

# Netflix, Inc.

NASDAQ: NFLX | Global Streaming Entertainment &amp; Advertising | Report date: 17 August 2026 | Prices as of close 14 August 2026

| Recommendation | Last Price     | 12–24M Fair Value | Upside to Fair Value | Horizon             |
|----------------|----------------|-------------------|----------------------|---------------------|
| <b>BUY</b>     | <b>\$78.16</b> | <b>\$91</b>       | <b>+16.4%</b>        | <b>12–24 months</b> |

Investment Score: 67 / 100 (was 68) · P/E 24.5x trailing, approximately 21.8x forward · Forward PEG 1.13x · Ideal buy range held at \$64–76, deliberately not raised · No new entry recommended at the market

## Investment Summary

Netflix has risen a further 6.2% since this coverage was last published, closing at \$78.16 on 14 August against \$73.57 on 4 August, and is now 20.1% above the \$65.08 intraday low set on 17 July. The fundamental file is unchanged for the second consecutive update. The company has not reported, has not re-guided, and the next scheduled release is 20 October 2026. Full-year guidance still stands at \$51.0 to \$51.4 billion of revenue, an operating margin of 31.5%, and advertising revenue roughly doubling to approximately \$3 billion.

The consequence needs stating without softening. The recommended entry band of \$70 to \$74 published a fortnight ago has been overtaken by the market, and the wider ideal buy range of \$64 to \$76 has now also been left behind. That band was itself raised on 5 August, from \$62 to \$74, after the July entry recommendation was overtaken. Raising it a third time to sit underneath whatever the price happens to be would not be discipline; it would be momentum chasing dressed as analysis. It is therefore held at \$64 to \$76 without alteration, and the honest conclusion is that there is no recommended entry at \$78.16. That is a statement about price, not about the company.

The rating remains Buy because the asset is still worth owning at the right price and the valuation work supporting a \$91 fair value has not changed. What has changed is how much of that value the market has already taken back. Trailing earnings have gone from 21.7 times on 20 July to 23.1 times on 4 August to approximately 24.5 times now; forward earnings sit near 21.8 times and forward price-to-earnings-growth has moved from 0.98 to 1.06 to roughly 1.13. Upside to fair value has narrowed from 32% in July to 23.7% a fortnight ago to 16.4% today, and consensus-implied upside from 42% to 28% to 20.3% against an average target of \$94.04 across 51 analysts that has barely moved. The statistical discount that was one of the two legs of the original thesis is being spent without any fundamental confirmation, and none is available until 20 October.

One genuinely new development arrived in the window and it explains most of the move. Pershing Square disclosed a new holding of approximately 3.15 million shares, roughly 4.9% of its portfolio, in second-quarter filings published on 13 August, four years after exiting the same name at a loss reported near \$400 million. The shares rose 5.4% on the disclosure. It deserves to be weighed carefully rather than celebrated. The position was built during the second quarter at prices no longer available, the filing describes history rather than news about the business, and it arrived alongside Tiger Global dissolving its holding entirely and Coatue cutting theirs by 31.7%. A 13F is not fundamental confirmation, and a stock that rises 5% on one is repricing sentiment rather than earnings.

The technical picture, by contrast, has improved on its own terms. Price has reclaimed both the 20-day average at \$72.78 and the 50-day at \$74.84, sitting 4.4% above the latter against 3.8% below it a fortnight ago. The MACD line has crossed decisively above its signal, at 0.61 against –0.24, where it was still negative on both counts in the previous report. The relative strength index has firmed from 50.6 to 61.8 without reaching overbought territory, and the 52-week low has now held for five weeks. Price remains 6.6% below the 100-day average of \$83.68, so this is a stabilisation maturing into an uptrend rather than a completed recovery.

