

NETFLIX

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Agenda

- Company Background
- Recommendation
- Key Performance Indicators
- Comparison with Industry averages
- Catalysts
- Key Investment Risks
- Forecasts
- Conclusion

Company Background

- Media Industry – Leading Player in Subscription Video On Demand services
- Started off as an online offering of movie rentals for a low monthly subscription.
- Replacement of cable services with better and original media content.

• Revenues	\$ 13.8 Billion (40.30% yoy)
• Market Cap	\$ 154 Billion
• EPS (TTM)	2.20 (50% yoy)
• PE Ratio (TTM)	161.47
• Profit Margin	7.13%
• International Subscribers	5.3 million (49% yoy)
• Domestic Subscribers	128 million (6.6% yoy)
• EBITDA	\$ 1.44 Billion

History of Stock Price



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Competitors

- Industry Leader – Quality & Price
- Main Competitor
 - Amazon Instant Video
- Others
 - Hulu
 - HBO Now
 - Disney
 - Apple

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Recommendation

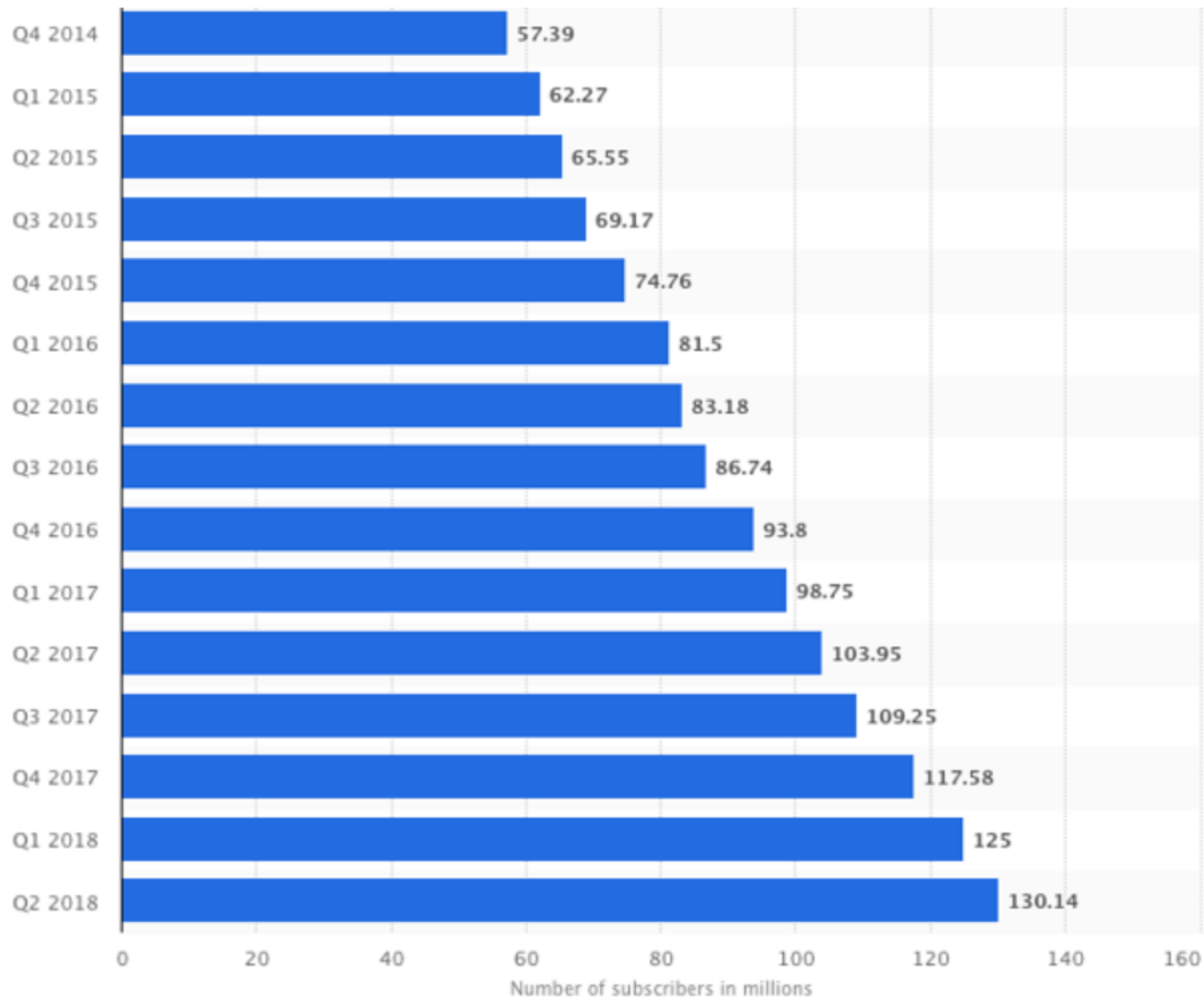
- Long / Buy
- Today's High/Low: \$355.7 / \$ 329.0

