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DISH Network Corporation (NASDAQ:DISH) Q3 2023 Earnings Call Transcript

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DISH Network Corporation (NASDAQ:[DISH](#)) Q3 2023 Earnings
Call Transcript November 6, 2023

Operator: Good day and welcome to The DISH Network Corporation Q3 2023 Earnings Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Tim Messner, EVP and General Counsel. Please go ahead, sir.

Tim Messner: Thanks, Sofia. Good morning, everyone. Thanks for joining us. We're joined on the call today by Charlie Ergen, our Chairman; John Swieringa, our President of Technology and COO, Paul Orban, our CFO; Tom Cullen EVP of Corporate Development, Mike Kelly, EVP and Group President of Retail Wireless; and Gary Schanman, Group President of Video Services. Before we start, I need to remind you of our Safe Harbors. During this call, we may make forward-looking statements which are subject to risks, uncertainties and other factors that could cause our actual results to differ materially from historical results or from our forecasts, we assume no responsibility for updating forward-looking statements. For more information on factors that may affect future results, please refer to our SEC filings. We don't have any prepared remarks this morning. So with that, we'll open it up to questions starting with the analyst community. Thank you.



Operator: [Operator Instructions] Our first analyst question comes from Walter Piecyk with LightShed. Please go ahead. Walter, your line is open. Please go ahead. Walter, if you could please check your mute button. We're not getting a response from your line. I am not hearing a response. We will move to our next question. And our next question comes from Michael Rollins with Citi. Please go ahead.

Michael Rollins: I was curious, if you could talk more about the retail results for wireless in the quarter. And can you frame what's happening on the subscriber side? What's happening in terms of the EBITDA burn, and then break out the Boost Infinite component of those results. Thanks.

Mike Kelly: Good morning. This is Mike Kelly. On the Boost wireless side, I would say this is my first full quarter on the job. There's a lot of discipline that we brought back into the sales channel over the quarter, which resulted in less net ads than we expected. We put discipline back into the sales process that I felt was necessary. We focused on putting devices in the hands of our customers that will load on the 5G network going forward. We realigned our dealer compensation for the period with a goal of acquiring profitable customers going forward. And we put back in control that we felt was necessary for profitable customers going forward. Paul, if you want to talk a little bit about the EBITDA?

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Q&A Session

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Paul Orban: Yes. So marketing was a higher for the quarter, as Mike alluded to, with the change in the commission structure, it was elevated in Q3. You'll see that abate in Q4, as we get fully under the new commission structure. And also as Mike alluded to, as it relates to equipment COGS, that was high for the quarter, because we had a higher percent of handsets that had our 5G or that are capable to work on our 5G network deployed. That'll help us in future quarters, as we'll get owner economics on those phones.

Michael Rollins: And just one follow-up. If you look at the current base of Boost sub 7.5 million, and the revenue that they're generating, is there a path just for that portion of the business to get that to be significantly profitable again, and that can fund the subscriber acquisition for new Boost Infinite opportunities? Or is it that the current business is dealing with just a higher recurring costs than maybe we've seen over the last couple of years?

Charles Ergen: Yes. This is Charlie. I mean, I may be turned over to Mike that I'd say a couple things. One is that when the CDMA shut off that happened, that was kind of devastating for what we expected, because we had to replace all those customers with new phones. So we missed the cycle had that been happening today, we could put them on phones that were compatible with our network. But obviously, when that was done, well, over a year ago, there were no phones that were compatible with our network. So for the most part, those 7.5 million customers, the vast majority of them do not have phones compatible with our network. So that's an upgrade cycle and that set of economics that we'll be able to do a portion of those but not the vast majority that would be my guess that because we missed that cycle.

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So that's why we fought so hard to hold T-Mobile to what they said under penalty of perjury to the California regulators. When Mike came in, he didn't — I will give him a little bit more credit than maybe the Street's giving him right now. But the customers that we have, we were getting customers, we just weren't sure which ones were the good — some customers we made money on and some we didn't. And so I think now everybody we're putting on now, for the most part, we have high expectation that we'll make money either because we're on our network, or because they're on the MVNO, but they're just a different class of customer. And so some of that discipline and how you do it, some of the commission structure that he had alluded to, for retailers, they were incentivized to get a customer but they weren't necessarily incentivized to keep the customer that's changed.

