### **UTEFA**

## Netflix

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## Overview: Netflix

### **Value Proposition of Netflix**

Netflix delivers endless **entertainment** through a **vast selection** of original and licensed content, **tailored** to your preferences and accessible anytime, anywhere, making it your go-to source for all things **streaming**.



### **Netflix Timeline**

1997: Founded as an online DVD rental service

2007: Started offering subscribers option

2010: Netflix shifts its focus to streaming

**2015**: Netflix presence in 50 countries

2021: Netflix hits 209 million subscribers in 190 countries

### Industry

**Industry:** Entertainment, Streaming

**Consumer Base:** Anyone interested in

entertainment

### **Netflix: Global Presence**

### **Netflix User Count by Region**



Total Subscribers; 214 million

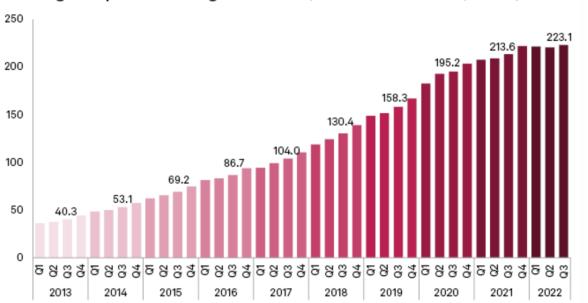
Global Presence in +190 countries

- 1. North America
- 2. Europe, Middle East, Africa
- Latin America
- 4. Asia Pacific

### **Netflix: Key Performance Metrics**

### **Subscriber Growth**

### Netflix global paid streaming subscribers, Q1 2013 to Q3 2022 (million)



### Subscriber growth:

- 1. Netflix's ambitious global expansion strategy
- 2. COVID-19 **pandemic** as a catalyst

2020: 22% growth in subscription

2023: 223 million subscribers

= increase subscriber retention



**Appendix** 



### **Netflix: Key Performance Metrics**

### **Pricing**

### **Netflix's Tiered Pricing Model**

Tier 1: Basic

Tier 2: Standard

Tier 3: Premium

Netflix's aggressive pricing strategy for standard &

premium tiers



### **Quality of Content**

- 2021: Netflix received greatest # of awards (Emmy's, Oscars)
- greatest # of original content in the top 10 viewed productions

### Business Model: Netflix Value Chain

### Content Creation

- Licensed Content
- Limited Distribution
- Netflix Originals
- Utilises big data to select scripts

### Content Aggregation

- Adding meta descriptors to content
- Analyse datapoints on audience behaviour

### Content Serving

- Streamline IT systems to ensure smooth content delivery
- Industry leading standards on video/audio quality
- Certification and training

### **Internet Service**

- AWS cloud infrastructure
- Open Connect to transmit files and partnerships with ISPs

### Consumption

- Available on any internet connected screen
- Customers can easily switch between devices and resume watching where they left off

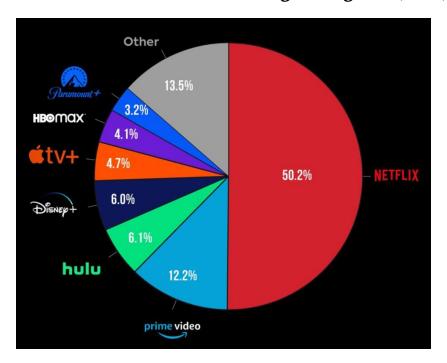
02

# Industry Overview

### **Streaming Industry**



### Global Platform and share for all digital originals (2021)



### **Streaming Industry**

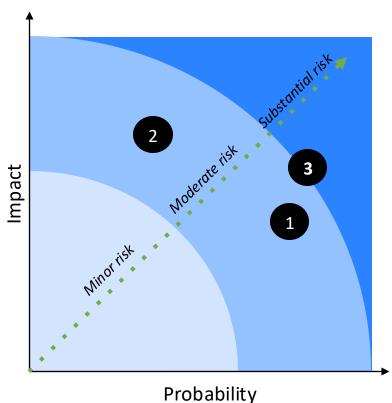
Netflix Overview

- 1. Competitive Rivalry: High and Increasing
- 2. Buyer Power: High
- 3. Supplier Power: Moderate
- 4. Threat of New Entrants: High
- 5. Threat of Substitutes: Moderate

### **Netflix's Competitive Advantage**

- 1. First-mover advantage: retain largest market share
- 2. Creates entertainment value
- Retain majority of the rights to the content they purchase
- 4. Immense amount of data
- 5. Relatively **inexpensive** and easier to access

