EQUITY RESEARCH REPORT

Valuation Date: 16th September, 2025

PREPARED BY:-

KAUSHIK KOTIAN

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NETFLIX OVERVIEW

About The Company

Netflix is a global entertainment company that leads the subscription streaming service market, offering a vast library of movies, TV series, documentaries, and games to over 300 million paid members in more than 190 countries as of 2025. Netflix is an American subscription video on-demand over-the-top streaming service. The service primarily distributes original and acquired films and television shows from various genres, and it is available internationally in multiple languages.

Image Source: L.A Business First

Company Background

Netflix was founded in 1997 by Reed Hastings and Marc Randolph in California, originally as a DVD rental-by-mail service. In 2007, Netflix transitioned to streaming video on demand, pioneering online entertainment access. The company established a strong international presence, expanding into original content production from 2011, and now operates major hubs in Los Angeles, London, Madrid, Vancouver, and Toronto.

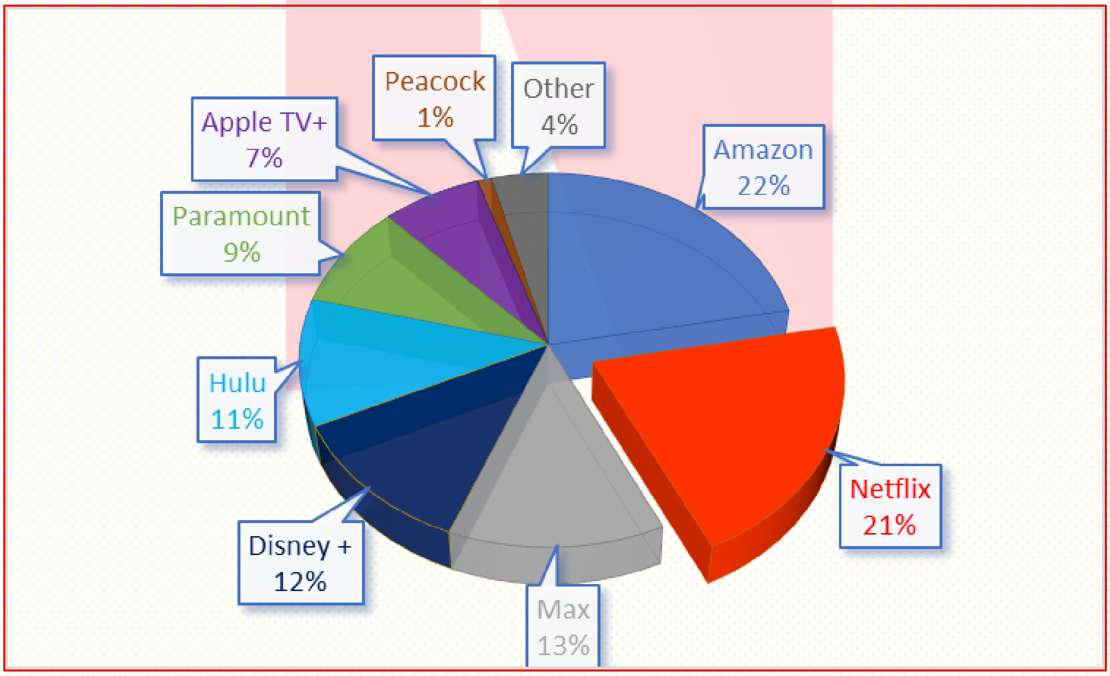
NETFLIX,INC SNAPSHOT	
Ticker	NFLX(NASDAQ)
Market CAP	512B USD
Subscribers	310M (2025)
Industry	Entertainment
CEO’s	Ted Sarandos & Greg Peters

Business Model

- Netflix operates primarily on a subscription-based model (SVOD), offering three main plans—Basic (with ads), Standard, and Premium.
- This approach ensures recurring, predictable revenue, with monthly or yearly payments for uninterrupted access to a large content library without ads.
- Netflix also launched ad-supported tiers and plans for expanding its monetization through advertising and possible licensing of its original productions.
- Though subscription fees are the main revenue source, Netflix also licenses its original content to other platforms and, occasionally, employs limited merchandising opportunities.
- Continued investment in machine learning for personalization, user interface improvements, and streaming technology to maintain competitive advantage.

Position in the market

- Netflix holds second position with 21% share in the video streaming market of the United States after Amazon Prime Video.
- Since the past few years Netflix has shown a significant drop in its share in the USA streaming market because of the entry of new competitors, but still Netflix has shown a strong hold in the market by maintaining its second position.
- The competition is more fragmented now as Disney+, Hulu, Max, Paramount+, and Apple TV+ together make up 52%.



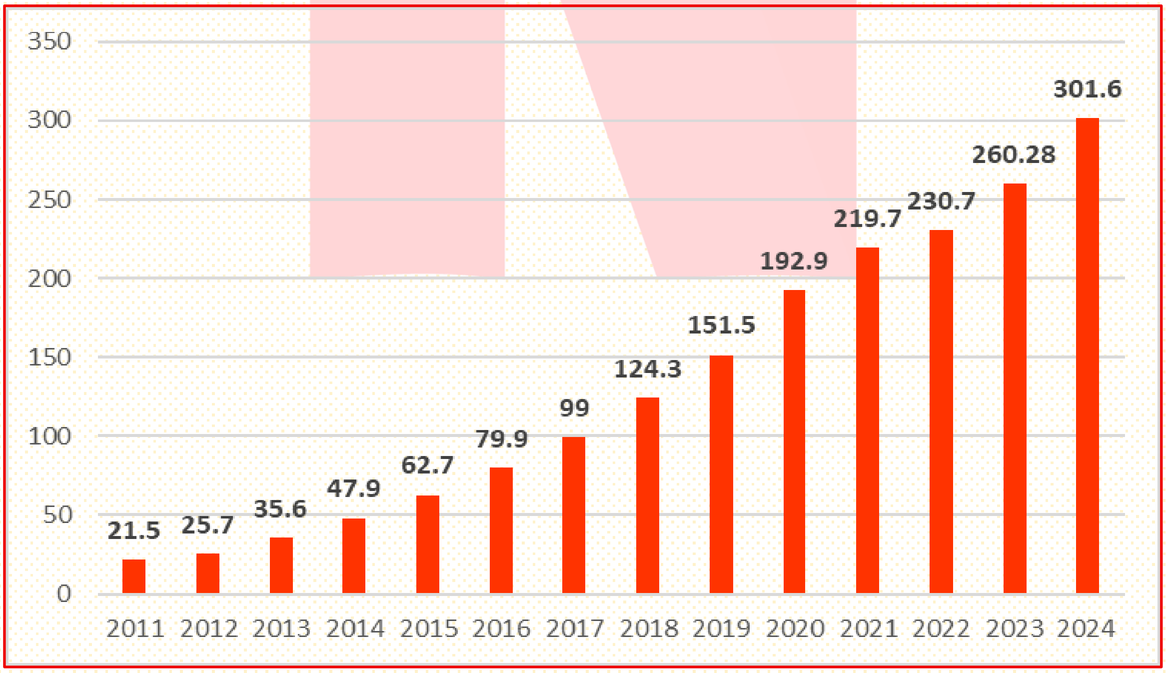
Source: Evoca.tv

Global impact

- Netflix is recognized as one of the most-visited websites globally and continues to influence the media and entertainment industry by setting new standards for content delivery and consumption.
- It is available in over 190 countries with people enjoying TV series, films and games across a wide variety of genres and languages.
- They aim to offer a range of pricing plans, including ad-supported subscription plan, to meet a variety of consumer needs.
- The platform's localization strategy, investment in region-specific content, and innovative user experiences ensure strong market growth across continents.

Subscribers Growth over the years

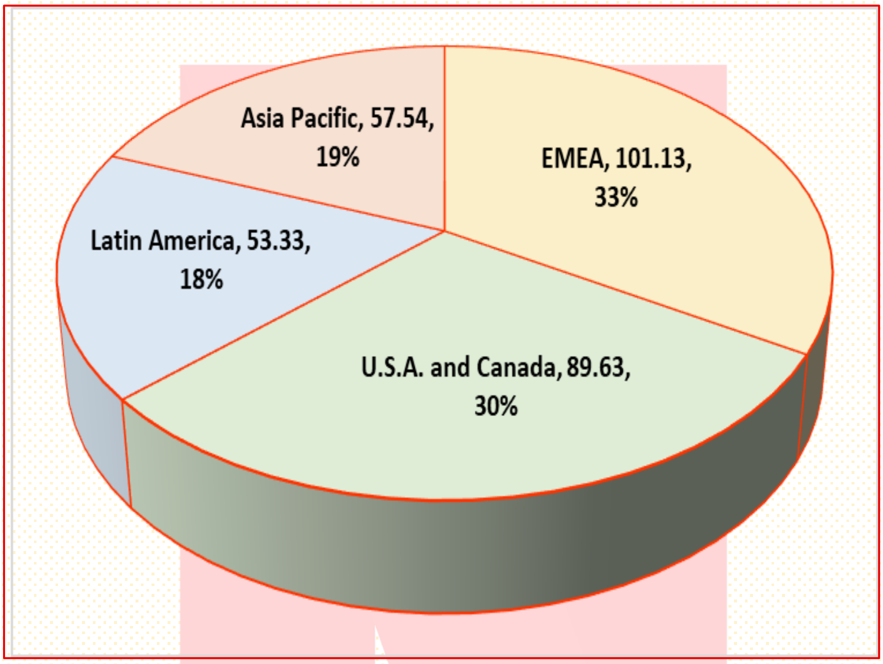
- Netflix has seen a positive change in its subscriber's growth rate all over the years.
- In 2011, it had 21.5M subscribers which grew to 301.6M in 2024 which shows an average growth rate of approximately 22% and an overall growth of 1303%.
- These numbers show how Netflix has grown its subscribers massively over the past few years.
- The growth rate declined after 2020 increase in competitors and their cheap
- packages which gave direct competition to
- Netflix.
- Later in 2022-2023 Netflix started cracking passwords which made subscribers leave but this policy later boosted paying subscribers.
- Another important factor included inflation and economic pressures which led to increase in prices.

