

XM Satellite Radio
By Amanda Tallman
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Introduction

XM Satellite Radio was founded in 1992 as the American Mobile Radio Corporation and is one of two companies that was granted license to broadcast satellite radio by the Federal Communications Commission. XM has worked together with Hughes Space and Launch Satellites International (now Boeing Space Systems) and has launched several satellites to broadcast radio off of. In 1998, American Mobile Radio Corporation changed it's name to XM, and by 1999 was partnering with several other media companies such as DIRECTV, General Motors, Clear Channel Communications, and a few private investor companies.

Internal Environment

As of right now, XM Satellite Radio's home office is located in Washington, DC and they operate under a fairly standard management scheme. At the top of the management chain is their President and CEO, followed by their Executive Vice President and General Council. Under the Executive Vice President is the Executive Vice President of Sales and Marketing, the Executive Vice President and Chief Financial Officer, the Executive Vice President of Programming, and the Executive Vice President of Technology and Engineering.

As for the providing of a service, XM offers several unique content options, ranging from your standard rock or pop stations, to more specific choices like show tunes and talk radio. XM also has partnerships with DIRECTV, several hotel chains, General Motors, as well as Major League Baseball, which allows them to get the word out about their product fairly easily. XM also offers a family-pricing plan, giving the option for several receivers to be put on one account at a discounted price.

As of right now, XM only broadcasts their content to the United States and, on a more limited basis, in Canada. They have partnered with other stations on an international basis, however they currently don't offer content broadcasting extensively overseas.

One unique aspect of XM's broadcasting technology is that they use repeaters on the ground, which reflect the digital signals across land in order to minimize the interruptions in service. XM also has stationary satellites in orbit, meaning that their signals tend to be more consistent than the signals of Sirius Satellite Radio, which uses satellites on a variable orbit pattern.

External Environment

Currently, XM only has one direct competitor in the satellite radio business. That competitor is Sirius Satellite Radio. Other competitors, however, include the growing portable music units (i.e. iPod, mp3 players, etc.), as well traditional radio stations. Both portable music systems and traditional radio stations typically do not require a user to be in a specific location in order to use the technology. Surprisingly, one of XM's investors, Clear Channel Communications, is actually one of their biggest competitors as well.

On the political side of things, XM is one of two providers that were granted permission to broadcast their content signals via satellite. Also, both XM and Sirius are gaining content with the heavy indecency fines levied by the FCC in recent years. Since subscribers need to pay for satellite radio, artists are more at leisure to offer expanded content without risking as much intervention by the FCC. As of right now, there are no strict regulations on satellite radio.

Financial Status

As of right now, XM Satellite Radio is actually operating at a loss. As you will see on the leverage ratio analysis, their net losses increased by \$57,833. Their Debt to Assets ratio also increased by 16.45%, indicating that the company is taking on more debt and not accumulating enough income to compensate for that increase. And because of the fact that the company is operating at a loss, the return on stockholders equity has dropped significantly between 2003 and 2004.

According to the liquidity ratios of XM, they are working on improving their ability to utilizing their assets. Between 2003 and 2004, XM managed to decrease their current ratio by 66%.

Liquidity Ratios

Current Ratio

Current Assets 2004	\$804,163	Current Liabilities 2004	\$411,456
Current Assets 2003	\$478,562	Current Liabilities 2003	\$183,140
2004 Ratio	195.44%	Difference Between 03 and 04	-65.87%
2003 Ratio	261.31%		

Leverage Ratios

Debt To Assets Ratio

Total Debt 2004	\$1,485,472	Total Assets 2004	\$1,821,635
Total Debt 2003	\$993,894	Total Assets 2003	\$1,526,782

2004 Ratio	81.55%	Difference Between 03 and 04	16.45%
2003 Ratio	65.10%		

Debt To Equity Ratio

Total Debt 2004	\$1,485,472	Stockholder Equity 2004	\$336,163
Total Debt 2003	\$993,894	Stockholder Equity 2003	\$532,888

2004 Ratio	441.89%	Difference Between 03 and 04	255.38%
2003 Ratio	186.51%		

Return on Stockholder Equity

Net Income 2004	(\$642,368)	Total Stockholder Equity 2004	\$336,163
Net Income 2003	(\$584,535)	Total Stockholder Equity 2003	\$532,888

2004 Total	-191.09%	Difference Between 03 and 04	-81.40%
2003 Total	-109.69%		

Recommendations

Based on the SWOT analysis performed, XM should be seeking to aggressively grow and build its company. One way they could do this is through forward integration. By partnering with several traditional radio stations and offering content on XM, they will most likely attract listeners from traditional radio stations who will be looking to switch to a more universal service, such as XM. This would also help traditional radio stations that are seeking to convert to a digital signal with their

technological needs. This might also help to cut down on the cost of producing satellite radio broadcasts, since the cost would be shared among many outlets.

XM should actively be seeking to develop products in partnership with makers of portable music devices, such as Apple, in order to make their products more reasonably priced and attractive to a wider variety of music listeners.

Even though Sirius Satellite Radio is a major competitor and threat to XM, the two companies should work together in order to develop a receiver that can accept both Sirius and XM satellite signals. That might help to bring the cost of satellite receivers down and it would allow potential subscribers to chose which service they prefer.

XM Satellite Radio is a very strong leader in the satellite radio market. By continuing to aggressively expand in the market place, they will be a very successful and powerful force in the digital music market.