

Bearish
Opportunity
Alert:

DISH

September 17,
2019

**Dish Network (DISH):
Getting the Cord Cut**

Analysis

Historical Correlation: Moderate

Purchase Intent (PI) Mentions for Dish Network have accurately summarized the company's gradual subscriber loss in recent years.

Purchase Intent Trend: Moving Lower

PI Mentions for the flagship Dish TV service and Dish Network's wholly-owned streaming service, Sling TV, have fallen well below the previous year.

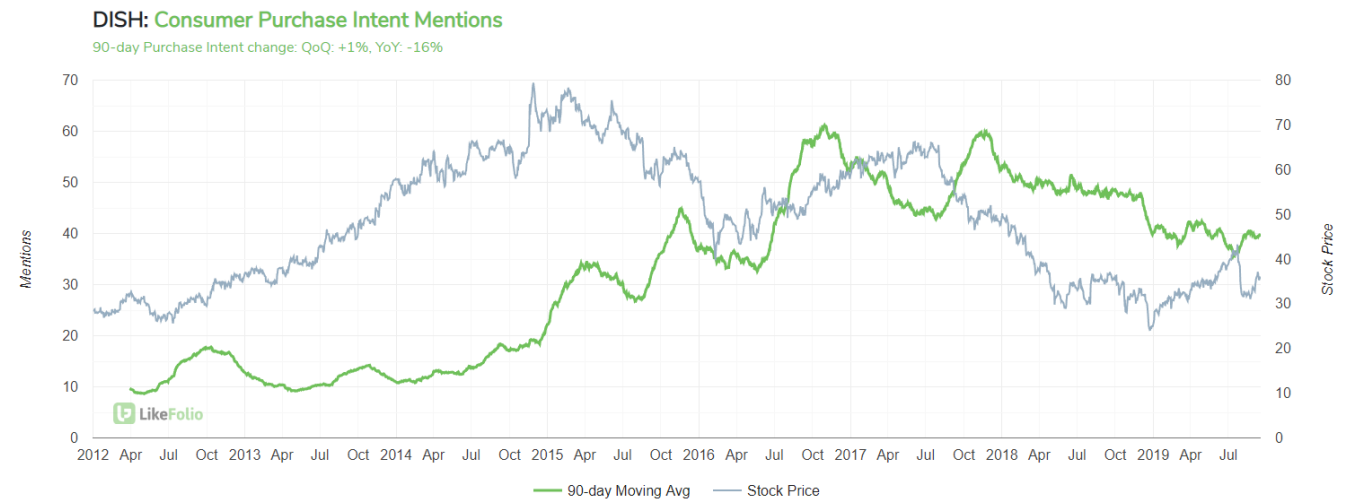
Stock: Flat YoY

Despite suffering a -30% move lower in the final quarter of 2018, shares of DISH have rallied back to approximately the same price level seen one year ago.

LikeFolio Expectation: Continued Subscriber Loss

Dish network has failed to grow their subscriber total since 2016, and with the recent loss of 20+ local Fox Sports channels driving even more customers away, the future looks grim for this television provider.

