

**A report About:**

**Netflix's Five Year Financial Performance Analysis  
(2017-2021)**

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## Abstract

**Purpose:** This report analyses the financial performance of Netflix over the past five years (2017-2021). Nasdaq's financial statistics for Netflix is used in this report to assess the company performance.

**Methodology:** This report uses several ProQuest literatures (e-books), online magazines, press articles, and e-journals to collect relevant data on the latest news and statistics.

**Results:** Netflix's net income grew year over year to reach 5.12 billion U.S. dollars in 2021. Due to the following factors, the five-year growth rate in 2021 declines to 18.81%:

1. A rise in rivals within the media and entertainment industry.
2. As part of its expansion into Europe, the Middle East and Africa (EMEA), Netflix has invested more in localized content.
3. Netflix focuses more on creating original content than licensing content.

Thus, in the last five years except 2020, it had negative operating cash flows, except for 2020, when capital expenditures exceeded operating cash flows. Netflix, therefore, raised its stock price to increase its revenues. In 2020, Corvid-19 positively impacted Netflix revenue and led to a positive cash flow.

**Keywords:** Stream Video on Demand (VoD), subscription-based video on demand, Transactional based video on demand, Advertisement based video on demand, Financial Statement, Income statement, Balance Sheet, Cash flow statement, Profitability ratios, Gross Profit Margin, Net Profit Margin, Operating Margin, Return on Equity, Return on Capital Employed, Return on Assets, Activity ratio, Net Fixed Assets Turnover, Equity turnover, Total Assets turnover, Solvency Ratios, Debt to Equity, Debt to Assets, Intrest Cover, Financial Leverage. Liquidity ratios, Current Ratio, Quick Ratio, and Cash Ratio.

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## Introduction

Netflix is the world's leading entertainment service, with 222 million subscribers in 190 countries. Netflix can nurture a show that is taking a long time to find its audience because each show doesn't compete for prime-time slots like linear T.V. This model allows for more creative storytelling options (varying run times for episodes based on storylines, no ongoing recaps, no fixed notions of what constitutes a "season"). Netflix is available virtually everywhere except in China. Netflix is licensing and producing content worldwide, which allows Netflix subscribers all over the world to enjoy the same movies and T.V. series simultaneously, free from legacy business models and outdated restrictions. Due to its global distribution, Netflix is well-positioned to bring engaging stories from many cultures to people worldwide. [\(Netflix, 2021\)](#).

## Report Objective

Netflix's financial performance over the past five years (2017-2021) is examined in this report. In addition, Nasdaq's financial statistics are used to assess Netflix's performance in this report.

## Methodology

This report uses ProQuest literatures (e-books), online magazines, press articles, and e-journals to gather pertinent information about the latest news and statistics.

## Structure

The main body structure includes the introduction, conclusion, and list of references, as well as the following sections:

1. First section: Industry overview
2. Section 2: Netflix's Historical Growth & Business model
3. Section 3: Financial Statement
4. Section 4: Netflix faces rivals
5. Section 5: Netflix's Streaming Forecast
6. Section 6: Ratio Analysis limitations

## Section1: Industry Overview

According to Deloitte [\(2022\)](#), global pandemics, technological advancements, and changing generational behaviors significantly affect many of the media and entertainment industries in 2021. The lockdown significantly impacted many entertainment and media segments, notably cinema, which saw revenues collapse by 70.4% [\(PwC, 2022\)](#). During COVID-19 surges, people tended to seek out more media and entertainment at home while avoiding more significant in-person events. Video streaming has drastically changed the global media landscape and affected viewing behavior worldwide. Compared to Cable Supported Video on Demand, Streaming is a method of watching videos and listening to audio files without downloading them [\(Cloudflare, 2022\)](#). Global video streaming has seen unprecedented growth in recent years due to rapid internet adoption, widespread use of mobile devices and the popularity of online video content [\(Stoll, 2021\)](#). The VOLDLIX [\(2021\)](#) shows how Streaming Video on Demand (VoD) via various Over-The-Top platforms:

### SVOD (Subscription-based video on demand)

In an SVOD service, the users enter a contract that enables them to watch unlimited content until they unsubscribe, so there is no time limit. Netflix is the best-known SVOD service. In addition, VOD services include Hulu, Amazon Prime Video, Disney+, and Peacock [\(Hamm, 2021\)](#).

### TVOD (Transactional based video on demand)

With transactional VOD, there is no charge to sign up for TVOD or create a user profile. Rather, a subscription fee is based on what users watch. It often refers to movies, but it is also used for series and, particularly, for sports events. iTunes is an example of TVOD. Examples of TVOD: Think iTunes and some Prime Video content [\(Hamm, 2021\)](#).

### AVOD (Advertisement based video on demand)

Ad-based VOD is a free model. By watching ads, users are free to log in and watch videos. Examples of AVOD: Facebook, YouTube, Instagram, and Vimeo [\(Hamm, 2021\)](#).

Subscriptions Video-on-Demand (SVoD) have become a popular pastime for T.V. and movie fans who can access unlimited digital videos for a fixed monthly fee. Globally, consumer spending on SVoD services reached 53.34 billion U.S. dollars in 2019, a figure that is expected to double within five years [\(see figure 1\)](#) [\(Stoll, 2021\)](#). According to European Audiovisual Observatory Press, SVOD revenues in Europe have driven this trend, exploding from EUR 12 million in 2010 to EUR 9.7 billion by 2020 [\(see figure 2\)](#) [\(2021\)](#).

Netflix is the most popular subscription-based streaming service worldwide, as shown in (see figures 3) (Shaw, 2021).

