

Netflix (NFLX)

Highly Attractive

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Obama Deal Would Be Another Major Win for Netflix

With media reports indicating that former President Barack Obama is in advanced negotiations with Netflix to produce a series of high profile shows, we would characterize this as a “home run” deal for the company as they are aggressively looking to acquire high profile talent and original content to further feed the Netflix consumer machine. As one of the most high profile individuals globally, a steaming platform with ~120 million consumers worldwide and growing would be a unparalleled distribution platform for Obama, which could start out with a few shows and potentially lead to other deals down the road. With Netflix planning to spend up to \$8 billion on content this year with 30%-35% of this dedicated towards original content with a long term goal of reaching 50%, content remains the golden key to success for Netflix going forward. While the landscape for original content has become increasingly competitive with new entrants entering the market by the day (Disney/Fox remains a clear competitive worry), we believe Netflix remains in a unique position of strength to grow its content and distribution tentacles over the next 12 to 18 months and thus further build out its massive content and streaming footprint with a potential Obama deal the latest “feather in its cap”. Coming off its first Oscar win this week, we believe the credibility of the Netflix platform within Hollywood circles is quickly changing as we continue to hear that A+ talent is now considering a number of major film projects, long term content deals, and other original programming initiatives that will gain further steam if Obama signs onto the platform in our opinion. Our bullish thesis on Netflix is based on our belief that the company’s competitive moat, franchise appeal (as evidenced by this potential landmark deal), ability to increase international streaming customers through 2020, and original content build out will translate into robust profitability and growth as the next phase of this story plays out over the coming years. **We maintain our Highly Attractive rating and \$375 price target.**