

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-35727

Netflix, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

77-0467272

(I.R.S. Employer Identification No.)

121 Albright Way, Los Gatos, California 95032

(Address and zip code of principal executive offices)

(408) 540-3700

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.001 per share	NFLX	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of June 30, 2023 the aggregate market value of voting stock held by non-affiliates of the registrant, based upon the closing sales price for the registrant's common stock, as reported in the NASDAQ Global Select Market System, was \$192,301,932,760. Shares of common stock beneficially owned by each executive officer and director of the registrant and by each person known by the registrant to beneficially own 10% or more of the outstanding common stock

have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

As of December 31, 2023, there were 432,759,584 shares of the registrant's common stock, par value \$0.001, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the registrant's Proxy Statement for the registrant's 2024 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

NETFLIX, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year ended December 31,		
	2023	2022	2021
Revenues	\$ 33,723,297	\$ 31,615,550	\$ 29,697,844
Cost of revenues	19,715,368	19,168,285	17,332,683
Marketing	2,657,883	2,530,502	2,545,146
Technology and development	2,675,758	2,711,041	2,273,885
General and administrative	1,720,285	1,572,891	1,351,621
Operating income	6,954,003	5,632,831	6,194,509
Other income (expense):			
Interest expense	(699,826)	(706,212)	(765,620)
Interest and other income (expense)	(48,772)	337,310	411,214
Income before income taxes	6,205,405	5,263,929	5,840,103
Provision for income taxes	(797,415)	(772,005)	(723,875)
Net income	\$ 5,407,990	\$ 4,491,924	\$ 5,116,228
Earnings per share:			
Basic	\$ 12.25	\$ 10.10	\$ 11.55
Diluted	\$ 12.03	\$ 9.95	\$ 11.24
Weighted-average shares of common stock outstanding:			
Basic	441,571	444,698	443,155
Diluted	449,498	451,290	455,372

See accompanying notes to consolidated financial statements.

NETFLIX, INC.
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Content Amortization

As disclosed in Note 1 to the consolidated financial statements “Organization and Summary of Significant Accounting Policies”, the Company acquires, licenses and produces content, including original programming (“Content”). The Company amortizes Content based on factors including historical and estimated viewing patterns.

Auditing the amortization of the Company’s Content is complex and subjective due to the judgmental nature of amortization which is based on an estimate of future viewing patterns. Estimated viewing patterns are based on historical and forecasted viewing. If actual viewing patterns differ from these estimates, the pattern and/or period of amortization would be changed and could affect the timing of recognition of content amortization.

Description of the Matter

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the content amortization process. For example, we tested controls over management’s review of the content amortization method and the significant assumptions, including the historical and forecasted viewing hour consumption, used to develop estimated viewing patterns. We also tested management’s controls to determine that the data used in the model was complete and accurate.

To test content amortization, our audit procedures included, among others, evaluating the content amortization method, testing the significant assumptions used to develop the estimated viewing patterns and testing the completeness and accuracy of the underlying data. For example, we assessed management’s assumptions by comparing them to current viewing trends and current operating information including comparing previous estimates of viewing patterns to actual results. We also performed sensitivity analyses to evaluate the potential changes in the content amortization recorded that could result from changes in the assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2012.
San Jose, California
January 26, 2024