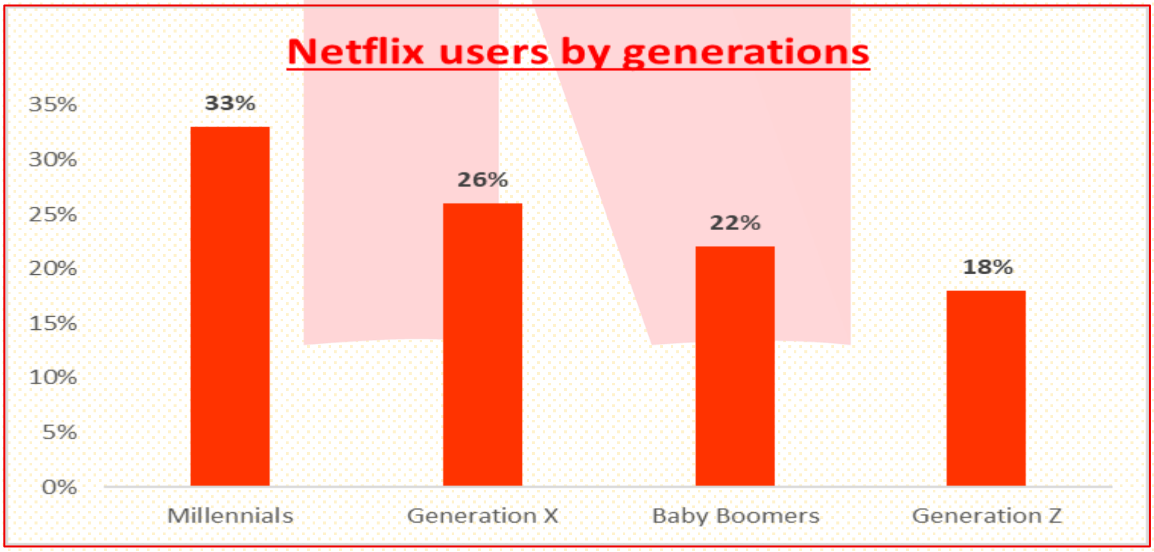


Source: Demage sage

Geographic data of subscribers

- Netflix has the highest number of 101.13M subscribers in the EMEA region.
- The USA and Canada had highest number in the past but now has the second place because of Netflix's expansion in the EMEA.
- In the Asia Pacific region, India currently leads as the top country for Netflix subscribers, with over 15 million users.
- Latin America has become one of Netflix's most important growth regions, with around 53 million subscribers (2025), led by Brazil and Mexico as the biggest markets.





Source: Demand Sage

S.W.O.T ANALYSIS

STRENGTH

- **Global Presence→** Netflix is one of the most recognised entertainment brands in the world. With availability in over 190 countries, the platform enjoys near-universal brand awareness.
- **Original Content →** Unlike platforms that rely heavily on licensed media, Netflix owns a significant portion of its content catalogue.
- **AI Capabilities →** Netflix's recommendation engine is a core reason for its user engagement.
- **Tech Infrastructure →** Behind its slick user interface is one of the most advanced tech operations in the entertainment space.
- **Flexible Pricing →** Netflix has evolved from a single-price platform to a multi-tier model that includes ad-supported plans, mobile-only options, and family subscriptions.

Weakness

- **High Content Costs →** Netflix invests over $17 billion annually in content production, far more than most competitors.
- **Subscriber Churn Risk →** While Netflix has strong retention overall, its "binge and cancel" model poses a risk.
- **Negative Cash Flow →** Although Netflix has made strides in profitability, it historically operated with negative free cash flow due to high content spending.
- **Password Sharing →** Although Netflix has started cracking down on password sharing, it remains a long-standing issue that has affected revenue.

Opportunity

- **Expansion →** Netflix is in a prime position to evolve into a major player in the gaming space, offering downloadable games, cloud gaming, or interactive storytelling formats.
- **Live Streaming →** Netflix has recently started live streaming of WWE which has given a positive review and shows that Netflix is expanding into a live streaming platform.
- **Regional Growth →** While growth has slowed in the U.S., emerging markets in Africa, Southeast Asia, the Middle East, and Latin America remain fertile ground.

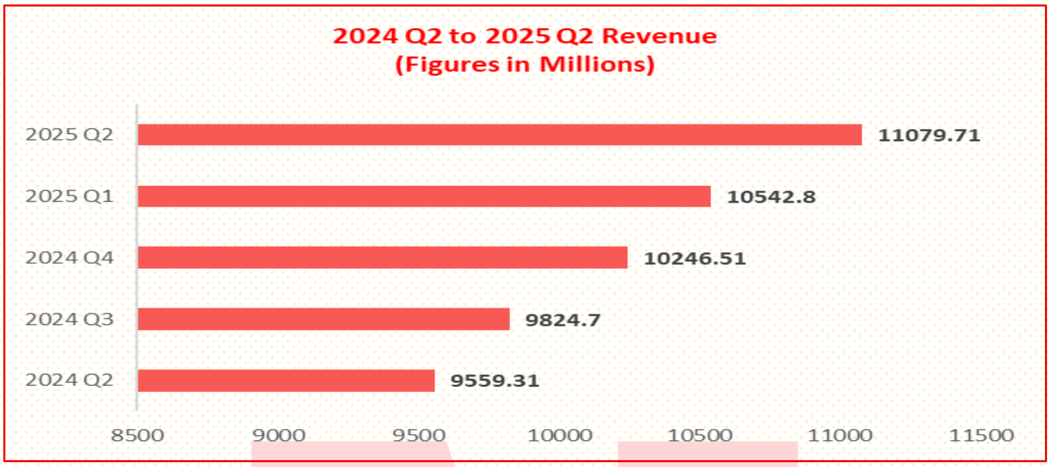
Threats

- **Piracy →** Content piracy and password sharing continue to erode revenue. While Netflix has started charging for account sharing, this approach could backfire if users see it as unfair.

- **Cheaper Alternatives →** Free ad-supported platforms like YouTube, Tubi, Pluto TV, and TikTok are eating into Netflix's screen time, especially among younger viewers.
- **Economic Downturns →** In uncertain economic times, entertainment subscriptions are among the first expenses households cut. Netflix is often seen as a "nice-to-have" rather than an essential service, especially in emerging markets.

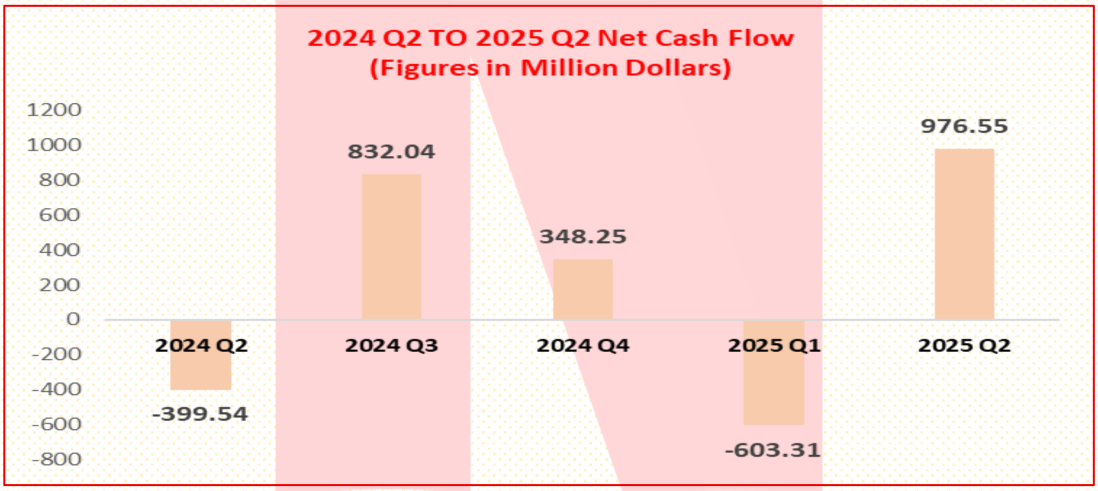
Source: [Entreprenuers.ng]

QUARTERLY EARNINGS HIGHLIGHTS



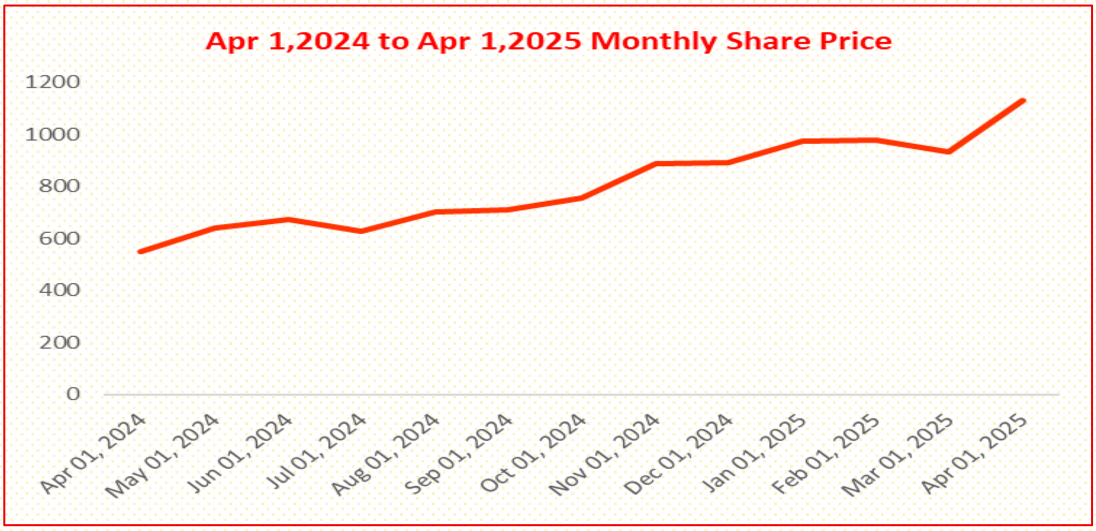
Source : Investing.com

- Netflix's revenues grew consistently by double digits year-over-year, reaching approximately $11 billion in Q2 2025.
- Q4 2024 and Q2 2025 saw faster revenue growth of +16% due to price hikes and higher subscriber activity, compared to Q1 2025's more moderate growth of +13% as markets adjusted to new pricing.
- Ad-supported revenue made the biggest gains in Q4 2024 and Q1 2025, doubling year-over-year, compared to slower growth in mid-2024



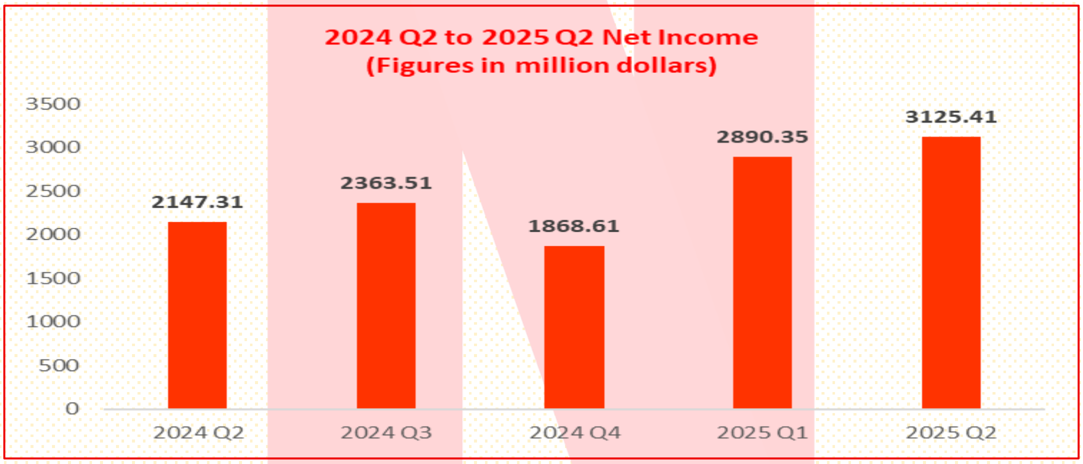
Source : Investing.com

- Netflix experienced negative net cash flow in Q2 2024 and Q1 2025 primarily due to heavy upfront spending on original content production, sports rights, and unscripted programming.
- Even though Netflix had negative cash flow twice, it had a much greater positive cash flow in 2024 Q3, Q4 and 2025 Q2.
- The profitability of the company has helped it maintain a positive cash flow over the years which in turn helps investors to understand stability of Netflix.



