

Netflix, Inc. NasdaqGS:NFLX

FQ2 2026 Earnings Call Transcripts

Thursday, July 16, 2026 8:45 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2026-			-FQ3 2026-		-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	GUIDANCE	CONSENSUS	CONSENSUS
EPS Normalized	0.79	0.80	▲ 1.27	0.82	0.82	3.51	NA
Revenue (mm)	12582.53	12559.94	▼ (0.18 %)	12860.00	12860.00	51383.90	NA

Currency: USD
Consensus as of Jul-16-2026 10:41 PM GMT

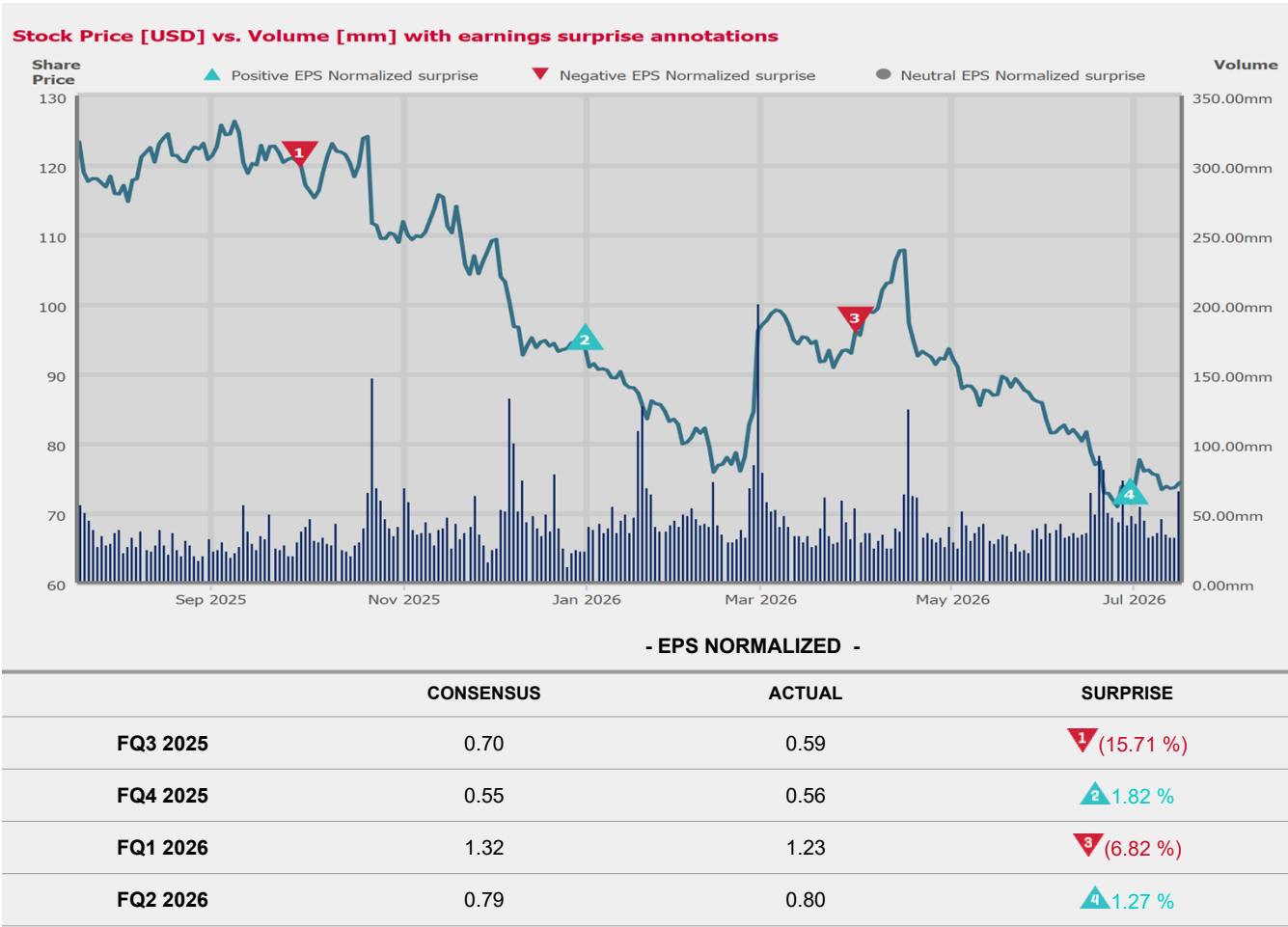


Table of Contents

Call Participants		3
Presentation		4
Question and Answer		5

Call Participants

EXECUTIVES

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Co-CEO, President & Director

