

Netflix, Inc. NasdaqGS:NFLX

Company Conference Presentation

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Call Participants

EXECUTIVES

Gregory K. Peters
Co-CEO, President & Director

ANALYSTS

Unknown Analyst

Presentation

Unknown Analyst

I think we're all going to try to get settled here. I know we're making the transition around lunchtime. It's my pleasure to host Greg Peters, Co-CEO of Netflix. As a reminder, Netflix may be making forward-looking statements, and actual results may vary.

Greg Peters was named Co-CEO of Netflix in January 2023. Previously, he served as Chief Operating Officer and Chief Product Officer. And before that, Greg was International Development Officer for Netflix. Greg, this is your second time in the conference. Thank you for coming back.

Gregory K. Peters
Co-CEO, President & Director

My pleasure. Great to be here.

Unknown Analyst

Greg, great to talk to you. I do want to start with your title. It's been 2.5 years, Co-CEO, you and Ted. Talk about how that relationship has continued to evolve and how you guys think about the priorities that each of you have in running the business on a day-to-day basis.

Gregory K. Peters
Co-CEO, President & Director

Sure. Well, it's probably worth noting that this position and how I got here is the result of 10-plus years of succession planning by Reed really. And so it didn't happen overnight. And it's been -- he was building it a long time coming and really, I think, a tremendous credit to his long-term strategic view and also discipline as a founder to take this step and say, I want to make sure that it's happening in a way that will set the company up for success.

So in terms of priorities, we think about it as a shared set of priorities. We don't think about it as a split set of priorities. If you think about where I think the priority of the company is where Ted would think the priority is the company.

First and foremost, priority one is we have to take what we call the core business, which is the film and series subscription business essentially and make that continually better. And really, that comes down to 3 things. It's better content, so more diversity, more quality of film and series that we're presenting, a better product experience, which we really think is a force multiplier to that content if we do a better job with the product experience. That means more -- we're delivering more value for every dollar that we're investing to members. That's a high leverage point for us as well. And then ultimately, we need to close the loop on all that, which we call the commerce component of this, which is essentially how do we effectively bring that back in terms of revenue to the business through more subscription, pricing, now an ads business as well. And so those are key components.

And maybe if I can -- if I just go on that for a second on the content side, making that better. It's been a great couple of weeks, right? We've had some record-setting moments. We had Happy Gilmore 2, which came out. That was the opening weekend record in the U.S. for Nielsen, 2.9 billion minutes viewed there. That was exciting.

And then KPop Demon Hunters, which has just become an absolute sensation, record-breaking as well. For us, it's the biggest film we've ever had, 266 million global views in the first 11 weeks, but a cultural phenomenon way beyond even us in terms of KPop merchandise or sales are up 80%. The National Museum in Korea has seen record-setting visitors. Even the noodle maker, spicy noodle maker has seen their shares go skyrocket because of this. So that's been incredible to see as well.

Question and Answer

Unknown Analyst

Well, it speaks to -- I know you guys have referenced it a lot of times over the years, the halo effect around the platform in general. It's not just about distributing content, whether you think about the lift that comes from commerce or influence, there's a second and third derivative effect around a lot of this very successful content.

Gregory K. Peters
Co-CEO, President & Director

Yes, we call it the Netflix Effect and when it works, it really -- it's incredible, the power to see it.

Unknown Analyst

When you think about that core proposition around user engagement and tying it back to incremental investments in content, why don't you level set what you guys are seeing in the business about striking the right balance between investing in content and driving engagement and making sure you've got sort of the pockets of alignment you want for the medium to long term?

Gregory K. Peters
Co-CEO, President & Director

Yes. And to be clear, the direction of travel is very obvious. And every time we've run analyses or run experiments around, the answer is unequivocal, which is our members want more entertainment for us. They want an increasing variety of entertainment, more shows, more titles. So we're committed to going to do that.

