
Sirius XM Holdings Inc.

Corporate credit assessment | Prepared by Shraddha Deshmukh

USD '000s	2023Y	2024Y	2025Y	Q1 2026
SiriusXM				
Self-pay subscribers	31,942	31,646	31,345	31,234
Paid promotional subscribers	1,933	1,580	1,582	1,545
Ending subscribers	33,875	33,226	32,927	32,779
SiriusXM Canada Subsribers	2,629	2,516	2,437	2,428
Weighted average subscribers	33,993	33,292	32,797	32,799
Average Self-pay monthly churn (ii)	1.60%	1.60%	1.50%	1.50%
ARPU (iii) (ARPU /month)	\$15.56	\$15.21	\$15.11	\$14.99
SAC per installation (iv)	\$13.18	\$14.55	\$18.21	\$18.80
Pandora & Off-platform				
Monthly active users	46,026	43,344	41,112	40,068
Self-pay subscribers	6,053	5,774	5,630	5,597
Weighted average subscribers	6,169	5,929	5,698	5,605
Ad-supported listener hours (v) (in bn)	10.48	9.94	9.75	2.22
Ad RPM (vi)	\$99.39	\$100.59	\$91.78	\$84.11

(i) **Sirius XM Canada Subscribers;**

(ii) **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;

(iii) **ARPU** is derived from total earned SiriusXM 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;

(iv) **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.

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

(vi) **RPM** is a key indicator of our ability to monetize advertising inventory created by 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.

Base Case

Base case forecast and assumptions – P&L

SiriusXM Revenue (\$mm)	2023A	2024A	2025A	Q1 2026A	Q2 2026E	Q3 2026E	Q4 2026E	2026E	2027E	2028E
Subscriber revenue	6342	6076	5960	1,483	1,507	1,502	1,497	5,989	6,020	6,030
Advertising revenue	169	167	157	35	39	40	42	157	157	157
Equipment revenue	193	182	178	41	45	42	47	174	170	167
Other revenue	136	128	122	31	31	32	28	122	122	122
Pandora and Off-platform revenue (\$mm)										
Subscriber revenue	524	540	526	129	127	127	127	510	509	496
On-platform advertising (Pandora)	1,042	1,000	895	187	202	210	210	810	777	814
Off-platform advertising (Other audio platforms)	547	606	720	185	213	233	259	890	1,021	1,171
Total Pandora advertising revenue	1,589	1,606	1,615	372	415	443	469	1,700	1,798	1,985
Consolidated revenue and EBITDA										
Total Revenue	8,953	8,699	8,558	2,091	2,164	2,186	2,210	8,652	8,777	8,957
Revenue growth		-2.84%	-1.62%		3.48%	1.04%	1.10%	1.1%	1.4%	2.1%
Cost of services	4,209	4,129	4,118	1,002	1,026	1,037	1,048	4,114	4,163	4,249
Gross Profit	4744	4570	4440	1,089	1,137	1,149	1,162	4,537	4,613	4,708
Subscriber acquisition costs	359	369	414	100	115	116	117	448	451	456
Sales and marketing	931	894	760	187	213	215	217	833	836	844
Product and technology	322	296	263	69	76	77	78	300	299	302
General and administrative	608	497	549	122	146	148	149	565	574	580
EBITDA before adjustments	2,524	2,514	2,454	611	587	593	600	2,391	2,453	2,526
Adj. EBITDA reconciliation items										
Share-based compensation	203	200	181	54	51	51	52	208	206	210
Legal settlements/reserves	31	3	30	1	-	-	-	1	-	-
Adj. EBITDA	2,758	2,717	2,665	666	638	645	652	2,600	2,659	2,736

Cost

- **Cost of services:** as a % of revenue (~47% throughout)
- **Below-gross opex allocation:** The residual opex pool uses the average FY2025 and Q1 2026 functional mix: 20.9% subscriber acquisition, 38.7% sales & marketing, 13.8% product & technology and 26.6% G&A. The mix is held through 2028, with G&A as the balancing line so the allocation totals 100%.

Basis of operating assumptions

SiriusXM:

- **Self-pay subscribers:** Quarterly changes in 2026 replicate the corresponding 2025 quarterly movements. Annual self-pay subscriber losses of approximately 109,000 are assumed in both 2027 and 2028.
- **Weighted-average subscribers:** Quarterly averages are calculated using beginning and ending subscriber balances; FY2026 is day-weighted across the four quarters.
- **ARPU:** Quarterly ARPU reflects historical seasonality, followed by 0.5% annual growth in 2027–2028 to capture modest pricing power.

