

Netflix, Inc.

NASDAQ: NFLX | Global Streaming Entertainment & Advertising | Report date: 25 September 2026 | Prices as of close 24 September 2026

Recommendation	Last Price	Becomes interesting	Weighted Fair Value	Investment Score
WATCHLIST	\$71.72	\$65	\$77	60 / 100
from Buy	24 Sep close	17x FY27 consensus EPS	+7.4%; was \$91	from 66

Rating cut from Buy to Watchlist · Trailing and forward earnings restated to exclude the \$2.8bn Warner Bros. Discovery termination fee · Fair value cut from \$91 to \$77 · Buy range, cut-loss and both take-profit levels withdrawn · The \$71 cut-loss traded through intraday on 18 September · Next results 20 October 2026.

Investment Summary

The rating moves from Buy to Watchlist. Three things drive the change, and the share price is only one of them. The first is a correction to the earnings base. The trailing earnings of \$3.17 per share, and the FY26 consensus of \$3.59, that previous reports divided the price by both include the \$2.8bn termination fee Netflix received in the first quarter of 2026 when Warner Bros. Discovery ended their merger agreement. That fee was booked in interest and other income. It is not operating earnings and it will not recur. Taking it out, on the first quarter's 19.3% effective tax rate and 4.30bn diluted shares, removes about \$0.53 per share. On that basis the shares trade at 27.1 times clean trailing earnings and 23.4 times clean FY26 earnings. The headline figures of 22.6x and 20.0x make the stock look cheaper than it is (all four multiples are our own calculation). The FY27 consensus of \$3.82 is the clean anchor, and it sits below the \$4.00 to \$4.30 the previous base case assumed.

The second is new evidence on engagement, which is the thesis variable previous reports could not see. Nielsen's July reading put Netflix at 7.8% of US television time, down from 8.8% a year earlier, while YouTube reached a record 14.2%. Management's own figure is that view hours grew only 2% in the first half. Two brokers downgraded the shares within a week on this evidence: Wells Fargo to Underweight with a \$57 target on 18 September, and HSBC to Hold with a \$76 target on 22 September. Broker opinions are context and do not set this report's view. The engagement data under them do, because this report already rated price-led growth as the weakest of the four drivers.

The third is the tape. The shares closed at \$71.72, down 7.3% since the previous report while the Nasdaq Composite rose 2.3%. On 18 September they fell 4.7% on 114m shares, about three times normal turnover, and printed an intraday low of \$70.11. That is below the published \$71 cut-loss. No session has closed below \$71, but a resting stop at that level would have filled. Every moving average from 20 to 200 days now sits above the price.

Rebuilt on clean earnings, the probability-weighted fair value is \$77, down from \$91, and 7.4% above the market. That is not enough upside to pay for a beta of 1.53 and a bear case near \$55. The business is still highly profitable, cash-generative and buying back stock heavily. Nothing here is a case to short it. The case for buying now needs a lower price or better evidence. The name becomes interesting again at or below **\$65**, which is 17 times the FY27 consensus and matches the July 52-week low of \$65.08. It can also become interesting on 20 October, if the third-quarter release shows engagement stabilising and fourth-quarter guidance at or above consensus.

What Moved Since the Previous Report

Measure	13 September	25 September	Read
Share price	\$77.40	\$71.72	Down 7.3% against a 2.3% rise in the Nasdaq Composite, so the move is stock-specific. It rose to \$80.32 on 14 September, then fell for four sessions into the 18 September downgrade.

Measure	13 September	25 September	Read
Buy band / cut-loss	\$71–76 / \$71	Withdrawn	The band was traded through. The 18 September low of \$70.11 breached the \$71 cut-loss intraday, and closes since have held between \$71.36 and \$73.36.
Trailing P/E	24.4x (reported)	22.6x reported; 27.1x clean	Clean figure excludes the after-tax termination fee. Our calculation: \$3.17 less \$0.53 = \$2.64.
Forward P/E (FY26)	22.3x (reported)	20.0x reported; 23.4x clean	FY26 consensus of \$3.59 less \$0.53 = \$3.06. FY27 consensus of \$3.82 gives 18.8x.
Fair value	\$91	\$77	Rebuilt on FY27 consensus-anchored earnings with bear weight raised from 30% to 35%.
Consensus target	\$93.66	\$92.93	51 analysts: 27 Strong Buy, 7 Buy, 16 Hold, 1 Strong Sell. Range \$57–135.
SMA 100	\$80.06	\$78.44	Recomputed from the current series. Price is 8.6% below it.
SMA 200	\$86.24	\$84.84	Recomputed. Price is 15.5% below it, against 10.3% a fortnight ago.
RSI (14) / MACD hist.	48.0 / –0.71	38.2 / –0.91	Momentum deteriorated further. The line has crossed below zero.