Source: Investing.com

- The share price of Netflix was 550.64 on April 01, 2024 which increased to 1131.72 in April 01,2025.
- The increase after April 01, 2024 was mainly due to the publish of their profitable financial statements.
- The stock has shown a strong upward momentum which has given favourable returns to investors.



Source: Investing.com

- Netflix's net income shows a strong upward trajectory across most quarters, with a slight dip in 2024 Q4 before a robust recovery.
- Starting at $2,147 million in 2024 Q2, net income improved to $2,364 million in the following quarter, indicating steady financial growth.
- The dip to $1,869 million in 2024 Q4 could suggest increased operating expenses or a temporary hit to profitability, but this was quickly offset by a sharp rebound to $2,890 million in 2025 Q1.
- The notable jump in 2025 Q1 and further growth to $3,125 million in 2025 Q2 highlights Netflix's ability to bounce back and accelerate its earnings, possibly driven by new content releases or expanding subscriber base.

INDUSTRY PEERS

Disney+(Disney)

- Strong IP portfolio (Marvel, Pixar, Star Wars).
- Bundling with Hulu & ESPN+ in the U.S. boosts stickiness.
- As of 2025, ~128M subscribers.
- Key strength: family-oriented content, franchise dominance.
- Key weakness: profitability challenges due to heavy content spending.

Amazon Prime Video (Amazon)

- ~200M global subscribers, though bundled with Prime shipping.
- Leverages cross-subsidization (video as a driver for retail).
- Strength: ability to outspend peers on premium shows (e.g., Lord of the Rings).
- Weakness: pure streaming profitability is opaque.

Warner Bros Discovery (Max)

- Expanded globally, forecast to hit ~150M subscribers by 2026.
- Strength: wide portfolio (HBO, Warner Bros films, sports rights).
- Weakness: still restructuring post-merger, high leverage.

Apple TV+ (Apple)

- Smaller subscriber base (~30–40M estimated).
- Focuses on quality over quantity (Ted Lasso, Severance).
- Not yet profitable, but backed by Apple ecosystem strength.

Comcast (CMCSA)

- Operates across cable, broadband, and media (NBCUniversal, Sky, Peacock).
- Competes directly with Netflix in the U.S. through Peacock, an ad-supported and subscription streaming platform.
- Unlike Netflix's pure-play streaming model, Comcast benefits from steady cash flows from cable and broadband.

Charter Communications

- One of the largest broadband connectivity companies and cable operators in the U.S.
- Charter operates a mostly coaxial cable network with ongoing expansion of fiber-optic infrastructure and investments in advanced technologies
- Revenue streams are driven by subscription fees from internet, TV, voice, and mobile services

PORTER'S FIVE FORCES

Threat of New Entrants – Low to Moderate

Entering streaming requires huge investments in technology, content, and brand-building, which creates high entry barriers. Netflix's vast subscriber base, brand recognition, and extensive content library create high entry barriers, making it difficult for new players to compete effectively. Netflix's operations in entertainment and content streaming industry involve moderate costs for developing and maintaining IT infrastructure. However, large tech firms like Apple and regional platforms with niche content can still enter, making the threat not negligible.

Bargaining Power of Suppliers – Moderate

Studios and production houses charge high fees for content licensing, and talent can demand premium payments. Netflix manages this risk by investing heavily in its own original content, reducing reliance on third parties. Netflix's scale allows it to negotiate large licensing deals and invest in original content to reduce supplier dependency, limiting supplier power somewhat.

Bargaining Power of Buyers – High

Subscribers have plenty of options with many streaming services available, so they can switch if they find better content or prices elsewhere. Customers have many choices—Disney+, Amazon Prime, Hulu, regional OTTs—and can easily cancel or switch due to low switching costs. This forces Netflix to continuously improve user experience, pricing, and content quality to retain subscribers.

Threat of Substitutes – Very High

Alternatives like YouTube, TikTok, gaming, social media, live sports, and even traditional TV compete for consumers' screen time. Since substitutes are often free or cheaper, this creates strong downward pressure on Netflix's growth. Evolving consumer preferences and technological advancements continuously generate new substitute entertainment options, requiring Netflix to stay agile and innovative.

Industry Rivalry – Very High

The streaming industry is highly competitive, with giants like Disney, Amazon, and HBO spending billions on content. Constant price wars, exclusive deals, and global expansion make competition intense and margins tighter. Competition among streaming platforms is fierce and growing, with many well-funded companies competing on content quality, price, technology, and user experience. Netflix's strong brand and unique content give it an edge, but it must constantly innovate to stay ahead.

FINANCIAL ANALYSIS

INCOME STATEMENT

Historical Figures
(Values in Million Dollars)

Particulars	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Sales/Revenue	24,996	29,698	31,616	33,723	38,877
Sales Growth	-	18.81%	6.46%	6.66%	15.28%
COGS excluding D&A	4,354	4,894	4,805	5,161	5,410
COGS as % of sales	17.42%	16.48%	15.20%	15.30%	13.92%
Gross income	20,642	24,804	26,811	28,562	33,467
SG&A Expense	5,135	6,171	6,814	7,054	7,545
Research & Development	1,830	2,274	2,711	2,676	2,925
R&D growth	7.32%	7.66%	8.57%	7.94%	7.52%
Other SG&A	3,305	3,897	4,103	4,378	4,620
Other SG&A growth	13.22%	13.12%	12.98%	12.98%	11.88%
Operating income	15,507	18,633	19,997	21,508	25,922
Non-Operating	-618	411	337	-49	392
EBITDA	14,889	19,044	20,334	21,459	26,314
Total D&A expense	10,923	12,439	14,363	14,554	15,630
Depreciation	116	208	337	357	329
Amortization	10,807	12,230	14,026	14,197	15,302
EBIT	3,966	6,605	5,971	6,905	10,684
Interest Expense	767	766	706	700	719
PBT	3,199	5,839	5,265	6,205	9,965
Income Tax	438	723	773	798	1,254
					12.58%
PAT	2,761	5,116	4,492	5,407	8,711

Blue- Historical Figures
Red- Assumed Figures
Black- Calculated Figures

Key takeaways from Historical data

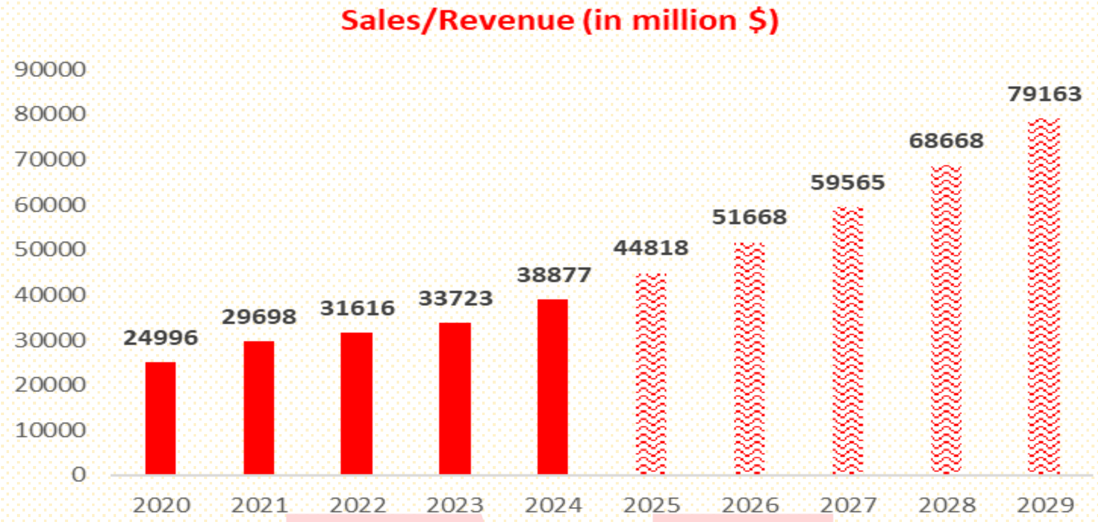
- Revenue increased consistently from $24,996 million in 2020 to $38,877 million in 2024.
- This reflects a 5-year CAGR of ~11.7%, indicating strong top-line expansion.
- EBITDA grew from $14,889 million in 2020 to $26,314 million in 2024.
- Strong EBITDA growth reflects resilience in cash-generation ability.
- The consistent rise in depreciation & amortization shows growing content amortization expenses as the platform invests in originals.
- PBT increased from $3,199 million (2020) to $9,965 million (2024), nearly tripling, which signals strong profitability momentum
- PAT rose from $2,761 million in 2020 to $8,711 million in 2024, marking a CAGR of 28%.

