

## Third Quarter 2024 Earnings Conference Call Transcript

### November 11, 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 Henderson – Bank of America**

**David Katz – Jefferies**

**Peter Supino – Wolfe 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 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 Third 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, 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, 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 our earnings release. The release reconciliation can be found under the financial information section on Live Nation's website.

With that, I'll turn it over to Joe for brief remarks.

**Joe Berchtold**

Thank you, everyone, for joining our quarterly conference call. I think we'll go right into questions on the release. And as everybody knows, we have our investor presentation coming up Wednesday and then again on Thursday.

**Operator**

Thank you. At this time, we will be conducting the question-and-answer session. If you would like to ask a question, please press the star key followed by 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 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 Brandon Ross with LightShed Partners. Please proceed with your question.

**Brandon Ross**

Hey, thanks for the questions. First, you gave a lot of very positive forward-looking indicators in the release. Was hoping you could help us think about how that's eventually going to flow through the P&L.

And I guess on the Ticketmaster side, it's been a tough year. Assume that outlook on stadiums it's going to reverse that trend, but how will that look over Q4, Q1, and next year from a timing perspective? And then on concerts, it was a big margin year. Can that continue next year in addition to the obvious top line growth that the indicators are showing?

**Joe Berchtold**

Thanks, Brandon. This is Joe. I'll start and then Michael can add. Starting with Ticketmaster and starting with Q4, as we noted for October, first quarter of the month, Ticketmaster sales were up 15% year-on-year. Concerts, they're up 23%. So, we're expecting that great stadium and arena pipeline to start to manifest itself in Q4 and deliver a very strong Q4 in Ticketmaster.

Next week alone, we have over 200 stadium and arena shows going on sale. So, we're I think in a period of unprecedented level of activity for Ticketmaster in Q4. And then that'll continue into Q1 and through next year. We expect, you know, next year's Ticketmaster to look more like a '23, where you've got that great volume of stadium activity that you get with the on-sale. But then you also get as it plays off, in some of the deferred events that you have in Europe, that you recognize as the events play off. So, a strong Q4, strong next year for Ticketmaster.

Concerts, obviously next year expectation's strong for continued AOI growth, having growth in arenas and amphitheaters from our baseline of this year. Added to that, the more like '23 or beyond in stadiums should be very strong revenue growth, very strong AOI growth. I think it's probably a bit early to know the exact mix of all those venues for margins. But overall, both strong revenue and AOI growth for the concert business.

**Brandon Ross**

Okay. And a lot of investors think that Trump is going to be a very good thing for you. I'm sure you've studied it a very closely. Just wanted to hear what your thoughts are on how he's going to approach antitrust and the associated remedies. Do you think that they will favor structural or behavioral? And then separately, from a timing perspective, when do you think you'll next have an opportunity to get to the table with the DOJ?

**Joe Berchtold**

Thanks. Yeah, I think it's still very early in the transition process, so we're hesitant to say too much. But absolutely we are hopeful that we'll see a return to the more traditional antitrust approach, where the agencies have generally tried to find ways to solve problems that they see with targeted remedies that minimize government intervention in the marketplace. And without getting into specifics, at least some parts of the case we think, believe reflect a much more interventionist philosophy today than you'd expect of a Republican administration. Obviously, the request to break up Live Nation and Ticketmaster would be an example of that highly interventionist approach.

So, you know, we'll obviously be ready to engage as soon as they are. They need to get through the appointments and get things settled on their end. But we'd certainly be hopeful that we could start engaging with them, you know, early in next year.

**Brandon Ross**

Thank you.

**Operator**

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

**David Karnovsky**

Hey, thank you. Just two for me. First on the revision to 2023 financials, can you walk through what triggered that and what the notable changes are? And I didn't see it in the release, but you have an updated '23 AOI and free cash flow.

And then second, you called out for Q4 a possible mid-teens FX impact to AOI due to LATAM. Can you just refresh us on the general mix of LATAM versus your other regions in the fourth quarter, and then any early view on how to think about FX into '25? Thanks.

