

PANDORA®

2016 Projected Non-GAAP Income Statement - Pandora Core Internet Radio Business ⁽¹⁾

<i>\$ in millions</i>		<u>% Rev</u>
Revenue ⁽²⁾	\$ 1,325	100.0%
Cost of revenue & sales expenses ⁽³⁾	1,050	79.2%
Contribution margin	\$ 275	20.8%
Marketing investment ⁽⁴⁾	120	9.1%
Product development expense	100	7.5%
General and administrative expense	125	9.4%
Total core investment and expense	\$ 345	26.0%
Adjusted EBITDA ⁽⁵⁾	\$ (70)	(5.3%)
New music service investment ⁽⁶⁾	120	9.1%
Adj. EBITDA excl. On-Demand investment	\$ 50	3.8%
Ticketfly revenue	\$ 80 - 90	
Ticketfly cost of revenue and expense	\$ 80 - 90	

(1) Core Pandora Internet Radio Business includes our existing advertising and subscription & other business.

(2) Midpoint of total revenue guidance less midpoint of Ticketfly revenue guidance, as of Feb. 11, 2016.

(3) Cost of revenue & sales expenses include content acquisition costs, cost of revenue - other, sales and sales operations departmental expenses, and subscription commissions.

(4) Includes \$80 million of external marketing spend.

(5) Midpoint of EBITDA guidance, as of Feb. 11, 2016.

(6) Costs in 2016 associated with launch of our on-demand service.

Five-Year Projections (Revenue and Profitability)

\$ in millions

Revenue	
\$ 2,400	Core Internet Radio Business
1,300	New Music Service
300	Live Events and Sponsorships
\$ 4,000	
Profitability	
60%	Non-GAAP Gross Margin - Core Internet Radio Business
20%	Non-GAAP Operating Margin - Core Internet Radio Business
13%	Non-GAAP Operating Margin - Total Business (includes int'l investment beginning in 2017)
15%+	Long-term Non-GAAP Operating Margin (beyond 2020)

Market Segment Total Addressable Market (TAM)

\$45 B	Core U.S. Radio & Digital Ad Markets
\$212 B	Global Music Marketplace (inc. U.S. and Global: Radio, physical music sales, digital music downloads, music streaming subscriptions, consumer spend on tickets to live music events and revenue from sponsorships of live music events; estimates do not include revenue from merchandise or concessions at live music events.)

Source(s):

PWC, *Global Entertainment and Media Outlook 2015-2019*, June 2015

eMarketer, *US Mobile Ad Spend Forecast*, September 2015

Cowen and Company, "Annual Ad Buyer Survey III: 2015 Outlook," January 2015.

IHS Technology, *Online Music Revenue Forecasts*, September 2015