Live Nation Entertainment, Inc.
Form 10-Q
May 07, 2013

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

Form 10-Q

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

For the quarterly period ended March 31, 2013,

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	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)

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. x 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 x 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	x	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 x No

On May 1, 2013, there were 194,748,590 outstanding shares of the registrant’s common stock, $0.01 par value per share, including 2,685,315 shares of unvested restricted stock awards.

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LIVE NATION ENTERTAINMENT, INC.
GLOSSARY OF KEY TERMS

AOCI	Accumulated other comprehensive income (loss)
AOI	Adjusted operating income (loss)
Azoff Trust	The Azoff Family Trust of 1997, of which Irving Azoff is co-Trustee
Clear Channel	Clear Channel Communications, Inc.
Company	Live Nation Entertainment, Inc. and subsidiaries
Coppel	Michael Coppel Ventures Pty Ltd
CTS	CTS Eventim AG
FASB	Financial Accounting Standards Board
GAAP	United States Generally Accepted Accounting Principles
Live Nation	Live Nation Entertainment, Inc., formerly known as Live Nation, Inc., and subsidiaries
Merger	Merger between Live Nation, Inc. and Ticketmaster Entertainment, Inc. announced in February 2009 and consummated in January 2010
MSG	The Madison Square Garden Company
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
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
TicketsNow	TNow Entertainment Group, Inc.

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PART I—FINANCIAL INFORMATION
Item 1. Financial Statements
LIVE NATION ENTERTAINMENT, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 31, 2013	December 31, 2012
	(in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	$1,246,415	$1,001,055
Accounts receivable, less allowance of $20,276 and $19,794, respectively	486,173	415,790
Prepaid expenses	537,246	359,936
Other current assets	49,935	36,031
Total current assets	2,319,769	1,812,812
Property, plant and equipment		
Land, buildings and improvements	823,767	852,175
Computer equipment and capitalized software	354,171	338,919
Furniture and other equipment	197,330	200,743
Construction in progress	53,538	56,822
	1,428,806	1,448,659
Less accumulated depreciation	727,493	726,873
	701,313	721,786
Intangible assets		
Definite-lived intangible assets, net	683,052	724,463
Indefinite-lived intangible assets	375,900	377,463
Goodwill	1,328,348	1,357,827
Investments in nonconsolidated affiliates	47,730	46,160
Other long-term assets	232,171	250,295
Total assets	$5,688,283	$5,290,806
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable, client accounts	$609,848	$557,953
Accounts payable	103,359	102,718
Accrued expenses	572,312	626,723
Deferred revenue	890,755	402,002
Current portion of long-term debt	61,368	62,050
Other current liabilities	15,519	16,726
Total current liabilities	2,253,161	1,768,172
Long-term debt, net	1,671,202	1,677,955
Long-term deferred income taxes	196,845	199,596
Other long-term liabilities	92,996	94,409
Commitments and contingent liabilities		
Redeemable noncontrolling interests	42,262	42,100
Stockholders' equity		
Common stock	1,915	1,877
Additional paid-in capital	2,297,383	2,272,882
Accumulated deficit	(971,657)	(908,418)
Accumulated other comprehensive loss	(45,102)	(10,923)

Total Live Nation Entertainment, Inc. stockholders' equity	1,282,539	1,355,418
Noncontrolling interests	149,278	153,156
Total equity	1,431,817	1,508,574
Total liabilities and equity	$5,688,283	$5,290,806

See Notes to Consolidated Financial Statements

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

	Three Months Ended March 31,	
	2013	2012
	(in thousands except share and per share data)	
Revenue	$923,698	$867,997
Operating expenses:		
Direct operating expenses	576,934	538,714
Selling, general and administrative expenses	279,522	268,135
Depreciation and amortization	82,165	79,713
Gain on disposal of operating assets	(3,597)	(288)
Corporate expenses	20,655	23,217
Acquisition transaction expenses	1,208	1,309
Operating loss	(33,189)	(42,803)
Interest expense	28,151	29,710
Interest income	(1,768)	(900)
Equity in earnings of nonconsolidated affiliates	(2,582)	(3,881)
Other expense (income), net	3,638	(1,782)
Loss before income taxes	(60,628)	(65,950)
Income tax expense	3,559	4,278
Net loss	(64,187)	(70,228)
Net loss attributable to noncontrolling interests	(948)	(1,078)
Net loss attributable to common stockholders of Live Nation Entertainment, Inc.	$(63,239)	$(69,150)
Basic and diluted net loss per common share attributable to common stockholders of Live Nation Entertainment, Inc.	$(0.33)	$(0.37)
Basic and diluted weighted average common shares outstanding	188,827,190	186,521,520

