SIRIUS XM RADIO INC.

(Exact name of company as specified in its charter)

QUARTERLY REPORT

For the Quarterly Period Ended March 31, 2024

Explanatory Note

Sirius XM Radio Inc. ("Sirius XM") is furnishing this Quarterly Report for the quarterly period ended March 31, 2024 (the "Quarterly Report") in order to comply with the reporting obligations in the indentures governing its 3.125% Senior Notes due 2026, 5.00% Senior Notes due 2027, 4.00% Senior Notes due 2028, 5.50% Senior Notes due 2029, 4.125% Senior Notes due 2030 and 3.875% Senior Notes due 2031 (collectively, the "Notes").

Before making any investment decisions in Sirius XM or Sirius XM Holdings Inc. ("Holdings"), investors should read the following unaudited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Sirius XM in conjunction with Holdings' Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 and Holdings' other reports available through the Securities and Exchange Commission website at www.sec.gov and our website at www.siriusxm.com, and with Sirius XM's other reports available through our website. Holdings' Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 is hereby incorporated by reference except for Section 9A and Exhibits 31.1, 31.2, 32.1 and 32.2 contained therein. Sirius XM is a wholly-owned subsidiary of Holdings and Holdings has no operations independent of Sirius XM. Refer to Note 1 to the unaudited consolidated financial statements included within this Quarterly Report for an explanation of differences between Sirius XM and Holdings' unaudited consolidated financial statements.

The terms "Sirius XM," "we," "us," "our," and the "Company," as used herein and unless otherwise stated or indicated by context, refer to Sirius XM Radio Inc. and its subsidiaries. "Pandora" refers to Sirius XM's wholly owned subsidiary Pandora Media, LLC (the successor to Pandora Media, Inc.) and its subsidiaries.

SIRIUS XM RADIO INC. AND SUBSIDIARIES
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SIRIUS XM RADIO INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Sirius XM Holdings Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	For the Three Months Ended March 31,	
(in millions)	**2024**	**2023**
Revenue:		
Subscriber revenue	$ 1,680	$ 1,691
Advertising revenue	402	375
Equipment revenue	50	46
Other revenue	30	32
Total revenue	2,162	2,144
Operating expenses:		
Cost of services:		
Revenue share and royalties	703	700
Programming and content	157	150
Customer service and billing	116	122
Transmission	59	49
Cost of equipment	2	3
Subscriber acquisition costs	90	90
Sales and marketing	229	224
Engineering, design and development	86	79
General and administrative	115	147
Depreciation and amortization	140	136
Impairment, restructuring and acquisition costs	28	32
Total operating expenses	1,725	1,732
Income from operations	437	412
Other (expense) income:		
Interest expense	(104)	(107)
Loss on extinguishment of debt	—	(1)
Other income	12	10
Total other expense	(92)	(98)
Income before income taxes	345	314
Income tax expense	(80)	(75)
Net income attributable to Sirius XM Radio Inc.'s sole stockholder	$ 265	$ 239
Foreign currency translation adjustment, net of tax	(7)	—
Total comprehensive income attributable to Sirius XM Radio Inc.'s sole stockholder	$ 258	$ 239

See accompanying notes to the unaudited consolidated financial statements.

SIRIUS XM RADIO INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Sirius XM Holdings Inc.)
CONSOLIDATED BALANCE SHEETS

(in millions, except per share data)	March 31, 2024	December 31, 2023
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 71	$ 216
Receivables, net	614	709
Related party current assets	33	36
Prepaid expenses and other current assets	360	310
Total current assets	1,078	1,271
Property and equipment, net	1,820	1,754
Intangible assets, net	2,882	2,905
Goodwill	3,234	3,234
Related party long-term assets	3,245	3,179
Equity method investments	1,465	526
Deferred tax assets	159	159
Operating lease right-of-use assets	290	279
Other long-term assets	235	235
Total assets	$ 14,408	$ 13,542
LIABILITIES AND STOCKHOLDER EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,170	$ 1,306
Accrued interest	72	166
Current portion of deferred revenue	1,162	1,195
Current maturities of debt	505	505
Operating lease current liabilities	46	46
Related party current liabilities	133	8
Total current liabilities	3,088	3,226
Long-term deferred revenue	84	88
Long-term debt	8,722	8,690
Deferred tax liabilities	491	512
Operating lease liabilities	304	292
Other long-term liabilities	858	134
Total liabilities	13,547	12,942
Commitments and contingencies (Note 14)		
Stockholder equity:		
Common stock, par value $0.001 per share; 9,000 shares authorized; 0.001 shares issued and outstanding at each of March 31, 2024 and December 31, 2023	—	—
Accumulated other comprehensive (loss) income, net of tax	(4)	3
Retained earnings	865	597
Total stockholder equity	861	600
Total liabilities and stockholder equity	$ 14,408	$ 13,542

See accompanying notes to the unaudited consolidated financial statements.

SIRIUS XM RADIO INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Sirius XM Holdings Inc.)
CONSOLIDATED STATEMENTS OF STOCKHOLDER EQUITY
(UNAUDITED)

For the Three Months Ended March 31, 2024

(in millions)	Common Stock Shares	Common Stock Amount	Accumulated Other Comprehensive (Loss) Income	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total Stockholder Equity
Balance at December 31, 2023	—	$ —	$ 3	$ —	$ 597	$ 600
Cumulative effect of change in accounting principles	—	—	—	—	3	3
Comprehensive (loss) income, net of tax	—	—	(7)	—	265	258
Balance at March 31, 2024	—	$ —	$ (4)	$ —	$ 865	$ 861

For the Three Months Ended March 31, 2023

(in millions)	Common Stock Shares	Common Stock Amount	Accumulated Other Comprehensive Income (Loss)	Additional Paid-in Capital	Accumulated Deficit	Total Stockholder Equity
Balance at December 31, 2022	—	$ —	$ (4)	$ 2,180	$ 1,120	$ 3,296
Capital contribution to Liberty Media related to Tax Sharing Agreement	—	—	—	—	(14)	(14)
Comprehensive income, net of tax	—	—	—	—	239	239
Balance at March 31, 2023	—	$ —	$ (4)	$ 2,180	$ 1,345	$ 3,521

See accompanying notes to the unaudited consolidated financial statements.

SIRIUS XM RADIO INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Sirius XM Holdings Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Three Months Ended March 31,	
(in millions)	**2024**	**2023**
Cash flows from operating activities:		
Net income	$ 265	$ 239
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	140	136
Non-cash impairment and restructuring costs	1	8
Non-cash interest expense, net of amortization of premium	4	3
Provision for doubtful accounts	13	14
Loss on extinguishment of debt	—	1
Loss on unconsolidated entity investments, net	15	—
Gain on fair value instrument	—	(7)
Gain on other investments	(3)	(2)
Share-based payment expense	45	45
Deferred income tax benefit	(14)	(52)
Amortization of right-of-use assets	11	10
Changes in operating assets and liabilities:		
Receivables	82	53
Related party, net	30	69
Prepaid expenses and other current assets	(50)	(38)
Other long-term assets	7	6
Accounts payable and accrued expenses	(137)	(57)
Accrued interest	(93)	(93)
Deferred revenue	(36)	(17)
Operating lease liabilities	(11)	(10)
Other long-term liabilities	25	23
Net cash provided by operating activities	294	331
Cash flows from investing activities:		
Additions to property and equipment	(174)	(205)
Purchase of other investments	(2)	(1)
Investments in related parties and other equity investees	(187)	(29)
Net cash used in investing activities	(363)	(235)
Cash flows from financing activities:		
Intercompany financing activities	(102)	(151)
Revolving credit facility borrowings	230	548
Revolving credit facility repayments	(200)	(418)
Principal payments of long-term borrowings	(3)	(77)
Other financing activities	(1)	(2)
Net cash used in financing activities	(76)	(100)
Net decrease in cash, cash equivalents and restricted cash	(145)	(4)
Cash, cash equivalents and restricted cash at beginning of period(1)	224	65
Cash, cash equivalents and restricted cash at end of period(1)	$ 79	$ 61

See accompanying notes to the unaudited consolidated financial statements.

SIRIUS XM RADIO INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Sirius XM Holdings Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued
(UNAUDITED)

(in millions)	For the Three Months Ended March 31, 2024	2023
Supplemental Disclosure of Cash and Non-Cash Flow Information		
Cash paid during the period for:		
Interest, net of amounts capitalized	$ 193	$ 195
Income taxes paid	$ 2	$ —
Non-cash investing and financing activities:		
Finance lease obligations incurred to acquire assets	$ —	$ 4
Accumulated other comprehensive loss, net of tax	$ (7)	$ —
Capital contribution from Liberty Media pursuant to Tax Sharing Agreement	$ —	$ 14
Accrued tax equity investments	$ 779	$ —

(1) The following table reconciles cash, cash equivalents and restricted cash per the statement of cash flows to the balance sheet. The restricted cash balances are primarily due to letters of credit which have been issued to the landlords of leased office space. The terms of the letters of credit primarily extend beyond one year.

(in millions)	March 31, 2024	December 31, 2023	March 31, 2023	December 31, 2022
Cash and cash equivalents	$ 71	$ 216	$ 53	$ 57
Restricted cash included in Other long-term assets	8	8	8	8
Total cash, cash equivalents and restricted cash at end of period	$ 79	$ 224	$ 61	$ 65

See accompanying notes to the unaudited consolidated financial statements.

SIRIUS XM RADIO INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Sirius XM Holdings Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Dollars and shares in millions, except per share amounts)

(1) Business & Basis of Presentation

Business

We operate two complementary audio entertainment businesses - one of which we refer to as “SiriusXM” and the second of which we refer to as “Pandora and Off-platform”.

SiriusXM

Our SiriusXM business features music, sports, entertainment, comedy, talk, news, traffic and weather channels and other content, as well as podcasts and infotainment services, in the United States on a subscription fee basis. SiriusXM packages include live, curated and certain exclusive and on demand programming. The SiriusXM service is distributed through our two proprietary satellite radio systems and streamed via applications for mobile devices, home devices and other consumer electronic equipment. Satellite radios are primarily distributed through automakers, retailers and our website. Our Sirius XM service is also available through our in-car user interface, which we call “360L,” that combines our satellite and streaming services into a single, cohesive in-vehicle entertainment experience.

The primary source of revenue from our SiriusXM business is subscription fees, with most of our customers subscribing to monthly, quarterly, semi-annual or annual plans. We also derive revenue from advertising on select non-music channels, which is sold under the SiriusXM Media brand, direct sales of our satellite radios and accessories, and other ancillary services. As of March 31, 2024, our SiriusXM business had approximately 33.4 million subscribers.

In addition to our audio entertainment businesses, we provide connected vehicle services to several automakers. These services are designed to enhance the safety, security and driving experience of consumers. We also offer a suite of data services that includes graphical weather and fuel prices, a traffic information service, and real-time weather services in boats and airplanes.

SiriusXM also holds a 70% equity interest and 33% voting interest in Sirius XM Canada Holdings Inc. (“Sirius XM Canada”). Sirius XM Canada's subscribers are not included in our subscriber count or subscriber-based operating metrics.

Pandora and Off-platform

Our Pandora and Off-platform business operates a music, comedy and podcast streaming discovery platform, offering a personalized experience for each listener wherever and whenever they want to listen, whether through mobile devices, vehicle speakers or connected devices. Pandora enables listeners to create personalized stations and playlists, discover new content, hear artist- and expert-curated playlists, podcasts as well as search and play songs and albums on-demand. Pandora is available as (1) an ad-supported radio service, (2) a radio subscription service (Pandora Plus) and (3) an on-demand subscription service (Pandora Premium). As of March 31, 2024, Pandora had approximately 5.9 million subscribers.

The majority of revenue from Pandora is generated from advertising on our Pandora ad-supported radio service which is sold under the SiriusXM Media brand. We also derive subscription revenue from our Pandora Plus and Pandora Premium subscribers.

We also sell advertising on other audio platforms and in widely distributed podcasts, which we consider to be off-platform services. We have an arrangement with SoundCloud Holdings, LLC (“SoundCloud”) to be its exclusive ad sales representative in the US and certain European countries and offer advertisers the ability to execute campaigns across the Pandora and SoundCloud platforms. We also have arrangements to serve as the ad sales representative for certain podcasts. In addition, through AdsWizz Inc., we provide a comprehensive digital audio and programmatic advertising technology platform, which connects audio publishers and advertisers with a variety of ad insertion, campaign trafficking, yield optimization, programmatic buying, marketplace and podcast monetization solutions.

Liberty Media

As of March 31, 2024, Liberty Media Corporation ("Liberty Media") beneficially owned, directly and indirectly, 83.3% of the outstanding shares of Holdings' common stock. As a result, Holdings is a "controlled company" for the purposes of the NASDAQ corporate governance requirements. Refer to Note 9 for more information regarding related parties.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). All significant intercompany transactions have been eliminated in consolidation. Certain numbers in our prior period unaudited consolidated financial statements and footnotes have been reclassified or consolidated to conform to our current period presentation.

The unaudited consolidated financial statements for Sirius XM for the quarterly period ended March 31, 2024 are essentially identical to the unaudited consolidated financial statements included in Holdings' Form 10-Q for the quarterly period ended March 31, 2024, filed with the SEC on April 30, 2024, with the following exceptions:

- As a result of our corporate reorganization effective November 15, 2013, all of the outstanding shares of Sirius XM's common stock were converted, on a share for share basis, into identical shares of common stock of Holdings and all equity-related transactions, including repurchases of Holdings' common stock, dividend payments on shares of Holdings' common stock and the issuance of equity related to stock-based compensation to Sirius XM employees, Holdings' directors and third parties have been reported as related party transactions within Sirius XM's unaudited consolidated financial statements. Refer to Note 9 for additional information related to related party transactions.

In the opinion of our management, all normal recurring adjustments necessary for a fair presentation of our unaudited consolidated financial statements as of March 31, 2024 and for the three months ended March 31, 2024 and 2023 have been made.

Interim results are not necessarily indicative of the results that may be expected for a full year. This Quarterly Report should be read together with our Annual Report for the year ended December 31, 2023, which is available on our website at https://investor.siriusxm.com/financial-information/bondholder-information, and with Holdings' Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on February 1, 2024.

