Netflix Inc. (NFLX)

Q3'26 Earnings Review: Debates Around Engagement and Forward Operating Trajectory Remain but Risk/Reward on a 12-Month View Presents as Compelling

NFLX	12m Price Target: **$84.00**	Price: **$68.69**	Upside: **22.3%**

BUY

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Netflix's Q3'26 earnings report and management commentary reflected a few key themes: a) mgmt continues to emphasize on the back of both an above Street/GS Q3 report and a slightly below Q4 guide (albeit one that might prove conservative) that the long-term growth algorithm that the company has framed remain intact – driven by a balance of member growth, pricing action & advertising revenue (in total an ability to sustain double-digit revenue growth levels – of which many investors increasingly question the sustainability of that trend); b) US content success and engagement trends are an area where mgmt has a renewed focus to align UCAN operating performance with success seen globally (with a mixture of talent changes and forward content pipeline highlighted as examples to track going forward) – this likely remains the key debate point among investors to drive stock performance from current levels; c) advertising performance for 2026 will likely produce an outcome below prior forecast with mgmt citing a mix of ad product timelines and 3rd party integration of ad products and measurement capabilities as the headwinds to be overcome as we exit 2027 – medium to long term this is an area of NFLX's business mix (despite tonight's disappointment) that we continue to believe is underappreciated and under modeled on a multiple year view as the quality and scale of its 1st party data, innovative ad formats, and a rising mix of live content can sustain multi-year levels of revenue growth adding to mix & d) incremental investments in content remain focused on scaling live content, licensing deals and 3rd party content aggregation which seems more evolution than revolution of its broader content strategy – but we would anchor this point that the majority of spend remains focused on original content that creates platform competitive advantages.

Short term, we would expect investor focus to remain on the variables on go forward engagement trends coupled with an initial framing of revenue growth and margin trajectory for 2027 (to be given on the next quarterly earnings in January). In our view, taking a

Key Data

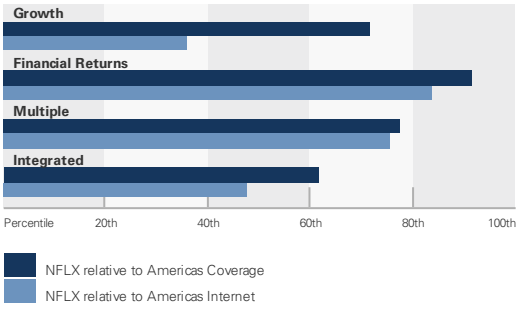
Market cap: $288.2bn
Enterprise value: $294.4bn
3m ADTV: $2.6bn
United States
Americas Internet
M&A Rank: 3

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue ($ mn) New	**45,183.0**	**51,133.2**	**57,168.3**	**63,811.0**
Revenue ($ mn) Old	45,183.0	51,347.1	57,410.0	64,083.7
EBITDA ($ mn)	14,647.4	17,062.3	19,558.6	22,604.7
EBIT ($ mn)	13,326.6	16,109.7	18,477.1	21,419.6
EPS ($) New	**2.53**	**3.59**	**3.72**	**4.50**
EPS ($) Old	2.53	3.58	3.77	4.55
P/E (X)	43.4	19.1	18.5	15.3
Dividend yield (%)	–	–	–	–
Net debt/EBITDA (X)	0.4	0.4	0.3	(0.1)

	9/26	12/26E	3/27E	6/27E
EPS ($)	0.87	0.68	0.88	0.89

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

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BUY

Netflix Inc. (NFLX)

