

Netflix, Inc.

NASDAQ: NFLX | Global streaming entertainment and advertising | Third-quarter 2026 results | 21 October 2026

Last close (20 October 2026)	\$68.69	Recommendation	WATCHLIST (unchanged)
After-hours indication	About \$64.60 (-6%)	Investment score	59.5 / 100 (prior 61.1 restated)
Previous report (25 Sep)	\$71.72, Watchlist	Weighted fair value	\$70.33 (was \$77); +2.4%
P/E on FY27 EPS \$3.70 (own)	18.6x	Price of interest	About \$60
Q3 revenue / diluted EPS	\$12.87bn, +12% / \$0.87	Technical read (chart only)	Confirms: downtrend
Q4 guide: revenue / EPS	\$13.44bn / \$0.67	Market value	About \$288bn

Price timing

Netflix reported after the close on 20 October. The price of record, \$68.69, is that day's regular-session close and predates the market's reaction to the results. The shares traded about 6% lower, near \$64.60, in after-hours dealing, which is below the 52-week low of \$65.08. The technical section below describes the chart before the news.

A Clean Quarter, a Softer Fourth-Quarter Guide and a Smaller Ad Target

Third-quarter revenue was \$12.87bn, up 12% (11% at constant currency) and in line with both consensus and management's own forecast. Operating income rose 37% to \$4.46bn, a 34.6% margin against 28.2% a year earlier, and diluted EPS of \$0.87 beat the \$0.82 consensus. There was no one-off gain in the quarter: interest and other income was only \$43m. The effective tax rate fell to about 15.1% from about 16.4% in Q2; at the Q2 rate EPS would have been \$0.86, so the tax effect added about a cent. Management said the margin beat came mainly from the timing of expenses, which means part of it moves into the fourth quarter rather than adding to the year.

The guide is where the shares lost ground. Fourth-quarter revenue is guided to \$13.44bn against a consensus near \$13.51bn, and EPS to \$0.67, about 8% below what analysts expected. The Q4 operating margin of 26.0% carries about 120 basis points of cost from the job cuts announced on 14 October. For the full year, revenue is now \$51.1bn and the operating margin 31.5%. Two targets came down: 2026 advertising revenue to about \$2.7bn from about \$3bn, because ad products and partner integrations are rolling out more slowly, and free cash flow to about \$12.0bn from \$12.5bn, mainly because of a real estate transaction expected to close in the fourth quarter.

Verdict: Watchlist, unchanged, from fundamentals. Technical read (chart only): Confirms. The quarter itself was good. The problem the last report named, slow growth in viewing time, was conceded on the call rather than answered, and the ad shortfall removes one of the levers meant to offset it. The weighted fair value is \$70.33, +2.4% against the pre-results close, with a base case of \$74. The name becomes interesting at about \$60, where the base case would pay about 23%. The chart is in a downtrend, which agrees with waiting.

1. What the quarter showed

Metric	Q3 2026	Q3 2025	Q2 2026	What it means here
Revenue	\$12,874m	\$11,510m	\$12,560m	+12% reported, +11% at constant currency; in line with consensus
Operating income / margin	\$4,459m / 34.6%	\$3,248m / 28.2%	\$4,193m / 33.4%	Margin ahead of plan, partly on expense timing
Pre-tax income	\$4,317m	\$3,109m	\$4,069m	No one-off item in the quarter
Net income / diluted EPS	\$3,664m / \$0.87	\$2,547m / \$0.59	\$3,401m / \$0.80	Consensus \$0.82; \$0.86 at the Q2 tax rate
Free cash flow	\$2,884m	\$2,660m	\$1,525m	22% of revenue
Diluted shares	4,195m	4,340m	4,261m	Down 3.3% in a year

Metric	Q3 2026	Q3 2025	Q2 2026	What it means here
Buyback	\$4.8bn, 63.9m shares			Largest quarter on record; \$22.3bn authorisation left

Company Q3 2026 shareholder letter, 20 Oct 2026. Q2 tax rate (16.4%) and the restated Q3 EPS are this report's calculations from the letter's pre-tax income and tax provision.

Region	Q3 revenue	Growth reported	Growth, constant currency
US and Canada	\$5,628m	+11%	+11%
Europe, Middle East and Africa	\$4,107m	+11%	+9%
Latin America	\$1,603m	+17%	+12%
Asia-Pacific	\$1,537m	+12%	+15%

Company Q3 2026 shareholder letter.

