

30-Apr-2026

Roku, Inc. (ROKU)

Q1 2026 Earnings Call

CORPORATE PARTICIPANTS

Conrad Grodd

Vice President-Investor Relations, Roku, Inc.

Anthony J. Wood

Founder, Chairman & Chief Executive Officer, Roku, Inc.

Dan Jedda

Chief Financial & Operations Officer, Roku, Inc.

Charles Collier

President-Roku Media, Roku, Inc.

Mustafa Ozgen

President-Devices, Products, and Technology, Roku, Inc.

OTHER PARTICIPANTS

Brent Navon

Analyst, BofA Securities, Inc.

Sean Diffley

Analyst, Morgan Stanley & Co. LLC

Justin Patterson

Analyst, KeyBanc Capital Markets, Inc.

Vasily Karasyov

Analyst, Cannonball Research LLC

Michael Brian Nathanson

Analyst, MoffettNathanson LLC

Rich Greenfield

Analyst, LightShed Ventures Group, LP

Peter Supino

Analyst, Wolfe Research LLC

John C. Hodulik

Analyst, UBS Securities LLC

Laura Martin

Analyst, Needham & Co. LLC

David Joyce

Analyst, Seaport Research Partners

MANAGEMENT DISCUSSION SECTION

Operator: Hello, and thank you for standing by. Welcome to Roku First Quarter 2026 Earnings Conference Call. At this time, all participants are in listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions]

I will now like to hand the conference over to Conrad Grodd, Vice President, Investor Relations. You may begin.

Conrad Grodd

Vice President-Investor Relations, Roku, Inc.

Good afternoon. Welcome to Roku's first quarter 2026 earnings call. Joining us on today's call are Anthony Wood, Roku's founder and CEO. Dan Jedda, our CFO and COO. Charlie Collier, President, Roku Media, and Mustafa Ozgen, President, Devices.

On this call, we'll make forward-looking statements which are subject to risk and uncertainties. Please refer to our shareholder letter and periodic SEC filings for risk factors that could cause our actual results to differ materially from these forward-looking statements.

We'll also present GAAP and non-GAAP financial measures. Reconciliations of non-GAAP measures to the most comparable GAAP financial measures are provided in our shareholder letter. Unless otherwise stated, all comparisons will be against our results for the comparable 2025 period.

With that, operator, our first question, please.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Brent Navon with Bank of America. Your line is open.

Brent Navon

Analyst, BofA Securities, Inc.

Q

Good afternoon. Thank you. Maybe just to start, can you explain some of the drivers for the strong 1Q results and maybe help us bridge that to your second quarter and full-year guidance, especially given all the momentum you have and political in the second-half? And then just as a follow-up question, maybe can you also discuss the impact of memory device – prices are having on the devices segment and maybe how you're thinking about total devices segment? Thank you so much.

Anthony J. Wood

Founder, Chairman & Chief Executive Officer, Roku, Inc.

A

Hey, Brent. This is Anthony. Thanks for your question. Let me – I'll turn it over to Dan in a second to answer your actual question, but let me just say a few things. First, I just want to say that I'm very happy, super happy with the trajectory of our business. We're on a great path, And I'm really excited with how things are going. We delivered an outstanding quarter and are executing against our monetization initiatives.

For example, advertising revenue grew 27%, and our third-party partnership strategy is working. Adoption of Ads Manager is growing. And overall, we're building a highly performant connected TV ad platform. And then subscription revenue grew 30%, driven by premium subscription signups. And we're obviously, we're expanding our tier 1 partners and premium subscriptions. We recently added Apple TV in March, and this week we announced Peacock.

And of course, we just recently passed 100 million streaming households, which I'm very excited about. It's a huge milestone for us. So we're focused on execution, and we're super well positioned. But I'll let Dan take your exact question.

Dan Jedda

Chief Financial & Operations Officer, Roku, Inc.

A

Thanks, Anthony, and thanks for the question, Brent. Let me actually just add on to what Anthony said, then I'll ask – answer your question, and then I'll turn it back to Anthony on the second part of your question. But just quickly, as Anthony mentioned, Q1 was an outstanding quarter for us. Platform revenue grew 28%, coming in ahead of our outlook, benefiting from the Olympics and Super Bowl, which contributed to an increase in subscriptions and M&E spend. EBITDA margins more than doubled year-over-year to nearly 12%. And our \$148 million of free cash flow for the quarter was our second highest free cash flow quarter on record and free cash flow margins of nearly 16%. So very, very strong quarter for us. We're very excited about it.

To your specific question regarding the bridge from Q1 to Q2 and to full-year, let me just say a few things. Please keep in mind that regarding our Q1 versus our Q2 guide. First, we started to lap Friendly, the Friendly acquisition in Q2. So excluding Friendly in Q1, subscription revenue growth was 23%.

Second, Q1 had the easiest comp with advertising growing 12% year-over-year in Q1 of last year. That growth stepped up to 19% in Q2 of last year, and we're comping this higher growth rate for the rest of the year in advertising once you back out political in 2025. And third, as I just mentioned, Q1 benefited from the Olympics and the Super Bowl. All that said, we expect Q2 platform to grow at a strong growth rate of 20% year-over-year, and I expect subscriptions and advertising both to be around this level of growth rate.

