

Last Price	Fair Value Estimate	Market Cap	Economic Moat	Moat Trend	Sector
\$62.35	\$20.59	\$8.60B	None	Negative	Communication/Technology
27 Feb 2023	27 Feb 2023	27 Feb 2023			Sensitive

Roku, Inc (ROKU)

Business Strategy & Outlook

Roku is the leading TV streaming platform in the United States, Mexico, and Canada by hours streamed. Since launching its first streaming player in 2008, Roku has grown its home device ecosystem to include smart TVs, audio products, and smart home offerings. The Roku operating system is designed to run on low-cost hardware with an easy-to-use user interface. Roku's business model hinges on attracting viewers with affordable, low-margin devices and widely-appealing content. Roku monetizes this engagement through a suite of high-margin digital advertising and content distribution services.

Roku has experienced rapid growth in the last five years due to the secular trend towards streaming and digital content, accelerated by COVID-19 demand. During fiscal year 2021, gross profit increased by 74%, active accounts increased by 17%, streaming hours increased by 25%, and average revenue per user increased by 43%. However, we do not believe Roku's recent performance will persist. While Roku continued to boost the number of new active accounts and streaming hours during fiscal year 2022, the company's growth rate has begun to abate. We project this growth rate to continue to decline, with a terminal growth rate of 6.2% by 2034.

Driving this decline in growth are the significant challenges Roku faces operating in an increasingly competitive industry amid a weakening ad revenue market. Roku has no moat; its early competitive advantages, such as carriage neutrality and supplier relationships, continue to erode. Roku, however, has built up its cash on hand to invest in its future growth. Over the next five years, Roku looks to invest heavily in R&D innovation in the device and platform segments to build out its competitive edge. Roku is also looking to address domestic headwinds related to expansion of new active accounts and streaming hours through international expansion and an ambitious content creation and acquisition strategy.

Despite these challenges, Roku is well-positioned to capture the cost-conscious consumer during the looming recessionary conditions with its reputation for high-quality, affordable products. If Roku is able to innovate within its platform segment, its advertiser and distribution services could be key to building a small moat to buffer the encroaching competitive pressures.

Financial Summary and Forecasts (USD Thousands)

Fiscal Year:	2022	2023E	2024E	2025E
Revenue	\$ 3,126,534	\$ 3,877,686	\$ 4,452,726	\$ 5,124,948
Revenue YoY %	13.1	24.0	14.8	15.1
Gross Margin	53.91%	53.04%	49.29%	46.37%
Gross Margin YoY %	9.9	-1.6	-7.1	-5.9
EBIT	\$ (530,888)	\$ (740,065)	\$ (816,761)	\$ (223,793)
EBIT YoY %	-325.8	39.4	10.4	-72.6

Performance Summary and Forecasts (USD Thousands)

Fiscal Year:	2022	2023E	2024E	2025E
ROIC	-72.0%	-92.3%	-94.6%	-24.4%
ROIC YoY %	-259.3	28.2	2.5	-74.2
g(Sales)	13.1%	24.0%	14.8%	15.1%
g(Sales) YoY %	-76.4	83.5	-38.3	1.8
g(NOPAT)	-325.8%	39.4%	10.4%	-72.6%
g(NOPAT) YoY %	-74.2	-112.1	-73.7	-800.5

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Analysis and Discussion

Fair Value & Profit Drivers

Roku believes its success depends on the ability to acquire users by delivering high-quality streaming devices at competitive prices, partnering with TV brands to bring co-branded smart TVs to market, and developing and monetizing a streaming platform with compelling content, promotional services, and advertising.

Our valuation is driven by several assumptions about Roku and its future performance. Changes in these assumptions or value drivers will reflect a different valuation for the company.

We assume that the increasing amount of streaming hours per account is going to start decelerating. The amount of hours per account is currently 1,249, and we do not anticipate a material increase which would impact Roku's numbers. Nonetheless, we anticipate that Roku will continue to grow the number of active accounts and platform revenue per account at 15% and 3% YoY respectively. This growth is largely consistent with historicals and is conservative based on how the market will respond after the COVID pandemic.

Roku invested heavily in R&D in 2022 in order to develop new technologies to help drive both the device and platform segments. Within the device segment, Roku's new devices aim to capture more value from current customers and to entice new customers into the ecosystem. Roku complements this in the platform segment by aiming to deliver more value for advertising partners. R&D demands intense data analytics and AI prediction models where Roku is currently investing. The anticipated return in R&D is expected to be a strong point for Roku in the future, with potential to innovate in the platform space to increase moat strength.

Roku additionally aims to invest heavily in content production through third-parties and original content development. The launch of "Roku Originals" aims to gain a slice of the streaming pie to help grow engagement, accelerate advertising revenue, and enable more investment in content over the next few years.

Roku has set its sights on international expansion by continuing to invest 10% of sales in SG&A. While the North American streaming market is tight, with limited room to grow, Roku continues to pursue significant international opportunities for device and platform sales.

We predict that Roku will increase its active accounts to over 98 million over the next five years with commensurate growth in streaming hours to over 139 billion hours a year. Underpinning this growth are the secular trends toward streaming and the growing appetite for filmed content.

Our growth projections are primarily driven by expansion to international markets. In the device segment we predict poor growth with consistently negative margins. Conversely, in the platform segment, we predict a rebound from recent decline in gross margin as it invests capital required to build out the platform team and acquire content. We find it difficult to believe Roku will return to 70+% gross margin. However, we anticipate Roku will generate positive adjusted EBITDA in 2024 and operating margin will hit 5% in 2027 and 17% by 2032.

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Scenario Analysis

After analyzing Roku's performance and industry trends, we have used a scenario analysis to assess the potential upside and downside of the company's intrinsic value. We believe that Roku faces a high level of uncertainty due to the competitive nature of the streaming industry and the company's corporate strategy to shift towards a platform-dependent model.

As of the end of 2022, Roku has 70 million active accounts. The trend towards streaming video content continues to accelerate, with a large number of consumers switching from traditional TV to streaming services. Roku hopes to capitalize on this trend to reach 4x active customers by 2034.

In our bull-case scenario, Roku's positioning as a beneficiary of the streaming market's advertising and monetization reinforces the continuity of growing active accounts and average revenue per user. We project active accounts to grow to 265 million (compared to base case of 137 million), driving the YoY Net Sales growth to 9.6% (compared to our base case of 4.9%) in 2034. In addition, managing expenses and increasing efforts towards R&D and stability in general and administrative expenses would propel our fair value estimate to \$62.46 per share.

In our bear case, we would expect further entrenchment of existing competition in the streaming industry paired with competitors entering the device business and launching ad-tiers on platforms. The international expansion of Roku may face untimely headwinds due to the anticipated economic recession in the global economy. As a result, we project that the active accounts growth would experience a steady decline. Furthermore, we project an increase in operating expenses, particularly tied to sales and marketing efforts, stabilizing at 30.8% of sales, a strategy Roku has relied on in the past for customer acquisition. We project active accounts to grow to 114 million (compared to base case of 137 million), resulting in YoY Net Sales growth to stabilize at 4.4% (compared to our base case of 4.9%) in 2034. Given this scenario, our fair value estimate would be at \$11.86 per share.

Economic Moat

We anticipate that Roku has no moat. The industry has experienced rapid growth in the last five years due to a secular shift towards streaming, accelerated by COVID-19. The streaming industry is highly competitive; Roku directly competes with tech giants like Amazon, Google, Apple, and Netflix. Roku could struggle to compete with larger companies which have resources and brand recognition in an industry with very low switching costs.

Moat Trend

Roku's moat has been tightening as the industry grows more competitive for users and content. The streaming industry is getting new providers every few months with its own content as companies aim to set up revenue streams. Roku quickly has to regenerate a moat to be able to protect its accounts and advertiser revenue in the form of account usage. Roku's gamble into content is crucial to help build a competitive advantage for the platform and an increased moat and development of innovative platform services.

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Financial Strength

Roku has a position of decent financial strength. Roku currently has no long-term debt and about \$80 million that is current. Roku has a good amount of cash on hand in 2022. We anticipate Roku lightening up on cash in 2023 and then continuing to grow cash reserves to \$3 billion, similar to 2021. Roku hasn't raised any debt but could in the future. We aren't concerned with Roku's cash levels or constraints, with minimal long-term debt being current. Roku has considerable net PPE available to cover the negative near term cash flow issue through 2027, when we predict the firm will return to positive cash flow.

Risk & Uncertainty

Roku's device sales are crucial to gain net new customers. For Roku, a 29% decrease in device sales shows that the available customer pool is lessening coming out of COVID-19 lockdown. A lack of ability to grow Roku's customer base could result in a reduction in forecasted platform revenues.

Roku currently operates in a highly competitive market. Roku could be wiped out if Amazon or Google push low-cost product segments or if Roku fails to differentiate itself. Currently Roku has its R&D spread too thin chasing multiple initiatives, which could lead to a poor return on investment in R&D.

Roku's gamble to spend a significant portion of sales on its content development may not result in the anticipated positive returns in the future. Moreover, Roku doesn't have the capital or expertise to compete in streaming wars. Roku additionally relies heavily on monetization of viewer data, where the US regulatory parties are aiming to threaten neutrality. This could eat into Roku's competitive advantage.

Roku is aiming to expand to international markets, but currently doesn't have significant brand recognition compared to Amazon or Netflix. Additionally, suppliers of content and smart TVs might cut into margins which are already extremely small, further hurting Roku's growth opportunities.