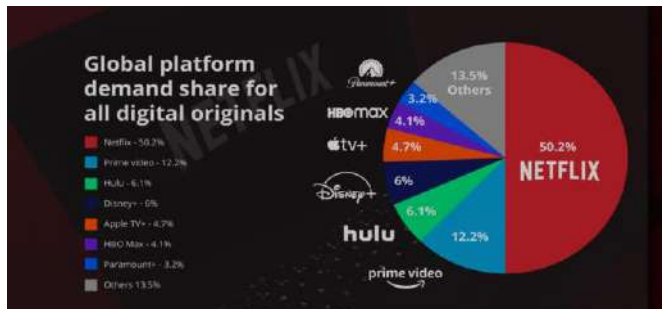


Figure 3 Global platform demand share for all digital originals (global Q1, 2021) (Shaw, 2021).

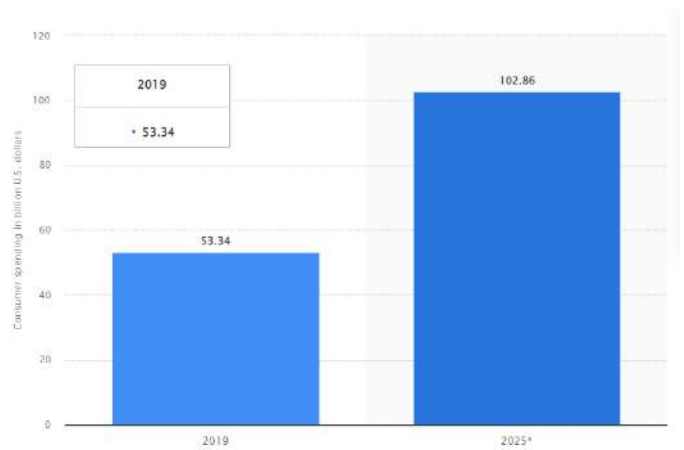


Figure 1 Consumer Spending on SVoD Services Worldwide in 2019 and 2025 (in Billion U.S. dollars) (Statista, 2022).

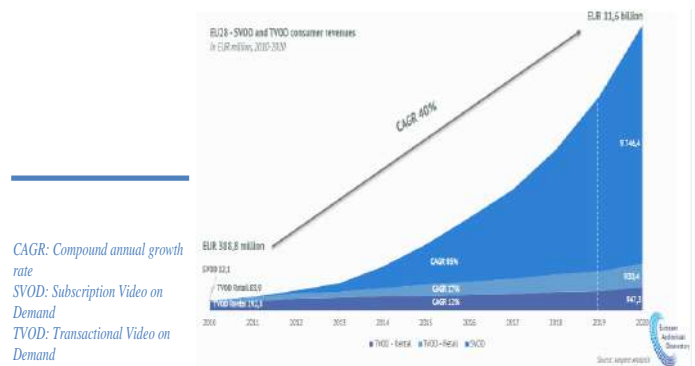


Figure 2 The CAGR of SVOD and TVOD from 2010 to 2020 (in millions of Euros) (European Audiovisual Observatory Press, 2021)

## Section 2: Netflix's Historical Growth & Business model

### Netflix's Historical Growth

Netflix, founded in 1997 as a DVD-rental-by-mail company, struggled for five years to develop an economic model that was cash flow positive. Throughout the next five years, it fought Blockbuster in the United States. Finally, it began streamlining in 2007 in the U.S. In 2010, it expanded internationally, and in 2011, it made the Qwikster DVD misstep. Since 2013, it has been releasing original series. Netflix leaped globalization in 2016 [\(Netflix, 2021\)](#) The last few years have been very successful for Netflix. Additionally, to gain numerous subscribers worldwide, Netflix has created and distributed high-profile original shows, such as House of Cards and Orange Is the New Black, challenging traditional T.V. networks like HBO and CBS [\(Stoll, 2021\)](#).

### Netflix's Business Model

Subscriptions to the company's streaming content services account for most of its revenue, as by 2021, it had exceeded 222 million members [\(Netflix, 2021\)](#).

## Section 3: Financial Statement

According to Murphy [\(2020\)](#), financial statements summarize an organization's business activities and financial performance.

Financial statements include:

- **Balance sheet**

The balance sheet provides a snapshot of a company's assets, liabilities, and shareholders' equity.

- **Income statement**

For annual financial statements and quarterly financial statements, the income statement covers a period instead of the balance sheet.

**Cash flow statement.**

Cash flow statement (CFS) measures how efficiently a company generates cash to fund debt obligations, operating expenses, and investments. It accompanies the income statement and balance sheet.

## Profitability ratios

Smith [\(2010\)](#) writes that the profitability ratio indicates how well a business converts revenues into profits, and includes:

### 1. Return on Sales [\(see figure 4\)](#)

#### Gross Profit Margin:

A gross profit margin is a measure of profitability that shows the portion of revenue that exceeds the cost of goods sold (COGS) [\(Maverick, 2021\)](#). The figure shows that Netflix grew 33% the last five years.

#### Operating Margin:

Ultimately, operating margin is a good measure of how well a company manages expenses because it reveals how much revenue is returned to a business after the company has covered virtually all of its fixed and variable costs except for taxes and interest [\(Murphy, 2021\)](#). Netflix's operating margin has increased by 190% since 2017, however, the largest growth period is between 2019-2020 (Corvid-19 period) and it is by 42%.

#### Net Profit Margin

A company can evaluate the success of current practices by tracking changes in its net profit margin and forecasting profits based on revenues [\(Murphy, 2021\)](#). Netflix's Net profit margin rose 260% over the past five years, with the highest increase rate occurring between 2020 and 2021 at 56%. Since 2017, Netflix expenses have increased, but its profits have increased as well. This is because Netflix has raised its prices and increased gross revenue over the past five years. According Pallotta [\(2022\)](#), "(...) it's raising the monthly price for a U.S. subscription to its standard plan by \$1.50, to \$15.49, and its basic plan by \$1 to \$9.99. The premium plan increased \$2 per month, to \$19.99".

