

Netflix, Inc. Presents at Deal Book Summit, Nov-30-2022

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Corporate Participants

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Conference Call Participants

Andrew Ross Sorkin

Claudio Rojas

Matthew Blank

Presentation

Operator

Please welcome back Andrew Ross Sorkin and his guest, the Founder and Co-CEO of Netflix, Reed Hastings.

Andrew Ross Sorkin

Thank you, sir. Reed Hastings doesn't need an introduction. He is the Co-Founder of Netflix. And he has now been at this event with us a handful of times, most recently in 2019, the last time we were all here...

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Pre-COVID.

Andrew Ross Sorkin

Together in person. And since then, the media landscape has shifted remarkably. And one of the phrases that is used in the entertainment business is what's called the Netflix correction. Everybody was chasing you for all of these last several years as they've all tried to jump into the streaming space and spending an enormous amount of money doing it. And now everybody is asking some big questions about the model, and does it work and what does it look like. So let's go there.

Questions and Answers

Andrew Ross Sorkin

Where I want to start this is when I saw you in 2019, I don't know if you knew that this was a common because we talked about the competition out there. You used to talk about the competition was sleep. You would compete with sleep, which is probably still true to some degree, but I wonder how much you think that has actually changed now. And you actually now think about Disney, and you now think about Apple, and you now think about Amazon, you think about HBO and that whole dynamic.

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

I stayed up late last night watching episodes of our new show Wednesday. So we still compete with sleep. But broadly, entertainment, we compete with TikTok, with Fortnite, with HBO, with Disney. But 4 years ago, when I was here, nobody was in streaming. Like we did streaming, and they did linear and broadly -- there was Hulu, but broadly that was the lines. And Bob Iger, to his credit, saw back in 2017 or so that Disney's future was going to have to be streaming. And he moved -- we had been paying them a lot of money on a pay one deal, and he moved to cut that off and to build the Disney+ service, super aggressive pricing and then they exploded.

And because of their enormous success, everyone else, Paramount, et cetera, piled in. And yes, it's become a brawl now in streaming of premium content. And then, of course, we've got on the user-generated side, tremendous competition there and on the gaming side and then sleep, a lot of competition.

Andrew Ross Sorkin

But what do you think about the fact that the market cap of this company- I mean, we were at \$700 billion at one point.

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Well, \$700 billion stock price, but -- well, go ahead.

Andrew Ross Sorkin

And here we are and people have sort of reevaluated all of this, the metrics with which they measure your success, the idea that subs -- the race for more subs is the way to do this. And now people are actually looking at the underlying economics in a new way.

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Yes. Well, I would say investors have always been pretty thoughtful about focusing on earnings potential. And that's been the core focus, and that's a core focus for us, which is engagement, how do we please consumers, revenue and operating income. I would say media trying to serve you, trying to serve consumers, talk about subscribers because it's easier to understand than \$32 billion of revenue, et cetera. So the simplification in the press is streaming wars, subscriber battles, and that tells a good story. So that makes sense.

But investors have really been quite thoughtful about earnings potential and what they were down

by more than half, and that's because they're scared that the competition may have a really big impact and beat us. And we have to show no, actually that we're going to have the most incredible set of films, Slumberland, Glass Onion. Again, the show, Wednesday, I was watching last night, which is the biggest English language show we've ever had in our history just launched.

Andrew Ross Sorkin

But don't you think that this has caused a reevaluation for you- I mean, we just talked about advertising, the idea that you would ever put advertising on Netflix. And you, I think, stone-faced, would say to me, absolutely not, never. We would never do that. And yet here we are, and it's happening. What's the lesson of that- When did that happen for you-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

I dare you to find that quote where I said never. Look, I've got 2 religions, customer satisfaction and operating income, and everything else is a tactic, okay- So you're right to say I didn't believe in the ad-supported tactic for us, and I was wrong about that. Hulu really proved that you could do that at scale and offer consumers lower prices and that, that was a better model. So we did switch on that. And credit to Hulu and Jason Kilar for figuring that out. And I wish we had flipped a few years earlier on it, but we'll catch up. Then in a couple of years, we won't remember when we started it. So that's a good tactic because then you get to offer consumers lower prices.