Public companies, including our parent Holdings, are required to disclose certain information about their reportable operating segments. Operating segments are defined as significant components of an enterprise for which separate financial information is available and is evaluated on a regular basis by the chief operating decision maker in deciding how to allocate resources to an individual segment and in assessing performance of the segment. We have determined that we have two reportable segments as our chief operating decision maker, our Chief Executive Officer, assesses performance and allocates resources based on the financial results of these segments. Refer to Note 15 for information related to our segments.

We have evaluated events subsequent to the balance sheet date and prior to the furnishing of this Quarterly Report for the three months ended March 31, 2024 and have determined that no events have occurred that would require adjustment to our unaudited consolidated financial statements. For a discussion of subsequent events that do not require adjustment to our unaudited consolidated financial statements refer to Note 16.

As previously disclosed, we identified an error in our previously issued unaudited consolidated financial statements related to the presentation of cash flows associated with borrowings and repayments related to our Senior Secured Credit Facility. We have corrected this error in the accompanying unaudited consolidated statements of cash flows for the three months ended March 31, 2023 to present on a gross basis the borrowings from the revolving credit facility of $548 and repayments of the revolving credit facility of $418. The corrections had no impact to the total net cash used in financing activities in the period. We evaluated the materiality of this error both qualitatively and quantitatively and have concluded that this error is immaterial to the impacted period.

(Dollars and shares in millions, except per share amounts)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes. Estimates, by their nature, are based on judgment and available information. Actual results could differ materially from those estimates. Significant estimates inherent in the preparation of the accompanying unaudited consolidated financial statements include asset impairment, depreciable lives of our satellites, share-based payment expense and income taxes.

(2) Summary of Significant Accounting Policies

Recent Accounting Pronouncements

Accounting Standard Update 2023-09, Improvements to Income Tax Disclosures (“ASU 2023-09”). In December 2023, the Financial Accounting Standards Board (“FASB”) issued ASU 2023-09, which requires more detailed income tax disclosures. The guidance requires entities to disclose disaggregated information about their effective tax rate reconciliation as well as expanded information on income taxes paid by jurisdiction. The disclosure requirements will be applied on a prospective basis, with the option to apply them retrospectively. The standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. We are evaluating the disclosure requirements related to the new standard.

Accounting Standard Update 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). In November 2023, the FASB issued ASU 2023-07, which is intended to improve reportable segment disclosure requirements, primarily through additional disclosures about significant segment expenses. The standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. We are evaluating the disclosure requirements related to the new standard.

Recently Adopted Accounting Policies

In March 2023, the FASB issued ASU 2023-02 Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method, which expands the population of investments for which an investor may elect to apply the proportional amortization method. Under this ASU, an investor in a tax equity investment may elect the proportional amortization method for qualifying investments on a tax credit program-by-program basis. This ASU became effective in the first quarter of 2024. We adopted ASU 2023-02 as of January 1, 2024 using the modified retrospective approach.

Adoption of the new standard resulted in the recording of additional Equity method investments, Related party current liabilities, Other Long-term liabilities, Deferred tax liabilities and a cumulative effect adjustment to opening Retained earnings. The effects of the changes made to our unaudited consolidated balance sheet as of January 1, 2024 for the adoption of ASU 2023-02 are included in the table below.

	Balance at December 31, 2023	Adjustments Due to ASU 2023-02	Balance at January 1, 2024
Balance Sheet			
Equity method investments	$ 526	$ 122	$ 648
Related party current liabilities	$ 8	$ 15	$ 23
Other long-term liabilities	$ 134	$ 109	$ 243
Deferred tax liabilities	$ 512	$ (5)	$ 507
Retained earnings	$ 597	$ 3	$ 600

(Dollars and shares in millions, except per share amounts)

Fair Value Measurements

For assets and liabilities required to be reported at fair value, GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are based on unadjusted quoted prices in active markets for identical instruments. Level 2 inputs are inputs, other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. As of March 31, 2024 and December 31, 2023, the carrying amounts of cash and cash equivalents, receivables and accounts payable approximated fair value due to the short-term nature of these instruments.

Our liabilities measured at fair value were as follows:

	March 31, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Liabilities:								
Debt [(a)]	—	$ 8,478	—	$ 8,478	—	$ 8,523	—	$ 8,523

(a) The fair value for non-publicly traded debt is based upon estimates from a market maker and brokerage firm. Refer to Note 10 for information related to the carrying value of our debt as of March 31, 2024 and December 31, 2023.

(3) Restructuring Costs

During the three months ended March 31, 2024, we further realigned our business to focus on strategic priorities, reducing the size of our workforce, and recorded a charge of $12 primarily related to severance and other related costs. The restructuring charges were recorded to Impairment, restructuring and acquisition costs in our unaudited consolidated statements of comprehensive income.

During the three months ended March 31, 2023, we initiated measures to pursue greater efficiency and to realign our business and focus on strategic priorities. As part of these measures, we reduced the size of our workforce by approximately 475 roles, or 8%. We recorded a charge of $23 primarily related to severance and other employee costs. In addition, we vacated one of our leased locations. We assessed the recoverability of the carrying value of the operating lease right of use asset related to this location and determined that the carrying value of the asset was not recoverable. As a result, we recorded an impairment of $5 to reduce the carrying value of the asset to its estimated fair value. Additionally, we accrued expenses of $2 for which we will not recognize any future economic benefits, and we wrote off fixed assets of less than $1 in connection with furniture and equipment located at the impaired office space. The total restructuring and related impairment charge of $30 was recorded to Impairment, restructuring and acquisition costs in our unaudited consolidated statements of comprehensive income for the three months ended March 31, 2023.

(4) Receivables, net

Receivables, net, includes customer accounts receivable, receivables from distributors and other receivables. We do not have any customer receivables that individually represent more than ten percent of our receivables.

Customer accounts receivable, net, includes receivables from our subscribers and advertising customers, including advertising agencies and other customers, and is stated at amounts due, net of an allowance for doubtful accounts. Our allowance for doubtful accounts is based upon our assessment of various factors. We consider historical experience, the age of the receivable balances, current economic conditions, industry experience and other factors that may affect the counterparty's ability to pay. Bad debt expense is included in Customer service and billing expense in our unaudited consolidated statements of comprehensive income.

Receivables from distributors primarily include billed and unbilled amounts due from automakers for services included in the sale or lease price of vehicles, as well as billed amounts due from wholesale distributors of our satellite radios. Other receivables primarily include amounts due from manufacturers of our radios, modules and chipsets where we are entitled to subsidies and royalties based on the number of units produced. We have not established an allowance for doubtful accounts for our receivables from distributors or other receivables as we have historically not experienced any significant collection issues with automakers or other third parties and do not expect issues in the foreseeable future.

(Dollars and shares in millions, except per share amounts)

Receivables, net, consists of the following:

	March 31, 2024	December 31, 2023
Gross customer accounts receivable	$ 553	$ 631
Allowance for doubtful accounts	(14)	(15)
Customer accounts receivable, net	$ 539	$ 616
Receivables from distributors	52	56
Other receivables	23	37
Total receivables, net	$ 614	$ 709

(5) Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of the net tangible and identifiable intangible assets acquired in business combinations. Our annual impairment assessment of our two reporting units is performed as of the fourth quarter of each year, and an assessment is performed at other times if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. ASC 350, *Intangibles - Goodwill and Other*, states that an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. Our Sirius XM reporting unit, which has an allocated goodwill balance of $2,290, had a negative carrying amount as of March 31, 2024.

As of March 31, 2024, there were no indicators of impairment, and no impairment losses were recorded for goodwill during the three months ended March 31, 2024 and 2023. As of March 31, 2024, the cumulative balance of goodwill impairments recorded was $5,722, of which $4,766 was recognized during the year ended December 31, 2008 and is included in the carrying amount of the goodwill allocated to our Sirius XM reporting unit and $956 was recognized during the year ended December 31, 2020 and is included in the carrying amount of the goodwill allocated to our Pandora and Off-platform reporting unit.

As of each of March 31, 2024 and December 31, 2023, the carrying amount of goodwill for our Sirius XM and Pandora and Off-platform reporting units was $2,290 and $944, respectively.

SIRIUS XM RADIO INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Sirius XM Holdings Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
(UNAUDITED)
(Dollars and shares in millions, except per share amounts)

(6) Intangible Assets

Our intangible assets include the following:

		March 31, 2024			December 31, 2023		
	Weighted Average Useful Lives	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Indefinite life intangible assets:							
FCC licenses	Indefinite	$ 2,084	$ —	$ 2,084	$ 2,084	$ —	$ 2,084
Trademarks	Indefinite	250	—	250	250	—	250
Definite life intangible assets:							
OEM relationships	15 years	220	(152)	68	220	(149)	71
Licensing agreements	12 years	3	(3)	—	3	(3)	—
Software and technology	7 years	28	(22)	6	28	(22)	6
Due to Acquisitions recorded to Pandora and Off-platform Reporting Unit:							
Indefinite life intangible assets:							
Trademarks	Indefinite	312	—	312	312	—	312
Definite life intangible assets:							
Customer relationships	8 years	442	(292)	150	442	(279)	163
Software and technology	5 years	391	(379)	12	391	(372)	19
Total intangible assets		$ 3,730	$ (848)	$ 2,882	$ 3,730	$ (825)	$ 2,905

Indefinite Life Intangible Assets

We have identified our FCC licenses and XM and Pandora trademarks as indefinite life intangible assets after considering the expected use of the assets, the regulatory and economic environment within which they are used and the effects of obsolescence on their use.

We hold FCC licenses to operate our satellite digital audio radio service and provide ancillary services. Each of the FCC licenses authorizes us to use radio spectrum, a reusable resource that does not deplete or exhaust over time.

Our annual impairment assessment of our identifiable indefinite lived intangible assets is performed as of the fourth quarter of each year. An assessment is performed at other times if an event occurs or circumstances change that would more likely than not reduce the fair value of the asset below its carrying value. If the carrying value of the intangible assets exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. As of March 31, 2024, there were no indicators of impairment, and no impairment loss was recognized for intangible assets with indefinite lives during the three months ended March 31, 2024 and 2023.

Definite Life Intangible Assets

Amortization expense for all definite life intangible assets was $24 and $37 for the three months ended March 31, 2024 and 2023, respectively. There were no retirements or impairments of definite lived intangible assets during the three months ended March 31, 2024 and 2023.

(Dollars and shares in millions, except per share amounts)

The expected amortization expense for each of the fiscal years 2024 through 2028 and for periods thereafter is as follows:

Years ending December 31,	Amount
2024	$ 54
2025	71
2026	71
2027	25
2028	15
Thereafter	—
Total definite life intangible assets, net	$ 236

(7) Property and Equipment

Property and equipment, net, consists of the following:

	March 31, 2024	December 31, 2023
Satellite system	$ 1,598	$ 1,598
Terrestrial repeater network	117	117
Leasehold improvements	112	106
Broadcast studio equipment	152	146
Capitalized software and hardware	2,174	2,178
Satellite telemetry, tracking and control facilities	85	84
Furniture, fixtures, equipment and other	109	110
Land	32	32
Building	74	74
Construction in progress	706	538
Total property and equipment	5,159	4,983
Accumulated depreciation	(3,339)	(3,229)
Property and equipment, net	$ 1,820	$ 1,754

Construction in progress consists of the following:

	March 31, 2024	December 31, 2023
Satellite system	$ 565	$ 490
Terrestrial repeater network	8	7
Capitalized software and hardware	115	17
Other	18	24
Construction in progress	$ 706	$ 538

Depreciation and amortization expense on property and equipment was $116 and $99 for the three months ended March 31, 2024 and 2023, respectively. During the three months ended March 31, 2024 and 2023, we recorded impairment charges of $1 and $2, respectively, primarily related to terminated software projects.

SIRIUS XM RADIO INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Sirius XM Holdings Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
(UNAUDITED)
(Dollars and shares in millions, except per share amounts)

We capitalize a portion of the interest on funds borrowed to finance the construction and launch of our satellites. Capitalized interest is recorded as part of the asset's cost and depreciated over the satellite's useful life. Capitalized interest costs were $6 and $3 for the three months ended March 31, 2024 and 2023, respectively, which related to the construction of our SXM-9, SXM-10, SXM-11 and SXM-12 satellites. We also capitalize a portion of share-based compensation related to employee time for capitalized software projects. Capitalized share-based compensation costs were $5 for each of the three months ended March 31, 2024 and 2023.

Satellites

As of March 31, 2024, we operated a fleet of five satellites. Each satellite requires an FCC license, and prior to the expiration of each license, we are required to apply for a renewal of the FCC satellite license. The renewal and extension of our licenses is reasonably certain at minimal cost, which is expensed as incurred. The chart below provides certain information on our satellites as of March 31, 2024:

Satellite Description	Year Delivered	Estimated End of Depreciable Life	FCC License Expiration Year
SIRIUS FM-5	2009	2024	2025
SIRIUS FM-6	2013	2028	2030
XM-3	2005	2020	2026
XM-5	2010	2025	2026
SXM-8	2021	2036	2029

Our XM-3 satellite remains available as an in-orbit spare.

(8) Leases

We have operating and finance leases for offices, terrestrial repeaters, data centers and certain equipment. Our leases have remaining lease terms of less than 1 year to 19 years, some of which may include options to extend the leases for up to 5 years, and some of which may include options to terminate the leases within 1 year. We elected the practical expedient to account for the lease and non-lease components as a single component. Additionally, we elected the practical expedient to not recognize right-of-use assets or lease liabilities for short-term leases, which are those leases with a term of twelve months or less at the lease commencement date.

The components of lease expense were as follows:

	For the Three Months Ended March 31,	
	2024	2023
Operating lease cost	$ 15	$ 21
Finance lease cost	2	—
Sublease income	(1)	(1)
Total lease cost	$ 16	$ 20

During the three months ended March 31, 2023, we ceased using one of our leased locations and recorded an impairment charge of $5 to write down the carrying value of the right-of-use asset to its estimated fair value. Refer to Note 3 for additional information.

(9) Related Party Transactions

In the normal course of business, we enter into transactions with related parties such as Sirius XM Canada, SoundCloud and our tax equity investments.

Liberty Media

As of March 31, 2024, Liberty Media beneficially owned, directly and indirectly, 83.3% of the outstanding shares of Holdings' common stock. Liberty Media has three of its executives and one of its directors on our board of directors. Gregory B. Maffei, the President and Chief Executive Officer of Liberty Media, is the Chairman of our board of directors.

