

Q1 2020 Earnings Call

Company Participants

- Greg Peters, Chief Product Officer
- Reed Hastings, Chief Executive Officer
- Spencer Neumann, Chief Financial Officer
- Spencer Wang, Vice President of Finance And Investor Relation
- Ted Sarandos, Chief Content Officer

Other Participants

- Michael C. Morris, Analyst

Presentation

Operator

Good afternoon and welcome to the Netflix Q1 2020 Earnings Interview. I'm Spencer Wang, VP of IR and Corporate Development. Joining me today are CEO, Reed Hastings; CFO, Spence Neumann; Chief Content Officer, Ted Sarandos; and Chief Product Officer, Greg Peters. Our Interviewer this quarter is Mike Morris from Guggenheim.

As a reminder, we'll be making forward-looking statements, and actual results may vary.

With that, let me turn it over to Mike for his first question.

Questions And Answers

Q - Michael C. Morris {BIO 2323139 <GO>}

Thank you, Spencer, and good afternoon. Glad to see you all safe and healthy and take this opportunity to extend my best wishes to our viewers.

Your letter had a lot of detail about the impact of the environment, but I would like to hear, directly from you some key thoughts, and then we can dig in more deeply into a few topics. So if we would just start with the impact of COVID, the changing consumer behavior. Reed, your thoughts on both the sort of sustained, strategic impact of the change and change of behavior. And then maybe for each of you, if you could highlight the most significant thing that's changed for you and how you're thinking about permanence or how to work through that in the coming weeks and months?

A - Reed Hastings {BIO 1971023 <GO>}

Sure, Mike. I mean it's an incredible tragedy for the world. Everyone is wrestling with the implications, both on health, on hunger, poverty. And we too, are really unsure of what the future brings. It is super hard to say, if there's strategic long-term implications because we've just been scrambling to keep our servers running well, keep the content, get our post-production done. Our small contribution in these difficult times is to make home confinement a little more bearable.

And where you take that seriously, we are working super hard on that. And in a couple of months, we'll all be able to grapple with the long-term implications. But, right now, we are just focused on getting our content out, getting it dubbed, and I will let the other team members talk.

Q - Michael C. Morris {BIO 2323139 <GO>}

Sure. I don't know if -- maybe we'll go to Greg first and then to Ted, just hear your high-level thoughts, please?

A - Greg Peters {BIO 17539678 <GO>}

Yes. It's been humbling to be a place that people around the world in a time like this turn to for some entertainment for escape. And I think just reiterating what Reed was saying, our real focus at this point in time has just been to keep our service operating at as high a quality as possible, and available when our members need us and turn to us.

A - Ted Sarandos {BIO 4812832 <GO>}

Yes. Echoing the same, which is the what's been really amazing is the role that Netflix has played in all of this, which is to keep people connected. Keep people --some people around the world who are incredibly lonely connected through storytelling on Netflix, certainly a distraction and certainly a big source of entertainment with your second home. So it's really a tough work, mostly getting a lot of folks doing work they've never done before from places they have never done it before. So our productions, our post-productions, our offices are now distributed into people's living rooms and bedrooms and kitchens around the world.

And it's just an incredible testimony to the innovation that within a few literally within a few hours, but within certainly within a few days of the shutdowns, we had production up and running remotely, post-production up and running remotely, animation up and running remotely, pitch meetings happening virtually, writers' rooms assembling virtually. It's been really a remarkable thing to watch the creative community come together to entertain the world through Netflix.

Q - Michael C. Morris {BIO 2323139 <GO>}

Great. And Spencer, from the financial side anything significant right now, that's top of mind for you relative to where we were this time last quarter?

