# Launching Netflix's Next Big Hit!

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# Agenda

History and Overview

Analysis of Key Issues

Suggested Growth Strategy

# A Brief History of Netflix

Netflix was founded in 1997 as a DVD rental company and gained success quickly thanks to their utilization of technology to disrupt the industry.

In 2007, Netflix evolved into a streaming platform, offering users instant access to movies and TV. Later, the company began producing and offering original content alongside old fan favorites.

Through a combination of strategies such as continuous development, open innovation, and strategic alliances with companies like Sony, X-box, and Samsung, Netflix has amassed a huge subscriber base.

Netflix is still powerful within its industry, but faces challenges including increased competition from other streaming platforms, slowing subscriber growth, and criticism on a variety of fronts.

# Analysis

## Key Issues and Problems

# Key Issues and Hurdles Netflix Must Overcome

## OBSERVE

- Significant Influx of users during the pandemic
  - ~16M new subscribers
  - Lost all pandemic share gains
- ~$17B annual cash spend on content
- Plethora of competition in the market
  - Stuck in **Classic Strategy**
  - License of key shows are ending, like Marvel
- Hesitating to crackdown on password sharing
  - No-hassle cancellation policy
- Lack of ads based subscription like competitors
  - Launched in Q4 2022
- Betting big on Netflix Games
  - Questionable adjacency

## ORIENT

- In a **Renewal Strategy**
  - 2 rounds of layoffs in 2022 ~450 ppl
- Revenues growth has declined
  - Up ~6% compared to ~19% in 2021
- Management addressing a strategy for password crackdown in 2023
- Netflix's ad business is a long-term play
  - Competitors already have an advantage
  - How will they differentiate?
- 3 acquisitions to support Netflix Games
  - $72M spend for Next Games
  - Less than 1% of users want to play
  - Aim to drive revenue and profits

# Strategic Growth Plan

**What's next?**

# Evolution of a New Growth Strategy

## 01 Pivot to Visionary Strategy

- **Acquire** MasterClass
- Engage in a **strategic partnership** with AMC
- Be more aggressive with Netflix merch

## 02 Divest Netflix Games

- Investment has shown little initial interest
- Mobile viewership is less than 15% overall
- Reduce costs, increase operational efficiency, and regain profits

## 03 The Why and How

- An environment that Netflix has the power to change and create sustainable growth
- Create shared value for subscribers
  - Both Netflix and MasterClass
- Back to **core competencies**
  - Definitive focus on **playing** in content production and creation to **win!**
- Build the partnership and users will come
  - Renewed driver for revenue and profits
- Unique and memorable experience through AMC partnership which is what millennials and Gen Z desire
- Incorporate VR and AR features
  - Future shaping strategy

# Year 0-1 | Divest Netflix Gaming

- Netflix's Games (mobile) strategy is still in its early stages
- Less than 1% of Netflix subscribers are playing Netflix Games
- 1.7M daily users vs Netflix's more than 220 million
- Netflix's games weren't actually in the app (until Nov 3) so lack of **alignment with core**

- Heavy investment in 5 studios early in producing
  - Decrease burn to only implement minimal features
- Highlight specific capabilities to interested parties only
- Accelerate analysis mining to capture value before sale
  - Unlikely to be the solution for the streaming platform but **data collection** is still core

- Regain revenues by identifying a strategy with attorneys and key executives to sell
  - Approach companies that recognize the value in both the IP and unique mobile capabilities
- Ideal sale would be to Apex Legends Mobile or Xbox Games Studios

