

Full Year and Fourth Quarter 2024 Earnings Conference Call Transcript

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Presenters

Michael Rapino, President and CEO

Joe Berchtold, President and CFO

Amy Yong, Head of Investor Relations

Q&A Participants

Stephen Laszczyk – Goldman Sachs

Brandon Ross – LightShed Partners

Cameron Mansson-Perrone – Morgan Stanley

David Karnovsky – J.P. Morgan

Peter Supino – Wolfe Research

Peter Henderson – Bank of America

Jason Bazinet – Citibank

Kutgun Maral – Evercore ISI

Operator

Good afternoon. My name is John, and I will be your conference operator today. At this time, I would like to welcome everyone to Live Nation's fourth quarter and full year 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 full year and fourth 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 and new developments in 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 our earnings release. The release reconciliation can be found under the financial information section on Live Nation's website.

With that, we will now take your 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, to remove yourself from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. We ask that you please limit yourself to one question and one follow up. Thank you. One moment please, while we poll for questions.

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

Stephen Laszczyk

Hey, guys, thanks for taking the questions. Maybe to start it off for Michael on consumer demand. You guys have put a lot of stadium supply on the market over the last few months. I'm curious if you maybe could talk a little bit more about the demand trends you're seeing play out across the slate so far this year? Is there anything that you're seeing that makes you any more constructive or perhaps any more cautious on the demand front since we last caught up in November before a lot of the supply went on sale?

Michael Rapino

Thank you, Stephen. As you said, we've had a great start to the year. We've got a lot of inventory in the marketplace. We are seeing continued strong demand. We're seeing sell through rates at the stadium level higher than any previous year. We look at one stat, the first week onsales, we're selling through over 75% and that's much higher than the last year. So, we're seeing consumers buying up those stadium dates faster than ever, up year-over-year, or any comparable base. So, no slow down at all. Lots of inventory, but equally great demand, selling most of these stadiums out or close to being sold out by the time we get to the show dates.

Stephen Laszczyk

That's great. And then maybe a follow up for Joe. Given that inventory that Michael spoke to on the stadium side this year and the mix shift in that direction, I'm curious, Joe, if you could speak a little bit more about the puts and takes on concert segment margin, or maybe how we should think about AOI growth this year? How does the mix shift back towards stadiums in '25 impact that? And I'm curious as well, the visibility you feel like you have on the Venue Nation amphitheater side of the equation this year, now, that factors into the AOI growth for the segment?

Joe Berchtold

Yeah. Thanks, Stephen. I think that this year is going to be more like a '23 year, as we look at how we're growing the business. With all this stadium volume leading the way, I'd expect to see some good revenue growth. I think Ticketmaster, first and foremost, will be a big beneficiary. I talked a lot about last year on the other side, that it took 10 amp shows to deliver the kind of revenue

for Ticketmaster as one stadium show. Now we have all those stadium shows. So, I think you'll really see that benefiting on the Ticketmaster side.

I think that we continue to have a sponsorship business that's performing extremely well. We note here, 75% sold, up double-digits. So, you expect that to continue to deliver some ongoing strong growth. Then on the concert side, all these shows, all these stadium shows, we're absolutely making money on, attractive returns. We just don't get to count the beer money and the parking money, as we do with our own venues. So, I think it will ultimately come down to the pace of revenue growth versus the pace of AOI growth, which we don't know yet because we haven't gotten into the amp season.

To the latter part of your question on how much growth do we get on our per caps, at our amps, at our festivals, theaters and clubs, over the course of the year, all of that will just help determine the exact balance of revenue growth versus AOI growth there. But we expect to see all of the businesses performing well this year. And as Michael said, in aggregate, continuing to deliver double-digit AOI growth for the business.

Stephen Laszczyk

That's great. Thank you both.

Operator

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

Brandon Ross

Hi, guys. Thanks for taking the questions. Something that stood out in the release to me was that Ticketmaster transacted ticket volume. You said was up only 3% and then the event-related deferred at 11%. I thought that would have been much higher, given the pipeline, and frankly, the answer that you gave to Stephen's last question. Can you guys explain the disconnect for me?

Joe Berchtold

Sure. Let me take the two different pieces, because I think they're slightly different in terms of what's going on. So, Ticketmaster transacted volume, as you noted, is up 3% while our concert tickets are up 10%. So, if you look at the numbers, our concert tickets are up around 6 million, the TM transacted tickets, which is everything at the high end of all of our tickets to at the lower end, family shows and other lower price things, up 3%, but off of roughly almost double the base.

