

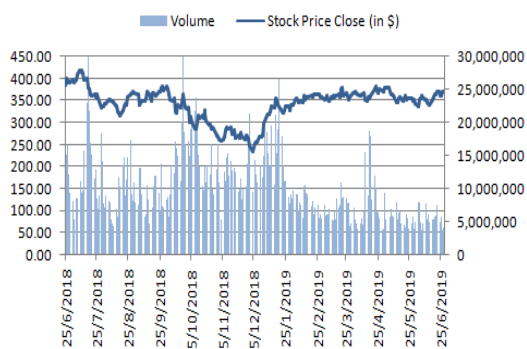
Valuation & Research Specialists (VRS)
Equity Research Team
info@vrs.gr | info@valueinvest.gr

Share Price (28/06/2019)	
	\$ 368.99
# of Shares (mn)	437.22
Market Cap (in \$ mn)	161,329.79
A.D. Volume (p)	10,247,297
Beta Co-efficient	1.399
Statistical Data	
Max 52 week, \$	418.97
Min 52 week, \$	233.88
1-M Rtn	4.01%
6-M Rtn	36.19%
12-M Rtn	-4.03%

Source: VRS Calculations, Reuters.
Period as day/month/year.

Stock Price Performance & Transaction Volume

(1 year, in \$ and in number of shares)



Note: Share price performance based on share price closes on Stock Exchange.
Period as day/month/year.

NETFLIX INC.

Listed on Nasdaq, U.S.A.

[Bloomberg Ticker: NFLX:US] [Reuters Ticker: NFLX.O]

Business Sector / Industry: Communications / Media

Corporate & Investment Highlights

- Netflix, Inc., incorporated on August 29, 1997, is a provider an Internet television network. The Company operates through three segments: Domestic streaming, International streaming and Domestic DVD. The Domestic streaming segment includes services that streams content to its members in the United States. The International streaming segment includes services that streams content to its members outside the United States. The Domestic DVD segment includes services, such as digital optical disc (DVD)-by-mail.
- The Company's members can watch original series, documentaries, feature films, as well as television shows and movies directly on their Internet-connected screen, televisions, computers and mobile devices. It offers its streaming services both domestically and internationally. [Source: Reuters]

Consolidated Annual Financial Results (2018 versus 2017, \$ millions)

(in \$ mn)	2018	%	2017
Sales	15,794	35.08%	11,693
Gross Profit	5,827	59.21%	3,660
EBITDA	1,689	85.86%	909
EBT	1,226	152.71%	485
EATAM	1,211	116.71%	559

Source: Company. Note: Fiscal Year ends on December 31st.

1st Quarter Financial Results (Q1 2019 versus Q1 2018, \$ millions)

(in € mn)	Q1 2019	%	Q1 2018
Sales	4,521	22.16%	3,701
Gross Profit	1,650	17.86%	1,400
Operating Income	459	2.80%	447
EBT	400	33.39%	300
EATAM	344	18.59%	290

Source: Company.

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BASIC FINANCIAL INDICATORS

in \$ million	Sales	Gross Profit	EBT	EATAM	P/E (x)	P/BV (x)	EV/EBITDA (x)	DEBT/EQUITY (x)	ROE %
2012	3,609	983	30	17	9,405.9	216.6	1,689.0	0.26	2%
2013	4,375	1,257	171	112	1,435.3	121.0	582.6	0.37	8%
2014	5,505	1,752	349	267	604.7	86.8	352.8	0.48	14%
2015	6,780	2,188	142	123	1,315.5	72.6	439.8	1.07	6%
2016	8,831	2,573	261	187	864.2	60.2	373.2	1.26	7%
2017	11,693	3,660	485	559	288.6	45.0	181.2	1.81	16%
2018	15,794	5,827	1,226	1,211	133.2	30.8	99.4	1.98	23%
2019 E	18,310	6,828	1,659	1,376	117.2	24.4	93.4	1.88	21%
2020 E	20,507	7,877	1,858	1,541	104.7	19.8	89.5	1.71	19%

Notes: (1) EATAM and equity are calculated excluding minorities. (2) P/E, P/BV and EV/EBITDA are based on current share price and current outstanding number of shares. Source: Official Consolidated Financial Statements, VRS Estimates & Calculations. n/c stands for non calculable.

