

Netflix, Inc. NasdaqGS:NFLX

M&A Call

Friday, December 5, 2025 1:00 PM GMT

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Presentation

Operator

Welcome to the Netflix to acquire Warner Bros. Conference Call. Our host for today's call is Spencer Wang.

[Operator Instructions]

I would now like to turn the call over to your host, Spencer Wang, you may begin.

Spencer Wang

Vice President of Finance, Corporate Development & Investor Relations

Thank you, operator, and good morning, everyone. Thanks for joining us on such short notice to discuss our agreement to acquire Warner Bros. You can find more information about the transaction in a press release on our Investor Relations website at ir.netflix.net. Today's call is also being webcast. After the call, we'll post a replay and transcript and our investor presentation on our website.

Joining me for today's call, our co-CEOs, Greg Peters; and Ted Sarandos; and our CFO, Spence Neumann.

We'll now run through a quick presentation and transaction summary, and then we'll open it up to Q&A. As a reminder, we will be making forward-looking statements, which are subject to risks and uncertainties. Please read our cautionary statement at the end of this presentation. You may find further information on the risks and uncertainties that apply to any forward-looking statements in Netflix's and WBD's SEC filings on our respective investor websites.

With that, let me turn the call over to our co-CEO, Ted Sarandos.

Theodore A. Sarandos

Co-CEO, President & Director

Thank you, Spencer, and good morning, everyone. This is a big day. We're really beyond excited to welcome Warner Bros. to Netflix. And I want to start by thanking David Zaslav, the Warner Bros. management team, the Warner Bros. Discovery Board of Directors for trusting us with this incredible legacy of world-class storytelling.

To recap the news, I'm sure you've all seen, earlier today, we announced an agreement to acquire Warner Bros., including its film and TV studios, HBO Max and HBO in a cash and stock transaction with a total enterprise value of approximately \$82.7 billion. This acquisition brings together 2 pioneering entertainment companies. The transaction is expected to close between -- in the next 12 to 18 months and follow the previously announced separation of WBD's Global Networks division, Discovery Global.

The acquisition is also subject to regulatory approvals and approvals by the WBD shareholders and all the other customary closing conditions. Our plan is to operate -- continue to operate the iconic Warner Bros. motion picture and television studios, including HBO and the theatrical film releasing.

I'm grateful to David for agreeing to run the company until the transaction is complete. I know some of you are surprised that we're making this acquisition, and I certainly understand why. Over the years, we have been known to be builders, not buyers. We already have incredible shows and movies and a great business model, and it's working for talent, it's working for consumers, and it's working for shareholders. But this is a rare opportunity that's going to help us achieve our mission to entertain the world and to bring people together through great stories.

We've built a great business and to do that, we've had to be bold and continue to evolve. Remember, we started off as a DVD-by-mail company, then we moved to streaming, to producing original content, live programming from a U.S.-centric business to a global business.

In a world where people have so many choices, more choices than ever, how to spend their time. We can't stand still. We need to keep innovating and investing in stories that matter most to audiences. And that's what this deal is all about. The combination of Netflix and Warner Bros. creates a better Netflix for the long term. It sets us up for success for decades to come.

Warner Bros. has some of the best entertainment in the world, period, from the top time franchises like Harry Potter, brands like the DC Universe, shows like Friends and Game of Thrones as well as both Warner Bros. CBM film production and HBO and HBO Max programming. HBO Max also has a large and loyal audience with a streaming subscriber base of roughly \$100 million across 100 markets.

Finally, Warner Bros. is a world-class organization, recognized as a leading supplier of television and powerhouse in the films entertainment. HBO and HBO Max also provide a compelling complementary offering for consumers. We expect these businesses by joining forces, we are creating a stronger organization than either of us could have achieved alone. We have the innovation, global reach and the best-in-class streaming service to bring these franchises, brands, shows and movies to a larger audience than ever before. And that's why we think this deal makes so much sense.

Netflix and Warner Bros. really do complement each other. Together, we can give audiences around the world even more value and choice and get one step closer to being the most loved and the most valued entertainment company. Warner Bros. has helped to find the last century of entertainment. And together, we can help define the next one. And with that, I'm going to turn it over to Co-CEO, Greg Peters, to talk more about the strategic rationale for the deal.

