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 JUNE 30, 2023**
**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.)* |

**1221 Avenue of the Americas, 35th Floor, New York, NY**
*(Address of Principal Executive Offices)*
**10020**
*(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**
**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Trading Symbol(s) | Name of exchange on which registered |
|---|---|---|
| **Common stock, $0.001 par value** | **SIRI** | **The Nasdaq Stock Market LLC** |

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 every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth 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 | ☐ |
| 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 Exchange Act). Yes ☐ No☑

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 July 28, 2023) |
|---|---|
| **Common stock, $0.001 par value** | **3,842,403,049 shares** |

**SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES**
**INDEX TO FORM 10-Q**

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

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions, except per share data)* | 2023 | 2022 | 2023 | 2022 |
| Revenue: | | | | |
| Subscriber revenue | $ 1,725 | $ 1,719 | $ 3,417 | $ 3,432 |
| Advertising revenue | 445 | 452 | 819 | 835 |
| Equipment revenue | 47 | 45 | 93 | 98 |
| Other revenue | 33 | 37 | 65 | 75 |
| Total revenue | 2,250 | 2,253 | 4,394 | 4,440 |
| Operating expenses: | | | | |
| Cost of services: | | | | |
| Revenue share and royalties | 732 | 711 | 1,432 | 1,381 |
| Programming and content | 153 | 153 | 303 | 292 |
| Customer service and billing | 123 | 125 | 246 | 251 |
| Transmission | 50 | 54 | 99 | 106 |
| Cost of equipment | 3 | 3 | 7 | 6 |
| Subscriber acquisition costs | 93 | 91 | 183 | 181 |
| Sales and marketing | 220 | 285 | 443 | 557 |
| Engineering, design and development | 83 | 72 | 162 | 139 |
| General and administrative | 157 | 127 | 303 | 250 |
| Depreciation and amortization | 139 | 135 | 275 | 270 |
| Impairment, restructuring and acquisition costs | 18 | 1 | 50 | 1 |
| Total operating expenses | 1,771 | 1,757 | 3,503 | 3,434 |
| Income from operations | 479 | 496 | 891 | 1,006 |
| Other (expense) income: | | | | |
| Interest expense | (107) | (104) | (213) | (206) |
| Other income (expense) | — | (4) | 3 | (2) |
| Total other expense | (107) | (108) | (210) | (208) |
| Income before income taxes | 372 | 388 | 681 | 798 |
| Income tax expense | (62) | (96) | (138) | (197) |
| Net income | $ 310 | $ 292 | $ 543 | $ 601 |
| Foreign currency translation adjustment, net of tax | 7 | (10) | 7 | (2) |
| Total comprehensive income | $ 317 | $ 282 | $ 550 | $ 599 |
| Net income per common share: | | | | |
| Basic | $ 0.08 | $ 0.07 | $ 0.14 | $ 0.15 |
| Diluted | $ 0.08 | $ 0.07 | $ 0.14 | $ 0.15 |
| Weighted average common shares outstanding: | | | | |
| Basic | 3,861 | 3,928 | 3,875 | 3,938 |
| Diluted | 3,873 | 4,005 | 3,892 | 4,016 |

See accompanying notes to the unaudited consolidated financial statements.

**SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**

| *(in millions, except per share data)* | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **ASSETS** | (unaudited) | |
| Current assets: | | |
| Cash and cash equivalents | $ 51 | $ 57 |
| Receivables, net | 660 | 655 |
| Related party current assets | 29 | 42 |
| Prepaid expenses and other current assets | 299 | 284 |
| Total current assets | 1,039 | 1,038 |
| Property and equipment, net | 1,616 | 1,499 |
| Intangible assets, net | 2,977 | 3,050 |
| Goodwill | 3,249 | 3,249 |
| Related party long-term assets | 500 | 488 |
| Deferred tax assets | 147 | 147 |
| Operating lease right-of-use assets | 286 | 315 |
| Other long-term assets | 264 | 236 |
| Total assets | $ 10,078 | $ 10,022 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 1,213 | $ 1,248 |
| Accrued interest | 165 | 165 |
| Current portion of deferred revenue | 1,287 | 1,322 |
| Current maturities of debt | 525 | 196 |
| Operating lease current liabilities | 45 | 50 |
| Total current liabilities | 3,235 | 2,981 |
| Long-term deferred revenue | 76 | 81 |
| Long-term debt | 8,908 | 9,256 |
| Deferred tax liabilities | 472 | 565 |
| Operating lease liabilities | 298 | 320 |
| Other long-term liabilities | 200 | 170 |
| Total liabilities | 13,189 | 13,373 |
| Commitments and contingencies (Note 15) | | |
| Stockholders' equity (deficit): | | |
| Common stock, par value $0.001 per share; 9,000 shares authorized; 3,845 and 3,891 shares issued; 3,844 and 3,891 shares outstanding at June 30, 2023 and December 31, 2022, respectively | 4 | 4 |
| Accumulated other comprehensive income (loss), net of tax | 3 | (4) |
| Treasury stock, at cost; 1 and 0 shares of common stock at June 30, 2023 and December 31, 2022, respectively | (3) | — |
| Accumulated deficit | (3,115) | (3,351) |
| Total stockholders' equity (deficit) | (3,111) | (3,351) |
| Total liabilities and stockholders' equity (deficit) | $ 10,078 | $ 10,022 |

See accompanying notes to the unaudited consolidated financial statements.

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

**For the Six Months Ended June 30, 2023**

| *(in millions)* | Common Stock Shares | Common Stock Amount | Accumulated Other Comprehensive (Loss) Income | Additional Paid-in Capital | Treasury Stock Shares | Treasury Stock Amount | Accumulated Deficit | Total Stockholders' Equity (Deficit) |
|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2022 | 3,891 | $ 4 | $ (4) | $ — | — | $ — | $ (3,351) | $ (3,351) |
| Comprehensive income, net of tax | — | — | 7 | — | — | — | 543 | 550 |
| Share-based payment expense | — | — | — | 94 | — | — | — | 94 |
| Exercise of stock options and vesting of restricted stock units | 6 | — | — | — | — | — | — | — |
| Withholding taxes on net share settlement of stock-based compensation | — | — | — | (18) | — | — | — | (18) |
| Capital contribution from Liberty Media related to Tax Sharing Agreement | — | — | — | — | — | — | 4 | 4 |
| Cash dividends paid on common stock, $0.0484 per share | — | — | — | (76) | — | — | (112) | (188) |
| Common stock repurchased | — | — | — | — | 53 | (202) | — | (202) |
| Common stock retired | (52) | — | — | — | (52) | 199 | (199) | — |
| Balance at June 30, 2023 | 3,845 | $ 4 | $ 3 | $ — | 1 | $ (3) | $ (3,115) | $ (3,111) |

See accompanying notes to the unaudited consolidated financial statements.

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

**For the Three Months Ended June 30, 2023**

| | Common Stock | | Accumulated Other Comprehensive (Loss) Income | Additional Paid-in Capital | Treasury Stock | | Accumulated Deficit | Total Stockholders' Equity (Deficit) |
|---|---|---|---|---|---|---|---|---|
| *(in millions)* | Shares | Amount | | | Shares | Amount | | |
| Balance at March 31, 2023 | 3,879 | $ 4 | $ (4) | $ — | 1 | $ (5) | $ (3,254) | $ (3,259) |
| Comprehensive income, net of tax | — | — | 7 | — | — | — | 310 | 317 |
| Share-based payment expense | — | — | — | 46 | — | — | — | 46 |
| Exercise of stock options and vesting of restricted stock units | 2 | — | — | — | — | — | — | — |
| Withholding taxes on net share settlement of stock-based compensation | — | — | — | (4) | — | — | — | (4) |
| Capital contribution from Liberty Media related to Tax Sharing Agreement | — | — | — | — | — | — | 18 | 18 |
| Cash dividends paid on common stock, $0.0242 per share | — | — | — | (42) | — | — | (52) | (94) |
| Common stock repurchased | — | — | — | — | 36 | (135) | — | (135) |
| Common stock retired | (36) | — | — | — | (36) | 137 | (137) | — |
| Balance at June 30, 2023 | 3,845 | $ 4 | $ 3 | $ — | 1 | $ (3) | $ (3,115) | $ (3,111) |

See accompanying notes to the unaudited consolidated financial statements.

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

**For the Six Months Ended June 30, 2022**

| | Common Stock | | Accumulated Other Comprehensive Income (Loss) | Additional Paid-in Capital | Treasury Stock | | Accumulated Deficit | Total Stockholders' Equity (Deficit) |
|---|---|---|---|---|---|---|---|---|
| *(in millions)* | **Shares** | **Amount** | | | **Shares** | **Amount** | | |
| Balance at December 31, 2021 | 3,968 | $ 4 | $ 15 | $ — | 1 | $ (8) | $ (2,636) | $ (2,625) |
| Cumulative effect of change in accounting principles | — | — | — | — | — | — | (14) | (14) |
| Comprehensive (loss) income, net of tax | — | — | (2) | — | — | — | 601 | 599 |
| Share-based payment expense | — | — | — | 101 | — | — | — | 101 |
| Exercise of stock options and vesting of restricted stock units | 8 | — | — | — | — | — | — | — |
| Withholding taxes on net share settlement of stock-based compensation | — | — | — | (39) | — | — | — | (39) |
| Capital contribution to Liberty Media related to Tax Sharing Agreement | — | — | — | — | — | — | (25) | (25) |
| Cash dividends paid on common stock, $0.293923 per share | — | — | — | (62) | — | — | (1,097) | (1,159) |
| Common stock repurchased | — | — | — | — | 67 | (417) | — | (417) |
| Common stock retired | (67) | — | — | — | (67) | 415 | (415) | — |
| Balance at June 30, 2022 | 3,909 | $ 4 | $ 13 | $ — | 1 | $ (10) | $ (3,586) | $ (3,579) |

See accompanying notes to the unaudited consolidated financial statements.

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

**For the Three Months Ended June 30, 2022**

| *(in millions)* | Common Stock Shares | Common Stock Amount | Accumulated Other Comprehensive Income (Loss) | Additional Paid-in Capital | Treasury Stock Shares | Treasury Stock Amount | Accumulated Deficit | Total Stockholders' Equity (Deficit) |
|---|---|---|---|---|---|---|---|---|
| Balance at March 31, 2022 | 3,940 | $ 4 | $ 23 | $ — | — | $ (2) | $ (3,612) | $ (3,587) |
| Comprehensive (loss) income, net of tax | — | — | (10) | — | — | — | 292 | 282 |
| Share-based payment expense | — | — | — | 51 | — | — | — | 51 |
| Exercise of stock options and vesting of restricted stock units | 3 | — | — | — | — | — | — | — |
| Withholding taxes on net share settlement of stock-based compensation | — | — | — | (10) | — | — | — | (10) |
| Capital contribution to Liberty Media related to Tax Sharing Agreement | — | — | — | — | — | — | (12) | (12) |
| Cash dividends paid on common stock, $0.0219615 per share | — | — | — | (41) | — | — | (45) | (86) |
| Common stock repurchased | — | — | — | — | 35 | (217) | — | (217) |
| Common stock retired | (34) | — | — | — | (34) | 209 | (209) | — |
| Balance at June 30, 2022 | 3,909 | $ 4 | $ 13 | $ — | 1 | $ (10) | $ (3,586) | $ (3,579) |

See accompanying notes to the unaudited consolidated financial statements.

**SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(UNAUDITED)**

| *(in millions)* | For the Six Months Ended June 30, 2023 | 2022 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 543 | $ 601 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 275 | 270 |
| Non-cash impairment and restructuring costs | 20 | — |
| Non-cash interest expense, net of amortization of premium | 7 | 9 |
| Provision for doubtful accounts | 31 | 29 |
| Loss (gain) on unconsolidated entity investments, net | 4 | (3) |
| (Gain) loss on other investments | (5) | 9 |
| Share-based payment expense | 87 | 92 |
| Deferred income tax (benefit) expense | (94) | 60 |
| Amortization of right-of-use assets | 21 | 21 |
| Changes in operating assets and liabilities: | | |
| Receivables | (36) | 35 |
| Related party, net | 17 | 1 |
| Prepaid expenses and other current assets | (15) | (83) |
| Other long-term assets | (1) | 6 |
| Accounts payable and accrued expenses | (18) | (81) |
| Accrued interest | — | (9) |
| Deferred revenue | (40) | (32) |
| Operating lease liabilities | (25) | (30) |
| Other long-term liabilities | 30 | (7) |
| Net cash provided by operating activities | 801 | 888 |
| Cash flows from investing activities: | | |
| Additions to property and equipment | (333) | (196) |
| (Purchase) sale of other investments | (1) | 1 |
| Acquisition of business, net of cash acquired | — | (137) |
| Investments in related parties and other equity investees | (31) | (1) |
| Net cash used in investing activities | (365) | (333) |
| Cash flows from financing activities: | | |
| Taxes paid from net share settlements for stock-based compensation | (18) | (39) |
| Revolving credit facility, net | 143 | 510 |
| Proceeds from long-term borrowings, net of costs | — | 499 |
| Principal payments of long-term borrowings | (177) | (2) |
| Payment of contingent consideration for business acquisition | (3) | (3) |
| Distribution to parent related to Tax Sharing Agreement | — | (11) |
| Common stock repurchased and retired | (199) | (415) |
| Dividends paid | (188) | (1,159) |
| Net cash used in financing activities | (442) | (620) |
| Net decrease in cash, cash equivalents and restricted cash | (6) | (65) |
| Cash, cash equivalents and restricted cash at beginning of period (1) | 65 | 199 |
| Cash, cash equivalents and restricted cash at end of period (1) | $ 59 | $ 134 |

See accompanying notes to the unaudited consolidated financial statements.

**SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued**
**(UNAUDITED)**

| | For the Six Months Ended June 30, | |
|---|---|---|
| *(in millions)* | **2023** | **2022** |
| Supplemental Disclosure of Cash and Non-Cash Flow Information | | |
| Cash paid during the period for: | | |
| Interest, net of amounts capitalized | $ 205 | $ 205 |
| Income taxes paid | $ 177 | $ 145 |
| Non-cash investing and financing activities: | | |
| Capital lease obligations incurred to acquire assets | $ 7 | $ 3 |
| Accumulated other comprehensive income (loss), net of tax | $ 7 | $ (2) |
| Capital contribution from (to) Liberty Media pursuant to Tax Sharing Agreement | $ 4 | $ (14) |

(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)* | June 30, 2023 | December 31, 2022 | June 30, 2022 | December 31, 2021 |
|---|---|---|---|---|
| Cash and cash equivalents | $ 51 | $ 57 | $ 126 | $ 191 |
| Restricted cash included in Other long-term assets | 8 | 8 | 8 | 8 |
| Total cash, cash equivalents and restricted cash at end of period | $ 59 | $ 65 | $ 134 | $ 199 |

See accompanying notes to the unaudited consolidated financial statements.

**SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(UNAUDITED)**
**(Dollars and shares in millions, except per share amounts)**

**(1) Business & Basis of Presentation**

This Quarterly Report on Form 10-Q presents information for Sirius XM Holdings Inc. and its subsidiaries (collectively “Holdings”). The terms “Holdings,” “we,” “us,” “our,” and “our company” as used herein, and unless otherwise stated or indicated by context, refer to Sirius XM Holdings Inc. and its subsidiaries. “Sirius XM” refers to our wholly owned subsidiary Sirius XM Radio Inc. and its subsidiaries. “Pandora” refers to Sirius XM's wholly owned subsidiary Pandora Media, LLC and its subsidiaries. Holdings has no operations independent of Sirius XM and Pandora.

***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 SXM Media brand, direct sales of our satellite radios and accessories, and other ancillary services. As of June 30, 2023, our SiriusXM business had approximately 34.0 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 and podcast streaming discovery platform, offering a personalized experience for each listener wherever and whenever they want to listen, whether through computers, tablets, 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 and select SiriusXM content 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 June 30, 2023, Pandora had approximately 6.2 million subscribers.

The majority of revenue from Pandora is generated from advertising on our Pandora ad-supported radio service which is sold under the SXM 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 June 30, 2023, Liberty Media Corporation ("Liberty Media") beneficially owned, directly and indirectly, approximately 83% of the outstanding shares of our common stock. As a result, we are a "controlled company" for the purposes of the NASDAQ corporate governance requirements. Refer to Note 11 for more information regarding related parties.

***Basis of Presentation***

The accompanying unaudited consolidated financial statements of Holdings 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 consolidated financial statements and footnotes have been reclassified or consolidated to conform to our current period presentation.

In the opinion of our management, all normal recurring adjustments necessary for a fair presentation of our unaudited consolidated financial statements as of June 30, 2023 and for the three and six months ended June 30, 2023 and 2022 have been made.

Interim results are not necessarily indicative of the results that may be expected for a full year. This Quarterly Report on Form 10-Q should be read together with our Annual Report on Form 10-K for the year ended December 31, 2022, which was filed with the SEC on February 2, 2023.

Public companies 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 17 for information related to our segments.

We have evaluated events subsequent to the balance sheet date and prior to the filing of this Quarterly Report on Form 10-Q for the three and six months ended June 30, 2023 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 18.

***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

***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 June 30, 2023 and December 31, 2022, the carrying amounts of cash and cash equivalents, receivables and accounts payable approximated fair value due to the short-term nature of these instruments.

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

Our liabilities measured at fair value were as follows:

| | June 30, 2023 | | | | December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total Fair Value | Level 1 | Level 2 | Level 3 | Total Fair Value |
| **Liabilities:** | | | | | | | | |
| Debt [(a)] | — | $ 8,235 | — | $ 8,235 | — | $ 8,362 | — | $ 8,362 |

(a) The fair value for non-publicly traded debt is based upon estimates from a market maker and brokerage firm. Refer to Note 12 for information related to the carrying value of our debt as of June 30, 2023 and December 31, 2022.

## (3) Acquisitions

On May 20, 2022, we completed an acquisition for total cash consideration of $93. We recognized goodwill of $69, indefinite-lived intangible assets of $1 and other assets of $23. The other assets represent acquired content which will be amortized over its estimated useful life to Programming and content in our unaudited consolidated statements of comprehensive income.

On January 12, 2022, we completed an acquisition for total cash consideration of $44. We recognized goodwill of $29, other definite-lived intangible assets of $19 and liabilities of $4.

There were no acquisition related costs recognized for the three and six months ended June 30, 2023. Acquisition related costs for the three and six months ended June 30, 2022 were $1 and $3, respectively.

## (4) Restructuring Costs

During the three and six months ended June 30, 2023, restructuring costs were $5 and $35, respectively. During the six months ended June 30, 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 $28 primarily related to severance and other related costs. In addition, we vacated one of our leased locations and recorded an impairment of $5 to reduce the carrying value of the related right of use asset to its estimated fair value. Additionally, we accrued expenses of $2 for which we will not recognize any future economic benefits. The restructuring and related impairment charges were recorded to Impairment, restructuring and acquisition costs in our unaudited consolidated statements of comprehensive income.

No restructuring costs were recognized during the three and six months ended June 30, 2022.

## (5) Earnings per Share

Basic net income per common share is calculated by dividing the income available to common stockholders by the weighted average common shares outstanding during each reporting period. Diluted net income per common share adjusts the weighted average number of common shares outstanding for the potential dilution that could occur if common stock equivalents (stock options, restricted stock units and convertible debt) were exercised or converted into common stock, calculated using the treasury stock method. We had no participating securities during the three and six months ended June 30, 2023 and 2022.

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

Common stock equivalents of175 and 84 for the three months ended June 30, 2023 and 2022, respectively, and162 and 81 for the six months ended June 30, 2023 and 2022, respectively, were excluded from the calculation of diluted net income per common share as the effect would have been anti-dilutive.

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Numerator:** | | | | |
| Net Income available to common stockholders for basic net income per common share | $ 310 | $ 292 | $ 543 | $ 601 |
| Effect of interest on assumed conversions of convertible notes, net of tax | — | 1 | 1 | 3 |
| Net Income available to common stockholders for dilutive net income per common share | $ 310 | $ 293 | $ 544 | $ 604 |
| **Denominator:** | | | | |
| Weighted average common shares outstanding for basic net income per common share | 3,861 | 3,928 | 3,875 | 3,938 |
| Weighted average impact of assumed convertible notes | 3 | 31 | 3 | 31 |
| Weighted average impact of dilutive equity instruments | 9 | 46 | 14 | 47 |
| Weighted average shares for diluted net income per common share | 3,873 | 4,005 | 3,892 | 4,016 |
| **Net income per common share:** | | | | |
| Basic | $ 0.08 | $ 0.07 | $ 0.14 | $ 0.15 |
| Diluted | $ 0.08 | $ 0.07 | $ 0.14 | $ 0.15 |

**(6) 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:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Gross customer accounts receivable | $ 595 | $ 585 |
| Allowance for doubtful accounts | (14) | (11) |
| Customer accounts receivable, net | $ 581 | $ 574 |
| Receivables from distributors | 58 | 53 |
| Other receivables | 21 | 28 |
| Total receivables, net | $ 660 | $ 655 |

## (7) 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 June 30, 2023.

As of June 30, 2023, there were no indicators of impairment, andno impairment losses were recorded for goodwill during the three and six months ended June 30, 2023 and 2022. As of June 30, 2023, 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 June 30, 2023 and December 31, 2022, the carrying amount of goodwill for our Sirius XM and Pandora and Off-platform reporting units was $2,290 and $959, respectively.

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

**(8) Intangible Assets**

Our intangible assets include the following:

| | | June 30, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|---|
| | 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 | (142) | 78 | 220 | (135) | 85 |
| Licensing agreements | 12 years | 45 | (45) | — | 45 | (45) | — |
| Software and technology | 7 years | 29 | (21) | 8 | 31 | (21) | 10 |
| **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 | (252) | 190 | 442 | (225) | 217 |
| Software and technology | 5 years | 391 | (336) | 55 | 391 | (299) | 92 |
| Total intangible assets | | $ 3,773 | $ (796) | $ 2,977 | $ 3,775 | $ (725) | $ 3,050 |

***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 June 30, 2023, there were no indicators of impairment, and no impairment loss was recognized for intangible assets with indefinite lives during the three and six months ended June 30, 2023 and 2022.

***Definite Life Intangible Assets***

Amortization expense for all definite life intangible assets was $36 and $39 for the three months ended June 30, 2023 and 2022, respectively, and $73 and $78 for the six months ended June 30, 2023 and 2022, respectively. There were impairments of definite lived intangible assets of $2 and we recognized a related impairment loss of $1 during three and six months ended June 30, 2023. There were no retirements or impairments of definite lived intangible assets during the three and six months ended June 30, 2022.