So, what you have is, at this point of the year, strong growth in the Live Nation concerts that Ticketmaster has been selling. You have a bit less activity in some of the other, whether they're promoters or some of the other activity in the Ticketmaster buildings, but we're still very early in the Ticketmaster scheme. It's about 100 million tickets, and we ended up the year last year at about 330 million tickets. We expect to see growth off of that. So, we're at a pretty early point

for the Ticketmaster volume, as opposed to somewhat further along on the Live Nation side. So, I think it's a bit early to read too much into that number.

Then in terms of the deferred, I think the onsale timing this year was slightly different than what we saw last year. This year, because we had such a strong stadium lineup, that really owned the fourth quarter in terms of the majority of the onsales. So that drove growth, but we didn't have as early of onsales on the arenas and the amphitheaters as we had last year. Last year because we didn't have the stadium volume, at the end of '23, we saw some earlier onsales on the arena and amphitheater side. So that's, in effect, why you got at the double-digit level of deferred growth at that point.

Brandon Ross

Great. And then, Michael, you talked a lot about the strong demand for stadium shows in answering Stephen's question, but just optically, I look at some of these shows, and I see a lot of high-priced tickets still on sale for high profile shows. Do you think ticket pricing is getting ahead of itself, or is there some other explanation for that? And how should we expect apples-to-apples ticket prices to grow this year, so stadium versus stadium?

Michael Rapino

Yeah. I think you're seeing, the artist in general every cycle is a little more educated on what's the best way to price my ticket, how do I keep it accessible to my fans, but make sure scalpers don't run away with the front of the house. So, we love seeing these stadiums sitting somewhere around 95% sold out right now. The instant we sold out at 10:00 a.m. means we transferred a lot of wealth to the scalpers. If you see any of those tickets--any tickets you're talking about are going to be the high-end tickets sitting on the market. Those will flush out between now and show date.

So, we think these artists on their stadium pricing are priced at almost perfection, where there is strong, strong demand. They also added more venues, which we love. So, they're helping consumers get to more shows at a good price but also making sure that it's priced closer to market, which means you'll have a few high-end tickets sit around the rim until we get closer to show date. So that's the perfect on sale and land the plane on show day model.

Brandon Ross

So, would it be silly to partially think about it as you're taking away from secondary ticketers or ticket platforms, and that's moving more to primary now?

Michael Rapino

Yes, for sure. I think the artists--we've been saying this for years, every tour is looking at that P1 and making sure that if their fan is going to buy it, they would rather buy it from them, direct on show day than two days later from a secondary site, ours included. So yes, artists are going to figure out how to keep pricing the P1s a little more aggressively. Price the bottom back end of the house, lower, so we get a great sell through.

Those artists you're talking about, any inventory you see, we could sell that out in a minute if we drop the price. Right? So, finding that right combination where you're making sure demand and supply kind of march along on the way to the show date versus the 10:00 a.m. fire sale.

Brandon Ross

Thanks, Michael.

Operator

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

Cameron Mansson-Perrone

Thank you. First, just want to say thoughts go out to you guys and everyone in the LA office, after everything that's happened this year. Pretty tough. Hope everyone's hanging in as well as can be expected. But Michael, one high-level question for you. As we frame the opportunity you've laid out for sustained double-digit AOI growth over the next few years, I just, I'd love to hear your thoughts on whether you expect the drivers of that performance to evolve over that time frame, or whether it's really just down to executing against a similar playbook as what supported the growth that you delivered here in '24?

And then one for Joe, on the outlook for \$900 million CapEx in '25, another big increase similar to what we saw in '24, what would you say investors should take away from the decision to ramp that so healthily in terms of ROI you're seeing from that spend so far? And any help with framing the timing from kind of investment outflow to the returns showing up on the P&L will be helpful. Thanks.

Michael Rapino

I'll go back to your first question, if I can remember it. But yeah, listen, we love consistency over here. So, if you've been following our stock and you've been to our investor days the last few years, we haven't deviated really from what we think our thesis of why the industry is a great industry. On a global basis, we think Live has a real global unlock and will be a high-single, double-digit kind of industry for the next decade, as we saw our Coldplay show in India sell out, largest single concert in history, 125,000 people. We saw those dates sell out instantly.

So, we've been talking a lot about the globalization of consumer. Supply, demand of the globalization. Untapped markets to grow still. So, our model is the same. We're 100 offices in about 40 countries, keep growing those offices, growing our market share in those underdeveloped markets, and we will continue to follow that global trend of more consumers wanting to go to shows from Pittsburgh to the Philippines. So, we think the industry is growing. We tend to grow better than the industry and be able to capture the revenue from our consumers walking in the door.