Rating since Apr 5, 2026

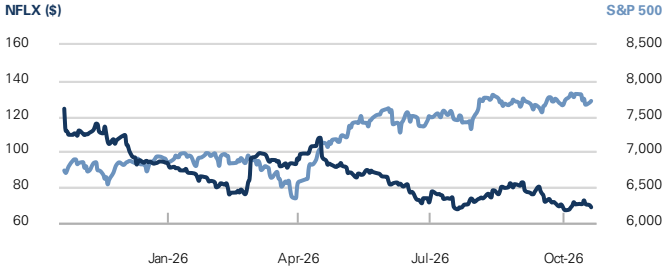
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	43.4	19.1	18.5	15.3
EV/EBITDA (X)	32.2	17.1	14.3	11.7
EV/sales (X)	10.4	5.7	4.9	4.1
FCF yield (%)	2.0	4.5	4.6	5.8
EV/DACF (X)	41.7	18.6	18.7	15.0
CROCI (%)	37.1	50.2	43.8	47.8
ROE (%)	42.8	53.8	48.1	46.2
Net debt/EBITDA (X)	0.4	0.4	0.3	(0.1)
Net debt/equity (%)	20.4	20.8	16.9	(3.8)
Interest cover (X)	17.2	18.9	21.2	26.3
Inventory days	NM	NM	NM	NM
Receivable days	NM	NM	NM	NM
Days payable outstanding	14.1	13.3	13.1	13.3

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	15.9	13.2	11.8	11.6
EBITDA growth	27.1	21.1	14.9	15.9
EPS growth	27.5	42.0	3.7	20.8
DPS growth	NM	NM	NM	NM
Gross margin	48.5	50.6	51.4	52.5
EBIT margin	29.5	31.5	32.3	33.6

Price Performance



	3m	6m	12m
Absolute	1.6%	(27.6)%	(44.5)%
Rel. to the S&P 500	(1.9)%	(33.2)%	(51.6)%

Source: FactSet. Price as of 20 Oct 2026 close.

Income Statement ($ mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	45,183.0	51,133.2	57,168.3	63,811.0
Cost of goods sold	(23,275.3)	(25,263.8)	(27,790.3)	(30,339.8)
SG&A	(8,581.1)	(9,759.7)	(10,900.8)	(12,051.6)
R&D	–	–	–	–
Other operating inc./(exp.)	–	–	–	–
EBITDA	**13,660.0**	**16,535.7**	**19,005.7**	**22,024.1**
Depreciation & amortization	(333.4)	(426.0)	(528.6)	(604.5)
EBIT	**13,326.6**	**16,109.7**	**18,477.1**	**21,419.6**
Net interest inc./(exp.)	(776.5)	(854.3)	(873.2)	(814.9)
Income/(loss) from associates	–	–	–	–
Pre-tax profit	**12,722.6**	**18,251.5**	**17,798.8**	**20,802.0**
Provision for taxes	(1,741.4)	(3,082.2)	(2,669.8)	(3,120.3)
Minority interest	–	–	–	–
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**10,981.2**	**15,169.3**	**15,129.0**	**17,681.7**
Net inc. (post-exceptionals)	**10,981.2**	**15,169.3**	**15,129.0**	**17,681.7**
EPS (basic, pre-except) ($)	**2.58**	**3.65**	**3.78**	**4.57**
EPS (diluted, pre-except) ($)	**2.53**	**3.59**	**3.72**	**4.50**
EPS (ex-ESO exp., dil.) ($)	**--**	**--**	**--**	**--**
DPS ($)	–	–	–	–
Div. payout ratio (%)	0.0	0.0	0.0	0.0
Wtd avg shares out. (basic) (mn)	4,249.5	4,159.0	4,003.7	3,872.3
Wtd avg shares out. (diluted) (mn)	4,343.9	4,226.3	4,064.4	3,932.9

Balance Sheet ($ mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	9,033.7	8,934.8	7,096.6	12,751.8
Accounts receivable	–	–	–	–
Inventory	–	–	–	–
Other current assets	3,986.5	5,045.0	5,598.2	6,243.8
Total current assets	**13,020.2**	**13,979.7**	**12,694.8**	**18,995.7**
Net PP&E	2,004.4	2,684.9	3,112.8	3,483.9
Net intangibles	32,778.4	34,536.7	37,161.5	39,856.3
Total investments	0.0	0.0	0.0	0.0
Other long-term assets	7,794.1	8,662.9	9,618.4	10,733.4
Total assets	**55,597.0**	**59,864.3**	**62,587.4**	**73,069.2**
Accounts payable	900.6	941.5	1,049.7	1,159.3
Short-term debt	998.9	–	–	–
Current lease liabilities	460.5	431.4	431.4	431.4
Other current liabilities	8,621.0	8,996.4	10,036.2	11,249.6
Total current liabilities	**10,980.9**	**10,369.3**	**11,517.3**	**12,840.3**
Long-term debt	13,464.0	15,132.4	12,714.4	11,114.4
Non-current lease liabilities	2,052.5	1,899.0	1,899.0	1,899.0
Other long-term liabilities	2,484.1	2,735.9	3,247.1	3,843.6
Total long-term liabilities	**18,000.6**	**19,767.3**	**17,860.5**	**16,857.0**
Total liabilities	**28,981.5**	**30,136.6**	**29,377.8**	**29,697.3**
Preferred shares	–	–	–	–
Total common equity	**26,615.5**	**29,727.8**	**33,209.7**	**43,371.9**
Minority interest	–	–	–	–
Total liabilities & equity	**55,597.0**	**59,864.3**	**62,587.4**	**73,069.2**
BVPS ($)	6.30	7.28	8.43	11.27

