

Live Nation Entertainment, Inc.  
Form 10-Q  
July 28, 2016

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

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Form 10-Q

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

For the quarterly period ended June 30, 2016

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

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LIVE NATION ENTERTAINMENT, INC.  
(Exact name of registrant as specified in its charter)

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Delaware 20-3247759  
(State of Incorporation) (I.R.S. Employer Identification No.)  
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)

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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 July 21, 2016, there were 203,085,142 outstanding shares of the registrant's common stock, \$0.01 par value per share, including 1,114,683 shares of unvested restricted stock awards and excluding 408,024 shares held in treasury.

Table of Contents

LIVE NATION ENTERTAINMENT, INC.  
INDEX TO FORM 10-Q

	Page
PART I—FINANCIAL INFORMATION	
<u>Item 1. Financial Statements</u>	<u>2</u>
<u>Consolidated Balance Sheets (Unaudited) as of June 30, 2016 and December 31, 2015</u>	<u>2</u>
<u>Consolidated Statements of Operations (Unaudited) for the three and six months ended June 30, 2016 and 2015</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income (Loss) (Unaudited) for the three and six months ended June 30, 2016 and 2015</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows (Unaudited) for the six months ended June 30, 2016 and 2015</u>	<u>5</u>
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	<u>6</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>15</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>31</u>
<u>Item 4. Controls and Procedures</u>	<u>32</u>
PART II—OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	<u>33</u>
<u>Item 1A. Risk Factors</u>	<u>33</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>33</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>33</u>
<u>Item 5. Other Information</u>	<u>33</u>
<u>Item 6. Exhibits</u>	<u>33</u>

---

Table of Contents

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
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 ticketing business of the Company.

See Notes to Consolidated Financial Statements

1

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Table of Contents

## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements

## LIVE NATION ENTERTAINMENT, INC.

## CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	June 30, 2016	December 31, 2015
	(in thousands)	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$1,512,099	\$ 1,303,125
Accounts receivable, less allowance of \$18,216 and \$17,168, respectively	634,562	452,600
Prepaid expenses	779,743	496,226
Other current assets	43,548	36,364
Total current assets	2,969,952	2,288,315
Property, plant and equipment		
Land, buildings and improvements	822,761	840,032
Computer equipment and capitalized software	511,693	505,233
Furniture and other equipment	242,079	233,271
Construction in progress	85,720	47,684
	1,662,253	1,626,220
Less accumulated depreciation	949,441	894,938
	712,812	731,282
Intangible assets		
Definite-lived intangible assets, net	810,418	777,763
Indefinite-lived intangible assets	369,001	369,317
Goodwill	1,670,676	1,604,315
Other long-term assets	510,567	385,249
Total assets	\$7,043,426	\$ 6,156,241
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable, client accounts	\$710,087	\$ 662,941
Accounts payable	103,722	58,607
Accrued expenses	778,101	686,664
Deferred revenue	1,347,953	618,640
Current portion of long-term debt, net	44,918	42,352
Other current liabilities	38,653	32,002
Total current liabilities	3,023,434	2,101,206
Long-term debt, net	1,985,190	2,002,662
Long-term deferred income taxes	198,617	199,472
Other long-term liabilities	127,887	142,267
Commitments and contingent liabilities		
Redeemable noncontrolling interests	292,516	263,715
Stockholders' equity		
Common stock	2,024	2,020
Additional paid-in capital	2,412,928	2,428,566
Accumulated deficit	(1,083,176 )	(1,075,111 )
Cost of shares held in treasury	(6,865 )	(6,865 )
Accumulated other comprehensive loss	(136,404 )	(111,657 )

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Total Live Nation stockholders' equity	1,188,507	1,236,953
Noncontrolling interests	227,275	209,966
Total equity	1,415,782	1,446,919
Total liabilities and equity	\$7,043,426	\$6,156,241

See Notes to Consolidated Financial Statements

2

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Table of ContentsLIVE NATION ENTERTAINMENT, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands except share and per share data)			
Revenue	\$2,179,258	\$1,765,777	\$3,386,974	\$2,886,089
Operating expenses:				
Direct operating expenses	1,605,688	1,279,099	2,389,891	2,000,388
Selling, general and administrative expenses	374,826	329,570	712,040	643,702
Depreciation and amortization	95,424	88,571	190,379	173,112
Gain on disposal of operating assets	(279)	(76)	(254)	(37)
Corporate expenses	29,440	26,368	54,049	50,614
Operating income	74,159	42,245	40,869	18,310
Interest expense	25,284	25,650	50,716	51,013
Interest income	(650)	(394)	(1,206)	(1,959)
Equity in losses (earnings) of nonconsolidated affiliates	305	367	(287)	(2,613)
Other expense (income), net	7,353	(8,500)	(1,194)	12,528
Income (loss) before income taxes	41,867	25,122	(7,160)	(40,659)
Income tax expense	5,406	4,910	12,333	5,655
Net income (loss)	36,461	20,212	(19,493)	(46,314)
Net income (loss) attributable to noncontrolling interests	(1,280)	5,156	(12,716)	(3,091)
Net income (loss) attributable to common stockholders of Live Nation	\$37,741	\$15,056	\$(6,777)	\$(43,223)
Basic and diluted net income (loss) per common share available to common stockholders of Live Nation	\$0.13	\$0.06	\$(0.16)	\$(0.25)
Weighted average common shares outstanding:				
Basic	201,896,009	200,767,811	201,796,075	200,463,314
Diluted	208,601,733	208,778,589	201,796,075	200,463,314
Reconciliation to net income (loss) available to common stockholders of Live Nation:				
Net income (loss) attributable to common stockholders of Live Nation	\$37,741	\$15,056	\$(6,777)	\$(43,223)
Accretion of redeemable noncontrolling interests	(11,292)	(3,105)	(24,628)	(6,993)
Basic and diluted net income (loss) available to common stockholders of Live Nation	\$26,449	\$11,951	\$(31,405)	\$(50,216)