Forecast Assumptions

green reflects inputs, yellow reflects calculations

Income Statement Assumptions ([link to table](#))

Roku will likely continue losing revenue per user in the player segment, with platform revenue growing and taking an increasingly large share. This assumption would reflect Roku's increasing returns from investing in research and development, consistent with its business strategy to concentrate on creating a robust platform OS. After five years of growth in the average platform revenue per user, we expect that growth to peak and gradually decline to a steady 3.6%. Nonetheless, the forecasts indicate that Roku will continue to grow revenue. We would like to highlight that device gross profit stabilizes quickly due to a streamlined supply chain and realization of expected PPE investment. The SG&A increase as a percentage of revenue is due to anticipated international market expansion. Meanwhile, in the interest expense and income and other, we assume no loss on extinguishment of debt and change in fair value of preferred stock warrant liability.

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Balance Sheet Assumptions ([link to table](#))

Our balance sheet assumptions, fundamentally, remain consistent with our income statement assumptions. We believe that Roku will initially keep spending high for the next few years by investing in original content and new customer bases to increase distribution. Roku will eventually ramp down spending after these initial years. For simplicity, we recognize that Roku will not add new debt or pay off its current debt.

Cash Flow Assumptions ([link to table](#))

Forecasting future transactions of Roku is difficult. We project that stock-based compensation expense will stabilize at about 15.3% of SG&A, recognizing that the increase in 2022 was likely due to COVID-19-related expenses. Amortization stabilization also reflects the reconciliation of intangible and content assets.

Financial Statements

Income Statement Explanation ([link to table](#))

Our forecast for Roku indicates that YoY growth of revenues and COGS will continue to grow. We anticipate that device profit will stabilize with an improved supply chain in tandem with a migration from variable cost to fixed costs. Within operating expenses, we anticipate Roku will continue to spend significantly as a percentage of sales; this trend, which is similar to 2022, will continue into 2023 and 2024. Operating income will rebound from investment in 2022 at (17%) of sales to 0.1% of sales in 2026. Overall, we anticipate net income to be at a loss in 2023, 2024, and 2025 before rebounding and increasing perpetually to the future.

Balance Sheet Explanation ([link to table](#))

We anticipate that balance sheet items will remain mostly steady, with a reduction in cash in 2023 rebounding in 2024. Assets continue to grow at a healthy rate, with a small recovery from supply chain problems in 2023 before returning to previous trends. In liabilities, Roku will continue to have increased liabilities, but these will grow slower than assets. Operating lease liability will increase significantly in 2023 and 2024, before stabilizing to a more flat growth pattern. This reflects Roku's strategic investment in content development. Stockholder equity will decrease in 2023, but should begin to rebound starting in 2024.

Cash Flow Statement Explanation ([link to table](#))

Roku's statement of cash flows reflects our assumption that depreciation will accelerate in PPE due to less investment in 2023. Stock-based compensation expenses will also flatten downward from 2022. We anticipate Roku's amortization of content assets to stabilize at a more normal growth rate following the investment in 2022 and 2023. In operating expenses, we believe an increase in accounts receivable and investments in content assets lead to a significant decrease in operating activities in 2023 and 2024. Overall, we expect cash to stabilize in 2024 then increase steadily.

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Cost of Capital Assumptions ([link to table](#))

To determine the weighted average cost of capital used to discount future cash flows, we used the adjusted Morningstar General Model.

The risk free rate was derived from the US 30 Year Treasury Yield, which as of February 20, 2023 was 3.98% and the market risk premium was assumed to be 6.0%.

In terms of systematic risk, we estimate Roku to have an average risk exposure. While we forecast Roku's operating margins to remain suppressed into the future at about 10.4%, the company revenue has demonstrated resilience; recent market routs suggest some insulation from higher degrees of revenue cyclicality. Furthermore, we estimate that Roku will maintain a reasonable amount of flexibility in its cost of revenue, due in part to the significant composition of content creation and advertising acquisition. This content strategy can quickly be scaled back if needed, resulting in a medium level of operating leverage. Lastly, we estimate a medium degree of financial leverage due to Roku's efforts to unlever over the past few years. These factors combined result in an Average degree of systematic risk.

In terms of credit risk, we estimate Roku to be Very Low given its historically very low debt-to-equity ratios. Since 2019 Roku has maintained a debt-to-equity ratio of less than 15%, with recent years as low as 3%. These very low ratios of debt-to-equity are expected to persist as Roku's management is noncommittal towards accepting new levels of debt.

Ultimately, these factors result in a weighted average cost of capital of 11.8% which we use to discount all future cash flows.

DCF Assumptions and Explanation ([link to table](#))

Using the discounted cash flow (DCF) valuation model, we calculated a fair value estimate of \$20.59. To determine the fair value of Roku's equity, we used a DCF model that incorporated our projections for free cash flows over the next 12 years. We believe that the DCF methodology is appropriate for valuing Roku due to its business model and consistent cash flow generation in the projected future.

We first estimate the company's NOPAT (net operating profit after tax) for the next 12 years based on our revenue and expense projections, assuming an effective tax rate of 21%. We then calculate the company's free cash flow (FCF) by subtracting capital expenditures from NOPAT and adding back non-cash expenses, such as depreciation and amortization. We forecast free cash flows of (\$814M), (\$864M), (\$285M), (\$165M), \$54M and \$277M for the next six years, respectively. We assume a long-term growth rate of 6.2%, which we believe is achievable given the company's competitive position and corporate strategy.

To arrive at a fair value estimate for the company, we discounted the projected free cash flows to its present value using our WACC of 11.8% derived from the cost of the capital model described above. We then calculated the present value of terminal value to be \$1.23B, which we believe represents the value of the company beyond our forecast period. The present value of the free cash flows and terminal value gives us an operating value of \$2.87B.

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We added the company's net financial assets of \$1.96B and subtracted the financial claims worth \$80,000 to arrive at an equity value of \$2.79B. Dividing this by the company's fully diluted share count of 137 million, we arrive at a fair value estimate of \$20.29 per share as of 12/31/2022. That estimate is adjusted to \$20.59 for 2/27/2023.

We note that our DCF valuation assumes no major changes to the company's operating or financial environment and is based on our best estimates of future cash flows and discount rates. While we acknowledge that our projections are subject to a degree of uncertainty, we believe that our analysis provides a reasonable basis for our fair value estimate.

RI Income Model Explanation ([link to table](#))

Using the residual income (RI) valuation model, we calculated a fair value estimate of \$49.02. This value is \$28.43 higher than the fair value estimate calculated in our DCF valuation model. We believe this difference is most likely the result of potential assumption issues built into the RI model. Primarily, it is highly unlikely that Roku's cost of equity will remain at 9.98% for 12 consecutive years. The RI model does not account for the unavoidable systemic changes in the cost of equity over time as the market premium, beta, and risk-free rate fluctuate.

Income Statement Assumptions (in USD Thousands)