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

The expected amortization expense for each of the fiscal years 2023 through 2027 and for periods thereafter is as follows:

| Years ending December 31, | Amount |
|---|---|
| 2023 (remaining) | $ 72 |
| 2024 | 77 |
| 2025 | 71 |
| 2026 | 71 |
| 2027 | 25 |
| Thereafter | 15 |
| Total definite life intangible assets, net | $ 331 |

## (9) Property and Equipment

Property and equipment, net, consists of the following:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Satellite system | $ 1,598 | $ 1,841 |
| Terrestrial repeater network | 119 | 118 |
| Leasehold improvements | 105 | 100 |
| Broadcast studio equipment | 140 | 133 |
| Capitalized software and hardware | 1,842 | 1,821 |
| Satellite telemetry, tracking and control facilities | 80 | 76 |
| Furniture, fixtures, equipment and other | 108 | 89 |
| Land | 32 | 32 |
| Building | 72 | 70 |
| Construction in progress | 560 | 313 |
| Total property and equipment | 4,656 | 4,593 |
| Accumulated depreciation | (3,040) | (3,094) |
| Property and equipment, net | $ 1,616 | $ 1,499 |

Construction in progress consists of the following:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Satellite system | $ 361 | $ 212 |
| Terrestrial repeater network | 13 | 10 |
| Capitalized software and hardware | 171 | 56 |
| Other | 15 | 35 |
| Construction in progress | $ 560 | $ 313 |

Depreciation and amortization expense on property and equipment was $103 and $96 for the three months ended June 30, 2023 and 2022, respectively, and $202 and $192 for the six months ended June 30, 2023 and 2022, respectively. During the three and six months ended June 30, 2023, we retired property and equipment of $16 and $269, respectively, and recorded related impairment charges of $10 and $13, respectively, primarily related to terminated software projects. During the six months ended June 30, 2022, we retired property and equipment with a cost of $22 and a net book value of $1.

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 $4 and $1 for the three months ended June 30, 2023 and 2022, respectively, and $6 and $2 for the six months ended

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

June 30, 2023 and 2022, 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 $3 and $4 for the three months ended June 30, 2023 and 2022, respectively, and $7 and $9 for the six months ended June 30, 2023 and 2022, respectively.

***Satellites***

As of June 30, 2023, we operated a fleet offive 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 June 30, 2023:

| 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 |

During the three months ended March 31, 2023, we removed our XM-4 satellite from service and, we are in the process of de-orbiting the satellite which we expect to be completed by the end of 2023. Our XM-3 satellite remains available as an in-orbit spare.

**(10) 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 20 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 within1 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 June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Operating lease cost | $ 11 | $ 17 | $ 32 | $ 30 |
| Finance lease cost | 1 | — | 1 | — |
| Sublease income | (1) | — | (2) | (1) |
| Total lease cost | $ 11 | $ 17 | $ 31 | $ 29 |

During the six months ended June 30, 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 for this location to its estimated fair value. Refer to Note 4 for additional information.

**(11) Related Party Transactions**

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

***Liberty Media***

As of June 30, 2023, Liberty Media beneficially owned, directly and indirectly, approximately83% of the outstanding shares of our 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 16 for more information regarding the tax sharing agreement.

***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 related party long-term assets as of June 30, 2023 and December 31, 2022 included the carrying value of our investment balance in Sirius XM Canada of $426 and $412, respectively, and, as of each of June 30, 2023 and December 31, 2022, 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 the three months ended June 30, 2023, and less than $1 during each of the six months ended June 30, 2023 and 2022. No dividends were paid during the three months ended June 30, 2022. 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 $26 and $28 during the three months ended June 30, 2023 and 2022, respectively, and $51 and $55 during the six months ended June 30, 2023 and 2022, respectively.

***SoundCloud***

We have an investment in SoundCloud which is accounted for as an equity method investment and recorded in Related party long-term assets 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 net loss was $1 and $2 for the three months ended June 30, 2023 and 2022, respectively, and $2 and $3 for the six months ended June 30, 2023 and 2022, 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 $14 for each of the three months ended June 30, 2023 and 2022, and $25 and $27 for the six months ended June 30, 2023 and 2022, respectively. We also had related party liabilities of $18 and $19 as of June 30, 2023 and December 31, 2022, respectively, related to this agreement.

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

## (12) Debt

Our debt as of June 30, 2023 and December 31, 2022 consisted of the following:

| Issuer / Borrower | Issued | Debt | Maturity Date | Interest Payable | Principal Amount at June 30, 2023 | Carrying value[(a)] at June 30, 2023 | Carrying value[(a)] at December 31, 2022 |
|---|---|---|---|---|---|---|---|
| Pandora (c) (d) | June 2018 | 1.75% Convertible Senior Notes | December 1, 2023 | semi-annually on June 1 and December 1 | $ 20 | $ 20 | $ 193 |
| Sirius XM (b) (f) | 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 | 993 | 992 |
| Sirius XM (b) | July 2017 | 5.00% Senior Notes | August 1, 2027 | semi-annually on February 1 and August 1 | 1,500 | 1,493 | 1,492 |
| Sirius XM (b) | June 2021 | 4.00% Senior Notes | July 15, 2028 | semi-annually on January 15 and July 15 | 2,000 | 1,983 | 1,982 |
| Sirius XM (b) | June 2019 | 5.500% Senior Notes | July 1, 2029 | semi-annually on January 1 and July 1 | 1,250 | 1,241 | 1,240 |
| Sirius XM (b) | June 2020 | 4.125% Senior Notes | July 1, 2030 | semi-annually on January 1 and July 1 | 1,500 | 1,487 | 1,487 |
| Sirius XM (b) | August 2021 | 3.875% Senior Notes | September 1, 2031 | semi-annually on March 1 and September 1 | 1,500 | 1,486 | 1,485 |
| Sirius XM (e) | December 2012 | Senior Secured Revolving Credit Facility (the "Credit Facility") | August 31, 2026 | variable fee paid quarterly | 223 | 223 | 80 |
| Sirius XM | Various | Finance leases | Various | n/a | n/a | 17 | 12 |
| Total Debt | | | | | | 9,443 | 9,463 |
| Less: total current maturities | | | | | | 525 | 196 |
| Less: total deferred financing costs | | | | | | 10 | 11 |
| Total long-term debt | | | | | | $ 8,908 | $ 9,256 |

(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) Holdings has unconditionally guaranteed all of the payment obligations of Pandora under these notes.

(d) 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 six months ended June 30, 2023, certain investors exercised their right to require a Special Repurchase, as defined in the indenture governing such notes, and Pandora repurchased $173 in outstanding principal amount of its 1.75% Convertible Senior Notes due 2023 with cash for an aggregate purchase price equal to100% of the principal amount of the notes repurchased plus accrued and unpaid interest to the date of repurchase. The 1.75% Convertible Senior Notes due 2023 were not convertible into common stock and were not redeemable as of June 30, 2023. On or after July 1, 2023 and prior to the close of business on November 29, 2023, the 1.75% Convertible Senior Notes due 2023 are convertible into Holdings' common stock at the holders' option at the applicable conversion rate in effect on the relevant conversion date.

(e) In August 2021, Sirius XM entered into an amendment to extend the maturity of the $1,750 Credit Facility to August 31, 2026. In March 2023, Sirius XM entered into an amendment to the Credit Facility to provide for the LIBOR transition on borrowings on or after July 1, 2023. Sirius XM's obligations under the Credit Facility are guaranteed by certain of its material domestic subsidiaries, including Pandora and its subsidiaries, and are secured by a lien on substantially all of Sirius XM's assets and the assets of its material domestic subsidiaries. Until June 30, 2023, interest on borrowings were payable on a monthly basis and accrued at a rate based on either the Secured Overnight Financing Rate ("SOFR") or LIBOR plus an applicable rate. On or after July 1, 2023, borrowings based on LIBOR as the benchmark rate are no longer be available. Sirius XM is 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 was0.25% per annum as of June 30, 2023. All of Sirius XM's 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.

(f) In April 2022, Sirius XM 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.

***Covenants and Restrictions***

Under the Credit Facility, Sirius XM, our wholly owned subsidiary, 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 Sirius XM's 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 Sirius XM's assets, and (vii) make voluntary prepayments of certain debt, in each case subject to exceptions.

The indentures governing Sirius XM's notes restrict Sirius XM's 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 Sirius XM's ability and the ability of its subsidiaries to create certain liens; enter into sale/leaseback transactions; and merge or consolidate.

Under Sirius XM's 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.

The indenture governing the Pandora 2023 Notes (as defined below) contains covenants that limit Pandora’s ability to merge or consolidate and provides for customary events of default, which include nonpayment of principal or interest, breach of covenants, payment defaults or acceleration of other indebtedness and certain events of bankruptcy.

At June 30, 2023 and December 31, 2022, we were in compliance with our debt covenants.

***Pandora Convertible Notes***

Pandora's 1.75% Convertible Senior Notes due 2023 (the “Pandora 2023 Notes”) are unsecured, senior obligations of Pandora. Holdings has guaranteed the payment and performance obligations of Pandora under the Pandora 2023 Notes and the indenture governing the Pandora 2023 Notes.

The Pandora 2023 Notes will mature on December 1, 2023, unless earlier repurchased or redeemed by Pandora or converted in accordance with their terms. As of June 30, 2023, the conversion rate applicable to the Pandora 2023 Notes was 164.5988 shares of Holdings' common stock per one thousand principal amount of the Pandora 2023 Notes.

**(13) Stockholders’ Equity**

***Common Stock, par value $0.001 per share***

We are authorized to issue up to9,000 shares of common stock. There were 3,845 and 3,891 shares of common stock issued and3,844 and 3,891 shares of common stock outstanding on June 30, 2023 and December 31, 2022, respectively.

As of June 30, 2023, there were212 shares of common stock reserved for issuance in connection with outstanding stock-based awards to members of our board of directors, employees and third parties.

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

*Quarterly Dividends*

During the six months ended June 30, 2023, our board of directors declared and paid the following dividend:

| Declaration Date | Dividend Per Share | Record Date | Total Amount | Payment Date |
|---|---|---|---|---|
| January 25, 2023 | $ 0.0242 | February 9, 2023 | $ 94 | February 24, 2023 |
| April 19, 2023 | $ 0.0242 | May 5, 2023 | $ 94 | May 24, 2023 |

*Stock Repurchase Program*

As of June 30, 2023, our board of directors had approved for repurchase an aggregate of $18,000 of our common stock. Our board of directors did not establish an end date for this stock repurchase program. Shares of common stock may be purchased from time to time on the open market, pursuant to pre-set trading plans meeting the requirements of Rule 10b5-1 under the Exchange Act, in privately negotiated transactions, including transactions with Liberty Media and its affiliates, or otherwise. As of June 30, 2023, our cumulative repurchases since December 2012 under our stock repurchase program totaled 3,715 shares for $16,760, and $1,240 remained available for future share repurchases under our stock repurchase program.

The following table summarizes our total share repurchase activity for the six months ended:

| | June 30, 2023 | | June 30, 2022 | |
|---|---|---|---|---|
| Share Repurchase Type | Shares | Amount | Shares | Amount |
| Open Market Repurchases [(a)] | 53 | $ 202 | 67 | $ 417 |

(a) As of June 30, 2023, $3 of common stock repurchases had not settled, nor been retired, and were recorded as Treasury stock within our unaudited consolidated balance sheets and unaudited consolidated statement of stockholders' equity (deficit).

***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 June 30, 2023 and December 31, 2022.

## (14) Benefit Plans

We recognized share-based payment expense of $42 and $47 for the three months ended June 30, 2023 and 2022, respectively, and $87 and $92 for the six months ended June 30, 2023 and 2022, respectively.