See Notes to Consolidated Financial Statements

Table of ContentsLIVE NATION ENTERTAINMENT, INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)			
Net income (loss)	\$36,461	\$20,212	\$(19,493)	\$(46,314)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(23,499 )	26,609	(24,747 )	(18,059 )
Other	—	(62 )	—	138
Comprehensive income (loss)	12,962	46,759	(44,240 )	(64,235 )
Comprehensive income (loss) attributable to noncontrolling interests	(1,280 )	5,156	(12,716 )	(3,091 )
Comprehensive income (loss) attributable to common stockholders of Live Nation	\$14,242	\$41,603	\$(31,524)	\$(61,144)

See Notes to Consolidated Financial Statements

4

Table of Contents

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

	Six Months Ended June 30,	
	2016	2015
	(in thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$(19,493	) \$(46,314 )
Reconciling items:		
Depreciation	67,482	63,705
Amortization	122,897	109,407
Deferred income tax benefit	(2,708	) (1,415 )
Amortization of debt issuance costs, discounts and premium, net	5,199	5,301
Non-cash compensation expense	17,144	17,562
Other, net	1,845	(494 )
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Increase in accounts receivable	(171,670	) (122,058 )
Increase in prepaid expenses and other assets	(407,450	) (317,566 )
Increase in accounts payable, accrued expenses and other liabilities	186,888	33,936
Increase in deferred revenue	710,841	620,412
Net cash provided by operating activities	510,975	362,476
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Advances and collections of notes receivable, net	(4,513	) (14,136 )
Investments made in nonconsolidated affiliates	(13,508	) (11,023 )
Purchases of property, plant and equipment	(78,880	) (67,344 )
Cash paid for acquisitions, net of cash acquired	(122,318	) (69,244 )
Other, net	(191	) (2,194 )
Net cash used in investing activities	(219,410	) (163,941 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	(18,640	) (17,170 )
Distributions to noncontrolling interests	(22,211	) (9,370 )
Purchases and sales of noncontrolling interests, net	(16,559	) (9,491 )
Proceeds from exercise of stock options	743	13,015
Payments for deferred and contingent consideration	(3,732	) (4,125 )
Other, net	(8,695	) (5,221 )
Net cash used in financing activities	(69,094	) (32,362 )
Effect of exchange rate changes on cash and cash equivalents	(13,497	) (22,383 )
Net increase in cash and cash equivalents	208,974	143,790
Cash and cash equivalents at beginning of period	1,303,125	1,382,029
Cash and cash equivalents at end of period	\$1,512,099	\$1,525,819

See Notes to Consolidated Financial Statements

Table of Contents

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 2015 Annual Report on Form 10-K filed with the SEC on February 25, 2016, as amended by the Form 10-K/A filed with the SEC on June 29, 2016.

Seasonality

Due to the seasonal nature of shows at outdoor amphitheaters and festivals, which primarily occur from May through October, 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 October 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, 2016 and December 31, 2015 cash and cash equivalents balance is \$605.7 million and \$549.0 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 2016, 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.

Income Taxes

Each reporting period, the Company evaluates the realizability of all of its deferred tax assets in each tax jurisdiction. As of June 30, 2016, the Company continued to maintain a full valuation allowance against its net deferred tax assets in certain jurisdictions due to sustained pre-tax losses. As a result of the valuation allowances, no tax benefits have been recognized for losses incurred in those tax jurisdictions for the first six months of 2016 and 2015.

Reclassifications

The Company has reclassified \$5.3 million of payments for employee taxes, where shares were withheld upon the vesting or exercise of equity awards in order to satisfy the withholding obligation, from operating activities to financing activities within the consolidated statements of cash flows for the six months ended June 30, 2015. This reclassification was made in connection with the modified retrospective application of new accounting guidance for employee share-based payment transactions as discussed below.

Recent Accounting Pronouncements

Recently Adopted Pronouncements

In April 2015, the FASB amended its guidance on internal-use software providing clarification 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 Company adopted this guidance prospectively on January 1, 2016 and it did not have a material effect on the Company's financial position or results of operations.

6

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## Table of Contents

In March 2016, the FASB issued guidance that simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies, as well as classification in the statement of cash flows. The Company adopted this guidance effective January 1, 2016 using a modified retrospective transition method with a cumulative-effect adjustment to retained earnings for the changes to the accounting for forfeitures and excess tax benefits or deficiencies. Upon adoption of this guidance, the Company no longer estimates forfeitures in advance and now recognizes forfeitures as they occur and has reflected a cumulative effect adjustment to accumulated deficit in the consolidated balance sheets of \$1.3 million.

### 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 FASB continues to issue guidance clarifying certain guidelines of the standard including reframing the indicators in the principal versus agent guidance to focus on evidence that a company is acting as a principal rather than agent. The standard is effective for annual periods beginning after December 15, 2017 and interim periods within that year. Early adoption of the standard is only permitted for annual periods beginning after December 15, 2016 and interim periods within that year. 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. The Company will adopt this standard on January 1, 2018, and is currently assessing which implementation method it will apply and the impact that adoption will have on its financial position and results of operations.

