

# The Growth Trajectory of Netflix: A Financial Analysis and Future Outlook in the Wake of the COVID-19

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**Abstract.** This academic report offers a comprehensive overview of Netflix, a leading streaming video service provider. The report presents an analysis of the various aspects of Netflix's business, including its commercialization and distribution strategies, research and development activities, financial performance, and competition in the industry. Furthermore, the report explores Netflix's unique corporate culture, emphasizing the company's commitment to producing high-quality original content and its innovative business model. The report also provides a financial analysis of Netflix's performance from 2019 to 2022, including an analysis of the balance sheet, income statement, cash flow statement, financial ratios, and Du-Pont analysis. The report concludes with a summary of Netflix's financial highlights and an outlook for the company. Overall, this academic report provides a comprehensive and insightful analysis of Netflix's business and financial performance, highlighting the company's position as a leader in the industry and its potential for continued growth.

**Keywords:** Commercialization, research and development, financial performance, Du-Pont analysis.

## 1. Introduction

### 1.1 Business Overview

"Absolutely dedicated to customer service", Netflix is a leading provider of on-demand video content, offering a vast library of movies, TV shows and original content to subscribers in over 190 countries. Founded in Los Gatos, California in 1997, NETFLIX has transformed from a DVD-by-mail service to one of the world's largest streaming video services. One of the key factors in Netflix's success is its ability to provide a personalized experience to its customers. (Nunes & Johnson, 2020) The company uses big data and machine learning algorithms to analyze the viewing patterns of its users, offering personalized recommendations based on their previous choices. This has allowed the company to create a loyal customer base and attract new subscribers through word of mouth. (Nunes & Johnson, 2020) Netflix's famous titles include Stranger Things, The switcher, Squid Games, My Name, Love, Death and Robots, dark, Dark Glory, and many etc.

### 1.2 Commercialization and Distribution

Commercialization and distribution play a key role in Netflix's business strategy. The company has invested heavily in producing its own original content, resulting in the creation of breakout IP TV series and movies such as Stranger Things, House of Cards, Women's Prison and Squidward Games, and other cultural sensations. This approach differentiates Netflix from its competitors and provides it with more control over its content offerings.

### 1.3 Competition

The streaming video industry is highly competitive, with major players such as Amazon Prime Video, Disney+, and HBO Max vying for market share. However, Netflix has maintained its position as an industry leader due to its strong brand, commitment to high-quality original content, and innovative business model. Take HBO, for instance, even though it was HBO that triumphed in 2022, with HBO and its streaming service HBO Max winning 38 Emmys, more than Netflix's 26; among other honors HBO also won Best Drama Series for "Succession," but Netflix is still ahead of the competition: it has 223 million global subscribers, compared to HBO and HBO Max has around 76 million subscribers. (Felix & John, 2022)

## 1.4 Research and Development

Research and Development is a core focus for Netflix as the company continually strives to enhance its services and improve the user experience. It is constantly working to improve its recommendation algorithms, develop new features and provide a better overall experience for its subscribers.

The company is also expanding into new areas, such as film and TV production and interactive content creation. Netflix's penchant for innovation and willingness to take risks has been crucial to its success, and it continues to lead the way in the development of new technologies and business models.

In parallel to its core business, Netflix places great emphasis on its corporate culture, which is also distinctive. Netflix has given three points to ensure the company's proper operation: 1. increase talent density: recruit only the best people, as talent density is the main factor in employee morale, and good people are eager to work with good people so that they feel motivated, inspired and excited. 2. communicate openly: excellent people can learn a lot from each other when they get together. However, if communication is not open, it limits them from giving ideas that will allow each other to improve and grow. Conversely, once all communication is straightforward and honest, it is easier to reduce the cost of communication, and each person is more likely to see it as their responsibility to help the other person grow. 3. Less control: Netflix does not have a leave system; employees can choose when to take leave and how long to take it, Netflix gives employees full choice while providing them with sufficient Context, and then let them make their own judgement and decisions.

## 1.5 Financial Highlights

**Table 1.** 2019-2022 Netflix assets breakdown

	2022	2021	2020	2019
Cash and Short Term Investments	12.0%	13.49%	20.89%	14.77%
Total Receivables, Net	2.0%	1.80%	3.44%	2.88%
Prepaid Expenses	0.8%	0.72%	0.52%	0.53%
Other Current Assets, Total	3.6%	2.04%	0.00%	0.00%
Total Current Assets	18.4%	18.06%	24.85%	18.19%
Property/Plant/Equipment, Total - Net	7.2%	8.44%	7.63%	6.17%
Goodwill, Net	0.0%	0.00%	0.00%	0.00%
Intangibles, Net	25.3%	30.87%	64.62%	72.12%
Long Term Investments	0.0%	0.00%	0.00%	0.00%
Note Receivable - Long Term	0.0%	0.00%	0.00%	0.00%
Other Long Term Assets, Total	45.1%	42.06%	2.89%	3.52%
Other Assets, Total	4.0%	0.58%	0.00%	0.00%
Non-current assets	81.6%	81.94%	75.15%	81.81%
Total Assets	100.00%	100.00%	100.00%	100.00%