A - Spencer Neumann {BIO 3006410 <GO>}

Yes. I think I would echo what Reed and Greg and Ted said, in that so much of what we are focused on right now is just taking care of our business, ensuring that it runs smoothly, being fortunate that it is running smoothly and making sure as best we can that our employees and production crews are safe and healthy and taken care of. So that's been our primary focus. I think the long-term is impossible to predict in terms of what this -- what the impact of this to our business, but we suspect that the long-term trends we've sort of talked about for many quarters now in terms of the shift from linear to streaming on-demand entertainment is consistent.

So there may be some timing impacts here. But overall, that long-term trend is really unchanged. So what we are really trying to do is, as Ted and others said, is trying to make something that looks relatively easy and smooth operating. But in reality, it is a really hard work for a lot of folks, thousands of employees and a lot of challenges throughout our Company that we are doing our best to do that well for our members and for our community.

A - Spencer Wang {BIO 3251222 <GO>}

And for me, Mike, speaking specifically for the finance department, I would say, we are just trying to work hard to really support the other business units like Ted's organization, Greg's organization, the marketing team, to get through this process, as easily as possible.

Q - Michael C. Morris {BIO 2323139 <GO>}

And understanding that it's very difficult to predict what's going to happen. I am curious, Reed, if you could share anything that you look at as sort of key indicators externally, as you try to plan for the business going forward. And also, I am curious if there are any internal data points given that you do have that relationship with your consumers that could help you with the planning process and how to progress from here.

A - Reed Hastings {BIO 1971023 <GO>}

I think, have a planning model, you have to have a model of COVID and when are certain treatments coming online, how broadly are they distributed, when are vaccines coming online, how quickly can they be manufactured. And we don't know any more than anybody else on those big elements, and that is the most significant aspect. So think about it as, we're in the same uncertainty that everyone else is.

The things we are certain of is the Internet is growing. It is a bigger part of people's lives, thankfully. And people want entertainment, they want to be able to escape and connect, whether times are difficult or joyous. That's pulling up. We have had an increase in subscriber growth in March. It is essentially a pull forward of the rest of the year.

So our guess is that subs will be light in Q3 and Q4, relative to prior years because of that. But we don't use the words guess and guesswork lightly. We use them because it's a bunch of us feeling the wind, and it's hard to say. But again, will Internet entertainment be more and more important over the next five years? Nothing has changed in that.

Q - Michael C. Morris {BIO 2323139 <GO>}

Great. So we have had a number of questions about the member growth and the topic of pull-forward that you just referenced, Reed. And I guess to the extent we could understand anything about the composition of that influx of subscribers that came, or we can see some -- you know, the geographic split, which is of course very helpful. And I think there's a pretty fair conclusion that I'd be interested and you're sort of addressing, which is that clearly the hardest hit markets by COVID were those that saw the greatest change in subscribers.

Beyond that, I'm curious if you could talk at all about the sort of composition, even in the UCAN region, of whether it is a multi-person households or whether it's a different income strata or anything like that, that you feel that could give some insight into who is part of that ramp in members.

A - Reed Hastings {BIO 1971023 <GO>}

Sure. It is really more of the same. There is nothing that separates the people just joining from anybody else. And then our job is to do the same things we have been doing to retain them, that is have incredible shows, make it very easy to choose, help the recommendations, all the things we do that make the experience so wonderful. So again, in terms of usage, in terms of viewing patterns, it is all pretty consistent with the families that have been members for a long or short-time.

Q - Michael C. Morris {BIO 2323139 <GO>}

And there are some questions on the pricing side that, well sort of predate this, right? This is all intertwined at this point. But we have lapped or we're getting close to lapping some of the significant prices you did, especially in the US market last year. We had subscriber impact. So I guess, I'll put this question to Greg, but also more broadly, number one, how do you feel, in the absence of the COVID situation, with the way that process played-out? I know we saw some elevated churn. How was that progressing? And if you look at the sort of end results [ph], are there things that you would have tweaked about it? And then I think, there is a follow-up question just about the economic sensitivity perhaps going forward, but let's just start with that pricing question.