Cash Flow ($ mn)

	12/25	12/26E	12/27E	12/28E
Net income	10,981.2	15,169.3	15,129.0	17,681.7
D&A add-back	333.4	426.0	528.6	604.5
Minority interest add-back	–	–	–	–
Net (inc)/dec working capital	(456.2)	(1,299.5)	(495.6)	(595.0)
Others	(709.1)	(614.1)	(1,425.7)	(1,360.3)
Cash flow from operations	**10,149.3**	**13,681.7**	**13,736.2**	**16,330.8**
Capital expenditures	(688.2)	(937.7)	(956.4)	(975.5)
Acquisitions	–	–	–	–
Divestitures	–	–	–	–
Others	1,747.1	(552.5)	–	–
Cash flow from investing	**1,041.7**	**(2,076.0)**	**(956.4)**	**(975.5)**
Dividends paid	–	–	–	–
Share issuance/(repurchase)	(8,460.2)	(12,597.8)	(12,200.0)	(8,100.0)
Inc/(dec) in debt	(1,833.5)	992.6	(2,418.0)	(1,600.0)
Others	383.6	(49.3)	–	–
Cash flow from financing	**(9,962.0)**	**(11,704.7)**	**(14,618.0)**	**(9,700.0)**
Total cash flow	**1,228.9**	**(98.9)**	**(1,838.2)**	**5,655.3**
Free cash flow	9,461.1	12,744.1	12,779.8	15,355.3
Free cash flow per share (basic) ($)	2.23	3.06	3.19	3.97

Source: Company data, Goldman Sachs Research estimates.

step back, we see a topline growth and forward free cash flow per share narrative (supported by buyback levels as well) that leaves us Buy rated and increasingly seeing the risk/reward on the shares (from after-hours levels) as attractive over a 12-month time horizon. We remain constructive on our fundamental work that a combination of themes (user/member growth, pricing power (to address value delivered to members), a rising ad supported revenue stream, a balance of content investments, capital returns and a high bar for M&A) remain central to the NFLX thesis. We maintain our Buy rating & adjust our 12-month PT from $90 to $84 - this PT implies NFLX trading at ~17.4x / ~14.4x our revised 2027 and 2028 GAAP EPS estimates, respectively (compared to our 3-year estimated GAAP EPS CAGR of ~21% from 2025 to 2028).

Q3'26 Positives/Negatives

Positives: a) Q3 revenue, operating income, and GAAP EPS above prior guidance and GSe/street estimates with management citing timing of expenses and outperformance in subscription revenue growth (i.e. consistent churn despite price increases); b) Positive commentary around a strong 2027 content slate including Narnia, Bridgerton, Wednesday, NFL games, and the Women's World Cup in the US and Canada; & c) A continued strong pace of shareholder returns with Q3 buybacks of ~$4.8bn (vs $4.7B in Q2) and ~$22.3bn remaining on the existing authorization.

Negatives: a) Q4 Revenue, Operating Income, and EPS guide below prior GSe/Street expectations, and reduced FY FCF guide from $12.5bn to ~$12bn owing to a real estate transaction expected in Q4'26; b) FY2026 Advertising revenue guide of ~$2.7bn below prior guide of ~$3bn, with mgmt noting slower than expected rollout of some of its ad product capabilities owing to 3rd party integration delays that require more work between NFLX and its partners; & c) Acknowledgment from management that engagement in the US has room for improvement and that the company intends to focus on execution in the US after seeing slower growth despite a solid content slate.

