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**Roku, Inc.** (ROKU)

Q2 2025 Earnings Call

## CORPORATE PARTICIPANTS

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**Anthony J. Wood**

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

**Dan Jedda**

*Chief Financial Officer, Roku, Inc.*

**Charles Collier**

*President-Roku Media, Roku, Inc.*

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## OTHER PARTICIPANTS

**Shyam Patil**

*Analyst, Susquehanna Financial Group LLLP*

**Michael Morris**

*Analyst, Guggenheim Securities LLC*

**Steven Cahall**

*Analyst, Wells Fargo Securities LLC*

**Ronald Song**

*Analyst, Wolfe Research LLC*

**Laura Martin**

*Analyst, Needham & Co. LLC*

**Robert Coolbrith**

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**David Joyce**

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**Rich Greenfield**

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good day and thank you for standing by. Welcome to the Roku Second Quarter 2025 Earnings Conference Call. At this time, all participants are in a listen-only mode. [Operator Instructions] . Please be advised that today's conference is being recorded.

I would now like to hand the conference over to Conrad Grodd, Vice President of Investor Relations. Please go ahead.

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### Conrad Grodd

*Vice President-Investor Relations, Roku, Inc.*

Thank you, operator. Good afternoon. Welcome to Roku's second quarter 2025 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 risks 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 2024 period.

With that operator, our first question please?

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. Our first question comes from Shyam Patil with Susquehanna. Your line is open.

**Shyam Patil**

*Analyst, Susquehanna Financial Group LLLP*

Q

Hey, guys, great quarter. I had a couple of questions. First, can you guys talk about what drove the outperformance in 2Q and also the full year raise?

And then second question, based on your outlook, it looks like you're going to become operating income positive in the fourth quarter. Just how should we think about the trajectory in 2026? Thank you, guys.

**Anthony J. Wood**

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

A

Hey, Shyam. This is Anthony. Thanks for the question. I'll take the first one and then Dan can take the second question.

So, yeah, it was a great quarter. We're very happy, excited with the quarter. But I'd just say, what I'm most focused on is what the results are telling us, which is that, our strategy to grow our Platform revenue is working. We set our Platform revenue growth strategy in place 18 months ago, and we've been focused on execution and demonstrating progress along the way.

And this quarter, we're really starting to see the results of that strategy. And we believe our strategy is going to keep working, and we'll sustain double-digit Platform revenue growth while improving profitability.

Just a few points about the quarter. In Q2, we grew Platform revenue 18% year-over-year. Video advertising on our Platform grew faster than OTT and digital ad markets in the US. And this reflects our ongoing work to expand and diversify ad demand, and strengthen performance through deeper integrations with third-party partners. And of course, the launch of new and exciting products such as the Roku Ads Manager, which all taken together are driving incremental demand.

We're also growing Roku-billed subscriptions with Premium Subscriptions continuing to perform well. We continue to launch new features that we can monetize that are also adding value for our viewers. And, we closed, of course, the Frndly acquisition that we previously announced and have begun integrating Frndly into live search and other key areas of our platform.

So yeah, again, it was a great quarter. I think it really shows our strategy is starting to work. Also, of course, great execution by the team. And Dan, was there anything you'd like to add and take that second question?

**Dan Jedda**

*Chief Financial Officer, Roku, Inc.*

A

Yeah. Thanks, Anthony, and thanks for the question, Shyam. I'll just echo Anthony's comments, great Q2. Very happy with it, very excited for the rest of the year as well.

And as Anthony mentioned, our execution of our monetization initiatives gives us confidence to sustain double-digit Platform revenue growth, while also improving profitability in 2026 and beyond, Shyam. So, we feel good about the rest of this year. We feel good about 2026. Specifically, we've done a great job of investing in our key monetization initiatives while expanding our EBITDA margins.

So you can see from our full year guide, our EBITDA margin outlook reflects a 480-basis point improvement year-over-year over 2024. We expect to see further margin improvement in 2026. And while we continue to carefully balance our investment in our Platform growth with our margin expansion, we're also focused on operational efficiency. And we expect 2026 OpEx growth rate and Platform margins to stay relatively in line with 2025.

And as you point out, our guide does imply, we are on track to be operating income positive in Q4 of this year and for full year 2026. And I'll just note that the Q4 OP profit would be earlier than what we said even last quarter. So we feel really good about our Q2 results. We feel good about H2 and going into 2026.

