Netflix

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Unidentified Participant: Okay, all right, we're on to the second keynote of the lunchtime. Thanks, everyone, for joining, and it's my pleasure for, I think it's the third year in a row we've done this -- that I've done this with you, Ted -- that Ted Sarandos, who is the chief content officer of Netflix, is here to talk about all things Netflix, right at the end of 2019.

Ted Sarandos: It's the third year we get to spend our December together.

Unidentified Participant: Exactly. So, Ted, I went on my smart TV over the weekend, and Netflix still exists as a company. It's still there. If I watch CNBC every day, I get the sense that, you know, Netflix might be heading out of business, because other people have launched competitive services. But, so that's just a joke to start with.

Ted Sarandos: Okay.

Unidentified Participant: So, that aside, this has been one of the more interesting years in terms of streaming media. What's your perspective? Let's take a look back. It's been a long year. We're coming towards the end of it. From your perspective, what have been some of the big, interesting themes, challenges, opportunities that you guys have faced as a company when you look back over 2019?

Ted Sarandos: Well, and it's like -- I'll let you have the joke, but it is interesting. Obviously, people talk about it because -- but I think it's exactly what we had saw coming for a long time. People asked a lot, like, why are we -- why did we start making original content almost eight years ago? And I said, you know, this was the realization that if we were getting -- if all filmed entertainment was going to come into the home on the internet through services like Netflix over time, that the studios and networks would want to start their own businesses and not want to sell us their programming, so we better start getting good at it.

Unidentified Participant: Right.

Ted Sarandos: So, when is the point where you jump in, and when do you start? So this was something that we hoped -- we saw would be coming, and the fact that in the move from linear -- or, from broadcast television to cable television, tons of new players get into the space. It feels, usually, crowded. But what happened is, is that, you know, markets shift around, shares shift around. People developed expertise in the kind of things that they did. There, it kind of really nicheified (ph), and we've been running at a pace where it isn't a nicheification (ph) of the content, but it's an aggregation of those niches. And so, you've got -- which all turn out to be very big businesses in aggregate.

So, trying to win over people's -- when we first started, we used to call it moments of truth and said, when people pick up their remote control, what button do they push? And I still think that's true today, which is like, where do you find the things that you love? Where's the programming that you can't live without, and is it being delivered to you seamlessly? And that is our mission. It's been our mission from the beginning. It is our mission next year and this year, the same. So, it doesn't feel that different to us inside of Netflix in terms of anything that's happened recently.

Unidentified Participant: Understood. So, you've been at the forefront on the content initiative over the last couple of years when, you know, it felt very different a couple years ago to be doing original series, original content, and now there's a whole sort of bevy of original content on the platform. Let's just walk through some of the learnings you've had as you've expanded into series, movies, you know, documentaries, the comedy vertical. Just would love to sort of tease out some of like the evolution of your approach to content as a company.

Ted Sarandos: One of them that might be just characteristic of all of them, but it is, when we started back in the old -- in the original slate of content, the all-you -- releasing all the content at once, releasing all the episodes together is -- turned out to be kind of a big inflection point in entertainment in terms of the way people talk about what -- you know, a change that happened, this binge-watching. But in fact, we didn't go into that to -- you know, designed to be, we're going to make shows and release them all at once. The plan really was, let's make great shows. And then, it occurred to us just before the releasing was that everything on Netflix was all at once because we had all the content, season-after TV. All the rerun content was all at once, and it felt disconnected to have one show that you had to watch one episode a week, and everything else was, you know, all you can eat. And, in general, what we had seen was people had kind of cut their teeth and developed binge-watching, so I think these habits that are (inaudible) sustainable are ones that consumers create on their own and that you harness. So, we didn't actually create binge-watching; the consumers did that. We named it, and we've packaged it differently, but in total, this is what the consumers were doing with Netflix.

And what's probably not covered as much is the creative impact that that has had, meaning that, from the beginning, *House of Cards* was the first show that was written to be watched like this. It was written with the understanding that everybody saw the last episode, so you didn't have to catch up the audience on things. We did a two-season pickup -- which was kind of unheard of at the time, and now it's a little more commonplace -- which meant that when you wrote the first hour, you knew there was going to be a 26th hour. That's had a profound impact on the creative process of television that I think is -- you know, I think that'll be the thing you write about when you think about it, when you look back on this period of time, was an actual shift in the creative of television that led to, I think, a bigger appetite for more programming.

Unidentified Participant: So, you -- I want to stick with that point. I wanted to come back to it later, but maybe we'll stick with it now. How has that changed the way Netflix has interacted with creative talent around media? You know, it's -- you now talk to talent that maybe historically had been movie makers, you know, wanting to put stuff in theaters, the traditional path. You know, showrunners that traditionally went down the broadcast TV route now have multiyear sort of large output deals with the company. How has that dialogue changed? Is it a function of this shift in the narrative of storytelling and some of what you guys led as a company?

