NETFLIX RESEARCH REPORT

FINANCE AND INVESTMENT CELL
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NETFLIX OVERVIEW

Netflix is the leading video streaming platform around the globe. Reed Hastings and Marc Randolph founded it on August 29, 1997, in Scotts Valley, California. Initially, Netflix operated as a DVD rental service, where customers could rent DVDs online and have them delivered to their homes via postal mail. It went public in 2002 by launching its Initial Public Offering (IPO) at a selling price of $1 per share under the NASDAQ ticker NFLX.

Netflix took the entertainment industry by storm by introducing a streaming service in 2007. This move allowed subscribers to instantly watch various movies and TV shows over the internet on different electronic devices, making their content one click away and doing away with the need for physical DVDs.

Over the years, Netflix has expanded its original content production, creating and distributing a wide range of content libraries called “Netflix Originals.” Some of the popular shows in its library include “Stranger Things," "The Crown," "House of Cards," "Black Mirror," and "The Witcher," among many others.

Netflix operates on a subscription-based model, offering different priced plans based on the number of screens and video quality. As of today, Netflix has over 260 million paid members in over 190 countries.

Netflix has numerous competitors, like Amazon Prime Video, Disney+ Hotstar, Hulu, HBO Max, SonyLiv, MX player, JioCinema, etc. This cutthroat competitive landscape makes Netflix’s original content and licensing indispensable to retain customers and maintain a competitive edge.

Netflix has been influential in shaping popular cultures, and its documentaries have witnessed some of the most controversial worldwide debates. Netflix’s role as an icebreaker on important issues is evidence of its contributions to revolutionising the way people consume entertainment content, offering a vast library of on-demand programming accessible across various devices with an internet connection.

In this report, we comprehensively analyze Netflix using various techniques, including PESTLE analysis and the BCG Matrix. Additionally, we examine the impact of the pandemic on the company's operations. Following this, we provide an overview of the market, key drivers, and competitors of Netflix. Finally, we conduct a DCF valuation to determine the company's value to conclude the report.

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PESTLE ANALYSIS

Political

- **Huge Loss of Potential Markets:** After the imposition of sanctions on Netflix for operating in North Korea, Syria, and Crimea by the government of the United States, there was a huge loss of potential markets.
- **EU Media Regulations:** The recent law passed by the European Union mandated that any media content provider operating within the EU produce at least 30% of content that is specifically European. Additionally, this law implies that Netflix will be subject to the same amount of tax as a traditional media provider, ranging from 0.5% to 26%. Consequently, Netflix users in the EU will have to pay a higher price to use the platform.
- **Netflix Suspends Operations in Russia:** In response to the ongoing conflict in Ukraine, Netflix made a strategic decision to suspend operations in Russia. This action aligned with the company's values and reflected broader industry trends in response to the geopolitical situation. It was determined that continuing service in Russia could potentially impact Netflix's brand reputation and financial standing.

Economic

- **Competition:** The competitive landscape of the streaming service industry has posed a challenge to the popularity and retention of Netflix originals, which comprise 55% of its total content.
- **Impact of Exchange Rate:** The operations of Netflix were also strongly impacted by the changes in exchange rates. For Netflix in 2022, 56% of revenue came from non-US currencies, resulting in a loss of $1,773 million due to fluctuations in the exchange rate.
- **Tax Controversy:** Netflix paid only 1.1% of US federal tax on its profits of $5.3 billion in 2021, using loopholes created by tax laws. The Build Back Better Act, signed into law by President Biden, stops this practice, impacting the profitability of companies like Netflix.

Social

- **Opportunities for low-income people:** Netflix has kept its promise of investing $100 million, equivalent to 2% of its cash holdings, into black-owned financial institutions and banks in the US. This investment will help boost social mobility and increase opportunities for people residing in low and moderate-income communities served by these organisations.

- **Immense Success:** Netflix's success in the US and UK can be attributed to the shift towards online streaming platforms. Nearly one-third of the UK population has switched to Netflix, and the trend has caused a significant impact on cable service providers in the US.
- **Widespread reach:** Netflix is gaining popularity due to the shift from larger screens to smartphones and tablets as the preferred devices for content consumption. It's the most used streaming platform, with continued growth in usage. Netflix offers content in 60+ languages, allowing users to access it worldwide.

Technological

Netflix users enjoy the dual advantages of high-quality videos with minimal data consumption. This feature gives Netflix the advantage of accessibility and viewer retention.

The following are the technical factors influencing Netflix's business:

- **Device Penetration:** The reach of Netflix-compatible devices such as smartphones, laptops, smart TVs, etc. is increasing exponentially, contributing to the popularity of Netflix.
- **Content Delivery Networks (CDNs):** Netflix viewers can stream high-quality content with fewer interruptions. Investing in or partnering with robust CDNs in various regions helps Netflix ensure consistent service quality.
- **Interactivity and User Engagement Tools:** Technologies enabling features like Netflix’s interactive episodes (e.g., “Black Mirror: Bandersnatch”) can ensure new forms of content that enhance user engagement.
- **Digital Marketing and Analytics Tools:** Advances in digital marketing technology allow Netflix to target potential subscribers better, retarget previous users, and understand user behaviour and preferences in depth.

Legal

The sudden hike in subscription prices led the company to have a conflict with its customers. Some dissatisfied customers even filed a class action against the company.

The legal factors affecting Netflix's business are the following:

- **Content Regulations:** Regulations like the European Union’s General Data Protection Regulation (GDPR) dictate how data can be stored, processed, and used. Different countries follow different content rules.
- **Copyright and Intellectual Property Laws:** Netflix spends billions annually obtaining licences to produce shows from original creators.

Hence, copyright infringement and piracy concerns need to be dealt with swiftly.

- **E-commerce and Digital Taxation:** Different nations have different taxes applicable to digital service providers. Such variations may affect Netflix's user-base expansion policies.
- **Competition and Anti-trust Laws:** Netflix, being one of the dominant players in many markets due to its content and streamlining popularity, must be wary of antitrust and competition laws, ensuring it does not engage in practices deemed anti-competitive.

Environmental

The company's recent investment in joining hands with the EPA showcases its willingness to shift to renewable energy.