A - Greg Peters {BIO 17539678 <GO>}

Yes. I would say just one comment, which is in January and February, we were seeing in UCAN, a return to pretty much normal pre-price change churn levels. But really, at this point, we're not even thinking about price increases. Obviously, what's going on around the world is dominating our thoughts and our considerations. And we just want to stay super focused at this point in time, and making sure that we are continuing to be there, have a great service, make sure that we are able to provide entertainment and escape for our members around the world. So we'll really just focus on that for this period.

Q - Michael C. Morris {BIO 2323139 <GO>}

This has the potential to be the first time we've seen a more significant global economic impact, similar to what we saw 12 years ago perhaps. And I'm not an economist per se, but there is some sensitivity there. And I guess my question is, when you think about

pricing and pricing levers and packages, how do you think about approaching perhaps a weaker global consumer spend environment? Where do you see your price point and your value proposition as very attractive in a potentially softer consumer environment?

A - Greg Peters {BIO 17539678 <GO>}

Spencer, do you want to take that one?

A - Spencer Neumann {BIO 3006410 <GO>}

I mean it really builds on what Greg said. Right now, we are really not thinking about it's not really a time for us to be thinking about price changes. So when we think about recessionary impact, it is so hard to Reed even said it. I mean, this is a little bit of guesswork right now in terms of what the future looks like. Obviously, past recessions, folks tend to spend more time at home and with home entertainment. It's why they watch their budget in those times, and pay-TV over decades has been more resilient and a bit countercyclical in that way. And even Netflix in recent history has been more resilient. But this is very different. We haven't lived through anything like this. So it is so hard to tell.

And the one thing we can control, which we talk about here, is we can control the quality of the service that we provide to our members. And so we are just -- and we're really just prioritizing that, number one, is improving the product, improving the content, making sure we have a steady stream of titles. And we don't take it for granted that we are providing this entertainment in people's homes and they're choosing us. We want to lead with that value. And we have price points that started \$9 in the US, as you know, and in other parts of the world as low as \$3 for mobile. So we are focused on maintaining that accessibility, but really delivering value.

Q - Michael C. Morris {BIO 2323139 <GO>}

That's a good segue on the content side into some of the things that are happening on the pipeline. You spoke Ted, you gave us a little bit of an overview. You also spoke in the letter, but maybe can you talk about how the production stoppage will impact the release schedule? Let us just start with that. And within that is how much content is in the pipeline? That's a lot of the question and how you might strategize spacing that or not spacing that in the future.

A - Ted Sarandos {BIO 4812832 <GO>}

Yes. Well, the one thing that's maybe not widely understood is we work really far out relative to the industry, because we launch our shows all episodes at once. And we are working far out all over the world. So our 2020 slate of series and films are largely shot and are in post-production remotely in locations all over the world. So -- and we are actually pretty deep into our 2021 slate.

So we are not -- we don't anticipating any moving moving things around. And to give you some examples, The Crown, in its fourth season; our big fourth quarter animated release, Over the Moon. These are shot productions in our in the finishing stages right now to release later this year as planned. So we don't anticipate moving the schedule around much and certainly not in 2020.

Q - Michael C. Morris {BIO 2323139 <GO>}

Okay. I think that answers this question, but we did have it come back up. I asked it a couple of quarters ago, whether this impacts your interest in revisiting perhaps, a more spacing of releases versus a pretty consistent stacked-at-once strategy that you've employed so far here?

A - Ted Sarandos {BIO 4812832 <GO>}

You mean the episode spacing?

Q - Michael C. Morris {BIO 2323139 <GO>}

Correct.

A - Ted Sarandos {BIO 4812832 <GO>}

We've experimented and we continue to experiment with all the kinds of different release strategies. And our by way of example, on our competition shows, we had an enormous success last quarter with Love is Blind with staggered release. And then we just released Too Hot to Handle, which are on track to be probably our biggest competition show ever, and it was released all at once.