See Notes to Consolidated Financial Statements

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

	Three Months Ended March 31,	
	2013	2012
	(in thousands)	
Net loss	$(64,187)	$(70,228)
Other comprehensive income (loss), net of tax:		
Unrealized gain (loss) on cash flow hedges	70	(5)
Realized loss on cash flow hedges	8	—
Foreign currency translation adjustments	(34,257)	25,323
Comprehensive loss	(98,366)	(44,910)
Comprehensive loss attributable to noncontrolling interests	(948)	(1,078)
Comprehensive loss attributable to common stockholders of Live Nation Entertainment, Inc.	$(97,418)	$(43,832)

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

	Three Months Ended March 31, 2013	2012
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(64,187)	$(70,228)
Reconciling items:		
Depreciation	30,328	28,936
Amortization	51,837	50,777
Deferred income tax benefit	(3,229)	(3,605)
Amortization of debt issuance costs and discount/premium, net	5,170	3,403
Non-cash compensation expense	6,305	8,979
Gain on disposal of operating assets	(3,597)	(288)
Equity in earnings of nonconsolidated affiliates	(2,582)	(3,881)
Other, net	691	107
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Increase in accounts receivable	(63,146)	(26,374)
Increase in prepaid expenses	(180,243)	(181,927)
Increase in other assets	(32,474)	(29,215)
Increase in accounts payable, accrued expenses and other liabilities	21,773	54,787
Increase in deferred revenue	503,814	433,301
Net cash provided by operating activities	270,460	264,772
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from nonconsolidated affiliates	1,767	540
Investments made in nonconsolidated affiliates	(1,963)	(864)
Purchases of property, plant and equipment	(25,670)	(28,017)
Proceeds from disposal of operating assets, net of cash divested	8,100	5,648
Purchases of intangible assets	(17)	(10,002)
Decrease (increase) other, net	(853)	525
Net cash used in investing activities	(18,636)	(32,170)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt, net of debt issuance costs	89,267	29,587
Payments on long-term debt	(96,674)	(36,844)
Contributions from noncontrolling interests	267	130
Distributions to noncontrolling interests	(1,221)	(3,226)
Proceeds from exercise of stock options	22,332	408
Payments for deferred and contingent consideration	(750)	(10,585)
Net cash provided by (used in) financing activities	13,221	(20,530)
Effect of exchange rate changes on cash and cash equivalents	(19,685)	15,087
Net increase in cash and cash equivalents	245,360	227,159
Cash and cash equivalents at beginning of period	1,001,055	844,253
Cash and cash equivalents at end of period	$1,246,415	$1,071,412

See Notes to Consolidated Financial Statements

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

NOTE 1—BASIS OF PRESENTATION

Preparation of Interim Financial Statements

The interim consolidated financial statements included in this report are unaudited; however 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. Certain financial presentations and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted.

The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s 2012 Annual Report on Form 10-K filed with the SEC on February 26, 2013.

Seasonality

Due to the seasonal nature of shows at outdoor amphitheaters and festivals, which primarily occur May through September, the Company experiences higher revenue for the Concerts segment 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, the Company experiences higher revenue in this segment 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 sales are 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.

Recently Adopted Pronouncements

In February 2013, the FASB issued guidance which requires companies to disclose additional information about reclassifications out of AOCI, including changes in AOCI balances by component and significant items reclassified out of AOCI. The new disclosure requirements are to be applied prospectively and are effective for interim and annual periods beginning after December 15, 2012. The Company adopted this guidance on January 1, 2013.

NOTE 2—LONG-LIVED ASSETS

Property, Plant and Equipment

In the fourth quarter of 2012, an amphitheater located in New York sustained substantial damage during Hurricane Sandy. During the three months ended March 31, 2013, the Company received a partial insurance recovery and recorded a gain of $3.1 million as a component of gain on disposal of operating assets in the Concerts segment.

