

YouTube Isn't as Big as Most Analysts Thought—What that Meant for eMarketer's Estimates

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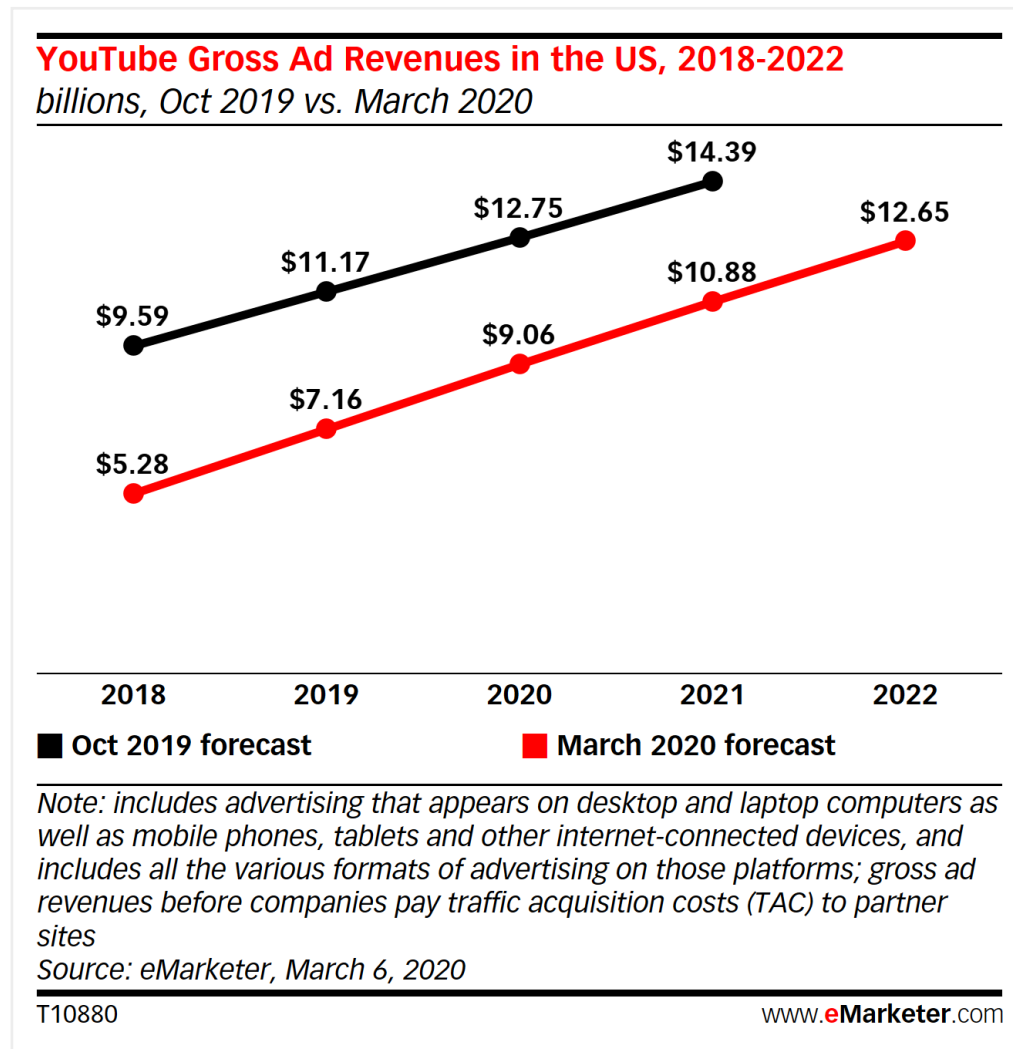
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US marketers allocated more than \$7 billion in digital ad spending to YouTube last year, up 36.1% over 2018 spending levels, according to our estimates. That resulted in \$3.43 billion in net ad revenues for the video-sharing giant, with most of the remainder going to content creators and owners.

Our latest estimates of ad spending in the US were completed on March 6, 2020—after evidence of a slowdown in China's economy but before the coronavirus pandemic caused widespread shocks later in March. Our underlying assumption was that if there was a recession in H1 2020, the US would see a return to GDP growth in H2. We'll be revisiting this forecast after some Q1 earnings reports come in, but it's important to call out some significant backward-looking adjustments we made as part of the March estimates.

One of those was to our estimates of YouTube revenues. Before reporting its Q4 2019 earnings, Alphabet had never broken out revenues at YouTube from those at parent company Google. When the country's largest digital ad seller finally did break out revenues at the largest video ad seller, they came in under most analysts' estimates.

We had previously expected YouTube to gross more than \$11 billion in US ad revenues last year.

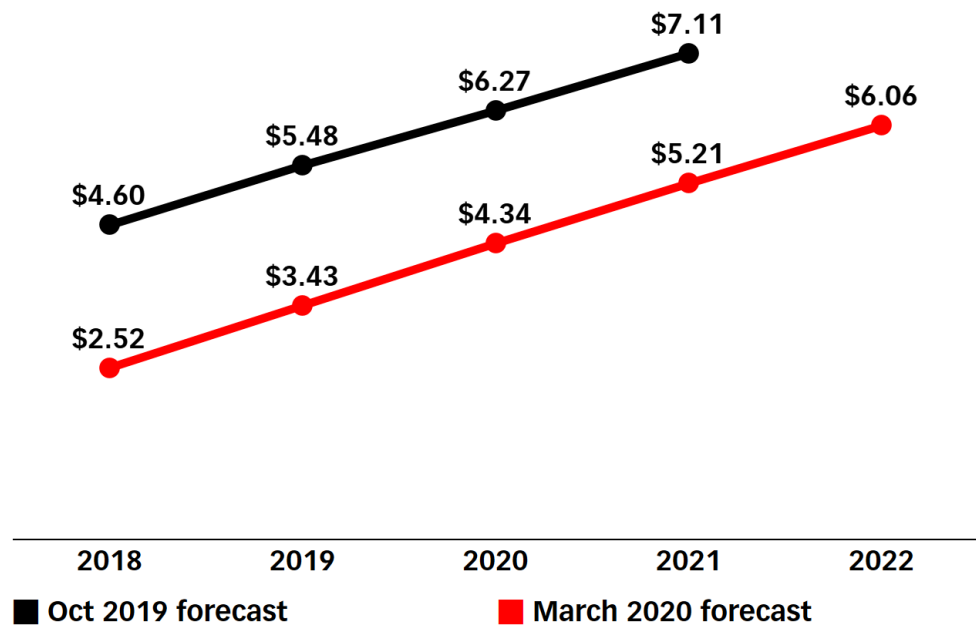


YouTube pays out a significant share of its ad revenues to the creators that make content for the site, and we estimate gross and net ad revenues at YouTube. We also significantly lowered our estimates of YouTube's net ad revenues, from \$5.48 billion to \$3.43 billion in 2019.

Forward-looking estimates may be revised downward further due to the effects of the coronavirus pandemic. We'll be updating our estimates in June based in part on Q1 financial reports from major digital ad sellers including Alphabet.

YouTube Net Ad Revenues in the US, 2018-2022

billions, Oct 2019 vs. March 2020



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms; net ad revenues after company pays traffic acquisition costs (TAC) and content acquisition costs (CAC) to partner sites

Source: eMarketer, March 6, 2020

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Because eMarketer, like other industry analysts, had been overestimating YouTube revenues, it meant we were simultaneously underestimating Google's other ad revenues — specifically, its search revenues. We now estimate that Google's gross US search ad revenues reached \$41.80 billion last year, with net US search ad revenues of about \$34.28 billion.