

Netflix, Inc.

NASDAQ: NFLX | Global Streaming Entertainment & Advertising
Equity Research Report — Initiation of Coverage

July 20, 2026

LAST PRICE	RATING	12–24M FAIR VALUE	MARKET CAP
\$68.95	BUY	\$91	\$287.1B
-7.3% (Jul 17)	(not Strong Buy)	+32% probability-wtd.	4.16B shares o/s

Netflix enters the second half of 2026 as the largest and most profitable pure-play streaming platform globally, with roughly 325 million paid memberships, a 29–33% operating margin, and over \$11 billion of trailing twelve-month free cash flow. The stock has nonetheless fallen approximately 45% from its October 2025 all-time high (split-adjusted), closing at \$68.95 on July 17, 2026 after a Q2 report that beat on revenue but guided Q3 revenue and EPS below consensus — the second consecutive quarter in which guidance, not results, drove a double-digit share decline. The sell-off followed a costly detour into (and retreat from) a bid for Warner Bros. Discovery's studio and streaming assets, a completed founder transition with Reed Hastings' board exit, and mounting questions about whether price-increase-driven revenue growth and engagement can hold up as the advertising and live-sports strategies scale. The valuation de-rating has been severe enough — trailing P/E of 21.7x and a PEG ratio below 1.0, both multi-year lows — to more than compensate for a still-real deceleration in the core business, in our assessment, which supports a Buy rating sized for continued volatility rather than a high-conviction Strong Buy.

KEY STATISTICS		CONSENSUS & TECHNICALS	
52-Week Range	\$65.08 – \$126.71	Analyst Consensus	Buy (35 of 49 Buy/Strong Buy)
TTM Revenue / Growth	\$48.4B / +16.0% YoY	Avg. Price Target	\$98.16 (+42.4%)
TTM Operating Margin	29.7%	Target Range	\$70 – \$136
TTM Free Cash Flow	\$11.2B (23.1% margin)	RSI (14-day)	~27–31 (oversold)
P/E (TTM) / Fwd P/E	21.7x / 19.9x	Price vs. 50D / 200D MA	-14% / -26%
ROIC / ROE	~33% / ~48%	Beta (5Y)	1.52
Net Debt / EBITDA	~0.4x	Short Interest	2.5% of float

Sources: Alpha Vantage (real-time quote); StockAnalysis.com / S&P Global Market Intelligence (financials, ratios, forecasts); SEC EDGAR (10-Q/10-K/8-K filings); Netflix Q2 2026 shareholder letter and earnings call; company IR site; TipRanks; Reuters, Variety, The Hollywood Reporter, Deadline, TradingView News. Figures reflect Netflix's 10-for-1 forward stock split effective November 17, 2025. All data as of July 17–19, 2026 unless noted.

1. Business Overview

Netflix operates a single reportable segment — global streaming entertainment — monetized through three membership tiers (Standard with Ads, Standard, Premium) sold directly to consumers in essentially every country outside China, North Korea, Syria, and Russia. Revenue is generated primarily from monthly subscription fees, supplemented by a fast-growing advertising business layered onto the ad-supported tier, and minor contributions from consumer products and, more recently, gaming and live-events sponsorships. Unlike legacy media peers, Netflix owns no linear television networks, no theme parks, and no theatrical distribution arm; the entire enterprise is built around a single global technology and content platform, which is both its core efficiency advantage and its principal concentration risk.

The company reports regional revenue across UCAN (United States & Canada), EMEA, LATAM and APAC. UCAN remains the largest and most profitable region on a per-member basis, but EMEA has scaled past \$4 billion in quarterly revenue and LATAM and APAC both exceed \$1.5 billion per quarter, evidence that the growth engine has genuinely globalized rather than depending on a single mature market. Q2 2026 revenue grew in double digits in every region, a detail that argues against the market's more pessimistic reading that Netflix's growth problem is universal engagement fatigue; the more precise read is that growth composition has shifted from membership adds toward price and advertising, a lower-multiple but still real growth algorithm.

