
Section 1: 8-K (8-K)

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): May 3, 2018

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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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.

Item 2.02 Results of Operations and Financial Condition.

On May 3, 2018, Pandora Media, Inc. (the "Company") issued a press release announcing its financial results for the three month period ended March 31, 2018. A copy of the press release is furnished as Exhibit 99.1 to this current report and is incorporated herein by reference.

The information furnished on this Form 8-K, including the exhibit attached, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (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, as amended, 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.

| Exhibit No. | Exhibit Description |
|------------------------|---------------------------------|
| 99.1 | Press Release dated May 3, 2018 |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

PANDORA MEDIA, INC.

Dated: May 3, 2018

By: /s/ Naveen Chopra

Naveen Chopra
Chief Financial Officer

EXHIBIT INDEX

| Exhibit No. | Exhibit Description |
|----------------------|---|
| 99.1 | Press Release dated May 3, 2018 |

[\(Back To Top\)](#)

Section 2: EX-99.1 (EXHIBIT 99.1)

Exhibit 99.1



PANDORA REPORTS Q1 2018 FINANCIAL RESULTS *Year-Over-Year Revenue Growth Accelerated in Q1*

- *Q1 Revenue was \$319.2 million, growing 12% year-over-year excluding ANZ & Ticketfly*
- *Q1 Subscription revenue was \$104.7 million, growing 63% year-over-year excluding ANZ & Ticketfly*
- *Ad RPM hit an all-time Q1 high of \$55.52, growing 9% year-over-year*
- *Total subscribers were 5.63 million, growing 19% year-over-year*
- *Q1 Revenue and Adjusted EBITDA significantly exceeded our forecast*
- *Announced acquisition of AdsWizz, creating the largest digital audio advertising ecosystem globally*

OAKLAND, Calif. - May 3, 2018 - Pandora (NYSE: P) today announced financial results for the first quarter ended March 31, 2018.

“Music streaming and digital audio continue to see massive growth, and this quarter we took key steps to position Pandora to capture this significant opportunity,” said Roger Lynch, CEO of Pandora. “We improved audience metrics—in part by increasing usage of Premium Access, which gives ad-supported listeners the ability to enjoy Pandora Premium after viewing a 15-second ad. We also accelerated our ad-tech roadmap with the acquisition of AdsWizz, and launched exciting new product features like personalized playlists. Looking ahead, Pandora is exactly where we want to be: at the center of a growing market with huge potential.”

First Quarter 2018 Financial Results & Highlights

Revenue: For the first quarter of 2018, total consolidated revenue was \$319.2 million, an approximate 12% year-over-year increase compared to the year-ago quarter, excluding Australia, New Zealand and Ticketfly. This included \$214.6 million in advertising revenue and \$104.7 million in subscription revenue. We discontinued our service in Australia and New Zealand on July 31, 2017, and Ticketfly was sold to Eventbrite on September 1, 2017.

GAAP Net Loss and Adjusted EBITDA: For the first quarter of 2018, GAAP net loss was \$131.7 million compared to a net loss of \$132.3 million in the same quarter last year. Adjusted EBITDA was a loss of \$73.3 million, compared to a loss of \$71.3 million in the same quarter last year.

Cash and Investments: For the first quarter of 2018, the Company ended with \$544.4 million in cash and investments, compared to \$500.8 million at the end of the prior quarter.

Strategic Acquisition: Pandora announced the acquisition of AdsWizz, signaling a clear acceleration of our ad tech capabilities, allowing us to transition from the largest ad supported digital audio publisher to the largest ad supported digital audio platform. AdsWizz has customers in 39 countries, and offers a full stack of tools and services ranging from programmatic audio on both the demand and supply sides to ad serving technology to ROI measurement to podcast tools and self-serve capabilities.

Product & Partnership Launches: Premium Access, which has been used by approximately 13 million listeners to date, continues to showcase the full capabilities of our premiere subscription product, for free, following a view of a 15-second ad. The Company additionally launched Personalized Soundtracks, which provide unique playlists tailored for each listener and are powered by the Music Genome Project—one of the richest data-sets of music information in the world.

Pandora also continued to expand its footprint, launching Pandora Premium on Amazon Fire TV, Fitbit Versa and on the web in the first quarter. Additionally, Pandora announced a partnership with leading smart link aggregator, Linkfire, to make discovering music easier for fans, while amplifying marketing efforts for labels and artists.

Listener Hours: Total listener hours were 4.96 billion for the first quarter of 2018, compared to 5.21 billion for the same period of the prior year.