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**Shyam Patil**

*Analyst, Susquehanna Financial Group LLLP*

Q

Great. Thank you, guys.

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**Operator:** Thank you. Our next question comes from Michael Morris with Guggenheim Securities. Your line is open.

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**Michael Morris**

*Analyst, Guggenheim Securities LLC*

Q

Thank you. Good afternoon. Wanted to ask you a couple about advertising. You highlighted the progress that you're making, both with your third-party partnerships and then also now with Roku Ads Manager. So my question on that is, can you talk about what that progress looks like, whether there's cannibalization of other parts of the business? And maybe how those two drivers are complementary to one another?

And then my second question is just more broadly on the macro economy and what you are seeing, how are trends now in terms of demand and market health compared to where we were about three months ago? Thank you.

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**Anthony J. Wood**

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

A

Sure. That sounds great. This is Anthony. I'll take that. So, in terms of ad manager versus third-party partnerships, both are doing well for us. Ad manager obviously is newer and smaller business, but growing faster.

I would say that, I think the main thing about the Roku Ads Manager is that it's opening up a new market for us. The advertisers, the performance-based advertisers, the traditionally and often smaller and mid-sized businesses that traditionally advertise on social media like it makes – it brings video on Roku as a way for those – to those customers, as a way for those customers to advertise. And so it's a big market that we have a lot of hopes for over time. We think it's going to grow over time to become a big market.

Demand side platforms, third-party partnerships, it's a big part of our strategy and that's working well to really lean into those partnerships and that's going great, but those are big advertisers. But those tend to be the more traditional video advertisers. So I don't know, Charlie, if you want to add anything. And maybe you can also take the macro economy question.

**Charles Collier**

*President-Roku Media, Roku, Inc.*

A

Sure. Thanks, Anthony. Hey, Michael, I look at it this way. If you think about the strategy we've been talking about for really the last 18 months, where we've talked a lot about diversifying demand and both third-party partnership expansion and Roku Ads Manager fall beautifully under that heading.

Anthony is right, it's a bit of a highfalutin way to say it, but for the Ads Manager program, a lot of people say it democratizes television. It really does bring in hundreds of net new advertisers to TV that we wouldn't have seen and it's through self-service. And as Anthony noted, a lot of performance-based, small- and medium-sized businesses.

The third-party partnerships, that really has been, I think, it's reflective in our results. It's really been working. And as Anthony said, the demand side platforms, the supply side platforms, the measurement partners, we have some really unique assets, and it all starts with authentication. Everything else follows from that. We pass high fidelity signals in really privacy safe ways, and we drive results for marketers. And that inevitably is what both of those do for very different audiences. So to answer your first question directly, it's completely complementary. And I think there's a lot of expansion in both of those areas.

On the macro economy, we just finished the upfront, and it was very positive and obviously is a forward-looking indicator. We've grown well, the team executed brilliantly and really that's been an interesting business to follow the upfront, specifically business to follow over the last few years because it reflects the trends in the market; a, you have a lot of people who don't have the visibility they did a few years ago. So, the upfront has really turned into a full year long marketplace. And it's also a marketplace where people are looking more than ever to television for performance. And I think both of those trends hold us in a really good position.

And I suppose I should mention sports did very well. I think the macro economy is supporting some of the live events that you've heard about from others and even that's good for us. We have unique assets in our destinations like the Sports Zone that in a fragmented macro media economy. Our users are turning to our destinations to actually help them enjoy even the biggest sporting events more and find them more easily.

**Michael Morris**

*Analyst, Guggenheim Securities LLC*

Q

Thank you. I appreciate that.

**Anthony J. Wood**

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

A

Thank you.

**Operator:** Thank you. Our next question comes from Steven Cahall with Wells Fargo. Your line is open.

**Steven Cahall**

*Analyst, Wells Fargo Securities LLC*

Q

Thank you. Dan, I was just trying to unpack the Platform growth a little bit between some things you had last year, plus what you called out for Frndly. I think growth was about 20% in Q2. If I back out ASC 606 in Political and Frndly. So just wondering if that's the right number. And I think it's implied around 18% in Q3. All those are pretty

good. Just wondering if that's just kind of conservatism in terms of the way you're thinking about some of the same-store comp with maybe a 2-percentage point slowdown from quarter-to-quarter?

