

MAGNA

Media Access Quarterly

4th Quarter 2019

In This Issue: Multichannel Video Subscribers,
Cord Cutters and more.

Authors

Stefanie Morales STEFANIE.MORALES@MAGNAGLOBAL.COM

Michael Leszega MICHAEL.LESZEGA@MAGNAGLOBAL.COM

Linear MVPDs and Cord Cutting

Quarterly MVPD Performance

MVPDs had another terrible quarter, with **1.7 million homes** cancelling their pay television subscriptions in third quarter.

AT&T again took the biggest hit, losing one million linear subscribers, and more than 1.2 million between U-Verse and AT&T Now, due to an increase in customers dropping the service at the end of the promotional period.

On the cable side, **Comcast** lost more than 200,000 subscribers in the quarter, while **Charter** shed 80,000.

Factoring in vMVPD subscriptions did not come close to stabilizing the total (linear + virtual) MVPD market in the third quarter, with total losses of almost 1.5 million subscribers.

Long term MVPD Forecast

There were **86.0 million** pay television subscribers as of third quarter 2019. Because the actual cord cutting decline of 1.7 million was far worse than MAGNA's expected decline of 1.1 million, we've reduced our fourth quarter forecast from a 1.0 million subscriber decline to a 1.2 million subscriber decline.

MAGNA expects cord cutting to continue in 2020 with **5.2 million homes** dropping their pay television subscriptions next year.

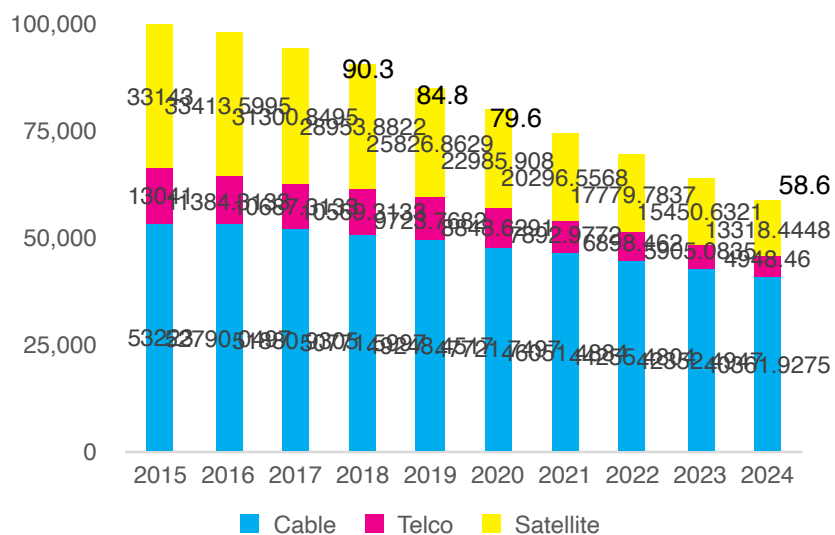
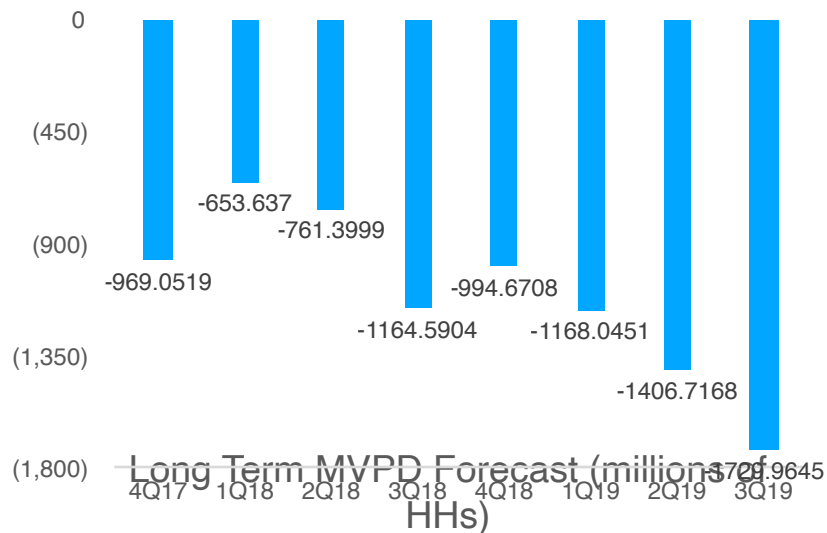
Pay Television Penetration

Traditional Multichannel Pay TV penetration of US Census occupied households will fall to **69%** of households by the end of 2019, down from 90% in 2009. Penetration will fall below 50% by 2023.

