

NETFLIX

iANT Education - Zachary Grayson
(Presented to the Netflix Board of
Directors)

How Netflix Wins the Next Decade

The entertainment industry must compete for attention.

Netflix can get a user to spend two hours on their platform while only making about

a fifth of what TikTok makes. The economy is forcing users to choose

between entertainment and necessities.

Netflix will need to compete to retain

subscribers.

Current Metrix



Total Revenues



Subscribers



Revenue from
Subscribers



Largest
Subscriber Base



The Average
Netflix User's
Salary

The Problem (Pain Point)

Every competitor has a structural advantage while Netflix does not have one.



Amazon Prime Video
Amazon Prime Video is a bundled subscription with their e-commerce product.



Apple TV+
Apple is able to subsidize Apple TV+.



YouTube
Short form content, Live TV, and low costs.



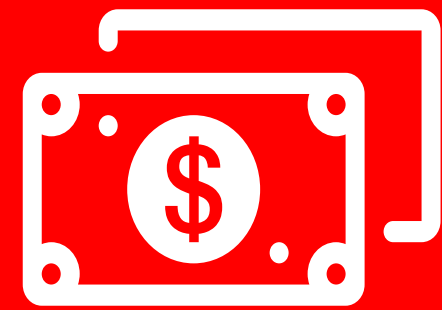
TikTok
TikTok is able to seamlessly pair short-form content with e-commerce.



Disney+
Disney offers live sports, family entertainment, and can be bundled with Hulu.

Netflix is a standalone single-revenue subscription product with no structural advantages and high relative costs of operation.

Three Pain Points, One Root Cause



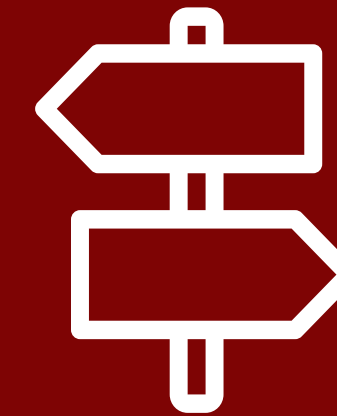
Finances

Free, ad-supported entertainment such as TikTok and Youtube make more revenue than any paid streaming platform



Revenue Diversification

30% of Netflix users are on ad-supported tiers but ads are roughly 3.3% of Netflix's revenue



Lack of Synergy

Competitors have bundled programs making it simpler to choose them over Netflix.

Core problem: Netflix has one revenue stream and no ecosystem.

Netflix should acquire Crunchyroll to solve the ad-revenue gap and the diversification problem...at an affordable price.



Who is Crunchyroll?

- Currently owned by Sony Entertainment.
- Crunchyroll is one of the leading platforms featuring a large library of anime, manga, and Asian content.
- Out of their over 120 million users, 103 million of them are on ad-based tiers.
- Over 70% of users are between the ages of 18-34, with most being in APAC and LATAM, **Netflix's fastest growing region**)
- Crunchyroll offers language accessibility with dubbing, and subbing, in numerous languages.

Why Crunchyroll?



Ad-Support

Netflix currently holds the most subscribers of any streaming platform. With the growing popularity of ad-supported entertainment, and the diminishing marginal returns of attempting to earn more subscriptions, Crunchyroll can bring Netflix a larger community of ad-based viewers.



Demographics

Netflix has similar demographics to Crunchyroll. In acquiring Crunchyroll, Netflix can synergistically offer a large library of anime, manga, and other Asian content that is accessible to Netflix's globally diverse users and appealing to younger audiences.



Growing Niche

Anime is a growing niche. After COVID-19, anime has increased its market size by 31.18% being at roughly 3.8B dollars in 2024. Anime's global content demand rose from 4.2 to 7.1 in 2021. Anime is a promising niche that could further benefit from the larger platform Netflix could give it.

Competitor Risk
if Amazon or Disney acquires
Crunchyroll first, Netflix loses
the category permanently