The following environmental factors influence Netflix's business a lot:

- **Energy Consumption:** Data centres powering platforms like Netflix require significant amounts of energy. This energy's sources and efficiency can impact the company's operational costs and environmental footprint.
- **Carbon Footprint:** Netflix might face pressure to offset or reduce emissions, with growing awareness towards reducing carbon footprints.
- **E-Waste:** The continuous switching of devices by consumers to enjoy high-definition streaming leads to the generation of electronic waste as old devices are disposed of in huge numbers.
- **Content Influence:** Netflix is also responsible for impacting public opinion through the shows and content that it produces.

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BCG- Growth share matrix of Netflix

QUESTION MARKS

- **Netflix Gaming:** A huge questionable decision on Netflix's part was its expansion into the gaming industry in July 2021. They planned to offer mobile games to subscribers at no additional cost. Although this decision was innovative, it faced strong competition from other established players, such as Apple and Google.
- **Netflix Live Events**: In 2022, Netflix began exploring live events. The company has already experimented with events such as the virtual 'Tudum' fan festival, but it has not shown any results.
- Despite the growth potential, both Netflix gaming and Netflix live events account for a relatively low market share. Both of these segments account for less than 5% of total revenue, as per the financial information for 2022. Netflix must invest more in these segments to prevent them from turning into “Dog” products. It can also explore strategic partnerships with established players to gain access to a wider audience and increase market share.
- Netflix’s international expansion efforts can also be classified as a “Question Mark”. It faces several obstacles in terms of local competition, pricing, and content localisation. Although there is substantial potential in untapped markets such as India, Brazil, and the Southeast, Netflix has not capitalised on this opportunity.
- Moreover, the controversial **password policy** initiated by Netflix can also be considered a “Question Mark”. Introducing sports was also a major “Question Mark” since it has a low market share.

DOGS

- In 2022, Netflix announced the launch of **interactive content**, but it was not well received. Its growth rate and market share are both sluggish; therefore, Netflix needs to minimise its investment in this product.
- Another product that fits in the “Dogs” category is **virtual reality (VR) content**. Although it is viewed as the future, this product has not gained a significant market share due to its high cost and the need for additional VR gadgets and appliances. It is not likely that this content will gain traction in the coming years. Netflix should consider abandoning it altogether.
- Additionally, **Netflix's Ultra HD service** has a very low market share due to the high cost of upgrading to Ultra HD. It has also not gained much traction in terms of subscribers and growth. Netflix should consider minimizing investment as it is not performing up to its expectations.
- Once Netflix's flagship offering, the **DVD rental service** can now be considered a “Dog” in the BCG matrix. With the rise of streaming, the demand for physical DVDs has declined significantly. While Netflix’s growth is being driven primarily by streaming, the market share and growth potential of the DVD rental service are very limited.

CASH COWS

- **Netflix Streaming Services:** Netflix's primary "Cash Cow" is undoubtedly its streaming service. Under its ambit, it has a vast library of movies, TV shows, and original content, which has enabled it to capture a significant market share. The streaming service generates substantial revenue and enjoys a loyal customer base. Although the market is saturated, Netflix's competitive advantage lies in its superior user experience and personalised recommendations, allowing it to maintain its market dominance. According to the latest financial reports for 2022, Netflix's streaming services have generated revenues of $29.6 billion while maintaining a profit margin of 11.7%. Its streaming services have a market share of 68% in the streaming industry, making it a definite market leader. As a result, it is safe to say that Netflix streaming services are a reliable "Cash Cow" for the organisation.
- **Netflix Originals:** With a revenue of US $4.6 billion and a profit margin of 20.9%, Netflix Originals are a major contributor to the company's success and are believed to be the next big thing in Hollywood. It has resulted in a massive shift in the structure of the film industry, with major actors and directors moving to work on Netflix originals as it is much more fruitful. As a result, the organisation is confident in investing in such products, and it continues to maintain its profitability. Hence, Netflix Originals can certainly be incorporated into the "Cash Cows" category.
- **International markets:** As of 2021, Netflix has a presence in more than 190 countries, and its international markets contributed about US $26.7 billion in revenue.
- Although international markets may seem to have lower profit margins, they also have a very high market share, making significant contributors to cash flow. Therefore, Netflix's international markets can also be considered "Cash Cows."

STARS

- **Popular shows:** Shows like "Stranger Things" have massively contributed to Netflix's success. According to 2021 statistics, "Stranger Things" is one of the most-watched shows on Netflix, with an estimated 64 million households watching the third season within the first four weeks. Another major success is "The Crown". These shows have amassed a huge fan following and are therefore considered "Stars" because they have huge potential going into the future. If Netflix can produce more content along these lines, it will cause major boosts to their revenue.
- **Netflix Original Movies:** In the past, Netflix has produced original content that has generated massive critical acclaim and gained massive popularity among viewers. As mentioned before, original content has been extremely successful in being considered a star in the BCG matrix. The secret behind its massive worldwide audience is the high-quality series, documentaries, and movies it has produced. This is also one of the primary factors that has allowed Netflix to differentiate itself from its competitors.

