



Leichtman Research Group Research Notes

2Q 2023 *Actionable Research on the Broadband, Media & Entertainment Industries*

Expansion Teams: Changing the Game

The Vegas Golden Knights won their first NHL Stanley Cup championship earlier this month. This was quite an achievement for a team that did not even exist seven seasons ago. In the NBA, the Denver Nuggets also won their first championship, albeit 46 years after they, and three other ABA teams, joined the league.

Long-time LRG Research Notes readers

may recall columns from a few years ago, when the Golden Knights were just starting, comparing the impact of expansion teams in sports to new pay-TV services. With these freshly crowned champions, now seems to be a good time to revisit this analogy.

Below are a few examples of how newer entrants have, and are, changing the industry landscape.

pay-TV providers in the U.S. And, in recent surveys, more consumers now report having a vMVPD than having a satellite TV service.

Despite the success of vMVPDs, they are still often treated as tangential to traditional pay-TV services, rather than as a key component of the category, which they have become. Recently, I read an article with a pay-TV industry forecast that did not include vMVPDs. I also saw vMVPDs included in a “broadband-only” category, rather than grouped with their traditional MVPD brethren. Such decisions about how to handle vMVPDs further diminish, intentionally or not, the waning percent of pay-TV subscribers in the U.S. **It seems like we are well past the time to be segregating these live pay-TV services into alternative categories just because they are streamed rather than delivered via cable or satellite.**

While many traditional pay-TV providers are more focused on other lines of business, vMVPDs are increasingly impacting the live TV market. Taking the baton from a former pay-TV expansion team, DIRECTV, YouTube TV will introduce NFL Sunday Ticket later this year. While Sunday Ticket may not be the subscriber bonanza that some anticipate, it will help to further establish YouTube TV as a major player in the category, similar to how it boosted the image of DIRECTV three decades ago.

Fixed wireless/5G home Internet services

Just two years ago, at the end of 1Q 2021, the top two fixed wireless services (T-Mobile and Verizon) had fewer than 350,000 subscribers, and had little impact on the overall broadband market.

Internet-delivered live pay-TV services (vMVPDs)

In early 2015, the pay-TV industry (including cable and satellite TV services) expanded with the introduction of Sling TV. Sling became the first major Internet-delivered live streaming pay-TV service, or vMVPD (virtual Multichannel Video Programming Distributor). In 2017, YouTube TV and Hulu + Live TV entered the market. **Today, these two services are the fifth and sixth largest**

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Yet, **just two years later, these services now account for over 5 million subscribers**, and they have quickly changed the composition of net new broadband subscribers.

- Over the past year, fixed wireless accounted for 105% of net broadband additions – compared to 31% of the net adds over the prior year

Initially written off as being technologically inferior to established cable (HFC) and fiber services, fixed wireless' lower cost/value-focused offering that features added discounts when bundled with wireless phone service has proven to be "good enough" for many. The services are particularly popular among younger movers and renters. While the entrance of fixed wireless services may not have resulted in a significant increase in disconnects (churn) among existing broadband subscribers, they have attracted many new customers that would have gone to traditional broadband providers in prior years.

One must keep in mind that **net adds/losses in every category are a function of both connects and disconnects**. In the early days of growth, net additions are driven by subscriber acquisition/connects, with limited churn from new subscribers. But as the customer base expands, disconnects become a larger component of the equation. While fixed wireless services are likely to continue to add subscribers, it will become increasingly challenging for them to grow at the pace they have in recent quarters.

Mobile phone service from cable providers

As wireless phone companies have infiltrated the home Internet category and stunted cable broadband's subscriber growth, cable providers in turn have been successful in making inroads into the mobile phone category.

At the end of 1Q 2023, Charter and Comcast combined had over 11.6 million mobile phone lines. This represented a net increase of 3.4 million lines over the past year, and 2.4 million lines over the prior year.

Direct to consumer (DTC) streaming video services and connected TVs

DTC streaming video services are perhaps the ultimate disruptive new entrant in the market over the past decade. At the end of 1Q 2023, the top publicly reporting streaming services totaled 267 million domestic subscribers.

In addition, **Nielsen's The Gauge reported that streaming services accounted for 36.4% of total TV viewing in May 2023**. (This total includes SVOD, AVOD, FAST and other services, but does not include linear vMVPD and MVPD streaming apps.)

As detailed later in these Research Notes, a key platform for the rise of streaming services has been the expansion of connected TV sets and devices in the home. LRG's *Connected TVs 2023* study found that 88% of TV households now have at least one Internet-connected TV device (double the figure from a decade ago), with the majority having, and using, multiple connected TV devices. **There are now about 500 million connected TV devices in consumers' households, an increase from about 330 million devices five years ago**. With expanded access and content offerings, consumers are more actively using the devices. The study found that 49% of adults now use a connected TV device daily, a significant increase from just 6% daily usage a decade ago.

