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The Battle for the Canadian Couch Potato: Online & Traditional TV and Movie Distribution

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Contents

Commentary

Now in its 11th year of publication, The Battle for the Canadian Couch Potato: Online & Traditional TV and Movie Distribution (85 pages) contains detailed analysis by **Company & Market**. In addition to Convergence analysis, sources include company interviews, annual/quarterly reports & presentations, CRTC, Statistics Canada. **Commentary, please see Table of Contents for what is included in this Report:**

We estimate 2016 Canadian Cable, Telco Satellite TV access (not including OTT) revenue declined 1.3% to $8.97 billion; we forecast $8.92 & $8.85 billion for 2017 & 2018. In contrast, we estimate Canadian OTT access revenue (based on 16 OTT providers, not including Amazon, and led by Netflix) grew 35% to $651 million in 2016, and forecast $827 million for 2017 & $972 million for 2018. We forecast OTT will represent 69% of Canadian Movie/TV Rental revenue YE2017, from 61% YE2016.

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. We forecast Canadian residential broadband access revenue will exceed Canadian TV access revenue in 2019; Canadian residential broadband subs surpassed Canadian TV subs in 2015.

We estimate Broadcast, Specialty & Pay Network Online TV advertising represented 5.3% ($179 million) of 2016 Canadian TV advertising revenue, and forecast 5.7% for 2017.

Based on the full-episode TV shows Canadian Broadcasters & Specialty Networks made available online for free in 2016, we estimate that on average 19% of the weekly viewing audience watched on average four episodes, 2015 saw 19%, and forecast 19% for 2017. We attribute the lack of growth to the rise of OTT, the PVR, TV Everywhere, and online advertising loads.