

The Baratelli Institute

EDUCATIONAL CASE STUDY · THE DEAL READ

DEAL READ · CASE 5 · FOX / ROKU

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

Announced June 15, 2026 · Structure \$96 cash + 0.9693 FOX share / Roku share · Expected close first half 2027 · An M&A deal, read from public terms and filings · Last updated June 21, 2026

Fox Corporation — the lean, profitable live-news-and-sports company carved out of 21st Century Fox in 2019 — agreed to buy Roku for an equity price of ~\$24.2 billion and an enterprise value of ~\$21.8 billion, about 85% of its own market value. The practitioner read: this is a strategically coherent, financially aggressive bet on owning distribution. Fox 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 a strategic revenue multiple (~4.6× revenue, ~\$218 per household, ~45× free cash flow) on a breakeven-EBITDA business, funded with ~\$12B of new debt that takes leverage from under 1× to ~3.3× (~3.9× on unadjusted EBITDA). The right asset, at a full price. And it carries a second lesson next door — what it implies Disney’s media is worth.

~\$21.8B

ENTERPRISE VALUE (~\$24.2B EQUITY)

\$160 / sh

\$96 CASH + 0.9693 FOX SHARE

100M+

ROKU STREAMING HOUSEHOLDS

~4.6×

EV / FY2025 REVENUE

~5.3×

EV / PLATFORM REVENUE

~\$218

EV / STREAMING HOUSEHOLD

~45×

EV / FY2025 FREE CASH FLOW

~\$4.7B

ROKU FY2025 REVENUE

~\$0.43B

ROKU FY25 ADJ. EBITDA (NON-GAAP)

~\$21B

~\$13.3B

~3.3×

PRO FORMA COMBINED REVENUE	PRO FORMA NET DEBT	PF NET DEBT / ADJ. EBITDA
~25% ROKU HOLDERS' STAKE IN COMBINED CO.	~\$12B COMMITTED BRIDGE (MORGAN STANLEY)	~\$25.6B FOX MARKET CAP (AS OF JUN 2026)

Deal terms per Fox's June 15, 2026 press release. The \$160.00 headline implies a ~\$66 Fox Class A reference price; at that price the equity purchase price is ~\$24.2B and, net of Roku's ~\$2.4B net cash, enterprise value is ~\$21.8B. All multiples in this piece are computed on that ~\$21.8B EV against Roku's FY2025 actuals. Because ~\$9.7B of the consideration is Fox stock, the deal's value moves with Fox's share price — see the sensitivity table below. Roku net cash, diluted share count and adjusted EBITDA (a non-GAAP measure) are Institute estimates as of June 2026. Re-verify against the definitive merger agreement and the proxy/S-4 before quoting.

The deal in one paragraph

On June 15, 2026, Fox agreed to acquire Roku for \$160.00 per share — \$96.00 cash plus 0.9693 Fox Class A shares — an equity purchase price of roughly \$24.2 billion and, net of Roku's ~\$2.4B of net cash, an enterprise value of ~\$21.8 billion. On Roku's ~151 million diluted shares, the \$96.00 cash component totals ~\$14.5 billion (151.0M × \$96.00) and the stock component ~\$9.7 billion (151.0M × \$64.00). The cash portion is backed by a \$12.0 billion committed bridge from Morgan Stanley Senior Funding plus ~\$2.8B of Fox cash on hand. Because the exchange ratio is fixed at 0.9693, Roku holders receive ~146 million new Fox shares and end up owning ~25% of the combined company (146M of ~578M pro forma shares). Fox expects the deal to deliver approximately \$400 million of run-rate cost synergies (pre-tax) with additional revenue upside, to carry pro forma net leverage of ~2.8× at close (inclusive of 50% credit for those synergies), and to be accretive to free cash flow per share by the second full year after closing. The deal is expected to close in the first half of 2027, subject to regulatory and Roku shareholder approval. It is the defining strategic act of Fox's independent life: a company deliberately built lean and focused is spending its entire balance-sheet capacity to buy a platform.

Consideration build	Figure	Note
Cash per Roku share	\$96.00	~\$14.5B total (151.0M × \$96)
Stock per Roku share (0.9693× FOX)	~\$64.00	~\$9.7B total at ~\$66 Fox
Headline value per share	~\$160.00	Implies a ~\$66 Fox Class A price
Equity purchase price	~\$24.2B	\$160 × 151.0M diluted shares
Enterprise value	~\$21.8B	Equity less ~\$2.4B Roku net cash
Financing	\$12.0B bridge	Morgan Stanley + ~\$2.8B cash
Ownership at close	~75% / ~25%	Fox holders / Roku holders
Run-rate cost synergies	~\$400M	Pre-tax; FCF/sh accretive by yr 2 (Fox)

Fox shares fell on the announcement; because ~\$9.7B of the consideration is Fox stock, the deal's value moves with Fox's price — the \$160 headline holds only at a ~\$66 Fox Class A reference price (see the sensitivity table below). Roku diluted share count (~151.0M) and net cash (~\$2.4B) are from

Roku's Q1 2026 10-Q; reconcile to the definitive proxy/S-4. The ~\$400M run-rate synergy figure, the ~2.8× leverage guide and free-cash-flow-per-share accretion by year two are Fox's own estimates per the June 15, 2026 release and depend on integration execution.

Sensitivity to Fox Class A price	Fox \$50	Fox \$55	Fox \$60	Fox ~\$66	Fox \$72	Fox \$78
Value per Roku share	\$144.5	\$149.3	\$154.2	\$160.0	\$165.8	\$171.6
Equity purchase price	~\$21.8B	~\$22.5B	~\$23.3B	~\$24.2B	~\$25.0B	~\$25.9B
Enterprise value	~\$19.4B	~\$20.2B	~\$20.9B	~\$21.8B	~\$22.6B	~\$23.5B
EV / FY2025 revenue	~4.1×	~4.3×	~4.4×	~4.6×	~4.8×	~5.0×
EV / streaming household	~\$194	~\$202	~\$209	~\$218	~\$226	~\$235

Cash (\$96) and exchange ratio (0.9693) are fixed; only the stock leg moves with Fox's price, so the realized consideration and EV scale down if Fox trades below the ~\$66 reference — and rise above it: at a Fox price of \$78 the consideration is worth ~\$171.6 per Roku share and EV approaches ~\$23.5B, so a recovery in Fox stock works in the seller's favor. Roku-holder ownership stays ~25% at every price because the share count issued is fixed by the exchange ratio. This piece quotes the ~\$66 / EV ~\$21.8B case throughout.

What Fox is buying — the operating system of the television

Roku is not a content company and not, mainly, a hardware company. It is the operating system of the TV — the home screen, the account, the ad server, and the first-party data that sit between every piece of content and the viewer in 100M+ households. Its economics have inverted: device sales are now a low-margin cost of acquiring customers, while **platform revenue — advertising, content-distribution fees, and The Roku Channel — is ~87% of revenue and essentially all of the gross profit.** That is exactly the layer Fox does not own. When you watch a Fox app or Tubi on a Roku, Roku owns the relationship, the data, and a slice of the ad inventory.

Roku standalone (\$M)	FY2023	FY2024	FY2025
Platform revenue	\$2,724	\$3,517	\$4,100
Devices revenue	\$761	\$593	\$637
Total revenue	\$3,485	\$4,110	\$4,737
Gross profit	\$1,545	\$1,855	\$2,280
Operating income (loss)	\$(790)	\$(218)	\$(90)
Adjusted EBITDA	\$(24)	\$259	\$430
Free cash flow	\$(149)	\$213	\$484
Streaming households (M)	80.0	89.8	100.0+

Reconciled to Roku's FY2023–FY2025 results (total revenue \$3,484.6M / ~\$4,110M / \$4,737.3M; FY2025 FCF \$483.6M). Adjusted EBITDA is a company-defined non-GAAP measure, estimated here. Roku reached roughly breakeven GAAP net income in FY2025 after large prior-year losses.

The trajectory is the asset. Roku turned an FY2023 operating loss of \$(790)M into near-breakeven by FY2025, grew platform revenue ~50%, and flipped to positive free cash flow (\$484M). Fox is not buying current profit — it is buying an inflection: 100M+ households, first-party identity, and an ad platform that Fox's live news, sports and Tubi can feed.

What Roku is *not* is unchallenged. It leads the U.S. streaming-device installed base, but it competes against deeper-pocketed platform owners: Amazon's Fire TV, Google TV/Chromecast (and Android TV inside many smart sets), Samsung's Tizen and LG's webOS in first-party smart TVs, and Comcast/Charter's co-developed Xumo platform; Vizio — whose SmartCast operating system and ACR data made it a direct comp — was itself acquired by Walmart in 2024, a reminder that retailers and content owners alike now want to own the glass. Roku's edge is its neutrality and its U.S. scale; the risk is that owning it inside a content company hands rivals a reason to push their own operating systems harder. That competitive backdrop is exactly why the “neutral aggregator” question below is load-bearing.

Why a profitable company levered up to do this

The strategic logic is the heart of the case. In connected television, value is migrating from content to the layer that controls distribution — the operating systems on the TV 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. Fox, like every traditional media company, has watched advertising and attention flow to the platforms even as its content stays essential. Buying Roku is Fox's move to stop being a tenant and become the landlord.

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.

— The connected-TV distribution thesis, in one line

The complementarity is real. Fox brings must-have live news and sports — the content that still commands appointment viewing and premium ad rates — plus Tubi, one of the largest free ad-supported services in the U.S. Roku brings the household relationships, the home-screen real estate, the ad-tech stack and the data. Together they could form a vertically integrated content-to-distribution engine: Fox content drives engagement, Roku monetizes it and keeps the data, and the advertising flywheel turns inside one company. If connected TV consolidates the way cable once did, owning both the content and the pipe is a structurally advantaged position.

THE ONE-LINE READ

Fox is paying for distribution, not earnings.

At ~\$218 per streaming household for a breakeven-EBITDA business, this is the cost of owning the glass — not a multiple of profit.