Gregory K. Peters
Co-CEO, President & Director

Thanks, Ted. I just want to take a few minutes to elaborate on why this deal makes strategic sense for Netflix, for Warner Bros. and all the stakeholders that we serve. First and foremost, consumers. This deal provides greater choice and value for consumers. Warner Bros. has one of the world's deepest libraries of IP, of films and TV shows and for our members, that means more bang for their buck, that means a wider variety of high-quality shows and movies. It's also great for Warner Bros. and for the creators that they work with, our global audience, our high expertise in streaming. That all means that their stories are going to reach more people, they're going to track more fans than they do today.

This combination will also strengthen the entertainment industry in a couple of keyways. Warner Bros, of course, has got extensive studio assets. They've got great capabilities, including a leading television studio. And this acquisition will allow us to significantly expand our production capacity in the United States and keep investing in original content over the long term.

That means more opportunities for creative talent means more jobs created across the entire entertainment industry. Warner Bros. IP also means that we'll be able to build on worlds and characters that audiences absolutely love, which means more opportunities for creators to tell those great stories. Finally, we expect this transaction to create value for our shareholders. Warner's IP and library accelerates our ability to execute on the goal that we've always had to deliver more and even better content for our consumers and to entertain the world.

By offering audiences more of what they love, we expect to attract and retain more subscribers, drive more engagement and generate incremental revenue and operating income. We think this acquisition will make Netflix even better and accelerate our business for decades to come. I'll tell you a little bit more about that and to go over the details of the transaction, I'm going to turn it over now to our Chief Financial Officer, Spence Neumann.

Spencer Adam Neumann
Chief Financial Officer

Thanks, Greg. So let me walk you through some of the key financial details of the deal. We're acquiring Warner Bros. in a cash and stock transaction valued at \$27.75 per Warner Bros. Discovery common share. WBD shareholders will receive \$23.25 in cash and \$4.50 in shares of Netflix common stock for each of WBD common stock outstanding at the close of the transaction. The stock consideration has a collar mechanism to protect both sides which is further detailed in our press release and our recently filed 8-K.

As Ted mentioned at the beginning of the call, this deal will close after WBD separates its Global Networks division, Discovery Global into a new publicly traded company, which is now expected to happen in Q3 of 2026. Our transaction, which has been unanimously approved by the Boards of both Netflix and WBD is expected to close in 12 to 18 months, subject to customary closing conditions, including WBD shareholder and regulatory approvals.

The equity value of this acquisition is \$72 billion, and the enterprise value was \$82.7 billion. We intend to fund the transaction through a mix of cash on hand, new debt financing and stock, which we detail on this deal summary slide. We expect Warner Bros. to generate roughly \$3 billion in EBITDA in 2026 and with the addition of an expected roughly \$2.5 billion in run rate cost savings. That implies Warner Brothers EBITDA of approximately \$5.5 billion and a post-synergy enterprise value to EBITDA acquisition multiple of 14.3x. In addition to the strategic benefits that Greg outlined, we expect to drive a number of financial benefits from this combination: First, by offering more TV series and films to members, Netflix expects to attract and retain more subscribers and grow engagement, revenue and operating income.

As I just mentioned, we also expect to realize at least \$2 billion to \$3 billion of annual cost savings by the third year post closing, and we expect the deal to be accretive to GAAP EPS and by year 2 post closing. And post close, we're committed to maintaining a healthy

balance sheet and our solid investment-grade credit ratings. We expect pro forma leverage to be elevated at closing with a clear plan to bring that back under rating agency targets for our current ratings within 2 years after closing. While we'll prioritize deleveraging during this period, we also expect to continue share repurchases. We are excited about what this combination means for Netflix. You heard that from Greg and Ted. This deal gives us more tools to innovate and grow. We're confident it will help drive long-term value for our shareholders for years and years and decades to come. So with that, I'll hand it back to Greg for a few closing thoughts before we open it up for questions.

Gregory K. Peters
Co-CEO, President & Director

Thanks, Spence. Before we move to that Q&A, I think it's worth just reiterating the bottom line for us in this deal, and that's that we think this deal is really good for all of our stakeholders. It's going to mean more options for consumers, it's going to mean more opportunities for creators more value for our shareholders. Together, we've got the chance to bring great stories, cutting edge innovation and more choice to audiences everywhere. And we can do that all while preserving the century of incredible storytelling that makes Warner Bros. so special. I know I speak for Ted, for Spence, for the rest of the Netflix leadership team when we say we are really looking forward to working with Warner Bros. exceptionally talented teams to deliver the absolute best entertainment for our members around the world.

