NETFLIX CASE STUDY // 2014

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// MGMT 6722

NETFLIX

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// BACKGROUND

The founder and CEO of Netflix, Inc. Reed Hastings, incorporated in 1997 and starting movie rental services in 1999. Netflix employed then and continues to employ a subscription-based business model. The company was originally only a DVD-by-mail service in which the customer paid for a certain level of membership that determined how many DVD's could be rented at one time. DVD's were mailed to the customer and then returned by the customer when they had completed viewing.

After a couple years in business, the company began including streaming services along with the DVD-by-mail option. The goal here was to reduce costs by trying to get the subscribers to switch to streaming, which would reduce the costs incurred for postage and shipping with the mailed DVDs. The streaming option began in 2007, with 2,000 titles available for instant-watching via streaming and around 20,000 titles in 2010. Until this time, subscribers could receive the streaming option along with the DVD-by-mail subscription in amounts based upon their subscription level.

Netflix was known, especially in 2010, prior to some business model changes, to be the largest and most well-known internet subscription streaming service. With market trends in home viewing of movies consistently growing, Netflix had a solid entrenchment within in the market and holding a majority of the subscribers.

In 2010, Netflix began offering its streaming services to residents in Canada and in 2011, initiated services in 43 countries worldwide. The mail services only continued in North America as it did originally.

In 2011, Netflix announced that this would no longer be an option and there would not be a subscription plan that offered both the option for streaming and DVDs-by-mail service. Instead, the services would be offered in two separate package. There was a negative response from the current customers and Hastings decided to only continue the streaming services offered through the name Netflix, Inc. and all mail services would be accessed through the website Qwikster.com. This caused an uproar from customers and the stock price of the company dropped considerable in a short time. This idea was abandoned from more negativities and a continued drop in stock price.

In that same year, Netflix announced that they had raised $400 million dollars in new capital by selling stocks to mutual funds and T. Rowe Price Associates and by selling $200 million Convertible Senior notes due in 2018. After this announcement the stock dropped again considerably.

In 2012, there was over 23 million subscribers for streaming and around 120,000 titles available for online streaming. The main competitors at that time was Hulu Plus and Amazon Prime Instant Video (Reuters, 2014).

// STRATEGY

Hastings developed a strategy which made Netflix the largest online subscription service for streaming entertainment in the world. Netflix's strategy includes:

- Providing customers with a wide selection of DVD titles to view.
- Continually acquiring new content by establishing relationships with entertainment providers
- Provide easy to use technology for customers to use to order and identify what they wish to view
- Providing options for subscribers between streaming and mail services
- Aggressive spending on marketing to continue to raise brand awareness
- Promote rapid transition of the US subscribers to streaming
- Expand Internationally

Netflix chose to outcompete rivals on the basis of differentiation by offering a wider product selection, value-added services and attractive styling. They also utilize technological superiority by continuing to enter each new technology market as they are made available.

In 2012, there were around 120,000 titles available for streaming and had more titles than any other streaming service available to the public. Since the beginning, Hastings had a focus on gaining new content to make available to subscribers. He made negotiations with multiple studios and networks and usually paid licensing fees, direct acquisition or profit-sharing deals to be able to stream these titles through the online service.

The proprietary software technology Netflix developed was a large part of the strategy. This software made it easy for a subscriber to preview movies based on category, ratings and various other filters. It also allowed for a subscriber to rate the titles that they had previously viewed and receive recommendations based on the titles they previously rated highly. This service was and continues to be highly successful with a good portion of titles being viewed coming from the recommendations provided. Giving subscribers a choice between DVD-by-mail and streaming services allows for those with preferences of receiving the physical DVDs in the mail. This helped to sustain those subscribers who may not have high-speed Internet in certain areas or who simply like receiving the DVDs in the mail.

However, with the large percentage of consumers who have this capability today, part of the strategy is to get as many subscribers as possible to switch to the streaming-only services. This will help reduce costs associated with postage incurred when mail is both shipped to and from the customers.

The company keeps an aggressive marketing and advertising strategy. In 2012, this was increased into newly entered countries. They also offer free-trials to all new customers in which subscribers gain a free month of access to services. They also chose to increase payments to consumer electronics partners.

The main strategy to increase profits for the corporation was through international expansion. Not all foreign markets have such strong capabilities for streaming. In Latin America, Netflix ran into multiple issues with lack of Internet-capable devices being used, high-speed Internet connections not being readily available and not all households used credit cards as often in online commerce. However, the company continues to move into new segments, diversify geographically and has had considerable success in many areas.

// FIVE FORCES MODEL

The Porter's Five Forces Model will be used to analyze the long run profitability of the movie rental industry.

The rivalry among established companies is intense. The movie rental industry is very competitive as there are a large number of firms in this industry. There are also many methods for consumers to obtain a movie which also increases rivalry. Consumers have four options to choose from such as in-store rental, online selection and mail delivery, Kiosk rental, or Video on Demand. Comparable products can be found at many different locations. There are low switching costs which also lead to fierce competition. Netflix key competitors have large levels of capital and have achieved economies of scale. Low levels of product differentiation also increase rivalry.