The trade plan changes in one respect only. The \$60 cut-loss published a fortnight ago now sits 23.2% and 7.8 average true ranges below the market, which no longer limits anything, and it is raised to \$68. The investment score falls one point to 67 on a valuation downgrade from 7 to 6, partly offset by the technical setup rising from 5 to 7. Above \$86 without confirmation from the October release, this becomes a Hold on valuation grounds, which is the same threshold the previous report set and it is now only 10.0% away.

## What Has Changed Since 5 August

| Measure                   | 20 Jul 2026         | 14 Aug 2026                          | Read                                                                                                                                                 |
|---------------------------|---------------------|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Share price               | \$68.95             | \$78.16                              | Up 6.2% from the \$73.57 close on 4 August and 13.4% since the July report. Now 20.1% above the 17 July low of \$65.08.                              |
| P/E (trailing)            | 21.7x               | approximately 24.5x                  | The statistical discount that formed one of the two original legs of the thesis has narrowed by roughly a third since July.                          |
| Forward P/E               | 19.9x               | approximately 21.8x                  | Derived by rolling the prior multiple to the current price on unchanged consensus earnings.                                                          |
| Forward PEG               | 0.98x               | approximately 1.13x                  | Through 1.0 a fortnight ago and now well above it. The most cited bull statistic no longer supports the argument it was used for.                    |
| Consensus target          | \$98.16             | \$94.04 (51 analysts)                | Essentially unchanged from \$94.33. 36 Buy, 15 Hold, none at Sell. Range \$70 to \$135.                                                              |
| Implied consensus upside  | +42.4%              | +20.3%                               | Halved since July, almost entirely because the price rose rather than because targets fell.                                                          |
| Upside to \$91 fair value | +32%                | +16.4%                               | Was +23.7% on 4 August. The fair value has not moved; the upside is being consumed.                                                                  |
| RSI (14)                  | approximately 29    | 61.8                                 | Was 50.6 on 4 August. Firm without being overbought, but the oversold timing edge is long gone.                                                      |
| Price vs 50-day MA        | below               | +4.4%                                | Reclaimed. Was -3.8%. One of the two conditions the previous report set for upgrading conviction; the other requires the October release.            |
| MACD (12,26,9)            | negative            | 0.61 vs -0.24 signal                 | A decisive positive crossover. Was -1.04 against a -1.75 signal a fortnight ago.                                                                     |
| Ownership                 | —                   | Pershing Square in; Tiger Global out | New: approximately 3.15m shares, 4.9% of the Pershing Square portfolio, built during Q2. Offset by Tiger Global dissolving and Coatue cutting 31.7%. |
| Reward-to-risk (to TP2)   | approximately 2.6:1 | 2.15:1 on the revised stop           | Was 1.20:1 on the published \$60 stop before it was raised. Restored by tightening the stop, not by a better entry price.                            |
| Investment score          | 67 / 100            | 67 / 100                             | Rose to 68 on 5 August and returns to 67. Valuation from 7 to 6; technical setup from 5 to 7.                                                        |
| Recommendation            | Buy                 | Buy                                  | Unchanged. The entry guidance, not the rating, is what has tightened.                                                                                |

Comparison against the levels published on 20 July and 5 August 2026. Multiples and reward-to-risk ratios are calculations based on the stated inputs and are not company-reported measures. All figures reflect the 10-for-1 forward split effective 17 November 2025.

