



Liberty SiriusXM Group

VALUEx Vail 2024

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SiriusXM

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Eagle Point Capital

Eagle Point Capital, LLC (EPC) is a Registered Investment Advisor. EPC seeks to build an indestructible compounding machine by investing in simple, predictable, and profitable businesses at bargain prices and holding them for many years.



Dan Shuart
Principal

Dan Joined Eagle Point Capital in 2019 and is a co-owner with Matt Franz. Prior to Eagle Point Capital, Dan was a member of the investment team at a lower middle-market private equity investment firm.

Dan began his career at Amway Corporation in a variety of operational roles including internal continuous improvement consulting and serving as a manufacturing leader for a plant start-up.

Dan graduated from the University of Michigan with a Bachelor of Science in Engineering.

Investment Summary

- ✓ SiriusXM is an unloved stock with a complicated ownership structure, excessive short interest, and limited liquidity
- ✓ Melting ice cube narrative does not closely align with the facts
- ✓ Trough valuation on trough earnings
- ✓ Pending corporate transaction may serve as a catalyst for outsized stock returns
- ✓ Little has to go right for investors to make money from present prices

Background

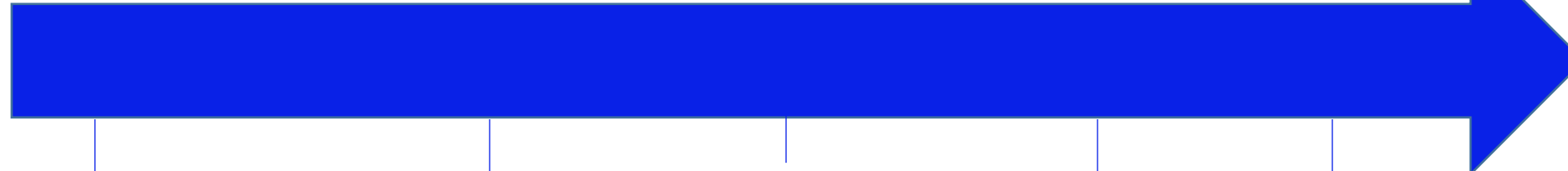
2009

2013

2016

2019

2023



John Malone's Liberty Media rescued SiriusXM (SIRI) from bankruptcy

2013: Liberty controls more than 50% of SIRI

2016: Liberty Media reorganized into three separate tracking stocks: LSXMA, LSMXB, and LSMXK

