

Edgar Filing: DIRECTV - Form 425

DIRECTV  
Form 425  
June 18, 2014

Filed by AT&T Inc.

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

of the Securities Exchange Act of 1934

Subject Company: DIRECTV

Commission File No.: 1-34554

AT&T/DIRECTV:  
Congressional Briefing  
June 18, 2014  
2

Transaction Rationale and Public Benefits  
Complementary Assets =  
Better Bundles in More Places  
Significant Content Cost  
and Other Savings  
Broadband Expansion  
In-Region and Out-of-Region  
Enhanced Video Across

All Screens

Downward

pricing pressure on new  
integrated AT&T/DTV bundle

Downward

pricing pressure on cable bundles  
and standalone cable video and broadband

Stronger competitor to cable and  
net positive

effect on consumer welfare

New FTTP to 2M locations

New fixed WLL to 13M rural locations

More BB and broader digital rights  
support OTT

Result:

Result:

3

The Parties  
Complementary Assets

Broadband-focused

-

Wireline broadband network in portions  
of 22-state ILEC region

Fiber to the Node (FTTN)

Fiber to the Premises (FTTP)

IPDSLAM

DSL

-

Wireless network: 300M LTE POPs

Video offering under U-verse brand  
through FTTN and FTTP only

-

< 25% of U.S. customer locations passed  
(~27M CLs today growing to 33M)

-

Only 5.7M subs

-

Only 138,000 stand-alone video subs

-

No content holdings

Pure-play video

-

National DBS video offering

-

20M subscribers (stalled US growth)

Not capable of offering integrated  
broadband

-

Dependent on other providers to offer  
synthetic  
video/broadband double-  
play

Limited Content Holdings

-

Minority interests in Game Show  
Network, MLB Network, NHL Network,  
handful of others

-

3 RSNs (none in AT&T footprint)

AT&T

DIRECTV

4

Transaction Rationale: AT&T

U-verse video is sub-scale (5.7M subs) and has limited footprint

5

Transaction Rationale: DIRECTV

Demand for standalone video is shrinking while demand for bundles is large and growing

Satellite cannot offer competitive broadband/DIRECTV's growth has stalled in the U.S.

As a pure video play, DIRECTV faces unsustainable content cost growth



Cable's bundle and broadband infrastructure give it a competitive advantage that DIRECTV cannot match on its own. Two recent Comcast ads exploit that issue:

Are you missing out with satellite and slow DSL.

We left satellite because they couldn't offer a really good Internet package.

6

Public Benefits: Better Bundle for Consumers

New integrated DBS/BB bundle to meet consumer demand

-

Where AT&T does not offer video in-region, consumers will have new bundle option for DBS/IPDSL or DBS/DSL

-

Where AT&T offers video in region, consumers may choose fiber or

DBS video to bundle with AT&T high-speed broadband

-

Fixed WLL expansion allows bundling of DBS/fixed WLL in rural areas in 48 states

-

Better than synthetic  
bundle between two independent companies

DBS/mobile bundled offering throughout the country

New bundles provide strong competitive alternatives to bundles from cable companies

7

Significant Content Cost and Other Savings Drive Benefits

New combination of DBS, wireline, and wireless platforms deliver much more value to content providers, create opportunities for significant content cost savings

AT&T's current content costs are ~60% of revenue

Within five years, the transaction will reduce AT&T's expected per-subscriber content costs by ~20% or more (conservative)

Other savings: customer premises equipment, OTT streaming technology, service delivery, customer care, video infrastructure, G&A

Greatly reduces cost disadvantage vs. cable, in particular, Comcast/TWC  
8

Public Benefits: Broadband Expansion  
Commitment:  
New FTTP deployment to 2M  
customer locations  
Speeds up to 1 Gbps  
Vast majority of these locations  
only have access to AT&T DSL or  
do not have access to any AT&T

wireline broadband offering

Deployment in addition

to any

further expansion justified by

changes in the constantly

evolving competitive landscape

Commitment:

Fixed Wireless Local Loop ( WLL )

to 13M customer locations

Improved bundles and cost savings fundamentally and permanently

improve the economics of AT&T s investment in broadband

Deployment largely in rural

areas, both in-region and across

the country

Designed to compete with

wireline broadband services

advertised at 15-20 Mbps speeds

Usage allowance that should

satisfy customer needs

9

Public Benefits: Post-Transaction Fixed WLL Coverage  
10



Public Benefits: Enhanced Video Options Across All Screens

Consumers want to watch what they want, when they want,  
where they want

Combination of complementary assets and expertise drives  
development of innovative new products and services

-

e.g.,  
DIRECTV  
hardware  
and  
software  
expertise  
+  
AT&T  
distribution  
networks and proficiency in transporting data

Combined company will be an attractive partner for content  
providers

-

Able to negotiate for the flexible digital rights required to design and  
structure new OTT programming services

Combined company will have freedom and flexibility to evolve  
with consumer demand and develop OTT offerings tailored to  
consumer desires

11

Promotion of Competition: No Overlap in Bundles

AT&T bundles unprofitable video with broadband to increase  
broadband sales in its footprint

