



# NETFLIX

NASDAQ: NFLX  
Netflix, Inc.

# Fundamental Analysis





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# Introduction

GICS Sector: Communication Services

Sub-Industry: Entertainment



CEO: Ted Sarandos

Tenure: 3.1 years

Netflix, Inc.'s management team has an average tenure of **4.3 years**. It is considered experienced.

Source of revenue:

- Netflix, Inc. provides entertainment services. It offers TV series, documentaries, feature films, and mobile games across various genres and languages.
- The company provides members the ability to receive streaming content through a host of internet-connected devices, including TVs, digital video players, television set-top boxes, and mobile devices.
- Operating as a singular operating segment, the company derives its primary revenue stream from the monthly membership fees for services related to streaming content to our members.
- Visit my website to learn more.



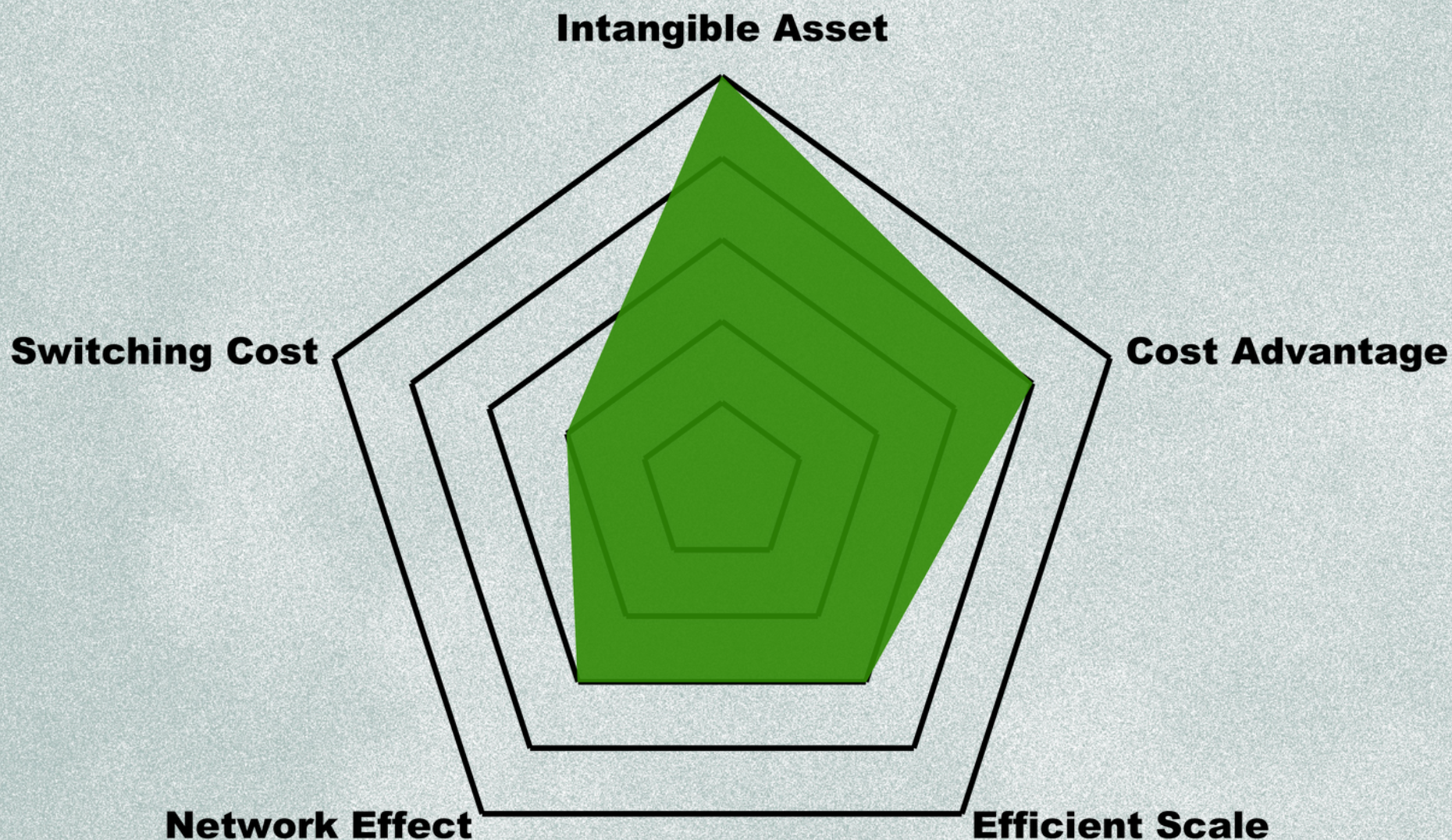
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# Economic Moat



Economic moat: **Narrow**

There are many ways to identify a company's economic moat, but I focus on the above 5 types. The rating is purely subjective, and it is based on my in-depth understanding and analysis of the company.



