Live Nation Entertainment, Inc.
Form 10-Q
October 29, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-32601

LIVE NATION ENTERTAINMENT, INC.
(Exact name of registrant as specified in its charter)

Delaware	20-3247759
(State of Incorporation)	(I.R.S. Employer Identification No.)

9348 Civic Center Drive
Beverly Hills, CA 90210
(Address of principal executive offices, including zip code)
(310) 867-7000
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

On October 22, 2015, there were 202,350,355 outstanding shares of the registrant’s common stock, $0.01 par value per share, including 857,075 shares of unvested restricted stock awards and excluding 408,024 shares held in treasury.

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LIVE NATION ENTERTAINMENT, INC.
GLOSSARY OF KEY TERMS

AOCI	Accumulated other comprehensive income (loss)
AOI	Adjusted operating income (loss)
Company	Live Nation Entertainment, Inc. and subsidiaries
FASB	Financial Accounting Standards Board
GAAP	United States Generally Accepted Accounting Principles
Live Nation	Live Nation Entertainment, Inc. and subsidiaries
SEC	United States Securities and Exchange Commission
Ticketmaster	For periods prior to May 6, 2010, Ticketmaster means Ticketmaster Entertainment LLC and its predecessor companies (including without limitation Ticketmaster Entertainment, Inc.); for periods on and after May 6, 2010, Ticketmaster means the Ticketmaster ticketing business of the Company

See Notes to Consolidated Financial Statements

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PART I—FINANCIAL INFORMATION
Item 1. Financial Statements
LIVE NATION ENTERTAINMENT, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2015	December 31, 2014 (as adjusted)
	(in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,061,383	$ 1,382,029
Accounts receivable, less allowance of $20,452 and $17,489, respectively	631,344	419,301
Prepaid expenses	555,391	440,272
Other current assets	48,477	26,089
Total current assets	2,296,595	2,267,691
Property, plant and equipment		
Land, buildings and improvements	830,518	808,116
Computer equipment and capitalized software	442,124	454,925
Furniture and other equipment	234,112	209,624
Construction in progress	97,954	78,111
	1,604,708	1,550,776
Less accumulated depreciation	885,185	855,439
	719,523	695,337
Intangible assets		
Definite-lived intangible assets, net	772,496	682,713
Indefinite-lived intangible assets	369,398	369,480
Goodwill	1,629,510	1,479,037
Other long-term assets	477,832	474,103
Total assets	$ 6,265,354	$ 5,968,361
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable, client accounts	$ 660,716	$ 658,108
Accounts payable	88,216	74,151
Accrued expenses	785,861	675,880
Deferred revenue	521,648	543,122
Current portion of long-term debt, net	42,131	47,443
Other current liabilities	33,192	12,035
Total current liabilities	2,131,764	2,010,739
Long-term debt, net	1,993,963	1,995,957
Long-term deferred income taxes	208,758	196,759
Other long-term liabilities	135,972	112,204
Commitments and contingent liabilities		
Redeemable noncontrolling interests	247,104	168,855
Stockholders' equity		
Common stock	2,019	2,004
Additional paid-in capital	2,427,295	2,414,428
Accumulated deficit	(996,777)	(1,042,603)
Cost of shares held in treasury	(6,865)	(6,865)

Accumulated other comprehensive loss	(94,234)	(70,010)
Total Live Nation stockholders' equity	1,331,438	1,296,954
Noncontrolling interests	216,355	186,893
Total equity	1,547,793	1,483,847
Total liabilities and equity	$6,265,354	$5,968,361

