

Netflix (NFLX)

Price:	\$103.26
Market Cap:	\$5,735,060,400
Cash:	\$798,360,000
Debt:	\$400,000,000
Net Cash:	\$398,360,000
Enterprise Value:	\$5,336,700,400
Target Market Cap:	\$6,243,073,047
Target Enterprise Value:	\$5,844,713,047

Price/Book:	8.03
EV/FCF:	29.18
Net Tang. Asset/Share:	\$12.30
Avg. Year 1-5 FCF/Share:	\$15.69
5 Years of FCF:	\$78.43
Net Tang. Asset+5 FCF:	\$90.73

Net Tang. Asset Yr. 5/Share:	\$33.98
Avg. Year FCF/Share:	\$15.69
Year 5 Disposition FCF Multiple:	5.0
Year 5 Disposition Price:	\$112.41
Gain Year 5:	\$21.67

Net Tang. Asset+5 FCF+ Gain Disposition:	\$112.41
IRR:	1.71%

Assumed Deal Details

Debt	60.00%	\$3,441,036,240
Equity	40.00%	\$2,294,024,160
Shares Outstanding		55,540,000

Levered Return

New market cap in 5 years	\$6,243,073,047
Nominal Gain for Equity	\$508,012,647
Levered Equity Return	4.08%

This ticker jumped 40% today to \$146, after positive news came out for Q4 2012. One of the boutique investment banks we follow placed a sell rating on the co. at \$50/share, which we disagree with, if the media the co. has booked as intangibles is worth the book value.

The key cashflow item is the amortization and addition of content library. We are not sure how they recognized each item so we looked into the 10K to educate ourselves on this process. The co. grew their current/non-current content library by \$1.4BB dollars, or the difference \$360MM in 2011 to \$1.9BB in 2012. How did they grow it without issuing a meaningful debt/equity issuance? They did it by accounts payable/booking liabilities on their books. Essentially, they have the rights to distribute the media content, and will pay down the purchase with a payable to the content provider, which is paid from the revenue stream. I wonder if the content providers are at risk of not collecting, since its not an upfront payment, but rather tied to the inflow, much like a vendor claim. Would they be 1st in line in the event of a bankruptcy, or hold claims, which get the left over after the 1st liens.

The content providers have the upper hand in this relationship, with some contracts with big names like Disney, Starz lapsing. Amazon and even Google/Hulu will enlarge their role in the space.

As a result, they grew revenue from \$2BB to \$3BB in 1 year, which is a phenomenal growth. We were bearish on their home DVD service, which they planned to separate into a separate service, then a separate business entity, but the customers expressed their disapproval of the suggested change and the co. has stuck with their original format. The bullish piece of the story is the streaming content, which requires a buildout of the infrastructure to implement, signing agreements with the large telecom companies, but provides years of growth, which is appealing to legacy investors from the DVD days.

We understand the co. has low leverage burden, is growing at a phenomenal pace, has a recognized name brand, a large moat. We believe the co. has much more to prove, in the stability of their revenue stream and proven business model in the streaming business. If they can give off an impression of stability, I believe the co. will share at a premium to its' intrinsic value.

SN VALUATION

LBO Analysis

WACC Terminal Value:	N/A	Intrinsic Price in 5 Years:	42.19	Non-LBO Forecast	Non-LBO Forecast
EV/EBITDA with 3X Multiple Terminal Value:	\$46.86	Market Price:	103.26	Year 1 Target	86.34
Net Tangible Asset Terminal Value:	\$3.93	LBO Price:	103.26	Year 2 Target	72.19
EV/EBITDA with Today's Multiple Terminal Value:	\$65.45	Premium to Market Price:	0.00%	Year 3 Target	60.36
EVA Enterprise Value:	\$52.53	LBO Price/Intrinsic Price Target:	-16.39%	Year 4 Target	50.46
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	-9.95%	Year 5 Target	42.19
Average (Excluding Dividend Discount):	\$42.19	Implied IRR at today's EV/EBITDA:	-8.72%	Implied IRR (Market Price):	-16.39%
		5 Year Return:	-59.14%	Desired Return Rate	20.00%
				Implied Today's Price	16.96
				Overvalued/(Undervalued)	508.96%

