

**Full Year and Fourth Quarter 2023 Earnings Conference Call Transcript
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Presenters

Michael Rapino, President and CEO

Joe Berchtold, President and CFO

Amy Yong, Head of Investor Relations

Q&A Participants

Stephen Laszczyk – Goldman Sachs

Brandon Ross – LightShed Partners

David Karnovsky – J.P. Morgan

Cameron Mansson-Perrone – Morgan Stanley

Jason Bazinet – Citibank

Ashton Welles – Evercore ISI

David Katz – Jefferies

Operator

Good afternoon. My name is John, and I will be your conference operator today. At this time, I would like to welcome everyone to Live Nation's Fourth Quarter and Full Year 2023 Earnings Call. And I would now like to turn the call over to Ms. Yong. Thank you, Ms. Yong. You may begin your conference.

Amy Yong

Good afternoon, and welcome to the Live Nation fourth quarter and full year 2023 earnings conference call. Joining us today is our President and CEO, Michael Rapino, and our President and CFO, Joe Berchtold.

Before we begin, we would like to remind you that this afternoon's call contains certain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ, including statements related to the company's anticipated financial performance, business prospects, new developments, and similar matters. Please refer to Live Nation's SEC filings, including the risk factors and cautionary statements included in the company's most recent filings on Forms 10-K, 10-Q, and 8-K, for a description of risks and uncertainties that could impact the actual results.

Live Nation will also refer to some non-GAAP measures on this call. In accordance with the SEC Regulation G, Live Nation have provided definitions of these measures and a full reconciliation to the most comparable GAAP measures in our earnings release. The release reconciliation can be found under the financial information section of Live Nation's website.

And with that, let me open the call for questions. Operator?

Operator

Thank you. We will now be conducting a question and answer session. If you would like to ask a question, please press star-one on your telephone keypad. A confirmation tone will indicate that your line is in the queue. You may press star-two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment while we poll for questions.

And the first question comes from the line of Stephen Laszczyk with Goldman Sachs. Please proceed with your question.

Stephen Laszczyk

Hey, great. Thank you. Good afternoon. Maybe one on the mix shift in the slate and one on sponsorship. A lot's been made on the mix shift, shifting more towards amphitheaters this year. Maybe for Joe, just from a modeling perspective, could you help us think through how the mix shift will impact the cadence of revenue growth and margin expansion across the concerts and ticketing segments in 2024, and maybe how we should expect the business to pace towards the double-digit AOI growth you called out in the release?

And then on sponsorship, maybe for Michael, you have two notable tailwinds to the sponsorship business this year. MasterCard's replacing AMEX and you have Rock in Rio, which is a biannual event coming in this year. Is there any way you can help us size the contribution from these two factors, and perhaps where else you're seeing demand in the sponsorship business this year? Thank you.

Joe Berchtold

Sure, Stephen. This is Joe. I'll go first in terms of the mix shift. There's several dimensions of this. Let's start with deferred revenue. Deferred revenue and the level to which it's up is impacted on a timing basis by what we've talked about in terms of stadium volume being lower this year, amp volume being higher. So, you have less Q4 far ahead on-sales with the stadiums, so that's going to compress that deferred revenue line that you see as of the end of the year relative to what you'd see in a more normal year.

Then in terms of how that specifically flows through on the concert side, because it's going to be a shift to more outdoor with the amphitheaters, it's going to be more heavily weighted to Q2 and Q3. It's going to have a higher AOI per fan because we're counting the beer money, the parking money, other revenue streams when we have the fans onsite.

It will mean, just on a top line basis, a lower revenue per fan because the stadium tickets tend to be the highest priced tickets, so you'll see a real divergence there between the AOI per fan and the revenue per fan. That obviously will translate into improved margin on the concert segment this year, which should particularly come through in the second and third quarters.

On Ticketmaster, the way it flows through is that it would have had fewer on-sales in the fourth quarter because the amphitheater shows tend to go on sale closer in time to the shows. So, we

still outperformed, grew, Ticketmaster in the fourth quarter, increased our number of fee bearing tickets by about five million, but that was against the headwind of that mix shift. So, we expect to be selling more of those tickets into Q1 and Q2 for the amphitheater. But because those tickets are deferred from a revenue recognition standpoint at Ticketmaster, you won't see the AOI on those tickets until the shows play off in Q2 and Q3.

On sponsorship?

