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Roku, Inc. (ROKU)

Q3 2025 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 Officer & Chief Operating Officer, Roku, Inc.

Charles Collier

President-Roku Media, Roku, Inc.

OTHER PARTICIPANTS

Cory A. Carpenter

Analyst, JPMorgan Securities LLC

Brent Navon

Analyst, BofA Securities, Inc.

Justin Patterson

Analyst, KeyBanc Capital Markets, Inc.

Laura Martin

Analyst, Needham & Co. LLC

Michael Brian Nathanson

Analyst, MoffettNathanson LLC

Vasily Karasyov

Analyst, Cannonball Research LLC

James Heaney

Analyst, Jefferies LLC

Ross Walthall

Analyst, Cleveland Research Co. LLC

Robert Coolbrith

Analyst, Evercore ISI

Alan Steven Gould

Analyst, Loop Capital Markets LLC

MANAGEMENT DISCUSSION SECTION

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

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

Conrad Grodd

Vice President-Investor Relations, Roku, Inc.

Good afternoon. Welcome to Roku's third 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 the results for the comparable 2024 period.

With that, operator, our first question please.

QUESTION AND ANSWER SECTION

Operator: Our first question comes from Cory Carpenter with JPMorgan.

Cory A. Carpenter

Analyst, JPMorgan Securities LLC

Q

Hey, good afternoon, and thanks for the questions. Anthony, hoping you could expand on the trends you saw this quarter in the Platform business, and how you're thinking about the growth drivers in 4Q in 2026? And Dan, maybe a question for you, you bought back 50 million shares this quarter. So thought it'd be helpful to hear your latest thoughts on capital allocation priorities given your cash balance? Thank you.

Anthony J. Wood

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

A

[audio gap] (00:02:27-00:02:33). And I would say very good outlook. We feel good about our outlook and also feeling good about next year. And so, what's driving our Platform revenue growth? In 2024, we outlined our key monetization initiatives. The general buckets of areas we're focused on to grow our Platform revenue. And that strategy is working. You can see it in the results. And I think we'll continue to see it for quite a while. And the results and the success of our strategy just gives us a lot of confidence that we're going to maintain double-digit Platform revenue growth while increasing profitability in 2026 and beyond.

So, just to recap, the three areas that we're focused on to grow our Platform revenue, one is making better use of our home screen, which is a key strategic asset for us. And the other one is growing ad demand and a third is growing our subscription revenue.

So in terms of our home screen, like I said, it's a key asset for us. Every Roku customer, which is half of broadband households in the United States who turn on their TV and they start their viewing experience with their home screen. It's how they discover what – and decide what to watch. And we're always actually working on improving our home screen. We're always testing changes. And when those changes result in a better viewer experience or better monetization, we roll those changes out and that's ongoing. For example, we added, the Recommendation Row to the top of our home screen recently, and that's working well for us.

But we have – as we mentioned before, we are working on a larger update to our home screen, that's in testing. It hasn't rolled out yet, but the testing is going really well and getting a lot of positive feedback. We're being very thoughtful about that. It affects a lot of viewers. So, we want to make sure that it's both a big improvement for all of our viewers, as well as an improvement to get an engagement and monetization. But I think we'll see that based on the testing results we're seeing so far, I think that's going to roll out in 2026.

So home screen – continuous home screen improvements and UI improvements are one of the ways we grow our platform revenue. In other words, we're focused on growing our ad business and our ad demand. Our goal is to – or our strategy there is to work with all the major platforms, including all the major DSPs. We announced the

relationship with Amazon recently, deeper support with the Amazon DSP. That's just turned on. So, it's little early to say, but so far it's looking good. And I'm still very excited that's going to be a contributor to our business. But it hasn't really ramped up yet. It's just starting to ramp up.

Also on the ad side, we're focused on improving measurement. We announced, for example, this quarter integration with AppsFlyer. Another area we're focused on is Ads Manager, which is our self-serve platform for small- and medium-sized businesses, but also, really focused on performance marketing. It's a business that's growing fast. It opens up a big new area of advertisers, a big new category of advertisers and different class of advertisers, as well as performance marketers. So that's a big area that we're focused on. We're putting more resources behind that.

So – and I think overall, we believe we can be the most performant connected TV platform. We have a lot of data. We have the highest engagement by far in the United States. And it's an area we're investing in, and improving the performance of our ad platform.

And then subscriptions are doing well for us. Premium subscriptions in particular are doing well. And in Q3 we continued to improve the premium subscription experience. We also added new services – we're always adding new premium subscriptions, but we can add more services in the quarter and we'll be launching more Tier 1 subscription services and premium subscriptions in 2026.

And then, of course, there's Howdy, which is our latest owned and operated service, which is \$3 a month with no ads, an SVOD service and it really taps into a large underserved market. It's an area of the market that's not really targeted with a particular SVOD service, and I think it's a very large opportunity for us. So, that's also still early. But just like we grew The Roku Channel into large business over time using our platform, I believe we're going to do that with Howdy as well. So that's an area that I'm excited about, but it's still early as well.

