DirecTV (NASDAQ: DTV)

**Sector:** Cable and Other Subscription Programming (NAICS: 515210)

<table>
<thead>
<tr>
<th>Intrinsic Value</th>
<th>Current Price</th>
<th>52 Week High</th>
<th>52 Week Low</th>
<th>Beta</th>
<th>P/E</th>
<th>Market Cap</th>
<th>Dividend Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>$111.86</td>
<td>$71.98</td>
<td>$73.59</td>
<td>$47.71</td>
<td>1.11</td>
<td>13.82</td>
<td>$37.92 (Large Cap)</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Industry Trends**
Domestically, the cable and television-providing market has not seen growth in recent years. Most households that desire digital television have purchased access. Cable companies, therefore, have resorted to advertising against each other as a means of increasing subscribers. Most areas have a limit to the amount of cable providers available, but other options such as satellite or other alternatives offer customers different providers. In Latin America, the digital television industry has seen subscriber growth rates at 30% over the past decade. The market is estimated to grow to about 140 million households by 2018, representing 84% of total households for the region. Satellite providers are estimated to lead this growth, as they require little capital investment, and do not need cables to be laid to each household.

**Investment Thesis**
DirecTV has a large domestic customer base, with 20 million subscribers. The company has started to focus on offering high margin technology and channel packages domestically. In Latin America, the digital television industry is poised to see drastic growth over the next decade. DTV has the scalability to expand in the region quickly, with low capital expenditures, since it does not have to lay cable to each house. Since DTV also has a large international presence and subscriber base, the company is able offer cable packages that tailor better to consumers of the region. Over the next 10 years, subscriber base in the region is estimated to see annual growth of 5-7%. The company is also depreciating its capital expenditures at a rapid pace. As a result, earnings for the company will see rapid growth. Lastly, the company has made a commitment to repurchasing shares, having bought back 60% of its float over the last seven years.

**Business Summary**
DirecTV is a television provider that operates through the use of satellites. The company purchases orbit slots, giving it the right to broadcast signals over a specific region. The company operates in the United States and Latin America, including Brazil, Mexico, Argentina, Chile, Ecuador, Puerto Rico, Venezuela, and Colombia. The company has exclusive rights through multiple sports divisions to offer special packages. The company also has the largest offer of high-definition, and three-dimensional channels.

**DTV 5-year stock performance vs. S&P 500:**

![Graph showing stock performance vs. S&P 500]

**Corporate Social Responsibility:**

<table>
<thead>
<tr>
<th>ESG Disclosure Rating</th>
<th>Environmental Disclosure Score</th>
<th>Carbon Disclosure Score</th>
<th>Number of Women on Board</th>
<th>Governance Disclosure Score</th>
<th>Equal Opportunity Policy</th>
<th>Community Spending</th>
<th>Total Energy Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 (Ind. Avg.: 0)</td>
<td>N/A (Ind. Avg.: 28.19)</td>
<td>91.00 (Ind. Avg.: 86.60)</td>
<td>2 (Ind. Avg.: 1.53)</td>
<td>51.79 (Ind. Avg.: 53.33)</td>
<td>1 (Ind. Avg.: 1)</td>
<td>0 (Ind. Avg.: 0)</td>
<td>0.62 (Ind. Avg.: 17.07)</td>
</tr>
</tbody>
</table>

Source: Bloomberg, Value Line Investment Survey, Yahoo Finance, ValuePro

**Value Estimate:**
$105-$160
(2016-2018)

**Estimated Real Annual Return:** 11%-24%

**Overall Rating:**

- Expected inflation: 3%
- Current EPS: $4.58
- Forecasted EPS Growth: 14.57%
- Credit Quality: BBB
- ROE: N/A% (Negative Equity)
- ROA: 25.4%
- Price/Book: N/A (Negative Equity)
- Debt/Equity: N/A (Negative Equity)
- Debt/Capital: 147.67
- Current Ratio: 0.94
- Price/Cash Flow: 6.99
- 10 yr. Risk Free Rate: 2.8%
- WACC: 7.10%

**Report Prepared By:**
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