For the full-year, we increased our platform revenue guidance by over \$100 million or approximately 3 points of growth to nearly 21%. And we're increasing our EBITDA and EBITDA margins, and I fully expect free cash flow to again be above adjusted EBITDA for the full-year. All that said, we have much stronger visibility into Q2. I said this last quarter into Q1. We just have much stronger visibility into Q2 versus H2, just given the macro environment. And so as we gain better visibility into political and into other initiatives, we'll provide updated guidance for H2. So we're just being a little conservative on our H2 outlook. Anthony, you want to start for the second question?

Anthony J. Wood

Founder, Chairman & Chief Executive Officer, Roku, Inc.

A

Yeah. So, your second question was about memory prices in our devices – in our device segment. I guess, first, I just want to highlight that the Roku TV operating system requires significantly less memory and storage than all our competing platforms. I mean, we spend a lot of effort building a highly customized OS design specifically for television. One of the main things we focused on was bill-of-materials cost. One of the ways we achieve lower bill-of-materials cost is just using less memory and also being more versatile in the types of memory we can use. Because in the TV business every dollar matters. It's a hugely price competitive market.

So, although memory prices are going up, actually, and obviously that's something in our first-party business we need to manage. And Dan will talk about that. I'll ask Dan to talk about that in a second. But most of our business is actually third-party products. And third-party products as memory prices go up, the bill-of-materials advantage that we have versus our competitors gets bigger. The price difference expands, and so that attracts TV OEMs and retail partners, and that's good for our business. It helps us win more accounts and win more retail placements.

So, although there is issues around memory that we have to manage. It's generally great for our business because it – because of our bill-of-materials cost advantage, which allows us to just have a lower cost than all our competing -all the competing products. And that gap is just widening right now by a pretty wide margin. But Dan, do you want to talk more about the specifics?

Dan Jedda

Chief Financial & Operations Officer, Roku, Inc.

A

Yeah. I'll just like – let me just start on this question by saying what's most important to know is that we remain confident in our ability to keep expanding EBITDA margins in 2026 and beyond. And that's because we have confidence in growing our platform revenue double-digits while also managing our device investment across both gross profit and operating expenses. So I think it's – you asked about device investment, and the device segment. Let me just step back for a minute.

First, I just want you to remember that device revenue is generated from the sale of our players and 1P TV. It does not include revenue from the sale of our third-party Roku-made TVs by our OEM partners, and that is the largest portion of our overall device unit volume.

Second, we look at total device investment across both device gross profit and distribution costs, which sit in sales and marketing. And so despite our expectations for elevated memory costs in the second-half of this year,

the amount of our overall device investment and unit sales factored into our full-year outlook hasn't changed for the year. It hasn't changed from our last quarter.

So our prior outlook already accounted for the increasing memory prices, and we maintain the strategic flexibility to optimize the mix of units across players, first-party TVs, and third-party TVs. So just overall, like, no one knows what will happen to memory prices beyond this year. And we really don't know how the market will react to CTV – market will react to higher memory prices. But even if memory prices remain elevated beyond this year, we're confident that our strong platform revenue growth and our device and operational flexibility provide us to – put us in the position to continue to expand our EBITDA margins.

Brent Navon

Analyst, BofA Securities, Inc.

Q

Thank you.

Operator: Thank you. Our next question comes from the line of Sean Diffley with Morgan Stanley. Your line is open.

Sean Diffley

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thanks very much, team. I was hoping you could talk about what you're seeing with your third-party DSP strategy and Amazon in particular. I think you extended the partnership with them earlier this year. So I was hoping you could elaborate on what you're seeing there?

Anthony J. Wood

Founder, Chairman & Chief Executive Officer, Roku, Inc.

A

Hey, Sean. Charlie will take your question.

Charles Collier

President-Roku Media, Roku, Inc.

A

Thanks, Anthony. Hey, Sean. Appreciate the question. I'll talk a little bit about Amazon, but just sort of stepping back, all of our DSP partnerships are important to us, and they all serve different customers and customer segments. And so really the most important thing to know as you ask us about our DSP is that our strategy is to be open and interoperable and deeply integrated with every major DSP, so that when clients want to transact, we meet them wherever they choose to transact. So that's whether it's on the Amazon DSP or we just announced an extension of our DV360 deal with Google. We are going to be everywhere they wish to transact.

And then on top of that, strategically, medium-term, our goal is to be the most performant CTV ad platform in the industry. So specifically to how we're doing, I won't break out Amazon. But first quarter was evidence that our third-party DSP strategies are working. The majority of our video delivery is now through third-party programmatic partners, Sean, and we are growing quickly.

So, these take time to ramp. We feel very good about how Amazon's doing and how other- our other partnerships are going. But I think you're seeing the results in first quarter and certainly in our compounded share of programmatic revenue. So combined Amazon, DSP, Trade Desk, Yahoo!, FreeWheel, all of them – advertisers can now access our premium inventory through virtually every major buying platform. And again, our job is to drive outcomes and performance for marketing partners. And we're really bullish as our position in the market as the open and interoperable partner, specifically in a marketplace with so many walled gardens.