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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 Q2 2026 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 will 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. We'll begin with a question on our guidance and our business outlook, and this question comes from Steve Cahall of Wells Fargo. What is the main driver of FX-neutral revenue growth slowing from 12% year-over-year in 2Q to 11% year-over-year as the guidance for the third quarter suggests.

Spence, do you want to take that?

Spencer Adam Neumann*Chief Financial Officer*

Yes, sure. Sure. Thanks, Steve. So look, we don't manage the business on a quarter-to-quarter basis. Our goal is to sustain healthy revenue and profit growth. We talked about that in our letter every quarter. We're guiding, as you say, to 12% revenue growth in Q3 reported, 11% FX neutral. The Q3 revenue drivers are very similar to Q2. It's primarily growth in our subscription revenue from increases in memberships and pricing and higher ads revenue. We continue to see healthy acquisition and retention trends on the membership side and our recent price adjustments are going well on the pricing side.

Now recall, there is a little bit of quarter-to-quarter choppiness in growth because last year was more back half weighted. So that may be a little bit of what you see in the deceleration. But honestly, it's not what we manage to. We manage to the full year. And halfway through the year, we're making strong progress against our goals, and we're tracking to our financial plan for 2026. We expect to deliver another strong year with, as we saw -- as you see in the guide, 13% to 14% top line growth for the full year. That's roughly 12% FX neutral or about \$6 billion of incremental revenue year-over-year.

And by the way, when we finish 2026, it's worth saying also that in many ways, we're still just getting started as a company. We're entertaining an audience approaching 1 billion people with still lots of room to grow into our addressable market on every measure. We're under 45% penetrated into addressable households around the world. It's roughly 800 million addressable households. We're capturing, we think, just 7% of addressable revenue market. It's about \$670 billion of addressable revenue in the countries and categories in which we operate today. And we estimate that we're only about 5% of TV view share globally. So we're delivering on our 2026 plan, and we believe we've got lots and lots of runway for solid growth ahead of us.

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

Thanks, Spence, for that thorough answer. I'll now move us along to a topic on the topic of engagement where we do have several questions. This first one is from Rob Sanderson of Loop Capital Markets. His question is, management has stated that engagement quality is improving even as reported viewing hours per member have softened. Can you help investors understand what internal metrics provide confidence and how these translate into lower churn, pricing power, higher ads monetization, et cetera? At what point would slow growth in total viewing hours become a concern?

Gregory K. Peters*Co-CEO, President & Director*

I'll take this one and unpack it a bit since I know that there's plenty of interest in this topic. Start by saying there is not a linear relationship between view hours and revenue and profit because all hours are not created equal. All hours don't provide the same kind of value to the business. And a really great example of this is live programming. So live events do a lot of lifting for us for acquisition. They're good for monetization. They drive ad revenue, fandom. They're also a promotional platform, but they do not yield typically as many raw view hours. So live, we expect will be 5% of our content budget this year, but we think that will only be 1% of view hours.

Having said that, 6 out of top 10 new member sign-up days over the past 5 years have come from live events. And if you compare that to another content category, take animation series, kids family TV, it's also about 5% of our content spend, so the same amount of spend, but it's going to drive, we expect 8% of view hours. So same spend and 8x the raw view hours. You can see the differences there, even though because as indicated by the amount that we're investing in both those categories being the same, we think they're doing the same value for the business.

So we're constantly looking to improve across every dimension of engagement. We look at these as 3 dimensions: quality, variety, quantity, because they, taken collectively, drive acquisition, they drive retention, they drive the value that our consumers and our advertising partners ascribe to our service. We described in the last few earnings calls the progress that we've made on quality over the years. We're not going to go into the details of that quality metrics because, frankly, it's taken years for us to develop it and vet it and assess it and improve it, and we think that those details are a competitive advantage.

