AVOD Platforms Are an Ad Market Bright Spot amid the Pandemic

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Ad-supported video-on-demand (AVOD) platforms experienced strong growth in ad revenues in Q2 2020, making the AVOD space a bright spot in the ad market amid the pandemic. Across five of the major ad-supported streaming platforms (Roku, Hulu, Peacock, Pluto TV and Tubi), ad revenues jumped 31% year-over-year (YoY) to reach $849 million last quarter, according to new estimates from MoffettNathanson Research.

That increase is in line with our expectations for US connected TV (CTV) advertising for 2020, where most AVOD dollars are likely going. We forecast that US CTV ad spending will grow by 25.2% this year due to the sharp increase in usage amid lockdowns.

Here's a breakdown of the five platforms' ad revenues:

- **Roku**, the only CTV player in the group, rose 32% YoY to $116 million in Q2, per MoffettNathanson. That's in line with the 30.9% growth in ad revenues we expect Roku to see this year. Further, we expect Roku ad spending to grow faster in H2 than it did in Q2 as the overall ad market begins to rebound.
- **Disney's Hulu** grew 7.5% YoY to $546 million in Q2, per MoffettNathanson. While that's a lower growth rate than Roku's, it's

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due in part to Hulu's existing dominance in the AVOD space. For comparison, we estimate Hulu's ad revenues were $1.89 billion last year, while Roku brought in less than a third of that, at $528.4 million.

- **NBCU's Peacock** and **ViacomCBS-owned Pluto TV** tied in ad revenues, both bringing in $80 million, according to MoffettNathanson. Peacock's growth is especially noteworthy, given that it launched last month—though it's been available to existing Comcast subscribers since April. Still, it's worth noting that NBCUniversal was able to secure significant upfront commitments from major launch partners. Meanwhile, Fox-owned Tubi is still small, netting $28 million last quarter.

But with four of the five AVOD platforms owned by major media conglomerates, some of this growth is likely coming from reallocated TV spend. The 31% rise in ad revenues for these five premium AVOD platforms is in direct contrast to MoffettNathanson's estimated 28% decline in national broadcast and cable TV ad spending in Q2.

Though it's true some AVOD increases are due to dollars being shifted directly out of linear TV and into OTT, some AVOD ad growth can also be attributed to TV advertisers moving spend with media companies to their owned OTT properties, per Eric Haggstrom, eMarketer forecasting analyst at Insider Intelligence. "Some advertisers who bought ads in the upfronts are shifting money within the same media company to streaming services," Haggstrom said.

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