So I think it's consumers, I think, are -- we are trying to we believe that consumers like the control of all-at-once, and they could watch at their own pace. But we keep testing it to see how people if it impacts the viewing one way or another or, more importantly, the satisfaction one way or another. And customers have spoken loud and clear that they really like the options of the all-at-once model for us. So I don't see us moving away from that meaningfully.

Q - Michael C. Morris {BIO 2323139 <GO>}

And so the process of getting back to production, it is very helpful to understand what your pipeline looks like right now. What are some of the key milestones in getting back to production? And the different genres or different sort of intensities of productions, are they going to vary as we look forward?

A - Ted Sarandos {BIO 4812832 <GO>}

Yes. It will vary by geography, it will vary by type of production certainly. First and foremost, we want to make sure that it is an unbelievably safe working environment. We've always been focused on workplace safety on our sets and our offices and we definitely want to we will definitely keep focused on that. A series of things have to happen before we get into production anywhere, including the kind of the shelter-at-home orders being relaxed. But even in that environment, we are going to make sure that there's testing that has to be able to be done. We have to be able to look our employees and our cast and crews in the eye and say that this is a safe place to work before we do that. And we are going to be working very closely with our production partners, with local governments to make sure that we can do that. We are currently in production in Iceland and in Korea, and we're taking some of those key learnings about how we run those

productions today and applying that to our plans to start-up -- our productions around the world.

Q - Michael C. Morris {BIO 2323139 <GO>}

Any specific highlights of those two markets that you could share?

A - Ted Sarandos {BIO 4812832 <GO>}

Not, not very much. It's very fluid. So we're just taking -- we're taking the learnings as learnings and on face value now and seeing how they scale out. But it's very important, those are two countries that were very aggressive about testing and tracking early. So I think it probably lays out a good framework for future roll-outs.

Q - Michael C. Morris {BIO 2323139 <GO>}

Okay. I definitely want to talk about unscripted, which is a big story in the quarter. But before we do, Spence, I want to ask you about the financial implications of what is going on with the production process right now, how to think about sort of the cash flow. You talked about it in the letter, but maybe if you could lay that out for us a bit. And then also, if the amortization schedule, does that change at all as a result of more viewing and more consumption? Or should we think of that as a pretty consistent process?

A - Spencer Neumann {BIO 3006410 <GO>}

Sure. So in terms of cash flow, first, as you saw, we are positive free cash flow in the quarter. That wasn't COVID-related. To be clear, I mean, we would have been positive free cash flow without the recent COVID events. So there was some cushioning of spend in Q1, but most of what we talk about in terms of the impact of kind of slower kind of cash spend in the year, some push content spending is really kind of a full year impact than a Q1 impact. When we think about the full year, there is as you have heard, because of paused productions, there's going to be some pushing of that spend.

It's -- we talked about the fact that we planned previously to have about negative \$2.5 billion of free cash flow in the year. And now we've said it's less than \$1 billion. So you can do the math on that. But I think it's important to highlight that on a roughly \$15 billion cash content spend, that's a minority of our spend. It's also a minority of our titles, a small minority of our titles that's pushing. So we'll actually have more branded Netflix Originals on our service this year than we had last year, even with what's planned for push spend.

So we will be, obviously, a much improved free cash flow profile this year. As productions ramp, that cash spend will increase again. So as we talked about in the letter, it is still a multiyear path to sustained free cash flow positive. It is just going to be a little bit choppy getting there. And 2019 will still be our maximum negative year.

Q - Michael C. Morris {BIO 2323139 <GO>}

Thank you. That's very helpful. So Ted, coming back to the topic of unscripted, we've talked about film a lot over the last several years actually, and that's been really the key incremental topic. But unscripted hit a huge stride here, I think, at least in the public view.

FINAL

Bloomberg Transcript

So Tiger King, can I just first ask about that? I mean, were you surprised by the public reception of Tiger King? Like at what point did you know that, that was the hit that it ended up being?