	Forecast and Assumptions >>>												
Fiscal Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Net Revenue and COGS													
Active Accounts (in thousands)	70,000	80,500	90,965	100,971	110,059	117,763	123,651	127,360	129,908	131,856	133,834	135,841	137,879
Average Platform Revenue Per User (in \$)	\$ 41.68	\$ 42.93	\$ 44.65	\$ 47.23	\$ 50.30	\$ 53.57	\$ 56.78	\$ 59.62	\$ 62.00	\$ 64.33	\$ 66.64	\$ 69.04	\$ 71.53
Average Device Revenue Per User (in \$)	\$ 6.38	\$ 5.24	\$ 4.30	\$ 3.53	\$ 2.90	\$ 2.38	\$ 1.95	\$ 1.60	\$ 1.32	\$ 1.08	\$ 0.89	\$ 0.73	\$ 0.60
Average Total Revenue Per User (in \$)	\$ 48.06	\$ 48.17	\$ 48.95	\$ 50.76	\$ 53.19	\$ 55.94	\$ 58.73	\$ 61.22	\$ 63.32	\$ 65.41	\$ 67.53	\$ 69.77	\$ 72.13
Change in Active Accounts	16.5%	15.0%	13.0%	11.0%	9.0%	7.0%	5.0%	3.0%	2.0%	1.5%	1.5%	1.5%	1.5%
Change in Average Platform Revenue Per User	2.4%	3.0%	4.0%	5.8%	6.5%	6.5%	6.0%	5.0%	4.0%	3.8%	3.6%	3.6%	3.6%
Change in Average Device Revenue Per User	-28.9%	-17.9%	-17.9%	-17.9%	-17.9%	-17.9%	-17.9%	-17.9%	-17.9%	-17.9%	-17.9%	-17.9%	-17.9%
Change in Average Total Revenue Per User	-3.2%	0.2%	1.6%	3.7%	4.8%	5.2%	5.0%	4.2%	3.4%	3.3%	3.2%	3.3%	3.4%
Net Revenue													
Net Platform Sales	\$ 2,711,441	\$ 3,456,097	\$ 4,061,606	\$ 4,768,516	\$ 5,535,532	\$ 6,308,015	\$ 7,020,821	\$ 7,593,018	\$ 8,054,673	\$ 8,482,074	\$ 8,919,240	\$ 9,378,938	\$ 9,862,328
Year-over-Year Growth %	19.7%	27.5%	17.5%	17.4%	16.1%	14.0%	11.3%	8.1%	6.1%	5.3%	5.2%	5.2%	5.2%
Net Device Sales	\$ 415,093	\$ 421,589	\$ 391,120	\$ 356,432	\$ 318,967	\$ 280,203	\$ 241,549	\$ 204,261	\$ 171,052	\$ 142,541	\$ 118,781	\$ 98,982	\$ 82,483
Year-over-Year Growth %	-16.9%	1.6%	-7.2%	-8.9%	-10.5%	-12.2%	-13.8%	-15.4%	-16.3%	-16.7%	-16.7%	-16.7%	-16.7%
Total Net Sales (\$ thousands)	\$ 3,126,534	\$ 3,877,686	\$ 4,452,726	\$ 5,124,948	\$ 5,854,499	\$ 6,588,218	\$ 7,262,370	\$ 7,797,279	\$ 8,225,726	\$ 8,624,615	\$ 9,038,021	\$ 9,477,920	\$ 9,944,812
Year-over-Year Growth %	13.1%	24.0%	14.8%	15.1%	14.2%	12.5%	10.2%	7.4%	5.5%	4.8%	4.8%	4.9%	4.9%
Cost of Revenue													
Platform Cost of Revenue	\$ 1,179,675	\$ 1,634,987	\$ 1,807,711	\$ 2,026,968	\$ 2,242,295	\$ 2,429,047	\$ 2,563,113	\$ 2,696,076	\$ 2,779,451	\$ 2,808,186	\$ 2,952,920	\$ 3,105,114	\$ 3,265,151
% of Sales (Platform)	43.5%	47.3%	44.5%	42.5%	40.5%	38.5%	36.5%	35.5%	34.5%	33.1%	33.1%	33.1%	33.1%
Device Cost of Revenue	\$ 505,737	\$ 421,589	\$ 387,209	\$ 349,303	\$ 309,398	\$ 270,396	\$ 231,887	\$ 195,069	\$ 162,500	\$ 135,414	\$ 112,842	\$ 94,033	\$ 78,359
% of Sales (Device)	121.8%	100.0%	99.0%	98.0%	97.0%	96.5%	96.0%	95.5%	95.0%	95.0%	95.0%	95.0%	95.0%
Total Cost of Revenue	\$ 1,685,412	\$ 2,056,575	\$ 2,194,920	\$ 2,376,271	\$ 2,551,693	\$ 2,699,443	\$ 2,795,000	\$ 2,891,146	\$ 2,941,951	\$ 2,943,600	\$ 3,065,763	\$ 3,199,147	\$ 3,343,511
% of Sales (Total)	53.9%	53.0%	49.3%	46.4%	43.6%	41.0%	38.5%	37.1%	35.8%	34.1%	33.9%	33.8%	33.6%
Gross Profit (Loss)													
Platform Gross Profit	\$ 1,531,766	\$ 1,821,111	\$ 2,253,894	\$ 2,741,548	\$ 3,293,237	\$ 3,878,968	\$ 4,457,708	\$ 4,896,941	\$ 5,275,222	\$ 5,673,888	\$ 5,966,320	\$ 6,273,824	\$ 6,597,177
% of Sales	56.5%	52.7%	55.5%	57.5%	59.5%	61.5%	63.5%	64.5%	65.5%	66.9%	66.9%	66.9%	66.9%
Device Gross Profit	\$ (90,644)	\$ -	\$ 3,911.20	\$ 7,128.64	\$ 9,569.02	\$ 9,807.11	\$ 9,661.97	\$ 9,191.76	\$ 8,552.62	\$ 7,127.03	\$ 5,939.06	\$ 4,949.11	\$ 4,124.17
% of Sales	-21.8%	0.0%	1.0%	2.0%	3.0%	3.50%	4.0%	4.5%	5.0%	5.0%	5.0%	5.0%	5.0%
Total Gross Profit	\$ 1,441,122	\$ 1,821,111	\$ 2,257,805	\$ 2,748,677	\$ 3,302,806	\$ 3,888,775	\$ 4,467,370	\$ 4,906,133	\$ 5,283,775	\$ 5,681,015	\$ 5,972,259	\$ 6,278,773	\$ 6,601,301
% of Sales	46.1%	47.0%	50.7%	53.6%	56.4%	59.0%	61.5%	62.9%	64.2%	65.9%	66.1%	66.2%	66.4%
Operating Expenses (as % of Sales)													
Research & Development	\$ 788,913	\$ 1,056,004	\$ 1,301,658	\$ 1,281,237	\$ 1,375,807	\$ 1,449,408	\$ 1,488,786	\$ 1,520,469	\$ 1,604,016	\$ 1,681,800	\$ 1,762,414	\$ 1,848,194	\$ 1,939,238
% of Sales	25.2%	27.2%	29.2%	25.0%	23.5%	22.0%	20.5%	19.5%	19.5%	19.5%	19.5%	19.5%	19.5%
Sales and marketing	\$ 838,419	\$ 1,117,403	\$ 1,372,163	\$ 1,434,985	\$ 1,633,405	\$ 1,831,525	\$ 2,011,676	\$ 2,152,049	\$ 2,270,300	\$ 2,380,394	\$ 2,494,494	\$ 2,615,906	\$ 2,744,768
% of Sales	26.8%	28.8%	30.8%	28.0%	27.9%	27.8%	27.7%	27.6%	27.6%	27.6%	27.6%	27.6%	27.6%
General and Administrative	\$ 344,678	\$ 387,769	\$ 400,745	\$ 256,247	\$ 289,798	\$ 322,823	\$ 352,225	\$ 374,269	\$ 390,722	\$ 405,357	\$ 420,268	\$ 435,984	\$ 452,489
% of Sales	11.0%	10.0%	9.0%	5.0%	5.0%	4.9%	4.9%	4.8%	4.8%	4.7%	4.7%	4.6%	4.6%

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Interest expense and income and other																				
Interest rate on debt (%)	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Loss on extinguishment of debt (Assumed to be 0)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in fair value of preferred stock warrant liability (Assumed to be 0)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest rate on cash and marketable securities (%)	2.1%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
Income taxes																				
Assumed tax rate		21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
NOL at beginning of year		\$ 1,959,100	\$ 2,651,483	\$ 3,419,356	\$ 3,586,228	\$ 3,516,467	\$ 3,156,039	\$ 2,456,865	\$ 1,505,226	\$ 387,980	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Profits (losses) before income tax		\$ (692,383)	\$ (767,873)	\$ (166,872)	\$ 69,761	\$ 360,428	\$ 699,175	\$ 951,639	\$ 1,117,245	\$ 1,317,312	\$ 1,404,172	\$ 1,493,283	\$ 1,585,252							
NOL at end of year	\$ 1,959,100	\$ 2,651,483	\$ 3,419,356	\$ 3,586,228	\$ 3,516,467	\$ 3,156,039	\$ 2,456,865	\$ 1,505,226	\$ 387,980	\$ -	\$ -	\$ -	\$ -							
Taxable income		0	0	0	0	0	0	0	0	0	929,332	\$ 1,404,172	\$ 1,493,283	\$ 1,585,252						
Provision for income taxes, net		0	0	0	0	0	0	0	0	0	\$ 195,160	\$ 294,876	\$ 313,590	\$ 332,903						

Balance Sheet Assumptions (in USD Thousands)

Fiscal Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Current Operating Assets													
Days sales outstanding (DSO - end of year)	88.8	88	88	88	88	88	88	88	88	88	88	88	88
Day inventory outstanding (DIO - end of year)	23.1	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9
Prepaid Expenses and Other current assets (% of Sales)	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Current Operating Liabilities													
Days payables outstanding (DPO - end of year)	34.5	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1
Accrued liabilities (w/o operating lease liability) (% of sales)	20.5%	23.0%	25.5%	27.3%	27.3%	27.3%	27.3%	27.3%	27.3%	27.3%	27.3%	27.3%	27.3%
Deferred revenue, current portion (% of sales)	2.8%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Non-current Operating Assets													
Fixed asset turnover (end of year)	9.3	11.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8
Average useful life of PPE	8.0	8	8	8	8	8	8	8	8	8	8	8	8
Gross PPE	\$ 435,122	\$ 482,454	\$ 592,138	\$ 723,123	\$ 875,339	\$ 1,046,937	\$ 1,234,935	\$ 1,434,633	\$ 1,650,271	\$ 1,890,360	\$ 2,161,689	\$ 2,469,180	\$ 2,817,394
Accumulated depreciation	\$ (100,091)	\$ (154,481)	\$ (214,788)	\$ (288,805)	\$ (379,196)	\$ (488,613)	\$ (619,480)	\$ (773,847)	\$ (953,176)	\$ (1,159,460)	\$ (1,395,755)	\$ (1,665,966)	\$ (1,974,614)
Net PPE	\$ 335,031	\$ 327,973	\$ 377,350	\$ 434,318	\$ 496,144	\$ 558,324	\$ 615,455	\$ 660,786	\$ 697,095	\$ 730,900	\$ 765,934	\$ 803,214	\$ 842,781
Depreciation	\$ 30,951	\$ 54,390	\$ 60,307	\$ 74,017	\$ 90,390	\$ 109,417	\$ 130,867	\$ 154,367	\$ 179,329	\$ 206,284	\$ 236,295	\$ 270,211	\$ 308,647
CAPEX	\$ 161,696	\$ 47,332	\$ 109,684	\$ 130,985	\$ 152,217	\$ 171,597	\$ 187,999	\$ 199,698	\$ 215,638	\$ 240,088	\$ 271,329	\$ 307,491	\$ 348,215
Intangible Assets (\$, thousands)	\$ 58,881	\$ 41,815	\$ 27,540	\$ 14,969	\$ 10,895	\$ 8,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Goodwill (\$, thousands)	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519
Other non-current assets (% of sales)	2.5%	2.5%	2.0%	1.5%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%