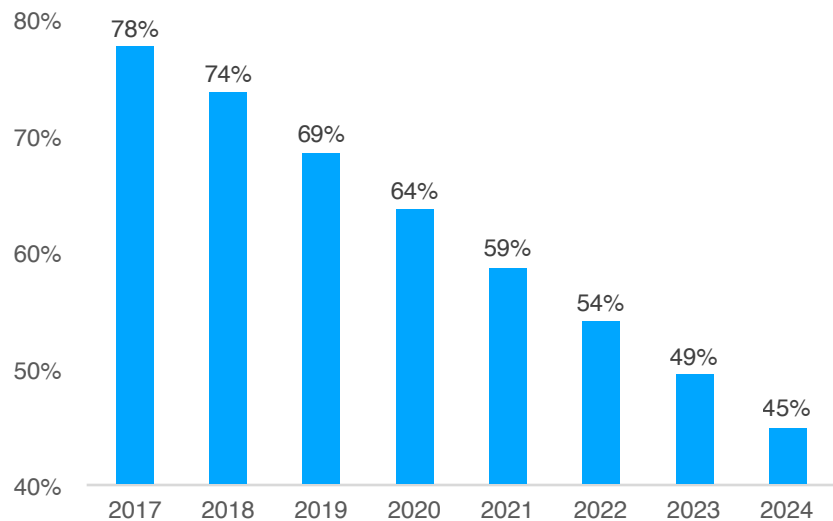
Cord Cutting

We estimate that there are **39 million Cord Cutters and Cord Nevers** as of third quarter, 20 percent more than a year ago. Of this, there are approximately **25.5 million Cord Nevers** and **13.5 million Cutters**.

MVPD Subscribers (millions of HHs)



Linear Pay TV Penetration (share of HHs)

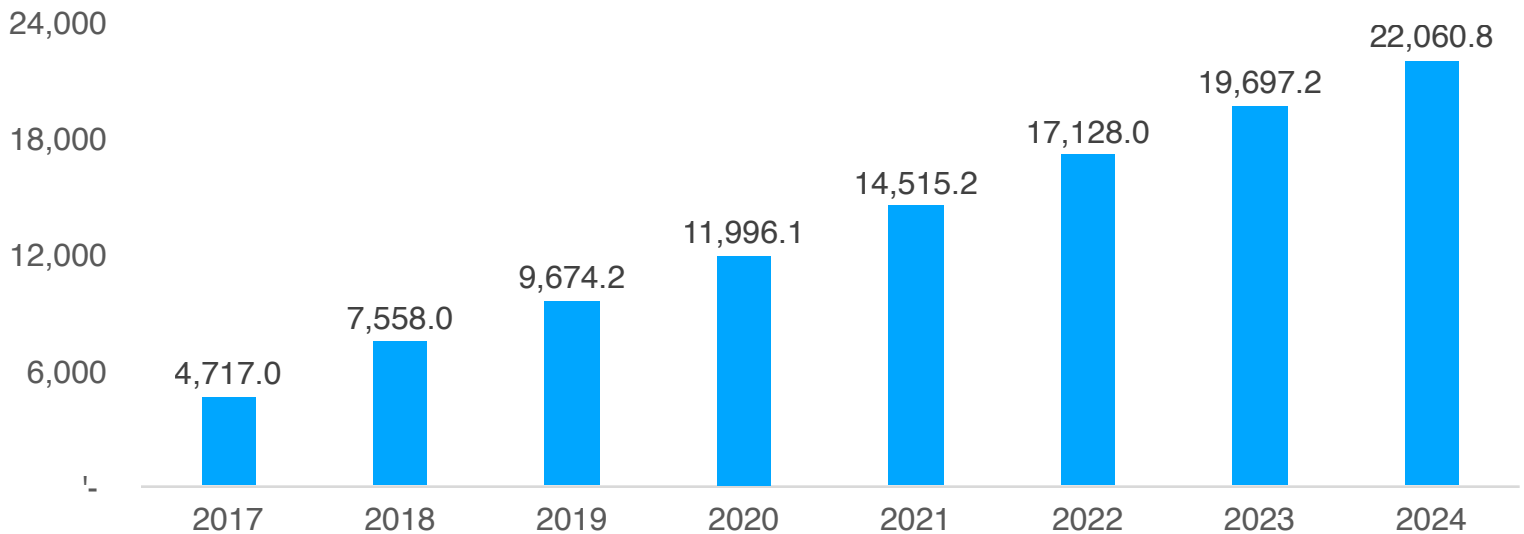


Virtual MVPDs and Total MVPDs (incl. vMVPDs)

Virtual MVPDs

Virtual MVPDs include Sling TV, DirecTV Now, PlayStation Vue, Hulu Live TV, YouTube TV and Fubo TV. There will be **9.7 million vMVPD** homes by the end of 2019 vs 7.6 million a year earlier, an increase of 28 percent, as declines at AT&T Now mitigate growth.

