The Henry Fund
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NETFLIX, INC. (NFLX)

March 14, 2025

Communication Services – Media & Entertainment

Stock Rating	BUY
Target Price	**$1,048**
Henry Fund DCF	$1,048
Henry Fund DDM	$1,051
Relative Multiple	$302
Price Data	
Current Price	$876
52wk Range	$542 – 1,065
Consensus 1yr Target	$1,081
Key Statistics	
Market Cap (B)	$374.7
Shares Outstanding (M)	427.8
Institutional Ownership	83.8%
Beta	1.27
Dividend Yield	0.0%
Est. 5yr EPS Growth	99.9%
Price/Earnings (TTM)	44.9
Price/Earnings (25E)	36.4
Price/Sales (TTM)	10.1
Price/Sales (25E)	8.4
Profitability	
Operating Margin	26.5%
Profit Margin	45.9%
Return on Assets (TTM)	16.6%
Return on Equity (TTM)	38.4%

Investment Thesis

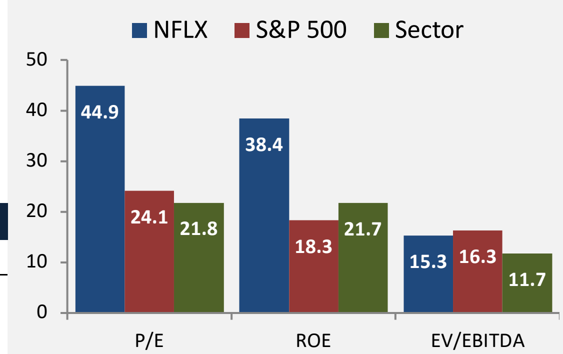
Netflix's stellar subscriber growth in 2024 has reinforced its position as the leader in the video streaming industry. Its continued success in content production, live-streamed sports, and ad-supported subscriptions supports its transformation into a blue-chip stock within communication services. While its stock recently hit all-time highs before pulling back, we expect a rebound to $1,048, representing a 19.6% upside, leading to our **BUY** recommendation.

Drivers of Thesis

- We forecast that Netflix's global revenues will grow by a CAGR of 10.93% through 2029 based on the growing popularity of ad-supported subscriptions and the long-term impact advertising revenue will have.
- As Netflix's revenue grows, content expenses will decrease as a portion of sales from 53.94% in 2024 to 42.86% in 2029 which will lead to a higher profitability for Netflix.
- Netflix will continue to improve their industry-leading churn rate with live-streamed sports like WWE, the FIFA Women's World Cup, and potentially more NFL football games.

Risks to Thesis

- Expensive costs associated with content expansion do not lead to high subscriber growth, hurting the return on the investment.
- A potential correction in the stock market caused by economic and political uncertainty from the new administration could pull the stock price down.
- Bundled streaming packages from companies collaborating within the industry could be perceived to have more value which would hurt the churn rate of Netflix, especially with subscription fatigue trending.



Earnings Estimates

Year	2022	2023	2024	2025E	2026E	2027E
EPS	$10.10	$12.25	$20.28	$24.81	$30.44	$36.70
HF est.				$24.09	$29.24	$36.84
growth	*-12.6%*	*21.3%*	*65.6%*	*18.8%*	*21.4%*	*26.0%*

12 Month Performance

Company Description

Netflix is the leading company in the Video Streaming Services industry and a pioneer of non-linear streaming. For a monthly subscription, users gain access to a large library of content, with pricing tiers based on ad preferences. Netflix operates in four regions: United States and Canada (UCAN), Europe, Middle East, and Africa (EMEA), Latin America (LATAM), and Asia-Pacific (APAC). It continues to attract subscribers through original content, licensed content, and now live-streamed sporting events.

COMPANY DESCRIPTION

Netflix began as a DVD rental service in 1997 and transitioned into a streaming service as well in 2007. Due to the evolution of streaming over the past two decades, DVDs are no longer a sought-after product, and this is reflected in Netflix's revenue stream. Their DVD revenue stream has been consistently declining to the point where Netflix discontinued their DVD-by-mail service at the end of 2023[13]. In 2024, Netflix's revenue solely came from streaming revenues for the first time, solidifying its identity as a subscription video-on-demand (SVOD) company.

Netflix's core operations consist of charging users a monthly subscription fee in exchange for access to their entire content library at any time. The monthly subscription cost varies based on the user's ad and price preference. Netflix currently offers three subscriptions which are:

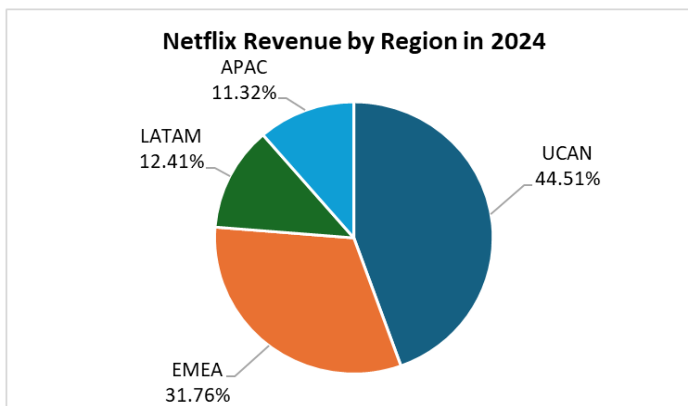
- Standard with ads ($7.99/month)
- Standard ($17.99/month)
- Premium ($24.99/month)[12]

There are also monthly fees that users can face if they want to add extra members to their accounts. These subscriptions offer different experiences for users in terms of advertisements, streaming quality, content accessibility, and more. Against the pricing of peers, Netflix currently takes the top spot with the highest price for their premium subscription which is ad-free and streams the highest quality. For ad-supported subscriptions, Netflix has similar pricing to the rest of the industry.

Netflix provides content to their subscribers through two methods which are the production and acquisition of content. Historically, Netflix was built on buying the rights to stream content that was produced by companies like Comcast, The Walt Disney Company, and Warner Bros. Discovery. Netflix still actively engages in this way of obtaining content, but now they do not just acquire the rights to stream movies and shows. In recent years, the streaming industry has shifted to including live sports on their platforms. Netflix has joined this trend as well with additions of WWE, NFL Christmas Day games, and Tyson vs. Paul, all in 2024. Aside from the acquisition of content, Netflix has been very successful at producing hit shows and movies over the past decade. Content like Stranger Things, Squid Game, and Wednesday have played a critical role in Netflix's subscriber growth. The content library Netflix has built is the biggest competitive advantage that separates it from its peers. In 2024, Netflix has $32.5 billion in net content assets with $12.4 billion that is licensed content, and $20.1 billion that is produced content.

With Netflix raising prices once again to offset content expenses, ad-supported subscriptions have become popular for new memberships. This allows users to access Netflix's content for a lower monthly price and it allows Netflix to receive revenue from companies willing to pay to advertise on the Netflix platform. Out of the total new subscribers for Netflix in 2024, 41% of them were ad-supported subscriptions which is up from 27% in 2023[4]. This subscription tier is gaining popularity across the entire industry and we believe ad revenue will become a larger source of revenue for Netflix in the future.

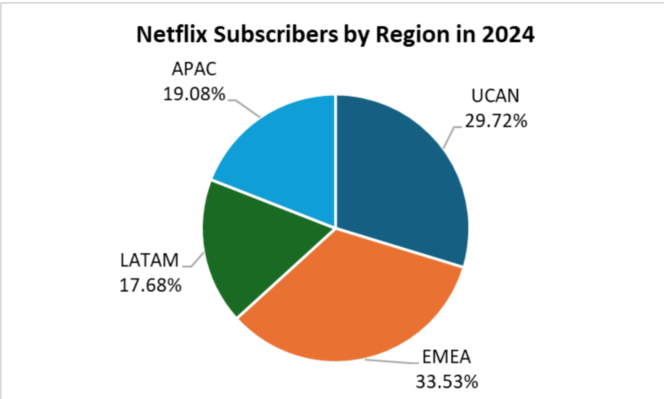
Netflix operates in four regions which are the United States and Canada (UCAN), Europe, Middle East, and Africa (EMEA), Latin America (LATAM), and Asia-Pacific (APAC). From these four regions, Netflix's global revenue totaled just above $39 billion in 2024. Of that amount, $17.4 billion was from the United States and Canada (UCAN), $12.4 billion from Europe, Middle East, and Africa (EMEA), $4.8 billion from Latin America (LATAM), and $4.4 billion from Asia-Pacific (APAC)[13].



Source: Netflix 10-K

When Netflix's revenue is broken down by region, it would give the impression that the United States and Canada (UCAN) make up the majority of the subscribers at Netflix. This is not the case as the higher revenue is partly due to a large number of subscribers, but mostly due to that region's preference for the premium subscription which means a higher average revenue per user (ARPU). Netflix had a total of 301.6 million subscribers at the end of 2024. From that total, 89.6 million subscribers were from the

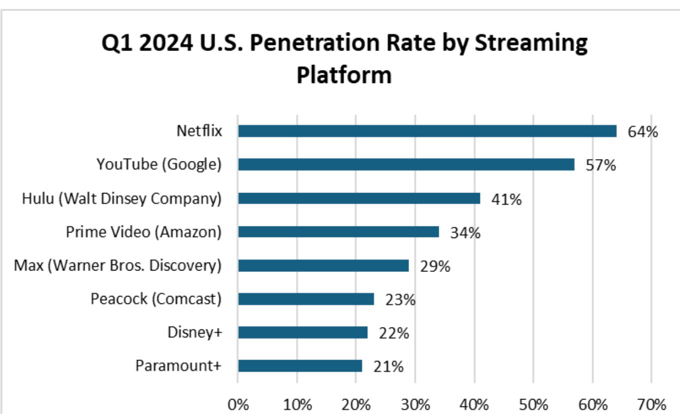
United States and Canada (UCAN), 101.3 million subscribers were from Europe, Middle East, and Africa (EMEA), 53.3 million subscribers were from Latin America (LATAM), and 57.4 million subscribers were from Asia-Pacific (APAC)[13].



Source: Netflix 10-K

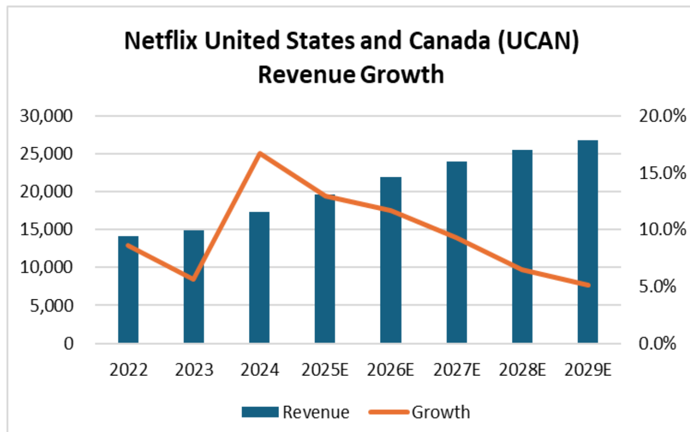
United States and Canada (UCAN)

The United States and Canada (UCAN) represent the largest revenue segment for Netflix by region. In 2024, revenue in this region grew by 16.7% as opposed to 5.6% in 2023[13]. This was driven by Netflix's impressive addition of new subscribers in 2024. With a higher penetration rate in this region compared to other streaming platforms, Netflix surprised everyone when they added 9.5 million subscribers to the United States and Canada (UCAN)[13].



Source: Statista

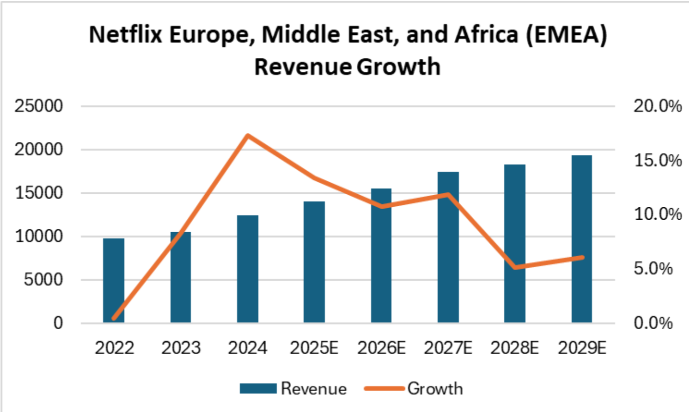
This was the primary driver as it was a 62.8% increase in added subscribers compared to 2023. This proves that there is still room for growth with Netflix in this region. Although there is room for growth, we do not forecast that subscriber growth will be substantial for this region. Netflix has become the standard for the United States and Canada (UCAN) which is why we forecasted average paying memberships to slowly decrease annually over the next five years. The main driver for revenue in this region is the average revenue per user (ARPU). While the other three regions Netflix operates in prefer cheap subscription options, the United States and Canada (UCAN) prefer the premium version. For this region, Netflix needs to focus less on growth and more on their churn rate which already exceeds other platforms. With new seasons of popular shows such as Stranger Things, Squid Game, and Wednesday[21], Netflix will likely reduce its churn rate in 2025. We forecast revenue to grow by 12.9% in this region in 2025 based on a 9.9% increase in average paying memberships and a 2.8% increase in average revenue per user (ARPU) from price hikes.



Source: Netflix 10-K & HF Estimates

Europe, Middle East, and Africa (EMEA)

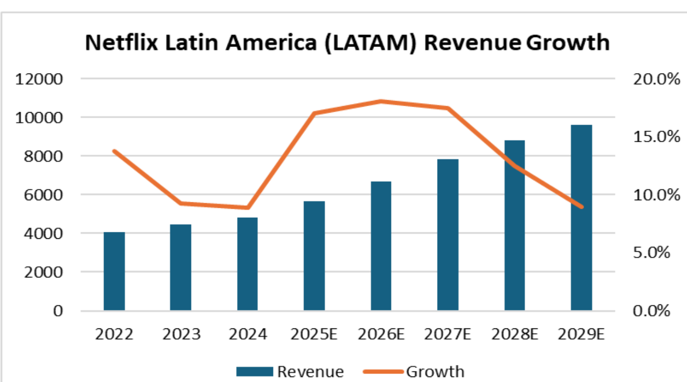
Netflix doubled its growth in revenue in the region of Europe, the Middle East, and Africa (EMEA) for 2024 compared to 2023. This has been the result of sustained subscriber growth over the past two years which has also led to this region making up the biggest portion of Netflix's total subscribers. With the addition of ad-supported subscriptions, we believe this region will see higher average paying membership growth over the next 5 years than in the United States and Canada (UCAN). This is because this region, similar to other regions outside of the United States and Canada (UCAN), prefers cheaper monthly subscriptions. To provide context, this region's average revenue per user (ARPU) was $10.96 in 2024 compared to $17.20[13] in the United States and Canada (UCAN). The ad-supported subscription will allow Netflix to sustain higher subscriber growth rates over the next five years. For these reasons, we forecast that revenue to grow by 13.4% in 2025 which is driven by our estimation of average paying memberships growing by 12.8% that year.