They're incentivized to keep the customer today. So they have a lot of control over what customers they put on. So those are things that certainly my fault for not being more on top of that in the early years. But Mike is coming in and made, those changes. And so that's going to — we'll have better performance as a result of that on both prepaid and postpaid.

Operator: Our next question comes from Walter Piecyk with LightShed. Please go ahead.

Walter Piecyk: Just a question, I guess, in general about the postpaid business. I mean, the value proposition is obviously very compelling, but it just feels like no one really knows about it. It's on the Amazon homepage. It's not really there. Just curious, is there a plan for the ad spend to increase? And if so, how much flexibility do you have in terms of that spend? And then I guess, related, CapEx wise, how much can you cut? I mean, obviously, the CapEx is already starting to come down. But when we head into 2024, how many of the available dollars that you have, you can cut out of CapEx, you can actually use it to tell people about the \$25 a month service?

Mike Kelly: Well, I would say first on the Amazon relationship, I would say, we do have flexibility in terms of how we continue to evolve and build out the storefront. A lot of things came together on a very short period of time, towards the end of the quarter. We continue to work with Amazon to improve the overall storefront presentation. So you'll continue to see that evolve this quarter. And with respect to advertising, we do have a relationship with Amazon to focus on acquiring customers through that channel. So we will be working with their advertising sales team as well.

Paul Orban: Excuse me, and this is Paul. I will take the CapEx question. CapEx, we do expect it to a decrease in Q4 and then going into 2024 decrease also, what you're seeing is, its cash CapEx. So you had a timing issue. So most of what was paid in Q3, really related to Q2 deployments.

Walter Piecyk: Is more of a 10,000 foot question. I think, guy I'm sorry to interrupt. It's more of a 10,000 foot question. Not like timing of this quarter versus next. But like if you were spending, whatever it is to seven to five, like, can you take that down to a billion for next year, 500 million? Like how low can you go so you have those dollars to kind of use to tell people about the service because it seems like the service, again, offering is compelling. It's just like, how do people find out about it?

Charles Ergen: Yes. Like, constructive criticism, are we doing a great job of marketing? The answer is no. Okay, can we do, the messaging probably wasn't — didn't have quite the desired effect, as you say, because people don't know about it. And let me give you examples. If you walk into an Apple Store today, you can't buy Boost, right, you buy our competitors, we can't. And when you go to their homepage, digitally, you can't buy Boost today, we're not even integrated into their systems that takes time takes an investment on their part. So we're hopeful that, obviously, their support is there. So we're not hitting on all cylinders, there. That's kind of the bad news. The good news is we've made that — we make, we do it right online, we make that a better experience and go into a store.

And that's the strategy that we have to have. We have to make online, whether it be Amazon or other partners, right? That experience may be better for most people than going into a store and waiting in line and so forth. If we do that, we'll be very successful. And there has to be messaging and marketing things to make that happen. But having said that, that's the strategy. If you — what's nice about that is, in a funny sort of way is, we could hit the ground running a lot faster if we had 5000 stores in postpaid but we don't. On the other hand, if you make the online process better, you're going to wish you didn't have 5000 stores talk to the bookstores of the world about that, right? So we think where the puck is gone. We think we're in the right place, when we make it with when it works.

It really works. It's a great experience. There are a ton of issues. But some on our side, some of our partners side that we still have to correct operationally because we would have liked to add a few more months to before we went out to the public, but iPhone came out on a certain date, we had to meet that day, right? Or else we would miss that wave. So we felt like we needed to be there. So we're a little ahead of our skis. It's a little bit like, but having so we're making a few more mistakes than we probably normally would like to make. But we're failing fast. And we're learning and I think that'll pay off for us. So I think strategically, while we're on the right side, I think any criticism on the marketing side is well received here.

In terms of we know we need to do better there. And we know that the messaging has to be fine tuned. And it's not just the messaging is the operations. It's how you promote it. It's a two or three different things in our company with our partners working together to do that. We haven't quite cracked that yet but we will.

Walter Piecyk: And how low can you get CapEx, Charlie for 24?

