

Liberty Media Corporation: Master Capital Allocator Behind a Free Cash Flow Machine

Liberty Media Corporation



Ticker: Nasdaq: LMCA/B/K

Stock Price: \$32.49

Market Cap: 10.8B

S/OS: 334M

Dividend: 0%

PE: 126

- **John Malone's Capital Allocation Vehicle with Investments in Sirius, Live Nation & Braves**
- **Trades like a Closed End Fund Even though Liberty has Strong Control over Cash Flow of Subsidiaries**

LMCK LTM Stock Performance -12.1%



Share Prices as on 2/12/2016;

Liberty Media Market Cap is \$10.8B

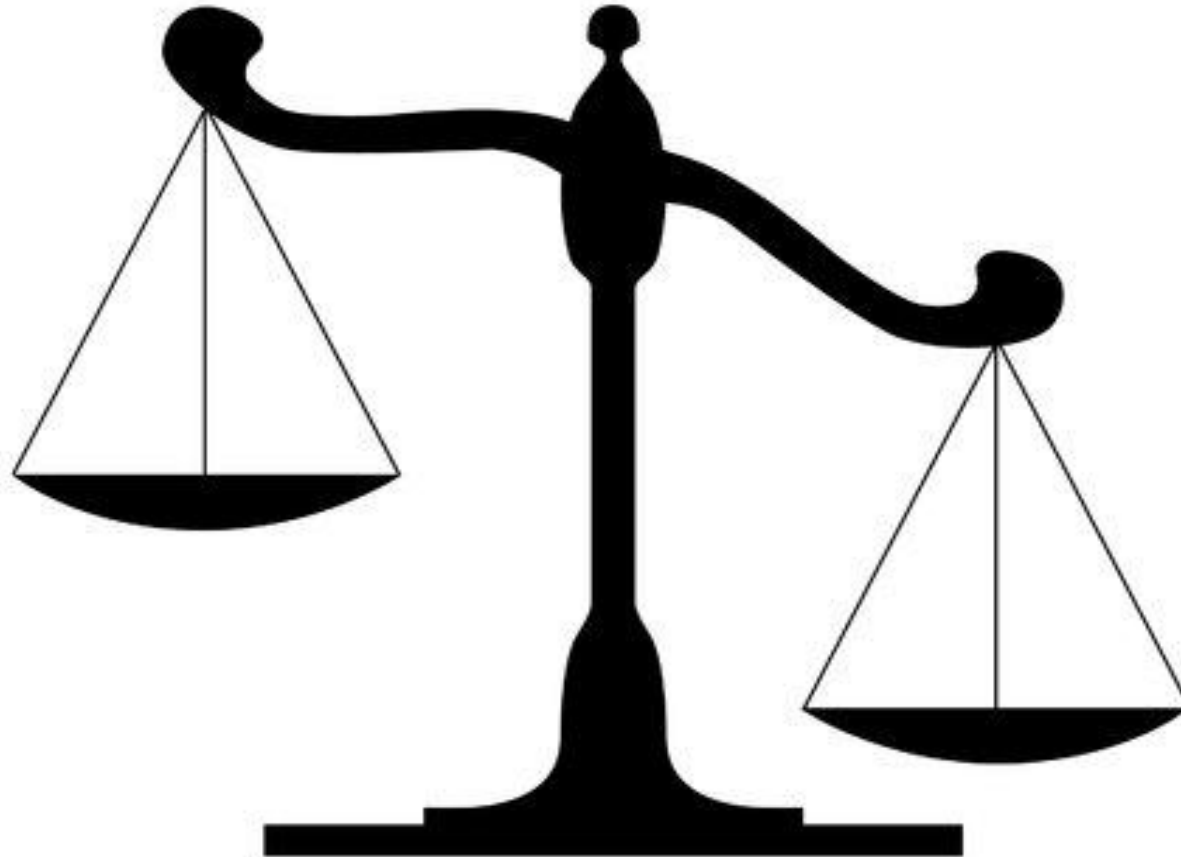
Liberty Media	Share Price (\$)	S O/S (M)	Market Cap (\$M)
LMCA/B	\$ 32.49	112	\$ 3,638.88
LMCK	\$ 32.14	222.3	\$ 7,144.72
Total	\$ 32.26	334.3	\$ 10,783.60



Value Investing is All About What You Pay and What You Get in return



\$10.8 Market Cap
Net Debt: \$(1.2)B



\$10.9B Market Value



\$1.4B Market Value



\$1.0B Est. Value

Time Warner **VIACOM**

Time Inc.

\$0.4B Market Value

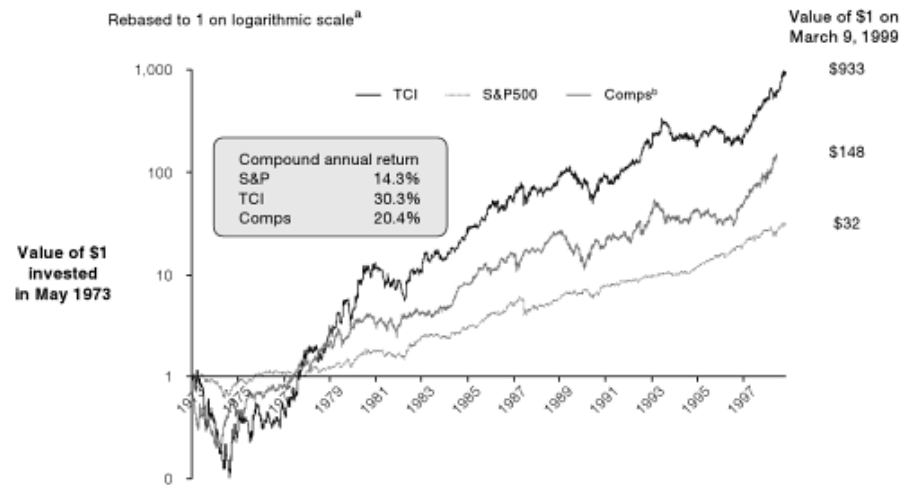


\$0.3B Market Value

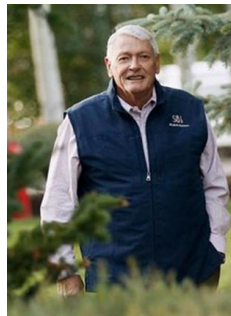
Liberty Media C Stock is at a 18% Discount to NAV; Discount Unwarranted Given Backing of Stellar Management Team & Clear Plans to Unlock Value

Backed By Media Titan John Malone and His Management Team

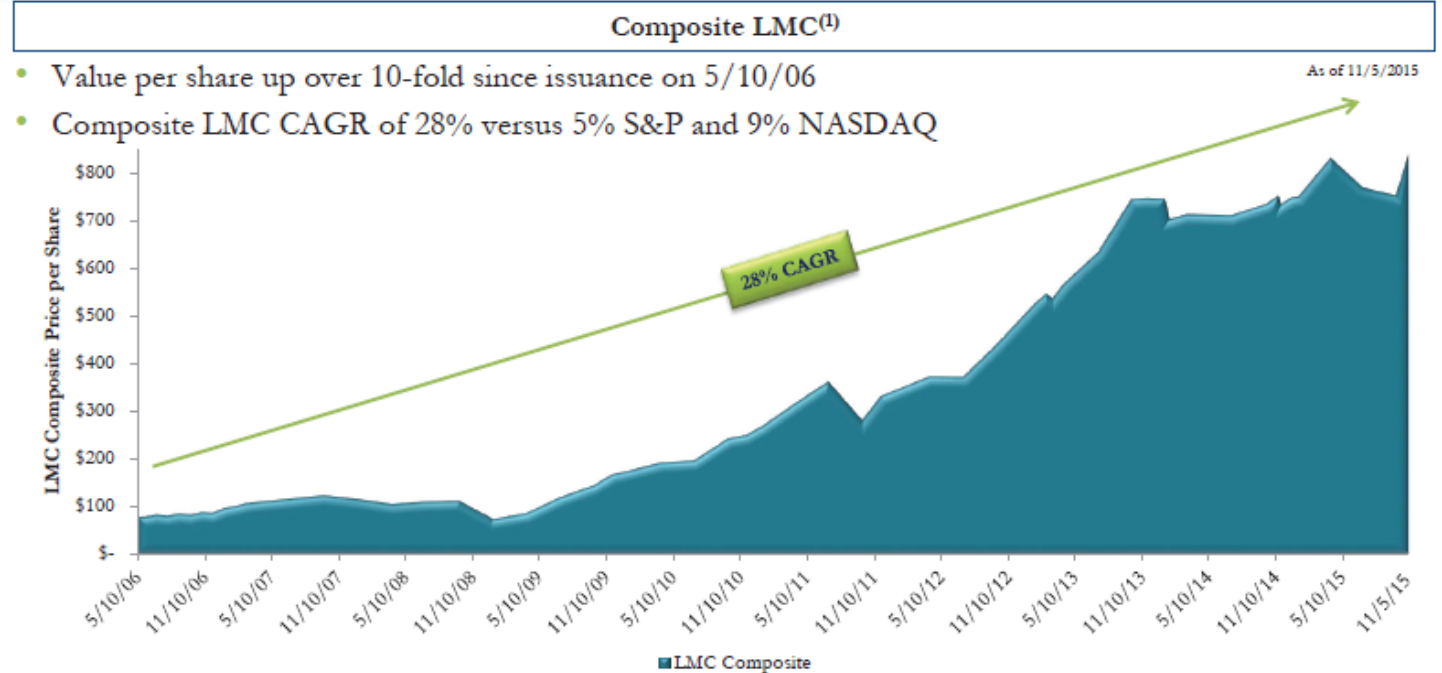
Total return to shareholders dramatically exceeded the S&P 500 and competitors' returns during Malone's tenure



Source: Center for Research in Security Prices (CRSP) and TCI annual reports.



