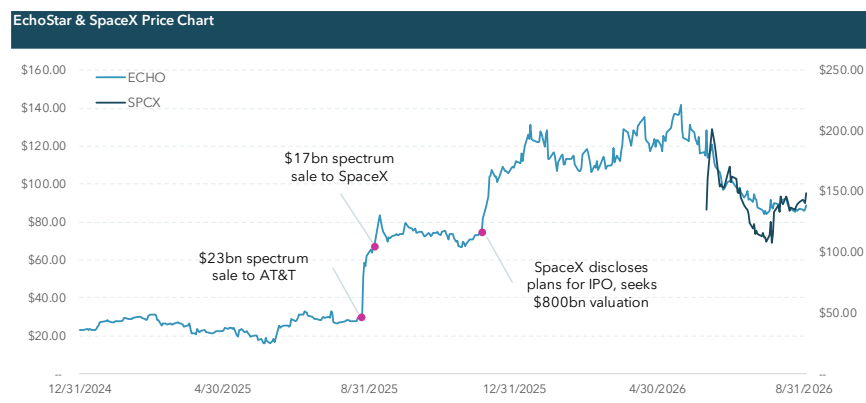


EchoStar Corp (Nasdaq: ECHO)

Not a SPCX mispriced arb. Not a cheap proxy for SPCX. But an interesting pairs trade nonetheless. Neutralize the SPCX value within ECHO to play the other multiple shots on goal for meaningful upside.

SITUATION OVERVIEW



The market is focused on a theoretical mispricing between EchoStar ("ECHO") stock and the embedded value of the SpaceX ("SPCX") shares it owns - a classic stub trade construct. Anchored to this idea, many are left dumbfounded by the persistent disconnect in the trading prices of the two. As a result, some are calling for an outright long of ECHO as a cheap way to buy SPCX, others see a long ECHO / short SPCX arb. **We have a variant view.**

To quickly set the stage, and we're going to oversimplify / paraphrase this, but there are four main entities involved here: (i) EchoStar Corporation, the holding company with publicly traded stock (Nasdaq: ECHO), spectrum licenses (through EchoStar Wireless Holding LLC), \$9.8bn of debt secured by spectrum licenses, and no direct operating activities; (ii) Dish Network Corporation ("DNC"), a subsidiary of ECHO with spectrum licenses, \$3.5bn of debt secured by spectrum licenses and no direct operating activities; (iii) Dish DBS Corp ("DBS"), a subsidiary of DNC that owns and operates the Dish satellite Pay TV business, has \$9.8bn of debt and is currently in Ch. 11; and (iv) Hughes Satellite Systems ("HSS"), a subsidiary of ECHO that owns and operates a small satellite broadband business, has \$1.4bn of debt and is currently in a separate Ch. 11 process (collectively "ECHO" or the "Company"). The entire complex is controlled by Charlie Ergen who owns a 51% economic interest and an over 90% voting interest via Class A and Class B shares.

Entity	Parent	Status	Debt 6/30/2026	Notes
EchoStar Corporation		Public	n/a	\$9,821 Public HoldCo, owns spectrum licenses
Dish Network Corporation	DNC	ECHO	n/a	3,500 Owns spectrum
Dish DBS Corporation	DBS	DNC	Ch. 11	9,750 Pay TV business
Hughes Satellite Systems	HSSC	ECHO	Ch. 11	1,377 Satellite broadband business

Focus

ECHO US Equity

SPCX US Equity

Report Type

► Trade Idea

Info Piece

Update

KEY METRICS - ECHO

Current Price	\$89.80
52-wk Range	\$62.28 - \$147.25
Market Cap	\$26bn
Gross Debt	\$24bn
Net Debt	\$23bn
TEV	\$49bn
Sec. Lev. Ratio	n/m
Total Lev. Ratio	n/m
Gross LTV	n/m
Adj. EBITDA	n/m

KEY METRICS - SPCX

Current Price	\$147.95
52-wk Range	\$104.83 - \$225.64
Market Cap	\$2,060bn
Gross Debt	\$40bn
Net Cash	\$60bn
TEV	\$2,000bn
Sec. Lev. Ratio	n/m
Total Lev. Ratio	n/m
Gross LTV	n/m
Adj. EBITDA	n/m

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As it became clear cable and satellite TV operators were facing secular decline from cord cutting, the strategy consultants got to work drumming up a strategic defense. For the cable operators, the obvious choice was leaning into highspeed broadband internet. As a satellite-based TV provider without the plumbing to the home, ECHO didn't have that option. So Charlie pivoted to 5G Wireless and began snapping up wireless spectrum, spending nearly \$30bn in pursuit of his goal to become the fourth U.S. facilities-based wireless carrier (along with AT&T, Verizon and T-Mobile). But the buildout was costly, moved slowly and prospects for success dimmed. The FCC started applying pressure – all the spectrum Charlie bought was underutilized and continued ownership could be deemed “inconsistent with the public interest.”

