

**TV Trends April 2018: Total TV Viewing +1.0%, Internet-Connected Devices +38%**

May 22, 2018

**BOTTOM LINE:** We have analyzed trends associated with the use of television alongside commercial share trends for national media owners in the United States through the end of the calendar month of April 2018 (covering the period running from April 1 to April 30 rather than the broadcast month, which ran from April 2 to April 29 this year). Complete data contained within this report became available from Nielsen last week.

**Brian Wieser, CFA**  
212-514-4682  
brian@pvtl.com

Notable observations for the calendar month of April include the following:

- **TV use grew for a second consecutive month against all audiences, but fell for adults 18-49.** Total use of television as we define it across all sources of content inputs was up again, by +1.0% on a total day basis for adults during April. However, among the narrower population group of adults 18-49 viewing fell -3.0%.
- **Internet-connected devices increase in significance.** Consumption via internet-connected devices (ICDs), including Roku, Apple TV and Google's Chromecast rose by +38% year-over-year among all households, or +29% among adults 18-49 to account for 14.4% of total TV use among adults 18-49 on a total day basis and 9.7% among all people.
- **Commercial impressions continue to fall.** National TV commercial impressions delivered among adults 18-49 fell -6.4% in April 2018 vs. April 2017 on a total-day basis and -3.3% for prime time. These declines were relatively better than declines observed in other recent months. However, this outcome was aided by the inclusion of more newly rated networks in the national ratings data which caused a +2.2% boost in the number of programming hours on national TV with measured commercials.
- **Commercial loads rose significantly during the month.** National commercial loads which qualified for C3/C7 ratings (which exclude unencoded or otherwise non-qualifying activity in digital environments) across the industry also helped improve the availability of commercial inventory, as loads increased again from 10.8 minutes per hour to 11.1 minutes, for a +2.4% boost in available inventory at the average network during the month.
- **Viacom led with the most commercial share while NBCU had the most viewing among all audiences.** Viacom produced the largest share of C3 commercial impressions during April with a 15.6% adults 18-49 share among national media owners. On a program viewing P2-99 live+7-day basis, NBCU had the highest share of viewing of rated national TV programming, with 14.7% of the industry's total in April 2018.

Overall, our interpretation is that while TV in its totality may be relatively stable, results remain negative for ad-supported national TV as a medium, consistent with recent trends. Viewing of unrated programming through internet-connected devices and of premium video on PCs, tablets and mobile phones are undoubtedly accounting for some of these declines, and probably would bring year-over-year trends closer to flat figures if related data were included in standard measures of viewership. However, it doesn't seem likely that this data will be included in any comprehensive industry-wide total audience metric any time soon.

We continue to believe in our maxim that television is the worst form of advertising except all those others which have been tried, at least for those advertisers focused on awareness-based media goals, and budgets are generally unaffected by changes in ratings in the short-term. Unfortunately, sentiment towards the medium worsens as commonly reported or relied-upon measures such as adults 18-49 fall, especially by the significant levels observed recently. Negative sentiment ultimately leads to advertisers' efforts to explore and encourage the use of alternative media vehicles, or otherwise establish marketing goals that are not necessarily awareness-driven.

**Additional commentary and data covering share data for different types of TV consumption and commercial viewing shares for network groups owned by AMC, CBS, Discovery, Disney, Fox, Time Warner and Viacom, are included in the remainder of this note.**

## TV Trends April 2018: Total TV Viewing +1.0%, Internet-Connected Devices +38%

### Total Use of TV Trends

We have analyzed trends associated with the use of television alongside commercial share trends for national media owners in the United States through the end of the calendar month of April 2018 (covering the period running from April 1 to April 30 rather than the broadcast month, which ran from April 2 to April 29 this year). Complete data contained within this report became available from Nielsen on Monday.