The threat of new potential entrants is moderately low. This is largely due to very high cost or capital requirements resulting from stocking the product needed. The branding and image of the largest firms in the industry also causes some difficulty of entering the market. Key players in the industry include Red Box, Hulu+ and Amazon Instant Video. A new entrant would have to spend a lot of money on marketing and advertising to become competitive.

The threat of substitute products is high in this industry and costs must be kept low in order to be competitive. Substitute products to the movie rental industry are wide in number and include physically attending a movie, watching television, surfing the web or even playing a video game. Technology has tremendously aided to increase the threat of substitute products. More consumers are using the web to research prices, find sales and read reviews (Gaille, n.d.).

The bargaining power of buyers is high. Highly price sensitive customers have a lot of power. There are little to no switching costs and customers have an extremely large amount of options on which products to choose. Although buyers are fragmented and no singular buyer has the ability to influence a product or price, their diminishing brand loyalty give them a reasonable amount of power. Price points in this industry have to be uniform across similar products.

The bargaining power of suppliers is moderately high. Normally suppliers are able to impose a price increase on their products or reduce the quality of products supplied which may decrease a company's overall profitability (Andriotis, 2004). This proves to be true in the movie rental industry as their suppliers are the studios who make the movies. In 2013 Netflix was forced to remove Nickelodeon and MTV television shows from their selection due to an expired contract with Viacom (Lieberman 2013).

More recently Netflix has tried to lessen the power of suppliers through backward integration; they have created one very popular series titled "The House of Cards" (Cohan 2013). Large companies in the industry such as Netflix do have some leverage due to the large volume of product they demand.

// DRIVING FORCES

Technological Advances

Since 2000, the introduction of new technologies and electronics products has rapidly increased consumer opportunities to view movies. It has been pretty common for movies to be viewed at theaters, on airplanes, in hotels, from the rear seats of motor vehicles equipped with video consoles, in homes or most anywhere on a laptop PC or handheld device like an Apple iPhone, iPad, or iPod touch. Leading into 2012 it was clear that the 134 million US households with high speed Internet service and Internet connected Blu-ray players, video game consoles, TVs, computers, tablets, or smartphones were rapidly shifting from renting physical DVDs to watching movies and television shows streamed over the Internet. Consumers can watch these movies and TV shows through a wide variety of distribution channels and providers (Thompson 2013).

The wave of the future in the market for renting movies and TV content is unquestionable in streaming movies and TV shows to Internet-connected TVs, computers, and mobile devices. Streaming has the advantage of allowing household members to order and instantly watch the movies and TV programs they wanted to see. Renting a streamed movie could be done either by utilizing the services of Netflix, Blockbuster Online, Amazon Instant Video, Apple's iTunes and other streaming video providers or by using a TV remote to place orders with a cable, satellite or fiber optics provider to instantly watch a movie from a list of several

hundred selections. The number of households that have a DVD player or recorder has increased, so they could easily record TV programs and movies and then replay them at their convenience. Netflix was predicated that the DVD formats, along with high-definition successor formats such as Blu-ray, would be the vehicle for watching content in the home for the foreseeable future. Recent advances in video-streaming technology were rapidly improving the prospects that Video on Demand would emerge as the dominant movie rental channel within the next several years (Thompson 2013).

Convenience

There is a tremendously large selection of movies to view and for the most part the consumer has fast and easy access to those movies. Convenience is the number one factor driving the popularity of streaming services, showing that 74 percent of Americans who use streaming services subscribed because they would like to watch shows when they want to. They also use streaming services to catch up on recent episodes they missed, avoid commercials and catch up on full seasons of shows. Data shows that paid streaming or downloading services are largely more popular among millennials, with 40 percent of the 18-to-34 viewers subscribing to Netflix compared to 27 percent in the overall population (Friend 2013).

Cost

Another driving factor for the movie rental industry is low costs. The American household spends, on average, nearly five hours per day watching video content, and that can get expensive. Renting a movie can save a large amount of money when

compared to physically attending a movie which can cost as much as $16 a ticket. When considering Netflix's business model, cost favors mail delivery over in-store rental. Some plans through the mail cost $7.99/month unlimited vs. the in-store $4/rental. Kiosk Rental gaining market share with $1 nightly rental cost. Video on Demand is expected to continue to reduce in cost as competition increases.

When Netflix launched its subscription model, it sparked interest among customers searching for cheap movie rentals. An added bonus is that discs are delivered straight to their doors, eliminating trips to a store and late fees. Netflix is the largest online streaming video service with over 23 Million subscribers. Customers pay a flat monthly payment of $7.99 for unlimited access to movies and TV Shows, currently ad-free. The service is available on Nintendo Wii, Microsoft's Xbox 360, Sony PS3 consoles, Blu-ray disc players, Internet-connected TVs, and many other Internet-supported video players (Paul n.d.).

