

January 24, 2019

Price (as of close on Jan 23, 2019)

\$40.44Rating
BUY12- Month Target Price
\$56.00Christopher J. Sakai, CFA
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Roku Inc. (ROKU)

ROKU is a pure-play call on the growth of streaming television over the internet. There has been an increasing consumer transition from traditional television viewing to streaming services. We believe Roku to be one of the largest beneficiaries of this trend because Roku has a first-mover advantage in video streaming technology. The preliminary 4Q18 data suggests strong business momentum with 40% YoY active user growth and 68% YoY streaming hours growth. **We initiate with a BUY rating and a \$56.00 price target.**

52-Week Range	\$26.30 – \$77.57	Total Debt	\$0.0M
Shares Outstanding	109.2 million	Debt/Equity	0%
Insider/Institutional	0.3%/66.0%	ROE (LTM)	-4.4%
Public Float	76.2 million	Book Value/Share	\$2.0
Market Capitalization	\$4,473 million	Daily Volume (90-day)	10.0M

FYE Dec	FY 2017A	FY 2018E		FY 2019E	
EPS (\$)	ACTUAL	CURRENT	PREVIOUS	CURRENT	PREVIOUS
Q1 March	\$(1.79)A	\$(0.07)A		\$(0.10)E	
Q2 June	\$(3.18)A	\$0.01A		\$(0.08)E	
Q3 Sept	\$(8.79)A	\$(0.09)A		\$(0.15)E	
Q4 Dec	\$0.06A	\$(0.00)E		\$0.12E	
Year*	\$(2.24)A	\$(0.15)E		\$(0.20)E	
P/E Ratio	NM	NM		NM	
Change	-75.1%	-93.1%		32.5%	

FYE Dec	FY 2017A	FY 2018E		FY 2019E	
Revenue (\$ mil.)	ACTUAL	CURRENT	PREVIOUS	CURRENT	PREVIOUS
Q1 March	\$100.0A	\$136.5A		\$183.4E	
Q2 June	\$99.6A	\$156.8A		\$212.4E	
Q3 Sept	\$124.7A	\$173.3A		\$235.0E	
Q4 Dec	\$188.2A	\$260.7E		\$352.5E	
Year*	\$512.7A	\$727.4E		\$983.4E	
Change	28.6%	41.9%		35.2%	

* Numbers may not add up due to rounding.

Roku Inc. operates as a television streaming platform. The company sells streaming video players and licenses its operating system to television manufacturers. The company sells its products and services through retailers and distributors, as well as directly to customers through its website. As of September 30, 2018, the company has 23.8 million active accounts.

Investment Thesis

- Roku Inc. is the market leader in the video streaming device category with a ~37% market share, ahead of giants such as Amazon (28%), Apple (15%) and Google (14%).
- We expect strong growth in active users and streaming hours to support future revenue growth. Preliminary Q418 data shows signs of active account growth of 40% and streaming hours growth of 68%.
- New Original Equipment Manufacturer (OEM) partnerships are notable for Roku as it validates the company's operating system and highlights its competitive moat.
- We are seeing a consumer transition from traditional television viewing and advertising to watching their favorite shows through streaming services. We believe Roku to be one of the largest beneficiaries of this trend because Roku has a first-mover advantage in video streaming technology.
- We are upbeat on the introduction of paid-premium content on the Roku Channel.
- The company is poised to grow revenues and earnings over the near to medium term. We initiate coverage with a BUY rating and a price target of \$56.00.

Primary Risks

- Television streaming is a highly competitive industry with the presence of Amazon, Google, and Apple.
- The U.S.-China trade war could negatively affect business operations as most of Roku's hardware is manufactured in China.

Please refer to the end of this report to obtain important disclosure information.

Investment Thesis

Roku Inc. is the market leader in the video streaming device category with a ~37% market share, ahead of giants such as Amazon (28%), Apple (15%) and Google (14%). The company sells streaming video players and licenses its operating system to television manufacturers. We believe Roku to be one of the largest beneficiaries from the secular shift to internet video content. Roku's purpose-built television operating system, OEM relationships, growing platform, and early content efforts set up the company for long-term value creation as streaming video continues to see adoption both, domestically and globally. We expect strong growth in active users and streaming hours to support future revenue growth.

Our thesis is ROKU can drive growth and deliver value for shareholders through a successful pursuit of its strategic objectives, which include growth in:

- active user accounts,
- streaming hours, and
- average revenue per user (ARPU).

Roku's preliminary Q418 active account growth of 40% and streaming hours growth of 68% demonstrates continued momentum for the Roku platform as consumers shift toward streaming services. The new OEM partnerships are notable for Roku as it validates the company's operating system and highlights its competitive moat. The recent January 2019 partnership with Westinghouse Electronics is a notable OEM partnership because of its potential to take market share from Amazon.

We are also upbeat on the introduction of paid-premium content on the Roku Channel. The Roku Channel is currently the fastest growing contributor to Roku's top-line and ARPU growth.

Recently, there has been a large and growing transition from traditional television viewing and advertising to streaming services. Over-the-top (OTT) platforms (platforms where television is streaming online) are gaining market share in advertisement spending. In 2017, Nielsen reported that 10% of television viewers in the 18-34 age range were only reachable via the Roku platform. According to a recent eMarketer study, about 50 million Americans will abandon cable and satellite television by 2021, up from 2018 estimates of 20 million. In 2019, we expect Roku to grow sales and adjusted EBITDA by 35.2% and 65.4%, respectively.

Our recommendation is based on the expectation that management can execute on the growth plan it has outlined, while maintaining balance sheet leverage without incurring large amounts of additional debt.

We initiate coverage with a BUY rating and a \$56.00 price target.

Active User Momentum

ROKU delivered strong 3Q18 active user growth with 23.8 million active accounts (+43% YoY) and 6.2 billion streaming hours (+63% YoY), well ahead of the consensus estimates. We expect a strong 4Q18 based on the preliminary data released by the company which indicated 27 million active accounts (+40% YoY) and 7.3 billion streaming hours (+68% YoY). Total streaming hours for 2018 was 24 billion, up 61% from the prior year. We believe growth in active accounts and streaming hours demonstrates continued momentum for the Roku platform as consumers shift toward streaming services. High user engagement makes Roku an important platform for content providers and advertisers.

Q318 ARPU reached a new high of \$17.34, up 37% year-over-year. The shift of television advertising to streaming represents a large opportunity for Roku over the long-term. In 2018, the company noted that ~25% of smart televisions sold in the U.S. were Roku televisions, up from roughly 20% in 2017 and 13% in 2016. We see Roku as an attractive platform for advertisers given its engagement and monetization capabilities.