On February 1, 2021, Holdings entered into a tax sharing agreement with Liberty Media governing the allocation of consolidated U.S. income tax liabilities and setting forth agreements with respect to other tax matters. The tax sharing agreement was negotiated and approved by a special committee of Holdings' board of directors, all of whom are independent of Liberty Media. Refer to Note 14 for more information regarding the tax sharing agreement.

On December 11, 2023, Holdings entered into definitive agreements whereby, subject to the terms thereof, Liberty Sirius XM Holdings Inc., a Delaware corporation and a wholly owned subsidiary of Liberty Media ("New Sirius"), would split-off from Liberty Media. The transactions would be effectuated by means of a redemptive split-off of New Sirius (the "Split-Off"), which will own all of the assets and liabilities attributed to Liberty Media's Series A Liberty SiriusXM common stock ("LSXMA"), Series B Liberty SiriusXM common stock ("LSXMB") and Series C Liberty SiriusXM common stock ("LSXMK", together with the LSXMB and LSXMA stock, the "Liberty SiriusXM Group"). Following the Split-Off, New Sirius will combine with Holdings through the merger of Radio Merger Sub, LLC, a Delaware limited liability company and a wholly owned subsidiary of New Sirius ("Merger Sub"), with Holdings, with Holdings becoming a wholly owned subsidiary of New Sirius (the "Merger" and, together with the Split-Off, the "Transactions"). As part of the Merger, New Sirius will be renamed "Sirius XM Holdings Inc."

To effect the Transactions, on December 11, 2023, Liberty Media entered into (i) a Reorganization Agreement (the "Reorganization Agreement") with Holdings and New Sirius, and (ii) an Agreement and Plan of Merger (the "Merger Agreement") with New Sirius, Holdings and Merger Sub.

In connection with the Merger Agreement and the Reorganization Agreement, on December 11, 2023, certain trusts related to Dr. John C. Malone (collectively, the "Malone Stockholders") entered into a voting agreement (the "Voting Agreement") with Liberty Media, Holdings and New Sirius, pursuant to which, among other things, the Malone Stockholders agreed, subject to the terms of the Voting Agreement, to vote their respective shares of Liberty Media's LSXMA and LSXMB in favor of the Split-Off.

The Transactions have been unanimously approved by Liberty Media's Board of Directors and a Special Committee of the Board of Directors of Holdings and by Holdings' Board of Directors. The Transactions are 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 Sirius 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. A subsidiary of Liberty Media owning a majority of the outstanding shares of Holdings has delivered a written consent approving the Transactions on behalf of a majority of Holdings' stockholders. Following the Transactions, Liberty Media and New Sirius will operate independently, and neither is expected to have any ownership interest in the other. All of the executive officers of Holdings immediately prior to consummation of the Transactions will be the initial executive officers of New Sirius, and New Sirius will continue to operate under the SiriusXM name and brand.

During the three months ended March 31, 2024, we recognized costs associated with the Transactions of $15 which were recorded to Impairment, restructuring and acquisition costs in our unaudited consolidated statements of comprehensive income.

Sirius XM Holdings

Sirius XM is a wholly-owned subsidiary of Holdings. Holdings has no operations independent of Sirius XM. All equity-related transactions, including repurchases of Holdings' common stock, dividend payments on shares of Holdings' common stock, the issuance of equity related to share-based compensation for Sirius XM employees, Holdings' directors and third parties and the issuance of Holdings' common stock related to the recapitalization of Sirius XM Canada and the Pandora Acquisition have been reported as related party transactions within our unaudited consolidated financial statements. The share-based compensation for Sirius XM employees, Holdings' directors and third parties has been recorded in our unaudited consolidated financial statements. The Related party long-term assets balance as of March 31, 2024 and December 31, 2023 of Sirius XM includes $3,245 and $3,179 respectively, primarily for net amounts due from Holdings in connection with these equity-related transactions.

During the three months ended March 31, 2024, we used $102 of our cash for the payment of a cash dividend on Holdings' common stock. This amount is included in our Related party long-term asset balance as a receivable due from Holdings.

Sirius XM Canada

Sirius XM holds a 70% equity interest and 33% voting interest in Sirius XM Canada, a privately held corporation. We own 591 shares of preferred stock of Sirius XM Canada, which has a liquidation preference of one Canadian dollar per share.

Sirius XM Canada is accounted for as an equity method investment, and its results are not consolidated in our unaudited consolidated financial statements. Sirius XM Canada does not meet the requirements for consolidation as we do not have the ability to direct the most significant activities that impact Sirius XM Canada's economic performance.

On March 15, 2022, Sirius XM and Sirius XM Canada entered into an amended and restated services and distribution agreement. Pursuant to the amended and restated services and distribution agreement, the fee payable by Sirius XM Canada to Sirius XM was modified from a fixed percentage of revenue to a variable fee, based on a target operating profit for Sirius XM Canada. Such variable fee is expected to be evaluated annually based on comparable companies. In accordance with the amended and restated services and distribution agreement, the fee is payable on a monthly basis, in arrears, beginning January 1, 2022.

Our Equity method investments as of March 31, 2024 and December 31, 2023 included the carrying value of our investment balance in Sirius XM Canada of $418 and $423, respectively, and, as of each of March 31, 2024 and December 31, 2023, also included $8, for the long-term value of the outstanding loan to Sirius XM Canada.

Sirius XM Canada paid gross dividends to us of less than $1 during each of the three months ended March 31, 2024 and 2023. Dividends are first recorded as a reduction to our investment balance in Sirius XM Canada to the extent a balance exists and then as Other (expense) income for any remaining portion.

We recorded revenue from Sirius XM Canada as Other revenue in our unaudited consolidated statements of comprehensive income of $24 and $26 during the three months ended March 31, 2024 and 2023, respectively.

SoundCloud

We have an investment in SoundCloud which is accounted for as an equity method investment and recorded in Equity method investments in our unaudited consolidated balance sheets. Sirius XM has appointed two individuals to serve on SoundCloud's ten-member board of managers. Sirius XM's share of SoundCloud's earnings (loss) was less than $1 and $(1) for the three months ended March 31, 2024 and 2023, respectively, which was recorded in Other (expense) income in our unaudited consolidated statements of comprehensive income.

In addition to our investment in SoundCloud, Pandora has an agreement with SoundCloud to be its exclusive ad sales representative in the US and certain European countries. Through this arrangement, Pandora offers advertisers the ability to execute campaigns across the Pandora and SoundCloud platforms. We recorded revenue share expense related to this agreement of $15 and $12 for the three months ended March 31, 2024 and 2023, respectively. We also had related party liabilities of $20 as of March 31, 2024 and December 31, 2023, related to this agreement.

Tax equity investments

Sirius XM has entered into certain tax-effective clean energy technology investments. During the three months ended March 31, 2024 and 2023, we invested $187 and $29 in these investments, respectively. As of January 1, 2024, we adopted ASU 2023-02 using the modified retrospective approach and have accounted for these investments using the proportional amortization method. The unamortized investment balance as of March 31, 2024 was $972 and was recorded to Equity method investments in our unaudited consolidated balance sheets. Under the proportional amortization method the investment balance will be amortized over the term of the investments based on the current period income tax benefits as a proportion to the total expected income tax benefits. We also recorded liabilities of $783 related to future contractual payments and contingent payments which we determined to be probable, of which $85 is recorded in Related party current liabilities and the balance is recorded in Other long-term liabilities in our unaudited consolidated balance sheets.

(Dollars and shares in millions, except per share amounts)

(10) Debt

Our debt as of March 31, 2024 and December 31, 2023 consisted of the following:

Issuer / Borrower	Issued	Debt	Maturity Date	Interest Payable	Principal Amount at March 31, 2024	Carrying value[a] at March 31, 2024	Carrying value[a] at December 31, 2023
Sirius XM (b) (d) (e)	April 2022	Incremental Term Loan	April 11, 2024	variable fee paid monthly	500	500	500
Sirius XM (b)	August 2021	3.125% Senior Notes	September 1, 2026	semi-annually on March 1 and September 1	1,000	994	994
Sirius XM (b)	July 2017	5.00% Senior Notes	August 1, 2027	semi-annually on February 1 and August 1	1,500	1,494	1,494
Sirius XM (b)	June 2021	4.00% Senior Notes	July 15, 2028	semi-annually on January 15 and July 15	2,000	1,986	1,985
Sirius XM (b)	June 2019	5.500% Senior Notes	July 1, 2029	semi-annually on January 1 and July 1	1,250	1,242	1,241
Sirius XM (b)	June 2020	4.125% Senior Notes	July 1, 2030	semi-annually on January 1 and July 1	1,500	1,489	1,488
Sirius XM (b)	August 2021	3.875% Senior Notes	September 1, 2031	semi-annually on March 1 and September 1	1,500	1,487	1,487
Sirius XM (c)	December 2012	Senior Secured Revolving Credit Facility (the "Credit Facility")	August 31, 2026	variable fee paid quarterly	30	30	—
Sirius XM	Various	Finance leases	Various	n/a	n/a	14	15
Total Debt						9,236	9,204
Less: total current maturities						505	505
Less: total deferred financing costs						9	9
Total long-term debt						$ 8,722	$ 8,690

(a) The carrying value of the obligations is net of any remaining unamortized original issue discount.

(b) All material domestic subsidiaries, including Pandora and its subsidiaries, that guarantee the Credit Facility have guaranteed the Incremental Term Loan and these notes.

(c) In August 2021, we entered into an amendment to extend the maturity of the $1,750 Credit Facility to August 31, 2026. Our obligations under the Credit Facility are guaranteed by certain of our material domestic subsidiaries, including Pandora and its subsidiaries, and are secured by a lien on substantially all of our assets and the assets of our material domestic subsidiaries. Our borrowings are based on the Secured Overnight Financing Rate ("SOFR") plus an applicable rate based on its debt to operating cash flow ratio. We are also required to pay a variable fee on the average daily unused portion of the Credit Facility which is payable on a quarterly basis. The variable rate for the unused portion of the Credit Facility was 0.25% per annum as of March 31, 2024. Our outstanding borrowings under the Credit Facility are classified as Long-term debt within our unaudited consolidated balance sheets due to the long-term maturity of this debt.

(d) In April 2022, we entered into an amendment to the Credit Facility to incorporate an Incremental Term Loan borrowing of $500 which matures on April 11, 2024. Interest on the Incremental Term Loan borrowing is based on SOFR plus an applicable rate. On April 11, 2024, the Incremental Term Loan borrowing of $500 matured and was retired with cash for 100% of the principal amount plus accrued and unpaid interest to the date of maturity.

(e) On January 26, 2024, we entered into an amendment to the Credit Facility to, among other things, incorporate a $1,100 delayed draw incremental term loan. Subject to the conditions described in the amendment, the delayed draw incremental term loan shall be available to be drawn by us in up to three separate drawings until December 31, 2024. If drawn, interest on the delayed draw incremental term loan is based on SOFR plus an applicable rate.

Retired Debt

We acquired $193 in principal amount of the 1.75% Convertible Senior Notes due 2023 as part of the acquisition of Pandora Media, Inc. in 2019. During the three months ended March 31, 2023, certain investors exercised their right to require a Special Repurchase, as defined in the indenture governing such notes, and Pandora repurchased $75 in outstanding principal amount of its 1.75% Convertible Senior Notes due 2023 with cash for an aggregate purchase price equal to 100% of the principal amount of the notes repurchased plus accrued and unpaid interest to the date of repurchase. We recognized a loss on extinguishment of $1 related to these repurchases. We elected to record the 1.75% Convertible Senior Notes due 2023 at fair value. The changes in fair value are recorded in our unaudited consolidated statements of comprehensive income. The 1.75% Convertible Senior Notes due 2023 were not convertible into Holdings' common stock and were not redeemable as of March 31, 2023.

Covenants and Restrictions

Under the Credit Facility, we must comply with a debt maintenance covenant that it cannot exceed a total leverage ratio, calculated as consolidated total debt to consolidated operating cash flow, of 5.0 to 1.0. The Credit Facility generally requires compliance with certain covenants that restrict our ability to, among other things, (i) incur additional indebtedness, (ii) incur liens, (iii) pay dividends or make certain other restricted payments, investments or acquisitions, (iv) enter into certain transactions with affiliates, (v) merge or consolidate with another person, (vi) sell, assign, lease or otherwise dispose of all or substantially all of our assets, and (vii) make voluntary prepayments of certain debt, in each case subject to exceptions.

The indentures governing our notes restrict our non-guarantor subsidiaries' ability to create, assume, incur or guarantee additional indebtedness without such non-guarantor subsidiary guaranteeing each such series of notes on a pari passu basis. The indentures governing the notes also contain covenants that, among other things, limit our ability and the ability of our subsidiaries to create certain liens; enter into sale/leaseback transactions; and merge or consolidate.

Under our debt agreements, the following generally constitute an event of default: (i) a default in the payment of interest; (ii) a default in the payment of principal; (iii) failure to comply with covenants; (iv) failure to pay other indebtedness after final maturity or acceleration of other indebtedness exceeding a specified amount; (v) certain events of bankruptcy; (vi) a judgment for payment of money exceeding a specified aggregate amount; and (vii) voidance of subsidiary guarantees, subject to grace periods where applicable. If an event of default occurs and is continuing, our debt could become immediately due and payable.

At March 31, 2024 and December 31, 2023, we were in compliance with our debt covenants.

(11) Stockholder Equity

Common Stock, par value $0.001 per share

We are authorized to issue up to 9,000 shares of common stock. There were 0.001 shares of common stock of Sirius XM issued and outstanding on March 31, 2024 and December 31, 2023, which were owned by Holdings.

Preferred Stock, par value $0.001 per share

We are authorized to issue up to 50 shares of undesignated preferred stock with a liquidation preference of $0.001 per share. There were no shares of preferred stock issued or outstanding as of March 31, 2024 and December 31, 2023.

(Dollars and shares in millions, except per share amounts)

(12) Benefit Plans

We recognized share-based payment expense of $45 for each of the three months ended March 31, 2024 and 2023.

2015 Long-Term Stock Incentive Plan

In May 2015, our stockholders approved the Sirius XM Holdings Inc. 2015 Long-Term Stock Incentive Plan (the "2015 Plan"). Employees, consultants and members of Holdings' board of directors are eligible to receive awards under the 2015 Plan. The 2015 Plan provides for the grant of stock options, restricted stock awards, restricted stock units and other stock-based awards that the Compensation Committee of Holdings' Board of Directors deems appropriate. Stock-based awards granted under the 2015 Plan are generally subject to a graded vesting requirement, which is generally three to four years from the grant date. Stock options generally expire ten years from the date of grant. Restricted stock units include performance-based restricted stock units ("PRSUs"), the vesting of which are subject to the achievement of performance goals and the employee's continued employment and generally cliff vest on the third anniversary of the grant date. Each restricted stock unit entitles the holder to receive one share of common stock upon vesting. As of March 31, 2024, 89 shares of common stock were available for future grants under the 2015 Plan.

