

# **FINANCIAL MODELLING & DCF VALUATION OF NETFLIX**

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**NETFLIX**

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04 January 2026

# Agenda

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- 01. Statement of Profit & Loss (P&L)**
- 02. Balance Sheet**
- 03. Cashflow Statement**
- 04. Schedules**
- 05. Other items**
- 06. Revenue Modelling**
- 07. Weighted Average Cost of Capital (WACC)**
- 08. Discounted Cash Flow (DCF)**

# Statement of Profit & Loss (P&L)

## P&L Forecasting

(in thousands)	2023	2024	2025	2026 Forecasted	2027 Forecasted	2028 Forecasted	2029 Forecasted
Streaming revenues	#####	#####	#####	#####	#####	#####	#####
DVD Revenues	365,589.00	297,217.00	239,381.00	193,705.84	156,745.74	126,837.82	102,636.49
<b>Total Revenues</b>	<b>15,794,341</b>	<b>20,156,447</b>	<b>24,996,056</b>	<b>28,644,307</b>	<b>33,618,217</b>	<b>38,300,108</b>	<b>42,985,244</b>
Cost of Goods Sold	9,884,381	12,336,634	15,160,609	17,610,348	20,668,278	23,546,677	26,427,070
<b>Gross Margin</b>	<b>5,909,960</b>	<b>7,819,813</b>	<b>9,835,447</b>	<b>11,033,959</b>	<b>12,949,939</b>	<b>14,753,431</b>	<b>16,558,174</b>
Operating Expenses							
Marketing	2,369,469	2,652,462	2,228,362	3,540,077	4,154,790	4,733,413	5,312,437
Technology and development	1,221,814	1,545,149	1,829,600	2,169,434	2,546,144	2,900,736	3,255,574
General and administrative	630,294	914,369	1,076,486	1,225,367	1,438,144	1,638,430	1,838,854
<b>EBITDA</b>	<b>1,688,383</b>	<b>2,707,833</b>	<b>4,700,999</b>	<b>4,099,080</b>	<b>4,810,861</b>	<b>5,480,853</b>	<b>6,151,309</b>
Less: Depreciation	83,157	103,579	115,710	186,715	214,241	235,565	252,342
<b>EBIT</b>	<b>1,605,226</b>	<b>2,604,254</b>	<b>4,585,289</b>	<b>3,912,366</b>	<b>4,596,620</b>	<b>5,245,287</b>	<b>5,898,967</b>
Interest	(420,493)	(626,023)	(767,499)	(696,285)	(664,448)	(664,448)	(646,255)
Interest and other income (expense)	41,725	84,000	(618,441)	-	-	-	-
<b>EBT</b>	<b>1,226,458</b>	<b>2,062,231</b>	<b>3,199,349</b>	<b>3,216,081</b>	<b>3,932,173</b>	<b>4,580,840</b>	<b>5,252,712</b>
Taxes	(15,216)	(195,315)	(437,954)	(440,244)	(538,269)	(627,064)	(719,036)
tax rate %	-1%	-9%	-14%	-14%	-14%	-14%	-14%
<b>Net Income</b>	<b>1,211,242</b>	<b>1,866,916</b>	<b>2,761,395</b>	<b>2,775,836</b>	<b>3,393,903</b>	<b>3,953,775</b>	<b>4,533,676</b>



