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

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

Form 10-Q

---

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

For the quarterly period ended June 30, 2015

or

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

For the transition period from to

Commission File Number 001-32601

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

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

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

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 Ticketmaster ticketing business of the Company

Table of Contents

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

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

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

See Notes to Consolidated Financial Statements

Table of Contents

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

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

See Notes to Consolidated Financial Statements

Table of Contents

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

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

See Notes to Consolidated Financial Statements

Table of Contents

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

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

See Notes to Consolidated Financial Statements

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 2014 Annual Report on Form 10-K filed with the SEC on February 26, 2015, as amended by the Form 10-K/A filed with the SEC on June 30, 2015.

Seasonality

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

Cash and Cash Equivalents

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

Acquisitions

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

Reclassifications

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

Recent Accounting Pronouncements

Recently Adopted Pronouncements

In April 2014, the FASB issued guidance that raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The Company adopted this guidance on January 1, 2015 and there has been no impact from its adoption.

In April 2015, the FASB issued guidance that simplifies the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a deduction from the carrying amount of that debt liability, consistent with debt discounts. The guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015 and interim periods within that year. The guidance should be applied on a retrospective basis to all periods presented in the financial statements. Early adoption is permitted and the Company adopted this guidance on January 1, 2015. See “—Reclassifications” above for discussion of the impact of implementation.

Table of Contents

Recently Issued Pronouncements

In May 2014, the FASB issued a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under GAAP. The new standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle of the guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is effective for annual and interim periods beginning after December 15, 2016, and early adoption of the standard is not permitted. The guidance should be applied retrospectively, either to each prior period presented in the financial statements, or only to the most current reporting period presented in the financial statements with a cumulative-effect adjustment as of the date of adoption. In July 2015, the FASB affirmed its proposal to defer the effective date of the new revenue recognition standard by one year. The FASB also affirmed its proposal to allow early adoption of the standard, but not before the original effective date. Assuming final guidance is issued deferring the effective date, the Company will adopt this standard on January 1, 2018, and is currently assessing which implementation method it will apply and the impact its adoption will have on its financial position and results of operations.

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

In February 2015, the FASB issued amendments to the consolidation guidance that make changes to the analysis a reporting entity must perform to determine whether it should consolidate certain types of legal entities. This guidance is effective for annual and interim periods beginning after December 15, 2015, and early adoption is permitted. The guidance should be applied either using a modified retrospective approach or retrospectively. The Company will adopt this standard on January 1, 2016, and is currently assessing which implementation method it will apply and the impact its adoption will have on its financial position and results of operations.

NOTE 2—LONG-LIVED ASSETS

Definite-lived Intangible Assets

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

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, 2015:

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

(1) Other includes net downs of fully amortized or impaired assets.

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

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

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

All categories	9

Amortization of definite-lived intangible assets for the three months ended June 30, 2015 and 2014 was $43.5 million and $33.3 million, respectively, and for the six months ended June 30, 2015 and 2014 was $76.1 million and $67.9 million,

8

Table of Contents

respectively. Amortization related to nonrecoupable ticketing contract advances for the three months ended June 30, 2015 and 2014 was $13.2 million and $11.6 million, respectively, and for the six months ended June 30, 2015 and 2014 was $32.8 million and $29.0 million, respectively.

The following table presents the Company's estimate of future amortization expense for the remainder of 2015 through 2019 for definite-lived intangible assets that exist at June 30, 2015:

	(in thousands)
July 1 - December 31, 2015	$75,497
2016	$144,778
2017	$125,955
2018	$110,133
2019	$97,110

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, 2015:

	Concerts	Ticketing	Artist Nation	Sponsorship & Advertising	Total
	(in thousands)				
Balance as of December 31, 2014:					
Goodwill	$577,891	$657,631	$345,513	$ 302,865	$1,883,900
Accumulated impairment losses	(386,915)	—	(17,948)	—	(404,863)
Net	190,976	657,631	327,565	302,865	1,479,037
Acquisitions—current year	79,915	79,277	4,800	20,455	184,447
Acquisitions—prior year	(35,844)	(4,245)	4,461	4,335	(31,293)
Foreign exchange	(2,159)	(6,779)	343	(4,473)	(13,068)
Balance as of June 30, 2015:					
Goodwill	619,803	725,884	355,117	323,182	2,023,986
Accumulated impairment losses	(386,915)	—	(17,948)	—	(404,863)
Net	$232,888	$725,884	$337,169	$ 323,182	$1,619,123

Included in the current year acquisitions amount above of $184.4 million is goodwill primarily associated with the acquisitions of controlling interests in two festival promoters and the acquisition of a ticketing business previously accounted for under the equity method, all located in the United States.