Sean Diffley

Analyst, Morgan Stanley & Co. LLC



Thanks very much.

Operator: Thank you. Our next question comes from the line of Justin Patterson with KeyBanc. Your line is open.

Justin Patterson

Analyst, KeyBanc Capital Markets, Inc.



Great. Thank you very much. And congratulations on the 100 million household milestone and the Laguna Beach special. Conrad looked pretty excited [ph] to rep in that hat (00:12:16) at the Nasdaq. Two quick ones if I can. First, I was hoping to hear about how you're thinking about the role of Roku Originals today?

And then second, we've seen a lot of companies seeing meaningful productivity improvements from GenAI tools. I'm curious how you're thinking about the pace of product innovation, what that might mean for improvements to discovery features or recommendations, and what guardrails you have against the rising token costs? Thanks so much.

Anthony J. Wood

Founder, Chairman & Chief Executive Officer, Roku, Inc.



Thanks, Justin. Let's see. Charlie will take your question on Originals, and then maybe I can take your second question on AI.

Charles Collier

President-Roku Media, Roku, Inc.



Great. Thanks, Anthony. Well, Justin, first of all, I want to talk more about Conrad's hat. That was a great hat, and we're really happy with Laguna Beach. He looked great. But let me talk a little bit about content and I'll dive into Originals like Laguna. Our overall strategy in the content ecosystem is really differentiated, and it's been honed over the years, you know. Our original programming strategy actually hasn't changed. It's a targeted and powerful part of our offering, but even still, it remains a relatively small part of the overall content budget.

So sort of stepping back, the strategy we've been saying in the upfront to our advertisers is that Roku has the hits and the habits. And the hits are ours, like – thank you for mentioning it, Laguna Beach, which became our largest unscripted series ever. That's the 20th reunion, Laguna Beach special. So we have our hits and everyone else's on the platform. And then there are the habits, which are really important because that's comprised of the massive daily viewing that makes up so much of US TV viewing.

So with the 100 million households, which is why we were ringing the bell, and nearly half of streaming happening on our platform, our scale as a programmer is meaningful to every type of partner. So specifically at your Originals question, we do Originals in four pillars. We complement everyone's hits, and we build the lead-in to their hits. We also program against sports because it's such an important vertical. And of course, we serve as a lead-in to everyone's major sporting events. We then program seasonal, you know. So, you'll see us do custom holiday movies with sponsors and holiday movies, and World Cup specials around World Cup, as you might imagine, around seasonal events.

And then you'll also see us do UI programming. So, from the Wicked launch, when that movie was released on demand, we had original programming in our UI. And we brought Demi Lovato to do a concert on a Roku City rooftop. And just recently, we launched a UI original, which is Roku City Dash, an interactive game. So we have Originals that complement what we do very well. And again, the majority of our spending is actually against building the habits, which is our daily reach because we see our user or our viewer, I should say, 25 days a month.

So I'll turn it over to Anthony for the back part of your question, but just sort of end on saying more people are going to watch the biggest TV events, and I'm talking the Olympics and the Super Bowl right down to their biggest entertainment hits. They'll watch those on Roku more here than any other platform. And we love helping our partners succeed, and then we love it when we build the original programming as well that takes advantage of that. Anthony.

Anthony J. Wood

Founder, Chairman & Chief Executive Officer, Roku, Inc.

A

And then your question about AI. Well, let me just -maybe just talk – I'll answer your specific question, but just talk generally about how we think about AI, so. I mean, at the highest level, AI is a, like a very big opportunity for Roku. It's a powerful tailwind for our business. We're integrating it across our entire technology stack. You know, in the products, in our platform, we use AI across the platform to improve discovery and increase engagement, improve advertising performance, unlocking monetization opportunities.

I mean, we've used AI in the platform since the beginning, but what's been happening over the last year or two has been moving our algorithms to modern generative AI algorithms, which just improves the performance. The more we can personalize the experience, the more engagement we get, the more ads units we can drive, the more subscription signups we can drive. So we're using it on the platform, which is really helping the platform just be more effective for the viewer and monetization.

On engineering, we're rapidly adopting AI. It's definitely accelerating feature development and the speed at which we can develop new features. It's definitely enhancing the productivity of each of the engineers. And then of course, content AI, I believe, I mean, it's already happening. It's going to lower the cost of content creation, both for entertainment content and for ads. And that'll result in lower-cost content, which will drive engagement on our platform.

On the advertising side using Generative AI in our platform is helping us build the most performant connected TV ad platform, which is a big goal for us to be the most performant connected TV ad platform. We're making great progress on that. We're really leaning into performance across a bunch of different aspects, everything from integrating AI, but also the team, the kinds of people we hire.

And then also Ads Manager is only possible because of Generative AI, which is opening up an entirely new market, a big market of performance advertisers and small and medium-sized businesses. So that product is built entirely on Generative AI, including the creation of the videos.

And then of course I guess finally, we're using AI across the entire company for operations to drive operational efficiency and productivity. So it's a big opportunity. We're really leaning into it, and it's AI's – it's strengthening our platform, it's improving monetization, and it's enhancing the performance of our business.

