

Second Quarter 2023 Earnings Conference Call Transcript

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Presenters

Michael Rapino, President and Chief Executive Officer

Joe Berchtold, President and Chief Financial Officer

Amy Yong, Head of Investor Relations

Q&A Participants

Brandon Ross - LightShed Partners

Stephen Laszczyk - Goldman Sachs

David Karnovsky - JPMorgan

Stephen Glagola - TD Cowen

Peter Supino - Wolfe Research

David Katz - Jefferies

Jason Bazinet - Citigroup

Paul Golding - Macquarie

Cameron Mansson-Perrone - Morgan Stanley

Matthew Harrigan - Benchmark Company

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 Second Quarter 2023 Earnings Call. Joining us today from Live Nation are President and CEO Michael Rapino; President and CFO, Joe Berchtold; and Head of Investor Relations, Amy Yong. And I would now like to turn the call over to Mr. Berchtold. Thank you, Mr. Berchtold. You may begin your conference.

Joe Berchtold

Thanks, everyone, for joining us. As I think you noticed from our earnings release at this time, based on some feedback that we've gotten on our release and the materials in general, we've switched it up this time to get a little more comprehensive and data-driven in terms of numbers and the facts. So, you see an earnings release that we reduced the narrative and increased--tried to give you on a more structured basis all the key numbers and then also put a trending schedule that I think there was a link to and get as a PDF or an Excel file, so you can track this quarter's numbers relative to history to make some of it easier.

So, I'll turn it over to Amy to give you quick reminders, and then Michael and I will go straight into taking questions that folks have. Amy?

Amy Yong

Thanks, Joe. We would like to remind you that this afternoon's call will contain 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 our SEC filing, including the risk factors and cautionary statements included in our 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.

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

And with that, we are now ready to take 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 question 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, please, while we poll for questions. And the first question comes from the line of Brandon Ross with LightShed Partner. Please proceed with your question.

Brandon Ross

Hey, thanks for taking the question. I think investor concern now, if you were to poll the buy side, is that with the past few years coming out of COVID being so strong, you're going to have trouble growing next year. And I think the street is only at mid-to-high single-digit growth. I guess this is a good problem to have, but you said there are positive indications for 2024 and wanted to see if you can kind of break that down into domestic and international.

So, on the domestic side, what are the positive indications that you're seeing besides this very early pipeline. Will supply match what we've seen the past couple years? And then, on international, obviously, LatAm has been a huge tailwind post-acquisition. You've seen some other green shoots in Asia and parts of Europe. Should we expect continued growth in those markets or just more M&A on top?

Joe Berchtold

So, Brandon, thanks. This is Joe. For starters, as I think you probably noticed, we put in the

release that at this point, our confirmed shows and shows that we have offers in on our arenas, amphitheaters, stadium shows is up relative to where we are at this point last year coming into 2023. So, we're seeing continued growth in the show count, which should lead to continued growth in attendance. As you know, our formula is to drive that growth in attendance and from there accelerate the AOI levels even higher with increasing per-fan profitability on-site, increasing sponsorship, increasing our ticketing business.

So, I think we're set up for a very strong, continued growth into 2024 across-the-board. Now, a lot of that activity--these are the--these are going to be the shows that you have the longest lead time on. So, a lot of these are going to be global in nature, cutting across both North America and international.

As you noted, and as I think much of the release lays out, this has been a tremendous quarter for growth in international markets up, I think it was 46 percent fan growth so far this year, which, given that we were closed part of last year, we expected to see very strong growth. But, we still think we're in the early innings. If you take Latin America, we're up about 35 percent this year, so far year-to-date with roughly 10 million fans. But, we think we're still in the early innings in South America.

We've launched The Town festival, already sold 400,000 tickets on our way to probably 500,000 tickets, which is unheard of for a festival in its first year. So, as we continue to layer on our promoting business, bringing in our sponsorship business, bringing in our ticketing business throughout Latin America, that just continues to drive it forward.

In North America, again a very good year this year. And we're seeing the sort of growth that we think is possible ongoing, year-to-date up 8 percent in North America with the fan count. Expect that to be double-digit fan growth in Q3, probably verging on double-digit fan growth for the full year in North America as we're seeing top to bottom. We're seeing strong growth in theaters and clubs.