Charles Ergen: Well, I mean, I think nothing's changed. Actually, some did change a little bit. We've said \$10 billion on the CapEx side. We're obviously short of that. The Puerto Rico sale, I mean, you're more familiar with that than I am. So maybe I'll let you talk about that. That helps a little on the CapEx. Yes, I don't know that Paul's willing to give guidance on total CapEx for next year, but we announced the Puerto Rico sale this morning. We have a lot of experience in Puerto Rico over the years with Pay-TV in the last couple of years with wireless. It's a challenging market, it's a very competitive market, it has weather challenges as well, the build out would be expensive. So we thought it best to enter into a transaction which gives Liberty a much more competitive spectrum position, frees up, brings us new capital in terms of the sale proceeds, as well as pretty significant capital savings from not having to build on both the islands which are very expensive bills and higher than average effect.

So by entering into the transaction will now be able to focus those funds back into the continental U.S.

Charles Ergen: I think I understand your question. We have several levers, right, to manage cash. One of those is marketing and just the sack in terms of acquiring customers. We have the more profitable customers, the faster you want to go. The more marginal a customer is probably the slower you go but depends on how our total operations are doing. And then, CapEx where we've met our major milestone, it's not that expensive for us to make the next milestone. But because it's, we've done the hard and then the heavy lifting. On the other hand, you want to continue to invest in your network because you want to move people to off the MVNO. So you have to balance — we have to balance those levers. And so it's not an easy answer.

Other than you can expect CapEx will continue to decline the rest of this year and into 2024, before you'll see an uptick in the first half of '25 for a couple of quarters, as we finish that final build out milestone. So [indiscernible] free up capital and how they get spent, will be dependent on how well we're doing in our business.

Walter Piecyk: If you don't mind, I'm going to try one more angle on this, which is, I know you've been generally adverse to basically giving away phones, right, using working capital, whether it's payment plans, or just literally subsidizing phones, like what AT&T does to a certain extent with its existing customers. Now that you've had the offer in the market, is it just a recognition of people seeing the \$25 and activating a second, Sam, or whatever it is versus are you starting to think that may be being more

aggressive with spending capital and basically giving away free phones, or at least subsidizing a portion of them is going to be necessary to get some traction going on the postpaid side?

Charles Ergen: Yes. I mean, look, we're realists that nobody really subsidizes a phone. They obviously charge a customer for the phone. So we're not opposed to that. I mean, but when you have your own — when we have our own economics, you realize our variable cost for that customer, our variable cost is 0. So there's a lot of interesting things we can do as we move into. This question hadn't been asked but I think I'm just going to transition this because I think it's important indirectly to this question. So as we transition people to our network, the world changes for us economically. And John, maybe John is our President and Chief Operating Officer and has all the build-out and as he's in the budget cycle pretty heavily now. We'll probably get — maybe you want to jump in here and give maybe better answer to Walter's question to give a feel for how you look at it.

John Swieringa: Yes, of course. Thanks, Charlie, and hey, Walt, thanks for the questions today. So really, I'm working on a 3-legged stool. The first piece is, we've got a little over 120 million commercial VoNR ops today, about third of the country, where we have voice and data which is needed for Boost Mobile and Boost Infinite. We're going to take that another third up to 240 million by June. So you can sort of see our trajectory there in terms of where we get to sort of full M&O economics in our retail business. But at the same time, and I've talked about this on earlier calls, there's been a lot of focus on getting the device ecosystem where it needs to be to support us. And right now, to give you a feel for, about third of the devices we activate are compatible with our network, 5G SA, our Spectrum bands, those sorts of things.

And again, up to June next year, we'll move that to two-thirds, right? So that's another sizable shift with the support from the Android community. Obviously, you saw the news on the iPhone. And so we're working through the device side of it as well. And the impact of that is as we bring in new customers, the economics change dramatically. We expect to be able to see that as we head towards next June. But in addition, the other effect, and I think a few of the analysts wrote about this, this morning in early reports, we get to take a sizable chunk out of our MVNO bill. So as we look at that, we see that going down by a third as we get to June of next year. So those three things together really sort of change the trajectory in the retail business.

And I think where you started is the idea that where do we find capital to invest, and those are a few areas to look at and model around that.

Charles Ergen: Yes. So the picture is we have scale in June of next year. That's the scale. We're a year behind where we'd like to be for scale but we'll have scale next year, both the devices and the network. That network is about where Sprint was at the end. So now you have scale and your CapEx is primarily

done. And you're only going to get — you're only going to improve from the 2/3 that John is talking about. So that gives you a feel for it.

Operator: Our next question comes from Kannan Venkateshwar with Barclays. Please go ahead.