...and Long Term Returns Outstanding



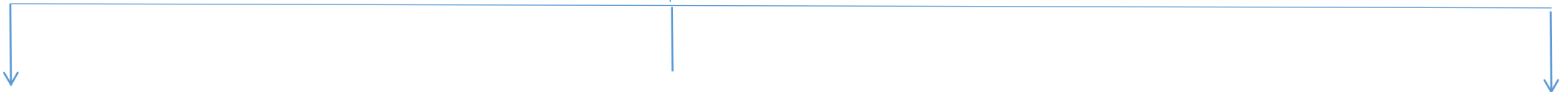
John Malone has Created Tremendous Share Holder Value in Both Act 1 and Act 2 of His Career; He is Going Strong as Ever at 74 years

Source: TCI from Investmentmoats.com; LMCK performance from 2015 LMCA S/H meeting

John Malone's Play Book

- **Invest in Strong Subscription Businesses with Steady Cash Flow**
 - Cable Companies like Charter, TWC, Bright House, Sirius
- **Cut Costs**
 - Drive Efficiency by Managing Costs Tightly
- **Leverage to Manageable Debt as a Function of Cash Flow**
 - Manage Debt / EBITDA between 3X and 5X and with Long Maturities
- **Minimize Taxes to Government with Focus on Free Cash Flow and Not on Earnings**
 - Financial Engineering & M&A Creativity
- **Return Capital to Shareholders**
 - Leveraged Buybacks
 - Sell Assets at Higher Multiple to Buy Stocks at Lower Multiples of Cash Flow

So Why Will the Discount Narrow Now When it has Persisted for So Long?



Tracking Stock of Sirius
60.7% ownership



80% Ownership + \$200M
Rights Offering



Live Nation + Plus all Other
Assets + 20% Braves

Liberty Announced Splitting LMC into Three Stocks to Narrow Discount to NAV

LMCK has 60.7% Stake in SIRI worth \$10.9B

Liberty Media Assets	Share Price	S O/S (M)	Market Cap (\$M)
Sirius	3.46	3,162.14	\$ 10,941



Ticker: Nasdaq: SIRI

Stock Price: \$3.46

Market Cap: 17.22B

S/OS: 4.97B

Dividend: 0%

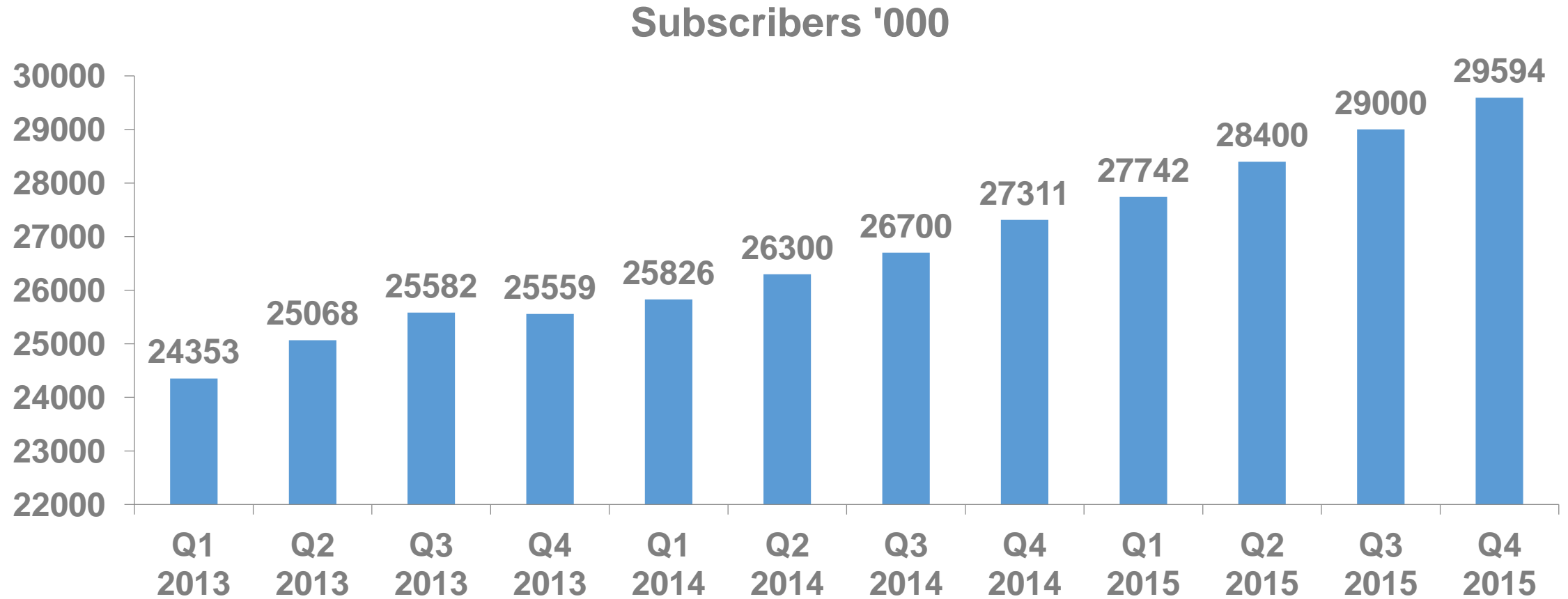
PE: 38.4

- Largest Automobile Radio Company with 29.6 Million Subscribers
- Creates and Offers Commercial Free Music, Sports and Live Events
- Relationships with All Key Auto OEM's

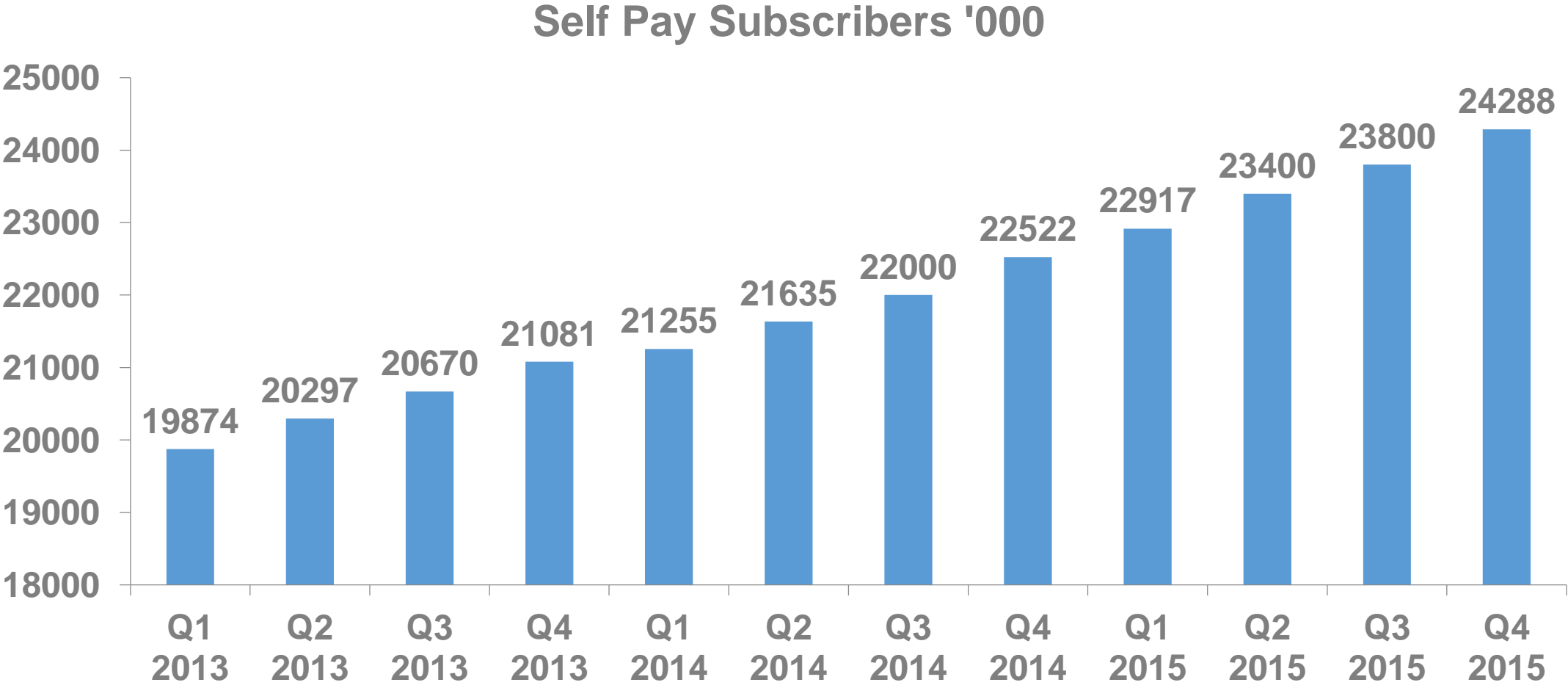
LMCK Discount to SIRI has Increased in Last 12 Months