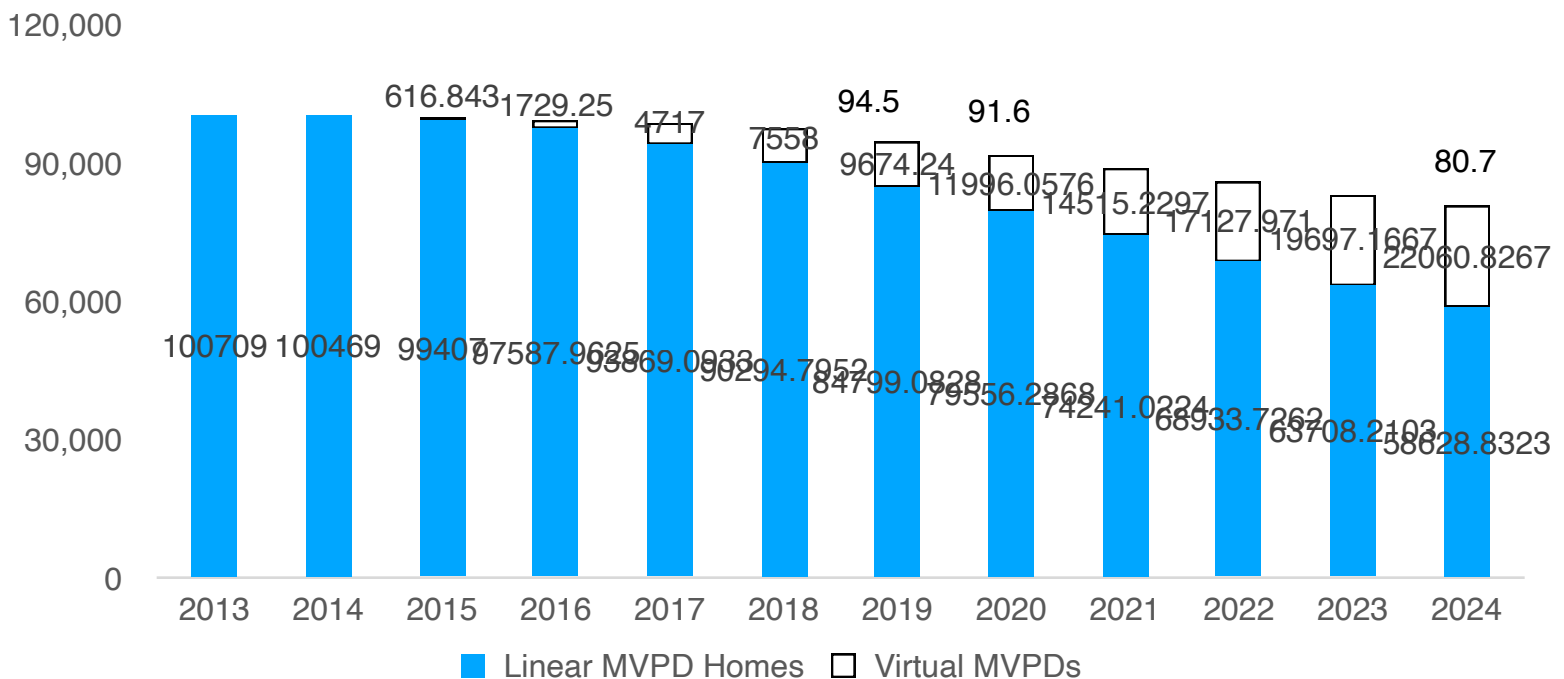
Virtual MVPDs (millions of HHs)



Total MVPDs (incl. vMVPDs)

Total pay TV homes including vMVPDs declined by nearly 1.5 million in the third quarter as AT&T Now shed 200,000 subscribers in the quarter. vMVPD homes now represent 9% of total Pay TV homes (8.6 million out of 94.5 million total linear and virtual in the third quarter).

Total MVPD Homes (millions of HHs)



SVOD Services, OTT Devices and Smart Televisions

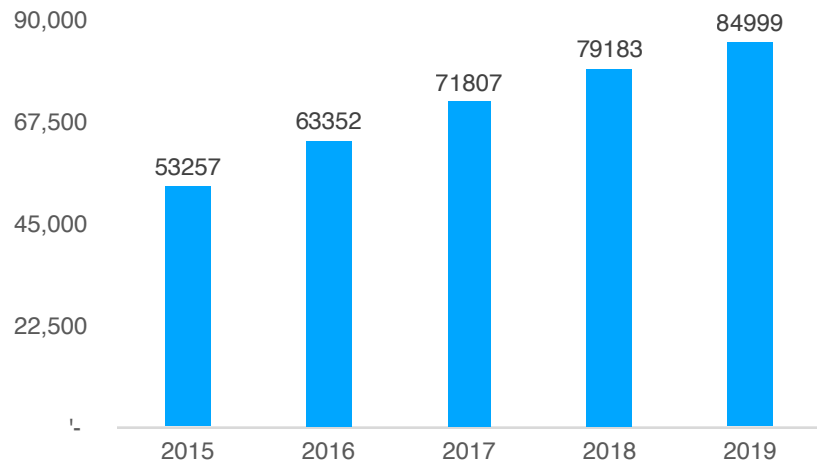
Subscription Video on Demand Services

85 million households are subscribed to a streaming service at the end of 2019, according to Nielsen, or 70% of all US Census occupied households.