See Notes to Consolidated Financial Statements

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LIVE NATION ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands except share and per share data)			
Revenue	$2,622,917	$2,502,008	$5,509,006	$5,295,109
Operating expenses:				
Direct operating expenses	1,974,322	1,876,519	3,974,710	3,792,366
Selling, general and administrative expenses	361,975	349,676	1,003,359	978,006
Depreciation and amortization	99,054	97,925	272,166	256,732
Loss (gain) on disposal of operating assets	625	(1,696)	588	(4,977)
Corporate expenses	29,988	26,647	80,690	73,538
Acquisition transaction expenses	3,443	2,333	5,673	5,462
Operating income	153,510	150,604	171,820	193,982
Interest expense	25,844	28,346	76,857	80,428
Interest income	(460)	(864)	(2,419)	(2,676)
Equity in losses (earnings) of nonconsolidated affiliates	2,040	(2,155)	(573)	(5,921)
Other expense, net	8,127	12,587	20,655	11,081
Income before income taxes	117,959	112,690	77,300	111,070
Income tax expense (benefit)	13,577	(3,137)	19,232	(482)
Net income	104,382	115,827	58,068	111,552
Net income attributable to noncontrolling interests	15,333	10,664	12,242	15,903
Net income attributable to common stockholders of Live Nation	$89,049	$105,163	$45,826	$95,649
Basic net income per common share available to common stockholders of Live Nation	$0.39	$0.52	$0.14	$0.46
Diluted net income per common share available to common stockholders of Live Nation	$0.38	$0.49	$0.14	$0.45
Weighted average common shares outstanding:				
Basic	201,392,591	199,261,810	200,776,477	198,612,221
Diluted	208,738,780	221,581,583	208,493,651	206,233,574
Net income attributable to common stockholders of Live Nation	$89,049	$105,163	$45,826	$95,649
Accretion of redeemable noncontrolling interests	(10,118)	(1,198)	(17,111)	(3,702)
Net income available to common stockholders of Live Nation—basic	78,931	103,965	28,715	91,947
Convertible debt interest, net of tax	—	4,813	—	—
Net income available to common stockholders of Live Nation—diluted	$78,931	$108,778	$28,715	$91,947

See Notes to Consolidated Financial Statements

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LIVE NATION ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Net income	$ 104,382	$ 115,827	$ 58,068	$ 111,552
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on cash flow hedges	—	6	—	(2)
Realized loss on cash flow hedges	—	15	25	48
Change in funded status of defined benefit pension plan	(107)	—	6	30
Foreign currency translation adjustments	(6,196)	(54,426)	(24,255)	(35,283)
Comprehensive income	98,079	61,422	33,844	76,345
Comprehensive income attributable to noncontrolling interests	15,333	10,664	12,242	15,903
Comprehensive income attributable to common stockholders of Live Nation	$ 82,746	$ 50,758	$ 21,602	$ 60,442

See Notes to Consolidated Financial Statements
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LIVE NATION ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	2015	2014
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 58,068	$ 111,552
Reconciling items:		
Depreciation	97,845	93,140
Amortization	174,321	163,592
Deferred income tax benefit	(7,181)	(21,463)
Amortization of debt issuance costs, discounts and premium, net	7,974	13,375
Non-cash compensation expense	25,594	31,531
Loss (gain) on disposal of operating assets	588	(4,977)
Equity in losses of nonconsolidated affiliates, net of distributions	6,040	1,382
Other, net	(5,340)	(1,001)
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Increase in accounts receivable	(232,106)	(193,705)
Increase in prepaid expenses	(158,344)	(194,229)
Increase in other assets	(56,665)	(36,524)
Increase in accounts payable, accrued expenses and other liabilities	113,160	107,271
Decrease in deferred revenue	(46,530)	(76,473)
Net cash used in operating activities	(22,576)	(6,529)
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances and collections of notes receivable, net	(22,827)	(7,475)
Investments made in nonconsolidated affiliates	(17,130)	(11,324)
Purchases of property, plant and equipment	(97,506)	(98,248)
Cash paid for acquisitions, net of cash acquired	(87,371)	(48,527)
Other, net	(2,290)	(1,421)
Net cash used in investing activities	(227,124)	(166,995)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt, net of debt issuance costs	9,949	515,258
Payments on long-term debt	(22,910)	(245,014)
Contributions from noncontrolling interests	255	81
Distributions to noncontrolling interests	(13,834)	(23,964)
Purchases and sales of noncontrolling interests, net	(9,491)	(3,528)
Proceeds from exercise of stock options	14,685	14,142
Payments for deferred and contingent consideration	(4,450)	(5,722)
Net cash provided by (used in) financing activities	(25,796)	251,253
Effect of exchange rate changes on cash and cash equivalents	(45,150)	(18,613)
Net increase (decrease) in cash and cash equivalents	(320,646)	59,116
Cash and cash equivalents at beginning of period	1,382,029	1,299,184
Cash and cash equivalents at end of period	$ 1,061,383	$ 1,358,300

