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

May 2022

This document contains valuable confidential information of The Convergence Research Group Limited, which is licensed for internal review only.

© 2022, The Convergence Research Group Limited. All rights reserved.

CLIENT CONFIDENTIAL

www.convergenceonline.com
Contents

.................................................................1

COMMENTARY.........................................................6

SECTION ONE: CANADIAN TV MARKET BATTLE..............6

Estimated Canadian Total TV Subscribers by Cable, Satellite, Telco, 2020-2024.................................................................8
Canadian Cable Versus Satellite Versus Telco Subscribers: Estimated TV Market Share, 2020-2024 .................................................................8
Estimated Canadian Cable, Satellite, and Telco TV Net Subscriber Additions and Growth, 2020-2024 .................................................................9
Estimated Canadian TV Subscribers by Bell (by IPTV & Satellite), Cogeco, EastLink, Rogers, SaskTel, Shaw (by Cable & Satellite), Telus, Videotron, 2020-2024 .................................................................9
Estimated Canadian TV Access Revenue by Cable, Satellite, Telco, and ARPU, 2020-2024 .................................................................10
Estimated TV Access Revenue by Bell IPTV, Bell Satellite, Telus, Rogers, Shaw Cable, Shaw Direct, Videotron, Cogeco, EastLink, 2020-2024 .................................................................10
Estimated TV ARPU by Bell IPTV, Bell Satellite, Telus, Rogers, Shaw Cable, Shaw Direct, Videotron, Cogeco, EastLink, 2020-2024 .................................................................11

Canadian Cord Cutter/Nevers: Growing .........................................................12
Canadian Cord Cutter/Never Household Model, 2012-2024 ...............12

The Canadian Regulatory Environment: Limits On Vertically Integrated Players’ Competitive Advantage…Amendments to the Broadcasting Act & Sales Tax .................................................................14

Canadian Cable, Satellite, Telco TV: TV Sub Decline, Telco Market Share Gains, ARPU Rises Revenue Declines .................................................................19
Bell Satellite TV & Shaw Direct: Subscriber Declines, High ARPU, Offers, Rate Increases .................................................................20

Canadian Cable TV: Annual Cable TV Subscriber Losses .................................................................21
Rogers, Shaw, Videotron, Cogeco, EastLink: Subscriber Trajectories, Rate Increases, Offers .................................................................22

Canadian Telco TV: Bell, SaskTel, Telus .................................................................24
Estimated Canadian Telco TV Subscribers Broken Out by Bell, SaskTel, Telus, Other, 2020-2024 .................................................................24

Bell Fibe: TV & Internet Gains, FTTP Expansion, Ontario, Quebec, Atlantic, MB Offers, Rate Increases .................................................................25
SaskTel MaxTV: Moderate Losses, FTTP Expansion, Offers .................................................................27
Telus Optik: TV & Internet Subscriber Gains, FTTP Expansion, Offers .................................................................28

SECTION TWO: CANADIAN INTERNET ACCESS BATTLE ...........29
Estimated Canadian Residential Internet Subscribers by Cable, Telco, Other Broadband, and as Percentage of Canadian Households, 2020-2024

Canadian Residential Cable Versus Telco Versus Other Broadband Subscribers: Estimated Market Share, 2020-2024

Canadian Residential Cable Versus Telco Internet Subscribers: Estimated Market Share, 2020-2024

Estimated Canadian Residential Cable, Telco, Other, and Total Internet Subscriber Additions and Growth, 2020-2024

Estimated Share of Canadian Residential Internet Subscriber Additions by Cable, Telco, Other, 2020-2024

Estimated Residential Internet Subscribers by Rogers, Shaw, Videotron, Cogeco, Bell, Telus, SaskTel, 2020-2024

Estimated Non-Residential Internet Subscribers by Bell, SaskTel, Telus, Cogeco, Rogers, Shaw, Videotron, 2020-2022

Estimated Canadian Residential Internet Access Revenue by Total Internet, Cable, Telco, Other Broadband, and ARPU, 2020-2024

Estimated Residential Internet Access Revenue by Rogers, Shaw, Videotron, Cogeco, Bell, SaskTel, Telus, 2020-2022