Netflix's common stock is traded on the Nasdaq Global Select Market under the symbol "NFLX". Netflix, Inc. reported earnings results for the full year ended December 31, 2022. In 2022, the company reported sales of \$31,615.5 million compared to \$29,697.84 million in 2021. Net income was \$4,491.92 million in 2022 compared to net income of \$5,116.23 million in 2021. 2022 continuing Basic earnings per share from continuing operations were \$10.1 and diluted earnings per share from continuing operations were \$9.95, compared to basic earnings per share from continuing operations of \$11.55 and diluted earnings per share from continuing operations of \$11.24 in 2021.

The table 1 provides a breakdown of a company's assets into various categories over the past four years, allowing us to observe trends and changes in the composition of the company's assets. We can see that the percentage of total assets accounted for by non-current assets has generally increased over

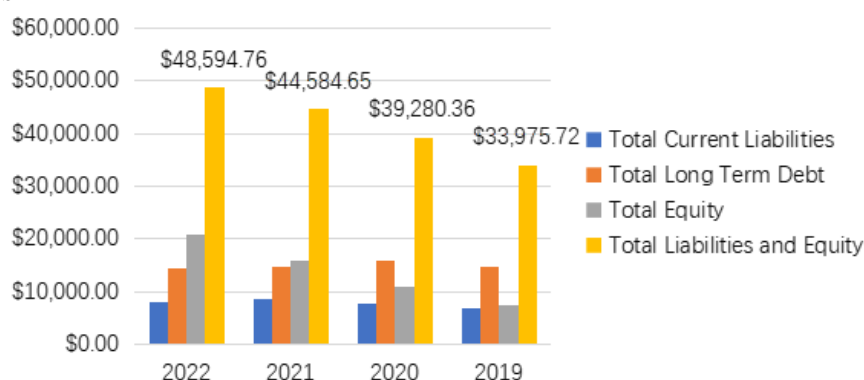
the four-year period, while the percentage of current assets has decreased slightly. Additionally, the percentage of total assets accounted for by intangible assets has fluctuated significantly, with a sharp increase in 2020 followed by a decrease in 2021 and a further decrease in 2022. Overall, the table offers valuable insights into the changing asset composition of the company over time, which can be useful for stakeholders in evaluating the company's financial health and making informed decisions.

## 2. Balance Sheet Analysis

### 2.1 Asset Quality Analysis

Netflix Statement of Financial Position, Assets

Current assets



**Figure 1.** Components of Current Assets (in millions)

Netflix has exhibited significant growth in terms of cash and short-term investments, as well as total receivables, net.

As the Figure1 shows, in 2022, the company's cash and short-term investments totaled \$6,058.45 million, representing a significant increase of \$31.65 million from the previous year. This suggests that the company has generated positive cash flows and has a strong liquidity position, with cash and short-term investments accounting for 65.05% of its total current assets.

Additionally, the company's total receivables, net, increased by \$184.58 million in 2020, reflecting a 22.11% rise from the previous year. This can be attributed to the company's growing subscriber base and the resulting increase in revenue.

The company's prepaid expenses and other current assets have remained relatively consistent, with only minor fluctuations observed. This suggests that Netflix has implemented an efficient system for managing its operational expenses and other current assets.

In conclusion, the financial data of Netflix exhibits the characteristics of a strong and growing company. The company has a robust liquidity position, increasing receivables, and well-managed operational expenses. Coupled with its widely popular streaming service, these factors bode well for the company's future financial performance.

**Table 2.** Intangibles, Net, percentage of the total assets and growth rate from 2019 to 2022

(In millions)	2022	2021	2020	2019
Intangibles, Net	\$12,732.55	\$13,799.22	\$25,383.95	\$24,504.57
Percentage of the total assets	25.3%	30.87%	64.62%	72.12%
Growth rate	-7.73%	-45.64%	3.59%	-

As the Table2 shows: the financial data provided pertains to the intangible assets of Netflix, a leading provider of streaming entertainment. An analysis of the data reveals the following:

In 2019, intangible assets accounted for 72.12% of the company's total assets, reflecting a significant investment in the creation of new intellectual property and a focus on innovation.

