



Netflix (NFLX) 2019 Q4 Earnings Summary

January 2020

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Netflix Has A Big Head Start In Streaming As Major Media Companies Launch Their Initial DTC Products

COMPETITION

- **There is an over focus on the streaming wars, but there is a big shift from linear to streaming on-demand entertainment occurring**
 - Happening all over the world and is still in its early stages, leaving ample room for many services and most of the growth will come from linear TV
 - Similar to the transition from broadcast to cable, where cable networks didn't really take much share from each other but really grew together
- **Per membership viewing grew in Q4, not just globally, but in the U.S. and that bodes well for their long-term opportunity**
 - There was elevated churn in the U.S. from a combination of pricing and competition and anticipate more global competition throughout the year

FILM

- **Trying to program their movies like their TV series where there is something for every taste, every mood, every region of the world**
 - Have all of that ramp-up behind them, and expect to have a steady flow of projects working across all genres
- **Can further their reputation for doing well by talent by being one of the best in the world at winning awards**
 - The business benefit is that they will win deals that they wouldn't have otherwise won for incredibly entertaining content
 - Bringing popular film to the market and at such a high quality that it is also being recognized by the critics and awards groups

PRICING

- **Listen to signals from members in terms of engagement and use that as a mechanism to guide them as to when to increase prices**
 - The more hits they put on the board that drives new subscribers and growth in the cultural zeitgeist, the more frequently they can raise prices
- **See a healthy take rate across all plan options, but are constantly evaluating the right balance of features and prices at each tier**
 - Over the years, have seen a gradual migration towards the higher price point plan, which maps to the growth in smart TVs and high-definition TVs
 - There are certain countries around the world where annual plans are more common, and want to experiment more around that

INTERNATIONAL

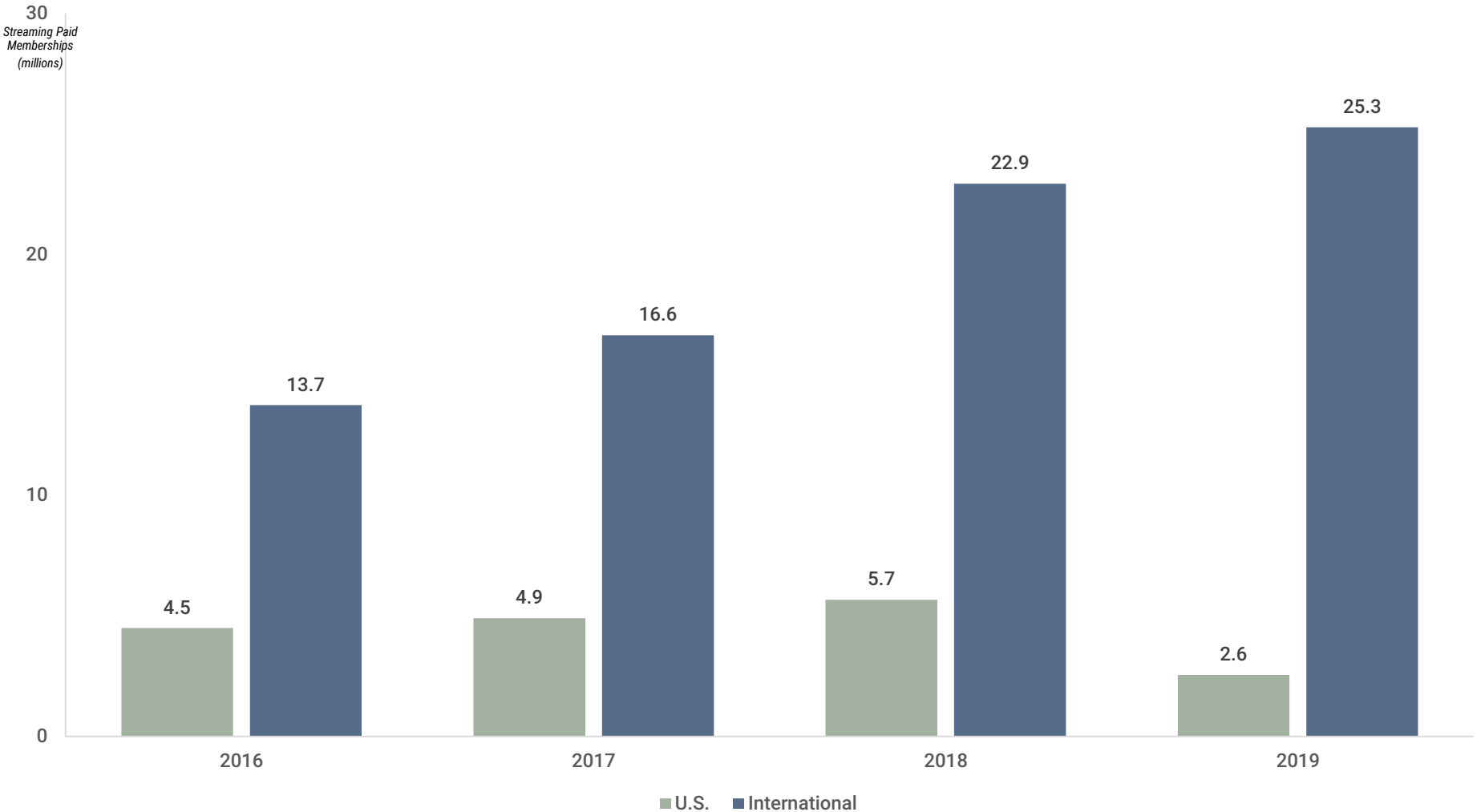
- **Still roughly at 30% penetration, and don't see why they can't get into all of the Pay-TV or broadband households over time**
 - Getting much smarter about the markets in how they offer content, as well as the pricing, packaging, bundling and distribution to members
 - The pricing is different in every country around the world, but they are not managing to ARPU, they are managing to revenue maximization
- **They are a bit more mature in Latin America than perhaps in APAC and in some specific countries, but continue to grow**
 - LatAm happens to be a region where, similar to the U.S., their price increases were a bit more significant than in other parts of the world