In January 2016, the FASB issued amendments for the recognition, measurement, presentation, and disclosure of financial instruments. Among other things, the guidance requires equity investments that do not result in consolidation and are not accounted for under the equity method to be measured at fair value with any change in fair value recognized in net income unless the investments do not have readily determinable fair values. The amendments are effective for annual periods beginning after December 15, 2017 and interim periods within that year. Early adoption is not permitted for most of the amendments. The amendments are to be applied through a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption with the exception of equity investments without readily determinable fair values, which will be applied prospectively. The Company will adopt this standard on January 1, 2018, and currently expects that adoption of this guidance will not have a material impact on its financial position or results of operations.

In February 2016, the FASB issued guidance that requires lessees to recognize most leases on their balance sheet as a lease liability and a right-of-use asset, and to disclose key information about leasing arrangements. The guidance is effective for annual periods beginning after December 15, 2018 and interim periods within that year, and early adoption is permitted. The guidance should be applied on a modified retrospective basis. The Company expects to adopt this standard on January 1, 2019, and is currently evaluating the impact that the standard will have on its financial position and results of operations.

In March 2016, the FASB issued guidance clarifying that the assessment of whether an embedded contingent put or call option is clearly and closely related to the debt instrument only requires an analysis pursuant to the four-step decision sequence outlined in the guidance for embedded derivatives. The guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within that year. The guidance should be applied to existing debt instruments using a modified retrospective method as of the beginning of the period of adoption. The Company will adopt this standard on January 1, 2017, and currently expects that adoption of this guidance will not impact its financial position or 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.

7

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Table of Contents

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, 2016:

	Revenue- generating contracts	Client / vendor relationships	Trademarks and naming rights	Non-competem agreements	Venue management and leaseholds	Technology	Other	Total
(in thousands)								
Balance as of December 31, 2015:								
Gross carrying amount	\$ 700,795	\$ 379,282	\$ 86,556	\$ 176,354	\$ 66,051	\$ 30,265	\$ 3,598	\$ 1,442,901
Accumulated amortization	(313,743 )	(169,620 )	(14,578 )	(121,319 )	(35,645 )	(8,602 )	(1,631 )	(665,138 )
Net	387,052	209,662	71,978	55,035	30,406	21,663	1,967	777,763
Gross carrying amount:								
Acquisitions— current year	46,541	55,910	259	—	—	8,604	—	111,314
Acquisitions— prior year	11,404	782	3,620	1,500	1,174	—	154	18,634
Dispositions	—	(2,299 )	—	—	(1,093 )	—	—	(3,392 )
Foreign exchange	(9,923 )	(900 )	(387 )	(2,264 )	(1,697 )	(96 )	—	(15,267 )
Other <sup>(1)</sup>	(1,919 )	(2,307 )	(5 )	—	—	—	(1 )	(4,232 )
Net change	46,103	51,186	3,487	(764 )	(1,616 )	8,508	153	107,057
Accumulated amortization:								
Amortization	(33,092 )	(31,098 )	(4,931 )	(10,554 )	(2,676 )	(2,616 )	(198 )	(85,165 )
Dispositions	—	599	—	—	—	—	—	599
Foreign exchange	4,034	282	180	618	713	176	8	6,011
Other <sup>(1)</sup>	1,854	2,307	—	—	—	—	(8 )	4,153
Net change	(27,204 )	(27,910 )	(4,751 )	(9,936 )	(1,963 )	(2,440 )	(198 )	(74,402 )
Balance as of June 30, 2016:								
Gross carrying amount	746,898	430,468	90,043	175,590	64,435	38,773	3,751	1,549,958
Accumulated amortization	(340,947 )	(197,530 )	(19,329 )	(131,255 )	(37,608 )	(11,042 )	(1,829 )	(739,540 )
Net	\$ 405,951	\$ 232,938	\$ 70,714	\$ 44,335	\$ 26,827	\$ 27,731	\$ 1,922	\$ 810,418

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

Included in the current year acquisitions amounts above are definitive-lived intangible assets primarily associated with the acquisition of a controlling interest in an artist management business with locations in the United States and Canada and controlling interests in festival and concert promoters located in the United Kingdom and the United States.

Included in the prior year acquisitions amounts above are definitive-lived intangible assets primarily associated with the acquisition of a controlling interest in a festival promoter located in the United States.

Table of Contents

The 2016 additions to definite-lived intangible assets from acquisitions have weighted-average lives as follows:

	Weighted- Average Life (years)
Revenue-generating contracts	7
Client/vendor relationships	5
Trademarks and naming rights	5
Technology	5
All categories	6

Amortization of definite-lived intangible assets for the three months ended June 30, 2016 and 2015 was \$45.4 million and \$43.5 million, respectively, and for the six months ended June 30, 2016 and 2015 was \$85.2 million and \$76.1 million, respectively. Amortization related to nonrecoupable ticketing contract advances for the three months ended June 30, 2016 and 2015 was \$15.0 million and \$13.2 million, respectively, and for the six months ended June 30, 2016 and 2015 was \$36.5 million and \$32.8 million, respectively.

The following table presents the Company's estimate of amortization expense for each of the five succeeding fiscal years for definite-lived intangible assets that exist at June 30, 2016:

	(in thousands)
July 1 - December 31, 2016	\$ 95,596
2017	\$ 164,773
2018	\$ 142,238
2019	\$ 118,143
2020	\$ 102,921

As acquisitions and dispositions occur in the future and the valuations of intangible assets for recent acquisitions are completed, amortization may vary. Therefore, the expense to date is not necessarily indicative of the expense expected for the full year.