Working Capital Ratios

in \$ million	2015	2016	2017	2018	2019 E	2020 E
Revenues	6,780	8,831	11,693	15,794	18,310	20,507
Cost (net of depreciation)	4,591	6,257	8,033	9,968	11,482	12,631
Gross Profit Margin	% 32.27%	29.14%	31.30%	36.89%	37.29%	38.41%
Net Income / Profit	123	187	559	1,211	1,376	1,541
Net Profit Margin	% 1.8%	2.1%	4.8%	7.7%	7.5%	7.5%
Cash & Cash Equivalents	1,809	1,468	2,823	3,794	4,174	4,591

Stock Days

	Days	2015	2016	2017	2018	2019 E	2020 E
Stock Inventory		2,906	3,726	4,311	5,151	5,972	6,569
Debtors Days	Days	0	0	0	0	0	0
Debtors - Receivables		0	0	0	0	0	0
Creditors Days	Days	20	18	16	21	21	21
Creditors - Suppliers		253	313	360	563	649	713
Operating Cycle (Days)	Days	231	217	196	189	190	190
Cash Cycle (Days)	Days	211	199	180	168	169	169

Source: Official Consolidated Financial Statements, VRS Estimates & Calculations. Gross profit is calculated by deducting cost of sales (net of depreciation, wherever applicable) from revenues.

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Shareholders' Structure (Indicative Shareholders)

Capital Research & Management Co. (Global Investors)	7.61%
The Vanguard Group, Inc.	6.76%
Fidelity Management & Research Co.	5.76%
BlackRock Fund Advisors	4.25%
SSgA Funds Management, Inc.	3.44%
T. Rowe Price Associates, Inc.	2.57%
Capital Research & Management Co. (World Investors)	2.34%
Jennison Associates LLC	2.20%
Baillie Gifford & Co.	1.72%
Wilmot Hastings	1.27%
Others	62.08%
Total	100.00%

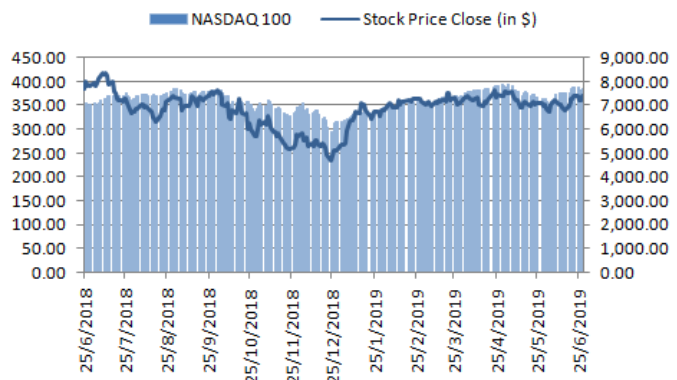
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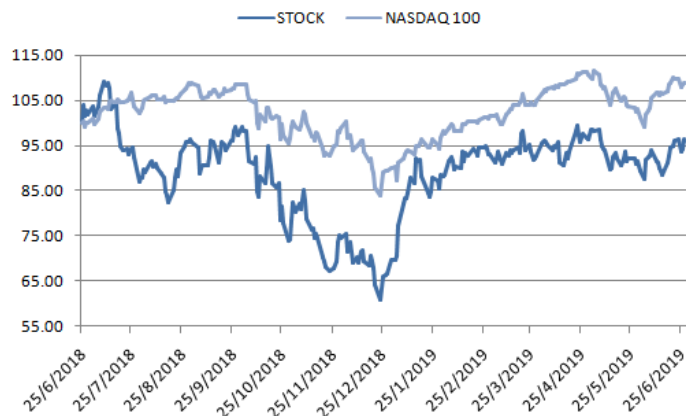
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Stock versus Index
(Last 52 Weeks or since listing, Stock Price in \$, Index in points)



Source: Historical Data, Yahoo! Finance. Note: Share price performance based on price closes on Stock Exchange.
Period as day/month/year.

Stock versus Index
(Last 52 Weeks or since listing, Base = 100)



Source: Historical Data, Yahoo! Finance. Note: Share price performance based on price closes on Stock Exchange.
Period as day/month/year.

NETFLIX INC.