Revenue model & unit economics

Netflix's economics are built on high fixed content and technology costs amortized over a very large, largely fixed subscriber base, which is why incremental revenue (from price increases, ad load, or net adds) converts to operating income at a high rate — operating margin has expanded from 17.8% in 2022 to a guided 31.5% for full-year 2026. The advertising tier changes this math by adding a second, still sub-scale revenue stream with its own cost structure (ad sales, measurement, ad-tech), which is margin-dilutive today but structurally accretive once it reaches sufficient scale, because incremental ad inventory carries near-zero marginal content cost.

Competitive advantages

- Scale and global reach: ~325 million paid memberships and a content budget near \$20 billion give Netflix a per-title amortization advantage no single-market or single-country competitor can match.
- Owned recommendation and personalization engine, built over two decades, which materially lowers churn relative to peers reliant on generic content grids.
- A single global technology stack (billing, CDN, encoding, ad-serving) that produces structurally higher margins than conglomerate peers still integrating disparate legacy systems.
- A rapidly maturing first-party advertising business (250 million monthly ad-tier viewers) that provides a second monetization lever largely absent five years ago.

Competitive disadvantages

- No owned theme parks, live linear sports rights portfolio, or legacy IP library on the scale of Disney, which limits ancillary monetization and cross-promotion versus that peer.
- Growth is increasingly dependent on price increases and advertising rather than net membership adds, a lower-quality growth mix that the market is now pricing more skeptically.
- Live sports strategy is deliberately partial ("events over seasons"), which limits engagement upside versus a full-season rights holder but also limits downside cost risk — a trade-off, not a clean advantage.

2. Industry Landscape

Global video streaming remains a large, growing, but increasingly mature and competitive category. Netflix still leads on paid subscribers (~325 million) ahead of Amazon Prime Video (~205 million, bundled with broader Prime membership), the combined Disney+/Hulu base (~196–200 million), and the merged HBO Max/Discovery+ base (~164 million, soon to be under single Paramount Skydance ownership). In the U.S. specifically, market-share estimates put Amazon Prime and Netflix roughly neck-and-neck near 21–22% each, with Disney+ at 14% and HBO Max at 13% — a far more fragmented picture than the winner-take-most narrative of 2019–2021.

Two structural shifts matter most for the next 12–24 months. First, industry consolidation: Paramount Skydance's ~\$110 billion (7.5x 2026 EBITDA) acquisition of Warner Bros. Discovery, approved by shareholders and the DOJ in 2026, creates a stronger, more efficient number-three or number-four global streaming competitor with HBO's premium content library and Paramount's sports and news assets combined under one balance sheet — a tougher competitor than either predecessor alone. Second, advertising-supported streaming is now the fastest-growing monetization layer industry-wide, converging linear TV ad budgets onto streaming platforms; Netflix, Amazon and Disney are all racing to build comparable ad-tech and measurement capability, which will compress the advantage Netflix currently holds simply by having moved first.

Live sports has become a second competitive battleground. Amazon (NFL Thursday Night Football), Disney/ESPN (a wide sports portfolio plus the new ESPN direct-to-consumer app), Paramount (NFL, UEFA Champions League via CBS/Paramount+) and now Netflix (WWE Raw, NFL Christmas Day games, boxing) are all using marquee live events to defend engagement and justify price increases. Netflix's explicit strategy — co-CEO Ted Sarandos has called it "events over seasons" — avoids the \$2–3 billion-a-year cost of a full-season league package, which protects margin but also caps the incremental engagement Netflix can extract relative to Amazon or Disney, who own recurring weekly live inventory.

3. Financial Analysis

Netflix's income statement has inflected sharply over the past three years: revenue growth reaccelerated from 6.5% (2022) to 15.9% (2025) as password-sharing enforcement and the ad tier layered onto steady price increases, while operating margin nearly doubled from 17.8% to a guided 31.5% for 2026. The quality of that margin expansion is real — it is driven by operating leverage on a content budget growing slower than revenue, not by one-time cost cuts — and it is the single most important number in the entire investment case, because it is what converts decelerating top-line growth into still-attractive earnings growth.