**Goodwill**

The following table presents the changes in the carrying amount of goodwill in each of the Company's reportable segments for the six months ended June 30, 2016:

	Concerts	Sponsorship & Advertising	Ticketing	Artist Nation	Total
	(in thousands)				
Balance as of December 31, 2015:					
Goodwill	\$602,771	\$ 332,081	\$733,825	\$340,501	\$2,009,178
Accumulated impairment losses	(386,915 )	—	—	(17,948 )	(404,863 )
Net	215,856	332,081	733,825	322,553	1,604,315
Acquisitions—current year	30,990	25,855	3,638	17,873	78,356
Acquisitions—prior year	(19,171 )	18,581	—	449	(141 )
Dispositions	—	—	—	(323 )	(323 )
Foreign exchange	(15,542 )	3,145	1,232	(366 )	(11,531 )
Balance as of June 30, 2016:					
Goodwill	599,048	379,662	738,695	358,134	2,075,539
Accumulated impairment losses	(386,915 )	—	—	(17,948 )	(404,863 )
Net	\$212,133	\$ 379,662	\$738,695	\$340,186	\$1,670,676



Table of Contents

Included in the current year acquisitions amounts above is goodwill primarily associated with the acquisition of controlling interests in festival and concert promoters located in the United Kingdom and the United States, an artist management business with locations in the United States and Canada and a digital content company located in the United States.

Included in the prior year acquisitions amounts above are net reductions in goodwill resulting from changes in purchase price allocations of prior year acquisitions primarily related to the acquisition of a controlling interest in a festival promoter located in the United States and a venue management business in New Zealand.

The Company is in various stages of finalizing its acquisition accounting for recent acquisitions, which include the use of external valuation consultants, and the completion of this accounting could result in a change to the associated purchase price allocations, including goodwill and its allocation between segments.

**Investments in Nonconsolidated Affiliates**

The Company has investments in various affiliates that are not consolidated and are accounted for under the equity method of accounting. The Company records its investments in these entities on the balance sheets as investments in nonconsolidated affiliates reported as part of other long-term assets. The Company's interests in these businesses are recorded in the consolidated statements of operations as equity in losses (earnings) of nonconsolidated affiliates. For the six months ended June 30, 2016, the Company's investment in Venta de Boletos por Computadora S.A. de C.V., a 33% owned ticketing distribution services company, and Vice Nation, LLC, a 60% owned digital content company, are considered significant on an individual basis.

Summarized unaudited income statement information for the Company's nonconsolidated affiliates noted above is as follows (at 100%):

	June 30,	
	2016	2015
	(in thousands)	
Revenue	\$24,608	\$25,273
Operating income	\$8,143	\$10,540
Net income	\$4,915	\$6,968
Net income attributable to the common stockholders of the equity investees	\$4,878	\$6,856

**NOTE 3—FAIR VALUE MEASUREMENTS**

The Company's outstanding debt held by third-party financial institutions is carried at cost, adjusted for any premium, discounts or debt issuance costs. The Company's debt is not publicly traded and the carrying amounts typically approximate fair value for debt that accrues interest at a variable rate, which are considered to be Level 2 inputs as defined in the FASB guidance. The estimated fair values of the Company's 7% senior notes, 5.375% senior notes and 2.5% convertible senior notes were \$443.1 million, \$253.8 million and \$285.3 million, respectively, at June 30, 2016. The estimated fair values of the 7% senior notes, 5.375% senior notes and 2.5% convertible senior notes were \$443.1 million, \$249.4 million and \$280.2 million, respectively, at December 31, 2015. The estimated fair value of the Company's third-party fixed-rate debt is based on quoted market prices in active markets for the same or similar debt, which are considered to be Level 2 inputs. The Company had fixed-rate debt held by noncontrolling interest partners with a face value of \$36.3 million and \$32.9 million at June 30, 2016 and December 31, 2015, respectively. The Company is unable to determine the fair value of this debt.

**NOTE 4—COMMITMENTS AND CONTINGENT LIABILITIES****Ticketing Fees Consumer Class Action Litigation**

On March 18, 2016, all appeals relating to a settlement agreement reached by the plaintiffs and Ticketmaster in respect of a ticketing fees consumer class action litigation matter originally filed in October 2003 against Ticketmaster were dismissed, thus resolving this matter and allowing the implementation of the terms of the settlement. On March 30, 2016, the Company funded a portion of the settlement primarily related to the plaintiffs' attorney fees.

Ticketmaster and its parent, Live Nation, have not acknowledged any violations of law or liability in connection with the matter.

As of June 30, 2016, the Company had accrued \$16.6 million, its best estimate of the probable remaining costs associated with the settlement referred to above, which was recorded in prior years. The calculation of this liability is

based in part upon an estimated redemption rate. Any difference between the Company's estimated redemption rate and the actual redemption rate it experiences will impact the final settlement amount; however, the Company does not expect this difference to be material.

10

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Table of Contents

## NOTE 5—EQUITY

The following table shows the reconciliation of the carrying amount of stockholders' equity attributable to Live Nation, equity attributable to noncontrolling interests, total equity and also redeemable noncontrolling interests for the six months ended June 30, 2016:

	Live Nation Stockholders' Equity (in thousands)	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests (in thousands)
Balance at December 31, 2015	\$1,236,953	\$ 209,966	\$1,446,919	\$ 263,715
Non-cash compensation expense	17,144	—	17,144	—
Common stock issued under stock plans, net of shares withheld for employee taxes	(3,606 )	—	(3,606 )	—
Exercise of stock options	743	—	743	—
Acquisitions	—	39,963	39,963	26,183
Divestitures	—	(1,856 )	(1,856 )	—
Purchases of noncontrolling interests	(6,575 )	(7,664 )	(14,239 )	(563 )
Redeemable noncontrolling interests fair value adjustments	(24,628 )	—	(24,628 )	24,628
Cash distributions	—	(12,914 )	(12,914 )	(9,297 )
Other	—	608	608	(262 )
Comprehensive loss:				
Net loss	(6,777 )	(828 )	(7,605 )	(11,888 )
Foreign currency translation adjustments	(24,747 )	—	(24,747 )	—
Balance at June 30, 2016	\$1,188,507	\$ 227,275	\$1,415,782	\$ 292,516

