

# Netflix rebounds from recent subscriber losses with 3Q gain

October 19 2022, by Michael Liedtke

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The Netflix menu is shown on a screen in Pittsburgh, on Monday, Oct. 17, 2022. Netflix posted its third quarter results a few weeks before the company launches a cheaper version of its video streaming service that will include ads for the first time, a shift that the company is hoping will accelerate its growth again. Credit: AP Photo/Gene J. Puskar

Netflix reversed its recent subscriber losses with a summertime gain that management is hoping to build upon with the upcoming launch of a cheaper version of the video streaming service that will include ads for the first time.

The Los Gatos, California, company disclosed Tuesday that it picked up 2.4 million subscribers during the July-September period, a comeback from a loss of 1.2 million customers during the first half of the year amid stiffer competition and soaring inflation that's squeezing household budgets.

Netflix now boasts 223 million subscribers, enabling the company to at least temporarily reclaim the mantle as the world's largest video streaming service. Walt Disney Co. eclipsed Netflix in August when it reported its service had 221 million subscribers, a number that will be updated Nov. 8 when Disney is scheduled to report its summertime results.

"Thank God, we are done with shrinking quarters," Netflix co-CEO Reed Hastings exclaimed in a video conference call Tuesday. "We are back to positivity."

The uptick in subscribers also helped Netflix earn \$1.4 billion, or \$3.10 per share, a 4% dip from the same time last year. Revenue climbed 6% from last year to \$7.93 billion. The subscriber gains, earnings per share and [revenue](#) all topped analyst projections compiled by FactSet.

Netflix's shares surged by about 14% after the latest numbers came out. Even so, the stock has still lost more than half its value so far this year, reflecting worries that Netflix's best days have passed.

Now that Netflix is growing again, it will be aiming to accelerate the momentum with its first ad-supported plan that debuts in the U.S. and 11

other markets in early November. The new option will cost \$7 per month in the U.S., less than half the price for Netflix's most popular \$15.50-per-month plan without commercial interruptions.

"Netflix still has a lot of room to grow and capture the share in a price-sensitive market," Investing.com analyst Haris Anwar said in a sign of renewed optimism about the company's prospects.

In a possible sign Netflix isn't expecting the ad-backed plan to be an immediate hit, management is forecasting it will add 4.5 million subscribers during the October-December period. Although that would be Netflix's biggest quarterly gain this year, it would still be down from the 8.3 million subscribers added during the same holiday-season period last year.

Netflix is apparently hoping to de-emphasize Wall Street's long-running focus on its subscriber growth by stopping to provide forecasts about how many customers it expects to add from one quarter to the next. Management disclosed Tuesday that its subscriber projection for the current quarter will be its last, but that it will continue to predict earnings and revenue in hopes investors will pay more attention to those figures.

Although investors have generally been enthusiastic about Netflix's expansion into the advertising market, one major concern is whether the additional revenue generated from selling commercials will be enough to offset the losses from current subscribers who switch to the cheaper option from higher prices they are currently paying.

Netflix is projecting revenue of nearly \$7.8 billion for the quarter covering the holiday season that traditionally spurs more advertisers, slightly below what analysts had been anticipating, according to FactSet. If Netflix delivers on its revenue forecast, it will translate into a 4% increase from the same time last year. By comparison, Netflix's posted a

year-over-year revenue gain of 16% in its 2021 holiday-season quarter.

But an analysis by the research firm Insider Intelligence foresees advertising contributing a significant chunk of Netflix's revenue. Next year, Netflix should bring in more than \$830 million from advertisers in the U.S. alone, followed by more than \$1 billion in the U.S. in 2024, according to Insider Intelligence.

"The economics will be just fine," Greg Peters, Netflix's chief operating officer, said during Tuesday's conference call.

Netflix is expecting to bring in even more subscribers early next year when it begins to crack down on rampant password-sharing that has allowed millions of people watch its service for free. As a prelude to forcing a market segment that the company has labeled as "borrowers," Netflix on Monday unveiled [a new feature called "Profile Transfer"](#) that will allow viewers to export their customized recommendations and personal histories to a new account.

"All the stars are lining up for us," Hastings said Tuesday.

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