

# Liberty Media CEO says DirecTV sale 'possible'

May 8 2009, By DEBORAH YAO , AP Business Writer

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(AP) -- The chief executive of Liberty Media Corp. said Friday that a sale of DirecTV to a phone company is possible after its planned spin-off.

In an interview with The Associated Press, Greg Maffei said phone companies could have strategic reasons for buying [DirecTV Group](#) Inc., the nation's largest [satellite TV](#) operator.

Phone companies could be interested in acquiring DirecTV for the ability to offer video nationally along with Internet and phone services to better compete with [cable TV operators](#), which have been luring customers with such "triple play" packages.

[Liberty Media](#), which owns a controlling stake in DirecTV, announced Monday it will merge its entertainment unit with DirecTV and spin that off as a separate company. Afterward, Maffei and Liberty Chairman John Malone are expected to stay on DirecTV's board. Media mogul Malone will have a 24 percent voting control and remain as DirecTV's chairman after the spin-off.

The spin-off will simplify DirecTV's ownership structure and make it easier for another company to buy it. Currently, Liberty owns 54 percent of DirecTV through Liberty Entertainment Group, which trades as a separate tracking stock. DirecTV also is publicly traded.

Given the current set-up, a sale "would have been very hard to

accomplish," Maffei said. After the spin-off and creation of simpler structure, "it becomes possible."

However, he said DirecTV is doing fine and not dependent on such an outcome.

AT&T Inc. is one name that at least one analyst speculated could be interested. The phone company said it does not respond to speculation.

Commenting on Liberty's February agreement to invest \$530 million in Sirius XM Radio Inc. and receive preferred shares convertible to a 40 percent stake in the satellite radio provider, Maffei said Sirius and DirecTV could bundle or jointly market their services.

Further out, Maffei said mobile video could be a possibility in a DirecTV and Sirius pairing, but it will need access to a greater slice of the nation's airwaves to do so.

A severe downturn in U.S. auto sales has hurt Sirius, whose radios are bundled with new cars. On Thursday, New York-based Sirius reported a first-quarter loss of 7 cents a share and posted its first-ever quarterly decline in net subscriber additions, of over 400,000.

In response, Maffei said Sirius is doing what it can such as cutting costs of programming, overhead and acquiring subscribers.

But "in the end, subscriber growth is going to be largely tied to a more robust car market," he said, adding there's "probably not much" Sirius can do about that decline.

Maffei backed Sirius' five-year, \$500 million contract with Howard Stern, which comes up for renewal next year, saying the shock jock represents "very valuable exclusive content" for Sirius. He said Stern's

program has a large following, and there will be "good" negotiations to retain him.

Maffei said he approached Sirius Chief Executive Mel Karmazin about an investment deal to help him fend off a potential takeover by Dish Network Corp. CEO Charlie Ergen. Ergen had bought a substantial amount of Sirius debt coming due in mid-February, which Sirius had trouble repaying. Ergen wanted to take control of the satellite radio company.

Maffei said he believes Ergen saw Sirius as an attractive asset - just as Liberty did - as Sirius is the only company of its kind in the United States.

Sirius also is on track to post "nice income growth" in 2009 from a loss last year, and "I think that's what Charlie saw first and foremost," Maffei said.

That said, Maffei said Liberty "would be cautious" about increasing its stake in Sirius, because it could trigger tax rules that could result in Sirius losing the ability to deduct its net operating losses from taxes.

Sirius said last week that's why it adopted a "poison pill" plan - to make it tough for an outside party to accumulate more shares. These plans usually are meant to thwart takeovers.

On Friday, Liberty Media also reported first-quarter earnings of its three tracking stocks.

Liberty Entertainment's revenue rose 19 percent to \$369 million. The entertainment unit was helped by the March 2008 acquisition of the Liberty Sports Group. Revenue at its Starz movie channel, up 8 percent to \$296 million, also boosted results.

Liberty Interactive Group, which owns the QVC shopping channel, saw a 6 percent drop in revenue to \$1.8 billion as consumer purchases weakened. Liberty Capital Group's revenue rose by 37 percent to \$125 million.

Shares of Liberty Entertainment rose by 42 cents, or 1.6 percent, to \$26.02 on Friday. Liberty Interactive was up 26 cents, or 3.9 percent, to \$6.97 while Liberty Capital traded up 29 cents, or 2.3 percent, to \$12.88.

DirecTV rose by 67 cents, or 2.8 percent, to \$24.75 while Sirius fell 2 cents, or 4.9 percent, to 41 cents.

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