THE CONVERGENCE RESEARCH GROUP LTD.

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The Battle for the American Couch Potato: Bundling, Television Internet, Telephone, Wireless

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Commentary

Now in its 16th year of publication, The Battle for the American Couch Potato: Bundling, TV, Internet, Telephone, Wireless (106 pages) contains analysis of product offers (including price comparisons), strategy, and subscriber/ financial performance metrics **by Company & Market**. In addition to Convergence analysis, sources include company interviews, annual/quarterly reports & presentations, US Census. **Please see Table of Contents for what is included in this Report.**

We estimate 2017 US Cable, Satellite, Telco TV access (not including OTT) revenue grew 1% to $107.6 billion ($94.30/mo. ARPU) and forecast $107.4 billion ($97.90/mo. ARPU) for 2018. We forecast Cable, Satellite, Telco will have 56.5%, 33%, 10% of US TV subscribers YE2018, from 55%, 34%, 11% YE2017. YE2017 we estimate 63% of TV subs had DVR & 79% HD.

We estimate 2017 saw a decline of 3.66 million US TV subscribers, 2016 a decline of 2.2 million, and we forecast a decline of 3.72 million TV subs for 2018; hence the US TV subscriber base is declining in the 4%/annum range.

As illustrated in our US Cord Cutter/Never Household Model, 2010 saw the start of the rise in cord cutter/never households. As of YE2017 we estimate 32.13 million US households (26.1% of HHs) did not have a traditional TV subscription with a Cable, Satellite, or Telco TV access provider, up from 27.56 million (22.6% of HHs) YE2016, and we forecast 36.76 million (29.6% of HHs) YE2018. 2016 saw 3.16 million, 2017 4.57 million, and we forecast 4.63 million 2018 cord cutter/never household additions.

2017 saw US residential broadband subscribers surpass US TV subs growing to 96.95 million. We estimate 2.33 million US residential broadband subscribers were added in 2017 (2.66 million in 2016) and revenue grew 7% to $56.8 million; we forecast 2.57 million additions and 6% growth to $60.5 billion for 2018.

Cable continues to add the lion's share of residential broadband subs (Telco lost residential broadband subs 2015-2017) for a number of reasons including AT&T and Verizon DSL cannibalization, Telco ongoing residential wireline telephone loss & gaps in higher-speed broadband coverage, and Cable's pricing. CenturyLink & Frontier were responsible for the majority of 2017 Telco broadband losses; we forecast they will contribute the majority of losses in 2018 as well.

2017 Telco US residential wireline telephone line loss was we estimate 9%, we forecast 9% for 2018. We estimate wireless-only households at 49% YE2017 and forecast 52% YE2018. Cable represented 45% of US residential wireline telephone subs YE2017, we forecast 47% YE2018.

2017 saw the four largest carriers add 12.14 million US wireless subscribers and we forecast 15.38 million for 2018. 2017 saw a 6% decline in weighted US wireless service ARPU and a 2% decline in wireless service revenue; we forecast a 5% and 2% decline respectively for 2018. T-Mobile continues to dominate in terms of subscriber additions, service revenue & ARPU growth.