When it comes to engagement, we've seen absolute engagement over the first half of the year grow, which was exciting because we knew we had a particularly back-weighted slate. So we anticipate that we'll see essentially engagement in the second half grow even more as we see a faster rate of growth.

And there's some good initial data points to that effect. In July in the United States, let's hit the Nielsen numbers, for example, we saw about a 40-basis point increase in engagement there. That got us to a new higher watermark we haven't seen before. So that's pretty exciting.

But it is not just the U.S., we see it in other territories around the world. U.K. is another good example. Barb is the ratings agency there. And we saw a 140-basis point increase on Barb as well. So same period.

Unknown Analyst

Got it. Okay. So understood on the engagement side. You're about 4 months into the rollout of the user interface. So sort of building on this idea of engagement, changing the experience that your users have globally? What have been some of the key learnings as you've rolled out this new user interface? What were some of the strategic priorities that drove making the decision in the first place?

Gregory K. Peters
Co-CEO, President & Director

Yes. And this is that sort of second category of what -- how do we basically make our core business offering better. And so the way I think about this is if we can make the user experience 10% more effective in connecting our members with titles that they're going to love. It's essentially like we spent 10% more money on the content investment side. So it really gives us a huge leverage point there.

So we are excited to get to the point where we rolled out this new user experience to about 80% of our TV or TV connected devices. So it's gotten good reach at this point in time, which is fun to get to. And when you're putting a new user interface against a user interface that's been in the wild for 10-plus years and has had some constant evolution, it's very hard for that new experience to compete effectively. And we saw a little bit of this when we were testing it.

But actually, upon rollout, we've seen even better performance than we've seen in the testing period, which is great evidence to indicate that we've got the right structure to take us forward. And you talked about what were the goals, were the KPIs, how do we think about this? A lot of this just sits in the space where we built the UI that we had before, 10 years ago, essentially with the design was created.

And the business is just in a totally different space today than that point in time. And so we're asking that UI to do way more than we were back then. Part of this is just think about live, which is an exciting new area for us. Netflix was on demand. You showed up whenever you wanted to and you could watch whatever you want. That was great. It's still great. We love that. But now when we have Canelo Vs. Crawford, which we have in a couple of days, we have to communicate to our members, if you want to be part of this joint collective experience, which has got tremendous value to be part of that, you got to show up at 8 p.m. and watch it all together. And so we need the UI that was capable of doing that. So that's just having that flexibility to accommodate new content types has been an important initiative for us.

Maybe even more important, though, is an architecture that allows us to take advantage of new technologies and partly one of these examples of this is having a UI that dynamically responds to the job that you needed to do in the moment. And when we show -- when our members show up to Netflix, if it's Sunday afternoon, you've got the whole family around the TV, you need a certain reaction from us, a certain kind of experience from us.

If it's Thursday night, and you come home after work or after dinner and you just want to binge the latest episode of the series you're watching, that's a very different need state that you've got. And so partly, what we're trying to go do is make sure that we can, through a variety of explicit signals, you're telling us what you need at this moment. And implicit signals, how you are using the UI essentially dynamically respond to that and provide exactly the experience that you need.

So that's an exciting avenue of travel. And I would say, to getting to this point, the real important part is having 10 years' worth of iterative development opportunity and the potential for unlocking that value.

Unknown Analyst

And maybe if I could just follow up there because it seems like that's such an interesting dynamic. You have such a wide array of content, you have such a wide array of users, and you're constantly sort of solving for discoverability when intent is expressed, for lack of a better term.

So how should we think about the new UI maybe longer term, marrying better discoverability and actually being an incremental driver of engagement if you can marry that even better than it is today.

Gregory K. Peters
Co-CEO, President & Director

Yes. And it's interesting when you say intent is expressed because part of, I think, what we can do differentially, maybe uniquely is to actually unlock intent when it's not understood by the user initially, right? And I think Squid Game is a good example that you and I were talking about it beforehand, if you had given the log line to Squid Game to all of our members around the world and said, this is the kind of show this is, how many of them said oh, yes, I definitely want to watch that. Not as many as we actually ended up watching that.