And then in terms of capital allocation, let me turn that over to Dan.

Dan Jedda

Chief Financial Officer & Chief Operating Officer, Roku, Inc.

A

Thanks, Anthony, and thanks for the question, Cory. Let me just start by saying a few things about our financial position and capital allocation. We have \$2.3 billion of cash and short-term investments on our balance sheet, a very strong position. We achieved a positive operating income in Q3. That's the first time since fiscal 2021.

Our outlook for Q4 on adjusted EBITDA at \$145 million is our highest ever for adjusted EBITDA. For the full year, our EBITDA margins are expected to be a 200-basis point improvement year-over-year to approximately 8.4%. And we expect similar improvement next year. And I think I've said several times we are and we'll continue to be CapEx light and we're growing our free cash flow faster than our EBITDA. And all of this has resulted in a trailing 12-month free cash flow of over \$440 million. So we're very strong in terms of free cash flow generation and we're going to clearly grow from there.

Also in early 2024, we initiated our net share settlement program, offsetting about 40% of the gross dilution. And last quarter, as you mentioned, we repurchased \$500 million (sic) [\$50 million] of our stock under our \$400 million share repurchase program. And total dilution for Q3 was under 30 basis points, that's the lowest dilution we've had in any quarter. So all this is a way of saying we're very focused on dilution, share buyback, free cash flow. We have a goal of offsetting 100% share of dilution over time. And I certainly see line of sight to that.

So, we'll continue to look at opportunities to expand our business and maximize shareholder value through disciplined capital allocation. And we're investing in all the platform revenue initiatives that Anthony just addressed and talked about. But we're doing so mostly through reallocation of capital. And we'll continue to look at maximizing our ROI as we continue to generate this positive free cash flow.

Operator: Our next question comes from Brent Navon with Bank of America.

Brent Navon

Analyst, BofA Securities, Inc.

Q

Good afternoon, and thanks for taking the questions. Just want to – look in your Shareholder Letter, you cited progress from third party DSPs and Roku Ad Manager for advertising. Any way to frame how big each of those businesses are and what their underlying growth rates are? And then just to circle back to the opportunity in 2026 for you guys, it seems like you guys are growing 20% organic, ex-Political, ex-ASC 606. In 3Q your guide implies somewhat similar to 4Q. It seems like there's a lot of irons in the fire that you just mentioned. Are there offsets that we should also be contemplating or tough comps? Because it seems like you have momentum in Ad Manager, you have the Amazon DSP ramp, Political year, potential improvements in M&E. So, just want to make sure we're thinking through all the pieces correctly? Thanks so much.

Anthony J. Wood

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

A

Hey, Brent. I think Charlie will answer that question.

Charles Collier

President-Roku Media, Roku, Inc.

A

Sure. Why don't I take the DSP portion and Ads Manager portion of the question, then I'll turn it over to Dan. Hi, Brent. Look, stepping back, our strategy remains that we want to be open and interoperable and be deeply integrated with all DSPs, so that we can meet clients anywhere they want to transact. So, it was totally natural that we would do what you said, which is deepen our integrations across the board. And of course, we announced the Amazon integration as well.

And to put it in context, we've added dozens of ad tech partners over the last few years from the Yahoo! DSP or AppLovin, Wurl to Magnite on the SSP side. And last year we really continued to deepen our relationships with each of them. At the heart of your question on third party DSPs, I think the best comparison is last year we discussed on these calls quite a bit about our UID integration with the Trade Desk and the deepening of our existing relationship with Amazon is very similar to that, that we talked about last year with Trade Desk. So, our goal with all these partnerships, Brent, is to drive greater efficiency and performance. And we are very bullish about our position as the open and interoperable partner in a marketplace with so many walled gardens.

In terms of Ads Manager, in the macro, the shift to proof – performance or performance marketing to CTV is a tailwind we love. And we like what we're seeing, but I should say it's early days. So, generally speaking, there's a market push towards automation and more sophisticated proof of performance and Ads Manager, which is our self-service platform. And that and many other performance innovations we're building to prove that Roku is the most performance CTV platform. All those are providing tailwinds. But it is very early days. We do like what we see. We see new advertisers coming. We see them staying because their Roku campaigns are performing. And in third quarter, approximately 90% of advertisers on Ads Manager were new to Roku, which we very much like as well.

Dan, do you want to take the back half of that?

Dan Jedda

Chief Financial Officer & Chief Operating Officer, Roku, Inc.

A

Yeah. Thanks, Charlie, and thanks for the question, Brent. So to answer your question on thoughts on 2026 and are there any offsets? But let me just address Q3 and Q4 for a minute. So, in Q3, we came in at a very strong 17%, actually slightly over 17% growth rate. And our guide is at 15% growth rate inclusive of Political and Frndly. And if you back out Political and Frndly for Q3, that number is 19% year-over-year. And if you back out Political and Frndly for Q4, it's actually a slight step up from the 19%. So we feel really good on how we're going to finish this year. We're going to finish this year very strong.