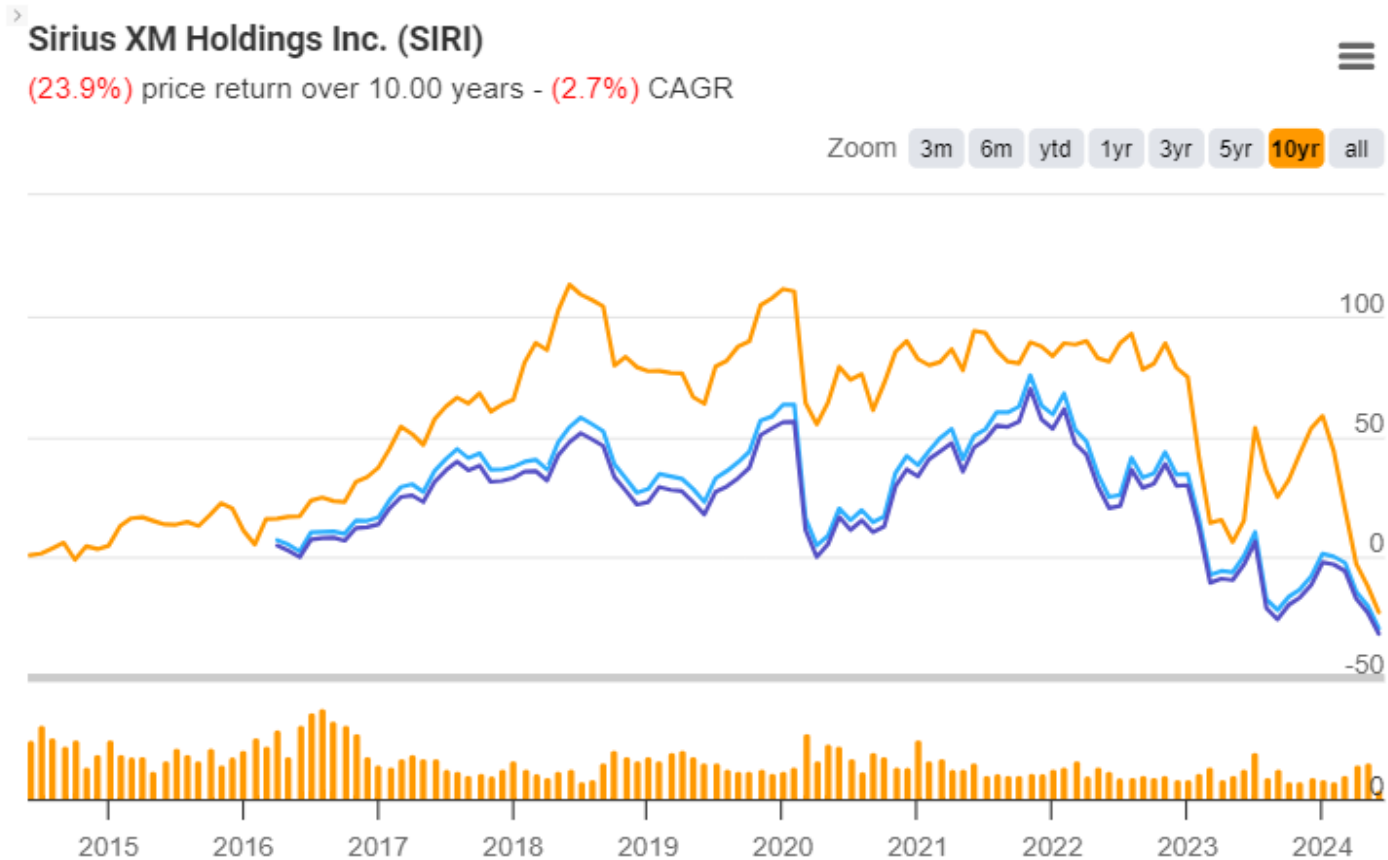
2019: the company merged with Pandora

2023: the board announced plans to spin off its stake in SIRI and create a new publicly traded company

- Each SiriusXM tracking stock has persistently traded at a discount to SIRI
- The transaction aims to eliminate the discount, increase liquidity, and widen the shareholder base
 - The discount has closed from 35%+ to ~5%, but an investment opportunity still remains
- Potential index inclusion and passive inflows provide short-term catalysts

Performance

- While Liberty has made more than 5,000% on its SiriusXM investment, returns for SIRI shareholders have been woeful over the past decade

