

Spin-Off Update

Liberty Media Corp. To Split-Off Liberty SiriusXM (LSXM) In 3Q24

Liberty Media Corp

Parent: Liberty Media Corp.

(NASDAQ: LSXMA[^], FWONA[^], LLYVA[^])

Sector: Consumer Discretionary

Share Price[^]: \$30.51, \$56.97, \$35.11*

Split-Off: Liberty SiriusXM**

(NASDAQ: LSXMA/LSXMB/LSXMK)

Sector: Consumer Discretionary

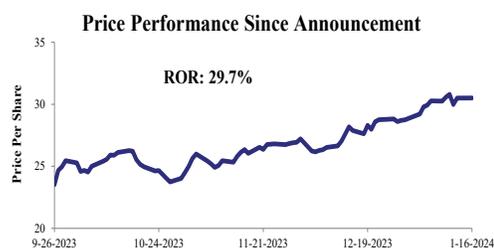
Share Price: \$30.51/\$30.71/\$30.42

*As of January 16, 2024

[^]Class A common stock

** to be combined with SiriusXM Holdings (NASDAQ: SIRI)

Price Performance*



Spin-Off Details

Announced	September 26, 2023
Prospectus Date	TBA
Latest Prospectus Date	TBA
Record Date	TBA
Distribution Date	TBA
Expected Completion	3Q24
Split-Off Ratio	1:1
Tax Status	Tax-free
Index Impact	To be assessed

On December 12, 2023, Liberty Media Corporation (NASDAQ: LSXMA, FWONA, LLYVA) and Sirius XM Holdings Inc. (NASDAQ: SIRI), the leading audio entertainment company in North America, announced that they have entered into definitive agreements whereby Liberty Media’s Liberty SiriusXM tracking stock group (NASDAQ: LSXMA, LSXMB and LSXMK, or collectively “LSXM”), will be combined with SiriusXM to create a new public company, which will continue to operate under the SiriusXM name and brand. New SiriusXM will have a single outstanding series of common stock and is expected to continue to be traded on the Nasdaq Global Select Market under the ticker symbol “SIRI.” We had done an announcement report in 28 September, 2023 about the Company’s plans to split off Liberty Sirius XM. The companies provided further details of the transaction, which are discussed below.

Transaction Details

Under the terms of the transaction, Liberty will separate LSXM through a redemptive split-off of a new subsidiary of Liberty (“SplitCo”), which will hold its shares of SiriusXM and approximately \$1.7 billion of estimated attributed net liabilities. Such net liabilities include LSXM’s net debt (3.75% LSXMA convertible notes due 2028, 2.75% SIRI exchangeable bonds due 2049 and SIRI margin loan, net of corporate cash), as well as other liabilities for transaction fees and expenses, financing fees, litigation related liabilities and other corporate adjustments. In the split-off, holders of each series of LSXM common stock will receive shares of SplitCo stock equal to the Exchange Ratio, such that LSXM stockholders receive 1 share of New SiriusXM for each share of SiriusXM previously held at LSXM, adjusted for LSXM net liabilities. A wholly owned subsidiary of SplitCo will then merge with SiriusXM, and existing SiriusXM stockholders (other than Liberty Media) will receive 1:1 shares of SplitCo, which will become New SiriusXM. The transaction is intended to be tax-free to LSXM stockholders (except for any cash received instead of fractional shares) and SiriusXM stockholders. The Exchange Ratio will be calculated based on (i) the number of shares of SiriusXM held by Liberty, reduced by a net liabilities share adjustment (the “Net Liabilities Share Adjustment”), divided by (ii) the number of adjusted fully diluted shares of LSXM.

Liberty Media currently holds 3,205.8 million shares of SiriusXM attributed to LSXM. 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, financing fees, litigation-related liabilities and other corporate adjustments, divided by the SiriusXM share price of \$4.23, which represents the average of the SiriusXM daily volume-weighted average prices over the 20 consecutive trading days ending September 25, 2023, the day before Liberty filed a 13D relating to

