

NETFLIX

USA

Communications – Media

BUY

July 5, 2018

Company description

Netflix Inc. is an Internet subscription service for watching television shows and movies.

Subscribers can instantly watch unlimited television shows and movies streamed over the Internet to their televisions, computers, and mobile devices and in the United States, subscribers can receive standard definition DVDs and Blu-ray Discs delivered to their homes.

The Netflix internet entertainment service has 125 million memberships in over 190 countries.

Recent developments

April 16, 2018: The Company reported Q1 18 results. Revenue grew 43% y-o-y in Q1, the fastest pace in the history of the Company's streaming business, due to a 25% increase in average paid streaming memberships and a 14% rise in ASP (average selling price).

Netflix Expands Growth In International Markets: the Company reported another quarter of blockbuster subscriber growth and provided an upbeat outlook for the current period as the company expands into international markets.

The video-streaming giant added 7.41 million subscribers worldwide, beating its own guidance and Wall Street's expectations for the second quarter in a row. Analysts expected Netflix to add a little over 6.5 million net new subscribers for the first quarter.

The company also expects to grow subscribers at a strong clip in the current quarter. Netflix forecast a net addition of 6.2 million users, compared with analysts' expectations of 5.6 million.

Shares jumped 9.2% within the trading day.

Upcoming events:

July 16, 2018: Q2 2018 earnings & business outlook.

Investment conclusion

We highlight the sharp rally in the share price since early-May and the outstanding YTD performance of +105%.

Netflix's competitive positioning and penetration continue to improve in Europe, with rising satisfaction.

Netflix continues to disrupt the traditional film and tv industry and its continues with success to expand its offer to an increasingly wide range of countries.

We see potential positive catalysts like the continued success in international expansion (including in upcoming markets such as China) as well as the evidence of further pricing power.

We can mention some risks as the potential for rising content costs as well as the ever present competitive risk from the likes of Amazon, Hulu and YouTube.

Netflix remains the leading global streaming player.

Performance



	1m	3m	12m
Absolute perf.	+8.9%	+35.5%	+169.9%
NASDAQ Comp	-0.7%	+7.2%	+23.3%
Index perf			

Market data

Share price (USD), as of July 5, 2018:	398.39
52-wk range:	144.25–423.15
Mkt cap (USD m):	170'000
Nb of shares issued:	434.7m
Bloomberg ticker:	NFLX:US
Isin:	US64110L1061

Financial summary (In mio USD) & Valuation

	2016	2017	2018e	2019e
Sales	8'831	11'693	16'106	20'073
EBIT	380	878	1'800	2'917
Net Income	186.9	543.3	1'243	2'034
EPS	0.43	1.25	2.86	4.68
DPS (per USD)	0	0	0	0
Div. yield (%)	-	-	-	-
P/E	287.9	143.8	125.5	79.8

Source: Bloomberg

Equity rating—Bloomberg consensus

		Nb of analysts
Buy	55.8%	24
Hold	37.2%	16
Sell	7.0%	3