Kannan Venkateshwar: Paul, maybe a couple for you. When we think about the S-4 projections that you provided with the EchoStar filing, it assumes sequentially an increase in losses — a further increase in losses in Q4 in Wireless and you pointed to some tailwinds in costs in Q4. So if you could just help us reconcile the Q4 trends. And then as we look at the same projections for next year, there's a big acceleration in trends with respect to profitability. So if you could just help us understand the underlying assumptions in terms of volumes versus price and what you're assuming to get to those numbers, that would be very helpful. Thanks.

Paul Orban: Well, overall, when you look at the forecast, there's going to be some puts and takes and the timing may change, but we believe the forecast that we had in the S-4 is still accurate. We'll continue to deploy in Q4 more towers and you'll have more OpEx, which will be helping to drag down a little bit in the fourth quarter. And then as we grow, obviously, you're going to have [indiscernible] and the costs that are related to growing the Boost Infinite and the Boost Mobile business in Q4 into Q1.

Kannan Venkateshwar: Got it. And then, Charlie, when you think about capital needs for next year and beyond, you obviously have the debt maturities and the EchoStar deal should help address some of it. But if you step back and think about maturities beyond that, there's obviously a big step-up in capital required even as your CapEx needs also potentially go up in '25 and beyond. So if you think about beyond '24, how should we think about the capital plan? How much of it is internally funded? How much of it is externally funded? And if you could just help us understand what your partnership options are or update us on that, that would be very helpful. Thanks.

Charles Ergen: Yes. I mean, obviously, 2026 is a pretty big wall in terms of assuming you didn't refinance anything. And obviously, a lot depends on where the markets are. So what we want to control is what we control. From an operations point of view, we've got to generate as much internal cash from our operations as we can. And the way I would say it is we have a narrow path but there is a path for us to achieve financial stability and make sure we meet our commitments. And so having been through this for a long time, we've had narrow paths before, and it's a sharp focus for your management and a necessity sometimes the mother of invention. So we certainly look at 2026 as a challenge today. We expect that the market environment will be better in 2026 but there's no guarantee of that, obviously.

If the market environment today was like it was the same in 2026, I think that would prove to be difficult for us based on our operations today. On the other hand, if your operations continue to improve and you show the market the trends and the financial trends based on having your own network and owner

economics, and you continue the cash flow in your core businesses, then that's an achievable place to get to. And so my crystal ball believes that we can do that. But I know it's going to be a challenge for us and we have a team that's going to be up to that.

Operator: Our next question comes from John Hodulik with UBS. Please go ahead.

John Hodulik: Maybe just a couple of follow-up to Walt's question. First of all, Charlie, can you guys talk about any traction you're seeing with the iPhone 15 promotion? And when you are winning customers on the Boost Infinite side, where are they coming from? And then just lastly, a clarification. What drives the uptake in compatible phones to two-thirds? Is it just the availability of new phones that work on your network? Or I'm just wondering why sort of June is sort of magic we've been getting to that two-thirds number? Thanks.

Mike Kelly: Well, this is Mike. Thanks for the question, John. Yes, we're seeing some traction on the iPhone 15. No surprise. Customers are attracted to the \$60 offer and to the iPhone upgrade every year offer. We're still working through. As Charlie mentioned earlier, we're a digitally-native selling direct process. So it's new to us. We're still working through some of the operational kinks, but we're making progress there. So again, demand is coming from the other carriers. And certainly, we're seeing some demand coming from the relationship that we have with Amazon and marketing it into the Amazon base.

John Swieringa: And then thanks, John, for the follow-up question on the devices. This is John Swieringa. So let me try to simplify the earlier response. I mean, essentially in 2024, we'll have 100% support on Android in terms of every Android device that we distribute will be compatible with our network. On the Apple side, it's a little bit more of a mixed bag. Newer models have our bands and can support 5G SA software with iOS 17 and above. And so really, it's about getting to that point where we've got full Android support, partial Apple, and then obviously, there's still a profitable BYOD business where we'll bring existing devices on to our network. And in some cases, that may be on the MVNO. But that's sort of how the forecasts roll forward, and it's really been device by device, chipset by chipset approach for us to get to critical mass. I hope that helps.

Charles Ergen: And on the Apple side, just to make sure, I don't misunderstand, the 15 is fully compatible but the 12 and the 13 and the 14, which we still sell, actually 11, right, are not compatible. So obviously, those can only go on, at this point, on MVNO, absent some software downgrades or so forth and so on. But 100% of new Apples are — it's not 100% of our business with Apple.

