What Are Live Nation and Ticketmaster Worth if Broken Up?

1047mixfm.com/2024/06/07/what-are-live-nation-and-ticketmaster-worth-if-broken-up

Glenn Peoples

By Glenn Peoples Jun 7, 2024 | 4:03 PM

Equity analysts aren't convinced the U.S. Department of Justice will accomplish its larger goal of separating Live Nation's concert promotion and ticketing businesses, thereby undoing the controversial merger it allowed in 2010. But if Live Nation and Ticketmaster were to become separate companies, analysts estimate the combined companies would be worth from $85 to $96 per share, based on a handful of reports *Billboard* has seen.

Live Nation shares were trading around $101 to $102 the day before the lawsuit was announced on May 23. But shares have since traded in the $93 to $94 range, putting the current price at the upper end of analysts' "sum of the parts" (SOTP) valuations. In the wake of the lawsuit, some analysts have lowered their price targets for Live Nation, and S&P Global downgraded its rating on Live Nation's debt.

Related

In Live Nation's Antitrust Battle With DOJ, AEG's Ticketing Claims Likely to Take Center Stage

Any good merger creates value greater than the sum of the parts. Live Nation's business model is a "flywheel" in which one segment (such as concerts) generates value for other segments (ticketing or sponsorship and advertisements). To the company, the flywheel is the result of hard-won competitive advantages built over the past 14 years. To the DOJ, the flywheel represents Live Nation's ability to use its dominant market position to its advantage in anti-competitive ways.

Breaking up Live Nation would eliminate the synergies that create value for the combined company. What is currently one stock would become two stocks of two separate companies with different management teams. Live Nation shareholders would likely get ownership in the new, standalone Ticketmaster. Analysts have calculated the value of Live Nation and Ticketmaster using a SOTP approach that combines the value of the business segments as if they were standalone companies.

But analysts have serious doubts the DOJ will succeed in breaking up the company. "Federal Judges…are generally pro-business and we doubt — at least based on [the DOJ's 128-page] summary — the case is strong enough to either break up Live Nation or for the DOJ to win the lawsuit," wrote Huber Research analyst **Doug Arthur** in a Thursday (June 6) note to investors. Similarly, J.P. Morgan sees “a real possibility that [Live Nation] comes out of this a winner” and fends off the DOJ’s ultimate goal of breaking up the company, analysts wrote in a May 29 note to investors.

“The government’s burden is going to be pretty high,” **Bill Morrison**, partner at Haynes & Boone, tells *Billboard*. “It’s long been the case in antitrust jurisprudence that it’s not illegal to have a monopoly. What’s illegal is to use that monopoly power in an anti-competitive way. And so that would be the burden that the DOJ would have to prove, which is to show that Live Nation abused its monopoly power and it acted unreasonably to restrain trade to maintain its monopoly.”

There could be outcomes other than a forced divestiture, however. Wolfe Research analysts note the “DOJ does not lose if it reached for the stars and landed on the moon,” they wrote in a May 23 note. “From that perspective, it is entirely possible the DOJ wants to get Live Nation/Ticketmaster to agree to remedies, such as eliminating exclusive ticketing deals, and is using the threat of a breakup to achieve those goals.”

Related

The very existence of the DOJ’s lawsuit has changed how investors will approach Live Nation. The health of the concert business and Live Nation’s strengths will be overshadowed by the pall cast by the DOJ. Northcoast Research downgraded Live Nation from “buy” to “neutral” because analysts believe the stock price will be based on legal news and the political environment rather than fundamentals and business performance. J.P. Morgan also noted a “sentiment overhang” related to the DOJ’s lawsuit and lowered its price target to $116 from $126, although it kept its recommendation at “overweight.”

One variable that has largely gone unmentioned is the possible change in the administration at the White House. President Biden has taken an aggressive stance on protecting competition — the DOJ sank proposed mergers by Spirit-JetBlue and Penguin Random House-Simon & Schuster — reducing the fees consumers face everywhere from airlines to concert tickets, and criminally prosecuting companies over no-poaching rules and wage-fixing. A second Trump administration would bring an entirely new slate of appointments to head influential antitrust positions. “It depends on who is in those key [regulatory] spots, and then what the priorities are of those offices and the philosophy,” Morrison says. “We’ve seen big pivots in the past.”

Live Nation did not immediately respond to a request for comment on this story.