

# Scenario Analysis

## Exhibit 1: Scenario Analysis

	Embedded Expectations <sup>4</sup>	Bull Case	Base Case	Better Bear Case	Worse Bear Case	Toyota Switch <sup>3</sup>
<b>SIRI<sup>1</sup></b>						
CPGA - 2010	\$105	\$87	\$95	\$100	\$104	\$91
OEM Conversion Rate	50%	59%	55%	50%	46%	55%
Churn Rate - 2010, including OEM Non-Conversion	2.4%	2.1%	2.1%	2.5%	2.6%	2.2%
Music Royalties/Subscriber Revenue	11%	7%	7%	10%	12%	7%
ARPU - 2010	\$12.98	\$14.18	\$13.79	\$12.96	\$12.18	\$13.78
Retail Subs in 2010 (M)	8.6	11.6	9.8	7.7	7.8	9.6
Retail Share in 2010	54%	52%	56%	51%	52%	54%
Total Subs - 2010 (M)	16.8	20.5	17.3	15.8	15.5	18.2
Levered FCF - 2010 (M)	\$400	\$1,209	\$775	\$363	\$147	\$874
FCF/Share in - 2010	\$0.25	\$0.74	\$0.48	\$0.22	\$0.09	\$0.54
<b>DCF Stock Price in 12 mo.</b>	<b>\$4.33</b>	<b>\$9.89</b>	<b>\$6.72</b>	<b>\$3.91</b>	<b>\$2.97</b>	<b>\$7.51</b>
<b>Upside/Downside from Current Price</b>		<b>154%</b>	<b>72%</b>	<b>0%</b>	<b>-24%</b>	<b>93%</b>
Probability Distribution		10%	25%	30%	15%	20%
<b>WAVG 12-Month Stock Price</b>		<b>\$5.79</b>				

<sup>1</sup> Includes \$2 price increase in Bull, CS Estimates, and Toyota Switch cases; and \$1 increase in Better Bear Case.

Bull Case also includes a \$2 increase in the family plan price.

<sup>3</sup> Toyota Switch scenario assumes that 50% of Toyota volumes go to Sirius, rather than 15% in the other four scenarios.

<sup>4</sup> Represents our estimates of what the current stock price reflects.