# Balance Sheet

## Forecasted Balance Sheet

(in thousands)	2023	2024	2025	2026	2027	2028	2029
<b>Assets</b>							
Current assets:							
Cash and cash equivalents							
Cash and cash equivalents	3,794,483	\$ 5,018,437	\$ 8,205,550	\$ 9,146,486	#####	#####	#####
Other current assets	5,899,652	1,160,067	1,556,030	1,783,137	2,092,768	2,384,221	2,675,875
Total current assets	9,694,135	6,178,504	9,761,580	10,929,624	13,091,914	16,728,445	20,723,268
Content assets, net	14,951,141	24,504,567	25,383,950	26,490,395	27,281,060	27,846,069	28,249,825
Property and equipment, net	418,281	565,221	960,183	1,284,140	1,580,571	1,855,678	2,114,008
Other non-current assets	910,843	2,727,420	3,174,646	3,174,646	3,174,646	3,174,646	3,174,646
<b>Total assets</b>	#####	#####	#####	#####	#####	#####	#####
<b>Liabilities and Stockholders' Equity</b>							
Current liabilities:							
Current content liabilities	4,681,562	\$ 4,413,561	\$ 4,429,536	\$ 4,429,536	\$ 4,429,536	\$ 4,429,536	\$ 4,429,536
Accounts payable	562,985	674,347	656,183	762,213	894,566	1,019,150	1,143,819
Accrued expenses and other liabilities	481,874	843,043	1,102,196	1,111,677	1,304,712	1,486,415	1,668,244
Deferred revenue	760,899	924,745	1,117,992	1,325,091	1,555,185	1,771,770	1,988,505
Short-term debt	-	-	499,878	499,878	499,878	499,878	499,878
Total current liabilities	6,487,320	6,855,696	7,805,785	8,128,394	8,683,878	9,206,749	9,729,982
Non-current content liabilities	3,759,026	3,334,323	2,618,084	2,618,084	2,618,084	2,618,084	2,618,084
Long-term debt	10,360,058	14,759,260	15,809,095	15,309,095	14,609,095	14,609,095	14,209,095
Other non-current liabilities	129,231	1,444,276	1,982,155	1,982,155	1,982,155	1,982,155	1,982,155
<b>Total liabilities</b>	20,735,635	26,393,555	28,215,119	28,037,728	27,893,212	28,416,083	28,539,316
Stockholders' equity:							
Common stock	2,315,988	2,793,929	3,447,698	3,447,698	3,447,698	3,447,698	3,447,698
Treasury stock	-	-	-	-	-	-	-
Accumulated other comprehensive income (loss)	(19,582)	(23,521)	44,398	44,398	44,398	44,398	44,398
Retained earnings	2,942,359	4,811,749	7,573,144	10,348,980	13,742,884	17,696,659	22,230,335
<b>Total stockholders' equity</b>	5,238,765	7,582,157	11,065,240	13,841,076	17,234,980	21,188,755	25,722,431
<b>Total liabilities and stockholders' equity</b>	#####	#####	#####	#####	#####	#####	#####

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Balance Sheet Input

Revenue Modelling

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Balance Sheet

Cashflow Statement

WACC

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## Balance Sheet

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# Cashflow Statement

## Forecasted Cash Flow

(in thousands)	2023	2024	2025	2026	2027	2028	2029				
EBIT				3,912,366	4,596,620	5,245,287	5,898,967				
Operating Taxes				(535,558)	(629,224)	(718,019)	(807,501)				
Tax Rate %				-14%	-14%	-14%	-14%				
<b>NOPAT</b>				3,376,808	3,967,396	4,527,268	5,091,466				
add Amortization				10,579,850	10,895,630	11,121,286	11,282,539				
add Depreciation				186,715	214,241	235,565	252,342				
<b>Gross Cash Flow</b>				14,143,373	15,077,266	15,884,119	16,626,347				
Account Payables				106,030	132,354	124,583	124,669				
Deferred Revenue				207,099	230,094	216,585	216,735				
Current content liabilities				9,481	193,036	181,703	181,829				
Accrued expenses and other liabilities				(227,107)	(309,631)	(291,452)	(291,655)				
<b>Investments in Working Capital</b>				95,502	245,853	231,418	231,579				
Content Assets				11,686,295	11,686,295	11,686,295	11,686,295				
PP&E				510,672	510,672	510,672	510,672				
<b>Capex:</b>				-12,196,967	-12,196,967	-12,196,967	-12,196,967				
<b>Extraordinary Items</b>											
<b>UFCF</b>				2,041,908	3,126,152	3,918,570	4,660,959				
Debt taken (Repaid)				(500,000)	(700,000)	-	(400,000)				
Interest Expense				(696,285)	(664,448)	(664,448)	(646,255)				
Diff b/w Operating Taxes & Actual Taxes				95,313	90,955	90,955	88,465				
Net Cash Flow				940,936	1,852,659	3,345,078	3,703,169				
Opening Cash											
Closing Cash											