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 three months ended March 31, 2013:

	Revenue-generating contracts	Client / vendor relationships	Non-compete agreements	Venue management and leaseholds	Technology	Trademarks and naming rights	Other	Total
	(in thousands)							
Balance as of December 31, 2012:								
Gross carrying amount	$515,071	$261,655	$168,418	$118,259	$101,424	$18,423	$6,452	$1,189,702
Accumulated amortization	(197,549)	(39,807)	(111,369)	(51,891)	(53,295)	(6,678)	(4,650)	(465,239)
Net	317,522	221,848	57,049	66,368	48,129	11,745	1,802	724,463
Gross carrying amount:								
Acquisitions	1,407	—	—	—	—	—	—	1,407
Foreign exchange	(7,140)	(11)	(155)	(1,900)	(623)	(574)	(23)	(10,426)
Other (1)	(2,767)	—	(13,592)	—	—	805	(3,000)	(18,554)
	(8,500)	(11)	(13,747)	(1,900)	(623)	231	(3,023)	(27,573)
Accumulated amortization:								
Amortization	(11,609)	(11,291)	(5,541)	(3,423)	(5,376)	(886)	(113)	(38,239)
Foreign exchange	3,214	(5)	130	542	346	170	20	4,417
Other (1)	2,767	—	13,843	—	—	374	3,000	19,984
	(5,628)	(11,296)	8,432	(2,881)	(5,030)	(342)	2,907	(13,838)
Balance as of March 31, 2013:								
Gross carrying amount	506,571	261,644	154,671	116,359	100,801	18,654	3,429	1,162,129
Accumulated amortization	(203,177)	(51,103)	(102,937)	(54,772)	(58,325)	(7,020)	(1,743)	(479,077)
Net	$303,394	$210,541	$51,734	$61,587	$42,476	$11,634	$1,686	$683,052

(1) Other includes a reclassification from indefinite-lived intangible assets due to a change in the asset's estimated useful life and netdowns of fully amortized assets.

The 2013 addition to definite-lived intangible assets from acquisitions has a weighted-average life as follows:

	Weighted-Average Life (years)
Revenue-generating contracts	8

Amortization from definite-lived intangible assets for the three months ended March 31, 2013 and 2012 was $38.2 million and $39.9 million, respectively. In addition, amortization related to nonrecoupable ticketing contract advances for the three months ended March 31, 2013 and 2012 was $13.6 million and $10.8 million, respectively. 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.

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Goodwill

The following table presents the changes in the carrying amount of goodwill in each of the Company's segments for the three months ended March 31, 2013:

	Concerts	Ticketing	Artist Nation	Sponsorship & Advertising	Other	Total
	(in thousands)					
Balance as of December 31, 2012:						
Goodwill	$468,891	$637,642	$266,820	$254,376	$13,037	$1,640,766
Accumulated impairment losses	(269,902)	—	—	—	(13,037)	(282,939)
	198,989	637,642	266,820	254,376	—	1,357,827
Acquisitions—current year	3,668	—	—	—	—	3,668
Acquisitions—prior year	(12,670)	—	7,040	—	—	(5,630)
Foreign exchange	(12,895)	(2,085)	(133)	(12,404)	—	(27,517)
Balance as of March 31, 2013:						
Goodwill	446,994	635,557	273,727	241,972	13,037	1,611,287
Accumulated impairment losses	(269,902)	—	—	—	(13,037)	(282,939)
	$177,092	$635,557	$273,727	$241,972	$—	$1,328,348

The Company is in the process of finalizing its acquisition accounting for recent acquisitions which could result in a change to the associated purchase price allocations, including goodwill.

Long-lived Asset Disposals

In January 2012, the Company completed the sale of an amphitheater in Ohio.

The table below summarizes the asset and liability values at the time of disposal and the resulting gain or loss recorded.

Divested Asset	Segment	Gain on Disposal of Operating Assets	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities
	(in thousands)					
2012 Divestiture						
Ohio amphitheater	Concerts	$444	$—	$5,400	$444	$—

Certain agreements relating to disposals of businesses provide for future contingent consideration based on the financial performance of the businesses sold. The Company will record additional amounts related to such contingent consideration, with a corresponding adjustment to gain (loss) on disposal of operating assets, if and when it is determinable that the applicable financial performance targets will be met. The aggregate of these contingent considerations, if all existing performance targets are met, would not significantly impact the results of operations of the Company. The last contingency period for which the Company has outstanding contingent consideration is for the period ending December 2013.