## Accumulated Other Comprehensive Loss

The following table presents changes in the components of AOCI, net of taxes, for the six months ended June 30, 2016:

	Defined Benefit Pension Items (in thousands)	Foreign Currency Items	Total
Balance at December 31, 2015	\$(358)	\$(111,299)	\$(111,657)
Other comprehensive loss before reclassifications	—	(24,747 )	(24,747 )
Balance at June 30, 2016	\$(358)	\$(136,046)	\$(136,404)

## Earnings Per Share

The following table sets forth the computation of weighted average common shares outstanding:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Weighted average common shares—basic	201,896,009	200,767,811	201,796,075	200,463,314
Effect of dilutive securities:				
Stock options, restricted stock and warrants	6,705,724	8,010,778	—	—
Weighted average common shares—diluted	208,601,733	208,778,589	201,796,075	200,463,314

Basic net income (loss) per common share is computed by dividing the net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. The calculation of diluted net income (loss) per common share includes the effects of the assumed exercise of any outstanding stock

options, the assumed

11

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Table of Contents

vesting of shares of restricted stock awards and the assumed conversion of the convertible senior notes where dilutive. The following table shows securities excluded from the calculation of diluted net income (loss) per common share because such securities are anti-dilutive:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
	(in thousands)			
Options to purchase shares of common stock	5,384	3,075	17,313	16,657
Restricted stock awards—unvested	523	242	1,115	1,047
Conversion shares related to the convertible senior notes	7,930	7,930	7,930	7,930
Number of anti-dilutive potentially issuable shares excluded from diluted common shares outstanding	13,837	11,247	26,358	25,634

## NOTE 6—SEGMENT DATA

The Company's reportable segments are Concerts, Sponsorship & Advertising, Ticketing and Artist Nation. The Concerts segment involves the promotion of live music events globally in the Company's owned or operated venues and in rented third-party venues, the production of music festivals, the operation and management of music venues and the creation of associated content. The Sponsorship & Advertising segment manages the development of strategic sponsorship programs in addition to the sale of international, national and local sponsorships and placement of advertising such as signage, promotional programs, rich media offerings, including advertising associated with live streaming and music-related original content, and ads across the Company's distribution network of venues, events and websites. The Ticketing segment involves the management of the Company's global ticketing operations, including providing ticketing software and services to clients, ticket resale services and online access for customers relating to ticket and event information, and is responsible for the Company's primary websites, [www.livenation.com](http://www.livenation.com) and [www.ticketmaster.com](http://www.ticketmaster.com). The Artist Nation segment provides management services to artists and other services including merchandise sales.

Revenue and expenses earned and charged between segments are eliminated in consolidation. The Company's capital expenditures below include accruals and expenditures funded by outside parties such as landlords or replacements funded by insurance proceeds.

The Company manages its working capital on a consolidated basis. Accordingly, segment assets are not reported to, or used by, the Company's management to allocate resources to or assess performance of the segments, and therefore, total segment assets have not been presented.

The following table presents the results of operations for the Company's reportable segments for the three and six months ended June 30, 2016 and 2015:

	Concerts	Sponsorship & Advertising	Ticketing	Artist Nation	Other	Corporate	Eliminations	Consolidated
	(in thousands)							
Three Months Ended June 30, 2016								
Revenue	\$1,597,756	\$ 95,200	\$443,348	\$86,720	\$1,506	\$ —	— \$(45,272 )	\$2,179,258
Direct operating expenses	1,350,297	15,687	235,546	48,875	—	—	(44,717 )	1,605,688
Selling, general and administrative expenses	193,357	16,004	121,067	39,618	4,780	—	—	374,826
Depreciation and amortization	35,673	4,423	39,927	14,224	880	852	(555 )	95,424
Loss (gain) on disposal of operating assets	(324 )	—	31	(45 )	—	59	—	(279 )
Corporate expenses	—	—	—	—	—	29,440	—	29,440



