BERNSTEIN
SOCIETE GENERALE GROUP

8 July 2026


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US Media & Telecom

Netflix Inc

Rating

Outperform

Price Target

NFLX **100.00 USD** (110.00 *OLD*)

NFLX Q2: More than a quarter - key debates heading into the print

There's a lot riding on Q2 as Netflix faces no shortage of near and longer-term questions—from Q2 engagement trends and potential revisions to 2026 margin guidance to the broader challenge of sustaining growth amid evolving consumer preferences and viewing behavior.

There are six (too many) key debates heading into the print:

Q2 surprise? Much of it is well-understood. WC26 likely further exacerbated seasonally softer Q2 engagement, creating an incremental headwind to subscriber growth during the quarter. The more important question is how much of the headwind is reflected in the company's 2026 outlook.

The high end of revenue guidance could be at risk. Net additions below high-teens million would likely make the upper end of Netflix's '26 revenue guidance (14%) more difficult to achieve and could create modest downside risk to EPS expectations. While it is reasonable to assume subscriber growth returns to a more normal cadence in 2H26 (ex-July headwind from WC26), it is less likely that growth can accelerate sufficiently to offset 1H headwinds.

Can advertising offset subscriber growth pressure? A softer subscriber trajectory could be mitigated by >$3B ad revenue, providing support to both revenue and EPS. While there is no reliable third-party data source to track Netflix's ad revenue, broader market conditions continue to point to healthy CTV ad demand, which should further support Netflix's ad business momentum. *Summary continues on the following page…*

Investment Implications

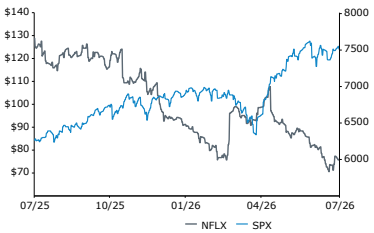
We maintain an Outperform rating for Netflix with a revised PT of $100 (-10). '26 EPS adj are due to subscriber growth pressure (-3M) from WC26, while our '27 adj reflects a reacceleration in subscriber growth (+4M) driven by the anticipated ad-tier expansion into 15 new markets. We also adjusted our valuation multiple down from 29x to 26x, to reflect challenges discussed weighing on investor sentiment in the foreseeable future.

Close Date	7 Jul 2026
NFLX Close Price (USD)	76.18
Price Target (USD)	100.00
Upside/(Downside)	31%
52-Week Range	129.50/70.86
SPX	7,503.85
FYE	Dec
Div Yield	NA
Market Cap (USD) (M)	320,779
EV (USD) (M)	325,232

Performance	YTD	1M	6M	12M
Absolute (%)	(18.8)	(7.3)	(16.0)	(40.9)
SPX (%)	9.6	1.6	8.4	20.4
Relative (%)	(28.4)	(8.9)	(24.5)	(61.4)

Source: Bloomberg, Bernstein estimates and analysis.

Price Performance, 1YR



Adjusted EPS	F25A	F26E	F27E
NFLX (USD)	2.53	**3.15**	**3.83**
OLD	--	3.20	3.80

Financials	F25A	F26E	F27E	CAGR
EBITDA (M)	13,660	16,721	19,863	--
Revenues (M)	45,183	51,329	57,434	--
EBIT (M)	13,327	16,341	19,449	--

Valuation Metrics	F25A	F26E	F27E
Adjusted P/E (x)	30.1	24.2	19.9
EV/EBITDA (x)	23.8	19.5	16.4
EV/EBIT (x)	24.4	19.9	16.7

Source: Bloomberg, Bernstein estimates and analysis.

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

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DETAILS

Summary continued…

Margin revision? It may not be the base case. Netflix has raised its full-year margin outlook alongside Q2 results over the past two years. If ad revenue is tracking ahead of expectations and content spending remains below $20B budget, a 50 bps + margin increase appears achievable despite slower subscriber growth. Conversely, maintain the current guide could be interpreted as confirmation that subscriber headwinds are significant enough to warrant waiting until Q3 for greater visibility—a scenario that would likely further weigh on sentiment.

What if Netflix discontinues the engagement report? Investor concern is growing around the possibility that Netflix may stop publishing its semiannual *What We Watched* engagement report, following the company's decision to pull subscriber metrics. While the rationale may be understandable, eliminating the report would further weigh on already challenged sentiment in the near-term.

Engagement has become a perennial debate and likely to remain one for years as consumer preferences and viewing behavior continue to evolve. This does not imply that long-form storytelling is in decline, but it does suggest that traditional long-form platforms must continue adapting to changing viewer behavior. With increasing uncertainties around both the "what" and the "how" to get there, M&A speculation is likely to persist (and Netflix *should* explore options). Until investors gain greater confidence on the future state, a narrative centered on PxQ and a steady drumbeat of EPS growth may prove insufficient to sustain a premium valuation multiple.

