

DIRECTV  
Form 10-Q  
August 01, 2014

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Table of Contents](#)

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2014**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-34554**

**DIRECTV**

(Exact name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of  
incorporation or organization)

**26-4772533**

(I.R.S. Employer Identification No.)

**2260 East Imperial Highway  
El Segundo, California**  
(Address of principal executive offices)

**90245**  
(Zip Code)

**(310) 964-5000**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of July 25, 2014, the registrant had outstanding 502,228,914 shares of common stock.

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Table of Contents

**DIRECTV**

**TABLE OF CONTENTS**

	<b>Page No.</b>
<u>Part I. Financial Information (Unaudited)</u>	
<u>Item 1. Financial Statements</u>	
<u>Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2014 and 2013</u>	<u>2</u>
<u>Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2014 and 2013</u>	<u>3</u>
<u>Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2014 and 2013</u>	<u>5</u>
<u>Notes to the Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>47</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>78</u>
<u>Item 4. Controls and Procedures</u>	<u>78</u>
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	<u>79</u>
<u>Item 1A. Risk Factors</u>	<u>80</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>80</u>
<u>Item 6. Exhibits</u>	<u>81</u>
<u>Signatures</u>	<u>82</u>

Table of Contents**DIRECTV****PART I FINANCIAL INFORMATION (UNAUDITED)****ITEM 1. FINANCIAL STATEMENTS****CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>(Dollars in Millions, Except Per Share Amounts)</b>			
Revenues	\$ 8,109	\$ 7,700	\$ 15,964	\$ 15,280
Operating costs and expenses				
Costs of revenues, exclusive of depreciation and amortization expense				
Broadcast programming and other	3,498	3,275	6,881	6,471
Subscriber service expenses	574	554	1,125	1,091
Broadcast operations expenses	107	97	204	207
Selling, general and administrative expenses, exclusive of depreciation and amortization expense				
Subscriber acquisition costs	898	809	1,725	1,623
Upgrade and retention costs	362	374	683	742
General and administrative expenses	517	510	971	979
Venezuelan currency devaluation charge			281	166
Depreciation and amortization expense	729	731	1,443	1,409
<b>Total operating costs and expenses</b>	<b>6,685</b>	<b>6,350</b>	<b>13,313</b>	<b>12,688</b>
Operating profit	1,424	1,350	2,651	2,592
Interest income	12	19	25	41
Interest expense	(230)	(219)	(462)	(436)
Other, net	35	(75)	92	(37)
Income before income taxes	1,241	1,075	2,306	2,160
Income tax expense	(431)	(414)	(927)	(801)
Net income	810	661	1,379	1,359
Less: Net income attributable to noncontrolling interest	(4)	(1)	(12)	(9)
Net income attributable to DIRECTV	\$ 806	\$ 660	\$ 1,367	\$ 1,350

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Basic earnings attributable to DIRECTV per common share	\$	1.60	\$	1.19	\$	2.70	\$	2.39
Diluted earnings attributable to DIRECTV per common share	\$	1.59	\$	1.18	\$	2.67	\$	2.37
Weighted average number of common shares outstanding (in millions):								
Basic		504		556		507		565
Diluted		508		561		512		569

The accompanying notes are an integral part of these Consolidated Financial Statements.

Table of Contents**DIRECTV****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>(Dollars in Millions)</b>			
Net income	\$ 810	\$ 661	\$ 1,379	\$ 1,359
Other comprehensive income (loss), net of taxes:				
Cash flows hedges:				
Unrealized gains (losses) arising during the period	6	9	(1)	(27)
Reclassification adjustments included in net income	(28)	(1)	(36)	48
Foreign currency translation adjustments	32	(22)	71	(48)
Available for sale securities:				
Unrealized holding losses on securities		(3)		
Reclassification adjustment for net losses recognized during the period		2		1
Other comprehensive income (loss)	10	(15)	34	(26)
Comprehensive income	820	646	1,413	1,333
Less: Comprehensive (income) loss attributable to noncontrolling interest	(8)	21	(19)	5
Comprehensive income attributable to DIRECTV	\$ 812	\$ 667	\$ 1,394	\$ 1,338

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The accompanying notes are an integral part of these Consolidated Financial Statements.

Table of Contents**DIRECTV****CONSOLIDATED BALANCE SHEETS  
(Unaudited)**

**June 30,      December 31,**  
**2014            2013**  
**(Dollars in Millions,**  
**Except Share Data)**

<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,290	\$ 2,180
Accounts receivable, net of allowances of \$127 and \$95	2,489	2,547
Inventories	312	283
Deferred income taxes	110	140
Prepaid expenses and other	668	803
Total current assets	5,869	5,953
Satellites, net	2,464	2,467
Property and equipment, net	6,874	6,650
Goodwill	3,992	3,970
Intangible assets, net	903	920
Investments and other assets	2,024	1,945
Total assets	\$ 22,126	\$ 21,905

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

Current liabilities		
Accounts payable and accrued liabilities	\$ 4,314	\$ 4,685