

Live Nation Entertainment, Inc.  
Form 10-Q  
August 10, 2015

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

Form 10-Q

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

For the quarterly period ended June 30, 2015

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.)

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 Web site, 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 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 August 4, 2015, there were 202,362,219 outstanding shares of the registrant's common stock, \$0.01 par value per share, including 938,389 shares of unvested restricted stock awards and excluding 408,024 shares held in treasury.

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LIVE NATION ENTERTAINMENT, INC.  
GLOSSARY OF KEY TERMS

AOCI	Accumulated other comprehensive income (loss)
AOI	Adjusted operating income (loss)
Company	Live Nation Entertainment, Inc. and subsidiaries
FASB	Financial Accounting Standards Board
GAAP	United States Generally Accepted Accounting Principles
Live Nation	Live Nation Entertainment, Inc. and subsidiaries
SEC	United States Securities and Exchange Commission
	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
Ticketmaster	

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## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements

## LIVE NATION ENTERTAINMENT, INC.

## CONSOLIDATED BALANCE SHEETS

## (UNAUDITED)

	June 30, 2015	December 31, 2014 (as adjusted)
	(in thousands)	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,525,819	\$ 1,382,029
Accounts receivable, less allowance of \$18,671 and \$17,489, respectively	524,227	419,301
Prepaid expenses	655,805	440,272
Other current assets	46,897	26,089
Total current assets	2,752,748	2,267,691
Property, plant and equipment		
Land, buildings and improvements	816,708	808,116
Computer equipment and capitalized software	456,949	454,925
Furniture and other equipment	228,297	209,624
Construction in progress	107,751	78,111
	1,609,705	1,550,776
Less accumulated depreciation	907,942	855,439
	701,763	695,337
Intangible assets		
Definite-lived intangible assets, net	785,086	682,713
Indefinite-lived intangible assets	369,522	369,480
Goodwill	1,619,123	1,479,037
Other long-term assets	485,274	474,103
Total assets	\$ 6,713,516	\$ 5,968,361
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable, client accounts	\$ 722,720	\$ 658,108
Accounts payable	86,087	74,151
Accrued expenses	635,490	675,880
Deferred revenue	1,201,446	543,122
Current portion of long-term debt, net	57,289	47,443
Other current liabilities	24,248	12,035
Total current liabilities	2,727,280	2,010,739
Long-term debt, net	1,973,173	1,995,957
Long-term deferred income taxes	194,607	196,759
Other long-term liabilities	128,346	112,204
Commitments and contingent liabilities		
Redeemable noncontrolling interests	245,545	168,855
Stockholders' equity		
Common stock	2,016	2,004
Additional paid-in capital	2,430,002	2,414,428
Accumulated deficit	(1,085,826)	(1,042,603)
Cost of shares held in treasury	(6,865)	(6,865)

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Accumulated other comprehensive loss	(87,931	) (70,010	)
Total Live Nation stockholders' equity	1,251,396	1,296,954	
Noncontrolling interests	193,169	186,893	
Total equity	1,444,565	1,483,847	
Total liabilities and equity	\$6,713,516	\$5,968,361	

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands except share and per share data)			
Revenue	\$ 1,765,777	\$ 1,665,785	\$ 2,886,089	\$ 2,793,101
Operating expenses:				
Direct operating expenses	1,279,099	1,184,696	2,000,388	1,915,847
Selling, general and administrative expenses	326,839	325,925	641,384	628,330
Depreciation and amortization	88,571	76,219	173,112	158,807
Gain on disposal of operating assets	(76	) (3,787	) (37	) (3,281
Corporate expenses	26,342	25,717	50,702	46,891
Acquisition transaction expenses	2,757	1,329	2,230	3,129
Operating income	42,245	55,686	18,310	43,378
Interest expense	25,650	27,590	51,013	52,082
Interest income	(394	) (1,146	) (1,959	) (1,812
Equity in losses (earnings) of nonconsolidated affiliates	367	(960	) (2,613	) (3,766
Other expense (income), net	(8,500	) (330	) 12,528	(1,506
Income (loss) before income taxes	25,122	30,532	(40,659	) (1,620
Income tax expense	4,910	4,710	5,655	2,655
Net income (loss)	20,212	25,822	(46,314	) (4,275
Net income (loss) attributable to noncontrolling interests	5,156	2,888	(3,091	) 5,239
Net income (loss) attributable to common stockholders of Live Nation	\$ 15,056	\$ 22,934	\$ (43,223	) \$(9,514
Basic and diluted net income (loss) per common share available to common stockholders of Live Nation	\$ 0.06	\$ 0.11	\$ (0.25	) \$(0.06
Weighted average common shares outstanding:				
Basic	200,767,811	198,701,762	200,463,314	198,282,044
Diluted	208,778,589	205,989,271	200,463,314	198,282,044