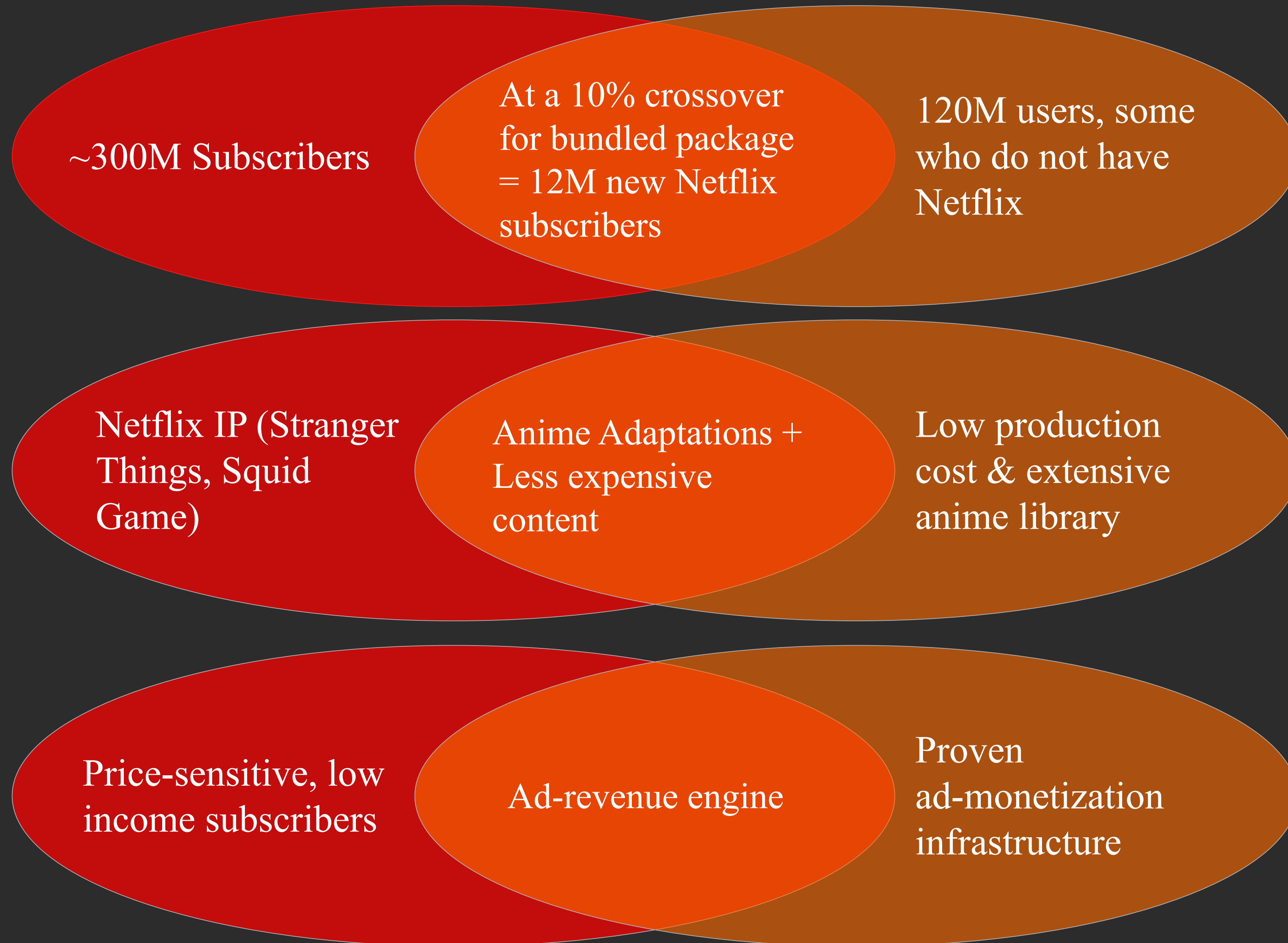
**Why
Now?**



Sony's Plans

Sony has expressed its
willingness to consider
strategic partnerships on their
entertainment assets

Strategic Fit (1+1=3)



What is Crunchyroll Worth?

- Crunchyroll sells a subscription for \$9.99 at its lowest offering.
- Crunchyroll has approx. 17 million subscribers.