PART I

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements include, but are not limited to, statements regarding: our core strategy; our ability to improve our content offerings and service; our future financial performance, including expectations regarding revenues, deferred revenue, operating income and margin, net income, expenses, and profitability; liquidity, including the sufficiency of our capital resources, net cash provided by (used in) operating activities, access to financing sources, and free cash flows; capital allocation strategies, including any stock repurchases or repurchase programs; seasonality; stock price volatility; impact of foreign exchange rate fluctuations, including on net income, revenues and average revenues per paying member; impact of interest rate fluctuations; adequacy of existing facilities; future regulatory changes and their impact on our business; intellectual property; price changes and testing; accounting treatment for changes related to content assets; acquisitions; actions by competitors; membership growth, including impact of content and pricing changes on membership growth; partnerships; advertising; multi-household usage; member viewing patterns; dividends; future contractual obligations, including unknown content obligations and timing of payments; our global content and marketing investments, including investments in original programming; impact of work stoppages; content amortization; resolutions of tax examinations; tax expense; unrecognized tax benefits; deferred tax assets; our ability to effectively manage change and growth; our company culture; and our ability to attract and retain qualified employees and key personnel. These forward-looking statements are subject to risks and uncertainties that could cause actual results and events to differ. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included throughout this filing and particularly in Item 1A: "Risk Factors" section set forth in this Annual Report on Form 10-K. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to revise or publicly release any revision to any such forward-looking statement, except as may otherwise be required by law.

Item 1. Business

ABOUT US

Netflix, Inc. ("Netflix", "the Company", "registrant", "we", or "us") is one of the world's leading entertainment services with over 260 million paid memberships in over 190 countries enjoying TV series, films and games across a wide variety of genres and languages. Members can play, pause and resume watching as much as they want, anytime, anywhere, and can change their plans at any time.

Our core strategy is to grow our business globally within the parameters of our operating margin target. We strive to continuously improve our members' experience by offering compelling content that delights them and attracts new members. We seek to drive conversation around our content to further enhance member joy, and we are continuously enhancing our user interface to help our members more easily choose content that they will find enjoyable.

BUSINESS SEGMENTS

We operate as one operating segment. Our revenues are primarily derived from monthly membership fees for services related to streaming content to our members. See Note 12, *Segment and Geographic Information*, in the accompanying notes to our consolidated financial statements for further detail.

COMPETITION

The market for entertainment video is intensely competitive and subject to rapid change. We compete with a broad set of activities for consumers' leisure time, including other entertainment video providers, such as linear TV, streaming entertainment providers (including those that provide pirated content), video gaming providers and more broadly against other sources of entertainment, like social media, that our members could choose in their moments of free time. We also compete against entertainment video providers and content producers in obtaining content for our service, both for licensed content and for original content projects.

While consumers may maintain simultaneous relationships with multiple entertainment sources, we strive for consumers to choose us in their moments of free time. We have often referred to this choice as our objective of "winning moments of truth." In attempting to win these moments of truth with our members, we seek to continually improve our service, including both our technology and our content offerings.

SEASONALITY

NETFLIX, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2023	2022	2021
Cash flows from operating activities:			
Net income	\$ 5,407,990	\$ 4,491,924	\$ 5,116,228
Adjustments to reconcile net income to net cash provided by operating activities:			
Additions to content assets	(12,554,703)	(16,839,038)	(17,702,202)
Change in content liabilities	(585,602)	179,310	232,898
Amortization of content assets	14,197,437	14,026,132	12,230,367
Depreciation and amortization of property, equipment and intangibles	356,947	336,682	208,412
Stock-based compensation expense	339,368	575,452	403,220
Foreign currency remeasurement loss (gain) on debt	176,296	(353,111)	(430,661)
Other non-cash items	512,075	533,543	376,777
Deferred income taxes	(459,359)	(166,550)	199,548
Changes in operating assets and liabilities:			
Other current assets	(181,003)	(353,834)	(369,681)
Accounts payable	93,502	(158,543)	145,115
Accrued expenses and other liabilities	103,565	(55,513)	180,338
Deferred revenue	178,708	27,356	91,350
Other non-current assets and liabilities	(310,920)	(217,553)	(289,099)
Net cash provided by operating activities	7,274,301	2,026,257	392,610
Cash flows from investing activities:			
Purchases of property and equipment	(348,552)	(407,729)	(524,585)
Change in other assets	—	—	(26,919)
Acquisitions	—	(757,387)	(788,349)
Purchases of short-term investments	(504,862)	(911,276)	—
Proceeds from maturities of short-term investments	1,395,165	—	—
Net cash provided by (used in) investing activities	541,751	(2,076,392)	(1,339,853)
Cash flows from financing activities:			
Repayments of debt	—	(700,000)	(500,000)
Proceeds from issuance of common stock	169,990	35,746	174,414
Repurchases of common stock	(6,045,347)	—	(600,022)
Taxes paid related to net share settlement of equity awards	—	—	(224,168)
Other financing activities	(75,446)	—	—
Net cash used in financing activities	(5,950,803)	(664,254)	(1,149,776)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	82,684	(170,140)	(86,740)
Net increase (decrease) in cash, cash equivalents and restricted cash	1,947,933	(884,529)	(2,183,759)
Cash, cash equivalents and restricted cash, beginning of year	5,170,582	6,055,111	8,238,870
Cash, cash equivalents and restricted cash, end of year	\$ 7,118,515	\$ 5,170,582	\$ 6,055,111
Supplemental disclosure:			
Income taxes paid	\$ 1,154,973	\$ 811,720	\$ 509,265
Interest paid	684,504	701,693	763,432