Source: Company data, Credit Suisse estimates

# Revised Model

## Exhibit 2: Operating Forecast

	2005A	2005A	2005A	2005A	2005A	2006P	2006P	2006P	2006P	2006P	2007P	2008P	2009P	2010P
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	FY	FY	FY	FY
Subscription fees	40.6	50.1	63.9	79.1	233.6	117.0	138.5	155.3	165.3	576.1	935.6	1,397.4	1,866.3	2,242.9
Activation fees	1.5	1.3	1.9	2.0	6.8	4.6	2.1	2.0	5.6	14.3	13.6	13.6	12.9	12.3
Effects of mail-in rebates	(0.2)	(1.8)	(1.5)	(13.3)	(16.8)	(6.4)	(2.9)	(2.9)	(11.1)	(23.3)	(24.2)	(24.5)	(23.2)	(22.1)
Subscriber revenue, including effects on mail-in r	41.9	49.6	64.3	67.8	223.6	115.2	137.6	154.5	159.7	567.1	924.9	1,386.6	1,856.0	2,233.1
Advertising revenue, net of agency fees	0.5	1.1	1.5	3.0	6.1	7.3	8.1	10.2	14.2	39.9	81.2	142.4	214.1	293.4
Equipment revenue	0.8	1.5	1.0	9.0	12.3	3.7	3.1	2.5	6.7	15.9	16.3	16.3	15.5	14.7
Other revenue	0.0	0.0	0.0	0.2	0.2	0.5	1.2	0.7	1.0	3.4	10.5	54.1	83.1	111.0
<b>Total Revenue</b>	<b>43.2</b>	<b>52.2</b>	<b>66.8</b>	<b>80.0</b>	<b>242.2</b>	<b>126.7</b>	<b>150.1</b>	<b>167.8</b>	<b>181.7</b>	<b>626.2</b>	<b>1,032.9</b>	<b>1,599.3</b>	<b>2,168.7</b>	<b>2,652.1</b>
<b>Gross Profit</b>	<b>1.4</b>	<b>19.7</b>	<b>25.2</b>	<b>10.4</b>	<b>56.7</b>	<b>43.6</b>	<b>62.3</b>	<b>80.4</b>	<b>72.5</b>	<b>258.8</b>	<b>563.6</b>	<b>1,023.8</b>	<b>1,507.6</b>	<b>1,918.7</b>
<b>% Growth</b>	<b>(112.3%)</b>	<b>(277.8%)</b>	<b>(281.8%)</b>	<b>(159.7%)</b>	<b>(204.9%)</b>	<b>2,914.0%</b>	<b>216.2%</b>	<b>219.3%</b>	<b>598.2%</b>	<b>356.4%</b>	<b>117.7%</b>	<b>81.7%</b>	<b>47.3%</b>	<b>27.3%</b>
<b>% Margin</b>	<b>3.3%</b>	<b>37.7%</b>	<b>37.7%</b>	<b>13.0%</b>	<b>23.4%</b>	<b>34.4%</b>	<b>41.5%</b>	<b>47.9%</b>	<b>39.9%</b>	<b>41.3%</b>	<b>54.6%</b>	<b>64.0%</b>	<b>69.5%</b>	<b>72.3%</b>
<b>Adj. EBITDA</b>	<b>(127.1)</b>	<b>(108.8)</b>	<b>(105.4)</b>	<b>(226.3)</b>	<b>(567.5)</b>	<b>(136.7)</b>	<b>(137.4)</b>	<b>(97.2)</b>	<b>(177.0)</b>	<b>(548.3)</b>	<b>(283.2)</b>	<b>84.7</b>	<b>479.7</b>	<b>755.7</b>
<b>% Growth</b>	<b>62.9%</b>	<b>4.0%</b>	<b>(16.1%)</b>	<b>53.0%</b>	<b>24.4%</b>	<b>7.6%</b>	<b>26.4%</b>	<b>(7.8%)</b>	<b>(21.8%)</b>	<b>(3.4%)</b>	<b>(48.4%)</b>	<b>(129.9%)</b>	<b>466.4%</b>	<b>57.5%</b>
<b>% Margin</b>	<b>(294.0%)</b>	<b>(208.4%)</b>	<b>(157.7%)</b>	<b>(282.8%)</b>	<b>(234.3%)</b>	<b>(107.9%)</b>	<b>(91.6%)</b>	<b>(57.9%)</b>	<b>(97.4%)</b>	<b>(87.6%)</b>	<b>(27.4%)</b>	<b>5.3%</b>	<b>22.1%</b>	<b>28.5%</b>