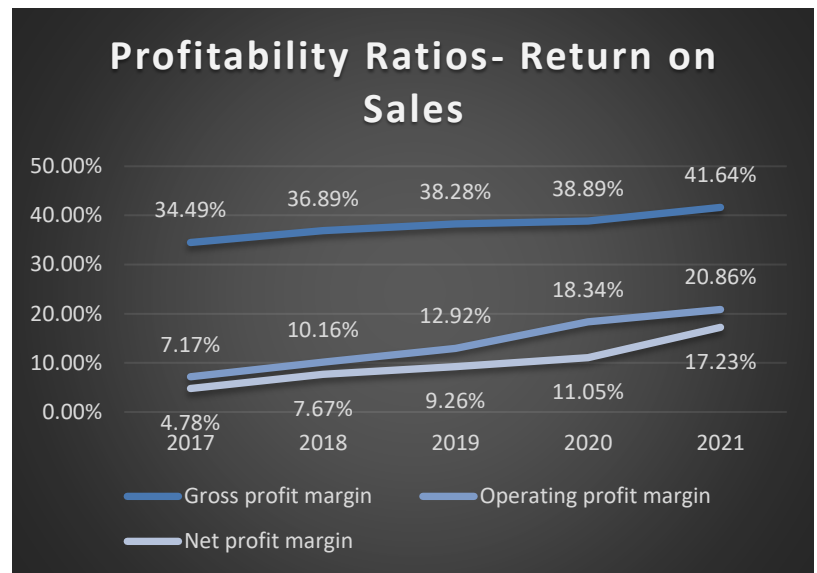


Figure 4 Profitability Ratio- Return on Sales (adopted from (Nasdaq, 2022); (Netflix, 2022))



## 2. Return on Investment (see figure 5)

### Return on Equity (ROE)

ROE represents the return on net assets. Also, An ROE near the long-term average of the Standard, and Poor's Index (S&P 500) of around 14% is typically considered acceptable based on industry standards (Fernando, 2021) Since 2017, Netflix has had an average ROE of 24%, which is higher than the ROE of the S&P 500 Index.

### Return on Capital Employed (ROCE)

A company that earns higher returns on every dollar invested in its business will be valued higher than one that burns up its capital to generate profits. Pay attention to sudden changes in ROCE; a decline could indicate a loss of competitive advantage. In general, ROCE should equal at least twice the interest rate, though no firm benchmark exists (Mcclure, 2021) The Data shows Netflix's ROCE have increased over the past five years to 18%, which is higher than twice the interest rate (10%) (see 6 figure).

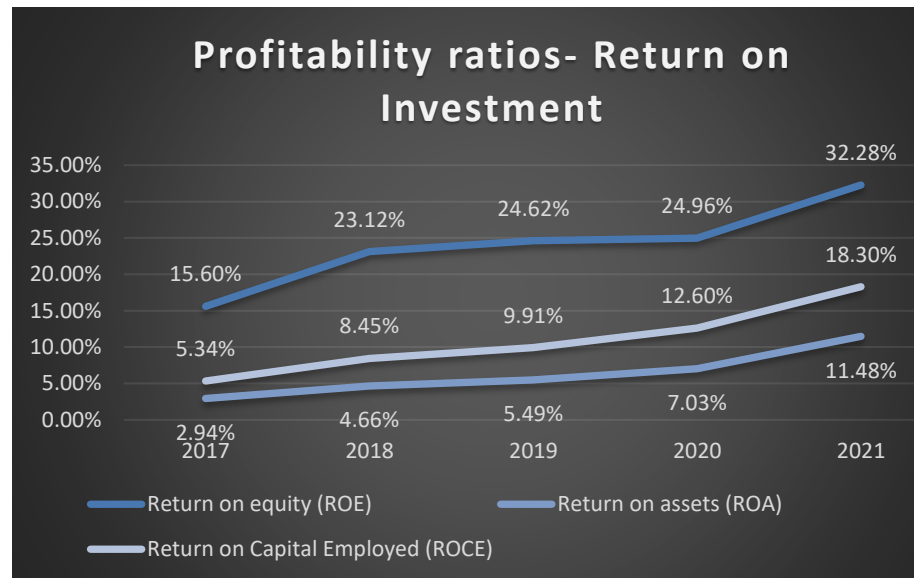


Figure 5 Profitability Ratio- Return on Investment (Nasdaq, 2022); (Netflix, 2022).

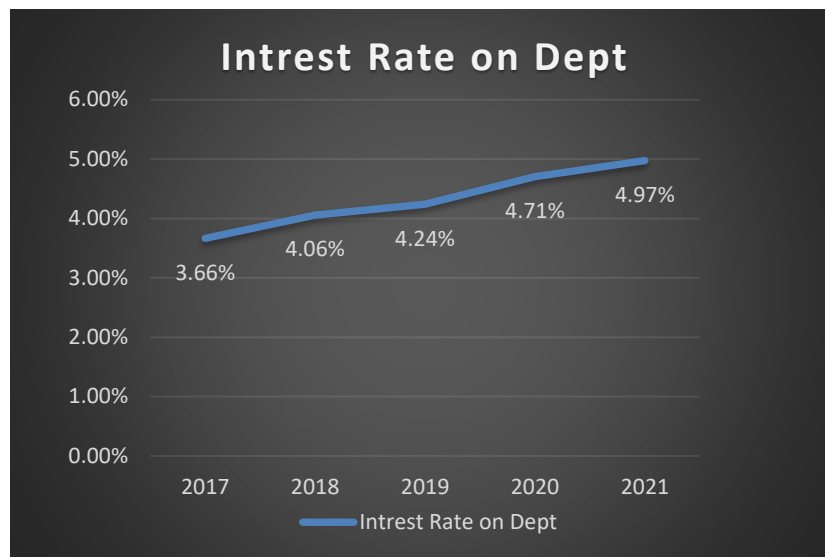


Figure 6 Interest Rate (adopted from (Nasdaq, 2022); (Netflix, 2022))

### Activity Ratios: ([see figure 7](#))

According to Smith [\(2010\)](#), activity ratios show how efficiently a company's assets are utilized.