Growth is balanced across regions, and the weaker dollar flattered Latin America and Europe. Asia-Pacific grew faster at constant currency than reported, helped by India, where revenue rose nearly 20% and viewing hours 24%.

2. Guidance and what changed

Item	Now	Before	Change
Q4 revenue	\$13.44bn, +12%	Consensus about \$13.51bn	Below consensus
Q4 operating margin	26.0% (24.5% a year ago)	n/a	Includes about 120bp of job-cut costs
Q4 diluted EPS	\$0.67	Consensus about \$0.73	About 8% below
FY26 revenue	\$51.1bn, +13%	Range midpoint about 0.2% higher	Slightly lower
FY26 operating margin	31.5%	29.5% in 2025	Includes about 30bp of job-cut costs
FY26 advertising revenue	About \$2.7bn	About \$3bn	Cut by about 10%
FY26 free cash flow	About \$12.0bn	About \$12.5bn	Cut, mainly a Q4 real estate deal
FY27	Guidance in January	n/a	Aim: double-digit growth, higher margin and FCF

Company Q3 2026 shareholder letter and earnings interview, 20 Oct 2026. Consensus figures are pre-results estimates as reported on 20 Oct 2026.

This is the third quarter in a row in which the next-quarter guide has landed below the street. Guidance accuracy against the company's own forecasts is better than that record suggests: Q3 revenue matched the July forecast and operating income beat it. The pattern is a company guiding conservatively into a street that is too high, rather than missing its own numbers. That still matters, because the street's FY27 numbers will now drift lower until January.

3. What management said on the call

The call was candid on viewing. Co-CEO Ted Sarandos said the US is not growing as fast as it could or as fast as management would like, and CFO Spence Neumann said the company wants to grow view hours faster and is not satisfied. Co-CEO Greg Peters said churn improved year on year in the third quarter, both globally and in the US, and that the 2026 price rises have gone well. Read together, members are paying more and leaving less often, but watching only a little more. That supports revenue in 2026 and leaves the 2027 question open.

On advertising, Mr Peters said the business is a bit behind an aggressive target, blaming delays in rolling out ad products and in partner integrations, while still growing over 80% this year. He gave no figure for the gap in revenue per member between the ad and ad-free tiers. On costs, Mr Neumann declined to quantify the 2027 savings from the job cuts, and said full-year 2027 guidance would be premature before January. Three analyst questions (2027 savings, 2027 growth and the ad revenue gap) received qualitative answers only. The new content chief, Peter Rice, joins on 26 October; Mr Sarandos

described the change as one of execution rather than strategy.

4. Company developments

Items from 17 September to 20 October 2026 that bear on what Netflix earns or how it competes. Rating changes and insider filings appear under Sentiment. No single item changes the earnings outlook by enough to move the verdict on its own; together they shift the balance of evidence slightly toward the bear case.

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Job cuts	Announced 14 Oct 2026	About 6% of staff, nearly 1,000 roles, mostly in product, technology, legal and HR	About 120bp Q4 margin cost, 30bp for the year (management); 2027 savings not quantified	Medium
New Chief Content Officer	Effective 26 Oct 2026	Peter Rice, formerly of Disney, succeeds Bela Bajaria	Framed as an execution change, not a strategy change (management)	Medium
Ad revenue target cut	20 Oct 2026	2026 ad revenue now about \$2.7bn, from about \$3bn; ads still growing over 80%	Ad tier in 15 more countries in 2027, first nine EMEA markets plus Colombia, Peru and New Zealand in March (management)	Medium
Free cash flow outlook cut	20 Oct 2026	About \$12.0bn for 2026, from \$12.5bn	A Q4 real estate transaction (management)	Low
TF1 integration in France	Live since June 2026	Management says TF1 viewing grows each month and appears incremental	More partnerships to follow (management)	Low
Carriage of rival services	Reported only	Talks with NBCUniversal and Fox reported in August; not addressed on the call	None	Low
European pricing cases	Pending	Italy ruling under appeal; Dutch claim of EUR420-673m; cases in Germany and Spain	No ruling in the period	Medium
Q4 live events	Scheduled	NFL Thanksgiving Eve game, Christmas Day doubleheader, Fury v Joshua on 11 Dec	None quantified	Low

Company Q3 2026 shareholder letter and earnings interview; Associated Press on the job cuts, 14 Oct 2026; CNBC on the content-chief change, 15 Oct 2026.

The ad cut is small in money: about \$0.3bn is roughly 0.6% of 2026 revenue. It matters more as evidence. Advertising was meant to be the lever that grows revenue when price rises slow, and it is running behind plan in its second full year. The job cuts point the other way: about 1,000 roles out of roughly 16,000 is a meaningful cost saving that management has chosen not to size, so it is not in this report's numbers beyond a modest margin gain.