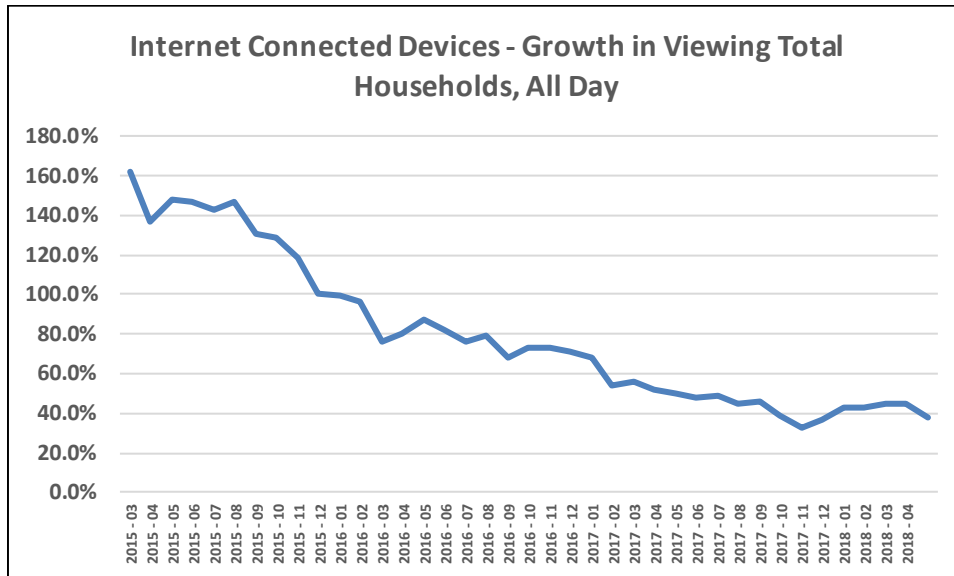
This data generally excludes programming running on devices other than TV sets (i.e. computers, tablets and handsets) if that programming was not encoded for commercial ratings. Viewing of content on OTT devices, through VOD or gaming consoles over a conventional TV is only attributed to individual networks if programming is encoded for commercial ratings, with commercial pods matching a network's linear feed. Viewing trends would likely look much better if related data were widely measured and syndicated. Total use of TV is important to monitor as it provides investors with a better sense of the health of the medium than relying solely on commercial ratings. There can be differing definitions of what total use of TV is, but going beyond network-level ratings or live + DVR viewing and looking at aggregated sources of viewing (especially including viewing on internet-connected devices, which includes a significant volume of television that concurrently appears on conventional TV) helps to better analyze the relative importance of the medium to consumers.

During April 2018, total use of television across the whole day rose by +1.0% in terms of average household viewing and fell by -3.0% for adults 18-49. Prime time trends were -1.1% for adults 18-49 while viewing was up during the daypart by +1.9% for households. Looking at ad-supported cable and English-language broadcast networks only and among adults 18-49, we can see a -8.4% decline during prime time and a -5.1% decline on a total day basis. Among households for the same ad-supported cable and English-language broadcast networks, there was a -1.3% decline in viewing during prime time and a decline of -2.4% decline on a total day basis.

Growth in use of TV involving internet-connected devices (ICDs, primarily Roku, Apple TV and Google Chromecast devices) was rapid once again, but generally decelerated. For the month, households increased this kind of TV viewing on a daily basis by +37.7%, while adults 18-49 were up by +28.8%. These rates of growth were lower in recent months vs. prior periods, although the share of viewing ICDs represent are increasingly significant. In total, the share of viewing over dedicated ICDs was 14.4% for adults 18-49 during April 2018 vs. 10.8% in April 2017 and 6.8% in April 2016. Across households, the share of viewing over internet-connected devices was 9.7% in April 2018, up from 7.1% in April 2017 and 4.6% in April 2016.

TV Usage Share (P18-49, Total Day)			
	April 2016	April 2017	April 2018
Ad Supported Cable Orig	44.6%	42.6%	39.5%
All Other Cable Orig	4.9%	4.8%	5.1%
All PBS Stations	0.8%	0.9%	0.8%
AOT	5.7%	5.8%	5.7%
DVD Playback	3.2%	2.8%	2.3%
English Broadcast	17.5%	16.3%	16.1%
Internet Connected Devices	6.8%	10.8%	14.4%
Premium Pay	3.7%	3.2%	2.9%
Spanish Broadcast	3.5%	3.2%	3.0%
Video Game Console	9.2%	9.6%	10.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Pivotal Research Analysis of Nielsen Data



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Overall, the industry-level conditions remain negative for ad-supported national TV as a medium, although the decelerating growth and seasonality of consumption of TV via ICDs is less negative than before. Viewing of premium video on PCs, tablets and mobile phones are undoubtedly accounting for some of these declines described above (and reported viewing might even grow if related data were included in standard measures of viewership). Recent commentary from Nielsen has indicated that more of this data will be included in comprehensive industry-wide total audience metric at some point in the not-too-distant future.

