

Fox turns down \$2 billion offers for Tubi as it tries to develop the streaming brand

Article

The news: Fox has turned down repeated offers of around \$2 billion for its free, ad-supported streaming service **Tubi**, according to Bloomberg. Fox acquired Tubi for \$440

million in 2020.

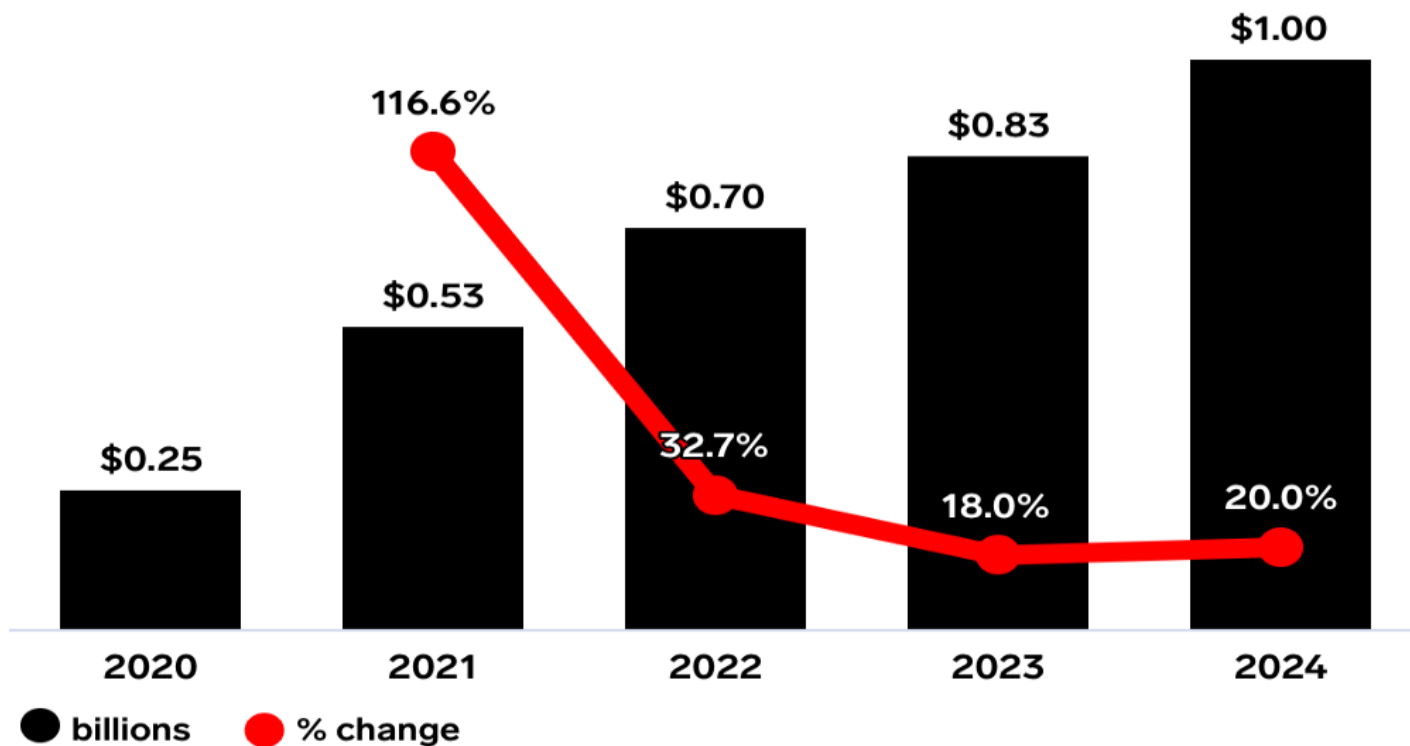
- Bloomberg reports that **Netflix** and **Warner Bros. Discovery** could be among those fielding offers as the two companies toy with the idea of their own free, ad-supported services.

Why did Fox say no? With offers at nearly four times what Fox paid for Tubi, agreeing to a deal would net a tidy profit for Fox and spare it from having to manage a streaming service. But Fox clearly sees more opportunity in sticking with Tubi.

- Demand for ad-supported video-on-demand services (AVOD) is rising fast. AVOD penetration will reach **45.5%** of US consumers this year and will exceed half the nation's population by 2026. That popularity has prompted holdouts like **Disney**, **Netflix**, and **HBO** to launch ad-supported subscription tiers. But unlike those, **Tubi's advantage is that it's entirely free.**
- Tubi may be one of the smaller streaming services, but it's growing rapidly. It jumped from 33 million monthly users in 2021 to 51 million in 2022. [Our own forecast](#) predicts that Tubi will hit 55 million US viewers in 2023.
- Major streamers like **Warner Bros. Discovery** that are saddled with debt and desperate to raise revenues have licensed out shows from their catalog, giving Tubi and others an opportunity to be the sole home of killer apps like "**Westworld**" that are unavailable elsewhere.

Tubi Ad Revenues

US, 2020-2024



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 companies pay traffic acquisition costs (TAC) to partner sites

Source: eMarketer, October 2022

eMarketer | InsiderIntelligence.com

Can Tubi tough it out? Tubi can weather a difficult period for streaming, but changes loom for the industry. Streaming market saturation and shrinking revenues are signs that major consolidation isn't too far away.

- Analysts have long predicted that a streaming shakeout will leave three or four major services standing and licensing content from the stragglers—but second- or third-tier services like Tubi, Peacock, or Paramount+ are refusing to go gentle into that good night.

- In fact, Fox seems unafraid of the inevitability of consolidation and is making a major effort to lift Tubi's presence as a household brand. Tubi raised eyebrows with its award-winning **Super Bowl LVII** commercial produced by **Mischief** that messed with viewers by cutting away in the fourth quarter to a smart TV interface, causing game watchers to cry out "Who sat on the remote?!" in unison.

Our take: Tubi's rapid growth is promising, but it's still a challenging time to nurture a "new" streaming brand. Fox's choice to push Tubi as an independent brand rather than promote it as "the Fox streaming service" is a high-risk, high-reward strategy that could either develop Tubi into a household name or cause it to fade away.

- An acquisition still isn't off the table—Fox may be looking to develop Tubi's brand and increase its audience in order to sell it at an even higher price once better economic times return.