The ROKU Channel – One Stop Shop for Streaming

Roku has been trying to move beyond hardware by introducing a curated Roku channel of free movies and television shows for device owners. Consumer search results reveal rising interest in The Roku Channel. This interest remains small relative to other streaming platforms but could increase as Roku acquires content and accelerates marketing.

The Roku Channel which initially featured free, ad-supported movies is expanding to include a premium content subscription. Users can now add roughly 25 premium video subscriptions within the Roku Channel from providers such as SHOWTIME, Starz and EPIX. Over the past year, The Roku Channel has expanded to include news, sports, television shows, and other entertainment offerings. Users will be able to watch both free, ad-supported and paid premium entertainment in one easy-to-navigate personalized interface.

The company is upgrading its Roku mobile app to enable users to watch content from The Roku Channel. For the first time, users will be able to use the Roku mobile app without a Roku device, enabling them to watch The Roku Channel anytime, anywhere in the United States.

Premium subscriptions and search capabilities on The Roku Channel will begin for select Roku devices in late January, with a phased rollout planned for early 2019. The Roku mobile app update will also begin rolling out to iOS and Android devices in late January.

The addition of premium content paired with a large catalogue of free content (10,000+ movies and television episodes) makes it a one-stop shop for streaming services.

New OEM Partnerships Drive Active Accounts

The company is setting up new partnerships with television manufacturers to roll out Roku televisions. The Roku television program is the fastest growing source of new accounts. In the first half of 2018, approximately one in four smart televisions sold in the U.S. were licensed Roku televisions. The recent January partnership with Westinghouse Electronics is the latest television brand to join the Roku television licensing program. Westinghouse Electronics will leverage the Roku television hardware reference design and Roku OS to deliver HD Westinghouse Roku television models, expected in the first half of 2019, and 4K Westinghouse Roku television models, expected later in the year.

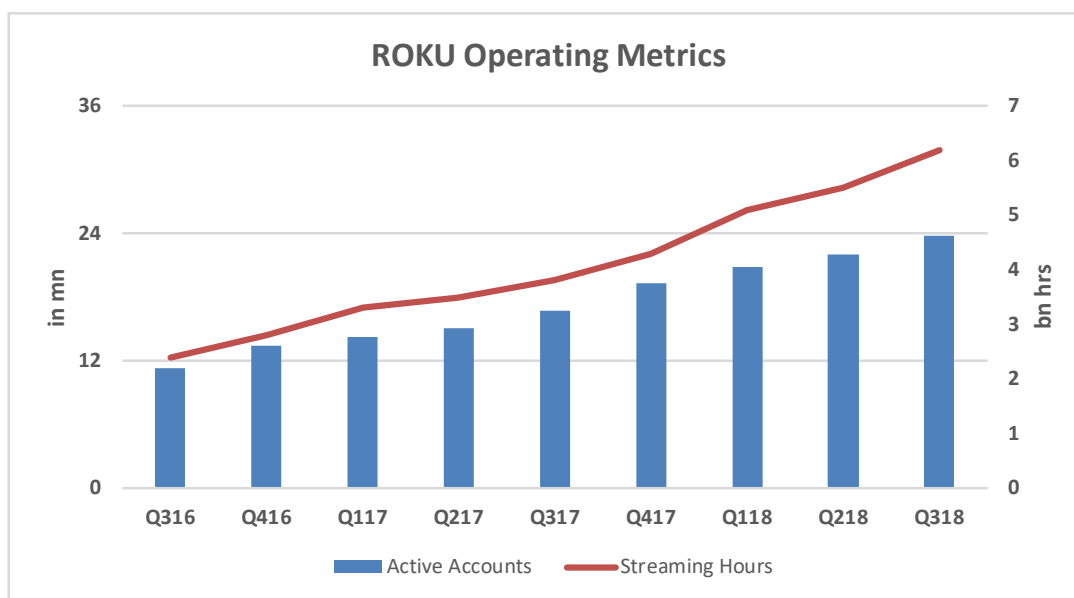
The new OEM contract with Westinghouse is notable for Roku as the contract validates the company's operating system and highlights its competitive moat given that Westinghouse is an Amazon Fire TV customer. In August 2018, ROKU signed a new partnership with JVC. This partnership allowed for the integration of Roku's operating system in JVC's televisions. Although JVC is a small OEM, the continued roll-up of OEMs and more stock keeping units (SKUs) represents another indicator of momentum in the Roku platform.

Business Model

The company sells streaming video players and licenses its operating system to television manufacturers. Their business model revolves around selling streaming video devices, licensing their operating system, and generating advertising revenue by connecting advertisers to Platform users. The company has two primary business segments - Players and Platform. The Players segment represents revenue from the sale of streaming devices. The Platform segment covers advertising, audience development, content distribution and licensing. The Platform segment revenue accounts for ~54% of total sales as of 3Q18.

Roku operates the number one television streaming platform in the United States as measured by total hours streamed. Roku provides content publishers and advertisers direct access to a large and growing OTT audience. Advertisers on the Roku platform can reach the desirable OTT audience with ads that are more relevant, interactive and measurable than advertising delivered on traditional television. Video ads are sold as 15-second or 30-second spots inserted before a program starts or during a program break, within channels on the Roku platform. The company's strategy is focused on increasing the number of active accounts and growing average revenue per user (ARPU). The higher number of active accounts should drive engagement levels (number of streaming hours) which brings more advertisers to the platform thereby driving ARPU. As the traditional television audiences shrinks, OTT audiences have become increasingly important to advertisers to reach a large user base.

Exhibit 1: Both Active User Accounts and Streaming Hours Showing Upward Trend



Source: Roku Inc. and Singular Research

Competition

The television streaming industry is highly competitive. Roku faces substantial competition from large companies such as Amazon, Apple, and Google which offer television streaming products that compete with Roku's streaming players and Roku television. In addition, Google licenses its operating system software for integration into smart televisions and service provider set-top boxes. Many television brands, such as LG, Samsung Electronics Co., Ltd. and VIZIO, Inc., offer their own television streaming solutions within their produced televisions. Other devices, such as Microsoft's Xbox and Sony's PlayStation game consoles and many DVD and Blu-ray players, also incorporate television streaming functionality. Similarly, some service operators, such as Comcast and Cablevision, offer television streaming applications as part of their cable service plans.

