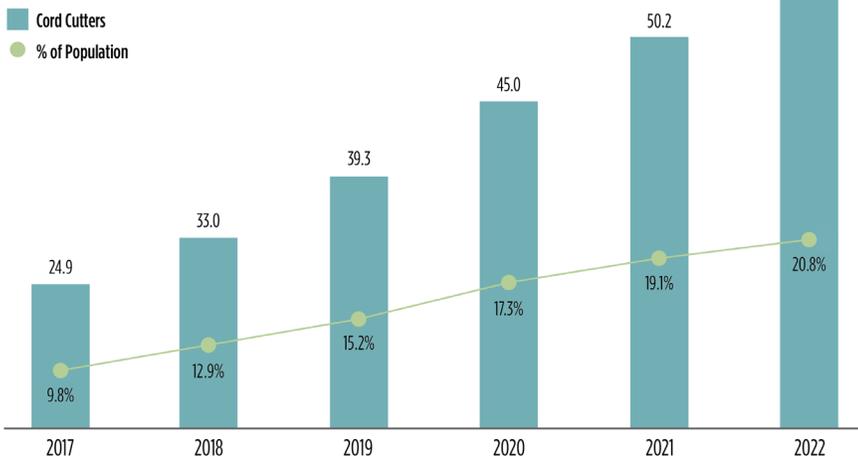


Timely Insights from JAG's Research Team

Total reading time = 2 minutes

US Cord Cutters, 2017-2022

Note: ages 18+; individuals who no longer have access to traditional pay TV services



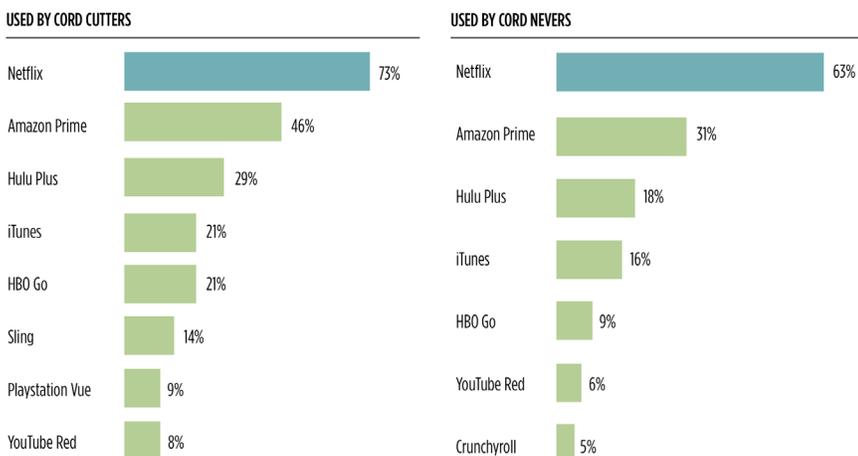
Source: eMarketer, JAG Capital Management

Millennials keep killing things. Over the last few years it has been claimed that Millennials are killing various mainstays of American life – marriage, home ownership, 9-to-5 work days, driving, etc. You can now add cable TV subscriptions to that list.

The number of consumers abandoning traditional cable continues to grow, and we think it's only going to get worse. It's estimated that nearly 40% of Millennials have either never had a cable subscription or have "cut the cord," getting rid of their subscription altogether. Boomers, 80% of whom are thought to have a cable subscription, are cutting the cord in increasing numbers as well. There are some estimates that as many as 1/5 Boomers have switched to streaming as their primary source of TV consumption. **The growth in cord cutting is expected to continue, with 55 million consumers possibly making the switch by 2022.**

Netflix Leads the Way Among Paid Streaming Services

In September 2017, survey respondents were asked what streaming services they had used in the past three months.



Source: cg42, JAG Capital Management

Netflix is causing a headache for both cable TV operators and other streaming services. While there are many reasons Netflix has emerged as the leader in streaming, **we think the key to their success can be explained by superior content.** No other streaming only service (HBO excluded) has produced "must-see" shows the way Netflix has with titles like House of Cards and Stranger Things. Amazon Prime and Hulu's inability to produce hits is reflected in their subscriber numbers. Hulu has 20 million paying subscribers and Amazon Prime Video is reported to have 26 million viewers vs. Netflix's 54 million subscribers in the US. Netflix content is appealing to critics as well. **Netflix nabbed 112 Emmy nominations this year, unseating HBO from the top spot for the first time since 2000** and was far ahead of the big 4 broadcast networks who combined for just 159 nominations. When you consider that a basic Netflix plan starts at a \$8/month, it's easy to see why most consumers choose them over others. **Despite the recent pullback in shares, we think Netflix will be tough to dethrone as the king of streaming, especially as they spend \$13 billion on content this year.**

Cord-Cutting Isn't Going Away

What the trend is costing pay-TV companies



Source: cg42, JAG Capital Management

With streaming popularity on the rise, **cable TV providers are set to shed subscribers and thus revenue (about \$5.6 Billion according to the figures above)**. Some services like Comcast have seen the writing on the wall and are taking steps to stem the bleeding. Cable providers are beginning to partner with streaming services, bundling Netflix and Hulu with their cable packages. While their pragmatism should be applauded, we doubt this is a sustainable strategy given the trend toward cord cutting. Another approach providers have taken is offering “skinny bundles” where customers can choose a set number of channels and pay a lower fee. **These services have seen slow adoption (Dish’s Sling TV was the first to market and has just 2.3 Million subscribers) and are thought to have less favorable economics than traditional bundles (higher churn, lower prices points, etc.)**. In India, over half of the internet using population uses their mobile phone to access the web so we see a clear path for streaming to continue its rise in emerging markets as well. **For these reasons, we believe cable providers will remain challenged and streaming services will continue to gain traction.**

Disclosures

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9841 Clayton Road | St. Louis, MO 63124

800.966.4596 www.jagcapm.com

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