All moving averages are recomputed from the current series. None is carried forward from an earlier report.

Do the Published Levels Still Hold?

No. All four trade levels are withdrawn, because the rating no longer carries them.

Level	Published	Now	Assessment
Ideal buy range	\$71–76	Withdrawn	The shares spent six sessions inside or below the band after 17 September. On the corrected earnings base, the \$76 ceiling sits just below the \$77 fair value, so buying there no longer offers the two-to-one reward the band was designed to give.
Cut-loss	\$71	Breached intraday; withdrawn	The 18 September low was \$70.11. The lowest close is \$71.36 on 23 September. Readers who held a stop at \$71 would have been filled on 18 September, which is the stop doing its job. The level was not widened at any point. With the rating now Watchlist, there is no position to protect.
Take-profit 1	\$86	Withdrawn	Its original anchor, the 100-day average, is now \$78.44. Its later anchor, the base-case band of \$85–100, no longer exists after the base case was rebuilt on consensus FY27 earnings.
Take-profit 2	\$100	Withdrawn	It needs roughly 26 times FY27 consensus, which is bull-case territory.
Fair value	\$91	\$77	$0.20 \times \$110.82 + 0.45 \times \$80.45 + 0.35 \times \$54.50 = \$77.44$, computed in code.

Evaluation Framework

The four variables are the same as in the previous report. Two of them now have evidence behind them, and in both cases the evidence is negative.

Driver	Status	Direction
Engagement and price-led revenue growth	Price increases landed again in early September in the UK, Germany and Austria. The ad-supported entry tier took the largest rises: 33% in the UK and 40% in Germany. Engagement is the weak side. View hours grew 2% in the first half, and Nielsen's July share of US TV time fell to 7.8% from 8.8%. Pricing that outruns engagement works until churn shows it does not.	Worse
Advertising scale-up	About \$3bn expected in 2026, roughly double 2025 (management). New since the last report: nine more EMEA markets from 1 March 2027 and programmatic pause ads from October 2026. Ad revenue still depends on viewing time, which is what is under pressure.	Better, slowly
Guidance credibility	Untestable until 20 October. Third-quarter revenue was guided to 12% growth (11% FX-neutral), and the full year to \$51.0–\$51.4bn.	Unchanged
Margin and cash conversion	Operating margin guided to 31.5% for FY26 (29.7% trailing). Free cash flow guided to about \$12.5bn. A record \$4.7bn of shares was repurchased in Q2, with about \$27bn of authorisation remaining.	Unchanged, strong

Business and Industry

Netflix runs the largest paid streaming service in the world and is building an advertising business on the same audience. Trailing revenue is \$48.37bn. Second-quarter revenue was \$12.56bn, up 13%, at a 33.4% operating margin. Almost all revenue comes from streaming subscriptions, and advertising is expected to reach about \$3bn this year. Growth now comes more from price and advertising than from new members. That is how a mature subscription base behaves. It makes engagement the variable that matters most, because hours watched are what justify the next price rise and what generate advertising inventory.

The industry picture has moved against Netflix at the margin. YouTube is not a subscription rival in the usual sense, but it now takes almost twice Netflix's share of US television time, and HSBC's work shows its lead widening in the living room. Netflix's response is to widen what the app carries. It has integrated TF1's live channels in France, is reported (New York Times, 24 August) to be in talks to carry Peacock and Fox One, and has added more live events and video podcasts. Each is sensible. None has yet shown up in engagement figures.