Pandora:

- **Pandora engagement:** MAUs decline 5% annually and Pandora subscribers decline 2% annually in 2027–2028, consistent with FY2025 and Q1 2026 trends.
- **Listener hours and RPM:** Listener hours follow 2025 seasonality before continuing to decline. Each Q2–Q4 2026 RPM estimate applies the corresponding 2025 quarter-on-quarter ratio to Q1 2026 RPM of \$84.11, producing an FY2026 average of \$87.89. The submitted model sets FY2027 RPM at \$86.00 before returning to the FY2025 level of \$91.78 in FY2028.
- **Off-platform advertising:** Q2 2025 implied off-platform revenue is \$172.2m, calculated as \$394.0m of reported Pandora and off-platform advertising revenue less \$221.8m of implied on-platform revenue. Applying Q1 2026's implied YoY off-platform growth rate of 23.6% produces Q2 2026E revenue of \$212.8m. The same methodology is used for Q3–Q4 2026, followed by approximately 14.7% annual growth in FY2027–FY2028.

Others

- **Other revenue:** SiriusXM advertising and other revenue are held flat; equipment revenue declines 2.2% annually; Pandora revenue per subscriber is flat in 2026 and declines 0.5% annually thereafter.
- **Margins:** Cost of services is held at 47.44% of revenue and SBC at 2.35%, based on the average of FY2025 and Q1 2026. EBITDA is anchored to approximately \$2.6bn in 2026, followed by 25 bps of annual margin expansion.

Base case forecast and assumptions – BS & Debt repayment

Balance sheet	2023A	2024A	2025A	Q1 2026A	Q2 2026E	Q3 2026E	Q4 2026E	2026E	2027E	2028E
ST debt	1,195	1,050	1,058	59	59	59	59	59	59	59
LT debt	10,073	10,314	8,648	9,688	9,604	9,591	9,577	9,577	7,982	6,407
Total debt	11,268	11,364	9,706	9,747	9,663	9,650	9,636	9,636	8,041	6,466
Cash & eqv.	306	162	94	75	373	670	968	968	508	111
Debt schedule (\$mm)										
Opening total debt					9,747	9,663	9,650	9,747	9,636	8,041
Debt issued repayment					0	0	0	0	1,250	2,575
Scheduled term-loan repayment					13.75	13.75	13.75	41.25	344.75	0
Revolver repayment	N/A	N/A	N/A	N/A	70	0	0	70	0	0
Debt issued coupon payments					0	273	58	331	269	189
Debt issuance / refinancing					0	0	0	0	-	1,000
Ending total debt	11,268	11,364	9,706	9,747	9,663	9,650	9,636	9,636	8,041	6,466
Cash and cash equivalents	306	162	94	75	373	670	968	968	508	111
Long-term debt	10,073	10,314	8,648	9,688	9,604	9,591	9,577	9,577	7,982	6,407
Less: current maturities	1,195	1,050	1,058	59	59	59	59	59	59	59
Net debt	10,962	11,202	9,612	9,672	9,291	8,979	8,668	8,668	7,533	6,355
Net debt / Adjusted EBITDA (x)	4.0	4.1	3.6	3.6	N/A	N/A	3.3	3.3	2.8	2.3

Basis of debt assumptions

- **The delayed-draw term loan** requires quarterly repayments equal to 1.25% of the original \$1.1bn principal.
- The **model assumes** approximately \$111mm of net debt repayment in 2026 and \$1.595bn in 2027.
- **In 2028**, SiriusXM repays \$2.575bn of maturities but refinances \$1.0bn, producing net debt reduction of approximately \$1.575bn.
- **Total debt** therefore declines from \$9.64bn in 2026 to \$8.04bn in 2027 and \$6.47bn in 2028.
- From March 31 to year-end 2026, **gross debt** declines by approximately \$111mm. The full-year debt cash-flow line reflects approximately \$89mm of net repayment after the \$22mm Q1 2026 borrowing. **Gross debt** declines by approximately \$1.595bn in 2027. In 2028, \$2.575bn of maturities and repayments are partially offset by \$1.0bn of refinancing, reducing gross debt by approximately \$1.575bn
- **Gross leverage** falls from 3.7x to 2.4x and net leverage to 2.3x, although the \$111mm ending cash balance provides limited refinancing and execution flexibility.

