Twitter Thread by The Bullish Angel

The Bullish Angel
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1. I JUST RECENTLY BOUGHT $493,000 of $ROKU stock.

I missed the +217% one year run up in 2020. But as of today, I'm up about 27% for a 2 month hold so far.

Here's my extensive 25-post due diligence on #ROKU.

(read the full thread)

2. First, stop thinking of $ROKU as a hardware company.

STOP!

They started that way, but have shifted into a much more lucrative space - their 'Platform.'

More on that shortly.

Think of them as having part of their biz as hardware, but most of it as their Platform.

3. Most people I talk to say, "Why do I need #ROKU if my TV already has its own build in apps?"

I get it. People don't yet realize what ROKU offers. But they will. Just like people didn't understand other tech at the start (Paypal, Amazon, Netflix, etc.)

4. Beginnings - #ROKU is the japanese word for "6." CEO Anthony Wood named it this because it's his 6th company.

Anthony created the world's first DVR and then sold the company in 2002 and founded $ROKU.

He also worked as a VP at $NTFLX.

5. In 2008, $ROKU released the Netflix player.

Later they added more hardware: sticks, TVs, etc.

People still associate $ROKU as a hardware company.

They're missing the big picture. That's the BIGGEST confusion with $ROKU.

The play here is... "The Platform."

6. $ROKU partnered with TV manufacturers: TCL, Sharp, Hisense, Philips, Sanyo, JVC, RCA, Hitachi, Magnavox, and more.

They make the hardware, #ROKU provides the Operating Systems (OS) the TV runs on. Genius!

7. $ROKU is now one of the biggest OS for TV manufacturers.

Think of $MSFT vs $IBM... the OS software play vs. hardware.

Who won? $MSFT crushed IBM.

That's where $ROKU is at. And even Amazon added #ROKU to their fire TV.

8. The hardware is just a way to get into your home.

Just like FB's 'free' social media site is just a way to get you onto their platform.

Once there, $ROKU can monetize you with ads.

Entire companies have been built on ads -- $FB and $GOOG for example.

9. $ROKU makes money on ads on their 20,000 Roku Channels.

#ROKU also takes a cut for subscriptions you sign up for on their devices. EX: You subscribe to #NETFLIX -- #ROKU gets a cut -- Just like Apple gets a cut from every app you pay for.

All of this is the PLATFORM.

10. Five years ago, 84% of $ROKU's revenue came from their hardware sales.

By 2020, only 30% came from hardware, with 70% coming from their platform.

2021 will see this slide even further. And this is good!

11. $ROKU makes it easy for developers to create channels for the $ROKU platform, without fees.

The channel offerings at $ROKU will continue to dwarf all others.

#ROKU has over 20K channels -- #AMZN has 8000, & $AAPL has 6000.

This will be key into future revenues.

12. This means any topic you have an interest in, there can be a dedicated channel on $ROKU for it.

Are you a fan of #LeagueofLegends ? There's currently two ROKU channels dedicated to just that.

And YOU can start a channel there by hiring a dev off $UPWK or $FVRR.

13. $ROKU handles 100% of the ads for the channels devs set up , keeping 40% of the proceeds .

GROSS MARGINS - $ROKU has only 7.5% gross margins on their hardware.

But when it comes to the platform, it's approaching 60%.

That's where the money is at for #ROKU.

14. $ROKU has 46M users (14 million active accounts in added in Q3).

The pandemic helped no doubt, but it's unlikely those users are going away from free TV.

$ROKU added Android and IOS apps to the appstore, which is huge.

15. Worldwide, the demand for free TV content is massive. $ROKU is aggressively expanding internationally, and is being integrated into TV's for those companies. It's the same strategy that helped them grow to where they are in the USA.

$ROKU just announced a deal to add content from QUIBI to its ad-supported ROKU channel. This plus 20K+ channels with adverting... Think of #GOOGLE and how their ad revenue grew as number of websites (channels) grew.

17. But isn't #YOUTUBE basically the same thing as $ROKU for channel creators?

Short answer: No.

If you have a sponsor, you can't monetize it directly on YouTube, you can't ask for subscription fees, and you'll be punished if you try to pull people away from YouTube.

18. FURTHER FUTURE: I see a time in the not-so-distant future, where ecommerce becomes a big thing on $ROKU.

Channel owners will be able to easily sell products and service and #ROKU will handle billing and keep a % of every transaction. That may be a huge revenue source!

19. Citigroup raised the $ROKU price target to $460 from $375. Many other analysts have also called for a higher price points.

I think you'll see price targets increased every quarter in 2021 as they gain traction.

20. We're 1 month away from 2020 Q4 earnings announcement.

Last quarter $ROKU beat revenue estimates by $83M. Nice surprise.

Based on recent earnings, a 40%+ YoY growth is achievable for quite some time.

Platform Revenue up 73% YoY, which constitutes 70% of the revenue.

21. BEAR SIDE 1:

TV Manufacturer TCL, $ROKU's largest partner, has ended exclusivity with #ROKU. They now also sell Android OS TV's, a direct competitor.

22. BEAR SIDE 2:
The market is fragmented, with a dozen or so serious players in the Television OS space. Long term, I think it comes down to $AMZN, $ROKU, and $GOOG. Android TV is quickly growing, and allows users to access to Android apps. This is pretty huge.

23. BEAR SIDE 3:
Ultimately, the remaining big TV makers like LG and Samsung, are using their own OS (which are weak.) I expect they will adopt one of the top 3, and all will fight for it. Whomever wins those, may take the top position and hold it.

24. I'm very Bullish & long $ROKU. I've bought $493K of $ROKU, & may buy more during a dip. I also own $AMZN and $GOOG. I use $ROKU. I added it to my Samsung TV because of the shitty built in OS and apps. I think others will do the same over time.

25. I can realistically see a day within the next 3 to 5 years where the share price approaches $1000, putting $ROKU near the current-day valuation of $NFLX. This is not financial advise -- do your own diligence.

Retweet this to educate $ROKU bears.

And if you missed it, I did a thorough write up on why i'm long $SKLZ here:

https://t.co/bI6dTyu8uI

> 1) $SKLZ - I just bought $300,000 of this stock.
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> This thread is my due diligence on $SKLZ and will cover in detail why I am very Bullish on the stock and why I think it has the potential to be a 10X multi-bagger.
>
> ...(continued in thread)
>
> — The Bullish Angel (@BullishAngel) January 8, 2021