**Joe Berchtold**

Sure. So, first on the revisions in the financials, so for context, what we had is, we had a non-cash, non-operating tax adjustment that we had to make. This has to do with when we purchased OCESA and a difference between statutory and U.S. GAAP accounting on some non-consolidated investments.

So, it was just on the U.S. side. We missed--we paid the taxes in Mexico. We missed it in the U.S. It was not material to our '20 or '23 numbers. But in working through with the auditors, we made the decision it made sense to restate those numbers. So, you know, one-time, non-cash, non-material to those numbers.

In terms of the FX impact, you know, we had previously talked about Q4 this year looking strong in Latin America, which it still does. All the operating metrics we've been talking about in terms of both the supply and the demand profile are looking good. We've also just seen a downturn in the FX on Latin America markets over the past several weeks.

And because we had a disproportionate amount of growth in the numbers coming from those markets this fourth quarter, we just wanted to flag that therefore that has a disproportionate impact on our AOI and OI for the quarter. We don't look at it as being material when you step back, and you look at the full year of '25 and the magnitude of activity that we're going to have. It's more just a Q4 modeling point for people to be aware of. And we'll see how some of the FX plays out over time, and we'll update you.

But I don't think it's a material '25 issue at this point. It's really just more a '24, which tends to be our lowest activity. So, when you have your lowest activity quarter and you have where your growth is coming from get impacted by FX, that can just start to swing things around.

**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. Two, if I could. Maybe first for Michael, you called out in sponsorship the number of strategic partners increasing by 20% this year. I'm curious, looking out to '25, how you would encourage us to think about the sponsorship business next year. Are there any verticals of the business where you see maybe outsized opportunities for execution where you could replicate this performance?

And then second for Joe, on the concert segment AOI in 4Q, you called out some of the on-sales coming in over the next couple of weeks here. I'd be curious if you could help us think about how much marketing spend could be associated with those on-sales and maybe any color on just how to think about 4Q concert segment AOI. Thank you.

**Michael Rapino**

Thank you, Stephen. On the sponsorship side, and again, we'll be giving more guidance this week as we get to our Investor Day, but sponsorship has continually been our star for the last decade

or so, multiple years of double-digit growth. We look at this business still very, very strong, very different than maybe some of the advertising challenges other companies have. We see overall companies spending more money on-site experiential and moving dollars into that segment. And anytime that happens, that's good for our business. We tend to rise with that.

So, we look at '25 and onward as continual AOI growth that we've been able to deliver in the past in sponsorship. One of the foundational drivers of that is our globalization. And every time we do more shows around the world, we provide ourselves more opportunity and more sponsors. So, when you're, you know, doing all these Latin American shows, when you're doing shows now in India, Middle East, Singapore, Asia, growing our Australian business, it just provides us more and more inventory to open new borders and new relationships. So, as our global pipe continues to grow, so will our sponsorship, and we'll see continued growth.

#### **Joe Berchtold**

And Stephen, as it relates to concert in Q4, obviously Q4 in concerts is a peculiar beast because, in some regards, right, the more we're ramping up for a great next year, you know, the more that impacts our AOI. So, I think as we're standing here, we'd expect a double-digit increase in our advertising expenditure that we have to write off at the end of the year. We're certainly ramping up activity and personnel to be prepared to handle the tremendous volume of shows that we're doing next year.

But I think even with all that, as we're looking at the numbers now, again, as the broad context, we do expect our margins for the full year in the concert business to land around where they were in 2019. You know, I'm not going to worry three or four months from now plus or minus 10, 15 basis points. But I think that in total we expect it to come in around where we were in 2019.

#### **Stephen Laszczyk**

Great. Thank you both.

#### **Operator**

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

#### **Cameron Mansson-Perrone**

Thank you. On the CapEx increase, I was wondering if you could provide some color on what the pipeline right now looks like for new venue opportunities. And then for the new amp project, anything further on what changed to pull that forward? I'm assuming that was already in the pipeline as of July and it's more of just a timing consideration, but any color there.

And then to follow up on the sponsorship question, Michael, growing the number of partners that are generating over 100--or, sorry, \$1 million, can you talk about, is that new sponsors or is it expanding, you know, current or existing relationships? And maybe what's allowing you to execute--if it's growing those relationships, what's allowing you to execute so well there? Thanks.

