Hillhouse Research Partners

DISH Network Corp.

DISH – NASDAQ

Rating : HOLD

Industry: Cable TV

Changes	From (Previous)	To (Current)
Rating	-	HOLD
Target Price	-	$23.50
FY09E EPS	-	$1.22
FY10E EPS	-	$1.14
Stock Data		
Price (24Nov09)		21.12
52 week range	8.79 -	22.18
Market Cap ($mm)		9,350
Shr. O/S Diluted (mm)		447
Enterprise Value ($)		12.60B
Avg Daily Vol (3mo)		4.53M
LT Debt/Total Cap		128%
Net Cash/Share		5.89
Dividend per sh($)		Na
Yield (%)		Na
Book Value/Share		(3.09)
Assets (mm)		8,658

EPS (net)	2008A	2009E	2010E
1Q	0.57	0.70(A)	0.35
2Q	0.75	0.14(A)	0.33
3Q	0.20	0.18(A)	0.24
4Q	0.48	0.20	0.22
FY Dec	2.01	1.22	1.14
P/E	10.5x	17.3x	18.5x
Revenue ($B)	11.6	11.6	11.8
EV/Revenue	1.17x	1.17x	1.16x

1 Year Price History for DISH

1 Year History for DISH vs S&P500

November 25, 2009

Initiate with HOLD Rating, Above Consensus estimate and a Target price of $23.50

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Dish TV is a firm in midst of a transition – from a performance lacking in all aspects of execution, gross subscriber additions and costs to a firm that is focused on retention, increasing subscriber base and stable operations. We initiate coverage with a HOLD recommendation with a target price of $ 23.48 and a stop loss at $19.75

1. Execution recovery – DISH beat consensus by a huge margin in Q3'09 – with net subscriber additions (net adds) of +241K – as against street estimates of +15-20K. The net adds surprise was aided by a positive trend in gross adds (+887K – higher than consensus estimate by 12%) and lower churn (1.57% as against a consensus of 1.86%).

2. Gross Subscriber Additions (Gross Adds) were linked to strong promotions, a steep decline in piracy and more streamlined marketing. The steep decline in churn was due to heavier spending in retention and customer service as well as the transition to Nagravision3.

3. A very marginal decrease in **ARPU** in Q3'09 seems to be mainly due to lower spending in value added services, partly offsetting net adds. ARPU is expected to stabilize in $70.5 range.

4. **SAC** was higher due to increase in gross adds, however SAC/gross add was lower than Q2'09 – a indication of the success of promotional content.

5. Even though market consensus for DISH has been optimistic since Q2'09 with stabilizing operations, however DISH has been stable with respect to its peers (which have grown 11%) on concerns that DISH is only focused on sub adds. However, we believe that DISH is demonstrating trends consistent with a turnaround – gross ads, lower churn, stable ARPU, and SAC. Further, we believe that DISH may present an excellent investment opportunity based on its performance in the next 3 quarters.

Investment rationale

We initiate coverage with a HOLD recommendation on DISH on the current price of $23.50/share. The price target of $23-$24 is based on the results of the next two quarters, which will be critical to identifying future trend of the firm. Furthermore, we recommend a stop-loss trigger at $19.75. At the current stock price of $21.12, DISH is 17.1 times our EPS estimate of $1.22 for FY09.

We believe that DISH is in a state of transition, as it moves from the recent loss of the AT&T relationship and QoQ decline in net adds to having renewed focus on business through multi-efforts of customer retention, piracy reduction and increase in customer efforts. As a result, the next six quarters will be critical for identifying the future trend of the firm and the market share and competition in the industry.

Comparables Analysis

Ticker	Revenue (in $mm)			Yr/Yr% change		EBIT(in $mm)		EBITDA(in $mm)	
	C2008	C2009E	C2010E	C2009E	C2010E	C2009E	C2010E	C2009E	C2010E
CMCS	34,256	35,633	36,770	4.02	3.19	7,189	7,578	13,891	14,288
CVC	7,230	7,707	7,892	6.60	2.40	na	1,363	2,459	2,586
DISH	**11,617**	**11,682**	**11,969**	**0.56**	**2.46**	**1,654**	**1,771**	**2,823**	**2,863**
TWC	17,200	17,830	18,459	3.66	3.53	3,284	3,450	6,381	6,608
DTV	19,693	21,455	23,405	8.95	9.09	2,626	3,671	5,284	6,214

DISH has been laggard in the Pay TV industry over the past couple of years. It has been losing market share to its main competitor DirecTV. DISH's market share has gone down from 45% in 2007 to 42.4% in 2009. This has resulted in its sluggish revenue growth of 0.5% YoY. However, as we show in our analysis, the company seems to have turned a corner in 2009 and is poised for robust growth in subscriber base going forward.

