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## Section 1: 8-K (8-K)

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

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): January 12, 2017

**Pandora Media, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-35198**  
(Commission  
File Number)

**94-3352630**  
(IRS Employer  
Identification No.)

**2101 Webster Street, Suite 1650**  
**Oakland, CA 94612**  
(Address of principal executive offices, including zip code)

**(510) 451-4100**  
(Registrant's telephone number, including area code)

**Not Applicable**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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## **Item 2.05 Costs Associated with Exit or Disposal Activities.**

On January 12, 2017, Pandora Media, Inc. (the "Company") announced a reduction in force plan affecting approximately 7% of the Company's U.S. employee base, excluding Ticketfly. The Company's Board of Directors approved the plan on December 15, 2016 and the affected employees were informed of the plan on January 12, 2017. The reduction in force will allow the Company to focus and realign existing resources on execution and make further investments in product innovation to drive advertising revenue and subscription growth. The Company expects the reduction in force plan to be completed by the end of the first quarter of 2017.

In connection with the reduction in force plan, the Company estimates it will incur approximately \$5.0 million to \$7.0 million of cash expenditures, substantially all of which are related to employee severance and benefits costs. Total reduction in force costs are estimated at \$4.0 million to \$6.0 million, which is lower than cash reduction in force costs due to a credit related to non-cash stock-based compensation expense reversals for unvested equity awards. The Company expects to recognize most of these pre-tax reduction in force charges in the first quarter of 2017.

Item 2.05 of this Report ("Item 2.05") contains "forward-looking statements" within the meaning established by the Private Securities Litigation Reform Act of 1995, which are identified by words such as "plans," "expects," "may," "believes," "estimates" or "estimated," "intends," and other similar words, expressions, and formulations. Item 2.05 contains forward-looking statements regarding the timing and scope of the reduction in force plan; and the amount and timing of the related charges. Many factors could affect the actual results of the reduction in force plan, and variances from the Company's current expectations regarding such factors could cause actual results of the reduction in force plan to differ materially from those expressed in these forward-looking statements. The Company presently considers the following to be a non-exclusive list of important factors that could cause actual results to differ materially from its expectations: estimates of employee headcount reductions; cash expenditures that may be made by the Company in connection with the reduction in force plan; and the number of outstanding unvested equity awards that will be canceled as a result of the reduction in force plan. A detailed discussion of these and other risks and uncertainties that could cause the Company's actual results to differ materially from these forward-looking statements is included in the documents that the Company files with the Securities and Exchange Commission on Forms 10-K, 10-Q and 8-K. These forward-looking statements speak only as of the date of this Report, and the Company does not undertake any obligation to revise or update such statements, whether as a result of new information, future events, or otherwise.

## **Item 7.01 Regulation FD Disclosure.**

On January 12, 2017, the Company issued a press release and letter to its stockholders announcing Pandora Plus subscription metrics, that it expects to exceed its previously announced revenue and adjusted EBITDA guidance for the fourth quarter of 2016, and a reduction in force plan. This press release and letter to stockholders are furnished as Exhibit 99.1 and Exhibit 99.2 hereto, respectively.

The information provided pursuant to Item 7.01, including Exhibit 99.1 and Exhibit 99.2 attached hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

## **Item 9.01 Financial Statements and Exhibits.**

- (d) Exhibits.

<b>Exhibit No.</b>	<b>Exhibit Description</b>
99.1	Press release dated January 12, 2017
99.2	Letter to stockholders dated January 12, 2017



## EXHIBIT INDEX

Exhibit No.	Exhibit Description
99.1	Press release dated January 12, 2017
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## Section 2: EX-99.1 (EXHIBIT 99.1)



### **Pandora Expects to Exceed Q4 2016 Guidance, Citing Subscription Momentum and RPM Growth**

*Undertakes operational efficiency measures to reinforce commitment to focused execution and cost discipline*

**OAKLAND, Calif. — January 12, 2017** — Pandora (NYSE: P) announced today it expects to exceed previously announced Q4 2016 revenue and adjusted EBITDA guidance ranges<sup>1</sup> given strong advertising performance and has surpassed 4.3 million in paid subscription customers.

“During the fourth quarter, we accelerated our core advertising business, increased advertising RPM and saw strong improvements in adjusted EBITDA,” said Tim Westergren, CEO of Pandora. “Now, with all of the elements of our strategy in place, we are in the best position possible to expand our listener base, drive engagement and deliver significant value to all of our stakeholders.”