In terms of controlling costs, I mean we're still watching it carefully. And it's just something we'll balance. AI on the efficiency side will improve productivity, and that'll show up in other ways in OpEx. So, I think there are definitely ways to manage the cost, and – but at this point, it's very manageable and we're just watching it carefully.

Operator: Thank you. Our next question comes from the line of Vasily with Cannonball Research. Your line is open.

Vasily Karasyov

Analyst, Cannonball Research LLC

Q

Hi, good afternoon. Dan, I have a question for you. The question is about the subscription revenue and how we should be thinking about forecasting it. You gave us five quarters now. So, are there any factors that we should keep in mind when we're looking at the growth, quarter-on-quarter growth throughout the year? Are there any seasonal factors? Are there some bumps from adding tier 1 app into the Roku Channel? So anything that could help us frame that trajectory would be helpful. Thank you.

Dan Jedda

Chief Financial & Operations Officer, Roku, Inc.

A

Yeah. Thanks for the question, Vasily. Well, there are some – there is some seasonality to subscriptions. Like, for example, during sporting seasons, during NFL, there'll be a big jump up in subscriptions, number of subscriptions. There are, of course, things like price increases that are positive for our partners and therefore positive for us. But the reality is, the most important factor is, first of all, we monetize tens of millions of subscriptions, so the seasonality isn't going to move the needle from a quarter-to-quarter perspective. It exists, but we are so big in this area, it doesn't move the needle.

What is helpful, what is impactful for us from a revenue side is the launch of not just tier 1, but even our tier 2 and tier 3 premium subscription partners, which we're doing very well on. Because that brings subscription revenue, incremental subscribers and therefore incremental subscription revenue, as we continue to launch new partners.

And as Anthony said earlier on, we launched Apple. We recently launched Peacock. We'll have more launches in the future. We also launched premium subscriptions in Mexico. We'll also launch more countries in the future. So we think that the growth rate that we're seeing in subscriptions, which is being driven most in part by adding more tier 1, tier 2, tier 3 premium subscription partners. We're also adding new features and new subscription products and that will help over time.

So, the growth rate that we see here is indicative of just the success that we're seeing in premium subscriptions and our direct-to-consumer subscriptions that we're having. But I think this growth rate is sustainable, just given all we've got going, adding more tier 1s, tier 2s, and adding new features in our subscriptions segment.

Vasily Karasyov

Analyst, Cannonball Research LLC

Q

Thank you. And can you give us some example maybe of tier 1 versus tier 2 app? Like, how do you classify that?

Dan Jedda

Chief Financial & Operations Officer, Roku, Inc.

A

We don't – there's not a specific definition, so. As we mentioned before we view, like, the larger content partners as these so-called tier 1s. We don't break it up. And we'll mention some of the larger launches, for example, Peacock, for example, Apple. Paramount+ is a premium subscription partner. We launched Apple in Mexico. So

again, like, think about the largest contents as tier 1s. But again, like, there is also a relatively long torso and tail in this business. Again, we monetize tens of millions of subscriptions across our overall subscription business. And all of them are growing in a very good fashion for us. Premium subscriptions is just growing faster.

Vasily Karasyov

Analyst, Cannonball Research LLC



Got it. Thank you.

Operator: Thank you. Our next question comes from the line of Michael Nathanson with MoffettNathanson. Your line is open.

Michael Brian Nathanson

Analyst, MoffettNathanson LLC



Great. Hey, can I just first say thanks for giving us the added disclosure. It's really helpful and it's all appreciated, so thank you for that. On that line, if you look at gross margin on advertising, it's really picked up nicely. This is probably an all-time high gross margin, I have to assume. Can you talk a bit about what's driving that and sustainability to maybe even go higher from here?

And then for Anthony, I'd love to dig into the first-party stats versus third-party OEMs. Can you talk a bit about are there any differences to you on either monetization, performance? And why wouldn't you lean more to third-party if it's just more efficient to do it that way? Thanks.

Anthony J. Wood

Founder, Chairman & Chief Executive Officer, Roku, Inc.



Thanks for your question. So let's start with Dan. He can answer the question on advertising margin, gross margin, and then I'll talk about OEM.

Dan Jedda

Chief Financial & Operations Officer, Roku, Inc.



Right. So advertising gross margin, to your point, at just over 60% was very strong for us in Q1. It was up over 400 basis points on a year-over-year basis from Q1 of last year. We feel very good about our advertising gross margins. We're seeing a lot of – we're very focused on not just growing revenue, but improving our gross margins. We have a lot of, let's just say, tools at our disposal to help improve overall gross margins. We have higher ad products coming to market.

Think of the home screen monetization, like adding video, in our home screen, has been very positive for us. We're also very efficient on how we deliver our campaigns from a gross margin standpoint. So we have a lot of areas – we have a lot of ways that we focus on overall gross margin and maximize the gross margin of the business in addition to maximizing the revenue.