Current Evaluation				Exit Evaluation			
Current Market Price:	103.26	LBO Price:	103.26	Exit Price:	42.19	Exit Price:	65.45
Outstanding Shares:	55,540,000	Outstanding Shares:	55,540,000	Outstanding Shares:	55,540,000	Outstanding Shares:	55,540,000
Market Capitalization:	5,735,060,400	Market Capitalization:	5,735,060,400	Market Capitalization:	2,343,435,907	Market Capitalization:	3,634,912,172
Available Cash:	798,360,000	Available Cash:	798,360,000	Available Cash:	1,454,408,104	Available Cash:	1,454,408,104
Debt:	400,000,000	Debt:	400,000,000	Debt:	400,000,000	Debt:	400,000,000
Net Cash:	398,360,000	Net Cash:	398,360,000	Net Cash:	1,054,408,104	Net Cash:	1,054,408,104
Enterprise Value:	5,336,700,400	Enterprise Value:	5,336,700,400	Enterprise Value:	1,289,027,803	Enterprise Value:	2,580,504,068
Original EV/EBITDA:	14.19	EV/EBITDA:	14.19	EV/EBITDA at 5 Years:	2.71	EV/EBITDA at 5 Years:	5.00
Original EV/EBITDA:	4.39	EV/EBITDA:	12.71	EV/EBITDA at 5 Years:	3.51	EV/EBITDA at 5 Years:	4.72
Competitor Average EV/EBIT:	N/A						
Competitor Average EV/EBITDA:	N/A						

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	103.26	103.26	86.34	72.19	60.36	50.46	42.19
Shares Outstanding:	55,540,000	55,540,000	55,540,000	55,540,000	55,540,000	55,540,000	55,540,000
Market Capitalization:	5,735,060,400	5,735,060,400	4,795,136,925	4,009,258,233	3,352,177,807	2,802,786,799	2,343,435,907
Available Cash:	798,360,000	798,360,000	829,219,246	961,033,722	1,132,914,571	1,266,086,647	1,454,408,104
Debt:	400,000,000	400,000,000	400,000,000	400,000,000	400,000,000	400,000,000	400,000,000
Net Cash:	398,360,000	398,360,000	429,219,246	561,033,722	732,914,571	866,086,647	1,054,408,104
Enterprise Value:	5,336,700,400	5,336,700,400	4,365,917,679	3,448,224,511	2,619,263,235	1,936,700,152	1,289,027,803
EBIT	376,070,000	376,070,000	312,503,800	347,754,180	5	429,182,558	476,100,814
EV/EBIT:	14.19	14.19	13.97	9.92	523,852,647.10	4.51	2.71
EBITDA	419,820,000	419,820,000	360,628,800	400,691,680	444,760,848	493,236,933	546,560,626
EV/EBITDA:	12.71	12.71	12.11	8.61	5.89	3.93	2.36

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	103.26	103.26	87.57	98.95	13.20	125.25	140.63
Shares Outstanding:	55,540,000	55,540,000	55,540,000	55,540,000	55,540,000	55,540,000	55,540,000
Market Capitalization:	5,735,060,400	5,735,060,400	4,863,870,121	5,495,912,525	732,914,642	6,956,491,965	7,810,616,795
Available Cash:	798,360,000	798,360,000	829,219,246	961,033,722	1,132,914,571	1,266,086,647	1,454,408,104
Debt:	400,000,000	400,000,000	400,000,000	400,000,000	400,000,000	400,000,000	400,000,000
Net Cash:	398,360,000	398,360,000	429,219,246	561,033,722	732,914,571	866,086,647	1,054,408,104
Enterprise Value:	5,336,700,400	5,336,700,400	4,434,650,875	4,934,878,803	71	6,090,405,318	6,756,208,691
EBIT	376,070,000	376,070,000	312,503,800	347,754,180	5	429,182,558	476,100,814
EV/EBIT:	14.19	14.19	14.19	14.19	14.19	14.19	14.19
EBITDA	419,820,000	419,820,000	360,628,800	400,691,680	444,760,848	493,236,933	546,560,626
EV/EBITDA:	12.71	12.71	12.30	12.32	0.00	12.35	12.36