#### Total Assets turnover:

Typically, asset turnover ratios are expressed as a multiple of an asset's value [\(Smith, 2010\)](#). Netflix's asset turnover last year was 0.67, which is higher than the communication services industry's average total assets turnover of 0.35 [\(CSIMarket, 2022\)](#).

#### Equity Turnover

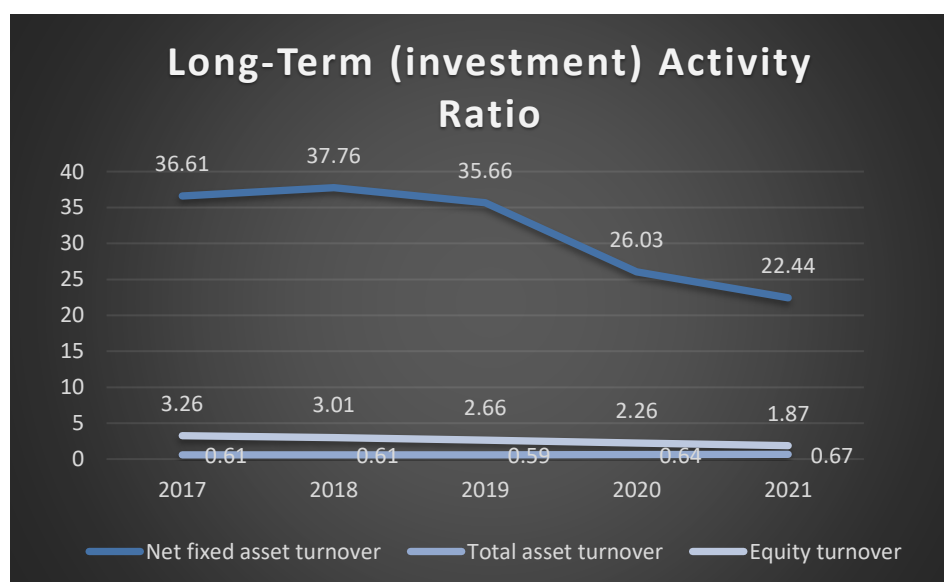


Figure 7 Long- term Activity Ratio (Nasdaq, 2022); (Netflix, 2022).

The equity turnover of a company is the ratio of net sales to the average equity a company holds over time; this helps determine whether the company is generating enough revenues for the shareholders to justify holding the company's equity ([Wall Street Mojo, 2022](#)). The equity turnover of Netflix has decreased over the years.

### Net Fixed Assets Turnover

The activity ratio is calculated by dividing total revenue by net fixed assets (including operating leases and right-of-use assets). Despite Netflix's declining net fixed turnover ratio, no exact number or range determines whether a company is efficient in generating revenue from its fixed assets. As a result, analysts and investors should compare a company's most recent ratio with both its historical ratios and those of its peers and/or the average industry ratio ([Kenton, 2021](#)).

### Solvency Ratios:

(see figure 8)

Solvency ratios provide insight into how a business is financed by debt (versus equity). [Table 1.0](#) shows the commonly calculated solvency ratios ([Smith, 2010](#)).

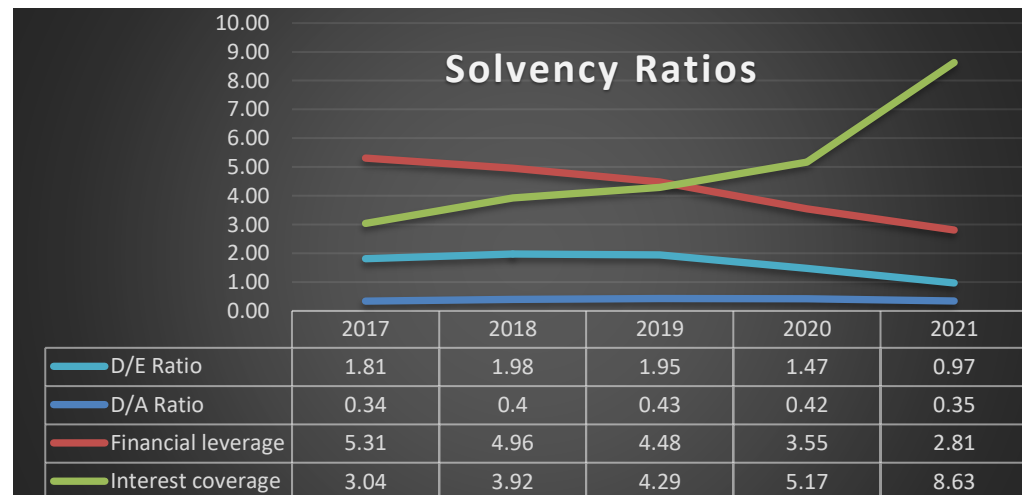


Figure 8 Solvency Ratios (Nasdaq, 2022); (Netflix, 2022).

Ratio	Formula	Description of Ratio
Dept/Equity	long-term interest-bearing borrowings/ owner equity	Long-term borrowings expressed as a percentage of owner equity
Dept/Assets	D/A ratio is calculated as total debt divided by total assets	It is a type of leverage ratio that compares a company's debt obligations (both short-term debt and long-term debt) to the company's total assets.
Interest Cover	profit before interest and tax/interest charge	Operating profit expressed as a multiple of the interest charge
Financial Leverage	Total Assets/ Equity	It indicates the relationship of the firm's total assets to the part-owned by shareholders.

Table 1.0 Solvency Ratios (Adopted from [\(Smith, 2010\)](#)).