Michael Rapino

Stephen, does that help?

Stephen Laszczyk

Yeah, that's helpful. And then just on sponsorship.

Michael Rapino

Yeah. And I just want to give Joe a macro level on the kind of concert supply just so we're aligned. You know, this is going to be a great year. We're pacing ahead on our arena and our amphitheater business, which is the higher margin business, as we've talked about. So, we're going to have a fabulous year. We're going to be able to monetize that around the world. We actually look at '25, looks like it's going to be a monster stadium year again as that pipe kind of reloads itself.

So, I just want to make sure on a macro level we're seeing continual artists supply at record levels. And we're--you know, we made decisions this year. Usher could have been in stadiums. He wanted--we wanted to get him in arenas this year and put a great show together. Justin Timberlake, Bad Bunny in arenas versus stadiums. So, you make those trade-offs in different years.

But the good news for us is we're going to have a fabulous arena/amphitheater year, festival year around the world. That's going to drive our overall AOI margin cash flow, probably bounce back with some bigger stadium activity in '25, and then the cycle will continue. But as we've stated over our Investor Day, we look at this as a continual growth year-over-year industry for the next 10 years on a global basis. And we'll see that again this year.

Sponsorship, to your macro point, the demand we're seeing, strong as ever. I just spent some time in New York with my team with clients, Verizon, etc. Our demand in terms of clients that want to be part of this live experience surge right now is stronger than ever, as you can imagine. Most CMOs want to sit down with us and talk about how can they have some part of this live explosion on a global basis.

So, we're seeing, as you've seen with MasterCard, did a deal with Verizon, and others to be announced, our pipe is up year-over-year. We expect this to continue to be a double-digit growth business as we've seen in the past. We see nothing slowing down there.

Stephen Laszczyk

Great. Thank you both.

Operator

And the next question comes from the line of Brandon Ross with LightShed Partners. Please proceed with your question.

Brandon Ross

Hey, everyone. How are you doing? Joe, you talked about amps in the answer to the last question a lot and the mix shift this year. I was actually curious what--I want to better understand the future upside in the amp business. Your portfolio's been fairly fixed for a long time, and you've done a pretty incredible job of increasing per caps over the last decade. Where does the real growth come from in the amphitheater business at this point? I have some follow-ups.

Joe Berchtold

Yeah. Thanks, Brandon.

Michael Rapino

I'll start and then you can go there, Joe.

Joe Berchtold

Yeah.

Michael Rapino

Just--let me just on the--I think, Brandon, you've heard us talk about it at our Venue Nation Day. You know, we think we're in a--you know, we're in this double win right now. We think we have global scale that will still continue because of international markets, and more to come. But we also have an incredible amount of opportunities to monetize the scale we have.

And, you know, for the first 10 years, we built scale. We just kind of ran the scale the last couple years since COVID when we launched our Venue Nation division and really focused hiring up and bringing in new skill sets around hospitality best in class, food and beverage best in class, VIP clubs, etc. We think our amphitheaters are run, you know, very well. As I say, they run very well like Southwest Airlines. They're very efficient and they've been great machines to date.

But we think we're seeing, when we invest capital onsite, we're getting 20%, 30% returns on capital when we, you know, turn that grassy area into a VIP club, a membership club. You're going to see Jones Beach this summer. When you walk out to Jones Beach this summer at an amphitheater, you're going to call me and go, "Now I get it." Now I see what these--the machines could double their AOI when you start to really treat them, as arenas have been doing, a much better job about how do we upscale onsite, elevate the experience, and take over.

So, we think the 50 amphitheaters we have, the bones of them are amazing. They do an incredible job. They're efficient. We think we can double the business as we start to actually look inside the

hood and upgrade onsite, whether it's our Liquid Death idea that has been a huge surge in our food and beverage, our shaker cup, our own custom branded liquor that we launched onsite to our new clubs we're rolling out, to our VIP boxes, to our elevated--if you look at our overall amphitheater business, about 9% of it is premium.

We think that should be 30% to 35%, to give you kind of macro numbers. If you doubled that overnight, your business would double in the long run. So, just take your current house, upgrade it, double your capacity on the VIP business, and your business would double, the simplest way to look at it.

Joe Berchtold

Yeah. And then the other half of it, Brandon, is that's making more on the shows from the fans that attend is in terms of the volume of shows. Right now, with our current portfolio, if you assume typical amp has about four months of activity on average, our utilization rate is running about 35%.