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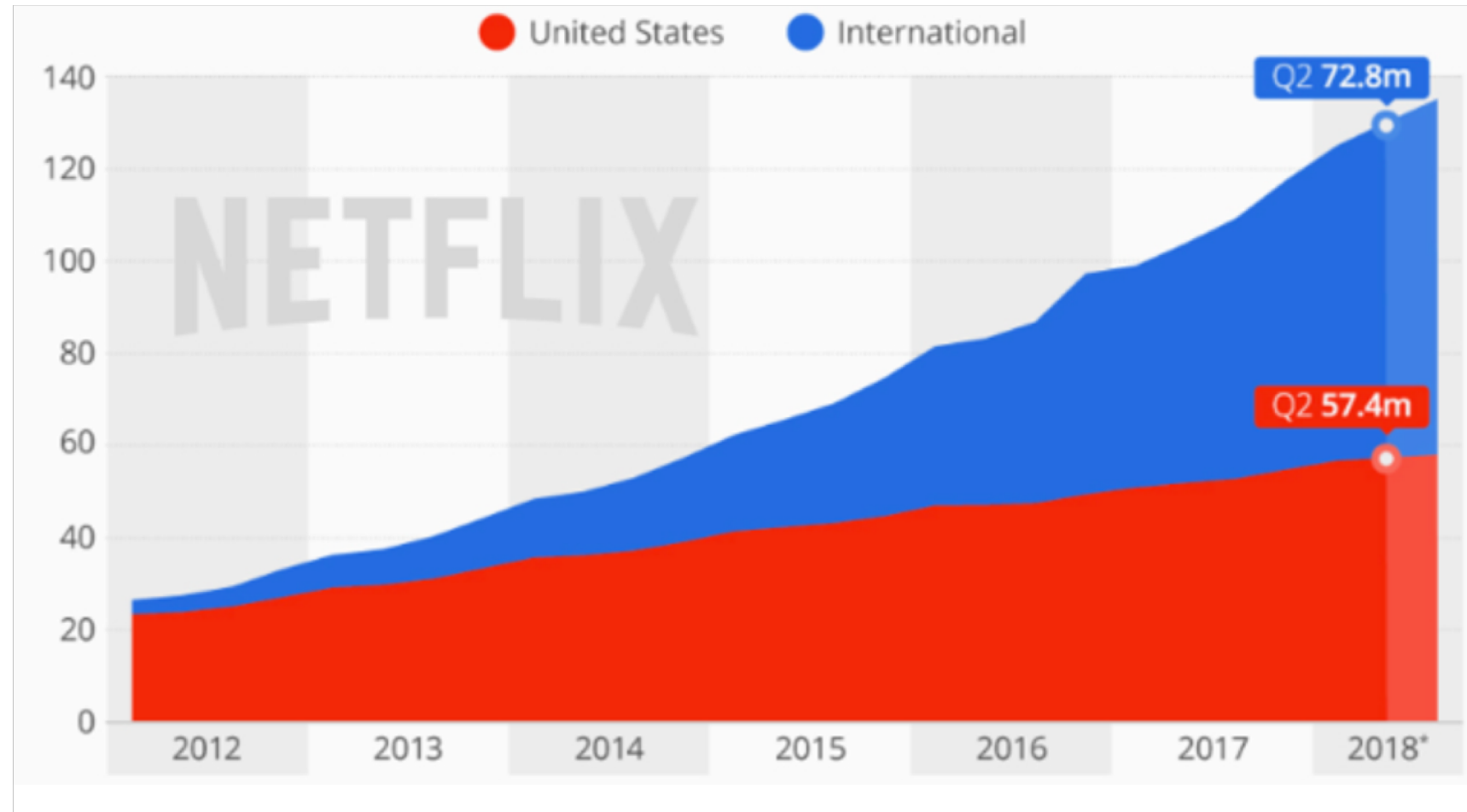
Key Performance Indicators