# Schedules

Content Assets (in thousands)	(in thousands)	Other Items						
		2023	2024	2025	2026 Forecasted	2027 Forecasted	2028 Forecasted	2029 Forecasted
Beginning Balance	Cost of Goods Sold	9,884,381	12,336,634	15,160,609	17,610,348	20,668,278	23,546,677	26,427,070
Add: Addition to Content Assets	as a % revenues	63%	61%	61%	61%	61%	61%	61%
Less: Amortisation of Content Assets								
Closing Balance	Marketing	2,369,469	2,652,462	2,228,362	3,540,077	4,154,790	4,733,413	5,312,437
	as a % revenues	15%	13%	9%	12%	12%	12%	12%
Useful life	Technology and Development	1,221,814	1,545,149	1,829,600	2,169,434	2,546,144	2,900,736	3,255,574
	as a % revenues	8%	8%	7%	8%	8%	8%	8%
Debt Schedule	General and Administrative	630,294	914,369	1,076,486	1,225,367	1,438,144	1,638,430	1,838,854
	as a % revenues	4%	5%	4%	4%	4%	4%	4%
Beginning Balance of Debt	Other Current assets	5,899,652	1,160,067	1,556,030	1,783,137	2,092,768	2,384,221	2,675,875
Add/less: Debt Taken /(debt repaid)	as a % revenues	37%	6%	6%	6%	6%	6%	6%
Closing Balance	Accounts Payable	562,985	674,347	656,183	762,213	894,566	1,019,150	1,143,819
	Days Payable	20.79	19.95	15.80	15.80	15.80	15.80	15.80
Interest Expense	Accrued Expenses and other Liabilities	481,874	843,043	1,102,196	1,111,677	1,304,712	1,486,415	1,668,244
	as a % revenues	3%	4%	4%	4%	4%	4%	4%
	Deferred Revenue	760,899	924,745	1,117,992	1,325,091	1,555,185	1,771,770	1,988,505
	as a % revenues	5%	5%	4%	5%	5%	5%	5%

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Balance Sheet Input

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Cashflow Statement

WACC

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## Schedules

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# Other Items

Other Items							
(in thousands)	2023	2024	2025	2026 Forecasted	2027 Forecasted	2028 Forecasted	2029 Forecasted
Cost of Goods Sold	9,884,381	12,336,634	15,160,609	17,610,348	20,668,278	23,546,677	26,427,070
as a % revenues	63%	61%	61%	61%	61%	61%	61%
Marketing	2,369,469	2,652,462	2,228,362	3,540,077	4,154,790	4,733,413	5,312,437
as a % revenues	15%	13%	9%	12%	12%	12%	12%
Technology and Development	1,221,814	1,545,149	1,829,600	2,169,434	2,546,144	2,900,736	3,255,574
as a % revenues	8%	8%	7%	8%	8%	8%	8%
General and Administrative	630,294	914,369	1,076,486	1,225,367	1,438,144	1,638,430	1,838,854
as a % revenues	4%	5%	4%	4%	4%	4%	4%
Other Current assets	5,899,652	1,160,067	1,556,030	1,783,137	2,092,768	2,384,221	2,675,875
as a % revenues	37%	6%	6%	6%	6%	6%	6%
Accounts Payable	562,985	674,347	656,183	762,213	894,566	1,019,150	1,143,819
Days Payable	20.79	19.95	15.80	15.80	15.80	15.80	15.80
Accrued Expenses and other Liabilities	481,874	843,043	1,102,196	1,111,677	1,304,712	1,486,415	1,668,244
as a % revenues	3%	4%	4%	4%	4%	4%	4%
Deferred Revenue	760,899	924,745	1,117,992	1,325,091	1,555,185	1,771,770	1,988,505
as a % revenues	5%	5%	4%	5%	5%	5%	5%