See accompanying notes to consolidated financial statements.

	Foreign Currency Translation Adjustments	Change in Unrealized Gains (Losses) on Cash Flow Hedges	Total
	(in thousands)		
Balances as of December 31, 2020	\$ 44,398	\$ —	\$ 44,398
Other comprehensive income (loss) before reclassifications	(84,893)	—	(84,893)
Balances as of December 31, 2021	(40,495)	—	(40,495)
Other comprehensive income (loss) before reclassifications	(176,811)	—	(176,811)
Balances as of December 31, 2022	(217,306)	—	(217,306)
Other comprehensive income (loss) before reclassifications	113,384	(120,023)	(6,639)
Balances as of December 31, 2023	<u>\$ (103,922)</u>	<u>\$ (120,023)</u>	<u>\$ (223,945)</u>

10. Income Taxes

Income before provision for income taxes was as follows:

	Year Ended December 31,		
	2023	2022	2021
	(in thousands)		
United States	\$ 5,602,762	\$ 4,623,218	\$ 5,349,749
Foreign	602,643	640,711	490,354
Income before income taxes	<u>\$ 6,205,405</u>	<u>\$ 5,263,929</u>	<u>\$ 5,840,103</u>

The components of provision for income taxes for all periods presented were as follows:

	Year Ended December 31,		
	2023	2022	2021
	(in thousands)		
Current tax provision:			
Federal	\$ 854,170	\$ 109,910	\$ 57,526
State	181,684	119,795	109,641
Foreign	304,539	676,827	357,189
Total current	<u>1,340,393</u>	<u>906,532</u>	<u>524,356</u>
Deferred tax provision:			
Federal	(412,760)	(52,434)	188,937
State	(55,475)	(30,691)	(2,700)
Foreign	(74,743)	(51,402)	13,282
Total deferred	<u>(542,978)</u>	<u>(134,527)</u>	<u>199,519</u>
Provision for income taxes	<u>\$ 797,415</u>	<u>\$ 772,005</u>	<u>\$ 723,875</u>

A reconciliation of the provision for income taxes to the amount computed by applying the 21% statutory Federal income tax rate to income before income taxes is as follows:

Our membership growth exhibits a seasonal pattern that reflects variations when consumers buy internet-connected screens and when they tend to increase their viewing. Historically, the fourth quarter represents our greatest streaming membership growth. In addition, our membership growth can be impacted by our content release schedule and changes to pricing and plans.

INTELLECTUAL PROPERTY

We regard our trademarks, service marks, copyrights, patents, domain names, trade dress, trade secrets, proprietary technologies and similar intellectual property as important to our success. We use a combination of patent, trademark, copyright and trade secret laws and confidentiality agreements to protect our proprietary intellectual property. Our intellectual property rights extend to our technology, business processes and the content we produce and distribute through our service. We use the intellectual property of third parties in creating some of our content, merchandising our products and marketing our service. Our ability to provide our members with content they can watch depends on studios, content providers and other rights holders licensing rights, including distribution rights, to such content and certain related elements thereof, such as the public performance of music contained within the content we distribute. The license periods and the terms and conditions of such licenses vary. Our ability to protect and enforce our intellectual property rights is subject to certain risks and from time to time we encounter disputes over rights and obligations concerning intellectual property. We cannot provide assurance that we will prevail in any intellectual property disputes.