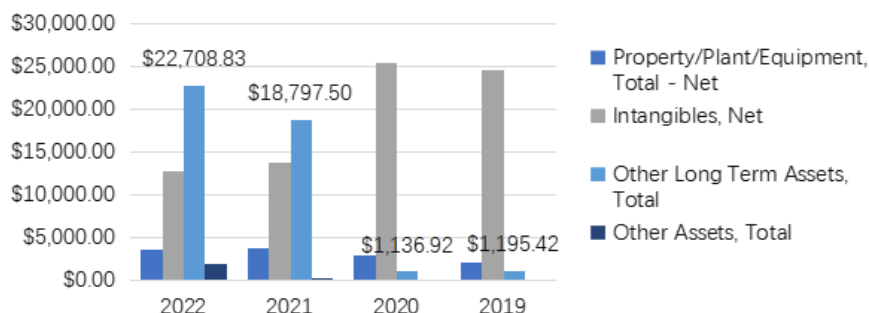
In 2020, intangible assets accounted for 64.62% of the company's total assets, an increase of 3.59% from the previous year. This increase can be attributed to the company's investment in research and development, which resulted in the creation of new intellectual property. When the Korean film 《Parasite》 made history by becoming the first non-English language film to win a Best Picture Oscar in 2020, Netflix began a strategy of producing local content and adapting it to help its content go worldwide at the meantime.

In 2021, intangible assets accounted for 30.87% of the company's total assets, representing a decrease of 45.64% from the previous year. This decrease in the growth rate can be attributed to the company's focus on improving the efficiency of its operations and streamlining its business processes. This may have involved the consolidation of various intangible assets, leading to a reduction in their relative contribution to the company's total assets.

Finally, in 2022, the company's intangible assets totaled \$12,732.55 million, which represented 25.3% of the company's total assets. This is a decrease of 7.73% from the previous year, where intangible assets accounted for 30.87% of the company's total assets.

In conclusion, the financial data of Netflix reveals that the company has made substantial investments in intangible assets, such as research and development and intellectual property. Despite the decrease in the growth rate in 2021, the company's focus on innovation, grappled with rising production costs and constantly innovate to stay ahead of the competition (Levy, 2021). And also focus on the creation of new intellectual property bodes well for its future growth and competitiveness in the industry. The negative growth rate in 2021 can be attributed to the company's focus on improving operational efficiency and streamlining its business processes.

### 2.1.1 Non-current assets



**Figure 2.** Components of Non-current Assets(in millions)

As the Figure2 shows: Property, Plant, and Equipment: This category includes the physical assets that Netflix uses in its operations, such as real estate, machinery, and vehicles. The net value of this category has fluctuated over the years, but it increased from 2020 to 2021 and decreased from 2021 to 2022.

Intangibles: This category includes intangible assets such as patents, trademarks, and copyrights. The net value of this category has increased over the years, with a significant increase from 2019 to 2020 and a smaller increase from 2021 to 2022.

Other Long-Term Assets: This category includes any other assets that a company holds for a long period of time. The net value of this category has decreased over the years, with a significant decrease from 2021 to 2022.

Other Assets: This category includes any assets not included in the other categories listed in the table. The net value of this category has increased over the years, with a small increase from 2019 to 2022.

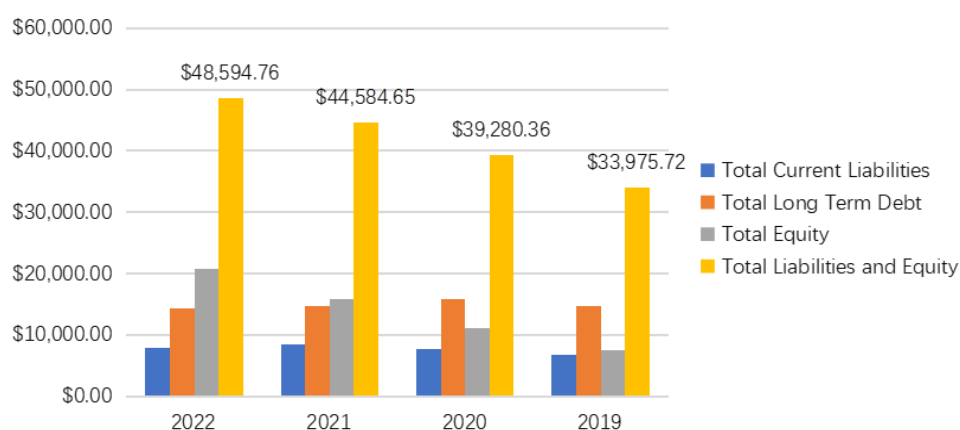
In conclusion, Netflix has seen an increase in its intangible assets, specifically in the net value of its intangibles, over the years. Additionally, the net value of its other assets has also increased over the years. The company has not reported any value for the categories of goodwill, long-term investments, note receivable - long-term, and there has been a decrease in the net value of its property, plant, and equipment and other long-term assets.

