Welcome to the Netflix Q1 2017 Earnings Interview. I'm David Wells, CFO. I'm Joined today on the company side by Reed Hastings, our CEO and Ted Sarandos, our Chief Content Officer.

Interviewing us today will be Doug Mitchelson from UBS and Scott Devitt from Stifel Nicolaus. We will be making forward-looking statements, actual results may vary. Doug, I think you have the first question, so over to Doug.

Question-and-Answer Session

Q - Doug Mitchelson

Thanks so much. Actually, first question for you, David, and then one for Reed. David, could you just talk a little bit about the net add results in the quarter versus expectations, and any dynamics underline the second quarter guidance that you want investors to know about?

David Wells

Well, I think what's written in the letter and what I'll reiterate is that, we're not spending too much time understanding any particular quarter. We were with under 100,000 in the U.S. under a couple of 100,000 in the international versus our expectation. We had a particularly back-weighted first quarter, which were - we don't usually have, but that explains some of the sort of net adds guidance versus actuals as well, and we have a pretty strong guide for Q1.

So I think looking at our Q4, which is one of our strongest quarters ever and a pretty strong Q2 guide, we sort of look across that like we put in the letter and say, we're still on a great growth path, and our content is working. And we're pleased with the international growth and we've got a lot of growth left in the U.S. as well.

Doug Mitchelson

I mean, is there anything you would highlight in the second quarter in terms of an easy comparison. Last year, you talked about price increase buzz in the press, having a negative impact on U.S. dynamics, the content slate, anything you highlight driving the result?

David Wells

Well, the obvious one to talk about in total, talk about in more detail is the content slate. We talked in our dissent - in the January letter about House of Cards pushing into the second quarter. We've got a particularly full slate in Q2, which relative to Q1 is a little heavier, and then that's comping off of last year's Q1, we had a pretty strong Q1 as well. So I think that sort of explains some of it on the margin.

But I think the background trend is just a very strong adoption of Internet streaming. So again, if you look across 12 months trend, we still got a lot of great growth. We're growing well on track in international. We're continuing to growing in the U.S. And quarter-to-quarter, you'll see some fluctuations and some of that is explained by the content slate.

Doug Mitchelson

And Reed, upfront I want to turn to you at a high-level. I think you mentioned in the letter about to cross the 100 million subscribers mark, you're about a decade into this. And I think in the last quarter's letter, you talked about the next 10 years being tumultuous. And I was hoping you'd talk a little bit about what you meant by using that word in particular, and what are the challenges and opportunities as you look out over the next decade and target that next 100 million subscribers?

Reed Hastings

Well, I'm - we're super excited expecting to cross 100 million this weekend, that's a big accomplishment. But it's really just the beginning. When you look at YouTube having a billion active users and a billion hours every day. When you look at Facebook's, multi-billion numbers. We see that the Internet is just a phenomenal opportunity, of course, we're pay service, not ad supported.

We're not as deep in international as those companies. But we definitely see a big opportunity around the world to just continue to do what we've been doing, which is make fantastic content, get people really excited about that content, and then we're just continuing to grow.

Doug Mitchelson

Great. Thanks.

Scott Devitt

And just continuing on the roll of content, I was wondering if you can talk a little bit more about the way that content releases do impact seasonality of the business, and as well new releases of new shows, say a Dave Chappelle's show relative to say Season 5 of the House of Cards and the different impacts on gross and net subs? Thanks.

Ted Sarandos

Scott, I would just say, we've said previously that subsequent seasons of shows that have a big audience that are very popular tend to have more impact on the business than introducing brand new IP. So that's why in the second quarter you're seeing new seasons of some of our most popular and most acclaimed shows like House of Cards, Orange is the new Black, Unbreakable Kimmy Schmidt, Bloodline, Master of None.

And in the first quarter, it was pretty heavy on new IP, but we're super pleased to have such a big breakout on 13 Reasons why we just came on the last day of the quarter as well as Santa Clarita Diet, A Series of Unfortunate Events, Iron Fist, first season shows, and then something like Dave Chappelle comes along and it's in its own class in terms of excitement for consumers in viewing and excitement around Netflix and now we're looking for David - a third special from David next year.