And then secondly, just on the Platform gross margin guide at 51%. Anything you can unpack in there for us, is this just mix especially as M&E I think is a smaller component of revenue given the strong growth in video or anything else going on the programmatic side that drives the Platform margin outlook? Thank you.

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**Dan Jedda**

*Chief Financial Officer, Roku, Inc.*

A

Yeah, I'll take that question. Thanks, Steven, for the question. With respect to the outlook, excluding Frndly and Political, maybe let me just give you some growth rates on that. Again, it's not really a sequential decline from what we're seeing right now.

We're basically at around 17% for Q2, and we expect that 17% if you back both those out in Q3 and the full year would imply Q4 at a similar level. And then if you back out ASC 606 which as you know, we had last year, it actually adds a full point of that in Q2 and Q3, smaller in Q4. We didn't have a big ASC 606 adjustment in Q4 of last year. So, we're seeing a very steady and very positive growth rate when you back out Political and then if you exclude Frndly in H2 of this year.

On the margin question, if you look at our gross margin, or our Platform margins of 51% and we guided to a similar margin for Q3 and a full year of around 52%, we are expecting that margin stay in that 51% to 52% range. What we're seeing is, any sort of mix impact where we have some of our higher margin activities like M&E growing slower than other margin activities, we're able to offset a lot of that with efficiency and improvement. I think it's a positive that we're able to do that.

If M&E were to pick up, we would see margin upside. We're not planning or counting on M&E growth to any significant level in our guide or our forecast. That would be upside if M&E does rebound in any way. There's possibilities of that with some new services launching, but we're not planning for significant growth in that area. So, the Platform margins that we see are – we believe are going to be in the 51% to 52% range.

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**Anthony J. Wood**

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

A

Thanks, Steve. Operator, next question, please.

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**Operator:** Our next question comes from Peter Supino with Wolfe Research. Your line is open.

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**Ronald Song**

*Analyst, Wolfe Research LLC*

Q

Hey, this is Ron on for Peter. I just have two quick questions. So first, following up on the gross margins, I think it implies, though, that the fourth quarter we should see a higher gross margin than the 52% for the full year. So, I was just wondering if there was anything you could comment on the leverage there?

And then on the share repurchase authorization of the \$400 million, is there a way we should be thinking about the timing and what it could be in – about future opportunities to grow shareholder return? Thanks.

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**Dan Jedda**

*Chief Financial Officer, Roku, Inc.*

A

Yeah, I'll take that one as well. Yes, you're right. It does imply a sequential improvement in Q4 gross margins. And we see that just because of volumes increase, there are some fixed components in the gross margin line item. So, that really just is the leverage on pure volume. It's not anything more than that. The more volumes we get, we're able to have leverage over our fixed cost that sits in cost of goods sold. But not everything in cost of goods sold is 100% variable. So, as we grow volumes, we could potentially see margin upside. And we'll certainly see that or we believe we'll see that in Q4. We see that in every Q4.

On your question on share repurchase, I'm not quite sure I'm understanding when you say the timing of it, we announced a \$400 million share repurchase program. We have been doing net share settlement since the beginning of 2024. We plan to continue that. The share repurchase will come on top of that. We do expect that to offset dilution. We're offsetting over 40% of our dilution right now just on net share settlement. Share repurchase will be on top of that, as we execute the share repurchase program.

In terms of capital allocation, if that's your question, we've got this question a lot and we've talked about acquisitions like Frndly. We've done some strategic investments, we've done share repurchase. And of course, we're investing in all our Platform initiatives. So, we feel really good about our capital allocation strategy over the last two years. And as we go forward, I'll update you more on the execution of the share repurchase program.

**Ronald Song**

*Analyst, Wolfe Research LLC*

Thank you.

Q

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

**Laura Martin**

*Analyst, Needham & Co. LLC*

Hi there. Can you guys hear me okay?

Q

**Anthony J. Wood**

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

Yep.

A

**Dan Jedda**

*Chief Financial Officer, Roku, Inc.*

Yep.