NOTE 3—DERIVATIVE INSTRUMENTS

The Company primarily uses forward currency contracts and options to reduce its exposure to foreign currency risk associated with short-term artist fee commitments. The Company may also enter into forward currency contracts to minimize the risks and/or costs associated with changes in foreign currency rates on forecasted operating income and short-term intercompany loans. At March 31, 2013 and December 31, 2012, the Company had forward currency contracts and options outstanding with notional amounts of $122.6 million and $100.0 million, respectively. These instruments have not been designated as hedging instruments and any change in fair value is reported in earnings during the period of the change. The Company's foreign currency derivative activity, including the related fair values, are not material to any period presented.

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Additionally, the Company has entered into certain interest rate swaps and cap agreements to limit its exposure to variable interest rates, related to portions of the Company's outstanding debt, some of which have been designated as cash flow hedges. At March 31, 2013 and December 31, 2012, the Company had interest rate swaps and cap agreements outstanding with notional amounts of $127.5 million and $133.8 million, respectively. The Company's interest rate swaps and cap activity, including the related fair values, are not material to any period presented. As of March 31, 2013 and December 31, 2012, there is no ineffective portion or amount excluded from effectiveness testing for derivatives designated as cash flow hedging instruments.

The Company's 2.875% convertible senior notes issued in July 2007 include certain provisions which are bifurcated from the notes and accounted for as derivative instruments. As of March 31, 2013 and December 31, 2012, the fair value of these provisions was considered to be de minimis.

The Company does not enter into derivative instruments for speculation or trading purposes and does not anticipate any significant recognition of derivative activity through the income statement in the future related to the instruments currently held. See Note 4—Fair Value Measurements for further discussion and disclosure of the fair values for the Company's derivative instruments.

NOTE 4—FAIR VALUE MEASUREMENTS

The Company currently has various financial instruments carried at fair value, such as marketable securities, derivatives and contingent consideration, but does not currently have nonfinancial assets and nonfinancial liabilities that are required to be measured at fair value on a recurring basis. The Company's financial assets and liabilities are measured using inputs from all levels of the fair value hierarchy as defined in the FASB guidance for fair values. For this categorization, only inputs that are significant to the fair value are considered. The three levels are defined as follows:

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2—Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.) and inputs that are derived principally from or corroborated by observable market data by correlation or other means (i.e., market corroborated inputs).

Level 3—Unobservable inputs that reflect assumptions about what market participants would use in pricing the asset or liability. These inputs would be based on the best information available, including the Company's own data.

In accordance with the fair value hierarchy described above, the following table shows the fair value of the Company's financial assets and liabilities that are required to be measured at fair value on a recurring basis, which are classified on the balance sheets as cash and cash equivalents, other current assets, other long-term assets, other current liabilities and other long-term liabilities:

	Fair Value Measurements at March 31, 2013				Fair Value Measurements at December 31, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		(in thousands)				(in thousands)		
Assets:								
Cash equivalents	$202,034	$—	$—	$202,034	$61,996	$—	$—	$61,996
Forward currency contracts	—	1,096	—	1,096	—	81	—	81
Stock options	—	—	24	24	—	—	204	204
Total	$202,034	$1,096	$24	$203,154	$61,996	$81	$204	$62,281
Liabilities:								
Interest rate swaps	$—	$2,376	$—	$2,376	$—	$2,811	$—	$2,811
Forward currency contracts	—	89	—	89	—	625	—	625
Contingent consideration	—	—	5,849	5,849	—	—	6,718	6,718

