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Streaming Giant in Focus: An Equity Analysis of Netflix's Growth and Market Position

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Abstract

This report provides a comprehensive equity analysis of Netflix, Inc., examining its financial performance, growth prospects, and valuation. By analyzing historical financial data, regional revenue trends, and operational metrics, we assess Netflix's financial health and strategic initiatives. Key findings include steady growth in mature markets like UCAN driven by ARPU increases, robust expansion in emerging regions such as LATAM and APAC, and evolving profitability margins as Netflix shifts toward original content.

Using advanced modeling techniques, including regional regression analyses, we project Netflix's revenues and free cash flows through 2034. Before applying valuation methods, we calculate the weighted average cost of capital to ensure an accurate discount rate reflective of Netflix's risk profile and capital structure. These projections and WACC calculations form the basis of our valuation, where we employ robust methodologies such as the discounted cash flow method and the adjusted present value approach to determine Netflix's enterprise value. Sensitivity analyses further explore the impact of varying key assumptions, including terminal growth rate and WACC, on valuation outcomes.

Our valuation findings suggest a significant overpricing of Netflix stock at current market levels. The intrinsic share price is estimated at $483.2, indicating a 48% premium over the market price. Accordingly, we recommend to SELL the stock, enabling investors to capitalize on current conditions before potential market corrections align with Netflix's intrinsic value.

Keywords

Equity Analysis, Financial Performance, Valuation

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This report is part of the **Netflix Equity Research Report – See What's Next**, developed by Jonna Carlotta Sistek and Maike Jancin, and should be read as an integral component of it.

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Introduction

This report forms part of the **Netflix Equity Research Report – See What's Next**, developed in collaboration with Maike Jancin. While Maike's section focuses on providing a comprehensive company overview, including Netflix's business segments, growth strategies, leadership team, and competitive positioning within the streaming and entertainment industry, this analysis emphasizes the financial, operational, and valuation aspects of Netflix's performance. Together, these complementary analyses offer a complete perspective on Netflix's current standing and future prospects.

This section begins by examining the macroeconomic environment, including factors such as GDP growth and inflation. In a next step, the report delves into the company's revenue trends across its key geographic markets - UCAN, EMEA, LATAM, and APAC - identifying drivers such as subscriber growth and average revenue per customer (ARPU). It further explores profitability and returns, highlighting improvements in gross margins, net margins, and returns on assets and equity, while benchmarking these against industry averages and key competitors. Liquidity and solvency are also assessed, providing insights into Netflix's cash flow management and capital structure evolution.

Following this, a revenue forecast through 2034, built upon regression models that incorporate broadband penetration and population growth, is presented. These projections are further complemented by an analysis of Netflix's content strategy, with a particular focus on its shift toward original productions and the associated capital expenditure requirements. Operating expenses, including marketing, technology, and general administrative costs, are forecasted in relation to revenue growth and operational scaling.

The report also evaluates Netflix's operational margins and capital structure, demonstrating the company's transition toward greater profitability and a more equity-focused financial strategy. This leads into the valuation section, where Netflix's free cash flows are projected, and the company's weighted average cost of capital is calculated. Detailed methodologies are applied to assess Netflix's cost of equity, cost of debt, and return on invested capital, setting the foundation for the intrinsic valuation. Using a discounted cash flow model, adjusted present value approach, and sensitivity analysis, a recommended share price of is determined.

By focusing on the financial and operational dimensions of Netflix's performance, this report complements Maike's analysis of competitive and market dynamics. Together, these analyses provide a robust foundation for understanding Netflix's equity value and supporting informed investment decisions.

Company Analysis and Forecast

Historical Financial Analysis

Assessing Netflix's financial health involves a comprehensive analysis of its financial statements, liquidity metrics, and capital structure over the past five years. In a next step, we compared these figures to those of the broader industry and specific competitors, namely Alphabet Inc., Comcast Corp. and Walt Disney Co.

- Revenue Growth

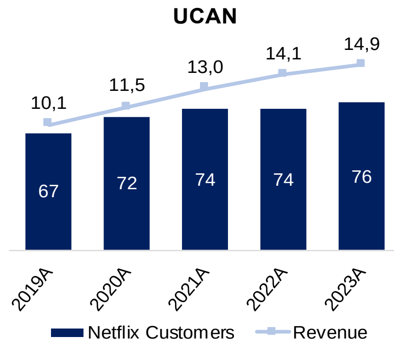

Figure 18: UCAN subscribers & revenue growth

The **UCAN** region, Netflix's most established market, has seen steady but moderate revenue growth. Subscriber growth in this region was relatively low, peaking at 8% in 2019 before leveling out, with minimal growth (0-4%) in subsequent years as the market matured. Despite limited subscriber increases, revenue growth in UCAN has been driven by steady ARPU increases. The ARPU growth reached a high of 9% in 2021, although it slowed to 3% by 2023. As a result, UCAN's total revenue increased consistently but at a decelerating rate, from 14% growth in 2020 to 5.6% in 2023. This trend reflects Netflix's emphasis on increasing pricing rather than gaining new subscribers in this saturated market.

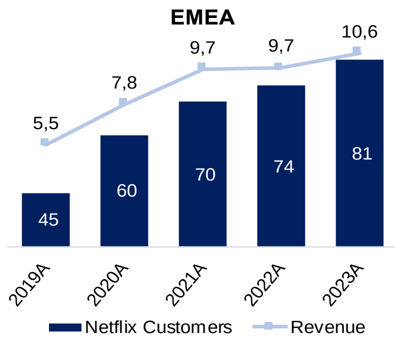

Figure 19: EMEA subscribers & revenue growth

In the **EMEA** region, Netflix experienced a more substantial revenue growth rate, supported by relatively robust subscriber increases. Subscriber growth was particularly high in 2019 (35%) and 2020 (15%), but it slowed down to 10% in 2023 as the region matured. Revenue growth for EMEA initially mirrored this trend, with an impressive 40.2% increase in 2020 and a 25% rise in 2021, but it flattened to 0% in 2022 before recovering to 8% in 2023. ARPU in EMEA fluctuated, with a notable 8% growth in 2021, followed by declines of 5% in 2022 and 1% in 2023. This volatility in ARPU might be tied to economic factors and regional pricing strategies, contributing to the revenue growth slowdowns in recent years.

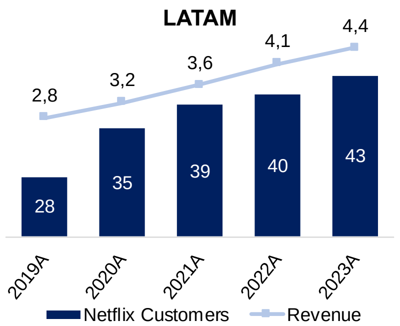

Figure 20: LATAM subscribers & revenue growth

The **LATAM** region exhibited moderate growth in both subscribers and ARPU. Subscriber growth ranged from 24% in 2019 to a low of 4% in 2022, before recovering to 7% in 2023. Correspondingly, revenue growth in LATAM remained stable, showing a pattern of around 12.9% growth in 2020, 13% in 2021, 14% in 2022, and a slight decline to 9% in 2023. ARPU growth in LATAM was relatively weak in the earlier years, with a negative growth of -9.2% in 2019, but it picked up to 3.7% in 2021 and 10% in 2022, before stabilizing at 2% in 2023. These numbers suggest that Netflix has adjusted its pricing strategies to balance affordability with revenue goals in this region.

APAC, the smallest revenue-generating region for Netflix, has shown the highest potential for subscriber growth. Subscriber growth in APAC peaked at 64% in 2019, though it gradually declined to 17% by 2023. Revenue growth closely followed this

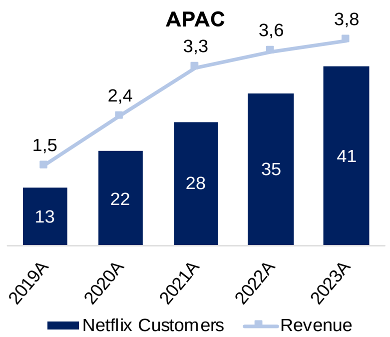

Figure 21: APAC subscribers & revenue growth

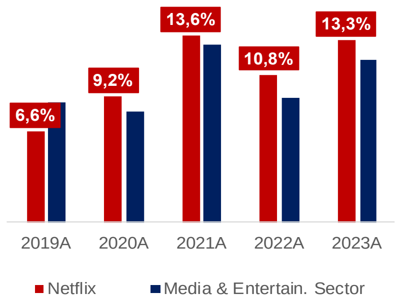

Figure 22: Return on assets – Netflix vs. sector

Company / Index	Asset Turnover
Netflix	**0.83**
Alphabet	0.76
Comcast	0.41
Walt Disney	0.43
Sector	**0.60**

Figure 23: Asset Turnover as of 2023

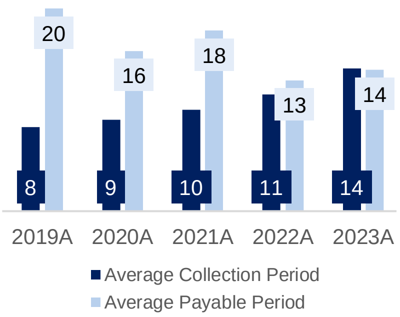

Figure 24: Cash conversion cycle

Company / Index	Current Ratio
Netflix	**1.12**
Alphabet	2.10
Comcast	0.60
Walt Disney	1.05
Sector	**1.67**

Figure 25: Current Ratio as of 2023

pattern, with a massive 61.4% increase in 2020, which tapered down to 5% by 2023. ARPU in APAC, however, has been challenging; it declined by 1.3% in 2019 and 11% in 2022, followed by a further 10% decline in 2023. This downward ARPU trend suggests competitive pressures or pricing adjustments to attract and retain a price-sensitive customer base in APAC. Despite lower ARPU, the APAC region remains a high-growth market for Netflix due to its large untapped subscriber base.

