays between maintenance capital expenditures and revenue generating capital expenditures. Maintenance capital expenditures are associated with the renewal and improvement of existing venues and technology systems, web development and administrative offices. Revenue generating capital expenditures generally relate to the construction of new venues, major renovations to existing buildings or buildings that are being added to our venue network, the development of new online or ticketing tools and technology enhancements. Revenue generating capital expenditures can also include smaller projects whose purpose is to increase revenue and/or improve operating income. Capital expenditures typically increase during periods when venues are not in operation since that is the time that such improvements can be completed.

Our capital expenditures, including accruals but excluding expenditures funded by outside parties such as landlords or replacements funded by insurance companies, consisted of the following:

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	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Maintenance capital expenditures	\$60,320	\$59,645	\$62,962
Revenue generating capital expenditures	73,476	56,732	60,255
Total capital expenditures	\$133,796	\$116,377	\$123,217

Revenue generating capital expenditures for 2014 increased from the prior year primarily due to an increase in venue-related projects and higher investments in technology and development of innovative new products.

Revenue generating capital expenditures for 2013 decreased from the prior year primarily due to reduced expenditures related to the re-platforming of our ticketing system and other ticketing products.

For the years ended December 31, 2014, 2013 and 2012, \$4.4 million, \$24.7 million and \$1.2 million, respectively, of insurance proceeds and landlord reimbursements have been excluded from capital expenditures in the table above.

Included in this total for 2013, is \$18.5 million of insurance proceeds, excluded from revenue generating capital expenditures, to restore an amphitheater in New York that sustained storm damage.

We currently expect capital expenditures to be approximately \$145 million for the year ending December 31, 2015.

**Contractual Obligations and Commitments****Firm Commitments**

In addition to the scheduled maturities on our debt, we have future cash obligations under various types of contracts. We lease office space, certain equipment and many of the venues used in our concert operations under long-term operating leases. Some of our lease agreements contain renewal options and annual rental escalation clauses (generally tied to the consumer price index), as well as provisions for our payment of utilities and maintenance. We also have minimum payments associated with non-cancelable contracts related to our operations such as artist guarantee contracts and client ticketing agreements. As part of our ongoing capital projects, we will enter into construction-related commitments for future capital expenditure work. The scheduled maturities discussed below represent contractual obligations as of December 31, 2014 and thus do not represent all expected expenditures for those periods.

The scheduled maturities of our outstanding long-term debt (excluding unamortized debt discounts and premium), future minimum rental commitments under non-cancelable lease agreements, minimum payments under other non-cancelable contracts, capital expenditure commitments and expected payments of contingent consideration liabilities as of December 31, 2014 are as follows:

	Payments Due by Period				2020 and thereafter
	Total	2015	2016-2017	2018-2019	
	(in thousands)				
Long-term debt obligations, including current maturities:					
Term loans and revolving credit facility	\$1,043,062	\$21,000	\$69,600	\$61,837	\$890,625
7% senior notes	425,000	—	—	—	425,000
2.5% convertible senior notes <sup>(1)</sup>	275,000	—	—	275,000	—
5.375% senior note	250,000	—	—	—	250,000
Other long-term debt	96,031	26,485	31,242	10,011	28,293
Estimated interest payments <sup>(2)</sup>	504,278	90,828	173,918	161,060	78,472
Non-cancelable operating leases <sup>(3)</sup>	2,240,542	135,816	264,831	229,724	1,610,171
Non-cancelable contracts <sup>(3)</sup>	1,392,307	877,072	427,777	77,340	10,118
Capital expenditures	10,107	9,807	50	—	250
Contingent and deferred consideration	25,951	1,703	21,850	2,398	—
Total	\$6,262,278	\$1,162,711	\$989,268	\$817,370	\$3,292,929



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- (1) On or after November 2018, holders may convert their 2.5% convertible senior notes.
- (2) Does not include interest on the revolving credit facility as the balance was zero as of December 31, 2014.
- (3) Commitment amounts for non-cancelable operating leases and non-cancelable contracts which stipulate an increase in the commitment amount based on an inflationary index have been estimated using an inflation factor of 2.4% for North America, 3.3% for the United Kingdom and 1.8% for the Netherlands.