Reed Hastings

And since then you can think of that content is making a little trickier to do the quarterly forecasting. But for the first-half of this year, we're about 8.25 million net adds, which is what we were last year. So again, it moves itself around levels out. So I wouldn't get too focused on predicting each quarter by the content. We're continuing to learn on that. But mostly, we're just trying to do better and better shows that are more and more popular.

Scott Devitt

And then as it relates to the international business, you noted some markets that are doing extremely well outside the U.S. and other markets that are still progressing. Can you talk about particularly in some of the larger markets where you feel like you're underpenetrated where the largest sources of friction are increasing the subscriber base in those markets?

David Wells

So I would say I'll pitch it to Reed afterward. It's not necessarily a source of friction. I mean, we were pretty careful about not talking about specifics by market for competitive reasons. But we have said that, we experience a wide variety of adoption curves in different markets. We've seen some markets come out of the gate really fast. We some - we've seen some that have grown slowly and that really caught up and seen a great acceleration.

So I would say, each market is different. Each one seems to have a different word-of-mouth, adoption pattern. But increasingly what's new for us is that, we're more and more global. And the more that we can release these shows that have wide global appeal, we're getting sort of the benefit of that wide global word-of-mouth and the network effect of that that great scale, I mean, growing to 100 million and beyond. Global subscribers is really going to benefit us in having these shows that travel across multiple markets.

So I think, we're not particularly focused on any one challenge in the larger markets, I think it's about continuing to make payments available, continuing to improve the product, continuing to improve the continent in that market with our global originals being the largest part of that. And then Reed, I don't know, if you want to tack on anything there.

Reed Hastings

Yes, Scott, as you might remember, first, couple of years in Brazil, we were struggling with number of the aspects in particular getting the right content, where our service was getting watched a lot. I think it's pretty parallel to that and of course, not every market is the same as Brazil, we have to learn market by market. But it's nothing that's very concerning to us. It's just a note that in three of the regions LATAM, Europe and North America, we've got the formula we're executing down. And in Asia, Middle East and Africa, we still got a bunch of work to do, particularly around getting enough of the right content that people want to view that we get our viewing hours higher and higher.

Scott Devitt

And just a follow on to the international topic. There have been several markets where you've launched non-U.S. originals. And I was interested in terms of the difficulties or ease with which you're having in finding talent in those markets? And then secondly, in those markets in which you're launching originals, the benefit in terms of the halo effect of the other markets actually latching onto that continent and viewing it, that's driving the subscribers in those markets as well?

Ted Sarandos

Well, I could tell you about, we launched this past quarter Ingobernable, which is a Spanish language original Starring Kate del Castillo, that had a huge impact on us throughout Latin America, but also outside of Latin America and throughout the Spanish speaking world. And our ability to get in learn the production infrastructure, learn the - get to know the talent, have the talent get to know us, that's one of those things that gets a nice accelerator as Netflix becomes better and better known around the world that the top talent in those markets want their shows on Netflix.

So nothing is easy, but that that is something that we've had a lot of good fortune with finding the great town and the great shows locally, and it has been having a lot of impact outside of the country of origin.

Scott Devitt

Thank you.

Doug Mitchelson

The international arena is a pretty rich topic, but I want to move back to the U.S. But first, Reed, you mentioned consumption. I think investors would love to have an update on consumption both in the U.S. and overseas. What is the hours per day on average? Is it still growing for both cohorts year-to-year? Anything you're willing to share at this point in time?

Reed Hastings

Yes, viewing is very large and growing, but nowhere near as big as YouTube. So we definitely got YouTube envy and we've got a lot a room to go. And some of the new shows like Ted was talking about, our movie out of Korea [indiscernible] has great global potential. So, we're finding great talent around the world and that's what drives up the viewing.

Doug Mitchelson

So I also wanted to hit on the U.S. And so even though a lot of the growth comes from international When you think about the U.S., a lot of investors are worried about the maturity and whether that sends a signal that you could ultimately have some issues with penetrations overseas. And I think, Reed, it starts with you and the vision for 60 million, 90 million subs, is that still the vision? Ted is part of that. What you have to do to execute on getting those subscribers that lead us looking for? And for David, on that topic, is there anything you see in the trends? I know you want us to not to dig into gross adds and churn on a quarterly basis too much, but it's sort of what we do. Is there anything that you're seeing that suggests there's a majority wall coming anytime soon for the U.S.?Thanks.