See Notes to Consolidated Financial Statements

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LIVE NATION ENTERTAINMENT, INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Net income (loss)	\$ 20,212	\$ 25,822	\$ (46,314)	\$ (4,275 )
Other comprehensive income (loss), net of tax:				
Unrealized loss on cash flow hedges	(182 )	(5 )	—	(8 )
Realized loss on cash flow hedges	12	16	25	33
Change in funded status of defined benefit pension plan	108	—	113	30
Foreign currency translation adjustments	26,609	9,324	(18,059 )	19,143
Comprehensive income (loss)	46,759	35,157	(64,235 )	14,923
Comprehensive income (loss) attributable to noncontrolling interests	5,156	2,888	(3,091 )	5,239
Comprehensive income (loss) attributable to common stockholders of Live Nation	\$ 41,603	\$ 32,269	\$ (61,144)	\$ 9,684

See Notes to Consolidated Financial Statements

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LIVE NATION ENTERTAINMENT, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Six Months Ended	
	June 30,	
	2015	2014
	(in thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$(46,314	) \$(4,275 )
Reconciling items:		
Depreciation	63,705	61,906
Amortization	109,407	96,901
Deferred income tax benefit	(1,415	) (12,064 )
Amortization of debt issuance costs, discounts and premium, net	5,301	10,101
Non-cash compensation expense	17,562	22,568
Gain on disposal of operating assets	(37	) (3,281 )
Equity in losses (earnings) of nonconsolidated affiliates, net of distributions	3,732	(1,930 )
Other, net	(4,189	) 248
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Increase in accounts receivable	(122,058	) (126,528 )
Increase in prepaid expenses	(268,937	) (295,818 )
Increase in other assets	(48,629	) (30,609 )
Increase in accounts payable, accrued expenses and other liabilities	28,614	114,764
Increase in deferred revenue	620,412	508,323
Net cash provided by operating activities	357,154	340,306
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Collections and advances of notes receivable, net	(14,136	) (3,429 )
Investments made in nonconsolidated affiliates	(11,023	) (1,512 )
Purchases of property, plant and equipment	(67,344	) (66,388 )
Cash paid for acquisitions, net of cash acquired	(69,244	) (24,518 )
Other, net	(2,194	) 366
Net cash used in investing activities	(163,941	) (95,481 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt, net of debt issuance costs	101	514,612
Payments on long-term debt	(17,170	) (15,126 )
Contributions from noncontrolling interests	—	81
Distributions to noncontrolling interests	(9,370	) (18,036 )
Purchases and sales of noncontrolling interests, net	(9,491	) (3,528 )
Proceeds from exercise of stock options	13,015	11,737
Payments for deferred and contingent consideration	(4,125	) (5,541 )
Net cash provided by (used in) financing activities	(27,040	) 484,199
Effect of exchange rate changes on cash and cash equivalents	(22,383	) 13,478
Net increase in cash and cash equivalents	143,790	742,502
Cash and cash equivalents at beginning of period	1,382,029	1,299,184
Cash and cash equivalents at end of period	\$ 1,525,819	\$ 2,041,686



See Notes to Consolidated Financial Statements

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LIVE NATION ENTERTAINMENT, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

NOTE 1—BASIS OF PRESENTATION AND OTHER INFORMATION

Preparation of Interim Financial Statements

The accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X issued by the SEC. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, they include all normal and recurring accruals and adjustments necessary to present fairly the results of the interim periods shown.

The financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2014 Annual Report on Form 10-K filed with the SEC on February 26, 2015, as amended by the Form 10-K/A filed with the SEC on June 30, 2015.

Seasonality

Due to the seasonal nature of shows at outdoor amphitheaters and festivals, which primarily occur from May through September, the Concerts and Sponsorship & Advertising segments experience higher revenue during the second and third quarters. The Artist Nation segment's revenue is impacted, to a large degree, by the touring schedules of artists it represents and generally experiences higher revenue during the second and third quarters as the period from May through September tends to be a popular time for touring events. The Ticketing segment's revenue is impacted by fluctuations in the availability of events for sale to the public, which vary depending upon scheduling by its clients. The Company's seasonality also results in higher balances in cash and cash equivalents, accounts receivable, prepaid expenses, accrued expenses and deferred revenue at different times in the year. Therefore, the results to date are not necessarily indicative of the results expected for the full year.

Cash and Cash Equivalents

Included in the June 30, 2015 and December 31, 2014 cash and cash equivalents balance is \$618.3 million and \$533.8 million, respectively, of cash received that includes the face value of tickets sold on behalf of ticketing clients and their share of service charges, which amounts are to be remitted to the clients.

Acquisitions

During the first six months of 2015, the Company completed several acquisitions that were accounted for as business combinations under the acquisition method of accounting and were not significant either on an individual basis or in the aggregate.

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the 2015 presentation. The Company has reclassified \$20.0 million of debt issuance costs originally included in other long-term assets in the December 31, 2014 balance sheet and now reflects it as a reduction of the current portion of long-term debt and long-term debt in connection with the retrospective application of new accounting guidance for debt issuance costs as discussed below.