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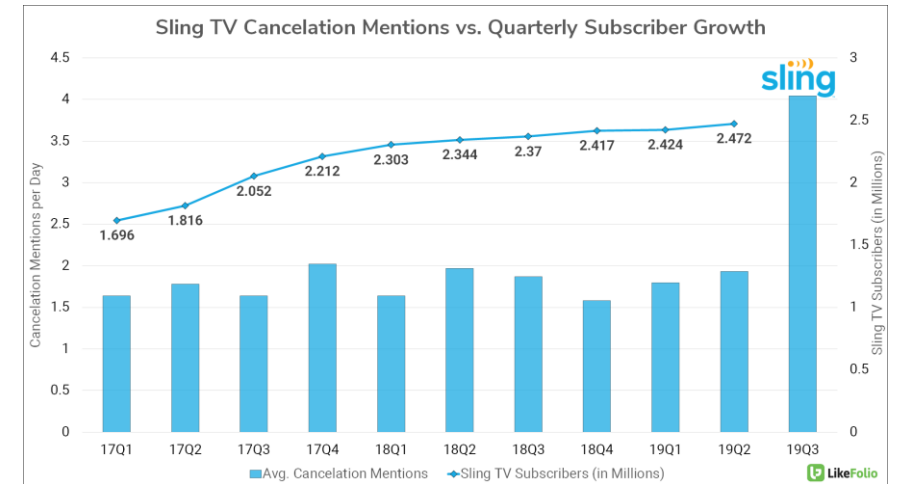
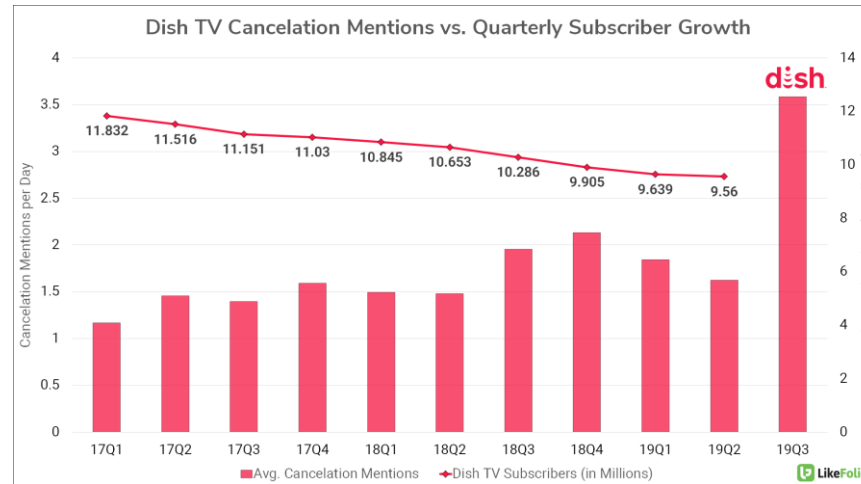
The 90-day moving average Purchase Intent Mentions reflects the general downtrend in Dish Network's subscribers.

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Specific “cancellation” Mentions have demonstrated a convincing statistical correlation to the quarter-over-quarter change in subscribers for Dish and Sling TV.

Dish TV has lost customers in every quarter since the start of 2017. Conversely, the Sling TV brand has maintained positive subscriber growth.

Complaints from DISH customers who’ve lost coverage of their local sports teams have sent cancellation-specific Mentions to an ATH for both Dish TV and Sling TV.



Key Points

The number of American consumers talking about cancelling Dish TV has steadily risen since 2017; the reported subscriber total for the Dish TV brand has consistently decreased within the same timeframe.

Due to an ongoing dispute with regional sports networks across the U.S., cancellation Mentions for both Dish TV and Sling TV have reached record levels in the current quarter.

Sling TV, Dish Network’s wholly-owned streaming service and lone bastion of growth, could lose total subscribers for the first time since the segment began reporting independently.

Comparable sales growth has already fallen precipitously in FY 2020, and any updates to the current guidance numbers could have an immediate and devastating impact on the stock price.



Earlier this year, Disney announced its [plans to acquire 21st Century Fox](#) for a staggering \$71.3 Billion. The FCC required [Disney to divest 22 regional sports networks](#) (RSNs) for the landmark deal to progress, a stipulation which has spawned a wave of carriage rights negotiations for established providers such as Dish Network.

DISH has yet to reach an agreement with many of these RSNs, and the resulting coverage blackout has displeased Dish and Sling TV customers alike.

Targeted Mention analysis, conducted on DISH and a few cord-free competitors, confirms the negative impact incurred by the recent sports outage.



TV Providers: Subscriptions vs. Cancellations					
Provider	Subscription Mentions, YoY Growth	-	Cancellation Mentions, YoY Growth	=	Subscriber Churn, YoY Comparison
Playstation Vue	162%	-	0%	=	162%
YoutubeTV	170%	-	147%	=	22%
Hulu	64%	-	53%	=	11%
Dish TV	127%	-	188%	=	-61%
Sling TV (DISH)	44%	-	249%	=	-205%

By subtracting the YoY growth in cancellation-specific Mentions from that of subscription-specific Mentions, we can approximate the current state of subscriber churn for each television service provider.

In terms of YoY growth, subscription Mentions for the cable-free alternatives to Dish and Sling TV, such as Hulu and Playstation Vue, have outpaced the corresponding change in cancellation Mentions.

The YoY change in cancellation Mentions for DISH services has exceeded subscription Mention growth by a significant margin in 2019.