RECENT RELEVANT NOTES

7 Jul 2026 - US Media: The cost of growth - the return of rising content spend

30 Jun 2026 - Comcast (CMCSA): The Optionality Spin

23 Jun 2026 - Netflix: At 52-lows, we expect continued near-term volatility

4 Jun 2026 - Netflix: Messy Near-Term Narrative, but a Durable Engine

22 May 2026 - Weekend Media Blast: The Battle of 16:9 vs 9:16

20 May 2026 - State of the Media Industry (1Q26): Industry grows with steady margins - calm before the storm?

14 May 2026 - Netflix to launch AVOD-tier in 15 more countries in 2027 - more about 'Q' than $

17 Apr 2026 - Netflix 1Q26: Streaming Growth, Buffering Margins?

1 Apr 2026 - NFLX: Deconstruction of Netflix's content spend and implications on '26 EPS

27 Mar 2026 - NFLX: Price hike secures double-digit revenue growth in '26

19 Mar 2026 - NFLX: Engagement - more nuanced than the headline

12 Mar 2026 - NFLX: What is the range of EPS upside for 2026?

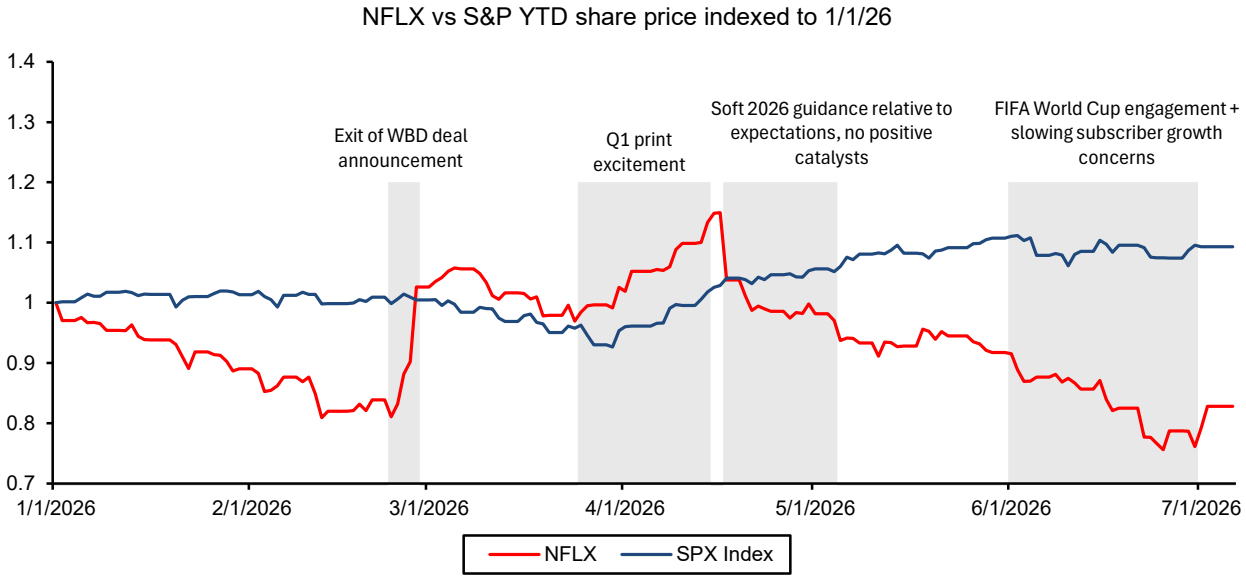
4 Mar 2026 - State of the Media Industry (4Q25): Margin pressure on deck

NETFLIX'S STOCK PERFORMANCE AND STORY HEADING INTO Q2

Netflix shares have had a rough 2026, down roughly ~19% on an absolute basis and underperforming the broader market by ~30% YTD. Coming into the year, the WBD M&A overhang kept shares pressured. When Netflix walked away from the bid, shares had a sharp recovery and steadily re-rated higher as investors refocused on the fundamentals heading into Q1. However, management's reiteration of a soft full-year outlook during Q1 sent shares lower again. The stock has drifted steadily lower over the past three months as concerns around engagement and subscriber growth pressures from the FIFA World Cup weighed on

the narrative. NFLX hit a 52-week low in late June and currently trades at ~20x '27 Consensus EPS (Exhibit 1).

EXHIBIT 1: **NFLX stock has underperformed the market**



Source: Bloomberg, Bernstein analysis

FY26 GUIDANCE: RISKS AND OFFSETS

Netflix's full-year revenue guidance of 12% –14% YoY growth rests on subscriber growth, pricing, and projected doubling of ad revenue to ~$3B. With the March 2026 price hike now fully in effect, and advertising expectations set, hitting the top end of the guidance range likely requires net subscriber additions of roughly 20-23M for the year, implying around ~7% membership growth (Exhibit 4). The concern heading into Q2 is whether 1H subscriber growth has tracked to that pace. Engagement pressures from the FIFA World Cup, have raised questions about whether Netflix subscriber growth has been slower. Without a clear catalyst or a particularly strong content slate in the back half of the year, we view an acceleration in H2 subscriber growth to bridge any 1H shortfall as unlikely.

That said, we think advertising strength could be a factor allowing management to emphasize the top end of the guidance even if subscriber growth is tracking below expectations. The ad tier continues to demonstrate strong subscriber momentum and increasing scale + ad market tailwinds may help Netflix outperform expectations and make up for subscriber softness. And as discussed in a recent note, we believe the advertising business carries high contribution margins, and incremental revenues above the target would be highly accretive to EPS (Exhibit 2).