**Michael Rapino**

Quickly on sponsorship, you know, for a few years, we've been saying anytime you can take that regional relationship or that start of that relationship at a large brand, form that relationship, deliver for them, we tend to do good at then getting the next time around with the CMO and talking broader programs.

So, we continue to grow our current base of sponsors. We tend to have a very good renewal rate, and we tend to be able to upgrade you once we've gotten you into the ecosystem and understand your brand needs. So, most of it is coming from current customer base of our 9 to 1,000 sponsors and growing our current base with them, and then obviously expanding outside markets.

On real estate, Joe will give you the updates. We continue to have a great pipeline. We'll take you through, more details for you this week in terms of what venues are going to be kind of rolling out into '25 onward and the CapEx returns on that.

**Joe Berchtold**

Yeah. And on the specifics of the CapEx here for the quarter, as you know, we often build buildings in partnership with others. So, this is a situation where we have a partner that we've been talking to for an extended period about doing an amphitheater together. That partner had already put a fair bit of capital into the ground, and it was only recently that we then signed the formal agreement. By signing the formal agreement, which would give us a controlling interest in the amphitheater, we then need to move all the CapEx on to our books.

So, you saw the increase of \$50 million of expected CapEx for the year, but you also saw a \$30 million increase in the capital coming from other parties. So, most of the capital on this project is what a partner has already put into it. So, the net cash that we're putting out is somewhat less than that.

In terms of the new venues, as we note in the release, we expect to bring 14 more venues online, either with substantial refurbishment or new build over the next year and change through the end of '25, accounting for about eight million incremental fans. And as Michael noted, we will get into more detail on sort of the mid-range planning on venues over the next couple days.

**Cameron Mansson-Perrone**

Got it. That's all helpful. Thanks, guys.

**Operator**

And the next question comes from the line of Peter Henderson with Bank of America. Please proceed with your question.

**Peter Henderson**

Can you provide some color on what initiatives are resonating most with fans and driving up the per caps? And where do you think per caps can go over time? And then just related to that, I mean, how much opportunity remains to implement tiered experiences, and where are you monetizing on super or premium fans the most versus regular or more casual fans? Thanks.

**Michael Rapino**

I'll give a quick shot again. We'll get into more detail this week because those are pretty strategic, broad questions. On the premium fan or super fan, I know I hear other companies talking about it, we've been selling to the super fan for quite a while. Call that the premium fan that wants a VIP experience at the show. So, that's kind of been an ongoing skill set we've had forever.

Our job every year is we see that pie still underserved. We've used percentages in the past, 2%, 4%, 6% of the show is premium. We think it can grow up to 20% and more. So, a lot of the refurbishments we're doing at venues is about taking regular seats and turning them into better experiences for premium experiences that night.

So, we think premium experience is a big underpin to our entire growth forward, because it's using the same customer base. But we always sell out of the boxes, sell out of the premium inventory first. We never have a problem selling that. So, we think that is a big part of our CapEx and our refurbish as well as our new buildings. When we're building them, we're starting with this mandate that they must have a certain higher percentage of premium seats and lounges and experiences, so those venues start with a much better return.

**Peter Henderson**

Thank you.

**Michael Rapino**

First question? Shoot again the first question.

**Peter Henderson**

Just, you know, where do you think--what initiatives are sort of resonating most with the fans driving up per caps, and where do you think per caps can go over time?

**Michael Rapino**

Most of it is, you know, I've said this before, sports. These new venues, the billion-dollar arenas, have done a fabulous job, the stadiums, the SoFi stadiums. They've all kind of, we're all following the same playbook. We all probably started in a very traditional food and beverage offering, whether it was the old Forum here in LA versus the new Intuit Dome. It's night and day, and most of it is around having more POS. It's around having different high-end value offerings in your food and beverage bundle. It's about having mocktails, nonalcoholic options, higher-level food versus the traditional food.