And that's where this -- I think the UI can really do some work because it can find what are areas of interest on a member-by-member basis, then present the right information, the right visual assets, the right video assets in a way that's unique and specific to that individual user to create that connection and have them watch it. So we do more discovery when there isn't an explicit intent than we do when there is.

And so we actually think of like that explicit intent as a relatively subordinate use case to solve. So back to your point, what we saw through the 10 years of the last UI and what I very much expect that we will see in the 10 years of this next UI, we can measure on a sort of content catalog normalized basis, increased engagement because of the work we do in the UI. And again, when we do that, that means that the now growing to \$18 billion of content investment we have, every single one of those dollars is worth more to the users.

And I think of these sort of 3 dimensions of compounding leverage essentially, right? So if we can invest more in content, that means more value delivered to users. If we have a better product experience, that means every incremental dollar that we invest is actually worth more in addition to the existing dollars that we're investing. And if we can do it at a broader scale, that means we're actually building that over a broader base, and those things all compound together.

Unknown Analyst

Okay. Super interesting. The other side of this is the company has been on a journey over the last couple of years with respect to the pricing narrative around the product, the tiering narrative around the product and the way it's brought to market.

Talk a little bit about some of the key learnings as the evolution of this has moved forward over the years of trying to align value given to the consumer with striking the right price to extract from an economic standpoint and how tiering also plays a role in sort of incenting some levels of growth as well.

Gregory K. Peters
Co-CEO, President & Director

Yes. Maybe start with a couple of key principles that we think about. One is you've got to earn it, right? And so the first job that we got to do is we have to deliver more value to our members. We can't ask them to pay more unless we've done a great job. And we don't -- you don't have a long-term sustainable business with increasing revenue and profit, if you don't do that work.

Consumer choice is another one. All -- not all consumers around the world are created equal. They have different needs from us. We want to create a set of offerings for them that allow us to present different features and allow consumers to opt in at different price points.

Low entry point, an accessible plan is super important to us, right? So making sure that around the world, we have -- we think it's a pretty incredible entertainment offering available to people at a pretty low price. That's important to making sure that we have the broadest scale -- consumer scale that we can have, which has other compounding effects back to the KPop Demon Hunter. If you think about a very niche, premium offering, you couldn't have the KPop effect that you have, right?

So having that low accessibility or the high accessibility lower entry price is super important to us. And I think if you look at the United States, \$799, the amount of entertainment that you are getting for that price is astonishing in my mind, right? And then at the end of that whole list, we have to make sure that the pricing and the plan structure we have works for the business, too, because obviously, the goal is that we continue to grow revenue, continue to grow profit, and that allows us to invest in that cycle and keep that whole process going.

So I would say that's how we think about it. The price changes that we've done recently. You've seen us do changes across a wide range of countries across different parts of our plan have all largely gone as we've expected. So that's a pretty good sign that the model we've got is working. We don't anticipate changing that model. We'll retain some flexibility on the structure approach.

So I think we'll be keeping -- think about is there more we can put in the top end to make the top end even more attractive to the super fan. Obviously, that's -- we think that's a good direction of travel. But this core anchor of a low price, high accessibility is a pretty important component of what we're doing.

Unknown Analyst

Yes. How does live play into a broader strategy around tiering and pricing? Because obviously, those are this is me editorializing, typically more expensive pieces of content relative, maybe not all pieces of sports content, but some are, and trying to align the value proposition of the cost with audience generated, how do you think about striking that balance?

Gregory K. Peters
Co-CEO, President & Director

Well, we try to do that with all of the content we have, right. So we try to be really disciplined at saying, what are we investing into this versus what is it returning to our members and make sure that we're not in a position where those are widely off base.

But stepping back on how we think about live, I would say the evolution of the entertainment landscape that we're in, I think, is moving into sort of multimodal bimodal kind of model, where you have a real center of value in personalized content, speaking to you specifically, it's very niche, maybe in some cases, and then the other end of the spectrum is a joint shared experience that many, many of us are having. And we seek to operate at both really, right?

