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HUGHES ELECTRONICS CORP

Form 425

August 06, 2001

Filed by EchoStar Communications Corporation
Pursuant to Rule 425 under the Securities
Act of 1933 and deemed filed pursuant to
Rule 14a-12 under the Securities Exchange
Act of 1934

Subject Company: Hughes Electronics Corporation
Commission File No. 0-26035

Date: August 6, 2001

The following is a slide show presented at an analyst conference held by
EchoStar on August 6, 2001.

0 COVER PAGE

[EchoStar Logo]

[Hughes Logo]

A Powerful Platform

August 6, 2001

1 SAFE HARBOR

This presentation contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. The factors that could cause actual results of EchoStar Communications Corporation ("EchoStar") or a combined EchoStar and Hughes Electronics Corporation ("Hughes") to differ materially, many of which are beyond the control of EchoStar include, but are not limited to, the following: (1) the businesses of EchoStar and Hughes may not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; (2) expected benefits and synergies from the combination may not be realized within the expected time frame or at all; (3) revenues following the transaction may be lower than expected; (4) operating costs, customer loss and business disruption including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers, may be greater than expected following the transaction; (5) generating the incremental growth in the subscriber base of the combined company may

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be more costly or difficult than expected; (6) the regulatory approvals required for the transaction may not be obtained on the terms expected or on the anticipated schedule; (7) the effects of legislative and regulatory changes; (8) an inability by EchoStar to obtain certain retransmission consents; (9) EchoStar's inability to retain necessary authorizations from the FCC; (10) an increase in competition from cable as a result of digital cable or otherwise, direct broadcast satellite, other satellite system operators, and other providers of subscription television services; (11) the introduction of new technologies and competitors into the subscription television business; (12) changes in labor, programming, equipment and capital costs; (13) future acquisitions, strategic partnership and divestitures; (14) general business and economic conditions; and (15) other risks described from time to time in EchoStar's periodic reports filed with the Securities and Exchange Commission. You are urged to consider statements that include the words "may," "will," "would," "could," "should," "believes," "estimates," "projects," "potential," "expects," "plans," "anticipates," "intends," "continues" or the negative of those words or other comparable words to be uncertain and forward-looking. This cautionary statement applies to all forward-looking statements in this presentation. Subject to future developments, EchoStar may file with the Securities and Exchange Commission a registration statement at a date or dates subsequent hereto to register the EchoStar shares to be issued in the proposed transaction. Investors and security holders are urged to read the registration statement (when and if available) and any other relevant documents filed with the SEC, as well as any amendments or supplements obtain a free

copy of the registration statement (when and if available) and other relevant documents at the SEC's Internet web site at www.sec.gov. The registration statement (when and if available) and other relevant documents may also be obtained free of charge from EchoStar by directing such request to: EchoStar Communications Corp., 5701 South Santa Fe Drive, Littleton, CO 80120, Attention: Investor Relations.

EchoStar and certain executive officers of EchoStar may be deemed to be "participants" in EchoStar's solicitation of proxies from GM and GMH shareholders. A detailed list of the names, affiliations and interests of the participants in the solicitation was filed with the Securities and Exchange Commission on August 6, 2001.

2 PROPOSED TRANSACTION

Stock-for-stock transaction

0.75 DISH / GMH share (1.0B new DISH shares issued)

Values Hughes at \$32B*, including debt of \$1.9B

\$42 - \$56 billion of additional present value to combined company from DirecTV / DISH Network synergies

Economic ownership = 66% Hughes : 34% EchoStar

Tax free to GM and GMH shareholders

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Note: Based on the closing market price of DISH on the Nasdaq Stock Market on August 3, 2001.

3 BENEFITS TO SHAREHOLDERS

- o Massive synergy opportunities
- o 100% digital nationwide platform with 16M+ subscribers
- o Creates stronger competitor to large, US cable / broadband providers
- o 100M US households offer powerful growth opportunity
- o Leverage already compelling DBS economics
- o Superior management team with proven success

4 VALUE OF THE PROPOSED TRANSACTION

ESTIMATED

	EXCHANGE RATIO ONLY*	INCLUDING PV OF SYNERGIES	
		LOWER	UPPER
Value per GMH Share	\$23	\$43	\$49
Premium to Current GMH Stock Price (\$19)	18%	121%	155%
Equivalent Value to GM Shareholders	0.76	0.76	0.76
Per GM Share	\$17	\$33	\$38
% of Current GM Stock Price (\$63)	28%	52%	59%
Value per DISH Share	\$30	\$57	\$66
Premium to Current DISH Stock Price (\$30)	--	87%	116%

Note: Based on the closing market price of DISH on the Nasdaq Stock Market and GM and GMH on the NYSE on August 3, 2001.