Total	$—	$2,465	$5,849	$8,314	$—	$3,436	$6,718	$10,154

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Cash equivalents consist of money market funds. Fair values for cash equivalents are based on quoted prices in an active market. Fair values for forward currency contracts are based on observable market transactions of spot and forward rates. Fair values for the interest rate swaps and the interest rate cap are based on inputs corroborated by observable market data with similar tenors. The fair value of the interest rate cap was considered to be de minimis at March 31, 2013 and December 31, 2012.
The Company has certain contingent consideration obligations related to acquisitions which are measured at fair value using Level 3 inputs. The amounts due to the sellers are based on the achievement of agreed-upon financial performance metrics by the acquired companies where the contingent obligation is either earned or not earned. The Company records the liability at the time of the acquisition based on management’s best estimates of the future results of the acquired companies compared to the agreed-upon metrics. Subsequent to the date of acquisition, the Company updates the original valuation to reflect current projections of future results of the acquired companies and the passage of time. Accretion of, and changes in the valuations of, contingent consideration are reported in acquisition transaction expenses. See Note 5—Commitments and Contingent Liabilities for additional information related to the contingent payments.
The Company has stock options in a company that became publicly-traded in the third quarter of 2011 which are measured at fair value using Level 3 inputs. The stock options were received as consideration in connection with a licensing agreement entered into by a subsidiary of the Company and became fully-vested in the second quarter of 2011. The Company has recorded an asset for these options which is valued using the Black-Scholes option pricing model. The Company recorded revenue based on the valuation of the options as of the measurement date, which was the vesting date. The changes in the valuation after the measurement date are recorded in other expense (income), net.
Due to their short maturity, the carrying amounts of accounts receivable, accounts payable and accrued expenses approximated their fair values at March 31, 2013 and December 31, 2012.
The Company’s outstanding debt held by third-party financial institutions is carried at cost, adjusted for discounts. The Company’s debt is not publicly-traded and the carrying amounts typically approximate fair value for the Company’s debt that accrues interest at a variable rate, which are considered to be Level 2 inputs. The estimated fair values of the 7% senior notes, the 8.125% senior notes and the 2.875% convertible senior notes were $240.8 million, $272.0 million and $221.2 million at March 31, 2013, respectively. The estimated fair values of the 7% senior notes, the 8.125% senior notes and the 2.875% convertible senior notes were $236.3 million, $273.4 million and $219.4 million at December 31, 2012, respectively. 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 has fixed rate debt held by noncontrolling interest partners with a face value of $23.4 million and $24.5 million at March 31, 2013 and December 31, 2012, respectively. The Company is unable to determine the fair value of this debt.
There were no non-recurring fair value measurements reported for the three months ended March 31, 2013 and 2012.

NOTE 5—COMMITMENTS AND CONTINGENT LIABILITIES

Certain agreements relating to acquisitions that occurred prior to the adoption in January 2009 of the new FASB guidance for business combinations provide for purchase price adjustments and other future contingent payments based on the financial performance of the acquired companies. The Company will accrue additional amounts related to such contingent payments, which were part of the business combinations, with a corresponding adjustment to goodwill, if and when it is determinable that the applicable financial performance targets will be met. The aggregate of these contingent payments, if all performance targets are met, would not significantly impact the financial position of the Company. The last contingency period for which the Company has an outstanding contingent payment is for the period ending December 2017.
The Company also has certain contingent obligations related to acquisitions made after the adoption in January 2009 of the FASB guidance for business combinations. In accordance with the current guidance, contingent consideration associated with business combinations must be recorded at its fair value at the time of the acquisition and reflected at current fair value for each subsequent reporting period thereafter until settled. The Company records these fair value changes in its statements of operations as acquisition transaction expenses. The contingent consideration is generally subject to payout following the achievement of future performance targets and some may be payable in 2013. As of

March 31, 2013, the Company has accrued $1.8 million in other current liabilities and $4.0 million in other long-term liabilities and, as of December 31, 2012, the Company had accrued $2.5 million in other current liabilities and $4.2 million in other long-term liabilities, representing the fair value of these estimated payments. The last contingency period for which the Company has an outstanding contingent payment is for the period ending December 2017. See Note 4—Fair Value Measurements for further discussion related to the valuation of these contingent payments.

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CTS Arbitration

Live Nation Worldwide, Inc. (“Live Nation Worldwide”) and CTS were parties to an agreement (the “CTS Agreement”), pursuant to which CTS was to develop and Live Nation Worldwide licensed or agreed to use ticketing software or ticketing platforms. Under the agreement, CTS was to develop software to be licensed to Live Nation Worldwide to provide ticketing services in the United States and Canada. The CTS Agreement also generally required Live Nation Worldwide to use CTS’s ticketing platforms in certain European countries so long as CTS’s existing platforms were appropriately modified to meet local market conditions. In June 2010, Live Nation Worldwide terminated the CTS Agreement because CTS materially breached the agreement by failing to deliver a North American ticketing system that met the contractual requirements of being a “world class ticketing system . . . that fits the needs of the North American market,” and by failing to deliver a ticketing system for the United Kingdom and other European countries that fit the needs of those markets as required by the CTS Agreement.

