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DISH Network Corporation (NASDAQ:[DISH](#)) Q4 2021 Earnings Conference Call February 24, 2022 12:00 PM ET

Company Participants

Tim Messner – Executive Vice President and General Counsel

Charlie Ergen – Chairman

Erik Carlson – Chief Executive Officer

Paul Orban – Chief Financial Officer

Stephen Bye – Chief Commercial Officer

Dave Mayo – Executive Vice President of Network Development

John Swieringa – President and Chief Operating Officer of Wireless

Marc Rouanne – Chief Network Officer

Conference Call Participants

Doug Mitchelson – Credit Suisse

Rick Prentiss – Raymond James

Philip Cusick – J.P. Morgan

Rich Greenfield – LightShed

John Hodulik – UBS

Jonathan Chaplin – New Street Research

Brett Feldman – Goldman Sachs

Bryan Kraft – Deutsche Bank

Craig Moffett – MoffettNathanson

Scott Moritz – Bloomberg

Operator

Good day, and welcome to the DISH Network Corporation Q4 and Year-end 2021 Earnings Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Tim Messner. Please go ahead, sir.

Tim Messner

Thanks, John. Good morning, everyone. Thanks for joining us. We are joined on the call today by Charlie Ergen, our Chairman; Erik Carlson, our CEO; Brian Neylon, EVP and Group President of DISH TV; Paul Orban, our CFO. And on the wireless side, we've got Tom Cullen, EVP of Corporate Development; Stephen Bye, our Chief Commercial Officer; Dave Mayo, our EVP of Network Development; John Swieringa, President and COO of Wireless; and Marc Rouanne, our Chief Network Officer.

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 forecast. We assume no responsibility for updating forward-looking statements. For more information, please refer to our SEC filings. And with that, I'd like to turn it over to our CEO, Erik Carlson, for opening remarks. Erik?

Erik Carlson

Well, thank you, Tim, and welcome, everyone. Thanks for being here today. I'm going to start off with a few brief comments and then turn it over to Charlie for a few additional remarks. When Charlie is done, we'll open it up to your questions. During the call today, we have a few slides that are available that we'll refer to on our investor site at ir.dish.com. Before I dive in, I want to start with saying that our thoughts are with the people of the Ukraine and our team members. We have a small development shop there. And so this really hits close to home and we wish them obviously, safety and good health.

Getting into the details. On the whole, we executed with financial discipline and reported strong revenue and free cash flow numbers for the year. Look, we need to do a better job in our subscriber targets for DISH, SLING and Retail Wireless – and we've removed some headwinds in order to execute this year. In addition, we have accelerated our wireless network build and are excited to share more about this in a few minutes. With regard to the fourth quarter, DISH lost roughly 200,000 subscribers. And this was driven by several factors, the most significant being our local programming dispute with Tegna for the majority of the football season.

Now I'm pleased to report that we are able to come to terms and signed a new agreement with them earlier this month. And in addition, we had a price increase in November. It did have an impact on our subscriber numbers but will make a positive impact on the bottom line this year. We kept DISH TV very profitable with a disciplined and smart marketing expenditures. We managed to focus on acquiring and retaining long-term profitable customers. And look, we played where we're strongest in rural America with higher credit quality customers.

Turning to SLING TV. In the quarter, we lost approximately 70,000 subscribers. Simply put, we didn't execute operationally in the fourth quarter to the level that we expect of ourselves. But as we've talked about before, we needed to reengineer the platform as well as the user interface. We focused on that work last year and completed the majority of the effort in Q4. Overall, the feedback has been tremendous from our customers and validated by other third parties. SLING is a profitable business that will grow. It's going to require a little patience, but with the platform overhaul last year, we're now positioned to be able to innovate and enhance the customer experience with new features and differentiated offerings.

SLING is still the best overall value in regard to other OTT services due to the service, reliability, live TV offerings, watch party capabilities and its value price position. So it's imperative that we execute on our plans on time and as intended. On Pay-TV, we remain focused on acquiring and retaining profitable customers and delivering a great experience for both DISH and SLING.

Switching gears a bit, our wireless business is poised to take off in 2022. Our retail wireless business is set to chart a new course and while we lost approximately 245,000 subs in the quarter, our disciplined operational approach continues to pay off as we've driven profitability into that business. We built an operational foundation upon which to grow our retail wireless business. We had headwinds that impacted us, such as supply chain disruptions, specifically significant cell phone shortages and the burden of the CDMA shutdown. We worked with our vendors to mitigate many of these issues, and we'll continue to make progress that we'll build upon in 2022.

Our wireless network team has made significant progress over the past quarter and recent weeks. We'll begin opening up access to customers in numerous markets over the coming months. And at a high level, we'll hit our June milestone with 20% of the population covered. We currently have over 25 major metro markets ready to be deployed before the deadline, including around 100 smaller cities across the country. And look, we're excited about the coming months and the deployment plan for the rest of 2022, and we have the necessary capital to execute our plans this year. Las Vegas is already up and running. We've had friends and families using the network. We're about to expand it to additional customers in the coming weeks through Project Genesis.