// KEY SUCCESS FACTORS

Technology

Technology is the largest factor today affecting industry members' ability to prosper in the marketplace. It has a large impact on the particular strategy elements, product attributes, resources, competencies, competitive capabilities, and market achievements that spell the difference between being a strong competitor and a weak competitor and sometimes between profit and loss. Technological advancements and reduction in infrastructure resources will help lower the operational costs for Netflix however they need to have great content quality within its service offerings. As long as there are innovative strategies executed, Netflix will be equipped to handle this fierce competition.

Ultimately, these factors will definitely increase the competitive intensity and will lower the profit margins. Soon, the industry will move towards mass customer distribution and the profits can be made with large volume subscriptions. Nevertheless, Netflix's success will depend on its product differentiation and content quality, provided with its innovation, high quality and performance delivery (Paramesh 2013).

Distribution

In order for Netflix to be successful in an Online setting, they must have a distribution network that allows for fast delivery of DVDs. Netflix has strong mail delivery position and is well positioned for Video on Demand business. The future of

content delivery is through streaming. According to Netflix CEO Reed Hastings, "Over the coming decades and across the world, Internet TV will replace linear TV. Apps will replace channels, remote controls will disappear, and screens will proliferate. As Internet TV grows from millions to billions, Netflix, HBO, and ESPN are leading the way" (Pkafka 2013).

While Internet TV is only a very small percent of video viewing today, Hastings thinks it will grow every year because The Internet will get faster, more reliable and more available. According to Hastings, "Smart TV sales will increase and eventually every TV will have Wi-Fi and apps. Smart TV adapters (Roku, Apple TV, etc.) will get less expensive and better. Tablet and smartphone viewing will increase. Tablets and smartphones will be used as touch interfaces for Internet TV. Internet TV apps will rapidly improve through competition and frequent updates. Streaming 4k video will happen long before linear TV supports 4k video. Internet video advertising will be personalized and relevant. TV Everywhere will provide a smooth economic transition for existing networks and new entrants like Netflix are innovating rapidly" (Pkafka 2013).

Marketing

Marketing related key success factors can be an important way to develop a company's strategy. These strategies can include proving better customer service, customer guarantees, a user friendly website and clever advertising. When a customer enters a brick and mortar store they are able to physically see the product that they are buying. Online ordering does not share this luxury so Netflix needs to

use their web site to be persuasive. Netflix must provide easy access to all of their movie selections through the use of search engines or categories to help the user search for any movie.

There will be significant progress made towards a new business model beyond the traditional ad-supported and subscription service ones. The American household spends, on average, nearly five hours per day watching video content and it is a very effective medium for generating product interest. Online streaming has the opportunity to revolutionize the way products accompany content, and are ultimately introduced to viewers. According to analyst Ken Gao, ”The opportunities are boundless when one thinks of how awesome an experience it would be if we can realize the full potential of combining streaming video and e-commerce – a next-generation Home Shopping Network layered on top of any content. After all, what is video but a medium for the aspiration of product, lifestyles and experiences?” (Gao 2012).

// SWOT ANALYSIS

STRENGTHS

First Mover Advantage - Netflix has set themselves apart as an industry leader in streaming entertainment services. By being the first significantly competitive company to provide streaming movie services, they have significantly leveraged their first mover advantage in this market segment (Trefis, 2013).

Optimize Content Suggestion – By optimizing the system for making recommendations to the consumer, Netflix has grown their library viewership up to 85% of the titles per quarter. This increase in title rental provides greater value of their library and could be perceived as a value added benefit by the consumer, giving the company a competitive advantage (Thompson, C-143).

Revenue Sharing Agreement – Netflix made agreements with certain content providers that allowed them to participate in profit sharing or for Netflix to pay-per-usage for content. This allowed Netflix to keep a lower overhead on content, providing more financial stability and flexibility.

Netflix-Ready Devices – Netflix has been very successful in arranging deals with device manufactures to ensure their devices will have an integrated Netflix app. Many device manufactures will even include Netflix buttons on their device remote that will automatically launch Netflix on the device. Not only does this provide ease-

of-use to the consumer but, it will also reinforce branding efforts since some of the manufactures will place the Netflix logo on the button (Duncan, 2011).

WEAKNESSES

Bargaining Power of Suppliers – Since most popular films that consumers would consider valuable are produced by only a handful of larger studios, there is little competition among large suppliers. This lack of competition stifles competitive pricing and increases supplier's control of licensing agreements and associated costs. There is also uncertainty in content cost because content suppliers can extort millions in contract renegotiations and extensions. One example of this is, in 2011 Starz increased their renewal from $30m to $300m (Trefis, 2013). An increase in cost of this magnitude could have serious effects to overhead and the company's bottom line.