Joe Berchtold

And Cameron, I think in some regards, your second question is the same as your first question, right, which is, if our thesis is we're going to grow to 200 million fans is the next step, and the different levers we have, and venue side is a key piece of it, then certainly our capital deployment is going to mirror the delivery of that AOI growth. So, I think we should take from the fact that we're increasing our capital spend as we're continuing to see a lot of opportunities that have very attractive returns globally. Again, heavily focused internationally at the arena level. Globally, focused on these large theaters, both types of venues that can, not just, deliver attractive returns, but also move some reasonable volume of fans, expand our shows, grow the market.

So that's the biggest takeaway I take from that. In terms of the timing, these projects are all different in terms of how long they take from shoveling the dirt through growing it out. What we're trying to do, and we gave you some pieces here, is some understanding of when or what venues opening to how many millions of fans to give you some guide for how we're seeing the impact roll in.

Cameron Mansson-Perrone

Got it. Helpful. Thank you both.

Operator

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

David Karnovsky

Hi. Thank you. So just wondering, music labels and DSPs have recently come to agreements that may allow for super premium tiers, and wondering if you've thought of, potentially, about the role of live music within some of these offerings, maybe with something like ticket access. Is there inventory that could be made available, and could this be a potential sponsor opportunity?

Michael Rapino

Yeah. Thanks, David. Yeah. We currently, our job is to use that inventory that we've acquired from the artist and maximize it through sponsorship currently, and we have a lot of pre-sale programs in place with, you've seen them all, Verizons and Citi Banks, etc. So, our job is always to look at that show, work with the artist, and figure out, is there ways to maximize that inventory, to business, as well as consumers.

As far as the latest round from Spotify and Apple and Amazon, they've approached us all. We've talked to them all about ideas on if they wanted inventory. There's a cost to that, and we would entertain and look at that option if it made sense for us in comparison to other options, we have for that pre-sale, which is a very valuable asset. The artists themselves tend to do their own deals. We do deals for the artist, but ultimately, the artist has control of it, and that artist's job is to maximize the revenue from it. They're not giving that away to anyone for free.

So, whether we partnered with them and found sponsors or we paid for it, it's valuable, and wouldn't surprise me, of course, the labels or the distributors, if they're trying to add a \$5 premium to a monthly subscription, and they don't have enough of their own inventory in terms of music or free songs. It's always the easy, go-to, let's give them pre-sale access. The hard part about pre-sale is just scaling it. Everybody wants Beyoncé pre-sale, and that's hard to scale. So, we've been working with all three of them, trying to find a model that may work for us and them, and assume they're talking to others also.

David Karnovsky

And then maybe just separate, the DOJ antitrust nominee recently indicated some openness to settlements where effective remedies can be put into place. Just wondering kind of what room you see to advance discussions with the agency, or relative to the prior administration? And then, I don't know, just separate to this, are there any updates you can give on just the trial in terms of timing or kind of notable dates to be aware of?

Joe Berchtold

Yeah, this is Joe. The trial process continues to move a pace, as it has, targeting early next year for a trial date. So, question is, is over the course of this year, is there a path towards a resolution with the DOJ that doesn't lead to the trial? We've said in the last administration, there was really no interest in any discussion on settlement. So, we're hoping that this DOJ returns to a more traditional approach and is open, because they don't own it in the same way, to those discussions. But we haven't had any discussions yet. The person that you would discuss it with has not been approved yet, not been appointed. So, until that happens, there's nothing we can do, and we'll see how that plays out in the coming months. But nothing really, substantively new.

David Karnovsky

OK.

Operator

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

Peter Supino

Hi, everybody. A question on Venue Nation capital. Wondering if the 2025 budget, which I think you detailed as being \$200 million or \$300 million greater than 2024, is showing any change in the mix of U.S. versus International? And then a parallel question on the large arenas. For the 15,000 to 20,000 seat segment, I'm wondering if those opportunities are coming any faster or slower than you imagined, and whether your appetite to invest in that particular segment has shifted at all? Thank you.

Michael Rapino

I'll do the second question. Joe can do the first. Oh, sorry. I was just going to jump on the second. The large opportunities on an international basis are coming consistently, ongoing. So, continues

to see that ramp up. We tend to be the first, second phone call if you're a developer thinking about building or have land and want to use that land or have a venue you want to sell. So, we see that pipeline growing, and our appetite still remains very large to expand on that platform.

Joe Berchtold

And just on that same thread, Michael just answered the first question too, which is, I think that in general, you'll see a trend towards more of the capital being deployed internationally because of the attractiveness and volume of those arena opportunities.

Peter Supino

Thank you.

