Roku seeks funding for international expansion

Georgina Prodhan, Reuters

U.S. start-up Roku is gearing up for a major funding round as it seeks to export to other countries the success of its mini-set-top boxes that stream Internet video to televisions, founder and Chief Executive Anthony Wood told Reuters on Wednesday.

Roku, which competes with Apple TV, has already sold 2.5 million of its palm-sized boxes in the United States, persuading some to ditch cable subscriptions in favor of a $60 box as more and more quality content is available online.

At the start of this year, Roku launched in Britain and Ireland, following partner Netflix into a market dominated by BSkyB where it will jostle for consumers' attention with a host of alternative offerings.

Google, TV makers Sony and Samsung and games console makers Microsoft and Nintendo are among those striving to become the vehicle of choice to transport Internet video to the TV screen.

"All TV is going to be Internet and it's going to go quickly, it's going to go faster than people think," said Wood, who invented the personal video recorder at one of his previous companies in the mid-1990s.

"We want to make sure we win because there's not going to be a lot of winners," Wood told Reuters in an interview in London.

Roku has started quietly in Britain as it wants to build a high-quality stable of channels before embarking on a major advertising campaign next year or possibly during the run-up to the Christmas holiday in December.

For that, and for planned expansion this year into France, Germany and possibly other markets such as Japan, the company plans to raise up to $50 million, more than the $32.5 million it has raised in all its previous funding rounds combined.

"It'll be big -- bigger than all of them together," said Wood. "We're hoping to get it done in the next three months."

Roku is betting that the competitive price of its box -- at 50 pounds ($79) in Britain, the most basic model is about half the price of Apple TV -- along with its open platform and ease of use will help it win over consumers.

The box simply plugs into the television, a power point and ethernet cable or wi-fi, and the set-up process can be completed in under 10 minutes.

The Roku box contains software that optimizes Internet video for TV viewing, removing the buffering waiting time that makes Internet TV all but unwatchable on a computer for many consumers with slower Internet connections.

Anyone can develop a channel for Roku -- from premium brands such as the BBC's iPlayer catch-up service to niche programming such as Indian channels for expats.

Some are paid for and some are free, and Roku typically takes a cut of the subscription or advertising revenue, as well as earning money from marketing services and hardware sales. Wood said the company hoped to be profitable in 2013.

SKY CHALLENGE

Britain presents a tough challenge for new players, as pay-TV broadcaster BSkyB already has more than 10 million customers, or about half of the country's households, as well as having the rights to much premium content sewn up for years.

Wood said one solution could be that Roku could partner with BSkyB to deliver its programming to existing subscribers, although he emphasized there was no deal yet and that any agreement might not take that form.

BSkyB already has a service called Sky Go that lets subscribers watch live and catch-up TV on a variety of devices including computers, iPhones, iPads and Microsoft's Xbox.

"The goal is to get Sky Go on our box," he said, but added: "There's no deal with Sky yet. We're in discussions with Sky, and with all the content owners."

Broadband media analyst Richard Broughton of technology research firm IHS Screen Digest said: "As an aggregator, they're in a better position than a subscription service like Netflix or Amazon's Lovefilm to gain access to third party premium content such as Sky Movies."

So far, Roku has 60 channels in Britain, led by the BBC iPlayer and Netflix, which has a stake in Roku. It is available from online retailers Amazon and Play, with high street electronics stores expected to follow later in the year.

"We view this year as kind of a building year. We're focused on getting all the country-specific content we need to be mainstream," said Wood.

"Next year will be about volume sales and marketing." ($1 = 0.6354 British pounds)

(Reporting by Georgina Prodhan)

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