Source: Netflix 10-K & HF Estimates

Latin America (LATAM)

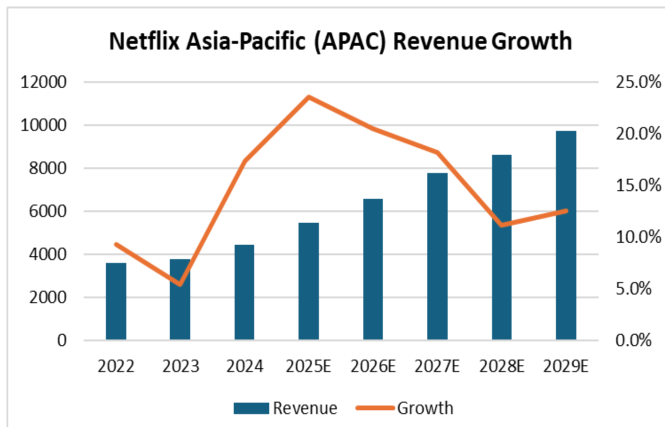
We estimate Latin America (LATAM) will be one of the biggest growth opportunities for new subscribers but will be limited by the preference for cheaper subscription options. Netflix has announced it will commit $1 billion to content creation for Mexico over the next four years[15]. The plan is to produce around 20 pieces of original content, either films or shows, annually over the next four years. Netflix will be sure to grow in popularity with the production of original content that relates to certain countries and is in their native language. Additionally, Netflix secured the rights to the Women's FIFA World Cup in 2027[21], which is a popular sport in this region. Aside from the live streaming of this event, we estimate that Netflix will end up producing docuseries either leading up to the World Cup or after. Netflix has made it clear they are committed to Mexico and South American countries which we believe will lead to consistent revenue growth in this region. We forecast that revenue will grow 17.1% in 2025 and only decline to 8.9% growth in 2029.



Source: Netflix 10-K & HF Estimates

Asia-Pacific (APAC)

Netflix has seen an average membership growth rate in Asia-Pacific (APAC) of 22.67% annually over the past four years. We estimate that Netflix will see continued subscriber growth in this region with our 2025 estimate being 18.74% and trickling down to 9% in 2029. Similar to Latin America (LATAM), Netflix has made it clear that they intend to put efforts into growing into this region. Netflix has already announced that it will be investing $2.5 billion[3] in Korean content by 2028. Additionally, Asia-Pacific has the lowest average revenue per user (ARPU) out of all the regions Netflix operates in. The addition of ad-based subscriptions should be an attractive feature for users in this region but will slightly offset the impact of new subscribers. We believe this region presents the biggest growth opportunity for Netflix, but similar to the other regions, will eventually become stable in the years to come.

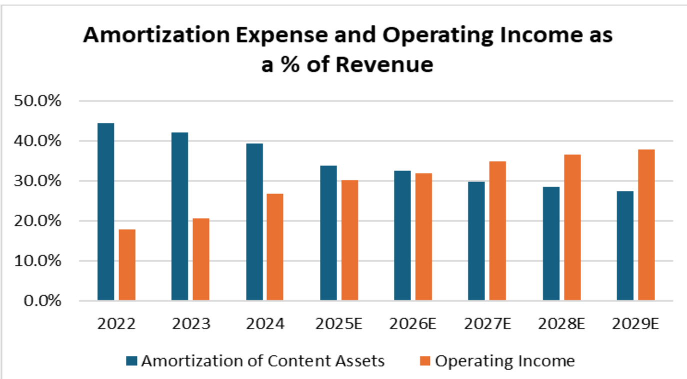


Source: Netflix 10-K & HF Estimates

Cost Structure Analysis

Cost of Revenue:

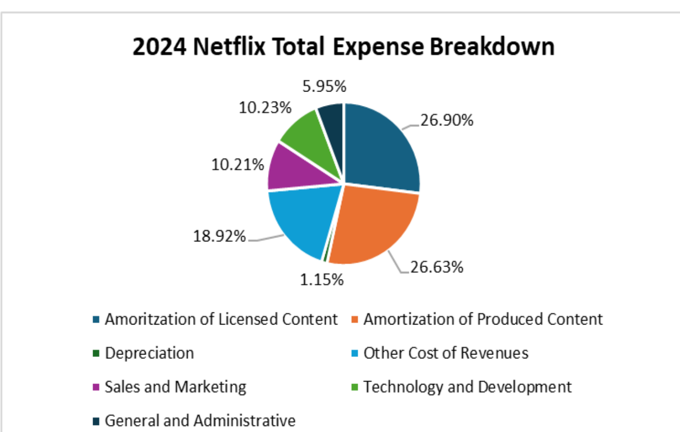
Netflix's cost of revenues is largely based on the amortization of its content assets. Due to the nature of streaming content and the expected duration of each piece of content's popularity, Netflix amortizes over 90% of its content within four years[13]. Historically, the amortization expense has varied around 40% of total revenues each year. We forecast this expense to become smaller over the next five years relative to sales with it making up 33.8% in 2025 and decreasing to 27.48% in 2029. To arrive at this, we used a historical amortization rate of 46.6% based on Netflix's average amortization rate over the past seven years. With that amortization rate, we multiplied it by the beginning content assets to arrive at the amortization of content assets expense each year. Content assets were estimated in 2025 using management's guidance of spending $18.0 billion on content assets in 2025. By adding $18.0 billion to the 2024 content assets and subtracting our forecasted amortization expense in 2025, we arrived at content assets amounting to $35.3 billion in 2025. For the rest of the forecast, we grew content assets by an inflation rate of 3.0% since there was no long-term guidance. Using this method, we estimated that the amortization of content assets will grow disproportionately to revenue for the next five years. This means that Netflix will experience margin growth over the next five years as well.



Source: Netflix 10-K & HF Estimates

Total Expenses:

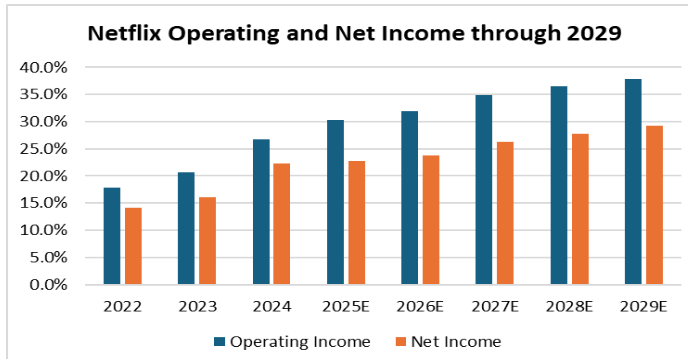
Netflix's content expenses are by far their highest costs with it coming in at 33.8% as a percentage of sales in 2024. Aside from that, Netflix's total expenses came in at 73.3% as a percentage of sales in 2024. Most of the sales outside of content expenses have to do with payroll, marketing, and technology development.



Source: Netflix 10-K

Profitability:

Netflix's profitability is unmatched in comparison to its peers in the streaming industry. Most streaming companies have struggled to make a profit with some platforms like Peacock which are not profitable at all, and platforms like Paramount+, which are slowly moving towards profitability. For Netflix, we forecast that their revenue growth will outpace their content expenses which will make them more profitable in the future. As a percentage of sales, we estimated operating income would increase from 26.7% in 2024 to 37.8% in 2029. Additionally, net income would increase from 22.3% in 2024, to 29.2% in 2029.



Source: Netflix 10-K & HF Estimates

Additional Company Analysis

Revenue:

Netflix's revenue is a simple model in that customers pay a monthly recurring fee to be able to view the content that Netflix has the rights to. These subscriptions vary based on whether they have ads or not, and they also vary on other things such as streaming quality. Netflix's global revenue is calculated by taking each paying membership and multiplying it by the yearly costs each person pays for a subscription.

One way for Netflix to grow revenue is to grow the number of subscribers they have, but the other is to increase the average revenue per user (ARPU). This seems to be a priority for Netflix as they announced price hikes in their subscriptions for the start of 2025. The co-CEOs of Netflix made it evident that they are using the price hikes as a goal to achieve better content for the consumer. On Netflix's earnings call, they stated once they feel their content has met the increased monthly price, then they will raise prices once again[12]. It seems that Netflix will rely on price hikes in the future to drive revenue growth which is what we forecasted in the model.

One potential revenue stream we see playing a big factor for Netflix in the future is advertising revenue. This is not forecasted in the model since there is no frame of reference because Netflix reports it is too small to be broken out for revenue. We believe that advertising revenue will be more valuable for streaming companies than linear TV companies in the future. Due to streaming services having higher active engagement, advertisers will feel there is a higher chance that their ad is reaching someone. For linear TV, ads run all day, but the advertisers cannot be sure how many people are on the other side of the screen since it is scheduled programming. With streaming, the user initiated the start of the movie or show so there is a higher chance that they are paying attention to the screen. This is a big variable to watch for the streaming industry and Netflix specifically due to its large subscriber base. We believe streaming services will take away ad revenue from linear TV providers soon, especially if popular events like sports and award shows go to streaming companies.

Target Market:

Netflix's target market is extremely diverse in terms of global reach and age demographics. Netflix has subscribers across the entire globe, and they want to gain every subscriber they possibly can. Netflix has demonstrated the value of making content that is unique to different ethnicities, countries, and languages, and they have plans to keep doing this going forward. For age demographics, once again, Netflix wants every subscriber they can get. The company is most popular amongst the younger generation, but that popularity also pulls in older generations. There is a disconnect between Netflix and older people who want to stay with traditional linear TV platforms due to familiarity. Netflix still pulls them in as a subscriber because a potentially younger family member wants Netflix and will not pay for it. Additionally, Netflix has a large catalog of content that ranges across every genre and era that content can offer. This proves to be an advantage to the company as they can appeal to any type of person, and they continue to separate themselves from the competition with this method.

Sustainability:

Netflix's business model compared to peers has put them in a position to be on top for a long time. The core of their business, entertainment, is something that will never go away and even though the price is increasing, many people find it to be essential. Compared to peers, Netflix is second to none. They have been slowly evolving into the complete streaming platform and there is no one else who we see that could catch up with them. Netflix has the right to many movies and series, but they are also the most successful at developing original production. Now that they are committing to live-streaming sports, there will be no company with an advantage over Netflix. Additionally, a trend in the industry is that traditional linear TV providers are dealing with a steady decline, and they are struggling to make their streaming platforms profitable. One way for them to create revenue is to sell the rights to the content they possess, which only puts Netflix in a stronger position. For these reasons, we estimate Netflix will remain at the top of this industry for a very long time.

Debt Maturity Analysis

Netflix has a total of $15.9 billion debt outstanding with approximately $12.0 billion maturing within the next 5 years. We believe the company will need to refinance the debt in the future as Netflix has already made plans to refinance its debt maturing in 2025. To offset this debt, in July of 2024, Netflix announced a new debt that had 2 tranches. $1.0 billion of it was 4.9% senior notes that are due in 2034 and the other $800 million was in 5.4% senior notes that are due in 2054[22]. With this move setting the precedent, we believe that Netflix will utilize its investment-grade rating to refinance debt in the future. Additionally, the more aggressively they pursue new content, the more debt they will need to raise. We do not see Netflix's debt or its ability to refinance as an issue. Netflix is still far behind competitors like Comcast and The Walt Disney Company in terms of outstanding debt.

Five-Year Debt Maturity Schedule

Fiscal Year	Coupon %	Payment ($mil)
2025	4.46%	1,785
2026	4.38%	998
2027	3.63%	1,375
2028	5.43%	3,577
2029	4.91%	4,279

Source: Netflix 10-K

ESG Analysis

Company	ESG Risk Rating	Rank
Fox Corp.	11.9	Low
Paramount	13.6	Low
Netflix, Inc.	**15.6**	**Low**
The Walt Disney Compan	15.9	Low
Warner Bros. Discovery	18.1	Low
Comcast Corp.	21.9	Med

Source: Sustainalytics

Looking at Netflix compared to their peers, their ESG score falls in the middle of the group. They are still deemed at a low risk so there do not appear to be any major concerns. One thing that is worth paying attention to going forward is Netflix's implementation of Social and diversity, equity, and inclusion (DEI). Netflix has expressed recently this year that it works to build diversity, equity, and inclusion in its workforce[13]. There is nothing inherently wrong with this, but the new president has made it clear that he is against the implementation of DEI measures which could make Netflix a target. The second thing to watch is the degree to which DEI is implemented into Netflix's content. The Walt Disney Company has been very open about their DEI procedures in their staff, beliefs, and films. For Disney, it seems that DEI measures have not gone well with viewers in instances like She-Hulk and now the Snow-White remake[24]. We believe Netflix should reference Disney to find a healthy balance when implementing Social and DEI.

RECENT DEVELOPMENTS

Netflix 2024 Earnings Report

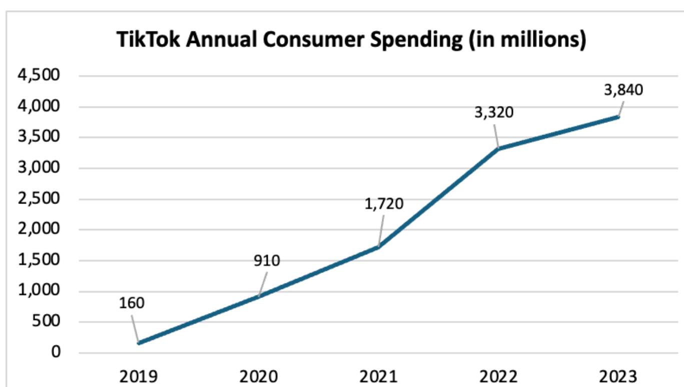
The "king of streaming" moved the bar even higher with their last earnings report. Netflix reported its 10-K annual report for 2024 on January 27, 2025. Paid memberships were estimated to be at 290.9 million and Netflix reported 301.6 million paid memberships or subscribers[6]. This represented a 15.9% increase in subscribers from 2023 to 2024, compared to a 12.8% growth rate from 2022 to 2023. The company posted a record of 19 million added subscribers during Q4 of 2024[6]. Additionally, Netflix also beat their Q4 revenue expectations of $10.1 billion and their earnings per share estimates of $4.20. Revenue grew approximately 16.0% year over year to $10.25 billion, and earnings per share grew 102.4% year over year to $4.27.

The tremendous performance for Netflix was fueled by their strong finish to the year with the *Tyson vs. Paul* fight, the movie *Carry-On,* and the streaming of two NFL games on Christmas day. Netflix seems to be figuring out a new way to retain its position at the top and it looks like it will remain the leader of streaming for the foreseeable future. Streaming companies will try to emulate their business model to achieve their success.

