

DISH Network Corp. (DISH)

\$34.74 (As of 06/04/20)

Price Target (6-12 Months): **\$37.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 05/03/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

Growth: C

Momentum: C

Summary

DISH is witnessing subscriber loss in the Pay-TV and Sling TV businesses, primarily due to coronavirus outbreak, stiff competition and cord-cutting. Also, increasing programming and content expenses as well as higher retransmission fees are hurting profitability. Further, a debt-ridden balance sheet is a lingering concern. Shares have underperformed the industry on a year-to-date basis. Nevertheless, DISH's focus on acquiring and retaining subscribers, who will be profitable over the long term, is expected to drive growth. Additionally, DISH is set to penetrate the U.S. wireless market as the fourth nationwide, facilities-based network competitor by purchasing Sprint's prepaid businesses and clients as well as the 13.5 MHz of the nationwide 800 MHz spectrum. This, in turn, bodes well for DISH's top line over the long haul.

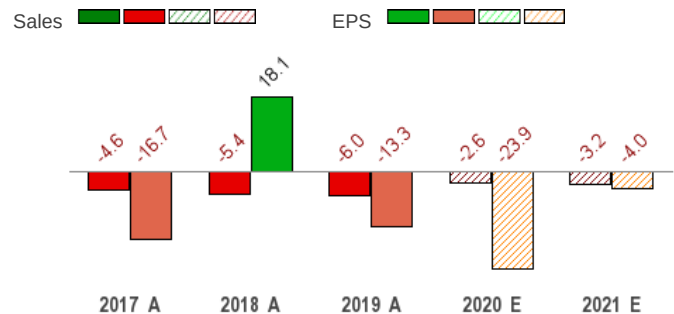
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$44.66 - \$17.09
20 Day Average Volume (sh)	3,217,264
Market Cap	\$18.2 B
YTD Price Change	-2.1%
Beta	1.75
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Cable Television
Zacks Industry Rank	Bottom 40% (153 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-77.2%
Last Sales Surprise	2.4%
EPS F1 Est- 4 week change	-9.4%
Expected Report Date	08/03/2020
Earnings ESP	6.8%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	3,065 E	3,059 E	2,992 E	3,017 E	12,076 E
2020	3,217 A	3,137 E	3,060 E	3,083 E	12,470 E
2019	3,187 A	3,211 A	3,168 A	3,241 A	12,808 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.56 E	\$0.50 E	\$0.49 E	\$0.47 E	\$1.90 E
2020	\$0.13 A	\$0.55 E	\$0.51 E	\$0.55 E	\$1.98 E
2019	\$0.65 A	\$0.60 A	\$0.66 A	\$0.69 A	\$2.60 A

*Quarterly figures may not add up to annual.

P/E TTM	16.7
P/E F1	17.6
PEG F1	NA
P/S TTM	1.4

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 06/04/2020. The reports text is as of 06/05/2020.

Overview

DISH Network Corporation offers pay-TV services under the DISH brand and Sling brand. As of Mar 31, 2020, DISH had 11.323 million Pay-TV subscribers in the United States, including 9.012 million DISH TV subscribers and 2.311 million Sling TV subscribers.

DISH offer a wide selection of video services under the DISH TV brand, with access to hundreds of local, regional and national broadcast network channels, depending on the level of subscription. The company's Latino and international programming packages allow subscribers to choose from over 270 channels in 28 languages.

DISH also offers products like DVRs (including Hopper whole-home HD DVR), multiple tuner receivers, 1080p video on demand, and external hard drives. Additionally, the company offers streaming access through DISH On Demand to thousands of movies and TV shows to DISH TV subscribers.

Sling TV services require an Internet connection and are available on multiple streaming-capable devices. DISH also offers add-on extras, pay-per-view events and a cloud-based DVR service.

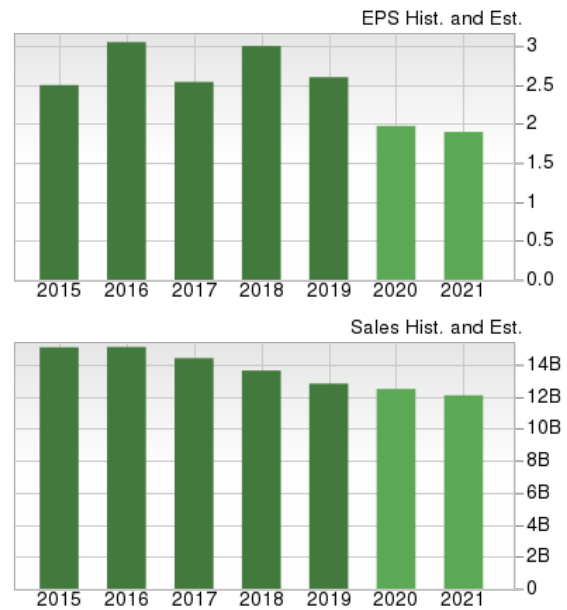
DISH has invested over \$11 billion to acquire certain wireless spectrum licenses and related assets since 2008. The company also has non-controlling investments in certain entities.