**NETFLIX** 



**Risks** 

**Increasing Competition** 

Increase in prices 2

Internal Risks: Password and Account Sharing

## **Growth Opportunities**

Industry Overview

### **Prevalence of Password Sharing**

Netflix's new initiative: **Sharing Fee** 

### **Retaining Subscribers**

Netflix's new initiative: ad-based tier membership

### **Cheaper pricing for subscribers**

Netflix's new initiative: doubled down on content spending

03

## Valuation

**NETFLIX** 

\$573.37

Per share

### Company Value (1000s)

**Current Netflix Price: \$564.64** 

DCF Equity valuation: \$573.37

Enterprise value: \$245,022,347

Equity Value: \$253,164,347

Number of Shares: 441,537

### **Growth Metrics**

### **Income Statement Growth Metrics Projected to Consistently Increase**

| (in thousands, except per share data) | x  |            | x  |            | x  |            | x  |            | x  |            | x  |            | x  |            | x  |            | ×  |            | x  |            |
|---------------------------------------|----|------------|----|------------|----|------------|----|------------|----|------------|----|------------|----|------------|----|------------|----|------------|----|------------|
| Income Statement                      |    | 2024       |    | 2025       |    | 2026       |    |            |    | 2028       |    |            |    | 2030       |    |            |    |            |    | 2033       |
| Revenue                               | \$ | 38,439,883 | \$ | 42,852,825 | \$ | 46,987,099 | \$ | 51,894,980 | \$ | 57,805,692 | \$ | 64,014,406 | \$ | 70,771,637 | \$ | 78,402,834 | \$ | 86,923,078 | \$ | 96,254,535 |
| % growth                              |    | 14.0%      |    | 11.5%      |    | 9.6%       |    | 10.4%      |    | 11.4%      |    | 10.7%      |    | 10.6%      |    | 10.8%      |    | 10.9%      |    | 10.7%      |
| EBIT                                  | \$ | 8,666,621  | \$ | 10,486,537 | \$ | 12,402,805 | \$ | 14,697,350 | \$ | 17,484,184 | \$ | 20,594,469 | \$ | 24,130,833 | \$ | 28,242,189 | \$ | 32,984,735 | \$ | 38,378,782 |
| % of sales                            |    | 22.5%      |    | 24.5%      |    | 26.4%      |    | 28.3%      |    | 30.2%      |    | 32.2%      |    | 34.1%      |    | 36.0%      |    | 37.9%      |    | 39.9%      |
| Taxes                                 | \$ | 1,126,661  | \$ | 1,363,250  | \$ | 1,612,365  | \$ | 1,910,656  | \$ | 2,272,944  | \$ | 2,677,281  | \$ | 3,137,008  | \$ | 3,671,485  | \$ | 4,288,016  | \$ | 4,989,242  |
| % of EBIT                             |    | 13.0%      |    | 13.0%      |    | 13.0%      |    | 13.0%      |    | 13.0%      |    | 13.0%      |    | 13.0%      |    | 13.0%      |    | 13.0%      |    | 13.0%      |
|                                       |    |            |    |            |    |            |    |            |    |            |    |            |    |            |    |            |    |            |    |            |
| Cash Flow Items                       |    | 2024       |    | 2025       |    | 2026       |    | 2027       |    | 2028       |    | 2029       |    | 2030       |    | 2031       |    | 2032       |    | 2033       |
| D&A                                   | \$ | 166,225    | \$ | 178,328    | \$ | 191,137    | \$ | 180,485    | \$ | 213,969    | \$ | 252,639    | \$ | 273,961    | \$ | 298,949    | \$ | 327,005    | \$ | 367,580    |
| % of sales                            |    | 0.4%       |    | 0.4%       |    | 0.4%       |    | 0.3%       |    | 0.4%       |    | 0.4%       |    | 0.4%       |    | 0.4%       |    | 0.4%       |    | 0.4%       |
| % of CapEx                            |    | 33.6%      |    | 32.2%      |    | 35.3%      |    | 33.8%      |    | 31.9%      |    | 33.3%      |    | 33.3%      |    | 33.5%      |    | 33.2%      |    | 33.0%      |
| Amortization of Content Library       | \$ | 16,652,555 | \$ | 18,358,376 | \$ | 20,092,500 | \$ | 22,355,086 | \$ | 24,752,471 | \$ | 27,503,274 | \$ |            | \$ | ,          | \$ | 37,317,466 | \$ | 41,295,512 |
| % of sales                            |    | 43.3%      |    | 42.8%      |    | 42.8%      |    | 43.1%      |    | 42.8%      |    | 43.0%      |    | 42.9%      |    | 42.9%      |    | 42.9%      |    | 42.9%      |
| % of additions to streaming content   |    | 68.8%      |    | 85.9%      |    | 90.2%      |    | 93.8%      |    | 89.0%      |    | 89.8%      |    | 90.6%      |    | 90.7%      |    | 90.1%      |    | 90.3%      |
| Total D&A                             | \$ | 16,818,780 | \$ | 18,536,704 | \$ | 20,283,637 | \$ | 22,535,570 | \$ | 24,966,440 | \$ | 27,755,913 | \$ | 30,629,917 | \$ | 33,936,342 | \$ | 37,644,471 | \$ | 41,663,092 |
| % of sales                            |    | 43.8%      |    | 43.3%      |    | 43.2%      |    | 43.4%      |    | 43.2%      |    | 43.4%      |    | 43.3%      |    | 43.3%      |    | 43.3%      |    | 43.3%      |
| % of CapEx                            |    | 86.5%      |    | 84.6%      |    | 88.9%      |    | 92.4%      |    | 87.6%      |    | 88.5%      |    | 89.2%      |    | 89.3%      |    | 88.8%      |    | 88.9%      |
|                                       |    |            |    |            |    |            |    |            |    |            |    |            |    |            |    |            |    |            |    |            |
| Capital Expenditures                  | \$ | 494,380    | \$ | 553,771    | \$ | 541,439    | \$ | 534,256    | \$ | 669,823    | \$ | 757,794    | \$ | 823,302    | \$ | 891,858    | \$ | 986,209    | \$ | 1,112,311  |
| % of sales                            |    | 1.3%       |    | 1.3%       |    | 1.2%       |    | 1.0%       |    | 1.2%       |    | 1.2%       |    | 1.2%       |    | 1.1%       |    | 1.1%       |    | 1.2%       |
| Additions to Streaming Content        | \$ | 18,953,047 | \$ |            | \$ | 22,277,418 | \$ | 23,845,353 | \$ | 27,821,543 | \$ | 30,621,515 | \$ | 33,497,241 | \$ | 37,093,452 | \$ | 41,420,495 | \$ | 45,752,201 |
| % of sales                            |    | 49.3%      |    | 49.9%      |    | 47.4%      |    | 45.9%      |    | 48.1%      |    | 47.8%      |    | 47.3%      |    | 47.3%      |    | 47.7%      |    | 47.5%      |
| Capital Expenditures + Additions      | \$ | 19,447,427 | \$ | 21,916,316 | \$ | 22,818,857 | \$ | 24,379,610 | \$ | 28,491,366 | \$ | 31,379,309 | \$ |            | \$ | 37,985,310 | \$ | 42,406,704 | \$ | 46,864,513 |
| % of sales                            |    | 50.6%      |    | 51.1%      |    | 48.6%      |    | 47.0%      |    | 49.3%      |    | 49.0%      |    | 48.5%      |    | 48.4%      |    | 48.8%      |    | 48.7%      |