- Customer Base – Number of Viewers
- Quality of Content and Ease of Access

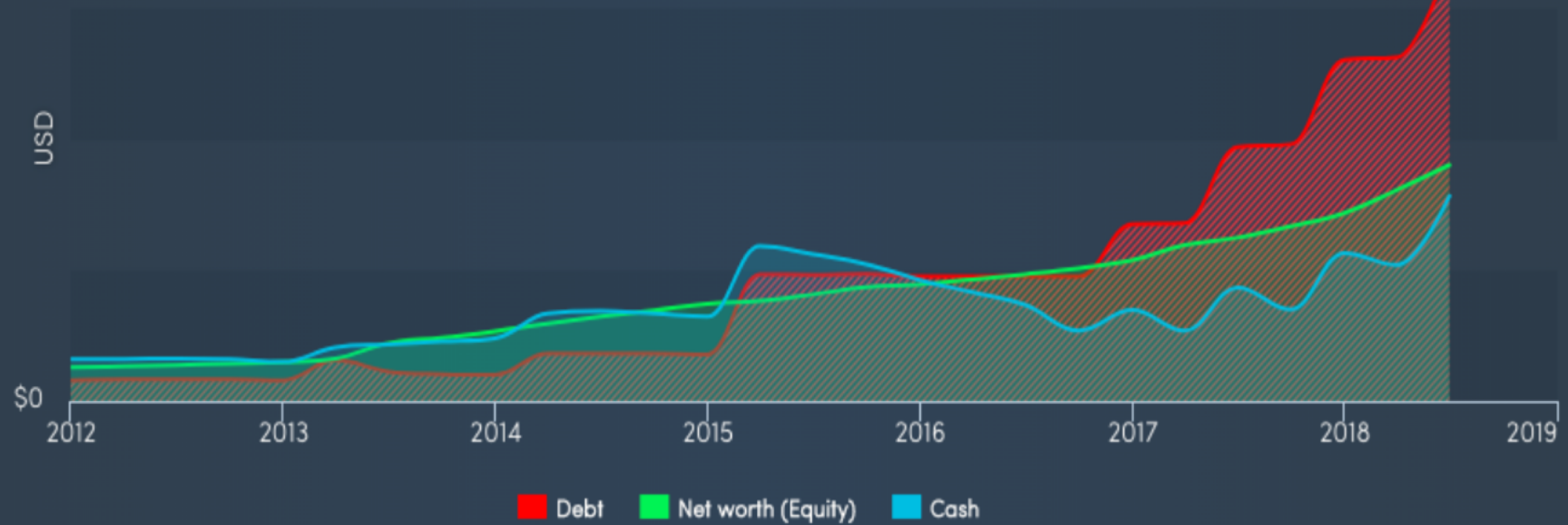
Total
Viewers
since
