

DISH Network Corp. (DISH)

\$36.75 (As of 01/28/20)

Price Target (6-12 Months): **\$42.00**

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:D

Value: B

Growth: D

Momentum: F

Summary

DISH's efforts to diversify its business from being a pure-play satellite-TV operator to an Internet TV operator are noteworthy. Although its shares have underperformed the industry in the past year, its efforts are expected to help the stock bounce back in 2020. The Sling TV subscriber base is also expanding. The company recently raised Sling TV prices and also introduced channels. Further, its focus on acquiring and retaining subscribers, who will be profitable over the long term, is expected to drive growth. 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 14 MHz of nationwide 800 MHz spectrum. This is expected to drive DISH's top line over the long haul.

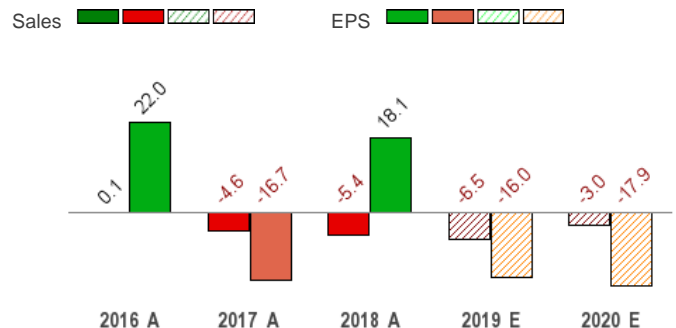
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$44.66 - \$22.75
20 Day Average Volume (sh)	1,938,904
Market Cap	\$18.1 B
YTD Price Change	3.6%
Beta	1.33
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Cable Television
Zacks Industry Rank	Top 14% (36 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	11.9%
Last Sales Surprise	-0.1%
EPS F1 Est- 4 week change	3.2%
Expected Report Date	02/12/2020
Earnings ESP	1.9%
P/E TTM	14.4
P/E F1	17.8
PEG F1	NA
P/S TTM	1.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	3,111 E	3,112 E	3,047 E	3,005 E	12,350 E
2019	3,187 A	3,211 A	3,168 A	3,166 E	12,734 E
2018	3,458 A	3,461 A	3,395 A	3,307 A	13,621 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.47 E	\$0.49 E	\$0.51 E	\$0.43 E	\$2.07 E
2019	\$0.65 A	\$0.60 A	\$0.66 A	\$0.62 E	\$2.52 E
2018	\$0.70 A	\$0.83 A	\$0.82 A	\$0.64 A	\$3.00 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 01/28/2020. The reports text is as of 01/29/2020.

Overview

DISH Network Corporation is a holding company and operates two primary business segments – Pay-TV and Wireless.

The company offers pay-TV services under the DISH brand and Sling brand. As of Dec 31, 2018, DISH had 12.32 million Pay-TV subscribers in the United States, including 9.90 million DISH TV subscribers and 2.42 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.

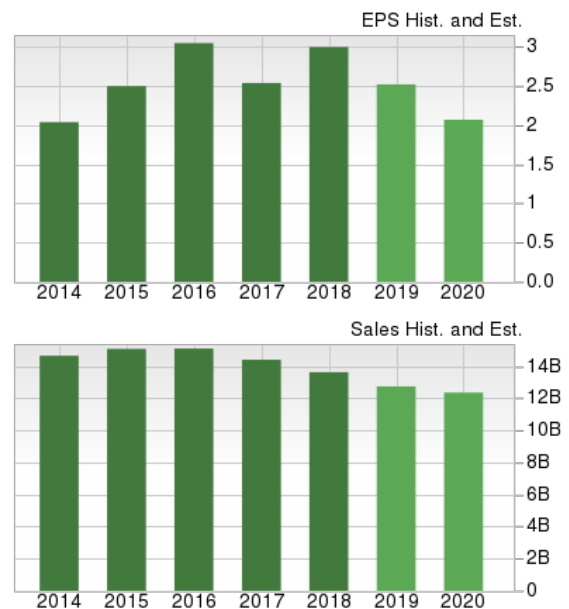
Sling TV services require an Internet connection and are available on multiple streaming-capable devices. DISH also offer add-on extras, pay-per-view events and a cloud based DVR service.

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 \$13.62 billion in 2018. The company report operations through two reportable segments – Subscriber-Related revenues (98.8% of revenues in 2018) and Equipment Sales & Other revenues (1.2%).