(\$ in millions, except per-share)	FY2022	FY2023	FY2024	FY2025	TTM Jun-26
Revenue	31,616	33,723	39,001	45,183	48,371
Revenue growth (YoY)	6.5%	6.7%	15.7%	15.9%	16.0%
Gross margin	39.4%	41.5%	46.1%	48.5%	49.1%
Operating income	5,633	6,954	10,418	13,327	14,355
Operating margin	17.8%	20.6%	26.7%	29.5%	29.7%
Net income	4,492	5,408	8,712	10,981	13,650
Diluted EPS	\$0.99	\$1.20	\$1.98	\$2.53	\$3.18
Free cash flow	1,619	6,926	6,922	9,461	11,152
FCF margin	5.1%	20.5%	17.8%	20.9%	23.1%
ROE	24.5%	26.2%	38.4%	42.8%	~48%
ROIC	17.7%	21.2%	31.0%	36.7%	~33%

Source: StockAnalysis.com (Fiscal.ai-sourced standardized financials), cross-checked against Netflix Form 10-K (FY2022–FY2025) and Form 10-Q (Q2 2026) filings on SEC EDGAR. TTM = trailing twelve months ended June 30, 2026.

A one-time item investors should isolate

TTM net income growth of 33% overstates underlying earnings quality: in Q1 2026, Netflix received a \$2.8 billion reverse break-up fee from Paramount Skydance / Warner Bros. Discovery after WBD terminated its earlier agreement to sell its studio and streaming assets to Netflix in favor of Paramount's superior \$31-per-share all-cash bid. That fee was booked as non-operating income and is the primary driver of the large swing in TTM "other income" (roughly \$2.1 billion positive versus a \$0.6 billion charge in FY2025). It is real cash, and it funded part of the record \$4.7 billion of share repurchases in Q2 2026, but it is non-recurring and should be excluded when normalizing forward earnings power; the operating-income and operating-margin lines above are unaffected and are the more reliable gauge of core business trajectory.

Balance sheet and capital allocation

The balance sheet is conservatively levered for a content-heavy media business: total debt of \$14.3 billion against \$9.1 billion of cash and short-term investments (net debt of roughly \$5.2 billion, under 0.4x EBITDA), a current ratio of 1.14, and an Altman Z-Score above 12 — well inside the "safe" zone and far stronger than legacy media peers carrying acquisition-related debt loads. Netflix pays no dividend and returns cash exclusively through buybacks: \$4.7 billion repurchased in Q2 2026 alone (the largest quarter in company history), with roughly \$27 billion of authorization remaining. At the current depressed valuation, that buyback pace is a genuine positive — management is retiring shares near a multi-year-low multiple — though it also raises the question of why a company sitting on that much capital felt compelled to pursue an \$82.7 billion acquisition eight months earlier.

4. Competitive Landscape

Platform	Global Paid Subs	U.S. Share	Streaming Profitability	Key Swing Factor
Netflix	~325M	~21%	Segment margin ~30%, industry-leading	Ads scale-up; price-hike durability
Amazon Prime Video	~205M (bundled)	~22%	Not separately disclosed; subsidized by Prime/AWS	NFL rights; bundling advantage
Disney+ / Hulu	~196–200M	~14%	Streaming op. margin crossed 10% in FY26 Q2	ESPN DTC integration; parks cross-sell
HBO Max / Discovery+	~164M	~13%	Improving; merging into Paramount Skydance	Post-merger integration & cost synergies
YouTube Premium/TV	~125M paying	n/a (ad-model dominant)	Backed by Alphabet ad engine	Creator economy scale; live sports (NFL Sunday Ticket)

Sources: company filings and IR disclosures; industry aggregators (Evoca.tv, DemandSage, Business Stats) for third-party market-share estimates, which vary by methodology and should be read directionally rather than as precise figures.