REGULATION

The media landscape and the internet delivery of content have seen growing regulatory action. Historically, media has been highly regulated in many countries. We are seeing some of these legacy regulatory frameworks be updated and expanded to address services like ours. In particular, we are seeing some countries update their cultural support legislation to include services like Netflix. This includes content quotas, levies and investment obligations. Some even restrict the extent of ownership rights we can have both in our service and in our content. In certain countries, regulators are also looking at restrictions that could require formal reviews of and/or adjustments to content that appears on our service in their country. In general these regulations impact all services and may make operating in certain jurisdictions more expensive or restrictive as to the content offerings we may provide.

HUMAN CAPITAL

We view our employees and our culture as key to our success. As of December 31, 2023, we had approximately 13,000 full-time employees. Of these, approximately 9,000 (69%) were located in the United States and Canada, 2,000 (15%) in Europe, Middle East, and Africa, 500 (4%) in Latin America and 1,500 (12%) in Asia-Pacific. We also have a number of employees engaged in content production, some of whom are part-time or temporary, and whose numbers fluctuate throughout the year. We believe a critical component of our success is our company culture. This culture, which is detailed in a "Culture Memo" located on our website, is often described as providing a unique environment for our associates to perform the best work of their lives in pursuit of excellence. We aim to attract and retain great people - representing a diverse array of perspectives and skills - to work together as a dream team. We empower all of our employees so that they can have significant impact and input into decision-making; each employee has a high degree of freedom and power to make the decisions and take actions in the best interest of the company in carrying out their role. In return, our employees are responsible and accountable for those decisions and actions. With this approach, we believe we are a more flexible, fun, stimulating, creative, collaborative and successful organization.

As we have expanded our offices globally, our company culture remains an important aspect of our operations. We are mindful of cultural differences across and within regions. Fostering a work environment that is culturally diverse, inclusive and equitable is a major focus for us. We work to build diversity, inclusion and equity into all aspects of our operations globally, with the goal of having diversity and inclusion function as a critical lens through which each Netflix employee carries out their role. We want more people and cultures to see themselves reflected on screen - so it's important that our employee base is diverse and represents the communities we serve. We look to help increase representation by training our recruiters on how to hire more inclusively, and to help the company and senior leaders diversify their networks. We also support numerous employee resource groups (ERGs), representing employees and allies from a broad array of historically underrepresented and/or marginalized communities. We publish annually an update on our inclusion initiatives and progress, which further highlights our approach to diversity and inclusion, and publish our EEO-1 reports on our website.

We believe in fostering great leaders. We offer programs, such as seminars and lectures, that are designed to equip our leaders (officers, VPs, people managers and director and senior manager-level employees) to lead the business and our teams in alignment with our expectations and strategic goals. We have built a portfolio of programs under three foundational pillars - great company, great leaders, and great human beings - which we believe support our current and future success. We also offer programs and workshops to provide skills and coaching to employees on a variety of topics, such as leading and inspiring

NETFLIX, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Year ended December 31,		
	2023	2022	2021
Net income	\$ 5,407,990	\$ 4,491,924	\$ 5,116,228
Other comprehensive income (loss):			
Foreign currency translation adjustments	113,384	(176,811)	(84,893)
Cash flow hedges:			
Net unrealized gains (losses), net of tax benefit (expense) of \$36 million, \$0, and \$0, respectively	(120,023)	—	—
Total other comprehensive loss	(6,639)	(176,811)	(84,893)
Comprehensive income	<u>\$ 5,401,351</u>	<u>\$ 4,315,113</u>	<u>\$ 5,031,335</u>

See accompanying notes to consolidated financial statements.