Reed Hastings

U.S. market is continuing to grow very nicely. I don't see any fixed wall. I mean of course, every incremental 10 million is a little harder than the last 10 million, but our content keeps getting better, so those forces offset each other. When you look at the last five years, everyone is worried every quarter about saturation in the U.S., and we've just continued to grow. But it doesn't mean it's going to be inherently forever. But we certainly feel good about the near-term as we're expanding and just getting bigger content budget, more shows, more marketing and so all of that feels very good.

Ted Sarandos

And component of that obviously is the international appeal of our global regional shows. But also finding those sweet spot local regional shows that offer some connectivity with the consumers. And for some cases it will be the thing that introduces them to Netflix programming and they fall in love with the broader slate of content.

David Wells

And then finally, Doug, on your last one, I wouldn't say anything different from Reed. I mean, if we can get, my God, if we can get penetration levels outside the U.S. to be anywhere close to the U.S., you're implying multiple hundreds and millions of global subscribers with the U.S. beyond 50%. So I'm not sure I understand that point of the question other than to say that the concern as I hear it voiced is really that we wouldn't be able to get to U.S. levels of penetration outside the U.S., so we've got some markets that are starting to get there.

So I think we punch through that sort of concern and anxiety. Now we're really at a phase where we're starting to really benefit from the large pipeline that Ted is building and his team are building. And we're really starting to have sometime in multiple markets that are somewhat new to us as Reed described in Asia.

Reed Hastings

A couple of years ago, Doug, there was a bunch of fear about the 30 million sub wall, with AOL had hit that and HBO would hit that. And the thing is everybody watches TV and nearly everybody has the Internet. So I don't see anything that's going to stop Netflix from getting to most people in the United States and then eventually hopefully most people around the world. But we're not - we're just going to focus on the everyday of making the services better and better.

Doug Mitchelson

The one follow-up to all that is, Ted, are you specifically targeting perhaps older demos you mentioned international with the product flow that you're looking on?

Ted Sarandos

No, the key here Doug is, you've got this many people an incredible diversity of taste. So you have to have programming that really appeals to a broad demographic. So obviously a show like 13 Reasons why appeals much younger Grace and Frankie, which had a really successful third season launch obviously appeals to an older demographic. But the key is just people love television, people love to be entertained and the definition of what that thing is you're in love with is different for each age, each country, and having a lot of that that increases our chances of having a deep connection with consumers.

So that's why in Q2, we're launching a new season of a show, a new brand new set of comedy special, documentaries, kids' shows every week coming up. And this is the idea the chance that you're going to connect with somebody and it becomes their favorite show, or the reason they have Netflix it's higher and higher if you're able to do that.

Doug Mitchelson

Great. Thanks.

Scott Devitt

Sticking to the U.S. and speaking of genres and different types of content, you talk a little bit about Dave Chappelle. Why the sudden increase in standup comedy? What's the price to value that you find that you're getting out of that type of content?

Ted Sarandos

Well, there's always been an interest in standup comedy. It was actually back in our early original content days and the red envelope entertainment, it's all we did was produced original standup comedy and acquired documentaries and foreign language films, always had good luck with it just on a very small scale. And the format lends itself really well to what we're doing and that it's uncensored, it's commercial free, and that it allows for a lot of creative freedom and the fan base for these folks is very big.

So Dave Chappelle his return to standup comedy was a big event in the culture. And you could drew series level and movie level of viewing on some of these standup comedy specials if you pick them right and invest in them properly. So these were big ticket investments, but they're also performing like big ticket content. So we're thrilled with this so far.

Scott Devitt

And then family and kids content, Ted, you mentioned a little bit and talk more about that in terms of the interest in extending deeper there. And then on that topic as well faith-based programming, conservative programming, Hollywood does lean a little in one direction seems like there's a pocket, or opportunity there to serve a very big market?

Ted Sarandos

Yes absolutely. We're not - we're trying to find the content that people love and that's different for everyone, as I said earlier. So the faith-based market is something that we're engaged on the edges, but we're looking to do a lot more. And we're also looking for like our kids and family programming, and the really exciting thing is when you get something that can be viewed by both.