Netflix's moat is real but narrowing on a relative basis. Its advantages — global scale, a single unified technology stack, and the best personalization engine in the category — remain intact and are reflected in a segment operating margin roughly double Disney's blended streaming margin. What has changed is the competitive set: Amazon does not need streaming to be profitable on a standalone basis because it cross-subsidizes from retail and cloud, Disney has reached streaming profitability and can cross-promote through parks and theatrical, and the Paramount-WBD combination creates a rival with a deeper franchise library (HBO, DC, Harry Potter) and live sports and news assets Netflix has chosen not to acquire. None of these competitors currently threatens Netflix's subscriber lead, but each narrows the multiple premium the market is willing to pay for Netflix's growth relative to the sector.

5. Management & Capital Allocation Track Record

Netflix completed a multi-year leadership succession in 2026: Reed Hastings, who elevated Ted Sarandos to co-CEO in 2020 and Greg Peters in 2023, did not stand for re-election to the board and exited in June 2026, formally ending his day-to-day involvement with the company he founded in 1997. Sarandos now leads content, marketing, legal and communications; Peters leads product, technology, advertising, HR, finance and gaming. This is a well-telegraphed, low-drama transition by the standard of large-cap media successions, and both executives have run the company jointly since 2023 without visible disruption to execution.

The more consequential recent test of management judgment was the Warner Bros. Discovery pursuit. Netflix agreed in December 2025 to acquire WBD's studio and streaming assets for \$82.7 billion, then walked away in February 2026 rather than match Paramount Skydance's superior \$31-per-share all-cash offer, collecting a \$2.8 billion reverse break-up fee in the process. Financially, the discipline to walk rather than overpay is defensible and arguably shareholder-friendly. Strategically, the market's reaction — NFLX shares fell further after the Q2 print in part because the aborted bid was read as evidence that management itself sees the core business decelerating and felt it needed inorganic scale — is the single largest dent in management credibility this cycle. We think that read is somewhat overstated (the WBD assets would have added HBO's library and live sports/news exposure Netflix structurally lacks, a coherent strategic rationale independent of any weakness in the base business) but it is not baseless, and it will not be fully resolved until several more quarters of organic growth data arrive.

On capital allocation, the record is strong: buybacks have been executed counter-cyclically (the record \$4.7 billion Q2 2026 repurchase came during the stock's steepest drawdown in years, not at the 2025 peak), debt has been kept modest relative to EBITDA throughout the content-spend build-out, and insider ownership, while small in percentage terms (0.58% of shares), is concentrated among the operating executives rather than passive board members. Guidance credibility is the one clear blemish: Netflix has now guided below Street expectations in back-to-back quarters (Q1 and Q2 2026), each triggering a double-digit share-price decline, a change from the company's historically more conservative, beat-and-raise guidance culture.

6. Growth Drivers

Driver	Horizon	Likelihood	Est. Impact	Detail
Advertising scale-up	1–3 yrs	High	Large	Ad revenue targeted to ~\$3B in 2026 (2x YoY) en route to a \$9B 2030 goal; 250M monthly ad-tier viewers, advertiser base up 70% YoY to 4,000+.
Continued price increases	0–1 yr	High	Medium	Primary near-term revenue lever; recent U.S., Mexico and Spain increases reported as well-received with limited churn, per management.
International penetration	2–5 yrs	Medium	Large	Management cites reach into under 45% of addressable households and ~7% of addressable category revenue — a large but self-reported and unverified runway estimate.
Live sports & events	1–2 yrs	Medium	Medium	WWE Raw (~\$5B/10yr), NFL Christmas Day games, boxing; "events over seasons" approach limits both cost risk and upside versus full-season rights holders.
Gaming / interactive	3–5 yrs	Low-Medium	Small (nr-term)	Still immaterial to revenue; optionality rather than a near-term driver.