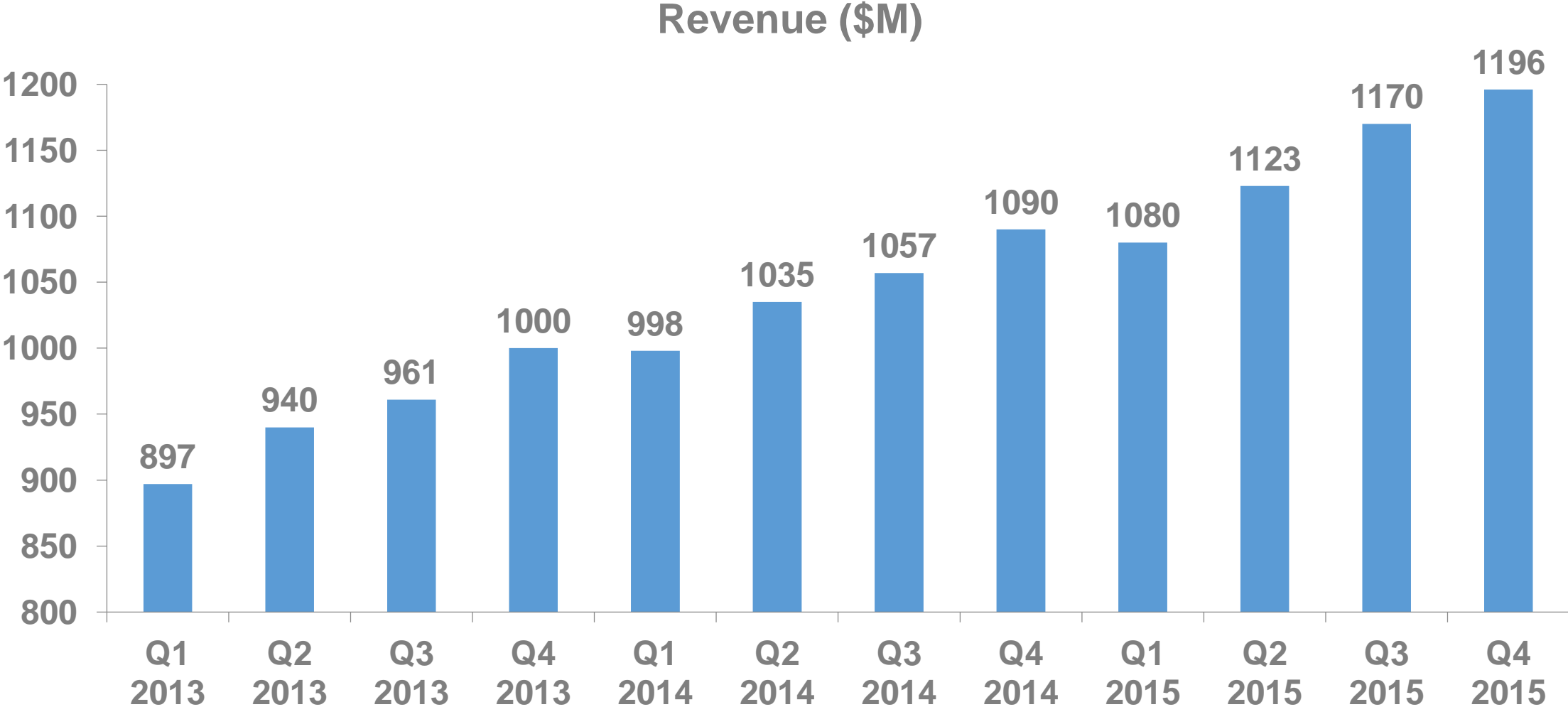
Subscribers Continue to Increase in Mid Single Digit for Sirius



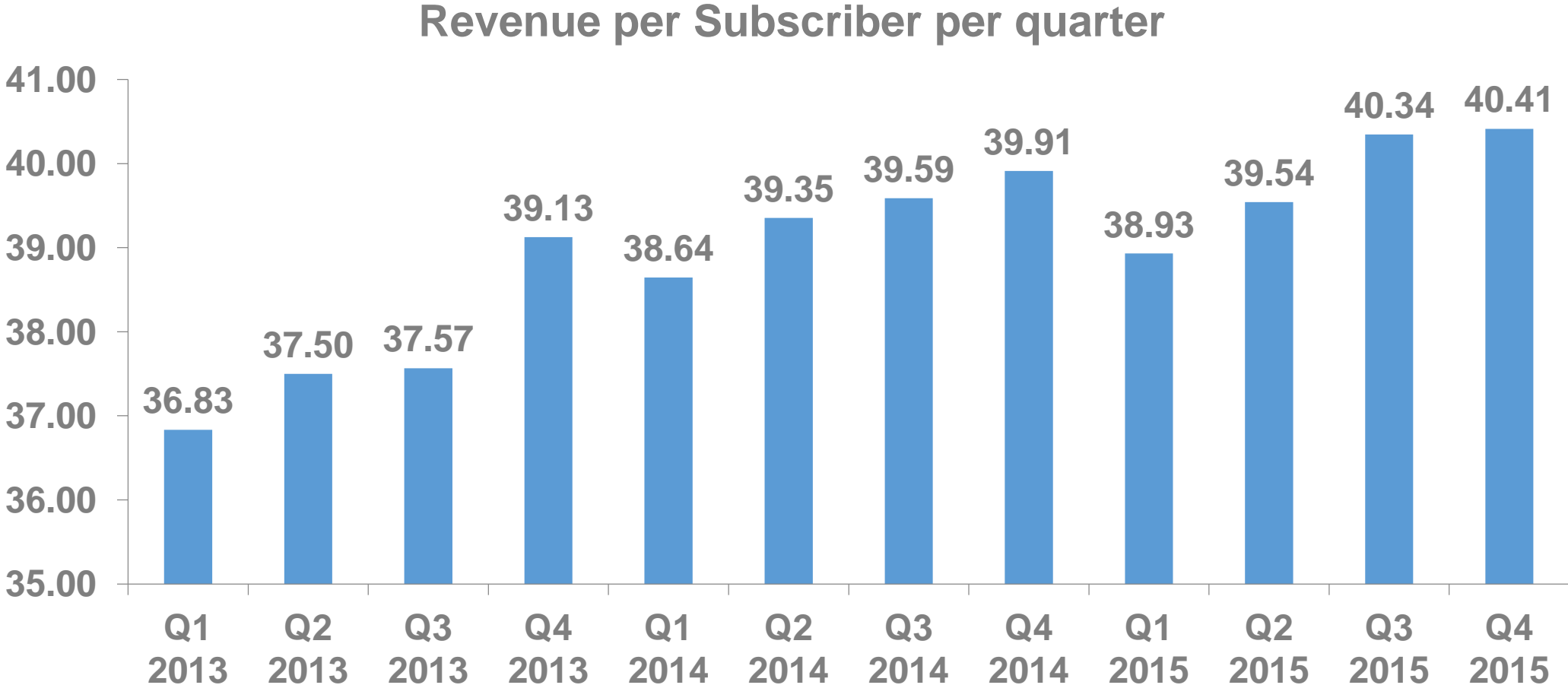
Self Pay Subscribers Continue to Increase in Mid Single Digit % for Sirius



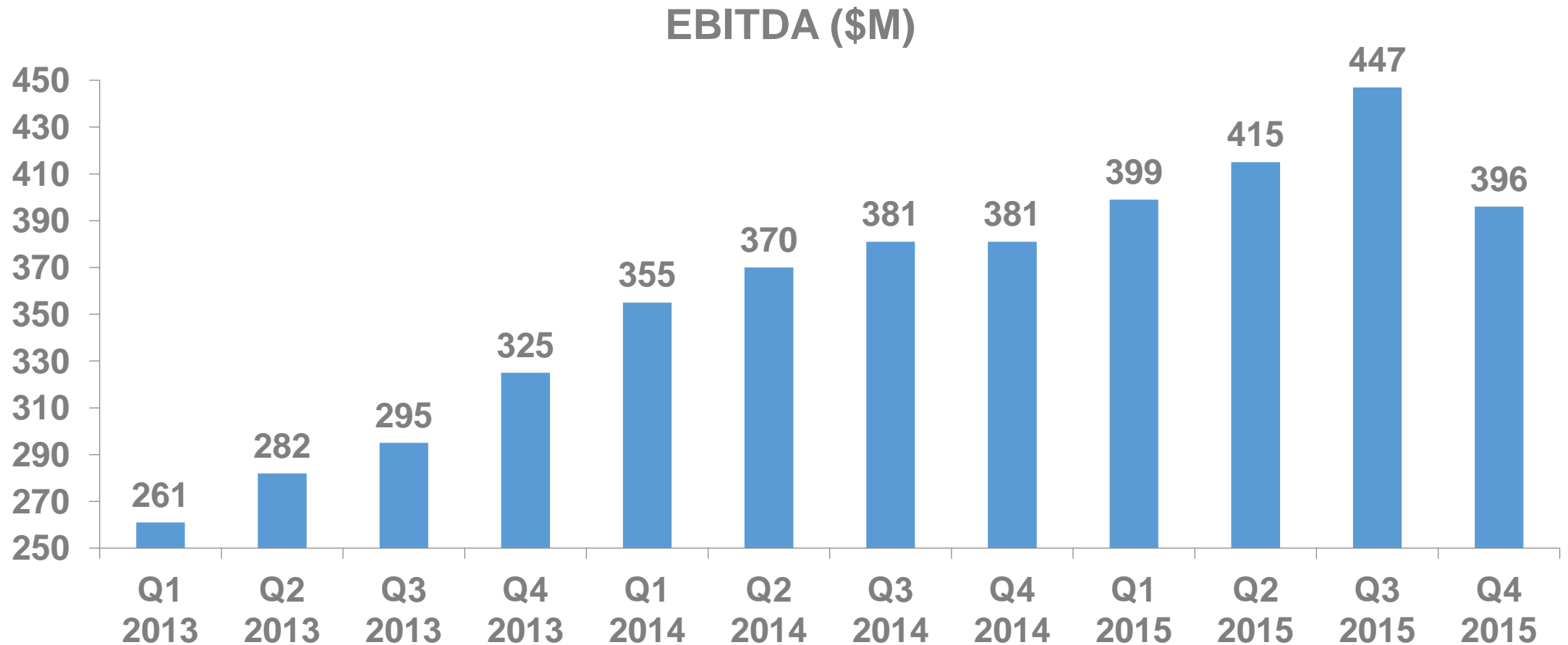
Revenues Continue to Increase at High Single Digit CAGR Annually for Sirius