# Revenue Modelling

Revenue Sources (in thousands)	2023	2024	2025	2026 Forecasted	2027 Forecasted	2028 Forecasted	2029 Forecasted						
Revenue Sources (in thousands)	2023	2024	2025	2026 Forecasted	2027 Forecasted	2028 Forecasted	2029 Forecasted						
Streaming revenues	15,428,752.00	19,859,230.00	24,756,675.00	28,450,601.21	33,461,471.56	38,173,270.29	42,882,607.81						
DVD Revenues	365,589	297,217	239,381	193,706	156,746	126,838	102,636						
Growth %		-19%	-19%	-19%	-19%	-19%	-19%						
Total Revenues	#####	#####	#####	#####	#####	#####	#####						
United States and Canada ( in thousands)								Average Monthly Revenue					
Revenues	8,281,532.00	10,051,208.00	11,455,396.00	11,434,119.49	12,309,278.93	13,251,422.46	14,265,676.99	2023	2024	2025			
Average yearly revenue per membership	\$133.92	\$150.84	\$159.84	\$148.20	\$148.20	\$148.20	\$148.20	\$11.16	\$12.57	\$13.32			
Average Paid membership	61,839.40	66,634.90	71,667.89	77,153.30	83,058.56	89,415.81	96,259.63						
Growth %		8%	8%	8%	8%	8%	8%						
Europe, Middle East, and Africa (EMEA) (in thousands)								Average Monthly Revenue					
Revenues	3,963,707.00	5,543,067.00	7,772,252.00	9,981,422.59	12,088,960.09	13,432,599.71	14,656,927.51	2023	2024	2025			
Average yearly revenue per membership	\$125.40	\$123.96	\$128.64	\$126.00	\$126.00	\$126.00	\$126.00	\$10.45	\$10.33	\$10.72			
Average Paid membership	31,608.51	44,716.58	60,418.63	79,217.64	95,944.13	106,607.93	116,324.82						
Growth %		41%	35%	31.11%	21.11%	11.11%	9.11%						
Latin America (LATAM) (in thousands)								Average Monthly Revenue					
Revenues	2,237,697	2,795,434.00	3,156,727.00	3,842,573.80	4,429,558.49	4,995,470.94	5,508,796.58	2023	2024	2025			
Average yearly revenue per membership	\$111.96	\$110.88	\$109.44	\$110.76	\$110.76	\$110.76	\$110.76	\$9.33	\$9.24	\$9.12			
Average Paid membership	19,986.58	25,211.35	28,844.36	34,692.79	39,992.40	45,101.76	49,736.34						
Growth %		26%	14%	20.3%	15.3%	12.8%	10.3%						
Asia-Pacific (in thousands)								Average Monthly Revenue					
Revenues	945,816	1,469,521.00	2,372,300.00	3,192,485.34	4,633,674.05	6,493,777.17	8,451,206.72	2023	2024	2025			
Average yearly revenue per membership	\$133.92	\$150.84	\$159.84	\$148.20	\$148.20	\$148.20	\$148.20	\$11.16	\$12.57	\$13.32			
Average Paid membership	7,062.54	9,742.25	14,841.72	21,541.74	31,266.36	43,817.66	57,025.69						
Growth %		38%	52%	45.14%	45.14%	40.14%	30.14%						

# WACC

## WACC

Risk free Rate	1.67%
Market Risk Premium	5.50%
Beta	1.058
(in thousands)	Amount
Cost of Equity	7.27%
Cost Debt	4.88%
Equity	25,722,431
Debt	14,209,095
Equity/(Equity+Debt)	64%
Debt/(Equity+Debt)	36%
WACC	6.42%

RiskfreeRate\*beta + Market Risk Premium

$$WACC = \left( K_e \times \frac{\text{Equity}}{\text{Debt} + \text{Equity}} \right) + \left( K_{\text{debt}} \times \frac{\text{Debt}}{\text{Debt} + \text{Equity}} \right)$$

Where  
 $K_e$  = RFR + (Beta x MRP)  
Equity = Market value of equity  
Debt = Market value of debt  
 $K_{\text{debt}}$  = After tax cost of debt