Table of Contents

	Concerts	Sponsorship & Advertising	Ticketing	Artist Nation	Other	Corporate	Eliminations	Consolidated
	(in thousands)							
Operating income (loss)	\$ 18,753	\$ 59,086	\$ 46,777	\$(15,952)	\$(4,154)	\$(30,351)	\$—	\$ 74,159
Intersegment revenue	\$ 43,070	\$ —	\$ —	\$ 2,202	\$ —	\$ —	\$(45,272)	\$ —
Three Months Ended June 30, 2015								
Revenue	\$ 1,268,382	\$ 81,071	\$ 360,197	\$ 87,835	\$ 791	\$ —	\$(32,499)	\$ 1,765,777
Direct operating expenses	1,075,507	10,717	171,045	53,806	—	—	(31,976)	1,279,099
Selling, general and administrative expenses	158,689	13,856	117,027	39,582	416	—	—	329,570
Depreciation and amortization	40,033	2,225	35,561	10,756	13	506	(523)	88,571
Loss (gain) on disposal of operating assets	(55)	) —	(30)	) —	—	9	—	(76)
Corporate expenses	—	—	—	—	—	26,368	—	26,368
Operating income (loss)	\$(5,792)	) \$ 54,273	\$ 36,594	\$(16,309)	\$ 362	\$(26,883)	\$ —	\$ 42,245
Intersegment revenue	\$ 30,572	\$ —	\$ 460	\$ 1,467	\$ —	\$ —	\$(32,499)	\$ —
Six Months Ended June 30, 2016								
Revenue	\$ 2,278,834	\$ 152,836	\$ 849,134	\$ 161,785	\$ 2,347	\$ —	\$(57,962)	\$ 3,386,974
Direct operating expenses	1,887,431	29,201	442,011	88,086	—	—	(56,838)	2,389,891
Selling, general and administrative expenses	354,997	29,873	239,329	80,458	7,383	—	—	712,040
Depreciation and amortization	67,120	9,329	85,676	26,704	900	1,774	(1,124)	190,379
Loss (gain) on disposal of operating assets	(358)	) —	31	(45)	) —	118	—	(254)
Corporate expenses	—	—	—	—	—	54,049	—	54,049
Operating income (loss)	\$(30,356)	) \$ 84,433	\$ 82,087	\$(33,418)	\$(5,936)	\$(55,941)	\$ —	\$ 40,869
Intersegment revenue	\$ 54,517	\$ —	\$ —	\$ 3,445	\$ —	\$ —	\$(57,962)	\$ —
Capital expenditures	\$ 29,958	\$ 962	\$ 40,892	\$ 789	\$ 460	\$ 4,133	\$ —	\$ 77,194

Table of Contents

	Concerts	Sponsorship & Advertising	Ticketing	Artist Nation	Other	Corporate	Eliminations	Consolidated
	(in thousands)							
Six Months Ended June 30, 2015								
Revenue	\$1,891,616	\$ 133,168	\$735,827	\$165,780	\$1,584	\$—	\$(41,886 )	\$2,886,089
Direct operating expenses	1,561,479	21,345	356,737	100,636	1,068	—	(40,877 )	2,000,388
Selling, general and administrative expenses	309,113	26,950	229,587	76,802	1,250	—	—	643,702
Depreciation and amortization	69,214	4,213	78,857	20,791	24	1,022	(1,009 )	173,112
Loss (gain) on disposal of operating assets	171	—	(179 )	—	—	(29 )	—	(37 )
Corporate expenses	—	—	—	—	—	50,614	—	50,614
Operating income (loss)	\$(48,361 )	\$ 80,660	\$70,825	\$(32,449 )	\$(758 )	\$(51,607)	\$—	\$18,310
Intersegment revenue	\$39,311	\$ —	\$460	\$2,115	\$—	\$—	\$(41,886 )	\$—
Capital expenditures	\$18,867	\$ 1,721	\$42,117	\$868	\$—	\$438	\$—	\$64,011

## Table of Contents

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

"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. You should read the following discussion of our financial condition and results of operations together with the unaudited consolidated financial statements and notes to the financial statements included elsewhere in this quarterly report.

#### Special Note About Forward-Looking Statements

Certain statements contained in this quarterly report (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 considering the 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," "predict," or variations 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 below under Part II Item 1A.—Risk Factors, in Part I Item 1A.—Risk Factors of our 2015 Annual Report on Form 10-K, as well as other factors described herein or in our annual, 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.

#### Executive Overview

In the second quarter of 2016, our total revenue increased by \$413 million, or 23%, on a reported basis as compared to last year, or \$436 million, a 25% increase, without the impact of changes in foreign exchange rates. The revenue increase was largely driven by growth in our Concerts segment due to the increase in the number of events and fans. Our three largest segments reported revenue growth in the quarter as a result of our highest second quarter Concerts attendance ever, record high ticket sales in our Ticketing business and growth of strategic deals in North America driving Sponsorship & Advertising. For the first six months of 2016, our total revenue grew \$501 million, or 17%, on a reported basis as compared to last year, or \$546 million, a 19% increase, without the impact of changes in foreign exchange rates. Our three largest segments also delivered revenue increases in the first half of the year, underscoring the continued success of our strategic initiatives and the underlying health of the live event and ticketing businesses. As the leading global live event 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 and that by leveraging our leadership position in the entertainment industry to reach fans through the live concert experience, we will sell more tickets and grow our Sponsorship & Advertising segment revenue.

Our Concerts segment revenue for the quarter increased by \$329 million, or 26%, on a reported basis as compared to last year, or \$346 million, a 27% increase, without the impact of changes in foreign exchange rates. This increase was largely due to significant stadium activity in both North America and Europe with shows by artists including Beyoncé, Rihanna, Bruce Springsteen, and Coldplay. Our amphitheater business in North America also continues to grow as our year-over-year fans increased by 17% to almost 4.5 million in the quarter with show count up 18%. There was a 12% increase in our ancillary revenue per fan in the quarter which was driven by various food and beverage initiatives at our venues including "Grab and Go" options, focused wine programs, and pre-show ordering. Attendance at our

festivals was relatively flat in the quarter, largely due to the shift of some of our biggest events, such as the Rock Werchter festival in Belgium, from the second quarter in 2015 to the third quarter in 2016. However, our Electric Daisy Carnival festival in Las Vegas had its best year in terms of both revenue and attendance and is now our biggest festival worldwide. Overall, attendance at our shows increased by 22% in the second quarter of 2016 as compared to last year. Our Concerts segment operating results for the quarter exceeded last year and this was again largely driven by the high volume of stadium and amphitheater activity.