LBO Price	103.26	Equity Partners:	6,137,380,400	Weighting	100.00%	Annualized Return for Equity Partners: -9.95%
Shares Outstanding	55,540,000	Debt Partners:	0		0.00%	
Market Capitalization	5,735,060,400	Total Funds for LBO:	6,137,380,400		100.00%	
Debt	402,320,000					
Cash	798,360,000					
Enterprise Value	5,339,020,400					
Capital Investment	6,137,380,400					

Book Value		Enterprise Value		Stock Valuation		Debt Reduction	
Beginning Book Value	714.55	Beginning Enterprise Value	5,336.70	Current Market Price	\$103.26	Starting Debt	400.00
Year 5 Book Value	1,918.32	Year 5 Enterprise Value	2,580.50	Year 5 Market Price	\$65.45	Debt Repayment	0.00
Annualized Return	21.84%	Annualized Return	-13.53%	Annualized Return	-8.72%	Year 5 Ending Debt	400.00
						% of Starting Debt	100.00%

SN VALUATION

LBO Pro Forma Income Statement

Name:

Netflix

Ticker:

NFLX

	Historical				Forecasted				
	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2013	2014	2015	2016	2017
Revenue	1,364.66	1,670.27	2,162.62	3,204.58	3,525.04	3,877.54	4,265.30	4,691.83	5,161.01
COGS	909.77	1,078.89	1,356.21	2,039.90	2,291.27	2,520.40	2,772.44	3,049.69	3,354.66
Gross margin	454.89	591.38	806.41	1,164.68	1,233.76	1,357.14	1,492.85	1,642.14	1,806.35
SG&A	249.84	289.46	365.54	520.58	599.25	659.18	725.10	797.61	877.37
R&D	89.87	114.54	163.03	259.03	282.00	310.20	341.22	375.35	412.89
Unusual expense	-6.33	-4.56	-6.09	9.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Included within COGS					40.00	40.00	40.00	40.00	40.00
Operating Income (EBITA)	121.51	191.94	283.63	376.07	312.50	347.75	386.53	429.18	476.10
Interest income/(expense)	9.99	0.25	-15.94	-16.55	-20.02	-20.02	-20.02	-20.02	-20.02
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	131.50	192.19	267.70	359.52	292.48	327.73	366.51	409.16	456.08
Tax	48.47	76.33	106.85	133.39	102.37	114.71	128.28	143.21	159.63
Income after tax	83.03	115.86	160.85	226.13	190.11	213.03	238.23	265.95	296.45
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	83.03	115.86	160.85	226.13	190.11	213.03	238.23	265.95	296.45
*Figures are in millions (\$)									
EPS (based off today's share count)	\$1.49	\$2.09	\$2.90	\$4.07	\$3.42	\$3.84	\$4.29	\$4.79	\$5.34
P/E (historical today's price; forecasted intrinsic price)	69.07	49.50	35.65	25.36	25.22	18.82	14.07	10.54	7.90
Revenue Growth	N/A	22.39%	29.48%	48.18%	10.00%	10.00%	10.00%	10.00%	10.00%
Tax Rate	36.86%	39.72%	39.91%	37.10%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	25.52%	0.11%	-7.89%	-4.11%	-5.01%	-5.01%	-5.01%	-5.01%	-5.01%
Margins									
COGS	66.67%	64.59%	62.71%	63.66%	65.00%	65.00%	65.00%	65.00%	65.00%
Gross margin	33.33%	35.41%	37.29%	36.34%	35.00%	35.00%	35.00%	35.00%	35.00%
SG&A	18.31%	17.33%	16.90%	16.24%	17.00%	17.00%	17.00%	17.00%	17.00%
R&D	6.59%	6.86%	7.55%	8.08%	8.00%	8.00%	8.00%	8.00%	8.00%
Unusual expense	-0.46%	-0.27%	-0.28%	0.28%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Included within COGS	0.00%	0.00%	0.00%	0.00%	1.13%	1.03%	0.94%	0.85%	0.78%
Operating Income (EBITA)	8.90%	11.49%	13.12%	11.74%	8.87%	8.97%	9.06%	9.15%	9.22%
Interest income/(expense)	0.73%	0.01%	-0.52%	-0.52%	-0.57%	-0.52%	-0.47%	-0.43%	-0.39%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	9.64%	11.51%	12.38%	11.22%	8.30%	8.45%	8.59%	8.72%	8.84%
Tax	3.55%	4.57%	4.94%	4.16%	2.90%	2.96%	3.01%	3.05%	3.09%
Income after tax	6.08%	6.94%	7.44%	7.06%	5.39%	6.04%	6.76%	7.54%	8.41%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	6.08%	6.94%	7.44%	7.06%	5.39%	5.49%	5.59%	5.67%	5.74%