5 BENEFITS TO CONSUMERS

- o More channels and better service would be available

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- Increased local to local service
- Increased HDTV offerings
- Increased VOD/PPV offerings
- Additional speciality content

- o Significant cost savings expected from synergies
- o Effective containment of cable price increases
- o Bridges the "Digital Divide"
 - Broadband availability
 - Nationwide competitive pricing

6 MULTI-CHANNEL TV PROVIDERS

[Bar Chart
By Number of Subscribers
(in Millions)

14.4 (AT&T) to
between 17.4
and 27.1
(including other
cable)

	16.1	12.7	8.4	6.9	6.2	5.8	3.0
AT&T+ ANY MAJOR CABLE PRO FORMA	DISH NETWORK DIRECTV PRO FORMA	TIME WARNER CABLE	COMCAST	CHARTER	COX	ADELPHIA	CABLEVISION

NOTE: SUBSCRIBERS ARE AS OF JUNE 30, 2001, PRO FORMA FOR ALL ANNOUNCED
TRANSACTIONS. ADELPHIA AND CABLEVISION ARE AS OF MARCH 31, 2001.

7 MULTI-CHANNEL TV PROVIDERS

[Bar Chart
BY REVENUE
(\$ IN MILLIONS)

\$8,964
(AT&T) to
between
\$10,861 and
\$15,309
(including

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other cable)	\$8,925	\$6,345	\$4,982	\$3,974	\$3,426	\$3,098	\$1,8
AT&T+	DISH NETWORK	TIME	COMCAST	CHARTER	COX	ADELPHIA	CABLEVI
ANY MAJOR	DIRECTV	WARNER					
CABLE	PRO FORMA	CABLE					
PRO FORMA							

Note: Revenue figures reflect core cable or DBS revenue for the pro forma quarter ended June 30, 2001, annualized, except for Adelphia and Cablevision which are as of March 31, 2001.

8 HUGHES VS. CABLE

Key to Success

Who has the

Advantage?

Fattest Pipe	DBS
Nationwide Footprint	DBS
Cost per Home Passed	DBS
100% Digital Quality	DBS
Channel Capacity	DBS
Plant Upgrades	DBS
Customer Service	DBS
Incumbency	Cable
Broadband	?

9 EXTREMELY LOW LEVERAGE

	Total Debt (\$M)	Basic Subs (M)	Total Debt / Subscriber
AT&T	\$17,202	14.4	\$1,191
Comcast	11,699	8.4	1,390
Charter	15,571	6.9	2,243
Cox	9,114	6.2	1,478
Adelphia	12,474	5.8	2,137
Cablevision	7,599	3.0	2,560
Average			\$1,833
EchoStar / Hughes	\$6,891	16.1	\$429

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Net Debt	3,523	16.1	219
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Notes: Total debt includes convertible notes. All statistics are as of June 30, 2001 except for Adelphia and Cablevision which are as of March 31, 2001. Subscribers are pro forma for all announced swaps. AT&T debt is per UBSW estimate.

10 LEVERAGING INVESTED CAPITAL

	Homes Passed (M)	Basic Subs (M)	Invested Capital (\$M)	Per Home Passed	Per Basic Sub
Comcast	13.5	8.4	\$23,727	\$1,761	\$2,818
Cox	9.9	6.2	21,107	2,139	3,423
Charter	11.2	6.9	23,984	2,135	3,455
Adelphia	9.5	5.8	17,998	1,900	3,083
Cablevision	4.3	3.0	4,846	1,125	1,632
Total	48.4	30.3	\$91,662	\$1,857	\$3,022
EchoStar	100.0	6.1	\$4,664	\$47	\$768
Hughes	100.0	10.0	9,180	92	918
Pro Forma	100.0	16.1	\$13,844	\$138	\$861

11 MASSIVE SYNERGIES

Expected Synergies	<ul style="list-style-type: none"> o Incremental subscribers o Improved ARPU o Increased EBITDA o Reduced Churn
Aggregate Benefit	<ul style="list-style-type: none"> o 9.4M incremental subscribers o \$5.0B annual EBITDA increase by 2005 o \$12.3B cumulative EBITDA increase '02-'05
Shareholder Value	<ul style="list-style-type: none"> o Creation of \$42-\$56B in PV synergies o \$20 - \$26/share for GMH shareholder (0.75 ratio) o \$15 - \$20/share for GM shareholder o \$27 - \$35/share for DISH shareholder