- Profitability and Returns

An analysis of Netflix's financial performance from 2019 to 2023 highlights a clear trend of growth in both operational efficiency and profitability. Gross profit improved from \$7.7 billion in 2019 to \$14.0 billion in 2023A. This growth trend is supported by an increase in the net profit margin, rising from 9.2% in 2019 to 16.0% in 2023A. This solid growth in net profit indicates Netflix's improved operational profitability, even as it invested heavily in content. When comparing net profit margins, Netflix's exceeds competitors like Disney, which struggled to maintain positive margins, and Comcast, which remained around 10-13% during the same period. Netflix's 16.0% margin also closely approaches the media and entertainment sector average of 19.8% in 2023.

Netflix has demonstrated notable improvements in its returns, with its Return on Assets (ROA) increasing from 6.6% in 2019 to 13.3% in 2023. This growth indicates Netflix's enhanced efficiency in utilizing its assets to generate profits. While its ROA trails Alphabet Inc., which peaked at 21% during the same period, Netflix consistently outperforms Comcast and Disney, whose ROAs have remained in the lower single digits or even negative in Disney's case. Compared to the media and entertainment sector average of 12% in 2023, Netflix's ROA of 13.3% highlights its strong operational effectiveness. In terms of Asset Turnover, Netflix has maintained a consistently high ratio, improving from 0.71 in 2019 to 0.83 in 2023. This outpaces competitors like Comcast and Disney. Additionally, Netflix's asset turnover consistently exceeds the sector average of 0.60 in 2023.

- Liquidity

Examining Netflix's **liquidity**, we see some volatility. The cash conversion cycle turned from -11.6 days in 2019 to near zero days in 2023, indicating an increasing reliance on short-term cash cycles and faster collections, though collection periods lengthened from 8.2 days in 2019 to 13.9 days in 2023. Netflix's liquidity ratios indicate some fluctuation but remain competitive within the industry. The current ratio, which rose from 0.90 in 2019 to 1.25 in 2020, declined slightly to 1.12 in 2023, staying close to Disney's 1.05 and outperforming Comcast's 0.60, though still below the sector average of 1.67. The quick ratio followed a similar trend, peaking at 1.13 in 2020 and ending at 0.95 in 2023, ahead of Comcast (0.50) and Disney (0.85) but underperforming the sector average of 1.53. Netflix's cash ratio, which reached 1.05 in 2020, declined to 0.80 in 2023, surpassing both Comcast (0.15) and Disney (0.46) but remaining below the sector average of 1.05.

- Solvency and Capital Structure

Netflix's capital structure and solvency have improved significantly, indicating better financial health and less dependence on debt. From 1.47 in 2019 to 0.6 in 2023, the debt-to-equity ratio showed improvement, moving closer to the sector average of 0.37 and competition like Disney (0.51). Its strong ability to fulfill its debt commitments is demonstrated by its interest coverage ratio, which increased from 4.16 in 2019 to 9.94 in 2023, considerably higher than the sector average of 1.05. Likewise, the debt-to-assets ratio decreased from 0.52 in 2019 to 0.36 in 2023, indicating a less leveraged and stronger balance sheet. Netflix's debt-to-capital ratio decreased from 0.66 in 2019 to 0.41 in 2023, putting it in line with the sector average of 0.27 and Disney (0.34).

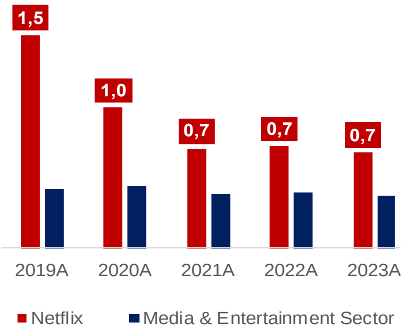

Figure 26: D/E Ratio – Netflix vs. sector

Revenue Forecast

Our revenue forecasts consider both subscriber growth and ARPU, key metrics that impact Netflix's top-line figures. To ensure a reliable forecast, we set analyzed influencing factors of the two and set up a regression model for most regions. This model combined key factors such as population growth and the number of fixed broadband subscriptions, given their strong correlation, and delivered significant results. ARPU was forecasted using a trend line method for most regions, which was further validated by expected market trends. This two-fold approach allows for a complete outlook on Netflix's revenue potential.

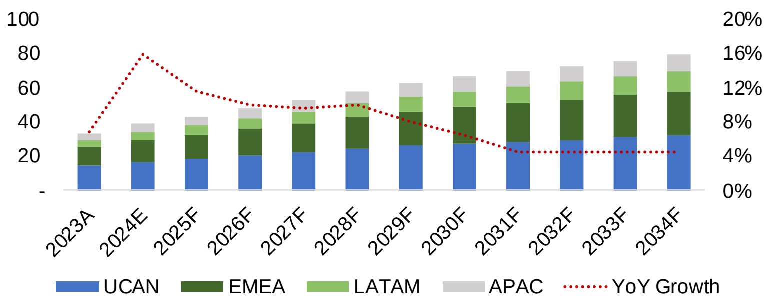

Figure 27: Netflix forecasted revenues from 2023 to 2034 by geographic area (in $m)

The **UCAN** region accounts for approximately 44% of Netflix's total revenues in 2023, making it the company's most significant market. Based on an analysis of historical data from 2019 to 2023, we identified that subscriber growth in UCAN closely correlates with two primary variables: regional population growth and fixed broadband subscriptions. Combining these variables produced a statistically robust model with an R^2 of 78% and a p-value below 0.05, confirming their predictive strength. For ARPU projections in UCAN, we observed an even stronger correlation specifically with fixed broadband subscriptions, resulting in an R^2 of

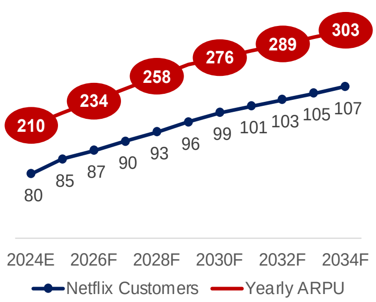

Figure 28: UCAN – ARPU in $ and Subscriber in million

97% and a low p-value, underscoring the reliability of this variable in forecasting ARPU trends.

Based on these findings, our forecast indicates that UCAN revenues will reach approximately $16 billion in 2024, with further growth at a CAGR of 9% to $25 billion by 2029. Entering the steady phase from 2030 to 2034, we anticipate ARPU growth to align with inflation rates (2.33% for UCAN), while subscriber growth will mirror long-term GDP trends of 2% . Our projections show a peak in revenue growth for UCAN in 2024, which is consistent with Netflix's latest Quarterly Earnings Q3 reporting (Netflix, 2024).

The **EMEA** region is Netflix's second-largest market, generating 31% of total revenue in 2023, which translates to $10 billion in sales. To forecast subscriber growth in this region, we used the same approach applied to UCAN. Our model showed a high R-squared of 91% and a p-value of 0.01, indicating a statistically significant correlation. We applied these projections to the growth phase, while for the steady-state phase, we adjusted the growth rate to 2%, in line with projected long-term GDP growth of the EMEA region (International Monetary Fund, n.d.-b). To forecast the ARPU, our initial model lacked statistical significance, so we adopted a trend line method. Although the R-squared was low, validating each year's projection ensured consistency. This brings ARPU from $130 in 2023 to an estimated $144 in 2029, resulting in a CAGR of 10% for revenue in the growth phase. For the steady phase, ARPU growth is expected to align with inflation at 2.04% per year (International Monetary Fund, n.d.-a).

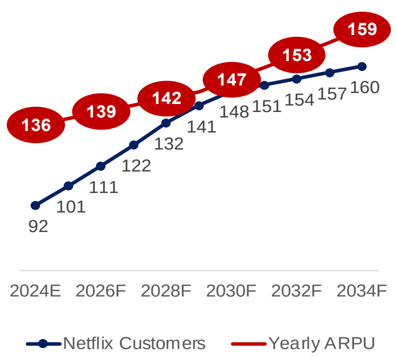

Figure 29: EMEA – ARPU in $ and subscriber in million

For the **LATAM** region, which accounts for around 14% of Netflix's revenues, our projections indicate substantial growth potential due to several factors. Netflix has increased its investment in original content for LATAM, such as localized programming in Spanish and Portuguese, which has attracted a significant audience. For instance, Netflix's original series like Pálpito (Colombia) and Sintonia (Brazil) achieved widespread popularity, highlighting Netflix's effective strategy of local-language productions, which resonate strongly with LATAM viewers and boost engagement across the region (Location Colombia, 2022).

