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11 **UNITED STATES DISTRICT COURT**
12 **NORTHERN DISTRICT OF CALIFORNIA**
13 **SAN JOSE DIVISION**

14 CLEVELAND BAKERS AND
15 TEAMSTERS PENSION FUND,
16 Individually and on behalf of all others
17 similarly situated,

18 Plaintiff,

19 v.

20 NETFLIX, INC., REED HASTINGS,
21 THEODORE SARANDOS, SPENCER
22 NEUMANN, and GREGORY
23 PETERS,

24 Defendants.

Case No.

**CLASS ACTION COMPLAINT
FOR VIOLATIONS OF THE
FEDERAL SECURITIES LAWS**

DEMAND FOR JURY TRIAL

1 Plaintiff the Cleveland Bakers and Teamsters Pension Fund (“Plaintiff”)
2 individually and on behalf of all others similarly situated, by and through its attorneys,
3 alleges the following upon information and belief, except as to those allegations
4 concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff’s
5 information and belief is based upon, among other things, its counsel’s investigation,
6 which includes without limitation: (a) review and analysis of regulatory filings made
7 by Netflix, Inc. (“Netflix” or the “Company”) with the United States Securities and
8 Exchange Commission (the “SEC”); (b) review and analysis of press releases and
9 media reports issued by and disseminated by Netflix; and (c) review of other publicly
10 available information concerning Netflix.

11 NATURE OF THE ACTION AND OVERVIEW

12 1. This is a class action on behalf of persons and entities that purchased or
13 otherwise acquired Netflix common stock between January 19, 2021 and April 19,
14 2022, inclusive (the “Class Period”). Plaintiff pursues claims against Defendants for
15 violations of the Securities Exchange Act of 1934 (the “Exchange Act”).

16 2. Netflix is an entertainment company that creates and distributes television
17 series, documentaries, and feature films on its eponymous streaming platform. A
18 primary metric Netflix uses to measure growth is the net number of new paid
19 subscriptions (often referred to as “paid net adds”) on its platform.

20 3. On January 20, 2022, after the market closed, Netflix reported paid net
21 adds of 8.3 million subscribers during the fourth quarter of 2021, shy of its 8.5 million
22 forecast. The Company also provided weak paid net add guidance of 2.5 million
23 subscribers for the first quarter of 2022, well under the prior year period’s 4.0 million
24 paid net adds.

25 4. On this news, the Company’s stock price fell \$110.75, or nearly 22%, to
26 close at \$397.50 per share on January 21, 2022, on unusually heavy trading volume.

1 of business lies in Los Gatos, California, which is within this Judicial District. In
2 addition, many of the violations of the federal securities laws alleged herein were made
3 within this Judicial District.

4 11. In connection with the acts, transactions, and conduct alleged herein,
5 Defendants directly and indirectly used the means and instrumentalities of interstate
6 commerce, including but not limited to the United States mail, interstate telephone
7 communications, and the facilities of a national securities exchange.

8 **PARTIES**

9 12. Plaintiff the Cleveland Bakers and Teamsters Pension Fund, as set forth
10 in the accompanying certification, incorporated by reference herein, purchased Netflix
11 securities during the Class Period, and suffered damages as a result of the federal
12 securities law violations and false and misleading statements and material omissions
13 alleged herein.

14 13. Defendant Netflix is incorporated under the laws of Delaware and has its
15 principal executive offices in Los Gatos, California. Netflix's common stock trades on
16 the NASDAQ under the symbol "NFLX."

17 14. Defendant Reed Hastings ("Hastings") was the Co-Chief Executive
18 Officer ("Co-CEO"), President, and Chairperson of the Company at all relevant times.

19 15. Defendant Ted Sarandos ("Sarandos") was the Co-CEO, Chief Content
20 Creator, and a director of the Company at all relevant times.

21 16. Defendant Spencer Neumann ("Neumann") was the Company's Chief
22 Financial Officer ("CFO") at all relevant times.

23 17. Defendant Gregory Peters ("Peters") was the Company's Chief Operating
24 Officer and Chief Product Officer at all relevant times.

25 18. Defendants Hastings, Sarandos, Neumann, and Peters (collectively the
26 "Individual Defendants"), possessed and exercised their power and authority to control
27 the contents of the Company's SEC filings, press releases, and other market

1 communications. They were provided with copies of the Company's SEC filings, press
2 releases, and statements in earnings calls, which were later shown to be misleading,
3 prior to or shortly after their issuance and had the ability and opportunity to prevent
4 their issuance or to cause them to be corrected or supplemented so as to not be
5 materially misleading or incomplete. Because of their control over the Company, and
6 their access to material information available to them but not to the public, the
7 Individual Defendants knew that the adverse facts specified herein had not been
8 disclosed to and were being concealed from the public, and that the positive
9 representations being made were then materially false and misleading. The Individual
10 Defendants are liable for the false statements and omissions pleaded herein.

11 **SUBSTANTIVE ALLEGATIONS**

12 **Background**

13 19. Netflix primarily operates an entertainment platform that offers TV
14 series, documentaries, feature films, and mobile games across a variety of genres and
15 languages. It also offers a DVD-by-mail service in the U.S.

16 **Materially False and Misleading Statements**

17 20. The Class Period begins on January 19, 2021. On that date, the
18 Company reported its fourth quarter 2020 financial results, stating in relevant part:

19 Average paid streaming memberships increased 23% year
20 over year in Q4, while average revenue per membership was
21 flat year over year both on a reported and foreign exchange
22 (F/X) neutral basis. Revenue was 1% higher than our
23 guidance forecast, as paid net adds exceeded our 6.0m
24 projection by 2.5m. Operating margin of 14.4% (a 600bps
increase from Q4'19) also came in above our guidance, due
to higher-than-expected revenue. EPS of \$1.19 vs. \$1.30 a
year ago included a \$258m non-cash unrealized loss from
F/X remeasurement on our Euro denominated debt.

25 For the full year, our 37m paid net additions represented a
26 31% increase from 2019's 28m paid net adds. We're
27 becoming an increasingly global service with 83% of our
paid net adds in 2020 coming from outside the U.S.
region. Our EMEA region accounted for 41% of our full
year paid net adds, while APAC was the second largest

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