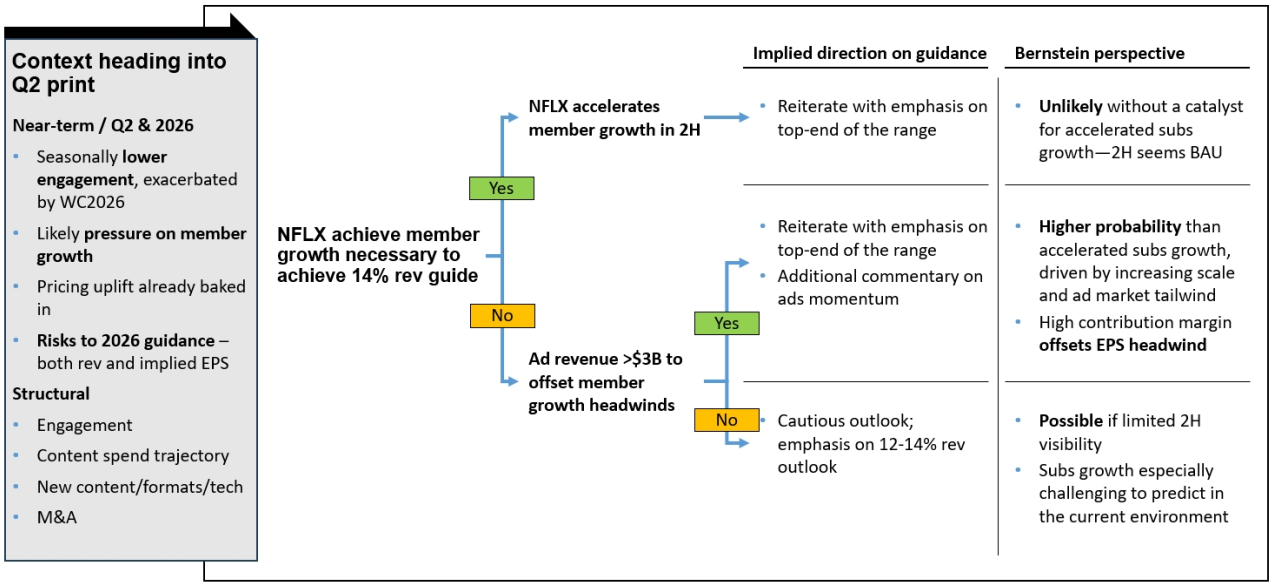
We also see that management has established a track record of guiding conservatively on margins and revising upward as the year progresses (Exhibit 5), and for FY26, we believe upward revisions to margins can be driven by advertising contribution and content cost timing. On the ad side, as discussed, incremental revenue above the $3B target carries high contribution margins and flows to the bottom line.

On content, management guided full year content amortization growth of ~10%, front loaded into the first half, with Q2 explicitly flagged as the peak growth quarter before decelerating to mid-to-high single digits in H2. 1Q results came in on track with that envelope, though Q2 through H2 results may still yield lower than expected full year results (as discussed in a previous note). Looking at historical quarterly content allocation pattern and the timing of expenses, a Q2 content amortization growth rate in the low-to-mid-teens YoY is consistent with management's guidance and prior seasonal patterns (Exhibit 6). A result that comes in below that range or a steeper deceleration in H2 would be a direct tailwind to margins and EPS.

Overall, slower-than-expected member growth is the clearest near-term risk — if 1H subscriber trends have tracked below the implied ~20–25M net add pace, the market is likely to react negatively. However, we think the setup has meaningful positive

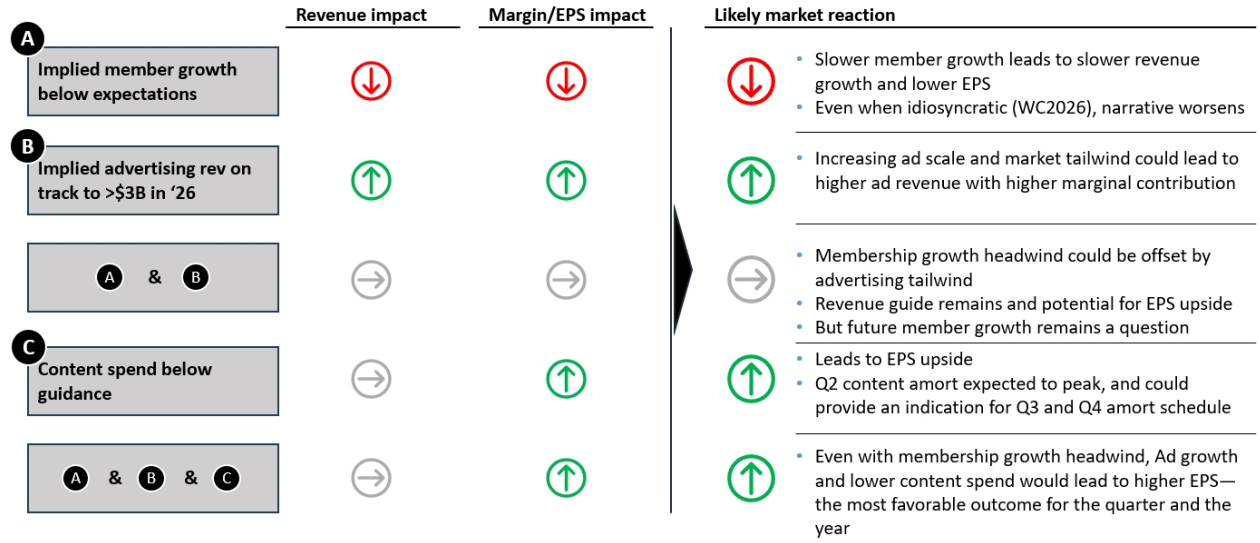
offsets. Stronger-than-expected advertising revenue and/or lighter content costs could allow management to reiterate full-year revenue guidance with an emphasis on the top end of the range, while also supporting an upward margin guidance revision (Exhibit 3). In that scenario, the stock has a clear path to a positive reaction off already depressed levels.