See Notes to Consolidated Financial Statements

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LIVE NATION ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1—BASIS OF PRESENTATION AND OTHER INFORMATION

Preparation of Interim Financial Statements

The accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X issued by the SEC. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, they include all normal and recurring accruals and adjustments necessary to present fairly the results of the interim periods shown.

The financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2014 Annual Report on Form 10-K filed with the SEC on February 26, 2015, as amended by the Form 10-K/A filed with the SEC on June 30, 2015.

Seasonality

Due to the seasonal nature of shows at outdoor amphitheaters and festivals, which primarily occur from May through October, the Concerts and Sponsorship & Advertising segments experience higher revenue during the second and third quarters. The Artist Nation segment's revenue is impacted, to a large degree, by the touring schedules of artists it represents and generally experiences higher revenue during the second and third quarters as the period from May through October tends to be a popular time for touring events. The Ticketing segment's revenue is impacted by fluctuations in the availability of events for sale to the public, which vary depending upon scheduling by its clients.

The Company's seasonality also results in higher balances in cash and cash equivalents, accounts receivable, prepaid expenses, accrued expenses and deferred revenue at different times in the year. Therefore, the results to date are not necessarily indicative of the results expected for the full year.

Cash and Cash Equivalents

Included in the September 30, 2015 and December 31, 2014 cash and cash equivalents balance is $547.3 million and $533.8 million, respectively, of cash received that includes the face value of tickets sold on behalf of ticketing clients and their share of service charges, which amounts are to be remitted to the clients.

Acquisitions

During the first nine months of 2015, the Company completed several acquisitions that were accounted for as business combinations under the acquisition method of accounting and were not significant either on an individual basis or in the aggregate.

During the first nine months of 2015, the Company recorded gains of $11.3 million as a component of other expense, net in connection with the consolidation of a festival promotion business, a ticketing company and an artist management business that were previously accounted for as equity investments.

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the 2015 presentation. The Company has reclassified $20.0 million of debt issuance costs originally included in other long-term assets in the December 31, 2014 balance sheet and now reflects it as a reduction of the current portion of long-term debt and long-term debt in connection with the retrospective application of new accounting guidance for debt issuance costs as discussed below.

Recent Accounting Pronouncements

Recently Adopted Pronouncements

In April 2014, the FASB issued guidance that raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The Company adopted this guidance on January 1, 2015 and there has been no impact from its adoption.

In April 2015, the FASB issued guidance that simplifies the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a deduction from the carrying amount of that debt liability, consistent with debt discounts. The guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015 and interim periods within that year. The guidance should be applied on a

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retrospective basis to all periods presented in the financial statements. Early adoption is permitted and the Company adopted this guidance on January 1, 2015. See "—Reclassifications" above for discussion of the impact of implementation.

In September 2015, the FASB issued guidance that eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The guidance should be applied prospectively to adjustments to provisional amounts that occur after the effective date. This guidance is effective for annual periods beginning after December 15, 2015 and interim periods within that year. Early adoption is permitted and the Company adopted this guidance effective July 1, 2015. The adoption of this guidance did not have a material effect on the Company's financial position or results of operations.

Recently Issued Pronouncements

In May 2014, the FASB issued a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under GAAP. The new standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle of the guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is effective for annual periods beginning after December 15, 2017 and interim periods within that year. Early adoption of the standard is only permitted for annual periods beginning after December 31, 2016 and interim periods within that year. The guidance should be applied retrospectively, either to each prior period presented in the financial statements, or only to the most current reporting period presented in the financial statements with a cumulative-effect adjustment as of the date of adoption. The Company will adopt this standard on January 1, 2018, and is currently assessing which implementation method it will apply and the impact its adoption will have on its financial position and results of operations.

