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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 4, 2014

SIRIUS XM HOLDINGS INC.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or other Jurisdiction
of Incorporation)

001-34295
(Commission File Number)

38-3916511
(I.R.S. Employer
Identification No.)

1221 Avenue of the Americas, 36th Fl., New York, NY
(Address of Principal Executive Offices)

10020
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- £ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - £ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - £ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - £ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition

On February 4, 2014, we reported our financial and operating results for the three months and year ended December 31, 2013. These results are discussed in the press release attached hereto as Exhibit 99.1, which is incorporated by reference in its entirety.

Item 9.01 Financial Statements and Exhibits

- (a) Not Applicable.
- (b) Not Applicable.
- (c) Not Applicable.
- (d) Exhibits.

The Exhibit Index attached hereto is incorporated herein.

EXHIBITS

| Exhibit | Description of Exhibit |
|----------------|--------------------------------------|
| 99.1 | Press Release dated February 4, 2014 |



P R E S S R E L E A S E

SiriusXM Reports Fourth Quarter and Full-Year 2013 Results

- **2013 Record Revenue of \$3.8 Billion, Up 12%**
- **Net Income of \$377 Million in 2013**
- **Adjusted EBITDA Climbs 27% in 2013 to \$1.17 Billion**
- **2013 Free Cash Flow of \$927 Million, Up 31%**
- **Fourth Quarter Revenue Exceeds \$1 Billion, Adjusted EBITDA Climbs 41%**

NEW YORK – February 4, 2014 – SiriusXM today announced fourth quarter and full-year 2013 financial and operating results, including record revenue of \$1.0 billion and \$3.8 billion in the fourth quarter and full-year, respectively, each up 12%. Net income for the fourth quarter and full-year were \$65 million and \$377 million, respectively, or \$0.01 and \$0.06 per diluted common share, respectively.

Income from operations was \$245 million and \$1.0 billion in the fourth quarter and full-year 2013, respectively. Adjusted EBITDA increased 41% in the fourth quarter to a record \$326 million. Full-year 2013 adjusted EBITDA was \$1.17 billion, an increase of 27% from \$920 million in 2012.

"The fourth quarter of 2013 capped a year of records and milestones for SiriusXM. We delivered our first ever billion dollar revenue quarter, and our first ever quarter with adjusted EBITDA and free cash flow each over \$300 million. Our adjusted EBITDA margin of 32.5% in the fourth quarter was the highest in the history of the Company. We remain excited about continuing our track record of delivering profitable growth in 2014, with the goal of enhancing free cash flow while making investments in key long-term initiatives," noted Jim Meyer, Chief Executive Officer, SiriusXM.

FOURTH QUARTER 2013 HIGHLIGHTS:

- **Dramatic expansion in adjusted EBITDA.** Adjusted EBITDA climbed by 41% year-over-year in the fourth quarter to a single quarter high of \$326 million. Adjusted EBITDA margin reached a record high of 32.5% in the quarter.
- **Subscriber acquisition costs decline.** Total subscriber acquisition costs were \$124 million in the fourth quarter, or just 12% of adjusted revenue, the lowest percentage in the Company's history. The improvement in SAC was driven by lower subsidy rates per vehicle. SAC per gross addition was \$44, a record low, a decline of 19% versus the fourth quarter of 2012.
- **All-time high self-pay subscribers.** Self-pay subscriber net additions were 411,484 in the fourth quarter, resulting in an all-time high self-pay subscriber base of 21.1 million at year end, up 8% year-over-year. Paid promotional subscribers declined from the third

quarter by 434,240 as a major OEM shifted to unpaid trials during the period, resulting in the one-time decline.

FULL-YEAR 2013 HIGHLIGHTS:

- **Continued subscriber growth.** Total net subscriber additions for the full-year were 1,658,974 million, taking total paid subscribers to 25.6 million at year-end, up 7% from 23.9 million subscribers at year-end 2012.
- **Adjusted EBITDA reaches new record high.** Adjusted EBITDA grew by 27% to a record high of \$1.17 billion. The growth in adjusted EBITDA was attributable to a 12% increase in revenue, while cash operating expenses were held to a 6% increase.
- **Free cash flow rises 31%.** Free cash flow grew to \$927 million in 2013, a 31% rise from \$709 million in 2012. Free cash flow per diluted common share grew by 41% to \$0.15 in 2013 from \$0.10 in 2012 as the Company reduced its shares outstanding through its common stock repurchase program.

"During the fourth quarter, we completed the first \$160 million of the \$500 million of share repurchases from Liberty Media, bringing our total 2013 share repurchases to 520 million shares for \$1.76 billion, leaving over \$2.2 billion remaining under our current authorization," said David Frear, Chief Financial Officer, SiriusXM.

"Our debt to adjusted EBITDA was just 3.1 times at the end of 2013, including \$500 million of deep in-the-money convertible notes. With our recently raised leverage target of 4.0 times and our free cash flow guidance, SiriusXM has \$3.5 billion of capacity to pursue capital returns and acquisitions," added Frear.