With that, operator, let's open the call for questions.

Question and Answer

Operator

[Operator Instructions]

And our first question will come from Ben Swinburne, Benjamin Swinburne.

Benjamin Daniel Swinburne

Morgan Stanley, Research Division

I'm sure there's a lot of hard work to get to this point. You guys are spending quite a bit of money to acquire this asset, obviously, a much larger acquisition that you've ever done before, \$70 billion plus. So you must think you can create value for your shareholders. You talked about that a bit in the prepared remarks and make these businesses worth substantially more than what you're paying. So could you talk about how that happens at a high level? Because the release kind of talks about both leveraging this IP on Netflix, but also continuing to run the businesses kind of as is.

And to some degree, there's no free lunch, right? It's sort of one or the other, at least on a specific show or film basis. So I'd love to hear more about how you think this ultimately creates value for your shareholders? And specifically, how you think about running these two businesses, the Studio and HBO in the long term alongside, obviously, the core Netflix business.

Gregory K. Peters

Co-CEO, President & Director

Yes, maybe I could kick it off with the HBO side of things and maybe Ted, hand it to you on the studio side. Then you say there's no free lunch, and I get the fact that there's no free lunch, but there is actually sort of some positive dynamics in bringing complementary assets together and having essentially more levers and more options to figure out how we deliver value to customers.

I would start by saying the HBO brand, the HBO service, they're clearly valued. They've proven that they can attract a bunch of subscribers. We believe that actually having more room to figure out how we allocate that content across a range of offerings, how we think about bringing that into our plans offering today, will actually unlock value that isn't being unlocked today.

And one of the most sort of obvious things to think about here is that we believe we've got the best tool for connecting incredible stories with people around the world. And we think actually bringing more of that Warner Bros. content into that tool, if you will, will just unlock value in and of itself. Ted, maybe I'll turn it over to you on the studio side of things.

Theodore A. Sarandos

Co-CEO, President & Director

Yes. Well, first, I'd say on all these assets, what we think is that these assets are more valuable in our business model, and our business model is more valuable with these assets. So I just think it really is a win-win in that way, then. On the studio side, this is -- obviously, the -- they've had a great summer, proving that this is an incredible creative machine. And I just think that we are complementary business model, both in ways to bring content closer to consumers and better -- to offer more and more value also to create a new IP universes for us to create it and to grow in.

They've got 100 years of creative development experience. We've been at it for a little over a decade. Thrilled with our progress and how we're doing. I think these things coming together really is one of these one in one equals 3 or 4 models. And I think our more modern approach to the business model to connect people with these great stories is going to be a big win for all -- every constituent involved.

Gregory K. Peters

Co-CEO, President & Director

Maybe it's worth noting that we're not talking about reinventing anything here. This is actually a lot about supporting the existing flywheel that we've got. We think about if you bring great stories and you find a great way to distribute and connect with lots of people around the world, you drive more engagement, that drives better retention, better acquisition that basically is the flywheel that supports revenue and profit for our business.

Operator

Our next question comes from Rich Greenfield, LightShed parkers.

Richard Scott Greenfield
LightShed Partners, LLC

I think the most obvious is why now. You could have bought Warner Bros. when the stock was at 6, nobody wanted it. Skydance was tied up buying Paramount like you had a unique window of time. Is there a reason now in terms of like looking at the need to accelerate engagement? Or I guess, just what was it about this timing that it became so important to go after this asset now.

And then I think I just have to ask, Greg, you came to the Bloomberg conference and you made a very specific quote that there is a long, long history of media transactions that do not end well. I guess for everyone listening, why is this going to end differently than every other media transaction essentially of this scale in history?

Theodore A. Sarandos
Co-CEO, President & Director

Greg, before you go to that quote, I think it's worth pointing out, Rich, that why now? It wasn't for sale before. And they certainly hadn't cleaned up the assets or separated the assets in the way that they have right now. So I think that kind of goes to the why now. And Greg?