To your question on sustainability, I do believe that this level is sustainable for the rest of this year and after. I think it could potentially even come up. We'll see. We've got a lot of optimizations that we're always working on. We've got a lot of new ad product that we're working on to help gross margins. But we're focused on, again, driving both the overall advertising revenue as well as the GP of the business. And again, 60% sustain – I believe it's going to sit at this level, maybe even come up for the rest of this year and thereafter as well.

Anthony J. Wood

Founder, Chairman & Chief Executive Officer, Roku, Inc.

A

And then to answer your question about first-party versus third-party, just to level set on what those terms mean. So when we say first-party products, we're talking about our streaming players, streaming sticks. These are products that we build and sell and distribute and market ourselves. And then we also make first-party TVs. So these are TVs that, again, we do everything. We build, sell, market, and distribute. These are sold under the Roku brand as well as the Hiro brand, which is one of our first-party brands that we use, it's a known brand.

And then third-party means working with other OEMs like TCL, Hisense, but there's many, many others. And in terms of monetization, they're pretty similar. I mean there's not – I don't think there's any real difference by first-party versus third-party, but there's slight differences by channel, you know. Depending on the retail outlet, you have different types of customers that shop there that can result in slightly different monetization. I wouldn't – I don't think it's huge.

And then also things like TV size affects monetization a little bit. Bigger TVs have slightly higher monetization, but players and TVs might have slightly different monetization, but it's not. None of these things are particularly large, so it's probably not worth focusing on it. Why wouldn't we lean into third-party more? We lean into third-party a lot. It's – our partners are very important to us. We – the majority of TVs sold are third-party TVs. The majority of Roku TVs sold are third-party TVs.

And why we have first-party and third-party TVs is because it's a very complicated distribution system to sell. When you sell the number of TVs, it takes to be over half of all broadband households, it means things like, I don't know the exact number. There's probably over 1,000 different models that we certify each year across first-party, third-party, different countries, different regions, different retailers. And so the retail distribution channels for television is complicated, and different retailers want to differentiate by having different brands, different products, different models and different price points and so, different features.

And so the ability to offer a variety of third-party products as well as first-party products just gives us maximum flexibility in how we go into the channel and maximize distribution, and it just gives us options. So that's why we do it. For example, Hiro is currently, I think, exclusive to Target which helps us get distribution in Target. So that's just a simple example, but there's lots of reasons we do it.

Michael Brian Nathanson

Analyst, MoffettNathanson LLC

Q

Yeah. Thanks, Anthony.

Operator: Thank you. Our next question comes from the line of Rich Greenfield with LightShed Partners. Your line is open.

Rich Greenfield

Analyst, LightShed Ventures Group, LP

Q

Hi. Thanks for taking the question. I got a couple. One, you guys have been definitely expanding your tests and trials of a new home screen. It looks like you're basically putting half the screen is now content boxes, and you're pushing apps down to sort of the lower half of the screen and really bringing content forward and making it a persistent video box on the right side. I'm curious, how soon do you think this rolls out more broadly?

Two, related to that, what are you seeing early in terms of its impact on subscription uptake or advertising? Any types of impact on sort of the business side would be great to understand.

And then two, just because I – there's talk out of antenna that Howdy hit a million subscribers and whether or not that's true, it's very clear that Howdy has been far bigger than I think anyone listening to this call probably expected. And I'm curious, Anthony, how big can Howdy be? Do you need to have original programming? Just sort of the future of Howdy would be great to hear your perspective on.

Anthony J. Wood

Founder, Chairman & Chief Executive Officer, Roku, Inc.

A

Okay. Thanks, Rich. Thanks for the questions. It's great to hear from you. Let's see. So on the home screen, yeah, so we've been testing the new home screen for a while. It's a big change. It's going to – every Roku customer in the world will see that we'll get the new home screen. It's not particularly optional, so -when it rolls out. So, you want to make sure that customers are happy, that there's not going to be any complaints, that they're, in fact, going to like it more than the old home screen. And it's easy to get most of the customers to like it more, but it's a little harder to get almost all the customers to like it more.

So that's one of the things we've been focused on. We've been focusing on making sure it improves monetization, subscriptions and ads, that it helps us improve those businesses, improves engagement. So those are the things we've been focusing on. The home screen is a super important asset to us. It's in households that have over 125 million people every day. Sorry, it's in households with over 125 million people, and they start their TV viewing experience with our home screen every day. It's very iconic.

I mean, the other thing we're being focused on is not losing our sort of iconic look. Most connected TV platforms all kind of look the same. Our home screen does look unique, and it's more delightful, so we don't want to lose that. And it's in testing, but it's in a fairly large number of homes, and it's going to be rolling out to everyone soon, and we'll be launching soon.

And the results we're seeing in the testing are – we're definitely seeing more engagement. We're definitely seeing improved good viewer satisfaction. We're seeing increased monetization. I mean, you mentioned -in your note, you mentioned – or your – in your question, you had some screenshots, and you noted a few things. Like, one of the things, for example, about the new home screen is that the marquee ad is visible when you first launch the home screen, whereas with the current home screen, you have to scroll to the right to see the marquee ad. That change alone is driving more click-throughs, increased click-through rates. So that's making the ad unit more visible and more valuable.

