Executive Summary

A merger between DISH network and T-Mobile has the potential to create substantial synergies through revenue growth and cost reductions, but the firms will also face the difficult challenge of combining two highly distinct corporate cultures. Through a merger, the new company will be able to develop long-term, sustainable strategies and remain competitive in both the satellite television and telecommunications industries.

Increased competition and market saturation are driving M&A activity

Both Dish and T-Mobile operate in highly competitive, saturated markets. Increasingly diverse products offerings and limited internal growth opportunities have shifted the respective competitive boundaries of each industry. The need to remain competitive and diversify their market and products motivates both companies to pursue the merger.

Financial synergies and new business opportunities will arise from the merger

In the first five years following the merger, the net present value of estimated synergies is approximately 19.1 billion dollars. Furthermore, Dish can increase its product offerings by streaming programs to a variety of devices through wireless broadband, and T-Mobile will benefit greatly from access to Dish's unused spectrum. Together the companies can begin bundling their services and grow their customer base.

The companies must plan to accommodate major cultural differences

The most substantial challenges of the deal will be accommodating the distinct organizational practices of each company, and blending two management teams with different leadership styles. The companies must devise a thorough integration strategy to prevent culture clash or a loss of productivity.

Dish should offer $40.57 per share to acquire T-Mobile

T-Mobile stock currently trades at $31.95. Based on projected future cash flows, comparable transactions, and industry trends, we believe the stand-alone value of T-Mobile to be $38.85 per share. An appropriate price to bid for the company, including the value of synergy and control premium, is $40.57.

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Today in the U.S., consumers can choose from dozens of options when watching television or other video content. Internet based streaming services and mobile companies have begun expanding into the television industry, charging lower prices and offering more flexible services than many traditional cable and satellite companies. Consequently, companies today must begin to diversify their offerings or lose customers. The satellite television industry is a mature and highly saturated competitive space, and major competitors must diversify their business strategy in order to continue generating revenue. Dish, one of the country's leading pay-TV and satellite companies, currently seeks to enhance its operations by acquiring a telecommunications firm. Like the satellite TV industry, telecommunications companies also face high competition and market saturation, so the firms also seek partnership opportunities to expand their customer base. T-Mobile, one of the nation's top four mobile providers, has witnessed tremendous growth in the past few years, but the company must continue acquiring spectrum in order to support a large customer base.

The following report outlines the current performance and industry conditions of the two companies, analyzes their strategic compatibility, and provides a financial valuation of T-Mobile. Although T-Mobile currently trades at approximately $31.95, our analysis suggests a valuation of $38.85 per share of the company. The presence of substantial synergies between the two firms and increasing industry competition suggest that Dish should bid to acquire T-Mobile, offering $40.57 per share.

Telecommunication industry is more attractive than the satellite TV industry

Dish Network operates in the satellite television industry, and T-Mobile is part of the telecommunication industry. The current U.S. satellite TV market size is approximately $28.43 billion. The satellite television industry is in a mature phase and faces increasing competition from alternatives, especially internet-based substitutions. An analysis of the forces impacting the satellite television industry is presented in **Exhibit 1**. The telecommunications industry also faces increasing competition, but the threat of substitution for cell phone services remains lower due to the fewer number of alternatives for traditional voice call and mobile services.

Dish is growing slower than its major competitors under current strategy

Dish's revenue is $13.76 billion in 2013, with operating income of $1.35 billion. Its revenue is projected to increase by 4.60% per annum in the next 5 years based on analyst projections at Yahoo Finance. Its EPS of 1.78 is significantly lower than the industrial average of 4.32. Dish currently has an operating margin of .12, which is higher than industrial average of .04, but lower than its two major competitors Comcast and DirectTV. Dish is also heavily leveraged with a D/E ratio of 853.67. Dish's stock performance for the past three years is illustrated in **Exhibit 2**.

Dish's co-founder and current Chairman of the Board Charles W. Ergen owns 50.5% of the company's total shares and therefore controls over 85% of the voting power. Joseph P. Clayton currently serves as the CEO of the company. Within the company, Mr. Ergen holds the right to elect the eleven members of the board of directors, appoint audit firms, approve executive compensation and stock incentive plan, and override shareholder's proposals.

T-Mobile's "un-carrier" movement has generated robust financial performance

T-Mobile generated $29.56 billion revenue in 2014 with net income of $247 million. The 2014 EPS is .31 cents, which is higher than that of its major competitor Spring Inc. T-Mobile's revenue grew 21% in 2014, and is projected to increase by 8.4% in 2015 according to analyst estimates on Yahoo Finance.

T-Mobile's share price closed at $12.10 on May 31, 2012, almost matching its lowest historical level during the great recession. However, since then, the share price of T-Mobile has increased, climbing to $31.95 on Feb. 20th, 2015. Stock improvement occurred largely a result of the successful "Uncarrier" movement initiated by the executive team and CEO John Legere in September 2012. Dish's stock price has increased steadily from around $30 three years ago to

$78.31 as of Feb. 20th, 2015. Dish's stock performance for the past three years is illustrated in **Exhibit 2**.

