

## Netflix Inc (NFLX US)

FUNDAMENTAL VIEW <sup>1</sup>

As of 11 Mar 2024

- Netflix is one of the few clear winners in the industry's transition to streaming, and we believe the group's leading position will be bolstered in 2023/24 as legacy media companies rein in spending and international ambitions.
- From a financial perspective, we expect Netflix will deliver double-digit EBITDA growth in 2023/24 driven by a re-acceleration in subscriber growth.
- Netflix's financial policy is relatively conservative. \$5+ bn of FCF and target gross debt of \$10-15 billion equates to strong IG metrics.

## RISKS &amp; CATALYSTS

As of 11 Mar 2024

- **Market Saturation:** Netflix is highly penetrated in the US market, so future growth will become increasingly dependent on price increases, uptake of the ad tier and success on the password sharing crackdown. The recent WWE deal also opens the door to higher-priced sports programming.
- **Increased Competition:** Several large competitors including Amazon and Apple are increasingly leaning into DTC video offerings on a global basis. Heightened competition may result in rising churn & declining gross additions for NFLX.
- **M&A Risk:** Netflix is in the early stages of an expansion into video games and has already acquired several studios.

CREDIT QUALITY SCORE (CQS)<sup>2</sup>

As of 21 Jun 2024

## CURRENT CQS

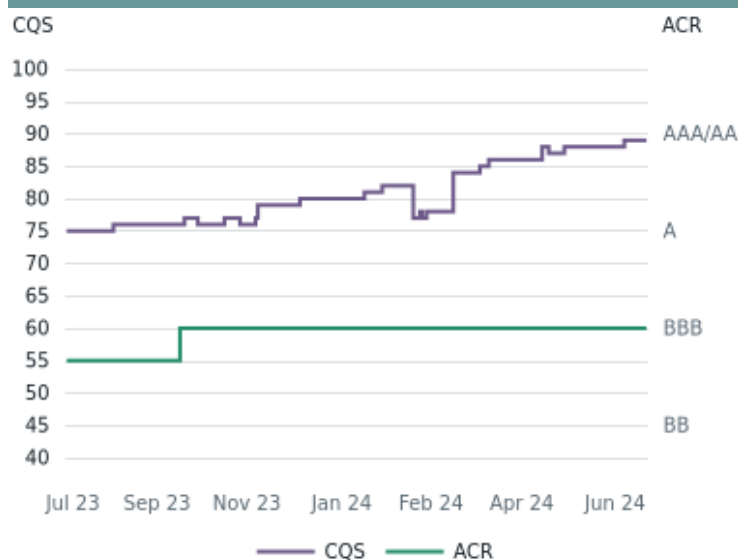
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CQS OUTLOOK <sup>3</sup>

NEGATIVE

STABLE

POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)<sup>4</sup> VS CQS

## KEY METRICS

As of 11 Mar 2024

\$ MN	FY19	FY20	FY21	FY22	FY23
Revenue	20,156	24,996	29,698	31,616	33,723
Revenue YoY %	27.6%	24.0%	18.8%	6.5%	6.7%
EBITDA	3,113	5,116	6,806	6,695	7,650
EBITDA Growth	55%	64%	33%	(2%)	14%
Cash Content Expense	14,611	12,537	17,469	16,660	13,140
CFO - CapEx	(3,140)	1,929	(132)	1,619	6,926
Dividends/CFO-Capex	0.0%	0.0%	0.0%	0.0%	0.0%
LTM CFO-CapEx to Debt	(21.3%)	11.8%	(0.9%)	11.3%	47.6%

## BUSINESS DESCRIPTION

As of 11 Mar 2024

- NFLX is the world's leading subscription streaming entertainment service with ~260 mn paid streaming subs in 190+ countries around the world. NFLX's programming includes original & acquired TV series, documentaries and feature films.
- NFLX began expanding internationally with the launch of services in Canada (Sep 2010), followed by LatAm (Sep 2011), and the UK and Ireland (Jan 2012). NFLX launched services in 17 more markets at a measured pace through the end of 2015 before launching in the rest of the world in Jan 2016 (ex-China, N Korea, Syria, Crimea).
- At the end of 4Q23, Netflix's regional subscriber breakdown was as follows: (1) EMEA - 88.8 mn; (2) UCAN - 80.1 mn; (3) LATAM - 46.0 mn and (4) APAC - 45.3 mn.
- Ted Sarandos and Greg Peters are Co-CEOs, with Mr. Sarandos appointed to the position in July 2020 and Mr. Peters in January 2023. Co-founder Reed Hastings was appointed as executive chairman of the Board in January 2023.

## GLOSSARY

<sup>1</sup> The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

<sup>2</sup> The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

<sup>3</sup> The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

<sup>4</sup> The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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