Q4 - 2014



International Expansion



\$10B

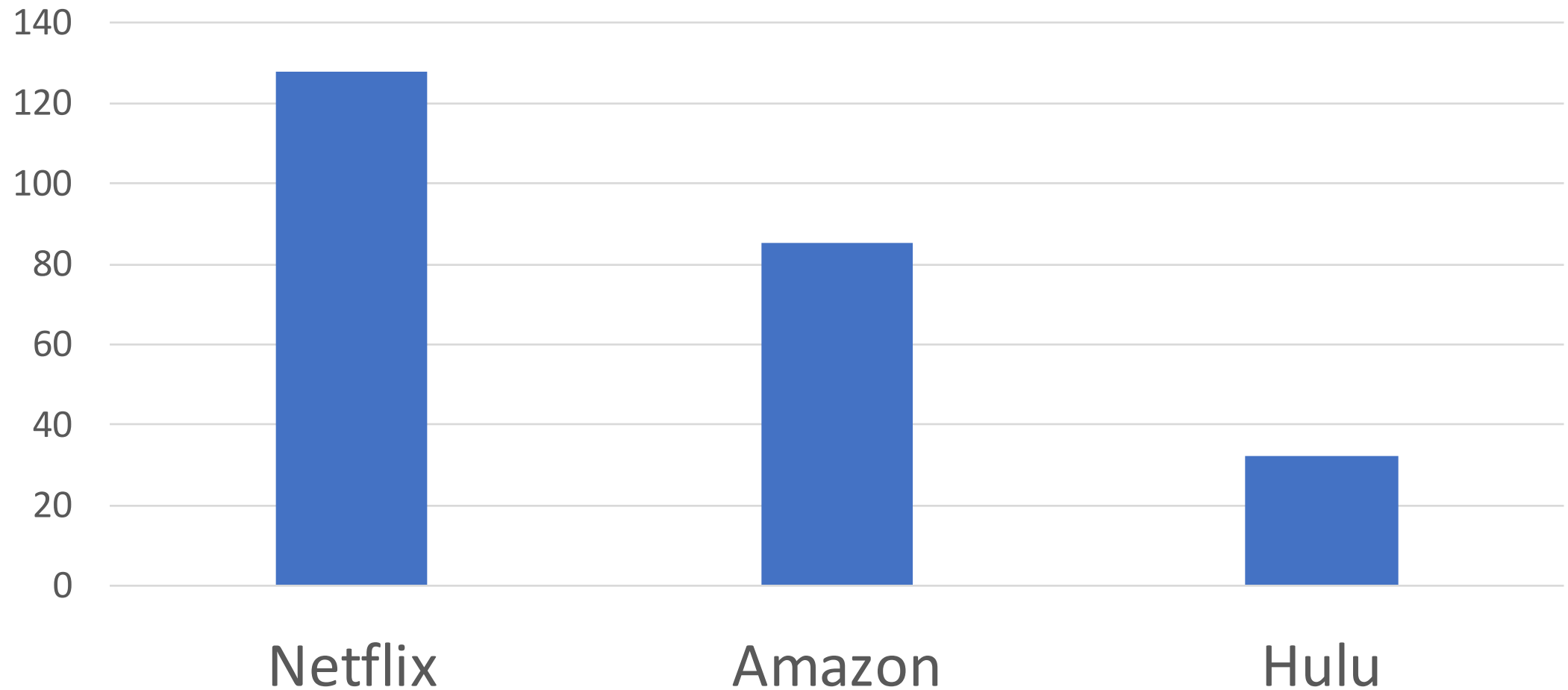


Rising Debt

Expenditure on Quality
8 Billion USD (2018)