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# Performance

	Yes	Inconsistent	No
Revenue growing YoY for the past 5 years consistently?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Net income growing YoY for the past 5 years consistently?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Cash flow from operating activities growing YoY for the past 5 years consistently?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Free cash flow is positive for the past 5 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Gross margin % is consistent/growing for the past 5 years?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
EPS growing for the past 5 years?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>





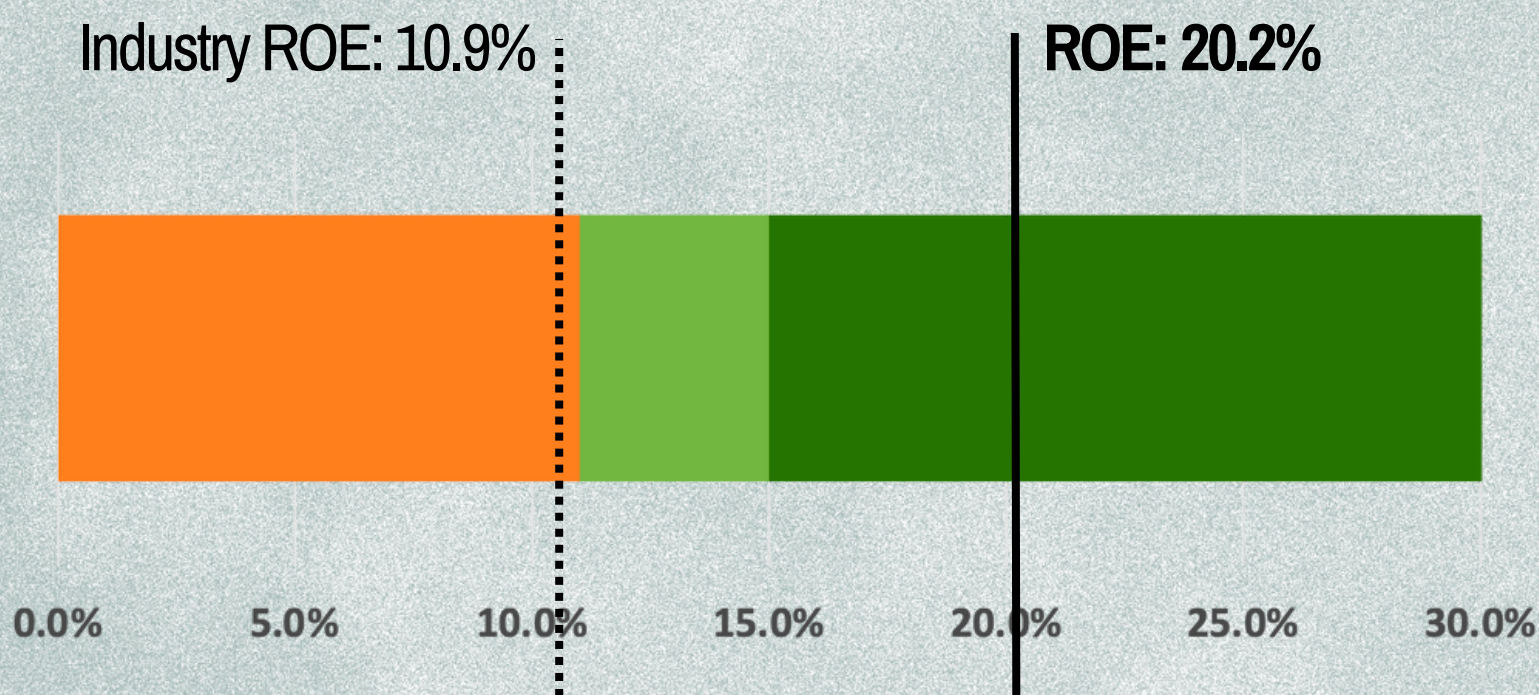
# Management Effectiveness

Yes

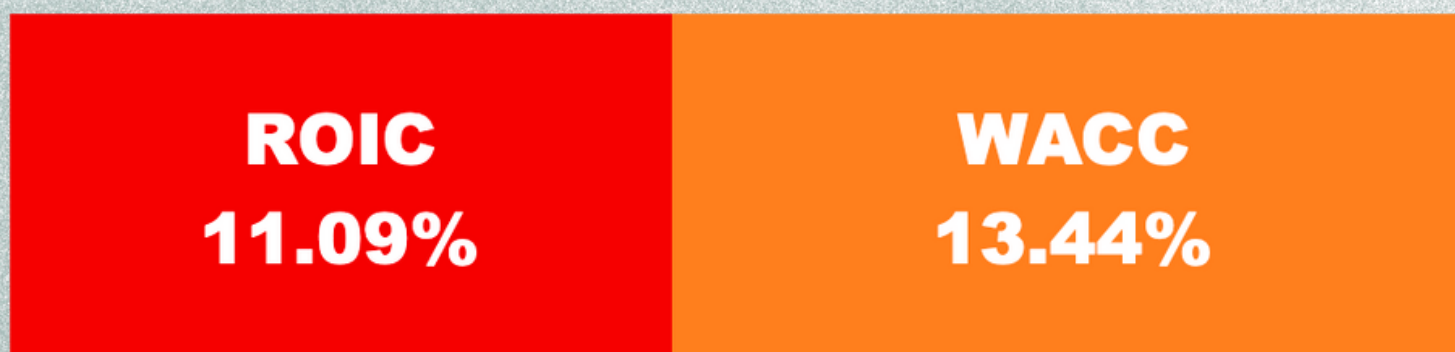
Inconsistent

No

ROE is consistently at 12%-15% YoY for the past 5 years?



ROIC is consistently at 12%-15% YoY for the past 5 years?



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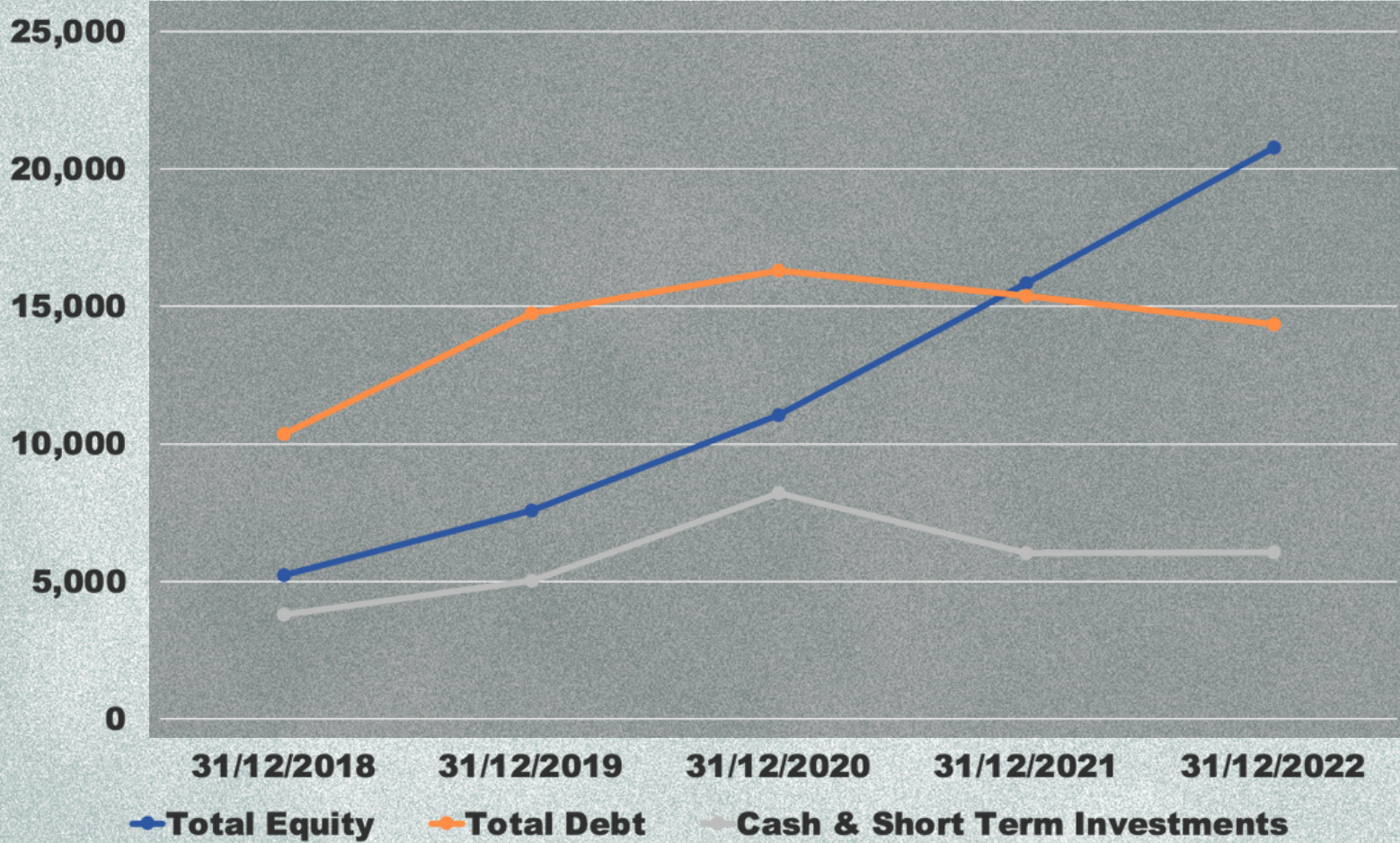
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# Financial Health