Active Listeners: Active listeners were 72.3 million at the end of the first quarter of 2018.

Subscribers: Pandora Plus and Pandora Premium subscribers were 5.63 million at the end of the first quarter of 2018.

Other Information

Guidance: Guidance will be discussed during the first quarter 2018 conference call.

First Quarter 2018 Financial Results Conference Call: Pandora will host a conference call today at 2 p.m. PT/5 p.m. ET to discuss first quarter 2018 financial results with the investment community. A live webcast of the event will be available on the Pandora Investor Relations website at <http://investor.pandora.com>. A live domestic dial-in is available at (877) 355-0067 or (614) 999-7532 internationally. A domestic replay will be available at (855) 859-2056 or (404) 537-3406 internationally, using passcode **1771049**, and available via webcast replay until May 24, 2018.

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, 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.

www.pandora.com | @pandoramusic | www.pandoraforbrands.com | [@PandoraBrands](https://www.instagram.com/PandoraBrands) | amp.pandora.com

"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, and the benefits to Pandora from the acquisition of AdsWizz. 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 most recent reports on Form 10-K and Form 10-Q.

The financial information contained in this press release should be read in conjunction with the consolidated financial statements and notes thereto included in our most recent reports on Form 10-K and Form 10-Q, each as they may be amended from time to time. Our results of operations for the current period are not necessarily indicative of our 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. 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 loss, non-GAAP basic and diluted net loss per common share, adjusted EBITDA, non-GAAP product development, non-GAAP sales and marketing and non-GAAP general and administrative. 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 loss, non-GAAP basic and diluted net loss per common share, non-GAAP product development, non-GAAP sales and marketing and non-GAAP general and administrative differ from GAAP in that they exclude stock-based compensation expense, intangible amortization expense, amortization of non-recoupable ticketing contract advances, expense associated with the restructurings, transaction costs and loss on sales of subsidiaries. The income tax effects of non-GAAP pre-tax loss have been reflected in non-GAAP net loss and non-GAAP basic and diluted net loss per common share.

Adjusted EBITDA: Adjusted EBITDA excludes stock-based compensation expense, provision for income taxes, depreciation and intangible amortization expense, amortization of non-recoupable ticketing contract advances, other expense, expense associated with the restructurings, transaction costs and loss on sales of subsidiaries.

Stock-based Compensation Expense: consists of expenses for stock options, restricted stock units and other awards under our equity incentive plans. Stock-based compensation is included in the following cost and expense line items of our GAAP presentation: cost of revenue—other, cost of revenue—ticketing service, product development, sales and marketing and general and administrative.

Although stock-based compensation is an expense for the Company and is viewed as a form of compensation, management excludes stock-based compensation from our non-GAAP measures and adjusted EBITDA results for

purposes of evaluating our continuing operating performance primarily because it is a non-cash expense not believed by management to be reflective of our core business, ongoing operating results or future outlook. In addition, the value of stock-based instruments is determined using formulas that incorporate variables, such as market volatility, that are beyond our control.

Provision for Income Taxes: consists of expense recognized related to U.S. and foreign income taxes. The Company considers its adjusted EBITDA results without these charges when evaluating its ongoing performance because it is not believed by management to be reflective of our core business, ongoing operating results or future outlook.

Depreciation and Intangible Amortization Expense: consists of non-cash charges that can be affected by the timing and magnitude of business combinations and asset purchases. Depreciation and intangible amortization expense is included in the following cost and expense line items of our GAAP presentation: cost of revenue—other, cost of revenue—ticketing service, product development, sales and marketing and general and administrative. Depreciation and intangible amortization expense also consists of non-cash amortization of non-recoupable amounts paid in advance to the Company’s clients pursuant to ticketing agreements. Amortization of non-recoupable ticketing contract advances is included in the sales and marketing line of our GAAP presentation. Management considers its operating results without intangible amortization expense and amortization of non-recoupable ticketing contract advances when evaluating its ongoing non-GAAP performance and without depreciation, intangible amortization expense and amortization of non-recoupable ticketing contract advances when evaluating its ongoing adjusted EBITDA performance because these charges are non-cash expenses that can be affected by the timing and magnitude of business combinations, asset purchases and new client agreements and may not be reflective of our core business, ongoing operating results or future outlook.

Other Expense: consists primarily of interest expense related to our Convertible Senior Notes and our Credit Facility. The Company considers its adjusted EBITDA results without these charges when evaluating its ongoing performance because it is not believed by management to be reflective of our core business, ongoing operating results or future outlook.