## 2.2 Capital Structure Analysis

NETFLIX Common-Size Consolidated Statement of Financial Position, Liabilities and Equity

**Table 3.** Common-size Analysis of financial position, liabilities and equity

	2022	2021	2020	2019
Accounts Payable	1.38%	1.88%	12.95%	14.98%
Payable/Accrued	-	-	-	-
Accrued Expenses	2.38%	2.54%	2.81%	2.48%
Notes Payable/Short Term Debt	-	-	-	-
Current Port. of LT Debt/Capital Leases	0.73%	2.28%	1.27%	-
Other Current liabilities, Total	11.82%	12.34%	2.85%	2.72%
<b>Total Current Liabilities</b>	<b>16.32%</b>	<b>19.04%</b>	<b>19.87%</b>	<b>20.18%</b>
Total Long Term Debt	29.54%	32.96%	40.25%	43.44%
Deferred Income Tax	-	-	-	-
Minority Interest	-	-	-	-
Other Liabilities, Total	11.39%	12.46%	11.71%	14.06%
<b>Non-current Liabilities</b>	<b>40.92%</b>	<b>45.41%</b>	<b>51.96%</b>	<b>57.51%</b>
<b>Total Liabilities</b>	<b>57.24%</b>	<b>64.45%</b>	<b>71.83%</b>	<b>77.68%</b>
Redeemable Preferred Stock, Total	-	-	-	-
Preferred Stock - Non Redeemable, Net	-	-	-	-
Common Stock, Total	9.54%	9.03%	8.78%	8.22%
Additional Paid-In Capital	-	-	-	-
Retained Earnings (Accumulated Deficit)	35.36%	28.46%	19.28%	14.16%
Treasury Stock - Common	-1.70%	-1.85%	0.00%	0.00%
ESOP Debt Guarantee	-	-	-	-
Unrealized Gain (Loss)	-	-	-	-
Other Equity, Total	-0.45%	-0.09%	0.11%	-0.07%
<b>Total Equity</b>	<b>42.76%</b>	<b>35.55%</b>	<b>28.17%</b>	<b>22.32%</b>
<b>Total Liabilities and Equity</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>



**Figure 3.** Components of Capital Structure

Combining the Table3 with the Figure3, for Netflix, the total current liabilities have increased from 6855.7 million in 2019 to 7930.96 million in 2022, indicating that the company has taken on more short-term debt obligations. However, the increase in total current liabilities has been more gradual compared to the increase in total long-term debt, which has gone from 14759.26 million in 2019 to 14353.08 million in 2022.

Despite the increase in debt, the total equity of the company has increased significantly from 7582.16 million in 2019 to 20777.4 million in 2022. This suggests that the company has been successful in retaining earnings and growing its business, leading to an increase in shareholder value and has since shed its title as “The titan of junk debt”.( Seligson and Raimonde,2022)

In conclusion, the balance sheet of Netflix shows that the company has taken on more debt over the years but has also seen an increase in equity, indicating that the company has been successful in growing its business and retaining earnings.

### 3. Income Statement Analysis

#### NETFLIX Common-Size Consolidated

**Table 4.** Common-size Analysis of income statements

	2022/12/31	2021/12/31	2020/12/31	2019/12/31
Revenue	100.00%	100.00%	100.00%	100.00%
Revenue Growth (YoY)	6.50%	18.80%	24.00%	27.60%
Cost of Revenues	-60.60%	-58.40%	-61.10%	-61.70%
Gross Profit	39.40%	41.60%	38.90%	38.30%
Gross Profit Margin	39.40%	41.60%	38.90%	38.30%
R&D Expenses	-8.60%	-7.70%	-7.30%	-7.70%
Selling and Marketing Expense	-8.00%	-8.60%	-8.90%	-13.20%
General & Admin Expenses	-5.00%	-4.60%	-4.30%	-4.50%
Other Inc / (Exp)	0.90%	1.40%	-2.60%	0.00%
Operating Expenses	-20.70%	-19.40%	-23.20%	-25.30%
Operating Income	18.70%	22.20%	15.70%	13.00%
Net Interest Expenses	-2.10%	-2.60%	-2.90%	-2.70%
EBT, Incl. Unusual Items	16.60%	19.70%	12.80%	10.20%
Earnings of Discontinued Ops.	-	-	-	-
Income Tax Expense	-2.40%	-2.40%	-1.80%	-1.00%
Net Income to Company	14.20%	17.20%	11.00%	9.30%

**Table 5.** Period-to-period of revenues

In million except percentage	2022/12/31	2021/12/31	2020/12/31	2019/12/31
Revenue	31,615.50	29,697.80	24,996.10	20,156.40
Revenue Growth(YoY)	6.50%	18.80%	24.00%	27.60%

According to the Table4 and Table5, in 2022, the company had a revenue of 31,615.50 million, which represents a YoY (Year over Year) growth of 6.50% compared to the previous year. In 2021, the company had a revenue of 29,697.80 million, representing a YoY growth of 18.80% compared to 2020. In 2020, the company had a revenue of 24,996.10 million, representing a YoY growth of 24.00% compared to 2019. In 2019, the company had a revenue of 20,156.40 million, representing a YoY growth of 27.60% compared to 2018.