Ted Sarandos: One of the things -- the biggest change, I think, has been that creators want to be on the network that they watch, and they want to be on the network that their friends are watching. And that's -- so, us having to overcome the, what are you talking about? You know, you're going to -- what do you mean? You're going to push play and watch things whenever you want with no commercials? All the processes of getting a show to television, we kind of upended at the beginning, and then -- meaning the no pilot, multiseason order, the no -- we get a lot of credit for offering great creative freedom, but remember, at the beginning, I had no staff. There was nobody to interfere with them, so it was very practical not to -- to offer creative freedom.

Unidentified Participant: Not a lot of notes.

Ted Sarandos: Not a lot of notes. It was just me and Cindy trying to kind of corral everybody. But we grew up there pretty fast, but we did it under the same spirit, which was very similar to our corporate philosophy around freedom and responsibility, very similar to our corporate philosophy around hiring the best people, giving them the tools to do the best work of their life, and getting out of their way, that has worked in terms of getting a great executive team at Netflix, and it's worked with creators as well. So, if you pick well, if you pick the people well and you pick the projects well, that's the art of what my team does, and then, enable people to do the best work of their life, not noting things that -- sometimes, there's a great interactive with our creative team and those creators, but I insist that that be an invited process by the creators. In other words, you can give as much input as you're invited to, and you'll be invited to if you add a lot of value.

Unidentified Participant: Right. So, in terms of the competitive landscape, as more and more people are going down the road of streaming, what has that meant for the competition around procuring content and procuring talent? How has that dynamic manifested itself?

Ted Sarandos: Well, it's interesting, because when I get up a few hundred feet, I find the market to be pretty stable, meaning all the new competitors were making programming for other outlets before. So, it's not like there's just been this massive change because there's been a few changes in launches. These folks were all making the programming and selling it to other people before.

So, I said on our earnings call, which I tried to reel back right after I said it because I could see the number appearing in spreadsheets around the world, was that the 30 percent inflation on the most (inaudible) thing. It's a ballpark number just to indicate that, because there is no suggested retail price for a show or a movie, right? So there's no -- these aren't widgets. These are things that, you know, that get competitive and get heated, and how much -- what you do and how you do it determines the price. And, in general, what we've seen is that, just like when we came into the marketplace on *House of Cards*, everyone would say, oh my God, they blew up the market and it's huge inflation, on and on and on. And so, but in total, the market's quite stable. There are a few projects that get very heated and the price goes up. And what we are in the position to do is say, if that project that is expensive and heated and competitive is going to have an enormous business impact, we should buy it. We should pay the price, because that is the clearing (ph) price for that project. And we don't have much concentration risk on any one project that overpaying -- whatever that means -- on one project changes the overall content cost.

Unidentified Participant: Got it. One of the changes we've see over, maybe I would call it the last four or five quarters, is you're starting to give a little bit more data on consumption patterns, around pieces of content. How much of that is just sending a message to the marketplace, part of this idea about content procurement, who you want to partner with? Just to understand the logic and the reasoning we want to share more of that in the public domain?

Ted Sarandos: Well, one of the things is that the behavior itself is becoming more and more mainstream, right, using a streaming video service. We try to give consumers as much choice as possible and try to help them find things that they're going to love. One of the things that we were not giving them is popularity. And I don't think that popularity is necessarily the best or most effective way to find things you're going to love, but it is a way people do it, and we wanted to be able to -- increasingly, we want to be able to offer that piece of information to people who are looking for things that they love. So, we've done some things like -- as you pointed -- we're doing kind of more transparent reporting about numbers. With our producers, we inform all of them of the watching behavior of the show in the first 28 days, the first 7 days, so they know right to the -- you know, they know exactly how they're performing on Netflix. And then, we have been able to, and we're increasing the -- releasing those numbers more publicly.

And the only reason we're not doing it any faster is that we're trying to make sure that we're conditioning the market to what it means. So, when we give a number, it's not apples to apples with a box office number or to a ratings point on Nielsen, because I can't speak to the way they gather those numbers. I only know the way that we do, and if we're the only ones reporting in this form, I think it's easy to get messed up in the press. So we're trying to ease it out and walk people through and think about a viewer on Netflix versus a movie ticket buyer or a watcher of a TV show.

Unidentified Participant: Got it.