As a result of its direct deals with music labels and publishers, Pandora introduced Pandora Plus along with new features and functionality on its ad-supported tier to listeners at the end of the third quarter. By the end of December 2016, the product generated more than 375,000 net new subscribers.

“The initial response from both new and existing listeners to the enhancements on the service is extremely encouraging,” Westergren continues. “This excitement and engagement bodes well for the introduction of Pandora Premium later this quarter.”

Pandora is also undertaking operational efficiency measures to reduce overall operating costs in 2017. It plans to reduce its U.S. employee base (excluding Ticketfly) by approximately 7 percent by the end of Q1 2017. Additionally, the company is leveraging its analytics platform and ad insertion logic to drive additional revenue and realize leverage in content costs. Taken together, these measures are designed to ensure the company can execute on its core strategic initiatives without additional capital and enable further investments in product innovation to drive advertising revenue and subscription growth.

“2016 was a year of significant investment for Pandora. In 2017, we will manage the business toward full year adjusted EBITDA profitability,” said Westergren. “While making workforce reductions is always a difficult decision, the commitment to cost discipline will allow us to invest more heavily in product development and monetization and build on the foundations of our strategic investments.”

Fourth quarter and full year 2016 financial results will be shared and discussed on Thursday, February 9, 2017 via a conference call at 2:00 PM (PT) / 5:00 PM (ET). A live audio webcast will be available at <http://investor.pandora.com>. A live domestic dial-in will be available at (877) 355-0067 or internationally at (614) 999-7532. A domestic replay will be available at (855) 859-2056 or internationally at (614) 999-7532, using passcode 51921242, and available via webcast replay until March 2, 2017.

1. Pandora's previously communicated Q4 guidance indicated it expects revenue in the range of \$362 million to \$374 million and an adjusted EBITDA loss in the range of \$51 million to \$39 million. Adjusted EBITDA differs from GAAP net loss in that it excludes forecasted stock-based compensation expense of approximately \$35 million, depreciation and amortization expense of approximately \$18 million, a provision for income taxes of approximately \$0.4 million and other expense, net, of \$6 million and assumes minimal cash taxes given Pandora's net loss position.

## **ABOUT PANDORA**

Pandora is the world's most powerful music discovery platform - a place where artists find their fans and listeners find music they love. We are driven by a single purpose: unleashing the infinite power of music by connecting artists and fans, whether through earbuds, car speakers, live on stage or anywhere fans want to experience it. Our team of highly trained musicologists analyze hundreds of attributes for each recording which powers our proprietary Music Genome Project®, delivering billions of hours of personalized music tailored to the tastes of each music listener, full of discovery, making artist/fan connections at unprecedented scale. Founded by musicians, Pandora empowers artists with valuable data and tools to help grow their careers and connect with their fans.

### **"Safe Harbor" Statement:**

This press release contains forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements regarding expected revenue and adjusted EBITDA. These forward-looking statements are based on Pandora's current assumptions, expectations and beliefs and involve substantial risks and uncertainties that may cause results, performance or achievement to materially differ from those expressed or implied by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: our operation in an emerging market and our relatively new and evolving business model; our ability to estimate revenue reserves; our ability to increase our listener base and listener hours; our ability to attract and retain advertisers; our ability to generate additional revenue on a cost-effective basis; competitive factors; 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 for the right to reproduce and publicly perform sound recordings on our service; our ability to establish and maintain relationships with makers of mobile devices, consumer electronic products and automobiles; our ability to manage our growth and geographic expansion; our ability to continue to innovate and keep pace with changes in technology and our competitors; our ability to expand our operations to delivery of non-music content; our ability to protect our intellectual property; risks related to service interruptions or security breaches; and general economic conditions worldwide. Further information on these factors and other risks that may affect the business are included in filings with the Securities and Exchange Commission (SEC) from time to time, including under the heading "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2016.

The financial information contained in this press release should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's most recent reports on Form 10-K and Form 10-Q, each as they may be amended from time to time. The Company's results of operations for the current period are not necessarily indicative of the Company's operating results for any future periods.

These documents are available online from the SEC or on the SEC Filings section of the Investor Relations section of our website at [investor.pandora.com](http://investor.pandora.com). Information on our website is not part of this release. All forward-looking statements in this press release are based on information currently available to the Company, which assumes no obligation to update these forward-looking statements in light of new information or future events.