Industry Overview

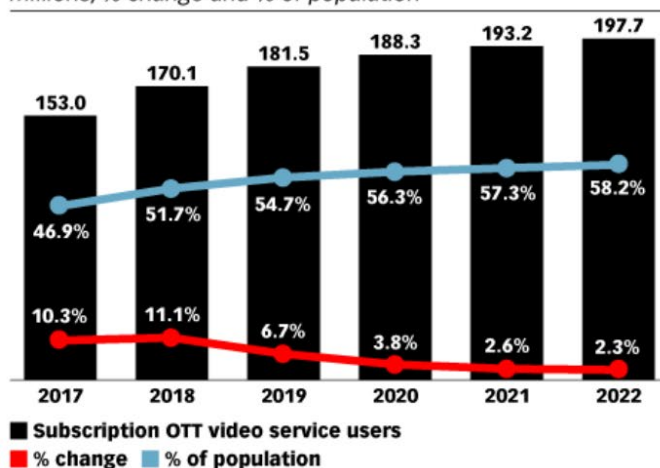
Currently, there is a growing transition of television viewing and advertising to streaming services. According to Roku, the largest U.S. cable and satellite television services have lost roughly two million traditional television subscribers in the first nine months of 2018 and roughly four million subscribers since the end of 2016. According to a report by Activate, 2013 daily digital media viewing was 18% of 6.5 total hours, or 1.2 digital viewing hours. By 2018, the consumer's daily digital media viewing was estimated to be 34% of 7.0 total hours, or 2.4 digital viewing hours. According to an eMarketer forecast, the number of subscription OTT video service viewers will rise to 181 million in 2019, roughly 55% of the U.S. population. Similarly, in 2018, an eMarketer study found traditional television advertising spending to be nearly \$70 billion and digital video ad spending to be roughly ~\$28 billion. By 2022, eMarketer believes traditional television ad spending is likely to decline to \$68 billion while digital video ad spending will almost double to ~\$51 billion. As viewers shift to streaming services, advertisers are starting to follow. In 2017, Nielsen reported that 10% of television viewers in the 18-34 age range are only reachable on television via the Roku platform.

Over-the-top (OTT) platforms have an increasingly prominent role in ad spending. In 2018, spending on Hulu is anticipated to rise 13.2% to \$1.1 billion while spending on Roku is expected to increase 93% to a total of \$293 million. As audiences increasingly cut the cord, Roku is attractively positioned as an ad-friendly streaming video platform.

Exhibit 2: US OTT Video Industry Overview

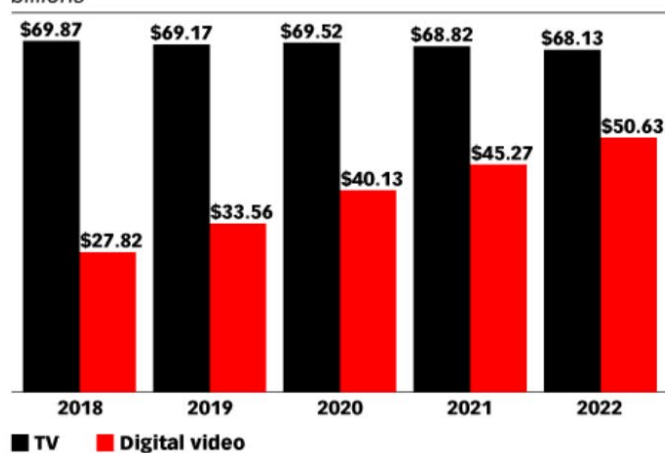
US Subscription Over-the-Top (OTT) Video Service Users and Penetration, 2017-2022

millions, % change and % of population



US TV and Digital Video Ad Spending, 2018-2022

billions



Source: eMarketer and Singular Research

Management and Shareholders

The company is led by CEO Anthony Wood. Mr. Wood founded Roku in 2002 and has been its CEO since then. He also serves as the Chairman of the Board. Steve Loudon has been the CFO since joining in 2015.

On its most recent earning press release, the company reported ~109.1 million shares outstanding. A summary of key shareholdings follows.

Exhibit 3: Key Shareholdings – Insiders and Institutions

	Shares	% Ownership
Anthony Wood - CEO	20,511,430	18.8%
Eleven other Insiders	309,143	0.3%
Total 12 Insiders	20,820,573	19.1%
FMR LLC	11,461,066	10.5%
Twenty-First Century Fox Inc.	6,022,258	5.5%
Over 5% ownership Institutional	17,483,324	16.0%
Total Insider and 5%+ Institutional Owned	38,303,897	35.1%
Total Institutional Holders	66,807,779	61.2%

Source: Roku Inc. and Singular Research

Growth Strategy

The company aims to transition from a hardware provider to an advertiser. Roku's strategy is 1) to grow its active user base through a mixture of hardware sales and licensing deals, and 2) to monetize that base via ads and other high-margin revenue streams. This strategy should result in a higher Platform business, which is in line with management's strategy of growing non-hardware sales. Platform revenue consists of advertising and distribution revenue. The biggest source of growth will come from video advertising. Roku expects to attract a significant chunk of the \$70 billion U.S. television ad spend. As a result, the company continues to invest in areas that drive engagement and monetization.

Roku plans to increase active accounts by continuing to expand its retail presence and grow the Roku OS licensing program for television brands and service operators. Furthermore, management noted that international expansion represents a large opportunity to grow its active accounts. In 2018, active accounts are expected to grow ~40% YoY.

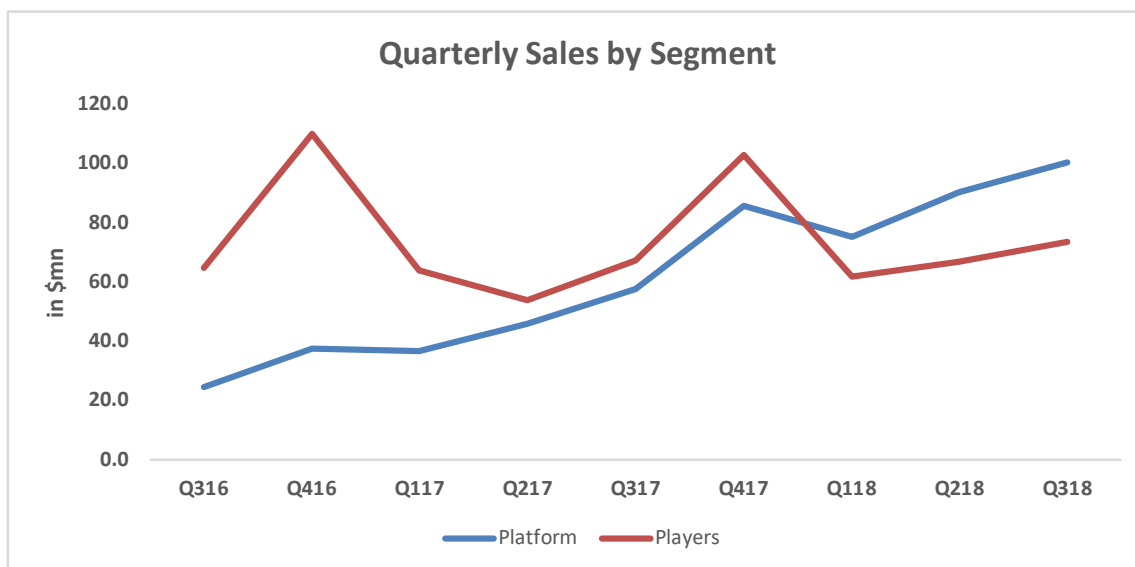
ROKU intends to increase user engagement and hours streamed by offering more content that is easier to find and discover. For 2018, the company expects to touch ~24 billion streaming hours on its platform. Both the growth in active accounts and hours streamed attracts advertisers and content publishers to the platform which drives ARPU and revenue growth.