<b>Pre-Marketing EBITDA</b>	<b>(21.2)</b>	<b>(3.4)</b>	<b>5.4</b>	<b>(13.2)</b>	<b>(32.5)</b>	<b>18.9</b>	<b>37.0</b>	<b>54.7</b>	<b>43.7</b>	<b>154.3</b>	<b>473.4</b>	<b>955.9</b>	<b>1,472.0</b>	<b>1,917.0</b>
<b>% Margin</b>	<b>(49.1%)</b>	<b>(6.6%)</b>	<b>8.1%</b>	<b>(16.5%)</b>	<b>(13.4%)</b>	<b>14.9%</b>	<b>24.6%</b>	<b>32.6%</b>	<b>24.1%</b>	<b>24.6%</b>	<b>45.8%</b>	<b>59.8%</b>	<b>67.9%</b>	<b>72.3%</b>
Depreciation and amortization	(24.5)	(24.6)	(24.6)	(24.9)	(98.6)	(24.9)	(25.7)	(25.0)	(25.0)	(100.7)	(90.0)	(92.0)	(100.0)	(110.0)
<b>Operating Income (EBIT)</b>	<b>(190.3)</b>	<b>(174.6)</b>	<b>(166.9)</b>	<b>(297.4)</b>	<b>(829.1)</b>	<b>(446.2)</b>	<b>(230.5)</b>	<b>(162.2)</b>	<b>(242.0)</b>	<b>(1,080.8)</b>	<b>(493.2)</b>	<b>(107.3)</b>	<b>299.7</b>	<b>585.7</b>
<b>% Growth</b>	<b>59.2%</b>	<b>31.3%</b>	<b>(0.2%)</b>	<b>15.0%</b>	<b>22.2%</b>	<b>134.5%</b>	<b>32.0%</b>	<b>(2.8%)</b>	<b>(18.6%)</b>	<b>30.4%</b>	<b>(54.4%)</b>	<b>(78.2%)</b>	<b>(379%)</b>	<b>95.4%</b>
<b>% Margin</b>	<b>(440.3%)</b>	<b>(334.5%)</b>	<b>(249.8%)</b>	<b>(371.7%)</b>	<b>(342.3%)</b>	<b>(352.2%)</b>	<b>(153.6%)</b>	<b>(96.7%)</b>	<b>(133.2%)</b>	<b>(172.6%)</b>	<b>(47.7%)</b>	<b>(6.7%)</b>	<b>13.8%</b>	<b>22.1%</b>
<b>Net Income</b>	<b>(193.6)</b>	<b>(177.5)</b>	<b>(180.5)</b>	<b>(311.4)</b>	<b>(863.0)</b>	<b>(458.5)</b>	<b>(237.8)</b>	<b>(177.5)</b>	<b>(257.7)</b>	<b>(1,131.6)</b>	<b>(558.1)</b>	<b>(173.9)</b>	<b>162.4</b>	<b>358.2</b>
Preferred stock dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preferred stock deemed dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Income (loss) applicable to common stock</b>	<b>(193.6)</b>	<b>(177.5)</b>	<b>(180.5)</b>	<b>(311.4)</b>	<b>(863.0)</b>	<b>(458.5)</b>	<b>(237.8)</b>	<b>(177.5)</b>	<b>(257.7)</b>	<b>(1,131.6)</b>	<b>(558.1)</b>	<b>(173.9)</b>	<b>162.4</b>	<b>358.2</b>
Diluted WAVG of common stock outstanding	1,588.4	1,598.3	1,602.5	1,609.7	1,599.7	1,628.3	1,628.3	1,628.3	1,628.3	1,628.3	1,628.3	1,628.3	1,628.3	1,628.3
EPS reported- Diluted	\$ (0.15)	\$ (0.13)	\$ (0.14)	\$ (0.23)	\$ (0.65)	\$ (0.33)	\$ (0.17)	\$ (0.13)	\$ (0.18)	\$ (0.81)	\$ (0.40)	\$ (0.12)	\$ 0.10	\$ 0.22
<b>% Growth</b>	<b>24.5%</b>	<b>21.1%</b>	<b>(0.8%)</b>	<b>12.5%</b>	<b>13.2%</b>	<b>124.0%</b>	<b>26.8%</b>	<b>(6.9%)</b>	<b>(21.3%)</b>	<b>24.2%</b>	<b>(50.8%)</b>	<b>(68.8%)</b>	<b>(180.5%)</b>	<b>120.5%</b>
