

DISH Network Corp. (DISH)

\$40.73 (As of 02/21/20)

Price Target (6-12 Months): **\$43.00**

Long Term: 6-12 Months

Zacks Recommendation: **Outperform**

(Since: 01/06/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:F

Value: C

Growth: D

Momentum: F

Summary

DISH's fourth-quarter 2019 results reflected subscriber loss in both Pay-TV and Sling TV businesses, primarily due to stiff competition. Nevertheless, the company's focus on acquiring and retaining subscribers, who will be profitable over the long term, is expected to drive growth. Pay-TV average revenue per user grew owing to DISH TV and Sling TV's programming package price increases in the first quarter of 2019. Additionally, DISH is set to enter the U.S. wireless market as the fourth nationwide, facilities-based network competitor by acquiring Sprint's prepaid businesses and customers, and 13.5 MHz of nationwide 800 MHz spectrum. This is likely to boost DISH's top line over the long haul. DISH's shares have outperformed the industry in the past year.

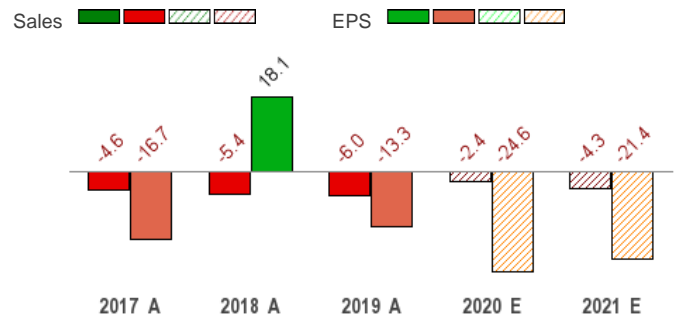
Price, Consensus & Surprise



Data Overview

| | |
|----------------------------|----------------------------------|
| 52 Week High-Low | \$44.66 - \$30.45 |
| 20 Day Average Volume (sh) | 3,998,582 |
| Market Cap | \$20.1 B |
| YTD Price Change | 14.8% |
| Beta | 1.34 |
| Dividend / Div Yld | \$0.00 / 0.0% |
| Industry | Cable Television |
| Zacks Industry Rank | Top 18% (47 out of 255) |

Sales and EPS Growth Rates (Y/Y %)



| | |
|---------------------------|--------|
| Last EPS Surprise | 11.3% |
| Last Sales Surprise | 2.4% |
| EPS F1 Est- 4 week change | 0.1% |
| Expected Report Date | NA |
| Earnings ESP | -11.8% |

Sales Estimates (millions of \$)

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|------|---------|---------|---------|---------|----------|
| 2021 | 2,923 E | 2,939 E | 2,893 E | 2,865 E | 11,972 E |
| 2020 | 3,111 E | 3,112 E | 3,047 E | 3,005 E | 12,506 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 | \$0.30 E | \$0.36 E | \$0.41 E | \$0.36 E | \$1.54 E |
| 2020 | \$0.47 E | \$0.45 E | \$0.46 E | \$0.40 E | \$1.96 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 | 15.7 |
| P/E F1 | 20.8 |
| PEG F1 | NA |
| P/S TTM | 1.6 |

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 02/21/2020. The reports text is as of 02/24/2020.

Overview

DISH Network Corporation offers pay-TV services under the DISH brand and Sling brand. As of Dec 31, 2019, DISH had 12.81 million Pay-TV subscribers in the United States, including 9.394 million DISH TV subscribers and 2.592 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 offer add-on extras, pay-per-view events and a cloud-based DVR service.

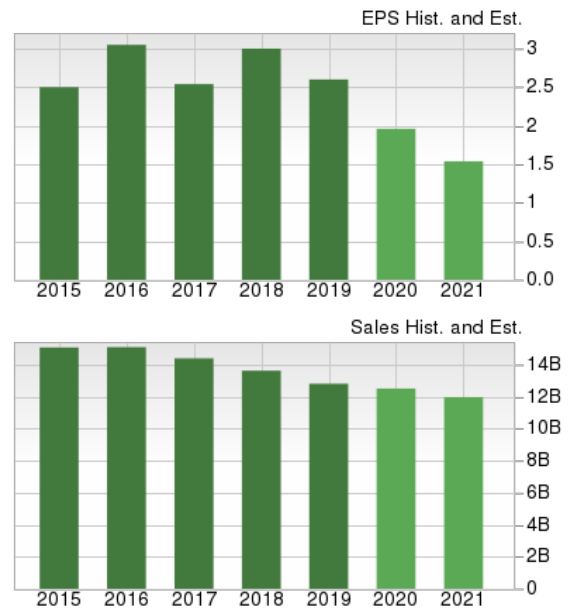
DISH has invested over \$11 billion to acquire certain wireless spectrum licenses and related assets since 2008. The company also has non-controlling investments in certain entities.