<b>Ratio</b>	<b>Acceptance Ratio</b>	<b>Netflix (2021)</b>	<b>Indication</b>
<i>Dept/Equity</i>	(1-1.5) <a href="#">(British Business Bank, 2022)</a>	0.97	Lower debt-to-equity ratios indicate that the business hasn't relied on borrowing to finance operations. However, a meager ratio can put investors off investing in a company, as it implies the business doesn't realize the profits or value it could gain from borrowing and expanding its operations <a href="#">(British Business Bank, 2022)</a> .
<i>Dept/Assets</i>	A ratio of less than one (<1) <a href="#">(Corporate Finance Institute, 2022)</a>	0.35	A ratio of less than one (<1) indicates the company owns more assets than liabilities and can meet its obligations by selling its assets <a href="#">(Corporate Finance Institute, 2022)</a> .
<i>Interest Cover</i>	(2-3) <a href="#">(Maverick, 2021)</a>	8.63	Shareholders and investors can use this ratio to make investment decisions. Growing businesses can pay back their debt. Most investors prefer to invest money into a financially sound company <a href="#">(Maverick, 2021)</a> .
<i>A/E ratio (Financial Leverage)</i>	Average A/E (2.17) <a href="#">(CSIMarket, 2022)</a>	2.81	If the ratio is higher than 2, the company funds more assets by issuing debt than by issuing equity, a riskier investment. Conversely, low ratio is considered conservative <a href="#">(ycharts, 2022)</a> .

Table 2.0 Comparing Netflix's Solvency Ratio with Industry's Acceptance Rate.

### Liquidity Ratios: (see figure 9)

Business liquidity ratios indicate whether a company can meet its short-term obligations as they fall due. (Smith, 2010).

#### Current Ratio

Current ratios measure a company's ability to pay short-term obligations or those due within a year. Investors and analysts can use this to determine how to maximize a company's current assets to satisfy its current liabilities and payables (Fernando, 2021).

#### Quick Ratio

Known as the acid test ratio, the quick ratio indicates a company's ability to instantly pay down its current liabilities with its near-cash assets (assets that can be converted into cash quickly). (Seth, 2021).

#### Cash Ratio

Cash ratio provides a more conservative view of a company's ability to cover its debts and obligations, as it only includes cash or cash equivalents, leaving other assets, such as accounts receivable, out of the equation (Kenton, 2021).

According to the Corporate Finance Institute Website (2022), an asset to liability ratio of 1 means that a company can pay off its current liabilities with its current assets. If the ratio is less than 1, a company can't satisfy its current liabilities. Netflix has a weak liquidity ratio of 0.95, indicating deteriorating cash flow.

### Summary of Netflix's financial statement:

Nasdaq (2022) estimates Netflix's revenue, in 2021, at 29.7 billion U.S. dollars, up 1.67 billion dollars from a decade earlier (see figure 10). This figure is a result of the increase in paid membership worldwide. In 2021, Netflix reached 222 million

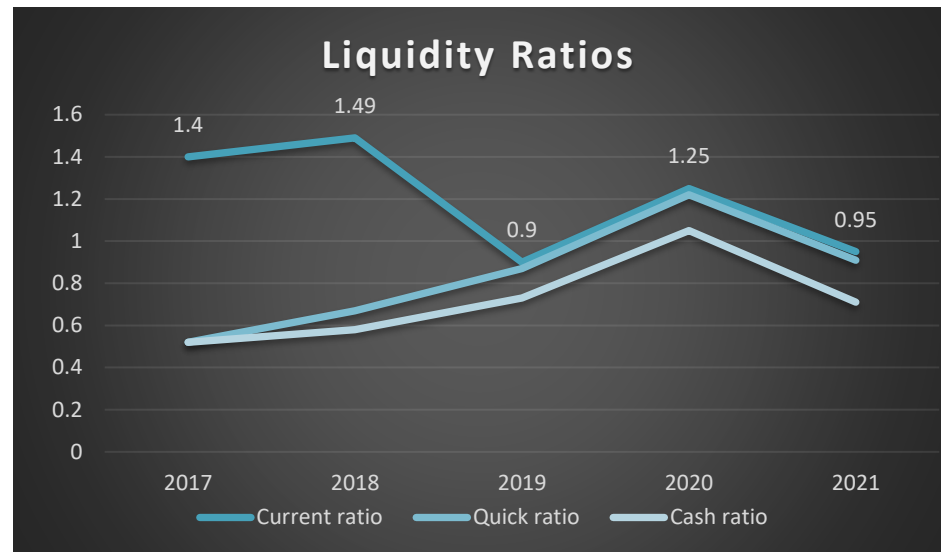


Figure 9 Liquidity Ratios (Nasdaq, 2022); (Netflix, 2022).

subscribers. The large chunk of new subscribers was from Europe, the Middle East, and North Africa (EMEA) region, (see figure 11). However, the U.S. and Canada (UCAN) showed a decline in new subscription during 2020-2021 by 5.2%, which declined the growth rate over the years (see figure 12). These indicate that Netflix's growth in the coming years comes from international viewers. Netflix was planning to expand to EMEA and attract new international subscribers. Thus, Netflix spent more on creating localized content. Therefore, Netflix had negative free cash flows within the last years except in 2020 as capital expenditure is higher than the cash flow from operation (see figure 13). In 2020, free cash flow turned positive to 1.9 billion because of the company's slowdown on the original production spending. Even though Negative free cash flow is a worrying sign among investors following the company, Netflix is still focusing on creating original content rather than licensing-made content with a near-term positive cash flow (Sparks, 2020).

