



American Top Three

Well before Ryan Seacrest was an omnipresent media personality there was Casey Kasem. I grew up listening to Casey Kasem host radio's *American Top 40* (AT40) each weekend. On AT40, Kasem's iconic radio voice (that was also the voice of Shaggy and Batman's sidekick Robin in cartoons) took a weekly journey through the top songs in the U.S. There were stops along the way for interesting anecdotes about the artists and the songs, as well as "long-distance dedications," until we reached number one.

With the end of the year approaching, we frequently see AT40-like lists of the top "things" of the year. So, now seems like a good time to take a closer look at the top pay-TV and broadband providers in the U.S., and to highlight some numbers that are usually only in the back of these Research Notes. Rather than going with a full AT40

list, here is an AT3 of the top providers as of the end of 3Q 2017. (Given recent coverage of the industries that I've seen, the lists may surprise some.)

Top Pay-TV providers:

- 1) AT&T/DIRECTV/DIRECTV NOW – 25,110,000 subscribers
- 2) Comcast – 22,390,000 subscribers
- 3) Charter – 16,982,000 subscribers



Did You Know ...

The first AT40 broadcast in July 1970 featured the last time both Elvis Presley and The Beatles had songs simultaneously in the Top 10

While many still refer to the pay-TV industry as the cable industry, cable providers account for just over half of all pay-TV subscribers. And, **the number one provider of live pay-TV services in the U.S. is not a traditional cable company, it is AT&T.**

AT&T has three pay-TV brands covering different delivery methods and segments of the market. The satellite-delivered brand, DIRECTV with 20.6 million subscribers accounts for the bulk of AT&T's video subscribers. But, the company is strategically balancing this brand with the Internet-delivered DIRECTV NOW service (that recently passed 1 million subscribers about a year after its introduction), and with U-verse in some markets. Combined, the three brands lost about 210,000 subscribers over the past year, and 340,000 subscribers over the past two years.

While the top eleven industry players (representing about 95% of all pay-TV subscribers) have had combined net losses of about 2.2 million subscribers over the past two years, the top cable provider, **Comcast, actually gained about 130,000 subscribers over that**

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time – contradicting the perception of the market declining at a unified pace across all segments.

If the list above included subscription video on-Demand (SVOD) services, the order would change. Purely based on subscriber counts, the top two would look like this:

- 1) Netflix – 51,345,000 paying domestic streaming subscribers
- 2) Amazon Prime – about 30,000,000 households using Prime Video monthly (based on LRG survey data)

But, while these (and other) services have built large subscriber bases, and have helped to transform the ways that consumers are able to watch video, **revenues directly generated from the SVOD services are still at a very different level than those of live linear pay-TV services.**

To add perspective to the relative positions, Netflix reported \$1.55 billion in domestic streaming revenue in 3Q 2017. Comparatively, AT&T reported \$9.2 billion in domestic “video entertainment” revenue in 3Q 2017. Comcast reported \$5.8 billion in video revenue in 3Q 2017, and Charter reported \$4.2 billion in video revenue in the quarter.

Also, while these SVOD services (somewhat) compete with live pay-TV services, they also can be beneficial to increasing the value of broadband for these same companies.

Top Broadband Internet providers:

- 1) Comcast – 25,519,000 subscribers
- 2) Charter – 23,603,000 subscribers
- 3) AT&T – 15,715,000 subscribers

The top three broadband Internet providers in the U.S. account for nearly 65 million subscribers. In this case, **the number one provider of broadband in the U.S. is the cable company, Comcast.**

While the incremental growth of broadband is beginning to slow, over the past year, Comcast added 1.2 million broadband subscribers, Charter added 1.4 million broadband subscribers, and AT&T added about 100,000 broadband subscribers.



Did You Know ...

Where broadband service is available from the top cable providers, about 46% subscribed to broadband from cable at the end of 3Q 2017

As broadband has grown, major cable companies’ customer relationships increasingly do not include a video subscription. For the top cable providers, 28% of residential customer relationships are now non-video – up from 22% two years ago. This non-video percentage varies based on individual companies’ strategies. About 21% of Comcast’s customers do not get a video service, compared to 35% for Charter, and about 54% for (smaller provider) Cable ONE.