The success of The Roku Channel is helping drive ad revenue growth. The free ad-supported channel launched in late 2017 is already among the top 5 most popular ad-supported channels on Roku. The introduction of premium content on the Roku Channel is likely to drive content distribution revenue. Roku continues its transition from a hardware company to a service provider.

Financial Results

Roku's revenue rose 24.6% and 28.6% in 2016 and 2017, respectively. Over the first three quarters of 2018, revenue advanced 36.4%, 57.4% and 38.9%, respectively. As shown in the chart below, Platform (software & services) revenue has overtaken Players (hardware) revenue since Q1:18.

Exhibit 4: Quarterly Sales by Segment



Source: Roku Inc. and Singular Research

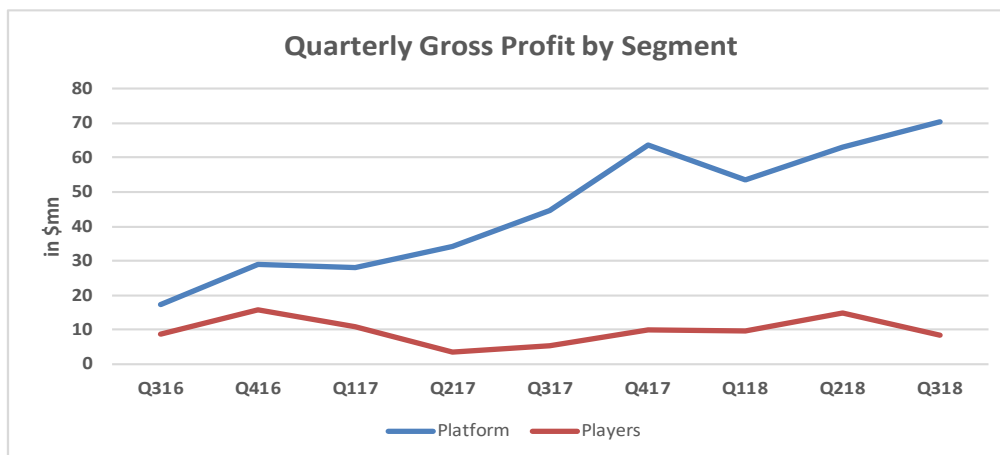
In the first nine months of 2018, the company has grown significantly. The company continued its efforts to transition away from a hardware focused company to a more software and services-oriented company. Platform revenue is now ~57% of overall sales as of 9M18. During the first nine months of 2018, Platform revenue grew ~90% YoY while Players revenue

grew ~9% YoY. Similarly, over this same time period, sales grew ~44% YoY to \$466.7 million. As of September 30, 2018, active accounts were 23.8 million, up 43% YoY, and streaming hours rose 63% YoY to 6.2 billion hours.

Total gross profit has been on an upward trend in recent years. Total gross profit was \$121.0 and \$199.8 million for 2016 and 2017, respectively. Gross margin for those periods was 30.4% and 39.0%, respectively. For the first nine months in FY18, gross profit was \$219.8 vs. \$126.3 million while gross margin for the period increased to ~47.1% vs. 38.9%. The increase in gross profit was primarily due to strong growth in the high-margin Platform business. The Platform business was ~85% of the overall gross profit during 9M18.

The chart below depicts the gross profit at each of Roku's two segments 1) Platform and 2) Players.

Exhibit 5: Quarterly Gross Profit



Source: Roku Inc. and Singular Research

For 9M18, operating profit was (\$18.7) million while adjusted EBITDA was \$8.2 million. Earnings per share from continuing operations was \$(9.01) and \$(2.24) for 2016 and 2017, respectively. For the first nine months of FY 2018, the company reported earnings per share of \$(0.15) vs. \$(14.09) for the same period in FY 2017.

EPS Guidance and Estimates

For Q4:18, Roku is guiding for year-over-year revenue growth of 38% with Player and Platform revenue growth roughly in line with Q3:18 levels. Management expects gross profit growth of ~41% in Q4:18. The guidance factors in a continued mix shift to video advertising and seasonality in Player margins. Q4:18 is more promotional for Players and the mix shift to video ad generally decreases Platform margins from Q3 levels. We expect a similar pattern this quarter with Platform gross margin down modestly and sequentially and Player gross profit at low to mid-single-digit margins. Roku plans to reinvest gross profit upside back in to R&D and sales and marketing to fuel continued growth and innovation.

For full year 2018, management raised its revenue growth guidance to 42% YoY and gross profit growth to 63% YoY, up from prior growth rates of 40% and 60%, respectively. Based on the strength of the first three quarters of 2018, the company expects to deliver between \$21 million and \$28 million in adjusted EBITDA for the full year (earlier guidance of \$11 - \$23 million).

Revenue for 2018 (one quarter left) is forecasted at \$727.4 million, up ~42% from 2017. For 2019 and 2020, we forecast revenue growth of 35.2% and 35.8%, resulting in \$983.4 and \$1,335.0 million of revenue, respectively. Adjusted EBITDA for 2018 is forecasted to be \$24.8 million, in line with management's guidance range of \$21 - \$28 million. For 2019 and 2020, we expect adjusted EBITDA to increase to \$41.1 and \$67.7 million, respectively.

In 2018 and 2019, income from continuing operations is forecasted at \$(15.9) million and \$(22.3) million, respectively. In 2020, income from continuing operations should increase to \$4.4 million. This income results in Earnings per Share in 2018, 2019 and 2020 of \$(0.15), \$(0.21) and \$0.04, respectively.