The price — what ~\$21.8 billion actually buys

The most important number to internalize: this is a revenue and strategic multiple, not an earnings multiple. Against a business at roughly breakeven EBITDA, conventional valuation lenses break. Read the price as the cost of buying a distribution position outright.

Multiple paid	Roku metric (FY25)	Multiple / unit
EV / revenue	\$4,737M	~4.6×
EV / platform revenue	\$4,100M	~5.3×
EV / gross profit	\$2,280M	~9.6×
EV / free cash flow	\$484M	~45×
EV / streaming household	100M+	~\$218 / hh

Computed on the ~\$21.8B EV (the \$160 / ~\$66-Fox case) against Roku's FY2025 actuals. The companion model's "Multiples Paid" tab shows ~4.4× on a Q1-2026-annualized revenue base (~\$5.0B); the two bases bracket the same price.

~\$218 per household for a breakeven business says it all: Fox is paying for distribution, first-party data and 100M+ relationships — not for cash flow. EV/FCF of ~45× is a control premium for strategic position, well above where Roku traded. The market's response — Fox shares fell — was a verdict on price and leverage, not on logic.

Pro forma — the combined company after the bet

The deal roughly quadruples Fox's leverage. A pure-play with under ~1× net-debt/EBITDA takes on ~\$12B of acquisition debt to buy a near-breakeven-EBITDA target, pushing pro forma leverage toward ~3.3×. Roku adds ~\$4.7B of revenue but little EBITDA, so the combination is bought for strategic value, not near-term earnings — and existing Fox holders are diluted by roughly a quarter to fund the stock portion.

Pro forma combined (\$M)	Fox	Roku	Synergies	Combined
Revenue	~\$16,300	\$4,737	—	~\$21,000
Adjusted EBITDA	~\$3,600	\$430	~\$400	~\$4,430
Pro forma net debt	—	—	—	~\$13,300
Net debt / EBITDA	~0.8×	—	—	~3.0×
Roku holders' ownership	—	—	—	~25%

Combined adjusted EBITDA includes Fox's ~\$400M of run-rate cost synergies; excluding them, combined EBITDA is ~\$4,030M and pro forma leverage is ~3.3×. Pro forma net debt = Fox standalone net debt + ~\$12B new acquisition debt – Roku net cash acquired. The ~3.0× figure uses Roku's company-defined adjusted EBITDA plus run-rate synergies; on unadjusted GAAP EBITDA (which excludes the stock-based-comp add-back and

the synergy credit) pro forma leverage is closer to $\sim 3.9\times$ and interest coverage falls from $\sim 14\times$ to $\sim 4\times$. Because adjusted EBITDA is the swing input, every $\sim \$100M$ shifts pro forma leverage by roughly $\sim 0.1\times$. See the companion model's "Credit & Leverage" tab.

The deleveraging path. The case for opening at $\sim 3.0\times$ rests on bringing leverage back down quickly. Fox guides to roughly $\$400M$ of run-rate cost synergies (pre-tax); built into the EBITDA base they lift combined adjusted EBITDA to $\sim \$4.4B$ and set opening net leverage at $\sim 3.0\times$. Fox standalone throws off $\sim \$3.6B$ of adjusted EBITDA and historically strong free cash flow; Roku now adds positive free cash flow ($\sim \$484M$ in FY2025) rather than consuming it. Suspending buybacks, holding the dividend, and directing all free cash flow to debt paydown traces a concrete path back below $\sim 2\times$ — refinancing the $\sim \$12B$ bridge into amortizing term debt along the way:

Illustrative deleveraging rollforward	Year 1	Year 2	Year 3
Beginning net debt (\$B)	~ 13.3	~ 11.8	~ 10.1
Less: free cash flow to debt paydown (\$B)	$\sim (1.5)$	$\sim (1.7)$	$\sim (1.9)$
Ending net debt (\$B)	~ 11.8	~ 10.1	~ 8.2
Adj. EBITDA incl. synergies (\$B)	~ 4.7	~ 5.0	~ 5.3
Ending net debt / EBITDA	$\sim 2.5\times$	$\sim 2.0\times$	$\sim 1.5\times$

Illustrative, not guidance. The rollforward begins from $\sim \$13.3B$ of net debt at close ($\sim 3.0\times$ on $\sim \$4.4B$ opening adjusted EBITDA); each year's beginning balance is the prior year's ending balance, reduced by the free cash flow applied to debt. Assumes combined adjusted EBITDA (incl. $\sim \$400M$ run-rate synergies) compounds $\sim 6\%/yr$ as Roku's platform scales and synergies phase in, buybacks are suspended, the dividend is held, and all free cash flow is directed to debt paydown. On these assumptions net leverage falls from $\sim 3.0\times$ at close to $\sim 2.0\times$ by year two and $\sim 1.5\times$ by year three. A softer ad market slows the path; a stronger one accelerates it.

The risk is symmetric: the same free-cash-flow engine that deleverages quickly in a good ad market stalls in a bad one, leaving a levered balance sheet exposed.

The bear case — why the market flinched

- **Price.** $\sim \$21.8B$ ($\sim 85\%$ of Fox's market cap) at $\sim 4.6\times$ revenue and $\sim 45\times$ FCF for a breakeven business leaves little room for error.
- **Leverage.** Going from under $\sim 1\times$ to $\sim 3.3\times$ net debt/EBITDA strips the resilience that defined the "new Fox." A revenue or ad-market downturn now lands on a levered company.
- **Integration and neutrality.** A live-news operator absorbing a Silicon Valley platform is a hard integration — and Roku's value depends on staying a neutral aggregator every content owner will distribute on. If Disney, Netflix or Warner pull back from a Fox-owned Roku, the platform's 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 both the verdict and the share-price reaction: the right strategic asset, bought at a full price with aggressive financing. Underwrite it as a control bet on owning distribution — not as a safe, accretive bolt-on.

The regulatory clock. A content owner buying the largest U.S. TV operating system is the kind of vertical combination the FTC and DOJ scrutinize for self-preferencing — whether Fox content or Tubi would get promoted on the Roku home screen, and whether rivals’ access to the ad stack and data would be foreclosed. With an expected close in the first half of 2027, the deal carries a roughly nine-to-twelve-month regulatory clock and the real possibility of a second request, behavioral commitments (firewall/neutrality undertakings), or conditions. A transaction of this size and visibility would normally carry a reverse termination (break) fee payable to Roku if it fails on antitrust grounds; the exact figure is not yet public and should be read from the definitive merger agreement. The financing is bridged for a reason — the longer the clock runs, the more the Fox-stock leg can drift from the announced \$160.

The read-across — what the Roku price says about Disney

The deal’s most useful second-order insight is about a company Fox did *not* buy. The market just put a \$22B price on a near-breakeven connected-TV platform. Disney owns a far larger, profitable, higher-ARPU version of that kind of streaming asset — yet inside the conglomerate it is valued at a fraction of what the Roku deal implies. Carve Disney’s Experiences (parks) out at a defensible ~15× operating income, and the residual the market assigns to *all* of Disney’s media is strikingly thin.

Disney SOTP read-across (\$B)	Value	Note
Enterprise value (~Jun 2026)	~\$218	Market 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

Directional triangulation, not a like-for-like comp; subscription DTC and an ad/distribution platform are different businesses. See the companion model and the standalone Disney impact note.

The cross-check sharpens it. Disney’s direct-to-consumer business alone earns ~\$24.6B across ~200M Disney+ and Hulu subscribers. Apply even a steep discount to the Roku deal’s ~4.6× revenue, and Disney DTC is worth somewhere between ~\$57B (half the multiple) and ~\$113B (the full multiple) — on its own, approaching or exceeding the ~\$68B the market implies for *all* of Disney’s media combined. At Roku’s ~\$218/household, Disney’s ~200M subscribers imply ~\$44B for DTC alone. The point is not that Disney is precisely mispriced; it is that the Roku deal just repriced the streaming-distribution asset class, and Disney owns a bigger, profitable version that the conglomerate appears to give away cheap once you own the parks.

The Deal Read

The logic is coherent even if the price is steep. Connected television is consolidating value into the layer that controls distribution; Fox, a content owner without that layer, is buying the largest independent one. The complementarity — Fox's live news, sports and Tubi feeding Roku's 100M+ households, home screen, ad stack and data — is real, and the prize is becoming the landlord of the living-room glass rather than its tenant. Against that, Fox is paying ~\$21.8B at a strategic revenue multiple for a breakeven business, leveraging a clean balance sheet to ~3.3× and diluting holders by ~25%, with genuine integration, neutrality and regulatory risk. The right asset, at a full price — a control bet on owning distribution. 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, and suggests the market is handing Disney's media empire away cheap inside the conglomerate.

OUR VERDICT

The right strategic asset bought at a full price — a control bet on owning distribution, not a safe, accretive bolt-on. Fox is paying ~\$21.8B (an equity price of ~\$24.2B, ~85% of its own market value) at a strategic revenue multiple for the largest independent connected-TV operating system, leveraging a clean balance sheet from under 1× to ~3.3× (~3.9× on unadjusted EBITDA) and diluting holders by ~25% to do it. The strategy is sound — value in connected TV is migrating to the layer that controls distribution, and Fox is buying the layer it lacked. The price and leverage are demanding, and the integration, neutrality and regulatory risks are real. This should be sized and underwritten on execution and the deleveraging path, not on near-term earnings.

— The Baratelli Institute · Deal Read Case 5 · our verdict, not investment advice

WHAT WOULD CHANGE OUR MIND

- **Toward more constructive:** Roku adjusted EBITDA scaling past ~\$700M with continued household growth, the bridge refinanced into term debt and net leverage tracking below ~2.5× within ~24 months, and rival content owners continuing to distribute on a Fox-owned Roku at unchanged terms.
- **Toward more cautious:** pro forma net leverage staying above ~3.5× into 2028, an ad-market downturn that stalls Roku's EBITDA inflection, a major content partner (Disney, Netflix, Warner) pulling reach off the platform, or antitrust conditions that force a neutrality/firewall remedy materially diluting the self-preferencing logic.
- **Deal-break triggers:** Fox Class A trading durably below ~\$50 (cutting realized consideration below ~\$145/share and the EV below ~\$19.4B), a second request that pushes close past 2027, or a reverse-termination scenario under the definitive agreement.

