

The Battle for the Canadian Couch Potato: OTT, TV, Online

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Contents

COMMENTARY.....6

SECTION ONE: CANADIAN TV SUBSCRIBERS, ACCESS & ADVERTISING REVENUE DECLINE AS OTT & BROADBAND SUBSCRIBERS & REVENUE AND ONLINE ADVERTISING GROW...CANADIAN PROGRAMMERS & TV ACCESS PROVIDERS WILL ONLY SEE MORE COLLATERAL DAMAGE FROM GLOBAL OTT WAR9

 Estimated Canadian Households, TV Subscribers, OTT Subscriber Households, Cord Cutter / Never Households, Residential Internet Subscribers, 2016-202014

 Canadian Broadcast and Specialty / Pay Network TV Advertising Revenue, Online Broadcast / Specialty / Pay Advertising Revenue, Online % of Total, 2016-2020.....15

 Estimated Programming Expenditure by Private Broadcasters, Percentage Non-Canadian, Specialty / Pay Networks Programming Expenditure, 2016-2018.....16

 Estimated Canadian Cable, Satellite, Telco Programming Expenditures to Specialty Network and Pay / PPV / VOD, 2016-201816

 Canadian Cord Cutter / Nevers: Set to Accelerate17

 Canadian Cord Cutter / Never Household Model, 2010-202017

 Estimated Canadian TV Subscribers by Cable, Satellite, Telco, 2016-2020.....19

 Estimated Canadian TV Subscribers by Bell (by Telco & Satellite), Cogeco, EastLink, MTS (just 2016), Rogers, SaskTel, Shaw (by Cable & Satellite), Telus, Videotron, 2016-2020.....19

 Estimated Canadian TV Access Revenue by Cable, Satellite, Telco, and ARPU, 2016-202020

 Estimated TV Access Revenue by Bell Telco, Bell Satellite, Telus, Rogers, Shaw Cable, Shaw Direct, Videotron, Cogeco, EastLink, 2016-202020

 Estimated Canadian Residential Internet Subscribers by High Speed Cable, Telco, Other Broadband, as a Percentage of Canadian Residences, and Total Revenue and ARPU, 2016-2020.....21

 Estimated Canadian Residential High Speed Subscribers by Rogers, Shaw, Videotron, Cogeco, Bell, MTS (just 2016), Telus, SaskTel, 2016-202022

 Estimated Residential Internet Access Revenue by Rogers, Shaw, Videotron, Cogeco, Bell, MTS (just 2016), SaskTel, Telus, 2016-2020 ...22

 Bandwidth Caps / Overage Fees: No Longer As Restrictive23

SECTION TWO: TWENTY-FIVE OTT PROVIDERS IN CANADA AND COUNTING...CANADIAN REGULATIONS A FAUX PAS? NETFLIX JOINED BY AMAZON, AMC, CBS, DAZN, NBC, TURNER...ARE APPLE, DISCOVERY-SCRIPPS, DISNEY, FACEBOOK, OR GOOGLE NEXT?25

The Canadian Regulatory Environment: Limits On Vertically Integrated Players’ Competitive Advantage29

 Estimated Canadian OTT Subscribers, Access Revenue, ARPU by Netflix, CraveTV, Club illico, CBC, and BeIN Sports Connect Canada-DAZN-MyOutdoorTV-NBA League Pass-NBC Sports Gold-Sportsnet Now, and Adult Swim-BritBox-Crunchyroll-Fandor-Filmatique-History Vault-HortusTV-Hotstar-MUBI-OUTtvGO-Shudder-Sundance Now, 2016-2020.....35

 Estimated Canadian OTT Subscriber Households, TV Subscribers, Household Penetration, ARPU Comparisons, 2016-2020.....36

 Estimated Average Hourly Cost of Viewing by Canadian Cable/Satellite/Telco TV Access Provider, Apple iTunes, Netflix, CraveTV37

Netflix in Canada: Library Grows, Penetration To Surpass the US in 2018, Forecasting Over \$1 Billion in Canadian Revenue in 2019.....38

