S&P Global
Market Intelligence

Netflix, Inc. NasdaqGS:NFLX

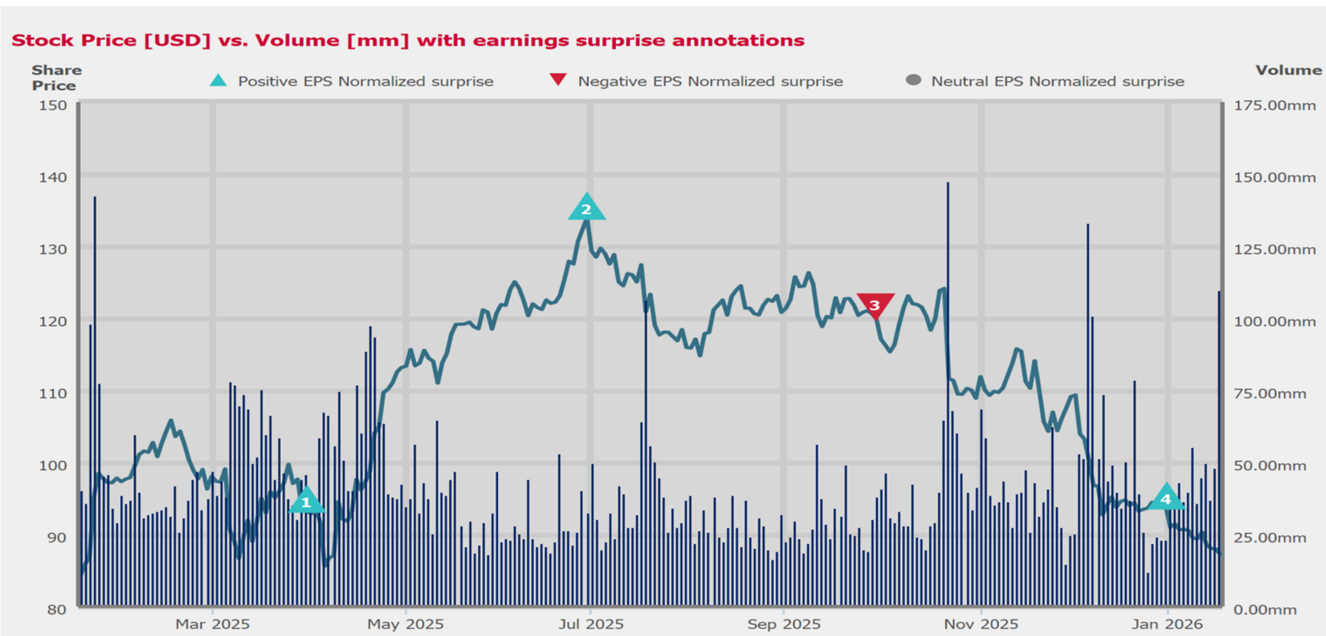
FQ4 2025 Earnings Call Transcripts

Tuesday, January 20, 2026 9:45 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2025-			-FQ1 2026-		-FY 2025-			-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	GUIDANCE	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.55	0.56	▲1.82	0.76	0.76	2.54	2.53	▼(0.39 %)	3.11
Revenue (mm)	11966.85	12050.76	▲0.70	12185.99	12157.00	45099.21	45183.04	▲0.19	51091.66

Currency: USD
Consensus as of Jan-21-2026 6:05 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2025	0.57	0.66	▲15.79 %
FQ2 2025	0.71	0.72	▲1.41 %
FQ3 2025	0.70	0.59	▼(15.71 %)
FQ4 2025	0.55	0.56	▲1.82 %

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Call Participants

EXECUTIVES

Gregory K. Peters
Co-CEO, President & Director

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

Spencer Adam Neumann
Chief Financial Officer

Theodore A. Sarandos
Co-CEO, President & Director

Presentation

Spencer Wang
Vice President of Finance, Corporate Development & Investor Relations
Good afternoon, and welcome to the Netflix Q4 2025 Earnings Interview. I'm Spencer Wang, VP of Finance and Capital Markets. Joining me today are Co-CEOs, Ted Sarandos and Greg Peters; and CFO, Spence Neumann. As a reminder, we'll be making forward-looking statements and actual results may vary.

