



## Netflix Research Report

By: Lawrence Eggleston

Netflix over the years has become a household name and is a leader of the streaming industry. When Netflix was selling their services back in 2008 at 8 dollars per month you could have purchased shares at that same price. Now 12 years later we can take a look at Netflix and say by far they are one of the greatest Investments of the decade. Netflix has changed the way we view our favorite shows and movies not just in the USA but worldwide.

My Thesis

During the pandemic of 2020 Netflix was one of the few companies you can say that has still been a winner. Netflix during the first quarter of this year actually hit a record subscriber number of 17.4 million added in one quarter which broke the previous record of 9.3 million. To put these numbers in perspective Netflix typically only adds 5.6 million subscribers in each quarter. What investors like to focus on is how this growth can transition in to profitability. The problem Netflix has had many times is not making money but keeping a good amount of free cash.

Free Cash is defined as the amount of money the company has available to spend on new projects and investments. In Netflix case they spend a lot of money on producing original content and this can cause investor concern. In these times since the pandemic caused a lot of production to stop it is now at the point where a lot of the free cash that they were making is preserved. Downside is that the new content that was supposed to be released is delayed.

Netflix has had to make some budget cuts as well just like any other company during this pandemic. Right now, it is increased risk that subscriber count is only going to decrease in the near future because of lack of new releases being added. Netflix has grown from \$280 to a high of \$575 being mindful that investors may want to trim their positions.

### Stock Recommendations

Currently I see a case where you can argue that Netflix stock price doesn't match the true value of the company.

Trading at \$492 today over the next 3 months you can see Netflix push towards \$600.

I really take a look at the overall picture and that is with everyone trying to save money cable is going to be cut out more and more.

Streaming makes watching everything a lot faster and more affordable.

We suggest looking at the Dec 18 2020 600 and 650 calls bull case scenario

We suggest looking at the Dec 18 2020 400 and 450 puts bear case scenario

### Earnings Recap

Yesterday Netflix earnings did not come in hot at all just as expected I warned my clients not to play any side. Taking a look today lots of other analyst have sent mixed signals about what to expect next

I am overall expecting Netflix to rebound long term but I see a huge risk with Netflix today.

With low subscribers expected over the next few months and lack of content. I see investors taking a breather from them here.

### Price Target

Here today we are rating Netflix a sell and assigning a price target of \$450!

In the short term over the next couple of weeks we expect to see a short term rebound in the stock.

With the election coming up we see a risk from an overall market standpoint so we ask assign

Market Preform rating on Netflix as we believe they will trend with the overall market.

We recommend following Roku as well as these companies tend to move together.

Sincerely Lawrence Eggleston

CEO of Black Wall Street Originals