

Roku slumps 11 percent, on track for first down day

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SAN FRANCISCO (Reuters) - Roku's ([ROKU.O](#)) stock tumbled 11 percent on Monday and was on track for its first loss since the music streaming company's public listing last week, even after it unveiled a lineup of new devices.

The Los Gatos, California company is riding a wave of consumers abandoning cable TV and switching to online content, but it faces competition from larger rivals.

Following a two-day rally last week, the stock remains up 68 percent from the price in its initial public offer.

Roku on Monday unveiled an updated lineup of video-streaming gadgets. It cut its recommended price for the top-of-the-line Roku Ultra to \$99.99 from \$129.99 a year ago, and added Ultra HD resolution, comparable to competing devices launched by Apple ([AAPL.O](#)) and Google, which is owned by Alphabet ([GOOGL.O](#)).

Based on its 2016 growth rate, Roku's annual revenue could reach \$623 million in 2018, putting its current stock price at about 3.6 times revenue, a level that is expensive compared to other Silicon Valley consumer electronics makers.

In recent years, fitness band maker Fitbit ([FIT.N](#)) and camera company GoPro ([GPRO.O](#)) surged following their IPOs, with Wall Street euphoric about their gadgets. But they eventually slumped as other device sellers stepped up competition and analysts slashed their forecasts.

Fitbit traded at over six times expected revenue soon after its 2015 IPO, while GoPro's price/revenue ratio reached nearly eight after its 2014 public listing, according to Thomson Reuters data. Both lost money last year, and their stocks have fallen about 90 percent from record highs to levels equivalent to one time expected revenue.

New Constructs Research recommended selling Roku's shares, saying in a report that its stock price implies expectations of revenue growth that are higher than the company's past performance.

To compete better, Roku has opened its platform to more TV apps than its peers. It has also focused on licensing its software to manufacturers like Sharp, who package it directly on televisions.

Roku's stock was down \$3.03 at \$23.51 at mid-day.

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