To your question, on 2026, obviously we'll provide further guidance on 2026 after next quarter. But Anthony just went over many initiatives, Charlie just touched on many initiatives. You're right, we have a lot of irons in the fire. Many of them are launched and working. Some of them are yet to be launched. Anthony talked about home screen, which we're very excited about and the entire UI, which we're very excited about. We have Ads Manager. We have a lot of new ad products that are performing well. We have premium subscriptions and our overall subscription business is performing very well. And so, I would just say I feel very good about entering 2026. I'm very excited for the year.

Brent Navon

Analyst, BofA Securities, Inc.

Q

Great. Thank you so much.

Operator: Our next question comes from Justin Patterson with KeyBanc.

Justin Patterson

Analyst, KeyBanc Capital Markets, Inc.

Q

Great. Thanks, and good afternoon. Could you expand a little bit more on what the new home screen means for the business as we think of it influencing engagement and monetization versus the existing home screen? And then stepping back just around the deeper DSP integrations. There have been a lot of investor questions around just what comes after the DSP integration. So, I'd love to hear about just what other ad product innovation you have coming forward and how you can – how you think that will help sustain Platform revenue growth? Thank you.

Anthony J. Wood

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

A

Hey, Justin, this is Anthony. In terms of the new home screen, I would say, first of all, we have a very iconic home screen. It looks different. It feels different. It feels simpler. It is simpler to use than our competitors. We're very proud of that. And it's also fun, and a lot of delight built into our home screen. So, an important goal for us is to maintain and improve that. We want to keep it iconic, we want to keep it differentiated, and we want to make it more delightful.

But we also want to make it more useful. Our current customers love it. It's very useful. But we can make it even more useful. So that's a big goal. So, we want to increase customer satisfaction with our home screen. But we also want it to drive more monetization. So there's lots of things that we're testing that – testing does show and it drives more engagement, increases monetization, whether it's helping get viewers to sign-up for more

subscriptions or to watch more ad-supported content. those are all important goals or whether it's more promotion.

So, those are the two goals for the business, higher viewer satisfaction, more engagement, more monetization. And testing – our testing is showing that we're achieving both of those. So, we're still testing, optimizing. And like I said, we hope to roll that out in 2026.

And then in terms of DSP integrations, what comes next? I mean, I'll just say like we're not done with DSPs like we do integrate with most – with all the major DSPs. But I still think there's lots of room to continue to deepen those integrations, to increase our business, create stronger business relationships with those partners. So we're – we continue to work on that.

And in terms of ad products, there's a whole suite of ad products under development. I mean, I would say, kind of high-level categories. One is we're very focused on performance, delivering on – we already have a platform that is very performant, very measurable, it's focused on performance and targeting. But we're doing things like integrating next generation generative AI into our ad system to make it even more performance oriented.

So, just the overall being by a wide margin, the most performant connected TV platform, a lot of our ad work is going into that. And then our traditional ad business is brand advertisers, agencies. That's a big important business for us. But looking at small- and medium-size businesses, businesses that traditionally advertise on social media are more digital-first type advertisers. Those are big markets. And we're building products to address those markets as well.

So I don't – I think I covered it. I don't know, Charlie, if you have anything.

Charles Collier

President-Roku Media, Roku, Inc.

A

You nailed it. I'll say Justin, this is Charlie. Really, you asked what comes next. I'll tell you what comes before it is equally important too. If you think about, Anthony mentioned we're in half the broadband households in the country. Authentication leads everything. I mean, literally all else follows.

So if you start to think about the fact that Roku has high fidelity signals, we have an ability to drive results for marketers in authenticated premium content. That's where it starts. And then everything Anthony talked about is exactly right. We're going to continue to refine our integrations with each of these partners. And I think what the best thing is, it will drive outcomes for our marketers and be able to actually continue to refine to meet their needs. Dan, [ph] anything to add (00:18:42)?

Dan Jedda

Chief Financial Officer & Chief Operating Officer, Roku, Inc.

A

No. I don't have anything to add, except to say that the question was around sustainable revenue on ad product. And I think Charlie and Anthony answered that. We also have a subscription business which is driving a lot of revenue growth and in fact growing faster. Premium subscriptions is doing exceptionally well. We had a Tier 1 launch last quarter. We'll have more Tier 1 launches in the coming months that we feel very good about. So, we have a whole other business in subscriptions that is also growing exceptionally fast and we fully expect that to continue in addition to the ad revenue that Charlie and Anthony just discussed.

Justin Patterson

Analyst, KeyBanc Capital Markets, Inc.

Great. Thank you.



Operator: Our next question comes from Laura Martin with Needham.