7. Risk Factors

Risk	Type	Prob.	Severity	Detail
Structural engagement plateau	Company/Industry	Medium	High	If growth in mature markets is genuinely saturating rather than merely decelerating, price increases and ad-load growth both face a lower ceiling than modeled.
Guidance credibility	Company	Medium	Medium	Two consecutive quarters of below-consensus guidance have already cost the stock ~45% peak-to-trough; a third would likely force a fundamental (not just multiple) re-rating.
Content/sports cost inflation	Industry	Medium	Medium	Escalating live-sports rights costs across the industry (NFL, WWE, boxing) could pressure the 31.5% margin target if Netflix is drawn into bidding wars to defend engagement.
Competitive intensity post-merger	Industry	High	Medium	The combined Paramount-WBD entity and an improving Disney+ narrow Netflix's relative differentiation and could pressure pricing power.
Regulatory/advertising scrutiny	Regulatory	Low	Low-Medium	Growing DTC ad-tech footprint and live-sports rights aggregation could draw incremental antitrust or content-regulation attention, particularly in the EU.
Macro / ad-cycle sensitivity	Macro	Medium	Medium	The advertising business, still ramping, is more macro-cyclical than subscription revenue; an ad-spending slowdown would disproportionately hit the highest-growth revenue line.
Valuation/multiple risk	Financial	Medium	Medium	Beta of 1.52 and a stock already down 45% show the multiple can re-rate quickly in both directions; further guide-downs could still cheapen an already-cheap stock.
Key-person/succession execution	Company	Low	Low	Founder Reed Hastings' board exit is complete; co-CEO structure has run since 2023 without visible disruption, but it remains a newer governance model to stress-test through a full down-cycle.

8. Valuation

Netflix's valuation has compressed dramatically alongside the share price: trailing P/E has fallen from 45.0x (FY2024) and 37.1x (FY2025) to 21.7x today; EV/EBITDA from 36.0x to 20.0x; EV/Sales from 9.9x to 6.1x. On a PEG basis (P/E relative to consensus 3-year EPS growth of roughly 22%), the stock trades at 0.98x — below 1.0x for a business still compounding EPS at a 20%+ clip is unusual for a company of this quality and scale, and is the single strongest number in the statistical valuation case.

Metric	Current	FY2025	FY2024	5-Yr Context
P/E (TTM)	21.7x	37.1x	45.0x	Range ~30x–54x since 2021; current reading is a multi-year low
Forward P/E	19.9x	30.5x	39.1x	Applied to consensus FY2026 EPS of ~\$3.57
PEG (3-yr)	0.98x	1.28x	1.53x	Sub-1.0x is rare for a company with 20%+ consensus EPS growth
EV/EBITDA	20.0x	29.4x	36.0x	Compressed toward broader large-cap tech/media range
EV/Sales	6.1x	8.9x	9.9x	Reflects both lower growth expectations and de-risked margin path
FCF yield	3.9%	2.4%	1.8%	Highest FCF yield since before the 2023 ad-tier launch

Cross-checking with a simplified DCF / multiple-reversion approach

We triangulate fair value with two methods appropriate to a mature, high-margin, high-FCF- conversion platform business: (1) a simplified discounted cash flow using consensus FY2026–FY2028 revenue growth decelerating from ~14% to ~10%, operating margin expanding gradually toward 33%, and a 10–11% discount rate reflecting the 1.52 beta and elevated idiosyncratic risk, which produces a fair value band of roughly \$85–\$105 per share; and (2) forward P/E reversion, applying a 22–26x multiple (below Netflix's own 5-year average but above the sector's slower-growth incumbents) to consensus FY2026 EPS of \$3.57, which produces \$79–\$93. Blending these with peer EV/EBITDA and EV/Sales cross-checks, we arrive at a fair value range of \$80–\$105, with a probability-weighted point estimate (detailed in Section 11) of approximately \$91, or 32% above the July 17 close. On every standard multiple, the stock is statistically cheap relative to its own history; the open question, addressed throughout this report, is whether that history (with 15%+ revenue growth) is the right comparison point going forward, or whether a structurally slower-growth Netflix deserves to trade at a permanently lower multiple.

Conclusion: undervalued relative to its own trading history and to a normalized earnings path, but not undervalued relative to a bear-case scenario in which growth decelerates faster than consensus assumes. The valuation case is a genuine asymmetry, not a certainty.

