

Netflix

Paid Sharing and ad-tier plans to support subscriber growth

13 January 2026

Company Overview

Netflix Inc (NFLX) is a streaming entertainment services company offering TV series, documentaries, feature films and mobile games across a wide variety of genres and languages in over 190 countries. It also provides DVDs-by-mail membership services in the US. NFLX has a user base of over 270m as of 1Q24. The business segments are split into two as streaming revenue and DVD revenue.

Investment Overview

The structural shift of audiences from linear TV to streaming remains the key growth driver. Streaming now leads the US TV market, accounting for ~45% of total viewing in Oct 2025 (Nielsen), up from cable's peak of 40.1% in Jun 2021. Netflix is firmly positioned as the No.2 streaming platform, capturing 8.3% of total US TV viewing, behind YouTube, underscoring its scale and engagement advantage.

Strategic acquisition to deepen content ownership and production scale. Netflix's proposed USD82.7bn acquisition of Warner Bros. Discovery's studios and streaming assets, including HBO/HBO Max, strengthens content ownership and production scale. Expected to close 12–18 months after the 3Q26 WBD spin-off, subject to antitrust review, the deal adds premium franchises, expands US production, lifts combined streaming share to ~34%, and targets USD2–3bn in annual synergies.

Netflix continues to monetise its leadership through pricing power. 3Q25 marked its 12th consecutive quarter of subscriber growth. Management guided 4Q25F revenue of USD11.9bn (+17% y/y) and raised FY25F revenue to USD45.1bn, with a robust 29% operating margin. US price increases in Jan 2025 (USD1–2.50 per tier) further support ARPU growth across ad-supported and premium plans.

Maintain a BUY with a revised TP of USD137 (from USD150). The revised TP is based on a 43x 12-month forward P/E applied to USD14bn blended net profit. The lower multiple reflects more cautious sentiment following the WBD announcement, balance-sheet leverage (~USD59bn new debt), and execution risk. Shares are ~28% below the Jun 2025 peak. We value Netflix at a 20% premium to peers (36x), justified by a 22% FY25F–27F earnings CAGR versus peers' 14%, driven by resilient engagement, ad monetisation scale, and high-margin paid sharing.

Risks

Antitrust delays or remedies, leverage pressure on FCF and buybacks, and integration or synergy execution risk amid high content spend.

Sachin Mittal

Analyst

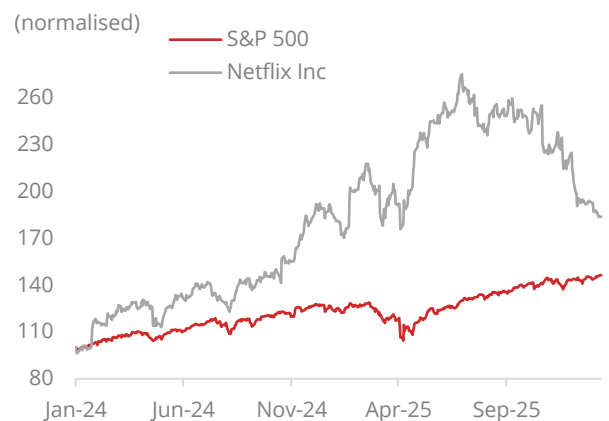
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Key Financial Data

Bloomberg Ticker	NFLX US
Sector	Communication Services
Share Price (USD)	90.53
DBS Rating	BUY
12-mth Target Price (USD)	137.0
Market Cap (USD\$b)	413.7
Volume (m shares)	40.1
Free float (%)	99.4
Dividend yield (%)	-
Net Debt to Equity (%)	34.0
Fwd. P/E (x)	35.4
P/Book (x)	14.8
ROE (%)	42.9