The Compensation Committee intends to award equity-based compensation to our senior management in the form of: stock options, restricted stock units, PRSUs, which will cliff vest after a performance period target established by the Compensation Committee is achieved, and PRSUs, which will cliff vest after a performance period based on the performance of our common stock relative to the companies included in the S&P 500 Index, which we refer to as a relative "TSR" or "total stockholder return" metric. TSRs based on the relative total stockholder return metric will only vest if our performance achieves at least the 25th percentile, with a target payout requiring performance at the 50th percentile. The settlement of PRSUs earned in respect of the applicable performance period will be generally subject to the executive's continued employment with us through the date the total stockholder return performance is certified by the Compensation Committee.

Other Plans

We maintain six share-based benefit plans in addition to the 2015 Plan — the Sirius XM Radio Inc. 2009 Long-Term Stock Incentive Plan, the Amended and Restated Sirius Satellite Radio 2003 Long-Term Stock Incentive Plan, the 2014 Stock Incentive Plan of AdsWizz Inc., the Pandora Media, Inc. 2011 Equity Incentive Plan, the Pandora Media, Inc. 2004 Stock Plan and the TheSavageBeast.com, Inc. 2000 Stock Incentive Plan. Excluding dividend equivalent units granted as a result of a declared dividend, no further awards may be made under these plans.

The following table summarizes the weighted-average assumptions used to compute the fair value of options granted to employees, members of Holdings' board of directors and non-employees:

	For the Three Months Ended March 31,	
	2024	2023
Risk-free interest rate	4.2%	4.0%
Expected life of options — years	3.76	3.80
Expected stock price volatility	39%	31%
Expected dividend yield	2.1%	1.9%

(Dollars and shares in millions, except per share amounts)

The following table summarizes stock option activity under our share-based plans for the three months ended March 31, 2024:

	Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2023	122	$ 5.60		
Granted	17	$ 5.13		
Exercised	(1)	$ 3.81		
Forfeited, cancelled or expired	(1)	$ 5.82		
Outstanding as of March 31, 2024	137	$ 5.55	5.16	$ 5
Exercisable as of March 31, 2024	95	$ 5.56	4.19	$ 5

The weighted average grant date fair value per stock option granted during the three months ended March 31, 2024 was $1.54. The total intrinsic value of stock options exercised during each of the three months ended March 31, 2024 and 2023 was $1.

We recognized share-based payment expense associated with stock options of $8 for each of the three months ended March 31, 2024 and 2023.

The following table summarizes the restricted stock unit, including PRSU, activity under our share-based plans for the three months ended March 31, 2024:

	Shares	Grant Date Fair Value Per Share
Nonvested as of December 31, 2023	89	$ 5.59
Granted	8	$ 5.17
Vested	(7)	$ 6.09
Forfeited	(4)	$ 5.63
Nonvested as of March 31, 2024	86	$ 5.49

The total intrinsic value of restricted stock units, including PRSUs, vesting during the three months ended March 31, 2024 and 2023 was $34 and $32, respectively. During the three months ended March 31, 2024, we granted 6 PRSUs to certain employees. We believe it is probable that the performance target applicable to these PRSUs will be achieved.

In connection with the cash dividends paid during the three months ended March 31, 2024, we granted less than 1 restricted stock units, including PRSUs, in accordance with the terms of existing award agreements. These grants did not result in any additional incremental share-based payment expense being recognized during the three months ended March 31, 2024.

We recognized share-based payment expense associated with restricted stock units, including PRSUs, of $37 for each of the three months ended March 31, 2024 and 2023.

Total unrecognized compensation costs related to unvested share-based payment awards for stock options and restricted stock units, including PRSUs, granted to employees, members of Holdings' board of directors and third parties at March 31, 2024 and December 31, 2023 was $425 and $423, respectively. The total unrecognized compensation costs at March 31, 2024 are expected to be recognized over a weighted-average period of 2.5 years.

401(k) Savings Plans

We sponsor the Sirius XM Radio Inc. 401(k) Savings Plan (the “Sirius XM Plan”) for eligible employees. The Sirius XM Plan allows eligible employees to voluntarily contribute from 1% to 50% of their pre-tax eligible earnings, subject to certain defined limits. We match 50% of an employee’s voluntary contributions per pay period on the first 6% of an employee’s pre-tax salary up to a maximum of 3% of eligible compensation. We may also make additional discretionary matching, true-up matching and non-elective contributions to the Sirius XM Plan. Employer matching contributions under the Sirius XM Plan vest at a rate of 33.33% for each year of employment and are fully vested after three years of employment for all current and future contributions. Our cash employer matching contributions are not used to purchase shares of Holdings' common stock on the open market, unless the employee elects Holdings' common stock as their investment option for this contribution.

(Dollars and shares in millions, except per share amounts)

We recognized expenses of $6 for each of the three months ended March 31, 2024 and 2023, in connection with the Sirius XM Plan.

Sirius XM Holdings Inc. Deferred Compensation Plan

The Sirius XM Holdings Inc. Deferred Compensation Plan (the "DCP") allows members of Holdings' board of directors and certain eligible employees to defer all or a portion of their base salary, cash incentive compensation and/or board of directors' cash compensation, as applicable. Pursuant to the terms of the DCP, Holdings or any of its subsidiaries may elect to make additional contributions beyond amounts deferred by participants, but is under no obligation to do so. Holdings has established a grantor (or "rabbi") trust to facilitate the payment of its obligations under the DCP.

Contributions to the DCP, net of withdrawals, were $2 and $1 for the three months ended March 31, 2024 and 2023, respectively. As of March 31, 2024 and December 31, 2023, the fair value of the investments held in the trust were $58 and $53, respectively, which is included in Other long-term assets in our unaudited consolidated balance sheets and classified as trading securities. Trading gains and losses associated with these investments are recorded in Other (expense) income within our unaudited consolidated statements of comprehensive income. The associated liability is recorded within Other long-term liabilities in our unaudited consolidated balance sheets, and any increase or decrease in the liability is recorded in General and administrative expense within our unaudited consolidated statements of comprehensive income. We recorded gains on investments held in the trust of $3 and $2 for the three months ended March 31, 2024 and 2023, respectively.

(13) Commitments and Contingencies

The following table summarizes our expected contractual cash commitments as of March 31, 2024:

	2024	2025	2026	2027	2028	Thereafter	Total
Debt obligations	$ 504	$ 6	$ 1,035	$ 1,500	$ 2,000	$ 4,249	$ 9,294
Cash interest payments	199	385	383	345	269	367	1,948
Satellite and transmission	225	210	92	40	—	2	569
Programming and content	314	348	236	148	79	63	1,188
Sales and marketing	78	29	18	6	—	—	131
Satellite incentive payments	6	8	3	3	3	12	35
Operating lease obligations	43	52	48	40	30	49	262
Royalties, minimum guarantees and other	436	561	741	257	251	270	2,516
Total (1)	$ 1,805	$ 1,599	$ 2,556	$ 2,339	$ 2,632	$ 5,012	$ 15,943

(1) The table does not include our reserve for uncertain tax positions, which at March 31, 2024 totaled $64.

Debt obligations. Debt obligations include principal payments on outstanding debt and finance lease obligations.

Cash interest payments. Cash interest payments include interest due on outstanding debt and capital lease payments through maturity.

Satellite and transmission. We have entered into agreements for the design, construction and launch of four additional satellites, SXM-9, SXM-10, SXM-11 and SXM-12. We also have entered into agreements with third parties to operate and maintain satellite telemetry, tracking and control facilities and certain components of our terrestrial repeater networks.

Programming and content. We have entered into various programming and content agreements. Under the terms of these agreements, our obligations include fixed payments, advertising commitments and revenue sharing arrangements. In certain of these agreements, the future revenue sharing costs are dependent upon many factors and are difficult to estimate; therefore, they are not included in our minimum contractual cash commitments.

Sales and marketing. We have entered into various marketing, sponsorship and distribution agreements to promote our brands and are obligated to make payments to sponsors, retailers, automakers, radio manufacturers and other third parties under these agreements. Certain programming and content agreements also require us to purchase advertising on properties owned or controlled by the licensors.

Satellite incentive payments. Maxar Technologies (formerly Space Systems/Loral), the manufacturer of certain of our in-orbit satellites, may be entitled to future in-orbit performance payments upon XM-5, SIRIUS FM-5, SIRIUS FM-6, and SXM-8 meeting their fifteen-year design life, which we expect to occur.

Operating lease obligations. We have entered into both cancelable and non-cancelable operating leases for office space, terrestrial repeaters, data centers and equipment. These leases provide for minimum lease payments, additional operating expense charges, leasehold improvements and rent escalations that have initial terms ranging from one to fifteen years, and certain leases have options to renew.

Royalties, Minimum Guarantees and Other. We have entered into music royalty arrangements that include fixed payments. In addition, certain of our podcast agreements also contain minimum guarantees. As of March 31, 2024, we had future fixed commitments related to music royalty and podcast agreements of $1,049, of which $188 will be paid in 2024 and the remainder will be paid thereafter. On a quarterly basis, we record the greater of the cumulative actual content costs incurred or the cumulative minimum guarantee based on forecasts for the minimum guarantee period. The minimum guarantee period is the period of time that the minimum guarantee relates to, as specified in each agreement, which may be annual or a longer period. The cumulative minimum guarantee, based on forecasts, considers factors such as listening hours, downloads, revenue, subscribers and other terms of each agreement that impact our expected attainment or recoupment of the minimum guarantees based on the relative attribution method.

We have entered into certain tax equity investments in which we expect to make future contributions. These future contributions are expected to be made over the remaining respective terms of the investments and totaled $783 as of March 31, 2024, of which $47 is expected to be paid in 2024 and the remainder thereafter.

Several of our content agreements also include provisions related to the royalty payments and structures of those agreements relative to other content licensing arrangements, which, if triggered, cause our payments under those agreements to escalate. In addition, record labels, publishers and performing rights organizations with whom we have entered into direct license agreements have the right to audit our content payments, and such audits often result in disputes over whether we have paid the proper content costs.

We have also entered into various agreements with third parties for general operating purposes.

In addition to the minimum contractual cash commitments described above, we have entered into other variable cost arrangements. These future costs are dependent upon many factors and are difficult to anticipate; however, these costs may be substantial. We may enter into additional programming, distribution, marketing and other agreements that contain similar variable cost provisions. We do not have any other significant off-balance sheet financing arrangements that are reasonably likely to have a material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Legal Proceedings

In the ordinary course of business, we are a defendant or party to various claims and lawsuits, including those discussed below.

We record a liability when we believe that it is both probable that a liability will be incurred, and the amount of loss can be reasonably estimated. We evaluate developments in legal matters that could affect the amount of liability that has been previously accrued and make adjustments as appropriate. Significant judgment is required to determine both probability and the estimated amount of a loss or potential loss. We may be unable to reasonably estimate the reasonably possible loss or range of loss for a particular legal contingency for various reasons, including, among others, because: (i) the damages sought are indeterminate; (ii) the proceedings are in the relative early stages; (iii) there is uncertainty as to the outcome of pending proceedings (including motions and appeals); (iv) there is uncertainty as to the likelihood of settlement and the outcome of any negotiations with respect thereto; (v) there remain significant factual issues to be determined or resolved; (vi) the relevant law is unsettled; or (vii) the proceedings involve novel or untested legal theories. In such instances, there may be considerable uncertainty regarding the ultimate resolution of such matters, including the likelihood or magnitude of a possible eventual loss, if any.

New York State v. Sirius XM Radio Inc. On December 20, 2023, the People of the State of New York, by Letitia James, Attorney General of the State of New York (the “NY AG”), filed a Petition in the Supreme Court of the State of New York, New York County, against us. The Petition alleges various violations of New York law and the federal Restore Online Shoppers’ Confidence Act (“ROSCA”) arising out of our subscription cancellation practices. The Petition is the product of a subpoena that the NY AG issued in December 2021 seeking documents relating to our subscription cancellation practices and the related investigation. In general, the Petition alleges that we require consumers to devote an excessive amount of time to cancel subscriptions and have not implemented cancellation processes that are simple and efficient.

The Petition claims to be brought under certain provisions of New York law that authorize the NY AG to initiate special proceedings seeking injunctive and other equitable relief in cases of persistent business fraud or illegality. The Petition seeks: a permanent injunction from us violating provisions of New York law and ROSCA arising out of the alleged fraudulent, deceptive and illegal practices associated with our subscription cancellation procedures; an accounting of each consumer who cancelled, or sought to cancel, a satellite radio subscription, including the duration of the cancel interaction and the funds collected from such consumers after that interaction; monetary restitution and damages to aggrieved consumers; disgorgement of all profits resulting from the alleged illegal, deceptive and fraudulent acts; civil penalties; and the NY AG’s costs.

In March 2024, Sirius XM filed its Answer to the Petition which was supported by various factual declarations and asserts affirmative defenses to the allegations contained in the Petition. In connection with the Answer, Sirius XM cross moved for summary judgment with respect to various claims asserted in the Petition. In April 2024, the NY AG filed its responsive pleadings in support of the Petition and in opposition to Sirius XM’s cross motion for summary judgment.

Sirius XM intends to defend this action vigorously.

U.S. Music Royalty Fee Actions and Mass Arbitrations. A number of class actions and mass arbitrations have been commenced against us relating to our pricing, billing and subscription marketing practices. Although each class action and mass arbitration contains unique allegations; in general, the actions and arbitrations allege that we falsely advertised our music subscription plans at lower prices than we actually charge, that we allegedly did not disclose our “U.S. Music Royalty Fee”, and that we have taken other actions to prevent customers from discovering the existence, amount and nature of the U.S. Music Royalty Fee in violation of various state consumer protection laws.

The plaintiffs and claimants seek to enjoin us from advertising our music subscription plans without specifically disclosing the existence and amount of the U.S. Music Royalty Fee. The plaintiffs and claimants also seek disgorgement, restitution and/or damages in the aggregate amount of U.S Music Royalty Fees paid by customers, as well as statutory and punitive damages where available.

