

Netflix's next decade with Roku

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Netflix Profile

Overview of Client Firm

NETFLIX

General Overview

- Headquarters: Los Gatos, CA
- Founders: Reed Hastings & Marc Randolph
- Founded: 1997
- Traded As: NFLX(NASDAQ)
- Subsidiaries: Main Event
- Industry: Entertainment/Restaurant

Financial Information

- **Share Price:** \$97.39(as of Apr 17, 2026)
- **Market Cap:** \$509.5B (as of Apr 17, 2026)
- **Revenue:** \$45.2B
- **EBITDA:** \$30.17B (Dec 2025)
- **EPS (Dil):** \$2.53 (Dec 2025)
- **P/E Ratio:** 37.09 (Dec 2025)
- **Credit Rating:** A – S&P

Description

- Global subscription-based entertainment company offering streaming video content across TV series, films, live programming, and games
- Operates in more than 190 countries and serves a global audience through a D2C platform

Main Sources of Revenue & Main Products

- **Subscription based streaming**
- **Advertisement revenue**
- **Original Content IP**



Ownership Information



SHARES OS

4,222,162,150

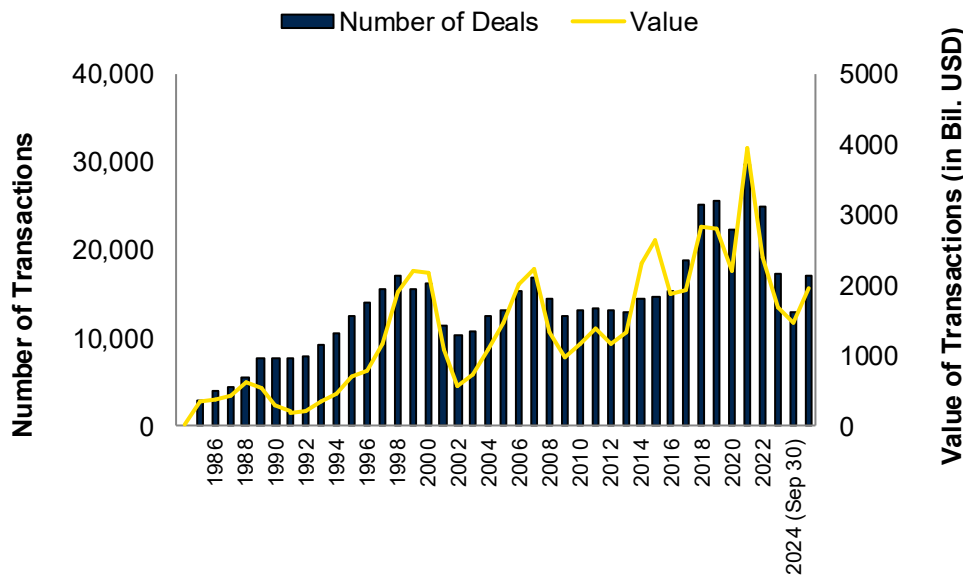
81.80% TOTAL OWNERSHIP

- 81.13% Inst. Ownership
- 31.69% Top 10 Inst. Holders
- 0.62% Insider Ownership
- 18.25% Unknown