Operator: Our next question comes from Jonathan Chaplin with New Street. Please go ahead.

Jonathan Chaplin: Two quick ones, if I may. First of all, so what looked like for the new capital going into ConneX, I'm wondering if there's still an opportunity to combine Boost with ConneX and help

accelerate the sort of the flywheel that Boost with new outside capital. And then I'm wondering, Charlie, if you can give us an update on where discussions might stand with TPG and AT&T on DBS now that you've got the EchoStar transaction spread away. I'm wondering if there's a path to progress on the next big deal. Thank you.

Charles Ergen: Yes, I'll take both of those. First on the TPG question, that we're focused on, we're still getting the EchoStar-DISH transaction done. I mean, obviously, we filed a lot of stuff but we got a ton of stuff in terms of combining the companies and the management teams and making sure that we don't wait on synergies and get those and with the starting next week, that will be very helpful. So we just don't have any plans for DIRECTV based on that. ConneX is not probably appropriate to comment on here. But what I would say is that I think within our capital structure, obviously, a retail wireless company that has 7.5 million subscribers and now has an online presence is probably a valuable company. We could argue whether we've managed it as well as we should.

But the fact is that that's a very valuable property. So obviously, there could be ways that from an investment point of view, there may be people that are interested in that sort of thing. But it's also the same way with our network as well. There's only 4 companies in the United States that have nationwide network and connectivity. There's only one of those companies that actually does it in a 21st century architecture where it is a data-centric network built 100% for data, of which voice is just an application. And in the world of things like AI, where data is only valuable to you if you can utilize it, then you want IT, you want IT architecture, you want IT tools like cloud and Kubernetes and so forth and so on. And that's what we've built, and that is a one-of-a-kind thing.

And I think that's where ultimately the game will be won and lost for us, which is to make sure that we're not spending all our resources trying to do exactly the same thing that everybody else has done and that we actually go where we have unique capabilities that we can do for folks and customers that others can't. And so I'm excited about joining next week because that frees me up to do a little bit of that, which is where can we take this thing where we have unique advantages. But perhaps maybe even our competition doesn't want to go or it's not economical for them to go and so forth. So I don't know that answer your question exactly, Jonathan, but that's the color.

Operator: Our next question comes from David Barden with Bank of America. Please go ahead.

David Barden: We've covered a lot of ground, but Charlie, could you explain your thought process on the T-Mobile 800-megahertz option, spending \$100 million upfront. Obviously, you're going to have to spend \$70 million-something if you didn't buy it anyway. But your bonds are yielding 25%. You're going to get \$1.9 billion-ish from the EchoStar deal when it closes, but you said it in your filings that's not going to be enough to do that deal. So how does that deal happen? And I know you love to use the word options and optionality, but I think now might be a great time to be specific and crystal clear about how

you see that happening. And then in a related question, you've got \$3 billion of debt coming due in '24. About 9 months ago, you maybe said that your intention was to take the convert that's coming due in March and use equity to refinance that.

Is that still the plan? And how do you deal with the \$2 billion coming due at the end of '24 would be helpful. Thank you.

Charles Ergen: Yes. Well, certainly, we're focused on the converts coming up in March. Equity obviously is more difficult because, obviously, the marketplace has been more negative for us over the last year on that piece, but we certainly haven't given up that equity could be a component part of that. The 800 megahertz is, I probably can't give you a complete answer. First of all, we owed \$72 million regardless, and we're thankful that we're able to work out with the Department of Justice and T-Mobile to give us more time to put something together there. I mean, obviously, we think there's some unique capabilities about that. We have built it out at DISH. So we're already heavily invested probably more than \$1 billion and investing that out.

And so in addition to the \$100 million, we've obviously invested in that. Now you're not going to fall for a sunk cost fallacy, obviously, but economically, we think that 800 has some unique characteristics, and we think that there's use cases for it outside of everything that we're doing. And the way I would say it is, to the extent that we have a good business plan for that resource that may be financeable, to the extent we don't, it certainly is not financeable. And it's possible even with a good business plan, given the marketplace today that it's not financeable. But that's certainly going to be a focus for me for the next 6 months and we'll see where we end up there. But obviously, I think this quarter, we reduced the odds that we're going to be successful there.

We're realist about it. The marketplace hasn't improved since last quarter. So we'll wait and see but it's a unique resource. It's important to what we're trying to do to compete. And therefore, we're going to give it our best shot.