## Do The Published Levels Still Hold?

| Level             | As published       | Status           | Action                                                                                                                                                                                                                                                                                                                                                          |
|-------------------|--------------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Recommended entry | \$70–74            | Overtaken        | Left behind on 10 August and not revisited. Withdrawn rather than raised. There is no recommended entry at \$78.16; the next one begins at \$76.                                                                                                                                                                                                                |
| Ideal buy range   | \$64–76            | Price above it   | Held at \$64–76 without alteration. This band was already raised once, from \$62–74 on 5 August. Raising it a second time so that it contains the current price would convert a valuation discipline into a momentum rule. Existing holders hold; new money waits for \$76 or below.                                                                            |
| Cut-loss          | \$60               | Too wide         | Now 23.2% and 7.8 ATR below the market. Raised to \$68, which sits below the 22–23 July consolidation at \$68.35 to \$68.53 and 4.4 ATR from the market — wide enough for a 3.0% ATR name with a beta of 1.52, and still above the \$65 top of the bear-case range so the stop exits before the bear case is fully priced, which was the intended relationship. |
| Take-profit 1     | \$86               | Intact but close | Unchanged, and now only 10.0% above the market against 16.9% a fortnight ago. It converges with the 100-day average at \$83.68. The previous report stated that reaching \$86 without fundamental confirmation would move this name toward a Hold on valuation grounds; that remains the case.                                                                  |
| Take-profit 2     | \$100              | Intact           | Unchanged, 27.9% above the market. Consistent with a 24x reversion multiple and the upper half of the sell-side range.                                                                                                                                                                                                                                          |
| Fair value        | \$91               | Unchanged        | The probability-weighted estimate is unchanged because no information has arrived that would move the scenario branches. Upside is now +16.4% rather than +23.7%.                                                                                                                                                                                               |
| Position size     | Initial 2%, max 4% | Unchanged        | Scale toward 4% only after the 20 October release confirms the advertising and margin trajectory. Do not add at the market.                                                                                                                                                                                                                                     |

## Evaluation Framework

Netflix earns money two ways that behave very differently. The subscription business is a mature global annuity whose growth now comes from price and from paid sharing rather than from net additions, which makes it high-margin but structurally decelerating. Advertising is a second monetisation engine layered over the same content and the same audience, still small, still scaling, and the only part of the business capable of re-accelerating reported growth. Returns over the next two years depend on whether the second grows faster than the first slows.

| Driver                                            | Why it decides the outcome                                                                                                                                                                                                                                                                       |
|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Advertising scale-up                              | Guided to roughly double to approximately \$3 billion in 2026 against a \$9 billion 2030 ambition. This is the single variable that determines whether growth stabilises in the low teens or drifts into single digits. It is also the least verifiable, because Netflix discloses it sparingly. |
| Quality of revenue growth                         | Mid-teens trailing revenue growth is increasingly price-driven rather than volume-driven. Price-led growth in a competitive market is borrowed from future churn, which is why the growth score sits at 6 despite a healthy headline rate.                                                       |
| Margin durability against content and sports cost | An operating margin guided to 31.5% is the anchor of every valuation method used below. Live sports and event programming carry different economics from a licensed back catalogue, and the direction of that mix is the main threat to the margin.                                              |
| Guidance credibility                              | The July report followed a quarter that beat on revenue and guided below consensus, and the shares fell 7.3% in a session. Management's credibility on forward guidance is unrepaired and untestable until 20 October. This is why Management scores 6 rather than 8.                            |

| Driver                 | Why it decides the outcome                                                                                                                                                                                                                                    |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Multiple normalisation | At 24.5 times trailing earnings the shares are no longer statistically cheap against their own history, and roughly 20% of the original discount has been collected in four weeks. From here the return has to come from earnings rather than from re-rating. |