DISH reported revenues of \$12.81 billion in 2019. The company reports operations through two reportable segments – Subscriber-Related revenues (98.5% of revenues in 2019) and Equipment Sales & Other revenues (1.5%).

Sprint Asset Acquisition

On Jul 26, DISH entered into an asset purchase agreement with T-Mobile US (TMUS) and Sprint Corporation. Pursuant to the APA, after the consummation of the Sprint-TMUS merger, DISH will acquire certain assets and liabilities associated with Sprint's Boost Mobile, Virgin Mobile and Sprint branded prepaid mobile services businesses for an aggregate price of \$1.4 billion.

DISH will also receive certain transitional services and has an option to acquire specific decommissioned cell sites and retail stores of Sprint. The company would also buy all of Sprint's 800 MHz spectrum licenses totaling 13.5 MHz of nationwide wireless spectrum for an additional \$3.59 billion.



Reasons To Buy:

- ▲ DISH's Internet TV service – Sling TV allows subscribers to stream on up to three different devices (Sling Blue package). Moreover, Sling Orange and Sling Blue are two of the lowest priced live-linear online streaming services in the industry. In June 2018, DISH launched additional Sling TV services which include offering consumers a la carte channel subscriptions, access to pay-per-view events and movies, and access to free content. Notably, in 2019, the company added 175K subscribers. Sling's focus on attracting and retaining long-term, profitable and economically rational subscribers will continue to drive top-line growth in the long haul.
- ▲ Although DISH's Pay-TV business continues to lose subscribers, primarily due to matured DISH TV, the company's focus on acquiring and retaining subscribers that are profitable over the long term, is paying off. The company has been ranked #1 in Overall Customer Satisfaction for the second year in a row in the U.S. Television Service Provider Satisfaction Study by J.D. Power. This is a major factor behind improving retention rates and bodes well for the company's top-line growth.
- ▲ Moreover, DISH's focus on providing quality content to its users is expected to yield results in the long term. Additionally, resolution of carriage-related disputes with Fox and Univision Communications is a positive. The company's focus on offering live soccer games through DishLATINO is also noteworthy.
- ▲ DISH has created an extensive portfolio of spectrum, the most important component of wireless networks. The company has invested \$11 billion to acquire a portfolio of 700 MHz, 600 MHz, AWS-4 Licenses (40 MHz) and H Block licenses. DISH has committed to deploy a facilities-based 5G broadband network capable of serving 70% of the U.S. population by June 2023. The company has requested the Federal Communications Commission to modify its spectrum licenses to reflect the new commitments.

Increasing Sling TV subscriber base, focus on acquiring & retaining subscribers that are profitable over the long term and extensive portfolio of spectrum are key positives.

Reasons To Sell:

- ▼ The internal dynamics of the U.S. pay-TV industry has been gradually shifting from cable TV operators to large telecom operators and low-cost over-the-top (OTT) service providers. DISH's Pay-TV growth is suffering due to matured video market in the United States, stiff competition and severe cord-cutting. Further, economic impact of the coronavirus outbreak that has resulted in a steep climb in unemployment is expected to hurt Pay-TV providers like DISH, at least in the near term.
- ▼ DISH is a low-cost provider in the pay-TV industry. Further, Sling TV subscribers on average purchase lower priced programming services than DISH TV subscribers. Hence, an increase in Sling TV subscribers hurts DISH's Pay-TV average monthly revenue per subscriber (ARPU). Moreover, escalating programming and content expenses and retransmission fees are keeping company's margins under pressure. Moreover, blackout of HBO and Cinemax due to dispute over carriage agreements between DISH and AT&T (parent of HBO and Cinemax) is expected to increase churn rate, at least in the near term.
- ▼ DISH has a leveraged balance sheet. Total debt as of Mar 31, 2020 was \$14.15 billion compared with \$14.14 billion as of Dec 31, 2019. In comparison, DISH's cash balance was \$2.83 billion. Notably, debt worth \$1.1 billion and \$2 billion has to be paid in 2020 and 2021, respectively.
- ▼ Moreover, DISH estimates expenditures for wireless projects to be between \$250 million and \$500 million during 2020. Further, capital expenditures for its 5G network deployment are expected to be approximately \$10 billion. The huge debt load due to a coronavirus-led recessionary macro-environment is a headwind as the ongoing volatility in financial markets restricts DISH's capacity to raise further debt. This, in turn, might delay 5G network deployment, which is a major concern for the company's prospects in the long haul.

