Your Name

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Course Number

Date

Title: Analyzing Netflix

**Company Introduction**

Netflix, Inc. was established on August 29, 1997, and it is considered as a pioneer of online delivery of Television shows and movies. The company generally operates in three segments, Domestic and international streaming and Domestic DVD. The domestic streaming segments generates income from streaming content in the US while the international segments drive revenue from monthly subscription services outside the US. The last segment of Domestic DVD deals with the service of DVD-by-mail. The company is considered as a leading online streaming service provider and allows its subscribers to watch shows through the internet on mobile devices, television, and computers. After the company launched its streaming service in 2007, they licensed a large amount of content for their subscribers.

The content includes original series, feature films, movies, documentaries, and television shows as well, available for their subscribers both locally and internationally. The subsidiaries of the company comprise Netflix International B.V., Netflix Studios, LLC, Netflix K.K., Netflix Streaming Services, Inc., Netflix Entretenimento Brasil LTDA. The company has its subscribers in over 190 countries by December 2016. The content that is accessible for streaming varies from the location by location and also changes from time to time. The company also continues to explore options to serve in more geographical locations. Netflix is an excellent example of global business, the globalization plan extended to several countries. It has several partnerships with different production, marketing, and distribution companies including ABC/Disney and Starz, etc.

Financial Information

Netflix is considered as a market leader in the industry and the past few decades have witnessed a high growth of the company. The financial position and success of the company in terms of revenues can be assessed by doing financial analysis. This process involves analysis of financial statements of a company and it is utilized by the external and internal parties for the purpose of decision making. Financial statement analysis reveals the overall health of an organization and business value (Penman and Penman). One simple way to assess this is by looking at the sales and revenues figures of the company. These figures can be obtained from the income statement. The current statistics of the company discloses that Netflix, Inc. revenues boosted 24% to $9.44B for the six months ended 30 June 2019. The Net income reduced 9% to $614.7M. Speaking of the revenues with respect to the operating segments, the International streaming shows increase of 33% to $4.91B, Domestic streaming & DVD segment grew up to 16% to $4.53B, the Domestic streaming rose to 18% to $4.37B.

Generally, the fiscal year of the company is from January to December. The revenue of the company for the quarter ending June 30, 2019, disclosed the growth rate of 26% of one year i.e. $4.923B. From the data of last 12 months ending on June 30, 2019, the estimated revenue of the company was $17.630B, and the rate of this revenue growth is 27.03% year-over-year (Netflix Revenue 2006-2019 | NFLX | MacroTrends). Making a comparison with the revenues of the company revealed from the income statement of the year 2018, the annual revenue was $15.794B. The previous year the company revenue was $11.693B that shows a 35.08% increase from 2017 to 2018. For the year 2016, the annual revenue of the company was $8.831B and this reveals an increase of 32.41% from 2016 to 2017. The year 2016 also shows an increase in revenue at the rate of 30.26% from the year 2015 to 2016. Past few years show a constantly rising trend in the revenue and sales of the company resulting from an increased number of subscribers every year from numerous geographical locations. A constant rising trend can be observed in the revenue stream of the company.

The quarterly data obtained from the financial statements of the company shows the net income results of the last four quarters from September 2018 to June 2019 as $402,835, $133,934, $344,052, and $270,650 respectively. This means that the first quarter of 2019 shows a relatively lower revenue as compared to the previous quarter and it is lower than what was expected. Since the last fiscal year ended on December 30, 2018, the revenue fell due to the recent trends and higher expenditures. The company also reports a negative cash flow of $1.3 B but it expects its cash flow to be improved. In the last six months, the company lost more than 100,000 subscribers while it was expected to increase the number by 300,000. For this change, Netflix blames the high price for the majority of its content, which resulted in a decreased number of subscribers. In addition, the company acknowledged that it will lose two of its most viewed shows “Friends” and “The Office”.

In addition, the earning per share for the quarter ending June 30, 2019, shows a decline of 29.41% decline year-over-year and it was $0.60 the quarterly data reveals. Looking at the data of the past few years it can be assessed that the EPS shows a rising trend (Netflix EPS - Earnings per Share 2006-2019 | NFLX | MacroTrends). This means that the last quarter and the first quarter of the year 2019 was not in favor of the company. Netflix is not a public company and it has not announced any dividends in the year for its shareholders. The number of outstanding shares of the company was 0.452B that is a little rise of a mere 0.14% as compared to the previous data. Netflix, the media giant having nearly 149 million subscribers offers non-dividend paying stocks. The stocks offered by Netflix are different than that of stocks offered by 3M and Altria. The company has to spend huge expenses to retain its subscribers and this spending increases the cost of the business. The company has to bear a high content cost and it has very valid reasons for not paying the dividends to its shareholders.

The current stock price of Netflix is $308.93 and it shows a percentage decline in the stock price of the company. As of June 2019, the company shows a high negative 12.07% and May 2019 also shows a negative change of 7.36% which means there is a high variation the stock price of Netflix (NFLX | Netflix Stock Price - Investing.Com). As compared to December 2018, January 2019 revealed a positive change of 26.84% and the stock price was $339.50. In the past six months, the highest price was $370.54 and the lowest price is the current price i.e. $308.93. The key factor responsible for the decline in the share price is due to the high price and reduction in the number of subscribers, especially in the US. It is estimated that the company lost 126,000 paid subscribers in the US and the second quarter can be declared as the toughest time of the year for the company. The Statement of Cash Flows of the last four quarters reveals the negative cash flow of the company while the company expected to have a positive cash flow. However, the company is still having expectations to have a positive change in its cash flows.

In the "Letter to the Stockholders", the company ensures that it has good value for money for all the shareholders and highlights the company’s growth from the past few years. In the letter, the revenue and the growth of the company from the past few years is discussed alongside the forecasts for the next years and the letter has the images of the financial statements of the company for the fiscal year 2017 to 2018 including the cash flow statement, Consolidated Balance Sheets, and Consolidated Statements of Operations. It also has some forward-looking statements comprising the business plan of the next years, future content it will be streaming and an estimate of the earning per share, consolidated operating income and profit margins. The “Management Discussion and Analysis" of the company provides an analysis of the financial statements of the company along with the results from its operations. It creates an optimistic view of the company declaring that the company will be able to maintain the excellent position in the coming years due to the new content that will offer value for money to the new subscribers who have paid a higher price to the company.

Though Netflix offers non-dividend paying shares to its shareholders yet the company has a very high reputation owing to the significant growth it has witnessed in the past few years. Investing in the shares of Netflix offers many other benefits to the shareholders. Apart from the fluctuation in the past few months, the company has enjoyed shareholder satisfaction and it was considered an admirable option for many investors. Those who have invested in the company and held it for the long-term reveals again in the share price. The streaming content that hits the ground can take the share price up resulting from the increased number of subscribers. The company is able to survive the market even in the times of tough competition. Moreover, the leadership of the company is also considered as the backbone of the company and the key factor behind the long-term success of the company.

**Works Cited**

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