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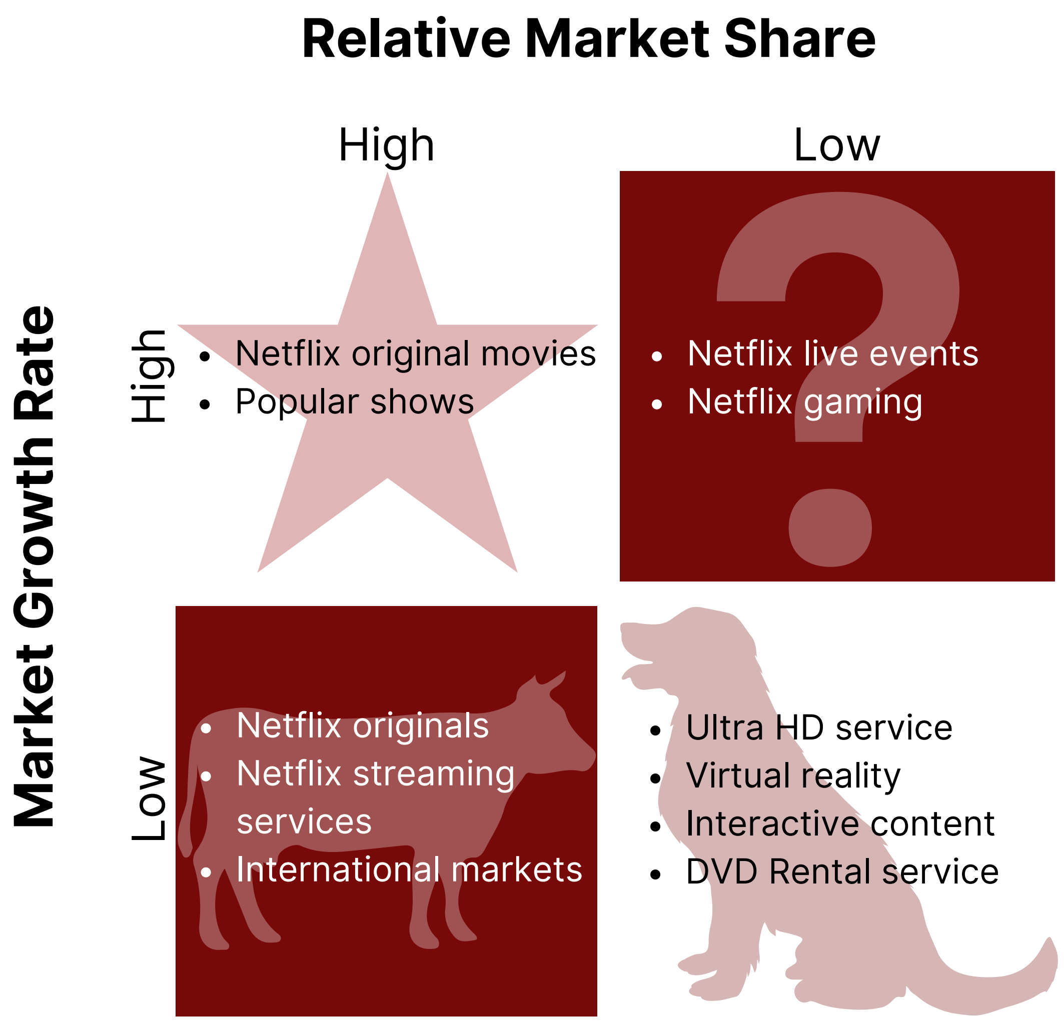

Growth Share Matrix

COVID-19 IMPACT ON NETFLIX

Netflix learned a bittersweet lesson from the experience of lockdown. While the demand for online shows and movies was at an all-time high, production delays stunted the growth of content. The company gained a lot of subscribers in the year 2020, when people were staying at home and the movie theatres were closed. But the same was coupled with a slowdown in the year 2021, as there were content production delays. Also, there were changes in consumption patterns, some studios opted to release movies directly on streaming platforms, which in turn encouraged more people to consider streaming services as the primary source for new releases.

During pre-COVID year 2019, it picked up 27.9 million subscribers. Whereas, in 2020 and 2021, it picked up 36 million and 18.2 million subscribers, respectively. Netflix endured huge losses due to production delays and disruptions caused by the pandemic.

Netflix added just 2.2 million new subscribers in the three months to September 30, 2020, as the surge in demand for its services prompted by the pandemic faded. While it had warned that a slowdown was likely, the final figure came in below its July forecast of 2.5 million, sending the firm's shares down 5% in after-hours trade. As analysts pointed out, this was due to the recession of the pandemic-high wave Netflix was riding. The number of international subscribers to Netflix has already eclipsed those in the US, and overseas growth continues to be critical.

In Q3 2020, the strongest subscriber growth occurred in its Asia Pacific region, which accounted for more than one million new subscribers—almost half of the sign-ups. The firm boasted that it now claims memberships in a "double-digit" share of broadband-connected homes in Japan and South Korea. But the firm still makes its most revenue per user in the US, so retention in its home market is key, especially as competition from rivals like Disney and HBO heats up. These indicate that Netflix is still viewed critically in markets other than the US.

In conclusion, the impact of Covid-19 on the consumer base and growth of Netflix was multifold.

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KEY RISK AREAS

1. Cut-throat Competition:
Competition from major players like Amazon, Hulu, HBO, YouTube, Comcast, and potentially Apple is a constant threat. Amazon, with its diverse services, is a major rival, offering Subscription Video on Demand (SVOD), Pay per View, and an extensive range of products. Amazon Prime offers both 1080p Full HD and 4K Ultra HD resolutions for streaming, as well as HDR video support. Unlike Netflix, both 1080p and 4K are included in the same package price. This comprehensive strategy indicates that Amazon will remain a competitive rival to Netflix in the future.

2. Varying content catalogue:
Some streaming platforms are now featuring shows that are marked as "Not Available on Netflix." This forces Netflix to make careful choices about which content it can let go to rival platforms while keeping exclusive rights to other valuable shows. For instance, some shows are available to watch on Amazon Prime Video but not on Netflix:

a. Bosch
b. Sneaky Pete
c. The Wire
d. Mad Dogs

3. Price:
The current pricing model of Netflix has raised questions about the company's ability to maintain its current subscription price of $7.99. The possibility of introducing tier pricing, similar to what is being offered in India, depends on various factors, such as content acquisition costs and potential fees from cable providers. It's worth noting that

in India, Netflix is priced higher at Rs. 499/month compared to Amazon Prime, which charges Rs. 299/month. As the largest consumer of bandwidth, Netflix may have to bear the costs associated with cable providers. This could potentially impact subscription prices for its users.

4. Content piracy:

In certain regions, such as India, pirated DVDs and television are popular mediums of entertainment. This poses a unique challenge as per the data from piracy tracking company Muso, Netflix content is responsible for 16% of all piracy traffic. This means that cheap pirated DVDs of the latest movies compete directly with Netflix subscriptions and affect its potential market.

5. Strategy:

Netflix invests heavily in creating original content. However, the majority of the platform's content is still produced by third-party studios. This means that changes in agreements with these studios could have a significant impact on Netflix's viewing options.

6. International audience:

Expanding internationally presents challenges, including navigating local restrictions, creating region-specific content, and overcoming language barriers. Producing non-English-language content for diverse markets poses high risks and substantial costs.