In addition, we're pleased with our results from the 110 Spectrum Auction, where we acquired bands that align well with our current C-band and CBRS holdings. I'm going to tell you more about that in just a minute. We'll bring it all together in 2022. It's shaping up to be just a remarkable year for DISH. We've got a lot to share as we evolve our business operations and our products and services, and make deep inroads in the wireless space. It's going to be a year of execution, and I'm excited about our opportunities. Our best days here are truly ahead of us.

Now I'd like to turn it over to Charlie for some opening remarks.

Charlie Ergen

Yes. Thanks, Erik. Just a couple of things to maybe frame some of the questions that we may have time to get to today. Three – two big developments really since last quarter's call and one potentially very positive development. First, the auction results, one analyst kind of figured it out to some degree, but strategically, we were able to win Spectrum and CBRS and then ultimately win in high-power C-band frequencies that are together, that actually are adjacent to each other.

And that's important because of where we think not only our consumer network is going, but also where we think the private network enterprise business is going. So that was kind of a double bank shot. We had to have – we had assignment rounds in both of those auctions. So we didn't know that we could be – we weren't sure that we could be adjacent to each other, but it was critical that we were – that we could do that, and we're able to do that. So that was a big positive.

The second positive is that our network in Vegas, we actually have operational now a 5G stand-alone network that operates in O-RAN with O-RAN principles. It's cloud native in the AWS cloud, with Bonner Voice. So that is the most advanced network in the world. We probably ended up doing a lot more development than we thought in some of the technologies with our vendors. But that is up and operational and when it works, it works pretty well. As always we still have work to do. We're not ready to spike the football, we have work to do to develop through all the cities and to optimize the network. But the technical challenges has been resolved for some of the core things that we needed to do.

And the final potential positive is that we have reached an agreement with T-Mobile to really – that resolves all the disputes that we have together today that have taken up an inordinate amount of their time and our time. We have an agreement that's in front of the FCC and the DOJ. So we won't be able to go into any great detail about that because they have to approve that. But the one thing that we can talk about that we've agreed is that we will support the March 31 CDMA shut-off that we're working together, both on communications, on handset supplies, on incentives. To get that done, that's some short-term pain for us, but we've already experienced a lot of pain with that, with the uncertainty and the changing dates. And long-term, our relationship will be able to be much broader and positive for both companies. Having said that, AT&T will still remain our primary vendor and the one that we work with on a day-to-day basis.

So with that, maybe we'll open it up to questions.

Question-and-Answer Session

Operator

Thank you sir. [Operator Instructions] We'll take our first question from Doug Mitchelson of Credit Suisse. Please go ahead. Your line is open.

Doug Mitchelson

Thanks so much. I guess really just two questions. Charlie, you already started down this path. But when you cycle back to last summer, I think you were optimistic you could have a market launch in Las Vegas in December. I know you've gone through technical challenges. But I'm just curious sort of what have you learned over the last six, seven months? What needed to be accomplished that it was a little bit harder than you thought? And what's going better than you thought?

And separately, you've talked about dollar number for a few years now and sort of pleasantly surprised by the \$2.5 billion CapEx number for this year and the \$1 billion last year that means you're sort of \$3.5 billion in plus a little bit of OpEx and some previous year development costs. But you're trying to be pretty far below the \$10 billion. So I'm just curious sort of what's getting built to get to this 20% in all these markets, relative to ultimately your 70% target. Is this just a thin layer of cell sites to start? Or when you built out Vegas, did you build out Vegas as you would get to 70%, and there's just some other spending that has to come down the line? Anything on that would be helpful. Thank you.

Charlie Ergen

Yes, Doug, thanks. First of all, we're six months behind and where we thought we'd be. It's my fault. We just didn't maybe anticipate that we would have to do as much on the technical side. The voice, the Bonner voice, the other people around the world, China already has it, other people are working on it. They've had issues too. We hope to ride a little bit more on their back, and we're actually part of the development there in a place maybe we didn't think we were going to have to be.

Second thing is, within the company, just the management company, John Swieringa, you saw is now the President and COO and really a lot of what we're doing, we're building more of an IT network. Look, our wireless network looks more like an IT network than a traditional wireless network with cloud principles and O-RAN principles. So John has been our – has worked his way over the last 14 years in organization up there and been our CIO at one time and our COO for the company and is the right guy, day-to-day to drive that process. And so we've made improvements in terms of how we're structured.

We probably carry – I think that ultimately, we found that we had to become the system integrator. It wasn't a role that we thought we're going to take on. But with all the vendors, somebody has got to be the middleman between there and the glue that holds them together, and we're much more involved in that than maybe we thought we're going to be. So a lot of lessons learned there, but we're certainly moving at a very fast pace. Now we probably squandered some time, but that's my fault.

