



Communications

NETFLIX INC. (NASDAQ: NFLX)

Recommendation: BUY

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Analysts

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Current Price \$338.63
Target Price \$379-\$401
DCF / EP Target Price \$390.02

Company Overview

Netflix, INC. (NFLX) is an international streaming service company. Netflix provides subscribers with television shows, movies, original content, & more. It operates through three segments: Domestic Streaming, International Streaming, & Domestic DVD. The streaming segments earn revenues from membership fees for streaming content services provided to subscribers. The Domestic DVD segment is slowly declining, but it earns revenues from services including DVD-by-mail. It is one of the world's leading streaming services with over 230 million memberships. The company was founded by Marc Randolph and Wilmot Reed Hastings, Jr. on August 29, 2007, and is headquartered in Los Gatos, CA.

Stock Performance Highlights

52 week High	\$379.43
52 week Low	\$162.71
Beta Value	1.26
Average Daily Volume	7.184 m

Share Highlights

Market Capitalization	\$148.18 b
Shares Outstanding	.44535 b
Book Value per share	\$46.65
EPS (FY2023)	\$9.72
P/E Ratio	34.23
Dividend Yield	0%
Dividend Payout Ratio	0%

Company Performance Highlights

ROA	7.56%
ROE	24.53%
Sales	\$31.62 b

Financial Ratios

Current Ratio	1.17
Debt to Equity	81.49%

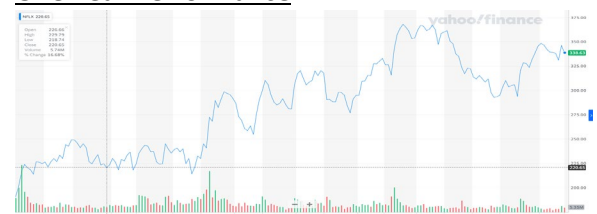
Investment Thesis

We recommend a BUY rating for Netflix. There are many opportunities and areas for growth especially in the Asian markets. With Netflix being the goliath in content streaming services. Our model predicts a 15% premium that could be earned with the purchase of this stock. Therefore, we determine the buy rating.

Drivers of Thesis:

- The average growth rate of 15.83% for the forecasted 10 years is a strong indicator of a buy rating. The gap in the market for Asia can be seen. Netflix has already started targeting that demographic as it has the highest population globally.
- Netflix consistently tries to attain new ventures such as the acquisition of Studio LLC, which is a game development company. Furthermore, they continue to attain content assets and contracts from many producers for many fan-favorite shows and movies.
- Finally, the halt of the global pandemic in 2019 helped Netflix's stock price soar pre-2021. However, Netflix had returned to normal growth rates, which had investors concerned. However, this should not dissuade investors from buying Netflix as it is still a giant in its industry and boasts many opportunities for expansion.

One Year Performance



Source: Yahoo Finance

Executive Summary

Netflix is expected to see continued growth in its business venture. Netflix is known for its belief in constantly evolving and ensuring that their content is up-to-date and to the standards of their clientele. This belief gives us the confidence that their domestic and international sales will continually rise. Netflix is one of the largest if not the largest streaming service provider, but it ensures that it stays committed to keeping their customers happy and satisfied with their streaming options. For the reasons provided above, we believe that Netflix should be a **buy**. The price range that should be targeted is **\$379 - \$401**. Our model predicted the price range should be centered above its current price because we expect Netflix's share price to rise and its economic profit to increase with its promise of future innovation.

Net income (loss)	7,067,528	8,942,335	9,485,508	10,576,686	11,769,259	13,391,514
Net earnings (loss) per share - basic	15.85	20.00	21.16	23.53	26.12	29.64

Source: Model Income Statement

Company Analysis

Netflix, Inc. (NASDAQ: NFLX), which is headquartered in Los Gatos, CA, operates as a global content and streaming services providing business. Netflix has multiple subscription options. These include: their basic plan for \$9.99 for one device, their standard plan for \$15.49 for two devices, and their premium plan for \$19.99 for four devices with ultra-HD audio. Their geographic segments are: United States and Canada, Europe, Asia, and Latin America. Netflix reaches about 190 countries and has films, shows, and games that are in many different languages and genres. This content is either created by Netflix itself through Netflix Originals, or some are attained by entering contracts for the streaming content created by outside productions.

Assets

Current Assets:

Cash & cash equivalents

Other current assets

Total current assets

Content assets, net

Source: Model Balance Sheet

Netflix aims to deliver the best streaming content and service experience to consumers and grow its subscriber

growth globally. However, they are not stretched too thin as they ensure that they are within their operating parameters. Their steady growth of subscribers allows Netflix to grow into new content and attain better streaming contracts through other productions. Furthermore, with their constant updates, Netflix improves the users' experience. For example, Netflix offers a variety of plans for subscription. Whether it is for families, college students, or individuals. There is a Netflix subscription that works for almost every household. Netflix is different than many other businesses because of its fixed amount of content. The content stays the same but goes to many viewers worldwide. The economic savings come from advertising expenditures as they do not have to spend much or at all on advertising their content. Their software does this for them. The benefit of Netflix as opposed to other streaming services like Hulu or HBO is that there are no ads during the streaming of the content, which the viewers appreciate and continue to accept Netflix's services for their fees. All things considered, Netflix is committed to ensure that their content, streams, and service is kept up to date to ensure their customer loyalty.

According to a recent article by Engadget, Netflix was deemed the most valued streaming platform for their high quality and excellent service. "Compared to other streaming services, no one offers more high-quality content at a single price than Netflix. Pick any category you can think of, and Netflix probably has something that will fit the bill. Plus, new content is released every week and as a worldwide service, Netflix is consistently adding movies and TV shows from around the globe that can change the viewing experience in ways you may not have considered. Netflix is available in almost every country on the planet, and its app or website runs on most of the devices that connect to the internet. Those apps are also some of the most easy-to-use of any service. That doesn't mean it's always simple to choose something to watch, but when it comes to swapping profiles or simply picking up where you left off, it doesn't get better than this."

Source: Engadget Article

SWOT Analysis

Strengths

Netflix's main strength is their name. Their branding has become a household regular. Everyone knows what Netflix is. Everyone uses it. In fact, Netflix has over 230 million subscribers across the globe and boasts unmatched revenues in 2022.

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022
Number of Subscribers	139,259.00	167,144.00	203,663.00	221,844.00	230,747.00
Growth Rate%		20.02%	21.85%	8.93%	4.01%
Revenue per Subscriber	111	119	122	133	136
Growth Rate%		7.24%	2.31%	9.45%	2.51%

Source: *Model Revenue Decomposition*

Netflix is very established as it holds about 6.6% controlled of the U.S. streaming services market.

Source: *Motley Fool Mojo Article*

There were more than 74 million subscribers in the United States and Canada (Domestic) and 230 million in the world. In addition to being the largest streaming service, Netflix is always able to retain its customers and rake in new ones. Netflix has a higher retention rate and growth than all its competitors like HBO, Hulu, and Disney+. With its continued growth in subscribers, Netflix is in a stronger position against its customers.

Weaknesses

Netflix's weaknesses lie in their need for content assets from other productions. In recent years, this has caused issues for Netflix, which has caused them to raise the rates on their subscriptions. The issue with the need of these other productions is that if they try to get their own streaming service, Netflix is left with nothing. This happened with some streaming content in the past, which caused the hikes in Netflix's prices on their subscriptions. Furthermore, Netflix is very reliant on their domestic market. Around 45% of their total revenues comes from the United States or Canada. This means that they are missing most of the population of the world because a lot of potential Asian subscribers that are not being targeted. Asia holds most of the world population, but it is not Netflix's largest subscriber count or highest revenue providing continent.

Opportunities

Netflix has lots of opportunities to attack. They have the entire gaming industry that they have been trying to break into. With the acquisition of Studio LLC back in

2022, they can create games for a lot of their original shows. For example, they have a lot of original Netflix dating shows that they have created interactive video games for fans to enjoy.

Netflix constantly has opportunities to update their mobile app to cater to more of their Asian subscribers as mobile users are more frequented in Asian countries. They utilize this opportunity to ensure that their revenues in Asia increase by constantly adding new add-ons in their mobile app, such as starting off where someone had stopped watching. Expanding into Asia is very important as the subscriber growth rates are the largest there.

APAC Subscribers	10,607	16,233	25,492	32,632	38,023	46,008
APAC Subscriber Growth		53.04%	57.04%	28.01%	16.52%	21.00%

Source: *Model Revenue Decomposition*

Threats

Netflix has threats in the increasing number of other streaming service providers. As they rely on these productions for licensing deals, other companies that create their own streaming service such as Disney creating Disney+ affects Netflix's ability to increase their revenues.

Furthermore, there has been an increase in video piracy, which has halted people using Netflix's subscription. There are many such pirated webpages that consumers can find online illegally, but this is another threat to Netflix. Pirated videos have about 230 billion views a year, which is revenue that Netflix could have attained. Furthermore, this all happens in Netflix's rainmaking nations such as the United States and India, where piracy is the highest at Number 1 and 3 respectively. With the growth prospects in Asia and India, and Netflix's consistent presence in the United States, piracy is costing Netflix millions in Revenues.

Source: *DataProt Article*

Industry Analysis

Industry Description

Netflix is part of the communications sector. More specifically, Netflix operates in the media and entertainment industry in the communications sector.