LRG’s surveys find that a majority of all households get a bundle of services from a single provider, and **nearly two-thirds of broadband subscribers get a bundle.** In addition to Internet and TV services, these bundles often include home phone service.

Top Residential Phone providers:

- 1) Charter – 10,405,000 lines
- 2) Comcast – 10,351,000 lines
- 3) AT&T – 10,333,000 lines

For the first time, the number one home phone company in the U.S. is not a traditional phone company, it is Charter.

As home phone service has become less prevalent over time (the original cord-cutting), and traditional phone companies have shifted focus to the mobile phone category, cable companies have used landline phone service as part of their bundled offering, particularly for home owners.

With 2017 coming to an end, we see that the top players in each category do not necessarily fit into traditional definitions and expectations. Going forward we are sure to see continued shifts from providers, along with evolving consumer behaviors and preferences. In the meantime (in honor of the new year), as Kasem would conclude his AT40 show each week, remember to *“keep your feet on the ground and keep reaching for the stars.”*

84% of U.S. Households Get an Internet Service at Home

Leichtman Research Group, Inc. found that 84% of U.S. households get an Internet service at home, compared to 83% in 2012 and 74% in 2007. Broadband accounts for 98% of households with Internet service at home, and 82% of all households get a broadband Internet service – an increase from 76% in 2012, and 53% in 2007.

Did You Know ...

About 6% of all households have an iPad/tablet, but do not use a laptop or desktop computer – up from 1% in 2013

In addition, 75% of adults access the Internet on a smartphone, up from 44% in 2012. Overall, 68% of households now get Internet service both at home and on a smartphone, an increase from 59% in 2014, and 42% in 2012.

These findings are based on a survey of 1,203 households from throughout the United States and are part of a new LRG study, *Broadband Internet in the U.S. 2017*. This is LRG's fifteenth annual study on this topic.

Other findings include:

- 16% of households only get Internet service at home – compared to 41% in 2012
- 42% not online at home access the Internet on a smartphone – representing 7% overall
- 91% of all households access the Internet either at home and/or on a smartphone – compared to 85% in 2012
- 91% with annual household incomes >\$50,000 get broadband at home – compared to 72% with annual household incomes <\$50,000
- 85% of households use at least one laptop or desktop computer – 93% of this group get an Internet service at home

The percentage of households that have an Internet service at home is similar to what it was five years ago. Yet, increasingly the home Internet service is

broadband, and it has also become more common for home Internet service to be paired with Internet service on a smartphone. Over two-thirds of households now get Internet service at home and on a smartphone.

About 380,000 Added Broadband in 3Q 2017

Leichtman Research Group, Inc. found that the fourteen largest cable and telephone providers in the U.S. – representing about 95% of the market – acquired about 380,000 net additional high-speed Internet subscribers in 3Q 2017.

These top broadband providers now account for over 94.5 million subscribers -- with top cable companies having 60.4 million broadband subscribers, and top telephone companies having 34.1 million subscribers.

Findings for the quarter include:

- Overall, broadband additions in 3Q 2017 were 61% of those in 3Q 2016
- The top cable companies added about 540,000 subscribers in 3Q 2017 – 69% of the net additions for the top cable companies in 3Q 2016
- The top telephone companies lost about 155,000 subscribers in 3Q 2017 – compared to a loss of about 150,000 broadband subscribers in 3Q 2016
 - Telcos have had combined net broadband losses in each of the past six quarters
- In the first three quarters of 2017, cable companies added about 2,000,000 broadband subscribers, while Telcos lost about 430,000 subscribers



Did You Know ...

60% of broadband subscribers don't know the speed of their broadband connection – compared to 77% in 2010

Major providers now account for over 94.5 million broadband subscribers in the U.S., yet the broadband market is still expanding with cable providers continuing to drive the growth. Over the past year, cable companies added about 2.86 million broadband subscribers, accounting for 124% of the 2.3 million net broadband additions.

Major Pay-TV Providers Lost About 405,000 Subscribers in 3Q 2017

Leichtman Research Group, Inc. found that the largest pay-TV providers in the U.S. – representing about 95% of the market – lost about 405,000 net video subscribers in 3Q 2017, compared to a loss of about 250,000 subscribers in 3Q 2016.

The top pay-TV providers account for 92.2 million subscribers -- with the top six cable companies having 48.1 million video subscribers, satellite TV services about 32.3 million subscribers, the top telephone companies 9.3 million subscribers, and the top Internet-delivered pay-TV services having about 2.5 million subscribers.