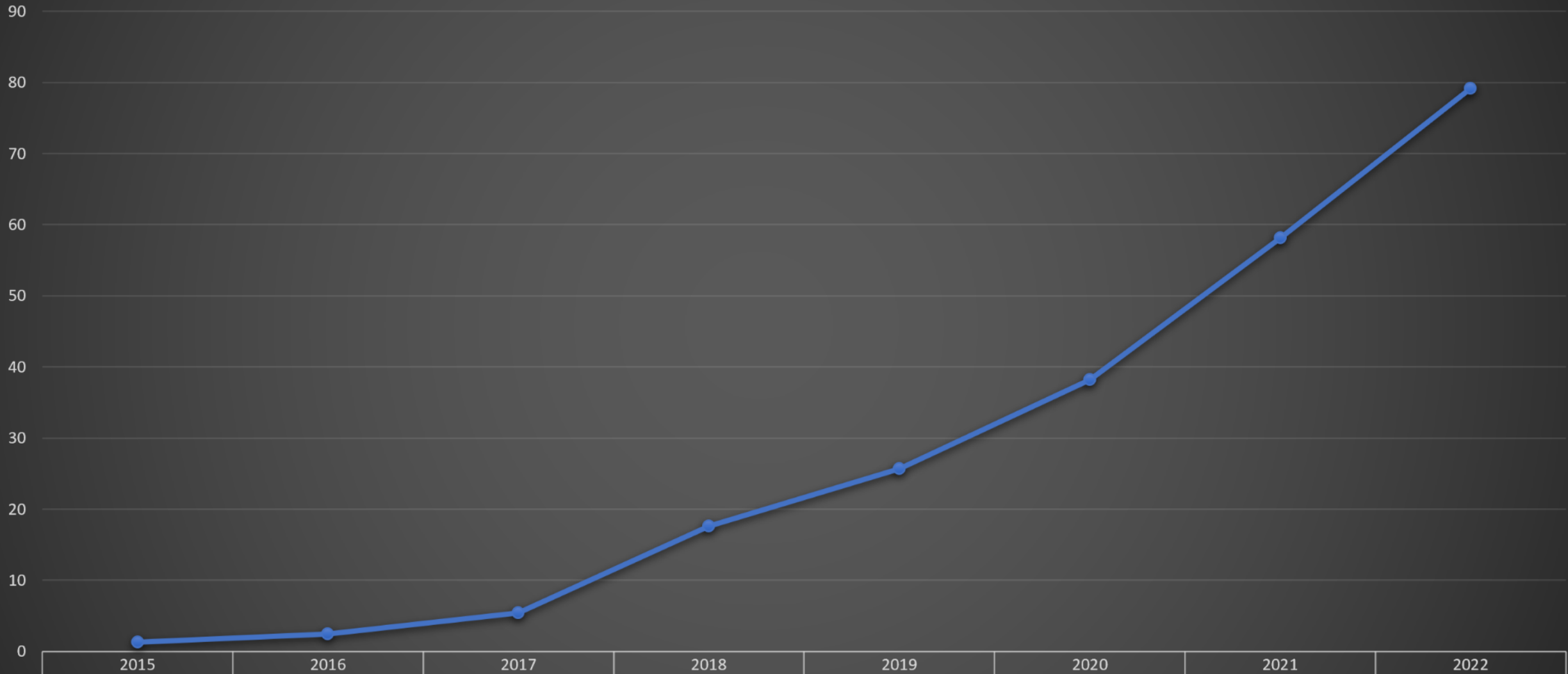
Comparison with Industry Averages

Viewers (Millions) - 2018



Industry Leader in EPS

Netflix Annual EPS



Industry Average Profit Margin = 2.62 %



Industry Average Revenue Growth = 9.19%



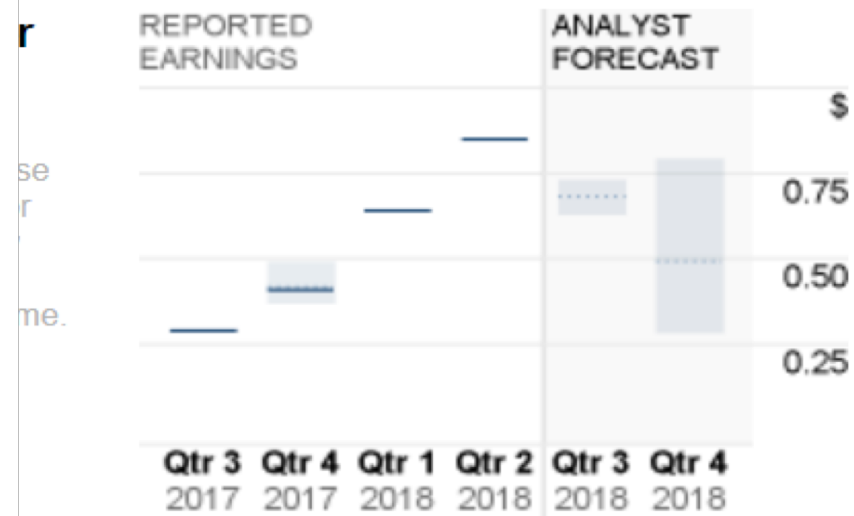
Catalysts

- Investment on producing quality entertainment.
- Large and diverse portfolio of offerings
- Innovation Roll-out – Interactive storytelling technology – Viewers will have control over fate of their favorite characters.