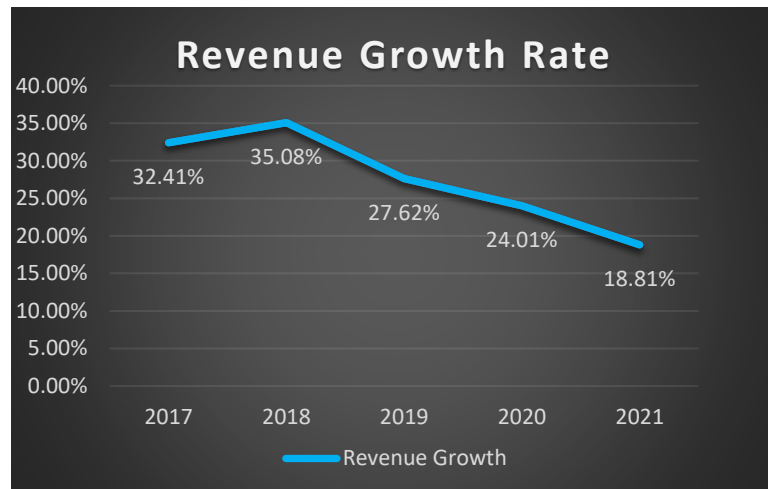


Figure 12 Netflix revenue growth rate from (2017 to 2021) (Netflix, 2022); (Nasdaq, 2022).

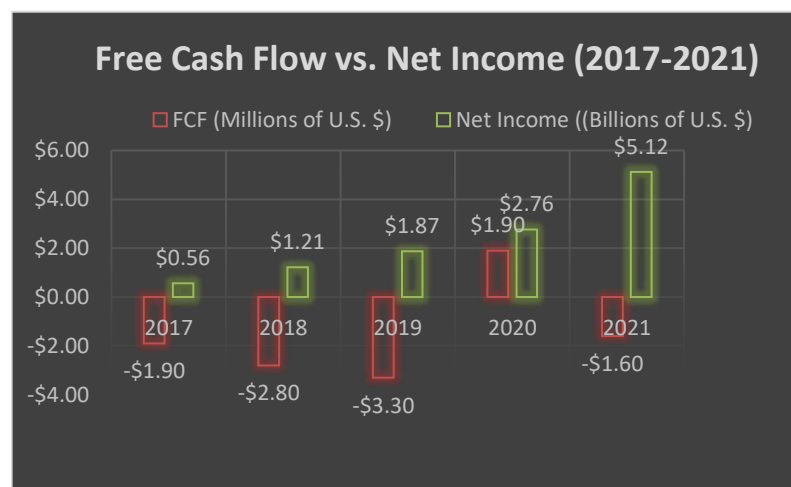


Figure 13 Netflix's Free Cash Flow vs. Net Income (Netflix, 2022); (Nasdaq, 2022).

information by region (Netflix, 2022)

## Section 4: Netflix faces rivals

Netflix titles accounted for 53.5 % of expressed demand in 2020 ([see figure 14](#)), followed by Amazon Prime Video digital originals with 12.6% ([Stoll, 2021](#)) However, Netflix's share of global audience demand of original digital series dropped below 50% for the first time in 2021, according to data released by West Hollywood-based Parrot Analytic ([Los Angeles Times, 2022](#)). In other words, rivals have started eating into Netflix's dominance.

According to New York Times ([2021](#)), the company doesn't think the newer competitors were the issue.

"Are we sure it's not competition? Because there's a lot of new competition," Reed Hastings, the company's co-chief executive and Ted Sarandos, said on the earnings call after the report. "It's intensely competitive, but it always has been. We've been competing with Amazon Prime for 13 years, with Hulu for 14 years." He added: "So there's no real change that we can detect in the competitive environment."

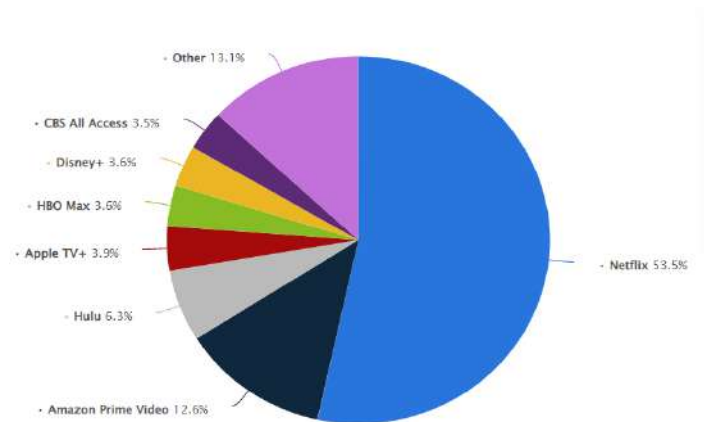


Figure 14 Most popular video streaming service based on a share of audience demand for digital originals worldwide in 2020 ([Statista, 2022](#))

## Section 5: Netflix's Streaming Forecast

Netflix provided Q1 F.Y. 2022 forecasts for earnings per share (EPS), revenue, and global paid streaming subscribers. The company expects EPS of \$2.86, down 23.7% year over year. The company expects revenue to rise 10.3% YOY to \$7.9 billion. According to forecasts, paid streaming subscribers will increase by 8.0% to approximately 224.3 million (Netflix, 2022).

## Section 6: Ratio Analysis limitations

Ratio Analysis limitations (BBC, 2022)

1. Ratio analysis information is not current - it is historic.
2. The ratio analysis does not account for external aspects such as a worldwide recession.
3. It does not measure the human element of the firm
4. It can only be used to compare two firms of the same size and type.
5. it may be difficult to compare two businesses that are unwilling to share information.

## Conclusion

Netflix Inc. created a model for future television when it launched in 1997. It is the best internet streaming video on demand provider compared to Amazon Prime Video, Hulu, and YouTube. Netflix has over 222 million subscribers in 190 countries. Stock prices are on the rise and Netflix has expanded internationally. In 2021, Netflix generated 24.6 billion U.S. dollars in revenue. Over the past five years (2017-2021), it shows an increase in its profit according to the below measures:

1. Gross Profit Margin grew by 33%.
2. Operating margin has grown by 190%.
3. Net profit margins increased 260%
4. Its ROCE has increased to 18% .
5. ROA is 23% higher than the average return of assets for the communication services industry in 2021.
6. An asset turnover of 0.67 last year, higher than the average total assets turnover for the communication services industry of 0.35.