Our amphitheaters are doing great, substantially up in number of fans attending per show, and the high-end stadiums are doing very well. There is no--I've seen some things talking about how is the middle, how is the low end? Demand across all of those continues to be very strong.

Michael Rapino

And I'll just jump in. And, Brandon, just on the--just to reiterate the pipe, right? The most important thing for us is just, how does the pipe look for next year? As you know, a year ago, we sat here. And I think everyone thought 2022 was the record year, and we were headed into an air pocket. And we've blown the doors off of in 2023.

I would just step back. We believe for the next multiple years that this industry in general is going to have a growth surge on a global basis. We've talked all these factors before,

international, global, artists, consumers. There's a whole bunch of great articles written on why there's a boom happening in the live business on a long-term basis.

So, we don't think this is just any COVID catch-up. We think that this is going to be the time when Live on a global basis is going to have an incredible growth run for years to come. We obviously benefit from that any time the market gets to this level of growth because we'll capture that growth also.

So, we're looking next year. We're seeing top to bottom, as Joe said, incredible pipe of artists that we'll be filling of the different venue types and markets across the world. So, we think we're headed to a very, very strong 2024, 2025 onward combination of the market is going to grow, the consumer demand is growing, and our ongoing bolt-on acquisitions, venues, new market entries, compounded on top of our organic growth is going to give us this continual one, two punch of growth for the next multiple years.

Brandon Ross

Thank you.

Operator

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

Stephen Laszczyk

Hey, great. Good afternoon. Just maybe on the outlook for consumer spending, there's been a lot made over the last couple of months about the impact of student loan payments starting up in the fall. Maybe for Joe, if you could just remind us what percentage of the concert-going base you think might be skewed towards this cohort and then maybe more broadly discuss how you're thinking about the risks that consumer spending pulls back, maybe into the back half of the year, next year. Are there any parts of your business that you think are more or less exposed and perhaps festivals, and just would be curious if you could dive a little bit deeper, more deeply into the demands under that equation.

Joe Berchtold

Sure, Stephen. Thanks. I think first, just for context, I think it's important to remember relative scale. So, if you look at consumer spend, discretionary spend on goods versus experiences, as we know, it was in the high 60s in experiences, I mean, this is a Goldman report that talks about this pre-pandemic, and then how that's dropped, and it hasn't yet caught up.

So, our analysis shows that the tailwind impact from getting experiences back as a portion of discretionary spend is about 10 times the impact of any potential headwind coming from the student loan payments needing to get made. So, we think that the tailwinds on that specific macro factor is--far outweighs any headwinds.

As Michael talked, on a global basis, we continue to see this as a tremendous tailwind business, as you have further and further globalization of demand. As we look at all the different pockets, as I mentioned earlier that the amphitheaters is an example of a mid-level act. We're seeing high single-digit increases in attendance per show, which is really driven by more lawn tickets being sold.

So, the people that you might say are going to be the most price-conscious are continuing to spend strongly, per caps growing even as we're continuing to increase our number of fans per show, which, again, means that even the marginal fan is continuing to spend a lot when they show up. So, we're not seeing any indicators that would give us any concern on any slowdowns.

Stephen Laszczyk

Great. Thanks for that. And maybe just one on concert segment margins. It looks like AOI margins were up year-over-year in the second quarter. I think there might have been some assumptions that margins would be pressured year-over-year, just given the mix of the slate toward stadium and arenas this year. So, I'm curious what drove margin expansion in the quarter and if you think this is a trend that will be sustainable for the rest of the year. Thank you.

Joe Berchtold

Yeah. As we said in the last quarter, our expectation for the full year on concerts is that you will see margin expansion relative to last year. You're correct that any fan in third-party buildings is generally going to be a lower margin than fans in our building. But, the countervailing factor is that we continue to increase the per-fan profitability across all of the different venue types. So, as we increase that per-fan profitability through all the different ways that we have to monetize, then we're going to see some margin expansion. That comes from increased per caps on our own building. It also comes from continuing to focus on the costs.

I think in particular in North America, we've been very effective. If we look at our amphitheaters, if we look at our theaters and clubs globally, we've been able to actually drive down our average operating cost per fan this year relative to last year, which certainly helps with our margins.

Stephen Laszczyk

Great. Thanks, Joe.