Estimated Residential Internet Access ARPU by Rogers, Shaw, Videotron, Cogeco, Bell, SaskTel, Telus, 2020-2024

Canadian Cable Versus Telco Broadband: Robust Subscriber Additions and Revenue/ARPU Growth Continues, Telco Annual Residential Broadband Additions Continue to Well Exceed Cable While Cable Still Leads Market Share

Bell (Ontario, Quebec, Atlantic, MB), Telus, SaskTel: Prices, Speeds, Caps/Overage, Bundle Offers, Network & Subscriber Trajectory

Rogers (Ontario, Atlantic), Shaw, Videotron, Cogeco, EastLink: Prices, Speeds, Caps/Overage, Bundle Offers, Network & Subscriber Trajectory

SECTION THREE: CANADIAN WIRELINE TELEPHONE BATTLE

Estimated Wireline Canadian Cable Telephone, Residential Cable Telephone, Residential Telco, Total Residential Telephone Subscribers, Cable Residential Telephone Market Share, 2020-2024

Estimated Canadian Residential Wireline Telephone Line Loss by Cable, Telco, Total, 2020-2024

Estimated Wireline Telephone Subscribers by Cogeco, Rogers, Shaw, Videotron, Other Cable, and Percentage Loss/Gain, 2020-2024

Estimated Wireline Canadian Residential Telephone Lines and Line Loss by Bell, SaskTel, Telus, Other Telco, and Percentage Loss, 2020-2024

Estimated Canadian Wireless-Only Household Penetration, 2020-2024

Canadian Residential Wireline Telephone: Cable & Telco Line Loss, Telco Market Share Gain, Wireless Substitution Progresses

Rogers (Ontario, Atlantic), Shaw, Videotron, Cogeco, EastLink: Offers/Prices, Subscriber Trajectories
SECTION FOUR: CANADIAN WIRELESS TELEPHONE BATTLE........59

Estimated Wireless Subscribers and Market Share by Bell, Rogers, SaskTel, Telus, EastLink, Shaw, Videotron, and by Incumbents, New Entrants, Total, 2020-2024 .............................................................60
Estimated Net Subscriber Additions by Bell, Rogers, SaskTel, Telus, EastLink, Shaw, Videotron, 2020-2024 ..................................................60
Estimated Bell, Rogers, Telus, Shaw Subscribers by Postpaid and Prepaid, 2020-2024 .................................................................61
Estimated Service Revenue and Share of Total Service Revenue by Bell, Rogers, SaskTel, Telus, EastLink, Shaw, Videotron, 2020-2024 ..........61
Estimated Equipment Revenue by Bell, Rogers, Telus, Shaw, Videotron, 2020-2024 .................................................................62
Estimated ARPU by EastLink, Shaw, Videotron, Total Weighted Average by New Entrants, Incumbents, and Incumbents/New Entrants, and Growth Rates, 2020-2024 ........................................63
Estimated ARPU by Bell, Rogers, Telus, SaskTel, and Total Weighted Average, 2020-2024 ..........................................................63
Estimated EBITDA and EBITDA Margin as % of Service Revenue, by Bell, Rogers, Telus, Shaw, Videotron, 2020-2024 .........................................64
Estimated Churn (Blended), by Bell, Rogers, Telus, 2020-2024 ............64
Estimated Canadian Wireless Subscriber Smartphone Penetration, 2020-2024 ............................................................................64
Estimated Canadian Wireless-Only Household Penetration, 2020-2024 ..................................................................................65

Wireless Pricing by Player & Region: Bell, Rogers, Telus, MTS, SaskTel, Lucky, Virgin, Fido, Chatr, Koodo, Public, EastLink, Shaw, Videotron ............................................................66
New Entrant & Incumbent Dynamics: COVID Impacts, ARPU Challenges, Bundle Discounts, Fizz-Freedom-Lum, Price Reduction Mandate, Rogers-Shaw, MVNOs, Auctions ..............................................................73
Auction Results: 2021 3500 MHz, 2019 600 MHz, 2015 2500 MHz, 2015 AWS-3, 2014 700 MHz ..................................................................76