A

**Laura Martin**

*Analyst, Needham & Co. LLC*

Fantastic. So, Anthony, hard one for you. So the two assets that I think have pricing power are proprietary data and proprietary content. You have both. The question is that becomes more valuable over time with the rise of LLMs. So the question generally is at what point do you think Roku can do more good as part of something larger than going standalone? That's my question for you. Charlie, hard question for you. So we have a [ph] product field (00:15:54) that allows them access to the Roku Channel and Amazon, which has exclusive rights [ph] to ads for years (00:16:02) to access the entire platform. And maybe I have that wrong, if that's wrong, please correct. But why would you sign exclusive deals with anyone rather than open it out to bid? And two, why the difference in deal structure between those two large DSPs? I'm curious about that. Thanks, guys.

Q



**Anthony J. Wood**

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

A

Hey, Laura. It's Anthony. Excellent questions. So, I'll take the first question. And I'll start on The Trade Desk question and then turn that over to Charlie. So, yeah, I mean, our first party data is a super powerful asset that we have and it's a key driver of our business. We use it to increase monetization in many different ways, everything from recommendations to clean rooms to, just a variety of ways we use that, is the driver of our ad business. It's important component, in interacting with and working with advertisers that it's often in the clean rooms, through DSP. So, in terms of something being something larger, we're – we have a great business. We're very focused on growing our business, and that's our focus right now.

In terms of Trade Desk, the Amazon deal. So I'll just say just to remind everyone, that doesn't know this. Our strategy to grow our Platform revenue has three parts. One part is to deeper integration with third-party DSPs, which I'll talk more about in a second. Another is to lean into our home screen, take better advantage of that. It's an asset that we can use a lot more to help our viewers find things to watch, as well as help drive monetization for us better, more effectively. And then third is, there is – we have a large subscription business, but we're just leaning into that a lot more. So there's a lot of things we can do both with third-party and first party subscriptions. So we're focused on that.

In terms of our working with DSPs and the Amazon deal we announced, our strategy with DSPs is to work with all of them and to have deep integration with all of them, to deepen our integration. Each DSP is unique in its own ways. They have different technology stacks, they have different approaches to coming to market. Every deal we do with the DSP is customized for that particular DSP partner and is focused on helping marketers achieve their objectives in the context of each specific platform. And so, we're really customizing the deals to work best for each DSP.

And, we're not going to share specifics on the deal, but we haven't done any deals that and wouldn't do any deals that would tie our hands in doing deals with other DSPs. So, and DSP is one different thing. So for example, in The Trade Desk case, which we have a great partnership with Trade Desk, they're very strong partner. We do a lot of mutual business together, really good for each other's business.

When we did that deeper integration, the main thing they were focused on was UID2, which we supported for them. And Amazon, is focused on integrating their DSP onto our platform and being a good DSP for the marketers that want to buy through Amazon. So that – we have marketers that come to Roku to buy ads and sometimes they want to use Trade Desk, sometimes they want to use Amazon, sometimes they want to use Yahoo!, sometimes they want to use Google. So, we support all the DSPs and we support them all fully. And we're always looking for ways to deepen the integration and be a more effective partner with all of them. So – but with that set up, I'll just see if Charlie, if you have anything to add.

**Charles Collier**

*President-Roku Media, Roku, Inc.*

A

Nice to have a boss who knows it cold. I think that's right. Really, thinking from the marketer perspective, each constituent and this is true on the DSP side, but starting with the marketer who we're driving to outcomes and our agency partners, they really are measuring outcomes differently than ever before. So our data and our, over 90 million logged on relationships really do make a huge difference.

And then each constituent and partner has a different use case that they're building for and they're solving for. So Anthony is right. We haven't done deals that will preclude us from doing other deals. They are unique in some of

the ways you mentioned, but we also do deals, you mentioned Trade Desk, the Amazon DSP, we've done Yahoo! and I think this quarter we announced a deeper integration with AppLovin and Wurl. You're going to see us everywhere and I really like our position a lot. I think you're seeing it in the results and the increased guidance that our strategy is to either be open and interoperable and in fact, shut down our own DSP so we could do it has proven to be effective and has a lot of upside.

**Laura Martin**

*Analyst, Needham & Co. LLC*

Thank you very much. Very helpful.

Q

**Operator:** Thank you. Our next question comes from Rob Coolbrith with Evercore ISI. Your line is open.

**Robert Coolbrith**

*Analyst, Evercore ISI*

Great. Thank you very much for taking the question. Wanted to ask on Roku Ad Manager and the SMB and performance opportunity in CTV. Just a broad question on market structure. Just compare it to opportunities ranging from search and social to online display. Do you think performance marketers in CTV are likely to gravitate towards sort of Platform direct opportunities, if you will, versus working via DSPs?