Forecasted Figures
(Values in Million Dollars)

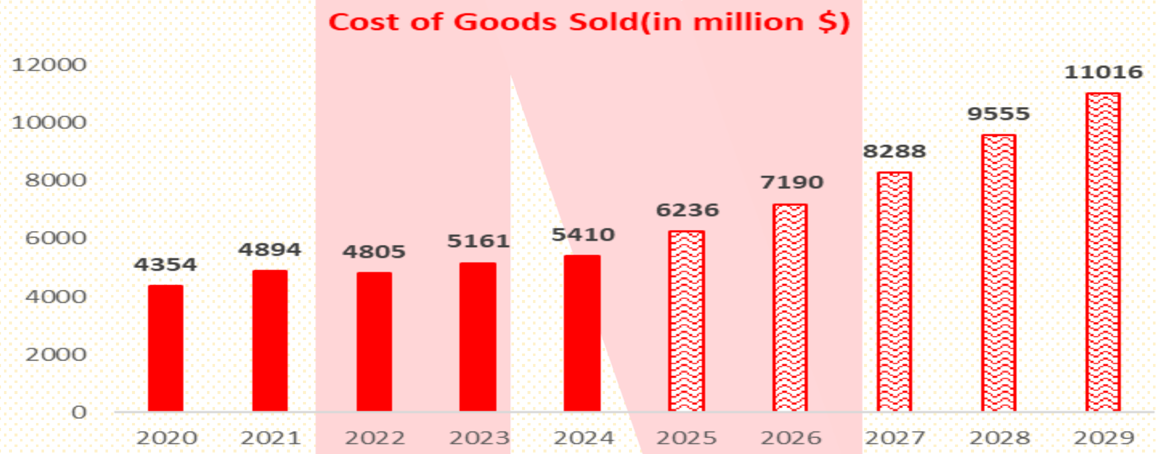
Particulars	2025 Est	2026 Est	2027 Est	2028 Est	2029 Est
Sales/Revenue	44,819	51,668	59,565	68,669	79,164
Sales Growth	15.28%	15.28%	15.28%	15.28%	15.28%
COGS excluding D&A	6,237	7,190	8,289	9,556	11,016
COGS as % of sales	13.92%	13.92%	13.92%	13.92%	13.92%
Gross income	38,582	44,478	51,276	59,113	68,147
SG&A Expense	8,314	9,165	10,107	11,149	12,304
Research & Development	3,145	3,382	3,636	3,910	4,204
R&D growth	7.52%	7.52%	7.52%	7.52%	7.52%
Other SG&A	5,169	5,783	6,471	7,239	8,100
Other SG&A growth	11.88%	11.88%	11.88%	11.88%	11.88%
Operating income	30,268	35,313	41,170	47,964	55,844
Non-Operating	392	392	392	392	392
EBITDA	30,660	35,705	41,562	48,356	56,236
Total D&A expense	15,228	16,096	17,659	19,453	22,078
Depreciation	348	361	373	399	428
Amortization	14,879	15,735	17,287	19,054	21,650
EBIT	15,432	19,610	23,902	28,902	34,158
Interest Expense	704	645	598	496	389
PBT	14,728	18,965	23,305	28,407	33,769
Income Tax	1,853	2,386	2,932	3,574	4,248
	12.58%	12.58%	12.58%	12.58%	12.58%
PAT	12,875	16,579	20,373	24,833	29,521

Key points from forecasted data

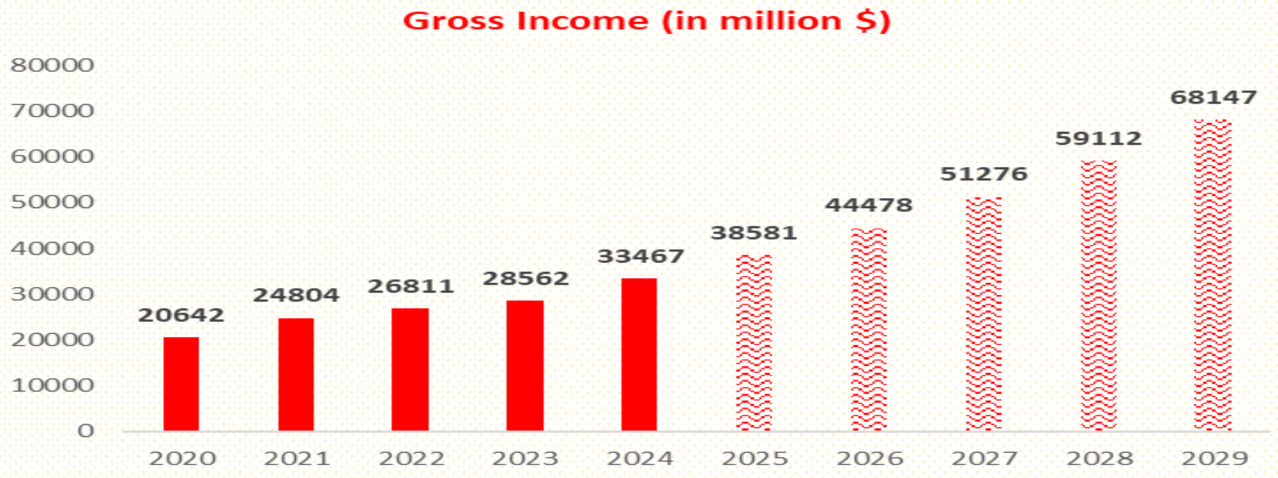
- Revenue is expected to rise steadily from $38,582 million in 2025 to $68,147 million in 2029.
- This implies a CAGR of ~15%, reflecting strong top-line momentum driven by global expansion, pricing power, and ad-tier adoption.
- EBITDA is estimated at $30,660 million in 2025, expanding to $56,236 million by 2029, reinforcing strong cash flow generation
- EBIT is projected to rise sharply from $15,432 million in 2025 to $34,158 million in 2029.
- The growth (2.2x over the period) highlights improving profitability even after accounting for content amortization.
- Profit before tax (PBT) grows from $14,728 million in 2025 to $33,769 million in 2029.
- Profit after tax (PAT) is projected to more than double, from $12,875 million in 2025 to $29,521 million in 2029.



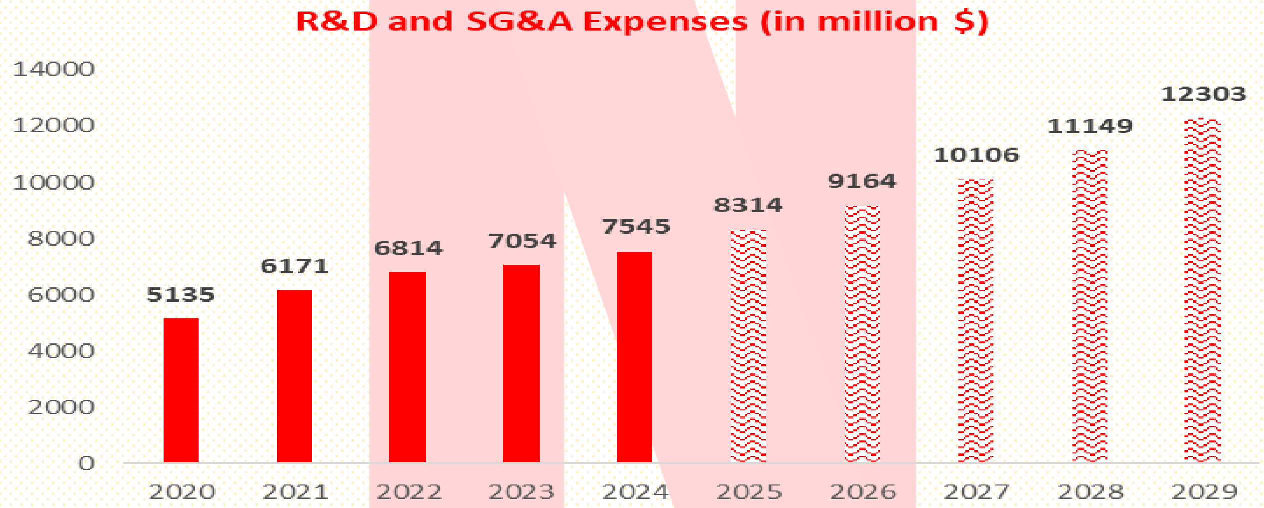
- Revenue is projected to grow from $38877 million in 2024 to $79163 million in 2029, showing a CAGR of 15%.
- This pace of growth highlights Netflix's ability to expand both subscriber base and average Revenue per user.
- Despite strong growth projections, revenue could face headwinds from intensifying competition and matured subscriber base in North America and Europe, which may limit upside potential.



- COGS is projected to increase from $5410 million in 2025 to $11016 million in 2029, showing a CAGR of 10%.
- The growth is slower compared to revenue, suggesting improving cost efficiency.
- The bulk of COGS reflects content creation, licensing, and distribution costs.
- With Netflix scaling original programming and global productions, COGS growth aligns with its expansion strategy in diverse markets.



- Gross income is projected to increase from $33467 million in 2024 to $68147 million in 2029, with a CAGR of 15%.
- This reflects Netflix's ability to maintain strong top-line expansion while controlling COGS growth.
- If content costs rise faster than revenue growth, gross income margins may face downward pressure in certain regions.



- SG&A is projected to grow steadily over 2025–2029, reflecting ongoing investments in marketing, technology infrastructure, and administrative functions to support global expansion.
- Higher SG&A reflects strategic investments in advertising tiers, gaming, AI-driven personalization, and regional expansion, which are expected to drive future revenue growth.
- If marketing spends or technology costs escalate faster than revenue (e.g., due to new market entries or ad-tier scaling), SG&A efficiency may weaken, impacting overall profitability.