# Year 0-1 | Tie-up with AMC, Grow Together


- Netflix and AMC have existing agreement to screen movies in its theaters in UK, Ireland, Italy, Germany, and Spain
- Negotiate **Strategic Partnership expansion** with AMC in the U.S
    - Creates unique **synergies** for two companies that are struggling
- Expand the deal to stream top blockbuster movies and new episodes of TV shows, solely giving AMC streaming rights on commercial screens
    - Driving subscription volume in and increase value for current premium customers, globally
- Netflix would take advantage of a theater chain that will accept quick releases and premiers to streaming for its lesser movies while AMC gets movies for cheap that makes A-List more valuable
- Future opportunity to expand or offer custom option for Netflix and AMC customers
    - Offer to Netflix standard and Stubs A-listers

# Years 2-5 | Jump into a Booming Online Learning Space

- By 2026, the global e-learning market is forecast to reach **~$400B** (up to 30% CAGR, $315B in 2021)
- MasterClass will benefit from Netflix's core capabilities of **recommendation engine**, existing **global user base** and drive towards **curated and quality content**.
- Netflix acquiring MasterClass provides an **educational value** to all the viewers and creates a **network effect** by increasing engagement on the platform
- Potential to create interactive courses, and invest in VR and AR, with real-time learning

Valuation
$143B

Valuation
$2.74B

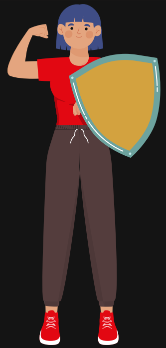
# Netflix | Executive Summary

1 Netflix's early industry disruption and successful growth in early years helped it become one of the world's largest streaming platforms, but new competitors and challenges make it harder and harder for them to stay relevant.

2 In addition to an ever-growing number of competitors, issues Netflix faces include failure to create sufficient ad revenue opportunities, criticisms of its actions related to account-sharing, and attachments to low-benefit investments like Netflix Games.

3 In an industry where continuous development and innovation are becoming standard, Netflix can set itself apart and position itself to grow revenue and subscribership through strategic partnerships with AMC and Masterclass.

# Thank you!



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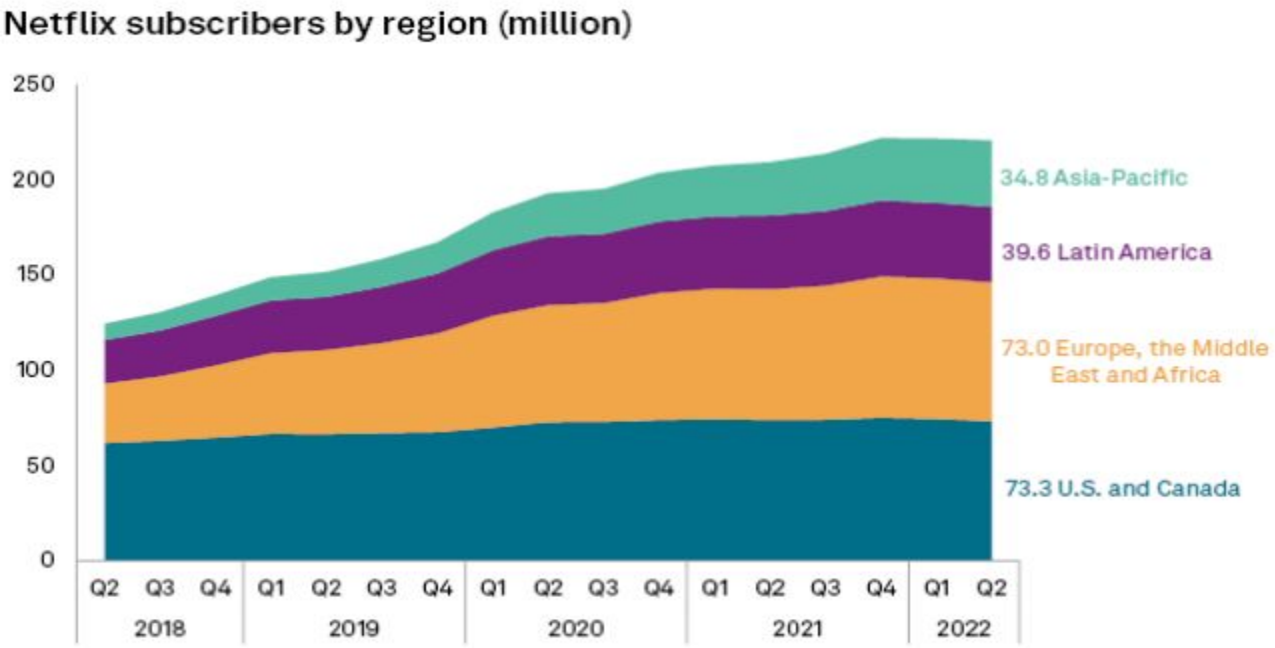
# Findings