This industry is broad and includes movies and entertainment, broadcasting, cable, and satellite, advertising, interactive media and services, telecommunication services and publishing. Examples of companies within this industry include Netflix, FuboTV, Amazon, Apple, AT&T, Spotify, Walt Disney Co, Comcast Corporation, and Paramount. These companies generate revenue through streaming or broadcasting media content to customers.

Industry Trends

There are many trends among the Media and Entertainment Industry which has led it to be a constantly changing environment within the past few years. The main trends consist of Covid-19, introduction of cheaper ad-based plans, cord-cutting, shifts from leasing to content creation, limits on password sharing, and advancements in 5G internet capabilities that have led to more people gaining access to the internet.

In an effort to decrease prices but keep the same amount of content, some streaming services have opted to introduce ad-based plans at a cheaper price. Netflix opted to utilize this approach in late 2022, introducing ads for the first time ever in the company's history to compete with rival streaming services. In an era where limitless entertainment is at your fingertips, people are more content with ads they do not have to watch. By adding ad-based plans, it allows users to decide on whether they believe money is worth spent on a smoother show experience.

To limit "cheating the system", certain streaming services are cracking down on password sharing. Password sharing is often used to avoid having to pay for a streaming service subscription.

With the advancement of 5G internet, streaming companies have a wider audience to draw from. This has led to the streaming service market to become more appealing to companies and thus competition has increased as well. To Netflix uses video multimedial assessment fusion to use machine learning to determine video quality based on how good the quality of communication is with the customers device.

Cord-cutting is becoming more prominent than ever in the communications sector. Many families are making the switch from cable television to streaming, and whether literally or metaphorically are cutting the cord. Traditional cable TV is becoming obsolete in comparison to its streaming competition that can now broadcast live television as well as pre-existing content. Although companies like Netflix have not advanced into live TV streaming, companies like Hulu have.

Covid-19, while still a prominent source of revenue for Netflix, is becoming less of a factor. People are starting to move into a world where Covid is no longer a concern for most people. Netflix now needs to adapt to a world where people do not have the same time to watch TV and find a way to inch back to its stock highs in 2020. However, there is no telling if the disease might form into another wave that could leave Americans quarantined.

Another trend affecting the industry is the move from leasing to content creation. Companies are not as likely anymore to lease content to other companies and are instead creating their own streaming platforms. This is especially important to companies like Netflix who rely on leased content to retain subscribers.

Competition

Netflix faces more competition than ever in 2023. New streaming services continue to join the market with the addition of companies like Paramount+ and Peacock. Here are some of the biggest competitors Netflix faces currently.

Hulu is a subscription video on demand service fully controlled and majority owned by The Walt Disney Company with Comcast's NBCUniversal holding a minority stake. In 2017 Hulu launched Hulu with Live TV, a live TV service featuring television channels. This gives it one distinct advantage over Netflix in terms of variety.

FuboTV is an American streaming service started in 2015. Its primary emphasis is on sports while producing a few original shows. Its platform, FuboTV, allows customers to access content through streaming devices and on Smart TV's mobile phones, tablets, and computers.

Amazon is a technology company giant that focuses on cloud computing, digital streaming, ecommerce, and artificial intelligence. Amazon owns a wide variety of different businesses such as, Whole Foods, Amazon Studios, Amazon Publishing, and Ring Zappos. Its main competition with Netflix comes from Amazon Prime video, that gives unlimited access to certain shows for free with a purchase of Amazon Prime. It also gives users a wide selection to choose from at a cost, allowing users to rent or purchase shows or movies not likely to be found on other popular streaming services. In addition to this they also create original shows such as the recent *Rings of Power*.

Apple is the biggest technology company in the world and designs and develops, and sells computer software, consumer electronics, and online services. They are most widely known for iPhones and Mac computers. They primarily compete against Netflix with their streaming service Apple+ which often comes packaged with some of their phone deals. Like other streaming services they create original shows to set themselves apart from their competitors.

AT&T is a multinational conglomerate holding company. They own several different entities including CNN, Warner Brothers, and DirecTV. HBO Max is owned by Warner Media and is the biggest competitor with Netflix. It primarily provides content owned by Warner Brothers, Cartoon Network, TBS, and TNT. It also is developing its own exclusive original programming.

Spotify is an audio streaming and media services provider. It operates through the premium and Ad-Supported segments. The Premium segment provides subscribers with unlimited online and offline high-quality streaming access of music and podcasts. The Ad-Supported way is a default freemium model where users can access a free tier with limited content and ads.

Comcast Corporation is a telecommunication conglomerate and the largest broadcasting and telecommunications company in the world. Its subsidiaries include USA Network, Syfy, NBCSN, DreamWorks Animation, Universal Studios, and Peacock.

Peacock is the main competitor for Netflix and is owned by NBCUniversal which is owned by Comcast. Peacock is cheaper than many of its competitors.

Paramount or Paramount Global is an American multinational media and entertainment conglomerate controlled mainly by National Amusements. The main division of the company is Paramount Pictures which owns Paramount +, a streaming service. It has access to Nickelodeon, Comedy Central, MTV, and more.

Overall, we believe Netflix will continue to be the most successful streaming service because of its ability to adapt. Considering they are willing to introduce advertisement after resisting for the entirety of their history shows that they are still able to adapt and compete with other successful streaming services such as Hulu.

Porter's Five Forces

Threat of Entry: LOW

The threat of Entry is low as the industry is dominated by well-established streaming services. While it is still possible for new streaming services to enter the market as we have seen with new companies like Peacock, overall, the streaming service industry is dominated by a handful of companies and the barrier to entry is high.

Power of Suppliers: MODERATE

The supplier in this market is broad, including production companies that firms get licensing deals from, content providers, and creators. While content creators are not obligated to create licensing agreements with Netflix, because Netflix is currently the biggest streaming service, it can afford to pay its suppliers handsomely, if need be, so they have more power in this process than other smaller streaming providers.

Power of Customers: HIGH

The bargaining power of buyers in the industry is high. Consumers have many options among the products in the industry. The top firms offer similar products, and this gives power to the buyer to choose which one suits them

the best. Buyers that are unhappy with one brand can easily switch to another brand that offers a similar alternative. Companies must continually innovate their existing line of products to stay relevant with the consumer. In addition, public relations matter a lot for companies and their bargaining power.

Although streaming services often have exclusive content and original content is becoming a more and more accepted business practice, most streaming services offer enough variety to consumers to be able to easily persuade consumers to switch services. This means that streaming service companies need to maintain a good user interface and cheap plans.

Power of Competition: VERY HIGH

Because streaming is becoming the most prevalent form of consuming entertainment video, and companies are creating or merging content to compete, the power of competition is incredibly high. That is why companies like Netflix are using ad supported plans to cut down on prices for those who do not mind advertisements. Because of exclusive content and innovations in plan pricing, no streaming service can sit comfortably at the top for too long. The companies that are successful are the ones that are observant of market trends and weary of their competitors.

Threat of Substitute Products: HIGH

Consumers can choose from multiple video entertainment sources; other sources of entertainment that consumers choose for leisure are also substitutes. When consumers feel they have exhausted all they wish to see they can easily cancel whenever they want and join a different streaming service. Because streaming services also often have a limited duration they can hold onto a license for a show, consumers who primarily care about that show will likely switch subscriptions when the show leaves the service.

Industry Growth Indicators

Rivalry will likely intensify if firms cannot continually offer products that satisfy their customer's expectations.

Innovation is key to growing market share and retaining customers in the industry. If firms fall behind on the innovation cycle, other firms will try to capture market share. However, brand loyalty is very strong in the industry, and this diminishes the magnitude of competitive rivalry among the top streaming services.

Exclusive content is a good indication of how a firm can differentiate itself from its competitors. By having a popular exclusive show or movie, companies can directly separate themselves from their competitors.

AI and software that limits load times and buffering like Netflix's video multimethod assessment fusion can give the company an edge in providing a fast reliable entertainment service.

Macroeconomic Analysis

Interest Rates

Interest rates set by the U.S. Federal Reserve. The federal funds rate is the interest rate that banks borrow from each other at in the overnight lending market. This rate indicates the market's status and changing it changes if the market goes up or down. It heavily influences the borrowing and treasury bond rates. To combat the rising inflation the Fed raised the federal funds rate to a range of 4.75% to 5.00% as per the latest FOMC meeting in March. This jumped 25 base points. Interest rates affect streaming services because it impacts the investment in growth. Companies like Netflix looks to borrow when making capital expenditures or when they need funding for new content. This is where interest rates can become very important as the borrowing rate rises, the desire for streaming service providers to invest goes down.

We show the impact of interest rates because increases to the federal funds rate decreases consumer demand for services like streaming. As interest rates rise, the cost of for households increases and this includes payments like mortgages, credit cards, or loans. When customers face higher interest payments on other items, streaming services go to the bottom of the list. Consumers are more willing to dedicate more of their money to ensure they have necessary products, and naturally, the overall

streaming service provider (Entertainment) sector will be negatively impacted by a hike in the Fed Funds Rate.

Finally, the rising interest rates increase the discount rate used in our valuation models. This reduced Netflix's future cash flows. This has also affected other models on similar companies. Reducing the future cash flows, in turn, reduces the intrinsic value of equity for the company. Thus, reducing its share price.