The change in their definition of viewership will artificially inflate metrics, leading to even more difficult comparisons

Streaming Subscribers



Domestic Subscriber Growth Has Slowed Dramatically As Streaming Competition Starts To Intensify

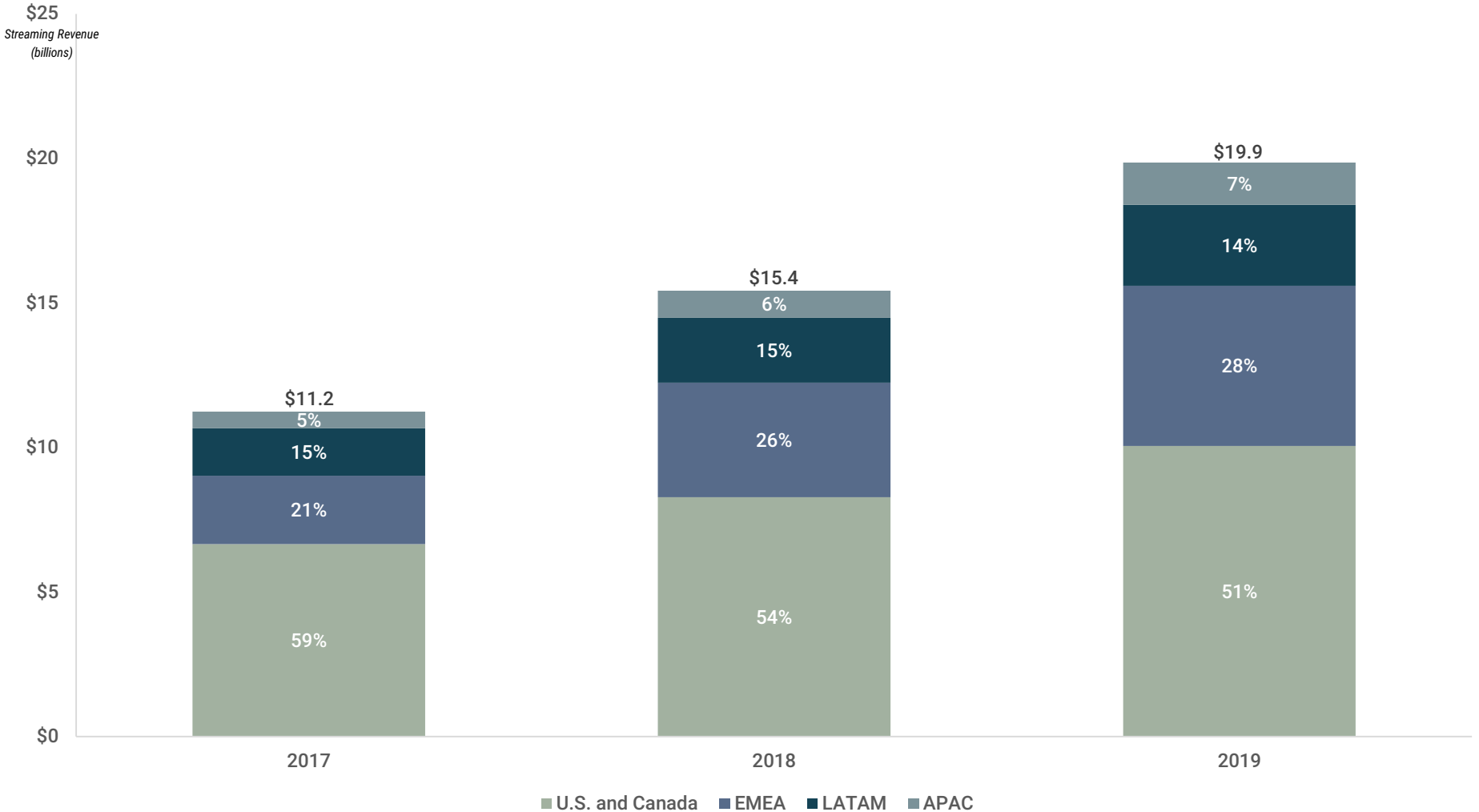


Utilizing distribution partnerships to increase marketing efforts can improve their ability to acquire the late adopters

