

# Netflix's subscriber and earnings growth gather more momentum as password-sharing crackdown pays off

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Awards, including an Emmy, are displayed at Netflix headquarters Los Gatos, Calif. on March 7, 2024. Netflix reports earnings on Thursday, July 18, 2024. Credit: AP Photo/Mike Liedtke, File

Netflix's subscriber and earnings growth accelerated in its latest quarter as the video streaming service benefits from a crackdown on freeloading viewers, an expansion into advertising and an acclaimed programming lineup.

The results announced Thursday painted a portrait of a company still gathering momentum after a jarring decrease in subscribers during the first half of 2022 prompted a change in direction.

Netflix added 8 million subscribers during the April-June period, marking a 37% increase over the same time last year. It was the sixth-consecutive quarter of that Netflix's subscriber gains have increased from the previous year, a trend triggered by the 2022 downturn that served as a wake-up call for the Los Gatos, California, company.

And Netflix is still financially thriving. The company's profit in its latest quarter rose 44% from last year to \$2.15 billion, or \$4.88 per share—a figure that exceeded the estimates of analysts polled by FactSet Research. Revenue climbed 17% from last year to \$9.56 billion, also eclipsing analysts' projections.

But management predicted its revenue for the July-September period would rise at a slightly slower pace of 14% from the same time last year, lagging the 18% growth that analysts had been anticipating.

The forecast contributed to a muted reaction from investors who have driven up Netflix's stock price by 32% so far this year. After initially falling by 3% in extended trading after the second-quarter report came out, Netflix shares recovered and were up about 1%.

Given that the competition in video streaming seems to be ramping up again, Investing.com analyst Thomas Monteiro called "the lowering of guidance an intelligent strategy for keeping excitement put amid sky-

high expectations."

As part of a shakeup that began in mid-2022, Netflix has been blocking the previously widespread practice of sharing subscriber passwords with friends and family living in other households. It also introduced commercials for the first time as part of a low-priced version of its service.

Since those moves began rolling out two years ago, Netflix has picked up nearly 55 million more paying customers, pushing its worldwide subscriber count nearly 278 million through June.

But Netflix is bracing for the gains from the password-sharing crackdown to taper off, prodding the company to sharpen its focus on selling more ads for its low-priced option, which the company said ended June with a 34% increase in total subscribers from March. It didn't detail precisely how many of its worldwide subscribers have chosen to watch ads for the cheaper price.

Despite the widening audience for commercials, Netflix said it doesn't expect advertising to be a major source of revenue growth until 2026 at the earliest.

"Ads are going to be a bigger piece of the puzzle, but it won't be in 2024 or 2025," Spencer Neumann, Netflix's chief financial officer, told analysts during a conference call Thursday.

As part of its effort to train investors to pay more attention to its financial growth and foray into advertising, Netflix in April [disclosed it will stop providing quarterly subscriber updates](#) beginning next year.

The profit push also has made Netflix more judicious in its spending, resulting in fewer movies and TV series than the service has been

making during most of the past decade. But the programming coming out of its pipeline is pleasing viewers and winning high praise—as demonstrated by the industry-leading 107 Emmy nominations Netflix received Wednesday.

"Our goal and our mission is we have to spend the next billion dollars of programming better than anyone else in the world," Netflix co-CEO Ted Sarandos said during the conference call.

Netflix's strategic shift also has resulted in more marquee events streamed live, such as a recent roast of retired football star Tom Brady, a hot-dog eating showdown featuring renowned glutton Joey Chestnut and two National Football League games on Christmas Day.

Live shows that pull in huge audiences make it easier for Netflix to sell advertising and, ironically, "take us back to television's roots," Forrester Research analyst Mike Proulx said.

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