Netflix did announce that they would no longer be reporting subscriber growth in 2025 unless they hit certain milestones which no examples were given. This demonstrates Netflix's philosophy change to being a company that will improve margins and optimize performance rather than rely on sustained growth. This may cause investors to be concerned as this move implies that Netflix fears that it will either slow in subscriber growth or potentially lose subscribers. Although that is a possibility, we believe this reflects that Netflix is pivoting to focusing on financial performance.

Ban of TikTok

TikTok was initially banned on January 19, 2025, but it only lasted approximately 12 hours. This was in response to national security concerns regarding the China-based company, ByteDance, having access to American data. President Trump then signed an executive order that would delay the ban on TikTok until a deal could be worked out where a United States company would buy it. TikTok is an extremely popular and valuable app in the United States that has the potential to become even more valuable.



Source: Statista

TikTok has been increasing the revenue it generates by a substantial amount for the past five years. For a large tech company like Apple, Amazon, or Microsoft, the purchase of this app would be a nice addition to their streaming platforms.

On the other hand, there is room to grow in the streaming industry if TikTok cannot find a buyer in time. TikTok has a strong presence with younger viewers and the loss of that app would mean their streaming time has to be spent elsewhere. Ideally, previous TikTok users would migrate their way to Instagram and Facebook. The streaming industry could benefit if viewers transition to YouTube Shorts, a feature on the app YouTube which is owned by Google. YouTube Shorts provides the same short-form type of videos as TikTok but also allows viewers to switch to longer videos as well.

We find it unlikely that TikTok is permanently banned in the U.S., but it does represent a possible growth opportunity. We believe the outcome of the TikTok situation will result in a large U.S. company purchasing TikTok. This will most likely be a company like Apple, Amazon, or Microsoft. Currently, two Magnificent 7 companies, Google and Meta, dominate the social media space. Google owns YouTube and Meta owns Instagram, Facebook, Threads, WhatsApp, and Messenger. Other than these two companies, the only other real competitor in this area is X, which is owned by Elon Musk. We believe Apple, Amazon, or Microsoft will see TikTok as their opportunity to enter the social media and short-form video industry, resulting in competitive bids from each company. Additionally, TikTok would be solidified as a true competitor if it had the backing of one of these large companies.

If TikTok were to be banned, this would pose an opportunity for Netflix to receive additional advertising revenue. Additionally, the loss of TikTok would shift user engagement and while most people would relocate to another app like Instagram or X, it could lead to higher levels of engagement for Netflix.

Merger of Paramount and Skydance

In June of 2024, Skydance Media offered Paramount $9.1 billion for the remaining 90.4% of the company[5]. Skydance Media is a producer of films, television shows, video games, and more. It is owned by David Ellison and the technology and entertainment company, Tencent, has a 5% holding in it. They have worked on many famous films such as Top Gun: Maverick, Mission Impossible, Star Trek, and Terminator[12]. There were poor discussions early, which is why the deal is not closed yet but it now looks as if it is in the works again. This potential deal is a representation of where the industry has been shifting and where it will continue to go. In a race to produce original content for subscriber growth, Paramount has struggled to earn a profit in this industry. Skydance has made it clear that it wants to acquire Paramount to help it compete in the streaming industry. There is no certainty that this deal will close but this is a good precursor of what will come for smaller unprofitable streaming services. In some cases, they will be allowed to merge, but they will most likely be bought out.

Ultimately, we do believe the merger between Paramount and Skydance will go through. It seems the deal has been stopped by a mix of things that fall under the label of politics. There have been rumors that Paramount did not evaluate higher bids for the company and currently, Donald Trump is suing 60 Minutes and CBS for allegedly altering an interview with Kamala Harris. Those two platforms are under the umbrella of Paramount. We believe the matters holding this deal back will eventually be settled when all parties are pleased, and the deal will go through.

INDUSTRY TRENDS

Subscription Fatigue

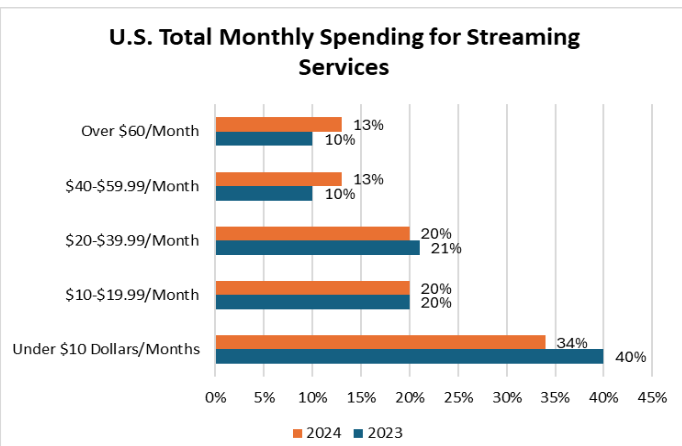
The cost of content creation and expansion is becoming increasingly more expensive for streaming service companies. To attract and retain subscribers, companies are continually having to pay to produce original content, license content from others, and purchase the rights to stream sporting events. To afford the expansion of their content libraries to make their platform more appealing to consumers, streaming services have been raising prices on their subscriptions. Consumers are facing subscription fatigue due to the overwhelming monthly costs of having multiple subscriptions. The cheaper alternative ad-supported subscriptions are offsetting this cost, but multiple subscriptions still add up. Consumers are questioning whether keeping additional subscriptions for a few programs is worth it. Additionally, increasing prices incentivize consumers to cancel their subscriptions once they have seen what they signed up for. This poses a risk of creating a high churn rate for streaming platforms.

2025 Monthly Prices for Streaming Services

Provider	Premium	With Ads
Netflix	$24.99	$7.99
Max (Warner Bros. Discovery)	$20.99	$9.99
Hulu (Disney+)	$18.99	$9.99
Disney+	$15.99	$9.99
Peacock (Comcast)	$13.99	$7.99
Paramount+	$12.99	$7.99

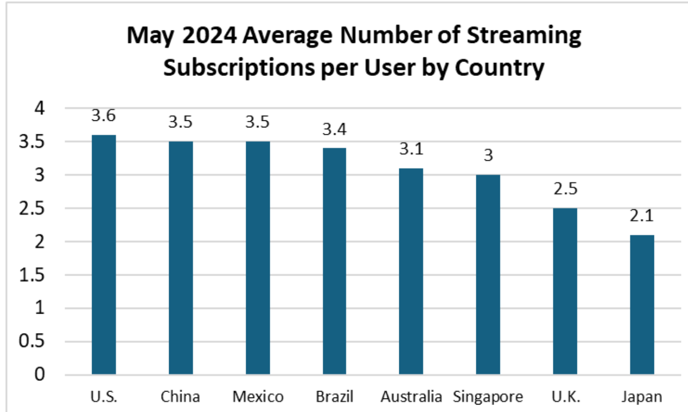
Source: Statista

In the U.S., subscribers have been seeing their total monthly expenses increase due to increased monthly prices from streaming platforms. In 2024, there was a 6.0% decrease in subscribers who pay less than $10 per month for streaming services compared to 2023[18]. Additionally, there was a 6.0% increase in 2024 in subscribers who pay anything above $40 for streaming services compared to 2023[18]. This increase in monthly expenses will force subscribers to select their core preference of streaming services, increasing cancellations for platforms with less appealing content. We believe this will continue to be an issue for this industry in years to come as platforms increase prices to meet content costs.



Source: Statista

The last component of subscription fatigue is the total number of subscriptions that consumers have. Increased subscription prices are not the sole reason for the total increase in monthly expenses related to streaming. With a wide variety of content spread across different streaming platforms, it is very common for users to have multiple subscriptions at once. Consumers face a material impact on their monthly bills when streaming platforms are simultaneously raising prices. We believe that in times of economic uncertainty or high inflation, increased subscription prices will limit consumers to keeping their core necessary subscriptions. The average number of streaming subscriptions per user in the U.S. is 3.6[18] and we estimate this would come down with continued price hikes.

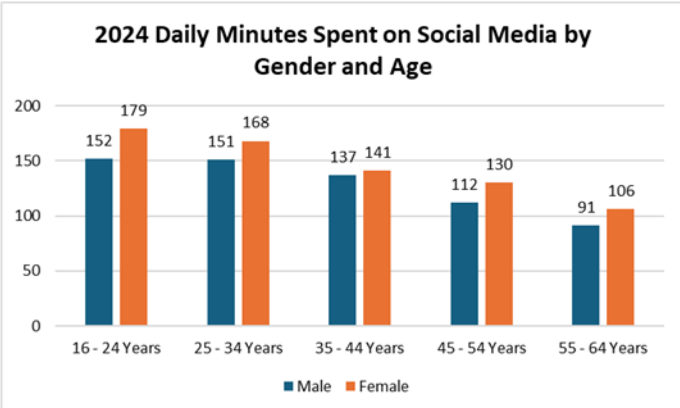


Source: Statista

Short-Form Streaming

Younger generations have led the way in creating popularity for video streaming in the form of short videos. Platforms like TikTok, Instagram, Facebook, and YouTube are the preferred choice for entertainment when it comes to younger audiences. The fast-paced form of content rewards them with a release of dopamine and keeps them engaged for longer. Additionally, young viewers gravitate to the real-world personable aspect of the content. The trend of short-form streaming has pros and cons when it comes to the industry of video streaming services. The obvious con is that short-form streaming is pulling potential viewers away from streaming platforms like Netflix, Disney+, Prime Video, and others. While this is a real issue, short-form videos can be used to promote or enhance interest in shows from these platforms. Particular memes, clips, and edits that go viral potentially increase the popularity of certain shows. The virality of these videos gives consumers the urge to revisit the shows and drive a deeper connection with them. Ultimately, as social media users continue to grow, it will likely pull away from other streaming services.

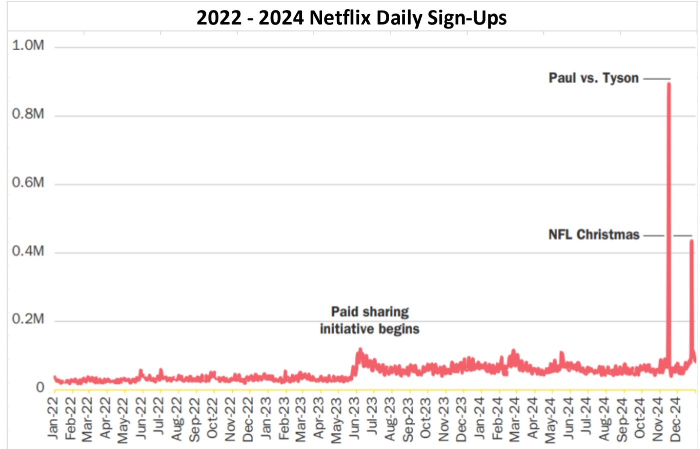
When analyzing the data, females between the ages of 16 and 24 consume the most social media out of all demographics. After that, it is females between the ages of 25 and 34, and then males between the ages of 16 and 24. As people age, it appears they spend less time on social media, and we assume their time is spent either streaming or watching traditional linear television. Short-form streaming on social media has a hold on younger generations and we believe this trend will continue as those apps develop new ways for users to engage.



Source: Soax

Live Events

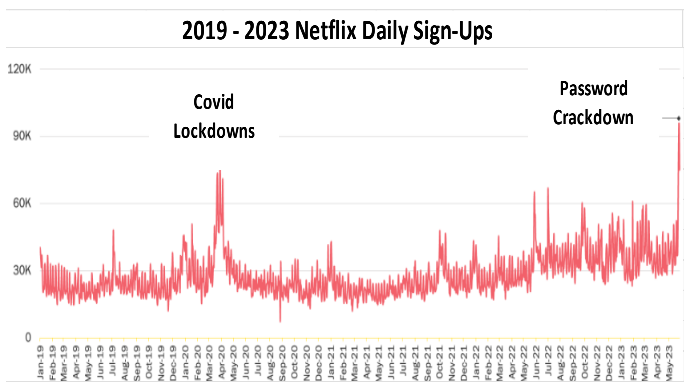
In 2024, video streaming services continued to purchase rights to stream live sporting events exclusively to their platform. These events have led to drastic increases in viewership depending on the significance of each event. Netflix demonstrated the power of live sporting events at the end of 2024 with record-setting numbers for all three of their streams. Netflix streamed two NFL games on Christmas day that brought in a combined 65 million live viewers[17]. Before that, Netflix presented the *Jake Paul vs. Mike Tyson* fight which reportedly reached over 60 million households[17]. This event was very successful in attracting new subscribers, but there were technical difficulties during the fight that led viewers to be dissatisfied. Viewers complained about the quality of the stream, constant buffering, and the inability to view the fight at all due to bad connections. This will be something Netflix needs to work on if they want to build a strong reputation around their live-streamed sports segment. Amongst other events, Netflix showed a large draw from streaming life sporting events. Companies are already securing rights to these events out into the future and this will be something that continues for a long time in the streaming industry.



Source: Antenna

Password Sharing Crackdown

In a common theme of the Video Streaming Services Industry, Netflix was the first to initiate something important that led to other companies within the industry following. In May of 2023, Netflix started notifying subscribers that their access to the platform was to only be shared amongst people living in the same household[6]. Prior to this, streaming platforms had been losing out on revenue due to one account being accessible to a multitude of users for the cost of one membership. Following the move to crack down on password sharing, Netflix's average daily sign-ups reached 73 thousand which represented a 102.0% increase from their 60-day average[4].



Source: Antenna

As a result of properly accounting for the total number of subscribers Netflix had, Netflix's total subscribers grew 12.8% in 2023, and revenue grew 6.9%. After the positive impact Netflix saw from cracking down on password sharing, Disney+ and Hulu did the same in March of 2024, and Max announced they would be doing the same at the end of 2024 and throughout 2025.

Being that subscribers are the core driver of revenue and business for streaming companies, accurately registering your number of subscribers is essential. Due to the success Netflix had, most streaming platforms do restrict password sharing. We believe any streaming platforms that do not currently do this will eventually begin this precaution as well.

