
**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): April 23, 2015

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 2.02 Results of Operations and Financial Condition.

On April 23, 2015, Pandora Media, Inc. issued a press release announcing its financial results for the three month period ended March 31, 2015. 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 April 23, 2015 |

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: April 23, 2015

By: /s/ Michael S. Herring
Michael S. Herring
Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

**Exhibit
No.**

Exhibit Description

99.1

Press Release dated April 23, 2015

PANDORA®

PANDORA REPORTS Q1 2015 FINANCIAL RESULTS

- *User engagement reaches an all-time high of 22.3 hours per active user per month*
- *Q1 2015 total revenue was \$230.8 million, growing 19% year-over-year on a GAAP basis and 28% on a non-GAAP basis*
- *Q1 2015 advertising revenue was \$178.7 million, growing 27% year-over-year*
- *Q1 2015 total mobile revenue was \$181.1 million, growing 23% year-over-year on a GAAP basis and 35% on a non-GAAP basis*
- *Q1 2015 local advertising revenue was \$43.3 million, growing 67% year-over-year*
- *Q1 2015 total listener hours were 5.30 billion, growing 11% year-over-year*

OAKLAND, Calif. - April 23, 2015 - Pandora (NYSE: P), the leading Internet radio service, today announced financial results for the first quarter ended March 31, 2015.

“We’ve been actively investing in every part of our business - from the music we play, to the ad technology and music maker products we offer. This quarter’s results are a reflection of those investments paying off,” stated Brian McAndrews chairman, president and CEO of Pandora. “In a time when listeners and brand partners have more choices than ever, listener hours grew, local advertisers increased their spending with us and we continued to advance our lead in digital audio by generating more demand and strong sell through.”

First Quarter 2015 Financial Results

Revenue: For the first quarter of 2015, total revenue was \$230.8 million, a 19% year-over-year increase on a GAAP basis and a 28% year-over-year increase on a non-GAAP basis¹. Advertising revenue was \$178.7 million, a 27% year-over-year increase. Subscription and other revenue was \$52.0 million, a 32% year-over-year increase on a non-GAAP basis.

Adjusted EBITDA: For the first quarter of 2015, adjusted EBITDA was a loss of \$20.9 million, a 7% year-over-year improvement. Adjusted EBITDA excludes \$23.2 million in expense from stock-based compensation, \$4.3 million of depreciation and amortization expense, \$0.1 million of provision for income taxes and \$0.2 million of other income.

Cash and Investments: For the first quarter of 2015, the Company ended with \$481.3 million in cash and investments, compared to \$458.8 million at the end of the prior quarter. Cash provided by operating activities was \$27.0 million for the first quarter of 2015, compared to \$2.1 million used in operating activities in the same period of the prior year.

¹ Prior to the first quarter of 2014, the Company recognized revenue on a non-GAAP basis from a subscription return reserve, which consisted of revenue that was deferred on a GAAP basis because the Company had limited operating history with certain mobile subscription refund rights. The Company was required to defer all revenue until the refund rights lapsed or until it developed sufficient operating history to estimate a reserve. In periods prior to the first quarter of 2014, the subscription return reserve was excluded from the subscription and other revenue line of our GAAP presentation and included in this line of our non-GAAP presentation. In the first quarter of 2014, the Company established sufficient operating history to estimate a reserve for these mobile subscription refund rights. As such, the GAAP revenue results for the first quarter of 2014 included a one-time reversal of substantially all of the deferred revenue related to the subscription return reserve in the amount of \$14.2 million. This reversal was excluded from our non-GAAP revenue in the first quarter of 2014.

Other Business Metrics

Listener Hours:

Total listener hours grew 11% to 5.30 billion for the first quarter of 2015, compared to 4.80 billion for the same period last year.

Active Listeners: Active listeners were 79.2 million at the end of the first quarter of 2015, compared to 75.3 million from the same period last year.

Guidance

Based on information available as of April 23, 2015, the Company is providing the following financial guidance:

Second Quarter 2015 Guidance: Revenue is expected to be in the range of \$280 million to \$285 million. Adjusted EBITDA is expected to be in the range of \$8 million to \$13 million. Adjusted EBITDA excludes forecasted stock-based compensation expense of approximately \$31 million and forecasted depreciation and amortization expense of approximately \$5 million and assumes minimal provision for income taxes given our net loss position. Diluted shares outstanding for the second quarter 2015 are expected to be approximately 219 million.