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MARKET LANDSCAPE

- Revenue in the OTT video market worldwide is forecasted to reach US $316.40 billion in 2024.
- The revenue is anticipated to demonstrate an annual growth rate (CAGR 2024-2029) of 6.30%, leading to a projected market volume of US $429.40 billion by 2029.
- The largest market is OTT video advertising, with a market volume of US $191.30 billion in 2024.
- When compared globally, the United States is expected to generate the most revenue (US $132,900 million) in 2024.
- It is projected that the number of users in the OTT Video market will reach 4.9 billion by 2029.
- User penetration is forecasted to be 50.6% in 2024 and is estimated to increase to 61% by 2029.
- The average revenue per user (ARPU) in the OTT video market is expected to be US $80.70 in 2024.
- The worldwide OTT video market is experiencing a surge in subscription-based services, with streaming giants competing for global dominance.

Sources:

https://www.statista.com/outlook/amo/media/tv-video/ott-video/worldwide

KEY MARKET DRIVERS

1. **Expanding Consumer Base:** Fuelling the OTT market's remarkable growth is a burgeoning consumer base. Widespread internet access and the ubiquity of smart devices have made OTT platforms more accessible than ever before.
2. **Genre Diversification:** Limited genre choices in traditional media have driven consumers towards OTT platforms. These platforms offer a vast array of content categories, positively impacting market performance.
3. **Technological Enablers:** Increased device availability, enhanced internet penetration, and overall cost reductions are critical factors propelling the OTT market forward.
4. **A Flourishing Ecosystem:** The emergence of OTT channels, media, advertising, and distribution models has further enriched the market. This flourishing ecosystem offers a multitude of opportunities for revenue generation.

COMPETITION OVERVIEW

The competition in the video streaming on-demand market is rapidly growing, which has become known as the “Streaming Wars.”. Although the industry has a relatively high barrier to entry, established content providers are entering the market with increased ease as technology advances. By mid-2020, four of the most valuable companies on the S&P500 Index will have launched streaming services in less than a year. In November 2019, Disney and Apple introduced their streaming services; meanwhile, AT&T’s HBO Max and Comcast’s Peacock are planned to launch in May 2020 and July 2020, respectively.

Source
https://www.statista.com/outlook/amo/media/tv-video/ott-video/worldwide#users

GLOBAL COMPETITORS

1. HBO Max
HBO Max launched with over 10,000 hours of premium content in May 2020 and invested an additional $4 billion over the next three years. Its monthly subscription is priced at $14.99, which places it among the most expensive streaming video-on-demand services. The company is therefore expecting 50 million domestic subscribers and, altogether, between 75 and 90 million subscribers by 2025. It also projects the annual incremental revenue from subscriptions, content, and ads to hit $5 billion that year.

HBO Max Key Statistics

- Warner Bros Discovery generated $7.3 billion from HBO Max in 2022
- About $530 million of that came from in-app subscriptions on iOS and Android
- HBO Max had 95.6 million global subscribers, with 54 million based in the US
- HBO Max was downloaded over 80 million times in 2022

2. Disney+
The Disney+ monthly subscription fee is priced at $7.99. Although the streaming service was only recently launched, it has already surpassed 150 million subscribers in early April 2020—up more than 100 million subscribers since it released the respective figure in Q1 2020 earnings. (The Walt Disney Company, 2020) It is unclear what the Disney+ ultimate subscriber base will be, what its long-term customer retention rate will be, and whether The company's initial five-year outlook to reach between 60 million and 90 million global subscribers is too conservative. According to Reelgood, the comparative usage rate for Disney+ has significantly decreased in comparison to Netflix week-over-week since November 2019.

- Disney Plus generated $8.4 billion in revenue in 2023, a 13% increase year-on-year.
- Disney Plus subscribers have stagnated over the past year, peaking at 164 million in November 2022.
- The app has been downloaded over 350 million times since its launch.

3. Apple TV+
Apple TV+ is seated among its competition with a monthly subscription fee of $9.99, including family sharing. Considering that Apple TV+ was introduced in late 2019 with a small catalogue of original movies and TV shows, it's surprising to see that Apple has managed to expand the platform fairly quickly. However, the streaming market seems stagnant overall, as there are multiple options available to customers, some of which are extremely consolidated, such as Netflix.

For instance, Apple TV+ reached a 6% market share in the US during the second quarter of 2022, and it took more than a year for it to grow 1% more. Meanwhile, its competitor Paramount+ had only 4% of the market share in the US in the same period last year and now has more subscribers than Apple TV+.

4. Hulu
Video streaming service Hulu started its life with major backing from new and old media, receiving investment and content from NBC Universal, MSN, MySpace, and Yahoo in 2007 before launching early in 2008.

Hulu generated $11.2 billion in revenue in 2023, most of which came from its streaming platform. Over 43 million people subscribe to Hulu, and 4.4 million of those subscribe to Hulu's live TV services.

5. Amazon Prime Video
Amazon Prime Video is a video streaming service available for all Amazon Prime members at no additional cost and has therefore officially over 175 million subscribers. As of July 2022, Amazon's on-demand service, Amazon Prime Video, was the third most downloaded video streaming mobile app, after Netflix and Disney+.

It occupies the second position in the growing subscription video-on-demand industry, and the number of Prime Video subscriptions is projected to rise even with the rise in competition.