MARKETS AND COMPETITION

Competing Companies

Provider	Subscribers (in millions)	Market Capitalization (in billions)
Netflix	302	$420
Prime Video (Amazon)	200	$1,831
Disney+	125	$152
Max (Warner Bros. Discovery, Inc.)	100	$20
Paramount+	72	$8
Hulu (Walt Disney Company)	54	$152
Peacock (Comcast)	36	$127
Apple TV+	30	$2,902
YouTube TV (Google)	8	$1,812

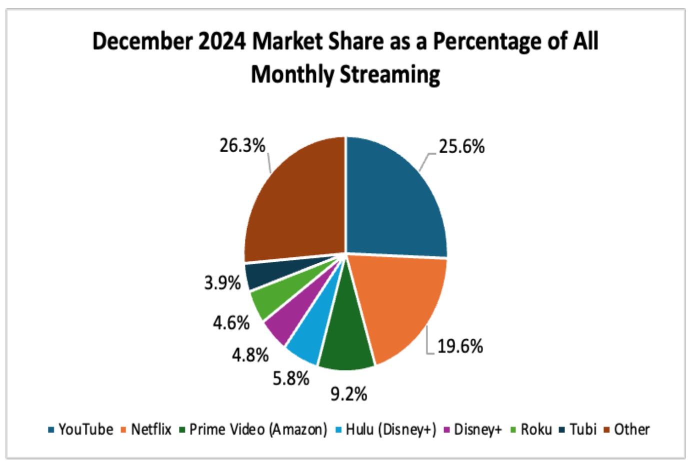
Source: FlixPatrol

Competing companies in the Video Streaming Services industry can be broken down into two categories. The first are companies with core operations that revolve around linear and nonlinear entertainment. These would be companies like Netflix, Walt Disney Company, Warner Bros. Discovery, Inc., Paramount Global, and Comcast. These companies are built upon the success of the content they provide and the eyes they can attract to their platforms. This feeds into other segments of their business such as mobile games and parks. The second category of companies would be companies that are in the Magnificent 7. These companies would be Apple, Amazon, and Google. This group represents companies that are significantly larger than the previous group mentioned but their core operations are not in the video streaming services industry. Google would be somewhat of an exception in this group as they generate a substantial amount of advertising revenue from YouTube, but it is still a smaller portion of their overall revenue.

Of all the companies in this industry, Netflix leads by a large margin in metrics like churn rate and total number of subscribers. We believe the rest of this industry will be fighting for the remains as Netflix dominates in 2025. Additionally, we believe non-profitable streaming platforms will slowly be phased out of the industry as a whole or be acquired by other entities.

Race for Content

The streaming industry is highly competitive at the moment as the top streaming platforms pursue the best content available. This content includes original content, licensed fan favorites, live sporting events, and more. In an era where streaming prices are increasing, companies are focused on expanding their available content to secure market share in the industry. The race for market share is primarily between Netflix, Prime Video, and Disney+. Other streaming companies lack the resources and/or brand recognition to keep with them. There are instances where smaller streaming companies catch a win like when Peacock streamed the 2024 Olympics. Ultimately, these streaming companies do not have the additional content to retain subscribers over larger platforms. The current name of the game is customer loyalty. This industry has not completed its transitional phase of switching from linear television to nonlinear streaming. Streaming companies are fighting to win over customers that are switching to increase subscribers. Now that ad-supported subscriptions have been introduced to appeal to cost-sensitive consumers, the market share of the industry can be split by the total time watched.



Source: Nielsen

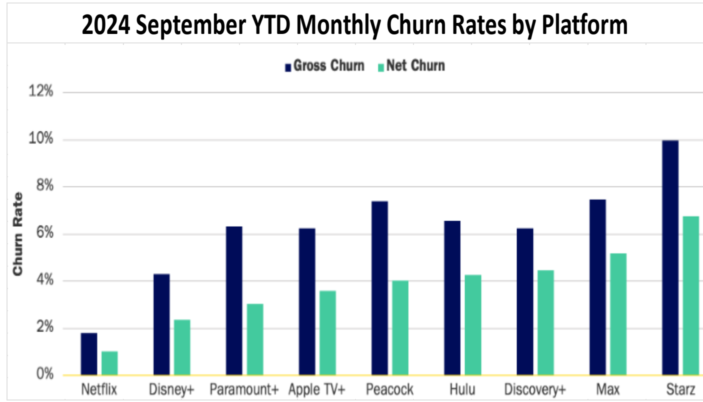
Eventually, companies will be competing for viewer time as well to capitalize off of advertising revenue. Overall, the industry is in a fast-paced race currently where it is hard to predict when the business model and market will stabilize. Shortly we expect that the top companies will fight for market share while smaller streaming companies lag.

Threat of Substitution

The threat of substitution is high in this industry as multiple streaming platforms make it easy for customers to pick and choose between services. As a result of this, consumers also have high bargaining power. This is part of the reason why companies are focused on increasing the value of their platforms through the addition of content assets. If a streaming platform can offer customers more content that they enjoy compared to another platform for a similar price range, then the customer will be loyal to that brand.

The risk of substitution is what is known as the churn rate. With streaming platforms providing different types of content, customers are torn between different content options that are exclusive to different streaming services. This leads the customers to a cycle of subscribing and canceling memberships. Once a customer has seen what they want, they can bounce to another streaming service to view something else they want. This has become increasingly popular as sports organizations are selling the rights for popular games to be streamed exclusively. Additionally, since there are no restrictions on how frequently someone can add or cancel a subscription, it makes it much easier for customers to bounce around different platforms. This factor enhances the threat of substitution in this industry. Due to the nature of human unpredictability, the threat of substitution and high customer bargaining power will always remain a possibility.

The threat of substitution is reported in terms of gross churn and net churn for the Video Streaming Services industry. The gross churn rate is calculated by taking each company's total cancellations in a month and dividing it by the total number of new subscriptions in the previous month[4]. The difference between gross churn and net churn is that net churn factors in customers that resubscribe. The net churn rate is calculated by taking the total number of cancellations in a month and subtracting resubscriptions for the same month. Then, this number is divided by the previous month's total subscribers[4]. Netflix dominates the industry with the lowest gross and net churn rate when compared to peers. This is due to the fact that their content library offers more appealing options which has led consumers to identify Netflix as their main streaming platform. Other platforms suffer from high churn rates because of a weaker content library and putting on one-time special streaming events like the Super Bowl. Customers do not deem these platforms worth keeping for the continued monthly price so they subscribe and unsubscribe as they desire.



Source: Antenna

Risk of New Entrants

The risk of new entrants is low for this industry as companies other than the top ones are struggling. Outside of Netflix, Prime Video, and Disney+, many other companies struggle to secure profit. Two possible types of new entrants have a chance of affecting the industry but are not likely. The first is regarding Apple. Apple has enough funds and influence and if they invested heavily in this industry, they could steal market share from competitors. Apple is already in this industry, but it is not their primary focus. The second potential "new" entrant would be a merger or acquisition. An example of this would be the pending Skydance's acquisition of Paramount. These are two complementary companies that could benefit each other in surviving the streaming industry. Again, this is unlikely to impact the market, so the risk of new entrants remains low.

Peer Comparisons

Apple:

Although Apple has released some popular pieces of original content that have built a customer base, it is relatively small. This is when compared to companies of the likes of Netflix and Prime Video. With Apple being the largest company in the world and being very cash-rich, it would be alarming to other streaming platforms if they decided to make a push for this industry. They have invested $20 billion in AppleTV+, but this segment of business does not seem to be their focus. If it were, their ability to bundle in free AppleTV+ for an extended period after certain purchases is a big positive in getting customers familiar with your product. Additionally, AppleTV+ is not something that is built into this industry. Netflix and Prime Video are registered apps on Roku and Samsung televisions in anticipation that consumers will use them. Apple is in this industry, but their focus on their core product mix and low market share do not position them well. This also eliminates any benefits of financial metrics comparisons other than discussing what Apple is capable of.

Amazon:

Prime Video is considered to be ranked second, right behind Netflix, and for good reason. Amazon does an excellent job of bundling its services to create enough value that customers do not want to get rid of it. Prime Video is a perk of subscribing to Amazon Prime. To get cheaper and faster shipping, they are gifted Prime Video. This is assumed to be a large reason for the amount of Prime Video subscribers they have. Being one of the largest companies in the world, Amazon has the infrastructure to back more content production and acquisition in this industry. To give some context, Amazon started 2024 with $73.9 billion in cash[2] and Netflix ended 2024 with $7.8 billion in cash[13]. Amazon's core services have put it in a very good position in this industry for increasing content assets. They will gain market share if they use their cash wisely as they did by getting the rights to *Thursday Night Football*.

Google:

Google is unique to the other competitors in this space as they have built an effective business model with YouTube. This is not their core operation, but the system works very well. YouTube draws viewers with personable real-world content creators. This is usually free content, and Google generates large amounts of revenue from the advertisements. Additionally, Google generates revenue from people who subscribe to YouTube Premium, YouTube TV, and NFL Sunday Ticket. Google faces less competition in this industry from the other competitors listed due to a different type of content.

Netflix:

Netflix is the leader of this industry with the most total subscribers out of all platforms. As a trailblazer in this industry, it seems people have grown accustomed to Netflix as the standard. Similar to how people are locked into having an Apple iPhone, people are expected to have a Netflix subscription. Netflix is in a position to keep its throne in this industry as it keeps producing highly sought-after original content, bringing in fan favorites, and exploring the options of live sports and video games. Netflix's strategy and brand recognition are the reasons they have the lowest churn rate[4].

Walt Disney Company:

Disney+ is not in the tier of Prime Video and Netflix, but it is one of the few others that are managing to survive in this industry. Disney+ continues to thrive off of its historical library of original content and newer additions to that like *Marvel*. Disney is in a position to grow in this market due to their streaming content connection with users outside the screen. Their business segment of theme parks and resorts enhances the popularity of the content they produce. This, accompanied by the addition of platforms like Hulu and ESPN will allow the Walt Disney Company to grow in this industry.

Comcast:

This is a company that is facing the challenges of a shifting industry and trying to adapt to survive. While their linear television segment is steadily declining, it still provides a steady cash flow. In turn, they are trying to grow their nonlinear streaming platform, Peacock. Peacock has seen success with certain live football events and the Olympics in 2024. At the same time, Peacock faces a high churn rate from these events. Due to the deterioration of their core business segment, it will be tough for them to grow in this industry as they will always be lagging. This lag is shown in the valuation as well with Comcast having a P/E ratio of 8.3, compared to the P/E ratios of 51.1 and 36.0 for Netflix and Disney, respectively.

Warner Bros. Discovery:

This company has faced difficulties with the changing industry. As its direct-to-consumer segment slowly ticks up, its linear segment offsets any gain. The company finally crossed over into a positive net income but a very small amount. Their results are not sustainable to continue moving forward in this industry and there are more negatives to come like their loss of rights to the NBA. Warner Bros. Discovery would be better suited by licensing the rights to their library of owned content.

Paramount:

This company has a similar story to Warner Bros. Discovery. As their direct-to-consumer segment increases, it is immediately offset by the linear television segment. What was once their core business is now losing money, and they are trying to invest money into Paramount+ at the same time. It seems this company is getting ready to be bought out by Skydance so that is where their future is most likely at. If the acquisition does not go through, the lack of profitability and overall struggle will eliminate them from the industry.

Margins

Company	2024 Operating Margin (%)	2024 Net Margin (%)
Apple	31.5%	24.0%
Amazon	10.9%	9.3%
Google	32.1%	28.6%
Netflix	26.5%	22.4%
Walt Disney Company	12.7%	5.5%
Comcast	18.8%	13.1%
Warner Bros. Discovery	0.7%	-28.8%
Paramount Global	5.5%	-21.1%

Source: FactSet

When comparing margins amongst companies participating in the Video Streaming Services industry, it is best to exclude Apple, Amazon, and Google as they have diverse operations that are not very reliant on streaming. Once again, Netflix leads the group with an operating margin of 26.5% and a net margin of 22.4%. Netflix's profitability is a testament to its dominance in the industry as it exceeds its peers by a large margin. Other companies within the industry struggle to be profitable and replicate the success that Netflix has had, especially when it comes to net margin. Only two of Netflix's peers have a positive net margin, with Walt Disney Company at 5.5% and Comcast at 13.1%. The remaining two companies posted a negative net margin for 2024, showing the severity of their struggles in this industry. For 2024, Warner Bros. Discovery had a net margin of -28.8% and Paramount had a net margin of -21.1%. These figures show the state of this industry and show just how much of a market-lead Netflix is. We believe Walt Disney Company and Comcast will post low net margins moving forward while Warner Bros. Discovery and Paramount will post negative margins. Additionally, we believe Warner Bros. Discovery and Paramount's poor performance will lead to them being acquired to maintain a presence in this industry.

Financing Capabilities

Company	2024 FCF Margin (%)	Credit Rating
Apple	27.8%	AA+
Amazon	5.2%	AA
Google	20.8%	AA+
Netflix	17.8%	A
Walt Disney Company	9.4%	A
Comcast	12.4%	BBB+
Warner Bros. Discovery	11.3%	BBB-
Paramount Global	1.7%	BB+

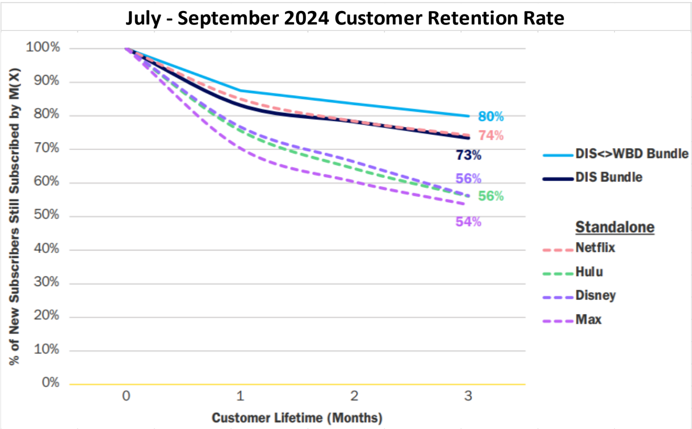
Source: FactSet

The most important aspect of the Video Streaming Services industry is the ability to constantly bring content to users, so they find their subscriptions to be valuable. For companies to expand their content library, they either need to generate sufficient cash flows or be able to raise debt. These funds are used to either produce and acquire pieces of content or rights to live events.

The best companies positioned from the perspective of free cash flow are Apple, Google, and Netflix. These companies ranked the highest amongst peers in the industry showing their capability to afford content expansion through cash flows. The worst-positioned company was Paramount by a large margin with a free cash flow margin of 1.7%. This means that 1.7% of their total sales are turned into free cash flow after all expenses. To gain ground against a company like Netflix, they have aggressively pursued new content, but they will not be able to do it through this avenue.

Another way to finance content expansion would be to raise debt. Apple, Amazon, and Google all have the highest credit ratings due to the profits they generate from their core businesses. Additionally, due to the size of those companies, credit rating agencies see much less risk when it comes to paying down debt. Of companies more reliant on the Video Streaming Services industry, Netflix and Walt Disney Company ranked the highest with A credit ratings. For these companies, they can raise debt at lower rates to pursue content acquisition and production. While Comcast, Warner Bros. Discovery, and Paramount are all investment grade, their lower rankings indicate they have a higher risk when it comes to paying down debt. This means that if they pursue content expansion by raising debt, they will face higher rates. We believe continued struggles with profitability will drive these companies' credit ratings down in the future.