### **Non-GAAP Financial Measures**

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with accounting principles generally accepted in the United States ("GAAP"), the Company uses the following non-GAAP measures of financial performance: non-GAAP gross profit, non-GAAP net income (loss), non-GAAP basic EPS, non-GAAP diluted EPS and adjusted EBITDA. The presentation of this additional financial information is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. These non-GAAP measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP. In addition, these non-GAAP financial measures may be different from the non-GAAP financial measures used by other companies. These non-GAAP measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures. Management compensates for these limitations by reconciling these non-GAAP financial measures to the most comparable GAAP financial measures within our earnings releases.

Non-GAAP gross profit, non-GAAP net income (loss), non-GAAP basic EPS and non-GAAP diluted EPS differ from GAAP in that they exclude stock-based compensation expense, intangible amortization expense, amortization of non-recoupable ticketing contract advances, transaction costs from acquisitions and one-time cumulative charges to cost of revenue - content acquisition costs that are not directly reflective of our core business or operating results. The income tax effects of non-GAAP net income (loss) before provision for income taxes and the related non-GAAP adjustments have been reflected in non-GAAP net income (loss), non-GAAP basic EPS and non-GAAP diluted EPS.

**For Pandora**

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## Section 3: EX-99.2 (EXHIBIT 99.2)



Dear Stockholders,

Today we released early results on Pandora Plus and a preview of a strong fourth quarter driven by robust advertising revenue performance. We are pleased with this progress and excited to enter the new year with such strong momentum across the business.

In an effort to ensure continued execution across core initiatives in 2017, we took a comprehensive look at our operations and made the hard decisions necessary to focus the company on the most significant opportunities in front of us. As a result, we reduced our U.S. employee base (excluding Ticketfly) by 7 percent and said goodbye to colleagues who have worked tirelessly to make Pandora the force it is today. We take tremendous pride in the caliber of our team and the strength of our culture, and are deeply grateful for their many contributions. These are the tough, but important moments in the evolution of companies on their way to building large, enduring businesses.

With our strategy fully crystallized, new products launching and promising momentum in the core business, we are prioritizing the highest value opportunities and deprioritizing others. A commitment to focus, execution and cost discipline will allow us to invest more heavily in product development and monetization, while significantly reducing our operating expenses. And we made significant progress in the maturation of our analytics and ad insertion technologies. This is important because it enables us to optimize the configuration of our products to drive additional revenue and realize leverage in our content costs. Together, these changes keep us on the path toward our long-term financial targets as we manage the business toward profitability.

With that said, I'd like to outline our 2017 strategic priorities:

### **1. Continued acceleration of the core advertising business**

Perhaps the most notable signal in Q4 was RPM growth. This was not a one-time bump driven by overperformance on the part of our sales team. They vigorously attacked our quarterly goal, but we're also seeing the early impact of a more aggressive approach to ad load, tapping into new sources of automated demand and growing efficiencies from demand generation. We will bring concerted focus to driving this monetization efficiency through technology investment and operational excellence.

### **2. Subscription growth**



We drove more than 375,000 net new Plus subscribers in Q4, and with only a 7-day free trial in our acquisition toolkit. We are realizing the advantages of having a very large, endemic audience. In fact, more than 70 percent of our new subscribers came from in-app promotion - underscoring our assertion that we can garner subscribers while incurring minimal customer acquisition costs. This is one of the many points of differentiation in our paid subscription business, and bodes well for the launch of Premium later this quarter.

### **3. Artist and fan connections**

On the heels of the successful completion of direct agreements with music labels and publishers, we have seen a dramatic increase in partnership activity. A mere two months post-launch, thousands of artists have used the new AMP tool to publish more than 7,000 messages heard by Pandora listeners over 600 million times. Even more encouraging is the early data that shows artist engagement actually drives listening session length. Targeted concert recommendations have further enhanced the listener experience and are helping Pandora evolve into a one-stop destination for all things music.

With all the strategic pieces - a massive and engaged audience, big data, a robust monetization engine and a vibrant music industry partnership - fitting together in a mutually reinforcing ecosystem, the new Pandora is firing on all cylinders as we enter 2017. And with a beloved consumer brand, fresh new look and go-to-market plan, we are poised to go after a much bigger market opportunity than ever before.

Sincerely,

Tim

A handwritten signature in black ink, appearing to read 'Tim Westergren', with a long horizontal stroke extending to the right.

Tim Westergren  
Founder & CEO, Pandora