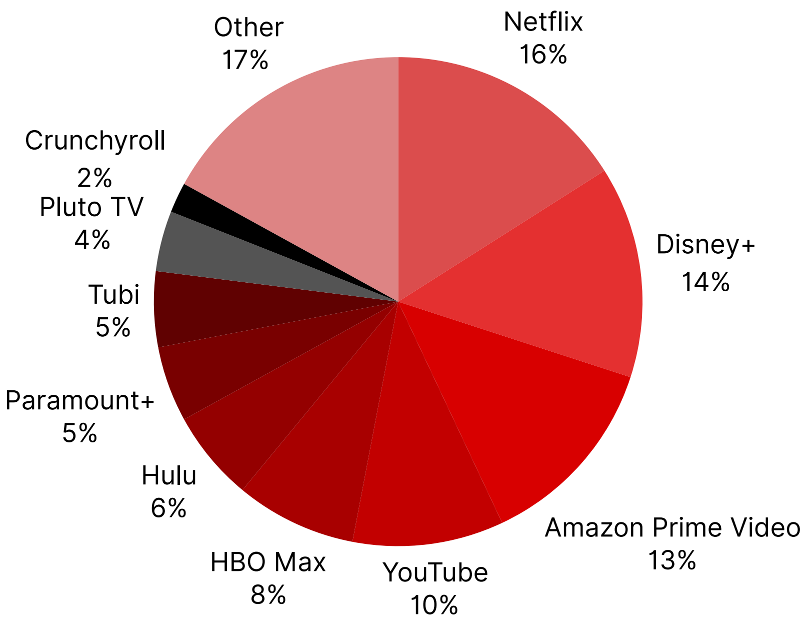
The company's content expenditure was forecast to reach US $18.4 billion by 2026. In addition to its original programming, movies are the most common content type available on Amazon Prime Video.

The company's content expenditure was forecast to reach US $18.4 billion by 2026. In addition to its original programming, movies are the most common content type available on Amazon Prime Video.

In the United Kingdom, for example, the programme included over 8,100 movies as of January 2023, which is an 86% share of the whole content provided by the service.

Amazon is uniquely positioned within the VOD industry, given that millions of consumers already use the company's other services for everything from shopping to cloud computing.

As of 2020, around 200 million people subscribed to Amazon Prime worldwide. Prime Video is expected to amass 250 million global subscribers by 2027. As expected, younger demographics seem to be the most frequent viewers of Amazon's video content.



2022

INDIAN COMPETITORS

Netflix faces stiff competition in the Indian market. This competition has only increased in the past 5 years, with firms ramping up investments and the involvement of big players like the newly recapitalized Viacom18, backed by Reliance, Bodhi Tree, and Paramount. According to Deloitte research, OTT platforms invested an estimated US$665 million in content in 2021, with Netflix, Amazon Prime, and Disney+ Hotstar leading the pack with a combined spend of US$380 million.

1.Disney+ Hotstar

Disney+ Hotstar had previously been considered among the most popular OTT outfits in India, but it recently lost its online streaming contract for the IPL. Mukesh Ambani paid a hefty premium (US $3.04 billion) to acquire the digital rights for the IPL for subsidiary Viacom18. Disney-owned Star Sports India paid US $3.02 billion for the exclusive TV rights. The significance of the IPL is heightened by the comparatively low interest in other sporting competitions, such as English or Italian football, which are major attractions in many other countries.

A significant development was Formula 1's OTT platform, F1TV, acquiring the streaming rights for Formula 1 from Hotstar. Additionally, as of March 31, 2023, Disney+ Hotstar ceased offering HBO shows such as Game of Thrones, The Wire, and The Sopranos on its platform. Subsequently, JioCinema began streaming these shows.

2. Amazon Prime

Recently, APV introduced its Mobile Edition, a mobile-only plan at Rs 89 per month, to expand its base among youth and those living across small towns. India becomes the first Amazon Prime country worldwide to offer customers a mobile-only Prime Video plan. APV made its first step in live sports streaming by entering into a partnership with New Zealand Cricket in late 2021. It currently holds exclusive rights to stream cricket matches taking place in New Zealand to Indian spectators. While making this deal public, Gaurav Gandhi, country head at Amazon Prime Video India, said that it's APV's first day in its sports journey and expressed optimism about what this step means for APV in the future. Moving forward, if Amazon can stream more live matches for its cricket-crazed target audience while sustaining its growth in other segments, it can crack the A-Z of India's OTT market and become its primary player.

3. SonyLIV

SonyLIV has grown its paid subscriber base to 33.3 million, a significant surge from 700,000 in early 2020. This growth, driven by a string of hit shows, has resulted in an annual average revenue per user of ₹573. SPNI has made significant investments in sports, including key cricket properties, UEFA tournaments, World Wrestling Entertainment, and Grand Slam Tennis, to name a few. Singh added that SPNI, present in India for 28 years, operates 26 television channels, reaching 700 million viewers across 167 countries. It is known for international formats such as Shark Tank, Indian Idol, and MasterChef, as well as being the home of the longest-running Indian sitcom, with over 3,500 episodes, referring to Taarak Mehta Ka Ooltah Chashmah.

4. Zee 5

This platform is owned and operated by Zee Entertainment Enterprises, a subsidiary of the Essel Group. It offers content in approximately 12 Indian languages.

The yearly plan starts at Rs. 499 with a limited offer. Other plans with unlimited offers start at Rs. 999 a year and Rs. 299 for 3 months.

ZEE5 offers device flexibility for on-the-go viewing based on subscription plans. According to data from research firm App Annie, ZEE5 leads among Indian streaming companies in international markets, including the United States, Middle East, Europe, and Australia, with approximately 826,600 active users. The same data indicates that competitors such as Sony Liv and Alt Balaji have lower user numbers in these regions.

5. JioCinema

JioCinema, which is owned by Reliance Industries' Viacom18, has quickly become a major player in the Indian OTT market.

Its rise was given impetus by acquiring the digital streaming rights for the Indian Premier League (IPL) in 2022 for US$3.04 billion, outbidding Disney+ Hotstar.

The platform benefited by strategically offering free IPL streaming, which helped in expanding its user base rapidly. JioCinema further fortified its market standing by securing rights to popular HBO shows like Game of Thrones, The Wire, and The Sopranos from April 1, 2023, previously available on Disney+ Hotstar.

