



Netflix, Inc.

NFLX

EQUITY RESEARCH REPORT

October 13, 2026

NETFLIX, INC. (NFLX) — MOSCHOVAKIS CAPITAL WEALTH PRESERVATION REPORT

Report Date: 2026-10-13

Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric	Value
Recommendation	AVOID
Current Price	\$70.61 USD (€63.14 EUR)
Fair Value (Base Case)	\$90.10 USD (€80.55 EUR)
Margin of Safety	+27.6%
Target Entry (if HOLD)	N/A — AVOID

Return Profile	Value
Dividend Yield	0.0%
Expected Dividend Growth	0.0%
Expected Price Appreciation (Base)	+9.6% CAGR
Total Expected Return (Base)	+9.6% CAGR
Bear Case Total Return	-6.5% CAGR
Bull Case Total Return	+16.2% CAGR
Probability-Weighted Return	+7.3% CAGR

Risk Assessment	Value
Wealth Preservation Score	58 / 100
Downside Protection Score	45 / 100
Quality Score	67 / 100
Risk Level	ELEVATED
Probability of >50% Loss	15%
Recession Profile	SENSITIVE

One-Line Thesis:

Netflix compounds revenue and earnings at a low-teens rate and has reduced share count by 0.95% annually, but it pays no dividend, produces a negative bear-case total return, and carries too much downside volatility to qualify for a wealth preservation account.

INVESTMENT THESIS

Netflix is a profitable global streaming business that generated \$45.18 billion of streaming revenue in fiscal 2025, up 15.9% from fiscal 2024. The most recent quarter, Q2 2026, produced \$12.56 billion of revenue, a 13.4% year-over-year increase, and \$4.19 billion of operating income. The trailing twelve-month income statement shows \$48.37 billion of revenue, \$13.65 billion of net income available to common, and a 33.38% operating margin. The company spends heavily on content but converts that spending into subscription revenue and, increasingly, advertising revenue. Simply Wall St carries a five-year ROIC of 19.98% against an estimated cost of capital of 8.80%, so the business earns well above its capital cost. Management has also been returning capital through buybacks: shares outstanding declined at a 0.95% compound annual rate over the past five years, and a \$3.5 billion repurchase in 2025 was described as the largest in company history.

Those attributes make Netflix a reasonable growth compounder for a total-return equity account. They do not make it a wealth preservation asset. The first disqualifier is the absence of a dividend. Netflix returns cash only through repurchases, so the entire realized return depends on the price at which you sell. The framework requires a bear-case total return above zero and a base-case total return above 7%. The base case clears the hurdle, but the bear case does not. My bear case assumes revenue growth stalls, earnings per share falls from roughly \$3.12 to \$3.00 over a decade, and the terminal multiple compresses to 12 times depressed earnings. The resulting 2036 price is \$36.00, which is a 49% drawdown from today and a -6.5% annualized total return. That negative bear-case return violates the absolute capital preservation requirement regardless of the upside.

The second disqualifier is the pattern of post-earnings volatility. The provided catalyst packet shows four consecutive negative one-day reactions to earnings prints: -10.07% on October 21, 2025, -2.18% on January 20, 2026, -9.72% on April 16, 2026, and -7.26% on July 16, 2026. The next print arrives October 20, 2026. A stock that routinely falls 7% to 10% on earnings creates a risk you cannot hedge away at this position size. The third disqualifier is balance sheet form. Netflix carries \$14.31 billion of total debt against \$9.13 billion of cash, a current ratio of 1.14, and a debt-to-equity ratio of 0.47. The solvency picture is adequate, not fortress-quality. The current ratio falls below the 1.5x threshold this framework prefers, and the company refinanced a \$1 billion 2026 maturity with new 2036 notes at 5.25% rather than retiring the debt.

I also cannot assign a durable competitive moat. Morningstar rates the moat Narrow with High uncertainty. The filings describe an intensely competitive and structurally fluid market. Netflix competes for time and subscription budgets against Disney, Warner Bros. Discovery, Amazon, Apple, YouTube, and aggregating bundles. The company has strong execution and scale, but its position is not a regulated monopoly or a high-switching-cost enterprise franchise. That matters because the downside scenario depends on continued pricing power and subscriber retention; both are contestable.

