

## First Quarter 2024 Earnings Conference Call Transcript

### May 2, 2024

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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 – LightShed Partners**

**David Karnovsky – J.P. Morgan**

**Stephen Laszcyk – Goldman Sachs**

**Cameron Mansson-Perrone – Morgan Stanley**

**Peter Supino – Wolfe Research**

**Jason Bazinet – Citibank**

**Benjamin Soff – Deutsche Bank**

**David Joyce – Seaport Research Partners**

#### **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 First Quarter 2024 Earnings Call. 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 first quarter 2024 earnings conference call. Joining us today is our President and CEO, Michael Rapino, and our President and CFO, Joe Berchtold.

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, regulatory and legal matters, 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 has provided definitions of these measures and a full reconciliation to the most comparable GAAP measures in the earnings release. The release reconciliation can be found under the financial information section on Live Nation's website.

With that, I will now turn it over to our President and CFO, Joe Berchtold.

**Joe Berchtold**

Thanks, Amy. We appreciate there's a lot of interest in what's going on with the DOJ, so let me address that upfront. We obviously know about the press reports claiming the DOJ Antitrust Division has decided to file a lawsuit against Live Nation potentially seeking a breakup of Live Nation and Ticketmaster.

At this point, we're just about to begin discussions with senior division leadership about the issues their staff has been investigating, which is typically in the final phase of an investigation. Decisions about whether to sue over what and what relief to seek are ordinarily made at the end of that process. Of course, we know that some competitors and interest groups are urging the DOJ to sue us, and sue us to break us up. Let me add that--let me address that directly.

As we've previously stated, the DOJ's investigation appears to be focused on specific business practices, not the legality of Live Nation/Ticketmaster merger or our overall business structure. Very little of the conduct that DOJ has raised with us relates to the combination of ticketing and promotion resulting from the merger, and most of what does was anticipated and addressed by the consent decree allowing the merger to go forward.

Based on the issues we know about, we don't believe a breakup of Live Nation and Ticketmaster would be a legally permissible remedy. Live Nation and Ticketmaster came together lawfully from a merger that the DOJ reviewed and approved subject to divestitures and other remedies. The DOJ has repeatedly stated in court filings that the merger and settlement were in the public interest.

Furthermore, structural relief such as the divestiture is rarely granted. Legally, it's only available where there is a strong connection between the corporate structure and the company's ability to engage in the allegedly unlawful conduct. We believe that connection is lacking with regard to the bulk of the issues in this investigation, since the conduct under scrutiny falls either within our ticketing segment or within our concert segment and not across those segments.

We're looking forward to our upcoming meetings with the division leadership and remain hopeful that we can amicably resolve any remaining disputes. But if not, we're prepared to defend ourselves in court.

That's all we're going to say on the DOJ in this call. And operator, can we now open it for questions for me and Michael?

**Operator**

Yes. Thank you, sir. We will now be conducting the 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 to remove a question from the

queue. For any participant 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 Partners. Please proceed with your question.

**Brandon Ross**

Hi. Thanks for taking the questions. I think you probably hit the biggest investor questions with your statement on regulatory, but I think there is one big question that's remaining in investors' minds. And that's how do you see the relative value of Ticketmaster inside Live Nation versus as a separate standalone company?

**Michael Rapino**

Thanks, Brandon. Yeah, I think we addressed this in our last call. You know, at Live Nation, we run a very decentralized organization. And I'm very proud that we've built three incredible businesses, sponsorships, concerts, and ticketing, and we're about to embark on our fourth venture around Venue Nation.

So, these businesses all run incredible core businesses on their own. Ticketmaster, as you know, was a standalone business for many years. We're proud that, when we took it over, we were able to bring some leadership to it, upgrade its technology, open up its platform, and elevate its consumer and marketplace, much like most enterprise platforms like Airbnb and etc.

So, you know, I've always said these are incredible portfolio pieces around live that we own. They are all part of what we think is a great portfolio. But I've also said these are incredible businesses on their own. So, I think long-term, together or separate, these would all be very successful businesses. We happen to think that we like our portfolio today and plan on keeping it.

**Brandon Ross**

Great. And then you're continuing to express confidence in double-digit AOI growth this year. Obviously, you exceeded that in the first quarter, but deferred is actually down. Can you just quickly reconcile that? I assume the makeup is the profitability per fan based on the venue mix, but any additional color you could give would be helpful.