Management Missteps - Poor public relations and communications with consumers concerning price and company restructuring has carried a negative sentiment with consumers. Not only did Netflix loose customers from this situation but they also experience a sharp decline in stock values demonstrating a lack of faith in the management decisions that led to a loss in the customer base (Stelter, 2011).

Content Storage and Delivery - Netflix uses Amazon AWS cloud computing services to store content and stream content to customers. With Amazon entering

the Pay-Per-View and Streaming Video market, the growing competition between Netflix and Amazon could create a conflict of interest concerning a core function of their business (Harris, 2013).

OPPORTUNITIES

Increasing Infrastructure Capacity – Many ISPs such as Time Warner have committed to lowering prices on current bandwidth packages and have announced that they will provide new competitively priced Internet packages with speeds ranging from 50Mbps to 100Mbps for consumers. This is most-likely a response to Google announcing their Google Fiber service that will provide Gigabit Internet connections to consumers in select geographic locations (Flacy, 2013). With the Global Internet traffic expected to increase by 3 times over the next 5 years (See Exhibit 1), increasing ISP's capacity is vital for supporting the customer demand for Internet services such as streaming video content.

Growth in Mobile Internet Segment - With mobile data traffic expected to grow to 15.9 exabytes a month by 2018 (See Exhibit 2), we can expect an increasing number of users to access streaming video content through mobile devices. With this growth, companies should anticipate an increasing number of mobile device models to become available.

Opportunity for International Growth – While the United States is the primary geographic market segment for Netflix, the U.S. ranks 35th in broadband speed according to Ookla (Net Index, 2014). With high-speed Internet access readily available in many countries, international expansion is an attractive strategy for streaming content providers such as Netflix.

Growth of Independent Studios – With the growth of independent film studios, streaming content providers such as Netfix can deal directly with the smaller studio to make exclusive content. By avoiding the major motion picture company streaming content providers have better negotiating power, decreasing the bargaining power of supplier and reducing overhead (Hardy, 2013).

THREATS

Rising Competition – New players in the market such as Amazon and Yahoo could create more competition for Netflix. This will drive price competition and could significantly impact profit margins (Shields, 2014).

FCC Regulation – Since the FCC has chosen not to expand Net Neutrality regulations, ISPs are free to charge certain content providers such as Netflix a toll or fee to stream content to their customers. This fee is justified by the ISP because they claim that services such as Netflix create extreme demands on the ISP servers & infrastructure (Sasso, 2014).

Increase in Internet fraud – With online fraud on the rise (ECB, 2014), some customers may be reluctant to provide their sensitive payment and personal information on content provider websites.

// FINANCIALS

Stock Performance – Netflix, Inc. (NMS:NFLX) stock remained relatively consistent from the early 2000's to 2010 when it experienced rapid growth until mid 2011 (See Exhibit 3). From December 31, 2009 to July 13, 2011, stock prices rose from $55.19 to $304.79 (Thompson, C-127). This growth could be attributed to the attractive pricing model and service bundle that Netflix adopted as well as the growing market for streaming content over the Internet. In 2011 Netflix announced a new pricing structure that would effectively increase the price of the service by 60% for customers (Thompson, C-127).

The abrupt nature of this announcement coupled with the price increase caused many customers to become disgruntled with Netflix and some customers discontinued their service. This negative sentiment by customers was quickly reflected in Netflix stock prices when they fell close to 2009 stock prices. Stock prices took a second dip in late 2012 in response to an announcement regarding the split of Netflix DVD and Netflix streaming into two separate company structures (See Exhibit 3).

Although Netflix did experience a sharp rise and fall of stock prices due to management decisions, customer sentiment, market effects and investor concerns; Netflix stock well exceeded the performance of most indexes during that time

period, including the NASDAQ, the S&P 500 and the S&P North American Technology Internet Index (See Exhibit 4).

Income Statement & Balance Sheet – Although Netflix consistently increased revenue from $1.36m in 2008 to $3.61m in 2012, revenue growth slowed in 2012 compared to previous years (See Exhibit 5). Although revenues only grew by 12.63% in 2012, Cost of Revenue grew by 28.72% from the previous year. The rising cost of content from suppliers and investment into foreign market expansions was a significant factor in the rising Cost of Revenues.

Netflix has been successful in rebounding from their 2011-2012 loss in profitability with 2013 Net Income exceeding 555% growth and Sales / Revenue Growth rising by 21.2% from the previous year (See Exhibit 6). Although Netflix experienced positive Net Income growth, the company also incurred more debt to fund international expansions, with Total Debt reaching $530.6m (See Exhibit 6).

Profitability – Many of the profitability ratios experienced a harsh drop in 2011 and 2012 with ROA% falling from 19.36% in 2010 to 0.49% in 2012. During this time period ROE% fell from 65.75% to 2.47% and ROI fell from 58.88% to 4.56% (See Exhibit 7). The reason for the reduction in these ratios during this time period is a result of rising costs by suppliers, costs associated with expanding in global markets and backlash from the price increase to the consumer resulting in a more conservative revenue growth rate. Although 2013 figures show positive profitability

growth, there is still some uncertainty concerning content supplier price control (bargaining power of supplier) and content delivery cost increase due to ISP tolls. Even with these concerns, the Streaming Subscription market segment is expected to have steady growth through 2020 (See Exhibit 8).