In February 2015, the FASB issued amendments to the consolidation guidance that make changes to the analysis a reporting entity must perform to determine whether it should consolidate certain types of legal entities. This guidance is effective for annual periods beginning after December 15, 2015 and interim periods within that year, and early adoption is permitted. The guidance should be applied either using a modified retrospective approach or retrospectively. The Company expects to adopt this standard in the fourth quarter of 2015, and does not expect there to be an impact from the adoption on its financial position and results of operations.

In April 2015, the FASB amended its guidance on internal-use software providing guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments to this guidance are effective for annual periods beginning after December 15, 2015 and interim periods within that year, and early adoption is permitted. The guidance should be applied either prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. The Company will adopt this standard on January 1, 2016, and will apply it prospectively. The Company is currently assessing the impact its adoption will have on its financial position and results of operations.

NOTE 2—LONG-LIVED ASSETS

Definite-lived Intangible Assets

The Company has definite-lived intangible assets which are amortized over the shorter of either the lives of the respective agreements or the period of time the assets are expected to contribute to the Company's future cash flows. The amortization is recognized on either a straight-line or expected cash flows basis.

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The following table presents the changes in the gross carrying amount and accumulated amortization of definite-lived intangible assets for the nine months ended September 30, 2015:

	Revenue-generating contracts	Client / vendor relationships	Non-compete agreements	Venue management and leaseholds	Technology	Trademarks and naming rights	Other	Total
	(in thousands)							
Balance as of December 31, 2014:								
Gross carrying amount	$ 635,127	$ 355,992	$ 123,552	$ 83,322	$ 15,330	$ 24,266	$ 3,581	$ 1,241,170
Accumulated amortization	(272,071)	(123,195)	(98,512)	(50,490)	(4,246)	(8,701)	(1,242)	(558,457)
Net	363,056	232,797	25,040	32,832	11,084	15,565	2,339	682,713
Gross carrying amount:								
Acquisitions— current year	100,534	38,313	—	13,195	15,450	48,273	—	215,765
Acquisitions— prior year	(4,566)	2,934	8,900	—	11	—	—	7,279
Foreign exchange	(10,740)	(9,150)	—	(2,005)	(849)	(394)	—	(23,138)
Other [(1)]	(16,473)	(2,655)	—	(16,563)	—	—	—	(35,691)
Net change	68,755	29,442	8,900	(5,373)	14,612	47,879	—	164,215
Accumulated amortization:								
Amortization	(53,226)	(39,696)	(10,582)	(7,832)	(3,196)	(3,577)	(292)	(118,401)
Foreign exchange	4,487	2,488	—	1,066	5	220	—	8,266
Other [(1)]	16,473	2,655	—	16,563	—	12	—	35,703
Net change	(32,266)	(34,553)	(10,582)	9,797	(3,191)	(3,345)	(292)	(74,432)
Balance as of September 30, 2015:								
Gross carrying amount	703,882	385,434	132,452	77,949	29,942	72,145	3,581	1,405,385
Accumulated amortization	(304,337)	(157,748)	(109,094)	(40,693)	(7,437)	(12,046)	(1,534)	(632,889)
Net	$ 399,545	$ 227,686	$ 23,358	$ 37,256	$ 22,505	$ 60,099	$ 2,047	$ 772,496

[(1)] Other includes net downs of fully amortized or impaired assets.

Included in the current year acquisitions amount above of $215.8 million are intangibles primarily associated with the acquisitions of controlling interests in two festival promoters and two artist management businesses and the acquisition of a ticketing business previously accounted for under the equity method, all located in the United States.