Netflix subscribers declined for the first time in eight years in the second quarter but returned to growth in the third quarter.

Amazon Prime video has an estimated **55 million video subscribers**, according to Nielsen. Hulu has more than **30 million subscribers** and growth has recently accelerated.

Households with an SVOD Service (millions of HHs)



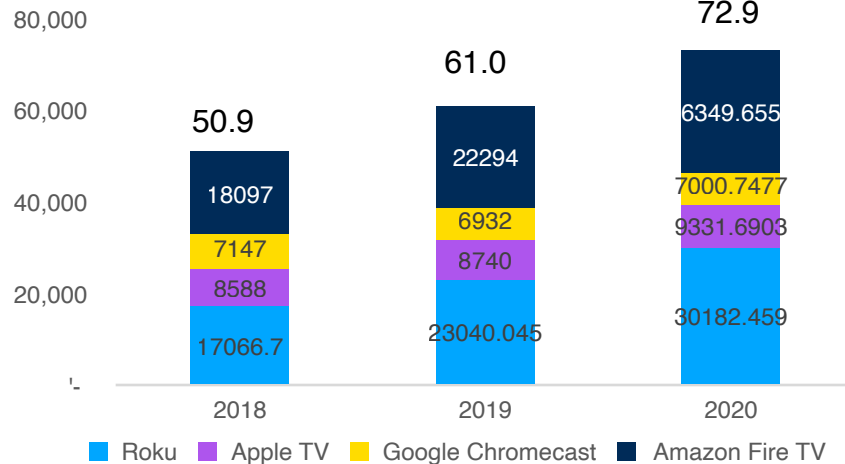
OTT Devices

There will be **61 million OTT devices** in use by the end of 2019, according to Nielsen and Roku financial statements, as growth is being driven predominantly by sales of Amazon Fire and Roku players.

Roku and Amazon Fire TV will lead the pack with 23 and 22 million devices sold, respectively.

Conversely, Apple TV (9 million) and Google Chromecast (7 million) lag behind as growth stalls.

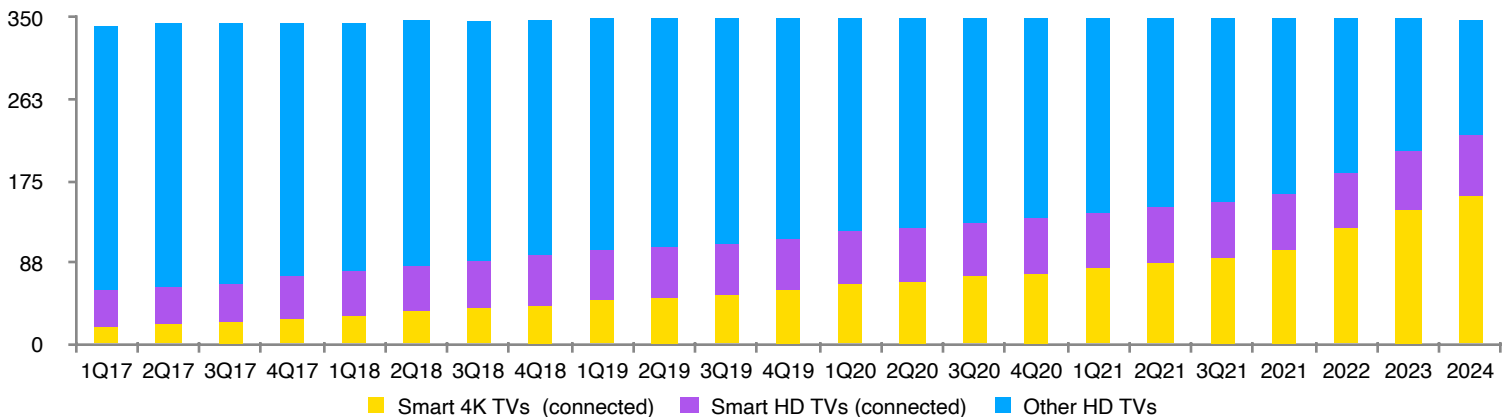
OTT Devices Sold (millions of HHs)



Smart Television Sets

Smart TV sets continue to be the most popular device used for in-home streaming. Currently **nearly half of TV homes** own at least one connected smart TV (49 percent), up from 42 percent a year ago and a 19 percent growth in total sets.