EXHIBIT 2: **If subscriber growth has fallen below expectations in 1H, we believe advertising strength could still help reach the top end of revenue guidance for the year**



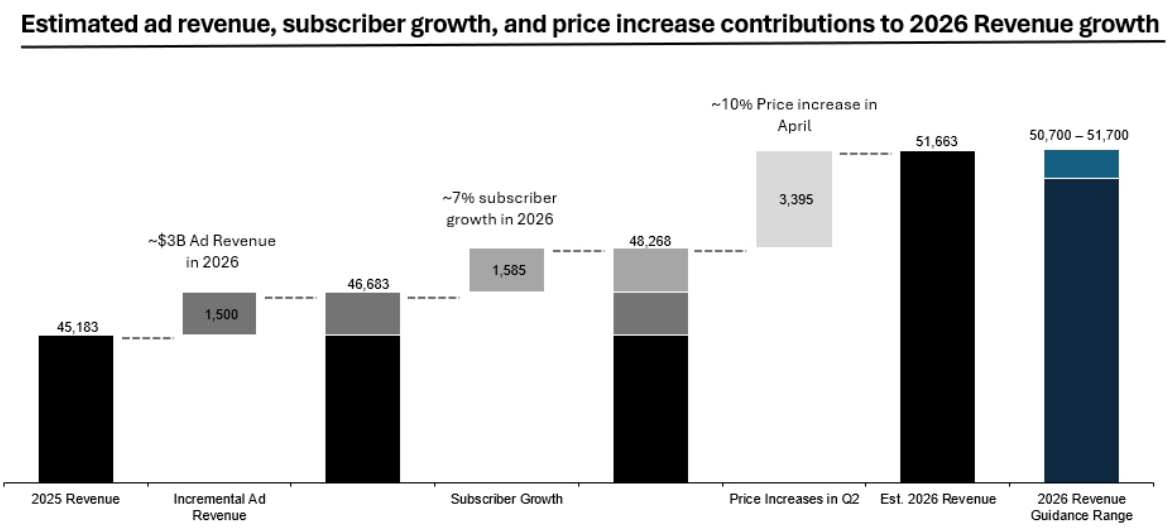
Source: Bernstein analysis

EXHIBIT 3: **A postitive reaction for the stock can be driven by updated guidance on advertising and/or lower content costs leading to higher margins**



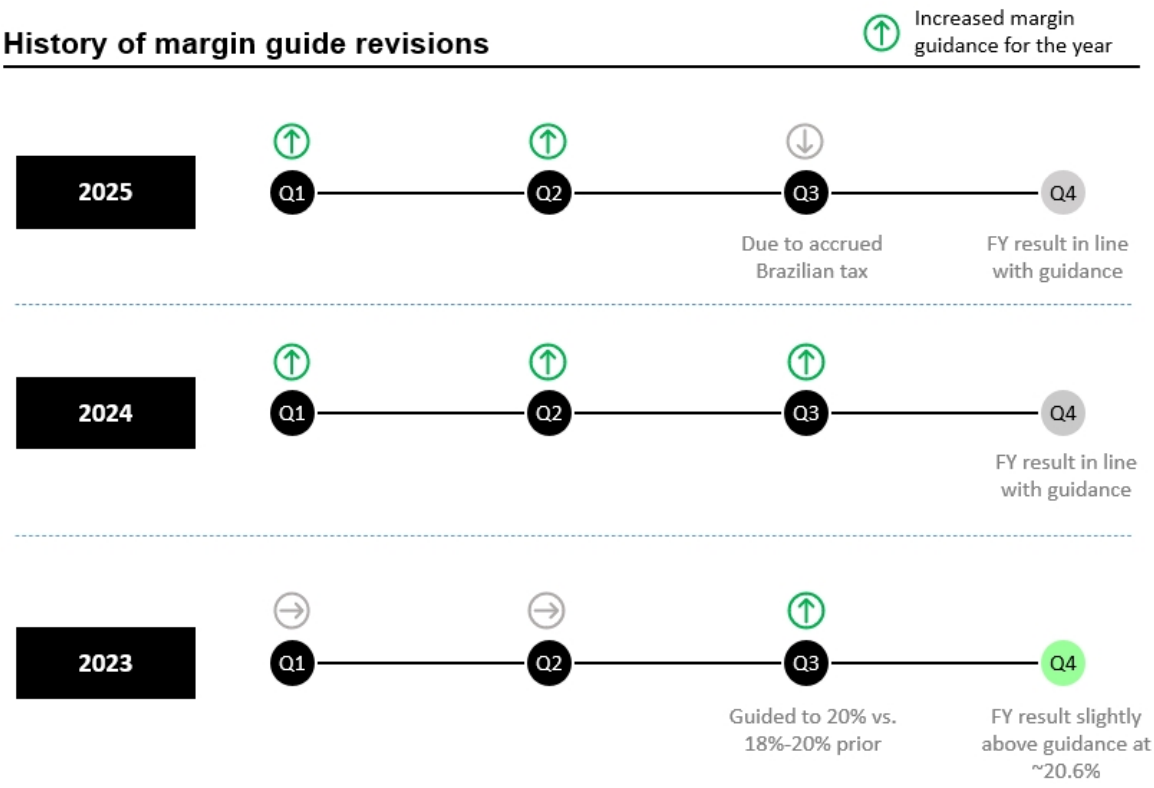
Source: Bernstein analysis

EXHIBIT 4: **Subscriber growth is estimated to be ~7% in order to reach the high end of revenue guidance. However, there is risk to that number as sports engagement (FIFA) may be pressuring NFLX subscriber growth**