// KEY MANAGERIAL ISSUES

MANAGEMENT WORRY LIST

- How can Netflix win back dissatisfied customers?
- What can Netflix do to aid with brand damage control?
- What does Netflix do if international operations continue to post losses?
- At what point (if there is one) should Netflix redirect capital from international operations to domestic operations?
- If international operations continue to underperform, and Netflix must expend its safety net of cash, at what point does Netflix identify and execute additional capital raising measures? How big of an impact could these measures have the stock price?
- How can Netflix efficiently and cost-effectively educate the Latin American market on streaming video?
- What can Netflix do to better secure its files and limit piracy?
- What happens to the competitive landscape if Google secures broadband rights from various television channels and movie studios?

- How can Netflix strengthen its partnership with Apple? How can Netflix attract more customers via this distribution channel?
- What if Hulu Plus or Amazon Prime expands its movie library? What impact could such a move have on the streaming video market?
- When, and how, does Netflix pass along some portion of the rising costs of new content acquisition?
- What is the exit strategy for the DVD-by-mail business?

// RECOMMENDATIONS

Partner with Multichannel Television Provider - By partnering with a multichannel television provider to offer its streaming content alongside well-known premium channels such as HBO and Showtime, Netflix will likely be able to grow its subscriber base and help offset its churn rate. Additionally, such a move could help strengthen and broaden the Netflix band, as it would provide an additional communication channel to customers and also benefit for effects of association with premium names such as HBO.

Imitate HBO – Given the rising new content acquisition costs, and the likelihood that, given the market conditions, these costs will not depress in the foreseeable future, Netflix should consider imitating premium channel powerhouse HBO – rather than (or, in addition to) acquiring new (and expensive) content from movie studios, HBO creates its own content, such as it hit Game of Thrones series.

Focus on Brand Management – Given the dissatisfaction of customers over the decision to split the business into separate by-mail and streaming units, along with an associated price increase, Netflix has some recovery work to perform to repair its brand. Attempting to brand the streaming service (i.e., Qwikster) separately dilutes the strong Netflix brand. Management must find the appropriate balance to manage two distinct operations (declining by-mail business and increasing streaming

business) under one brand. Focus such branding efforts on the "ease of use" cornerstones of Netflix's original philosophy.

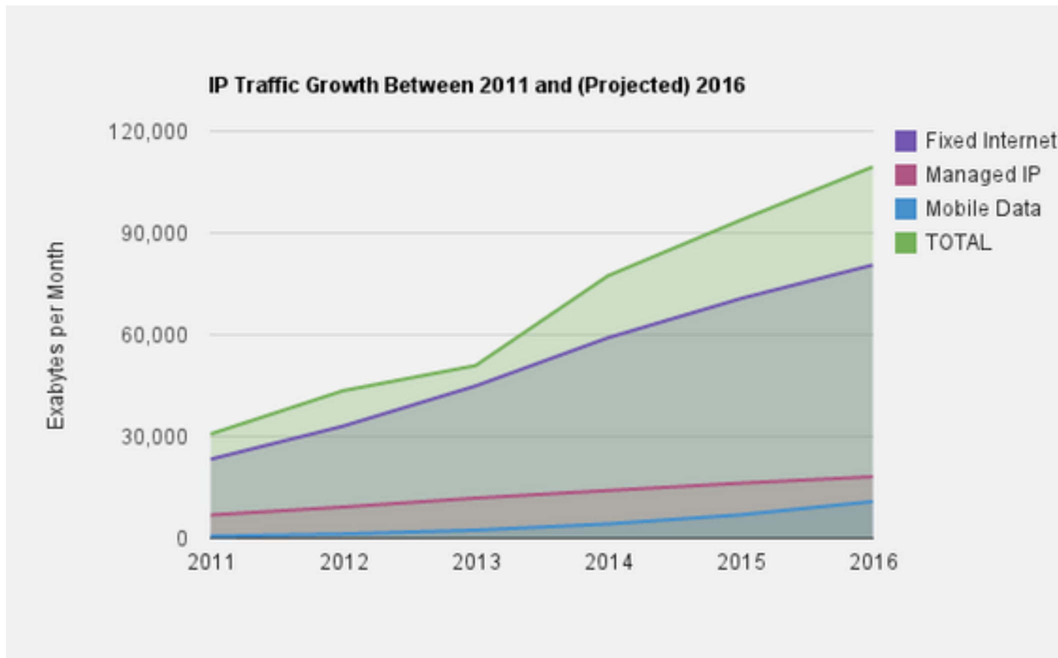
Continue International Expansion (But Keep a Diligent Eye Open) – Netflix stands to gain significant competitive advantage in the international arena with its aggressive expansion plans. This advantage will come from Netflix size, related economies of scale, and early mover benefits in many international markets. The benefits from a successful international expansion outweigh the risks; however, given the costs and time required to get operationally healthy in a given foreign market, Netflix must diligently manage its efforts and control its costs and be smart and deliberate in its international growth plans.