Operator

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

Peter Henderson

Yes. Hi, everyone. So just wondering, I mean, there's been some concerns over the softness of U.S. consumer, particularly on the low end recently. It doesn't sound like you guys are experiencing any of that, but coming back to sort of Brandon's question as well, are you seeing any trade down from more affluent cohorts, and what are you seeing, sort of from the more value conscious consumer? And just related to that, I'm wondering, you recently announced that there will not be a lawn pass program in '25 and I'm wondering if you give any color on sort of the size of that and why the decision was made to end that program, and what other programs you're considering?

Michael Rapino

Yeah. I mean, overall, the demand we're seeing for the concert. And I assume the NFL has got the similar answer. We're seeing no pullback. It's still on a global basis. We're seeing strong demand. We're seeing it in a small to big, so yes, Beyoncé's are always going to have incredible demand, but if you look at my club business, we're going to do 30,000 club shows in a year. Our club business is up 17% year-over-year. So that's kind of the simplest way to say, bottom end on a Tuesday in Indianapolis, my business is doing better. Consumers are coming to the club to see the young bands.

So, we're seeing our festivals, which are on sale already, they're selling at record levels. So, I'm seeing no pullback in any festivals, from EDM to our country festival. As we always say, someone will write about one that gets canceled, or a dog here and there, but generally, overall, macro-ly, our festival business globally is stronger than ever. Our club and theater business is stronger than ever, and obviously our stadium business is on fire. So, whether it's geographical, whether it's venue type, or whether it's festival, we're still seeing strong, strong consumer across the board in terms of buying tickets for the '25 season.

As far as the lawn pass, it's a very small program, and we put some new leadership in charge of venues this year. We expanded Jordan Zachary's role and put some new thinking around, how do we sell the summer amphitheater? I think our belief was we were discounting too much, too early, with some of the programs we had. So, it was to pull back and relaunch, which we always do, our Annual Concert Week, is kind of our big, if you want to call that, our Amazon Prime Day, our Concert Week earlier in the spring, beginning of the summer. That's kind of our big, big deal, where we sell all of our volume that matters. So, we're going to just consolidate around that bigger idea, and we're going to eliminate some of the smaller programs that were selling small, small volume of tickets overall.

Peter Henderson

Thanks.

Operator

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

Jason Bazinet

I'm a big fan of the CapEx you're spending, so don't take this the wrong way. It's just a clarifying question. When I look historically at Venue Nation, you'd owned, I don't know, less than 10% of the venues, most were leased or operated or whatever. Is this CapEx really moving more overtly into outright ownership of these arenas? Is that what we're talking about? Or is it spending CapEx and then having the right to lease it at a lower rate or operate it?

Joe Berchtold

A chunk of it is absolutely owning it. Every situation is different, but we're following your advice and trying to own more, go upstream. So, if we're in a situation where we can own it, dirt on up, we do. Sometimes we can't own the dirt. We'll own the building. If we can't own the building, we'll do as much of the capital build out and minimize our lease. So, you don't always pick exactly what you want, but we're absolutely pushing it further upstream, if you will.

Jason Bazinet

That's great. Thank you.

Operator

And the final question comes from the line of Kutgun Maral with Evercore ISI. Please proceed with your question.

Kutgun Maral

Great. Thanks for taking the question. Another one on Venue Nation. You provided a lot of great color at the investor day on the midterm outlook. I know the impacts to the model gets a bit tricky, because, as Joe mentioned, timelines vary greatly depending on how the shovel to dirt to growing the venue out process looks like, but it's an area where we get a lot of questions on. So,

I was hoping you could help us think about what the AOI impacts of Venue Nation, maybe was in 2024 and a little bit more specifics around how you see that evolving in 2025, just given the growing venue base there. Thank you.

Joe Berchtold

Yeah. We haven't really tried to break it out for you guys as a segment. First of all, part of it, or a good chunk of it, obviously, comes from the sponsorship side. And we've talked that two-thirds of sponsorship is venue driven. So, you've got a component over there, then you've got the operating component, which is heavily driven by your beer and by your parking and so on. So, we haven't really tried to fully model it and break it out that way for you, unfortunately. We try to use what we present at Liberty as the overall guideposts over a midterm basis, as you said, to then try to back in and say, how are these pieces potentially going to roll out? How do they maintain this sort of growth profile over the next several years? And am I comfortable they're going to be able to do it? But we're not really in a place that we're going to break out and give you the standalone Venue Nation business model.

Kutgun Maral

Worth a shot. Thanks, Joe.

Operator

And I'd like to pass the floor back over to Michael Rapino for any closing remarks.

Michael Rapino

Thank you, everybody. Look forward to talking about Q1 in May.

Operator

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