

A \$25B Vote of Confidence Amid Post-Earnings Jitters

- Strong 1Q26 results beat expectations, despite softer 2Q26 guidance.
- A massive \$25B share buyback offsets near-term outlook weakness.
- We maintain a BUY recommendation on NFLX80 with TP of THB3.90.

1Q26 Results: Strong Performance Outpaces Management Guidance

Netflix delivered strong 1Q26 results, with revenue and operating income growing 16% and 18% year-over-year, respectively. This performance beat management's 15% and 17% guidance, driven by higher-than-anticipated global membership additions, led by Latin America (+19%) and Asia-Pacific (+20%). A late-quarter \$2 price hike on the standard ad-free plan to \$20/month had minimal 1Q financial impact but establishes a clear runway for top-line acceleration in subsequent quarters.

Guidance Underwhelms, but the \$25B Buyback Softens the Blow

2Q26E guidance projects 13.5% revenue growth and 32.6% operating margins, representing a 150bps y-y margin contraction due to content amortization timing. While management reiterated its 2026E outlook of 12-14% revenue growth and 31.5% margins, the lack of an upward revision disappointed the market. However, underlying operational momentum remains robust, supported by successful price adjustments and new pricing structures in Spain. Share repurchases were low at \$1.3b in 1Q due to the paused WBD deal. However, management just authorized a \$25b share buyback program, deploying the capital preserved from the aborted acquisition.

Hastings' Departure: Zero Operational Shock

Market sentiment was further dampened by Co-founder Reed Hastings announced he will step down from the board in June 2026, completing a transition that began when he stepped down as co-CEO in January 2023. With Ted Sarandos and Greg Peters fully entrenched as co-CEOs and widely credited for Netflix's operational and strategic execution over the past three years, we view the negative sentiment as an overreaction to optics. There is zero operational shock here; this is a clean close to a well-managed handover.

Content, Tech, and Monetization: A Three-Pronged Strategy

Netflix is transitioning from a single-product streaming service into a diversified entertainment ecosystem, competing not just with legacy media but increasingly with time-spent rivals like TikTok and YouTube. On content, the slate is broadening into live events, sports, and gaming — categories designed to drive engagement frequency and reduce churn, as evidenced by the World Baseball Classic in Japan driving record single-day sign-ups. On technology, Netflix's proprietary recommendation and discovery engine continues to widen its competitive moat, while the in-house ad tech stack — now serving programmatic inventory — gives the company structural pricing leverage that a third-party solution never could. On monetization, ads and pricing work in tandem: the ad-supported tier now drives 60% of new sign-ups, lowering the friction of entry while expanding the monetizable base. These three pillars reinforce each other and point toward a durable ARPU expansion trajectory that is still in early innings.

Recommend a BUY with TP of THB3.90 (\$120, USD/THB at 32.5)

We maintain a **BUY** rating on **NFLX80** with a TP of **THB3.90 (\$120 at USD/THB 32.5)**. Our thesis rests on three durable compounders: pricing power in core subscription, a rapidly scaling advertising business targeting ~\$3b in revenue this year, and a buyback program that provides a consistent return floor. Near-term, the March price increase and accelerating ad monetization are the primary catalysts for 2Q upside.