Question and Answer

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

We'll now take questions submitted by the analyst community, and we'll begin first with questions about our results and forecast. The first question comes from Robert Fishman of MoffettNathanson, who asked the Wall Street Journal report last year discussed an internal memo with long-term goals to double revenue and triple profits. Without commenting on those specific targets, about 9 months later, is there anything you have seen in the core business to reevaluate the speed of growth over the next few years? And can you clarify if those targets included any M&A?

Gregory K. Peters
Co-CEO, President & Director

Sure. We find it useful to talk internally about our long-term aspirations, which, as we said at the time that this was reported last year, aren't the same as a forecast. But having said that, those goals were based on organic progress. They did not contemplate or assume any M&A because we didn't have any M&A on sort of our horizon at the time.

And over the last 9 months, we've seen continued growth. We are now forecasting more healthy growth for the year to come, specifically organic growth. Of course, there's a lot of hard work ahead to fully realize those opportunities, both short term and long term. But based on the progress that we've made so far and expect to make and our continuing assessment of the opportunity, we still feel good about those targets.

Putting maybe a little bit more meat on that bone, in 2025, we met or exceeded all of our financial objectives. We made solid progress on our key priorities. We delivered 16% revenue growth, roughly 30% operating profit growth, expanding margins, growing free cash flow. Ad sales, 2.5x in 2025. We expect that business to roughly double again in 2026 to about $3 billion.

So we're making good progress and the opportunity ahead of us is massive. We are still under 10% of TV time in all major markets which we compete. We've got hundreds of millions of households around the world still to sign up. We're just about 7% of the addressable market in terms of consumer and ad spend. So tons of room ahead of us. Ted, anything you want to add there?

Theodore A. Sarandos
Co-CEO, President & Director

Yes, I would just say, looking ahead to '26, we're focused on improving the core business. And we do that by increasing the variety and quality of our series and films. We do that by enhancing the product experience and by growing and strengthening our ad business. We're also building out some newer initiatives like our live outside of the U.S., things like the World Baseball Classic in Japan that's launching in March.

We're expanding into more content categories like video podcasts, which just kicked us off this week. And we're continuing to scale our cloud-first game strategy. We're working really hard to close the acquisition of Warner Bros. Studios and HBO, which we see as a strategic accelerant. And we're doing all this while we're driving and sustaining healthy growth. We forecast 2026 revenue at $51 billion, which is up 14% year-on-year. It's an exciting time.

This is an exciting time in the business, lots of innovation, lots of competition. But that's also been true of us for 25 years. At Netflix, we kind of embrace change and thrive on competition because it pushes us to keep improving the service even faster and faster for our members. Years ago, when we moved from DVD-by-mail into streaming, we were in a heated battle with Walmart for that DVD business.

So we're no strangers to competition, and we're no strangers to change. Through that change in competition, we've grown into an entertainment company that is thrilling an audience that is now approaching nearly 1 billion people and producing series and films around the world with hits that resonate with audiences locally and globally.

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

Thank you, Ted...

Theodore A. Sarandos

Co-CEO, President & Director

And just to circle back to Greg's point real quick. We're very excited about the business. We're very excited about the organic opportunity ahead. You see that in our performance. And we're as energized as ever to achieve our mission to entertain the world.

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

Thanks, Ted. Our next question is about our outlook. It comes from Steve Cahall of Wells Fargo. The content amortization growth forecast of 10% in your earnings letter implies a bit of an acceleration from 2025. Can you provide some context as to where you're pushing for the most incremental investment, e.g., events, reality series, films, licensed content, et cetera?

Theodore A. Sarandos
Co-CEO, President & Director

Yes. Look, I think our -- the cadence of our releasing is really strong. We have a really strong push out in the first half of this year already with some great hits right out of the gate. So do you want to talk to that a bit, Spence?

Spencer Adam Neumann
Chief Financial Officer

Yes. I mean I would say just generally, we've got a strong lineup throughout the year. But yes, Steve, as you noted, in 2025, our slate was heavily back half weighted, and we expect more typical seasonality this year. So still a bit heavier in the back half of '26 than the front half of '26, in particular, Q4 -- the fourth quarter is always generally the most packed for us in any given year. But overall, a smoother slate and smoother slate timing this year relative to '25.

So as a result, you should see higher year-over-year content expense growth in the first half of '26, growing off of that smaller base that we had in the first half of last year. But for the full year, we're estimating, as I think you see in our letter, content amortization to increase roughly 10% year-over-year.

