COMPARABLE COMPANY ANALYSIS

How Do We Value Netflix?

A Beginner's Guide to Real-World Valuation

Presented by Joonha Kwon

FACCTing M&A Advisory · Boston M&A Case Competition · 2026

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Who am I?

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- Boston College Carroll School of Management Class of 2027
- 2026 M&A Case Competition Organizer

If you have any further questions, please reach out to me via email.

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The Big Question

> Netflix wants to acquire a company to win the streaming wars. But before you can buy something else — how do we know what Netflix itself is worth?

DCF
Discounted Cash Flow
Predict future cash, discount back

Comps
Comparable Companies
Benchmark vs. similar firms ← Today

Precedent Txns
Past M&A Deals
What did buyers pay before?

→ **Today we focus on Comps**

What Is Comparable Company Analysis (Comps)?

🏠 The Zillow Analogy

Imagine you want to buy a house. You don't just guess the price -- you check what similar houses nearby sold for.

Comps does the same thing for companies.

If 3-bedroom houses on this street sell for $500K, this one should be around $500K too.

Key idea: We're not guessing — we're benchmarking.

1

Find Similar Companies

Pick peers in the same industry with a similar business model and size

2

Calculate Multiples

Measure how much investors pay per $1 of revenue or profit (e.g. "10x Revenue")

3

Apply to Target

Use the peer average to estimate your company's implied value

Step 1: How Do We Pick Comparable Companies?

🏭 **Same Industry**

Streaming & media content

📺 **Similar Business Model**

Content creation + distribution

💰 **Similar Revenue Scale**

Large-cap, global reach

🌍 **Similar Geography**

Operates in global markets

Our Peer Group

DIS	Walt Disney Co. Largest streaming + content rival
WBD	Warner Bros. Discovery HBO Max, studio powerhouse
PARA	Paramount Global Paramount+, CBS, Nickelodeon
CMCSA	Comcast / NBCUniversal Peacock, Universal Studios
FOX	Fox Corporation Fox News, Tubi, live sports

⚠ Why NOT Apple or Google? — Too diversified. Their size & business mix makes them poor benchmarks for a pure-play streaming company.

Step 2: What Are Multiples?

A multiple = a ratio that tells us "how much are investors paying per $1 of a financial metric?"

EV / Revenue

Enterprise Value ÷ Annual Revenue

When to use: Best when a company is growing fast but not yet very profitable

e.g. Netflix has $39B revenue. If EV/Revenue = 10x → EV ≈ $390B

EV / EBITDA

Enterprise Value ÷ EBITDA*

When to use: Most widely used. Compares operating profit power across companies

e.g. Netflix EBITDA ≈ $10.4B. If EV/EBITDA = 37x → EV ≈ $385B

P / E

Stock Price ÷ Earnings Per Share

When to use: Simple & intuitive. Great for profitable, stable companies

e.g. Netflix EPS = $19.83. If P/E = 36x → Price ≈ $714/share

** EBITDA = Earnings Before Interest, Taxes, Depreciation & Amortization — a measure of core operating profit*

What Is Enterprise Value (EV)?

EV = The total price tag to buy the ENTIRE company

🍦 **Ice Cream Shop Analogy**

The owner asks $1M. But they also have $200K in loans (debt). And there's $50K in the cash register (cash).

Your real cost = $1M + $200K – $50K = $1.15M

That's Enterprise Value.

EV = Market Cap + Debt – Cash

Netflix EV Calculation (FY2024)

Market Cap *(share price × shares outstanding)*	**~$380B**
+ Long-term Debt *(from Balance Sheet)*	**$13.8B**
+ Short-term Debt *(from Balance Sheet)*	**$1.8B**
– Cash *(from Balance Sheet)*	**($7.8B)**
Enterprise Value (EV) ≈ $388B	