We're also continuing to expand the variety of our entertainment offering. You see us launch new types of content like live, like video podcast, cloud TV games. Those are all doing things, different things in our portfolio to support different needs from our members. And then on quantity, view hours grew 2% in the first half of 2026. That's an incremental 1.5 billion hours relative to the same period last year. It's a slight acceleration compared to 1.5% growth in 2025. And just to be very clear, like all those other dimensions, we remain focused on continuing to grow that number.

And better understanding how we are doing at delivering member value, member love is critical to our business. We get it. We geek out on improving that understanding, operationalizing that understanding. And with regard to engagement, when I started about 20 years ago, we had one number to describe engagement, hours, just flat hours, no weighting, no adjustments and very similar to how we've evolved other metrics in the business. Since then, we've gone through about a dozen major iterations of our understanding that. We get more and more sophisticated because we know, ultimately, it's combined quality, variety and quantity of engagement that translates into satisfaction and value for members. And that drives the strong business outcomes we see right now, industry-leading retention. We see increased willingness to pay, strong advertiser demand. And those ultimately drive the top-level metrics of our business, revenue and operating profit, which are really the ultimate signs of our health.

Spencer Adam Neumann
Chief Financial Officer

[indiscernible] the visual of you geeking out, Greg. It's hard to see Spencer geeking out, but I can see us geeking out.

Theodore A. Sarandos
Co-CEO, President & Director

Those are 20 years of debate and wonkiness.

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

Well, let me geek out on the next question, which comes from Steve Cahall of Wells Fargo. His question is, amortization expense for content growth is accelerating in 2026. How is the slate performing? And what metrics are we watching to see how this growth in content drives increased member value? How do we think about the expense acceleration converting into revenue acceleration?

Theodore A. Sarandos
Co-CEO, President & Director

I'm going to take that, Steve. Look, I think when it comes to programming spend, there are 3 really important takeaways. First, to remember is that the vast majority of our programming spend goes into the core TV series and film, where we have a really strong track record, more than a decade of translating those investments into value for our members and returns for the business. I'm going to come back to that core in just a second.

But the second one is that we're really disciplined investors. So there isn't some hyper acceleration of content investment. We grow the content spend slower than revenue while we're continuing to invest in a huge addressable market. So we're forecasting content expense up about 10% this year. It's a little higher than the 8% we averaged over the last 5 years and below the 14% that we averaged over the past decade.

The third thing we want you to remember here is that when we expand into new entertainment offerings, new initiatives, we do it gradually. We do it where we believe we can add more value for our members, and we do it where we believe we have the right to win. And then we look for the positive signals before we invest at material scale. This is our MO. It's been our MO for some time.

You asked how the slate is performing. There's a lot to be happy with in Q2. I Will Find You. It was our biggest launch of original series this year. Swapped is on track to become the second biggest original animated film right behind KPop Demon Hunters, which is exciting. Speaking of K-pop, we have K-dramas like Teach You a Lesson, which is on track to become the second most watched South Korea show ever globally. And it's on track to be our biggest series in South Korea of all time.

There's a show called The Polygamist. You probably -- is not on your radar, maybe, Steve, but it's out of EMEA. It's another great example of the -- of our understanding of the local markets and the local regions. The Polygamist was a popular novel from Zimbabwe more than 10 years ago, from an author named Sue Nyathi. And the teams adapted that into a soapie series for South Africa, where it's now a huge hit and is traveling all over the region and all over the world.

In Latin America, we've got a big season that just came back for Rosario Tijeras. This was a show that started its life as a licensed show from TV Azteca in Mexico. After 3 successful seasons, we picked it up and produced an original Season 4, Season 5 and just screened out Season 6. So you're seeing the slate perform around the world, which is in a real differentiated part of our business.

Now with that said, with the core, we're also really pleased with the investment so far in our live programming. It plays a really important role, as Greg mentioned earlier, driving acquisition, accelerating ad revenue, fueling conversation, helping us to launch new shows. It's helped us build our -- and it's also helping us to understand what are the benefits of live over the entire catalog. So we're ramping up our live event slate. You saw The Kevin Hart Roast (sic) [The Roast of Kevin Hart] in Q2, the Major League Baseball Home Run Derby earlier this week. What was really fun at Derby, we had -- we produced an original and exclusive Hot Ones special that we shot on a baseball field to promote Will Ferrell's new series, The Hawk, which just launched today actually.