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12 SYNERGY OVERVIEW

Estimated (\$ in millions)

PV of Cost Savings		PV of Revenue Synergies	
-----		-----	
SAC	\$13,128	Advertising / Interactive	\$10,349
Churn	9,345	Local Service	7,449
Programming	7,890	Digital Divide	2,759
G&A	4,943	VOD / PPV	1,003
CapEx	317	HDTV	502
-----		-----	
Subtotal	\$35,624	Box Swaps	(1,981)
-----		-----	
		Subtotal	\$20,080
-----		-----	

[Pie chart showing cost savings of 64% and revenue synergies of 36% of total present value of synergies]

Total Present Value of Synergies = \$55.7 billion

13 SYNERGIES BREAKDOWN

Estimated (\$ in Millions)

Cost Synergies	Assumption	Projected 2005 EBIT Impact

Reduced SAC	o Standardization of set-top boxes o Increased production volumes o \$125 /Gross add (blended)	\$1,0
Reduced Churn	o 0.3% reduction o Increased services and higher customer loyalty	7
Reduced Programming Costs	o 5% cost reduction in 2002 o Additional 5% reduction thereafter	6
Reduced G&A	o Elimination of duplicative overhead	4
Reduced CapEx	o Elimination of a portion of corporate and satellite capex	1
Subtotal - Cost Savings		\$2,9

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14 SYNERGIES BREAKDOWN

Estimated (\$ in Millions)

		Results		
Revenue Synergies	Assumption	Sub	ARPU	Churn

Advertising/Interactive	<ul style="list-style-type: none">o Incremental Revenueo \$30/year by 2005	Up	Up	Down
Local Service	<ul style="list-style-type: none">o Approx. 60 new marketso \$5.99/month	Up	Up	Down
Digital Divide	<ul style="list-style-type: none">o Offer broadband to more areaso ARPU from \$70 down to \$55	Up	Up	Down
VOD / PPV	<ul style="list-style-type: none">o Offer more contento Additional 0.5 buy/montho \$3.99/buy	Up	Up	Down
HDTV	<ul style="list-style-type: none">o More content, \$10/month	-	Up	Down
.....				
Cost to Swap Boxes	<ul style="list-style-type: none">o 2.5 billion over 4 years	-	-	-
Subtotal - Revenue Synergies				

Note: Excludes \$625 million of cost to swap boxes, which is non-recurring.

15 SUBSCRIBER SYNERGY IMPACT

Estimated Incremental Subscribers in 2005 (In Millions)

[Bar Chart showing subscriber synergy impact in millions of subscribers

Local to Local	2.6
Reduced Churn	3.3
HDTV / Specialty Content	2.5
VOD / PPV	1.0
Total	9.4]

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16 PRESENT VALUE OF SYNERGIES

Estimated (\$ in Billions Except per Share and Share Amounts)

	Range	
	Lower	Upper
Total EBITDA from Synergies in 2005*	\$5.0	\$5.0
Terminal EBITDA Multiple	10.0x	14.0x
Terminal Value	\$50.3	\$70.5
Discount Rate	10.0%	10.0%
Present Value of Terminal Value	\$34.4	\$48.1
Present Value of Cash Flows from 2002 - 2005	7.6	7.6
Present Value of Synergies	\$42.0	\$55.7
Pro Forma Shares Outstanding (millions)	1,578	1,578
Present Value of Synergies per DISH Share	\$26.58/sh.	\$35.29/sh.

Note: Excludes cost to swap boxes, which is non-recurring.

17 VALUATION BASED ON SUBSCRIBERS

Estimated (\$ in Billions Except per Subscriber and Share Amounts)

	Range	
	Lower	Upper
Incremental 2005 Subscribers (M)	9.4	9.4
Enterprise Value / Subscriber	\$3,000	\$4,500
Total Incremental Subscriber Value	\$28.3	\$42.4
Total Pro Forma 2005 Subscribers (M)	32.0	32.0
Incremental Value / Subscriber (Ops., Churn, etc.)	\$500	\$1,000
Total Multiple Expansion Value	\$16.0	\$32.0
Total Incremental Value	\$44.3	\$74.4
Discount Rate	10.0%	10.0%
Present Value	\$30.2	\$50.8

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Pro Forma Shares Outstanding (millions)	1,578	1,578
Present Value per DISH Share	\$19.16/sh.	\$32.20/sh.