So that's the kind of phenomenon around Stranger Things or Fuller House, where you have these co-viewing opportunities that are so rare on TV these days, where it's a kids' show that parents enjoy watching and that don't get - don't have to cringe when they watch with their kids.

Scott Devitt

And then finally on this topic, the Disney deal. How's that progressing the interest in renewing that content specifically, or content like that? And what's your interest in - I believe there's a paramount deal that's available in the next few years as well? Thanks.

Ted Sarandos

Like I've said before, our interest in Disney is different than our interest in a Pay 1 output deal from a studio, because Disney has really centered their brand on a couple of really important tempos that perform very well on Netflix and obviously perform well around the world.

So it's been a great relationship and continues to be a great relationship with Disney as a company producing our Marvel series as well as being their Pay 1 partner and hundred - several hundred hours of their catalog all the time. So it continues to be a great partnership and they're great supplier of content that people love so we'll see.

Reed Hastings

And while the Marvel series is global, the Disney Pay 1 is just U.S. and Canada, so it's not a global deal.

Scott Devitt

Great. Thank you.

Doug Mitchelson

From my end for Reed over the past few months, it seems like we've had a number of important executives depart Netflix Chief Product Officer, Neil

Hunt; Chief Talent Officer, Tawni Cranz; VP, Global Television, Sean Carey; seems like an unusual number of departures usually you're the one taking other companies executives. Any comment you want to make around this dynamic?

Reed Hastings

It is unusual. I mean, the last time we had an officer leave Netflix was 2012. So it's quite a while ago. We've got to search on the Chief Talent Officer insiders and outsiders. And then we're fortunate to have Greg Peters take over for Neil Hunt. Greg has been a long-term Netflix veteran really knows the organization and excited about taking it forward and that transition will happen in about three months from now.

Doug Mitchelson

And so no particular signal that investors should take from this. It just happened to line up this way?

Reed Hastings

That's correct.

Doug Mitchelson

Thank you. Ted, you mentioned last quarter that it would be a second-half weighted content slate this year. Can you give us more of a sense of why you feel this way obviously 2Q looks pretty big with both House of Cards and Orange is the New Black. Is the second-half going to be even bigger?

Ted Sarandos

Well, we're introducing a lot of new brands in the second-half of the year, including some of our more aggressive moves into the movie business. Bright actually will be in the fourth quarter, which is our big Will Smith film that we think will kind of give consumers and everyone who watches this space a better idea of the kind of things we're up to in the movie space, which is those movies that you would see in the theaters. But they're available to you day in day out on Netflix and that they look and feel like movies of that scale.

Doug Mitchelson

I'm sure you'd love to expand on this topic in detail for the press. Any thoughts on the writers' strike?

Ted Sarandos

Look, we're keeping an eye on it like everybody else and like everybody else our productions would be impacted if it happens. We may be impacted a little bit less, because we're not on such a rigid production schedule, where we're not producing for the fall in the summer, we're in year round production. But some of our productions would be held up in the event of a strike, which our fingers are crossed that, that won't happen.

Doug Mitchelson

And the last thing I did want to follow-up, because I think I'll let you get away with not giving us an update on the usage trends. You guys willing to make any comment on whether usage is still growing and in the U.S. and overseas, and what level is that?

Reed Hastings

Correct. We said that viewing is strong, growing, healthy, but we haven't given specific numbers.

Doug Mitchelson

Okay. I missed that nuance again. So, Ted, are you want to?

Ted Sarandos

I did tell you - we did tell you that our subscribers have spent about a 0.5 billion hours watching Adam Sandler movies since Ridiculous 6 launched.

Doug Mitchelson

And I assume that's a good thing. And I think that Ted for you, is the originals as a percentage of spend and as a percentage of hours is fairly consistent. Is there an inconsistency there? Anything strategically that you're focused on in that dynamic?

Ted Sarandos

No, pretty consistent into the investment and the hours of spent watching. That's why we've said before that the investment in original programming has been efficient, that's what we mean relative to what else you'd spend the money on versus the hours of viewing. So and there we're not driving towards a target of a percent of original programming versus not. We're just trying to find the great things for people to watch that move our business and grow the subscriber base.

Scott Devitt

Great. Thanks. And I'm going to try to help Doug get an answer on the viewing question. I think there was a disclosure in January 250 million hours of movie and TV in a single day in January, and the last prior disclosure to that was 125 million, which seemed to be like a run rate. And just wondering if that 250 million was an outlier, or if that is more of a run rate currently?