Key Data

Ticker	LSXMA [#]
Primary Exchange	NASDAQ
Price (\$ as of Jan 16, 2024)	30.51
52 Week Range (\$)	22.01 - 31.00
Shares Outstanding (million)	326.6 [^]
Market Cap (\$ billion)	10.0
Net Debt (\$ billion)	9.4
Enterprise Value (\$ billion)	19.4
Market Float	77.8%
FY24 Estimated P/E (x)	9.8
Dividend (\$) / Div. Yield (%)	0.0/0.0
Fiscal Year Ending	Dec 31
FY22 Revenue (\$ billion)	12.2
Index Member	NASDAQ Composite

^{*} P/E is calculated on the basis of Bloomberg Consensus estimates

[#] Class A common stock

[^] Combined shares outstanding of class A, B and C shares

Source: Bloomberg, Company Reports, and Spin-Off Research

Top 5 Shareholders

	Holding %
Berkshire Hathaway	21.70
The Vanguard Group	10.94
Baupost Group LLC	8.33
Sculptor Capital Management	4.08
Aristeia Capital LLC	3.38

a transaction. 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. If the Net Liabilities Share Adjustment and the adjusted fully diluted shares of LSXM were calculated as of June 30, 2024, the Exchange Ratio is estimated to be approximately 8.4 shares in New SiriusXM for each share of LSXM held. Pro forma for the transaction, and assuming the adjustment described above, on June 30, 2024, there will be approximately 3,392 million basic shares outstanding of New SiriusXM, of which former LSXM stockholders will own approximately 81% of New SiriusXM, with the SiriusXM minority stockholders owning the remaining 19%. New SiriusXM will remain committed to the business' long-term target leverage ratio of low-to-mid 3x adjusted EBITDA. SiriusXM has secured committed financing with availability of \$1.1 billion from Morgan Stanley, Bank of America and J.P. Morgan, the net proceeds of which may be used to refinance Liberty Media's 2.75% Exchangeable Notes due 2049 and the existing Liberty Media margin loan secured by SiriusXM's common stock.

The transaction has been unanimously approved by Liberty's Board, the SiriusXM Special Committee and SiriusXM's Board of Directors. Greg Maffei is expected to be Chairman of the Board of New SiriusXM. The transaction is expected to be completed early in the third quarter of 2024, subject to approval by a majority of the aggregate voting power of the shares of Liberty SiriusXM common stock present, whether in-person or by proxy, at a stockholder meeting, the receipt by Liberty Media and New SiriusXM of tax opinions from their respective tax counsel, as well as the receipt of required regulatory approvals and the satisfaction of other customary closing conditions. Certain trusts affiliated with John Malone, the Chairman of Liberty Media, have entered into a voting agreement under which they have committed to vote their shares of LSXM in favor of the transaction. A Liberty Media subsidiary, owning most of the outstanding shares of SiriusXM, has delivered written consent approving the transaction on behalf of SiriusXM stockholders. The transaction will not change the Liberty Formula One tracking stock group or the Liberty Live tracking stock group. J.P. Morgan is acting as financial advisor to Liberty Media, and O'Melveny & Myers LLP is acting as legal counsel. Morgan Stanley & Co. LLC is acting as financial advisor to SiriusXM, and Simpson Thacher & Bartlett LLP is acting as legal counsel. Solomon Partners is acting as financial advisor to the SiriusXM Special Committee and Debevoise & Plimpton LLP is acting as legal counsel.

Deal Rationale

The transaction will result in New SiriusXM being an independent public company, with no majority stockholder, a single class of shares and a board comprising a majority of independent directors. New SiriusXM will have a simplified ownership structure and benefit from greater strategic flexibility and independence. It also provides New SiriusXM access to a broader investor base and expanded opportunities for index inclusion. The additional float provided by the transaction is also expected to improve trading liquidity for New SiriusXM stockholders. The transaction allows all stockholders to participate directly in the long-term potential of North America's leading audio entertainment Company. Jennifer Witz, Chief Executive Officer of SiriusXM, stated that SiriusXM has differentiated itself as the leading audio

entertainment provider by creating an experience centered on high-quality, premium, human-curated radio that is more relevant than ever, and has built a profitable business that is poised for continued success. She further added that the split-off from Liberty Media will allow Sirius XM to enter its next phase of value creation.

