

FINANCIAL MODELLING & DCF VALUATION OF NETFLIX

Mohd Yasir

04 January 2026

Agenda

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- 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
Total Revenues	15,794,341	20,156,447	24,996,056	28,644,307	33,618,217	38,300,108	42,985,244
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
Gross Margin	5,909,960	7,819,813	9,835,447	11,033,959	12,949,939	14,753,431	16,558,174
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
EBITDA	1,688,383	2,707,833	4,700,999	4,099,080	4,810,861	5,480,853	6,151,309
Less: Depreciation	83,157	103,579	115,710	186,715	214,241	235,565	252,342
EBIT	1,605,226	2,604,254	4,585,289	3,912,366	4,596,620	5,245,287	5,898,967
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)	-	-	-	-
EBT	1,226,458	2,062,231	3,199,349	3,216,081	3,932,173	4,580,840	5,252,712
Taxes	(15,216)	(195,315)	(437,954)	(440,244)	(538,269)	(627,064)	(719,036)
Tax rate %	-1%	-9%	-14%	-14%	-14%	-14%	-14%
Net Income	1,211,242	1,866,916	2,761,395	2,775,836	3,393,903	3,953,775	4,533,676

Global Summary		Global Revenue			
Category	Sub-category	Revenue	Profit	Margin	Volume
Electronics	Smartphones	1,200,000	240,000	20%	12,000,000
	Laptops	800,000	160,000	20%	8,000,000
	Tablets	400,000	80,000	20%	4,000,000
	Wearables	200,000	40,000	20%	2,000,000
Software	Operating Systems	900,000	180,000	20%	9,000,000
	Productivity Tools	600,000	120,000	20%	6,000,000
	Security Software	300,000	60,000	20%	3,000,000
	Cloud Services	1,100,000	220,000	20%	11,000,000
Services	Consulting	700,000	140,000	20%	7,000,000
	IT Support	500,000	100,000	20%	5,000,000
	Training	300,000	60,000	20%	3,000,000
	Managed Services	900,000	180,000	20%	9,000,000
Hardware	Networking Equipment	600,000	120,000	20%	6,000,000
	Storage Solutions	400,000	80,000	20%	4,000,000
	Peripherals	200,000	40,000	20%	2,000,000
	Printers	300,000	60,000	20%	3,000,000

Balance Sheet

Forecasted Balance Sheet

(in thousands)	2023	2024	2025	2026	2027	2028	2029
Assets							
Current assets:							
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
Total assets	#####	#####	#####	#####	#####	#####	#####
Liabilities and Stockholders' Equity							
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
Total liabilities	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
Total stockholders' equity	5,238,765	7,582,157	11,065,240	13,841,076	17,234,980	21,188,755	25,722,431
Total liabilities and stockholders' equity	#####	#####	#####	#####	#####	#####	#####
check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE

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%
NOPAT				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
Gross Cash Flow				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							
Accrued expenses and other liabilities				9,481	193,036	181,703	181,829
Other current assets				(227,107)	(309,631)	(291,452)	(291,655)
Investments in Working Capital				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
Capex:				-12,196,967	-12,196,967	-12,196,967	-12,196,967
Extraordinary Items							
UFCF				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

[illegible]

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	#####	#####	#####	#####	#####	#####	#####												
Unites 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

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K_e

×

Equity

Debt + Equity

+

K_{debt}

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Debt

Debt + Equity

Where

K_e

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RFR + (Beta x MRP)

Equity

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Market value of equity

Debt

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Market value of debt

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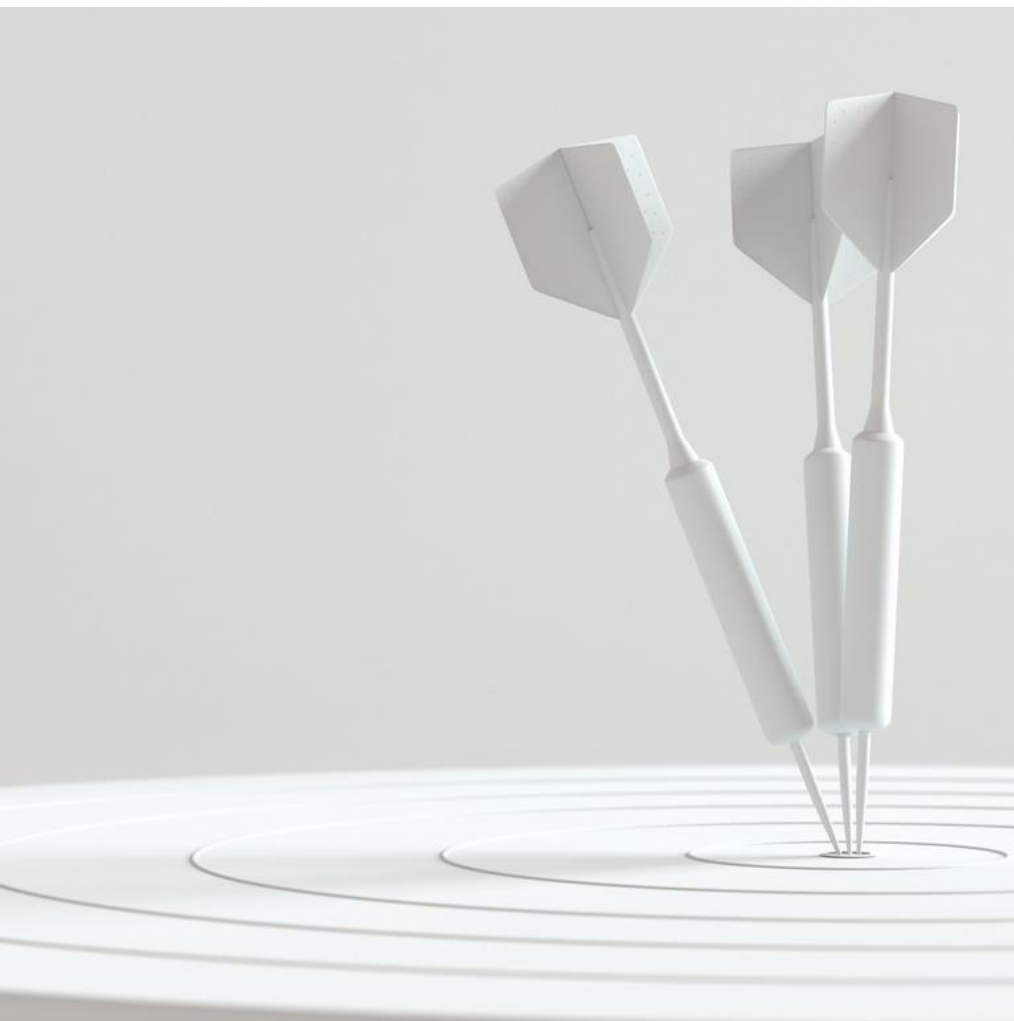
After tax cost of debt

WACC

January 04 , 2026

DCF Statement

DCF Analysis																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
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CONCLUSION

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.