



Multibagger Portfolio: Roku

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With the forecasts indicating that the strong growth story of Netflix is coming to an end, it's time to start looking for more promising long-term alternatives. One such alternative is Roku, the US-based company founded by Anthony Wood that produces various multimedia players allowing streaming of movies, series, and TV shows on a television. Although the concept may not seem new at first glance, what makes Roku special is its comprehensive operating system that can be supported by other providers. Furthermore, users can search for integrated services such as Amazon Prime, Netflix, or Disney+ through a neutral search function by title or genre - an important feature in an era where the selection of streaming services is increasing rapidly. Unlike Netflix, Roku does not depend on producing its own content, which is typically capital-intensive.

A big misconception is that Roku ultimately does not have enough to offer against the overpowering streaming competition of Amazon and YouTube. The facts, however, speak a different language. According to data from the NPD Weekly Retail Tracking Service, the Roku Operating System (OS) has been the number one system for the most sold smart TVs. This involves hardware, streaming, and especially marketing in the form of advertising content. While this business does not play a particularly significant role in Europe or Asia, it does in the US. We are talking about a rapidly growing company in a fast-growing industry with almost 72 million active customers. Roku earns revenue from the sale of hardware - comparable to an Amazon Firestick (but with better software, as suggested) - and from sales through streaming and advertising on the platform itself.

Is Roku's long-term success already guaranteed? Probably not, otherwise, the stock would be worth significantly more. Moreover, we are undoubtedly talking about a highly competitive market. If Roku continues on its current path, it will either be taken over - a threat to all rapidly growing companies - or be worth several times more in five to ten years. It's no coincidence that both DigitalOcean Holdings and Roku have Amazon as a supposedly significant competitor. As Amazon shareholders (we have the stock in our Long-term Portfolio), we could view this development with greater ease, even in the event of acquisitions - though this is not the investment case.