Leverage Mobile Technology – Giving the growth of mobile hardware and software, entertainment is now mobile. Create additional value for customers by offering easy to use applications and interfaces to access Netflix across multiple mobile platforms.

// APPENDIX

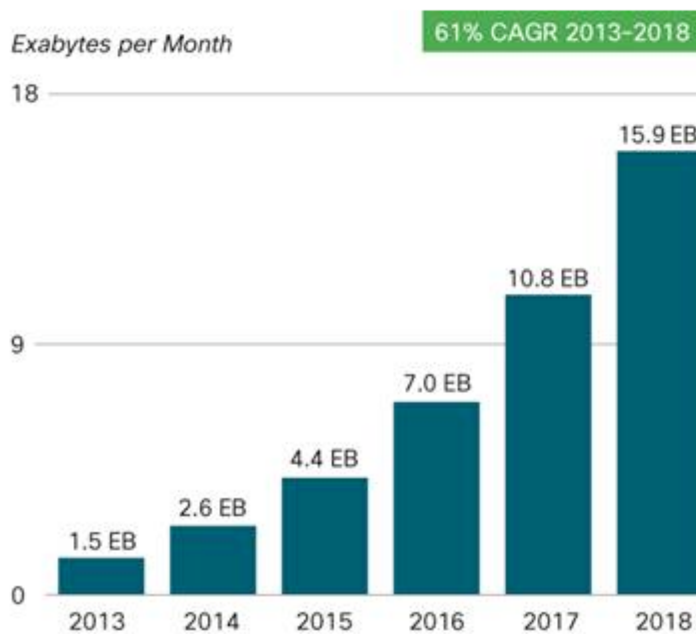
Exhibit 1

Exhibit 2



(Garber, 2012)

Exhibit 3

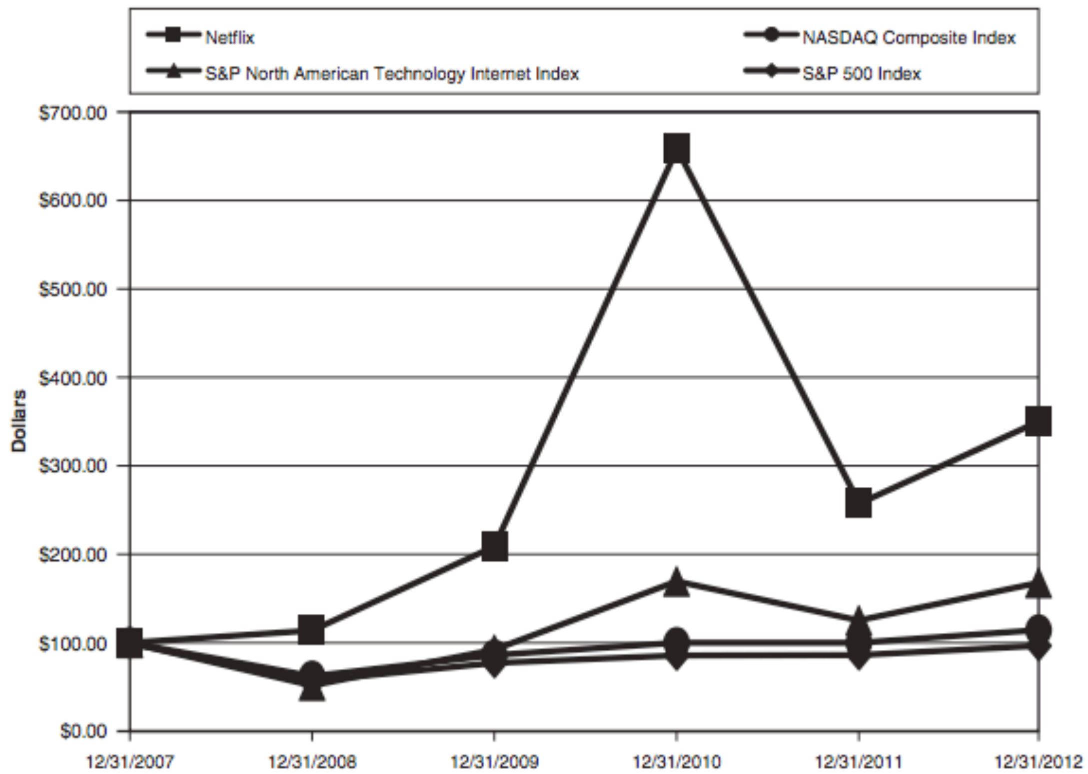


(Cisco, 2014)