18 PREMIUM TO GMH SHAREHOLDERS

Estimated

	Range	
	Lower	Upper
Current EchoStar Stock Price*	\$30.44	\$30.44
Present Value of Synergies per Share	26.58	35.29
Total	\$57.02	\$65.73
Exchange Ratio	0.75x	0.75x
Total Offer Value per GMH Share	\$42.76	\$49.30
Current GMH Stock Price*	\$19.36	\$19.36
Premium - (\$/share)	\$23.40	\$29.94
Premium - (%)	121%	155%

Note: Based on the closing market price of DISH on the Nasdaq Stock Market and GMH on the NYSE on August 3, 2001.

19 VALUE TO GM SHAREHOLDERS

Estimated

		Range	
		Current	Lower Upper
Current EchoStar Stock Price*	--	\$30.44	\$30.44
Present Value of Synergies per Share	--	26.58	35.29
Total	--	\$57.02	\$65.73
Exchange Ratio	--	0.75x	0.75x
Total Offer Value per GMH Share	--	\$42.76	\$49.30
Equivalent Value to GM Shareholder	0.76	0.76	0.76
Value - (\$/share) *	\$14.71	\$32.60	\$37.58

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Current GM Stock Price*	\$63.28	\$63.28	\$63.28
% of GM Share	23%	52%	59%

Note: Based on the closing market price on August 3, 2001 on the Nasdaq Stock Market for DISH and NYSE for GM and GMH.

20 PREMIUM TO DISH SHAREHOLDERS

Estimated

	Range	
	Lower	Upper
Current EchoStar Stock Price*	\$30.44	\$30.44
Present Value of Synergies per Share	26.58	35.29
Total	\$57.02	\$65.73
Premium - (\$/share)	\$26.58	\$35.29
Premium - (%)	87%	116%

Note: Closing market price on the Nasdaq Stock Market on August 3, 2001.

21 ECHOSTAR HIGHLIGHTS

- o Fastest growing multi-channel TV provider in the U.S.
- o Powerful business model / EBITDA positive
- o Superior, results-driven management team
- o Proven track record of operational execution
- o Historical ability to create shareholder value

22 PROVEN ABILITY TO EXECUTE

[Bar Chart showing a 93.3% compound annual growth rate in EchoStar revenues from 1996 to Q2 2001 Annualized. Revenues (\$M)

1996	1997	1998	1999	2000	Q2 2001 Annualized
\$199	\$477	\$983	\$1,603	\$2,715	\$3,865]

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[Bar Chart showing an 88.5% compound annual growth rate in the number of EchoStar's subscribers from 1996 to Q2 2001.
Subscribers (M)

1996	1997	1998	1999	2000	Q2 2001
350	1,040	1,940	3,410	5,260	6,070]

[Line Graph showing the net incremental market share of DISH Network relative to DirecTV from Q3 2000 to Q2 2001.

	Q3 2000	Q4 2000	Q1 2000	Q2 2001
DISH Network	50%	48%	58%	67%
DirecTV	50%	52%	42%	33%]

23 DISH NETWORK VS. DIRECTV

	Dish Network -----	DirecTV -----	Who Has the Advantage? -----
Channel Capacity	500+	300+	Dish Network
Q2 2001 Incremental Market Share	67%	33%	Dish Network
Subscriber Growth (LTM)	40.8%	18.1%	Dish Network
ARPU Growth (LTM)	10.6%	0.9%	Dish Network
Est. Sub. Acq. Cost. (SAC)	\$100 less	--	Dish Network

24 VALUE CREATION

[Chart showing that since 1998 EchoStar's stock price has appreciated 1,354% compared to a 130% increase for cable companies, a 71% increase for NewsCorp, a 57% increase for GMH shares, a 26% increase for GM shares and a 25% increase for the S&P 500 index.]

Source: FactSet

Note: Cable Composite consists of Comcast, Charter, Adelphia, Cox and Cablevision.