Laura Martin

Analyst, Needham & Co. LLC

Hey there. My one for Anthony is on data. So, I understand that all these new revenue streams you're working on used Roku's best-in-class data. Do you have any updated feeling about licensing your best-in-class data to the LLMs which are spending at Meta \$72 billion this year and Gemini \$85 billion this year and they're running out of data, these LLMs. So, you guys have, I think, an un-revenue stream that is really valuable that you're not utilizing at all?



And then for Charlie or Dan, lots and lots of – so there is auction density that you're working on, there is subscription revenue you're working on and you didn't mention shoppable. Is that sort of the order you see in terms of driving upside from these, let's call them ancillary or newer revenue streams over the one to two years? First would be getting the sell-out rate higher. Second would be the subscription, and then third would be shopping?

Anthony J. Wood

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

Hey, Laura. Thanks for the questions. Great to hear from you.



Laura Martin

Analyst, Needham & Co. LLC

Thanks.



Anthony J. Wood

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

On data, I'll just say that – yeah, that's right. I mean, our first party data is an extremely important asset. We use it – in a lot of ways we use it, it's what powers our ad targeted advertising, it powers our AI behind all our performance marketing. It's how we personalize our home screen, recommending recommendations to users.



So, the primary way we use it is we use it to sell more ads, sell more subscriptions, deliver a better experience for our viewers. But we are – we do – we are, I'll just say, always looking for ways to get better monetization out of our data. And I mean, working with LLMs is certainly something that we thought of and are considering, but it's not something that we're doing today, but it's certainly something that we're investigating, I would say. And then there's other way. I mean, there's other opportunities to monetize our data as well that we're also looking at. So Charlie or Dan, do you want to take the second question?

Charles Collier

President-Roku Media, Roku, Inc.

Sure, yeah. Hey, Laura, it's Charlie. In terms of the order, I think they're all important. I'll address your shoppable question. We're bullish on shoppable and it's one of those opportunities that I think is early but working from some



original programming where we've integrated product and made the products in the show shoppable to the far larger opportunity, which is to teach America how to shop on TV.

I think Roku will be the best place to do that simply because of our scale. But in terms of behavior, I think it is slightly early days. We do see obviously great performance metrics across our platform and certainly with some of our ads, including our shoppable ads. But it wasn't mentioned because it's early days, not because we don't have great interest in pursuing it. And we have lots of partners who are working with us on that.

Laura Martin

Analyst, Needham & Co. LLC

Q

Thanks very much. Great numbers, guys.

Anthony J. Wood

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

A

Thank you.

Operator: Our next question comes from Michael Nathanson with MoffettNathanson.

Michael Brian Nathanson

Analyst, MoffettNathanson LLC

Q

Thanks. Hey, I have two, Charlie and Dan. And Charlie as more and more sports content moves to streaming, it feels like you guys have major opportunities here with sports experiences. Can you talk a bit about what you're seeing to date? Is it driving revenue growth? And then longer term, do you envision a time when I can actually watch all my sports in one experience zone, right? So, instead of going to different apps, can I just have one centralized aggregation place to watch my sports? That's for you.

And then for Dan, I just want to confirm, you said distribution revenues are growing faster than advertising and you have one new launch. But I think we had both Fox and ESPN launch in the quarter. So is there a timing issue, those are two major launches? Just want to confirm that. Thanks.

Charles Collier

President-Roku Media, Roku, Inc.

A

Hey, Michael, it's Charlie. Good to hear from you. Look, the fact that every NFL game is now available in streaming is nothing but a tailwind for Roku, which again represents half the broadband households in the country. We have tremendous opportunities with sports for a number of reasons. Number one, if you think about it, we talk a lot about being the lead in television. And when the last Olympics came, we took great pride in being the fact that we were the front door to everything you wanted to experience. And we helped drive that with NBC as our partners.

And we'll do the same for the World Cup that's coming and other opportunities because frankly Anthony talked about simplicity of the home screen. The simplicity and delight of us getting people to what they want to watch, especially their favorite sporting experiences through our destinations like the Sports Zone. I think we're really just scratching the surface of what that can be.

And as a sports fan myself, you see in Major League Baseball how your team travels from site to site and we are from, excuse me, from app to app throughout the very same week.

Michael Brian Nathanson

Analyst, MoffettNathanson LLC

Right.

Q

Charles Collier

President-Roku Media, Roku, Inc.

And of course, the sports experiences we create make that really simple. So, as a long-term vision of having a time where you can watch them all in one place, I think that is a vision every sports fan would like, you know well the realities of these rights fees and how they are ending up behind paywalls. But I will say, regardless of how it settles out, the best experience for watching sports will be on Roku, and we're really refining the way to help sports fans operate in a confusing landscape. Dan, do you want to take the back half?

A

Dan Jedda

Chief Financial Officer & Chief Operating Officer, Roku, Inc.

Yeah, thanks, Charlie. The short answer to your question is no, it's not a timing issue with revenue associated with Fox and ESPN. We would have – if you back out any partner launch, if you back out M&E, we're still growing incredibly fast, faster than the market. It's not a timing issue.