A common thread among the new entrants above is that they each provide consumers with more choices, often emphasizing a better value proposition.

These expansion teams exemplify the evolution of the various categories, and how they are helping to change consumer behavior as well as business models. Yet the changes, and ultimate impact on the market, are not necessarily immediate.

Basketball is no longer played in short shorts, where pounding the ball in the paint is the main road to victory. The NBA champion Denver Nuggets came out of the ABA nearly five decades ago. While the red, white, and blue ABA basketballs may not have stood the test of time, the three-point shot that the ABA helped bring to the NBA has (along with the likes of Steph Curry) fundamentally changed the way the game is now played.

Many of the new industry entrants that we are seeing today will continue to change the game for decades to come, and will surely be joined by other new competitors along the way.



Did You Know ...

In the 1979-1980 NBA season there were 2.8 three-point shots attempted per team per game – compared to 6.6 in 1989-1990, 13.7 in 1999-2000, 18.1 in 2009-2010, and 34.2 in the 2022-2023 season

49% of Adults Watch Video via a Connected TV Device Daily

New consumer research from Leichtman Research Group finds that 88% of U.S. TV households have at least one Internet-connected TV device,

including connected Smart TVs, stand-alone streaming devices (like Roku, Amazon Fire TV sticks or boxes, Chromecast, or Apple TV), connected video game systems, and/or connected Blu-ray players. This compares to 82% with at least one connected TV device in 2021, 74% in 2018, and 44% in 2013.

Overall, 49% of adults in U.S. TV households watch video on a TV via a connected device daily – compared to 39% in 2021, 29% in 2018, and 6% in 2013.

Younger individuals are most likely to use connected TV devices. Among all ages 18-34, 63% watch video on a TV via a connected device daily – compared to 58% of ages 35-54, and 27% of ages 55 and above.


These findings are based on a survey of 1,770 TV households in the U.S., and are part of a new LRG study, *Connected TVs 2023*. This is LRG's twentieth annual study on TVs in the U.S.

Other findings include:

- 74% of TV households have at least one connected Smart TV – up from 64% in 2021, 47% in 2018, and 13% in 2013
- 55% of all TV sets in U.S. households are connected Smart TVs – an increase from 43% in 2021, 29% in 2018, and 7% in 2014
- 44% of TV households only have Smart TVs for all their TV sets
- 62% of TV households have at least one stand-alone streaming device – up from 55% in 2021, 46% in 2018, and 6% in 2013
- 67% of TV households have multiple types of connected TV devices – compared to 62% in 2021, and 49% in 2018

- The mean age of those with multiple types of connected TV devices is 42.3, while the mean age of those with one type of device is 50.5, and the mean age of those with no connected TV devices is 55.5

Nearly half of all adults now watch video via a connected TV device daily, a significant increase from a decade ago. While Smart TVs are a key component of the connected TV category, the vast majority of connected TV users stream via multiple types of devices.



Among those with any connected TV devices, the mean is 4.5 – compared to 4.1 in 2021, and 3.8 in 2018

Findings for the quarter include:

- Top cable providers had a net loss of about 1,060,000 video subscribers in 1Q 2023 – compared to a loss of about 825,000 subscribers in 1Q 2022
- Other traditional pay-TV services had a net loss of about 760,000 subscribers in 1Q 2023 – compared to a loss of about 625,000 subscribers in 1Q 2022
- Top vMVPDs had a net loss of about 395,000 subscribers in 1Q 2023 – compared to a loss of about 400,000 subscribers in 1Q 2022

Pay-TV net losses of about 2.2 million in 1Q 2023 were more than in any previous quarter.

Similar to recent quarters, the record net losses appear to be as much a function of a slowdown in new connects as an increase in disconnects.

Major Pay-TV Providers Lost About 2,215,000 Subscribers in 1Q 2023

Leichtman Research Group found that the largest pay-TV providers in the U.S. – representing about 96% of the market – lost about 2,215,000 net video subscribers in 1Q 2023, compared to a pro forma net loss of about 1,850,000 in 1Q 2022.

The top pay-TV providers now account for about 73.7 million subscribers – with the top seven cable companies having about 36.8 million video subscribers, other traditional pay-TV services having 23.4 million subscribers, and the top Internet-delivered (vMVPD) pay-TV services (now including an estimate for YouTube TV) having about 13.5 million subscribers.