Financials

Measure	Latest	Interpretation
Revenue (ttm)	\$48.37bn	FY26 guided to \$51.0–\$51.4bn, 13–14% growth. Consensus FY27 is \$57.0bn, 11.3% growth, so the street already expects deceleration.
EPS (ttm), reported	\$3.17	Includes Q1 diluted EPS of \$1.23, which carries the \$2.8bn termination fee in other income.
EPS (ttm), clean	\$2.64	Our calculation: fee × (1 – 19.3% Q1 effective tax rate) ÷ 4.30bn diluted shares = \$0.53, deducted from \$3.17. Not a company measure.
FY26 / FY27 consensus	\$3.59 / \$3.82	The 6.4% growth implied between the two years is an artefact of the fee. On a clean FY26 base of \$3.06, FY27 growth is 24.7%, which is the real operating trajectory.
Operating margin	29.7% ttm; 31.5% FY26 guide	Q2 printed 33.4%. The guide is a full-year figure and implies a lower second half as content and live-event spend is weighted later in the year.
Free cash flow	\$11.15bn ttm; ~\$12.5bn FY26 guide	About 23% of revenue. Enough to fund repurchases, content and any plausible European legal outcome several times over.
Balance sheet	Net debt \$7.53bn	Low leverage against roughly \$14bn of trailing operating income. Not a constraint.

Measure	Latest	Interpretation
Capital return	\$4.7bn repurchased in Q2	The largest quarterly buyback in the company's history, with about \$27bn authorisation remaining. Market capitalisation is \$298bn on 4.16bn shares.

Competitive Position

At the subscription level, the position is still the strongest in the industry: scale, owned technology and global content amortisation. The erosion is at the level of attention. A 7.8% share of US TV time against YouTube's 14.2% (Nielsen, July) means the largest competitor for viewing time sells no subscription at all, and it is also the incumbent in the advertising market Netflix is trying to grow. YouTube earned \$11.1bn of advertising in its second quarter alone. Netflix expects about \$3bn for the whole of 2026. Competitive advantage is cut from 7 to 6 for that reason. The moat around the subscription is intact. The moat around the hours is not as secure as the multiple assumed.

Management and Capital Allocation

Capital allocation remains the strongest part of the case, with record repurchases into a 40% drawdown and discipline in walking away from Warner Bros. Discovery. That walk-away produced the fee discussed above. On the second-quarter call (Netflix IR transcript, 16 July), management argued that "all hours are not created equal". Live programming accounts for about 1% of hours and 5% of content spend, but drives a disproportionate share of acquisition, and the price changes of the first half were described as consistent with expectations. That is a reasonable argument, but it is also the argument a company makes when total hours are flat. Management declined to give detail on its internal engagement metrics, calling them a competitive advantage. Management holds at 6.

Company developments

No development in the period changes the thesis on its own. Five are material enough to record, and none is rated High.

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Price rises in the UK, Germany and Austria	Announced and effective 3–4 Sep 2026 for new members; existing members billed after notice	UK: ads £5.99→£7.99, Standard £12.99→£13.99, Premium £18.99→£20.99. Germany: ads €4.99→€6.99, Standard €13.99→€15.99, Premium €19.99→€21.99. Austria: all tiers +€2.	No company figure for the revenue effect. The ad tier rose most, which narrows the gap to the ad-free price (our read).	Medium
Ad plan expansion and pause ads	Announced 24 Sep 2026 at the first UK Upfront	Ad tier launches in Austria, Belgium, Denmark, Ireland, Netherlands, Norway, Poland, Sweden and Switzerland on 1 Mar 2027. Pause ads available programmatically from Oct 2026. The UK ad plan reaches over 14m viewers.	Management expects ad revenue to roughly double to about \$3bn in 2026. No FY27 figure given.	Medium
Carriage of rival services	Reported (New York Times, 24 Aug 2026); unconfirmed	The TF1 integration in France went live in June and was described by management as promising.	Reported talks with NBCUniversal and Fox over Peacock and Fox One. No terms.	Medium
European pricing litigation	Rome ruling 1 Apr 2026, under appeal; Dutch claim filed 30 Apr 2026	Rome court ruled the 2017–2024 Italian price rises unlawful. Refunds of about €500 (Premium) and €250 (Standard), about 5.4m subscribers. The Dutch foundation seeks €420–673m. Cases are also pending in Germany and Spain.	Our upper bound for Italy: €1.35–2.7bn if every subscriber claimed in full, which is unlikely. Netflix has said it will appeal.	Medium