To date, the actions and arbitrations filed against us include:

- On April 14, 2023, Ayana Stevenson and David Ambrose, individually, as private attorneys general, and on behalf of all other California persons similarly situated, filed a class action complaint against Sirius XM in the Superior Court of the State of California, County of Contra Costa. The case was removed to the United States District Court for the Northern District of California, which issued an Order on November 9, 2023 granting Sirius XM’s Motion to Compel Arbitration and dismissed the complaint. Plaintiffs appealed the Court’s granting of the Motion, and Sirius XM cross-appealed the Court's dismissal in lieu of the issuance of a stay pending arbitration. The appeal and cross-appeal are currently stayed in the Ninth Circuit pending resolution of a related issue by the United States Supreme Court.

- On May 17, 2023, Robyn Posternock, Muriel Salters and Philip Munning, individually, as private attorneys general, and on behalf of all other New Jersey persons similarly situated, filed a class action complaint against Sirius XM in the United States District Court for the District of New Jersey. Sirius XM filed a Motion to Compel Arbitration on August 18, 2023, which remains pending.

- On June 5, 2023, Christopher Carovillano and Steven Brandt, individually, as private attorneys general, and on behalf of all other U.S. persons similarly situated (excluding persons in the states of California, New Jersey and Washington), filed a class action complaint against Sirius XM in the United States District Court for the Southern District of New York. On February 6, 2024, the Court issued an Order denying Sirius XM's Motion to Dismiss and Sirius XM filed an Answer to the complaint on February 20, 2024.

- Commencing in June 2023, various law firms began filing mass arbitration claims against Sirius XM before the American Arbitration Association (the AAA). Collectively, the law firms purport to act on behalf of approximately 53,000 claimants. Several of the law firms have asserted additional causes of action under the Electronic Funds Transfer Act.

We believe we have substantial defenses to the claims asserted in these actions and arbitrations, and we intend to defend these actions vigorously.

Other Matters. In the ordinary course of business, we are a defendant in various other lawsuits and arbitration proceedings, including derivative actions; actions filed by subscribers, both on behalf of themselves and on a class action basis; former employees; parties to contracts or leases; and owners of patents, trademarks, copyrights or other intellectual property. None of these other matters, in our opinion, is likely to have a material adverse effect on our business, financial condition or results of operations.

(14) Income Taxes

We have historically filed a consolidated federal income tax return for all of our wholly owned subsidiaries, including Sirius XM and Pandora. On February 1, 2021, we entered into a tax sharing agreement with Liberty Media governing the allocation of consolidated U.S. income tax liabilities and setting forth agreements with respect to other tax matters. The tax sharing agreement contains provisions that we believe are customary for tax sharing agreements between members of a consolidated group. On November 3, 2021, Liberty Media informed us that it beneficially owned over 80% of the outstanding shares of our common stock; as a result of this, we were included in the consolidated tax return of Liberty Media beginning November 4, 2021. The tax sharing agreement and our inclusion in Liberty Media's consolidated tax group is not expected to have any material adverse effect on us.

We have calculated the provision for income taxes by using a separate return method. Any difference between the tax expense (or benefit) allocated to us under the separate return method and payments to be made for (or received from) Liberty Media for tax expense are treated as either dividends or capital contributions. Income tax expense was $80 and $75 for the three months ended March 31, 2024 and 2023, respectively.

Our effective tax rate for the three months ended March 31, 2024 and 2023 was 23.2% and 23.9%, respectively. The effective tax rate for each of the three months ended March 31, 2024 and March 31, 2023 was negatively impacted by shortfalls related to share-based compensation. We estimate our effective tax rate for the year ending December 31, 2024 will be approximately 22%.

During the three months ended March 31, 2024, we recognized net tax benefits of $4 in Income tax expense in our unaudited consolidated statement of comprehensive income which includes tax credits and other income tax benefits of $25 partially offset by amortization expense of $21 associated with our tax equity investments. Refer to Note 10 for more information on our tax equity investments.

As of each of March 31, 2024 and December 31, 2023, we had a valuation allowance related to deferred tax assets of $88 that were not likely to be realized due to the timing of certain federal and state net operating loss limitations.

On August 16, 2022, the Inflation Reduction Act of 2022, or IRA, was signed into law. Among other things, the IRA imposes a 15% corporate alternative minimum tax for tax years beginning after December 31, 2022, levies a 1% excise tax on net stock repurchases after December 31, 2022, and provides tax incentives to promote clean energy. Based on our historical net stock repurchase activity, the excise tax and the other provisions of the IRA did not have a material impact on our results of operations or financial position.

(15) Segments and Geographic Information

In accordance with FASB ASC Topic 280, *Segment Reporting*, we disaggregate our operations into two reportable segments: Sirius XM and Pandora and Off-platform. The financial results of these segments are utilized by the chief operating decision maker, who is our Chief Executive Officer, for evaluating segment performance and allocating resources. We report our segment information based on the "management" approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of our reportable segments. For additional information on our segments refer to Note 1.

Segment results include the revenues and cost of services which are directly attributable to each segment. There are no indirect revenues or costs incurred that are allocated to the segments. There are planned intersegment advertising campaigns which will be eliminated. We had intersegment advertising revenue of $2 and $1 during the three months ended March 31, 2024 and 2023, respectively.

(Dollars and shares in millions, except per share amounts)

Segment revenue and gross profit were as follows during the period presented:

	For the Three Months Ended March 31, 2024		
	Sirius XM	Pandora and Off-platform	Total
Revenue			
Subscriber revenue	$ 1,547	$ 133	$ 1,680
Advertising revenue	40	362	402
Equipment revenue	50	—	50
Other revenue	30	—	30
Total revenue	1,667	495	2,162
Cost of services [(a)]	(674)	(352)	(1,026)
Segment gross profit	$ 993	$ 143	$ 1,136

The reconciliation between reportable segment gross profit to consolidated income before income tax is as follows:

	For the Three Months Ended March 31, 2024
Segment Gross Profit	$ 1,136
Subscriber acquisition costs	(90)
Sales and marketing [(a)]	(217)
Engineering, design and development [(a)]	(74)
General and administrative [(a)]	(105)
Depreciation and amortization	(140)
Share-based payment expense	(45)
Impairment, restructuring and acquisition costs	(28)
Total other expense	(92)
Consolidated income before income taxes	$ 345

(a) Share-based payment expense of $11 related to cost of services, $12 related to sales and marketing, $12 related to engineering, design and development and $10 related to general and administrative has been excluded.

	For the Three Months Ended March 31, 2023		
	Sirius XM	Pandora and Off-platform	Total
Revenue			
Subscriber revenue	$ 1,563	$ 128	$ 1,691
Advertising revenue	41	334	375
Equipment revenue	46	—	46
Other revenue	32	—	32
Total revenue	1,682	462	2,144
Cost of services [(b)]	(664)	(351)	(1,015)
Segment gross profit	$ 1,018	$ 111	$ 1,129

(Dollars and shares in millions, except per share amounts)

The reconciliation between reportable segment gross profit to consolidated income before income tax is as follows:

	For the Three Months Ended March 31, 2023
Segment Gross Profit	$ 1,129
Subscriber acquisition costs	(90)
Sales and marketing [(b)]	(214)
Engineering, design and development [(b)]	(68)
General and administrative [(b)]	(132)
Depreciation and amortization	(136)
Share-based payment expense	(45)
Impairment, restructuring and acquisition costs	(32)
Total other expense	(98)
Consolidated income before income taxes	$ 314

(b) Share-based payment expense of $9 related to cost of services, $10 related to sales and marketing, $11 related to engineering, design and development and $15 related to general and administrative has been excluded.

A measure of segment assets is not currently provided to the Chief Executive Officer and has therefore not been provided.

As of March 31, 2024, long-lived assets were predominantly located in the United States. No individual foreign country represented a material portion of our consolidated revenue during the three months ended March 31, 2024 and 2023.

(16) Subsequent Events

Holdings' Capital Return Program

On April 24, 2024, Holdings' board of directors declared a quarterly dividend on Holdings' common stock in the amount of $0.0266 per share of Holdings' common stock payable on May 29, 2024 to Holdings' stockholders of record as of the close of business on May 10, 2024.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All amounts referenced in this discussion and analysis are in millions, except subscriber amounts are in thousands and per subscriber and per installation amounts are in ones, unless otherwise stated.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and related notes included elsewhere in this Quarterly Report and with Holdings' Annual Report on Form 10-K for the year ended December 31, 2023.

Special Note Regarding Forward-Looking Statements

The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in forward-looking statements made in this Quarterly Report and in other reports and documents published by us from time to time. Any statements about our beliefs, plans, objectives, expectations, assumptions, future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimated,” “intend,” “plan,” “projection” and “outlook.” Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Quarterly Report and in other reports and documents published by us from time to time, including the risk factors described under “Risk Factors” in Part I, Item 1A, of Holdings' Annual Report on Form 10-K for the year ended December 31, 2023 and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” herein and in Part II, Item 7, of Holdings' Annual Report on Form 10-K for the year ended December 31, 2023.

Among the significant factors that could cause our actual results to differ materially from those expressed in the forward-looking statements are:

Risks Relating to our Business and Operations:

- we face substantial competition and that competition is likely to increase over time;
- if our efforts to attract and retain subscribers and listeners, or convert listeners into subscribers, are not successful, our business will be adversely affected;
- we engage in extensive marketing efforts and the continued effectiveness of those efforts is an important part of our business;
- we rely on third parties for the operation of our business, and the failure of third parties to perform could adversely affect our business;
- we are migrating our billing system and payment processing function to a new service provider;
- failure to successfully monetize and generate revenues from podcasts and other non-music content could adversely affect our business, operating results, and financial condition;
- we may not realize the benefits of acquisitions or other strategic investments and initiatives;
- the impact of economic conditions may adversely affect our business, operating results, and financial condition; and
- we may be adversely affected by the war in Ukraine.

Risks Relating to our Sirius XM Business:

- a substantial number of our Sirius XM service subscribers periodically cancel their subscriptions and we cannot predict how successful we will be at retaining customers;
- our ability to profitably attract and retain subscribers to our Sirius XM service is uncertain;
- our business depends in part upon the auto industry;
- failure of our satellites would significantly damage our business; and
- our Sirius XM service may experience harmful interference from wireless operations.

Risks Relating to our Pandora and Off-platform Business:

- our Pandora ad-supported business has suffered a substantial and consistent loss of monthly active users, which may adversely affect our Pandora and Off-platform business;
- our Pandora and Off-platform business generates a significant portion of its revenues from advertising, and reduced spending by advertisers could harm our business;
- our failure to convince advertisers of the benefits of our Pandora ad-supported service could harm our business;
- if we are unable to maintain revenue growth from our advertising products our results of operations will be adversely affected;

- changes to mobile operating systems and browsers may hinder our ability to sell advertising and market our services; and
- if we fail to accurately predict and play music, comedy or other content that our Pandora listeners enjoy, we may fail to retain existing and attract new listeners.

Risks Relating to Laws and Governmental Regulations:

- privacy and data security laws and regulations may hinder our ability to market our services, sell advertising and impose legal liabilities;
- consumer protection laws and our failure to comply with them could damage our business;
- failure to comply with FCC requirements could damage our business;
- environmental, social and governance expectations and related reporting obligations may expose us to potential liabilities, increased costs, reputational harm, and other adverse effects; and
- we may face lawsuits, incur liability or suffer reputational harm as a result of content published or made available through our services.

Risks Associated with Data and Cybersecurity and the Protection of Consumer Information:

- if we fail to protect the security of personal information about our customers, we could be subject to costly government enforcement actions and private litigation and our reputation could suffer;
- we use artificial intelligence in our business, and challenges with properly managing its use could result in reputational harm, competitive harm, and legal liability and adversely affect our results of operations; and
- interruption or failure of our information technology and communications systems could impair the delivery of our service and harm our business.

Risks Associated with Certain Intellectual Property Rights:

- the market for music rights is changing and is subject to significant uncertainties;
- our Pandora services depend upon maintaining complex licenses with copyright owners, and these licenses contain onerous terms;
- failure to protect our intellectual property or actions by third parties to enforce their intellectual property rights could substantially harm our business and operating results;
- some of our services and technologies may use “open source” software, which may restrict how we use or distribute our services or require that we release the source code subject to those licenses; and
- rapid technological and industry changes and new entrants could adversely impact our services.

Risks Related to our Capital and Ownership Structure:

- we have a significant amount of indebtedness, and our debt contains certain covenants that restrict our operations;
- we are a “controlled company” within the meaning of the NASDAQ listing rules and, as a result, qualify for, and rely on, exemptions from certain corporate governance requirements;
- our principal stockholder has significant influence, including over actions requiring stockholder approval, and its interests may differ from the interests of other holders of our common stock;
- the Transactions may adversely affect our business and financial condition; and
- while we currently pay a quarterly cash dividend to holders of our common stock, we may change our dividend policy at any time.

Other Operational Risks:

- if we are unable to attract and retain qualified personnel, our business could be harmed;
- our facilities could be damaged by natural catastrophes or terrorist activities;
- the unfavorable outcome of pending or future litigation could have an adverse impact on our operations and financial condition;
- we may be exposed to liabilities that other entertainment service providers would not customarily be subject to; and
- our business and prospects depend on the strength of our brands.

Because the risk factors referred to above could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any of these forward-looking statements. In addition, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which the statement is made, to reflect the occurrence of unanticipated events or otherwise, except as required by law. New factors emerge from time to time, and it is not possible for us to predict which will arise or to assess with any precision the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Executive Summary

We operate two complementary audio entertainment businesses - one of which we refer to as “SiriusXM” and the second of which we refer to as “Pandora and Off-platform”.

Sirius XM

Our Sirius XM business features music, sports, entertainment, comedy, talk, news, traffic and weather channels and other content, as well as podcasts and infotainment services, in the United States on a subscription fee basis. Sirius XM's packages include live, curated and certain exclusive and on demand programming. The Sirius XM service is distributed through our two proprietary satellite radio systems and streamed via applications for mobile devices, home devices and other consumer electronic equipment. Satellite radios are primarily distributed through automakers, retailers and our website. Our Sirius XM service is also available through our in-car user interface, which we call “360L,” that combines our satellite and streaming services into a single, cohesive in-vehicle entertainment experience.

The primary source of revenue from our Sirius XM business is subscription fees, with most of our customers subscribing to monthly, quarterly, semi-annual or annual plans. We also derive revenue from advertising on select non-music channels, which is sold under the SiriusXM Media brand, direct sales of our satellite radios and accessories, and other ancillary services. As of March 31, 2024, our Sirius XM business had approximately 33.4 million subscribers.

