



Walking and Chewing Gum

Have you ever tried walking and chewing gum at the same time? It is not an extremely hard task to do both simultaneously, as one activity (generally) does not preclude the other. In the same vein, using *both* pay-TV and subscription video on-Demand (SVOD) is not uncommon, as these services are not mutually exclusive.

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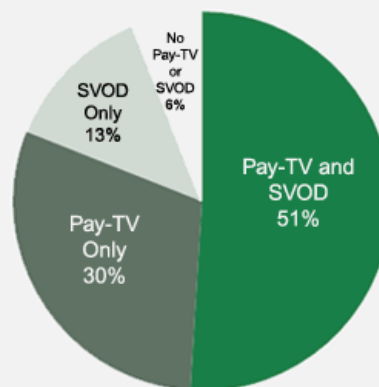
As seen later in these Research Notes, broadband and Internet-delivered SVOD services continue to increase in US households, while pay-TV subscriptions are in a slow decline. However, **streaming services have not yet caught up to pay-TV, and most of those with an SVOD service also get a pay-TV service.**

A recent LRG survey (as part of the *on-Demand TV XV* study) found that, in TV households throughout the US:

- **81% get a pay-TV service – while 64% get an SVOD service (Netflix, Amazon Prime, and/or Hulu)**
- **80% of those with an SVOD service also get a pay-TV service**

As demonstrated in Exhibit 1, **slightly over half of all TV households get both a pay-TV service and an SVOD service.**

Exhibit 1: Pay-TV and SVOD Services (in Households Using a TV)



Breaking down the distribution of pay-TV and SVOD further, shows that:

- 30% of households only have a pay-TV service
- 13% only have an SVOD service
- 6% of households do not get pay-TV or SVOD

(Note that households getting SVOD includes some who are using shared passwords to access the services, which inflates the percentage of SVOD households beyond those of just paying subscribers.)

Everyone with an SVOD service is not necessarily actively using a service to stream video. About 81% of adults with an SVOD service stream video at least monthly. **This extrapolates to 51% of all adults streaming video from an SVOD service monthly (including 43% at least weekly, and 25% daily).** Monthly streaming of SVOD is similar in pay-TV and non-pay-TV households, with 50% of all pay-TV subscribers, and 58% of non-subscribers, streaming SVOD at least monthly.

Many pay-TV non-subscribers are combining SVOD with an over the air antenna. **Among those with SVOD and no pay-TV service, 63% have a TV antenna for watching over-the-air broadcast TV.** This compared to 12% of pay-TV subscribers using a TV antenna.

SVOD services are also not necessarily mutually exclusive. While 85% of those with any of the three SVOD services have Netflix, half of all SVOD households get two or more of these SVOD services, with 11% getting all three.



Did You Know ...

The mean number of TV sets in households with both a pay-TV and an SVOD service is 3.0 – compared to 2.0 in SVOD-only households

As the opportunities for watching video have expanded, consumers are increasingly cobbling together services that provide an experience that works best for their household in terms of content, viewing options, and cost. For most, SVOD is still more of a supplement to a video diet than it is a replacement for pay-TV.

In addition, while SVOD has expanded its base, and taken a bite out of traditional TV viewing, spending on SVOD remains relatively small compared to pay-TV. **In 2016, Netflix reported domestic streaming revenue of about \$5.1 billion** (an impressive 21% increase from 2015), **but this compares to over \$100 billion still spent annually on pay-TV services in the US.**

82% of U.S. TV Households Have a DVR, Netflix, or Use VOD

Leichtman Research Group, Inc. found that 82% of US TV households have a DVR, get Netflix, or use on-Demand (VOD) from a cable or Telco provider – with 30% of households using two of the services, and 14% using all three.

The survey also found that 54% of adults report that they have Netflix in their household, while 53% have a DVR. This is the first time that households with Netflix (including those sharing passwords) have surpassed the level of those with a DVR. In 2011, 44% of TV households had a DVR and 28% had Netflix.

These findings are based on a survey of 1,211 households throughout the United States, and are part of LRG's study, *On-Demand TV XV*. This is LRG's fifteenth annual study on this topic.

