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 15th year of publication, The Battle for the American Couch Potato: Bundling, TV, Internet, Telephone, Wireless (116 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 2016 US Cable, Satellite, Telco TV access provider (not including OTT) revenue grew 3% to $107.3 billion ($91/mo. ARPU) and forecast $109.6 billion ($95/mo. ARPU) for 2017. We forecast Cable, Satellite, Telco will have 55%, 35%, 10% of US TV subscribers YE2017, from 54%, 35%, 11% YE2016. YE2016 we estimate 62% of TV subs had DVR & 77% HD.

US TV subscriber losses and cord cutter/never household additions saw a major increase in 2016 as compared to 2015: We estimate 2016 saw a decline of 2.05 million US TV subscribers, 2015 saw a decline of 1.16 million, and forecast a decline of 2.11 million TV subscribers for 2017. As illustrated in our US Cord Cutter/ Never Household Model, 2010 saw the start of the rise in cord cutter/never households. As of YE2016 we estimate 27.2 million US households (22.3% of HHs) did not have a traditional TV subscription with a Cable, Satellite, or Telco TV access provider, up from 24.2 million (20% of HHs) YE2015, and we forecast 30.3 million (24.6% of HHs) YE2017. 2015 saw 2.1 million, 2016 3 million, and we forecast 3.1 million 2017 cord cutter/never household additions.

Not only has Cable reduced its annual TV subscriber losses by more than half 2015-2016 as compared to 2009-2014, a trend we forecast will continue, Cable is also crushing it when it comes to residential broadband subscriber additions. Over the last five years Cable has added nine times the residential broadband subscribers the Telcos have.

We estimate 2.54 million US residential broadband subscribers were added in 2016 and revenue grew 9% to $51.3 billion; we forecast 2.68 million and $54.7 billion for 2017. Cable continues to add the lion's share of residential broadband subs 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 speed for the price. Frontier's losses on its Verizon broadband subscribers also contributed to the Telcos' poor 2016 numbers.

2016 Telco US residential wireline telephone line loss was we estimate 8%, we forecast 8% for 2017. Wireless substitution was responsible for we estimate 87% of the 2016 loss. We estimate wireless-only households at 45% YE2016, and forecast 48% YE2017 & 50% YE2018. Cable represented 43% of US residential wireline telephone subs YE2016, we forecast 45% YE2017.

2016 saw the four largest carriers add 17.7 million US wireless subscribers and we forecast 15.5 million for 2017. 2016 saw a 7% drop in weighted US wireless service ARPU and 1% drop in wireless service revenue. We forecast a 4% decline in weighted wireless service ARPU and flat wireless service revenue for 2017. T-Mobile continues to dominate in terms of subscriber additions and service revenue growth; we forecast T-Mobile will not see a decline in wireless service ARPU for 2017.