Our content cash to expense ratio should hold pretty steady at about the 1.1x ratio that we've been managing to the last few years. So it's no change in our approach. We aim to grow content spend slower than revenue so that it contributes to our margin expansion while strengthening, expanding, and expanding that entertainment offering, as you heard from Greg and Ted across not just our core film and series, but kind of expanding into more content formats.

Theodore A. Sarandos
Co-CEO, President & Director

Let me tell you what that weighting looks like to the members, too, is what you just talked about, Spence. But in the first half of this year, we said we'd come out of the gate with some great hits. People We Meet On Vacation, The Rip, His & Hers. Our New Year's Eve release of Stranger Things finale is still crushing. We've got Bridgerton Season 4 that's coming up later this month and next month. Going -- so you see that we're really excited about the '26 slate, both H1 and H2.

We've already mentioned the Bridgerton return, but we also have a return of One Piece season 2, third season of The Night Agent, second season of Beef, One Hundred Years of Solitude from Colombia back for a second season. We've got Avatar: The Last Airbender. We've got Emmy, Golden Globe and SAG actor nomination for The Diplomat season 4 back again for a new season, Tires season 3 and the series finale of Outer Banks. That's like the returning stuff.

For new things, we're really excited about Something Very Bad and The Boroughs, both new series from the Duffer Brothers following up Stranger Things. Pride & Prejudice from the U.K., Man on Fire, Can This Love Be Translated? just launched from Korea. It looks like it's going to be another really nice hit for K-Drama lovers. I mentioned some of our early films, but we've got People We Meet on Vacation and The Rip with Ben Affleck and Matt Damon. It's already off to a great start. Still looking forward to Peaky Blinders: The Immortal Man from Cillian Murphy. We've got Greta Gerwig's Narnia. We've got Apex with Charlize Theron. We've got Denzel Washington and Robert Pattinson in a great heist caper Here Comes the Flood. And we've got a bunch of surprises upcoming too for '26.

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

Thanks, Ted. Thanks, Spence. That's a good segue into our next question on the outlook from John Blackledge of TD Cowen. For your 2026 guidance, can you walk through the key drivers of the top line revenue range, which was above consensus at the midpoint?

And for the operating margin guidance of 31.5%, can you talk about the puts and takes to that guidance? And any other color would be great.

Spencer Adam Neumann
Chief Financial Officer

Yes, sure. John, I'll take this one. So we've got strong growth outlook. As you heard from Greg and Ted, we feel great about our organic growth outlook. I hope you see that on our top and bottom line guide. So on the revenue side, for 2026, key drivers are similar to '25. So it's membership growth, it's pricing and it's a rough doubling of our ad revenue in 2026 to about $3 billion. So a bit more relative contribution from ads as we're scaling that business.

And so we feel great about that, and we feel great about our operating profit growth and margin growth, too. We're targeting 31.5% operating margins for 2026. That's up 2 points. So no change to our approach there. We set margin targets. So when you think about the puts and takes, we're always balancing the investment into our core business to drive sustained revenue growth with spend discipline.

And we aim to grow our margins each year. That rate of that year-over-year growth, it bounces around a bit based on investment opportunities and other considerations in a given year. If you look back over the last handful of years, we've expanded our operating margins about 2 percentage points annually on average. This guide at 2 percentage points, that actually includes about 0.5 percentage point drag from the expected M&A expenses that we referenced in the letter.

So if you exclude that, we're guiding to about 2.5 points of margin expansion. So very much in line with what we've been delivering. And this year, in particular, again, getting back to the puts and takes, we're seeing a number of attractive investment opportunities to strengthen and expand our entertainment offering and our product and commerce capabilities.

So we are increasing our expense growth a bit this year, a bit higher pace of growth relative to last year to invest into those opportunities, all while continuing to expand our margins and deliver strong dollar profit growth. And I don't know, maybe, Greg, Ted, I don't know if you want to talk a little bit more about our focused areas of investment...

Theodore A. Sarandos
Co-CEO, President & Director

Let me jump in on the content. I'll tell you a couple of things that we're excited about and we're investing into them because our members are showing a lot of excitement for them. So we've got some new license deals in place with Sony that includes a first-of-its-kind global Pay-1 movie deal. We've expanded our Universal licensing deal for the kind of -- that already included some very successful animation films to include live action films.

We have a new slate of licensed titles from Paramount, which is going to bring a lot of new series and television shows that Netflix has never had around the world, very exciting. In the live area, we've now executed more than 200 live events. And we're expanding to do more now outside of the U.S., including World Baseball Classic in Japan. I mentioned that in March. And this Friday, we have Skyscraper Live, which is going to be an edge-of-your-seat TV experience for sure. So more to come there.