Where Do the Numbers Come From? The Netflix 10-K

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NETFLIX, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year ended December 31,		
	2024	2023	2022
Revenues	$ 39,000,966	$ 33,723,297	$ 31,615,550
Cost of revenues	21,038,464	19,715,368	19,168,285
Sales and marketing	2,917,554	2,657,883	2,530,502
Technology and development	2,925,295	2,675,758	2,711,041
General and administrative	1,702,039	1,720,285	1,572,891
Operating income	10,417,614	6,954,003	5,632,831
Other income (expense):			
Interest expense	(718,733)	(699,826)	(706,212)
Interest and other income (expense)	266,776	(48,772)	337,310
Income before income taxes	9,965,657	6,205,405	5,263,929
Provision for income taxes	(1,254,026)	(797,415)	(772,005)
Net income	$ 8,711,631	$ 5,407,990	$ 4,491,924
Earnings per share:			
Basic	$ 20.28	$ 12.25	$ 10.10
Diluted	$ 19.83	$ 12.03	$ 9.95
Weighted-average shares of common stock outstanding:			
Basic	429,519	441,571	444,698
Diluted	439,261	449,498	451,290

See accompanying notes to consolidated financial statements.

Income Statement

Revenue · Net Income · Operating Income

NETFLIX, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income	$ 8,711,631	$ 5,407,990	$ 4,491,924
Adjustments to reconcile net income to net cash provided by operating activities:			
Additions to content assets	(16,223,617)	(12,554,703)	(16,839,038)
Change in content liabilities	(779,135)	(585,602)	179,310
Amortization of content assets	15,301,517	14,197,437	14,026,132
Depreciation and amortization of property, equipment and intangibles	328,914	356,947	336,682
Stock-based compensation expense	272,588	339,368	575,452
Foreign currency remeasurement loss (gain) on debt	(121,539)	176,296	(353,111)
Other non-cash items	494,778	512,075	533,543
Deferred income taxes	(590,698)	(459,359)	(166,550)
Changes in operating assets and liabilities:			
Other current assets	22,180	(181,003)	(353,834)
Accounts payable	121,353	93,502	(158,543)
Accrued expenses and other liabilities	191,899	103,565	(55,513)
Deferred revenue	77,844	178,708	27,356
Other non-current assets and liabilities	(446,351)	(310,920)	(217,553)
Net cash provided by operating activities	7,361,364	7,274,301	2,026,257
Cash flows from investing activities:			
Purchases of property and equipment	(439,538)	(348,552)	(407,729)
Acquisitions	—	—	(757,387)
Purchases of investments	(1,742,246)	(504,862)	(911,276)
Proceeds from maturities of investments	—	1,395,165	—
Net cash provided by (used in) investing activities	(2,181,784)	541,751	(2,076,392)
Cash flows from financing activities:			
Proceeds from issuance of debt	1,794,460	—	—
Repayments of debt	(400,000)	—	(700,000)
Proceeds from issuance of common stock	832,887	169,990	35,746
Repurchases of common stock	(6,263,746)	(6,045,347)	—
Taxes paid related to net share settlement of equity awards	(8,285)	—	—
Other financing activities	(29,743)	(75,446)	—
Net cash used in financing activities	(4,074,427)	(5,950,803)	(664,254)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(416,331)	82,684	(170,140)
Net increase (decrease) in cash, cash equivalents and restricted cash	688,822	1,947,933	(884,529)
Cash, cash equivalents and restricted cash, beginning of year	7,118,515	5,170,582	6,055,111
Cash, cash equivalents and restricted cash, end of year	$ 7,807,337	$ 7,118,515	$ 5,170,582
Supplemental disclosure:			
Income taxes paid	$ 1,641,530	$ 1,154,973	$ 811,720
Interest paid	674,502	684,504	701,693