The 2015 additions to definite-lived intangible assets from acquisitions have weighted-average lives as follows:

	Weighted-Average Life (years)
Revenue-generating contracts	9
Client/vendor relationships	7
Venue management and leaseholds	7
Technology	5
Trademarks and naming rights	10

All categories	8

Amortization of definite-lived intangible assets for the three months ended September 30, 2015 and 2014 was $42.3

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million and $39.7 million, respectively, and for the nine months ended September 30, 2015 and 2014 was $118.4 million and $107.6 million, respectively. Amortization related to nonrecoupable ticketing contract advances for the three months ended September 30, 2015 and 2014 was $22.4 million and $21.1 million, respectively, and for the nine months ended September 30, 2015 and 2014 was $55.2 million and $50.1 million, respectively.

The following table presents the Company’s estimate of future amortization expense for the remainder of 2015 through 2019 for definite-lived intangible assets that exist at September 30, 2015:

	(in thousands)
October 1 - December 31, 2015	$ 40,968
2016	$ 149,292
2017	$ 131,870
2018	$ 110,812
2019	$ 96,569

As acquisitions and dispositions occur in the future and the valuations of intangible assets for recent acquisitions are completed, amortization may vary. Therefore, the expense to date is not necessarily indicative of the expense expected for the full year.

Goodwill

The following table presents the changes in the carrying amount of goodwill in each of the Company’s reportable segments for the nine months ended September 30, 2015:

	Concerts	Ticketing	Artist Nation	Sponsorship & Advertising	Total
	(in thousands)				
Balance as of December 31, 2014:					
Goodwill	$ 577,891	$ 657,631	$ 345,513	$ 302,865	$ 1,883,900
Accumulated impairment losses	(386,915)	—	(17,948)	—	(404,863)
Net	190,976	657,631	327,565	302,865	1,479,037
Acquisitions—current year	74,384	83,946	15,251	25,631	199,212
Acquisitions—prior year	(25,022)	8,365	(3,551)	(9,776)	(29,984)
Foreign exchange	(5,768)	(6,751)	(679)	(5,557)	(18,755)
Balance as of September 30, 2015:					
Goodwill	621,485	743,191	356,534	313,163	2,034,373
Accumulated impairment losses	(386,915)	—	(17,948)	—	(404,863)
Net	$ 234,570	$ 743,191	$ 338,586	$ 313,163	$ 1,629,510

Included in the current year acquisitions amount above of $199.2 million is goodwill primarily associated with the acquisitions of controlling interests in two festival promoters and the remaining interest in a ticketing business, all located in the United States. One of the festival businesses and the ticketing business were previously accounted for under the equity method.

Included in the prior year acquisitions amount above is a decrease of $30.0 million of goodwill primarily associated with the acquisition of a controlling interest in a festival and concert promoter located in the United States.

The Company is in various stages of finalizing its acquisition accounting for recent acquisitions, which include the use of external valuation consultants, and the completion of this accounting could result in a change to the associated purchase price allocations, including goodwill and its allocation between segments.

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NOTE 3—FAIR VALUE MEASUREMENTS

The following table shows the fair value of the Company's significant financial assets that are required to be measured at fair value on a recurring basis, which are classified on the balance sheets as cash and cash equivalents:

	Fair Value Measurements at September 30, 2015 Level 1	Fair Value Measurements at December 31, 2014 Level 1
	(in thousands)	
Assets:		
Cash equivalents	$ 30,087	$ 111

The Company has cash equivalents which consist of money market funds. Fair values for cash equivalents are based on quoted prices in an active market which are considered to be Level 1 inputs as defined in the FASB guidance.

The Company's outstanding debt held by third-party financial institutions is carried at cost, adjusted for any premium, discounts or debt issuance costs. The Company's debt is not publicly traded and the carrying amounts typically approximate fair value for debt that accrues interest at a variable rate, which are considered to be Level 2 inputs as defined in the FASB guidance. The estimated fair values of the Company's 7% senior notes, 5.375% senior notes and 2.5% convertible senior notes were $439.9 million, $248.5 million and $286.4 million, respectively, at September 30, 2015. The estimated fair values of the 7% senior notes, 5.375% senior notes and 2.5% convertible senior notes were $451.3 million, $250.3 million and $296.3 million, respectively, at December 31, 2014. The estimated fair value of the Company's third-party fixed-rate debt is based on quoted market prices in active markets for the same or similar debt, which are considered to be Level 2 inputs. The Company had fixed-rate debt held by noncontrolling interest partners with a face value of $31.9 million and $30.0 million at September 30, 2015 and December 31, 2014, respectively. The Company is unable to determine the fair value of this debt.

