



Div %	Div \$	Current Price	Current Multiple	Market Cap	Beta
NA	NA	\$500.58	62.33	\$221.8B	.8

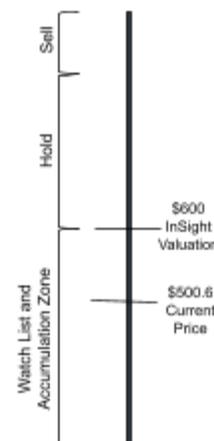
Analyst Report: Netflix, Inc.

TICKER: NFLX

EXECUTIVE SUMMARY

Netflix, Inc. is a provider of subscription streaming entertainment service. The Company has paid streaming memberships in over 190 countries and it allows members to watch a variety of television (TV) series, documentaries and feature films across a wide variety of genres and languages. Members can watch as much as they want, anytime, anywhere, on any Internet-connected screen. Members can play, pause and resume watching, without commercials. It offers a variety of streaming membership plans, the price of which varies by country and the features of the plan. Pricing on its plans ranges from \$3 to \$23 per month. Members can watch content from Netflix through any Internet-connected device that offers the Netflix application, including smart TVs, game consoles, streaming media players, set-top boxes, smartphones and tablets. The Company acquires, licenses and produces content, including original programming.

Metric	InSight Score (out of 5)
Solvency Debt Service and Income	5/5
Corporate Efficacy Return on Equity, Historic Growth	4/5
Growth Revenue Growth, Cash Flow	5/5
Return of Capital Dividend Growth, Buybacks	1/5
Total Return Aggregate vs. Current P/E	4/5



COMPANY HIGHLIGHTS

InSight marks the 2021 FY earnings for NFLX at \$10.85/per share. Continued strong subscriber growth and higher subscription prices are the hallmark of NFLXs January 19th report. The trajectory is confirmed with this report. The initial increase in the stock price might be an overreaction, but Netflix has certainly demonstrated the framework for continued growth. COVID has played a key role in the expansion and retention of users accelerating the trendline. End of 2020 reports confirmed NFLX had amassed more than 195 million worldwide subscribers.

- InSight thinks Netflix is on a path to achieve 220m subscribers in 2021.
- The company said it is close to being free cash flow positive and will consider returning cash to shareholders through buybacks. Details remain scarce and we are not sure that this is in Netflix’s best interest at the current price point. While we encourage the behavior, we want to see more details on the program to bake in that effort to the pricing.
- We are encouraged by the content related expenses in the year to come (about \$12 billion in 2021) and increased marketing spending. InSight feels these are fantastic leading justifications to current growth.
- We are officially putting Bridgerton, Queen's Gambit and Lupin in the hit column.
- Netflix has demonstrated a fantastic ability to churn out shows in its format that capture 2-3 year runs and are widely adopted. It has carved out a real niche in this content model. We think management’s guidance for the year to come is deliberately conservative -- despite scaling up costs (the result of COVID on long run expenses). Growth internationally is promising and NFLX should achieve its long term targets for margin expansion. In the low to mid 20’s
- We think the theme of 2021 will be sustainable margin expansion. We anticipate Domestic Streaming Margin to get to above 30% in 2021, and up to above 43% by 2023.
- InSight thinks EPS of +\$10 in 2021 is very likely.



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SECTOR OVERVIEW

Netflix is in the Entertainment subcategory in the Communication Services Index. It is currently less than 5% of the sector, so inclusion of NFLX in a portfolio represents a sizable change from ownership of the index. It also represents the second largest pure play in the entertainment space. The sector is in full growth mode, the constituents of which represent a few key themes developing in consumers every day life. Expansion of budgets for “paid for content” and an increasing importance of the pipes that carry that content make the sector a fantastic blend of expansion in consumer demand (above GDP expansion) and utility-like predictability. Widespread adoption of recurring revenue models make the sector appealing and predictable.

IMPACT INSIGHT (ESG)

+A Rating (Mitigator, Exemplar, Responsive)

Environmentally - Netflix has a below average direct environmental impact. The majority of the electricity and carbon usage is offloaded to its storage and cloud partners at Amazon and Google. But the company's offices and direct consumption has been fully mitigated, Netflix boasts a 100% renewable sources, that it archives through purchasing regional renewable certificates and partnering with its local utilities. It achieved this mark in 2019. It has not achieved that level internationally but supports local projects in 20 countries to improve their consumption metrics in those countries.

Socially - Netflix has shown both its risk and sensitivity to social risks, including admitting to including race sensitive issues in some of its dated and current library. It has mitigated some of those exposures by limiting access to controversial content, and swift reactions to the border appeals for discretion. January marks the first time that NFLX has included a formal report on its social importance and released a social impact report on 1/13/2021 ahead of the earnings. The development of the office VP of inclusion strategy shows a proactive awareness of is standing as a voice in the socially responsible dialogue. It still has a small hangover from the outcry regarding race and sex issues it faced n 2020 but that has not shown a material impact user adoption. The largest source of criticism on Netflix socially, is its adherence to international requests to limit speech in those countries. This is seen as a cost of doing business in these countries and a mild risk on the part of Netflix.

Governance - There are few things of note in Netflix governmental exposure. Netflix has done an “as expected” job lining out corporate protocol and governance, issues statements and information regularly and is under no specific GAAP criticism. Netflix has largely lived down its Anti-Takeover paranoia, and criticism its board faced in 2018.

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 Past performance is not an indication of the future performance and should not be relied upon as such.

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NAICS is the North American Industry Classification System which provides the Sector, Subsector, and Industry Group structure used in this report. As many companies are diversified, the companies may also operate or be compared to peers in other industry segments than the ones listed.