Gregory K. Peters
Co-CEO, President & Director

Yes, that's great. I think so -- and just to reiterate, Rich, I think the question behind your question, look, we're very excited about our organic growth situation right now. We're doing a great job delivering double-digit revenue growth. We've got key opportunities for growth in the business. So this isn't really reacting to any situation, which I think is what you're pointing at. And to Ted's point, we didn't think this asset was for sale in this way until right now. So you -- I love the fact you referenced the -- my statement of Bloomberg. It was a more complete statement, I think, a balance statement that got reported in the press. But I think it is true.

Like historically, many of these mergers haven't worked. Some have, but you really got to take a look at this on a case-by-case basis. A lot of the failures that we've seen historically is because the company that was doing the acquisition didn't understand the entertainment business. They didn't really understand what they were buying. We understand these assets that we're buying.

The things that are critical in Warner Bros. are key businesses that we operate in and we understand. A lot of times, the acquiring company, it was a legacy non-growth business that was looking for sort of a lifeline. That doesn't apply to us. We've got a healthy growing business that we're super, super excited. So we got a clear thesis about how the critical parts of Warner Bros. accelerate our progress.

We also know, look, it's going to be a lot of hard work. We're not expert at doing large-scale M&A, but we've done a lot of things historically that we didn't know how to do. We put our minds to it, we iterate it. We put the right energy on it, and we've shown that we can work the problem and be successful and execute. So whether it's going from DVD to streaming or U.S. to global or licensing to originals, all those are examples of us sort of getting in, sorting it out and ultimately iterating over time and being able to deliver on the promise of the opportunity that we see.

Operator

And we'll move next to Steven Cahall with Wells Fargo.

Steven Lee Cahall
Wells Fargo Securities, LLC, Research Division

So first, just wanted a little more clarity on how you're envisioning HBO. Spence, I think you talked about the subscriber engagement benefits to the transaction. And Ted, I think you said that HBO would remain in some sort of shape or form. So should we think about HBO as being an entirely separate service for the long term? Or could it be a hub sort of inside of Netflix where the brand remains so significant as it is today, but there is kind of a bigger synergy inside Netflix to members. And then just on the content side of things, I mean, I kind of think about this as an acceleration of future content spend into this \$83 billion enterprise value for studio and library. I don't know if that's exactly how you think about it. But how do you think about content spend for the combined company on a pro forma basis? And what kind of savings would you expect from Netflix' content spend given this big library in studio you're acquiring?

Gregory K. Peters
Co-CEO, President & Director

Great. Yes, I'll kick it off with the first one and then maybe hand it over to Ted. So I start by saying that we think it's quite early to get into the specifics of how we're going to tailor this offering for consumers. So we're probably going to -- not satisfy the full intent to your question. But needless to say, we think the HBO brand is very powerful for consumers. We think that the offering could constitute and would constitute a part of our plans and how we structure those for consumers. And then that gives us a lot of options to figure out how do you package things in different ways to make sure that we're maximizing the value for consumers and maximizing the value of the assets that we're then being able to present. So then -- and then I'll turn it over to you for the studio side of things.

Theodore A. Sarandos
Co-CEO, President & Director

Hey, guys, I am getting a little bit of feed.

Spencer Wang
Vice President of Finance, Corporate Development & Investor Relations

Steve, can you mute your phone, please.

Steven Lee Cahall
Wells Fargo Securities, LLC, Research Division

Yes.

Theodore A. Sarandos
Co-CEO, President & Director

Yes, you should think about this as a continuation of this content spend for Netflix, for HBO and for the studio. They have a slate of content that goes through. We think that the HBO model itself is working and quite beloved by consumers and want to keep investing in that along the way, investing as planned in Netflix as well.

Spencer Adam Neumann
Chief Financial Officer

Yes. I just want to kind of reinforce that you have both things that were said here. First, we've got a lot of value levers in this deal to continue to grow our business across the combined business across revenue and profit there -- between the kind of driving that engagement revenue profit flywheel that Greg talked about a bunch and then kind of optimizing across these 2 complementary streaming services and delivering more value to members.

