THE CONVERGENCE RESEARCH GROUP LTD.

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

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Commentary

Since 2003, we have published our Couch Potato Report series every year. **The Battle for the American/Canadian Couch Potato: Bundling, TV, Internet, Telephone, Wireless**, **March 2024**, (193 pages), contains analysis of product offers (including prices), strategy, subscriber & financial performance metrics (including forecasts) by Company & Market. In addition to Convergence analysis, sources include company interviews, annual/quarterly reports & presentations, CRTC, ISED & Statistics Canada, US Census.

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

We estimate 2023 saw a decline of 7.76 million US Cable, Satellite, Telco TV subscribers, and we forecast a decline of 7.1 million TV subs in 2024; hence US TV subscribers declined by 12% in 2023, and we forecast 13% in 2024 and 15% in 2026. Satellite/Telco continue to lose market share to Cable.

We estimate 2023 US Cable, Satellite, Telco TV access revenue declined 10% to $77.6 billion and forecast a 11% decline in 2024 (ARPU should grow 2%) and 13% in 2026.

As illustrated in our US Cord Cutter/Never Household Model, as of YE2023 we estimate X million US households (60% of HHs) did not have a TV subscription with a Cable, Satellite, or Telco TV access provider, and we forecast a rise to 75% of HHs YE2026.

Extending out forecasts to YE2029 from YE2023, demonstrates a decline of X% of TV subs and annual TV access revenue, and a X% increase in cord cutter/never households. Net-net traditional TV access is well into becoming a niche product.

We estimate over 3.7 million US residential broadband subscribers were added in 2023, higher than 2022, and revenue grew 6% to $90 billion. Our 2024-2026 sub forecasts are more moderate. While Cable continues to maintain the lions' share of residential broadband subs, Cable's annual share of net additions has fallen precipitously due primarily to T-Mobile and Verizon.

Residential US wireline telephone annual line loss is declining in the mid-teen percentage range, with Cable and Telco splitting market share. Wireless-only household penetration continues to rise, we estimate 83% of US households will no longer have a landline YE2026.

T-Mobile continues to lead AT&T and Verizon on annual organic subscriber additions. Cable's small market share continues to rise.

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

We estimate 2023 saw a decline of 2.6% of Canadian Cable, Satellite, Telco TV subscribers (X subs), and forecast increasing declines through 2026. Both Cable and Satellite continue to lose market share to Telco. At current run-rate Telco will have more TV subs than Cable by X.

We estimate 2023 Canadian Cable, Satellite, Telco TV access revenue declined 3% to $7.2 billion and forecast X%/annum declines through 2026 (we project X ARPU growth).

As illustrated in our Canadian Cord Cutter/Never Household Model, as of YE2023 we estimate X million Canadian households (42% of HHs) did not have a TV subscription with a Cable, Satellite, or Telco TV access provider, and forecast a rise to 50% YE2026.

Canadian TV subscribers and access revenue are currently not seeing as steep a rate of decline as the US, but this could change, dependent on new or expanded OTT offers in Canada.

Canadian population/immigration increases we believe are also having (and will have) a positive impact on limiting TV subscriber losses and maintaining broadband & wireless gains.

2019-2023 have been banner years for Canadian residential broadband subscriber additions, with 2008 and prior being the last time Canada saw better additions. We forecast 2024-2026 will continue to see robust additions (X/annum on average) as well as sustained broadband revenue & ARPU growth (in the X% and X% range respectively). Although Cable continues to lead on residential broadband market share, Telco continues to chip away adding since 2018 on average/annum double Cable's subs and is on pace to have more residential broadband subs than Cable by X.

Canadian residential annual wireline telephone lines continue to decline in the upper single digit range, while Cable market share continues to decline. Wireless-only household penetration continues to rise, we estimate X% of Canadian households will no longer have a landline YE2026.

2023 Canadian wireless service (weighted) ARPU growth was slight and wireless service revenue grew at slower rate than 2022. We forecast continued ARPU pressure through 2026. We forecast slightly better sub additions and revenue growth in 2024 than 2023 but less than 2022.