Last Price	Fair Value Estimate	Market Cap	Economic Moat	Moat Trend	Sector
\$62.35	\$20.59	\$8.60B	None	Negative	Communication/Technology
27 Feb 2023	27 Feb 2023	27 Feb 2023			Sensitive

Balance Sheet Assumptions (in USD Thousands), continued

Operating Leases														
Operating lease right-of-use assets (% of SG&A)	44.1%	44.1%	44.1%	44.1%	44.1%	44.1%	44.1%	44.1%	44.1%	44.1%	44.1%	44.1%	44.1%	44.1%
Operating lease right-of-use assets (\$ thousands)	\$ 521,695	\$ 663,781	\$ 781,853	\$ 745,834	\$ 848,132	\$ 950,067	\$ 1,042,481	\$ 1,114,106	\$ 1,173,511	\$ 1,228,516	\$ 1,285,410	\$ 1,345,884	\$ 1,409,990	
Operating lease right-of-use assets (\$ growth thousands)	\$ 176,035	\$ 142,086	\$ 118,072	\$ (36,019)	\$ 102,299	\$ 101,935	\$ 92,413	\$ 71,626	\$ 59,404	\$ 55,005	\$ 56,894	\$ 60,474	\$ 64,107	
Portion Attributable to Accured Liabilities (not used anywhere)		\$ 12,514	\$ 10,154	\$ (3,098)	\$ 8,798	\$ 8,766	\$ 7,948	\$ 6,160	\$ 5,109	\$ 4,730	\$ 4,893	\$ 5,201	\$ 5,513	
Operating lease liabilities - current (\$ thousands)	\$ 54,689	\$ 67,203	\$ 77,357	\$ 74,259	\$ 83,057	\$ 91,823	\$ 99,771	\$ 105,931	\$ 111,039	\$ 115,770	\$ 120,663	\$ 125,863	\$ 131,377	
Operating lease liabilities - long-term (\$ thousands)	\$ 584,651	\$ 714,223	\$ 822,141	\$ 789,219	\$ 882,721	\$ 975,889	\$ 1,060,355	\$ 1,125,821	\$ 1,180,116	\$ 1,230,391	\$ 1,282,392	\$ 1,337,665	\$ 1,396,259	
Operating lease liabilities - total (\$ thousands)	\$ 639,340	\$ 781,426	\$ 899,498	\$ 863,479	\$ 965,777	\$ 1,067,712	\$ 1,160,126	\$ 1,231,751	\$ 1,291,156	\$ 1,346,161	\$ 1,403,055	\$ 1,463,529	\$ 1,527,635	
Percent current	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
Operating lease liabilities (\$ growth thousands)	\$ 207,500	\$ 142,086	\$ 118,072	\$ (36,019)	\$ 102,299	\$ 101,935	\$ 92,413	\$ 71,626	\$ 59,404	\$ 55,005	\$ 56,894	\$ 60,474	\$ 64,107	
Net change in operating asset and liability (should = \$0)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0.00)	\$ (0.00)	\$ -	\$ -	\$ -	\$ -	\$ -	
Content Asset (\$ per user)	\$ 4.47	\$ 5.37	\$ 6.17	\$ 6.79	\$ 7.47	\$ 8.03	\$ 8.63	\$ 9.07	\$ 9.52	\$ 9.99	\$ 10.49	\$ 11.02	\$ 11.57	
Active Accounts	70000	80500	90965	100971	110059	117763	123651	127360	129908	131856	133834	135841	137879	
Growth in Active Accounts (%)	16.5%	15.0%	13.0%	11.0%	9.0%	7.0%	5.0%	3.0%	2.0%	1.5%	1.5%	1.5%	1.5%	
Growth in Spending (%)	39.0%	20%	15%	10%	10%	8%	8%	5%	5%	5%	5%	5%	5%	
Net Content Asset	\$ 332,272	\$ 453,972	\$ 597,329	\$ 752,464	\$ 931,222	\$ 1,117,225	\$ 1,316,805	\$ 1,506,432	\$ 1,702,948	\$ 1,908,828	\$ 2,128,244	\$ 2,362,087	\$ 2,611,306	
Amortization of Content Assets	\$ 234,355	\$ 310,522	\$ 418,314	\$ 530,666	\$ 643,518	\$ 759,820	\$ 868,018	\$ 964,979	\$ 1,040,069	\$ 1,112,009	\$ 1,185,124	\$ 1,263,046	\$ 1,346,091	
Content Assets and Liability, net	\$ 313,204	\$ 432,222	\$ 561,672	\$ 685,801	\$ 822,276	\$ 945,823	\$ 1,067,597	\$ 1,154,607	\$ 1,236,584	\$ 1,317,889	\$ 1,404,540	\$ 1,496,889	\$ 1,595,309	
Non-current Operating Liabilities														
Deferred Revenue, non-current portion (% of sales)	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Other Long-term Liabilities (% of sales)	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Financial Assets and Liabilities														
Cash (% of sales)	62.8%	44.5%	44.5%	44.5%	44.5%	44.5%	44.5%	44.5%	44.5%	44.5%	44.5%	44.5%	44.5%	44.5%
Cash (\$ thousands)	\$ 1,961,956	\$ 1,726,554	\$ 1,981,463	\$ 2,280,602	\$ 2,605,252	\$ 2,931,757	\$ 3,231,755	\$ 3,469,789	\$ 3,660,448	\$ 3,837,954	\$ 4,021,920	\$ 4,217,674	\$ 4,425,441	
Short-Term Investments (% of sales)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Short-Term Investments (\$ thousands)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New borrowings or (Payments) (\$ thousands, including capital leases)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Percent current	100.0%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Current portion of long-term debt (\$ thousands)	\$ 79,985	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00
Long-term debt (\$ thousands)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total debt	\$ 79,985	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00	\$ 79,985.00

Last Price	Fair Value Estimate	Market Cap	Economic Moat	Moat Trend	Sector
\$62.35	\$20.59	\$8.60B	None	Negative	Communication/Technology
27 Feb 2023	27 Feb 2023	27 Feb 2023			Sensitive

Cash Flow Assumptions (in USD Thousands)

Fiscal Year		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Operating Activities														
Stock Based Compensation Expense (% of SGA)		18.3%	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%
Amortization of right-of-use assets		\$ 55,507	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of content assets		59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%
Amortization of Intangible Assets		\$ 17,700	\$ 17,066	\$ 14,275	\$ 12,571	\$ 4,074	\$ 2,737	\$ 8,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Foreign currency remeasurement (gains) losses (\$ - Assumed 0)		\$ (8,230)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in fair value of strategic investment (\$ - Assumed 0)		\$ 532	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Impairment of intangible assets (\$ - Assumed 0)		\$ 7,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Provision for (recoveries of) doubtful accounts		\$ 2,081	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in fair value of preferred stock warrant liability (\$ - Assumed 0)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other items, net (\$ - Assumed 0)		\$ (190)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investing Activities														
Acquisition of businesses, net of cash acquired		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Purchase of Strategic Investment		\$ (40,000.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from escrows associated with acquisition		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Purchase of intangible assets		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Purchases of short-term investments		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales/maturities of short-term investments		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Deposits		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Financing Activities														
Payments of costs related to initial public offering		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from borrowings, net of issuance costs		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Repayments of borrowings		\$ (10,000.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Holdback payment for a prior business acquisition		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from equity issued under incentive plans		\$ 18,357.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from equity issued under at-the-market offerings,net of offering costs		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from issuance of common stock pursuant to an IPO		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Effect on Exchange Rate Changes			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted Cash			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Last Price	Fair Value Estimate	Market Cap	Economic Moat	Moat Trend	Sector
\$62.35	\$20.59	\$8.60B	None	Negative	Communication/Technology
27 Feb 2023	27 Feb 2023	27 Feb 2023			Sensitive

