

1. Company Identification & Context

- **Company:** Netflix, Inc. (NFLX)
- **Sector:** Communication Services | **Industry:** Entertainment
- **Reporting Currency:** USD
- **Website:** <https://www.netflix.com>
- **Location:** Los Gatos, CA, United States

Short Operational Summary:

→ Netflix, Inc. provides entertainment services. The company offers television (TV) series, documentaries, feature films, and games across various genres and languages. It also provides members the ability to receive streaming content through a host of internet-connected devices, including TVs, digital video players, TV set-top boxes, and mobile devices. The company operates approximately in 190 countries. Netflix, Inc. was incorporated in 1997 and is headquartered in Los Gatos, California.

2. Consolidated Quantitative Overview

2.1 Balance Sheet

Metric	Value
Total Assets	53630374000.0 USD
Total Liabilities	28886807000.0 USD
Shareholder Equity	24743567000.0 USD
Current Assets	13100379000.0 USD
Current Liabilities	10755400000.0 USD

2.2 Income Statement & Cash Flow

Total Revenue	Net Income	Operating Cash Flow (OCF)
39000966000.0	8711631000.0	7361364000.0

2.3 Market & Valuation Metrics

Market Cap	Enterprise Value	Trailing P/E	Forward P/E	Dividend Yield	Beta	52W High	52W Low
440512118784	471110451200	43.5	4.37	N/A	1.7	134.115	82.11

3. Key Risk Indicators (decision drivers)

3.1 Leverage & Capital Structure

Ratio	Value
Debt-to-Equity	1.17
Assets-to-Equity (Leverage)	2.17
Equity Ratio (Equity/Assets)	46.14%

Ratio	Value
Liabilities Ratio (Liabilities/Assets)	53.86%

Technical Commentary: Assess leverage level and capital structure resiliency for receivables exposure. The Debt-to-Equity ratio of 1.17 is moderate, suggesting the capital structure relies significantly on debt funding, though it is not aggressively leveraged. Crucially, the Equity Ratio of 46.14% confirms a substantial equity base, providing a robust inherent buffer against potential asset devaluation or unexpected credit losses. The overall leverage level (2.17x Assets/Equity) is considered manageable and structurally resilient for a company of this scale, minimizing long-term solvency risk to receivables exposure.

3.2 Profitability

Net Margin	ROA	ROE
22.34%	16.24%	35.21%

Technical Commentary: Evaluate earning performance, ability to absorb credit losses, and operational sustainability. Profitability metrics are exceptionally strong. A Net Margin of 22.34% indicates high pricing power and highly efficient operations, translating directly to substantial financial capacity to absorb potential credit losses or dilution events stemming from receivables. Both Return on Assets (16.24%) and Return on Equity (35.21%) confirm superior efficiency in asset utilization and shareholder value creation, underscoring the operational sustainability required for consistent receivables performance.

3.3 Cash Generation & Debt Coverage

OCF Margin	OCF-to-Liabilities
18.87%	0.25

Technical Commentary: Assess recurring cash generation and capacity to honor obligations and receivables programs. The company exhibits strong recurring cash generation, evidenced by an 18.87% Operating Cash Flow (OCF) Margin, implying robust internal liquidity. The OCF-to-Liabilities ratio of 0.25 indicates that annual operating cash flow covers 25% of total outstanding liabilities. This high coverage ratio reinforces the company's capacity for timely debt service and ensures strong operational continuity, minimizing default risk associated with short-term obligations necessary to support receivables programs.

4. Operational & Contextual Risk Assessment

- **Sector/regulation/market cyclicity risks:** The streaming sector is highly competitive and capital-intensive (content investment). Global operation (190 countries) exposes the company to varying regulatory frameworks and foreign exchange volatility. However, the core service is subscription-based, offering low cyclicity relative to industrial sectors. This model generally results in predictable, high-quality, recurring revenues, reducing concentration risk often associated with large B2B receivables.
- **Business model vulnerabilities:** The primary vulnerability is the necessity for continuous, expensive content creation to combat high customer churn. A failure in content strategy could rapidly erode the subscriber base and, consequently, future revenue predictability. For receivables specifically, a sudden drop in subscriber

count could lead to dilution or increased bad debt write-offs, although this risk is mitigated by the global scale and revenue diversification.

- **Operational or competitive red flags identified:** The Beta of 1.7 suggests the stock is highly sensitive to market-wide volatility, indicative of a high growth/high expectation environment. While not a direct credit risk driver, it signals investor perception of operational uncertainty. No immediate operational red flags regarding collections or financial stability are apparent from the quantitative data.

5. Data Quality & Reliability Assessment

Data Reliability Score: 100.0%

Missing Metrics: None

Explain: The assessment relies on a comprehensive set of recent consolidated financial statements (Balance Sheet, Income Statement, Cash Flow) and derived key performance indicators (KPIs). The complete availability of essential metrics allows for a high degree of confidence in the analysis of capital structure, profitability, and cash flow coverage. No critical gaps were identified that would weaken the conclusion or necessitate an Inconclusive classification.

6. Final Credit Risk Conclusion

Global Score (1-5): 5 (Excellent quantitative stability, superior profitability, and strong debt coverage.) **Risk Rating:** Low

Executive Summary (1 paragraph):

The quantitative analysis reveals Netflix, Inc. maintains an extremely favorable credit profile defined by superior profitability (22.34% Net Margin, 35.21% ROE), strong cash conversion, and a resilient, moderately leveraged capital structure (46.14% Equity Ratio). The combined strength of recurring cash generation and operational efficiency indicates a high capacity to meet financial obligations and absorb potential volatility, supporting a classification of Low credit risk for receivables-backed transactions.

Key Quantitative Drivers (3-5 bullet points):

- **Superior Profitability:** Net Margin of 22.34% ensures a substantial internal capacity to manage operational stress and credit losses.
- **Exceptional Capital Resilience:** Equity Ratio of 46.14% provides a robust structural cushion against market shocks.
- **Strong Cash Coverage:** Operating Cash Flow (OCF) covers 25% of total liabilities annually (OCF-to-Liabilities: 0.25).
- **High Return Efficiency:** Return on Equity (ROE) of 35.21% demonstrates highly effective utilization of shareholder capital.

Supporting Qualitative Factors (2-3 bullet points):

- Large, globally diversified customer base minimizes concentration risk inherent in the receivables portfolio.
- Subscription-based revenue model provides high revenue predictability and stability.

Mandatory closing statement: > Overall, the company presents **Low** credit risk for receivables-backed transactions.