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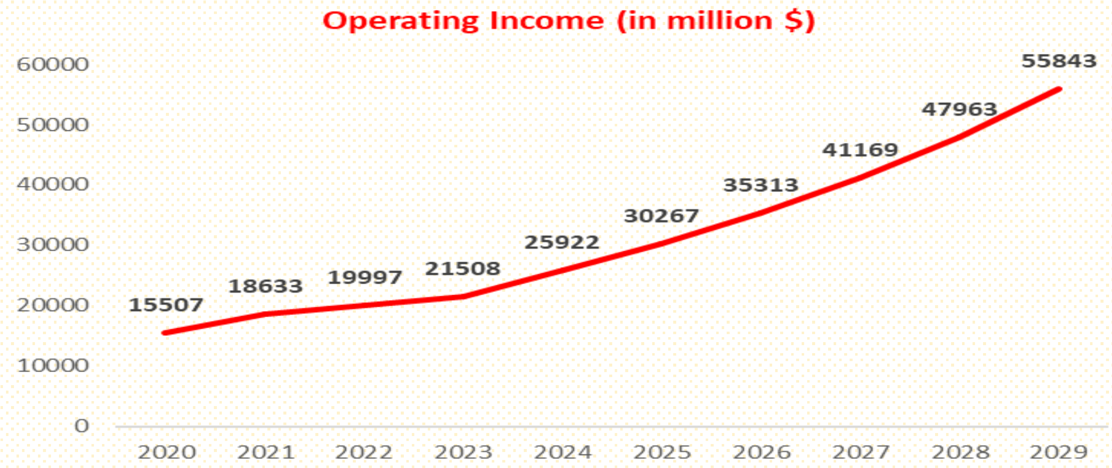
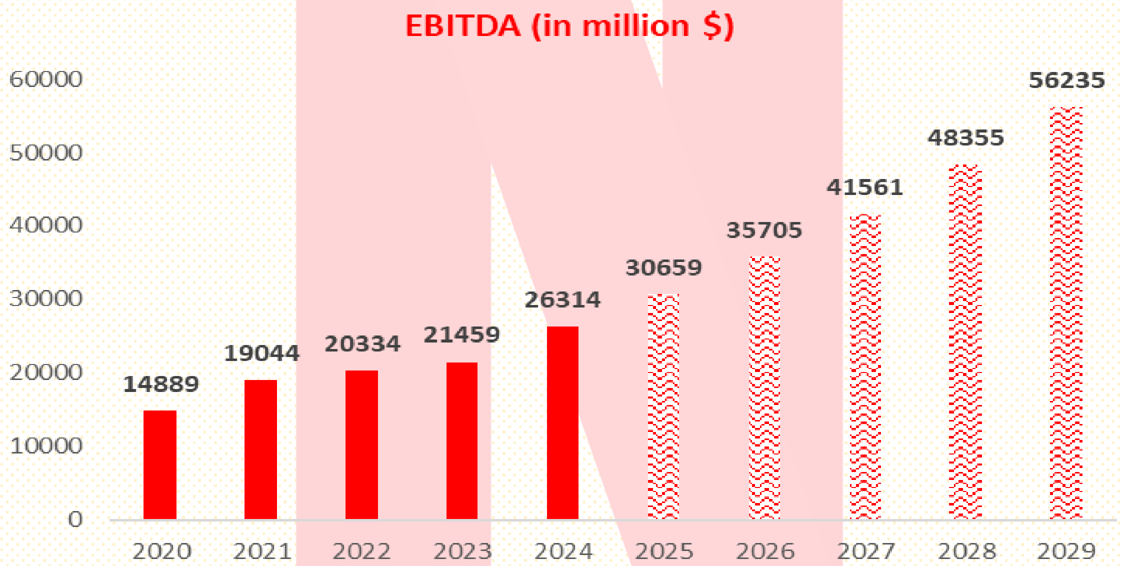
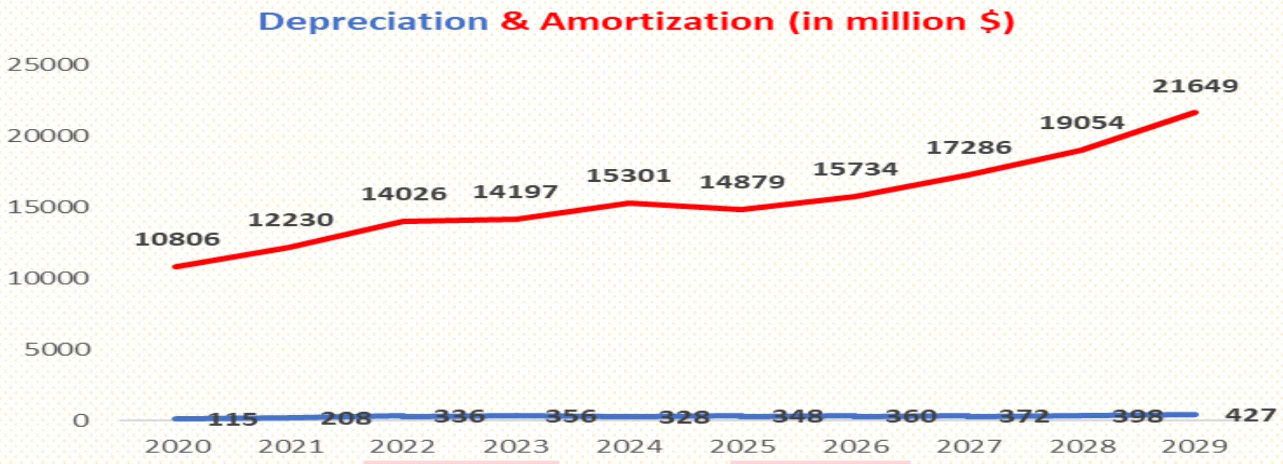


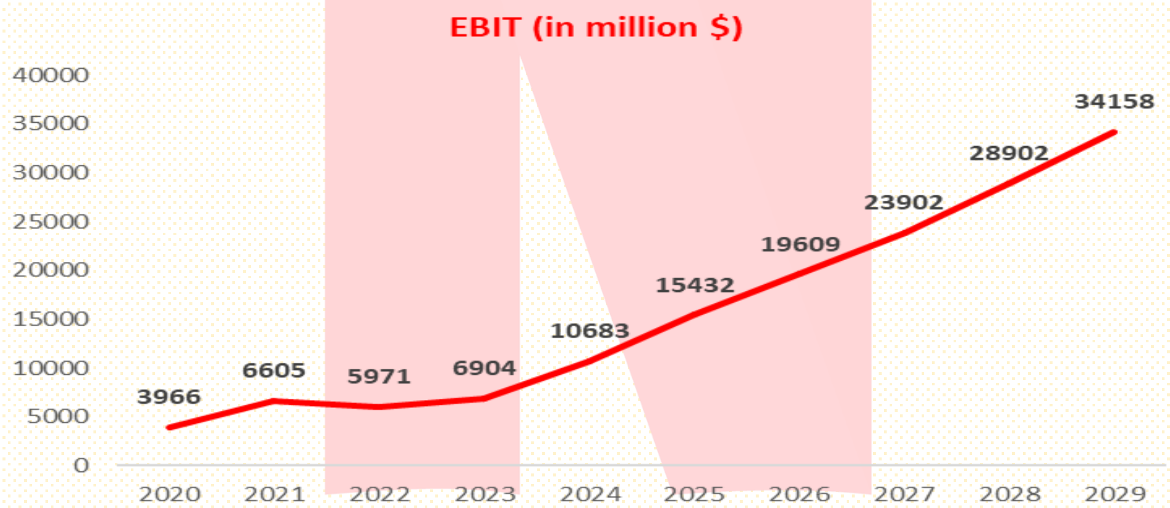
- Operating income is projected to grow significantly over 2025–2029, driven by robust revenue growth and cost discipline
- Operating margin is expected to gradually improve, as revenue grows faster than SG&A and COGS, reflecting economies of scale and operational efficiency.
- Compared to peers in the entertainment industry, Netflix is positioned to maintain superior operating margins, supported by its global subscriber base and scalable digital model.



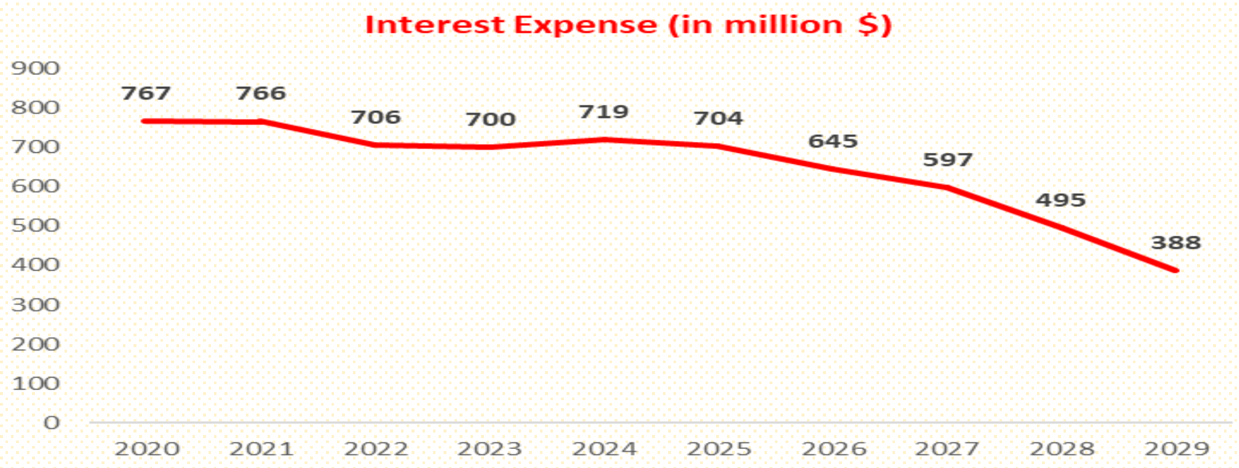
- EBITDA is projected to grow from $26314 million in 2024 to $56235 in 2029.
- This reflects Netflix's improving cost efficiency and scale benefits.
- The sharp rise in EBITDA highlights effective leverage of SG&A and technology costs, while maintaining disciplined COGS growth relative to revenue.
- Rising content creation and licensing costs, especially in competitive markets, could pressure EBITDA margins, slowing profitability improvements.



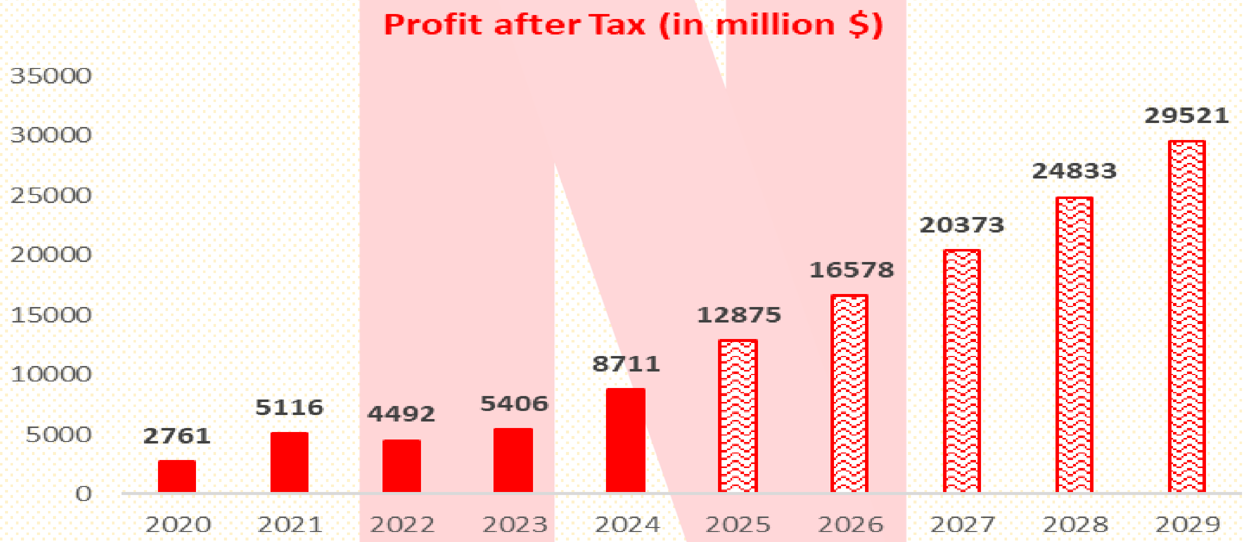
- The bulk of Netflix's D&A expense comes from content amortization, which forms over 98% of total D&A each year.
- For instance, in 2024, amortization was $15,302 million, compared to only $329 million of depreciation.
- Total D&A expenses have grown consistently, from $10,923 million in the first actual year to $15,532 million in the latest actual year.
- With Netflix continuing to ramp up original content production, amortization will remain a substantial expense.