Sources & verification notes

Deal terms: Fox Corporation press release, “Fox Corporation to Acquire Roku, Inc.,” June 15, 2026; corroborated by Bloomberg, CNBC, NBC News, The Hollywood Reporter and Variety (June 15, 2026). Roku financials: Roku, Inc. FY2023–FY2025 results (total revenue \$3,484.6M / ~\$4,110M / \$4,737.3M; FY2025 platform revenue ~\$4.1B; FY2025 free cash flow \$483.6M; 100M+ streaming households). Fox financials: Fox Corporation FY2025 (ended June 30, 2025), revenue ~\$16.3B; market cap ~\$25.6B. Disney read-across: The Walt Disney Company FY2025 results (Experiences operating income ~\$10.0B; Entertainment ~\$4.7B; Sports/ESPN ~\$2.9B; DTC revenue ~\$24.6B); market cap ~\$177.4B and net debt ~\$41B per public market data, June 2026. Multiples, pro forma leverage, and the Disney read-across are computed in the companion model. Reconcile every figure against primary filings, the definitive merger agreement and the proxy/S-4 before relying on it. Educational analysis only — not investment advice.

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THE BARATELLI INSTITUTE · DEAL READ · INVESTMENT COMMITTEE
MEMORANDUM

Fox Corporation acquires Roku, Inc. Analysis of a ~\$22 Billion Bet on the Glass

TO: Investment Committee · **FROM:** Phil Baratelli, The Baratelli Institute · **DATE:** June 21, 2026

RE: Why a \$25B live-news-and-sports company is paying \$22B for a connected-TV platform · **CLASSIFICATION:** Educational analysis — not investment advice

ANALYTICAL VERDICT

A transformational, “bet-the-company” deal: strategically coherent, financially aggressive. Fox is paying a distribution premium — not an earnings multiple — for the connected-TV layer it does not own.

Fox is buying Roku for roughly its own market value. The logic is real: Fox makes content and sells advertising, but it does not own the operating system between the viewer and the screen — Roku does, across 100M+ households. The price, however, is a revenue/strategic multiple (~4.6× revenue, ~\$218 per household, ~45× free cash flow) on a target at roughly breakeven EBITDA, funded with ~\$12B of new debt that pushes pro forma leverage toward ~3.3×. The Committee finds the strategic rationale defensible and the price and leverage demanding. This is the right asset bought at a full price — underwrite it as a control bet on owning distribution, not as an accretive bolt-on.

<p>~\$21.8B ENTERPRISE VALUE (~\$24.2B EQUITY)</p>	<p>\$160 / sh \$96 CASH + 0.9693 FOX SHARES</p>	<p>~25% ROKU HOLDERS' STAKE IN COMBINED CO.</p>
<p>~4.6× EV / FY2025 REVENUE</p>	<p>~5.3× EV / PLATFORM REVENUE</p>	<p>~\$218 EV / STREAMING HOUSEHOLD</p>
<p>~45× EV / FY2025 FREE CASH FLOW</p>	<p>~\$4.7B ROKU FY2025 REVENUE</p>	<p>~\$0.43B ROKU FY2025 ADJ. EBITDA</p>
<p>~\$21B PRO FORMA COMBINED REVENUE</p>	<p>~\$13.3B PRO FORMA NET DEBT</p>	<p>~3.3× PRO FORMA NET DEBT / EBITDA</p>
<p>~\$12B</p>	<p>100M+</p>	<p>~\$25.6B</p>

COMMITTED BRIDGE (MORGAN STANLEY)

ROKU STREAMING HOUSEHOLDS

FOX PRE-DEAL MARKET CAP

1. The deal

On June 15, 2026, Fox Corporation agreed to acquire Roku, Inc. for \$160.00 per share — \$96.00 in cash plus 0.9693 Fox Class A shares per Roku share — an equity purchase price of roughly \$24.2 billion and, net of Roku's ~\$2.4B of net cash, an enterprise value of roughly \$21.8 billion. On Roku's ~151 million diluted shares the \$96.00 cash component totals ~\$14.5 billion ($151.0M \times \96.00) and the stock component ~\$9.7 billion. The cash portion is funded by a \$12.0 billion committed bridge facility from Morgan Stanley Senior Funding plus ~\$2.8B of Fox cash on hand; because the exchange ratio is fixed at 0.9693, Roku holders receive ~146 million new Fox shares and end up owning ~25% of the combined company. Fox guided to approximately \$400 million of run-rate cost synergies (pre-tax) with additional revenue upside, to pro forma net leverage of ~2.8× at close (inclusive of 50% credit for those run-rate synergies), and to the deal being accretive to free cash flow per share by the second full year after closing. The transaction is expected to close in the first half of 2027, subject to regulatory and Roku shareholder approval. This is the defining strategic act of Fox's independent existence: a company built in the 2019 break-up of 21st Century Fox — deliberately kept lean, focused on live news and sports — is now spending its entire balance sheet capacity to buy a platform.

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Cash (\$96) and exchange ratio (0.9693) are fixed; only the stock leg moves with Fox's price, so realized consideration and EV scale down below the ~\$66 reference and up above it — at a Fox price of \$78 the consideration is worth ~\$171.6 per Roku share and EV approaches ~\$23.5B. This memo quotes the ~\$66 / EV ~\$21.8B case throughout.

2. What Fox is buying — the glass between content and viewer

Roku is not a content company and not, primarily, a hardware company. It is the operating system of the television — the home screen, the account, the ad server and the first-party data that sit between every piece of content and the viewer in 100M+ streaming households. Its economics have inverted over the past five years: device sales (the players and licensed Roku TVs) are now a low-margin customer-acquisition cost, while **platform revenue — advertising, content distribution fees, and The Roku Channel — is ~87% of revenue and essentially all of the gross profit.** That is precisely the layer Fox does not own. Fox makes content (news, sports, entertainment) and sells advertising against it, but when a viewer watches Tubi or a Fox app on a Roku device, Roku owns the relationship, the data, and a cut of the inventory.

Roku standalone (\$M)	FY2023	FY2024	FY2025
Platform revenue	\$2,724	\$3,517	\$4,100
Devices revenue	\$761	\$593	\$637
Total revenue	\$3,485	\$4,110	\$4,737
Gross profit	\$1,545	\$1,855	\$2,280
Operating income (loss)	\$(790)	\$(218)	\$(90)
Adjusted EBITDA	\$(24)	\$259	\$430
Free cash flow	\$(149)	\$213	\$484
Streaming households (M)	80.0	89.8	100.0+

Revenue split, gross profit and household counts approximate, reconciled to Roku's FY2023–FY2025 results (total revenue \$3,484.6M / ~\$4,110M / \$4,737.3M; FY2025 FCF \$483.6M). Adjusted EBITDA is a non-GAAP, company-defined measure estimated here. Roku reached roughly breakeven GAAP net income in FY2025 after large prior-year losses.

The trajectory is the asset: Roku turned an FY2023 operating loss of \$(790)M into near-breakeven by FY2025, growing platform revenue ~50% over the period while finally generating positive free cash flow (\$484M). Fox is not buying current profit — it is buying an inflection. The bet is that 100M+ households, first-party identity, and

an ad platform, fed by Fox’s live news and sports and Tubi’s free ad-supported library, are worth far more inside Fox than the public market was paying for them standalone.

Competitive context. Roku leads the U.S. streaming-device installed base, but it is not unchallenged. It competes against deeper-pocketed platform owners: Amazon’s Fire TV, Google TV/Chromecast (and Android TV embedded in many smart sets), Samsung’s Tizen and LG’s webOS in first-party smart TVs, and Comcast/Charter’s co-developed Xumo; Vizio — whose SmartCast OS and ACR data made it a direct comp — was itself bought by Walmart in 2024. Roku’s edge is its neutrality and U.S. scale; the risk the Committee must weigh is that owning it inside a content company gives rivals a reason to push their own operating systems harder, which is why platform neutrality (below) is load-bearing.

3. What Fox is — the acquirer

Fox Corporation is the “new Fox” created when 21st Century Fox sold its entertainment assets to Disney in 2019. By design it is a pure-play live-content company: Fox News and the cable networks, the Fox broadcast network and television stations, Fox Sports, and the free ad-supported streaming service Tubi. It is a cash-generative, ~\$16B-revenue business with modest leverage — the deliberate opposite of a debt-heavy conglomerate. That is what makes this deal a genuine departure: Fox is taking a clean, focused balance sheet and leveraging it to buy distribution.

Fox Corporation FY2025 (\$M)	Revenue	Adj. EBITDA
Cable Network Programming	\$7,600	\$3,030
Television	\$8,400	\$945
Corporate / eliminations	\$300	\$(375)
Total Fox Corporation	~\$16,300	~\$3,600

Fox FY2025 ended June 30, 2025; revenue ~\$16.3B. Segment splits and ~\$3.6B total adjusted EBITDA approximate; net debt and net income are Institute estimates — reconcile to Fox’s FY2025 10-K. Market cap ~\$25.6B (~421M shares at ~\$60).

Strategically, Tubi is the bridge that makes Roku make sense. Tubi has scaled into one of the largest free ad-supported streaming services in the U.S.; pairing it with Roku’s operating system, home screen and data gives Fox an owned-and-operated path from content all the way to the viewer’s living-room glass — the vertical integration that today’s streaming distribution is still missing for a content owner of Fox’s size.

4. The price — what ~\$21.8 billion buys

The single most important analytical point in this memo: **this is a revenue and strategic multiple, not an earnings multiple.** At ~\$21.8B of enterprise value against a business at roughly breakeven EBITDA, conventional valuation lenses break down. The Committee should read the price as the cost of buying a distribution position outright — control of the glass — rather than as a multiple of profit.