For North America, had CTS performed on the CTS Agreement, it would have been generally entitled to receive, during the then 10-year term of the CTS Agreement, a per ticket license fee upon the sale of certain tickets that Live Nation Worldwide or any of certain of its subsidiaries (collectively, the “Live Nation Worldwide entities”) controlled and had the right to distribute by virtue of certain promotion and venue management relations. This per ticket fee for events in North America was payable to CTS regardless of whether the Live Nation Worldwide entities chose to use the CTS ticketing platform, Ticketmaster’s ticketing platform or another ticketing platform for the sale of such controlled tickets. For events in certain European countries, not including the United Kingdom, Live Nation Worldwide generally was required, during a 10-year term, to exclusively book on the CTS ticketing platform all tickets that the Live Nation Worldwide entities had the right to distribute (or, to the extent other ticketing platforms were used, Live Nation Worldwide was generally required to pay to CTS the same fee that would have been payable had the CTS platform been used). For events in the United Kingdom, Live Nation Worldwide was required, for a 10-year term, to (i) book on the CTS ticketing platform all tickets controlled by Live Nation Worldwide entities that were not allocated by Live Nation Worldwide for sale through other sales channels and (ii) to offer for sale on the CTS UK website a portion of the tickets controlled by the Live Nation Worldwide entities. Finally, the CTS Agreement obligated Live Nation Worldwide and CTS to negotiate a set of noncompete agreements that, subject to legal restrictions, could have precluded Live Nation Worldwide from offering primary market ticketing services to third parties in certain European countries during the term of the CTS Agreement.

In April 2010, CTS filed a request for arbitration with the International Court of Arbitration of the International Chamber of Commerce (“ICC”), pursuant to the CTS Agreement. In its request for arbitration, CTS asserts, among other things, that (i) the terms of the CTS Agreement, including the North America per ticket license fee, European exclusivity obligations and United Kingdom distribution obligations described above, apply to tickets sold and distributed by Ticketmaster, (ii) Ticketmaster’s sales and distribution of tickets following the completion of the Merger have resulted in various breaches of Live Nation Worldwide’s obligations under the CTS Agreement, (iii) Live Nation has failed to allocate the proper number of tickets to CTS’s system in the United Kingdom and (iv) the Merger and the Company’s subsequent actions have breached the implied covenant of good faith and fair dealing. In its request for arbitration, CTS seeks relief in the form of a declaration that Live Nation and Live Nation Worldwide are in breach of the CTS Agreement and the implied covenant of good faith and fair dealing, specific performance of Live Nation Worldwide’s obligations under the CTS Agreement, and unspecified damages resulting from such breaches. In March 2011, CTS provided further specifications on its claims and purported damages, including a claim for royalties that would have been paid over the contemplated 10-year term of the CTS Agreement and on Ticketmaster-controlled tickets (as well as tickets controlled by Live Nation Worldwide or any of certain of its subsidiaries).

In May 2010, the Company responded to CTS’s request for arbitration and filed counterclaims asserting that CTS breached the CTS Agreement by failing to provide ticketing platforms that met the standard required by the CTS Agreement for the North American and European markets. The Company is seeking relief primarily in the form of damages and a declaration that the Company validly terminated the CTS Agreement based on CTS’s material breaches. The Company denies that CTS is entitled to collect damages for royalties that would have been paid over the full 10-year term of the CTS Agreement or on Ticketmaster-controlled tickets. The matter has been assigned to an arbitrator, and hearings were conducted in the summer and fall of 2011. A decision from the arbitrator is currently expected in the spring of 2013. While the Company does not believe that a loss is probable of occurring at this time, if the arbitrator rules against the Company on any or all claims, the resulting amounts could be substantial. Considerable uncertainty remains regarding the validity of the claims and damages asserted against the Company. As a result, the Company is currently unable to estimate the possible loss or range of loss for this matter. The Company intends to continue to vigorously defend the action.