## Business and Financial Position

| Metric                    | Value                       | Context                                                                                                                                           |
|---------------------------|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| Trailing revenue / growth | \$48.4bn / +16.0%           | Unchanged. Full-year guidance of \$51.0–51.4bn implies 13–14% reported growth, a deliberate deceleration.                                         |
| Trailing operating margin | 29.7%                       | Guided to 31.5% for the full year. The expansion is real but depends on advertising scaling without proportional cost.                            |
| Trailing free cash flow   | \$11.2bn (23.1% margin)     | The strongest number in the accounts and the reason the balance sheet can absorb content cost inflation.                                          |
| Net debt / EBITDA         | approximately 0.4x          | Investment grade with substantial headroom. Buybacks were executed counter-cyclically into the drawdown, which is the correct behaviour and rare. |
| ROIC / ROE                | approximately 33% / 48%     | Exceptional, and the clearest evidence that the content library is an asset rather than a treadmill.                                              |
| P/E trailing / forward    | 24.5x / approximately 21.8x | Up from 23.1x and 20.5x a fortnight ago. Forward PEG approximately 1.13x. This is the constraint on the rating.                                   |
| 2026 advertising revenue  | approximately \$3bn guided  | Roughly doubling year on year against a \$9bn 2030 ambition. Unverified until the October release.                                                |
| Beta / ATR                | 1.52 / 3.0% of price        | ATR has eased from 3.4%. Still a high-volatility holding that does not belong in a defensive sleeve.                                              |
| Short interest            | approximately 2.5% of float | Low. There is no squeeze dynamic supporting the recovery, which means the move is real buying.                                                    |

Figures are trailing twelve months unless stated. Multiples are derived by rolling the previous report's inputs to the 14 August close on unchanged consensus earnings and are calculations rather than company-reported measures.

## Competitive Position

The competitive case is unchanged and remains genuinely strong at the level of scale. Netflix has the largest paid base in the industry, a recommendation and personalisation stack built over two decades that measurably improves retention, and owned technology rather than licensed infrastructure. The reason Competitive Advantage scores 7 rather than 9 is that the moat is durable but narrowing: Amazon, Disney and the combined Paramount-Warner Bros Discovery are all closing the advertising technology gap, and advertising is precisely where Netflix needs its next leg of growth. Winning the subscription war, which the Pershing Square thesis correctly identifies as having happened, does not automatically win the advertising one, where the competitors are Google and Amazon rather than other studios.

## Sentiment and Positioning

| Indicator         | Reading                                  | Interpretation                                                                                                                                                                                                                                                                   |
|-------------------|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Analyst consensus | Buy; 51 analysts; \$94.04 average        | 36 Buy or better, 15 Hold, none at Sell. Range \$70 to \$135. Essentially unchanged from \$94.33, so the narrowing of implied upside to 20.3% is entirely a price effect.                                                                                                        |
| Recent ratings    | BMO Buy, target \$135 (14 Aug)           | Reaffirmed at the top of the range. No downgrades in the period.                                                                                                                                                                                                                 |
| Pershing Square   | New position, approximately 3.15m shares | Roughly 4.9% of the portfolio, built during the second quarter and disclosed on 13 August. Thesis stated as Netflix having won the streaming wars and monetising an existing base of roughly 300 million subscribers rather than chasing additions. A reversal of the 2022 exit. |
| Offsetting flows  | Tiger Global out; Coatue –31.7%          | Disclosed in the same filing window. The institutional picture is two-way rather than uniformly positive, which is worth stating alongside the headline.                                                                                                                         |
| Insider activity  | Reported sales                           | Routine disposals featured in period coverage. Nothing suggesting a change of view, but no offsetting open-market purchases either.                                                                                                                                              |
| Options           | Elevated volume, no clear skew           | Roughly 392,000 contracts on 14 August against 5.74 million open interest. Active but not directionally informative.                                                                                                                                                             |
| Short interest    | approximately 2.5% of float              | Low and unchanged. The recovery is not short covering.                                                                                                                                                                                                                           |