At the same time, ECHO was dealing with too much debt, rolling maturity walls and an unsustainable cost of capital. In 2022, DNC issued \$2bn sr. secured notes due 2027 backed by very high-quality spectrum at a sub-35% LTV – and the market-clearing coupon/yield was 11.75%. So at the end of 2023, Charlie merged DNC with his other public firm, HSS, and started teeing up an LME (liability management exercise), moving spectrum licenses out of DNC into a subsidiary of ECHO and moving subscribers and SlingTV out of the DBS box into an unrestricted subsidiary. A creditor co-op group formed and sued. Charlie struck a deal to sell DBS to DIRECTV for \$1.00 plus the assumption of DBS debt, conditioned upon a coercive exchange offer requiring haircuts on DBS debt. The co-op group dug in. The DIRECTV deal was terminated. It was quiet for nine months and then...

SPECTRUM SALES

On August 25, 2025, ECHO agreed to sell its 20 MHz of 600 MHz and 30 MHz of 3.45 GHz spectrum licenses to AT&T for \$22.65bn. This deal closed on July 28, 2026; ECHO received \$20.25bn cash and AT&T contributed \$2.4bn directly to a Wireless Creditor Trust per the DBS Ch. 11.

On September 8, 2025, ECHO further agreed to sell its 40 MHz of AWS-4 and 10 MHz of H-block spectrum licenses to SPCX for \$17bn comprised of \$8.5bn in cash and \$8.5bn in SpaceX stock valued at \$212.00 per share. On November 5, 2025, EchoStar and SpaceX amended the deal to include up to 15 MHz of AWS-3 spectrum for an additional consideration of just over \$2.6bn payable in SpaceX stock valued at \$212.00 per share.

Importantly, in 2026, prior to its IPO, SpaceX conducted a 5:1 stock split, resetting the SpaceX per share value for the EchoStar transaction to \$42.40; per the SpaceX S-1:

The total consideration for the acquisition of the Spectrum Licenses is approximately \$19.6 billion, consisting of (i) approximately \$11.1 billion in equity, payable through the issuance of approximately 261.8 million shares of the Company's Class A common stock at a fixed value of \$42.40 per share

Accordingly, DISH is set to receive 261.8m shares of SPCX stock, and at a current trading price of \$147.95, this represents an aggregate value of \$39bn.

Both spectrum license transactions were approved by the FCC and the DOJ in mid-May 2026. The AT&T transaction closed in July 2026 while the SpaceX transaction is expected to close in November 2027 – by design to avoid make-whole premium payments on debt secured by the spectrum being sold to SpaceX (specifically the \$1.9bn 3.875% sr. secured converts due 2030 that would require a \$5.2bn make-whole); SpaceX is funding the interest on these bonds through forgivable loans until the transaction closes (additional purchase consideration) and has the right to accelerate the transaction by increasing the purchase price to account for the make-whole payments.

A portion of the proceeds from both transactions is earmarked to repay ECHO's debt and fund an escrow account to address abandonment of EchoStar's 5G wireless network, with the significant remainder going to ECHO's balance sheet:

EchoStar Consolidated Spectrum Sale Sources & Uses
(\$ in millions)

Sources		Uses	
Cash from AT&T	\$20,250	Step 1 [AT&T Proceeds]	
Cash from AT&T to Wireless Creditor Trust ("WCT")	2,400	Repay 11.75% sr. sec. spectrum notes due 2027	\$3,500
Cash from SpaceX	8,500	Repay DBS Ch. 11 RSA debt	4,750
Stock from SpaceX (261.8m shares @ \$147.95/shr.)	38,733	Escrow reserve for abandoned 5G buildout (WCT)	2,400
		AT&T taxes / decommissioning of 5G network	4,600
		Subtotal	\$15,250
		Step 2 [SpaceX Proceeds]	
		Repay 10.75% sr. sec. spectrum notes due 2029	\$5,506
		Repay 6.750% sr. sec. spectrum notes due 2030	2,373
		Taxes on sale of spectrum to SpaceX	--
		Value leakage through fees, etc.	1,000
		Subtotal	\$8,879
		Total before cash/investments to B/S	\$24,129
		Cash/investments to B/S	45,755
Total sources	\$69,883	Total uses	\$69,883

