BLOG: THE BAUMINATOR

YouTube TV Is Losing Money, But Is There a Path to Profit?

LIKE OTHER VIRTUAL multichannel video programming distributors (MVPDs), YouTube TV is a money-loser.

That’s the bad news. “Even worse, there doesn’t seem to be an obvious path to not losing money,” Bernstein analyst Todd Juenger explained in a recent Weekend Media Blast analysis on the platform. “The financial model doesn’t scale.”

YouTube TV doesn’t break down its financials publicly, but Juenger estimates the platform is losing about $5 per month per subscriber. He readily admits, though, that the toughest assumption in making that calculation is the CPM on the product. Given the current, relatively small size of YouTube TV’s customer base, that’s not a material number for a deep-pocketed company like Google and its parent, Alphabet.

Even at 1 million subscribers, YouTube TV, which is also exposed to annual price inflators from programmers, would lose $60 million per year. “Not even a rounding error for Alphabet,” Juenger noted. “No analyst would even bother modeling it.”

But what if the losses grow to $10 per customer and YouTube TV pulls in 5 million homes? “Now we have a loss of — $600mm OI. Material yet? How about 10mm subs, now we exceed -$1bn in OI losses. Surely, that would catch investors’ attention.”

With that as the backdrop, it’s clear that YouTube TV’s financial overhang is greater the more successful it becomes on a subscriber basis.

For more of this blog, go to broadcastingcable.com/May21.

VIDEOPHILE

Ad-Backed VOD Impresses in Q1

CANOE, the cable operator-backed supplier of dynamic video-on-demand ad technology and services, said ad impressions on its platform surpassed 6 billion in first-quarter 2018, up 25% from the year-ago period.

Canoe said those impressions spanned set-tops, as well as internet protocol and mobile platforms, but confirmed that the vast majority of them still came by way of the traditional cable box. In Q1, the bulk of VOD ad impressions were mid-rolls (5.25 billion), versus pre-roll ads (806.75 million) or post-roll spots (90.71 million). Ad opportunities per mid-roll break averaged 3.85 in Q1, compared to 1.18 for pre-roll ads and 1.52 for post-roll ads. Ninety-nine percent of ads in mid-roll slots were watched to completion 99% of the time, on average, Canoe said.

With respect to ad frequency, 57% of the time in a given episode, viewers saw the same campaign ad one time, and about 36% of the time they saw the same campaign ad twice.

Some 2,522 campaigns were run on Canoe’s platform in Q1, with 83% coming from external clients and 17% for network tune-in ads.

Canoe’s footprint currently covers 36 million cable households and the top DMAs in partnership with Charter Communications, Comcast and Cox Communications. More than 100 national TV networks are running campaigns with Canoe. — Jeff Baumgartner

NUMBER

3.4%

The decline in the U.S. pay TV subscriber base in Q1 2018, excluding virtual multichannel video programming distributors, according to MoffettNathanson’s latest Cord-Cutting Monitor. With YouTube TV, DirecTV Now, Hulu, Sling TV and other OTT TV providers factored in, the decline was just 0.5%.

“I think we’re a lot closer than people think.”

— Lowell McAdam, Verizon Communications chairman and CEO, to CNBC’s David Faber on the status of 5G technology and deployment activity. McAdam said Verizon has locked in on four markets for launch this year, including Sacramento, Calif., and Los Angeles.