A - Ted Sarandos {BIO 4812832 <GO>}

We've had a lot of kind of buzzy unscripted and non-fiction shows on Netflix. And they feel like it is kind of building on the heat that started way back with, no pun intended, with the Fyre documentary that kind of exploded at the level that we've seen with Tiger King. And we knew kind of right out of the gate and you could feel it in the social media excitement. And it turned out just to be such an unbelievably well-timed distraction for what was happening in the world that gave some people something to talk about that wasn't necessarily in the headlines, which was really great. And I think that team has just been exceptional at tapping into the zeitgeist and coming and making shows like Tiger King.

Q - Michael C. Morris {BIO 2323139 <GO>}

And as you look at where you've kind of cut through the clutter, I think, really, really excel, we have had these competition shows, as you refer to them, we've had some of these true crime shows. I think, those are two of the areas that really kind of stand out in people's minds.

A - Ted Sarandos {BIO 4812832 <GO>}

Underhand most recently and the true crime space was phenomenal as well, yes.

Q - Michael C. Morris {BIO 2323139 <GO>}

Exactly. Are there other as you think about that progress, there are other when you think about unscripted, there is some actual breadth to the type the different genres, sub-genres within there. Are there other areas that you feel that are important to push [ph] into? I don't know if there's like more lifestyle, travel, those types of things. There's sports, and I want to talk about The Last Dance in a moment. But how are you thinking about sort of the breadth of push into that area?

A - Ted Sarandos {BIO 4812832 <GO>}

Our goal is that we want to make your favorite show. For some people, that's high that's big pedigree drama. And for other people, that's home improvement shows. And we want to make your favorite version of that. So we have been pushing out into each of those verticals beyond the true crime space and the competition space. We have done cooking shows like with Nailed It and Chef's Table, and we're now pushing into more of the kind of into the home improvement and real estate space, which is also quite popular with our members, and continue to push out that as well. So I think you should think about the full complement of unscripted programming as we keep expanding into it. And similarly, how we pushed out into film and previously into animated series and animated feature film as well, just as a continuing expansion of trying to get to your favorite show. And if your house is anything like mine, it is not the same show for any two people, let alone, the whole world. So it does keep us on our toes, and it keeps it kind of a we kind of

feel like we're in a state of perpetual improvement in each of these new content areas, and we've been really happy with the progress.

Q - Michael C. Morris {BIO 2323139 <GO>}

Okay. I want to ask you about The Last Dance, which is Michael Jordan, Chicago Bulls documentary that came out on ESPN over the weekend, started with the first two episodes, very well received from a linear ratings perspective. I know, it's something that you have partnered or have partnered with them on. So can you remind us what your relationship is there in terms of ownership and rights? And kind of how you think about I think that, that was established several years ago when perhaps your business models were a bit more complementary versus competitive. So maybe you can address that as well.

A - Ted Sarandos {BIO 4812832 <GO>}

Yes. There's still -- it was the Michael Jordan and the creative team behind the film were very excited for it to have Netflix involved in it and encouraged ESPN to open those conversations up with us, which we were happy to do. ESPN has been a great partner on this project. We have been working on it for years. In fact, it was two years ago at the All-Star Game that Jimmy and I got up with Adam Silver and introduced the first look at the doc together. And so, they premiered the film over the weekend on ESPN, and we premiered the film on Netflix, the same two episodes. And we similarly saw enormous viewing around the world on the first two episodes of The Last Dance.

So, it's been a win-win for us and ESPN and a great win for basketball fans who've been very hungry for new programming. And the show, the doc itself is just phenomenal. And because of the unique connection between the NBA and ESPN and the complexity of the rights and the footage, it would have been very difficult for either of us to do without each other.

Q - Michael C. Morris {BIO 2323139 <GO>}

Okay. A question for either Greg or you, Ted, with respect to the top 10 list, which really kind of took hold this quarter. And how again, I know, everything is a little bit upside down because of circumstances, but how impactful or influential do you think that has been in sort of keeping members on board, keeping members streaming and that sort of thing? Can you talk about that?