2014 GUIDANCE

The Company's existing 2014 guidance was reiterated:

- Revenue of over \$4 billion,
 - Net subscriber additions of approximately 1.25 million,
 - Adjusted EBITDA of approximately \$1.38 billion, and
 - Free cash flow approaching \$1.1 billion.
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FOURTH QUARTER AND FULL-YEAR 2013 RESULTS

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

| | For the Three Months Ended December 31, | | For the Twelve Months Ended December 31, | |
|---|---|--------------------|--|---------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> | | |
| <i>(in thousands, except per share data)</i> | | | | |
| Revenue: | | | | |
| Subscriber revenue | \$ 852,547 | \$ 774,466 | \$ 3,284,660 | \$ 2,962,665 |
| Advertising revenue | 25,402 | 22,438 | 89,288 | 82,320 |
| Equipment revenue | 25,985 | 22,273 | 80,573 | 73,456 |
| Other revenue | 96,144 | 73,238 | 344,574 | 283,599 |
| Total revenue | <u>1,000,078</u> | <u>892,415</u> | <u>3,799,095</u> | <u>3,402,040</u> |
| Operating expenses: | | | | |
| Cost of services: | | | | |
| Revenue share and royalties | 210,625 | 141,641 | 677,642 | 551,012 |
| Programming and content | 73,010 | 73,795 | 290,323 | 278,997 |
| Customer service and billing | 83,749 | 82,346 | 320,755 | 294,980 |
| Satellite and transmission | 20,251 | 18,635 | 79,292 | 72,615 |
| Cost of equipment | 8,669 | 12,465 | 26,478 | 31,766 |
| Subscriber acquisition costs | 124,050 | 126,683 | 495,610 | 474,697 |
| Sales and marketing | 81,430 | 72,446 | 291,024 | 248,905 |
| Engineering, design and development | 15,068 | 16,374 | 57,969 | 48,843 |
| General and administrative | 77,522 | 68,120 | 262,135 | 261,905 |
| Depreciation and amortization | 60,348 | 66,814 | 253,314 | 266,295 |
| Total operating expenses | <u>754,722</u> | <u>679,319</u> | <u>2,754,542</u> | <u>2,530,015</u> |
| Income from operations | 245,356 | 213,096 | 1,044,553 | 872,025 |
| Other income (expense): | | | | |
| Interest expense, net of amounts capitalized | (54,140) | (45,545) | (204,671) | (265,321) |
| Loss on extinguishment of debt and credit facilities, net | (66,229) | — | (190,577) | (132,726) |
| Interest and investment income | 3,328 | 3,907 | 6,976 | 716 |
| Loss on change in value of derivatives | (20,393) | — | (20,393) | — |
| Other income (loss) | 295 | 412 | 1,204 | (226) |
| Total other expense | <u>(137,139)</u> | <u>(41,226)</u> | <u>(407,461)</u> | <u>(397,557)</u> |
| Income before income taxes | 108,217 | 171,870 | 637,092 | 474,468 |
| Income tax (expense) benefit | (43,020) | (15,626) | (259,877) | 2,998,234 |
| Net income | <u>\$ 65,197</u> | <u>\$ 156,244</u> | <u>\$ 377,215</u> | <u>\$ 3,472,702</u> |
| Foreign currency translation adjustment, net of tax | (136) | 87 | (428) | 49 |
| Comprehensive income | <u>\$ 65,061</u> | <u>\$ 156,331</u> | <u>\$ 376,787</u> | <u>\$ 3,472,751</u> |
| Net income per common share: | | | | |
| Basic | <u>\$ 0.01</u> | <u>\$ 0.02</u> | <u>\$ 0.06</u> | <u>\$ 0.55</u> |
| Diluted | <u>\$ 0.01</u> | <u>\$ 0.02</u> | <u>\$ 0.06</u> | <u>\$ 0.51</u> |
| Weighted average common shares outstanding: | | | | |
| Basic | <u>6,113,889</u> | <u>5,218,827</u> | <u>6,227,646</u> | <u>4,209,073</u> |
| Diluted | <u>6,203,674</u> | <u>6,634,911</u> | <u>6,384,791</u> | <u>6,873,786</u> |