Source: *St. Louis Fed*

The Chart above is from the St. Louis Fed. It depicts how consumer demand for mortgages is reduced when the Fed increases the Fed Funds rate. We factored this information into our model for Netflix. However, the Fed Funds rate will eventually have to stop increasing, which is why in the long run, it does not affect future cash flows. Therefore, our revenues also slow down because the Fed Funds Rate also eventually will have to stop increasing and come down to a stable rate in the future.

Inflation

The Consumer Price Index (CPI) is a measurement that examines the average price change for consumer goods and services over a period. These consumer goods and services are usually made up of food, utilities, and more. The CPI is a frequently used statistic to recognize the of inflation or deflation in the U.S economy. The CPI is around 5% in 2023. This is 0.1% jump in prices, which indicates a rise in prices. This means inflation rose, but at a very miniscule level. The Federal Reserve did their part in ensuring that the inflation was combated against by adjusting the federal funds rate as explained above.

Therefore, we believe that inflation will slow down in the future and the CPI will likely stay the same or reduce in the future, which will increase the value of future cash flows.

Real GDP

Real GDP is a measure of a macroeconomic output that factors in inflation. When Real GDP decreases, economic output works linearly. Decreases in economic output indicate reduced job growth, lesser wages, less investments, and capital expenditures. The current Real GDP is \$23 trillion as of 2021.

In times of declining real GDP, there are fewer chances for streaming companies to invest in expansion. The first reason is that since consumer spending will decline, companies like Netflix will have less money to reinvest into content assets. Second, there are a lot fewer investing opportunities accessible when the economy is in contracting times. As a result, streaming companies will start prioritizing cost reduction above expansion. A recent illustration of this are the numerous layoffs in the industry or reduced content assets.

Foreign Exchange Rates

Foreign exchange rates are a very important measure for the communications sector as many of the top market cap companies in the sector do business not exclusively limited to the United States. When companies receive revenue in a foreign currency and have expenses in USD, the strengthening of the USD would report lower profitability and vice versa.

Additionally, if a communications company were to invest in a foreign market, and their domestic currency were to weaken, the value of the investment would decrease when converted back to the domestic currency.

Because the top streaming services receive most of their revenue from outside of the US, the strengthening of the US dollars is detrimental to those companies since the bulk of their expenses is in the USD.

International Users

More and more countries are gaining access to the internet, and with the internet they also gain access to streaming services. 59.4 percent of all the people on Earth now have access to the internet. With a consistent increase of 100 million internet users every year, there is no sign of this trend slowing down any time soon.

As of 2022 International Revenue made up approximately 55.24% of overall revenue for Netflix and international revenue has been higher than domestic revenue since 2020. Because it looks like the domestic market will not exceed the international market in the future, streaming services will need to be ever more cautious of USD appreciation.

Source: Statista

Valuation Analysis

Revenue Decomposition

While forecasting the revenue for Netflix, we found that Netflix still makes a minute portion of their revenues from DVD revenues, but that growth rate is slowly declining. For this reason, we declined the growth rate for the DVD revenues, but forecasted upwards growth for the streaming revenues. We ensured that these growth rates had an ending rest growth rate because growth rates eventually slow down over time.

United States and Canada

The growth rates we forecasted for domestic subscriber growth were 5% from 2023 – 2026 and would eventually slow down to 3% as we feel that Netflix has fully explored the American markets, but we believe that the growth rates will stay the same due to lots of other factors like threats by other content service providers.

Europe, Middle East, and Africa

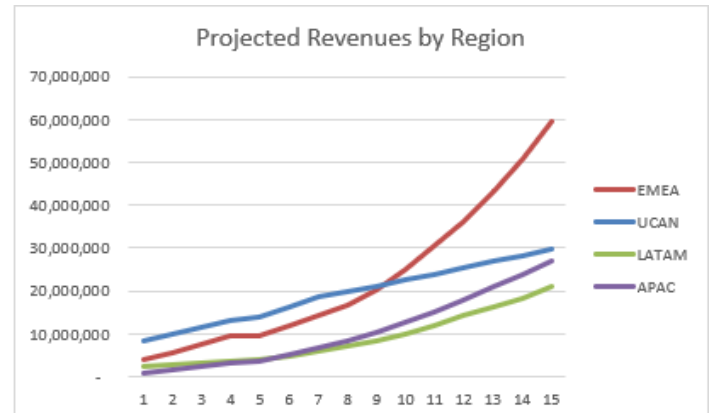
The growth rate we forecasted for EMEA were growing from 7% to 20% from 2023 – 2028. The reason for this growth is that Middle Eastern and African markets continue to rise as the market in developing nations is growing there causing a huge desire for entertainment. These growth rates will eventually slow down by 2031 to 15% in perpetuity.

Latin America

Historically, Latin America has followed a similar growth pattern to the EMEA in terms of subscriber growth, so we forecasted a similar growth pattern, but at a lower growth rate. The growth rate we forecasted for EMEA were growing from 8% to 17% from 2023 – 2028. These growth rates will eventually slow down by 2031 to 11% in perpetuity.

Asia-Pacific

For Asia, we believe this is where Netflix will target a lot of their spending. In fact, we can start to see the additions of a lot of Korean and Indian entertainment medias to the streaming service's content. For this reason, we forecast a large growth rate of subscribers from 2023-2026 of 21%. This will eventually slow down to 11% in 2031 like Latin America in perpetuity.



Source: Model Revenue Decomposition

Expenses

We forecasted the COGS by the average COGS that has historically been projected by the percentage of sales in previous years. Therefore, Netflix's COGS constantly increase throughout the forecasted years. The sales constantly are growing due to increase in growth of subscribers, so COGS is growing as an average percentage of sales.

Technology, Marketing, and General and Administrative Expenses are forecasted as a percentage of growth rate, which is like years prior. For example, the average of the previous three years was used for Technology and Marketing expenses. These expenses were increasing due to the increase in sales.

Interest expenses were forecasted as a sum of the short-term and long-term debt, which were then multiplied by our estimated cost of debt.

Our forecast used a constant amortization rate of 45.88% a year. Netflix amortized content similar rate. This was then used to amortize this based on the increase in content assets. We included the same logic for depreciation of assets, which was based on Capital Expenditures Growth. Capital Expenditures and Content Assets growth was forecasted by a straight-line method at 17% and 20% respectively.

WACC

Weighted Average Cost of Capital was calculated at 8.76%. Our pre-tax cost of debt came we took the Yield-to-Maturity of Netflix's 10-year corporate bond which yielded 4.15%. We then multiplied our pre-tax cost of debt by $(1 - \text{the marginal tax rate})$, which was found by taking a previous 5-year average for the tax rate. To end it, we found the final after-tax cost of debt of 2.93%. The Cost of Equity was found by using the CAPM model, which we weighed the risk-free rate of the market with the 10-year treasury rate and the Beta was calculated through a research article.

Source: *Macro Axis Article*

The Equity Risk Premium was found through geometric average of the premiums of the market for the previous 5 years. This was then used in the CAPM model for the cost of equity of 9.40%.

Using the WACC formula and the weight of debt and equity and the cost of debt and equity, the WACC was calculated to 8.76%.

Valuation Models

Discounted Cash Flow & Economic Profit ("DCF"/"EP")

For Netflix's discounted cash flow model, we forecasted the company's (FCF) free cash flow to the firm out 10 years into the future (2032E) and arrived at a horizon value using a steady-state NOPLAT growth rate of 2.5%. Adding these future cash flows together, we discounted all of Netflix's cash flows to present value using Netflix's WACC of 8.76%, resulting in our value of operating assets of 176,952,314. We then adjusted for non-operating assets and divided by

shares outstanding, we arrived at an implied price of **\$390.02**. For EP a similar process was used. We calculated the Economic profit and projected it out for 10 years and after subtracting non-operating adjustments, we came to the same implied price.

Dividend Discount Model ("DDM")

Netflix does not give out dividends and we do not forecast that they will in the next 10 years. For that reason, we excluded the DDM model as it does not provide an accurate analysis of Netflix's share price.

Relative Price-to-Earnings ("P/E")

Finally, we compared similar companies to Netflix by using their P/E ratios as a comparison. However, a lot of these comparable companies are not exactly direct competitors of Netflix. There are some similarities and rivalries in certain business segments, but there is no real competitor. Netflix is a very different company. Thus, this model is not fully encompassing the true value of a Netflix stock.

However, the relative P/E ratio for Netflix is 12.46 as calculated by comparing FuboTV, Amazon, Apple, AT&T, Spotify, Disney, Comcast, and Paramount. Using their P/E ratios we could use an average for Netflix. Netflix's real P/E ratio is around the 30-40 range in 2022. Thus, proving, that the relative P/E analysis is not very applicable to Netflix as there is no direct competitor.

Sensitivity Analysis

To test the impact of our assumptions, we created six sensitivity tables based off our DCF valuations (noted in the top left of each table). We have highlighted the extremes moving into the center of the sensitivity table to give a good range.

Cost of Equity vs. Pre-Tax Cost of Debt

The cost of equity and pre-tax cost of debt are the two major factors in determining Netflix's cash flow discount rate, which has a huge impact on our final valuation in the DCF. We sensitivity tested these two variables against our discounted cash flow valuation to see how much our price

moves if we were to assume a higher or lower discount rate.