When the DBS and HSS Ch. 11's are complete (should be a 2026 event) and the SPCX deal is closed, ECHO will have a cleaned-up balance sheet, hold valuable SPCX shares, retain valuable spectrum, and be flush with cash. We think the likely events afterwards are reengaging with DIRECTV to sell DBS, some mechanism to monetize the value of the SpaceX shares, and utilization of the Company's recently upsized \$5bn share repurchase program.

EchoStar Pro Forma Capitalization (\$ in millions)	Issuer	Amount Out.	Composite Rating	Rate / Coupon	Maturity	Price	YTW	Annual Interest
Cash and investments (SPCX shares)		\$45,755						
5.750% sr. secured notes due 2028	DDBS	\$2,500	N/R	5.250%	Dec 2028	98.32	6.1%	\$131
7.375% sr. notes due 2028	DDBS	1,000	N/R	7.375%	Jul 2028	98.39	8.3%	74
5.125% sr. notes due 2029	DDBS	1,500	N/R	5.125%	Jun 2029	92.26	8.3%	77
Other notes payable		42						--
Total debt		\$5,042						\$282
Net debt		(40,713)						

ARBITRAGE?

ECHO hit the lottery selling spectrum to SpaceX in exchange for shares and SpaceX going public to become a \$2tn company. The market obviously got this immediately, and ECHO's shares reflected it. But doing the back-of-the-envelope math, many argue ECHO's shares aren't reflecting the SPCX value. We disagree. One trading note we reviewed used this formula: ECHO to receive 262m SPCX shares, representing 0.75 SPCX shares for every ECHO share outstanding. Using SPCX price of \$147.95 x 0.75 = \$112 embedded value while ECHO only trading at \$89.80, or a 25% discount. **What about the liabilities!?**

We don't think this situation has been properly dissected. As an alternative approach, we offer the following. Bifurcate value between **Known** and **Unknown** sources. When we do this, we come away with the view that ECHO's shares accurately reflect the embedded SPCX value. **That's not to say there isn't upside, but our view is upside will come from a different source, and that has meaningful implications for how to structure this trade, what to underwrite, and what you're playing for.**

What we think you're actually playing for is a favorable mix of outcomes on the Unknown value stack, comprised of: (i) value of DBS selling to DIRECTV, (ii) value of retained spectrum, (iii) value of retained Boost Mobile pre-paid business, (iv) tax liability on the sale of spectrum to SpaceX, (v) tax liability on the sale of retained spectrum, and (vi) outcome for HSS bonds in Ch. 11. We break it down piece by piece below.