Development	Status and date	What is known	What is forecast (and by whom)	Impact
South Africa market inquiry	Announced 7 Sep 2026 by ICASA	The communications regulator is opening inquiries covering Netflix, WhatsApp and telecoms pricing.	No outcome or timetable.	Low
Live events	Announced 24 Sep and 22 Sep 2026	Fury v Joshua live on 11 Dec 2026 in Cardiff, for all members at no extra cost. STARTO New Year's Eve concert streamed worldwide.	None.	Low
Q3 results date	Announced 14 Sep 2026	Results on 20 Oct 2026, 1:01pm PT, with a live interview at 1:45pm PT.	Q3 EPS consensus about \$0.82.	Low

Why none is High. The price rises and the ad expansion both act on the pricing and advertising drivers the previous report already modelled, and neither alone moves FY26 or FY27 earnings by anything close to 5%. The nine new ad markets begin only in March 2027. The litigation is the item to watch. Even the unlikely full Italian refund ceiling equals about one quarter of free cash flow, and the larger risk is a precedent that constrains price changes across the EU, where they must increasingly be justified or consented to. That is reflected in the Risk score rather than in the scenarios. The European rulings predate the previous report's window and were not covered there.

Growth Drivers

Driver	Status	Likelihood	Impact	Assessment
Advertising	Announced; nine new markets from 1 Mar 2027; pause ads Oct 2026	Medium	High	The only driver that can re-rate the multiple. About \$3bn in 2026 per management. It needs viewing time, which is under pressure.
Price increases	Shipped, UK/DE/AT Sep 2026	High	Medium	Still landing. The ceiling increasingly depends on regulators and courts in Europe, and on churn if engagement keeps slipping.
Aggregation (rival services in-app)	TF1 shipped June 2026; US talks reported only	Low–Medium	High	Would lift hours and make Netflix the distribution layer. Carries no weight until confirmed.
Live events	Fury v Joshua 11 Dec 2026; expanded NFL package	High	Low–Medium	About 1% of hours for 5% of content spend (management). Mainly an acquisition and advertising tool.
Margin expansion	FY26 guide 31.5%	Medium	Medium	Guided, and the base case depends on it.

Risks

Risk	Probability	Severity	Assessment
Engagement erosion to YouTube and short-form video	Medium–High	High	New evidence this period: 7.8% TV share, down 100bp year on year, with first-half hours up only 2%. Wells Fargo projects fewer original hours in the second half. If hours fall, pricing power and ad inventory both weaken.
Structural deceleration	Medium	High	The bear case, now weighted 35%. FY27 EPS of \$3.30–3.50 at 15–17x gives \$50–60.
European pricing litigation	Medium	Medium	Italy ruling under appeal, a Dutch claim of €420–673m, and cases in Germany and Spain. The cash is manageable. The bigger risk is a rule requiring consent for EU price rises.
Guidance credibility	Medium	High	The July Q3 guide disappointed. A weak Q4 guide on 20 October would confirm a pattern.

Risk	Probability	Severity	Assessment
Volatility and discount rate	High	Medium	Beta 1.53, ATR 3.1% of price. The 10-year Treasury is at 5.18%, the highest since 2007.
Regulatory pricing scrutiny elsewhere	Low–Medium	Low	ICASA inquiry in South Africa. No outcome yet.

Risk is scored 4 out of 10, where 10 is the lowest risk. The table above describes above-average risk: engagement erosion, rising legal constraints on the main revenue lever and high volatility. The score and the table agree.