***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 our 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 our 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 June 30, 2023, 123 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

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

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 our board of directors and non-employees:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Risk-free interest rate | 3.6% | 3.0% | 4.0% | 1.5% |
| Expected life of options — years | 3.80 | 3.89 | 3.80 | 3.60 |
| Expected stock price volatility | 34% | 32% | 31% | 32% |
| Expected dividend yield | 2.6% | 1.4% | 2.0% | 1.3% |

The following table summarizes stock option activity under our share-based plans for the six months ended June 30, 2023:

| | Options | Weighted-Average Exercise Price Per Share | Weighted-Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding as of December 31, 2022 | 134 | $ 5.55 | | |
| Granted | 9 | $ 4.92 | | |
| Exercised | (2) | $ 3.52 | | |
| Forfeited, cancelled or expired | (7) | $ 5.83 | | |
| Outstanding as of June 30, 2023 | 134 | $ 5.53 | 5.11 | $ 23 |
| Exercisable as of June 30, 2023 | 90 | $ 5.39 | 4.38 | $ 22 |

The weighted average grant date fair value per stock option granted during the six months ended June 30, 2023 was $1.23. The total intrinsic value of stock options exercised during the six months ended June 30, 2023 and 2022 was $1 and $24, respectively. During the six months ended June 30, 2023, the number of net settled shares issued as a result of stock option exercises was less than 1.

We recognized share-based payment expense associated with stock options of $7 and $9 for the three months ended June 30, 2023 and 2022, respectively, and $15 and $18 for the six months ended June 30, 2023 and 2022, respectively.

The following table summarizes the restricted stock unit, including PRSU, activity under our share-based plans for the six months ended June 30, 2023:

| | Shares | Grant Date Fair Value Per Share |
|---|---|---|
| Nonvested as of December 31, 2022 | 85 | $ 6.38 |
| Granted | 12 | $ 4.49 |
| Vested | (10) | $ 6.65 |
| Forfeited | (9) | $ 6.23 |
| Nonvested as of June 30, 2023 | 78 | $ 6.13 |

The total intrinsic value of restricted stock units, including PRSUs, vesting during the six months ended June 30, 2023 and 2022 was $44 and $63, respectively. During the six months ended June 30, 2023, the number of net settled shares issued as a result of restricted stock units vesting totaled 6. During the six months ended June 30, 2023, we granted 4 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 six months ended June 30, 2023, we granted 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 six months ended June 30, 2023.

We recognized share-based payment expense associated with restricted stock units, including PRSUs, of $35 and $38 for the three months ended June 30, 2023 and 2022, respectively, and $72 and $74 for the six months ended June 30, 2023 and 2022, respectively.

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 our board of directors and third parties at June 30, 2023 and December 31, 2022 was $381 and $472, respectively. The total unrecognized compensation costs at June 30, 2023 are expected to be recognized over a weighted-average period of 2.3 years.

***401(k) Savings Plans***

Sirius XM sponsors 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 our common stock on the open market, unless the employee elects our common stock as their investment option for this contribution.

We recognized expenses of $5 for each of the three months ended June 30, 2023 and 2022, and $11 and $10 for the six months ended June 30, 2023 and 2022, respectively, 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 our 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, we may elect to make additional contributions beyond amounts deferred by participants, but we are under no obligation to do so. We have established a grantor (or “rabbi”) trust to facilitate the payment of our obligations under the DCP.

Contributions to the DCP, net of withdrawals, were less than $(1) and $(1) for the three months ended June 30, 2023 and 2022, respectively, and $1 and $(1) for the six months ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and December 31, 2022, the fair value of the investments held in the trust were $54 and $47, 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 (losses) on investments held in the trust of $3 and $(6) for the three months ended June 30, 2023 and 2022, respectively, and $5 and $(9) for the six months ended June 30, 2023 and 2022, respectively.

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

## (15) Commitments and Contingencies

The following table summarizes our expected contractual cash commitments as of June 30, 2023:

| | 2023 | 2024 | 2025 | 2026 | 2027 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Debt obligations | $ 23 | $ 505 | $ 5 | $ 1,227 | $ 1,500 | $ 6,250 | $ 9,510 |
| Cash interest payments | 216 | 404 | 395 | 388 | 344 | 636 | 2,383 |
| Satellite and transmission | 110 | 296 | 198 | 93 | 42 | 22 | 761 |
| Programming and content | 197 | 305 | 233 | 129 | 62 | 107 | 1,033 |
| Sales and marketing | 55 | 90 | 23 | 16 | 5 | — | 189 |
| Satellite incentive payments | 4 | 8 | 8 | 3 | 3 | 17 | 43 |
| Operating lease obligations | 37 | 60 | 55 | 48 | 39 | 76 | 315 |
| Royalties, minimum guarantees and other | 211 | 324 | 167 | 45 | 1 | 1 | 749 |
| Total [(1)] | $ 853 | $ 1,992 | $ 1,084 | $ 1,949 | $ 1,996 | $ 7,109 | $ 14,983 |

(1) The table does not include our reserve for uncertain tax positions, which at June 30, 2023 totaled $109.

*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 offour 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 June 30, 2023, we had future fixed commitments related to music royalty and podcast agreements of $552, of which $155 will be paid in 2023 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.

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. The cost of our common stock acquired in our capital return program but not paid for as of June 30, 2023 was also included in this category.

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.

*Pre-1972 Sound Recording Litigation.* On October 2, 2014, Flo & Eddie Inc. filed a class action suit against Pandora in the federal district court for the Central District of California. The complaint alleges a violation of California Civil Code Section 980, unfair competition, misappropriation and conversion in connection with the public performance of sound recordings recorded prior to February 15, 1972 (which we refer to as, "pre-1972 recordings"). On December 19, 2014, Pandora filed a motion to strike the complaint pursuant to California's Anti-Strategic Lawsuit Against Public Participation ("Anti-SLAPP") statute, which following denial of Pandora's motion was appealed to the Ninth Circuit Court of Appeals. In March 2017, the Ninth Circuit requested certification to the California Supreme Court on the substantive legal questions. The California Supreme Court accepted certification. In May 2019, the California Supreme Court issued an order dismissing consideration of the certified questions on the basis that, following the enactment of the Orrin G. Hatch-Bob Goodlatte Music Modernization Act, Pub. L. No. 115-264, 132 Stat. 3676 (2018) (the "MMA"), resolution of the questions posed by the Ninth Circuit Court of Appeals was no longer "necessary to . . . settle an important question of law."

The MMA grants a potential federal preemption defense to the claims asserted in the aforementioned lawsuits. In July 2019, Pandora took steps to avail itself of this preemption defense, including making the required payments under the MMA for certain of its uses of pre-1972 recordings. Based on the federal preemption contained in the MMA (along with other considerations), Pandora asked the Ninth Circuit to order the dismissal of the *Flo & Eddie, Inc. v. Pandora Media, Inc.* case. On October 17, 2019, the Ninth Circuit Court of Appeals issued a memorandum disposition concluding that the question of whether the MMA preempts Flo and Eddie's claims challenging Pandora's performance of pre-1972 recordings "depends on various unanswered factual questions" and remanded the case to the District Court for further proceedings.

In October 2020, the District Court denied Pandora's renewed motion to dismiss the case under California's anti-SLAPP statute, finding the case no longer qualified for anti-SLAPP due to intervening changes in the law, and denied Pandora's renewed attempt to end the case. Alternatively, the District Court ruled that the preemption defense likely did not apply to Flo & Eddie's claims, in part because the District Court believed that the MMA did not apply retroactively. Pandora promptly appealed the District Court's decision to the Ninth Circuit, and moved to stay appellate briefing pending the appeal of a related case against Sirius XM. On January 13, 2021, the Ninth Circuit issued an order granting the stay of appellate proceedings pending the resolution of a related case against Sirius XM.

On August 23, 2021, the United States Court of Appeals for the Ninth Circuit issued an Opinion in a related case, *Flo & Eddie Inc. v. Sirius XM Radio Inc.* The related case also concerned a class action suit brought by Flo & Eddie Inc. regarding the public performance of pre-1972 recordings under California law. Relying on California's copyright statute, Flo & Eddie argued that California law gave it the "exclusive ownership" of its pre-1972 songs, including the right of public performance. The Ninth Circuit reversed the District Court's grant of partial summary judgment to Flo & Eddie Inc. The Ninth Circuit held that the District Court in this related case erred in concluding that "exclusive ownership" under California's copyright statute included the right of public performance. The Ninth Circuit remanded the case for entry of judgment consistent with the terms of the parties' contingent settlement agreement, and on October 6, 2021, the parties to the related case stipulated to its dismissal with prejudice. The *Flo & Eddie Inc. v. Sirius XM Radio Inc.* decision is precedential in the Ninth Circuit, and therefore we believe substantially narrows the claims that Flo & Eddie may continue to assert against Pandora.

Following issuance of the *Flo & Eddie Inc. v. Sirius XM Radio Inc.* opinion, on September 3, 2021, the Ninth Circuit lifted the stay of appellate proceedings in *Flo & Eddie, Inc. v. Pandora Media, LLC*. Pandora promptly filed an appeal of the District Court's order denying the renewed motion to dismiss the case under California's anti-SLAAP statute.

On June 2, 2022, the Ninth Circuit upheld the District Court's order denying dismissal of the case under California's anti-SLAPP statute, finding that Pandora had failed to demonstrate that Flo & Eddie's claims arise from Pandora's protected conduct. As part of the decision, the Ninth Circuit noted that Pandora had forcefully argued that the Court's decision in *Flo & Eddie Inc. v. Sirius XM Radio Inc.,* and other decisions under New York, Florida and Georgia law, foreclosed Flo & Eddie's claims as a matter of law. Because the case has been pending for over seven years, the Ninth Circuit remanded the case to the District Court and directed "the district court to consider expedited motions practice on the legal validity of Flo & Eddie's claims in light of the intervening precedent."

On September 29, 2022, Flo & Eddie filed an Amended Complaint, and on October 13, 2022, Pandora filed an Answer to the Amended Complaint. In accordance with the directive of the Ninth Circuit, in November 2022, Pandora filed a Motion for Summary Judgment in this action. Following oral argument, on July 25, 2023, the Court granted Pandora's Motion for Summary Judgment, and by order closed this action. The time for Flo & Eddie to file an appeal of the order granting Summary Judgment in favor of Pandora has not expired.

*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.

## (16) 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 $62 and $96 for the three months ended June 30, 2023 and 2022, respectively, and $138 and $197 for the six months ended June 30, 2023 and 2022, respectively. In addition, we recorded $4 as a capital contribution from Liberty Media during the six months ended June 30, 2023 related to the tax sharing agreement.

Our effective tax rate for the three months ended June 30, 2023 and 2022 was 16.7% and 24.7%, respectively. Our effective tax rate for the six months ended June 30, 2023 and 2022 was 20.3% and 24.7%, respectively. The effective tax rate for the three and six months ended June 30, 2023 was primarily impacted by the release of valuation reserves against state net operating losses we now expect to utilize. The effective tax rate for the three and six months ended June 30, 2022 was primarily impacted by a benefit associated with the recognition of excess tax benefits related to share-based compensation. We estimate our effective tax rate for the year ending December 31, 2023 will be approximately 22%.

As of June 30, 2023 and December 31, 2022, we had a valuation allowance related to deferred tax assets of $86 and $113, respectively, 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 are not expected to have a material impact on our results of operations or financial position.

During the six months ended June 30, 2023, we invested $31 in certain tax-effective clean energy technologies investments.

## (17) 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 less than $1 during each of the three months ended June 30, 2023 and 2022, and $1 during each of the six months ended June 30, 2023 and 2022.