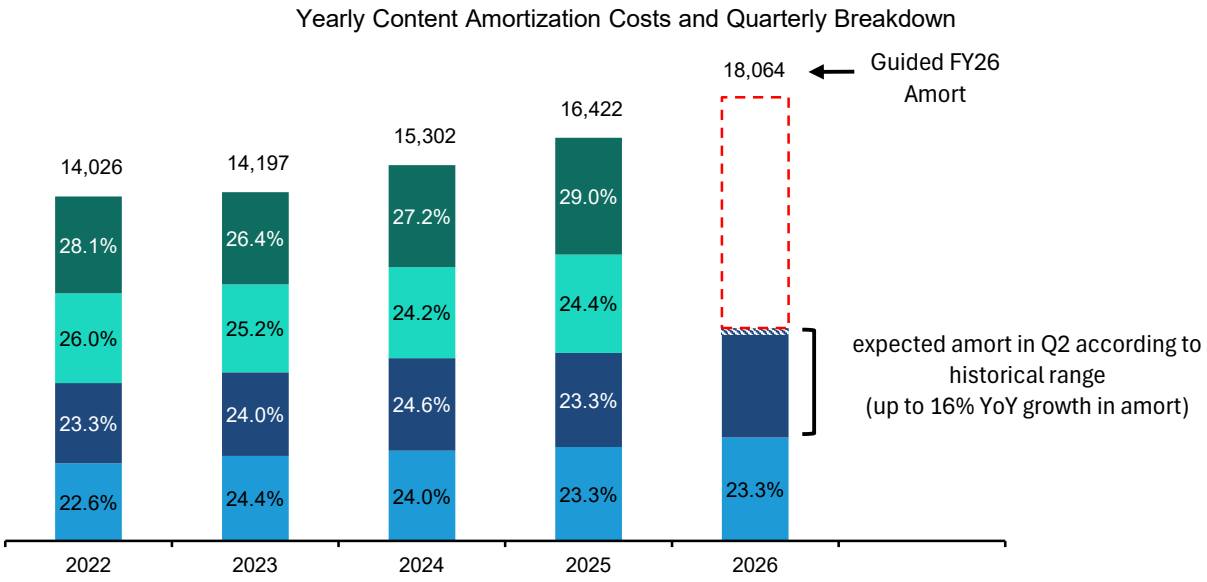
Source: Bernstein analysis

EXHIBIT 5: **Management has made upwards revisions on margins during Q2 for the past two years**



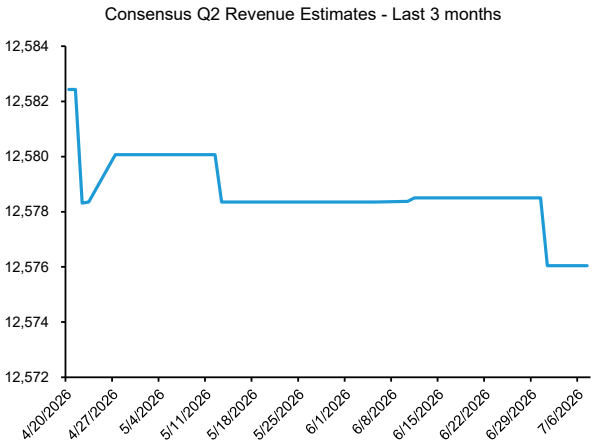
Source: Company reports, Bernstein analysis

EXHIBIT 6: **Amortization costs are expected to grow up to 16% in Q2 based off of historical timing of content expenses and assuming the full amortiztion envelope guidance**



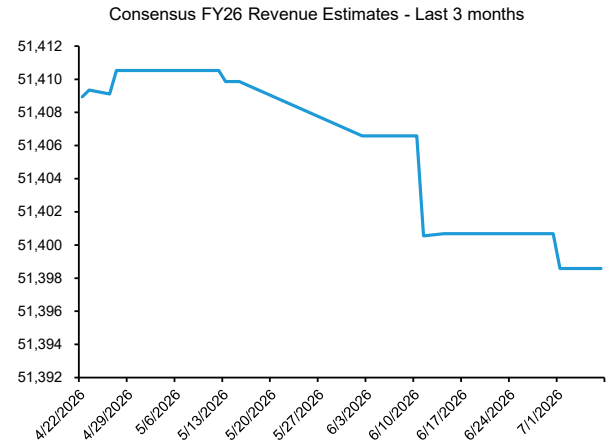
Source: Company reports, Bernstein analysis

EXHIBIT 7: **Over the past 3 months consensus revenue for Q2 has come down only slightly**