Investment Risks

- Although consumer discretionary spending remains steady, any economic downturn could materially affect spending levels and derail Roku's core business, liquidity, and operating results.
- Television streaming is a highly competitive industry with the presence of Amazon, Google, and Apple.
- A lack of engaging content could result in loss of existing users and decline in new user growth.
- The company has been operating in losses since inception and may never achieve or maintain profitability.
- Changes in consumer viewing habits or new entrants with unique offerings could negatively impact the business.
- The U.S.-China trade war could adversely impact business operations as most of Roku's hardware is manufactured in China.

Valuation

We value ROKU using a P/S multiple since the company does not earn a profit. Given the shift in management's focus away from hardware to software and services, we believe that Roku should be valued more like an internet software and services provider than a maker of a consumer device.

We value Roku at 5.46x P/S multiple, in line with the industry average. We are applying this multiple to our forecasted 2020 results. We then discount this target back by computed cost of capital. The multiple based target after discounting back to the present is \$55.95, which we round up to \$56.00.

The exhibit below summarizes our peer group multiples.

Exhibit 6: Roku Inc. Peer Group Multiples and Price Targets

Company Name	Ticker	Last Price	Shares o/stand (MM)	Market Cap (\$MM)	Price-to-Sales TTM	Price-to-Book MRQ	Trailing P/E	Forward P/E	EV/ EBITDA
Amazon Inc.	AMZN	\$ 1,696.20	489	\$829,441.80	3.75	33.80	95.00	69.67	34.00
Alphabet Inc.	GOOG	\$ 1,107.30	695.5	\$770,127.15	5.93	5.20	41.60	24.22	16.90
Apple	APPL	\$ 156.82	4729.8	\$741,727.24	2.79	7.00	13.20	12.95	9.70
Netflix Inc.	NFLX	\$ 339.10	436.1	\$147,881.51	9.36	NM	126.50	84.05	91.50
Industry Averages (ex: negatives)				\$233,069.25	5.46	11.25	58.82	40.36	31.44
Roku Inc.	ROKU	\$ 40.98	109.20	\$ 4,475.02	6.83	20.40	NM	NM	NM
Roku Target Multiples					5.46				
2020 Sales					\$ 1,335.05				
2020 Target Price		\$ 66.77							
2020 Target Discounted Back		\$ 55.95							

Source: Roku Inc. and Singular Research

The Exhibit below shows stock price targets using various combinations of sales and P/S multiples. Our sales per share estimates for 2018 and 2019 are \$6.66 and \$9.01 respectively. The portion of the chart not shaded shows resulting stock price targets at various forward P/S multiples that are above the current price of \$40.98 as of January 18, 2019.

Exhibit 7: Forward P/E Ratio Vs. Forward EPS

		Forward Sales per share													
		\$2.00	\$ 3.00	\$ 4.00	\$ 5.00	\$ 6.00	\$ 7.00	\$ 8.00	\$ 9.00	\$ 10.00	\$ 11.00	\$ 12.00	\$ 13.00	\$ 14.00	
Forward P/S Ratio	1.0	\$ 2.00	\$ 3.00	\$ 4.00	\$ 5.00	\$ 6.00	\$ 7.00	\$ 8.00	\$ 9.00	\$ 10.00	\$ 11.00	\$ 12.00	\$ 13.00	\$ 14.00	
	1.5	\$ 3.00	\$ 4.50	\$ 6.00	\$ 7.50	\$ 9.00	\$ 10.50	\$ 12.00	\$ 13.50	\$ 15.00	\$ 16.50	\$ 18.00	\$ 19.50	\$ 21.00	
	2.0	\$ 4.00	\$ 6.00	\$ 8.00	\$ 10.00	\$ 12.00	\$ 14.00	\$ 16.00	\$ 18.00	\$ 20.00	\$ 22.00	\$ 24.00	\$ 26.00	\$ 28.00	
	2.5	\$ 5.00	\$ 7.50	\$ 10.00	\$ 12.50	\$ 15.00	\$ 17.50	\$ 20.00	\$ 22.50	\$ 25.00	\$ 27.50	\$ 30.00	\$ 32.50	\$ 35.00	
	3.0	\$ 6.00	\$ 9.00	\$ 12.00	\$ 15.00	\$ 18.00	\$ 21.00	\$ 24.00	\$ 27.00	\$ 30.00	\$ 33.00	\$ 36.00	\$ 39.00	\$ 42.00	
	3.5	\$ 7.00	\$ 10.50	\$ 14.00	\$ 17.50	\$ 21.00	\$ 24.50	\$ 28.00	\$ 31.50	\$ 35.00	\$ 38.50	\$ 42.00	\$ 45.50	\$ 49.00	
	4.0	\$ 8.00	\$ 12.00	\$ 16.00	\$ 20.00	\$ 24.00	\$ 28.00	\$ 32.00	\$ 36.00	\$ 40.00	\$ 44.00	\$ 48.00	\$ 52.00	\$ 56.00	
	4.5	\$ 9.00	\$ 13.50	\$ 18.00	\$ 22.50	\$ 27.00	\$ 31.50	\$ 36.00	\$ 40.50	\$ 45.00	\$ 49.50	\$ 54.00	\$ 58.50	\$ 63.00	
	5.0	\$ 10.00	\$ 15.00	\$ 20.00	\$ 25.00	\$ 30.00	\$ 35.00	\$ 40.00	\$ 45.00	\$ 50.00	\$ 55.00	\$ 60.00	\$ 65.00	\$ 70.00	
	5.5	\$ 11.00	\$ 16.50	\$ 22.00	\$ 27.50	\$ 33.00	\$ 38.50	\$ 44.00	\$ 49.50	\$ 55.00	\$ 60.50	\$ 66.00	\$ 71.50	\$ 77.00	
	6.0	\$ 12.00	\$ 18.00	\$ 24.00	\$ 30.00	\$ 36.00	\$ 42.00	\$ 48.00	\$ 54.00	\$ 60.00	\$ 66.00	\$ 72.00	\$ 78.00	\$ 84.00	
	6.5	\$ 13.00	\$ 19.50	\$ 26.00	\$ 32.50	\$ 39.00	\$ 45.50	\$ 52.00	\$ 58.50	\$ 65.00	\$ 71.50	\$ 78.00	\$ 84.50	\$ 91.00	
	7.0	\$ 14.00	\$ 21.00	\$ 28.00	\$ 35.00	\$ 42.00	\$ 49.00	\$ 56.00	\$ 63.00	\$ 70.00	\$ 77.00	\$ 84.00	\$ 91.00	\$ 98.00	

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BUY, 30% or greater increase in the next 12 months.