DISH continues to lose subscribers due to stiff competition, matured video market in the United States, increasing headwinds related to Sling TV's prospects and leveraged balance sheet.

Last Earnings Report

DISH Network Q1 Earnings Lag, User Base Declines Y/Y

DISH Network's first-quarter 2020 earnings of 13 cents per share missed the Zacks Consensus Estimate by 77.2% and also plunged 80% year over year.

Revenues inched up 0.9% year over year to \$3.22 billion and also surpassed the consensus mark by 2.9%.

The United States revenues climbed 0.8% year over year to \$3.20 billion. Canada and Mexico revenues surged 46.4% from the year-ago quarter to \$15.9 million.

DISH exited the reported quarter with 9.012 million DISH TV subscribers, down 6.1%, and 2.311 million Sling TV subscribers, down 4.7%. Total Pay-TV subscribers were 11.323 million, down 6.1% year over year.

It goes without saying that the coronavirus adversely impacted DISH's first-quarter results. The pandemic caused severe disruption in certain commercial segments served by the company including the hospitality and airline industries.

Moreover, in a bid to avoid charging commercial customers for services that were no longer viewed by them, DISH pulled the plug on services or provided a temporary rate relief.

Those commercial accounts including the ones that DISH expects to disconnect represent roughly 250,000 subscribers, which DISH removed from its ending Pay-TV subscriber count as of Mar 31, 2020.

Top-Line Details

Subscriber-related revenues (98.4% of revenues) increased 0.6% from the year-ago quarter to \$3.17 billion. Equipment sales and other revenues surged 30.4% to \$51.3 million.

Pay-TV video and related revenues climbed 1.1% to \$3.13 billion. Equipment sales and other revenues jumped 30.4% year over year to \$51.3 million. However, broadband revenues dropped 29.5% year over year to \$35.1 million.

The company lost 413K net Pay-TV subscribers in the reported quarter compared with 259K lost a year ago. Moreover, DISH lost nearly 281K net Sling TV subscribers and 132K DISH TV subscribers.

However, Pay-TV ARPU increased 4.4% year over year to \$88.76. Additionally, the churn-out rate was 1.54% compared with the year-ago quarter's 1.74%.

Operating Details

In the first quarter, subscriber-related expenses dipped 2.2% year over year to \$1.96 billion. As a percentage of revenues, subscriber-related expenses declined 200 basis points (bps) on a year-over-year basis to 60.9%.

Subscriber acquisition costs (SACs) flared up 30.9% from the year-ago quarter to \$253.9 million. As a percentage of revenues, SACs expanded 180 bps to 7.9%.

DISH TV SAC was \$861, up 4% year over year.

EBITDA dropped 52% year over year to \$286.3 million. Operating income also plunged 68.4% year over year to \$144.1 million.

Balance Sheet

As of Mar 31, 2020, cash, cash equivalents and current marketable investment securities were \$2.83 billion compared with \$2.44 billion as of Dec 31, 2019.

Total debt as of Mar 31, 2020 was \$14.15 billion compared with \$14.14 billion as of Dec 31, 2019.

Quarter Ending **03/2020**

Report Date	May 07, 2020
Sales Surprise	2.41%
EPS Surprise	-77.19%
Quarterly EPS	0.13
Annual EPS (TTM)	2.08

Recent News

On Apr 23, DISH Network announced that it entered into a multi-year agreement with Mavenir to deliver cloud-native OpenRAN software for its software-defined 5G wireless broadband network.

On Apr 22, DISH Network announced that its set-top box Video On Demand (VOD) ads are available for purchase programmatically and in real time. Advertisers can now bid on VOD ads through private, real-time auctions with demand-side platforms, such as The Trade Desk, and deliver ads and receive impressions immediately.

On Dec 20, DISH announced that its Hopper and Wally receivers now support the Google Nest Hello Video doorbell. The company is the first pay-TV provider to integrate a Google Nest device into its ecosystem with the Device Access program.

Valuation

DISH shares are down 2% in the year-to-date period and 3.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Discretionary sector are down 0.8% and 9.8% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 9.8%, while the sector is down 1.4%.

The S&P 500 index is down 3.1% in the year-to-date period but up 9.9% in the past year.

The stock is currently trading at 18.01X forward 12-month earnings, which compares to 20.99X for the Zacks sub-industry, 32.15X for the Zacks sector and 22.55X for the S&P 500 index.

Over the past five years, the stock has traded as high as 40.14X and as low as 8.35X, with a 5-year median of 18.66X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$37 price target reflects 18.91X forward 12-month earnings.