Base case forecast and assumptions – cash flow

Cash Flow Summary	2023A	2024A	2025A	Q1 2026A	Q2 2026E	Q3 2026E	Q4 2026E	2026E	2027E	2028E
Adj. EBITDA	2,758	2,717	2,665	666	638	645	652	2,600	2,659	2,736
Cash taxes	(165)	(218)	(156)	0	(50)	(51)	(51)	(152)	(156)	(160)
Cash interest	(507)	(473)	(439)	(205)	(73)	(73)	(73)	(425)	(386)	(286)
EBITDA-tax-Int	2,086	2,026	2,070	461	514	520	527	2,023	2,118	2,290
Working capital	(50)	(109)	(25)	(279)	84	85	85	(25)	(26)	(26)
Other changes in CFO**	(207)	(176)	(147)	94	(70)	(73)	(76)	(125)	(135)	(313)
Cash flow from operations	1,829	1,741	1,898	276	528	532	536	1,873	1,958	1,951
Capex excluding satellite expenditure	(284)	(307)	(365)	(76)	(111)	(111)	(111)	(408)	(408)	(408)
<i>Satellite expenditures</i>	(285)	(262)	(204)	(29)	(29)	(29)	(29)	(115)	(50)	-
FCF (CFO-capex)	1,545	1,434	1,533	171	389	393	397	1,350	1,500	1,543
Change in Debt	(1,101)	(709)	(679)	22	(84)	(14)	(14)	(89)	(1,595)	(1,575)
Change in Equity	0	0	0	0	0	0	0	0	0	0
Share Repurchase	(274)	(6)	(136)	(22)	0	0	0	(22)	0	0
M&A	0	0	0	0	0	0	0	0	0	0
Proceeds from sale leaseback	0	0	0	0	0	0	0	0	0	0
Dividends	(65)	(143)	(365)	(91)	(91)	(91)	(91)	(365)	(365)	(365)
Proceeds from NCI	0	0	0	0	0	0	0	0	0	0
Proceeds from prepaid variable forward	0	0	0	0	0	0	0	0	0	0
Settlement of intergroup interests	273	0	0	0	0	0	0	0	0	0
Other changes in cash flow	(433)	(721)	(421)	(335)	(84)	(10)	(5)	0	0	0
Net change in cash	(55)	(145)	(68)	(19)	298	298	298	874	(460)	(397)
Beginning cash	370	315	170	102	75	373	968	94	968	508
Ending cash	315	170	102	83 *	373	670	968	968	508	111

Basis of cash-flow assumptions

- **Free cash flow:** FY2026 is anchored to management's approximately \$1.35bn guidance and FY2027 to its \$1.5bn objective. The 2026 quarterly allocation is based on quarterly EBITDA because management only provided annual guidance.
- **Cash taxes:** Forecast cash taxes equal 5.85% of EBITDA, based on FY2025 cash taxes of \$156m divided by FY2025 adjusted EBITDA of \$2.665bn. Q1 2026's zero cash-tax payment is treated as timing-related.
- **Cash interest:** Q1 2026 cash interest was \$205m. The remaining 2026 amount is allocated evenly to reach \$425m, followed by \$386mm in 2027 and \$286mm in 2028.
- **Working capital:** Working capital is held at approximately negative 0.29% of revenue, using FY2025 as the forecast proxy.
- **Share repurchases:** Only the actual \$22mm repurchase in Q1 2026 is included. No further repurchases are assumed while management prioritizes deleveraging, despite the remaining authorization.
- **Dividends and shares:** The quarterly dividend remains \$0.27 per share, or \$1.08 annually, and diluted shares remain at 338m.
- **Liquidity:** Beginning liquidity includes \$75mm of cash and \$8mm of restricted cash. Cumulative FCF of approximately \$4.39bn supports debt reduction, but ending cash falls to approximately \$111mm by 2028.

*Q1 2026 model liquidity is \$83m, comprising \$75m of cash and \$8m of restricted cash.