Industry Overview

Netflix Overview

### **DCF** Assumption

- Key Metrics such as Revenue, EBIT, and Taxes are calculated using an average growth rate of historical data.
- It is predicted that as Netflix matures as a company, it will start diverging their focus away from revenue growth and into profitability growth instead.
- Current marginal tax rate of Netflix is 13%, the model assumes that it will steadily increase towards the US corporate tax of 21%

04

## Conclusion

NETFLIX

# **Buy Netflix.**

NETFLIX

05

# Appendix

#### **Netflix DCF**

Ticker Date

NFLX 02/02/2024

#### Income statement & cash flow item forecast assumptions Note: These assumptions are just for the forecasts, the DCF model will adjust the forecast values for accuracy and different cases

Revenue: Sales growth is forecasted by multiplying current revenue by the average growth over the past 3 years

EBIT: Since EBIT margin has been consitently increasing, This model assumes that the EBIT margin will grow by the average YoY change over the past 5 years

Taxes: The marginal tax rate for Netlfix is 13%. This model will use a 13% tax rate every year, and assume that any deviations will zero out in the long run.

D&A: Since D&A has not been increasing or decreasing one way or the other much, D&A is assumed to be the average of the last 5 years **Amortization of Content Libraries** Amortization of content is calculated as the 5 year average historical ratio of amortization of content over additions to streaming content

Since CapEx margin has not been increasing or decreasing one way or the other much, Amortization of content margin is assumed to be the average of the last 5 years CapEx

**Additions to Streaming Content** Additions to Streaming Content have been steadily decreasing, this model assumes that the Additions to Streaming Content margin will change by the average YoY change over the past 5 years