A - Ted Sarandos {BIO 4812832 <GO>}

Look, I feel like we're constantly trying to help people find things they're going to love. Greg and his team do an amazing job doing that on the site. One of the things that people use as to pick what to watch is popularity. We don't think it's the only thing, and we don't and we give them lots of tools to choose with. But one of them is popularity. So it is very helpful for people to want to be part of the conversation or part of the zeitgeist, again, with what are the things that other people are watching and using that as a thing to help them make decisions. So we looked at it, the top 10 list, as adding a new decision-making tool for people who are looking for something great to watch. And Greg, would you add anything?

A - Greg Peters {BIO 17539678 <GO>}

I think that covers it well. I mean just it's some folks are very, very interested in being part of that social conversation that happens around these titles. And this is just a really nice shortcut to help people choose what to watch based on what's buzzing in the social conversation.

Q - Michael C. Morris {BIO 2323139 <GO>}

Okay. A couple more on content, just it's such a huge focus, and I will throw that to either Reed or Ted here. And that's really about how you're viewing third-party content, where clearly we had seen a shift, as you've been very clear about, in terms of your focus on your owned content versus license. But in the current environment, there are a number of factors that could perhaps, play into that dynamic changing right?

One being the ability to acquire more content if production is shut down on a prolonged period. Also, some of the studio companies perhaps are struggling themselves under the same circumstances and would be more willing to be sellers of content. I'm curious if you could talk about what you're seeing in that environment and whether your view there has changed at all.

A - Ted Sarandos {BIO 4812832 <GO>}

Well, actually, one of the things you mentioned in the top 10, which kind of gives you the first kind of snapshot into how prevalent are -- our original-branded programming has become on Netflix. And so that's continuing to push into that, both because we believe that our core suppliers will increasingly become competitors and not be as anxious to sell us content as they used to be long-term. But to your point, there are some things in the short-term dynamics. But when we look at that and look at our 2020 and our 2021 slate, and we are really happy and thrilled with it.

And we can look to work with some of our partners to enhance that a little bit with things like than [ph] we put in the letter, licensing Lovebirds and Enola Holmes and this big film from Korea called Time to Hunt, that's coming out this week. That we're so we've been able to do that and enhance that in the short-term. In the long-term, we think our push into the programming that people love is what we're trying to do, and we're trying to make that more frequently than we buy it. And so that's kind of an ongoing trajectory toward owned original. But at the same time, we're still doing a lot of license third-party licensing, which you see pop up in the top 10 list, things this week, like the Green Hornet, Despicable Me, both pop up in the US top 10 list.

Q - Michael C. Morris {BIO 2323139 <GO>}

And my last question on this has to do with the feature film side, especially given the disruption in the theatrical part of the business. At the risk of something opportunistic on the situation, but still understanding that there has been a secular shift in terms of people's behavior. Is this something, you can lean into a bit more in terms of your own spending and investment in films, just given that this might accelerate that consumer behavior and just sort of capital flow?

A - Ted Sarandos {BIO 4812832 <GO>}

Just to reiterate, Mike, we are really thrilled with our slate in this year. So what's the things that are coming up, we're looking at them, every one of them, but we're looking at it with the same discipline that we do all of our other licensing and original opportunities.

Q - Michael C. Morris {BIO 2323139 <GO>}

Okay. Great. I want to talk a bit about some of the product and distribution strategy. And Greg, a couple of changes, I believe, took place in the quarter having to do with both free trials in particular markets, how you're onboarding folks and maybe reducing the number of markets you have free trials available, and also your mobile plan, which I think expanded to a couple of new markets during the quarter as well. So can you talk about both of those decisions? And again, trying to isolate maybe the core trend versus the COVID-driven trend, if that's at all possible to understand how that's impacting the business.

