THE CONVERGENCE RESEARCH GROUP LTD.

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The Battle for the Canadian Couch Potato: OTT and TV

May 2023

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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 2023**, (152 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:

Based on analysis of over 50 OTT services (over 35 providers), led by Netflix, we estimate 2022 Canadian OTT access revenue grew 23% to $3.3 billion, we forecast X% growth in 2023, and X% in 2025.

Rising Canadian OTT access revenue will continue to mostly benefit non-Canadian players. We forecast Canadian TV Access Providers & Programmers OTT access revenue share will stay in the X% range 2023-2025.

Canadian OTT household penetration, subscriptions per household, and net OTT subscriptions continue to progressively see more moderate annual growth (subscriptions added/ annum we forecast will run on average 2023-2025 at a X less than 2020-2022). Further we project 2025 OTT ARPU will still be less than X of 2025 TV ARPU.

We estimate Broadcast, Specialty & Pay TV Network Online advertising will rise to X% of 2025 Canadian TV advertising revenue.

We estimate 2022 Canadian Cable, Satellite, Telco TV access revenue declined 4% to $X billion and forecast X%/annum declines through 2025 (we project X ARPU growth).

We estimate 2022 saw a decline of 2% of Canadian TV subscribers (X subs), rising we forecast to on average X%/annum declines 2023-2025.

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.

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

As illustrated in our Canadian Cord Cutter/Never Household Model, as of YE2022 we estimate 6.3 million Canadian households (40% of HHs) did not have a TV subscription with a Cable, Satellite, or Telco TV access provider, and we forecast a rise to X% YE2025.

Canadian TV access providers are also broadband providers and thus also benefit from the rise of OTT. Annual Canadian residential broadband revenue has more than doubled over the last decade, while Canadian TV access revenue is in its 8^{th} year of decline. 2019-2022 have been banner years for Canadian residential broadband subscriber additions, we forecast 2023-2025 will continue to see robust additions (on average at almost a X/annum).