

Rating Action

Moody's Ratings upgrades Netflix's senior unsecured notes ratings to A3; outlook remains positive

New York, May 01, 2025 -- Moody's Ratings (Moody's) upgraded Netflix, Inc.'s (Netflix) senior unsecured notes ratings to A3 from Baa1. The outlook remains positive.

"The upgrade reflects years of excellent execution, a well entrenched and enviable competitive position, expanding profitability, and free cash flow predictability. Despite an uncertain economic environment, we believe Netflix over the next few years will maintain strong revenue growth, improve operating margins, and generate more than \$8 billion in free cash flow per annum, while remaining committed to very conservative financial policies," said Emile El Nems, a Moody's Ratings VP-Senior Credit Officer.

RATINGS RATIONALE

Netflix's A3 ratings reflects the company's continued solid operating performance, scale, well entrenched competitive position, predictable free cash flow generation and exceptional credit metrics. With more than \$40 billion in annual revenue on a LTM basis, Netflix is the largest content streaming service provider in the world, with ~44% of its revenue from the US and Canada, ~32% from Europe, Middle East and Africa (EMEA), ~12% from Latin American, and ~12% from the Asia-Pacific region. Netflix's excellent execution and proven formula of consistently delivering high quality content across many genres and geographies continues to cement the company's value proposition and sustain its pricing headroom. Going forward, we believe these characteristics will lead to further price increases and continued subscriber growth resulting in sustained revenue momentum, expanding operating margins and greater free cash flow generation. This will provide Netflix with greater financial flexibility to reinvest in high quality content, expand into newer initiatives like live programming and games and improve its platform capabilities further distancing itself from most of its competitors.

At the same time, our view takes into consideration the intense competitive environment the company operates in. Netflix competes against other large well established subscription video-on-demand (SVOD) platforms, such as Disney+/Hulu, Peacock, Paramount+, and Max, which have significant content libraries and production capabilities, as well as Amazon Prime Video and YouTube who have scale and significant purchasing power. For 2025, we project Netflix's cash content spend will be around \$18 billion.

We project Netflix will maintain excellent liquidity over the next 12 months. This is supported by (i) around \$8.4 billion of cash and cash equivalents and short-term investments (at March 31, 2025), (ii) full availability under the company's \$3 billion senior unsecured revolving credit facility (unrated) expiring in 2029, and (iii) our projection of around \$8 billion in free cash flow in 2025.

We anticipate that excess cash in the business, beyond investments and maintaining a cash balance of around \$6.5 billion, will be used to repurchase shares. As of March 31, 2025, \$13.6 billion remains available for repurchases.

The positive outlook reflects our expectation that Netflix will continue to grow revenue, improve operating margins, generate robust free cash flow, and maintain strong credit metrics.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The ratings could be upgraded if revenue and profitability continue to grow and the company remains committed to conservative financial policies such that debt-to-EBITDA (inclusive of Moody's adjustments) is maintained at around 2.0x or less along with robust free cash flow and liquidity.

The ratings could be downgraded if revenue and margin trends weaken on a sustained basis, the company deviates from its conservative financial policies such that debt-to-EBITDA (inclusive of Moody's adjustments) is expected to be sustained above 2.5x or free cash flow and liquidity materially weaken.

Headquartered in Los Gatos, California, Netflix, Inc., is one of the world's leading entertainment services with total revenues on an LTM basis as of March 31, 2025 of around \$40 billion.

The principal methodology used in these ratings was Business and Consumer Services published in November 2021 and available at <https://ratings.moody.com/rmc-documents/356424>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.