NOTE 4—COMMITMENTS AND CONTINGENT LIABILITIES

Ticketing Fees Consumer Class Action Litigation

In October 2003, a putative representative action was filed in the Superior Court of California challenging Ticketmaster's charges to online customers for shipping fees and alleging that its failure to disclose on its website that the charges contain a profit component is unlawful. The complaint asserted a claim for violation of California's Unfair Competition Law ("UCL") and sought restitution or disgorgement of the difference between (i) the total shipping fees charged by Ticketmaster in connection with online ticket sales during the applicable period, and (ii) the amount that Ticketmaster actually paid to the shipper for delivery of those tickets. In August 2005, the plaintiffs filed a first amended complaint, then pleading the case as a putative class action and adding the claim that Ticketmaster's website disclosures in respect of its ticket order processing fees constitute false advertising in violation of California's False Advertising Law. On this new claim, the amended complaint seeks restitution or disgorgement of the entire amount of order processing fees charged by Ticketmaster during the applicable period. In April 2009, the Court granted the plaintiffs' motion for leave to file a second amended complaint adding new claims that (a) Ticketmaster's order processing fees are unconscionable under the UCL, and (b) Ticketmaster's alleged business practices further violate the California Consumer Legal Remedies Act. Plaintiffs later filed a third amended complaint, to which Ticketmaster filed a demurrer in July 2009. The Court overruled Ticketmaster's demurrer in October 2009.

The plaintiffs filed a class certification motion in August 2009, which Ticketmaster opposed. In February 2010, the Court granted certification of a class on the first and second causes of action, which allege that Ticketmaster misrepresents/omits the fact of a profit component in Ticketmaster's shipping and order processing fees. The class would consist of California consumers who purchased tickets through Ticketmaster's website from 1999 to present. The Court denied certification of a class on the third and fourth causes of action, which allege that Ticketmaster's shipping and order processing fees are unconscionably high. In March 2010, Ticketmaster filed a Petition for Writ of Mandate with the California Court of Appeal, and plaintiffs also filed a Motion for Reconsideration of the Superior Court's class certification order. In April 2010, the Superior Court denied plaintiffs' Motion for Reconsideration of the Court's class certification order, and the Court of Appeal denied Ticketmaster's Petition for Writ of Mandate. In June

2010, the Court of Appeal granted the plaintiffs' Petition for Writ of Mandate and ordered the Superior Court to vacate its February 2010 order denying plaintiffs' motion to certify a national class and enter a new order granting plaintiffs' motion to certify a nationwide class on the first and second claims. In September 2010, Ticketmaster filed its Motion for Summary Judgment on all causes of action in the Superior Court, and that same month plaintiffs filed their Motion for Summary Adjudication of various affirmative defenses asserted by Ticketmaster. In November 2010, Ticketmaster filed its Motion to Decertify Class.

In December 2010, the parties entered into a binding agreement providing for the settlement of the litigation and the resolution of all claims therein. In September 2011, the Court declined to approve the settlement in its then-current form. Litigation continued, and later that same month, the Court granted in part and denied in part Ticketmaster's Motion for

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Summary Judgment. The parties reached a new settlement in September 2011, which was preliminarily approved, but in September 2012 the Court declined to grant final approval. In June 2013, the parties reached a revised settlement, which was preliminarily approved by the Court in April 2014. In February 2015, the Court granted the parties' motion for final approval of the settlement. Several objectors to the settlement appealed the Court's final approval ruling. Those appeals have been consolidated and will be briefed in 2016. Ticketmaster and its parent, Live Nation, have not acknowledged any violations of law or liability in connection with the matter.

