

Fox Corp. to buy streaming platform Roku for \$22 billion



FOX would get access to data from the 100 million households connected to Roku. Above, in San Jose in 2022.

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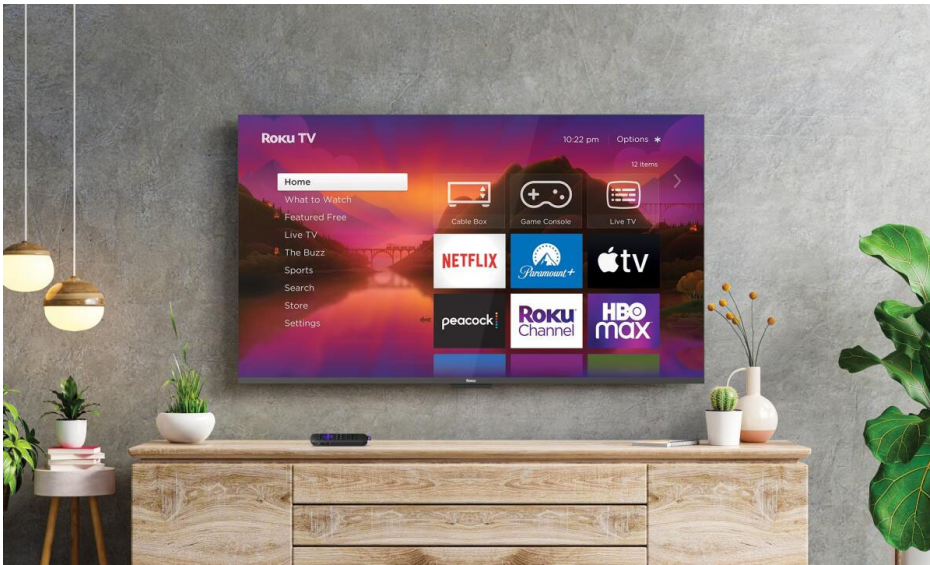
Fox Corp. has agreed to acquire the streaming platform Roku Inc. in a deal valued at \$22 billion, the companies announced Monday.

The deal will combine the Murdoch family's media assets, which include its news, sports and broadcast channels, with the San José-based streaming platform that reaches 100 million consumers globally.

The acquisition would give Fox access to consumer households at a time when the traditional pay-TV universe continues its slow decline as viewers move away from cable and satellite services to video streaming. Fox already owns the free ad-supported streaming service Tubi, which recently became profitable.

"This is a defining moment for Fox and a natural extension of the deliberate and focused strategy we have been executing for nearly a decade," Fox Corp. Executive Chair Lachlan Murdoch said in a statement.

By owning Roku, Fox gets access to data from the 100 million households connected to the ser-



An image of a Roku branded TV. (Roku)

vice, which can be used to better target audiences with advertising. The combination would also make Fox less dependent on traditional pay TV platforms for the distribution of its channels.

“While Fox remains in a strong position to monetize its existing portfolio within the evolving pay TV ecosystem, we see this deal as a way to ensure the company’s future as streaming overtakes traditional distribution in the years ahead,” analyst firm MoffettNathanson wrote.

According to Nielsen data, 21% of all internet-connected TV viewing comes through Roku. The Roku Channel, which carries 500 ad-supported streaming networks, accounts for 3% of all TV viewing.

Research firm EMarketer projects ad revenue of \$3.57 billion for Roku this year, up 19% from last year.

Lloyd Greif, chief executive of the Los Angeles investment bank Greif & Co., said that Roku would have been increasingly challenged to compete against far better capi-

talized competitors in the streaming business and that a sale was “inevitable.”

For Fox, the proposed deal makes it a larger player in the digital advertising business. EMarketer senior analyst Ross Benes said the Roku business will “more than double” the company’s revenue in that area.

“It remains to be seen how well the combination of a digitally innovating streaming company will mesh with a media conglomerate rooted in legacy assets,” Benes said. “But the strategy makes sense and it jibes with the continual consolidation that’s occurring in streaming.”

Fox sold its TV and movie production assets to Walt Disney Co. in 2018. Rather than invest heavily in scripted entertainment to compete with emerging streaming companies, Fox decided to concentrate on sports and news.

The Roku deal will put Fox deeper into the distribution network. Over its history, the company has held stakes in satellite TV provider DirecTV and Sky TV.

Fox’s streaming aspirations have been modest up to this point. The company launched its stand-alone, direct-to-consumer subscription service Fox One, offering Fox News and other channels outside a pay TV package.

The company acquired the ad-supported streaming service Tubi for \$440 million in 2020. The business is now approaching \$1.5 billion in annual revenue.

The companies said they are committed to keeping Roku as a “partner-friendly” platform that carries program services that compete with Fox. Brian Wieser, a consultant at Madison and Wall, said that might require some convincing.

“Other content owners may still need Roku’s distribution, but they may be less comfortable with the idea that one of their competitors controls an increasingly important part of the streaming interface,” Wieser wrote in his note on the proposed deal.

Roku shareholders will receive a combination of cash and Fox Corp. stock valued at \$160 a share.

The companies say they expect cost savings of \$400 million in the combined entity.

Roku was founded in 2002 by Anthony Wood, a British digital entrepreneur. The company launched a streaming device, the Roku player, in 2008. Within six years, the company sold more than 10 million devices, as the popularity of streaming video rapidly grew.

Fox Corp. shares closed down 11% on news of the deal Monday, ending the day at \$54.76. Roku shares closed at \$140.90 apiece.