During 2006, in connection with our acquisition of the Historic Theatre Group, we guaranteed obligations related to a lease agreement. In the event of default, we could be liable for obligations which have future lease payments (undiscounted) of approximately \$20.0 million through the end of 2035 which are not reflected in the table above. The scheduled future minimum rentals for this lease for the years 2015 through 2019 are \$1.6 million each year. The venues under the lease agreement were included in the sale of our North American theatrical business in 2008. The buyer assumed our obligations under the guaranty, however we remain contingently liable to the lessor. We believe that the likelihood of a material liability being triggered under this lease is remote, and no liability has been accrued for these contingent lease obligations as of December 31, 2014.

Aggregate minimum rentals of \$70.5 million to be received in years 2015 through 2023 under non-cancelable subleases are excluded from the commitment amounts in the above table.

**Guarantees of Third-Party Obligations**

As of December 31, 2014 and 2013, we guaranteed the debt of third parties of approximately \$13.1 million, in each respective year, primarily related to maximum credit limits on employee and tour-related credit cards and obligations under a venue management agreement.

**Cash Flows**

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Cash provided by (used in):			
Operating activities	\$269,409	\$417,472	\$367,098
Investing activities	\$(384,294 )	\$(143,663 )	\$(203,791 )
Financing activities	\$240,864	\$32,984	\$(19,891 )
Operating Activities			

**Year Ended 2014 Compared to Year Ended 2013**

Cash provided by operating activities was \$269.4 million for the year ended December 31, 2014, compared to \$417.5 million for the year ended December 31, 2013. The \$148.1 million decrease in cash provided by operating activities resulted primarily from net changes in the event-related operating accounts which are dependent on the timing of ticket sales along with the size and number of future events. During 2014, this change was primarily due to an increase in prepaid event-related expenses driven by the timing of artist advances. Partially offsetting this use of operating cash was an increase in the cash portion of net income driven by growth in operating results in 2014.

**Year Ended 2013 Compared to Year Ended 2012**

Cash provided by operating activities was \$417.5 million for the year ended December 31, 2013, compared to \$367.1 million for the year ended December 31, 2012. The \$50.4 million increase in cash provided by operating activities resulted primarily from an increase in the cash-related portion of net income driven by our improved operating results in 2013. In addition, we had higher collections of accounts receivable and also benefited from increases in accrued expenses in 2013 as compared to the prior year.

**Investing Activities**

**Year Ended 2014 Compared to Year Ended 2013**

Cash used in investing activities was \$384.3 million for the year ended December 31, 2014, compared to \$143.7 million for the year ended December 31, 2013. The \$240.6 million increase in cash used in investing activities is primarily due to higher payments for acquisitions and lower proceeds received from the disposal of operating assets as compared to the prior year. See “—Sources of Cash” and “—Uses of Cash” above for further discussion.



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### Year Ended 2013 Compared to Year Ended 2012

Cash used in investing activities was \$143.7 million for the year ended December 31, 2013, compared to \$203.8 million for the year ended December 31, 2012. The \$60.1 million decrease in cash used in investing activities is primarily due to higher proceeds received from the disposal of operating assets in 2013 as compared to the prior year. See “—Sources of Cash” above for further discussion.

### Financing Activities

#### Year Ended 2014 Compared to Year Ended 2013

Cash provided by financing activities was \$240.9 million for the year ended December 31, 2014, compared to \$33.0 million for the year ended December 31, 2013. The \$207.9 million increase in cash provided by financing activities is primarily a result of higher net proceeds from the issuance of the 5.375% senior notes and 2.5% convertible senior notes after repayment of the 2.875% convertible senior notes and lower payments for purchases of noncontrolling interests partially offset by lower proceeds from the exercise of stock options in 2014 as compared to the prior year.