The exit triggers that would force a re-review are: quarterly revenue growth below 8% year over year, operating margin below 30% on a trailing basis for two consecutive quarters, net debt above \$15 billion or debt-to-EBITDA above 2.0x, and formal DOJ Section 2 action. Against the hurdle baseline, the probability-weighted return is 7.3%, barely above the 7% threshold, but a marginal expected return does not compensate for a bear-case loss of 49%. The opportunity cost baseline is a 4% high-yield savings account with no drawdown. Netflix offers higher base-case return but fails the preservation test. The recommendation is AVOID.

1. BUSINESS QUALITY ASSESSMENT

Netflix operates one reportable segment and earns revenue from monthly streaming membership fees. Revenue has grown from \$33.72 billion in 2023 to \$39.00 billion in 2024 to \$45.18 billion in 2025. The geographic mix for 2025 was approximately 44.2% United States and Canada, 32.1% Europe, Middle East and Africa, 11.9% Latin America, and 11.8% Asia-Pacific. That diversification reduces single-country regulatory exposure, but it also exposes the company to country-level content levies, quotas, and investment obligations. The 10-K filed January 23, 2026 explicitly flags EU member state levies and obligations as a risk to streaming service costs. The

company no longer reports a DVD segment; DVD revenue was discontinued in 2023, leaving the entire business concentrated in streaming.

The business model has real operating leverage. Content costs are largely fixed once a title is commissioned, while the marginal cost of serving one additional member is low. The model monetizes through subscription tiers, including an ad-supported tier that broadens the addressable market and adds advertising revenue without requiring transactional billing. Data from viewing behavior feeds personalization and engagement. That loop lowers churn and improves content spend efficiency. The trailing operating margin of 33.38% and trailing gross margin of 51.93% confirm the model converts scale into profitability.

The moat is narrow, not wide. Morningstar labels the moat Narrow and the uncertainty High. The sources identify three moat sources: switching costs, data-driven product intensity, and scale economics in content. Each is real but each is weaker than a utility or a mission-critical software franchise. A subscriber can cancel Netflix in minutes with no contractual penalty. Switching costs are behavioral and content-preference-based, not structural. The data advantage is meaningful but competitors also collect viewing data. Scale in content is real: Netflix spent 53.94% of sales on content in 2024, and the Henry Fund projects that ratio to decline to 42.86% by 2029. Yet scale does not prevent a better-funded competitor from outbidding Netflix for titles.

The company describes the market as intensely competitive and structurally fluid. That phrasing indicates management itself does not claim durable structural barriers. The 10-K framed the core strategy as growing globally within an operating margin target, improving the member experience, driving conversation about content, and enhancing the user interface. That is an execution strategy, not a protected franchise description. Execution strategies can produce excellent returns for years but carry more downside uncertainty than this framework accepts for a wealth preservation position.

The growth runway is intact but slowing. Fiscal 2025 revenue rose 15.9%, while Q2 2026 revenue rose 13.4%. The deceleration from full-year 2025 to Q2 2026 is consistent with saturation in highly penetrated markets. The Henry Fund warns that a slowdown in subscriber growth would call into question the return on content investment. The ad-supported tier is the most specific long-term monetization lever, with an internal target reported by Sands Capital of \$9 billion in advertising revenue by 2030. That target is not company-confirmed, but it frames the upside.

Capital efficiency is strong. Trailing ROE is 49.54%, trailing return on assets is 16.08%, and Simply Wall St reports a five-year ROIC of 19.98% against an 8.80% cost of capital. The spread between ROIC and cost of capital is substantial and supports the view that Netflix creates value with incremental content spending. The question for preservation is not whether the business earns above its cost of capital today; it clearly does. The question is whether the bear case destroys enough capital to violate the mandate. My answer is yes.

2. FINANCIAL FORTRESS ANALYSIS

The solvency gate asks whether Netflix can survive a severe recession without permanent capital impairment. The answer is adequate, not fortress-quality.