Closing Price as of 2 Jan 2026
Source: Bloomberg, DBS

Indexed Share price vs Composite Index Performance



Source: Bloomberg

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Financial Summary

FY Sep (USDmn)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)	FY2027(F)
Sales	33,723	39,001	45,084	50,990	56,855
% y/y	6.7	15.6	15.6	13.1	11.5
Gross Profit	14,008	17,963	21,866	26,034	30,078
% y/y	12.5	28.2	21.7	19.0	15.2
EBITDA	7,650	11,019	13,870	17,359	20,706
% y/y	16.9	44.0	26.1	25.0	19.0
Net Profit	5,747	8,984	11,096	14,012	16,753
% y/y	13.4	56.3	28.6	26.3	19.4
FCF	6,926	6,922	9,129	12,046	14,734
% y/y	327.9	(0.1)	34.4	32.2	22.5
CAPEX	348.6	439.5	592.0	634.8	670.3
% y/y	(14.5)	26.1	36.0	4.8	7.1
EBITDA Margin (%)	22.7	28.3	30.8	34.0	36.4
Net Margin (%)	17.0	23.0	24.6	27.5	29.5
ROA (%)	11.8	17.6	20.2	24.0	26.2
ROE (%)	27.8	39.6	42.7	47.4	48.0
Tax Rate (%)	12.9	12.6	13.9	13.9	14.5

Source: Visible Alpha

Valuation Metrics

FY Sep	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)	FY2027(F)
P/E (x)	85.2	51.4	40.3	31.4	26.0
P/B (x)	22.8	18.5	16.8	13.8	11.4
Dividend Yield (%)	0.00	0.00	0.00	0.00	0.00
EV/EBITDA (x)	28.8	35.4	31.2	23.8	19.9
FCF Yield (%)	1.5	1.5	2.0	2.7	3.3

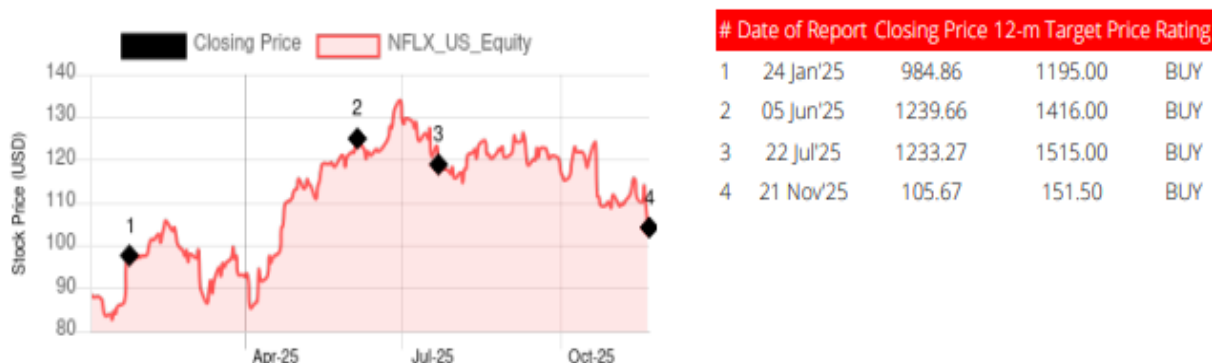
Source: Visible Alpha

Credit & Cashflow Metrics

FY Sep	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)	FY2027(F)
Debt / Equity (%)	70.6	63.0	52.5	43.1	35.0
Net Debt / Equity (x)	0.4	0.3	0.2	0.1	(0.1)
Debt / Assets (%)	29.8	29.1	25.5	22.6	19.8
Net Debt / Assets (x)	0.2	0.1	0.1	0.0	(0.0)
EBITDA / Int Exp (%)	10.9	15.3	19.2	24.9	31.5
ST Debt / Total Debt (x)	0.0	0.1	0.1	0.1	0.2
Debt / EBITDA (x)	1.9	1.4	1.0	0.8	0.6
[Cash + CFO] / ST Debt (%)	36.0	8.5	18.2	16.8	11.4
Days Payable	8.1	8.4	7.7	7.3	7.1

Source: Visible Alpha

Target Price & Ratings History



Source: DBS

Analyst: Sachin Mittal

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HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

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*Share price appreciation + dividends

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