25 REGULATORY OVERVIEW

We are confident this transaction will receive regulatory approval

Benefits to Consumers	<ul style="list-style-type: none"> o Increased content o Access to competitive broadband services o More local-to-local o Competitive pricing
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- | | |
|--------------------------|--|
| Improved Market Dynamics | <ul style="list-style-type: none"> o Combined EchoStar (#7)/ DirecTV (#3) will represent only 18% of total MVPD o FCC recently rescinded 30M subscriber cap (est. 40-60%) o Significantly increased competition for incumbent cable operators o Rural competition from various sources o No content provider affiliations |
| Third Party Support | <ul style="list-style-type: none"> o Donald Russell
Former Chief of the Department of Justice's Telecom Task Force o GM and GMH management believe regulatory approval is likely |

26 ROAD MAP TO COMPLETION

Proposed Process -----	Expected Timing -----
o Execution of Definitive Agreements	Immediate
o GM and GMH Shareholders Meeting	4 Months
o Receive Regulatory Clearances - DOJ, FCC, SEC - Various state approvals	9 Months
Close Transaction	9 Months

27 ECHOSTAR / HUGHES

A Powerful Combination -----	EchoStar Provides -----
o Top tier pay TV provider 16M+ subscribers	o Compelling synergies
o Undeniable DBS economics	o Superior management team
o True competition to cable	o Financial strength and flexibility
o Value creation	o Track record of stock price performance

[EchoStar Logo]

INFORMATION REGARDING PARTICIPANTS

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EchoStar and the following persons may be deemed to be "participants" on behalf of EchoStar in the solicitation of proxies from GM and GMH shareholders.

Charles W. Ergen	Chairman and Chief Executive Officer
David K. Moskowitz	Senior Vice President, General Counsel and Secretary
Michael R. McDonnell	Senior Vice President and Chief Financial Officer
Jason Kiser	Treasurer

As of August 6, 2001 EchoStar beneficially owned 1,000 shares of General Motors common stock and 185,000 shares of Hughes tracking stock. Mr. Ergen beneficially owns approximately 1,000 shares of General Motors common stock and approximately 10,000 shares of Hughes tracking stock.

Other than as set forth herein, as of the date hereof, neither EchoStar nor any of the other participants listed above has any substantial interest, direct or indirect, by security holdings or otherwise, in General Motors or Hughes.

Certain other persons named below may assist EchoStar in the solicitation of proxies from GM and GMH shareholders. Pursuant to a letter agreement between UBS Warburg LLC ("UBS Warburg") and EchoStar, EchoStar has agreed to pay UBS Warburg for its financial advisory services in connection with the proposed transaction involving Hughes a financial advisory fee of (1) up to \$5,000,000 in connection with the public announcement of the proposed transaction and (2) \$20,000,000 upon the closing of a transaction involving Hughes, subject to certain fee credits. EchoStar also has agreed to provide UBS Warburg and certain related parties with customary indemnification. UBS Warburg does not admit that it or any of its directors, officers, employees, affiliates or controlling persons, if any, is a "participant" as defined in Schedule 14A promulgated under the Securities Exchange Act of 1934, as amended, in the solicitation of proxies, or that Schedule 14A requires the disclosure of certain information concerning it or them. The following sets forth the name and title of each of the UBS Warburg employees who may assist EchoStar in the solicitation of proxies: James Brennan, Managing Director, Stephen Ketchum, Managing Director, James Neissa, Managing Director, Lee LeBrun, Executive Director and Lee Ann Gliha, Director.

UBS Warburg and its affiliates engage in a full range of investment banking, securities trading, market-making and brokerage services for institutional and individual clients. In the normal course of business, UBS Warburg and its affiliates may trade the debt and equity securities of General Motors for their own account and the accounts of customers

and, accordingly, may at any time hold a long or short position in such securities, or option contracts or other derivatives in or relating to such securities. UBS Warburg has informed EchoStar that, as of the close of business on August 3, 2001, UBS Warburg, for its own account, held a net long position of less than 1% of General Motors common stock and less than 1% of shares of Hughes tracking stock. UBS Warburg and certain of its affiliates also may have voting and/or dispositive power with respect to certain shares of General Motors and shares of Hughes tracking stock held in asset management, brokerage and other accounts. UBS Warburg and such affiliates disclaim beneficial ownership of such shares of General Motors and Hughes tracking stock.

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Subject to future developments, EchoStar may file with the Securities and Exchange Commission a registration statement at a date or dates subsequent hereto to register the EchoStar shares to be issued in the proposed transaction. Investors and security holders are urged to read the registration statement (when and if available) and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they will contain important information. Investors and security holders may obtain a free copy of the registration statement (when and if available) and other relevant documents at the SEC's Internet web site at www.sec.gov. The registration statement (when and if available) and other relevant documents may also be obtained free of charge from EchoStar by directing such request to: EchoStar Communications Corp., 5701 South Santa Fe Drive, Littleton, CO 80120, Attention: Investor Relations.