

Third 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

Brandon Ross – Light Shed Partners

Stephen Laszcyk – Goldman Sachs

David Karnovsky – J.P. Morgan

Ashton Welles – Evercore ISI

David Joyce – Seaport Research

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 Third Quarter 2023 Earnings Call. And I would now like to turn the call over to Amy Yong, Head of Investor Relations. You may begin your conference.

Amy Yong

Good afternoon and welcome to the Live Nation Third Quarter 2023 Earnings Conference Call. Joining us today is our President and CEO Michael Rapino, and our President and CFO, Joe Berchtold. We'll start with prepared remarks from Michael and then we will take your questions. Before we begin, 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 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 cause actual results to differ. Live Nation will also refer to some non-GAAP measures on this call. In accordance with the SEC regulation G, Live Nation has provided definitions of these measures and the full reconciliation to most comparable GAAP measures in the earnings release or website supplement, which also contains other financial or statistical information to be discussed on this call. The release reconciliation and website supplement can be found under the financial information section on Live Nation's website.

And with that, I will now turn it over to our President and CEO, Michael Rapino.

Michael Rapino

Thank you for joining us. As you can see from our results, the structural tailwinds behind our business are accelerating faster than ever. And as the fan demand truly globalizes and artists are able to tour more broadly than ever, this is fueling an unprecedented global desire for concerts. This has happened in all levels with both casual and diehard fans, and from small clubs to massive stadium events. We will start the conversation today and then next week, get deeper into our results, and how these trends are setting up the industry for ongoing growth.

Joe anything to add?

Joe Berchtold

Thanks, Michael, and good afternoon, everyone. Only thing for me to add is that given investor presentations next week, we'll keep today's call more brief than usual. So with that, I think we're 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 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 pull for questions.

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

Brandon Ross

Hey. Thanks. Just to start off, since you guys last reported, there's been at least two major articles on a DOJ investigation into your company, as well as some movements in both the legislative and executive branches on industry wide regulation. Can you just give us an update on what you know about the justice investigation? And then separately, the potential impact of the proposed congressional legislation? And I have a follow up.

Michael Rapino

Sure. Thanks, Brandon. I'll start. First of all, just on the legislative which I think is pretty straightforward. Right now, there's an all-in pricing bill by Senators Cantwell and Cruz under consideration that we're fully supportive of. There's a bill that Senator Blackburn introduced. I think it's called MAIN, which we're also fully supportive of and in general, everything we're hearing legislatively are things that I think are pretty consistent with what we outlined in the Fair Ticketing Act, and things that we would definitely be supportive of.

On the DOJ and the article that came out yesterday, I think not surprisingly, it's our impression that the DOJ is taking at least the first level look at almost everything that our competitors complain about. And from there, they look further at some issues and not others. And if they tell us they have a problem with something, we talk to them about it, but let me emphasize

that as far as we can tell, nobody thinks that the fundamentals that drive our promotions business are unlawful. We pay top dollar to artists and provide them with top notch tour support, and those are good things.

I think the article also seems to reinforce that the investigation is looking at specific business practices versus our overall business model, which as I've said previously, is my impression based on what I've heard. On the specifics in that article on the agencies getting document retention letters, I think generally, anyone the DOJ seeks documents from gets a cover letter like this, saying they should retain documents related to the investigation. So all this tells us is they think the agencies have relevant information, which seems pretty obvious, given the topics that are being discussed and competitors complain about.

Finally, we obviously find it interesting, as I think you tweeted, that the timing of this always seems to come up at earnings. We don't think there's any real news right now, concerning the investigation. We're completing our document production that they've asked for. We haven't even started depositions. And our impression is that the investigation is kind of in its mid stages at this point. And yet, we have another news story on the day before earnings, which we don't seem to think is a coincidence.

Brandon Ross

Okay. And getting to the business, your forward-looking metrics, and especially the Q3 ticketing results, point to real continued strength for your business. But there's a lot of trepidation now about consumer weakness, especially after some weak guidance from others in the experience economy. I know Bookings just said some negative things, just now. Is there anything in real-time that you're seeing at all to suggest a falloff in trends at Ticketmaster? I know the Rihanna's of the world will continue to sell but are the Tuesdays in Pittsburgh still holding up? And really, especially for Ticketmaster, as you look forward?

