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

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Commentary

Now in its 15th year of publication, The Battle for the North American (US/Canada) Couch Potato: Bundling, TV, Internet, Telephone, Wireless (262 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 2016 US Cable, Satellite, Telco TV access provider (not including OTT) revenue grew 3% to $107.3 billion ($91/mo. ARPU) and forecast $109.6 billion ($95/mo. ARPU) for 2017. We forecast Cable, Satellite, Telco will have 55%, 35%, 10% of US TV subscribers YE2017, from 54%, 35%, 11% YE2016. YE2016 we estimate 62% of TV subs had DVR & 77% HD.

US TV subscriber losses and cord cutter/never household additions saw a major increase in 2016 as compared to 2015: We estimate 2016 saw a decline of 2.05 million US TV subscribers, 2015 saw a decline of 1.16 million, and forecast a decline of 2.11 million TV subscribers for 2017. As illustrated in our US Cord Cutter/ Never Household Model, 2010 saw the start of the rise in cord cutter/never households. As of YE2016 we estimate 27.2 million US households (22.3% of HHs) did not have a traditional TV subscription with a Cable, Satellite, or Telco TV access provider, up from 24.2 million (20% of HHs) YE2015, and we forecast 30.3 million (24.6% of HHs) YE2017. 2015 saw 2.1 million, 2016 3 million, and we forecast 3.1 million 2017 cord cutter/never household additions.

Not only has Cable reduced its annual TV subscriber losses by more than half 2015-2016 as compared to 2009-2014, a trend we forecast will continue, Cable is also crushing it when it comes to residential broadband subscriber additions. Over the last five years Cable has added nine times the residential broadband subscribers the Telcos have.

We estimate 2.54 million US residential broadband subscribers were added in 2016 and revenue grew 9% to $51.3 billion; we forecast 2.68 million and $54.7 billion for 2017. Cable continues to add the lion's share of residential broadband subs 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 speed for the price. Frontier's losses on its Verizon broadband subscribers also contributed to the Telcos' poor 2016 numbers.

2016 Telco US residential wireline telephone line loss was we estimate 8%, we forecast 8% for 2017. Wireless substitution was responsible for we estimate 87% of the 2016 loss. We estimate wireless-only households at 45% YE2016, and forecast 48% YE2017 & 50% YE2018. Cable represented 43% of US residential wireline telephone subs YE2016, we forecast 45% YE2017.

2016 saw the four largest carriers add 17.7 million US wireless subscribers and we forecast 15.5 million for 2017. 2016 saw a 7% drop in weighted US wireless service ARPU and 1% drop in wireless service revenue. We forecast a 4% decline in weighted wireless service ARPU and flat wireless service revenue for 2017. T-Mobile continues to dominate in terms of subscriber additions and service revenue growth; we forecast T-Mobile will not see a decline in wireless service ARPU for 2017.

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

We estimate 2016 Canadian Cable, Telco Satellite TV access provider (not including OTT) revenue declined 1.3% to $8.97 billion; we forecast $8.92 & $8.85 billion for 2017 & 2018 and that residential broadband access revenue will exceed TV access revenue in 2019. We forecast higher TV ARPU growth 2017-2019 than 2016. We forecast Cable, Telco, Satellite will have 56.4%, 26.3%, 17.3% of Canadian TV subs YE2017, from 57.6%, 24.2%, 18.2% YE2016; Telco TV additions continue to mature. YE2016 we estimate 65% of TV subs had PVR, 84% HD.

Canadian TV subscriber decline and cord cutter/never household additions are accelerating:

We estimate 2016 saw a decline of 220,000 Canadian TV subs, 2015 a decline of 190,000 TV subs, and we forecast a decline of 247,000 for 2017. Hence Canada's TV subscriber base is declining by 2% per annum, for 2019 we forecast a 3% drop.

As illustrated in our Canadian Cord Cutter/Never Household Model, 2012 saw the start of the rise in cord cutter/never households. As of YE2016 we estimate 3.8 million Canadian households (26% of HHs) did not have a traditional TV subscription with a Cable, Satellite, or Telco TV access provider, up from 3.43 million (23.8% of HHs) YE2015, and forecast 4.18 million (28.4% of HHs) YE2017. 2015 saw 333,000, 2016 saw 362,000 and we forecast 388,000 2017 cord cutter/never household additions.

2016 Canadian residential broadband sub additions were we estimate 409,000 & revenue grew 9% to $7.48 billion; we forecast 381,000 and 8% for 2017. Cable matched Telco on annual residential broadband additions in 2016, whereas 2013-2015 Telcos were adding on average twice the annual subscribers. We forecast similar Cable & Telco annual additions through 2019.

Canadian residential wireline telephone lines declined we estimate 6% in 2016 and we forecast 6% for 2017. 2016 Telco residential wireline telephone line loss was 7.5%, whereas Cable residential wireline telephone line loss was 3%. We estimate Cable represented 42% of residential wireline telephone subs YE2016 and we forecast 43% for YE2017.

Almost 1 million wireless subscribers were added in 2016 (2012 was the last year Canada added over 1 million wireless subscribers) and wireless service revenue grew 6%, we forecast 900,000 & 5% for 2017. We forecast Canadian wireless new entrants (EastLink, Shaw, Videotron) will have 7.3% of the market YE2017, up from 6.6% year-end 2016. We forecast 2017 Canadian wireless service (weighted) ARPU will grow 1.7%, 2016 saw 2.4% growth. We forecast Canadian wireless subscriber smartphone penetration at 79% YE2017 up from 76% YE2016. Canadian wireless-only households annual additions continue to be significant; we estimate Canadian wireless-only households at 37% YE2016 and forecast 42% YE2017 and 49% for YE2019.