## Technical Position

| Indicator           | Reading                                            | Interpretation                                                                                                                                                                         |
|---------------------|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Close (14 Aug 2026) | \$78.16                                            | Up 6.2% from \$73.57. The 13 August session gained 5.4% on the Pershing Square disclosure with volume of 41.5m against a 20-day average of 38.4m.                                      |
| SMA 20 / 50 / 100   | \$72.78 / \$74.84 / \$83.68                        | Price above the 20-day and 50-day, 6.6% below the 100-day. Reclaiming the 50-day was one of the two conditions the previous report set for raising conviction.                         |
| SMA 200             | not computed                                       | The available series runs 100 sessions and cannot produce a 200-day average. Stated rather than estimated; the previous report cited a third-party figure roughly 20% above the price. |
| EMA 20 / 50         | \$74.37 / \$76.26                                  | Both reclaimed and both now rising. The exponential 50-day at \$76.26 coincides with the top of the ideal buy range, which is a useful confluence.                                     |
| RSI (14)            | 61.8                                               | Up from 50.6. Firm, not overbought. The capitulation-grade reading near 29 that made mid-July attractive is two months and 20% away.                                                   |
| MACD (12,26,9)      | 0.61, signal -0.24, histogram +0.85                | A decisive positive crossover, where both lines were still negative a fortnight ago. The clearest single technical improvement in the period.                                          |
| ATR (14)            | \$2.33 (3.0% of price)                             | Eased from 3.4%. Still high enough that a stop inside roughly 4 ATR risks a noise exit, which is why the revised cut-loss sits at 4.4 ATR.                                             |
| Volume              | 20-day 38.4m vs 50-day 45.5m                       | Below the longer average. The recovery has been achieved on declining volume, which is a mild reservation rather than a warning.                                                       |
| Range               | 20-day \$78.73 / \$66.69; 52-week \$65.08-\$126.71 | A new 20-day high on 14 August. The 52-week low has held for five weeks. Resistance is the 100-day at \$83.68, then the \$86 first target.                                             |

Indicators computed from the daily OHLCV series through 14 August 2026 (100 sessions). Technicals inform entry timing only and do not override the fundamental assessment.

## Risks

| Risk                                   | Probability | Severity    | Assessment                                                                                                                                                                                                                                                                                            |
|----------------------------------------|-------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Guidance credibility                   | Medium-high | High        | The July drawdown followed a below-consensus guide. A third consecutive soft guide on 20 October would do more damage than the numbers themselves warrant, because it would establish a pattern. Untestable for two months, which is the single most important fact about the current entry decision. |
| Valuation and narrowing discount       | Medium-high | Medium-high | 24.5x trailing and 1.13x forward PEG after a 20% recovery with no fundamental confirmation. The return from here has to be earned rather than re-rated, and a reversion to the July multiple alone implies a mid-teens decline.                                                                       |
| Advertising shortfall                  | Medium      | High        | A visible miss against the roughly \$3bn 2026 target would remove the only credible source of growth re-acceleration and would reprice the shares toward the bear case.                                                                                                                               |
| Engagement plateau in mature markets   | Medium      | High        | Growth is increasingly price-led. If price tolerance weakens while engagement flattens, revenue growth falls below 10% and the multiple de-rates with it.                                                                                                                                             |
| Competitive intensity in ad technology | Medium-high | Medium      | Amazon, Disney and Paramount-Warner Bros Discovery are all investing. In advertising the relevant competitors are Google and Amazon, against whom scale in subscribers counts for less.                                                                                                               |
| Content and sports cost inflation      | Medium      | Medium      | Live and event programming carries different economics from the licensed back catalogue. This is the main threat to a 31.5% guided margin.                                                                                                                                                            |
| Volatility and beta                    | High        | Low-medium  | Beta of 1.52 and 3.0% average daily true range. Position-sizing risk rather than thesis risk, but it is why initial size is capped at 2%.                                                                                                                                                             |
| Board depth                            | Low         | Low         | Anne Sweeney's July resignation after eleven years, following Reed Hastings' own exit, thins the bench. Explicitly not over disagreement, and not thesis-bearing.                                                                                                                                     |

Read alongside the scorecard: Risk scores 5 out of 10, the weakest line in the report, because a beta of 1.52, unrepaired guidance credibility and rising competitive intensity in the one segment that has to deliver growth are all live and unresolved.