Joe Berchtold

Sure. We're seeing no issues but let me give you that and the two pieces that I think you asked about. First of all, Q3 and then call it October. So Q3 was a very strong volume quarter, so it was really driven by ticket volume, 90 million fee bearing tickets that we sold in the quarter, and the growth came from both North America and internationally, so we're seeing that fan demand consistent globally. 90% of the growth came from concerts, which again tells you that the fans are looking to go to the concerts.

The one thing I would note on Q3 is just a reminder that last year, we had an unusual concentration of client renewal expenses, which are normally spread out over the second half, but largely came together last year, but really, the quarter was about the tremendous volume and tremendous fan demand that flowed through Ticketmaster. Looking then more specifically, at just October, if we look at our Ticketmaster platform for the month of October, ticket sales were again up year-on-year relative to last year. They were up double-digits in North America, so we're seeing no sign of weaknesses.

Another metric that we look at is as we look at just for our U.S. concerts division, we track every week year-on-year sales. And again, over the past five weeks, since the end of the quarter, those sales continue to be up double-digits. So we're seeing no weakness at all. We gave you the leading indicators for show commitments for next year, and we'll get into more but feeling good about everything that we're putting on sale.

Brandon Ross

Thank you.

Michael Rapino

And Brandon, just for more color, yes, I have weekly booking calls with over the 40 presidents around the world and we talk both from clubs up to stadiums and festivals, and we have not seen anything taper off in any sense or on sales for next year whether it's an early festival across the pond or whether it's a club tour playing in Pittsburgh on a Tuesday, as you say or, or maybe the Blink 182, who toured last year and now is back on tour again this year playing Pittsburgh to Cleveland on Wednesdays and Tuesdays, big on sales for that tour. So we are not seeing any pullback in any way from a club to a stadium tour from Milan to Argentina right now. The consumer supply demand seems to be consistent across the globe, small to big.

Brandon Ross

Thanks very much.

Operator

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

Stephen Laszczyk

Great. Thank you. Joe, there's been a lot of focus on how the concert segment profitability would shake out this quarter. I think just given the mix shift towards stadium shows in the slate this year and maybe offsetting that some dynamics around having a more matched revenue and expense structure compared to last year. I was hoping you could help us unpack some of those dynamics and maybe size some of those factors just as we think about concerts' profitability this quarter. I think it would be helpful as we contextualize this year, and then look forward to next year.

Joe Berchtold

Sure. I think let me start by just noting that year-to-date, our concert margins are up year-on-year. And for the full year, I expect margin expansion of least 50 basis points relative to last year, so making good progress, verging on halfway back towards the 2019 levels. And that's despite growth for the overall year that will be definitely skewed to third-party venues driven heavily by stadiums. If we look at a quarter, I think if we look at Q3, about 47% of our fans were in arenas or stadiums, which is pretty good proxy for third-party buildings. The comparable last

year for that number was 42%, so we had a lot more fans mix in arenas or stadiums this year. Those two buildings accounted for about 75% of the seven and a half million fans that we added in the quarter.

And that does two things, as we've talked about in the past. It drives our AOA up because we're making money on these fans, and it negatively impacts margin. So that's why you'll see the quarter-to-quarter fluctuations we don't worry a lot about. But I think if you take the overall combination of high growth and third-party buildings, shifts and mix towards more third-party buildings, and make substantial progress in our margins for the full year, I think we're pretty happy as we look at the totality of that.

Stephen Laszczyk

Great. Thanks for that. And then maybe one for Michael. You're coming up on lapping the launch of two fairly significant tours in Taylor Swift and Beyonce. I think there's some concern that those tours will be hard to replicate, as we look ahead to next year. I was wondering if you could talk a little bit more about how impactful these tours were your business this current year, and maybe looking ahead how the slate for 2024 is shaping up and the opportunity to compensate for some of these notable tours year-over-year. Thank you.