**Joe Berchtold**

Sure. I think there's sort of two questions within that question, Brandon. The first is what's going on with consumer demand, and then technically what's going on with the numbers. So, just to make sure we hit hard on the consumer demand, we are seeing no weakness. The things that we look at that give us an indication of how the shows are selling, how the fans are spending when they go to the site, all continue to be very strong.

We allude to some in the release. But just to hit a few of the highlights, when we look at a number of artists that toured last year and that are touring again this year, so those are the best like-for-

like examples of demand, we're consistently seeing the sell-through of the shows are at or above where they were last year and that the overall grosses for the artists are consistently higher. So no issues at all on fan demand relative to last summer.

And when you look at our overall arena volume, which is the largest volume at this point early on, despite a tremendous growth in terms of the number of arena shows, which you could be concerned could lead to some cannibalization, we're seeing no such cannibalization. We're continuing to see strong sell-through, as strong as it was last year. And then when we look at on-site spending in theaters and clubs, where we have the bulk of our activity in our venues in Q1, we're seeing strong growth on fan spend. So, just to make sure we hit that out of the gate.

And then technically what's going on, I think what's going on with deferred revenue and ticket sales is 100% consistent with what we've been saying for the past six plus months we expected, that this isn't going to be a big stadium year. Stadium tickets sell earliest. They're also the highest priced ticket. So, they're going to lead historically to a very high deferred revenue number at this point of the year. With the shift to more arenas and more amphitheaters, you're going to see the sales cycle come in a bit later.

And overall, the story for the year is going to be less of a revenue story, more of a shift in the portion of the fans that are in our venues, higher fan profitability, concert AOI growth through margin expansion, and still confident--or still believe in the double-digit growth that we've been saying.

**Brandon Ross**

Thank you very much.

**Operator**

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

**David Karnovsky**

Hey, thanks for the question. You know, we've seen some noise in the press recently around festival demand and that maybe some of the more established events in the U.S. and Europe are seeing challenge in moving tickets. Just wanted to see if you could dig in a bit on what you're observing for live, or even the industry.

**Michael Rapino**

Yeah, I'll start. You know, we've read some of it also. We haven't seen it in our business. We have over 100 festivals around the world. I think currently ticket sales are up double digits year-over-year, so we're seeing a strong start to our festival portfolio.

We'd also, you know, remind you that festivals are a huge business around sponsorships, similar to venues. We--our sponsorship is up over 20% year-over-year on festivals. So, we're seeing a strong, strong start to them.

We're a global company so we do see that, you know, having a portfolio helps. We've launched some new festivals internationally. We launch about 10 new festivals a year. You know, you're lucky if 50% of them make it the next year. And I think this year we started 10. We shut down six. So, you're always kind of cutting off the weak performers and restarting some new ideas.

I think the only trend we see overall is, I think, the three day massive festival that's going to appeal to everybody with a great unique headliner that kind of was the original part of this business, that seems to be really hard to deliver year on, year out, whether it's Coachella or Bonnaroo. Look, those are big missions to deliver. And artists are making a lot of money in arenas and stadiums, so it's not as easy to get that special headliner.

Where we're seeing great success, though, is, you know, one or two day festivals that are appealing to more of a niche. And it's maybe 35,000 people, and it's exactly right down a certain genre of music or a lifestyle. And it's maybe a higher end business like BottleRock does in Napa, or we've got a couple great calling festivals out on the coast, or Eddie Vedder's festival on the water that's out of San Diego.

So, we are seeing probably a shift to more niche one and two day festivals with higher per heads, higher sponsorship value, and less big swings across let's go after a three-day, 100,000 people. There's still, though, the Coachellas, the Lollapaloozas, the Austin City Limits. They're kind of passage of right, so they'll--they seem to have a life and will live long. But definitely, if you're starting a new one, you're probably starting a more niche strategy and trying to make sure it's a better experience versus just putting 75,000 people in a field.

But to us, a big part of our business overall. It's a nice piece in our overall portfolio to drive our sponsorship business, and it's a--on a global business, a nice piece of our overall portfolio.