The CapEx, a lot of reasons why that \$10 billion number is a real number. First of all, our network build is very simple compared to our competitors. Because it's a greenfield, we're able to go in, and we're able to RFP, for example, the tower leases. So we've got real competition on tower leases because obviously, the numbers were going to be great for us. The second, it's one set of antennas. It's one low-band radio, one high band radio. And then most of our cost is in the cloud. It's not at the base of the tower, so where we really just have a server and some batteries. So that gives you a feel for 20 – by the way, at the end of this year, it's \$3.5 billion of CapEx well, obviously, be way more than 20% of the population. So it gives you a feel for how we're able to do that.

Because we're in the cloud, we can automate and do things in provision and other things that people can't do. So our labor cost is less, and there's just a lot of reasons why we can do that. The second thing is probably not quite well as known, but in the auction by acquiring – while we spent CapEx for the – our investment in the C-band and CBRS where we are able to use C-band and CBRS for fill in, where we will have some gaps in coverage. So we know when we build Denver, we're going to have some shadowing in some part of Denver that to build a macro tower to try to – it would be very expensive or expensive rooftop to try to get the coverage there. Obviously, with a new set of frequencies and we're able to do that, actually save us money in a funny sort of way. So part of our investment in C-band and CBRS actually pays dividends for us and saving build-out cost for us on the back end. So I hope that answered the question.

Doug Mitchelson

Yes, thank you. Just to be clear, Charlie, sort of it's strange asking the question this way, but it was actually the other way. It's like the \$10 billion is looking low, given only \$2.5 billion of CapEx this year and \$1 billion last year. So I'm just getting – I'm wondering when the bulk of that \$10 billion hits?

Charlie Ergen

Yes. It goes out through 2025, right, where we have 75% of every county in the United States or every – I forget the exact maybe CDMA. I don't remember exactly what it is in terms of the geographic region. So we're on a cadence for – Dave can speak to this a bit more, but we're on a cadence of so many towers per month, and that's just going to go on for the next three years. And then inflation is going to probably be a factor in there, and then we got some unknowns that we don't know and then we've got some of the small cells that we don't know about. But I think there's a lot of skepticism around the \$10 billion. And I think that disclosure should give you some confidence and – but I think we're going to spend the \$10 billion at the end of the day, will come pretty close to it.

Dave Mayo

Yes. This is Dave Mayo. It's not only the progress relative to the 20% that will hit this year's CapEx, but will also be advanced spending on markets to hit the 70% next year, which is probably – the probably the gap.

Doug Mitchelson

All right. Thank you all.

Operator

We will now move to our next question from Rick Prentiss of Raymond James. Please go ahead. Your line is open.

Rick Prentiss

Thanks. A question on fixed wireless access. Some of the other operators in the wireless world have seen that as an interesting opportunity. How do you guys view your follow spectrum position being put to work as far as is that an interesting business case to you all, to go after not just mobility but a fixed wireless access product?

Charlie Ergen

The answer is potentially – first of all, it makes sense for them to do it, right? One of the things that all the wireless providers, but some that we've architected in is – the real key to economics in this business is to use all your bandwidth, to use your bandwidth, use the capacity that you actually have more – use a bigger percentage of that. And you see both Verizon and T-Mobile do that. They get an extra \$50, they use an inordinate amount of their capacity to do it to get \$50, but it's \$50 that they get for capacity that otherwise would might follow. So it makes sense to us. And so that's kind of point A.

Point B is the other way to do fixed wireless is actually to do not have a mobility portion of it and actually just do fixed wireless. So you can propagate a lot farther, you can build them a lot cheaper. And that's also a place to use your frequency, but you don't have mobility, you just have fixed when you use your frequency. And that's another way that at least in some portions in the United States, I think that might be a better way to go. And then the third factor is we see probably a better use case from an economic point of view as private networks. So utilizing people – giving people the ability to run their business in their cloud or a public cloud if they want to and actually use some of our frequencies in a private way to make sure that they have access to the data.

So that way, they can build – and they actually can build a cheaper product, they can build a safer product, they can monetize their data. So we think that's going to be another place. And private networks may use the data 24 hours a day as opposed to consumers. So that is another way to get your capacity and usage up on the network. And the math, when you start running the math on your economic models of networks that maybe are using 25% of their available capacity today and you start moving that to 26% or 27%, maybe get to 33%, 34%, 35%, for all the wireless providers, that is huge incremental revenue potential.

Rick Prentiss

A couple of follow-ups on that then. So the fixed wireless where you maybe don't need mobility, would that be more the rural areas?

Charlie Ergen

Well, it remains to be seen. I think the rural areas is the more logical place to start. And you see some people doing that with some of the government money and things like that. I think it's – we've looked at it technically both ways. And it's not clear exactly to me yet, which is the right way to go. But we're pretty well positioned. We have installation and service network around the country. We know you certainly improve your fixed wireless access to the extent you could pin something to the outside of the house, which is something that the guys today are not doing. But you need to be able to go on a rooftop or have a ladder or have safety precautions or dispatch system, which we have in place today.

So I think it's a place to play. And I think that there's an opportunity to share spectrum there, where if you become successful, then you're going to run out of – you have limitations on how many fixed wireless customers you can get and you can see there could be economies of scale there where you're going into a new market, where you're not competing in traditional handsets, but you're competing against cable for fixed wireless. And I think that's a place where our industry might see some sharing agreements in the future.