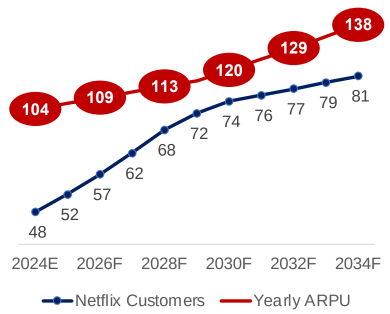

Figure 30: LATAM – ARPU in $ and subscriber in million

We forecast subscriber growth in LATAM to rise at a CAGR of 8% in the growth phase. This growth rate is supported by Netflix's competitive advantage in local-language content and the region's expanding digital infrastructure, such as increasing broadband access and a favorable demographic profile with a young, digital-native population. For ARPU, we applied a trend line approach, acknowledging the initially low R-squared. This was largely due to the disruption caused by COVID-19. After analyzing annual data, we concluded that the numbers align well with the realistic market growth expectations. Thereby, ARPU is expected to grow at a CAGR of 2%, reaching $116 in 2029. Over the long term, we project ARPU growth to match inflation rates for the LATAM region, reaching an estimated $138 by 2034, up from a baseline of $104 in 2023.

For the **APAC** region, Netflix currently earns the smallest share of its global revenue, yet it holds substantial growth potential due to the region's increasing subscriber base. APAC has shown high subscriber growth rates, with increases between 31% and 17% year-over-year in recent years, despite a decreasing ARPU. The ARPU decline has been largely attributed to Netflix's pricing strategies aimed at affordability in highly price-sensitive markets like India and Indonesia. These strategies, while reducing ARPU, are crucial for driving subscriber acquisition and retention as Netflix continues to expand in a region with significant potential for future growth (Señal News, 2023).

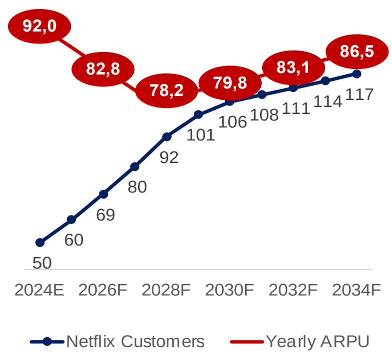

Figure 31: APAC – ARPU in $ and subscriber in million

For forecasting APAC's subscribers, we applied the same model as used in other regions, yielding a realistic CAGR of 15% for the growth period. In the steady growth phase, subscriber expansion is expected to align with GDP growth of 4.4% (International Monetary Fund, n.d.-b). ARPU was forecasted using a trend line method. Although ARPU is projected to remain relatively stable in 2024, it is expected to continue decreasing until 2027, at which point it should reach its lowest point at $78. Thereafter, ARPU is projected to grow in line with inflation of 4.6% (International Monetary Fund, n.d.-a).

Content Strategy and Capex

Netflix is undergoing a significant shift in its content strategy, focusing heavily on original productions while reducing dependance on licensed content. Over the historical period, licensed content decreased from 60% of total content assets to 40%, while produced content increased from to 60%. Company data shows that 62 of the top 100 most-watched titles during the first months of 2023 were Netflix originials (Vitrina AI, n.d.). Therefore, our projections indicate that this trend will continue into the future, with licensed content stabilizing at 23% of the total portfolio by 2029 and produced content growing to 77%.

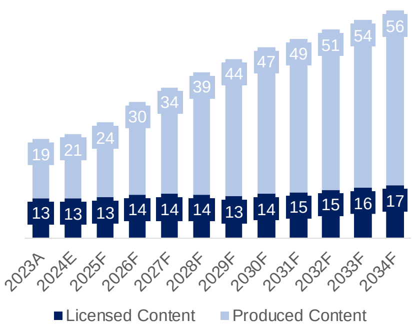

Figure 32: Content assets as of book value in $bn

We have forecasted Netflix's content assets as a percentage of revenue based on historical trends. Historically, content assets have ranged from 102% to 94% of revenue as of 2023, reflecting a gradual decline. For 2024, we anticipate content assets to decline to 85% of revenue, reflecting Netflix's focus on optimizing its content spend relative to revenue generation during this stabilization phase. Beyond 2024, we project this ratio to stabilize at approximately 92% of revenue. Based on these assumptions, total content assets will grow modestly by 5% in 2024, reaching $33.1 billion. Between 2025 and 2029, total content assets are projected to grow at a CAGR of 12%, reaching $57.4 billion by 2029 and $72.9 billion by 2034. Licensed content is projected to increase modestly at a 1% CAGR, growing from $12.6 billion in 2024 to $16.8 billion in 2034. In contrast, original content will see a robust 17% CAGR between 2024 and 2029, rising from $20.5 billion to $56.2 billion by 2034.

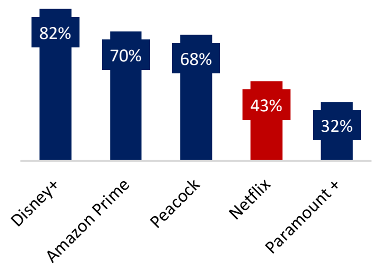

Figure 33: Forecast % change in spending on original content between 2022 and 2027 (fDi Intelligence, 2022)

Broader industry trends, which show that rivals like Disney+ and Amazon Prime Video are making significant investments in original content, support this forecast. Disney+ is anticipated to raise its yearly spending in original content by 82% between 2022 and 2027. Similarly, Amazon Prime Video is projected to grow its spending by 70%. While Netflix is anticipated to grow its original content spending by 43% during the same period, the pace of investment by competitors signals the increased competition in the market (fDi Intelligence, 2022).

- Capex

Netflix's capital expenditures (CAPEX) are unique compared to traditional industries because they are heavily focused on intangible assets - particularly content assets. Unlike capital spending in most industries, where spending goes toward physical infrastructure, Netflix's capital spending is primarily used to build and maintain its extensive content library. This includes both produced content, such as Netflix originals, and licensed content purchased from third parties. Therefore, we classify Netflix's content spending as CAPEX because it represents long-term investments that generate revenue over multiple years, similar to how traditional companies invest in property, plant, and equipment (PP&E). These investments are capitalized on the balance sheet and amortized over their useful lives, aligning costs with the revenue they generate.

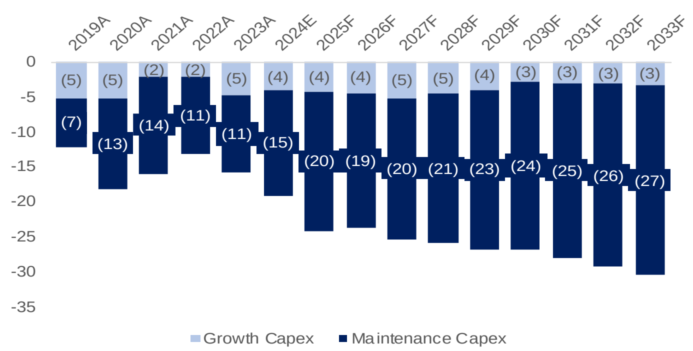

Figure 34: Capex forecast from 2019 to 2034 in $bn

By 2023, Netflix's total content assets reached approximately $31.7 billion, far surpassing its physical PP&E of $1.5 billion. Thereby, maintenance CAPEX represent the majority of Netflix's total investments. These expenses are closely related to the company's significant content amortization costs. By 2024, maintenance CAPEX are expected to reach $15.0 billion and further increase to $27.3 billion by 2034 as Netflix invests in updating and replacing content.

Growth CAPEX, on the other hand, represents investments aimed at expanding

Netflix's content portfolio or supporting future strategic initiatives. Growth CAPEX is determined by calculating the annual growth in sales and multiplying it by the proportion of content assets and PP&E relative to revenue. Here, we observe that content assets and PP&E as a percentage of revenue remain steady at 89% for 2024-2025, increasing to 96% in subsequent years. Thereby, growth CAPEX is comparatively smaller than maintenance CAPEX. In 2024, growth CAPEX is forecasted at $4.0 billion, with an increase to $5.1 billion by 2029. By 2034, growth CAPEX is expected to decline to $3.3 billion, reflecting reduced marginal costs due to economies of scale.

Cost of Revenues Forecast

Over the historical period, Netflix's cost of revenues grew steadily, increasing from $12.4 billion in 2019 to $19.7 billion in 2023, representing a CAGR of approximately 12.2%. This growth was driven by higher amortization expenses for both licensed and produced content.

Licensed content amortization decreased from $7.2 billion in 2019 to $7.1 billion in 2023 and exhibited a declining trend as a percentage of total cost of revenues, reflecting Netflix's strategic pivot away from licensed content. By 2023, licensed content amortization represented 56% of licensed content assets, down from 60% in 2022. This decline aligns with Netflix's effort to mitigate licensing costs and focus on building an original content portfolio.