Operator

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

David Karnovsky

Hi. Thank you. I'm curious. With your voluntary all-in pricing initiative, I know you haven't implemented this yet, but curious what the reception has been so far from fans, clients, lawmakers. And then, can you discuss--have you thought about any potential demand impact as--or for the shows at your venues, as I think now optically at least you're raising prices relative to maybe competing locations? And maybe for third-party venues that would opt in, how would you think about the demand impact there? Thanks.

Joe Berchtold

Sure. I think the general reaction has been overwhelmingly positive. People understand that getting the all-in price upfront is absolutely the best consumer experience. I think there is a lot of concern that there will be still confusion in the marketplace because there will be a mix of all-in pricing at--for shows on our sites and on the primary tickets on our sites. And you go to secondary sites, you're going to see a different approach.

So, that's why we continue to support legislation that drives a consistent fan experience. Because we are the primary ticketing provider in these events, I think it's our expectation in general that--even that all-in primary price is generally going to still be lower than any secondary price, even without service fees. So, our experience thus far in New York or Louisiana that's recently implemented it, we haven't seen any impact on our primary ticket sales.

David Karnovsky

Great. And then, Joe, for the \$300 million in growth CapEx, I wanted to see if you could provide any additional color around that. How would you bucket that between concerts and ticketing and then within concerts, new builds, or other growth initiatives? And then, your release noted international locations, specifically for the Venue Nation pipeline. I'm interested, do you now kind of see international as the key area where you're going to be adding venues?

Joe Berchtold

Sure. I think if you look at the overall \$300 million of spend, the vast majority of it would be concert-driven; 75 percent, 80 percent of it would be on the concert side. If you look then on the concert side, I would put it in three buckets. One is where we're doing a lot of tactical improvements across a broad set of our amphitheaters or theaters and clubs around revenue-generating opportunities, putting in new bar designs, putting in additional points of sale, things that are going to tactically help drive our APF levels.

Second is when we renew our amphitheaters or our theaters and clubs, we often go through a CapEx refresh cycle that because we're going to have a long-term lease, we're going to be able to get a strong return off of that investment. And then third would be the new builds, whatever level, generally coming in and building out the shell and taking on that building would be the third bucket. And it's going to move around year-to-year within

those three, but those would be three large buckets.

And then, in terms of the priorities, absolutely, international, Latin America, Asia, and more in Europe is highest priority for the Venue Nation strategy. In the U.S., you benefit from having a strong arena infrastructure because NBA, NHL, their teams and their affiliate teams provide you with some of that infrastructure that you don't tend to have in the rest of the world. So, this lets us both benefit from strongly attractive returns on those venues. It also lets us put on more shows for more fans because we're putting an infrastructure in place that didn't previously exist.

David Karnovsky

Okay.

Operator

And our next question comes from the line of Stephen Glagola with TD Cowen. Please proceed with your question.

Stephen Glagola

Thanks for the question. Joe, you're on track for selling 300 million fee-bearing tickets this year, which is I think 7 percent growth over 2022. In the first half, ticket growth on fee-bearing was 22 percent year-over-year. So, just maybe help us understand what the slowdown was in the second half in ticketing, or is that just some conservatism in the numbers? And then, I had one more follow-up. Thanks.

Joe Berchtold

Yeah. I think it's just--you don't yet know what Q4 looks like in terms of timing with on sales or shows next year. So, I think we're confident in the 300 million number at this point with the visibility we have. When we're sitting here talking next, I think we'll have better visibility into what Q4 is and will guide from there.

Stephen Glagola

Okay. Thank you. And then similarly, on the ticketing margin side, you came in north of 40 percent again. In Q2, you're reiterating high 30s in the back--or for the full year, excuse me--implies sort of like a mid-30 margin in the back half. So, just, similar to the revenue line, what is going on there sequentially and the puts and takes? Thanks.

Joe Berchtold

Yeah, I think, as I long talk, there's a lot of timing that happens with us in a given quarter. I know you saw last year a lot of the same questions. We had lower margins in the second half as we had a lot of costs associated with contract renewal cycles and other factors. So, I think at this point, we're comfortable continuing to reiterate the high 30s for the margin but not yet ready to get more specific than that.

Stephen Glagola

And shall we expect contract renewals again for Q3, similar to last year?

Joe Berchtold

I don't think we're looking to guide in a specific margin for a specific quarter as much as just give the overall year guidance.

Stephen Glagola

Okay. Thank you. Thank you, Joe.