In addition to our audio entertainment businesses, we provide connected vehicle services to several automakers. These services are designed to enhance the safety, security and driving experience of consumers. We also offer a suite of data services that includes graphical weather and fuel prices, a traffic information service, and real-time weather services in boats and airplanes.

Sirius XM also holds a 70% equity interest and 33% voting interest in Sirius XM Canada Holdings Inc. (“Sirius XM Canada”). Sirius XM Canada's subscribers are not included in our subscriber count or subscriber-based operating metrics.

Pandora and Off-platform

Our Pandora and Off-platform business operates a music, comedy and podcast streaming discovery platform, offering a personalized experience for each listener wherever and whenever they want to listen, whether through mobile devices, vehicle speakers or connected devices. Pandora enables listeners to create personalized stations and playlists, discover new content, hear artist- and expert-curated playlists, podcasts as well as search and play songs and albums on-demand. Pandora is available as (1) an ad-supported radio service, (2) a radio subscription service (Pandora Plus) and (3) an on-demand subscription service (Pandora Premium). As of March 31, 2024, Pandora had approximately 45.0 million monthly active users and 5.9 million subscribers.

The majority of revenue from Pandora is generated from advertising on our Pandora ad-supported radio service which is sold under the SiriusXM Media brand. We also derive subscription revenue from our Pandora Plus and Pandora Premium subscribers.

We also sell advertising on other audio platforms and in widely distributed podcasts, which we consider to be off-platform services. We have an arrangement with SoundCloud Holdings, LLC ("SoundCloud") to be its exclusive ad sales representative in the US and certain European countries and offer advertisers the ability to execute campaigns across the Pandora and SoundCloud platforms. We also have arrangements to serve as the ad sales representative for certain podcasts. In addition, through AdsWizz Inc., we provide a comprehensive digital audio and programmatic advertising technology platform, which connects audio publishers and advertisers with a variety of ad insertion, campaign trafficking, yield optimization, programmatic buying, marketplace and podcast monetization solutions.

Liberty Media

As of March 31, 2024, Liberty Media beneficially owned, directly and indirectly, 83.3% of the outstanding shares of Holdings' common stock. As a result, Holdings is a “controlled company” for the purposes of the NASDAQ corporate governance requirements.

On December 11, 2023, Holdings entered into definitive agreements whereby, subject to the terms thereof, Liberty Sirius XM Holdings Inc., a Delaware corporation and a wholly owned subsidiary of Liberty Media (“New Sirius”), would split-off from Liberty Media. The transactions would be effectuated by means of a redemptive split-off of New Sirius (the “Split-Off”), which will own all of the assets and liabilities attributed to Liberty Media’s Series A Liberty SiriusXM common stock (“LSXMA”), Series B Liberty SiriusXM common stock (“LSXMB”) and Series C Liberty SiriusXM common stock (“LSXMK”, together with the LSXMB and LSXMA stock, the “Liberty SiriusXM Group”). Following the Split-Off, New Sirius will combine with Holdings through the merger of Radio Merger Sub, LLC, a Delaware limited liability company and a wholly owned subsidiary of New Sirius (“Merger Sub”), with Holdings, with Holdings becoming a wholly owned subsidiary of New Sirius (the “Merger” and, together with the Split-Off, the “Transactions”). As part of the Merger, New Sirius will be renamed “Sirius XM Holdings Inc.”

To effect the Transactions, on December 11, 2023, Liberty Media entered into (i) a Reorganization Agreement (the “Reorganization Agreement”) with Holdings and New Sirius, and (ii) an Agreement and Plan of Merger (the “Merger Agreement”) with New Sirius, Holdings and Merger Sub.

In connection with the Merger Agreement and the Reorganization Agreement, on December 11, 2023, certain trusts related to Dr. John C. Malone (collectively, the “Malone Stockholders”) entered into a voting agreement (the “Voting Agreement”) with Liberty Media, Holdings and New Sirius, pursuant to which, among other things, the Malone Stockholders agreed, subject to the terms of the Voting Agreement, to vote their respective shares of Liberty Media’s LSXMA and LSXMB in favor of the Split-Off.

The Transactions have been unanimously approved by Liberty Media’s Board of Directors and a Special Committee of the Board of Directors of Holdings and by Holdings’ Board of Directors. The Transactions are 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 Sirius 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. A subsidiary of Liberty Media owning a majority of the outstanding shares of Holdings has delivered a written consent approving the Transactions on behalf of a majority of Holdings’ stockholders. Following the Transactions, Liberty Media and New Sirius will operate independently, and neither is expected to have any ownership interest in the other. All of the executive officers of Holdings immediately prior to consummation of the Transactions will be the initial executive officers of New Sirius, and New Sirius will continue to operate under the SiriusXM name and brand.

Results of Operations

Set forth below are our results of operations for the three months ended March 31, 2024 compared with the three months ended March 31, 2023. The results of operations are presented for each of our reporting segments for revenue and cost of services and on a consolidated basis for all other items.

	For the Three Months Ended March 31,		2024 vs 2023 Change	
	2024	2023	Amount	%
Revenue				
Sirius XM:				
Subscriber revenue	$ 1,547	$ 1,563	$ (16)	(1)%
Advertising revenue	40	41	(1)	(2)%
Equipment revenue	50	46	4	9 %
Other revenue	30	32	(2)	(6)%
Total Sirius XM revenue	1,667	1,682	(15)	(1)%
Pandora and Off-platform:				
Subscriber revenue	133	128	5	4 %
Advertising revenue	362	334	28	8 %
Total Pandora and Off-platform revenue	495	462	33	7 %
Total consolidated revenue	2,162	2,144	18	1 %
Cost of services				
Sirius XM:				
Revenue share and royalties	395	390	5	1 %
Programming and content	140	135	5	4 %
Customer service and billing	97	103	(6)	(6)%
Transmission	50	41	9	22 %
Cost of equipment	2	3	(1)	(33)%
Total Sirius XM cost of services	684	672	12	2 %
Pandora and Off-platform:				
Revenue share and royalties	308	310	(2)	(1)%
Programming and content	17	15	2	13 %
Customer service and billing	19	19	—	— %
Transmission	9	8	1	13 %
Total Pandora and Off-platform cost of services	353	352	1	— %
Total consolidated cost of services	1,037	1,024	13	1 %
Subscriber acquisition costs	90	90	—	— %
Sales and marketing	229	224	5	2 %
Engineering, design and development	86	79	7	9 %
General and administrative	115	147	(32)	(22)%
Depreciation and amortization	140	136	4	3 %
Impairment, restructuring and acquisition costs	28	32	(4)	(13)%
Total operating expenses	1,725	1,732	(7)	— %
Income from operations	437	412	25	6 %
Other (expense) income:				
Interest expense	(104)	(107)	(3)	(3)%
Loss on extinguishment of debt	—	(1)	(1)	nm
Other income	12	10	2	20 %
Total other expense	(92)	(98)	(6)	(6)%
Income before income taxes	345	314	31	10 %
Income tax expense	(80)	(75)	5	7 %
Net income	$ 265	$ 239	$ 26	11 %

nm - not meaningful

Sirius XM Revenue

Sirius XM Subscriber Revenue includes fees charged for self-pay and paid promotional subscriptions, U.S. Music Royalty Fees and other ancillary fees.

For the three months ended March 31, 2024 and 2023, subscriber revenue was $1,547 and $1,563, respectively, a decrease of 1%, or $16. The decrease was primarily driven by a reduction in self-pay revenue resulting from a decline in average subscribers and a reduction in paid promotional revenue resulting from lower overall rates from automakers offering paid promotional subscriptions; partially offset by an increase in ARPU.

We expect subscriber revenues to decrease due to a decrease in average subscribers as well as a decline in the average price of our subscriptions

Sirius XM Advertising Revenue includes the sale of advertising on Sirius XM's non-music channels.

For the three months ended March 31, 2024 and 2023, advertising revenue was $40 and $41, respectively, a decrease of 2%, or $1. Lower revenue earned on entertainment channels was partially offset by higher revenue earned on sports channels.

We expect our Sirius XM advertising revenue to increase as we continue to promote our brand and as a result of co-selling initiatives among our brands and platforms.

Sirius XM Equipment Revenue includes revenue and royalties from the sale of satellite radios, components and accessories.

For the three months ended March 31, 2024 and 2023, equipment revenue was $50 and $46, respectively, an increase of 9%, or $4. The increase was driven by increased chipset production.

We expect equipment revenue to decrease as we transition to our next generation chipset at higher costs partially offset by increased production.

Sirius XM Other Revenue includes service and advisory revenue from Sirius XM Canada, revenue from our connected vehicle services, and ancillary revenues.

For the three months ended March 31, 2024 and 2023, other revenue was $30 and $32, respectively, a decrease of 6%, or $2. The decrease was primarily driven by lower royalty revenue from Sirius XM Canada.

We expect other revenue to continue to decrease primarily due to lower revenue from Sirius XM Canada and our connected vehicle services.

Pandora and Off-platform Revenue

Pandora and Off-platform Subscriber Revenue includes fees charged for Pandora Plus and Pandora Premium.

For the three months ended March 31, 2024 and 2023, Pandora and Off-platform subscriber revenue was $133 and $128, respectively, an increase of 4%, or $5. The increase was driven by a rate increase on Pandora Plus, partially offset by a decline in the subscriber base.

We expect Pandora and Off-platform subscriber revenues to remain relatively flat as higher ARPU is anticipated to be offset by a lower subscriber base.

Pandora and Off-platform Advertising Revenue is generated primarily from audio, display and video advertising from on-platform and off-platform advertising.

For the three months ended March 31, 2024 and 2023, Pandora and Off-platform advertising revenue was $362 and $334, respectively, an increase of 8%, or $28. The increase was primarily driven by higher podcasting revenue as well as higher sell-through on the Pandora ad-supported service.

We expect Pandora and Off-platform advertising revenue to increase due to growth in podcast and programmatic revenue.

Total Consolidated Revenue

Total Consolidated Revenue for the three months ended March 31, 2024 and 2023 was $2,162 and $2,144, respectively, an increase of 1%, or $18.

Sirius XM Cost of Services

Sirius XM Cost of Services includes revenue share and royalties, programming and content, customer service and billing, and transmission expenses.

Sirius XM Revenue Share and Royalties include royalties for transmitting content, including streaming royalties, as well as automaker, content provider and advertising revenue share.

For the three months ended March 31, 2024 and 2023, revenue share and royalties were $395 and $390, respectively, an increase of 1%, or $5, and increased as a percentage of total Sirius XM revenue. The increase was driven by higher web streaming royalty rates.

We expect our Sirius XM revenue share and royalty costs to remain relatively flat as higher royalty rates under the statutory webcasting license resulting from increases in the Consumer Price Index are anticipated to be offset by lower eligible subscription revenue.

Sirius XM Programming and Content includes costs to acquire, create, promote and produce content. We have entered into various agreements with third parties for music and non-music programming that require us to pay license fees and other amounts.

For the three months ended March 31, 2024 and 2023, programming and content expenses were $140 and $135, respectively, an increase of 4%, or $5, and increased as a percentage of total Sirius XM revenue. The increase was primarily driven by higher license fees and personnel-related costs.

We expect our Sirius XM programming and content expenses to remain relatively flat.

Sirius XM Customer Service and Billing includes costs associated with the operation and management of internal and third-party customer service centers, and our subscriber management systems as well as billing and collection costs, bad debt expense, and transaction fees.

For the three months ended March 31, 2024 and 2023, customer service and billing expenses were $97 and $103, respectively, a decrease of 6%, or $6, and decreased as a percentage of total Sirius XM revenue. The decrease was primarily driven by lower call center and personnel-related costs.

We expect our Sirius XM customer service and billing expenses to decline due to lower call center and personnel-related costs.

Sirius XM Transmission consists of costs associated with the operation and maintenance of our terrestrial repeater networks; satellites; satellite telemetry, tracking and control systems; satellite uplink facilities; studios; and delivery of our Internet and 360L streaming and connected vehicle services.

For the three months ended March 31, 2024 and 2023, transmission expenses were $50 and $41, respectively, an increase of 22%, or $9, and increased as a percentage of total Sirius XM revenue. The increase was primarily driven by higher hosting costs associated with our streaming platform.

We expect our Sirius XM transmission expenses to increase as costs associated with consumers using our new platforms rise and investments in internet streaming grow.

Sirius XM Cost of Equipment includes costs from the sale of satellite radios, components and accessories and provisions for inventory allowance attributable to products purchased for resale in our direct to consumer distribution channels.

For the three months ended March 31, 2024 and 2023, cost of equipment was $2 and $3, respectively, a decrease of 33%, or $1, and decreased as a percentage of total Sirius XM revenue. The decrease was driven by fewer sales and lower shipping costs.

We expect our Sirius XM cost of equipment to decrease as sales of our satellite radios decline.

Pandora and Off-platform Cost of Services

Pandora and Off-platform Cost of Services includes revenue share and royalties, programming and content, customer service and billing, and transmission expenses.

Pandora and Off-platform Revenue Share and Royalties includes licensing fees paid for streaming music or other content costs related to podcasts as well as revenue share paid to third party ad servers. We make payments to third party ad servers for the period the advertising impressions are delivered or click-through actions occur, and accordingly, we record this as a cost of service in the related period.

For the three months ended March 31, 2024 and 2023, revenue share and royalties were $308 and $310, respectively, a decrease of 1%, or $2, and decreased as a percentage of total Pandora and Off-platform revenue. The decrease was primarily due to lower royalty expense due to a decline in listener hours and streaming plays.

We expect our Pandora and Off-platform revenue share and royalties to increase with the growth in our podcast revenue and higher royalty rates from increases in the Consumer Price Index.

Pandora and Off-platform Programming and Content includes costs to produce live listener events and promote content.

For the three months ended March 31, 2024 and 2023, programming and content expenses were $17 and $15, respectively, an increase of 13%, or $2, and increased as a percentage of total Pandora and Off-platform revenue. The increase was primarily attributable to higher live event costs.

We expect our Pandora and Off-platform programming and content costs to decrease due to lower personnel-related costs.

Pandora and Off-platform Customer Service and Billing includes transaction fees on subscription purchases through mobile app stores and bad debt expense.