Debt and liquidity. Total debt at the most recent quarter was \$14.31 billion, down 18.2% year over year. Cash was \$9.13 billion. Net debt is therefore \$5.18 billion. Debt-to-equity is 0.47, below the 0.5x preferred threshold. Cash as a percentage of total debt is 63.8%, well above the 20% preference. The debt load is modest relative to the company's cash flow. On July 30, 2026, Netflix issued \$1 billion of 5.250% senior unsecured notes due 2036 and used the proceeds to repay older notes due 2026. That is a refinancing action, not leverage-funded expansion. It extends duration and removes a 2026 maturity cliff.

The weakness is the current ratio. The most recent quarter shows a current ratio of 1.14, below the 1.5x this framework targets. Netflix is not a working-capital-intensive business; it does not carry inventory and does not extend trade credit the way a manufacturer does. The low current ratio reflects content liabilities and accrued expenses rather than operational illiquidity. Still, the framework requires scrutiny below 1.5x, and I am applying that scrutiny. A recession that reduces subscription receipts while content payment obligations remain fixed would pressure the current ratio further.

Interest coverage is strong. Fiscal 2025 operating income was \$13.33 billion against interest expense of \$777 million, for interest coverage of 17.2x. That is well above the 8.0x preferred level and miles above the 4.0x automatic removal level. Even a severe earnings decline would leave interest coverage intact. Free cash flow is positive. The 10-K disclosed that 2023 free cash flow exceeded net income by \$1,518 million, implying roughly \$6.9 billion of free cash flow for that year. The trailing data suggests free cash flow is robust, though the exact trailing figure was not reconciled in the source packet. There is no evidence of negative free cash flow in the past five years.

Stress test. If revenue dropped 30% for two years, Netflix would still generate positive operating income. A 30% revenue decline from \$48.37 billion would leave roughly \$34 billion of revenue. Even with a reduced operating margin, interest expense of \$777 million would be covered many times over. The company has no dividend to cut, so the stress question about maintaining a dividend is moot. The company would not need a dilutive equity raise. The solvency outcome is ADEQUATE, not FORTRESS, because the current ratio is thinner than preferred and the debt, while manageable, is financed through capital markets rather than fully retired.

Earnings quality is ACCEPTABLE. The 10-K reconciles cash flow to net income through amortization of content assets exceeding cash payments, non-cash stock-based compensation, and a non-cash remeasurement loss on euro-denominated debt. Content accounting introduces judgment because content is capitalized and amortized based on viewing patterns. The framework does not have enough disclosure to call earnings quality HIGH, but the gap between free cash flow and net income is favorable. Operating cash flow appears to exceed net income, which is a positive signal.

Dilution assessment is EXCELLENT. Shares outstanding declined at a 0.95% compound annual rate over the past five years. Netflix is not diluting shareholders; it is repurchasing stock. The proxy counted 4,210,798,528 shares outstanding at the April 2026 record date. The \$3.5 billion buyback described as the largest in company history reinforces the alignment. There is no evidence of serial dilution.

Capital efficiency is strong. The five-year ROIC of 19.98% exceeds the 15% threshold and the 8.80% cost of capital. The trailing ROE of 49.54% reflects both profitability and a relatively thin equity base. The framework scores capital efficiency as value-creating. The main vulnerability is not solvency; it is that the equity base is thin relative to current liabilities, which magnifies the downside scenario if earnings disappoint.

3. DIVIDEND ANALYSIS

Netflix pays no dividend and has not initiated one. The dividend analysis target is therefore skipped.

4. VALUATION ANALYSIS

The valuation picture is mixed. The stock has compressed from the multiples it carried in 2025, but that compression came from a large price decline and a re-rating, not from a clean margin-of-safety signal.

On trailing earnings, Netflix trades at roughly 22.8 times trailing EPS of \$3.10 to \$3.24, depending on whether you use the reported diluted EPS of \$3.10 or the implied EPS of \$3.24 across 4.21 billion shares. On the fiscal 2026 consensus EPS of \$3.12, the forward multiple is 22.6 times. The provided own-history table shows trailing P/E falling from 63.29 on June 30, 2025 to 23.03 on June 30, 2026, and to 22.44 at the most recent source date.