Performance

QuoteSymbol	Last Price Close	Current P/E Ratio	Current P/Book	Current P/Cash	Current P/Sales	Div Yld
CVC-N	$22.96	-30.08	-1.31	3.7	0.93	1.7
CMCSA-O	$14.50	16.49	1.04	4.09	1.23	1.79
DISH-O	**$17.40**	**8.95**	**-4.24**	**3.83**	**0.69**	**0**
DTV-O	$26.30	19.08	4.94	6.91	1.26	0
TWC-N	$39.44	11.45	0.76	2.59	0.83	0

The lackluster operating performance has affected the company's valuation in the past as is reflected in the current P/E ratio of the company. At 8.9x the company has the lowest multiple among its peers which have multiples ranging from 16.5x for DTV to 11.5x for TWC.

Profitability

QuoteSymbol	EBIT	Net Income	Free CF	Gross Profit	Operating Profit
CVC-N	$479.50	-$227.58	-$339.96	$39.83	$15.79
CMCSA-O	$6,536.00	$2,547.00	$3,934.00	$41.99	$19.65
DISH-O	**$1,938.68**	**$909.58**	**$1,058.45**	**$24.45**	**$17.70**
DTV-O	$2,776.00	$1,515.00	$1,681.00	$37.70	$13.69
TWC-N	-$12,127.00	-$7,344.00	$1,778.00	$34.69	$18.10

DISH's profitability has been affected in the past 12-18 months because of one-time losses on sale of investments of $169M in 2008 and $89.2M in first nine months of 2009. In addition, it has also incurred litigation expenses of $328M in 9months ended Sep09 due to the unfavorable judgment in the TiVO litigation. it has incurred in addition to the aggressive marketing and promotional subsidies offered to retain existing customers and attract new customers. Going forward we believe that the margins of the company would stabilize as it moderates its expenditure on retention spend and promotion subsidies.

Business Model

DISH Network Corporation is the nation's third largest pay-TV provider, with approximately 13.68 million customers across the United States as of December 31, 2008.

The image below illustrates the various components of DISH TV's Revenues and Costs. We discuss the drivers of these components in this section to illustrate the sources of value generation for the company.

Revenues	**LESS**	**COGS**	**GROSS INCOME**	**Operating Costs**	**OPERATING INCOME**	**Non-operating Costs**	**NET INCOME**
Subscriber related revenues *(Total subscribers*ARPU)*		Subscriber related costs		SG&A - Subscriber Acquisition costs* - G&A		Interest Income/expense	
Equipment sales		Satellite & Transmission costs		R&D		Gain/(Loss) from investments	
		Subscriber promotion subsidies		Dep/Amortisation		One-off charges eg. Legal settlements	
		Other expenses					

**Subscriber promotion subsidies (EchoStar & Others) + Subscriber acquisition advertising*

Revenues

DISH

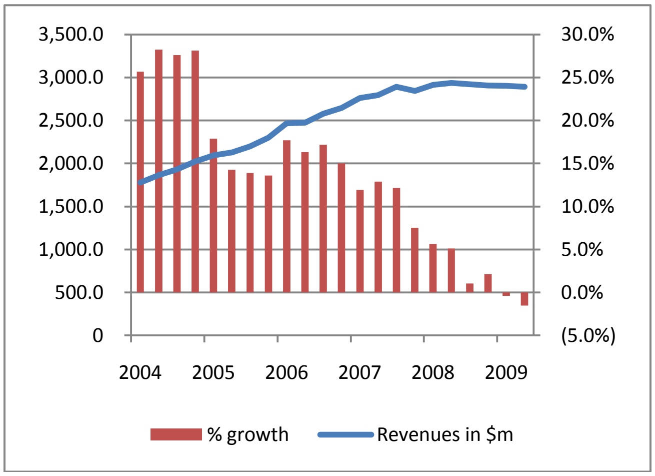


Figure 1 - DISH Quarterly revenues (source: 10K)

DTV

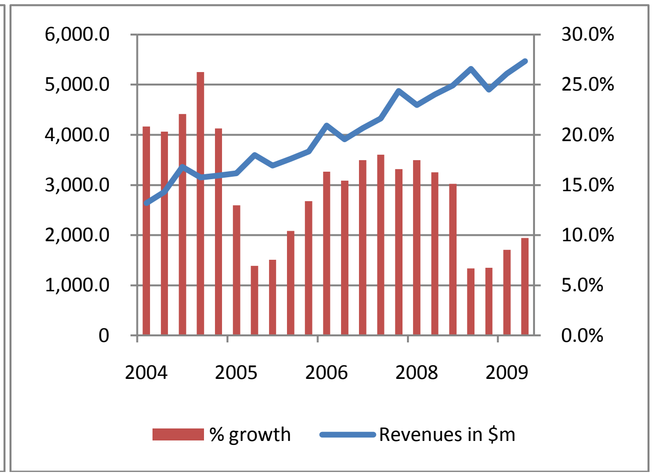


Figure 2: DTV Quarterly revenues (source: 10K)

Subscriber related revenues, which forms 98% of the total revenues, consists principally of revenue from basic, premium movie, local, pay-per-view, Latino and international subscription television services, equipment rental fees and other hardware related fees, including fees for DVRs and additional outlet fees from subscribers with multiple receivers, advertising services, fees earned from DishHOME Protection Plan, equipment upgrade fees, HD programming and other subscriber revenue. Other sources of revenues include sale of equipment to customers and retailers.

