

Research: Cable Residential Revenue to Reach \$119.8 Bil. by 2015

MONTEREY, Calif. -- A new study from Kagan Research reports that in the second half of 2006, cable operators are riding a wave of investor optimism related to the accelerating rollout of Internet Protocol (IP) voice services and the accompanying halo effect on basic subscriber retention and overall revenue per subscriber.

Kagan's Broadband Cable Financial Databook (26th edition) describes the cable industry's stand-out growth stats in a myriad of categories. For example:

- Cable IP voice homes marketed will leap from 31.2 mil. at the end of 2005 to an estimated 68.7 mil. by year-end 2006;
- Cable IP voice subs have gone from 600K at year-end 2004 to 2.6 mil. at year-end 2005, and are forecast to jump to 6.5 mil. by year-end 2006.
- High-speed data penetration of basic video subscribers hit 39 percent at year-end 2005 (vs. 32 percent at year-end 2004) and is expected to grow to 45 percent by year-end 2006.
- Digital cable subs now surpass 30 mil., based on a projected increase from 28.6 mil. at year-end 2005 to 31.6 mil. at year-end 2006.
- In 2006, total residential revenue is expected to grow 9.6 percent to \$68.2 bil., at an average ARPU of \$87.04 (vs. the \$79.42 of 2005).

The industry continues to consolidate, with Comcast and Time Warner having completed their acquisition of Adelphia Communications. The top 10 MSOs, pro forma the deal, will own or control 90 percent of the nation's cable subs, and many clustering benefits in major metro areas have yet to be realized.

These include the exploitation of the potential of interactive advertising, greater telephony efficiencies, increased penetration into businesses, better marketing economics, and a rationalization of operating costs.

"These factors, along with the continued growth of core businesses, will combine to push cable residential revenue to \$119.8 bil. by 2015, of which just 41 percent will be delivered by basic cable, vs. 47 percent in 2006," says Robin Flynn, Kagan senior analyst.