#### **David Karnovsky**

Right. And then on your venue strategy, just as you look to deploy capital at other locations around the world, can you just--kind of which area, where it's best for Live Nation to execute independently versus where we've seen you kind of partner with a third party like an Oak View Group, for instance?

#### **Michael Rapino**

Yeah, we do it all. We've been partners with Legends and the Fenway Group in Boston. A bunch of ones in the hopper right now across America on 5,000 seat venues with certain sports owners. Everybody that has a sports arena is looking to build out their retail footprint around it.

So, we're in partnership with--potential partnerships with a bunch of different NBA, NHL, or NFL owners who are building up their concourse retail area. And we'll partner with them in capital to help build that out. So, we're opportunistic depending who the developer is. And sometimes if there's a partner that makes sense to partner with, like we did with OVG in Austin, we'll do it.

But around the world, I would say--I was in the venue meeting this morning. We are very, very excited about this division. I called it the fourth leg this morning. The global pipeline of where we think we could take this business that's very unsophisticated outside of America around the arena, large theater business, the lineup of--the pipeline is long.

We've got a lot that we're going to keep rolling out over the next few years. We can do them 100% our own most of the times if the economics are there, or if there's a developer, we always will look at that and see if that's a better return on capital also. I would say we are probably the--you know, we're the one that everyone wants to partner with, so we have great optionality.

We are always kind of the first demand partner that a developer is looking to bring us in and be partners with. So, we have great opportunities, and more opportunities than execution power right now. But we're building that muscle fast.

**David Karnovsky**

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. Thanks for taking the questions. Maybe one on sponsorship for Michael. Revenue was up I think 24% year-over-year in the quarter. Sounds like a lot of that was driven by strength internationally. Could you maybe just talk a little bit more about what's driving that growth in international? And is the step up that we saw in 1Q something we should expect to see throughout the year, or is the fact that it's more internationally driven, does that suggest a could be more, you know, 1Q, 4Q weighted as we move throughout '24?

**Joe Berchtold**

Hey, Stephen, this is Joe. I'll get started and Michael can hop in. A lot of what you're seeing in Q1 is, as you said, it's international. A lot of it is festivals, as Michael was just talking about, the high-performance of our festival business this year. And in particular, it's what's going on in South America and Asia.

So, one of the things we really like is that we're balancing out getting the southern hemisphere growth that'll help our Q1 and Q4 business. So, I would expect we'll see a good chunk--we'll see

the highest growth rates in sponsorship Q1 and Q4 this year because we're gaining real traction building those businesses.

**Stephen Laszczyk**

Got it. And then maybe another one for you Joe, or unless Michael wants to jump in on sponsorship.

**Michael Rapino**

No, I was just--you know, I want to remind everyone, something like sponsorship or any of these numbers we're talking about, the growth is just--you know, we had an incredible comparable last year. I mean, we had two record years of incredible growth.

So, the fact that we're sitting here again growing the business at these levels I think is just a testament and a mic drop to anyone debating how powerful the machine is, how hungry customers are to show up at the show, and whether the place is full or not. So, we're ecstatic to have a 20 plus percent sponsorship year-over-year after growing bigger numbers than that the last couple.

I think the demand from brands is big. People--brands, while they're struggling to figure out how to reach customers, know that being on-site live, touching consumers at festivals and venues and the Spheres and all these great live experiences that are happening, it's a very, very hot space. And I think you're going to see this growth continue.

**Stephen Laszczyk**

Got it. And then maybe just one on concert margins for Joe. You called out in the release full-year concert segment margin is expected to be higher than last year, I think with the magnitude of that depending on some factors. Could you just talk a little bit more about the range of outcomes there and what would dictate coming in I guess meaningfully above last year versus maybe more in line?

**Joe Berchtold**

Sure. I think probably three factors that we're still going to watch play out over a bit of time. One is FX. As we noted for Q1, we, on a reported basis, were up 7 basis points year-on-year. At constant currency, we're up 37 basis points. So, clearly that can have a material impact on how much we grow.

Second is just what's the level of Q4 arena activity we have. Q4 is still in the process of being booked. And as you guys all know, the reason I don't love going too deep in the margins is because, if we do a lot of arenas in Q4, that could bring down our margin while bringing up our AOI. And we'll do that all day long. So, there is still some visibility to get into those numbers.