Income Statement (in USD Thousands)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Net Revenue:													
Platform	\$ 2,711,441	\$ 3,456,097	\$ 4,061,606	\$ 4,768,516	\$ 5,535,532	\$ 6,308,015	\$ 7,020,821	\$ 7,593,018	\$ 8,054,673	\$ 8,482,074	\$ 8,919,240	\$ 9,378,938	\$ 9,862,328
Devices	\$ 415,093	\$ 421,589	\$ 391,120	\$ 356,432	\$ 318,967	\$ 280,203	\$ 241,549	\$ 204,261	\$ 171,052	\$ 142,541	\$ 118,781	\$ 98,982	\$ 82,483
Total net revenue	\$ 3,126,534	\$ 3,877,686	\$ 4,452,726	\$ 5,124,948	\$ 5,854,499	\$ 6,588,218	\$ 7,262,370	\$ 7,797,279	\$ 8,225,726	\$ 8,624,615	\$ 9,038,021	\$ 9,477,920	\$ 9,944,812
YoY Growth	13.1%	24.0%	14.8%	15.1%	14.2%	12.5%	10.2%	7.4%	5.5%	4.8%	4.8%	4.9%	4.9%
Cost of Revenue:													
Platform	\$ 1,179,675	\$ 1,634,987	\$ 1,807,711	\$ 2,026,968	\$ 2,242,295	\$ 2,429,047	\$ 2,563,113	\$ 2,696,076	\$ 2,779,451	\$ 2,808,186	\$ 2,952,920	\$ 3,105,114	\$ 3,265,151
Devices	\$ 505,737	\$ 421,589	\$ 387,209	\$ 349,303	\$ 309,398	\$ 270,396	\$ 231,887	\$ 195,069	\$ 162,500	\$ 135,414	\$ 112,842	\$ 94,033	\$ 78,359
Total cost of revenue	\$ 1,685,412	\$ 2,056,575	\$ 2,194,920	\$ 2,376,271	\$ 2,551,693	\$ 2,699,443	\$ 2,795,000	\$ 2,891,146	\$ 2,941,951	\$ 2,943,600	\$ 3,065,763	\$ 3,199,147	\$ 3,343,511
Gross Profit (Loss):													
Platform	\$ 1,531,766	\$ 1,821,111	\$ 2,253,894	\$ 2,741,548	\$ 3,293,237	\$ 3,878,968	\$ 4,457,708	\$ 4,896,941	\$ 5,275,222	\$ 5,673,888	\$ 5,966,320	\$ 6,273,824	\$ 6,597,177
Devices	\$ (90,644)	\$ -	\$ 3,911	\$ 7,129	\$ 9,569	\$ 9,807	\$ 9,662	\$ 9,192	\$ 8,553	\$ 7,127	\$ 5,939	\$ 4,949	\$ 4,124
Total gross profit	\$ 1,441,122	\$ 1,821,111	\$ 2,257,805	\$ 2,748,677	\$ 3,302,806	\$ 3,888,775	\$ 4,467,370	\$ 4,906,133	\$ 5,283,775	\$ 5,681,015	\$ 5,972,259	\$ 6,278,773	\$ 6,601,301
% of Sales	46.1%	47.0%	50.7%	53.6%	56.4%	59.0%	61.5%	62.9%	64.2%	65.9%	66.1%	66.2%	66.4%
Operating Expenses:													
Research and development	\$ 788,913	\$ 1,056,004	\$ 1,301,658	\$ 1,281,237	\$ 1,375,807	\$ 1,449,408	\$ 1,488,786	\$ 1,520,469	\$ 1,604,016	\$ 1,681,800	\$ 1,762,414	\$ 1,848,194	\$ 1,939,238
Sales and marketing	\$ 838,419	\$ 1,117,403	\$ 1,372,163	\$ 1,434,985	\$ 1,633,405	\$ 1,831,525	\$ 2,011,676	\$ 2,152,049	\$ 2,270,300	\$ 2,380,394	\$ 2,494,494	\$ 2,615,906	\$ 2,744,768
General and administrative	\$ 344,678	\$ 387,769	\$ 400,745	\$ 256,247	\$ 289,798	\$ 322,823	\$ 352,225	\$ 374,269	\$ 390,722	\$ 405,357	\$ 420,268	\$ 435,984	\$ 452,489
Total operating expenses	\$ 1,972,010	\$ 2,561,176	\$ 3,074,566	\$ 2,972,470	\$ 3,299,010	\$ 3,603,755	\$ 3,852,687	\$ 4,046,788	\$ 4,265,039	\$ 4,467,550	\$ 4,677,176	\$ 4,900,085	\$ 5,136,495
% of Sales	63.1%	66.0%	69.0%	58.0%	56.4%	54.7%	53.1%	51.9%	51.9%	51.8%	51.8%	51.7%	51.7%
Income (Loss) from Operations	\$ (530,888)	\$ (740,065)	\$ (816,761)	\$ (223,793)	\$ 3,796	\$ 285,020	\$ 614,683	\$ 859,345	\$ 1,018,736	\$ 1,213,464	\$ 1,295,083	\$ 1,378,688	\$ 1,464,806
% of Sales	-17.0%	-19.1%	-18.3%	-4.4%	0.1%	4.3%	8.5%	11.0%	12.4%	14.1%	14.3%	14.5%	14.7%
Other Income (Expense), Net:													
Interest expense	\$ (5,161)	\$ (4,879)	\$ (4,879)	\$ (4,879)	\$ (4,879)	\$ (4,879)	\$ (4,879)	\$ (4,879)	\$ (4,879)	\$ (4,879)	\$ (4,879)	\$ (4,879)	\$ (4,879)
Loss on extinguishment of debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in fair value of preferred stock warrant liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income (expense), net	\$ 43,766	\$ 52,561	\$ 53,766	\$ 61,800	\$ 70,845	\$ 80,287	\$ 89,371	\$ 97,172	\$ 103,388	\$ 108,727	\$ 113,968	\$ 119,474	\$ 125,325
Total other income (expense), net	\$ 38,605	\$ 47,682	\$ 48,887	\$ 56,921	\$ 65,966	\$ 75,408	\$ 84,492	\$ 92,293	\$ 98,509	\$ 103,848	\$ 109,089	\$ 114,595	\$ 120,446
Income (Loss) Before Income Taxes	\$ (492,283)	\$ (692,383)	\$ (767,873)	\$ (166,872)	\$ 69,761	\$ 360,428	\$ 699,175	\$ 951,639	\$ 1,117,245	\$ 1,317,312	\$ 1,404,172	\$ 1,493,283	\$ 1,585,252
Income tax expense (benefit)	\$ 5,722	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 195,159.64	\$ 294,876.10	\$ 313,589.53	\$ 332,902.90
% of Earning (Loss) before Income Taxes	-1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	14.8%	21.0%	21.0%	21.0%
Net Income (Loss)	\$ (498,005)	\$ (692,383)	\$ (767,873)	\$ (166,872)	\$ 69,761	\$ 360,428	\$ 699,175	\$ 951,639	\$ 1,117,245	\$ 1,122,152	\$ 1,109,296	\$ 1,179,694	\$ 1,252,349
% of Sales	-15.9%	-17.9%	-17.2%	-3.3%	1.2%	5.5%	9.6%	12.2%	13.6%	13.0%	12.3%	12.4%	12.6%

Last Price	Fair Value Estimate	Market Cap	Economic Moat	Moat Trend	Sector
\$62.35	\$20.59	\$8.60B	None	Negative	Communication/Technology
27 Feb 2023	27 Feb 2023	27 Feb 2023			Sensitive