And we just kicked off podcasts this quarter, which has been exciting. We've launched new ones from Spotify and The Ringer, iHeartMedia, Barstool. We have a lot more to come and some new originals. So these are all areas that have shown great promise. Members love them, and we're excited to broaden the investment to include them. Greg, do you want to jump in there, too?

Gregory K. Peters
Co-CEO, President & Director

Yes. I'd say on top of content, we've got a number of other areas that we expect will drive meaningful growth and returns on the tech and dev side. We're continuing to build out that ad tech stack. We're evolving our mobile UI. We're adding 2 more live operations centers in '26. One is going to be in U.K. and one in Asia to support the growth of our live efforts outside the U.S.

In ads beyond the tech side, we continue to invest in more sales, more go-to-market capabilities. That's a direct driver of advertising growth. On games, we are going to continue to invest in the cloud-first gaming strategy that we've added. This makes TV games more accessible by rolling out cloud games to more customers and more countries. And if you take all of that sort of stepping back within the margin expansion model that Spence described, which keeps us disciplined on returning to shareholders as we invest in new growth, we also think about investing across our portfolio based on demonstrated capability to translate those investments into value for members and returns for the business.

We've got a solid track record of doing that in our core content category. So we're going to continue to grow there. We're also increasingly confident about our ability to do that in ads and live, where the 200 live events that Ted mentioned indicates that we should ramp and grow in those areas. And then for our other initiatives, those represent a small fraction of our overall investment, and we always remain very disciplined and measured in increasing those investments based on demonstrating that we can deliver member value, we can translate that investment into member value and move the business forward.

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

Thanks, Greg. Thanks, Ted. Thanks, Spence, for that fulsome response. I'll move this along now to a few questions around engagement. The first comes from Rich Greenfield of LightShed Partners. At this stage of Netflix's maturity, how directly tied is engagement to churn and pricing power as you started talking more openly about how all hours of engagement are not the same?

Gregory K. Peters
Co-CEO, President & Director

So viewing hours, that's a really important factor in assessing the value that we deliver to customers. And value delivered is what drives the outcomes that you mentioned, Rich, and really, it drives most outcomes that we care about. But it's just one of many metrics that we look at, and we continue to develop an increasing understanding of how to measure that value delivered. So maybe start by just noting that total view hours in the second half of '25 grew 2% year-on-year. That's 1.5 billion additional hours, slight acceleration from the 1% growth we saw in the first half of '25.

But even with that number, there's some nuance underneath that. So viewing of our branded originals was actually up 9% year-over-year in second half versus 7% in the first half. That represents roughly half of our overall viewing. But viewing on the second run titles was lower year-over-year because the volume of licensed titles that we're carrying came down across most regions. And that's due largely to the fact that we stepped up our licensing in '23 and '24 during the strikes, which had shut down new productions. So that's balancing out that volume right now.

But beyond view hours then, as you stated, all hours of engagement are not the same, and we really care about the quality of that engagement. For example, we said in the letter, live programming is an example where any given hour of entertainment has the potential to deliver outsized value. That's certainly also the case when you have a huge fan of a particular series or a movie. And we, as viewers, we feel this intuitively, right? We feel that excitement, that difference, that value when we watch something that we've been anticipating and we just can't wait to watch.

And as a business, we've become increasingly sophisticated, evolving our measures of that quality of engagement that we are delivering. It's very hard to do this, but we're getting better and better at it. And our primary quality metric, we achieved in '25 an all-time high for the service. We set a high goal for that metric and Bela and our content team stepped up and achieved that goal.

That means that we deliver more entertainment value for our members. And that shows up in core metrics like acquisition, like retention. Retention is among the best in the industry, and we just completed a quarter where churn improved year-on-year. Customer satisfaction is at all-time high. We also saw strong member growth. So we really manage more and more towards that complete understanding of value delivered because it's really what translates best and directly to revenue growth, and it better captures the overall health of our business.

Theodore A. Sarandos
Co-CEO, President & Director

Yes. I would just add, Greg, if you don't mind. Of course, we look at the view hours, Rich, but we also look at a myriad of other signals to assess how our members are engaging and how important do they value that engagement. So members have different value for different types of programming. In the letter, we talked about the fandom for K-Pop and for Stranger Things season 5 and how fandom is such a powerful engine for our business because it creates advocates for Netflix, valuable even beyond the 10 hours spent watching Stranger Things or the 1 hour 39 minutes spent watching KPop Demon Hunters. So we're really super confident we're going to continue to grow engagement, but more importantly, the value of that engagement as well because that's what allows us to sustain healthy revenue growth in the long term.