Forward P/E fell from 53.76 to 22.22 over the same period. The stock has re-rated dramatically.

That re-rating is the main source of the apparent margin of safety. The downside is that EV/EBITDA does not look as cheap. With \$297.3 billion of market capitalization, \$5.18 billion of net debt, and trailing EBITDA of \$14.73 billion, the EV/EBITDA multiple is 20.5 times. The provided Yahoo table listed EV/EBITDA at 8.64 times, but that figure is arithmetically inconsistent with the same source's enterprise value of \$302.32 billion and EBITDA of \$14.73 billion. I recalculated the multiple at 20.5 times and treat that as the correct figure. A 20.5 EV/EBITDA multiple is not a distressed valuation.

Other multiples are elevated. Price-to-sales is 6.2 times on trailing revenue of \$48.37 billion. Price-to-book is roughly 9.9 times. Price-to-free-cash-flow is 27.4 times on a trailing basis. These are premium multiples for a business with no dividend and a narrow moat. The Stockscope DCF model updated July 31, 2026 found the price 26% above its DCF estimate using 9.8% growth for five years, a taper to 3.54% terminal growth, and a 9.42% discount rate.

The base case fair value I calculate is \$90.10. That number comes from my 10-year base scenario: EPS grows from \$3.12 to \$8.86 at a 10% compound rate, the terminal multiple is 20x, the 2036 price is \$177.20, and that price discounted at the 7% required return is \$90.10. Against the current price of \$70.61, that implies a 27.6% margin of safety. The margin is real under base-case assumptions, but it is conditional on the company actually compounding EPS at 10% for a decade and on terminal investors paying 20x earnings. The bear case produces a price of \$36.00, which is 49% below the current quote. A positive margin of safety in the base case does not cure a negative bear case.

Analyst targets reflect disagreement. Yahoo Finance lists a low target of \$57.00, an average of \$92.55, a current price of \$70.30, and a high of \$135.00. VCP Scanner shows a consensus target of \$91.00 against a price of \$71.58, a range of \$57.00 to \$119.00, and 64 Buy ratings, 29 Holds, and 7 Sells. The average target implies upside of roughly 29% to 32% from the current \$70.61 price. Morgan Stanley's most recent action, dated October 8, 2026, maintained an Overweight rating but lowered its price target from \$83 to \$80. The target cuts among the sell side are a cautionary signal.

For a wealth preservation account, valuation attractiveness is necessary but not sufficient. I would not pay 22.8 times earnings, 20.5 times EV/EBITDA, and 6.2 times revenue for a no-dividend business that has posted four consecutive negative post-earnings reactions and faces a Section 2 antitrust probe.

5. SCENARIO ANALYSIS

The scenario table is built from a normalized 2026 EPS base of \$3.12, a current price of \$70.61, and a 10-year horizon.

Scenario	2036 EPS	Terminal P/E	2036 Price	Total Return CAGR	Weight	Contribution
Bear	\$3.00	12x	\$36.00	-6.5%	25%	-1.6%
Base	\$8.86	20x	\$177.20	+9.6%	50%	+4.8%
Bull	\$12.62	25x	\$315.50	+16.2%	25%	+4.1%
Probability-Weighted				+7.3%		

Bear case. The bear case assumes Netflix reaches saturation in its most penetrated markets, subscriber growth stalls, and competitors bundle into lower-priced packages that raise churn. Revenue grows at roughly 0% for a decade. Content spending remains high while the advertising ramp fails to offset churn. EPS declines from \$3.12

to \$3.00. The market assigns 12 times depressed earnings because the growth narrative breaks and the company has no dividend to support the stock. The 2036 price is \$36.00, a 49% loss from today. The annualized total return is -6.5%. A preservation account cannot accept that downside, even at a 25% weight. This scenario is the reason the recommendation is AVOID, not the probability-weighted return.

Base case. The base case assumes Netflix continues to grow revenue at a high-single-digit to low-double-digit rate, expands operating margin toward the 40% level cited by Simply Wall St, and uses buybacks to reduce shares outstanding. EPS compounds at 10% annually from \$3.12 to \$8.86. The terminal multiple normalizes to 20x, below the 22.8x current trailing multiple and below the historical forward multiple of about 30x cited by Bybit. The 2036 price is \$177.20, producing a 9.6% annualized total return. That clears the 7% hurdle. The issue is that the base case is only one path, and it requires no major competitive or regulatory disruption over ten years.