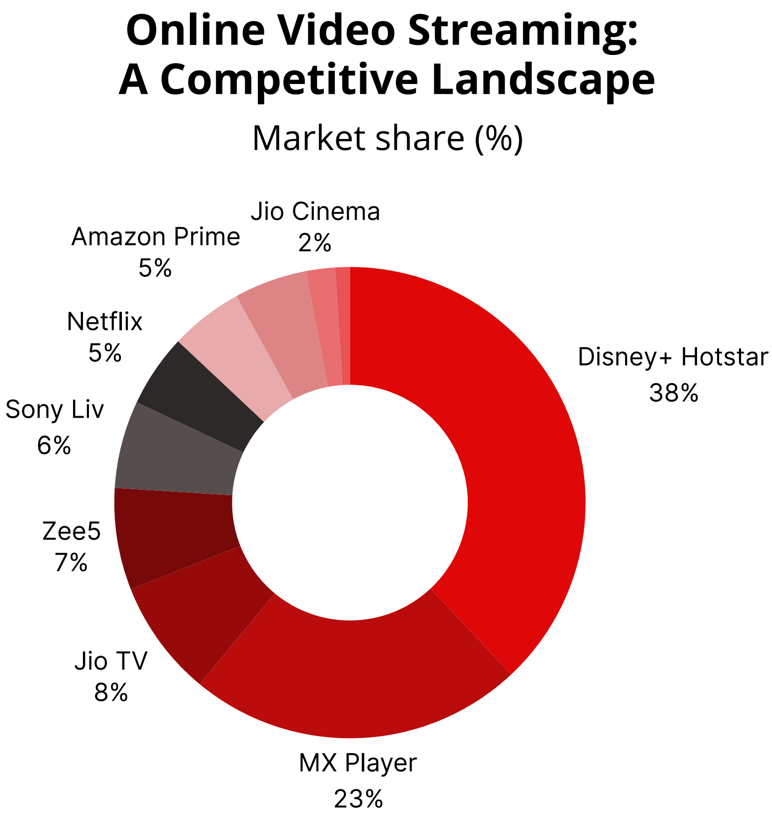
JioCinema's strategy involves rapidly expanding its content library through original productions and international acquisitions, offering both free and premium content. Its integration with Jio's telecom network has proven successful over time, providing easy access to millions of subscribers. Backed by Reliance Industries and employing an aggressive content acquisition strategy, JioCinema has established itself as a formidable competitor in India's dynamic streaming landscape..

6. MX Player

MX Player started as a popular video playback app but quickly evolved into a significant OTT platform after its acquisition by Times Internet in 2018 for $140 million. Its free, ad-supported content model is its USP, offering a wide range of original and licenced programming.

The platform has invested in original content production along with hosting diverse regional offerings. MX Player has expanded beyond the video-streaming landscape to include audio streaming and gaming features. A quick SWOT analysis proves that its strength lies in its penetration into Tier 2 and 3 cities, appealing to audiences often underserved by other OTT platforms.

Two features that have allowed MX Player to thrive in an oversaturated landscape are its low data consumption model, which allows it to access audiences with limited internet connectivity. Its loyalty to the freemium model and diverse content strategy have helped to maintain its market position.



Note: Total viewership measured during January 2022- March 2023 for India, excluding sports

Source: Media Partners Asia

Source

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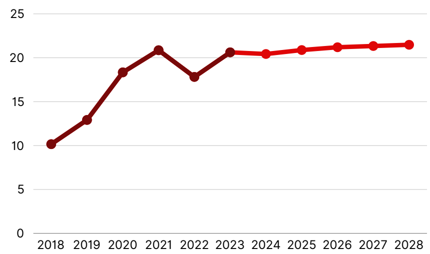
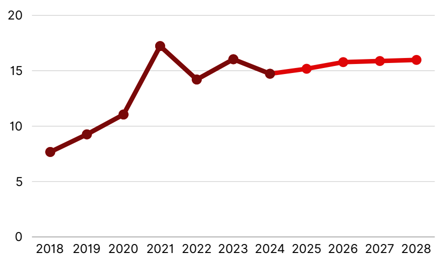
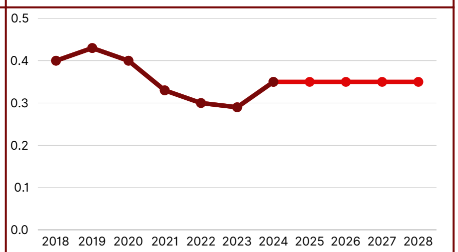
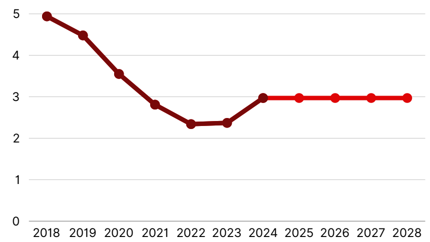
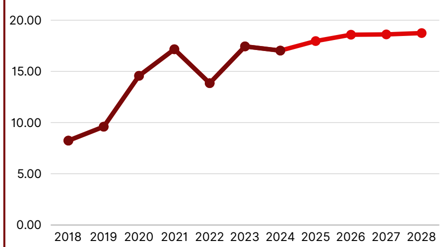
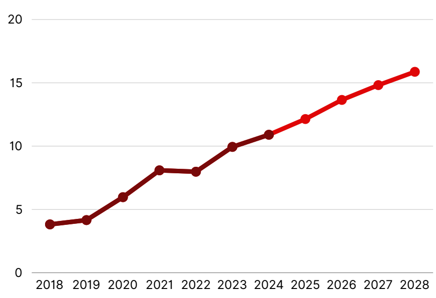
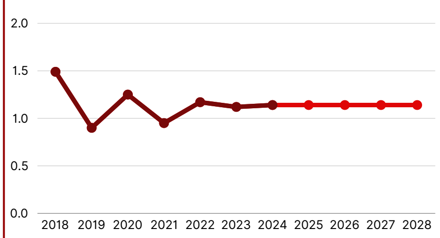
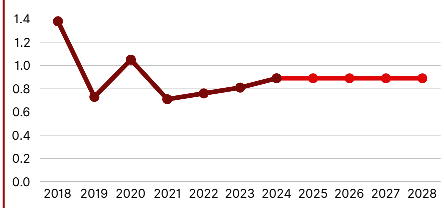
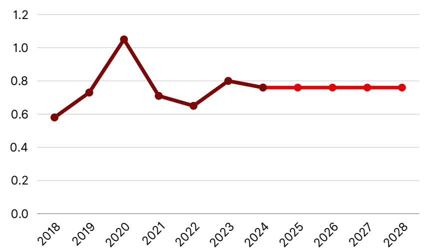
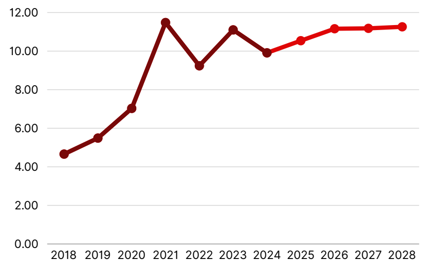
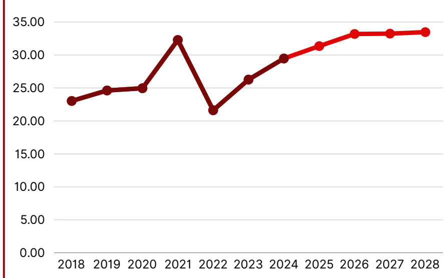
RATIO ANALYSIS

