

Michael Anderson
Chief Investment Officer

STRATEGY SPOTLIGHT:

LIBERTY SIRIUSXM (LSXMK)

July 2021

INTELLIGENT INVESTING

At Hi-Line Capital Management, our intrinsic value-based investing is best viewed over the long-term. It incorporates the need for an in-depth analysis, long-term thinking, risk reduction, proper temperament, and independent thought and conclusions. We believe our investments have an employable competitive edge, and our insight papers, *Intrinsic Value Analysis*, provide a summary of some of the various elements crucial to our analysis and investment thesis.

ABOUT HI-LINE CAPITAL MANAGEMENT

Hi-Line Capital Management, LLC (“HLCM”), based in Watertown, SD, provides investment management and advisory services for institutional and individual clients. The firm was founded in July 2009, became a registered investment advisor (RIA) with the U.S. Securities and Exchange Commission (“SEC”) in March 2010.

BUSINESS OVERVIEW

Liberty SiriusXM (LSXMK) is a tracking stock that operates as a media holding company with the below interests.

Company	% Shares Owned	Business Summary
SiriusXM Holdings	76%	A satellite radio company based on subscription fees and ad-supported audio entertainment. The company also owns Pandora, the largest ad-supported audio entertainment streaming service in the U.S.
LiveNation	33%	LiveNation produces live entertainment events and artist manager. It merged with Ticketmaster in 2010 and now also operates in ticket marketing, sales and distribution.
iHeartMedia, Inc.	5%	Provides media entertainment services through radio broadcasting and also offers entertainment distribution and media advertising.
Braves Group	4%	The company indirectly owns the Atlanta Braves Major League Baseball club, the Atlanta Braves' stadium and associated real estate.
Formula One Group	2%	Holds the exclusive commercial rights to the FIA Formula One World Championship (motor race) and is responsible for monetizing and the development of the race.

COMPETITIVE ADVANTAGES

The following competitive advantages relate to the top two holdings of LSXMK.

SiriusXM Holdings (SIRI) is the largest asset representing more than 70% of LSXMK’s implied value. SiriusXM is comprised of satellite radio (SiriusXM) and Pandora (acquired in 2018) which combines a leader in subscription internet streaming. Prior to 2020, SiriusXM had been able to grow by 1 million subscribers for ten consecutive years and still grew by 0.9 million self-pay subscribers in 2020. LiveNation represents at least 20% of LSXMK’s implied value. LiveNation is the largest live entertainment company in the world. In 2019, LiveNation served 98 million fans as the producer of live music concerts. LiveNation owns and operates exclusive booking rights in 273 venues. Furthermore, LiveNation owns and operates Ticketmaster and sold 485 million tickets in 2019. COVID eliminated live performances in 2020 but its variable cost structure will allow it to thrive upon the return of live entertainment.

THE PEOPLE

Greg Maffei serves as President and CEO across the Liberty family companies. Maffei has a particularly creative way of structure assets deals in order to help unlock value of the holding companies. For an example, the company issues exchangeable debt (debt for equity of another company share held). This type of transaction can help reduce the discount of the companies held over time. Historically, he has a relatively successful track record of unlocking value.

HI-LINE CAPITAL MANAGEMENT, LLC
 25 1ST AVE NW
 WATERTOWN, SD 57201

EMAIL: INFO@HI-LINECAPITAL.COM
 PHONE: 605.878.0897
WWW.HI-LINECAPITAL.COM

Hi-Line Capital Management, LLC is a Registered Investment Advisor. Advisory services are only offered to clients or prospective clients where Hi-Line and its representatives are properly licensed or exempt from licensure. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Herein expresses the opinion of Hi-Line Capital Management. All investments include a risk of loss that clients should be prepared to bear. Information is the opinion of Hi-Line Capital Management for informational purposes only and is not meant to be an investment recommendation. Principal risks of Hi-Line strategies are disclosed in the ADV Part 2A.

Michael Anderson
Chief Investment Officer

STRATEGY SPOTLIGHT:
LIBERTY SIRIUSXM (LSXMK)

July 2021

**INTELLIGENT
INVESTING**

At Hi-Line Capital Management, our intrinsic value-based investing is best viewed over the long-term. It incorporates the need for an in-depth analysis, long-term thinking, risk reduction, proper temperament, and independent thought and conclusions. We believe our investments have an employable competitive edge, and our insight papers, *Intrinsic Value Analysis*, provide a summary of some of the various elements crucial to our analysis and investment thesis.

**ABOUT HI-LINE
CAPITAL MANAGEMENT**

Hi-Line Capital Management, LLC ("HLCM"), based in Watertown, SD, provides investment management and advisory services for institutional and individual clients. The firm was founded in July 2009, became a registered investment advisor (RIA) with the U.S. Securities and Exchange Commission ("SEC") in March 2010.

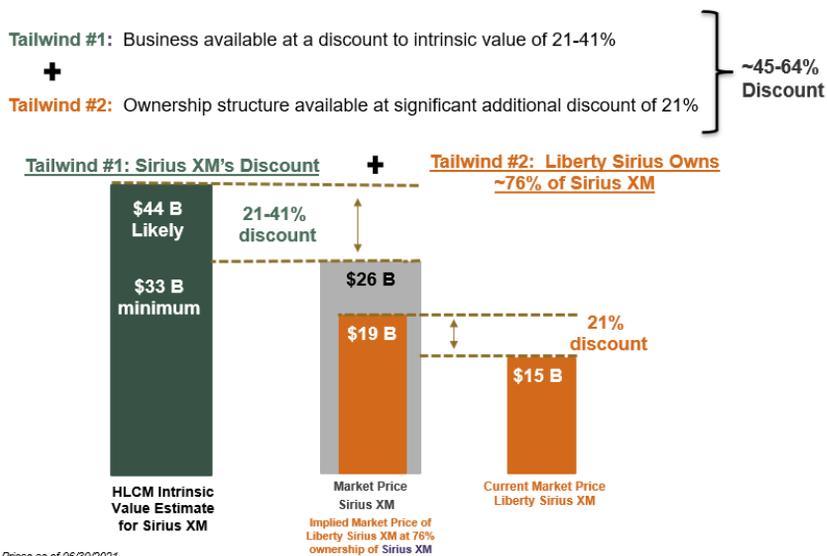
PRICE VERSUS INTRINSIC VALUE

Liberty SiriusXM provides a double discount. The first relates to the intrinsic value of the company's holdings, primarily SiriusXM (at ~76% of total). That aside, there is a pure price arbitrage available between the valuation of Liberty Sirius relative to the value of the sum of its underlying parts.

The implied value of its five holdings (based on market price and shares owned) plus adjustments to discern the estimated net asset value, the expected market price of Liberty SiriusXM is expected to be around \$70-\$75 per share. However, the company is currently trading around \$46 as of quarter end. This implies a price arbitrage discount of 34%-38%. And the likely discount is larger when analyzed based on look-through earnings.

IN CONCLUSION

SiriusXM (SIRI) has conducted share buybacks while Liberty SiriusXM has not sold any of its shares of SIRI back it the company. As this progresses, Liberty SiriusXM's ownership of Sirius will increase. If this approaches the 80% ownership threshold, there are significant benefits to LSXMK such as dividends from SIRI are no longer taxed as well as possible merger benefits which may completely eliminate the discount inherent in LSXMK security.



Source: Bloomberg. Intrinsic Value estimate is HLCM's proprietary analysis. The above targets are estimates based on certain assumptions and analysis made by the advisor. There is no guarantee that the estimates will be achieved.

As always, we would be happy to discuss our thesis on this information with you in more detail. Please feel free to contact us.