Based on the information given, it can be further concluded that Netflix has maintained a steady increase in its revenue over the past four years, despite the slowdown in YoY growth from 2019 to 2022. This indicates that the company has been successful in expanding its customer base and increasing its overall revenue, which is a positive sign for its future performance.

It's also worth noting that the COVID-19 pandemic likely had an impact on Netflix's revenue in 2020, as more people turned to streaming services for entertainment while spending more time at home. The company's YoY growth rate of 24.00% in 2020, despite the pandemic, is a testament to its resilience and continued popularity among customers.

Overall, the analysis of Netflix's income statement suggests that the company is in a strong financial position and has a promising future. However, it's important to keep in mind that the company operates in a highly competitive industry, and future performance may be impacted by external factors such as changes in consumer behavior and the emergence of new competitors.

### 3.1 Expenses Analysis

**Table 6.** Period-to period changes in R&D Expenses, Selling and Marketing Expense

(In millions)	2019	2020	2021	2022
R&D Expenses	\$1,545.10	\$1,829.60	\$2,273.90	\$2,711.00
Selling and Marketing Expense	\$2,652.50	\$2,228.40	\$2,545.10	\$2,530.50
General & Admin Expenses	\$914.40	\$1,076.50	\$1,351.60	\$1,572.90
Other Inc / (Exp)	\$7.00	\$660.00	\$403.00	\$282.00
Operating Expenses	<b>\$5,105.00</b>	<b>\$5,794.40</b>	<b>\$5,767.70</b>	<b>\$6,532.40</b>

#### General&Admin Expense, Other Inc and Operating Expenses

As the Table6 shows, over the past four years, Netflix has been able to reduce its expenses, with significant reductions in research and development, sales and marketing, and general and administrative expenses. This reduction has resulted in a 20.7% decrease in operating expenses, which is a positive trend for the company's financial performance and indicates that it is taking steps to improve its bottom line. However, it is worth noting that other income/expenses have increased by 0.9% from 2021 to 2022.

For Netflix, items in the expense statement may have specialized meanings that reflect the company's business operations. Research and development expenses may be used to develop new technologies, optimize existing user search engines and improve the user experience. Sales and marketing expenses reflect the company's focus on digital marketing to reach its target audience and drive subscription growth, and as we know, Netflix is continually expanding its use of countries. General and administrative expenses include the costs of running its business operations, such as office rent and executive salaries. Other income/expenses may include investment gains or losses on content production or other projects, as well as foreign exchange gains or losses. Finally, operating expenses, which are likely to be the largest component of its overall expenses, include the cost of producing and licensing content, as well as the cost of selling and marketing its services. By reducing its operating expenses, Netflix could improve its bottom line and become more financially stable.

### 3.2 Net Income Analysis

The Figure 4 shows the net income and expenses of Netflix for the years 2019 to 2022. Over the four years, the company's expenses have generally increased. This can be seen in the increasing amounts spent on research and development (R&D), selling and marketing, and general and administrative expenses. The only exception is the decrease in the selling and marketing expenses from 2020 to 2021, but it increased again in 2022.

On the other hand, the company's net income has seen fluctuations over the four years. While it increased from 2019 to 2020, it decreased from 2021 to 2022. This can be due to a number of factors such as changes in the company's business operations, competition, and overall market conditions.

In general, the trend in the company's expenses suggests that Netflix is investing in growth, while the fluctuations in net income indicate a need for the company to continue to adapt and evolve in response to changing market conditions.

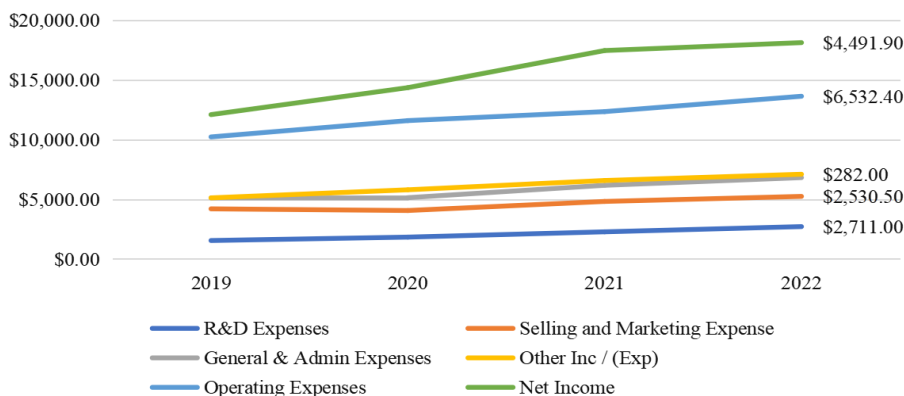


Figure 4. Comparison of net income and expenses (in millions)