Cash Flow Statement

Operating Cash → feeds EBITDA

NETFLIX, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	As of December 31,	
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	$ 7,804,733	$ 7,116,913
Short-term investments	1,779,006	20,973
Other current assets	3,516,640	2,780,247
Total current assets	13,100,379	9,918,133
Content assets, net	32,452,462	31,658,056
Property and equipment, net	1,593,756	1,491,444
Other non-current assets	6,483,777	5,664,359
Total assets	$ 53,630,374	$ 48,731,992
Liabilities and Stockholders' Equity		
Current liabilities:		
Current content liabilities	$ 4,393,681	$ 4,466,470
Accounts payable	899,909	747,412
Accrued expenses and other liabilities	2,156,544	1,803,960
Deferred revenue	1,520,813	1,442,969
Short-term debt	1,784,453	399,844
Total current liabilities	10,755,400	8,860,655
Non-current content liabilities	1,780,806	2,578,173
Long-term debt	13,798,351	14,143,417
Other non-current liabilities	2,552,250	2,561,434
Total liabilities	28,886,807	28,143,679
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized at December 31, 2024 and December 31, 2023; no shares issued and outstanding at December 31, 2024 and December 31, 2023	—	—
Common stock, $0.001 par value; 4,990,000,000 shares authorized at December 31, 2024 and December 31, 2023; 427,757,100 and 432,759,584 issued and outstanding at December 31, 2024 and December 31, 2023, respectively	6,252,126	5,145,172
Treasury stock at cost (25,953,460 and 16,078,268 shares at December 31, 2024 and December 31, 2023)	(13,171,638)	(6,922,200)
Accumulated other comprehensive income (loss)	362,162	(223,945)
Retained earnings	31,300,917	22,589,286
Total stockholders' equity	24,743,567	20,588,313
Total liabilities and stockholders' equity	$ 53,630,374	$ 48,731,992

See accompanying notes to consolidated financial statements.

Balance Sheet

Debt & Cash → needed for EV

✅ This is a public document. Every listed company files a 10-K annually with the SEC. You can find any company's at sec.gov — for free.

Step 3: The Comparable Company Table (FY2024)

Company	Revenue	EBITDA	EV	EV/Rev	EV/EBITDA	P/E
Walt Disney (DIS)	$91.4B	$16.8B	$227B	2.5x	13x	17x
Warner Bros. Disc. (WBD)	$39.3B	$8.5B	$40B	1.0x	5x	N/M
Paramount (PARA)	$28.7B	$3.6B	$15B	0.5x	4x	N/M
Comcast (CMCSA)	$123.7B	$38.1B	$200B	1.6x	5x	10x
Fox Corp (FOX)	$14.0B	$2.9B	$25B	1.8x	9x	14x
Peer Average	**—**	**—**	**—**	**1.5x**	**7x**	**14x**
Netflix (NFLX) ★	**$39.0B**	**$10.4B**	**$388B**	**9.9x**	**37x**	**36x**

N/M = Not Meaningful (company posted net loss, so P/E cannot be calculated)

Step 4: Applying Multiples to Get Netflix's Implied Value

Using the Peer Average, what should Netflix's stock price be?

