NETFLIX

Netflix Ecosystem

Netflix
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Outside Relationships

Regulators

- Subjects of General Business Regulation
- Internet
- Privacy Laws
- Data Protection Laws
- Web Services
- Intellectual Property Ownership
- Consumer Protection
- Employment & Labor
- Online Payment Services
- Foreign Trade & Investment
- General Data Protection Regulation
- Foreign Corrupt Practices and Anti-Bribery Laws
- Export Controls and Economic Sanctions
- Currency Exchange Rates
- Censorship
- Piracy
- Audio Visual Media Services Directive (EU)
- Tax Laws

Capital

- Public Debt Holders
- Commercial Banks (Lead Bank: Goldman Sachs, JPMorgan Chase Bank, Wells Fargo, and Deutsche Bank)

Suppliers

- Communication Equipment and Server Components Suppliers
  - Equus (Chassis)
  - Supermicro (Motherboards)
  - Intel (Processors)
  - Micron (Memory)
  - SanDisk (Solid State Drive)
  - Chelsio (Network Controller)
  - Sanmina (Chassis)
  - HGST (Hard Drive)
  - Mellanox (Network Controller)
  - Toshiba (Solid State Drive)
- Select Actors & Directors
  - Will Smith (Bright 2)
  - Lana Condor To All the Boys I've Loved Before)
  - Sandra Bullock (Bird Box)
  - David Slade (Black Mirror: Bandersnatch)
  - Ramin Bahrani (The White Tiger)
- Entertainment Media Production Companies
  - AT&T Inc. (WarnerMedia)
  - Walt Disney Co. (The Mandalorian)
  - Comcast Corp. (NBCUniversal & DreamWorks Animation)
  - Gaumont Film Company (French Film Studio)
  - Amazon.com, Inc. (U.S. E-Commerce and Tech Company)
  - Lionsgate (U.S.-Canadian Entertainment Company)
  - Sony Pictures Entertainment Inc. (U.S. Entertainment Company)
  - CBS TV Studios (The Unicorn)

Customers

- Streaming Service Customers
  - Individual Subscribers
  - Family Subscribers
  - Television Watchers
  - Young Adults

Flows

- Bond Financing
- Revolving Credit Financing
- General Business Regulation
- Flash Appliances
- Acting and Directing Services
- Sales of Video Streaming Subscriptions
- Licenses to Distribute Original Third Party Movie and TV Programming

Netflix (a California Corporation)

Debt Structure

Debt ($16.31 Billion as of December 31, 2020) | **Credit Ratings: S&P (BB+), Moody's (Ba3)**

- $750 Million Revolving Credit Facility (Matures 2024)
- Deposit Accounts with Black-Owned Financial Institutions
- Black Economic Development Initiative
- Hope Credit Union
- 2021 Senior Notes ($500 Million)
- 2022 Senior Notes ($700 Million)
- 2024 Senior Notes ($400 Million)
- 2025 Senior Notes ($800 Million)
- 2025 Senior Notes ($500 Million)
- 2026 Senior Notes ($1.00 Billion)
- 2027 Senior Notes ($1.588 Billion)
- 2028 Senior Notes ($1.600 Billion)
- 2028 Senior Notes ($1.900 Billion)

Equity Structure

Equity

- *Common Stock Repurchase Plan* — Authorized: $5 Billion; Balance Available: $5 Billion; Expiration: None
- *Preferred Stock* — Authorized: 10,000,000; Issued: None; Record Holders: None
- *Common Stock* — Authorized: 4,990,000,000; Issued: 442,895,261; Record Holders: 1,977

Governance

Board of Directors

- Richard Barton (A)
- Rodolphe Belmer (C)
- Mathias Döpfner (C)
- Timothy Haley (C)
- Reed Hastings
- Jay Hoag (N&G)
- Leslie Kilgore (A)
- Strive Masiyiwa
- Ann Mather (A)
- Ted Sarandos
- Brad Smith (N&G)
- Anne Sweeney (C)

Committees: Audit (A), Compensation (C), Nominating & Governance (N&G)