EchoStar Equity Valuation - Known vs. Unknown (\$ in millions, ex. per share amounts)						Left Tail	Downside	Status Quo	Upside	Right Tail	Left Tail	Downside	Status Quo	Upside	Right Tail
Known / Observable Asset Values						SPCX Shares Held Constant					SPCX Share Scenarios				
SpaceX shares						261.8	261.8	261.8	261.8	261.8	261.8	261.8	261.8	261.8	261.8
SpaceX current price						\$147.95	\$147.95	\$147.95	\$147.95	\$147.95	\$147.95	\$147.95	\$147.95	\$147.95	\$147.95
SpaceX potential price						\$147.95	\$147.95	\$147.95	\$147.95	\$147.95	\$73.98	\$110.96	\$147.95	\$184.94	\$221.93
% change vs. last						--	--	--	--	--	(50%)	(25%)	--	25%	50%
Value from SPXC shares	[a]	\$38,733	\$38,733	\$38,733	\$38,733	\$38,733	\$38,733	\$38,733	\$38,733	\$38,733	\$19,367	\$29,050	\$38,733	\$48,417	\$58,100
Plus: cash from SPXC		8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500
Plus: cash from AT&T		20,250	20,250	20,250	20,250	20,250	20,250	20,250	20,250	20,250	20,250	20,250	20,250	20,250	20,250
Plus: unrestricted cash as of 6/30/2026		496	496	496	496	496	496	496	496	496	496	496	496	496	496
Plus: other		--	--	--	--	--	--	--	--	--	--	--	--	--	--
Total		\$67,980	\$67,980	\$67,980	\$67,980	\$67,980	\$67,980	\$67,980	\$67,980	\$67,980	\$48,613	\$58,296	\$67,980	\$77,663	\$87,346
Known Liabilities / Cash Uses															
Less: liabilities / cash uses from S&U table (Pg. 3)	[b]	(\$24,129)	(\$24,129)	(\$24,129)	(\$24,129)	(\$24,129)	(\$24,129)	(\$24,129)	(\$24,129)	(\$24,129)	(\$24,129)	(\$24,129)	(\$24,129)	(\$24,129)	(\$24,129)
Less: remaining DBS pro forma debt	[c]	(5,042)	(5,042)	(5,042)	(5,042)	(5,042)	(5,042)	(5,042)	(5,042)	(5,042)	(5,042)	(5,042)	(5,042)	(5,042)	(5,042)
Total		(\$29,171)	(\$29,171)	(\$29,171)	(\$29,171)	(\$29,171)	(\$29,171)	(\$29,171)	(\$29,171)	(\$29,171)	(\$29,171)	(\$29,171)	(\$29,171)	(\$29,171)	(\$29,171)
Net Known Value for ECHO equity						\$38,809	\$38,809	\$38,809	\$38,809	\$38,809	\$19,442	\$29,126	\$38,809	\$48,492	\$58,176
ECHO pro forma diluted shares	[d]	348	348	348	348	348	348	348	348	348	348	348	348	348	348
Value per share		\$111.45	\$111.45	\$111.45	\$111.45	\$111.45	\$111.45	\$111.45	\$111.45	\$111.45	\$55.83	\$83.64	\$111.45	\$139.26	\$167.07
Discount rate	[e]	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Years to discount		1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Net Known value per share		\$89.68	\$89.68	\$89.68	\$89.68	\$89.68	\$89.68	\$89.68	\$89.68	\$89.68	\$44.93	\$67.31	\$89.68	\$112.06	\$134.44
Current ECHO share price		\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	\$89.80
Unknown Value Upside															
DBS / DIRECTV M&A	[f]	\$4,000	\$5,000	\$6,000	\$7,000	\$8,000	\$4,000	\$5,000	\$6,000	\$7,000	\$8,000	\$5,000	\$6,000	\$7,000	\$8,000
Retained spectrum (AWS-3, etc.)	[g]	4,000	6,000	8,000	9,000	9,000	4,000	6,000	8,000	9,000	4,000	6,000	8,000	9,000	9,000
Boost Mobile	[h]	--	--	800	1,000	1,200	--	--	800	1,000	--	--	800	1,000	1,200
Total		\$8,000	\$11,000	\$14,800	\$17,000	\$18,200	\$8,000	\$11,000	\$14,800	\$17,000	\$8,000	\$11,000	\$14,800	\$17,000	\$18,200
Unknown Value Downside															
Tax liability from sale of spectrum to SPXC	[i]	(\$12,056)	(\$12,056)	(\$12,056)	(\$8,056)	(\$4,056)	(\$7,215)	(\$9,636)	(\$12,056)	(\$10,477)	(\$7,215)	(\$9,636)	(\$12,056)	(\$10,477)	(\$8,898)
Tax liability from sale of retained spectrum	[j]	(433)	(933)	(1,433)	(1,683)	(1,933)	(433)	(933)	(1,433)	(1,683)	(433)	(933)	(1,433)	(1,683)	(1,933)
Outcome of Hughes Satellite bonds in Ch. 11	[k]	(1,377)	(1,033)	(689)	--	--	(1,377)	(1,033)	(689)	--	(1,377)	(1,033)	(689)	--	--
Total		(\$13,867)	(\$14,023)	(\$14,178)	(\$9,740)	(\$5,990)	(\$9,025)	(\$11,602)	(\$14,178)	(\$12,161)	(\$9,025)	(\$11,602)	(\$14,178)	(\$12,161)	(\$10,831)
Net Unknown Value for ECHO equity						(\$5,867)	(\$3,023)	\$622	\$7,260	\$12,210	(\$1,025)	(\$602)	\$622	\$4,839	\$7,369
Known + Unknown Value for ECHO equity						\$32,942	\$35,786	\$39,430	\$46,069	\$51,019	\$18,417	\$28,524	\$39,430	\$53,332	\$65,544
Discount rate		20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Years to discount		1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Present value		\$26,508	\$28,797	\$31,730	\$37,072	\$41,055	\$14,820	\$22,953	\$31,730	\$42,916	\$14,820	\$22,953	\$31,730	\$42,916	\$52,743
ECHO pro forma diluted shares		348	348	348	348	348	348	348	348	348	348	348	348	348	348
Net Total value per share		\$76.13	\$82.70	\$91.12	\$106.46	\$117.90	\$42.56	\$65.92	\$91.12	\$123.25	\$42.56	\$65.92	\$91.12	\$123.25	\$151.47
Current ECHO share price		\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	\$89.80
% potential upside / (downside)		(15%)	(8%)	1%	19%	31%	(53%)	(27%)	1%	37%	(53%)	(27%)	1%	37%	69%