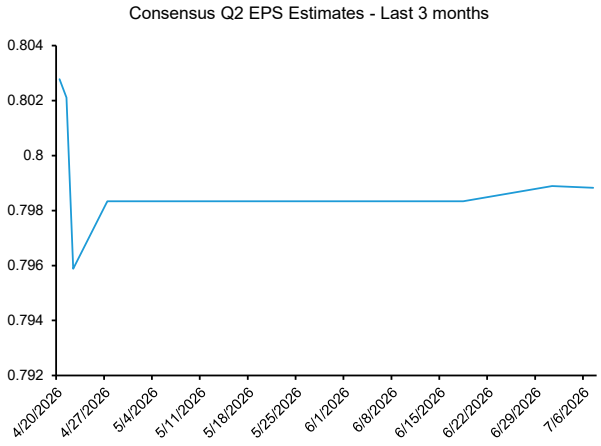
Source: Bloomberg, Bernstein analysis

EXHIBIT 8: **Over the past 3 months consensus revenue for FY26 has come down only slightly**



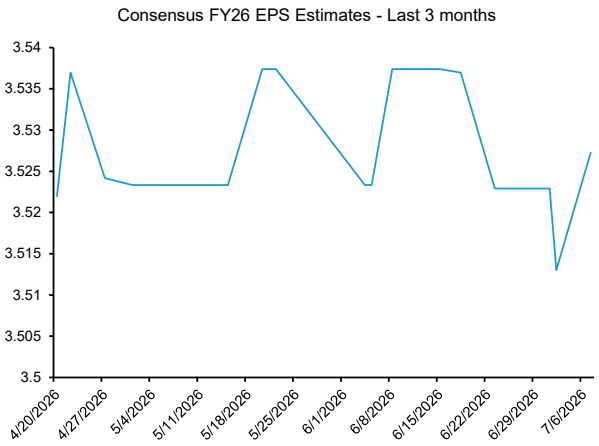
Source: Bloomberg, Bernstein analysis

EXHIBIT 9: **On the other hand Q2 EPS estimates has remained flat**



Source: Bloomberg, Bernstein analysis

EXHIBIT 10: **FY26 EPS estimates have also remained flat**



Source: Company reports, Bernstein analysis

APPENDIX - FINANCIAL FORECASTS

EXHIBIT 11: **NFLX Financial Summary**

in millions except per share and percentage data

NFLX	1Q26	2Q26E	3Q26E	4Q26E	FY2025	FY2026E	FY2027E
GAAP INCOME STATEMENT							
Revenue	**12,250**	**12,547**	**12,986**	**13,546**	**45,183**	**51,329**	**57,434**
Cost of Revenue	5,888	6,150	6,451	6,843	23,275	25,332	27,459
Marketing expense	842	788	845	1,208	3,301	3,683	4,027
Technology and development	960	934	911	946	3,391	3,751	4,081
General and administrative	603	565	517	539	1,888	2,223	2,418
Total Expenses	**8,293**	**8,436**	**8,723**	**9,536**	**31,856**	**34,988**	**37,986**
EBIT	**3,957**	**4,112**	**4,263**	**4,009**	**13,327**	**16,341**	**19,449**
D&A	99	91	94	98	333	381	415
EBITDA	**4,056**	**4,202**	**4,357**	**4,107**	**13,660**	**16,721**	**19,863**
Other Expenses (Benefits)	-1,326	696	885	671	2,345	926	3,296
Net Income	**5,283**	**3,415**	**3,378**	**3,338**	**10,981**	**15,414**	**16,152**
Weight Avg. Diluted Shares	4,298	4,283	4,268	4,253	4,344	4,276	4,216
GAAP EPS (Diluted)	**1.23**	**0.80**	**0.79**	**0.78**	**2.53**	**3.60**	**3.83**
Adj. EPS (Diluted)	**0.78**	**0.80**	**0.79**	**0.78**	**2.53**	**3.15**	**3.83**
GAAP Margins:							
Gross Margin	52%	51%	50%	49%	48%	51%	52%
EBIT Margin	32%	33%	33%	30%	29%	32%	34%
EBITDA Margin	33%	33%	34%	30%	30%	33%	35%
Y/Y Growth (GAAP):							
Revenue	16%	13%	13%	12%	16%	14%	12%
BALANCE SHEET & CASH FLOW							
Cash and Cash Equivalents	12,260	14,589	15,336	16,687	9,034	16,687	23,518
Content assets, net	33,376	33,376	34,098	34,498	32,778	34,498	36,437
Property and equipment, net	2,148	2,234	2,323	2,415	2,004	2,415	2,809
All other	13,232	12,030	12,425	13,117	11,781	13,117	14,834
Total Assets	**61,016**	**62,229**	**64,181**	**66,717**	**55,597**	**66,717**	**77,598**
Streaming content liabilities	5,679	5,679	5,679	5,679	5,664	5,679	5,679
All other	24,211	23,295	23,151	23,625	23,317	23,625	24,679
Total Liabilities	**29,890**	**28,974**	**28,830**	**29,304**	**28,982**	**29,304**	**30,358**
SBC-Adj. FCF	**4,954**	**3,615**	**2,029**	**2,628**	**9,093**	**13,226**	**13,156**
SBC-Adj. FCF Margin	40%	29%	16%	19%	20%	26%	23%

Source: Company reports, Bernstein estimates & analysis

BERNSTEIN TICKER TABLE

			7 Jul 2026		TTM	Adjusted EPS				Adjusted P/E (x)	
			Closing	Price	Rel.						
Ticker	Rating	Cur	Price	Target	Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
NFLX (Netflix)	O	USD	76.18	**100.00**	(61.4)%	USD	2.53	**3.15**	**3.83**	30.1	24.2	19.9
OLD				110.00				3.20	3.80			
SPX			7,503.85									

PRICE TARGET CHANGE / ESTIMATE CHANGE IN BOLD

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

Source: Bloomberg, Bernstein estimates and analysis.