SN VALUATION

LBO Adjusted Proforma Balance Sheet

	As of 2008-12-31	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-09-30	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	139.88	134.22	194.50	508.05	370.30			370.30	401.16	532.97	704.85	838.03	1,026.35
Short term investment	157.39	186.02	155.89	289.76	428.06			428.06	428.06	428.06	428.06	428.06	428.06
Cash and Short term	297.27	320.24	350.39	797.81	798.36			798.36	829.22	961.03	1,132.91	1,266.09	1,454.41
Accounts Receivable	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Inventory	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	26.54	26.74	62.22	56.01	33.15			33.15	33.15	33.15	33.15	33.15	33.15
Other Current Assets	35.12	64.03	224.63	977.04	1,393.51			1,393.51	1,393.51	1,393.51	1,393.51	1,393.51	1,393.51
Current Assets	358.93	411.01	637.24	1,830.86	2,225.02	0.00	0.00	2,225.02	2,255.88	2,387.69	2,559.57	2,692.75	2,881.07
PP&E, Gross	223.79	265.95	265.15	300.00	300.00			300.00	500.00	700.00	900.00	1,100.00	1,300.00
Change in Depreciation		38.04	38.10	43.75	43.75			43.75	48.13	52.94	58.23	64.05	70.46
Accumulated Depreciation	98.84	134.29	136.58	200.00	200.00			200.00	248.13	301.06	359.29	423.35	493.81
PP&E, Net	124.95	131.66	128.57	100.00	100.00			100.00	251.88	398.94	540.71	676.65	806.19
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	100.39	110.45	180.97	1,046.93	1,366.57			1,366.57	1,373.95	1,308.10	1,232.68	1,229.52	1,208.10
Long term investments	5.70	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	25.46	26.62	35.29	55.05	83.65			83.65	83.65	83.65	83.65	83.65	83.65
Long Term Assets	256.50	268.73	344.83	1,201.98	1,550.22			1,550.22	1,709.47	1,790.69	1,857.03	1,989.82	2,097.95
Total Assets	615.43	679.74	982.07	3,032.84	3,775.24	0.00	0.00	3,775.24	3,965.35	4,178.38	4,416.61	4,682.56	4,979.01
Accounts Payable	100.34	92.54	168.69	924.71	924.71			924.71	924.71	924.71	924.71	924.71	924.71
Accrued Expense	31.39	33.39	36.49	61.37	61.37			61.37	61.37	61.37	61.37	61.37	61.37
Other current Liabilities	83.13	100.10	181.31	236.66	155.15			155.15	155.15	155.15	155.15	155.15	155.15
Total Current Liabilities	214.86	226.03	386.49	1,222.74	1,141.23	0.00	0.00	1,141.23	1,141.23	1,141.23	1,141.23	1,141.23	1,141.23
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	1.15	1.41	2.08	2.32	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	0.00	200.00	200.00	400.00	400.00	0.00	0.00	400.00	400.00	400.00	400.00	400.00	400.00
Capital Lease Obligations	37.99	36.57	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	39.14	237.98	202.08	402.32	400.00	0.00	0.00	400.00	400.00	400.00	400.00	400.00	400.00
Deferred Income tax	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	14.26	16.58	103.32	801.33	1,550.76			1,550.76	1,550.76	1,550.76	1,550.76	1,550.76	1,550.76
Total Liabilities	268.26	480.59	691.89	2,426.39	3,091.99	0.00	0.00	3,091.99	3,091.99	3,091.99	3,091.99	3,091.99	3,091.99
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	0.06	0.05	0.05	0.06	0.06		0.00	0.06	0.06	0.06	0.06	0.06	0.06
Additional Paid-in capital	338.58	0.00	51.62	219.12	281.59	0.00	0.00	281.59	281.59	281.59	281.59	281.59	281.59
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	108.45	198.82	237.74	422.93	432.19		0.00	432.19	622.30	835.33	1,073.56	1,339.51	1,635.96
Treasury Stock	-100.02	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	0.08	0.27	0.75	0.71	0.71		0.00	0.71	0.71	0.71	0.71	0.71	0.71
Total Equity	347.15	199.14	290.16	642.82	714.55	0.00	0.00	714.55	904.66	1,117.69	1,355.92	1,621.87	1,918.32
Liability + Equity	615.41	679.73	982.05	3,069.21	3,806.54	0.00	0.00	3,806.54	3,996.65	4,209.68	4,447.91	4,713.86	5,010.31
Variance	0.02	0.01	0.02	-36.37	-31.30			-31.30	-31.30	-31.30	-31.30	-31.30	-31.30
Debt/Equity	0.11	1.20	0.70	0.63	0.56			0.56	0.44	0.36	0.30	0.25	0.21
Inventory Turnover	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Inventory Turnover Days	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Days Inventory Outstanding	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable Turnover	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Accounts Receivable Turnover Days	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Days Payable Outstanding	40.26	31.31	45.40	165.46	147.31			165.46	147.31	133.91	121.74	110.67	100.61
Days Sales Outstanding	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash Conversion Cycle	-40.26	-31.31	-45.40	-165.46	-147.31			-165.46	-147.31	-133.91	-121.74	-110.67	-100.61
Net tangible assets/share	\$6.25	\$3.59	\$5.22	\$10.92	\$12.30			\$15.72	\$19.56	\$23.85	\$28.64	\$33.98	\$33.98