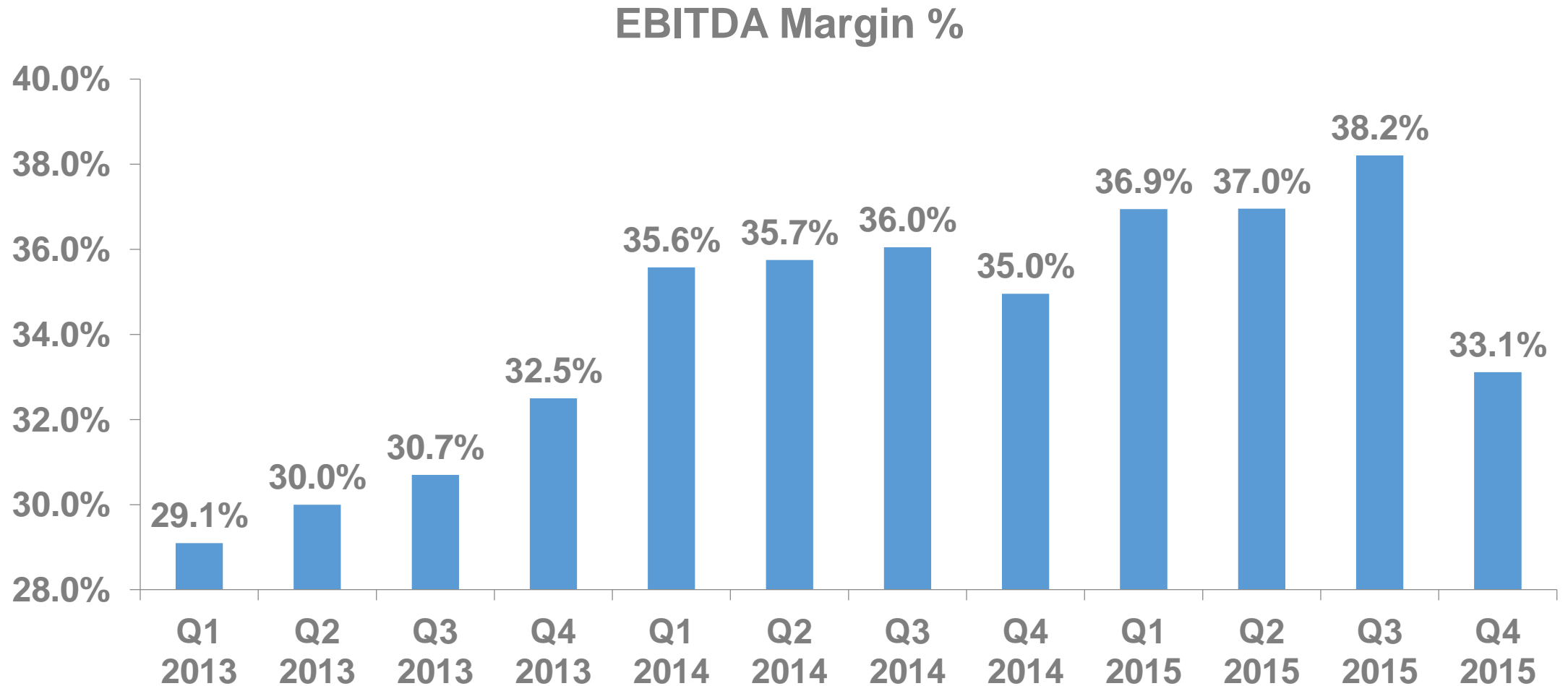
Low Single Digit ARPU Increase Indicate Pricing Power in the Market



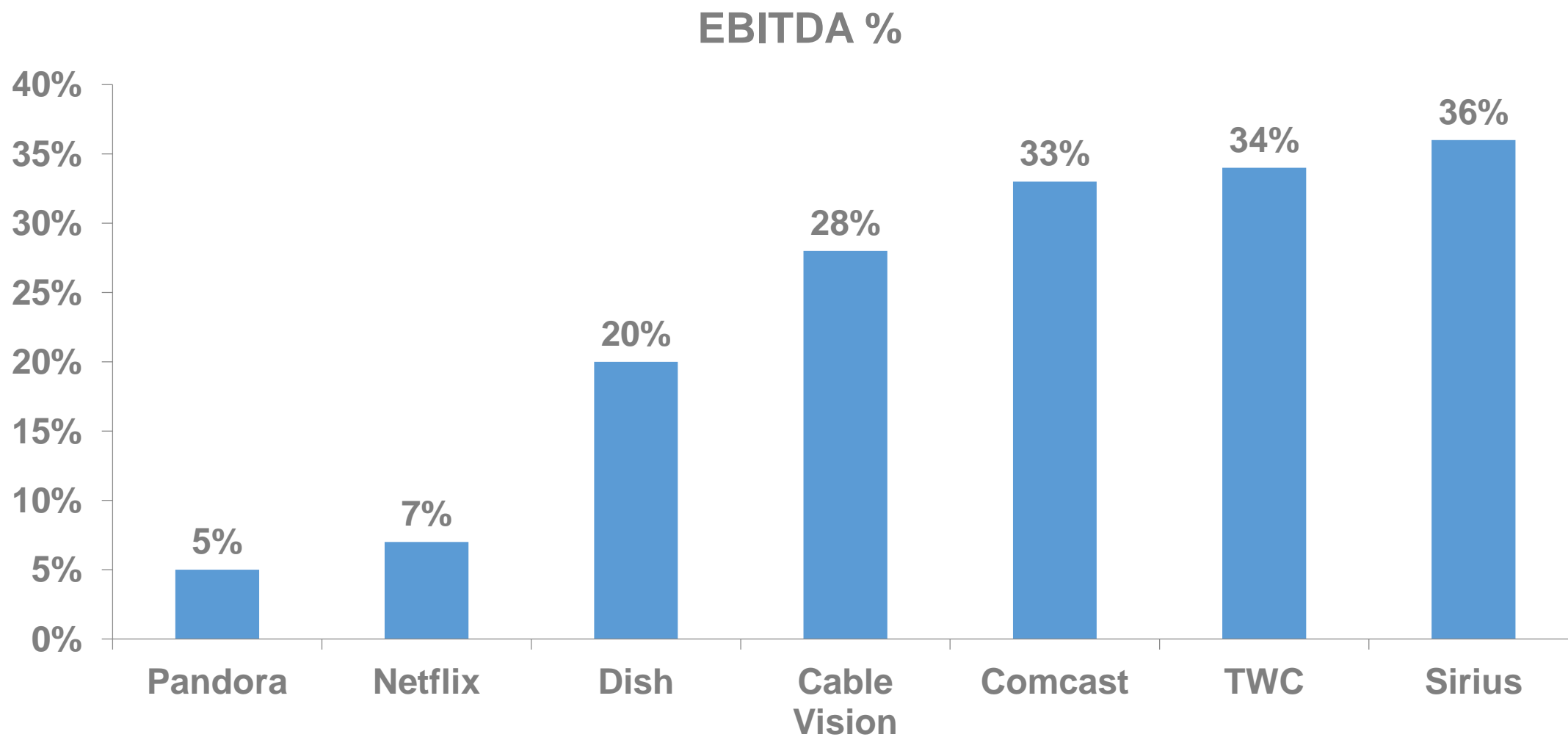
Strong Operating Leverage and Performance Driving Mid Teens EBITDA CAGR