#### Year Ended 2013 Compared to Year Ended 2012

Cash provided by financing activities was \$33.0 million for the year ended December 31, 2013, compared to cash used in financing activities of \$19.9 million for the year ended December 31, 2012. The \$52.9 million increase in cash provided by financing activities is primarily a result of higher proceeds from the exercise of stock options partially offset by higher purchases of non-controlling interests in 2013 as compared to the prior year.

### Seasonality

Our Concerts, Artist Nation and Sponsorship & Advertising segments typically experience higher operating income in the second and third quarters as our outdoor venues and festivals are primarily used in or occur during May through September, and our artist touring activity is higher. In addition, the timing of the on-sale of tickets and the tours of top-grossing acts can impact comparability of quarterly results year over year, although annual results may not be impacted. Our Ticketing segment sales are impacted by fluctuations in the availability of events for sale to the public, which vary depending upon scheduling by our clients.

Cash flows from our Concerts segment typically have a slightly different seasonality as payments are often made for artist performance fees and production costs for global tours in advance of the date the related event tickets go on sale. These artist fees and production costs are expensed when the event occurs. Once tickets for an event go on sale, we generally begin to receive payments from ticket sales at our owned or operated venues in advance of when the event occurs. We record these ticket sales as revenue when the event occurs.

We expect these trends to continue in the future. See Item 1A.—Risk Factors—Our operations are seasonal and our results of operations vary from quarter to quarter and year over year, so our financial performance in certain financial quarters or years may not be indicative of, or comparable to, our financial performance in subsequent quarters or years.

### Market Risk

We are exposed to market risks arising from changes in market rates and prices, including movements in foreign currency exchange rates and interest rates.

### Foreign Currency Risk

We have operations in countries throughout the world. The financial results of our foreign operations are measured in their local currencies. As a result, our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which we have operations. Currently, we do not operate in any hyper-inflationary countries. Excluding the goodwill impairment, our foreign operations reported operating income of \$85.9 million for the year ended December 31, 2014. We estimate that a 10% change in the value of the United States dollar relative to foreign currencies would change our operating income for the year ended December 31, 2014 by \$8.6 million. As of December 31, 2014, our most significant foreign exchange exposure included the Euro, British Pound, Australian Dollar and Canadian Dollar. This analysis does not consider the implication such currency fluctuations could have on the overall economic conditions of the United States or other foreign countries in which we operate or on the results of operations of our foreign entities.

We primarily use forward currency contracts in addition to options to reduce our exposure to foreign currency risk associated with short-term artist fee commitments. We also may enter into forward currency contracts to minimize the

risks and/or costs associated with changes in foreign currency rates on forecasted operating income. At December 31, 2014, we had forward currency contracts and options outstanding with a notional amount of \$63.3 million.



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### Interest Rate Risk

Our market risk is also affected by changes in interest rates. We had \$2.1 billion of total debt, net of unamortized discounts and premium, outstanding as of December 31, 2014. Of the total amount, taking into consideration existing interest rate hedges, we had \$1.0 billion of fixed-rate debt and \$1.1 billion of floating-rate debt.

Based on the amount of our floating-rate debt as of December 31, 2014, each 25 basis point increase or decrease in interest rates would increase or decrease our annual interest expense and cash outlay by approximately \$2.6 million when the floor rate is not applicable. This potential increase or decrease is based on the simplified assumption that the level of floating-rate debt remains constant with an immediate across-the-board increase or decrease as of December 31, 2014 with no subsequent change in rates for the remainder of the period.

At December 31, 2014, we have an interest rate swap agreement that is designated as a cash flow hedge for accounting purposes. The interest rate swap had a notional amount of \$6.8 million at December 31, 2014, to effectively convert a portion of our floating-rate debt to a fixed-rate basis, and expires in May 2015. The fair value of this agreement at December 31, 2014 was not significant. This agreement was put into place to reduce the variability of the cash flows from the interest payments related to certain financing.