		Cost of Equity							
		390.02	9.10%	9.20%	9.30%	9.40%	9.50%	9.60%	9.70%
Pre Tax Cost of Debt	3.85%	391.87	391.97	392.06	392.15	392.24	392.33	392.42	
	3.95%	391.16	391.26	391.35	391.44	391.53	391.62	391.71	
	4.05%	390.45	390.55	390.64	390.73	390.82	390.91	391.00	
	4.15%	389.75	389.84	389.93	390.02	390.11	390.20	390.29	
	4.25%	389.04	389.13	389.22	389.31	389.40	389.49	389.58	
	4.35%	388.33	388.42	388.51	388.60	388.69	388.78	388.87	
	4.45%	387.62	387.71	387.80	387.89	387.98	388.07	388.16	

Source: Model Sensitivity Tables

WACC vs. CV Growth of NOPLAT

It is clear from this sensitivity table that the CV NOPLAT growth has a large impact on our valuation. Because the terminal value is directly affected by NOPLAT, a small change in NOPLAT can drastically change our evaluation. A 0.3% increase in NOPLAT changes the overall valuation by 2.9%.

		WACC							
		390.02	8.46%	8.56%	8.66%	8.76%	8.86%	8.96%	9.06%
CV NOPLAT Growth	2.20%	405.77	396.88	388.29	379.59	371.93	364.14	356.60	
	2.30%	409.67	400.60	391.83	382.96	375.15	367.21	359.53	
	2.40%	413.70	404.43	395.48	386.43	378.47	370.38	362.55	
	2.50%	417.86	408.39	399.25	390.02	381.89	373.65	365.67	
	2.60%	422.16	412.48	403.15	393.72	385.43	377.01	368.88	
	2.70%	426.61	416.72	407.17	397.54	389.08	380.49	372.19	
	2.80%	431.22	421.10	411.34	401.49	392.84	384.08	375.61	

Source: Model Sensitivity Tables

Beta vs. Equity Risk Premium

Netflix's beta and the equity risk premium are crucial metrics for calculating WACC in the discounted cash flow analysis model. We sensitivity tested variables against our discounted cash flow valuation to gain insight into the volatility of Netflix's intrinsic share price when reacting to these cost of equity assumptions. Both variables affect the valuation immensely since Netflix since Netflix is primarily funded by equity at 90.15% MV of Equity weight. With an increase of Beta, the company is becoming much riskier and equity holders demand a higher cost on their investment for the risk they are taking. With a beta increase of 0.1, our valuation goes down 8.7%.

		Beta							
		390.02	1.14	1.16	1.21	1.26	1.31	1.36	1.41
Equity Risk Premium	4.55%	453.92	445.15	424.36	405.04	387.07	370.29	354.62	
	4.60%	448.40	439.70	419.08	399.94	382.12	365.50	349.97	
	4.65%	442.98	434.36	413.91	394.93	377.27	360.80	345.41	
	4.70%	437.66	429.11	408.84	390.02	372.51	356.19	340.94	
	4.75%	432.44	423.96	403.86	385.20	367.85	351.67	336.56	
	4.80%	427.32	418.91	398.98	380.48	363.28	347.24	332.27	
	4.85%	422.30	413.95	394.18	375.84	358.79	342.89	328.05	

Source: Model Sensitivity Tables

Marketing % vs. Cost of Goods Sold %

We are comparing the cost of goods sold to the marketing cost. With this analysis we can identify how much Netflix can cut costs or expand. We see that marketing makes up a big percentage of Netflix's expenses. The COGS% also drastically affects the valuation, with a 1% increase in COGS roughly equating to \$30 decrease in the valuation of the company.

		COGS%							
		390.02	12.97%	13.97%	14.97%	15.97%	16.97%	17.97%	18.97%
Marketing %	7.08%	569.27	539.30	509.32	479.34	449.37	419.39	389.42	
	8.08%	539.50	509.52	479.55	449.57	419.59	389.62	359.64	
	9.08%	509.72	479.75	449.77	419.80	389.82	359.84	329.87	
	10.08%	479.95	449.97	420.00	390.02	360.04	330.07	300.09	
	11.08%	450.17	420.20	390.22	360.25	330.27	300.29	270.32	
	12.08%	420.40	390.42	360.45	330.47	300.49	270.52	240.54	
	13.08%	390.62	360.65	330.67	300.70	270.72	240.74	210.77	

Source: Model Sensitivity Tables

CV Year ROIC vs. CV NOPLAT Growth

CV Year ROIC is less important in the overall valuation than we expected. CV NOPLAT growth is more important, telling us that a small increase in NOPLAT growth will cause a big change in ROIC.

		CV Year ROIC							
		390.02	17.87%	18.87%	19.87%	20.87%	21.87%	22.87%	23.87%
CV NOPLAT Growth	2.20%	372.95	375.40	377.60	379.59	381.40	383.05	384.56	
	2.30%	375.91	378.51	380.84	382.96	384.88	386.63	388.24	
	2.40%	378.96	381.71	384.19	386.43	388.47	390.32	392.03	
	2.50%	382.11	385.02	387.64	390.02	392.17	394.14	395.94	
	2.60%	385.36	388.44	391.21	393.72	395.99	398.07	399.97	
	2.70%	388.72	391.97	394.89	397.54	399.94	402.14	404.15	
	2.80%	392.19	395.62	398.70	401.49	404.02	406.34	408.46	

Source: Model Sensitivity Tables

Marginal Tax vs. Risk Free Rate

For this table we wanted to figure out how the tax rate would affect the valuation in comparison to the risk-free rate. We used historical tax rates in order to calculate our marginal tax rate. Our risk-free rate is based on long term US treasury bonds.

		Marginal Tax							
		390.02	26.43%	27.43%	28.43%	29.43%	30.43%	31.43%	32.43%
Risk Free Rate	3.18%	414.48	414.42	414.35	414.29	414.23	414.17	414.11	
	3.28%	406.14	406.08	406.01	405.95	405.88	405.81	405.75	
	3.38%	398.07	398.00	397.93	397.86	397.79	397.72	397.65	
	3.48%	390.24	390.17	390.09	390.02	389.95	389.87	389.80	
	3.58%	382.65	382.57	382.50	382.42	382.34	382.26	382.19	
	3.68%	375.28	375.20	375.12	375.04	374.96	374.88	374.80	
	3.78%	368.14	368.05	367.97	367.88	367.80	367.72	367.63	

Source: *Model Sensitivity Tables*

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Netflix
Revenue Decomposition