Andrew Ross Sorkin

The other piece of this is passwords. For a very long time, you used to say, "You know what, if your cousin or your uncle or your brother or whomever, was sharing passwords, stealing -- whatever, we're cool with it because we want as many people engaged with us as humanly possible. And if that's the cost of it, great. Now you're saying, "No, you got to pay me.

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

No one's listening. So just tell me your password. Yes. No, honestly, that was a thing that we grew with, not really understanding how to think about Internet streaming because it's partially a TV-based service that you want. Your instinct is, if your friends are over borrowing your house or something, they should be able to watch TV and you should be able to watch when you travel. So it's a weird thing between pay TV and a personal service. And we probably haven't done the best job of that. And you're right that next year, we're going to be asking people who are borrowing someone else's account to have their own account. But we're setting it up, so it's between \$7 and \$20 so they get to choose where they want to be. But you're right, we are drawing an end to that year.

Andrew Ross Sorkin

But I want to just understand the shift. These are a lot of big shifts for you, and what happened- Meaning you weren't doing this because I would argue you wanted to, you were doing this because you felt you had to because growth had slowed because the market had said, this isn't working the way we thought it was going to work. The valuation was too high. Just bring us inside that.

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Well, let's see, on the account sharing, we kicked off the big effort in 2019. So we were growing at record levels then. So -- but we recognized, look, account sharing, when you share with your spouse that you live with, that's fine, but what you share with your cousin who is across the country, that's a little different. And so there's some nuance there. So it took us some time to really develop those. And then we've been testing the solutions in Latin America. So that's made great progress. And then on advertising, that was really driven to credit to our CFO, who joined us, who knew a bunch about Hulu and was like, look, this model works. We got to pay attention.

Andrew Ross Sorkin

But were you pushing back-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Yes, I was.

Andrew Ross Sorkin

And then what- That's what I'm trying to get. Was there a day where you're like what was driving to work and you're like, you know what, I got to give up the ghost-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

No. We've got a CFO who's like puppy dog but like dog with a bone. And so he's like easy to spend time with but, boy, he's got conviction. He does not give up. And so I would say he just got us to really see -- the big thing that I missed is I was on the Facebook Board. So I kind of bought into for a decade to the belief that systems with a lot of data, we're going to be able to do higher CPMs, higher effective advertising than anybody else. So Google and Facebook were going to like mop up the world, okay-

And then -- and they have a lot in non-TV advertising. What I failed to understand is that there's a lot of TV advertising that now couldn't find the viewers because the 18 to 49 segment had moved online. We're not watching linear TV. And so the advertisers are desperate for connected TV or Internet TV solutions. So that's the real thing that I missed and that we didn't have to steal away the advertising revenue. In fact, it was pouring into connected TV if the inventory is there.

Andrew Ross Sorkin

How worried were you though about the creative side of this, the creative community- We had Ben Affleck here earlier this morning. There were reports at the time that you did this, that people like

Shonda Rhimes, you have a massive overall deal with, of course, who produces Netflix's Bridgerton and Inventing Anna and so many others, was very unhappy about the idea of advertising on this platform. What's been the pushback- What are the conversations like that you're having-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Yes. I mean, I think all the talent wants a great experience for consumers. And for some people, a great experience is a lower price because they just don't have as much money in ads. And you want to ad breaks to be thoughtful in where they happen. And television has grown up with advertising in it so it's not like people aren't used to it. So look, I think that's some of these change dynamics, and we'll get people through that. You go to the TV and your -- many people are comfortable with that. But Netflix will have a non-ad option. That's our current model. So you're going to be able to choose. You don't have to get ads. Right now, you get ads on the \$7 plan.

Andrew Ross Sorkin

I want to talk a little bit about the chessboard that is the media landscape, and there's been a lot of speculation even about the future of Netflix. One of the things you did as it relates to advertising was you partnered with Microsoft. You had talked, I understand, to Google at one point. You had also talked to Comcast at one point. Why did you choose to go with Microsoft- And does it portend what I think some people have speculated about that perhaps long term, you would actually merge with them-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Well, look, Microsoft is a great company. We talked to many beyond those 3, and Microsoft was very strategically motivated.

