

pandora[®]

Historical Financial Results

SEPTEMBER 30, 2017

Safe Harbor

THESE SLIDES MAY CONTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING ESTABLISHED BY THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS CONTAINED IN THESE SLIDES, INCLUDING STATEMENTS REGARDING PANDORA MEDIA, INC.'S ("PANDORA" OR THE "COMPANY") FUTURE OPERATIONS, FUTURE FINANCIAL POSITION, FUTURE REVENUE, PROJECTED EXPENSES, OPPORTUNITIES, PROSPECTS AND PLANS AND OBJECTIVES OF MANAGEMENT ARE FORWARD-LOOKING STATEMENTS. IN SOME CASES, YOU CAN IDENTIFY FORWARD-LOOKING STATEMENTS BY TERMS SUCH AS "ANTICIPATE," "BELIEVE," "ESTIMATE," "EXPECT," "INTENT," "MAY," "MIGHT," "PLAN," "PROJECT," "WILL," "WOULD," "SHOULD," "COULD," "CAN," "PREDICT," "POTENTIAL," "CONTINUE," "OBJECTIVE," OR THE NEGATIVE OF THESE TERMS OR SIMILAR EXPRESSIONS. THE COMPANY BASES FORWARD-LOOKING STATEMENTS LARGELY ON ITS ESTIMATES OF ITS FINANCIAL RESULTS AND ITS CURRENT EXPECTATIONS AND PROJECTIONS ABOUT FUTURE EVENTS AND FINANCIAL TRENDS THAT IT BELIEVES MAY AFFECT ITS FINANCIAL CONDITION, RESULTS OF OPERATIONS, BUSINESS STRATEGY, SHORT TERM AND LONG-TERM BUSINESS OPERATIONS AND OBJECTIVES AND FINANCIAL NEEDS. FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES AND ASSUMPTIONS, INCLUDING, BUT NOT LIMITED TO, OUR OPERATION IN AN EMERGING MARKET AND OUR RELATIVELY NEW AND EVOLVING BUSINESS MODEL, OUR ABILITY TO EVALUATE OUR CURRENT AND FUTURE PROSPECTS, OUR ABILITY TO GENERATE ADDITIONAL REVENUE ON A COST-EFFECTIVE BASIS, OUR ABILITY TO ATTRACT AND RETAIN ADVERTISERS, OUR ABILITY TO INCREASE OUR NUMBER OF SUBSCRIBERS, LISTENER BASE AND LISTENER HOURS, OUR ABILITY TO CONTINUE OPERATING UNDER EXISTING LAWS AND LICENSING REGIMES, OUR ABILITY TO ENTER INTO AND MAINTAIN COMMERCIALLY VIABLE DIRECT LICENSES WITH RECORD LABELS AND PUBLISHERS FOR THE RIGHT TO REPRODUCE AND PUBLICLY PERFORM SOUND RECORDINGS AND THE UNDERLYING MUSICAL WORKS CONTAINED THEREIN ON OUR SERVICE, AND A NUMBER OF OTHER FACTORS OUTSIDE OF OUR CONTROL. FURTHER INFORMATION ON THESE FACTORS AND OTHER RISKS THAT MAY AFFECT OUR BUSINESS IS INCLUDED IN FILINGS WE MAKE WITH THE SECURITIES AND EXCHANGE COMMISSION FROM TIME TO TIME, INCLUDING OUR ANNUAL REPORT ON FORM 10-K AND OUR QUARTERLY REPORTS ON FORM 10-Q, PARTICULARLY UNDER THE HEADING "RISK FACTORS." MOREOVER, THE COMPANY OPERATES IN A VERY COMPETITIVE AND RAPIDLY CHANGING ENVIRONMENT. NEW RISKS EMERGE FROM TIME TO TIME. IT IS NOT POSSIBLE FOR COMPANY MANAGEMENT TO PREDICT ALL RISKS, NOR CAN THE COMPANY ASSESS THE IMPACT OF ALL FACTORS ON ITS BUSINESS OR THE EXTENT TO WHICH ANY FACTOR, OR COMBINATION OF FACTORS, MAY CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN ANY FORWARD-LOOKING STATEMENTS THE COMPANY MAY MAKE. IN LIGHT OF THESE RISKS, UNCERTAINTIES AND ASSUMPTIONS, THE FORWARD-LOOKING EVENTS AND CIRCUMSTANCES AND THE ACCOMPANYING ORAL PRESENTATION MAY NOT OCCUR AND ACTUAL RESULTS COULD DIFFER MATERIALLY AND ADVERSELY FROM THOSE ANTICIPATED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS. YOU SHOULD NOT RELY UPON FORWARD-LOOKING STATEMENTS AS PREDICTIONS OF FUTURE EVENTS. ALTHOUGH THE COMPANY BELIEVES THAT THE EXPECTATIONS REFLECTED IN THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, THE COMPANY CANNOT GUARANTEE THAT THE FUTURE RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR EVENTS AND CIRCUMSTANCES REFLECTED IN THE FORWARD-LOOKING STATEMENTS WILL BE ACHIEVED OR OCCUR. MOREOVER, NEITHER THE COMPANY NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE FORWARD-LOOKING STATEMENTS. ANY FORWARD-LOOKING STATEMENT SPEAKS ONLY AS OF ITS DATE. EXCEPT AS REQUIRED BY LAW, THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE PUBLICLY ANY FORWARD-LOOKING STATEMENTS FOR ANY REASON AFTER THE DATE OF THIS PRESENTATION, TO CONFORM THESE STATEMENTS TO ACTUAL RESULTS OR TO CHANGES IN THE COMPANY'S EXPECTATIONS.