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Streaming Revenues	\$ 15,428,752.00	\$ 19,859,230.00	\$ 24,756,675.00	\$ 29,515,496.00	\$ 31,469,852.00	\$ 38,095,412.29	\$ 45,516,614.32	\$ 51,852,449.47	\$ 60,300,319.43	\$ 70,186,250.65	\$ 81,532,820.07	\$ 93,885,320.56	\$ 107,550,384.28	\$ 121,341,944.14	\$ 137,151,645.24
Growth Rate%		28.72%	24.66%	19.22%	6.62%	18.00%	18.00%	18.00%	15.00%	15.00%	15.00%	12.00%	10.00%	8.00%	6.00%
DVD Revenues	\$ 365,589.00	\$ 297,217.00	\$ 239,381.00	\$ 182,348.00	\$ 145,698.00	\$ 120,929.34	\$ 100,371.35	\$ 83,308.22	\$ 69,145.82	\$ 57,391.03	\$ 47,634.56	\$ 39,536.68	\$ 32,815.45	\$ 27,236.82	\$ 22,606.56
Growth Rate%		-18.70%	-19.46%	-23.83%	-20.10%	-17.00%	-17.00%	-17.00%	-17.00%	-17.00%	-17.00%	-17.00%	-17.00%	-17.00%	-17.00%
Total Revenues	\$ 15,794,341.00	\$ 20,156,447.00	\$ 24,996,056.00	\$ 29,697,844.00	\$ 31,615,550.00	\$ 38,216,341.63	\$ 45,616,985.67	\$ 51,935,757.69	\$ 60,369,465.25	\$ 70,243,641.68	\$ 81,580,454.63	\$ 93,924,857.24	\$ 107,583,199.72	\$ 121,369,180.96	\$ 137,174,251.80
Growth Rate%		27.62%	24.01%	18.81%	6.46%	20.88%	19.37%	13.85%	16.24%	16.36%	16.14%	15.13%	14.54%	12.81%	13.02%
Geographical Revenue (Streaming)															
United States and Canada (UCAN)															
Revenues	8,281,532	10,051,208	11,455,396	12,972,100	14,084,643	16,183,247	18,521,726	19,836,769	21,245,179	22,536,886	23,907,129	25,360,682	26,902,612	28,263,884	29,694,036
UCAN Price	134	151	160	175	190	207	226	231	235	240	245	250	255	260	265
UCAN Price per subscription Growth		13%	6%	9%	9%	9%	9%	2%	2%	2%	2%	2%	2%	2%	2%
UCAN # of Subscribers	64,757	67,662	73,936	75,215	74,296	78,011	81,911	86,007	90,307	93,920	97,676	101,583	105,647	108,816	112,081
UCAN Subscriber Growth		4.49%	9.27%	1.73%	-1.22%	5.00%	5.00%	5.00%	5.00%	4.00%	4.00%	4.00%	4.00%	3.00%	3.00%
Europe, Middle East, and Africa (EMEA)															
Revenues	3,963,707	5,543,067	7,772,252	9,699,819	9,745,015	11,801,814	14,150,375	16,598,389	20,316,429	24,867,309	30,437,586	36,324,215	43,349,318	50,848,750	59,645,584
EMEA Price per subscription	125.40	123.96	128.64	139.56	131.88	143.75	156.69	159.82	163.02	166.28	169.60	172.99	176.45	179.98	183.58
EMEA Price per subscription Growth		-1%	4%	8%	-6%	9%	9%	2%	2%	2%	2%	2%	2%	2%	2%
EMEA # of Subscribers	37,818	51,778	66,698	74,036	76,729	82,100	90,310	103,857	124,628	149,553	179,464	209,973	245,668	282,519	324,896
EMEA Subscriber Growth		36.91%	28.82%	11.00%	3.64%	7.00%	10.00%	15.00%	20.00%	20.00%	20.00%	17.00%	17.00%	15.00%	15.00%
Latin America (LATAM)															
Revenues	2,237,697	2,795,434	3,156,727	3,576,976	4,069,973	4,995,201	6,098,142	7,090,919	8,462,303	10,098,912	12,052,042	14,137,045	16,294,358	18,448,473	20,887,361
LATAM Price per subscription	98.28	98.52	89.40	92.76	101.76	110.92	120.90	123.32	125.79	128.30	130.87	133.48	136.15	138.88	141.65
LATAM Price per subscription Growth		0%	-9%	4%	10%	9%	9%	2%	2%	2%	2%	2%	2%	2%	2%
LATAM Subscribers	26,077	31,471	37,537	39,961	41,699	45,035	50,439	57,501	67,276	78,713	92,094	105,908	119,676	132,840	147,452
LATAM Subscriber Growth		21.00%	19.00%	6.46%	4.35%	8.00%	12.00%	14.00%	17.00%	17.00%	17.00%	15.00%	13.00%	11.00%	11.00%
Asia-Pacific (APAC)															
Revenues	945,816	1,469,521	2,372,300	3,266,601	3,570,221	5,115,151	6,746,372	8,326,372	10,276,409	12,683,144	15,136,064	18,063,378	21,004,096	23,780,838	26,924,665
APAC Price per subscription	111.96	110.88	109.44	114.72	102.00	111.18	121.19	123.61	126.08	128.60	131.18	133.80	136.48	139.20	141.99
APAC Price per subscription Growth		-1%	-1%	5%	-11%	9%	9%	2%	2%	2%	2%	2%	2%	2%	2%
APAC Subscribers	10,607	16,233	25,492	32,632	38,023	46,008	55,669	67,360	81,506	98,622	115,388	135,003	153,904	170,833	189,625
APAC Subscriber Growth		53.04%	57.04%	28.01%	16.52%	21.00%	21.00%	21.00%	21.00%	21.00%	17.00%	17.00%	14.00%	11.00%	11.00%
Domestic Streaming Revenue	8,281,532	10,051,208	11,455,396	12,972,100	14,084,643	16,183,247	18,521,726	19,836,769	21,245,179	22,536,886	23,907,129	25,360,682	26,902,612	28,263,884	29,694,036
International Streaming Revenue	7,147,220	9,808,022	13,301,279	16,543,396	17,385,209	21,912,165	26,994,888	32,015,681	39,055,140	47,649,365	57,625,691	68,524,638	80,647,773	93,078,060	107,457,609
Total Streaming Revenue	15,428,752	19,859,230	24,756,675	29,515,496	31,469,852	38,095,412	45,516,614	51,852,449	60,300,319	70,186,251	81,532,820	93,885,321	107,550,384	121,341,944	137,151,645
Streaming Growth		28.72%	24.66%	19.22%	6.62%	21.05%	19.48%	13.92%	16.29%	16.39%	16.17%	15.15%	14.56%	12.82%	13.03%
OVERALL															
Number of Subscribers	139,259.00	167,144.00	203,663.00	221,844.00	230,747.00	251,153.58	278,329.96	314,724.09	363,716.46	420,807.38	484,621.69	552,467.59	624,894.82	695,008.25	774,054.62
Growth Rate%		20.02%	21.85%	8.93%	4.01%	4.00%	4.00%	4.00%	3.00%	3.00%	3.00%	2.00%	2.00%	2.00%	2.00%
Revenue per Subscriber	111	119	122	133	136	152	164	165	166	167	168	170	172	175	177
Growth Rate%		7.24%	2.31%	9.45%	2.51%	0.05%	0.05%	0.05%	0.05%	0.05%	0.04%	0.04%	0.04%	0.03%	0.03%

Netflix

Income Statement

<i>Fiscal Years Ending Dec. 31</i>	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues	3,609,282	4,374,562	5,504,656	6,779,511	8,830,669	11,692,713	15,794,341	20,156,447	24,996,056	29,697,844	31,615,550
Cost of revenues (Excluding D&A)	989,179	912,901	1,042,453	1,123,811	1,183,875	1,389,938	2,352,293	3,120,387	4,353,697	4,893,900	4,805,475
Gross profit	2,620,103	3,461,661	4,462,203	5,655,700	7,646,794	10,302,775	13,442,048	17,036,060	20,642,359	24,803,944	26,810,075
Marketing	484,729	503,889	607,186	824,092	991,078	1,278,022	2,369,469	2,652,462	2,228,362	2,545,146	2,530,502
Technology & development	329,008	378,769	472,321	650,788	852,098	1,052,778	1,221,814	1,545,149	1,829,600	2,273,885	2,711,041
General & administrative	119,687	180,301	269,741	407,329	577,799	863,568	630,294	914,369	1,076,486	1,351,621	1,572,891
Depreciation and Amortization	1,702,080	2,241,680	2,781,800	3,547,050	4,924,980	6,330,390	7,615,245	9,319,826	10,922,622	12,438,780	14,362,810
Operating income (loss)	(15,401)	157,022	331,155	226,441	300,839	778,017	1,605,226	2,604,254	4,585,289	6,194,512	5,632,831
Other Income (expense):	-	-	-	-	-	-	-	-	-	-	-
Interest expense	19,986	29,142	50,219	132,716	150,114	238,204	420,493	626,023	767,499	765,620	706,212
Interest & other income (expense)	474	(3,002)	(3,060)	(31,225)	30,828	(115,154)	41,725	84,000	(618,441)	411,214	337,310
Income (loss) before income taxes	30,480	171,074	349,369	141,885	260,507	485,321	1,226,458	2,062,231	3,199,349	5,840,103	5,263,929
Provision for (benefit from) income taxes	13,328	58,671	82,570	19,244	73,829	(73,608)	15,216	195,315	437,954	723,875	772,005
Net income (loss)	17,152	112,403	266,799	122,641	186,678	558,929	1,211,242	1,866,916	2,761,395	5,116,228	4,491,924
Net earnings (loss) per share - basic	0.04	0.28	0.64	0.29	0.44	1.29	2.78	4.27	6.26	11.54	10.10

