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

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**Form 10-Q**

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

For the quarterly period ended June 30, 2017

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

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

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**Delaware**  
(State of Incorporation)

**20-3247759**  
(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)

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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.  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  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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

On August 2, 2017, there were 206,137,114 outstanding shares of the registrant's common stock, \$0.01 par value per share, including 1,114,977 shares of unvested restricted stock awards and excluding 408,024 shares held in treasury.

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**LIVE NATION ENTERTAINMENT, INC.  
INDEX TO FORM 10-Q**

	<u>Page</u>	
<b>PART I—FINANCIAL INFORMATION</b>		
<a href="#">Item 1.</a>	<a href="#">Financial Statements</a>	<a href="#">2</a>
	<a href="#">Consolidated Balance Sheets (Unaudited) as of June 30, 2017 and December 31, 2016</a>	<a href="#">2</a>
	<a href="#">Consolidated Statements of Operations (Unaudited) for the three and six months ended June 30, 2017 and 2016</a>	<a href="#">3</a>
	<a href="#">Consolidated Statements of Comprehensive Income (Loss) (Unaudited) for the three and six months ended June 30, 2017 and 2016</a>	<a href="#">4</a>
	<a href="#">Consolidated Statements of Cash Flows (Unaudited) for the six months ended June 30, 2017 and 2016</a>	<a href="#">5</a>
	<a href="#">Notes to Consolidated Financial Statements (Unaudited)</a>	<a href="#">6</a>
<a href="#">Item 2.</a>	<a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">15</a>
<a href="#">Item 3.</a>	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	<a href="#">31</a>
<a href="#">Item 4.</a>	<a href="#">Controls and Procedures</a>	<a href="#">31</a>
<b>PART II—OTHER INFORMATION</b>		
<a href="#">Item 1.</a>	<a href="#">Legal Proceedings</a>	<a href="#">32</a>
<a href="#">Item 1A.</a>	<a href="#">Risk Factors</a>	<a href="#">32</a>
<a href="#">Item 2.</a>	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	<a href="#">32</a>
<a href="#">Item 3.</a>	<a href="#">Defaults Upon Senior Securities</a>	<a href="#">32</a>
<a href="#">Item 5.</a>	<a href="#">Other Information</a>	<a href="#">32</a>
<a href="#">Item 6.</a>	<a href="#">Exhibits</a>	<a href="#">32</a>

**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	The ticketing business of the Company

**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**LIVE NATION ENTERTAINMENT, INC.  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)**

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
	<i>(in thousands)</i>	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,216,812	\$ 1,526,591
Accounts receivable, less allowance of \$32,871 and \$29,634, respectively	865,107	568,936
Prepaid expenses	850,340	528,250
Other current assets	52,019	49,774
<b>Total current assets</b>	<b>3,984,278</b>	<b>2,673,551</b>
Property, plant and equipment		
Land, buildings and improvements	887,145	838,545
Computer equipment and capitalized software	566,650	524,571
Furniture and other equipment	281,417	256,765
Construction in progress	138,231	125,430
	<u>1,873,443</u>	<u>1,745,311</u>
Less accumulated depreciation	1,056,070	993,775
	<u>817,373</u>	<u>751,536</u>
Intangible assets		
Definite-lived intangible assets, net	798,097	812,031
Indefinite-lived intangible assets	368,913	368,766
Goodwill	1,754,974	1,747,088
Other long-term assets	527,791	411,294
<b>Total assets</b>	<b>\$ 8,251,426</b>	<b>\$ 6,764,266</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable, client accounts	\$ 858,089	\$ 726,475
Accounts payable	123,940	55,030
Accrued expenses	1,000,778	781,494
Deferred revenue	1,737,491	804,973
Current portion of long-term debt, net	66,430	53,317
Other current liabilities	49,929	39,055
<b>Total current liabilities</b>	<b>3,836,657</b>	<b>2,460,344</b>
Long-term debt, net	2,249,157	2,259,736
Deferred income taxes	205,770	197,811
Other long-term liabilities	155,788	149,791
Commitments and contingent liabilities		
Redeemable noncontrolling interests	346,831	347,068
Stockholders' equity		
Common stock	2,054	2,034
Additional paid-in capital	2,392,556	2,381,011
Accumulated deficit	(1,024,972)	(1,073,457)
Cost of shares held in treasury	(6,865)	(6,865)
Accumulated other comprehensive loss	(136,134)	(176,707)
<b>Total Live Nation stockholders' equity</b>	<b>1,226,639</b>	<b>1,126,016</b>
Noncontrolling interests	230,584	223,500
<b>Total equity</b>	<b>1,457,223</b>	<b>1,349,516</b>
<b>Total liabilities and equity</b>	<b>\$ 8,251,426</b>	<b>\$ 6,764,266</b>

See Notes to Consolidated Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	<i>(in thousands except share and per share data)</i>			
Revenue	\$ 2,818,693	\$ 2,179,258	\$ 4,231,874	\$ 3,386,974
Operating expenses:				
Direct operating expenses	2,142,874	1,605,688	3,068,374	2,389,891
Selling, general and administrative expenses	434,385	374,826	817,693	712,040
Depreciation and amortization	95,870	95,424	196,465	190,379
Loss (gain) on disposal of operating assets	115	(279)	(544)	(254)
Corporate expenses	32,016	29,440	57,819	54,049
Operating income	113,433	74,159	92,067	40,869
Interest expense	27,927	25,284	53,937	50,716
Interest income	(1,031)	(650)	(1,976)	(1,206)
Equity in losses (earnings) of nonconsolidated affiliates	(536)	305	(2,876)	(287)
Other expense (income), net	(3,466)	7,353	(6,308)	(1,194)
Income (loss) before income taxes	90,539	41,867	49,290	(7,160)
Income tax expense	9,984	5,406	16,505	12,333
Net income (loss)	80,555	36,461	32,785	(19,493)
Net loss attributable to noncontrolling interests	(923)	(1,280)	(15,700)	(12,716)
Net income (loss) attributable to common stockholders of Live Nation	\$ 81,478	\$ 37,741	\$ 48,485	\$ (6,777)
Basic net income (loss) per common share available to common stockholders of Live Nation	\$ 0.31	\$ 0.13	\$ 0.08	\$ (0.16)
Diluted net income (loss) per common share available to common stockholders of Live Nation	\$ 0.29	\$ 0.13	\$ 0.08	\$ (0.16)
Weighted average common shares outstanding:				
Basic	204,688,374	201,896,009	204,212,281	201,796,075
Diluted	213,879,152	208,601,733	213,119,962	201,796,075
<b>Reconciliation to net income (loss) available to common stockholders of Live Nation:</b>				
Net income (loss) attributable to common stockholders of Live Nation	\$ 81,478	\$ 37,741	\$ 48,485	\$ (6,777)
Accretion of redeemable noncontrolling interests	(18,837)	(11,292)	(31,414)	(24,628)
Basic and diluted net income (loss) available to common stockholders of Live Nation	\$ 62,641	\$ 26,449	\$ 17,071	\$ (31,405)

See Notes to Consolidated Financial Statements

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<i>(in thousands)</i>			
Net income (loss)	\$ 80,555	\$ 36,461	\$ 32,785	\$ (19,493)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	29,097	(23,499)	40,493	(24,747)
Other	—	—	80	—
Comprehensive income (loss)	109,652	12,962	73,358	(44,240)
Comprehensive loss attributable to noncontrolling interests	(923)	(1,280)	(15,700)	(12,716)
Comprehensive income (loss) attributable to common stockholders of Live Nation	<u>\$ 110,575</u>	<u>\$ 14,242</u>	<u>\$ 89,058</u>	<u>\$ (31,524)</u>

See Notes to Consolidated Financial Statements

**LIVE NATION ENTERTAINMENT, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	Six Months Ended June 30,	
	2017	2016
	<i>(in thousands)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 32,785	\$ (19,493)
Reconciling items:		
Depreciation	71,713	67,482
Amortization	124,752	122,897
Deferred income tax benefit	(7,943)	(2,708)
Amortization of debt issuance costs, discounts and premium, net	6,332	5,199
Non-cash compensation expense	16,101	17,144
Other, net	10,889	1,845
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Increase in accounts receivable	(282,075)	(171,670)
Increase in prepaid expenses and other assets	(407,601)	(407,450)
Increase in accounts payable, accrued expenses and other liabilities	377,770	186,888
Increase in deferred revenue	860,916	710,841
Net cash provided by operating activities	<u>803,639</u>	<u>510,975</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments made in nonconsolidated affiliates	(18,209)	(13,508)
Purchases of property, plant and equipment	(128,607)	(78,880)
Cash paid for acquisitions, net of cash acquired	(16,619)	(122,318)
Other, net	(8,505)	(4,704)
Net cash used in investing activities	<u>(171,940)</u>	<u>(219,410)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt, net of debt issuance costs	55,549	4,821
Payments on long-term debt	(74,207)	(18,640)
Distributions to noncontrolling interests	(18,523)	(22,211)
Purchases and sales of noncontrolling interests, net	(8,106)	(16,559)
Proceeds from exercise of stock options	32,629	743
Payments for deferred and contingent consideration	(14,149)	(3,732)
Other, net	2,642	(13,516)
Net cash used in financing activities	<u>(24,165)</u>	<u>(69,094)</u>
Effect of exchange rate changes on cash and cash equivalents	82,687	(13,497)
Net increase in cash and cash equivalents	690,221	208,974
Cash and cash equivalents at beginning of period	1,526,591	1,303,125
Cash and cash equivalents at end of period	<u>\$ 2,216,812</u>	<u>\$ 1,512,099</u>

**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 2016 Annual Report on Form 10-K filed with the SEC on February 23, 2017, as amended by the Form 10-K/A filed with the SEC on June 23, 2017.

***Seasonality***

Due to the seasonal nature of shows at outdoor amphitheatres 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 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 June 30, 2017 and December 31, 2016 cash and cash equivalents balance is \$704.3 million and \$591.0 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 six months of 2017, the Company completed several acquisitions that were accounted for as business combinations under the acquisition method of accounting. These acquisitions were not significant either on an individual basis or in the aggregate.

***Income Taxes***

Each reporting period, the Company evaluates the realizability of all of its deferred tax assets in each tax jurisdiction. As of June 30, 2017, the Company continued to maintain a full valuation allowance against its net deferred tax assets in certain jurisdictions due to sustained pre-tax losses. As a result of the valuation allowances, no tax benefits have been recognized for losses incurred in those tax jurisdictions for the first six months of 2017 and 2016.