Bull case. The bull case assumes the advertising business reaches the reported \$9 billion 2030 target, margins expand toward 40%, and Netflix gains share as weaker streaming services contract. EPS compounds at 15% annually to \$12.62. The terminal P/E is 25x. The 2036 price is \$315.50, a 16.2% annualized total return. This scenario is plausible if the ad tier and live programming drive reacceleration, but it is not the base expectation.

The probability-weighted return is 7.3%, only 0.3 percentage points above the inflation-plus-4% hurdle of roughly 7%. A slim expected-return advantage over a 4% savings account does not justify a 49% drawdown potential in the bear case. The scenario asymmetry fails the capital preservation test: the upside is a normal growth stock return of 16.2%, while the downside is a permanent-feeling 49% drawdown.

6. RISK ASSESSMENT

The biggest risk is content cost without commensurate subscriber growth. The Netflix Enterprise Risk Assessment Report 2026 lists content and brand risk from escalating original programming costs and public controversies. The Henry Fund warns that expensive content expansion may not drive high subscriber growth, hurting return on investment. Content expenses were 53.94% of sales in 2024. The forecast assumes that ratio falls to 42.86% by 2029. If it does not fall, the margin story underpinning the base case weakens materially.

The second risk is subscriber saturation. The Henry Fund states that a slowdown or underperformance in subscriber growth would indicate high penetration and difficulty growing users. Q2 2026 revenue growth of 13.4% is down from the 15.9% full-year 2025 rate. That deceleration is already visible in the data. If bundling becomes more common, churn rises. The risk report notes one bundled package has a higher retention rate than Netflix. Bundling lowers Netflix's pricing power.

The third risk is antitrust and regulatory intervention. The risk report cites an abandoned \$82.7 billion deal for Warner Bros. assets and a DOJ antitrust probe including a rare Section 2 investigation of Netflix's conduct. Related litigation caused Netflix to exit the deal despite initial shareholder approval. The 10-K also lists country-level content quotas, levies, and investment obligations. A formal Section 2 action would weigh on the multiple and complicate management focus.

The fourth risk is infrastructure concentration. Netflix uses third-party cloud and content delivery network providers. The 10-K states that technological disruptions, cybersecurity threats, and regulatory interference could degrade member experience. The risk report cites a November 2017 ransomware leak of Orange Is the New Black episodes and a 2025 third-party breach. These are operational tail risks, not solvency risks, but they matter because the business has no physical buffer.

The fifth risk is litigation. The 10-K states that litigation has grown with the business, including copyright and content liability claims. The risk report lists IP disputes and content liability as ongoing issues. Specific damages are not disclosed.

The sixth risk is market sensitivity. Netflix is not a defensive utility or consumer staple. The Henry Fund warns that a stock-market correction and continued tariffs could prompt equity outflows. Netflix's five-year return of 11.12% versus the S&P 500's 77.89% suggests the stock has been a poor five-year performer despite its brand dominance.

Recession profile. Video entertainment has historically shown resilience during downturns, and subscriptions can be retained during mild recessions. But Netflix is not recession-immune. Price-sensitive households can cut streaming during a severe downturn, and advertising revenue is cyclical. I classify Netflix as SENSITIVE, not resilient.

The framework's absolute requirements impose a hard gate: the bear case total return is -6.5%, below the 0% floor, so AVOID applies regardless of the other analysis.

7. MANAGEMENT & GOVERNANCE

The source packet contains limited direct management quality data, so I rate management ADEQUATE rather than GOOD or EXCELLENT.

The 10-K identifies co-chief executive officers as the chief operating decision makers who review consolidated financials and allocate resources. Netflix runs a co-CEO structure with no disclosure of succession detail in the provided sources. Ted Sarandos, Greg Peters, and Jay Hoag were among the 12 directors elected at the April 2026 annual meeting.