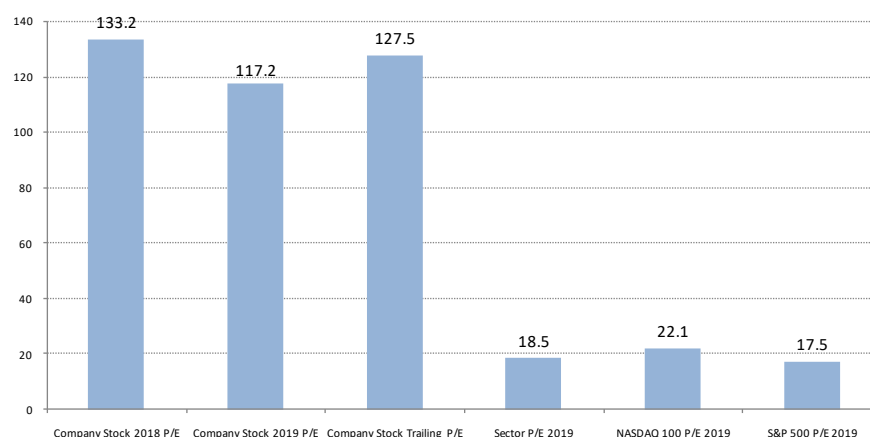
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	P/E Multiple
Company Stock 2018 P/E	133.2
Company Stock 2019 P/E	117.2
Company Stock Trailing P/E	127.5
Sector P/E 2019	18.5
NASDAQ 100 P/E 2019	22.1
S&P 500 P/E 2019	17.5

Company Historic P/E Multiple versus Market P/E Multiples (x)



Source: VRS calculations based on consolidated accounts, FACTSET.

EPS Estimates

In \$	EPS
2018	2.770
2019 E	3.148
2020 E	3.525

Source: VRS calculations & estimates.

Note: EPS is based on current number of shares.

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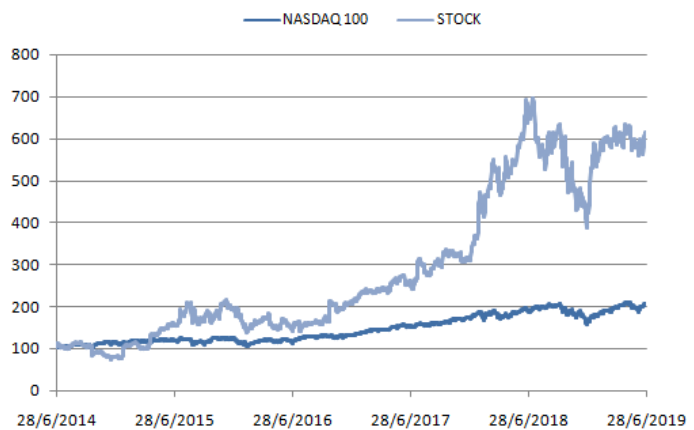
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Stock Price Performance
(Last 5 Years or since listing, Stock Price in \$)



Source: Historical Data, Yahoo! Finance. Note: Share price performance based on price closes on Stock Exchange. Period as day/month/year.

Stock versus Index
(Last 5 Years or since listing, Base = 100)



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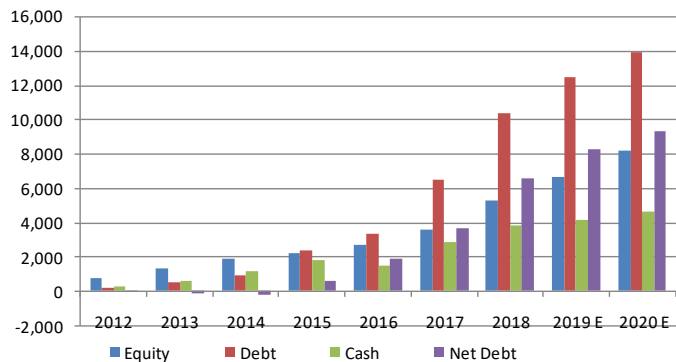
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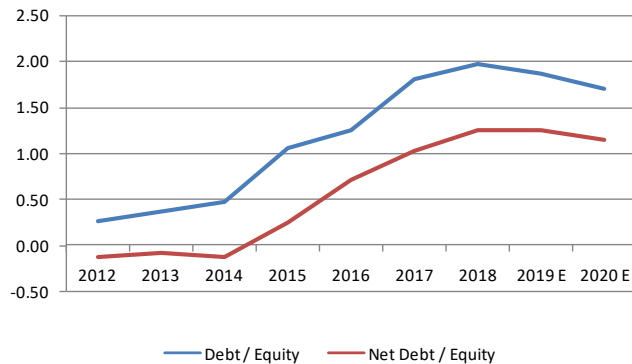
Business Sector / Industry: Communications / Media

Equity, Debt, Cash & Net Debt
(in \$ millions)



Source: Company, VRS estimates

"Debt/Equity" & "Net Debt/Equity" Ratios
(times)



Source: Company, VRS estimates

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Business Sector / Industry: Communications / Media

Revenue and Profit Change FY 2018 vs FY 2017

Consolidated Sales Breakdown (\$ millions)

	2018	2017
Domestic Streaming	7,647	6,153
International Streaming	7,782	5,089
Domestic DVD	366	450
TOTAL	15,794	11,693