I. REQUIRED DISCLOSURES

References to "Bernstein" or the “Firm” in these disclosures relate to the following entities: Bernstein Institutional Services LLC (April 1, 2024 onwards), Sanford C. Bernstein & Co., LLC (pre April 1, 2024), Bernstein Autonomous LLP, BSG France S.A. (April 1, 2024 onwards), Sanford C. Bernstein (Hong Kong) Limited 盛博香港有限公司, Sanford C. Bernstein (Canada) Limited, Sanford C. Bernstein (India) Private Limited (SEBI registration no. INH000006378), Sanford C. Bernstein (Singapore) Private Limited, Sanford C. Bernstein Japan KK（サンフォード・C・バーンスタイン株式会社）and analysts employed by Société Générale Africa Technologies & Services to produce Bernstein research under a Global Services Agreement in place between Bernstein and Société Générale.

Bernstein is part of a joint venture between Société Générale (SG) and AllianceBernstein, L.P. (AB). Unless specifically noted otherwise, for purposes of these disclosures, references to Bernstein’s “affiliates” relate to both SG and AB and their respective affiliates.

VALUATION METHODOLOGY

Netflix Inc

We value NFLX’s shares at an implied 26x multiple (rounded) on FY27 EPS estimates of $3.83 (PT of $100). Two key assumptions are ’27E EPS of $3.83 and 26x (rounded) EPS multiple.

RISKS

Netflix Inc

Downside risks: - AVOD does not lift ARM in UCAN as much as expected. Digital advertising may not recover as quickly or as strongly as we modeled which could lead to lower ARM, particularly in UCAN. Netflix could lose subscribers as streaming gets increasing competitive. Streaming is getting increasingly competitive with big tech investing more in the space. Competition from social platforms with user generated content. Short form videos are taking users eyeballs, which could have a long term impact on engagement.

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

EQUITY RATINGS DEFINITIONS

Bernstein brand

The Bernstein brand rates stocks based on forecasts of relative performance for the next 12 months versus the S&P 500 for stocks listed on the U.S. and Canadian exchanges, versus the Bloomberg Europe Developed Markets Large and Mid Cap Price Return Index EUR (EDME) for stocks listed on the European exchanges and emerging markets exchanges outside of the Asia Pacific region, versus the Bloomberg Japan Large and Mid Cap Price Return Index USD (JPL) for stocks listed on the Japanese exchanges, and versus the Bloomberg Asia ex-Japan Large and Mid Cap Price Return Index (ASIAX) for stocks listed on the Asian (ex-Japan) exchanges -unless otherwise specified.

The Bernstein brand has three categories of ratings:

- Outperform: Stock will outpace the market index by more than 15 pp
- Market-Perform: Stock will perform in line with the market index to within +/-15 pp
- Underperform: Stock will trail the performance of the market index by more than 15 pp

Coverage Suspended: Coverage of a company under the Bernstein research brand has been suspended. Ratings and price targets are suspended temporarily, are no longer current, and should therefore not be relied upon.

Not Rated: A rating assigned when the stock cannot be accurately valued, or the performance of the company accurately predicted, at the present time. The covering analyst may continue to publish research reports on the company to update investors on events and developments.

Not Covered (NC) denotes companies that are not under coverage.

Bernstein brand stock ratings are based on a 12-month time horizon.

Autonomous brand – common stocks

The Autonomous brand rates common stocks as indicated below. As our benchmarks we use the Bloomberg Europe 500 Banks And Financial Services Index (BEBANKS) and Bloomberg Europe Dev Mkt Financials Large and Mid Cap Price Ret Index EUR (EDMFI) index for developed European banks and Payments, the Bloomberg Europe 500 Insurance Index (BEINSUR) for European insurers, the S&P 500 and S&P Financials for US banks and Payments coverage, S5LIFE for US Insurance, the S&P Insurance Select Industry (SPSIINS) for US Non-Life Insurers coverage, and the Bloomberg Emerging Markets Financials Large, Mid and Small Cap Price Return Index (EMLSF) for emerging market banks and insurers and Payments. Ratings are stated relative to the sector (not the market).

The Autonomous brand has three categories of common stock ratings:

- Outperform (OP): Stock will outpace the relevant index by more than 10 pp
- Neutral (N): Stock will perform in line with the market index to within +/-10 pp
- Underperform (UP): Stock will trail the performance of the relevant index by more than 10 pp

Coverage Suspended: Coverage of a company under the Autonomous research brand has been suspended. Ratings and price targets are suspended temporarily, are no longer current, and should therefore not be relied upon.

Not Rated: A rating assigned when the stock cannot be accurately valued, or the performance of the company accurately predicted, at the present time. The covering analyst may continue to publish research reports on the company to update investors on events and developments.

Those denoted as 'Feature' (e.g., Feature Outperform FOP, Feature Under Outperform FUP) are our core ideas.

Not Covered (NC) denotes companies that are not under coverage.

Autonomous brand common stock ratings are based on a 12-month time horizon.