Revenue

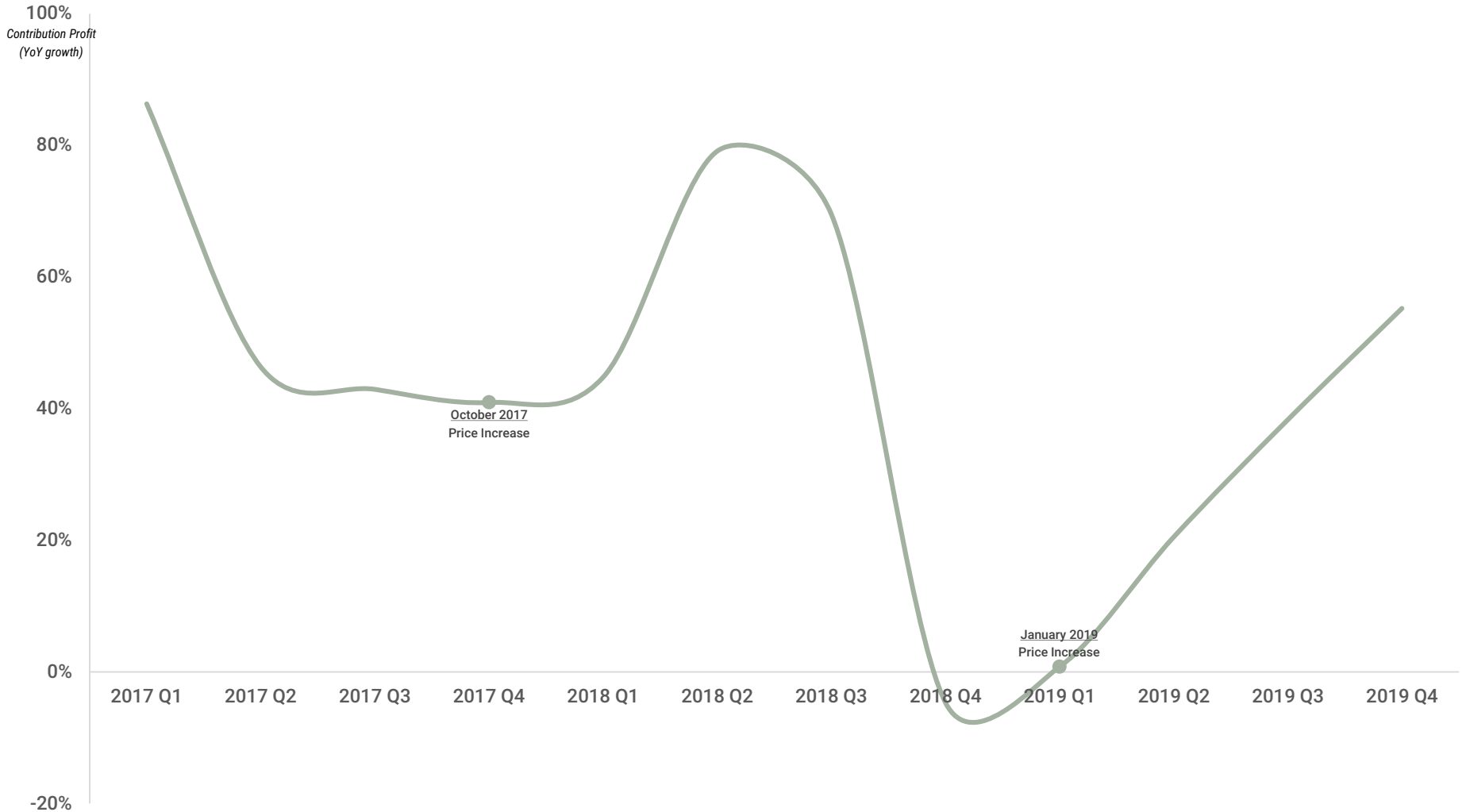


EMEA Revenues Have More Than Doubled Over The Last 2 Years And There Is Still Runway For Growth



Low price mobile plans have been introduced in three countries, and expect to do further testing across more territories

Price Increases In Mature Markets Have Allowed Them To Continue To Increase Their Content Investments



There is still no plan to offer ad-supported content as they are massively disadvantaged against the big tech giants