Reed Hastings

It's really not the total aggregate viewing as opposed to the median viewing by country is not something internally that's in our metrics pack. And so we don't even track it that closely, it's not that relevant. What we do track on a country by country basis is how median viewing at different lifetime slices is, and we continue to see good things in that, continue to see that grow as we have more content.

David Wells

And Scott, I'd add, just like Reed. These are milestones or convenient sort of PR milestones in terms of announcing it, and some of that growth is by launching new territories. And now, we're more focused on growing each individual user within that territory than we are in terms of the big aggregate number, as Reed said.

Reed Hastings

If we can help you out, I remember that, YouTube announced there were 1 billion a day and when we looked it up and we're a little over 1 billion a week. So we've got a long way to go to catch up to YouTube.

Scott Devitt

Thanks. And then downloading is also a fairly new phenomenon within Netflix, speak a little bit more about that, how it's being adopted within accounts? Also, any changes from a technology architecture standpoint that have needed to be done to produce that?

Reed Hastings

It's pretty small impact. I mean, you're not on airplanes or cars that much of your life, so it's really nice to have when you use it. But at least in Western and more well-off markets, where networks are strong and relatively inexpensive, it's a modest feature. I think in Asia it's a little bigger, because the networks you're off of an inexpensive network a lot of the time. But again, as networks get more modern, I think, we'll see that downloading the need for it will go down and down, because basically you want to be able to just click and watch. You don't want to have to think in advance outside of a couple of narrow scenarios like an airplane.

Scott Devitt

And has the reencoding that was discussed at Mobile World Congress, is that now complete?

Reed Hastings

No, we're still - there is no complete when you get to encoding, just keep getting better and better and better. And so we're continuing on all of that work, so that you can get an incredible picture quality on a very modest data plan on a phone.

Scott Devitt

Thank you.

Doug Mitchelson

So I'm going to switch to competition and Amazon, specifically. Amazon's gone after a David Russell drama series with Robert De Niro producing the next series for Matt, these are sort of big tickets, big prices, very talented producers, actors and directors. Reed, when you look at the competitive landscape, anything at all that that makes you nervous, or that you feel like you have to accommodate, Ted, the fight for talent in Hollywood, any issues with Amazon ramping its originals and David on the cost side, could this influence the cost of originals higher than you'd like?

Reed Hastings

Like at one level, Amazon is an amazing company and doing so many different things, it's really incredible. And then you think of Jeff Bezos in addition to all of Amazon doing a Washington Post and Blue Origin Rocket. So, I will say, we do think about all of that and their tremendous track record. On the other hand, they're doing great programming and they'll continue to do that. But I'm not sure if it will really affect us very much, because the market is just so vast.

Think about it when you watch a show from Netflix and you get addicted to it, you stay up late at night. You're really - we're competing with sleep on the margin. And so it's a very large pool of time. And a way to see that numerically is that, we're a competitor to HBOs and yet over 10 years we've grown to 50 million, and they've continued modestly growing, they haven't trunk.

And so if you think about it as we're not really affecting them, the answer is, well, why? And that's because we're like two drops of water in the ocean of both time and spending for people. And so Amazon can do great work and it would be very hard for it to directly affect us. It's just home entertainment is not a zero sum game. And again, HBO success, despite our tremendous success is a good way to illustrate that.

Ted Sarandos

I would just add there are 500 cable channels, nearly every one of them have a original programming being produced every day. So it's great that there's a - it's an incredible opportunity for producers to have multiple buyers for their programming and a great opportunity for consumers to have a lot more opportunity to find new shows that they're going to love.

David Wells

And to Ted's points, I mean, there's more than just Amazon competing for those shows. So even if the show were lowering cost, we would have more content. You wouldn't necessarily would make the decision, I don't think to reduce the content level. We're already growing operating margin. We were able to grow us margin over the last four or five years and now we're switching to growing global operating margin.

So, we're already delivering that and also growing the content. So I think, sure I'd love to have shows less expensive, but honestly we're more competing with the quality of the show and trying to push and improve the cinematic quality of that show, which is driving - has more of an influence on the cost of that than the individual competition within the market.