Relationship with EchoStar

On Jan 1, 2008, DISH spun off its technology and set-top box business and certain infrastructure assets into a separate publicly-traded company called EchoStar. On Feb 28, 2017, the company and EchoStar completed the transactions contemplated by the Share Exchange Agreement (the "Share Exchange Agreement") that was previously entered into on Jan 31, 2017), pursuant to which certain assets that were transferred to EchoStar in the spin-off were transferred back to DISH.



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. 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. The portfolio will further expand post the acquisition of 14MHz of Sprint's nationwide 800 MHz spectrum. 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 Q3 Earnings Beat, Revenues Down Y/Y

DISH Network reported third-quarter 2019 earnings of 66 cents per share, beating the Zacks Consensus Estimate by 11.9%. The figure, however, declined 19.5% year over year.

Revenues also declined 6.7% year over year to \$3.17 billion but surpassed the consensus mark by 0.9%.

The United States revenues declined 6.6% year over year to \$3.16 billion. Canada and Mexico revenues decreased 21.9% from the year-ago quarter to \$11.5 million.

DISH exited the reported quarter with 9.494 million DISH TV subscribers, down 7.7%, and 2.686 million Sling TV subscribers, up 13.3%. Total Pay-TV subscribers were 12.180 million, down 3.8% year over year.

Quarter Ending **09/2019**

Report Date	Nov 07, 2019
Sales Surprise	-0.07%
EPS Surprise	11.86%
Quarterly EPS	0.66
Annual EPS (TTM)	2.55

Quarter Details

Subscriber-related revenues (98.4% of revenues) declined 6.9% from the year-ago quarter to \$3.12 billion. Equipment sales and other revenues increased 11.8% to \$51.2 million.

Pay-TV video and related revenues fell 6.6% to \$3.17 billion. Broadband revenues dropped 23.6% year over year to \$46.3 million.

The company added approximately 148K net Pay-TV subscribers in the reported quarter. DISH had lost roughly 341K net Pay-TV subscribers in the year-ago quarter.

Moreover, DISH added nearly 214K net Sling TV subscribers in the third quarter compared with 26K net Sling TV subscribers added in the year-ago quarter.

However, Pay-TV ARPU edged down 1.2% year over year to \$85.29. Additionally, the churn rate was 1.69% compared with the year-ago quarter's 2.11%.

In the third quarter, subscriber-related expenses declined 8.9% year over year to \$1.93 billion. As percentage of revenues, subscriber-related expenses shrunk 150 basis points (bps) on a year-over-year basis to 61.1%.

Total subscriber acquisition costs (SACs) flared up 52.9% from the year-ago quarter to \$285.8 million. As percentage of revenues, SACs expanded 350 bps to 9%.

DISH TV SAC was \$827, up 14.7% year over year primarily due to rise in advertising, installation costs per activation and hardware costs.

EBITDA decreased 19.5% year over year to \$597.4 million. EBITDA margin contracted 300 bps on a year-over-year basis to 18.9%.

Operating income fell 16.7% year over year to \$468.9 million. Operating margin contracted 180 bps to 14.8%.

Balance Sheet

As of Sep 30, 2019, cash, cash equivalents and current marketable investment securities were \$1.66 billion compared with \$2.73 billion as of Jun 30, 2019.

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.

On Oct 6, DISH announced that it inked a multi-year carriage agreement with Fox for its owned-and-operated local stations as well as FS1, FS2, BTN, Fox Soccer Plus and Fox Deportes.

On Sep 26, DISH announced that it 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.

On Jul 26, DISH announced that will enter the U.S. wireless market as the fourth nationwide facilities-based network competitor. In this regard, the company has reached agreements with the Antitrust Division of the U.S. Department of Justice, T-Mobile US and Sprint. Additionally, DISH has committed to the Federal Communications Commission (FCC) that it will deploy a facilities-based 5G broadband network capable of serving 70% of the U.S. population by June 2023. The company has requested that its spectrum licenses be modified to reflect those commitments.

Notably, following the completion of the merger of Sprint and T-Mobile, DISH will acquire Sprint's prepaid businesses and customers, including Boost Mobile, Virgin Mobile and the Sprint-branded prepaid service.

The company will also acquire 14 MHz of Sprint's nationwide 800 MHz spectrum.

Moreover, the company will have access to the new T-Mobile network for seven years, including the ability to serve DISH customers seamlessly between T-Mobile's nationwide network and DISH's new independent 5G broadband network.

Valuation

DISH shares are up 5.1% in the six-months period and 23.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Discretionary sector are up 7.1% and 3.7% in the six-months period, respectively. Over the past year, the Zacks sub-industry and the sector are up 32.2% and 15.8%, respectively.