German telecommunications company Deutsche Telekom acquired T-Mobile in 2010 and has acted as a subsidiary ever since. Due to foreign ownership of the company, T-Mobile is exempt from certain NYSE governance rules. Tim Höttges, the current Deputy Chief Executive Officer and Chief Financial Officer of Deutsche Telekom, serves as the Chairman of the Board for T-Mobile and ensures subjectivity of board's decisions. The size of the board of directors is fixed at eleven, consisting of seven Deutsche Telekom elects and four independent directors elected through shareholder voting. John Legere has served as T-Mobile CEO since 2012.

A merger between Dish and T-Mobile will benefit both firms

Like other firms within the satellite television industry, Dish faces a decreasing market share as internet-based substitutions becoming increasingly popular and accessible. In order to diversify its product portfolio, Dish has begun expanding into the wireless communication industry. Earlier this year, Dish acquired 13.3 billion dollars of AWS-3 spectrum and also made substantial investment in 700 HMz and H Block spectrums. All three spectrums are widely used by telecommunication industries to offer voice, video and high-speed Internet service to mobile devices. Dish is currently attempting to commercialize these spectrums, which the company can achieve by either building in-house capacity, or acquiring an established company within the telecommunication industry.

The telecommunications industry possesses high barriers to entry, and Dish has recently focused on the second option, searching for telecommunications firms to acquire. A merger between T-Mobile and Dish will mitigate the risks and reduce the losses that Dish suffers as a result of the declining satellite television industry. For T-Mobile, the merger will provide a large amount of spectrum exceeding the capacity of its competitors, enabling it to provide more LTE and video streaming services.

Substantial synergies and growth opportunities exist between the companies

A merger between Dish network and T-Mobile has the potential to create substantial synergies through revenue growth and cost reductions, but the firms will also face the difficult challenge of combining two highly distinct corporate cultures. In total, the merged firm should be able realize cost synergies of $2.1 billion and revenue synergies of 16.8 billion. The cost savings will occur due to consolidation of resources and infrastructure, and revenue increase will occur as the new company provides a wider range of services and products to customers. The most substantial challenges of the deal will be blending management teams with different leadership styles, accommodating the distinct organizational practices of each company, and developing a shared direction for the new company.

Market saturation and changing industrial landscape drive the merger

Both Dish and T-Mobile operate in highly competitive, saturated markets. The presence of large competitors and increasingly diverse offerings has shifted the respective competitive boundaries of each industry. The need to remain competitive and diversify their strategy motivates both companies to pursue the merger. Dish hopes to expand the capabilities of the company, delivering content to a variety of devices, particularly mobile phones, and so T-Mobile represents a highly attractive partner. By merging with a telecommunications company, Dish executives intend to challenge conventional cable TV providers by streaming programs to a variety of devices through wireless broadband.[i] Furthermore, because of federal regulation, Dish must quickly take action to utilize the spectrum they have recently acquired. The FCC requires Dish to utilize around 40% of its previously held (AWS-4) spectrum by 2016, or risk losing billions of dollars' worth of airwaves.[ii] For Dish, this acquisition represents an opportunity to reinvent its existing business model and redirect the company toward mobile services.

T-Mobile must continue increasing its share of national spectrum to provide its rapidly growing customer base with the best quality wireless service. Gaining access to Dish's spectrum would give T-Mobile an advantage over its biggest competitors, Verizon and AT&T, by increasing the reach and strength of its wireless network. By enhancing its network, T-Mobile will be able to boost its current performance and generate greater revenues.

Key cost and revenue synergies will arise from the merger

Based on industry trends, comparable transactions, and current operations of the two companies, we estimate that the combination of Dish and T-Mobile will create substantial synergies. Over the five years following the transaction, the new firm will realize synergies amounting to a net present value of 19.1 billion dollars. These revenues will arise from both cost savings and enhanced revenue. Cost savings will occur as the firms combine many of their offices, back-house support operations, and sales teams. Furthermore, they will be able to combine R&D and IT services, benefitting from the technology and equipment each firm currently uses. The combined firm can develop economies of scale by utilize the pre-existing spectrum and wireless network already owned by the separate companies Revenue gains will come from both new product offerings and bundling of services. Revenue will also increase as each company expands into new regions and grows its pre-existing customer base. For a complete list of projected synergies, see **Exhibit 3**.

Dish must make major strategic changes in order to remain competitive

Looking forward, shifting competition and tight regulation will make the option to remain independent entities challenging for both Dish and T-Mobile. A merger will create business opportunities that relate closely to the core operations of the two companies, and therefore a merger represents the most logical form of alliance.

In order to remain competitive, Dish must begin making long-term changes to its business model by developing a mobile network. Without the support of an established carrier partner, however, prohibitive build-out costs would most likely prevent Dish from developing this nationwide wireless network.[iii] Before a merger between Dish and T-Mobile can occur, however, the FCC must approve the deal, and if Dish does not gain approval, they will have to turn to an alternative option to generate future success.

