

## Roku Likely Working on Confidential IPO

By Richard Johnson, J.D. Candidate 2017 | November 6, 2014

Roku, the streaming content device maker, is [reportedly in the works](#) with underwriters to take the company public. The Saratoga-based company, created in 2008 by former Netflix vice-president Anthony Wood, [has already proved](#) to be very successful. Roku generated \$190 million in revenue last year alone and has raised over \$150 million in private capital. However, many believe the time is right for an IPO for two reasons: the need to stay competitive moving forward and the success of recent consumer electronic IPOs.

The shift away from traditional cable television and towards digital video has media firms like [Magna Global](#) projecting an increase in market spending by as much as threefold by 2017. This is good news for Roku, which has already sold over 10 million players, and combined with Apple the two companies control 94% of the streaming media player market. But with this potential comes competition, and both Google (Chromecast) and Amazon (Fire TV) have introduced their own players. The trifecta of Apple-Google-Amazon all have “[tremendous resources](#),” which means Roku may need both the cash and visibility from an IPO to compete.

A Roku IPO [also makes sense](#) considering the level of investor interest. As evidence, in just over a year since going public, shares of the innovative tech company GoPro showed returns of nearly 200%. Furthermore, Mobileeye NV, a manufacturer of camera safety warning systems for cars, is already up almost 100% from its August IPO.

If Roku does go public, the company will most likely file “confidentially” under the Jumpstart Our Business Startups (JOBS) Act, and this means the initial steps will take place [behind the scenes](#). The JOBS Act, passed in 2012, encourages small business growth with relaxed federal regulations. [One major impact](#) of the Act is on the IPO market, where companies with under \$1 billion in annual revenue qualify as Emerging Growth Companies (EGCs). EGCs are given various regulatory relief options, including the option of submitting preliminary registration statements to the SEC, which then provides feedback to the company on a confidential basis. [Other benefits include](#) an option to reduce disclosures of financial information during and after the IPO, and the ability to meet with potential investors to gauge interest in the possible offering.

A study of the effects of the JOBS Act by the law firm [Latham & Watkins](#) shows the vast majority of IPOs are now filed as EGCs. In addition, while most companies do not elect to disclose less financial information, the vast majority of firms take advantage of the options to initiate the SEC registration process confidentially, as well as “test the waters” by assessing investor interest.

All of this is relevant to Roku’s current status because the company can simultaneously gauge its market interest and negotiate with the SEC away from the public eye. Of course this does not curb speculation, yet the confidentiality afforded to Roku in these preliminary stages means they can put off an IPO ([as other tech companies recently have](#) because of market volatility concerns)

or cancel it entirely without serious attention. But with so much growth potential and competition from its silicon-valley neighbors, a Roku IPO may be both likely and necessary for continued success.