And so we have a wide range of programming, some of which is very, very targeted and some of which is very broad. So if you're going to watch Stranger Things, it's going to be a phenomenon. KPop is going to be a phenomenon. We're going to have a shared experience.

Live events, we think can play really in that role, right? So if we are all watching the same boxing match, if we're watching The Roast of Tom Brady, we've got live events. We got a first live event outside the United States and Japan, which is the World Baseball Classic, which we just announced. So I'm pretty confident that, that will be a huge moment of shared experience and conversation in Japan. We think that, that offers a really interesting complement to the entertainment offering that we're delivering.

And so we want to go do that. But again, we want to do it in a disciplined way, which is why I think you've seen us be very targeted about the kinds of events that we've gone after and how we think about growing that.

Unknown Analyst

Understood. You referenced earlier giving consumers a compelling price point around the advertising tier. Over the last 3 years, you've been on quite a journey with the advertising tier in terms of the learnings you've had as a company, how your strategy has evolved and what you own and operate, how you invest?

Maybe just reflect backwards first before we talk about the going forward, what have been some of the key learnings about growing and scaling an advertising business that you might have over the next 10 years plus?

Gregory K. Peters
Co-CEO, President & Director

Yes, I very much come from the perspective, when you start something, you don't really know what you're doing. And our job is to essentially be okay with that and then to start the learning process and see how quickly we can learn and develop a capability, a high-quality capability in that space.

And so very much that got to how we thought about starting, which is essentially like what is the fastest way to get this going and to get something out there and really start learning. And I think it was really effective what we did essentially because there's a tremendous amount of time where we were figuring out the consumer part of the offering, right?

We were tweaking the features. I don't know if you saw this, but we started with different resolution. We started a different thing. So we were tweaking the feature set. We were treating the pricing. And we sort of figured out, oh, this is what we need to do. This is the right mix right here to work for consumers, and that really allowed us to grow scale. -- and we were able to operate because of a partnership in that period of time.

And then at some point, we realize, okay, now we're ready to take the next step where we really want to own our own destiny with regard to the technology that we're using to deliver ads. And we built our own ad stack quite quickly. We've now actually launched that in all of our ads market. So that's exciting to get to that moment. And that really is the foundation from which we can then pivot to the future and think about what are we building and what do we need to build from here.

Unknown Analyst

Okay. And in terms of the financial implications of advertising, I think one of the most often asked investor questions is sort of at some point in the future, getting to where there's no dilution from the ad tier relative to the subscription supported tier. How do you think about that journey and where we are on that journey in terms of -- as a broader goal for the business?

Gregory K. Peters
Co-CEO, President & Director

From my perspective, our goal should be ultimately thinking about the total revenue optimization across the business. And there's a variety of pushes and pulls in there. I mean like clearly having a lower consumer-facing price as part of the subscription gives you a huge price elasticity benefit and allows you to build a bigger audience as well.

So right now, to your point, our arm -- composite arm, which is subscription plus the advertising revenue on a per member basis on the ad side is less than our median non-ads arm. So there's a gap there. But I really see that as an opportunity. That's actually a source of potential growth, right? Because we're in a position where we know there's a ton that we can go do to improve the ads business, improve ads performance. We just launched on our own tech stack. We know that there's format innovations.

We're providing interactive formats later this year. There's a ton of other new formats that we plan on going out with -- we know that there's data targeting personalization benefits that we can drive. We know that those will drive incremental adds performance as well. we're just actually getting to the point where we're actually getting to reasonable advertiser diversity. There's a ton of room that we can grow on that side.

Part of that is building out our own go-to-market capacity, and we're hiring very rapidly in that space. Part of that is adding demand sources, external demand sources that allow more advertisers to buy with us more easily. So there's a ton that we can do in that space. And that's not even getting into like the much more sophisticated things that we can do with ML and AI in terms of targeting, improved targeting there as well as actually using AI and a creative capacity as well.