- [a] As previously detailed, ECHO will receive 261.8m SPXC shares and that value will move as SPXC equity moves; as we discuss later, we think neutralizing (at least partially) this element is a wise approach.
- [b] See Pg. 3 for the known outflows.
- [c] The Restructuring Support Agreement (RSA) for the DBS Ch. 11 requires ECHO to use proceeds from the spectrum sale to AT&T to retire \$4.75bn of debt in the DBS box. This will leave roughly \$5bn of debt at DBS/ECHO.
- [d] ECHO currently has 290m combined Class A and Class B shares, but this will increase by about 58m shares upon conversion of the Company's 3.875% sr. secured convertible notes due 2030, which we believe will occur on or about November 30, 2027, when they become eligible for forced conversion with ECHO stock trading 130% above the \$33.63 conversion price.
- [e] 20% discount rate to reflect the risks and volatility of this situation, specifically the risk the SpaceX deal doesn't close or is restruct. This is a judgement call.
- [f] In the previous DIRECTV deal, DIRECTV was going to acquire DBS for \$1.00 and the assumption of debt, subject to a coercive exchange offer. The face value of debt to travel to DIRECTV after the effect of the discounted exchange offer would have been \$8.2bn. The thesis was synergies + harvesting terminal value. Two years has elapsed since the original deal, so that cash flow was retained by ECHO (and theoretically lowers a present day purchase price).

Both businesses continue to languish. We think \$6bn is a reasonable starting point, but have an upside bias. Note that we take the DBS debt (known liability) out in [c].

DBS Notes Exchange Offer (\$ in millions)	Old Notes	Exchange Price	New Notes	Haircut
5.250% sr. secured notes due 2026	\$2,750	93.0	\$2,558	7.0%
5.750% sr. secured notes due 2028	2,500	87.0	2,175	13.0%
7.750% sr. notes due 2026	2,000	85.5	1,710	14.5%
7.375% sr. notes due 2028	1,000	74.0	740	26.0%
5.125% sr. notes due 2029	1,500	66.0	990	34.0%
Total	\$9,750		\$8,173	16.2%

- [g] While ECHO is selling a significant portion of its spectrum, it will still hold licenses for AWS-3, 700 MHz and other spectrum. Further, ECHO has offered to sell this spectrum by September 2028 or hold an auction by March 2029 if the FCC waives the related buildout deadlines and discontinuance rule. Verizon is the likely buyer. We don't see any reason to wait.

We don't possess an expertise in valuing spectrum, but based on the opinions of those who do so more regularly, using a MHz-POP metric, the consensus value for the retained spectrum is about \$8bn. We accept there can be a wide range of outcomes here, and reflect that in our analysis.

- [h] ECHO is decommissioning its 5G Wireless operations, but will keep its Boost Mobile Hybrid MNO (multi network operator) business. It's not a great business. LQA EBITDA is about \$200m and at 4.0x it's worth \$800m. This may also be conservative, but this is a subscale business in a hypercompetitive market.

- [i] The tax bill is a big-ticket item. The spectrum ECHO sold to AT&T was purchased in 2017 and 2022, so its amortized cost basis wasn't too bad, but the spectrum being sold to SpaceX is nearly fully amortized and the run-up in the value of SPCX stock, while a high-class problem, is going to create a huge tax liability.