Pandora Media Inc.
Consolidated Statements of Operations
Year Ended December 31
(in thousands, except per share amounts)

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended		
	3/31/2015	6/30/2015	9/30/2015	12/31/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)
Revenue													
Advertising	\$ 178,739	\$ 230,921	\$ 254,656	\$ 268,989	\$ 933,305	\$ 220,308	\$ 265,126	\$ 273,716	\$ 313,340	\$ 1,072,490	\$ 223,308	\$ 278,204	\$ 275,741
Subscription and other	52,025	54,639	56,906	57,001	220,571	54,732	55,125	56,100	59,829	225,786	64,878	68,900	84,414
Ticketing service (1)	-	-	-	10,167	10,167	22,265	22,771	22,085	19,429	86,550	27,818	29,730	18,484
Total revenue	<u>230,764</u>	<u>285,560</u>	<u>311,562</u>	<u>336,157</u>	<u>1,164,043</u>	<u>297,305</u>	<u>343,022</u>	<u>351,901</u>	<u>392,598</u>	<u>1,384,826</u>	<u>316,004</u>	<u>376,834</u>	<u>378,639</u>
Cost of revenue													
Cost of revenue - Content acquisition costs	126,023	130,134	211,272	142,933	610,362	171,264	176,633	174,334	212,122	734,353	187,420	195,875	204,222
Cost of revenue - Other (2) (3)	16,226	20,073	21,448	22,225	79,972	21,195	25,106	25,896	30,520	102,717	25,532	27,440	27,287
Cost of revenue - Ticketing service (1) (3)	-	-	-	7,121	7,121	14,646	15,259	15,318	14,057	59,280	18,618	20,510	11,269
Total cost of revenue	<u>142,249</u>	<u>150,207</u>	<u>232,720</u>	<u>172,279</u>	<u>697,455</u>	<u>207,105</u>	<u>216,998</u>	<u>215,548</u>	<u>256,699</u>	<u>896,350</u>	<u>231,570</u>	<u>243,825</u>	<u>242,778</u>
Gross profit	<u>88,515</u>	<u>135,353</u>	<u>78,842</u>	<u>163,878</u>	<u>466,588</u>	<u>90,200</u>	<u>126,024</u>	<u>136,353</u>	<u>135,899</u>	<u>488,476</u>	<u>84,434</u>	<u>133,009</u>	<u>135,861</u>
Operating expenses													
Product development (2) (3)	15,807	18,648	21,734	27,946	84,135	35,611	33,560	33,560	37,976	140,707	39,588	41,233	39,469
Sales and marketing (2) (3)	84,194	93,932	107,210	112,506	397,842	117,433	123,589	116,091	133,251	490,364	125,102	145,891	107,588
General and administrative (2) (3)	36,909	38,979	35,760	42,954	154,602	46,524	40,760	41,909	46,971	176,164	44,525	57,954	48,171
Goodwill impairment	-	-	-	-	-	-	-	-	-	-	-	131,997	-
Contract termination fees (benefit)	-	-	-	-	-	-	-	-	-	-	-	23,467	(423)
Total operating expenses	<u>136,910</u>	<u>151,559</u>	<u>164,704</u>	<u>183,406</u>	<u>636,579</u>	<u>199,568</u>	<u>197,909</u>	<u>191,560</u>	<u>218,198</u>	<u>807,235</u>	<u>209,215</u>	<u>400,542</u>	<u>194,805</u>
Loss from operations	<u>(48,395)</u>	<u>(16,206)</u>	<u>(85,862)</u>	<u>(19,528)</u>	<u>(169,991)</u>	<u>(109,368)</u>	<u>(71,885)</u>	<u>(55,207)</u>	<u>(82,299)</u>	<u>(318,759)</u>	<u>(124,781)</u>	<u>(267,533)</u>	<u>(58,944)</u>
Interest expense	(131)	(124)	(131)	(1,590)	(1,976)	(6,175)	(6,247)	(6,494)	(7,228)	(26,144)	(7,381)	(7,404)	(7,592)
Other income (expense), net	328	380	95	(47)	756	862	255	579	1	1,697	229	78	559
Total other income (expense), net	<u>197</u>	<u>256</u>	<u>(36)</u>	<u>(1,637)</u>	<u>(1,220)</u>	<u>(5,313)</u>	<u>(5,992)</u>	<u>(5,915)</u>	<u>(7,227)</u>	<u>(24,447)</u>	<u>(7,152)</u>	<u>(7,326)</u>	<u>(7,033)</u>
Loss before (provision for) benefit from income taxes	<u>(48,198)</u>	<u>(15,950)</u>	<u>(85,898)</u>	<u>(21,165)</u>	<u>(171,211)</u>	<u>(114,681)</u>	<u>(77,877)</u>	<u>(61,122)</u>	<u>(89,526)</u>	<u>(343,206)</u>	<u>(131,933)</u>	<u>(274,859)</u>	<u>(65,977)</u>
(Provision for) benefit from income taxes	(59)	(115)	(32)	1,756	1,550	(421)	1,544	(412)	(483)	228	(334)	(277)	(266)
Net loss	<u>\$ (48,257)</u>	<u>\$ (16,065)</u>	<u>\$ (85,930)</u>	<u>\$ (19,409)</u>	<u>\$ (169,661)</u>	<u>\$ (115,102)</u>	<u>\$ (76,333)</u>	<u>\$ (61,534)</u>	<u>\$ (90,009)</u>	<u>\$ (342,978)</u>	<u>\$ (132,267)</u>	<u>\$ (275,136)</u>	<u>\$ (66,243)</u>
Net loss available to common stockholders	<u>\$ (48,257)</u>	<u>\$ (16,065)</u>	<u>\$ (85,930)</u>	<u>\$ (19,409)</u>	<u>\$ (169,661)</u>	<u>\$ (115,102)</u>	<u>\$ (76,333)</u>	<u>\$ (61,534)</u>	<u>\$ (90,009)</u>	<u>\$ (342,978)</u>	<u>\$ (132,267)</u>	<u>\$ (289,664)</u>	<u>\$ (84,562)</u>
Basic and diluted net loss per common share	\$ (0.23)	\$ (0.08)	\$ (0.40)	\$ (0.09)	\$ (0.79)	\$ (0.51)	\$ (0.33)	\$ (0.27)	\$ (0.38)	\$ (1.49)	\$ (0.56)	\$ (1.20)	\$ (0.34)
Weighted-average basic and diluted common shares	209,928	211,742	212,760	220,625	213,790	226,659	229,745	232,139	234,173	230,693	237,515	241,320	245,810