Andrew Ross Sorkin

But they've never been in this business before-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

That's what -- they're strategically motivated because they are not in the business and they want to be in it. And so for them to have great success is that they get good at selling video ads, and they pick up other inventory from other players. They're not an outsourcer for Netflix. That's not a great future for them, but to really expand and to challenge their competitors, say, Google or others, by building big inventory. So they were willing to be very aggressive in the deal, and they do sell tens of billions of advertising in other areas. So it wasn't, again, in Xbox and in Bang. So it wasn't -- they haven't had sales force and they have Xandr, they bought from AT&T. So it's a big focus for them.

And no, it's not normal to do commercial deals with people you're trying to acquire. That makes it more complicated, not less. That's like zero of the motivation.

Andrew Ross Sorkin

It's like zero of the motivation. But walk us through what you think is going to happen in this space. And I should say, by the way, the Bob Iger of it all, we haven't even raised his name, just happened in the past week. And you went -- your first thing on Twitter. You do your own tweets-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Yes.

Andrew Ross Sorkin

You wrote, ah, I had been hoping Iger would run for President. He's amazing. What were you thinking when you saw that news-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Exactly what I wrote. I mean I was encouraging. I was ready to be a fundraiser for him. I mean, I think he'd be an amazing -- it'd be obviously hard to win the demographic primary, but he'd be an amazing leader for the country. So I think very highly of him. And the ah was darn. But again Chapek from our point of view, was very good, very disciplined 25-year Disney guy. It's not like we saw any cracks, whatever the...

Andrew Ross Sorkin

So you do see cracks-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Yes.

Andrew Ross Sorkin

And what do you think of the hands that Bob Iger now has-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

It's pretty strong. And again, it was strong before. So Disney is very likely to be a big success in streaming. They've got incredible IP. They've got hundreds of millions of subscribers. They're often -- it will be at least the 2 of us duking it out for a long time. And that's very positive for us because that's what creates strong content against TikTok, YouTube, video gaming, et cetera.

Andrew Ross Sorkin

Let me ask you, though, about a couple that you haven't mentioned. So you're thinking of this as a Netflix-Disney battle of sorts. David Zaslav, now running Warner Bros. Discovery, owns HBO, of course, Shari Redstone; Bob Bakish, Paramount, Comcast, the parent company of NBC, which of

course owns the CNBC, I should say, and Peacock, what happens to those guys-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

That's awesome. I mean it's \$110 billion of entertainment revenue that we're going to try to earn away from that. We're going to try to do the most incredible shows and most incredible films and hopefully, some fantastic games too. And then earn that earned consumer revenue...

Andrew Ross Sorkin

But what happens to the 3 of them in this sort of constellation of companies-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

It's hard to tell. I mean, if you look at the consolidation, there's been Fox and Disney, CBS and Viacom, Discovery and Warner Bros. So there's likely more of that.

Andrew Ross Sorkin

Would you ever see all 3 of them come together-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

That's a long shot, but...

Andrew Ross Sorkin

Do you think regulators would allow 2 of them to come together-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Well, they certainly have so far. So again, I think what you're going to see there is them trying to figure out streaming it. And some may become like Sony and becomes arms merchants to all of us,

and then they focus on producing incredible shows, like Ben Affleck is doing.

Andrew Ross Sorkin

And let me ask you about this. This is John Malone. John, of course, is the investor behind Discovery and now Warner Bros. He had a lot of good things to say about you. First, he said, let's face it, everybody went through this mad Oklahoma Land Rush, which was in reference to the Netflix land rush. And he said, Reed Hastings' shareholders should build a huge monument. He got out in the lead, saw the opportunity, explored the opportunity and went for scale. Netflix was there early. He does an excellent job. But he says, here's the but, broadening out the service, "by spending so much on so much content is not likely to be successful." His argument is that everybody is just spending too much, including you. What do you think of that-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

I think he's wrong, but he's a brilliant guy. But again, we are committed to spend a lot to produce the most exciting series, films and games the world's ever seen. So that's like our singular focus. Can we do that again with incredible variety from countries all over the world- And if we can do that, we're going to do incredibly well.

Andrew Ross Sorkin

Where does Amazon live in this- We were just here with Andy Jassy. That's a name that has not come up on the stage yet when we were just talking, also Apple.

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

My problem is I love our competitors. So Jassy and I go to Sundance together, see films together there. He's a fantastic guy.