## Valuation

The valuation methods used in the July and August reports are unchanged and so is their output. A discounted cash flow on a mid-teens revenue path and a 31% steady-state operating margin, a reversion multiple of 20 to 24 times forward earnings, and a free-cash-flow yield cross-check all converge on the high \$80s to high \$90s. The probability-weighted estimate developed below lands at \$91. Nothing has arrived to move it: the company has not reported, consensus earnings are unchanged, and the average sell-side target has moved from \$94.33 to \$94.04.

What has changed is the distance between that number and the price, and the multiple being paid to close it. On 20 July the shares traded at 21.7 times trailing earnings with a 0.98 forward PEG and 32% upside to fair value. Today they trade at approximately 24.5 times with a 1.13 forward PEG and 16.4% upside. Roughly half the available return has been collected in four weeks by a market that has received no new information about the business. Valuation is downgraded from 7 to 6 for that reason, and the downgrade is deliberate rather than mechanical: the previous report held the score at 7 and said explicitly that a one-point cut would overstate a single 6.7% price move. A second consecutive move of the same size, taking cumulative appreciation to 13.4% and the trailing multiple from 21.7 to 24.5 times, no longer supports that reasoning.

The remaining argument for the rating is that 21.8 times forward earnings is not an expensive absolute price for a business compounding revenue in the mid teens with a 23% free-cash-flow margin, a 33% return on invested capital and 0.4 times net leverage. That is true, and it is why this is not a Hold. But it is an argument that the shares are reasonably priced rather than cheap, and reasonably priced assets are bought on weakness rather than on strength.

## Scorecard

| Dimension               | Score                  | Assessment                                                                                                                                                                |
|-------------------------|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Business Quality        | <div><div></div></div> | 8/10 Global scale leader, owned technology and personalisation stack, operating margin near 30% guided to 31.5%. Unchanged.                                               |
| Financial Strength      | <div><div></div></div> | 8/10 Net debt to EBITDA around 0.4x, \$11.2bn trailing free cash flow, buybacks executed counter-cyclically into the drawdown. Unchanged.                                 |
| Competitive Advantage   | <div><div></div></div> | 7/10 Durable in subscription but narrowing in advertising, where the relevant competitors are Google and Amazon rather than other studios. Unchanged.                     |
| Management              | <div><div></div></div> | 6/10 Strong capital allocation; guidance credibility unrepaired and untestable until 20 October. Unchanged.                                                               |
| Growth Potential        | <div><div></div></div> | 6/10 Advertising and international runway are real, but the revenue mix has shifted toward lower-quality price-driven growth. Unchanged.                                  |
| Valuation               | <div><div></div></div> | 6/10 Lowered from 7. 24.5x trailing and 1.13x forward PEG after a 13.4% run since July with no fundamental confirmation. Upside to fair value halved from 32% to 16.4%.   |
| Risk (10 = lowest risk) | <div><div></div></div> | 5/10 Beta 1.52, 3.0% ATR, guidance credibility risk and rising competitive intensity in the segment that has to deliver growth. Unchanged.                                |
| Technical Setup         | <div><div></div></div> | 7/10 Raised from 5. The 20-day and 50-day averages reclaimed, a decisive MACD crossover, RSI 61.8, and the 52-week low held for five weeks. Still 6.6% below the 100-day. |

Scored 1–10, where 10 is always best, including Risk. The previous report's Risk score of 5 entered its composite without inversion, the same direction as this scale, so the two are directly comparable and no restatement was required; only the label has been made explicit.

| Dimension        | Score | Weight | Contribution |
|------------------|-------|--------|--------------|
| Business Quality | 8     | 15%    | 1.20         |

| Dimension             | Score | Weight      | Contribution           |
|-----------------------|-------|-------------|------------------------|
| Financial Strength    | 8     | 15%         | 1.20                   |
| Competitive Advantage | 7     | 15%         | 1.05                   |
| Growth Potential      | 6     | 15%         | 0.90                   |
| Valuation             | 6     | 15%         | 0.90                   |
| Management            | 6     | 10%         | 0.60                   |
| Risk                  | 5     | 10%         | 0.50                   |
| Technical Setup       | 7     | 5%          | 0.35                   |
| <b>Weighted total</b> |       | <b>100%</b> | <b>6.70 → 67 / 100</b> |