Expense Associated with the Restructurings: consists of employee-related expense recognized in connection with the workforce reductions in the first quarters of 2018 and 2017 and the restructuring in Australia and New Zealand. These costs are included in the following cost and expense line items of our GAAP presentation: cost of revenue—other, product development, sales and marketing and general and administrative. This also consists of professional fees recognized in connection with the reorganization of the Company in the first quarters of 2017 and 2018, which are included in the general and administrative line item of our GAAP presentation. The Company considers its non-GAAP and adjusted EBITDA results without these charges when evaluating its ongoing performance because these charges are not believed by management to be reflective of our core business, ongoing operating results or future outlook.

Transaction Costs: consists of professional and legal fees recognized during the period, primarily related to the AdsWizz, Inc. acquisition. These costs are included in the general and administrative line item of our GAAP presentation. The Company considers its non-GAAP and adjusted EBITDA results without these charges when evaluating its ongoing performance because these charges are not believed by management to be reflective of our core business, ongoing operating results or future outlook.

Loss on Sales of Subsidiaries: consists of loss on sales of subsidiaries recognized during the period, primarily related to the Ticketfly disposition, including the cancellation of the convertible promissory note receivable. These amounts were calculated as the decrease in the fair value less costs to sell for sales of our subsidiaries and were recorded as loss on sales during the period. The Company considers its operating results without these charges when evaluating its ongoing non-GAAP and adjusted EBITDA results because these charges are not believed by management to be reflective of our core business, ongoing operating results or future outlook.

Income Tax Effects of Non-GAAP Pre-tax Loss: The Company adjusts non-GAAP pre-tax net loss by considering the income tax effects of its non-GAAP adjustments. The Company is currently forecasting a non-GAAP effective tax

rate of approximately 22% to 25% cumulatively for each quarter and the full year 2018. However, the Company is not expected to incur any material cash taxes due to its net operating loss position.

Management believes these non-GAAP financial measures and adjusted EBITDA serve as useful metrics for our management and investors because they enable a better understanding of the long-term performance of our core business and facilitate comparisons of our operating results over multiple periods and to those of peer companies, and when taken together with the corresponding GAAP financial measures and our reconciliations, enhance investors' overall understanding of our current financial performance.

In the financial tables below, the Company provides a reconciliation of the most comparable GAAP financial measure to the historical non-GAAP financial measures used in this earnings release.

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Pandora Media, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)
(unaudited)

| | Three months ended March 31, | |
|--|---------------------------------|------------------|
| | 2017 | 2018 |
| Revenue | | |
| Advertising | \$ 223,308 | \$ 214,568 |
| Subscription and other | 64,878 | 104,665 |
| Ticketing service | 27,818 | — |
| Total revenue | 316,004 | 319,233 |
| Cost of revenue | | |
| Cost of revenue—Content acquisition costs | 187,420 | 217,580 |
| Cost of revenue—Other (1) | 25,532 | 26,849 |
| Cost of revenue—Ticketing service (1) | 18,618 | — |
| Total cost of revenue | 231,570 | 244,429 |
| Gross profit | 84,434 | 74,804 |
| Operating expenses | | |
| Product development (1) | 39,588 | 35,884 |
| Sales and marketing (1) | 125,102 | 124,216 |
| General and administrative (1) | 44,525 | 41,631 |
| Total operating expenses | 209,215 | 201,731 |
| Loss from operations | (124,781) | (126,927) |
| Interest expense | (7,381) | (7,286) |
| Other income, net | 229 | 2,582 |
| Total other expense, net | (7,152) | (4,704) |
| Loss before provision for income taxes | (131,933) | (131,631) |
| Provision for income taxes | (334) | (74) |
| Net loss | (132,267) | (131,705) |
| Net loss available to common stockholders | \$ (132,267) | \$ (139,068) |
| Basic and diluted net loss per common share | \$ (0.56) | \$ (0.55) |
| Weighted-average basic and diluted common shares | 237,515 | 252,934 |

(1) Includes stock-based compensation expense as follows:

| | Three months ended March 31, | |
|---|---------------------------------|------------------|
| | 2017 | 2018 |
| Cost of revenue—Other | \$ 815 | \$ 742 |
| Cost of revenue—Ticketing service | 29 | — |
| Product development | 7,915 | 6,417 |
| Sales and marketing | 13,496 | 11,817 |
| General and administrative | 7,363 | 7,460 |
| Total stock-based compensation expense | \$ 29,618 | \$ 26,436 |