Other related findings include:

- 23% of all adults stream Netflix daily – compared to 6% in 2011
- 81% of Netflix streaming users watch Netflix on a TV set
- 64% of pay-TV subscribers have a DVR – compared to 49% in 2011
- 60% of DVR households have DVR on more than one TV – compared to 33% in 2011
- 65% of all cable and Telco video subscribers have used VOD from their current provider
- 58% of all cable subscribers used VOD in the past month – compared to 42% in 2011

On-Demand and time shifting TV services like DVR, VOD and Netflix have permanently changed the way that people can watch TV. Today, over 50% of households have a DVR and, for the first time in the fifteen years of this study, over half of households have Netflix. Yet traditional TV viewing still exists. For example, 46% of adults agree that they often flip through channels to see what's on TV.

Major Pay-TV Providers Lost About 795,000 Subscribers in 2016

Leichtman Research Group, Inc. found that the largest pay-TV providers in the US – representing about 95% of the market – lost about 795,000 net video subscribers in 2016, compared to a pro forma loss of about 445,000 subscribers in 2015.

The top pay-TV providers account for 93.6 million subscribers – with the top six cable companies having over 48.6 million video subscribers, satellite TV services about 33.5 million subscribers, the top telephone companies 10.1 million subscribers, and the top Internet-delivered pay-TV services having about 1.4 million subscribers.



Did You Know ...

Pay-TV subscribers for the top providers have declined by about 1,665,000 since the industry's peak in 1Q 2012

Key findings include:

- The top six cable companies lost about 280,000 video subscribers in 2016 – compared to a loss of about 410,000 subscribers in 2015, and 1,200,000 subscribers in 2014
 - Losses for the top cable providers were the fewest in any year since 2006 (the year Telcos introduced video services)
- Satellite TV services added about 190,000 subscribers in 2016 – compared to a loss of about 450,000 subscribers in 2015
 - DIRECTV added 1,228,000 subscribers in 2016 – compared to 167,000 net adds in 2015
- The top telephone providers lost 1,555,000 video subscribers in 2016 – compared to a loss of about 120,000 in 2015, and a gain of about 1,065,000 subscribers in 2014
 - U-verse lost 1,359,000 subscribers in 2016 (largely due to AT&T's focus on higher margin DIRECTV subscribers) – compared to a loss of about 300,000 subscribers in 2015
- Internet-delivered services (Sling TV and DIRECTV NOW) added about 845,000 subscribers in 2016 – compared to about 535,000 net adds in 2015
 - Traditional pay-TV services (not including Internet-delivered services) lost about 1,640,000 subscribers in 2016 – compared to a loss of about 980,000 in 2015
- In 4Q 2016, the top pay-TV providers added about 140,000 subscribers – similar to about 145,000 net adds in 4Q 2015

- Traditional pay-TV services lost about 330,000 subscribers in 4Q 2016 – compared to a small gain of about 1,000 in 4Q 2015
- The top cable companies added 3.3 million broadband subscribers in 2016 – similar to the gains in 2015, and the most net adds in any year since 2007

The pay-TV market has seen significant change in the past two years, with the introduction of Internet-delivered services, and share shifts among traditional providers that are driven as much by providers' decisions as by changes in consumer demand. When analyzing the pay-TV market, it is now essential to include Internet-delivered services as part of the industry, just as it was important to include satellite and Telco services when those new forms of delivery were introduced.

- The top telephone companies lost about 600,000 subscribers in 2016 – compared to a loss of about 185,000 subscribers in 2015
- In 4Q 2016, the top broadband providers added about 735,000 subscribers – compared to about 1,030,000 in 4Q 2015
 - The top cable companies added about 855,000 subscribers in 4Q 2016, while Telcos lost about 120,000 subscribers

2.7 Million Added Broadband From Top Providers in 2016

Leichtman Research Group, Inc. found that the fourteen largest cable and telephone providers in the US – representing about 95% of the market – acquired about 2.7 million net additional high-speed Internet subscribers in 2016. Annual net broadband additions in 2016 were 87% of the 3.1 million net adds in 2015.