Rick Prentiss

Makes sense. On the private network side, do we expect to have some trials and maybe even usage announcements this year then with the network launching?

Stephen Bye

Yes, Rick, this is Stephen Bye. Yes, we're already active in that space, and you may have seen one announcement with Lockheed Martin that we're partnering on a project with them with the DoD, and Camp Pendleton. But we have other projects that are currently underway, and we expect more announcements coming in the future on this space. But it's an exciting space, and we're seeing momentum pick up. But it's not going to be material in 2022. We see that coming in as we pick up momentum into 2023.

Charlie Ergen

So the private networks is an interesting spot because some of our providers are very big in that space today, whether it be Amazon or Cisco or Dell, those are three of the bigger players in – potentially there. And so hopefully, we'll be working with one or more of those folks to make sure that we have the right product at the right time.

Rick Prentiss

Makes sense. Thanks.

Operator

We will now move to our next question from Philip Cusick of J.P. Morgan. Please go ahead, your line is open.

Philip Cusick

Hi, thank you. It's great that Vegas is working. Charlie, can you give us some insight into what else has to happen before you can do a commercial launch and what that might look like?

Charlie Ergen

Well, first of all, we've got to optimize the network. So it's – once you build the network, then you got to optimize it. So that's – we're in the process of doing that today. And so that's one thing. The second, we have some regulatory issues such as E911, which we have to be able to overcome, which we have not yet before we can launch commercial service, but we're certainly well on that path. But we do use third party for that, so we don't quite control that as much as we'd like to do. And then we've got to work with the handset manufacturers to make sure that Bonner works and our frequencies are in the handset. So those are all the three things.

And then we have to have a marketing plan, right, in terms of how we approach the market. So none of these things are in and by themselves difficult, but you have to do them all and you have to do them all, going to come together at the same time.

Philip Cusick

Maybe to that point, post the 4Q debt raise and this promotion, where are you on funding for wireless? You've outlined the cost of the network, but should we look for a big subscriber acquisition cost component as well?

Charlie Ergen

Well, I think there's that – obviously, we would think that from a retail wireless perspective, you certainly can have – you certainly have SAC, right? But it's not – nothing like it is in the satellite television business. And we have ways to dial that up and down. And obviously, there's many ways to attack that side of the market. From a funding point of view, we're funded to – we're funded through the next year at this point in time. I will say that, obviously, we certainly would probably need to raise capital sometime next year, right? And we think there's a number of ways that we can do that. But we think this better to come to market when everything is work and then us saying, well, we're going to do it. It's better to say we did it.

Philip Cusick

Thanks Charlie.

Operator

We will now move on to our next question from Walter Piecyk of LightShed. Please go ahead. Your line is open.

Rich Greenfield

Hey Charlie, you've got Rich Greenfield because Walt's somewhere in Rome right now. But the question Walt wanted to ask was whether the new T-Mobile deal substantially replicates the technical and pricing terms that you signed with AT&T? And then I've got a follow-up on re-trans.

Charlie Ergen

I would say that the – I guess I wouldn't answer it quite that way. I would say it certainly improved economics. It's certainly – there's certainly settling disputes that have been out there and involved in the government – it is not – in my experience, it's better to resolve things between companies rather than look at regulators to do it, and I'm really pleased that the companies are working together really well, and there's adults in the room to make sure those things happen. And it's improved the economics from a business perspective for us that it's improved integration into how the networks work together and there's a good spirit of cooperation between the teams.

So it's going to be – it's a win-win for both companies. And although it's a short-term we'll have increased churn. And as we turn the network off, as they turn the network off, those people have to go somewhere. We just can't reach them all. And so we had to be prepared for them to bear for some people who don't reach out to us and go someplace else. So I mean, John, you may want to talk about that?

John Swieringa

Yes. Thanks, Charlie, it's John. We've been working through this really since we bought Boost, right? This has been a situation where we've been on defense. We've got the first half of this year in front of us to get through, and then we can shift to offense. So strong cooperation with us and T-Mobile to move the remaining subscribers. And it will be a busy quarter, but as Charlie pointed out, we're able to sort of close this chapter and move forward and get to growth.

Charlie Ergen

The strategic thing is DISH has its own owner economics as we build out our network, city by city. We have the ability to use both the AT&T network as our primary network and to supplement that with T-Mobile's network, where we have a lot of customers already on T-Mobile that we don't have to move off in the short term. So that's a pretty good place to be. And obviously, we can't share you the economics of that with you per se, but that model is – I think you can figure that out.

Rich Greenfield

And then the follow-up, Charlie, you've obviously been very outspoken about retrans and sort of the shift of content off of linear broadcast TV and how it's less and less important as ratings have declined obviously, not having stations up was problematic for your subscriber numbers. Was this a win-win? I mean, sorry, was this a win for DISH, a loss for Dish? How do you think about how you fight the rising tide of retrans costs against the dramatically falling ratings and viewership of broadcast TV? It seems like a very challenging quandary for you.