Valuation

Method	Reading	Comment
Trailing P/E, clean	27.1x	\$71.72 ÷ \$2.64. The reported 22.6x includes the one-off fee. Our calculation.
FY26 P/E, clean	23.4x	\$71.72 ÷ \$3.06. The reported 20.0x includes the fee. Our calculation.
FY27 P/E	18.8x	On consensus of \$3.82 (45 analysts, range \$3.48–4.09). This is the cleanest multiple available, and the one used for the scenarios.
EV/EBITDA	20.8x	Third-party measure (stockanalysis.com). EBITDA also includes the fee, so the true multiple is modestly higher.
Consensus target	\$92.93	Median \$92, range \$57–135. The one Strong Sell is new this period.
Scenario-weighted	\$77.44 → \$77	$0.20 \times \$110.82 + 0.45 \times \$80.45 + 0.35 \times \$54.50$, computed in code. 7.4% above the market.

Macro drivers. Two variables matter. The first is household discretionary spending and willingness to absorb price rises, because Netflix's growth now comes from price. The current readings are mixed. August retail sales rose 1.2% against a 0.8% forecast, 6.0% above a year earlier, and initial jobless claims fell to 197,000 in the week to 19 September. So spending and employment are firm. Confidence is not: Michigan sentiment was 47.8 in the reading published 11 September, with one-year inflation expectations at 4.6% and headline CPI at 3.4%. The second is the long-end discount rate. The Federal Reserve raised its target range to 3.75–4.00% on 16 September, and the 10-year Treasury closed at 5.18% on 24 September, its highest since 2007. For a stock on 19 to 23 times earnings, that is a real headwind. It does not explain the underperformance, however. The shares fell 7.3% while the Nasdaq rose, so the cause is company-specific.

Sentiment

Measure	Reading	Comment
Analyst consensus	Buy, weakening	27 Strong Buy, 7 Buy, 16 Hold, 1 Strong Sell across 51 analysts. Average target \$92.93.
Revisions in the period	Split	Evercore ISI raised to \$110 (14 Sep); Bernstein initiated at Buy, \$95 (15 Sep); Wells Fargo cut to Underweight, \$57 from \$80 (18 Sep); Piper Sandler held Buy, \$85 (21 Sep); BMO held Outperform, \$135 (22 Sep); HSBC cut to Hold, \$76 from \$96 (22 Sep).
News flow	Bearish	Most stock-specific coverage in the period was about the two downgrades and YouTube's share of viewing. The Upfront and the Fury v Joshua announcement drew less attention.

Measure	Reading	Comment
Institutional positioning	Cautionary	As of 30 June 2026, filings through 19 August 2026. Reported holdings among active managers showed a net reduction of 6.6% of reported shares over four quarters and 1.9% in the latest quarter, with 46 managers cutting and 27 adding. Five of the last six quarters were net reductions, and the selling was broad rather than concentrated. 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. This predates the September downgrades.
Insider activity	Quiet since 11 Sep	No new Form 4 or Rule 144 notices after the 8–11 September cluster recorded in the previous report.
Short interest / options	Low / normal	Short interest 2.21% of float, 3.1 days to cover. Options volume 240,830 contracts on 24 September against 4.92m open interest.

Technicals

Indicator	Value	Read
Price	\$71.72	24 September close. The 18 September session fell 4.7% on 114.4m shares, the heaviest turnover since the July results.
SMA / EMA 20	\$77.18 / \$75.66	Price 7.1% and 5.2% below.
SMA / EMA 50	\$75.60 / \$76.80	Lost. A fortnight ago the price sat above the simple 50-day.
SMA / EMA 100	\$78.44 / \$79.58	Price 8.6% below the simple 100-day, which is still falling.
SMA / EMA 200	\$84.84 / \$86.68	Price 15.5% below. This is a downtrend, not a pullback.
RSI (14)	38.2	Weak but not oversold. It bottomed at 36.3 on 18 September.
MACD (12,26,9)	−1.49 / −0.57 / −0.91	Line below signal and below zero. The histogram is still widening.
ATR (14)	\$2.21 (3.1%)	Up from 2.8% as the price fell.
Volume	28.2m; 20-day 32.6m; 50-day 37.3m	The decline came on heavy volume on 18 September. Turnover has otherwise been subdued.
Range	20-day \$70.11–83.60; 52-week \$65.08–124.86	The July low of \$65.08 is the next clear support. The higher-low sequence noted in the previous report still stands, but only just.

Computed in code from 300 completed daily sessions through 24 September 2026, from a single split-adjusted series. Distances are measured against the \$71.72 quoted price. Technicals inform timing only.

