

Netflix revs up growth as streaming TV war looms

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Netflix added some 6.8 million subscribers in the third quarter of 2019 as the streaming television leader girded for heightened competition

Netflix shares rallied Wednesday after its latest quarterly update showed robust subscriber growth and better-than-expected profits ahead of a major escalation in the streaming television war.

Netflix reported a net income of \$665 million in the recently ended quarter, jumping up from \$403 million in the same period last year and topping most analyst forecasts.

Revenue and subscriber growth, however, came in just shy of market consensus. The California-based company saw revenue up 31 percent at \$5.25 billion and added 6.8 million subscribers worldwide to reach a total of 158.3 million.

Netflix shares climbed more than 10 percent after-market trades.

The company, whose recent hits include "Stranger Things" and "The Crown," was upbeat on its ability to thrive even as powerful competitors such as Disney and Apple enter the streaming market in November.

When Netflix began streaming television to subscribers online some 12 years ago—in a pivot from just lending video discs through the mail—it was essentially Amazon Prime, Hulu, YouTube and Netflix itself competing with traditional television, chief executive Reed Hastings said in an earnings broadcast.

And all of the streaming rivals will still find their main competition in broadcast TV, according to Hastings, who was confident Netflix would thrive through compelling original shows.

"We see both Apple and Disney launching essentially the same week after 12 years of not being in the market," Hastings said.

"Fundamentally, it is more of the same. Disney will be a great competitor; Apple is just beginning but, you know, they will probably have some great shows too."



Actress Jennifer Aniston arrives to attend the Los Angeles premiere screening of the Netflix film "Murder Mystery" at the Regency Village Theatre in Los Angeles on June 10, 2019

Clouds loom?

But eMarketer analyst Eric Haggstrom said the latest report includes signs of trouble ahead for the market leader, which fell short of its subscriber targets.

"The fourth quarter represents a completely new ballgame for Netflix as Disney+ and Apple TV+ will compete not just for subscribers, but for hit shows as well," Haggstrom said.

"The fact that Netflix has shown disappointing growth without the new competition present is a negative omen for Netflix in 2020 and beyond."

And more competition looms on the horizon, as AT&T's WarnerMedia will launch its new Netflix rival "HBO Max" in early 2020 after reclaiming the rights from Netflix to stream its popular television comedy "Friends."

Netflix slightly trimmed its forecast for subscriber growth, saying it expected the count to be up 26.7 million at the end of this year, but that its positive outlook for the future remained firm.

It cited factors such as uncertainty about new viewers, response to price changes and forthcoming competition.

The third quarter's rise in revenue also means Netflix could invest to improve the service and make more original shows to battle competition in markets around the world.

"We have been moving increasingly to original content both because of the anticipated pullback of second run content from some studios and because our original content is working in the form of member viewing and engagement," Netflix said.



Netflix will be facing tougher competition from rivals including Disney+ which is set to launch November 12

"We're expanding our non-English language original offerings because they continue to help grow our penetration in international markets."

Netflix has released originally produced local language shows in 17 countries and has plans to expand to 30, according to chief content officer Ted Sarandos.

Netflix's original films released in the recently ended quarter included "solid hits" such as "Secret Obsession," starring Brenda Song, and "Otherhood," directed by Cindy Chupack.

Netflix-backed films set for release this quarter include Martin Scorsese's "The Irishman," with actors Robert De Niro, Al Pacino, and Joe Pesci, and "Marriage Story," starring Scarlett Johansson and Adam Driver.

"Amazing content can be expensive," Netflix said.

"We don't shy away from taking bold swings if we think the business impact will also be amazing."

Netflix said it would spend about \$15 billion in cash on content this year, with the majority of that money devoted to producing original shows.

Netflix also sees its technology platform as an advantage, enabling it to stream to people on all kinds of devices and to mine mountains of data to feed users recommendations about what to watch next—and to give producers insights about what audiences like.

Hastings reasoned that with Facebook and YouTube boasting billions of active users, and billions of mobile phones users who can stream shows from the internet, there is a huge market for Netflix and its rivals to share.

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