Andrew Ross Sorkin

But you have not included him in your constellation- Or do you-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Oh, absolutely. I mean there are huge investors in content. They've been competing with us since 2007 in streaming, and before that in DVD-by-mail they competed with us in the U.K. So we've been long term, both competitors and friends, and it's exciting to compete with them. And their model is, let's make Prime a little bit better with video. And then they get people watching. Now in the U.S., we win about 8% of television viewing, and they win about 3%, okay- So they're 1/3 of us, which is impressive. But again, their service is free to consumers. And so they invest billions and get 3%. We invest billions and get 8%.

Andrew Ross Sorkin

That's what content spend in this regard. You invented the idea of bingeing. I actually wonder whether you'll change on this one potentially over time, longer term, which is that bingeing is fabulous insofar as people will watch and watch it quickly and they're invested in the program. But then they have to wake up the next morning and potentially have to watch an entire new series. And so you have to show up with even more content.

A lot of the old model, as you know so very well, was to effectively window it. There on Sunday night, the next episode would be the next Sunday night. They could -- you could drag somebody on to your service over the course of a 10- or 12-week season and you capture them for 3 months. In your model, you might capture them for 2 nights. Do you see a period of time where you could say to yourself, you know what, enough with this- We're going to actually air a show on Sunday night or Wednesday night or Friday, whatever, and I think you're already starting to do this a little bit. I saw this with Stranger Things.

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

20 years ago, you could make a business that's selling yesterday's news. And that was the big business, okay-

Andrew Ross Sorkin

Whoa, the gloves come off the opposite direction.

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Now that's not a viable business model, right- You've got to sell today's news. You guys are doing fantastic at it. 10 million subscribers is awesome and growing. So I'm thrilled for you. And think about binge-viewing, selling today's shows. Our model is we do a show every week, right- And you've got a new great show that you get to watch, and we don't have to stretch it out. Now if you've only got 3 shows that are great, you better stretch it out. So that's where our competitors are, right- So they're trying to say, oh, it's better to stretch it up. So you just ask people, would you rather read yesterday's news or today- Would you rather have binge-viewing or not-

Andrew Ross Sorkin

Well, let me ask you then this because it goes back to this sort of windowing model. We were actually talking to Ben about this earlier. You guys, by the way, have the Knives Out sequel, Glass Onion, out in theaters and apparently made a bunch of money.

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

We did.

Andrew Ross Sorkin

But there's a question, which is to say, should have you gone wider with that- Was there money left on the table-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Lots.

Andrew Ross Sorkin

Lots of money left on the table. How much money do you think...

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Yes, because we are interested in customer satisfaction on our service. So with film, we released it typically in film festivals early to stimulate conversation and demand, right- But not to fulfill that demand, except when it launches on Netflix and everybody watches. So our week in the theaters with a small number of theaters has done exactly that. Everyone's talking about it, excited about Glass Onion. It's going to be huge. In December 23, the whole world is going to get to see it. And I think it will be one of our biggest films. And so it's a promotional tactic like film festivals. And if it works well, we'll do more of it. So...

Andrew Ross Sorkin

But is there ever going to be a day where -- so this went to 638 theaters across the country-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Right, where our big release in the U.S. is 3,000.

Andrew Ross Sorkin

Right. Could you see a day where you would do a week at 3,000 or 2 weeks-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Two religions, member satisfaction and operating income. So that's what we're focused on. So we use this as a promotional technique, so then more people watch it on Netflix because that's member satisfaction, right- We're not trying to like build a theatrical business. We're trying to get people so excited and break through the noise that like everybody is like, oh, my god, when is -- I didn't see Glass Onion that week, it was on, and everyone is talking about it. When is it going to come- And it's like then everyone's going to watch it December 23.

Andrew Ross Sorkin

We talked about live. That's new.

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

That's new.

Andrew Ross Sorkin

That's new. That's like -- more like being TV. I remember when Ted Sarandos famously said, the goal is to become HBO fast and HBO can become us. That was back in 2013. Oh, you finished that one-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Yes. That's when we were moving on from there. Look, lives going to be great for us for doing contestant shows, comedy specials, we'll experiment with it. But there's a lot of speculation that we're doing that because of sports, that's not show. Like we're really focused on series, films and games, which all have creative risk, right- We have to spend \$20 million to \$200 million developing a property and then sometimes it works great and sometimes it doesn't.