Exhibit 4

(Mergent Online, 2014)

Exhibit 5



(Netflix, Inc. K-10 2012, Pg. 22)

Exhibit 6

Consolidated Statements of Operations:

	Year ended December 31,				
	2012	2011	2010	2009	2008
	(in thousands, except per share data)				
Revenues	$3,609,282	$3,204,577	$2,162,625	$1,670,269	$1,364,661
Cost of revenues	2,625,866	2,039,901	1,357,355	1,079,271	910,234
Operating income	49,992	376,068	283,641	191,939	121,506
Net income	17,152	226,126	160,853	115,860	83,026
Earnings per share:					
Basic	$ 0.31	$ 4.28	$ 3.06	$ 2.05	$ 1.36
Diluted	$ 0.29	$ 4.16	$ 2.96	$ 1.98	$ 1.32
Weighted-average common shares outstanding:					
Basic	55,521	52,847	52,529	56,560	60,961
Diluted	58,904	54,369	54,304	58,416	62,836

Consolidated Statements of Cash Flows:

	Year Ended December 31,				
	2012	2011	2010	2009	2008
	(in thousands)				
Net cash provided by operating activities	$ 22,765	$317,712	$276,401	$325,063	$284,037
Free cash flow (1)	(58,151)	186,550	131,007	97,122	94,700

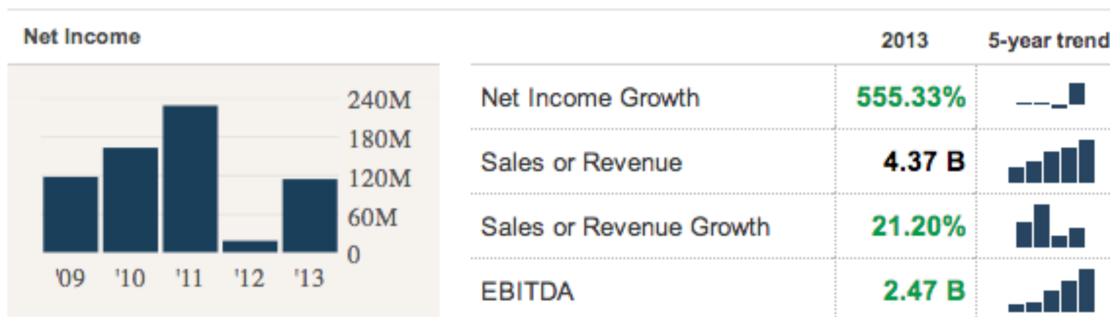
(1) See "Liquidity and Capital Resources" for a definition of "free cash flow" and a reconciliation of "free cash flow" to "net cash provided by operating activities."

Consolidated Balance Sheets:

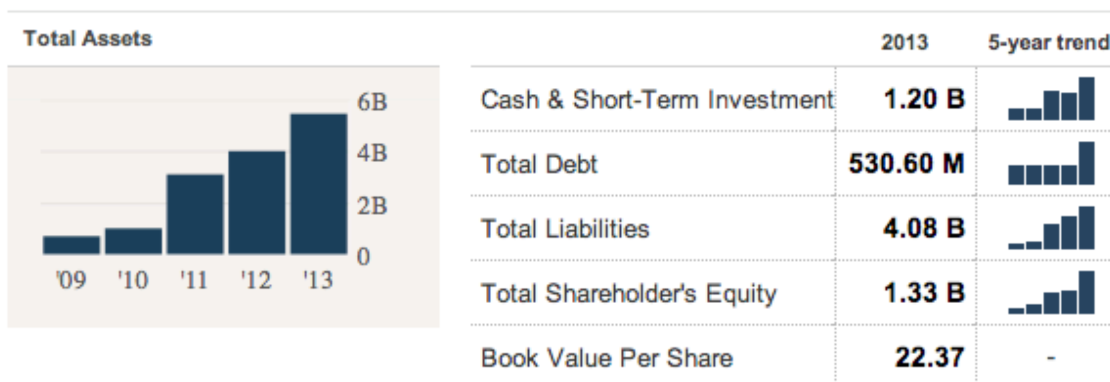
	As of December 31,				
	2012	2011	2010	2009	2008
	(in thousands)				
Cash, cash equivalents and short-term investments	$ 748,078	$ 797,811	$350,387	$320,242	$297,271
Total content library, net	2,874,170	1,966,643	361,979	146,139	117,238
Working capital	564,865	605,802	248,652	183,577	142,908
Total assets	3,967,890	3,069,196	982,067	679,734	615,424
Long-term debt	200,000	200,000	200,000	200,000	—
Long-term debt due to related party	200,000	200,000	—	—	—
Non-current content liabilities	1,076,622	739,628	48,179	2,227	3,516
Stockholders' equity	744,673	642,810	290,164	199,143	347,155

(Netflix, Inc. K-10 2012, Pg. 23)