Operator

And our next question comes from the line of Peter Supino with Wolfe Research. Please proceed with your question.

Peter Supino

Hi. Thank you. Question on international with it growing so strongly, more major artists touring globally. Has your strategy changed at all? Does this fact invite you to spend more money perhaps on international M&A? Are there other things that you can do now with higher visibility to international demand that you might not have done in the past? And a second, shorter question just is on technology. Does all the controversy around bots and scalpers over the last year indicate that the company could productively spend materially more on technology and solve some of those problems? Thanks.

Michael Rapino

I'll do the global part, and Joe can do the bots. Yeah, I don't think the strategy has changed. I think if you have listened to us for the last five years or longer, we've been talking about that Live is a global business, the artist has been unlocked globally. Consumers next to social media and others are driving global consumption with no gatekeepers. So, we are in 40--we have 100 offices in over 40 countries.

We have been on this march for a long time. And we think there's still lots of opportunity, obviously as we talked about in Latin America, Pacific Rim, Eastern Europe, but kind of plan is following as we kind of predicted. The artists would continue to go global, more global artists. And international markets would want to be just like New York, and Boston would want to be hosting U2 and Beyonces of the world. So, we had an opportunity to build out those markets. So, pedal down, we see lots of great growth opportunities for years to come on that front.

Joe Berchtold

And on the bots, certainly new technologies allow us to continue to get more sophisticated in trying to stop the bots. We're regularly working on both the technologies as well as just new processes to try to weed out humans versus bots. The problem is some of the same technologies is also being deployed the bad actors trying to jump the line and get those

tickets.

And they have a \$5 billion a year incentive to cheat to get to those tickets, which is why we've been continuing to advocate.

And I think we've seen a lot more visibility on some of the behavior that we need--or we'd like, at least, more legislative support in terms of real punishments for the bad actors, for the platforms that enable the bad actors, ending practices like speculative ticketing that is clearly price manipulative and anti-consumer. So, we're continuing to do our part to fight it, and we hope that we'll be able to get some help with some rules and with some real penalties for people that are trying to cheat.

Operator

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

David Katz

Hi, afternoon, everyone. Thanks for taking my questions. I wanted to just get an update if you don't mind on the digital process, right, digital ticketing, et cetera, and then the second derivative of being able to harvest and drive better returns off of the information gathered from it. Where is that today? And where can it go? And how do you see that opportunity?

Joe Berchtold

Yeah. At this point, digital ticketing is largely ubiquitous globally coming out of COVID. I haven't seen the latest numbers, but I would expect them to be in the 90s that are now digital tickets. It's a very informed shifting from barcodes to what we call safe ticks, which is rotating barcodes or NFC to keep tickets from being counterfeited and sold over and over.

So, we're--we have a number of initiatives that have launched them to use that data. We've talked extensively about some of the things we've done in marketing, bringing all of our data together to better understand the fan, how we market to that fan, how with the digital connection we are able to market to them on behalf of our Ticketmaster clients, how we're able to market to them. We have the sponsors, how we're able to send them messages for upsells when they go to shows in our buildings.

So, that all continues. And then, in the background, we have Ticketmaster using the data that it gets for a range of I'll call it machine learning purposes and tools in terms of helping clients figure out, how do they price their shows, how do they market their shows, what are the tools that they should use to help our concert folks in terms of understanding likely demand for tours and shows in specific markets? So, certainly now, it's to the point where that data--and now its uses permeate business.

David Katz

Got it. And if I can follow up, please, with respect to Platinum, right, we do have discussions

about inflation, the cost of things, et cetera, et cetera, which doesn't seem to be at play here. But, where is that? Where can it grow? And any pressure points with respect--other than the artists themselves authorizing it, right, any pressure points toward sort of growth in platinum and how that mixes you higher?

Joe Berchtold

Yeah. I wouldn't characterize it as artists not allowing it. I mean, the artists are the ones who are--set the price of their tickets. It's our job to provide the information to them to help them understand the market value of their tickets, so they can figure out the balance that's right for them and their fan base in terms of pricing the tickets, so they're getting the value, or they're giving it to the fans.

How do they keep it from going to the scalper? A lot of artists now--I would say it's almost becoming the standard that they're understanding they should price the front of their house to capture most of the value. Otherwise, it's the scalper who is going to take it. And then, they want to make sure the back of the house is priced, so that every fan can afford to buy a ticket and get in.

