



THE DAY TRADING ACADEMY

— SUCCESS WEALTH FREEDOM —

Let's Create Your Lifestyle

August 24, 2014 – Attention Investors: It Is Time To Short Netflix - By Jeffrey Hagenmeier



Investors in Netflix have recently heard a great deal about the entry of the company into the European market. Six more countries are scheduled to be provided the online movie and TV subscription service this year as reported by the company. France and Germany are to come first, followed by Austria, Belgium, Luxembourg and Switzerland later this year. This will be a major test how Netflix will deal with the many local rules and regulations, as well as the competition in the second tier European expansion.

Germany has the highest number of broad band households in Europe with between 29 and 30 million. Russia has the second highest amount followed by France with about 25 million.

Netflix a California based company, currently has more than 48 million customers for its monthly subscription service. These clients are located in more than 40 countries. In the United States the company dominates the subscription market for video on demand. There are between 35 and 36 million users of the service. In the first business quarter of 2014 alone the company reported an over \$200 million USD profit in the United States alone. This has put an upward pressure on the value of the company stock.

The company receives about 25% of the streaming revenue from foreign operations. The long term expectation is that the money earned overseas will surpass that earned in the domestic market. The company expanded into the United Kingdom and Ireland in early 2012. In October of the same year, the nations of Denmark, Finland, Norway and Sweden were all offered the service. The company will offer Hollywood movies, TV series and original programming where possible.



This all sounds like a major opportunity for Netflix and the company stock.

The stock closed at **\$479.19 USD** (United States Dollar) last **Friday, August 22nd**.

If the stock climbs higher on Monday my suggestion would be to **buy in** around **\$480.00** but plan to short it. Anything above this price is a good place to enter, because it is my belief the expansion in these new markets will not be easy. Look for **at least a \$20.00 USD drop** or more in the short term, as these difficulties become apparent. You may wish to make that your target.

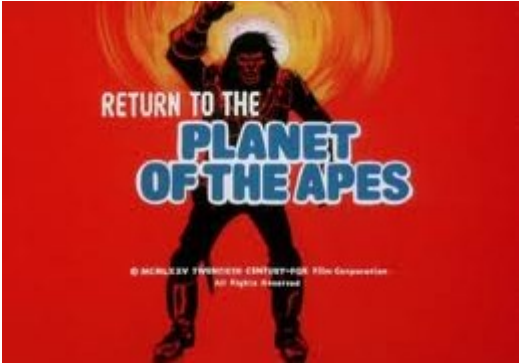
The first issue is that Netflix does not have exclusive rights to even its own programming. This can make a major difference if one considers the popularity of some individual shows, like *House Of Cards*

for example. This show has been broadcast in Germany already, by a competing service.

The second consideration is the high cost of entering new markets. The company reported an actual loss in the company's international unit in contrast to the American market. The first business quarter loss was \$35 million USD. Although it must be said losses are declining as more world-wide markets become profitable, after the original period of investment.



THE DAY TRADING ACADEMY
—SUCCESS WEALTH FREEDOM—
Let's Create Your Lifestyle



The third concern is the competition itself. In order to be competitive Netflix has lowered prices substantially in these new markets in comparison to local companies. This will keep profit margins per customer smaller than an investor might suppose. European companies will respond by coming up with their own strategies to compete. One example is to grow larger. The largest pay for view company in the United Kingdom may well merge with a company in Germany and one in Italy. The larger company will be able to reduce costs because of scale, thus making it more competitive with Netflix.

Long term my belief is that the company will do well and profits will continue to expand. Short term, Netflix is a bit over extended in the international market. This will bring a somewhat downward pressure on the value of the company's share price.

@ 2014 The Day Trading Academy. All rights reserved. This work is based on SEC filings, interviews, corporate press releases, and extensive research done across investment articles, current events, and investment expertise. It may contain errors, and you shouldn't make any financial decision based solely on what you read here. It's your money and your responsibility. As with any investment, there is no guarantee against potential loss. Members should be aware that investment markets have inherent risks and there can be no guarantee of future profits. Likewise, past performance does not assure future results. This publication's sole intended purpose is to provide investment-related information and opinions to subscribers and the recommendations and analysis presented to members is for the exclusive use of members.