As of September 30, 2015, the Company had accrued $34.9 million, its best estimate of the probable costs associated with the settlement referred to above. The calculation of this liability is based in part upon an estimated redemption rate. Any difference between the Company's estimated redemption rate and the actual redemption rate it experiences will impact the final settlement amount; however, the Company does not expect this difference to be material.

Other Litigation

From time to time, the Company is involved in other legal proceedings arising in the ordinary course of its business, including proceedings and claims based upon purported violations of antitrust laws, intellectual property rights and tortious interference, which could cause the Company to incur significant expenses. The Company has also been the subject of personal injury and wrongful death claims relating to accidents at its venues in connection with its operations. As required, the Company has accrued its estimate of the probable settlement or other losses for the resolution of any outstanding claims. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, including, in some cases, estimated redemption rates for the settlement offered, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in the Company's assumptions or the effectiveness of its strategies related to these proceedings.

NOTE 5—INCOME TAXES

The Company calculates interim effective tax rates in accordance with the FASB guidance for income taxes and applies the estimated annual effective tax rate to year-to-date pretax income (or loss) at the end of each interim period to compute a year-to-date tax expense (or benefit). This guidance requires departure from effective tax rate computations when losses incurred within tax jurisdictions cannot be carried back and future profits associated with operations in those tax jurisdictions cannot be assured beyond any reasonable doubt. Accordingly, the Company has calculated and applied an expected annual effective tax rate of approximately 33% for 2015, excluding significant, unusual or extraordinary items, for ordinary income associated with operations for which the Company currently expects to have annual taxable income, which are principally outside of the United States. The Company has not recorded tax benefits associated with losses from operations for which future taxable income cannot be reasonably assured.

As almost all earnings from the Company's continuing foreign operations are permanently reinvested and not distributed, the Company's income tax provision does not include additional United States taxes on those foreign operations. The Company currently believes that the majority of its undistributed foreign earnings that are not currently subject to United States federal income tax will be indefinitely reinvested in its foreign operations.

The tax years 2005 through 2014 remain open to examination by the major tax jurisdictions to which the Company is subject.

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NOTE 6—EQUITY

The following table shows the reconciliation of the carrying amount of stockholders' equity attributable to Live Nation, equity attributable to noncontrolling interests, total equity and also redeemable noncontrolling interests for the nine months ended September 30, 2015:

	Live Nation Stockholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
	(in thousands)			(in thousands)
Balance at December 31, 2014	$ 1,296,954	$ 186,893	$ 1,483,847	$ 168,855
Non-cash compensation expense	25,594	—	25,594	—
Common stock issued under stock plans, net of shares withheld for employee taxes	(7,652)	—	(7,652)	—
Exercise of stock options	14,685	—	14,685	—
Acquisitions	—	31,311	31,311	65,774
Purchases of noncontrolling interests	(4,818)	(2,981)	(7,799)	—
Sales of noncontrolling interests	2,184	—	2,184	147
Redeemable noncontrolling interests fair value adjustments	(17,111)	—	(17,111)	17,111
Cash distributions	—	(12,199)	(12,199)	(1,635)
Other	—	(2,113)	(2,113)	54
Comprehensive loss:				
Net income (loss)	45,826	15,444	61,270	(3,202)
Realized loss on cash flow hedges	25	—	25	—
Change in funded status of defined benefit pension plan	6	—	6	—
Foreign currency translation adjustments	(24,255)	—	(24,255)	—
Balance at September 30, 2015	$ 1,331,438	$ 216,355	$ 1,547,793	$ 247,104

Accumulated Other Comprehensive Loss

The following table presents changes in the components of AOCI, net of taxes, for the nine months ended September 30, 2015:

	Gains and Losses On Cash Flow Hedges	Defined Benefit Pension Items	Foreign Currency Items	Total
	(in thousands)			
Balance at December 31, 2014	$ (25)	$ (581)	$ (69,404)	$ (70,010)
Other comprehensive income (loss) before reclassifications	—	6	(24,255)	(24,249)
Amount reclassified from AOCI	25	—	—	25
Net other comprehensive income (loss)	25	6	(24,255)	(24,224)
Balance at September 30, 2015	$ —	$ (575)	$ (93,659)	$ (94,234)

The realized loss on cash flow hedges reclassified from AOCI consists of one interest rate swap agreement that expired on June 30, 2015.