1
Peer Avg Multiple
EV/Revenue = 1.5x

2
× Netflix Revenue
$39.0B × 1.5x = $58.5B

3
= Implied EV
$58.5B

4
÷ Shares Outstanding
429M shares → Implied Price ≈ $136/share

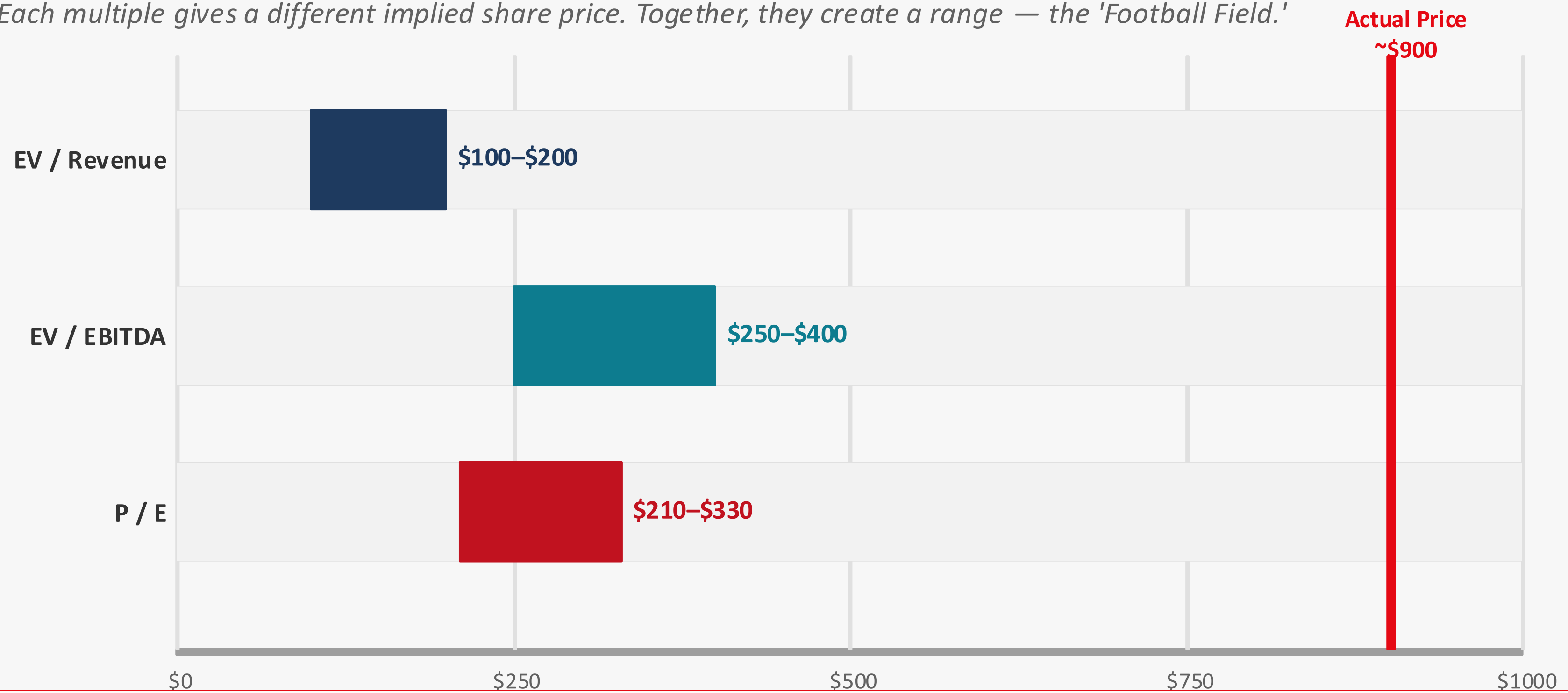
What does this tell us?

Using peer average multiples, Netflix's implied price ≈ $136/share (EV/Revenue) — far below the actual stock price of ~$900.

This tells us: Netflix trades at a massive PREMIUM to peers. The market believes Netflix's future growth justifies a much higher price.

The Football Field: Valuation Is a Range, Not a Single Number

Each multiple gives a different implied share price. Together, they create a range — the 'Football Field.'



Netflix's actual stock price sits FAR above the peer-based ranges — it's priced for exceptional future growth. This is not unusual for market leaders.

Why Does Netflix Trade at a Premium to Peers?

Higher Revenue Growth

Netflix grew revenue 16% in 2024 vs. flat or declining peers

Pure-Play Streaming

No legacy TV, theme parks, or cable to drag down margins

Strong Free Cash Flow

$7.4B operating cash flow in 2024 — peers are still burning cash

Global Scale

300M+ subscribers in 190+ countries — unmatched global reach

New Revenue Engines

Ads tier + Netflix Games = early but promising diversification

First-Mover Advantage

Brand loyalty and recommendation algorithm built over decades

Key takeaway: Premium multiples = the market expects Netflix to keep growing faster than everyone else.

Limitations of Comps — What Can Go Wrong?

Comps is powerful, but it has real weaknesses. Always use it alongside other methods.

01 No Two Companies Are Truly Identical

Disney has theme parks. Comcast has a cable network. These businesses distort the comparison when put next to a pure-play streamer like Netflix.

02 Market-Wide Mispricing

If the entire sector is overvalued at once (think: the dot-com bubble), comps will inherit that error. It tells you relative value, not absolute truth.