A

Michael Brian Nathanson

Analyst, MoffettNathanson LLC

Faster than advertising.

Q

Dan Jedda

Chief Financial Officer & Chief Operating Officer, Roku, Inc.

Yes.

A

Michael Brian Nathanson

Analyst, MoffettNathanson LLC

All right. Thanks.

Q

Anthony J. Wood

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

I think – and this is Anthony. I'll just add. Like on the sports thing, I mean, Charlie answered it, but just to be super clear, like it's a big opportunity for us, the fact that sports is and will continue to be fragmented across a lot of apps is a big opportunity for us with products like our Sports Zone to create a simplified experience that allows viewers to find the sports they want to watch. So it's an area that we're focused on. It's also an opportunity for marketing and promotions and advertising and sponsorships as well.

A

Charles Collier

President-Roku Media, Roku, Inc.

Absolutely.

A

Michael Brian Nathanson

Analyst, MoffettNathanson LLC

Okay. Thanks, guys.

Q

Operator: Our next question comes from the Vasily Karasyov with Cannonball Research.

Vasily Karasyov

Analyst, Cannonball Research LLC

Q

Thank you. Good afternoon. Dan, I have a question for you. Now that we have had a few quarters in a row of very steady growth in Platform revenue and you just outlined – you and Anthony and Charlie outlined the growth drivers for the years ahead. Can you help us think in terms of ARPU growth, given where the user base is growing and the platform revenue growth? Is that – if I were to think sort of in the ballpark terms, would ARPU grow at double the rate of the platform revenue growth in the mid-term? Just if you could help us dimensionalize that trajectory would be really great?

Dan Jedda

Chief Financial Officer & Chief Operating Officer, Roku, Inc.

A

Thanks for the question, Vasily. It's a good question. And I would say several years ago, I know we had an ARPU when we actually had that [ph] KOM (00:27:19) is roughly flat and we talked a lot of mix. I will say that in the US and globally, Platform revenue continues to grow. That's – we talked about the overall Platform revenue growth of 17%. The guide is at 15%. We are growing our streaming households as well. We've grown them well internationally. We've grown them in the US. They continue to grow in the US. But overall, ARPU is growing. I expect that to continue.

I think I mentioned in a prior call at some point, like I truly believe our ARPU can get a significantly higher with all of our monetization initiatives. And while we will grow streaming households like we – that I strongly believe we'll hit 100 million streaming households in 2026. Our ARPU is going to grow faster because our Platform revenue initiatives are simply going to grow faster. So, it is a good story on both US and international ARPU.

Vasily Karasyov

Analyst, Cannonball Research LLC

Q

I'm sorry you said faster, faster than the active accounts growth or than the Platform revenue growth?

Dan Jedda

Chief Financial Officer & Chief Operating Officer, Roku, Inc.

A

It's going to depend on the country. I will say that...

Vasily Karasyov

Analyst, Cannonball Research LLC

Q

Well, outside the US?

Dan Jedda

Chief Financial Officer & Chief Operating Officer, Roku, Inc.

A

The US is – we're growing both the numerator and the denominator of that equation. But because of the Platform revenue growth is, of our constant, as we said we're going to continue to grow double digits and again 17% growth in Q3 is very steady. Like I do believe ARPU will grow. And I think the more important point is I think our ARPU can go up significantly higher from where it is per account, or per streaming household today. Again, we're going to continue to grow streaming households. But ARPU is going to grow fast.

Vasily Karasyov

Analyst, Cannonball Research LLC

Very helpful. Thank you.



Operator: Our next question comes from James Heaney with Jefferies.

James Heaney

Analyst, Jefferies LLC

Great. Thank you, guys for taking the question. I know it's been under pressure for a while now, but is there anything you can say about M&E vertical this quarter and in Q4? And separately, how do you think about the consolidation in the media industry and how that potentially could influence your position as a distribution partner for streamers? And then I had a follow up.



Anthony J. Wood

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

Hey, James, this is Anthony. I'll take the second question on consolidation first and then turn it over to Charlie for – to discuss M&E. I guess, I would just say that, as we said many times in the US more than half of broadband households use a Roku to watch television. That means half of all streaming – TV streaming happens on our platform. And that, of course, means that we're an essential partner to every content owner and streaming service. And I don't – however, whatever consolidation happens in the industry, that's not going to change. I mean, we're going to remain an essential partner. The streaming sector is robust. It's growing, it continues to grow nicely. And I think that that's – that's just creating a lot of opportunities for us to continue to grow our business. And then on M&E, Charlie?



Charles Collier

President-Roku Media, Roku, Inc.