Andrew Ross Sorkin

The reason I mentioned the Ted Sarandos quote is, remember, HBO's slogan is it's not TV, it's HBO. Are you trying to become not just HBO but to become TV- And what does that mean- And the reason I say that is you're going to have this live programming. You're going to start to have more sort of broader sitcoms. You're going to have more, what I'd describe as network sitcoms even, procedurals and the like. It's a shift, and I wonder what that brand means to you today as it may have related to what you thought it meant 3, 4, 5 years ago-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Well, we want the brand to be the most exciting entertainment on earth, the place you go when you really want emotional stimulation. And for us, that's around film, series and games, 2 of those we're strong in, one we're just beginning on games. And the fact that people -- if you look at the Nielsen data, YouTube TV is equal to us in viewing, like there's a lot. That doesn't mean we're going to get into the user-generated business, right- And then there's sports, there's news. So there's a lot of things on the big screen.

But again, what we want to do is embody the most exciting entertainment on earth to be the best creative company. And that's why Disney is so inspiring to like even be in the same league as them because they're such an amazing creative company.

Andrew Ross Sorkin

Where are you on sports- We're talking to Andy Jassy, he's doing sports. Apple is now doing sports. No sports view yet or at least classically-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Yes. I mean we're really getting focused on it, talk to us after we're like a big leader in games. We got a lot of investment to do in games.

Andrew Ross Sorkin

And what does that mean when you say there's the mobile gaming piece of this. You're now partnered with Microsoft. Microsoft now is selling Xbox streaming, where you can actually play straight up of a television ostensibly.

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Yes. From the outside, it's not because, again, where we build on Amazon Web Services, right- That's all web service is based on, and we compete with them. And that's been true from the beginning that we compete with them and we rely on them. And then on Microsoft, we rely on them on the ad sales. We compete with them in gaming. I mean that's normal. We're -- I mean, rounding our competitor to them in games at this point. But we are focused partially in mobile games, and we've done some acquisitions there, which is also a new thing for us the last 3 years.

And we want to have incredibly compelling mobile games that are really -- most mobile games have a lot of upsell. The monetization strategy is to get you to spend money, to get clothing or weapons or these things and that distracts from the engagement. And our theory is we could build games just around engagement that are like really awesome.

Andrew Ross Sorkin

But do you anticipate being in the gaming business on TV eventually-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Sure. On TV, that's just a screen, yes. And we'll have lots of games that are mobile-based, we'll

have some of that are TV-based. And in a modern world like Fortnite, it's on all the platforms. So think of it as the screen size is important, but it's a smaller distinction. And to a degree, we would have loved -- I berate our M&A team that we didn't buy Wordle, that you guys bought it. And we would have loved that. It would be a perfect mobile game for us. Obviously, you guys have strengthened that. And so again, we'll compete in lots of places.

Andrew Ross Sorkin

How do you feel about Microsoft buying Activision-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

I had no particular opinion. Fine, we're not involved in it.

Andrew Ross Sorkin

But you don't worry about -- I mean this is a big sort of regulatory question about companies. We were talking to Andy Jassy about this earlier that the idea of companies that may not actually be in a business. I mean, they actually are in the gaming business already, but may not have an overwhelming stake in a business yet, but are able to use the profits of a -- one side of their business to effectively get into another business. Good, bad thing, how do you think of it-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

It's society, it's great because then you get companies that attack each other, and that creates lower prices. Think about all the companies that are attacking us, right- And that's lower prices for consumers. I mean that's a big positive. So that's what you want. You want them to be aggressive and I think about Tesla getting into trucking. They don't have to do that, but then it's like new entrants. So think of it as when companies get outside -- think about Mark Zuckerberg. I got to see some of your despite -- I think the world should be saying, thank you, Mark, for advancing this

technology. I don't know if it's great for Facebook shareholders. That's debatable.

Andrew Ross Sorkin

What do you think-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

He thinks that it is.