Operator: [Operator Instructions] Our next question comes from Ben Swinburne with Morgan Stanley. Please go ahead.

Ben Swinburne: A couple of questions. On the Retail Wireless gross margin, service gross margins, we've been expecting to see those get better over the course of time. I know you guys signed two new MVNOs last year, and to this year. You were sort of double paying on back-office stuff. I think that's ended. Why are we not seeing better unit economics in the Retail Wireless business on the service side as we move through the year? And what should we expect going forward? And then, second, Charlie, I'm not telling you that you don't know, but when you look at the value that the market is ascribing to the

company, especially the market value of the equity and the debt, compare it to the sum of the parts value of what you've bought in Spectrum and et cetera, is a massive gap there.

Is there anything that you were looking at that would lead you to change your strategy significantly? And especially in the context of just a higher interest rate environment, where you might look to unlock value differently for asset sales, spectrum sales, et cetera, than the path you're on. Thank you.

Charles Ergen: I'll take the second question and then maybe —

Mike Kelly: Yes, I'll take the first. This is Mike. Ben, I'll take the first part of this. We've been focused on obtaining better customers. And so we've been putting better devices in the hands of our customers those that will transfer over to the M&O as we build out. We've also been focused on aligning our dealer commissions with the long-term profitable needs of the company. So the dealer commissions had some impact on margins for the quarter. That will change over time. I don't know, Paul, if you want to add anything to that?

Paul Orban: Yes, I would just add to that. You'll see a material decrease in the cost of services related to the commissions in Q4. Q3 had more cost run as we transition to the new commission structure. In Q4, we'll be 100% on that new commission structure.

Charles Ergen: I think the broader question is where do you expect margins to go? They will improve. And then, look, on strategy, my philosophy is I look at it every day. The world events, the competition does something, opportunity that you didn't know existed happens. So you're looking at your strategy every day, and you're looking at that as related to what your strategy is and say, is there anything we should change? And we believe we're on the right strategy. Maybe we haven't articulated it as well as many companies do, in part because I think we play our cards a little bit closer to our vest maybe. But we think we're on the right strategy, but we evaluate it and needs very good at strategy himself and he may have some different ideas that he'll challenge us on.

But the only thing I can say is, to your point, with the assets that we have and the position that we're in, other than the financial side of the markets, right, which is obviously a great challenge for us, we're pretty well positioned for the 21st century. I mean, everything has got to be connected. Wireless is the only way you can do it on a mass basis, or certainly wired can do a lot but not everywhere. And we have a very modern system with a unique set of resources. So good management. We'll be able to take that and operate that. And that's certainly what we're focused on, and we've maybe not been as good as we'd like to be but we think we've got the right team in place to do it.

Ben Swinburne: Okay. And if I could just ask a follow-up on a different topic, Charlie. The Pay-TV business is obviously important for you guys from a cash flow point of view, and you've been managing

it that way for a long time. The Disney-Charter dispute this year or this quarter or this past quarter seemed to highlight some pretty big changes in that business. And I'm wondering if that has informed or highlighted or brought your attention to sort of opportunities to sort of either drop channels or run that business in a way that's maybe more aggressive. You don't have a broadband business or a different place than Charter, but you've also been arguably early on sort of paring off networks that don't work anymore economically. I'm wondering if you took anything from that situation as you guys look ahead on Pay-TV. Thanks.

Gary Schanman: So this is Gary. Nice to meet you. Look, overall, we're always looking at our relationships to see where we can partner strategically and where we can continue to with partners and help to improve the experience that's available to customers. And yes, we're also looking at where are our costs best spent and how we allocate capital efficiently. And so that's an ongoing thing we're looking at. It is important that we brought a good service to our subscribers to drive cash in the business and to make sure that they love us and they want to stay with us. But yes, we're always looking at opportunities to be more efficient. And we were generally aligned with, I think, the positioning that Charter took in terms of understanding that certain parts of the model is broken.

And this company has done — taken those steps in the past, especially if you look at our history of RSNs. So we'll continue to look at opportunistic ways to optimize our customer experience and our allocation of capital.

Operator: We will now take our final question from the analyst community. [Operator Instructions] We will begin the media portion of this call following the answer to final analyst question. Our final analyst question comes from Bryan Kraft with Deutsche Bank. Please go ahead.

