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The Battle for the North American (US/Canada) Couch Potato: Bundling, Television Internet, Telephone, Wireless

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Contents

Commentary

Now in its 16th year of publication, The Battle for the North American (US/Canada) Couch Potato: Bundling, TV, Internet, Telephone, Wireless (240 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, CRTC, Innovation & Statistics Canada, US Census.

US Commentary (Canadian Commentary follows), please see Table of Contents for what is included in this Report:

We estimate 2017 US Cable, Satellite, Telco TV access (not including OTT) revenue grew 1% to $107.6 billion ($94.30/mo. ARPU) and forecast $107.4 billion ($97.90/mo. ARPU) for 2018. We forecast Cable, Satellite, Telco will have 56.5%, 33%, 10% of US TV subscribers YE2018, from 55%, 34%, 11% YE2017. YE2017 we estimate 63% of TV subs had DVR & 79% HD.

We estimate 2017 saw a decline of 3.66 million US TV subscribers, 2016 a decline of 2.2 million, and we forecast a decline of 3.72 million TV subs for 2018; hence the US TV subscriber base is declining in the 4%/annum range.

As illustrated in our US Cord Cutter/Never Household Model, 2010 saw the start of the rise in cord cutter/never households. As of YE2017 we estimate 32.13 million US households (26.1% of HHs) did not have a traditional TV subscription with a Cable, Satellite, or Telco TV access provider, up from 27.56 million (22.6% of HHs) YE2016, and we forecast 36.76 million (29.6% of HHs) YE2018. 2016 saw 3.16 million, 2017 4.57 million, and we forecast 4.63 million 2018 cord cutter/never household additions.

2017 saw US residential broadband subscribers surpass US TV subs growing to 96.95 million. We estimate 2.33 million US residential broadband subscribers were added in 2017 (2.66 million in 2016) and revenue grew 7% to $56.8 million; we forecast 2.57 million additions and 6% growth to $60.5 billion for 2018.

Cable continues to add the lion's share of residential broadband subs (Telco lost residential broadband subs 2015-2017) 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 pricing. CenturyLink & Frontier were responsible for the majority of 2017 Telco broadband losses; we forecast they will contribute the majority of losses in 2018 as well.

2017 Telco US residential wireline telephone line loss was we estimate 9%, we forecast 9% for 2018. We estimate wireless-only households at 49% YE2017 and forecast 52% YE2018. Cable represented 45% of US residential wireline telephone subs YE2017, we forecast 47% YE2018.

2017 saw the four largest carriers add 12.14 million US wireless subscribers and we forecast 15.38 million for 2018. 2017 saw a 6% decline in weighted US wireless service ARPU and a 2% decline in wireless service revenue; we forecast a 5% and 2% decline respectively for 2018. T-Mobile continues to dominate in terms of subscriber additions, service revenue & ARPU growth.

Canadian Commentary, please see Table of Contents for what is included in this Report:

We estimate 2017 Canadian Cable, Telco Satellite TV access (not including OTT) revenue declined 2% to $8.74 billion & forecast a 1% decline to $8.64 billion for 2018. We forecast Cable, Telco, Satellite will have 56%, 27.5%, 16.5% of Canadian TV subscribers YE2018, from 57%, 26%, 17% YE2017. YE2017 we estimate 69% of TV subs had PVR, 88% HD.

We estimate 2017 saw a decline of 216,000 Canadian TV subscribers, 2016 a decline of 225,000 TV subscribers, and we forecast a decline of 267,000 for 2018. Canada's TV subscriber base declined by 1.9%/annum 2016-2017, we forecast 2.6%/annum on average 2018-2020. Telco TV additions have started to mature (Cable & Satellite have not added subscribers since 2010), we forecast 2018-2020 will see fewer Telco TV additions accelerating Canadian TV subscriber declines and cord cutter/never household additions.

As illustrated in our Canadian Cord Cutter/Never Household Model, 2012 saw the start of the rise in cord cutter/never households. As of YE2017 we estimate 4.14 million Canadian households (28.1% of HHs) did not have a traditional TV subscription with a Cable, Satellite, or Telco TV access provider, up from 3.78 million (25.9% of HHs) YE2016, and forecast 4.55 million (30.5% of HHs) YE2018. 2016 saw 366,000, 2017 357,000 and we forecast 406,000 2018 cord cutter/never household additions.

2017 Canadian residential broadband subscriber additions were we estimate 422,000 (the largest annual additions since 2009) & revenue grew 8% to $8.06 billion; we forecast 370,000 and $8.7 billion for 2018- exceeding 2018 Canadian TV access revenue. Canadian residential broadband subs surpassed Canadian TV subs in 2015.

Whereas 2013-2015 Telcos added on average twice the annual residential broadband subscribers as Cable, Cable matched Telco on residential broadband subscriber additions in 2016 and exceeded Telco in 2017- we forecast Cable will continue to slightly exceed Telco through 2020.

Canadian residential wireline telephone lines declined we estimate 5% in 2017 and we forecast 6% for 2018. 2017 Telco residential wireline telephone line loss was 7%, whereas Cable residential wireline telephone line loss was 2%. We estimate Cable represented 43% of residential wireline telephone subs YE2017 and forecast 44% for YE2018.

We estimate 1.06 million Canadian wireless subscribers were added in 2017 and wireless service revenue grew 7% (on strong ARPU growth) to $23.7 billion, we forecast 1.14 million sub additions & wireless service revenue will grow 6% to $25.2 billion in 2018. We forecast Canadian wireless new entrants (EastLink, Shaw, Videotron) will have 8.4% of subscribers YE2018, up from 7.5% year-end 2017. We forecast Canadian wireless subscriber smartphone penetration at 80% YE2018 up from 78% YE2017. We estimate Canadian wireless-only households at 41% YE2017 and forecast 52% YE2020.