Multiple paid	Roku metric (FY25)	Multiple / unit
EV / revenue	\$4,737M	~4.6x
EV / platform revenue	\$4,100M	~5.3x
EV / gross profit	\$2,280M	~9.6x
EV / free cash flow	\$484M	~45x
EV / streaming household	100M+	~\$218 / hh

Computed on the ~\$21.8B EV (the \$160 / ~\$66-Fox case) against Roku's FY2025 actuals. The companion model's "Multiples Paid" tab shows ~4.4x on a Q1-2026-annualized revenue base (~\$5.0B); the two bases bracket the same price. EV/household uses 100M households.

~\$218 per streaming household for a business at breakeven EBITDA tells the whole story: Fox is paying for distribution, first-party data and 100M+ relationships — the connected-TV “glass” — not for current cash flow. EV/FCF of ~45x underscores that this is a control premium for strategic position, well above where Roku had been trading. The fact that Fox shares fell on the announcement is the market's verdict on price and leverage, not on logic: the strategic case is widely understood; the question is whether it was worth ~85% of Fox's own market value.

5. Pro forma — leverage and dilution

The deal roughly quadruples Fox's leverage. A pure-play with under ~1x net-debt/EBITDA pre-deal takes on ~\$12B of acquisition debt to buy a near-breakeven-EBITDA target, pushing pro forma leverage toward ~3.3x. Roku adds ~\$4.7B of revenue but little EBITDA, so the combination is bought for strategic and distribution value, not near-term earnings — and the existing Fox shareholder base is diluted by roughly a quarter to fund the stock portion.

Pro forma combined (\$M)	Fox	Roku	Synergies	Combined
Revenue	~\$16,300	\$4,737	—	~\$21,000
Adjusted EBITDA	~\$3,600	\$430	~\$400	~\$4,430
Pro forma net debt	—	—	—	~\$13,300
Net debt / EBITDA	~0.8x	—	—	~3.0x
Roku holders' ownership	—	—	—	~25%

Combined adjusted EBITDA includes Fox's ~\$400M of run-rate cost synergies; excluding them, combined EBITDA is ~\$4,030M and pro forma leverage is ~3.3x. Pro forma net debt = Fox standalone net debt + ~\$12B new acquisition debt – Roku net cash acquired. The ~3.0x figure uses Roku's company-defined adjusted EBITDA plus run-rate synergies; on unadjusted GAAP EBITDA pro forma leverage is closer to ~3.9x and interest coverage falls from ~14x to ~4x. Every ~\$100M of adjusted EBITDA shifts pro forma leverage by ~0.1x. Leverage and ownership per the companion model's "Pro Forma & Leverage" tab; reconcile to the definitive financing terms and share counts.

The deleveraging path. The case for opening at ~3.0× rests on bringing leverage back down quickly. Fox guides to roughly \$400M of run-rate cost synergies (pre-tax); built into the EBITDA base they lift combined adjusted EBITDA to ~\$4.4B and set opening net leverage at ~3.0×. Fox standalone throws off ~\$3.6B of adjusted EBITDA and historically strong free cash flow; Roku now adds positive free cash flow (~\$484M in FY2025) rather than consuming it. Suspending buybacks, holding the dividend, and directing all free cash flow to debt paydown traces a concrete path back below ~2× — refinancing the ~\$12B bridge into amortizing term debt along the way:

Illustrative deleveraging path	At close	Year 1	Year 2	Year 3
Net debt (\$B)	~13.3	~11.8	~10.1	~8.2
Adj. EBITDA incl. synergies (\$B)	~4.4	~4.7	~5.0	~5.3
Free cash flow to debt paydown (\$B)	—	~1.5	~1.7	~1.9
Net debt / EBITDA	~3.0×	~2.5×	~2.0×	~1.5×

Illustrative, not guidance: assumes combined adjusted EBITDA (incl. ~\$400M run-rate synergies) compounds ~6%/yr as Roku's platform scales and synergies phase in, buybacks are suspended, the dividend is held, and all free cash flow is directed to debt paydown. On these assumptions net leverage falls from ~3.0× at close to ~2.0× by year two and ~1.5× by year three. A softer ad market slows the path; a stronger one accelerates it.

The risk is symmetric: the same free-cash-flow engine that deleverages quickly in a good ad market stalls in a bad one, leaving a levered balance sheet exposed.

6. The strategic logic — owning the toll booth

Why would a profitable, focused company spend its entire balance sheet on a breakeven platform? Because in connected television, value is migrating from content to the layer that controls distribution. The streaming aggregators — the operating systems on the TV — increasingly set the terms: which apps get promoted on the home screen, who owns the viewer's identity, and who keeps a share of the advertising inventory. A content owner without that layer is a tenant. Fox, like every traditional media company, has watched advertising and audience attention flow to the platforms even as its own content remains essential. Buying Roku is Fox's attempt to stop being a tenant and become the landlord — to own the toll booth rather than pay it.

“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.”

— The connected-TV distribution thesis, in one line

The complementarity is genuine. Fox brings must-have live news and sports — the content that still commands appointment viewing and premium ad rates — plus Tubi's free ad-supported library. Roku brings the household relationships, the home-screen real estate, the ad-tech stack and the first-party data. Together they could form a vertically integrated content-to-distribution engine: Fox content drives engagement, Roku's platform monetizes it and keeps the data, and the advertising flywheel turns inside one company. If connected TV consolidates the way cable once did, owning both the content and the pipe is a structurally advantaged position.

7. The bear case — why the market flinched

Risks the Committee must underwrite

- **Price.** ~\$21.8B (~85% of Fox’s own market cap) for a breakeven-EBITDA business at ~4.6× revenue and ~45× FCF is a full, strategic price. There is little margin for error if the integration thesis underdelivers.
- **Leverage.** Going from under ~1× to ~3.3× net debt/EBITDA on a media balance sheet removes the optionality and resilience that defined the “new Fox.” A revenue or ad-market downturn now lands on a levered company.
- **Integration and culture.** A live-news-and-sports operator absorbing a Silicon Valley platform company is a hard integration; the value is in keeping Roku’s engineering and ad-tech talent and neutrality, not bending it to Fox’s content agenda.
- **Platform neutrality risk.** Roku’s value depends on being a neutral aggregator that every content owner will distribute on. If rivals (Disney, Netflix, Warner) pull back from a Fox-owned Roku, the platform’s reach — the whole asset — 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 and the share-price reaction: this is the right strategic asset bought at a full price with aggressive financing. It should be sized and underwritten as a control bet on owning distribution — with real execution and balance-sheet risk — not as a safe, accretive bolt-on.

The regulatory clock. A content owner buying the largest U.S. TV operating system is the kind of vertical combination the FTC and DOJ scrutinize for self-preferencing — whether Fox content or Tubi would get promoted on the Roku home screen, and whether rivals’ access to the ad stack and data would be foreclosed. With an expected close in the first half of 2027, the deal carries a roughly nine-to-twelve-month regulatory clock and the real possibility of a second request, behavioral commitments (firewall/neutrality undertakings), or conditions. A transaction of this size would normally carry a reverse termination (break) fee payable to Roku if it fails on antitrust grounds; the exact figure is not yet public and should be read from the definitive merger agreement. The financing is bridged for a reason — the longer the clock runs, the more the Fox-stock leg can drift from the announced \$160.

7a. What would change our mind

The verdict is falsifiable. The Committee should revisit it on the following triggers:

- **Toward more constructive:** Roku adjusted EBITDA scaling past ~\$700M with continued household growth; the bridge refinanced into term debt and net leverage tracking below ~2.5× within ~24 months; rival content owners continuing to distribute on a Fox-owned Roku at unchanged terms.

- **Toward more cautious:** pro forma net leverage staying above $\sim 3.5\times$ into 2028; an ad-market downturn that stalls Roku's EBITDA inflection; a major content partner (Disney, Netflix, Warner) pulling reach off the platform; or antitrust conditions that force a neutrality/firewall remedy materially diluting the self-preferencing logic.
- **Deal-break triggers:** Fox Class A trading durably below $\sim \$50$ (cutting realized consideration below $\sim \$145$ /share and EV below $\sim \$19.4B$); a second request that pushes close past 2027; or a reverse-termination scenario under the definitive agreement.

8. The Disney read-across — what the \$22B price implies

The deal's most useful second-order insight is what it says about a company Fox did *not* buy: Disney. The market just put a \$22B price on a near-breakeven connected-TV distribution platform. Disney owns a far larger, profitable, higher-ARPU version of exactly that kind of streaming asset — yet inside the Disney conglomerate it is being valued at a fraction of the implied worth. Carve Disney's Experiences (parks) segment out at a defensible $\sim 15\times$ operating income, and the residual the market is assigning to *all* of Disney's media is strikingly thin.

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

Directional triangulation, not a like-for-like comp; subscription DTC and an ad/distribution platform are different businesses. Disney FY2025 figures; market data June 2026. See the companion model's "Disney Read-Across" tab and the standalone Disney impact note.

The cross-check sharpens it. Disney's direct-to-consumer business alone earns $\sim \$24.6B$ of revenue across $\sim 200M$ Disney+ and Hulu subscribers. Apply even a steep discount to the Roku deal's $\sim 4.6\times$ revenue, and Disney DTC is worth somewhere between $\sim \$57B$ (at half the Roku multiple) and $\sim \$113B$ (at the full multiple) — on its own, approaching or exceeding the $\sim \$68B$ the market implies for *all* of Disney's media combined. Read at Roku's $\sim \$218$ /household, Disney's $\sim 200M$ subscribers imply $\sim \$44B$ for DTC alone. The conclusion is not that Disney is precisely mispriced — the read-across is a market signal, not a valuation — but that the Roku deal just repriced the streaming-distribution asset class, and Disney owns a bigger, profitable version of it that the conglomerate structure appears to give away cheap once you own the parks.

