



iHeart + Liberty + Sirius + Pandora – That Escalated Quickly
by [RC Williams](#) | posted: March 24, 2018 [0 Comment](#)

Since our most recent piece on the iHeart bankruptcy was posted, we've received a number of calls and notes on other things that we think may be on the way.

The short version:

iHeart will divest between 150 and 200 stations during the Chapter 11 process, as part of their goal to reduce their debt from \$20B to \$10B.

Keep in mind that the investment structure for senior lenders in iHeart has **very specific** language, allowing those creditors to make negotiate and make a deal with an interested party **without iHeart being present**.

Best potential acquirers:

- Townsquare
- Entercom
- Beasley
- Lew Dickey's blank check investment fund (though Cumulus assets are attractive)
- Urban (Radio) One
- Alpha Media (possibly)
- Small Market Operators Who Sold to IHeart At A High Multiple

It's important to note that Urban One recently announced they are raising \$50M through the public markets, which would put them in play for iHeart assets that allow the company to meet their strategic goal of dominating markets they are in.

It will be interesting to see what's next.

Pandora In Play

We also shared the position in last week's piece that:

“Liberty Media holds interests in Sirius/XM, Pandora, Formula 1 and a number of other entities,” and; “The investment in Pandora was at 19% of the company. The way that the deal is structured, it will eventually be a takeover at a favorable price.”

Since then, Pandora has [acquired audio ad-tech company Adswizz for \\$145M in cash and stock](#). According to TechCrunch, the deal calls for 50% of the purchase price to be in cash, with the other 50% paid in either cash or stock at Pandora’s discretion.

Given that Adswizz powers a number of media groups including Cox Media Group, iHeartRadio, TuneIn, Entercom, Omnicom Media Group, Spotify, Deezer, PodcastOne, GroupM, and others, the investment makes perfect strategic sense in the larger play for Liberty Media.

We’ve been told by a number of professionals, including analysts, that our logic behind the structure of the Pandora deal is off. It could be, but info from Citi seems to agree.

Citi downgrades Sirius XM, but likes Liberty Sirius

- Sirius XM (SIRI -1%) is lower out of the open after a downgrade to Neutral at Citigroup.
- The firm is struggling to see how Sirius can pass a price target of \$6.65 over the next 12 to 18 months, it says.
- But it’s staying in the unanimous bullish camp on Liberty Sirius (LSXMA -1.2%), which it says has a 30% discount to NAV that the company will likely close by buying Pandora (P +7.8%).

Credit: Seeking Alpha

The next few weeks and months are going to be interesting to watch.

If you’d like to understand this a bit better, or improve your competitive intel, we can help. Let’s talk.

Julianna Ormond and RC Williams are co-founders of The Hint Group and creators of Sherlock, the intelligent system designed to maximize your growth. For more information, please visit TheHintGroup.com or call 833-456-HINT (4468).

iHeart + Liberty + Sirius + Pandora – Circling The Wagons

by [RC Williams](#) | posted: May 29, 2018 [0 Comment](#)

As regular readers are already aware, we’ve followed the activities around the **iHeart Media** bankruptcy and how **Liberty Media** has circled the wagons to dominate audio advertising via a **unified audio chain** very closely.

Utilizing *Sherloc™*, our proprietary system, we were able to make the following cases:

iHeart Bankruptcy! (If I'm Liberty Media)

They did exactly the same thing when they made an offer to lay out \$1.16B for 40% of a restructured iHeart post bankruptcy, while buying up iHeart debt (betting on Chapter 11 bankruptcy) to have a seat at the table in the bankruptcy proceedings.

The master stroke from John Malone and Greg Maffei?

1. Should they execute properly, they will have large/controlling interests of the best parts of established terrestrial audio brands. Combined with Sirius/XM, Pandora, INRIX (delivering traffic information/data/analytics) to OEM's) and Live Nation, they would have a large lock on the audio ad business overall, controlling pricing and a funnel to deliver more revenue to "sister" services.

All at a significant discount based on the overvalued/undervalued formula.

2. The investment structure for senior lenders in iHeart have very specific language, allowing those creditors to make negotiate and make a deal with an interested party **without iHeart being present.**

Liberty Media has purchased \$600M in iHeart debt and is active in the bankruptcy proceedings.

Then, there's Pandora:

Sherloc™ was able to connect the dots and answer the questions that weren't asked, but were most important:

**What Does This Actually Mean?
Who Actually Wins?**

What *Sherloc™* determined was that a player who could consolidate in the audio advertising space would be able to dominate it at a very good value if they had the size, influence, patience, and stealth to connect the dots.

That's Liberty Media.

Which leads us to comments from Pandora's CFO, Naveen Chopra, at a B. Riley conference, where he responded to questions about [recent statements from Liberty Media CEO Greg Maffei about synergies between the groups.](#)

SIRI : M&A chatter swells up around Pandora again • 3:48 PM
Jason Aycock, SA News Editor

- A drop in Pandora Media (P -4.9%) today on no apparent catalysts may tie back to some M&A commentary from its chief financial officer.
- *Barron's* points out that CFO Naveen Chopra took a question at a B. Riley conference yesterday about comments from Liberty Media (FWONA -0.3%) CEO Greg Maffei (also Pandora's chairman) alluding to "synergies" between Pandora and iHeartMedia (OTCPK:IHRTQ), in which Liberty might be interested.
- "I'm not sure it would be very smart for me to claim that the vision of the Chairman of our company is babbling," Chopra said, adding "there's a lot of overlap between our businesses. ... To the extent that that's where Greg sees opportunity, it's hard to argue with that." He did accentuate that Liberty and Sirius XM (SIRI +0.5%) don't control Pandora and that independent directors are looking out for maximizing shareholder value.
- SunTrust analysts today listed M&A prospects as part of their thesis for Pandora as well, *Barron's* notes.
- Previously: [Pandora to exchange \\$193M in convertible notes to extend maturity](#) (May. 24



According to [Barron's](#), Chopra said the following in response to Maffei's comments:

"I'm not sure it would be very smart for me to claim that the vision of the Chairman of our company is babbling."