Sure. Yeah, I think that's right. It is easy to see, obviously that the M&E industry is still figuring itself out. And as a whole, I'd say M&E companies are still focused on profitability and as such there remain some general challenges in CTV. Our advertising business is doing remarkably well despite some of those headwinds. We got some benefit from the new launches this quarter, but the industry remains pressured. So inside M&E for us, there is quite a bit of good news. The theatrical side of M&E as a category is really starting to perform and we're seeing those advertisers invest in the benefits of some of our unique units, like our custom home screen takeovers and video in our marquee unit, which has been very popular.



I'll say, James, we have been focused on both diversifying and growing our platform business. And today we're less reliant on any one vertical than we've ever been, including M&E. And because we're so big, we're in half the US broadband households. We do remain the best place to spend on M&E to attract and engage and retain subscribers and to measure ROI. So while we're not relying on M&E to drive our growth improvement in the industry, at any time will represent upside for us and when – and if the segment really rebounds, it'll be a tailwind for us because we're really good at building the M&E business and we – I believe we're the best place for an M&E advertiser to invest their dollars.

James Heaney

Analyst, Jefferies LLC



Great. Thanks. And then maybe just a quick follow-up on just overall macro environment in the quarter and so far in Q4, like anything standout that's been particularly strong or weak? Anything on – to call out there maybe for Dan.

Dan Jedda

Chief Financial Officer & Chief Operating Officer, Roku, Inc.

A

I think – well, maybe Charlie wants to take the top of the macro environment as it relates to ads and then I can talk a little bit after Charlie, [indiscernible] (00:32:41).

Charles Collier

President-Roku Media, Roku, Inc.

A

Great. Sure. Thanks, Dan. James, I like what we're seeing trend-wise. I really do, and Roku has some unique attributes that allow us to take advantage of today's ads trends. I think that's equally important. One of them is, you got to remember that as a platform, Roku – and I said it earlier, is lead-in to all of television and that comes with some real advantages in this market. Also, we've been diversifying demand across our platform and our streaming service, and we built programmatic excellence and numerous third-party relationships that allow us to meet our clients, as I say, wherever they wish to transact.

So Roku has seen the benefit of the market as a platform and as a publisher, if you think about it. And when I say publisher, I mean owner and operator of the Roku Channel, which you look at the Nielsen Gauge, we're a top five streaming service. And on our own platform we're number two in terms of engagement in the US. So as a platform, the value of our home screen engagement has allowed us to benefit from our ad product evolution, among other things. An example of this is, like I said, our marquee ad unit, which is now very popular, and it's now a video unit that's been great. And in terms of diversifying demand and the programmatic excellence I just mentioned, we're seeing positive impact of both heading into fourth quarter and moving forward.

Actually, Dan mentioned our platform revenue grew 17% year-on-year. That's due in part to the strong performance in video advertising. And of course, that means we're growing faster than the US OTT and digital ad marketplaces. And then if you look at that ex-Political and ex-Frndly, third quarter platform revenue grew 19% year-on-year. So to answer your question, James, the trends are positive and Roku is really uniquely positioned as both a platform and a leading streaming service to compound the value of these market trends. Dan, did you want to...?

Dan Jedda

Chief Financial Officer & Chief Operating Officer, Roku, Inc.

A

The only thing I would add I think on upfront pricing, Charlie, like I think I'll just say that the one trend going into Q4 is we're pretty happy with our upfront...

Charles Collier

President-Roku Media, Roku, Inc.

A

Sure.

Dan Jedda

Chief Financial Officer & Chief Operating Officer, Roku, Inc.

A

...in terms of pricing. Maybe you want to touch base on that as a trend because I think that is a change.

Charles Collier

President-Roku Media, Roku, Inc.

A

Yeah, so you're right. With October comes the new upfront schedule starting to run. Not only do we have a really powerful upfront, but we saw pricing stability and I – James, if you want me to go deeper on pricing, it's really interesting how pricing affects different services in different ways. And the headline, I suppose I'd lead with Dan is that we have multiple levers to pull, and that's consistent with what I just said. And on pricing, we don't have a supply issue. So we can price up and down the demand curve and use that to our advantage. So we're doing really well both in volume. And I think our pricing approach really is distinct in this market.

Dan Jedda

Chief Financial Officer & Chief Operating Officer, Roku, Inc.

A

Yeah, exactly. So pricing is positive for us in Q4, at least as part of our upfronts, which is different than last upfront. So that's a good positive trend for us. In terms of other trends like our guidance that we provided, which was roughly 15% for platform and again backing out Political and Frndly, it's above the Q3 growth rate of 19%, it actually implies 20% growth on an ex-Political, ex-Frndly basis. Just would imply that a lot of the trends that we're seeing in Q3, we expect to continue and again, it is advertising for sure and everything Charlie just said, but it's also our subscriptions business which is performing incredibly strong, including our premium subscription business, which is growing very well.

James Heaney

Analyst, Jefferies LLC

Q

Thank you. Very thorough.

Dan Jedda

Chief Financial Officer & Chief Operating Officer, Roku, Inc.

A

Thanks, James.

Operator: Our next question comes from Ross Walthall with Cleveland Research Company.