We have two interest rate swap agreements with a \$22.5 million aggregate notional amount at December 31, 2014, that effectively convert a portion of our floating-rate debt to a fixed-rate basis. Both agreements expire in December 2015. These interest rate swap agreements have not been designated as hedging instruments. Therefore, any change in fair value is recorded in earnings during the period of the change.

### Recent Accounting Pronouncements

#### Recently Issued Pronouncements

In April 2014, the FASB issued guidance that raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The guidance is effective for disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014 and interim periods within that year. This guidance is applied prospectively and early adoption is permitted. We will adopt this guidance on January 1, 2015 and will apply it prospectively to disposals occurring on or after January 1, 2015.

In May 2014, the FASB issued a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under GAAP. The new standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle of the guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is effective for annual and interim periods beginning after December 15, 2016, and early adoption of the standard is not permitted. The guidance should be applied retrospectively, either to each prior period presented in the financial statements, or only to the most current reporting period presented in the financial statements with a cumulative-effect adjustment as of the date of adoption. We will adopt this standard on January 1, 2017, and are currently assessing which implementation method we will apply and the impact its adoption will have on our financial position and results of operations.

In June 2014, the FASB issued guidance that requires a performance target in a share-based payment that affects vesting, and that could be achieved after the requisite service period, be accounted for as a performance condition. The guidance is effective for annual periods beginning after December 15, 2015 and interim periods within that year, and early adoption is permitted. The guidance should be applied on a prospective basis to awards that are granted or modified on or after the effective date. The guidance may be applied on a modified retrospective basis for performance targets outstanding on or after the beginning of the first annual period presented as of the date of adoption. We do not currently expect to grant these type of awards, but will adopt this guidance on January 1, 2016 and will apply it prospectively to any awards granted on or after January 1, 2016 that include these terms.

In February 2015, the FASB issued new guidance for evaluating whether a reporting organization should consolidate certain legal entities. This guidance is effective for annual and interim periods beginning after December 15, 2015, and early adoption is permitted. The guidance should be applied either using a modified retrospective approach or retrospectively. We will adopt this standard on January 1, 2016, and we are currently assessing which implementation

method we will apply and the impact its adoption will have on our financial position and results of operations.

Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and

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liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. On an ongoing basis, we evaluate our estimates that are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of these evaluations forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenue and expenses that are not readily apparent from other sources. Because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such difference could be material. Management believes that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require management's most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. The following narrative describes these critical accounting estimates, the judgments and assumptions and the effect if actual results differ from these assumptions where applicable.

### Consolidation

We consolidate entities in which we own more than 50% of the voting common stock and control operations and also VIEs for which we are the primary beneficiary. Investments in nonconsolidated affiliates in which we own more than 20% of the voting common stock or otherwise exercise significant influence over operating and financial policies, but not control of the nonconsolidated affiliate, are accounted for using the equity method of accounting. Investments in nonconsolidated affiliates in which we own less than 20% of the voting common stock are accounted for using the cost method of accounting. Intercompany accounts among the consolidated businesses have been eliminated in consolidation. Net income (loss) attributable to noncontrolling interests is reflected in the statements of operations for consolidated affiliates.

### Business Combinations

We account for our business combinations under the acquisition method of accounting. Identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquiree are recognized and measured as of the acquisition date at fair value. Additionally, contingent consideration is recorded at fair value on the acquisition date and classified as a liability. Goodwill is recognized to the extent by which the aggregate of the acquisition-date fair value of the consideration transferred and any noncontrolling interest in the acquiree exceeds the recognized basis of the identifiable assets acquired, net of assumed liabilities. Determining the fair value of assets acquired, liabilities assumed and noncontrolling interest requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash flows, discount rates and asset lives among other items.

