

The Henry Fund

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Netflix, Inc. (NFLX)

Communication Services – Media & Entertainment

November 20, 2025

Stock Rating: **SELL**

Investment Thesis

Price Target: **\$105**

Investor sentiment has deteriorated following the Q3 earnings miss driven by a \$619 million one-time tax charge in Brazil². We believe this negative reaction highlights a valuation that is disconnected from fundamental headwinds. The company's strategic pivot to highlight ad-tier growth over total subscribers suggests cannibalization is accelerating as consumers manage the rising costs of holding multiple subscriptions. Coupled with political threats regarding international production and a defensive bid for Warner Bros. Discovery, we see limited paths for multiple expansion. We recommend a **SELL** rating with a **\$105 price target**, representing **0.0% upside**.

Drivers of Thesis

- Highlighting ad-tier growth signals premium maturity and cannibalization as consumers downgrade to offset rising costs.
- Administration threats regarding tariffs on overseas production weaken investor sentiment and threaten the premium valuation, regardless of actual implementation.
- A bidding war for Warner Bros. Discovery would be an expensive investment that fails to drive meaningful subscriber growth.

Risks to Thesis

- Expansion of the ad-supported tier could accelerate advertising revenue growth and improve platform monetization.
- Above-consensus margin and cash flow improvements could mitigate downside risk and accelerate stock performance.
- Major sports or live-rights deals could boost engagement and pricing power, extending the growth runway.

Henry Fund DCF	\$105
Henry Fund DDM	\$105
Relative Multiple	\$36
HF % Upside	0.0%

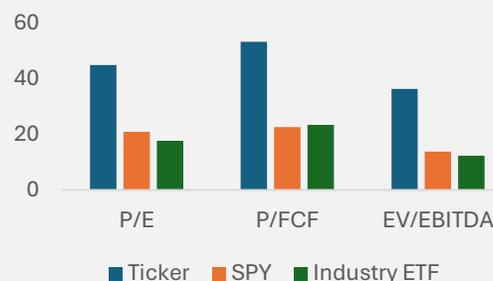
Price Data

Current Price	\$106
Date of Price	11/20/2025
52wk Range	\$82 – 134
Consensus Price Target	\$137
Consensus % Upside	29.2%

Key Statistics

Market Cap (B)	\$476
Diluted Shares Out. (M)	4,328
Institutional Ownership	83.0%
Beta	1.27
Dividend Yield	0.0%
LT Growth Rate	3.7%

NFLX vs. SPY & Industry ETF



Earnings / EBITDA Estimates

Year	2022	2023	2024	2025e	2026e	2027e
HF EPS	\$1.01	1.23	\$2.03	\$2.41	\$2.92	\$3.68
% Growth	-12.6	21.3	65.6	18.8	21.4	26.0
Street EPS	\$1.00	\$1.20	\$1.98	\$2.54	\$3.24	\$3.93
% Growth	-10.7	20.0	65.0	28.3	27.6	21.3
HF EBITDA	5.9	7.3	10.7	13.9	16.6	20.3
% Growth	-6.8	22.5	47.0	29.5	19.0	22.4
Street EBITDA	6.5	7.7	11.0	13.8	17.2	20.3
% Growth	-3.8	16.9	44.0	25.4	24.7	18.2

Price Performance



Balance Sheet / Cash Flow Snapshot

	2022	2023	2024	2025e	2026e	2027e
Net Debt	8.3	7.4	6.0	9.6	8.9	4.2
Debt/Equity	0.69	0.71	0.63	0.77	0.74	0.63
FCF	.5	6.2	5.0	5.8	9.3	12.0
CFO	2.0	7.3	7.4	11.0	12.7	15.6

Profitability

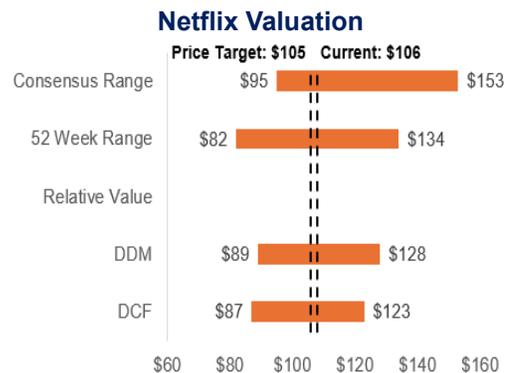
	2022	2023	2024	2025e	2026e	2027e
HF EBITDA	5.9	7.3	10.7	13.9	16.6	20.3
Gross Margin	39.4	41.5	46.1	50.6	52.0	54.7
Net Margin	14.2	16.0	22.3	22.7	23.8	26.3
ROA	9.2	11.1	16.2	17.8	19.6	21.3
ROE	28.3	26.0	42.3	41.1	50.4	56.8
ROIC	14.4	15.3	23.7	25.1	27.4	31.2

NFLX vs. Peer Group – Sales Growth

Year	2025e	2026e	2027e
DIS	3.35%	6.60%	4.30%
CMCSA	0.02%	2.34%	0.76%
NFLX	14.78%	13.27%	12.30%
PARA	-1.07%	3.57%	1.53%
FOXA	16.60%	-1.12%	4.42%

Thesis Pivot

Our previous recommendation to buy Netflix was predicated on the ability of the company to seamlessly transition into a high margin blue chip media stock, driven by the rollout of the ad supported tier and dominant subscriber growth in international markets. While Netflix successfully executed this phase, effectively winning the streaming wars, we believe the current valuation reflects a perfection scenario that no longer aligns with the fundamental reality. The stock has fully rerated to capture the benefits of its dominance, yet the market is ignoring the emerging signs of saturation. The pivotal shift in our thesis centers on the belief that the ad supported tier, previously viewed as an additive growth engine, is now cannibalizing premium subscriptions. As consumers trade down to manage subscription fatigue, blended ARPU growth is capped, signaling that Netflix has reached its fair valuation ceiling with limited organic upside remaining.



The primary driver of our downgrade is the output of our discounted cash flow model which returns an intrinsic value of **\$105 per share**, implying effectively zero upside from current levels. While we acknowledge Netflix is the undisputed leader in streaming, our model suggests this dominance is already fully priced in. We see limited remaining growth catalysts to push the valuation higher, as the company now faces the expensive reality of defending its status in a saturated market. Our projections account for the diminishing returns on content spend and the rising marketing costs required to combat churn, headwinds that place a hard ceiling on future operating leverage. At current trading levels, investors are paying for a growth trajectory that the maturing business model can no longer support without significant multiple compression.

Finally, the risk profile of the company has fundamentally inverted since our last report. Previously, the global production footprint for Netflix was its greatest asset, allowing for cost efficient content arbitrage. However, the threat of tariffs on overseas production from the current administration transforms this advantage into a regulatory liability, threatening the core margin lever of the company. Furthermore, our previous thesis relied on organic growth; the current pivot of the company toward a potential capital intensive acquisition of Warner Bros. Discovery suggests a defensive posture that we view as destructive to value. We see this move not as a sign of strength, but as an admission that organic growth is exhausted. Consequently, we are moving to a **SELL** rating to protect capital before the market reprices Netflix from a dominant sector leader to a mature, capital intensive media business.

References

1. [FactSet](#)
2. [Reuters](#)