Doug Mitchelson

Absolutely. And Ted, to follow-up with your aspect of this, how is your relationship with Hollywood versus a year ago? How would you describe it? Does this dynamic come into play where at some point there'll be a backlash from Hollywood we always talk about? The media companies ultimately looking at Netflix as a competitor competing on online video platform versus them supplying you with content and making a lot of money off? But have you seen a change in that dynamic at with any of the studios?

Ted Sarandos

Well, this is probably the most dynamic time of change in the television - in the history of the television industry and how everybody navigates, it feels really important obviously. But we are on top of being a competitor for projects and a competitor for attention, where an enormous customer of all the studios who would license us their content, sell us their content, who produce content - original content for us.

So I think, the content evolution of the relationship is finding a balance between being a great supplier and a competitor. And the networks and the studios have navigated those waters since the beginning of television.

Doug Mitchelson

They have, but Hollywood goes for fits and starts and cycles. And right now, we've got writers agitating for more money, the talents getting a greater share, you've got a lot of cable networks that aren't licensing syndicated content like they used to. There's definitely a lot of change taking place and a lot of folks on Hollywood trying to figure out how exactly to wrestle with. But I guess, to your point, as you said, things are fine right now.

Ted Sarandos

Yes, we're 10 years in and those fits and starts have started on day one and continue today.

Doug Mitchelson

Well, Ted, I think you would also say that one of the fundamental changes is the globalization of TV. So I think that, that is playing through Hollywood, and I think it's playing through each one of the talent sections of Hollywood in terms of trying to understand what the value of content that's now applicable to a double the audience globally say?

Reed Hastings

Correct and who do you compete with today when in the U.S., with - incredible success with our Spanish language original Ingobernable and also with our Portuguese language original from Brazil 3%. So the pool of people who are competing for the attention of viewers and ultimately the attention of buyers, it's never been bigger.

Doug Mitchelson

Great. Thanks.

Scott Devitt

Speaking of studios, it seems like your initiatives with Netflix studio produced original content seem to be quite unique relative to others, or some recent media attention, Ted, I think you were quoted as suggesting spending several billion dollars in terms of allowing talent to be home when they actually create content.

Ted Sarandos

Yes.

Scott Devitt

Could you speak a little bit more about that, how you think that differentiates yourselves relative to competitors?

Ted Sarandos

Yes, look, it's - think about it as an extension of our talent-friendly commitments, but also in terms of our commitment to quality. And what we have found in our own business is that, if we create a great working environment for employee, they do the best work of their lives. And I think in the case of production, a lot of that comes off in the performance, which comes off in the screen. So where we want to invest in our talent the way we invest in our talent inside of Netflix and create the best shows on television. One way of doing that is not having people travel all around to chase a tax credit. And one - in that article that I had referred to this, it was suggesting that perhaps the state of California could be more effective in building - investing n infrastructure versus and setting individual productions, because if you give people a great place to work, they're going to have - they're going to come to - come work in your state.

Scott Devitt

And there's also I believe some job postings at least Netflix studio and the cloud and, it's been discussed also in terms of differentiating and infusing technology into the studio to create content in different ways. Can you expand on that a bit?

Ted Sarandos

It goes along the same lines, we're just giving people tools, right? We're giving the people the right - the best tools to work with. So when you're producing for Netflix - the Netflix studio that you have the most state-of-the-art tools at your disposal to create content and not get stuck in old technology. So we're trying to innovate on things that matter to consumers, but also things that matter to creators.

Scott Devitt

Does - and I don't know that this is connected to studio or not. But does the current infrastructure that you have in place does allow you to do live and near-live productions?

Ted Sarandos

It would - we have to invest in technology to do it. It's not - there's nothing that would prevent it from happening. But it's - our desire is to continue to double down on our consumer proposition of on demand. I think it is that kind of freedom that the consumer receives from Netflix of watching what they want whenever they want is part of the value proposition. And live is back to the kind of the old paradigm of appointment television.

Scott Devitt

Thank you.

Doug Mitchelson

Can we shift to sort of on that Amazon topic and the international topic combined. I guess, Ted, for you. Amazon is building out local content pretty aggressively, particularly India, Japan. India, there's talk of them starting up a studio. And you've, I think for the last couple of years really espouse this Hollywood strategy of Hollywood content's global in nature and that can drive subscriptions globally. But you also believe on the studio here in the United States to pursue that more aggressively, does it make sense for you to more aggressively build out local studios overseas? And what capacity does the company have to even do that at this point?