Consolidated Contribution Profit Breakdown (\$ millions)

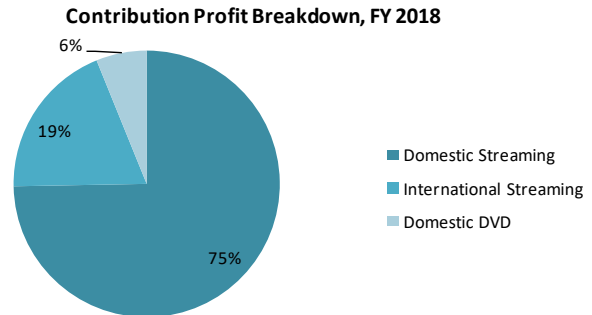
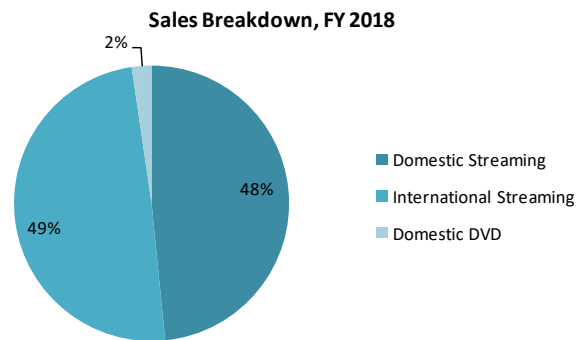
	2018	2017
Domestic Streaming	2,583	2,078
International Streaming	662	-103
Domestic DVD	212	248
TOTAL	3,457	2,223

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Consolidated Sales & Profit Breakdown, FY 2018 (%)



Source: Company

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Business Sector / Industry: Communications / Media

Consolidated Income Statement (In \$ thousands)

in thousands \$, except per share data in \$	2018	2017
Revenues	15,794,341	11,692,713
Cost of revenues	9,967,538	8,033,000
Marketing	2,369,469	1,436,281
Technology and development	1,221,814	953,710
General and administrative	630,294	431,043
Operating income	1,605,226	838,679
Other income (expense):		
Interest expense	-420,493	-238,204
Interest and other income (expense)	41,725	-115,154
Income before income taxes	1,226,458	485,321
Provision for (benefit from) income taxes	15,216	-73,608
Net income	1,211,242	558,929
Earnings per share:		
Basic	2.78	1.29
Diluted	2.68	1.25
Weighted-average common shares outstanding:		
Basic	435,374	431,885
Diluted	451,244	446,814

Source: Company

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Consolidated Balance Sheet (In \$ thousands)

in \$ thousands, except share and per share data	2018	2017
Assets		
Current Assets:		
Cash and cash equivalents	3,794,483	2,822,795
Current content assets, net	5,151,186	4,310,934
Other current assets	748,466	536,245
Total current assets	9,694,135	7,669,974
Non-current assets, net	14,960,954	10,371,055
Property and equipment, net	418,281	319,404
Other non-current assets	901,030	652,309
Total Assets	<u>25,974,400</u>	<u>19,012,742</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Current content liabilities	4,686,019	4,173,041
Accounts payable	562,985	359,555
Accrued expenses	477,417	315,094
Deferred revenue	760,899	618,622
Total current liabilities	6,487,320	5,466,312
Non-current content liabilities	3,759,026	3,329,796
Long-term debt	10,360,058	6,499,432
Other non-current liabilities	129,231	135,246
Total liabilities	<u>20,735,635</u>	<u>15,430,786</u>
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock	-	-
Common stock	2,315,988	1,871,396
Accumulated other comprehensive loss	-19,582	-20,557
Retained earnings	2,942,359	1,731,117
Total stockholders' equity	<u>5,238,765</u>	<u>3,581,956</u>
Total liabilities and stockholders' equity	<u>25,974,400</u>	<u>19,012,742</u>

Source: Company

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Consolidated Cash Flow Statement (In \$ thousands)