Key findings for the quarter include:

- The top six cable companies lost about 290,000 video subscribers in 3Q 2017 – compared to a loss of about 90,000 subscribers in 3Q 2016
 - DBS net losses were more than in any previous quarter
 - DIRECTV had 251,000 net losses in 3Q 2017 – compared to a gain of about 5,000 subscribers in 3Q 2016
- The top telephone providers lost about 180,000 video subscribers in 3Q 2017 – compared to a loss of about 370,000 subscribers in 3Q 2016
- Internet-delivered services (Sling TV and DIRECTV NOW) added about 535,000 subscribers in 3Q 2017 – compared to about 200,000 net adds in 3Q 2016

The top two Internet-delivered pay-TV services added over a half million subscribers in 3Q 2017, bringing their combined total to nearly 2.5 million subscribers, and further entrenching this newer form of delivery as part of today's pay-TV industry. Overall, the top pay-TV providers lost about 155,000 more subscribers in 3Q 2017 than in 3Q 2016.

Industry by the Numbers

Top Pay-TV Providers in the U.S.

<i>Cable Companies</i>	Subscribers at End of 3Q 2017	Net Adds in 3Q 2017
Comcast	22,390,000	(126,000)
Charter	16,982,000	(89,000)
Altice	3,430,200	(32,500)
Mediacom	823,000	(6,000)
CableONE*	287,260	(10,730)
Other major private company**	4,220,000	(25,000)
Total Top Cable	48,132,460	(289,230)
Satellite Services (DBS)		
DIRECTV	20,605,000	(251,000)
DISH-DBS^	11,668,000	(224,000)
Total DBS	32,273,000	(475,000)
Phone Companies		
Verizon FiOS	4,648,000	(18,000)
AT&T U-verse	3,718,000	(135,000)
Frontier	981,000	(26,000)
Total Top Phone	9,347,000	(179,000)
Internet-Delivered		
Sling TV^	1,680,000	240,000
DIRECTV NOW	787,000	296,000
Total Internet-Delivered	2,467,000	536,000
Total Top Pay-TV	92,219,460	(407,230)

Sources: The Companies and Leichtman Research Group, Inc.

* Cable ONE does not include the NewWave acquisition in May 2017

** Includes LRG estimate for Cox

^ DISH reports combined DBS and Sling TV subscribers, the individual counts for DISH and Sling TV are LRG estimates
Does not remove DBS subs in PR and USVI with "paused service" due to Hurricane Maria

Company subscriber counts may not solely represent residential households

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

Top cable does not include overbuilder WOW with 442,500 subscribers

Internet-delivered does not include PlayStation Vue, Hulu with Live TV, or YouTube TV which have not publicly reported sub totals

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

Top Broadband Internet Providers in the U.S.

<i>Cable Companies</i>	Subscribers at End of 3Q 2017	Net Adds in 3Q 2017
Comcast	25,519,000	213,000
Charter	23,603,000	285,000
Altice	4,020,900	16,500
Mediacom	1,194,000	9,000
WOW (WideOpenWest)	730,000	2,400
Cable ONE*	519,062	(2,662)
Other Major Private Companies**	4,860,000	15,000
Total Top Cable	60,445,962	538,238
<i>Telephone Companies</i>		
AT&T	15,715,000	29,000
Verizon	6,978,000	(10,000)
CenturyLink	5,767,000	(101,000)
Frontier	4,000,000	(63,000)
Windstream	1,017,400	(8,400)
Cincinnati Bell	307,900	800
FairPoint^	301,000	(3,193)
Total Top Phone	34,086,300	(155,793)
Total Top Broadband	94,532,262	382,445

Sources: The Companies and Leichtman Research Group, Inc.

* Cable ONE does not include the NewWave acquisition in May 2017

** Includes LRG estimate for Cox

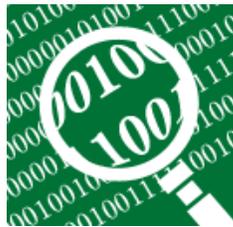
^ FairPoint was acquired by Consolidated Communications in 3Q 2017, reported connects acquired

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 quarter's Notes to prior Notes may not produce accurate findings



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