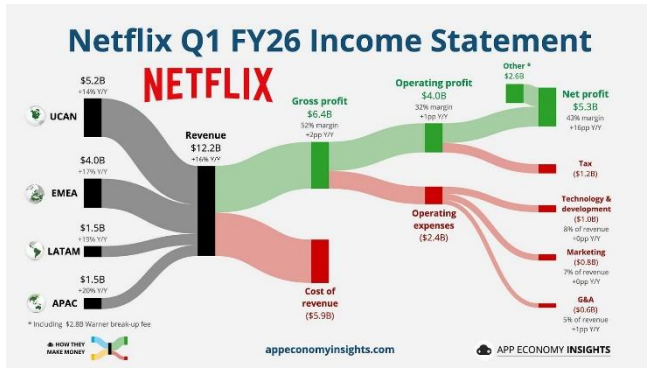
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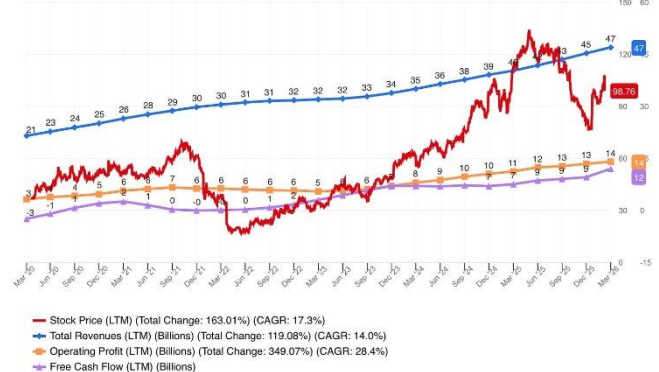
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Exhibit 1: 1Q26 Income Statement



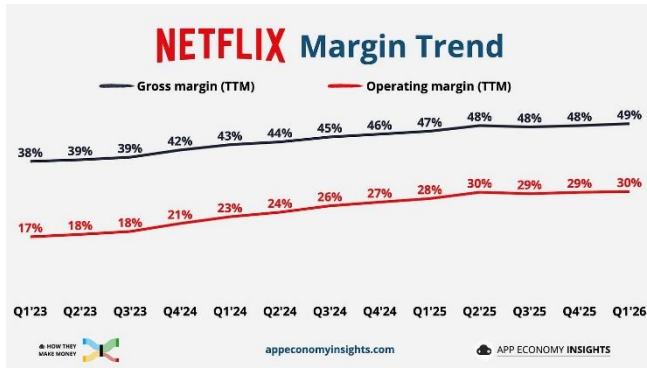
Sources: App Economy Insights

Exhibit 2: Netflix Stock Price vs Fundamentals



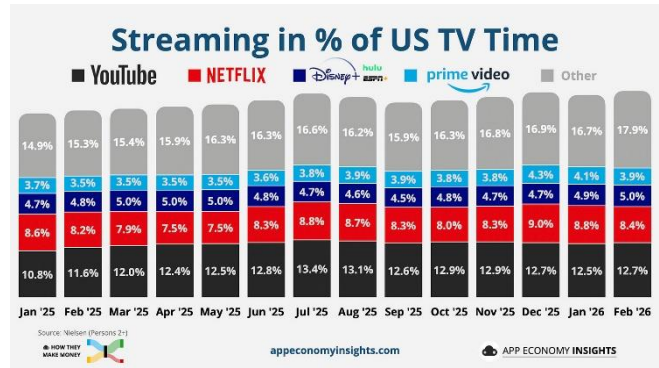
Sources: App Economy Insights

Exhibit 3: Netflix Margin Trend



Sources: App Economy Insights

Exhibit 4: Streaming % of US TV Time



Sources: App Economy Insights

Exhibit 5: Regional Breakdown

(in millions)	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26
UCAN:					
Revenue	\$4,617	\$4,929	\$5,072	\$5,339	\$5,245
Y/Y % Growth	9%	15%	17%	18%	14%
F/X Neutral Y/Y % Growth	9%	15%	17%	18%	14%
EMEA:					
Revenue	\$3,405	\$3,538	\$3,699	\$3,873	\$3,998
Y/Y % Growth	15%	18%	18%	18%	17%
F/X Neutral Y/Y % Growth	16%	16%	15%	15%	12%
LATAM:					
Revenue	\$1,262	\$1,307	\$1,371	\$1,418	\$1,497
Y/Y % Growth	8%	9%	10%	15%	19%
F/X Neutral Y/Y % Growth	27%	23%	20%	20%	18%
APAC:					
Revenue	\$1,259	\$1,305	\$1,369	\$1,421	\$1,509
Y/Y % Growth	23%	24%	21%	17%	20%
F/X Neutral Y/Y % Growth	26%	23%	20%	19%	19%

Sources: Netflix

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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.