

■ **Key Facts**

Business address: **Los Gatos, California, United States**
 Industry: **Data Processing, Hosting, and Related Services** (NAICS 518210)
 SEC filer status: **Large Accelerated Filer** as of Dec 2019
 Index member: **S&P 500, Russell 1000**
 Market Cap: **\$162b** as of Apr 2, 2020
 Annual revenue: **\$20.2b** as of Dec 31, 2019

■ **Corporate Governance**

CEO: **Reed Hastings** since 1998
 CFO: **Spencer Neumann** since 2019 1st level

Board Chairman: **Reed Hastings** since 1997
 Audit Committee Chair: **Ann Mather** 2nd level

Auditor: **Ernst & Young LLP** since 2012
 Outside Counsel (most recent): **Wilson Sonsini Goodrich & Rosati** 3rd level

SEC Reviewer: **(unknown)** 4th level

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Information in this report is effective Apr 3, 2020 and is taken from the company's public financial and regulatory filings. Latest filing 10-K filed 01/29/2020. Over 75 accounting and data analysts scrutinize and review crucial information, footnotes, disclosures, etc., from these filings. Material facts are captured and processed using our proprietary methods which identify key risk factors our readers need to know. Each Watchdog Report represents 30 or more hours of analysis and processing.

Accounting and financial disclosure data from [Audit Analytics](#).
 Executive compensation data from [Shore Group and Intrinio](#).
 Data from [Sharadar](#).
[Data from Barchart via Quandl](#).
[Data from Exchange Data International via Quandl](#).

Apr 3, 2020 Jan 1, 2019 Jan 1, 2015

RECENT PERIOD HISTORICAL PERIOD

10-K filed on Jan 29, 2020 for period ending Dec 2019

Reporting Irregularities

| RECENT | | HISTORICAL |
|--------|---------------------------------|------------|
| ✓ | Financial Restatements | ✓ |
| ✓ | Revisions | ✓ |
| ✓ | Out of Period Adjustments | ✓ |
| ✓ | Late Filings | ✓ |
| ✓ | Impairments | ✓ |
| ✓ | Changes in Accounting Estimates | ! |
| ✓ | Disclosure Controls | ✓ |
| ✓ | Internal Controls | ✓ |
| ! | Critical / Key Audit Matters | ✓ |

Anomalies in the Numbers

| RECENT | | HISTORICAL |
|--------|----------------------------------|------------|
| ✓ | Benford's Law | ! |
| — | Beneish M-Score | — |
| ! | Accounting Disclosure Complexity | ! |

Securities & Exchange Commission Concerns

| RECENT | | HISTORICAL |
|--------|---------------------------|------------|
| ✓ | SEC Letters to Management | ! |
| ✓ | Revenue Recognition | ! |
| ✓ | Non-GAAP Measures | ✓ |

Litigation & External Pressures

| RECENT | | HISTORICAL |
|--------|------------------------|------------|
| ! | Significant Litigation | ! |
| ! | Class Actions | ! |
| ! | Securities Law | ! |
| ✓ | Shareholder Activism | ✓ |
| ✓ | Cybersecurity | ! |

Management Review

| RECENT | | HISTORICAL |
|--------|------------------------|------------|
| ✓ | CEO Changes | ✓ |
| ! | CFO Changes | ✓ |
| ✓ | Insider Sales | ✓ |
| ✓ | Mergers & Acquisitions | ✓ |
| ✓ | Sales of Assets | ✓ |

Auditor Assessment

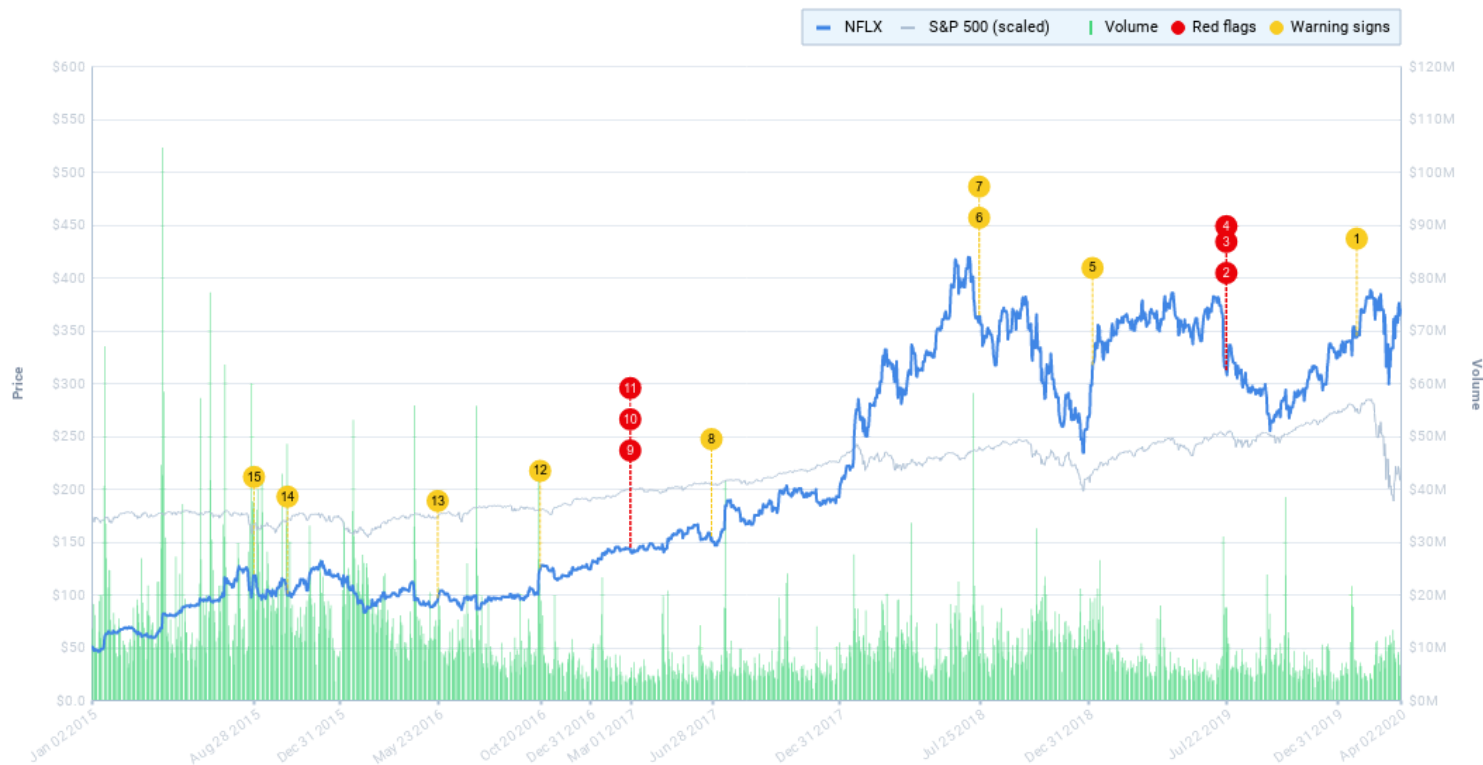
| RECENT | | HISTORICAL |
|--------|--------------------|------------|
| ✓ | Auditor Changes | ✓ |
| ✓ | Auditor Experience | ✓ |
| ✓ | Auditor Tenure | ✓ |
| ✓ | Audit Fees | ! |
| ✓ | Non-Audit Fees | ! |



Overview

Price and Volume History

This graph shows the price and trading history for Netflix. Warning signs and red flags are marked on the graph according to their disclosure dates.



- | | | | |
|---|---|----|---|
| 1 | Jan 29, 2020 - Critical / Key Audit Matters | 9 | Mar 1, 2017 - Lawsuit: Ziolkowski v. Netflix Inc et al |
| 2 | Jul 22, 2019 - Lawsuit: Wallerstein v. Netflix Inc et al | 10 | Mar 1, 2017 - Class Actions Lawsuit: Ziolkowski v. Netflix Inc et al |
| 3 | Jul 22, 2019 - Class Actions Lawsuit: Wallerstein v. Netflix Inc et al | 11 | Mar 1, 2017 - Securities Law Lawsuit: Ziolkowski v. Netflix Inc et al |
| 4 | Jul 22, 2019 - Securities Law Lawsuit: Wallerstein v. Netflix Inc et al | 12 | Oct 20, 2016 - Change in Accounting Estimates |
| 5 | Jan 7, 2019 - Change in CFO | 13 | May 23, 2016 - SEC letters to management |
| 6 | Jul 25, 2018 - SEC letters to management | 14 | Oct 16, 2015 - Change in Accounting Estimates |
| 7 | Jul 25, 2018 - Revenue Recognition | 15 | Aug 28, 2015 - Cybersecurity |
| 8 | Jun 28, 2017 - SEC letters to management | | |

Notifications

Important notifications related to the company are listed here. Notifications may come from the SEC, exchanges such as the NYSE or NASDAQ, or Watchdog Research. Examples of notifications include announcements of bankruptcy proceedings, company name changes, and noncompliance with SEC regulations or exchange rules.

There are no notifications for Netflix at least since 2015.



Peer Group

Peer groups are used by companies to benchmark executive compensation and performance. Each company identifies its own peer group. Peer groups vary from company to company.

Peer Group

| Company | Ticker | Market Cap |
|-----------------------------------|--------|------------|
| Netflix Inc. | NFLX | \$162b |
| Adobe Inc. | ADBE | \$148b |
| Salesforce Com Inc. | CRM | \$120b |
| Paypal Holdings, Inc. | PYPL | \$110b |
| Booking Holdings Inc. (Priceline) | BKNG | \$51.7b |
| Activision Blizzard, Inc. | ATVI | \$46.8b |
| Electronic Arts Inc. | EA | \$29.6b |
| Workday, Inc. | WDAY | \$28.4b |
| eBay Inc. | EBAY | \$23.2b |
| Sirius XM Holdings Inc. | SIRI | \$21b |

Companies Who Named Netflix as a Peer

| Company | Ticker | Market Cap |
|-----------------------------------|--------|------------|
| Facebook Inc. | FB | \$480b |
| AT&T Inc. | T | \$205b |
| The Walt Disney Company | DIS | \$175b |
| Netflix Inc. | NFLX | \$162b |
| Adobe Inc. | ADBE | \$148b |
| Salesforce Com Inc. | CRM | \$120b |
| Paypal Holdings, Inc. | PYPL | \$110b |
| Charter Communications, Inc. | CHTR | \$87.2b |
| Qualcomm Inc. | QCOM | \$77.7b |
| Booking Holdings Inc. (Priceline) | BKNG | \$51.7b |



Peer Flag Comparison

The return to a company's stock is not the only measure of executive performance. Ethics matter, and growth can quickly reverse and gains evaporate if a company's accounting and financial reporting processes are not fundamentally sound and trustworthy. How does Netflix's accounting quality compare to its peer group?

| | NFLX | PEERGROUP FLAGS | | |
|--|------|-----------------|---|---|
| Reporting Irregularities | | | | |
| Financial Restatements | ✓ | 9 | | |
| Revisions | ✓ | 7 | 2 | |
| Out of Period Adjustments | ✓ | 8 | 1 | |
| Impairments | ✓ | 5 | 4 | |
| Changes in Accounting Estimates | ! | 8 | 1 | |
| Disclosure Controls | ✓ | 2 | 6 | 1 |
| Internal Controls | ✓ | 8 | | 1 |
| Critical / Key Audit Matters | ! | | 3 | 5 |
| Anomalies in the Numbers | | | | |
| Benford's Law | ! | 4 | | 5 |
| Beneish M-Score | ⊖ | 7 | 1 | |
| Accounting Disclosure Complexity | ! | 2 | 7 | |
| Securities & Exchange Commission Concerns | | | | |
| SEC Letters to Management | ! | | 7 | 2 |
| Revenue Recognition | ! | 2 | 7 | |
| Non-GAAP Measures | ✓ | 9 | | |

| | NFLX | PEERGROUP FLAGS | | |
|--|------|-----------------|---|---|
| Litigation & External Pressures | | | | |
| Significant Litigation | ! | 1 | | 8 |
| Class Actions | ! | 1 | | 8 |
| Securities Law | ! | 2 | | 7 |
| Shareholder Activism | ✓ | 8 | 1 | |
| Cybersecurity | ! | 2 | 7 | |
| Management Review | | | | |
| CEO Changes | ✓ | 6 | 3 | |
| CFO Changes | ! | 2 | 4 | 3 |
| Insider Sales | ✓ | | 2 | 7 |
| Mergers & Acquisitions | ✓ | 1 | 3 | 5 |
| Sales of Assets | ✓ | 9 | | |
| Auditor Assessment | | | | |
| Auditor Changes | ✓ | 9 | | |
| Auditor Experience | ✓ | 9 | | |
| Auditor Tenure | ✓ | 7 | 2 | |
| Audit Fees | ! | 3 | 6 | |
| Non-Audit Fees | ! | 7 | 2 | |



About Watchdog Research, Inc.

Watchdog Research, Inc. is an independent research provider and publisher of Watchdog Reports. Watchdog Reports identify red flags, issues, and other anomalies in financial reporting. Our reports contain warning signs, red flags, material disclosures, and peer analysis for use in valuation, risk analysis, due diligence research, and idea generation.

Watchdog Reports are designed to assist investment professionals fulfill their fiduciary or suitability obligations and to help investors, executives, board members, regulators and educators learn what they need to know about publicly traded companies.

The company is headquartered in Naples, FL. Watchdog Research, Inc. utilizes over 75 specialists and analysts to provide accurate and timely information to our readers.

Our management team is:

CEO: Brian Lawe. Brian has been part of the corporate staff at The New York Times Company and IBM. He has created and operated several technology companies including MyStoreCredit, OnPage Ideas and HelloCampus. He holds an MBA from Harvard Business School and a BBA from Texas Christian University. He and his wife have four children and live in the Naples, FL area.

CTO: Radu Cugut. Radu has led the award-winning technology team that developed the Watchdog Report and services. He, his wife and son split their time between his home in Naples, FL and his home in Timisoara, Romania where he oversees five talented development professionals. Radu has a bachelors in Computer Science and a masters in Banking and Financial Information Systems, both from the West University of Timisoara.

Chief Content Officer: Joseph Burke, Ph.D. is responsible for the content development, analysis, and quality control for the Watchdog Report. Joseph worked previously as a professor of economics at Ave Maria University. He received his Ph.D. from the University of Wisconsin-Madison and resides with his family in the Naples area.

Director of Research: John Cheffers. John is responsible for writing our blogs and for our press relationships. He received his bachelors from Washington University in St. Louis, and has worked for Audit Analytics and Ave Maria University. He also currently attends Ave Maria University School of Law where his research has been selected for publication in the Law Review. He currently lives in the Naples area with his wife and two children.



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