The two main drivers of Subscriber related revenues are the Total Subscribers and the Average Revenues Per User (ARPU).

Subscriber base

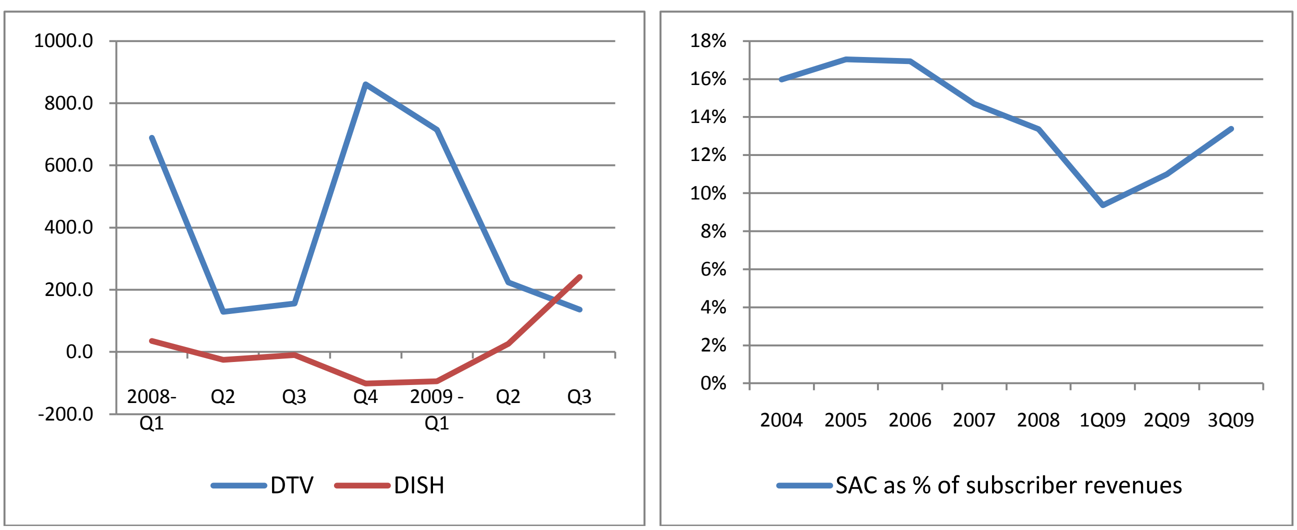
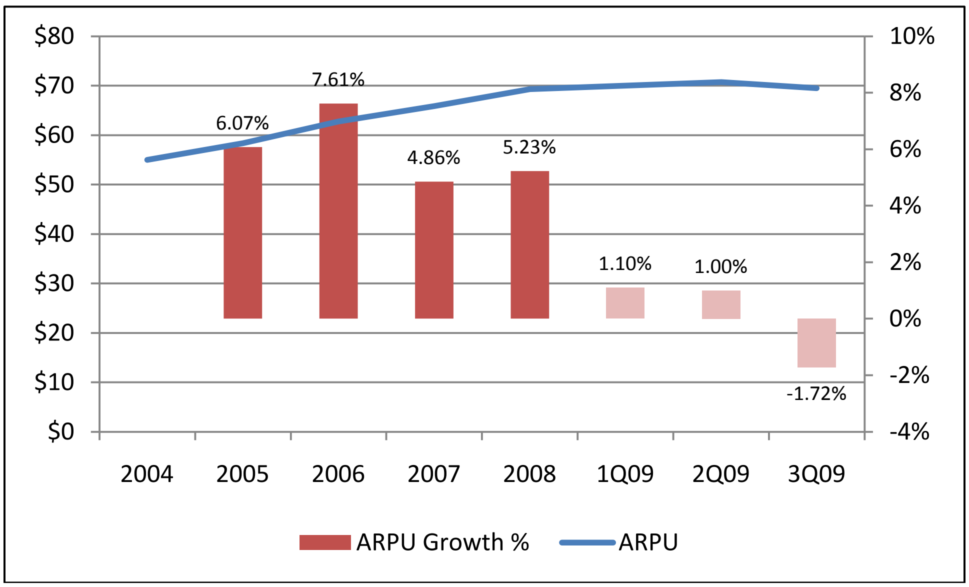


Figure 3: Net Adds (in ‘000) and Subscriber Acquisition Costs (Source: 10K)