Capital allocation has been shareholder-friendly. Shares outstanding declined at a 0.95% CAGR over five years, and the company executed a \$3.5 billion buyback in 2025, its largest. The July 30, 2026 debt issuance of \$1 billion at 5.250% due 2036 was used to repay 2026 notes, a liability-management action rather than an expansion. That is prudent.

The governance red flags are modest. Anne Sweeney resigned from the board effective July 26, 2026, with the filing stating the resignation was unrelated to any disagreement. A director, Richard N. Barton, exercised and sold 720 shares at \$77.60 on September 8, 2026 under a Rule 10b5-1 plan adopted May 4, 2026. That is routine diversification of a small position, not a signal. Ernst & Young was ratified as auditor for the year ending December 31, 2026, with no disclosed qualification or audit issue. The sources report no auditor warnings and no going concern issues.

The main governance concern is strategic focus. The risk report notes the abandoned \$82.7 billion Warner Bros. assets deal and the DOJ Section 2 probe. A failed mega-deal and an antitrust investigation are management distractions for a company whose competitive position is execution-based. The 10-K lists acquisition risk factors including integration difficulty, inherited liabilities, and diversion of management time. Those disclosures suggest management has considered transformative M&A, which is not what a wealth preservation investor wants from a no-dividend media company.

8. PEER COMPARISON

The source packet does not provide concrete peer valuation multiples, so I will not fabricate a table of Disney or Comcast multiples. The qualitative comparison is enough to make the preservation point.

Netflix competes against Disney, Warner Bros. Discovery, Amazon Prime Video, Apple TV+, YouTube, and various regional streamers. Among pure-play U.S. streaming equities, Disney is the most direct comparable. Netflix has the strongest streaming profitability: its trailing operating margin of 33.38% is far above Disney's overall operating margin, though Disney's streaming segment has improved. Netflix's scale economics are better than Warner Bros. Discovery's, which carries heavier legacy-media baggage and more leverage. Against

Amazon and Apple, Netflix has no diversified cash-cow parent, which matters in a downturn.

For wealth preservation, the peer comparison cuts against Netflix. Disney and Comcast pay dividends; Netflix does not. Comcast and Disney have multiple revenue lines and lower earnings volatility; Netflix is a single-segment streaming business. A defensive account holding Netflix is effectively betting on continued double-digit streaming growth with no income cushion. A dividend-paying Comcast position would produce part of the required return regardless of price action, and its downside would be cushioned by the dividend. The framework compares every candidate to a 4% HYSA as the opportunity cost baseline. Netflix's zero yield means it must generate all return through price appreciation, and the bear case shows that price appreciation is not assured.

9. KEY METRICS SUMMARY

Metric	Value	Source/Period
Current Price	\$70.61	Authoritative live price
Shares Outstanding	4,210,798,528	April 2026 proxy record date
Market Capitalization	\$297.3B	Calculated
Total Debt (mrq)	\$14.31B	finspry
Cash (mrq)	\$9.13B	Yahoo Finance
Net Debt	\$5.18B	Calculated
Debt-to-Equity	0.47	finspry
Current Ratio	1.14	finspry
Interest Coverage	17.2x	FY2025 operating income / interest
TTM Revenue	\$48.37B	Yahoo Finance
FY2025 Revenue	\$45.18B	10-K
Q2 2026 Revenue	\$12.56B	10-Q
TTM Net Income	\$13.65B	Yahoo Finance
FY2025 Net Income	\$11.0B	10-K
TTM Diluted EPS	\$3.10	Yahoo Finance
FY2026 Consensus EPS	\$3.12	MarketBeat
TTM Operating Margin	33.38%	Yahoo Finance
TTM Gross Margin	51.93%	Stockrow
TTM ROE	49.54%	Yahoo Finance
5-Year ROIC	19.98%	Simply Wall St
TTM ROIC	40.27%	finspry
Trailing P/E	22.8x	Calculated
Forward P/E	22.6x	Calculated

Metric	Value	Source/Period
EV/EBITDA	20.5x	Calculated
P/S	6.2x	Calculated
P/FCF	27.4x	finspry
5-Year Share Count CAGR	-0.95%	Simply Wall St
Dividend	None	N/A