9. The Deal Read

Put the pieces together and the logic is coherent even if the price is steep. Connected television is consolidating value into the layer that controls distribution; Fox, a content owner without that layer, is buying the largest independent one. The complementarity — Fox's live news, sports and Tubi feeding Roku's 100M+ households,

home screen, ad stack and data — is real, and the prize is becoming the landlord of the living-room glass rather than its tenant. Against that, Fox is paying ~\$21.8B (~85% of its own market value) at a strategic revenue multiple for a breakeven business, leveraging a clean balance sheet to ~3.3× and diluting holders by ~25%, with genuine integration, neutrality and regulatory risk. The Committee's read: the strategy is right, the asset is the right one, and the price is full — a control bet on owning distribution, to be underwritten on execution, not on near-term earnings. 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 — and suggests the market is handing Disney's media empire away cheap inside the conglomerate.

Sources & verification notes

Deal terms: Fox Corporation press release, "Fox Corporation to Acquire Roku, Inc.," June 15, 2026 (\$160.00/share = \$96.00 cash + 0.9693 FOX Class A shares; equity ~\$24.2B and enterprise value ~\$21.8B at a ~\$66 Fox reference; ~75%/~25% ownership; \$12.0B committed bridge from Morgan Stanley Senior Funding; close expected first half 2027); corroborated by Bloomberg, CNBC, NBC News, The Hollywood Reporter and Variety (June 15, 2026). Roku financials: Roku, Inc. FY2023–FY2025 results (total revenue \$3,484.6M / ~\$4,110M / \$4,737.3M; FY2025 platform revenue ~\$4.1B; FY2025 free cash flow \$483.6M; 100M+ streaming households). Fox financials: Fox Corporation FY2025 (ended June 30, 2025), revenue ~\$16.3B; market cap ~\$25.6B. Disney read-across: The Walt Disney Company FY2025 results (Experiences operating income ~\$10.0B; Entertainment ~\$4.7B; Sports/ESPN ~\$2.9B; DTC revenue ~\$24.6B); market cap ~\$177.4B and net debt ~\$41B per public market data, June 2026. Multiples, pro forma leverage, and the Disney read-across are computed in the companion model. All figures should be reconciled against primary filings, the definitive merger agreement and the proxy/S-4 before relying on them; this is educational analysis, not investment advice.

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DEAL READ · CASE 5 · THE DISNEY READ-ACROSS

If Roku is worth \$22 billion, what is Disney's media worth?

Companion note to Deal Read Case 5 (Fox / Roku) · Method sum-of-the-parts, anchored on the announced ~\$22B Roku price · Educational analysis only

THE ANSWER, IN ONE LINE

Carve Disney's parks out at a defensible ~15× operating income, and the market is implying that **all** of Disney's media — Studios, ESPN, linear networks and Disney+/Hulu combined — is worth only about **~\$68 billion**, roughly **9×** its operating income. Yet the Roku deal just paid **\$22 billion** for a single near-breakeven streaming-distribution platform. On the same yardstick, Disney's far larger, profitable DTC business alone is worth **~\$44–113B** — on its own, at or above the entire implied media residual.

Fox agreed to pay roughly \$22 billion for Roku — about 4.6× revenue and ~\$218 per streaming household for a business at roughly breakeven EBITDA. That price is a fresh, public market mark on the streaming-and-CTV-distribution asset class. This note applies that mark to The Walt Disney Company. The mechanism is a sum-of-the-parts: bridge Disney's market cap to enterprise value, carve out the parks (Experiences) at a defensible multiple, and read the residual the market is assigning to everything else — the media empire. The result is a striking asymmetry: the conglomerate appears to hand you Disney's studios, ESPN and streaming for very little once you own the parks.

\$22B

WHAT FOX PAID FOR ROKU

~4.6×

ROKU EV / REVENUE MARK

~\$218

ROKU EV / STREAMING HH

~\$218B

DISNEY ENTERPRISE VALUE

~\$68B

IMPLIED VALUE, ALL DISNEY MEDIA

~9.0×

IMPLIED MULTIPLE ON MEDIA OI

~\$24.6B

DISNEY DTC REVENUE (FY25)

~200M

DISNEY+ & HULU SUBSCRIBERS

~\$44–113B

IMPLIED DTC VALUE (ROKU MARKS)

Roku price per Fox's June 15, 2026 announcement (~\$22B headline; reconciled enterprise value ~\$21.8B). Roku EV/revenue and EV/household computed on the reconciled ~\$21.8B enterprise value against Roku FY2025 revenue (~\$4.74B) and 100M+ households (4.6x; ~\$218/hh). Disney figures from FY2025 segment disclosures and June 2026 market data; net debt ~\$41B. All figures rounded; re-verify against primary filings before relying on them.

Why the Roku price is the right yardstick

Valuation read-across only works when the comp is fresh, public and economically comparable. The Roku deal satisfies all three. It is a June 2026 transaction, struck in the open market with a disclosed price; it values a pure-play connected-TV distribution platform; and it does so on revenue and per-household terms precisely because the target earns almost no profit — the same problem that makes Disney's own streaming hard to value on earnings. The deal therefore prices the *asset class* Disney participates in: streaming reach, first-party household relationships, and an advertising-and-distribution layer.

The comp is directional, not identical. Roku is an ad- and distribution-led aggregator that monetizes other people's content; Disney's DTC is a subscription-led service built on owned IP, with higher revenue per household and real operating leverage ahead of it. Those are different businesses, so the Roku multiple is best used as a market signal and a sanity check — applied at a discount — not as a precise like-for-like comp. With that caveat stated once, the read-across is genuinely useful.

Step 1 — bridge Disney to enterprise value

A sum-of-the-parts must start from enterprise value, not market cap, so the pieces are valued against the right denominator.

Disney enterprise value bridge	\$B	Note
Market capitalization (~Jun 2026)	~\$177.4	Public market data
Plus: net debt	~\$41.0	Borrowings net of cash; residual Fox-deal financing
Enterprise value	~\$218.4	The number the SOTP must add back to

Net debt is an approximation; Disney's gross borrowings were ~\$47B at the Q2 FY26 10-Q (filed May 6, 2026), against which cash and equivalents net down to roughly ~\$41B. Either basis lands enterprise value near ~\$218–219B.

Step 2 — carve out the parks (the anchor)

Experiences — the global parks, resorts, cruise line and consumer products — is Disney's most valuable and most independently valuable segment, earning roughly \$10B of operating income. It is the part of Disney that trades least

like media and most like a high-quality real-asset and experiential franchise, so it carries the highest and most defensible standalone multiple. Carving it out cleanly is what isolates the media residual.

Experiences carve-out	FY25 OI	Multiple	Value \$B
Conservative	~\$10.0B	13×	~\$130
Base case	~\$10.0B	15×	~\$150
High	~\$10.0B	17×	~\$170

A 13–17× operating-income range is consistent with how high-quality experiential and real-asset franchises are valued; the base case uses 15×.

Step 3 — read the residual: what the market gives you for ALL of Disney media

Subtract the parks from enterprise value and the remainder is what the market is implicitly paying for everything else Disney owns in media — the Studios (Disney, Pixar, Marvel, Lucasfilm, 20th Century), ESPN and the sports business, the linear television networks, and the Disney+/Hulu streaming stack. The sensitivity below shows the residual under each parks multiple.

Implied value of ALL Disney media (residual)	Parks at 13×	Parks at 15×	Parks at 17×
Enterprise value	~\$218.4	~\$218.4	~\$218.4
Less: Experiences value	~\$(130)	~\$(150)	~\$(170)
Implied value: Entertainment + Sports (media)	~\$88.4	~\$68.4	~\$48.4
Disney media operating income	~\$7.6	~\$7.6	~\$7.6
Implied multiple on media OI	~11.6×	~9.0×	~6.4×

Disney media operating income = Entertainment (~\$4.7B) + Sports/ESPN (~\$2.9B) ≈ \$7.6B (FY2025 segment OI). Right-aligned figures per house table standard.

Even in the conservative case — parks at only 13× — the market values Disney’s entire media empire at ~\$88B, about 11.6× operating income. In the base case it falls to ~\$68B and ~9×. That is a strikingly modest figure for a portfolio that contains the most valuable film IP on earth, the dominant U.S. sports-rights franchise, and a streaming service with ~200M subscribers.

Step 4 — the Roku cross-check on Disney’s streaming alone

The residual says the market values *all* Disney media at ~\$68B. The Roku deal lets us pressure-test just one slice of that — Disney’s direct-to-consumer streaming — against a fresh market mark. Three independent methods, each applying a Roku-derived yardstick to Disney’s DTC business:

Disney DTC valued on Roku marks	Basis	Implied DTC value \$B
At Roku EV/revenue (~4.6x)	\$24.6B revenue	~\$113.2
At half the Roku multiple (~2.3x)	\$24.6B revenue	~\$56.6
At Roku’s ~\$218 / household	~200M subs	~\$43.6

Disney DTC (Disney+, Hulu, ESPN+) revenue ~\$24.6B in FY2025; subscriber count ~200M is an approximation across Disney+ and Hulu. Methods are illustrative; subscription DTC and Roku’s ad/distribution model are different businesses.

The punchline: applied even at a steep discount, Disney’s streaming business *alone* is worth somewhere between ~\$44B and ~\$113B — a range whose midpoint approaches, and whose top end far exceeds, the ~\$68B the market implies for *all* of Disney’s media combined. Put differently, once you own the parks, the conglomerate structure appears to hand you Disney’s studios, ESPN and library for close to nothing — with the streaming business alone accounting for most or all of the residual.

Step 5 — the Hulu read-across: what if Disney spun out Hulu and kept Disney+?

The Roku deal also speaks to a structural question Disney itself keeps circling: the company now owns 100% of Hulu (the Comcast appraisal closed in fiscal 2025 at the ~\$27.5B floor, with Disney paying NBCU an incremental ~\$0.4B to reach ~\$9.0B for the 33% stake). One credible path is to keep **Disney+** — the franchise SVOD built on Disney, Pixar, Marvel, Lucasfilm and 20th Century IP — as the strategic core, and to **spin out or separate Hulu**, the general-entertainment service and its Hulu + Live TV bundle. Is that anything like the Fox/Roku deal? It is the mirror image of it — and the comparison is instructive.