At the end of 3Q09 the company had a total subscriber base of 13.9 million users as compared to 22.5 million customers of its direct competitor - DirecTV (DTV). More importantly, DISH recorded 173k net additions in 3Q09 and 241k net additions for the 9 months in FY09. This is a significant recovery from the 4 quarters starting from 2Q08 to 1Q09 when it saw net losses. The recovery has been because of the strong promotional subsidies offered by DISH in the recent quarters which have pulled customers from DTV and Cable TV companies. For example it now offers subscribers programming packages starting as low as $9.99 for the initial six months. As a result of this aggressive strategy the Subscriber Acquisition Cost (SAC) has increased from 9.4% in 1Q09 to 13.3% in 3Q09. We expect the SAC to be stable or increase further from this level as the company pushes aggressively to ramp up Net Adds in the absence of its distribution tie-up with AT&T which it lost to DTV earlier this year. AT&T was a significant distribution partner for DISH. It accounted for 17% of Gross additions in 2008 and it would be difficult for DISH to find a similar partner in the immediate future. As a result going forward the company would have to aggressively spend on promotions to increase Net Adds. This is expected to have an adverse effect on margins.

ARPU



Source: 10K and 10Q of DISH

In 2009 the company has witnessed flat to negative growth in ARPU. The main reason for this is the aggressive promotional subsidies being offered by the company to retain existing customers and to attract new customers. As a result of this while the ARPU's have not grown, the strategy has resulted in the increase of net subscriber additions. The loss of the AT&T partnership is hitting the company hard in terms of adding new customers as it has lost significant distribution advantage to DTV. We believe that going forward, in the absence of any alternative distribution partner, DISH would continue to be aggressive in its customer acquisition while trying to maintain ARPU at current levels. That seems to be strategy that the management has been adopting in the past 3 quarters.

Costs

COMMON SIZED STATEMENTS - 2008	Satellite		Cable		
INCOME STATEMENT	**DISH**	**DTV**	**TWC**	**CVC**	**CMCS**
Net Sales or Revenues	100.00%	100%	100.00%	100.00%	100.00%
Cost of Goods Sold	66.94%	50.50%	47.35%	44.87%	39.33%
Selling, General & Admin Expenses	6.75%	6.30%	16.59%	24.04%	22.34%
Depreciation, Depletion & Amortization	8.61%	11.80%	17.95%	15.30%	18.68%
Operating Profit	17.70%	13.70%	18.10%	15.79%	19.65%
Earnings Before Interest And Taxes (EBIT)	16.69%		-70.51%	6.63%	19.08%
Interest Expense On Debt	3.33%	1.90%	5.59%	11.02%	7.12%
Pretax Earnings	13.50%	12.30%	-76.09%	-4.39%	11.96%
IncomeTaxes	5.73%	4.40%	-27.36%	-1.14%	4.48%
Minority Interest	0.00%	-0.50%	-5.94%	-0.11%	-0.06%
Net Income Before Extra Items/Preferred Div	7.77%	7.70%	-42.70%	-3.13%	7.44%
Extr Items & Gain(Loss) Sale of Assets	0.00%	0%	0.00%	-0.01%	0.00%
Net Income Before Preferred Dividends	7.77%	7.70%	-42.70%	-3.15%	7.44%
Preferred Dividend Requirements	0.00%	0%	0.00%	0.00%	0.00%
Net Income Available to Common	**7.83%**	**7.70%**	**-42.70%**	**-3.15%**	**7.44%**

BALANCE SHEET					
ASSETS	**DISH**	**DTV**	**TWC**	**CVC**	**CMCS**
Cash And ST Investments	8.66%	12.10%	11.38%	6.16%	1.11%
Receivables (Net)	14.99%	8.60%	1.78%	6.45%	1.44%
Total Inventories	6.60%	1%	0.00%	1.68%	0.00%
Other Current Assets	2.22%	2.50%	0.75%	5.53%	0.74%
Current Assets - Total	32.48%	24.50%	13.91%	19.81%	3.29%
Total Investments		5.50%			
Property Plant & Equipment - Net	41.23%	40.20%	28.27%	37.01%	21.63%
Other Assets	22.55%	29.80%	55.92%	40.76%	70.72%
Total Assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
LIABILITIES & SHAREHOLDERS' EQUITY	**DISH**	**DTV**	**TWC**	**CVC**	**CMCS**
Accounts Payable	7.30%	2.60%	1.14%	4.11%	3.00%
ST Debt & Current Portion of LT Debt	0.59%	0.70%	0.00%	7.51%	2.02%
Income Taxes Payable		1%	0.27%		
Other Current Liabilities	38.23%	16.40%	3.97%	9.11%	2.34%
Current Liabilities - Total	46.13%	21.70%	6.00%	24.48%	7.91%
Long Term Debt	76.93%	37.90%	37.64%	120.28%	26.70%
Other Liabilities	3.47%	4%	1.09%	9.15%	4.16%
Total Liabilities	130.17%	70%	61.84%	157.06%	62.65%
Shareholders' Equity					
Minority Interest	0.00%	0.60%	2.32%	0.08%	0.26%
Preferred Stock - Total	0.00%	0%	0.00%	0.00%	1.30%
Common Equity - Total	-30.17%	29.40%	35.84%	-57.15%	35.79%
Total Liabilities & Shareholders' Equity	**100.00%**	**100%**	**100.00%**	**100.00%**	**100.00%**