Charlie Ergen

Well, I mean, I assume you're talking about Tegna, I've always felt that anytime you get to a program dispute, it's a lose-lose situation. It's never a win situation for one guy or the other. It's always a lose-lose situation. Tegna lost the fair amount of capital from us. They probably sold their company a little bit cheaper than they otherwise would have. We obviously lost customers during – I mean, obviously, we proved that you can go through a football season without a network. So as the NFL is more widely available of the places, but we did lose some customers who occasionally – who watch the networks and felt they were important.

So I've said this before, the value of retrans is going down, not up for all the reasons you just stated. The place you could fight it is – I mean, one place is consolidation in the industry because then it gets to be a little bit fair fight. Today, the broadcasters are monopolies, yet nobody in the video business is anywhere close to that. So that's one place you'll find it. The second place is it will die a death on its own if people try to overcharge for the product. And we've seen that with other programmers who just refused to see where things were going and at some point, they self-destruct.

Rich Greenfield

But has it fundamentally changed your approach to retrans going forward?

Charlie Ergen

Well, I mean, again, I'll say this for the 100th time is we're unique maybe as a company, but we do look at the value of the programming to our customers. We have real-time data, we know who – how many people watch it. We know how long they watch it. We can use an algorithm to come up with a pretty good range of where we think the value of the programming is. We always then will overpay, we always will overpay because we have to value the customers that we lose, right? And then we have a number. And if we're at x and somebody is at 2x, we're not going to carry it because it's more beneficial for us not to pay the money. If they get to x, we'll do a deal. If they're x plus one, we won't do a deal. TEGNA was 2x. It didn't happen, right? We lost subs, they lost revenue. When football season was over, it was – they didn't have – where was the leverage, right?

So I mean that's just the way it goes, unfortunately. And it's – our customers like us, we get high scores in our industry. They hung in there with us. They fair – more than you would think of our customers agree that they don't want their costs going up, and they appreciate the fact that we're willing to – they're not willing to not roll over and play dead in negotiations. And at the end of the day, we got to a fair deal with TEGNA that's beneficial to both parties and beneficial to our consumers, so we don't have to raise the price as much as everybody else is going to have to raise prices.

Rich Greenfield

Thank you very much, Charlie.

Operator

We will now take our next question from John Hodulik of UBS. Please go ahead. Your line is open.

John Hodulik

Great. Thank you. Maybe for Charlie, just are there any early indications of how the network in Las Vegas is performing in terms of signal quality or speed or capacity? And you mentioned that you said it's performing well when it's working, I mean, I guess, without getting too technical, can you explain sort of why it doesn't work, when it doesn't, and your efforts to overcome those roadblocks?

And then secondly, you mentioned the wholesale agreement with AT&T. Are you guys loading traffic under the AT&T network now? Is it sort of like all new gross adds on the prepaid side are going on to the AT&T network? And is there any room beyond what you guys have announced to cooperate on the network deployment side sort of more holistically with AT&T? Thanks.

Charlie Ergen

I'll let John take the second part. I was – I've been – I go to Las Vegas every month, so I can see kind of the progress, but I was there yesterday. And so the – where we've optimized the network, the speeds are good and it works well. We haven't optimized the whole city. And so this fun fact just for you guys, but obviously, your team takes you to the places where they've optimized the network. But obviously, before we got – we left, we went to – we decided to go to address the places where they hadn't optimized them. And we had some issues there. So the good news is we know – we know when we get to optimize and we make it work.

And again, for me, personally, it's one of the greatest achievements this company has ever had. I mean it's just – there's nobody in – I can't tell you how important a network running – truly running in the cloud and O-RAN principles, I can't tell you how important that's going to be and where this industry is going to go and how this – the United States can suddenly get some leadership back that they gave away years ago and how it brings a whole set of people in that are creative. It's like developers come in, we get a whole – a lot of people creative who have been locked out because today, networks are really primarily Nokia and Ericsson. And there's a whole set of people that like to come into the network and have things to offer and techniques and technology to do. So it was beyond impressive to me to see it work.

Having said that, we have – I'd only caution you that it's – that we have a lot of work to do to make it work everywhere and to light up 25 cities in the next 100 days, major – that's a lot of work. So the good news is we're going to get there. The bad news is we're not there yet.

John Swieringa

And this is John, on the second half of the question regarding AT&T, so this quarter, we are loading a substantial portion of our Boost Mobile customers on to the AT&T network. We've been working closely with AT&T to flow water through the pipes and make sure that everything is working well so that we can provide a great customer experience. We're also enabling Republic Wireless and some of our other brands to load it on to AT&T. So you'll see us pick up our activities and our efforts there.

It is on a new technology stack, we're building new technology not only for the network but for our retail business, and we're pleased with our progress there and will be great capabilities as we turn to growth.

Charlie Ergen

And you had a question about network sharing. I apologize if I didn't answer, but there's lots of potential for that is what I would say with any of the vendors – between any of the incumbents in the industry. You start to see some – you saw some network sharing announcements in Australia, between, I think, Telstra and TPG Telecom. I think you have network sharing in Canada today. You've got some in the UK. it only – given the new builds that people are doing, given maybe where people have adjacent spectrum, you can see where that – you could see where that could make some sense, right?