We continue to believe in our maxim that television is the worst form of advertising except all those others which have been tried, at least for those advertisers focused on awareness-based media goals, and budgets are generally unaffected by changes in ratings in the short-term. Unfortunately, sentiment towards the medium worsens as commonly reported or relied-upon measures such as adults 18-49 fall, especially by the significant levels observed recently. Negative sentiment ultimately leads to advertisers' efforts to explore and encourage the use of alternative media vehicles, or otherwise establish marketing goals that are not necessarily awareness-driven.

### Network Group and Network Level Viewing Trends

We have also reviewed major network group viewing trends for the month and summarize notable observations here. Rather than focusing on ratings (which are mostly relevant for media trading in context of how many people were reached with a single unit of advertising on a single program) we think investors should look at commercial inventory, which accounts for ratings as well as the number of units available for sale. Together, related metrics provide a more useful data related to the revenue headwinds or tailwinds that each network group faces.

Commercial inventory *share* at the network group level is then the metric that we think provides the best indications of relative strength or weakness at a given network or network group, independent of the health of the advertising market (which is driven by factors typically beyond the control of TV sellers).

Across the industry, programming hours (the number of networks multiplied by the number of hours they programmed Nielsen-rated content during the relevant period) of ad-supported content were up notably, by +2.2% during the month of April. Ad loads for the average channel were up by +2.4%, leading to a

+4.7% increase in available commercial inventory during the month vs. the year ago period. In total, commercial loads were at 11.1 minutes per hour vs. 10.8 minutes in the year-ago period and 10.7 minutes in April 2016.

With these boosting factors, for the month, total C3 commercial impressions delivered among adults 18-49 fell by -6.4% year-over-year on a total day basis, better than the average decline over the last twelve months. On a prime time-only basis, the decline was much better at -3.3% for the month. However, the ad load increase produced more favorable growth in commercial impressions than would otherwise have been the case: put differently, if ad loads held constant year-over-year, commercial impressions delivered would have fallen by double digits during the month.

**Viacom** produced the largest share of C3 commercial impressions during April with a 15.6% adults 18-49 share among national media owners, down from 15.8% in the year-ago period. Ad loads were actually down in April 2018 vs. April 2017, with 14.4 minutes per hour in the most recent month and 14.5 minutes in the year ago period. Of course, this is still the highest ad load in the industry, so reductions must be placed in this context. Viacom's share of P2-99 viewing on a live+7-day basis was lower during the month at 8.7% (below shares of viewing for NBCU, Time Warner, Disney, Fox and Discovery) vs. 9.6% in the year-ago month. The most significant declines were at Nick, where viewing fell from 1.6% to 1.2% and at Paramount, the former Spike, where share fell from 1.5% of commercial viewing to 1.3% for the month. BET improved significantly, rising from 1.3% commercial viewing share to 1.6% despite significantly lower ad loads at that network (still at 18.0 per hour, nationally, but better vs. the 19.5 per hour in the year ago month).

**Comcast's NBC Universal's** commercial share was 13.7% in April 2018, down from 14.0% in April 2017. On a program viewing P2-99 live+7-day basis, NBCU was up with 14.7% viewing share for the month vs. 14.1% in April 2017. Ad loads were flat at 11.3 minutes per hour both in the most recent month and year ago period. The most significant network level changes were at MSNBC, where commercial share rose from 1.0% to 1.2% during the month, but also at USA where viewing shares fell from 2.5% to 2.2%.

**Time Warner** was the next-most important network owner with a 13.6% commercial share, up from 13.5% in the year-ago period, on lower ad loads (at 8.9 minutes per hour in April 2018 vs. 9.0 in April 2017). Basketball was clearly a factor in the improvement as TNT's audience share rose from 3.5% to 4.1% year-over-year.