9. Market Sentiment

Indicator	Reading	Interpretation
Analyst consensus	Buy (28 Strong Buy / 7 Buy / 14 Hold / 0 Sell of 49)	Still net-positive, but Hold count has risen from 10 (Feb 2026) to 14 (Jul 2026) and multiple firms (Wedbush to \$105, Bernstein to \$100) cut targets immediately post-print.
Average price target	\$98.16 (+42.4% vs. \$68.95)	Wide dispersion (\$70 low to \$136 high) reflects genuine disagreement about whether deceleration is cyclical or structural.
Institutional ownership	84.1% of shares outstanding	Heavily institutionally owned (Vanguard ~9%, BlackRock ~8%, Fidelity ~5%); a broad, sticky base, though also a source of index-driven forced selling on drawdowns.
Insider ownership	0.58% of shares outstanding	Low but concentrated among operating executives rather than the board; recent Form 4 activity shows routine option-based awards and modest scheduled sales (e.g., CFO), not distress signaling.
Short interest	~104M shares, 2.5% of float, 2.2 days to cover	Modest by large-cap standards; the sell-off has been driven by long-only de-risking and guidance disappointment, not an aggressive short squeeze setup.

10. Technical Analysis

Technical indicators were computed directly from a 252-trading-day daily OHLCV history (June 17, 2025 – June 17, 2026) using standard formulations (SMA, EMA, Wilder RSI-14, MACD 12/26/9, ATR-14). Live daily bars for the final ~4–5 weeks through July 17, 2026 could not be retrieved from available data sources at time of writing; for the most current readings we report the equivalent statistics as independently computed and published by StockAnalysis.com from the underlying live OHLC series (sourced from S&P Global Market Intelligence), cross-checked for directional consistency against our own calculation. This gap is disclosed per standard data-hygiene practice rather than estimated silently.

Indicator	As of Jun 17, 2026 (own calc.)	Current, Jul 19, 2026 (source: StockAnalysis.com)	Read
Price	\$76.96	\$68.95 (Jul 17 close)	Down further since last verifiable daily bar
SMA 20 / 50 / 100 / 200-day	\$83.64 / \$89.67 / \$89.20 / \$98.57	50D: \$80.56 200D: \$93.74	Price below all major moving averages — confirmed downtrend
EMA 20 / 50 / 100 / 200-day	\$83.02 / \$87.02 / \$90.60 / \$97.12	n/a (not separately published)	EMA structure confirms bearish alignment (short < long)
RSI (14-day)	26.1 (oversold)	30.7 (oversold)	Both readings sit in oversold territory (<30), consistent with a sharp, news-driven decline
MACD (12,26,9)	MACD -2.82, Signal -2.51, Hist -0.31	n/a	Bearish (MACD below signal), though a narrowing histogram hints at decelerating downside momentum
ATR (14-day)	\$2.23 (~2.9% of price)	n/a	Elevated realized volatility; consistent with beta of 1.52
Volume	20D avg 36.0M / 50D avg 38.6M shares	20D avg 54.4M shares	Volume surge confirms a genuine distribution event around the Q2 print, not a low-conviction drift
52-week range	High \$134.12 / Low \$75.01 (within dataset)	High \$126.71 / Low \$65.08 (full range)	Price is at/near the 52-week low, a level that has historically acted as psychological support

Reading the tape: the medium- and long-term trend is unambiguously down — price sits 14% below the 50-day and 26% below the 200-day moving average, and MACD remains negative. The oversold RSI readings (26–31) and proximity to 52-week lows on heavy volume are the classic ingredients of either a capitulation low or a "dead-cat bounce" setup; technicals alone cannot distinguish between the two. Consistent with the standing instruction to use technicals for entry timing only, we do not let an oversold reading override the fundamental deceleration discussed in Sections 3, 6 and 7 — but we do use it to favor a staged, patient entry over chasing the name at any single price point.

11. Scoring Summary

Each component is scored 1 (weakest) to 10 (strongest) based on the analysis in Sections 1–10. The overall Investment Score is a weighted blend, shown below.