***Accounting Pronouncements - Recently Adopted***

In March 2016, the FASB issued guidance clarifying that the assessment of whether an embedded contingent put or call option is clearly and closely related to the debt instrument only requires an analysis pursuant to the four-step decision sequence outlined in the guidance for embedded derivatives. The guidance should be applied to existing debt instruments using a modified retrospective method as of the beginning of the period of adoption. The Company adopted this guidance on January 1, 2017, and the adoption did not have an impact on its financial position or results of operations.

In October 2016, the FASB issued guidance that requires a single decision maker evaluating whether it is the primary beneficiary of a variable interest entity to consider its indirect interests held by related parties that are under common control on a proportionate basis as opposed to considering those interests in their entirety as required by current guidance. The guidance should be applied retrospectively. The Company adopted this guidance on January 1, 2017, and the adoption did not have an impact on its financial position or results of operations.

In December 2016, the FASB issued guidance making technical corrections and improvements, which includes an update clarifying how to account for arrangements that include a license to use internal-use software acquired from third parties. This is a change from current guidance, which did not specify how to account for these types of arrangements. The guidance for this specific technical correction should be applied prospectively. The Company adopted this guidance on January 1, 2017, and the adoption did not have a material effect on its financial position or results of operations.

### ***Accounting Pronouncements - Not Yet Adopted***

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 to receive in exchange for those goods or services. The FASB continues to issue important guidance clarifying certain guidelines of the standard including (1) reframing the indicators in the principal versus agent guidance to focus on evidence that a company is acting as a principal rather than agent and (2) identifying performance obligations and licensing. 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 15, 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.

To assess the impact of the standard, the Company has dedicated certain of its personnel to lead the implementation effort and has supplemented them with additional external resources. These personnel reviewed the amended guidance and subsequent clarifications and attended multiple training sessions in order to understand the potential impact the new standard could have on the Company's revenue streams. Surveys were sent to and completed by divisional finance managers in order to obtain a more detailed understanding of the contracts within each division and follow-up meetings with these divisions were then conducted. Based on the results of these surveys and meetings, the Company judgmentally selected a sample of contracts based on size and complexity and ensuring all major revenue streams were represented. The Company has completed its preliminary review of all the selected contracts and is in the process of compiling and summarizing the results for additional review and analysis.

Based on the procedures performed to date, the Company believes it has identified all material contract types and costs that may be impacted by the new guidance and it is nearing the completion of its assessment. The Concerts segment, representing approximately 70% of the Company's 2016 consolidated revenue, is not expected to experience a change in its revenue recognition as the Company believes this revenue should continue to be deferred until the event date under the new standard. For the Ticketing segment, representing approximately 22% of 2016 consolidated revenue, the Company is continuing to evaluate whether the revised considerations for determining a principal versus an agent could change the way that the Company presents payments to third parties from an expense to a reduction of revenue. The timing of revenue recognition is not expected to change for the Ticketing business. The remaining revenue streams are not expected to be materially impacted by the new guidance.

The Company will finalize its conclusions in 2017 and ensure that it can produce the data necessary for the required disclosures along with assessing changes to internal controls and processes that may be required to comply with the new revenue recognition and disclosure requirements. The Company will adopt this standard on January 1, 2018, and is currently assessing which adoption method it will apply.

In January 2016, the FASB issued amendments for the recognition, measurement, presentation and disclosure of financial instruments. Among other things, the guidance requires equity investments that do not result in consolidation and are not accounted for under the equity method to be measured at fair value with any change in fair value recognized in net income unless the investments do not have readily determinable fair values. The amendments are effective for annual periods beginning after December 15, 2017 and interim periods within that year. Early adoption is not permitted for most of the amendments. The amendments are to be applied through a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption with the exception of equity investments without readily determinable fair values, which will be applied prospectively. The Company will adopt this guidance on January 1, 2018, and is currently evaluating the impact that this guidance will have on its financial position and results of operations.

In February 2016, the FASB issued guidance that requires lessees to recognize most leases on their balance sheet as a lease liability and a right-of-use asset, and to disclose key information about leasing arrangements. The guidance is effective for annual periods beginning after December 15, 2018 and interim periods within that year, and early adoption is permitted. The guidance should be applied on a modified retrospective basis. The Company expects to adopt this guidance on January 1, 2019, and is currently evaluating the impact that this guidance will have on its financial position and results of operations.

In October 2016, the FASB issued guidance that requires companies to recognize the income tax effects of intercompany sales and transfers of assets, other than inventory, in the period in which the transfer occurs. That is a change from current guidance which requires companies to defer the income tax effects of intercompany transfers of assets until the asset has been sold to an outside party or otherwise recognized. The guidance is effective for annual periods beginning after December 15, 2017 and interim periods within that year, and early adoption is permitted. The guidance should be applied on a modified

retrospective basis. The Company expects to adopt this guidance on January 1, 2018, and is currently evaluating the impact that this guidance will have on its financial position and results of operations.

In January 2017, the FASB issued guidance that changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. The guidance requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; if so, the set of transferred assets and activities is not a business. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs. The guidance is effective for annual periods beginning after December 15, 2017 and interim periods within that year, and early adoption is permitted. The guidance should be applied prospectively to any transactions occurring within the period of adoption. The Company expects to adopt this guidance on January 1, 2018, and will apply it prospectively to acquisitions occurring on or after January 1, 2018.

In January 2017, the FASB issued guidance that eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. The guidance is effective for annual periods beginning after December 15, 2019 and interim periods within that year, and early adoption is permitted. The guidance should be applied prospectively to goodwill impairment tests performed within the period of adoption. The Company is considering early adoption and will apply it prospectively to impairment tests beginning in the year of adoption, but in any event no later than January 1, 2020.

## **NOTE 2—LONG-LIVED ASSETS**

### ***Definite-lived Intangible Assets***

The following table presents the changes in the gross carrying amount and accumulated amortization of definite-lived intangible assets for the six months ended June 30, 2017:

	Revenue-generating contracts	Client / vendor relationships	Trademarks and naming rights	Non-compete agreements	Technology	Venue management and leaseholds	Other	Total
<i>(in thousands)</i>								
<b>Balance as of December 31, 2016:</b>								
Gross carrying amount	\$ 760,398	\$ 402,009	\$ 94,338	\$ 65,992	\$ 53,078	\$ 54,001	\$ 4,014	\$1,433,830
Accumulated amortization	(316,800)	(213,785)	(23,724)	(22,099)	(13,637)	(29,664)	(2,090)	(621,799)
Net	443,598	188,224	70,614	43,893	39,441	24,337	1,924	812,031
Gross carrying amount:								
Acquisitions—current year	—	21,186	—	—	9,060	—	—	30,246
Acquisitions—prior year	(6,724)	—	35,464	—	1,120	—	—	29,860
Foreign exchange	14,747	6,639	892	1,394	1,309	1,686	10	26,677
Other <sup>(1)</sup>	—	—	2	5	(145)	—	(253)	(391)
Net change	8,023	27,825	36,358	1,399	11,344	1,686	(243)	86,392
Accumulated amortization:								
Amortization	(38,627)	(29,800)	(6,699)	(6,708)	(5,530)	(2,301)	(320)	(89,985)
Foreign exchange	(5,843)	(2,785)	(328)	(586)	(391)	(817)	(2)	(10,752)
Other <sup>(1)</sup>	19	(19)	—	8	151	—	252	411
Net change	(44,451)	(32,604)	(7,027)	(7,286)	(5,770)	(3,118)	(70)	(100,326)
<b>Balance as of June 30, 2017:</b>								
Gross carrying amount	768,421	429,834	130,696	67,391	64,422	55,687	3,771	1,520,222
Accumulated amortization	(361,251)	(246,389)	(30,751)	(29,385)	(19,407)	(32,782)	(2,160)	(722,125)
Net	<u>\$ 407,170</u>	<u>\$ 183,445</u>	<u>\$ 99,945</u>	<u>\$ 38,006</u>	<u>\$ 45,015</u>	<u>\$ 22,905</u>	<u>\$ 1,611</u>	<u>\$ 798,097</u>

<sup>(1)</sup> Other includes netdowns of fully amortized assets.

Included in the current year acquisitions amounts above are definite-lived intangible assets primarily associated with the acquisitions of an artist management business located in the United States, a concert promotion business located in Italy and various ticketing businesses located in the United States and the Czech Republic.

Included in the prior year acquisitions amounts above are changes primarily associated with the acquisitions of festival promotion businesses located in the United States and Australia.

The 2017 additions to definite-lived intangible assets from acquisitions have weighted-average lives as follows:

	Weighted-Average Life (years)
Client/vendor relationships	6
Technology	4
All categories	5

Amortization of definite-lived intangible assets for the three months ended June 30, 2017 and 2016 was \$45.4 million for each respective period, and for the six months ended June 30, 2017 and 2016 was \$90.0 million and \$85.2 million, respectively. Amortization related to nonrecoupable ticketing contract advances for the three months ended June 30, 2017 and 2016 was

\$14.7 million and \$15.0 million, respectively, and for the six months ended June 30, 2017 and 2016 was \$34.8 million and \$36.5 million, respectively.

As acquisitions and dispositions occur in the future and the valuations of intangible assets for recent acquisitions are completed, amortization may vary.

**Goodwill**

In 2016, the Company’s reportable segments were Concerts, Sponsorship & Advertising, Ticketing and Artist Nation. Beginning in 2017, the Company no longer presents Artist Nation as a reportable segment. The Company now includes the business previously reported in the Artist Nation segment in the Concerts segment. See further discussion of the segment change in Note 5—Segment Data. The Company’s reporting units reviewed for goodwill impairment remain unchanged.