Michael Rapino

Yes. Thank you. Well, I've seen this written, but we didn't promote the Taylor tour, so I don't have that comparable to worry about in '24. Beyonce was our tour, wildly successful. But when we look at any artists across Ticketmaster, Live Nation, no artist is going to account for more than 1% of the tickets. So no one tour will ever hurt us year-over-year. It's about our macro portfolio of artists and tours. And we have a very good pipe, as we've been saying, for next year.

We think next year, crazy to say, but sitting here looking at this year, that we're looking at double-digit growth over this year, next year, on ticket sales. And our stadiums are gaining a lot of steam, so we're very confident we're going to have big record breaking tours on the road next year as Bad Bunny just went up again and more to be announced. So we're very confident that both Ticketmaster, Live Nation, are going to have big, strong years next year with a pipe full that will overcome this year's numbers.

Stephen Laszczyk

Great. Thank you.

Operator

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

David Karnovsky

Hey. Thank you. Maybe following up on ticketing, it looks like your revenue growth well outpaced your GTV growth, so interested to understand how non-service revenue might have helped in the quarter. And then Michael, I don't know if you could say anything on the MasterCard agreement from today, and I don't know, what other opportunities you see for sponsorship deals to kind of cover your international footprint?

Joe Berchtold

Sure. I'll start. Just on the ticketing, absolutely, Ticketmaster continues to benefit from the non-service fee revenue sources it has on the upsells and other services that it sells to fans, as well as increasing array of services that it's providing to venues and promoters, are all good sources that are helping us increase the profitability per ticket that we're selling.

Michael Rapino

At MasterCard, we're thrilled to have them on board. We've been working over the last couple of years to have a great diversity across our partners on the payments side. Thankfully, we didn't take any of the easy crypto money at the time. We worked hard to make sure we had a stable of great partners, today looking at Citibank, PayPal and now MasterCard for international. Rounds out our goal portfolio in that category at an overall economics, surpassing what we've historically had, so very happy to have them on board, big part of our business and continues shows strong growth in our sponsorship side and sponsors lined up to be part of this live boom.

David Karnovsky

Thanks.

Operator

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

Ashton Wells

Thank you. I think you guys are on track to add six million fans or so this year at your owned and operated venues. Is this sort of the right run rate to think about going forward, or could this step up in coming years?

Joe Berchtold

No, this is an area that we're absolutely focused on continuing to add venues. So the hope is as that we continue to build on that number, I think it'll probably not be linear year-to-year as we add to our portfolio, but it's an area that we're very focused on building, as that tends to be our highest profit, highest margin fan that we serve.

Operator

And the next question comes from line of David Joyce with Seaport Research. Please proceed with your question.

David Joyce

Thank you. A couple related questions. The ticketing revenue particularly blew away our estimate. So I was wondering how much of that is for 2023 events and how much for 2024? And then similarly, with deferred revenue being up 39%, I know that some of that is due to the function of when the shows go on sale so it's not an indicator of what the revenue growth would be, but how much of that would be due to venue mix or the tour type for 2023 shows versus 2024? In other words, how can we use these metrics on an apples-to-apples basis to help with our outlook for 2024? Thanks.

Joe Berchtold

Sure. So first of all, at this point, through Q3, we've not sold a ton of tickets for 2024. It's why we focus more on what the show bookings are. And we've sold more ticket tickets this year, which is part of what goes into the deferred revenue, I'll come back to. But we've sold, on the order of I think 18 million tickets for shows next year, so relatively small portion of what we're ultimately going to sell. So that's not the driver of our Ticketmaster results for Q3. To a very great extent, it's more of the other factors that I talked about.

And then deferred revenue is up because yes, we have sold more tickets for the shows next year. We've also sold more tickets for the shows that are occurring in Q4. And it's our expectation that because of that pipeline, and because as Michael noted, it's turned into a pretty solid period for stadiums as well as arenas, we expect to see that deferred revenue number continue to grow for the next seven, eight months.

David Joyce

Understood. Appreciate it.

Operator

Ladies and gentlemen, at this time we have reached the end of the question and answer session. Now, I'd like to turn the floor back over to Michael for any closing comments.

Michael Rapino

Thank you, everyone. We look forward to seeing you in New York next week. We're excited about where we are as an industry, and we look forward to taking you through details next Thursday. Thank you.

Operator

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