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. This coupled with solid programming content is helping DISH to expand subscriber base. 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.

Risks

- DISH's Pay-TV growth is suffering due to matured video market in the United States. This has hurt DISH TV's top-line growth. Moreover, stiff competition and severe cord-cutting due to growing adoption of streaming services like Netflix has negatively impacted overall growth.
 - DISH has failed to strike any deal with wireless operators to deploy a nationwide wireless network that limits the geographical reach of its Sling TV service. At present, Sling TV is only viable in metropolitan cities where high speed broadband is present. Also, competition intensified post the merger between Time Warner Cable and Charter Communications. The merged entity, with solid subscriber strength, will attempt to throttle its network on running any third-party based video streaming app. This is likely to be detrimental to Sling TV's prospects.
 - DISH is a low-cost provider in the pay-TV industry. Hence, 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.
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Last Earnings Report

DISH Network Q4 Earnings Beat, Revenues Down Y/Y

DISH Network reported fourth-quarter 2019 earnings of 69 cents per share, beating the Zacks Consensus Estimate by 11.3%. The figure increased 7.8% year over year.

Revenues declined 2.1% year over year to \$3.24 billion but surpassed the consensus mark by 2.4%.

DISH exited the reported quarter with 9.394 million DISH TV subscribers, down 5.2% year over year, and 2.592 million Sling TV subscribers, up 7.2%. Total Pay-TV subscribers were 11.986 million, down 2.7% year over year.

Quarter Details

DISH lost 194K net Pay-TV subscribers in the reported quarter. The company had lost roughly 334K net Pay-TV subscribers in the year-ago quarter.

Moreover, DISH lost 94K net Sling TV subscribers in the fourth quarter against 47K added in the year-ago quarter.

However, Pay-TV ARPU climbed 1.7% year over year to \$87.02. Additionally, the churn rate was 1.56% compared with the year-ago quarter's 2.07%.

DISH TV SAC was \$850, down 1.3% year over year.

Balance Sheet

As of Dec 31, 2019, cash, cash equivalents and current marketable investment securities were \$2.86 billion compared with \$1.66 billion, as of Sep 30, 2019.

Quarter Ending **12/2019**

| | |
|------------------|---------------------|
| Report Date | Feb 19, 2020 |
| Sales Surprise | 2.37% |
| EPS Surprise | 11.29% |
| Quarterly EPS | 0.69 |
| Annual EPS (TTM) | 2.60 |

Recent News

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.

On Dec 16, DISH announced the release of Amazon Prime Video app on Hopper 3, expanding its streaming content options on the award-winning DVR.

On Dec 13, DISH announced that it has completed the rights offering worth approximately \$1 billion.

Valuation

DISH shares are up 26.3% in the past six-month period and 27.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Discretionary sector are up 13.4% and 11.5% in the past six-month period, respectively. Over the past year, the Zacks sub-industry and the sector are up 23.3% and 10.1%, respectively.

The S&P 500 index is up 16.5% in the past six-month period and 18.6% in the past year.

The stock is currently trading at 21.45X forward 12-month earnings, which compares to 19.28X for the Zacks sub-industry, 20.23X for the Zacks sector and 19.09X for the S&P 500 index.

Over the past five years, the stock has traded as high as 42.83X and as low as 8.35X, with a 5-year median of 19.55X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$43 price target reflects 22.63X 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 | 21.45 | 19.28 | 20.23 | 19.09 |
| | 5-Year High | 42.83 | 29.11 | 23.34 | 19.34 |
| | 5-Year Low | 8.35 | 15.93 | 16.15 | 15.18 |
| | 5-Year Median | 19.55 | 22.13 | 20.06 | 17.47 |
| P/S F12M | Current | 1.64 | 2.13 | 2.28 | 3.51 |
| | 5-Year High | 2.33 | 2.59 | 3.19 | 3.51 |
| | 5-Year Low | 0.86 | 1.61 | 1.81 | 2.54 |
| | 5-Year Median | 1.58 | 2.13 | 2.54 | 3 |
| EV/Sales TTM | Current | 2.36 | 3.43 | 3.28 | 3.28 |
| | 5-Year High | 3.1 | 3.73 | 4.01 | 3.29 |
| | 5-Year Low | 1.27 | 2.7 | 2.68 | 2.16 |
| | 5-Year Median | 2.22 | 3.29 | 3.41 | 2.79 |

As of 02/21/2020

Industry Analysis Zacks Industry Rank: Top 18% (47 out of 255)