Bear Case

Bear case forecast and assumptions – P&L

SiriusXM Revenue (\$mm)	2023A	2024A	2025AQ1 2026A	Q2 2026E	Q3 2026E	Q4 2026E	2026E	2027E	2028E	
Subscriber revenue	6342	6076	5960	1,483	1,471	1,471	1,471	5,896	5,882	5,848
Advertising revenue	169	167	157	35	41	41	41	157	157	157
Equipment revenue	193	182	178	41	40	39	38	174	170	167
Other revenue	136	128	122	31	31	32	28	122	122	122
Pandora and Off-platform revenue (\$mm)										
Subscriber revenue	524	540	526	129.0	126.9	126.9	126.9	509.6	499.7	471.9
On-platform advertising (Pandora)	1,042	1,000	895	186.8	80.0	80.0	80.0	423.0	423.0	423.0
Off-platform advertising (Other audio platforms)	547	606	720	185.2	185.2	185.2	185.2	740.8	547.4	547.4
Total Pandora advertising revenue	1,589	1,606	1,615	372.0	265.2	265.2	265.2	1,163.8	970.4	970.4
Consolidated revenue and EBITDA										
Total Revenue	8,953	8,699	8,558	2,091	1,975	1,975	1,970	8,023	7,801	7,736
Revenue growth		-2.84%	-1.62%		-5.54%	-0.02%	-0.25%	-6.3%	-2.8%	-0.8%

Cost of services	4,209	4,129	4,118	1002	937	937	935	3,810	3,701	3,670
Gross Profit	4744	4570	4440	1,089	1,038	1,038	1,035	4,201	4,101	4,066
Subscriber acquisition costs	359	369	414	100	111	110	110	431	425	426
Sales and marketing	931	894	760	187	205	205	204	801	788	789
Product and technology	322	296	263	69	73	73	73	289	282	282
General and administrative	608	497	549	122	141	141	140	544	541	542
EBITDA before adjustments	2524	2514	2454	611	509	509	508	2,137	2,064	2,027
Adj. EBITDA reconciliation items										
Share-based compensation	203	200	181	54	46	46	46	193	183	182
Legal settlements/reserves	31	3	30	1	-	-	-	1	-	-
Adj. EBITDA	2,758	2,717	2,665	666	555	555	554	2,331	2,247	2,209

Basis of downside assumptions

SiriusXM:

- **Self-pay subscribers:** No incremental improvement is assumed in Q2–Q4 2026. Annual subscriber losses increase from 111,000 in 2026 to 161,000 in 2027 and 211,000 in 2028.
- **Paid promotional subscribers:** No additions are assumed after the Q1 2026 decline, resulting in a 37,000 reduction in 2026 and no growth thereafter.
- **ARPU:** ARPU is held at \$14.99 throughout the forecast, representing the lowest monthly ARPU observed between 2023 and Q1 2026.

Pandora:

- **Pandora engagement:** MAUs show no growth during the remainder of 2026 and decline approximately 5.8% annually thereafter. Pandora subscribers decline approximately 4.6% annually in 2027–2028.
- **Listener hours and RPM:** Q2–Q4 listener hours are reduced to 1.0bn per quarter, producing 5.22bn annual hours. RPM is reduced to \$80 quarterly and approximately \$81 annually.
- **Advertising:** Q2–Q4 off-platform revenue is held at the Q1 2026 level of approximately \$185mm per quarter. Outer-year revenue is reduced to the historical minimum of approximately \$547mm annually.

Others:

- **Other revenue:** Equipment revenue declines 2.2% annually, other revenue remains flat and Pandora revenue per subscriber is flat in 2026 before declining 1% annually.
- **Margins:** EBITDA margins are 100 bps, 150 bps and 200 bps below the base case in 2026, 2027 and 2028, respectively, reflecting operating deleverage from weaker revenue and engagement.

Cost:

- **Below-gross opex mix:** 20.9% acquisition / 38.7% S&M / 13.8% P&T / 26.6% G&A, based on the FY2025–Q1 2026 average; G&A balances the residual pool to 100%.