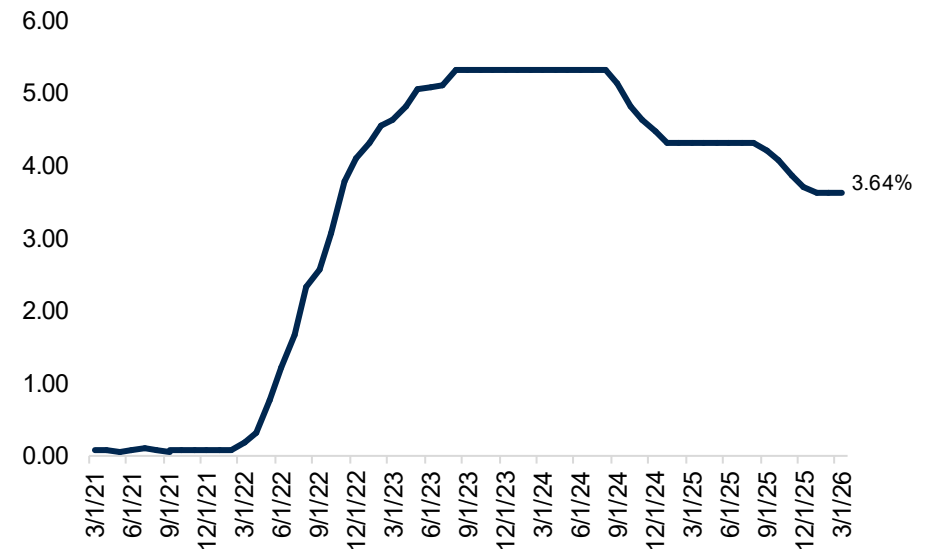
Market Update

Current State of the Capital Market

Mergers & Acquisitions: North America



US Federal Funds Rate Change



- **M&A deals** have been on **the rising trend**, recovering from the downturn from the pandemic
- M&A deals are expected to rise further, with factors like **pent-up demand** and corporate strategies driving this rebound, as well as the rise of the financial market

- **Interest rates** have been **cut**, and is now stable, which will allow **more availability for capital**
- **Even more rate cuts are projected** under new Fed Chair Kevin Warsh, with Trump administration

Industry Landscape

Netflix : Major Player in the Market

Media Streaming Industry Overview

- The media streaming industry remains a large, still-growing market, but competition is intense. Companies compete for subscribers, viewing time, and advertising dollars; in the U.S. video streaming market, Netflix holds an estimated **18.9% share and ranks #2** among key competitors.
- Ad Market Shift to Streaming services and Connected TVs

54.24B in 2023

64B in 2024

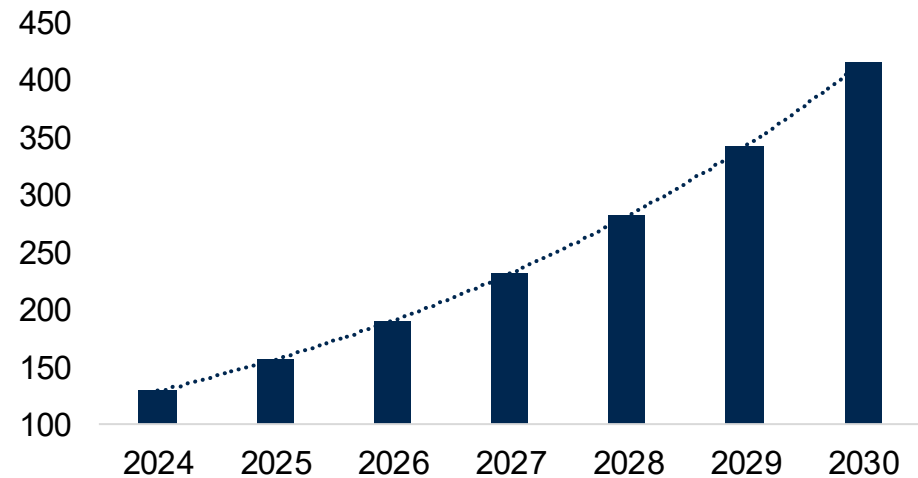
72B in 2025

Key Demand Drivers

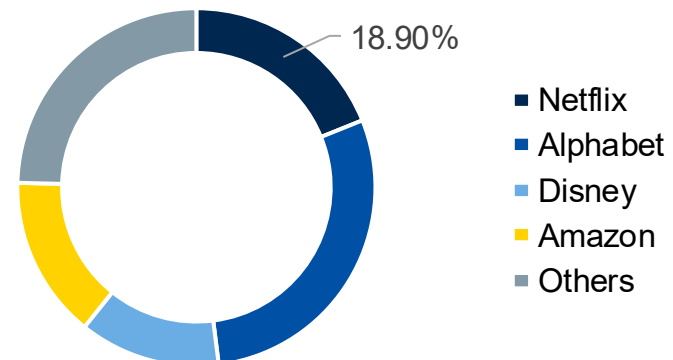
- 1) Ongoing shift from linear TV to streaming
- 2) Growth in connected TV adoption
- 3) Continued migration of ad budgets to digital video and CTV
- 4) Increase in the number of consumers with ad-supported, lower-cost plans