So, we still have a fair bit of space that we can put more shows into our amphitheaters. And while we haven't been growing by leaps and bounds, we are continuing to add an amp here, an amp there on our hyper local strategy of continuing to look for more spots that we can put an amphitheater in.

Brandon Ross

Great. Then over the past couple of years, I know platinum's been a pretty big tailwind for probably both the Ticketmaster business and the concerts business. And I was curious how far along you are in the rollout of platinum ticketing, both in domestic and international, and then how you expect platinum to continue to contribute to the growth at both concerts and Ticketmaster.

Michael Rapino

I'll start and Joe can jump in. You know, just think of platinum as it's dynamic pricing, right? It's just pricing smarter. And that's been a skill that we've been--you know, we have a great in-house team who wakes up every day working with artists, agents, managers on this. And it may be as simple as, you know, just figuring out how to reprice--you know, a Tuesday night in Phoenix is worth different than a Saturday night in LA, so being a lot smarter the way you can price your inventory, price the fronts better so the back sells out, price--etc.

We think, if you look at--I'll give you two kind of ways to look at it. Outside of the U.S., we're in the first inning. So, we're just rolling this out around the world. So, that's the great growth opportunity, obviously. We've had it in Europe but still in infancy stages. We're going to expand it down to South America, Australia, etc.

So, it's first inning on the international business, well received when it gets there. Promoters are anxious for it. Artists are anxious for it because they see, when they sell an arena in Baltimore

versus Milan right now, they look at the grosses and say, wow, we're leaving too much on the table for the scalpers. Let's price this better. So, that's our best sales pitch. So, you're going to see that excel.

And I would say on the U.S. business, we're probably about in the fifth inning. The obvious stuff is done at the top end, some artists on the--kind of the P1 platinum. But getting all the way through the business, amphitheaters, the B shows, the C, just dynamically pricing it better and smarter all along the way, we see it happen. It will increase your take flow and sell-through rate all the way to the day that--time you open the gates up. So, we still think that's a multiyear opportunity to continue to grow our top line/bottom line.

Joe Berchtold

And the other way I'd think about it, Brandon, is that the typical secondary ticket is still almost twice the price of a primary ticket. So, as Michael said, just think of platinum as being the market priced ticket. Artists are going to be more and more saying I want that through the house. I want that to be closer to really take away that scalper margin.

Brandon Ross

Yeah. And then finally, not to overstay my welcome here--

Michael Rapino

--Jeez--

Brandon Ross

--But one thing I notice, I've been I think covering your stock for many years now, and I've never seen you give the double digit AOI expectation in Q4. It's always Q1 where you give that guidance. What gave you the confidence to give that type of guidance at this stage versus the usual Q1?

Joe Berchtold

I'll start. I think first of all, our show pipeline is up double digits, very strong for--driven by the arenas and amphitheaters, as we've talked about.

Michael gave all the reasons why we're highly confident in our ability to execute in our amphitheaters now. So the volume of fans that we're confident in having and our ability to drive the profitability off of those fans gives us the visibility and confidence that we're going to deliver double digit growth this year.

Brandon Ross

Thank you, guys.

Operator

And the next question comes from the line of David Karnovsky with JP Morgan. Please proceed with your question.

David Karnovsky

Thank you. I guess first, Joe, wanted to see if you could provide some additional detail on the CapEx guide. Where are you deploying the growth capital and what's driving the incremental spend, including for maintenance versus '23? And I know you've discussed potentially buying venues abroad. So I don't know if you could say anything on the pipeline for deals and how that could potentially look relative to past years.

And then just secondly, in November, you had described a DOJ investigation as in mid-stages. So wanted to see if you had any update here in terms of timing or where things stand overall with the probe. Thanks.

Joe Berchtold

Sure. Let me start with the CapEx. As we noted, we're projecting right now about 540 million CapEx, two thirds rev gen, one third maintenance. If you look at the rev gen, about 300 million of that is either new venues or major renovations of existing buildings. And about half of that, about \$150 million is our top four projects, would include a major revamp of Foro Sol, which is the top international stadium in the world down in Mexico City. Michael talked about Jones Beach. Those projects would collectively have a return in the 20s. So we're definitely seeing some chunkiness now in some projects that cost tens of millions of dollars. Happened to have several -- four of them lineup this year that drives a lot of that.