Ted Sarandos: And mostly because it's time -- the time that you watch is much more valuable on television versus, you know, the narrow one hour of viewing. So, for us, watching it is very, very valuable. It's more valuable in the first month, we figure, and it's probably more valuable in the first 24 hours when you join, because that might be an indicator of why you joined. So, those are the things that we kind of keep an eye on, but in general, the viewing data, like the opening weekend or the overnight, is not that relative because it doesn’t -- it's not a great indicator of the future success like the way opening box office is. And we don't sell advertising, so that overnight rating point doesn't really drive us.

Unidentified Participant: Yeah. Maybe just to close the loop on this as a topic, just in terms of like acquiring content and partnering with content creators, when you sit down and have these conversations, how much of it is the dollars someone's willing to pay versus the reputation of the platform? And that can take on a lot of different forms, right -- scale, take on -- obviously, you're just coming off a period where it's starting awards season, and it seems like a lot of your content's going to do quite well. You know, how should we be thinking about what tees up that conversation, and what closes those deals so more and more content players want to partner with you?

Ted Sarandos: I was going to give you another couple seconds to say, the 34 Golden Globe nominations, but --

Unidentified Participant: I figured I'd let you --

Ted Sarandos: -- tee it up, okay. But what we loved about it, by the way, was 17 in television and 17 in film.

Unidentified Participant: Yeah.

Ted Sarandos: And including four best picture nominees, which is really -- that's, for us, in terms of where we started just three years ago on original films, we're really excited about it -- and mostly excited for our creators, since they get recognized by their peers and in the film community for making great, great films, such as *Dolomite* and *Two Popes* and *Irishman* and *Marriage Story*, and *Marriage Story* being the most nominated film in the Golden Globes this year, and *Irishman* being named to the -- the number one film of the year by the critics' associations all over the world. And it's going to be a fantastic run for the -- for all those films, so we're super excited about that. And I think it's a good mark of quality, both for the industry and for consumers, meaning, again, you want to be at the place where all the good stuff's happening, and that is happening in Netflix. In the U.S. of course, but all over the world, that's true even though we don't always have the scale that we have in the U.S. in every country that's emerging.

Some of the things, like in India, our series, *Delhi Crime* just won three Asian Academy Awards, which is basically -- and the show's incredibly impactful in Asia relative to the population, and we're pretty small there yet. But the shows have been impactful enough that it's very attractive to creators to be on a platform where they're talked about. I believe that creators mostly want to be in the culture. They mostly want their work to be seen and recognized and talked about, and Netflix can do that like nobody else.

Unidentified Participant: Right. When you think about building a content slate, one, two, three years forward --

Ted Sarandos: Are you going to let me off the hook on *Irishman*? Because you were setting me up on the numbers; I thought you were going to ask --

Unidentified Participant: No, we'll come back around to that, if you'd like to talk.

Ted Sarandos: Okay.

Unidentified Participant: I did want to close the loop on one thing, though. In terms of a TV series or the potential of something that could have a long duration and maybe a wide moat around it, like a *Stranger Things*, versus making a *Irishman*, what's sort of the thought process around something that's a movie, could be event driven, could have a long life and a library content value, versus something where every 12, 15 months, people come back to it? Could be a stimulant of gross ads in a given period, as word of mouth continues to build. How do you think about the relative sort of investment versus return you might get from that? I know you're not going to give the numbers, but just the thought process.

Ted Sarandos: Yeah, there's a lot of flavors to it. So, I do think that a event -- one thing about -- just think about movies versus television for a second. Yes, they're shorter running times on the movie side, but I think the consumer understands the value proposition of new movie watching better than they do for television, meaning more intuitive, more instinctively. When they watch *The Irishman* on Netflix, they know what it cost for -- if you're in New York, that's a $100 night out. So I think they make the --

Unidentified Participant: Right, I'll take the (inaudible) in my house.

Ted Sarandos: Exactly.

Unidentified Participant: That's dinner, that's --

Ted Sarandos: Yeah, that's where you start that.

Unidentified Participant: -- dinner, the whole thing.

Ted Sarandos: Yeah, so when you think about that, I think people understand the value proposition of a big, new movie this week on Netflix, and they make that -- that, I think, translates into how they value Netflix. Differently, I think, on television, some of the alternatives to watching pay television or watching what's perceived to be free television, so it's not as clear as it is with movies. And I think that the notion of eventizing (ph) a movie like -- you know, like *Irishman* is a good example. It's considered a movie event, which can happen every weekend, and the idea that -- so the opportunity to do it is not limited to the fall season of television or the regular cycles of television.