(1) The quarter and year ended December 31, 2015 consists of two months of Ticketfly activity from the acquisition date of October 31, 2015 to December 31, 2015. The quarter ended September 30, 2017 consists of Ticketfly activity through the disposition date of September 1, 2017.

(2) Certain changes in presentation have been made to conform the prior period presentation to current period reporting. We have reclassified amortization of internal use-software costs from the product development and sales and marketing line items to the cost of revenue—other and general and administrative line items.

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended		
	3/31/2015	6/30/2015	9/30/2015	12/31/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017
(3) Includes stock-based compensation expense as follows:													
Cost of revenue - Other	\$ 1,207	\$ 1,406	\$ 1,427	\$ 1,491	\$ 5,531	\$ 1,477	\$ 1,544	\$ 1,538	\$ 1,549	\$ 6,108	\$ 815	\$ 814	\$ 803
Cost of revenue - Ticketing service	-	-	-	40	40	60	67	27	34	188	29	34	6
Product development	4,605	5,354	6,189	7,523	23,671	8,501	7,243	7,347	7,884	30,975	7,915	9,422	8,428
Sales and marketing	11,344	13,327	13,732	14,344	52,747	13,613	15,128	14,932	14,445	58,118	13,496	15,102	14,059
General and administrative	6,039	7,397	7,446	8,774	29,656	15,004	8,450	8,910	10,705	43,069	7,363	13,236	6,805
Total stock-based compensation expenses	<u>\$ 23,195</u>	<u>\$ 27,484</u>	<u>\$ 28,794</u>	<u>\$ 32,172</u>	<u>\$ 111,645</u>	<u>\$ 38,655</u>	<u>\$ 32,432</u>	<u>\$ 32,754</u>	<u>\$ 34,617</u>	<u>\$ 138,458</u>	<u>\$ 29,618</u>	<u>\$ 38,608</u>	<u>\$ 30,101</u>

Pandora Media Inc.
Consolidated Balance Sheets
Year Ended December 31
(in thousands)