Dish has two main alternatives aside from merging: either selling to a larger company or split into two. By splitting the company, Dish could maintain a legacy satellite TV business and develop a new infrastructure group that leases wireless spectrum to others.[iv] Another alternative for Dish would be to lease its spectrum to a telecommunications company.[v] Verizon has also begun bidding for AWS-3 spectrum, suggesting that the company also seeks strategies to boost its spectrum holdings in long-term, and Dish could profit by leasing its own spectrum. Many investors also speculate that Dish simply holds spectrum to sell high after the value inflates.[vi] Based on industry trends and company performance, the best alternative for Dish appears to be the leasing of its available spectrum to another firm such as Verizon, thereby maintaining control but also generating new revenue.

T-Mobile must expand its wireless network to compete with industry leaders

T-Mobile experienced a streak of strong results in 2014, outperforming larger rivals in an industry with little new subscriber growth. However, Deutsche Telekom CEO Tim Hoettges says T-Mobile's current approach of eliminating service contracts and paying hundreds of dollars per subscriber cancel contracts with other carriers is not sustainable.[vii] T-Mobile currently invests between $4 billion and $5 billion each year to maintain this plan, and merging with Dish will provide additional revenue and cost savings to offset these costly marketing endeavors. Furthermore, in 2014 nearly a third of new wireless customers chose T-Mobile, raising concerns about T-Mobile's network capacity issues. Merging with Dish would increase spectrum and reduce patchy coverage issues as well as enabling T-Mobile to reach a greater number of customers.

A merger with Dish would provide T-Mobile with new spectrum and overhead support, but many executives at the company remain optimistic that T-Mobile can continue operating independently. T-Mobile added a net 4.9 million branded postpaid customers in 2014, and the company intends to gain an additional 2.2 to 3.2 million in 2015, without obtaining more spectrum through a merger.[viii] If T-Mobile continues impressing and adding customers the way it did in 2014, there might just be a case for its long-term success. Consequently, the best alternative for T-Mobile without the Dish merger would be to continue pursuing current strategy. CEO John Legere recently published a blog urging consumers to petition the FCC's current spectrum auction rules and increase the ability of smaller competitors to acquire spectrum in future auctions.[ix] If the FCC initiates these types of changes, T-Mobile could purchase more spectrum and remain a top competitor in the industry.

The companies must acknowledge and prepare to merge their distinct cultures

Dish and T-Mobile currently have about 25,000 and 45,000 employees, respectively. Although they are both large American companies, each possesses a highly distinct culture. As shown in the culturally comparison found in **Exhibit 4**, Dish and T-Mobile vary greatly on the nine key concerns of corporate culture developed by J. Robert Carleton. Furthermore, the two companies possess distinct public personas and brand reputations. In 2013, Bloomberg named Dish the Meanest Company in America, citing founder Charlie Ergen as a major source of the company's "austerity and meanness."[x] T-Mobile, on the other hand, was named one of the top 25 best companies for compensation and benefits by Glassdoor in 2014, and has been ranked one of "World's Most Ethical Companies" every year since 2009.[xi]

If the two firms were to merge, a loss of T-Mobile's vibrant culture, a major intangible asset of the firm, may occur. Although Dish will secure crucial assets and infrastructure, employees of T-Mobile may feel alienated by Dish's culture and chose to leave, taking their valuable experience elsewhere. Based on a their recruiting websites and mission statements, **Exhibit 5** highlights the words each company uses to describe itself and its employee environment, and the size of the words reflects the frequency with which they are used. As the display suggests, Dish is more oriented toward the past and present, using words like "commitment," "discipline," and "winning," to describe itself. T-Mobile is a more forward-looking company, frequently using the words "future," "people," and "frontier" to discuss company culture. When merging, the firms will have to develop an integration plan that addresses these differences and brings them to the same page.

A successful merger will require high agreement on new corporate strategy

Failure to merge corporate cultures will destroy the potential value that the two companies can create. Placing each company on the Agreement Matrix to assess current organizational culture, Dish and T-Mobile do not currently fall in the same quadrant, meaning their employees possess different attitudes and work styles. See **Exhibit 6** for a depiction of the Agreement Matrix for the two companies. T-Mobile has a clear, company-wide desire to innovate and complete the "Uncarrier" revolution. CEO Legere leads with charisma and vision, and encourages his employees to think outside of the box and bring unique ideas to the company as they work to achieve their shared goals. Dish has less distinct company goals, but rewards long-term commitment and quantifiable achievement, so each employee knows exactly how they should perform. Dish leaders use highly standardized operating procedures and the company promotes employees through the separate areas of operations.

A merger between the companies will require the firms to adjust their positions and reconcile their different practices. To most successfully implement new business operations and create value, the new firm should strive to have high agreement on both what it wants and how to achieve that end. In a firm that has high agreement on both dimensions, employees will cooperate and be able to adjust their own habits in accordance with the changing strategy of the firm over time. Creating a firm located in this quadrant of the agreement matrix will be a substantial challenge for management, especially if T-Mobile managers and employees resist the more regimented culture at Dish.