But I think one of the more interesting creative evolutions will be, in this new kind of world of -- this new paradigm of consumption, is there a bias towards new? Yeah, because there's a lot of new. And so, I wonder -- and I think maybe one of the things that evolved is the measure of success of a TV show historically has been, how many seasons does it run? And one of the costs of that -- costs, however you think about it -- but one of the costs of that is, the first season of a show is creatively driven, completely. This is the story I've been dying to tell. This is the -- we're going to start here, and we're going to go here. And then, in later years, we're going to do all these things, but very vaguely. And so, the first season's super creative driven. Everything after that's a business -- is business driven, and the creative sometimes can give.

Now, every once in a while, you have shows that are bigger and better than season one in subsequent seasons, but they're pretty rare. And even more rare is something like a *Friends* or an *Office* or a *Seinfeld* that's around, you know, decades after it's on television. But, for the most part, this kind of leftover or remnant measure of success around how many seasons may be another interesting evolution of this model, which is that things should be made exactly what they should be creatively. You know, this is a 30 -- *The Crown* is an example. When we greenlit *The Crown*, we greenlit it conceptually as a six-season show. We knew exactly, beat for beat, episode for episode, where that show was going to go over six years. That show will not be a failure if it doesn't go to season seven, you know what I mean?

Unidentified Participant: Right. So, the way -- not to make it the *Irishman* question, but the way I wanted to ask the question around movie viewership is, I think what we struggle in looking at it, trying to judge success -- and we're doing it from the outside looking in -- is you get these numbers, and it's X number of people streamed it in a certain period of time, and then we all attach some sort of ticket value to that, say it's this kind of movie. Where are we wrong in taking that approach, or how do you think about it?

Ted Sarandos: I don't know that it's wrong, I just think it's imperfect. I think in terms of it, it is a movie experience. They may have gone to a movie and bought a ticket instead, you know, so you have to figure out all those ways to discount it or to put your thumb on the scale for it. I'm not sure how you think about it.

I will tell you, because I'm just going to -- I wrote the number down because I want you to -- I wanted to get it correctly for you.

Unidentified Participant: Yeah.

Ted Sarandos: So, the first week -- I was thrilled, by the way, with *Irishman*'s performance. The first week, the seven-day first on, it's $26,404,081 million people watched the way we measure, which is at least 70 percent of the film. So, we didn't change the measurement, even though it's three and a half hours long, and we expect in the first 28 days it will be -- that number will be around 40 million -- 40 million people. Now, to your thing, you could apply a ticket thing to that, but what you might miss is that most people don't watch movies alone, so there could be three people in the house, could be five people in the house. You know, people watch together. They watch on multiple -- that only counts if three people watch the Netflix -- or, watch it at different times in the house, that only counts as one. Those are accounts.

Unidentified Participant: Got it.

Ted Sarandos: That's our -- the 26 million is accounts.

Unidentified Participant: So it's a household number.

Ted Sarandos: It's a household number, yeah. So, it could be more than that, but 100 percent of them wouldn't have gone to the theater instead, so you have to figure out whatever math makes most sense for you. For us, that number makes sense to us, because that's valuable to us.

Unidentified Participant: I can only imagine, between that and the awards, Mr. Scorsese was pretty happy he partnered with Netflix.

Ted Sarandos: He was very happy. And this was the movie, remember, that they tried to get made for over 13 years, and this was -- and people have given me a lot of credit for this risky bet, but betting that Martin Scorsese is going to make a great mob movie with Robert De Niro and Joe Pesci and Al Pacino doesn't seem like a longshot. But I would say, in defense of the old system, if the only way we can monetize that investment was selling movie tickets to a three-and-a-half-hour movie that you could show basically once a day, it's not a great payback. But our monetization is different, which is different and enables things that are, you know, different. They don't have to do a big opening weekend to get the payback. And that could really have a big impact on the business and have a big impact on the culture, and tell stories that otherwise couldn't get made.

Remember, the real risk of *The Irishman* at the beginning was that the technology, the de-aging tech did not exist. It wasn't ready when we greenlit the movie and started shooting, and the bet was it would catch up. But, in -- and we've been thrilled with the -- obviously, with the outcome, because I think you've made a -- Marty has made a -- maybe a once-in-a-generation film, and really reignited people's relationship with movies. The thing that's exciting about 26 million people -- or 26 million accounts or households, however you want to do it -- is look at all the other things you could do on those screens now: social media, gaming, I mean, on and on and on, and people still choose a relationship with a film, and they still choose to watch longform film, really longform film in this case. But in saying they sit down to watch a three-and-a-half-hour movie, and it does certainly run counter to this narrative that people don't have much of an attention span anymore.

Unidentified Participant: That's true. Coming off of that success, you know, how should we think about your film strategy over the next three to five years? You know, I think we get asked a fair bit of, you know, do you see -- do you think Netflix makes *Star Wars*, *Avenger* type movies over time? Or is it more event-type movies over time, but of a more theatrical movie quality type nature? How do you think about distributing capital in a way to sort of accomplish what you want to with the film strategy for the company?