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Earnings Per Share

The following table sets forth the computation of weighted average common shares outstanding:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Weighted average common shares—basic	201,392,591	199,261,810	200,776,477	198,612,221
Effect of dilutive securities:				
Stock options and restricted stock	7,346,189	7,340,484	7,717,174	7,621,353
Convertible senior notes	—	14,979,289	—	—
Weighted average common shares—diluted	208,738,780	221,581,583	208,493,651	206,233,574

Basic net income (loss) per common share is computed by dividing the net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. The calculation of diluted net income (loss) per common share includes the effects of the assumed exercise of any outstanding stock options, the assumed vesting of shares of restricted stock awards and the assumed conversion of the convertible senior notes, where dilutive. The following table shows securities excluded from the calculation of diluted net income (loss) per common share because such securities are anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Options to purchase shares of common stock	3,177	5,116	3,153	5,243
Restricted stock awards—unvested	165	313	165	344
Conversion shares related to the convertible senior notes	7,930	—	7,930	7,930
Number of anti-dilutive potentially issuable shares excluded from diluted common shares outstanding	11,272	5,429	11,248	13,517

NOTE 7—STOCK-BASED COMPENSATION

The following is a summary of stock-based compensation expense recorded by the Company:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Selling, general and administrative expenses	$3,884	$4,818	$12,654	$17,993
Corporate expenses	4,148	4,145	12,940	13,538
Total	$8,032	$8,963	$25,594	$31,531

In the second quarter of 2014, the Company granted an award of equity in a subsidiary to an employee that vested at issuance.

As of September 30, 2015, there was $53.2 million of total unrecognized compensation cost related to stock-based compensation arrangements for stock options, restricted stock awards and other equity awards. This cost is expected to be recognized over a weighted-average period of 2.3 years.

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NOTE 8—SEGMENT DATA

The Company’s reportable segments are Concerts, Ticketing, Artist Nation and Sponsorship & Advertising. The Concerts segment involves the promotion of live music events globally in the Company’s owned or operated venues and in rented third-party venues, the production of music festivals, the operation and management of music venues and the creation of associated content. The Ticketing segment involves the management of the Company’s global ticketing operations, including providing ticketing software and services to clients, ticket resale services and online access for customers relating to ticket and event information, and is responsible for the Company’s primary websites, www.livenation.com and www.ticketmaster.com. The Artist Nation segment provides management services to artists and other services including merchandise sales. The Sponsorship & Advertising segment manages the development of strategic sponsorship programs in addition to the sale of international, national and local sponsorships and placement of advertising including signage, promotional programs, rich media offerings, including advertising associated with live streaming and music-related original content, and banner ads across the Company’s distribution network of venues, events and websites.

Revenue and expenses earned and charged between segments are eliminated in consolidation. Corporate expenses and all line items below operating income (loss) are managed on a total company basis. The Company’s capital expenditures include accruals and expenditures funded by outside parties such as landlords or replacements funded by insurance companies.

The Company manages its working capital on a consolidated basis. Accordingly, segment assets are not reported to, or used by, the Company’s management to allocate resources to or assess performance of the segments, and therefore, total segment assets have not been presented.

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The following table presents the results of operations for the Company's reportable segments for the three and nine months ended September 30, 2015 and 2014:

	Concerts	Ticketing	Artist Nation	Sponsorship & Advertising	Other	Corporate	Eliminations	Consolidated
				(in thousands)				
Three Months Ended September 30, 2015								
Revenue	$ 1,991,909	$ 426,177	$ 136,675	$ 126,576	$ 793	$ —	$ (59,213)	$ 2,622,917
Direct operating expenses	1,722,880	210,022	83,171	16,978	—	—	(58,729)	1,974,322
Selling, general and administrative expenses	185,729	119,842	41,814	14,190				