



Here's How Roku Shares Dropped 33% Last Month

Description

What happened

Shares of **Roku** ([NASDAQ: ROKU](#)) fell 33% in September 2019, [according to data from S&P Global Market Intelligence](#). The maker of streaming media devices and related services took several ice baths last month

So what

Roku started last month in high spirits, [setting fresh all-time highs](#) on the back of positive analyst reports. That changed in a hurry when **Apple** [announced a video streaming service](#) with a miserly subscription fee of \$5 per month. Roku's stock took an 18% haircut in two days.

The market hit rewind to play that story again a week later. Roku shares fell as much as 14% when **Comcast** [introduced another streaming service](#) that will provide free set-top boxes to its subscribers.

And we're not done yet. Two days later, analyst firm Pivotal Research Group said that Roku's stock was wildly overvalued and should be trading closer to \$60 than \$130 per share. That analyst note, tied to a firm "sell" rating, caused the stock to close 19% lower.

So Roku started the month on an uptrend, only to crash amid concerns about fresh competition and unsustainable stock prices. The closing price on Sept. 30 landed a staggering 42% below the all-time highs that were set on the morning of the 9th.

Now what

As [fellow Fool Daniel Sparks noted](#) when the Pivotal analyst note made the rounds, Roku doesn't really compete against streaming video services. Instead, it provides a hardware and software platform on which those services can shine. Apple's new streaming platform, for example, will be compatible

with Roku devices from day one.

“More affordable pricing for Apple TV+ will lead to more subscribers — and ultimately more engagement — on the Roku platform,” Dan wrote. I couldn’t have said it better myself. Bearish analysts and nervous investors are misreading how the evolving streaming video industry will affect Roku’s business prospects.

Yes, the stock was expensive in early September and arguably remains costly even after the drastic correction that followed. But sometimes you get what you pay for. This might actually be a great time to pick up some Roku shares [for the long run](#).

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