So we're not going to get into specifics today. We obviously have a lot of work to do. We have thoughts on it, but there's a lot of time to work through our operational plans. And in terms of that content investment, it's fair to think about it is that it does accelerate our ability to kind of deliver more and more great storytelling members because we've been in the original content business for about a decade and as Ted talked about. Now we also have a studio with 100 years of history in storytelling and so forth. So that makes us stronger. But the key is that the combined is we're going to continue to grow our content investment. We'll grow it in a very disciplined way. I'm sure there'll be some efficiencies along the way, but we're going to continue to grow that content offering and entertainment offering for our members.

Operator

[Operator Instructions]

We'll move next to Robert Fishman, MoffettNathanson.

Robert S. Fishman
MoffettNathanson LLC

Ted, you've been focused on keeping the value of Netflix content exclusive to your platform, mostly avoiding theatrical releases. So can you just discuss why do you plan to change that strategy now with the Warner Bros. theatrical releases? Or would you be open to evolving Netflix's release to a day and date type of tentpole strategy in the future? And then maybe just on a related note, when we think about all the third-party licensing that Warner Bros. Studio does today, how is that going to evolve over time, both in the U.S. and internationally?

Theodore A. Sarandos
Co-CEO, President & Director

Sure. So a reminder, we've released about 30 films into theaters this year. So it sounds like we have this opposition to movies in the theaters. My pushback has been mostly in the fact of the long exclusive windows, which we don't really think of that consumer friendly. But when we talk about keeping HBO operating largely as it is, it also includes their output movie deal with Warner Bros, which includes life cycle that starts in the movie theater, which we're going to continue to support.

So I don't -- I wouldn't look at this as a change in approach for Netflix movies or for Warner movies for that matter. I think over time, I think the windows will evolve to be much more consumer-friendly to be able to meet the audience where they are quicker, all those things we'd like to do.

But I'd say right now, you should count on everything that is planned on going to the theater through Warner Bros. will continue to go to the theaters through Warner Bros. and Netflix movies will take the same strides they have, which is some of them do have a short run in the theater beforehand. But our primary goal is to bring first-run movies to our members because that's what they're looking for. And up until now, this was not our business model. I said that many times. We are acquiring a business that is -- that is part of the business model, and we intend to continue with that.

Spencer Wang

Vice President of Finance, Corporate Development & Investor Relations

Anything you want to say on third party.

Theodore A. Sarandos

Co-CEO, President & Director

Sorry, third-party production. Similarly, we've not produced for third party through our studios. They do, and they're quite successful at it and we want to keep that successful business operating, producing for third parties as well. Netflix Studios doesn't plan to have a change in that model we continue to produce for Netflix. But the Warner Bros. Television studio will be producing for third parties to continue to.

Spencer Wang

Vice President of Finance, Corporate Development & Investor Relations

Operator, next question, please?

Operator

That comes from John Hodulik with UBS.

John Christopher Hodulik

UBS Investment Bank, Research Division

Congrats on the deal. Just can you guys talk a little bit about your thoughts on -- are your expectations from an engagement standpoint. It would seem that just adding the engagement you're seeing on Netflix and HBO would understate the benefits you would get just given the sort of Netflix effect we've seen on previous content.

And then aside from that, just what this transaction could do to your ad business? It would seem in the sort of crawl, walk, run, this would sort of accelerate you guys to the run phase much quicker.

And then lastly, any change in terms of the importance of sports content just given the broader platform, the broader reach you guys have, just the importance you think in terms of adding live content and sports to both platforms going forward?

Gregory K. Peters

Co-CEO, President & Director

So on the engagement question, you're right. And I think it's implicit in the core thesis we have around the deal that there's sort of value creation and complementarity in the 2 -- bringing the two companies together that we would expect the ultimate engagement over time exceeds just the linear combination of the two separate engagements because we think we can actually bring better distribution, a better product experience, better discovery and choosing to the titles that Warner Bros has. So incur with your thesis there.

On the ads question, there's 2 really components or 2 vectors I can think about sort of what's the -- what's -- how do we build a future -- continue to build the future into ads. One is, call it, reach and engagement, how we get more audiences on board, including more

engagement, more hours through the combination we just talked about drives the component of that. Another component of this, though, is actually the technology that allows us to deliver more value at any given hour of engagement or any given impression.