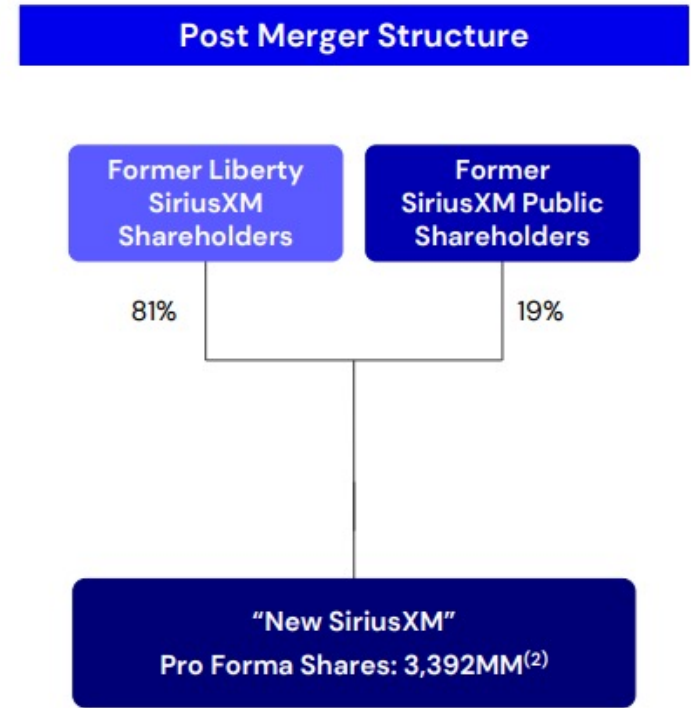
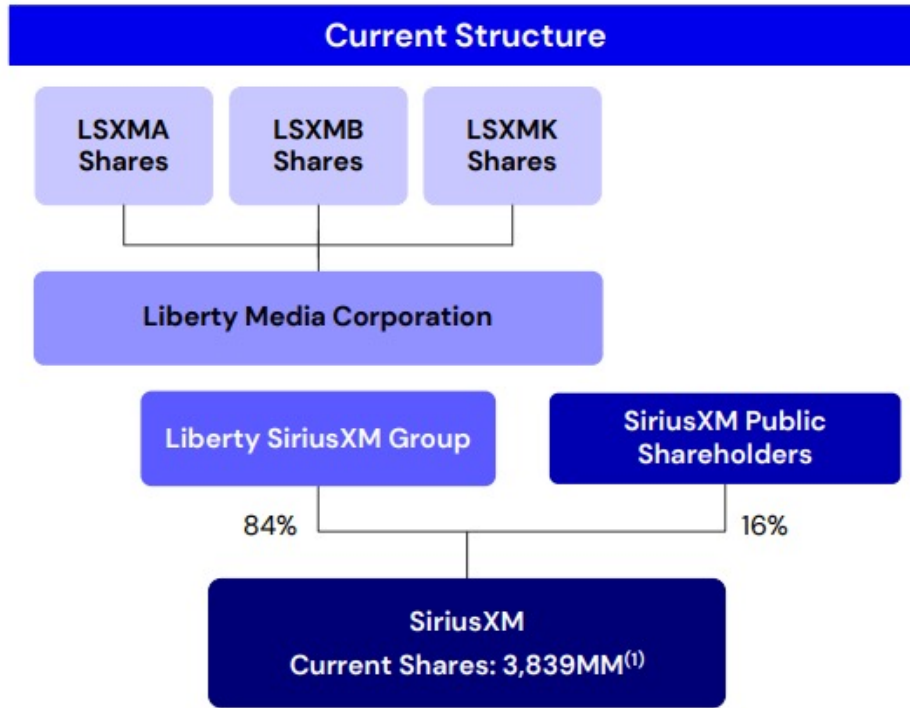


Transaction Overview

- Liberty will separate Liberty SiriusXM Group (“LSXM”) through redemptive split-off to form SplitCo holding all LSXM assets and liabilities
- Immediately following split-off, SplitCo acquires SiriusXM in all stock transaction to form New SiriusXM with one class of common stock
- LSXM shareholders receive 1 share of New SiriusXM for each share of SiriusXM previously held at LSXM, adjusted for LSXM net liabilities
- Results in estimated Exchange Ratio of 8.4⁽¹⁾ shares of New SiriusXM per share of LSXM held
- SiriusXM minority shareholders receive 1 share of New SiriusXM for each share of SiriusXM held
- Subject to required approvals, including majority vote of LSXM shareholders, receipt of tax opinions, required regulatory approvals and customary closing conditions
- Expected to close early Q3’24

(1) Exchange Ratio based on estimated net liabilities at LSXM as of June 30, 2024 and estimated other liabilities for transaction fees and expenses, financing fees, litigation related liabilities and other corporate adjustments; subject to final adjustments at close

Transaction Overview



(1) Current SIRI share count as of October 27, 2023, per latest 10-Q. Excludes impact of potentially dilutive securities, including existing SiriusXM equity awards

(2) Pro forma share count based on current SIRI share count, LSXM share count as of December 8, 2023, and estimated Exchange Ratio of 8.4. Excludes impact of potentially dilutive securities, including existing SiriusXM equity awards, LSXM equity awards, and the market value above principal of the 3.75% LSXM convertible notes

Business Overview

- SiriusXM owns the namesake SiriusXM Radio (34MM paid subscribers) and Pandora (6MM paid subscribers)
- Offers exclusive music channels, curated content, talk shows, podcasts, and extensive sports play-by-play
- New car sales are key customer acquisition funnel
- Streaming app and new price points introduced in 2023

The Biggest... ARTISTS / BRANDS EXCLUSIVE MUSIC CHANNELS	The Broadest... SELECTION OF HOMEGROWN MUSIC CHANNELS	The Best... HOST EXCLUSIVE SHOWS & PODCASTS	The Boldest... SPORTS & TALK BRANDS EXCLUSIVE CHANNELS
			