Bear case forecast and assumptions – BS and Debt repayment

Balance sheet	2023A	2024A	2025A	Q1 2026A	Q2 2026E	Q3 2026E	Q4 2026E	2026E	2027E	2028E
ST debt	1,195	1,050	1,058	59	59	59	59	59	59	59
LT debt	10,073	10,314	8,648	9,688	9,604	9,591	9,577	9,577	8,607	8,607
Total debt	11,268	11,364	9,706	9,747	9,663	9,650	9,636	9,636	8,666	8,666
Cash & eqv.	306	162	94	75	256	437	618	618	320	1,109
Debt schedule (\$mm)										
Opening total debt					9,747	9,663	9,650	9,706	9,636	8,666
Debt issued repayment					0	0	0	0	1,250	2,575
Scheduled term-loan repayment					13.75	13.75	13.75	41.25	344.75	0
Revolver repayment	N/A	N/A	N/A	N/A	70	0	0	70	0	0
Debt issued coupon payments					0	273	58	331	269	189
Debt issuance / refinancing					0	0	0	0	625	2,575
Ending total debt	11,268	11,364	9,706	9,747	9,663	9,650	9,636	9,636	8,666	8,666
Cash and cash equivalents	306	162	94	75	256	437	618	618	320	1,109
Long-term debt	10,073	10,314	8,648	9,688	9,604	9,591	9,577	9,577	8,607	8,607
Less: current maturities	1,195	1,050	1,058	59	59	59	59	59	59	59
Net debt	10,962	11,202	9,612	9,672	9,407	9,213	9,018	9,018	8,346	7,557
Net debt / Adjusted EBITDA (x)	4.0	4.1	3.6	3.6	N/A	N/A	3.9	3.9	3.7	3.4

Basis of refinancing assumptions

- Scheduled **term-loan** amortization continues under the existing 1.25%-of-original-principal quarterly repayment requirement.
- The bear case refinances** \$625mm, or 50%, of the relevant 2027 maturity, resulting in net 2027 debt repayment of approximately \$970m.
- All \$2.575bn of the **2028 maturities** are refinanced; therefore, there is no net debt reduction during 2028.
- The bear case **refinances** \$625m, or 50%, of the relevant 2027 maturity, resulting in approximately \$970m of gross-debt reduction in 2027. All \$2.575bn of 2028 maturities are refinanced, so gross debt remains unchanged in 2028. Net debt nevertheless declines by approximately \$790m because cash accumulates to approximately \$1.11bn.
- Total debt** remains at approximately \$8.67bn in 2028 and gross leverage remains close to 3.9x, compared with 2.4x in the base case.
- The \$1.11bn **ending cash** balance is retained refinancing liquidity. It is not “extra cash” generated by stronger operating performance.

Bear case forecast and assumptions – cash flow

Cash Flow Summary	2023A	2024A	2025A	Q1 2026A	Q2 2026E	Q3 2026E	Q4 2026E	2026E	2027E	2028E
Adj. EBITDA	2,758	2,717	2,665	666	555	555	554	2,331	2,247	2,209
Cash taxes	(165)	(218)	(156)	0	(46)	(46)	(45)	(136)	(132)	(129)
Cash interest	(507)	(473)	(439)	(205)	(73)	(73)	(73)	(425)	(386)	(286)
EBITDA-tax-Int	2,086	2,026	2,070	461	437	436	435	1,769	1,729	1,793
Working capital	(50)	(109)	(25)	(279)	85	85	85	(23)	(23)	(23)
Other changes in CFO**	(207)	(176)	(147)	94	(106)	(106)	(105)	(223)	(223)	(223)
Cash flow from operations	1,829	1,741	1,898	276	416	416	415	1,523	1,483	1,548
Capex excluding satellite expenditure	(284)	(307)	(365)	(76)	(111)	(111)	(111)	(408)	(396)	(393)
<i>Satellite expenditures</i>	(285)	(262)	(204)	(29)	(29)	(29)	(29)	(115)	(50)	-
FCF (CFO-capex)	1,545	1,434	1,533	171	277	277	276	1,000	1,037	1,155
Change in Debt	(1,101)	(709)	(679)	22	(84)	(14)	(14)	(89)	(970)	0
Change in Equity	0	0	0	0	0	0	0	0	0	0
Share Repurchase	(274)	(6)	(136)	-22	0	0	0	(22)	0	0
M&A	0	0	0	0	0	0	0	0	0	0
Proceeds from sale leaseback	0	0	0	0	0	0	0	0	0	0
Dividends	(65)	(143)	(365)	-91	(91)	(91)	(91)	(365)	(365)	(365)
Proceeds from NCI	0	0	0	0	0	0	0	0	0	0
Proceeds from prepaid variable forward	0	0	0	0	0	0	0	0	0	0
Settlement of intergroup interests	273	0	0	0	0	0	0	0	0	0
Other changes in cash flow	(433)	(721)	(421)		(79)	(9)	(10)	-	-	-
Net change in cash	(55)	(145)	(68)	-19	181	181	181	524	(298)	790
Beginning cash	370	315	170	102	75	256	437	94	618	320
Ending cash	315	170	102	83 *	256	437	618	618	320	1,109