We estimate there are over **113 million connected TV sets** in the US as of fourth quarter with over half of them being 4K/Ultra HD. 4K TV sets will take over HD smart sets this quarter. During holiday sales period, 4K smart TV sets can be bought for as low as \$189, fueling sales and adoption.



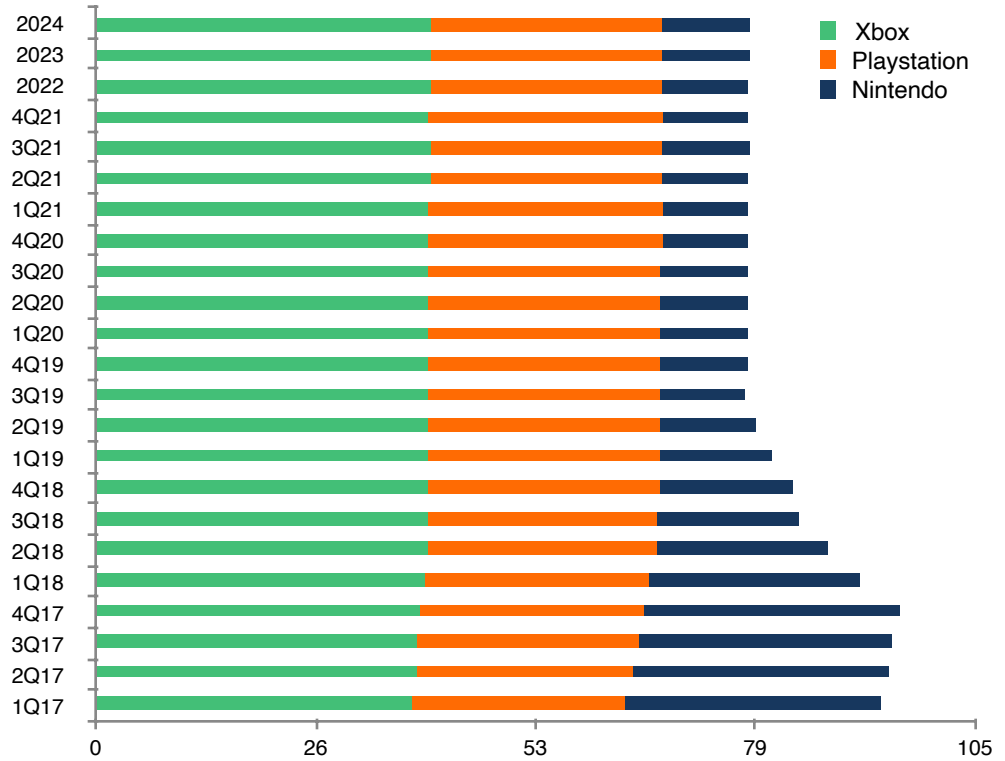
Game Consoles and Wearables

Game Consoles

We estimate there are currently **78.8 million** connected game consoles in the US.

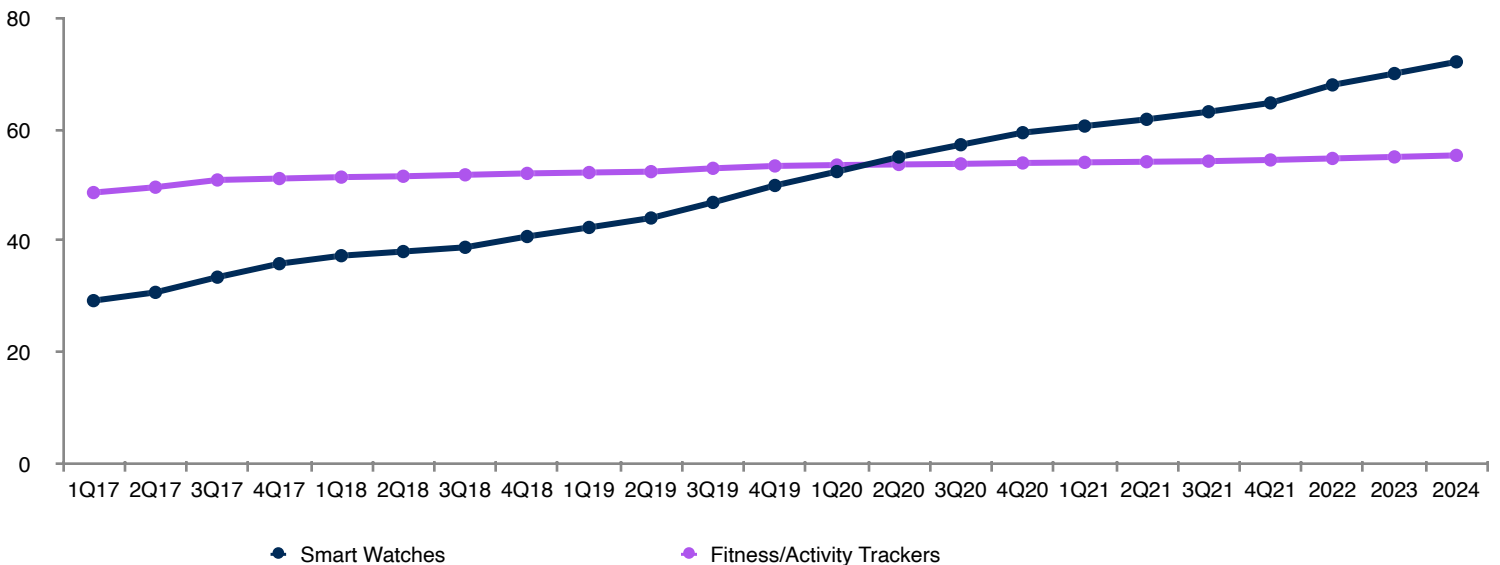
Game console ownership has been on a slight decline for the past few quarters. According to Nielsen **33 percent of homes** own at least one connected console, down from 34 percent last year. In third quarter 2019, both PlayStation 4 and Xbox One saw significant declines in units sales, down 22 and 35 percent respectively. Nintendo's Switch outsold PS4 and Xbox One combined, with nearly 1.2 million consoles sold.

