

Winning the Streaming TV Wars:

Bullish Alert for \$ROKU

Takeaways/Key Points

1. Following a brief stagnation of the company's Purchase Intent (PI) Mention growth earlier in the year, Shares of Roku, inc. fell roughly \$50 lower in the 4th quarter of 2018.
 2. Purchase Intent (PI) Mentions for ROKU have since returned to a trend of Y/Y strength, yet the stock price remains at a lower level.
 3. Roku's stock price has started to regain some bullish momentum, and the recent increases in Purchase Intent volume suggests a continuation of the uptrend.
 4. As more Americans make the switch away from conventional cable TV, Roku's proven ability to maintain and **grow** their userbase will yield increasing returns on the company's top line.
-

Potential Trade Ideas

Simple Option: Buy the stock for long term hold

Option Spread: Sell the 40/45 Mar. 19 Put Spread @ \$3.07 Credit. Max Loss, \$193 per contract. Max Gain \$307 per contract.

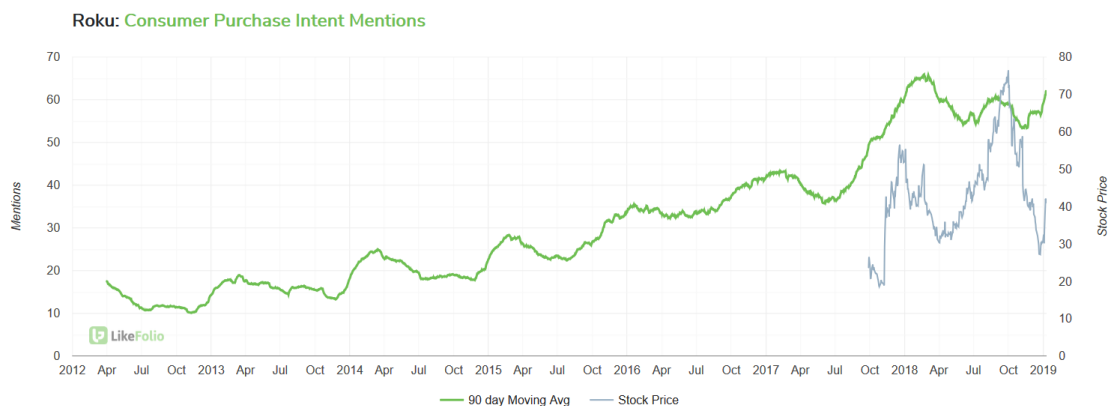
Aggressive: Buy at-the-money Call Options with a expiration date of greater than 6 months

ROKU analysis:

In the last 5 years, droves of American Consumers have abandoned traditional Cable TV, and the simultaneous growth of streaming services, such as Hulu and Netflix, has caused the number of “cord-cutters” to multiply exponentially. Roku, who [debuted their first internet-video device](#) in 2008, has positioned themselves to reap the rewards of the digital media revolution.

Shares of Roku, inc. have seen an unusual amount of fluctuation since their IPO in 2017. After receding by nearly 50% at the start of 2018, a string of earnings surprises eclipsed those losses and flung ROKU stock to a new ATH. Despite their consistent success within a growing industry, Roku’s valuation suffered a second steep decline in 2018, losing approximately \$50 per share in the last 3 months of the year.

Consider the chart below, which plots the 90-day moving average of ROKU PI Mentions against the company’s stock price.



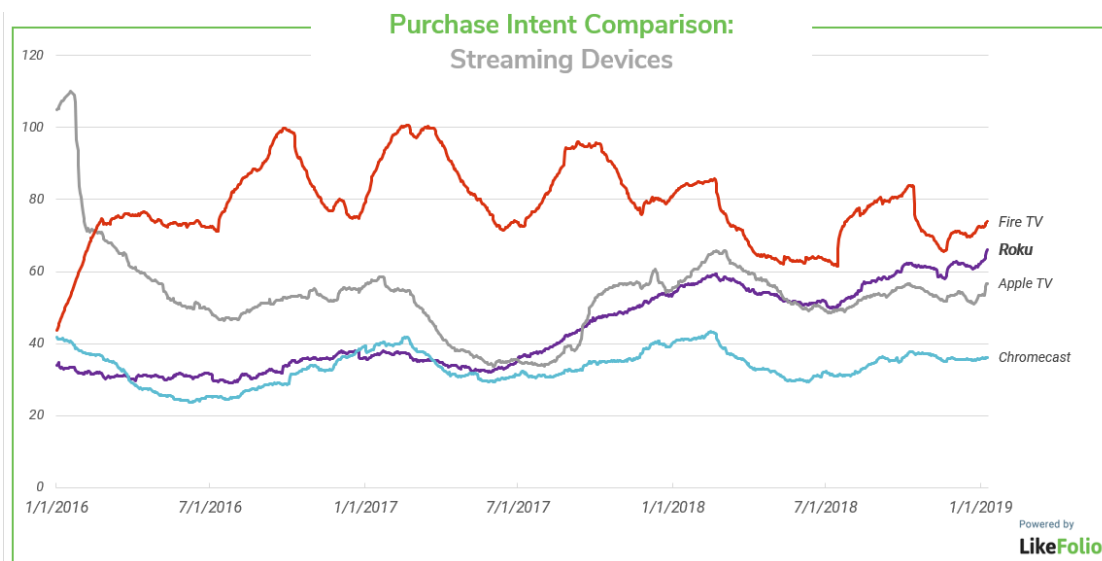
[Open this view in Dashboard](#)

Roku Purchase Intent Mentions experienced atypical weakness in the summer of 2018, just a few months before the bearish price action began in earnest. Although the parabolic stock gains in the prior months added to the severity of the sell-off, the current level of Roku PI suggests that the downtrend of the past 3 months has been amplified by bearish market conditions.

A Brief Competitor Analysis: Streaming Devices

It's no secret that "cord cutting" has reached [epidemic proportions](#), but it's not immediately obvious what these millions of Americans have chosen in lieu of their canceled cable subscriptions.

The chart below compares usage mentions for Roku in the past 3 years against those of their 3 major competitors: Apple TV, Amazon Fire TV, and Google Chromecast.



Although the Apple TV once garnered the highest degree of public enthusiasm, it's obvious that they've been unable to maintain that interest over time, and the same observation holds true for Amazon Fire TV. Google's Chromecast has retained a loyal userbase by comparison, but they have failed to grow their brand effectively.

Roku started 2016 with the lowest usage mentions of these 4 brands, but after 3 years of deliberate growth, they look poised to assume the top spot in 2019.

ROKU stock has already recovered more than \$10 from its December 2018 low point. Considering the exaggerated circumstances of the correction and the relative strength of Roku's Purchase Intent Mentions, the recent bullish price reversal seems likely to continue in 2019.

Andy Swan
founder, LikeFolio