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

Thanks, Ted. Our next question on engagement comes from Ben Swinburne of Morgan Stanley. The engagement report gives us a sense of aggregate engagement across all titles and all members. Arguably, it's an overly simplified lens with which to view the health of the business, but one that suggests to some that the WB acquisition reflects a need for Warner and HBO's IP to address stagnant engagement levels on Netflix today. Why is that the wrong conclusion? And how do you see the underlying engagement trends in the business? There is the same bear case from Ben Swinburne. Over to Ted or Greg.

Gregory K. Peters
Co-CEO, President & Director

Yes. So I'll take this one. So you're right, Ben. And as we sort of got to a little bit in the previous answer, total view hours by itself it's an overly simplified view into engagement and engagement trends. And why is that? It's because view hours is basically a very broad metric. It's influenced by a lot of things. You've got plan mix, tenure mix, geography, culture differences are a big factor. Just one example, take consumers in Japan, they watch roughly 1/2 to 2/3 the amount of TV as American consumers.

So as you have more member growth in places like Japan, and there are a lot of places like that and frankly, where we have more upside and more potential growth over the years to come, that skews the view hours per member. So we look at engagement at a portfolio level. View hours is one element of that, but we also look to those quality metrics that we were talking about. And as we said, we see improving quality translates into core metrics like better retention.

And just to reiterate, our retention is among the best in the industry, customer SAT at an all-time high. And those are more complete or maybe better said, those are outcome measures that we really, really focus on. So we have multiple tools to keep improving those measures and the value that we deliver. More and better production back to pushing on the quality scores and how do we improve that, more licensing, more partnerships with local creative communities, with local broadcasters around the world that improves local content market fit.

We're very optimistic about our organic growth prospects. And as you see from our forecast as well as maybe the aspirational goals that were referenced before, which don't include any M&A, we see huge opportunity to keep improving things there. But we also see Warner Bros. with 100 years of IP, an incredible library, great new shows and films, that's an accelerant to our strategy, and it's another mechanism to improve our offering for our members. So our job is to identify the best opportunities to improve that offering, both organic and through selected M&A and always remain flexible and disciplined in pursuing those opportunities.

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

Thank you, Greg. Since Ben brought up Warner Bros., I'll shift us to a few questions on the Warner Bros. acquisition. First from Mike Morris of Guggenheim. Does your planned acquisition of WB impact your approach to pricing in the near to intermediate term? Would you consider raising the price of the service during the regulatory review process?

Gregory K. Peters
Co-CEO, President & Director

There is no impact or change to our approach and how we're running the business in that regard.

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

Great. Next one comes from Rich Greenfield of LightShed Partners. What surprised you most from the Warner Bros. due diligence? Greg, you, in particular, sounded less enthusiastic about major M&A back at the Bloomberg Screentime Conference in October. As you went through the due diligence process, what got you more excited about the acquisition?

Theodore A. Sarandos
Co-CEO, President & Director

Greg, can I interrupt you for 1 second here?

Gregory K. Peters
Co-CEO, President & Director

Please go ahead.

Theodore A. Sarandos
Co-CEO, President & Director

I just want to make it clear that it was our default position going in that we were not buyers. We went into this with our eyes open and our minds open. And when we got into it, we both got very excited about this amazing opportunity. So Greg, you could share what was exciting for us there.

Gregory K. Peters
Co-CEO, President & Director

That's right. And thanks, Rich, for bringing this up again, one more time. But to Ted's point, when we got under the hood, there were several things we saw that was just really exciting and we thought were exciting additions to our current business. Take first, the film studio. We already know that existing -- from existing film output deals that the theatrical model is an effective complement to the streaming model. So we've seen that before.

And to be super clear on this point, we have often, in our Netflix history debated building that theatrical business, but we were busy investing in other areas and it never made our priority cut. But now with Warner Bros., they bring a mature, well-run theatrical business with amazing films, and we're super excited about that addition. Then you've got the television studio. It's also a healthy business. It also complements our own, expands our production capability.

