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# **The Battle for the American Couch Potato: OTT and TV**

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## Commentary

Since 2003, we have published our Couch Potato Report series every year. **The Battle for the American Couch Potato: OTT and TV, May 2023**, (2017 pages), contains detailed analysis of offers (including prices & programming), deals & rights, strategy, subscriber & financial performance metrics (including forecasts) by Company & Market. In addition to Convergence analysis, sources include company interviews, annual / quarterly reports & presentations, US Census.

### **Commentary, please see Table of Contents for what is included in this Report:**

Based on analysis of over 80 OTT services (over 50 providers), led by Netflix, Disney /Hulu, WBD, Amazon, we estimate 2022 US OTT access revenue grew 26% to \$49.6 billion, and forecast 21% growth in 2023, and 13% in 2025. Although we forecast 2025 US OTT access revenue will well exceed TV access revenue, we project TV ARPU will still be more than twice OTT ARPU.

We forecast Programmers and Independents will continue to essentially split US OTT access revenue. Programmers face a complicated trajectory not only in terms of competition and profitability but balancing linear & OTT programming, advertising, and theatrical distribution.

US OTT household penetration, subscriptions per household, and net OTT subscriptions continue to progressively see more moderate annual growth (subscriptions added / annum we forecast will run on average 2023-2025 at half of 2020-2022); changes in subscription offerings, explored in depth in this Report, have logically followed.

We estimate Broadcast & Cable TV Network Online advertising, propelled by OTT (AVOD, FAST, SVOD), will rise to 23% of 2025 US TV advertising revenue.

We estimate 2022 US Cable, Satellite, Telco TV access revenue declined 6% to \$85.8 billion and forecast a 9% decline in 2023 (ARPU should grow 3%) and 13% in 2025.

We estimate 2022 saw a decline of 7.37 million US TV subscribers, and we forecast a decline of 8.24 million TV subs in 2023; hence US TV subscribers declined by 11% in 2022, and we forecast 14% in 2023 and 16% in 2025.

As illustrated in our US Cord Cutter/ Never Household Model, as of YE2022 we estimate almost 70 million US households (over 53% of HHs) did not have a TV subscription with a Cable, Satellite, or Telco TV access provider, and we forecast a rise to 72% of HHs YE2025.

Extending out forecasts to YE2028 from YE2022, demonstrates a decline of 70% of TV subs and more than 60% of annual TV access revenue, almost a doubling of cord cutter/ never households and more than a two and half times annual OTT access revenue. Net-net traditional TV access is well into becoming a niche product (even if we included vMVPDs in our TV numbers).

As TV access providers are also broadband providers there are benefits to facilitating the rise of OTT. Annual residential broadband revenue has more than doubled over the last decade, while TV access revenue is in its 7<sup>th</sup> year of decline.