A - Greg Peters {BIO 17539678 <GO>}

Sure. On your first point, we have a whole range of marketing promotions that we sort of use in different ways, in different countries, in different times. And like most things we do on the service, we are constantly trying to improve those and figure out new and better ways to introduce the service to new members, to give them an easy on-ramp. And we are just going to continue to seek to test and refine and improve that range of sort of promotional strategies.

And then on mobile, it is a plan that we've tested for a while. We've rolled it out now in a bunch of countries, India, Malaysia, Indonesia, Thailand, Philippines. And it's consistent with sort of this broad theme and a broad goal that we have, which is we are seeking effective ways to make the Netflix service more accessible to more and more people around the world. And it certainly has been performing the way that we have sort of seen and expected, which is that it is a significant increase and acceleration and being able to add new members, which is great. But also that it is doing it -- at a way which is, from a revenue perspective, neutral to positive, which we think is a really great position to be in the long-term for the business.

Q - Michael C. Morris {BIO 2323139 <GO>}

You referenced India. We talked about that a bit on every call because of the size of the market, of course. And I guess two questions there was just, one, can you speak at all about whether that market has behaved perhaps typically, if you will and with respect to the unique situation we are in right now? And then secondly, Disney plus did launch in the market, and their partnership with Hotstar clearly gave them a great advantage in ramping the business. Can you talk about the competition there with that service and their ability to partner with a service that's already established, has a live offering? How does that competitive dynamic play out for you?

A - Greg Peters {BIO 17539678 <GO>}

Yes. I would say, first of all, I wouldn't draw any strong contrast between India and other countries around the world. So fairly similar in that regard. And we have been working

really, really hard to do a lot to try and make our offering in India more competitive, more attractive to members and members-to-be, and there is a bunch of different product features we've been doing, partnerships and payments integrations. And obviously, this mobile plan is a recent one. And I think, Ted, I will throw to you too on a bunch of work we've been doing on the content side there as well.

A - Ted Sarandos {BIO 4812832 <GO>}

Yes. We've been -- we've seen big growth in viewing in India and have had great success on our local originals there as well, most recently with *She* and *Guilty* and a few others, that have really been driving a lot of engagement in local content on our India service. And they also are big fans of our global original content. *La Casa de Papel* was a huge hit in India for us, as well as most of our other originals out of the US. So we are growing the business, licensed, original, international, domestic, across the board in terms of content and content taste.

A - Spencer Wang {BIO 3251222 <GO>}

Mike, we have time for one or two more questions, please.

A - Spencer Neumann {BIO 3006410 <GO>}

Okay. Let's hit two more questions then. I'd like to go back to the topic of competition, which has clearly taken a backseat during this quarter. But I do want to bring it back up again, I think it's important. So I would direct it to Reed, a fairly open-ended question, right, but this concept of streaming wars, is at all-time high intensity, especially in the US. But what have you learned sort of over the last three to six months, if anything, and perhaps, it's as you expected. But and what would you point to, if anything, that should be more evident to investors and the public about how this process of migration to streaming consumption is playing out?

A - Reed Hastings {BIO 1971023 <GO>}

Yes. I've been so impressed with the Disney plus execution. Over 20 years of watching different businesses, incumbents, like Blockbuster and Walmart and all these companies, I have never seen such a good execution of the incumbent learning the new way and mastering it. And then to have them achieve over 50 million in six months, it is stunning.

So to see both the execution and the numbers line up, my hats-off to them. Are we taking up our kids and family content and animation? You bet. And we're both going to do great work. But it's awesome to see. We have a bunch of so I would say the lesson out of that is great execution, clarity around brand and focus really makes a difference. And then there's a bunch more services coming to market. I think it's great, obviously, for the consumer to be able to have all these options.

There is nothing we can do about any of them nor about video gaming nor about YouTube or any of the other competitors for time. So what we do is just try to figure out how do we have the best service we can kind of steady every day, solid execution and then we'll get part of consumers' viewing. No one's going to get it all. And it's working

out very well for us. So honestly, internally, we mostly say, don't focus on the competitors, focus on our service. How do we make it better and better? And that served us very well.