Pandora Media, Inc.
Condensed Consolidated Balance Sheets
(in thousands)

| | <u>As of December 31,</u> <u>2017</u> <u>(audited)</u> | <u>As of March 31,</u> <u>2018</u> <u>(unaudited)</u> |
|---|--|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 499,597 | \$ 454,923 |
| Short-term investments | 1,250 | 89,482 |
| Accounts receivable, net | 336,429 | 269,584 |
| Prepaid content acquisition costs | 55,668 | 35,901 |
| Prepaid expenses and other current assets | 19,220 | 20,074 |
| Total current assets | 912,164 | 869,964 |
| Convertible promissory note receivable | 35,471 | — |
| Property and equipment, net | 116,742 | 114,487 |
| Goodwill | 71,243 | 71,243 |
| Intangible assets, net | 19,409 | 17,891 |
| Other long-term assets | 11,293 | 11,285 |
| Total assets | \$ 1,166,322 | \$ 1,084,870 |
| Liabilities, redeemable convertible preferred stock and stockholders' equity | | |
| Current liabilities | | |
| Accounts payable | \$ 14,896 | \$ 15,762 |
| Accrued liabilities | 34,535 | 37,655 |
| Accrued content acquisition costs | 97,751 | 106,254 |
| Accrued compensation | 47,635 | 42,908 |
| Deferred revenue | 31,464 | 37,681 |
| Total current liabilities | 226,281 | 240,260 |
| Long-term debt, net | 273,014 | 278,410 |
| Other long-term liabilities | 23,500 | 22,714 |
| Total liabilities | 522,795 | 541,384 |
| Redeemable convertible preferred stock | 490,849 | 498,211 |
| Stockholders' equity | | |
| Common stock | 25 | 26 |
| Additional paid-in capital | 1,422,221 | 1,453,915 |
| Accumulated deficit | (1,269,351) | (1,408,419) |
| Accumulated other comprehensive loss | (217) | (247) |
| Total stockholders' equity | 152,678 | 45,275 |
| Total liabilities, redeemable convertible preferred stock and stockholders' equity | \$ 1,166,322 | \$ 1,084,870 |

Pandora Media, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands) (unaudited)

| | Three months ended March 31, | |
|--|---------------------------------|--------------|
| | 2017 | 2018 |
| Operating activities | | |
| Net loss | \$ (132,267) | \$ (131,705) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities | | |
| Loss on dispositions | — | 2,173 |
| Depreciation and amortization | 17,680 | 13,779 |
| Stock-based compensation | 29,618 | 26,436 |
| Amortization of premium on investments, net | 53 | (118) |
| Accretion of discount on convertible promissory note receivable | — | (534) |
| Other operating activities | 365 | 65 |
| Amortization of debt discount | 4,886 | 5,396 |
| Interest income | — | (810) |
| Provision for (recoveries of) bad debt | 1,390 | (315) |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 44,941 | 67,160 |
| Prepaid content acquisition costs | (2,232) | 19,767 |
| Prepaid expenses and other assets | (5,579) | (1,588) |
| Accounts payable, accrued and other current liabilities | 13,192 | 4,749 |
| Accrued content acquisition costs | (3,762) | 8,503 |
| Accrued compensation | (13,207) | (1,347) |
| Other long-term liabilities | (244) | (786) |
| Deferred revenue | 3,996 | 6,217 |
| Reimbursement of cost of leasehold improvements | 5,236 | 357 |
| Net cash (used in) provided by operating activities | (35,934) | 17,399 |
| Investing activities | | |
| Purchases of property and equipment | (1,980) | (3,410) |
| Internal-use software costs | (7,765) | (5,489) |
| Purchases of investments | — | (89,341) |
| Proceeds from maturities of investments | 11,220 | 1,250 |
| Proceeds from cancellation of convertible promissory note receivable | — | 34,742 |
| Net cash provided by (used in) investing activities | 1,475 | (62,248) |
| Financing activities | | |
| Proceeds from employee stock purchase plan | 2,798 | 37 |
| Proceeds from exercise of stock options | 2,388 | 248 |
| Tax payments from net share settlements of restricted stock units | — | (287) |
| Net cash provided by (used in) financing activities | 5,186 | (2) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 210 | (8) |
| Net decrease in cash, cash equivalents and restricted cash | (29,063) | (44,859) |
| Cash, cash equivalents and restricted cash at beginning of period | 201,820 | 500,854 |
| Cash, cash equivalents and restricted cash at end of period | \$ 172,757 | \$ 455,995 |
| Reconciliation of cash, cash equivalents and restricted cash as shown in the statements of cash flows | | |
| Cash and cash equivalents | \$ 170,881 | \$ 454,923 |
| Restricted cash included in prepaid expenses and other current assets line item of Condensed Consolidated Balance Sheets | — | 1,072 |
| Restricted cash included in other long-term assets line item of Condensed Consolidated Balance Sheets | 1,876 | — |
| Total cash, cash equivalents and restricted cash | \$ 172,757 | \$ 455,995 |