Recently, in July 2023, Liberty completed the split-off of Atlanta Braves Holdings (BATRA) and the reclassification of the Company by forming a new tracking stock of Liberty Live Group. The Company aimed to simplify its structure and reduce the tracking stock discount to NAV. With the announcement of the SiriusXM split-off, the Company looks to eliminate the tracking stock discount in the LSXM shares by merging the ~84% stake held by the Company in the current SiriusXM Holdings (SIRI). According to the latest proposal, the transaction will result in Liberty Media owning 81% of the stake in New SiriusXM (SIRI), while SIRI shareholders will hold a 19% stake. The transaction results from a months-long bargaining progress, at the beginning of which stood Liberty's proposal to compensate SiriusXM minorities for the additional debt assumed in a merger via a cash dividend. This solution was not adopted, as it would have burdened SiriusXM with even more debt. Instead, Liberty will give up about 3% of its ownership interest in exchange for minorities assuming more debt. As per Greg Maffei, Liberty President & CEO, this combination will create value for all stockholders by eliminating the tracking stock structure, enhancing liquidity and allowing former LSXM stockholders to participate directly in the ongoing performance of SiriusXM.

It should be noted that each share of the Liberty trackers (the K, A and B shares will yield exactly the same result, as they will be treated as a single class of shares) gives its shareholder a claim on the profits belonging to 8.4 shares of the new SiriusXM. Furthermore, now that the tracking stock discount will be eliminated after the transaction, the current LSXMA share price offers a significant upside from the current share price. Currently, the tracking stocks trade for ~\$30, while 8.4x SiriusXM's price of \$5.20 would result in a value of more than \$40, and could offer more than 40% potential upside post-split. However, it should be noted that the transaction will likely not close out the NAV discount due to the inconsistency between the intrinsic value of the Liberty SiriusXM tracking stocks and their trading price. Given the small trading float of SiriusXM stock, coupled with an outsized short interest (which is probably not mainly due to an assumed overvaluation but simply to the many arbitrageurs out there that wanted to bet on the closing of Liberty's trading discount by going long LSXM and shorting SIRI), Post-split-off, SiriusXM will continue to be an innovative content company and leader in providing a differentiated blend of live, human-curated, curated and artist-hosted radio, exclusive talk programming, podcasts and news, sports and more. The Company is doubling down on its differentiated content while enhancing its value proposition with a modernized brand, new app experience, and an attractive new price point for streaming-only subscribers. SiriusXM has more than 155 million SiriusXM-enabled vehicles on the road, 34 million paid subscribers. Through its new next-generation platform, 360L, SiriusXM is poised to retain its loyal core audience of listeners and capture demand from new growth audiences that are younger, more diverse and willing to pay for multiple services. Furthermore, SiriusXM will continue to generate high EBITDA margins and steady free cash flow that support the Company's ability to invest in long-term growth and rapidly de-lever while also returning capital to stockholders. The Company does not expect any change to its existing dividend policy while de-emphasizing repurchases until it reaches its long-standing leverage target of low-to-mid 3x adjusted EBITDA. Over the last three years, SiriusXM has returned approximately \$4.4 billion to stockholders through a combination of dividends, special dividends and share repurchases. The Company has no bond maturities until 2026 and expects to end 2023 with approximately \$2 billion of available liquidity, plus committed financing of another \$1.1 billion in support of this transaction.