Subscriber Survival Rate

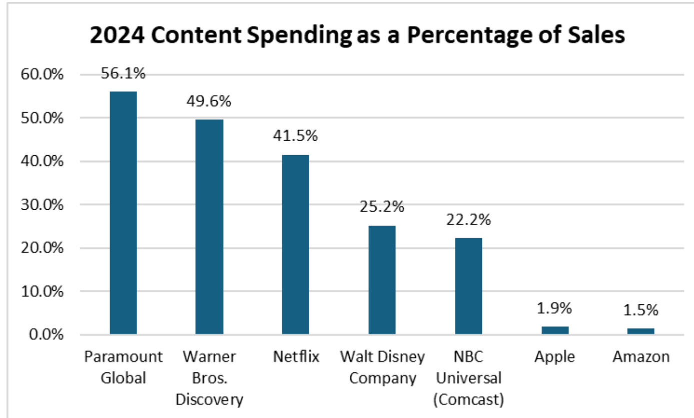


Source: Antenna

A subscriber survival rate, otherwise known as retention rate, is an important indicator of determining the value consumers associate with a streaming platform. This metric shows the percentage of subscribers that are still with a platform after three months. This is an area of the industry where Netflix has seen some competition. The process of bundling services has proven to be effective for companies that participate in it. Netflix has a customer retention rate of 74%[4] compared to the Walt Disney Company and Warner Bros. Discovery's bundle with a retention rate of 80%[4]. This means that after three months, more subscribers stayed subscribed to this bundle compared to Netflix.

Companies struggling to compete with Netflix are in a unique position to gain ground through partnerships and bundles. Walt Disney Company and Warner Bros. Discovery have already done this with their bundling of Disney+, Hulu, and Max. Additionally, Disney has bundled their services, offering Disney+, Hulu, and ESPN+ in one package. In a sense, this still shows how dominant Netflix is in that it retains a competitive retention rate when compared to companies partnering. When looking at other streaming platforms' stand-alone retention rates, they do not come close to Netflix. Since there are only so many ways streaming services can be bundled, Netflix is still in the strongest position to retain its subscribers and ultimately keep an industry-low churn rate.

Content Spending



Source: Statista

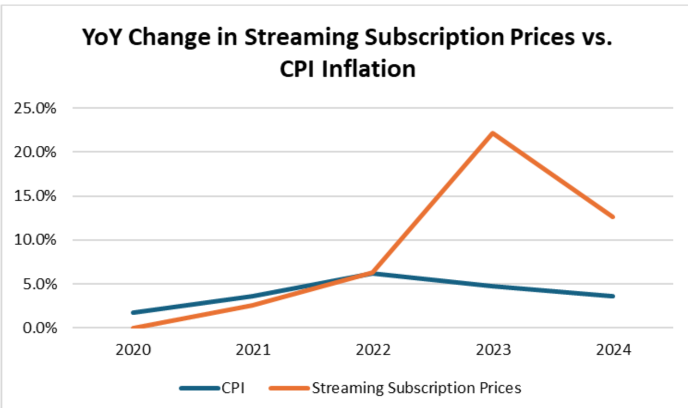
An important aspect to analyze for this industry is the total amount companies spend on content compared to their overall revenue. Spending on content consists of three buckets which are producing original content, licensing content, and acquiring the rights to stream live events. New content is essential to gaining and keeping subscribers in for streaming platforms. Money spent on content expansion does not guarantee that a platform will become more popular or profitable, which is why it is a key metric to watch.

Apple and Amazon spend the least on content relative to their sales, but this is not due to extremely high revenues from their streaming platforms. As stated before, these two companies' primary operations are not in this industry. Both companies' streaming platforms are a very small segment of their overall business. Amazon has the second most subscribers behind Netflix and spends the least on content relative to sales. We believe if Amazon made a larger capital commitment to content, it would pose a bigger threat. For reference, Amazon spent $9.3 billion on content in 2024 compared to the $16.2 billion Netflix spent in 2024[18]. Additionally, Amazon and Apple could afford to spend additional capital on content due to the size of their companies.

The two worst-positioned companies based on total content spending as a percentage of sales are Paramount and Warner Bros. Discovery. As a percentage of sales, Paramount spent 56.1% on content in 2024 and Warner Bros. Discovery spent 49.6%[18]. The main issue with these companies is that they are spending at higher levels than their peers, but they have yet to make a profit. These higher levels of investment in content are not profitable investments for these companies as they lag in this industry. We do not believe these companies have a chance to catch up with Netflix, so they are essentially digging themselves into a hole. This is another reason we believe they will Paramount and Warner Bros. Discovery will be acquired if they want to remain in this industry.

ECONOMIC OUTLOOK

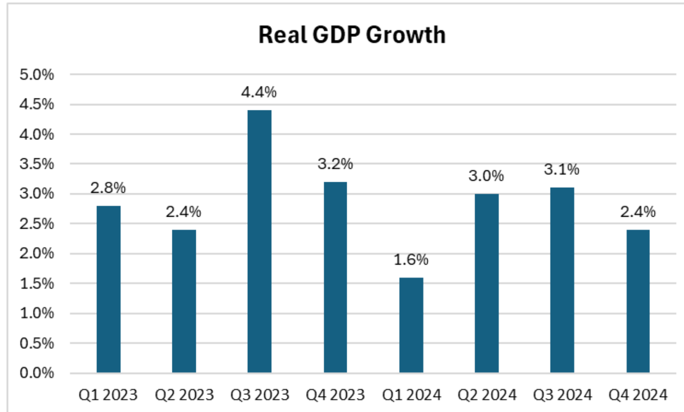
CPI Inflation



Source: eMarketer

With the trade wars starting to heat up from the continued threats of Tariffs from President Trump, we anticipate inflation will increase to 3.3% in the next six months compared to the current rate of 3.0%. If prices do go up, the cost of original content creation will go up as well. Whether it is increased costs for equipment, materials, or energy, higher costs will start to restrict the amount of content that is produced. Additionally, the annual change in the price of streaming subscriptions has already outpaced CPI inflation. This is in correlation with increased content spending from streaming platforms to attract new subscribers and maintain their current ones. If the cost of content expansion increases more from inflation, these expenses will likely get passed to the consumer again. The costs of monthly subscriptions are at a level where consumers may deem them essential, but higher inflation could tighten up the number of subscriptions. Netflix, as the industry leader, will likely remain essential to consumers, but the options after that could see higher cancellations. Higher inflation poses the biggest risk to companies that are not as competitive or not as profitable in this industry. The biggest risk to Netflix is that they already have the most expensive premium subscription so there might come a point where consumers will resent higher prices. This could lead to swapping the premium version for the ad-supported or the loss of subscriptions entirely. The CPI rate will be an important economic metric to watch, especially if it goes up long term.

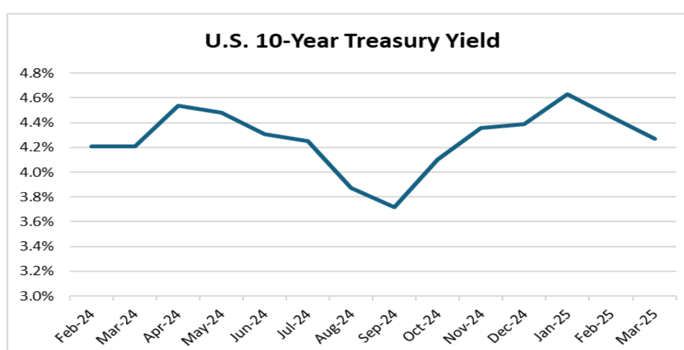
Real GDP



Source: Trading Economics

The real GDP growth has been varying around the 3.0% mark over the past two years. With the new administration emphasizing decreasing our trade deficit with other countries, we forecast that real GDP will increase to 2.7% in the next quarter compared to the previous quarter of 2.3%. When the real GDP sees growth, it usually gives consumers a positive outlook on the economy. If consumers feel better about the economy's future, then they tend to find relief and end up spending more or worrying less about spending. In correlation to this, advertising companies recognize that consumers will spend more when they are more optimistic about the economy. This presents an opportunity for businesses to increase their revenue from additional money allocated towards advertising. An increase in real GDP will provide Netflix with a higher average revenue per ad-supported subscriber and overall higher revenue from advertising.

U.S. 10-Year Treasury Yield



Federal Reserve Bank of St. Louis

The U.S. 10-year treasury yield has started to come down due to the continued discussion on tariffs. As the stock market erases its gains from 2024, investors are pulling their money from equity markets to reallocate towards safer investments. With the U.S. 10-year treasury being considered "risk-free", it has seen high demand, leading to increased prices and lower yields. We forecast this trend will reverse over the next six months with the 10-year yield reaching 4.34% from the current rate of 4.24%. A higher 10-year yield represents an increase in borrowing costs for corporations. Netflix relies on borrowing debt to finance the expansion of its content library. This means that higher borrowing costs will increase the overall cost of content production and acquisition which will likely get passed on to the consumer. Higher content costs have the potential to slow content production and increase monthly subscription prices.

VALUATION

Revenue Growth:

We forecast that Netflix's total revenue will grow 14.8% in 2025, which is a slight decrease from 15.9% in 2024. At the end of 2024, Netflix gained more subscribers than expected due to its impressive content lineup. This included titles like the Tyson vs. Paul fight, the two NFL Christmas Day games, the second season of Squid Game, and Carry-on. In 2025 Netflix will have an even more impressive lineup of content that will help retain the subscribers who joined at the end of the year. In addition to retaining those subscribers, we believe Netflix will grow its subscriber base in Latin America (LATAM) and Asia-Pacific (APAC) from their increased investments in those regions. In 2025, we estimate that Latin America (LATAM) will grow 13.9% in average paying memberships and that Asia-Pacific (APAC) will grow 24.7% in the same category. Based on these factors, we believe Netflix is set up to perform well again in 2025.

For long-term results, we forecast Netflix's annual revenue growth slowly falling to 7.01% in 2029. This is driven by the fact we believe their growth in the United States and Canada (UCAN) will be primarily driven by price hikes as we estimate subscriber growth will slow to 2.0% annually in this region. In countries like Latin America (LATAM) and Asia-Pacific (APAC), we believe there will be high sustained levels of growth in these regions since Netflix has not hit a high penetration rate in them. For Latin America (LATAM), we estimated that average paying memberships will grow at a CAGR of 10.6%. For Asia-Pacific, we estimated that average paying memberships will grow at a CAGR of 15.8%. Our global revenue projections are relatively in line with consensus estimates.

	2025E	2026E	2027E	2028E	2029E
HF Estimates	**$44,765**	**$50,706**	**$56,942**	**$61,219**	**$65,510**
Consensus	$44,291	$49,793	$55,146	$59,831	$65,547

Source: FactSet and HF Estimates

Operating Expenses:

The biggest factor when it comes to Netflix's operating expenses is the amortization of its content assets. The content they amortize is done so at a rapid pace due to the nature of films and content's peak engagement early on in their useful life. The amortization expense is derived using a 7-year historical amortization rate in our forecast and multiplying that by the total content assets at the start of each year. With no long-term guidance, we grew content assets by an inflation rate of 3.0% in our forecast. With the moat Netflix has surrounded itself with, we believe it will acquire content at a stable rate to continue executing its current business model. With these assumptions, overall operating expenses decreased compared to sales in our 5-year projection. Operating expenses such as other costs of revenues, technology and development, and general and administrative with forecasted as a constant percentage of sales. Other expenses like depreciation, advertising expenses, and other sales and marketing continued their trend downward by a constant percentage. We believe that as Netflix and this industry mature, their operating expenses will decrease relative to sales.

Profit Margins & EPS:

As stated before, Netflix's revenue will outgrow its operating expenses over the next five years based on our estimates. With that, Netflix will see higher operating margins and net income margins. With a higher net income each year, earnings per share is set to grow over the forecasted period. Our earnings per share estimates show Netflix going from $20.3/share in 2024, to $48.2 in 2029. Our earnings per share forecasts are relatively in line with consensus estimates.

	2025E	2026E	2027E	2028E	2029E
HF Estimates	**$24.1**	**$29.2**	**$36.8**	**$42.4**	**$48.2**
Consensus	$24.8	$30.4	$36.7	$41.6	$47.9

Source: FactSet and HF Estimates

Capital Expenditures:

Being that Netflix's operations revolve around the acquisition and creation of content, capex plays a big in cash flow usage. We believe that Netflix will remain relatively stable over the next five years with content spending going from $15.5 billion in 2025 to $18.4 billion in 2029. Management provided forward-looking guidance of up to $18.0 billion in 2025 for content acquisition which would be a sizeable increase from the $16.2 billion they spent in 2024. Since this is a limit, it does not guarantee they will reach this level for content acquisition. Our forecasts do anticipate exceeding this amount by 2029. We believe spending for content will shift towards a focus on original productions for regions outside the United States and Canada (UCAN), and the purchasing of rights for live sporting events. If Netflix does decide to pursue content at a higher rate, our projections for cash flow increase over the next five years so they will have the funds to acquire or produce more content.

Share Repurchases:

We estimate Netflix will use its cash to acquire additional shares of its company moving forward. Management recently announced their total buyback authorization at $17.1 billion[15]. If Netflix were to execute this entire buyback today, it would represent approximately 4.5% of the 2024 year-end basic shares outstanding. There is no indication of the time frame that this will be spent, so it is not included in our forecast other than validation that Netflix is willing to provide funds for share repurchases. With the dramatic increase in the share price Netflix has faced over the past year, we believe repurchases each year will decrease. We estimate they will spend 10% less each year from their previous annual repurchase in total dollars spent on stock buybacks. With constant repurchases, Netflix will drive up its EPS since there are fewer basic shares outstanding available. We believe constant share repurchases are highly probable since free cash flow for Netflix does not have a designated purpose other than content acquisition.

Weighted Average Cost of Capital:

When calculating our WACC, some of the important assumptions we made were using the risk-free rate of 4.23%, a beta of 1.27, an equity risk premium of 5.00%, and a pre-tax cost of debt of 4.90% The risk-free rate represents the yield of the U.S. 10-year treasury bond. The beta is an average of Netflix's 6-month, 1-year, 2-year, and 5-year weekly beta which was provided by Bloomberg. The equity risk premium represents a middle ground between the historic geometric average of the S&P 500's equity risk premium at 5.48% and Damodaran's implied equity risk premium of 4.35%. With these figures, we were able to calculate the cost of equity at 10.57% and the after-tax cost of debt at 3.78%. Using these assumptions and Netflix's capital structure, we estimated WACC to be 10.26%. One risk to this calculation is that once Netflix matures and becomes an essential item, the beta may be lower which would lead to a lower WACC as well. A smaller WACC would result in a higher present value for free cash flow and a higher stock price valuation.

Valuation Models:

Discounted Cash Flow and Economic Profit:

The discounted cash flow and economic profit models we produced both returned an estimated stock price for Netflix at $1,048. The key drivers behind these models that we calculated were a CV growth rate of 8.00%, a CV year ROIC of 36.13%, a WACC of 10.26%, and a cost of equity of 10.57%. The most important factor of this model is the CV growth rate of NOPLAT at 8.00%. This percentage, which outperforms nominal GDP historically, is justified by the assumption that the streaming industry is still considered to be in a growth state. Additionally, we decided to give Netflix a higher CV growth rate since it is the best-positioned company in the industry. Streaming subscribers are correlated with the total number of internet users. As the internet continues to be essential in all lives, the total number of users will grow with the growth in the global population. This means that there are new cycles of potential users for Netflix to obtain each year. At some point, the addition of new subscribers will not be offset by content costs since Netflix will have such a large subscriber base already. This is the reason we gave NOPLAT a CV growth rate of 8.00%. Both of these models are appropriate for the valuation of Netflix as they take into account the increase in profitability Netflix will experience when revenue outpaces expenses. This is the model we are most confident in and gave 100% weight to our price target.

