

DEAL READ · CASE 5 · FOX / ROKU

The bet on the glass

A \$25B live-news company just bet its balance sheet — Fox buys Roku for ~\$22B.

A strategically coherent, financially aggressive bet on owning distribution — the connected-TV operating system between content and the viewer, across 100M+ households.

The right asset, bought at a full price

Fox is buying distribution, not earnings. It makes content and sells ads, but it does not own the operating system between viewer and screen. Roku does — across 100M+ households.

The price is strategic, not an earnings multiple. ~\$22B (~86% of Fox's own market cap) at ~4.6× revenue and ~\$218/household for a business at roughly breakeven EBITDA. Read it as the cost of owning the glass.

It is financed aggressively. ~\$12B of new debt takes a clean balance sheet from under 1× to ~3.0× net debt/EBITDA, and dilutes Fox holders by roughly a quarter. The market flinched.

“The content owner without the distribution layer is a tenant. Fox is paying its entire balance-sheet capacity to become the landlord of the living-room glass — the right strategic move, at a full price.”

THE DEAL

\$160 a share, ~\$22B — cash and stock

~\$22B

Enterprise value (headline)

\$96 + 0.97

Cash + FOX shares / Roku share

~\$12B

Committed bridge (Morgan Stanley)

~25%

Roku holders' stake at close

The terms. \$160.00 per Roku share — \$96.00 cash plus 0.9693 Fox Class A shares — valuing Roku at ~\$22B enterprise value. The cash portion (~\$13.9B) is backed by a \$12.0B committed bridge from Morgan Stanley Senior Funding plus cash on hand. Expected to close in the first half of 2027, subject to regulatory and Roku shareholder approval.

In context. ~\$22B is about 86% of Fox's ~\$25.6B pre-deal market cap. This is the defining strategic act of Fox's independent life — a company built lean in 2019 spending its full balance-sheet capacity on a platform. Reconcile share counts and the re-marked stock value against the proxy/S-4 before quoting.

The operating system of the television

\$4,737M

FY2025 revenue

~87%

Platform % of revenue

100M+

Streaming households

\$2,280M

FY2025 gross profit

\$484M

FY2025 free cash flow

~\$430M

FY2025 adj. EBITDA (~breakeven)

Roku is not a content company and not, mainly, a hardware company — it is the home screen, the account, the ad server and the first-party data between every piece of content and the viewer. Device sales are now a customer-acquisition cost; platform revenue (advertising, distribution fees, The Roku Channel) is ~87% of revenue and essentially all of the gross profit — exactly the layer Fox does not own.

A lean, profitable live-content company

The “new Fox.” Created in the 2019 sale of 21st Century Fox's entertainment assets to Disney — deliberately built as a pure-play live-news, sports and broadcast company plus Tubi.

Cash-generative, lightly levered. ~\$16.3B FY2025 revenue and ~\$3.6B adjusted EBITDA, with net debt/EBITDA under ~1× — the deliberate opposite of a debt-heavy conglomerate.

Tubi is the bridge. One of the largest free ad-supported services in the U.S. Pair it with Roku's operating system, home screen and data and Fox gets an owned path from content all the way to the living-room glass.

Why this is a departure. Fox is taking a clean, focused balance sheet and leveraging it to buy distribution — the vertical integration a content owner of its size has been missing.

~\$16.3B

Fox FY2025 revenue

~\$3.6B

Fox FY2025 adj. EBITDA

~\$25.6B

Fox pre-deal market cap

A revenue multiple, not an earnings multiple

Multiple paid	Roku metric (FY25)	Multiple / unit
EV / revenue	\$4,737M	~4.6×
EV / platform revenue	\$4,100M	~5.1×
EV / gross profit	\$2,280M	~9.1×
EV / free cash flow	\$484M	~43×
EV / streaming household	100M+	~\$218 / hh

The read: ~\$218 per household for a breakeven-EBITDA business tells the story — Fox is paying for distribution, first-party data and 100M+ relationships, not for current cash flow. EV/FCF of ~45× is a control premium for strategic position, well above where Roku traded. Fox shares fell on the news: a verdict on price and leverage, not on logic. Multiples computed on the model's reconciled ~\$21.8B enterprise value (~\$22B headline).