#### 4. Cash Flow Statement Analysis

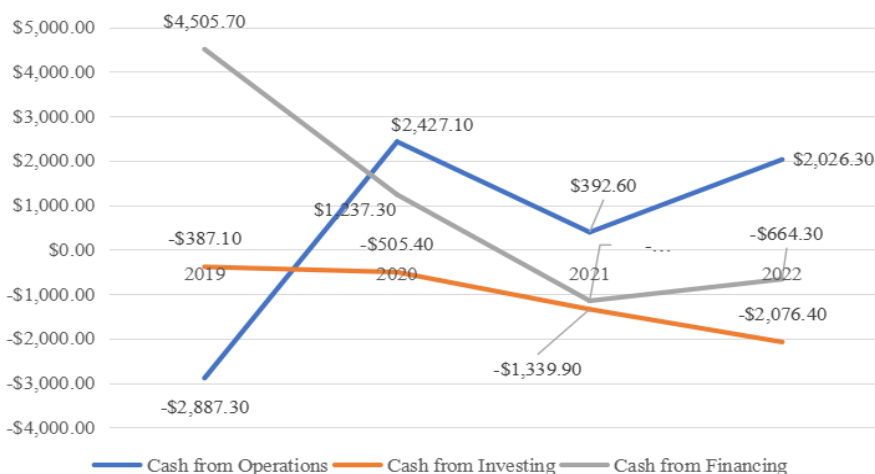


Figure 5. Cash flow activities (in millions)

As the Figure5 shows that the cash flow statements for Netflix for the years 2019, 2020, 2021, and 2022 show the inflow and outflow of cash for the company over time. The statement is broken down into three categories: Cash from Operations, Cash from Investing, and Cash from Financing.

**Cash from Operations:** This section shows the cash generated from the company's core business operations. In 2019, Netflix had a negative cash flow from operations of \$2,887.30 million, which means it spent more money on operating expenses than it generated from its operations. However, in 2020, the company generated a positive cash flow of \$2,427.10 million, which indicates improved operational efficiency. The cash flow from operations increased to \$2,026.30 million in 2022.

**Cash from Investing:** This section shows the cash spent on investment activities such as acquiring fixed assets or investing in other companies. In 2019 and 2020, Netflix had negative cash flows from investing, meaning it spent more money on investments than it received. The company's negative cash flow from investing increased to \$2,076.40 million in 2022.

**Cash from Financing:** This section shows the cash generated from financing activities such as issuing new debt or equity or repaying debt. In 2019, Netflix generated a positive cash flow of \$4,505.70 million from financing activities, which was primarily due to issuing new debt. The company had a positive cash flow of \$1,237.30 million from financing activities in 2020. However, in 2021, the company had a negative cash flow from financing of \$1,149.80 million due to debt repayment. In 2022, the company had a negative cash flow from financing of \$664.30 million.

In conclusion, the cash flow statements show that Netflix has had a mixed performance in terms of its cash flows. While it has been generating positive cash flows from operations, it has been spending more money on investments and debt repayment, leading to negative cash flows from investing and financing.

## 5. Financial Ratios Analysis

**Table 7.** Profitability ratios

Profitability ratios	2019	2020	2021	2022
Gross Profit Margin	38.30%	38.90%	41.60%	39.40%
Net profit Margin	49.28%	49.28%	49.28%	49.28%
Operating Profit Margin	74.67%	76.82%	80.58%	79.34%

According to the Table7, the profitability ratios of Netflix over the past four years (2019-2022) provide insights into the company's financial performance and efficiency. The following is a more detailed analysis of the Gross Profit Margin, Net Profit Margin, and Operating Profit Margin ratios:

**Gross Profit Margin:** This ratio measures the amount of revenue that remains after deducting the cost of goods sold. The Gross Profit Margin of Netflix has fluctuated slightly over the past four years, but remained in the range of 38.30-41.60%. The slight dip in 2022 to 39.40% could indicate an increase in the cost of goods sold, but it's still within a healthy range.

**Net Profit Margin:** This ratio measures the company's net income as a percentage of total revenue. The Net Profit Margin for Netflix has been consistent at 49.28% for the past four years, indicating that the company has been able to effectively control its expenses and maintain a high level of profitability. This consistency suggests that Netflix has a strong financial management system in place.