Business Model & Fundamentals

Characteristic

Illustration

Predictable and sticky recurring revenue

- 77% subscription revenue
- ~1.5% monthly churn

High margin, attractive ROIC

- 50% GM, 23% operating margins
- ~25% ROIC, 13% I-ROIC

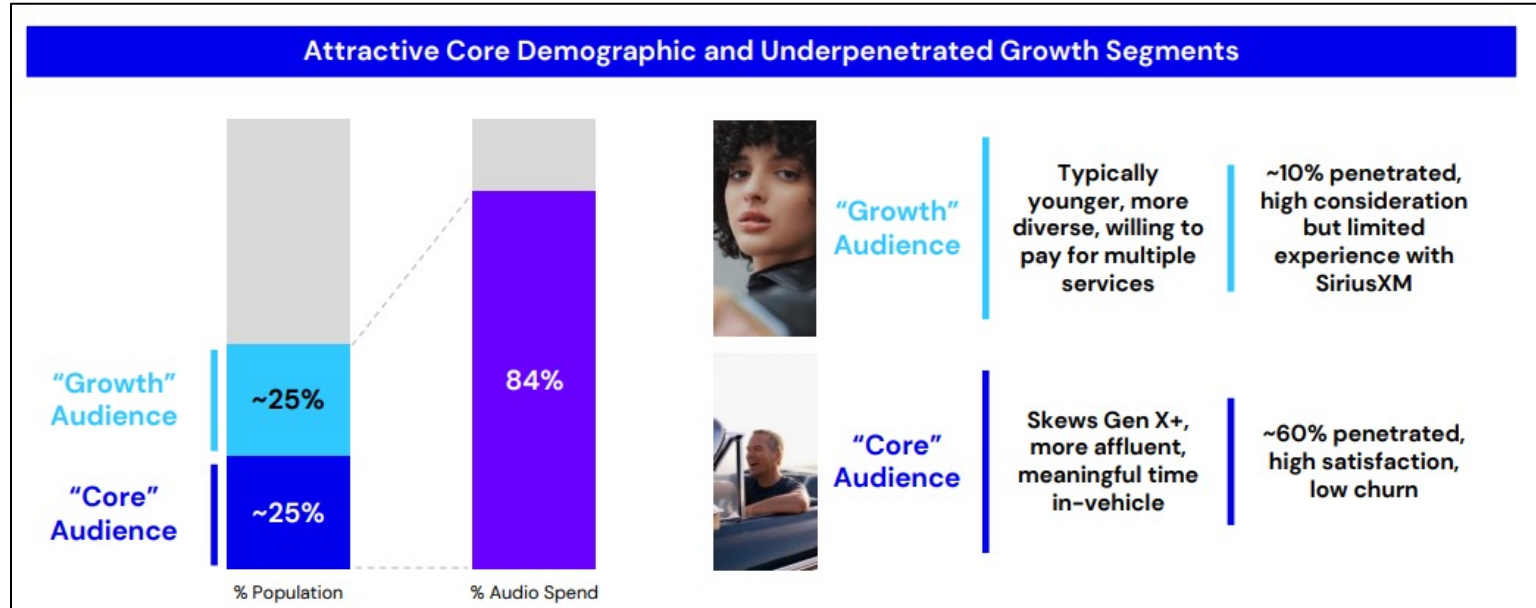
Low growth, modest pricing power

- 2% 10-year subscriber CAGR
- 3% 10-year ARPU CAGR
- Core audience Gen X and above

Rational Capital Allocation

- 25% reinvestment rate
- Excess cash allocated to repurchases (-4.4%/yr. share count CAGR)
- 4% dividend yield

