Sirius xm

Wall Street believed that satellite radio was the next opportunity in consumer electronics. * The business was very modest at first with a small subscriber base by the end of the first year, XML, for example only had about 27, 000 subscribers. But with the backing of Wall Street and the belief that satellite radio companies could find a ready market through partnership's within the automotive Industry which had over 100 million cars and light vehicles traveling the roads of America and roughly 15 million new cars sold each year, the market bore out the theory.

By the end of 2005, XML had six million subscribers, a little more than its rival, Sirius. But, as investors considered the satellite radio industry to be so promising with Immense potential to become a mammoth opportunity, they allowed the two companies to borrow billions of dollars to build out Infrastructure, make receivers, manage satellites, and hire talent. * As aggressive expansion led to immense operating costs without a real strategic alliance in place with any of the major car companies.

The losses quickly added up to the hundreds of millions of dollars a year for the rival companies. Merger and expansion: Merger deal was ultimately why we still have the option of satellite radio today with Sirius and XML combining to form a giant and create a strategic vision on how to move forward and get into the homes, cars, and media devices of the end consumer. * The two rival companies were ineffectively being led without any sort of viability and strategy, and in effect, were really Just hurting each other.

Premium brands or specialty items such as subscription services as an additional service or add-on fees were not recession proof and in the case of Sirius and XML the merger announcement in 2007, which was approved a year later, was ultimately a blessing in disguise in the long term. They ultimately treaded enough water to survive the recession because of the merger, but with operations in the red and immense long term debt they were faced with an uphill battle. Pre-merger: Early days of Sirius: * Sirius Satellite Radio was founded by Martini Ratable, David Marseilles and Robert Brinkman. In 1990, Ratable founded Satellite CD Radio in Washington, DC. The company was the first to petition the FCC to assign unused frequencies for satellite radio broadcast, which " provoked a furor among owners of both large and small [terrestrial] radio stations. In April 1992, Ratable resigned as chairman and CEO to start a medical research foundation.

Former NASA engineer Brinkman, who designed the company's satellite technology, was then appointed chairman and CEO. Six months later, in November 1992, Rogers Wireless co-founder Marseilles, who had provided financial backing for the venture, acquired control of the company and succeeded Brinkman. Marseilles renamed the company CD Radio, and spent the next five years lobbying the FCC to allow satellite radio to be deployed, and the following five years raising $1. 6 billion, which was used to build and launch three satellites into orbit from Astrakhan in July 2000.

In 1997, after Marseilles had obtained regulatory clearance and " effectively created the industry," the FCC also sold a license to XML Satellite Radio, which followed Sirius example. In November 1999, Marseilles again changed

the name of the company, this time to Sirius Satellite Radio, in order to avoid association with the soon-to-be-outdated CD technology.

Having secured installation deals with automakers including Chrysler, Fordand BMW, Sirius launched the initial phase of its service in four cities on February 14, 2002, expanding to the rest of the contiguous United States on July 1, 2002.

In November 2001, Marseilles stepped down as CEO, remaining as chairman until November 2003, with Sirius issuing a statement thanking him " for his great vision, leadership and dedication in creating both Sirius and the satellite radio industry. " Joe Clayton, former CEO of Global Crossing, followed as CEO from November 2001 until November 2004. Clayton stayed on as chairman until July 2008.

Mel Karamazov, former president of Victim, became CEO in November 2004, and remained in that position through the merger, until December 2012. Early days of XML: * XML Satellite Radio was founded by Loon Levin and Gary Parsons.

It has its origins in the 1988 formation of the American Mobile Satellite Corporation (MASC.), a consortium of several organizations originally dedicated to satellite broadcasting of telephone, fax and data signals. In 1992, MASC. established a unit called the American Mobile Radio Corporation, dedicated to developing a satellite-based digital radio service; this was spun off as XML Satellite Radio Holdings, Inc.

In 1998. Its planned financing was complete by July 2000, at which point XML had raised $1. 26 billion and secured installation agreements with General Motors, Honda andToyota.

Initially scheduled for September 12, 2001 , Ism's service start date was postponed due to the September 11 terrorist attacks on the World Trade Center and The Pentagon.

Before Sirius. * Gary Parsons served as chairman of XML Satellite Radio from its inception through the merger, resigning from the position in November 2009. Hugh Pander served as Ism's CEO from 1998 until July 2007, shortly after the merger with Sirius was proposed. Ante Davis was appointed interim CEO until the merger was completed, at which point Sirius CEO Mel Karamazov took over as CEO of the newly merged company, Sirius XML. Merger: Announcement: * After years of speculation and months of serious negotiations, the $13 billion merger between Sirius and XML was announced on February 19, 2007.

At the time, the nation's only two satellite radio providers reported nearly 14 million combined subscribers (with nearly 8 million belonging to XML), with neither having turned an annual profit. Sirius was valued at $5. 2 billion and XML at $3. 75 billion. Each subscription was sold for $12. 95 monthly.