The following table presents the changes in the carrying amount of goodwill in each of the Company’s reportable segments for the six months ended June 30, 2017:

	<u>Concerts</u>	<u>Sponsorship &amp; Advertising</u>	<u>Ticketing</u>	<u>Total</u>
	<i>(in thousands)</i>			
<b>Balance as of December 31, 2016:</b>				
Goodwill	\$ 1,017,020	\$ 395,826	\$ 739,105	\$ 2,151,951
Accumulated impairment losses	(404,863)	—	—	(404,863)
Net	<u>612,157</u>	<u>395,826</u>	<u>739,105</u>	<u>1,747,088</u>
Acquisitions—current year	7,470	—	11,215	18,685
Acquisitions—prior year	(21,465)	(9,821)	883	(30,403)
Foreign exchange	7,293	5,854	6,457	19,604
<b>Balance as of June 30, 2017:</b>				
Goodwill	1,010,318	391,859	757,660	2,159,837
Accumulated impairment losses	(404,863)	—	—	(404,863)
Net	<u>\$ 605,455</u>	<u>\$ 391,859</u>	<u>\$ 757,660</u>	<u>\$ 1,754,974</u>

Included in the current year acquisitions amounts above is goodwill associated with the acquisitions of various ticketing businesses located in the United States, an artist management business located in the United States and a concert promotion business located in Italy.

Included in the prior year acquisitions amounts above are changes primarily associated with the acquisitions of festival promotion businesses located in the United States and Australia.

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.

**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:

	<u>Fair Value Measurements at</u>	
	<u>June 30, 2017</u>	<u>December 31, 2016</u>
	<u>Level 1</u>	
	<i>(in thousands)</i>	
<b>Assets:</b>		
Cash equivalents	\$ 218,675	\$ 55,081

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 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 5.375% senior notes, 4.875% senior notes and 2.5% convertible senior notes were \$259.8 million, \$583.8 million and \$314.9 million, respectively, at June 30, 2017. The estimated fair values of the 5.375% senior notes, 4.875% senior notes and 2.5% convertible senior notes were \$259.7 million, \$578.5 million and \$294.6 million, respectively, at December 31, 2016. 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 \$38.7 million and \$35.7 million at June 30, 2017 and December 31, 2016, respectively. The Company is unable to determine the fair value of this debt.

#### NOTE 4—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 six months ended June 30, 2017:

	Live Nation Stockholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
	<i>(in thousands)</i>			<i>(in thousands)</i>
<b>Balance at December 31, 2016</b>	\$ 1,126,016	\$ 223,500	\$ 1,349,516	\$ 347,068
Non-cash compensation expense	16,101	—	16,101	—
Common stock issued under stock plans, net of shares withheld for employee taxes	(5,330)	—	(5,330)	—
Exercise of stock options	32,629	—	32,629	—
Acquisitions	—	5,461	5,461	(1,986)
Purchases of noncontrolling interests	(267)	(160)	(427)	(1,329)
Redeemable noncontrolling interests fair value adjustments	(31,414)	—	(31,414)	31,414
Contributions received	—	7,971	7,971	—
Cash distributions	—	(3,948)	(3,948)	(14,145)
Other	(154)	725	571	(1,456)
Comprehensive income (loss):				
Net income (loss)	48,485	(2,965)	45,520	(12,735)
Foreign currency translation adjustments	40,493	—	40,493	—
Other	80	—	80	—
<b>Balance at June 30, 2017</b>	<u>\$ 1,226,639</u>	<u>\$ 230,584</u>	<u>\$ 1,457,223</u>	<u>\$ 346,831</u>

#### *Accumulated Other Comprehensive Loss*

The following table presents changes in the components of AOCI, net of taxes, for the six months ended June 30, 2017:

	Foreign Currency Items	Other	Total
	<i>(in thousands)</i>		
<b>Balance at December 31, 2016</b>	\$ (176,246)	\$ (461)	\$ (176,707)
Other comprehensive income before reclassifications	40,493	80	40,573
Net other comprehensive income	40,493	80	40,573
<b>Balance at June 30, 2017</b>	<u>\$ (135,753)</u>	<u>\$ (381)</u>	<u>\$ (136,134)</u>

#### *Earnings Per Share*

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 sets forth the computation of weighted average common shares outstanding:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Weighted average common shares—basic	204,688,374	201,896,009	204,212,281	201,796,075
Effect of dilutive securities:				
Stock options and restricted stock	9,190,778	6,705,724	8,907,681	—
Weighted average common shares—diluted	213,879,152	208,601,733	213,119,962	201,796,075

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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	<i>(in thousands)</i>			
Options to purchase shares of common stock	833	5,384	880	17,313
Restricted stock awards—unvested	265	523	265	1,115
Conversion shares related to the convertible senior notes	7,930	7,930	7,930	7,930
Number of anti-dilutive potentially issuable shares excluded from diluted common shares outstanding	9,028	13,837	9,075	26,358

**NOTE 5—SEGMENT DATA**

The Company’s reportable segments are Concerts, Sponsorship & Advertising and Ticketing. Prior to 2017, the Company reported an Artist Nation segment, which is now included in its Concerts segment based on the Company’s belief that the strategy behind artist management is to provide a full range of services related to concert promotion and to expand the Concerts line of business. In connection with this, there has been a change in the way the chief operating decision maker, as defined in the FASB guidance, makes decisions around allocations of resources and management responsibilities for this business.

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, the creation of associated content and the provision of management and other services to artists. The Sponsorship & Advertising segment manages the development of strategic sponsorship programs in addition to the sale of international, national and local sponsorships and the placement of advertising such as signage, promotional programs, rich media offerings, including advertising associated with live streaming and music-related original content, and ads across the Company’s distribution network of venues, events and websites. 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 ticketing website, [www.ticketmaster.com](http://www.ticketmaster.com).

Revenue and expenses earned and charged between segments are eliminated in consolidation. The Company’s capital expenditures below include accruals for amounts incurred but not yet paid for, but are not reduced by reimbursements received from outside parties such as landlords or replacements funded by insurance proceeds.

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.

The following table presents the results of operations for the Company's reportable segments for the three and six months ended June 30, 2017 and 2016:

	Concerts	Sponsorship & Advertising	Ticketing	Other	Corporate	Eliminations	Consolidated
	<i>(in thousands)</i>						
<b>Three Months Ended June 30, 2017</b>							
Revenue	\$ 2,249,851	\$ 124,563	\$ 484,579	\$ 867	\$ —	\$ (41,167)	\$ 2,818,693
Direct operating expenses	1,895,588	25,571	260,925	1,003	—	(40,213)	2,142,874
Selling, general and administrative expenses	270,488	22,211	136,677	5,009	—	—	434,385
Depreciation and amortization	46,131	6,401	43,224	103	965	(954)	95,870
Loss on disposal of operating assets	95	—	7	—	13	—	115
Corporate expenses	—	—	—	—	32,016	—	32,016
Operating income (loss)	<u>\$ 37,549</u>	<u>\$ 70,380</u>	<u>\$ 43,746</u>	<u>\$ (5,248)</u>	<u>\$ (32,994)</u>	<u>\$ —</u>	<u>\$ 113,433</u>
Intersegment revenue	\$ 38,002	\$ —	\$ 3,165	\$ —	\$ —	\$ (41,167)	\$ —
<b>Three Months Ended June 30, 2016</b>							
Revenue	\$ 1,681,834	\$ 95,200	\$ 443,348	\$ 1,506	\$ —	\$ (42,630)	\$ 2,179,258
Direct operating expenses	1,396,530	15,687	235,546	—	—	(42,075)	1,605,688
Selling, general and administrative expenses	232,975	16,004	121,067	4,780	—	—	374,826
Depreciation and amortization	49,897	4,423	39,927	880	852	(555)	95,424
Loss (gain) on disposal of operating assets	(369)	—	31	—	59	—	(279)
Corporate expenses	—	—	—	—	29,440	—	29,440
Operating income (loss)	<u>\$ 2,801</u>	<u>\$ 59,086</u>	<u>\$ 46,777</u>	<u>\$ (4,154)</u>	<u>\$ (30,351)</u>	<u>\$ —</u>	<u>\$ 74,159</u>
Intersegment revenue	\$ 40,765	\$ —	\$ 1,865	\$ —	\$ —	\$ (42,630)	\$ —
<b>Six Months Ended June 30, 2017</b>							
Revenue	\$ 3,113,128	\$ 188,551	\$ 978,289	\$ 6,714	\$ —	\$ (54,808)	\$ 4,231,874
Direct operating expenses	2,560,333	37,145	522,728	1,282	—	(53,114)	3,068,374
Selling, general and administrative expenses	499,068	41,669	266,714	10,242	—	—	817,693
Depreciation and amortization	92,573	12,911	90,563	212	1,900	(1,694)	196,465

[Table of Contents](#)

	<u>Concerts</u>	<u>Sponsorship &amp; Advertising</u>	<u>Ticketing</u>	<u>Other</u>	<u>Corporate</u>	<u>Eliminations</u>	<u>Consolidated</u>
	<i>(in thousands)</i>						
Loss (gain) on disposal of operating assets	(588)	—	7	—	37	—	(544)
Corporate expenses	—	—	—	—	57,819	—	57,819
Operating income (loss)	<u>\$ (38,258)</u>	<u>\$ 96,826</u>	<u>\$ 98,277</u>	<u>\$ (5,022)</u>	<u>\$ (59,756)</u>	<u>\$ —</u>	<u>\$ 92,067</u>
Intersegment revenue	\$ 48,961	\$ —	\$ 5,847	\$ —	\$ —	\$ (54,808)	\$ —
Capital expenditures	\$ 55,006	\$ 3,161	\$ 51,068	\$ 65	\$ 16,753	\$ —	\$ 126,053
<b>Six Months Ended June 30, 2016</b>							
Revenue	\$ 2,436,726	\$ 152,836	\$ 849,134	\$ 2,347	\$ —	\$ (54,069)	\$ 3,386,974
Direct operating expenses	1,971,624	29,201	442,011	—	—	(52,945)	2,389,891
Selling, general and administrative expenses	435,455	29,873	239,329	7,383	—	—	712,040
Depreciation and amortization	93,824	9,329	85,676	900	1,774	(1,124)	190,379
Loss (gain) on disposal of operating assets	(403)	—	31	—	118	—	(254)
Corporate expenses	—	—	—	—	54,049	—	54,049
Operating income (loss)	<u>\$ (63,774)</u>	<u>\$ 84,433</u>	<u>\$ 82,087</u>	<u>\$ (5,936)</u>	<u>\$ (55,941)</u>	<u>\$ —</u>	<u>\$ 40,869</u>
Intersegment revenue	\$ 51,086	\$ —	\$ 2,983	\$ —	\$ —	\$ (54,069)	\$ —
Capital expenditures	\$ 30,747	\$ 962	\$ 40,892	\$ 460	\$ 4,133	\$ —	\$ 77,194

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

*“Live Nation” (which may be referred to as the “Company,” “we,” “us” or “our”) means Live Nation Entertainment, Inc. and its subsidiaries, or one of our segments or subsidiaries, as the context requires. You should read the following discussion of our financial condition and results of operations together with the unaudited consolidated financial statements and notes to the financial statements included elsewhere in this quarterly report.*

### Special Note About Forward-Looking Statements

Certain statements contained in this quarterly report (or otherwise made by us or on our behalf from time to time in other reports, filings with the SEC, news releases, conferences, internet postings or otherwise) that are not statements of historical fact constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended, notwithstanding that such statements are not specifically identified. Forward-looking statements include, but are not limited to, statements about our financial position, business strategy, competitive position, potential growth opportunities, potential operating performance improvements, the effects of competition, the effects of future legislation or regulations and plans and objectives of our management for future operations. We have based our forward-looking statements on our beliefs and assumptions considering the information available to us at the time the statements are made. Use of the words “may,” “should,” “continue,” “plan,” “potential,” “anticipate,” “believe,” “estimate,” “expect,” “intend,” “outlook,” “could,” “target,” “project,” “seek,” “predict,” or variations of such words and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to, those set forth below under Part II Item 1A.—Risk Factors, in Part I Item 1A.—Risk Factors of our 2016 Annual Report on Form 10-K, as well as other factors described herein or in our annual, quarterly and other reports we file with the SEC (collectively, “cautionary statements”). Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described in any forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the applicable cautionary statements. We do not intend to update these forward-looking statements, except as required by applicable law.