RATIO	VALUE	ANALYSIS	CHARTS
Operating Profit Margin	20.43%	Netflix's Operating Profit Margin grew from under 10% to around 20%, showing successful streaming transition and efficient scaling. The 20% stabilization indicates a good balance of growth and profitability, demonstrating Netflix's pricing power, cost management, and strong market position in streaming.	
Net Profit Margin	14.73%	Netflix's Net Profit Margin improved from 7.67% to 15-16%, reflecting increased efficiency despite content investments. The stable recent margins indicate a sustainable balance between growth and profitability, showcasing Netflix's strong market position and financial management.	
Debt-Asset Ratio	0.35	The debt of netflix is less than 50% of the total assets portraying a strong financial position. It in the future is decreasing with a steady rate reaching to 0.35.	
Asset-to-Equity Ratio	2.97	Netflix's ROA has been steadily increasing over the past few years, suggesting an effective utilization of the company's assets at a better management	
Return On Capital Employed	17.03%	Netflix’s return on Capital has consistently been well above its cost of capital, demonstrating the attractiveness of Netflix for all its stakeholders	

RATIO	VALUE	ANALYSIS	CHARTS
Interest Coverage Ratio	10.90	Netflix's rising interest coverage ratio is a positive sign, indicating their growing capacity to handle debt payments. This improvement in financial health can boost investor confidence and provide Netflix with greater financial flexibility.	
Current Ratio	1.14	The current ratio of Netflix has fluctuated in the range of 1-1.5 over the years, however as the company matures the ratio stabilizes indicating a similar liquidity requirement in the future.	
Quick Ratio	0.89	Netflix's quick ratio dipped, but has leveled off, likely reflecting industry norms around content costs.	
Cash Ratio	0.76	Netflix's cash ratio trajectory reflects a shift from initial cash accumulation to a more balanced liquidity strategy.	
Return On Assets	9.91%	Netflix's ROA has been steadily increasing over the past few years, suggesting an effective utilization of the company's assets at a better management	
Return On Equity	29.47%	Netflix's investors have been earning a return well above their cost of equity which demonstrates the financial attractiveness of Netflix as an investment	

DISCOUNTED CASH FLOW

Assumptions/Base	
Tax Rate	21.00%
Discount Rate (WACC)	9.11%
Perpetual Growth Rate	4.00%
Valuation Date	31-12-2023
Last Fiscal Year End	31-12-2023
Current Market Price	486.88
Total Shares Outstanding	43,27,59,584
Debt (in '000s)	$1,50,18,000.00
Cash (in '000s)	$71,16,913.00
52-WEEK HIGH	$579.64
52-WEEK LOW	$285.33

Intrinsic Value	
PV of Cash Flows	$2,89,76,601.96
Continuing Value	$13,73,18,736.74
PV of continuing value	$8,88,15,773.17
Enterprise Value (in 000's)	$11,77,92,375.14
Less: Debt (in 000's)	$1,50,18,000.00
Add: Cash (in 000's)	$71,16,913.00
Equity Value	$1,09,89,12,88,135.86
Share Outstanding	43,27,59,584
Intrinsic value of share	$253.93

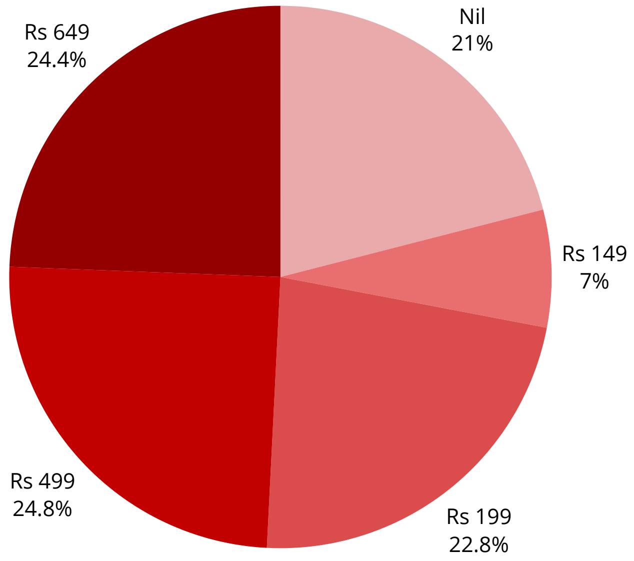
						USD Thousands
Discounted Cash Flows						
Year >	**1**	**2**	**3**	**4**	**5**	**Perpetuity Growth**
Particulars	**2024F**	**2025F**	**2026F**	**2027F**	**2028F**	**Terminal Value**
Free Cash Flows	$59,58,297.49	$68,90,854.40	$77,44,295.13	$83,74,007.59	$90,52,334.07	$13,73,18,736.74
WACC	9.11%	9.11%	9.11%	9.11%	9.11%	9.11%
Growth		15.65%	12.39%	8.13%	8.10%	4.00%
Discounting Factor	0.916541344	0.840048035	0.769938756	0.705680702	0.646785539	0.646785539
PV of Free Cash Flow	$54,61,025.99	$ 57,88,648.70	$ 59,62,632.95	$ 59,09,375.55	$ 58,54,918.77	$ 8,88,15,773.17