Two streaming assets, priced two different ways	Roku (Fox buys)	Hulu (Disney could sell)
Headline enterprise value	~\$21.8B	~\$27.5B
Subscribers / households	~100M households	~64M subscribers
EV per sub / household	~\$218	~\$430
Revenue	~\$4.74B	~\$12B

EV / revenue	~4.6×	~2.3×
What it really is	Ad & distribution platform (OS, home screen, CTV ad inventory)	Subscription content service + live-TV bundle

Roku figures as elsewhere in this note (reconciled ~\$21.8B EV; 100M+ households; FY2025 revenue ~\$4.74B). Hulu enterprise value uses the ~\$27.5B floor valuation Disney itself transacted on when it bought Comcast's 33% (closed fiscal 2025); ~64.1M subscribers (59.7M SVOD-only + 4.4M Live TV) is Disney's last disclosed Q4 FY2025 figure before it stopped reporting subscriber counts; Hulu revenue ~\$12B is approximate from public reporting. A spin-out would price on the open market and could clear above or below the ~\$27.5B mark.

Read side by side, the two transactions price *opposite axes* of streaming. Fox is paying a rich revenue multiple — ~4.6× — and a low price per household (~\$218) to **buy reach and an advertising/distribution layer it does not have**. Hulu is the reverse: a low revenue multiple (~2.3×) but roughly double the value per subscriber (~\$430), because a premium subscription service monetizes far more dollars per user than an ad-supported aggregator does. One asset is valued for breadth of reach; the other for depth of wallet.

That asymmetry is exactly why the keep-Disney+/spin-Hulu split has logic. **Disney+ is the irreplaceable piece** — the franchise moat that no acquirer could rebuild — and it belongs at the strategic core. **Hulu is the separable piece**: general-entertainment content plus a Hulu + Live TV bundle that is, functionally, a distribution/aggregation business of the very kind the Roku deal just repriced upward. A platform- or distribution-minded buyer (a Roku-type aggregator, a telecom, or a larger streamer buying ad scale) might pay a fuller multiple for Hulu's ad-tier reach and live-TV bundle than the ~9× media residual the market currently buries it inside Disney at. Spinning it lets the market price Hulu directly against fresh comps like Roku — instead of leaving it inside the conglomerate discount documented above.

What Disney paid to own Hulu — and what Roku reprices it at

The cleanest test of the read-across is to set Disney's own cost basis for Hulu against the mark the Roku deal implies. Disney built up to 100% in tranches at escalating prices, and the most recent — the Comcast appraisal — is itself a fresh, transacted mark on the whole company.

Hulu — what it has been valued at	When	Stake	Price / implied 100% EV
Disney buys AT&T (WarnerMedia) stake	Apr 2019	~9.5%	~\$1.43B → ~\$15B EV
Disney buys Comcast (NBCUniversal) stake	FY2025 appraisal	33%	~\$9.0B at the ~\$27.5B floor
Disney's last transacted mark, 100%	FY2025	100%	~\$27.5B
Roku read-across at ~2.3× revenue	Jun 2026	standalone	~\$27.5B
Roku read-across at ~4.6× revenue	Jun 2026	standalone	~\$55B

Disney paid ~\$1.43B for AT&T's ~9.5% Hulu stake in April 2019, valuing Hulu at ~\$15B at the time. The Comcast 33% stake was settled at the ~\$27.5B floor agreed in 2019, closing in fiscal 2025 (~\$8.6B initial payment plus a ~\$0.4B appraisal true-up ≈ ~\$9.0B). The Roku read-across applies the deal's ~4.6× EV/revenue mark, and half of it, to Hulu's ~\$12B revenue. Disney's pre-2019 30% founding stake and the 30% acquired with Fox are not separately priced here.

The escalator is the story: Disney's own buy-ins repriced Hulu from ~\$15B in 2019 to ~\$27.5B by the 2025 appraisal. The Roku deal then sets a fresh, higher mark on the streaming-distribution asset class — and applied to Hulu it brackets Disney's number. At a discounted ~2.3× revenue, Hulu pencils to ~\$27.5B, essentially *confirming* the appraisal floor Disney just transacted at; at Roku's full ~4.6×, it implies ~\$55B — roughly double the floor, suggesting the Comcast buyout may have closed at a conservative mark relative to the repriced comp. A spin-out is precisely the mechanism that would let the public market arbitrate between Disney's ~\$27.5B internal mark and the higher figure the Roku transaction implies.

Where the Fox content lives — and who collects the licensing fees

A spin-out raises an ownership question the headline valuations skip: who keeps the content? The answer favors Disney. When Disney acquired 21st Century Fox's entertainment assets in 2019, it bought the *studios and libraries themselves* — 20th Century Studios (the Avatar, X-Men/Deadpool and Alien franchises), 20th Television and FX Productions (the television library, including The Simpsons), Searchlight, FX and National Geographic. The ~\$71.3B headline was gross; the Institute's Disney work nets it to roughly ~\$43.6B of apples-to-apples cost once the Sky stake (~\$15.0B, sold to Comcast for cash before close), the DOJ-mandated regional sports networks (~\$9.6B) and the later Star India contribution (~\$3.1B) are stripped out. The 30% Hulu stake rode along in the same transaction, but it was a separate asset: an equity interest in a distribution platform, not the content. Hulu streams content; it does not own the Fox IP. That IP sits in the studio entities, held directly at the Disney parent.

So in a keep-Disney+/spin-Hulu split, the Fox libraries stay with Disney. A standalone Hulu would own its own originals, but to keep carrying the Fox, FX and 20th catalog it would need a content-licensing or output agreement with the parent — and Disney, as the IP owner, would collect the fees. That lets Disney monetize the asset twice: once through the spin itself (sale proceeds or retained equity) and again as Hulu's ongoing content licensor. The durable value, exactly as in the Roku read-across, is in owning the content, not the pipe.

The same control, though, is the catch. Disney decides what it licenses and on what terms. It could reserve the crown-jewel Fox and FX titles for Disney+ exclusivity and license only general-entertainment fare to Hulu — protecting Disney+ while hollowing out Hulu's catalog and depressing the very standalone value a spin is meant to surface. The parent's incentive (feed Disney+) runs against maximizing the spun entity's worth, so a credible spin would need a long-dated content-supply agreement to make Hulu investable. (A handful of Fox titles also carry pre-existing third-party streaming encumbrances, so not every library is cleanly Disney's to redirect.)

The counter-argument, stated fairly.

The Roku deal rewards *scale* — households, ad inventory, first-party data. Disney+ and Hulu share a combined app, a single ad stack, bundle pricing, and the BAMTech technology spine. Separating Hulu sacrifices exactly the scale and bundle economics the market is paying premiums for, and a standalone general-entertainment service competes head-on with Netflix without a franchise moat. The same comp that argues Hulu could fetch a platform multiple also argues Disney's combined ~200M-subscriber footprint is worth more held together than split apart.

What this does and does not prove

It does not prove Disney is mispriced.

A holding-company structure that buries profitable streaming inside a media segment alongside declining linear networks is exactly the kind of asset where a sum-of-the-parts looks cheap on paper but is hard to realize without a break-up. Conglomerate discounts exist for reasons — shared costs, tax friction, and the difficulty of separating ESPN, the studios and DTC cleanly.

It does sharpen the central question.

The Roku deal is a real, fresh, public price for a near-breakeven streaming-distribution platform. If the market will pay \$22B for that, the ~\$68B it implies for *all* of Disney's media — a far larger, profitable, higher-ARPU collection of assets — looks like either a deep conglomerate discount or a market that has not repriced Disney's streaming to the new comp. Both are worth a serious investor's attention.

Two honest caveats keep the analysis grounded. First, the comp is directional: Roku is an ad/distribution aggregator, Disney DTC is subscription-led, and a one-line multiple cannot capture that difference — which is why the cross-check is run at a discount. Second, the residual method is sensitive to the parks multiple; at 13× the media residual is ~\$88B, at 17× it is ~\$48B. The conclusion — that Disney's media looks cheap relative to the Roku mark — holds across that whole range, but the precise figure does not.

The Roku deal didn't just price Roku. It repriced the streaming-distribution asset class — and on that new yardstick, the market is handing you Disney's media empire cheap once you own the parks.

— The Disney read-across, in one line

The Read

The most durable lesson of the Fox/Roku deal sits next door, at a company Fox did not buy. By paying \$22 billion for a single near-breakeven CTV platform, the market set a fresh mark on streaming distribution. Apply that mark to Disney through a sum-of-the-parts — carve the parks out at a defensible ~15× and read the residual — and the market implies all of Disney's media is worth only ~\$68B, about 9× operating income, with the DTC business alone plausibly worth that much or more. That is not a verdict that Disney is precisely mispriced; conglomerate discounts are real and hard to unlock. It is the observation that the Roku transaction repriced the asset class, and Disney owns a bigger, profitable version of it that the conglomerate appears to give away cheap once the parks are accounted for. For a capital-allocation thinker, that asymmetry — not a price target — is the point.

Sources & verification notes

Roku price and terms: Fox Corporation press release, “Fox Corporation to Acquire Roku, Inc.,” June 15, 2026 (~\$22B headline enterprise value; reconciled ~\$21.8B), corroborated by Bloomberg, CNBC and Variety (June 15, 2026); Roku FY2025 revenue ~\$4.74B and 100M+ streaming households per Roku, Inc. results. Disney figures: The Walt Disney Company FY2025 segment disclosures — Experiences operating income ~\$10.0B; Entertainment ~\$4.7B; Sports/ESPN ~\$2.9B; Direct-to-Consumer revenue ~\$24.6B; Disney+/Hulu subscribers ~200M (approximate). Disney market capitalization ~\$177.4B and net debt ~\$41B per public market data and the Q2 FY26 Form 10-Q (filed May 6, 2026; gross borrowings ~\$47B), June 2026. The enterprise-value bridge, parks carve-out, residual and DTC cross-checks are computed in the companion model’s “Disney Read-Across” tab and align with the Institute’s standing Disney sum-of-the-parts analysis. Multiples are directional; subscription DTC and Roku’s ad/distribution model are different businesses, so the comp is a market signal applied at a discount, not a like-for-like valuation. Reconcile every figure against primary filings before relying on it. Educational analysis only — not investment advice.