Microsoft will release its newest console, the **Xbox Series X** next year for the 2020 holiday season.



Wearables

Fitness trackers still dominate the wearable market but smartwatches are the biggest growth segment in the category. Smartwatches will take over the wearable category next year in 2020. Fitbit estimates nearly 60 percent of its revenue in third quarter 2019 came from watch devices. Apple is the current leader in the smartwatch market but Google is set to acquire Fitbit next year, in an attempt to gain market share across the entire wearables category. We estimate there are 49.9 million smartwatches in the US as of 2019 and 53.4 million fitness trackers.



Smart Speakers, Tablets and

Smart Speakers

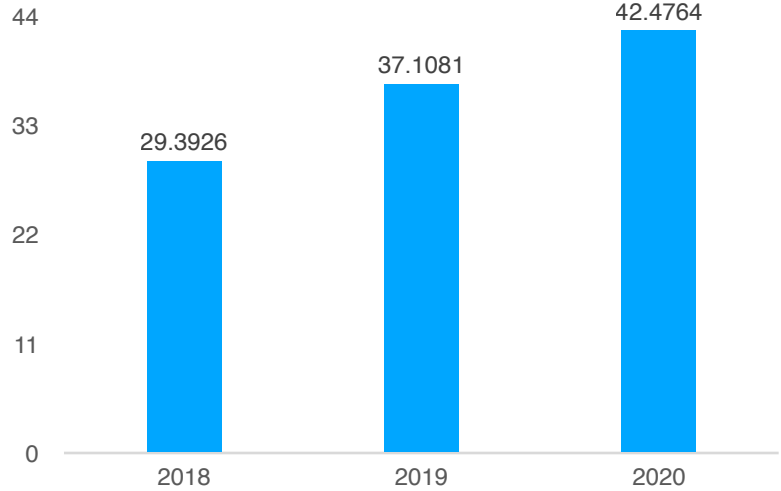
We now monitor smart speakers, whose popularity in the household has grown considerably in the past two years.

By the end of 2019 there will be approximately **86 million** smart speakers in 37.1 million US households, according to Nielsen, Edison Research, and the US Census Bureau.

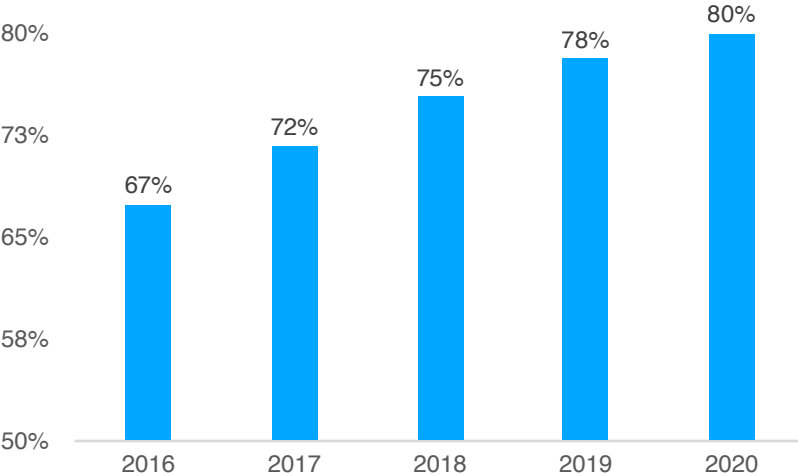
For more information check out the June 2018 [Media Economy Report](#), which focuses on e-commerce.