And I think it's a cool example of the intersection between our core, that core series, The Hawk, our expansion of the new exclusive creator content with Hot Ones with Sean Evans as a best-in-class creator. We're thrilled to be in business together, plus live sports, all coming together on a baseball field and on Netflix around the world. The result there is a highly attractive, scalable return on content investment, and it ladders up to healthy business metrics that Greg just detailed and our strong growth in revenue, dollar profit and profit margin.

Spencer Wang

Vice President of Finance, Corporate Development & Investor Relations

Thanks, Ted. Our next question on engagement comes from David Joyce of Seaport Research Partners. The question is, attention is being raised that your second season viewing of series is dropping and therefore, affecting engagement growth. How would you address this? Are you going to revert to releasing one episode at a time or making longer seasons with more episodes or managing the production process so there is less time between seasons?

Ted, do you want to take that?

Theodore A. Sarandos

Co-CEO, President & Director

Yes. Thanks for asking, David. I really appreciate the question because in aggregate, we are not seeing any material change in our second season viewing compared to season 1. Our second seasons are performing well within our bands of expectation. Very often, we see drop-off from Season 1 to Season 2. It's very common in the industry. And it's even more so with us because we launch our shows so big. So our global reach, our discovery mechanism, releasing all at once, this enables us to find a very large audience early.

So our shows tend to start really big, while most other places, their shows start pretty small and occasionally grow from there. For example, I just mentioned The Polygamist from South Africa. That show has already had 24 million views in 5 weeks, and it's still charting. When we look across the entire portfolio, across all the regions, all the content categories, our season 2 falloff is actually slightly improved this year relative to last year.

Now of course, you can pick any 5 data points to tell any story you want. But I'm going to repeat this. Our season 2 falloff is actually slightly improved this year relative to last year. So no changes in release strategies.

Spencer Wang

Vice President of Finance, Corporate Development & Investor Relations

Thanks, Ted. The next question comes from Vikram Kesavabhotla of Baird. Last quarter, you shared that the World Baseball Classic was a significant driver of sign-ups in Japan. What have you observed with respect to the retention and engagement of these members since then? How has this influenced your perspective on the value of regional live programming?

Theodore A. Sarandos

Co-CEO, President & Director

Yes. Thanks for asking. Our -- we talked about this a lot last quarter. It was -- World Baseball Classic on Netflix in Japan was a huge hit. It became our most watched program ever in Japan. It was the biggest baseball streaming event ever. World Baseball Classic is

kind of like these other big live events, and they behave a lot like our returning seasons of our big shows. They drive disproportionate sign-ups. And because of that acceleration, they can exhibit slightly higher churn. But the results are exactly consistent with that trend and in line with our expectations in all of our modeling.

So we're thrilled and we're continuing to see -- to lean into live events because they have a big outsized positive on the business. They drive conversation, drive net acquisition. So we're going to continue to build out that global live event calendar and include -- expand it to include some regional live events as well.

Spencer Wang

Vice President of Finance, Corporate Development & Investor Relations

Great. I'll now move us on to a series of questions around content strategy. We have actually 2 that are pretty similar, so I will do my best to combine them. They're from Robert Fishman of MoffettNathanson and Rich Greenfield of LightShed Partners.

First from Robert Fishman, what is your openness to leverage Netflix's leading global scale to bundle with other streaming services like Peacock or even consider a streaming channel store to compete with Amazon, YouTube, or Roku?

On a related point, Rich Greenfield asks, while it's only been a few weeks, the integration of TF1 in France, is that integration driving higher engagement for Netflix, including non-TF1 content? Do you think there is a meaningful opportunity for Netflix to become a distributor or platform for third-party streaming services around the world?

Gregory K. Peters

Co-CEO, President & Director

Yes, I can take this one. Since the very beginning when we launched our streaming service, we've always sought to expand the entertainment offering we've got in that service. We wanted to provide more value for our members. Our members consistently tell us that they want more from us. We see that in sort of usage behavior. We see it in any kind of testing or modeling we do around the space. And I would say that fulfilling on that customer desire for more has really been the driver for growth for our business for the last 2 decades.