Scorecard

Dimension	Score	Change	Assessment
Business quality	8/10	8 → 8	Scale leader with a 33% Q2 operating margin. Unchanged.
Financial strength	8/10	8 → 8	\$11.15bn ttm FCF, net debt \$7.53bn, record buyback. Unchanged.
Competitive advantage	6/10	7 → 6	Subscription moat intact, but share of viewing time is being lost to YouTube (7.8% vs 14.2%).
Management	6/10	6 → 6	Strong capital allocation. Guidance credibility untested until 20 October.
Growth potential	5/10	6 → 5	View hours up 2% in H1 and TV share at a multi-year low. Price-led growth rests on weaker ground.

Dimension	Score	Change	Assessment
Valuation	5/10	6 → 5	Clean multiples are 27.1x trailing, 23.4x FY26, 18.8x FY27. Fair value only 7.4% above the market.
Risk (10 = lowest risk)	4/10	5 → 4	Adds European pricing litigation and engagement erosion to beta 1.53 and a 5%+ discount rate.
Technical setup	3/10	5 → 3	Below every average, MACD below zero, cut-loss breached intraday on heavy volume.

Scored 1–10, where 10 is always best, including Risk. The previous report used the same direction and labelled it the same way, so its scores are directly comparable and no restatement was needed. Bar length follows the score, so a long bar on the Risk row means a safer company.

Dimension	Score	Weight	Contribution
Business quality	8	15%	1.20
Financial strength	8	15%	1.20
Competitive advantage	6	15%	0.90
Management	6	10%	0.60
Growth potential	5	15%	0.75
Valuation	5	15%	0.75
Risk (10 = lowest risk)	4	10%	0.40
Technical setup	3	5%	0.15
Weighted total		100%	5.95 → 60 / 100

Weights are unchanged from previous reports. Five dimensions moved, taking the weighted total from 6.60 to 5.95. That rounds to 60, from 66. The composite was computed in code and checked against this figure. Company developments moved no score on their own. The European litigation contributes to the Risk cut, and the engagement data to the Growth and Competitive advantage cuts.

Recommendation: Watchlist (from Buy)

The rating changes because the reasons for it have changed, not only because the price fell. The previous Buy rested on a fair value of \$91 built from FY27 earnings of \$4.00–4.30 and a forward multiple that looked moderate. Once the one-off fee is removed, the same business is dearer than it looked. The street's FY27 estimate is \$3.82, and the engagement evidence argues against paying above-market multiples for hours that are not growing. On those inputs the stock is roughly fairly valued, not cheap. With no High development in the period, the verdict would be the same with or without the company developments listed above.

Parameter	Level	Basis
Becomes interesting	At or below \$65	17 times FY27 consensus EPS of \$3.82 (\$64.94), matching the 17 July 52-week low of \$65.08. At \$65, the \$77 fair value offers 19% upside, and the price sits about 8% above the top of the bear-case range rather than 20% above it. That is 9.4% below the current price.
Or, on evidence	20 October 2026	Q3 revenue at or above the 12% growth guide, Q4 guidance at or above consensus, and a sign that engagement has stabilised. That combination would restore base-case weight and make the stock interesting above \$65.
Fair value	\$77	Probability-weighted, computed in code. It is not a price target.
Existing holders	No trade instruction	Holders who kept a \$71 stop were stopped out on 18 September. Those without a stop hold a fairly valued, high-quality business with weakening engagement data. There is no longer a case for adding to it.

What Would Change the View

Condition	Moves rating to	Reasoning
A price at or below \$65 with no further earnings deterioration	Buy	17x FY27 consensus. Upside to fair value about 19%.
Q3 results on 20 Oct at or above guide, with Q4 guidance at or above consensus	Buy consideration	It would repair guidance credibility. Needs to come with the engagement signal below.
Evidence that viewing share has stopped falling (Nielsen monthly releases, company commentary)	Buy consideration	The central variable. Two months of stable or rising share would argue against the bear weight added in this report.
Confirmed carriage of Peacock or Fox One inside Netflix	Scores up	Would lift hours and strengthen the aggregation case. Currently reported only.
A third consecutive below-consensus guide on 20 Oct	Hold / Avoid	It would confirm the pattern and point to the bear case.
An EU-level ruling or rule requiring consent for price rises	Hold / Avoid	Would slow the main revenue lever in a large region. Watch the Italian appeal and the Dutch, German and Spanish cases.
A sustained fall in real consumer spending, with members declining price rises instead of absorbing them	Hold / Avoid	Phrased directionally. Spending is currently firm (retail sales +1.2% in August) but confidence is weak.