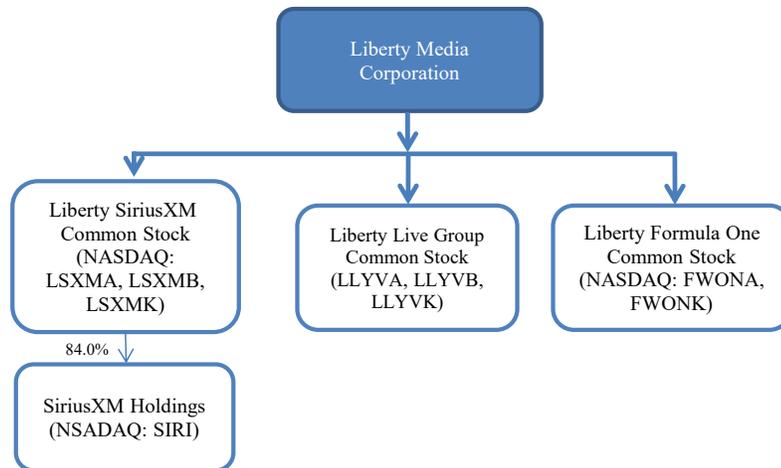
Other Updates

Liberty Media Corporation Completes Acquisition of Quint

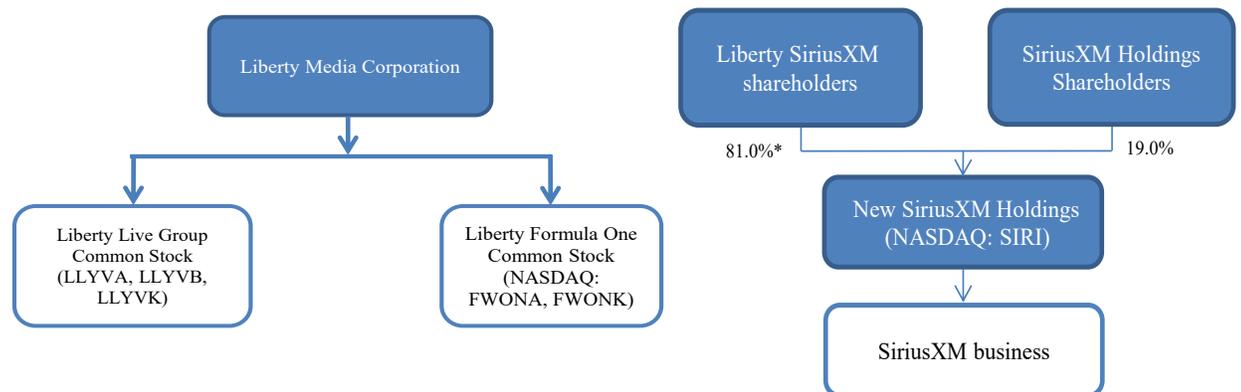
On January 3, 2024, Liberty Media Corporation announced that it has completed the acquisition of QuintEvents, LLC (“Quint”), an industry-leading provider of premium experiences at the world’s most prominent sports and entertainment events. Quint is attributed to Liberty Media’s Formula One Group tracking stock. The transaction values Quint at \$313 million and was funded with Formula One Group cash on hand. Formula 1 and Quint will continue to be operated as separate companies. Quint is the industry-leading provider of Official Ticket and Hospitality packages to many of the world’s most prominent sports and entertainment events. Based in Charlotte, North Carolina, with offices in six countries, Quint’s innovative programs enable those properties to expand fan experiences and corporate client entertainment opportunities in a way that reflects the quality and prestige of those brands.

Organization Structure

Pre-Split-Off



Post-Split-Off



Source: Spin-Off Research

*81% as Liberty will give up ~3% of ownership in exchange for minorities to reduce SIRI’s debt burden

Company Description

Liberty Media Corporation (Parent)

Liberty Media Corporation operates and owns interests in a broad range of media, communications and entertainment businesses. Those businesses are attributed to three tracking stock groups: the Liberty SiriusXM Group, the Formula One Group and the Liberty Live Group. The businesses and assets attributed to the Liberty SiriusXM Group (NASDAQ: LSXMA, LSXMB, LSXMK) include Liberty's interest in SiriusXM. The businesses and assets attributed to the Formula One Group (NASDAQ: FWONA, FWONK) include Liberty's subsidiary Formula 1 and other minority investments. The businesses and assets attributed to the Liberty Live Group (NASDAQ: LLYVA, LLYVK) include Liberty's interest in Live Nation and other minority investments. For FY22, Liberty Media's consolidated revenue was \$12.2 billion.

Liberty SiriusXM (Split-Off)

The businesses and assets attributed to the Liberty SiriusXM Group (NASDAQ: LSXMA, LSXMB, LSXMK) include Liberty's interest in SiriusXM. Liberty Media Corporation holds an ~84% controlling stake in SiriusXM Holdings (SIRI). SiriusXM Holdings operates two complementary audio entertainment businesses, SiriusXM and Pandora and Off-platform. SiriusXM Holdings continues to expand the range of choices for its listeners regarding compelling content and the array of ways it can be consumed. There are approximately 152 million vehicles in operation with SiriusXM radios. The proliferation of smart speakers and other connected devices has increased consumers' options for engaging with and consuming SiriusXM Holdings' content. SiriusXM Holdings also focuses on rapidly growing content categories, such as its continued interest in podcasting. For FY22, Liberty SiriusXM reported revenues of \$8.7 billion.

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