About 960,000 Added Broadband in 1Q 2023

Leichtman Research Group found that the largest cable and wireline phone providers and fixed wireless services in the U.S. – representing about 96% of the market – acquired about 960,000 net additional broadband Internet subscribers in 1Q 2023, compared to a pro forma gain of about 1,085,000 subscribers in 1Q 2022.

These top broadband providers account for over 112 million subscribers, with top cable companies having about 76.2 million broadband subscribers, top wireline phone companies having about 30.8 million subscribers, and top fixed wireless services having about 5 million subscribers.

Findings for the quarter include:

- Overall, broadband additions in 1Q 2023 were 89% of those in 1Q 2022
- The top cable companies added about 65,000 subscribers in 1Q 2023 – compared to about 485,000 net adds in 1Q 2022
- The top wireline phone companies lost about 20,000 total broadband subscribers in 1Q 2023 – compared to about 65,000 net adds in 1Q 2022
 - Wireline Telcos had about 500,000 net adds via fiber in 1Q 2023, and about 520,000 non-fiber net losses
- Fixed wireless/5G home Internet services from T-Mobile and Verizon added about 915,000 subscribers in 1Q 2023 – compared to 530,000 net adds in 1Q 2022

Top broadband providers added nearly one million subscribers in 1Q 2023, with fixed wireless services accounting for 95% of the quarterly net adds.



Did You Know ...

Top publicly reporting streaming services added about 18 million domestic subscribers over the past year – compared to about 35 million over the prior year

Industry by the Numbers

Top Pay-TV Providers in the U.S.

Cable Companies	Subscribers at end of 1Q 2023	Net Adds in 1Q 2023
Comcast	15,528,000	(614,000)
Charter	14,906,000	(241,000)
Altice**	2,475,800	(60,500)
Breezeline	300,684	(8,943)
Cable One	167,000	(14,500)
Other major private companies^	3,440,000	(120,000)
Total Top Cable	36,817,484	(1,058,943)
Other Traditional Services		
DIRECTV^	12,750,000	(350,000)
DISH TV (DBS)	7,098,000	(318,000)
Verizon Fios (Telco)	3,225,000	(76,000)
Frontier (Telco)*	288,000	(18,000)
Total Top Other Traditional	23,361,000	(762,000)
Internet-Delivered (vMVPD)		
YouTube TV*	5,700,000	100,000
Hulu + Live TV	4,400,000	(100,000)
Sling TV	2,100,000	(234,000)
Fubo	1,285,000	(160,000)
Total Top vMVPD	13,485,000	(394,000)
Total Top Pay-TV	73,663,484	(2,214,943)

Sources: The Companies and Leichtman Research Group, Inc.

* LRG estimate

** Altice now includes non-residential subscribers

^ Includes LRG estimates for Cox and Mediacom

^^ LRG estimate, includes DIRECTV, U-verse, and DIRECTV Stream

Company subscriber counts may not solely represent residential households

Top pay-TV providers represent approximately 96% 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

Top Broadband Internet Providers in the U.S.

Cable Companies	Subscribers at end of 1Q 2023	Net Adds in 1Q 2023
Comcast*	32,324,000	5,000
Charter	30,509,000	76,000
Altice*	4,612,700	(19,300)
Cable One	1,063,000	2,600
Breezeline	689,903	(3,878)
Other major private companies**	7,035,000	7,000
Total Top Cable	76,233,603	67,422
Wireline Phone Companies		
AT&T	15,345,000	(41,000)
Verizon	7,528,000	44,000
Lumen	2,981,000	(56,000)
Frontier	2,863,000	24,000
Windstream^	1,175,000	0
TDS	515,400	5,400
Consolidated	369,862	2,404
Total Top Wireline Phone	30,777,262	(21,196)
Fixed Wireless Services		
T-Mobile	3,169,000	523,000
Verizon^^	1,866,000	393,000
Total Top Fixed Wireless	5,035,000	916,000
Total Top Broadband	112,045,865	962,226

Sources: The Companies and Leichtman Research Group, Inc.

* Updated counting of business customers in 1Q 2023

** Includes LRG estimates for Cox and Mediacom

^ LRG estimate

^^ Includes adjustments from prior reporting

TDS residential subscribers, includes 310,700 wireline subscribers and 204,700 cable subscribers

Company subscriber counts may not solely represent residential households – about 7% of the total are non-residential

Top broadband providers represent approximately 96% of all subscribers

Net additions reflect pro forma results from system sales and acquisitions, and reporting adjustments, and changes to the list of top providers – therefore, comparing totals in this quarter's Notes to prior Notes may not produce accurate finding



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