

Edgar Filing: Live Nation Entertainment, Inc. - Form 10-Q

Live Nation Entertainment, Inc.
Form 10-Q
October 30, 2014

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

Form 10-Q

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

For the quarterly period ended September 30, 2014
or

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

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

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

Delaware
(State of Incorporation)
9348 Civic Center Drive
Beverly Hills, CA 90210
(Address of principal executive offices, including zip code)
(310) 867-7000
(Registrant's telephone number, including area code)

20-3247759
(I.R.S. Employer Identification No.)

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 October 24, 2014, there were 200,659,004 outstanding shares of the registrant's common stock, \$0.01 par value per share, including 1,224,678 shares of unvested restricted stock awards and excluding 408,024 shares held in treasury.

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LIVE NATION ENTERTAINMENT, INC.
GLOSSARY OF KEY TERMS

AOCI	Accumulated other comprehensive income (loss)
AOI	Adjusted operating income (loss)
Clear Channel Company	Clear Channel Communications, Inc. Live Nation Entertainment, Inc. and subsidiaries
FASB	Financial Accounting Standards Board
GAAP	United States Generally Accepted Accounting Principles
Live Nation	Live Nation Entertainment, Inc. and subsidiaries
SEC	United States Securities and Exchange Commission
	For periods prior to May 6, 2010, Ticketmaster means Ticketmaster Entertainment LLC and its predecessor companies (including without limitation Ticketmaster Entertainment, Inc.); for periods on and after May 6, 2010, Ticketmaster means the Ticketmaster ticketing business of the Company
Ticketmaster	

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

LIVE NATION ENTERTAINMENT, INC.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	September 30, 2014	December 31, 2013
	(in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,358,300	\$ 1,299,184
Accounts receivable, less allowance of \$17,385 and \$19,850, respectively	607,150	439,151
Prepaid expenses	484,603	378,342
Other current assets	47,882	43,427
Total current assets	2,497,935	2,160,104
Property, plant and equipment		
Land, buildings and improvements	811,059	816,931
Computer equipment and capitalized software	430,443	421,846
Furniture and other equipment	208,679	210,866
Construction in progress	80,210	52,883
	1,530,391	1,502,526
Less accumulated depreciation	834,450	795,726
	695,941	706,800
Intangible assets		
Definite-lived intangible assets, net	619,671	676,564
Indefinite-lived intangible assets	369,640	376,736
Goodwill	1,484,677	1,466,983
Other long-term assets	379,867	296,334
Total assets	\$ 6,047,731	\$ 5,683,521
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable, client accounts	\$ 646,814	\$ 656,253
Accounts payable	96,104	111,320
Accrued expenses	763,800	668,799
Deferred revenue	399,534	486,433
Current portion of long-term debt	47,947	278,403
Other current liabilities	37,734	54,310
Total current liabilities	1,991,933	2,255,518
Long-term debt, net	2,027,209	1,530,484
Long-term deferred income taxes	165,224	161,637
Other long-term liabilities	107,684	85,035
Commitments and contingent liabilities		
Redeemable noncontrolling interests	74,436	61,041
Stockholders' equity		
Common stock	1,998	1,978
Additional paid-in capital	2,403,316	2,368,281
Accumulated deficit	(856,147	) (951,796
Cost of shares held in treasury	(6,865) (6,865
Accumulated other comprehensive income (loss)	(37,577) (2,370

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Total Live Nation Entertainment, Inc. stockholders' equity	1,504,725	1,409,228
Noncontrolling interests	176,520	180,578
Total equity	1,681,245	1,589,806
Total liabilities and equity	\$6,047,731	\$5,683,521

