MITUXA PREMIUM RESEARCH

NETFLIX

The Winner of Streaming Faces a New Kind of Competitor

Is Netflix still strengthening its moat - or is YouTube quietly changing the economics of television?

29 JULY 2026 | NASDAQ: NFLX

BEYOND THE OBVIOUS

THE QUESTION BEHIND THE NUMBERS

Netflix won streaming.
The next contest is television itself.

Netflix has already won the streaming wars. The more difficult question is whether it can continue strengthening its competitive position as the boundaries of television begin to change.

On the surface, the business has rarely looked stronger. Revenue grew 13.4% in Q2 2026, the operating margin reached 33.4%, advertising is approaching $3 billion in annual revenue, and free cash flow is expected to reach approximately $12.5 billion this year.

But beneath those numbers, a more complex picture is emerging. Viewing hours increased by only 2% in the first half of the year, Netflix is reducing the frequency of its engagement disclosures, and YouTube now captures significantly more US television watch time.

MITUXA VIEW

Exceptional company. Valuation leaves little room for execution risk.

This report tests growth, pricing, advertising, engagement, disclosure and valuation.

An exceptional company, but not an exceptional entry price

88 / 100	$72.07	$68	<= $51
EXCEPTIONAL COMPANY SCORE	REFERENCE PRICE	MITUXA BASE FAIR VALUE	UNIVERSE ENTRY PRICE
Durable platform, pricing and scale	29 July 2026	DCF; 4-5 year horizon	25% margin of safety

VERDICT

WATCH

Exceptional - Waiting for Margin of Safety

Business conviction 4/5 | Risk medium-high | Horizon 4-5 years

Quality supports ownership. Valuation does not yet support a new purchase.

THE INVESTMENT QUESTION

The financial model is improving faster than the attention signal

THE OBVIOUS

Revenue, margins and cash flow are compounding.

2026 guidance implies 13-14% revenue growth, a 31.5% operating margin and approximately $12.5B of free cash flow.

BEYOND THE OBVIOUS

View hours grew only 2%, while disclosure is becoming less frequent.

YouTube already commands 13.8% of US TV time versus Netflix at 8.0%. The long-term fight is increasingly for living-room attention and advertising budgets.

MITUXA QUESTION | Can monetization keep outrunning engagement without weakening future pricing power?

One content platform now monetizes through three engines

MEMBERSHIP

325M+

Paid memberships at the last disclosed milestone; a global audience approaching one billion people.

PRICING

Selective increases

More value and broader plans allow recurring price adjustments with limited reported resistance.

ADVERTISING

~$3B

2026 ad revenue guidance; roughly double 2025, but still only about 6% of group revenue.

The subscription engine funds content. Pricing expands economics. Ads monetize lower-priced access and additional inventory.

ECONOMIC MECHANISM

Scale turns content risk into a repeatable global cash engine

1

GLOBAL SLATE

Series, films, live and local originals

2

PERSONALIZATION

Discovery improves the return on each title

3

RETENTION

A broad catalog reduces dependence on one hit

4

MONETIZATION

Pricing, plan mix and ads lift revenue

5

REINVESTMENT

Cash funds more content and technology

The moat is not any single show. It is the ability to spread content cost and learning across a global audience.