For each of the three months ended March 31, 2024 and 2023, customer service and billing expenses were $19 but decreased as a percentage of total Pandora and Off-platform revenue. Transaction fees, personnel-related costs, and bad debt expense remained flat.

We expect our Pandora and Off-platform customer service and billing costs to decrease driven by lower expected bad debt expense.

Pandora and Off-platform Transmission includes costs associated with content streaming, maintaining our streaming radio and on-demand subscription services and creating and serving advertisements through third-party ad servers.

For the three months ended March 31, 2024 and 2023, transmission expenses were $9 and $8, respectively, an increase of 13%, or $1, and increased as a percentage of total Pandora and Off-platform revenue. The increase was driven by slightly higher bandwidth costs.

We expect our Pandora and Off-platform transmission costs to increase due to higher hosting costs, partially offset by lower personnel-related costs.

Operating Costs

Subscriber Acquisition Costs are costs associated with our satellite radio service and include hardware subsidies paid to radio manufacturers, distributors and automakers; subsidies paid for chipsets and certain other components used in manufacturing radios; device royalties for certain radios and chipsets; product warranty obligations; and freight. The majority of subscriber acquisition costs are incurred and expensed in advance of acquiring a subscriber. Subscriber acquisition costs do not include advertising costs, marketing, loyalty payments to distributors and dealers of satellite radios or revenue share payments to automakers and retailers of satellite radios.

For each of the three months ended March 31, 2024 and 2023, subscriber acquisition costs were $90, but decreased as a percentage of total revenue. Lower commission and hardware subsidy rates were offset by higher hardware subsidies driven by installations, which grew due to increased production by automakers.

We expect subscriber acquisition costs to fluctuate with automaker installations. We intend to continue to offer subsidies and other incentives to induce automakers to include our technology in their vehicles.

Sales and Marketing includes costs for marketing, advertising, media and production, including promotional events and sponsorships; cooperative and artist marketing; and personnel related costs including salaries, commissions, and sales support. Marketing costs include expenses related to direct mail, outbound telemarketing, email communications, social media, television and streaming performance media, and third party promotional offers.

For the three months ended March 31, 2024 and 2023, sales and marketing expenses were $229 and $224, respectively, an increase of 2%, or $5, and increased as a percentage of total revenue. The increase was primarily due to an increase in brand and content marketing.

We anticipate that sales and marketing expenses to decline primarily due to lower personnel-related costs driven by cost optimization efforts implemented in 2023 and 2024.

Engineering, Design and Development consists primarily of compensation and related costs to develop chipsets and new products and services, including streaming and connected vehicle services, research and development for broadcast information systems and the design and development costs to incorporate Sirius XM radios into new vehicles manufactured by automakers.

For the three months ended March 31, 2024 and 2023, engineering, design and development expenses were $86 and $79, respectively, an increase of 9%, or $7, and increased as a percentage of total revenue. The increase was driven by higher personnel-related and cloud hosting costs.

We anticipate engineering, design and development expenses to remain relatively flat.

General and Administrative primarily consists of compensation and related costs for personnel and facilities, and includes costs related to our finance, legal, human resources and information technologies departments.

For the three months ended March 31, 2024 and 2023, general and administrative expenses were $115 and $147, respectively, a decrease of 22%, or $32, and decreased as a percentage of total revenue. The decrease was primarily driven by lower personnel-related costs as well as lower legal costs resulting from litigation insurance recoveries and reduced legal reserves.

We expect our general and administrative expenses to decrease due to lower legal costs in addition to insurance recoveries associated with litigation as well as lower personnel-related costs driven by cost optimization efforts implemented in 2023 and 2024.

Depreciation and Amortization represents the recognition in earnings of the cost of assets used in operations, including our satellite constellations, property, equipment and intangible assets, over their estimated service lives.

For the three months ended March 31, 2024 and 2023, depreciation and amortization expense was $140 and $136, respectively. The increase was associated with capitalized software and hardware.

Impairment, Restructuring and Acquisition Costs represents impairment charges, associated with the carrying amount of an asset exceeding the asset's fair value, restructuring expenses associated with the abandonment of certain leased office spaces as well as employee severance charges associated with organizational changes, and acquisition costs.

For the three months ended March 31, 2024 and 2023, impairment, restructuring and acquisition costs were $28 and $32, respectively. During the three months ended March 31, 2024, we recorded costs associated with the Transactions of $15, a charge of $12 associated with severance and other employee costs, and impairments, primarily related to terminated software projects of $1. During the three months ended March 31, 2023, we recorded a charge of $23 associated with severance and other employee costs and $9 primarily related to a vacated office space.

Other (Expense) Income

Interest Expense includes interest on outstanding debt.

For the three months ended March 31, 2024 and 2023, interest expense was $104 and $107, respectively. The decrease was driven by higher capitalized interest and a lower average outstanding debt balance, partially offset by higher interest rates under our the Credit Facility and Incremental Term Loan.

Other Income primarily includes realized and unrealized gains and losses from our Deferred Compensation Plan and other investments, interest and dividend income, our share of the income or loss from equity investments in Sirius XM Canada and SoundCloud, and transaction costs related to non-operating investments.

For the three months ended March 31, 2024 and 2023, other income was $12 and $10, respectively. For the three months ended March 31, 2024, we recorded our share of Sirius XM Canada's net income as well as trading gains associated with the investments held for our Deferred Compensation Plan. For the three months ended March 31, 2023, we recorded a gain on the fair value of Pandora's 1.75% Convertible Senior Notes due 2023, trading gains associated with the investments held for our Deferred Compensation Plan as well as our share of Sirius XM Canada's net income, partially offset by our share of SoundCloud's net losses.

Income Taxes

Income Tax Expense includes the change in our deferred tax assets, current federal and state tax expenses, and foreign withholding taxes.

For the three months ended March 31, 2024 and 2023, income tax expense was $80 and $75, respectively.

Our effective tax rate for the three months ended March 31, 2024 and 2023 was 23.2% and 23.9%, respectively. The effective tax rate for each of the three months ended March 31, 2024 and March 31, 2023 was negatively impacted by shortfalls related to share-based compensation. We estimate our effective tax rate for the year ending December 31, 2024 will be approximately 22%.

Key Financial and Operating Performance Metrics

In this section, we present certain financial performance measures, some of which are presented as Non-GAAP items, which include free cash flow and adjusted EBITDA. We also present certain operating performance measures. Our adjusted EBITDA excludes the impact of share-based payment expense. Additionally, when applicable, our adjusted EBITDA metric excludes the effect of significant items that do not relate to the on-going performance of our business. We use these Non-GAAP financial and operating performance measures to manage our business, to set operational goals and as a basis for determining performance-based compensation for our employees. See the accompanying Glossary for more details and for the reconciliation to the most directly comparable GAAP measure (where applicable).

We believe these Non-GAAP financial and operating performance measures provide useful information to investors regarding our financial condition and results of operations. We believe these Non-GAAP financial and operating performance measures may be useful to investors in evaluating our core trends because they provide a more direct view of our underlying costs. We believe investors may use our adjusted EBITDA to estimate our current enterprise value and to make investment decisions. We believe free cash flow provides useful supplemental information to investors regarding our cash available for future subscriber acquisitions and capital expenditures, to repurchase or retire debt, to acquire other companies and our ability to return capital to stockholders. By providing these Non-GAAP financial and operating performance measures, together with the reconciliations to the most directly comparable GAAP measure (where applicable), we believe we are enhancing investors' understanding of our business and our results of operations.

Our Non-GAAP financial measures should be viewed in addition to, and not as an alternative for or superior to, our reported results prepared in accordance with GAAP. In addition, our Non-GAAP financial measures may not be comparable to similarly-titled measures by other companies. Please refer to the Glossary for a further discussion of such Non-GAAP financial and operating performance measures and reconciliations to the most directly comparable GAAP measure (where applicable). Subscribers and subscription related revenues and expenses associated with our connected vehicle services and Sirius XM Canada are not included in Sirius XM's subscriber count or subscriber-based operating metrics. Subscribers to Cloud Cover are not included in Pandora's subscriber count.

Set forth below are our subscriber balances as of March 31, 2024 compared to March 31, 2023.

	As of March 31,		2024 vs 2023 Change	
(subscribers in thousands)	2024	2023	Amount	%
Sirius XM				
Self-pay subscribers	31,583	32,040	(457)	(1)%
Paid promotional subscribers	1,847	1,984	(137)	(7)%
Ending subscribers	33,430	34,024	(594)	(2)%
Sirius XM Canada subscribers	2,600	2,587	13	1 %
Pandora and Off-platform				
Monthly active users - all services	45,023	46,663	(1,640)	(4)%
Self-pay subscribers	5,944	6,222	(278)	(4)%

The following table contains our Non-GAAP financial and operating performance measures which are based on our adjusted results of operations for the three months ended March 31, 2024 and 2023.

	For the Three Months Ended March 31,		2024 vs 2023 Change	
(subscribers in thousands)	2024	2023	Amount	%
Sirius XM				
Self-pay subscribers	(359)	(347)	(12)	(3)%
Paid promotional subscribers	(86)	66	(152)	(230)%
Net additions	(445)	(281)	(164)	(58)%
Weighted average number of subscribers	33,549	34,114	(565)	(2)%
Average self-pay monthly churn	1.7 %	1.6 %	0.1 %	6 %
ARPU [(1)]	$ 15.36	$ 15.29	$ 0.07	— %
SAC, per installation	$ 12.50	$ 14.39	$ (1.89)	(13)%
Pandora and Off-platform				
Self-pay subscribers	(64)	7	(71)	(1,014)%
Net additions	(64)	7	(71)	(1,014)%
Weighted average number of subscribers	5,959	6,203	(244)	(4)%
Ad supported listener hours (in billions)	2.49	2.59	(0.10)	(4)%
Advertising revenue per thousand listener hours (RPM)	$ 90.88	$ 85.09	$ 5.79	7 %
Total Company				
Adjusted EBITDA	$ 650	$ 625	$ 25	4 %
Free cash flow	$ 132	$ 144	$ (12)	(8)%

(1) ARPU for Sirius XM excludes subscriber revenue from our connected vehicle services of $41 and $39 for the three months ended March 31, 2024 and 2023, respectively.

Sirius XM

Subscribers. At March 31, 2024, Sirius XM had approximately 33,430 subscribers, a decrease of 594, from the approximately 34,024 subscribers as of March 31, 2023. Our self-pay subscriber base declined as a result of lower vehicle conversion rates and higher vehicle related churn, and we saw a decrease in paid promotional subscribers as certain automakers transitioned from paid promotional subscriptions to unpaid.

For the three months ended March 31, 2024 and 2023, net subscriber additions were (445) and (281), respectively, a decrease of 164. Paid promotional net additions decreased 152 as certain automakers transitioned from paid promotional subscriptions to unpaid. Self-pay net additions decreased 12 primarily due to higher vehicle-related churn, and lower conversion rates, partially offset by higher new and used trial conversion opportunities.

Sirius XM Canada Subscribers. At March 31, 2024, Sirius XM Canada had approximately 2,600 subscribers, an increase of 13, or 1%, from the approximately 2,587 Sirius XM Canada subscribers as of March 31, 2023.

Average Self-pay Monthly Churn is derived by dividing the monthly average of self-pay deactivations for the period by the average number of self-pay subscribers for the period. (See accompanying Glossary for more details.)

For the three months ended March 31, 2024 and 2023, our average self-pay monthly churn rate was 1.7% and 1.6%, respectively. The increase was primarily driven by higher vehicle related churn.

ARPU is derived from total earned Sirius XM subscriber revenue (excluding revenue derived from our connected vehicle services) and net advertising revenue, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. (See the accompanying Glossary for more details.)

For the three months ended March 31, 2024 and 2023, ARPU was $15.36 and $15.29, respectively. The increase was driven by increases in certain subscription rates, partially offset by an increase in subscribers on promotional and streaming-only self-pay subscription plans and a reduction in rates associated with paid promotional plans from automakers.

SAC, Per Installation, is derived from subscriber acquisition costs and margins from the sale of radios, components and accessories (excluding connected vehicle services), divided by the number of satellite radio installations in new vehicles and shipments of aftermarket radios for the period. (See the accompanying Glossary for more details.)

For the three months ended March 31, 2024 and 2023, SAC, per installation, was $12.50 and $14.39, respectively. The decrease was driven by a decrease in chipset costs and change in the mix of automakers including satellite radios in their vehicles.

Pandora and Off-platform

Monthly Active Users. At March 31, 2024, Pandora had approximately 45,023 monthly active users, a decrease of 1,640 monthly active users, or 4%, from the 46,663 monthly active users as of March 31, 2023. The decrease in monthly active users was driven by churn and a decline in the number of new users.

Subscribers. At March 31, 2024, Pandora had approximately 5,944 subscribers, a decrease of 278, or 4%, from the approximately 6,222 subscribers as of March 31, 2023.

For the three months ended March 31, 2024 and 2023, net subscriber additions were (64) and 7, respectively. The decrease in ending subscribers was driven by decreases in trial starts and lower retention due to certain price increases.

Ad supported listener hours are a key indicator of our Pandora business and the engagement of our Pandora listeners. We include ad supported listener hours related to Pandora's non-music content offerings in the definition of listener hours.

For the three months ended March 31, 2024 and 2023, ad supported listener hours were 2,485 and 2,586, respectively, a decrease of 4%, or 101. The decrease in ad supported listener hours was primarily driven by the decline in monthly active users, partially offset by increased hours per active user.

RPM is a key indicator of our ability to monetize advertising inventory created by our listener hours on the Pandora services. Ad RPM is calculated by dividing advertising revenue by the number of thousands of listener hours of our Pandora advertising-based service.

For the three months ended March 31, 2024 and 2023, RPM was $90.88 and $85.09, respectively. The increase was driven by growth in programmatic demand.

Total Company

*Adjusted EBITDA. A*djusted EBITDA is defined as net income before interest expense, income tax expense and depreciation and amortization. Adjusted EBITDA excludes the impact of other expense (income), loss on extinguishment of debt, impairment, restructuring and acquisition costs, other non-cash charges such as share-based payment expense, and legal settlements and reserves (if applicable). (See the accompanying Glossary for a reconciliation to GAAP and for more details.)

For the three months ended March 31, 2024 and 2023, adjusted EBITDA was $650 and $625, respectively, an increase of 4%, or $25. The increase was primarily driven by higher advertising revenue and lower general and administrative expenses, partially offset by lower subscriber revenue.