- EBIT has shown significant improvement over the years, rising from $3,966 million in the first actual year to $10,684 million in the latest actual year
- Forecasts suggest EBIT will continue to expand sharply, reaching $34,158 million by the final estimate year.
- Content spending remains a drag on EBIT margins but is offset by strong top-line growth.



- Netflix's interest expense has remained relatively stable over the years, ranging between $706–767 million in the actual periods.
- 2024 year shows $719 million, indicating no major surge in debt-related costs despite the company's large content investments.
- Projections suggest interest expense will gradually decline, from $704 million in 2025 to $389 million in 2029.



- PAT has grown steadily from $2,761 million in the first actual year to $8,711 million in the latest actual year.
- This represents a more than 3x increase over the actual period, reflecting strong operational scalability.
- Projections show PAT expanding sharply, reaching $29,521 million in the final forecast year.
- The rapid PAT growth highlights increasing returns for shareholders, which will likely support higher valuations and strengthen investor confidence.

Balance Sheet

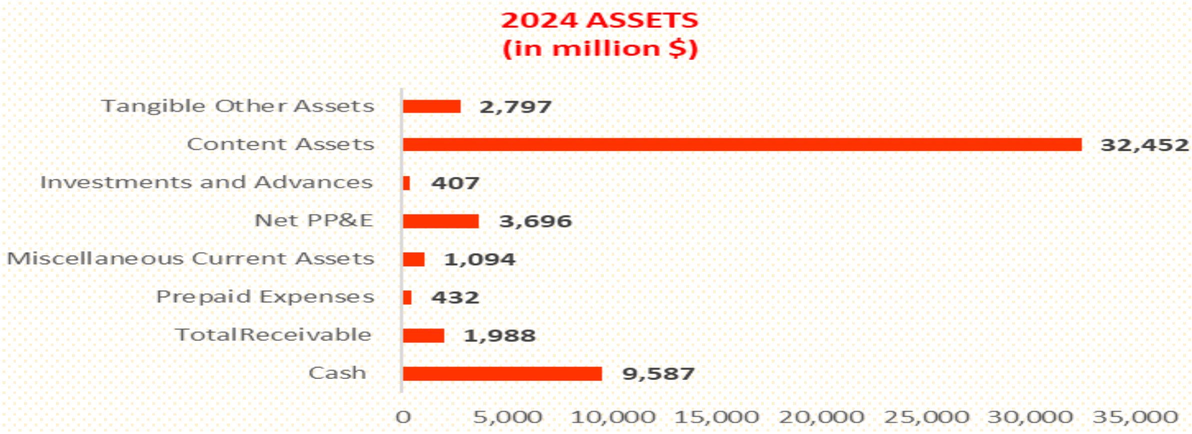
Blue- Historical Figures
Red- Assumed Figures
Black- Calculated Figures

Historical Figures
(Values in Million Dollars)

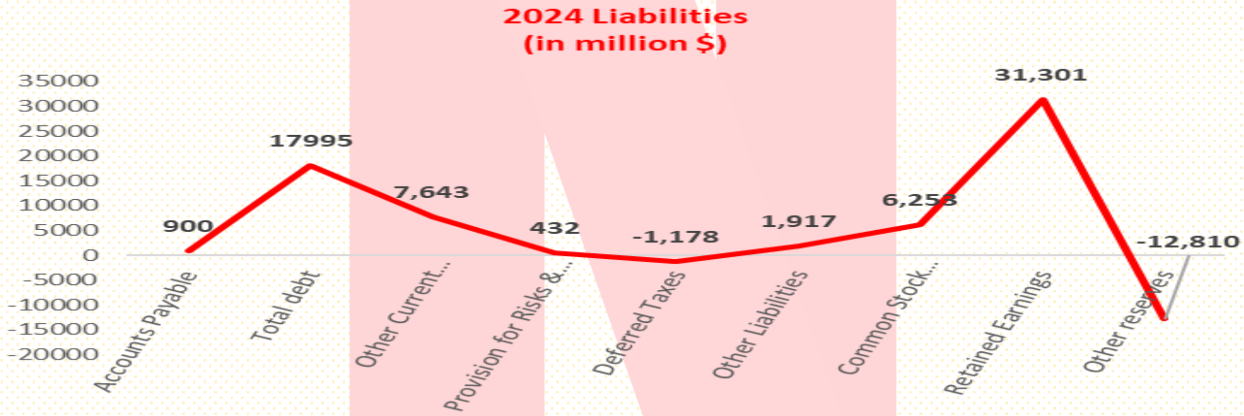
Particulars	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Assets					
Cash & Short Term Investments	8,206	6,028	6,059	7,139	9,587
Total Accounts Receivable	1,353	1,718	989	1,842	1,988
Other Current Assets:					
-Prepaid Expenses	203	324	393	409	432
-Miscellaneous Current Assets	-	-	1,826	528	1,094
Net Property, Plant & Equipment	2,998	3,770	3,625	3,568	3,696
Total Investments and Advances	32	24	20	5	407
Other Assets:					
-Deferred Charges(Content Assets)	25,384	30,920	32,737	31,658	32,452
-Tangible Other Assets	516	1,653	2,685	2,708	2,797
Total Assets	38,692	44,437	48,334	47,857	52,453
Liabilities & Shareholders' Equity					
Accounts Payable	656	837	672	747	900
Total debt	18511	18117	16932	16973	17995
Other Current Liabilities	6,395	6,636	6,903	7,331	7,643
Provision for Risks & Charges	140	203	227	327	432
Deferred Taxes	-589	-148	-262	-875	-1,178
Other Liabilities	2,514	2,942	3,084	2,766	1,917
Common Stock Par/Carry Value	3,448	4,025	4,638	5,145	6,253
Retained Earnings	7,573	12,689	17,181	22,589	31,301
Other reserves	44	-864	-1,041	-7,146	-12,810
Liabilities & Shareholders' Equity	38,692	44,437	48,334	47,857	52,453

Forecasted Figures
(Values in Million Dollars)

Particulars	2025 Est	2026 Est	2027 Est	2028 Est	2029 Est
Assets					
Cash & Short Term Investments	19,703	32,621	47,333	63,205	84,258
Total Accounts Receivable	2,174	2,488	2,956	3,448	3,830
Other Current Assets:					
-Prepaid Expenses	469	525	578	636	701
-Miscellaneous Current Assets	1,094	1,094	1,094	1,094	1,094
Net Property, Plant & Equipment	3,747	3,895	4,128	4,391	4,746
Total Investments and Advances	407	407	407	407	407
Other Assets:					
-Deferred Charges(Content Assets)	33,259	35,608	39,169	44,149	50,206
-Tangible Other Assets	2,797	2,797	2,797	2,797	2,797
Total Assets	63,650	79,436	98,463	1,20,127	1,48,040
Liabilities & Shareholders' Equity					
Accounts Payable	969	1176	1264	1595	1686
Total debt	16248	15248	13814	10314	8614
Other Current Liabilities	7,643	7,643	7,643	7,643	7,643
Provision for Risks & Charges	432	432	432	432	432
Deferred Taxes	-1,178	-1,178	-1,178	-1,178	-1,178
Other Liabilities	1,917	1,917	1,917	1,917	1,917
Common Stock Par/Carry Value	6,253	6,253	6,253	6,253	6,253
Retained Earnings	44,176	60,755	81,128	1,05,961	1,35,482
Other reserves	-12,810	-12,810	-12,810	-12,810	-12,810
Liabilities & Shareholders' Equity	63,650	79,436	98,463	1,20,127	1,48,040



- Netflix holds a strong and growing cash and short-term investment position, which improves its ability to fund operations and future projects.
- Content assets form the largest share of total assets, underlining the company's ongoing focus on creating and acquiring content as the main driver of growth.
- Investment in property, plant, and equipment remains steady, showing continued support for streaming infrastructure and office facilities.
- Accounts receivable and other current assets remain relatively small, reflecting a subscription-based model that generates predictable cash inflows.



- Total debt has been a major source of funding, but projections indicate a gradual reduction, showing the company's focus on lowering leverage.
- Accounts payable and other current liabilities remain modest, suggesting manageable short-term obligations.
- Provision for risks and charges is relatively small, indicating limited exposure to contingent liabilities.
- Overall, Netflix's liability structure shows a shift towards strengthening its financial position by reducing reliance on debt while keeping short-term obligations under control.

Cash Flow Statement

Forecasted Figures
(Values in Million Dollars)

Particulars	2024 Actual	2025 Est	2026 Est	2027 Est	2028 Est	2029 Est
Operating Activities						
Profit after tax		12,875	16,579	20,373	24,833	29,521
Trade Receivables		-186	-314	-468	-492	-383
Accounts Payable		69	207	88	331	91
Depreciation		348	361	373	399	428
Amortization		14879	15735	17287	19054	21650
Prepaid expenses		-37	-57	-53	-58	-65
CFO		27,948	32,511	37,599	44,068	51,242
Investing Activities						
Capex(tangible)		-399	-509	-606	-662	-783
Capex(intangible)		-15687	-18084	-20848	-24034	-27707
CFI		-16,086	-18,593	-21,453	-24,696	-28,490
Financing Activities						
Debt Repayment		-1747	-1000	-1434	-3500	-1700
CFF		-1,747	-1,000	-1,434	-3,500	-1,700
Net change in cash		10,116	12,919	14,712	15,872	21,052
Opening balance		9,587	19,703	32,621	47,333	63,205
Closing balance	9,587	19,703	32,621	47,333	63,205	84,258

- Netflix generates strong and rising cash flow from operations, reflecting healthy profitability and consistent subscription revenue.
- Operating cash flows are projected to grow steadily, providing the company with internal funding capacity.
- Investing activities show continuous cash outflows, primarily due to heavy spending on content production and acquisitions.
- The scale of investment outflows highlights Netflix's commitment to expanding and maintaining its content library.
- Financing cash flows remain negative, suggesting a reduction in reliance on external debt funding and repayments.
- Limited financing outflows also indicate a shift toward funding growth through internal cash generation rather than new borrowings.
- Net change in cash remains positive throughout the forecast, demonstrating the company's ability to grow cash reserves despite high investments.
- The closing cash balance increases significantly over time, strengthening Netflix's liquidity position.