So I look at this as like it's almost great to have a little bit of a gap there because I feel like we can build into that for many years to come.

Unknown Analyst

Understood. You referenced a little bit AI in the ads offering. But just broadly, I think there's a debate across the media and entertainment industry about the role AI might play in content creation going forward. There's a pretty heavy debate at this conference even though we're only about halfway through the first day about the role AI will play internally in organizations around productivity.

How do you guys think about deploying AI as a company when you think about some of the external opportunities and the internal opportunities?

Gregory K. Peters
Co-CEO, President & Director

Maybe start with -- we've had deployed for nearly 2 decades. I don't know if anybody remembers the Netflix prize, but this was a moment we went out to the academic and broader community and said, hey, can you beat our own recommendation systems with better ML approaches?

So I would say we're -- we think we're positioned because of that lineage, our tech DNA, huge data sources, well-structured data sources. Having a consumer product that's at scale, having business processes at scale, we think we should be in a position to be an incredibly proactive, effective adopter of these new technologies. So we're doing that.

We want to do it also in a responsible way. Now I would say, I think back to like a handful of years ago, everyone told me, you need an NFT strategy, right? And I'm very glad that I did not go pursue an NFC strategy.

So we want to be very thoughtful about where we apply this, where does the technology relevant levered. Generative is a totally different thing and NFT generative is -- it's the real deal. It will make a bunch of differences. But we want to make sure that we're doing it in a way which is not performative or reactive, but actually seeing a real business value.

Now we went to the company and said, let's take -- do some more care and figure out where can we leverage this, we came up with hundreds of use cases, hundreds of use cases. The vast majority of them fit in the category. I think you were getting to sort of productivity where we're going to go to the market to solve this, right?

So finance and legal and customer support, there's so many different places we can literally go to a provider and say, you've got a solution, let's integrate that solution into what we're doing. There's a handful of cases where we think that we can invest to create a differentiated type of tool or process using most -- in almost all cases using essentially building blocks that exist out there.

So we don't want to be a frontier model builder. We don't think that that's the role that we play in the ecosystem. Our job is to take the people that are spending hundreds of billions of dollars, building frontier models and leverage them, whether it's an open source or in a commercial licensing basis. Use the data that we have to refine those models, make them more specific to the job that we have done and then integrate them into existing tooling that we have our consumer products.

Just to give you a sense of like where do we see that -- what are those spaces that we think we can actually do that kind of investment. The consumer product is one. We mentioned the recommender systems that we use. We actually see using these new more architectures as a way to improve the quality of recommendations we have and maybe even more importantly, to basically provide high-quality personalization for new content types as we roll that out. We can really quickly do this with these new generative techniques.

It also means new types of consumer experiences. So we have in beta right now, a conversational discovery experience.

This is where you can sit down and you can say like, hey, I had a hard day at work. I want something uplifting and funny. We give you a bunch of different possible recommendations. You say, these look great, but I'm also feeling nostalgic, give me something from the '80s and then you land on the thing that you actually want to watch. So that's an exciting new thing we can go do.

Content is another area. You mentioned that. We see a lot of our creative partners using these tools for pre-vis, pre-visualization. So imagining how this will go before you actually spend the money to do a live shoot. Shot planning and shot composition, pro forma budgeting, scheduling. We see it in visual effects. There's a lot of work that we can do in postproduction. And we -- our job, we think, is not to tell creators, this is what you have to go do.

I think our job is to enable creators with a bunch of tools that work well together. So we're investing in centrally building a bigger palette for them. And just like we had -- seen with animation or VFX, as new technologies come online, creators will figure out how to leverage them, and we think that, that will result in a better output to the screen. They'll put something on Netflix that will be even more compelling to viewers.

Now we want to do this responsibly. We actually just released a set of guidelines to using generative AI technology so that we think about the artistic community, how do we be responsible consumers of this and guide our partners to do things responsibly. While we are enabling them to make sure that the folks that want to be aggressive about this are aggressive about it.