BUY- Long-Term, near term EPS horizon is challenging, attractive long-term appreciation potential.

HOLD, perform in line with the market.

SELL, 30% or more declines in the next 12 months.

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Roku Inc.
Quarterly Results & Estimates
\$ in Millions

	2016 Actual	2017 Actual	2018 Estimated				2019 Estimated				2020 Estimated		
	Fiscal 2016A	Fiscal 2017A	1QA Mar-18	2QA Jun-18	3QA Sep-18	4QE Dec-18	Fiscal 2018E	1QE Mar-19	2QE Jun-19	3QE Sep-19	4QE Dec-19	Fiscal 2019E	Fiscal 2020E
Platform	104.72	\$ 225.36	\$ 75.08	\$ 90.34	\$ 100.05	\$ 148.59	\$414.06	\$ 116.37	\$ 140.03	\$ 155.08	\$ 230.31	\$ 641.79	\$ 962.68
Player	293.929	\$ 287.41	\$ 61.50	\$ 66.47	\$ 73.33	\$ 112.12	\$313.41	\$ 67.03	\$ 72.45	\$ 79.93	\$ 122.21	\$ 341.62	\$ 372.37
Total Revenues	\$ 398.65	\$ 512.76	\$ 136.58	\$ 156.81	\$ 173.38	\$ 260.70	\$727.47	\$ 183.40	\$ 212.48	\$ 235.01	\$ 352.52	\$ 983.41	\$ 1,335.05
Revenue Growth	24.6%	28.6%	36.4%	57.4%	38.9%	38.5%	41.9%	34.3%	35.5%	35.5%	35.2%	35.2%	35.8%
Cost of Goods Sold	\$ 277.60	\$ 312.93	\$ 73.46	\$ 79.06	\$ 94.39	\$ 155.12	\$402.03	\$ 99.04	\$ 114.74	\$ 126.90	\$ 190.36	\$ 531.04	\$ 694.22
Gross Profit	\$ 121.05	\$ 199.83	\$ 63.11	\$ 77.75	\$ 78.99	\$ 105.58	\$325.44	\$ 84.37	\$ 97.74	\$ 108.10	\$ 162.16	\$ 452.37	\$ 640.82
Gross margin	30.4%	39.0%	46.2%	49.6%	45.6%	40.5%	44.7%	46.0%	46.0%	46.0%	46.0%	46.0%	48.0%
R&D	\$ 76.18	\$ 107.95	\$ 34.13	\$ 40.20	\$ 45.37	\$ 44.84	\$164.53	\$ 46.77	\$ 55.46	\$ 62.75	\$ 62.40	\$ 227.37	\$ 308.67
Sales & marketing	\$ 52.89	\$ 64.07	\$ 20.32	\$ 22.26	\$ 25.60	\$ 31.28	\$ 99.46	\$ 27.28	\$ 30.16	\$ 34.70	\$ 42.30	\$ 134.45	\$ 182.52
G&A	\$ 35.34	\$ 47.44	\$ 15.57	\$ 15.43	\$ 19.77	\$ 29.73	\$ 80.49	\$ 20.91	\$ 20.91	\$ 26.80	\$ 40.19	\$ 108.80	\$ 141.07
Total operating expenses	\$ 164.41	\$ 219.45	\$ 70.01	\$ 77.88	\$ 90.74	\$ 105.85	\$344.49	\$ 94.96	\$ 106.52	\$ 124.25	\$ 144.89	\$ 470.62	\$ 632.27
% of sales	41.2%	42.8%	51.3%	49.7%	52.3%	40.6%	47.4%	51.8%	50.1%	52.9%	41.1%	47.9%	47.4%
Adjusted EBITDA	\$ (29.85)	\$ (3.33)	\$ (0.82)	\$ 7.13	\$ 1.97	\$ 16.61	\$ 24.88	\$ (2.42)	\$ 1.05	\$ 2.45	\$ 40.08	\$ 41.16	\$ 67.78
Operating Profit	\$ (43.36)	\$ (19.62)	\$ (6.90)	\$ (0.13)	\$ (11.75)	\$ (0.27)	\$ (19.05)	\$ (10.60)	\$ (8.78)	\$ (16.14)	\$ 17.27	\$ (18.26)	\$ 8.56
Operating Margin	-10.9%	-3.8%	-5.1%	-0.1%	-6.8%	-0.1%	-2.6%	-5.8%	-4.1%	-6.9%	4.9%	-1.9%	0.6%
Interest Expense	\$ 0.15	\$ (1.61)	\$ (0.05)	\$ (0.06)	\$ (0.11)	\$ (0.11)	\$ (0.33)	\$ (0.11)	\$ (0.11)	\$ (0.11)	\$ (0.11)	\$ (0.45)	\$ (0.45)
Other Non-Operating Income (Expenses)	\$ 0.67	\$ (41.97)	\$ 0.45	\$ 0.36	\$ 2.16	\$ -	\$ 2.97	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pretax Income	\$ (42.55)	\$ (63.19)	\$ (6.51)	\$ 0.17	\$ (9.70)	\$ (0.38)	\$ (16.41)	\$ (10.71)	\$ (8.90)	\$ (16.25)	\$ 17.15	\$ (18.70)	\$ 8.11
Total Income Taxes	\$ 0.21	\$ 0.32	\$ 0.13	\$ (0.35)	\$ (0.17)	\$ (0.08)	\$ (0.48)	\$ -	\$ -	\$ -	\$ 3.60	\$ 3.60	\$ 3.48
Net Income From Continuing Ops	\$ (42.76)	\$ (63.51)	\$ (6.63)	\$ 0.53	\$ (9.53)	\$ (0.30)	\$ (15.93)	\$ (10.71)	\$ (8.90)	\$ (16.25)	\$ 13.55	\$ (22.31)	\$ 4.63
GAAP Net Income	\$ (42.76)	\$ (63.51)	\$ (6.63)	\$ 0.53	\$ (9.53)	\$ (0.30)	\$ (15.93)	\$ (10.71)	\$ (8.90)	\$ (16.25)	\$ 13.55	\$ (22.31)	\$ 4.63
Shares for Basic EPS	4.746	28.308	99.488	102.652	106.884	109.165	109.165	109.165	109.165	109.165	109.165	109.165	109.165
Shares for Diluted EPS	4.746	28.308	99.488	121.698	106.884	109.165	109.165	109.165	109.165	109.165	109.165	109.165	109.165
EPS Basic from Continuig Ops	\$ (9.01)	\$ (2.24)	\$ (0.07)	\$ 0.01	\$ (0.09)	\$ (0.00)	\$ (0.15)	\$ (0.10)	\$ (0.08)	\$ (0.15)	\$ 0.12	\$ (0.20)	\$ 0.04
EPS Diluted from Continuing Ops	\$ (9.01)	\$ (2.24)	\$ (0.07)	\$ 0.00	\$ (0.09)	\$ (0.00)	\$ (0.15)	\$ (0.10)	\$ (0.08)	\$ (0.15)	\$ 0.12	\$ (0.20)	\$ 0.04