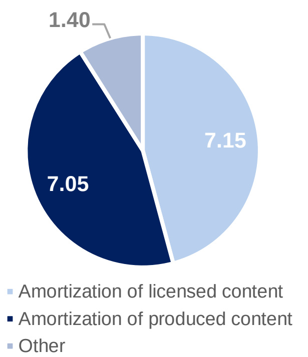

Figure 35: Cost of revenues as of 2023 in $bn

Produced content amortization rose significantly, from $1.9 billion in 2019 to $7.1 billion in 2023, representing a CAGR of 37%. As Netflix increased its focus on original productions, the amortization of produced content grew in tandem with its expanding portfolio. Produced content amortization as a percentage of total produced content assets reached 37% by 2023, up from 20% in 2019, reflecting accelerated investment in and usage of original content.

Other streaming costs, which include expenses such as content delivery and customer support, grew from $3.1 billion in 2019 to $5.5 billion in 2023, maintaining a consistent ratio of approximately 16% of revenue. This reflects Netflix's scalable operations and efficiency in cost management, even as the subscriber base expanded globally.

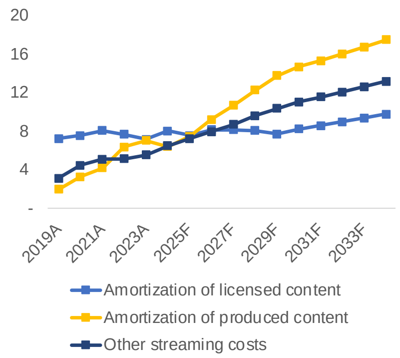

Figure 36: Cost of revenue forecast in $bn

Looking ahead, Netflix's cost of revenues is projected to increase from $20.9 billion in 2024 to $40.4 billion in 2034. Licensed content amortization is expected to grow modestly from $8.0 billion in 2024 to $9.8 billion in 2034. Its contribution to total cost of revenues is expected to stabilize as Netflix continues to decrease its reliance on licensed content. In contrast, the amortization of produced content is expected to rise significantly, reaching $17.5 billion by 2034. Produced content amortization as a percentage of total produced content assets is forecasted to stabilize at approximately 31%, reflecting an efficient utilization of content over its economic lifecycle.

Other streaming costs are anticipated to grow steadily, increasing from $6.5 billion in 2024 to $13.2 billion in 2034. As a percentage of revenue, these costs are expected to remain stable at approximately 17% throughout the forecast period.

The projected trends in cost of revenues reflect Netflix's strategic shift toward original content. While licensed content amortization is expected to grow modestly, its relative contribution to the total cost of revenues will continue to decline. Overall, cost of revenues as a percentage of revenue is expected to remain steady at approximately 59% from 2024 onward, highlighting Netflix's ability to align cost growth with revenue expansion.

Operating Expenses Forecast

Netflix incurs core business expenses include three main segments: marketing, technology and development, and general and administrative costs.

- Marketing Expenses

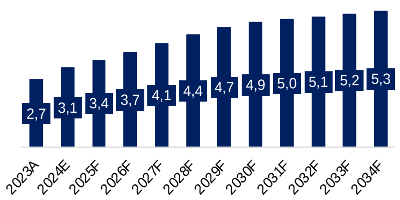

Figure 37: Marketing expense forecast in $bn

Netflix's marketing expenses are directed toward promoting its streaming service. Effective global advertising and branding campaigns have set Netflix apart from its competitors, supporting rapid subscriber growth and reinforcing its brand image worldwide. In 2019, Netflix spent approximately $2.6 billion on marketing, which is equivalent to 13% of its revenues, as it expanded its presence in new regions and further strengthened its brand in established markets.

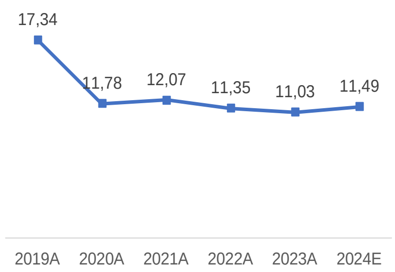

Figure 38: Marketing costs per user in $

To forecast Netflix's future marketing expenses, we analyzed the historical trend in spending per user, which has averaged around $11.49. Using this value as a basis, we projected future marketing expenses by linking them to our subscriber growth forecasts. Based on this method, we expect marketing expenses to rise steadily, reaching $3.1 billion in 2024 and expanding to approximately $4.7 billion by 2029. We assume that Netflix will manage marketing spend effectively, allowing it to achieve consistent returns on investment as it strengthens its brand in new regions.

- Technology and Development Costs

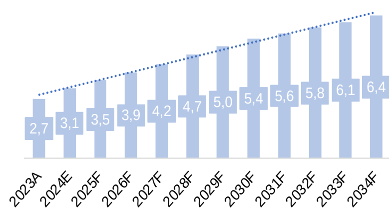

Figure 39: Technology and development expense forecast in $bn

Technology and development costs are another significant component of Netflix's operating expenses, reflecting its investment in streaming technology, user interface improvements, and overall platform enhancement. These costs cover payroll, cloud computing services, and third-party services that support Netflix's streaming delivery. In 2019, technology and development expenses totaled around $1.5 billion, representing 8% of Netflix's revenues.

Given the importance of platform innovation and user experience in the streaming industry, we expect technology and development costs to grow in line with revenue. Consequently, we project that these expenses will remain stable at approximately 8% of sales, reaching $3.1 billion by 2024 and increasing to nearly $5 billion by 2029. This growth reflects Netflix's ongoing investment in maintaining a seamless and cutting-edge streaming experience, which is essential for retaining subscribers and competing with other major streaming services.

- General and Administrative (G&A) Expenses

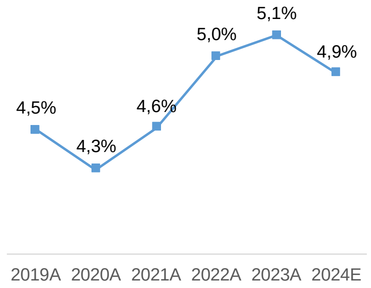

Figure 40: G&A as percentage of revenue

G&A expenses have also been on an upward trend as Netflix expands its operational footprint worldwide. This category includes payroll, professional fees, contractor and consultant costs, and other corporate expenses. In 2019, G&A costs amounted to $914 million, representing 5% of Netflix's total revenues. Given the steady nature of these expenses relative to revenue, we forecast G&A costs to continue at approximately 5% of revenue in the coming years. In line with Netflix's revenue growth, G&A expenses are expected to reach $1.9 billion by 2024 and around $3 billion by 2029. The rise in G&A expenses reflects Netflix's need to support an expanding global workforce, establish new offices, and manage the administrative demands of its increasingly complex international operations.

Margins and Operational Performance

Netflix's operational performance and margins have shown significant improvement over the historical period, with sustained growth projected into the forecast horizon. The company's focus on content investments, operating efficiencies, and strategic pricing has driven consistent margin expansion, as reflected in the trends visible in the provided data and chart.

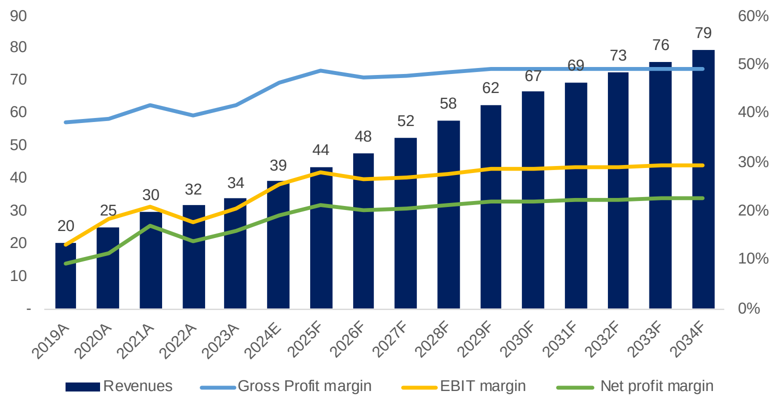

Figure 41: Global revenue and margin forecast in $bn

Gross profit margins have increased steadily, rising from 38.3% in 2019 to 41.5% in 2023. This improvement reflects Netflix's ability to scale its operations, optimize its content spending, and increase subscriber monetization. Margins are forecasted to expand further, reaching 49.0% by 2028 and stabilizing at that level through 2034. This consistent increase underscores its transition toward a more profitable content mix.

Netflix's EBIT margin has shown notable improvement, climbing from 12.9% in 2019 to 20.6% in 2023. This growth reflects reductions in marketing expenses as a percentage of revenue (from 13% in 2019 to 8% in 2023) and a stable level of technology and development expenses at around 8% of revenue. The margin is projected to further expand to 29.4% by 2034. We assume that Netflix will grow its profitability further as it broadens its content library and leverages operational efficiencies.