Barron's also accurately points out that Maffei has previously expressed interest in buying Pandora [at the right price](#). His statements sometimes [move the company's shares](#), which *LiAison Labs* co-founder RC Williams forecasted in comments on *Seeking Alpha* in June of 2017.

SiriusXM to make \$480M strategic investment in Pandora

Jun. 9, 2017 8:33 AM ET | By: Carl Surran, SA News Editor

- Pandora (NYSE:P) +3.3% premarket after SiriusXM (NASDAQ:SIRI) announces a \$480M investment in the company, confirming earlier speculation.
- Under the agreement, Sirius will purchase \$480M in newly issued Series A convertible preferred stock, representing a stake of 19% of Pandora's outstanding common stock and a 16% stake on an as-converted basis.
- Sirius gets three Pandora board seats, including the chairman, increasing board membership to nine.
- Pandora will terminate its investment agreement with KKR and pay a \$22.5M termination fee.



RC Williams

Comments (7) | + Follow

Called this one a few months ago, though I saw a Sirius trying to drive Pandora into an outright sale at a bargain. This is another way to get it done. Two companies who are hurting in this instance needed each other, and it help Sirius to build a moat around in car audio.

09 Jun 2017, 10:32 AM Edit/Delete

Like 0 Reply

Mr. Chopra then stated the following:

“There’s a lot of overlap between our businesses...To the extent that that’s where Greg sees opportunity, it’s hard to argue with that.”

So far, this makes sense. But then, Mr. Chopra said this:

“While Liberty and Sirius has a meaningful stake in the company and they are highly involved, they have three seats on the board. They don’t control the company and we have a group of independent directors who are very focused on making sure that, you know, we are maximizing value for all shareholders.”

This runs counter to the actual facts of the Liberty Media deal with Pandora, including [Maffei](#) being Pandora’s chairman of the board and the actual details of the deal, which *Sherloc* has forecasted as an **acquisition in disguise**.

What This Means: After running Mr. Chopra’s comments and other related information, including investment commentary from analysts and commentary from all parties with an interest through *Sherloc*’s *Leviathan* algorithm, we forecast that these moves are simply priming the pump for a full acquisition of Pandora at a price of Liberty Media’s choosing, as laid out in our prior cases.

We anticipate fluctuations in the share prices of Liberty Media, Sirius XM, Pandora and iHeart as the market works to figure out the best point of entry, which we believe will be in the window right after the announcement of iHeart Media's exit from bankruptcy.

Note: The proceeding comments should not be taken as financial advice. LiAison Labs does not hold any positions in any of these companies and does not plan to do so in the next 72 hours.

Julianna Ormond and RC Williams are co-founders of LiAison Labs and creators of Sherlock, the intelligent system designed to maximize your growth. For more information, please visit sherloc.ai or call 407.630.8482.

Details below.

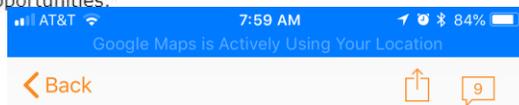


SiriusXM buys Pandora – iHeart next?



Liberty Media-controlled SiriusXM pays \$3.5 billion in stock for streamer Pandora.

Liberty's John Malone is a master strategist, and we know he's already kicked the tires at **iHeart**, even before it entered Chapter 11 bankruptcy protection in March. Does he see a Grand Alliance of satellite radio (SiriusXM), streaming (Pandora) and terrestrial radio/streaming/podcasting (**iHeart?**). For sure, during the last 15 months that he's held a minority stake in Pandora, he's gauged the potential of tying it up with SiriusXM. Jim Meyer, his CEO there, had previously been skeptical about the business model of streaming, particularly ad-supported streaming. In fact Pandora's consistently lost money. But the satcaster says the combined companies would be "the world's largest audio entertainment company," with "more than \$7 billion in expected pro forma revenue" this year. Also "strong, long-term growth opportunities."



Sirius XM buying Pandora in \$3.5B deal

Today, 07:17 AM · SIRI · SA Editor Stephen Alpher

- Sirius XM (NASDAQ:[SIRI](#)) has agreed to purchase Pandora (NYSE:[P](#)) in an all-stock deal valued at about \$3.5B. Pandora owners will receive 1.44 SIRI shares for each Pandora share they hold, an implied price of \$10.14 per share vs. Friday's \$9.09 close.
- There is a "go-shop" provision.
- The deal is seen closing in Q1 of 2019.
- Alongside, SIRI reiterates its full-year 2018 outlook of self-pay net subscriber additions of 1.15M, adjusted EBITDA of \$2.175B, and free cash flow of \$1.5B. Pandora reiterates its Q3 guidance of \$390M-\$405M revenue.
- A [conference call](#) is set for 8:30 ET.
- P **+12.75%** to \$10.25; SIRI **-0.4%** to \$6.95.