### Executive Overview

In the second quarter of 2017, our total revenue increased by \$639 million, or 29%, on a reported basis as compared to last year, or \$676 million, a 31% increase, without the impact of changes in foreign exchange rates. The revenue increase was largely driven by growth in our Concerts segment due to the increase in the number of events and fans attending these events which also drove our highest second quarter concert attendance ever. All three of our segments reported revenue growth in the quarter. Our operating income for the quarter improved by 53% compared to the second quarter of 2016, once again driven by the very strong performance of our Concerts segment. For the first six months of 2017, our total revenue grew \$845 million, or 25%, on a reported basis as compared to last year, or \$902 million, a 27% increase, without the impact of changes in foreign exchange rates. Our three business segments delivered strong revenue increases in the first half of the year, underscoring the continued success of our strategic initiatives and the underlying health of the live event and ticketing businesses. As the leading global live event and ticketing company, we believe that we are well-positioned to provide the best service to artists, teams, fans and venues and therefore drive growth across all our businesses and that by leveraging our leadership position in the entertainment industry to reach fans through the live concert experience, we will sell more tickets and grow our Sponsorship & Advertising segment revenue.

Our Concerts segment revenue for the quarter increased by \$568 million, or 34%, on a reported basis as compared to last year, or \$598 million, a 36% increase, without the impact of changes in foreign exchange rates. This increase was largely due to significant growth in arena and stadium activity in both North America and Europe with shows by artists including U2, Depeche Mode, Coldplay and Bruno Mars. Our onsite initiatives are yielding positive results and this year we are doubling the number of venues with an enhanced wine program, increasing our points of sale with innovative bar carts and island bars, and developing scalable VIP packages. We have continued to focus on platinum and premium ticket offerings for fans and on improving the sell-through on our best seats. Attendance at our European festivals was also up in the quarter, partially due to the timing of certain events, such as the Rock Werchter festival in Belgium, but also the successful launch of several new events in the United Kingdom, Italy and Spain. Overall, attendance at our shows increased by 29% in the second quarter of 2017 as compared to last year. Our Concerts segment operating results for the quarter exceeded last year and this was again largely driven by the high volume of arena, stadium and amphitheater activity as well as our revenue growth initiatives.

For the first six months, our Concerts segment was the largest contributor to our overall revenue growth, with an increase of \$676 million, or 28%, on a reported basis as compared to last year, or \$720 million, a 30% increase, without the impact of changes in foreign exchange rates. As in the second quarter, this higher revenue was largely due to an increase in the number of

arena and stadium shows in North America and Europe. For the first half of the year, there has been a 27% increase in the overall number of fans attending our shows as compared to the first half of 2016. Operating income for the first six months of the year was up due to the higher number of shows in arenas, stadiums and amphitheaters as well as our ticket pricing and onsite initiatives. We will continue to look for expansion opportunities, both domestically and internationally, as well as ways to market our events more effectively, in order to continue to expand our fan base and geographic reach and to sell more tickets and advertising.

Our Sponsorship & Advertising segment revenue for the quarter was up \$29 million, or 31%, on a reported basis as compared to last year, or \$31 million, a 32% increase, without the impact of changes in foreign exchange rates. Higher revenue resulted from new clients, growth in our online business and increased festival sponsorships, which also improved our operating income. For the first six months, Sponsorship & Advertising revenue was up \$36 million, or 23%, on a reported basis as compared to last year, or \$38 million, a 25% increase, without the impact of changes in foreign exchange rates. Our focus on building new venue products such as photo booths and additional VIP suites has generated new sponsor opportunities. Our festival apps and podcasts are also attracting new fans and giving sponsors additional platforms for reaching consumers. Lastly, we are seeing increases from our Germany market expansion. We believe that our extensive onsite and online reach, global venue distribution network, artist relationships and ticketing operations are the key to securing long-term sponsorship agreements with major brands, and we plan to expand these assets while extending further into new markets internationally.

Our Ticketing segment revenue for the second quarter increased by \$41 million, or 9%, on a reported basis as compared to last year, or \$47 million, an 11% increase, without the impact of changes in foreign exchange rates. This increase was due to a 9% growth in fee-bearing ticket sales. We delivered historically high revenue and ticket sales globally for our Ticketing segment in the quarter, driven by high demand for concert tickets and continued positive fan reaction to our integrated ticketing platform. The roll-out of our new fan-focused website favorably impacted our conversion rates again in the second quarter and the international roll-out is progressing as well.

For the first six months, Ticketing revenue was up \$129 million, or 15%, on a reported basis as compared to last year, or \$140 million, a 16% increase, without the impact of changes in foreign exchange rates. We have sold 97 million fee-bearing tickets worldwide for the first six months, a 10% increase over last year. Resale gross transaction value grew by 9% in the same period at constant currency as we continue to secure premium inventory. In the first half of the year, we made several improvements to our apps which drove a 19% increase in app installs. We also continued to see growth in our mobile ticket sales with an increase of 32% in the first six months of the year and mobile now represents over 30% of our total ticket sales. The roll-out of our Verified Fan initiative continues to be a success and, through the end of June, we have sold over 1 million tickets across more than 400 events and over 50 artists. Additionally, our TM Presence has been deployed in 33 venues with over 2.5 million fans accessing the venue using the platform, improving fan identification, streamlining venue operations and reducing costs. Our international markets had a very strong first half of the year with double-digit ticket sales growth across Europe as well as Israel and United Arab Emirates. We will continue to implement new features to drive further expansion of mobile ticket transactions and invest in initiatives aimed at improving the ticket search, purchase and transfer process which we expect will attract more ticket buyers and enhance the overall fan and venue client experience.

We continue to be optimistic about the long-term potential of our company and are focused on the key elements of our business model: expand our concert platform, drive conversion of ticket sales through social and mobile channels, sell more tickets for our Ticketmaster clients, deliver to our fans a fully integrated offering of primary and secondary tickets, grow our sponsorship and online revenue, and drive cost efficiencies.

## **Our History**

We were incorporated in Delaware on August 2, 2005 in preparation for the contribution and transfer by Clear Channel Communications, Inc. of substantially all of its entertainment assets and liabilities to us. We completed the separation on December 21, 2005, and became a publicly traded company on the New York Stock Exchange trading under the symbol “LYV.”

On January 25, 2010, we merged with Ticketmaster Entertainment LLC and it became a wholly-owned subsidiary of Live Nation. Effective with the merger, Live Nation, Inc. changed its name to Live Nation Entertainment, Inc.

## **Segment Overview**

Our reportable segments are Concerts, Sponsorship & Advertising and Ticketing. Prior to 2017, we reported an Artist Nation segment, which is now included in our Concerts segment. See further discussion of the segment change in Item 1.—Financial Statements—Note 5—Segment Data.

### ***Concerts***

Our Concerts segment principally involves the global promotion of live music events in our owned or operated venues and in rented third-party venues, the operation and management of music venues, the production of music festivals across the

world, the creation of associated content and the provision of management and other services to artists. While our Concerts segment operates year-round, we experience higher revenue during the second and third quarters due to the seasonal nature of shows at our outdoor amphitheaters and festivals, which primarily occur from May through October. Revenue and related costs for events are generally deferred and recognized when the event occurs. All advertising costs incurred during the year for shows in future years are expensed at the end of the year.

Concerts direct operating expenses include artist fees, event production costs, show-related marketing and advertising expenses, along with other costs.

To judge the health of our Concerts segment, we primarily monitor the number of confirmed events and fan attendance in our network of owned or operated and third-party venues, talent fees, average paid attendance, advance ticket sales and number of major clients represented. In addition, at our owned or operated venues and festivals, we monitor ancillary revenue per fan and premium ticket sales. For business that is conducted in foreign markets, we also compare the operating results from our foreign operations to prior periods without the impact of changes in foreign exchange rates.

### ***Sponsorship & Advertising***

Our Sponsorship & Advertising segment employs a sales force that creates and maintains relationships with sponsors through a combination of strategic, international, national and local opportunities that allow businesses to reach customers through our concerts, venue, artist relationship and ticketing assets, including advertising on our websites. We drive increased advertising scale to further monetize our concerts platform through rich media offerings including advertising associated with live streaming and music-related original content. We work with our corporate clients to help create marketing programs that drive their business goals and connect their brands directly with fans and artists. We also develop, book and produce custom events or programs for our clients' specific brands which are typically experienced exclusively by the clients' consumers. These custom events can involve live music events with talent and media, using both online and traditional outlets. We typically experience higher revenue in the second and third quarters, as a large portion of sponsorships are associated with shows at our outdoor amphitheaters and festivals, which primarily occur from May through October.

Direct operating expenses include fulfillment costs related to our sponsorship programs, along with other costs.

To judge the health of our Sponsorship & Advertising segment, we primarily review the revenue generated through sponsorship arrangements, the percentage of expected revenue under contract and online advertising revenue. For business that is conducted in foreign markets, we also compare the operating results from our foreign operations to prior periods without the impact of changes in foreign exchange rates.

