



FOR IMMEDIATE RELEASE  
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***NETFLIX UPDATES Q1 GUIDANCE  
SUBSCRIBER GROWTH ACCELERATES SIGNIFICANTLY***

LOS GATOS, CA — February 23, 2004 — Netflix, Inc. (Nasdaq: NFLX) today revised guidance for the first quarter ending March 31, 2004. The Company expects the Q1 percent growth in subscribers to exceed the growth rate in each of the prior four quarters on a year-over-year and quarter-over-quarter basis. The Company said that television advertising and on-line acquisition sources have caused its growth to accelerate significantly.

**Revised Guidance**

The Company revised guidance for the first quarter as follows:

- Ending subscribers of 1,860 to 1,935 thousand from 1,750 to 1,825 thousand
- Revenue of \$96 to \$101 million from \$94 to \$99 million
- GAAP net loss of (\$5.6) to (\$8.1) million from (\$1.2) to (\$3.7) million
- Non-GAAP net loss of (\$0.9) to (\$3.4) million from net income of \$1.0 to 3.5 million
- Gross margin of 43 to 45 percent from 44 to 46 percent
- Churn of 4.7 to 5.2 percent from 4.8 to 5.3 percent

The following guidance remains unchanged:

- SAC of \$34 to \$36

Rapid subscriber growth, and the marketing expense associated with acquiring new subscribers, which is immediately expensed when a subscriber joins the Netflix service, primarily accounts for the downward revision in GAAP net loss guidance for the quarter.

The Company will update guidance for the full year 2004 in its earnings release for the first quarter 2004. Netflix expects to release its first quarter 2004 financial results on Thursday, April 15, 2004, after the market close. A webcast of the quarterly earnings conference call will begin at 2:00 pm PT and can be accessed via the web at <http://ir.netflix.com>.

### **About Netflix**

Netflix (Nasdaq: NFLX) is the world's largest online movie rental service, providing more than one million subscribers access to over 18,000 DVD titles. For \$19.95 a month, Netflix subscribers rent as many DVDs as they want, and keep them as long as they want, with three movies out at a time. There are no due dates, no late fees and no shipping fees. DVDs are delivered by first-class mail from regional shipping centers located throughout the United States. Netflix can reach more than 80 percent of its subscribers with generally next-day delivery. The Company provides subscribers extensive information about DVD movies, including critic reviews, member reviews, online trailers, ratings, and personalized movie recommendations. For more information, visit [www.netflix.com](http://www.netflix.com).

### **Forward-Looking Statements**

This press release contains certain forward-looking statements within the meaning of the federal securities laws, including statements regarding our subscriber growth, revenues, GAAP net loss, Non-GAAP net loss, gross margin, subscriber acquisition cost and churn for the first quarter. These statements are subject to risks and uncertainties that could cause actual results and events to differ, including, without limitation: managing our subscriber acquisition cost as well as the mix between revenue sharing titles and titles not subject to revenue sharing that are delivered to our subscribers; our ability to attract new subscribers and retain existing subscribers; fluctuations in consumer usage of our service and fluctuations in our stock price. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K filed with the SEC on March 31, 2003. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this press release.

### **Netflix, Inc.**

#### **Non-GAAP Guidance Reconciliation Schedule**

(unaudited)

(in thousands)

	<b>First Quarter, 2004 Guidance Range</b>	
<b>Non-GAAP net loss reconciliation:</b>		
Net loss	\$ (5,600)	\$ (8,100)
Add back:		
Stock-based compensation	4,700	4,700
Non-GAAP net loss	\$ (900)	\$ (3,400)