The trend we've seen coming out of COVID is, I think, a switch from it being partially used to being very ubiquitous here in North America and then, over the past year or so, it becoming much more heavily adopted in international markets. I think we still have a long ways to go in international markets for its full adoption. And if you look at the pricing with Platinum, there's still a substantial gap relative to average secondary pricing, which would imply that artists are continuing to give a lot--or attempting to give a lot of the value to fans. And we'll see how that evolves over time.

David Katz

Thank you very much.

Michael Rapino

Just to jump in on Platinum. The magic of platinum isn't to increase the first rows. The magic of Platinum is it gives that artist the opportunity to look at the whole house. We have never historically jumped on an earnings call and told you we couldn't sell the first 10 rows out. Our job is always to sell the last 10 rows out in the upper nosebleeds, as they call them.

So, what Platinum has enabled the industry to do is as the artist has increased show cost and needs to get a certain gross for that night, is we should figure out how to maximize some of the front of the house closer to market, but that's also let us bring the price down in the back end of the house. So, the net growth can be more overall, but it's giving fans a better sell-through rate on the back end of the house.

What used to be locked into kind of three ticket prices, that didn't have that opportunity.

So, the biggest advantage to dynamic pricing and Platinum pricing over the last few years was really just, how do you help the whole house get sold, how do you reduce the prices in the back end of the house that are always the harder ones to sell, so you truly get a full house on the proper gross for the artist? And then, all of us benefit when more people walk through those doors.

David Katz

Understood. Thank you very much.

Operator

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

Jason Bazinet

I just had a question on the secondary market. And my question is pretty simple. Has your philosophy or emphasis on this market changed because I think in your K, you talked about the GTV on secondary being something like almost \$4.5 billion in 2022, more than double 2019 levels. In this release, you're talking about secondary ticketing volumes up double digits. So, is this just indicative of the overall strength that we're seeing in consumer interest in going to live events? Or is it something that you're doing as well or both?

Joe Berchtold

Well, first off, and just to keep it in context, we've long said that first and foremost, our job is to sell the primary ticket. We're a primary ticketing company. And its secondary is a low to mid-teens portion of our GTV. So, it's relevant, but it's also not the primary focus. We have long thought that we need to be in secondary because fans have a need to buy a ticket. And when a show is sold out, if we're not giving them an option to buy a legitimate secondary ticket, then we're forcing them to go to other platforms to buy their ticket. And we think they're better off being served within the Ticketmaster ecosystem.

I think as we continue to do a better job with our offer, reducing friction, understanding how to deliver on the fan needs, as we've aligned with the NFL, the NBA, and others on the sports side, and have a slightly different model for secondary, I think we've naturally grown our position in the market. But, what really matters to us first and foremost is that we have a great primary sale, and that's managed in a way that is going to keep content happy.

Jason Bazinet

Perfect. Thank you.

Operator

And the next question comes from the line of Paul Golding with Macquarie. Please proceed with your question.

Paul Golding

Thanks so much, and congrats on the quarter. I just quickly wanted to see if you had an update on a metric you've given before in terms of the average ticket price and how that's been trending. I think in the past, you've said it's been below \$35. And then secondly, as a follow-up, as we watch sort of the macro tightening in the backdrop, and not so much for your business, but in general in tracking sponsorship, any color you could give on cohorts that are more or less meaningful for that sponsorship growth that you've been seeing as we track forward into this tightening environment? Thank you.

Joe Berchtold,

So, first of all, on the average ticket price, I think what we've talked in the past is that the entry ticket price, so the lowest price that a fan can find a ticket at for our amphitheaters, for theaters and clubs, is generally average below \$35. And for the reasons that Michael spoke to, it continues to be below \$35 because the artists are wanting to make sure that almost all fans can get in to see their show.

And then, what you've seen is because their costs have gone up, because they've seen what's going on in the secondary market, some of the closer in parts of the house have increased ticket pricing. I mean, you can see from the overall Ticketmaster GTV and number of tickets sold that pricing in total is up double digits still year-on-year while the entry prices remain low.

On the sponsorship, I'm not sure I fully understood your question. I think we've seen no slowdown in terms of our sponsorship business. We have--over 90 percent of our expected revenue for the year is booked, being driven by a lot of the large multi-asset, multi-million-dollar sponsors that we work with who have long-term agreements with us that continue to be--continue to go very well and continue to sign more.