Netflix 2025 10-K; MITUXA analysis

Q2 was solid - without a meaningful positive surprise

$12.6B
REVENUE
+13.4% year over year

33.4%
OPERATING MARGIN
34.1% in Q2 2025

$4.2B
OPERATING INCOME
+11% year over year

$1.5B
FREE CASH FLOW
$2.3B in Q2 2025

2026 GUIDANCE

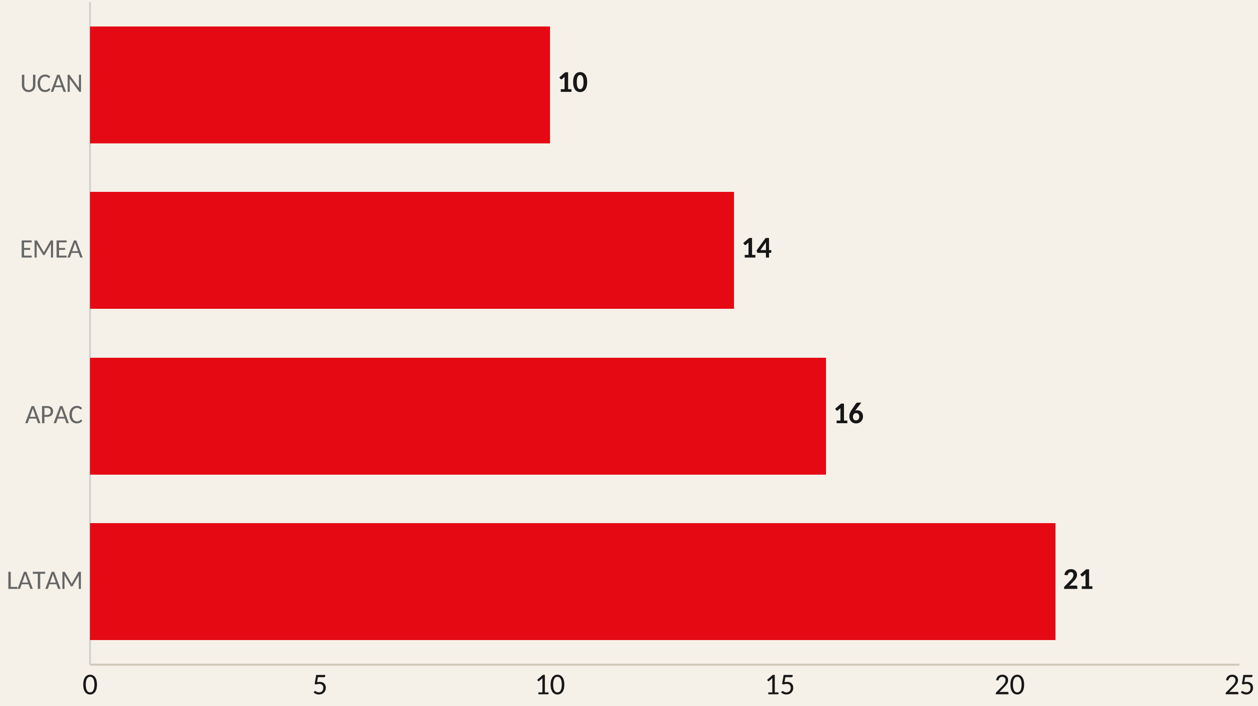
$51.0-51.4B revenue

31.5% operating margin

~$12.5B FCF

Reported performance supports the moat. The debate has shifted from execution to durability and price.

Growth is strongest where Netflix still has room



Q2 REVENUE GROWTH

10%

UCAN growth slowed despite only a partial-quarter benefit from the latest price increase.

18%

APAC growth on an FX-neutral basis - the strongest regional underlying rate.

Netflix monetized far more growth than it generated in viewing

WHAT IT MEANS

Pricing, membership growth and advertising are doing the heavy lifting.

This is economically attractive today. But over time, weaker engagement can limit retention, pricing power and ad inventory.

MITUXA VIEW | Monetization can outrun attention for a period. It cannot become permanently detached from it.

Netflix H1 2026; MITUXA calculation

Pricing holds - but Netflix is testing demand

EVIDENCE OF STRENGTH

Recent price changes in the US, Mexico and Spain performed in line with prior increases and management expectations.

SIGNALS TO MONITOR

Netflix has restarted free-trial tests in several markets and is experimenting with lower-cost acquisition offers.

> The tests may reflect improved lifecycle tools - or a need to stimulate acquisition. Churn and price resistance will decide.

Advertising is now material - but it is not yet a second Netflix

~$3B
NETFLIX 2026 AD REVENUE
Roughly double 2025

~6%
SHARE OF NETFLIX REVENUE
MITUXA estimate

$11.1B
YOUTUBE Q2 AD REVENUE
+13% year over year

NETFLIX ADVANTAGE

Premium, brand-safe programming and expanding live inventory.