### ***Ticketing***

Our Ticketing segment is primarily an agency business that sells tickets for events on behalf of our clients and retains a service charge for these services. Gross transaction value, or GTV, represents the total amount of the transaction related to a ticket sale and includes the face value of the ticket as well as the service charge. Service charges are generally based on a percentage of the face value or a fixed fee. We sell tickets through websites, mobile apps, ticket outlets and telephone call centers. Our ticketing sales are impacted by fluctuations in the availability of events for sale to the public, which may vary depending upon scheduling by our clients. We also offer ticket resale services, sometimes referred to as secondary ticketing, primarily through our integrated inventory platform, league/team platforms and other platforms internationally. Our Ticketing segment manages our online activities including enhancements to our ticketing websites and product offerings. Through our websites, we sell tickets to our own events as well as tickets for our clients and provide event information. Revenue related to ticketing service charges is recognized when the ticket is sold for our outside clients. For our own events, where our concert promoters control ticketing, revenue is deferred and recognized as the event occurs.

Ticketing direct operating expenses include ticketing client royalties and credit card fees, along with other costs.

To judge the health of our Ticketing segment, we primarily review GTV and the number of tickets sold through our primary and secondary ticketing operations, the number of clients renewed or added and the average royalty rate paid to clients who use our ticketing services. In addition, we review the number of visits to our websites, the purchase conversion rate, the overall number of customers in our database, the number of tickets sold via mobile and the number of app installs. For business that is conducted in foreign markets, we also compare the operating results from our foreign operations to prior periods without the impact of changes in foreign exchange rates.

## Key Operating Metrics

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
<i>(in thousands except estimated events)</i>				
<b>Concerts <sup>(1)</sup></b>				
Estimated events:				
North America	5,185	4,437	8,934	7,885
International	2,535	2,196	4,742	4,593
Total estimated events	7,720	6,633	13,676	12,478
Estimated fans:				
North America	15,287	12,216	21,055	17,056
International	9,306	6,837	14,400	10,915
Total estimated fans	24,593	19,053	35,455	27,971
<b>Ticketing <sup>(2)</sup></b>				
Number of fee-bearing tickets sold	47,497	43,459	97,099	87,982
Number of non-fee-bearing tickets sold	54,539	60,608	132,974	137,090
Total tickets sold	102,036	104,067	230,073	225,072

<sup>(1)</sup> Events generally represent a single performance by an artist. Fans generally represent the number of people who attend an event. Festivals are counted as one event in the quarter in which the festival begins, but the number of fans is based on the days the fans were present at the festival and thus can be reported across multiple quarters. Events and fan attendance metrics are estimated each quarter.

<sup>(2)</sup> The number of fee-bearing tickets sold includes primary and secondary tickets that are sold using our Ticketmaster systems or that we issue through affiliates. This metric includes primary tickets sold during the period regardless of event timing, except for our own events where our concert promoters control ticketing and which are reported as the events occur. The non-fee-bearing tickets sold reported above includes primary tickets sold using our Ticketmaster systems, through season seat packages and our venue clients' box offices, along with tickets sold on our 'do it yourself' platform.

## Non-GAAP Measures

### *Reconciliation of Adjusted Operating Income (Loss)*

AOI is a non-GAAP financial measure that we define as operating income (loss) before acquisition expenses (including transaction costs, changes in the fair value of acquisition-related contingent consideration obligations, and acquisition-related severance and compensation), depreciation and amortization (including goodwill impairment), loss (gain) on disposal of operating assets and certain stock-based compensation expense. We use AOI to evaluate the performance of our operating segments. We believe that information about AOI assists investors by allowing them to evaluate changes in the operating results of our portfolio of businesses separate from non-operational factors that affect net income, thus providing insights into both operations and the other factors that affect reported results. AOI is not calculated or presented in accordance with GAAP. A limitation of the use of AOI as a performance measure is that it does not reflect the periodic costs of certain amortizing assets used in generating revenue in our business. Accordingly, AOI should be considered in addition to, and not as a substitute for, operating income (loss), net income (loss), and other measures of financial performance reported in accordance with GAAP. Furthermore, this measure may vary among other companies; thus, AOI as presented herein may not be comparable to similarly titled measures of other companies.

The following table sets forth the reconciliation of AOI to operating income (loss):

	Operating income (loss)	Stock- based compensation expense	Loss (gain) on disposal of operating assets	Depreciation and amortization	Acquisition expenses	AOI
	<i>(in thousands)</i>					
<b>Three Months Ended June 30, 2017</b>						
Concerts	\$ 37,549	\$ 1,961	\$ 95	\$ 46,131	\$ 2,686	\$ 88,422
Sponsorship & Advertising	70,380	343	—	6,401	—	77,124
Ticketing	43,746	1,109	7	43,224	1,143	89,229
Other and Eliminations	(5,248)	—	—	(851)	—	(6,099)
Corporate	(32,994)	4,752	13	965	20	(27,244)
<b>Total</b>	<b>\$ 113,433</b>	<b>\$ 8,165</b>	<b>\$ 115</b>	<b>\$ 95,870</b>	<b>\$ 3,849</b>	<b>\$ 221,432</b>
<b>Three Months Ended June 30, 2016</b>						
Concerts	\$ 2,801	\$ 2,880	\$ (369)	\$ 49,897	\$ 3,214	\$ 58,423
Sponsorship & Advertising	59,086	303	—	4,423	—	63,812
Ticketing	46,777	619	31	39,927	191	87,545
Other and Eliminations	(4,154)	12	—	325	182	(3,635)
Corporate	(30,351)	4,407	59	852	(57)	(25,090)
<b>Total</b>	<b>\$ 74,159</b>	<b>\$ 8,221</b>	<b>\$ (279)</b>	<b>\$ 95,424</b>	<b>\$ 3,530</b>	<b>\$ 181,055</b>
<b>Six Months Ended June 30, 2017</b>						
Concerts	\$ (38,258)	\$ 4,734	\$ (588)	\$ 92,573	\$ 7,828	\$ 66,289
Sponsorship & Advertising	96,826	682	—	12,911	—	110,419
Ticketing	98,277	1,989	7	90,563	1,508	192,344
Other and Eliminations	(5,022)	—	—	(1,482)	—	(6,504)
Corporate	(59,756)	8,696	37	1,900	25	(49,098)
<b>Total</b>	<b>\$ 92,067</b>	<b>\$ 16,101</b>	<b>\$ (544)</b>	<b>\$ 196,465</b>	<b>\$ 9,361</b>	<b>\$ 313,450</b>
<b>Six Months Ended June 30, 2016</b>						
Concerts	\$ (63,774)	\$ 5,943	\$ (403)	\$ 93,824	\$ 5,854	\$ 41,444
Sponsorship & Advertising	84,433	690	—	9,329	—	94,452
Ticketing	82,087	1,583	31	85,676	220	169,597
Other and Eliminations	(5,936)	12	—	(224)	182	(5,966)
Corporate	(55,941)	8,916	118	1,774	46	(45,087)
<b>Total</b>	<b>\$ 40,869</b>	<b>\$ 17,144</b>	<b>\$ (254)</b>	<b>\$ 190,379</b>	<b>\$ 6,302</b>	<b>\$ 254,440</b>

### ***AOI Margin***

AOI margin is a non-GAAP financial measure that we calculate by dividing AOI by revenue. We use AOI margin to evaluate the performance of our operating segments. We believe that information about the AOI margin assists investors by allowing them to evaluate changes in the operating results of our portfolio of businesses separate from non-operational factors that affect net income, thus providing insights into both operations and the other factors that affect reported results. AOI margin is not calculated or presented in accordance with GAAP. A limitation of the use of AOI margin as a performance measure is that it does not reflect the periodic costs of certain amortizing assets used in generating revenue in our business. Accordingly, the AOI margin should be considered in addition to, and not as a substitute for, operating income (loss) margin, net income (loss) margin, and other measures of financial performance reported in accordance with GAAP. Furthermore, this measure may vary among other companies; thus, AOI margin as presented herein may not be comparable to similarly titled measures of other companies.

***Constant Currency***

Constant currency is a non-GAAP financial measure. We calculate currency impacts as the difference between current period activity translated using the current period's currency exchange rates and the comparable prior period's currency exchange rates. We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations.

## Segment Operating Results

### Concerts

Our Concerts segment operating results were, and discussions of significant variances are, as follows:

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2017	2016		2017	2016	
	<i>(in thousands)</i>			<i>(in thousands)</i>		
Revenue	\$ 2,249,851	\$ 1,681,834	34%	\$ 3,113,128	\$ 2,436,726	28%
Direct operating expenses	1,895,588	1,396,530	36%	2,560,333	1,971,624	30%
Selling, general and administrative expenses	270,488	232,975	16%	499,068	435,455	15%
Depreciation and amortization	46,131	49,897	(8)%	92,573	93,824	(1)%
Loss (gain) on disposal of operating assets	95	(369)	*	(588)	(403)	*
Operating income (loss)	<u>\$ 37,549</u>	<u>\$ 2,801</u>	*	<u>\$ (38,258)</u>	<u>\$ (63,774)</u>	40%
Operating margin	1.7%	0.2%		(1.2)%	(2.6)%	
AOI**	\$ 88,422	\$ 58,423	51%	\$ 66,289	\$ 41,444	60%
AOI margin**	3.9%	3.5%		2.1 %	1.7 %	

\* Percentages are not meaningful.

\*\* See “—Non-GAAP Measures” above for definition and reconciliation of AOI and AOI margin.

### Three Months

#### Revenue

Concerts revenue increased \$568.0 million during the three months ended June 30, 2017 as compared to the same period of the prior year. Excluding the decrease of \$29.8 million related to currency impacts, revenue increased \$597.8 million, or 36%, on a constant currency basis. This increase was primarily due to more shows in our arenas, theaters and clubs globally along with more shows and higher average attendance in our stadiums worldwide and North America amphitheaters. Festival activity also increased in Europe driven by the addition of new festivals and the timing of certain events, and we had higher tour-related merchandise sales and commissions in the management business driven by the timing of artist events. Concerts had incremental revenue of \$76.8 million primarily from the acquisitions of concert and festival promotion businesses.