03 Different Accounting Policies

Content amortization, depreciation schedules, and one-time charges can distort EBITDA and make comparisons misleading.

04 Comps Is a Starting Point

Professional analysts always cross-check with DCF analysis and precedent transaction data. One method alone is never enough.

So What Does This Mean for Your M&A Case?

🎯 When you pitch an acquisition target, judges will ask: Is the price fair? Use comps to show the target's implied value range.

💰 Show Netflix can afford the deal: compare the deal price to Netflix's $7.4B free cash flow and $7.8B cash on hand.

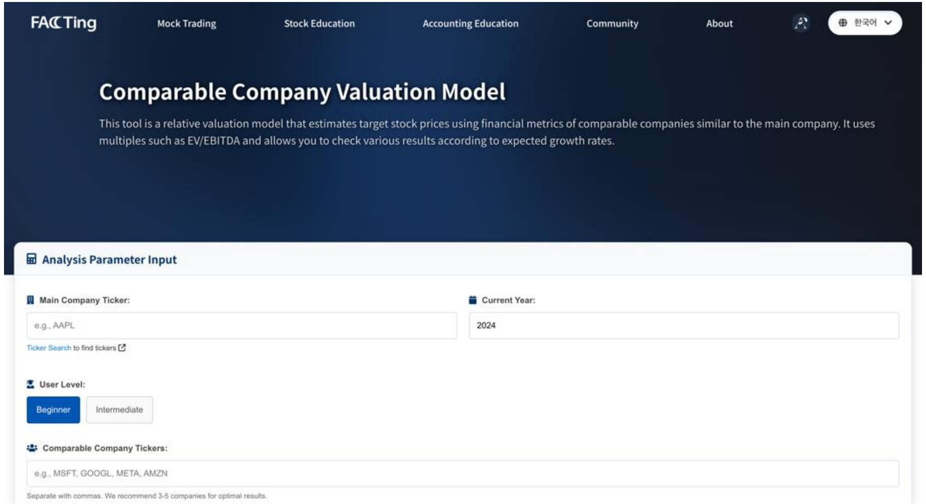
📊 A low EV/Revenue target (like a gaming company) may look cheap relative to Netflix's 9.9x — that's your opportunity to argue value creation.

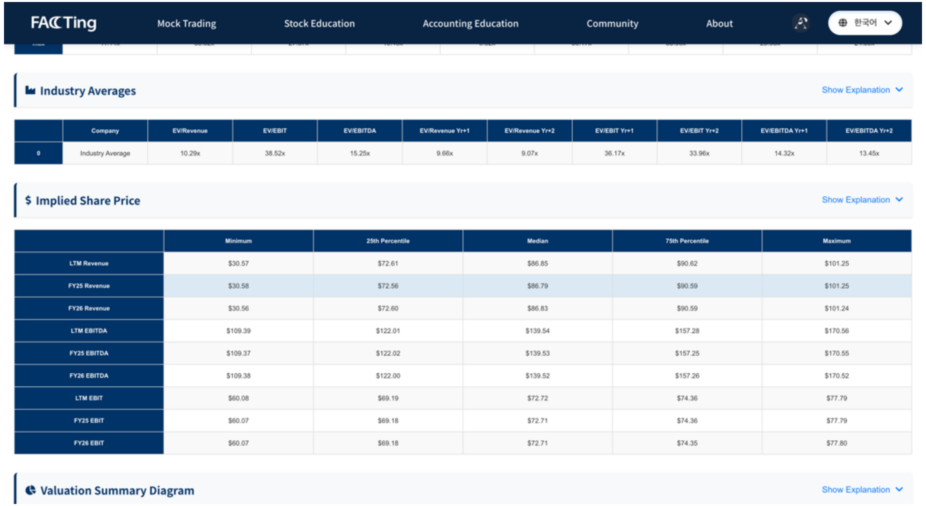
🏆 A strong comps slide signals to judges that you know how to think like a real financial advisor, not just a student.

You now have the tool professionals use on Wall Street. Good luck!

Tool you can use

FACCTing Website· Comparable Company Analysis





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