Ted Sarandos

Well, we're definitely already building our production capabilities outside of the United States. Today - we're today filming local shows in 13 different countries, including India, including Japan. So we're doing it simultaneously. We think it's going to be the combination of the big global interest in original programming, complemented with a growing number of local language original series in each country. So we're operating all over the world. We're producing all over the world, because that's where our customers are.

Reed Hastings

And, Ted, maybe you could just talk a little as an example in those of Terrace House, Death Note and Secret Games to illustrate that.

Ted Sarandos

Well, the different - the various versions of it obviously would be something like producing - something that would be more on the quality level that you're used to seeing from Hollywood in India, a new series that we're producing coming up called Sacred Games.

In Japan, we have a show called Terrace House, it's incredibly popular more in the unscripted mode as more consistent with the things you see every day on television in Japan. And then a movie Death Note that we're producing today is epic piece of Japanese manga and anime that we're remaking and reimagining that storyline for the world with more of a Western spin. So those - the different takes on content from around the world opens up the world to a world of storytellers, and that's what's really exciting about doing it.

David Wells

Doug, I think it's worth, sorry, Doug. I think it's work noting too that from our perspective this isn't a change. You're - what you're seeing is the fulfillment of pipeline that's been building for two, two-and-a-half years. And the fact that we're operating in more territories. So I think, Ted, you would say this, this has been plans and works for a while. This isn't really a change from what we've been talking about.

Ted Sarandos

Absolutely. Yes, we're deep in production in Spain, Italy, Germany for shows that we'll launch this year and we're going to continue to grow in that. Our Ingobernable was our second major series for Mexico, we'll have four from Brazil. So we're continuing to grow it out and grow up that capability domestically and internationally.

Doug Mitchelson

And do you think 20% local, 80% sort of Hollywood U.S. content is the ratio that still looks good to you today, or do you think that 20% is rising as the international markets?

Ted Sarandos

I'd say that's the right picture, that's the right picture globally, Doug, and not to say that some countries won't be some variance of that. But I'm not seeing a reversal of it in any territory.

Doug Mitchelson

The second topic I want to discuss was mobile, and I think, Neil Hunt before he retired talked about that since you've launched the rest of the world mobile usage of Netflix has really soared, and that there's a lot that you're thinking about in terms of customizing content for mobile, or even operationally, any more details on mobile that any of the three of you are going to share?

Reed Hastings

Well, at first, Neil is still with us for the next couple of months. Second is, they're very experimental, just trying to figure out aspect ratio. So if you think of there were movies originally were very widescreen. When they showed on televisions that were 4:3 Technology developed pan and scan to be able to make that picture look a little better on a 4:3 screen.

And so we're just experimenting with variations of that of trying to figure out how to zoom in to be able to basically have faces be larger. But it's super experimental. It's a neat idea about how to adapt to the future.

Ted Sarandos

What we do know too is that the next 100 million subscribers are going to be far more likely to be watching content on mobile than the first 100 million, whether or not they want to watch anything differently, we're going to find out.

Reed Hastings

Let's get one question more from each of you guys.

Doug Mitchelson

So why don't I take the next one, because Scott and I agreed that he would get the last. I'll say for fun, Reed, how much longer to get the next 100 million subscribers if it took 10 years to get the first 100?

Reed Hastings

Well, to more than 10 million how you count the streaming shorter than the first 10, for sure. Scott…

Scott Devitt

And then, Reed for you, if you were to like in your current global dominance in global streaming to any army in the history of the globe, what would that be today?

Reed Hastings

I got the invitation to go visit Albania. So I may - you may see some summer photographs from me with members of the Albanian army. But remember that that's all in fun and that Jeff Bewkes has been a great partner for us. So we do get him and he deserves that. But he really has been a great partner, and we think they will continue to be under AT&T for that matter. Again that comes back to the non-zero sum nature of entertainment. And the more we can all do great content, the better many different providers, including HBO, including Netflix will prosper. So it's up to us just to figure out how to provide the best entertainment possible. Thank you, everyone.