**Fox Networks** lost share during April, declining from 7.3% to 7.0% year-over-year on higher ad loads (10.5 minutes per hour vs. 10.4 minutes in the year-ago period). During the month, Fox News saw the most erosion within the group, declining from 2.0% to 1.8% commercial share, and FX fell similarly from 1.6% to 1.4%.

**Disney**-owned networks accounted for 9.1% of viewing during the month, up from 8.8% in April 2017. ABC represented a 4.0% audience share in April 2018 vs. 3.5% in the year-ago period. Ad loads were up at that network from 13.8 minutes per hour a year ago to 14.2% this April. ESPN viewing share was flat year-over-year for the month.

Meanwhile, **Discovery** (including legacy Scripps networks) was down for the month at 12.0% commercial share vs. 12.5% in April 2017. Weakness at a network level was relatively widespread, with some exceptions.

**CBS** was down in commercial audience share with 3.6% of national TV's total during April 2018 vs. 4.3% in April 2017. Commercial volumes at the broadcast network were up slightly to 12.8 minutes per hour from 12.7 minutes in April 2017. Program viewing share across CBS properties were down from 6.3% to 6.2% during the month.

Among other groups, **AMC**, commercial viewing share was also down during the month from 3.3% to 3.2% on higher ad loads (at 12.9 minutes per hour in April 2018 vs. 12.3 in April 2017). **AETN's** commercial audience share was 5.3% in the month vs. 5.6% for April 2017. Ad loads were 13.4 minutes per hour, up from 12.3 in the year-ago period.