Ted Sarandos: I think you think of it as, at the beginning, because of some of the challenges you talked about with the ecosystem and creators and owned IP and all those things, we're basically making the movies that would otherwise be difficult to make. That was, I'd say, how we got into it. And I'd say that we've quickly evolved to the movies that everyone wished they made, and that's what I'm shooting for. So, these are films that you would have seen in the theaters, that any studio would be thrilled to have as the center of their slate, but they're premiering on Netflix and being produced the way that the filmmaker wanted to make it and could make it.

And that is big theatrical events, theatrical-style events, but it's very small indie movies that are going to open at Sundance this year, and it's kind of everything in between. So, I think people's tastes are that diverse, and our brand is that broad and inclusive that we can take all those different ways that people like to watch in. I like to think that a lot of what people use Netflix for is the thing they use storytelling and movies and television for, is to connect, to connect to somebody, to connect to the world, to connect yourself to things. And to do that, sometimes it is a, you know, put everything on hold and watch a big spectacle, and other times it's watching a foreign-language film from a -- that reminds you how small the world is, and that folks could be going through the exact same thing as you are on the other side of the world.

Unidentified Participant: So, as we come to the end of this year, what do you think the sort of enduring lesson learned should be for the way your content strategy evolved, you know, starting of 2018, ending of 2019, and what do you think people should take away from that in terms of how the content strategy continues to evolve in 2020 and beyond?

Ted Sarandos: Well, it's interesting. I'm sorry; I cut the other answer short. You asked about some of the things on the (inaudible) style things. So, we also -- we tend to think, I think, in the short term or the long term, and sometimes it's, I've got to do all of it. So like, in the -- before the end of this year, we still have *6 Underground*, we have a new series called *The Witcher*, and we have a new season of *You*, which was one of our hottest shows from last year, still coming before the end of this year. Into next year, one of the things that I'm really thrilled about -- and then -- and *6 Underground* will premier tonight in New York, and then on Netflix next week.

But one of the things I'm really excited about is, we've put in -- and we're thinking -- right now you're asking me about next year and the year after. You know, we're working mostly on 2022, '23 right now, and we -- our investment in animation is something that we're really excited about, that we started about three years ago. And these are, remember, long-lead productions and development cycles, so the things that we stepped into, we're just going to start seeing coming up next year. And *Klaus* is the one we did this time, which was kind of a hybrid we did with Sony Imageworks. And then, *Over the Moon*, which will be next year, end of next year, is going to be kind of this very much more ambitious feature animation that we think will be representative of things that we're building right now, which is the -- the animation features that are theatrical-like, (inaudible) the way you put it earlier -- but doing that maybe four to six times a year, and doing that with everyone who's created great animation for every animation studio in the last decade are working on their next projects at Netflix right now.

And it's a -- so (inaudible) it's a very big effort that we've got going into it. And I think about -- if you think about the scale of it, like *Green Eggs and Ham* that we just put out recently, you know, we greenlit that almost four years ago. So that's the kind of lead time that we're thinking about in these investment segments, and animation is a particularly long lead one, but we think it's a particularly important one, too.

Unidentified Participant: Got it. I wanted to shift to ask probably the topic other than competition, where a lot of ink was spilled about the company this year, which is the decision to -- you know, some of the content that's coming off the platform from a license standpoint, and then the deal to bring *Seinfeld* into the platform. Can you just walk us through the thought process? Like, what did you see in terms of the way some content had performed on the platform up to the point where there was a decision to be made versus the decision to bring new licensed content that had not been on the platform before, and what sort of the tradeoffs were in that thought process?

Ted Sarandos: Well, I think -- you know, I was joking earlier today that we used to get beat up because we didn't have anything new; we only had a bunch of old stuff. Now, everyone beats us up for not having the old stuff.

Unidentified Participant: You can't win.

Ted Sarandos: You can't win.

Unidentified Participant: That's the (inaudible).

Ted Sarandos: Yeah. But the thing to think about, I think, is that what we really want to be focused on, while -- in the history of television, there's been a few shows, like I mentioned earlier, that have been enduring a century after -- or in *Seinfeld*'s case, 30 years after -- and to say that would that -- how often does that happen, and what's the -- and when are you going to get into the business of creating that? And if we get too bogged down in trying to keep everything on, no matter what, at any price, we'll never get into trying to create the next

Office and *Friends*, and that's really what we're trying to do.