For the first six months, our Concerts segment was the largest contributor to our overall revenue growth, with an increase of \$387 million, or 20%, on a reported basis as compared to last year, or \$418 million, a 22% increase, without the impact of changes in foreign exchange rates. As in the second quarter, this higher revenue was largely due to an increase in the number of

Table of Contents

stadium shows in North America and Europe as well as a 16% growth in attendance in our amphitheaters. Year-to-date, there has been a 16% increase in the overall number of fans attending our shows as compared to 2015. Operating income for the first six months of the year was up due to the higher number of shows in stadiums and amphitheaters. Internationally, we launched our Concerts business in Germany, adding half a million fans through the end of the second quarter. We will continue to look for expansion opportunities, 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 and advertising.

Our Sponsorship & Advertising segment revenue for the quarter was up \$14 million, or 17%, on a reported basis as compared to last year, or \$15 million, a 19% increase, without the impact of changes in foreign exchange rates. Higher revenue resulted from new clients, growth in our online business and increased festival sponsorships, which also improved our operating income. For the first six months, Sponsorship & Advertising revenue was up \$20 million, or 15%, on a reported basis as compared to last year, or \$22 million, a 17% increase, without the impact of changes in foreign exchange rates which also drove improved operating income. Our focus on expanding our amphitheater and festival products in North America as well as adding new sales categories has contributed to this growth. We believe that 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 further into new markets internationally.

Our Ticketing segment revenue for the second quarter increased by \$83 million, or 23%, on a reported basis as compared to last year, or \$87 million, a 24% increase, without the impact of changes in foreign exchange rates. This increase was due to a 9% growth in primary ticket sales as well as a 49% increase in gross transaction value, or GTV, from our resale ticketing business globally driven by both concerts and arts tickets. We delivered historically high revenue and ticket sales globally for our Ticketing segment in the quarter, driven by high demand for concert tickets and continued positive fan response to our integrated ticketing platform of primary and resale tickets which drove higher operating results for the quarter.

For the first six months, Ticketing revenue was up \$113 million, or 15%, on a reported basis as compared to last year, or \$124 million, a 17% increase, without the impact of changes in foreign exchange rates driven by both higher primary ticket sales and our expanding resale business which also led to increased operating results. In our primary business, we have sold 81 million tickets worldwide for the first six months, an 8% increase over last year. Resale GTV grew by 45% in the same period, with increases in both our North America and Europe sales. In the first half of the year, we made several improvements to our apps which drove a 39% increase in app installs. We also continued to see growth in our mobile ticket sales with an increase of 37% in the first six months of the year and they now represent more than a quarter of our total ticket sales. In our resale ticketing business, both our North America and international GTV grew by over 40% in the first six months of the year as the number of events activated on our TM+ product increased by over 20% and we launched our secondary business in Sweden. Internationally, we have seen strong growth in ticket sales in Germany as a result of the launch of our concert promotion business in that country. We will continue to implement new features to drive further expansion of mobile ticket transactions and invest in initiatives aimed at improving the ticket search, purchase and transfer process which we expect will attract more ticket buyers and enhance the overall fan and venue client experience.

Our Artist Nation segment revenue for the second quarter decreased \$1 million, or 1%, on a reported basis as compared to last year as a result of changes in foreign exchange rates partially offset by higher merchandise sales. For the first six months of the year, Artist Nation revenue was down \$4 million, or 2%, on a reported basis as compared to last year with changes in timing of management clients' activity and events. On a year-to-date basis, Artist Nation's operating results were down primarily due to increased amortization expense in the period from acquisitions. Our Artist Nation segment is focused on managing its existing clients as well as developing new relationships with top artists and extending the various services it provides to its clients.

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 social and mobile channels, sell more tickets for our Ticketmaster clients, deliver to our fans a fully integrated offering of primary and secondary tickets together, grow our sponsorship and online revenue, drive cost efficiencies and continue to align our artist

management group with our other core businesses.

**Our History**

We were incorporated in Delaware on August 2, 2005 in preparation for the contribution and transfer by Clear Channel Communications, Inc. 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 Entertainment LLC 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.

## Table of Contents

### Segment Overview

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

#### 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, the production of music festivals across the world and the creation of associated content. 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 October. 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.

Concerts direct operating expenses include artist fees, event production costs, show-related marketing and advertising expenses, along with other costs.

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 owned or operated venues and festivals, we monitor 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 without the impact of changes in foreign exchange rates.

#### 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 concerts, venue, artist relationship and ticketing assets, including advertising on our websites. We drive increased advertising scale to further monetize our concerts platform through rich media offerings including advertising associated with 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 associated with shows at our outdoor amphitheaters and festivals, which primarily occur from May through October.

Direct operating expenses include fulfillment costs related to our sponsorship programs, along with other costs.

To judge the health of our Sponsorship & Advertising segment, we primarily review the revenue generated through sponsorship arrangements, the percentage of expected revenue under contract and online advertising revenue through our websites. For business that is conducted in foreign markets, we also compare the operating results from our foreign operations to prior periods without the impact of changes in foreign exchange rates.

#### Ticketing

Our Ticketing segment is primarily an agency business that sells tickets for events on behalf of our clients and retains a service charge 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, sometimes referred to as secondary ticketing, primarily through our integrated inventory platform, league/team platforms and other platforms internationally. Our Ticketing segment also manages our online activities including enhancements to our websites and product offerings. Through our websites, we sell tickets to our own events as well as tickets for our clients and provide event information. Revenue related to ticketing service charges is recognized when the ticket is sold except for our own events where our concert promoters control ticketing and then the revenue is deferred and recognized as the event occurs.

Ticketing direct operating expenses include ticketing client royalties and credit card fees, along with other costs.

To judge the health of our Ticketing segment, we primarily review the gross transaction value and the number of tickets sold through our primary and secondary ticketing operations, 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, the number of app installs and 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 without the impact of changes in foreign exchange rates.