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | As of December 31, | |
|---|--------------------|--------------|
| | 2013 | 2012 |
| <i>(in thousands, except share and per share data)</i> | | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 134,805 | \$ 520,945 |
| Accounts receivable, net | 103,937 | 106,142 |
| Receivables from distributors | 88,975 | 104,425 |
| Inventory, net | 13,863 | 25,337 |
| Prepaid expenses | 110,530 | 122,157 |
| Related party current assets | 9,145 | 13,167 |
| Deferred tax asset | 937,598 | 923,972 |
| Other current assets | 20,160 | 12,037 |
| Total current assets | 1,419,013 | 1,828,182 |
| Property and equipment, net | 1,594,574 | 1,571,922 |
| Long-term restricted investments | 5,718 | 3,999 |
| Deferred financing fees, net | 12,604 | 38,677 |
| Intangible assets, net | 2,700,062 | 2,519,610 |
| Goodwill | 2,204,553 | 1,815,365 |
| Related party long-term assets | 30,164 | 44,954 |
| Long-term deferred tax asset | 868,057 | 1,219,256 |
| Other long-term assets | 10,035 | 12,878 |
| Total assets | \$ 8,844,780 | \$ 9,054,843 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 578,333 | \$ 587,652 |
| Accrued interest | 42,085 | 33,954 |
| Current portion of deferred revenue | 1,586,611 | 1,474,138 |
| Current portion of deferred credit on executory contracts | 3,781 | 207,854 |
| Current maturities of long-term debt | 496,815 | 4,234 |
| Current maturities of long-term related party debt | 10,959 | — |
| Related party current liabilities | 20,320 | 6,756 |
| Total current liabilities | 2,738,904 | 2,314,588 |
| Deferred revenue | 149,026 | 159,501 |
| Deferred credit on executory contracts | 1,394 | 5,175 |
| Long-term debt | 3,093,821 | 2,222,080 |
| Long-term related party debt | — | 208,906 |
| Related party long-term liabilities | 16,337 | 18,966 |
| Other long-term liabilities | 99,556 | 86,062 |
| Total liabilities | 6,099,038 | 5,015,278 |
| Stockholders' equity: | | |
| Convertible perpetual preferred stock, series B-1 par value \$0.001 (liquidation preference of \$0.001 per share); 50,000,000 authorized and 0 and 6,250,100 shares issued and outstanding at December 31, 2013 and 2012, respectively | — | 6 |
| Common stock, par value \$0.001; 9,000,000,000 shares authorized at December 31, 2013 and 2012; 6,096,220,526 and 5,262,440,085 shares issued and outstanding at December 31, 2013 and 2012, respectively | 6,096 | 5,263 |
| Accumulated other comprehensive (loss) income, net of tax | (308) | 120 |
| Additional paid-in capital | 8,674,129 | 10,345,566 |
| Accumulated deficit | (5,934,175) | (6,311,390) |
| Total stockholders' equity | 2,745,742 | 4,039,565 |
| Total liabilities and stockholders' equity | \$ 8,844,780 | \$ 9,054,843 |

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

| <i>(in thousands)</i> | For the Years Ended December 31, | |
|--|---|--------------|
| | 2013 | 2012 |
| Cash flows from operating activities: | | |
| Net income | \$ 377,215 | \$ 3,472,702 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 253,314 | 266,295 |
| Non-cash interest expense, net of amortization of premium | 21,698 | 35,924 |
| Provision for doubtful accounts | 39,016 | 34,548 |
| Amortization of deferred income related to equity method investment | (2,776) | (2,776) |
| Loss on extinguishment of debt and credit facilities, net | 190,577 | 132,726 |
| (Gain) loss on unconsolidated entity investments, net | (5,865) | 420 |
| Dividend received from unconsolidated entity investment | 22,065 | 1,185 |
| Loss on disposal of assets | 351 | 657 |
| Loss on change in value of derivatives | 20,393 | — |
| Share-based payment expense | 68,876 | 63,822 |
| Deferred income taxes | 259,787 | (3,001,818) |
| Other non-cash purchase price adjustments | (207,854) | (289,050) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (36,189) | (38,985) |
| Receivables from distributors | 20,944 | (19,608) |
| Inventory | 11,474 | 11,374 |
| Related party assets | 2,031 | 9,523 |
| Prepaid expenses and other current assets | 16,788 | 647 |
| Other long-term assets | 2,973 | 22,779 |
| Accounts payable and accrued expenses | (44,009) | 46,043 |
| Accrued interest | 8,131 | (36,451) |
| Deferred revenue | 73,593 | 101,311 |
| Related party liabilities | (1,991) | (7,545) |
| Other long-term liabilities | 12,290 | 3,042 |
| Net cash provided by operating activities | 1,102,832 | 806,765 |
| Cash flows from investing activities: | | |
| Additions to property and equipment | (173,617) | (97,293) |
| Purchase of restricted and other investments | (1,719) | (26) |
| Acquisition of business, net of cash acquired | (525,352) | — |
| Net cash used in investing activities | (700,688) | (97,319) |
| Cash flows from financing activities: | | |
| Proceeds from exercise of stock options | 21,968 | 123,369 |
| Taxes paid in lieu of shares issued for stock-based compensation | (46,342) | — |
| Proceeds from long-term borrowings and revolving credit facility, net of costs | 3,156,063 | 383,641 |
| Payment of premiums on redemption of debt | (175,453) | (100,615) |
| Repayment of long-term borrowings and revolving credit facility | (1,782,160) | (915,824) |
| Repayment of related party long-term borrowings | (200,000) | (126,000) |
| Common stock repurchased and retired | (1,762,360) | — |
| Dividends paid | — | (327,062) |
| Net cash used in financing activities | (788,284) | (962,491) |
| Net decrease in cash and cash equivalents | (386,140) | (253,045) |
| Cash and cash equivalents at beginning of period | 520,945 | 773,990 |
| Cash and cash equivalents at end of period | \$ 134,805 | \$ 520,945 |