Roku Inc.
Balance Sheet
\$ in Millions

	2016 Actual	2017 Actual	2018 Estimated				2019 Estimated				2020 Estimated		
	Fiscal 2016A	Fiscal 2017A	1QA Mar-18	2QA Jun-18	3QA Sep-18	4QE Dec-18	Fiscal 2018E	1QE Mar-19	2QE Jun-19	3QE Sep-19	4QE Dec-19	Fiscal 2019E	Fiscal 2020E
Cash & Equivalents	\$ 34.56	\$ 177.25	\$ 160.75	\$ 174.17	\$ 137.67	\$ 145.14	\$ 145.14	\$ 107.21	\$ 89.47	\$ 68.27	\$ 92.28	\$ 92.28	\$ 66.05
Short Term Investments	\$ -	\$ -	\$ -	\$ -	\$ 42.06	\$ 42.06	\$ 42.06	\$ 42.06	\$ 42.06	\$ 42.06	\$ 42.06	\$ 42.06	\$ 42.06
Accounts Receivable	\$ 79.47	\$ 120.55	\$ 106.09	\$ 123.61	\$ 133.90	\$ 177.28	\$ 177.28	\$ 142.47	\$ 167.50	\$ 181.49	\$ 239.71	\$ 239.71	\$ 325.50
Inventories	\$ 43.57	\$ 32.74	\$ 38.06	\$ 39.43	\$ 68.80	\$ 45.34	\$ 45.34	\$ 51.11	\$ 53.43	\$ 93.26	\$ 61.31	\$ 61.31	\$ 83.24
Prepaid Expenses	\$ 4.98	\$ 11.37	\$ 30.55	\$ 15.13	\$ 13.87	\$ 15.74	\$ 15.74	\$ 41.02	\$ 20.50	\$ 18.80	\$ 21.28	\$ 21.28	\$ 21.28
Other assets	\$ 2.64	\$ 3.01	\$ 1.36	\$ 1.44	\$ 1.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Current Assets	\$ 165.22	\$ 344.92	\$ 336.81	\$ 353.78	\$ 397.80	\$ 425.56	\$ 425.56	\$ 383.87	\$ 372.96	\$ 403.86	\$ 456.64	\$ 456.64	\$ 538.14
Property & Equipment, net	\$ 9.53	\$ 14.74	\$ 16.84	\$ 20.21	\$ 23.26	\$ 26.25	\$ 26.25	\$ 29.02	\$ 31.38	\$ 33.38	\$ 35.65	\$ 35.65	\$ 45.06
Goodwill	\$ -	\$ 1.38	\$ 1.38	\$ 1.38	\$ 1.38	\$ 1.38	\$ 1.38	\$ 1.38	\$ 1.38	\$ 1.38	\$ 1.38	\$ 1.38	\$ 1.38
Other Intangibles	\$ -	\$ 2.03	\$ 1.89	\$ 1.75	\$ 1.62	\$ 1.62	\$ 1.62	\$ 1.62	\$ 1.62	\$ 1.62	\$ 1.62	\$ 1.62	\$ 1.62
Other Assets	\$ 4.33	\$ 8.83	\$ 3.56	\$ 4.54	\$ 4.31	\$ 4.31	\$ 4.31	\$ 4.31	\$ 4.31	\$ 4.31	\$ 4.31	\$ 4.31	\$ 4.31
TOTAL ASSETS	\$ 179.08	\$ 371.90	\$ 360.48	\$ 381.67	\$ 428.36	\$ 459.11	\$ 459.11	\$ 420.20	\$ 411.64	\$ 444.54	\$ 499.59	\$ 499.59	\$ 590.50
Accounts Payable & Accrued Liabilities	\$ 77.55	\$ 128.76	\$ 111.78	\$ 111.03	\$ 147.26	\$ 178.30	\$ 178.30	\$ 150.10	\$ 150.44	\$ 199.60	\$ 241.10	\$ 241.10	\$ 327.38
Deferred Revenues	\$ 23.95	\$ 34.50	\$ 33.95	\$ 39.15	\$ 38.54	\$ 38.54	\$ 38.54	\$ 38.54	\$ 38.54	\$ 38.54	\$ 38.54	\$ 38.54	\$ 38.54
Other Current Liabilities	\$ 15.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Current Liabilities	\$ 116.51	\$ 163.26	\$ 145.72	\$ 150.18	\$ 185.80	\$ 216.85	\$ 216.85	\$ 188.64	\$ 188.98	\$ 238.14	\$ 279.64	\$ 279.64	\$ 365.92
Long Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Liabilities	\$ 43.22	\$ 56.36	\$ 21.28	\$ 19.73	\$ 20.68	\$ 20.68	\$ 20.68	\$ 20.68	\$ 20.68	\$ 20.68	\$ 20.68	\$ 20.68	\$ 20.68
TOTAL LIABILITIES	\$ 159.72	\$ 219.62	\$ 167.00	\$ 169.90	\$ 206.48	\$ 237.53	\$ 237.53	\$ 209.33	\$ 209.67	\$ 258.82	\$ 300.32	\$ 300.32	\$ 386.60
Preferred Stock	\$ 213.18	\$ 213.18	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common Stock	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Additional Paid-in Capital	\$ 26.00	\$ 435.61	\$ 445.14	\$ 462.90	\$ 482.55	\$ 482.55	\$ 482.55	\$ 482.55	\$ 482.55	\$ 482.55	\$ 482.55	\$ 482.55	\$ 482.55
Retained Earnings	\$ (219.83)	\$ (283.34)	\$ (251.67)	\$ (251.15)	\$ (260.67)	\$ (260.97)	\$ (260.97)	\$ (271.68)	\$ (280.58)	\$ (296.83)	\$ (283.28)	\$ (283.28)	\$ (278.65)
Comprehensive Income	\$ -	\$ -	\$ -	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Minority Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL EQUITY	\$ 19.36	\$ 152.28	\$ 193.48	\$ 211.77	\$ 221.88	\$ 221.58	\$ 221.58	\$ 210.87	\$ 201.97	\$ 185.72	\$ 199.27	\$ 199.27	\$ 203.90
TOTAL LIABILITIES & EQUITY	\$ 179.08	\$ 371.90	\$ 360.48	\$ 381.67	\$ 428.36	\$ 459.11	\$ 459.11	\$ 420.20	\$ 411.64	\$ 444.54	\$ 499.59	\$ 499.59	\$ 590.50

