

Netflix: Great Quarter, 5% Drop—What Went Wrong?

- Shares dropped 5% on weak guidance and the \$83b WBD bid.
- Fundamentals remain strong with 18% growth and 325M subscribers.
- We maintain a BUY recommendation on NFLX80 with revised TP of THB3.75.

Soft 1Q26E Guidance and a Bold \$83b Bid

Netflix shares dropped 5% in after-hours trading following the 4Q25 earnings release. The decline was driven by a weaker-than-expected outlook for 1Q26E, with EPS guidance of \$0.76 (vs. consensus of \$0.81). Adding to investor concern, Netflix announced an \$82.7b all-cash offer to acquire Warner Bros. Discovery (WBD). This massive deal has forced the company to pause share buybacks to preserve cash.

Q4 Beat, 325M Subs, and Ad Momentum

Operationally, Netflix delivered a solid 4Q25, with revenue rising 18% y-y to \$12.1b, operating margins expanding to 25%, and EPS of \$0.56 slightly beating estimates. The company also issued strong FY26 guidance, forecasting revenue growth of 12-14% to ~\$51.2b and margins of 31.5%. After stopping regular subscriber updates in 2025, Netflix revealed a milestone of 325m paid memberships. The ad business remains a key catalyst, growing 2.5x to \$1.5b in FY25 (3% of revenue) and driving over 50% of new sign-ups; management expects ad sales to double to ~\$3b in 2026E.

Quality Engagement & The WBD Thesis

The metric that might sound concerning is the 2H25 total view hours which grew just 2% y-y, despite content spend rising 11% to \$18b. With spending set to increase another 10% in 2026E, management is pivoting to a "quality of engagement" metric, arguing that steady retention amidst flat hours signals higher value per hour. To defend against social media, Netflix is integrating TikTok-style feeds and cloud gaming to capture the "in-between moments" on both mobile and TV. Regarding the WBD deal, the thesis is straightforward: management is betting Netflix's superior distribution machine can monetize franchises like the DC Universe and Harry Potter far more effectively than Warner could alone.

Investment Thesis: Temporary Fears vs. Structural Strength

Netflix shares are currently trading 37% below their Jun-25 peak, the steepest drawdown since the 2022 collapse. This sell-off is driven by two primary overhangs: a Q3 earnings miss caused by a \$600m tax dispute in Brazil and the uncertainty surrounding the \$83b WBD acquisition. Despite this, the underlying business remains strong, with clear leadership in streaming and continued innovations like TV-based games. While the stock has yet to show technical signs of a turnaround, we believe the current price reflects temporary fears rather than structural weakness. Once these concerns ease, we expect the shares to reclaim their highs.

Recommend a BUY with TP of THB3.75 (\$120, USD/THB at 31.2)

We maintain a **BUY** rating on **NFLX80** with a revised TP of **THB3.75 (US\$120 at USD/THB 31.2)** from the previous TP of US\$137, reflecting the adjusted earnings outlook and near-term execution risks. However, we believe the current valuation offers an attractive entry point for long-term investors

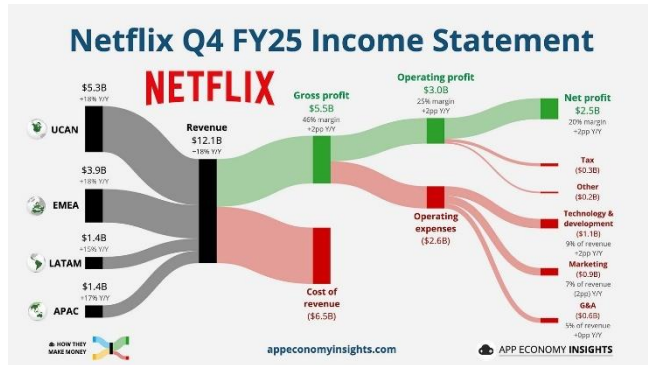
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Exhibit 1: 3Q25 Income Statement



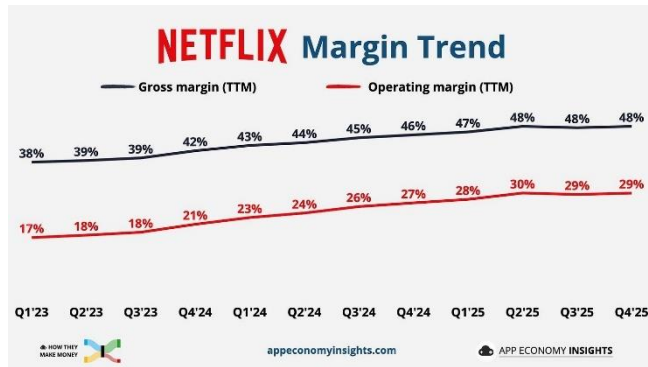
Sources: App Economy Insights

Exhibit 2: Netflix Memberships



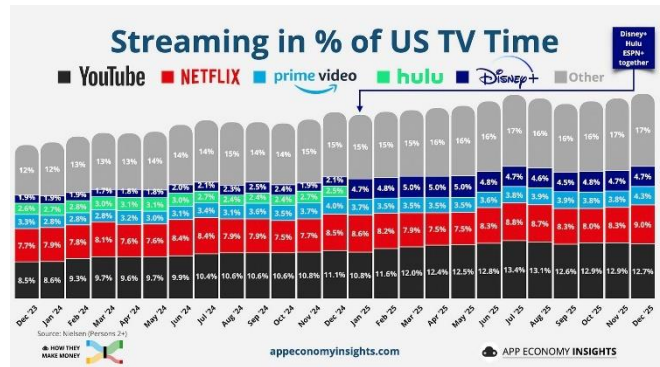
Sources: App Economy Insights

Exhibit 3: Netflix Margin Trend



Sources: App Economy Insights

Exhibit 4: Streaming % of US TV Time



Sources: App Economy Insights

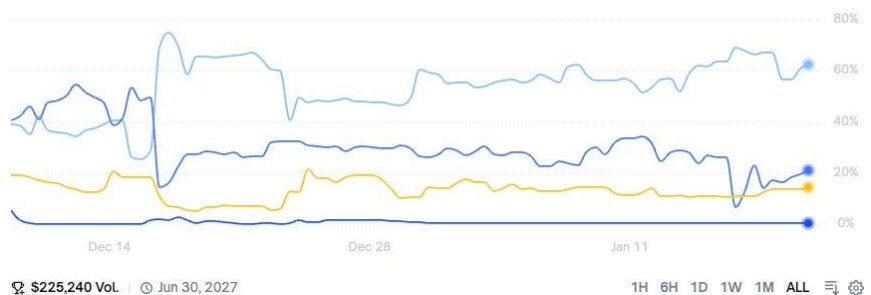
Exhibit 5: Bet on who will close Warner Bros deal



Who will close Warner Bros. acquisition?

● Netflix 63% ● Paramount 21% ● None by June 30, 2027 15% ● Comcast <1%

Polymarket



Sources: Polymarket

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Analyst Certification

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RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

- BUY:** Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.