Netflix

Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cash Flows from Operating Activities:											
Net income (loss)	17,152	112,403	266,799	122,641	186,678	558,929	1,211,242	1,866,916	2,761,395	511,6228	4,491,924
Adjustments:											
Additions to content assets	-2,515,506	-3,049,758	-3,773,459	-5,771,652	-8,653,286	-9,805,763	-13,043,437	-13,916,683	-11,779,284	-17702202	-16839038
Change in content liabilities	762,089	673,785	593,125	1,162,413	1,772,650	900,006	999,880	-694,011	-757,433	232898	179,310
Amortization of content assets	1,591,218	2,121,981	2,656,279	3,405,382	4,788,498	6,197,817	7,532,088	9,216,247	10,806,912	12,230,367	14,026,132
Depreciation & amortization of property, equipment & intangibles	45,469	48,374	54,028	62,283	57,528	71,911	83,157	103,579	115,710	208412	336,682
Stock-based compensation expense	73,948	73,100	115,239	124,725	173,675	182,209	320,657	405,376	415,180	403,220	575,452
Foreign currency remeasurement loss (gain) on debt	-	-	-	-	-	140,790	-73,953	-45,576	533,278	-430661	-353111
Other non-cash items	52,461	20,123	-2,568	30,537	54,740	117,864	81,640	228,230	293,126	376,777	533,543
Deferred income taxes	-30,071	-22,044	-30,063	-58,655	-46,847	-208,688	-85,520	-94,443	70,066	199548	-166550
Changes in operating assets and liabilities:											
Other current assets	-5,432	62,234	-8,758	18,693	46,970	-234,090	-200,192	-252,113	-187,623	-369681	-353834
Accounts payable	-3,764	18,374	83,812	51,615	32,247	74,559	199,198	96,063	-41,605	145,115	-158543
Accrued expenses & other liabilities	9,806	1,941	55,636	48,810	68,706	114,337	150,422	157,778	198,183	180,338	-55513
Deferred revenue	20,676	46,295	58,819	72,135	96,751	177,974	142,277	163,846	193,247	91,350	27,356
Other non-current assets & liabilities	4,719	-8,977	-52,406	-18,366	-52,294	-73,803	2,062	-122,531	-194,075	-289099	-217553
Net cash flows from operating activities	22,765	97,831	16,483	-749,439	-1,473,984	-1,785,948	-2,680,479	-2,887,322	2,427,077	392610	2062257
Cash Flows from Investing Activities:											
Purchases of property & equipment	-41,457	-54,143	-69,726	-91,248	-107,653	-173,302	-173,946	-253,035	-497,923	-524585	-407729
Change in other assets	-204,462	-201,825	26,860	-87,944	157,418	207,631	-165,174	-134,029	-7,431	-26919	0
Acquisitions										-788349	-757387
Purchases of Short Term Investments											-911276
Net cash flows from investing activities	-245,919	-255,968	-42,866	-179,192	49,765	34,329	-339,120	-387,064	-505,354	-3416245	-2076392
Cash Flows from Financing Activities:											
Proceeds from issuance of debt	-295	490,586	400,000	1,500,000	1,000,000	3,020,510	3,961,852	4,469,306	1,009,464	0	
Debt issuance costs			-7,080	-17,629	-10,700	-32,153	-35,871	-36,134	-7,559	0	
Repayments of Debt										-500000	-700000
Proceeds from issuance of common stock	4,124	124,557	60,544	77,980	36,979	88,378	124,502	72,490	235,406	174,414	35746
Repurchases of Common Stock										-600022	0
Other financing activities	1,760	-138,879	88,248	79,926	65,351	255	-1,956	-	-	0	0
Taxes paid related to net share settlement of equity awards										-224168	0
Net cash flows from financing activities	5,589	476,264	541,712	1,640,277	1,091,630	3,076,990	4,048,527	4,505,662	1,237,311	-1149776	-664254
Effect of exchange rate changes on cash, cash equivalents & restricted cash	-197	-3,453	-6,686	-15,924	-9,165	29,848	-39,682	469	36,050	-86740	-170140
Net increase (decrease) in cash, cash equivalents & restricted cash	-217,762	314,674	508,643	695,722	-341,754	1,355,219	989,246	1,231,745	3,195,084	-2183759	-884529
Cash, cash equivalents & restricted cash, beginning of year	508,053	290,291	604,965	1,113,608	1,809,330	1,467,576	2,822,795	3,812,041	5,043,786	8238870	6,055,111
Cash, cash equivalents & restricted cash, end of year	290,291	604,965	1,113,608	1,809,330	1,467,576	2,822,795	3,812,041	5,043,786	8,238,870	6,055,111	5170582

Netflix
Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Cash Flows from operating activities:										
Net income (loss)	7,065,911	8,940,405	9,483,311	10,574,131	11,766,287	13,388,062	15,312,088	17,493,963	19,119,707	21,592,177
Adjustments:										
Depreciation and Amortization	15,335,460	17,751,643	20,940,293	24,812,036	29,456,853	34,530,009	39,876,220	45,729,231	52,268,712	59,108,156
Changes in Assets & Liabilities										
Other current assets	1,826,317	(444,039)	(379,126)	(506,022)	(592,451)	(680,209)	(740,664)	(819,501)	(927,159)	(948,304)
Content Assets	(20,206,846)	(24,248,215)	(28,855,376)	(34,337,897)	(39,831,960)	(45,408,435)	(51,765,616)	(59,012,802)	(66,094,338)	(74,025,659)
Other non current assets	(1,506,064)	(1,942,823)	(2,506,242)	(3,233,052)	(4,170,637)	(4,452,514)	(5,521,117)	(6,846,186)	(8,489,270)	(10,526,695)
Current content liabilities	715,335	938,205	1,138,917	1,367,463	1,492,728	1,571,809	1,721,563	1,924,538	2,011,689	2,175,274
Accounts Payable	379,436	203,518	173,766	231,927	271,540	311,762	339,471	375,604	379,114	434,639
Accrued Expenses	338,843	358,931	306,460	409,035	478,898	549,835	598,704	662,430	668,620	766,546
Deferred Revenue	283,101	299,726	255,910	341,565	399,904	459,141	499,948	553,163	558,332	640,105
Non-Current Content Liabilities	616,240	667,701	810,543	973,195	1,062,343	1,118,624	1,225,200	1,369,653	1,431,676	1,548,096
Other Non-Current Liabilities	442,267	540,114	562,516	704,997	792,921	867,764	947,906	1,054,720	1,085,327	1,204,969
Net cash flows from operating activities	5,290,000	3,065,167	1,930,975	1,337,378	1,126,427	2,255,850	2,493,703	2,484,814	2,112,410	1,969,304
Cash Flows from investing activities:										
Capital Expenditures	(477,043)	(558,140)	(653,024)	(744,447)	(848,670)	(958,997)	(1,064,487)	(1,181,580)	(1,311,554)	(1,455,825)
Net cash flows from investing activities	(477,043)	(558,140)	(653,024)	(744,447)	(848,670)	(958,997)	(1,064,487)	(1,181,580)	(1,311,554)	(1,455,825)
Cash Flows from Financing Activities:										
Change in Cap. Stock	397,905	397,905	397,905	397,905	397,905	397,905	397,905	397,905	397,905	397,905
Changes in short term debt	-	-	-	-	-	-	-	-	-	-
Changes in long term debt	5,367,014	3,561,070	4,322,898	5,190,371	5,665,830	5,965,992	6,534,401	7,304,814	7,635,607	8,256,513
Changes in Treasury Stock	-	-	-	-	-	-	-	-	-	-
Changes in Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
Net cash flows from financing activities	5,764,920	3,958,976	4,720,804	5,588,276	6,063,735	6,363,897	6,932,306	7,702,719	8,033,513	8,654,419
Net Change in Cash	10,577,876	6,466,002	5,998,754	6,181,207	6,341,492	7,660,750	8,361,522	9,005,953	8,834,368	9,167,898
Cash at Beg. Period	5,147,176	15,725,052	22,191,055	28,189,809	34,371,016	40,712,508	48,373,258	56,734,781	65,740,734	74,575,102
Cash at End of Period	15,725,052	22,191,055	28,189,809	34,371,016	40,712,508	48,373,258	56,734,781	65,740,734	74,575,102	83,743,000

Netflix

Common Size Income Statement

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of revenues (Excluding D&A)	14.89%	15.48%	17.42%	16.48%	15.20%	15.97%	15.97%	15.97%	15.97%	15.97%	15.97%	15.97%	15.97%	15.97%	15.97%
Gross profit	85.11%	84.52%	82.58%	83.52%	84.80%	84.03%	84.03%	84.03%	84.03%	84.03%	84.03%	84.03%	84.03%	84.03%	84.03%
Marketing	15.00%	13.16%	8.91%	8.57%	8.00%	10.08%	10.08%	10.08%	10.08%	10.08%	10.08%	10.08%	10.08%	10.08%	10.08%
Technology & development	7.74%	7.67%	7.32%	7.66%	8.58%	7.84%	7.84%	7.84%	7.84%	7.84%	7.84%	7.84%	7.84%	7.84%	7.84%
General & administrative	3.99%	4.54%	4.31%	4.55%	4.98%	4.54%	4.54%	4.54%	4.54%	4.54%	4.54%	4.54%	4.54%	4.54%	4.54%
Depreciation and Amortization	48.22%	46.24%	43.70%	41.88%	45.43%	40.13%	38.91%	40.32%	41.10%	41.94%	42.33%	42.46%	42.51%	43.07%	43.09%
Operating income (loss)	10.16%	12.92%	18.34%	20.86%	17.82%	21.44%	22.66%	21.25%	20.47%	19.63%	19.24%	19.11%	19.06%	18.50%	18.48%
Other Income (expense):		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest expense	2.66%	3.11%	3.07%	2.58%	2.23%	2.14%	2.12%	2.21%	2.25%	2.27%	2.26%	2.25%	2.25%	2.25%	2.24%
Interest & other income (expense)	0.26%	0.42%	-2.47%	1.38%	1.07%	1.31%	1.31%	1.31%	1.31%	1.31%	1.31%	1.31%	1.31%	1.31%	1.31%
Income (loss) before income taxes	7.77%	10.23%	12.80%	19.67%	16.65%	20.61%	21.85%	20.35%	19.53%	18.67%	18.29%	18.17%	18.13%	17.56%	17.55%
Provision for (benefit from) income taxes	0.10%	0.97%	1.75%	2.44%	2.44%	2.12%	2.25%	2.09%	2.01%	1.92%	1.88%	1.87%	1.87%	1.81%	1.81%
Net income (loss)	7.67%	9.26%	11.05%	17.23%	14.21%	18.49%	19.60%	18.26%	17.52%	16.75%	16.41%	16.30%	16.26%	15.75%	15.74%