So, that's the ongoing path we see in our amphitheaters, our theaters, our arenas. We've been using this \$2.00 per head growth over the last few years. We think that's something in the future we can continue on. So, it's all around upgrading our current customer base. Our amps, our venues probably are the lower end of good, great quality F&B from historic measures. So, every year it's about upgrading that amount of POS offering, upgrading our selection, increasing our premium offering. And all of that combination we think still has lots of runway left.

**Peter Henderson**

Thank you.

**Operator**

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

**David Katz**

Good evening. Thanks for taking my questions. You know, number one, the past week or so has brought quite a bit of change. I'm wondering if your, you know, thoughts have started to shift or philosophy has started to shift around, you know, M&A given sort of the change over the past week. And then I have one quick follow-up, please.

**Michael Rapino**

No, we haven't, you know, nothing's really changed in the last couple years the way we've been moving around the world and building our business. We don't have any sizable M&A targets that we would do with or without where the regulation stands in America. We like kind of what we're doing. You see us, you know, add an arena in Austin, add an amphitheater in some white space or a 5,000 seat.

And similar around the world. You know, we're always kind of looking in these 100 cities out there that want great entertainment. And whether it's an amphitheater or a festival or a promoter, we like bolting those on. And we have a big pipe of those around the world. Nothing's changed over the last two years, and don't think anything changes going forward.

**David Katz**

Okay, understood. And I just wanted to ask a more general question about the secondary ticketing market, which I recognize is, you know, a smaller part, in some sense a strategic portion, of kind of what you do. But, you know, it seems as though, every time we have something like a World Series and ticket prices get high, it just draws a tremendous amount of attention that, you know, sometimes is--seems a bit misplaced, you know, toward you as the biggest.

Are there any strategies or--you know, and maybe this is not the best forum to talk about them. But, you know, it's just something that comes to mind that we've written about a bit, and I thought it would raise it and see if there's any answer that's appropriate here.

**Michael Rapino**

Yeah, I think it's a--.

**Joe Berchtold**

Yeah, I think--go ahead--.

**Michael Rapino**

--Much broader statement, but yes, we are always a little amused that sports is kind of a badge of honor, how expensive those tickets go for, but music, which is priced much lower than sports, seems to get more of the emotional reaction. But, you know, America seems to be, you know, a market where secondary is free to run.

There's always been this hope, between different legislators, we'd get better regulation around secondary. It hasn't really come to life yet around, at minimum, at least bots and spec selling and some of the other practices around secondary that we'd like to clean up. So, we hope over time, seems to be more and more attention around the secondary market. So, we hope over time better regulations get put in place to help the consumer.

**David Katz**

Got it.

**Operator**

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

**Peter Supino**

Thanks. Hi, team. A question about Ticketmaster. With all of the activism at the DOJ, a question that we've heard a lot in the last year has related to the defensibility of Ticketmaster's competitive position. And one of the pillars of that is technology. And so, I wondered if you could just comment on the investments that Ticketmaster's making in technology, whether it's related to bots or demand generation or other initiatives that you think are the most important ways Ticketmaster is reinforcing and extending its competitive position technologically. Thanks.

**Joe Berchtold**

Sure. Yeah. And Peter, as you know, we spend tens of millions of dollars in capital on Ticketmaster. I think first and foremost, we need to continue to innovate the products that we offer on the enterprise side, to our venues, to promoters, others who use the platform. Past recent years, that's included a lot around pricing technology to help everybody understand the market value of the content they're delivering.

It certainly also is on the marketing side, developing great marketing science capabilities to help people market their shows, big investments over the past couple years on continuing to enhance our ability to handle that high demand on-sale. We think Ticketmaster is the best in the world,

and we've seen a number of on-sales recently where Ticketmaster has been able to deliver a much better experience and sell tickets at a volume that others have been unable to handle.

And then obviously also just on the ticket itself, all the things that we've done around digital tickets and, as you said, trying to stop bots, so a range of consumer facing technologies as well. We expect that's ongoing. And Ticketmaster is a technology company, so you're going to continue to be developing products on both an enterprise and a marketplace basis.

**Operator**

And at this time, there are no further questions. Now I'd like to pass the call back over to the Live Nation management team for closing remarks.

**Michael Rapino**

Thank you, everybody, and look forward to talking more about our business this week.

**Operator**

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