#### Operating results

The increased operating income for Concerts for the three months ended June 30, 2017 was primarily driven by strong operating results for our arenas, theaters and clubs, and North America amphitheaters along with higher commissions in the management business. These increases were partially offset by higher compensation costs associated with salary increases and headcount growth, including recent acquisitions.

### Six Months

#### Revenue

Concerts revenue increased \$676.4 million during the six months ended June 30, 2017 as compared to the same period of the prior year. Excluding the decrease of \$43.7 million related to currency impacts, revenue increased \$720.1 million, or 30%, on a constant currency basis. This growth was primarily due to more shows in our stadiums, arenas, theaters and clubs globally and our North America amphitheaters, increased festival activity in Europe, driven by new festivals and the timing of certain events, and higher tour-related merchandise sales. Concerts had incremental revenue of \$102.4 million primarily from the acquisitions of concert and festival promotion businesses.

#### Operating results

The increase in operating income for Concerts for the six months ended June 30, 2017 was primarily driven by improved operating results for our venues partially offset by higher compensation costs associated with salary increases and headcount growth, including recent acquisitions.

## Sponsorship & Advertising

Our Sponsorship & Advertising segment operating results were, and discussions of significant variances are, as follows:

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2017	2016		2017	2016	
	<i>(in thousands)</i>			<i>(in thousands)</i>		
Revenue	\$ 124,563	\$ 95,200	31%	\$ 188,551	\$ 152,836	23%
Direct operating expenses	25,571	15,687	63%	37,145	29,201	27%
Selling, general and administrative expenses	22,211	16,004	39%	41,669	29,873	39%
Depreciation and amortization	6,401	4,423	45%	12,911	9,329	38%
Operating income	\$ 70,380	\$ 59,086	19%	\$ 96,826	\$ 84,433	15%
Operating margin	56.5%	62.1%		51.4%	55.2%	
AOI**	\$ 77,124	\$ 63,812	21%	\$ 110,419	\$ 94,452	17%
AOI margin**	61.9%	67.0%		58.6%	61.8%	

\*\* See “—Non-GAAP Measures” above for definition and reconciliation of AOI and AOI margin.

### Three Months

#### Revenue

Sponsorship & Advertising revenue increased \$29.4 million during the three months ended June 30, 2017 as compared to the same period of the prior year. Excluding the decrease of \$1.5 million related to currency impacts, revenue increased \$30.9 million, or 32%, on a constant currency basis. This growth was primarily due to new sponsorship programs, higher online sponsorship in North America, increased festival activity internationally and incremental revenue of \$5.5 million from the acquisitions of a digital content company and festival promotion businesses.

#### Operating results

The increase in Sponsorship & Advertising operating income for the three months ended June 30, 2017 was primarily driven by new sponsorship programs, net of higher fulfillment costs, along with increased festival and online sponsorship activity partially offset by increased compensation costs associated with higher headcount.

### Six Months

#### Revenue

Sponsorship & Advertising revenue increased \$35.7 million during the six months ended June 30, 2017 as compared to the same period of the prior year. Excluding the decrease of \$2.4 million related to currency impacts, revenue increased \$38.1 million, or 25%, on a constant currency basis. This increase was primarily due to new sponsorship programs, higher online sponsorship in North America, increased festival activity internationally and incremental revenue of \$9.5 million from the acquisitions of a digital content company and festival promotion businesses.

#### Operating results

The increase in Sponsorship & Advertising operating income for the six months ended June 30, 2017 was primarily driven by new sponsorship programs and higher online sponsorship activity partially offset by increased compensation costs associated with higher headcount.

## Ticketing

Our Ticketing segment operating results were, and discussions of significant variances are, as follows:

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2017	2016		2017	2016	
	<i>(in thousands)</i>			<i>(in thousands)</i>		
Revenue	\$ 484,579	\$ 443,348	9%	\$ 978,289	\$ 849,134	15%
Direct operating expenses	260,925	235,546	11%	522,728	442,011	18%
Selling, general and administrative expenses	136,677	121,067	13%	266,714	239,329	11%
Depreciation and amortization	43,224	39,927	8%	90,563	85,676	6%
Loss on disposal of operating assets	7	31	*	7	31	*
Operating income	\$ 43,746	\$ 46,777	(6)%	\$ 98,277	\$ 82,087	20%
Operating margin	9.0%	10.6%		10.0%	9.7%	
AOI**	\$ 89,229	\$ 87,545	2%	\$ 192,344	\$ 169,597	13%
AOI margin**	18.4%	19.7%		19.7%	20.0%	

\* Percentages are not meaningful.

\*\* See “—Non-GAAP Measures” above for definition and reconciliation of AOI and AOI margin.

### Three Months

#### Revenue

Ticketing revenue increased \$41.2 million during the three months ended June 30, 2017 as compared to the same period of the prior year. Excluding the decrease of \$5.4 million related to currency impacts, revenue increased \$46.6 million, or 11%, on a constant currency basis, primarily due to increased worldwide primary ticket volume driven by concert ticket sales.

#### Operating results

The decrease in Ticketing operating income for the three months ended June 30, 2017 was primarily driven by increased legal costs along with higher compensation costs associated with annual salary increases and higher headcount partially offset by improved operating results from higher primary ticket volume.

### Six Months

#### Revenue

Ticketing revenue increased \$129.2 million during the six months ended June 30, 2017 as compared to the same period of the prior year. Excluding the decrease of \$10.9 million related to currency impacts, revenue increased \$140.1 million, or 16%, on a constant currency basis, primarily due to increased worldwide primary ticket volume and fees driven by concert ticket sales along with higher North America resale volume for concert events.

#### Operating results

The increase in Ticketing operating income for the six months ended June 30, 2017 was primarily due to improved operating results from primary ticket sales partially offset by increased legal costs and higher compensation costs associated with annual salary increases and higher headcount.

## Consolidated Results of Operations

### Three Months

	Three Months Ended June 30,			% Change		
	2017		2016	As Reported	At Constant Currency**	
	As Reported	Currency Impacts	At Constant Currency**			
	<i>(in thousands)</i>					
Revenue	\$ 2,818,693	\$ 36,712	\$ 2,855,405	\$ 2,179,258	29%	31%
Operating expenses:						
Direct operating expenses	2,142,874	28,508	2,171,382	1,605,688	33%	35%
Selling, general and administrative expenses	434,385	7,110	441,495	374,826	16%	18%
Depreciation and amortization	95,870	1,546	97,416	95,424	—	2%
Loss (gain) on disposal of operating assets	115	(22)	93	(279)	*	*
Corporate expenses	32,016	7	32,023	29,440	9%	9%
Operating income	113,433	\$ (437)	\$ 112,996	74,159	53%	52%
Operating margin	4.0%		4.0%	3.4%		
Interest expense	27,927			25,284		
Interest income	(1,031)			(650)		
Equity in losses (earnings) of nonconsolidated affiliates	(536)			305		
Other expense (income), net	(3,466)			7,353		
Income before income taxes	90,539			41,867		
Income tax expense	9,984			5,406		
Net income	80,555			36,461		
Net loss attributable to noncontrolling interests	(923)			(1,280)		
Net income attributable to common stockholders of Live Nation	\$ 81,478			\$ 37,741		

#### **Other expense (income), net**

Other expense (income), net includes the impact of net foreign exchange rate gains of \$4.4 million and net foreign exchange rate losses of \$6.6 million for the three months ended June 30, 2017 and 2016, respectively, primarily from the revaluation of certain foreign currency denominated net assets held internationally.

**Six Months**

	Six Months Ended June 30,			% Change		
	2017		2016	2016		
	As Reported	Currency Impacts	At Constant Currency**	As Reported	As Reported	At Constant Currency**
	<i>(in thousands)</i>					
Revenue	\$ 4,231,874	\$ 56,995	\$ 4,288,869	\$ 3,386,974	25%	27%
Operating expenses:						
Direct operating expenses	3,068,374	42,126	3,110,500	2,389,891	28%	30%
Selling, general and administrative expenses	817,693	14,412	832,105	712,040	15%	17%
Depreciation and amortization	196,465	3,306	199,771	190,379	3%	5%
Gain on disposal of operating assets	(544)	(22)	(566)	(254)	*	*
Corporate expenses	57,819	26	57,845	54,049	7%	7%
Operating income (loss)	92,067	\$ (2,853)	\$ 89,214	40,869	*	*
Operating margin	2.2%		2.1%	1.2%		
Interest expense	53,937			50,716		
Interest income	(1,976)			(1,206)		
Equity in earnings of nonconsolidated affiliates	(2,876)			(287)		
Other income, net	(6,308)			(1,194)		
Income (loss) before income taxes	49,290			(7,160)		
Income tax expense	16,505			12,333		
Net income (loss)	32,785			(19,493)		
Net loss attributable to noncontrolling interests	(15,700)			(12,716)		
Net income (loss) attributable to common stockholders of Live Nation	\$ 48,485			\$ (6,777)		

The following table summarizes the components of depreciation and amortization as reported in each respective period:

	Three Months Ended June 30,			% Change	Six Months Ended June 30,			% Change
	2017		2016		2017		2016	
	<i>(in thousands)</i>							
Depreciation	\$ 35,801	\$ 34,413	4%	\$ 71,713	\$ 67,482	6%		
Amortization of intangibles	45,364	45,428	—	89,985	85,165	6%		
Amortization of nonrecoupable ticketing contract advances ***	14,705	15,042	(2)%	34,767	36,481	(5)%		
Amortization of other assets	—	541	*	—	1,251	*		
	\$ 95,870	\$ 95,424	—	\$ 196,465	\$ 190,379	3%		

\* Percentages are not meaningful.

\*\* See “—Non-GAAP Measures” above for definition of constant currency.

\*\*\* In accounting for the merger between Live Nation and Ticketmaster Entertainment LLC in January 2010, the nonrecoupable ticketing contract advances that existed at the date of the merger were written off in acquisition accounting in accordance with GAAP. Had we continued amortizing the net book value of these nonrecoupable ticketing contract advances, the amortization above would have been \$0.4 million and \$0.3 million higher for the three months ended June 30, 2017 and 2016, respectively, and \$0.8 million and \$0.7 million higher for the six months ended June 30, 2017 and 2016, respectively.

### ***Other expense (income), net***

Other expense (income), net includes the impact of net foreign exchange rate gains of \$7.0 million and \$1.2 million for the six months ended June 30, 2017 and 2016, respectively, primarily from revaluation of certain foreign currency denominated net assets held internationally.