Netflix

Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Assets															
Current Assets:															
Cash & cash equivalents	24.02%	24.90%	32.83%	20.30%	16.28%	41.15%	48.65%	54.28%	56.93%	57.96%	59.30%	60.40%	61.11%	61.44%	61.05%
Other current assets	37.35%	5.76%	6.23%	6.88%	13.03%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Total current assets	61.38%	30.65%	39.05%	27.17%	29.31%	47.15%	54.65%	60.28%	62.93%	63.96%	65.30%	66.40%	67.11%	67.44%	67.05%
Content assets, net	94.72%	121.57%	101.55%	104.11%	103.55%	99.23%	98.15%	102.21%	104.47%	105.29%	104.72%	104.34%	104.15%	104.42%	103.96%
Property & equipment, net	2.65%	2.80%	3.84%	4.46%	4.42%	4.08%	3.87%	3.89%	3.83%	3.76%	3.68%	3.61%	3.54%	3.51%	3.47%
Other non-current assets	5.70%	13.53%	12.70%	14.38%	16.43%	17.53%	18.95%	21.47%	23.82%	26.41%	28.20%	30.37%	32.88%	36.14%	39.65%
Total assets	164.45%	168.56%	157.15%	150.13%	153.71%	167.99%	175.61%	187.85%	195.05%	199.42%	201.90%	204.72%	207.68%	211.51%	214.13%
Liabilities and Stockholders' Equity															
Current Liabilities:															
Current content liabilities	29.67%	21.90%	17.72%	14.46%	14.17%	13.59%	13.45%	14.00%	14.31%	14.43%	14.35%	14.29%	14.27%	14.31%	14.24%
Accounts payable	3.56%	3.35%	2.63%	2.82%	2.12%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Accrued expenses & other liabilities	3.02%	4.18%	4.41%	4.88%	4.79%	4.85%	4.85%	4.85%	4.85%	4.85%	4.85%	4.85%	4.85%	4.85%	4.85%
Deferred revenue	4.82%	4.59%	4.47%	4.07%	4.00%	4.05%	4.05%	4.05%	4.05%	4.05%	4.05%	4.05%	4.05%	4.05%	4.05%
Short-term debt	0.00%	0.00%	2.00%	2.36%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total current liabilities	41.07%	34.01%	31.23%	28.58%	25.09%	25.24%	25.10%	25.65%	25.96%	26.08%	26.00%	25.94%	25.92%	25.96%	25.89%
Non-current content liabilities	23.80%	16.54%	10.47%	10.42%	9.75%	9.68%	9.57%	9.97%	10.19%	10.27%	10.21%	10.17%	10.15%	10.18%	10.14%
Long-term debt	65.59%	73.22%	63.25%	49.48%	45.40%	51.60%	51.04%	53.15%	54.32%	54.75%	54.46%	54.26%	54.16%	54.30%	54.06%
Other non-current liabilities	0.82%	7.17%	7.93%	8.28%	7.76%	7.57%	7.53%	7.70%	7.79%	7.82%	7.80%	7.78%	7.78%	7.79%	7.77%
Total liabilities	131.29%	130.94%	112.88%	96.76%	87.99%	94.09%	93.23%	96.47%	98.26%	98.92%	98.46%	98.16%	98.01%	98.22%	97.86%
Stockholders' Equity:															
Common stock	14.66%	13.86%	13.79%	13.55%	14.67%	13.18%	11.91%	11.23%	10.32%	9.43%	8.61%	7.90%	7.27%	6.77%	6.28%
Accumulated other comprehensive income (loss)	-0.12%	-0.12%	0.18%	-0.14%	-0.69%	-0.57%	-0.48%	-0.42%	-0.36%	-0.31%	-0.27%	-0.23%	-0.20%	-0.18%	-0.16%
Retained earnings (accumulated deficit)	18.63%	23.87%	30.30%	42.73%	54.34%	63.45%	72.75%	82.16%	88.20%	92.55%	96.10%	99.77%	103.37%	107.38%	110.75%
Treasury Stock	0.00%	0.00%	0.00%	-2.78%	-2.61%	-2.16%	-1.81%	-1.59%	-1.37%	-1.17%	-1.01%	-0.88%	-0.77%	-0.68%	-0.60%
Total stockholders' equity (deficiency)	33.17%	37.62%	44.27%	53.37%	65.72%	73.90%	82.38%	91.38%	96.79%	100.50%	103.44%	106.57%	109.67%	113.29%	116.27%
Total Liabilities and Stockholders' Equity	164.45%	168.56%	157.15%	150.13%	153.71%	167.99%	175.61%	187.85%	195.05%	199.42%	201.90%	204.72%	207.68%	211.51%	214.13%

Netflix
Sensitivity Tables

		Beta							
		390.02	1.14	1.16	1.21	1.26	1.31	1.36	1.41
Equity Risk Premium	4.55%	390.02	453.92	445.15	424.35	405.04	387.06	370.29	354.61
	4.60%	448.39	439.70	419.08	399.93	382.11	365.50	349.96	
	4.65%	442.97	434.35	413.91	394.93	377.26	360.79	345.41	
	4.70%	437.66	429.11	408.83	390.02	372.51	356.19	340.94	
	4.75%	432.44	423.96	403.86	385.20	367.85	351.67	336.56	
	4.80%	427.32	418.91	398.97	380.47	363.27	347.24	332.26	
	4.85%	422.29	413.95	394.18	375.84	358.78	342.89	328.05	

		Marginal Tax							
		390.02	26.43%	27.43%	28.43%	29.43%	30.43%	31.43%	32.43%
Risk Free Rate	3.18%	390.02	414.35	414.33	414.31	414.29	414.27	414.24	414.22
	3.28%	406.02	406.00	405.97	405.94	405.91	405.89	405.86	
	3.38%	397.95	397.92	397.89	397.86	397.82	397.79	397.76	
	3.48%	390.13	390.09	390.05	390.02	389.98	389.94	389.90	
	3.58%	382.54	382.50	382.46	382.41	382.37	382.33	382.29	
	3.68%	375.17	375.13	375.08	375.04	374.99	374.95	374.90	
	3.78%	368.03	367.98	367.93	367.88	367.83	367.78	367.73	

		WACC							
		390.02	8.46%	8.56%	8.66%	8.76%	8.86%	8.96%	9.06%
CV NOPLAT Growth	2.20%	390.02	405.77	396.88	388.28	379.59	371.93	364.14	356.59
	2.30%	409.67	400.59	391.82	382.95	375.15	367.21	359.53	
	2.40%	413.69	404.43	395.48	386.43	378.47	370.38	362.55	
	2.50%	417.85	408.39	399.25	390.01	381.89	373.64	365.66	
	2.60%	422.16	412.48	403.14	393.71	385.42	377.01	368.87	
	2.70%	426.61	416.71	407.17	397.54	389.07	380.48	372.19	
	2.80%	431.22	421.09	411.33	401.49	392.84	384.07	375.60	

		Cost of Equity							
		390.02	9.10%	9.20%	9.30%	9.40%	9.50%	9.60%	9.70%
Pre Tax Cost of Debt	3.85%	390.02	391.89	391.98	392.07	392.16	392.25	392.34	392.43
	3.95%	391.17	391.26	391.35	391.44	391.54	391.63	391.72	
	4.05%	390.46	390.55	390.64	390.73	390.82	390.91	391.00	
	4.15%	389.74	389.83	389.92	390.01	390.11	390.20	390.29	
	4.25%	389.03	389.12	389.21	389.30	389.39	389.48	389.57	
	4.35%	388.32	388.41	388.50	388.59	388.68	388.77	388.86	
	4.45%	387.60	387.69	387.78	387.88	387.97	388.06	388.15	

		COGS%							
		390.02	12.97%	13.97%	14.97%	15.97%	16.97%	17.97%	18.97%
Marketing %	7.08%	390.02	553.91	526.52	499.12	471.73	444.33	416.94	389.54
	8.08%	526.68	499.28	471.89	444.49	417.09	389.70	362.30	
	9.08%	499.44	472.04	444.65	417.25	389.86	362.46	335.07	
	10.08%	472.20	444.81	417.41	390.02	362.62	335.22	307.83	
	11.08%	444.97	417.57	390.17	362.78	335.38	307.99	280.59	
	12.08%	417.73	390.33	362.94	335.54	308.15	280.75	253.36	
	13.08%	390.49	363.10	335.70	308.31	280.91	253.51	226.12	

		CV Year ROIC							
		390.02	17.87%	18.87%	19.87%	20.87%	21.87%	22.87%	23.87%
CV NOPLAT Growth	2.20%	390.02	372.95	375.40	377.60	379.59	381.40	383.05	384.56
	2.30%	375.91	378.51	380.84	382.96	384.88	386.63	388.24	
	2.40%	378.96	381.71	384.19	386.43	388.47	390.32	392.03	
	2.50%	382.11	385.02	387.64	390.02	392.17	394.14	395.94	
	2.60%	385.36	388.44	391.21	393.72	395.99	398.07	399.97	
	2.70%	388.72	391.97	394.89	397.54	399.94	402.14	404.15	
	2.80%	392.19	395.62	398.70	401.49	404.02	406.34	408.46	

Netflix

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	3.48%
Beta	1.26
Equity Risk Premium	4.70%
Cost of Equity	9.40%

ASSUMPTIONS:

Type risk-free rate assumption here (example: "10-year Treasury")

Type beta assumption here (example: "Average of 2, 3, 4, 5")

Type ERP assumption here (example: "1928-2020 geometric mean")

Cost of Debt:

Risk-Free Rate	3.48%
Implied Default Premium	0.67%
Pre-Tax Cost of Debt	4.15%
Marginal Tax Rate	29%
After-Tax Cost of Debt	2.93%

Type risk-free rate assumption here (example: "10-year Treasury")

Type assumption here (example: "YTM on company's 10-year debt")

Market Value of Common Equity:

Total Shares Outstanding	445350
Current Stock Price	\$338.63
MV of Equity	150,808,870.50