Table of Contents

## Artist Nation

Our Artist Nation segment primarily provides management services to music artists and other clients 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 October tends to be a popular time for touring events.

Artist Nation direct operating expenses include merchandise royalties and event production costs, along with other costs.

To judge the health of our Artist Nation segment, we primarily review the number of major clients represented. For business that is conducted in foreign markets, we also compare the operating results from our foreign operations to prior periods without the impact of changes in foreign exchange rates.

## Key Operating Metrics

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Concerts <sup>(1)</sup>				
Estimated events:				
North America	4,441	4,382	7,896	7,819
International	2,236	1,961	4,655	3,668
Total estimated events	6,677	6,343	12,551	11,487
Estimated fans (rounded):				
North America	12,101,000	10,754,000	16,962,000	16,221,000
International	6,878,000	4,740,000	11,013,000	7,893,000
Total estimated fans	18,979,000	15,494,000	27,975,000	24,114,000
Ticketing <sup>(2)</sup>				
Number of tickets sold (in thousands)	40,220	36,788	80,911	74,733

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.

The number of tickets sold includes primary tickets only. This metric includes tickets sold during the period regardless of event timing except for our own events where our concert promoters control ticketing which are reported as the events occur. The total number of tickets sold reported above for the three months ended June 30, 2016 and 2015 excludes approximately 61 million and 61 million, respectively, and for the six months ended June 30, 2016 and 2015 excludes approximately 136 million and 133 million, respectively, of tickets sold using our Ticketmaster systems, through season seat packages and our venue clients' box offices, for which we do not receive a fee.

## Non-GAAP Measures

## 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, acquisition-related severance and compensation), depreciation and amortization (including goodwill impairment), loss (gain) on disposal of operating assets and certain stock-based compensation expense. 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.

Table of Contents

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

	Adjusted operating income (loss)	Stock- based compensation expense	Loss (gain) on disposal of operating assets	Depreciation and amortization	Acquisition expenses	Operating income (loss)
(in thousands)						
Three Months Ended June 30, 2016						
Concerts	\$60,183	\$ 1,885	\$ (324 )	\$ 35,673	\$ 4,196	\$18,753
Sponsorship & Advertising	63,812	303	—	4,423	—	59,086
Ticketing	87,545	619	31	39,927	191	46,777
Artist Nation	(1,760 )	995	(45 )	14,224	(982 )	(15,952 )
Other and Eliminations	(3,635 )	12	—	325	182	(4,154 )
Corporate	(25,090 )	4,407	59	852	(57 )	(30,351 )
Total	\$181,055	\$ 8,221	\$ (279 )	\$ 95,424	\$ 3,530	\$74,159
Three Months Ended June 30, 2015						
Concerts	\$37,285	\$ 1,758	\$ (55 )	\$ 40,033	\$ 1,341	\$(5,792 )
Sponsorship & Advertising	56,900	402	—	2,225	—	54,273
Ticketing	73,215	642	(30 )	35,561	448	36,594
Artist Nation	(3,223 )	1,226	—	10,756	1,104	(16,309 )
Other and Eliminations	(148 )	—	—	(510 )	—	362
Corporate	(22,305 )	4,037	9	506	26	(26,883 )
Total	\$141,724	\$ 8,065	\$ (76 )	\$ 88,571	\$ 2,919	\$42,245
Six Months Ended June 30, 2016						
Concerts	\$46,921	\$ 3,741	\$ (358 )	\$ 67,120	\$ 6,774	\$(30,356)
Sponsorship & Advertising	94,452	690	—	9,329	—	84,433
Ticketing	169,597	1,583	31	85,676	220	82,087
Artist Nation	(5,477 )	2,202	(45 )	26,704	(920 )	(33,418 )
Other and Eliminations	(5,966 )	12	—	(224 )	182	(5,936 )
Corporate	(45,087 )	8,916	118	1,774	46	(55,941 )
Total	\$254,440	\$ 17,144	\$ (254 )	\$ 190,379	\$ 6,302	\$40,869
Six Months Ended June 30, 2015						
Concerts	\$25,637	\$ 3,838	\$ 171	\$ 69,214	\$ 775	\$(48,361)
Sponsorship & Advertising	85,742	869	—	4,213	—	80,660
Ticketing	151,603	1,505	(179 )	78,857	595	70,825
Artist Nation	(7,990 )	2,558	—	20,791	1,110	(32,449 )
Other and Eliminations	(1,743 )	—	—	(985 )	—	(758 )
Corporate	(41,910 )	8,792	(29 )	1,022	(88 )	(51,607 )
Total	\$211,339	\$ 17,562	\$ (37 )	\$ 173,112	\$ 2,392	\$18,310

Constant Currency

Constant currency is a non-GAAP financial measure. We calculate currency impacts as the difference between current period activity translated using the current period's currency exchange rates and the comparable prior period's currency exchange rates. We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations.



Table of Contents

## Segment Operating Results

## Concerts

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

	Three Months Ended		%	Six Months Ended		%
	June 30,		Change	June 30,		Change
	2016	2015		2016	2015	
	(in thousands)			(in thousands)		
Revenue	\$1,597,756	\$1,268,382	26%	\$2,278,834	\$1,891,616	20%
Direct operating expenses	1,350,297	1,075,507	26%	1,887,431	1,561,479	21%
Selling, general and administrative expenses	193,357	158,689	22%	354,997	309,113	15%
Depreciation and amortization	35,673	40,033	(11)%	67,120	69,214	(3)%
Loss (gain) on disposal of operating assets	(324	) (55	) *			