

# ROKU®

## ROKU Analysis:

**Business Description:** Roku is a TV streaming platform. They make money in two major ways they call "Players" and "Platform". Players reflects revenue from the sale of streaming players. Platform includes advertising, audience development, content distribution and licensing.

Stock: ROKU

Price: \$51.82

Market Cap: \$5.5B

Performance YTD: -0.48%

Performance Since IPO on Sep 29, 2017: +95.25%

## Fundamentals:

- Trailing P/S: 9.1x
- Forward P/S: 6.5x
- Price/Book: 25.7x
- Gross Margins: 43.6%
- EBIT Margins: -0.80%
- Net Income Margins: -7.5%
- Current Ratio: 2.4x
- Unlevered Free Cash Flow: -\$31.9M

Summary on Fundamentals. Point blank the stock isn't cheap but with a growth story like this most people don't really care about the fundamentals or they just focus on growth. This is, in

our opinion, one of those stocks where if they miss on any metrics related to sales or customer growth they will get battered. This recent pullback has made them much more attractive, make no mistake. For example, before this pullback they were trading at F P/S 9.5x vs. now of 6.5x.

There a few things we want to make not of that we really like. For one, Netflix's strong subscriber growth is a HUGE positive for ROKU. It shows that their is consistent demand for streaming and i think we can all agree that the cord cutting will only continue. Another things, since we are talking about growth, in their last quarter on August 8th, they posted 57.4% revenue growth Y/Y and for the first time as a public company posted EPS that wan't negative at \$0.00. This is huge and furthermore:

- Activate accounts rose 46% Y/Y to 22M, and the company logged 57% more streaming hours (a total of 5.5B hours).
- Average revenue per user rose 48% to \$16.60.
- Revenue breakout: Platform was \$90.3M (up 96%) and Player rev was \$66.5M (up 24%).
- Gross profit breakout: Platform, \$63M (up 84%); Player, \$14.7M (up 329%).

For this upcoming Q3, they are expecting revenues of \$164M-\$172M, net income of -\$18M to -\$13M and EBITDA of -\$8M to -\$3M

For the full year, they raised their view to revenues of \$710M-\$730M (above consensus for \$698.3M), net income of -\$22M to -\$10M and EBITDA of \$11M-\$23M (above expectations for -\$1.2M)

They are reporting Q3 on November 7th. On the quarter above, they blasted over 22% so there's a possibility we see something similar. Like we said, NFLX had a blowout quarter and there's a good chance a lot of subs came from people watching over their Roku.

On the flipside, Amazon did put out a 4K firestick and that's a direct competitor but ROKU is at a cheaper price point. Please look below for a screenshot of one of their product comparisons. They both compete pretty well. Alexa is built into Amazon's products of course and that could help edge out customers because of their echosystem they're building.

Technicals:

Oversold or close to it on RSI, MFI, Williams, and lower bollinger band says there should be some solid support at \$46.43

Conclusion:

There are a few ways you can go about this. If you're not an investor yet and want to take some risk off the table, wait til they report. If you're a bit riskier you can play the report. There's a solid probability it jumps heavy in either direction

Don't see this as being a neutral reaction to the report. What we may do is play this report to try and make back some losses we suffered this month. The company has a history of beating on top and bottom line (4/4 on their reports since going public) and 3/4 they rose. Last quarter they jumped 22%, Q1 they rose 2.5%, and Q3 last year they jumped 26%. In Q4 of last year they slid 22%

## Specs and hardware

Category	Fire TV Cube	Roku Ultra
		
<b>Price</b>	<u>\$119</u>	<u>\$89</u>
<b>Max resolution</b>	2160p (4K)	2160p (4K)
<b>Operating system</b>	Fire OS 6 (Android 7.1)	Roku OS
<b>Processor</b>	Amlogic S905Z	ARM Coretex A53
<b>GPU</b>	Mali-450 MP3	n/a
<b>Storage</b>	16GB	512MB
<b>RAM</b>	2GB	1GB
<b>External storage</b>	microUSB	USB-A/microSD
<b>Bluetooth</b>	BT 4.2	No
<b>Wifi</b>	802.11ac	802.11ac
<b>Ethernet</b>	Adapter included	Ethernet port