Goodwill amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjustments to Net Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Subscriber Metrics:</b>														
<b>Total Ending Subscribers:</b>														
Retail	1,110	1,355	1,565	2,465	2,465	3,000	3,277	3,542	4,520	4,520	6,339	7,848	8,994	9,842
OEM	311	433	582	824	824	1,049	1,374	1,558	1,756	1,756	2,970	4,255	5,725	7,291
Pre-owned Car Channel	-	-	-	-	-	-	-	-	-	-	-	-	21	117
Hertz	28	27	27	28	28	28	28	28	28	28	28	28	28	28
<b>Total Subscribers</b>	<b>1,449</b>	<b>1,815</b>	<b>2,174</b>	<b>3,317</b>	<b>3,317</b>	<b>4,078</b>	<b>4,678</b>	<b>5,128</b>	<b>6,304</b>	<b>6,304</b>	<b>9,337</b>	<b>12,131</b>	<b>14,769</b>	<b>17,278</b>
Special Markets	82													
<b>Net Additions:</b>														
Retail	199	245	210	901	1,554	535	276	266	978	2,055	1,819	1,509	1,147	848
OEM	108	122	149	242	620	225	325	184	198	932	1,214	1,285	1,470	1,565
Pre-owned Car Channel	-	-	-	-	-	-	-	-	-	-	-	-	21	96
Hertz	(1)	(1)	1	0	(1)	1	(0)	-	-	0	-	-	-	-
<b>Net Subscriber Additions</b>	<b>305</b>	<b>366</b>	<b>359</b>	<b>1,142</b>	<b>2,173</b>	<b>761</b>	<b>600</b>	<b>450</b>	<b>1,176</b>	<b>2,988</b>	<b>3,033</b>	<b>2,793</b>	<b>2,638</b>	<b>2,509</b>
<b>ARPU</b>	<b>\$ 11.12</b>	<b>\$ 10.66</b>	<b>\$ 11.17</b>	<b>\$ 9.71</b>	<b>\$ 10.53</b>	<b>\$ 11.42</b>	<b>\$ 11.43</b>	<b>\$ 11.41</b>	<b>\$ 10.59</b>	<b>\$ 11.17</b>	<b>\$ 11.25</b>	<b>\$ 12.42</b>	<b>\$ 13.44</b>	<b>\$ 13.79</b>
<b>% Growth</b>	<b>10.0%</b>	<b>0.6%</b>	<b>0.1%</b>	<b>4.3%</b>	<b>3.8%</b>	<b>2.7%</b>	<b>7.2%</b>	<b>2.1%</b>	<b>9.1%</b>	<b>6.0%</b>	<b>0.8%</b>	<b>10.3%</b>	<b>8.2%</b>	<b>2.6%</b>
<b>SAC:</b>														
SAC per Gross Addition	\$ (189.15)	\$ (158.76)	\$ (147.62)	\$ (114.62)	\$ (138.79)	\$ (113.62)	\$ (130.83)	\$ (125.00)	\$ (90.00)	\$ (110.40)	\$ (85.16)	\$ (75.00)	\$ (65.00)	\$ (65.00)
<b>% Growth</b>	<b>(23.8%)</b>	<b>(31.8%)</b>	<b>(35.0%)</b>	<b>(8.0%)</b>	<b>(21.2%)</b>	<b>(39.9%)</b>	<b>(17.6%)</b>	<b>(15.3%)</b>	<b>(21.5%)</b>	<b>(20.5%)</b>	<b>(22.9%)</b>	<b>(11.9%)</b>	<b>(13.3%)</b>	<b>0.0%</b>
<b>Total SAC</b>	<b>(67.1)</b>	<b>(68.7)</b>	<b>(68.7)</b>	<b>(145.2)</b>	<b>(349.6)</b>	<b>(109.1)</b>	<b>(108.7)</b>	<b>(89.0)</b>	<b>(134.4)</b>	<b>(441.2)</b>	<b>(413.7)</b>	<b>(410.4)</b>	<b>(393.3)</b>	<b>(424.6)</b>