| Property              | (in thousands, except per share data | a) |            |   |              |   | ×                                       |               | х  |            | x  |            | х  |            | x  | х                                       | (  | 1          | x  |            | х  |            | x  | x             |      |         |
|--|--------------------------------------|----|------------|---|--------------|---|---|---------------|----|------------|----|------------|----|------------|----|---|----|------------|----|------------|----|------------|----|---------------|------|---------|
| Report   September   Septemb             | Income Statement                     |    | 2019       | 2020                                    | 2021         | 2022                                    | 2023                                    | 2024          |    | 2025       |    | 2026       |    | 2027       |    | 2028                                    |    | 2029       |    | 2030       |    | 2031       |    | 2032          |      | 2033    |
| EBIT S, 5, 2,64,254 5, 4,85,289 5, 6,194,509 5, 812,831 5, 6,54,001 5 8, 866,621 5 10,486,537 5 12,402,805 5 14,897,350 5 17,484,184 5 20,594,669 5 24,130,833 5 28,242,189 5 32,984,735 5 38,378,782,783,783,783,783,783,783,783,783,783,783  | Revenue                              | \$ | 20,156,447 | *************************************** | \$29,697,844 | *************************************** |   | \$ 38,439,883 | \$ | 42,852,825 | \$ | 46,987,099 | \$ | 51,894,980 | \$ | 57,805,692                              | \$ | 64,014,406 | \$ | 70,771,637 | \$ | 78,402,834 | \$ | 86,923,078 \$ | 96,2 | 254,535 |
| Not sales   12.9%   18.3%   20.9%   17.8%   20.6%   22.5%   24.5%   26.4%   28.3%   30.2%   32.2%   34.1%   36.0%   37.9%   39.9%                | % growth                             |    |            | 24.0%                                   | 18.8%        | 6.5%                                    | 6.7%                                    | 14.0%         |    | 11.5%      |    | 9.6%       |    | 10.4%      |    | 11.4%                                   |    | 10.7%      |    | 10.6%      |    | 10.8%      |    | 10.9%         |      | 10.7%   |
| Not sales   12.9%   18.3%   20.9%   17.8%   20.6%   22.5%   24.5%   26.4%   28.3%   30.2%   32.2%   34.1%   36.0%   37.9%   39.9%                |                                      |    |            |   |              |   |   |               |    |            |    |            |    |            |    |   |    |            |    |            |    |            |    |               |      |         |
| Takes No Fight States No Fight           |                                      | \$ |            | , ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, |              |   |   |               |    | .,         | \$ | , ,        | \$ | , ,        | \$ |   | \$ |            | \$ | , ,        | \$ | ., . ,     | \$ | . , ,         | 38,3 |         |
| Ker EBIT         7.5%         9.6%         11.7%         13.7%         13.0% <t< th=""><th>% of sales</th><th></th><th>12.9%</th><th>18.3%</th><th>20.9%</th><th>17.8%</th><th>20.6%</th><th>22.5%</th><th></th><th>24.5%</th><th></th><th>26.4%</th><th></th><th>28.3%</th><th></th><th>30.2%</th><th></th><th>32.2%</th><th></th><th>34.1%</th><th></th><th>36.0%</th><th></th><th>37.9%</th><th></th><th>39.9%</th></t<>  | % of sales                           |    | 12.9%      | 18.3%                                   | 20.9%        | 17.8%                                   | 20.6%                                   | 22.5%         |    | 24.5%      |    | 26.4%      |    | 28.3%      |    | 30.2%                                   |    | 32.2%      |    | 34.1%      |    | 36.0%      |    | 37.9%         |      | 39.9%   |
| Ker EBIT         7.5%         9.6%         11.7%         13.7%         13.0% <t< th=""><th>Tours</th><th>ė</th><th>105 215</th><th>ć 427.0E4</th><th>ć 722.07E</th><th>ć 772.00E</th><th>¢ 707.415</th><th>ć 1136.661</th><th>,</th><th>1 262 250</th><th>ė</th><th>1 612 265</th><th>,</th><th>1 010 656</th><th>ė</th><th>2 272 044</th><th>ė</th><th>2 677 201</th><th>ė</th><th>2 127 000</th><th>ė</th><th>2 671 405</th><th>4</th><th>4 200 016   ¢</th><th></th><th>000 242</th></t<>   | Tours                                | ė  | 105 215    | ć 427.0E4                               | ć 722.07E    | ć 772.00E                               | ¢ 707.415                               | ć 1136.661    | ,  | 1 262 250  | ė  | 1 612 265  | ,  | 1 010 656  | ė  | 2 272 044                               | ė  | 2 677 201  | ė  | 2 127 000  | ė  | 2 671 405  | 4  | 4 200 016   ¢ |      | 000 242 |
| Cash Flow Items   2019   2020   2021   2022   2023   2024   2025   2026   2027   2028   2029   2030   2031   2032   2033   2030   2031   2032   2033   2034   2035   203             |                                      | Þ  |            |   |              |   |   | . , .,        |    | ,,         | Þ  | , . ,      | Þ  | ,          | ş  | , | ş  | , ,        | Þ  | ., ,       | Þ  | .,,        | ş  | , ,           | 4,:  |         |
