

Netflix reports a first-quarter burst in subscriber growth

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A Netflix sign is photographed outside its office building in Los Angeles, Wednesday, April 20, 2022. Netflix reports earnings on Tuesday, April 18, 2023. Credit: AP Photo/Jae C. Hong, File

Netflix began the year with another burst in subscriber growth that

eclipsed analysts' projections for the third consecutive quarter, providing further evidence the video streaming service has regained its momentum after a jarring downturn in customers prompted a shake up.

The 1.75 million gain in Netflix subscribers reported Tuesday for the January-March period was nearly 550,000 more than the average estimate among analysts surveyed by FactSet.

Although the subscriber increase was smaller than Netflix has historically reported for the first quarter, it was a stark contrast to the loss of 200,000 subscribers that the Los Gatos, California, company sustained at the same time last year.

That unexpected erosion, marking Netflix's first quarterly losses in more than a decade, prompted management to roll out a low-priced version of its service that includes commercials, and to begin a crackdown on password sharing that's being imposed in phases. Management also stopped estimating how many subscribers it would pick up from one quarter to the next in an attempt to get Wall Street to focus more on its financial results rather than the size of its audience.

Netflix earned \$1.3 billion, or \$2.88 per share, in the first quarter, an 18% decline from the same time last year. Even so, the per share figure was slightly above analysts' forecast, according to FactSet. Revenue edged up 4% from last year to \$8.16 billion, a notch below analyst estimates.

After initially tumbling, Netflix's shares fluctuated slightly up and down in Tuesday's extended trading after the results came out.

"This was pretty much a business-as-usual quarter for us," Netflix co-CEO Ted Sarandos said during a video call discussing the results. Although Sarandos has been co-CEO since 2020, the January-March

period represented the first quarter he has been running the company with Greg Peters, who was promoted to co-CEO in January when co-founder [Reed Hastings ended a long reign at the helm](#).

The still-nascent crackdown on password sharing seeks to end a sharing practice that Netflix allowed to happen unchecked for years while its [streaming service](#) was attracting subscribers in droves. The robust growth gave management little incentive to risk riling customers by reining in password sharing, but Netflix's sentiment shifted after losing 1.2 million subscribers during the first half of last year amid stiffer competition and inflationary pressures that caused consumers to curb their discretionary spending.

"The company is ahead of where it was this time last year but still clearly facing the pressure from all the players in this crowded space," Third Bridge analyst Jamie Lumley said.

Now Netflix is looking to wring revenue from an estimated 100 million viewers who have been freeloading on other people's [subscriber](#) passwords to watch Netflix TV series such as "The Crown" and films such as "All Quiet On The Western Front."

In January, Netflix indicated the tougher password restrictions would be imposed by the end of March, but that didn't happen in several key markets, including the U.S. In [a shareholder letter](#) released Tuesday with its [first-quarter](#) performance, Netflix said the password crackdown would be completed by the end of June.

Netflix also announced that it [is shutting down the DVD-by-mail service](#) that it launched the company a quarter century ago. The service, which boasted more than 16 million U.S. subscribers, had been steadily dwindling during the past decade and generated just \$145.7 million in revenue last year.

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