DISH costs are driven mainly through COGs (70%), SG&A (20%) and Depreciation and Amortization (10%). 80% of the COGS is driven by subscriber related expenses. Remaining are split between subsidies and other costs related to Echostar (7%) and equipment and transition services revenue (4%) and other expenses. SG&A expenses are covered by subscriber promotion subsidies (59%), sub acquisition advertising (12%) and other general administrative costs related to Dish and Echostar.

A key component of understanding the costs trend therefore depends on a deep dive into the subscriber related expenses. We have analyzed this cost further to divide it into its different components based on our understanding of the market, and on Dish fillings and presentations.

There are three main drivers of Dish TV subscriber related expenses (using DirecTV fillings + industry analysis initiation by Hillhouse Research) are: customer service (11%), customer retention (13%) and programming costs (76%) {details of analysis by Hillhouse Research}. This cost also includes costs incurred in connection with in-home service and call center operations, billing costs, refurbishment and repair costs related to receiver systems, subscriber retention and other variable subscriber expenses

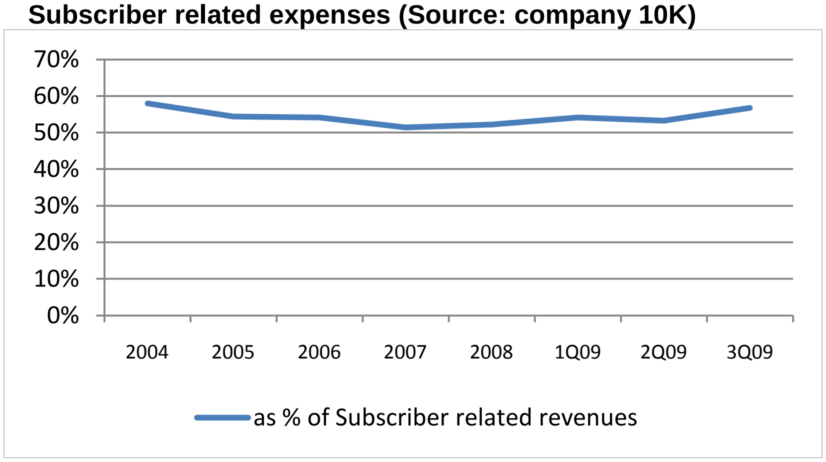
COGS

The Cost of Goods Sold for the company comprises four major components –

	2007		2008	
	Amount in '000	% of total COGS	Amount in '000	% of total COGS
Satellite & transmission costs	281,722.0	4.2%	169,917.0	2.4%
Subscriber related expenses	5,496,579.0	82.6%	5,977,355.0	85.7%
Subscriber promotion costs	123,730.0	1.9%	167,508.0	2.4%
Other expenses	750,469.0	11.3%	656,920.0	9.4%

Subscriber related expenses principally include programming expenses, costs incurred in connection with in-home service and call center operations, billing costs, refurbishment and repair costs related to receiver systems, subscriber retention and other variable subscriber expenses.

Subscriber related expenses (Source: company 10K)



The subscriber related expenses have been increasing steadily from 51% 2007 to 57% in 3Q09. This increase has been primarily been driven by the increase in the programming costs and increase in the customer service expenses that the company has been incurring during the last 1 year since it invested heavily in its customer service. The management did this to address the service quality which was one of the primary reasons for high churn rates in earlier years. As per a Credit Suisse estimate[1] the growth in the subscriber related expense would moderate and grow at a CAGR of 4.3% going forward as the company gains traction in stabilizing its subscriber base. This would have a positive impact on the margins with the pre-SAC margin remaining stable around 23% till 2014.

The subscriber related expenses can further be broken down into three components –

1. Customer Service Expenses
2. Retention Spending
3. Programming Costs

We use the Credit Suisse's analysis to estimate the trend of these costs going forward.