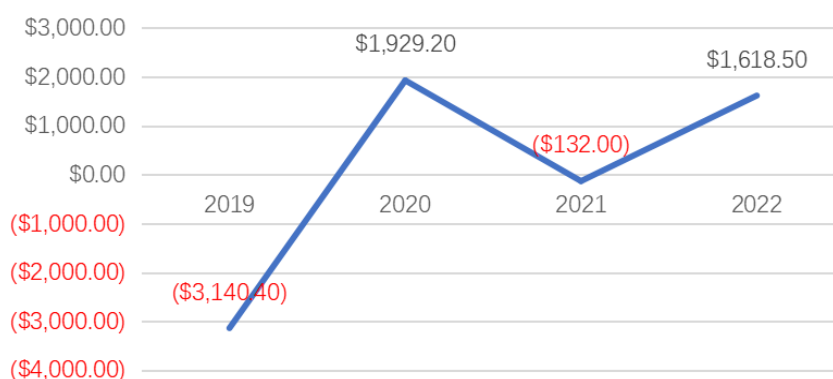
**Operating Profit Margin:** This ratio measures the company's operating income as a percentage of total revenue. The Operating Profit Margin of Netflix has been increasing over the past two years, reaching 80.58% in 2021, which is a strong indicator of the company's efficiency in managing its operations. This high operating margin suggests that the company has a high degree of control over its operating costs and is maximizing its profits.

In conclusion, the profitability ratios of Netflix over the past four years suggest that the company has consistently been profitable and efficient in managing its expenses. The stable Net Profit Margin and increasing Operating Profit Margin are positive indicators of the company's financial health. However, it's important to keep in mind that these ratios only provide a snapshot of the company's financial performance and it's important to consider external factors that may impact the company's profitability in the future.

### 5.1 Levered Free Cash Flow

**Table 8.** Levered Free Cash Flow

(In millions)	2019	2020	2021	2022
Levered free cash flow	(\$3,140.40)	\$1,929.20	(\$132.00)	\$1,618.50



**Figure 6.** Levered Free Cash Flow

Combining the Table8 with the Figure6, the levered free cash flow is the cash flow generated by the company after subtracting capital expenditures (such as investments in property, plant, and equipment).

In 2019, the company had a negative levered free cash flow of -3,140.40, meaning that the company's capital expenditures exceeded its cash flow from operations. This is not uncommon for companies in high-growth stages that are investing heavily in their businesses.

In 2020, the company saw a positive levered free cash flow of 1,929.20, indicating that its cash flow from operations exceeded capital expenditures. This is a positive sign for the company and can indicate that it is generating enough cash to finance its growth without having to rely on external financing.

In 2021, the company's levered-free cash flow was -132, indicating that the company's capital expenditures were more significant than its cash flow from operations. However, this negative figure is relatively small compared to the negative figure in 2019.

In 2022, the company's levered-free cash flow was 1,618.50, indicating that its cash flow from operations exceeded capital expenditures. This is a positive sign for the company and can indicate that it is generating enough cash to finance its growth without having to rely on external financing.

Overall, the trend in Netflix's levered free cash flow seems to be generally positive, with only one year (2021) having a negative figure. This suggests that the company is in a relatively stable financial position and can finance its growth through its own cash flow.

## 5.2 P/E Ratio&D/E Ratio

**Table 9.** Netflix P/E Ratio and D/E Ratio

	2019	2020	2021	2022
The Price-to-Earnings(P/E) Ratio	100.3x	85.1x	52.8x	34.4x
The Debt-to-Equity (D/E) Ratio	2.16	1.67	1.14	0.81

As the Table9 shows; the Price-to-Earnings (P/E) ratio and the Debt-to-Equity (D/E) ratio for Netflix have both decreased over the years from 2019 to 2022. The P/E ratio has decreased from 100.3x in 2019 to 34.4x in 2022, which indicates that the company's earnings have increased relative to its stock price. On the other hand, the D/E ratio has decreased from 2.16 in 2019 to 0.81 in 2022, which suggests that the company has been paying down its debt and improving its financial position.

In summary, the trend of decreasing P/E ratio and D/E ratio is a positive sign for Netflix, as it suggests that the company is likely to continue performing well in the future. This information can be useful for investors who are considering investing in the company, as it provides insight into the company's financial performance and health.

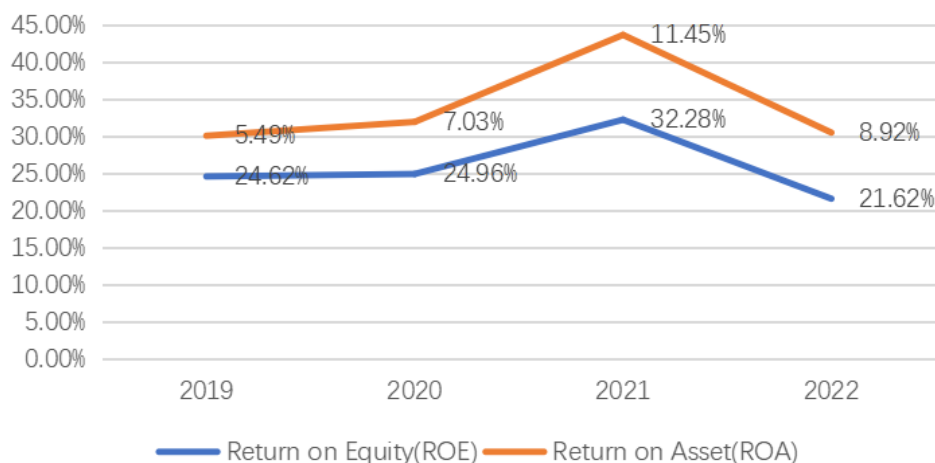
## 6. Du-Pont Analysis

**Table 10.** Du-Pont Analysis

Return ratios	ROE.	=	ROA.	*Leverage
2019	24.62%		5.49%	4.48
2020	24.96%		7.03%	3.55
2021	32.28%		11.45%	2.82
2022	21.62%		8.92%	2.42