Nonetheless, Netflix's equity turnover has declined over time. It has a low debt to equity ratio compared to the market range, and a low liquidity ratio of 0.95, indicating declining cash flow. Netflix spent more money on localized content to attract new international subscribers and expand into EMEA. In other words, it had negative free cash flows in the last few years, except for 2020, when capital expenditures exceeded cash from operations. In contrast, the company expects EPS of \$2.86, which would be down 23.7% year over year.



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## Appendix I

<b>Netflix, Inc.</b>						
<b>Consolidated Statements of Operations</b>						
(unaudited)						
(in thousands, except per share data)						
		<u>Twelve Months Ended</u>	<u>Twelve Months Ended</u>	<u>Twelve Months Ended</u>	<u>Twelve Months Ended</u>	<u>Twelve Months Ended</u>
		<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>
		<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenues		11,692,713.0	\$15,794,341	\$ 20,156,447	\$ 24,996,056	\$ 29,697,844
Cost of revenues		8,033,000.0	9,967,538	12,440,213	15,276,319	17,332,683
Marketing		1,436,281.0	2,369,469	2,652,462	2,228,362	2,545,146
Technology and development		953,710.0	1,221,814	1,545,149	1,829,600	2,273,885
General and administrative		431,043.0	630,294	914,369	1,076,486	1,351,621
Operating income		838,679.0	1,605,226	2,604,254	4,585,289	6,194,509
Other income (expense):						
Interest expense		(238,204.0)	(420,493)	(626,023)	(767,499)	(765,620)
Interest and other income (expense)		(115,154.0)	41,725	84,000	(618,441)	411,214
Income before income taxes		485,321.0	1,226,458	2,062,231	3,199,349	5,840,103
Benefit from (provision for) income taxes		(73,608.0)	15,216	(195,315)	(437,954)	(723,875)
Net income		558,929.0	\$ 1,211,242	\$ 1,866,916	\$ 2,761,395	\$ 5,116,228
Earnings per share:						
Basic		1.3	\$ 2.78	\$ 4.26	\$ 6.26	\$ 11.55
Diluted		1.3	\$ 2.68	\$ 4.13	\$ 6.08	\$ 11.24
Weighted-average shares of common stock outstanding:						
Basic		431,885.0	435,374	437,799	440,922	443,155
Diluted		446,814.0	451,244	451,765	454,208	455,372



## Appendix II

<b>Netflix, Inc.</b>			
<b>Streaming Revenue and Membership Information by Region</b>			
(unaudited)			
(in thousands, except for average revenue per membership and percentages)			
	<u>As of / Year Ended</u>	<u>As of / Year Ended</u>	<u>As of / Year Ended</u>
	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>United States and Canada (UCAN)</b>			
Revenues (1)	\$ 10,051,208	\$ 11,455,396	\$ 12,972,100
Paid net membership additions (losses)	2,905	6,274	1,279
Paid memberships at end of period	67,662	73,936	75,215
Average paying memberships	66,615	71,689	74,234
Average revenue per membership (2)	\$12.57	\$13.32	\$14.56
% change as compared to prior-year period	13%	6%	9%
Constant currency % change as compared to prior-year period*	13%	6%	9%
<b>Europe, Middle East and Africa (EMEA)</b>			
Revenues	\$ 5,543,067	\$ 7,772,252	\$ 9,699,819
Paid net membership additions	13,960	14,920	7,338
Paid memberships at end of period	51,778	66,698	74,036
Average paying memberships	44,731	60,425	69,518
Average revenue per membership (2)	\$10.33	\$10.72	\$11.63
% change as compared to prior-year period	-1%	4%	8%
Constant currency % change as compared to prior-year period*	4%	3%	4%
<b>Latin America (LATAM)</b>			
Revenues	\$ 2,795,434	\$ 3,156,727	\$ 3,576,976
Paid net membership additions	5,340	6,120	2,424
Paid memberships at end of period	31,417	37,537	39,961
Average paying memberships	28,391	35,297	38,573
Average revenue per membership (2)	\$8.21	\$7.45	\$7.73
% change as compared to prior-year period	0%	-9%	4%
Constant currency % change as compared to prior-year period*	13%	8%	8%
<b>Asia-Pacific (APAC)</b>			
Revenues	\$ 1,469,521	\$ 2,372,300	\$ 3,266,601
Paid net membership additions	5,626	9,259	7,140
Paid memberships at end of period	16,233	25,492	32,632
Average paying memberships	13,247	21,674	28,461
Average revenue per membership (2)	\$9.24	\$9.12	\$9.56
% change as compared to prior-year period	-1%	-1%	5%
Constant currency % change as compared to prior-year period*	3%	-1%	2%
(1) Excludes DVD revenues of \$0.3 billion, \$0.2 billion and \$0.2 billion for the years ended December 31, 2019, 2020 and 2021, respectively. Total			
(2) Average revenue per membership (ARM) is defined as streaming revenue divided by the average number of streaming paid memberships			
* The company believes that constant currency information is useful in analyzing the underlying trends in average revenue per membership. In order to exclude the effect of foreign currency rate fluctuations on average revenue per membership, the Company estimates the current period			

