Live Nation, Ticketmaster merge after approval (Update)

January 25 2010, By RYAN NAKASHIMA , AP Business Writer

In this May 11, 2009 file photo, Ticketmaster tickets and gift cards are shown at a box office in San Jose, Calif. The Department of Justice has imposed major concessions upon Live Nation and Ticketmaster Monday, Jan. 25, 2010, in approving the companies' merger.(AP Photo/Paul Sakuma, file)

(AP) -- Concert promoter Live Nation and ticket-seller Ticketmaster consummated their merger on Monday after the U.S. Justice Department approved it with conditions meant to lower ticket prices for consumers.

Shares in both companies rallied by about 15 percent in trading Monday, showing that investors approved of how the Obama administration handled its first big merger with its appointee Christine Varney as assistant attorney general.

Regulators required Ticketmaster to license its ticketing software to a competitor and sell a subsidiary that handles tens of millions of tickets a year.

That is meant to strengthen the companies that will compete for ticketing contracts and concert promotion work with Live Nation Entertainment Inc., the new company formed by the merger of Live Nation Inc. and Ticketmaster Entertainment Inc.

"Generally when you see robust competition, you see prices coming down," Varney told reporters. "This is the right result."

Consumer groups, ticket resellers and some politicians had expressed concerns that the combined company would control too much of the concert experience. Varney said the original proposal for the merger would have been "anticompetitive."

Both companies agreed to the conditions, but a federal court in Washington still has to approve it. Canadian regulators and 17 state attorneys general also signed on to the deal.

The combined company will handle all aspects of the concert business, including promoting them, selling tickets, beer and parking, putting out albums and managing an artist roster that includes U2, Madonna, Jay-Z and the Eagles. Its operations span more than 30 countries. The companies said music fans will benefit through lower ticket prices because the merged company can earn money in ways that separate companies could not.

Michael Rapino, CEO of Live Nation and the merged company, said the merger creates "a more diversified company with a great selling platform for artists and a stronger financial profile that will drive improved shareholder value over the long term."

Under the Justice Department rules, Ticketmaster must license its software for five years to Anschutz Entertainment Group Inc., which owns the Staples Center and other venues. It was also directed to sell subsidiary Paciolan to Comcast-Spectator, a subsidiary of Comcast Corp.

But consumers might not notice the difference right away, partly because the merger agreement preserves long-term exclusive ticketing contracts with venues.

AEG and Comcast-Spectacor could take years to effectively take ticketing deals away from Ticketmaster, Gabelli & Co. analyst Brett Harriss said. Only then would ticket fees start to come down, Harriss said.

Varney said about 20 percent of Ticketmaster's deals with venues will expire in 2010. Previously the vast majority of Ticketmaster clients renewed their deals upon expiration.

Some vocal opponents continued their attack. Rep. Bill Pascrell Jr., D-N.J., said the ruling did not address the resale market that led to consumers paying inflated prices for a Bruce Springsteen concert last February.

It also did not affect the vertical integration the companies proposed - although Varney said her department would monitor the companies for 10 years to prevent anticompetitive bundling of services.

Don Vaccaro, chief executive of ticket resale site TicketNetwork, said having three strong players was better than just one, but it still left small ticket retailers at a disadvantage, especially for VIP seating packages that artists sometimes release through their concert promoters.

"They created a lot of little monopolies on tickets at venues," Vaccaro said. "It could have gone further."

Under the deal, the merged entity will be under a 10-year court order prohibiting it from retaliating against venues that choose to sign ticket-selling contracts with competitors. It also must allow venues that sign deals elsewhere to take consumer ticketing data with them.

Live Nation, which is based in Los Angeles, and Ticketmaster, which has headquarters nearby in West Hollywood, have said the merger will streamline their operations, allowing them to save $40 million a year. It reversed a schism that happened in 2009, when Live Nation let its ticketing deal with Ticketmaster expire and instead sold tickets to its own venues with the help of German company CTS Eventim AG.

The merger closed on Monday, with Ticketmaster stockholders receiving about 1.474 Live Nation shares for every Ticketmaster share they own. Ticketmaster shares stopped trading at the end of the day.

Ticketmaster shares rose $2.10, or 15.8 percent, to close at $15.40 while Live Nation shares closed up $1.35, or 14.7 percent, at $10.51. The merged company now has a market capitalization of about $889 million.

Both Comcast-Spectacor and AEG hailed the ruling as an opportunity to expand their businesses.

Comcast-Spectacor, which owns the Philadelphia Flyers, Philadelphia 76ers and two arenas, said it would add Paciolan's 200 ticketing accounts and complement its capabilities as a venue manager, food and beverage seller and seller of venue-naming rights.

AEG Chief Executive Timothy Leiweke said his company has a commitment from Ticketmaster to run ticket-selling operations under the brands of AEG and its clients starting immediately if AEG wants, and running for five years. He said AEG will "aggressively explore" alternative ticketing platforms in the coming years. AEG can choose to keep Ticketmaster's technology or develop a separate system by itself or with partners.