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The Battle for the Canadian Couch Potato: Bundling, Television Internet, Telephone, Wireless

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Commentary

Now in its 16th year of publication, The Battle for the Canadian Couch Potato: Bundling, TV, Internet, Telephone, Wireless (137 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. **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.