Basis of downside cash flow

- **Bear-case FCF** is approximately \$1.00bn in 2026, \$1.04bn in 2027 and \$1.15bn in 2028, reflecting weaker EBITDA while maintaining positive cash conversion.
- **Cash taxes** remain at 5.85% of EBITDA; **cash interest** remains \$425mm, \$386mm and \$286mm across the forecast.
- **Working-capital** assumptions remain consistent with the base case because no separate downside working-capital guidance was provided.
- **Satellite expenditure** is not reduced with revenue because it is driven by contractual milestones and the satellite replacement cycle.
- The \$0.27 quarterly **dividend** continues, while no additional buybacks are assumed after the actual \$22mm Q1 2026 repurchase.
- **Cash** increases to \$1.11bn in 2028 because the entire maturity is refinanced. Consequently, free cash flow builds liquidity rather than reducing gross debt.

Output ratios

Output ratios

Growth, Profitability, Cash Flow & Credit Ratios	2023Y	2024Y	2025 Y	LTM	2026E	2027E	2028E	2026E	2027E	2028E
Revenue growth	N/A	-2.8%	-1.6%	0.3%	1.1%	1.4%	2.1%	-6.3%	-2.8%	-0.8%
Gross Margin	53.0%	52.5%	51.9%	52.0%	52.4%	52.6%	52.6%	52.4%	52.6%	52.6%
SG&A/Revenues	24.8%	23.6%	23.2%	23.1%	24.8%	24.6%	24.4%	25.7%	26.1%	26.4%
Adj EBITDA growth	N/A	-1.5%	-1.9%	1.4%	-2.4%	2.3%	2.9%	-14.8%	-3.6%	-1.7%
Adj EBITDA margin	30.8%	31.2%	31.1%	31.5%	30.1%	30.3%	30.6%	29.1%	28.8%	28.6%
EBITDA / interest	5.16	5.48	5.81	5.95	5.35	5.47	5.63	4.80	4.63	4.55
(EBITDA - capex) / interest	4.10	4.33	4.57	4.70	4.28	4.53	4.79	3.72	3.71	3.74
Capex / revenue	6.4%	6.5%	6.6%	6.6%	6.0%	5.2%	4.5%	6.5%	5.7%	5.1%
Capex / EBITDA	20.6%	20.9%	21.4%	21.1%	20.1%	17.2%	14.9%	22.4%	19.9%	17.8%
FCF / debt	13.7%	12.6%	15.8%	15.6%	14.0%	18.7%	23.9%	10.4%	12.0%	13.3%
Gross adj debt/EBITDA	4.1x	4.2x	3.6x	3.6x	3.7x	3.0x	2.4x	4.1x	3.9x	3.9x
Net adj debt/EBITDA	4.0x	4.1x	3.6x	3.6x	3.3x	2.8x	2.3x	3.9x	3.7x	3.4x

Credit interpretation

- **Base case:** EBITDA margin reaches 30.6%, FCF/debt improves to 23.9% and gross leverage declines to 2.4x by 2028.
- **Bear case:** EBITDA margin falls to 28.6%, FCF/debt remains at 13.3% and gross leverage stays close to 3.9%.
- **Coverage:** EBITDA/cash-interest coverage improves from 6.12x to 9.58x in the base case and remains above 5x throughout the bear case.
- **Key distinction:** The bear case preserves liquidity through refinancing but relies heavily on refinancing and achieves materially less gross-debt reduction than the base case.

Conclusion: Market Perform with a positive deleveraging bias; subscriber stabilization, advertising performance and refinancing execution are the principal credit hinges.