Subscriber Data and Operating Metrics

The following table contains subscriber data and key operating metrics for the three and twelve months ended December 31, 2013 and 2012, respectively. Subscribers to our connected vehicle services are not included in our subscriber count:

| | Unaudited | | | |
|--|---|-------------------|--|-------------------|
| | For the Three Months Ended December 31, | | For the Twelve Months Ended December 31, | |
| | 2013 | 2012 | 2013 | 2012 |
| Beginning subscribers | 25,582,066 | 23,365,383 | 23,900,336 | 21,892,824 |
| Gross subscriber additions | 2,409,804 | 2,553,489 | 10,136,381 | 9,617,771 |
| Deactivated subscribers | (2,432,560) | (2,018,536) | (8,477,407) | (7,610,259) |
| Net additions | (22,756) | 534,953 | 1,658,974 | 2,007,512 |
| Ending subscribers | <u>25,559,310</u> | <u>23,900,336</u> | <u>25,559,310</u> | <u>23,900,336</u> |
| Self-pay | 21,081,817 | 19,570,274 | 21,081,817 | 19,570,274 |
| Paid promotional | 4,477,493 | 4,330,062 | 4,477,493 | 4,330,062 |
| Ending subscribers | <u>25,559,310</u> | <u>23,900,336</u> | <u>25,559,310</u> | <u>23,900,336</u> |
| Self-pay | 411,484 | 528,755 | 1,511,543 | 1,661,532 |
| Paid promotional | (434,240) | 6,198 | 147,431 | 345,980 |
| Net additions | <u>(22,756)</u> | <u>534,953</u> | <u>1,658,974</u> | <u>2,007,512</u> |
| Daily weighted average number of subscribers | <u>25,596,580</u> | <u>23,612,076</u> | <u>24,886,300</u> | <u>22,794,170</u> |
| Average self-pay monthly churn | <u>1.9%</u> | <u>1.8%</u> | <u>1.8%</u> | <u>1.9%</u> |
| New vehicle consumer conversion rate | <u>42%</u> | <u>44%</u> | <u>44%</u> | <u>45%</u> |
| ARPU | \$ 12.46 | \$ 12.12 | \$ 12.27 | \$ 12.00 |
| SAC, per gross subscriber addition | \$ 44 | \$ 54 | \$ 50 | \$ 54 |

Glossary

Adjusted EBITDA - EBITDA is defined as net income before interest and investment income (loss); interest expense, net of amounts capitalized; income tax expense and depreciation and amortization. We adjust EBITDA to remove the impact of other income and expense, loss on extinguishment of debt, loss on change in value of derivatives as well as certain other charges discussed below. This measure is one of the primary Non-GAAP financial measures on which we (i) evaluate the performance of our businesses, (ii) base our internal budgets and (iii) compensate management. Adjusted EBITDA is a Non-GAAP financial performance measure that excludes (if applicable): (i) certain adjustments as a result of the purchase price accounting for the merger of Sirius and XM, (ii) depreciation and amortization and (iii) share-based payment expense. The purchase price accounting adjustments include: (i) the elimination of deferred revenue associated with the investment in XM Canada, (ii) recognition of deferred subscriber revenues not recognized in purchase price accounting, and (iii) elimination of the benefit of deferred credits on executory contracts, which are primarily attributable to third party arrangements with an OEM and programming providers. 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 physical plant, capital structure and purchase price accounting. We believe investors find this Non-GAAP financial measure useful when analyzing our results and comparing our operating performance to the performance of other communications, entertainment and media companies. We believe investors use current and projected adjusted EBITDA to estimate our current and prospective enterprise value and to make investment decisions. Because we fund and build-out our satellite radio system through the periodic raising and expenditure of large amounts of capital, our results of operations reflect significant charges for depreciation expense. The exclusion of depreciation and amortization expense is useful given significant variation in depreciation and amortization expense that can result from the potential variations in estimated useful lives, all of which can vary widely across different industries or among companies within the same industry. We also believe the exclusion of share-based payment expense is useful given the significant variation in expense that can result from changes in the fair value as determined using the Black-Scholes-Merton model which varies based on assumptions used for the expected life, expected stock price volatility and risk-free interest rates.