10. MONITORING CHECKLIST

Item	Frequency	Threshold	Action if Failed
Q3 2026 earnings	October 20, 2026	Revenue growth $\geq$ 8% yoy	Re-review AVOID thesis
Revenue growth	Quarterly	$\geq$ 13% preferred; $<$ 8% bearish	Downgrade growth assumption
Operating margin	Quarterly	$\geq$ 33% ttm; $<$ 30% two consecutive quarters	Model earnings downside
Net debt	Quarterly	$<$ \$15B	Reassess balance sheet
Debt-to-EBITDA	Quarterly	$<$ 2.0x	Flag solvency risk
Content spend % of revenue	Annual	Below 45% by 2029	Reduce margin expansion
DOJ Section 2 action	Event-driven	No formal action	Move to hard AVOID
Buyback activity	Quarterly	No change in buyback policy	Update dilution score

11. MARKET EXPECTATIONS & CONSENSUS

The current \$70.61 price implies a more conservative growth path than sell-side consensus. If I require a 7% annual return over ten years with no dividend and a terminal P/E of 20, the market needs a 2036 price of about \$138.90. That implies 2036 EPS of \$6.94, which is an 8.3% EPS CAGR from \$3.12. The consensus view expects roughly 12.3% EPS growth over the next year according to VCP, and Simply Wall St projects a 15.91% five-year EPS CAGR. The market is therefore pricing below-consensus growth. That is not the same as pricing in a recession; it is pricing a cautious endpoint.

Consensus rating is Buy. VCP Scanner shows 64 Buy or Strong Buy ratings, 29 Holds, and 7 Sells among 100 analysts. The consensus target is \$91.00 against a price of \$71.58, roughly 27% upside. Yahoo Finance lists a consensus target of \$113.94 with an average of \$92.55. The targets imply that analysts see the stock as undervalued, but the target range is wide: \$57.00 to \$135.00. The low target sits below the current price by 19%, and the high target sits above by 91%.

Morgan Stanley maintained Overweight but cut its target from \$83 to \$80 on October 8, 2026. That cut, combined with the four consecutive negative post-earnings reactions, tells you the tape is not rewarding even modest beats. The consensus for the October 20, 2026 Q3 print is \$0.82 EPS. The last four prints produced one-day price declines of -10.07%, -2.18%, -9.72%, and -7.26%. A stock that sells off 7% to 10% after earnings is a bad vehicle for preservation, regardless of consensus.

The forward valuation table uses my recalculations. Sector averages were not provided in the source packet, so I mark those as N/A.

Metric	Value	vs. Sector Avg	Assessment
Forward P/E	22.6x	N/A	Expensive for no dividend
PEG (implied)	~1.0-1.8x	N/A	Not cheap
EV/EBITDA	20.5x	N/A	Expensive
P/S	6.2x	N/A	Expensive
Beta	Not provided	N/A	Elevated historical volatility

The consensus bull case requires the ad tier to scale toward the reported \$9 billion 2030 target and operating margin to expand toward 40%. The consensus bear case is a subscriber growth stall and content cost pressure. The actual data shows revenue growth decelerating from 15.9% in FY2025 to 13.4% in Q2 2026, which validates part of the bear narrative.

12. KEY BUSINESS DRIVERS

Driver 1: Revenue growth year over year

Why it matters: This is the primary indicator of subscription and advertising monetization.

Current level: 13.4% in Q2 2026; FY2025 was 15.9%.

Bull threshold: Above 13% sustained.

Bear threshold: Below 8%.

Next data point: October 20, 2026, Q3 earnings.

Driver 2: Operating margin

Why it matters: It shows whether content spending is converting into profit.

Current level: 33.38% trailing.

Bull threshold: Expanding toward 40% by 2029.

Bear threshold: Below 30% for two consecutive quarters.

Next data point: October 20, 2026.

Driver 3: Content spend as a percentage of revenue

Why it matters: It measures the cost treadmill that determines margin expansion.

Current level: 53.94% in 2024.

Bull threshold: Below 45% by 2029.

Bear threshold: Above 50% persistently.

Next data point: Annual 10-K and quarterly income statement.

Driver 4: Subscriber net additions and churn

Why it matters: It is the primary growth metric for a subscription business.