Dividend Discount Model:

Our key assumptions in this model compared to the previous ones are our projected earnings per share growth and our CV ROE of 45.65%. With these assumptions and our previously mentioned costs of equity, our model produced that Netflix should be trading at $1,051 per share. Since Netflix has never produced a dividend and does not plan to, this model is less of a factor to us when evaluating when Netflix should be trading. It is in line with our discounted cash flow and economic profit model.

Relative Valuation:

To see where Netflix's stock ranks amongst peers, we did a forward-looking comparison based on earnings per share for competitors in the industry. The two ratios we utilized were the price-to-earnings ratio and price-to-sales ratio based on estimates for 2025 and 2026. After removing outliers, we referenced 4 companies for the price-to-earnings ratio and 5 companies for the price-to-sales ratio. The 2 average price-to-earnings ratios we arrived at were 12.55 for 2025 and 11.83 for 2026. Using our earnings per share estimates, this ratio revealed Netflix should be trading at a range of $302- $346 for the years 2025 and 2026. The average price-to-sales ratios we arrived at for the years 2025 and 2026 were 1.20 and 1.18. Using our estimated revenue for those years, we calculated that Netflix is worth approximately $126-$140 per share. Both of these peer comparison metrics indicate that Netflix is overvalued compared to other companies in the industry, but we do not believe this valuation model is appropriate.

Netflix is in a category of its own in the video streaming services industry. Most companies are either traditional linear TV providers that are dealing with steady declines in revenue or they are streaming platforms that struggle to be profitable. Due to this, relative multiples do not accurately reflect the position of Netflix in the streaming industry. The only other option would be to compare Netflix to companies like Amazon and Google which have success in streaming, but it is not their core operations. For these reasons, we do not believe there is a good group of comparable companies for Netflix.

Sensitivity Analysis:

CV Growth of NOPLAT \ WACC	9.66%	9.86%	10.06%	10.26%	10.46%	10.66%	10.86%
1,048.46							
7.25%	1,033.51	948.52	875.63	812.44	757.12	708.30	664.89
7.50%	1,141.22	1,038.20	951.29	876.97	812.71	756.58	707.14
7.75%	1,277.12	1,149.14	1,043.32	954.37	878.55	813.16	756.18
8.00%	1,453.96	1,289.89	1,157.68	1,048.88	957.77	880.37	813.80
8.25%	1,693.50	1,474.36	1,303.64	1,166.91	1,054.92	961.53	882.45
8.50%	2,036.30	1,726.64	1,496.38	1,318.46	1,176.85	1,061.47	965.65
8.75%	2,567.45	2,092.57	1,762.69	1,520.20	1,334.43	1,187.57	1,068.56

The most important sensitivity test we conducted was the impact of the changes on our CV growth rate for NOPLAT and our calculated WACC. If Netflix's long-term growth rate is slightly worse and the WACC is slightly higher, then the value of the stock is worth much less than our price target. Even if the growth rate only falls, the price moves closer to where the stock has been trading. Netflix's growth rate will be very important to monitor moving forward.

Other Cost of Revenue as a % of Sales \ Global Revenue Growth 2025	11.78%	12.78%	13.78%	14.78%	15.78%	16.78%	17.78%
1,048.46							
11.79%	1,099.09	1,121.22	1,143.36	1,165.50	1,187.64	1,209.78	1,231.92
12.79%	1,061.09	1,082.89	1,104.69	1,126.49	1,148.29	1,170.09	1,191.89
13.79%	1,023.10	1,044.56	1,066.02	1,087.48	1,108.94	1,130.39	1,151.85
14.79%	985.11	1,006.23	1,027.35	1,048.46	1,069.58	1,090.70	1,111.82
15.79%	947.11	967.89	988.67	1,009.45	1,030.23	1,051.01	1,071.79
16.79%	909.12	929.56	950.00	970.44	990.88	1,011.32	1,031.76
17.79%	871.13	891.23	911.33	931.43	951.53	971.63	991.73

The goal of our second sensitivity test was to find out how our price target would vary based on changes in performance and profit. To simulate this, we tested the changes in Netflix's global revenue growth for 2025 and their other costs of revenue as a percentage of sales. The best result was if Netflix outperformed our revenue growth estimates for 2025 and their other costs of revenue went down relative to sales, the stock price would be approximately $200 over our current price target. The worst results were if Netflix underperformed our growth estimates and other costs of revenue became more expensive, then they would be trading slightly under where they are currently.

KEYS TO MONITOR

With Netflix solidifying their spot at the top of the streaming world, 2025 will be the year to see how far they want to separate themselves from the competition. Some of the key things to monitor for Netflix in 2025 is their investment in global original productions and live sports, their total subscriber growth in 2025, and if advertising revenue starts to play a role in their total revenue.

Bullish Sentiment:

With the lowest churn rate amongst streaming services, we believe continued original content production and heavy investment in live-streamed sports will make Netflix the most complete possible streaming service. Additionally, Netflix has the opportunity to sustain its large subscriber growth by investing in original content for growing regions like Latin America (LATAM) and Asia-Pacific (APAC). Finally, Netflix's biggest growth opportunity of all is its potential ad revenue. With higher engagement levels than traditional linear TV, Netflix can take away advertising revenue and charge a premium for it. We believe this would complete their business model and provide consistent revenue growth.

Bearish Sentiment:

We estimate that the top prohibitor of Netflix's stock price is an overall correction in the stock market caused by a massive sell-off. This has been a trend recently and the continuation of tariffs and trade wars will prompt investors to keep pulling their funds out of equities.

In terms of Netflix-specific risks, a slowdown or underperforming subscriber growth report would indicate that Netflix has a high penetration and will struggle to grow its number of users. This would also mean that the high costs associated with producing and acquiring content will not be worth the investment. Lastly, if streaming services begin to collaborate or bundle services more frequently to compete with Netflix. Bundled streaming packages have already shown high interest and one even has a higher retention rate than Netflix. If this is something that is seen more frequently, then churn rates will go up not only for Netflix but for the entire industry. Consumers will be torn between choosing different streaming platforms and they will opt to subscribe and unsubscribe once they have viewed the content they wanted.

Conclusion:

We believe strongly in the moat Netflix has created itself in this industry and we also believe that Netflix has now shifted to a value company. Using our DCF and EP models, we have set a price target for Netflix at $1,048, which represents a 19.6% upside. This price was driven by our estimations of sustained subscriber growth from content expansion, lower operating expenses relative to revenue growth, and increased average revenue per user (ARPU) from price hikes. Netflix has become a premier stock in the communications sector, and we recommend a **BUY** rating for it based on how essential it has become.

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DISCLAIMER

Netflix, Inc.
Revenue Decomposition

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Global Results:								
Streaming revenues	31,470	33,640	39,001	44,765	50,706	56,942	61,219	65,510
Growth	6.62%	6.90%	15.93%	14.78%	13.27%	12.30%	7.51%	7.01%
DVD revenues	146	83	0	0	0	0	0	0
Growth	-20.10%	-43.14%	-100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total revenues	31,616	33,723	39,001	44,765	50,706	56,942	61,219	65,510
Growth	6.46%	6.67%	15.65%	14.78%	13.27%	12.30%	7.51%	7.01%
Paid net membership additions	8.90	29.53	41.35	31.45	33.71	29.96	25.86	22.05
Growth	-51.03%	231.67%	40.03%	-23.93%	7.17%	-11.12%	-13.68%	-14.72%
Paid memberships at end of period	230.75	260.28	301.63	333.08	366.79	396.75	422.61	444.66
Growth	4.01%	12.80%	15.89%	10.43%	10.12%	8.17%	6.52%	5.22%
Average paying memberships	222.92	240.89	277.73	317.35	349.93	381.77	409.68	433.63
Growth	5.76%	8.06%	15.29%	14.27%	10.27%	9.10%	7.31%	5.85%
Average monthly revenue per paying membership	11.76	11.64	11.70	11.75	12.07	12.43	12.45	12.59
Growth	0.77%	-1.02%	0.52%	0.47%	2.72%	2.94%	0.18%	1.10%
Regional Breakdown:								
United States and Canada (UCAN)								
Revenues	14,085	14,874	17,359	19,605	21,900	23,937	25,479	26,791
Growth	8.58%	5.60%	16.71%	12.94%	11.71%	9.30%	6.44%	5.15%
Paid net membership additions (losses)	(0.92)	5.83	9.50	5.55	4.81	3.87	2.26	2.12
Growth	-171.85%	734.60%	62.84%	-41.58%	-13.37%	-19.50%	-41.49%	-6.26%
Paid memberships at end of period	74.30	80.13	89.63	95.17	99.98	103.85	106.11	108.23
Growth	-1.22%	7.85%	11.85%	6.19%	5.05%	3.87%	2.18%	2.00%
Average paying memberships	74.00	76.13	84.11	92.40	97.58	101.91	104.98	107.17
Growth	-0.31%	2.87%	10.49%	9.85%	5.60%	4.45%	3.01%	2.09%
Average monthly revenue per paying membership	15.86	16.28	17.20	17.68	18.70	19.57	20.23	20.83
Growth	8.93%	2.65%	5.65%	2.80%	5.78%	4.65%	3.33%	3.00%
Europe, Middle East, and Africa (EMEA)								
Revenues	9,745	10,556	12,387	14,043	15,550	17,388	18,279	19,385
Growth	0.47%	8.33%	17.34%	13.37%	10.73%	11.82%	5.12%	6.05%
Paid net membership additions (losses)	2.69	12.08	12.32	10.18	9.63	8.47	7.51	6.71
Growth	-63.30%	348.72%	1.95%	-106.80%	-27.76%	-58.14%	-48.02%	-39.85%
Paid memberships at end of period	76.73	88.81	101.13	111.32	120.95	129.41	136.92	143.63
Growth	3.64%	15.75%	13.87%	10.07%	8.65%	7.00%	5.80%	4.90%
Average paying memberships	73.90	80.93	94.20	106.23	116.13	125.18	133.17	140.27
Growth	6.31%	9.50%	16.40%	12.77%	9.33%	7.79%	6.38%	5.34%
Average monthly revenue per paying membership	10.99	10.87	10.96	11.02	11.16	11.58	11.44	11.52
Growth	-5.50%	-1.09%	0.83%	0.52%	1.28%	3.74%	-1.18%	0.68%
Latin America (LATAM)								
Revenues	4,070	4,446	4,840	5,665	6,686	7,853	8,833	9,627
Growth	13.78%	9.25%	8.85%	17.05%	18.03%	17.44%	12.49%	8.99%
Paid net membership additions (losses)	1.74	4.30	7.33	4.94	8.08	7.19	5.49	4.17
Growth	-28.30%	147.30%	70.54%	-32.63%	63.65%	-11.01%	-23.72%	-23.94%
Paid memberships at end of period	41.70	46.00	53.33	58.27	66.35	73.54	79.02	83.20
Growth	4.35%	10.31%	15.94%	9.26%	13.87%	10.84%	7.46%	5.28%
Average paying memberships	40.00	42.80	48.95	55.80	62.31	69.94	76.28	81.11
Growth	3.70%	7.01%	14.37%	13.98%	11.67%	12.26%	9.06%	6.33%
Average monthly revenue per paying membership	8.48	8.66	8.24	8.46	8.94	9.36	9.65	9.89
Growth	9.70%	2.12%	-4.85%	2.68%	5.70%	4.62%	3.14%	2.50%
Asia-Pacific (APAC)								
Revenues	3,570	3,764	4,415	5,452	6,569	7,764	8,625	9,705
Growth	9.29%	5.42%	17.30%	23.49%	20.49%	18.19%	11.09%	12.52%
Paid net membership additions (losses)	5.39	7.32	12.20	10.78	11.19	10.43	10.60	9.05
Growth	-24.50%	35.69%	66.82%	-11.63%	3.79%	-6.78%	1.65%	-14.66%
Paid memberships at end of period	38.02	45.34	57.54	68.32	79.52	89.95	100.55	109.60
Growth	16.52%	19.24%	26.92%	18.74%	16.38%	13.12%	11.79%	9.00%
Average paying memberships	35.02	41.03	50.47	62.93	73.92	84.73	95.25	105.08
Growth	23.04%	17.17%	22.99%	24.70%	17.46%	14.63%	12.41%	10.32%
Average monthly revenue per paying membership	8.50	7.64	7.29	7.22	7.41	7.64	7.55	7.70
Growth	-11.09%	-10.12%	-4.58%	-0.97%	2.58%	3.11%	-1.18%	2.00%

Netflix, Inc.

Income Statement (in millions)

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Revenues	31,616	33,723	39,001	44,765	50,706	56,942	61,219	65,510
Costs:								
Amortization of licensed content	7,682	7,145	7,689	7,606	8,277	8,526	8,781	9,045
Amortization of produced content	6,344	7,052	7,613	7,530	8,195	8,441	8,694	8,955
Amortization of content assets	14,026	14,197	15,302	15,137	16,472	16,966	17,475	18,000
Depreciation and amortization of property, equipment and intangibles	337	357	329	378	383	387	389	392
Other cost of revenues	4,805	5,161	5,408	6,621	7,499	8,422	9,054	9,689
Cost of revenues	19,168	19,715	21,038	22,135	24,354	25,775	26,919	28,080
Advertising expense	1,586	1,732	1,779	2,281	2,520	2,759	2,890	3,010
Other sales and marketing	945	926	1,139	1,293	1,401	1,502	1,538	1,564
Sales and marketing	2,531	2,658	2,918	3,573	3,921	4,261	4,428	4,574
Technology and development	2,711	2,676	2,925	3,478	3,940	4,424	4,757	5,090
General and administrative	1,573	1,720	1,702	2037	2307	2591	2785	2981
Operating income	5,633	6,954	10,418	13,541	16,184	19,892	22,330	24,785
Other income (expense):								
Interest expense	706	700	719	764	900	956	1,015	1,061
Interest and other income (expense)	337	(49)	267	405	369	451	699	1,073
Income before income taxes	5,264	6,205	9,966	13,183	15,653	19,387	22,014	24,797
Provision for income taxes	772	797	1,254	3,007	3,570	4,422	5,021	5,656
Net income	4,492	5,408	8,712	10,177	12,083	14,965	16,993	19,141
Basic earnings per share (EPS)	10.10	12.25	20.28	24.09	29.24	36.84	42.37	48.16
Year end shares outstanding (basic)	445	433	428	417	409	403	399	396
Weighted average shares outstanding (basic)	445	442	430	422	413	406	401	397
Dividends per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Netflix, Inc.