ECHO Spectrum (\$ in millions)	Sold to AT&T		Sold to SpaceX			Retained, Will be Sold			Total ECHO
	600 MHz	3.45 GHz	AWS-4	H-Block	AWS-3 Unpaired	AWS-3 Paired	700 MHz	CBRS 3.5 GHz	
Quantity (MHz)	20	30	40	10	15	6	6	15	
MHz-POP (2010 census)	6,175	9,262	12,350	3,087	4,631	1,852	1,760	9,262	
MHz-POP (current)	6,852	10,279	13,705	3,426	5,139	2,056	1,953	5,139	
Purchase price MHz-POP	\$1.00	\$0.79	\$0.16	\$0.54	\$0.48	\$4.12	\$0.40	\$0.10	
Sale price MHz-POP	\$2.15	\$0.77	\$0.99	\$0.99	\$0.51	\$2.80	\$0.75	\$0.15	
Purchase price	\$6,193	\$7,329	\$1,929	\$1,672	\$2,200	\$7,629	\$702	\$912	\$28,565
Purchase date	6/14/17	3/15/22	3/9/12	4/29/14	1/29/15	1/29/15	2/15/09	9/2/20	
Today	9/8/26	9/8/26	9/8/26	9/8/26	9/8/26	9/8/26	9/8/26	9/8/26	
Years	9.2	4.5	14.5	12.4	11.6	11.6	17.6	6.0	
Amortization period	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	
Amortization per year	\$413	\$489	\$129	\$111	\$147	\$509	\$47	\$61	
Amortization	3,815	2,193	1,866	1,378	1,704	5,908	702	366	
Cost basis	\$2,377	\$5,136	\$63	\$293	\$496	\$1,721	--	\$546	\$10,633
Sale price		\$22,650			\$49,078	\$5,764	\$1,465	\$771	
Cost basis		7,514			852	1,721	--	546	
Taxable gain		\$15,136			\$48,226	\$4,043	\$1,465	\$225	
Less: NOLs		(1,184)			--	--	--	--	
Taxable gain, net of NOLs		\$13,952			\$48,226	\$4,043	\$1,465	\$225	
Tax rate		25.0%			25.0%	25.0%	25.0%	25.0%	
Potential tax liability		\$3,488			\$12,056	\$1,011	\$366	\$56	

A note on carrying value vs. taxable cost basis. The GAAP accounting treatment for FCC spectrum licenses falls under ASC 350-30 where the licenses are treated as indefinite-lived intangible assets so they are not amortized but rather are subject to annual impairment tests. From the IRS' perspective however, these licenses are governed under IRC Section 197 where they are straight-line amortized over 15 years. So the GAAP and tax values are very different. Crash course refresher, when GAAP income > tax income (i.e. company has paid less taxes to IRS than it recognized on its GAAP books), a deferred tax liability ("DTL") is created. ECHO has a \$4.76bn DTL related to its FCC spectrum licenses. On a 23.2% effective tax rate, that implies the GAAP carrying value exceeds the tax basis by \$20.5bn

(\$4.76bn ÷ 23.2%). The GAAP carrying value is \$29.6bn (ex. capitalized interest and impairments). So the tax basis is about \$9bn and that foots to our math above where the remaining tax cost basis sums to about \$10.6bn.

The taxes for the sale of spectrum to AT&T are included in our \$4.6bn "AT&T taxes / decommissioning of 5G network" line in the S&U table on Pg. 3 and come out as a known liability as management has already done the tax work and guided to this amount (lumped with decommissioning).

The taxes for the sale of spectrum to SpaceX are a point of great debate. The Company has brought up IRS Section 1033, which waives taxes if property is compulsory or involuntarily sold/taken away – and there is precedent that the FCC threatening to auction away spectrum licenses qualifies, but the proceeds must be reinvested in similar property, and that's not what the market wants. There is also an idea that SpaceX can buy ECHO, thereby buying its own shares at a discount. Seems far-fetched to us, and while we've been wrong before, we can't think of a good reason for SpaceX to do this unless there is some bargain or restriking of the deal.

That said, we are certain Charlie has very smart tax advisors working on this and we'd be surprised if they don't come up with a way to at least partially shield some of the tax bill. We believe there is alpha available in having a smart view here and recommend diving in with a tax expert if you can.