	<u>3/31/2015</u>	<u>6/30/2015</u>	<u>9/30/2015</u>	<u>12/31/2015</u>	<u>3/31/2016</u>	<u>6/30/2016</u>	<u>9/30/2016</u>	<u>12/31/2016</u>	<u>3/31/2017</u>	<u>6/30/2017</u>	<u>9/30/2017</u>
	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)
Assets											
Current assets											
Cash and cash equivalents	\$ 221,014	\$ 204,103	\$ 242,981	\$ 334,667	\$ 303,454	\$ 238,367	\$ 207,695	\$ 199,944	\$ 170,881	\$ 209,581	\$ 493,181
Short-term investments	160,566	168,339	120,614	35,844	45,805	54,800	50,052	37,109	32,123	18,056	6,249
Accounts receivable, net	188,470	233,715	262,910	277,075	237,760	263,654	282,802	309,267	262,934	288,347	312,277
Prepaid content acquisition costs (1)	4,851	3,147	867	2,099	18,874	9,370	102,623	46,310	48,542	39,869	80,152
Prepaid expenses and other current assets (1)	14,590	13,517	16,296	33,821	29,308	33,916	34,166	33,191	29,422	18,188	20,294
Assets held for sale	-	-	-	-	-	-	-	-	-	227,844	-
Total current assets	589,491	622,821	643,668	683,506	635,201	600,107	677,338	625,821	543,902	801,885	912,153
Convertible promissory note receivable	-	-	-	-	-	-	-	-	-	-	34,132
Long-term investments	99,704	89,013	78,982	46,369	33,238	18,153	6,273	6,252	-	-	-
Property and equipment, net	46,718	54,741	56,424	66,370	81,412	102,016	118,453	124,088	128,815	120,792	117,700
Goodwill	-	407	23,052	303,875	304,787	306,715	306,706	306,691	306,421	71,243	71,243
Intangible assets, net	6,756	6,766	9,138	110,745	105,843	100,705	95,565	90,425	85,289	23,235	21,304
Other long-term assets	7,201	6,684	9,479	29,792	31,860	31,478	32,528	31,533	33,721	13,490	8,999
Total assets	\$ 749,870	\$ 780,432	\$ 820,743	\$ 1,240,657	\$ 1,192,341	\$ 1,159,174	\$ 1,236,863	\$ 1,184,810	\$ 1,098,148	\$ 1,030,645	\$ 1,165,531
Liabilities, redeemable convertible preferred stock and stockholders' equity											
Current liabilities											
Accounts payable	\$ 14,879	\$ 16,386	\$ 20,131	\$ 17,897	\$ 9,922	\$ 6,132	\$ 13,983	\$ 15,224	\$ 21,152	\$ 12,780	\$ 8,444
Accrued liabilities (1)	21,789	25,006	37,099	37,185	35,375	29,723	33,968	35,465	33,878	43,601	33,180
Accrued content acquisition costs	80,574	81,351	163,047	97,390	111,554	123,583	106,275	89,972	89,972	88,260	99,798
Accrued compensation (1)	27,968	39,905	36,856	43,788	43,938	48,971	52,089	60,353	43,871	45,580	42,753
Deferred revenue	26,740	27,097	22,682	19,939	27,579	28,751	31,971	28,359	32,355	32,475	33,977
Other current liabilities	-	-	-	15,632	23,044	17,432	20,739	20,993	32,848	-	-
Liabilities held for sale	-	-	-	-	-	-	-	-	-	43,059	-
Total current liabilities	171,950	189,745	279,815	231,831	251,412	254,592	259,025	254,117	254,076	265,755	218,152
Long-term debt, net	-	-	-	234,577	239,011	243,483	337,429	342,247	347,223	352,157	267,396
Other long-term liabilities	15,246	15,177	18,270	30,862	31,521	32,804	33,402	34,187	33,946	25,701	27,068
Total liabilities	187,196	204,922	298,085	497,270	521,944	530,879	629,856	630,551	635,245	643,613	512,616
Redeemable convertible preferred stock	-	-	-	-	-	-	-	-	-	173,095	483,588
Stockholders' equity											
Common stock	21	21	21	23	23	23	23	24	24	24	25
Additional paid-in capital	808,124	837,356	870,511	1,110,539	1,152,577	1,186,777	1,227,197	1,264,693	1,306,532	1,347,285	1,387,957
Accumulated deficit	(245,254)	(261,319)	(347,249)	(366,658)	(481,760)	(558,093)	(619,627)	(709,636)	(843,057)	(1,132,721)	(1,217,283)
Accumulated other comprehensive loss	(217)	(548)	(625)	(517)	(443)	(412)	(586)	(822)	(596)	(651)	(1,372)
Total stockholders' equity	562,674	575,510	522,658	743,387	670,397	628,295	607,007	554,259	462,903	213,937	169,327
Total liabilities, redeemable convertible preferred stock and stockholders' equity	\$ 749,870	\$ 780,432	\$ 820,743	\$ 1,240,657	\$ 1,192,341	\$ 1,159,174	\$ 1,236,863	\$ 1,184,810	\$ 1,098,148	\$ 1,030,645	\$ 1,165,531

(1) Certain changes in presentation have been made to conform the prior period presentation to current period reporting. We have reclassified goodwill and intangible assets from the other long-term assets line item to the goodwill and intangible assets, net line items. In addition, we have reclassified certain compensation-related amounts from the accrued liabilities line item to the accrued compensation line item. We have also reclassified prepaid content acquisition costs from the prepaid expenses and other assets line item to the prepaid content acquisition costs line item.

Pandora Media Inc.
Consolidated Statements of Cash Flows
Year Ended December 31
(in thousands)