1. *Customer Service Expenses:* – DISH has been focusing on customer service as a means to reduce churn. Traditionally, taking into account customer service as the remaining subscriber related costs, this expense has been 7% to 8% of the revenue. We keep customer service as 7.5% of revenue and grow this cost by 0.5% till 2012 and keep it constant thereafter. We believe the cost reflects the industry standard of 6.5% (as per DTV fillings and cable TV analysis of Hillhouse Research) and includes the turnaround cost that DISH would need to ensure a stable customer base). Furthermore, recent earnings call has further reiterated the focus of DISH on customer service. These costs are expected to decline slightly as a percentage of sales from 2009-2014. This based on the belief that a number of DISH's recent customer services expenditures are one-time investments in customer service infrastructure that should prove to be scalable over our forecast horizon, particularly if the underlying operational issues have been addressed. Therefore, CS forecasts that customer service expenses will decline from 6.9% of revenue in 2009, to 6.5% in 2014. We anticipate that over time, DTV will spend slightly less than DISH on a percentage of revenue (6.1% in 2014), but still more on per subscriber basis ($5.99 of service expenses per subscriber per month for DTV in 2014 vs. the equivalent figure of $5.20 for DISH).

2. *Retention Spending:* – DISH has been long battling higher customer attrition, however Q2'09 and Q3'09 has been a point of inflection for the firm. This is evident in the steep increase in net adds in Q3'09 – and we forecast that DISH will continue to invest heavily in customer retention activities. As a conservative estimate we assume customer retention cost/ subscriber revenue to be 7%(with increase of 0.5%) till 2014. This is higher than DTVs and industry spending, as we assume that DISH is committed to retaining the customer churn at approx. 1.6% and therefore, would need to spend more in customer retention, especially with the loss of AT&T partnership. As per CS, retention spending should also decline as a percentage of sales as DISH completes the upgrade of its subscriber base to HD/DVRs and MPEG 4 set tops. DISH management has noted that retention spending has climbed steadily for the last six quarters. As a result, CS forecasts that retention spending will decline from 5.9% of revenue in 2009 to 5.5% in 2014 or that retention spending will rise at a 3.5% CAGR over the next five years.

3. *Programming Costs*: Dish TV does not split the subscriber related expenses into subcomponents. Therefore, for the subscription costs, we look at DTVs (DirecTV's) subscription costs based on their fillings and presentations/ market estimates and estimate DISH TV's costs as reflected from the analysis. The assumption is that the basic and premium packages for the two companies would remain the same, after adjusting for the impact of DTVs NFL package. DTVs NFL package is estimated to be ~ $3.5bn for 4 years (2006-2010) and ~ $4.0bn (2011-2014) – based on Credit Suisse estimates. Excluding this impact from the $8.1bn approx. programming and other costs – we see that DTV accounts for 40-41% of revenue as programming costs. We maintain the same ratio for DISH for programming costs and therefore estimate that the programming costs would increase at a rate of 4.2% for 2009 and it would moderate going forward.

[1] CS Equity Research report on DISH dtd 25th Sep 09

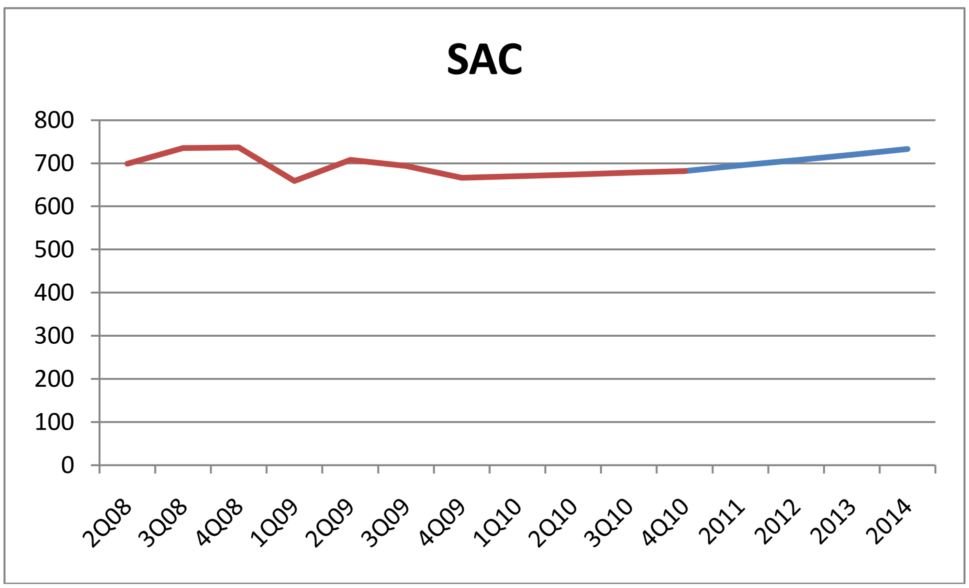
in millions, unless otherwise stated

	2009E	2010E	2011E	2012E	2013E	2014E	CAGR
Programming Expenses	4,901	5,082	5,298	5,543	5,798	6,076	4.4%
Growth	4.2%	3.7%	4.3%	4.6%	4.6%	4.8%	
Total Prog expenses/Revenue	42.5%	43.0%	43.4%	43.8%	44.3%	44.7%	
Programming expenses/Sub/ Month	$30.01	$31.27	$32.46	$33.66	$34.84	$36.05	4.0%
Growth	**5.1%**	**4.2%**	**3.8%**	**3.7%**	**3.5%**	**3.5%**	

