Why Roku Stock Fell 12% on Wednesday

Description

What happened

Shares of **Roku** (NASDAQ: ROKU) took a hit on Wednesday, falling about 12% as of 11:30 a.m. EDT. The tech stock's decline followed an announcement that **Comcast** (NASDAQ: CMCSA) was making its streaming-TV box — Xfinity Flex — free for its internet-only customers. Following news yesterday that Comcast is launching a new streaming-TV service, called Peacock, the company is clearly stepping up its offering in connected TV.

Some Roku investors could be worried that Comcast's combination of a new streaming service and a free streaming-TV box could keep some users away from the Roku platform.

So what

Announced in March, Xfinity Flex was initially priced at $5 a month. With Roku streaming devices available for as little as $30 (a one-time cost), it's easy to see why this wasn't very competitive pricing.

By making Xfinity Flex free to its internet-only customers, Comcast could keep some customers from using third-party streaming-TV devices to watch their connected TV. Roku, therefore, could lose some business to users who opt to use Comcast's free streaming-TV box.

Now what

While Comcast's free Xfinity Flex could hurt Roku, the effect will likely be small. Roku is by far the most popular streaming-TV platform in the U.S., powering 41 million over-the-top devices and smart TVs in its home market, according to Strategy Analytics.

Furthermore, publishers and advertisers will likely always invest the most time and energy into platforms with the biggest reach — and Xfinity Flex is unlikely to ever come close to having the audience Roku does.

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1. NASDAQ:CMCS.A (Comcast Corporation)
2. NASDAQ:ROKU (Roku)

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