And then making content more prominent is something that consumers want and also drives engagement. Allows us to promote subscriptions, allows us to promote ad content. Also on the app tiles, we're making the app tiles be a little bit more user-friendly, like viewer-friendly a little bit more likely to see the app they want near the top. So, and that's just a few of the changes. There's lots and lots of detailed changes, all designed to improve viewer satisfaction and monetization. So it's – the testing was good. It's going to be a good change for us.

Let's see. Then you asked about Howdy. Yeah, I can't really confirm third-party numbers, but just to remind everyone that doesn't know, Howdy is our own and operate streaming service. Our main own and operate streaming service is The Roku Channel, which is free ad-supported content. It's the number two app on our platform. It's, like, over 6% of all streaming viewing in the US now.

And then Howdy is not as big as The Roku Channel because it's a lot newer, but it is doing extremely well, and it's a subscription service, and there's no ads, so it's sort of the opposite of The Roku Channel. And it's a SVOD service. It's ad-free, and it's \$3 a month, and so it's very affordable. And I guess I would say that its position in the market – it's going after a segment of the market that's not currently served except by Howdy, which is streaming services have been raising their prices. They've been increasing their ad loads. And so a low-cost, affordable streaming service is something that didn't really exist in the market, so that's a segment of the market we're going after, and that's the segment we intend to stay in, and I think it's a very large segment.

The content will just keep getting better. We'll just keep improving the quality of the content. As we keep getting more and more viewers, that'll allow us to invest more and more in content. That is a positive cycle that will just keep riding. And I think it can be very large. I mean, I think it can be a very large part of the market. And so...

Rich Greenfield

Analyst, LightShed Ventures Group, LP

Q

Do you ever see original programming?

Anthony J. Wood

Founder, Chairman & Chief Executive Officer, Roku, Inc.

A

We don't have plans right now for original programming. Original programming requires – is expensive. Requires a lot of a more expensive service generally. But that doesn't mean that I don't think that as we continue to improve the quality of the content, as the number of viewers gets bigger, that we'll have – I think we'll likely have originals someday. I don't know when that day will be.

I mean, we have originals today, I should say. I should take a step back. We do have originals today. We have Roku Originals, but they're not the blockbuster originals you're probably thinking of. They tend to be things like Laguna Beach, which is doing really well, but it's unscripted. We don't have a lot of scripted content in our originals today. So, when you said originals, I was taking it to mean like a blockbuster-type original.

So those are going to come, I think, but that's not happening right now. Right now we're just focused on improving the quality of the content, promoting it in our UI, promoting it off our platform. We just recently launched on Amazon Prime. We just launched in Mexico. Those are all doing really well.

Operator: Thank you. Our next question comes from the line of Peter Supino with Wolfe Research. Your line is open.

Peter Supino

Analyst, Wolfe Research LLC

Q

Hi. A question on your DSP relationships. If you could discuss the growth contributions that you're seeing in context of this great acceleration of ad sales. So I'm wondering if you could rank order the growth contributions from Trade Desk, Amazon, and others? And then I believe it's true that your relationship with DV360 is somewhat different than your relationship with Amazon. So as that becomes a contributor, should it have a different impact? Thank you.

Anthony J. Wood

Founder, Chairman & Chief Executive Officer, Roku, Inc.

A

Hey, Peter. Thanks for the question. Charlie will take the question.

Charles Collier

President-Roku Media, Roku, Inc.

A

Yeah. Thank you. Hey, Peter. I answered this a little bit in an earlier question, and I started, I think, by saying that each of these relationships is different and important. And I always start with the customer. The customers want to transact and have different goals. They want to transact in different ways, and they have different goals.

So I think a lot about strategy first, how do we serve the customer and we do so, as I said before, being open and interoperable, being deeply integrated with every major DSP. And then meeting the clients everywhere they want to transact. And we're doing that. And then on top of that, our goal is obviously to be the most performant CTV platform.

So to dive into your specific question about DV360 expansion, we did expand, and it is slightly different. In fact all of our DSP relationships are different. We signed up with Campaign Manager 360, which is important for a couple of reasons. Actually, three reasons. First is Roku's the first streamer to participate in this publisher match, and I love that Roku's an early mover, so that's new for us.

Secondly, it enables holistic management of YouTube for the first time, which really means, Peter, that advertisers can activate Google's first-party data and their own first-party data, meaning their own, the advertiser's first-party data on Roku Media inside DV360. And these are audiences that previously only worked on YouTube in isolation, so that's a really big deal.

And then the third part of why DV360 is important is because Campaign Manager 360 measures Roku Media regardless of where the advertisers buy lands, which means that it'll provide proof of Roku's outstanding performance up and down the marketing funnel. And that's great for us because as we seek to be known as the most performant CTV platform, this is just another spoke in the wheel that will prove how performant we are, not just in our own media, but as we travel across all sources of advertising platforms.

Operator: Thank you. Our next question comes from the line of John Hodulik with UBS. Your line is open.