Revenues for 2026 equal approximately \$2.04B

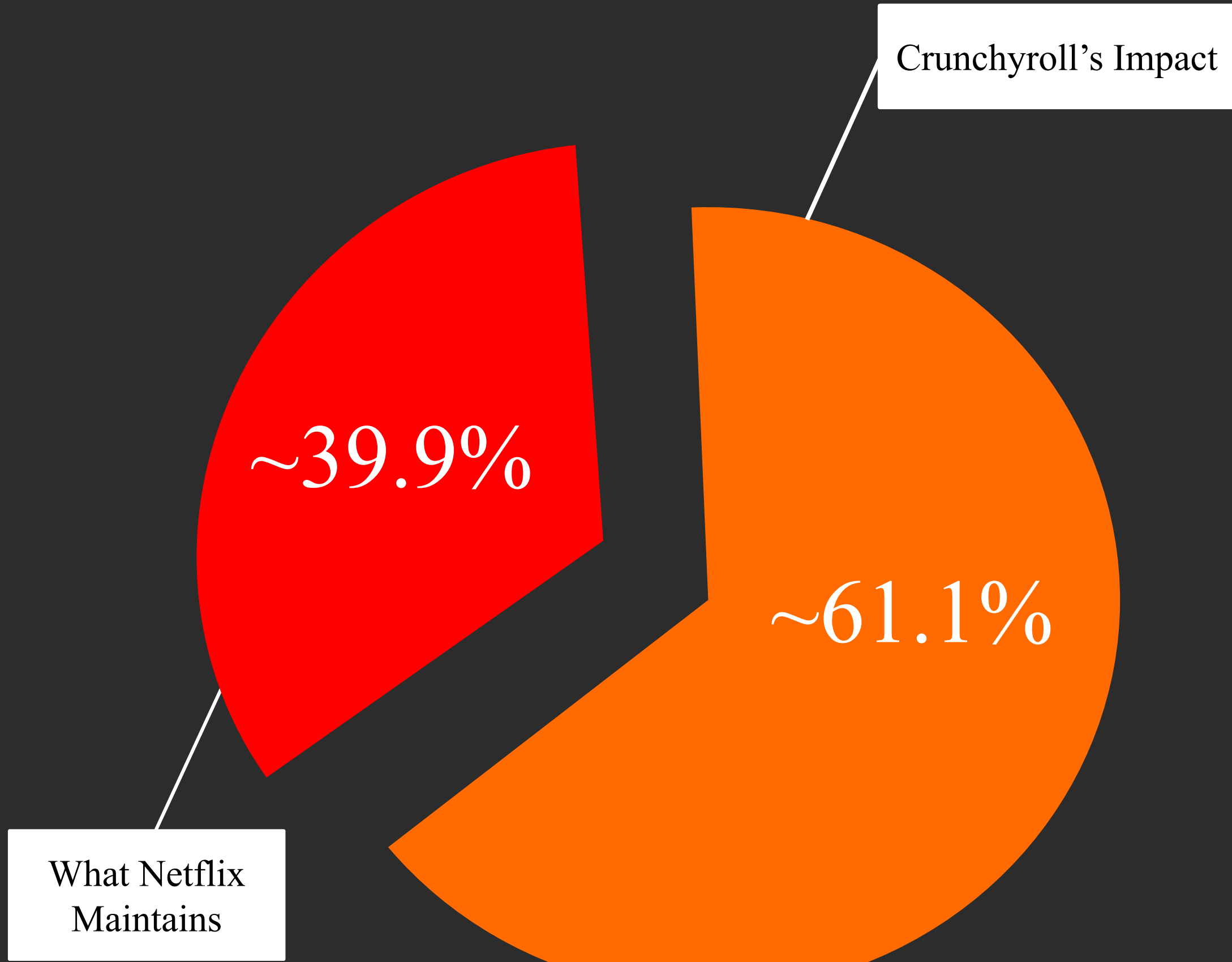
Growth

- 2021 → 5M Subscribers
- 2022 → 10M Subscribers
- 2023 → 13M Subscribers
- 2024 → 15M Subscribers
- 2025 → 17M Subscribers

According to the data, Crunchyroll has a growth rate of 35.8% over 4 periods.

$$(2026 \text{ Revenues}) \times (1 + \text{Growth rate}) = \sim 2,770,000,000$$

Crunchyroll is worth approximately \$2.77B



Crunchyroll's impact on Netflix's Cash, Cash Equivalents, Restricted Cash and Short-Term Investments.



NO INTEREST
Netflix does not take on any new debt and saves money by avoiding interest by paying cash up front.



FASTER CLOSE
Paying cash ensures that Netflix obtains Crunchyroll without unnecessary financing complexity and increases certainty in the deal for Sony.



Stock Shares

Netflix's shares outstanding do not change, and there is no shareholder dilution, because Netflix did not finance through stocks.



Financials

Crunchyroll's revenue, expenses, assets, and liabilities become merged with Netflix's.



Integration

Netflix will obtain new technologies, human-capital, and IP from Crunchyroll.

Antitrust

Disney's ability to acquire Fox was a proxy for how an acquisition of another large entertainment company would sit with regulators.

Crunchyroll is a niche anime platform. There is minimal content overlap.

Loyalty to Crunchyroll

What if Crunchyroll users are reluctant to switch over to Netflix to watch their favorite animes?

HIDIVE, a leading anime subsidiary of AMC Networks, works as an added channel on Amazon Prime Video. Similarly, Crunchyroll would still operate on its original interface, but on Netflix's platform. The benefit being that a Netflix subscription bundles the Crunchyroll library under one subscription, not a separate add-on.

Performance

What if Crunchyroll does not perform well?

Netflix is already one of the leading streaming platforms. If Netflix can keep Crunchyroll away from its competitors, then Netflix can maintain its status. If

Netflix covers all corners of entertainment, it can continue to grow as a high value subscription with a diverse range of content.

Why Not The Alternatives?



Spotify

There is no synergy with Spotify. Many Netflix users watch content on a TV decreasing Spotify's accessibility. Spotify has no clear way to make music listeners into entertainment watchers.



Roblox/Rockstar Games

Low demand from current Netflix subscribers for games. Less than 1% of all Netflix subscribers play a Netflix game on a daily basis despite the growing game offerings.



Roku

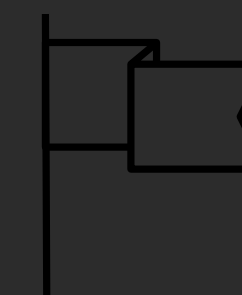
Roku has limited content compared to Netflix. Netflix would be paying for a small library of content that it doesn't need.

Risks + Strategy



Sony Refuses to Sell

Initially start as a joint venture, then look to acquire.



Antitrust scrutiny

Low risk, but position the merger as one of limited market overlap.



Integration failure

Retain original Crunchyroll leadership for 2-3 years.



Anime market saturation

Low risk, since APAC region has over 4 billion people and the impact hasn't fully reached all.



Subscriber turnover

Maintain Crunchyroll product separately. Two brands, one strategy.

Netflix x Crunchyroll

Executive Recommendation