And secondly, do you think the other market is going to [indiscernible] (00:21:41) winner take most or take characteristics or be governed by sort of multi-homing costs where the earliest or the largest players in the market are likely to sort of earn outsized monetization?

And then just second quick one on TRC, I just wonder if you could share streaming hours growth in respect to that we – I don't think we caught that in the letter. Thank you very much.

**Anthony J. Wood**

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

Hey, Rob, Charlie will take that question.

A

**Charles Collier**

*President-Roku Media, Roku, Inc.*

Thanks, Rob. It's a good question. When we look at the small- and medium-sized business opportunities and all of our ads manager and self-service opportunities, I really get excited because it's so focused on performance. And to your question about where the winners will be, without question, the winners will be the ones you can prove that, \$1 in actually produces the desired result. And so, if you look at what we're able to do just and it's very early days on things like shopability and all of our action ads, we're seeing really positive signs, again early on that we can be a leader in teaching the world how to shop on television.

I think that and some of the opportunities for these clients who are so sophisticated to actually activate through self-service is complementary, as I said in an earlier answer, and allows us a ton of headroom. We also see – you sort of compared to direct platform tools to the DSP.

Again, I think it's really a different set of advertisers. We are going deeper with all the traditional television players. I can tell you again in the upfront, a lot of it will be executed programmatically. But we're seeing the business grow with our traditional partners and then the SMB opportunities are net new hundreds, possibly someday thousands of advertisers that can take advantage on a self-service basis. On TRC growth, Dan?

A

**Dan Jedda**

*Chief Financial Officer, Roku, Inc.*

A

Yeah, I'll take that one. I do want to just follow-up on Charlie's answer as well. Like, we do view this as a new market. Anthony said that earlier. We're very excited about it. And these are a lot of advertisers who wouldn't go through a DSP. Remember, this is a self-service portal and it's basically you're up and running in a matter of clicks with a very – with an exceptional video ad. A lot of SMB advertisers want to do this. We're seeing this. We're seeing the demand grow. We're seeing the revenue grow. We're seeing the number of advertisers who are coming into self-service platform grow.

And this could be a few big players. It could be many. We're going to integrate and we are integrated with all of them. So our product is exceptional. It will continue to be exceptional, but we also integrate with other players in this space. Because when you have over half of broadband households, you're going to want to integrate with Roku to take advantage of us as a platform, so. And of TRC in that respect. So it's a really exciting new market for us to play in, in this space and we're really excited about it.

With respect to your question on TRC. The Roku Channel continued its strong performance in Q2. The app was the number two app on our platform of our engagements and the number three app globally by reach. We talk a lot about Nielsen Gauge and the ranking it has on that. It's growth in hours was around 80% for Q2. I do expect that growth rate to probably come down from that level in future quarters just because we're comping the content row at the top of the home screen and that drove a lot of ingress into The Roku Channel.

And we have a lot of other ways to ingress into the The Roku Channel. So when I say, we expect it to come down, it's still going to grow well, well into the double-digits going forward. So there has been no slowdown in terms of engagement with TRC. And while it might come down from that 80% level, it's still going to grow and grow a lot over the next several quarters.

**Robert Coolbrith**

*Analyst, Evercore ISI*

Q

Got it. Thank you very much.

**Operator:** Thank you. Our next question comes from Matt Condon with Citizens. Your line is open.

**Matthew Condon**

*Analyst, Citizens JMP Securities LLC*

Q

Thank you so much for taking my questions. My first one is just on Frndly TV. I just wanted to ask about maybe were there early learnings so far as far as the cross-sell opportunity into your base of streaming households?

Then my second is just on Walmart transitioning on SmartCast here before the holiday season. Just what tools do you guys have your disposal maybe to mitigate some of those headwinds from a net add perspective for streaming households? Thank you so much.

**Anthony J. Wood**

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

A

Hey, Matt, this is Anthony. So Dan will take your question on Frndly and then I'll take your question on Walmart.

**Dan Jedda**

*Chief Financial Officer, Roku, Inc.*

A

Yeah. Thanks for the question, Matt. On Frndly, we mentioned in the letter that Frndly added 1.8 points of growth in Q2 and we've been working closely with the Frndly team. We're very pleased with the progress so far. One big focus, one immediate focus was integrating Frndly more deeply within our platform. That is an ongoing initiative. Just a couple examples. We added Frndly to the apps that are installed on our home screen. When a user activates new devices, we saw obviously app installs immediately increase as a result of that integration.

