

## DISH Network Corp. (DISH)

**\$34.43** (As of 08/12/20)

Price Target (6-12 Months): **\$40.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Outperform**

(Since: 08/12/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**1-Strong Buy**

Zacks Style Scores:

VGM:C

Value: C

Growth: D

Momentum: C

### Summary

DISH's second-quarter 2020 results reflected subscriber loss in both Pay-TV and Sling TV businesses. The coronavirus outbreak caused severe disruption in certain commercial segments served by DISH including the hospitality and airline industries. 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 entered the retail wireless market through the acquisition of Boost Mobile. The company also entered into partnerships with Fujitsu (5G Radio), Altistar (virtualized RAN software solution) and VMware for its standalone 5G network. These initiatives bode well for DISH's top line over the long haul.

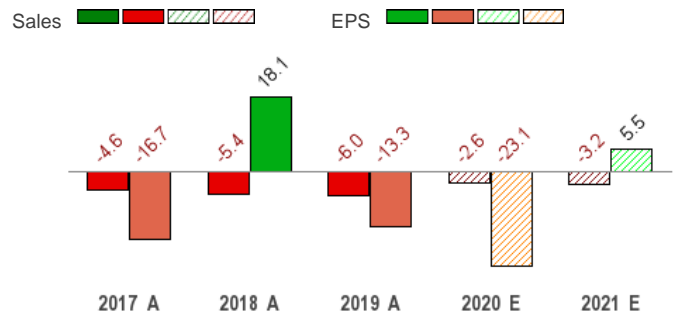
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$42.62 - \$17.09
20 Day Average Volume (sh)	2,770,900
Market Cap	\$18.0 B
YTD Price Change	-2.9%
Beta	1.70
Dividend / Div Yld	\$0.00 / 0.0%
Industry	<a href="#">Cable Television</a>
Zacks Industry Rank	Top 43% (110 out of 253)

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	36.8%
Last Sales Surprise	2.7%
EPS F1 Est- 4 week change	8.0%
Expected Report Date	11/05/2020
Earnings ESP	16.1%
P/E TTM	15.2
P/E F1	17.2
PEG F1	NA
P/S TTM	1.4

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	3,082 E	3,113 E	3,008 E	2,984 E	12,068 E
2020	3,217 A	3,187 A	3,072 E	3,097 E	12,473 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	\$0.61 E	\$0.68 E	\$0.56 E	\$0.54 E	\$2.11 E
2020	\$0.13 A	\$0.78 A	\$0.60 E	\$0.59 E	\$2.00 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.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/12/2020. The reports text is as of 08/13/2020.

## Overview

DISH Network Corporation offers pay-TV services under the DISH brand and Sling brand. As of Jun 30, 2020, DISH had 11.272 million Pay-TV subscribers in the United States, including 9.017 million DISH TV subscribers and 2.255 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.

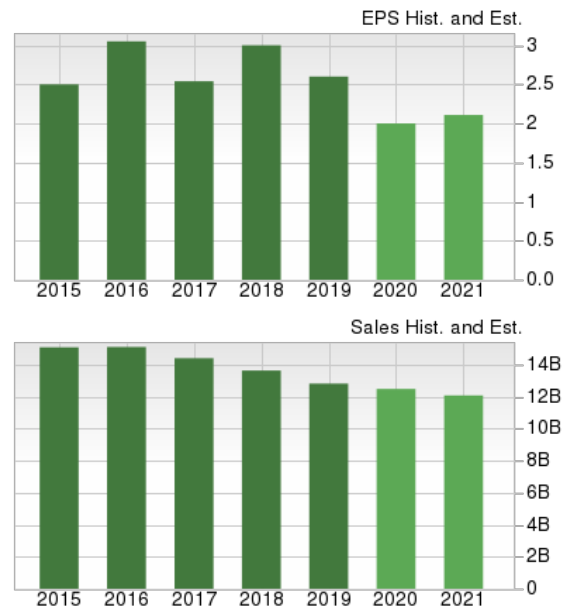
DISH has invested over \$11 billion to acquire certain wireless spectrum licenses and related assets since 2008. The company also has non-controlling investments in certain entities.

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%).

Meanwhile, on Jul 26, 2019 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.

On Jul 1, 2020, DISH Network completed the acquisition of Boost Mobile.



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## 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.

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## Risks

- 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 Jun 30, 2020 was \$13.06 billion compared with \$14.15 billion as of Mar 31, 2020. In comparison, DISH's cash balance was \$2.63 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.
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## Last Earnings Report

### DISH Network Q2 Earnings Beat, User Base Declines Y/Y

DISH Network's second-quarter 2020 earnings of 78 cents per share beat the Zacks Consensus Estimate by 36.8% and also surged 30% year over year.