Full Year 2015 Guidance: Revenue is expected to be in the range of \$1.16 billion to \$1.18 billion. Adjusted EBITDA is expected to be in the range of \$75 million to \$85 million. Adjusted EBITDA excludes forecasted stock-based compensation expense of approximately \$122 million and forecasted depreciation and amortization expense of approximately \$23 million and assumes minimal provision for income taxes given our net loss position. Diluted shares outstanding for the full year 2015 are expected to be approximately 221 million.

Starting in 2015, the Company will adjust non-GAAP net income by considering the income tax effects of its non-GAAP adjustments. Prior to 2015, the Company's non-GAAP effective tax rate was minimal. The Company expects that its non-GAAP effective tax rate will be minimal in periods that result in a non-GAAP net loss. For the full year 2015, the Company is currently forecasting a non-GAAP effective tax rate of approximately 30% to 35%. The Company does not expect to pay significant cash income taxes for the foreseeable future due to its net operating loss position.

First Quarter 2015 Financial Results Conference Call: Pandora will host a conference call today at 2 p.m. PT/5 p.m. ET to discuss first quarter 2015 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 internationally at (443) 853-1239. A domestic replay will be available at (855) 859-2056 or internationally at (404) 537-3406, using passcode 17895681, and available via webcast until May 7, 2015.

ABOUT PANDORA

Pandora (NYSE: P) gives people music and comedy they love anytime, anywhere, through connected devices. Personalized stations launch instantly with the input of a single "seed" - a favorite artist, song or genre. The Music Genome Project®, a deeply detailed hand-built musical taxonomy, powers the personalization of Pandora® internet radio by using musicological "DNA" and constant listener feedback to craft personalized stations from a growing collection of more than one million tracks. Tens of millions of people turn on Pandora every month to hear music they love. www.pandora.com | [Pandora Blog](#) | [Pandora LinkedIn](#) | [@PandoraPulse](#)

"Safe harbor" Statement:

This press release contains forward-looking statements within 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 establish and maintain relationships with makers of mobile devices, consumer electronic products and automobiles; our ability to manage our growth; our ability to continue to innovate and keep pace with changes in technology and our competitors; 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 our Annual Report on Form 10-K for the current period, particularly under the heading "Risk Factors."

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. 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 total revenue, non-GAAP subscription revenue, 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 total revenue, non-GAAP subscription revenue, 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 revenue effects from the subscription return reserve, stock-based compensation expense and intangible amortization expense. Starting in the first quarter 2015, the income tax effects of these non-GAAP adjustments will be reflected in non-GAAP net income (loss), non-GAAP basic EPS and non-GAAP diluted EPS.

Subscription Return Reserve: consisted of revenue that was deferred on a GAAP basis because the Company had limited operating history with certain mobile subscription refund rights prior to the first quarter of 2014. The Company was required to defer all revenue until the refund rights lapsed or until it developed sufficient operating history to estimate a reserve. In periods prior to the first quarter of 2014, the subscription return reserve was excluded from the subscription and other revenue line of our GAAP presentation and included in this line of our non-GAAP presentation. In the first quarter of 2014, the Company established sufficient operating history to estimate a reserve for these mobile subscription refund rights. As such, the GAAP revenue results for the first quarter of 2014 included a one-time reversal of substantially all of the deferred revenue related to the subscription return reserve in the amount of \$14.2 million. This reversal was excluded from our non-GAAP revenue in the first quarter of 2014.

Stock-based Compensation Expense: consists of expenses for stock options 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, 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 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.

Income Tax Effects of Non-GAAP Adjustments: Starting in 2015, the Company will adjust non-GAAP net income by considering the income tax effects of its non-GAAP adjustments. Prior to 2015, the Company's non-GAAP effective tax rate was minimal. The Company expects that its non-GAAP effective tax rate will be minimal in periods that result in a non-GAAP net loss. For the full year 2015, the Company is currently forecasting a non-GAAP effective tax rate of approximately 30% to 35%. The Company does not expect to pay significant cash income taxes for the foreseeable future due to its net operating loss position.

Adjusted EBITDA

In addition to the non-GAAP measures described above, adjusted EBITDA excludes revenue effects from the subscription return reserve, stock-based compensation expense, provision for income taxes, depreciation and intangible amortization expense and other income (expense).