3500 MHz 20121 Auction License Winners, # of Licenses Won, Price, Population Covered .................................................................76
600 MHz 2019 Auction License Winners, # of Licenses Won, Price, Population Covered .................................................................76
2500 MHz 2015 Auction License Winners, # of Licenses Won, Price, Population Covered, and 2018 Residual Winners..................77
AWS-3 2015 Auction License Winners, # of Licenses Won, Price, Population Covered .................................................................78
Results of 2015 AWS-3 Auction by Bidder, Service Area & Block .......79
700 MHz 2014 Auction License Winners, # of Licenses Won, Price, Population Covered .................................................................80
Results of 700 MHz 2014 Auction by Bidder, Service Area & Block ....81
SECTION FIVE: PROFILES .................................................................82

BCE Inc./Bell Canada/Bell Aliant/Bell MTS ........................................83
Cogeco .........................................................................................88
EastLink .......................................................................................90
Rogers Communications Inc. ...........................................................92
Saskatchewan Telecommunications ..............................................95
Shaw Communications Inc./Shaw Direct/Freedom & Shaw Mobile ....97
Telus Corp. ..................................................................................102
Videotron/Quebecor Inc. ...............................................................105
Commentary

Since 2003, we have published our Couch Potato Report series every year. The Battle for the Canadian Couch Potato: Bundling, TV, Internet, Telephone, Wireless, May 2022, (107 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.

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

We estimate 2021 Canadian Cable, Telco, Satellite TV access revenue declined 3% to $7.86 billion and forecast a X% decline to $X billion in 2022 (hence ARPU should grow X%) and a X% decline in both 2023 and 2024. We forecast Cable, Telco, Satellite will have X%, X%, X% of Canadian TV subs YE2022.

We estimate 2021 saw a decline of 305,000 Canadian TV subscribers, 2020 a decline of 336,000 TV subscribers, and we forecast further declines of 316,000 in 2022, X in 2023, and X in 2024. Canadian TV subscribers declined by X% in 2021, X% in 2020, and we forecast X% in 2022, X% in 2023, and X% in 2024.

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

As illustrated in our Canadian Cord Cutter/Never Household Model, as of YE2021 we estimate X million Canadian households (38% of HHs) did not have a TV subscription with a Cable, Satellite, or Telco TV access provider, up from X million (35% of HHs) YE2020, and we forecast a rise to X million (X% of HHs) YE2022, X million (X% of HHs) YE2023, and X million (X% of HHs) YE2024. 2021 saw X, 2020 X, and we forecast X 2022, X 2023, and X 2024 cord cutter/never household additions.
2021, 2020 and 2019 have been banner years for Canadian residential broadband subscriber additions, with 2008 and prior being the last time Canada saw better additions. We forecast 2022-2024 will continue to see robust additions. We estimate 2021 Canadian residential broadband subscriber additions were X (2020 saw X) and revenue grew X% to $X billion; we forecast X additions and $X billion for 2022. Although Cable continues to lead on residential broadband market share, Telco has added on average well over double the subscribers as Cable 2019-2021. We forecast Telco will continue to well exceed Cable on annual additions through 2024. Canadian residential broadband revenue first exceeded TV revenue in 2018, Canadian residential broadband subs surpassed TV subs in 2015, and at current run-rate Canadian residential broadband ARPU should slightly better TV ARPU by YE2022.

Canadian residential wireline telephone lines declined we estimate X% in 2021 and we forecast X%/annum on average 2022-2024. We forecast Telco residential wireline telephone market share will increase to X% YE2024 from X% YE2021. Wireless-only household penetration continues to see strong growth, we estimate 60% of Canadian households no longer have a landline and forecast X% YE2024.

We estimate 2021 Canadian wireless service (weighted) ARPU declined by .4% (a major step forward from 2020), and forecast growth of X% for 2022, X% for 2023, and X% for 2024. We estimate 2021 wireless service revenue grew 3% to $X billion (after 2020’s 3% decline), and forecast $X billion for 2022, $X for 2023 and $X billion for 2024. We estimate X million wireless subscribers were added in 2021 (2020 saw X), and forecast X million additions for 2022, X million for 2023 and X million for 2024.