

SiriusXM buys Pandora to step up streaming music wars

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Satellite radio giant SiriusXM is acquiring streaming music rival Pandora, which went public with a share offering in 2011

Satellite radio titan SiriusXM unveiled plans Monday to acquire online rival Pandora for \$3.5 billion, ramping up competition in the streaming

music market dominated by Spotify and Apple.

The all-stock deal creates "the world's largest audio entertainment company," with some \$7 billion in revenues, according to a statement from the two firms.

SiriusXM, the leader in subscription radio in the United States serving mainly motorists with music and news channels, sees the acquisition as an opportunity "to significantly expand its presence beyond vehicles into the home and other mobile areas," it said.

The move could create a strong competitor to streaming music leaders Spotify and Apple.

"We have long respected Pandora and their team for their popular consumer offering that has attracted a massive audience, and have been impressed by Pandora's strategic progress and stronger execution," said SiriusXM chief executive Jim Meyer.

"We believe there are significant opportunities to create value for both companies' stockholders by combining our complementary businesses."

The merger agreement includes a "go-shop" provision allowing Pandora to seek a better offer from another party.

The companies said they expect to close the deal in early 2019 and that there would be no immediate change in listener offerings.

Roger Lynch, CEO of Pandora, said the combined firm would be "better positioned to take advantage of the huge opportunities we see in audio entertainment, including growing our advertising business and expanding our subscription offerings."

Analyst Mark Mahaney of RBC Capital Markets said the tieup appeared to be a positive move that could help Pandora compete in streaming.

"We view this as a logical strategic step for Pandora," Mahaney said in a note to clients.

"Synergies between its very strong in-home US presence and SiriusXM's very strong in-car presence should be generatable over time."



Actor Matthew McConaughey is interviewed at SiriusXM's Town Hall in September 2018

Fighting the streaming war

Pandora is one of the oldest online music operators and recently reported it had some six million paying subscribers, along with more than 70 million "active users."

But it has been overtaken by Swedish-based Spotify, with 83 million paying subscribers worldwide and Apple, with more than 50 million.

SiriusXM charges users monthly subscription fees while Pandora offers free music streaming with advertisements or monthly ad-free paid subscriptions for \$4.99 and \$9.99.

SiriusXM has some 36 million subscribers across North America and 23 million trial listeners—mainly from automobile buyers who get a free trial subscription.

Pandora, launched in 2000, designed itself as a radio network with stations based on genre and, more recently, automatically personalized around listeners' selections.

But it was forced to evolve as customers gravitated to the on-demand model led by Apple and Spotify.

In 2016, Pandora said it would launch an on-demand subscription platform following the model of Spotify in letting users select any song at any time.

Pandora has struggled in recent years and in 2017 co-founder Tim Westergren stepped down as chief executive and from the board of directors as SiriusXM invested \$480 million as part of a strategic partnership.

On-demand streaming has reshaped the music industry and now accounts for some 75 percent of overall US revenues, according to a report this month from the Recording Industry Association of America.

Revenues in the first half of 2018 from streaming music grew 28 percent year-over-year to \$3.4 billion, led by paid versions of Spotify, Apple Music, Amazon, Tidal and others, according to RIAA.

Other major players included ad-supported, on-demand streaming services such as YouTube, Vevo and Spotify.

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