# Appendix: Important Disclosures

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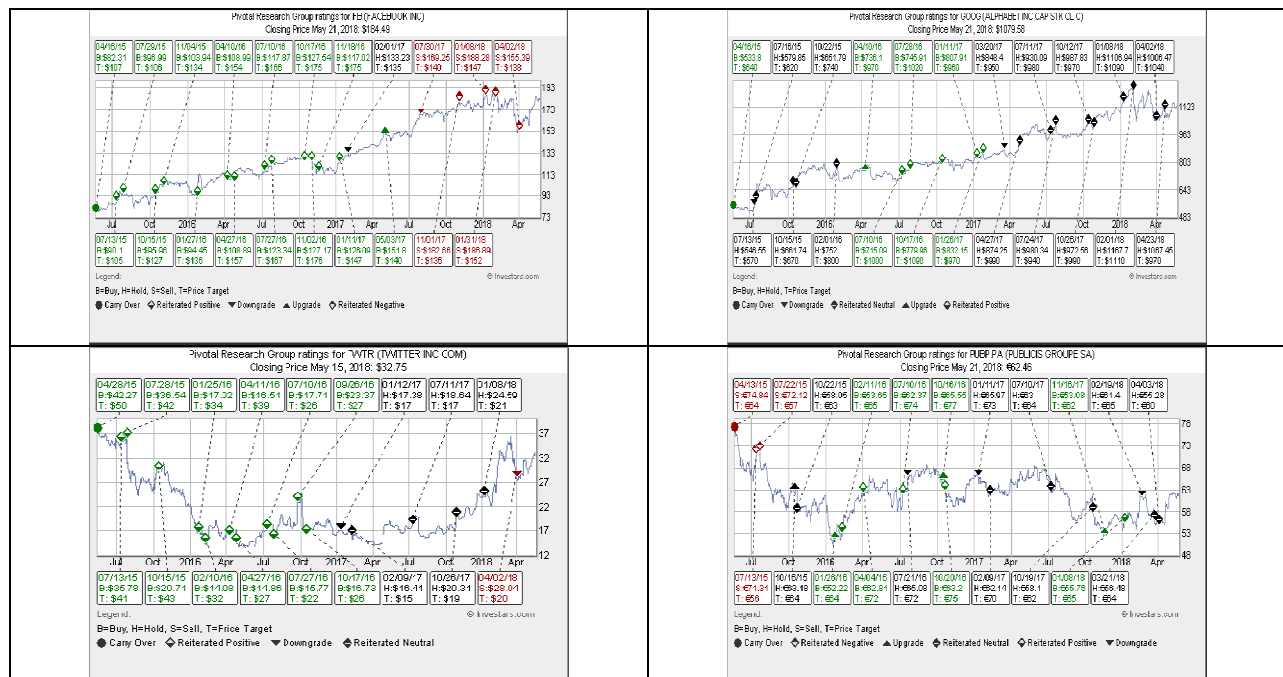
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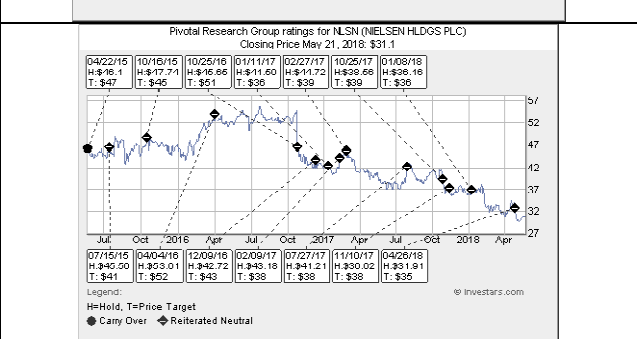
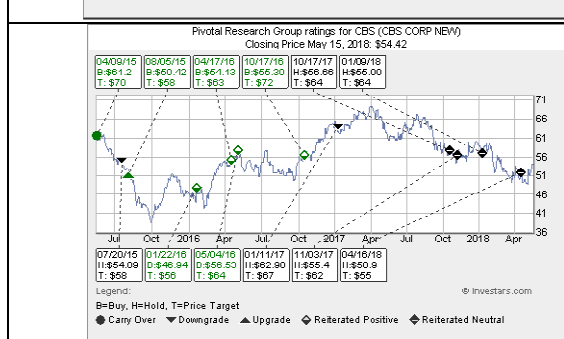
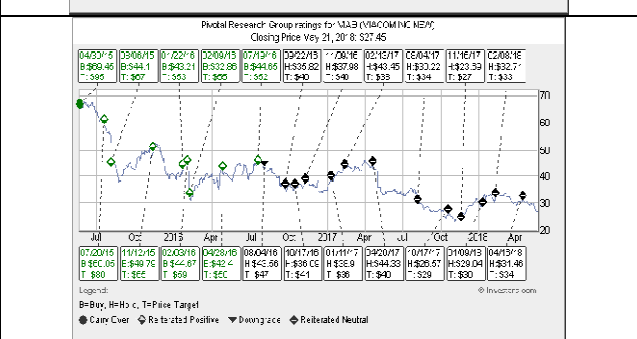
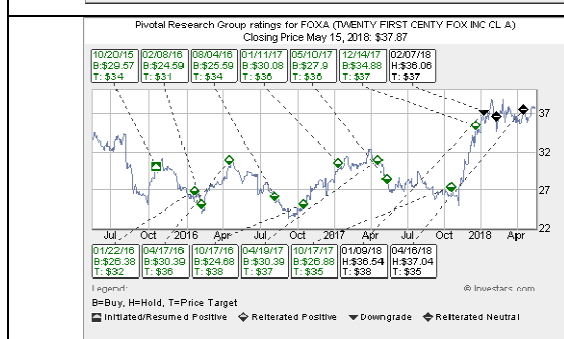