The other rev gen would be a combination of tactical things in existing venues. A new VIP club, a new viewing deck, rock boxes, some new bar designs that are extremely high returns, generally, 40s, 50s plus percent sort of tactical improvements. Then some things at Ticketmaster heavily tied in with the sponsorship group and the creation of new ad units. And then maintenance is a combination mainly of venues, some Ticketmaster, I think that's continuing to rise at a rate lower than our revenue, lower than our ticket sales. So we're watching that pretty closely and making sure we have that limited.

Joe Berchtold

In terms of the venue pipeline --

Michael Rapino

Venue pipeline, I think we've been talking about it since our investor day. You know, we're really happy about the venue nation team, our global development team. These were skills really going into COVID, we didn't have in house at any level. We're kind of best in class at this point. We've really scaled over the last three, four years, got incredible global teams working around the band. And we're just seeing as we hope when we're walking into those RFPs that we weren't invited to, we're walking in and holding our own and winning, winning right now some key venues around the world that we'll be continuing to announce. So we see it scaling over the next five years much, much higher than it was in the past just because we hadn't focused that much on international arenas before, and we see a great path forward on these.

Joe Berchtold

And then finally on DOJ, I don't think we've got a lot to report. We continue to answer any questions they have. They control the timing. And, you know, we'll watch it play out, but we don't have any specific updates.

Michael Rapino

We're 100% cooperative.

Operator.

And the next question comes from the line of Cameron Mansson-Perrone with Morgan Stanley. Please proceed with your question.

Cameron Mansson-Perrone

Thanks. Two, if I can. Michael, you've spoken in the past about kind of the current big shift in the promotion business being a move from kind of national booking and towards increasingly global booking. I'd love to hear just an update on where you think we are in that shift today. And then, I thought it was interesting in the release that you're seeing all in pricing lead to higher conversion. Is that something that you think can lead to adoption of third party venues or do you think that stays at your operated venue portfolio for now? Thanks, guys.

Michael Rapino

All in pricing. I'll start. Yeah, we're actually surprised and thrilled because we were always skeptical if we would be the one to lead the path, if there was any conversion that would hurt us. But I think consumers are loving the ad idea they can see up front. Ultimately, they're shopping multiple tabs anyway so they're probably figuring out the true costs are the same. So yeah, we think it's a great test. I would say that most of all the Congressional Senate, all the stuff Joe and I are talking to everybody about, this seems to be the common torch that everyone's running with. So I would assume this ends up being legislated somewhere over time, and I would assume others are going to start jumping on the all in wagon as a good step forward for consumers so we can worry about the other issues around scalping, etc.

And the promoter shift it is a, you know, it's always a three level shift, right. It's a local promoter, a national promoter, and a global promoter. Still lots of great local promoters. Why we have 100 offices in 40 countries, concerts still have to be executed local. So you have to make sure you have the best local staff in market that can execute at scale on an ongoing basis. Artists have absolutely evolved over the last 10 years. Much like they probably have one global record label and one global agent and one global publishing company, as touring became their most important category and expensive. These artists are putting on -- I was at the Drake show last night. I mean, he's -- incredible show he's carrying to those fans at a huge cost to give back.

So the artists are, you know, over the last 10 years have started to look for a much more national or global partner, whether it's us, AEG, CTS in Europe, because their needs have changed. They

needed up front capital, they needed organizations that have a wider view on data, marketing, sponsorship, ways to help them think about their global business. Do they go to Japan or not? Do they do Hong Kong before or after? Do we do Pacific Rim? What's the shipping costs? How do we get it all there? So artists have become globalized brands and artists -- consumer -- with the consumer as we've talked about.

So absolutely every artist and the younger the manager and the younger the artist, the more global they're looking for. So if you're kind of the new manager managing superstar that's popped on a global basis, you absolutely want to sit down with someone and talk about your global touring plans. And when do you go where, before -- with one common agenda in mind. So we're seeing that continual shift, and I think you'll just see that continue to move over the next five years.

Cameron Mansson-Perrone

Interesting. Thanks.

Operator

And the next question comes from the line of Jason Bazinet with Citibank. Please proceed with your question.

Jason Bazinet

I just had a quick question on CapEx. You guys have been so consistent with this sort of 2%, 2.5% of revenues on CapEx. Given what's happening in your business and the high returns on invested capital we can see from the outside, why doesn't it make sense to sort of open up the envelope and spend a bit more?