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

| | Three months ended | |
|--|---------------------------|--------------|
| | March 31, | |
| | 2017 | 2018 |
| Gross profit | | |
| GAAP gross profit | \$ 84,434 | \$ 74,804 |
| Stock-based compensation—Cost of revenue | 844 | 742 |
| Amortization of intangibles—Cost of revenue | 1,419 | 1,155 |
| Expense associated with the restructurings | 312 | — |
| Non-GAAP gross profit | \$ 87,009 | \$ 76,701 |
| Adjusted EBITDA and non-GAAP net loss | | |
| GAAP net loss | \$ (132,267) | \$ (131,705) |
| Depreciation and amortization | 17,680 | 13,779 |
| Stock-based compensation | 29,618 | 26,436 |
| Other expense, net | 7,152 | 4,704 |
| Provision for income taxes | 334 | 74 |
| Expense associated with the restructurings | 6,180 | 8,868 |
| Transaction costs | — | 2,359 |
| Loss on sales of subsidiaries | — | 2,173 |
| Adjusted EBITDA | \$ (71,303) | \$ (73,312) |
| Income tax effects of non-GAAP pre-tax loss | 32,158 | 21,750 |
| Other expense, net | (7,152) | (4,704) |
| Provision for income taxes | (334) | \$ (74) |
| Depreciation | (10,557) | (12,261) |
| Non-GAAP net loss | \$ (57,188) | \$ (68,601) |
| Non-GAAP net loss per common share - basic and diluted | (0.24) | (0.27) |
| Weighted average basic and diluted common shares | 237,515 | 252,934 |

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

| | Three months ended March 31, | |
|--|---------------------------------|------------|
| | 2017 | 2018 |
| Product development | | |
| GAAP product development | \$ 39,588 | \$ 35,884 |
| Stock-based compensation | (7,915) | (6,417) |
| Amortization of intangibles | (1,822) | (97) |
| Expense associated with the restructurings | (702) | (622) |
| Non-GAAP product development | \$ 29,149 | \$ 28,748 |
| Sales and marketing | | |
| GAAP sales and marketing | \$ 125,102 | \$ 124,216 |
| Stock-based compensation | (13,496) | (11,817) |
| Amortization of intangibles | (1,713) | (83) |
| Amortization of non-recoupable ticketing contract advances | (1,986) | — |
| Loss on sales of subsidiaries | — | (100) |
| Expense associated with the restructurings | (3,656) | (4,608) |
| Non-GAAP sales and marketing | \$ 104,251 | \$ 107,608 |
| General and administrative | | |
| GAAP general and administrative | \$ 44,525 | \$ 41,631 |
| Stock-based compensation | (7,363) | (7,460) |
| Amortization of intangibles | (183) | (183) |
| Transaction costs | — | (2,359) |
| Loss on sales of subsidiaries | — | (2,073) |
| Expense associated with the restructurings | (1,510) | (3,638) |
| Non-GAAP general and administrative | \$ 35,469 | \$ 25,918 |

Pandora Media, Inc.
Ad RPM and LPM History
(unaudited)

| | Three months ended March 31, | | | |
|-----------------|-------------------------------------|-------|-------------|-------|
| | 2017 | | 2018 | |
| Advertising RPM | \$ | 50.87 | \$ | 55.52 |
| Advertising LPM | \$ | 33.44 | \$ | 36.35 |

Pandora Media, Inc.
Subscription ARPU and LPU History
(unaudited)

| | Three months ended March 31, | | | |
|-------------------|-------------------------------------|------|-------------|------|
| | 2017 | | 2018 | |
| Subscription ARPU | \$ | 4.76 | \$ | 6.30 |
| Subscription LPU | \$ | 2.96 | \$ | 4.65 |

[\(Back To Top\)](#)