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 is 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. Amortization for currently owned intangible assets is included in the general and administrative expense line of our GAAP presentation. Management considers its operating results without intangible amortization expense when evaluating its ongoing non-GAAP performance and without depreciation and intangible amortization expense 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 and asset purchases and may not be reflective of our core business, ongoing operating results or future outlook.

Management believes these non-GAAP financial measures 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.

The Company also provides estimates of disaggregated ad RPMs, subscription RPMs and total RPMs for our traditional computer platform as well as our mobile and other connected devices platforms, which are calculated by dividing the estimated revenue and costs generated through the respective platforms by the number of thousands of listener hours of our services delivered through such platforms. While the Company believes that such

disaggregated data provides directional insight for evaluating our efforts to monetize our service, such disaggregated data is not validated to the level of financial statement reporting. Such data should be seen as indicative only and as management's best estimate.

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Contacts:

Dominic Paschel
Corporate Finance & Investor Relations
investor@pandora.com
(510) 842-6960

Will Valentine
Pandora Corporate Communications
press@pandora.com
(510) 842-6996

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

| | Three months ended March 31, | |
|--|---------------------------------|--------------------|
| | 2014 | 2015 |
| Revenue | | |
| Advertising | \$ 140,634 | \$ 178,739 |
| Subscription and other | 53,681 | 52,025 |
| Total revenue | 194,315 | 230,764 |
| Cost of revenue | | |
| Cost of revenue - Content acquisition costs | 108,275 | 126,023 |
| Cost of revenue - Other (1) | 14,979 | 16,233 |
| Total cost of revenue | 123,254 | 142,256 |
| Gross profit | 71,061 | 88,508 |
| Operating expenses | | |
| Product development (1) | 11,831 | 15,875 |
| Sales and marketing (1) | 61,864 | 84,274 |
| General and administrative (1) | 26,361 | 36,754 |
| Total operating expenses | 100,056 | 136,903 |
| Loss from operations | (28,995) | (48,395) |
| Other income, net | 92 | 197 |
| Loss before provision for income taxes | (28,903) | (48,198) |
| Provision for income taxes | (28) | (59) |
| Net loss | \$ (28,931) | \$ (48,257) |
| Basic and diluted net loss per share | \$ (0.14) | \$ (0.23) |
| Weighted-average basic and diluted shares | 199,857 | 209,928 |

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

| | Three months ended March 31, | |
|---|---------------------------------|------------------|
| | 2014 | 2015 |
| Cost of revenue - Other | \$ 881 | \$ 1,207 |
| Product development | 3,461 | 4,605 |
| Sales and marketing | 8,311 | 11,344 |
| General and administrative | 4,739 | 6,039 |
| Total stock-based compensation expense | \$ 17,392 | \$ 23,195 |

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

| | As of December 31, | As of March 31, |
|---|--------------------|-------------------|
| | 2014 | 2015 |
| | (audited) | (unaudited) |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 175,957 | \$ 221,014 |
| Short-term investments | 178,631 | 160,566 |
| Accounts receivable, net | 218,437 | 188,470 |
| Prepaid expenses and other current assets | 15,389 | 19,441 |
| Total current assets | 588,414 | 589,491 |
| Long-term investments | 104,243 | 99,704 |
| Property and equipment, net | 42,921 | 46,718 |
| Other long-term assets | 13,712 | 13,957 |
| Total assets | \$ 749,290 | \$ 749,870 |
| Liabilities and stockholders' equity | | |
| Current liabilities | | |
| Accounts payable | \$ 10,825 | \$ 14,879 |
| Accrued liabilities | 15,754 | 21,789 |
| Accrued royalties | 73,693 | 80,574 |
| Deferred revenue | 14,412 | 26,740 |
| Accrued compensation | 34,476 | 27,968 |
| Total current liabilities | 149,160 | 171,950 |
| Other long-term liabilities | 16,773 | 15,246 |
| Total liabilities | 165,933 | 187,196 |
| Stockholders' equity | | |
| Common stock | 21 | 21 |
| Additional paid-in capital | 781,009 | 808,124 |
| Accumulated deficit | (196,997) | (245,254) |
| Accumulated other comprehensive loss | (676) | (217) |
| Total stockholders' equity | 583,357 | 562,674 |
| Total liabilities and stockholders' equity | \$ 749,290 | \$ 749,870 |