The S&P 500 index is up 9.2% in the six-months period and 21.4% in the past year.

The stock is currently trading at 18.02X forward 12-month earnings, which compares to 18.7X for the Zacks sub-industry, 19.93X for the Zacks sector and 18.81X 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 19.71X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$42 price target reflects 20.59X 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	18.02	18.7	19.93	18.81
	5-Year High	42.83	29.11	23.35	19.34
	5-Year Low	8.35	15.93	16.16	15.18
	5-Year Median	19.71	22.52	20.07	17.45
P/S F12M	Current	1.47	2.05	2.28	3.49
	5-Year High	2.35	2.59	3.19	3.49
	5-Year Low	0.86	1.61	1.81	2.54
	5-Year Median	1.59	2.14	2.54	3
EV/Sales TTM	Current	2.3	3.33	3.26	3.28
	5-Year High	3.1	3.83	4.02	3.3
	5-Year Low	1.25	2.73	2.7	2.16
	5-Year Median	2.23	3.3	3.43	2.8

As of 01/28/2020

Industry Analysis Zacks Industry Rank: Top 14% (36 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	D	-	-	D	D	C
Market Cap	18.12 B	11.52 B	23.86 B	107.25 B	13.31 B	26.01 B
# of Analysts	5	4	13	11	2	8
Dividend Yield	0.00%	0.00%	1.81%	0.00%	0.00%	2.96%
Value Score	B	-	-	C	A	C
Cash/Price	0.09	0.02	0.04	0.00	0.57	0.02
EV/EBITDA	10.14	10.14	13.94	11.46	5.40	8.34
PEG Ratio	NA	2.23	2.00	0.97	NA	3.26
Price/Book (P/B)	1.78	2.41	3.25	2.65	0.99	3.67
Price/Cash Flow (P/CF)	7.52	7.36	13.46	9.74	6.61	7.34
P/E (F1)	17.75	19.78	18.67	36.83	NA	15.73
Price/Sales (P/S)	1.41	2.27	2.62	2.37	1.16	2.29
Earnings Yield	5.63%	2.70%	5.35%	2.72%	-2.57%	6.36%
Debt/Equity	1.28	1.28	0.72	1.76	1.80	1.85
Cash Flow (\$/share)	4.89	2.72	6.92	51.24	3.19	6.94
Growth Score	D	-	-	D	D	B
Hist. EPS Growth (3-5 yrs)	2.81%	7.04%	10.68%	139.60%	NA	11.28%
Proj. EPS Growth (F1/F0)	-17.14%	31.62%	7.51%	99.50%	47.57%	3.47%
Curr. Cash Flow Growth	8.12%	10.96%	13.40%	3.53%	121.51%	1.79%
Hist. Cash Flow Growth (3-5 yrs)	3.68%	7.25%	8.78%	47.02%	-11.66%	2.34%
Current Ratio	0.60	1.26	1.22	0.28	1.26	0.86
Debt/Capital	57.18%	59.72%	42.92%	63.79%	64.33%	64.97%
Net Margin	NA%	13.22%	11.39%	NA	112.38%	NA
Return on Equity	14.55%	0.38%	17.19%	2.91%	-1.75%	23.66%
Sales/Assets	0.41	0.35	0.54	0.31	0.22	0.43
Proj. Sales Growth (F1/F0)	%	3.57%	4.09%	NA	1.15%	NA
Momentum Score	F	-	-	D	F	F
Daily Price Chg	0.00%	0.00%	-1.40%	-0.94%	1.06%	0.73%
1 Week Price Chg	-0.14%	-0.08%	-1.09%	0.39%	-3.03%	1.21%
4 Week Price Chg	3.61%	1.17%	-0.25%	2.94%	-7.48%	2.56%
12 Week Price Chg	6.09%	5.07%	3.64%	5.51%	-17.17%	8.15%
52 Week Price Chg	23.53%	4.01%	18.08%	72.32%	-10.58%	-4.50%
20 Day Average Volume	0	331,016	1,615,215	0	1,493,772	0
(F1) EPS Est 1 week change	-0.21%	0.00%	0.00%	-0.21%	-37.29%	-2.00%
(F1) EPS Est 4 week change	3.24%	0.00%	0.00%	-0.52%	-25.58%	-1.33%
(F1) EPS Est 12 week change	20.44%	-3.49%	-0.17%	0.97%	-71.43%	-3.89%
(Q1) EPS Est Mthly Chg	-7.88%	-1.87%	0.00%	-1.87%	NA	NA

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	D
Momentum Score	D
VGM Score	D

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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