| Deal   103.579   115.710   5 208.412   5 7.4602   5 83.505   166.225   5 178.328   5 191.137   5 180.485   5 213.969   5 22.639   5 27.961   5 298.949   5 327.005   5 367.580   Nof sales   40.9%   22.2%   39.7%   61.6%   24.0%   33.6%   32.2%   33.3%               | % OF EBIT                            |    | 7.5%       | 9.6%                                    | 11.7%        | 13.7%                                   | 11.5%                                   | 13.0%         |    | 13.0%      |    | 13.0%      |    | 13.0%      |    | 13.0%                                   |    | 13.0%      |    | 13.0%      |    | 13.0%      |    | 13.0%         |      | 13.0%   |
| Deal   103.579   115.710   5 208.412   5 7.4602   5 83.505   5 166.225   5 178.328   5 191.137   5 180.485   5 213.959   5 22,639   5 27.961   5 298.949   5 327.005   5 367.580   Nof sales   103.579   103.580   103             |                                      |    |            |   |              |   |   |               |    |            |    |            |    |            |    |   |    |            |    |            |    |            |    |               |      |         |
| Kof sales         0.5%         0.5%         0.2%         0.2%         0.4%         0.4%         0.4%         0.3%         0.4%   | Cash Flow Items                      |    | 2019       | 2020                                    | 2021         | 2022                                    | 2023                                    | 2024          |    | 2025       |    | 2026       |    | 2027       |    | 2028                                    |    | 2029       |    | 2030       |    | 2031       |    | 2032          |      | 2033    |
| Key Capex         40.9%         23.2%         39.7%         61.6%         24.0%         33.6%         32.2%         33.5%         33.5%         33.3%         33.3%         33.3%         33.2%         33.2%         33.0%         33.3%         33.2%         33.2%         33.0%         33.2%         33.2%         33.2%         33.2%         33.3%         33.3%         33.3%         33.2%         33.2%         33.2%         33.2%         33.2%         33.2%         33.2%         33.2%         33.2%         33.2%         33.2%         33.3%         33.3%         33.3%         33.2%         33.2%         42.9%  | D&A                                  | \$ | 103,579    | \$ 115,710                              | \$ 208,412   | \$ 74,602                               | \$ 83,505                               | \$ 166,225    | \$ | 178,328    | \$ | 191,137    | \$ | 180,485    | \$ | 213,969                                 | \$ | 252,639    | \$ | 273,961    | \$ | 298,949    | \$ | 327,005 \$    | 3    | 367,580 |
| Amortization of Content Library 5 9,216,247 #### \$12,230,367 ##### \$12,230,367 #### \$12,230,367 #### \$16,652,555 \$18,358,376 \$20,092,500 \$22,355,086 \$24,752,471 \$27,503,274 \$30,355,956 \$33,637,393 \$37,317,466 \$41,295,321  | % of sales                           |    | 0.5%       | 0.5%                                    | 0.7%         | 0.2%                                    | 0.2%                                    | 0.4%          |    | 0.4%       |    | 0.4%       |    | 0.3%       |    | 0.4%                                    |    | 0.4%       |    | 0.4%       |    | 0.4%       |    | 0.4%          |      | 0.4%    |
| % of sales 45.7% 43.2% 41.2% 44.4% 42.1% 43.3% 42.8% 42.8% 43.1% 42.8% 43.0% 42.9% 42.9% 42.9% 42.9% 93.8% 89.8% 90.6% 99.7% 90.1% 90.3% 90.3% 90.6% 99.7% 90.1% 90.3% 90.6% 90.7% 90.1% 90.3% 90.6% 90.7% 90.1% 90.3% 90.6% 90.6% 90.7% 90.1% 90.3% 90.6% 90.6% 90.7% 90.1% 90.3% 90.6% 90.6% 90.7% 90.1% 90.3% 90.6% 90.6% 90.7% 90.1% 90.3% 90.6% 90.6% 90.7% 90.1% 90.3% 90.6% 90.6% 90.7% 90.1% 90.3% 90.6% 90.6% 90.7% 90.1% 90.3% 90.6% 90.6% 90.7% 90.1% 90.3% 90.6% 90.6% 90.7% 90.1% 90.3% 90.6% 90.6% 90.7% 90.1% 90.5% 90.6% 90.6% 90.7% 90.1% 90.3% 90.6% 90.6% 90.6% 90.7% 90.1% 90.3% 90.6% 9           | % of CapEx                           |    | 40.9%      | 23.2%                                   | 39.7%        | 61.6%                                   | 24.0%                                   | 33.6%         |    | 32.2%      |    | 35.3%      |    | 33.8%      |    | 31.9%                                   |    | 33.3%      |    | 33.3%      |    | 33.5%      |    | 33.2%         |      | 33.0%   |
| % of sales 45.7% 43.2% 41.2% 44.4% 42.1% 43.3% 42.8% 42.8% 92.2% 93.8% 83.0% 42.9% 42.9% 42.9% 42.9% 42.9% 90.3% 9           |                                      |    |            |   |              |   |   |               |    |            |    |            |    |            |    |   |    |            |    |            |    |            |    |               |      |         |