And then finally, we'd talked on the last call about how '25 is already shaping up to be a tremendous stadium year. A lot of the stadiums that they couldn't get access to this year because

of the Olympics or Rugby World Cup or any of a variety of reasons, they're already stacking up very strong for a great stadium year next year.

The only accounting impact of that is, if you put those shows on sale in Q4, you incur the marketing expense to launch those shows, particularly for stadiums, and then you have to write off all that marketing expense at the end of Q4. So, again, irrelevant over the lifecycle of the tour. But from a strict accounting standpoint and impact on margins, the more stadium tours that we put on sale in Q4 globally, the bigger the expense we hit.

So, again, we'll work through all of those numbers as we get closer and provide more guidance. But right now, those are all big factors that are all really good things to have happen but aren't yet at a point to declare exactly what the margin expansion's going to be.

**Stephen Laszcyk**

Got it. Thank you both.

**Operator**

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

**Cameron Mansson-Perrone**

Thanks. I want to follow up on two of the earlier questions on growth and then on the venue business. I guess first on the growth outlook for the year, you know, I think you'd spoken to potentially more muted growth in the first quarter given the venue mix considerations this year, which makes the 20% growth look even healthier. So, maybe could you just help frame how we should think about growth this year in light of all that?

And then on the higher CapEx outlook from new venue opportunities, Joe, you've talked in the past about generally wanting to prove out CapEx and then ramp it gradually over time. What should the higher outlook tell us about the opportunity you see from this incremental spend? Thanks, guys.

**Joe Berchtold**

Sure. On the growth, I think Q1 should tell you that we are right to be positive and optimistic about our ability to continue to deliver double-digit growth this year. I gave a little bit in the context of Brandon's questions.

But as I step back and say how is our growth going to look at the end of the year, I think it's going to be driven by concerts AOl, heavily concerts margin. It'll second be driven by sponsorship as we're continuing to, in particular, build out the international side of that business. And just Ticketmaster, because it's losing all those stadium high ticket price shows, is going to have lower growth. So, I expect all of the pieces to continue to grow and all of them to be very happy coming off of what, as Michael said, were tremendous growth rates over the last couple years. So, to



have all three pieces of the business continuing to grow is great. I just think that'll be the overall tenor of how it is we'd look back at this year.

And in terms of the venues and the CapEx, I think what you should take is that all the buildings that we're opening are performing at or above our expectations, that the volume of opportunities--as Michael said, every developer is coming to us as their first choice.

Whether you're a sports team owner and want to replicate what Fenway Group did around their park, whether you're an international player looking to renovate a building or to build something from the ground, the developers are coming to us because they think that we're effective operators and good partners in terms of helping them make the building successful.

So, I think it's just a continued buildout of the pipeline, and this is still incremental. But continued strong performance and strong pipeline.

**Cameron Mansson-Perrone**

Got it. Thank you, guys.

**Operator**

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

**Peter Supino**

Hi. Good afternoon. I wanted to ask first about--more about the venue buildout project. Wondering if--in your comments three months ago about longer-term growth, the idea that the company could compound AOI at a double-digit rate for many years to come. If you didn't build any big 15,000, 20,000 seat arenas outside the United States, could you still achieve that goal? It's just a way to ask whether that capital project and the returns from it are built into your long-term outlook. It's a question we've heard a lot from clients.

And the related to that, I wondered, when you talk about returns on capital maybe as a company or specifically on these venues, how are you calculating those returns? Is that an EBITDA number? Is--what are the numerator and denominator?

**Joe Berchtold**

Yeah. In terms of the venue buildout, of course that's part of our long-term plan. I mean, we lay out every year generally at Liberty the six or seven levers and how it is we're going to continue to drive strong AOI growth over time. When we did that last year, venues were I think the largest component of that. So, it's absolutely part of our thesis and part of how it is we're going to get to that continued strong growth rate.

In terms of the performance, I mean, it's a standard return on invested capital. So, we look at it on a cash on cash basis; cash out, cash back to the business.

**Peter Supino**

Thank you very much.

**Operator**

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

**Jason Bazinet**

I just had two questions related to disclosures, actually. When--I know you guys have been building venues for decades. But when you talk about standing up a fourth business with Artist Nation, are you hinting that you might disclose that as a second segment or not?