This partnership with TF1 is yet just another approach to expanding that offering. We're just adding to the range of capabilities that we have to do that and the mechanisms we have to do that. We've built a leading streaming entertainment service by combining an unparalleled selection of high-quality programming, best-in-class product experience. We've got a global footprint, big reach and the ability then to deliver huge audiences, deep engagement, industry-leading monetization. So whether through licensing or through new partnerships like TF1, we believe that we can help other producers, other services maximize the value, the relevance of the content that they invest in by finding those bigger audiences. And we have many, many examples of this effect, including now in this new model with TF1.

We also believe that such partnerships are good for our members. They enhance the variety of our offering. They're also effective for our business. And it's early in the TF1 partnership. We're literally 4 weeks in. So there's a bunch that we'll learn through this process, but we are pleased with the performance we are seeing in that integration. We've been able to enhance our already compelling service for our French members with even more local French programming, programming we know that they want to watch. We've seamlessly integrated the TF1 product experience in a way where it supports their brand, but it also keeps things distinct. And we actually think this approach is advantageous for both them and for us. And the early results from how members are reacting, how they're interacting are very promising.

So we don't have anything new to announce today. We're going to continue to learn. There's a lot that we'll dig into over time. We also think that there's a lot we can improve in the product experience already that we've seen. But if we see additional deals that similarly serve our members that work for our partner, that work for us, we'll certainly consider them.

Spencer Wang

Vice President of Finance, Corporate Development & Investor Relations

Thanks, Greg. Robert Fishman has another question in this category. What's the opportunity for Netflix to launch a FAST platform given the rapid engagement growth in that space? Could Netflix library programming be used as an on-ramp for new subscribers? Or would you be open to adding third-party license content to compete with other FAST channels for incremental ad dollars?

Gregory K. Peters

Co-CEO, President & Director

Yes. So if you go back more than a decade when we transitioned from one tier, one offering to sort of a set of offerings, we've been consistently seeking to expand the range of those offerings. So think about that as price and plan choices and widen the spread of those, give customers more options, more range of choice, both at the lower end and also on the premium side. Maintaining and increasing accessibility, especially as we expand our content offering around the world, add new customer segments, that's a critical focus and goal for us. Also optimizing long-term revenue is the other big goal.

A free offering could make sense in some markets, but we have to be thoughtful about cannibalization of paid tiers. We've got to ensure that we've got the right offering, the right differentiation of that offering. It's probably also worth noting that having an effective scaled ads business in any candidate country for such an offering is clearly an important enabling factor to make those economics work. So that's all to say that free is something that we're going to continue to consider, but we have no near-term plans to launch something.

Spencer Wang

Vice President of Finance, Corporate Development & Investor Relations

Great. Thanks, Greg. From -- next is from John Hodulik of UBS. With the addition of video games and more recently, vertical video clips and podcasts, what other content formats are interesting from a long-term road map perspective? And how should we gauge the success of these initiatives?

Theodore A. Sarandos

Co-CEO, President & Director

Well, let's not get into areas that we may be exploring here and let's not preannounce anything. But I am pleased with the early progress we're making with vertical clips for choosing on mobile and certainly video podcasting. We mentioned in the letter, we announced a partnership with the publishers like Conde Nast and Hearst and People. So we're going to bring on some lifestyle content on the service next month. And with the podcast, we're super encouraged with the viewing patterns that we're seeing. They have convinced us that this viewing is definitely incremental for us. We're seeing that in daytime viewing. So we're engaging our members outside of prime time where we historically have done most of the engagement on Netflix. And keeping in mind since professional long-form content is a pretty small part of mobile.

It's exciting to see that our video podcasts are out-indexing on mobile for us. So it's a really great progress on both fronts. It's really important for us to meet our members where they are with the kind of entertainment that they're trying to enjoy. So we've been building out this great lineup of podcasters include a mix of owned and licensed with creators like Martha Stewart, Kate and Oliver Hudson have a great new one. We're thrilled to have Jay Shetty's On Purpose exclusively on Netflix. And our members are starting their day with The Breakfast Club. They're loving the official Bridgerton podcast, Bill Simmons, Pete Davidson, Brian Williams, just to name a few. These are examples of us continuing to evolve and deliver members more entertainment value and in more ways to engage with stuff they love.