Bryan Kraft: Can you talk about the expense outlook for the 5G business? I think there was a pretty sizable step-up in cost of sales this quarter. And I'm just trying to understand if we should think about that as a good run rate going forward or if there was anything that was maybe temporarily elevating it or if it could even go the other way, it might further step up in 4Q. And also, should we expect to see more revenue coming in on the 5G network side, or will you really be focusing the growth investments on retail postpaid? And then just lastly also on expenses. In Pay-TV, they didn't really come down this quarter. And obviously, they need to keep pace with the revenue declines as much as possible. Are you planning to manage these costs down more aggressively, let's say, over the next couple of quarters? Thank you.

Paul Urban: This is Paul here. I'll take the 5G expense question. That grew due to the fact that we placed more towers in service, so you have the OpEx sets related to that. As we continue to place more towers in service in Q4 as well as the first part of next year, you'll see that number grow. We are

optimistic that we'll be able to, at some point in the near future, start to monetize that network on top of subscribers and get revenue generation from a commercial perspective.

Gary Schanman: And this is Gary. On the video side, look, in terms of our sales and support costs, it's a mature business and we're always looking to manage our costs to match our subscriber and sales trends. And so we'll regularly adjust how we allocate our resources to align with what we see in the market, and that's kind of what we'd like to say about that.

Charles Ergen: Yes. And just a point, structurally, Gary had Sling but now you had Sling. Now he has all of Pay-TV. So structurally, what you have pointed out is a correct point of view, which is we haven't managed costs down as well as — and part of it was structured in the company. Now Gary has got both sides of the fence there and it's a little bit easier to work to right-size and the right people on the right projects without having to duplicate it, which is what we had to do. And the other part of it is as we combine with EchoStar, there's some other opportunities for us within the organization as well, where we've got talented people on both sides and some synergy on the cost side.

Bryan Kraft: If I could ask just one follow-up. Can you talk about just what the pipeline looks like at this point on the 5G enterprise side in terms of private network RFPs and whether there's a lot of activity there? Thank you.

Charles Ergen: I'd say it this way. There's a lot of activity and I think there's two challenges for us. One is the actual — the structure and personnel. We really haven't found the replacement to Stephen Bye who's now on our Board but was obviously on the enterprise side. So we got a little bit younger team that's working it. The second thing is the integration with EchoStar, which as a more mature enterprise organization and has already enterprise customers at a much, much higher level than we do. I think I saw something last week where they just didn't — as an example, with an airline, they just did a long-term deal with an airline. Why is that interesting? Well, that's a satellite deal for broadband with airlines. But airlines are companies whether it's with us or somebody else will have private networks because they move cargo, they move people.

They need tremendous connectivity at airports and their hangers. They need connectivity when planes are circling and when they're on the ground. And so they're all going to have private networks. Well, that's an interesting play because EchoStar is already dealing with some major airlines as an example. So I think you're going to see real progress there. I don't think you'll see progress next quarter per se. I think you'll see it in 2024, and you'll see it because of the integration of our teams, and that's probably one where the — that you're going to see that kind of jumpstarts that business for us. And I know EchoStar has a pretty big backlog as an example of enterprise customer business already. And this is just, I think my discussions with the EchoStar folks on the enterprise side is they're excited because they get something else to sell.

And in fact, for the most part, some of the enterprise customers are international, but all the domestic customers are certainly people that I'm sure we are in discussion or will have discussions.

Operator: We will now take questions from members of the media. [Operator Instructions] Our first media question comes from Todd Shields with Bloomberg News.

Todd Shields: Charlie, you said we just don't have any plans for DIRECTV. Is that forever or just based on right now while you're busy absorbing EchoStar? Thank you.

Charles Ergen: Well, that's certainly for now. I don't know how to answer that, but our focus is elsewhere.

Operator: Our next question comes from John Celentano with Inside Towers. Please go ahead.

John Celentano: Infrastructure question. Last figure I heard or saw about the number of cell sites deployed is around 16,000. I know you've progressed since then. But to reach the 75% of PEAs nationwide, what do you think you're going to need in terms of cell sites?

John Swieringa: So this is John, thanks for the question. So the top level, we're focused on 73% VoNR footprint, which is most major cities, most NFL markets. We'll have about 20,000 sites on air by the end of this year for macro coverage. And we're in the process now of doing all the RF designs and plans for the 2025 build-out. It's a slightly different kind of build in terms of morality and other factors, but we're probably not in a position to give any more guidance on that right now. But we're hard to work to put those plans together.