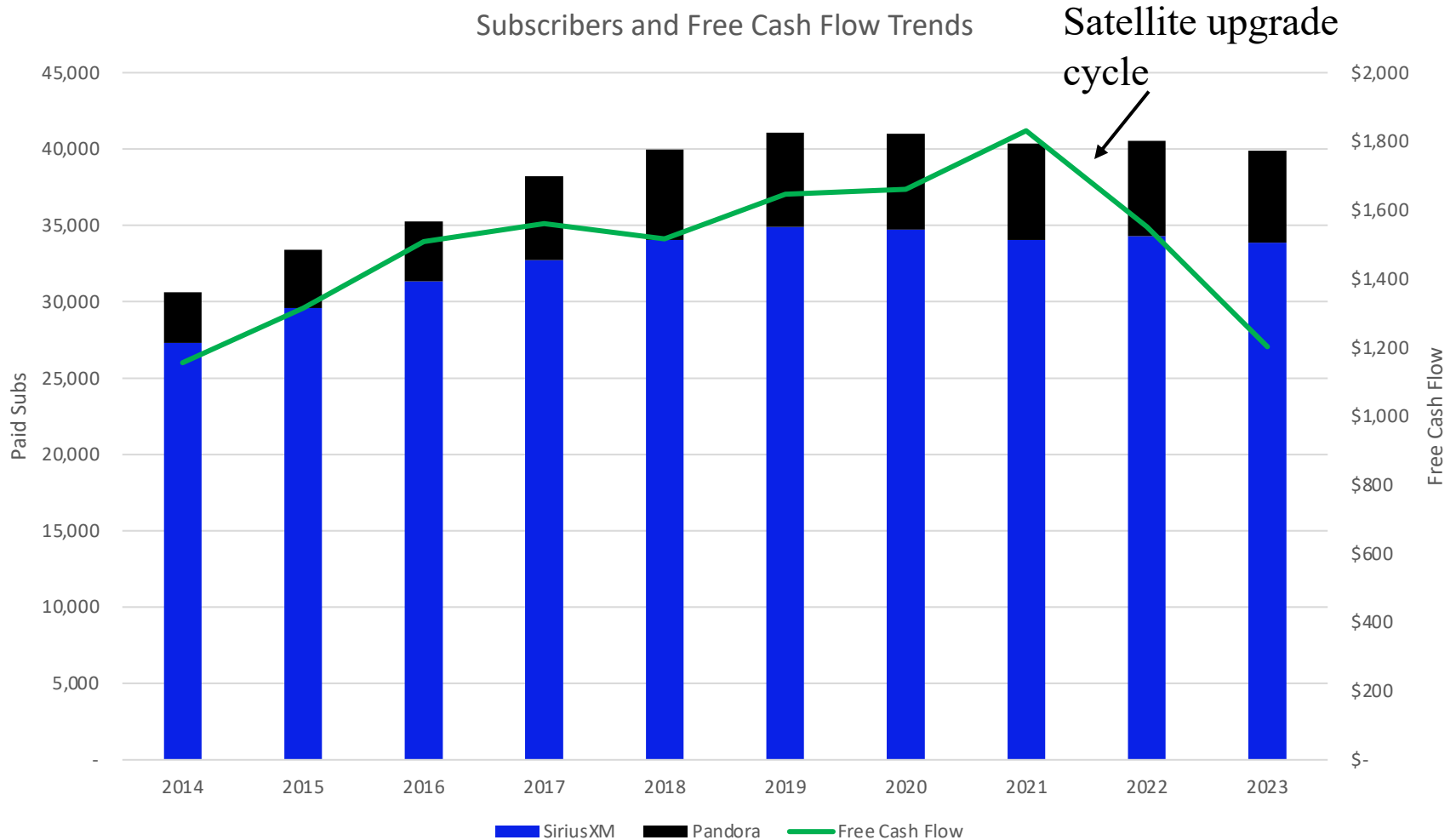
Subscriber Demographics



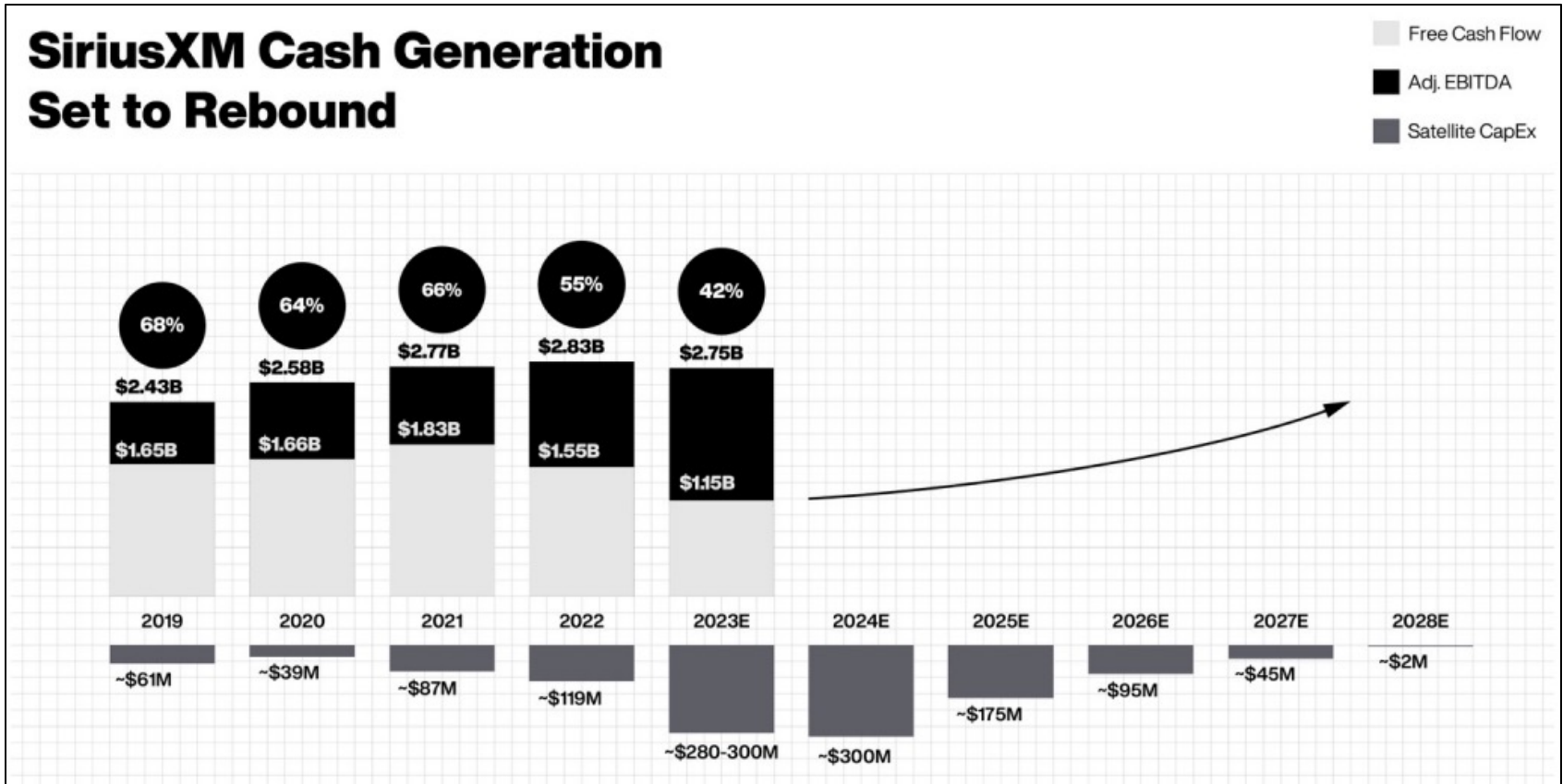
- SiriusXM is never mentioned in the same breath as Spotify
- Despite many differences, the businesses sport similar U.S. paid subscribers
- Spotify may be a superior business, but SiriusXM generates real profits

	US Paid Subscribers
Sirius XM	33.9
Pandora	6.0
Sirius XM + Pandora	39.9
Spotify	44.4
Apple Music	32.6

Subscribers & Free Cash Flow



Satellite Capex Set to Decline



Is SiriusXM a Good Business?

We evaluate every investment opportunity through the same 10 criteria

- ❑ Simple and predictable business that we understand ●
- ❑ Replicable mode — the future will resemble the past ●
- ❑ Consistently free cash flow generative ●
- ❑ Dominant market position ●
- ❑ A demonstrated and enduring competitive advantage with high barriers to entry ●
- ❑ High returns on capital ●
- ❑ Limited exposure to extrinsic factors — interest rates, commodity prices, regulation, etc. ●
- ❑ Resilient balance sheet ●
- ❑ Honest and able management who run the company for the benefit of shareholders ●
- ❑ A price which affords a margin of safety ●

LSXMK Valuation

“You do not need a scale to know that a 300 lb. man is overweight”

SIRI Price	\$	2.67
LSXMK Price	\$	21.36
Exchange Ratio, PF		8.4
LSXMK Adj. Price	\$	2.54
Free Cash Flow (M)	\$	1,189
PF Shares (M)		3,392
FCF/Sh (LTM)	\$	0.35
P/FCF (LTM)		7.3x
LTM FCF Yield		14%
2025 FCF Yield		17%

- LSXMK is trading at a trough multiple on trough earnings
- Management expects \$1.5B of FCF in 2025 vs. \$1.2B this year due to normalizing capex
- Shareholders may begin to receive capital back post-close (~July) via repurchases
- The current valuation does not require growth to provide decent returns to shareholders
- The business must shrink in perpetuity to justify today's prices

“to the extent that there's dislocation in the market, we could enter the market for share repurchases post deal” – CEO Jennifer Witz on May conference call

Why is the stock so cheap?