Live Sports Mentions, YoY Growth	
1 Hulu	344%
2 Sling TV (DISH)	156%
3 Dish TV	142%
4 Playstation Vue	97%
5 YoutubeTV	96%

Brand Mentions related to televised sports (Football, NFL, Basketball, etc.) further highlight the affect that Dish Network's RSN contract disputes will have on the company's performance in the future.

Disney already owns a majority stake in Hulu, the provider whom exhibited largest YoY growth in sports-specific Mentions. The impending launch of the 'Disney+' streaming service, which will feature a bundle deal with subscriptions to Hulu and ESPN+, will only draw more sports fans away from cable TV, as well as further complicating Dish Network's struggle to regain their lost broadcasting rights.

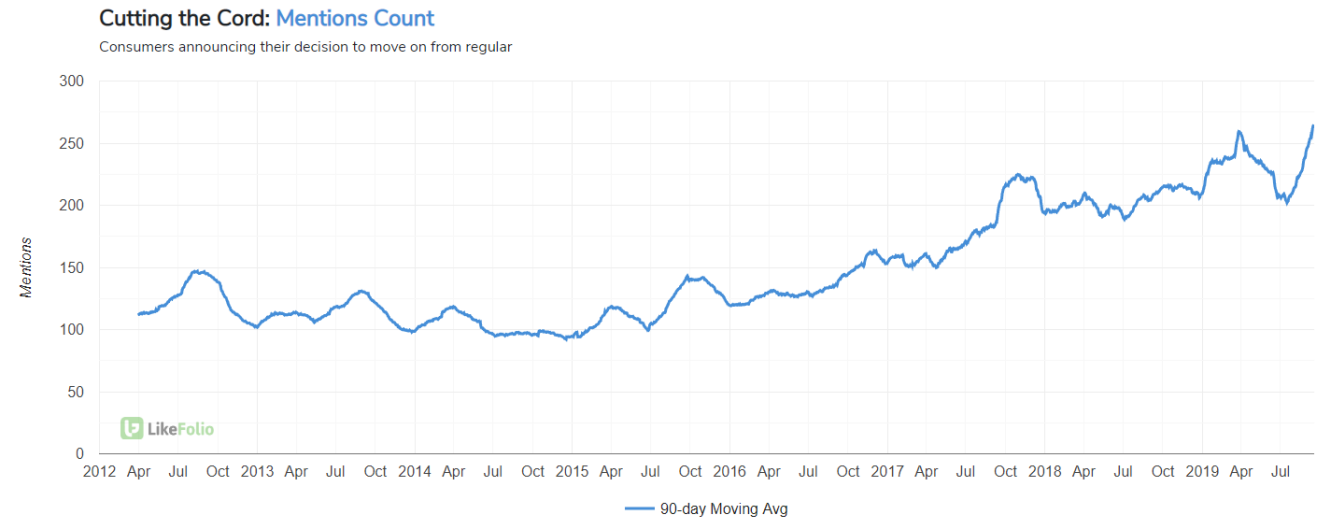
Trend Watch: Cord-Cutting

This chart plots the 90-day moving average of Mentions related to the “Cord-Cutting” phenomenon.

The volume of generic, cable-cancellation Mentions has risen to an ATH within the past week. The trendline had moved significantly lower between March and July of 2019, but Dish Network’s sports blackout, among other carriage disputes, provoked a considerable resurgence in cord-cutting Mentions.

In the past, Live sports coverage afforded traditional television providers a safeguard against the cord-cutting movement. DISH has begun to forfeit that competitive advantage, which could prove disastrous for the company’s future success.

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The number of English-speaking Consumers talking about cancelling their cable subscription has risen to a new high over the last few months.

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Potential Trade Ideas

Simple Option: Short the stock.

Option Spread: Sell the 19 Jun. 20 32.5/37.5 Call Spread @ \$2.75 Credit.

- **Spread Scenario #1 (Max Gain):** \$DISH closes at or below \$32.50 per share on 6/19/2020.

Outcome: Both Call Options expire worthless, netting a gain of **\$275** premium for each contract sold.

- **Spread Scenario #2 (Max Loss):** \$DISH closes at or above \$37.50 per share on 6/19/2020.

Outcome: Both Call Options expire in the money for a loss of **\$225** per contract, equal to the maximum loss per contract (\$500) less the premium gained (\$275).

Aggressive Option: Purchase ATM Jan. 2021 Puts for a longer-term bet on a complete implosion.

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