The Baratelli Institute · Deal Read Case 5 · The Disney Read-Across. Educational analysis only; not investment, legal, or tax advice. Figures are drawn from public sources and contain estimates where noted. © 2026 The Baratelli Institute.

Deal Read · Case 5 · Fox Corporation acquires Roku, Inc.

M&A Merger Model — acquirer, target and pro forma combined company, built from the latest 10-Q balance sheets

Acquirer	Fox Corporation (NASDAQ: FOXA / FOX) · fiscal year ends June 30
Target	Roku, Inc. (NASDAQ: ROKU) · fiscal year ends December 31
Consideration	\$160.00 / share — \$96.00 cash + 0.9693 FOX Class A shares
Equity purchase price	~\$24.2 billion · Enterprise value ~\$21.8 billion
Structure	Cash-and-stock; ~75% Fox / ~25% Roku ownership at close
Financing	\$12.0B new acquisition debt + Fox cash on hand
Balance sheet data	Fox 10-Q (three months ended 3/31/26) · Roku 10-Q (three months ended 3/31/26)
Purchase accounting	Simple premium-to-goodwill (no asset step-up); \$400M run-rate cost synergies modeled in the income statement
Prepared by	Philip A. Baratelli, CPA, MBA
Last updated	June 21, 2026

Tabs: Cover · Transaction Assumptions · Sources & Uses · Purchase Price Allocation · Pro Forma Balance Sheet · Pro Forma Income Statement (Accretion/Dilution) · Credit & Leverage · Multiples Paid · Disney Read-Across · Notes & Sources

Educational analysis only — not investment advice and not a solicitation. The Fox/Roku transaction is an Institute case study of Fox's June 15, 2026 announced acquisition of Roku. Acquirer and target balance sheets and income statements are taken from each company's most recent 10-Q (both covering the three months ended March 31, 2026, making them directly comparable). Blue = input/estimate; black = formula. Fox guided to ~\$400M of run-rate cost synergies (pre-tax) with additional revenue upside; this model reflects the ~\$400M cost figure as a run-rate input. Reconcile against primary filings before relying on any figure. © 2026 The Baratelli Institute.

Transaction Assumptions

Drivers for the merger model — blue cells are inputs. \$ in millions except per-share / per-unit

Offer & consideration	Value				
Offer price per Roku share	\$160.00				
Cash per share	\$96.00				
Stock value per share	\$64.00				
Assumed FOX Class A price (\$/sh)	\$66.03				
Implied exchange ratio (FOX sh / Roku sh)	0.9693				
Roku diluted shares (M)	151.0				

Deal economics (\$M)	Value				
Equity purchase price (= offer × shares)	\$24,163.8				
Cash consideration	\$14,498.3				
Stock consideration (new FOX equity)	\$9,665.5				
New FOX shares issued (M)	146.4				
Roku net cash acquired (cash + ST inv.)	\$2,380.2				
Enterprise value paid (= equity – net cash)	\$21,783.6				

Financing & funding (\$M)	Value				
New acquisition debt raised	\$12,000.0				
Transaction fees (advisory, financing)	\$300.0				
FOX cash used (= cash consid. + fees – new debt)	\$2,798.3				

Income statement & synergy assumptions	Value				
Interest rate on new debt	6.5%				
Interest income rate on cash used	4.0%				
Pro forma tax rate	25.0%				
Run-rate pre-tax synergies (annual)	\$400.0				

SYNERGIES: ~\$400M run-rate, pre-tax. Per Fox's June 15, 2026 announcement the deal is expected to achieve approximately \$400M of run-rate cost synergies with additional revenue upside, and to be accretive to free cash flow per share by the second full year after closing. Cell B29 holds the ~\$400M cost figure as an annual pre-tax run-rate (it phases in over ~2 years in practice); revenue synergies are not quantified and are excluded. Re-mark to the definitive agreement and S-4.

FOX price of \$66.03 is backed into the stated \$160 offer (\$96 cash + \$64 stock ÷ 0.9693 ratio). Roku net cash and diluted share count are taken from Roku's Q1 2026 10-Q. Re-mark all inputs to the definitive agreement and proxy/S-4 before use.

Sources & Uses of Funds

How the purchase is funded. \$ in millions

Uses of funds (\$M)	Amount			
Cash to Roku shareholders	\$14,498.3			
FOX stock to Roku shareholders	\$9,665.5			
Transaction fees	\$300.0			
Total uses	\$24,463.8			

Sources of funds (\$M)	Amount			
New acquisition debt	\$12,000.0			
FOX cash on hand	\$2,798.3			
New FOX equity issued	\$9,665.5			
Total sources	\$24,463.8			

Check (sources – uses)	-
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The ~\$14.5B cash portion of the consideration plus ~\$0.3B of fees is funded by \$12.0B of new acquisition debt and ~\$2.8B of Fox cash on hand; the ~\$9.7B stock portion is funded with newly issued FOX Class A shares. Total sources tie to total uses.

Purchase Price Allocation — simple premium-to-goodwill

Excess of equity price over target book equity = goodwill. \$ in millions

Goodwill build (\$M)	Amount			
Equity purchase price	\$24,163.8			
Less: Roku book equity (Q1 2026 10-Q)	(\$2,671.1)			
Goodwill created in transaction	\$21,492.8			

Combined goodwill on pro forma balance sheet	Amount			
Fox existing goodwill	\$3,647.0			
Roku existing goodwill	\$309.4			
New goodwill created (above)	\$21,492.8			
Pro forma combined goodwill	\$25,449.2			

Per the agreed scope, this model uses a SIMPLE premium-to-goodwill method: the entire excess of the equity purchase price over Roku's book equity is recorded as new goodwill, with no step-up of Roku's tangible assets and no newly identified intangibles or associated deferred taxes. A full PPA in the definitive accounting would allocate part of the premium to identifiable intangibles (developed technology, customer / advertiser relationships, the Roku brand) and create deferred tax liabilities, reducing residual goodwill. The pro forma combined goodwill (Fox + Roku existing + new) carries straight to the Pro Forma Balance Sheet.

Pro Forma Combined Balance Sheet

Acquirer + Target + purchase-accounting adjustments = Combined. \$ in millions · both as of March 31, 2026

Balance sheet (\$M)	Fox (Q3 FY26)	Roku (Q1 26)	Pro forma adj.	Combined
ASSETS				
Cash and cash equivalents	\$3,601.0	\$1,649.9	(\$2,798.3)	\$2,452.6
Short-term investments	-	\$730.3	-	\$730.3
Receivables, net	\$2,948.0	\$752.6	-	\$3,700.6
Inventories, net	\$652.0	\$101.3	-	\$753.3
Other current assets	\$337.0	\$136.5	-	\$473.5
Total current assets	\$7,538.0	\$3,370.6	(\$2,798.3)	\$8,110.3
Property and equipment, net	\$1,782.0	\$162.3	-	\$1,944.3
Operating lease right-of-use assets	-	\$243.7	-	\$243.7
Content assets, net	-	\$161.9	-	\$161.9
Intangible assets, net	\$2,943.0	\$46.2	-	\$2,989.2
Goodwill	\$3,647.0	\$309.4	\$21,492.8	\$25,449.2
Deferred tax assets	\$2,604.0	-	-	\$2,604.0
Other non-current assets	\$3,269.0	\$58.5	-	\$3,327.5
Total assets	\$21,783.0	\$4,352.6	\$18,694.5	\$44,830.1
LIABILITIES & EQUITY				
Accounts payable, accrued & other current	\$2,603.0	\$1,158.2	-	\$3,761.2
Total current liabilities	\$2,603.0	\$1,158.2	-	\$3,761.2
Borrowings	\$6,605.0	-	\$12,000.0	\$18,605.0
Other non-current liabilities	\$1,415.0	\$523.3	-	\$1,938.3
Total liabilities	\$10,623.0	\$1,681.6	\$12,000.0	\$24,304.6
Redeemable noncontrolling interests	\$84.0	-	-	\$84.0
Total equity	\$11,076.0	\$2,671.1	\$6,694.5	\$20,441.5
Total liabilities & equity	\$21,783.0	\$4,352.6	\$18,694.5	\$44,830.1
Balance check (assets – L&E)	-	-	-	-

Pro forma adjustments: (1) cash falls by Fox cash used to fund the deal; (2) goodwill rises by the premium over Roku book equity (Purchase Price Allocation tab); (3) borrowings rise by \$12.0B of new acquisition debt; (4) equity rises by new FOX stock issued less fees, with Roku's historical book equity eliminated in consolidation. Roku's current liabilities combine accounts payable, accrued liabilities and current deferred revenue; its other non-current liabilities combine non-current deferred revenue, operating-lease liabilities and other long-term liabilities. The combined balance sheet ties: total assets = total liabilities & equity (balance check = 0).

Pro Forma Income Statement & Accretion / (Dilution)

Both quarters ended March 31, 2026. \$ in millions except per-share

Income statement (\$M)	Fox (Q3 FY26)	Roku (Q1 26)	Pro forma adj.	Combined
Total revenue	\$3,994.0	\$1,248.9	-	\$5,242.9
Net income to stockholders (as reported)	\$166.0	\$85.7	(\$92.2)	\$159.5

Pro forma earnings adjustments (quarterly, \$M)	Amount
Interest expense on new debt	(\$195.0)
Forgone interest income on cash	(\$28.0)
Run-rate synergies (quarterly)	\$100.0
Total pre-tax adjustments	(\$123.0)
Tax effect	\$30.7
After-tax adjustment to net income	(\$92.2)

Shares & EPS	Fox standalone	Pro forma combined
Diluted shares (M)	432.0	578.4
Net income to stockholders (\$M)	\$166.0	\$159.5
Diluted EPS	\$0.38	\$0.28
Accretion / (dilution) per share (\$)		-\$0.11
Accretion / (dilution) %		(28.3%)

CAVEAT — single quarter, illustrative. Fox's quarter (Q3 FY26) included a \$(499)M non-operating charge that depressed reported net income to \$166M; using this quarter as the earnings base overstates dilution versus a normalized or full-year view. The deal is bought for strategic / distribution value, not near-term EPS, so the transaction is expected to be dilutive to GAAP EPS at announcement. Accretion/(dilution) compares pro forma combined diluted EPS to Fox standalone diluted EPS, both on the three months ended March 31, 2026. Roku is now GAAP-profitable (Q1 net income \$85.7M). Synergies reflect Fox's guided ~\$400M run-rate cost figure (pre-tax), flowed in at one-quarter per quarter; Fox expects the deal to be free-cash-flow-per-share accretive by the second full year after closing.