- Announced M&A with ABQ Studios, Albuquerque, New Mexico to produce its upcoming movies and TV shows.
 - Budget: \$ 1 billion over next 10 years
 - Social Value: 1,000 production jobs a year

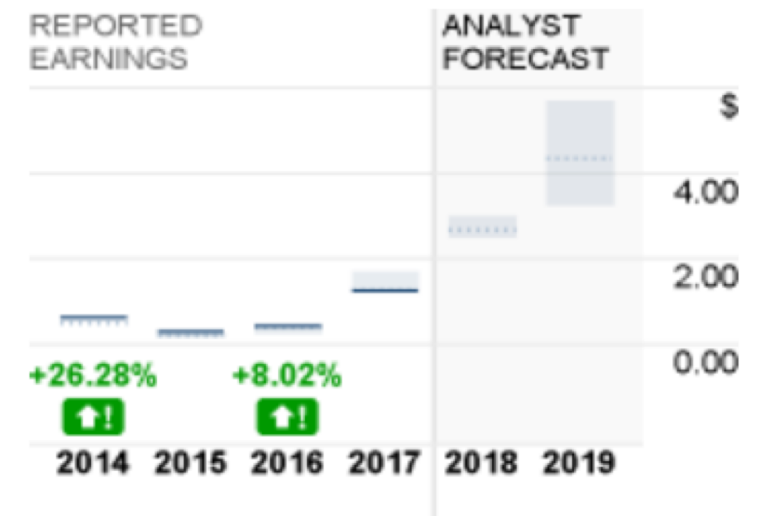
Key Investment Risks

- Loss of quality / Perception of Redundancy – Loss of Viewers
- Price war with Amazon
- Piracy
- Budgetary Issues (Costs over-runs)
- Political Risks in International exposure
- Marketing Risks