At the bottom line**,** the net profit margin has also improved significantly. From 9.2% in 2019 it increased to 16.0% in 2023. We further expect profitability expansion at the bottom line, with margins projected to reach 22.6% by 2034. This assumption reflects Netflix's ability to convert operational improvements into bottom-line profitability. Moreover, the steady growth of net profit margins is an indicator for higher returns on content investments.

Capital Structure Forecast

Netflix's capital structure is experiencing considerable modification as the company decreases leverage and increases its equity position. This demonstrates Netflix's growth as a leader in the streaming market, as well as its ability to generate reliable cash flows. As a result, the company's debt-to-equity (D/E) ratio has decreased significantly, from 1.47 in 2019 to 0.66 in 2023. This trend is expected to continue, with Netflix's D/E ratio projected to decline to 0.32 by 2034. This trajectory will bring Netflix closer to the sector average of 0.37. The reduction in leverage is mostly driven by Netflix's equity expansion, which is forecast to rise from $7.6 billion in 2019 to $61.4 billion by 2034. This expansion is driven by retained earnings from higher profit margins and revenue increases. At the same time, Netflix's debt is rather constant in line with historical averages, increasing modestly from $14.8 billion in 2019 to $19.5 billion in 2034.

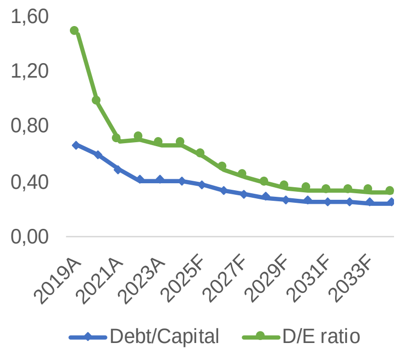

Figure 42: Netflix's forecasted capital structure ratios

The debt-to-capital ratio has also improved from 0.66 in 2019 to 0.41 in 2023 and is expected to stabilize at 0.24 by 2034. This brings Netflix's financial structure closer to the broader media and entertainment sector, where the average debt-to-capital ratio is 0.27. By reducing its reliance on debt, Netflix ensures that it can sustain long-term growth while moderating financial risk.

Netflix's cash conversion cycle (CCC) also reflects its evolving financial management practices. The CCC, which measures working capital efficiency, turned positive in 2023 after years of being negative, rising from -11.56 days in 2019 to 0.09 days in 2023. By 2034, the CCC is expected to rise to 15.31 days as Netflix balances its revenue growth with effective working capital management.

When compared to its peers, Netflix's historical leverage has been relatively high but is now moving towards industry norms. As mentioned, Alphabet Inc., for example, maintains a minimal D/E ratio of 0.11 in 2023, while Comcast Corp. and Walt Disney Co. operate at 1.26 and 0.55, respectively. By 2034, Netflix's D/E ratio of 0.32 and debt-to-capital ratio of 0.24 will position the company more favorably.

Valuation

Free Cash Flow

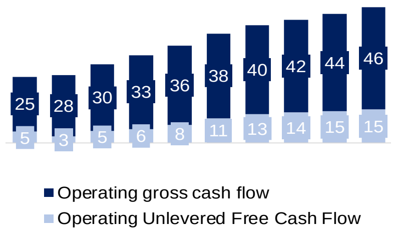

Figure 43: Netflix's forecasted cash flow's from 2025-2034

To estimate Netflix's enterprise value and share price, we analyzed its Free Cash Flow (FCF) statement. We see a course toward sustained positive cash flow generation in recent years. By 2023, Netflix reported an unlevered free cash flow (UFCF) of approximately $7.8 billion, a significant improvement from the negative $0.6 billion UFCF recorded in 2021. This positive change reflects an adjustments in Netflix's content investment strategy and more systematic CAPEX allocation. The short-term outlook indicates a temporary decrease in CAPEX, particularly in 2024 and 2025, leading to projected UFCFs of $5.7 billion and $5.2 billion. As mentioned in the CAPEX section of this report, this reduction reflects a stabilization phase in Netflix's content portfolio growth, allowing for stronger cash flow generation. However, starting in 2026, CAPEX is expected to rise as Netflix is expected to increase its investment in original content. This increase is projected to reduce UFCF to $3.1 billion in 2026. From 2027 onward, Netflix's UFCF is forecasted to grow steadily as its content strategy matures. By 2030, UFCF is expected to exceed $11.3 billion, with sustained growth through to 2034, when it is projected to reach approximately $15.3 billion.

WACC

WACC Inputs	
Risk-free rate	3.73%
Market Risk Premium	4.60%
Levered Beta	1.3
Cost of Equity	9.71%
Cost of Debt	4.26%
Tax Rate	21%
D/EV	5.29%
E/EV	94.71%

Figure 44: WACC inputs

To estimate a fair value for Netflix, we discounted the company's future cash flows using the weighted average cost of capital (WACC). This critical valuation metric reflects the blended cost of Netflix's capital sources and serves as the rate of return required by investors. Given the dynamic nature of Netflix's capital structure and the significant impact of content investments on its financial profile, we approached each component of the WACC calculation with precision, as outlined below.

- Capital Structure

A thorough evaluation of Netflix's financial status was carried out in order to match its capital structure with its long-term strategic goals. From 2019 to 2023, Netflix maintained a conservative debt-to-enterprise value (D/EV) ratio, averaging 5.29%. This low D/EV ratio reflects Netflix's strategy of minimizing debt reliance and funding content growth primarily from internal cash flows. In 2023, the D/EV ratio stands at 4.15%, down from 7.59% in 2022, as the company has continued to decrease debt and boost cash reserves, achieving net debt of $9.1 billion and cash holdings of $5.4 billion. Compared to competitors, Netflix's D/EV ratio is notably lower. Disney for instance has a D/EV ratio of 22%, while Comcast's ratio also lies at a high level of 41%.

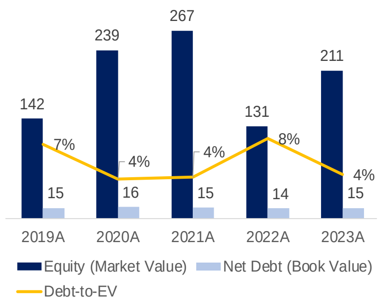

Figure 45: Historical D/EV

Further, in recent earnings calls and reports, Netflix management reiterated its commitment to reducing debt and increasing cash reserves, emphasizing that a low D/EV ratio is central to the company's financial strategy. This focus on low leverage is particularly prudent in a high interest rate environment, where minimizing debt helps reduce interest costs and preserves cash flow for operations (Netflix, 2024d). Based on this knowledge, we assume Netflix's historical D/EV average of 5.29% as the target ratio going forward.

- Cost of Equity

The Capital Asset Pricing Model was applied to ascertain Netflix's cost of equity. Our choice was the 10-year U.S. As the risk-free rate, we used the 10-year US Treasury bond, which is currently 3.73% (CNBC, 2024). This decision is consistent with the substantial U.S. presence of Netflix and the widespread usage of U.S. Treasuries as a trustworthy, risk-free stand-in. Additionally, considering our long-term projection horizon, the 10-year maturity is suitable. For the market risk premium, we applied a 4.6% rate, sourced from NYU Stern's Country Default Spreads and Risk Premiums Tables as of January 5, 2024. Here we see the latest equity risk premiums for different countries, with 4.6% for the United Stated (Damodaran, 2024).

	Weekly	Monthly
3 Year	1.70	2.14
5 Year	0.12	**1.30**

Figure 46: Netflix's calculated beta

To determine Netflix's Beta (β), we calculated the covariance of Netflix's returns with the MSCI World Index. Given Netflix's extensive global activities, the MSCI World index was selected over the S&P 500 to correctly reflect the company's international exposure. Beta was calculated using five years of monthly data, resulting in a levered beta of 1.30. This selection of a longer data set and monthly frequency reduces potential biases associated with shorter time frames or daily data, thereby providing a more reliable estimate of Netflix's sensitivity to market movements.

Alphabet	Weekly	Monthly
3 Year	1.14	1.04
5 Year	0.96	**1.04**
	Weekly	**Monthly**
3 Year	1.14	1.11
5 Year	1.02	**1.15**

Figure 47: Alphabet's and Apple's calculated beta

To validate our findings, we compared Netflix's beta with those of Alphabet and Apple, as these two indirect competitors exhibit similarly low Debt-to-Enterprise Value (D/EV) ratios to Netflix. Our analysis reveals that Netflix demonstrates a slightly higher beta, particularly when considering the 3-year data. This difference could be attributed to Netflix's relatively earlier stage of maturity compared to the more established positions of Alphabet and Apple. Overall, we find that our estimations align well with the competitive landscape. Therefore, with the levered beta of 1.3 we calculated Netflix's cost of equity at 9.71%.