What the deal does to Fox's balance sheet

~\$21B

Pro forma combined revenue

~\$4.4B

Pro forma adj. EBITDA (incl. synergies)

~\$13.3B

Pro forma net debt

~0.8x → ~3.0x

Net debt / EBITDA (before → after)

~25%

Dilution to Fox holders

~\$400M

Run-rate cost synergies (pre-tax)

The deal roughly quadruples Fox's leverage: a pure-play with under ~1x net-debt/EBITDA takes on ~\$12B of acquisition debt to buy a near-breakeven-EBITDA target. Roku adds ~\$4.7B of revenue but little EBITDA — the combination is bought for strategic and distribution value, not near-term earnings. With the full ~\$400M run-rate cost synergy built into combined adjusted EBITDA (~\$4.4B), opening net leverage is ~3.0x. Pro forma net debt = Fox net debt + ~\$12B new debt – Roku net cash. Fox guides to ~2.8x pro forma net leverage at close, inclusive of 50% credit for the ~\$400M of run-rate cost synergies, and expects free-cash-flow-per-share accretion by the second full year after closing.

Owning the toll booth, not paying it

In connected television, value is migrating from content to the layer that controls distribution — the operating systems that decide which apps get promoted, who owns the viewer's identity, and who keeps a share of the ad inventory. A content owner without that layer is a tenant. Here is what Fox gets by owning it:

The households

100M+

Direct relationships and the home-screen real estate every content owner has to negotiate for.

The data

First-party

Identity and viewing data Fox cannot get as a tenant — the currency of modern ad targeting.

The ad stack

The take rate

An ad-tech platform that keeps a share of the inventory Fox content already drives.

The flywheel

Vertical

Fox content drives engagement; Roku monetizes it and keeps the data — inside one company.

The prize: if connected TV consolidates the way cable once did, owning both the content (live news, sports, Tubi) and the pipe (Roku) is a structurally advantaged position — the landlord, not the tenant.

THE THESIS IN ONE LINE

“The most valuable real estate in television is no longer the show — it is the home screen the viewer sees first, and the account that knows who they are.”

Fox makes the shows. Roku owns the home screen. This deal is Fox's attempt to own both.

The strategic logic is widely understood; the open question is whether owning the glass was worth ~86% of Fox's own market value and ~3.0× leverage. The market's first answer — Fox shares fell — was about price, not logic.

The bear case a serious Read must name

Price & leverage

~\$22B (~86% of market cap) at ~4.6× revenue and ~43× FCF for a breakeven business, financed to ~3.0× net debt/EBITDA — little room for error.

Integration & neutrality

A live-news operator absorbing a Silicon Valley platform is hard. Roku's value depends on staying neutral — if Disney, Netflix or Warner pull back, its reach erodes.

Regulatory

A major content owner buying a dominant TV operating system invites antitrust scrutiny over self-preferencing on the home screen and in the ad stack.

None is disqualifying — but together they explain the verdict: the right strategic asset, bought at a full price with aggressive financing. Underwrite it as a control bet on owning distribution, not a safe bolt-on.

What the Roku price implies Disney media is worth

Disney SOTP read-across (\$B)	Value	Note
Enterprise value (~Jun 2026)	~\$218	Mkt cap ~\$177 + net debt ~\$41
Less: Experiences at ~15× OI (\$10B)	~\$(150)	The parks anchor
Implied value: ALL Disney media	~\$68	Studios + ESPN + linear + DTC
Disney media operating income	~\$7.6	Entertainment ~\$4.7 + Sports ~\$2.9
Implied multiple on media OI	~9.0×	For the whole media empire

The signal: Carve Disney's parks out at a defensible ~15×, and the market implies only ~\$68B for ALL of Disney's media — ~9× operating income. Yet Disney DTC alone (~\$24.6B revenue, ~200M subs) is worth ~\$57–113B at a discount to the Roku deal's ~4.6× revenue, and ~\$44B at Roku's ~\$218/household. The Roku deal just repriced the streaming-distribution asset class — and Disney owns a bigger, profitable version the conglomerate appears to give away cheap. A directional triangulation, not a like-for-like comp.

Three angles a reporter could write today

ANGLE 1

“Fox bets the company on the glass.” A lean \$25B live-news company spends ~86% of its market value and levers up to ~3.0× to buy the connected-TV operating system it never owned.

ANGLE 2

“Content owner becomes landlord.” The strategic logic of buying distribution — and the integration, neutrality and antitrust risks of a major content owner owning a dominant TV OS.

ANGLE 3

“What it says about Disney.” The \$22B Roku price reprices streaming distribution — implying Disney's media empire is being given away cheap inside the conglomerate.

Preferred attribution: “Phil Baratelli, Baratelli Institute.” Full figures and sources in the case PDF.

THE DEAL READ

The right asset, at a full price — a control bet on owning distribution.

Connected TV is consolidating value into the layer that controls distribution. Fox, a content owner without that layer, is buying the largest independent one — financed aggressively, with real integration, neutrality and regulatory risk. And the most durable lesson sits next door: the price Fox paid for Roku reprices what Disney's far larger streaming business should be worth.