

Ahead of Disney's earnings today, we expect slowing subscriber growth alongside growing ad sales

Article

The news: The Walt Disney Co. will report its Q3 2021 earnings after the market closes today. Here's what we're expecting for the company's **subscription over-the-top (OTT) video services** and **advertising sales** in the quarter:

- **Slowing subscriber growth on direct-to-consumer (D2C) streaming services.** Year-over-year (YoY), growth rates across Disney's entire D2C portfolio—**Disney+**, **Hulu**, **ESPN+**, and **Disney+ Hotstar** in India—will see tougher comparisons due to strong prior net subscriber additions, easing pandemic restrictions in the US, and seasonality impacts. We expect Disney+ subscriber growth to slow versus Q2, as Disney **exhausts new major international markets** to launch the service in. Disney+ also had a weaker content slate toward the end of the quarter due to having fewer franchise series compared with H1, which mainly benefited from **Marvel** shows like “Loki.”
- **Strong ad sales on Hulu, but only a partial rebound in linear TV ad sales.** We're expecting continued growth in Hulu ad spending as TV advertisers continue to shift spend toward ad-supported OTT video services as a replacement, or an incremental buy, alongside traditional TV commitments. At the three other major US media companies that have reported Q3 earnings so far, **NBCUniversal**, **ViacomCBS**, and **Fox Corp.**, linear recovered almost, but not quite, to pre-pandemic levels seen in early 2020. But the three each saw spending surge on their respective ad-supported streaming services, **Peacock**, **Pluto TV**, and **Tubi**.

What's next: Here is our full-year outlook for **Hulu and Hulu + Live TV's** viewer growth and advertising sales (as they are the only domestic services among Disney's subscription OTT video offerings to contain ads), as well as our forecast for the US TV ad market broadly:

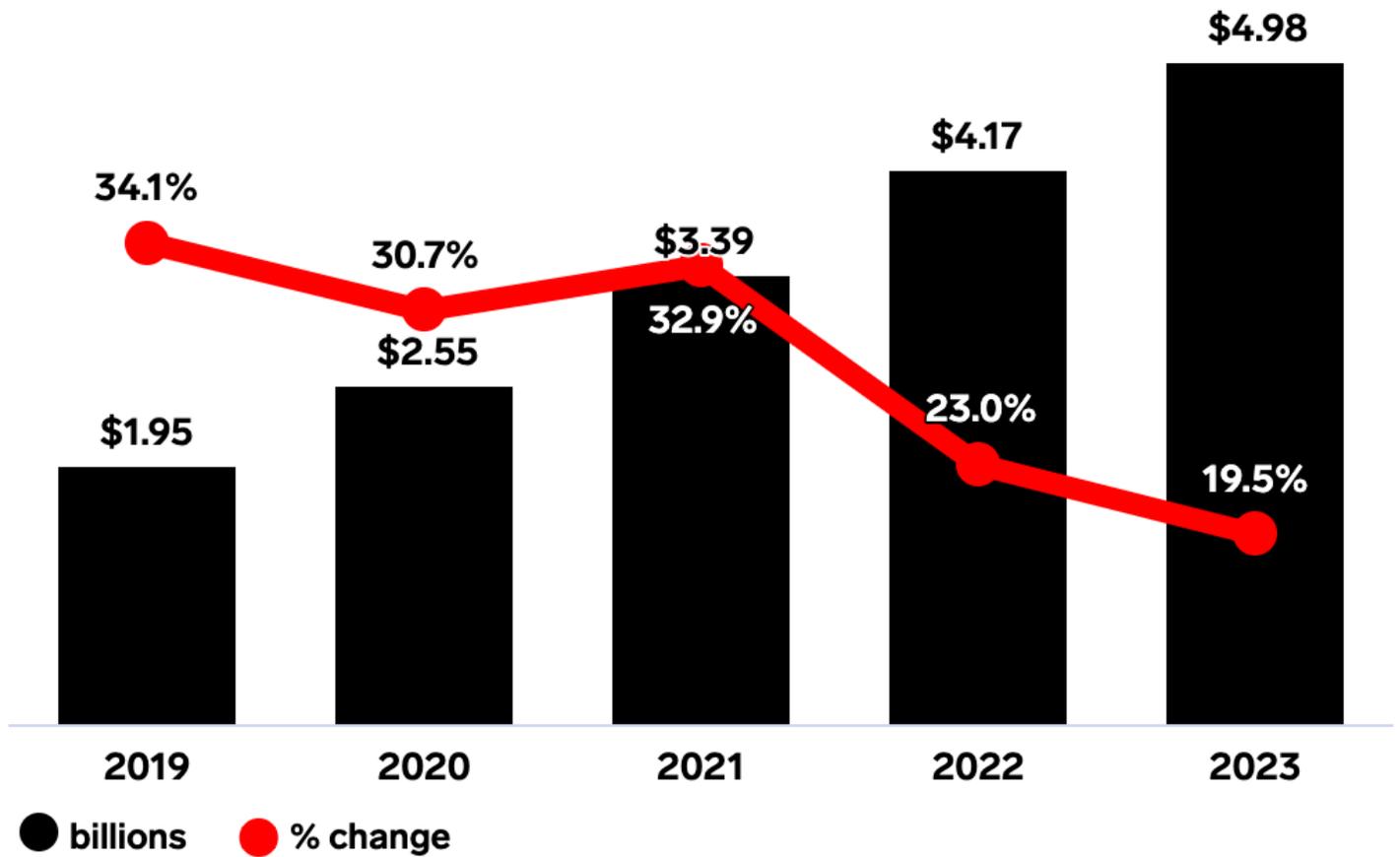
- We estimate that Hulu ad revenues will increase by **32.9%** this year to **\$3.39 billion**. (Hulu remains a domestic-only service, so this figure refers only to US advertising revenues.)
- We estimate that Hulu viewers will be up by **8.1%** to **110.2 million** this year, after surging **33.7%** in 2020.
- We expect viewers of **Hulu + Live TV** to reach **11.9 million** this year. Though Hulu + Live TV viewers will make up just **10.8%** of Hulu's total viewer base, we estimate the service will account for **34.9%** of virtual multichannel video programming distributor (vMVPD) viewers in the US by year-end, the largest share of vMVPD viewers among the services that we break out.
- We estimate that **US TV ad sales will rebound somewhat this year**, increasing by **6.7%** to **\$65.90 billion**. Last year, spending plunged by **12.5%** YoY to **\$61.76 billion**, down from **\$70.59**

billion in 2019.

- However, we don't expect TV ad sales to recover fully to 2019 levels, as we estimate growth will continue slowing through 2023.

Hulu Ad Revenues

US, 2019-2023



Source: eMarketer, March 2021

eMarketer | InsiderIntelligence.com