We indexed Frndly into our live TV search results, thereby making Frndly more exposed on our platform. These are just a couple of like immediate things that we did and how we can leverage our platform to drive more subscriptions. And we have a lot of more growth initiatives on the roadmap. I've just given you two very simple examples. We have a lot more on the roadmap. We're very pleased with what we're seeing with Frndly so far. And I'll let Anthony ask the second part – answer the second part of your question.

**Anthony J. Wood**

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

A

Yeah. So just on Walmart, let me – I'll just maybe expand a little bit on your question. Just talk about a little bit generally about how we think about Walmart acquiring Vizio, SmartCast and what we expect there. First, I think, they announced the acquisition 18 months ago. So it's been a while. And it's playing out as we expected. And I would say that we're just like we said on prior calls, we're still very confident we can continue to grow our broadband household penetration globally. And even if we simply just, for example, even if we – we expect it to grow, but even if we just simply maintain our US penetration in the US, which is more than half broadband households, we can continue to grow Platform revenue double digits for years to come because we have so much room to grow our monetization in the US and internationally.

Another point I'd just make is we've invested billions to build a market leading operating system. We spent the last 15-plus years building the most popular and best-selling smart TV experience. And by a wide margin. If you look at our engagement, for example, it's three times more than the next closest smart TV brand.

So it's very popular. Roku is a powerful brand. Consumers love it. That's a great experience. And this experience and what we built over the last 15 years causes consumers to walk into retail outlets every day asking for a Roku device. And that's going to continue to drive demand for Roku devices.

So it's a great asset to have the best smart TV. But, on top of that, we invest hundreds of millions of dollars a year in distribution and we're going to continue to spend at that current level in the most strategic and effective ways. And this includes, for example, adjusting the mix if we need to across our retail partners, of how we spend those dollars. So again, we're very confident we can continue to grow our streaming households for years to come.

**Matthew Condon**

*Analyst, Citizens JMP Securities LLC*

Q

Very helpful. Thank you.

**Operator:** Thank you. Our next question comes from David Joyce with Seaport Research Partners. Your line is open.

**David Joyce**

*Analyst, Seaport Research Partners*

Q

Thank you. Various ad industry participants, the supply siders are concerned about the volume of connected TV advertising. But how are you managing the volume of ads out there to keep the inventory scarce and maintain the price in this kind of environment?

**Anthony J. Wood**

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

A

Hey, David, Charlie will take that.

**Charles Collier**

*President-Roku Media, Roku, Inc.*

A

Thanks, David. Appreciate the question. Roku really is in a unique position, David, because of our scale and because of our market leading engagement growth and really because of our unique performing ad placements, which gets right at keeping up the value of the inventory. All those assets allow us to price our inventory and our ad packages really at any point on the demand curve regardless in many ways of where CPMs travel in the marketplace. We are one of the rare scaled players that can handle a fluctuating price market.

So, our strategy, as I say a lot is to diversify demand and meet advertisers where they wish to transact or purchase media and due to our scale and our supply, which is your point and the unique ad products. We can price really efficiently from premium sponsorships. By the way, that doesn't always mean low price. So you have premium sponsorships and sports inventory, our unique ad units and Roku City on the high end. And then we have broader streaming video packages that can clear at lower CPMs. And often, of course, those come with fewer signals attached. So look, we just completed our upfront. We did not see pricing deflation and we feel very good that we're positioned almost regardless of where the prices fluctuate in the market.

**David Joyce**

*Analyst, Seaport Research Partners*

Q

All right. Thank you.

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

**Rich Greenfield**

*Analyst, LightShed Ventures Group, LP*

Q

Hi, it's Rich Greenfield, Anthony and Dan, you've talked a lot about diversifying revenues towards subscription. Curious how you think about two things. One, the bundling opportunities of other services, other streaming services with Frndly now that you own it. And then two, as you think about using the home screen, you've talked a lot about how you drive people to things like The Roku Channel and into places where you drive advertising revenue, but also starting to think about how do you drive subscriptions using that service, like surfacing content that a subscriber might be interested in based on what they've watched before, but they don't have a subscription so you can drive subscription revenue and sort of broaden out the subscription revenue of Roku over time? Thank you.