 Netflix Financial Model, 2012-2018.....38

 Estimated Netflix Content Obligations, 2015-201739

 Estimated Netflix Subscribers by US (by Streaming, Streaming-Only, DVD, DVD-Only), Canada Streaming, International Streaming, 2016-202039

 Estimated Programming Expenditures by Netflix, TV Access Providers and Per Subscriber Netflix Versus TV Access Providers, 2016-201840

Amazon Prime Video Canada: Library Lacking.....48

Canadian OTT Speculation: Apple, CBS All Access & Showtime, Discovery-Scripps, Disney, Facebook, Google53

Bell Media’s CraveTV: Growth Due to Programing Slate and Packaging with Pay-TV Offer62

Videotron’s Club illico: Strong Library, Little Competition64

CBC’s CBC TV, CBC News Channel Live Stream & ICI Tou.TV: With the Launch of CBC TV is CBC Just Getting Started?65

Canadian Sports OTT: BeIN Sports Connect Canada, DAZN, Kroenke’s MyOutdoorTV, NBA League Pass, NBC Sports Gold, Rogers’ Sportsnet Now66

Canadian Niche OTT: AMC’s Shudder and Sundance Now, BBC/ITV’s BritBox, Corus’ History Vault, Fandor, Filmatique, HortusTV, MUBI, Otter Media’s Crunchyroll, OUTtvGO, Turner’s Adult Swim, 21st Century Fox’s Hotstar.....72

OTT From Movie/TV Rental & Sales Market Perspective75

Estimated Canadian Movie/TV Rental by OTT, Cable/Satellite/Telco VOD, Online Transactional, Store, and Canadian Movie/TV DVD/Blu-ray/Download Sales (including by Download-Only), and Box Office, 2016-2020	75
Estimated OTT, Cable/Satellite/Telco VOD, Online Transactional, Store, Market Share of Canadian Movie/TV Rental Revenue, and Estimated Download Market Share of Canadian Movie/TV DVD/Blu-ray/Download Sales Revenue (including by Download-Only), 2016-2020	76
OTT Dominates Movie/TV Rentals, Cable/Satellite/ Telco TV VOD Growth Constrained, Online Transactional Modest Market Share, Store Shell of its Past... Movie/TV Download Sales Rise as Overall Sales Fall	77
SECTION THREE: CANADIAN TV AND ONLINE ADVERTISING, FREE & AUTHENTICATED ONLINE BROADCAST, SPECIALTY, PAY TV	78
Estimated Canadian Online Advertising Market Revenue 2016-2020, and by Google, Facebook, Yellow Media, Broadcast/Specialty/Pay, Other, 2016-2018	78
Estimated Canadian Online Advertising Market Share by Google, Facebook, Yellow Media, Broadcast/Specialty/Pay, Other, 2016-2018	78
Estimated 2017 Average Monthly Unique Users of Leading Canadian Websites	79
Canadian Broadcast and Specialty/Pay Network TV Advertising Revenue, Online Broadcast/Specialty/Pay Advertising Revenue, Online % of Total, 2016-2020.....	80
Estimated Canadian, Non-Canadian, and Total Programming Expenditure by Private Broadcasters, & Total Programming Expenditure by Specialty/Pay Networks, 2016-2018	81
Estimated Canadian Cable, Satellite, Telco Programming Expenditures to Specialty Network and Pay/ PPV/VOD, 2016-2018	81
Canadian Advertising: Traditional Broadcast Weak, Specialty/Pay Moderate Growth, Online TV Advertising Small But Growing, Online Advertising More Than Double TV Advertising	82
Broadcast, Specialty, Pay TV Online	83
Online Revenue and Viewing Methodology	83
Estimated Percentage of Average Canadian Weekly Viewers That Watch Free Online Full Episodes by Broadcast Network, Specialty Network, and Broadcast/Specialty Network Viewership, 2016-2019..	84
Estimated Canadian PVR Subscribers by Cable, Satellite, Telco, and as Percentage of Total TV Subs, 2016-2020.....	85
Estimated PVR Subscribers and Penetration by Bell Satellite TV, Bell Telco TV, Rogers, Shaw Cable, Telus, Videotron, 2017 and 2018	85
Broadcast Network Online TV: Much Free, Limited Viewing Growth, Smaller Advertising Loads, Authentication	86