Ticketing Fees Consumer Class Action Litigation

In October 2003, a putative representative action was filed in the Superior Court of California challenging Ticketmaster's charges to online customers for shipping fees and alleging that its failure to disclose on its website that the charges contain a profit component is unlawful. The complaint asserted a claim for violation of California's Unfair Competition Law ("UCL") and sought restitution or disgorgement of the difference between (i) the total shipping fees charged by Ticketmaster in connection with online ticket sales during the applicable period, and (ii) the amount that Ticketmaster actually paid to the

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shipper for delivery of those tickets. In August 2005, the plaintiffs filed a first amended complaint, then pleading the case as a putative class action and adding the claim that Ticketmaster's website disclosures in respect of its ticket order processing fees constitute false advertising in violation of California's False Advertising Law. On this new claim, the amended complaint seeks restitution or disgorgement of the entire amount of order processing fees charged by Ticketmaster during the applicable period. In April 2009, the Court granted the plaintiffs' motion for leave to file a second amended complaint adding new claims that (a) Ticketmaster's order processing fees are unconscionable under the UCL, and (b) Ticketmaster's alleged business practices further violate the California Consumer Legal Remedies Act. Plaintiffs later filed a third amended complaint, to which Ticketmaster filed a demurrer in July 2009. The Court overruled Ticketmaster's demurrer in October 2009.

The plaintiffs filed a class certification motion in August 2009, which Ticketmaster opposed. In February 2010, the Court granted certification of a class on the first and second causes of action, which allege that Ticketmaster misrepresents/omits the fact of a profit component in Ticketmaster's shipping and order processing fees. The class would consist of California consumers who purchased tickets through Ticketmaster's website from 1999 to present. The Court denied certification of a class on the third and fourth causes of action, which allege that Ticketmaster's shipping and order processing fees are unconscionably high. In March 2010, Ticketmaster filed a Petition for Writ of Mandate with the California Court of Appeal, and plaintiffs also filed a motion for reconsideration of the Superior Court's class certification order. In April 2010, the Superior Court denied plaintiffs' Motion for Reconsideration of the Court's class certification order, and the Court of Appeal denied Ticketmaster's Petition for Writ of Mandate. In June 2010, the Court of Appeal granted the plaintiffs' Petition for Writ of Mandate and ordered the Superior Court to vacate its February 2010 order denying plaintiffs' motion to certify a national class and enter a new order granting plaintiffs' motion to certify a nationwide class on the first and second claims. In September 2010, Ticketmaster filed its Motion for Summary Judgment on all causes of action in the Superior Court, and that same month plaintiffs filed their Motion for Summary Adjudication of various affirmative defenses asserted by Ticketmaster. In November 2010, Ticketmaster filed its Motion to Decertify Class.

In December 2010, the parties entered into a binding agreement providing for the settlement of the litigation and the resolution of all claims therein. In September 2011, the Court declined to approve the settlement in its then-current form. Litigation continued, and in September 2011, the Court granted in part and denied in part Ticketmaster's Motion for Summary Judgment. The parties reached a new settlement in September 2011, which was approved preliminarily, but in September 2012 the Court declined to grant final approval. The parties have agreed in principal on the terms of a revised settlement and intend to present those terms to the court for preliminary approval upon execution of a long-form settlement agreement. Ticketmaster and its parent, Live Nation, have not acknowledged any violations of law or liability in connection with the matter.

As of March 31, 2013, the Company has accrued $35.4 million, its best estimate of the probable costs associated with the settlement referred to above. This liability includes 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.

Canadian Consumer Class Action Litigation Relating to TicketsNow

In February 2009, four putative consumer class action complaints were filed in various provinces of Canada against TicketsNow, Ticketmaster, Ticketmaster Canada Ltd. and Premium Inventory, Inc. All of the cases allege essentially the same set of facts and causes of action. Each plaintiff purports to represent a class consisting of all persons who purchased a ticket from Ticketmaster, Ticketmaster Canada Ltd. or TicketsNow from February 2007 to present and alleges that Ticketmaster conspired to divert a large number of tickets for resale through the TicketsNow website at prices higher than face value. The plaintiffs characterize these actions as being in violation of Ontario's Ticket Speculation Act, the Amusement Act of Manitoba, the Amusement Act of Alberta or the Quebec Consumer Protection Act. The Ontario case contains the additional allegation that Ticketmaster's and TicketsNow's service fees violate anti-scalping laws. Each lawsuit seeks compensatory and punitive damages on behalf of the class.

In February 2012, the parties entered into a settlement agreement that will resolve all of the resale market claims. The court approval process for the settlement has been completed, with final approvals given in all provinces. The settlement was paid in January 2013, the full amount of which was funded by an escrow established in connection with Ticketmaster's 2008 acquisition of TicketsNow.