| Ko f additions to streaming content         66.2%         91.7%         69.1%         83.3%         113.1%         68.8%         85.9%         90.2%         93.8%         89.0%         89.8%         90.6%         90.7%         90.1%         90.3%         90.3%         90.9%         99.8%         89.0%         89.8%         90.6%         90.7%         90.1%         90.3%         90.3%         90.8%         89.0%         89.8%         90.6%         90.7%         90.1%         90.3%         90.3%         90.8%         90.6%         90.7%         90.1%         90.3%         40.8%         40.8%         89.0%         89.8%         90.6%         40.6%         41.6%         42.3%         43.8%         43.3%         43.2%         43.2%         43.4%         42.2%         43.4%         43.2%         43.3%         43.3%         43.2%         43.3%         43.3%         43.2%         43.2%         43.2%         43.2%         43.2%         43.2%         43.2%   |                                      | \$ |            | *************************************** |              |   |   |               |    | . , ,      | \$ | .,,        | \$ | , ,        | \$ | , , , ,                                 | \$ |            | \$ | , ,        | \$ | , ,        | \$ |               | 41,  |         |
| Total D&A \$ 9,319,826   |                                      |    |            |   |              |   |   |               |    |            |    |            |    |            |    |   |    |            |    |            |    |            |    |               |      |         |
| % of sales 46.2% 43.7% 41.9% 44.6% 42.3% 43.8% 43.8% 43.3% 43.2% 43.4% 43.2% 43.4% 43.3% 43.3% 43.3% 43.3% 43.3% 88.8% 89.9% 65.8% 89.0% 68.2% 89.1% 110.7% 86.5% 84.6% 88.9% 92.4% 87.6% 88.5% 89.2% 89.3% 88.8% 89.9% 89.2% 89.3% 88.8% 89.9% 89.5% 89.0% 69.0% 47.1% 11.0% 11.2%            | % of additions to streaming content  |    | 66.2%      | 91.7%                                   | 69.1%        | 83.3%                                   | 113.1%                                  | 68.8%         |    | 85.9%      |    | 90.2%      |    | 93.8%      |    | 89.0%                                   |    | 89.8%      |    | 90.6%      |    | 90.7%      |    | 90.1%         |      | 90.3%   |
| Section   Sect             | Total D&A                            | \$ | 9,319,826  | *************************************** | \$12,438,779 | *************************************** | *************************************** | \$ 16,818,780 | \$ | 18,536,704 | \$ | 20,283,637 | \$ | 22,535,570 | \$ | 24,966,440                              | \$ | 27,755,913 | \$ | 30,629,917 | \$ | 33,936,342 | \$ | 37,644,471 \$ | 41,6 | 663,092 |
| Capital Expenditures \$ 253,035 \$ 497,923 \$ 524,585 \$ 121,158 \$ 348,552 \$ 494,380 \$ 553,771 \$ 541,439 \$ 534,256 \$ 669,823 \$ 757,794 \$ 823,002 \$ 891,858 \$ 986,209 \$ 1,1231   | % of sales                           |    | 46.2%      | 43.7%                                   | 41.9%        | 44.6%                                   | 42.3%                                   | 43.8%         |    | 43.3%      |    | 43.2%      |    | 43.4%      |    | 43.2%                                   |    | 43.4%      |    | 43.3%      |    | 43.3%      |    | 43.3%         |      | 43.3%   |
| % of sales         1.3%         2.0%         1.8%         0.4%         1.0%         1.3%         1.2%         1.2%         1.2%         1.2%         1.2%         1.1%         1.1%         1.1%         1.2%           Additions to Streaming Content % of sales         \$13,916,683         ************************************  | % of CapEx                           |    | 65.8%      | 89.0%                                   | 68.2%        | 83.1%                                   | 110.7%                                  | 86.5%         |    | 84.6%      |    | 88.9%      |    | 92.4%      |    | 87.6%                                   |    | 88.5%      |    | 89.2%      |    | 89.3%      |    | 88.8%         |      | 88.9%   |
| % of sales         1.3%         2.0%         1.8%         0.4%         1.0%         1.3%         1.2%         1.2%         1.2%         1.2%         1.2%         1.1%         1.1%         1.1%         1.2%           Additions to Streaming Content % of sales         \$13,916,683         ************************************  |                                      |    |            |   |              |   |   |               |    |            |    |            |    |            |    |   |    |            |    |            |    |            |    |               |      | _       |
| Additions to Streaming Content \$13,916,683  | Capital Expenditures                 | \$ | 253,035    | \$ 497,923                              | \$ 524,585   | \$ 121,158                              | \$ 348,552                              | \$ 494,380    | \$ | 553,771    | \$ | 541,439    | \$ | 534,256    | \$ | 669,823                                 | \$ | 757,794    | \$ | 823,302    | \$ | 891,858    | \$ | 986,209 \$    | 1,3  | 112,311 |