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

| | Three months ended March 31, | |
|---|---------------------------------|-------------------|
| | 2014 | 2015 |
| Operating Activities | | |
| Net loss | \$ (28,931) | \$ (48,257) |
| Adjustments to reconcile to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 3,346 | 4,340 |
| Stock-based compensation | 17,392 | 23,195 |
| Amortization of premium on investments, net | 694 | 619 |
| Other operating activities | 123 | 834 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 15,629 | 29,182 |
| Prepaid expenses and other assets | (5,099) | (5,076) |
| Accounts payable and accrued liabilities | 1,401 | 6,562 |
| Accrued royalties | 8,585 | 6,896 |
| Accrued compensation | (735) | (4,390) |
| Deferred revenue | (14,527) | 12,328 |
| Reimbursement of cost of leasehold improvements | — | 749 |
| Net cash provided by (used in) operating activities | (2,122) | 26,982 |
| Investing Activities | | |
| Purchases of property and equipment | (11,887) | (5,931) |
| Purchases of investments | (115,589) | (56,790) |
| Proceeds from maturities of investments | 34,010 | 78,489 |
| Proceeds from sale of long-term investments | — | 640 |
| Net cash provided by (used in) investing activities | (93,466) | 16,408 |
| Financing activities | | |
| Proceeds from employee stock purchase plan | 863 | 1,619 |
| Proceeds from exercise of stock options | 9,751 | 1,094 |
| Tax payments from net share settlements of restricted stock units | — | (888) |
| Net cash provided by financing activities | 10,614 | 1,825 |
| Effects of foreign currency translation on cash and cash equivalents | 15 | (158) |
| Net increase (decrease) in cash and cash equivalents | (84,959) | 45,057 |
| Cash and cash equivalents at beginning of period | 245,755 | 175,957 |
| Cash and cash equivalents at end of period | <u>\$ 160,796</u> | <u>\$ 221,014</u> |

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

| | Three months ended March 31, | |
|---|---------------------------------|-------------|
| | 2014 | 2015 |
| Revenue | | |
| GAAP total revenue | \$ 194,315 | \$ 230,764 |
| Subscription return reserve | (14,186) | — |
| Non-GAAP total revenue | \$ 180,129 | \$ 230,764 |
| Gross profit | | |
| GAAP gross profit | \$ 71,061 | \$ 88,508 |
| Subscription return reserve | (14,186) | — |
| Stock-based compensation: Cost of revenue - Other | 881 | 1,207 |
| Non-GAAP gross profit | \$ 57,756 | \$ 89,715 |
| Net loss | | |
| GAAP net loss | \$ (28,931) | \$ (48,257) |
| Subscription return reserve | (14,186) | — |
| Amortization of intangibles | 182 | 183 |
| Stock-based compensation | 17,392 | 23,195 |
| Non-GAAP net loss | \$ (25,543) | \$ (24,879) |
| Non-GAAP EPS - basic and diluted | | |
| | \$ (0.13) | \$ (0.12) |
| Weighted average basic and diluted shares | | |
| | 199,857 | 209,928 |
| Adjusted EBITDA | | |
| GAAP net loss | \$ (28,931) | \$ (48,257) |
| Subscription return reserve | (14,186) | — |
| Depreciation and amortization | 3,346 | 4,340 |
| Stock-based compensation | 17,392 | 23,195 |
| Other income, net | (92) | (197) |
| Provision for income taxes | 28 | 59 |
| Adjusted EBITDA | \$ (22,443) | \$ (20,860) |

Pandora Media, Inc.
Monetization: RPM History
(unaudited)

| | Three months ended | |
|---|---------------------------|-----------------|
| | March 31, | |
| | 2014 | 2015 |
| Advertising RPMs | | |
| Computer | \$ 52.75 | \$ 58.04 |
| Mobile and other connected devices | 29.46 | 34.92 |
| Total | \$ 33.40 | \$ 38.30 |
| Total RPMs | | |
| Computer | \$ 54.42 | \$ 60.13 |
| Mobile and other connected devices | 37.43 | 40.47 |
| Total | \$ 40.51 | \$ 43.53 |
| Total RPMs based on non-GAAP revenue | | |
| Computer | \$ 52.92 | \$ 60.13 |
| Mobile and other connected devices | 34.15 | 40.47 |
| Total | \$ 37.55 | \$ 43.53 |