5. Growth drivers

Driver	Status	Fact versus forecast	Likelihood / impact
Price rises	Shipping	2026 rises have gone well and churn improved (management)	High / Medium
Advertising	Behind plan	2026 about \$2.7bn, growing over 80% (management); 15 new ad countries in 2027	Medium / Medium
Viewing growth	Under pressure	Management not satisfied with US view hours; India +24%	Low-medium / High
Live events and licensing	Shipping	NFL, boxing, Disney and Globo deals; about 95% of spend stays on the core service (management)	Medium / Low
Cost discipline	Announced	About 1,000 job cuts; 2027 savings not sized	High / Low-medium

6. Valuation at \$68.69

Measure	Value	Comment
P/E on this report's FY27 EPS of \$3.70	18.6x	About 11% revenue growth and 2 points of margin
P/E on clean FY26 EPS	22.1x	FY26 EPS about \$3.11 from the company guide (own calculation)
Market value / enterprise value	About \$288bn / \$295bn	4.195bn diluted shares, net debt \$7.1bn
EV / FY26 free cash flow	About 25x	On the cut \$12.0bn outlook
Weighted fair value (gap)	\$70.33 (+2.4%)	Base case 20x FY27 EPS
Mean analyst target	\$91.39 (52 analysts)	Targets cut ahead of results

Clean FY26 EPS: \$51.1bn revenue x 31.5% margin, less about \$0.57bn of net interest, taxed at 15.5%, over 4.22bn shares (this report's calculation). FY27 EPS is this report's estimate. Mean target from S&P; Global data as of 19 Oct 2026.

The fair value rests on FY27 earnings because 2026 is effectively settled by the guide. The base case grows revenue about 11% to roughly \$56.7bn, adds about 2 points of margin as the job cuts land, and keeps buying back stock, which gives EPS near \$3.70. At 20 times, a multiple that fits low double-digit growth with high margins, it is worth \$74. The previous report used consensus FY27 EPS near \$3.82; this report sits slightly lower because the Q4 guide and the ad cut both point to a softer start to 2027. The weighted fair value falls to \$70.33 from \$77 on that lower earnings base and a lower bull-case multiple.

The macro variables that matter here. Two. The first is the consumer's tolerance for price rises, which is the main revenue lever. US retail sales rose 0.8% in September, so spending is holding up, but consumer prices rose 3.7% on the year, and a squeezed household is where churn after a price rise would show first. Netflix said churn improved in the quarter, so this is a watch item rather than a live problem. The second is the dollar: more than half of revenue is earned outside the US and Canada, and a weaker dollar added about a point to third-quarter growth. A reversal would take that away. Interest rates matter mainly through the multiple on a large-cap growth stock, with the ten-year yield near 5.1% in mid-October.

7. Sentiment

Input	Reading	Interpretation
Broker actions before results	Jefferies assumed at Buy, \$85 (15 Oct); BMO Outperform, \$125 from \$135 and Wedbush Outperform, \$90 from \$105 (16 Oct); Seaport Buy, \$90 from \$102 (19 Oct); Arete \$106 from \$116 (20 Oct)	Ratings held, targets cut into the print
Consensus	Buy; mean target \$91.39, median \$90, range \$57-126	Mean target 33% above the pre-results close
Insiders	Director Form 4 filings on 2 Oct 2026	Routine director filings; no officer selling flagged
Market reaction	About 6% lower after hours on 20 Oct	Below the 52-week low; reaction predates the price of record
Institutional positioning	Cautionary, high confidence. As of 30 June 2026, filings through 19 August 2026	See note below

Rating actions and notices to 20 Oct 2026 from the moomoo research and notice channels; consensus from StockAnalysis.com (S&P; Global), 19 Oct 2026.

Institutional positioning: Cautionary (high confidence), as of 30 June 2026, filings through 19 August 2026. Active managers made a net reduction in five of the last six quarters, about 6.6% of reported shares over four quarters, and the selling was broad rather than led by one holder: far more managers cut than added, and the active share of holdings fell from about 28% to about 18%. This predates the results and the reaction to them. It agrees with a cautious stance and is not a scored input. Based on reported holdings filed by the cutoff. Late filers are not included, and passive, strategic and mixed holders are left out of the flow measure.