PCs

Smart Speakers (millions of HHs)



Broadband Access (share of HHs)



Broadband Access

Approximately **90 percent** of all households have internet access in the US in 2019, up from 82 percent in 2016, the last time the US Census bureau's *Computer and Internet Use* report was published.

87 percent of internet household have broadband access in 2019, or **78 percent of all households**. We expect the number of broadband households to rise to 80 percent by 2020.

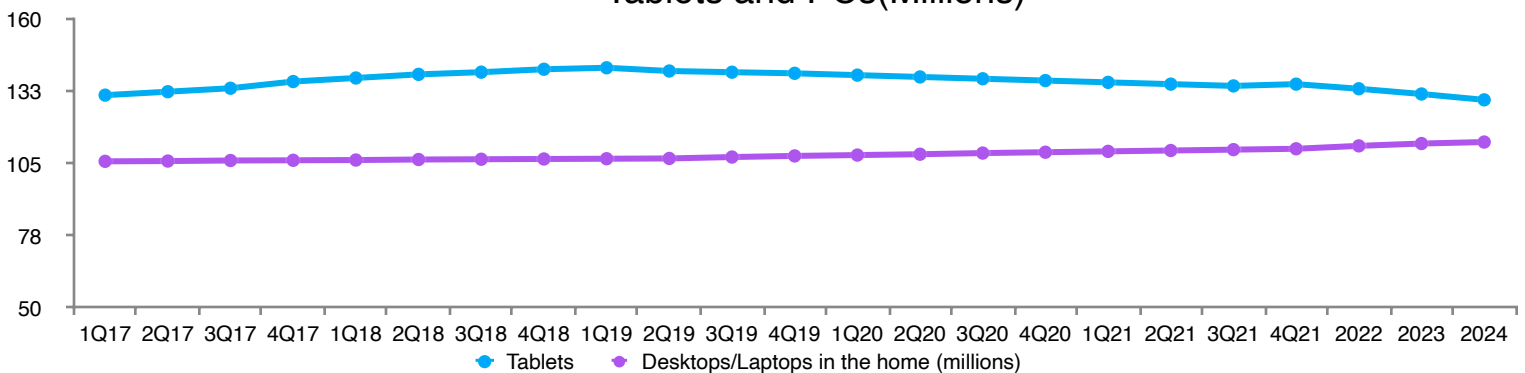
87 percent of all broadband homes have wireless broadband access, and we expect this to increase to 89 percent by 2020.

Tablets & PCs

Tablet ownership has been declining slightly over time with currently **63 percent** of households owning one. We estimate there are just under **140 million** tablets in the US in fourth quarter 2019. Apple is the estimated leader in the tablet space with over 70 percent of the market. Samsung and Amazon follow at 11 percent and 9 percent, respectively.

PCs ownership remains steady at **85 percent** household penetration in fourth quarter 2019, which we expect to continue through 2024.

Tablets and PCs (Millions)



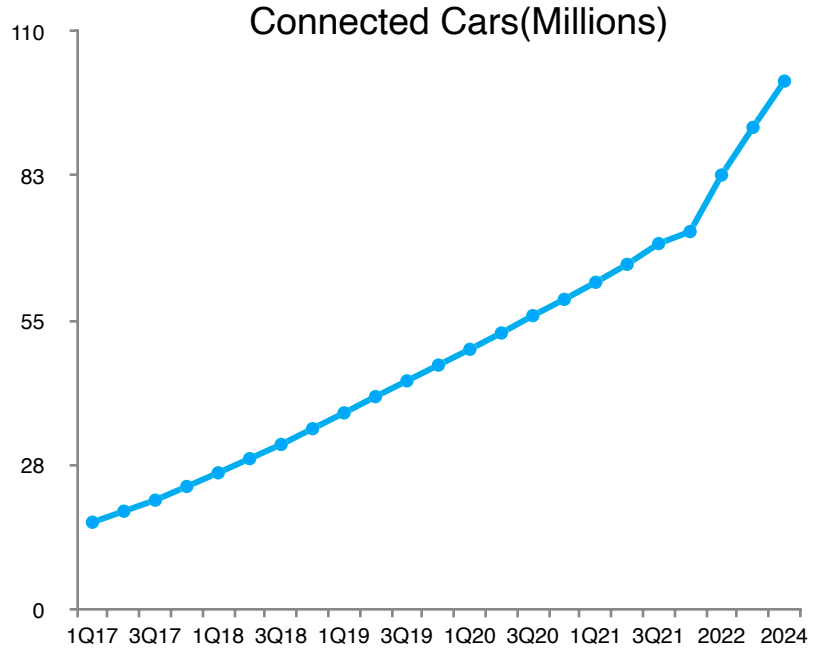
Source: Financial reports, MAGNA estimates

Connected Cars and Music Services

Connected Cars

AT&T added another **2.1 million** connected cars in third quarter 2019, maintaining its steady pace. We estimate a total of three million connected cars added equaling **46.5 million vehicles** as of fourth quarter 2019.