Adjusted EBITDA has certain limitations in that it does not take into account the impact to our statements of comprehensive income of certain expenses, including share-based payment expense and certain purchase price accounting for the merger of Sirius and XM. 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 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 (in thousands):

| | Unaudited | | | |
|--|--|-------------------|---|-------------------|
| | For the Three Months Ended December 31, | | For the Twelve Months Ended December 31, | |
| | 2013 | 2012 | 2013 | 2012 |
| Net income (GAAP): | \$ 65,197 | \$ 156,244 | \$ 377,215 | \$ 3,472,702 |
| Add back items excluded from Adjusted EBITDA: | | | | |
| Purchase price accounting adjustments: | | | | |
| Revenues | 1,813 | 1,880 | 7,251 | 7,479 |
| Operating expenses | (1,068) | (68,781) | (207,854) | (289,278) |
| Share-based payment expense (GAAP) | 19,102 | 17,462 | 68,876 | 63,822 |
| Depreciation and amortization (GAAP) | 60,348 | 66,814 | 253,314 | 266,295 |
| Interest expense, net of amounts capitalized (GAAP) | 54,140 | 45,545 | 204,671 | 265,321 |
| Loss on extinguishment of debt and credit facilities, net (GAAP) | 66,229 | — | 190,577 | 132,726 |
| Interest and investment income (GAAP) | (3,328) | (3,907) | (6,976) | (716) |
| Loss on change in value of derivatives (GAAP) | 20,393 | — | 20,393 | — |
| Other (income) loss (GAAP) | (295) | (412) | (1,204) | 226 |
| Income tax expense (benefit) (GAAP) | 43,020 | 15,626 | 259,877 | (2,998,234) |
| Adjusted EBITDA | <u>\$ 325,551</u> | <u>\$ 230,471</u> | <u>\$ 1,166,140</u> | <u>\$ 920,343</u> |

Adjusted Revenues and Operating Expenses - We define this Non-GAAP financial measure as our actual revenues and operating expenses adjusted to exclude the impact of certain purchase price accounting adjustments and share-based payment expense. We use this Non-GAAP financial measure to manage our business, set operational goals and as a basis for determining performance-based compensation for our employees. The following tables reconcile our actual revenues and operating expenses to our adjusted revenues and operating expenses for the three and twelve months ended December 31, 2013 and 2012:

| | Unaudited For the Three Months Ended December 31, 2013 | | | |
|-------------------------------------|--|---------------------------------------|---|---------------------|
| | As Reported | Purchase Price Accounting Adjustments | Allocation of Share-based Payment Expense | Adjusted |
| <i>(in thousands)</i> | | | | |
| Revenue: | | | | |
| Subscriber revenue | \$ 852,547 | \$ — | \$ — | \$ 852,547 |
| Advertising revenue | 25,402 | — | — | 25,402 |
| Equipment revenue | 25,985 | — | — | 25,985 |
| Other revenue | 96,144 | 1,813 | — | 97,957 |
| Total revenue | \$ 1,000,078 | \$ 1,813 | \$ — | \$ 1,001,891 |
| Operating expenses | | | | |
| Cost of services: | | | | |
| Revenue share and royalties | 210,625 | — | — | 210,625 |
| Programming and content | 73,010 | 1,068 | (2,071) | 72,007 |
| Customer service and billing | 83,749 | — | (591) | 83,158 |
| Satellite and transmission | 20,251 | — | (961) | 19,290 |
| Cost of equipment | 8,669 | — | — | 8,669 |
| Subscriber acquisition costs | 124,050 | — | — | 124,050 |
| Sales and marketing | 81,430 | — | (4,678) | 76,752 |
| Engineering, design and development | 15,068 | — | (1,947) | 13,121 |
| General and administrative | 77,522 | — | (8,854) | 68,668 |
| Depreciation and amortization (a) | 60,348 | — | — | 60,348 |
| Share-based payment expense | — | — | 19,102 | 19,102 |
| Total operating expenses | \$ 754,722 | \$ 1,068 | \$ — | \$ 755,790 |

(a) Purchase price accounting adjustments included above exclude the incremental depreciation and amortization associated with the \$785,000 stepped up basis in property, equipment and intangible assets as a result of the merger of Sirius and XM. The increased depreciation and amortization for the three months ended December 31, 2013 was \$10,000.