Balance Sheet (in millions)

Fiscal Years Ending Dec. 31	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Assets								
Current assets:								
Cash and cash equivalents	5,147	7,117	7,805	6,878	8,724	14,506	23,260	35,010
Short-term investments	911	21	1,779	1,854	1,933	2,015	2,100	2,189
Other current assets	3,208	2,780	3,517	4,092	4,634	5,205	5,595	5,988
Total current assets	9,266	9,918	13,100	12,824	15,291	21,725	30,955	43,187
Content assets, net	32,737	31,658	32,452	35,316	36,375	37,467	38,591	39,748
Property and equipment, net	1,398	1,491	1,594	1,614	1,630	1,642	1,651	1,658
Other non-current assets	5,193	5,664	6,484	7,442	8,430	9,466	10,177	10,891
Total assets	48,595	48,732	53,630	57,196	61,726	70,300	81,374	95,484
Liabilities and Stockholders' Equity								
Current Liabilties:								
Current content liabilities	4,480	4,466	4,394	4,866	5,012	5,162	5,317	5,476
Accounts payable	672	747	900	994	1,126	1,264	1,359	1,454
Accrued expenses and other liabilities	1,515	1,804	2,157	2,301	2,606	2,927	3,147	3,367
Deferred revenue	1,265	1,443	1,521	1,817	2,059	2,312	2,485	2,660
Short-term debt	-	400	1,784	2,076	2,352	2,641	2,839	3,038
Total current liabilities	7,931	8,861	10,755	12,054	13,154	14,306	15,147	15,996
Non-current content liabilities	3,081	2,578	1,781	1,938	1,996	2,056	2,118	2,181
Long-term debt	14,353	14,143	13,798	16,292	17,161	18,065	18,816	19,580
Other non-current liabilities	2,452	2,561	2,552	2,913	3,069	3,230	3,364	3,501
Total liabilities	27,817	28,144	28,887	33,197	35,379	37,657	39,445	41,258
Stockholders' equity:								
Common stock	4,638	5,145	6,252	7,186	8,120	9,053	9,987	10,921
Treasury stock at cost	(824)	(6,922)	(13,172)	(25,026)	(35,695)	(45,297)	(53,939)	(61,717)
Accumulated other comprehensive income (loss)	(217)	(224)	362	362	362	362	362	362
Retained earnings	17,181	22,589	31,301	41,478	53,560	68,525	85,519	104,660
Total stockholders' equity	20,777	20,588	24,744	23,999	26,347	32,644	41,929	54,226
Total liabilities and stockholders' equity	48,595	48,732	53,630	57,196	61,726	70,300	81,374	95,484

Netflix, Inc.

Historical Cash Flow Statement (in millions)

Fiscal Years Ending Dec. 31	2022	2023	2024
Cash flows from operating activities:			
Net income	4,492	5,408	8,712
Adjustments to reconcile net income to net cash provided by operating activities:			
Additions to content assets	(16,839)	(12,555)	(16,224)
Change in content liabilities	179	(586)	(779)
Amortization of content assets	14,026	14,197	15,302
Depreciation and amortization of property, equipment and intangibles	337	357	329
Stock-based compensation expense	575	339	273
Foreign currency remeasurement loss (gain) on debt	(353)	176	(122)
Other non-cash items	534	512	495
Deferred income taxes	(167)	(459)	(591)
Changes in operating assets and liabilities:			
Other current assets	(354)	(181)	22
Accounts payable	(159)	94	121
Accrued expenses and other liabilities	(56)	104	192
Deferred revenue	27	179	78
Other non-current assets and liabilities	(218)	(311)	(446)
Net cash provided by operating activities	2,026	7,274	7,361
Cash flows from investing activities:			
Purchases of property and equipment	(408)	(349)	(440)
Change in other assets	-	-	-
Acquisitions	(757)	-	-
Purchases of investments	(911)	(505)	(1,742)
Proceeds from maturities of investments	-	1,395	-
Net cash provided by (used in) investing activities	(2,076)	542	(2,182)
Cash flows from financing activities:			
Proceeds from issuance of debt	-	-	1,794
Debt issuance costs	-	-	-
Repayments of debt	(700)	-	(400)
Proceeds from issuance of common stock	36	170	833
Repurchases of common stock	-	(6,045)	(6,264)
Taxes paid related to net share settlement of equity awards	-	-	(8)
Other financing activities	-	(75)	(30)
Net cash used in financing activities	(664)	(5,951)	(4,074)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(170)	83	(416)
Net increase (decrease) in cash, cash equivalents and restricted cash	(885)	1,948	689
Cash, cash equivalents and restricted cash, beginning of year	6,055	5,171	7,119
Cash, cash equivalents and restricted cash, end of year	5,171	7,119	7,807

Netflix, Inc.

Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E
Cash flows from operating activities:					
Net income	10,177	12,083	14,965	16,993	19,141
Depreciation	378	383	387	389	392
Amortization	15,137	16,472	16,966	17,475	18,000
Change in other current assets	(575)	(543)	(570)	(391)	(392)
Change in current content liabilities	472	146	150	155	160
Change in accounts payable	94	132	138	95	95
Change in accrued expenses and other liabilities	144	305	321	220	221
Change in deferred revenue	297	241	253	174	174
Net cash provided by operating activities	26,123	29,219	32,610	35,111	37,790
Cash flows from investing activities:					
Chage in content spend	(15,515)	(16,855)	(17,353)	(17,865)	(18,391)
Change in short-term investments	(75)	(78)	(82)	(85)	(89)
Change in content assets, net	(2,863)	(1,059)	(1,091)	(1,124)	(1,158)
Change in property and equipment, net	(21)	(16)	(12)	(9)	(7)
Change in other non-current assets	(958)	(988)	(1,037)	(711)	(713)
Net cash provided by (used in) investing activities	(19,432)	(18,996)	(19,575)	(19,794)	(20,358)
Cash flows from financing activities:					
Change in short-term debt	292	276	289	198	199
Change in non-current liabilities	157	58	60	62	64
Change in long-term debt	2,493	869	904	751	764
Change in other non-current liabilities	361	155	162	134	137
Change in common stock	934	934	934	934	934
Change in treasury stock at cost	(11,854)	(10,669)	(9,602)	(8,642)	(7,778)
Net cash used in financing activities	(7,618)	(8,377)	(7,254)	(6,563)	(5,681)
Change in cash	(927)	1,846	5,782	8,754	11,751
Beginning of year cash	7,805	6,878	8,724	14,506	23,260
End of year cash	6,878	8,724	14,506	23,260	35,010

Netflix, Inc.

Common Size Income Statement

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Costs:								
Amortization of licensed content	24.30%	21.19%	19.71%	16.99%	16.32%	14.97%	14.34%	13.81%
Amortization of produced content	20.07%	20.91%	19.52%	16.82%	16.16%	14.82%	14.20%	13.67%
Amortization of content assets	44.36%	42.10%	39.23%	33.81%	32.49%	29.80%	28.55%	27.48%
Depreciation and amortization of property, equipment and intangibles	1.06%	1.06%	0.84%	0.84%	0.76%	0.68%	0.64%	0.60%
Other cost of revenues	15.20%	15.30%	13.87%	14.79%	14.79%	14.79%	14.79%	14.79%
Cost of revenues	60.63%	58.46%	53.94%	49.45%	48.03%	45.26%	43.97%	42.86%
Advertising expense	5.02%	5.14%	4.56%	5.10%	4.97%	4.85%	4.72%	4.60%
Other sales and marketing	2.99%	2.75%	2.92%	2.89%	2.76%	2.64%	2.51%	2.39%
Sales and marketing	8.00%	7.88%	7.48%	7.98%	7.73%	7.48%	7.23%	6.98%
Technology and development	8.58%	7.93%	7.50%	7.77%	7.77%	7.77%	7.77%	7.77%
General and administrative	4.98%	5.10%	4.36%	4.55%	4.55%	4.55%	4.55%	4.55%
Operating income	17.82%	20.62%	26.71%	30.25%	31.92%	34.93%	36.48%	37.83%
Other income (expense):								
Interest expense	2.23%	2.08%	1.84%	1.71%	1.78%	1.68%	1.66%	1.62%
Interest and other income (expense)	1.07%	-0.14%	0.68%	0.91%	0.73%	0.79%	1.14%	1.64%
Income before income taxes	16.65%	18.40%	25.55%	29.45%	30.87%	34.05%	35.96%	37.85%
Provision for income taxes	2.44%	2.36%	3.22%	6.72%	7.04%	7.77%	8.20%	8.63%
Net income	14.21%	16.04%	22.34%	22.73%	23.83%	26.28%	27.76%	29.22%

Netflix, Inc.

Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Assets								
Current assets:								
Cash and cash equivalents	16.28%	21.10%	20.01%	15.36%	17.21%	25.47%	37.99%	53.44%
Short-term investments	2.88%	0.06%	4.56%	4.14%	3.81%	3.54%	3.43%	3.34%
Other current assets	10.15%	8.24%	9.02%	9.14%	9.14%	9.14%	9.14%	9.14%
Total current assets	29.31%	29.41%	33.59%	28.65%	30.16%	38.15%	50.56%	65.92%
Content assets, net	103.55%	93.88%	83.21%	78.89%	71.74%	65.80%	63.04%	60.67%
Property and equipment, net	4.42%	4.42%	4.09%	3.61%	3.22%	2.88%	2.70%	2.53%
Other non-current assets	16.43%	16.80%	16.62%	16.62%	16.62%	16.62%	16.62%	16.62%
Total assets	153.71%	144.51%	137.51%	127.77%	121.73%	123.46%	132.92%	145.75%
Liabilities and Stockholders' Equity								
Current Liabilties:								
Current content liabilities	14.17%	13.24%	11.27%	10.87%	9.88%	9.07%	8.68%	8.36%
Accounts payable	2.12%	2.22%	2.31%	2.22%	2.22%	2.22%	2.22%	2.22%
Accrued expenses and other liabilities	4.79%	5.35%	5.53%	5.14%	5.14%	5.14%	5.14%	5.14%
Deferred revenue	4.00%	4.28%	3.90%	4.06%	4.06%	4.06%	4.06%	4.06%
Short-term debt	0.00%	1.19%	4.58%	4.64%	4.64%	4.64%	4.64%	4.64%
Total current liabilities	25.09%	26.27%	27.58%	26.93%	25.94%	25.12%	24.74%	24.42%
Non-current content liabilities	9.75%	7.65%	4.57%	4.33%	3.94%	3.61%	3.46%	3.33%
Long-term debt	45.40%	41.94%	35.38%	31.84%	28.66%	25.79%	23.21%	20.89%
Other non-current liabilities	7.76%	7.60%	6.54%	6.51%	6.05%	5.67%	5.50%	5.34%
Total liabilities	87.99%	83.45%	74.07%	74.16%	69.77%	66.13%	64.43%	62.98%
Stockholders' equity:								
Common stock	14.67%	15.26%	16.03%	16.05%	16.01%	15.90%	16.31%	16.67%
Treasury stock at cost	-2.61%	-20.53%	-33.77%	-55.91%	-70.40%	-79.55%	-88.11%	-94.21%
Accumulated other comprehensive income (loss)	-0.69%	-0.66%	0.93%	0.81%	0.71%	0.64%	0.59%	0.55%
Retained earnings	54.34%	66.98%	80.26%	92.66%	105.63%	120.34%	139.69%	159.76%
Total stockholders' equity	65.72%	61.05%	63.44%	53.61%	51.96%	57.33%	68.49%	82.78%
Total liabilities and stockholders' equity	153.71%	144.51%	137.51%	127.77%	121.73%	123.46%	132.92%	145.75%

Netflix, Inc.
Value Driver Estimation

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
NOPLAT:								
EBITA:								
Revenues	31,616	33,723	39,001	44,765	50,706	56,942	61,219	65,510
Operating Expenses:								
Cost of revenues	19,168	19,715	21,038	22,135	24,354	25,775	26,919	28,080
Sales and marketing	2,531	2,658	2,918	3,573	3,921	4,261	4,428	4,574
Technology and development	2,711	2,676	2,925	3,478	3,940	4,424	4,757	5,090
General and administrative	1,573	1,720	1,702	2,037	2,307	2,591	2,785	2,981
Operating income	5,633	6,954	10,418	13,541	16,184	19,892	22,330	24,785
Plus: Implied interest on operating leases	123	117	111	111	111	111	111	111
EBITA:	5,756	7,071	10,529	13,653	16,295	20,003	22,441	24,896
Less: Adjusted Taxes:								
Provision for income taxes	772	797	1,254	3,007	3,570	4,422	5,021	5,656
Plus: Tax on implied lease interest	30	26	25	25	25	25	25	25
Plus: Interest Expense	175	155	164	174	205	218	231	242
Minus: Interest and other income (expense)	83	(11)	61	92	84	103	159	245
Total Adjusted Taxes	894	989	1,382	3,114	3,716	4,562	5,118	5,678
Plus: Change in deferred taxes	(167)	(459)	(591)	(591)	(591)	(591)	(591)	(591)
NOPLAT:	4,696	5,623	8,556	9,948	11,988	14,850	16,732	18,627
Invested Capital (IC):								
Operating Current Assets:								
Normal cash	5,147	5,490	6,350	7,288	8,255	9,271	9,967	10,665
Other current assets	3,208	2,780	3,517	4,092	4,634	5,205	5,595	5,988
Total operating current assets	8,355	8,271	9,866	11,380	12,890	14,475	15,562	16,653
Non-Interest Bearing Operating Current Liabilities:								
Current content liabilities	4,480	4,466	4,394	4,866	5,012	5,162	5,317	5,476
Accounts payable	672	747	900	994	1,126	1,264	1,359	1,454
Accrued expenses and other liabilities	1,515	1,804	2,157	2,301	2,606	2,927	3,147	3,367
Deferred revenue	1,265	1,443	1,521	1,817	2,059	2,312	2,485	2,660
Total non interest-bearing operating current liabilities	7,931	8,461	8,971	9,978	10,802	11,665	12,308	12,958
Net operating working capital	424	(190)	895	1,402	2,087	2,810	3,254	3,695
Property and equipment, net	1,398	1,491	1,594	1,614	1,630	1,642	1,651	1,658
Other Long-Term Operating Assets:								
Content assets, net	32,737	31,658	32,452	35,316	36,375	37,467	38,591	39,748
Other non-current assets	5,193	5,664	6,484	7,442	8,430	9,466	10,177	10,891
Total other long-term operating assets	37,930	37,322	38,936	42,758	44,805	46,933	48,768	50,639
Other Long-Term Operating Liabilities:								
Non-current content liabilities	3,081	2,578	1,781	1,938	1,996	2,056	2,118	2,181
Total other long-term operating liabilities	3,081	2,578	1,781	1,938	1,996	2,056	2,118	2,181
Invested Capital (IC)	36,671	36,045	39,644	43,836	46,527	49,330	51,556	53,812
Free Cash Flow (FCF):								
NOPLAT	4,696	5,623	8,556	9,948	11,988	14,850	16,732	18,627
Change in IC	4,163	(626)	3,599	4,192	2,690	2,803	2,226	2,256
FCF	**533**	**6,248**	**4,957**	**5,756**	**9,297**	**12,047**	**14,506**	**16,371**
Return on Invested Capital (ROIC):								
NOPLAT	4,696	5,623	8,556	9,948	11,988	14,850	16,732	18,627
Beginning IC	32,508	36,671	36,045	39,644	43,836	46,527	49,330	51,556
ROIC	**14.44%**	**15.33%**	**23.74%**	**25.09%**	**27.35%**	**31.92%**	**33.92%**	**36.13%**
Economic Profit (EP):								
Beginning IC	32,508	36,671	36,045	39,644	43,836	46,527	49,330	51,556
x (ROIC - WACC)	4.18%	5.07%	13.47%	14.83%	17.09%	21.66%	23.66%	25.87%
EP	**1,360**	**1,860**	**4,857**	**5,880**	**7,490**	**10,076**	**11,671**	**13,337**

Netflix, Inc.