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in thousands except share and per share data)			
Revenue	\$2,502,008	\$2,262,236	\$5,295,109	\$4,865,447
Operating expenses:				
Direct operating expenses	1,876,519	1,698,731	3,792,366	3,485,583
Selling, general and administrative expenses	349,676	325,005	978,006	900,246
Depreciation and amortization	97,925	92,729	256,732	257,582
Gain on disposal of operating assets	(1,696)	) (9,060)	) (4,977)	) (42,856)
Corporate expenses	26,647	26,442	73,538	68,909
Acquisition transaction expenses	2,333	2,352	5,462	5,329
Operating income	150,604	126,037	193,982	190,654
Interest expense	28,113	29,393	80,195	87,585
Loss on extinguishment of debt	233	36,269	233	36,269
Interest income	(864)	) (1,547)	) (2,676)	) (4,205)
Equity in losses (earnings) of nonconsolidated affiliates	(2,155)	) 2,363	(5,921)	) (2,848)
Other expense (income), net	12,587	(5,269)	) 11,081	2,237
Income before income taxes	112,690	64,828	111,070	71,616
Income tax expense (benefit)	(3,137)	) 14,410	(482)	) 26,370
Net income	115,827	50,418	111,552	45,246
Net income attributable to noncontrolling interests	10,664	6,644	15,903	6,581
Net income attributable to common stockholders of Live Nation Entertainment, Inc.	\$105,163	\$43,774	\$95,649	\$38,665
Basic net income per common share attributable to common stockholders of Live Nation Entertainment, Inc.	\$0.52	\$0.22	\$0.46	\$0.20
Diluted net income per common share attributable to common stockholders of Live Nation Entertainment, Inc.	\$0.49	\$0.22	\$0.45	\$0.19
Weighted average common shares outstanding:				
Basic	199,261,810	196,396,704	198,612,221	192,792,286
Diluted	221,581,583	202,109,783	206,233,574	197,266,289

See Notes to Consolidated Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in thousands)			
Net income	\$ 115,827	\$ 50,418	\$ 111,552	\$ 45,246
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on cash flow hedges	6	(22	) (2	) 3
Realized loss on cash flow hedges	15	19	48	476
Change in funded status of defined benefit pension plan	—	—	30	—
Foreign currency translation adjustments	(54,426	) 40,701	(35,283	) (817
Comprehensive income	61,422	91,116	76,345	44,908
Comprehensive income attributable to noncontrolling interests	10,664	6,644	15,903	6,581
Comprehensive income attributable to common stockholders of Live Nation Entertainment, Inc.	\$ 50,758	\$ 84,472	\$ 60,442	\$ 38,327

See Notes to Consolidated Financial Statements

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

	Nine Months Ended September 30,	
	2014	2013
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 111,552	\$ 45,246
Reconciling items:		
Depreciation	93,140	90,443
Amortization	163,592	167,139
Deferred income tax benefit	(21,463)	(8,230)
Amortization of debt issuance costs and discount/premium, net	13,375	15,409
Loss on extinguishment of debt	233	36,269
Non-cash compensation expense	31,531	23,224
Gain on disposal of operating assets	(4,977)	(42,856)
Equity in earnings of nonconsolidated affiliates	(5,921)	(2,848)
Other, net	(2,679)	221
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Increase in accounts receivable	(193,705)	(106,561)
Increase in prepaid expenses	(125,525)	(50,432)
Increase in other assets	(105,228)	(94,421)
Increase in accounts payable, accrued expenses and other liabilities	108,716	237,718
Decrease in deferred revenue	(76,473)	(45,783)
Net cash provided by (used in) operating activities	(13,832)	264,538
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from nonconsolidated affiliates	7,303	13,104
Investments made in nonconsolidated affiliates	(11,324)	(7,505)
Purchases of property, plant and equipment	(98,248)	(103,577)
Proceeds from disposal of operating assets, net of cash divested	2,058	83,086
Cash paid for acquisitions, net of cash acquired	(48,527)	(26,418)
Purchases of intangible assets	(2,675)	(17)
Other, net	(8,279)	(1,163)
Net cash used in investing activities	(159,692)	(42,490)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt, net of debt issuance costs	515,258	870,324
Payments on long-term debt, including redemption costs	(245,014)	(854,277)
Contributions from noncontrolling interests	81	267
Distributions to noncontrolling interests	(23,964)	(12,382)
Purchases and sales of noncontrolling interests, net	(3,528)	(75)
Proceeds from exercise of stock options	14,142	