| | Unaudited For the Three Months Ended December 31, 2012 | | | |
|-------------------------------------|--|---------------------------------------|---|-------------------|
| | As Reported | Purchase Price Accounting Adjustments | Allocation of Share-based Payment Expense | Adjusted |
| <i>(in thousands)</i> | | | | |
| Revenue: | | | | |
| Subscriber revenue | \$ 774,466 | \$ 67 | \$ — | \$ 774,533 |
| Advertising revenue | 22,438 | — | — | 22,438 |
| Equipment revenue | 22,273 | — | — | 22,273 |
| Other revenue | 73,238 | 1,813 | — | 75,051 |
| Total revenue | \$ 892,415 | \$ 1,880 | \$ — | \$ 894,295 |
| Operating expenses | | | | |
| Cost of services: | | | | |
| Revenue share and royalties | 141,641 | 38,532 | — | 180,173 |
| Programming and content | 73,795 | 4,781 | (1,778) | 76,798 |
| Customer service and billing | 82,346 | — | (521) | 81,825 |
| Satellite and transmission | 18,635 | — | (918) | 17,717 |
| Cost of equipment | 12,465 | — | — | 12,465 |
| Subscriber acquisition costs | 126,683 | 21,176 | — | 147,859 |
| Sales and marketing | 72,446 | 4,292 | (2,966) | 73,772 |
| Engineering, design and development | 16,374 | — | (1,771) | 14,603 |
| General and administrative | 68,120 | — | (9,508) | 58,612 |
| Depreciation and amortization (a) | 66,814 | — | — | 66,814 |
| Share-based payment expense | — | — | 17,462 | 17,462 |
| Total operating expenses | \$ 679,319 | \$ 68,781 | \$ — | \$ 748,100 |

(a) Purchase price accounting adjustments included above exclude the incremental depreciation and amortization associated with the \$785,000 stepped up basis in property, equipment and intangible assets as a result of the merger of Sirius and XM. The increased depreciation and amortization for the three months ended December 31, 2012 was \$13,000.

| | Unaudited For the Year Ended December 31, 2013 | | | |
|-------------------------------------|--|---------------------------------------|---|---------------------|
| | As Reported | Purchase Price Accounting Adjustments | Allocation of Share-based Payment Expense | Adjusted |
| <i>(in thousands)</i> | | | | |
| Revenue: | | | | |
| Subscriber revenue | \$ 3,284,660 | \$ — | \$ — | \$ 3,284,660 |
| Advertising revenue | 89,288 | — | — | 89,288 |
| Equipment revenue | 80,573 | — | — | 80,573 |
| Other revenue | 344,574 | 7,251 | — | 351,825 |
| Total revenue | <u>\$ 3,799,095</u> | <u>\$ 7,251</u> | <u>\$ —</u> | <u>\$ 3,806,346</u> |
| Operating expenses | | | | |
| Cost of services: | | | | |
| Revenue share and royalties | 677,642 | 122,534 | — | 800,176 |
| Programming and content | 290,323 | 8,033 | (7,584) | 290,772 |
| Customer service and billing | 320,755 | — | (2,219) | 318,536 |
| Satellite and transmission | 79,292 | — | (3,714) | 75,578 |
| Cost of equipment | 26,478 | — | — | 26,478 |
| Subscriber acquisition costs | 495,610 | 64,365 | — | 559,975 |
| Sales and marketing | 291,024 | 12,922 | (14,792) | 289,154 |
| Engineering, design and development | 57,969 | — | (7,405) | 50,564 |
| General and administrative | 262,135 | — | (33,162) | 228,973 |
| Depreciation and amortization (a) | 253,314 | — | — | 253,314 |
| Share-based payment expense | — | — | 68,876 | 68,876 |
| Total operating expenses | <u>\$ 2,754,542</u> | <u>\$ 207,854</u> | <u>\$ —</u> | <u>\$ 2,962,396</u> |

(a) Purchase price accounting adjustments included above exclude the incremental depreciation and amortization associated with the \$785,000 stepped up basis in property, equipment and intangible assets as a result of the merger of Sirius and XM. The increased depreciation and amortization for the year ended December 31, 2013 was \$47,000.

| | Unaudited For the Year Ended December 31, 2012 | | | |
|-------------------------------------|--|---------------------------------------|---|---------------------|
| | As Reported | Purchase Price Accounting Adjustments | Allocation of Share-based Payment Expense | Adjusted |
| <i>(in thousands)</i> | | | | |
| Revenue: | | | | |
| Subscriber revenue | \$ 2,962,665 | \$ 228 | \$ — | \$ 2,962,893 |
| Advertising revenue | 82,320 | — | — | 82,320 |
| Equipment revenue | 73,456 | — | — | 73,456 |
| Other revenue | 283,599 | 7,251 | — | 290,850 |
| Total revenue | <u>\$ 3,402,040</u> | <u>\$ 7,479</u> | <u>\$ —</u> | <u>\$ 3,409,519</u> |
| Operating expenses | | | | |
| Cost of services: | | | | |
| Revenue share and royalties | 551,012 | 146,601 | — | 697,613 |
| Programming and content | 278,997 | 37,346 | (6,120) | 310,223 |
| Customer service and billing | 294,980 | — | (1,847) | 293,133 |
| Satellite and transmission | 72,615 | — | (3,329) | 69,286 |
| Cost of equipment | 31,766 | — | — | 31,766 |
| Subscriber acquisition costs | 474,697 | 90,503 | — | 565,200 |
| Sales and marketing | 248,905 | 14,828 | (10,310) | 253,423 |
| Engineering, design and development | 48,843 | — | (6,238) | 42,605 |
| General and administrative | 261,905 | — | (35,978) | 225,927 |
| Depreciation and amortization (a) | 266,295 | — | — | 266,295 |
| Share-based payment expense | — | — | 63,822 | 63,822 |
| Total operating expenses | <u>\$ 2,530,015</u> | <u>\$ 289,278</u> | <u>\$ —</u> | <u>\$ 2,819,293</u> |

(a) Purchase price accounting adjustments included above exclude the incremental depreciation and amortization associated with the \$785,000 stepped up basis in property, equipment and intangible assets as a result of the merger of Sirius and XM. The increased depreciation and amortization for the year ended December 31, 2012 was \$53,000.