8. Risks

Risk	Probability	Severity	Comment
Viewing growth stalls	Medium-high	High	Conceded on the call; weakens pricing power and ad inventory
Advertising stays behind plan	Medium	Medium	2026 target cut by about 10%; the 2027 ad expansion carries the same delivery risk
Guidance credibility	Medium	Medium	Third straight next-quarter guide below consensus; 2027 guide not until January
Execution through change	Medium	Medium	New content chief from 26 Oct and about 1,000 job cuts at once
European pricing litigation	Medium	Medium	Italy under appeal, Dutch claim of EUR420-673m; a consent rule for price rises would be the bigger risk
Currency and discount rate	Medium	Low	FX added about a point to Q3 growth; a ten-year yield near 5.1% weighs on the multiple

Probability and severity are this report's assessments. A Risk score of 4/10 below denotes a moderately high-risk profile, consistent with this register.

9. Scorecard

Criterion	Weight	Score		Prior	Rationale and what moved
Business Quality	15%		8/10	8/10	Unchanged. Q3 operating margin 34.6%, up from 28.2% a year earlier, on revenue up 12%.
Financial Strength	15%		8/10	8/10	Unchanged. Q3 free cash flow \$2.9bn, net debt \$7.1bn, a record \$4.8bn buyback and \$22.3bn of authorisation left.
Competitive Advantage	15%		6/10	6/10	Unchanged. Churn improved year on year, but management said US viewing is not growing as fast as it would like.
Management	10%		5/10	6/10	Down 1. A third straight next-quarter guide below consensus, the 2026 ad target cut to \$2.7bn from about \$3bn and the FCF outlook cut to \$12.0bn.
Growth Potential	15%		5/10	5/10	Unchanged. Q4 revenue guided up 12%; the ad business still grows over 80% this year but trails plan, and 2027 guidance waits until January.
Valuation	20%		5/10	5/10	Unchanged. 18.6x this report's FY27 EPS of \$3.70, about the same multiple as a month ago because the price and the earnings base both fell about 4%.
Risk (10 = lowest risk)	10%		4/10	4/10	Unchanged. A new content chief and about 1,000 job cuts add execution risk; engagement and European pricing cases remain open.

Scored 1-10, where 10 is always best, including Risk. The prior score is restated on the seven-factor basis, without the former chart factor, for comparability (61.1). Factor weights changed on 18 October 2026, so part of the change in the Investment Score reflects the new weights. Weighted total computed in code: 59.5 out of 100.

Overall Investment Score: 59.5 / 100

One score moved. Management drops a point for the third below-consensus guide in a row and two cut targets in one release. The other six are unchanged: margins and cash flow are as strong as the last report described, and the valuation multiple is about where it was because the price and the earnings base fell together.

10. Recommendation: Watchlist

Rating: WATCHLIST, unchanged. The quarter did not change the investment case, but the reasoning has shifted slightly. The last report wanted three things on 20 October: Q3 at or above guide, a Q4 guide at or above consensus, and signs that engagement was stabilising. Netflix delivered the first. It missed the second, and on the third management said plainly that US viewing growth is not where it wants it. At \$68.69 before the reaction, the shares sit close to the weighted fair value

of \$70.33, which leaves no margin of safety. The rating is not Avoid because margins, cash flow and buybacks remain strong and the price is already near the low end of the past year.

Price of interest: about \$60. That is about 16 times this report's FY27 EPS, and the \$74 base case would pay about 23% from there. The last report named \$65; the level is lower because the base-case earnings and multiple are both lower after the guide. The after-hours price already sits near \$65, so a further fall of about 7% would bring the name into range. No cut-loss or take-profit is published while the rating is not a Buy.

Condition	Direction	Why it changes the view
A price near \$60 with no further cut to the 2026 outlook	Up	Restores a margin of safety on the base case
January 2027 guidance for double-digit revenue growth with a higher margin and a sized saving from the job cuts	Up	Would rebuild guidance credibility
Evidence that view hours are growing again in the US	Up	The central variable for pricing power and ads
Confirmed carriage of a rival service inside Netflix	Up	Would lift hours; reported only so far
Another next-quarter guide below consensus in January	Down	Would confirm the pattern and point to the bear case
Rising churn after price rises alongside weaker real consumer spending	Down	Would slow the main revenue lever
An EU-level rule requiring consent for price rises	Down	Would slow pricing in a large region

Macro rows are directional. The price level comes from this report's base case and multiple.

11. Technical read

Chart as of the 20 October 2026 close, before the results.