Industry Revenue Growth Expectations

\$ In Billions



Netflix's Market Share in the Industry



Target Company's Profile

Overview of Roku



General Overview

- Headquarters: San Jose, CA
- Founder: Anthony Wood (CEO, ex-Netflix)
- Founded: 2002
- Traded As: ROKU(NASDAQ)
- Industry: Streaming Platform, Connected-TV

Financial Information

- **Share Price:** \$115.32 (as of Apr 17, 2026)
- **Market Cap:** \$12.26B (as of Apr 17, 2026)
- **Revenue:** \$ 4.74B (Dec 2025)
- **EBITDA:** \$ 324.3M (Dec 2025)
- **EPS:** \$ 0.59 (Dec 2025)
- **P/E Ratio:** 195.5x
- **Credit Rating:** Ba1 – Moody's

Description

- Roku is a leading connected TV platform company that powers streaming distribution, audience engagement, and advertising monetization across the TV ecosystem

Main Sources of Revenue

- **Connected-TV**
 - Media and Entertainment Software
 - Video Signal Processor and Receiver(Equipment)
- **Advertisement**



Ownership Information



SHARES OS

130,717,715

87.30% TOTAL OWNERSHIP

- 86.52% Inst. Ownership
- 38.99% Top 10 Inst. Holders
- 0.74% Insider Ownership
- 12.74% Unknown

Roku's Current Performance & Future Improvements

Roku's Significant Progress with more Opportunities

Key Points

Room for growth



Roku's Current Status

- Average Gross Margin of 51.7% over 2023-2025
- Adjusted EBITDA Margin of 8.9%

High Liquidity



- Current Ratio(Curren Assets/Current Liabilities) of 2.75x
- Strong financial stability based on
- Not financially distressed

No Direct Competitor



- Fire TV and Apple TV are not the major player in their portfolio
- Other connected-TV companies are not as big as Roku or under a

Roku is currently traded at a premium to most connected-TV and ad-tech peers, suggesting that the market values Roku more as a scarce strategic platform asset than as a mature earnings business.

Roku Income Statement Summary and Analysis

	2023	2024	2025
Total net revenue	3,484,619	4,112,898	4,737,251
COGS	1,962,004	2,307,253	2,662,827
Total gross profit	1,522,615	1,805,645	2,074,424
Total operating expenses	2,314,992	2,023,812	2,080,048
Income(Loss) from operations	(792,377)	(218,167)	(5,624)
Total other income, net	92,947	98,209	99,522
Net income (loss)	(709,561)	(129,386)	88,361

- Although Operating Loss is still ongoing, the **gap is narrowing down rapidly**.
 - **Operating Expense** is keep decreasing and **Gross Profit** is keep increasing.
 - Still needs to work on Operating Efficiency

- **Turned to profit** for the first time in 2025

- Rapid revenue growth with **16.6% CAGR**



Roku Balance Sheet Summary and Analysis

	2023	2024	2025
Total current assets	3,072,942	3,234,163	3,401,510
Total non-current assets	1,188,850	1,069,770	1,031,973
Total Assets	4,261,792	4,303,933	4,433,483
Total current liabilities	87,678	1,232,502	1,237,535
Total non-current liabilities	1,678,367	578,694	538,003
Total Liabilities	1,766,045	1,811,196	1,775,538
Total stockholders' equity	2,646,556	2,492,737	2,657,945
Total Liabilities and Stockholders' Equity	4,412,601	4,303,933	4,433,483

- Constant increase in current assets → Strong short-term liquidity of Roku
- **Net Cash Positive** → Low downside risk
- **Stable Capital Base**
 - Low Leverage
 - High Net Cash
 - Not much Dilution (Equity still around 2.6bil)



Deal Rationale – Why Roku?