The facts don't entirely match the story

Narrative

Vs.

Reality

The core business is a melting ice cube

Stable-to-growing subscriber and revenue base over the long-term with near-term upside levers

Niche, boomer-focused product that nobody pays for

Subscriber profile similar to Spotify and Apple Music. Differentiated offering that 40 million people pay for.

No natural investor base, complicated structure, very low float & high short interest


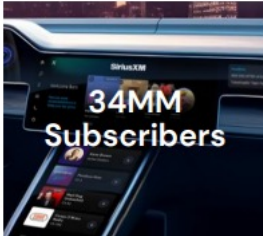


Significant simplification post-close. Opens up the stock to a new universe of investors and liquidity levels.

Precarious, over-levered capital structure




Cash flow profile enables delevering. Post-close 3.9x is manageable. Back to 3-3.5x by 2025.

Perhaps SiriusXM is not *as bad* of a business as the current valuation suggests

Current Initiatives

<p>Innovative content company and leader in live, human curated audio experiences</p>	<p>Leading subscription business positioned for the future</p>	<p>Tapping into new audiences to grow with next gen platform</p>	<p>Capturing opportunities in ad-based platforms</p>	<p>Consistently delivering strong results and capital returns</p>
			<p>150MM Reach</p> 	<p>\$20Bn Capital Returns 2.2% Dividend Yield Industry Leading Margins</p>

Transforming SiriusXM for Long-Term Growth

<p>Super-Serving Our Strong Core Subscribers</p>	<p>Creating a More Seamless, Personalized Experience</p>	<p>Modernizing Our Brand and Offering New Price Points</p>
<p><i>Continuing to deliver differentiated content to our loyal, passionate subscribers</i></p> <p>34 Million Total SiriusXM Paid Subscribers</p> <p>1.6% Near Record Low Churn</p>	<p><i>Delivering a unified, personalized experience in- and out-of-vehicle</i></p> <p>33%+ Of New SiriusXM Vehicles Equipped w/ 360L</p> <p>Dec 14th New Streaming Experience</p>	<p><i>Launching new price points and plans to attract more listeners and demographics</i></p> <p>All Access ↔ Streaming Only</p> <p>\$9.99 New Streaming Only Price</p>
		

Prospective Returns:

Heads I Win, Tails I Don't Lose Much

We underwrite returns based on Shareholder Yield + Growth + Valuation Re-Rating

Current Price	\$ 2.54
Current Valuation	7.3x
PF Shares at Close	3,392
Buyback Yield	4%
Revenue Growth	3%
2029 Revenue	\$ 10,400
2029 FCF	\$ 2,400
2029 Shares	2,766
2029 FCF/sh	\$ 0.87
Exit Multiple	9.0x
2029 Price	\$ 7.81
CAGR	25%

Current Price	\$ 2.54
Current Valuation	7.3x
PF Shares at Close	3,392
Buyback Yield	6%
Revenue Growth	-3%
2029 Revenue	\$ 7,688
2029 FCF	\$ 1,800
2029 Shares	2,489
2029 FCF/sh	\$ 0.72
Exit Multiple	5.0x
2029 Price	\$ 3.62
CAGR	7%

Base case: Modest Subscriber and ARPU Growth, reversion to average FCF margins, no-growth exit multiple (before dividends)

Pessimistic Case: Continued subscriber losses, higher buyback yield due to valuation, no multiple expansion (before dividends)

Closing

- LSXMK may offer asymmetric risk vs. reward at present prices
- Myriad catalysts exist post-transaction that could result in a significantly higher valuation:
 - Index inclusion (S&P Mid-Cap 400)
 - Increase in passive ownership
 - Simplified structure
 - Strengthening new car sales
 - Subscriber trends returning to growth
- Low valuation and high repurchase yield mean no re-rating is required to earn solid returns
- Key risks include a potential deterioration in competitive position and subscriber count, relatively high leverage post-close, and near-term selling pressure
- A handful of successful investors appear to agree
 - Berkshire owns 32% of LSXMK, John Malone owns 7%, Baupost owns 2%
 - Does not guarantee success, but it is good company to invest alongside