Top Peers

| | |
|-------------------------------------|------------|
| Cable One, Inc. (CABO) | Outperform |
| Charter Communications, Inc. (CHTR) | Neutral |
| Comcast Corporation (CMCSA) | Neutral |
| Liberty Global PLC (LBTYA) | Neutral |
| Netflix, Inc. (NFLX) | Neutral |
| Rogers Communication, Inc. (RCI) | Neutral |
| Shaw Communications Inc. (SJR) | Neutral |
| AT&T Inc. (T) | Neutral |

| Industry Comparison Industry: Cable Television | | | | Industry Peers | | |
|--|-----------------|------------|-----------|----------------|---------------|-------------|
| | DISH Outperform | X Industry | S&P 500 | CHTR Neutral | LBTYA Neutral | RCI Neutral |
| VGM Score | F | - | - | B | D | C |
| Market Cap | 20.08 B | 11.74 B | 24.03 B | 112.41 B | 13.45 B | 25.13 B |
| # of Analysts | 5 | 4 | 13 | 14 | 3 | 8 |
| Dividend Yield | 0.00% | 0.00% | 1.76% | 0.00% | 0.00% | 3.06% |
| Value Score | C | - | - | C | B | C |
| Cash/Price | 0.08 | 0.03 | 0.04 | 0.03 | 0.63 | 0.02 |
| EV/EBITDA | 10.82 | 10.82 | 14.08 | 11.42 | 7.52 | 8.15 |
| PEG Ratio | NA | 2.22 | 2.08 | 1.01 | NA | 3.15 |
| Price/Book (P/B) | 1.74 | 2.34 | 3.29 | 2.90 | 1.02 | 3.54 |
| Price/Cash Flow (P/CF) | 9.89 | 7.62 | 13.42 | 9.68 | 6.17 | 7.10 |
| P/E (F1) | 20.78 | 20.78 | 19.00 | 38.52 | NA | 15.20 |
| Price/Sales (P/S) | 1.57 | 2.21 | 2.64 | 2.46 | 1.17 | 2.21 |
| Earnings Yield | 4.81% | 2.60% | 5.26% | 2.60% | -1.93% | 6.58% |
| Debt/Equity | 1.13 | 1.23 | 0.70 | 1.95 | 1.84 | 1.85 |
| Cash Flow (\$/share) | 4.12 | 2.72 | 7.03 | 55.31 | 3.45 | 6.94 |
| Growth Score | D | - | - | B | F | B |
| Hist. EPS Growth (3-5 yrs) | 2.81% | 7.04% | 10.84% | 129.13% | NA | 11.28% |
| Proj. EPS Growth (F1/F0) | -24.62% | 30.59% | 7.09% | 84.31% | 81.02% | 3.47% |
| Curr. Cash Flow Growth | -11.24% | 10.96% | 6.72% | 0.57% | -8.34% | 1.79% |
| Hist. Cash Flow Growth (3-5 yrs) | 3.68% | 7.25% | 8.25% | 43.34% | -15.03% | 2.34% |
| Current Ratio | 0.89 | 1.22 | 1.22 | 0.52 | 1.22 | 0.86 |
| Debt/Capital | 54.06% | 58.84% | 42.37% | 66.07% | 64.81% | 64.97% |
| Net Margin | 10.93% | 13.22% | 11.56% | 3.64% | 99.83% | 13.55% |
| Return on Equity | 13.99% | 1.10% | 16.80% | 4.07% | -17.91% | 23.66% |
| Sales/Assets | 0.40 | 0.35 | 0.55 | 0.31 | 0.23 | 0.43 |
| Proj. Sales Growth (F1/F0) | -2.35% | 2.48% | 3.90% | 5.83% | 0.10% | 2.48% |
| Momentum Score | F | - | - | A | F | D |
| Daily Price Chg | -0.66% | -0.71% | -0.83% | -0.72% | -0.68% | -0.95% |
| 1 Week Price Chg | 8.67% | 1.39% | 1.65% | 1.84% | -0.29% | -0.78% |
| 4 Week Price Chg | 10.41% | 3.31% | -0.37% | 4.33% | 4.99% | -3.19% |
| 12 Week Price Chg | 17.24% | 10.10% | 3.74% | 12.99% | -6.16% | 3.34% |
| 52 Week Price Chg | 30.09% | -3.43% | 14.14% | 53.16% | -16.97% | -10.87% |
| 20 Day Average Volume | 3,998,582 | 266,343 | 1,992,841 | 1,143,891 | 1,503,013 | 335,362 |
| (F1) EPS Est 1 week change | 0.32% | 0.00% | 0.00% | 0.00% | 24.07% | 0.00% |
| (F1) EPS Est 4 week change | 0.11% | 0.00% | -0.02% | 2.29% | -4.24% | -2.00% |
| (F1) EPS Est 12 week change | 13.32% | 0.00% | -0.17% | 3.49% | -24.24% | -1.33% |
| (Q1) EPS Est Mthly Chg | -5.87% | 0.00% | -0.48% | -1.77% | NA | NA |

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 | F |
| VGM Score | F |

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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