And so that's something that this deal doesn't actually add to. That's something that we're continuing to build on our own. We've got a good road map there though and we're super excited about it, and we've been executing into that road map with high velocity. I think we're bringing that organic capability that we've been building and we've been very happy with the results so far into now more engagement, and that's where I think the value in this deal comes from on the ad side. Ted, do you want to talk about sports?

Theodore A. Sarandos
Co-CEO, President & Director

Yes, I agree. And I don't think you should think of look at this as any change in our sports strategy at all.

Operator

Our next question will come from Jessica Reif Ehrlich with Bank of America.

Jessica Jean Reif Ehrlich Cohen
BofA Securities, Research Division

I guess, one, it doesn't sound like you're changing at least initially any of Warner Bros. operations. So if there's something -- if you're thinking about it differently, I'd just be curious to hear your thoughts on that. And how do you plan -- Warner Bros. has the most successful and the deepest film and TV library. And you talked about creative universes. Can you just share your thoughts on how you plan to exploit it differently or more deeply than it's been done. And the cost savings, where will they be coming from?

Theodore A. Sarandos
Co-CEO, President & Director

So look, on the IP, you should think about ways that you can explore all these IP universes beyond that of just making tentpole movies. You can see we had some early success in digging deep into the bigger pools of IP, do the spinoff. I mean there is a good example, I think, would be prior to Wednesday, The Addams Family probably didn't carry that much value for MGM. I think that we have the ability to unlock storytelling and world building out of this existing IP in ways that are even difficult to imagine today. That we're really excited about.

And examples would be some of the earlier moves from the DC universe for things like Penguin has turned into great television. I think those opportunities are pretty limitless.

Spencer Wang
Vice President of Finance, Corporate Development & Investor Relations

And Ted, have you seen opportunities maybe also in development?

Theodore A. Sarandos
Co-CEO, President & Director

Yes. I mean I think I said before that the development infrastructure, the development expertise of Warner Bros. has been building for 100 years. We have been the original content business for about a decade, running as fast as we can. So really not investing and developing that much expertise in our development work. So that development pool, I think will also be a very valuable asset for us.

Gregory K. Peters
Co-CEO, President & Director

K-pop came out of that.

Theodore A. Sarandos
Co-CEO, President & Director

Yes. I mean, the examples of that, of course, would be what we saw with our Sony deal. K-Pop Demon Hunters was one of these projects that was deeply developed for many years before it was decided not to be produced at Sony. And then similar to the next month, we have a movie coming out called People We Meet On Vacation, which was also something kind of out of the deep development pool. We are very -- our deep development pool is quite shallow. So we're moving pretty quick in how we bring development to the screen. I think this will accelerate that dramatically. And Spence, you want to take -- the cost synergy spend?

Spencer Adam Neumann
Chief Financial Officer

Yes, yes, sure. So we talked, Jessica, about roughly \$2 billion to \$3 billion of synergies in the first few years of the transaction. And think of that as if that \$2.5 billion number and kind of the midpoint, it's mostly SG&A. So think of it as kind of support areas of the business where there's overlap, there's also overlapping tech stacking capabilities. So that's the bulk of what we're talking about there. There's -- there will be presumably some content efficiency in there over time as all, but that's not the bulk of the savings.

Operator

We'll move next to Kannan Venkateshwar with Barclays.

Kannan Venkateshwar
Barclays Bank PLC, Research Division

So starting with some of the obvious concerns people have had with the deal and the dissynergies. I mean, HBO and Netflix presumably overlap significantly when it comes to subscribers. It sounds like you want to keep the businesses separate but presumably over time, these would be combined in some way, either through a bundle or something along those lines. So it would be great to hear your thoughts on how you handle those dissynergies that might arise from the deal.

And then secondly, I mean, when you think about the content scale, I mean, you're spending \$80 billion buying this asset, presumably, there will be a pipeline of content development to back up this investment and it sounds like Netflix is not going to bring down its normalized content spend significantly. So when you combine that, too, it sounds like content investment as a proportion of revenues of the 2 companies actually goes up. Are we reading that right? I mean, could you just expand on how you plan to deal with some of these items.