Capital Expenditure

Capital Expenditure

Forecast component (\$mm)	Q1 2026	Q2 2026E	Q3 2026E	Q4 2026E
Software and hardware	74	109	109	109
Satellite construction	29	29	29	29
Other P&E	2	2	2	2
Total capex	105	139	139	139

2026E	2027E	2028E
400	400	400
115	50	-
8	8	8
523	458	408

Basis of capex assumptions

- SiriusXM **disclosed software and hardware capex** of \$105mm in Q1 2025, \$205mm in H1, \$292mm through nine months and \$389mm for FY2025. This implies quarterly spending of \$105mm, \$100mm, \$87mm and \$97mm.
- **Software and hardware capex** is therefore held at approximately \$400mm annually, broadly consistent with the FY2025 run-rate.
- **Management's disclosed satellite roadmap is used directly**: approximately \$115mm in 2026, \$50mm in 2027 and close to zero in 2028.
- **Satellite expenditure** is not flexed between the base and bear cases because it depends on contractual milestones and the satellite replacement cycle.
- **Total capex** declines from approximately \$523mm in 2026 to \$458mm in 2027 and \$408mm in 2028, supporting improved cash conversion.
- **Bear-case satellite expenditure** follows the same investment roadmap, while non-satellite capex is held at 5.08% of revenue. This results in total bear-case capex of approximately \$523mm, \$446mm and \$393mm in 2026–2028.

Risk & Mitigants

Risk & Mitigants

Key risk	Credit implication	Mitigant
Subscriber erosion	Shrinks recurring revenue and weakens the connected-car moat.	Low churn, exclusive content and OEM integration.
Advertising execution	Residual off-platform growth may be lower-margin and cyclical.	Subscriptions remain the majority of revenue.
Refinancing	\$1.6bn in 2027 and \$2.6bn in 2028 exceed annual FCF.	>5x coverage and demonstrated market access.
Capital allocation	\$365mm annual dividend and any buybacks compete with debt reduction.	No further buybacks modeled; satellite capex rolls off.

Due Diligence

Due Diligence

- i) **Subscriber cohorts and churn:** Voluntary churn, vehicle-related churn, non-pay churn and reactivations by new-car, used-car and streaming-only cohorts. What portion of recent improvement is sustainable rather than timing or promotional mix?
 - ii) **ARPU and pricing:** Please provide bridge headline price increases to reported ARPU, including promotional discounts, plan mix, streaming-only products, retention offers and contra-revenue. What churn elasticity has management observed by cohort?
 - iii) **OEM funnel and 360L:** What percentage of new vehicles are trial-enabled, activated and converted to self-pay? How do conversion, acquisition cost and lifetime value differ for 360L versus legacy satellite installations?
 - iv) **Pandora engagement:** What explains the decline in monthly active users and listener hours? What retention initiatives are underway, and what leading indicators would demonstrate stabilization?
 - v) **Advertising disclosure:** Please provide on-platform Pandora, podcasts, AdsWizz/technology fees and represented off-platform revenue separately, including organic growth, take rates, gross margin, traffic-acquisition or revenue-share costs and customer/content-partner concentration.
 - vi) **Advertising outlook:** How much FY2026 revenue is committed or visible? What are the sensitivities to ad pricing, listener hours, programmatic demand and a recessionary decline in agency budgets?
 - vii) **EBITDA bridge:** Please reconcile the approximately \$2.6bn FY2026 Adjusted EBITDA guide to subscriber losses, ARPU, advertising mix, content costs, personnel savings and one-time adjustments. Which cost reductions are structural versus deferrals?
 - viii) **Cash conversion:** Please bridge Adjusted EBITDA to CFO and FCF, especially “other changes in CFO,” working capital, cash taxes and restructuring payments. Why should FY2027 FCF reach \$1.5bn if the legacy subscriber base continues to decline?
 - ix) **Capex and satellites:** What are the committed payments, launch windows, insurance coverage and contingency plans for each satellite? What is maintenance capex excluding satellite spend, and what could cause the modeled capex run-rate to increase?
 - x) **Debt and liquidity:** Please provide sources and uses for every 2026–2028 maturity, available revolver capacity, covenant headroom, secured-debt capacity, expected refinancing mix/cost and the minimum operating cash requirement.
 - xi) **Capital allocation:** Is the low-to-mid 3x leverage target calculated on gross or net debt and which EBITDA definition is used? What leverage or liquidity thresholds govern dividends and the resumption of repurchases?
 - xii) **Downside actions:** Under a scenario with a 5% revenue decline, no RPM recovery and 200 bps margin compression, which costs, capex and shareholder distributions can be reduced, and within what timeframe?
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