* Sirius and XML executives felt the merger would lower programming costs by eliminating overlapping stations and duplicated marketing costs.

According to their original operating licenses, the two companies were not allowed to ever own each other's license. * Approval: * After a 57-week

review process, the Justice Department gave approval to the Sirius and XML merger on March 24, 2008, concluding that satellite radio competes with terrestrial radio, online streaming, and MPH players and tablets. On July 25, 2008, the FCC approved the merger with a 3-2 vote, determining that it was not a monopoly because of all the competition on the Internet. FCC chairman Kevin Martin stated, " The merger is in the public interest and will provide consumers with greater legibility and choices. Conditions of the merger included allowing any third-party company to make satellite radio devices; producing new radios that can receive both XML and Sirius channels within one year; allowing consumers to choose which channels they would like to have; freezing subscription rates for three years; setting aside 8% of its channels for noncommercial programmers; and payment of $19.

7 million in fines for past rule violations. Sirius and XML began merging their channels on November 12, 2008. * Each share of XML stock was replaced with 4. 6 shares of Sirius. Each company's dockworkers initially retained approximately 50% of the Joined company.

At the time of the merger, Sirius top programming included channels for Howard Stern, Martha Stewart and NP; live NFG and NAB games; and live MASCARA races. Ism's programming included channels for Pie and Anthony, Opera Winfred, Willie Nelson and Snoop Dog; and live Major League Baseball games. * The National Association of Broadcasters was adamantly opposed to the merger, calling it a monopoly. Shortly after the Justice Department gave its support to the merger without restrictions, attorneys general from 11 urged the FCC to impose extractions on the merger.

Several Congressional Democrats also opposed the merger, calling it anticompetitive and criticizing the Bush administration for allowing it to go through.

Post – merger: Resurgence and growth * After coming close to filing for Chapter 11 only months after the 2008 merger, going so far as to hire lawyers to prepare a possible bankruptcy filing, Sirius XML was able to avoid declaring bankruptcy with the assistance of a $530 million loan from Liberty Media in February 2009, which Mel Karamazov negotiated in exchange for a 40% equity stake in Sirius XML.

In the fourth quarter of 2009, Sirius XML posted a profit for the first time, with a net income of $14. 2 million. This came after net losses of $245. 8 million in the year following the merger.

The company's resurgence was owed in part to the loan from Liberty Media. Increased automobile sales in the US was also a factor. Sirius XML ended 2009 with 18. 8 million subscribers. By the end of 2012, Sirius Ism's subscriber base had grown to 23.

9 million, mostly due to an increase in partnerships with automakers and car dealers; a strong push in the used-car market; and continued improved car sales in the US in general.

The renewal of radio show host Howard Steer's contract through 201 5 ($400 million for five years, $100 million less than Steer's previous five-year deal) was also a factor in the company's steady growth; Steer's show attracts over 12 million listeners per week. * As of 2012, Sirius XML had a 60% penetration

rate in the new car market. Out of that 60%, approximately 45% have become subscribers. The company has long-term deals with General Motors, Ford, Toyota, Kea, Bentley, BMW, Volkswagen, Ionians, Hounded and Mediumistic, along with assorted trucks, boats and recreational vehicles.

As of August 2012, Sirius XML satellite radios were in 50 million cars, although many of those are inactive. The company offers trial subscriptions to new car owners, and then tries to get them to purchase yearly subscriptions. By 2018, Sirius XML predicts over 100 million cars will have Sirius XML radios installed. * After trying for four years, on December 21, 2010, Sirius XML received approval from the FCC to add service in Alaska and Hawaii.

Sirius XML announced on January 17, 2011 that it would place repeaters in those states and adjust three of its satellites to cover those areas.

The move gave Sirius XML coverage in all 50 states. * On January 12, 2011, XML Satellite Radio, Inc. Was dissolved as a separate entity television and Telecommunications Commission (CRT) approved the merger of Sirius and Ism's Canadian affiliates in Sirius XML Canada. Internet and mobile strategies: * Sirius XML radio content is available to stream online as an add-on to existing subscriptions, or as an Internet-only option. Internet and mobile services directly challenging Sirius XML include Pandora, Spottily and radiation.

In order to better compete, in August 2011, Sirius XML announced that the company would start offering personalized interactive online radio experience, similar to Pandora. The feature would allow listeners to replay,

skip and ban songs on certain channels. Massy debuted on April 1 5, 2013, allowing users to fine-tune over 50 existing Sirius XML channels. Massy is available to all Sirius XML subscribers. * On June 17, 2009, Sirius XML released an application for use onApple' s phone and pod Touch, allowing its subscribers to listen to its programming on those devices.

The app did not feature all of the programming available to satellite listeners. On March 17, 2011, the app was also made available for the pad. In 2012, the app was updated for ISO and Android, featuring additional content, and the ability to pause, rewind and fast-forward through audio streams. * On February 4, 2010, the Sirius XML BlackBerry application was announced, for use on BlackBerry smartness (the Storm, Bold, Tour and Curve). As of April 2013, the app features over 150 channels.