### Property, Plant and Equipment

We test for possible impairment of property, plant and equipment whenever events or circumstances change, such as a current period operating cash flow loss combined with a history of, or projected, operating cash flow losses or a significant adverse change in the manner in which the asset is intended to be used, which may indicate that the carrying amount of the asset may not be recoverable. If indicators exist, we compare the estimated undiscounted future cash flows related to the assets to the carrying amount of those assets. If the carrying value is greater than the estimated undiscounted future cash flows, the cost basis of the asset is reduced to reflect the current fair value. We use various assumptions in determining the current fair value of these assets, including future expected cash flows and discount rates, as well as future salvage values and other fair value measures. Our impairment loss calculations require us to apply judgment in estimating future cash flows, including forecasting useful lives of the assets and selecting the discount rate that reflects the risk inherent in future cash flows.

If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, we may be exposed to future impairment losses that could be material to our results of operations.

### Intangibles

We test for possible impairment of definite-lived intangible assets whenever events or circumstances change, such as a current period operating cash flow loss combined with a history of, or projected, operating cash flow losses or a significant adverse change in the manner in which the asset is intended to be used, which may indicate that the carrying amount of the asset may not be recoverable. When specific assets are determined to be unrecoverable, the cost basis of the asset is reduced to reflect the current fair value.

We test for possible impairment of indefinite-lived intangible assets on at least an annual basis. Based on facts and circumstances, we perform either a qualitative or a quantitative assessment for impairment. If a qualitative assessment is performed, and the existence of events and circumstances indicate that it is more likely than not that an indefinite-lived intangible asset is impaired, then we perform the quantitative impairment test by comparing the fair value with the carrying amount. When specific assets are determined to be impaired, the cost basis of the asset is reduced to reflect the current fair value.

We use various assumptions in determining the current fair value of these definite-lived and indefinite-lived intangible assets, including future expected cash flows and discount rates, as well as other fair value measures. For intangibles related to

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artist rights, we use assumptions about future revenue and operating income for the rights acquired. These projections are based on information about the artists' past results and expectations about future results. Our impairment loss calculations require us to apply judgment in estimating future cash flows, including forecasting useful lives of the assets and selecting the discount rate that reflects the risk inherent in future cash flows.

If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, we may be exposed to future impairment losses that could be material to our results of operations.

### Goodwill

We currently have seven reporting units with goodwill balances: International Concerts and North American Concerts within the Concerts segment; Artist Management and Artist Services (non-management) within the Artist Nation segment; International Ticketing and North American Ticketing within the Ticketing segment; and Sponsorship & Advertising.

We review goodwill for impairment annually, as of October 1, using a three-step process. We also test goodwill for impairment in other periods if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount or when we change our operating segments or reporting units.

The first step is a qualitative evaluation as to whether it is more likely than not that the fair value of any of our reporting units is less than its carrying value using an assessment of relevant events and circumstances. Examples of such events and circumstances include historical financial performance, industry and market conditions, macroeconomic conditions, reporting unit-specific events, historical results of goodwill impairment testing and the timing of the last performance of a quantitative assessment. If any reporting units are concluded to be more likely than not impaired, or if that conclusion cannot be determined qualitatively, a second step is performed for that reporting unit. Regardless, all reporting units undergo a second step at least once every five years. This second step, used to quantitatively screen for potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. The third step, employed for any reporting unit that fails the second step, is used to measure the amount of any potential impairment and compares the implied fair value of the reporting unit's goodwill with the carrying amount of goodwill. If a reporting unit's carrying value is negative, we do not follow this three step process. In this case, a qualitative evaluation is performed to determine whether it is more likely than not that the reporting unit's goodwill is impaired. If it is, the comparison of the implied fair value of the reporting unit's goodwill with the carrying amount of goodwill described above is performed. In all three steps, discount rates, market multiples and sensitivity tests are derived and/or computed with the assistance of external valuation consultants.