Spencer Adam Neumann
Chief Financial Officer

Can I just have that last one first, maybe. What I'm thinking on is that we're going to be continuing to grow our combined content investment across the company. But I also said there's efficiencies over time. So think of it as it is content spend growth, but I'm not going to tell you exactly what those numbers are. We're not putting projections out there right now. But think of it as that as we're spending, we're also a more scaled business. So we expect to have -- continue to improve our profits, our margin profile over time. So I don't think of it as content expense as a percentage of revenue is going to grow. Content spend will grow, but our top line is also going to grow.

Theodore A. Sarandos
Co-CEO, President & Director

And then owner EBITDA numbers that Spence referred to earlier include their content spend -- their content spend already.

Gregory K. Peters
Co-CEO, President & Director

Yes. And then on the first part of the question, we do -- like we think the 2 services are very complementary. And to your point, there is a high overlap of existing HBO Max subscribers who are also Netflix subscribers. That number is quite large. And they are paying a nice discrete amount for the value of entertainment they're getting. And we think that, that's a really strong affirmative case on the value of the Warner Bros. titles and how they're monetizing with consumers.

We think that, that specifically gives us other levers to think about packaging and how do we deliver that. We've also seen that sort of some of these bundles and models, if you construct them correctly, have all sorts of benefits, retention benefits, engagement benefits as well, but there's also a lot of value in the flip side of this. So you can think about the many, many Netflix members around the world who are not currently HBO Max subscribers and are not getting any value from that HBO Max titles, Warner Bros. titles.

And there's a real opportunity we think of actually figuring out how do we bring more of those titles in the right way through some combination of plans and tiering, et cetera, to unlock the value in those assets.

Operator

We'll move next to Michael Morris with Guggenheim.

Michael C. Morris

Guggenheim Securities, LLC, Research Division

I wanted to ask a couple of questions about the process. There has been some press that this combination could face a pretty challenging regulatory review process. And so my question there is, what gives you the confidence that you will be able to pass through that process. That's my first. And my second is, there's also a coverage that it's been a pretty competitive bidding process with respect to some other bidders. Do you expect there to be a continuation where another bid could come in? And you have to raise the offer? Or should we assume that this is sort of the final structure of what this will look like.

Theodore A. Sarandos
Co-CEO, President & Director

Well, first, we'd say we're highly confident in the regulatory process. This deal is pro-consumer, pro innovation, pro worker, it's pro creator, it's pro-growth. And our plans here are to work really closely with all the appropriate governments and regulators, but really confident that we're going to get all the necessary approvals that we need. These 2 businesses are complementary, as Greg said earlier, and they're also loved businesses, which is really fantastic. Having been deep into this process, if we sound a little tired, it's because we are, we have found this to be an incredibly rigorous and competitive process. And in terms of anyone else coming from now, we've signed our deal and we are running full speed towards regulatory approval.

Spencer Adam Neumann
Chief Financial Officer

Yes, we're focused on giving this deal done. We're not going to speculate on what comes after that. And this is a -- we're full-steam ahead. Yes.

Theodore A. Sarandos
Co-CEO, President & Director

We don't do many of these, but we are deep in this one. I could tell you that it was competitive and rigorous and we're glad we're going to be done with it this morning.

Operator

And we'll hear next from Laurent Yoon with Bernstein.

Tack Kee Yoon
Sanford C. Bernstein & Co., LLC., Research Division

Obviously, Warner Bros. is an amazing asset, but you're also an amazing company with unparalleled growth momentum driven by your own content, both in TV and films, but engagement has become a question over the past year, perhaps increasingly so. So what does this deal all long form, especially at this level of valuation signal to the market about your view on the challenges you're facing and increasing engagement. And in other words, will having more of general entertainment category content truly increase engagement materially, not just in the short term, but also in a sustainable way.

Theodore A. Sarandos
Co-CEO, President & Director

Maybe just -- go ahead, Greg.

Gregory K. Peters
Co-CEO, President & Director

Okay. Sorry. I'll kick it off and then pass it back to you, Ted. So I just want to start with the perspective of we aren't doing this deal because we believe we can't grow engagement organically. We believe we can and we believe we have been growing. We've accelerated our growth and engagement this last quarter from the first half of the year. So we're excited about that. We're optimistic about our slate and where that's going to go as well. And also, let's be clear, too, that we drive the business primarily to revenue and profit, right?

Those are the metrics that we ultimately focus on at the end of the day. Engagement is a good leading indicator into that obviously. So that's -- we support looking at that as well. But we're also excited about the fact that we're delivering double-digit revenue growth, and we're excited about continuing that path going forward.