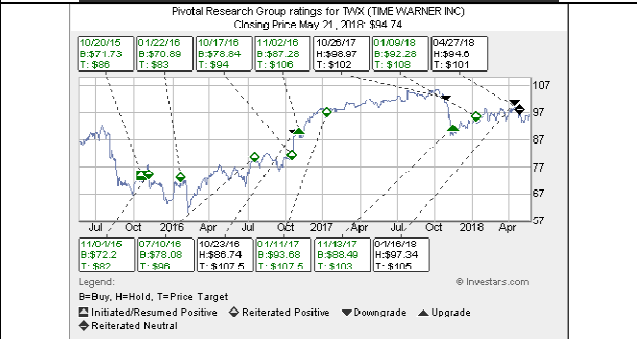
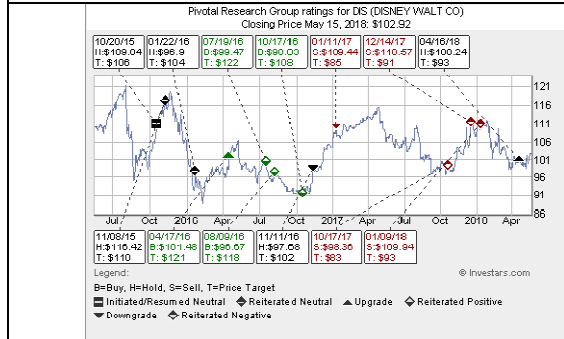
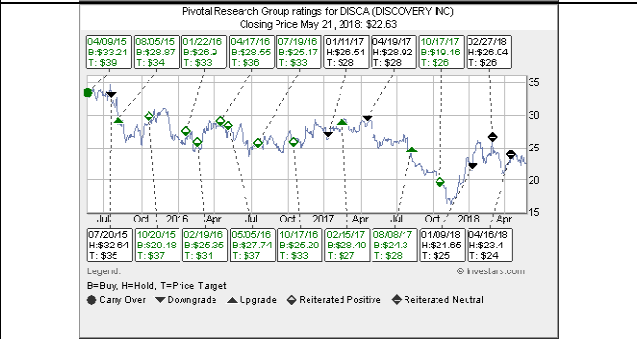
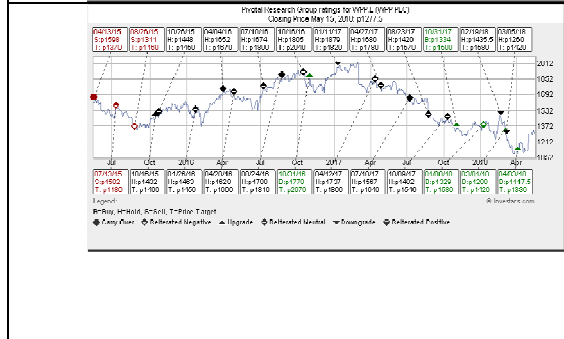
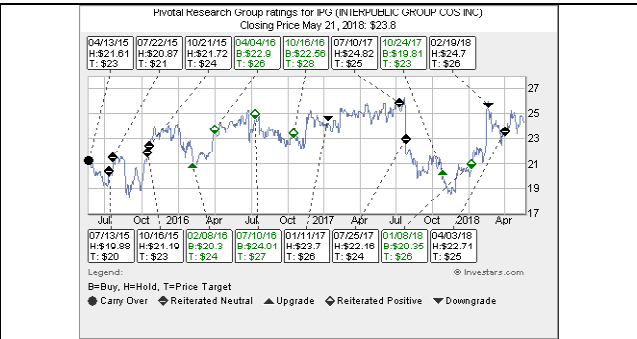
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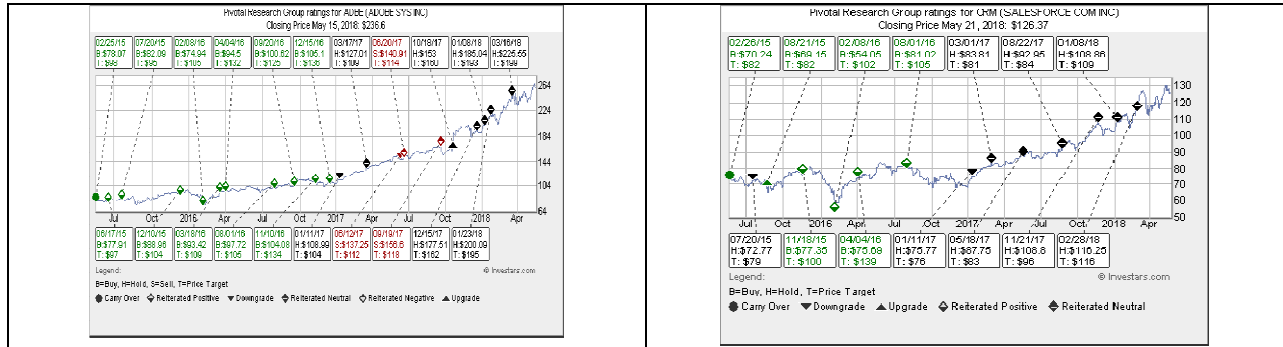
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