*Weights are unchanged from the previous two reports so the totals are comparable. The score returns to 67 from 68: valuation down one at a 15% weight outweighs the technical setup up two at a 5% weight. Every other component is unchanged because no new fundamental information exists to change it.*

## Recommendation: Buy (unchanged), with no entry at the market

The rating is unchanged and the reasoning behind it is unchanged, which after two consecutive updates without a single new fundamental datapoint is exactly what it should be. Netflix compounds revenue in the mid teens with an operating margin guided to 31.5%, converts 23% of revenue to free cash flow, carries 0.4 times net leverage, and trades at roughly 21.8 times forward earnings with a second monetisation engine still in its early innings. That combination is worth owning on a two-year view and is worth \$91 a share on the work above.

The rating and the entry are separate judgements, and this update separates them explicitly. A Buy rating says the asset is worth owning. The ideal buy range says at what price. At \$78.16 the price sits above that range for the first time in this coverage cycle, and the correct response is to leave the range where it is rather than to move it. It has already been raised once, on 5 August, from \$62–74 to \$64–76 after the July entry was overtaken. Raising it again would mean the band has stopped describing a valuation and started describing whatever the market last did. Held at \$64 to \$76, it says something useful: wait.

### Trade Plan

| Parameter            | Level                                            | Basis                                                                                                                                                                                                                                                                               |
|----------------------|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Recommended entry    | None at \$78.16                                  | Withdrawn rather than raised. The \$70–74 band was overtaken on 10 August. New entries begin at \$76, the top of the ideal buy range, which coincides with the 50-day exponential average at \$76.26.                                                                               |
| Ideal buy range      | \$64–76 (held)                                   | Deliberately not raised for a second time. The lower bound still assumes a retest of the July low without thesis failure.                                                                                                                                                           |
| Cut-loss             | \$68                                             | Raised from \$60, which now sits 23.2% and 7.8 ATR below the market and limits nothing. \$68 sits below the 22–23 July consolidation at \$68.35–68.53, at 4.4 ATR, and above the \$65 top of the bear-case range so that the stop still exits before the bear case is fully priced. |
| Take-profit 1        | \$86                                             | Unchanged, now only +10.0%. Converges with the 100-day average at \$83.68 and the conservative no-re-rating valuation case. Trim one third to one half.                                                                                                                             |
| Take-profit 2        | \$100                                            | Unchanged, +27.9%. Consistent with a 24x reversion multiple and the upper half of the sell-side range.                                                                                                                                                                              |
| Fair value           | \$91 (+16.4%)                                    | Probability-weighted, unchanged. Was +23.7% on 4 August and +32% on 20 July.                                                                                                                                                                                                        |
| Reward-to-risk       | 2.15 : 1 to TP2 at market;<br>3.00 : 1 from \$76 | To fair value the ratio at the market is only 1.26 to one, which is the arithmetic behind declining to recommend an entry here.                                                                                                                                                     |
| Holding horizon      | 12–24 months                                     | Unchanged. The advertising build is a multi-year story and the next verification point is 20 October.                                                                                                                                                                               |
| Position size        | Initial 2%, maximum 4%                           | Unchanged. Scale toward 4% only after the October release confirms the advertising and margin trajectory. Do not add at the market.                                                                                                                                                 |
| Suggested allocation | Growth / large-cap<br>tech-adjacent sleeve       | Unchanged. Not a defensive or core holding given a beta of 1.52 and a 3.0% average daily true range.                                                                                                                                                                                |

## What would change this view

The rating becomes a Hold on valuation grounds above \$86 in the absence of confirmation from the October release, and that threshold is now only 10.0% away. It also becomes a Hold on a third consecutive below-consensus guide on 20 October, on evidence of accelerating rather than merely elevated churn in mature markets, or on a visible miss against the roughly \$3 billion advertising target. In the other direction, third-quarter actuals landing within or above the guided range alongside continued counter-cyclical repurchase would support raising conviction toward Strong Buy, particularly if the 100-day average at \$83.68 is reclaimed and held; the reclaim of the 50-day has already happened, but the previous report required both that and fundamental confirmation, and only one of the two is in hand. A retest into the \$64 to \$70 area with guidance intact would make this a considerably more attractive proposition than it is today.