- Cost of Debt

Issue Date	Market Value	YTM	Weight
2020-04-28	423.3	25.0%	0.04
2020-04-28	450.5	25.6%	0.04
2018-10-26	1.641.4	4.0%	0.15
2019-04-26	2.025.2	4.0%	0.19
2019-10-26	1.120.0	4.2%	0.10
2019-10-26	872.7	4.1%	0.08
2019-04-29	1.260.8	2.8%	0.12
2019-04-29	948.4	4.2%	0.09
2019-10-25	1.129.7	3.1%	0.10
2019-10-25	1.031.5	4.2%	0.09

Figure 48: Selected bonds for YTM calculation

To calculate Netflix's long-term debt cost, we examined the market values of several bonds with varying maturity dates. Here, we chose the ten most recently issued bonds. By weighting the yields to maturity (YTM) of these bonds according to their outstanding values, we derived an overall weighted YTM of 5.55%. This calculation provides an accurate representation of Netflix's effective borrowing cost across its debt portfolio.

The cost of debt was then adjusted by incorporating a loss given default of 53.90%, sourced from S&P, along with a probability of default of 0.35% as for the Baa2 rating applicable to Netflix, sourced from Moody's. Applying these factors yielded a cost of debt of 5.36%.

To account for tax effects, we applied Netflix's tax rate of 21%, resulting in a post-tax cost of debt of 4.26%. This tax-adjusted cost of debt is a crucial component in the WACC calculation, which we use to discount Netflix's projected future cash flows and derive a fair valuation for the company. Based on the above, we calculated a WACC of 9.42%.

ROIC and Long-Term Growth

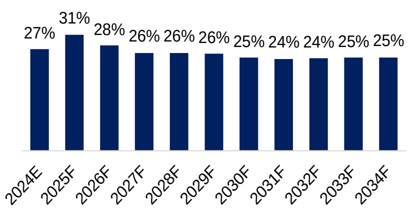

Figure 49: ROIC forecast

To evaluate Netflix's capital efficiency, we analyzed its Return on Invested Capital (ROIC), which indicates the company's ability to generate returns relative to the capital it has invested. From 2019 to 2023, Netflix's ROIC has shown significant fluctuation, reflecting both shifts in capital allocation and the competitive streaming landscape. ROIC improved from 20.3% in 2019 to a peak of 26.9% in 2024, before moderating to approximately 25.6% by 2029. This level consistently surpasses Netflix's WACC, indicating effective capital management and strategic allocation toward high-return projects.

The improvement in ROIC through 2024 aligns with Netflix's shift toward internally produced content, which enhances capital efficiency by reducing dependency on licensed content that typically requires higher upfront payments. As Netflix's operating invested capital grew from $18.1 billion in 2019 to an estimated $43.6 billion in 2026, the company's focus on producing original content internally has contributed to a more sustainable long-term return on capital. By 2034, ROIC is projected to stabilize at around 24.7%, reflecting Netflix's ability to maintain strong profitability from its content investments.

To forecast long-term growth, we calculated a long-term growth rate based on two factors: inflation and GDP growth. For the long-term inflation rate, we relied on the International Monetary Fund's (IMF) forecast data for 2024 to 2029. To arrive at an

Long-Term Growth Calculation	
Long-term Inflation Rate	2.51%
5y average GDP Growth	2.09%
TV Growth Rate	**4.59%**

Figure 50: Long-Term growth rate

inflation rate, we calculated the average inflation rate across all regions for this forecast period. This approach ensures that our long-term inflation estimate reflects a balanced view of global inflation trends across both developed and emerging economies. Thereby, we arrived at an inflation rate of 2.51% (International Monetary Fund, n.d.-a).

For the long-term real GDP growth rate, we used the IMF's historical and forecasted GDP growth data spanning 2001 to 2029. We calculated the average annual GDP growth rate over this 28-year period. However, we excluded the APAC (Asia-Pacific) region from this calculation due to unrealistically high values. While APAC is a high-growth region and Netflix is expected to experience substantial expansion there, we excluded it to avoid introducing an upward bias that might overstate global long-term growth potential. By focusing on the remaining regions, we arrived at an average real GDP growth rate of 2.09%. This value reflects a conservative and balanced estimate of long-term economic growth aligned with Netflix's broader global market exposure. Remarkably, we arrive at the same long-term growth rate by multiplying Netflix's operating return on invested capital (ROIC) by its retention rate (RR). This consistency highlights Netflix's mature position within the streaming industry, where growth is expected to align with the broader economy.

Discounted Cash Flow and APV

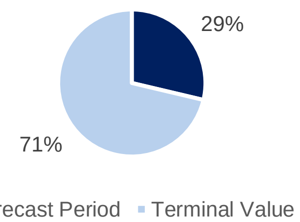

Figure 51: Distribution of enterprise value between forecast period and terminal value

Netflix was assessed using the Discounted Cash Flow (DCF) approach, which is widely accepted for determining the intrinsic value of enterprises with consistent cash flows. The projection period was separated into two phases: a high-growth era from 2026 to 2030, followed by a steady-state period beginning in 2031. This framework enables a smoother transition as Netflix evolves in the highly competitive streaming sector.

By discounting our future cashflows with the WACC, the enterprise value of Netflix as of December 31, 2025, was estimated at $187.8 billion. After adjusting for net debt and other non-core operations as of 2023 book value, the resulting equity value was $176.8 billion. This is then divided by the total number of outstanding shares, which amounts to 428.24 million as of December 2024. This calculation results in an estimated share price of $412.9, considerably lower than the current share price of $936.6.

Equity Bridge	
Enterprise Value	**187.848.148**
+ Invested Capital Non-Core Operations	56.347
- Net Debt	(11.077.356)
Equity Value	**176.827.138**
Share Price	**$412.9**

Figure 52: DCF Equity Bridge

In the case of the APV model, the unlevered free cash flows were discounted to Netflix's unlevered cost of capital (9.47%). To account for the benefits of debt financing, tax shields from debt interest were discounted using the identical unlevered cost of capital. The APV valuation resulted in an enterprise value of $183.1 billion. After correcting for net debt and non-core invested capital as described in the DCF, the equity value was $172.07 billion. This is divided by the total number of outstanding shares, yielding an equity value of $401.8 per share. The APV analysis shows a modest divergence from the DCF valuation, approximately 2.7%.

Sensitivity Analysis

The sensitivity analysis conducted on Netflix's valuation reveals that small adjustments in the WACC and Terminal Growth Rate (TGR) can lead to significant changes in the company's estimated enterprise value and share price. Netflix's valuation is highly sensitive to assumptions around WACC and TGR. A modest 0.5% change in either metric can shift the enterprise value by approximately $20 billion and the share price by around $50.

	WACC				
187.848.148	8,42%	8,92%	9,42%	9,92%	10,42%
3,59%	202.163.502	181.148.599	163.806.388	149.263.313	136.901.763
4,09%	219.741.152	194.850.083	174.699.936	158.067.589	144.116.493
4,59%	241.906.395	211.714.740	187.848.148	168.523.215	152.568.410
5,09%	270.724.746	232.980.908	204.031.803	181.142.867	162.605.588
5,59%	309.720.642	260.630.317	224.439.233	196.675.938	174.720.184

Figure 53: WACC vs. Terminal-Growth Sensitivity Analysis

	WACC				
412,92	8,42%	8,92%	9,42%	9,92%	10,42%
3,59%	444,6	398,3	360,0	328,0	300,7
4,09%	483,3	428,4	384,0	347,3	316,6
4,59%	532,1	465,5	412,9	370,3	335,2
5,09%	595,5	512,3	448,5	398,1	357,2
5,59%	681,3	573,2	493,4	432,2	383,9

Figure 54: WACC vs. terminal growth sensitivity analysis

When the WACC increases by 0.5%, Netflix's enterprise value drops from $187.8 billion to $168.5 billion, underscoring how the company's valuation is sensitive to its cost of capital. Conversely, a decrease in WACC to 8.92% raises the valuation to $211.7 billion. Raising the TGR by 0.5% boosts the enterprise value to $204.0 billion. This shift reflects the importance of Netflix's projected growth, as even slight adjustments in long-term expectations can have a profound effect on valuation. The effect is particularly prominent because more than 70% of Netflix's enterprise value is derived from the terminal value in the DCF valuation, making the model highly responsive to changes in long-term growth expectations. This can also be seen in the share price, which drops to $370.3 when the cost of capital is increased to 9.92%.

	Cost of Debt				
412,9	5,00%	5,20%	5,40%	5,60%	5,60%
9,31%	453,5	452,6	451,7	450,7	450,7
9,51%	433,2	432,3	431,5	430,6	430,6
9,71%	414,5	413,7	412,9	412,1	412,1
9,91%	397,2	396,5	395,8	395,0	395,0
10,11%	381,2	380,6	379,9	379,2	379,2

Figure 55: Cost of debt vs. cost of equity sensitivity analysis

Our findings indicate that variations in the cost of equity have a significantly greater impact on the share price compared to changes in the cost of debt. This disparity is primarily attributable to Netflix's low leverage ratio, which reduces the relative influence of debt financing on the overall cost of capital and, consequently, on the valuation. For a 0.4% decrease in the cost of equity, we see an $40 increase in the projected share price.