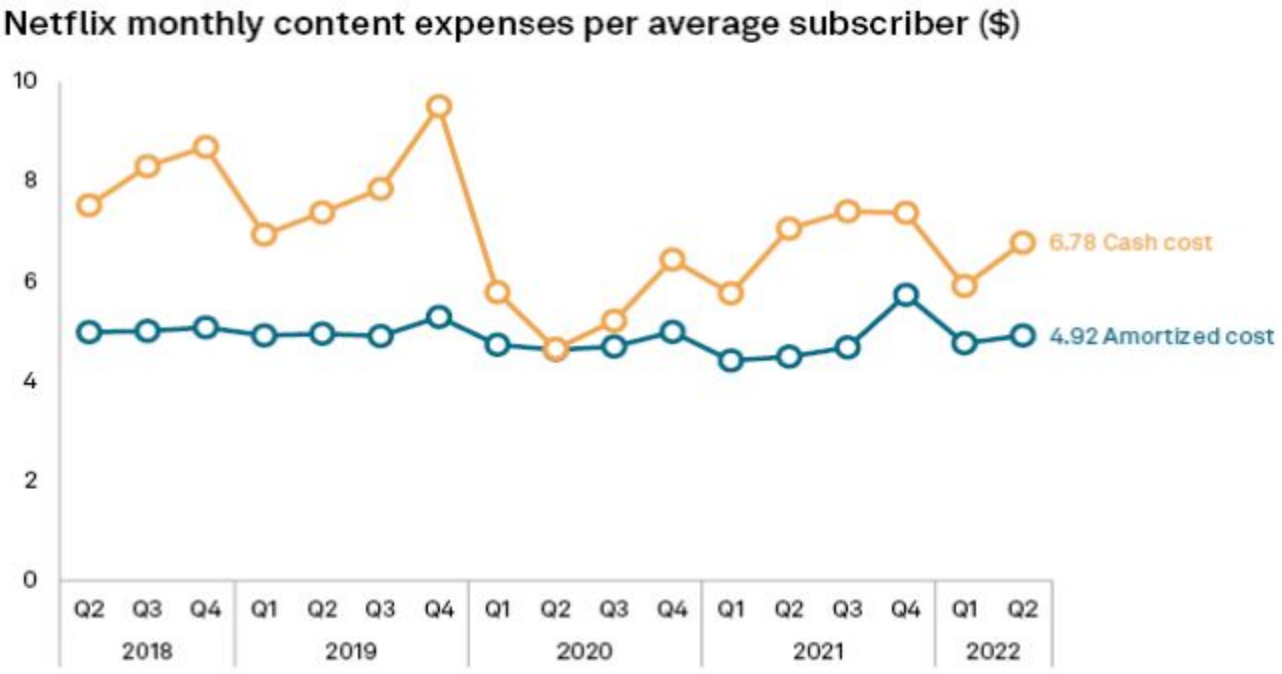
# Exhibit 1 Netflix Subscriber by Region




As of July 2022.
Sources: Company data; industry information; Kagan estimates
Kagan, a media research group within the TMT offering of S&P Global Market Intelligence.

# Exhibit 3 Netflix Share Price Snapshot

# Exhibit 2 Netflix Monthly Content Expenses

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