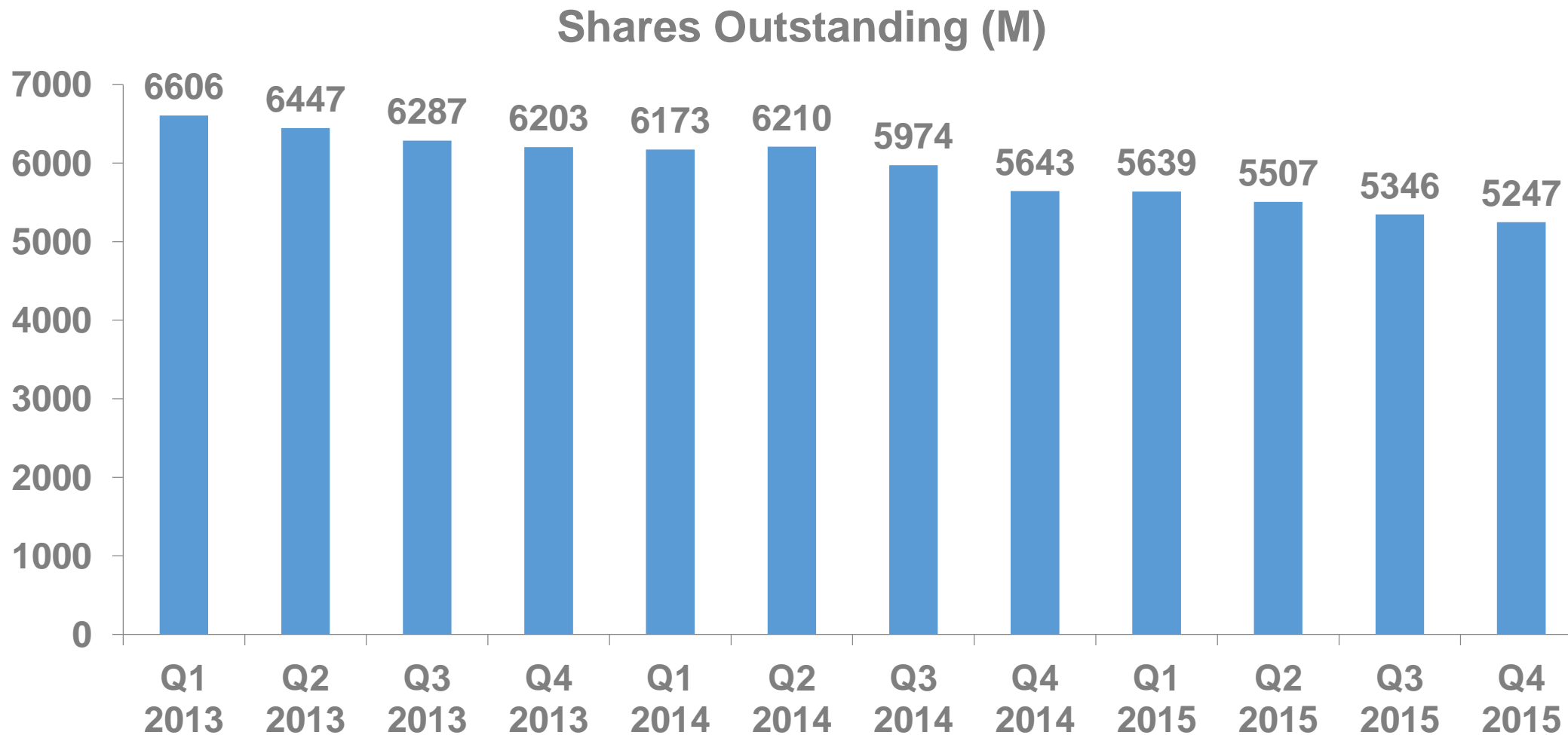
Strong EBITDA % Generating Cash Flow for Capital Return through Leveraged Buybacks



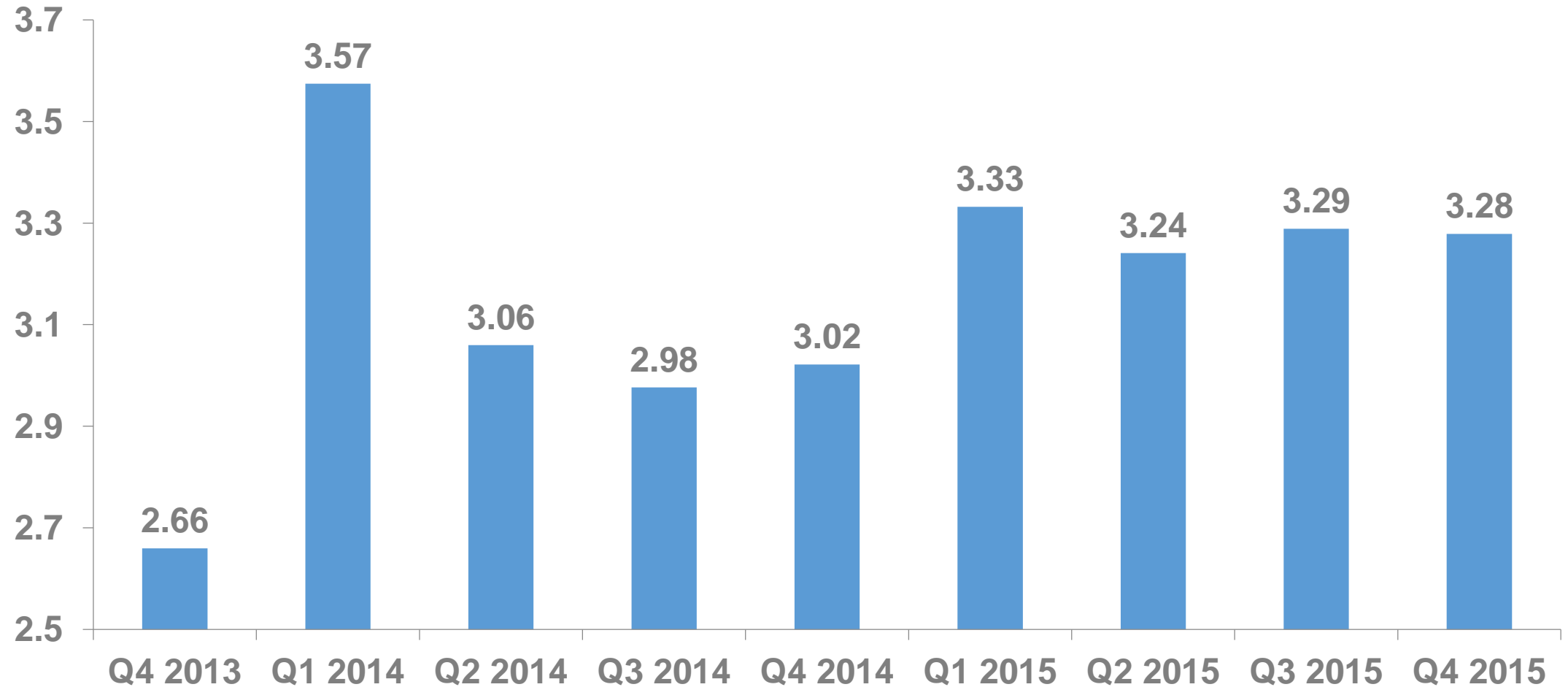
Best in Class EBITDA Margins in the Media Space



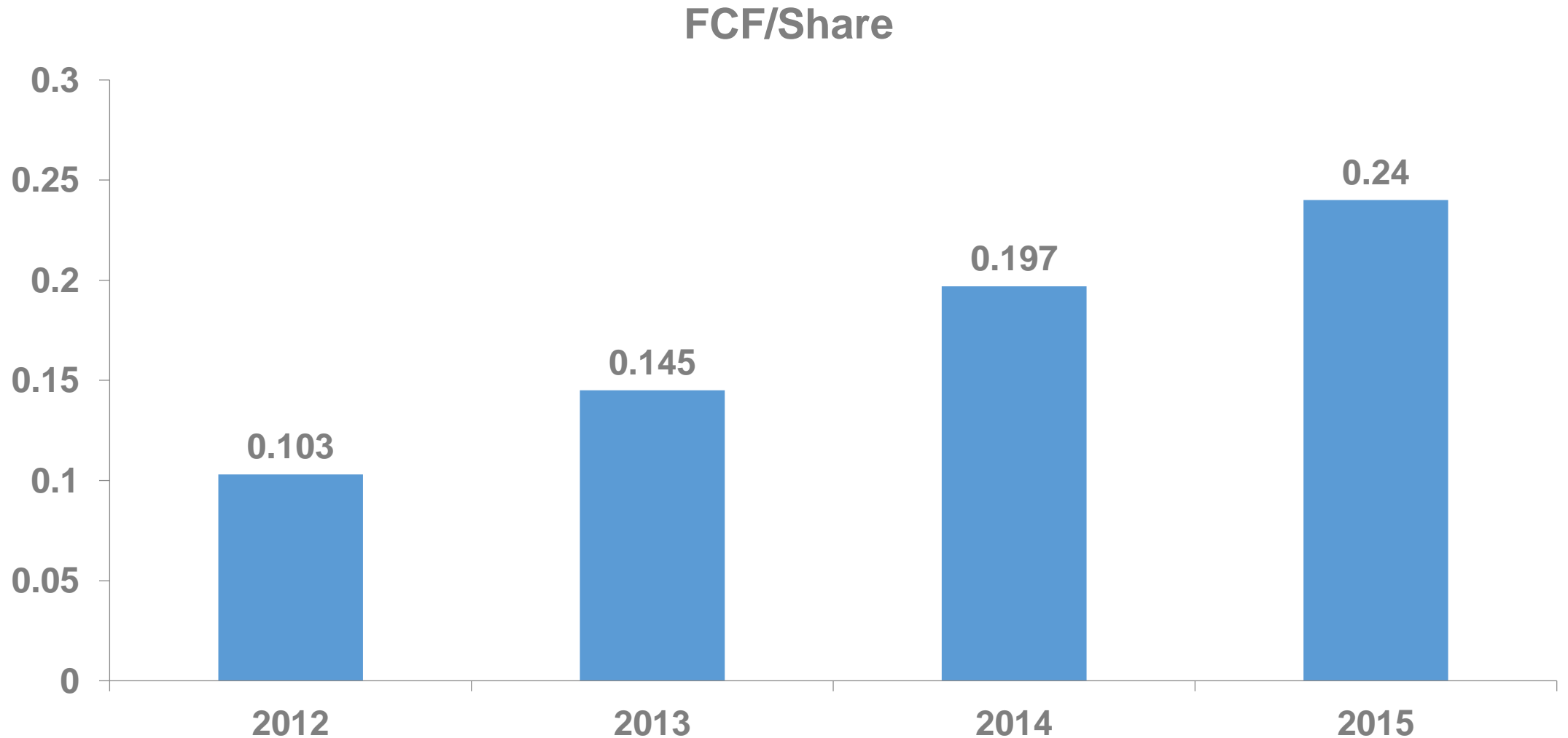
Over 1.4B Diluted Shares Reduced Over the Last 12 Quarters through Leveraged Buybacks