MV Weights

90.15%

Market Value of Debt:

Short-Term Debt	0
Current Portion of LTD	
Long-Term Debt	14353076
PV of Operating Leases	2116442.039
MV of Total Debt	16,469,518.04

9.85%

0.00%

Market Value of the Firm

167,278,388.54

100.00%

Estimated WACC

8.76%

Netflix

Key Management Ratios

<i>Fiscal Years Ending Dec. 31</i>	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Liquidity Ratios:															
Current Ratio	1.49	0.90	1.25	0.95	1.17	1.87	2.18	2.35	2.42	2.45	2.51	2.56	2.59	2.60	2.59
CFO/Current Liabilities	-41.32	-42.12	31.09	4.62	26.00	3.16	1.42	0.73	0.38	0.25	0.41	0.38	0.36	0.27	0.23
Cash Ratio	0.58	0.73	1.05	0.71	0.65	1.63	1.94	2.12	2.19	2.22	2.28	2.33	2.36	2.37	2.36
Asset-Management Ratios:															
Total Asset Turnover (Sales/ Total Assets)	0.61	0.59	0.64	0.67	0.65	0.60	0.57	0.53	0.51	0.50	0.50	0.49	0.48	0.47	0.47
Working Capital Turnover Ratio (sales/WC)	-39.64	-3.70	-4.63	-5.55	-9.23	-5.57	-5.61	-5.44	-5.35	-5.32	-5.34	-5.36	-5.37	-5.36	-5.37
PP&E Turnover (PPE/Sales)	0.03	0.03	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.03
Financial Leverage Ratios:															
Debt to Assets (Total Debt/ Total Assets)	0.58	0.56	0.53	0.44	0.39	0.39	0.37	0.36	0.35	0.35	0.34	0.33	0.33	0.32	0.32
Debt to Equity Ratio (Total Debt/Total Equity)	2.87	2.53	1.87	1.24	0.91	0.88	0.78	0.73	0.71	0.69	0.67	0.64	0.62	0.61	0.59
Debt to EBITDA (Total Debt/EBITDA)	1.63	1.61	1.34	1.06	0.94	1.06	1.05	1.09	1.11	1.12	1.12	1.11	1.11	1.11	1.11
Profitability Ratios:															
Return on Equity (NI/Beg TSE)	33.82%	35.64%	36.42%	46.24%	28.34%	34.01%	31.66%	25.24%	22.28%	20.14%	18.96%	18.15%	17.48%	16.21%	15.70%
Return on Assets (NI/ Total assets)	5%	5%	7%	11%	9%	11%	11%	10%	9%	8%	8%	8%	8%	7%	7%
Gross Margins (Gross Profit/Sales)	10%	13%	18%	21%	18%	21%	23%	21%	20%	20%	19%	19%	19%	19%	18%
Payout Policy Ratios:															
Dividend Payout Ratio (Dividend/EPS)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Payout Ratio ((Divs. + Repurchases)/NI)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Free Cashflow to Equity (FCF/TSE)	-79%	-19%	25%	-2%	3%	19%	9%	6%	4%	4%	5%	5%	5%	6%	6%

Netflix

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	2.50%
CV Year ROIC	20.87%
WACC	8.76%
Cost of Equity	9.40%

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
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DCF Model:

Free Cash Flow (FCF)	5,482,800	3,485,532	2,657,260	2,468,554	3,008,331	4,284,040	5,382,280	6,418,473	7,574,502	9,217,099
Continuing Value (CV)										320,968,895
PV of FCF	5,040,976	2,946,412	2,065,241	1,763,971	1,976,454	2,587,777	2,989,178	3,277,400	3,556,019	150,686,002

Value of Operating Assets:	176,889,430
Non-Operating Adjustments:	
Excess Cash	4,760,676
Other non-current assets	5,193,325
ST Debt	-
LT Debt	(14,353,076)
PV Operating Leases	(2,729,495)

Value of Equity	169,760,861.01
Shares Outstanding	445,347
Intrinsic Value of Last FYE	\$ 381.19
Implied Price as of Today	\$ 390.02

EP Model:

Economic Profit (EP)	4,666,816	6,427,382	6,548,293	7,099,111	7,633,333	8,527,800	9,695,605	11,053,454	11,754,128	13,251,221
Continuing Value (CV)										211,523,595
PV of EP	4,290,746	5,433,236	5,089,378	5,072,859	5,015,051	5,151,223	5,384,687	5,644,114	5,518,237	99,304,466

Total PV of EP	145,903,997
Invested Capital (last FYE)	30,987,247
Value of Operating Assets:	176,891,244
Non-Operating Adjustments:	
Excess Cash	4760676.4
Other non-current assets	5193325.0
ST Debt	0.0
LT Debt	-14353076.0
PV Operating Leases	(2,729,495)

Value of Equity	169,762,675
Shares Outstanding	445,347
Intrinsic Value of Last FYE	\$ 381.19
Implied Price as of Today	\$ 390.02

Netflix

Relative Valuation Models

Ticker	Company	Price	EPS 2023E	EPS 2024E	P/E 23	P/E 24	Est. 5yr EPS gr.	PEG 23	PEG 24	BV Equity	Tangible BV Equity	P/B	Tangible P/B
FUBO	FuboTV	\$1.12	(\$1.54)	(\$1.09)	(0.73)	(1.03)	10.0	(0.07)	(0.10)	20.00	16.00	0.06	0.07
AMZN	Amazon	\$101.46	\$1.46	\$2.53	69.49	40.10	10.0	6.95	4.01	20.00	16.00	5.07	6.34
APPL	Apple	\$164.64	\$5.96	\$6.60	27.62	24.95	10.0	2.76	2.49	20.00	16.00	8.23	10.29
T	AT&T	\$19.38	\$2.41	\$2.49	8.04	7.78	10.0	0.80	0.78	20.00	16.00	0.97	1.21
SPOT	Spotify	\$134.86	(\$2.13)	(\$0.06)	(63.31)	(2,247.67)	10.0	(6.33)	(224.77)	20.00	16.00	6.74	8.43
DIS	Walt Disney Co	\$99.31	\$4.14	\$5.49	23.99	18.09	10.0	2.40	1.81	20.00	16.00	4.97	6.21
CMCSA	Comcast Corporation	\$38.08	\$3.64	\$4.09	10.46	9.31	10.0	1.05	0.93	20.00	16.00	1.90	2.38
PARA	Paramount	\$21.69	\$0.90	\$1.64	24.10	13.23	10.0	2.41	1.32	20.00	16.00	1.08	1.36
Average					12.46	(266.90)		1.25	(26.69)			3.63	4.54
NFLX	Netflix	\$338.63	\$1.00	\$1.20	338.6	282.2	10.0	33.9	28.2	30.00	20.00	11.29	16.93

Implied Relative Value:

P/E (EPS23)	\$ 12.46
P/E (EPS24)	\$ (320.29)
PEG (EPS23)	\$ 12.46
PEG (EPS24)	\$ (320.29)
P/B	\$ 108.85
P/Tangible BV	\$ 90.71

Netflix

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
EPS	\$ 15.85	\$ 20.00	\$ 21.15	\$ 23.53	\$ 26.11	\$ 29.63	\$ 33.80	\$ 38.52	\$ 41.99	\$ 47.30
Key Assumptions										
CV growth of EPS	2.50%									
CV Year ROE	15.70%									
Cost of Equity	9.40%									
Future Cash Flows										
P/E Multiple (CV Year)										12.18
EPS (CV Year)										\$ 47.30
Future Stock Price										\$ 576.18
Dividends Per Share	0	0	0	0	0	0	0	0	0	0
Discounted Cash Flows										\$ 256.65
Intrinsic Value as of Last FYE	\$ 256.65									
Implied Price as of Today	\$ 262.14									

Netflix*Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding*

Number of Options Outstanding (shares):	6,592
Average Time to Maturity (years):	<u>5.61</u>
Expected Annual Number of Options Exercised:	1,175

Current Average Strike Price:	\$ 338.63
Cost of Equity:	9.40%
Current Stock Price:	\$338.63

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Increase in Shares Outstanding:	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175
Average Strike Price:	\$ 338.63	\$ 338.63	\$ 338.63	\$ 338.63	\$ 338.63	\$ 338.63	\$ 338.63	\$ 338.63	\$ 338.63	\$ 338.63
Increase in Common Stock Account:	397,905	397,905	397,905	397,905	397,905	397,905	397,905	397,905	397,905	397,905
Share Repurchases (\$)	0	0	0	0	0	0	0	0	0	0
Expected Price of Repurchased Shares:	\$ 338.63	\$ 370.47	\$ 405.30	\$ 443.41	\$ 485.09	\$ 530.70	\$ 580.60	\$ 635.19	\$ 694.91	\$ 760.24
Number of Shares Repurchased:	-	-	-	-	-	-	-	-	-	-
Shares Outstanding (beginning of the year)	445,347	446,522	447,697	448,872	450,047	451,222	452,397	453,572	454,747	455,922
Plus: Shares Issued Through ESOP	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175
Less: Shares Repurchased in Treasury	-	-	-	-	-	-	-	-	-	-
Shares Outstanding (end of the year)	446,522	447,697	448,872	450,047	451,222	452,397	453,572	454,747	455,922	457,097