Maybe one more, I'll just offer on this is the advertising space, which is super interesting as well. Now there's targeting and personalization capabilities that we think are going to be unlocked by generative.

But one of the most fascinating areas for me is the ability to do creative generation. And if you think about the acme of the advertising industry and what CMOs wanted for a long time is to be able to tell a authentic brand-forward story in a way that was matched all their messaging goals, but do so in the creative universe of the title that they're basically putting that spot against.

It was incredibly hard. It has been incredibly hard to go do that because you have to line so many things up. The creative process can take a long time. You don't have fast iteration cycles. And so it was very rare that you could actually pull that off.

But we think with generative techniques, we can actually decrease the bar to go do that successively. And you can imagine a universe where the brand brings essentially a lot of guidelines, rules, information, assets, messaging examples.

We bring that into the show universe and all of that. And essentially, kick out potentially 20 creative spots or treatments of it, and the CMO says, ah, this one really works for me and then we can work on refining that process. So we anticipate that, that will happen a lot more because of these technologies.

Unknown Analyst

Interesting on the advertising front. Yes. Just building on that, there's obviously new media formats that are always up and coming and continue to evolve. The creator economy is one of them, the creator economy is one that typically is latching on to a lot of some of these AI creation tools to speed time to market. How do you think about embracing new media formats and sort of factoring them in and folding them into your broader content strategy as a platform?

Gregory K. Peters
Co-CEO, President & Director

We want to be clear about what part of the entertainment ecosystem we're serving because I think that, that's important to be disciplined about that. I think we want to open up the aperture on that from time to time, and there's things like video podcasts, which we sort of see as the evolution of the talk show that we want to embrace. But we want to make sure that we're doing the jobs that we think we can win at.

But when you get to creator economy, one of the opportunities we think there is to work with a whole new set of creators. So we work with creators that came from traditional methods like film school, that came through broadcast or maybe theater.

But now we've got creators that are emerging from YouTube or TikTok and places like that. And we're starting to do essentially work with those creators when they want to tell a story, which we think meets that target of what kind of storytelling we are delivering to consumers but they want to do it at a scale, at a quality level that isn't necessarily supported by the platforms that they've grown up on. So Ms. Rachel, The Sidemen in U.K., Mark Rober, all good examples of this.

We have a business model that allows us to invest forward and allow those creators to basically tell their stories at a higher quality level than they might be able to do on other platforms. And we really want to unlock that where it fits for what kind of entertainment we're delivering.

Unknown Analyst

Okay. Building on sort of new formats for you or relatively newer formats, you talked earlier about your approach to live. Talk to us a little bit about where you look for opportunities in the live content space. How wide an array of geographic approaches do you take to this or format approaches do you take to it? I think the knee-jerk is to fall back to the more traditional North America-based sports, but there's a much bigger world out there of live entertainment.

Gregory K. Peters

Co-CEO, President & Director

There's definitely a bigger world. First and foremost, we think about this as like back to that creating the shared moment where we're all watching the same thing, we have a conversation. I think that's the job that live is doing and that's what we should focus on.

Now sports has been super effective historically for doing that, so we want to embrace the kind of sports events that where we can do and we think we can do on economic terms that work for the business. But we also want to think more broadly than that.

And so there's opportunities to do that across whether it's music, whether it's award shows, there's comedy, things like The Roast of Tom Brady is a pretty good example. Even when we did the 2 NFL games, we added Beyoncé into the mix as an extra musical factor.

So there's a lot that we're going to figure out and a lot we're going to try quite frankly, to see how broad a set of formats we can go deliver in that space. But it's ultimately with that goal, which is how do we create this conversational moment, but also do it on an economic model that works for the business.

Unknown Analyst

Okay. Last one on sort of newer-ish formats. You made a big push into gaming over the last couple of years. This is a new initiative of yours in the last couple of years. Can you hit refresh on where the gaming strategy sits today and how you think about what gaming does for the platform of users against maybe some of the investments that are needed against it?