### **Liquidity and Capital Resources**

Our cash is centrally managed on a worldwide basis. Our primary short-term liquidity needs are to fund general working capital requirements, capital expenditures and debt service requirements while our long-term liquidity needs are primarily related to acquisitions and debt repayment. Our primary sources of funds for our short-term liquidity needs will be cash flows from operations and borrowings under our senior secured credit facility, while our long-term sources of funds will be from cash flows from operations, long-term bank borrowings and other debt or equity financings. We may from time to time engage in open market purchases of our outstanding debt securities or redeem or otherwise repay such debt.

Our balance sheet reflects cash and cash equivalents of \$2.2 billion at June 30, 2017 and \$1.5 billion at December 31, 2016. Included in the June 30, 2017 and December 31, 2016 cash and cash equivalents balances are \$704.3 million and \$591.0 million, respectively, of cash received that includes the face value of tickets sold on behalf of our ticketing clients and their share of service charges that we refer to as client cash. We generally do not utilize client cash for our own financing or investing activities as the amounts are payable to clients on a regular basis. Our foreign subsidiaries held approximately \$911.1 million in cash and cash equivalents, excluding client cash, at June 30, 2017. We generally do not intend to repatriate these funds, but if we did, we would need to accrue and pay United States federal and state income taxes on any future repatriations, net of applicable foreign tax credits. We may from time to time enter into borrowings under our revolving credit facility. If the original maturity of these borrowings is 90 days or less, we present the borrowings and subsequent repayments on a net basis in the statement of cash flows to better represent our financing activities. Our balance sheet reflects total net debt of \$2.3 billion at June 30, 2017 and December 31, 2016. Our weighted-average cost of debt, excluding unamortized debt discounts and debt issuance costs on our term loans and notes, was 3.9% at June 30, 2017.

Our cash and cash equivalents are held in accounts managed by third-party financial institutions and consist of cash in our operating accounts and invested cash. Cash held in non-interest-bearing and interest-bearing operating accounts in many cases exceeds the Federal Deposit Insurance Corporation insurance limits. The invested cash is in interest-bearing funds consisting primarily of bank deposits and money market funds. While we monitor cash and cash equivalent balances in our operating accounts on a regular basis and adjust the balances as appropriate, these balances could be impacted if the underlying financial institutions fail. To date, we have experienced no loss or lack of access to our cash and cash equivalents; however, we can provide no assurances that access to our cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

For our Concerts segment, we generally receive cash related to ticket revenue at our owned or operated venues in advance of the event, which is recorded in deferred revenue until the event occurs. With the exception of some upfront costs and artist deposits, which are recorded in prepaid expenses until the event occurs, we pay the majority of event-related expenses at or after the event.

We view our available cash as cash and cash equivalents, less ticketing-related client cash, less event-related deferred revenue, less accrued expenses due to artists and cash collected on behalf of others, plus event-related prepaid expenses. This is essentially our cash available to, among other things, repay debt balances, make acquisitions, pay artist advances and finance capital expenditures.

Our intra-year cash fluctuations are impacted by the seasonality of our various businesses. Examples of seasonal effects include our Concerts segment, which reports the majority of its revenue in the second and third quarters. Cash inflows and outflows depend on the timing of event-related payments but the majority of the inflows generally occur prior to the event. See “—Seasonality” below. We believe that we have sufficient financial flexibility to fund these fluctuations and to access the global capital markets on satisfactory terms and in adequate amounts, although there can be no assurance that this will be the case, and capital could be less accessible and/or more costly given current economic conditions. We expect cash flows from operations and borrowings under our senior secured credit facility, along with other financing alternatives, to satisfy working capital requirements, capital expenditures and debt service requirements for at least the succeeding year.

We may need to incur additional debt or issue equity to make other strategic acquisitions or investments. There can be no assurance that such financing will be available to us on acceptable terms or at all. We may make significant acquisitions in the near term, subject to limitations imposed by our financing agreements and market conditions.

The lenders under our revolving loans and counterparties to our interest rate hedge agreements consist of banks and other third-party financial institutions. While we currently have no indications or expectations that such lenders and counterparties will be unable to fund their commitments as required, we can provide no assurances that future funding availability will not be

impacted by adverse conditions in the financial markets. Should an individual lender default on its obligations, the remaining lenders would not be required to fund the shortfall, resulting in a reduction in the total amount available to us for future borrowings, but would remain obligated to fund their own commitments. Should any counterparty to our interest rate hedge agreements default on its obligations, we could experience higher interest rate volatility during the period of any such default.

## **Sources of Cash**

### ***Senior Secured Credit Facility***

In June 2017, we amended our term loan B under the senior secured credit facility reducing the applicable interest rate. At June 30, 2017, our senior secured credit facility consists of (i) a \$190 million term loan A facility, (ii) a \$970 million term loan B facility and (iii) a \$365 million revolving credit facility. Subject to certain conditions, we have the right to increase the facility by an amount equal to the sum of \$625 million and the aggregate principal amount of voluntary prepayments of the term B loans and permanent reductions of the revolving credit facility commitments, in each case, other than from proceeds of long-term indebtedness, and additional amounts so long as the senior secured leverage ratio calculated on a pro-forma basis (as defined in the agreement) is no greater than 3.25x. The revolving credit facility provides for borrowing up to the amount of the facility with sublimits of up to (i) \$150 million for the issuance of letters of credit, (ii) \$50 million for swingline loans, (iii) \$200 million for borrowings in Euros and British Pounds and (iv) \$50 million for borrowings in one or more other approved currencies. The senior secured credit facility is secured by (i) a first priority lien on substantially all of our tangible and intangible personal property of our domestic subsidiaries that are guarantors and (ii) a pledge of substantially all of the shares of stock, partnership interests and limited liability company interests of our direct and indirect domestic subsidiaries and 65% of each class of capital stock of any first-tier foreign subsidiaries, subject to certain exceptions.

The interest rates per annum applicable to revolving credit facility loans and the term loan A under the senior secured credit facility are, at our option, equal to either LIBOR plus 2.25% or a base rate plus 1.25%, subject to stepdowns based on our net leverage ratio. The amended interest rates per annum applicable to the term loan B are, at our option, equal to either LIBOR plus 2.25% or a base rate plus 1.25%. We are required to pay a commitment fee of 0.5% per year on the undrawn portion available under the revolving credit facility, subject to a stepdown based on our net leverage ratio, and variable fees on outstanding letters of credit.

For the term loan A, we are required to make quarterly payments increasing over time from \$2.4 million to \$28.5 million with the balance due at maturity in October 2021. For the term loan B, we are required to make quarterly payments of \$2.4 million with the balance due at maturity in October 2023. The revolving credit facility matures in October 2021. We are also required to make mandatory prepayments of the loans under the credit agreement, subject to specified exceptions, from excess cash flow, and with the proceeds of asset sales, debt issuances and specified other events.

### ***Stock Option Exercises***

During the six months ended June 30, 2017 we received \$32.6 million of proceeds from the exercise of stock options.

### ***Debt Covenants***

Our senior secured credit facility contains a number of covenants and restrictions that, among other things, requires us to satisfy certain financial covenants and restricts our and our subsidiaries' ability to incur additional debt, make certain investments and acquisitions, repurchase our stock and prepay certain indebtedness, create liens, enter into agreements with affiliates, modify the nature of our business, enter into sale-leaseback transactions, transfer and sell material assets, merge or consolidate, and pay dividends and make distributions (with the exception of subsidiary dividends or distributions to the parent company or other subsidiaries on at least a pro-rata basis with any noncontrolling interest partners). Non-compliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the credit facility becoming immediately due and payable. The senior secured credit facility agreement has one covenant, measured quarterly, that relates to total leverage. The consolidated total leverage covenant requires us to maintain a ratio of consolidated total funded debt to consolidated EBITDA (both as defined in the credit agreement) of 5.5x over the trailing four consecutive quarters through September 30, 2017. The consolidated total leverage ratio will reduce to 5.25x on December 31, 2017, 5.0x on December 31, 2018, 4.75x on December 31, 2019 and 4.5x on December 31, 2020.

The indentures governing our 4.875% senior notes and 5.375% senior notes contain covenants that limit, among other things, our ability and the ability of our restricted subsidiaries to incur certain additional indebtedness and issue preferred stock, make certain distributions, investments and other restricted payments, sell certain assets, agree to any restrictions on the ability of restricted subsidiaries to make payments to us, merge, consolidate or sell all of our assets, create certain liens, and engage in transactions with affiliates on terms that are not on an arms-length basis. Certain covenants, including those pertaining to incurrence of indebtedness, restricted payments, asset sales, mergers, and transactions with affiliates will be suspended during any period in which the notes are rated investment grade by both rating agencies and no default or event of default under the indenture has occurred and is continuing. The 4.875% senior notes and the 5.375% senior notes contain two incurrence-based

financial covenants, as defined, requiring a minimum fixed charge coverage ratio of 2.0x and a maximum secured indebtedness leverage ratio of 3.5x.

Some of our other subsidiary indebtedness includes restrictions on entering into various transactions, such as acquisitions and disposals, and prohibits payment of ordinary dividends. They also have financial covenants including minimum consolidated EBITDA to consolidated net interest payable, minimum consolidated cash flow to consolidated debt service and maximum consolidated debt to consolidated EBITDA, all as defined in the applicable debt agreements.

As of June 30, 2017, we believe we were in compliance with all of our debt covenants. We expect to remain in compliance with all of our debt covenants throughout 2017.

## Uses of Cash

### *Acquisitions*

When we make acquisitions, the acquired entity may have cash at the time of acquisition. All amounts related to the use of cash for acquisitions discussed in this section are presented net of any cash acquired. During the six months ended June 30, 2017, we used \$16.6 million of cash primarily for the acquisitions of a ticketing business with locations in the Czech Republic and Poland, a concert promotion business located in Italy and a controlling interest in an artist management business located in the United States. As of the date of acquisition, the acquired businesses had a total of \$8.9 million of cash on their balance sheets, primarily related to deferred revenue for future events.

During the six months ended June 30, 2016, we used \$122.3 million of cash primarily for the acquisitions of a concert promoter located in Germany, controlling interests in a festival and concert promoters located in the United Kingdom and the United States and an artist management business with locations in the United States and Canada. As of the date of acquisition, the acquired businesses had a total of \$8.7 million of cash on their balance sheets, primarily related to deferred revenue for future events.