**Anthony J. Wood**

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

A

Hey, Rich. Nice to hear from you. Yeah, so we're doing all of that. I mean, so I think when I think about driving growth in our subscription business, a lot of it actually – a lot of it are the tactics you're talking about, which are, using recommendations to recommend content that would cause a viewer to sign up for a subscription. So, for example, in our recommendations – content recommendations row, which we added not too long ago to the top of the home screen, it does include subscription recommendations. And some of those subscription recommendations are recommendations for shows that you don't have, you haven't purchased yet. You haven't purchased a subscription for just because you're eligible for a free trial.

So that – but there's lots of different locations across our UI where we can recommend content, including subscription content. And then, bundling is a big factor in the industry. And one of the things we're focused on is improving our capabilities to do bundling and then putting together bundles, creating bundles of bundles include technical capabilities, product capabilities, but also deals and commercial relationships. So we're working on all of that and that's improving.

Certainly Frndly, we're definitely looking at doing different kinds of bundling and adding more content, creating more packages around Frndly. And – but a big part of our – so all these are things we're doing. But I would say what's kind of changed at Roku when it comes to subscriptions is just the emphasis we've given it. We've increased resource allocation in terms of people working on it. We elevate it in the company in terms of seniority and we [ph] org (00:34:07) the company around to be better structured, to be more effective at driving our subscription business. So, it's an ongoing project. We're making good progress, but there's a lot we can continue to do.

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**Rich Greenfield**

*Analyst, LightShed Ventures Group, LP*

Q

How do you decide whether you drive someone to an ad-supported place or a subscription-supported place?

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**Anthony J. Wood**

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

A

Yeah, well, it's a very complicated question. And also, how do we decide whether to promote a Roku property or a property that's someone's paying us. So we have an excellent machine learning team. There's a lot of work that goes in every day on optimizing the yield from our UI. Looking at both viewer satisfaction as well as revenue. Can we show a piece of content to this customer that will sign up for a service that we get a good rev share on? Would we make more money showing a piece of content that they'll actually watch this ad-supported where we know we're going to fill some of the ad inventory? Would we make more money by promoting a piece of content that someone's paying us to promote?

Is it important that we keep this viewer engaged by just showing them more content that they actually or just want to watch even if we don't make money on it? And then balancing all of that because, of course, the viewers, the most important thing for us and second still important is generating revenue. So there's a very complicated algorithm. There's a whole team that works on that every day. And it's an ongoing project.

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**Rich Greenfield**

*Analyst, LightShed Ventures Group, LP*

Q

Thank you.

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**Anthony J. Wood**

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

A



And I would say we're good at it, like we've been doing it for a long time. So we're going to get better. But we're pretty good at it.

**Operator:** Thank you. Our next question comes from Barton Crockett with Rosenblatt. Your line is open.

**Barton Crockett**

*Analyst, Rosenblatt Securities, Inc.*

Q

Okay, great. Thanks for taking the question. I wanted to explore a little bit more the Roku Ads Manager in the small- and mid-sized business, given that I think you've launched this less than a year ago, I think it was in September of last year. And I was wondering if you could give us some sense of the materiality of that to you at this point. The last time you spoke, I think the suggestion was, I think from the CFO, Dan Jedda, that there was great hopes about it, but it was still not material. Now, you seem tonally much more kind of excited and interested in what you're seeing there. So I was wondering if you could give us a sense of is this starting to really move the needle at this point? Is that a change from the past couple of quarters?

**Anthony J. Wood**

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

A

This is Anthony. I'll let Dan take that. But before he takes it, I'll just say that the reason I'm excited about it is because it's a very large market that we don't currently really tap into. That – it's not like the traditional video market, which is also a very large market. But we've been working on that market for a while and we have established competitors and that's a well understand market and we're doing a good job of growing our share of that market. And that market is moving over to streaming from traditional TV. So, the market is growing well for us and strong. But this is a market that is a multibillion dollar – many multibillion dollar market that just traditionally was not even tapped into by TV platforms. So it's just a big new market. That's why I'm excited about it. But Dan, do you want to answer the...