Revenues declined 0.8% year over year to \$3.19 billion but surpassed the consensus mark of \$3.10 billion.

U.S. revenues climbed 0.6% year over year to \$3.18 billion. Canada and Mexico revenues plunged 52.7% from the year-ago quarter to \$5.1 million.

DISH exited the reported quarter with 9.017 million DISH TV subscribers, down 5.7%, and 2.255 million Sling TV subscribers, down 8.8%. Total Pay-TV subscribers were 11.272 million, down 6.3% year over year.

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

Markedly, DISH paused services or provided temporary rate relief for roughly 250,000 commercial accounts and removed those accounts from its ending Pay-TV subscriber count as of Mar 31, 2020. During the reported quarter, 45,000 of these subscribers resumed normal service and they were added to the DISH TV subscriber count as of Jun 30, 2020.

### Top-Line Details

Subscriber-related revenues (98.8% of revenues) decreased 0.4% from the year-ago quarter to \$3.15 billion. Equipment sales and other revenues plunged 23.5% to \$37.3 million.

Pay-TV video and related revenues stayed at \$3.12 billion. Equipment sales and other revenues fell 23.5% year over year to \$37.3 million. Moreover, broadband revenues dropped 28.6% year over year to \$32.5 million.

The company lost 96K net Pay-TV subscribers in the reported quarter compared with 31K lost a year ago. Moreover, DISH lost nearly 56K net Sling TV subscribers and 40K DISH TV subscribers.

However, Pay-TV ARPU increased 6.8% year over year to \$92.17. Additionally, the churn-out rate was 1.14% compared with the year-ago quarter's 1.48%.

### Operating Details

In the second quarter, subscriber-related expenses dipped 5.8% year over year to \$1.88 billion. As a percentage of revenues, subscriber-related expenses declined 320 basis points (bps) on a year-over-year basis to 59.1%.

Subscriber-acquisition costs ("SACs") were down 16.1% from the year-ago quarter to \$199.7 million. As a percentage of revenues, SACs contracted 110 bps to 6.3%.

DISH TV SAC increased 6.1% year over year.

EBITDA increased 36.1% year over year to \$761.7 million. Operating income also surged 48% year over year to \$637.7 million.

### Balance Sheet

As of Jun 30, 2020, DISH Network had cash, cash equivalents and current marketable investment securities of \$2.63 billion compared with \$2.83 billion as of Mar 31, 2020.

Total debt as of Jun 30, 2020 was \$13.06 billion compared with \$14.15 billion as of Mar 31, 2020.

Quarter Ending 06/2020

Report Date	Aug 07, 2020
Sales Surprise	2.71%
EPS Surprise	36.84%
Quarterly EPS	0.78
Annual EPS (TTM)	2.26

## Recent News

On Aug 7, DISH Network's Boost Mobile announced five wireless plans under \$50 per month, giving consumers more choice and value in prepaid wireless.

On Aug 3, DISH Network and Tucows announced that the former has chosen Tucows as a technology partner for its retail wireless business. As part of this agreement, DISH has also acquired Ting Mobile's assets, including customer relationships.

On Jul 31, DISH Network announced that it has chosen VMware for the cloud platform to deploy the nation's first 5G, cloud-native Open Radio Access Network (O-RAN).

On Jul 7, DISH Network's Boost Mobile announced the availability of the Samsung Galaxy A21 and the Samsung Galaxy A11. Users booking through BoostMobile.com will get the devices at a cheaper rate compared with retail prices.

On Jul 6, DISH Network and ViacomCBS announced a multi-year renewal of their carriage agreement. This will provide DISH and SLING TV customers access to ViacomCBS' portfolio of broadcast, entertainment, news and sports content.

On Jul 1, DISH Network entered the retail wireless market through the acquisition of Boost Mobile for \$1.4 billion.

On Jun 30, DISH Network announced that it has inked a multi-year agreement with Altistar to deliver its cloud-native O-RAN compliant solution for the former's nationwide 5G network. The company also announced a large purchase of radio units from Fujitsu.

On Jun 24, DISH Network announced that its subsidiary, DISH DBS Corporation plans to offer, subject to market and other conditions, approximately \$1 billion, 7.375% Senior Notes due 2028.

## Valuation

DISH shares are down 2.9% in the year-to-date period and 8.5% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 4.2%, while the same in the Zacks Consumer Discretionary sector are down 4.8% in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 15.8% and 7.8%, respectively.

The S&P 500 index is up 3.4% in the year-to-date period and 17.4% in the past year.