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended		
	3/31/2015 (unaudited)	6/30/2015 (unaudited)	9/30/2015 (unaudited)	12/31/2015 (unaudited)	12/31/2015 (audited)	3/31/2016 (unaudited)	6/30/2016 (unaudited)	9/30/2016 (unaudited)	12/31/2016 (unaudited)	12/31/2016 (audited)	3/31/2017 (unaudited)	6/30/2017 (unaudited)	9/30/2017 (unaudited)
Operating Activities													
Net loss	\$ (48,257)	\$ (16,065)	\$ (85,930)	\$ (19,409)	\$ (169,661)	\$ (115,102)	\$ (76,333)	\$ (61,534)	\$ (90,009)	\$ (342,978)	\$ (132,267)	\$ (275,136)	\$ (66,243)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities													
Goodwill impairment	-	-	-	-	-	-	-	-	-	-	-	131,997	-
Loss on sales of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	9,459
Depreciation and amortization	4,340	5,025	5,829	9,264	24,458	13,277	14,360	15,843	17,277	60,757	17,680	17,435	14,006
Stock-based compensation	23,195	27,484	28,794	32,172	111,645	38,655	32,432	32,754	34,617	138,458	29,618	38,608	30,101
Amortization of premium on investments, net	619	610	483	199	1,911	140	107	92	66	405	53	20	5
Accretion of discount on convertible promissory note receivable	-	-	-	-	-	-	-	-	-	-	-	-	(171)
Other operating activities (1)	49	49	49	49	196	83	96	90	612	881	365	(179)	104
Amortization of debt discount	-	-	-	1,084	1,084	4,434	4,504	4,649	4,728	18,315	4,886	4,913	5,135
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	(258)
Bad debt	785	61	617	475	1,938	812	483	1,320	907	3,522	1,390	7,884	1,577
Changes in operating assets and liabilities													
Accounts receivable (1)	29,182	(45,305)	(29,673)	(10,108)	(55,904)	38,514	(26,375)	(20,477)	(27,372)	(35,710)	44,941	(32,347)	(23,888)
Prepaid content acquisition costs (1)	(4,151)	1,704	2,280	(1,232)	(1,399)	(16,775)	9,504	(93,253)	56,313	(44,211)	(2,232)	8,673	(40,283)
Prepaid expenses and other assets (1)	(925)	1,268	(6,740)	(11,122)	(17,519)	(2,967)	(5,902)	(3,786)	334	(12,321)	(5,579)	(6,085)	(6,291)
Accounts payable, accrued and other current liabilities (1)	8,087	3,872	17,642	(11,521)	18,080	(3,467)	(13,942)	12,419	10,284	5,294	13,192	1,880	(15,329)
Accrued content acquisition costs	6,896	801	81,726	(65,687)	23,736	14,152	12,025	(17,302)	(12,543)	(3,668)	(3,762)	(1,713)	11,538
Accrued compensation (1)	(4,390)	10,287	(1,564)	3,045	7,378	2,597	2,900	4,873	4,994	15,364	(13,207)	16	545
Other long-term liabilities (1)	(1,526)	(70)	3,096	4,505	6,005	659	(658)	597	786	1,384	(244)	420	(708)
Deferred revenue	12,328	357	(4,996)	(2,743)	4,946	7,640	1,172	3,220	(3,612)	8,420	3,996	120	1,502
Reimbursement of cost of leasehold improvements	749	-	265	10	1,024	4,244	153	-	-	4,397	5,236	-	-
Net cash provided by (used in) operating activities	26,981	(9,922)	11,878	(71,019)	(42,082)	(13,104)	(45,474)	(120,495)	(2,618)	(181,691)	(35,934)	(103,494)	(79,199)
Investing Activities													
Purchases of property and equipment (1)	(4,339)	(10,239)	(6,758)	(2,176)	(23,512)	(14,371)	(20,193)	(11,836)	(13,369)	(59,769)	(1,980)	(6,561)	(4,320)
Internal-use software costs (1)	(1,592)	(1,777)	(2,628)	(2,565)	(8,562)	(7,177)	(7,133)	(8,029)	(7,871)	(30,210)	(7,765)	(3,129)	(3,054)
Changes in restricted cash	-	-	-	-	-	-	(250)	-	-	(250)	-	(642)	-
Purchases of investments	(56,790)	(54,751)	(27,180)	(2,259)	(140,980)	(4,993)	(6,098)	(1,322)	-	(12,413)	-	-	-
Proceeds from maturities of investments	78,489	53,630	47,680	49,199	228,998	8,332	11,675	14,809	12,840	47,656	11,220	14,054	11,810
Proceeds from sales of investments	640	3,022	37,655	70,039	111,356	-	500	3,007	-	3,507	-	-	-
Proceeds from sales of subsidiaries, net	-	-	-	-	-	-	-	-	-	-	-	-	125,430
Payments related to acquisitions, net of cash acquired	-	(200)	(22,828)	(246,538)	(269,566)	(676)	-	-	-	(676)	-	-	-
Net cash provided by (used in) investing activities	16,408	(10,315)	25,941	(134,300)	(102,266)	(18,885)	(21,499)	(3,371)	(8,400)	(52,155)	1,475	3,722	129,866
Financing Activities													
Proceeds from issuance of redeemable convertible preferred stock	-	-	-	-	-	-	-	-	-	-	-	172,500	307,500
Payments of issuance costs	-	-	-	(8,909)	(8,909)	-	(32)	-	-	(32)	-	(12,625)	(16,659)
Proceeds from issuance of convertible notes	-	-	-	345,000	345,000	-	-	-	-	-	-	-	-
Payments for purchase of capped call	-	-	-	(43,160)	(43,160)	-	-	-	-	-	-	-	-
Repayment of debt arrangements	-	-	-	-	-	-	-	-	-	-	-	-	(90,000)
Borrowings under debt arrangements	-	-	-	-	-	-	-	90,000	-	90,000	-	-	-
Proceeds from employee stock purchase plan	1,619	1,656	1,814	2,463	7,552	1,687	2,150	2,558	3,306	9,701	2,798	3,348	1,866
Proceeds from exercise of stock options	1,094	1,768	856	1,474	5,192	520	1,353	1,138	446	3,457	2,388	750	4,698
Tax payments from net share settlements of restricted stock units	(888)	(19)	(1,888)	(245)	(2,540)	(1,294)	(1,467)	(365)	(243)	(3,369)	-	-	-
Net cash provided by financing activities	1,825	3,405	1,282	296,623	303,135	913	2,004	93,331	3,509	99,757	5,186	163,973	207,405
Effect of exchange rate changes on cash and cash equivalents	(157)	(79)	(223)	382	(77)	(137)	(118)	(137)	(242)	(634)	210	82	(55)
Net increase (decrease) in cash and cash equivalents	45,057	(16,911)	38,878	91,686	158,710	(31,213)	(65,087)	(30,672)	(7,751)	(134,723)	(29,063)	64,283	258,017
Cash and cash equivalents at beginning of period	175,957	221,014	204,103	242,981	175,957	334,667	303,454	238,367	207,695	334,667	199,944	170,881	209,581
Less: (Increase) decrease in cash held for sale	-	-	-	-	-	-	-	-	-	-	-	(25,583)	25,583
Cash and cash equivalents at end of period	\$ 221,014	\$ 204,103	\$ 242,981	\$ 334,667	\$ 334,667	\$ 303,454	\$ 238,367	\$ 207,695	\$ 199,944	\$ 199,944	\$ 170,881	\$ 209,581	\$ 493,181