And I would tell you that the value of -- like I mentioned earlier about the evolution of the on-demand space and the bias towards new and those kind of things, the value of those shows -- viewing value -- was going down, and the costs of them was going up, pretty dramatically in the opposite direction. So, it creates a massive opportunity cost to cling onto things that would be radically overpriced relative to their viewing contribution. And *Seinfeld*, while that sounds like, well, you didn't do those and you did that, my view was that it had been hugely underexploited up until now on on-demand platforms and that we'd have the opportunity, at the price paid, to see the viewing value the way we valued everything else, and came to the conclusion that that wasn't worth that price point, and this one was worth that price point.

Unidentified Participant: Got it. Well, for what it's worth --

Ted Sarandos: And it's very rare. I mean, like I said, we can sit here the rest of the afternoon, and you won't be able to come up with too many others that would perform in that way or be talked about in this way.

Unidentified Participant: Well, I'm personally excited to see Steve Carell in *Space Force*, whenever that finally does come.

Ted Sarandos: I think that is the example of something, both that we're excited about next year, but also on getting to business that *Space Force* was an idea generated inside of Netflix with our comedy team, went out to Greg, who created *Office*, and Steve Carell. And I'll -- shooting on stages a block and a half from our offices, and it's a -- we're thrilled about it. It's super funny, and it is -- you know, like I said, it's our getting into creating the next-generation *Office* and *Friends* and all those things. I don't know if this is the one, but you have to do it. The only way to get there is to do it, and for us, it's like we're taking a lot of swings at it. It requires a lot of at-bats, and you will have some misses, but you know, the wins are worth it.

Unidentified Participant: So, as you look out to 2020, I know a lot of the planning for that has been happening over the last couple of years. What are you most excited about to put in front of consumers from a content standpoint, as we look out over the next 12 months?

Ted Sarandos: This is like choose your babies, which is really hard. But one thing I'd say, like the -- we talked about the future animation and the animated series rollout is something that's really something that we're really proud of and something we're really excited about the progress of. Our films, the cadence of our kind of theatrical quality films is going to keep ramping up. Our series work has been -- we have a -- I mean, again, I don't want to start name-checking things, but like, *Locke & Key* is a series that's coming up that looks really great. *Nurse Ratched* is from -- Ryan Murphy's new show. It's his last show through our -- through the old Fox deal before his first Netflix Original-produced show, which is *Hollywood*. Both look fantastic and super promising. Our first shows from Shonda Rhimes, *Anna Delvey* and *Breckenridge*, are coming out -- are in production now -- *Bridgerton*, sorry -- are in production now, and, super promising, again.

On the international original side, we have 130 seasons of local language international content, original series coming from Netflix all over the world. Some of them will be global sensations; some of them will be regional sensations. Some of those will be country sensations, and that's how it's designed. So, we're really thrilled about all of that. And I think the amping up, I know we get ribbing about the Christmas movies because some of them are great and some of them are not, but people do love them regardless. And we have two coming up next Christmas that are super exciting that are *Jingle Jangle* and *Christmas Chronicles 2*, which was a big hit for us two years ago. So, we continue with the investment in that, too.

Basically, our goal is unchanged. Make the movies and TV shows that you can't live without, and deliver them seamlessly.

Unidentified Participant: So, you touched upon there with local language content. Obviously, we've seen examples like *Dark*, which were local language and then went more global. We've seen examples like *Sacred Games*. We saw what happened in South Korea and Turkey over the last 12 months with individual pieces of content. Maybe talk a little bit about where that might fit in the broader mix of content over the next couple years and how that mix will evolve, and also the cost. You know, we've talked in prior years about how, just generally, the cost of developing and creating that content can be quite different than making a very large-scale movie.

Ted Sarandos: It can be. It's not meant to be a cost savings, like I said, but I think the main thing is, what you want to do is keep upping the ante on that international programming so it kind of mind blows -- is mind-blowing relative to expectations. So, there's in -- *Casa de Papel* is an international success, to the degree that if it got watched in the U.S. as much as it got watched in almost every other territory in the world, it would be our biggest show on the planet. It is a huge success throughout Europe, throughout Asia, throughout Latin America, and I think it's a brand that -- what's unique, I think, is what will evolve is, as people have access to programs from around the world, will it change their habits?

It's a big cultural bet, it's a big behavioral bet, and it becomes a financial bet over time, which is that English language television fans and movie fans have had such an embarrassment of riches that they've not had to go outside of English language content to find something they love. And mostly, it's been hard to get to and not always localized very well. So, the art of dubbing and subtitling into English has been underappreciated and underinvested in. And I think you see things like, take a look at season three of *Casa de Papel* and you'll see a very artfully dubbed show into English and that people would really enjoy it as a total action movie -- as a total action show. And the fact that it's artfully dubbed, it's not distracting to watch the lips not sync, and so there's a whole art to that that we're going to get better and better at. And, if you think about the relatively few people in the territory who watch foreign language content growing, little bit by little bit by little bit over the course of a decade, that number could be twice as big as it is today in a decade and how that changes the scope of things.