Management Team

- Reed Hastings, Founder, Co-CEO
- Ted Sarandos, Chief Content Officer, Co-CEO
- David Hyman, Chief Legal Officer
- Spencer Neumann, Chief Financial Officer
- Greg Peters, COO, Chief Product Officer
- Bozoma Saint John, Chief Marketing Officer
- Jessica Neal, Chief Talent Officer
- Rachel Whetstone, Chief Communications Officer
- Bryony Gagan, VP, Business & Legal Affairs
- Dean Garfield, VP, Public Policy
- Bill Holmes, VP, Strategy & Partnerships
- Vernā Myers, VP, Inclusion Strategy
- Caitlin Smallwood, VP, Data & Insights
- Mark White, VP, Engineering
- Allison Wright, VP, Talent
- Todd Yellin, VP, Product
- Mark Yurechko, VP, Strategy, Planning & Analysis
- Maria Ferreras, Global Head Of Business Development

Corporate Matters

- **Corporate Functions**: Communications; Customer Service; Corporate Real Estate, Workplace, Safety & Security; Finance; Financial Planning & Analysis; Legal & Public Policy; Netflix Technology Services; Strategy & Analysis; People, Talent & Recruiting; Travel & Transportation
- **Product**: Business Development; Client & UI Engineering; Consumer Insights; Core Engineering; Creative Production; Data Science & Engineering; Design; Partnership; Product Management; Security; Studio Technologies; Video Encoding & Streaming
- **Content**: Content Acquisition; Content Legal; Creative Content; Post-Production Management; Production Services & Technology; Production Management; VFX & Virtual Production; Animation
- **Marketing and Publicity**: Editorial & Publishing; Consumer Products; Creative Marketing; Creative Marketing Production; Partner Marketing; Publicity; Regional Marketing

Operations

Streaming Services

Content

Netflix's subscription-based streaming service offers online streaming from a collection of movies and television series, including those produced in-house by Netflix. The streaming services are advertisement-free and allow consumers to binge-watch content at their own pace. Revenues are primarily derived from monthly fees paid by members each month for content streaming services.

Popular TV Series and Movies

English—Speaking Continents			Asia Pacific			Latin America		
The United States	The United Kingdom	Canada	South Korea	India	Japan	Mexico	Chile	Brazil
Orange is the New Black	The Crown	Altered Carbon	The King: Eternal Monarch	Sacred Games	Death Note	Roma	Mujeres Arriba	The Circle Brazil
Stranger Things	It's Always Sunny in Philadelphia	A Series of Unfortunate Events	Mr. Sunshine	Taj Mahal 1989	One Piece	Who Killed Sara	No Estoy Loca	Invisible City
13 Reasons Why	Only Fools and Horses	Lost in Space	Prison Playbook	Bombay Begums	Haikyu!!	Daughter from Another Mother	Mi Amigo Alexis	The Chosen One
The Social Dilemma	Fawlty Towers	Game Over Man	Sweet Home	Ghost Stories	The Garden of Words	La Casa De Las Flores	Natalia Valdebenito: El Especial	3%
Explained	Doctor Who	Always Be My Maybe	Memories of the Alhambra	House Arrest	Alice in Borderland	Selena The Series	El Reemplazante	Pelé
				Ginny Weds Sunny	Terrace House	Club de Cuervos	Lusers	Nobody's Looking
								Brotherhood

Production Studios and Locations

Corporate Headquarters in Los Gatos, CA	Shepperton Studios in England as part of a deal with Pinewood Group	Cinespace Studios Leased in Toronto	YCDSMC – Studio 139 Leased in Paju-si	WeWork Nesco IT Park in Mumbai	Toho Studio's soundstages including Stage 7 and Stage 10, leased in Tokyo	Latin American Headquarters in Mexico City	Puerto Varas	Office Location in São Paulo
Leased Property in Los Angeles, CA	Manchester, England	Pinewood Toronto Studios Leased in Toronto	Samsung Studio Leased in Yeoncheon-gun	New Delhi	Sado Island	Valle de Bravo	Santiago	Rio de Janeiro
ABQ Studios acquired in Albuquerque, New Mexico	Winchester, England		Seoul	Ghaziabad	Nagoya	Acapulco		State of Tocantins
Atlanta, GA	Belfast, Northern Ireland	Martini Film Studios Leased in British Columbia	Yongin-si	Faridabad	Tokyo	Tijuana	Tocapilla	Curitiba
Boulder, Colorado	Glasgow, Scotland	Nova Scotia	Paju-si	Gurugram	Kobe	Pachuca		Brasília
				Noida	Yokohama	Tepotzotlán	Puerto Octay	Goiás
								Salvador