(1) Certain changes in presentation have been made to conform the prior period presentation to current period reporting. We have reclassified certain compensation-related amounts from the change in accounts payable, accrued and other current liabilities line item to the change in accrued compensation line item. In addition, we have reclassified certain non-cash amounts from the amortization of debt issuance costs, the change in accounts receivable and loss on the retirement of fixed assets line items to the other operating activities line item. We have also reclassified certain non-cash amounts from the purchases of property and equipment line item to the change in prepaid expenses and other assets line item. In addition, we have reclassified internal-use software costs from purchases of property and equipment to the internal-use software costs line item. We have reclassified the change in prepaid content acquisition costs from the change in prepaid expenses and other assets line item to the change in prepaid content acquisition costs line item. Lastly, we have reclassified bad debt from the other operating activities line item to the bad debt line item.

Pandora Media Inc.
Reconciliation of GAAP to Non-GAAP Measures
(in thousands, except per share amounts)
(unaudited)

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended		
	3/31/2015	6/30/2015	9/30/2015	12/31/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017
Gross profit													
GAAP gross profit	\$ 88,515	\$ 135,353	\$ 78,842	\$ 163,878	\$ 466,588	\$ 90,200	\$ 126,024	\$ 136,353	\$ 135,899	\$ 488,476	\$ 84,434	\$ 133,009	\$ 135,861
Stock-based compensation - Cost of revenue	1,207	1,406	1,427	1,531	5,571	1,537	1,611	1,565	1,583	6,296	844	848	809
Amortization of intangibles - Cost of revenue	-	-	-	937	937	1,417	1,419	1,420	1,419	5,675	1,419	2,514	1,567
Pre-1972 sound recordings settlement	-	-	57,947	-	57,947	-	-	-	-	-	-	-	-
RMLC publisher royalty charge	-	-	23,934	-	23,934	-	-	-	-	-	-	-	-
Expense associated with the restructurings	-	-	-	-	-	-	-	-	-	-	312	78	-
Non-GAAP gross profit	\$ 89,722	\$ 136,759	\$ 162,150	\$ 166,346	\$ 554,977	\$ 93,154	\$ 129,054	\$ 139,338	\$ 138,901	\$ 500,447	\$ 87,009	\$ 136,449	\$ 138,237
Adjusted EBITDA and non-GAAP net loss													
GAAP net loss	\$ (48,257)	\$ (16,065)	\$ (85,930)	\$ (19,409)	\$ (169,661)	\$ (115,102)	\$ (76,333)	\$ (61,534)	\$ (90,009)	\$ (342,978)	\$ (132,267)	\$ (275,136)	\$ (66,243)
Depreciation and amortization	4,340	5,025	5,829	9,264	24,458	13,277	14,360	15,843	17,277	60,757	17,680	17,435	14,006
Stock-based compensation	23,195	27,484	28,794	32,172	111,645	38,655	32,432	32,754	34,617	138,458	29,618	38,608	30,101
Ticketfly and Rdio transaction costs	-	-	809	2,853	3,662	-	-	-	-	-	-	-	-
Other (income) expense, net	(197)	(256)	36	1,637	1,220	5,313	5,992	5,915	7,227	24,447	7,152	7,326	7,033
Provision for (benefit from) income taxes	59	115	32	(1,756)	(1,550)	421	(1,544)	412	483	(228)	334	277	266
Pre-1972 sound recordings settlement	-	-	57,947	-	57,947	-	-	-	-	-	-	-	-
RMLC publisher royalty charge	-	-	23,934	-	23,934	-	-	-	-	-	-	-	-
Expense associated with the restructurings	-	-	-	-	-	-	-	-	-	-	6,180	1,733	520
Goodwill impairment	-	-	-	-	-	-	-	-	-	-	-	131,997	-
Loss on sales of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	9,459
Contract termination fees (benefit)	-	-	-	-	-	-	-	-	-	-	-	23,467	(423)
Adjusted EBITDA	\$ (20,860)	\$ 16,303	\$ 31,451	\$ 24,761	\$ 51,655	\$ (57,436)	\$ (25,093)	\$ (6,610)	\$ (30,405)	\$ (119,544)	\$ (71,303)	\$ (54,293)	\$ (5,281)
Income tax effects of non-GAAP pre-tax loss	-	-	(2,332)	(8,697)	(11,029)	24,936	10,700	5,889	19,018	60,543	32,158	23,596	8,483
Other income (expense), net	197	256	(36)	(1,637)	(1,220)	(5,313)	(5,992)	(5,915)	(7,227)	(24,447)	(7,152)	(7,326)	(7,033)
(Provision for) benefit from income taxes	(59)	(115)	(32)	1,756	1,550	(421)	1,544	(412)	(483)	228	(334)	(277)	(266)