Paul Golding

I guess my question around that was more around sector. So, for example, if we were to think about sports and sports betting maybe being a predominant sponsor boost this year or at the tail end of last year, anything in that type of area of color around the mix.

Joe Berchtold

Yeah. I don't think there's any--.

Michael Rapino

--We have 900 different sponsor brands, every category you can imagine. It's fairly distributed, evenly. So, we haven't seen any sector pull back that has affected any of the core business overall. We've always said we believe that our business is a much less of an investment than a lot of the other TV and big campaign investments that brands make. It's a much more targeted approach. So, we've seen more brands shift some of their dollars from the other categories to the event space where they can kind of get that direct

consumer interaction that they can't maybe get on digital and elsewhere.

So, we've seen most sectors increase their spend in our category. It's been growing, and we've been growing with it. We think that trend is going to stay as they're all trying to figure out how to connect with consumers in a digital world. We in sports live give them that one opportunity to hit consumers at scale on a Thursday in Pittsburgh. So, we think that we're going to be see more of a--more growth in our category.

Paul Golding

Great. Thanks so much.

Operator

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

Cameron Mansson-Perrone

Hi. Thanks for taking the questions, two if I can. The increase in accretion expectations for the year that you call out in the release connected with OCESA imply that the performance there is pacing pretty well above your expectations earlier in the year. Can you talk a little bit about what specifically has been outperforming with OCESA?

And then, more generally in terms of Latin America, it's obviously been a focus for you guys, do you feel like now with kind of touch points in Mexico, Brazil, Columbia, that you're in a position where you can kind of expand to the rest of that region organically? Or are there other kind of individual markets where it might make more sense to penetrate into through M&A? Thanks.

Michael Rapino

Yeah. We think Latin--we think the--kind of our global playbook has always been the same. We enter most of these markets low cost, maybe a bolt-on promoter or festival. We end up having enough content that we can bring the tour to the market, and then we build up the flywheel once we get to that market. So, in Brazil, we've got Rock In Rio, an incredible festival foundation. We now have a great touring business there, bringing artists to the ground. We've launched our sponsorship business there.

And now, we've just launched ticketing there. So, I think it's a great combination. We'll see continual growth in Latin America, Brazil, a big year. Argentina is as crazy as the market is on ticket sales. We like the entire market down there. So, you'll see us organically grow. We've always been a predominantly organic-driven business. And then, we'll use continual bolt-ons to keep powering and doubling up on our efforts there.

Cameron Mansson-Perrone

How about on OCESA, and what's driven that outperformance?

Joe Berchtold

I mean, that's been across-the-board, I think, on their concert side. They've--we've done well in terms of starting to get shows on our touring platform down to Mexico. Latin artists are clearly on fire, so they've got a very strong set of regional shows they've been doing. Their festival business is doing great. They've continued--we've worked with them to get the ticketing platform enhanced. And that's continuing to perform very well. And they've been bringing in sponsors. So, it's really across all elements of their business--I would say, has well outperformed relative to what we thought when we acquired them or even what we thought six months ago, nine months ago or now this year would be.

Cameron Mansson-Perrone

Got it. Thanks, guys.

Michael Rapino

Remember, we bought OCEA in COVID, so God bless us.

Cameron Mansson-Perrone

Yeah.

Michael Rapino

We believed in the market. Did we model out our IRR to think that the industry would bounce back as big as it has? No. So, anything we're doing down there has been above and beyond what we expected for the Latin market and the industry in general overall. And we've got an incredible management team down there, a partnership with the CEO.

They're a very, very well-run organization. They've got venues, ticketing. We've been able to take a really kind of archaic ticketing platform and continually reinvent it now that we're partners on the Ticketmaster side, sponsorship upgrades. So, they're an incredible base. Our expertise and the market dynamics, it's been an incredible return.

Cameron Mansson-Perrone

Is that--if I can follow up quickly on one of those points. Is that one--is that generally a one-way, bringing sponsors from elsewhere into those new markets? Or is there also kind of a reverse dynamic where you're taking local sponsors and also giving them exposure in North America, Europe, that they may not have had previously?

