

# Corporate Credit > U.S. Investment Grade



## DIRECTV (DTV)

Updated: Nov. 1, 2015

### Trade Idea:

- ▶ Buy short to intermediate DIRECTV bonds.

### Investment Rationale:

- ▶ AT&T's acquisition of DTV closed in July 2015. There has not been a final indication if DTV bonds will be guaranteed or to what degree if at all but we view the entity as strategically important to AT&T. Spreads rallied hard into 2014 but traded off in early 2015 on AT&T downgrades to high-BBB and supply concerns to fund the DTV and lusacell deals and spectrum purchases in the recent AWS auction. We believe that spreads could recover further into 2016 once these events are behind us. Positively, following multiple USD & non-USD bond deals, AT&T's domestic issuance needs have lessened in the near term. Even with the risks, DTV spreads continue to look cheap versus the IG Index and TMT peers.
- ▶ DTV is satellite pay TV provider with operations in the U.S. and Latin America and \$33 billion of revenues. DTV has continued to grow its global subscriber base (37 million+ and 20 million+ in the U.S.) and should continue to generate strong FCF especially as its LatAm business scales.
- ▶ DTV benefits from leading technology/interface and exclusive content. Also, some of the previous headwinds (lack of a broadband offering) should lessen post the combination with AT&T which will bring greater scale.

### Recommendation(s):

View	Trade Horizon	Ticker	CPN	Maturity	Ratings		CCY	Issue Size	Yield	Spread			Cash Price	ISIN
					S&P	Moody's				Entry	Target	Loss		
Outperform	3/6/12	DTV	3.95	1/15/2025	BBB	Baa2	USD	1,200	4.04	191	175	235	99.3	US25460 CAA18