The stock is currently trading at 18.38X forward 12-month earnings, which compares to 21.3X for the Zacks sub-industry, 33.31X for the Zacks sector and 22.6X for the S&P 500 index.

Over the past five years, the stock has traded as high as 35.93X and as low as 8.35X, with a 5-year median of 18.43X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$40 price target reflects 21.14X 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	18.38	21.3	33.31	22.6
	5-Year High	35.93	29.11	33.6	22.62
	5-Year Low	8.35	15.32	16.13	15.25
	5-Year Median	18.43	21.3	19.86	17.58
P/S F12M	Current	1.48	2.25	2.38	3.65
	5-Year High	2.15	2.59	2.95	3.65
	5-Year Low	0.77	1.61	1.68	2.53
	5-Year Median	1.51	2.04	2.5	3.05
EV/Sales TTM	Current	2.07	3.39	3.13	3.23
	5-Year High	2.93	3.75	3.86	3.46
	5-Year Low	1.25	2.64	2.29	2.14
	5-Year Median	2.18	3.26	3.39	2.86

As of 08/12/2020

## Industry Analysis Zacks Industry Rank: Top 43% (110 out of 253)



## Top Peers

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

Industry Comparison Industry: Cable Television				Industry Peers		
	DISH	X Industry	S&P 500	CHTR	LBTYA	RCI
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	3	3	4
VGM Score	C	-	-	A	B	A
Market Cap	18.05 B	12.25 B	23.75 B	122.68 B	13.28 B	21.16 B
# of Analysts	4	4	14	13	2	6
Dividend Yield	0.00%	0.00%	1.68%	0.00%	0.00%	3.47%
Value Score	C	-	-	B	A	A
Cash/Price	0.19	0.07	0.07	0.02	0.53	0.06
EV/EBITDA	9.90	9.90	13.35	12.27	4.23	7.25
PEG Ratio	NA	3.05	2.98	1.12	NA	4.23
Price/Book (P/B)	1.48	2.35	3.20	3.37	1.06	2.94
Price/Cash Flow (P/CF)	8.87	8.87	12.97	10.82	6.49	5.97
P/E (F1)	17.22	33.26	22.17	50.56	NA	18.30
Price/Sales (P/S)	1.41	1.98	2.54	2.63	1.16	1.98
Earnings Yield	5.81%	2.37%	4.31%	1.98%	-2.73%	5.47%
Debt/Equity	0.91	0.83	0.77	2.13	0.83	1.92
Cash Flow (\$/share)	3.88	2.72	6.94	55.31	3.45	7.01
Growth Score	D	-	-	B	F	B
Hist. EPS Growth (3-5 yrs)	-2.69%	4.27%	10.41%	115.41%	NA	10.77%
Proj. EPS Growth (F1/F0)	-23.08%	22.44%	-6.32%	57.04%	71.99%	-26.84%
Curr. Cash Flow Growth	-11.24%	-3.39%	5.22%	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	0.71	0.98	1.33	0.52	1.99	1.03
Debt/Capital	48.97%	46.84%	44.59%	68.09%	45.26%	65.73%
Net Margin	9.90%	11.89%	10.13%	4.85%	104.07%	11.89%
Return on Equity	11.14%	1.72%	14.59%	6.05%	-3.19%	18.57%
Sales/Assets	0.39	0.34	0.51	0.32	0.24	0.38
Proj. Sales Growth (F1/F0)	-2.62%	0.00%	-1.40%	3.99%	-1.20%	-11.08%
Momentum Score	C	-	-	A	A	B
Daily Price Chg	-2.27%	0.06%	0.67%	1.40%	1.45%	0.29%
1 Week Price Chg	6.42%	2.51%	2.30%	3.77%	-4.34%	0.76%
4 Week Price Chg	1.92%	4.15%	4.87%	8.47%	-4.28%	1.45%
12 Week Price Chg	21.49%	8.51%	13.54%	16.76%	6.37%	3.94%
52 Week Price Chg	8.58%	-5.25%	6.06%	59.59%	-14.23%	-17.46%
20 Day Average Volume	2,770,900	282,577	2,006,991	838,551	1,266,514	567,141
(F1) EPS Est 1 week change	5.70%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	8.02%	3.11%	1.95%	8.14%	28.40%	-10.58%
(F1) EPS Est 12 week change	-1.60%	2.17%	2.72%	7.67%	-1.68%	-15.09%
(Q1) EPS Est Mthly Chg	20.69%	6.65%	0.84%	3.43%	NA	-13.52%

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## 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.

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### 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	C
Growth Score	D
Momentum Score	C
VGM Score	C

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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