Nearly all major manufactures including Ford, BMW, Audi, Volvo, Hyundai, and Toyota offer some form of connectivity in their vehicles. The increased availability of capable cars plus the rise of 5G cellular technology will continue to fuel the connected car market for the next few years.



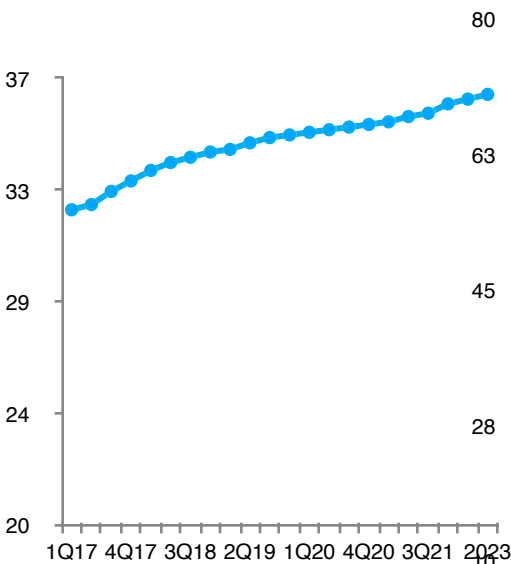
Music Services

SiriusXM continues to tick up with total users adding just under a million subscribers compared to last year. Currently we estimate SiriusXM has **34.9 million subscribers** by the end of 2019.

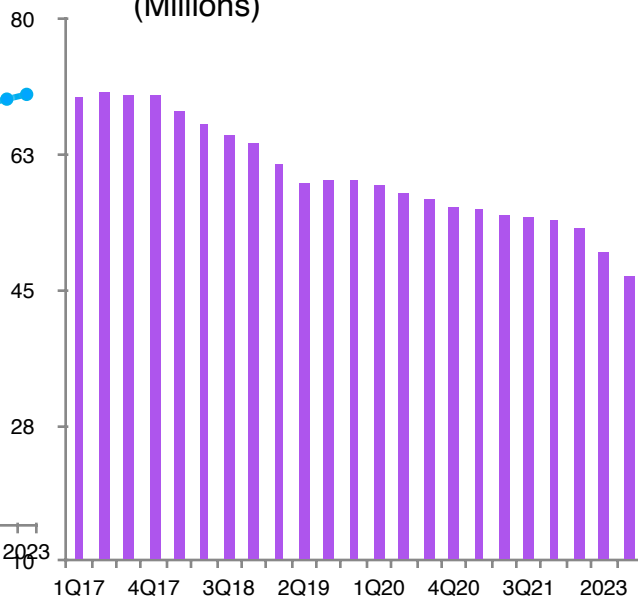
After several quarters of declines, Pandora saw a second consecutive quarter of growth among active mobile users. Pandora is also back on track as the number one streaming music service among both total unique users and time spent. We estimate there are currently **59 million active mobile** Pandora listeners. SiriusXM, which owns Pandora, has continued to appeal to consumers with new partnerships and content creation including a deal with Marvel to create new podcasts.

Spotify has been seeing steady growth since going public in 2018. We estimate Spotify at **63.4 million** US subscribers. 56 percent of Spotify users are ad-supported, but their premium tier is growing at a slightly faster pace.

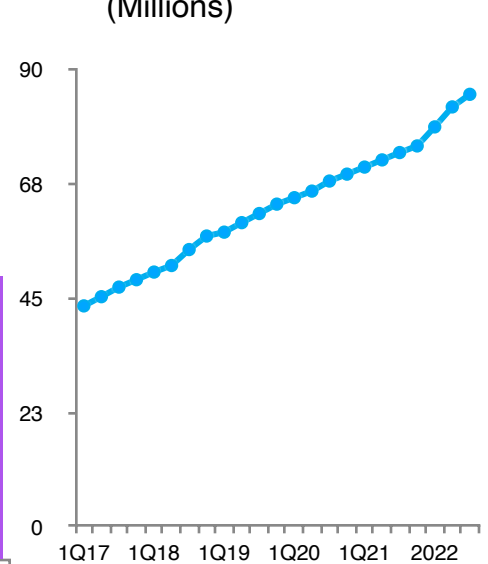
SiriusXM Subsribers(Millions)



Pandora Active Mobile Listeners (Millions)



Spotify Subsribers (Millions)



Source: MAGNA estimates