The second and third steps that we use to evaluate goodwill for impairment involve the determination of the fair value of our reporting units. Inherent in such fair value determinations are certain judgments and estimates relating to future cash flows, including our interpretation of current economic indicators and market valuations, and assumptions about our strategic plans with regard to our operations. Due to the uncertainties associated with such estimates, actual results could differ from such estimates.

In developing fair values for our reporting units, we may employ a market multiple or a discounted cash flow methodology, or a combination thereof. The market multiple methodology compares us to similar companies on the basis of risk characteristics to determine our risk profile relative to those companies as a group. This analysis generally focuses on both quantitative considerations, which include financial performance and other quantifiable data, and qualitative considerations, which include any factors which are expected to impact future financial performance. The most significant assumptions affecting the market multiple methodology are the market multiples and control premium. A control premium represents the additional value an investor would pay in order to obtain a controlling interest in the respective company.

The discounted cash flow methodology establishes fair value by estimating the present value of the projected future cash flows to be generated from the reporting unit. It is important to note that items such as depreciation, amortization and stock-based compensation expense are not part of cash flows which is more akin to our adjusted operating income metric. The discount rate applied to the projected future cash flows to arrive at the present value is intended to reflect all risks of ownership and the associated risks of realizing the stream of projected future cash flows. The discounted cash flow methodology uses our estimates of future financial performance. The most significant assumptions used in the discounted cash flow methodology are the discount rate, the attrition rate and expected future revenue, which vary

among reporting units.

If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, we may be exposed to future impairment losses that could be material to our results of operations.

We perform sensitivity analyses when the most likely result is unclear in the first step and for both the second and third steps in our process. Generally, we test for sensitivities to discount rate, revenue growth, market multiples and customer attrition, which are the most significant assumptions. We did not identify any reporting units with sensitivity test results that would change our first step conclusions. The reporting units that did not advance to the second step each had a significant excess of fair value over their carrying value in the most recent quantitative tests, outperformed their recent financial expectations, and/or had improvement in their discount rates and market multiples. Although we cannot predict future

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performance or market conditions, we do not currently believe that any of these reporting units are at risk of failing the second step in the near future.

The North American Concerts and Artist Management reporting units did advance to the second step, but did not advance to the third step and their excess of fair value over carrying value ranged from 22% to 37%. Both of these reporting units had outperformed their recent financial expectations and had improvement in their discount rates. North American Concerts had improvement in its market multiple whereas Artist Management had a slight decline. Sensitivity tests on North American Concerts showed that a 300 basis point change in the discount rate was needed to change the conclusion. It was not sensitive to revenue growth rate, market multiple or control premium changes. Artist Management showed a 150 basis point change in the discount rate or a 40% decline in the revenue growth rate was needed to change the conclusion. It was not sensitive to market multiple or control premium changes. Given the amount of excess fair value over carrying value and the results of the sensitivity tests performed, although we cannot predict future performance or market conditions, we do not currently believe these two reporting units are at risk of failing the second step in the near future.

Both the International Concerts and Artist Services (non-management) reporting units recorded goodwill impairments in the fourth quarter of 2014. Both of these reporting units did not meet their financial expectations in the current year, and for Artist Services, the market multiple decreased slightly. Offsetting these changes were improved discount rates for both reporting units and an increase in the market multiple for International Concerts. Although both reporting units failed the second step by only 6% or less and showed some sensitivity to the discount rate, revenue growth and market multiples, such that it would not take a large change in some of these assumptions to pass the second step, it was concluded that they should advance to the third step. Sensitivities were performed for the third step; however, those assumptions tested needed more than a minor improvement to change the conclusion of impairment. After taking into consideration the impairment recorded in 2014, although we cannot predict future performance or market conditions, we do not currently believe these two reporting units are at risk of failing the second step in the near future.

### Revenue Recognition

Revenue from the promotion and production of an event is recognized after the show occurs. Revenue related to larger global tours is recognized after the show occurs; however, any profits related to these tours, primarily related to music tour production and tour management services, is recognized after minimum revenue thresholds, if any, have been achieved. Revenue collected in advance of the event is recorded as deferred revenue until the event occurs. Revenue collected from sponsorships and other revenue, which is not related to any single event, is classified as deferred revenue and generally amortized over the operating season or the term of the contract.