Recent Accounting Pronouncements

Recently Adopted 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 Company adopted this guidance on January 1, 2015 and there has been no impact from its adoption.

In April 2015, the FASB issued guidance that simplifies the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a deduction from the carrying amount of that debt liability, consistent with debt discounts. The guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015 and interim periods within that year. The guidance should be applied on a retrospective basis to all periods presented in the financial statements. Early adoption is permitted and

the Company adopted this guidance on January 1, 2015. See “—Reclassifications” above for discussion of the impact of implementation.

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Recently Issued Pronouncements

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. In July 2015, the FASB affirmed its proposal to defer the effective date of the new revenue recognition standard by one year. The FASB also affirmed its proposal to allow early adoption of the standard, but not before the original effective date. Assuming final guidance is issued deferring the effective date, the Company will adopt this standard on January 1, 2018, and is currently assessing which implementation method it will apply and the impact its adoption will have on its financial position and results of operations.

In April 2015, the FASB amended its guidance on internal-use software providing guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments to this guidance are effective for annual and interim periods beginning after December 15, 2015, and early adoption is permitted. The guidance should be applied either prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. The Company will adopt this standard on January 1, 2016, and is currently assessing which implementation method it will apply and the impact its adoption will have on its financial position and results of operations.

In February 2015, the FASB issued amendments to the consolidation guidance that make changes to the analysis a reporting entity must perform to determine whether it should consolidate certain types of 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. The Company will adopt this standard on January 1, 2016, and is currently assessing which implementation method it will apply and the impact its adoption will have on its financial position and results of operations.

NOTE 2—LONG-LIVED ASSETS

Definite-lived Intangible Assets

The Company has definite-lived intangible assets which are amortized over the shorter of either the lives of the respective agreements or the period of time the assets are expected to contribute to the Company's future cash flows. The amortization is recognized on either a straight-line or expected cash flows basis.

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The following table presents the changes in the gross carrying amount and accumulated amortization of definite-lived intangible assets for the six months ended June 30, 2015:

	Revenue- generating contracts	Client / vendor relationships	Non-competemanagerment agreements	Venue and leaseholds	Technology	Trademarks and naming rights	Other	Total
(in thousands)								
Balance as of December 31, 2014:								
Gross carrying amount	\$ 635,127	\$ 355,992	\$ 123,552	\$ 83,322	\$ 15,330	\$ 24,266	\$ 3,581	\$ 1,241,170
Accumulated amortization	(272,071 )	(123,195 )	(98,512 )	(50,490 )	(4,246 )	(8,701 )	(1,242 )	(558,457 )
Net	363,056	232,797	25,040	32,832	11,084	15,565	2,339	682,713
Gross carrying amount:								
Acquisitions— current year	115,097	15,000	—	—	17,950	42,470	—	190,517
Acquisitions— prior year	(4,246 )	(1,523 )	1,500	—	11	—	—	(4,258 )
Foreign exchange	(7,470 )	(4,124 )	—	(341 )	143	(203 )	—	(11,995 )
Other <sup>(1)</sup>	(16,473 )	(2,655 )	—	(6,212 )	—	(9 )	—	(25,349 )
Net change	86,908	6,698	1,500	(6,553 )	18,104	42,258	—	148,915
Accumulated amortization:								
Amortization	(36,676 )	(25,371 )	(5,904 )	(4,506 )	(1,761 )	(1,718 )	(194 )	(76,130 )
Foreign exchange	2,839	961	—	333	(39 )	182	—	4,276
Other <sup>(1)</sup>	16,473	2,655	—	6,172	—	12	—	25,312
Net change	(17,364 )	(21,755 )	(5,904 )	1,999	(1,800 )	(1,524 )	(194 )	(46,542 )
Balance as of June 30, 2015:								
Gross carrying amount	722,035	362,690	125,052	76,769	33,434	66,524	3,581	1,390,085
Accumulated amortization	(289,435 )	(144,950 )	(104,416 )	(48,491 )	(6,046 )	(10,225 )	(1,436 )	(604,999 )
Net	\$ 432,600	\$ 217,740	\$ 20,636	\$ 28,278	\$ 27,388	\$ 56,299	\$ 2,145	\$ 785,086

<sup>(1)</sup> Other includes net downs of fully amortized or impaired assets.

Included in the current year acquisitions amount above of \$190.5 million are intangibles for revenue-generating contracts and trademarks and naming rights primarily associated with the acquisitions of controlling interests in two festival promoters located in the United States and the acquisition of a ticketing business located in the United States previously accounted for under the equity method.

The 2015 additions to definite-lived intangible assets from acquisitions have weighted-average lives as follows:

	Weighted- Average Life (years)
Revenue-generating contracts	9
Client/vendor relationships	8
Technology	10
Trademarks and naming rights	10

All categories

9

Amortization of definite-lived intangible assets for the three months ended June 30, 2015