The market currently undervalues T-Mobile

We valued T-Mobile on a stand-alone basis as well as what the company would look like after being acquired by Dish. For both of these valuations, we used discounted cash flow models with varying projections of growth. For the stand-alone model, we began with T-Mobile's financial results from their 2014 fiscal year, obtained from the company's 10-K report. For revenue projections, we started with T-Mobile's $29.5 billion for 2014, which was a 21% increase from results in 2013. This huge increase was driven largely by T-Mobile's "Uncarrier" marketing plan. T-Mobile will most likely not continue growing revenues by 21% annually, but we assumed that its revenue will continue to grow based on its marketing plan. In T-Mobile's investor relations report, the company stated that they expect to gain approximately 3 million postpaid customers in the year 2015. According to a report on the US telecommunications industry, T-Mobile generates around $70 per month per postpaid customer (including data). We multiplied $70 by 12 months and then by the 3 million expected additional customers in 2015, to estimate how much additional revenue will be gained from postpaid customers. According to the same telecommunications report, T-Mobile generates 64% of their revenue from postpaid customers, so we divided our estimate of additional revenue from postpaid customers by 0.64 to get an idea of what T-Mobile's total revenue will be for 2015. These calculations revealed an expected revenue of $32.8 billion for 2015. This figure is similar to the growth rate of 10% that analysts from JP Morgan predict for the company in 2015. However, we feel optimistic that T-Mobile's "Uncarrier" plan will boost revenues above the 10% projection, so we grew revenues by 13% for 2015. We then expect revenues to dwindle down yearly towards our perpetual growth rate. We assumed T-Mobile will grow by 4% after 2019 because this is the rate that the US telecommunications market is growing yearly.

We assumed T-Mobile will retain an operating margin of 50% for the next 5 years because they have achieved similar margins over the past few quarters. We assumed operating expenses would remain at 43% of sales in order to continue to support their strong customer growth. However, this figure could change over the next few years, as we saw when TMUS revealed their "Uncarrier" marketing plan. We expected depreciation and amortization to increase slightly (1%) per year as their existing and future additional assets age. We used an average of T-Mobile's capital expenditures estimation of $4.55 billion for 2015. We then assumed that capital expenditures will grow by 4% annually to support the telecommunication market's 4% annual growth. We assumed changes in net working capital to be 1.5% of sales. Because net working capital has changed drastically over the last couple of years, it was difficult to make a solid projection for future years. Therefore, we assumed changes in net working capital to be a small figure to prevent an over-weighted impact on the model. We also assumed that changes in net long-term deferred tax liabilities would remain the same as the 2014 result of $228 million. We assumed this figure because 2014 was a relatively clean operating year for the company, free of impairment charges relating to T-Mobile's acquisition of Metro PCS. Since changes in these net liabilities are likely to vary yearly, this assumption is likely to cause some inaccuracies in the model.

We calculated value per share using the Gordon Growth Model and the industry EV/EBIT multiple. For the Gordon Growth Model, we used a weighted-average cost of capital of 6.6%, which was calculated by Bloomberg. As explained above, we used a perpetual growth rate of 4%. This method revealed an estimated value per share of $38.85. For the multiple analysis, we used the industry EV/EBIT multiple of 18.5x, which was obtained from Bloomberg. This method revealed an estimated value per share of $60.63. We believe that that the perpetual growth method resulted in a more accurate prediction of value per share than the industry multiple method. Given that T-Mobile is currently trading at around $31 per share, our model would suggest that TMUS is undervalued by the market.

Dish and T-Mobile will benefit financially from revenue and cost synergies

The equity value per share of TMUS is $63.40 with the combination of DISH. Our model projects the net present value of total synergies at $19.1 billion, which accounts for approximately $16.9 billion in revenue synergies and $2.2 billion in cost synergies, realized over the span of five years.

The majority of cost synergies are achieved through a variety of means, including back-office integration and headcount reduction. Both measures will drive considerable savings, fifty percent of which will be achieved in the year following the merger's completion (**Exhibit 7**). The average net present value of these non-network cost synergies for comparable firms in the telecommunications industry is 12% of the firm's projected operating expenses sans-merger (**Appendix 1**). The Dish/T-Mobile combination assumes a 14% realization of cost synergies. This assumption is in-line with the industry average for past mergers and deals.

Revenue synergies of $16.9 billion will be achieved through cross-selling opportunities, such as bundling Dish and T-Mobile product offerings, and other means, including new cross-platform services. Churn reduction and market share gains also present meaningful opportunities for revenue generation. As a result of the merger, Dish will immediately serve T-Mobile's more than 55 million customers. The company's average billings per user (ABPU) will also increase more rapidly above its current level of $61.80[2]. Given these projections, Dish can expect an 18% increase in revenue above T-Mobile's current forecasted growth rates, achieved throughout the 5-year period (**Exhibit 8**).

Estimates for equity value per share after the merger's completion will vary depending on both the firm's weighted average cost of capital and perpetual growth rate. As in the assessment of the firm's stand-alone value, T-Mobile's growth rate is assumed to be 4% and its cost of capital 6.6%. Any differences in these values would present a range of possible valuations from $38.79 to $311.02.