Revenue from our ticketing operations primarily consists of convenience and order processing fees charged at the time a ticket for an event is sold and is recorded on a net basis (net of the face value of the ticket). For tickets sold for events at our owned or operated venues in the United States, and where we control the tickets internationally, revenue is recognized after the show occurs. Revenue for these ticket service charges collected in advance of the event is recorded as deferred revenue until the event occurs. These service charges will be shared between our Ticketing and Concerts segments. For tickets sold for events at third-party venues, this revenue is recognized at the time of the sale and is recorded by our Ticketing segment.

We account for taxes that are externally imposed on revenue producing transactions on a net basis, as a reduction of revenue.

### Litigation Accruals

We are currently involved in certain legal proceedings and, as required, have accrued our estimate of the probable costs for the resolution of these claims. Management's estimates used have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings.

### Income Taxes

We account for income taxes using the liability method in accordance with the FASB guidance for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting

bases and tax bases of assets and liabilities and are measured using the enacted tax rates expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be realized or settled. Deferred tax assets are reduced by valuation allowances if we believe it is more likely than not that some portion or the entire asset will not be realized. As almost all earnings from our continuing foreign operations are permanently reinvested and not distributed, our income tax provision does not include additional United States taxes on those foreign operations. The amount of earnings at December 31, 2014 that is permanently reinvested was approximately \$1.1 billion. It is not practical to determine the amount of federal and state income taxes, if any, that might become due in the event that the earnings were distributed.



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The FASB guidance for income taxes prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is more likely than not to be realized upon ultimate settlement.

## Ratio of Earnings to Fixed Charges

The ratio of earnings to fixed charges is as follows:

Year Ended December 31,

2014	2013	2012	2011	2010
*	*	*	*	*

For the years ended December 31, 2014, 2013, 2012, 2011 and 2010, fixed charges exceeded earnings from \*continuing operations before income taxes and fixed charges by \$65.2 million, \$6.0 million, \$142.1 million, \$104.4 million and \$193.6 million, respectively.

The ratio of earnings to fixed charges was computed on a total company basis. Earnings represent income from continuing operations before income taxes less equity in undistributed net income (loss) of nonconsolidated affiliates plus fixed charges. Fixed charges represent interest, amortization of debt discounts, premium and expense and the estimated interest portion of rental charges. Rental charges exclude variable rent expense for events in third-party venues.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Required information is within Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risk.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Live Nation Entertainment, Inc.

We have audited the accompanying consolidated balance sheets of Live Nation Entertainment, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive loss, changes in equity and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the index at Item 15(a)2. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Live Nation Entertainment, Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Live Nation Entertainment, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 26, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California  
February 26, 2015

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CONSOLIDATED BALANCE SHEETS

	December 31,	
	2014	2013
	(in thousands, except share data)	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$1,382,029	\$1,299,184
Accounts receivable, less allowance of \$17,489 and \$19,850 in 2014 and 2013, respectively	419,301	439,151
Prepaid expenses	440,272	378,342
Other current assets	26,089	43,427
Total current assets	2,267,691	2,160,104
Property, plant and equipment		
Land, buildings and improvements	808,116	816,931
Computer equipment and capitalized software	454,925	421,846
Furniture and other equipment	209,624	210,866
Construction in progress	78,111	52,883
	1,550,776	1,502,526
Less accumulated depreciation	855,439	795,726
	695,337	706,800
Intangible assets		
Definite-lived intangible assets, net	682,713	676,564
Indefinite-lived intangible assets	369,480	376,736
Goodwill	1,479,037	1,466,983
Other long-term assets	494,103	296,334
Total assets	\$5,988,361	\$5,683,521
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable, client accounts	\$658,108	