And certainly, I think all the operators will probably look at that. We probably look at it more than anybody else because we haven't built out our network yet everywhere. So we're a little bit cleaner sheet of paper, but we also have a different technology. We don't want to go back to last decade's – we don't want to go back to last decade's network. We want to go where things are going and make sure that we don't have to carry a bunch of legacy around.

John Hodulik

Thanks guys.

Operator

We will now move on to our next question from Jonathan Chaplin of New Street Research. Please go ahead sir. Your line is open.

Jonathan Chaplin

Thanks. Two quick questions, if I may. Actually, I've got nine question but I'm going to narrow it down to two important ones. On the CBRS and the 3.45 gigahertz spectrum, you've got, as you mentioned at the beginning, Charlie, a really nice 50 megahertz block of spectrum. What needs to happen for you to be able to use that as a 50 megahertz channel? Do you need power limits between the two bands to be normalized by the FCC? Do the bands need to be consolidated into a single 3GPP band? Or can you use it as a single channel?

And then just following up on the last question, you've got 50 megahertz that's contiguous. AT&T is right next here with another 40 megahertz in the 3.45 band. Neither of you have deployed that band yet, is that a band – is that an example of a situation where it might make sense for you guys to deploy the band together and share equipment and deployment costs on that band specifically?

Charlie Ergen

Yes, Jonathan, you're always ahead of your time. And you should come do strategic planning for us. The first question is that if you look at Page 4 of people who have access to – maybe look at Page 4, it's a very simple chart that kind of shows you that we're – that we think CBRS band is going to be the primary band for private networks, primarily because a lot of it's free and there's equipment available today and it's in phones today, so you can start deploying CBRS and it's kind of licensed because of SaaS, it's kind of – it's not quite, but it's kind of licensed – unlicensed spectrum.

But as you deploy it, you're always going to want to have some priorities. And that's – we're the only company with priority licenses across the country. And then you're also going to want super licensed spectrum, which is C-band. And of course, in this case, it has the added advantage of being full power. If I were in charge of spectrum policy in the United States, I would, without doubt, take a real hard look at increasing the power levels in CBRS. The C-band spectrum across the world as everybody in the world is at high power. So nobody – we have to compete against other countries, and they don't have this band in the middle that's lower power, which causes – which has good news, bad news, but it's more bad news and good news, I guess, is what I'd say.

So I think there's a realistic chance that regulators will at least look at it to say can we – if we're going to compete against the world, should we rethink that. We've done analysis to say that you can have your cake and eat it too, that mid-power CBRS and high-power CBRS can coexist. We're unique and that we're in both bands. And so maybe, Stephen, you want to take this because I'm not maybe technical enough to explain it, but to make – there's interference between the C-band and CBRS but because we're adjacent to each other, there are some advantages there, but I'll let Stephen maybe give you a brief tutorial.

Stephen Bye

Yes. Thanks, Charlie. And Charlie is right. We're definitely looking at how do we find a part to increase the power level on CBRS. But notwithstanding that, we can still operate, given the current standards on CBRS and the adjacency with the C-band spectrum. And so there are technologies that allow us to be able to manage that interference between the two different bands to be able to leverage that spectrum in a common deployment model. So we have the ability to do that because of the adjacency, we can coordinate that in a way that allows us to maximize the utilization of that spectrum.

Charlie Ergen

And Jonathan, as you correctly pointed, we paid over \$400 million to get adjacent, right? That was a bigger percentage than historically has been done, but it certainly puts us in a better strategic position.

And then the last part of your question was about, is AT&T for the vast majority of the country is adjacent to us in C-band with 40 megahertz. Obviously, given that our relationship is – they're both – they're a partner to us in terms of their network today from a roaming perspective. They're – certainly, we are open to – they may have – they may know everything they need to do and they may have no interest. But certainly, from an economic point of view, we think there may be things that you could do together there between C-band and/or CBRS, given our position there.

Jonathan Chaplin

Awesome. Thanks, Charlie. Thanks, Stephen.

Operator

We'll now move on to our next question from Brett Feldman of Goldman Sachs. Please go ahead. Your line is open.

Brett Feldman

Yeah, thanks for taking the question. So you guys for a long time, have said that as you build out a wireless network built on cloud technology, that you'll inevitably have a cost advantage. I think, conceptually, that's always made sense. As you've noted, you are now actually operating a network on this technology that sometimes works the way you want it to. So you haven't scaled it yet, but can you start to maybe give us some insight as to what you think that sustainable operating cost advantage is going to be, now that you have some evidence as to what you've been able to do in the field?

And then just as a follow-up to that, I think we all anticipate that when you launch and go to market, you're going to be offering consumers a really great value for the quality of service that you're delivering as you sort of flow through some of those cost savings to the consumer. But I'm wondering if the architecture that you've chosen is also going to allow you to deliver features and functionalities that might be a competitive advantage we're not putting enough thought into? Thank you.