(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 June 30, 2023 | | |
|---|---|---|---|
| | Sirius XM | Pandora and Off-platform | Total |
| Revenue | | | |
| Subscriber revenue | $ 1,597 | $ 128 | $ 1,725 |
| Advertising revenue | 45 | 400 | 445 |
| Equipment revenue | 47 | — | 47 |
| Other revenue | 33 | — | 33 |
| Total revenue | 1,722 | 528 | 2,250 |
| Cost of services [(a)] | (675) | (376) | (1,051) |
| Segment gross profit | $ 1,047 | $ 152 | $ 1,199 |

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

| | For the Three Months Ended June 30, 2023 |
|---|---|
| **Segment Gross Profit** | $ 1,199 |
| Subscriber acquisition costs | (93) |
| Sales and marketing [(a)] | (209) |
| Engineering, design and development [(a)] | (72) |
| General and administrative [(a)] | (147) |
| Depreciation and amortization | (139) |
| Share-based payment expense | (42) |
| Impairment, restructuring and acquisition costs | (18) |
| Total other expense | (107) |
| **Consolidated income before income taxes** | $ 372 |

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

| | For the Three Months Ended June 30, 2022 | | |
|---|---|---|---|
| | Sirius XM | Pandora and Off-platform | Total |
| Revenue | | | |
| Subscriber revenue | $ 1,588 | $ 131 | $ 1,719 |
| Advertising revenue | 49 | 403 | 452 |
| Equipment revenue | 45 | — | 45 |
| Other revenue | 37 | — | 37 |
| Total revenue | 1,719 | 534 | 2,253 |
| Cost of services [(b)] | (668) | (367) | (1,035) |
| Segment gross profit | $ 1,051 | $ 167 | $ 1,218 |

(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 June 30, 2022 |
|---|---|
| **Segment Gross Profit** | $ 1,218 |
| Subscriber acquisition costs | (91) |
| Sales and marketing (b) | (272) |
| Engineering, design and development (b) | (63) |
| General and administrative (b) | (113) |
| Depreciation and amortization | (135) |
| Share-based payment expense | (47) |
| Impairment, restructuring and acquisition costs | (1) |
| Total other expense | (108) |
| **Consolidated income before income taxes** | $ 388 |

(b) Share-based payment expense of $11 related to cost of services, $13 related to sales and marketing, $9 related to engineering, design and development and $14 related to general and administrative has been excluded.

| | For the Six Months Ended June 30, 2023 | | |
|---|---|---|---|
| | Sirius XM | Pandora and Off-platform | Total |
| Revenue | | | |
| Subscriber revenue | $ 3,160 | $ 257 | $ 3,417 |
| Advertising revenue | 85 | 734 | 819 |
| Equipment revenue | 93 | — | 93 |
| Other revenue | 65 | — | 65 |
| Total revenue | 3,403 | 991 | 4,394 |
| Cost of services (c) | (1,340) | (727) | (2,067) |
| Segment gross profit | $ 2,063 | $ 264 | $ 2,327 |

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

| | For the Six Months Ended June 30, 2023 |
|---|---|
| **Segment Gross Profit** | $ 2,327 |
| Subscriber acquisition costs | (183) |
| Sales and marketing (c) | (423) |
| Engineering, design and development (c) | (140) |
| General and administrative (c) | (278) |
| Depreciation and amortization | (275) |
| Share-based payment expense | (87) |
| Impairment, restructuring and acquisition costs | (50) |
| Total other expense | (210) |
| **Consolidated income before income taxes** | $ 681 |

(c) Share-based payment expense of $20 related to cost of services, $20 related to sales and marketing, $22 related to engineering, design and development and $25 related to general and administrative has been excluded.

**SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued**
**(UNAUDITED)**
**(Dollars and shares in millions, except per share amounts)**

| | For the Six Months Ended June 30, 2022 | | |
|---|---|---|---|
| | Sirius XM | Pandora and Off-platform | Total |
| nue | | | |
| ıbscriber revenue | $ 3,170 | $ 262 | $ 3,432 |
| dvertising revenue | 97 | 738 | 835 |
| quipment revenue | 98 | — | 98 |
| her revenue | 75 | — | 75 |
| revenue | 3,440 | 1,000 | 4,440 |
| of services (d) | (1,317) | (697) | (2,014) |
| nent gross profit | $ 2,123 | $ 303 | $ 2,426 |

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

| | For the Six Months Ended June 30, 2022 |
|---|---|
| **Segment Gross Profit** | $ 2,426 |
| Subscriber acquisition costs | (181) |
| Sales and marketing (d) | (531) |
| Engineering, design and development (d) | (122) |
| General and administrative (d) | (223) |
| Depreciation and amortization | (270) |
| Share-based payment expense | (92) |
| Impairment, restructuring and acquisition costs | (1) |
| Total other expense | (208) |
| **Consolidated income before income taxes** | $ 798 |

(d) Share-based payment expense of $22 related to cost of services, $26 related to sales and marketing, $17 related to engineering, design and development and $27 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 June 30, 2023, 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 and six months ended June 30, 2023 and 2022.

**(18) Subsequent Events**

*Capital Return Program*

For the period from July 1, 2023 to July 28, 2023, we repurchased 2 shares of our common stock on the open market for an aggregate purchase price of $11, including fees and commissions.

On July 26, 2023, our board of directors declared a quarterly dividend on our common stock in the amount of $0.0242 per share of common stock payable on August 30, 2023 to stockholders of record as of the close of business on August 8, 2023.

## ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All amounts referenced in this Item 2 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 on Form 10-Q and with our Annual Report on Form 10-K for the year ended December 31, 2022.

This Quarterly Report on Form 10-Q presents information for Sirius XM Holdings Inc. (“Holdings”). The terms “Holdings,” “we,” “us,” “our,” and “our company” as used herein, and unless otherwise stated or indicated by context, refer to Sirius XM Holdings Inc. and its subsidiaries. "Sirius XM" refers to our wholly owned subsidiary Sirius XM Radio Inc. and its subsidiaries. "Pandora" refers to Sirius XM's wholly owned subsidiary Pandora Media, LLC and its subsidiaries. Holdings has no operations independent of Sirius XM and Pandora.

**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 on Form 10-Q 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 on Form 10-Q 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 our Annual Report on Form 10-K for the year ended December 31, 2022, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” herein and in Part II, Item 7, of our Annual Report on Form 10-K for the year ended December 31, 2022.

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

- We have been, and may continue to be, adversely affected by supply chain issues
- We may be adversely affected by the war in Ukraine
- 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
- 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 ongoing COVID-19 pandemic has introduced significant uncertainty to our business
- The impact of economic conditions may adversely affect our business, operating results, and financial condition
- 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
- Our Sirius XM service may experience harmful interference from wireless operations
- Our Pandora ad-supported business has suffered a substantial and consistent loss of monthly active users, which may adversely affect our Pandora business
- Our Pandora 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
- 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

- 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
- 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
- Interruption or failure of our information technology and communications systems could impair the delivery of our service and harm our business
- 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
- The rates we must pay for “mechanical rights” to use musical works on our Pandora service have increased substantially and these rates may adversely affect our business
- 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
- Rapid technological and industry changes and new entrants could adversely impact our services
- 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
- While we currently pay a quarterly cash dividend to holders of our common stock, we may change our dividend policy at any time
- 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
- 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
- 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 SXM Media brand, direct sales of our satellite radios and accessories, and other ancillary services.  As of June 30, 2023, our Sirius XM business had approximately 34.0 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. 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 and podcast streaming discovery platform, offering a personalized experience for each listener wherever and whenever they want to listen, whether through computers, tablets, 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 and select Sirius XM content 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 June 30, 2023, Pandora had approximately 6.2 million subscribers.

The majority of revenue from Pandora is generated from advertising on our Pandora ad-supported radio service which is sold under the SXM 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 June 30, 2023, Liberty Media beneficially owned, directly and indirectly, approximately 83% of the outstanding shares of our common stock.  As a result, we are a “controlled company” for the purposes of the NASDAQ corporate governance requirements.

**Results of Operations**

Set forth below are our results of operations for the three and six months ended June 30, 2023 compared with the three and six months ended June 30, 2022. 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 June 30, | | For the Six Months Ended June 30, | | 2023 vs 2022 Change | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Three Months | | Six Months | |
| | 2023 | 2022 | 2023 | 2022 | Amount | % | Amount | % |
| *Revenue* | | | | | | | | |
| Sirius XM: | | | | | | | | |
| Subscriber revenue | $ 1,597 | $ 1,588 | $ 3,160 | $ 3,170 | $ 9 | 1 % | $ (10) | — % |
| Advertising revenue | 45 | 49 | 85 | 97 | (4) | (8)% | (12) | (12)% |
| Equipment revenue | 47 | 45 | 93 | 98 | 2 | 4 % | (5) | (5)% |
| Other revenue | 33 | 37 | 65 | 75 | (4) | (11)% | (10) | (13)% |
| Total Sirius XM revenue | 1,722 | 1,719 | 3,403 | 3,440 | 3 | — % | (37) | (1)% |
| Pandora and Off-platform: | | | | | | | | |
| Subscriber revenue | 128 | 131 | 257 | 262 | (3) | (2)% | (5) | (2)% |
| Advertising revenue | 400 | 403 | 734 | 738 | (3) | (1)% | (4) | (1)% |
| Total Pandora and Off-platform revenue | 528 | 534 | 991 | 1,000 | (6) | (1)% | (9) | (1)% |
| Total consolidated revenue | 2,250 | 2,253 | 4,394 | 4,440 | (3) | — % | (46) | (1)% |
| *Cost of services* | | | | | | | | |
| Sirius XM: | | | | | | | | |
| Revenue share and royalties | 405 | 397 | 796 | 779 | 8 | 2 % | 17 | 2 % |
| Programming and content | 135 | 139 | 271 | 268 | (4) | (3)% | 3 | 1 % |
| Customer service and billing | 100 | 103 | 203 | 207 | (3) | (3)% | (4) | (2)% |
| Transmission | 41 | 36 | 82 | 77 | 5 | 14 % | 5 | 6 % |
| Cost of equipment | 3 | 3 | 7 | 6 | — | — % | 1 | 17 % |
| Total Sirius XM cost of services | 684 | 678 | 1,359 | 1,337 | 6 | 1 % | 22 | 2 % |
| Pandora and Off-platform: | | | | | | | | |
| Revenue share and royalties | 327 | 314 | 636 | 602 | 13 | 4 % | 34 | 6 % |
| Programming and content | 18 | 14 | 32 | 24 | 4 | 29 % | 8 | 33 % |
| Customer service and billing | 23 | 22 | 43 | 44 | 1 | 5 % | (1) | (2)% |
| Transmission | 9 | 18 | 17 | 29 | (9) | (50)% | (12) | (41)% |
| Total Pandora and Off-platform cost of services | 377 | 368 | 728 | 699 | 9 | 2 % | 29 | 4 % |
| Total consolidated cost of services | 1,061 | 1,046 | 2,087 | 2,036 | 15 | 1 % | 51 | 3 % |
| Subscriber acquisition costs | 93 | 91 | 183 | 181 | 2 | 2 % | 2 | 1 % |
| Sales and marketing | 220 | 285 | 443 | 557 | (65) | (23)% | (114) | (20)% |
| Engineering, design and development | 83 | 72 | 162 | 139 | 11 | 15 % | 23 | 17 % |
| General and administrative | 157 | 127 | 303 | 250 | 30 | 24 % | 53 | 21 % |
| Depreciation and amortization | 139 | 135 | 275 | 270 | 4 | 3 % | 5 | 2 % |
| Impairment, restructuring and acquisition costs | 18 | 1 | 50 | 1 | 17 | nm | 49 | nm |
| Total operating expenses | 1,771 | 1,757 | 3,503 | 3,434 | 14 | 1 % | 69 | 2 % |
| Income from operations | 479 | 496 | 891 | 1,006 | (17) | (3)% | (115) | (11)% |
| Other (expense) income: | | | | | | | | |
| Interest expense | (107) | (104) | (213) | (206) | (3) | (3)% | (7) | (3)% |
| Other income (expense) | — | (4) | 3 | (2) | 4 | nm | 5 | nm |
| Total other expense | (107) | (108) | (210) | (208) | 1 | 1 % | (2) | (1)% |
| Income before income taxes | 372 | 388 | 681 | 798 | (16) | (4)% | (117) | (15)% |
| Income tax expense | (62) | (96) | (138) | (197) | 34 | 35 % | 59 | 30 % |
| Net income | $ 310 | $ 292 | $ 543 | $ 601 | $ 18 | 6 % | $ (58) | (10)% |

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 June 30, 2023 and 2022, subscriber revenue was $1,597 and $1,588, respectively, an increase of 1%, or $9. For the six months ended June 30, 2023 and 2022, subscriber revenue was $3,160 and $3,170, respectively, a decrease of less than 1%, or $10. The increase for the three month period was driven by an increase in self-pay revenue, partially offset by a reduction in paid promotional revenue resulting from lower overall rates from automakers offering paid promotional subscriptions. The decrease for the six month period was primarily driven by a reduction in paid promotional revenue resulting from lower overall rates from automakers offering paid promotional subscriptions and lower revenue generated from our connected vehicle services, partially offset by an increase in self-pay revenue.