SN VALUATION

LBO Adjusted Proforma Cash Flow

	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2011	2012	2013	2014	2015
Net Income	83.03	115.86	160.85	226.13	190.11	213.03	238.23	265.95	296.45
Depreciation	32.45	38.04	38.10	43.75	48.13	52.94	58.23	64.05	70.46
Net Income + Depreciation	115.48	153.90	198.95	269.88	238.24	265.96	296.46	330.01	366.91
Amortization	209.76	219.49	300.60	795.87	592.62	665.85	775.42	903.16	921.41
Deferred Taxes	-8.43	6.33	-0.96	-18.60	0.00	0.00	0.00	0.00	0.00
Non Cash Items	-8.71	-9.01	-449.56	-848.58	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-24.06	-45.65	227.37	119.15	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-0.20	-35.48	6.21	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-7.80	76.15	756.02	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	284.04	325.06	276.40	317.72	830.86	931.81	1,071.88	1,233.17	1,288.32
Capital Expenditures Expenditures	-207.70	-239.18	-158.24	-134.84	-200.00	-200.00	-200.00	-200.00	-200.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	62.74	-6.90	42.16	-130.98	-600.00	-600.00	-700.00	-900.00	-900.00
Cash from Investing Activities	-144.96	-246.08	-116.08	-265.82	-800.00	-800.00	-900.00	-1,100.00	-1,100.00
Financing Cash flow items	5.22	12.68	62.21	45.78	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-181.03	-289.06	-160.48	19.89	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-0.82	191.74	-1.78	195.98	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-176.63	-84.64	-100.05	261.65	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	177.44	139.88	134.22	194.50	370.30	401.16	532.97	704.85	838.03
Net Change in Cash	-37.56	-5.66	60.27	313.55	30.86	131.81	171.88	133.17	188.32
Ending Cash Balance	139.88	134.22	194.49	508.05	401.16	532.97	704.85	838.03	1,026.35
Capex to Revenue	15.22%	14.32%	7.32%	4.21%	5.67%	5.16%	4.69%	4.26%	3.88%
Depreciation to Sales	2.38%	2.28%	1.76%	1.37%	1.37%	1.37%	1.37%	1.37%	1.37%
Amortization to Sales	15.37%	13.14%	13.90%	24.84%	16.81%	17.17%	18.18%	19.25%	17.85%
A/R to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Distributable FCF Yield	2.61%	1.48%	3.00%	0.97%	0.58%	2.47%	3.22%	2.50%	3.53%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing-Dividends)	76.34	85.88	118.16	182.88	630.86	731.81	871.88	1,033.17	1,088.32