Marc Rouanne

Yes, this is Marc Rouanne. Yes, we're starting to see benefits. We're certainly seeing benefits in the cloud now of something that is pretty costly for existing operators, which is to test new software and to embark a new innovation. And we have a speed and capability to do that, that is truly comparable to the cloud and with much more automation. So we require much smaller of people and when we scale, we think that will give us both benefits of speed and erosion but also of cost.

We are also seeing with the OpenRAN – the OpenRAN today is working in Vegas and in other markets. But we are starting to see a lot of new ideas and benefits from the OpenRAN observability, which means you can see things, you can see how the quality of service is evolving. You can see how the benefits of your footprint. You can see if you need new small cells or not in a way that was hidden inside Nokia and Ericsson in the past. So that gives us a huge benefit over time to optimize the network and the return on the network in a way that nobody has done. And we're starting to capture that data and for engineers like me, it's pretty much incredible what we can see.

So yes, we're starting to see the benefits. It's going to be a journey. I think we have the baseline now, and we're going to exploit that in the coming quarters.

Charlie Ergen

And the other thing is on the private networks, I can't imagine a non-mission private network operator or somebody wants to do it, not going with O-RAN principles, right? And so I think that we're – because you just got to get the cost down and you don't need a sophisticated a core, you don't need some sophistication in private networks that you kind of get and pay for, given where the incumbents are. So I think that's another place that we have a huge advantage.

And then into features, that the cloud and our architecture will give you, the answer is yes, there are some, there are any number of them, we can't even predict probably some of them that will be there, but there are certain things that we'll be able to do in our network for consumers that I think may be more difficult or we can do more efficiently for our consumers and others, and we're looking at a number of those things. And as we go – as we're able to go on offense, we may perhaps be able to roll some of those things out, maybe it's a 2023 event.

But I only gave you a history in DBS, the main architecture development was digital. And the first thing we rolled out was interactive guide. That was a big difference in this growing guide in the analog world. We gave a better picture, right? But then because we're digital, we could do the DVR. And we don't quite get the history of – credit for helping to invent the DVR, but we were the key player with the DVR. And then once you had a DVR, of course, you could skip commercials, which I don't know that I can watch TV if I had to watch all the commercials. So one innovation leads to another, and I think that's going to happen here, too.

Brett Feldman

Thank you.

Operator

We'll move on to our next question from Bryan Kraft of Deutsche Bank. Please go ahead. Your line is now open.

Bryan Kraft

Hello, hi. Thanks for taking the question. Just two quick ones. First, can you just give us a sense for the timing of the \$250 million that you've incurred related to the CDMA shutdown? And how much more you might think you might be committing to that effort just as we build our models?

And then secondly, any update on the supply chain issues and/or labor constraints as it relates to your ability to construct the network? It sounds like you've accelerated the plan, which is great despite those issues. I'd just love to understand how you've been able to do that and how much of a concern supply chain is at this point, going forward? Thanks.

Paul Orban

Hey, this is Paul. I'll take the first part of that question. Yes, the \$250 million, the majority of that happened in the second half of the year as we were trying to meet the 12/31 deadline. And then John, you want to take about the future?

John Swieringa

Yes. We're in a similar situation sort of as we work through the first half of this year with respect to customers that we're serving, we sort of need to restack them, right? There's a step to put new handsets in their hands, to swap SIM cards and to incentivize them to come into our locations and work with us. And so we'll be continuing to see that through the first half of this year as a headwind, but then we'll work through that as we get into the second half of the year.

As Charlie said earlier, we'll have two competitive networks as well as our own coming online. And as we are able to bring in more handsets to compete and to grow our business, we'll be more competitive with the CDMA shutdown behind us.

Charlie Ergen

And then as far as – you never know where supply stop – but certainly, labor is an issue. There's certainly inflation in wages. There's certainly fight for talent and some of the key talent we need in some of the technologies. There's big companies that sweep up a lot of that. But a lot of people want to come to work here. We have some – we're doing something a little bit. We're doing something very interesting and particularly from an engineering perspective to build the kind of network we're building is very attractive to people.

Supply chain, we certainly keep our eye on it because it's worrisome. We're not far enough along in the next development to know whether it's going to come up and bite us. But to the credit of the team, we managed to do some incredibly difficult times to get to the first milestone. We battled through incredibly tough times to build a network when people weren't coming to work. At DISH, they were coming to work, but all the people that were – a lot of our vendors, people who are in Zoom calls, and you just don't solve problems on Zoom calls at the speed that you do when you got a whiteboard and you're all together.

So we don't have a lot – we don't allow excuses here. So we're just going to make it, I guess, I don't know how to say any other way. I mean, we internally sometimes crying in our beer about something not going right for us, but at least externally, we don't have excuses. We're just going to make it.

Timothy Messner

Operator, we have time for one more from the analyst community.

Operator

We will now take our final question from the analyst community. [Operator Instructions] We'll begin the media portion of this call following the answer to this final analyst question. And our final analyst question comes from Craig Moffett of MoffettNathanson. Please go ahead. Your line is open.