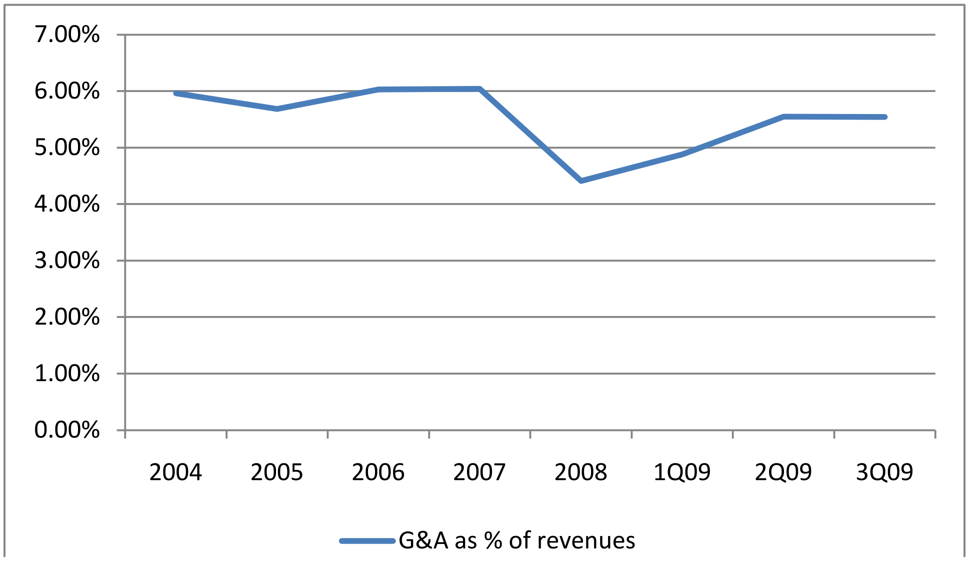
Source: Company data, Credit Suisse estimates. Represents DISH DBS (subscriber) business only. CAGR represents 2009-2014.

Operating Costs

Subscriber Acquisition Costs (SAC) include the cost of receiver systems sold to retailers and other distributors of such equipment, the cost of these receiver systems sold directly to subscribers, net costs related to promotional incentives, and costs related to installation and acquisition advertising. The company excludes the value of equipment capitalized under its lease program for new subscribers from "Subscriber acquisition costs." The company includes the Subscriber Promotion Subsidies and Acquisition advertising costs in SAC. We estimate both these costs separately going forward to arrive at a consolidated SAC figure.



G&A: The G&A costs have historically remained at an average of 6% of revenues. In 2008, due to cost reduction measures G&A reduced to about 4.5% of revenues. However, this has trended back up to 5.5% in the first three quarters of 2009. We believe that going forward the G&A expense would remain at the historical average of 6%.



Source: company 10K

Non Operating Costs

Interest Expense: The company has maintained a constant debt level of $4.8B to $5B in the past and only recently raised an additional debt of $1B. In our projections we assume that the company would revert to historical average debt levels of around $5B. As a result interest expense going forward remains at historical levels.

One-off legal expenses: DISH has already incurred two judgments against it totaling over $300m ($0.66/share) in its lawsuits with TiVo. It would not be surprising to see DISH lose its final appeal due early next year and have to start paying TiVo a $2/mo license fee for every PVR set-top box in the field ($200m/yr perhaps by then). We believe DISH will be able to simply add this to its current $5-6/mo DVR fee, which would still place them in the middle of the pack amongst its competitors (only DirecTV, Cox and Verizon would be lower at $6/mo, while others range from $10-20/mo), and thus we would not expect significant churn.

Valuation:

1. Subscriber Growth: Gross Additions grow at 1.25% over Q2'09 and are expected to continue the growth at a steady rate of 750-800K gross additions from 2012. The churn rate of 1.57% in Q3'09 is expected to continue till Q1'2010, but would stabilize at a rate of 1.85% over the long term. As a result, DISH would have net adds in the range of 150K subscribers over long term.
2. Revenue Growth also includes marginal impact of equipment sales and other revenue as well as echostar related sales. The revenue growth is in the range of 1.5% - 2.0%.
3. Subscriber Promotion subsidies is expected to grow at 1% QoQ – leading to a growth of subsidies from $364 in 2010 to $394 in 2014. The subscriber promotion advertising is expected to remain stable at 25% of promotional subsidies. SAC increases from $676 to $733, which includes the cost of equipment capitalized under the lease program (and consistent with DISH's definition of SAC).
4. DISH has taken steps to control administrative costs and restrict their impact to 5% of net sales. Such efforts would help to control bottom-line impact, especially in this phase of investments in customer service, retention

and subscriber growth. We have conservatively estimated the net sales at the same % of sales and increased it to a steady rate of 5.9% of sales after 2013.