USD Millions



Current Ratio: 1.3



Debt-to-EBITDA: 0.8



Interest Coverage: 7.4



Debt Servicing Ratio: 34.8%



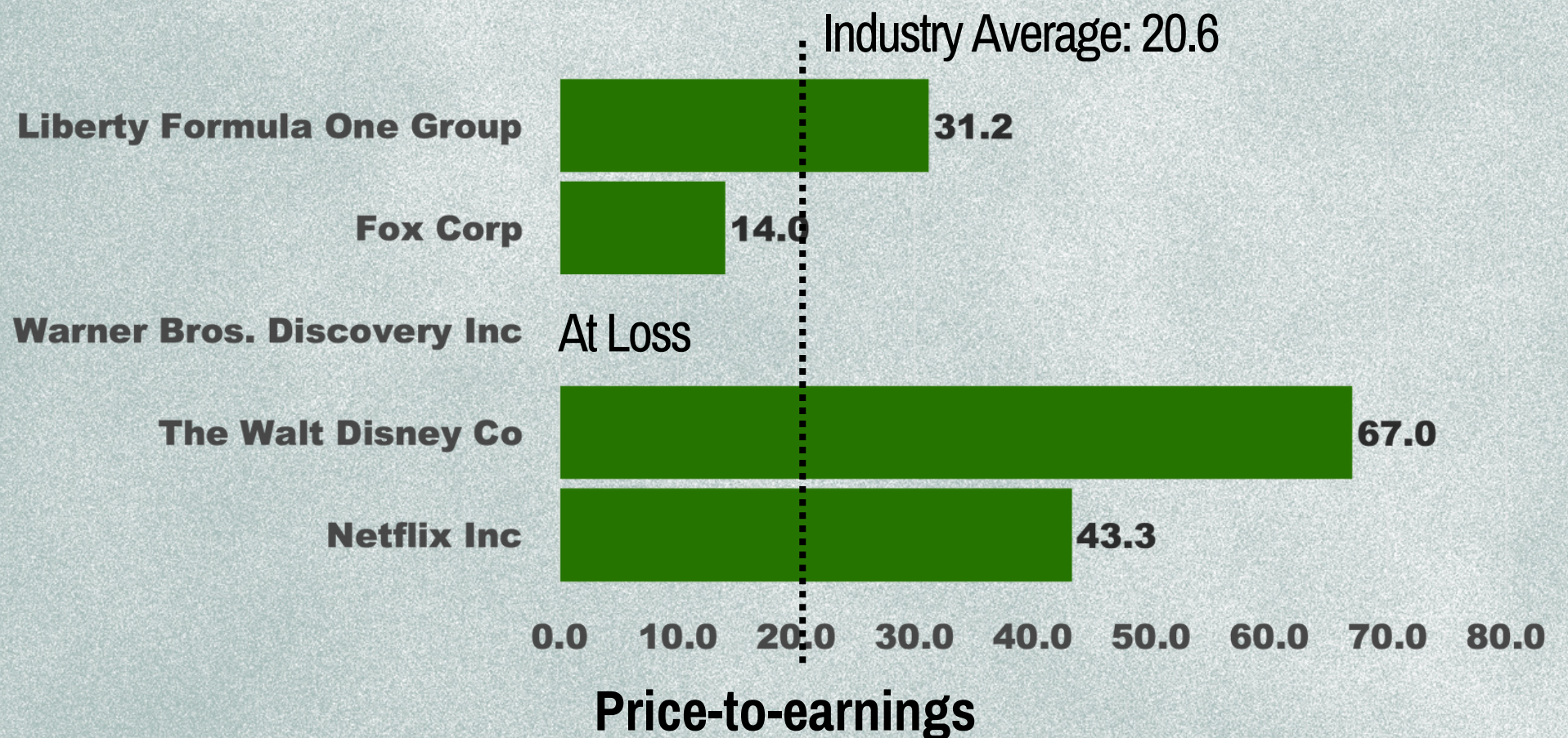
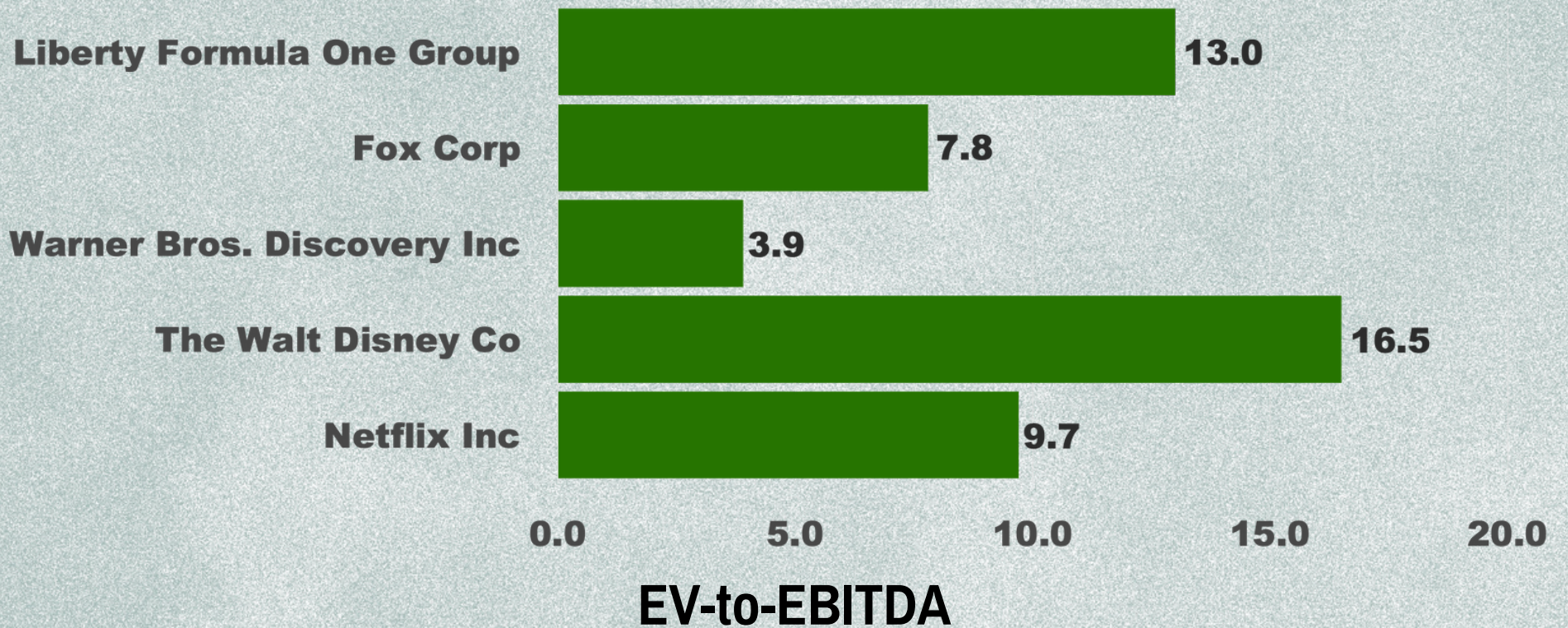
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# Relative Valuation







# Intrinsic Valuation

Estimated intrinsic value: **\$93.99**

Value is calculated using discounted cash flow method (taking into account their cash and debt) and scenario planning.

Average free cash flow used: USD\$2,000M

Projected growth rate: 8% - 18%

Beta: 1.3

Discount rate: 9.5%

Date of calculation: 28 Aug 2023

Estimated intrinsic value of Netflix

**\$93.99**

\$211.73

\$485.00



Uncertainty: High

**50% Margin of Safety**

Price range after the margin of safety

**<\$47.00**

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