Free Cash Flow includes cash provided by operations, net of additions to property and equipment, and restricted and other investment activity. (See the accompanying Glossary for a reconciliation to GAAP and for more details.)

For the three months ended March 31, 2024 and 2023, free cash flow was $132 and $144, respectively, a decrease of 8%, or $12. The decrease was primarily driven by higher content and other vendor payments, partially offset by lower capital expenditures and higher cash receipts.

Liquidity and Capital Resources

The following table presents a summary of our cash flow activity for the three months ended March 31, 2024 compared with the three months ended March 31, 2023.

	For the Three Months Ended March 31,		
	2024	2023	2024 vs 2023
Net cash provided by operating activities	$ 294	$ 331	$ (37)
Net cash used in investing activities	(363)	(235)	(128)
Net cash used in financing activities	(76)	(100)	24
Net decrease in cash, cash equivalents and restricted cash	(145)	(4)	(141)
Cash, cash equivalents and restricted cash at beginning of period	224	65	159
Cash, cash equivalents and restricted cash at end of period	$ 79	$ 61	$ 18

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities decreased by $37 to $294 for the three months ended March 31, 2024 from $331 for the three months ended March 31, 2023.

Our largest source of cash provided by operating activities is cash generated by subscription and subscription-related revenues. We also generate cash from the sale of advertising through our Pandora and Off-platform business, advertising on certain non-music channels on Sirius XM and the sale of satellite radios, components and accessories. Our primary uses of cash from operating activities include revenue share and royalty payments to distributors, programming and content providers, and payments to radio manufacturers, distributors and automakers. In addition, uses of cash from operating activities include payments to vendors to service, maintain and acquire listeners and subscribers, general corporate expenditures, and compensation and related costs.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in the three months ended March 31, 2024 were primarily due to spending for capitalized software and hardware, the construction of satellites and acquisitions of tax-effective investments for total cash consideration of $187. Cash flows used in investing activities in the three months ended March 31, 2023 were primarily due to spending for capitalized software and hardware, the construction of satellites and acquisitions of tax-effective equity investments for total cash consideration of $29. We spent $89 and $62 on capitalized software and hardware as well as $76 and $127 to construct satellites during the three months ended March 31, 2024 and 2023, respectively.

Cash Flows Used in Financing Activities

Cash flows used in financing activities consists of the issuance and repayment of long-term debt, the purchase of common stock under Holdings' share repurchase program, the payment of cash dividends and taxes paid in lieu of shares issued for stock based compensation. Proceeds from long-term debt have been used to fund our operations, construct and launch new satellites, fund acquisitions, invest in other infrastructure improvements and purchase shares of Holdings' common stock.

Cash flows used in financing activities in the three months ended March 31, 2024 were primarily due to repayments under our Credit Facility of $200, the payment of cash dividends of $102, and payment of $14 for taxes in lieu of shares issued for share-based compensation, partially offset by borrowings under our Credit Facility of $230. Cash flows used in financing activities in the three months ended March 31, 2023 were primarily due to repayments under our Credit Facility of $418, the payment of cash dividends of $94, the repurchase of $75 in principal amount of Pandora's 1.75% Convertible Senior Notes due 2023, the purchase and retirement of shares of our common stock under our repurchase program for $62, and payment of $14 for taxes in lieu of shares issued for share-based compensation, partially offset by borrowings under our Credit Facility of $548.

Future Liquidity and Capital Resource Requirements

Based upon our current business plans, we expect to fund operating expenses, capital expenditures, including the construction of replacement satellites, working capital requirements, interest payments, taxes and scheduled maturities of our debt with existing cash, cash flow from operations and borrowings under our Credit Facility. As of March 31, 2024, $30 of borrowings were outstanding under our Credit Facility and $1,720 was available for future borrowing under our Credit Facility. We believe that we have sufficient cash and cash equivalents, as well as debt capacity, to cover our estimated short and long-term funding needs, including amounts to construct, launch and insure replacement satellites, as well as fund Holdings' future stock repurchases, future dividend payments on Holdings' common stock and to pursue strategic opportunities.

Our ability to meet our debt and other obligations depends on our future operating performance and on economic, financial, competitive and other factors.

We regularly evaluate our business plans and strategy. These evaluations often result in changes to our business plans and strategy, some of which may be material and significantly change our cash requirements. These changes in our business plans or strategy may include: the acquisition of unique or compelling programming; the development and introduction of new features or services; significant new or enhanced distribution arrangements; investments in infrastructure, such as satellites, equipment or radio spectrum; and acquisitions and investments, including acquisitions and investments that are not directly related to our existing business.

We may from time to time purchase our outstanding debt through open market purchases, privately negotiated transactions or otherwise. Purchases or retirement of debt, if any, will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

We have made, and expect to continue to make, certain tax-efficient investments in clean energy technologies, including industrial carbon capture and storage. These investments will produce tax credits and related tax losses. Over the next seven years, we currently expect to generate more than $250 million in net-after tax cash benefit. The payments on these equity investments will be classified as investing activities from a cash flow perspective, while the tax credits and losses will benefit our federal cash taxes in operating activities.

Holdings' Capital Return Program

As of March 31, 2024, Holdings' board of directors had authorized for repurchase an aggregate of $18,000 of Holdings' common stock. As of March 31, 2024, Holdings' cumulative repurchases since December 2012 under Holdings' stock repurchase program totaled $16,834, and $1,166 remained available for additional repurchases under Holdings' existing stock repurchase program authorization. During the three months ended March 31, 2024, Holdings' did not repurchase any shares of its common stock.

Shares of common stock may be purchased from time to time on the open market and in privately negotiated transactions, including in accelerated stock repurchase transactions and transactions with Liberty Media and its affiliates. We intend to fund the additional repurchases through a combination of cash on hand, cash generated by operations and future borrowings. The size and timing of any purchases will be based on a number of factors, including price and business and market conditions.

On April 24, 2024, Holdings' board of directors declared a quarterly dividend on Holdings' common stock in the amount of $0.0266 per share of Holdings' common stock payable on May 29, 2024 to Holdings' stockholders of record as of the close of business on May 10, 2024.

Debt Covenants

The indentures governing Sirius XM's senior notes and the agreement governing the Sirius XM Credit Facility include restrictive covenants. As of March 31, 2024, we were in compliance with such covenants. For a discussion of our “Debt Covenants,” refer to Note 10 to our unaudited consolidated financial statements in this Quarterly Report.

Off-Balance Sheet Arrangements

We do not have any significant off-balance sheet arrangements other than those disclosed in Note 13 to our unaudited consolidated financial statements in this Quarterly Report that are reasonably likely to have a material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Contractual Cash Commitments

For a discussion of our “Contractual Cash Commitments,” refer to Note 13 to our unaudited consolidated financial statements in this Quarterly Report.

Related Party Transactions

For a discussion of “Related Party Transactions,” refer to Note 9 to our unaudited consolidated financial statements in this Quarterly Report.

Critical Accounting Policies and Estimates

For a discussion of our “Critical Accounting Policies and Estimates,” refer to “Management's Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report for the year ended December 31, 2023. There have been no material changes to our critical accounting policies and estimates since December 31, 2023.

Glossary

Monthly active users - the number of distinct registered users on the Pandora services, including subscribers, which have consumed content within the trailing 30 days to the end of the final calendar month of the period. The number of monthly active users on the Pandora services may overstate the number of unique individuals who actively use our Pandora service, as one individual may use multiple accounts. To become a registered user on the Pandora services, a person must sign-up using an email address or access our service using a device with a unique identifier, which we use to create an account for our service.

Average self-pay monthly churn - for satellite-enabled subscriptions, the Sirius XM monthly average of self-pay deactivations for the period divided by the average number of self-pay subscribers for the period.

Adjusted EBITDA - EBITDA is defined as net income before interest expense, income tax expense and depreciation and amortization. Adjusted EBITDA is a Non-GAAP financial measure that excludes or adjusts for the impact of other expense (income), loss on extinguishment of debt, impairment, restructuring and acquisition costs, costs associated with the Transactions, other non-cash charges such as share-based payment expense, and legal settlements and reserves (if applicable). We believe adjusted EBITDA is a useful measure of the underlying trend of our operating performance, which provides useful information about our business apart from the costs associated with our capital structure and purchase price accounting. We believe investors find this Non-GAAP financial measure useful when analyzing our past operating performance with our current performance and comparing our operating performance to the performance of other communications, entertainment and media companies. We believe investors use adjusted EBITDA to estimate our current enterprise value and to make investment decisions. As a result of large capital investments in our satellite radio system, our results of operations reflect significant charges for depreciation expense. We believe the exclusion of share-based payment expense is useful as it is not directly related to the operational conditions of our business. We also believe the exclusion of the legal settlements and reserves, impairment, restructuring and acquisition related costs, to the extent they occur during the period, is useful as they are significant expenses not incurred as part of our normal operations for the period.

Adjusted EBITDA has certain limitations in that it does not take into account the impact to our consolidated statements of comprehensive income of certain expenses, including share-based payment expense. We endeavor to compensate for the limitations of the Non-GAAP measure presented by also providing the comparable GAAP measure with equal or greater prominence and descriptions of the reconciling items, including quantifying such items, to derive the Non-GAAP measure. Investors that wish to compare and evaluate our operating results after giving effect for these costs should refer to net income as disclosed in our unaudited consolidated statements of comprehensive income. Since adjusted EBITDA is a Non-GAAP financial performance measure, our calculation of adjusted EBITDA may be susceptible to varying calculations; may not be comparable to other similarly titled measures of other companies; and should not be considered in isolation, as a substitute for, or superior to measures of financial performance prepared in accordance with GAAP. The reconciliation of net income to the adjusted EBITDA is calculated as follows:

	For the Three Months Ended March 31,	
	2024	**2023**
Net income:	$ 265	$ 239
Add back items excluded from Adjusted EBITDA:		
Impairment, restructuring and acquisition costs	28	32
Share-based payment expense (1)	45	45
Depreciation and amortization	140	136
Interest expense	104	107
Loss on extinguishment of debt	—	1
Other income	(12)	(10)
Income tax expense	80	75
Adjusted EBITDA	$ 650	$ 625

(1) Allocation of share-based payment expense:

	For the Three Months Ended March 31,	
	2024	**2023**
Programming and content	$ 9	$ 7
Customer service and billing	1	1
Transmission	1	1
Sales and marketing	12	10
Engineering, design and development	12	11
General and administrative	10	15
Total share-based payment expense	$ 45	$ 45

Free cash flow - is derived from cash flow provided by operating activities, net of additions to property and equipment and purchases of other investments. Free cash flow is a metric that our management and board of directors use to evaluate the cash generated by our operations, net of capital expenditures and other investment activity. In a capital intensive business, with significant investments in satellites, we look at our operating cash flow, net of these investing cash outflows, to determine cash available for future subscriber acquisition and capital expenditures, to repurchase or retire debt, to acquire other companies and to evaluate our ability to return capital to stockholders. We exclude from free cash flow certain items that do not relate to the on-going performance of our business, such as cash flows related to acquisitions, strategic and short-term investments, including tax efficient investments in clean energy as well as net loan activity with related parties and other equity investees. We believe free cash flow is an indicator of the long-term financial stability of our business. Free cash flow, which is reconciled to "Net cash provided by operating activities," is a Non-GAAP financial measure. This measure can be calculated by deducting amounts under the captions "Additions to property and equipment" and deducting or adding Restricted and other investment activity from "Net cash provided by operating activities" from the unaudited consolidated statements of cash flows. Free cash flow should be used in conjunction with other GAAP financial performance measures and may not be comparable to free cash flow measures presented by other companies. Free cash flow should be viewed as a supplemental measure rather than an alternative measure of cash flows from operating activities, as determined in accordance with GAAP. Free cash flow is limited and does not represent remaining cash flows available for discretionary expenditures due to the fact that the measure does not deduct the payments required for debt maturities. We believe free cash flow provides useful supplemental information to investors regarding our current cash flow, along with other GAAP measures (such as cash flows from operating and investing activities), to determine our financial condition, and to compare our operating performance to other communications, entertainment and media companies. Free cash flow is calculated as follows:

	For the Three Months Ended March 31,	
	2024	2023
Cash Flow information		
Net cash provided by operating activities	$ 294	$ 331
Net cash used in investing activities	(363)	(235)
Net cash used in financing activities	(76)	(100)
Free Cash Flow		
Net cash provided by operating activities	294	331
Equity-related transactions for Holdings [(a)]	14	19
Additions to property and equipment	(174)	(205)
Purchases of other investments	(2)	(1)
Free cash flow	$ 132	$ 144

(a) Subsequent to our corporate reorganization in November 2013, certain equity-related transactions are reported as related party transactions within our unaudited consolidated statements of cash flows. For the three months ended March 31, 2024, this included $14 for taxes paid in lieu of shares issued for stock-based compensation. For the three months ended March 31, 2023, this included payments of $14 for taxes paid in lieu of shares issued for stock-based compensation and $5 for the change in treasury shares. These equity-related transactions are classified as Cash flows used in financing activities within Holdings' consolidated statements of cash flows, and therefore, are adjusted to reflect free cash flow at Sirius XM.

ARPU - Sirius XM ARPU is derived from total earned subscriber revenue (excluding revenue associated with our connected vehicle services) and advertising revenue, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period.

Subscriber acquisition cost, per installation - or SAC, per installation, is derived from subscriber acquisition costs less margins from the sale of radios and accessories (excluding connected vehicle services), divided by the number of satellite radio installations in new vehicles and shipments of aftermarket radios for the period. SAC, per installation, is calculated as follows:

	For the Three Months Ended March 31,	
	2024	2023
Subscriber acquisition costs, excluding connected vehicle services	$ 90	$ 90
Less: margin from sales of radios and accessories, excluding connected vehicle services	(48)	(43)
	$ 42	$ 47
Installations (in thousands)	3,397	3,334
SAC, per installation [(a)]	$ 12.50	$ 14.39

(a) Amounts may not recalculate due to rounding.

Ad supported listener hours - is based on the total bytes served over our Pandora advertising supported platforms for each track that is requested and served from our Pandora servers, as measured by our internal analytics systems, whether or not a listener listens to the entire track. For non-music content such as podcasts, episodes are divided into approximately track-length parts, which are treated as tracks. To the extent that third-party measurements of advertising hours are not calculated using a similar server-based approach, the third-party measurements may differ from our measurements.

RPM - is calculated by dividing advertising revenue, excluding AdsWizz and other off-platform revenue, by the number of thousands of listener hours on our Pandora advertising-based service.