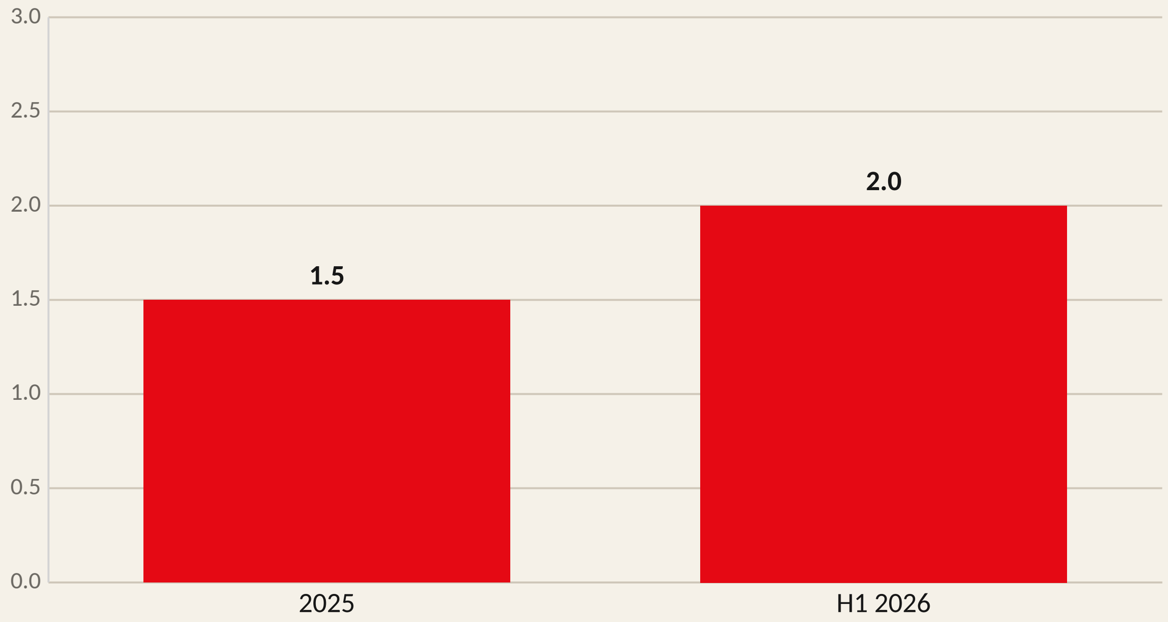
YOUTUBE ADVANTAGE

Massive supply, direct response, creator economics and living-room scale.

> **These figures are not directly comparable, but they show the scale of the advertising system Netflix is challenging.**

Netflix Q2 2026; Alphabet Q2 2026

Engagement is positive - but barely accelerating



97B+

HOURS VIEWED IN H1 2026

Across series and films

View-hours growth improved slightly despite the Winter Olympics and World Cup.

But the growth rate remains far below revenue growth and does not by itself validate a stronger moat.

Not every viewing hour has the same economic value

>5%

LIVE SHARE OF CONTENT SPEND

Expected in 2026

~1%

LIVE SHARE OF VIEW HOURS

Small in total engagement

6 / 10

TOP SIGN-UP DAYS

Driven by live events over five years

Live programming can be inefficient on hours and highly efficient on acquisition.

This supports Netflix's broader definition of engagement. It does not eliminate the need for transparent, consistent metrics.

> **The correct conclusion is nuance - not dismissal of view hours.**

The language changed as the operating story changed

2023

ENGAGEMENT

"The best proxy we have for satisfaction" and closely linked to retention.

2025

MEMBERSHIP

Paid memberships and ARM stop being reported quarterly; revenue and margin become primary.

2026

VIEW HOURS

"Not all hours are equal" and the What We Watched report moves from twice yearly to annual.

MANAGEMENT SIGNAL | Every change has a rational explanation. Together, they reduce visibility into the link between attention and monetization.