But to take a step back and kind of contextualize this, over the last 15 years, the definition of TV has broadened and our definition has changed along with it. So it's easy to forget. But if you rewind the clock to, say, 2013, we had a single prestige English language scripted drama show. No unscripted, no local language, no originals, no comedies, no competition shows. And now we're the #1 creative original programming around the world. Just this week, the Emmy nominations were announced, and we have an Emmy nomination in nearly every category. We didn't even know back in that first year if House of Cards would qualify for the Emmys. There was a bunch of debate as to whether or not it was TV.

So these just announced nominations, I think, are a testament to the quality, the quantity and the variety of our original programming. These expansions are evolutionary, not revolutionary. They are expansions on the same continuum that we started on years ago, adding new things as they become available to us as we see signals that our consumers will get value, including in their Netflix subscription. That continuum has served our members and our business really well. So we're really excited about the progress.

Spencer Wang

Vice President of Finance, Corporate Development & Investor Relations

Thanks, Ted. I'll shift us now to a new topic, which is monetization, and I'll begin with advertising. The question is from Steve Cahall also of Wells Fargo. As you look at the ad tier average revenue per membership today, what are the biggest opportunities for increasing that monetization?

Gregory K. Peters

Co-CEO, President & Director

Yes. Maybe worth starting by noting that we manage the ads business for total revenue, total revenue growth. So those are the optimization functions, ARM and fill rates sort of come along for the ride in achieving those goals. Having said that, there's still a gap between ad tier ARM and then ARM for our standard without ads tier. But that gap is narrowing. And I think of that gap is essentially near-term unrealized revenue growth. So it represents an opportunity for us. As we improve ads capabilities, we can close that gap over the time. And you've seen us do exactly that over the last year.

How have we done it? We've expanded demand sources. We continue to execute quickly on our own ad tech stack. We're adding features. We're adding more ads products. We're adding more measurement. We're making it easier for us -- for folks to transact with us. Those all drive demand. They drive competitiveness. That yields increased fill rates. It pushes ads arm higher. Those improvements are really the bulk of the opportunity we have to improve unit performance and monetization for the next few years.

Spencer Wang

Vice President of Finance, Corporate Development & Investor Relations

Thanks, Greg. From Sean Diffley of Morgan Stanley, there's a question on pricing. Has there been any change in the receptivity to price hikes this cycle? And how do you think about the timing and magnitude of taking price? In other words, first quarter versus fourth quarter seasonality, which is historically a stronger period?

Gregory K. Peters

Co-CEO, President & Director

Yes. Our first half price changes, these are markets like U.S., Mexico, Spain. They've gone well. The results are consistent with prior price changes. They're consistent with our expectations. So we aren't seeing any real changes in that performance. And then with regard to timing and magnitude, we really go back to that top-level macro question we've got of have we delivered sufficient value to our members. We're constantly looking at the signals that help us understand that question, of course, plan selection, plan movement. We've got retention, which is industry-leading.

So we see improvements in value delivered start to move well in advance of making price adjustments, and then we price behind that value that we are delivering. Those same signals inform all of our price change. They include the ones that we've made in the first half of this year, and they help us determine that timing and magnitude that you're getting at. I think also I would be remiss if I didn't use this opportunity to state that I believe that we are delivering one of the best entertainment values that has ever existed.

As a comparison point, if you go to the U.S. and you take what Netflix subscribers are paying, they pay the least per hour of viewing compared to comparable SVOD offerings. In some cases, they would have to pay twice as much per hour for a competitive service. And our ads plan at \$8.99 in the United States, we think, is an amazing entry point. It's an incredible value, highly accessible. If you think about all the entertainment you get for that, it's a pretty good deal.

Spencer Wang

Vice President of Finance, Corporate Development & Investor Relations

Thanks, Greg. The next question is from Rich Greenfield of LightShed Partners. How should we think about reports of Netflix bringing back free trials in select markets? What provoked these tests? And are they a function of increased competition, market saturation or both?