You got great producers, great developers, and we intend to continue to produce shows for third parties and being a leading supplier to the industry. And then you get to the streaming side of things, you got HBO. It is an amazing brand. It says prestige TV better than almost anything. Customers know it, they love it. They know what it means. When you have programming from HBO, you know what an HBO show means. It's also very complementary to our existing service and business.

So owning HBO will allow us to further evolve our plan structure, allows us to deliver more series, more film, more value to consumers, and we'll leverage our global footprint and our streaming expertise to make that an even better service for consumers. So big picture, we just saw a tremendous opportunity, very achievable opportunity as well in bringing these 2 businesses together.

Spencer Adam Neumann
Chief Financial Officer

If it's okay to pile on a little bit, I'll just pile on to the 2 of you. So I just -- maybe I'm the numbers guy. So to put some numbers against it, Rich, also I just -- key from our perspective is that when you look at this combined company or when we look at the combined company on a pro forma basis, so pro forma post-close, we estimate that roughly 85% of the revenues in that pro forma post-close business that -- roughly 85% is from the core business we're in today. That's why we view this deal as primarily an accelerator to our core strategy with this added benefit -- a big added benefit of a complementary scaled world-class TV and film studio that we're excited to run and continue to build.

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

Thanks, Spence. Rich Greenfield also has a follow-up question on the transaction. What gives you the confidence the deal will get approved during the regulatory process? Ted, do you want to take that one?

Theodore A. Sarandos
Co-CEO, President & Director

Yes. Thanks, Rich. We've already made progress towards securing the necessary regulatory approvals. We submitted our HSR filing. We're working closely with WBD and the regulatory authorities, including the U.S. Department of Justice and the European Commission. We're confident we're going to be able to secure all the approvals because this deal is pro-consumer, it is pro-innovation, it's pro-worker, it is pro-creator and it is pro-growth.

Warner Bros., as we just said earlier, it's got 3 core businesses that we don't currently have. So we're going to need those teams. These folks have extensive experience and expertise. We want them to stay on and run those businesses. So we're expanding content creation, not collapsing it. In this transaction, this is going to allow us to significantly expand our production capacity in the U.S. and to keep investing in original content over the long term, which means more opportunities for creative talent and more jobs. This is really a vertical deal for us.

It allows us to gain access to 100 years of Warner Bros. deep content and IP for development and distribution in more effective ways that will benefit consumers and the industry as a whole. HBO, as Greg just mentioned, is a very complementary service to ours. And the TV market is extremely dynamic and very competitive. So the TV landscape, in fact, has never been more competitive than it is today. There's never been more competition for creators, for consumer attention, for advertising and subscription dollars.

The competitive lines around TV consumption are already blurring as a number of services put their content on both the linear channels and the streaming services at the same time. And more platforms are making their way into the TV in your living room. So TV is not what we grew up on. TV is now just about everything. Oscars and the NFL are on YouTube. Networks are simulcasting the Super Bowl on linear TV and streaming. Amazon owns MGM, Apple is competing for Emmys and Oscars and Instagram is coming next. So YouTube has just surpassed BBC in monthly average audience according to Barb that publishes these figures in the U.K.

So YouTube is not just UGC and cat videos anymore. YouTube has full length films, new episodes of scripted and unscripted TV shows. They have NFL football games. They have the Oscars. The BBC is going to be producing original content for YouTube soon. They are TV. So we all compete with them in every dimension for talent, for ad dollars, for subscription dollars and for all forms of content.

So more broadly, we compete for people's attention across an even wider set of options that include streaming, broadcast, cable, gaming, social media, big tech video platforms. Our deal strengthens the marketplace, and it ensures healthy competition that will benefit consumers and protect and create jobs. That's why we're confident in the approval, Rich.

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

Thank you, Ted. We'll now go to a series of questions on the topic of content and content strategy. The next question comes from Ben Swinburne of Morgan Stanley. In light of the global Sony Pay-1 agreement and the pending WB transaction, can you talk about your film strategy looking ahead? Are you leaning away from Netflix original films and increasingly to licensing films after an exclusive theatrical run?

Theodore A. Sarandos
Co-CEO, President & Director

Thanks, Ben. No, there's no change to that approach. Dan Lin and his team are going to continue to produce a slate of Netflix original films, and we'll also continue to license films in every available window as well. Our members love movies and taste and diverse are very broad, appetites are huge. So we want to have a broadest offering as possible.

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

Great. Next question is from Vikram Kesavabhotla of Baird. What were your observations from recent live events such as Jake Paul vs Anthony Joshua and the NFL on Christmas Day? How should we expect your investment in live events to evolve from here?