Exhibit 7



	2013	5-year trend
Net Income Growth	555.33%	
Sales or Revenue	4.37 B	
Sales or Revenue Growth	21.20%	
EBITDA	2.47 B	



	2013	5-year trend
Cash & Short-Term Investment	1.20 B	
Total Debt	530.60 M	
Total Liabilities	4.08 B	
Total Shareholder's Equity	1.33 B	
Book Value Per Share	22.37	-

(WSJ, 2014)

Exhibit 8

Profitability Ratios	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009
ROA % (Net)	2.4 >	0.49 >	11.16 >	19.36 >	17.86 >
ROE % (Net)	10.82 >	2.47 >	48.47 >	65.75 >	42.42 >
ROI % (Operating)	15.33 >	4.56 >	47.93 >	58.88 >	46.62 >
EBITDA Margin %	55.89 >	48.54 >	37.94 >	27.02 >	26.91 >
Calculated Tax Rate %	34.3 >	43.73 >	37.1 >	39.91 >	39.72 >
Revenue per Employee	1,879,915 >	1,481,853 >	1,094,833 >	499,567 >	409,380 >

Liquidity Ratios	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009
Quick Ratio	0.55 >	0.44 >	0.64 >	0.88 >	1.38 >
Current Ratio	1.42 >	1.34 >	1.49 >	1.65 >	1.82 >
Net Current Assets % TA	16.71 >	14.24 >	19.74 >	25.7 >	27.16 >

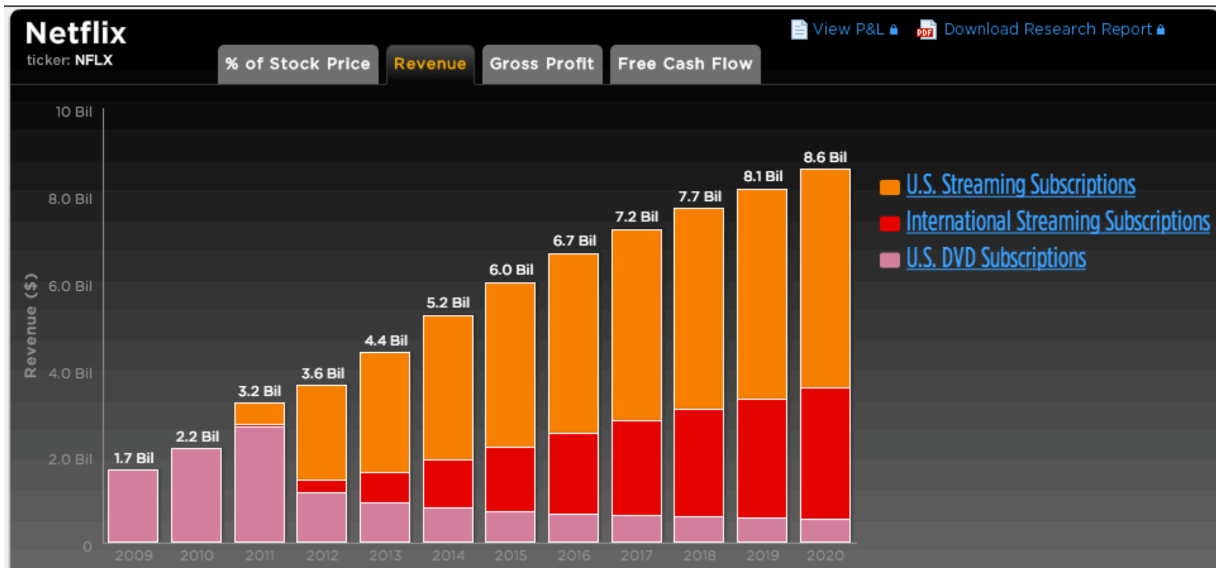
Debt Management	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009
LT Debt to Equity	0.37 >	0.54 >	0.62 >	0.81 >	1.19 >
Total Debt to Equity	0.37 >	0.54 >	0.62 >	0.81 >	1.2 >
Interest Coverage	7.1 >	2.56 >	22.73 >	17.79 >	-

Asset Management	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009
Total Asset Turnover	0.93 >	1.02 >	1.58 >	2.6 >	2.57 >
Accounts Payable Turnover	44.89 >	6.55 >	5.19 >	13.76 >	17.42 >
Accrued Expenses Turnover	81.65 >	61.62 >	63.98 >	61.9 >	51.57 >
Property Plant & Equip Turnover	32.98 >	26.86 >	24.19 >	16.62 >	13.02 >
Cash & Equivalents Turnover	9.77 >	9.02 >	9.12 >	13.16 >	12.19 >

Per Share	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009
Cash Flow per Share	1.68 >	0.41 >	6.01 >	5.26 >	5.75 >
Book Value per Share	22.37 >	13.4 >	11.6 >	5.5 >	3.73 >

(Mergent Online, 2014)

Exhibit 9



(Trefis, Netflix Forcast, 2014)

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