-

97+% of U-verse video customers subscribe to a bundle

DIRECTV has no broadband product to offer

-

Synthetic  
bundles offered through contracts with broadband  
providers do not effectively compete with integrated bundles

Thus, no competitively significant overlap between AT&T and  
DIRECTV in the product that consumers overwhelmingly demand:  
an integrated video/broadband bundle from one provider

-

A product cable offers throughout the country

Combining complementary products will create downward pricing  
pressure on bundles, including cable bundle

12

Promotion of Competition: Limited Overlap in Standalone Video

AT&T's video footprint is limited, but where there is overlap AT&T and DIRECTV are not particularly close competitors

Cable has largest share in video and significant content cost and bundling advantages

AT&T focuses on competing with the cable bundle

-

Marketing efforts focused almost exclusively on bundles rather than standalone video

DIRECTV competes primarily with cable and DISH

-

DIRECTV focuses on video, its only product, not on resale of third party broadband

DIRECTV pricing for new customers is predominantly national

13

Promotion of Competition: Disruptive New Entrants

Google announced expansion of 1 Gbps fiber networks in up to 34 cities in 9 metro areas

Other overbuilders already present in many AT&T DMAs

OTT entry and adoption are accelerating

-  
Cord-cutters, cord-shavers, and cord-nevers increasing

-  
Netflix, *e.g.*, has far more **US**  
subs (>36m) than any MVPD

-  
MVPDs are responding to OTT

-  
OTT is driving demand for higher broadband speed

14



Commitments Further Promote Competition

New Fixed WLL deployment to 13M customer locations within 4 years of close

New FTTP deployment to 2M customer locations within 4 years of close

Continue 2010 Open Internet protections for 3 years after close

Standalone wireline broadband at reasonable market-based prices, including a service of at least 6 Mbps down (where feasible) at guaranteed prices for 3 years after close

Standalone DBS video offered at nationwide package prices and other material terms that are the same for all customers, within or outside AT&T ILEC footprint, for 3 years after close

15

Cautionary Language Concerning Forward-Looking Statements

Information set forth in this communication, including financial estimates and statements as to the expected timing,

completion and effects of the proposed merger between AT&T and DIRECTV, constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

These estimates and

statements are subject to risks and uncertainties, and actual results might differ materially. Such estimates and statements include, but are not limited to, statements about the benefits of the merger, including future financial and operating results,

the combined company's plans, objectives, expectations and intentions, and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of the management of AT&T and DIRECTV and are subject to significant risks and uncertainties outside of our control.

Among the risks and uncertainties that could cause actual results to differ from those described in the forward-looking statements are the following: (1) the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement, (2) the risk that DIRECTV stockholders may not adopt the merger agreement, (3) the risk that the necessary regulatory approvals may not be obtained or may be obtained subject to conditions that are not anticipated, (4) risks that any of the closing conditions to the proposed merger may not be satisfied in a timely manner, (5) risks related to disruption of management time from ongoing business operations due to the proposed merger, (6) failure to realize the benefits expected from the proposed merger and (7) the effect of the announcement of the proposed merger on the ability of DIRECTV and AT&T to retain customers and retain and hire key personnel and maintain relationships with their suppliers, and on their operating results and businesses generally. Discussions of additional risks and uncertainties are contained in AT&T's and DIRECTV's filings with the Securities and Exchange Commission. Neither AT&T nor DIRECTV is under any obligation, and expressly disclaim any obligation, to update, alter, or otherwise revise any forward-looking statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events, or otherwise.

Persons reading this

announcement are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof.

16

**Additional Information and Where to Find It**

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval.

This communication may be deemed to be solicitation material in respect of the proposed merger between AT&T and DIRECTV.

In connection with the proposed merger, AT&T intends to file a registration statement on Form S-4, containing a proxy statement/prospectus with the Securities and Exchange Commission ( SEC ).

STOCKHOLDERS OF DIRECTV ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE PROXY STATEMENT/PROSPECTUS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED MERGER.

Investors and security holders will be able to obtain copies of the proxy statement/prospectus as well as other filings containing information about AT&T and DIRECTV, without charge, at the SEC's website at <http://www.sec.gov>.

Copies of documents filed with the SEC by AT&T will be made available free of charge on AT&T's investor relations website at

<http://www.att.com/investor.relations>. Copies of documents filed with the SEC by DIRECTV will be made available free of charge on DIRECTV's investor relations website at <http://investor.directv.com>.

#### Participants in Solicitation

AT&T and its directors and executive officers, and DIRECTV and its directors and executive officers, may be deemed to be participants in the solicitation of proxies from the holders of DIRECTV common stock in respect of the proposed merger. Information about the directors and executive officers of AT&T is set forth in the proxy statement for AT&T's 2014 Annual Meeting of Stockholders, which was filed with the SEC on March 11, 2014. Information about the directors and executive officers of DIRECTV is set forth in the proxy statement for DIRECTV's 2014 Annual Meeting of Stockholders, which was filed with the SEC on March 20, 2014. Investors may obtain additional information regarding the interest of such participants by reading the proxy statement/prospectus regarding the proposed merger when it becomes available.