## Appendix III

<b>Netflix, Inc.</b>							
<b>Consolidated Balance Sheets</b>							
(unaudited)							
(in thousands)							
					<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>
					<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Assets</b>							
Current assets:							
	Cash and cash equivalents				\$ 1,467,576	\$ 2,822,795	\$ 3,794,483
	Short-term investments				266,206	-	-
	Current content assets, net				3,726,307	4,310,934	5,151,186
	Other current assets				260,202	536,245	748,466
	Total current assets				5,720,291	7,669,974	9,694,135
Non-current content assets, net					7,274,501	10,371,055	14,960,954
Property and equipment, net					250,395	319,404	418,281
Other non-current assets					341,423	652,309	901,030
	<b>Total assets</b>				<b>\$ 13,586,610</b>	<b>\$ 19,012,742</b>	<b>\$ 25,974,400</b>
<b>Liabilities and Stockholders' Equity</b>							
Current liabilities:							
	Current content liabilities				\$ 3,632,711	\$ 4,173,041	\$ 4,686,019
	Accounts payable				312,842	359,555	562,985
	Accrued expenses				197,632	315,094	477,417
	Deferred revenue				443,472	618,622	760,899
	Total current liabilities				4,586,657	5,466,312	6,487,320
Non-current content liabilities					2,894,654	3,329,796	3,759,026
Long-term debt					3,364,311	6,499,432	10,360,058
Other non-current liabilities					61,188	135,246	129,231
	<b>Total liabilities</b>				<b>10,906,810</b>	<b>15,430,786</b>	<b>20,735,635</b>
Stockholders' equity:							
	Common stock				1,599,762	1,871,396	2,315,988
	Accumulated other comprehensive income (loss)				(48,565)	(20,557)	(19,582)
	Retained earnings				1,128,603	1,731,117	2,942,359
	Total stockholders' equity				2,679,800	3,581,956	5,238,765
	<b>Total liabilities and stockholders' equity</b>				<b>\$ 13,586,610</b>	<b>\$ 19,012,742</b>	<b>\$ 25,974,400</b>

<b>Netflix, Inc.</b>						
<b>Consolidated Statements of Operations</b>						
(unaudited)						
(in thousands, except per share data)						
				<b>Twelve Months Ended</b>	<b>Twelve Months Ended</b>	<b>Twelve Months Ended</b>
				<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>
				<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Revenues				\$8,830,669	\$11,692,713	\$15,794,341
Cost of revenues				6,257,462	8,033,000	9,967,538
Marketing				1,097,519	1,436,281	2,369,469
Technology and development				780,232	953,710	1,221,814
General and administrative				315,663	431,043	630,294
Operating income				379,793	838,679	1,605,226
Other income (expense):						
Interest expense				(150,114)	(238,204)	(420,493)
Interest and other income (expense)				30,828	(115,154)	41,725
Income before income taxes				260,507	485,321	1,226,458
Provision for (benefit from) income taxes				73,829	(73,608)	15,216
Net income				\$ 186,678	\$ 558,929	\$ 1,211,242
Earnings per share:						
Basic				\$ .44	\$ 1.29	\$ 2.78
Diluted				\$ .43	\$ 1.25	\$ 2.68
Weighted-average common shares outstanding:						
Basic				428,822	431,885	435,374
Diluted				438,652	446,814	451,244





<b>Netflix, Inc.</b>							
<b>Consolidated Statements of Cash Flows</b>							
(unaudited)							
(in thousands)							
					<b>Twelve Months Ended</b>	<b>Twelve Months Ended</b>	<b>Twelve Months Ended</b>
					<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>
					<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>							
Net income					\$ 186,678	\$ 558,929	\$ 1,211,242
Adjustments to reconcile net income to net cash							
used in operating activities:							
Additions to streaming content assets					(8,653,286)	(9,805,763)	(13,043,437)
Change in streaming content liabilities					1,772,650	900,006	999,880
Amortization of streaming content assets					4,788,498	6,197,817	7,532,088
Amortization of DVD content assets					78,952	60,657	41,212
Depreciation and amortization of property, equipment and intangibles					57,528	71,911	83,157
Stock-based compensation expense					173,675	182,209	320,657
Excess tax benefits from stock-based compensation					(65,121)	-	-
Other non-cash items					40,909	57,207	40,428
Foreign currency remeasurement loss (gain) on long-term debt					-	140,790	(73,953)
Deferred taxes					(46,847)	(208,688)	(85,520)
Changes in operating assets and liabilities:							
Other current assets					46,970	(234,090)	(200,192)
Accounts payable					32,247	74,559	199,198
Accrued expenses					68,706	114,337	150,422
Deferred revenue					96,751	177,974	142,277
Other non-current assets and liabilities					(52,294)	(73,803)	2,062
Net cash used in operating activities					(1,473,984)	(1,785,948)	(2,680,479)
<b>Cash flows from investing activities:</b>							
Acquisition of DVD content assets					(77,177)	(53,720)	(38,586)
Purchases of property and equipment					(107,653)	(173,302)	(173,946)
Change in other assets					(941)	(6,689)	(126,588)
Purchases of short-term investments					(187,193)	(74,819)	-
Proceeds from sale of short-term investments					282,484	320,154	-
Proceeds from maturities of short-term investments					140,245	22,705	-
Net cash provided by (used in) investing activities					49,765	34,329	(339,120)
<b>Cash flows from financing activities:</b>							
Proceeds from issuance of debt					1,000,000	3,020,510	3,961,852
Issuance costs					(10,700)	(32,153)	(35,871)
Proceeds from issuance of common stock					36,979	88,378	124,502
Excess tax benefits from stock-based compensation					65,121	-	-
Other financing activities					230	255	(1,956)
Net cash provided by financing activities					1,091,630	3,076,990	4,048,527
Effect of exchange rate changes on cash, cash equivalents, and restricted cash					(9,165)	29,848	(39,682)
Net increase (decrease) in cash, cash equivalents, and restricted cash					(341,754)	1,355,219	989,246
Cash, cash equivalents, and restricted cash beginning of period					1,809,330	1,467,576	2,822,795
Cash, cash equivalents, and restricted cash end of period					\$ 1,467,576	\$ 2,822,795	\$ 3,812,041
<b>Non-GAAP free cash flow reconciliation:</b>							
Net cash used in operating activities					(1,473,984)	(1,785,948)	(2,680,479)
Acquisition of DVD content assets					(77,177)	(53,720)	(38,586)
Purchases of property and equipment					(107,653)	(173,302)	(173,946)
Change in other assets					(941)	(6,689)	(126,588)
<b>Non-GAAP free cash flow</b>					\$ (1,659,755)	\$ (2,019,659)	\$ (3,019,599)