| % of sales 69.0% 47.1% 59.6% 53.3% 37.2% 49.3% 49.9% 47.4% 45.9% 48.1% 47.8% 47.3% 47.3% 47.3% 47.7% 47.5% 47.5% Capital Expenditures + Additions % 14,169,718 ########## \$18,226,787 ############ \$ 19,447,427 \$ 21,916,316 \$ 22,818,857 \$ 24,379,610 \$ 28,491,366 \$ 31,379,309 \$ 34,320,543 \$ 37,985,310 \$ 42,406,704 \$ 46,864,513 % of sales 70.3% 49.1% 61.4% 53.6% 38.3% 50.6% 51.1% 48.6% 47.0% 49.3% 49.3% 49.0% 48.5% 48.5% 48.4% 48.8% 48.8% 48.7% 48.8% 48.8% 48.7% 48.8% 49.0% | % of sales                           |    | 1.3%       | 2.0%                                    | 1.8%         | 0.4%                                    | 1.0%                                    | 1.3%          |    | 1.3%       |    | 1.2%       |    | 1.0%       |    | 1.2%                                    |    | 1.2%       |    | 1.2%       |    | 1.1%       |    | 1.1%          |      | 1.2%    |
| % of sales 69.0% 47.1% 59.6% 53.3% 37.2% 49.3% 49.3% 49.9% 47.4% 45.9% 48.1% 47.8% 47.3% 47.3% 47.3% 47.3% 47.5% 47.5% 47.5% Capital Expenditures + Additions \$ 14,169,718  |                                      |    |            |   |              |   |   |               |    |            |    |            |    |            |    |   |    |            |    |            |    |            |    |               |      |         |
| Capital Expenditures + Addition \$ 14,169,718  |                                      | \$ |            | *************************************** | , , ,        | *************************************** |   | ,,-           |    |            | \$ |            | \$ |            | \$ | ,,-                                     | \$ | ,,         | \$ | ,          | \$ | ,,         | \$ | ,             | 45,  |         |
| % of sales 70.3% 49.1% 61.4% 53.6% 38.3% 50.6% 51.1% 48.6% 47.0% 49.3% 49.0% 48.5% 48.4% 48.8% 48.7%  Change in Net working Capital \$ 43,043 \$ (31,873) \$ (241,977) \$ 25,288 \$ (122,704) \$ 61 Sales 0.2% -0.1% -0.8% 0.1% -0.4%  | % of sales                           |    | 69.0%      | 47.1%                                   | 59.6%        | 53.3%                                   | 37.2%                                   | 49.3%         |    | 49.9%      |    | 47.4%      |    | 45.9%      |    | 48.1%                                   |    | 47.8%      |    | 47.3%      |    | 47.3%      |    | 47.7%         |      | 47.5%   |
| % of sales 70.3% 49.1% 61.4% 53.6% 38.3% 50.6% 51.1% 48.6% 47.0% 49.3% 49.0% 48.5% 48.4% 48.8% 48.7%  Change in Net working Capital \$ 43,043 \$ (31,873) \$ (241,977) \$ 25,288 \$ (122,704) \$ 61 Sales 0.2% -0.1% -0.8% 0.1% -0.4%  | Capital Expenditures + Additions     | Ś  | 14.169.718 | *************************************** | \$18.226.787 | *************************************** |   | \$ 19.447.427 | Ś  | 21.916.316 | Ś  | 22.818.857 | Ś  | 24.379.610 | Ś  | 28.491.366                              | Ś  | 31.379.309 | Ś  | 34.320.543 | Ś  | 37.985.310 | Ś  | 42.406.704 \$ | 46.5 | 864.513 |
| Change in Net working Capital \$ 43,043 \$ (31,873) \$ (241,977) \$ 25,288 \$ (122,704) \$ 60 f Sales 0.2% -0.1% -0.8% 0.1% -0.4%  | 1 ' '                                | ~  |            | 49.1%                                   |              |   | 38.3%                                   |               | *  |            | *  |            | *  |            | 1  |   | •  |            | •  |            | ~  |            | *  |               | -10, |         |
| % of Sales 0.2% -0.1% -0.8% 0.1% -0.4%   |                                      |    |            |   |              |   |   |               |    |            |    |            |    |            |    |   |    |            |    |            | _  |            |    |               |      |         |
|  | Change in Net working Capital        | \$ | 43,043     | \$ (31,873)                             | \$ (241,977) | \$ 25,288                               | \$ (122,704)                            |               |    |            |    |            |    |            |    |   |    |            |    |            |    |            |    |               |      |         |
| % change in sales -0.7% -5.1% 1.3% -5.8%   | % of Sales                           |    | 0.2%       | -0.1%                                   | -0.8%        | 0.1%                                    | -0.4%                                   |               |    |            |    |            |    |            |    |   |    |            |    |            |    |            |    |               |      |         |
|  | % change in sales                    |    |            | -0.7%                                   | -5.1%        | 1.3%                                    | -5.8%                                   |               |    |            |    |            |    |            |    |   |    |            |    |            |    |            |    |               |      |         |