Appendix

Balance Sheet 2019A – 2034F in $k

	2019A	2020A	2021A	2022A	2023A	2024E	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Operating Invested Capital																
Operating Cash	1.007.822	1.249.803	1.484.892	1.580.778	1.686.165	1.948.311	2.175.524	2.393.399	2.623.626	2.888.159	3.122.509	3.325.461	3.474.566	3.630.441	3.793.396	3.963.759
5% of cash	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
Content																
Licensed Content	14.703.352	13.747.607	13.799.221	12.732.549	12.722.701	12.586.092	12.944.368	13.939.155	13.999.670	13.816.950	13.214.457	14.073.350	14.704.364	15.364.026	16.053.654	16.774.629
Produced Content	9.801.215	11.636.343	17.120.318	20.004.164	18.935.355	20.535.203	24.039.541	29.620.705	34.275.054	39.325.167	44.239.703	47.115.130	49.227.654	51.436.086	53.744.840	56.158.541
Total Content	24.504.568	25.383.951	30.919.539	32.736.713	31.658.056	33.121.294	36.983.910	43.559.860	48.274.724	53.142.117	57.454.159	61.188.480	63.932.019	66.800.111	69.798.494	72.933.170
% growth		*4%*	*22%*	*6%*	*-3%*	*5%*	*12%*	*18%*	*11%*	*10%*	*8%*	*6%*	*4%*	*4%*	*4%*	*4%*
Other Current Assets (Less Trade Receivables)	703.805	943.428	1.234.512	2.215.713	1.491.727	1.886.253	2.106.228	2.317.163	2.540.057	2.796.163	3.023.049	3.219.536	3.363.892	3.514.802	3.672.567	3.837.503
Trade Receivables	454.399	610.819	804.320	988.898	1.287.054	1.696.352	2.160.640	2.711.405	3.390.331	4.257.179	5.250.074	5.591.311	5.842.011	6.104.093	6.378.081	6.664.523
Property, Plant and Equipment	565.221	960.183	1.323.453	1.398.257	1.491.444	1.464.252	1.635.014	1.925.729	2.134.167	2.349.349	2.539.979	2.705.069	2.826.357	2.953.152	3.085.707	3.224.287
Operating current assets	27.235.815	29.148.183	35.766.717	38.920.359	37.614.446	40.116.463	45.061.315	52.907.555	58.962.906	65.432.967	71.389.770	76.029.857	79.438.845	83.002.599	86.728.245	90.623.243
Operating Deferred Tax Assets	485.652	320.729	163.150	354.182	861.751	548.775	612.773	674.141	738.989	813.498	879.507	936.672	978.670	1.022.575	1.068.474	1.116.459
Other Non Current Assets, Net	601.452	571.863	1.640.469	2.459.748	2.207.266	2.185.954	2.440.881	2.874.883	3.186.057	3.507.297	3.791.886	4.038.345	4.219.414	4.408.704	4.606.593	4.813.476
Operating non-current assets	1.087.104	892.592	1.803.619	2.813.930	3.069.017	2.734.729	3.053.654	3.549.024	3.925.046	4.320.796	4.671.393	4.975.017	5.198.084	5.431.279	5.675.067	5.929.936
Content Liabilities	(7.747.884)	(7.047.620)	(7.387.180)	(7.561.427)	(7.044.643)	(7.060.402)	(7.261.383)	(7.819.427)	(7.853.374)	(7.750.874)	(7.412.894)	(7.894.707)	(8.248.686)	(8.618.735)	(9.005.595)	(9.410.039)
Accounts Payable	(674.347)	(656.183)	(837.483)	(671.513)	(747.412)	(882.087)	(950.992)	(1.069.962)	(1.166.525)	(1.269.422)	(1.355.745)	(1.440.798)	(1.501.878)	(1.565.656)	(1.632.253)	(1.701.798)
Accrued Expenses and Other Liabilities	(843.043)	(1.102.196)	(1.449.351)	(1.514.650)	(1.803.960)	(1.657.447)	(1.850.739)	(2.179.811)	(2.415.751)	(2.659.324)	(2.875.106)	(3.061.978)	(3.199.269)	(3.342.793)	(3.492.838)	(3.649.702)
Deferred Revenue	(924.745)	(1.117.992)	(1.209.342)	(1.264.661)	(1.442.969)	(1.361.546)	(1.520.330)	(1.790.654)	(1.984.472)	(2.184.560)	(2.361.819)	(2.515.329)	(2.628.110)	(2.746.011)	(2.869.269)	(2.998.129)
Operating current & non-current liabilities	(10.190.004)	(9.923.979)	(10.883.342)	(11.012.241)	(11.038.973)	(10.961.470)	(11.583.433)	(12.859.843)	(13.420.110)	(13.864.169)	(14.005.553)	(14.912.799)	(15.577.931)	(16.273.184)	(16.999.942)	(17.759.656)
Operating Invested Capital	18.132.899	20.116.784	26.686.979	30.722.038	29.644.479	31.889.710	36.531.524	43.596.725	49.467.829	55.889.583	62.055.598	66.092.063	69.058.987	72.160.682	75.403.357	78.793.510
Change YoY		*10,94%*	*32,66%*	*15,12%*	*-3,51%*	*7,57%*	*14,56%*	*19,34%*	*13,47%*	*12,98%*	*11,03%*	*6,50%*	*4,49%*	*4,49%*	*4,49%*	*4,50%*
Non Core Invested Capital																
Short Term Investments	-	-	-	911.276	20.973											
Cash Investments	25.349	33.320	27.307	23.406	22.575											
Other Non Current Assets (Non Operating DTA)	172.554	268.362	(15.055)	(92.641)	12.799											
Other Non Current Liabilities, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Operating Invested Capital	197.903	301.682	12.252	842.041	56.347	-	-	-	-	-	-	-	-	-	-	-
Total Invested Capital	18.330.802	20.418.466	26.699.231	31.564.079	29.700.826	31.889.710	36.531.524	43.596.725	49.467.829	55.889.583	62.055.598	66.092.063	69.058.987	72.160.682	75.403.357	78.793.510
Financing																
Net Debt																
Debt	14.759.260	16.308.973	15.392.895	14.353.076	14.543.261	14.421.107	14.999.130	15.538.865	16.086.365	16.581.533	17.012.687	17.440.385	17.945.456	18.467.768	19.007.457	19.568.968
Excess of Cash	(4.010.615)	(6.955.747)	(4.542.912)	(3.566.399)	(5.430.748)	(4.148.986)	(3.921.774)	(3.703.899)	(3.473.671)	(3.209.139)	(2.974.789)	(2.771.837)	(2.622.731)	(2.466.857)	(2.303.901)	(2.133.538)
Net Debt	10.748.645	9.353.226	10.849.983	10.786.678	9.112.513	10.272.120	11.077.356	11.834.966	12.612.694	13.372.394	14.037.898	14.668.548	15.322.725	16.000.911	16.703.556	17.435.429
Stockholders' Equity	7.582.157	11.065.240	15.849.248	20.777.401	20.588.313	21.617.589	25.454.168	31.761.758	36.855.135	42.517.189	48.017.699	51.423.514	53.736.262	56.159.771	58.699.801	61.358.081
Total funds reconciliation	18.330.802	20.418.466	26.699.231	31.564.079	29.700.826	31.889.710	36.531.524	43.596.725	49.467.829	55.889.583	62.055.598	66.092.063	69.058.987	72.160.682	75.403.357	78.793.510