MANAGEMENT SIGNAL

Reduced disclosure is a warning flag - not a verdict

WHY THE CHANGE MAY BE RATIONAL

01 Revenue and margin now describe the mature business better.

02 Live programming can create value without many viewing hours.

03 Title-level data remains unusually detailed.

WHY INVESTORS SHOULD STAY ALERT

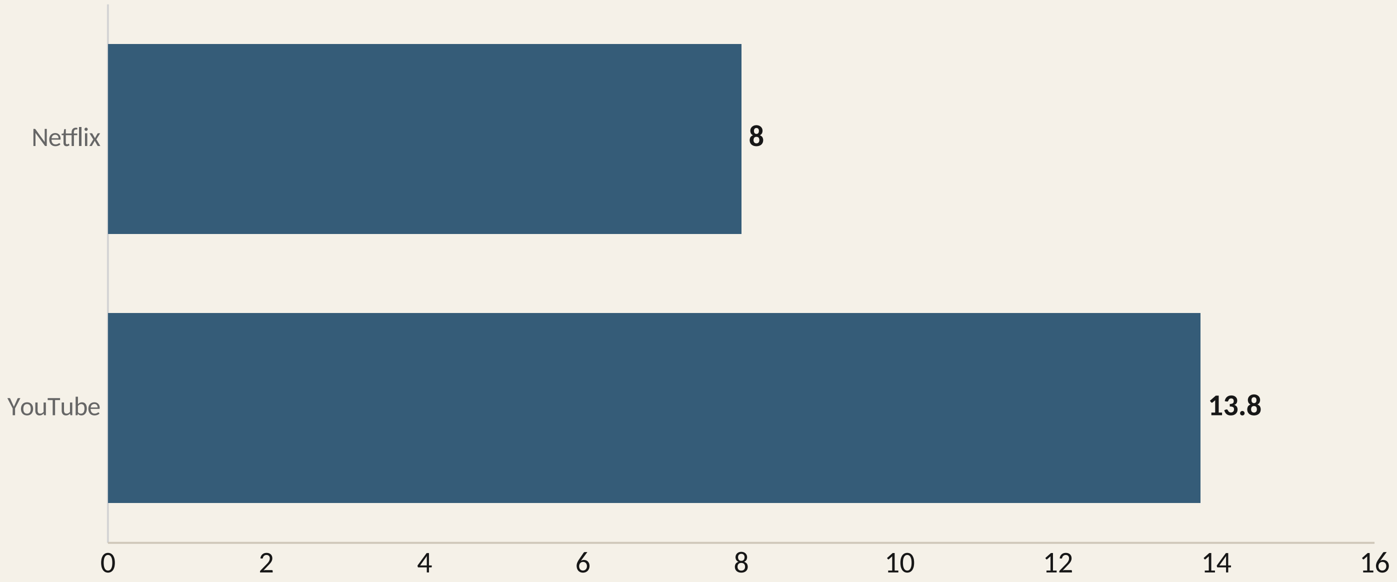
01 Engagement growth is only 2% while financial growth is much faster.

02 Investors lose a regular bridge between price increases and usage.

03 Netflix previously called engagement its best proxy for satisfaction.

MITUXA VIEW | Track the omission itself. If engagement language weakens again, treat it as evidence before the financials turn.

YouTube already owns more of the living room than Netflix



+5.8 pts

YouTube's lead in US television watch-time in May 2026.

Different viewing occasions. Increasingly overlapping television audiences.

The structural threat is not subscription cancellation today. It is YouTube capturing the next marginal hour and the next advertising dollar.

Nielsen Media Distributor Gauge, May 2026

Different products, increasingly overlapping economic territory

DIMENSION	NETFLIX	YOUTUBE
CORE INTENT	Lean-back premium entertainment	Utility, creators, discovery and fandom
CONTENT SUPPLY	Commissioned and licensed slate	Open, near-infinite creator ecosystem
LIVING ROOM	Native subscription destination	Largest US TV distributor by watch-time
ADVERTISING	Premium, brand-safe, limited inventory	Massive brand + direct-response engine
ECONOMIC MODEL	Subscription first; ads expanding	Ads first; subscriptions expanding

Netflix and Alphabet disclosures; MITUXA analysis

YouTube can fund competition on different economics

$11.1B

YOUTUBE ADS IN ONE QUARTER

+13% year over year

13.8%

US TV WATCH-TIME

May 2026

Faster

SUBSCRIPTION GROWTH VS ADS

YouTube Music and Premium

Netflix faces a competitor with:

- near-zero marginal content acquisition for much of its supply
- a global direct-response advertising machine
- creator relationships that refresh content continuously
- Search, AI and commerce capabilities outside television