Pro Forma Credit & Leverage

Pre-deal Fox vs. pro forma combined. \$ in millions · EBITDA annualized (quarter × 4, illustrative)

Leverage (\$M)	Pre-deal Fox	Pro forma
Gross debt	\$6,605.0	\$18,605.0
Less: cash & equivalents	(\$3,601.0)	(\$2,452.6)
Net debt	\$3,004.0	\$16,152.4

EBITDA (annualized, \$M)	Pre-deal Fox	Pro forma
Fox segment EBITDA (Q × 4)	\$3,816.0	\$3,816.0
+ Roku EBITDA (op. inc. + D&A, Q × 4)	-	\$278.8
+ Run-rate cost synergies (full run-rate)	-	\$400.0
Combined EBITDA (incl. synergies)	\$3,816.0	\$4,494.8

Credit ratios	Pre-deal Fox	Pro forma
Gross debt / EBITDA	1.7x	4.1x
Net debt / EBITDA	0.8x	3.6x
Annual interest expense	\$264.0	\$1,044.0
EBITDA / interest (coverage)	14.5x	4.3x
Memo: Net debt / EBITDA, pre-synergy		3.9x

EBITDA is annualized as the latest quarter x 4 and is illustrative only - Fox revenue is seasonal (live sports), so a true LTM EBITDA should be substituted before relying on these ratios. Fox segment EBITDA = revenue - operating expenses - SG&A (\$954M for the quarter). Roku EBITDA = operating income + D&A (\$69.7M for the quarter); Roku's company-defined adjusted EBITDA, which adds back stock-based compensation, is materially higher. On this illustrative quarter x 4 basis, with the full \$400M run-rate synergy built into pro forma EBITDA, the deal lifts pro forma net leverage from roughly 0.8x to ~3.6x (~3.9x before synergies) and cuts interest coverage from ~14x to ~4x. Fox guided to ~2.8x pro forma net leverage inclusive of 50% synergy credit; the gap to our figure is seasonality (a weak fiscal quarter annualized vs. a full-year LTM) plus Roku company-defined adjusted EBITDA, which adds back stock-based compensation and is materially higher. Substitute a true LTM EBITDA before use.

Multiples Paid - what ~\$21.8B buys

Valuation of the price Fox is paying for Roku. \$ in millions unless noted

Metric	Roku value	Multiple / unit
Enterprise value paid	\$21,783.6	
EV / revenue (Q1 ann. \$4,996M)	\$4,995.5	4.4x
EV / platform revenue (ann. \$4,525M)	\$4,524.9	4.8x
EV / gross profit (ann. \$2,260M)	\$2,259.7	9.6x
EV / streaming household (100M+)	100M	\$218/hh
Equity value / share (offer)	\$160.00	
Roku net cash / share	\$15.76	

The price is a revenue / strategic multiple, not an earnings multiple: at ~4.4x annualized revenue and ~\$218 per streaming household, Fox is paying for distribution, first-party data and 100M+ households - the connected-TV 'glass' between content and viewer. Roku reports its installed base as 'Streaming Households.' Revenue, platform revenue and gross profit are the Q1 2026 figures annualized (x 4); substitute LTM before relying on the multiples. Roku now carries ~\$2.4B of net cash and no debt, so EV (~\$21.8B) sits below the ~\$24.2B equity purchase price.

Disney SOTP read-across - what the Roku price implies

Using the ~\$21.8B Roku comp to value Disney's media assets. \$ in billions

Disney enterprise value	\$B
Market capitalization (~Jun 2026)	\$177.4
Net debt	\$41.0
Enterprise value	\$218.4

Carve out Experiences (parks) - the anchor	FY25 OI	Multiple	Value \$B
Experiences - low (13x)	\$10.0	13.0x	\$130.0
Experiences - mid (15x)	\$10.0	15.0x	\$150.0
Experiences - high (17x)	\$10.0	17.0x	\$170.0

Implied value of ALL Disney media (residual)	\$B
Enterprise value	\$218.4
Less: Experiences (mid, 15x)	(\$150.0)
Implied value: Entertainment + Sports (media)	\$68.4
Disney media operating income (Ent \$4.7B + Sports \$2.9B)	\$7.6
Implied multiple on Disney media OI	9.0x

The Roku cross-check on Disney DTC	\$B
Disney DTC (streaming) revenue FY2025	\$24.6
At Roku EV/revenue (~4.4x) - illustrative	\$108.2
At half the Roku multiple (~2.2x)	\$54.1
Disney DTC subscribers (M, Disney+ & Hulu)	200
At Roku's ~\$218 / streaming household	\$43.6

The read-across is a triangulation, not a precise valuation. Carving Experiences out at a defensible ~15x operating income leaves the market implying only ~\$68B for ALL of Disney's media - streaming, studios, ESPN and linear combined - about ~9x their ~\$7.6B of operating income. Yet the Roku deal just priced a near-breakeven connected-TV platform at ~\$21.8B (~4.4x revenue, ~\$218/household). Applied even at a steep discount to Disney's far larger, profitable, higher-ARPU DTC base (~\$24.6B revenue, ~200M subs), the streaming business alone approaches or exceeds the entire implied media residual - implying the market hands you Disney's studios, ESPN and library for little once you own the parks. Subscription DTC and an ad/distribution platform differ; the Roku multiple is a directional market signal, not a like-for-like comp. Educational only.

Notes & Sources

- **DEAL TERMS** - $\$160.00/\text{share} = \$96.00 \text{ cash} + 0.9693 \text{ FOX Class A shares}$; equity purchase price $\sim\$24.2\text{B}$; enterprise value $\sim\$21.8\text{B}$; $\sim\$12.0\text{B}$ new acquisition debt; $\sim 75\%$ Fox / $\sim 25\%$ Roku ownership at close. Per Fox's June 15, 2026 announcement, the deal is expected to achieve $\sim\$400\text{M}$ of run-rate cost synergies (pre-tax) with additional revenue upside, to be free-cash-flow-per-share accretive by the second full year after closing, and to carry $\sim 2.8\text{x}$ pro forma net leverage inclusive of 50% credit for run-rate synergies.
- **FOX BALANCE SHEET & INCOME STATEMENT** - Fox Corporation Form 10-Q for the quarter ended March 31, 2026 (fiscal Q3 FY26). Total assets $\$21,783\text{M}$; total current assets $\$7,538\text{M}$; borrowings $\$6,605\text{M}$; total equity $\$11,076\text{M}$ (incl. $\$107\text{M}$ NCI); redeemable NCI $\$84\text{M}$. Quarter: revenue $\$3,994\text{M}$; operating expenses $\$(2,494\text{M})$; SG&A $\$(546\text{M})$; D&A $\$(101\text{M})$; a $\$(499\text{M})$ non-operating charge; net income to Fox stockholders $\$166\text{M}$; diluted EPS $\$0.38$; diluted weighted-average shares 432M . Class A 199.5M + Class B 220.7M shares outstanding ($\sim 420.2\text{M}$).
- **ROKU BALANCE SHEET & INCOME STATEMENT** - Roku, Inc. Form 10-Q for the quarter ended March 31, 2026 (fiscal Q1 2026). Total assets $\$4,352.6\text{M}$; cash $\$1,649.9\text{M}$ + short-term investments $\$730.3\text{M} = \$2,380.2\text{M}$ (no debt); total liabilities $\$1,681.6\text{M}$; total stockholders' equity $\$2,671.1\text{M}$. Quarter: total net revenue $\$1,248.9\text{M}$ (Platform $\$1,131.2\text{M}$, Devices $\$117.6\text{M}$); gross profit $\$564.9\text{M}$; operating income $\$51.8\text{M}$; D&A $\$17.9\text{M}$; net income $\$85.7\text{M}$; diluted EPS $\$0.57$; diluted weighted-average shares 151.0M .
- **PURCHASE ACCOUNTING** - Simple premium-to-goodwill: goodwill = equity purchase price ($\$24.2\text{B}$) - Roku book equity ($\2.7B) = $\sim\$21.5\text{B}$; combined goodwill = Fox $\$3,647\text{M}$ + Roku $\$309.4\text{M}$ + new $\$21.5\text{B} = \sim\25.4B . No asset step-up, identified intangibles or deferred-tax effects modeled. The combined balance sheet ties (assets = liabilities + equity).
- **DISNEY FINANCIALS** - The Walt Disney Company FY2025 (ended \sim Sep 27, 2025): Experiences operating income $\sim\$10.0\text{B}$; Entertainment $\sim\$4.7\text{B}$; Sports (ESPN) $\sim\$2.9\text{B}$; DTC revenue $\sim\$24.6\text{B}$. Market cap $\sim\$177.4\text{B}$ and net debt $\sim\$41\text{B}$ per public market data, June 2026. Segment multiples illustrative; the read-across is directional.
- **METHODOLOGY** - Blue = input/estimate; black = formula. Enterprise value = equity value - net cash (target) / market cap + net debt (Disney). EBITDA in the Credit & Leverage tab is annualized (latest quarter x 4) and illustrative; substitute LTM before use. Reconcile every figure to primary filings, the definitive merger agreement and the proxy/S-4 before relying on it.
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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 ~3.0x 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.