SN VALUATION

LBO Debt Schedule

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	313.55	30.86	131.81	171.88	133.17	188.32
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	400.00	400.00	400.00	400.00	400.00	400.00
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	400.00	400.00	400.00	400.00	400.00	400.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%
Interest Expense		28.00	28.00	28.00	28.00	28.00
Cash Balance		797.81				
Interest @ 1.0%		7.98	7.98	7.98	7.98	7.98
Net Interest Expense/(Income)		20.02	20.02	20.02	20.02	20.02
Net Interest Rate		5.01%	5.01%	5.01%	5.01%	5.01%
EBITDA		312.50	347.75	386.53	429.18	476.10
EBITDA/Interest Expense Coverage		11.16	12.42	13.80	15.33	17.00

Interest Rate Coverage Table

Debt Rating					
AAA			AAA	AAA	AAA
AA	AA	AA			
A+					
A					
A-					
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC					
C					
D					

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Netflix

Ticker:

NFLX

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	144.07	184.98	250.75	1,083.79	1,114.65	1,246.46	1,418.34	1,551.52	1,739.84
Total Assets	615.43	679.74	982.07	3,775.24	3,965.35	4,178.38	4,416.61	4,682.56	4,979.01
X1	0.23	0.27	0.26	0.29	0.28	0.30	0.32	0.33	0.35
Retained Earnings	108.45	198.82	237.74	432.19	622.30	835.33	1,073.56	1,339.51	1,635.96
Total Assets	615.43	679.74	982.07	3,775.24	3,965.35	4,178.38	4,416.61	4,682.56	4,979.01
X2	0.18	0.29	0.24	0.11	0.16	0.20	0.24	0.29	0.33
EBITDA	121.51	191.94	283.63	376.07	352.50	387.75	426.53	469.18	516.10
Total Assets	615.43	679.74	982.07	3,775.24	3,965.35	4,178.38	4,416.61	4,682.56	4,979.01
X3	0.20	0.28	0.29	0.10	0.09	0.09	0.10	0.10	0.10
Market Value of Equity	5,735.06	5,735.06	5,735.06	5,735.06	4,795.14	4,009.26	3,352.18	2,802.79	2,343.44
Total Liabilities	268.26	480.59	691.89	3,091.99	3,091.99	3,091.99	3,091.99	3,091.99	3,091.99
X4	21.38	11.93	8.29	1.85	1.55	1.30	1.08	0.91	0.76
Net Sales	1,364.66	1,670.27	2,162.62	3,204.58	3,525.04	3,877.54	4,265.30	4,691.83	5,161.01
Total Assets	615.43	679.74	982.07	3,775.24	3,965.35	4,178.38	4,416.61	4,682.56	4,979.01
X5	2.22	2.46	2.20	0.85	0.89	0.93	0.97	1.00	1.04
Altman Z Score	16.22	11.29	8.77	2.80	2.67	2.65	2.66	2.67	2.71

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red