A merged firm will be positioned for success in the changing industrial landscape

As Americans increasingly turn toward online streaming and other cheap services to watch video content, competitors in the satellite television industry struggle to gain new customers. Dish has experienced limited growth in the past few years, and the company sees an opportunity for growth by expanding into the mobile industry. T-Mobile, one of the largest telecommunications companies in the U.S., also seeks to increase its customer base, both by attracting first time users and luring customers away from other mobile providers. By merging, Dish and T-Mobile will be able to achieve the goals of both companies, developing a mobile video streaming service, increasing the amount and quality of wireless spectrum, and establishing a larger customer base.

The synergies that can be achieved in first five years following the merger amount to approximately 19.1 billion dollars. The synergies achieve by the merger reflect the success generated by other firms in comparable transactions, historical industry trends, and the opinions of well-informed analysts. We recommend that Dish offer $40.57 per share to T-Mobile, a price that reflects these synergies, a current valuation of the stand-alone firm, and a control premium. Following the acquisition, the new firm must take careful steps to ensure a successful blending of corporate cultures, which could cause substantial issues and slow down the development of a new business strategy. However, by carefully considering and planning for potential issues, the new firm will quickly be able to implement both cost cutting and revenue boosting changes.

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Exhibit 1: Porter's five-force suggests declining satellite TV industry with high competition

Threat of Potential Entrants: Low

- Enjoys economies of scales
- Very high level of initial investments required.
- Moderate switching cost for customers

Expected to increase slightly

- Technological advancement

Bargaining Power of Buyers: Moderate

- Many buyers in the market
- Contracts prevent customers from switching
- Service offered essential to customers
- BUT, relatively undifferentiated services.

Expected to increase

- Market is going to be more concentrated as buyers exit the market.

Threat of Substitution: Very High

- Many new online services such as Netflix provide great substitution
- Switching cost is low
- Online platforms offer more convenient and cheaper services.

Expected to increase further

- Further improvement in online streaming technology will drive more customers away.

Bargaining Power of Supplier: High

- Few suppliers of cable TV devices in the market
- Limited spectrums regulated by the government
- High technological costs for products.

Expected to increase further

- Supply of spectrums are going to be more limited
- Binding contracts with suppliers

Rivalry Among Competitors: High

- Declining industry due to substitutes.
- High fixed costs and exit barrier
- Relatively Undifferentiated services
- BUT, few major competitors within the industry.

Expected to increase

- Industry is expected to decline further due online substitutions.

Exhibit 2: Both companies have shown strong stock price growth in the past 3 years

Dish Network:

T-Mobile:

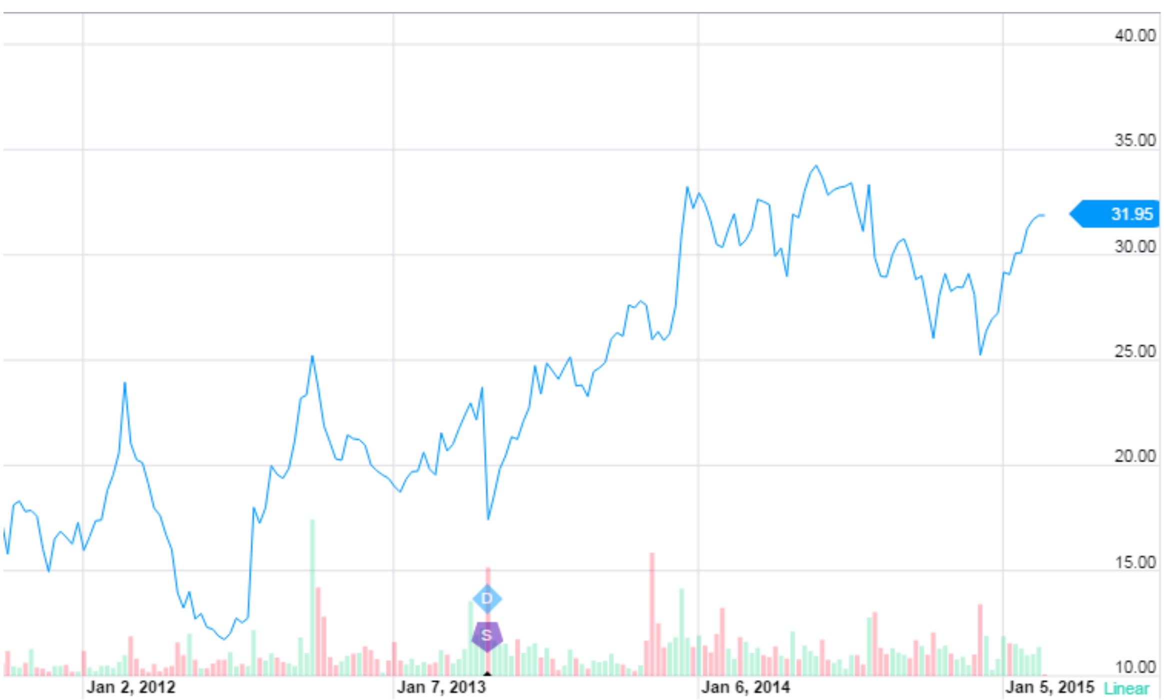

Exhibit 3: Several sources of synergy exist between Dish and T-Mobile

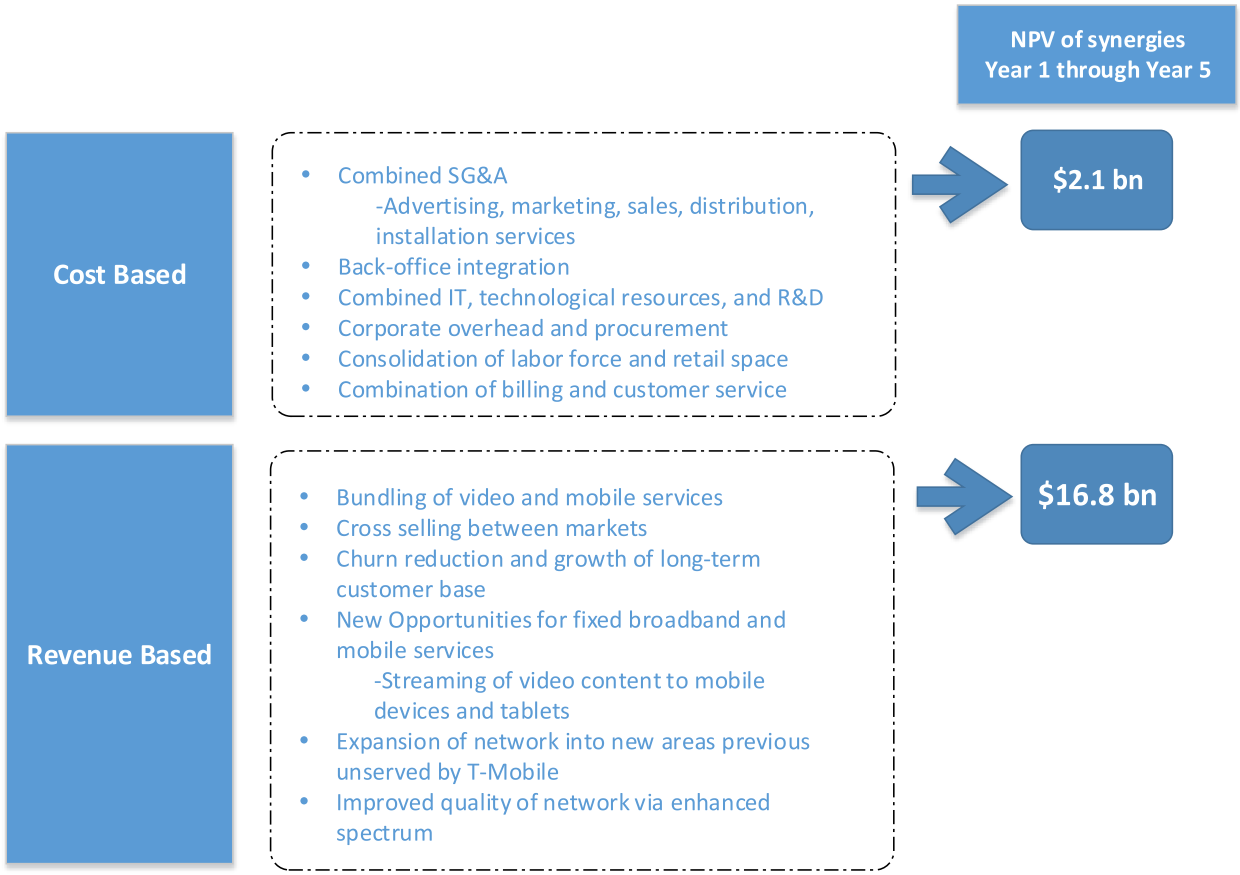

Exhibit 4: Dish and T-Mobile differ on most key components of culture

	Dish	T-Mobile
Direction and Results	Recreate the landscape of entertainment and become the sole provider of voice, video and data	Redefining the way consumers and businesses buy wireless services through innovation and the "un-carrier" revolution
Business Drivers*	Expanding product offerings, increasing customer base and services offered, achieving scale efficiencies	Lower prices and greater flexibility for customers, faster and further reaching network, surpassing top three carriers in US
Infrastructure	Clear separation of business units, emphasis on long term commitment and progress	Fewer divisions, greater emphasis on learning and thinking creatively
Organizational Practices	25,000+ employees in the US, emphasis on individual achievement, meritocracy	High public engagement, informality between employees, encouragement of idea sharing
Leadership/management traits	Value pride, winning, efficiency, professionalism, corporate experience	Customer focused, value agility, passion, collaboration, risk-taking
Work Practices	Work quickly, success defined as an individual motive and goal, discipline and long hours expected	No idea too crazy, no risk too great, employees empowered to make their own decisions
Use of Technology	Less-forward looking, interested in expanding market but unresponsive to needs and demands of younger consumers	Using social media to spark a crowd-sourced revolution, engaged with customers via social communities, fast-adoption of latest gadgets
Physical Environment	Traditional corporate appearance and feel, located in Colorado	Bright, colorful, open, highly casual environment, located in Washington
Cultural Indicators and artifacts	Celebrate workplace frugality, business formal attire worn by most employees, limited employee benefits	Bold and attention-grabbing, encourage employees to bring their own unique styles to work, casual attire