ARPU - is derived from total earned subscriber revenue, advertising revenue and other subscription-related revenue, net of purchase price accounting adjustments, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. Other subscription-related revenue includes the U.S. Music Royalty Fee. Purchase price accounting adjustments include the recognition of deferred subscriber revenues not recognized in purchase price accounting associated with the merger of Sirius and XM.

ARPU is calculated as follows (in thousands, except for subscriber and per subscriber amounts):

| | Unaudited | | | |
|--|--|-------------------|---|---------------------|
| | For the Three Months Ended December 31, | | For the Twelve Months Ended December 31, | |
| | 2013 | 2012 | 2013 | 2012 |
| Subscriber revenue (GAAP) | \$ 852,547 | \$ 774,466 | \$ 3,284,660 | \$ 2,962,665 |
| Add: net advertising revenue (GAAP) | 25,402 | 22,438 | 89,288 | 82,320 |
| Add: other subscription-related revenue (GAAP) | 79,111 | 61,299 | 290,895 | 237,868 |
| Add: purchase price accounting adjustments | — | 67 | — | 228 |
| | <u>\$ 957,060</u> | <u>\$ 858,270</u> | <u>\$ 3,664,843</u> | <u>\$ 3,283,081</u> |
| Daily weighted average number of subscribers | <u>25,596,580</u> | <u>23,612,076</u> | <u>24,886,300</u> | <u>22,794,170</u> |
| ARPU | <u>\$ 12.46</u> | <u>\$ 12.12</u> | <u>\$ 12.27</u> | <u>\$ 12.00</u> |

Average self-pay monthly churn - is defined as the monthly average of self-pay deactivations for the period divided by the average number of self-pay subscribers for the period.

Customer service and billing expenses, per average subscriber - is derived from total customer service and billing expenses, excluding share-based payment expense, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. We believe the exclusion of share-based payment expense in our calculation of customer service and billing expenses, per average subscriber, is useful given the significant variation in expense that can result from changes in the fair market value of our common stock, the effect of which is unrelated to the operational conditions that give rise to variations in the components of our customer service and billing expenses. Customer service and billing expenses, per average subscriber, is calculated as follows (in thousands, except for subscriber and per subscriber amounts):

| | Unaudited | | | |
|---|--|-------------------|---|-------------------|
| | For the Three Months Ended December 31, | | For the Twelve Months Ended December 31, | |
| | 2013 | 2012 | 2013 | 2012 |
| Customer service and billing expenses (GAAP) | \$ 83,749 | \$ 82,346 | \$ 320,755 | \$ 294,980 |
| Less: share-based payment expense (GAAP) | (591) | (521) | (2,219) | (1,847) |
| | <u>\$ 83,158</u> | <u>\$ 81,825</u> | <u>\$ 318,536</u> | <u>\$ 293,133</u> |
| Daily weighted average number of subscribers | <u>25,596,580</u> | <u>23,612,076</u> | <u>24,886,300</u> | <u>22,794,170</u> |
| Customer service and billing expenses, per average subscriber | <u>\$ 1.08</u> | <u>\$ 1.16</u> | <u>\$ 1.07</u> | <u>\$ 1.07</u> |

Free cash flow - is derived from cash flow provided by operating activities, capital expenditures and restricted and other investment activity. The calculation for free cash flow and free cash flow per fully-diluted share are as follows (in thousands, except per share data):

| | Unaudited | | | |
|--|--|-------------------|---|-------------------|
| | For the Three Months Ended December 31, | | For the Twelve Months Ended December 31, | |
| | 2013 | 2012 | 2013 | 2012 |
| Cash Flow information | | | | |
| Net cash provided by operating activities | \$ 358,575 | \$ 293,233 | \$ 1,102,832 | \$ 806,765 |
| Net cash used in investing activities | (580,734) | (23,773) | (700,688) | (97,319) |
| Net cash used in financing activities | (359,820) | (304,785) | (788,284) | (962,491) |
| Free Cash Flow | | | | |
| Net cash provided by operating activities | \$ 358,575 | \$ 293,233 | \$ 1,102,832 | \$ 806,765 |
| Additions to property and equipment | (55,382) | (23,747) | (173,617) | (97,293) |
| Purchase of restricted and other investments | — | (26) | (1,719) | (26) |
| Free cash flow | <u>\$ 303,193</u> | <u>\$ 269,460</u> | <u>\$ 927,496</u> | <u>\$ 709,446</u> |
| Diluted weighted average common shares outstanding | <u>6,203,674</u> | <u>6,634,911</u> | <u>6,384,791</u> | <u>6,873,786</u> |
| Free cash flow per fully-diluted share | <u>\$ 0.05</u> | <u>\$ 0.04</u> | <u>\$ 0.15</u> | <u>\$ 0.10</u> |