Depreciation	(4,157)	(4,842)	(5,391)	(5,975)	(20,365)	(6,982)	(7,942)	(9,009)	(10,558)	(34,491)	(10,557)	(11,821)	(11,845)
Non-GAAP net (loss) income	\$ (24,879)	\$ 13,292	\$ 23,660	\$ 10,208	\$ 20,591	\$ (45,216)	\$ (26,783)	\$ (16,057)	\$ (29,655)	\$ (117,711)	\$ (57,188)	\$ (50,121)	\$ (15,942)
Non-GAAP net (loss) income per common share - basic	\$ (0.12)	\$ 0.05	\$ 0.11	\$ 0.05	\$ 0.10	\$ (0.20)	\$ (0.12)	\$ (0.07)	\$ (0.13)	\$ (0.51)	\$ (0.24)	\$ (0.21)	\$ (0.06)
Non-GAAP net (loss) income per common share - diluted	\$ (0.12)	\$ 0.05	\$ 0.11	\$ 0.04	\$ 0.09	\$ (0.20)	\$ (0.12)	\$ (0.07)	\$ (0.13)	\$ (0.51)	\$ (0.24)	\$ (0.21)	\$ (0.06)
Weighted average basic common shares	209,928	211,742	212,760	220,625	213,790	226,659	229,745	232,139	234,173	230,693	237,515	241,320	245,810
Weighted average diluted common shares	209,928	221,260	222,899	229,408	222,743	226,659	229,745	232,139	234,173	230,693	237,515	241,320	245,810
Cost of revenue - content acquisition costs													
GAAP cost of revenue - content acquisition costs	\$ 126,023	\$ 130,134	\$ 211,272	\$ 142,933	\$ 610,362	\$ 171,264	\$ 176,633	\$ 174,334	\$ 212,122	\$ 734,353	\$ 187,420	\$ 195,875	\$ 204,222
Pre-1972 sound recordings settlement	-	-	(57,947)	-	(57,947)	-	-	-	-	-	-	-	-
RMLC publisher royalty charge	-	-	(23,934)	-	(23,934)	-	-	-	-	-	-	-	-
Non-GAAP cost of revenue - content acquisition costs	\$ 126,023	\$ 130,134	\$ 129,391	\$ 142,933	\$ 528,481	\$ 171,264	\$ 176,633	\$ 174,334	\$ 212,122	\$ 734,353	\$ 187,420	\$ 195,875	\$ 204,222
Product development													
GAAP product development	\$ 15,807	\$ 18,648	\$ 21,734	\$ 27,946	\$ 84,135	\$ 35,611	\$ 33,560	\$ 33,560	\$ 37,976	\$ 140,707	\$ 39,588	\$ 41,233	\$ 39,469
Stock-based compensation	(4,605)	(5,354)	(6,189)	(7,523)	(25,671)	(8,501)	(7,245)	(7,347)	(7,884)	(30,975)	(7,915)	(9,422)	(8,428)
Amortization of intangibles	-	-	(390)	(390)	(390)	(1,822)	(1,823)	(1,822)	(1,822)	(7,289)	(1,822)	(254)	(97)
Expense associated with the restructurings	-	-	-	-	-	-	-	-	-	-	(702)	(8)	(23)
Non-GAAP product development	\$ 11,202	\$ 13,294	\$ 15,545	\$ 20,033	\$ 60,074	\$ 25,288	\$ 24,944	\$ 24,391	\$ 28,270	\$ 102,443	\$ 29,149	\$ 31,549	\$ 30,921
Sales and marketing													
GAAP sales and marketing	\$ 84,194	\$ 93,932	\$ 107,210	\$ 112,506	\$ 397,842	\$ 117,433	\$ 123,589	\$ 116,091	\$ 133,251	\$ 490,364	\$ 125,102	\$ 145,891	\$ 107,588
Stock-based compensation	(11,344)	(13,327)	(13,732)	(14,344)	(52,747)	(13,613)	(15,128)	(14,932)	(14,445)	(58,118)	(13,496)	(15,102)	(14,059)
Amortization of intangibles	-	-	(255)	(1,083)	(1,338)	(1,711)	(1,713)	(1,713)	(1,713)	(6,850)	(1,713)	(1,170)	(83)
Amortization of non-recoupable ticketing contract advances	-	-	(696)	(696)	(696)	(1,162)	(1,280)	(1,696)	(1,582)	(5,720)	(1,986)	(1,493)	(230)
Loss on sales of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(75)
Expense associated with the restructurings	-	-	-	-	-	-	-	-	-	-	(3,656)	(1,551)	(286)
Non-GAAP sales and marketing	\$ 72,850	\$ 80,605	\$ 93,223	\$ 96,383	\$ 343,061	\$ 100,947	\$ 105,468	\$ 97,750	\$ 115,511	\$ 419,676	\$ 104,251	\$ 126,575	\$ 92,855
General and administrative													
GAAP general and administrative	\$ 36,909	\$ 38,979	\$ 35,760	\$ 42,954	\$ 154,602	\$ 46,524	\$ 40,760	\$ 41,909	\$ 46,971	\$ 176,164	\$ 44,525	\$ 57,954	\$ 48,171
Stock-based compensation	(6,039)	(7,397)	(7,446)	(8,774)	(29,656)	(15,004)	(8,450)	(8,910)	(10,705)	(43,009)	(7,363)	(13,236)	(6,805)
Amortization of intangibles	(183)	(183)	(183)	(183)	(732)	(183)	(183)	(183)	(183)	(732)	(183)	(183)	(184)
Loss on sales of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(9,384)
Ticketfly and Rdio transaction costs	-	-	(809)	(2,853)	(3,662)	-	-	-	-	-	-	-	-
Expense associated with the restructurings	-	-	-	-	-	-	-	-	-	-	(1,510)	(96)	(211)
Non-GAAP general and administrative	\$ 30,687	\$ 31,399	\$ 27,322	\$ 31,144	\$ 120,552	\$ 31,337	\$ 32,127	\$ 32,816	\$ 36,083	\$ 132,363	\$ 35,469	\$ 44,439	\$ 31,587

