

SIRIUS XM HOLDINGS INC.
Form 10-Q
October 25, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____
COMMISSION FILE NUMBER 001-34295

SIRIUS XM HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Delaware 38-3916511
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1290 Avenue of the Americas, 11th Floor
New York, New York 10104
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212) 584-5100

Former name, former address and former fiscal year, if changed since last report: Not Applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer Accelerated filer Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| (Class) | (Outstanding as of October 23, 2017) |
|---------------------------------|---|
| COMMON STOCK, \$0.001 PAR VALUE | 4,595,820,002 SHARES |

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SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

| (in thousands, except per share data) | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|--------------|--|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenue: | | | | |
| Subscriber revenue | \$ 1,136,027 | \$ 1,069,746 | \$ 3,325,295 | \$ 3,112,712 |
| Advertising revenue | 41,462 | 34,268 | 117,656 | 99,330 |
| Equipment revenue | 32,337 | 31,306 | 91,669 | 86,285 |
| Other revenue | 169,770 | 142,326 | 486,611 | 415,895 |
| Total revenue | 1,379,596 | 1,277,646 | 4,021,231 | 3,714,222 |
| Operating expenses: | | | | |
| Cost of services: | | | | |
| Revenue share and royalties | 296,498 | 272,823 | 866,691 | 788,952 |
| Programming and content | 98,239 | 89,015 | 290,038 | 257,760 |
| Customer service and billing | 94,655 | 94,923 | 286,754 | 285,502 |
| Satellite and transmission | 21,378 | 22,224 | 61,557 | 80,609 |
| Cost of equipment | 8,254 | 9,674 | 24,537 | 29,181 |
| Subscriber acquisition costs | 119,555 | 120,111 | 372,197 | 381,516 |
| Sales and marketing | 114,519 | 99,194 | 318,135 | 279,278 |
| Engineering, design and development | 29,433 | 19,254 | 81,033 | 57,588 |
| General and administrative | 83,187 | 90,369 | 245,995 | 249,052 |
| Depreciation and amortization | 79,913 | 67,880 | 230,136 | 202,215 |
| Total operating expenses | 945,631 | 885,467 | 2,777,073 | 2,611,653 |
| Income from operations | 433,965 | 392,179 | 1,244,158 | 1,102,569 |
| Other income (expense): | | | | |
| Interest expense | (92,634) | (89,092) | (257,085) | (250,888) |
| Loss on extinguishment of debt | (43,679) | — | (43,679) | — |
| Other income | 86,971 | 2,370 | 83,897 | 15,733 |
| Total other expense | (49,342) | (86,722) | (216,867) | (235,155) |
| Income before income taxes | 384,623 | 305,457 | 1,027,291 | 867,414 |
| Income tax expense | (108,901) | (111,556) | (342,387) | (326,108) |
| Net income | \$ 275,722 | \$ 193,901 | \$ 684,904 | \$ 541,306 |
| Foreign currency translation adjustment, net of tax | 3,680 | (14) | 6,426 | 420 |
| Total comprehensive income | \$ 279,402 | \$ 193,887 | \$ 691,330 | \$ 541,726 |
| Net income per common share: | | | | |
| Basic | \$ 0.06 | \$ 0.04 | \$ 0.15 | \$ 0.11 |
| Diluted | \$ 0.06 | \$ 0.04 | \$ 0.14 | \$ 0.11 |
| Weighted average common shares outstanding: | | | | |
| Basic | 4,618,368 | 4,870,281 | 4,660,041 | 4,957,820 |
| Diluted | 4,704,571 | 4,919,829 | 4,734,841 | 5,005,133 |
| Dividends declared per common share | \$ 0.010 | \$ — | \$ 0.030 | \$ — |

See accompanying notes to the unaudited consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS

| (in thousands, except per share data) | September 30, 2017 | December 31, 2016 |
|--|-----------------------|----------------------|
| ASSETS | (unaudited) | |
| Current assets: | | |
| Cash and cash equivalents | \$ 73,553 | \$ 213,939 |
| Receivables, net | 225,001 | 223,029 |
| Inventory, net | 22,469 | 20,363 |
| Related party current assets | 12,375 | 6,170 |
| Prepaid expenses and other current assets | 163,164 | 179,148 |
| Total current assets | 496,562 | 642,649 |
| Property and equipment, net | 1,427,614 | 1,398,693 |
| Intangible assets, net | 2,528,709 | 2,544,801 |
| Goodwill | 2,286,559 | 2,205,107 |
| Related party long-term assets | 1,017,350 | 8,918 |
| Deferred tax assets | 777,002 | 1,084,330 |
| Other long-term assets | 118,620 | 119,097 |
| Total assets | \$ 8,652,416 | \$ 8,003,595 |
| LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 736,782 | \$ 713,034 |
| Accrued interest | 92,539 | 114,633 |
| Current portion of deferred revenue | 1,846,285 | 1,832,609 |
| Current maturities of long-term debt | 4,220 | 5,485 |
| Related party current liabilities | 3,018 | 2,840 |
| Total current liabilities | 2,682,844 | 2,668,601 |
| Deferred revenue | 178,180 | 176,319 |
| Long-term debt | 6,728,349 | 5,842,764 |
| Related party long-term liabilities | 6,778 | 7,955 |
| Deferred tax liabilities | 6,418 | 6,418 |
| Other long-term liabilities | 99,948 | 93,553 |
| Total liabilities | 9,702,517 | 8,795,610 |
| Commitments and contingencies (Note 14) | | |
| Stockholders' (deficit) equity: | | |
| Common stock, par value \$0.001; 9,000,000 shares authorized; 4,604,441 and 4,746,047 shares issued; 4,601,941 and 4,740,947 outstanding at September 30, 2017 and December 31, 2016, respectively | 4,604 | 4,745 |
| Accumulated other comprehensive income (loss), net of tax | 6,287 | (139) |
| Additional paid-in capital | 2,159,239 | 3,117,666 |
| Treasury stock, at cost; 2,500 and 5,100 shares of common stock at September 30, 2017 and December 31, 2016, respectively | (13,754) | (22,906) |
| Accumulated deficit | (3,206,477) | (3,891,381) |
| Total stockholders' (deficit) equity | (1,050,101) | (792,015) |
| Total liabilities and stockholders' (deficit) equity | \$ 8,652,416 | \$ 8,003,595 |

See accompanying notes to the unaudited consolidated financial statements.

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SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' (DEFICIT) EQUITY
(UNAUDITED)

| (in thousands) | Common Stock | | Accumulated Other Comprehensive (Loss) Income | Additional Paid-in Capital | Treasury Stock | | Accumulated Deficit | Total Stockholders' (Deficit) Equity |
|---|--------------|---------|---|----------------------------------|----------------|------------|------------------------|---|
| | Shares | Amount | | | Shares | Amount | | |
| Balance at December 31, 2016 | 4,746,047 | \$4,745 | \$ (139) | \$3,117,666 | 5,100 | \$(22,906) | \$(3,891,381) | \$(792,015) |
| Comprehensive income, net of tax | — | — | 6,426 | — | — | — | 684,904 | 691,330 |
| Issuance of common stock as part of investment in Sirius XM Canada | 35,000 | 35 | — | 178,815 | — | — | — | 178,850 |
| Share-based payment expense | — | — | — | 82,485 | — | — | — | 82,485 |
| Exercise of options and vesting of restricted stock units | 20,318 | 21 | — | 753 | — | — | — | 774 |
| Minimum withholding taxes on net share settlement of stock-based compensation | — | — | — | (84,560) | — | — | — | — |