Operator: Our next question comes from Jimmy Schaeffler with The Carmel Group. Please go ahead.

Jimmy Schaeffler: You've highlighted the 21st century quality of your new network architecture. Do you have any data or material analysis that begins to prove that out? In other words, how much better than current cell service will DISH wireless be?

Charles Ergen: Yes. This is Charlie, Jimmy. I'd say it this way. From a consumer point of view, the incumbents do a great job. Their networks work extremely well, and I don't expect that we're going to see, while VoNR voice is on the margin a little better, it's not something that would make you rush out, say I have to have VoNR voice over 4G voice or whatever. So I don't think there's going to be a huge difference in the short term. I think from the consumer point of view, it's a little bit how the architecture of everything goes together, including OSS, BSS and how we might be able to change the customer experience long-term. It's no different and you lived through this, Jimmy. When we launched digital DBS along with DIRECTV, the ESPN was ESPN.

It wasn't really that much different when it started. But we made that when it came to digitizing an interactive guide and making commercials less obtrusive and other things, lockout and things like that, we actually made the experience better. We'll have to do the same thing here. But I think in the short-term, there's not a big difference to differentiate our network for the consumer. That's much different when it comes to the enterprise business, where the enterprise business is about controlling your data, making sure you get your data so you can improve your product, make it safer, make it cheaper, make it more innovative, gain market share of the competition, make sure that you're taking by reducing climate change and sensors and all kind of things that you might need where you have control of your data.

And that's very difficult to do with incumbent networks. And so that's why I'm bullish on that side of our business because I think we have strategic advantages. And that's why I'm excited about bringing the EchoStar team or working with the EchoStar team who's already down that path with satellite and now we're going to add one more tool to that. So I'm not saying we won't have differentiation for the consumers. I think we will in a number of ways. But realistically, you're not going to see too much difference. Now on the network side, realize our OpEx and CapEx and actual cost of constructed network is much less. So we're getting a lot more bang for our money, which ultimately can lead to lower cost for consumers.

Jimmy Schaeffler: And Charlie, one more quick question. Do you see anything on the fixed wireless access side that entices you or interests you right now?

Charles Ergen: Yes. There's a bunch of stuff that I think is interesting. Obviously, we've been disappointed that the SEC hasn't ruled on our 12-gig fixed wireless. They ruled for 12-gig for satellite in a matter of months and we've been at it for 5 years on the terrestrial side. The only interference from it is with ourself, right, is to DBS. And so we've said we're not obviously going to interfere it ourselves. So we're hopeful that's a place that fixed wireless can go. The other part of it, the reason I'm a little cautious is the government is going to spend somewhere between \$40 billion and \$100 billion on broadband. And they set rules and it's even state by state now. And the economics of fixed wireless now are being decided by government agencies.

And so if everything was fair and a level playing field and the best technology won, I would be unbelievably bullish on fixed wireless. The problem is if somebody is getting a subsidy, let's say, for fiber to run at 10 miles out to a farmhouse for \$100,000 and the government is going to pay for that, you're not going to compete with that even though it's only \$1,000 on fixed wireless, you're not going to compete with that \$100,000 bill because you have to pay the \$1,000 as a private company and the government pays a \$100,000 subsidy. So until we see that sorted out on government policy, it's going to be a little bit tricky on the fixed wireless side. And so that gives —

Jimmy Schaeffler: Charlie, do you see any companies out there that are massively improving the capabilities of fixed wireless so that it would get around some of that eventually?

Charles Ergen: Again, all I can say is the government is going to pick winners and losers in that and they're going to pick winners and losers in technology. And some companies are going to do a great job with some companies. As we know from past government subsidies, we know that some companies will do a great job, and that money will be well spent and electricity was one of those things long-term that happened. The interstate highway system was one of those things. But we've also seen a lot of time that money is wasted where perhaps fixed broadband goes where there already is broadband, and maybe we haven't added new customers to that. And so there'll be some money that will be wasted there, and we'll just have to kind of see where that goes.

But it's hard for our Board to look at a return on investment in fixed wireless when we don't know if we're competing against the government subsidy or if we're competing against the marketplace. And where we compete against the marketplace, we're very bullish.

Tim Messner: Operator, I understand that was the last question from the media. So thank you, everyone, for joining, and we'll talk to you again next quarter.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.