Michael Rapino

Yeah. It's--I don't want to say it's completely one way, but it's--our global sponsorship, partnership team--when you're sitting with any of these big brands, you can imagine, and you're trying to sell a global sponsorship, but maybe they're only dealing with the Olympics and F1 because there's not a lot of global properties, right? The NBA, most sports is regional. So, when we can sit in that room, they know we have a big office and now a

market in Brazil, and we can get you to Rio, Sao Paulo, and Mexico City, and Milan.

So, the more major markets we can add to our pitch when we're sitting with that CEO, CMO on a global basis, it helps look at our sponsored business that we can now deliver kind of a global platform and bring bigger sponsors to some maybe local deals they had. So, we'll always kind of look to replace a local deal with a global deal would be the return we would look for. So, adding Latin, adding Mexico City, adding these markets, big markets for most big brands, gives us more markets to sell our global story to.

Cameron Mansson-Perrone

Makes sense. Thanks.

Operator

And our final question comes from the line of Matthew Harrigan with Benchmark Company. Please proceed with your question.

Matthew Harrigan

Thank you. Down to some fairly down-in-the-weeds questions, you did an acquisition in March, Clockenflap in Hong Kong, a great name, by the way. Is that any sort of real expansion platform? You did put out a release on it. Obviously, that market has peculiarities, to say the least. But, is that a potential growth sector for you?

And then secondly, I guess off Peter's question earlier, some of the issues with inaudible in November weren't so much that the bots could get through Verified Fan is that your network basically couldn't handle the amount of traffic that was generated. Do you feel like you've made sufficient upgrades at this point that if you had the same situation, and if there would be other errors (inaudible). But, if there was, do you think you'd be able to scale appropriately, so you didn't have the level of disgruntled customers? Thank you.

Joe Berchtold

Yeah. I'm going to take the second one first. This is Joe.

Matthew Harrigan

Yeah, Joe. Punch that one, yeah.

Joe Berchtold

Just to be very specific, what happened was there were two vectors of attack during that on-sale. One was a very large number of bots trying to crash into our Verified Fan system. That slowed down the fan experience, but that did not crash the system or cause it to stop. At the same time, we had what was in effect the attempted cyber hack that was a brute force cyber attack that had the fact of a dial service attack, not through our front door of our Verified Fan system but through a specific surfer that we have.

In order to fight off that cyberattack, we had to stop the on-sale. Within five hours, we had figured out how to fully reinforce the defenses to in effect move out the defense line, so that stopping the cyberattack--or the attempted cyberattack would no longer have any load on our system for the Verified Fan experience. We started it back up. So, the answer to your question is within five hours, we had solved that problem. It's not something that's taken us six months or nine months to figure out how to solve.

So, we solved it quickly. We ultimately did sell 2 million tickets that day. And once those five hours were passed, while it was a long wait at times for fans because there were a lot of people trying to buy the tickets, there were not the system overload issues. I'll let Michael speak to Clockenflap.

Michael Rapino

Yeah. You're deeper in the weeds than I am. What was that? Where was--what acquisition were you referring to? Which one?

Matthew Harrigan

Clockenflap in Hong Kong, festival. I knew it was small. It got a little bit of a test in the trade media, and you did put out the press release. I assume it obviously isn't that much of an expansion platform. But, if you have any specifics on your ability to do anything on that market and expand more in Asia, outside of Australia and Japan, I thought that would be interesting. Thanks.

Joe Berchtold

I would say it's part of our broad bolt-on strategy in Asia as we--as Michael said earlier, we'll go in, and we'll look for local promoters, local festivals that we can bring on, and we can then tie in with our broader concerts platform, bring our sponsorship team into. So, it was an example, I would say, of the type of activity or type of M&A that we're doing in the region.

Matthew Harrigan

Thanks, just for clarification.

Michael Rapino

Yeah, just to jump on it for others. I mean, we talk about Latin America. But, Pacific Rim and others are equally important to global business. So, Japan, real, real important market for us. Latin America--I mean Pacific Rim in general, we're already in most of those markets in some form. We have offices in Singapore. We've got a very successful operation in Korea, which has been kind of the foundation of why we ended up being the promoter for BTS and other hip hop artists throughout the world. So, we look at Pacific Rim equally important as Latin America. You'll continually see us with a bolt-on promoter venue festival as we're building up that business and driving content there also.

Matthew Harrigan

Thank you.

Operator

Thank you, everyone. This marks the end of the question-and-answer session, and this also concludes today's teleconference you may disconnect your lines at this time. Thank you for your participation, and have a great day.