So, the goal has never been to export Hollywood content around the world. It's been to tell stories from anywhere in the world to everywhere in the world, and that includes English language territories.

Unidentified Participant: And one more you've talked a lot about -- I don't think an earnings call goes by it doesn't get asked about -- is India in terms of content, the strategy there around distribution. Obviously, this past year you went into a mobile-only offering in India to broaden out the distribution of the content. Talk about India as a market, maybe how the efforts around content have evolved and how the efforts around distributing the content and the platform expanding have evolved.

Ted Sarandos: Yeah, so I'd say we're in our early days still in India, and the market potential there is enormous, and we're investing. Reed was over there last week, and I think he dropped a number (inaudible) investing about $400 million in original programming there. And that's his -- and that was in the budget. It wasn't like we had -- it wasn't new news and we're just dropping that in. That's what we were doing.

There's a lot about these markets that evolve from when we first get there. I think when we enter a new market space, the thing we have to do, first of all, is figure out the tastes of the local culture, and is our programming meeting the taste of the local culture? Then, does the internet work well? Does the banking infrastructure work well for credit card for payments, and all those things? And mobile -- the mobile testing that we've done in India, again, it's a very unique market in that it's very heavy mobile, and figuring out the mobile-only plans, both economically and from a service standpoint, and we found them to be kind of revenue neutral to positive, and a way to get broader distribution in India.

So, we'll get better and better at that, the way we did in -- throughout Latin America starting -- we're about three years behind from when we launched in Latin America, with a lot of the same learns.

Unidentified Participant: Right. Is there any individual or unique challenges around, as more and more of the content you want to distribute is consumed on mobile phones, whether that creates interesting challenges for creators on your platform? I mean, I noticed Martin Scorsese I think went out of his way to say, like, I really hope nobody watches this on a five-inch phone, or something like that. I saw a quote in the (inaudible). But does it create challenges when you think about global scale?

Ted Sarandos: I don't think so. The things that get watched on mobile versus TV --

Unidentified Participant: I couldn't see watching a four-hour film on a five-inch screen.

Ted Sarandos: No, but you might watch it 20 minutes at a time. Like, the way that people consume is just very personal, and sometimes you do it just out of convenience. Sometimes, people do it out of, there's no place in their home to watch something by themselves, and that's how their interaction with programming has always been. And some of it's just generational. The great films of my son, who is a film student, is only seen on his phone is mindboggling to me, but quite natural to him. So, I mean, he's seen -- he watched *Lawrence of Arabia* on his phone. I think it's --

Unidentified Participant: Oh, boy.

Ted Sarandos: It sounds almost sacrilege to some, but to him, that's just like -- it's just like where -- we look like old men yelling at the clouds when we do that, so…

Unidentified Participant: I look like that most days. One of the questions we probably get the most, and I think with some of the volatility maybe on the subscriber side this year, I think it's led to this, and it's more of a content question. Is content increasingly a stimulant of gross additions or term reduction? Like, how do you think broadly what content does to the subscriber base?

Ted Sarandos: I think it's both. Net adds is what we're talking about, and that's a combination of churn and new subscriber -- and new growth, new members in. It's very hard at the number -- at kind of the base that we have to be able to point to one thing -- this show drove X number of subs, or this movie drove X number of subs, because so much of it happens in churn that you really don't know what would have happened otherwise. There's no holdback test where I could say, let's not make *Irishman* available to some part of the world to see how that works. We definitely don't want to do that.

Unidentified Participant: So, maybe just a couple -- I know we're running towards the end of the time here, but the output of all the content creation normally is the pricing power on the platform, how the distribution is priced. But how do you think, as the content costs continue to rise, pricing power has moved up over the last couple of years for the platform itself. How do you think through the return you're getting on content as a platform? I think a couple years ago, I asked you about whether the return was the same of an incremental dollar of content growth. But how should investors think about pricing powers and output of all the great content you're creating against the level of the budget you want to spend on content?

Ted Sarandos: Well, I mean, I would I guess go back to the beginning. I think about content cost as relatively stable. There are a handful of projects that get heated up, don't really change the profile of content costs in total for us. But I would say that you should think about success against that investment on things like net adds and ARPU versus the viewing of one individual show, or what does one show drive things? It's like, are we growing viewing -- we do it internally on viewing hours because we think that leads to pricing power. We think that leads to --

Unidentified Participant: Lower churn, all of that.