| NETFLIX                     | Netflix Ove  | erview                        | Industr                           | y Overvie               | èW                   | Valuati               | on A                               | ppendix                          |                                  |                                  |                                  |                                  |                                  |                                  |                                  |   |
|-----------------------------|--|-------------------------------|-----------------------------------|-------------------------|----------------------|-----------------------|------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|---|
| DCF Assumptions<br>Switches |  |                               | Conservativ                       |                         |                      |                       |                                    | Base Case                        |                                  |                                  |                                  |                                  | Optimnist                        |                                  |                                  |   |
| Revenue Growth EBIT Margin  | 2 2  |                               | Revenue 20                        | 33                      |                      | 10.5%                 |                                    | Revenue 203                      | 3                                |                                  | 11.0%                            |                                  | Revenue 2                        | :033                             |                                  | 120%<br>11.5%   |
| Taxes<br>WACC<br>TGR        | 2  |                               | EBIT 2023-2<br>EBIT 2033<br>Taxes | :024                    |                      | 80%<br>38%<br>18%     |                                    | EBIT 2033<br>Taxes               |                                  |                                  | 43%<br>15%                       |                                  | EBIT 2023<br>EBIT 2033<br>Taxes  |                                  |                                  | 120%<br>43%<br>12%  |
|                             | 2  |                               | D&A 2033<br>CapEx 2033            |                         |                      | 43%                   |                                    | D&A 2033<br>CapEx 2033           |                                  |                                  | 43%<br>48%                       |                                  | D&A 2033<br>CapEx 203            |                                  |                                  | 43%<br>48%  |
| Valuation Assumptions       |  |                               | WACC<br>TGR                       |                         |                      | 9.0%<br>3.0%          |                                    | WACC<br>TGR                      |                                  |                                  | 8.0 <mark>%</mark><br>1.5%       |                                  | WACC<br>TGR                      |                                  |                                  | 7.0 <mark>%</mark><br>1.00%                                       |
| WACC<br>TRG                 | 8.0%<br>1.5%   |                               |                                   |                         |                      |                       |                                    |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |   |
|                             | CDF<br>Revenue   | 2019<br>\$ 20,156,447         | 2020                              | 2021                    | 2022                 |                       | 1<br>2024<br>\$ 36,783,166 \$      |                                  |                                  |                                  |                                  |                                  |                                  | 8<br>2031<br>\$ 73,161,571       |                                  |   |
|                             | % Growth Conservative Case Base Case   |                               | 24.0%                             | 18.8%                   | 6.5%                 | 6.7%                  | 9.1%<br>9.1%<br>9.1%               | 11.5%<br>9.2%<br>11.5%           | 9.6%<br>7.7%<br>9.6%             | 9.8%<br>8.1%<br>9.8%             | 10.0%<br>8.5%<br>10.0%           | 10.2%<br>8.9%<br>10.2%           | 9.3%<br>10.4%                    | 9.7%<br>10.6%                    | 10.8%<br>10.1%<br>10.8%          | 11.0%<br>10.5%<br>11.0%   |
|                             | Optimistic Case  EBIT  | \$ 2,604,254                  |                                   |                         |                      | \$6,954,003           |                                    |                                  | 11.6%                            | 2-1,E01,0E0 P                    |                                  |                                  | 23,734,294                       |                                  |                                  |   |
|                             | % Margin Conservative Case Base Case Optimistic Case   | 12.9%                         | 18.3%                             | 20.9%                   | 17.8%                | 20.6%                 | 22.5%<br>22.5%<br>22.5%<br>22.5%   | 24.5%<br>19.6%<br>24.5%<br>29.4% | 26.4%<br>21.1%<br>26.4%<br>31.7% | 28.8%<br>23.5%<br>28.8%<br>33.2% | 31.1%<br>25.8%<br>31.1%<br>34.8% | 33.5%<br>28.1%<br>33.5%<br>36.3% | 35.9%<br>30.5%<br>35.9%<br>37.9% | 38.3%<br>32.8%<br>38.3%<br>39.4% | 40.6%<br>35.2%<br>40.6%<br>41.0% | 43.0%<br>37.5%<br>43.0%<br>42.5%                                  |
|                             | Taxes<br>% of EBIT   | \$ 195,315<br>7.5%            | \$ 437,954<br>9.6%                | \$ 723,875 :<br>11.7%   | \$ 772,005<br>13.7%  | \$ 797,415<br>11.5%   |                                    |                                  | 1,595,621 \$                     |                                  |                                  |                                  |                                  |                                  |                                  |   |
|                             | Conservative Case  | •                             |                                   |                         |                      |                       | 13.0%<br>13.0%<br>13.0%            | 13.6%<br>13.2%<br>12.9%          | 14.1%<br>13.4%<br>12.8%          | 14.7%<br>13.7%<br>12.7%          | 15.2%<br>13.9%<br>12.6%          | 15.8%<br>14.1%<br>12.4%          | 16.3%<br>14.3%<br>12.3%          | 16.9%<br>14.6%<br>12.2%          | 17.4%<br>14.8%<br>12.1%          | 18.0%<br>15.0%<br>12.0%   |
| [                           | EBIAT  |                               |                                   |                         |                      |                       | \$ 7,214,997 \$                    | 8,707,784 \$                     | 10,272,636 \$                    | 12,265,919 \$                    | 14,571,896 \$                    | 17,241,058 \$                    | 20,332,379                       | \$ 23,914,815                    | \$ 28,069,071                    | \$ 32,889,692   |
|                             | D&A<br>% of sales  | \$ 9,319,826<br><b>46.2%</b>  | 43.7%                             | 41.9%                   | 44.6%                | 42.3%                 | \$ 15,600,722 \$<br>42.4%          | 17,418,462 \$<br>42.5%           | 19,128,270 \$<br>42.5%           | 21,042,876 \$<br>42.6%           | 23,189,783 \$<br>42.7%           | 25,600,540 \$<br>42.7%           | 28,311,383<br>42.8%              | \$ 31,363,986<br>42.9%           | \$ 34,806,334<br>42.9%           | \$ 38,693,755<br>43%  |
|                             | CapEx<br>% of sales  | \$ 14,169,718<br><b>70.3%</b> | 49.1%                             | 61.4%                   | ###########<br>53.6% | 38.3%                 | \$ 14,432,216 \$<br>39.2%          | 16,488,360 \$<br>40.2%           | 18,516,927 \$<br>41.2%           | 20,820,063 \$<br>42.2%           | 23,438,325 \$<br>43.1%           | 26,418,707 \$<br>44.1%           | 29,815,720<br>45.1%              | \$ 33,692,680<br>46.1%           | \$ 38,123,210<br>47.0%           | \$ 43,193,029<br>48%  |
|                             | Change in NWC<br>% of sales  | \$ 43,043<br>0.2%             | \$ (31,873)<br>-0.1%              | \$ (241,977) :<br>-0.8% | \$ 25,288<br>0.1%    | \$ (122,704)<br>-0.4% | \$ (134,708) \$<br>0%              | (88,859) \$<br>0%                | (141,896) \$<br>0%               | (147,915) \$<br>0%               | (150,671) \$<br>0%               | (178,174) \$<br>0%               | (192,741)<br>0%                  | \$ (211,223)<br>0%               | \$ (237,142)<br>0%               | \$ (261,749)<br>0%  |
|                             | Unlevered Free Cash Flow Present Value of FCF Terminal Value Present Value of Terminal Value |                               |                                   |                         |                      |                       | \$ 8,518,211 \$<br>\$ 7,887,232 \$ |                                  |                                  |                                  |                                  |                                  |                                  |                                  | \$ 12,500,890                    |   |
|                             | Enterprise Value<br>(+) Cash<br>(-) Debt<br>Equity Value                                     |                               |                                   |                         |                      |                       |                                    |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  | \$ 245,022,347<br>\$ 6,000,000<br>\$ 14,142,000<br>\$ 253,164,347 |
|                             | Number of Shares<br>Implied Price Per Share  |                               |                                   |                         |                      |                       |                                    |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  | \$ 441,537<br>\$ 573.37   |