XM & Sirius Merger?

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EEP 142 – Industrial Organization
Recent News

• February 19, 2007 announced merger
• “Sirius Plans to Buy XM in $4.6B Stock Deal”

 » Reuters 20 Feb 2007
Sirius, XM expect deal to close by end 2007
Tue Feb 20, 2007 1:45 PM GMT
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NEW YORK (Reuters) - Sirius Satellite Radio Inc. (SIRI.O: Quote, Profile, Research) and XM Satellite Radio Holdings Inc. (XMSR.O: Quote, Profile, Research) expect their merger to close by the end of 2007, according to presentation slides for an analysts' conference call on Tuesday.

The two companies expect shareholders to vote on the deal in four to six months and expect to receive regulatory approval in about nine months, according to the slides.

Sirius plans to buy rival XM for $4.6 billion in stock, but U.S. Federal Communications Commission Chairman Kevin Martin said on Monday the deal would face a tough time winning regulatory approval.

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Similar Merger Attempt

- Direct TV & Dish Network
- FCC rejected push for satellite media merger
  - Why?
  - How is the XM/Sirius merger different?
XM Radio: A Background

• NASDAQ: XMSR
• Founded in 1988 as American Mobile Radio Corp.
• HQ in DC
• Services in US & Canada
• 73 music, 83 news/entertainment channels
Sirius Satellite Radio

- HQ in NYC (seriously)
- 69 music, 65 news/entertainment channels
- Formerly known as Satellite CD Radio Inc. but changed name to Sirius Satellite Radio
Sirius Satellites
Products, Products!

- XM Radio
- Home theater system
- Car stereo
- Portable player
- Plug-&-Play hybrids
- XM online

- Sirius Satellite Radio
- Home theater system
- Car stereo
- Portable player
- Plug-&-Play hybrids
- Sirius Internet Radio
### XM Stock Prices – Before & After

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### Sirius Stock Prices – Before & After

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![Graph](chart.png)
A Duopoly into a Monopoly?

- We have a duopoly within satellite radio
- Do they have market power?
- How will market power change after merger?
- How would the two-set of current subscribers be treated?
  - Few years still keep services separate
  - Slowly phase out one & replace losing side
Competition Landscape

- AM
- FM
- HD Radio
- Digital Radio
- Podcasts
- CD/Cassettes
Market Power & Product Differentiation?

• Do consumers really believe that satellite radio is different?

• If so, why?
  – Little to no commercials
  – Greater selection (e.g., choice of NFL games to listen to)
  – Quality
  – Exclusive access (e.g., Howard Stern)
  – XM & Sirius subscription & equipment are similar
Notable Unholy Alliances

- XM & Napster
- XM & JetBlue & DirecTV
- XM & AirTran Airways
- XM & Zipcar
- XM & DirecTV
- XM & AOL Radio (free limited)
- XM & Winamp
- Exclusive satellite right to all NHL games

- Sirius & Howard Stern
- Sirius & Martha Stewart
- Exclusive satellite rights to all NFL, CFL & NBA games
The Great Race
Moral of the Story

• Don’t buy XM & Sirius because of merger rumors
• This stuff is expensive for college students (so get it illegally – but don’t get caught)
• The merger is uncertain
• And most importantly…