Ted Sarandos: -- lower churn, all the positives, so all those business positives. We've not seen an inflection point or one on the horizon that says we should be investing less than we are now, and we just want to -- you know, so we're continuing to see positive results from the investment. So, we're going to keep doing that, until we see something at least on the horizon, which we've not seen.

Unidentified Participant: Right. One more content question. How do you think about the right mix inside the company of either partnering on content, owning the content outright, creating it yourself? So it seems like there continues to be an array of ways in which you can build your library to go to market every year. What are some of those choices, and how do you think about the relative strengths and weaknesses of those approaches?

Ted Sarandos: I think it's really important that we stay creative-driven first, so the projects that we want to put for our customers (ph) are great. We shouldn't get too hung up on what the business model is for that individual thing versus somebody else having the great content. So, in general, we have to be very -- we're flexible with our creators. It's best if -- look, on a continuum, we like to own the IP and produce the content so that we don't get in -- have conflicts with the rights, because we're a global platform and we premier everything globally. So, by doing co-productions or other -- people owning the underlying rights, they do things like go to the syndication market while we're still running, or go to the DVD market that's disconnected with ways that we want to, and those things. So, having the ability to -- that's the (inaudible). Is that our alarm?

But in general, I'd say that we've got stay creatively focused and be very flexible on business terms.

Unidentified Participant: Right, okay. One last one on --

Ted Sarandos: It's great to own *Stranger Things*, but I wouldn't have wanted to miss *The Crown* because we can't own it.

Unidentified Participant: Understood. One last thing on distribution, back to the movie strategy. Obviously, there was a lot around *The Irishman* on putting it in theaters, and I think you guys got really creative as it got closer to the release date about the way in which it would appear in theaters. How do you think about that relationship continue to evolve? I mean, it feels like innovation is going to happen. It's just a function of friction points you run into.

Ted Sarandos: I think the -- someone asked me earlier today, what's the perfect distribution model for a Netflix movie? And I think it's day and date (ph), broadly distributed. So, as many theaters as you can -- as you do it, but day and date. Because I think what I want to do is give the consumer choice. So, if you want to go out and see a movie this weekend, you're ready to go out, and maybe the best choice is a Netflix movie. So what we've seen is, when we do release our movies day and date with independent theater owners all over the world, about 80 percent of the ticket buyers are Netflix subscribers. So they could have stayed home and watched it, and they decided to go out for the night, which is a good brand reinforcement for us and all those things, so we're not -- we're happy to do it and to create the business.

What I don't want to do is create this long window that is anti -- I think it's anti-consumer, which is, I think once we start telling people, there's a great movie out there, it's called *Irishman*, don't make them wait four months to get it on Netflix. And so, and we did try to work with the theater owners to try to figure out some window, somewhere in the middle between their long, exclusive window and our day and date, and we couldn't land anything that they liked or that we could live with. So, we wound up working with a great conglomerate of independent film -- independent theater owners who have done tremendous business on *The Irishman* all over the world. Remember, *Roma* is still in the theaters in big parts of Europe right now. So, it's not like we're trying to keep movies out of theaters. We think if people want to go see a movie in a theater, it's great, and that our movies may be better than the other alternatives, then there's a business to be had there, and it's not cannibalistic to us in any way.

So, and it'd be perfect if the people had more choice and could go more and more and more places. But, you know, we were able to do some very fun things, like we took the Belasco Theater and sold out the 1,000-seat theater almost every night for *The Irishman*. And so, that's just one way of doing it, but -- because the one thing about the independent houses versus the big chains is most of the high-seating-capacity rooms are owned by the chains, so it puts you in smaller rooms.

Unidentified Participant: That's fair. You've always been a great participant in the fact that this is December and we always ask you for an outside-the-box prediction. You know, as you look out to 2020, you obviously are immersed in the media landscape broadly. You know, anything you see out there in 2020 that you think investors or media watchers should sort of keep in mind for outside-the-box thoughts?

Ted Sarandos: I think it's probably outside of the box to say that nothing dramatic is going to happen soon.

Unidentified Participant: That is definitely outside the box in the last couple of months.

Ted Sarandos: Because, like I said, we are executing on exactly what we set out to do, under the exact same strategy and the exact same wins and losses as we were before. So the idea is, we want to get out there, keep focusing on our members, their enjoyment, as measured by their usage and their retention and their willingness to tell a friend to join Netflix. And if we keep doing that, I think we're going to be just fine and that outlook thing -- my outside-of-the-box will probably be more accurate than most radical ones.

Unidentified Participant: Interesting. Well, Ted, first, happy holidays. Thanks so much for being part of the conference. Please join me in thanking Netflix for being part of the conference.

Ted Sarandos: Thank you.