VALUATION

DISCOUNTED CASH FLOW

PEERS	Levered Beta	Debt	% Debt	Equity	% Equity	Tax Rate	Unlevered Beta	Relevered Beta
Disney	1.08	48743	19%	213666	81%	28%	0.93	0.96
Comcast	0.62	99,093	44%	1,25,535	56%	29%	0.40	0.41
Charter	0.70	95,763	73%	36,044	27%	22%	0.23	0.24
Median	0.70	95763	44%	125535	0.56	28%	0.40	0.41
Netflix								
Bottoms up beta								0.41
Regression beta	1.26	17,995	3%	5,15,920	97%	12.58%	1.22	1.26

WACC

Cost of Debt

Particulars	Values
Risk free rate	4.29%
Credit spread	0.95%
Debt borrowing rate	5.24%
Tax	12.58%
Effective rate	4.58%

Cost of Equity

Particulars	Values
Risk free rate	4.29%
Rm-Rf	4.33%
Beta	0.41
Effective rate	6.07%

WACC	6.02%

- The cost of debt was calculated using the company's effective interest expense relative to its outstanding debt. We considered 4.29% US government 10 years bond yield as risk free rate
- Netflix has a credit rating of A3 which brings its credit spread rate to 0.95%
- Netflix being an US company has an equity risk premium of 4.33%
- To estimate Netflix's cost of equity, a bottom-up beta approach was applied.
- Instead of relying solely on Netflix's historical beta, we used comparable companies in the entertainment sector i.e. Disney, Comcast, and Charter Communications to capture industry-level risk.

All figures in million dollars except per share values

FCFF Gordon's Growth Model		
	Terminal Value	7,87,959
	Enterprise value	659853.29
LESS:	Debt	17,995
LESS:	MI	-
ADD:	Investments	407
ADD:	Cash	9,587
	Equity Value	651852.29
	No.Of Shares	439
	Intrinsic Value	1484.86
	CMP	1202.26
		as on 16/09/25
	Recommendation	Buy
	Valuation	Undervalued

	2025	2026	2027	2028	2029
EBIT	15,432	19,610	23,902	28,902	34,158
Less: Taxes	1,941	2,467	3,007	3,636	4,297
NOPAT	13,491	17,143	20,895	25,267	29,861
Add: Depreciation	348	361	373	399	428
Add:Amortization	14,879	15,735	17,287	19,054	21,650
Less:NWC	-154	-163	-433	-218	-357
Less:Capex	-16,086	-18,593	-21,453	-24,696	-28,490
FCFF	12,479	14,482	16,668	19,805	23,092
					7,87,959
Total FCFF	12,479	14,482	16,668	19,805	8,11,051

- The terminal value was derived using the Gordon Growth Model, applying a 3% long-term growth rate to reflect sustainable growth in line with global economic expectations.
- Based on this, the intrinsic value of Netflix was estimated at 1,484.86, which represents the fair value per share.
- In comparison, the current market price (CMP) stands at 1,202.26 as of 16th September 2025.
- Since the intrinsic value is higher than the CMP, the stock appears undervalued at current levels.
- This valuation gap suggests upside potential for investors if market prices converge toward fair value.

All figures in million dollars except per share values

FCFF EXIT MULTIPLE		
	EV/EBITDA	19.61
	EV	11,02,783
	Enterprise value	894902.73
LESS:	Debt	17,995
LESS:	MI	-
ADD:	Investments	407
ADD:	Cash	9,587
	Equity Value	886901.73
	No.Of Shares	439
	Intrinsic Value	2020.28
	CMP	1202.26
		as on 16/09/25
	Recommendation	Buy
	Valuation	Undervalued

	2025	2026	2027	2028	2029
EBIT	15,432	19,610	23,902	28,902	34,158
Less: Taxes	1,941	2,467	3,007	3,636	4,297
NOPAT	13,491	17,143	20,895	25,267	29,861
Add: Depreciation	348	361	373	399	428
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Less:NWC	-154	-163	-433	-218	-357
Less:Capex	-16,086	-18,593	-21,453	-24,696	-28,490
FCFF	12,479	14,482	16,668	19,805	23,092
					11,02,783
Total FCFF	12,479	14,482	16,668	19,805	11,25,876

- The terminal value was estimated using the Exit Multiple method, applying a valuation multiple consistent with peers in the media and entertainment industry.
- Based on this approach, the intrinsic value of Netflix was calculated at 2,020.28 per share.
- The current market price stands at 1,202.26 as of 16th September 2025.
- The significant difference between intrinsic value and CMP highlights that Netflix is trading at a discount to its fair value.
- This valuation implies strong upside potential if the market adjusts closer to intrinsic levels.

All figures in million dollars except per share values

FCFE Gordon's Growth Model	
Terminal Value	7,76,363
Equity Value	649078.30
No.Of Shares	439
Intrinsic Value	1478.54
CMP	1202.26
	as on 16/09/25
Recommendation	Buy
Valuation	Undervalued

	2025	2026	2027	2028	2029
EBIT	15,432	19,610	23,902	28,902	34,158
Less: Taxes	1,941	2,467	3,007	3,636	4,297
NOPAT	13,491	17,143	20,895	25,267	29,861
Add: Depreciation	348	361	373	399	428
Add:Amortization	14,879	15,735	17,287	19,054	21,650
Less:NWC	-154	-163	-433	-218	-357
Less:Capex	-16,086	-18,593	-21,453	-24,696	-28,490
FCFF	12,479	14,482	16,668	19,805	23,092
LESS:Interest	616	564	522	433	340
FCFE	11,863	13,919	16,146	19,372	22,752
					7,76,363
Total FCFE	11,863	13,919	16,146	19,372	7,99,115

- The FCFE model focuses directly on cash flows available to equity shareholders after accounting for debt obligations.
- Using the Gordon Growth framework, the equity value per share was derived at 1,478.54, indicating the fair value of Netflix's stock.
- The gap between the estimated value and market price suggests that the market may be undervaluing Netflix's future equity returns.

FCFE EXIT MULTIPLE	
EV/EBITDA	19.61
EV	11,02,783
Equity Value	892785.26
No.Of Shares	439
Intrinsic Value	2033.68
CMP	1202.26
	as on 16/09/25
Recommendation	Buy
Valuation	Undervalued

	2025	2026	2027	2028	2029
EBIT	15,432	19,610	23,902	28,902	34,158
Less: Taxes	1,941	2,467	3,007	3,636	4,297
NOPAT	13,491	17,143	20,895	25,267	29,861
Add: Depreciation	348	361	373	399	428
ADD:Amortization	14,879	15,735	17,287	19,054	21,650
Less:NWC	-154	-163	-433	-218	-357
Less:Capex	-16,086	-18,593	-21,453	-24,696	-28,490
FCFF	12,479	14,482	16,668	19,805	23,092
LESS:Interest	616	564	522	433	340
FCFE	11,863	13,919	16,146	19,372	22,752
					11,02,783
Total FCFF	11,863	13,919	16,146	19,372	11,25,536

- The terminal value was estimated at 11,02,783 using the Exit Multiple method, applying an EV/EBIT multiple of 19.61, consistent with Netflix's industry peers.
- The high intrinsic value reflects Netflix's strong future cash flow potential, driven by its global scale, growing subscriber base, and ability to monetize content across markets.

EXIT MULTIPLE INTRINSIC VALUES

- The Exit Multiple method tends to produce higher valuations as it captures both growth prospects and market-driven multiples, which are often more optimistic than conservative Gordon Growth assumptions.
- The wide difference between intrinsic value and CMP indicates material upside potential, leading to a “Buy” recommendation for long-term investors.
- The chosen EV/EBIT multiple of 19.61 reflects industry expectations of strong profitability and aligns with how the market currently values streaming peers.
- Netflix’s high valuation under exit multiples suggests that the market has not yet fully priced in its long-term cash flow strength, creating an undervaluation opportunity.

SENSITIVITY ANALYSIS

FCFF Gordon's Growth Model

		WACC						
	1484.86	8%	9%	10%	11%	12%	13%	14%
LTGR	1%	652.02	562.71	493.42	438.14	393.05	355.60	324.01
	2%	744.08	629.25	543.32	476.65	423.45	380.04	343.97
	3%	872.96	717.98	607.48	524.77	460.59	409.37	367.57
	4%	1066.28	842.19	693.02	586.65	507.02	445.21	395.88
	5%	1388.48	1028.51	812.78	669.15	566.71	490.02	430.48
	6%	2032.88	1339.05	992.42	784.65	646.31	547.63	473.74
	7%	3966.09	1960.13	1291.82	957.90	757.74	624.45	529.36

FCFF EXIT MULTIPLE

		WACC						
	2020.28	5%	6%	7%	8%	9%	10%	11%
EV/EBITDA	15	1655.44	1580.73	1510.07	1443.22	1379.93	1319.98	1263.17
	16	1755.81	1676.45	1601.4	1530.4	1463.18	1399.52	1339.19
	17	1856.18	1772.17	1692.74	1617.58	1546.44	1479.06	1415.21
	18	1956.55	1867.9	1784.07	1704.76	1629.69	1558.6	1491.23
	19	2056.92	1963.62	1875.4	1791.95	1712.95	1638.14	1567.25
	20	2157.29	2059.34	1966.74	1879.13	1796.21	1717.68	1643.27
	21	2257.66	2155.07	2058.07	1966.31	1879.46	1797.22	1719.3

COMPANY COMPARABLES

PEERS	Reason	Market Cap
The Walt Disney Company	A global leader Direct competitor Direct to consumer streaming	$208.5 billion
Comcast Corporation	Diversified Media Revenue diversification Original and Licensed content	$120.4 billion
Warner Bros Discovery	Operates Max, a Netflix competitor Content depth Useful for comapring content spend	$48.2 billion
Charter Communications	Partnerships in streaming distribution Focus on consumer entertainment Good peer to analyze bundling strategy	$40 billion

PEERS	P/E	EV/EBITDA
Disney	18.45	13.77
Comcast	5.64	4.58
Warner Bros	38.84	2.59
Charter	7.49	6.20

EV/EBITDA	
3rd quartile	8.09
NFLX EBITDA	26314
EV of NFLX	212946.05
LESS:Debt	17995
LESS:MI	-
ADD:Investments	407
ADD:Cash	9587
Equity Value	204945.045
No.of shares	439
CMP should be	466.85
Actual CMP	1202.26
Valuation	Overvalued
Recommendation	Sell

P/E	
3rd quartile	23.55
EPS	23.51
CMP should be	553.60
Actual CMP	1202.26
Valuation	Overvalued
Recommendation	Sell

3rd Quartile

- The reason I have chosen 3rd Quartile for relative valuation of Netflix is because of the fact that Netflix is already at the top among its peers in terms of market cap.
- Given its scale, subscriber base, and consistent profitability compared to peers, Netflix is reasonably expected to trade toward the higher end of the peer multiple range

P/E & EV/EBITDA

- EV/EBITDA gives a fair operating comparison across peers with different debt levels
- P/E highlights shareholder-level profitability and market perception of growth. Together, they provide a balanced valuation view.