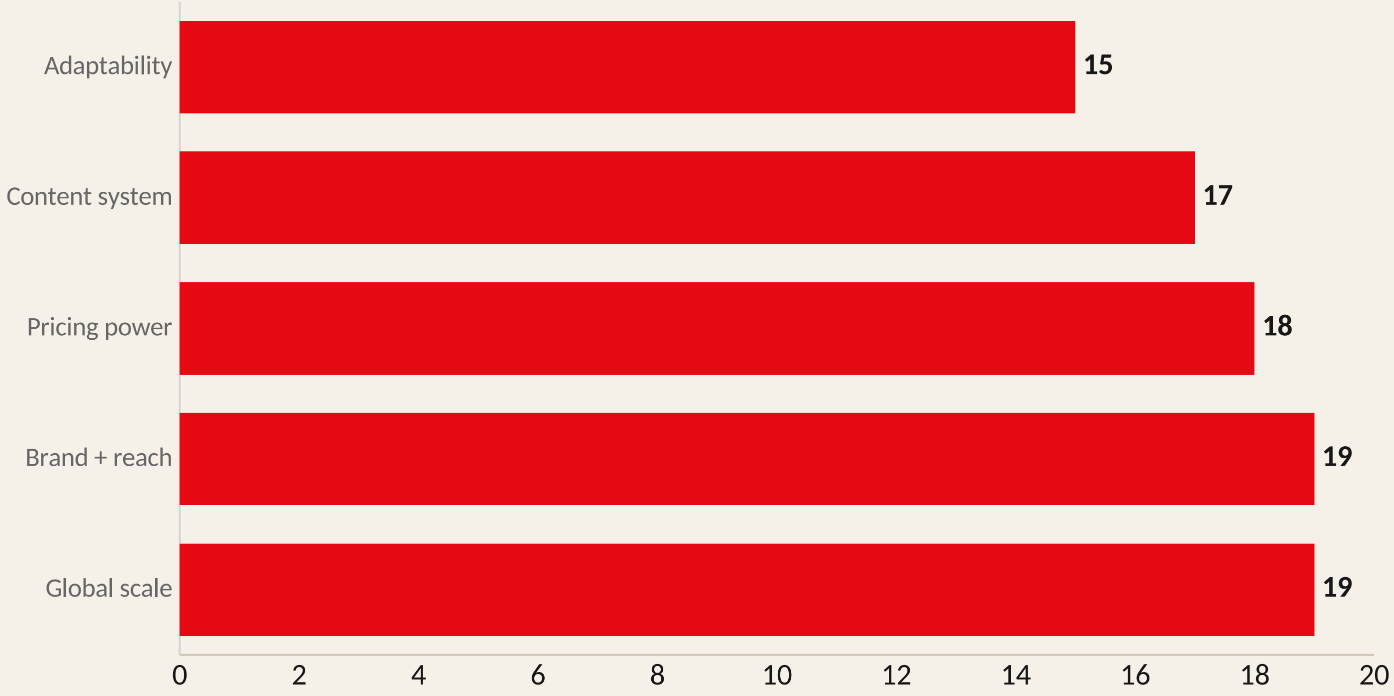
This is not another streaming service. It is a different production and monetization architecture.

Netflix is responding by broadening what 'Netflix' means

01	**CREATORS**	Bringing open-platform talent into a premium environment.
02	**VIDEO PODCASTS**	Adding daytime and mobile usage that appears incremental.
03	**LIVE**	Using sports and events to create acquisition moments and ad inventory.
04	**PARTNERSHIPS**	Integrating TF1 in France and adding external programming breadth.
05	**GAMES + AI**	Expanding interaction, discovery and production efficiency.

The strategic direction is sensible. The risk is complexity: more formats can expand relevance or dilute content returns.

Netflix retains an exceptional moat under new pressure



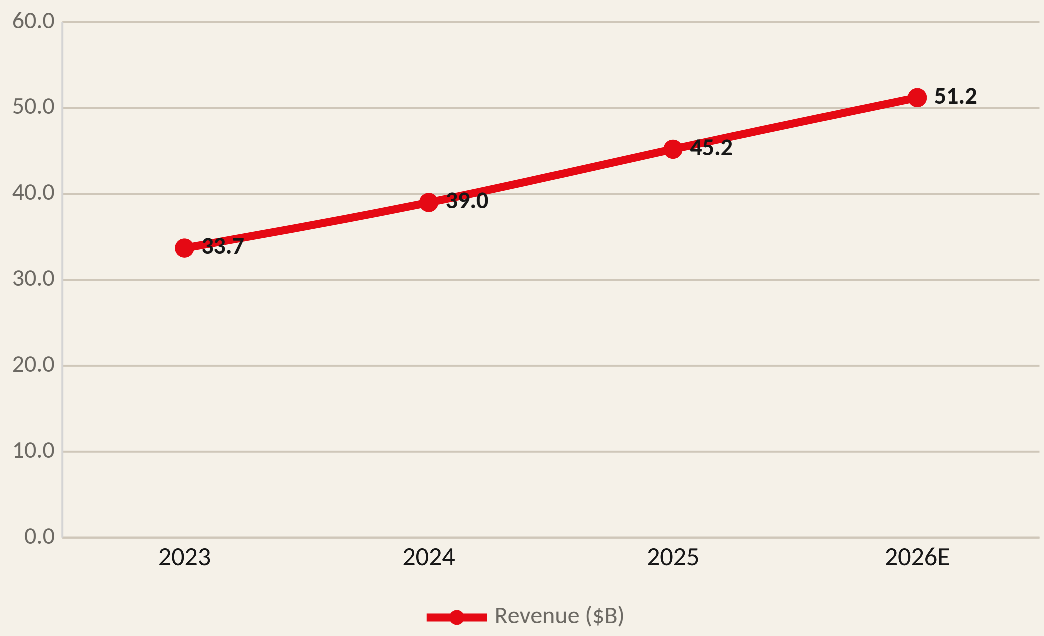
88 / 100

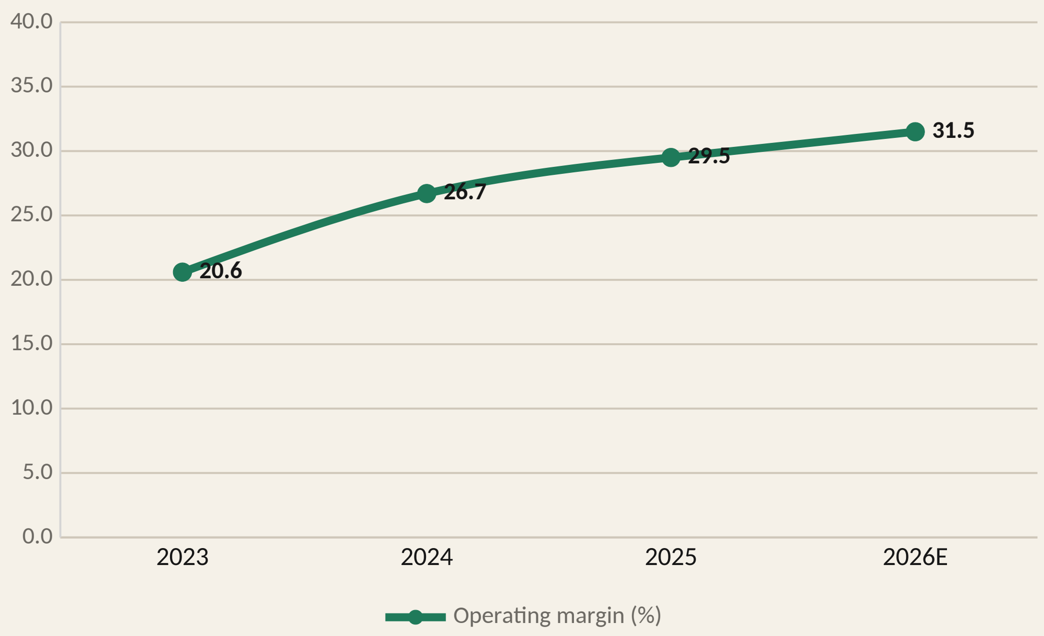
EXCEPTIONAL COMPANY

The moat is strongest in global scale, brand, distribution and the data-content loop.

Adaptability scores lower because the shift toward live, creators, games and ads still needs proof of durable returns.