Balance Sheet (in USD Thousands)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Assets													
Current Assets:													
Cash and cash equivalents	\$ 1,961,956	\$ 1,726,554	\$ 1,981,463	\$ 2,280,602	\$ 2,605,252	\$ 2,931,757	\$ 3,231,755	\$ 3,469,789	\$ 3,660,448	\$ 3,837,954	\$ 4,021,920	\$ 4,217,674	\$ 4,425,441
Short-term investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable, net of allowances	\$ 760,793	\$ 934,894	\$ 1,073,534	\$ 1,235,604	\$ 1,411,496	\$ 1,588,392	\$ 1,750,928	\$ 1,879,892	\$ 1,983,189	\$ 2,079,359	\$ 2,179,030	\$ 2,285,088	\$ 2,397,653
Inventories	\$ 106,747	\$ 145,934	\$ 155,749	\$ 168,618	\$ 181,065	\$ 191,550	\$ 198,330	\$ 205,153	\$ 208,758	\$ 208,875	\$ 217,543	\$ 227,008	\$ 237,252
Prepaid expenses and other current assets	\$ 95,877	\$ 118,912	\$ 136,545	\$ 157,160	\$ 179,532	\$ 202,032	\$ 222,705	\$ 239,108	\$ 252,247	\$ 264,479	\$ 277,156	\$ 290,646	\$ 304,963
Total current assets	\$ 2,925,373	\$ 2,926,293	\$ 3,347,292	\$ 3,841,983	\$ 4,377,345	\$ 4,913,731	\$ 5,403,717	\$ 5,793,942	\$ 6,104,641	\$ 6,390,666	\$ 6,695,649	\$ 7,020,416	\$ 7,365,310
Property and equipment, net	\$ 335,031	\$ 327,973	\$ 377,350	\$ 434,318	\$ 496,144	\$ 558,324	\$ 615,455	\$ 660,786	\$ 697,095	\$ 730,900	\$ 765,934	\$ 803,214	\$ 842,781
Operating lease right-of-use assets	\$ 521,695	\$ 663,781	\$ 781,853	\$ 745,834	\$ 848,132	\$ 950,067	\$ 1,042,481	\$ 1,114,106	\$ 1,173,511	\$ 1,228,516	\$ 1,285,410	\$ 1,345,884	\$ 1,409,990
Content Assets	\$ 332,272	\$ 453,972	\$ 597,329	\$ 752,464	\$ 931,222	\$ 1,117,225	\$ 1,316,805	\$ 1,506,432	\$ 1,702,948	\$ 1,908,828	\$ 2,128,244	\$ 2,362,087	\$ 2,611,306
Intangible assets, net	\$ 58,881	\$ 41,815	\$ 27,540	\$ 14,969	\$ 10,895	\$ 8,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Goodwill	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519	\$ 161,519
Other non-current assets	\$ 77,830	\$ 96,942	\$ 89,055	\$ 76,874	\$ 58,545	\$ 32,941	\$ 36,312	\$ 38,986	\$ 41,129	\$ 43,123	\$ 45,190	\$ 47,390	\$ 49,724
Total Assets	\$ 4,412,601	\$ 4,672,295	\$ 5,381,937	\$ 6,027,961	\$ 6,883,802	\$ 7,741,965	\$ 8,576,288	\$ 9,275,772	\$ 9,880,842	\$ 10,463,551	\$ 11,081,946	\$ 11,740,509	\$ 12,440,629
Liabilities and Stockholders' Equity													
Current Liabilities:													
Accounts payable	\$ 164,800	\$ 195,935	\$ 205,977	\$ 223,205	\$ 239,554	\$ 253,174	\$ 261,755	\$ 270,742	\$ 275,188	\$ 275,016	\$ 287,228	\$ 299,763	\$ 313,323
Accrued liabilities	\$ 696,121	\$ 892,479	\$ 1,136,147	\$ 1,399,111	\$ 1,598,278	\$ 1,798,584	\$ 1,982,627	\$ 2,128,657	\$ 2,245,623	\$ 2,354,520	\$ 2,467,380	\$ 2,587,472	\$ 2,714,934
Current Operating Lease Liabilities	\$ 54,689	\$ 67,203	\$ 77,357	\$ 74,259	\$ 83,057	\$ 91,823	\$ 99,771	\$ 105,931	\$ 111,039	\$ 115,770	\$ 120,663	\$ 125,863	\$ 131,377
Current portion of long-term debt	\$ 79,985	\$ 79,985	\$ 79,985	\$ 79,985	\$ 79,985	\$ 79,985	\$ 79,985	\$ 79,985	\$ 79,985	\$ 79,985	\$ 79,985	\$ 79,985	\$ 79,985
Deferred revenue, current portion	\$ 87,678	\$ 116,331	\$ 133,582	\$ 153,748	\$ 175,635	\$ 197,647	\$ 217,871	\$ 233,918	\$ 246,772	\$ 258,738	\$ 271,141	\$ 284,338	\$ 298,344
Total current liabilities	\$ 1,083,273	\$ 1,351,932	\$ 1,633,047	\$ 1,930,308	\$ 2,176,509	\$ 2,421,212	\$ 2,642,009	\$ 2,819,233	\$ 2,958,607	\$ 3,084,029	\$ 3,226,396	\$ 3,377,422	\$ 3,537,963
Non-Current Liabilities:													
Long-term debt, non-current portion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue, non-current portion	\$ 28,210	\$ 34,899	\$ 40,075	\$ 46,125	\$ 52,690	\$ 59,294	\$ 65,361	\$ 70,176	\$ 74,032	\$ 77,622	\$ 81,342	\$ 85,301	\$ 89,503
Operating lease liability, non-current portion	\$ 584,651	\$ 714,223	\$ 822,141	\$ 789,219	\$ 882,721	\$ 975,889	\$ 1,060,355	\$ 1,125,821	\$ 1,180,116	\$ 1,230,391	\$ 1,282,392	\$ 1,337,665	\$ 1,396,259
Other long-term liabilities	\$ 69,911	\$ 85,309	\$ 97,960	\$ 112,749	\$ 128,799	\$ 144,941	\$ 159,772	\$ 171,540	\$ 180,966	\$ 189,742	\$ 198,836	\$ 208,514	\$ 218,786
Total Liabilities	\$ 1,766,045	\$ 2,186,364	\$ 2,593,222	\$ 2,878,401	\$ 3,240,719	\$ 3,601,336	\$ 3,927,497	\$ 4,186,769	\$ 4,393,721	\$ 4,581,783	\$ 4,788,967	\$ 5,008,902	\$ 5,242,511
Stockholders' Equity:													
Total stockholders' equity	\$ 2,646,556	\$ 2,485,931	\$ 2,788,715	\$ 3,149,560	\$ 3,643,083	\$ 4,140,629	\$ 4,648,791	\$ 5,089,003	\$ 5,487,122	\$ 5,881,768	\$ 6,292,979	\$ 6,731,607	\$ 7,198,119
Total Liabilities and Stockholders' Equity	\$ 4,412,601	\$ 4,672,295	\$ 5,381,937	\$ 6,027,961	\$ 6,883,802	\$ 7,741,965	\$ 8,576,288	\$ 9,275,772	\$ 9,880,842	\$ 10,463,551	\$ 11,081,946	\$ 11,740,509	\$ 12,440,629

Last Price	Fair Value Estimate	Market Cap	Economic Moat	Moat Trend	Sector
\$62.35	\$20.59	\$8.60B	None	Negative	Communication/Technology
27 Feb 2023	27 Feb 2023	27 Feb 2023			Sensitive

Statement of Cash Flows (in USD Thousands)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Cash flows from operating activities:													
Net income (loss)	\$ (498,005)	\$ (692,383)	\$ (767,873)	\$ (166,872)	\$ 69,761	\$ 360,428	\$ 699,175	\$ 951,639	\$ 1,117,245	\$ 1,122,152	\$ 1,109,296	\$ 1,179,694	\$ 1,252,349
Adjustments to reconcile net income (loss) to net cash provided by operating activities:													
Depreciation of PPE	\$ 30,951	\$ 54,390	\$ 60,307	\$ 74,017	\$ 90,390	\$ 109,417	\$ 130,867	\$ 154,367	\$ 179,329	\$ 206,284	\$ 236,295	\$ 270,211	\$ 308,647
Amortization of Intangible Assets	\$ 17,700	\$ 17,066	\$ 14,275	\$ 12,571	\$ 4,074	\$ 2,737	\$ 8,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stock-based compensation expense	\$ 359,931	\$ 230,364	\$ 271,341	\$ 258,840	\$ 294,343	\$ 329,719	\$ 361,791	\$ 386,649	\$ 407,265	\$ 426,355	\$ 446,100	\$ 467,087	\$ 489,335
Amortization of right-of-use assets	\$ 55,507	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of content assets	\$ 234,355	\$ 310,522	\$ 418,314	\$ 530,666	\$ 643,518	\$ 759,820	\$ 868,018	\$ 964,979	\$ 1,040,069	\$ 1,112,009	\$ 1,185,124	\$ 1,263,046	\$ 1,346,091
Foreign currency remeasurement (gains) losses	\$ (8,230)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in fair value of strategic investment	\$ 532	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Impairment of intangible assets	\$ 7,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Provision for (recoveries of) doubtful accounts	\$ 2,081	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in fair value of preferred stock warrant liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other items, net	\$ (190)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes in operating assets and liabilities:													
Accounts receivable	\$ (10,887)	\$ (174,101)	\$ (138,640)	\$ (162,070)	\$ (175,892)	\$ (176,897)	\$ (162,535)	\$ (128,964)	\$ (103,297)	\$ (96,171)	\$ (99,671)	\$ (106,058)	\$ (112,566)
Inventories	\$ (56,471)	\$ (39,187)	\$ (9,816)	\$ (12,868)	\$ (12,448)	\$ (10,484)	\$ (6,781)	\$ (6,822)	\$ (3,605)	\$ (117)	\$ (8,669)	\$ (9,465)	\$ (10,244)
Prepaid expenses and other current assets	\$ (15,941)	\$ (23,035)	\$ (17,634)	\$ (20,614)	\$ (22,372)	\$ (22,500)	\$ (20,673)	\$ (16,403)	\$ (13,139)	\$ (12,232)	\$ (12,677)	\$ (13,490)	\$ (14,318)
Content Assets and liabilities, net	\$ (313,204)	\$ (432,222)	\$ (561,672)	\$ (685,801)	\$ (822,276)	\$ (945,823)	\$ (1,067,597)	\$ (1,154,607)	\$ (1,236,584)	\$ (1,317,889)	\$ (1,404,540)	\$ (1,496,889)	\$ (1,595,309)
Other non-current assets	\$ (7,304)	\$ (19,112)	\$ 7,888	\$ 12,180	\$ 18,329	\$ 25,604	\$ (3,371)	\$ (2,675)	\$ (2,142)	\$ (1,994)	\$ (2,067)	\$ (2,199)	\$ (2,334)
Accounts payable	\$ 14,190	\$ 31,135	\$ 10,041	\$ 17,228	\$ 16,349	\$ 13,620	\$ 8,581	\$ 8,986	\$ 4,446	\$ (172)	\$ 12,212	\$ 12,536	\$ 13,560
Accrued liabilities	\$ 167,526	\$ 196,358	\$ 243,668	\$ 262,964	\$ 199,167	\$ 200,305	\$ 184,043	\$ 146,030	\$ 116,966	\$ 108,897	\$ 112,860	\$ 120,092	\$ 127,461
Operating lease liabilities	\$ (9,245)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other long-term liabilities	\$ (403)	\$ 15,398	\$ 12,651	\$ 14,789	\$ 16,050	\$ 16,142	\$ 14,831	\$ 11,768	\$ 9,426	\$ 8,776	\$ 9,095	\$ 9,678	\$ 10,272
Deferred revenue	\$ 41,402	\$ 35,342	\$ 22,427	\$ 26,217	\$ 28,452	\$ 28,615	\$ 26,292	\$ 20,861	\$ 16,709	\$ 15,557	\$ 16,123	\$ 17,156	\$ 18,209
Net cash provided by operating activities	\$ 11,795	\$ (489,464)	\$ (434,724)	\$ 161,247	\$ 347,448	\$ 690,704	\$ 1,040,800	\$ 1,335,808	\$ 1,532,689	\$ 1,571,454	\$ 1,599,480	\$ 1,711,399	\$ 1,831,153
Cash flows from investing activities:													
Purchases of property and equipment (i.e., CAPEX)	\$ (161,696)	\$ (47,332)	\$ (109,684)	\$ (130,985)	\$ (152,217)	\$ (171,597)	\$ (187,999)	\$ (199,698)	\$ (215,638)	\$ (240,088)	\$ (271,329)	\$ (307,491)	\$ (348,215)
Acquisition of businesses, net of cash acquired	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Purchase of Strategic Investment	\$ (40,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from escrows associated with acquisition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Purchase of intangible assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Purchases of short-term investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales/maturities of short-term investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net cash used in investing activities	\$ (201,696)	\$ (47,332)	\$ (109,684)	\$ (130,985)	\$ (152,217)	\$ (171,597)	\$ (187,999)	\$ (199,698)	\$ (215,638)	\$ (240,088)	\$ (271,329)	\$ (307,491)	\$ (348,215)