The top cable and Telco broadband providers in the US cumulatively now account for nearly 92.9 million subscribers in the US, and the industry continues to grow. The top broadband providers added nearly 5.8 million net broadband subscribers over the past two years, with cable companies accounting for about 6.6 million net adds.

These top broadband providers now account for nearly 92.9 million subscribers – with top cable companies having about 58.4 million broadband subscribers, and top telephone companies having 34.5 million subscribers.

Other broadband findings include:

- The top cable companies netted 122% of the broadband additions in 2016 – compared to 106% in 2015, and 89% in 2014

Industry by the Numbers

Top Pay-TV Providers in the U.S.

<i>Cable Companies</i>	Subscribers at End of 4Q 2016	Net Adds in 2016
Comcast	22,508,000	161,000
Charter	17,236,000	(187,000)
Altice*	3,469,000	(111,000)
Mediacom	828,000	(27,000)
CableOne	320,246	(43,904)
Other major private company**	4,290,000	(70,000)
Total Top Cable	48,651,246	(277,904)
Satellite Services		
DIRECTV	21,012,000	1,228,000
DISH-DBS [^]	12,491,000	(1,037,000)
Total DBS	33,503,000	191,000
Telephone Companies		
Verizon FIOS	4,694,000	59,000
AT&T U-verse	4,281,000	(1,359,000)
Frontier ^{^^^}	1,125,000	(255,000)
Total Top Phone	10,100,000	(1,555,000)
Internet-Delivered		
Sling TV [^]	1,180,000	645,000
DIRECTV NOW ^{^^}	200,000	200,000
Total Internet-Delivered	1,380,000	845,000
Total Top Pay-TV	93,634,246	(796,904)

Sources: The Companies and Leichtman Research Group, Inc.

* Altice no longer includes non-residential subscribers for Cablevision

** Includes LRG estimate for Cox

[^] DISH reports combined DBS and Sling TV subscribers, the individual counts for DISH and Sling TV are LRG estimates

^{^^} AT&T reported "more than" 200,000 subscribers for DIRECTV NOW following its introduction in 4Q 2016

^{^^^} Frontier is revised from prior reporting (not including DBS subscribers) and includes LRG estimates

Company subscriber counts may not solely represent residential households

Top pay-TV providers represent approximately 95% of all subscribers

Top cable companies do not include overbuilder WOW with 486,400 subscribers

Net additions reflect pro forma results from system sales and acquisitions, and reporting adjustments – therefore, comparing totals in this release to prior releases may not produce accurate findings

Top Broadband Internet Providers in the U.S.

<i>Cable Companies</i>	Subscribers at End of 4Q 2016	Net Adds in 2016
Comcast	24,701,000	1,372,000
Charter	22,593,000	1,604,000
Altice*	3,907,000	122,000
Mediacom	1,156,000	71,000
WOW (WideOpenWest)**	718,900	20,600
Cable ONE	513,908	12,667
Other Major Private Companies^	4,790,000	90,000
Total Top Cable	58,379,808	3,292,267
<i>Telephone Companies</i>		
AT&T	15,605,000	(173,000)
Verizon	7,038,000	(47,000)
CenturyLink	5,945,000	(103,000)
Frontier^^	4,271,000	(243,000)
Windstream	1,051,100	(44,000)
FairPoint	306,624	(4,506)
Cincinnati Bell	303,200	15,800
Total Top Phone	34,519,924	(598,706)
Total Top Broadband	92,899,732	2,693,561

Sources: The Companies and Leichtman Research Group, Inc.

* Altice no longer includes non-residential subscribers for Cablevision

** WOW is revised from prior reporting

^ Includes LRG estimate for Cox

^^ Frontier is revised from prior reporting, and includes LRG estimates

Totals reflect pro forma results from system sales and acquisitions

Company subscriber counts may not solely represent residential households

Top cable and telephone companies represent approximately 95% of all subscribers

Net additions reflect pro forma results from system sales and acquisitions, and reporting adjustments -- therefore, comparing totals in this release to prior releases may not produce accurate findings



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