We expect subscriber revenues to increase based on increases in the average price of our services.

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

For the three months ended June 30, 2023 and 2022, advertising revenue was $45 and $49, respectively, a decrease of 8%, or $4. For the six months ended June 30, 2023 and 2022, advertising revenue was $85 and $97, respectively, a decrease of 12%, or $12. The decreases were due to a decrease in the number of spots sold and aired primarily on news and entertainment channels.

We expect our Sirius XM advertising revenue to increase due to growing success of brand co-sell initiatives.

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

For the three months ended June 30, 2023 and 2022, equipment revenue was $47 and $45, respectively, an increase of 4%, or $2. For the six months ended June 30, 2023 and 2022, equipment revenue was $93 and $98, respectively, a decrease of 5%, or $5. The increase for the three month period was driven by increased chipset production, partially offset by lower royalty rates. The decrease for the six month period was driven by lower royalty rates, partially offset by increased chipset production.

We expect equipment revenue to decrease due to the impact of semiconductor supply shortages driving higher chipset costs for new technology.

*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 June 30, 2023 and 2022, other revenue was $33 and $37, respectively, a decrease of 11%, or $4. For the six months ended June 30, 2023 and 2022, other revenue was $65 and $75, respectively, a decrease of 13%, or $10. The decreases were primarily driven by lower revenue generated by our connected vehicle services and lower royalty revenue generated by Sirius XM Canada.

We expect other revenue to continue to decrease due to lower revenue from 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 June 30, 2023 and 2022, Pandora and Off-platform subscriber revenue was $128 and $131, respectively, a decrease of 2%, or $3. For the six months ended June 30, 2023 and 2022, Pandora and Off-platform subscriber revenue was $257 and $262, respectively, a decrease of 2%, or $5. The decreases were primarily driven by the decline in the Pandora Plus subscriber base.

We expect Pandora and Off-platform subscriber revenues to remain relatively flat as higher ARPU is 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 June 30, 2023 and 2022, Pandora and Off-platform advertising revenue was $400 and $403, respectively, a decrease of 1%, or $3. For the six months ended June 30, 2023 and 2022, Pandora and Off-platform advertising revenue was $734 and $738, respectively, a decrease of 1%, or $4. The decreases were primarily driven by lower streaming sell-through, partially offset by higher podcasting revenue.

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 June 30, 2023 and 2022 was $2,250 and $2,253, respectively, a decrease of less than 1%, or $3. Total Consolidated Revenue for the six months ended June 30, 2023 and 2022 was $4,394 and $4,440, respectively, a decrease of 1%, or $46.

***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 June 30, 2023 and 2022, revenue share and royalties were $405 and $397, respectively, an increase of 2%, or $8, and increased as a percentage of total Sirius XM revenue. For the six months ended June 30, 2023 and 2022, revenue share and royalties were $796 and $779, respectively, an increase of 2%, or $17, and increased as a percentage of total Sirius XM revenue. The increases were driven by higher web streaming royalty rates.

We expect our Sirius XM revenue share and royalty costs to increase due to higher royalty rates under the statutory webcasting license resulting from increases in the Consumer Price Index as well as increases based on higher 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 June 30, 2023 and 2022, programming and content expenses were $135 and $139, respectively, a decrease of 3%, or $4, and decreased as a percentage of total Sirius XM revenue. For the six months ended June 30, 2023 and 2022, programming and content expenses were $271 and $268, respectively, an increase of 1%, or $3, and increased as a percentage of total Sirius XM revenue. The decrease for the three month period was primarily driven by lower license costs. The increase for the six month period was driven by content licensing costs and live performance production 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 June 30, 2023 and 2022, customer service and billing expenses were $100 and $103, respectively, a decrease of 3% or $3, and decreased as a percentage of total Sirius XM revenue. For the six months ended June 30, 2023 and 2022, customer service and billing expenses were $203 and $207, respectively, a decrease of 2% or $4, and decreased as a percentage of total Sirius XM revenue. The decreases were primarily driven by lower call center costs, partially offset by higher transaction 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 June 30, 2023 and 2022, transmission expenses were $41 and $36, respectively, an increase of 14%, or $5, and increased as a percentage of total Sirius XM revenue. For the six months ended June 30, 2023 and 2022, transmission expenses were $82 and $77, respectively, an increase of 6%, or $5, and increased as a percentage of total Sirius XM revenue. The increases were primarily driven by higher 360L platform and streaming costs as well as higher personnel related costs.

We expect our Sirius XM transmission expenses to increase as costs associated with consumers using our 360L platform 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 each of the three months ended June 30, 2023 and 2022, cost of equipment was $3 and decreased as a percentage of total Sirius XM revenue. For the six months ended June 30, 2023 and 2022, cost of equipment was $7 and $6, respectively, an increase of 17%, or $1, and increased as a percentage of total Sirius XM revenue. The increase was driven by higher inventory reserves.

We expect our Sirius XM cost of equipment to fluctuate with the sales of our satellite radios.

***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 June 30, 2023 and 2022, revenue share and royalties were $327 and $314, respectively, an increase of 4%, or $13, and increased as a percentage of total Pandora and Off-platform revenue. For the six months ended June 30, 2023 and 2022, revenue share and royalties were $636 and $602, respectively, an increase of 6%, or $34, and increased as a percentage of total Pandora and Off-platform revenue. The increases were primarily due to higher podcast revenue share driven by growth in podcast advertising revenue as well as higher royalty expense due to costs related to an increase in certain web streaming royalty rates.

We expect our Pandora and Off-platform revenue share and royalties to increase related to growth in our podcast revenue.

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

For the three months ended June 30, 2023 and 2022, programming and content expenses were $18 and $14, respectively, an increase of 29%, or $4, and increased as a percentage of total Pandora and Off-platform revenue. For the six months ended June 30, 2023 and 2022, programming and content expenses were $32 and $24, respectively, an increase of 33%, or $8, and increased as a percentage of total Pandora and Off-platform revenue. The increases were primarily attributable to higher podcast license fees as well as higher live event costs.

We expect our Pandora and Off-platform programming and content costs to increase as we offer additional programming and produce live events and listener promotions.

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

For the three months ended June 30, 2023 and 2022, customer service and billing expenses were $23 and $22, respectively, an increase of 5%, or $1, and increased as a percentage of total Pandora and Off-platform revenue. For the six months ended June 30, 2023 and 2022, customer service and billing expenses were $43 and $44, respectively, a decrease of 2% or $1, and decreased as a percentage of total Pandora and Off-platform revenue. The increase for the three month period was driven by higher bad debt expense, partially offset by lower transaction fees. The decrease for the six month period was driven by lower transaction fees, partially offset by bad debt expense.

We expect our Pandora and Off-platform customer service and billing costs to decrease driven by lower transaction fees.

*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 June 30, 2023 and 2022, transmission expenses were $9 and $18, respectively, a decrease of 50%, or $9, and decreased as a percentage of total Pandora and Off-platform revenue. For the six months ended June 30, 2023 and 2022, transmission expenses were $17 and $29, respectively, a decrease of 41%, or $12, and decreased as a percentage of total Pandora and Off-platform revenue. The decreases were driven by lower colocation and personnel-related costs as well as lower streaming costs resulting from a decline in listener hours.

We expect our Pandora and Off-platform transmission costs to remain flat as lower personnel-related costs will be offset by an increase in hosting 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 the three months ended June 30, 2023 and 2022, subscriber acquisition costs were $93 and $91, respectively, an increase of 2%, or $2, and increased as a percentage of total revenue. For the six months ended June 30, 2023 and 2022, subscriber acquisition costs were $183 and $181, respectively, an increase of 1%, or $2, and increased as a percentage of total revenue. Higher hardware subsidies driven by installations, which grew due to increased production by automakers, were offset by lower commission and hardware subsidy rates.

We expect subscriber acquisition costs to fluctuate with OEM installations. We intend to continue to offer subsidies and other incentives to induce OEMs 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 June 30, 2023 and 2022, sales and marketing expenses were $220 and $285, respectively, a decrease of 23%, or $65, and decreased as a percentage of total revenue. For the six months ended June 30, 2023 and 2022, sales and marketing expenses were $443 and $557, respectively, a decrease of 20%, or $114, and decreased as a percentage of total revenue. The decreases were primarily due to a decrease in streaming marketing expenditures and marketing to support our brands.

We anticipate that sales and marketing expenses will increase as spend for direct marketing, performance media, and brand marketing spend associated with acquiring and retaining listeners and subscribers increases in the latter half of 2023.

*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 June 30, 2023 and 2022, engineering, design and development expenses were $83 and $72, respectively, an increase of 15%, or $11, and increased as a percentage of total revenue. For the six months ended June 30, 2023 and 2022, engineering, design and development expenses were $162 and $139, respectively, an increase of

17%, or $23, and increased as a percentage of total revenue. The increases were driven by higher personnel-related and cloud hosting costs.

We expect engineering, design and development expenses to increase as we continue to develop our infrastructure, products and services.

*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 June 30, 2023 and 2022, general and administrative expenses were $157 and $127, respectively, an increase of 24%, or $30, and increased as a percentage of total revenue. For the six months ended June 30, 2023 and 2022, general and administrative expenses were $303 and $250, respectively, an increase 21%, or $53, and increased as a percentage of total revenue. The increases were primarily driven by increased legal costs, including amounts associated with settlement of certain litigation matters of $24 during the three months ended June 30, 2023 as well as higher personnel-related benefits attributed to our Deferred Compensation Plan.

We expect our general and administrative expenses to remain relatively flat.

*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 June 30, 2023 and 2022, depreciation and amortization expense was $139 and $135, respectively. For the six months ended June 30, 2023 and 2022, depreciation and amortization expense was $275 and $270, respectively. The increases for the three and six month periods were driven by increases in capitalized software and hardware.