Last Price	Fair Value Estimate	Market Cap	Economic Moat	Moat Trend	Sector
\$62.35	\$20.59	\$8.60B	None	Negative	Communication/Technology
27 Feb 2023	27 Feb 2023	27 Feb 2023			Sensitive

Statement of Cash Flows (in USD Thousands), continued

Cash flows from financing activities:														
Payments of costs related to initial public offering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from borrowings, net of issuance costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Repayments of borrowings	\$ (10,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Holdback payment for a prior business acquisition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from equity issued under incentive plans	\$ 18,357	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from equity issued under at-the-market offerings, net of offering costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from issuance of common stock pursuant to an IPO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Debt Transactions		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Equity Transactions (stock sales, repurchases, dividends)		\$ 301,393	\$ 799,316	\$ 268,877	\$ 129,419	\$ (192,602)	\$ (552,804)	\$ (898,075)	\$ (1,126,392)	\$ (1,153,860)	\$ (1,144,185)	\$ (1,208,153)	\$ (1,275,172)	\$ (1,275,172)
Net cash provided by financing activities	\$ 8,357	\$ 301,393	\$ 799,316	\$ 268,877	\$ 129,419	\$ (192,602)	\$ (552,804)	\$ (898,075)	\$ (1,126,392)	\$ (1,153,860)	\$ (1,144,185)	\$ (1,208,153)	\$ (1,275,172)	\$ (1,275,172)
Net increase in cash, cash equivalents and restricted cash	\$ (181,544)	\$ (235,402)	\$ 254,909	\$ 299,139	\$ 324,650	\$ 326,505	\$ 299,997	\$ 238,034	\$ 190,659	\$ 177,506	\$ 183,966	\$ 195,755	\$ 207,767	\$ 207,767
Effect of exchange rate changes on cash, cash equivalents and restricted cash	\$ (4,170)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash, cash equivalents and restricted cash -Beginning of period	\$ 2,147,670	\$ 1,961,956	\$ 1,726,554	\$ 1,981,463	\$ 2,280,602	\$ 2,605,252	\$ 2,931,757	\$ 3,231,755	\$ 3,469,789	\$ 3,660,448	\$ 3,837,954	\$ 4,021,920	\$ 4,217,674	\$ 4,217,674
Cash, cash equivalents and restricted cash -End of period	\$ 1,961,956	\$ 1,726,554	\$ 1,981,463	\$ 2,280,602	\$ 2,605,252	\$ 2,931,757	\$ 3,231,755	\$ 3,469,789	\$ 3,660,448	\$ 3,837,954	\$ 4,021,920	\$ 4,217,674	\$ 4,425,441	\$ 4,425,441
Cash, cash equivalents and restricted cash at end of period:														
Cash and cash equivalents	\$ 1,961,956	\$ 1,726,554	\$ 1,981,463	\$ 2,280,602	\$ 2,605,252	\$ 2,931,757	\$ 3,231,755	\$ 3,469,789	\$ 3,660,448	\$ 3,837,954	\$ 4,021,920	\$ 4,217,674	\$ 4,425,441	\$ 4,425,441
Restricted cash, current	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash, non-current	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash, cash equivalents and restricted cash -End of period	\$ 1,961,956	\$ 1,726,554	\$ 1,981,463	\$ 2,280,602	\$ 2,605,252	\$ 2,931,757	\$ 3,231,755	\$ 3,469,789	\$ 3,660,448	\$ 3,837,954	\$ 4,021,920	\$ 4,217,674	\$ 4,425,441	\$ 4,425,441
	difference	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2022	2023	2024	2025	2026	2027	2028	2029	2030					
Supplemental Disclosures of Cash Flow Information														
Cash paid for interest	\$ 3,894.00													
Cash paid for income taxes	\$ 7,016.00													
Supplemental Disclosures of Non-Cash Investing and Financing Activities														
Non-cash consideration for business combination	\$ -													
Services to be received as part of a business combination	\$ -													
Issuance of common stock for business combinations	\$ -													
Unpaid portion of property and equipment purchases	\$ 28,503.00													
Unpaid portion of acquisition related expenses	\$ -													
Unpaid portion of purchased intangibles	\$ -													
Unpaid portion of at-the-market-offering costs	\$ -													

Last Price	Fair Value Estimate	Market Cap	Economic Moat	Moat Trend	Sector
\$62.35	\$20.59	\$8.60B	None	Negative	Communication/Technology
27 Feb 2023	27 Feb 2023	27 Feb 2023			Sensitive

NOPAT and NOA Calculations (in USD Thousands, except per share amounts)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Calculate NOA													
Operating Assets	\$ 2,450,645	\$ 2,945,740	\$ 3,400,474	\$ 3,747,359	\$ 4,278,550	\$ 4,810,207	\$ 5,344,534	\$ 5,805,983	\$ 6,220,394	\$ 6,625,598	\$ 7,060,026	\$ 7,522,835	\$ 8,015,188
Operating Liabilities	\$ 1,686,060	\$ 2,106,379	\$ 2,513,237	\$ 2,798,416	\$ 3,160,734	\$ 3,521,351	\$ 3,847,512	\$ 4,106,784	\$ 4,313,736	\$ 4,501,798	\$ 4,708,982	\$ 4,928,917	\$ 5,162,526
Net Operating Assets (NOA)	\$ 764,585	\$ 839,362	\$ 887,237	\$ 948,943	\$ 1,117,816	\$ 1,288,856	\$ 1,497,021	\$ 1,699,199	\$ 1,906,659	\$ 2,123,800	\$ 2,351,045	\$ 2,593,917	\$ 2,852,662
Calculate NOPAT													
Operating Revenues	\$ 3,126,534	\$ 3,877,686	\$ 4,452,726	\$ 5,124,948	\$ 5,854,499	\$ 6,588,218	\$ 7,262,370	\$ 7,797,279	\$ 8,225,726	\$ 8,624,615	\$ 9,038,021	\$ 9,477,920	\$ 9,944,812
Cost of Goods Sold	\$ 1,685,412	\$ 2,056,575	\$ 2,194,920	\$ 2,376,271	\$ 2,551,693	\$ 2,699,443	\$ 2,795,000	\$ 2,891,146	\$ 2,941,951	\$ 2,943,600	\$ 3,065,763	\$ 3,199,147	\$ 3,343,511
Gross Margin	\$ 1,441,122	\$ 1,821,111	\$ 2,257,805	\$ 2,748,677	\$ 3,302,806	\$ 3,888,775	\$ 4,467,370	\$ 4,906,133	\$ 5,283,775	\$ 5,681,015	\$ 5,972,259	\$ 6,278,773	\$ 6,601,301
Operatings Expenses	\$ 1,972,010	\$ 2,561,176	\$ 3,074,566	\$ 2,972,470	\$ 3,299,010	\$ 3,603,755	\$ 3,852,687	\$ 4,046,788	\$ 4,265,039	\$ 4,467,550	\$ 4,677,176	\$ 4,900,085	\$ 5,136,495
EBIT	\$ (530,888)	\$ (740,065)	\$ (816,761)	\$ (223,793)	\$ 3,796	\$ 285,020	\$ 614,683	\$ 859,345	\$ 1,018,736	\$ 1,213,464	\$ 1,295,083	\$ 1,378,688	\$ 1,464,806
Tax on EBIT	0	0	0	0	\$ 797	\$ 59,854	\$ 129,083	\$ 180,463	\$ 213,935	\$ 254,828	\$ 271,967	\$ 289,525	\$ 307,609
NOPAT	\$ (530,888)	\$ (740,065)	\$ (816,761)	\$ (223,793)	\$ 2,999	\$ 225,166	\$ 485,599	\$ 678,883	\$ 804,802	\$ 958,637	\$ 1,023,115	\$ 1,089,164	\$ 1,157,197
Investment (change in NOA)	\$ 54,154	\$ 74,777	\$ 47,875	\$ 61,707	\$ 168,873	\$ 171,040	\$ 208,165	\$ 202,178	\$ 207,460	\$ 217,141	\$ 227,245	\$ 242,873	\$ 258,745
ROIC	-71.98%	-92.28%	-94.61%	-24.38%	0.29%	18.71%	34.86%	42.48%	44.64%	47.57%	45.73%	44.05%	42.49%
RONIC	-1414.46%	-279.74%	-160.20%	960.95%	134.30%	129.89%	125.11%	95.60%	60.70%	70.85%	28.37%	27.19%	26.29%
g(Sales)	13.1%	24.0%	14.8%	15.1%	14.2%	12.5%	10.2%	7.4%	5.5%	4.8%	4.8%	4.9%	4.9%
g(NOPAT)	-325.8%	39.4%	10.4%	-72.6%	-101.3%	7409.2%	115.7%	39.8%	18.5%	19.1%	6.7%	6.5%	6.2%

Content Assets (in USD Thousands)