Q - Michael C. Morris {BIO 2323139 <GO>}

Great. So let's wrap it up, as I'd like to do, asking each of you a question. At this time, I really want to focus on the content coming out given that many of us are doing a lot more streaming, and we always love recommendations. So we're going to come to the fore, and so I'd like up to two recommendations, one would be something new coming out. I would love to hear what you are most excited to seeing and having me and the rest of the world see that we haven't seen yet. And the second would be something already on the service that you've really enjoyed that maybe hasn't quite hit that popularity graphs that you think it deserves that we should be diving back into. So I'll start with Spencer, as I'd like to do, and then Spence, you've been grandfathered into going second.

A - Spencer Wang {BIO 3251222 <GO>}

Awesome. Well, I would say for me, I'll take two shots at this. Number one, I've had a chance to get an early preview of Extraction, which is our new action film coming out later this week with Chris Hemsworth, and I think it really delivers for people who love that genre, super exciting with great action sequences. Number two, I'll say, I have really enjoyed the first three episodes of Too Hot to Handle. So that would be my second recommendation.

A - Spencer Neumann {BIO 3006410 <GO>}

Excellent. Oh, boy. Okay. Me next. Let's see. So I will say in terms of things that I've watched recently, I thought Unorthodox was a terrific story and one that I really enjoyed and just shed light on a whole kind of culture that I didn't really have a whole lot of visibility into. So thought that was a real treat and special. And I'd say, in terms of things I'm looking forward to, there is a whole bunch. I just started watching blackAF, which I just think, is just brilliant and fresh and new. And then I'm really looking forward to the end of the year with things like Over the Moon and just the next big chapter in our kind of animation journey.

A - Reed Hastings {BIO 1971023 <GO>}

Well, this shows why Spence and I get along so well, it is Unorthodox and blackAF were also my picks. But an obscure little one is our Indian film Yeh Ballet, that's just a great little film with some street dancers at Mumbai trying to make it into the world of ballet.

A - Ted Sarandos {BIO 4812832 <GO>}

I can't allow you to hold me to two. It has all kinds of relationship implications if I pick two. So I'm going to give you a longish list since people are looking for things to watch of things that are coming up in the quarter. Spence mentioned Extraction. It's a phenomenal action movie with Chris Hemsworth. The writer, director, producing, stunt coordination team from the Avengers movies and Deadpool 2 and have come together with this move, that really, really delivers. This week, we have a big animated feature for the whole family called The Willoughbys. We have a movie for Adam Sandler's production company called The Wrong Missy coming up, starring David Spade. It's really fun.

And the big Korean movie called Time to Hunt; and then Greg Daniels', from The Office, new show, Space Force with Steve Carell. The second season of After Life; the second season of Dead to Me; new season of 13 Reasons Why; a third season of Dark from Germany; the finale of Cable Girls from Spain and Ghost in the Shell from Japan, a new anime series launching next week.

A - Spencer Neumann {BIO 3006410 <GO>}

Greg, good luck having anything to talk about.

A - Greg Peters {BIO 17539678 <GO>}

Yeah. I mean you guys have stolen everything. I would say I will just double it on, I'm super excited about Extraction. Ghost in the Shell, amazing definitely that for lovers of anime, you got to check that out. And then I would say Unorthodox, I was blown away by just an incredible story. And the one that hasn't been mentioned, which is certainly known, but I was, again -- just really impressive storytelling is Ozark, and man, that last episode, wow. I don't even know what to say.

A - Ted Sarandos {BIO 4812832 <GO>}

And then, if you are thinking of one tonight, Outer Banks is as you see how it is tearing up the top 10 list, it's a nice breakout this quarter.

A - Reed Hastings {BIO 1971023 <GO>}

Thanks, Mike, for doing this from your home and look forward to talking with all of you investors over the quarter. Thank you very much.

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