The table below shows summary valuation data for DISH

Valuation Multiples - DISH					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	18.01	20.99	32.15	22.55
	5-Year High	40.14	29.11	32.15	22.55
	5-Year Low	8.35	15.33	16.21	15.23
	5-Year Median	18.66	21.31	19.91	17.49
P/S F12M	Current	1.49	2.13	2.23	3.51
	5-Year High	2.29	2.59	3.19	3.51
	5-Year Low	0.77	1.61	1.67	2.53
	5-Year Median	1.53	2.04	2.52	3.02
EV/Sales TTM	Current	2.17	3.21	2.94	3.05
	5-Year High	3.1	3.81	4.05	3.46
	5-Year Low	1.25	2.64	2.26	2.13
	5-Year Median	2.19	3.27	3.38	2.83

As of 06/04/2020

Industry Analysis Zacks Industry Rank: Bottom 40% (153 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Cable One, Inc. (CABO)	Neutral	3
Charter Communications, Inc. (CHTR)	Neutral	3
Comcast Corporation (CMCSA)	Neutral	4
Liberty Global PLC (LBTYA)	Neutral	2
Netflix, Inc. (NFLX)	Neutral	2
Rogers Communication, Inc. (RCI)	Neutral	3
Shaw Communications Inc. (SJR)	Neutral	3
ATT Inc. (T)	Neutral	4

Industry Comparison Industry: Cable Television				Industry Peers		
	DISH	X Industry	S&P 500	CHTR	LBTYA	RCI
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	2	3
VGM Score	B	-	-	B	D	C
Market Cap	18.21 B	11.78 B	22.58 B	126.47 B	13.74 B	21.67 B
# of Analysts	10	5	14	7	2	7
Dividend Yield	0.00%	0.00%	1.87%	0.00%	0.00%	3.48%
Value Score	B	-	-	C	C	B
Cash/Price	0.20	0.07	0.06	0.02	0.55	0.08
EV/EBITDA	10.73	10.39	12.93	12.28	7.65	7.53
PEG Ratio	NA	2.95	3.06	1.25	NA	4.16
Price/Book (P/B)	1.56	2.28	3.09	3.09	1.09	2.85
Price/Cash Flow (P/CF)	8.95	8.95	12.17	9.76	6.58	6.12
P/E (F1)	18.38	30.64	22.17	47.68	NA	17.00
Price/Sales (P/S)	1.42	1.93	2.41	2.73	1.19	1.93
Earnings Yield	5.70%	2.34%	4.27%	2.10%	-3.75%	5.87%
Debt/Equity	1.12	1.28	0.76	2.04	1.82	1.95
Cash Flow (\$/share)	3.88	2.72	7.01	55.31	3.45	7.01
Growth Score	C	-	-	A	D	C
Hist. EPS Growth (3-5 yrs)	-1.54%	5.13%	10.87%	120.21%	NA	11.80%
Proj. EPS Growth (F1/F0)	-24.04%	-8.33%	-10.79%	50.23%	60.88%	-19.35%
Curr. Cash Flow Growth	-11.24%	1.79%	5.48%	0.57%	-8.34%	1.79%
Hist. Cash Flow Growth (3-5 yrs)	0.07%	2.34%	8.55%	43.34%	-15.92%	2.34%
Current Ratio	1.00	1.20	1.29	0.44	1.20	1.10
Debt/Capital	53.91%	60.44%	44.75%	67.07%	64.50%	66.15%
Net Margin	8.82%	13.32%	10.59%	3.91%	107.92%	13.45%
Return on Equity	10.61%	3.56%	16.26%	4.66%	-2.41%	22.08%
Sales/Assets	0.39	0.35	0.55	0.32	0.23	0.40
Proj. Sales Growth (F1/F0)	-2.64%	0.00%	-2.61%	4.04%	-2.75%	-9.10%
Momentum Score	C	-	-	F	F	D
Daily Price Chg	2.39%	-0.87%	-0.08%	-1.33%	2.67%	0.21%
1 Week Price Chg	7.07%	5.35%	4.60%	6.06%	1.94%	6.78%
4 Week Price Chg	48.78%	7.63%	12.07%	5.01%	3.61%	6.03%
12 Week Price Chg	75.01%	26.77%	25.17%	26.31%	41.40%	13.97%
52 Week Price Chg	-3.98%	-11.18%	0.34%	39.43%	-11.96%	-19.90%
20 Day Average Volume	3,217,264	247,814	2,537,324	957,005	2,076,947	555,035
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-1.49%	0.00%	0.00%
(F1) EPS Est 4 week change	-9.40%	-4.88%	-0.08%	-5.17%	-28.03%	-4.88%
(F1) EPS Est 12 week change	-13.83%	-19.01%	-16.19%	-18.15%	-19.01%	-22.06%
(Q1) EPS Est Mthly Chg	-0.23%	-0.23%	0.00%	-2.45%	NA	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	C
Momentum Score	C
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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