Exhibit 1: Q3 '26 Actuals vs. Estimates
mm, except per share data

	Actuals	GS	Consensus	Guidance	Actuals vs. GS	Actuals vs. Cons	QoQ Change	YoY Change
Total Revenue	**$ 12,875**	**$ 12,868**	**$ 12,871**	*$12.860bn*	*0.1%*	*0.0%*	*2.5%*	*11.9%*
UCAN Revenue	$ 5,628	$ 5,554	$ 5,596		*1.3%*	*0.6%*	*3.6%*	*11.0%*
EMEA Revenue	$ 4,107	$ 4,143	$ 4,118		*-0.9%*	*-0.3%*	*1.8%*	*11.0%*
LatAM Revenue	$ 1,603	$ 1,618	$ 1,601		*-0.9%*	*0.1%*	*1.2%*	*16.9%*
APAC Revenue	$ 1,537	$ 1,553	$ 1,557		*-1.1%*	*-1.3%*	*1.8%*	*12.3%*
Operating Income	**$ 4,459**	**$ 4,276**	**$ 4,277**	*$4.268bn*	*4.3%*	*4.3%*		
% margin	*34.6%*	*33.2%*	*33.2%*	*33.2%*	*140 bps*	*141 bps*		
FCF	**$ 2,884**	**$ 3,890**	**$ 3,275**		*-25.9%*	*-11.9%*		
GAAP EPS	**$ 0.87**	**$ 0.82**	**$ 0.82**	*$0.82*	*6.1%*	*5.9%*		

Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

Q4'26 & FY2026 Estimate Changes

Q4'26: Total revenues of $13.45bn (from prior $13.67bn), operating income of $3.50bn (from prior $3.76bn), & GAAP EPS of $0.68 (from prior $0.73). **FY2026:** Total revenues of $51.13bn (from prior $51.35bn), operating income of $16.11bn (fro
$16.18bn), & GAAP EPS of $3.59 (from prior $3.58).



Exhibit 2: Q3 '26, 2026, 2027, & 2028 Estimate Changes
mm, except per share data

	Q4 2026			2026			2027			2028		
	Old	New	% Change	Old	New	% Change	Old	New	% Change	Old	New	% Change
Total Revenues	**$ 13,670**	**$ 13,449**	***-1.6%***	**$ 51,347**	**$ 51,133**	***-0.4%***	**$ 57,410**	**$ 57,168**	***-0.4%***	**$ 64,084**	**$ 63,811**	***-0.4%***
UCAN Revenues	$ 5,927	$ 5,847	*-1.4%*	$ 22,157	$ 22,151	*0.0%*	$ 24,304	$ 24,298	*0.0%*	$ 26,734	$ 26,728	*0.0%*
EMEA Revenues	$ 4,415	$ 4,337	*-1.8%*	$ 16,590	$ 16,476	*-0.7%*	$ 18,664	$ 18,536	*-0.7%*	$ 20,903	$ 20,760	*-0.7%*
LatAM Revenues	$ 1,680	$ 1,645	*-2.1%*	$ 6,379	$ 6,329	*-0.8%*	$ 7,304	$ 7,247	*-0.8%*	$ 8,290	$ 8,225	*-0.8%*
APAC Revenues	$ 1,648	$ 1,620	*-1.7%*	$ 6,221	$ 6,176	*-0.7%*	$ 7,138	$ 7,087	*-0.7%*	$ 8,156	$ 8,097	*-0.7%*
Operating Income	$ 3,757	$ 3,501	*-6.8%*	$ 16,183	$ 16,110	*-0.5%*	$ 18,776	$ 18,477	*-1.6%*	$ 21,757	$ 21,420	*-1.6%*
% margin	*27.5%*	*26.0%*	*-146 bps*	*31.5%*	*31.5%*	*-1 bps*	*32.7%*	*32.3%*	*-38 bps*	*34.0%*	*33.6%*	*-38 bps*
FCF	$ 2,464	$ 2,740	*11.2%*	$ 12,972	$ 12,244	*-5.6%*	$ 12,894	$ 12,780	*-0.9%*	$ 15,469	$ 15,355	*-0.7%*
Cash content spend	$ 5,244	$ 4,991	*-4.8%*	$ 19,947	$ 19,968	*0.1%*	$ 21,942	$ 21,765	*-0.8%*	$ 23,697	$ 23,507	*-0.8%*
GAAP EPS	$ 0.73	$ 0.68	*-6.9%*	$ 3.58	$ 3.59	*0.1%*	$ 3.77	$ 3.72	*-1.3%*	$ 4.55	$ 4.50	*-1.3%*