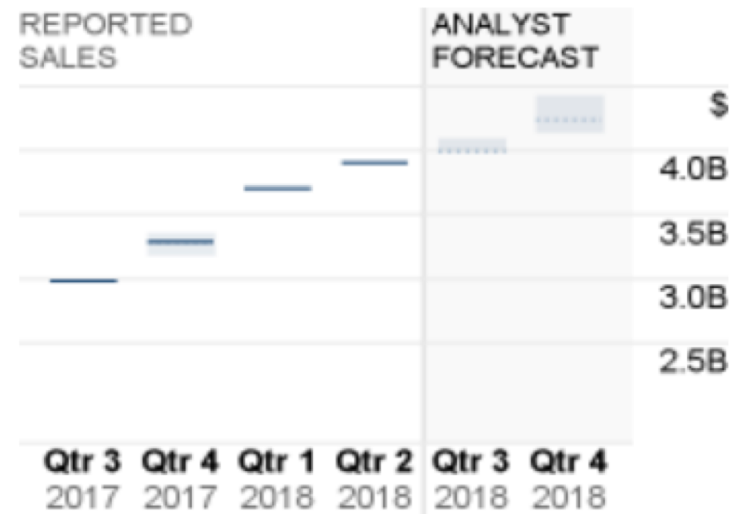
Forecasts



Growth quarterly -19.91%



Growth annually 114.69%

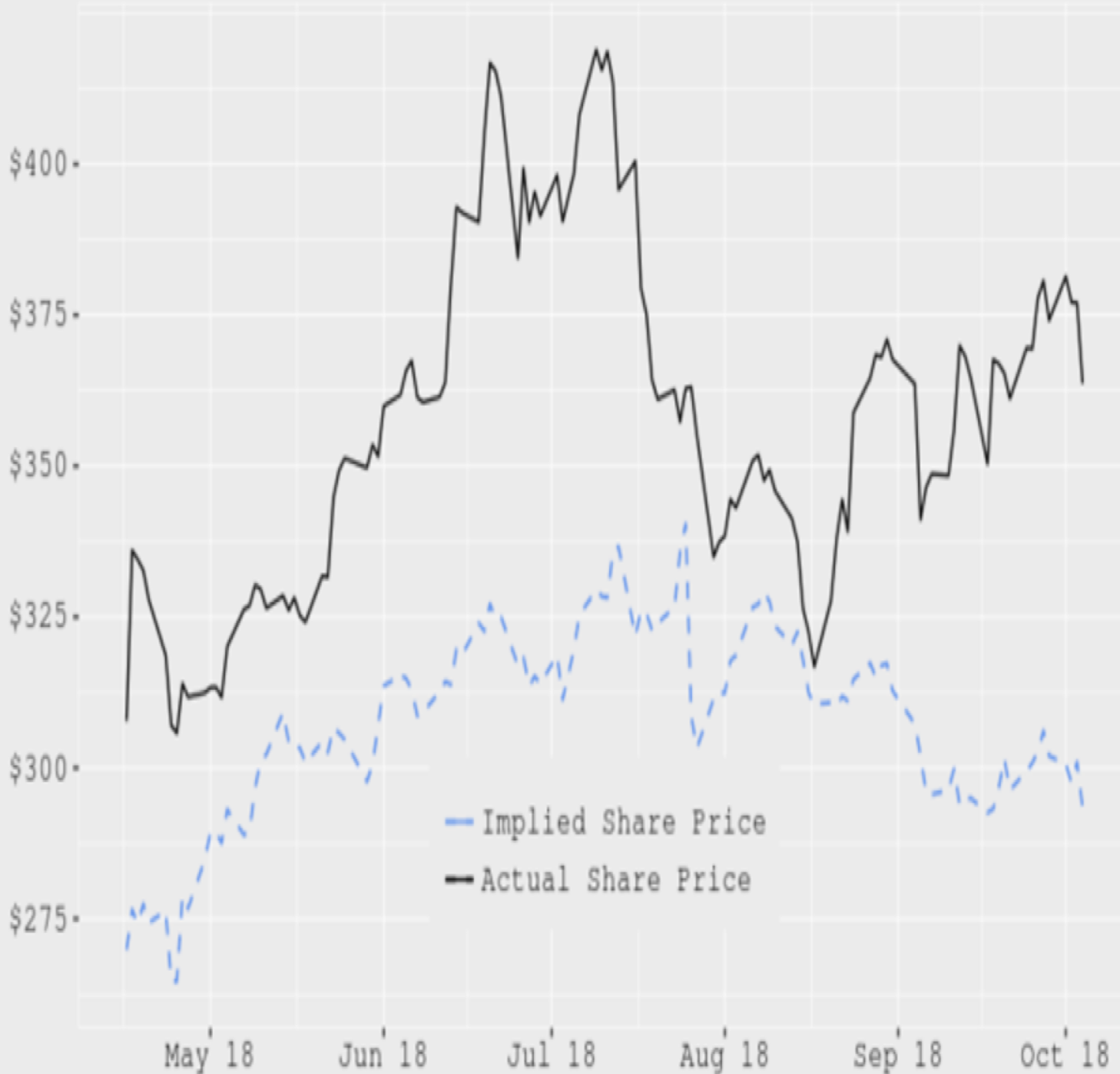


Growth quarterly 2.29%



Growth annually 35.58%

Now or Later ?



- The stock is currently over-valued.
- Given the rate of expansion, market dominance, strong financials and devoted expense to produce quality,
- We recommend Long the Stock!
- And Hold!

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Future Projections (1 year)

- Best Case – \$ 494
- Median Case – \$ 400
- Worst Case – \$ 120
- Our Buy-in Price – \$ 300

Keep CALM
and
Long the Stock!

Thank you!