Included in the prior year acquisitions amount above is a decrease of $31.3 million of goodwill primarily associated with the acquisition of a controlling interest in a festival and concert promoter located in the United States.

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.

Table of Contents

NOTE 3—FAIR VALUE MEASUREMENTS

The following table shows the fair value of the Company’s significant financial assets 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:

	Fair Value Measurements at June 30, 2015	Fair Value Measurements at December 31, 2014
	Level 1	Level 1
	(in thousands)	
Assets:		
Cash equivalents	$ 130,035	$ 111

The Company has cash equivalents which consist of money market funds. Fair values for cash equivalents are based on quoted prices in an active market which are considered to be Level 1 inputs as defined in the FASB guidance.

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 $451.6 million, $255.0 million and $298.5 million, respectively, at June 30, 2015. The estimated fair values of the 7% senior notes, 5.375% senior notes and 2.5% convertible senior notes were $451.3 million, $250.3 million and $296.3 million, respectively, at December 31, 2014. 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 $30.4 million and $30.0 million at June 30, 2015 and December 31, 2014, 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

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 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.

Table of Contents

Litigation continued, and later that same month, 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 preliminarily approved, but in September 2012 the Court declined to grant final approval. In June 2013, the parties reached a revised settlement, which was preliminarily approved by the Court in April 2014. In February 2015, the Court granted the parties' motion for final approval of the settlement. Ticketmaster and its parent, Live Nation, have not acknowledged any violations of law or liability in connection with the matter.

As of June 30, 2015, the Company had accrued $34.9 million, its best estimate of the probable costs associated with the settlement referred to above. 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.

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 purported violations of antitrust laws, 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.

NOTE 5—INCOME TAXES

The Company calculates interim effective tax rates in accordance with the FASB guidance for income taxes and applies the estimated annual effective tax rate to year-to-date pretax income (or loss) at the end of each interim period to compute a year-to-date tax expense (or benefit). This guidance requires departure from effective tax rate computations when losses incurred within tax jurisdictions cannot be carried back and future profits associated with operations in those tax jurisdictions cannot be assured beyond any reasonable doubt. Accordingly, the Company has calculated and applied an expected annual effective tax rate of approximately 30% for 2015, excluding significant, unusual or extraordinary items, for ordinary income associated with operations for which the Company currently expects to have annual taxable income, which are principally outside of the United States. The Company has not recorded tax benefits associated with losses from operations for which future taxable income cannot be reasonably assured.

As almost all earnings from the Company's continuing foreign operations are permanently reinvested and not distributed, the Company's income tax provision does not include additional United States taxes on those foreign operations. The Company currently believes that the majority of its undistributed foreign earnings that are not currently subject to United States federal income tax will be indefinitely reinvested in its foreign operations.

The tax years 2005 through 2014 remain open to examination by the major tax jurisdictions to which the Company is subject.

Table of Contents

NOTE 6—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, 2015:

	Live Nation Stockholders' Equity (in thousands)	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests (in thousands)
Balance at December 31, 2014	$ 1,296,954	$ 186,893	$ 1,483,847	$ 168,855
Non-cash and stock-based compensation	17,562	—	17,562	—
Common stock issued under stock plans, net of shares withheld for employee taxes	(5,321)	—	(5,321)	—
Exercise of stock options	13,015	—	13,015	—
Acquisitions	—	17,069	17,069	74,911
Purchases of noncontrolling interests	(4,819)	(3,233)	(8,052)	—
Sales of noncontrolling interests	2,142	—	2,142	147
Redeemable noncontrolling interests fair value adjustments	(6,993)	—	(6,993)	6,993
Cash distributions	—	(9,178)	(9,178)	(192)
Other	—	(513)	(513)	53
Comprehensive loss:				
Net loss	(43,223)	2,131	(41,092)	(5,222)
Realized loss on cash flow hedges	25	—	25	—
Change in funded status of defined benefit pension plan	113	—	113	—
Foreign currency translation adjustments	(18,059)	—	(18,059)	—
Balance at June 30, 2015	$ 1,251,396	$ 193,169	$ 1,444,565	$ 245,545

Accumulated Other Comprehensive Income (Loss)

The following table presents changes in the components of AOCI, net of taxes, for the six&#3