And in my second disclosures question is I noticed in the Q there was something, I guess, that FASB came out with the November about expense disclosures. I don't know if--the Q says you're still sort of deliberating that. But any sort of color on what that FASB request is and how you're thinking about it would be great.

**Joe Berchtold**

In terms of been venues as a fourth business, no, at this point, we're not thinking about them as separate segments. We still organizationally have concerts and venues under the same organizational structure. So, it'd be premature to think about it in terms of the segments down the road. Who knows? It's just--you know, we're trying to get everybody internally also focused on this as an important area to be growing. So, that's why we used that term loosely.

In terms of the--any FASB, you know, generally what we're doing is, anytime there are new accounting regulations, we're going to be studying them until the day that we need to implement them. So, I don't think anything here would be any different. We're just going to always use the time we have to make a full assessment of what leeway we have in how we do things and make the selection and prepare whatever revisions we need to to be ready.

**Jason Bazinet**

Okay. Thank you.

**Operator**

And the next question comes from the line of Benjamin Soff with Deutsche Bank.

**Benjamin Soff**

Hey, guys. Thanks for taking the question. Just wanted to ask about concerts attendance. It looks like there was a bigger step up in North American attendance compared to international attendance this quarter. So, can you unpack that a little bit and talk about how you think about growth in each region for the year? Thank you.

**Joe Berchtold**

Sure. I think that is largely a function--or fully a function of the international stadiums we had, particularly southern hemisphere in Q1 of last year, just fewer stadiums, as we've been talking about. So, that meant that the primary growth in Q1 was in North America.

Overall, this year, kind of defying the trend of where international is going, which is an increasing share, because a lot of the growth will come out of our amphitheaters, I probably would expect disproportionate growth out of North America. Again, I think it's out of character in the sense that, if you look at all of the business, where we're adding capacity with our venues, where we're adding ticketing clients, where sponsorship's growing, we've got a heavy structural trend towards international growth and international being the larger portion. I think that, just from a cyclicity standpoint this year, there may be a bit of aberration in that, but no change in terms of the overall trend.

**Benjamin Soff**

Okay. That's helpful. Thank you.

**Operator**

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

**David Joyce**

Thank you. Two questions, please. First, when you look at a metric of country attendance versus the population, the U.S. over indexes the rest of the world. What would be your path to growing that concert attendance per capita going forward?

And then secondly on ticketing, what are the plans from here for upgrading the ticketing platforms around the globe? And, you know, what--you know, how much is in CapEx versus OpEx? Thanks.

**Joe Berchtold**

So, in terms of driving the fan attendance, we've been talking in North America for the past several years about a hyper local focus. And that has absolutely been helping us drive our, well, penetration, if you want, on a per fan basis. That'll continue, and our expectation is we'll continue to build our fan base in North America.

The other thing that's just generally going on is every year you have the same artists who've been touring back out touring on whatever cycle, and we're adding in more artists. We added in K-Pop and we added in Latin. Now we're adding in Afrobeats. So, we're adding in more artists, which also draw more fans, and that'll continue to help with the penetration.

As we look at the international markets, it's all a function of how penetrated are they in the major cities where we have a presence. In a lot of markets, we think that there is the opportunity for

driving that through additional venues. It ties into our international venues strategy that Michael was talking about earlier.

In other markets that may be more penetrated, like the UK, you're going to see more of a hyper local strategy, which is why continued focus on, you know, making sure we got a lot of activity going in Manchester, not just London. So, every market's a bit different, but certainly a focus on how we continue to get more fan growth from the biggest to the largest.

In terms of ticketing, I think we've talked a lot about the tremendous progress we think--that we've made. We think we've got the leading enterprise software system in the world, and you continue to develop products for that. A lot of that cost is in CapEx, but it's--you know, it's been a pretty stable investment level over the past couple years. We expect it to continue as we are delivering new products for both the enterprise customers and the marketplace, but nothing dramatic changed.

**David Joyce**

Understood. Thank you.

**Operator**

Thank you. I would now like to turn the floor back over to Michael for any closing comments.

**Michael Rapino**

Thank you, everyone, and we'll look forward to talking to you in the summer.

**Operator**

Ladies and gentlemen, that does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation.