

A broader bench has not replaced last year's biggest hits.

Rating **Neutral** Target **\$77** Next test **Oct 20 earnings**

THREE THINGS TO KNOW

1 Netflix's series share fell 5% because three hits left, not because the lineup weakened.

Wednesday, Squid Game and The Sandman explain the whole decline; everything else grew 14%, across three times as many shows. **The business is healthier than the headline number, and the loss reverses once the next tentpole lands.**

2 Q4 does not fix it.

Seven returning franchises replace about two-thirds of the lost demand. Share falls again unless a breakout new title appears. **Expect another negative print after December 31; it is not new deterioration.**

3 Revenue clears our 14% upgrade threshold for the wrong reason.

Our 14.5% estimate clears the 14% threshold we set in July, so the rating upgrades on October 20, but it sits below the 16% our subscriber model says account growth would produce. The growth is price and ads. **The rating moves up; the target should wait until subscribers, not pricing, drive growth.**

Neutral, \$77 target. October 20 decides the rating; the calls are a modest beat.

Rating moves on UCAN revenue growth against July thresholds. Revenue, EPS and margin calls sit just above the company guide, built from public inputs only.

RATING • UNCHANGED SINCE JULY 17

Neutral

\$77 twelve-month target

About **64%** odds of ending 2026 above **\$68.95** (July estimate). No earnings-day trade call.

OCT 20 Netflix reports Q3

OCT 21 Rating and target review

DEC 31 Q4 share call scored

PEERLOGIX RATING RULE • UCAN REVENUE GROWTH, OCT 20

DOWNGRADE <8% HOLD 8–14% UPGRADE ≥14%



Our estimate 14.5%

Thresholds we set in July, before seeing results, so the rating change is mechanical. UCAN = US and Canada; Netflix's printed one-decimal figure is used.

OUR Q3 ESTIMATES VS NETFLIX'S OWN GUIDANCE • GRADED OCT 20

Large number = our estimate, built from public filings only. Red tick = Netflix's guide. Blue tick = our estimate.

Q3 REVENUE

\$12.899B +0.3% vs guide



Netflix guided \$12.860B. Our range \$12.786–13.011B.

Q3 DILUTED EPS

\$0.84 +\$0.02 vs guide



Netflix guided \$0.82. Point estimate only; no range.

Q3 OPERATING MARGIN

33.89% +0.7 pts vs guide



Netflix guided 33.2%. Our range 33.39–34.39%.

WHAT GETS SCORED NEXT

OCT 20

Q3 earnings and UCAN growth score the rating trigger, membership test and Fig. E.

OCT 21

Target and action review by market close.

OCT 12 – NOV 8

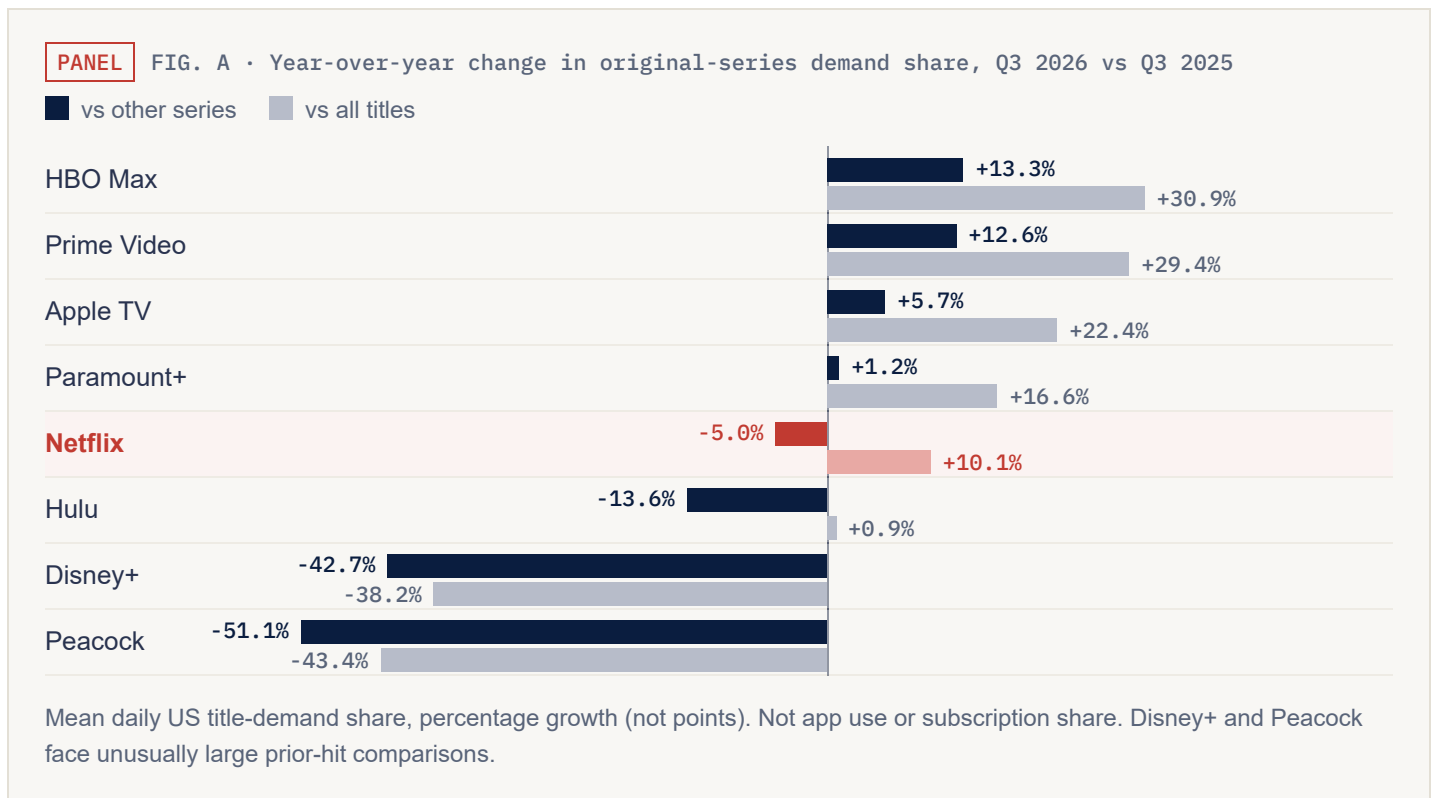
Cross-title persistence window.

AFTER DEC 31

Q4 panel-share call scored on the frozen roster.

Netflix originals lost ground to rival series, but took a bigger slice of total viewing.

Against other streamers' series, Netflix slipped 5% and ranked fifth of eight on growth. Against everything people watched, it gained 10%, because viewing shifted toward series. The series-only view is the fairer test; it is the one we grade.



OUR CALL

Netflix is still the biggest player in original series, but this quarter it **grew slower than four rivals**. More of its shows found an audience; the problem is that **last year's three biggest hits are gone and nothing yet matches them**. Section 02 shows which titles.

Three prior hits explain the whole share decline. The bench improved.

Wednesday, Squid Game and The Sandman had no 2026 seasons. Every other series together grew 14%, and three times as many shows now carry the audience.

02.1 • WHERE THE DECLINE IS

The decline is concentrated in three hits.

Wednesday, Squid Game and The Sandman had no 2026 seasons. Everything else grew 14%.

PANEL

FIG. B • NETFLIX SERIES SHARE, Q3 2026 VS Q3 2025

All series

-5.0%

All series except the three hits

+14.0%

Three hits removed from both years. Same titles and denominator otherwise.

02.2 • WHAT GREW INSTEAD

The audience is spread across many more shows.

How many equally popular shows it would take to match the actual spread of viewing. Few means hits dominate; many means a broad bench.

PANEL

HOW MANY SHOWS CARRY THE AUDIENCE

Q3 2025

47 shows

Q3 2026

156 shows

Roughly three times as many shows now share the audience. Measured as “effective titles” (46.8 to 155.5), a standard concentration measure.

02.3 • WHY HITS WERE HARD TO REPLACE

New seasons of big franchises drew smaller audiences than before.

A new season normally keeps about 90% of its prior audience. Weighted by size, the figure falls to 71%: **the largest franchises lost the most.**

PANEL

AUDIENCE A NEW SEASON KEPT VS ITS PRIOR SEASON • FIRST 28 DAYS • 13 RETURNING SHOWS

Typical returning show

90.3% kept • healthy

All 13, weighted by size

71.0% kept • weak

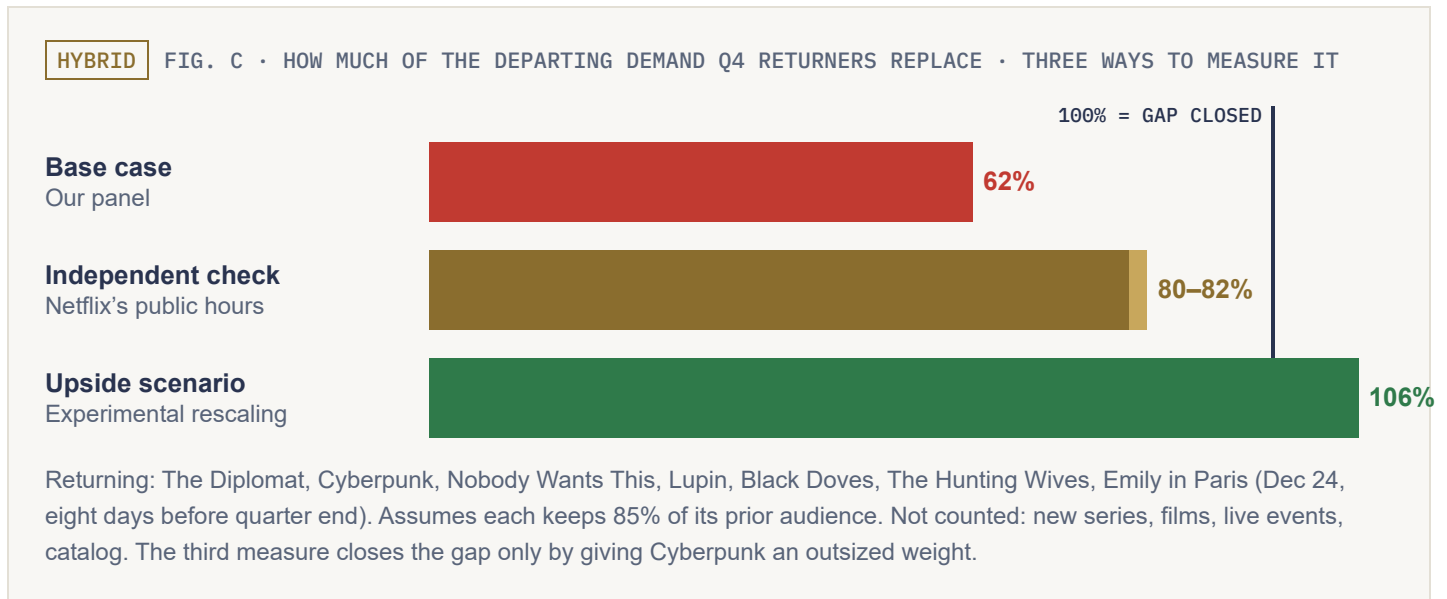
100% = same US audience share as the prior season; the black line marks it. The gap between the two bars is the problem: the *biggest* franchises underdelivered most.

OUR CALL Netflix has renewed its bench; replacing the prior tentpoles remains the challenge. The evidence is independently measured and largely consistent with Netflix’s own published numbers.

WHAT WOULD CHANGE IT The post-Dec 31 review of replacement demand, or public evidence that consistently contradicts the panel.

Q4's returning shows will not fully replace what left. Series share falls again.

Seven returning franchises replace about two-thirds of the departing demand on our panel; Netflix's own published hours say about four-fifths. Either way, a gap remains.



OUR CALL

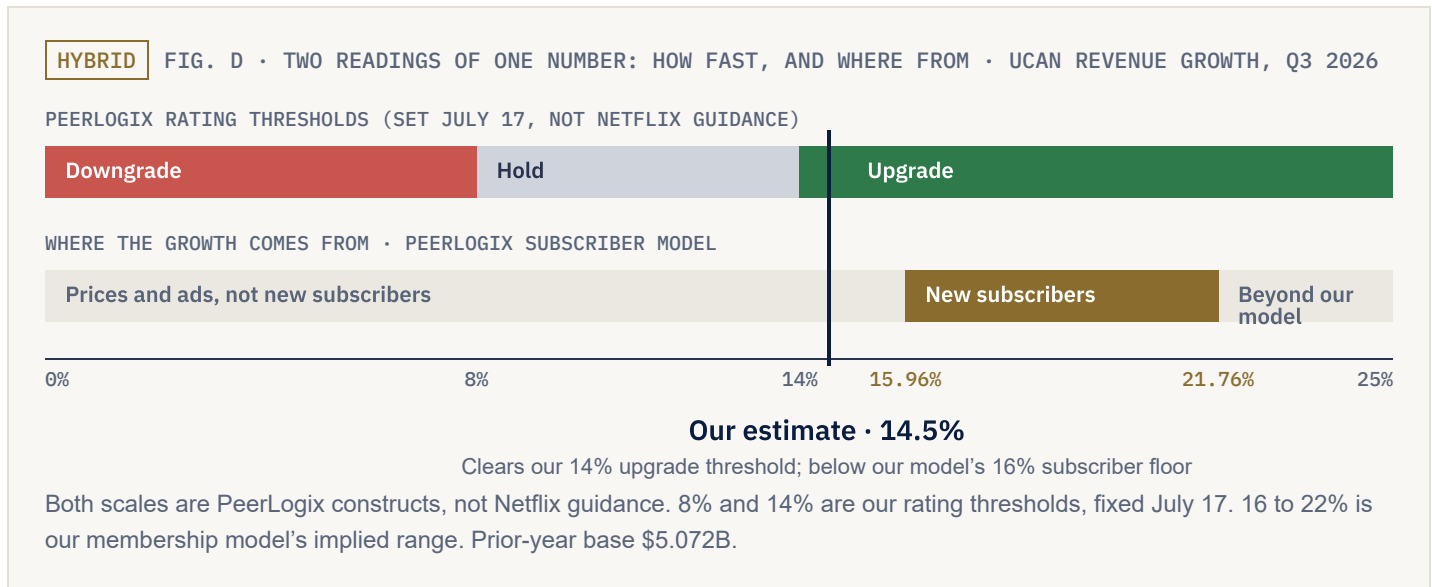
Netflix's Q4 series share falls year over year. Base case: returners replace roughly two-thirds of the departing demand; the independent check says four-fifths. **We would need a breakout new title, not a better returning season, to be wrong.**

WHAT WOULD CHANGE IT

A new or catalog title large enough to close the remaining gap. Scored on the frozen roster and formula after Dec 31.

Revenue likely clears our 14% upgrade threshold. How it gets there matters.

We estimate 14.5% UCAN revenue growth. That is above 14%, the upgrade threshold we set in July, but below 16%, the floor our own subscriber model says account growth would produce. The growth is price and ads, not accounts.



BELOW 15.96%	15.96% – 21.76%	ABOVE 21.76%
Price and ad growth, not new subscribers. Our subscriber model is scored wrong; the rating still upgrades above 14%. Less durable growth.	Netflix is most likely adding subscribers again. We cannot verify this directly; Netflix stopped reporting subscriber counts.	Stronger than subscriber additions alone would explain. Check whether price or mix drove the excess before raising the target.

OUR CALL

Our rule upgrades on a 14%+ print. Under 16%: **positive for the rating, a caution for the target.** 16 to 22%: account growth resuming, which also supports the target.

WHAT WOULD CHANGE IT

October 20 regional revenue scores both readings. If Netflix discloses price increases or ad revenue that account for the growth, that confirms the price-led reading.

Research, not personalized investment advice. Scenario ranges are not guarantees. Position/conflicts disclosure requires recertification; external release requires founder and disclosure approval. Sources: PeerLogix US reach panel; Netflix weekly global top-10 lists; Netflix Q2 letter and Q3 guide; SEC prior-year revenue; registered UCAN ledger. Exact data in the Methods & Evidence companion.