*The greatest similarity between the two firms is their similar motivations and business drivers which both focus on efficiently addressing the needs of the modern customer

Exhibit 5: T-Mobile and Dish promote different values in the workplace

Career Content from Dish **Career Content from T-Mobile**

Exhibit 6: Merged Company Must Relocate on the Agreement Matrix

Embracing both the strong, unified culture in place at T-Mobile and the well-defined system of costs, rewards, and expectations at Dish, they two companies will generate more value and compete more effectively with other companies in the industry.

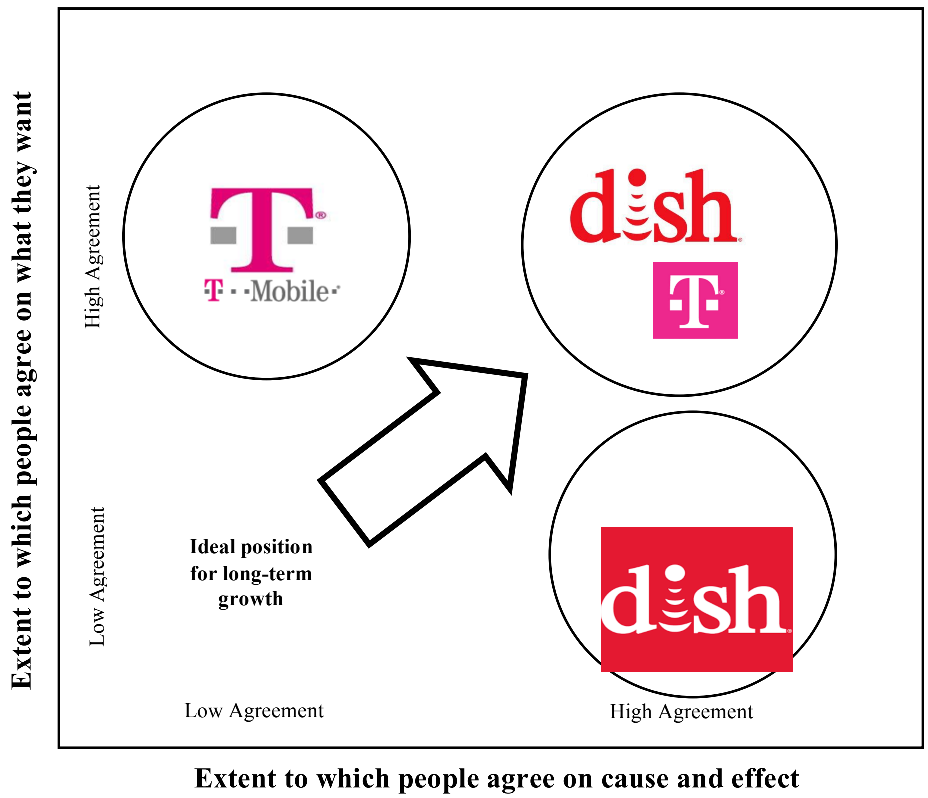

Exhibit 7: Discounted cash flow analysis reveals T-Mobile shares are undervalued

Discounted Cash Flow Analysis

	Dec 13A	Dec 14A	Dec 15E	Dec 16E	Dec 17E	Dec 18E	Dec 19E
Revenue	24420	29564	33407	36748	40055	43260	46721
% Growth Rate		21%	13%	10%	9%	8%	8%
(-) Cost of Revenue	12255	15409	16704	18374	20028	21630	23360
(=) Gross Profit	12165	14155	16704	18374	20028	21630	23360
Gross Margin	50%	48%	50%	50%	50%	50%	50%
(-) Operating Expenses	11169	12739	14365	15802	17224	18602	20090
% of Revenue	46%	43%	43%	43%	43%	43%	43%
(=) EBIT	996	1416	2339	2572	2804	3028	3270
Operating Margin	4%	5%	7%	7%	7%	7%	7%
(-) Tax on Operating Income	312	566.4	818	900	981	1060	1145
% Tax Rate	31%	40%	35%	35%	35%	35%	35%
NOPAT	684	850	1520	1672	1823	1968	2126
(+) Depreciation and Amortization	3627	4412	4456	4501	4546	4591	4637
(-) Capital Expenditures	4025	4317	4550	4732	4921	5118	5323
(-) Changes in Net Working Capital	6471	-1212	700	700	700	700	700
(+) Changes in Net Long-Term Deferred Tax Liabilities	1027	228	228	228	228	228	228
(=) Free Cash Flow	**-5158**	**2385**	**954**	**969**	**975**	**969**	**968**