Ross Walthall

Analyst, Cleveland Research Co. LLC

Q

Hey, guys, thanks for the opportunity for the question. I just wanted to ask a little more detail on the Amazon DSP partnership. I know it's early days, but could you talk to what the rollout looks like from here? Any customer feedback and whether this could be a material driver going into either Q4, 2026?

Anthony J. Wood

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

A

Hey, Ross, this is Anthony. I'll start. I don't know if Charlie will have anything to add. But I'll just say that, yeah, as you said, it's still early on the Amazon DSP. I mean, it's live now, but it's just basically gone live recently. So I would say there's strong interest from customers. I mean, there's a lot of customers that are very interested in using the Amazon DSP. And we're obviously a key partner for them in that. There's a lot of customers obviously that want to use Trade Desk, but also these days also Amazon. So I'd say they're strong – there's strong customer interest. The signs we're seeing so far are good, but it's just a little early to say. I don't know beyond that, Charlie, did you – is there anything else or...

Charles Collier

President-Roku Media, Roku, Inc.

Yeah, I think you did. You mentioned Trade Desk. You saw in the Trade Desk integration last year. It takes some time to roll out, but I like what we're seeing so far. We're seeing clients ask us the right questions about how to use it. We know there's a general push towards outcomes-based buying and measurement of performance and our strategy to be everywhere, including now Amazon at depth has us in a good position. I do think it will ramp well into 2026.

A

Anthony J. Wood

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

And then I don't know, Dan, do you want to say anything on Q4, 2026?

A

Dan Jedda

Chief Financial Officer & Chief Operating Officer, Roku, Inc.

No, I guess I would just say that I'm going to reiterate both Anthony and Charlie's point is, we just turned it on the first of this month here, we're in very, very early days. We like what we see. It is contemplated in our Q4 guide, and we're going to have a lot more visibility as we exit the year and go into 2026. And we'll update you at that point in time.

A

Ross Walthall

Analyst, Cleveland Research Co. LLC

That's great. One other question on the self-serve business. Do you think you have the right tech and partnerships in place to really scale this? Like are all the pieces in place, or are there like additional capabilities or partnerships that you need to add? And I guess just ultimately work in this business go long term?

Q

Anthony J. Wood

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

So this is Anthony. I'll start and then see if Charlie has anything to add. I mean, I think that – I mean, it's a – so the short answer is, yes, we have everything we need. We've got the partnerships we need. But it's also early in the evolution of this business. So we'll be – we're still investing in R&D, we're still building more partnerships. I mean, we have our own self-serve platform called Ad Manager, but there are other businesses that are doing something similar. And we're working with those companies as well.

A

We're not wedded to just using our own platform for this, to serve this market. I mean, it's a big market and it's a large market. It's a market that's multibillion dollars. It's as large as – it's almost as large as the traditional brand advertising business. So it's a big business.

And I mean, the other thing we're really focused on is integrating generative AI into our platform to do an even better job on targeting and performance based marketing. So, I think there's nothing that we're missing, but there's a lot more evolution and growth to come. But Charlie, I don't know if...

Charles Collier

President-Roku Media, Roku, Inc.

That's right. We have everything we need and we're going deeper. I mean, it's so funny. We talk about deepening these integrations. We continue to do the same with our own products and look for ways to refine and prove more and more performant. One thing that's unique about our product, obviously, is that the small and medium sized

A

businesses will now have access to authenticated premium content. And so when they see that they're able to – we said in the early days, democratize television and access our platform. I think we have a really compelling and differentiated offering.

And of course, because we have the scale that we do, we're going to perform really well. And what's great about these platforms, which is different than our traditional business, is that when we prove ROI, people will leave it on as long as there's a positive return. So I like these advertisers. I like how many new advertisers are coming to the platform. And I think there's a lot of opportunity ahead that we're poised for.

Anthony J. Wood

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

A

Yeah. I'll just add, I mean, I think it's kind of – it's probably evidence, self-evident, but this is a large business that exists in, like, it's what caused the growth of social media platforms in terms of their advertising business. What's unlocked it for platforms like for Roku is basically generative AI that allows a business to create a video ad for free basically with a single click of a button producing a very high quality, high production value, professional looking video ad, so that now makes a video platform like Roku as easy to use as a social media platform for performance marketing.

Ross Walthall

Analyst, Cleveland Research Co. LLC

Q

Thanks, guys.

Anthony J. Wood

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

A

Thanks, Ross.

Operator: Our next question comes from Robert Coolbrith with Evercore ISI.

Robert Coolbrith

Analyst, Evercore ISI

Q

Great. Thank you very much. Two questions, please. First on performance. Wanted to ask maybe about some of the advantages that you may have to sort of deliver on that as a platform player, your ability to sort of provide feedback loops or certain types of consumer interactions with ads on your platform. And then also wanted to ask, and sort of related to that as well, your ability or your interest level in perhaps launching new pricing models like cost per action or something along those lines?

