The Battle for the
Canadian
Couch Potato: OTT and TV

May 2022

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Commentary

Since 2003, we have published our Couch Potato Report series every year. The Battle for the Canadian Couch Potato: OTT and TV, May 2022, (149 pages), contains detailed analysis of offers (including prices & programming), deals & rights, strategy, subscriber & financial performance metrics (including forecasts) 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:

Canada is increasingly being impacted by the OTT war being waged by global, mainly US programmers and independent OTT providers. Although for programmers, Canada is a direct to consumer opportunity as well as an opportunity to sell to Amazon, Apple, DAZN, Fubo, Netflix, Canadian programmers and linear/OTT providers continue, at least in the short-medium run, to remain attractive. DAZN, Disney+, Discovery+ & GolfTV, Fubo, NBCU’s hayu impinge on the Canadian TV/OTT model, on the other hand Warner’s HBO, Paramount’s 4 Star Treks/Showtime, Lionsgate’s Starz have multiplatform deals with Bell, as does NBCU’s Peacock with Corus.

Based on analysis of over 55 OTT services (over 35 providers), led by Netflix, we estimate 2021 Canadian OTT access revenue grew 30% to $2.7 billion, we forecast 26% growth to $3.4 billion in 2022, $X billion in 2023 and $X billion in 2024. Rising Canadian OTT access revenue will continue to mostly benefit non-Canadian players. We estimate Canadian TV Access Providers & Programmers represented just X% of 2021 OTT, we forecast X% for 2024.

We forecast 2024 spending on OTT access will be X% of what is spent on TV access, up from X% in 2021, however we project TV ARPU will still be X times OTT ARPU.

We project 2022-2024 annual Canadian OTT household penetration, subscriptions per household, and net OTT subscriptions added will each progressively see more moderate growth (we project X million additional Canadian subscriptions in 2022 and X million in 2024).
We estimate Broadcast, Specialty & Pay TV Network Online advertising will represent X% of 2022 rising to X% of 2024 Canadian TV advertising revenue.

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 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.

Canadian TV access providers are also broadband providers and thus also benefit from the rise of OTT. 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. Annual Canadian residential broadband revenue has more than doubled over the last decade, while Canadian TV access revenue is in its 7th year of decline. 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 match TV ARPU by YE2022.