Andrew Ross Sorkin

What do you think-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

I think I wouldn't bet against him. I mean it's been an amazing track record that he's had. So it's going to -- I think there's good odds for it. But whether it works out or not commercially, it's incredible advanced. The technology and the Quest and Quest Pro and they're really moving it ahead. So that's going to benefit all of us.

Andrew Ross Sorkin

What do you think about -- the other part of that conversation was about platforming, not just platforming people, which is an issue- But platforms like Apple, and we keep talking about it all day. Elon Musk has now gone to battle. What do you think of that battle- You've been in that battle, too.

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

My answer will make you think I'm obsessed with The New York Times but you and us share the same reader exemption that Apple has, where we can sign up people anywhere and they can consume on the Apple platform without getting taxed. And so our businesses have a benefit that

other businesses, for example, Twitter, don't. So it's not a big deal to us. We have never had -- we've got great relations with Apple and Google, but it's partially because of the subscription business model that The Times and Netflix have are advantages.

Andrew Ross Sorkin

But you like to get people to go to the website to subscribe-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Correct, and that works well.

Andrew Ross Sorkin

But not through Apple Pay-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

No, it actually works well through mobile. If you do mobile sign-up with mobile web, which is what we do, it works fine. And so we have no battle. So other people, Spotify, et cetera, have big battles with Apple, we don't.

Andrew Ross Sorkin

Since you are a Twitter user, I should ask. And you're on there all the time, what do you think what's going on-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

I'm excited. Elon Musk is the bravest, most creative person on the planet. I mean, what he's done in multiple areas is phenomenal. His style is different than like I'm trying to be like a really steady, respectable leader. He doesn't care. He's just like out there. But the other guy who's spending \$44

billion, he could have built the biggest -- he could have built a mile long yacht for \$44 billion, okay, but it's like not good for the planet. It doesn't -- he is not interested. He is in...

Andrew Ross Sorkin

Do you think what he is doing is good for the planet-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Absolutely. I'm 100% convinced that he is trying to help the world in all of his endeavors, okay- And he's trying to help the world on that one because he believes in free speech and its power for democracy and that there's an option. Now how he goes about it- Again, it's not how I would do it but deeply respectful and I'm amazed that people are like so nitpicky on them on yes, sure, the blue check mark is making a mess of some things or not. But it's like, give the guy a break, he just spent all this money to try to make it much better for democracy and society to have a more open platform, and I am sympathetic to that agenda.

Andrew Ross Sorkin

Well, that's what I was going to ask you about because Dave Chappelle created some controversy as you know, on your platform. And we were -- we've been talking also about platforming sometimes hate speech or antisemitic speech or other kinds of speech. How do you think about that today-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Yes. Our brand is trying to be the most exciting entertainment company in the world. And Chappelle is dead center for us. He is the best or one of the best, and that special was one of the most entertaining and watched specials we've ever had. We would do it again and again. So we clearly need to be more obvious and direct about that, which we've done since with employees and with people who care about Netflix that we're about entertainment, and Chappelle is very entertaining

and provocative. And again, that's the core of what we're doing.

Andrew Ross Sorkin

I want to go back to cost and maybe Ben Affleck, we were talking about how much people are going to spend, and I know you said you're going to spend the same. I wonder whether you're going to spend the same amount of money that you were spending before or even more on the same volume, it's a volume business- Or do you think it shifts to higher-cost projects- I'm curious how you think about the success of Shonda Rhimes and the Ryan Murphy deal. I'm also curious what you think of like the Barack Obama -- Barack and Michelle Obama deal- Or, for example, you have a deal with Megan and Harry. Those are very expensive deals.

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

I mean we have some very expensive deals. We have some other deals that are more speculative. We've got a wide range. The show that we just broke is with MGM television, now owned by Amazon, producing for us that's a Jenna Ortega and Wednesday, Addams Family reboot, and it's incredible. It's going to be the biggest show. It's going to be in the top 3, for sure.

Andrew Ross Sorkin

But do you think these big mega overall deals remain or less of them-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Yes, as part of the portfolio overall deals.

Andrew Ross Sorkin

But as many-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

I don't know if as many, we've got lots, but that's just like a deal structure thing. Are we going to continue to invest in stories that we think can be breakout entertaining and fascinating, yes-

Andrew Ross Sorkin

What about the idea of -- not to be a distributor walled garden, but the idea of being what's described as an arms dealer from the content perspective, would you sell your stuff off platform-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

I think Sony is doing that. They're selling to all the streamers and that's a great business. We're not in that business. We're in the business of building amazing shows and films and eventually games and having them for our members. It's pretty simple business if we do it well.