Autonomous brand – preferred stocks

The Autonomous brand has three categories of preferred stock ratings:

- Outperform (OP): The total return of the preferred instrument is expected to outperform preferred securities of other issuers operating in similar sectors or rating categories over the next six months.
- Neutral (N): The total return of the preferred instrument is expected to perform in line with preferred securities of other issuers operating in similar sectors or rating categories over the next six months.
- Underperform (UP): The total return of the preferred instrument is expected to underperform preferred securities of other issuers operating in similar sectors or rating categories over the next six months.

Autonomous preferred stock ratings are based on a 6-month time horizon.

AUTONOMOUS CREDIT RESEARCH

Where this report contains investment recommendations for credit instruments, as defined in article 3(1)(35) of the Market Abuse Regulation, the information below is presented to comply with its disclosure requirements.

The report may also include reference(s) to published opinions by other Autonomous or Bernstein analysts covering the equity securities of the issuer(s) referenced herein. Please note an investment recommendation for credit instruments published by the author(s) of this report may differ from the published view of the analyst covering equity securities for the issuer(s) contained in this report and vice versa.

CREDIT RATINGS DEFINITIONS

The Autonomous brand has three categories of credit ratings:

- Credit Outperform (C-OP): The total return of the Reference Credit Instrument is expected to outperform the credit spread of bonds of other issuers operating in similar sectors or rating categories over the next six months.
- Credit Neutral (C-N): The total return of the Reference Credit Instrument is expected to perform in line with the credit spread of bonds of other issuers operating in similar sectors or rating categories over the next six months.
- Credit Underperform (C-UP): The total return of the Reference Credit Instrument is expected to underperform the credit spread of bonds of other issuers operating in similar sectors or rating categories over the next six months.

Autonomous credit ratings are based on a 6-month time horizon.

A list of all investment recommendations produced by the author(s) of this report alongside credit ratings history are available upon request.

It is at the sole discretion of the Firm as to when to initiate, update and cease research coverage. The Firm has established, maintains and relies on information barriers to control the flow of information contained in one or more areas (i.e. the private side) within the Firm, and into other areas, units, groups or affiliates (i.e. public side) of the Firm

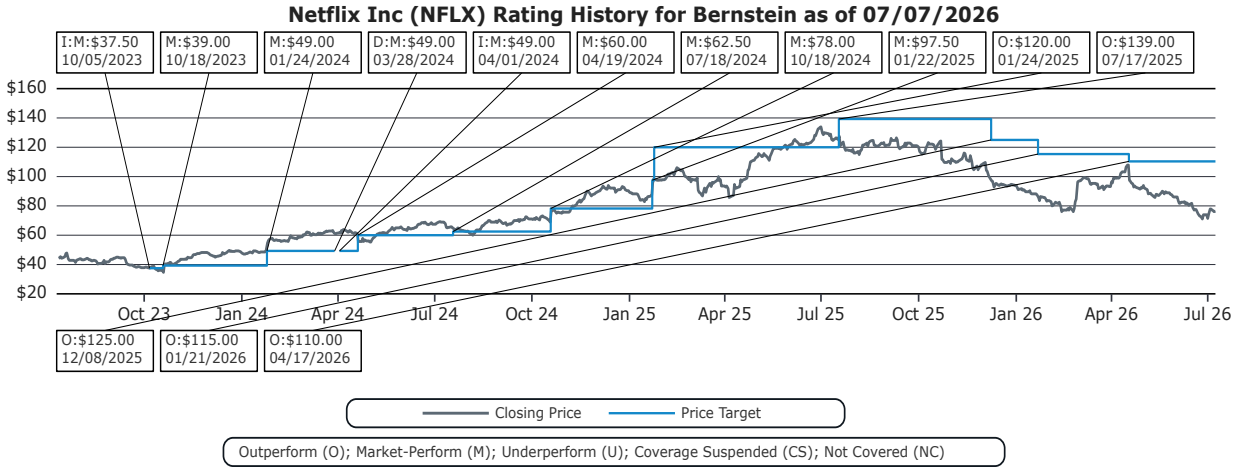
DISTRIBUTION OF EQUITY RATINGS/INVESTMENT BANKING SERVICES

Equity Rating	Market Abuse Regulation (MAR) and FINRA Rating Category	Global Rating Distribution	Investment Banking Relationships*
Outperform	BUY	51.2%	15.3%
Market-Perform (Bernstein Brand) Neutral (Autonomous Brand)	HOLD	35.8%	16.2%
Underperform	SELL	13.1%	13.6%

* These figures represent the percentage of companies within each equity rating category for which affiliates of Bernstein have provided investment banking services within the previous 12 months.
As of June 30, 2026. All figures are updated quarterly.

PRICE CHARTS / RATINGS AND PRICE TARGET HISTORY

Prior to April 1, 2024, Sanford C. Bernstein & Co., LLC. issued the ratings and price target information in the graph(s) below for the following companies: Netflix Inc.



All price target and closing price data in the chart(s) above are denominated in the currency noted in the Ticker Table of this report.

CONFLICTS OF INTEREST

Bernstein Autonomous LLP or BSG France SA, beneficially, has either a net long or short position of 0.5% or more of the total issued share capital of a class of common equity securities of the following MiFID eligible securities: Netflix Inc.

An affiliate of Bernstein has received compensation for non-investment banking securities-related products or services in the previous twelve months from the following clients: Netflix Inc.

Bernstein and/or affiliates have received compensation for non-investment banking securities-related products or services in the previous twelve months from the following clients: Netflix Inc.

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