Revenue and margins have re-rated the business



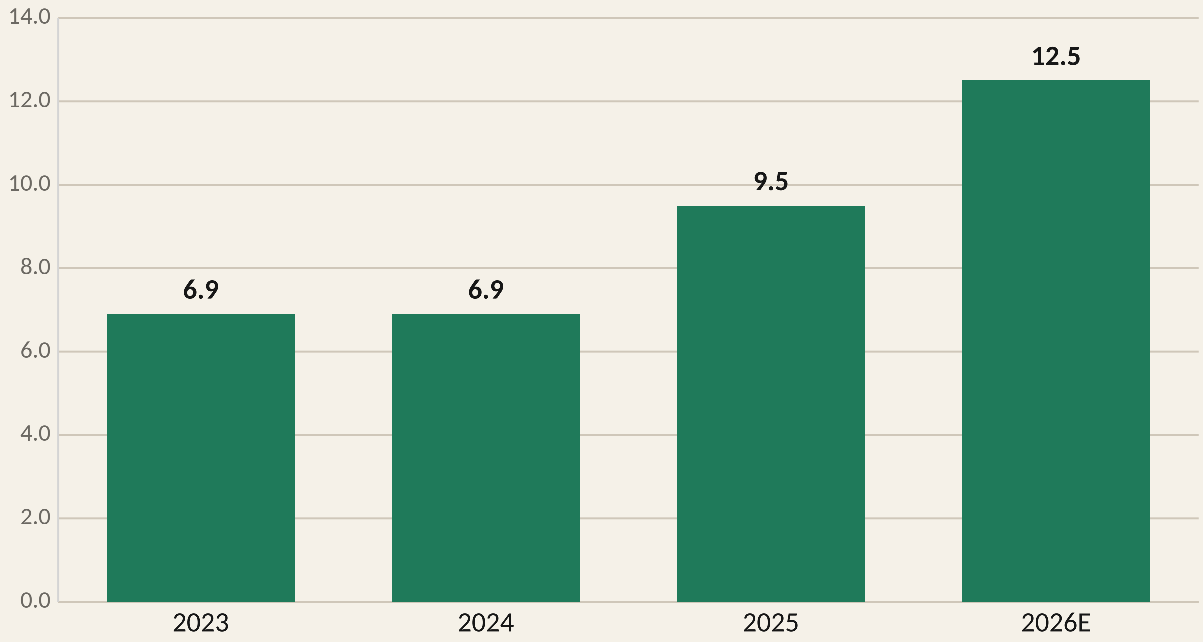


Revenue CAGR 2023-26E: ~15%

Margin expansion: +10.9 pts

Netflix 2025 10-K; 2026 guidance

Free cash flow is becoming the real capital-allocation engine



$4.7B

Q2 SHARE REPURCHASES

Largest quarter on record

$27.1B

REMAINING AUTHORIZATION

After Q2 2026

Buybacks add value only when the repurchase price is below intrinsic value.

The market price already assumes a large part of the execution

$72.07	22.1x	~4.1%	$68
REFERENCE PRICE	TRAILING P/E	2026E FCF YIELD	BASE FAIR VALUE
29 July 2026	Market data	$12.5B guidance	MITUXA DCF

PRICE VS. BASE VALUE

+6%

The stock trades modestly above our central estimate, leaving no margin for a softer engagement path or weaker ad execution.

> **Exceptional-company status does not override the 25% margin-of-safety rule.**

Market data 29 July 2026; MITUXA estimates

VALUATION

Only the bull case offers a compelling return from today's price

BEAR	BASE	BULL
$46	**$68**	**$88**
6% FCF growth	**10% FCF growth**	**12% FCF growth**
9.5% WACC	8.5% WACC	8.0% WACC
2.0% terminal growth	2.5% terminal growth	3.0% terminal growth

Probability-weighted value: ~$68

Universe entry price: <= $51

The thesis breaks first in behavior - then in the financials

01	ENGAGEMENT	View-hours growth turns negative or management further weakens engagement disclosure.
02	RETENTION	Price increases produce visible churn, heavier promotions or sustained free-trial dependence.
03	ADVERTISING	Ad revenue misses the ~$3B 2026 target or fails to scale profitably after the initial ramp.
04	YOUTUBE	The living-room share gap widens while Netflix content productivity deteriorates.
05	RETURNS	FCF growth slows below high-single digits while buybacks continue above fair value.

Netflix disclosures; MITUXA framework

MITUXA INVESTMENT DECISION

Own the business. Wait for the price.

WATCH

Exceptional - Waiting for Margin of Safety

$72.07	$68	<= $51	4-5 years
REFERENCE PRICE	BASE FAIR VALUE	MAXIMUM ENTRY	INVESTMENT HORIZON
29 July 2026	MITUXA DCF	25% margin of safety	Risk medium-high

What to watch next: engagement language, churn after pricing, ad execution, the YouTube TV-share gap and repurchase discipline.

Beyond the obvious.
Closer to the decision.

WATCH

Exceptional - Waiting for Margin of Safety

Subscribe to MITUXA for independent investment research focused on business quality, competitive advantage, financial strength and valuation.

KEY SOURCES

Netflix Q2 2026 Shareholder Letter | Netflix 2025 Annual Report

Alphabet Q2 2026 Earnings | Nielsen May 2026 Media Distributor Gauge