

Streaming hours on The Roku Channel increased more than 50% in Q2

Article

The news: Roku's quarterly results showed resilience and that consumers want free content.

What's working:

- Total Q2 net revenues were \$847 million, up 11% year over year (YoY); platform revenues, which make up roughly 87% of total revenues, rose 11% as well (for context, both of those

figures were up only 1% YoY in Q1). Revenues topped analyst expectations.

- Gross profit was \$378 million, up 7% YoY.
- In Q2, Roku increased its global active accounts to 73.5 million, up 16% YoY. The company credited the addition of 1.9 million net accounts with Roku TV licensing programs in the US and abroad.
- Streaming hours were 25.1 billion, up 4.4 billion and **more than 50% YoY**. Nielsen reported that **The Roku Channel** surpassed 1% of total US TV viewing in May, achieving that feat for the first time. For context, average time spent per day with digital video in the US, per our forecast, is expected to grow just 6.7% YoY.
- Roku continued to expand internationally through the Roku TV licensing program, with a focus on Central America. Roku OS reigned as the best-selling smart TV operating system in Mexico for the third consecutive quarter.

What isn't:

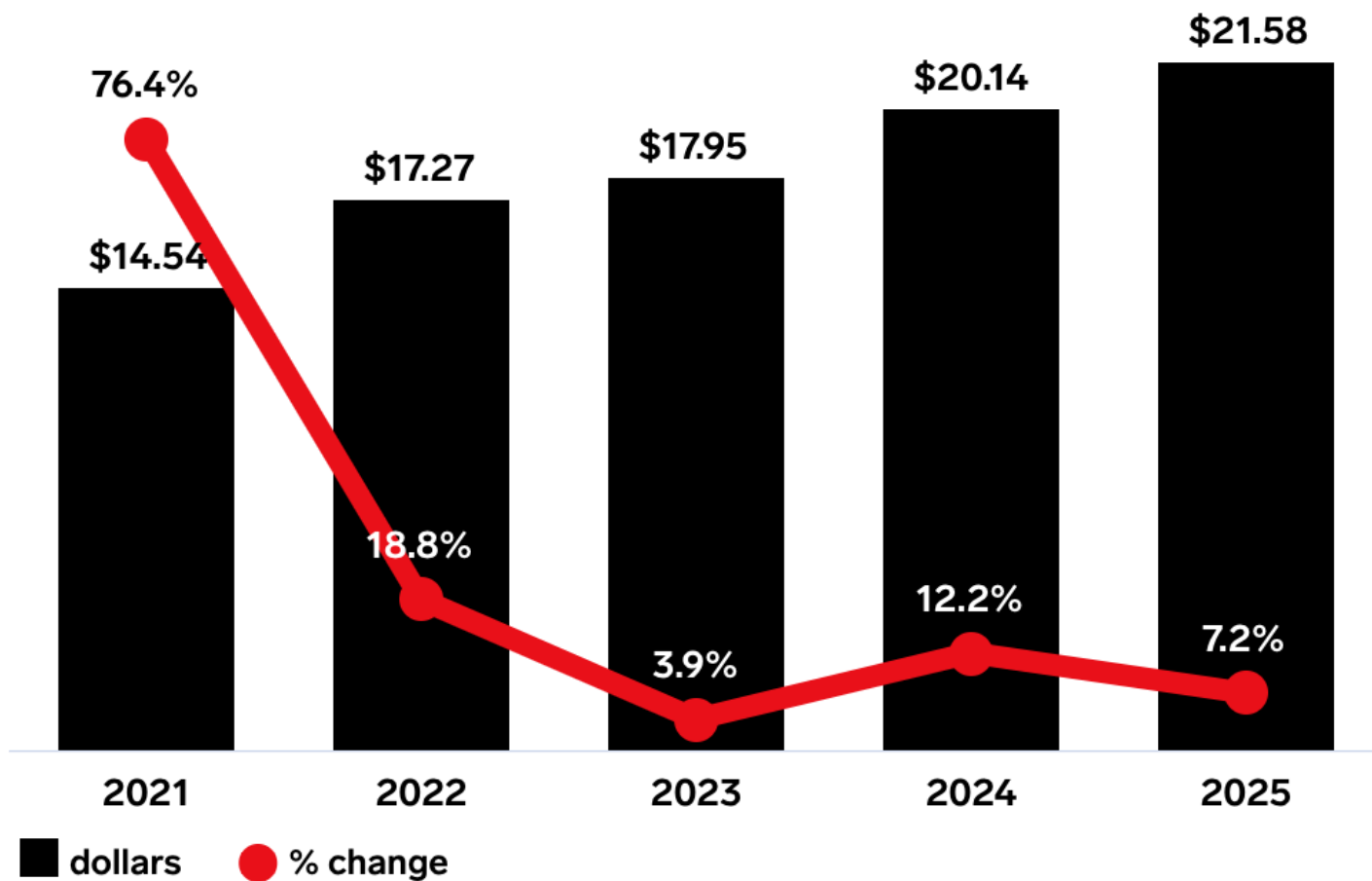
- Average revenue per user (ARPU) was \$40.67 (trailing 12-month basis), down 7% YoY. While disappointing, it's not unexpected to have ARPU drop when streaming hours are increasing by more than 50%.
- On its earnings call, CFO **Dan Jedda** said the company expects "that over time, monetization per account will continue to grow as the advertising industry rebounds," with US viewers playing an outsized role in that recovery. The US far outpaces other major markets in free ad-supported television (FAST) revenue growth and could achieve \$9.76 billion by 2028.

Our take: The Roku Channel is a compelling advertising opportunity and may ultimately benefit from an increase in FAST consumption. In the US in 2020, just 40% of viewers watched FAST platforms; just three years later that figure is 57%.

Price-conscious consumers are willing to watch ads in exchange for a free experience, and Roku has wisely engaged in arbitrage to find "good enough" content—such as the recent Formula E deal—that will sate the appetite of many viewers.

Roku Ad Revenues, per Roku Viewer

US, 2021-2025



Note: among individuals of any age who use their Roku device at least once per month; includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; figures represent net ad revenues

Source: Insider Intelligence | eMarketer, March 2023

Insider Intelligence | eMarketer