in \$ thousands	2018	2017
Cash provided from operating activities		
Net income	1,211,242	558,929
Adjustments to reconcile net income to net cash used in operating activities		
Additions to streaming content assets	-13,043,437	-9,805,763
Change in streaming content liabilities	999,880	900,006
Amortization of streaming content assets	7,532,088	6,197,817
Amortization of DVD content assets	41,212	60,657
Depreciation and amortization of property, equipment and intangibles	83,157	71,911
Stock-based compensation expense	320,657	182,209
Excess tax benefits from stock-based compensation	-	-
Other non-cash items	40,428	57,207
Foreign currency remeasurement loss (gain) on long-term debt	-73,953	140,790
Deferred taxes	-85,520	-208,688
Changes in operating assets and liabilities:		
Other current assets	-200,192	-234,090
Accounts payable	199,198	74,559
Accrued expenses	150,422	114,337
Deferred revenue	142,277	177,974
Other non-current assets and liabilities	2,062	-73,803
Net cash used in operating activities	-2,680,479	1,785,948
Cash flows from investing activities:		
Purchases of property and equipment	-173,946	-173,302
Acquisition of DVD content assets	-38,586	-53,720
Other assets	-126,588	-6,689
Purchases of short-term investments	-	-74,819
Proceeds from sale of short-term investments	-	320,154
Proceeds from maturities of short-term investments	-	22,705
Net cash provided by (used in) investing activities	-339,120	34,329
Cash flows from financing activities		
Proceeds from issuance of debt	3,961,852	3,020,510
Issuance costs	-35,871	-32,153
Proceeds from issuance of common stock	124,502	88,378
Excess tax benefits from stock-based compensation	-	-
Other financing activities	-1,956	255
Net cash provided by financing activities	4,048,527	3,076,990
Effect of exchange rate changes on cash, cash equivalents and restricted cash	-39,682	29,848
Net increase (decrease) in cash, cash equivalents and restricted cash	989,246	1,355,219
Cash, cash equivalents and restricted cash, beginning of year	2,822,795	1,467,576
Cash, cash equivalents and restricted cash, end of year	<u>3,812,041</u>	<u>2,822,795</u>
Supplemental disclosure:		
Income taxes paid	131,069	113,591
Interest paid	375,831	213,313
Increase (decrease) in investing activities included in liabilities	2,560	-32,643

Source: Company

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VALUATION & RESEARCH SPECIALISTS (VRS)

VRS - vrs.gr Value Invest - www.valueinvest.gr Investment Research & Analysis Journal – www.iraj.gr

DISCLOSURE STATEMENT (1)

VRS (VALUATION & RESEARCH SPECIALISTS) is an independent Financial Research & Consulting Firm, with presence and offices in Athens and Luxembourg, providing advanced equity research and valuation reports as well as value-related advisory services to local and international institutions, business entities and individual clients. VRS services include valuations of intangible assets, business enterprises, and fixed assets. VRS's focus business is in providing independent equity research to its institutional and retail clients / subscribers.

VRS is not a brokerage firm and does not trade in securities of any kind. VRS is not an investment bank and does not act as an underwriter for any type of securities.

VRS accepts fees from the companies it covers and researches (the "covered companies"), and from major financial institutions. The sole purpose of this policy is to defray the cost of researching small and medium capitalization stocks which otherwise receive little research coverage. In this manner VRS can minimize fees to its clients / subscribers and thus broaden investor's attention to the "covered companies." VRS analysts are compensated on a per-company basis and not on the basis of their recommendations. Analysts are not allowed to solicit prospective "covered companies" for research coverage by VRS and are not allowed to accept any fees or other consideration from the companies they cover for VRS. Analysts are also not allowed to trade in the shares, warrants, convertible securities, or options of companies they cover for VRS.

Furthermore, VRS, its officers, and directors cannot trade in shares, warrants, convertible securities or options of any of the "covered companies." VRS accepts payment for research only in cash and will not accept payment in shares, warrants, convertible securities or options of "covered companies" by no means.

To ensure complete independence and editorial control over its research, VRS follows certain business practices and compliance procedures, which are also applied internationally. Among other things, fees from "covered companies" are due and payable prior to the commencement of research and, as a contractual right, VRS retains complete editorial control over the research process and the final equity analysis report.

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DISCLOSURE CHECKLIST

Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
NETFLIX INC.	NFLX:US	NFLX.O	\$ 368.99	June 28, 2019	----

1. VRS has acted as financial consultant for the covered company within the past 24 months.
2. VRS has sent the research report to the covered company, prior to publication or dissemination, for factual verification.
3. VRS has changed the contents of the initially sent report, with respect to: factual changes have been made.
4. VRS has received compensation from the covered company for the preparation of this research report.
5. VRS produces research reports for this company on systematic basis.
6. VRS produces research reports for this company on demand basis.
7. VRS has produced a research report for this company within the past 12 months.

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VRS Equity Research Contributors

Dr. Nicholas Georgiadis, ngeorgiadis@valueinvest.gr
Dr. Georgios A. Savvakis, gsavvakis@valueinvest.gr
Zoe Vassiliou, zvassiliou@valueinvest.gr
Maria Papadopoulou, mpapadopoulou@valueinvest.gr

Investment Research & Analysis Journal

Dr. Efstratios Livanis
Assistant Editor

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