While it is reasonably possible that a loss related to the primary market claims of this matter could be incurred by the Company in a future period, the Company does not believe that a loss is probable of occurring at this time. Considerable uncertainty remains regarding the validity of the claims and damages asserted against the Company. As a result, the Company is currently unable to estimate the possible loss or range of loss for the primary market claims of this matter. The Company intends to continue to vigorously defend all claims in all of the actions.

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Other Litigation

From time to time, the Company is involved in other legal proceedings arising in the ordinary course of its business, including proceedings and claims based upon violations of antitrust laws and intellectual property rights, and tortious interference, which could cause the Company to incur significant expenses. The Company has also been the subject of personal injury and wrongful death claims relating to accidents at its venues in connection with its operations. As required, the Company has accrued its estimate of the probable settlement or other losses for the resolution of any outstanding claims. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, including, in some cases, estimated redemption rates for the settlement offered, 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 the Company's assumptions or the effectiveness of its strategies related to these proceedings. In addition, under the Company's agreements with Clear Channel, it has assumed and will indemnify Clear Channel for liabilities related to its business for which they are a party in the defense.

NOTE 6—CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

Transactions Involving Directors

The following table sets forth revenue earned and expenses incurred from the transactions noted below:

	Three Months Ended March 31,	
	2013	2012
Director related-party revenue	$2,475	$4,746
Director related-party expenses	$2,054	$3,243

Relationship with Clear Channel

For purposes of governing certain of the ongoing relationships between Clear Channel and Live Nation at and after the Separation, Clear Channel and Live Nation entered into a tax matters agreement, among other agreements.

The Company has a non-employee director as of March 31, 2013 who is also a director and executive officer of Clear Channel. This director receives directors' fees, stock options and restricted stock awards on the same basis as other non-employee members of the Company's board of directors. From time to time, the Company purchases advertising from Clear Channel and its subsidiaries in the ordinary course of business on an arms-length basis. The Company also has various lease and licensing agreements with Clear Channel for office space.

Transactions with MSG

The Company had a non-employee director until February 2013 who is also a director and executive officer of MSG and Cablevision Systems Corporation. This director received directors' fees, stock options and restricted stock awards on the same basis as other non-employee members of the Company's board of directors. From time to time, the Company promotes events at venues owned and/or operated by MSG and pays rental fees and co-promote fees to MSG and its subsidiaries. In addition, the Company provides ticketing services for venues and sports franchises owned and/or operated by MSG and pays royalty fees to MSG and its subsidiaries. The Company also receives transaction fees from MSG and its subsidiaries for tickets MSG sells using the Company's ticketing software. Finally, the Company purchases advertising from Cablevision Systems Corporation and its subsidiaries from time to time. All of these transactions are entered into in the ordinary course of business on an arms-length basis, and are included in the table above through February 2013.

Transactions Involving Executives

Irving Azoff was the Company's Executive Chairman and Chairman of the board of directors until his resignation as an officer, director and employee of the Company on December 31, 2012. ATC Aviation, Inc. ("ATC"), which is owned by Irving Azoff, owns an aircraft. An aircraft management and charter company, unrelated to either the Company or ATC, manages and operates the aircraft on ATC's behalf. The Company was charged market rates for the use of the aircraft when used by Mr. Azoff or other executives on Company business, a portion of which was paid to ATC. These arrangements are no longer in effect following Mr. Azoff's departure from the Company. For the three months ended March 31, 2012, the Company made payments totaling $0.7 million.

Irving Azoff has a minority ownership interest in an entity that subleases office space from the Company. Rent charged by the Company totaled $0.2 million for the three months ended March 31, 2012.

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Other Related Parties

The Company conducts certain transactions in the ordinary course of business with companies that are owned, in part or in total, by various members of management of the Company’s subsidiaries or companies over which it has significant influence. These transactions primarily relate to venue rentals, concession services, equipment rentals, ticketing, marketing and other services. As of March 31, 2013 and December 31, 2012, the Company has a receivable balance of $13.0 million and $12.2 million, respectively, from certain of these companies. The following table sets forth expenses incurred and revenue earned from these companies for services rendered or provided in relation to these business ventures. None of these transactions were with directors or executive officers of the Company.