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:		*ASSUMPTIONS:*
Risk-Free Rate	4.23%	*10-year Treasury bond*
Beta	1.27	*Average of 6-month, 1-year, 2-year, and 5-year Bloomberg weekly beta*
Equity Risk Premium	5.00%	*Henry Fund Estimate*
Cost of Equity	**10.57%**	
Cost of Debt:		
Risk-Free Rate	4.23%	*10-year Treasury bond*
Implied Default Premium	0.67%	
Pre-Tax Cost of Debt	4.90%	*YTM on company's 10-year corporate bond*
Marginal Tax Rate	22.81%	
After-Tax Cost of Debt	**3.78%**	

Market Value of Common Equity:		**MV Weights**
Total Shares Outstanding	427.80	
Current Stock Price	$875.82	
MV of Equity	**374,675.80**	95.45%
Market Value of Debt:		
Short-Term Debt	1,784.45	
Current Portion of LTD	0.00	
Long-Term Debt	13,798.35	
PV of Operating Leases	2,282.92	
MV of Total Debt	**17,865.72**	4.55%
Market Value of the Firm	**392,541.52**	100.00%

Estimated WACC	**10.26%**

Netflix, Inc.

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:	
CV Growth of NOPLAT	8.00%
CV Year ROIC	36.13%
WACC	10.26%
Cost of Equity	10.57%

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E
DCF Model:					
Free Cash Flow (FCF)	5,756	9,297	12,047	14,506	16,371
Continuing Value (CV)					641,478
PV of FCF	5,221	7,647	8,987	9,814	434,007
Value of Operating Assets:	465,676				
Non-Operating Adjustments					
Excess Cash	1,455				
Short-term investments	1,779				
Less: Total Debt	(17,866)				
Less: ESOP	(9,859)				
Value of Equity	441,186				
Shares Outstanding	428				
Intrinsic Value of Last FYE	1,031				
Implied Price as of Today	1,048.46				
EP Model:					
Economic Profit (EP)	5,880	7,490	10,076	11,671	13,337
Continuing Value (CV)					589,923
PV of EP	5,333	6,161	7,517	7,896	399,126
Total PV of EP	426,032				
Invested Capital (last FYE)	39,644				
Value of Operating Assets:	465,676				
Non-Operating Adjustments					
Excess Cash	1,455				
Short-term investments	1,779				
Less: Total Debt	(17,866)				
Less: ESOP	(9,859)				
Value of Equity	441,186				
Shares Outstanding	428				
Intrinsic Value of Last FYE	1,031				
Implied Price as of Today	1,048.46				

Netflix, Inc.

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
EPS	$ 24.09	$ 29.24	$ 36.84	$ 42.37	$ 48.16
Key Assumptions					
CV growth of EPS	8.00%				
CV Year ROE	45.65%				
Cost of Equity	10.57%				
Future Cash Flows					
P/E Multiple (CV Year)					32.09
EPS (CV Year)					$ 48.16
Future Stock Price					$ 1,545.84
Dividends Per Share	$0.00	$0.00	$0.00	$0.00	$0.00
Discounted Cash Flows	$0.00	$0.00	$0.00	$0.00	$1,034.24
Intrinsic Value as of Last FYE	$ 1,034.24				
Implied Price as of Today	**$ 1,051.46**				

Netflix, Inc.

Relative Valuation Models

Ticker	Company	Price	EPS 2025E	EPS 2026E	P/E 25	P/E 26	Market Cap (M)	Sales 2025E	Sales 2026E	P/S 2025	P/S 2026
DIS	Walt Disney Company	$113.80	$5.49	$6.14	20.73	18.53	$208,685.17	$94,557.00	$99,842.00	2.21	2.09
CMCSA	Comcast	$35.88	$4.31	$4.80	8.32	7.48	$137,887.65	$122,672.00	$126,496.00	1.12	1.09
WBD	Warner Bros. Discovery	$11.46	~~($0.25)~~	~~($0.10)~~	~~(45.84)~~	~~(114.60)~~	$29,146.96	$38,957.00	$39,216.00	0.75	0.74
PARA	Paramount	$11.36	$1.44	$1.66	7.89	6.84	$8,254.93	$28,810.00	$29,248.00	0.29	0.28
FOXA	Fox Corporation	$57.60	$4.35	$3.98	13.24	14.47	$26,032.44	$15,865.00	$15,343.00	1.64	1.70
				Average	**12.55**	**11.83**				**1.20**	**1.18**
NFLX	Netflix, Inc.	$875.82	$24.09	$29.24	36.36	29.95	$374,675.80	$44,765.31	$50,705.67	8.37	7.39

Implied Relative Value:

P/E (EPS25)	**$302.20**
P/E (EPS26)	**$345.98**
P/S (Sales 25)	**$125.71**
P/S (Sales 26)	**$139.92**

Netflix, Inc.
Sensitivity Tables

Beta (columns) × Equity Risk Premium (rows)

1,048.46	1.12	1.17	1.22	1.27	1.32	1.37	1.42
4.25%	3,280.07	2,570.29	2,108.81	1,784.73	1,544.64	1,359.64	1,212.71
4.50%	2,403.83	1,974.32	1,671.97	1,447.59	1,274.48	1,136.85	1,024.82
4.75%	1,891.10	1,597.98	1,381.15	1,214.26	1,081.84	974.21	885.00
5.00%	1,554.53	1,338.75	1,173.62	1,043.19	937.55	850.25	776.90
5.25%	1,316.65	1,149.33	1,018.09	912.39	825.43	752.65	690.83
5.50%	1,139.60	1,004.87	897.18	809.13	735.81	673.80	620.67
5.75%	1,002.69	891.05	800.49	725.56	662.53	608.77	562.38

Cost of Equity (columns) × CV Growth of EPS (rows)

1,051.46	9.97%	10.07%	10.17%	10.27%	10.37%	10.47%	10.57%
7.25%	1,035.42	995.08	957.52	922.47	889.68	858.93	830.06
7.50%	1,132.80	1,084.77	1,040.36	999.18	960.88	925.17	891.81
7.75%	1,252.11	1,193.79	1,140.32	1,091.10	1,045.67	1,003.59	964.51
8.00%	1,401.69	1,329.14	1,263.30	1,203.28	1,148.34	1,097.87	1,051.35
8.25%	1,594.77	1,501.68	1,418.31	1,343.22	1,275.24	1,213.40	1,156.91
8.50%	1,853.52	1,729.17	1,619.74	1,522.70	1,436.06	1,358.24	1,287.96
8.75%	2,218.31	2,042.82	1,892.08	1,761.21	1,646.52	1,545.19	1,455.03

Global Revenue Growth 2025 (columns) × Other Cost of Revenue as a % of Sales (rows)

1,048.46	11.78%	12.78%	13.78%	14.78%	15.78%	16.78%	17.78%
11.79%	1,099.09	1,121.22	1,143.36	1,165.50	1,187.64	1,209.78	1,231.92
12.79%	1,061.09	1,082.89	1,104.69	1,126.49	1,148.29	1,170.09	1,191.89
13.79%	1,023.10	1,044.56	1,066.02	1,087.48	1,108.94	1,130.39	1,151.85
14.79%	985.11	1,006.23	1,027.35	1,048.46	1,069.58	1,090.70	1,111.82
15.79%	947.11	967.89	988.67	1,009.45	1,030.23	1,051.01	1,071.79
16.79%	909.12	929.56	950.00	970.44	990.88	1,011.32	1,031.76
17.79%	871.13	891.23	911.33	931.43	951.53	971.63	991.73

WACC (columns) × CV Growth of NOPLAT (rows)

1,048.46	9.66%	9.86%	10.06%	10.26%	10.46%	10.66%	10.86%
7.25%	1,033.51	948.52	875.63	812.44	757.12	708.30	664.89
7.50%	1,141.22	1,038.20	951.29	876.97	812.71	756.58	707.14
7.75%	1,277.12	1,149.14	1,043.32	954.37	878.55	813.16	756.18
8.00%	1,453.96	1,289.89	1,157.68	1,048.88	957.77	880.37	813.80
8.25%	1,693.50	1,474.36	1,303.64	1,166.91	1,054.92	961.53	882.45
8.50%	2,036.30	1,726.64	1,496.38	1,318.46	1,176.85	1,061.47	965.65
8.75%	2,567.45	2,092.57	1,762.69	1,520.20	1,334.43	1,187.57	1,068.56

Pre-Tax Cost of Debt (columns) × Forecasted Marginal Tax Rate (rows)

1,048.46	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%
22.21%	1,064.30	1,062.59	1,060.88	1,059.17	1,057.48	1,055.78	1,054.10
22.41%	1,060.69	1,058.99	1,057.29	1,055.59	1,053.90	1,052.22	1,050.55
22.61%	1,057.08	1,055.38	1,053.69	1,052.01	1,050.33	1,048.66	1,046.99
22.81%	1,053.47	1,051.78	1,050.10	1,048.42	1,046.75	1,045.09	1,043.43
23.01%	1,049.85	1,048.17	1,046.50	1,044.84	1,043.18	1,041.52	1,039.88
23.21%	1,046.23	1,044.57	1,042.90	1,041.25	1,039.60	1,037.95	1,036.32
23.41%	1,042.62	1,040.96	1,039.30	1,037.66	1,036.02	1,034.38	1,032.76

2025 Capex Guidance (columns) × Amortization Rate (rows)

1,048.46	12000	14000	16000	18000	20000	22000	24000
40.64%	1,321.53	1,255.55	1,189.56	1,123.58	1,057.59	991.61	925.62
42.64%	1,302.54	1,233.99	1,165.44	1,096.88	1,028.33	959.77	891.22
44.64%	1,285.22	1,214.10	1,142.98	1,071.85	1,000.73	929.61	858.48
46.64%	1,269.57	1,195.88	1,122.18	1,048.49	974.80	901.11	827.42
48.64%	1,255.58	1,179.32	1,103.06	1,026.80	950.54	874.28	798.02
50.64%	1,243.26	1,164.43	1,085.60	1,006.77	927.94	849.11	770.28
52.64%	1,232.61	1,151.21	1,069.81	988.41	907.01	825.61	744.22

Netflix, Inc.

Valuation of Options Granted under ESOP

Current Stock Price	$875.82	
Risk Free Rate	4.23%	
Current Dividend Yield	0.00%	
Annualized St. Dev. of Stock Returns	39.61%	Bloomber 3y average

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	15,419,002	312.48	5.16	$ 639.42	9,859,232,909
Total	15,419,002	$ 312.48	5.16	$ 639.42	**9,859,232,909**

Netflix, Inc.

Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	15
Average Time to Maturity (years):	5.16
Expected Annual Number of Options Exercised:	2.99
Current Average Strike Price:	$ 312.48
Cost of Equity:	10.57%
Current Stock Price:	$875.82

Fiscal Years Ending Dec. 31	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Increase in Shares Outstanding:	2.99	2.99	2.99	2.99	2.99
Average Strike Price:	$ 312.48	$ 312.48	$ 312.48	$ 312.48	$ 312.48
Increase in Common Stock Account:	**934**	**934**	**934**	**934**	**934**
Share Repurchases ($)	11,854	10,669	9,602	8,642	7,778
Expected Price of Repurchased Shares:	$ 875.82	$ 968.39	$ 1,070.75	$ 1,183.92	$ 1,309.06
Number of Shares Repurchased:	**14**	**11**	**9**	**7**	**6**
Shares Outstanding (beginning of the year)	428	417	409	403	399
Plus: Shares Issued Through ESOP	3	3	3	3	3
Less: Shares Repurchased in Treasury	14	11	9	7	6
Shares Outstanding (end of the year)	**417**	**409**	**403**	**399**	**396**

Netflix, Inc.

Key Management Ratios

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Liquidity Ratios:								
Current Ratio (Current Assets/Current Liabilities)	1.17	1.12	1.22	1.06	1.16	1.52	2.04	2.70
Cash Ratio (Cash/Current Liabilities)	0.65	0.80	0.73	0.57	0.66	1.01	1.54	2.19
Net Working Capital to Revenue Ratio (NWC/Revenue)	0.04	0.03	0.06	0.02	0.04	0.13	0.26	0.42
Asset-Management Ratios:								
Asset Turnover Ratio (Revenue/Average Total Assets)	0.68	0.69	0.76	0.81	0.85	0.86	0.81	0.74
Net Working Capital Ratio (Revenue/Net Working Capital)	23.67	31.89	16.63	58.15	23.72	7.68	3.87	2.41
Cash Turnover Ratio (Revenue/Cash)	6.14	4.74	5.00	6.51	5.81	3.93	2.63	1.87
Financial Leverage Ratios:								
Debt Ratio (Total Debt/Total Assets)	0.30	0.30	0.29	0.32	0.32	0.29	0.27	0.24
Debt-to-Equity Ratio (Total Debt/Total Equity)	0.69	0.71	0.63	0.77	0.74	0.63	0.52	0.42
Interest Coverage (Operating Income/Interest Expense)	7.98	9.94	14.49	17.73	17.98	20.80	22.01	23.36
Profitability Ratios:								
Return on Equity (NI/Beg TSE)	28.34%	26.03%	42.31%	41.13%	50.35%	56.80%	52.06%	45.65%
Gross Profit Margin ((Sales - COGS)/ Sales)	39.37%	41.54%	46.06%	50.55%	51.97%	54.74%	56.03%	57.14%
Return on Assets (NI/Total Assets)	9.24%	11.10%	16.24%	17.79%	19.57%	21.29%	20.88%	20.05%
Payout Policy Ratios:								
Dividend Payout Ratio (Dividend/EPS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Payout Ratio ((Divs. + Repurchases)/NI)	0.00%	112.76%	71.74%	116.49%	88.30%	64.16%	50.85%	40.63%