Gregory K. Peters

Co-CEO, President & Director

Rich, you know well. We are always testing. We're always assessing and trying to improve the service. That definitely includes trying to understand the best ways to bring new members into Netflix. And our investment in several product capabilities over the last several years for a variety of reasons have now given us even greater flexibility and capabilities to test different approaches in different markets, different market segments, different conditions to see how we best bring those folks on.

So for example, we've tested a low-cost first month in Japan that was coincident with the World Baseball Classic. That served us incredibly well. We've been testing "upgrade on us" options in various different countries and various different conditions around the world. And as a general part of this test-and-learn strategy now, we're testing free trials for non-rejoining new members in a number of countries. And obviously, we'll see how they perform and then we'll react appropriately.

Spencer Wang

Vice President of Finance, Corporate Development & Investor Relations

Our next question is from Vikram Kesavabhotla of Baird. His question is, Netflix has made progress on its cloud-first video game strategy this year, including the addition of several new titles. How are these games performing on the platform so far? And how should we expect the video game offering to evolve going forward?

Gregory K. Peters
Co-CEO, President & Director

Yes, I'll start by reminding folks of the market opportunity here. This is roughly \$150 billion in consumer spend ex China, ex Russia, doesn't include ads revenue. We've been building some solid foundations and now we're seeing exciting positive signals that help inform and give us increased conviction in our future growth and the nature of that growth here. So you mentioned the cloud-based strategy, those cloud-based TV games, we really see it working. FIFA and Unhinged became our 2 most successful cloud game debuts, really solid numbers that put it in the top tier of game performance for us.

Another big positive sign is that since last October, so 8 months ago, when we really sort of scaled up this cloud initiative, monthly active players for cloud games have increased 11x and adoption is significantly ahead of that curve that we had for mobile games with even higher retention value. So we're definitely excited about that and focused on scaling up cloud games.

We're also seeing positive signals with kids games. So Netflix Playground, which is our app for kids games, no ads, no in-app purchases, curated set of games, very safe space. We've seen 3x growth in daily players since that launch. That's driven more engagement in kids mobile games, which is up 600% year-over-year. So that's super exciting to see as well.

Again, we're just getting started here. We're scratching the surface in terms of what we think the total potential of the space offers for us. You're going to see us continue to calibrate and refine our level of investment here, which is still very small relative to our overall content spend based on demonstrated performance based on what is working for our members and what's delivering returns to our business.

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

Thanks. I'll move us on now to a question from Jessica Reif Ehrlich of Bank of America. Given Netflix's global footprint of approximately 330 million subscription households, how do you think about leveraging that scale as a strategic asset? How does the currently consolidating media landscape impact these decisions?

Theodore A. Sarandos
Co-CEO, President & Director

I'll take that. So you're right, Jessica, we do benefit in a number of ways from the tremendous scale that we worked so hard to build over the last 20 years. We've invested in a number of areas of the business. Look at our tech investment where we spend billions of dollars every year. And as a result, we have best-in-class discovery, personalization, plus a bunch of great R&D and innovation, including in production, in distribution, in data that we can draw on to constantly improve every aspect of the business and the breadth and depth of our content catalog.

These in combination all deliver this kind of flywheel of advantages. We have the biggest, most engaged audience in the world. Creators and advertisers love that. We lead the industry in monetization. We have better programming ROI because we amortize across this global footprint and that -- very often, that programming is very travelable. This is good for our members. It's good for our business. It creates a really healthy model for organic growth. Greg mentioned TF1 earlier. I think it's being able to bring that scale to work with partners like TF1 in France to bring content to our members in multiple ways and multiple business models. I think that really helps when we could bring that distribution scale to local players.

And finally, Jessica, I'd say regarding consolidation, the industry has been consolidating for over 10 years. So this isn't new. We focus all of our energy on pleasing our members and sustaining healthy growth for the business.

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

Thanks, Ted. Our next question comes from Sean Diffley of Morgan Stanley. What have been the early learnings from the InterPositive deal? And how should we think about potential cost savings in content creation? Could the impact of your \$20 billion cash content budget -- could this impact your \$20 billion cash content budget on a go-forward basis? Or is it more likely to be reinvested into more content and better compensating talent?