Verdict: Watchlist, from fundamentals. Technical read (chart only): Confirms. The chart is in a downtrend: the price closed below a falling 50-day average and has been under the 200-day average for at least ten sessions. That agrees with waiting. Watch for a hold above the 20-day low of \$66.54 and the 52-week low of \$65.08, both of which the after-hours price has already undercut; a reclaim of the 50-day average near \$75 would be the first sign the trend is turning. The Technical read looks only at the price chart. It does not change the verdict or the Investment Score and only guides entry timing.

Indicator	Value	Reading
Price of record (20 October 2026)	\$68.69	Down 4.2% since the previous report; before the results
SMA 20 / EMA 20	\$69.97 / \$70.92	Price 1.8% and 3.1% below
SMA 50 / EMA 50	\$74.85 / \$73.24	Price 8.2% and 6.2% below; the 50-day is falling
SMA 100 / EMA 100	\$75.16 / \$76.69	Price 8.6% and 10.4% below
SMA 200 / EMA 200	\$82.65 / \$84.43	Price 16.9% and 18.6% below
RSI (14)	40.5	Neutral, leaning weak
MACD (12,26,9)	-1.18, signal -1.44, hist. +0.26	Negative but above its signal
ATR (14)	\$1.91, 2.8% of price	Daily range before the results
Volume, 20-day vs 50-day	36.6m vs 33.3m, +9.9%	Participation rising into the print
Support / resistance	\$65.08, \$66.54, \$67.06 / \$74.85, \$82.65	52-week low, 20-day low, 60-day closing low / 50-day and 200-day averages
52-week range	\$65.08 - \$124.86	Close 45.0% below the high

Computed in code from a 300-session Twelve Data daily series, 12 Aug 2025 to 20 Oct 2026 (split-adjusted), all averages from that one series; distances against the price of record. Chart state classified by fixed rules.

12. Scenario analysis

Case	Prob.	Outlook	Fair value	vs \$68.69
Bull	20%	Churn keeps improving, the ad tier closes the gap to the \$3bn it was meant to reach in 2026, and FY27 revenue grows about 13% with margin near 35%; FY27 EPS about \$4.05 at 24x	\$97.20	+41.5%
Base	45%	FY27 revenue grows about 11% on pricing, members and ads, margin expands by about 2 points as the job cuts land; FY27 EPS about \$3.70 at 20x, a maturing compounder priced as one	\$74.00	+7.7%
Bear	35%	View hours keep lagging, price rises meet more churn, ads stay behind plan and FY27 growth slips below 10%; FY27 EPS about \$3.35 at 15x	\$50.25	-26.8%
Weighted	100%	Probability-weighted	\$70.33	+2.4%

Fair values and the weighted \$70.33 computed in code; each case is FY27 EPS (this report's estimates) times the stated multiple.

The probabilities are the same as a month ago, and the evidence behind each was checked against the quarter. The bull case gains a little from better churn and a strong margin but loses as much from the ad cut, so it stays at 20%. The bear case stays at 35% because management confirmed the viewing problem rather than easing it, and the base case keeps the rest.

13. Final verdict

Not at \$68.69, and not yet at the after-hours price either. Netflix is a profitable, cash-generative business that is shrinking its share count fast, and the third quarter showed it. The single biggest concern is that members are paying more without watching much more, and the call confirmed it instead of answering it. At about 19 times FY27 earnings the price already assumes the problem fades. What must change is either the price, toward \$60, or the evidence: US viewing growth picking up, and a January guide that sizes the savings and shows double-digit growth with a higher margin.

Sources

- Company: Netflix Q3 2026 shareholder letter and financial statements (ir.netflix.net, also filed on Form 8-K), 20 October 2026; Netflix Q3 2026 earnings interview, 20 October 2026
- Earnings interview transcript: Motley Fool, 20 October 2026; Investing.com earnings call summary, 20 October 2026. Consensus comparisons: StockStory via FinancialContent, 20 October 2026
- Associated Press, Netflix is laying off 6% of its workforce, 14 October 2026; CNBC, Netflix content chief Bela Bajaria leaving, replaced by Peter Rice, 15 October 2026
- Price of record: Alpha Vantage global quote, 20 October 2026 close. Technicals: Twelve Data daily series of 300 completed sessions to 20 October 2026, computed in code
- Ratings and notices: moomoo news, notice and research channels, to 20 October 2026. Consensus estimates and targets: StockAnalysis.com (S&P; Global), 19 October 2026
- Macro: Beating The Bull economic data posts of 9, 13, 14, 15 and 16 October 2026
- Institutional positioning: Q2 2026 13F holdings read, quarter ended 30 June 2026, filings through 19 August 2026