John C. Hodulik

Analyst, UBS Securities LLC

Q

Great. Thanks. Maybe can we talk about the subscription revenue gross margin. Looks like sort of different to what you're seeing in the advertising side. You saw some pressure over the last few quarters on the gross margin side there. What's driving that? Is it mix shift or just any help there or outlook on the margin there would be great?

And then I see that non-M&E ad spend on the home screen has reached 30%. Can you talk about where you think that number can go, and what are some of the categories where you're having success selling inventory on the homepage? Thanks.

Anthony J. Wood

Founder, Chairman & Chief Executive Officer, Roku, Inc.

A

Dan will take that.

Dan Jedda

Chief Financial & Operations Officer, Roku, Inc.

A

Yeah. Thanks for the question, John. On subscriptions, yes, subscriptions, we're just north of 40%, our subscriptions gross margin. That is down. It is mix that's driving that. We have different activities, different subscription activities within there that mix out to lower, but higher revenue growth, but slightly lower gross margins. So we are seeing that in Q1. I do expect it to stay at this 41% to 42% level for the rest of this year. We also have some other higher margin activities that we think will grow in Q2 and for the rest of the year.

So premium subscriptions is driving that down a little bit, but I expect it to level off here at this level. And again, like we have a lot of activities going on in subscriptions that will actually help gross margin. But all in all, I think this is, we're at that level where we're going to sustain it for the rest of this year in this 41% to 42%. That will, along with the advertising margin I talked about of being at just north of 60%, I think will take platform revenue out to be closer to the high end of the 51% to 52% range that we have in overall platform. But I don't expect us to go down from there. I expect us to maintain this level, if not, come up a little bit.

To your question on non-M&E, and I'll let Charlie jump in if he wants, but on the home screen ads growing significantly on non-M&E, that is a tailwind for us. Like, adding video to the home screen has been very impactful and very important for us. And so we are seeing more diversification on the home screen for our video ad unit. I think Anthony mentioned earlier that the new home screen, which collapses the left nav, has that ad unit front and center, right from the beginning, which will also be a positive in terms of more impressions to even sell on that ad unit.

And so this diversification matters a lot because we're – we can expand the availability of that ad unit, which would be a positive for us in both revenue and gross margin. So we're very happy with that specific area of the home screen. There's also other areas of the home screen to monetize, but that one is particularly unique. And it has the ability to both help our advertising revenue and our advertising gross margin. I don't know, Charlie, if you have anything else.

Charles Collier

President-Roku Media, Roku, Inc.

A

Yeah. Well, John non-M&E brands represented nearly 30% of the Roku experience advertising revenue in first quarter. That's a big deal. That's an all-time high for us. And as Dan said, it's deliberate. We've been working for years on demand diversification, so seeing that number was really meaningful. It also just is a great balance to our M&E strategy overall because now we're not reliant on any one category for these – to fill these outstanding units. So as I look at M&E now, when the M&E market is healthy, as Dan said, there's a tailwind for Roku, and when it's soft, the rest of Roku's book now carries us. So that's a major difference between this year and years prior.

John C. Hodulik

Analyst, UBS Securities LLC

Q

Okay. Thanks, guys.

Operator: Thank you. Our next question comes from the line of Laura Martin with Needham. Your line is open.

Laura Martin

Analyst, Needham & Co. LLC

Q

Hi. I have two. The first, Anthony, so you're the aggregator – you're aggregating the most expensive types of content, film and TV. And we're hearing from Netflix that they're going to add some lower cost content, maybe some of the – or highest quality YouTube influencers. Can you talk about your vision for how you see aggregation

here and how you expect to drive engagement long-term, which may take different kinds of lower cost content? So that's my first.

And then there's my second is on devices. So we have device revenue down 16% with a negative 14% margin. And it seems to me that it matters whether that is the actual sticks that we're seeing a negative comp in or whether it's just your televisions aren't getting, your physical Roku branded televisions aren't getting as much adoption, or if you just got kicked out of Walmart because they bought VIZIO, and now they're taking away your shelf space, which doesn't feel recurring to me. So could you maybe go granularly into what is driving the downdraft in on the unit side, on the device line? That would help me. Thank you.

Anthony J. Wood

Founder, Chairman & Chief Executive Officer, Roku, Inc.

A

Hey, Laura. Thanks. Let's see. On content, I think your – we talked about the Netflix announcement. They just announced they're going to do clips. So we do have that kind of content on Roku in a lot of different places. I mean, first of all, we're a distribution platform. We obviously have our owned and operated services. We're also a distribution platform primarily for third-party services. We carry YouTube. It's very popular. It has all the low-cost content.

And then in our own services, we distribute clips from things like Saturday Night Live to movie trailers to sports highlights from multiple leagues. So we do have sort of a best of the clips strategy in our owned and operated services. We aren't currently trying to compete with YouTube. We carry YouTube and it's a great product. So that's kind of how we view clips.

And I do think content costs. I mean, with Howdy, we are focused on offering a low-cost service. That means we are on the lookout for both high quality, more expensive content, as well as high quality, less expensive content. So, things like content that's lower cost because it incorporates AI production, those sort of things. So we are – or whether it's unscripted. So we are definitely focused on a broad array of content, including lower cost content. So that's – I think that's the – that's your question on content. And then on devices, I'll let Dan take that question.