**Dan Jedda**

*Chief Financial Officer, Roku, Inc.*

A

Yeah, I'll just add. I fully agree with that. It is a big market. We've seen estimates that the overall performance base we know it's like \$60 billion plus in this market. And when we look at where we – not only what we're doing now, but where we can go with this, it is very exciting. So, as I mentioned, it's a self-service product. These are basically self-service products where you can be up and running in a matter of minutes and a few clicks with an AI-generated video, professional AI-generated video that looks amazing on CTV and many small and medium-sized businesses want to do this now.

A lot of it is medium-sized businesses now, and we're starting to see them go into even smaller businesses. And that's why we like it. In terms of whether or not it's material or not, what I will say is it is a very typical new ramp of a product where every month we do this, we see more advertisers and more revenue on it, which is why we're very excited about it. And we're talking about our ads manager but the market itself is also going to be significant. And like I said, we'll play in this market in a big way just because of our reach, our broadband penetration in many ways. So, as Anthony said, like this is why we're excited about it. And we're just starting to put marketing behind this as an example. So really, we'll give updates as we go forward with, but we really like what we're seeing in this market and in this space.

**Barton Crockett**

*Analyst, Rosenblatt Securities, Inc.*

Q

Okay. All right. That's very helpful. Thank you.

**Operator:** Thank you. And our next question comes from Jason Helfstein with Oppenheimer. Your line is open.

**Jason Stuart Helfstein**

*Analyst, Oppenheimer & Co., Inc.*

Q

Thanks for taking the question. So just first, were there any factors that held back Platform growth in the quarter? The growth accelerated on a quarter basis, 100 basis points, but it was against an 8-point easier comp. So just if it was kind of, I guess, any weakness that kind of played out in the quarter or anything that that was held back. And then are you expecting any Amazon DSP revenue in the fourth quarter or at this point, that's more for 2026 thing?

**Anthony J. Wood**

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

A

Hey, Jason, it's Anthony. Hey, I just want to mention, I heard you on CNBC this morning. Great job. I'll let Dan.

**Jason Stuart Helfstein**

*Analyst, Oppenheimer & Co., Inc.*

Q

[indiscernible] (00:39:45).

**Anthony J. Wood**

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

A

No. Actually, I was in my car. So...

**Dan Jedda**

*Chief Financial Officer, Roku, Inc.*

A

Yeah. I'll take this question. In the form of like, do we see any weakness, I think both Anthony and I and Charlie and Mustafa have expressed our – how pleased we are with our Q2. I'm not – there was nothing in the quarter outside of like if anything I continue to say is what we normally see with M&E just continues, which isn't necessarily a weakness, it's just not adding to growth and we're not counting on M&E for our future growth. Perhaps that changes in Q3 with the launch of some new apps.

But there was nothing in particular that I would call out that would indicate any weakness. I think the quarter was exceptionally strong and it also gave us confidence to raise the full year guide by a fairly sizable amount. So we feel pretty good on what we're seeing across advertising. We talked about ads manager, we talked about – Charlie talked about video. We're doing very well with video in the marquee. We're starting to see that pick up. It's great. It's a great ad product that's really starting to take hold.

On the subscription side, we continue to see momentum, premium subscriptions, which we really haven't addressed, doing very well on our platform. So net-net, across all the activities maybe say for M&E very strong quarter.

With respect to Amazon, I just want to remind people like we've talked a little bit about this that the integration of these types of integrations take time. Our primary focus with our DSPs remains on being open and performant. And as we onboard more partners into our ecosystem, will naturally improve the bid-density across our demand curve, which will optimize pricing and improve fill rates. And this will lead to more demand. We're in the middle – specifically with Amazon, we're in the middle of this integration now. We mentioned that it would be completed towards the end of Q3 and we're on track for that.



But it's similar to our other deep integrations like with Trade Desk. It takes time to build and ramp. And so, while we factored in some into Q4 for Amazon, it's very difficult to predict the exact impact. And we'll update you as we know more post-integration. We're excited about the deal. But again, these ramps just take time because you got to build the integration, then you actually turn it on and then of course you optimize that over time, which is exactly how Trade Desk worked.

**Operator:** Thank you.

**Anthony J. Wood**

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

Thanks, Jason.

**Operator:** And that's all the time we have for questions. I'd like to turn the call back over to Anthony for closing remarks.

**Anthony J. Wood**

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

Well, I'd just like to say thanks to our employees, customers, advertisers and content partners. And thanks to you for listening.

**Operator:** Thank you for your participation. This does conclude the program and you may now disconnect. Everyone, good day.

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