Disclaimer

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Questions



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Appendix

Illustrative Transaction Exchange Ratio

(in millions except SIRI Reference Price)

Q2'24E

Net Liabilities ⁽¹⁾	\$1,118
(+) SIRI Reference Price	\$4.23
LSXM Net Liabilities Share Adjustment (Effective SIRI Share Reduction)	264.2
Fully Diluted LSXM Shares ⁽²⁾	326.8
(+) Shares to settle LSXMA Convertible ⁽³⁾	21.6
Adjusted Fully Diluted LSXM Shares	348.4
Liberty Owned SIRI shares	3,205.8
(-) LSXM Net Liabilities Share Adjustment	(264.2)
Pro Forma Liberty Owned SIRI Shares	2,941.6
(+) Adjusted Fully Diluted LSXM Shares	348.4
Exchange Ratio	8.4

Note: Illustrative based on market information as of December 11, 2023. Actual values to be calculated at Measurement Date, which is to be 7 business days before closing, subject to certain conditions

(1) Includes SIRI Margin Loan and 2.75% SIRI Exchangeable Bonds due 2049, net of estimated corporate cash. Excludes LSXMA convertible notes per below. Also includes estimated other liabilities for transaction fees and expenses, financing fees, litigation related liabilities and other corporate adjustments

(2) Includes LSXMA, LSXMB and LSXMK basic shares outstanding, accelerated RSU / RSA / PSUs net of tax withholding, and options outstanding at signing using treasury stock method; Based on LSXMK share price as of December 11, 2023 for illustrative purposes

(3) Maximum of shares underlying LSXMA convertible and par value divided by the LSXMA share price as of December 11, 2023 for illustrative purposes

SiriusXM



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<p>Structure</p>	<ul style="list-style-type: none"> Liberty separates Liberty SiriusXM Group (“LSXM”) through redemptive split-off to form SplitCo holding all LSXM assets and liabilities Immediately following split-off, SplitCo acquires SiriusXM in all stock transaction to form New SiriusXM with one class of common stock Transaction is intended to be tax-free to LSXM and SiriusXM shareholders, except with respect to cash received in lieu of fractional shares
<p>Consideration</p>	<ul style="list-style-type: none"> Existing LSXM shareholders (LSXMA, LSXMB, LSXMK) will receive 8.4 shares in “New SiriusXM” for every LSXM share held⁽¹⁾ <ul style="list-style-type: none"> Exchange Ratio will be calculated based on (i) the number of shares of SiriusXM held by Liberty, reduced by a net liabilities share adjustment, divided by (ii) the number of adjusted fully diluted shares of LSXM <ol style="list-style-type: none"> The net liabilities share adjustment to the Exchange Ratio will be determined as the amount of assumed LSXM net debt (excluding the 3.75% LSXMA convertible notes due 2028), with additional adjustments for transaction fees and expenses, litigation related liabilities and other corporate adjustments, divided by \$4.23⁽²⁾ The adjusted fully diluted shares of LSXM will be calculated based on outstanding LSXM shares at closing, including the dilutive impact of shares underlying the 3.75% LSXMA convertible notes due 2028 and the dilutive impact of equity awards Final Exchange Ratio will be determined at closing SiriusXM minority shareholders will receive 1 share in “New SiriusXM” for every SiriusXM share held
<p>Financing</p>	<ul style="list-style-type: none"> Pro forma net leverage is anticipated to be 3.9x at close⁽³⁾ No change to low-to-mid 3x target leverage New SiriusXM has secured financing commitments of up to \$1.1Bn to fund the potential refinancing of LSXM’s existing Margin Loan and 2.75% Exchangeable at or following close
<p>Transaction Approval and Timing</p>	<ul style="list-style-type: none"> Transaction has been approved by Liberty’s Board, the SiriusXM Special Committee and SiriusXM’s Board Transaction is subject to approval by a majority of the aggregate voting power of the Liberty SiriusXM common stock, receipt of tax opinions, receipt of required regulatory approvals and customary closing conditions

(1) Exchange Ratio based on estimated net liabilities at LSXM as of June 30, 2024 and estimated other liabilities for transaction fees and expenses, financing fees, litigation related liabilities and other corporate adjustments; subject to final adjustments at close

(2) Represents the average of the SIRI daily VWAP over the 20 consecutive trading days ending September 25, 2023, the day before Liberty filed a 13D relating to a transaction

(3) Transaction expected to close early Q3’24



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