With Debt / EBITDA at Manageable Levels; Mgmt. Comfortable with 4X



FCF/Share Growing at 32% CAGR From Strong Operational Performance and Buybacks



Key to Sirius Long Term Success

- **Successfully Defending Against Evolving Technologies like Connected Car**
 - Lower OEM Technology Cycles (3-5 Years) versus Longer Car Lives (15-20 Years)
 - Cost of Data in Connected Car Makes Sirius a Viable Competitor
 - Sirius Dipping Toe into Connected Car Market
- **Successfully Defending Competition from Pandora, iHeart, iTunes Radio etc.**
 - Non-Music Exclusive Content
 - Cost of Data for Competitors versus Sirius through Satellites
 - Have Battled Terrestrial Radio for Long Now

Sirius Non-Music Content to Complement Music Channels Along with National Weather & Traffic Coverage

Over 69 Channels of Commercial-Free Music



Live Coverage of Every Major Sport



The Best in News, Talk and Entertainment



Comparison Amongst Different Technologies

	Sirius	Pandora	Spotify	Terrestrial
Royalties to Play Music	Yes	Yes	Yes	No
Data Needed to Play Music	No	Yes	Yes	No
Non-Music Content	Yes	No	No	Yes
National Channel Coverage	Yes	Yes	Yes	No
Web/Mobile/Desktop Client	Paid	Free	Free	Free
Usage Limits	No	No	No	No
Exclusive Content	High	Low	Low	Medium
Data Usage (Mobile)	None	25 MB / Hour	36 MB / Hour	None
Localized Geographical Content	Medium	Low	Low	High
Personalized Content	Medium	High	High	Medium
Traffic / Weather Ads	Yes	No	No	Yes
Ads	Low	Medium	Medium	High
	Low Ads, Non-Music Content + Music, Disposable Income, Strong channel preferences	High on personalization, Okay with Ads	High on personalization, Okay with Ads	Localized Content, Non-Music Content

Cost of Wireless Data from Major Telcos

Lines	Line cost	4G LTE data			Total cost		
AT&T	\$25 x 2	\$30 w/2GB	\$50 w/5GB	\$100 w/15GB	\$80	\$100	\$150
Verizon	\$20 x 2	\$45 w/3GB	\$60 w/6GB	\$80 w/12GB	\$85	\$100	\$120

**At 320 kbps, 1 GB of Data will Burn for 8 Hours of Usage;
T-Mobile has Introduced Music Freedom in 2014; Unless Data
Gets a Lot Cheaper Alternatives will Continue to Have Barriers**

John Malone's Three Lieutenants Sit on Sirius Board & Ensures Robust Capital Allocation

- **Gregory B. Maffei – Chairman of Board; CEO Liberty Media Corporation**
- **David Zaslav – Director; CEO of Discovery where John Malone has Strong Voting Rights at 29%**
- **Evan D Malone – Director; Former Director at Liberty Media & John Malone's Son**

Liberty Media Continues to Trade at a Unwarranted Discount Like a Closed End Fund Even Though Liberty has a Big Say in How Capital Allocation Happens at Sirius through its Voting Power of 61% and Board Seats

LMCK has 34% Stake in LYV worth \$1.4B

Liberty Media Assets	Share Price	S O/S (M)	Market Cap (\$M)
Live Nation	19.41	69.6	\$ 1,350

The logo for Live Nation, featuring the word "LIVE" in red and "NATION" in black, with a stylized figure of a person with arms raised above the letter 'V' in "LIVE". The logo is enclosed in a red rounded rectangular border.