Streaming Competitors

- Google's YouTube
- Walt Disney Co.'s Disney +
- Apple's Apple TV +
- AT&T's HBOMax
- Comcast's Peacock
- Paramount +
- Amazon Prime Video
- DAZN (England)
- Iflix (Malaysia)
- Viu (Hong Kong)
- iWant TFC (Philippines)
- B TV (South Korea)
- Hotstar (India)
- iQiyi (China)
- Blim (Mexico)
- Claro Video (Mexico)
- Film in Latino (Mexico)
- Cablevisión (Argentina)
- CINE.AR Play (Argentina)
- Looke (Brazil)
- OndaMedia (Chile)
- Retina Latina (South America)

Delivery

Films and TV shows are steamed by Netflix to customers through a complex network in which (a) Amazon Web Services (AWS) processes customer play requests and stores encoded files of Netflix content for distribution to (b) Netflix's own content delivery network of virtual servers in the AWS cloud platform that route encoded files to (c) Netflix open connect appliances embedded in data centers of internet service providers (ISPs), (d) who ultimately stream the content to Netflix customers via the ISP's "last mile" networks.

Content-Delivery Network

Netflix Content Delivery Network (CDN)

Netflix videos are delivered to customers through Open Connect, the name of Netflix's content delivery network or CDN. Videos are stored on Open Connect Appliances housed at internet exchange points or in data centers within the networks of internet service providers (ISPs). From there, content is distributed by operators of cable networks (e.g., Verizon, AT&T, and Comcast) to Netflix subscribers. Because of the CDN, when a Netflix subscriber presses "play" on a client device or remote control, videos get streamed to the user more or less instantaneously.

Amazon Web Services

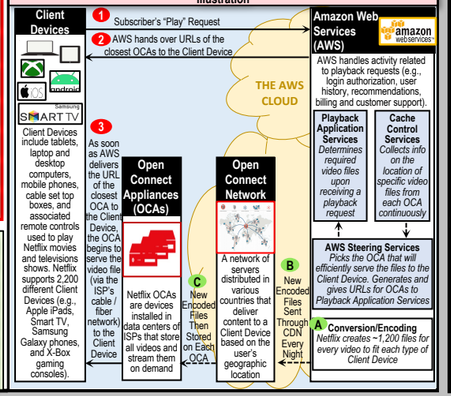
Before a video gets delivered to a Netflix subscriber, operations like searching for videos and signing up for the service are handled in the Amazon Web Services (AWS) Cloud. Netflix utilizes data processing, storage capabilities and other services provided by AWS. Elasticity of the cloud allows Netflix to add thousands of virtual servers and storage within minutes, making rapid expansion possible.

Cable Operators/Internet Service Providers

Agreements with various cable, satellite and telecommunications operators and other internet service providers (ISPs) make Netflix available through television set-top boxes. The Netflix button is available on many remote controls. All Netflix content is stored on Open Connect Appliances that are housed in ISP data centers to reduce the the network traffic that would otherwise result from distributing content from a single, centralized site.



Illustration



DVDs

DVD Netflix

"DVD Netflix" is Netflix's DVD rental service. DVD rentals were a part of Netflix's initial business model, and they continue today in limited fashion. DVD rental subscriptions are distinct from the streaming services.

Delivery Method

1. Order DVD(s) through DVD Netflix's website
2. DVD(s) arrive 1-3 business days to the customer's mailbox. Customers may keep the DVD(s) as long as they want, with no late fees.
3. Customers return the DVD(s) by placing it back into the prepaid red envelope and in mail
4. Once the post office receives the envelope, Netflix ships another from the customer's list.



DVD Plans

Standard Plan	Premium Plan
One DVD at a time for $7.99 a month (or $9.99 if Blu-ray)	Two DVDs at a time for $11.99 a month (or $14.99 if Blu-ray)

DVD Rental Competitors (Online or Physical Stores)

- Redbox (Physical)
- 3D-BlurayRental
- Amazon Instant Video
- iTunes
- Hulu
- Sony Entertainment Network
- Vudu
- Xbox Marketplace
- Blockbuster at Home

DVD Netflix Subscriptions → DVD Service Customers

- Film Buffs (Who value a more expansive library)
- Rural Users (Broadband speeds not ideal for streaming)

Outside Relationships

Customers

- Professional Services
- DVD Service Customers
  - Film Buffs (Who value a more expansive library)
  - Rural Users (Broadband speeds not ideal for streaming)

Suppliers

- Professional Services Firms
  - Ernst & Young (Audit Services)
  - ELA Advertising (Advertising Services)
  - Giant Spoon (Advertising Services)
  - Monument Advocacy (Lobbying Services)
  - SmithDehn (Film-Related Legal Services)