Ted?

Theodore A. Sarandos
Co-CEO, President & Director

Well, look, it's early days for InterPositive, but we're broadly seeing that gen AI is starting to have an impact across hundreds of our productions. So important to note that we have other gen AI tools in addition to InterPositive. We're thrilled with all the speed they're bringing to market for us. But we also have Eyeline and we have our animation lab. And what's cool is that they're all working together to drive innovation.

We said in the letter, but gen AI is scaling quickly across the entire creative process, from concept to pre-vis through post and delivery. We're making higher quality output more quickly and efficiently than we could have using traditional methods. So gen AI workflows now have been used in roughly 300 of our titles with the largest concentration right to date is on post-production. But we're leveraging gen AI for really complicated shots and sequences. We called this out in the letter, but things like enhancing crowds or historical battle scenes, those kind of things.

And keep in mind that in many of the cases, productions would have left out those key shots because they just wouldn't have been able to afford them, they wouldn't have been able to do them in the time frames that they're working on. So those sequences are saved by the availability and access to these Gen AI tools. On the content side, we believe it takes great artists to make something great, and AI is not changing that. AI will give creators better tools to bring their visions to life. Movies are being made by people who make movies. AI provides them with better tools to make them even better.

So today, our talent leverages tools for things like set references and pre-vis and VFX and sequence prep and shot planning, which all makes the production itself so much more smooth and efficient and fast. And that's just the beginning. We're seeing it across the entire production life cycle and AI -- those use cases are scaling faster and faster. So our documentary series we just released called American Experiment. That series features 17 minutes of AI-enhanced footage. It enabled us to expand the scope of the series in ways that just wouldn't have been feasible before. Those 17 minutes, Sean, they were produced twice as fast and at half the cost of previous options.

So by equipping creators with these tools, we believe they're going to enhance their abilities, and we are going to have better and more impact for every dollar we spend on our programming. So content creation time lines can be shortened and quality can be enhanced. So the cost savings will likely be reinvested into more content on the service, which fuels high-quality engagement and that whole kind of revenue profit flywheel that's going to come from that, that we've been talking about from day 1.

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

Thanks, Ted. We have time for one last question, and we'll take that from [Dan Kurnos] of StoneX. And it's a question around capital allocation. Given recent reports around Lionsgate that Netflix has denied and broader speculation around interest in NBCUniversal, how should investors think about the line between opportunistic IP and library acquisitions and larger-scale M&A that could change Netflix's capital allocation or strategic profile?

Theodore A. Sarandos
Co-CEO, President & Director

Well, I'll take this, if you don't mind, guys. Dan, we're not going to comment on market speculation, but I'd like to take the opportunity to remind everyone about our core philosophy. We have multiple ways to achieve our goals, producing, licensing, partnering, and we're constantly seeking ways to allocate our resources in the most attractive options to maximize value for our members and delivering for a return for our investors. As we've said, we are primarily builders, not buyers, and that remains the case today. So others will speculate about our intent to -- here because they have their own reasons for that. But our track record is clear that we have a very high bar to do any big M&A.

Spence, do you want to add anything?

Spencer Adam Neumann
Chief Financial Officer

Maybe I'll chime in a little bit specific to capital allocation, Ted. So Thanks, Dan. So look, there's -- I just want to be really clear, there is no change to our capital allocation philosophy. We invest in the business, both organically and opportunistically through M&A.

And again, as Ted said, we are primarily builders, not buyers. We also maintain strong liquidity and a strong, healthy balance sheet. And lastly, we return excess cash to shareholders through share repurchase.

And on that last point, you can see that very clearly. In Q2, we repurchased \$4.7 billion of shares this quarter. That's our largest quarter of share repurchase in our history. And we still have about \$27 billion of capacity on our remaining authorization. So we feel really good about our growth path. As Ted said, we've got a really high bar, and we have no change in our capital allocation philosophy.

Spencer Wang

Vice President of Finance, Corporate Development & Investor Relations

Great. Thank you, Spence, and thank you all for your questions and for joining us for our quarterly earnings call, and we will see you next quarter. Thank you.

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