New vehicle consumer conversion rate - is defined as the percentage of owners and lessees of new vehicles that receive our service and convert to become self-paying subscribers after the initial promotion period. At the time satellite radio enabled vehicles are sold or leased, the owners or lessees generally receive trial subscriptions ranging from three to twelve months. Promotional periods generally include the period of trial service plus 30 days to handle the receipt and processing of payments. We measure conversion rate three months after the period in which the trial service ends. The metric excludes rental and fleet vehicles.

Subscriber acquisition cost, per gross subscriber addition - or SAC, per gross subscriber addition, is derived from subscriber acquisition costs and margins from the sale of radios and accessories, excluding purchase price accounting adjustments, divided by the number of gross subscriber additions for the period. Purchase price accounting adjustments associated with the merger of Sirius and XM include the elimination of the benefit of amortization of deferred credits on executory contracts recognized at the merger date attributable to an OEM. SAC, per gross subscriber addition, is calculated as follows (in thousands, except for subscriber and per subscriber amounts):

| | Unaudited | | | |
|---|--|-------------------|---|-------------------|
| | For the Three Months Ended December 31, | | For the Twelve Months Ended December 31, | |
| | 2013 | 2012 | 2013 | 2012 |
| Subscriber acquisition costs (GAAP) | \$ 124,050 | \$ 126,683 | \$ 495,610 | \$ 474,697 |
| Less: margin from direct sales of radios and accessories (GAAP) | (17,316) | (9,808) | (54,095) | (41,690) |
| Add: purchase price accounting adjustments | — | 21,176 | 64,365 | 90,503 |
| | <u>\$ 106,734</u> | <u>\$ 138,051</u> | <u>\$ 505,880</u> | <u>\$ 523,510</u> |
| Gross subscriber additions | <u>2,409,804</u> | <u>2,553,489</u> | <u>10,136,381</u> | <u>9,617,771</u> |
| SAC, per gross subscriber addition | <u>\$ 44</u> | <u>\$ 54</u> | <u>\$ 50</u> | <u>\$ 54</u> |

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About SiriusXM

Sirius XM Holdings Inc. (NASDAQ: SIRI) is the world's largest radio broadcaster measured by revenue and has 25.6 million subscribers. SiriusXM creates and broadcasts commercial-free music; premier sports talk and live events; comedy; news; exclusive talk and entertainment; and the most comprehensive Latin music, sports and talk programming in radio. SiriusXM is available in vehicles from every major car

company in the U.S. and from retailers nationwide as well as at shop.siriusxm.com. SiriusXM programming is available through the [SiriusXM Internet Radio App](#) for smartphones and other connected devices as well as online at siriusxm.com. SiriusXM also provides premium traffic, weather, data and information services for subscribers in cars, trucks, RVs, boats and aircraft through SiriusXM Traffic™, SiriusXM Travel Link, NavTraffic®, NavWeather™, SiriusXM Aviation, SiriusXM Marine™, Sirius Marine Weather, XMWX Aviation™, and XMWX Marine™. SiriusXM holds a minority interest in [SiriusXM Canada](#) which has more than 2 million subscribers.

On social media, join the SiriusXM community on [Facebook](#), [Twitter](#), [Instagram](#), and [YouTube](#).

This communication contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about future financial and operating results, our plans, objectives, expectations and intentions with respect to future operations, products and services; and other statements identified by words such as "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "believe," "intend," "plan," "projection," "outlook" or words of similar meaning. Such forward-looking statements are based upon the current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and generally beyond our control. Actual results may differ materially from the results anticipated in these forward-looking statements.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: our competitive position versus other forms of radio and audio services; our dependence upon automakers; general economic conditions; failure of our satellites, which, in most cases, are not insured; our ability to attract and retain subscribers at a profitable level; royalties we pay for music rights; the unfavorable outcome of pending or future litigation; rapid technological and industry change; failure of third parties to perform; changes in consumer protection laws and their enforcement; and our substantial indebtedness. Additional factors that could cause our results to differ materially from those described in the forward-looking statements can be found in our Annual Report on Form 10-K for the year ended December 31, 2012, which is filed with the Securities and Exchange Commission (the "SEC") and available at the SEC's Internet site (<http://www.sec.gov>). The information set forth herein speaks only as of the date hereof, and we disclaim any intention or obligation to update any forward looking statements as a result of developments occurring after the date of this communication.

E-SIRI

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