## Scenario Analysis

| Scenario | Prob. | Revenue outlook                                                                                                                                     | Earnings outlook                                                                                                        | Fair value | Narrative                                                                    |
|----------|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|------------|------------------------------------------------------------------------------|
| Bull     | 25%   | FY2027 revenue approximately \$58–60bn; low-teens growth sustained; advertising ahead of the \$9bn 2030 goal                                        | FY2027 EPS approximately \$4.50–5.00; operating margin past 32% as ad technology scales; multiple re-rates to 24–28x    | \$120–135  | The advertising engine delivers and the market pays a growth multiple again. |
| Base     | 45%   | FY2027 revenue approximately \$54–57bn as growth decelerates toward high single to low double digits; price lever fades, advertising scales on plan | FY2027 EPS approximately \$4.00–4.30; margin holds near 31%; multiple stabilises at 20–22x                              | \$85–100   | A maturing compounder priced as one. The most likely outcome.                |
| Bear     | 30%   | FY2027 revenue growth falls below 10% as engagement plateaus in mature markets and price tolerance weakens                                          | FY2027 EPS approximately \$3.50–3.70 as content and sports cost inflation pressures margin; multiple de-rates to 15–17x | \$55–65    | Deceleration proves structural rather than cyclical.                         |

*Probabilities sum to 100% and are unchanged from the previous two reports, because no information has arrived that would justify shifting weight between the branches. A 13F disclosure and a moving average crossover are not that information. Probability-weighted fair value:  $0.25 \times \$127.50 + 0.45 \times \$92.50 + 0.30 \times \$60.00 = \$91.50$ , held at \$91 per share, or +16.4% against the 14 August close of \$78.16. The comparable figure on 4 August was +23.7% and on 20 July +32%.*

## Final Verdict

Would this be worth committing new capital to at \$78.16? No, not at this price, and that is a change in instruction rather than in rating. The original case rested on two independent legs: a statistical valuation discount and a capitulation-grade technical setup with the relative strength index near 29 at a fresh 52-week low. The second leg was collected in the previous update and has now been fully monetised, with the shares 20.1% above the low, both near-term averages reclaimed and a positive momentum crossover in place. The first leg has been half spent: the trailing multiple has gone from 21.7 to roughly 24.5 times and forward price-to-earnings-growth from 0.98 to 1.13 while the fair value estimate has not moved a cent.

That is what a successful recovery trade looks like from the inside, and the discipline it demands is to stop buying rather than to redraw the entry band. Two things make waiting comfortable rather than costly. Nothing testable happens until 20 October, so there is no catalyst to be early for. And the distance to the first take-profit is now 10.0%, which is the same threshold at which the previous report said this name should move toward a Hold on valuation grounds; buying into the last tenth of a target range is the worst risk-adjusted moment in any trade plan.

The Pershing Square disclosure deserves a final word because it is the reason the price moved and it will be the reason many readers are looking. The thesis attached to it, that Netflix has won the subscription war and should now monetise the base it already has, is correct and is largely the thesis of this coverage. But that position was built during the second quarter at prices between the high \$60s and above \$100, it was disclosed rather than announced, and it arrived in the

same filing window as Tiger Global exiting entirely and Coatue cutting by 31.7%. Buying a stock 5% higher because a well-known investor bought it two months ago at a price you can no longer get is not a process. Hold what is held, keep the stop at \$68, and wait for \$76 or for October.

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