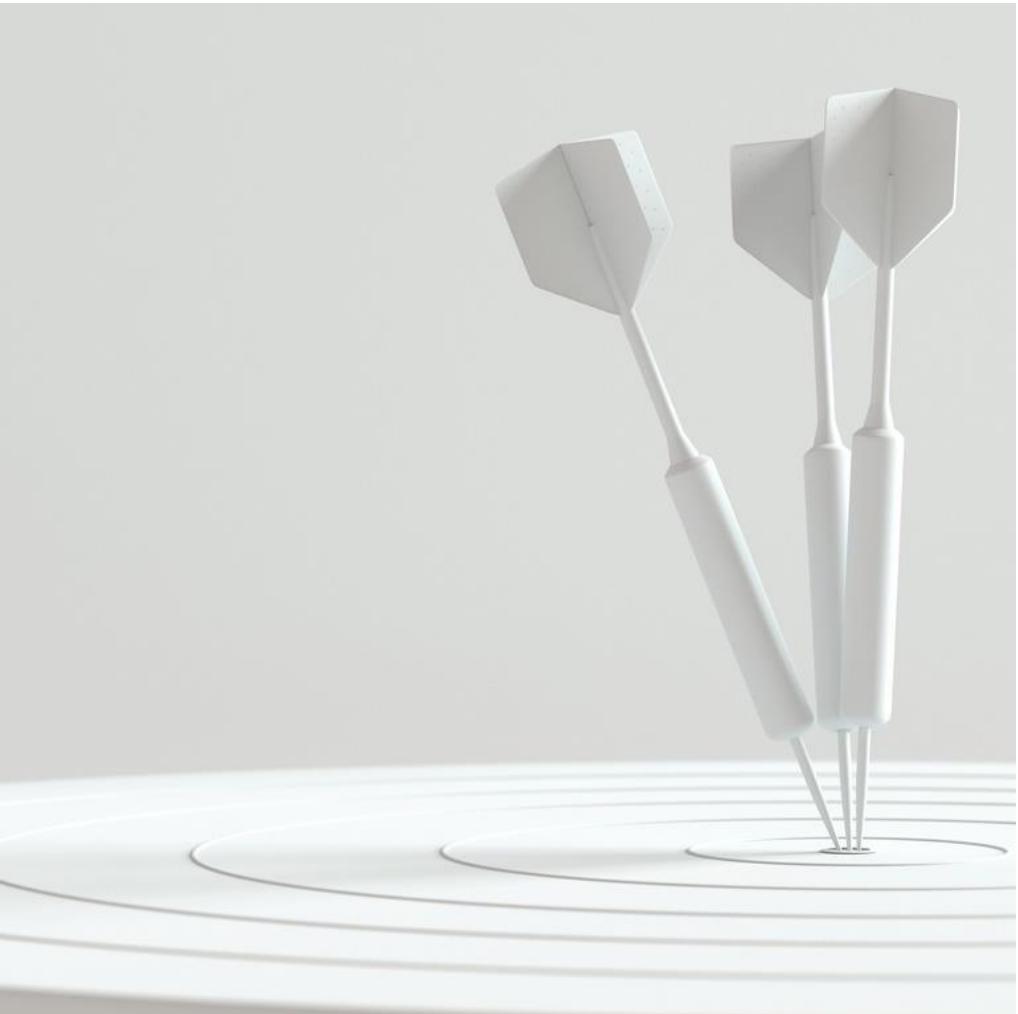
# DCF Statement

## DCF Analysis

(in thousands)	2021	2022	2023	2024
UFCF	2,041,908	3,126,152	3,918,570	4,660,959
Discounting Factor	0.94	0.88	0.83	0.78
No of Years	1	2	3	4
PV of UFCF	1,918,802.23	2,760,566.75	3,251,695.93	3,634,558.74
Sum of PV	11,565,623.65			
Terminal Value	99,853,521.31			
PV of Terminal value	77,864,547.15			
<b>Enterprise Value</b>	<b>89,430,170.80</b>			
Debt	14,209,095.00			
Cash	18,047,393.07			
<b>Equity Value</b>	<b>93,268,468.88</b>			

$[FCFn \times (1 + g)]$

$(WACC - g)$



# CONCLUSION

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After building the financial statements from scratch, forecasting performance for 2026, 2027, and 2028, and valuing the business through a DCF, one thing becomes clear, Netflix's story is no longer just about growth, but about stability and cash strength. The projections show steady revenue expansion driven by better monetization rather than aggressive subscriber chasing, while operating margins improve as the business continues to benefit from scale and tighter control over content spending.

What stands out most in the model is the improvement in free cash flows. Over the forecast period, Netflix appears capable of funding its content pipeline internally, reducing financial pressure and giving the company flexibility to manage debt and reward shareholders. This shift from cash consumption to consistent cash generation strengthens the long-term credibility of the business.

The DCF valuation highlights that Netflix's real value lies in its ability to sustain cash flows over time, not in short-term market sentiment or quarterly surprises. While risks remain , particularly from competition, changing viewer preferences, and macroeconomic conditions , the forecasts suggest that Netflix is well-positioned to handle these challenges.

In summary, based on my own modelling and assumptions, Netflix emerges as a mature, resilient company with a clear path to long-term value creation over 2026–2028, supported by scale, improving profitability, and strong cash flow fundamentals.