Tax Liability per Scenario (\$ in millions, ex. per share amounts)	Left Tail	Downside	Status Quo	Upside	Right Tail	Left Tail	Downside	Status Quo	Upside	Right Tail
SpaceX Spectrum Transaction										
Cash	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500
Interest payments made on behalf of ECHO	1,845	1,845	1,845	1,845	1,845	1,845	1,845	1,845	1,845	1,845
Shares of SPCX stock	38,733	38,733	38,733	38,733	38,733	19,367	29,050	38,733	48,417	58,100
Total	\$49,078	\$49,078	\$49,078	\$49,078	\$49,078	\$29,712	\$39,395	\$49,078	\$58,762	\$68,445
Cost basis	852	852	852	852	852	852	852	852	852	852
Taxable gain	48,226	48,226	48,226	48,226	48,226	28,859	38,543	48,226	57,909	67,593
Tax rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Taxes	\$12,056	\$12,056	\$12,056	\$12,056	\$12,056	\$7,215	\$9,636	\$12,056	\$14,477	\$16,898
Potential tax reduction measures	--	--	--	(4,000)	(8,000)	--	--	--	(4,000)	(8,000)
Net taxes	\$12,056	\$12,056	\$12,056	\$8,056	\$4,056	\$7,215	\$9,636	\$12,056	\$10,477	\$8,898
Retained Spectrum Potential										
Sale price	\$4,000	\$6,000	\$8,000	\$9,000	\$10,000	\$4,000	\$6,000	\$8,000	\$9,000	\$10,000
Cost basis	2,267	2,267	2,267	2,267	2,267	2,267	2,267	2,267	2,267	2,267
Taxable gain	1,733	3,733	5,733	6,733	7,733	1,733	3,733	5,733	6,733	7,733
Tax rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Taxes	\$433	\$933	\$1,433	\$1,683	\$1,933	\$433	\$933	\$1,433	\$1,683	\$1,933

[j] Ibid

[k] HSS is going through a separate Ch. 11 process. HSS has \$1.4bn of debt. ECHO has a \$26bn market cap and a few \$bn of cash on its B/S after uses for the AT&T proceeds, any of which could have been used to facilitate a refinancing of the HSS debt, but that's Charlie. We haven't followed the Ch. 11 case closely but we do know that when Charlie merged HSS (at that time it was publicly traded with ticker SATS) with DISH, he had HSS pay a \$1bn dividend to DNC and there is a four-year lookback for fraudulent transfers in Colorado (where ECHO is incorporated). We imagine there will be a negotiated outcome here with some sort of reasonable settlement for these bonds, which is reflected in their current trading prices (80s for secureds, 50s for unsecureds)

Takeaway: current trading prices and center of the fairway assumptions imply SPCX is fairly valued within ECHO and incremental upside (or downside) should be assessed through the Unknown values.

INVESTMENT THESIS

ECHO is not an outright long on the basis that it is a cheap proxy for SPCX. This is not an arb trade playing to collapse the spread between SPCX and ECHO. Sellside reports fall short on properly assessing and sizing the components that will swing value. Wearing all the SPCX volatility risk is imprudent. Valuing SPCX is futile. We want to isolate the SPCX exposure as best as possible and be positioned to capture ECHO upside from its other meaningful drivers of value. On that front, we have a positive bias on the Company's ability to minimize tax leakage, monetize retained spectrum and utilize its recently upsized \$5bn share repurchase program (20% of current market cap) to financially engineer more upside in the ECHO shares.

TRADE STRUCTURE

Premise 1: ECHO isn't a cheap proxy for SPCX, but SPCX shares, net of the related tax liability, make up 60% - 80% of ECHO value, so their impact on ECHO cannot be ignored.

Premise 2: you can't value SpaceX. It's a trading widget. 20x ARR isn't a valuation metric, it's people rationalizing what is otherwise unjustifiable on the basis of fundamentals. Momentum, flows and sentiment are all that matter and those are hard to anticipate. That also makes SPCX shares volatile, which poses a challenge to this trade.

Premise 3: the basis risk between ECHO and SPCX is meaningful. Since SPCX went public on June 11, 2026, the daily correlation between ECHO and SPCX shares is a mere 35%. Strip out the volatile first two weeks and this improves to about 70%, but that's still not a very tight relationship.

So we're facing a situation where we'd like to isolate the impact of SPCX, but the practical means of doing so are difficult and carry meaningful risk.