And then second, just wanted to quickly touch on the streaming hours. Looked like you had a bit of deceleration there. I wanted to just ask if there were any comp factors or anything else to be aware of on that? Thank you.

Anthony J. Wood

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

A

Okay. So just on performance, let me start and maybe Dan, has something to say. So, I think, the advantages of our platform include extremely large scale, a lot of first party data, and a very advanced technology platform, including a lot of AI. So like these are the things, these are the key and then a user experience that has a lot of places to promote and place ads as well as video ads.

So, I mean, these are the things that are sort of the base capabilities that we build our performance on top of. And I think, we're unique in our scale and the amount of data that we have. And we have a world-class, I would say probably the best TV engineering team in the world. So we have all the pieces and we're putting them together. In terms of our interest in new pricing models, I don't know. Charlie, did you want to take that one?

Charles Collier

President-Roku Media, Roku, Inc.

A

Well, the answer is you're asking about CPA. I think the – that performance is in the eye of the beholder, right. And you have some large packaged goods company who just want to see incremental reach and then you've got some other businesses who have a very specific KPI and we can help them reach all of them. It's interesting. When I step back, I think about the use cases we can meet and there are many, but ultimately they all sort of fit into one of three buckets, which is planning or activation or measurement. And we've got tools and we have Roku Data Cloud and all sorts of other ways to help people maximize the efficacy of their media across the largest streaming platform in America.

And so, the answer to your question is directionally absolutely, we will meet people not just where they want to transact, but we'll start to prove ROI in deeper and deeper ways. And then our platform in terms of the Ad Manager platform, will really make it easy for them to do so and continue to see a return on their investment. In terms of streaming hours, Dan.

Dan Jedda

Chief Financial Officer & Chief Operating Officer, Roku, Inc.

A

Yeah. I'll take that one. On streaming hours, it was a slight decel from prior quarters, but really there's nothing there from a monetization standpoint. What you're just seeing is these numbers are just getting very large. And so we still are growing well into the double digits in streaming hours. I think it's also really important to note that TRC streaming hours and monetizable hours, which is something I look at across the platforms are actually growing very well and we're actually gaining traction not in terms of acceleration of percentage hours, but any, the TRC continues to be the number two app on our platform by streaming hours and it's actually – it's gaining ground from other apps in that perspective.

So nothing on streaming hours is concerning in any way. It's just very, very large numbers, hundreds of billions of hours that are being streamed here. So, the decel from quarter-on-quarter is nothing that, if there any concern and in fact, like I said, monetizable hours, especially with our premium subscription growth and our TRC growth continues to do very well and it's very strong.

Charles Collier

President-Roku Media, Roku, Inc.

A

Yeah. It's ahead of ad monetization. It is a non-issue. This is Charlie. I think it's actually – we have – what we need to come to market and we're maximizing that inventory opportunity.

Robert Coolbrith

Analyst, Evercore ISI

Q

Got it. Thank you very much.

Operator: Our next question comes from Alan Gould with Loop Capital.

Alan Steven Gould

Analyst, Loop Capital Markets LLC

Q

Thanks for taking the question. I've got two, please. First on the Amazon, just one quick follow-up. What are the key features and functionality that Amazon provides that the other DSPs don't, in addition to diversification, is a key issue there the frequency capping?

And then for Dan, when I look at 3Q and 4Q platform growth and you back out Frndly and Political, if you were to also back out ASC 606, would the numbers be north of 20% and would 4Q still be growing quicker than 3Q? Thank you.

Anthony J. Wood

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

A

Hey, Alan, Charlie will take your first question and then Dan will take your second.

Charles Collier

President-Roku Media, Roku, Inc.

A

Great. Thanks, Alan, for the question. Look, the easiest way to talk about it probably is that we're powering audience addressability, frequency management and closed loop measurement. As I said, we actually, again, tend not to advise the client on which DSP to use. We actually are everywhere they want to be. And we're very proud of this Amazon deal. But at the highest level, that's what we're working on with that DSP integration. Dan, you want to...

Dan Jedda

Chief Financial Officer & Chief Operating Officer, Roku, Inc.

A

Yeah. To your question, sorry. I'll take the second part of your question. And you're right, it would be slightly north of 20%. Actually, it's slightly north of 20%. Just ex-Political and Frndly for Q4, it would be closer to 21% on an ex-606 basis. And yes, you would still see that slight step up on a ASC 606 basis. And again, that ASC 606 – just to be clear, that ASC 606 from 2024, we have not booked any ASC 606 in 2025, nor do I expect to.

Alan Steven Gould

Analyst, Loop Capital Markets LLC

Q

Thanks, Dan.

Operator: That concludes today's question-and-answer session. I'd like to turn the call back to Anthony Wood for closing remarks.

Anthony J. Wood

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

All right. Well, I want to say thank you to our employees, customers, advertisers and content partners. And thank you for listening.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.

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