Ticker: NYSE: LYV

Stock Price: \$19.41

Market Cap: 3.92B

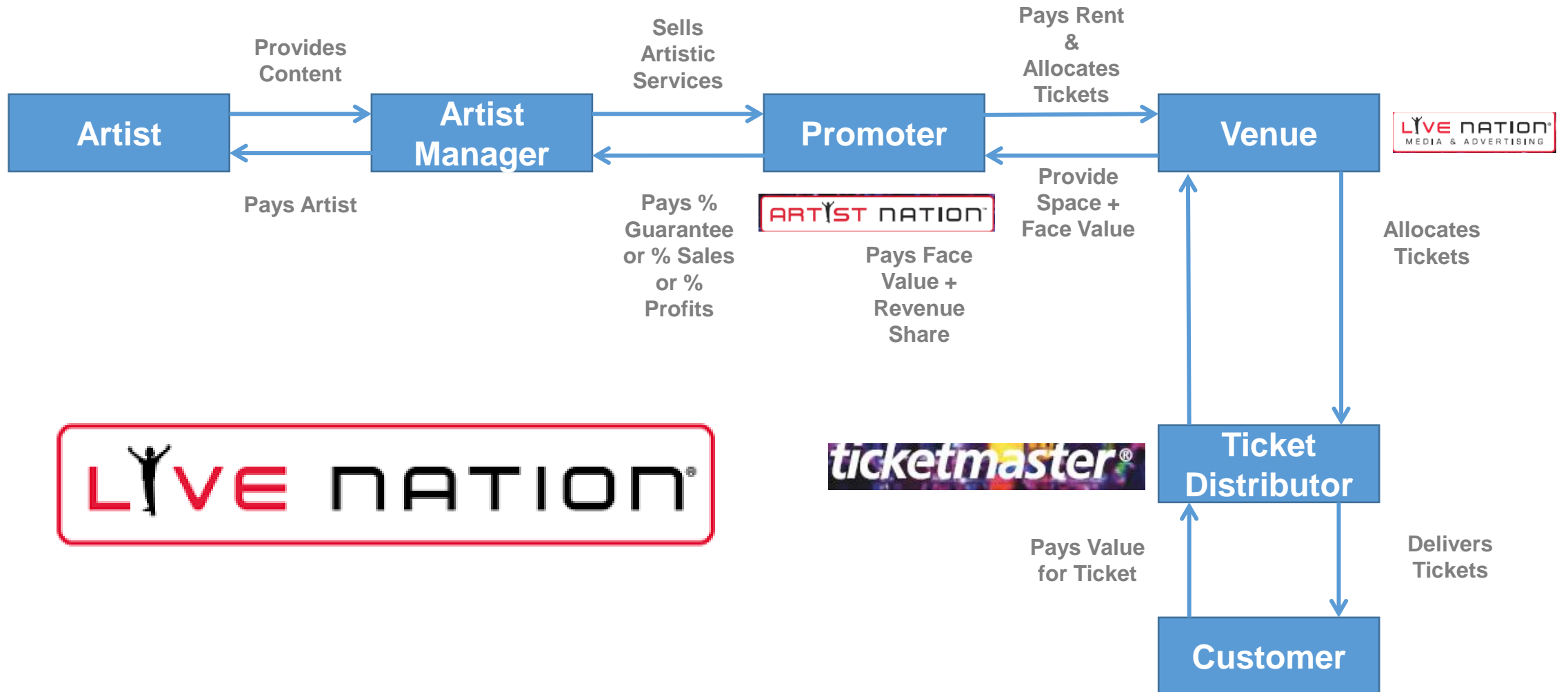
S/OS: 202.3M

Dividend: 0%

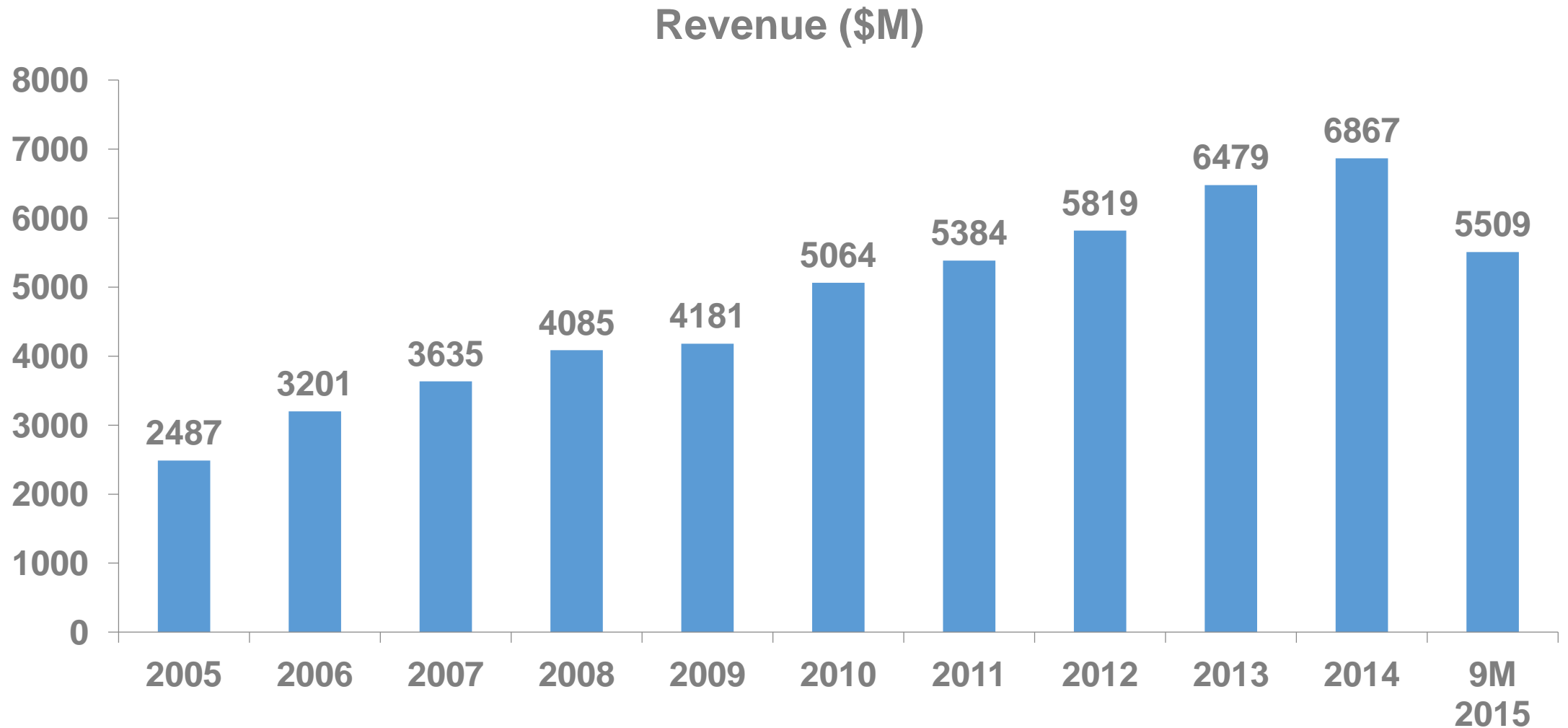
PE: -

- Largest Ticket Distribution Company
- Owns Artists Management Division, Equity Stakes in Venues
- Moat Increasing Through Vertical Integration
- Trading at 12X Trailing FCF