Theodore A. Sarandos
Co-CEO, President & Director

Well, Vikram, remember, this is still a relatively small portion of total view hours. So the big live events like the amazing fight you're just talking about and that 6-round knockout and our NFL Christmas Day games and this new halftime show, they're really important and differentiated parts of the service. But again, small in total view hours. These events typically have outsized positive impacts on the business around conversation and acquisition, and we're also starting to see some benefits to retention as well.

But like I said, it's a small portion of the content spend and with 200 billion hours, a pretty small portion of the total view hours, too. But we remain really excited about it, and that's why we're building out and strengthening that offer with things like Star Search premiering globally tonight with live voting. And we're beginning to invest in more events outside of the U.S., like I mentioned, the World Baseball Classic in Japan for local markets.

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

Thanks, Ted. Another question from Vikram Kesavabhotla. What types of podcasts do you think will be most effective on the platform? And what are your initial observations from the launches this past month?

Theodore A. Sarandos
Co-CEO, President & Director

Well, it's still very, very early, but we're super pleased by the early results that we're seeing. We think about video podcasts like a modern talk show. But instead of having a single brand-defining show, you have hundreds of them. So it's a broad offering versus a single broad show or format. But it does generate a lot of very passionate engagement, lots of variety. We are looking forward to the types of things we're going to add here to things that our members already love. So sports, you've seen we can build on the success of our sports adjacent strategy, comedy and entertainment and of course, true crime. You may have heard we've got some true crime stuff on Netflix.

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

Great. Last question on content strategy comes from Rich Greenfield of LightShed. This is our quarterly theatrical question. Why has your view on theatrical windowing changed?

Theodore A. Sarandos
Co-CEO, President & Director

Well, Rich, I will point out here, I have in the past made observations about the theatrical business. We were not in the theatrical business when I made those observations. When this deal closes, we will be in the theatrical business. And remember, this I've said it many times, this is a business and not a religion. So conditions change and insights change. And we have a culture that we reevaluate things when they do.

So short list of examples there, the pivots we've made around advertising, around live, around sports. In theatrical, we debated many times over the years whether we should build a theatrical distribution engine or not. And in a world of priority setting and constrained resources, it just didn't make the priority cut. So now when this deal closes, we will have the benefit of having a scaled world-class theatrical distribution business with more than $4 billion of global box office.

And we're excited to maintain it and further strengthen that business. So Warner Bros. films are going to be released in theaters with a 45-day window, just like they are today. This is a new business for us and one that we're really excited about. And I'm actually quite proud of our long track record of evolving the business, and I believe our results speak to that as well.

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

Great. Thanks, Ted. We'll now move on to a few questions we have from analysts about advertising. Steve Cahall from Wells Fargo asks, as you look at the ads potential in 2026, do you think you could reach parity on ARM, average revenue per membership or ad supported -- for ad-supported versus your ad-free plans?

Gregory K. Peters
Co-CEO, President & Director

Yes. So there is still a gap between the ad tier ARM and ARM for standard without ads, but that gap is narrowing. And while -- because there's a gap, it means we're underrealizing revenue growth in the near time, it also, therefore, represents an opportunity for us. So as we improve our ads capabilities, we can close that gap over time. We can drive more revenue. We've seen exactly that ability to do that over the last year.

So we've expanded demand sources. We continue to prove our speed of execution on our own ad tech stack. That's more ad features, ads products, more measurement, et cetera. That means increased fill rates, and that's driven ads ARM higher. So now that we've grown to relevant scale, meaning consumer reach in all our ads countries, our main focus is on increasing the monetization of that growing inventory. It's likely to remain our focus for at least the next several years. So we believe we can close that gap, and that means upside in terms of ad revenue growth.

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

Thanks, Greg. As a follow-up from Ben Swinburne, as you head into your second year with your own ad tech build-out across the 12 ad markets, what's the opportunity to drive revenues? Can you maintain your premium CPMs and still meaningfully increase build rate in the year ahead to deliver another rough doubling of advertising revenue?

Gregory K. Peters
Co-CEO, President & Director

Yes. So as we mentioned a couple of times before, really the most immediate benefits we've seen from our rollout of our own stack has just been making it easier for advertisers to buy in our service, more places to buy. We hear that directly in terms of feedback from advertisers. We see it in the sales performance, of course. In 2026, we are making more Netflix first-party data accessible, of course, in a privacy, safe, data secure way for assessing media investments.