Income Statement 2019A – 2034F in $k

	2019A	2020A	2021A	2022A	2023A	2024E	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Revenues	20.156.447	24.996.056	29.697.844	31.615.550	33.723.297	38.966.229	43.510.482	47.867.978	52.472.526	57.763.171	62.450.173	66.509.218	69.491.325	72.608.817	75.867.928	79.275.185
% growth		*24%*	*19%*	*6%*	*7%*	*16%*	*12%*	*10%*	*10%*	*10%*	*8%*	*6%*	*4%*	*4%*	*4%*	*4%*
Streaming Revenues	19.859.230	24.756.675	29.515.496	31.469.852	33.640.458	38.966.229	43.510.482	47.867.978	52.472.526	57.763.171	62.450.173	66.509.218	69.491.325	72.608.817	75.867.928	79.275.185
% growth		*25%*	*19%*	*7%*	*7%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*
DVD Revenues	297.217	239.381	182.348	145.698	82.839	-	-	-	-	-	-	-	-	-	-	-
% growth		*-19%*	*-24%*	*-20%*	*-43%*	*-29%*	*-29%*	*-29%*	*-29%*	*-29%*	*-29%*	*-29%*	*-29%*	*-29%*	*-29%*	*-29%*
Cost of Revenues	12.440.213	15.276.319	17.332.683	19.168.285	19.715.368	20.882.748	22.248.881	25.288.707	27.536.584	29.879.720	31.835.760	33.904.974	35.425.189	37.014.419	38.675.844	40.412.791
% of revenue	*62%*	*61%*	*58%*	*61%*	*58%*	*59%*	*59%*	*59%*	*59%*	*59%*	*59%*	*59%*	*59%*	*59%*	*59%*	*59%*
Amortization of licensed content	7.242.799	7.544.631	8.055.811	7.681.978	7.145.446	8.024.141	7.545.492	8.125.370	8.160.645	8.054.135	7.702.931	8.203.595	8.571.423	8.955.951	9.357.947	9.778.216
% of licensed content	*49%*	*55%*	*58%*	*60%*	*56%*	*58%*	*58%*	*58%*	*58%*	*58%*	*58%*	*58%*	*58%*	*58%*	*58%*	*58%*
of customers	*47,34*	*39,90*	*38,22*	*34,46*	*29,66*	*29,66*	*25,33*	*25,00*	*23,05*	*20,90*	*18,80*	*19,19*	*19,63*	*20,09*	*20,55*	*21,03*
Amortization of produced content	1.973.448	3.262.281	4.174.556	6.344.154	7.051.991	6.389.204	7.479.523	9.216.014	10.664.141	12.235.404	13.764.484	14.659.128	15.316.406	16.003.525	16.721.857	17.472.842
% of produced content	*20%*	*28%*	*24%*	*32%*	*37%*	*31%*	*31%*	*31%*	*31%*	*31%*	*31%*	*31%*	*31%*	*31%*	*31%*	*31%*
of customers	*12,90*	*17,25*	*19,80*	*28,46*	*29,27*	*23,62*	*25,11*	*28,36*	*30,12*	*31,75*	*33,60*	*34,29*	*35,09*	*35,90*	*36,73*	*37,58*
Other streaming costs	3.100.759	4.469.407	5.102.316	5.142.153	5.517.931	6.469.403	7.223.866	7.947.323	8.711.798	9.590.182	10.368.345	11.042.252	11.537.359	12.054.943	12.596.040	13.161.733
% of revenue	*15%*	*18%*	*17%*	*16%*	*16%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*
DVD costs	123.207	-	-	-	-											
Gross Profit	7.716.234	9.719.737	12.365.161	12.447.265	14.007.929	18.083.481	21.261.600	22.579.270	24.935.942	27.883.451	30.614.413	32.604.243	34.066.136	35.594.397	37.192.084	38.862.394
Overhead Expenses	5.111.980	5.134.448	6.170.652	6.814.434	7.053.926	8.146.055	9.047.526	9.922.924	10.852.831	11.895.977	12.780.756	13.510.552	14.000.449	14.510.089	15.040.329	15.592.061
Marketing	2.652.462	2.228.362	2.545.146	2.530.502	2.657.883	3.107.243	3.421.087	3.733.007	4.067.490	4.426.490	4.705.182	4.910.094	5.014.367	5.120.878	5.229.675	5.340.807
% of revenue	*13%*	*9%*	*9%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*
of users	*17,34*	*11,78*	*12,07*	*11,35*	*11,03*	*11,49*	*11,49*	*11,49*	*11,49*	*11,49*	*11,49*	*11,49*	*11,49*	*11,49*	*11,49*	*11,49*
of newly gained users	*73,47*	*102,68*	*209,68*	*140,86*	*89,72*	*113,72*	*125,98*	*128,20*	*130,14*	*182,44*	*263,75*	*540,88*	*540,77*	*540,65*	*540,54*	*n.a.*
Technology and Development	1.545.149	1.829.600	2.273.885	2.711.041	2.675.758	3.138.887	3.504.944	3.855.958	4.226.873	4.653.056	5.030.613	5.357.585	5.597.806	5.848.933	6.111.467	6.385.935
% of revenue	*8%*	*7%*	*8%*	*9%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*
General and Administrative	914.369	1.076.486	1.351.621	1.572.891	1.720.285	1.899.925	2.121.495	2.333.959	2.558.468	2.816.431	3.044.961	3.242.873	3.388.275	3.540.279	3.699.187	3.865.319
% of revenue	*5%*	*4%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
Core Result before Taxes (EBIT)	2.604.254	4.585.289	6.194.509	5.632.831	6.954.003	9.937.427	12.214.074	12.656.346	14.083.111	15.987.473	17.833.657	19.093.691	20.065.687	21.084.308	22.151.755	23.270.333
Statutory Taxes	(546.893)	(962.911)	(1.300.847)	(1.182.895)	(1.460.341)	(2.086.860)	(2.564.956)	(2.657.833)	(2.957.453)	(3.357.369)	(3.745.068)	(4.009.675)	(4.213.794)	(4.427.705)	(4.651.868)	(4.886.770)
Tax Rate	21%	21%	21%	21%	21%	*21%*	*21%*	*21%*	*21%*	*21%*	*21%*	*21%*	*21%*	*21%*	*21%*	*21%*
Tax adjustments																
Impact of foreign juristidiction	(56.969)	(12.212)	86.489	(104.665)	32.292	6.847	7.640	8.479	9.365	10.434	11.283	12.104	12.656	13.233	13.837	14.469
R&D Tax Credits	134.523	113.882	82.909	146.615	87.036	128.767	143.784	158.184	173.400	190.883	206.372	219.785	229.640	239.942	250.712	261.972
Core Result (NOPLAT)	2.134.915	3.724.048	5.063.060	4.491.886	5.612.990	7.986.182	9.800.543	10.165.177	11.308.423	12.831.421	14.306.244	15.315.906	16.094.189	16.909.778	17.764.435	18.660.004
Non Core Result Before Taxes	84.000	(618.441)	411.214	337.310	(48.772)											
Interest and Other Income (Expenses)	84.000	(618.441)	411.214	337.310	(48.772)											
Statutory Taxes	(17.640)	129.873	(86.355)	(70.835)	10.242											
Tax Rate	*21,0%*	*21,0%*	*21,0%*	*21,0%*	*21,0%*											
Tax Adjustments	160.200	132.239	333.149	291.470	386.392											
Non Core Result	226.560	(356.329)	658.008	557.945	347.862	0	0	0	0	0	0	0	0	0	0	0
Financing Result																
Interest Expense	(626.023)	(767.499)	(765.620)	(706.212)	(699.826)	(712.919)	(706.931)	(735.266)	(761.724)	(788.563)	(812.836)	(833.971)	(854.937)	(879.696)	(905.300)	(931.756)
Financing Result before Taxes	(626.023)	(767.499)	(765.620)	(706.212)	(699.826)	(712.919)	(706.931)	(735.266)	(761.724)	(788.563)	(812.836)	(833.971)	(854.937)	(879.696)	(905.300)	(931.756)
Statutory Taxes	131.465	161.175	160.780	148.305	146.963	149.713	148.455	154.406	159.962	165.598	170.696	175.134	179.537	184.736	190.113	195.669
Tax Rate	*21,00%*	*21,00%*	*21,00%*	*21,00%*	*21,00%*	*21,00%*	*21,00%*	*21,00%*	*21,00%*	*21,00%*	*21,00%*	*21,00%*	*21,00%*	*21,00%*	*21,00%*	*21,00%*
Financing Result	(494.558)	(606.324)	(604.840)	(557.907)	(552.863)	(563.206)	(558.475)	(580.860)	(601.762)	(622.964)	(642.140)	(658.837)	(675.400)	(694.960)	(715.187)	(736.087)
Other Comprehensive Income	(3.939)	67.919	(84.893)	(176.811)	(6.639)											
Comprehensive Income incl. OCI	1.862.977	2.829.314	5.031.335	4.315.113	5.401.351	7.422.976	9.242.068	9.584.317	10.706.661	12.208.456	13.664.103	14.657.068	15.418.788	16.214.818	17.049.248	17.923.916
Comprehensive Income excl. OCI	1.866.916	2.761.395	5.116.228	4.491.924	5.407.990	7.422.976	9.242.068	9.584.317	10.706.661	12.208.456	13.664.103	14.657.068	15.418.788	16.214.818	17.049.248	17.923.916

DCF Valuation in $k

	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	TV
Operating Free Cash Flow to Firm (base case)	3.099.976	5.437.318	6.409.668	8.140.229	11.279.441	13.127.265	13.808.083	14.521.760	15.269.851	15.971.231
Operating Free Cash Flow to Firm (default case)	-2.182.517	-41.712	314.428	1.224.093	3.568.376	4.871.992	5.133.315	5.407.389	5.694.820	5.956.397
Ultimately expected Cash Flow	3.081.487	5.418.142	6.388.334	8.116.022	11.252.452	13.098.371	13.777.721	14.489.860	15.236.338	15.936.179
discounted @ WACC	9,42%	9,42%	9,42%	9,42%	9,42%	9,42%	9,42%	9,42%	9,42%	9,42%
Discount factor	0,91	0,84	0,76	0,70	0,64	0,58	0,53	0,49	0,44	0,41
Discounted FCF	2.816.078	4.525.003	4.875.738	5.660.831	7.172.464	7.629.968	7.334.441	7.049.171	6.773.899	134.010.556

Equity Bridge	
Enterprise Value	187.848.148
Share Projection Period	*28,7%*
Share Terminal Value	*71,3%*
(+) Invested Capital Non Core Operations	56.347
(-) Net Debt	(11.077.356)
Equity Value	176.827.138
/ Total shares outstading (m)	428.239
Price per share ($)	412,9

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Buy	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period.
Hold	Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over a 12-month period.
Sell	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

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