Andrew Ross Sorkin

I wanted to open it up for questions. There's a lot of people from the media industry here, and hopefully, we can get to them. Let me see if we got some hands around. I see one right here in the front. I'm going to go here, if we can get that microphone to him. And then we'll see if we can take 2 others real quick, if we can sneak them in, because I know we have Prime Minister Netanyahu joining us in just a moment.

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Awesome.

Andrew Ross Sorkin

Go ahead.

Claudio Rojas

Claudio Rojas from Toronto, Canada. And thank you for the amazing investments that you've made into Canada. I was talking to Ted, your co-CEO a little while ago in Los Angeles. And what stood out to me from the conversation is the long-term orientation of Netflix, which I've seen for a very long time. And you commented on Elon Musk, you commented on Mark Zuckerberg. When you think about these founder-run companies, these founder-centric companies that have really allowed America to lead in the innovation space globally, can you speak to the capacity of founder-run companies to plan for the long term and a way in which a hired CEO might be challenged-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Yes. I don't buy that the theory at all. I think there's some very long-term thinkers that were not the founder. And sometimes, the founders make disastrous mistakes. I've made a few myself. So I think that's unintentionally simplistic way to think about it. And Andy Jassy is wildly long-term thinking. And Amazon is going to stay a long-term-oriented company, partially because if you say what you're about long term, you get the investors that support that. So it's called you get the investors you deserve, okay- And so if you say we're going to make these trades as long term, you get investors who appreciate that. And then you're expected to operate in that way and be successful in that way. So I -- well, I think I answered that.

Andrew Ross Sorkin

I see Matt Blank up there, former AMC CEO, former Showtime CEO; [Green butter billions]. Give that man a mic.

Matthew Blank

And therein lies the reason I get a free conference administered every year. Reed, how are you-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Great. Welcome back to...

Matthew Blank

I want to go back to last thing for a moment because you did something very unusual. It's usually the established players who can spend more to keep people out of the marketplace. You preempted the marketplace by spending more than the legacy players to build your business and have been incredibly successful doing that. But going back to keep spending to serve your members as best as you can, one of the things that happened as you built this business so successfully is you really raise the cost of playing. You raise the cost per hour significantly.

Wouldn't it be in everybody's interest if we could have more control on the cost of playing and still serve those members from a volume standpoint- I mean if you could deliver the same product you're delivering by being more aggressive on that front, and you told Wall Street you told your various public that you're going to save \$4 billion a year in doing that, I think you make Bob Iger's job, for instance, much easier-

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

Yes, I would say that the corporations are thrilled and the talent is upset. So it's not a great trade-off. The expansion -- so typically, television was \$2 million to \$6 million an episode and then really big things, early Game of Thrones was \$8 million to \$10 million. Now you're seeing a bunch of \$20 million an hour television, and that's incredibly exciting because it's getting closer to film. Film you can sometimes see \$100 million an hour films that are wildly spectacular.

So again, we want to take that up. We know that it does hurt operating income, but our ability to then attract the best talent like Shonda Rhimes is high, and then -- but it does have that effect.

There's no going back. And then now, Apple is doing the same play, which is they're like we'll pay a lot. And we sit around a moat, can you believe what Apple's paying-

So again, it comes around, but it's great for talent to be able to see these amazing monetization strategies and paychecks, and then you're getting new companies like Ben Affleck's company wanting to be the next Hello Sunshine and build a great production company and then eventually get broadly. So it's -- again, it's creating this very strong logistic ecosystem.

Andrew Ross Sorkin

I think we have to end it here, unfortunately. I'm going to let Bill Ackman off the hook because I see him up there. He was a big owner of your shares at one point. And I also see [Megan Deverhim] over here. We should talk some antitrust in just a little bit. But I want to thank you so very much for being here today.

Wilmot Reed Hastings Netflix, Inc. - Co-Founder, Chairman, President & Co-CEO

So glad to not be the antitrust part.

Andrew Ross Sorkin

Thank you so much.