FY26 reported FCF and EPS benefitted from gross termination fee received of ~$2.8bn

Source: Goldman Sachs Global Investment Research

Valuation: Maintain Buy Rating; Lower PT to $84 (from $90)

Our $84 ($90 prior), 12-month price target is based on an equal blend of: (1) EV/GAAP EBITDA applied to our NTM + 1 year estimates and; (2) a modified DCF using EV/FCF-SBC multiple applied to our NTM + 4 years estimates discounted back 3 years. Specifically:

- 17.0x EV/GAAP EBITDA (from 20.0x prior) or 1.11x EV/GAAP EBITDA-to-growth (from 1.07x prior) applied to our NTM + 1 year estimates. We lower our absolute multiple to reflect reduced visibility into forward operating performance and apply a 17.0x multiple to maintain our prior ~1.1x multiple-to-growth ratio.
- 20.0x EV/FCF-SBC multiple (from 21.0x prior) or 1.10x EV/FCF-SBC-to-growth (from 1.13x prior) applied to our NTM + 4 years estimates discounted back 3 years at 12%. We lower our applied absolute multiple to reflect our lower confidence in NFLX's forward FCF trajectory and apply a 20.0x multiple to maintain our prior ~1.1x multiple-to-growth. The discount rate represents CAPM using the blended average of companies within our coverage universe consisting of: (1) 3% risk free rate (based on the normalized 10-year rate); (2) average beta of ~1.3; (3) equity risk premium of 7%.

Exhibit 3: NFLX Valuation Analysis
$mm except per share data

Scenario Analysis	Downside	Base	Upside
Valuation	$ 50	$ 84	$ 116
% upside/downside	*-23%*	*30%*	*79%*
GAAP EBITDA (NTM)	$ 15,592	$ 17,587	$ 18,933
EBITDA Margin %	28.0%	31.6%	34.0%
GAAP EBITDA (NTM + 1 year)	$ 19,866	$ 21,233	$ 22,349
EBITDA Margin %	32.0%	34.2%	36.0%
EV / EBITDA	10.0x	17.0x	22.5x
EBITDA CAGR	11.6%	15.4%	18.3%
EV / EBITDA to Growth	0.86x	1.11x	1.23x
Enterprise Value	$ 198,656	$ 360,968	$ 502,849
FCF-SBC (NTM + 4 yrs)	$ 21,650	$ 23,162	$ 24,981
FCF-SBC % of Sales	26.0%	27.8%	30.0%
EV / FCF-SBC	15.0x	20.0x	24.0x
FCF-SBC CAGR	15.5%	18.1%	21.2%
EV / FCF-SBC-to-Growth	0.97x	1.10x	1.13x
Discount Rate	15.0%	12.0%	10.0%
Discount Period (Years)	3	3	3
Enterprise Value (NTM + 3 years)	$ 324,750	$ 463,245	$ 599,539
Discounted Enterprise Value (NTM)	$ 213,529	$ 329,729	$ 450,443
Weightings			
EV derived from GAAP EBITDA	50%	50%	50%
EV derived from (FCF-SBC)	50%	50%	50%
Enterprise Value	$ 206,093	$ 345,348	$ 476,646
Capital Structure Adjustments			
Adjusted Net Debt - NTM Ending	$ 6,272	$ 6,272	$ 6,272
Adjusted Shares Outstanding	4,046	4,046	4,046

Source: Goldman Sachs Global Investment Research

Risks to our Buy rating include: subscriber growth (disappointing to the downside vs. our estimates); timing and magnitude of price increases and resulting impact on churn levels could result in lower operating estimates; slower than expected execution on ad-supported tier initiative; M&A and related risks (integration, execution, regulatory, etc.); and levels of industry competition & impact on subscriber growth, original content and consumer attention.