Category	Score		Rationale
Business Quality	8/10		Global scale leader, owned tech/personalization stack, ~30% segment margin.
Financial Strength	8/10		Low leverage (Net Debt/EBITDA ~0.4x), Altman Z >12, \$11B+ TTM FCF.
Competitive Advantage	7/10		Durable but narrowing edge as Amazon, Disney and Paramount-WBD invest to close the gap.
Management	6/10		Strong capital-allocation record; WBD detour and back-to-back guide-downs dent near-term credibility.
Growth Potential	6/10		Ads and international runway are real but growth mix has shifted to lower-quality, price-driven revenue.
Valuation	7/10		Multi-year-low multiples (21.7x P/E, 0.98x PEG, 20.0x EV/EBITDA) versus own trading history.
Risk	5/10		Elevated volatility (beta 1.52), guidance credibility risk, and rising competitive intensity.
Technical Setup	3/10		Confirmed downtrend, price below all major moving averages; oversold RSI is a timing signal only.

Overall Investment Score: 67 / 100. Derivation (weighted average of component scores, scaled ×10): Business Quality 15%×8 + Financial Strength 15%×8 + Competitive Advantage 15%×7 + Management 10%×6 + Growth Potential 15%×6 + Valuation 15%×7 + Risk 10%×5 + Technical Setup 5%×3 = 6.65 on a 10-point scale, or **67/100**. Weights emphasize business quality, financial strength, competitive advantage, growth and valuation (15% each) over management and risk (10% each) and technical setup (5%, deliberately the lowest weight, consistent with using technicals for timing rather than thesis formation.)

A score in the high-60s corresponds to a fundamentally sound, statistically undervalued business carrying real, not-fully-resolved execution and momentum risk — the definition of a Buy rather than a Strong Buy or a Hold.

12. Recommendation

RATING	INVESTMENT SCORE	HOLDING HORIZON
BUY	67 / 100	12–24 months

We rate Netflix a **Buy**, not a Strong Buy. The statistical case — a 21.7x trailing P/E and sub-1.0x PEG on a business still compounding revenue at mid-teens and EPS at 20%+, with an investment-grade balance sheet and 23% FCF margin — is compelling enough on its own to warrant new capital at current levels. What keeps this from a higher-conviction rating is that the deceleration behind the cheap multiple is not yet resolved: two consecutive guide-downs, a costly and credibility-denting M&A detour, and a still-unproven advertising ramp mean the market could reasonably be pricing in more bad news to come, not overreacting to news already known.

Parameter	Level	Basis
Recommended entry	\$68–\$70 (current levels)	Stock is already trading at/near the ideal accumulation zone
Ideal buy range	\$62 – \$74	Staggered tranches; lower end assumes a further guidance-driven leg down without thesis failure
Cut-loss	\$57	~17% below current price and a decisive breach of the \$65.08 52-week low on volume; would signal structural, not cyclical, deceleration
Take-profit 1	\$86 (+24.7%)	Reclaim of the 200-day moving average zone; confirms technical and narrative stabilization
Take-profit 2	\$100 (+45.1%)	Consistent with sell-side average target (\$98) and a 24–28x reversion multiple on consensus FY2026 EPS
Expected upside (to TP2)	+45%	See Section 8 valuation cross-checks
Expected downside (to cut-loss)	-17%	See risk factors, Section 7
Risk/reward ratio	~2.6:1 (to TP2)	Reward \$31 vs. risk \$12 per share, measured from \$68.95
Position size	Initial 2% of a diversified growth-equity portfolio	Scale toward a 4% maximum only after Q3/Q4 2026 confirm ad and margin trajectory
Suggested allocation	Growth / large-cap tech-adjacent sleeve	Not a defensive or core holding given beta of 1.52 and ongoing volatility

What would change the view: a third consecutive quarter of below-consensus guidance, evidence of accelerating (not merely elevated) churn in mature markets, or a material miss on the ~\$3 billion 2026 advertising revenue target would each argue for downgrading to Hold or Avoid. Conversely, confirmation that Q3/Q4 2026 revenue and margin land within or above the guided range, combined with continued counter-cyclical buybacks, would support upgrading conviction toward Strong Buy.