Gregory K. Peters
Co-CEO, President & Director

Yes. So maybe just start with the opportunity size. We think games is a big consumer entertainment market, \$140 billion outside of China, outside of advertising. So really just in the space that we operate.

What we've seen from our track record so far is that when we have the right game, I'll give you 2 examples, Grand Theft Auto is one, Squid Game: Unleashed, which we launched with Squid Game, the narrative title. Those really work our members. And what we see in terms of how it delivers the business is pretty much what you'd expect, which is increased engagement and increased retention. So that's the core things that we're seeking to drive.

Now what we're doing is basically just trying to refine our strategy to make sure that we are delivering more of those games that actually matter. And we're really looking at 4 verticals to go do that. One is narrative games that sit within the IP universes that we're launching back to Squid Game and Squid Game: Unleashed. We think that, that's a really good model. I'll give you just one fun example on this. When we did Happy Gilmore 2, we launched the Happy Gilmore: Golf game from 1998, and it did remarkably well. So this was very opportunistic, but it just shows like when you're in Happy Gilmore world, you want more. And this is the way games is a way to go deliver more of that. So that's one place we want to go to that.

Kids is another space we want to do this, where we can give an ads-free in-app purchase free experience for kids games as part of the subscription model that works quite well. We want to give families the opportunity to have essentially the evolution of family game night or the evolution of the game show on TV, brought to you in an interactive place where you cannot just watch but play.

We think that's really relevant and delivering that on TV is an important model to do it. And you'll see us do more game distribution where you take a known game title like Grand Theft Auto and release it to the world because we found the dose to be quite efficient as well.

Unknown Analyst

Super clear. Okay. I know we only have a few minutes left. Maybe try to bring it together with one bigger topic I'll ask you about. When you think about the evolving media landscape and you think about over the next 3 to 5 years, talk to me a little bit about the working assumption about how the media landscape might continue to evolve in the next 3 to 5 years. And how you guys as a team are sort of aligning your investments and your strategy to capitalize that at Netflix?

Gregory K. Peters
Co-CEO, President & Director

Well, I think we've gotten to the point where everyone now acknowledges that linear is on a declining path and that streaming is the way to go. So it's fun to get there because we, of course, have predicted this for a long time and sometimes you were like, why isn't everyone else not embracing this reality, but I think we're at this point now.

And that's great because I think we see competitors starting to rationalize against that reality. They're thinking about profitability on the streaming side. That means over-subsidized content investment to low consumer pricing, those things are changing. And I think that, that creates a better competitive environment for us as well.

But if I think about where do we go from here, I'd say the easiest thing that you can go do is sort of go into that cream skimming mode where our traditional media competitors certainly got out there and they said, let's just grab as many subscribers as we can in the United States. Let's think about where there's low-hanging fruit in terms of folks around the world who want English language content, the kind of content that they have invested in. And that's the easiest thing to go do.

And then you have to go do the really, really hard work, which we have been working on for more than a decade, which is figure out how do you work with local creators be included in the creative community in 50-plus countries around the world and tell stories that really work for those local audiences, some of which will become big globally, but you really have to start with the local audience. How do you understand go-to-market in all those different markets around the world? How do you think about pricing? How do you think about -- how do you even take payments in so many countries around the world? How do you think about partnerships that expose your service to cohorts of folks that don't even know what streaming is? And we've done that in Japan in many cases as an example or India in many cases as an example where we had to really work with local partners to go do that. And I'm excited to be in the position that we've been in this process for a long time.

Many of our competitors are just starting that journey, and our job is obviously to use this moment. We've got a pretty good foundation. We're at scale. We've got a profitable business. We want to keep investing and keep that process of growing and learning going.

Unknown Analyst

Okay. Well, I think we're going to leave it there. Please join me in thanking Netflix for being part of the conference.

Gregory K. Peters
Co-CEO, President & Director
Thank you.

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