Capital

- Significant Shareholders
  - The Vanguard Group, Inc. (7.06%)
  - Capital Management & Research Company (6.83%)
  - T. Rowe Price Associates, Inc.(4.39%)
  - BlackRock Fund Advisors (4.31%)
  - Fidelity Research & Management Company (4.27%)
  - Institutional Ownership 31.62%

Regulators

- Securities Regulators
  - US Securities and Exchange Commission
  - The NASDAQ Global Select Market (Listing and Maintenance Rules)
  - Public Company Accounting Oversight Board (United States) (PCAOB)
  - Committee of Sponsoring Organizations of the Treadway Commission's (COSO)

Flows

- Securities Regulation and Stock Exchange Listing Rules
- Common Stock Repurchases
- Equity Capital
- Professional Services

Key Company Data

Through its proprietary Open Connect content delivery network, Netflix streams homegrown and licensed TV series, documentaries and feature films across various genres and languages to customers (via their internet-connected devices—TVs, mobile devices, game consoles) in every region of the world on a subscription basis.

Share Data

- Stock Exchange: NASDAQ
- Ticker Symbol: NFLX
- Share Price: $549.67 (as of 04/20/21)
- Earnings Per Share: $6.08 (trailing 12 months)
- Forward Annual Dividend: None
- Market Capitalization: $243.4B (as of 4/20/21)

Resources

- Employees: 9,400
- Market Capitalization: $242.06B
- Patents: 962 *521 Applications, 421 Granted*
- Trademarks: 298
- Offices and Production Studios
- Paid Subscribers: 209 Million
- Countries Served: 190

Financial Highlights

Results of Operations

- Revenues: $24.99B
- Streaming ($24.76B or 99%) and DVDs ($0.24B or 0.01%)
- US & Canada: ($11.46B), Latin America (($3.16B), and Asia Pacific ($2.37B)
- Cost of Goods Sold: $15.28B
- EBITDA: $15.51B
- Operating Income: $4.59B
- Net Income: 2.76B

Financial Condition

- Total Assets: $39.28B
- Total Liabilities: $28.22B
- Total Debt: $16.31B
- Equity: $11.07B

Cash Flow

- From Operations: $2.43B
- From Investing Activities: ($0.51B)
- Capital Expenditures: ($0.49B)
- From Financing: $1.25B

Recent Developments

- **No New Debt**. Netflix will no longer borrow, ending its run of debt.
- **New Director**. Strive Masiyiwa, chairman and founder of Econet group, appointed to Netflix's board of directors.
- **New 2021 Seasons**. Money Heist - Season 5, Sex Education - Season 3, Elite - Season 4, and Stranger Things - Season 4
- **Sony Deal**. Netflix and Sony Pictures Entertainment sign pay-one U.S. licensing deal for feature films.
- **Decline in Growth**. Although Netflix subscriptions grew by 4 million in Q1 2021, the rate of growth fell short of investor expectations due to consumer fatigue and stiff market competition.

Flows

- Film-Making Equipment Supplies
- Software and Engineering Services Supplies
- Cloud Services
- Distribution and Open Connect Appliance Agreements (OCAs Installed in Data Centers of Networks of ISPs)

Film Equipment Suppliers

- The CW Television Network (Riverdale)
- National Broadcasting Company (Good Girls)
- RTL Group SA (German Multimedia Company)
- Red Digital Cinema (Camera Manufacturer)
- DPA Microphones (Danish Microphone Manufacturer)
- The Arri Group (SkyPanel LED Fixtures)

Third Party Program and Engineering Services Software

- FreeBSD (Operating System)
- NGINX (Web Server)
- BIRD Internet Routing Daemon (Routing Intelligence Proxy)

IT Cloud Computing Services Supplier

- Amazon Web Services (Cloud Services for Computing, Storage, Databases, Analytics, Video and Transposing)

Key Cable Operators / Internet Service Providers

- Cox Communications Inc. (US Cable Provider)
- Charter Communications Inc. (US Cable Provider)
- Altice USA, Inc. (US Cable Provider)
- Comcast Cable Communications, LLC (Xfinity) (US Cable Provider)
- AT&T TV (DIRECTV NOW and AT&T TV Set-Top Box)
- Liberty Global Inc. (Anglo-Dutch-American Cable Provider)
- Deutsche Telekom (German Cable Provider)
- Altice Europe N.V. (French Cable Provider)
- SFR (French Mobile Communications Company)

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