Netflix's Acquisition of Roku for for platform control, monetization, and long-term ecosystem strength.

Key Takeaways

Projected Synergies

Beyond Content, Into Platform

- **Strengthens Netflix's position in the attention economy:** Roku gives Netflix control over the TV home screen and discovery layer, allowing Netflix to compete not only through content, but also through access and visibility.
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Independence from Distributors

- **Reduces reliance on third-party distribution gatekeepers:** By acquiring Roku, Netflix can gain more control over how users discover and access streaming content on connected TVs.
 - **Builds a broader ecosystem beyond content:** The combined company would not just be a streaming service, but a stronger connected-TV ecosystem player spanning content, advertising, and platform distribution.
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Strengthening Non-Media Revenue Streams

- **Accelerates ad-supported monetization:** Netflix is increasingly expanding beyond subscription-only monetization, and Roku adds platform-level advertising surfaces and monetization capabilities
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EPS Accretion and Long-Term Value Creation

- **Durable Value Creation:** The transaction enhances Netflix's strategic positioning beyond subscription streaming, supporting long-term revenue diversification and higher monetization efficiency.
- **Long-Term Earnings Upside:** Over time, the combined company can improve earnings through higher ad monetization, stronger viewer retention, and broader platform economics.

Potential Risks and Mitigations

4 Major Risks and Possible Solutions

Cultural Integration

- Integration mistakes could hurt execution speed, employee retention, or product focus. Two companies have distinctively different office/industry culture.



Phased Integration

1. Keep Roku as a standalone segment early on.
2. Retain key talent
3. Selective Integration around data, ad monetization, and distribution strategy first
4. Delay deeper operational integration until platform stability is protected

Partner Backlash

- Disney, Amazon, Warner, Paramount, and other partners of Roku may worry that they are effectively distributing through a rival-controlled ecosystem



- Netflix should position Roku as a **separate multi-platform operating business**, not “Netflixizing Roku”
- Should keep Roku brand** and reassure major distribution and ad partners early

Antitrust and platform-neutrality

- The acquisition may raise regulatory concerns that Netflix would have both the incentive and ability to favor its own app, content, or advertising stack over rival streaming services



- Netflix should preserve **Roku as an open platform**
1. Separate governance for platform policies
 2. Formal commitments to non-discriminatory app access and placement
 3. Transparent ranking and advertising rules

Financial Risk

- Acquiring Roku may strain Netflix’s finances in the short term, impacting cash flow, debt ratios, and potentially diluting EPS if integration costs are high



- Structure the acquisition with a **mix of equity and debt financing** to reduce immediate cash outflow and ensure manageable debt levels
- Set **targeted milestones** for revenue growth and synergy realization within the first 2-3 years to keep integration on track and **optimize post-acquisition value**, ultimately benefiting EPS accretion over time

Summary & Recommendations

Position Roku as the target in this Strategic M&A Deal

Why Roku

- Roku is a leading connected TV platform with strong positioning in the shift from linear TV to streaming
 - Near-breakeven profitability
 - Strong Liquidity and net cash position (low risk)
 - Strategic fit with Netflix's advertising, distribution, and CTV ecosystem ambitions
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M&A Summary

- The offer price per share is situated around \$120, representing a small premium to current market price
 - Expand Netflix beyond content into the streaming platform and OS layer
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Recommended Actions

- Proceed with acquisition under a disciplined valuation framework
 - Prioritize integration of Roku's ad platform with Netflix's ad-supported plan
 - Preserve Roku's open platform model to avoid potentially alienating third-party content partners such as Disney and Paramount
 - Strengthen Netflix's distribution and advertising reach through Roku's CTV footprint
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Risk Factors

- Regulatory/antitrust scrutiny: vertical integration in streaming distribution
- Potential pushback from competing streaming services currently distributed through Roku
- Integration risk between Netflix's content-first model and Roku's platform-based ecosystem