Current level: Not provided in the source packet.

Bull threshold: Positive net adds with improving retention.

Bear threshold: Negative net adds or rising churn in UCAN.

Next data point: October 20, 2026.

Driver 5: Advertising revenue progress

Why it matters: The ad tier is the most specific long-term upside catalyst.

Current level: Not directly disclosed in the packet; reported internal target is \$9 billion by 2030.

Bull threshold: Advertising revenue growth above 30% year-over-year.

Bear threshold: Advertising growth below 15% despite ad-tier scale.

Next data point: Earnings commentary.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker/Symbol	Relationship	Signal
Communication Services Select Sector SPDR	XLC	Leads streaming sentiment	Bullish if XLC holds its 50-day MA; bearish if XLC breaks below its 50-day MA
Walt Disney	DIS	Competitor; leads streaming re-rating	Bullish if DIS streaming margins improve; bearish if DIS streaming margins decline
Nasdaq-100	QQQ	Captures beta and risk appetite	Break below 50-day MA flags growth drawdown
High Yield Corporate Bond ETF	HYG	Risk appetite proxy	Widening spreads precede growth multiple compression

Monitoring rule: If XLC breaks below its 50-day moving average or HYG spreads widen by more than 50 basis points, re-evaluate the Netflix thesis within five trading days.

EXIT TRIGGERS

- Q3 2026 revenue growth prints below 8% year over year: move thesis from AVOID to hard avoid and reduce any existing position.
- Trailing operating margin below 30% for two consecutive quarters: reprice the base case lower and remove the margin-expansion assumption.
- Net debt above \$15 billion or debt-to-EBITDA above 2.0x: downgrade solvency from adequate to marginal.
- Formal DOJ Section 2 action or new antitrust litigation: treat as disqualifying and exit.
- A dividend initiation followed by a sustainable payout below 60% of EPS: this would be a positive surprise and would trigger a fresh review, but it is not expected.
- A 10% single-day post-earnings drawdown on October 20, 2026 with no change in fundamentals: confirms the volatility disqualifier and hard-avoids the stock for preservation accounts.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

ANALYST NOTES

Key Assumptions: Base EPS of \$3.12; 10% EPS CAGR in the base case; terminal P/E of 20x; 7% required return; no dividend; bear-case EPS declines to \$3.00 and terminal P/E compresses to 12x. The bear-case total return is -6.5%, which fails the absolute requirement of a non-negative bear-case return.

Limitations: The source packet contains internal data conflicts. Trailing EPS is reported as \$3.10, but net income of \$13.65 billion across 4.21 billion shares implies \$3.24. Yahoo's EV/EBITDA of 8.64x is arithmetically inconsistent with its own enterprise value and EBITDA, so I recalculated it at 20.5x. The packet also includes a stale \$1,176.78 price from July 2025 and conflicting Q1 2026 EPS figures (\$1.23 vs \$0.70). The authoritative

current price of \$70.61 was used for all calculations. No peer valuation multiples were provided, so peer comparison is qualitative.

Confidence Level: MEDIUM. The financial data is directionally clear on profitability and solvency, but the conflicting per-share figures and missing subscriber metrics reduce precision. The AVOID recommendation is driven by the negative bear-case total return and the absence of a dividend, both of which are robust to the data conflicts.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

CONTINUE THE RESEARCH

This report is one of over 120 equity research analyses published by Moschovakis Capital. Each covers valuation, scenario modelling and risk in the same format as the report you have just read.

[Full equity research archive](#)

[Latest published research](#)

[Enquiries and coverage requests](#)

moschovakiscapital.com

IMPORTANT DISCLOSURES

This report has been prepared by Moschovakis Capital for informational purposes only and does not constitute investment advice, a solicitation, or an offer to buy or sell any security. The information contained herein is based on sources believed to be reliable but is not guaranteed as to accuracy or completeness. Past performance is not indicative of future results. Investing involves risk, including the possible loss of principal. Moschovakis Capital and its affiliates may hold positions in the securities discussed. This document is confidential and intended solely for the recipient. Any reproduction or distribution without prior written consent is prohibited.