

EchoStar CORP
Form 10-Q
May 09, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2014.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO .

Commission File Number: 001-33807

EchoStar Corporation

(Exact Name of Registrant as Specified in Its Charter)

Nevada

(State or Other Jurisdiction of Incorporation or Organization)

26-1232727

(I.R.S. Employer Identification No.)

100 Inverness Terrace East, Englewood, Colorado

(Address of Principal Executive Offices)

80112-5308

(Zip Code)

(303) 706-4000

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 25, 2014, the Registrant's outstanding common stock consisted of 43,244,359 shares of Class A common stock and 47,687,039 shares of Class B common stock.

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Disclosure Regarding Forward-Looking Statements

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, in particular, statements about our estimates, expectations, plans, objectives, strategies, results of operations and financial condition, expected impact of regulatory developments and legal proceedings, opportunities in our industries and businesses and other trends and projections for the next fiscal quarter and beyond. All statements, other than statements of historical facts, may be forward-looking statements. Forward-looking statements may also be identified by words such as anticipate, intend, plan, goal, seek, believe, estimate, predict, continue, future, will, would, could, can, may and similar terms. These forward-looking statements are based on information to us as of the date of this Quarterly Report on Form 10-Q and represent management's current views and assumptions. Forward-looking statements are not guarantees of future performance, events or results and involve potential known and unknown risks, uncertainties and other factors, many of which may be beyond our control and may pose a risk to our operating and financial condition. Accordingly, actual performance, events or results could differ materially from those expressed or implied in the forward-looking statements due to a number of factors including, but not limited to:

- our reliance on our primary customer, DISH Network Corporation (DISH Network), for a significant portion of our revenue;
- the impact of variable demand and the adverse pricing environment for digital set-top boxes;
- dependence on our ability to successfully manufacture and sell our digital set-top boxes in increasing volumes on a cost-effective basis and with acceptable quality;
- our ability to bring advanced technologies to market to keep pace with our competitors;
- significant risks related to the construction, launch and operation of our satellites, such as risk of material malfunction on one or more of our satellites, changes in the space weather environment that could interfere with the operation of our satellites, and our general lack of commercial insurance coverage on our satellites;
- uncertainty in global economic conditions, which may, among others, cause consumers and enterprise customers to defer purchases;
- the failure to adequately anticipate the need for satellite capacity or the inability to obtain satellite capacity for our Hughes segment; and

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- the failure of third-party providers for components, manufacturing, installation services and customer support services to appropriately deliver the contracted goods or services.

Other factors that could cause or contribute to such differences include, but are not limited to, those discussed under the caption "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q and in Part I, Item 1A of our most recent Annual Report on Form 10-K ("10-K") filed with the Securities and Exchange Commission ("SEC"), those discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein and in the 10-K and those discussed in other documents we file with the SEC.

All cautionary statements made herein should be read as being applicable to all forward-looking statements wherever they appear. Investors should consider the risks and uncertainties described herein and should not place undue reliance on any forward-looking statements. We do not undertake, and specifically disclaim, any obligation to publicly release the result of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements, except for as required by federal securities laws.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****ECHOSTAR CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share amounts)

(Unaudited)

	March 31, 2014	As of	December 31, 2013
Assets			
Current Assets:			
Cash and cash equivalents	\$ 702,007	\$	634,119
Marketable investment securities	1,006,258		986,533
Trade accounts receivable, net of allowance for doubtful accounts of \$14,368 and \$13,237, respectively	155,718		159,292
Trade accounts receivable - DISH Network, net of allowance for doubtful accounts of zero	379,470		355,135
Inventory	64,622		66,084
Prepaid expenses	60,149		55,400
Deferred tax assets	69,735		69,633
Other current assets	11,277		29,930
Total current assets	2,449,236		2,356,126
Noncurrent Assets:			
Restricted cash and marketable investment securities	19,104		16,137
Property and equipment, net of accumulated depreciation of \$2,598,240 and \$2,499,889, respectively	3,004,534		2,546,377
Regulatory authorizations, net	584,641		583,900
Goodwill	504,173		504,173
Other intangible assets, net	239,879		262,039
Other investments	165,523		169,771
Other receivable - DISH Network	90,083		89,811
Other noncurrent assets, net	181,419		173,629
Total noncurrent assets	4,789,356		4,345,837
Total assets	\$ 7,238,592	\$	6,701,963
Liabilities and Stockholders Equity			
Current Liabilities:			
Trade accounts payable	\$ 207,339	\$	201,416
Trade accounts payable - DISH Network	83,920		55,743
Current portion of long-term debt and capital lease obligations	61,404		69,791
Deferred revenue and prepayments	58,252		57,592
Accrued compensation	34,070		30,940
Accrued royalties	22,731		24,010
Accrued interest	44,440		7,838
Accrued expenses and other	122,326		111,115

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Total current liabilities	634,482	558,445
Noncurrent Liabilities:		
Long-term debt and capital lease obligations, net of current portion	2,345,199	2,352,597
Deferred tax liabilities	631,570	488,206
Other noncurrent liabilities	113,202	76,484
Total noncurrent liabilities	3,089,971	2,917,287
Total liabilities	3,724,453	3,475,732
Commitments and Contingencies (Note 14)		
Stockholders Equity:		
Preferred Stock, \$.001 par value, 20,000,000 shares authorized, none issued and outstanding		
Hughes Retail Preferred Tracking Stock, \$.001 par value, 13,000,000 shares authorized, 6,290,499 and zero shares issued and 6,290,499 and zero shares outstanding, respectively	6	
Class A common stock, \$.001 par value, 1,600,000,000 shares authorized, 48,757,838 and 48,370,956 shares issued, and 43,225,520 and 42,838,638 shares outstanding, respectively	49	48
Class B common stock, \$.001 par value, 800,000,000 shares authorized, 47,687,039 shares issued and outstanding	48	48
Class C common stock, \$.001 par value, 800,000,000 shares authorized, none issued and outstanding		
Class D common stock, \$.001 par value, 800,000,000 shares authorized, none issued and outstanding		
Additional paid-in capital	3,685,477	3,502,005
Accumulated other comprehensive loss	(9,662)	