5. WACC has been taken as 9.25% (due to higher WACC as compared to DTV due to a beta of 1.47) and long term growth rate of 2%.

Free Cashflow Calcuation

	2010	2011	2012	2013	2014
Pre tax Income	813.2	791.7	797.9	806.3	817.6
Interest	(385.9)	(340.1)	(341.8)	(343.5)	(346.9)
EBIT	427.3	451.6	456.1	462.8	470.7
Tax rate	37.5%	37.5%	37.5%	37.5%	37.5%
EBIT (1-t)	267.1	282.3	285.1	289.3	294.2
Depreciation	994.5	1,024.5	1,082.3	1,143.3	1,207.9
Capex	655.4	672.8	691.3	710.8	731.4
Inc in WC	8.5	36.2	24.5	18.1	12.5
Inc in DTL	5.7	5.8	5.9	6.0	6.2
FCF	**592.1**	**592.0**	**645.7**	**697.6**	**752.0**
PV of FCF	580.4	569.0	608.4	644.5	681.1

PV	3,083.5
Terminal value	10,580.1
Enterprise Value	13,663.6
Net debt	3,155.7
Equity value	10,507.9
# of diluted shares	447.6
Intrinsic value	**$23.48**

Sensitivity Analysis for WACC vs Growth Rate:

WACC \ Growth Rate	**1.50%**	**2.00%**	**2.50%**	**3.00%**
8.75%	23.47	25.23	27.29	29.73
9.00%	22.68	24.32	26.23	28.48
9.25%	21.95	23.48	25.25	27.33
9.50%	21.26	22.69	24.34	26.26
10.00%	20.01	21.26	22.70	24.36

Sensitivity Analysis for Churn rate vs Gross Sub Growth Rate:

During our analysis of DISH, we found that two key components that drive fundamentals for DISH are churn rate and gross subscriber growth rate. As can be seen, the impact of churn rate on share price is much more than the impact of gross subscriber growth rate, leading us to believe that DISH is taking the correct path of concentrating on customer retention. This can be further seen in the rise of share price, increase in net adds and the positive sentiment of the market towards the different promotions introduced by DISH to retain customers (share price has climbed from $17.9 to $21 in the last 30 days).

We believe that DISH would pose an attractive BUY option, if the management can maintain churn at current rates of 1.6% and continue to grow subscribers at historical levels.

Gross Sub growth Rate \ Churn Rate	1.60%	1.70%	1.80%	1.90%	2.00%
0.75%	29.80	26.18	22.69	19.31	16.04
1%	30.22	26.59	23.08	19.68	16.40
1.25%	30.65	27.01	23.48	20.06	16.76
1.50%	31.09	27.43	23.88	20.44	17.12

Appendix 1: Revenue Snapshot:

For the Fiscal Period Ending *Currency*	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
# of subscribers	14048	14041	14135	14232	14347
ARPU	70.0	70.0	70.5	71.0	72.0
Gross Additions	3054	3111	3127	3150	3189
Churn Rate	1.7%	1.9%	1.8%	1.8%	1.8%
Revenue					
= *Subscriber-related Revenue*	11,753,749	11,794,531	11,958,347	12,125,865	12,396,010
+ *Equipment Sales and Other Revenue*	102,258	102,612	104,038	105,495	107,845
+ *Equipment Sales - Echostar*	8,855	8,886	9,010	9,136	9,339
+ *Transitional Services and Other Revenue - Echostar*	19,399	19,466	19,736	20,013	20,459
Other Revenue					
Total Revenue	**11,884.3**	**11,925.5**	**12,091.1**	**12,260.5**	**12,533.7**

Appendix 2: Cost Snapshot:

For the Fiscal Period Ending *Currency*	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
SAC	676	695	707	720	733
Cost Of Goods Sold	**7,653.9**	**7,562.2**	**7,667.3**	**7,774.7**	**7,947.9**
= *Subscriber-related Expenses*	6,935,003	6,840,828	6,935,841	7,033,002	7,189,686
+ *Other Income/expense*	35,261	35,384	35,875	36,378	37,188
+ *Cost of Sales - Subscriber Promotion Subsidies Echostar*	235,118	235,934	239,211	242,562	247,966
+ *Equipment, Transitional Services and Other Cost of Sales*	117,537	117,945	119,583	121,259	123,960
+ *Echostar*	330,990	332,139	336,752	341,469	349,077
+ *Other Subscriber Promotion Subsidies*	1,095,875	1,153,895	1,182,858	1,215,519	1,255,136
+ *Subscriber Acquisition Advertising*	274,300	288,822	296,072	304,247	314,163
+ *General and Administrative Expenses*	628,750	654,280	680,846	708,491	737,259

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