DUPONT ANALYSIS

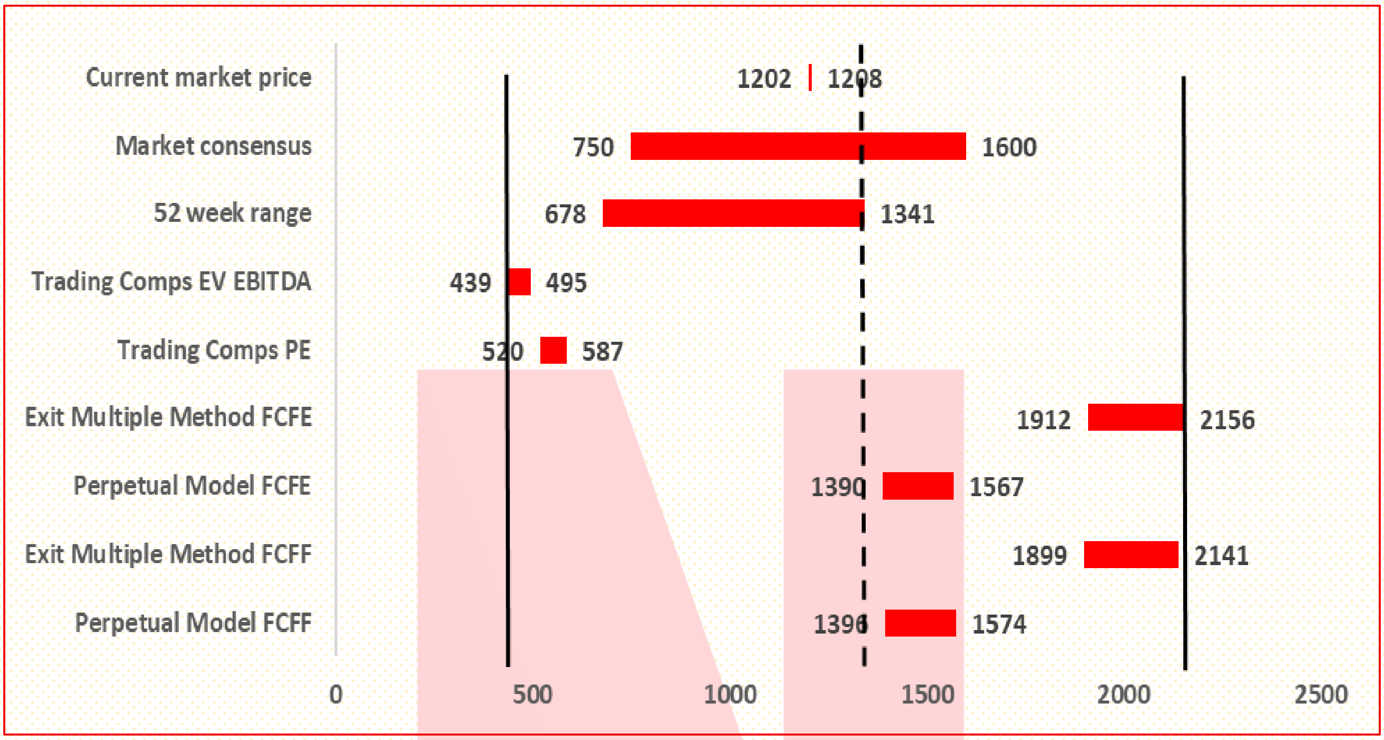
Return on Equity	2020	2021	2022	2023	2024
Net profit	2,761	5,116	4,492	5,407	8,711
Avg Shareholders equity	9,328	13,462	18,315	20,685	22,665
Return on equity	29.60%	38.01%	24.53%	26.14%	38.43%

ROE-Dupont Equation					
Net profit	2,761	5,116	4,492	5,407	8,711
Revenue	24,996	29,698	31,616	33,723	38,877
Net profit margin(A)	11.05%	17.23%	14.21%	16.03%	22.41%
Revenue	24,996	29,698	31,616	33,723	38,877
Average total asset	36,334	41,565	46,386	48,096	50,155
Asset turnover ratio(B)	0.7x	0.7x	0.7x	0.7x	0.8x
Average total asset	36,334	41,565	46,386	48,096	50,155
Avg Shareholders equity	9,328	13,462	18,315	20,685	22,665
Financial leverage(C)	4x	3x	3x	2x	2x
Return on equity(A*B*C)	29.60%	38.01%	24.53%	26.14%	38.43%

Return on Assets					
Net profit	2,761	5,116	4,492	5,407	8,711
Average total asset	36,334	41,565	46,386	48,096	50,155
Return on assets	7.60%	12.31%	9.68%	11.24%	17.37%

ROA-Dupont Equation					
Net profit	2,761	5,116	4,492	5,407	8,711
Revenue	24,996	29,698	31,616	33,723	38,877
Net profit margin(A)	11.05%	17.23%	14.21%	16.03%	22.41%
Revenue	24,996	29,698	31,616	33,723	38,877
Average total asset	36,334	41,565	46,386	48,096	50,155
Asset turnover ratio(B)	0.7x	0.7x	0.7x	0.7x	0.8x
Return on Assets(A*B)	7.60%	12.31%	9.68%	11.24%	17.37%

FOOTBALL FIELD ANALYSIS



- The current market price of Netflix shares is around $1,202–1,208, which lies above both the trading comparables valuation ranges but below the intrinsic value estimates from DCF models.
- The DCF-based approaches (FCFE and FCFF models) indicate a much higher intrinsic value, ranging from $1,390 to $2,156, suggesting strong long-term growth potential not fully captured by market multiples.
- Within DCF models, the perpetual growth method provides a conservative estimate ($1,390–$1,574), while the exit multiple method yields higher valuations ($1,899–$2,156).
- The broad difference between trading comps and DCF valuations highlights the market's premium pricing of Netflix's future growth and cash flow generation capability.
- Overall, the football field analysis indicates that Netflix is trading closer to the upper end of its short-term market-driven valuation, but below its long-term fundamental value as suggested by cash flow models.

TECHNICAL ANALYSIS

The technical analysis of Netflix was done using the range of **1 year daily** stock movement data.

According to the **Daily Moving Average (200)** over the past year, the stock appears to be overvalued.

SUMMARY AND RECOMMENDATION

Summary

Netflix is currently the market leader in the entertainment industry with a market capitalisation of $512B. The company has evolved from its original DVD-by-mail model into a global streaming powerhouse serving over 300 million subscribers across 190+ countries. The company has managed to remain profitable over the years with a growing revenue and profit every year. Netflix has maintained favourable amount of cash flows with its major investment being done in licensing and content purchasing.

Challenges

The streaming landscape has become increasingly fragmented with well-funded competitors including Disney+, Amazon Prime Video, and emerging regional platforms. Growth declining in mature markets like North America and Western Europe requires Netflix to rely increasingly on emerging market expansion.

Password sharing crackdowns, while boosting paying subscriber counts, risk isolating users. Additionally, content regulation and local production requirements in various markets create operational complexity and cost pressures.

Content cost inflation and talent bidding wars present ongoing margin pressures.

DCF Valuation Analysis

The report shows multiple valuation approaches with consistent undervaluation conclusions:

Market price as on 16/09/2025 : $1202.26

DCF FCFF & FCFE Gordon's Growth: $1484.86 & $1478.54

DCF FCFF & FCFE Exit Multiple : $2020.28 & $2033.68

The WACC calculation of **6.07%** incorporates a bottom-up beta approach using entertainment sector peers like Disney, Comcast, Charter Communications, yielding a conservative beta of **0.41**. This method provides more strong risk assessment than relying solely on Netflix's historical beta.

Comparative Comparables Analysis

The relative valuation analysis using peer multiples presents a contrasting perspective. When applying third-quartile multiples from entertainment peers, Netflix appears overvalued on traditional metrics:

P/E multiple suggests fair value of $553.60

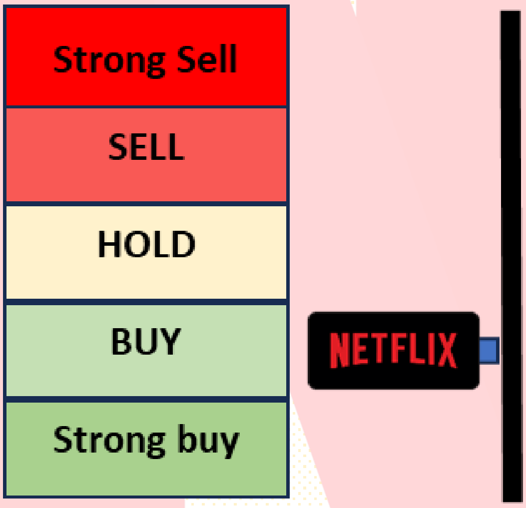
EV/EBITDA multiple indicates fair value of $466.85

However, this apparent disconnect reflects Netflix's superior market position, growth trajectory, and cash flow generation capability compared to traditional media companies struggling with streaming transitions.

Recommendation

On the basis of DCF analysis across multiple methodologies, Netflix presents compelling value at current levels. After thorough research and analysis, it can be said that Netflix provides a high confidence in the investment thesis therefore making Netflix stock to be recommended as a **Buy**.

The investment case relies on Netflix's ability to maintain revenue growth momentum, continue margin expansion through operational leverage, and successfully monetize new initiatives including advertising and gaming platforms.



Conclusion

This equity research analysis demonstrates Netflix's transformation into a mature, cash-generating entertainment platform with competitive advantages. While traditional valuation multiples suggest premium pricing, the company's superior cash flow generation, global market position, and diversification opportunities justify higher valuations.

The significant discount to intrinsic value across multiple DCF approaches presents an attractive risk adjusted return opportunity for long-term investors.

ABOUT THE ANALYST

I’m Kaushik Kotian, a B.COM graduate with a strong foundation of accounting principles and statistics. I’m currently pursuing a Post Graduate Financial Analysis Programme at Imarticus Learning where I’m upskilling myself with practical and technical skills like financial modelling, valuations and microsoft excel. As an aspiring financial analyst, I’m excited to apply my skills and knowledge into real world business to grow personally and professionally. Thank You.