Roku Inc.
Cash Flow Statement
\$ in Millions

	2016 Actual	2017 Actual	2018 Estimated				2019 Estimated				2020 Estimated		
	Fiscal 2016A	Fiscal 2017A	1QA Mar-18	2QA Jun-18	3QA Sep-18	4QE Dec-18	Fiscal 2018E	1QE Mar-19	2QE Jun-19	3QE Sep-19	4QE Dec-19	Fiscal 2019E	Fiscal 2020E
Net Income	\$ (42.76)	\$ (63.51)	\$ (6.63)	\$ 0.53	\$ (9.53)	\$ (0.30)	\$ (15.93)	\$ (10.71)	\$ (8.90)	\$ (16.25)	\$ 13.55	\$ (22.31)	\$ 4.63
Depreciation and Amortization	\$ 5.30	\$ 5.34	\$ 1.66	\$ 1.95	\$ 2.22	\$ 2.01	\$ 7.84	\$ 2.22	\$ 2.64	\$ 3.01	\$ 2.72	\$ 10.59	\$ 10.59
Other	\$ 4.31	\$ 44.14	\$ 0.33	\$ 0.34	\$ 0.59	\$ -	\$ 1.27	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stock Compensation	\$ 8.21	\$ 10.95	\$ 4.43	\$ 5.31	\$ 11.50	\$ -	\$ 21.24	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal	\$ (24.94)	\$ (3.08)	\$ (0.22)	\$ 8.13	\$ 4.78	\$ 1.71	\$ 14.40	\$ (8.48)	\$ (6.25)	\$ (13.25)	\$ 16.27	\$ (11.71)	\$ 15.22
Receivables - Decrease (Increase)	\$ (26.35)	\$ (41.18)	\$ 26.99	\$ (17.60)	\$ (10.75)	\$ (43.38)	\$ (44.75)	\$ 34.81	\$ (25.03)	\$ (13.99)	\$ (58.22)	\$ (62.43)	\$ -
Inventories - Dec (Inc)	\$ (13.26)	\$ 10.83	\$ (5.43)	\$ (1.37)	\$ (29.37)	\$ 23.46	\$ (12.71)	\$ (5.77)	\$ (2.32)	\$ (39.83)	\$ 31.95	\$ (15.97)	\$ (85.78)
Prepaid Expenses - Dec (Inc)	\$ (0.54)	\$ (6.51)	\$ (11.64)	\$ 11.95	\$ 1.05	\$ (1.87)	\$ (0.52)	\$ (25.28)	\$ 20.52	\$ 1.71	\$ (2.49)	\$ (5.54)	\$ (21.94)
Other Assets - Decrease (Increase)	\$ (2.44)	\$ (4.75)	\$ 1.74	\$ (1.06)	\$ 0.17	\$ 1.50	\$ 2.35	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable and Accrued Liabilities	\$ 14.99	\$ 48.44	\$ (14.88)	\$ (4.12)	\$ 35.94	\$ 31.05	\$ 47.99	\$ (28.20)	\$ 0.34	\$ 49.15	\$ 41.50	\$ 62.79	\$ 86.28
Accrued Expenses	\$ -	\$ -	\$ (3.59)	\$ 3.59	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenues	\$ 19.79	\$ 29.98	\$ (7.48)	\$ 4.09	\$ 0.33	\$ -	\$ (3.05)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Liabilities	\$ 0.29	\$ 3.58	\$ (0.12)	\$ (0.44)	\$ 0.02	\$ -	\$ (0.54)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Activities - Net Cash Flow	\$ (32.46)	\$ 37.29	\$ (14.64)	\$ 3.17	\$ 2.17	\$ 12.47	\$ 24.87	\$ (32.93)	\$ (12.74)	\$ (16.21)	\$ 29.01	\$ (32.86)	\$ (6.22)
Capital Expenditures	\$ (8.60)	\$ (9.23)	\$ (3.41)	\$ (5.61)	\$ (4.35)	\$ (5.00)	\$ (18.36)	\$ (5.00)	\$ (5.00)	\$ (5.00)	\$ (5.00)	\$ (20.00)	\$ (20.00)
Other Investing Activities	\$ 0.03	\$ (3.04)	\$ -	\$ -	\$ (41.90)	\$ -	\$ (41.90)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investing Activities - Net Cash Flow	\$ (8.57)	\$ (12.27)	\$ (3.41)	\$ (5.61)	\$ (46.25)	\$ (5.00)	\$ (60.26)	\$ (5.00)	\$ (5.00)	\$ (5.00)	\$ (5.00)	\$ (20.00)	\$ (20.00)
Proceeds from Share Issued	\$ 0.44	\$ 131.65	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from borrowings	\$ 15.00	\$ 24.69	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Principal Payments on Bank Loan	\$ (15.00)	\$ (40.45)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Financing Activities - Other	\$ (0.59)	\$ 1.77	\$ 1.54	\$ 15.85	\$ 7.58	\$ -	\$ 24.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Financing Activities - Net Cash Flow	\$ (0.16)	\$ 117.66	\$ 1.54	\$ 15.85	\$ 7.58	\$ -	\$ 24.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Exchange Rate Effect	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and Equivalents - Change	\$ (41.19)	\$ 142.69	\$ (16.50)	\$ 13.42	\$ (36.50)	\$ 7.47	\$ (10.42)	\$ (37.93)	\$ (17.74)	\$ (21.21)	\$ 24.01	\$ (52.86)	\$ (26.22)
Cash Beginning	\$ 75.75	\$ 34.56	\$ 177.25	\$ 160.75	\$ 174.17	\$ 137.67	\$ 177.25	\$ 145.14	\$ 107.21	\$ 89.47	\$ 68.27	\$ 145.14	\$ 92.28
Cash End	\$ 34.56	\$ 177.25	\$ 160.75	\$ 174.17	\$ 137.67	\$ 145.14	\$ 166.83	\$ 107.21	\$ 89.47	\$ 68.27	\$ 92.28	\$ 92.28	\$ 66.05