We ran numerous trade combinations and hedge ratios and came away with two reasonable options: (i) long ECHO stock and short SPCX on a hedge ratio of 50% on a dollar basis or (ii) long ECHO and long a p/s on SPCX stock with an initial net delta of ~20%, but which would grow in downside scenarios to a 50%+ hedge ratio. There are pros and cons to both, but we favor the L/S equity pair for its simplicity and break-even prospect if nothing happens over the trade horizon vs. losing meaningful option premium in the equity derivative structure.

Potential Hedged Payoff (\$ in millions, ex. per share amounts)			Left Tail	Downside	Status Quo	Upside	Right Tail	Payoff Skew
ECHO shares long			100,000	100,000	100,000	100,000	100,000	
ECHO start price			\$89.80	\$89.80	\$89.80	\$89.80	\$89.80	
ECHO end price			\$42.54	\$65.88	\$91.08	\$123.18	\$151.39	
Gain (loss) (\$m)	ECHO shares long	100,000	(\$4.7)	(\$2.4)	\$0.1	\$3.3	\$6.2	
	ECHO share price	\$89.80						
SPCX shares short	ECHO long value (\$m)	\$9.0	30,000	30,000	30,000	30,000	30,000	
SPCX start price	Hedge ratio	50%	\$147.95	\$147.95	\$147.95	\$147.95	\$147.95	
SPCX end price	Short value 50% of long value (\$m)	\$4.5	\$73.98	\$110.96	\$147.95	\$184.94	\$221.93	
Gain (loss) (\$m)	SPCX share price	\$147.95	\$2.2	\$1.1	--	(\$1.1)	(\$2.2)	
	SPCX shares short	30,348						
Total gain (loss) (\$m)	SPCX shr. short / ECHO shr. long	0.30	(\$2.5)	(\$1.3)	\$0.1	\$2.2	\$3.9	
Capital deployed			\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	
% return on capital deployed			(56%)	(29%)	3%	50%	88%	1.74x
% return on GMV			(19%)	(10%)	1%	17%	29%	1.74x

Trade Horizon = ~12.5 Months, to 9/15/2027													
	BB ID	Rate	BBG Composite Rating	Face Value / Contracts	Start Price / Premium	Strike	Start Yield	Left Tail	Downside	Status Quo	Upside	Right Tail	Payoff Skew
SPCX US Equity	SPCX				\$147.95			\$73.98	\$110.96	\$147.95	\$184.94	\$221.93	
% change from last								(50.0%)	(25.0%)	--	25.0%	50.0%	
SPCX US 09/17/27 P150	BBG0237W8JN8			750	\$31.35	\$150.00		\$75.99	\$39.00	\$3.57	\$0.00	\$0.00	
SPCX US 09/17/27 P110	BBG0237WK8J3			750	\$12.70	\$110.00		\$36.00	\$1.40	\$0.00	\$0.00	\$0.00	
ECHO US Equity	ECHO			100,000	\$89.80			\$42.54	\$65.88	\$91.08	\$123.18	\$151.39	
								(52.6%)	(26.6%)	1.4%	37.2%	68.6%	
P&L \$ - credit								--	--	--	--	--	
P&L \$ - options								\$1.601	\$1.422	(\$1.131)	(\$1.399)	(\$1.399)	
P&L \$ - linear								(\$4.726)	(\$2.392)	\$0.128	\$3.338	\$6.159	
P&L \$ - total, gross								(\$3.126)	(\$0.970)	(\$1.004)	\$1.940	\$4.760	2.00x
					Gross return			(30.1%)	(9.3%)	(9.7%)	18.7%	45.9%	
					Gross return - annualized			(29.2%)	(9.1%)	(9.4%)	18.1%	44.5%	2.00x

Trade Structure	Return	Comparison	Left Tail	Downside	Status Quo	Upside	Right Tail	Payoff Skew
Unhedged - constant SPCX price	(15%)	(8%)	1%	18%	31%	2.33x		
Unhedged - SPCX scenarios	(53%)	(27%)	1%	37%	69%	1.40x		
Hedged - L/S equity (on GMV); SPCX scenarios	(19%)	(10%)	1%	17%	29%	1.74x		
Hedged - long stock, long p/s; SPCX scenarios	(30%)	(9%)	(10%)	19%	46%	2.00x		

Each trade gives you a roughly 2:1 skew. Not amazing, but still favorably asymmetric. The L/S pairs trade at a 50% hedge ratio solves for not losing a lot in a status quo scenario vs. options construct while also reducing downside exposure if SPCX declines materially.

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