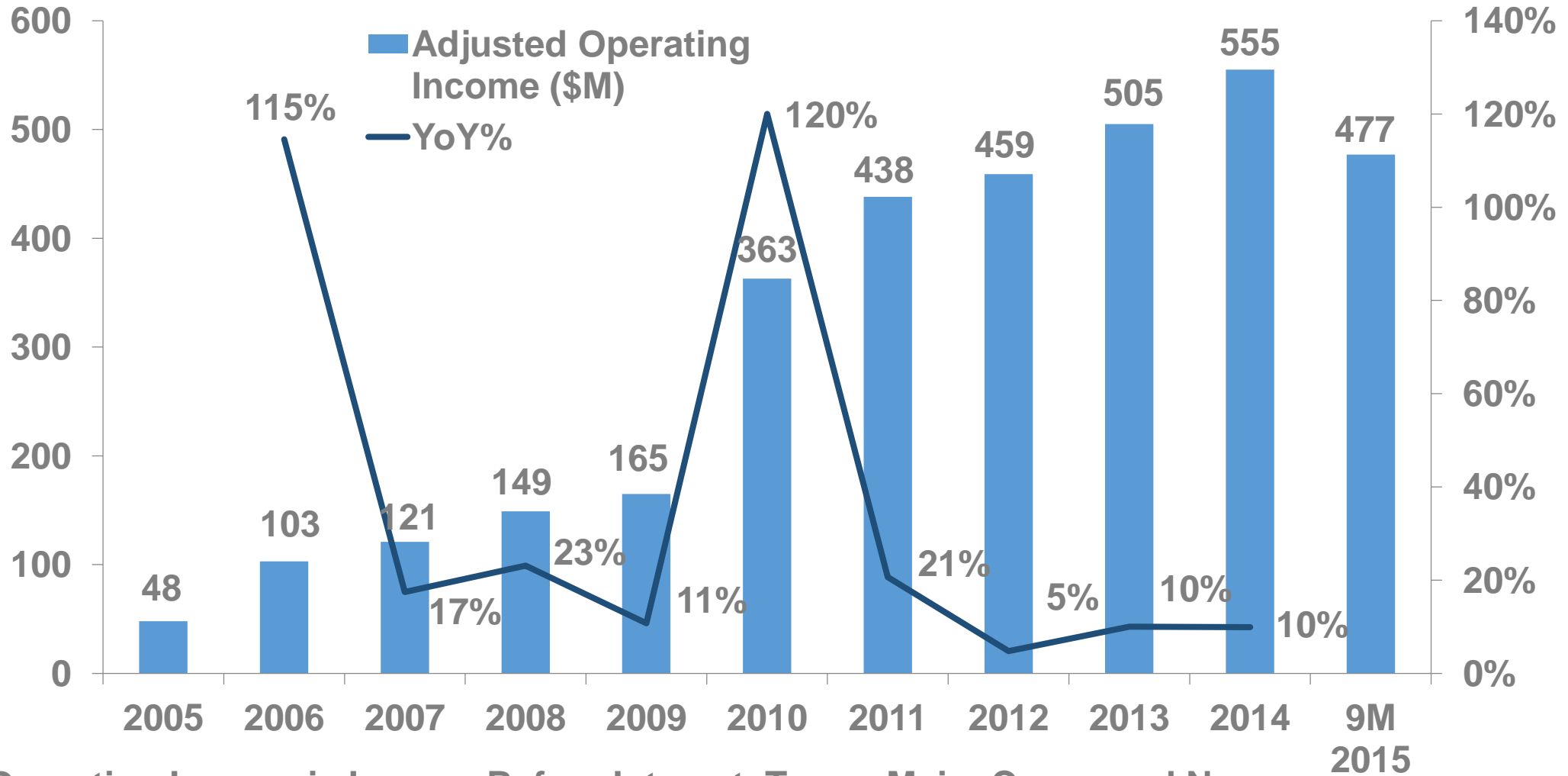
Live Nation Value Chain



Live Nation has Been a growing Business Over the Last 10 Years

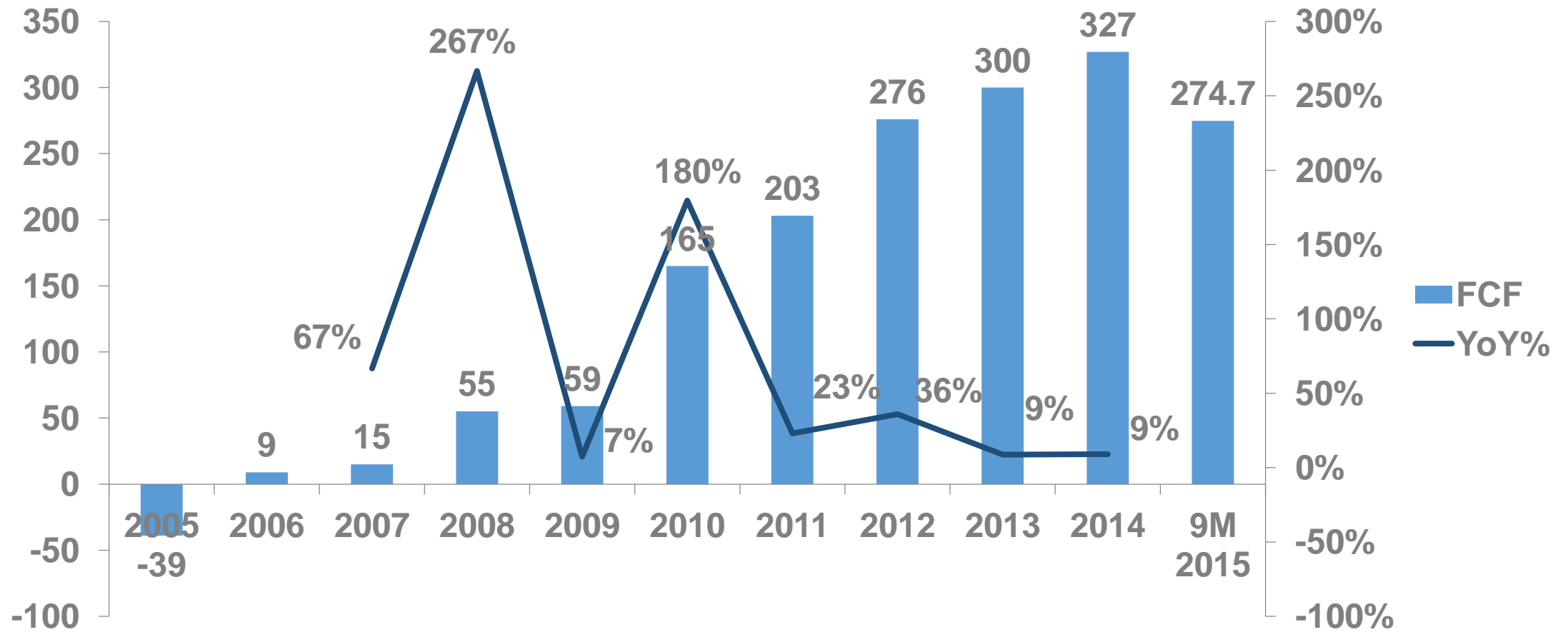


Live Nation has Been a Growing Adjusted Operating Income Over the Last 10 Years



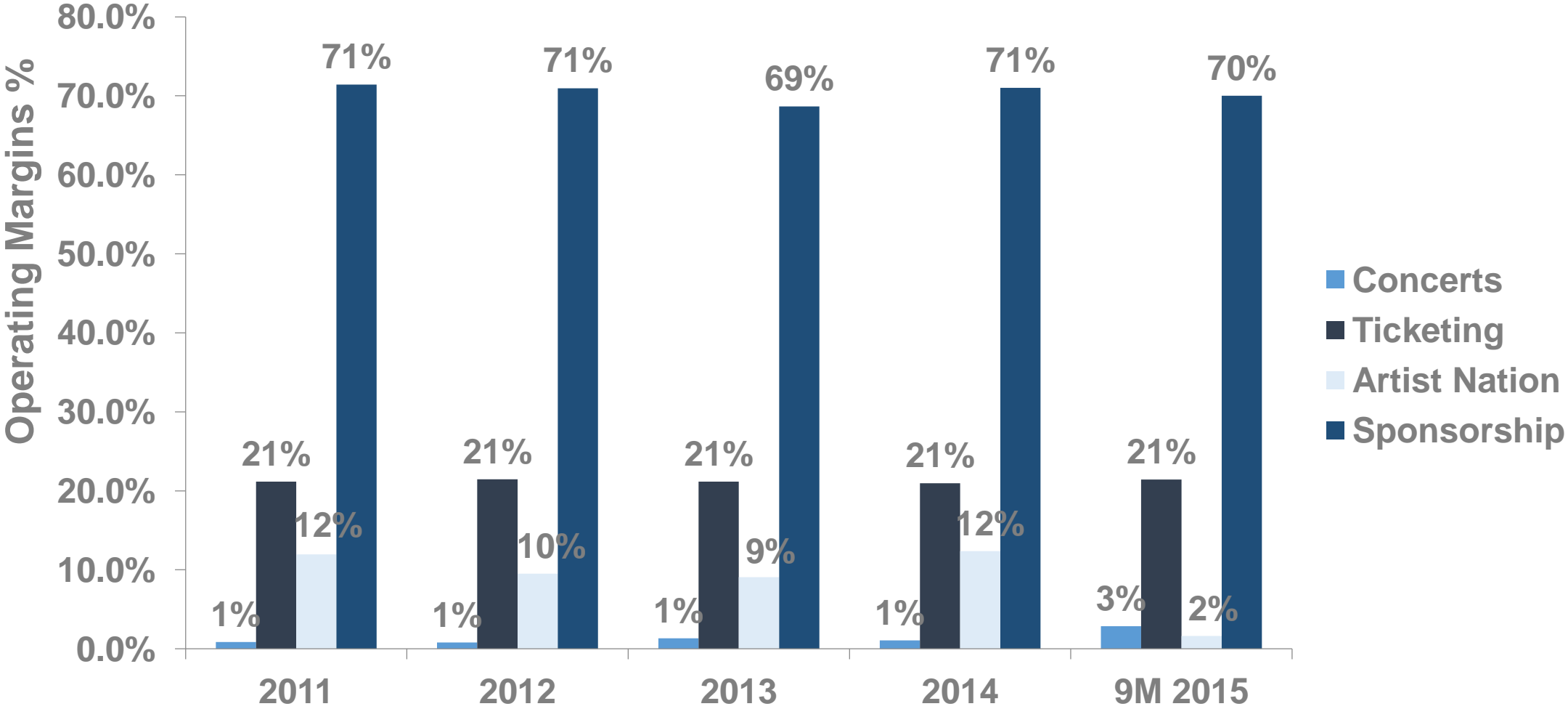
Adjusted Operating Income is Income Before Interest, Taxes, Main. Capex and Non-Controlling Interests

Live Nation has Been a Growing Free Cash Flow ver the Last 10 Years

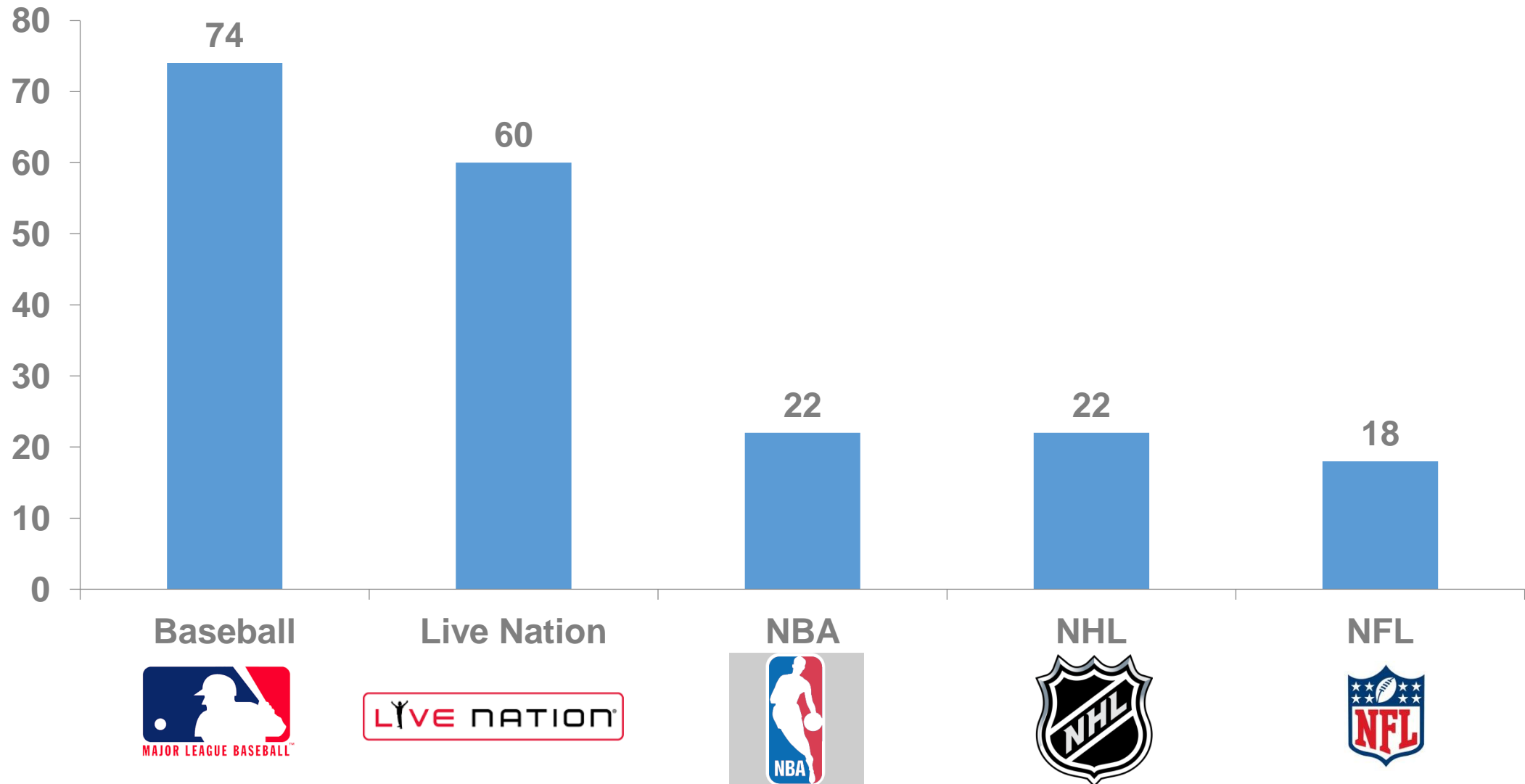


Adjusted Operating Income is Income Before Interest, Taxes, Main. Capex and Non-Controlling Interests

Ticket Master and Sponsorship are Key Operating Income Drivers for LVY



Live Nation Concerts are Popular with Attendance Only with Next to Baseball (Annual Attendance)



Why Live Nation will Continue to Dominate?

- **Live Nation has Vertical Integration and**
 - **Manage Artists**
 - **Control Central Venues**
 - **Primary and Secondary Ticket Distribution**
- **Live Nation Currently Moves a Fly Wheel by Providing the Largest Platform for Artists, Venues and Fans to be On the Platform**
- **With Ticket Master's Foray into Secondary Ticket Sales, It can Provide End to End Services to Fans and Artists that Competitors like Stubhub will Struggle to Provide**

John Malone's Two Lieutenants Sit on Live Nation's Board that Ensures Robust Capital Allocation

- **Gregory B. Maffei – Chairman of Board; CEO Liberty Media Corporation**
- **Mark Carleton – Senior Vice President, Liberty Media, Liberty Broadband and Liberty Interactive**

Liberty Media Continues to Trade at a Unwarranted Discount Like a Closed End Fund Even Though Liberty has a Big Say in How Capital Allocation Happens at Live Nation through its Voting Power of 34% and Board Seats

Executive Summary

- **Liberty Media Trades at a 18% Discount to NAV which is Unwarranted Given John Malone's Say over Sirius and Live Nation's Cash Flow**
 - **Sirius and Live Nation's Cash Flow Dynamics Looks Attractive**
 - **Sirius will Continue to be a Valuable Asset in a Connected Car World & Non-Music Content will Ensure Viability in the Future**
 - **Sirius's NOL's will Ensure that its Earnings will Continue to Tax Advantaged**
 - **Live Nation's Vertical Integration and Near Monopoly Status on Ticket Distribution will Ensure that the Juggernaut will Roll On**
- **Liberty is Planning to Unlock the Discount through Tracking Stocks for Sirius, Live Nation and Atlanta Braves**
- **John Malone (an Outsider CEO) is Known for his Financial Ingenuity, Track Record**
- **Malone Exerts Control over the Companies he Invests Providing Further Margin of Safety to Investors in Addition to the Discount to NAV**