Disaggregation of ROA	ROA.	=	Net profit margin	* Total Asset turnover
2019	5.49%		9.26%	0.59
2020	7.03%		11.05%	0.64
2021	11.45%		17.23%	0.66
2022	8.92%		14.21%	0.63



**Figure 7.** Comparison of ROE and ROA

The DuPont Analysis is a method used to analyze a company's return on equity (ROE) by breaking it down into three component ratios: net profit margin, total asset turnover, and leverage. For Netflix, the DuPont Analysis reveals that the company's improved ROE in 2021 was due to a significant increase in both its net profit margin and total asset turnover, along with a reduction in leverage. However, the ROE decreased in 2022 primarily due to a lower net profit margin and total asset turnover.

Net profit margin is a ratio that measures the amount of net profit a company generates as a percentage of its revenue. Combining the Table 10 with the Figure 7, For Netflix, the net profit margin increased from 9.26% in 2019 to 11.05% in 2020 and then reached 17.23% in 2021, which was the highest among the four years. However, it decreased to 14.21% in 2022. Total asset turnover measures how efficiently a company is using its assets to generate revenue. For Netflix, the total asset turnover increased from 0.59 in 2019 to 0.64 in 2020 and then reached 0.66 in 2021. However, it decreased to 0.63 in 2022.

Leverage measures the amount of debt a company is using to finance its assets. For Netflix, the leverage ratio decreased from 4.48 in 2019 to 3.55 in 2020 and then reached 2.82 in 2021. It continued to decrease to 2.42 in 2022. This decrease in leverage indicates that the company has reduced its reliance on debt and has become more financially stable.

In conclusion, the DuPont Analysis reveals that Netflix's improved ROE in 2021 was primarily due to a significant increase in both its net profit margin and total asset turnover, along with a reduction in leverage. The decrease in ROE in 2022 can be attributed to a lower net profit margin and total asset turnover. To maintain and improve its ROE, Netflix needs to continue to efficiently manage its costs, generate more revenue from its assets, and reduce its dependence on debt financing.

## 7. Summary and Outlook

### 7.1 Summary

The Netflix financial report from 2019 to 2022 reveals the company's impressive growth and strong financial performance over the four-year period. Revenue increased from \$15.7 billion in 2019 to \$34.0 billion in 2022, while net income grew from \$1.2 billion in 2019 to \$4.5 billion in 2022. Operating expenses also increased over the period, but at a slower pace compared to the company's revenue and net income.

The company's current assets and total assets showed consistent growth over the four-year period, reaching \$7.9 billion and \$20.9 billion in 2022, respectively. This indicates that Netflix has been investing in its operations and content, while efficiently managing its expenses.

In conclusion, Netflix has established itself as a leader in the streaming industry, delivering impressive growth and financial performance over the past four years. To maintain its growth

trajectory, the company needs to continue investing in its operations and content while efficiently managing its expenses.

## 7.2 Outlook

The impact of the COVID-19 pandemic has had a significant influence on the future outlook of Netflix. On one hand, the pandemic has accelerated the trend of online streaming, Netflix is one of the few companies that have benefitted from the government lockdown orders imposed to keep people away from the streets and practice social distancing (Anna, 2020), with more people staying at home and seeking entertainment through online platforms. This has benefited Netflix, as the company has seen an increase in subscribers and revenue.

However, on the other hand, the pandemic has also caused disruptions to the production of new content and has delayed the release of some highly anticipated shows. This could potentially impact the company's future revenue growth, as subscribers may turn to other platforms if Netflix's content offerings are limited.

Despite these challenges, the future outlook for Netflix remains positive. The company's investments in original content and its strong position in the online streaming market are expected to continue driving its revenue and growth in the future. The revenue forecast data predicts a steady increase in the company's revenue over the next five years, with the median, average, and high forecasts showing growth from \$ 34,274.0million in the next year to 51,551.7\$ million in the fifth year.

In conclusion, the impact of the COVID-19 pandemic has had both positive and negative effects on the future outlook of Netflix. While the pandemic has accelerated the trend of online streaming, it has also caused disruptions to the production of new content. Despite these challenges, the future outlook for the company remains positive, driven by its investments in original content and strong position in the online streaming market.

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