That ability to tap into this deep library of insights that we have ultimately enhances the performance of media buys. We're also offering advertisers a wider array of ads formats, so more ads products, enhanced interactivity, which should improve outcomes. At the end of last year, we started testing modular capabilities with interactive video ads. These ads cater to members' viewing behaviors and allows advertisers to benefit from essentially a dynamic template that uses mix and match creative elements to drive better business outcomes. We've seen good early results in the testing, and we'll roll those out globally by Q2 of 2026.

And additionally, now that we've been on our own ad stack for over 6 months, we've got a better set of data, historical campaign data. We can use that to enhance our RFP process, drive better media planning, better outcomes for our advertisers. So to get to the point of the question, we see all of that adding up to the same kind of performance we saw over the last year, which means we can grow revenue targeting doubling that revenue growth by improving fill rate and growing inventory with similar CPMs.

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

Thanks, Greg. We also have a question on gaming, which I'm excited for since I'm a big player of our new party game, Boggle. If my family is watching, I'm still the #1 winner. But this question comes from Vikram Kesavabhotla of Baird. Netflix had some key developments in its video game offering throughout 2025. How would you characterize your success and progress at this stage? What are your key priorities for this business in 2026?

Gregory K. Peters
Co-CEO, President & Director

We've seen some really positive results with games like Red Dead Redemption, same kind of performance that we saw in GTA for folks that are familiar with that. We're also excited about more kids, more narrative feature releases in 2026. So that's -- those are good areas of growth for us. But a big advancement, as you sort of alluded to, Spencer, a big priority for us is our cloud-based TV games. It's an exciting launch for us. We're still in the early stages of this rollout.

Roughly 1/3 of our members have access to TV-based games. This is sort of a process of upgrading the TV technology, the TV clients to be able to handle that. And recently, with our party games on TV, Boggle, as you mentioned, Pictionary, LEGO Party! games like that, we've seen really strong uptake. So it's off a small base because about -- think about 10% reach into those eligible members. But our TV-based games have enjoyed quite a significant engagement uptick after that party pack launch.

And then in 2026, this year, we're going to be expanding that cloud-first strategy. We've got a growing set of cloud games to the TV like our recently announced newly reimagined more accessible FIFA football simulation game. We're super excited to be able to launch that. And stepping back for a second, if you look at that in totality, why is this important? As we said in the past, it's a big market, roughly $140 billion worth of consumer spend ex China. We are just scratching the surface today in terms of what we can do in the space.

But we already are seeing multiple instances of how this approach not only extends the audience's engagement with the service and with the story, but it also creates synergy that reinforces both mediums so the interactive and the noninteractive side, that drives more engagement, more retention. So bottom line, we're very bullish on the opportunity side. We're seeing progress. We still got a lot of work to go do. And I should say, like all of our developing initiatives, we're going to ramp our investment based on demonstrated value to members and returns to the business.

Theodore A. Sarandos
Co-CEO, President & Director

We will let Spencer give us a Boggle demo next quarter.

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

I watched the video of Greg playing with Elizabeth, and there's no way I'm going to challenge Greg because I think he'll take me down in 2 seconds. But with that, we'll take our last question from Rich Greenfield of LightShed on innovation. His question is, why isn't vertical video a higher priority for Netflix?

Gregory K. Peters
Co-CEO, President & Director

Well, Rich, we've actually been testing vertical video features for some time, about 6 months or so. And we've had a vertical video feed in the mobile experience that's been available for several months. So that feed is filled with clips of Netflix shows and movies. You can imagine us bringing more clips based on new content types like the video podcasts, which Ted mentioned, that we're adding to the general service will bring the sort of appropriate components of that into that vertical video feed. And really, this is part of a broader upgrade of our mobile experience.

So just as you've seen us do with the new TV UI, we're working on a new mobile UI that will better serve the expansion of our business over the decade to come. We're going to roll this out later in 2026. And just like our TV UI, it then becomes a starting point. It becomes a platform for us to continue to iterate, test, evolve and improve our offering. So don't worry, Rich, we got more vertical video coming for you.

Spencer Wang
Vice President of Finance, Corporate Development & Investor Relations
Great. Thank you, Greg, Ted and Spence. That is all the time we have now for our call. We thank all the listeners for tuning in to our earnings call. We look forward to speaking with you all next quarter. Thank you.