<b>% Growth</b>	<b>148.7%</b>	<b>97.9%</b>	<b>45.9%</b>	<b>123.5%</b>	<b>101.3%</b>	<b>62.7%</b>	<b>58.2%</b>	<b>29.6%</b>	<b>(7.4%)</b>	<b>26.2%</b>	<b>(6.2%)</b>	<b>(0.8%)</b>	<b>(4.2%)</b>	<b>8.0%</b>
<b>Unlevered Free Cash Flow:</b>														
Operating Cash Flow	(127.1)	(108.8)	(105.4)	(226.3)	(567.5)	(136.7)	(137.4)	(97.2)	(177.0)	(548.3)	(283.2)	84.7	479.7	755.7
Minus: Cash taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minus: Change in working capital	11.8	45.7	40.5	218.7	316.6	(16.1)	19.3	(10.5)	185.2	177.9	300.4	216.1	231.0	223.7
Minus: Capital expenditures	(6.9)	(4.0)	(7.1)	(31.9)	(49.9)	(5.5)	(22.3)	(72.0)	(10.0)	(109.8)	(50.0)	(195.0)	(170.0)	(170.0)
<b>Unlevered Free Cash Flow</b>	<b>(122.2)</b>	<b>(67.1)</b>	<b>(72.0)</b>	<b>(39.5)</b>	<b>(300.8)</b>	<b>(158.3)</b>	<b>(140.5)</b>	<b>(179.7)</b>	<b>(1.8)</b>	<b>(480.2)</b>	<b>(32.8)</b>	<b>105.8</b>	<b>540.8</b>	<b>809.5</b>
<b>Margin %</b>	<b>(282.7%)</b>	<b>(128.5%)</b>	<b>(107.8%)</b>	<b>(49.4%)</b>	<b>(124.2%)</b>	<b>(124.9%)</b>	<b>(93.6%)</b>	<b>(107.1%)</b>	<b>(1.0%)</b>	<b>(76.7%)</b>	<b>(3.2%)</b>	<b>6.6%</b>	<b>24.9%</b>	<b>30.5%</b>
<b>Growth %</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>49.7%</b>
<b>Levered Free Cash Flow:</b>														
Operating Cash Flow	(127.1)	(108.8)	(105.4)	(226.3)	(567.5)	(136.7)	(137.4)	(97.2)	(177.0)	(548.3)	(283.2)	84.7	479.7	755.7
Minus: Cash taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minus: Cash interest expense	(3.8)	(9.3)	(6.4)	(20.1)	(39.6)	(17.1)	(13.5)	(14.7)	(15.1)	(60.5)	(62.6)	(64.4)	(49.9)	(34.7)
Minus: Change in working capital	11.8	45.7	40.5	218.7	316.6	(16.1)	19.3	(10.5)	185.2	177.9	300.4	216.1	231.0	223.7
Minus: Capital expenditures	(6.9)	(4.0)	(7.1)	(31.9)	(49.9)	(5.5)	(22.3)	(72.0)	(10.0)	(109.8)	(50.0)	(195.0)	(170.0)	(170.0)
<b>Levered Free Cash Flow</b>	<b>(126.0)</b>	<b>(76.4)</b>	<b>(78.4)</b>	<b>(59.6)</b>	<b>(340.4)</b>	<b>(175.4)</b>	<b>(154.0)</b>	<b>(194.5)</b>	<b>(16.9)</b>	<b>(540.7)</b>	<b>(95.4)</b>	<b>41.4</b>	<b>490.9</b>	<b>774.7</b>
<b>Margin %</b>	<b>(291.5%)</b>	<b>(146.4%)</b>	<b>(117.3%)</b>	<b>(74.5%)</b>	<b>(140.5%)</b>	<b>(138.5%)</b>	<b>(102.6%)</b>	<b>(115.9%)</b>	<b>(9.3%)</b>	<b>(86.3%)</b>	<b>(9.2%)</b>	<b>2.6%</b>	<b>22.6%</b>	<b>29.2%</b>

Source: Company data, Credit Suisse estimates