### *Capital Expenditures*

Venue and ticketing operations are capital intensive businesses, requiring continual investment in our existing venues and ticketing systems in order to address fan, client and artist expectations, technological industry advances and various federal, state and/or local regulations.

We categorize capital outlays between maintenance capital expenditures and revenue generating capital expenditures. Maintenance capital expenditures are associated with the renewal and improvement of existing venues and technology systems, web development and administrative offices. Revenue generating capital expenditures generally relate to the construction of new venues, major renovations to existing buildings or buildings that are being added to our venue network, the development of new online or ticketing tools and other technology enhancements. Revenue generating capital expenditures can also include smaller projects whose purpose is to increase revenue and/or improve operating income. Capital expenditures typically increase during periods when venues are not in operation since that is the time that such improvements can be completed.

Our capital expenditures, including accruals for amounts incurred but not yet paid for but net of expenditures funded by outside parties such as landlords or replacements funded by insurance proceeds, consisted of the following:

	Six Months Ended June 30,	
	2017	2016
	<i>(in thousands)</i>	
Maintenance capital expenditures	\$ 55,695	\$ 37,600
Revenue generating capital expenditures	60,608	39,552
<b>Total capital expenditures</b>	<b>\$ 116,303</b>	<b>\$ 77,152</b>

Maintenance capital expenditures during the first six months of 2017 increased from the same period of the prior year primarily associated with technology system enhancements and facilities.

Revenue generating capital expenditures during the first six months of 2017 increased from the same period of the prior year primarily due to food and beverage and wi-fi enhancements at our amphitheaters, festival site improvements and higher investment in technology.

We currently expect capital expenditures to be approximately \$220 million for the full year of 2017.

**Cash Flows**

	Six Months Ended June 30,	
	2017	2016
<i>(in thousands)</i>		
<b>Cash provided by (used in):</b>		
Operating activities	\$ 803,639	\$ 510,975
Investing activities	\$ (171,940)	\$ (219,410)
Financing activities	\$ (24,165)	\$ (69,094)

***Operating Activities***

Cash provided by operating activities increased \$292.7 million for the six months ended June 30, 2017 as compared to the same period of the prior year. During the first six months of 2017, our accounts payable and accrued liabilities increased based on timing of payments and we received more cash for future events, increasing deferred revenue, partially offset by a larger increase in accounts receivable as compared to last year.

***Investing Activities***

Cash used in investing activities decreased \$47.5 million for the six months ended June 30, 2017 as compared to the same period of the prior year primarily due to lower net payments for acquisitions partially offset by higher purchases of property, plant and equipment. See “—Uses of Cash” above for further discussion.

***Financing Activities***

Cash used in financing activities decreased \$44.9 million for the six months ended June 30, 2017 as compared to the same period of the prior year primarily as a result of higher proceeds from the exercise of stock options.

**Seasonality**

Our Concerts and Sponsorship & Advertising segments typically experience higher operating income in the second and third quarters as our outdoor venues and festivals are primarily used in or occur from May through October. In addition, the timing of when tickets are sold and the tours of top-grossing acts can impact comparability of quarterly results year over year, although annual results may not be impacted. Our Ticketing segment revenue is impacted by fluctuations in the availability of events for sale to the public, which vary depending upon scheduling by our clients.

Cash flows from our Concerts segment typically have a slightly different seasonality as payments are often made for artist performance fees and production costs for tours in advance of the date the related event tickets go on sale. These artist fees and production costs are expensed when the event occurs. Once tickets for an event go on sale, we generally begin to receive payments from ticket sales at our owned or operated venues and festivals in advance of when the event occurs. We record these ticket sales as revenue when the event occurs.

**Market Risk**

We are exposed to market risks arising from changes in market rates and prices, including movements in foreign currency exchange rates and interest rates.

***Foreign Currency Risk***

We have operations in countries throughout the world. The financial results of our foreign operations are measured in their local currencies. Our foreign subsidiaries also carry certain net assets or liabilities that are denominated in a currency other than that subsidiary’s functional currency. As a result, our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which we have operations. Currently, we do not operate in any hyper-inflationary countries. Our foreign operations reported operating income of \$72.4 million for the six months ended June 30, 2017. We estimate that a 10% change in the value of the United States dollar relative to foreign currencies would change our operating income for the six months ended June 30, 2017 by \$7.2 million. As of June 30, 2017, our primary foreign exchange exposure included the Euro, British Pound, Australian Dollar and Canadian Dollar. This analysis does not consider the implication such currency fluctuations could have on the overall economic conditions of the United States or other foreign countries in which we operate or on the results of operations of our foreign entities. In addition, the reported carrying value of our assets and liabilities, including the total cash and cash equivalents held by our foreign operations, will also be affected by changes in foreign currency exchange rates.

We primarily use forward currency contracts, in addition to options, to reduce our exposure to foreign currency risk associated with short-term artist fee commitments. We also may enter into forward currency contracts to minimize the risks

and/or costs associated with changes in foreign currency rates on forecasted operating income. At June 30, 2017, we had forward currency contracts and options outstanding with a notional amount of \$226.9 million.

**Interest Rate Risk**

Our market risk is also affected by changes in interest rates. We had \$2.4 billion of total debt, excluding debt discounts and issuance costs, outstanding as of June 30, 2017, of which \$1.2 billion was fixed-rate debt and \$1.2 billion was floating-rate debt.

Based on the amount of our floating-rate debt as of June 30, 2017, each 25-basis point increase or decrease in interest rates would increase or decrease our annual interest expense and cash outlay by approximately \$3.0 million when the floor rate is not applicable. This potential increase or decrease is based on the simplified assumption that the level of floating-rate debt remains constant with an immediate across-the-board increase or decrease as of June 30, 2017 with no subsequent change in rates for the remainder of the period.

We have one interest rate cap agreement with an aggregate notional amount of \$5.8 million at June 30, 2017. The interest rate cap agreement ensures that a portion of our floating-rate debt does not exceed 4.25% and expires in June 2018. This agreement has not been designated as a hedging instrument. Therefore, any change in fair value is recorded in earnings during the period of change.

**Ratio of Earnings to Fixed Charges**

The ratio of earnings to fixed charges is as follows:

Six months ended June 30,		Year Ended December 31,			
2017	2016	2016	2015	2014	2013
1.58	*	1.38	1.03	*	*

\* For the six months ended June 30, 2016, fixed charges exceeded earnings before income taxes and fixed charges by \$7.4 million. For the years ended December 31, 2014 and 2013, fixed charges exceeded earnings before income taxes and fixed charges by \$104.0 million and \$6.0 million, respectively.

The ratio of earnings to fixed charges was computed on a total company basis. Earnings represent income before income taxes less equity in undistributed net income (loss) of nonconsolidated affiliates plus fixed charges. Fixed charges represent interest, amortization of debt discount, debt issuance costs and premium and the estimated interest portion of rental charges. Rental charges exclude variable rent expense for events in third-party venues.

**Accounting Pronouncements**

Information regarding recently issued and adopted accounting pronouncements can be found in Item 1.—Financial Statements—Note 1—Basis of Presentation and Other Information.

**Critical Accounting Policies and Estimates**

The preparation of our financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. On an ongoing basis, we evaluate our estimates that are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of these evaluations forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenue and expenses that are not readily apparent from other sources. Because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such difference could be material.

Management believes that the accounting estimates involved in business combinations, impairment of long-lived assets and goodwill, revenue recognition, and income taxes are the most critical to aid in fully understanding and evaluating our reported financial results, and they require management’s most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. These critical accounting estimates, the judgments and assumptions and the effect if actual results differ from these assumptions are described in Part II Financial Information—Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations of our 2016 Annual Report on Form 10-K filed with the SEC on February 23, 2017.

There have been no changes to our critical accounting policies during the six months ended June 30, 2017.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Required information is within Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Market Risk.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

We have established disclosure controls and procedures to ensure that material information relating to our company, including our consolidated subsidiaries, is made known to the officers who certify our financial reports and to other members of senior management and our board of directors.

Based on their evaluation as of June 30, 2017, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) are effective to ensure that (1) the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (2) the information we are required to disclose in such reports is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or internal controls will prevent all possible errors and fraud. Our disclosure controls and procedures are, however, designed to provide reasonable assurance of achieving their objectives, and our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective at that reasonable assurance level.

#### **Changes in Internal Control Over Financial Reporting**

There has been no change in our internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings**

None.

### **Item 1A. Risk Factors**

While we attempt to identify, manage and mitigate risks and uncertainties associated with our business to the extent practical under the circumstances, some level of risk and uncertainty will always be present. Part I Financial Information—Item 1A. Risk Factors of our 2016 Annual Report on Form 10-K filed with the SEC on February 23, 2017, describes some of the risks and uncertainties associated with our business which have the potential to materially affect our business, financial condition or results of operations. We do not believe that there have been any material changes to the risk factors previously disclosed in our 2016 Annual Report on Form 10-K.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 5. Other Information**

None.

### **Item 6. Exhibits**

The information in the Exhibit Index of this Quarterly Report on Form 10-Q is incorporated into this Item 6 by reference.



**EXHIBIT INDEX**

Exhibit No.	Exhibit Description	Incorporated by Reference				Filed Here with
		Form	File No.	Exhibit No.	Filing Date	
10.1	Third Amendment to Confirmation of Employment and Compensation Arrangement, effective January 1, 2017, by and between Live Nation Worldwide, Inc. and Brian J. Capo.					X
10.2	Amendment No. 4 to the Credit Agreement, dated June 27, 2017, entered into by Live Nation Entertainment, Inc., the Guarantors identified therein, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian agent, J.P. Morgan Europe Limited, as London agent and the lenders from time to time party thereto.					X
31.1	Certification of Chief Executive Officer.					X
31.2	Certification of Chief Financial Officer.					X
32.1	Section 1350 Certification of Chief Executive Officer.					X
32.2	Section 1350 Certification of Chief Financial Officer.					X
101.INS	XBRL Instance Document.					X
101.SCH	XBRL Taxonomy Schema Document.					X
101.CAL	XBRL Taxonomy Calculation Linkbase Document.					X
101.DEF	XBRL Taxonomy Definition Linkbase Document.					X
101.LAB	XBRL Taxonomy Label Linkbase Document.					X
101.PRE	XBRL Taxonomy Presentation Linkbase Document.					X