Scenario Analysis

Scenario	Prob.	Revenue outlook	Earnings outlook	Fair value	Narrative
Bull	20%	FY27 revenue at the top of the \$55.9–\$58.3bn street range; advertising ahead of plan	FY27 EPS \$4.05–4.30; 25–28x	\$101–120	Engagement stabilises and aggregation deals lift hours. Weight cut from 25%.
Base	45%	FY27 revenue around \$57bn, 11% growth	FY27 EPS \$3.70–3.95, around the \$3.82 consensus; 20–22x	\$74–87	A maturing compounder priced as one. Rebuilt from the previous \$4.00–4.30 EPS range, which sat above consensus.
Bear	35%	FY27 growth below 10% as hours fall and churn rises after price rises	FY27 EPS \$3.30–3.50; 15–17x	\$50–60	Engagement erosion proves structural. Weight raised from 30% on the Nielsen share data and management's 2% hours growth.

Probabilities sum to 100%. Probability-weighted fair value: $0.20 \times \$110.82 + 0.45 \times \$80.45 + 0.35 \times \$54.50 = \$77.44$, rounded to \$77, or +7.4% against the 24 September close of \$71.72. Computed in code and checked against this figure.

Final Verdict

Would this warrant fresh money at \$71.72? No. The single biggest concern is that Netflix is raising prices faster than it is growing viewing. On a clean earnings base, the stock is priced for that to keep working. The previous report's two-to-one set-up depended on a \$91 fair value, and that fair value depended on EPS that included a one-off fee and on an FY27 earnings range reaching above the street's highest estimate. With those corrected, the upside is 7% and the bear case is 24% below the price. No company development drove this answer. The earnings correction, the engagement data and a broken stop did.

This is not a call against the business. Netflix earns a 30%-plus operating margin, generates more than \$11bn of free cash flow, is buying back its own stock at a record rate, and is adding advertising markets and live events. At \$65, or with evidence on 20 October that engagement has stabilised, the case to own it returns. Until then, the name stays on

the watchlist.

Sources

Company: Netflix Q2 2026 earnings call transcript (Netflix IR, s22.q4cdn.com, 16 July 2026); Netflix Q1 2026 Form 10-Q (termination fee, tax provision, diluted shares, via stocktitan.net filing summary); ir.netflix.net, "Netflix to Announce Third Quarter 2026 Financial Results" (14 Sep 2026); about.netflix.com, "Netflix Hosts First UK Upfront" (24 Sep 2026) and newsroom; netflix.com/tudum, Fury v Joshua announcement (24 Sep 2026). Press: Advanced Television and Broadband TV News (UK prices, EMEA ad expansion); ComputerBase (Germany and Austria prices); Fortune (Italian ruling, 20 Apr 2026); The Next Web (Dutch claim); Business Day and IOL (ICASA inquiry, 7 Sep 2026); TipRanks relaying the New York Times (carriage talks, 24 Aug 2026); Yahoo Finance, TheStreet and Invezz (Wells Fargo and HSBC notes, Nielsen share data); TradingView (Q2 2026 results summary). Data: Alpha Vantage GLOBAL_QUOTE (price of record, close 24 September 2026); Twelve Data daily time series, 300 completed sessions (indicators computed in code); stockanalysis.com statistics and forecast pages; Yahoo Finance analysis page (EPS and revenue estimates); moomoo news search (news, notices and research feeds) and moomoo stock digest, both run 25 September 2026; Beating The Bull economic coverage of 11–24 September 2026 for macro conditions. The previous report of 13 September 2026 was read in full before this one was written. No earnings call took place in the period; the most recent call transcript (Q2 2026) was reviewed.

Informational use only. This is not financial advice, not a personal recommendation, and not an offer to buy or sell any security.