

NETFLIX, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year ended December 31,		
	2019	2018	2017
Revenues	\$ 20,156,447	\$ 15,794,341	\$ 11,692,713
Cost of revenues	12,440,213	9,967,538	8,033,000
Marketing	2,652,462	2,369,469	1,436,281
Technology and development	1,545,149	1,221,814	953,710
General and administrative	914,369	630,294	431,043
Operating income	2,604,254	1,605,226	838,679
Other income (expense):			
Interest expense	(626,023)	(420,493)	(238,204)
Interest and other income (expense)	84,000	41,725	(115,154)
Income before income taxes	2,062,231	1,226,458	485,321
Provision for (benefit from) income taxes	195,315	15,216	(73,608)
Net income	\$ 1,866,916	\$ 1,211,242	\$ 558,929
Earnings per share:			
Basic	\$ 4.26	\$ 2.78	\$ 1.29
Diluted	\$ 4.13	\$ 2.68	\$ 1.25
Weighted-average common shares outstanding:			
Basic	437,799	435,374	431,885
Diluted	451,765	451,244	446,814

See accompanying notes to consolidated financial statements.

NETFLIX, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2019	2018	2017
Cash flows from operating activities:			
Net income	\$ 1,866,916	\$ 1,211,242	\$ 558,929
Adjustments to reconcile net income to net cash used in operating activities:			
Additions to streaming content assets	(13,916,683)	(13,043,437)	(9,805,763)
Change in streaming content liabilities	(694,011)	999,880	900,006
Amortization of streaming content assets	9,216,247	7,532,088	6,197,817
Depreciation and amortization of property, equipment and intangibles	103,579	83,157	71,911
Stock-based compensation expense	405,376	320,657	182,209
Other non-cash items	228,230	81,640	117,864
Foreign currency remeasurement loss (gain) on long-term debt	(45,576)	(73,953)	140,790
Deferred taxes	(94,443)	(85,520)	(208,688)
Changes in operating assets and liabilities:			
Other current assets	(252,113)	(200,192)	(234,090)
Accounts payable	96,063	199,198	74,559
Accrued expenses and other liabilities	157,778	150,422	114,337
Deferred revenue	163,846	142,277	177,974
Other non-current assets and liabilities	(122,531)	2,062	(73,803)
Net cash used in operating activities	(2,887,322)	(2,680,479)	(1,785,948)
Cash flows from investing activities:			
Purchases of property and equipment	(253,035)	(173,946)	(173,302)
Change in other assets	(134,029)	(165,174)	(60,409)
Purchases of short-term investments	—	—	(74,819)
Proceeds from sale of short-term investments	—	—	320,154
Proceeds from maturities of short-term investments	—	—	22,705
Net cash provided by (used in) investing activities	(387,064)	(339,120)	34,329
Cash flows from financing activities:			
Proceeds from issuance of debt	4,469,306	3,961,852	3,020,510
Debt issuance costs	(36,134)	(35,871)	(32,153)
Proceeds from issuance of common stock	72,490	124,502	88,378
Other financing activities	—	(1,956)	255
Net cash provided by financing activities	4,505,662	4,048,527	3,076,990
Effect of exchange rate changes on cash, cash equivalents and restricted cash	469	(39,682)	29,848
Net increase in cash, cash equivalents and restricted cash	1,231,745	989,246	1,355,219
Cash, cash equivalents and restricted cash, beginning of year	3,812,041	2,822,795	1,467,576
Cash, cash equivalents and restricted cash, end of year	\$ 5,043,786	\$ 3,812,041	\$ 2,822,795
Supplemental disclosure:			
Income taxes paid	\$ 400,658	\$ 131,069	\$ 113,591
Interest paid	599,132	375,831	213,313

See accompanying notes to consolidated financial statements.

NETFLIX, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	As of December 31,	
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,018,437	\$ 3,794,483
Current content assets, net	—	5,151,186
Other current assets	1,160,067	748,466
Total current assets	6,178,504	9,694,135
Non-current content assets, net	24,504,567	14,951,141
Property and equipment, net	565,221	418,281
Other non-current assets	2,727,420	910,843
Total assets	<u>\$ 33,975,712</u>	<u>\$ 25,974,400</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Current content liabilities	\$ 4,413,561	\$ 4,681,562
Accounts payable	674,347	562,985
Accrued expenses and other liabilities	843,043	481,874
Deferred revenue	924,745	760,899
Total current liabilities	6,855,696	6,487,320
Non-current content liabilities	3,334,323	3,759,026
Long-term debt	14,759,260	10,360,058
Other non-current liabilities	1,444,276	129,231
Total liabilities	26,393,555	20,735,635
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized at December 31, 2019 and 2018; no shares issued and outstanding at December 31, 2019 and 2018	—	—
Common stock, \$0.001 par value; 4,990,000,000 shares authorized at December 31, 2019 and December 31, 2018, respectively; 438,806,649 and 436,598,597 issued and outstanding at December 31, 2019 and December 31, 2018, respectively	2,793,929	2,315,988
Accumulated other comprehensive loss	(23,521)	(19,582)
Retained earnings	4,811,749	2,942,359
Total stockholders' equity	7,582,157	5,238,765
Total liabilities and stockholders' equity	<u>\$ 33,975,712</u>	<u>\$ 25,974,400</u>

See accompanying notes to consolidated financial statements.