Craig Moffett

Thank you. Two questions, if I could squeeze in at the end here. One is that Charlie at the NATE conference, you talked about a bid that you got for your spectrum. I'm wondering if you could just put any meat on the bones about that. And then separately, this past quarter, there were renewed reports of the prospects of a merger with DIRECTV, I wonder if you could provide your latest thinking on the prospects for that actually happening regulatorily and in terms of being able to strike a reasonable deal?

Charlie Ergen

To answer your first question, obviously, we didn't own the last \$7 billion of spectrum, so let me just put that aside. But the – from time to time, we certainly have seen interest and bids from people for the company, and we certainly had from time to time interest to a particular piece of spectrum. History will show whether we're right or wrong, but we've always felt like the best use was to build a new company and was to build a company around it, and that the best use of it was for us to manage that.

We have a long-term view. We realize everybody in this call does not, but we had a long-term view. It's certainly taken longer than we thought because we weren't able to get going in LTE 4G, so we had to wait for the next paradigm shift. The – obviously, offset, I think it's inevitable that DISH and DIRECTV go together. Otherwise, both companies will just melt away, and there'll be no service for customers. The regulatory reasons to not allow it, don't exist anymore. So – and I can't – from a timing perspective, I don't – I think it's inevitable. I don't know on the timing of it, I guess, is what I'd say.

And you know what, this is a little bit off section, this was the last question, but for the analysts on the call, I realize that we haven't been a company that talks a lot to analysts, and we don't always share our strategies. In part because we don't want our competition in our strategies. But where our strategy is pretty well in place now. We had to get through this kind of double bank shot in the last two auctions, and we didn't really want to talk about where that might lead. But now we pretty much – not pretty much, we have in place all the strategic things that we need to be a very big successful company.

So we are going to do an Analyst Day. I don't think we've done one in 15 years, right? We are going to do an Analyst Day in Las Vegas on May 10. So put that on your calendars, you can come out and experience the network and – but we're also going to share a lot more with you in terms of where we're trying to go. And I hope that we'll be able to give you enough information to improve your models. And I think you're going to see the company being a lot more responsive in terms of letting you know a little bit about where we're going to be going because we're excited about the fact that we get the pieces in place now. So mark that in your calendar, we look forward to seeing people there and getting feedback on that. So with that, maybe we'll take media calls.

Operator

We will now take questions from the members of the media. [Operator Instructions] And our first question from the media comes from Scott Moritz of Bloomberg. Please go ahead. Your line is open.

Scott Moritz

Great, thanks. Hi, Charlie, you mentioned private networks. It seems to be a pretty hot topic, especially this week among looking for an opportunity in 5G. I wonder if you could help me, and I hate to put you on the spot to explain it to the entire industry, but what do you – how would you describe the revenue model, the business model, the business case for private networks in 5G?

Charlie Ergen

And I'm not – so it's a broad question. The biggest revenue model, the model is, I think, pretty good for a lot of the people we're working with today. So if you're a company, when you had a private network, the reason you'd want to do that is because you want – it's very similar to why ESPN wants to go direct to consumer. You don't want a middle man in the middle and you want the data so you can make your product better and you don't need a middle man in the middle.

For companies that have a campus or a manufacturing or a city or a fleet of vehicles or you name it, if you have a private network, you now can get the data on – you can – if you're John Deere, you get the data on all your tractors, you make a better product and you can be having a more efficient product. And so – and you also know mechanically when you have a problem before you have a problem. So your customers love it because you have a better product and it's less expensive and it's better and safer.

So the CIOs, the companies immediately going to – they kind of figured that out. So the revenue model then is for the things they need for private networks, they need WiFi, right? So think Cisco, in my head, I think Cisco, right? They need a cloud, the Microsoft, Amazon, Google and others, right? They need unlicensed spectrum, think CBRS, but they need a licensed spectrum. Think one of the four incumbents, particularly DISH.

They need core, think people like some people like Nokia or think about people who build smaller cores, right, or that are open cores that people can add on to, right? And so you can – you'd think transport and think about towers and tower builders and the people that I saw with NATE yesterday, right? All those things kind of come together and how do you do that and who puts that together.

So for us, the revenue model was kind of the goalpost or kind of on the one end, what I would call CapEx light where somebody just leases our capacity. That's really all they do. We don't spend any capital. They lease capacity, they're just a really big customer. They're like thousands of handset customers, right? But there's just one customer and then – or tens of thousands or hundreds of thousands of customers. And on the other side, somebody may want a private network, and they may get a contract and you have a long-term contract, but you spend the money to build it out or your partners do or some combination of that. So that's the revenue model. But I'd be shocked if the Fortune 500 companies, if we sat here five years from now, the majority of the Fortune 500 companies didn't have private networks.

Scott Moritz

That's very helpful. Thanks.

Operator

And it appears we have no further questions over the audio. I'd like to turn the conference back for any additional remarks.

Charlie Ergen

I think May 10 – I think we – I think May 10 – we might even do our earnings call on May 10, but we certainly will hopefully see a lot of folks on the call in Las Vegas. Thanks for your time. Thank you, operator.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.

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