	2016	2017	2018	2019	2020	2021	2022
Licensed content, net and advances						\$ 218,456	\$ 243,226
Produced content							
Release, less amortization						\$ 20,030	\$ 42,605
Completed, not released						\$ 881	\$ 3,537
In production						\$ 3,512	\$ 42,904
Total produced content, net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,423	\$ 89,046
Total content assets, net and advances	\$ -	\$ -	\$ -	\$ 1,700.00	\$ 7,900.00	\$ 242,879	\$ 332,272
Current portion						\$ 19,166	\$ 39,506
Non-current portion	\$ -	\$ -	\$ -	\$ 1,700.00	\$ 7,900.00	\$ 223,713	\$ 292,766
Amortization of Content Assets							
Licensed content				\$ 2,900.00	\$ 22,392.00	\$ 84,133.00	\$ 216,393.00
Produced content					\$ -	\$ 11,437.00	\$ 17,962.00
Total amortization costs	\$ -	\$ -	\$ -	\$ 2,900.00	\$ 22,392.00	\$ 95,570.00	\$ 234,355.00

Last Price	Fair Value Estimate	Market Cap	Economic Moat	Moat Trend	Sector
\$62.35	\$20.59	\$8.60B	None	Negative	Communication/Technology
27 Feb 2023	27 Feb 2023	27 Feb 2023			Sensitive

DCF Valuation (in USD Thousands, except per share amounts)

Method I	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
NOPAT	\$ (740,065)	\$ (816,761)	\$ (223,793)	\$ 2,999	\$ 225,166	\$ 485,599	\$ 678,883	\$ 804,802	\$ 958,637	\$ 1,023,115	\$ 1,089,164	\$ 1,157,197
Add back non-cash operating expenses												
Depreciation of PPE	\$ 54,390	\$ 60,307	\$ 74,017	\$ 90,390	\$ 109,417	\$ 130,867	\$ 154,367	\$ 179,329	\$ 206,284	\$ 236,295	\$ 270,211	\$ 308,647
Amortization of Intangible Assets	\$ 17,066	\$ 14,275	\$ 12,571	\$ 4,074	\$ 2,737	\$ 8,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of content assets	\$ 310,522	\$ 418,314	\$ 530,666	\$ 643,518	\$ 759,820	\$ 868,018	\$ 964,979	\$ 1,040,069	\$ 1,112,009	\$ 1,185,124	\$ 1,263,046	\$ 1,346,091
Gross cash flow	\$ (358,087)	\$ (323,865)	\$ 393,462	\$ 740,981	\$ 1,097,140	\$ 1,492,642	\$ 1,798,229	\$ 2,024,199	\$ 2,276,930	\$ 2,444,534	\$ 2,622,421	\$ 2,811,935
Less net investments in working capital												
(-) Change in current operating assets	\$ (236,322)	\$ (166,089)	\$ (195,552)	\$ (210,712)	\$ (209,881)	\$ (189,989)	\$ (152,190)	\$ (120,040)	\$ (108,520)	\$ (121,017)	\$ (129,012)	\$ (137,127)
(+) Change in current operating liabilities	\$ 227,493	\$ 253,709	\$ 280,192	\$ 215,517	\$ 213,925	\$ 192,625	\$ 155,016	\$ 121,412	\$ 108,725	\$ 125,072	\$ 132,628	\$ 141,021
Less net investment in fixed assets and other noncurrent assets												
(-) Capital expenditures for PPE	\$ (47,332)	\$ (109,684)	\$ (130,985)	\$ (152,217)	\$ (171,597)	\$ (187,999)	\$ (199,698)	\$ (215,638)	\$ (240,088)	\$ (271,329)	\$ (307,491)	\$ (348,215)
(-) Other net changes in long-term operating assets and liabilities	\$ (400,594)	\$ (518,707)	\$ (632,616)	\$ (759,444)	\$ (875,462)	\$ (1,029,845)	\$ (1,124,652)	\$ (1,212,591)	\$ (1,295,551)	\$ (1,381,390)	\$ (1,472,254)	\$ (1,569,163)
Free cash flow	\$ (814,842)	\$ (864,635)	\$ (285,500)	\$ (165,875)	\$ 54,126	\$ 277,435	\$ 476,705	\$ 597,342	\$ 741,496	\$ 795,871	\$ 846,291	\$ 898,451
Method II	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
NOPAT	\$ (740,065)	\$ (816,761)	\$ (223,793)	\$ 2,999	\$ 225,166	\$ 485,599	\$ 678,883	\$ 804,802	\$ 958,637	\$ 1,023,115	\$ 1,089,164	\$ 1,157,197
(-) Net change in NOA	\$ 74,777	\$ 47,875	\$ 61,707	\$ 168,873	\$ 171,040	\$ 208,165	\$ 202,178	\$ 207,460	\$ 217,141	\$ 227,245	\$ 242,873	\$ 258,745
Free cash flow	\$ (814,842)	\$ (864,635)	\$ (285,500)	\$ (165,875)	\$ 54,126	\$ 277,435	\$ 476,705	\$ 597,342	\$ 741,496	\$ 795,871	\$ 846,291	\$ 898,451
Check difference between methods	\$ -	\$ -	\$ 0	\$ (0)	\$ 0	\$ (0)	\$ -	\$ (0)	\$ 0	\$ (0)	\$ 0	\$ (0)
DCF Valuation												
Free Cash Flows (2023-2030)	\$ (814,842)	\$ (864,635)	\$ (285,500)	\$ (165,875)	\$ 54,126	\$ 277,435	\$ 476,705	\$ 597,342	\$ 741,496	\$ 795,871	\$ 846,291	\$ 898,451
Discount Factor = 1/(1+WACC) ^t	0.89	0.80	0.71	0.64	0.57	0.51	0.46	0.41	0.37	0.33	0.29	0.26
PV of FCF _t	\$ (728,620)	\$ (691,336)	\$ (204,122)	\$ (106,045)	\$ 30,942	\$ 141,817	\$ 217,894	\$ 244,144	\$ 270,995	\$ 260,089	\$ 247,302	\$ 234,764

Last Price	Fair Value Estimate	Market Cap	Economic Moat	Moat Trend	Sector
\$62.35	\$20.59	\$8.60B	None	Negative	Communication/Technology
27 Feb 2023	27 Feb 2023	27 Feb 2023			Sensitive

Sum of PV of FCF over forecast horizon (2023 - 2031)		\$ (316,940)
Free Cash Flows Beyond 2031 (i.e., Continuing or Terminal Value) =		
[FCF_2032 / (WACC-g)] / [1+WACC]T		\$ 1,227,849
Terminal growth rate, g =		6.2%
Terminal value year (i.e., # of years forecast), T =		11
OPERATING VALUE: PV of all future Free Cash Flows		\$ 910,909
Add financial assets:		
(+) Value of Cash and ST Investments in 2022		\$ 1,961,956
(+) Value of LT Investments 2022		\$ -
(+) Other		\$ -
ENTERPRISE VALUE:		\$ 2,872,865
Subtract other financial claims:		
(-) Notes Payable in 2022		\$ (79,985)
(-) Value of stock comp outstanding 2022* (1-tax rate)		\$ (270.47)
EQUITY VALUE at 12/31/2022:		\$ 2,792,610
# shares outstanding 1/31/2022 (thousands)		137,668
Value per share = Value of Equity / # of shares	12/31/2022	\$ 20.29
Value per share at 2/27/2023	2/27/2023	\$ 20.59

Cost of Capital

Cost of Capital

Credit Risk Spread

Extremely Low	75
Very Low	100
Low	130
Moderate	200
Above average	350
High	550
Very High	1000

WACC

11.8%	Shares Outstanding	137668
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* For the value of common equity or pref Price per share of Roku as \$ 40.70

** For the value of debt, use either recent

2 Revenue cycality score

2 Operating leverage score

2 Financial leverage score

2 Average score

Last Price	Fair Value Estimate	Market Cap	Economic Moat	Moat Trend	Sector
\$62.35	\$20.59	\$8.60B	None	Negative	Communication/Technology
27 Feb 2023	27 Feb 2023	27 Feb 2023			Sensitive

Residual Income Valuation (in USD, except per share amounts)

T		1	2	3	4	5	6	7	8	9	10	11	12
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
R_e		9.98%	9.98%	9.98%	9.98%	9.98%	9.98%	9.98%	9.98%	9.98%	9.98%	9.98%	9.98%
BVE_(t-1)		\$ 2,646,556	\$ 2,485,931	\$ 2,788,715	\$ 3,149,560	\$ 3,643,083	\$ 4,140,629	\$ 4,648,791	\$ 5,089,003	\$ 5,487,122	\$ 5,881,768	\$ 6,292,979	\$ 6,731,607
NI		\$ (692,383)	\$ (767,873)	\$ (166,872)	\$ 69,761	\$ 360,428	\$ 699,175	\$ 951,639	\$ 1,117,245	\$ 1,122,152	\$ 1,109,296	\$ 1,179,694	\$ 1,252,349
RI		\$ (956,377)	\$ (1,015,845)	\$ (445,046)	\$ (244,407)	\$ (2,970)	\$ 286,147	\$ 487,922	\$ 609,617	\$ 574,812	\$ 522,589	\$ 551,969	\$ 580,871
Discount factor		0.91	0.83	0.75	0.68	0.62	0.57	0.51	0.47	0.42	0.39	0.35	0.32
PV(RI)		-869,630.99	-839,923.06	-334,598.00	-167,085.24	-1,846.27	161,742.91	250,779.77	284,908.64	244,275.61	201,939.33	193,946.18	185,589.00
Sum PV(RI)	-875,491.12												
Explicit forecast horizon (T years)	12												
Terminal (i.e., perpetuity) growth rate	6.2%												
TV	4,977,346.98												
Equity value at 2/27/2023	\$ 6,748,412												
Shares outstanding	137,668												
Value per share at 2/27/2023	49.019												
Difference from WACC DCF	28.426												

30130 Financial Statement Analysis Final Project

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