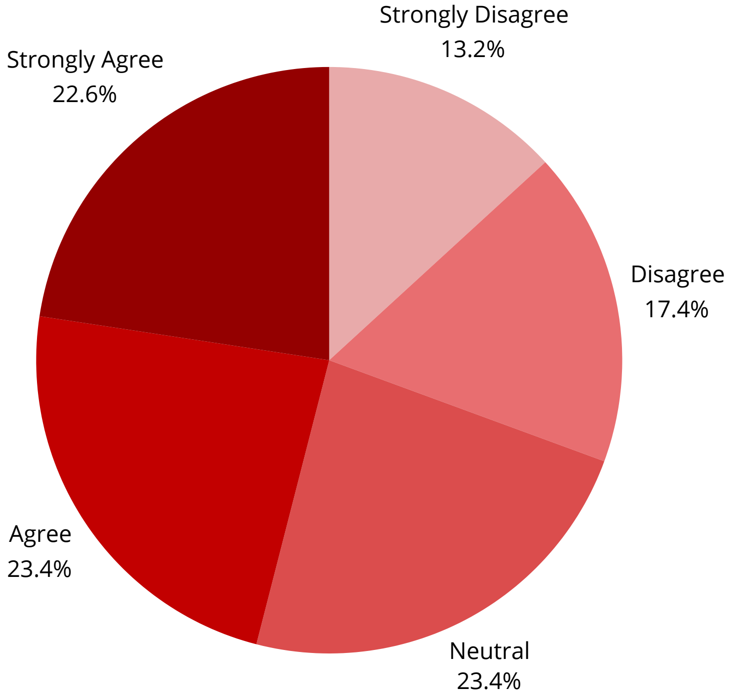
Click here to look at the entire DCF-excel

FORM RESPONSE ANALYSIS

1. What is your subscription plan?

The Rs. 149 plan is a decoy effect strategy employed by Netflix to convince consumers to opt for the Rs. 199 plan. By paying just a marginal fee of Rs. 50 more, customers can enjoy the same content on other devices like tablets, laptops, and smart TVs—a marginal cost for the significant benefit of watching content on a bigger screen. When comparing the Rs.499 and Rs. 649 plans, there is hardly any difference in their subscriber counts.





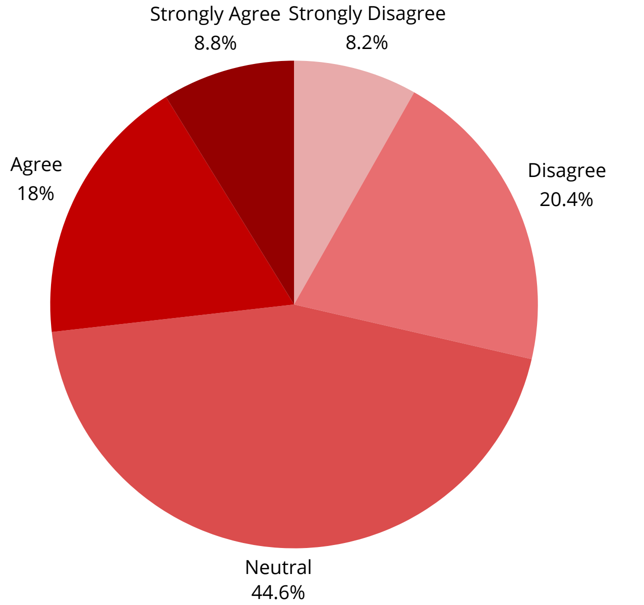
2. I will switch to other OTT platforms if Netflix decides to increase its prices.

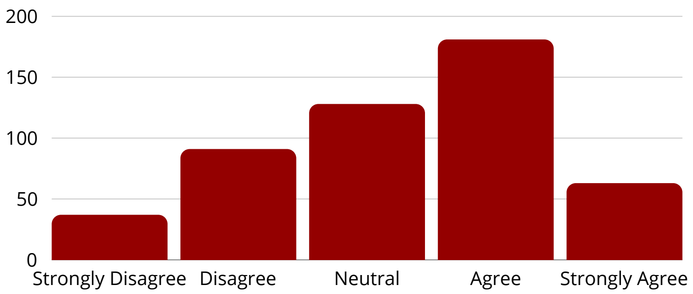
With the rise in options and consolidation in the OTT space, a significant number of people indicated that they would switch to other platforms if Netflix increased its subscription prices. This is because India is a price-sensitive market, and the population is more accustomed to watching free content on the internet. Therefore, for Netflix to increase its revenue in the future, it must explore other avenues rather than raise prices.

FORM RESPONSE ANALYSIS

3. I prefer Netflix originals over licensed shows and movies.

Our research shows that there is no specific preference among viewers between licensed and original content. Hence, we believe that Netflix should not spend additional resources on producing original content, as it does not significantly attract customers.



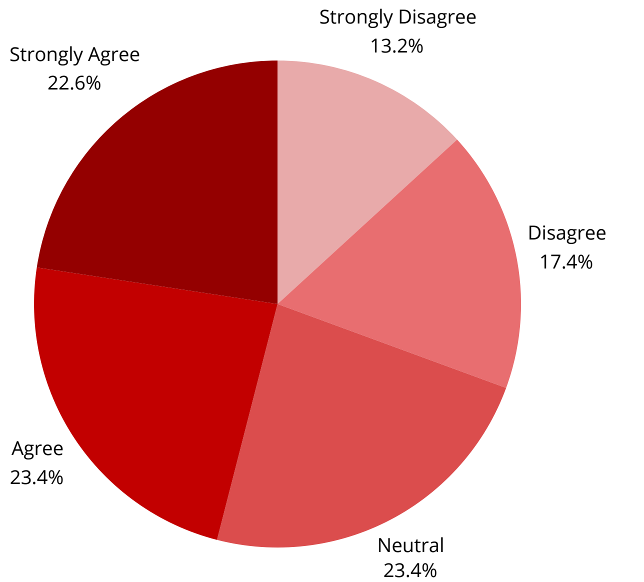


4. Recommendations of people strongly influence my Netflix usage.

Since our sample is based on the Indian population, we observe that respondents are highly influenced by social factors and what their peers and relatives watch. This highlights that social factors drive the Indian market, and word-of-mouth remains the major source of Marketing.

5. I subscribed to Netflix due to its brand content and social media marketing.

By collaborating with famous, high-production-quality influencers on YouTube, Netflix creates brand content and social media marketing that resonates with the largely young audience on the platform. This targeted approach cultivates a brand image that young viewers aspire to be associated with, fostering a fear of missing out (FOMO).



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