Estimated Percentage of Average Canadian Weekly Viewers That Watch Free Online Broadcast Full Episodes by CBC, City, CTV, Global, TVA, 2016-2019	86
CBC, City, CTV, Global, TVA, V Authenticated Access by Bell, Cogeco, EastLink, Rogers, SaskTel, Shaw, Telus, Videotron	87
Specialty Network Online TV: Limited Free Shows & Viewing Growth, Ad Loads, Authentication.....	88
Estimated Percentage of Average Canadian Weekly Viewers That Watch Free Online Specialty Full Episodes at Bell Media and Corus Websites, 2016-2019.....	88
AETN's A&E, AMC Networks' AMC, Bell Media's Bravo, Canal Vie, Discovery, MTV, Space, TSN, Vrak, Corus' ABC Spark, Cartoon, Disney Channel, DIY, Food, HGTV, History, Lifetime, Nickelodeon, OWN, Showcase, Slice, Teletoon, Treehouse, W, YTV, Rogers' FX, Sportsnet, TVA Group's Addik, Casa, Yoopa Authenticated Access by Bell, Cogeco, EastLink, Rogers, SaskTel, Shaw, Telus, Videotron	90
Pay-TV Online: Highly Authenticated	91
Bell Media's HBO, The Movie Network, Super Ecran, and Allarco's Super Channel Authenticated Access by Bell, Cogeco, EastLink, Rogers, SaskTel, Shaw, Telus, Videotron.....	91
SECTION FOUR: PROFILES	92
Amazon Prime Canada.....	93
Bell/Bell Media	98
CBC.....	102
Corus Entertainment.....	104
DAZN Canada	106
Netflix Canada	109
Quebecor.....	116
Rogers.....	118

Commentary

Now in its 12th year of publication, **The Battle for the Canadian Couch Potato: OTT, TV, Online** (119 pages) contains detailed analysis by **Company & Market**. In addition to Convergence analysis, sources include company interviews, annual/quarterly reports & presentations, CRTC, Statistics Canada. **Please see Table of Contents for what is included in this Report.**

Although there are less than half the OTT plays in Canada as there are in the US, Canada is far from immune from the global OTT war being waged by large American programmers and independent OTT providers. Going forward if Amazon, DAZN, and Netflix (not to mention the possibility of Apple, Facebook or Google entering the Canadian market) are willing to spend heavily on programming, there may be room for them to outbid Bell Media, Corus or Rogers in obtaining programming despite not having a traditional TV platform. Even if Amazon, DAZN, or Netflix are not successful, this dynamic can only benefit US (and other) programmers in terms of upping prices on deals with Canadian players.

Further, with CBS All Access entering the Canadian market (and Disney OTT perhaps entering in the near future), CBS functions as both supplier and competitor to Canadian programmers/TV access providers, the question also becomes how much CBS content will Canadian programmers/TV access providers, Amazon, or Netflix be able to obtain? CBS All Access being in Canada gives CBS more leverage in negotiating with Canadian programmers, as well as Amazon & Netflix- especially when it comes to original content.

On the one hand US programmers do not want Canadian programmers/TV access providers to sink too quickly given the revenue that comes from programming sales to them, on the other there is a direct to consumer opportunity as well as an opportunity to sell to Amazon, Netflix, etc.

In the end it comes down to maximizing revenue/margin. HBO, Showtime & Starz chose not to go direct instead making deals with Bell Media.

We estimate Canadian OTT access revenue (based on 24 OTT providers led by Netflix, we have not assigned revenue to Amazon Prime which did not increase price with the recent addition of video in Canada) grew 29% to \$872 million in 2017, and forecast \$1.11 billion for 2018, and \$1.58 billion for 2020. We forecast in 2020 there will be more OTT subscriber households than TV subscribers in Canada.

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 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.

We estimate Broadcast, Specialty & Pay Network Online TV advertising represented 5.6% of 2017 Canadian TV advertising revenue, and forecast 6.2% for 2018.

We estimate OTT will represent 83% of Canadian movie/TV rental revenue in 2020, while download movie/TV sales will represent almost half of Canadian DVD/Blu-ray/download movie/TV sales.