Present Value of Free Cash Flows			WACC = 6.6%			
Fiscal Year		**2015**	**2016**	**2017**	**2018**	**2019**
Free Cash Flow		954	969	975	969	968
PV of Free Cash Flows		895	909	915	909	908
Sum of PV of FCF	**4536**					

Terminal Value Calculation

Gordon Growth Model	
Free Cash Flow Year 5:	968
WACC:	6.6%
Perpetual Growth Rate:	4%
Terminal Value Year 5:	26387
Sum of PV of FCF:	4536
Total Enterprise Value:	30923
Current Shares Outstanding:	807,400,000
Estimated Value Per Share:	**$ 38.30**

Industry Multiples Method	
EBIT Year 5:	3270
Industry EV/EBIT:	18.5x
Terminal Value Year 5:	60503
PV of Terminal Value:	43953
Sum of PV of FCF:	4536
Total Enterprise Value:	48489
Current Shares Outstanding:	807,400,000
Estimated Value Per Share:	**$ 60.06**

*Assumptions are displayed in Appendix

Exhibit 8: Combination between Dish and T-Mobile generates $19.8 billion in synergies

Discounted Cash Flow Analysis

	Dec 13A	Dec 14A	Dec 15E	Dec 16E	Dec 17E	Dec 18E	Dec 19E
Revenue	24420	29564	33703	38758	44572	49921	55412
% Growth Rate		21%	14%	15%	15%	12%	11%
(-) Cost of Revenue	12255	15409	16851	18216	21395	24461	27152
(=) Gross Profit	12165	14155	16851	20542	23178	25460	28260
Gross Margin	50%	48%	50%	53%	52%	51%	51%
(-) Operating Expenses	11169	12739	14492	16666	19166	21466	23827
% of Revenue	46%	43%	43%	43%	43%	43%	43%
(=) EBIT	996	1416	2359	3876	4011	3994	4433
Operating Margin	4%	5%	7%	10%	9%	8%	8%
(-) Tax on Operating Income	312	566.4	826	1357	1404	1398	1552
% Tax Rate	31%	40%	35%	35%	35%	35%	35%
NOPAT	684	850	1533	2519	2607	2596	2881
(+) Depreciation and Amortization	3627	4412	4456	4501	4546	4591	4637
(-) Capital Expenditures	4025	4317	4550	4732	4921	5118	5323
(-) Changes in Net Working Capital	6471	-1212	700	700	700	700	700
(+) Changes in Net Long-Term Deferred Tax Liabilities	1027	228	228	228	228	228	228
(=) Free Cash Flow	-5158	2385	968	1816	1760	1597	1724

Present Value of Free Cash Flows WACC = 6.6%

Fiscal Year			**2015**	**2016**	**2017**	**2018**	**2019**
Free Cash Flow			968	1816	1760	1597	1724
PV of Free Cash Flows			908	1704	1651	1498	1617
Sum of PV of FCF	**7377**						

Terminal Value Calculation

Gordon Growth Model

Free Cash Flow Year 5:	1724
WACC:	6.6%
Perpetual Growth Rate:	4%
Terminal Value Year 5:	46985
Sum of PV of FCF:	7377
Total Enterprise Value:	54362
Current Shares Outstanding:	807,400,000
Estimated Value Per Share:	**$ 67.33**

Industry Multiples Method

EBIT Year 5:	3361
Industry EV/EBIT:	18.5x
Terminal Value Year 5:	62179
PV of Terminal Value:	45170
Sum of PV of FCF:	7377
Total Enterprise Value:	52548
Current Shares Outstanding:	807,400,000
Estimated Value Per Share:	**$ 65.08**

Total NPV of Synergies

Revenue Synergies	$17,247.60
Cost Synergies	$2,548.28
Total	**$19,795.88**
Total Per Share	**$ 24.52**

*Assumptions are displayed in Appendix

Appendix 1: Assumptions for financial analysis

- A combination of headcount reduction and back-office integration will generate $2.2 billion in cost synergies over five years
- 50% of headcount reduction will be completed in 2016, the year following the merger
- Dish/T-Mobile combination produces cost savings at 14%, above the industry average of 12%.
- A combination of market expansion, churn reduction, and other opportunities will generate $16.9 billion or 18% increase in revenue synergies over five years
- Weighted cost of capital is 6.6% and T-Mobile's perpetual growth rate is 4%.
- Revenue growth of 13% in FY2015, then steadily decrease towards perpetual growth rate
- Perpetual growth rate of 4% based on telecommunications market growth of 4% annually
- Gross margin of 50% based on prior years' performance
- Operating expenses to be 43% of revenue based on prior performance
- Corporate tax rate of 35%
- Depreciation and amortization to grow by 1% as more PPE is acquired and ages
- Use company project of 2015 capital expenditures. Assume capital expenditures grow by 4% thereafter to keep up with market growth rate
- Changes in networking capital to be 1.5% of sales to minimize impact on model
- Changes in net long-term deferred tax liabilities to remain the same as 2014