* On May 28, 2010, the Sirius XML application for Android smartness was announced.

As of April 2013, the app features over 130 channels. Growth: * Sirius XML Radio Inc. (NASDAQ: SARI) announced that it passed 25 million bickerers in the second quarter, adding 71 5, 000 new subscribers in the second quarter, 2013. * The number is a growth of 15 percent from the same period last year, beating more modest analyst expectations. This would mark the biggest growth the biggest satellite radio provider has seen since Sirius and XML merged in 2008.

In line with those gains, the company has raised its expectations for total net subscriber additions from 1. 4 million to 1. 5 million. A rise in new automobile sales has helped drive the growth. A free trial of Sirius XML is offered with

many new car researches in order to get people hooked on the service before they have to start paying a monthly fee. * " The new subscriber additions in the quarter have helped Sirius XML reach an exciting new milestone that reflects the popularity and reach of Sirius XML programming and services," said Jim Meyer Sirius Ism's Chief Executive Officer.

" The quarterly results bolster Sirius Ism's leadership position in a dynamic audio entertainment marketplace as we continue our trend of strong, profitable growth. Key to Success: * New Sirius CEO Mel Karamazov decided that the firms could only be successful cause of slow government approval process. * Second move after the merger was to refinance the newly merged company Just before it became insolvent and raise capital, by getting Liberty Media to put $530 million into Sirius XML. * Some of the money borrowed was used to pay debt due immediately and the balance was used for operations, which proved to be a good method to cut costs and get to profitability sooner. Karamazov invested in a number of talented radio hosts that had large followings to build out his customer base. One key host he signed that helped out the newly urged company was Howard Stern, who had a huge customer base that helped boost subscriptions.

* While a rise in automobile sales might benefit the company now, Meyer has previously pointed out that the service needs to branch out into other areas so as not to be so dependent on the auto industry. SUBSCRIPTIONS: * Following the merger, Sirius XML Jettisoned the simplicity of previous monthly subscription models, and began offering numerous new options, including a la carte offerings, a family-friendly version and " mostly music" or " news, sports and talk" packages, ranging in price from $6. 99 to $16. 9 per

month. As of April 2013, almost all music, talk and news programming is available on both, Sirius and, XML and Sirius XML Internet Radio services.

* Prior to the merger, Sirius offered a lifetime subscription for a one-time fee, with the subscription being for the lifetime of the receiver, not the person. 24] After the merger, due to changes in bundling policies, some customers who had purchased lifetime subscriptions had their service reduced or canceled, and were unable to obtain a refund Marketing Relationships: * In their efforts to get the word out about Sirius XML they have formed arrangements with 9 largely recognized companies who share the dedication to the future of music and who want to be part of the satellite radio revolution. * Some of the great strategic relationships from a marketing standpoint have allowed Sirius XML to be a multi-national recognized brand.

They have partnered with some huge corporations such as AAA, Applied Media Technologies (MATT) in 2003 who is one of the largest providers of messaging for use with background music and during telephone " on hold" time. Some of the other major marketing partners include 3 of ajar airport locations, and in 48 of rental model vehicle lines that come equipped with Sirius XML functionality.

* They have formed an alliance with Getable airlines that brings Sirius XML huge international recognition throughout 61 cities and 650 daily flights provided.

Industry Challenge: * Threat of new entrants: * Sirius XML satellite radio competes with online radio services like Pandora Media Inc. (For now, Sirius has an advantage through aligning itself so closely with the automotive

industry, and getting people to pay a much higher monthly subscription fee than even Pander's premium service. For 2012, Sirius XML posted $142. 34 in revenue per subscriber, while Pandora posted $6.

51. * But as more cars become Internet-capable, people could start switching to much-cheaper or free online streaming music services like Pandora.

If Sirius expects to maintain its lead, it will have to continue to develop the unique ad-free content it's known for, so that consumers are willing to swallow the $20 or more per month price tag. * Threat of substitute products or services: * There are threats within the industry, other online-based radio offerings such as APS, and other on the go devices. Sirius XML has over 150+ digital quality channels, with various hosts and Des that have a tremendous fan base. From the outset, Sirius and XML alike attracted celebrity personalities to host radio shows, which proved effective in the long run after the merger.

Intensity of competitive rivalry: * The radio industry is a competitive industry with an established following for specific stations or specific comedians/Des/hosts. With the fee based service, Sirius XML attracts followers of all genres, due to the improvements in company philosophy and mass consumer appeal. Everyone listens to theRadio Oneway or another, free or e, online, in their cars and homes, and on the go; it is all a matter of preference of paying for quality and ease of use or Just listening to the plain old radio.

Sirius XML is competing strongly, surpassing 25 million customer subscriptions to date, its viability is now credible and its vision for the future is clear.

* Sirius XML, through its major marketing partners, and its automobile industry strategic alliance does not really feel threatened in a major way by any of these startup, venture capital, app based service technology as long as they keep their price subscriptions down and customer service up.