*Impairment, Restructuring and Acquisition Costs* represents impairment charges, net of insurance recoveries, 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 June 30, 2023 and 2022, impairment, restructuring and acquisition costs were $18 and $1, respectively. For the six months ended June 30, 2023 and 2022, impairment, restructuring and acquisition costs were $50 and $1, respectively. During the three months ended June 30, 2023, we recorded impairments primarily related to terminated software projects of $10, restructuring costs of $5, and a cost-method investment impairment of $2. During the six month ended June 30, 2023, we recorded a charge of $23 associated with severance and other employee costs, impairments primarily related to terminated software projects of $13, vacated office space impairments of $7, restructuring costs of $5, and a cost-method investment impairment of $2. During the three months ended June 30, 2022, we recorded $1 of acquisition costs. During the six months ended June 30, 2022, we recorded $3 of acquisition costs which was partially offset by other impairment costs of $2.

***Other (Expense) Income***

*Interest Expense* includes interest on outstanding debt.

For the three months ended June 30, 2023 and 2022, interest expense was $107 and $104, respectively. For the six months ended June 30, 2023 and 2022, interest expense was $213 and $206, respectively. The increase was driven by a higher average outstanding debt balance.

*Other Income (Expense)* 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 June 30, 2023 and 2022, other income (loss) was $0 and $(4), respectively. For the six months ended June 30, 2023 and 2022, other income (loss) was $3 and $(2), respectively. For the three and six months ended June 30, 2023, we recorded 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. For the three and six months ended June 30, 2022, we recorded trading losses associated with the investments held for our

Deferred Compensation Plan, partially offset by our share of Sirius XM Canada's net income and interest earned on our loan to Sirius XM Canada.

***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 June 30, 2023 and 2022, income tax expense was $62 and $96, respectively. For the six months ended June 30, 2023 and 2022, income tax expense was $138 and $197, respectively.

Our effective tax rate for the three months ended June 30, 2023 and 2022 was 16.7% and 24.7%, respectively. Our effective tax rate for the six months ended June 30, 2023 and 2022 was 20.3% and 24.7%, respectively. The effective tax rate for the three and six months ended June 30, 2023 was primarily impacted by the release of valuation reserves against state net operating losses we now expect to utilize. The effective tax rate for the three and six months ended June 30, 2022 was primarily impacted by a benefit associated with the recognition of excess tax benefits related to share-based compensation. We estimate our effective tax rate for the year ending December 31, 2023 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.

Set forth below are our subscriber balances as of June 30, 2023 compared to June 30, 2022.

| (subscribers in thousands) | As of June 30, 2023 | As of June 30, 2022 | 2023 vs 2022 Change Amount | 2023 vs 2022 Change % |
|---|---|---|---|---|
| **Sirius XM** | | | | |
| Self-pay subscribers | 31,907 | 32,037 | (130) | — % |
| Paid promotional subscribers | 2,140 | 1,994 | 146 | 7 % |
| Ending subscribers | 34,047 | 34,031 | 16 | — % |
| Sirius XM Canada subscribers | 2,628 | 2,574 | 54 | 2 % |
| | | | | |
| **Pandora and Off-platform** | | | | |
| Monthly active users - all services | 47,419 | 50,478 | (3,059) | (6)% |
| Self-pay subscribers | 6,229 | 6,319 | (90) | (1)% |
| Paid promotional subscribers | — | — | — | nm |
| Ending subscribers | 6,229 | 6,319 | (90) | (1)% |

The following table contains our Non-GAAP financial and operating performance measures which are based on our adjusted results of operations for the three and six months ended June 30, 2023 and 2022.

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | | 2023 vs 2022 Change | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Three Months | | Six Months | |
| (subscribers in thousands) | 2023 | 2022 | 2023 | 2022 | Amount | % | Amount | % |
| **Sirius XM** | | | | | | | | |
| Self-pay subscribers | (132) | 23 | (479) | (1) | (155) | (674)% | (478) | nm |
| Paid promotional subscribers | 155 | 54 | 221 | — | 101 | (187)% | 221 | nm |
| Net additions | 23 | 77 | (258) | (1) | (54) | 70 % | (257) | nm |
| Weighted average number of subscribers | 34,016 | 33,953 | 34,065 | 33,927 | 63 | — % | 138 | — % |
| Average self-pay monthly churn | 1.5 % | 1.5 % | 1.6 % | 1.6 % | — % | — % | — % | — % |
| ARPU [1] | $ 15.66 | $ 15.62 | $ 15.47 | $ 15.58 | $ 0.04 | — % | $ (0.11) | (1)% |
| SAC, per installation | $ 13.73 | $ 16.27 | $ 14.05 | $ 14.46 | $ (2.54) | (16)% | $ (0.41) | (3)% |
| **Pandora and Off-platform** | | | | | | | | |
| Self-pay subscribers | 7 | (9) | 14 | (5) | 16 | (178)% | 19 | (380)% |
| Paid promotional subscribers | — | — | — | (69) | — | nm | 69 | nm |
| Net additions | 7 | (9) | 14 | (74) | 16 | (178)% | 88 | (119)% |
| Weighted average number of subscribers | 6,195 | 6,313 | 6,199 | 6,334 | (118) | (2)% | (135) | (2)% |
| Ad supported listener hours (in billions) | 2.73 | 2.84 | 5.31 | 5.53 | (0.11) | (4)% | (0.21) | (4)% |
| Advertising revenue per thousand listener hours (RPM) | $ 97.13 | $ 99.75 | $ 91.28 | $ 94.90 | $ (2.62) | (3)% | $ (3.62) | (4)% |
| **Total Company** | | | | | | | | |
| Adjusted EBITDA | $ 702 | $ 679 | $ 1,327 | $ 1,369 | $ 23 | 3 % | $ (42) | (3)% |
| Free cash flow | $ 323 | $ 435 | $ 467 | $ 693 | $ (112) | (26)% | $ (226) | (33)% |

nm - not meaningful

(1) ARPU for Sirius XM excludes subscriber revenue from our connected vehicle services of $43 and $47 for the three months ended June 30, 2023 and 2022, respectively, and $82 and $95 for the six months ended June 30, 2023 and 2022, respectively.

***Sirius XM***

*Subscribers.* At June 30, 2023, Sirius XM had approximately 34,047 subscribers, an increase of 16, from the approximately 34,031 subscribers as of June 30, 2022. The increase was due to the increase in paid promotional subscribers generated by vehicle sales, partially offset by a decrease in our self-pay subscriber base resulting from lower vehicle conversion rates, and higher vehicle related churn, partially offset by lower non-pay churn.

For the three months ended June 30, 2023 and 2022, net subscriber additions were 23 and 77, respectively. For the six months ended June 30, 2023 and 2022, net subscriber additions were (258) and (1), respectively. Self-pay net additions decreased as a result of higher vehicle related churn, lower vehicle conversion rates as well as lower streaming net additions, partially offset by lower non-pay churn. Paid promotional net additions increased generated by higher vehicle sales.

*Sirius XM Canada Subscribers.* At June 30, 2023, Sirius XM Canada had approximately 2,628 subscribers, an increase of 54, or 2%, from the approximately 2,574 Sirius XM Canada subscribers as of June 30, 2022.

*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 each of the three months ended June 30, 2023 and 2022, our average self-pay monthly churn rate was 1.5%. Higher vehicle related churn was offset by lower non-pay churn. For each of the six months ended June 30, 2023 and 2022, our average self-pay monthly churn rate was 1.6%. Higher vehicle related churn was offset by lower non-pay 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 June 30, 2023 and 2022, subscriber ARPU - Sirius XM was $15.66 and $15.62, respectively. For the six months ended June 30, 2023 and 2022, subscriber ARPU - Sirius XM was $15.47 and $15.58, respectively. The increase for the three month period was primarily driven by increases in certain subscription rates, partially offset by the impact of the mix of self-pay promotional plans, a reduction in rates associated with paid promotional plans from automakers as well as lower advertising revenue. The decrease for the six month period was driven by the impact of the mix of self-pay promotional plans, a reduction in rates associated with paid promotional plans from automakers as well as lower advertising revenue; partially offset by increases in certain subscription rates.

*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 June 30, 2023 and 2022, SAC, per installation, was $13.73 and $16.27, respectively. For the six months ended June 30, 2023 and 2022, SAC, per installation, was $14.05 and $14.46, respectively. The decreases were driven by a change in the mix of OEMs and the impacts on the previous year related to the semiconductor supply shortages which lead to higher chipset costs in our new technology.

***Pandora and Off-platform***

*Monthly Active Users.* At June 30, 2023, Pandora had approximately 47,419 monthly active users, a decrease of 3,059 monthly active users, or 6%, from the 50,478 monthly active users as of June 30, 2022. The decrease in monthly active users was driven by churn and a decline in the number of new users.

*Subscribers.* At June 30, 2023, Pandora had approximately 6,229 subscribers, a decrease of 90, or 1%, from the approximately 6,319 subscribers as of June 30, 2022.

For the three months ended June 30, 2023 and 2022, net subscriber additions were 7 and (9), respectively. For the six months ended June 30, 2023 and 2022, net subscriber additions were 14 and (74), respectively. The increases were driven by improved retention.

*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 June 30, 2023 and 2022, ad supported listener hours were 2,729 and 2,842, respectively, a decrease of 4%, or 113. For the six months ended June 30, 2023 and 2022, ad supported listener hours were 5,315 and

5,527, respectively, a decrease of 4%, or 212. The decreases in ad supported listener hours were 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 June 30, 2023 and 2022, RPM was $97.13 and $99.75, respectively. For the six months ended June 30, 2023 and 2022, RPM was $91.28 and $94.90, respectively. The decreases for the three and six month periods were primarily driven by a decrease in total advertisements sold.

***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 June 30, 2023 and 2022, adjusted EBITDA was $702 and $679, respectively, an increase of 3%, or $23. For the six months ended June 30, 2023 and 2022, adjusted EBITDA was $1,327 and $1,369, respectively, a decrease of 3%, or $42. The increase for the three month period was driven by lower sales and marketing costs, partially offset by higher revenue share and royalties as well as higher litigation costs. The decrease for the six month period was driven by lower revenue, combined with higher revenue share and royalties due to podcast minimum guarantees and streaming rates, and higher litigation; partially offset by lower sales and marketing costs.

*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 June 30, 2023 and 2022, free cash flow was $323 and $435, respectively, a decrease of 26%, or $112. For the six months ended June 30, 2023 and 2022, free cash flow was $467 and $693, respectively, a decrease of 33%, or $226. The decreases were primarily driven by higher cash taxes paid and increases in satellite capital expenditures.

**Liquidity and Capital Resources**

The following table presents a summary of our cash flow activity for the six months ended June 30, 2023 compared with the six months ended June 30, 2022.

| | For the Six Months Ended June 30, | | |
|---|---|---|---|
| | 2023 | 2022 | 2023 vs 2022 |
| Net cash provided by operating activities | $ 801 | $ 888 | $ (87) |
| Net cash used in investing activities | (365) | (333) | (32) |
| Net cash used in financing activities | (442) | (620) | 178 |
| Net decrease in cash, cash equivalents and restricted cash | (6) | (65) | 59 |
| Cash, cash equivalents and restricted cash at beginning of period | 65 | 199 | (134) |
| Cash, cash equivalents and restricted cash at end of period | $ 59 | $ 134 | $ (75) |

*Cash Flows Provided by Operating Activities*

Cash flows provided by operating activities decreased by $87 to $801 for the six months ended June 30, 2023 from $888 for the six months ended June 30, 2022.

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 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 six months ended June 30, 2023 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 $31. Cash flows used in investing activities in the six months ended June 30, 2022 were primarily due to spending for capitalized software and hardware, the construction of satellites and an acquisition for total cash consideration of $137. We spent $130 and $124 on capitalized software and hardware as well as $174 and $51 to construct satellites during the six months ended June 30, 2023 and 2022, 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 our 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 our common stock.