13. Scenario Analysis

Scenario	Prob.	Revenue Outlook	Earnings Outlook	Fair Value
Bull	25%	FY2027 revenue ~\$58–60B (low-teens growth sustained); ad revenue tracks toward the \$9B 2030 goal ahead of plan.	FY2027 EPS ~\$4.50–5.00; operating margin expands past 32% as ad-tech scales; multiple re-rates to 24–28x forward earnings.	\$120 – \$135
Base	45%	FY2027 revenue ~\$54–57B as growth decelerates toward high-single/low-double digits; price-hike lever fades, ads scale on plan.	FY2027 EPS ~\$4.00–4.30; margin holds near 31%; multiple stabilizes at 20–22x, consistent with a maturing compounder.	\$85 – \$100
Bear	30%	FY2027 revenue growth decelerates below 10% as engagement plateaus in mature markets and price-hike tolerance weakens.	FY2027 EPS ~\$3.50–3.70 as content/sports cost inflation pressures margin; multiple de-rates further to 15–17x on a slower-growth repricing.	\$55 – \$65

Probabilities sum to 100%. Probability-weighted fair value: $0.25 \times \$127.50 + 0.45 \times \$92.50 + 0.30 \times \$60.00 = \$90.7$, rounded to **\$91** per share, or +32% versus the July 17, 2026 close of \$68.95.

14. Final Verdict — Investment Memo

Would this be worth committing new capital to today? Yes, on a staged basis, sized for continued volatility rather than as a single high-conviction bet. Netflix remains the most profitable and best-run pure-play platform in a category it still leads on subscribers, with a balance sheet strong enough to buy back stock aggressively through its own drawdown — a rare combination of quality and statistical cheapness that does not appear often in a company of this scale. At 21.7x trailing earnings and a sub-1.0x PEG, the market is pricing Netflix closer to a mature, slow-growth incumbent than to a business still guiding to 13–14% revenue growth and a 31.5% operating margin for the current year.

Why now: the setup is a genuine, not manufactured, dislocation — a 45% drawdown driven by two guidance misses and a strategically defensible (if poorly communicated) M&A retreat, layered onto a stock that was arguably expensive at its October 2025 peak. Oversold technicals (RSI in the high 20s to low 30s, price at the 52-week low) support staging entries now rather than waiting for a trend reversal that may not arrive before much of the re-rating has already happened. **Why at this valuation:** the current multiple already discounts a meaningful slowdown; it does not yet reflect the base case in this report, in which Netflix remains a double-digit revenue grower with an expanding margin and a second real growth engine (advertising) still in its early innings.

What would invalidate the thesis: the single biggest risk is that the deceleration proves structural rather than cyclical — that mature-market engagement has genuinely plateaued and that price increases and ad-load growth run into consumer resistance faster than management expects. The clearest early tell would be a third consecutive quarter of guidance cuts, or advertising revenue meaningfully missing the ~\$3 billion 2026 target Netflix has set for itself. Either would argue the market was right to re-rate the stock and that the current multiple, however statistically cheap versus its own history, is not cheap versus a lower-growth future. Until that question is settled by two to three more quarters of data, this is a conviction-appropriate Buy, not a maximum-conviction Strong Buy.

Disclosures: This report was prepared from public sources believed to be reliable, including SEC EDGAR filings, company investor-relations disclosures and earnings calls, Alpha Vantage (single real-time quote pull), StockAnalysis.com / S&P Global Market Intelligence, TipRanks, and financial news reporting (Reuters, Variety, The Hollywood Reporter, Deadline, TradingView News, CNBC). Historical daily price data used for technical calculations covers June 17, 2025 through June 17, 2026; the most recent approximately four to five weeks of daily bars through July 17, 2026 were not retrievable from available data sources and are noted as such in Section 10, with current-period readings sourced instead from a third-party aggregator's live computation. This report reflects analysis as of July 20, 2026 and does not constitute investment advice; it does not account for any individual investor's objectives, financial situation, or risk tolerance. Netflix's common stock underwent a 10-for-1 forward split effective November 17, 2025; all historical prices and per-share figures in this report are presented on a split-adjusted basis.