Dan Jedda

Chief Financial & Operations Officer, Roku, Inc.

A

Yeah. I think your question is what's driving revenue down on – in margins on devices. I just want to say, first of all, a couple things going on. The ASPs and streaming players continue to come down. That also has higher memory costs associated to it, so that does impact overall margins. I think it's important to note that, from an overall unit perspective, like we are on track to where we expected to be for total units across all of our devices.

And I just want to be clear, like we're not kicked out of Walmart. We still sell a lot of units at Walmart. We sell a lot of third-party units at Walmart. We sell a lot of first-party TVs. Matter of fact, first-party TVs are growing quite well on a year-over-year basis. So to be clear, like it's not a volume issue per se. It's simply from an ASP perspective and the higher memory pricing that we're seeing specifically in the back-half of the year that we talked about in our guidance.

Anthony J. Wood

Founder, Chairman & Chief Executive Officer, Roku, Inc.

A

And then I think...

Laura Martin

Analyst, Needham & Co. LLC

Thank you very much.

Q

Anthony J. Wood

Founder, Chairman & Chief Executive Officer, Roku, Inc.

... Laura, since you asked about, since you asked about Walmart, maybe I'll – or, and our device distribution generally, let me just ask Mustafa to talk for a little bit about that.

A

Mustafa Ozgen

President-Devices, Products, and Technology, Roku, Inc.

Yeah. This is Mustafa speaking. I mean, we feel good about our progress in terms of diversifying our distribution. And we are also on track with our overall device unit sales target for the year. As Anthony mentioned earlier, we recently surpassed 100 million streaming households worldwide, so this a major milestone for us. But it also highlights our scale and momentum that we have.

A

In the US, we are, again, in more than half of the broadband households, so customers love our products. We build really great products. We offer a delightful experience, and retailers want to sell this type of good product, and they carry our products across their shelves.

And again, as Dan mentioned, we continue to have a great relationship with Walmart. Again, our products really fit well for Walmart customer base. The shoppers love our products. And at the same time, we are successfully broadening and diversifying our retail distribution. We grew our presence at Target. Anthony mentioned earlier the Hiro brand TVs. It's really helping with our partnership at Target. Best Buy, we're growing. Amazon, we're growing. Regional retailers, we're growing. And we expect to add more retailers in the second-half of the year as well.

And at the same time, we're actively expanding and diversifying our TV OEM licensing agreements, including with our long-term partners, TCL and Hisense. Again, Anthony mentioned the increasing memory costs across the industry is helping us quite a bit. We're becoming more attractive to OEMs and retailers. So, and we're going to see the impact of these updated partnerships in the second-half of the year sales of our products.

So overall, really, we are well-positioned. We build streaming sticks, first-party TVs, third-party TVs. This portfolio gives us flexibility depending on the market conditions. Cost conditions, we can lean into one product over the other one. So overall, we feel really comfortable in our – with our distribution strategy. And the number of Roku TVs units sold may go up or down from quarter to quarter, but overall, we expect that they continue grow our scale.

Laura Martin

Analyst, Needham & Co. LLC

Thank you very much.

Q

Operator: Thank you. Please stand by for our next question. Ladies and gentlemen, due to the interest of time, our final question will come from the line of David Joyce with Seaport Research Partners. Your line is open.

David Joyce

Analyst, Seaport Research Partners

Q

Thank you. As you continue to deepen your integrations with DSPs and maybe add a few more, what could that do to the cadence of the advertising gross margin? I know you did talk about overall where you think it could be in a bit, but I was just wondering what those impacts might be over the next few quarters? Thanks.

Anthony J. Wood

Founder, Chairman & Chief Executive Officer, Roku, Inc.

A

Thanks, David. Dan will take your question.

Dan Jedda

Chief Financial & Operations Officer, Roku, Inc.

A

Yeah. The way we integrate with the demand-side platforms, they're not – there an impact to the volume of impressions that we get depending on where the advertiser wishes to transact. Charlie talked very – in detail about how we integrate with the DSPs. There's not a margin impact. So how we integrate across the different DSPs really don't have a margin impact with the one caveat being Amazon, where it's at the platform level, which will be positive. But the remaining DSPs where we integrate and adopt their identifier like a hashed email, et cetera, it's not going to impact our margins either way.

What will impact margins are how we fulfill, which we're getting – which we're very good at. The ad units that we have on the home screen, et cetera. And how we just complete the campaigns internally, which again, we're very good at optimizing for that. That's not a function of how the demand comes in. It's a function of how we fill the demand on our side with our platform, which again, we're just getting better and better at.

David Joyce

Analyst, Seaport Research Partners

Q

Understood. Thank you very much.

Operator: Thank you. Ladies and gentlemen, at this time, I would like to turn the call back over to Anthony for closing remarks.

Anthony J. Wood

Founder, Chairman & Chief Executive Officer, Roku, Inc.

Thanks. It was an outstanding quarter, and I'd just like to thank our employees, customers, advertisers, and content partners. And thanks to all the listeners for listening.

Operator: That concludes today's conference call. Thank you for your participation. You may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2026 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.