Now we believe that as we discussed previously in this call, that by adding the amazing titles that Warner Bros has, we believe we can actually unlock more engagement growth as well through that process. And that's engagement growth beyond just the sort of the linear addition that the engagement that the current Warner Bros. properties are winning HBO and HBO Max. So that's where we see the value in the deal, and that's why we believe we do have because we think that this accelerates our progress as a business in that way. And Ted, do you want to add more there?

Theodore A. Sarandos
Co-CEO, President & Director

No, you said it all, I just -- again, we had record engagement previous quarter. We're happy with our outlook for the ongoing organic growth and engagement, like you said double-digit revenue growth and strong key cash flow. Our core fundamentals are strong. This gives us a very unique opportunity to accelerate an already very successful model.

Spencer Adam Neumann
Chief Financial Officer

Yes. I mean we just had a release on Stranger Things, I think, a few days ago, I mean, you kind of see like how that launched. So our business continues as we say, we feel great about the business. It's got a very healthy growth profile, including that engagement revenue profit flywheel, but this is just a way to kind of, as Greg said, accelerate that long-term opportunity, but it's not the kind of thing that we ever said we had to have a must-have.

It's a great marriage of 2 businesses that is better together, but not -- but something that was opportunistic for both of our companies, which is great.

Spencer Wang
Vice President of Finance, Corporate Development & Investor Relations

And maybe if I could just build on that, Laurent. I think maybe the subtext of your question is how does our content and programming serve younger audiences, right? And I would say we see -- as Ted just mentioned title of Stranger Things. There's a lot of engagement from the younger demographics. We see that with outer banks as well, and K-pop even [indiscernible] is probably you need a more amazing example of that as well. So I'd say, for us, what we found is when you have great quality series and films, you see engagement across the board they're younger folks or older folks. So I just wanted to add that, too.

Theodore A. Sarandos
Co-CEO, President & Director

Yes.

Spencer Wang
Vice President of Finance, Corporate Development & Investor Relations

Operator, we have time for one more question, please.

Operator

That question will come from John Blackledge with TD Cowen.

John Ryan Blackledge
TD Cowen, Research Division

Great. Maybe, Ted, if you could just add on U.S. production of film and episodic shows, what that kind of looks like post the deal? And how does the creative community around the world benefit from the deal?

Theodore A. Sarandos
Co-CEO, President & Director

Well, look, going into this, Netflix is growing. We've been growing our production in the U.S. as well. We're in the midst of a large investment in a new studio that we're building at Fort Monmouth in New Jersey. We've built out a fantastic studio in New Mexico and we produce -- we're one of the -- we are the largest producer of original content in California. So we're continuing to produce original content at a great pace.

And this gives us the ability to then invest in production through the HBO brand and production through the Warner Bros. brand, the Warner Bros. television studio. We'll be able to continue to invest in the growth there as well. So I think this is a good story because this is a healthy, growing business that is going to help another business grow in a more healthy way and open up to more -- open up audience reach that these creators have never had before. And I think the opportunities are great for American production and for the entertainment industry as a whole to be much more active than it has been over the last several years.

Spencer Adam Neumann

Chief Financial Officer

I want [indiscernible] compete on that. The key on that is that this is a growing, profitable, successful business model that we're going to continue to build. And that's great for the entertainment industry. It's great for production. And so that's what we're going to keep feeding. The combination of these businesses is going to be more and more successful over time and kind of grow that production infrastructure and investment for decades to come.

Theodore A. Sarandos

Co-CEO, President & Director

That's sort of thing I'd say I'm most proud of that we've been able to do, which is we've created a business model that ensures the ongoing production and creation of movies and television. So I think by putting more things in -- through that model, the more success we can all see.

Spencer Wang

Vice President of Finance, Corporate Development & Investor Relations

Thank you all for your questions and for joining us today, particularly on short notice. We're super excited about this next chapter for Netflix and Warner Bros together, and we look forward to sharing more with you all in the coming months. Thanks, and have a great day.

Theodore A. Sarandos

Co-CEO, President & Director

Thanks, everybody.

Operator

And this concludes today's conference call. Thank for you attending. Thank you, everyone else has left the call.

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