Pandora Media Inc.
Advertising Metrics
(unaudited)

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended		
	3/31/2015	6/30/2015	9/30/2015	12/31/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017
Advertising RPM	\$ 38.30	\$ 49.94	\$ 56.84	\$ 57.20	\$ 50.52	\$ 45.47	\$ 53.34	\$ 58.10	\$ 67.43	\$ 55.94	\$ 50.87	\$ 66.15	\$ 70.27
Advertising LPM	\$ 21.72	\$ 22.54	\$ 36.46	\$ 24.21	\$ 26.13	\$ 30.48	\$ 30.65	\$ 31.60	\$ 37.07	\$ 32.40	\$ 33.44	\$ 35.84	\$ 37.01

(1) Starting in the three months ended March 31, 2016, we will no longer present disaggregated RPM or LPM for our computer or mobile and other connected devices platforms. Previously, we had provided this information in order to demonstrate the potential monetization expansion opportunity as mobile and other connected devices markets matured. Revenue and listener hours for mobile and other connected devices have since grown to represent the significant majority of our total revenue and listener hours. In addition, we currently manage the business to optimize revenue across our device platforms and thus we no longer assess our performance on a disaggregated basis. As such, we no longer believe this disaggregation is relevant.

(2) Starting in the three months ended December 31, 2016, we will no longer present total RPM, total LPM, subscription RPM nor subscription LPM, as neither revenue nor costs are driven by listening hours for subscriptions given the terms of our license agreements for recorded music with major and independent labels, distributors and publishers.

Pandora Media, Inc.
Subscription Metrics
(unaudited)

	Quarter ended			
	12/31/2016	3/31/2017	6/30/2017	9/30/2017
Subscription ARPU (1)	\$ 4.73	\$ 4.76	\$ 4.82	\$ 5.58
Subscription LPU (1)	\$ 3.12	\$ 2.96	\$ 3.11	\$ 3.87

(1) Subscription ARPU ("ARPU") is defined as average monthly revenue per paid subscriber on our subscription services. Subscription LPU ("LPU") is defined as average monthly content acquisition costs per paid subscriber on our subscription services. We believe ARPU to be the central top-line indicator for evaluating the results of our monetization efforts on our subscription services. We track LPU because it is a key measure of our ability to manage costs for our subscription services.

**Pandora Media Inc.
Quarterly Metrics**

**Ticketfly Inc.
Quarterly Metrics**

Calendar Year	Calendar Quarter	Active Users (MM)	Listener Hours (B)	Paid Subscribers (MM) (2)	US Radio Share (%) 28-day Avg	Employees	Penetration Rate (%) (3)	Tickets processed (excluding box office) (MM)	Live events on sale (thousands)	Gross transaction value	Unique ticket buyers (MM)
										(excluding box office) (MM)	
2015	Q1	79.2	5.30	-	10.00	1624	-	-	-	-	-
	Q2	79.4	5.30	-	9.47	1746	-	-	-	-	-
	Q3	78.1	5.14	-	9.49	1879	-	-	-	-	-
	Q4 (1)	81.1	5.37	-	10.03	2219	-	3.0	32	100	1.3
2016	Q1	79.4	5.52	-	10.34	2269	-	3.8	35	170	1.6
	Q2	78.1	5.66	-	10.11	2334	-	3.7	38	160	1.6
	Q3	77.9	5.40	-	9.72	2421	-	3.9	40	155	1.7
	Q4	81.0	5.38	4.39	9.69	2488	5.4	3.8	40	130	1.6
2017	Q1	76.7	5.21	4.71	9.75	2303	6.1	4.8	44	215	2.0
	Q2	76.0	5.22	4.86	9.61	2312	6.4	4.7	48	195	2.0
	Q3 (4)	73.7	5.15	5.19	9.41	1967	7.0	-	-	-	-

(1) Ticketfly Q4 2015 metrics include the three months of Q4 2015, whereas the Q4 2015 financial results only include Ticketfly results from October 31, 2015, which is the date the acquisition was completed.

(2) Paid subscribers are defined as the number of distinct users that have current, paid access to our subscription service. Starting in Q4 2016, we track paid subscribers because it is a key indicator of the growth of our subscription services.

(3) Penetration rate is defined as paid subscribers divided by total trailing 30-day active users. Starting in Q4 2016, we track penetration rate as it is an indicator of the relative scale of our subscriber base.

(4) We completed the sale of Ticketfly on September 1, 2017. Starting in Q3 2017, we will no longer report Ticketfly metrics.

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