Michael Rapino

Love this question. I think that we, you know, as Joe and I talked about coming out of COVID, you know, the priority the last three years was obviously, you know, build back up that cash bank. We drained a lot during COVID. So we wanted to get the balance sheet strong again, get our staff, get everyone back in place, hire the skills we needed, and plot through our real kind of five to ten year strategy here. So we think, you know, the way we're producing our AOI to cash flow return now, it's given us all the tools we need to deliver this ambitious growth plan that we laid out in our investor day. So you'll see us, you know, move up and down depending if there's a big opportunity. But we've been pretty consistent that we can deliver our growth that we've outlined for you with that current number.

Joe Berchtold

And I think the market just accepts it more if we demonstrate it and then do it a bit more. As you said, we've been demonstrating that return on the invested capital. As we continue, we spend a bit more, we demonstrate those returns, the market will let us spend a bit more. Market doesn't tend to want you to take big leaps and big turns. So we're not doing that. We're just steadily

building a pipeline. And as the market sees the demonstrated returns, then you earn the right to continue to do more of it.

Jason Bazinet

Looking forward to the number being 3% or 3.5% of rev. Thanks.

Operator

And the next question comes from the line of Ashton Welles with Evercore ISI. Please proceed with your question.

Ashton Welles

Thank you for the question. It would be great to get an update on the real time indicators you guys are seeing on the consumer front whether that's the performance of on sales or how shows are closing or on site spending.

Michael Rapino

I'll start and then Joe can jump in. I mean, I see the ticket sale on my daily ticket sale counts. We just went on sale, jeez, within the last week on Usher, Justin Timberlake, Jennifer Lopez just announced Jelly Roll this morning. These shows are flying out the door from top to bottom.

So, yeah, we're seeing no slow down on the consumer from -- I was in Columbus, Ohio for a sold out Drake show last night. We had two nights in a row sold out. Incredible high merch numbers. They were buying all the sweatshirts and onsite the GM told me they were doing really strong numbers. So we're seeing -- at our at our current business, they're buying and showing up across the country and across the globe right now.

Joe Berchtold

And we're seeing most of these on sales still selling front to back, meaning most expensive tickets the least. So we're seeing strong demand at all price points. We just went on sale with our lawn passes for our amphitheaters, up double digits in sale on that for the price conscious fan. So that's going well. Shows are closing. We really have the best per cap on site spending right now for at our theaters and clubs just given its Q1. Those numbers continue to be strong and show year on year growth. So all fronts are showing strong consumer demand globally.

Ashton Welles

Thank you.

Operator

And the next question comes from the line of David Katz with Jefferies. Please proceed with your question.

David Katz

Thanks for taking my question. When we think about the different business lines, how would we think about the trajectory or arc of growth in sponsorship relative, you know, to concerts. And what I'm essentially getting at is, you know, whether there's an acceleration of growth and sponsorship and advertising, that, you know, that that is begotten from, you know, this outperformance and this, you know, this acceleration that you're seeing on the concert side of things later on.

Joe Berchtold

Yeah, David. This is Joe. I think absolutely. There are increasing benefits to scale on the sponsorship business. One of the things that the brands are telling us they're looking for is they want to reach customers at a time when they're open to the brands, which we have, but they want to make sure that it's at scale. That at scale really matters. So they're not trying to do a lot of different little programs. And so we're seeing a lot more demand. We're over a billion dollars in revenue on the sponsorship side, we're 100 and closing in 150 million fans. So we -- over 600 million tickets on Ticketmaster. So we've now got a scale and that scale continues to beget more scale. So absolutely, we see a very strong continued growth in that business.

David Katz

So just to follow it up, and I'm not fishing for any kind of guidance or anything like that, but the, you know, the growth rate and sponsorship, you know, obviously could outgrow and grow more than potentially, you know, that of concerts at some future day. Right? If we're sort of plotting those lines.

Joe Berchtold

Well, I think if you look historically look back since 2010 sponsorship has consistently grown faster than our concert business and we think it continues to be a strong double digit growth business.

David Katz

Okay. Thank you.

Operator

There are no further questions at this time. I would like to turn the floor back over to Michael Rapino for any closing comments.

Michael Rapino

Thank you. Appreciate all your support and we will talk to you at the end of Q1.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.