Cash flows used in financing activities in the six months ended June 30, 2023 were primarily due to the payment of cash dividends of $188, the repurchase of $173 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 $199, and payment of $18 for taxes in lieu of shares issued for share-based compensation, partially offset by net borrowings under our Credit Facility of $143. Cash flows used in financing activities in the six months ended June 30, 2022 were primarily due to the payment of cash dividends of $1,159, the purchase and retirement of shares of our common stock under our repurchase program for $415, and payment of $39 for taxes in lieu of shares issued for share-based compensation, partially offset by net borrowings under our Credit Facility of $510 and an amendment to our Credit Facility to incorporate an Incremental Term Loan borrowing of $500 ($499 net of costs) which matures on April 11, 2024.

***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 June 30, 2023, $223 was outstanding under our Credit Facility and $1,527 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-term and long-term funding needs, including amounts to construct, launch and insure replacement satellites, as well as fund future stock repurchases, future dividend payments 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.

*Capital Return Program*

As of June 30, 2023, our board of directors had authorized for repurchase an aggregate of $18,000 of our common stock. As of June 30, 2023, our cumulative repurchases since December 2012 under our stock repurchase program totaled 3,715 shares for $16,760, and $1,240 remained available for additional repurchases under our existing stock repurchase program authorization.

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 July 26, 2023, our board of directors declared a quarterly dividend on our common stock in the amount of $0.0242 per share of common stock payable on August 30, 2023 to stockholders of record as of the close of business on August 8, 2023.

***Debt Covenants***

The indentures governing Sirius XM's senior notes and Pandora's convertible notes and the agreement governing the Sirius XM Credit Facility include restrictive covenants. As of June 30, 2023, we were in compliance with such covenants. For a discussion of our “Debt Covenants,” refer to Note 12 to our unaudited consolidated financial statements in this Quarterly Report on Form 10-Q.

***Off-Balance Sheet Arrangements***

We do not have any significant off-balance sheet arrangements other than those disclosed in Note 15 to our unaudited consolidated financial statements in this Quarterly Report on Form 10-Q 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 15 to our unaudited consolidated financial statements in this Quarterly Report on Form 10-Q.

***Related Party Transactions***

For a discussion of “Related Party Transactions,” refer to Note 11 to our unaudited consolidated financial statements in this Quarterly Report on Form 10-Q.

***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 on Form 10-K for the year ended December 31, 2022. There have been no material changes to our critical accounting policies and estimates since December 31, 2022.

***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, 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 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 June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net income: | $ 310 | $ 292 | $ 543 | $ 601 |
| Add back items excluded from Adjusted EBITDA: | | | | |
| Legal settlements and reserves | 24 | — | 24 | — |
| Impairment, restructuring and acquisition costs | 18 | 1 | 50 | 1 |
| Share-based payment expense (1) | 42 | 47 | 87 | 92 |
| Depreciation and amortization | 139 | 135 | 275 | 270 |
| Interest expense | 107 | 104 | 213 | 206 |
| Other (income) expense | — | 4 | (3) | 2 |
| Income tax expense | 62 | 96 | 138 | 197 |
| Adjusted EBITDA | $ 702 | $ 679 | $ 1,327 | $ 1,369 |

(1) Allocation of share-based payment expense:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Programming and content | $ 8 | $ 9 | $ 15 | $ 16 |
| Customer service and billing | 1 | 1 | 3 | 3 |
| Transmission | 1 | 1 | 2 | 3 |
| Sales and marketing | 11 | 13 | 20 | 26 |
| Engineering, design and development | 11 | 9 | 22 | 17 |
| General and administrative | 10 | 14 | 25 | 27 |
| Total share-based payment expense | $ 42 | $ 47 | $ 87 | $ 92 |

**Free cash flow** - is derived from cash flow provided by operating activities plus insurance recoveries on our satellites, 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, and 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 June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Cash Flow information** | | | | |
| Net cash provided by operating activities | $ 451 | $ 533 | $ 801 | $ 888 |
| Net cash used in investing activities | (130) | (191) | (365) | (333) |
| Net cash used in financing activities | (323) | (292) | (442) | (620) |
| **Free Cash Flow** | | | | |
| Net cash provided by operating activities | 451 | 533 | 801 | 888 |
| Additions to property and equipment | (128) | (99) | (333) | (196) |
| Purchases of other investments | — | 1 | (1) | 1 |
| Free cash flow | $ 323 | $ 435 | $ 467 | $ 693 |

**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 June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Subscriber acquisition costs, excluding connected vehicle services | $ 93 | $ 91 | $ 183 | $ 181 |
| Less: margin from sales of radios and accessories, excluding connected vehicle services | (44) | (42) | (86) | (92) |
| | $ 49 | $ 49 | $ 97 | $ 89 |
| Installations (in thousands) | 3,567 | 2,974 | 6,901 | 6,099 |
| SAC, per installation [(a)] | $ 13.73 | $ 16.27 | $ 14.05 | $ 14.46 |

(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.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

As of June 30, 2023, we did not hold or issue any free-standing derivatives. We hold investments in money market funds and certificates of deposit. These securities are consistent with the objectives contained within our investment policy. The basic objectives of our investment policy are the preservation of capital, maintaining sufficient liquidity to meet operating requirements and maximizing yield.

Our debt includes fixed rate instruments and the fair market value of our debt is sensitive to changes in interest rates. Sirius XM's borrowings under the Credit Facility carry a variable interest rate. Sirius XM's borrowings under the Credit Facility carry a variable interest rate. On or after July 1, 2023, borrowings based on London Inter-bank Offered Rate ("LIBOR") as the benchmark rate are no longer available. From and after July 1, 2023, Sirius XM borrowings are based on the Secured Overnight Financing Rate plus an applicable rate based on its debt to operating cash flow ratio. We may, in the future, hedge against interest rate fluctuations by using hedging instruments such as swaps, caps, options, forwards, futures or other similar products. These instruments may be used to selectively manage risks, but there can be no assurance that we will be fully protected against material interest rate fluctuations.

## ITEM 4. CONTROLS AND PROCEDURES

### Controls and Procedures

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act of 1934, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. The design of any disclosure controls and procedures is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives.

As of June 30, 2023, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as that term is defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on that evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of June 30, 2023.

### Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as that term is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the quarter ended June 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

# PART II — OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

For a discussion of our "Legal Proceedings," refer to Note 15 to our unaudited consolidated financial statements in this Quarterly Report on Form 10-Q.

## ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in response to Part I, "Item 1A. Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2022 which was filed with the Securities and Exchange Commission on February 2, 2023.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER REPURCHASES OF EQUITY SECURITIES

As of June 30, 2023, our board of directors had approved for repurchase an aggregate of $18.0 billion of our common stock. Our board of directors did not establish an end date for this stock repurchase program. Shares of common stock may be purchased from time to time on the open market, pursuant to pre-set trading plans meeting the requirements of Rule 10b5-1 under the Exchange Act, in privately negotiated transactions, including transactions with Liberty Media and its affiliates, or otherwise. As of June 30, 2023, our cumulative repurchases since December 2012 under our stock repurchase program totaled 3.7 billion shares for $16.8 billion, and $1.2 billion remained available under our existing $18.0 billion stock repurchase program. The size and timing of these purchases will be based on a number of factors, including price and business and market conditions.

The following table provides information about our purchases of equity securities registered pursuant to Section 12 of the Exchange Act, as amended, during the quarter ended June 30, 2023:

| Period | Total Number of Shares Purchased | Average Price Paid Per Share (a) | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (a) |
|---|---|---|---|---|
| April 1, 2023 - April 30, 2023 | 11,100,000 | $ 3.89 | 11,100,000 | $ 1,331,235,442 |
| May 1, 2023 - May 31, 2023 | 13,200,000 | $ 3.59 | 13,200,000 | $ 1,283,899,042 |
| June 1, 2023 - June 30, 2023 | 11,807,389 | $ 3.83 | 11,807,389 | $ 1,238,664,489 |
| Total | 36,107,389 | $ 3.76 | 36,107,389 | |

(a) These amounts include fees and commissions associated with the shares repurchased.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

Rule 10b5-1 Plan Elections

On June 15, 2023, Kristina Salen, a member of our Board of Directors, entered into a 10b5-1 sales plan (the "Salen 10b5-1 Sales Plan") intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. The Salen 10b5-1 Sales Plan will be in effect until the earlier of (1) June 14, 2024 and (2) the date on which an aggregate of 24,442 shares of our common stock have been sold under the Salen 10b5-1 Sales Plan.

## ITEM 6. EXHIBITS

See Exhibit Index attached hereto, which is incorporated herein by reference.

## EXHIBIT INDEX

| Exhibit | Description |
|---|---|
| *10.1 | Employment Agreement, dated April 3, 2023 between Sirius XM Radio Inc. and Thomas D. Barry (incorporated by reference to Exhibit 10.1 to Sirius XM Holdings Inc.'s Current Report on Form 8-K filed on April 4, 2023 (File No. 001-34295)). |
| 31.1 | Certificate of Jennifer C. Witz, Chief Executive Officer and Director, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 31.2 | Certificate of Thomas D. Barry, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 32.1 | Certificate of Jennifer C. Witz, Chief Executive Officer and Director, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). |
| 32.2 | Certificate of Thomas D. Barry, Executive Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). |
| 101.1 | The following financial information from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 formatted in Inline eXtensible Business Reporting Language (Inline XBRL): (i) Consolidated Statements of Comprehensive Income (Unaudited) for the three and six months ended June 30, 2023 and 2022; (ii) Consolidated Balance Sheets as of June 30, 2023 (Unaudited) and December 31, 2022; (iii) Consolidated Statements of Stockholders' Equity (Deficit) for the three and six months ended June 30, 2023 and 2022 (Unaudited); (iv) Consolidated Statements of Cash Flows (Unaudited) for the six months ended June 30, 2023 and 2022; and (v) Notes to Consolidated Financial Statements (Unaudited). |
| 104 | The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, formatted in Inline XBRL. |

* This document has been identified as a management contract or compensatory plan or arrangement.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them other than for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document as of the date they were made and may not describe the actual state of affairs for any other purpose or at any other time.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 1st day of August 2023.

SIRIUS XM HOLDINGS INC.

By: /s/ Thomas D. Barry

**Thomas D. Barry**
**Executive Vice President and Chief Financial Officer**
**(Principal Financial Officer and Authorized Officer)**

**Exhibit 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Jennifer C. Witz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023 of Sirius XM Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ JENNIFER C. WITZ

**Jennifer C. Witz**
**Chief Executive Officer and Director**
**(Principal Executive Officer)**

August 1, 2023

**Exhibit 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Thomas D. Barry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023 of Sirius XM Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ THOMAS D. BARRY

**Thomas D. Barry**
**Executive Vice President and Chief Financial Officer**
**(Principal Financial Officer)**

August 1, 2023

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY**
**ACT OF 2002**

In connection with the Quarterly Report of Sirius XM Holdings Inc. (the “Company”) on Form 10-Q for the quarterly period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jennifer C. Witz, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JENNIFER C. WITZ

**Jennifer C. Witz**
**Chief Executive Officer and Director**
**(Principal Executive Officer)**

August 1, 2023

*A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.*

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY**
**ACT OF 2002**

In connection with the Quarterly Report of Sirius XM Holdings Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas D. Barry, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ THOMAS D. BARRY

**Thomas D. Barry**
**Executive Vice President and Chief Financial Officer**
**(Principal Financial Officer)**

August 1, 2023

*A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.*