

fastFT **Netflix Inc**

Netflix subscriber growth shoots past estimates

Shares rise as much as 16% in after-hours trade after earnings ease investor worries



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Shannon Bond in San Francisco 11 HOURS AGO

[Netflix](#) shot past estimates for subscriber growth and earnings in the third quarter thanks to strong global growth, sending its shares surging after the close of trading on Tuesday.

The video streaming company added nearly 7m net new subscribers in the third quarter — exceeding the 5.3m Wall Street analysts were expecting and the 5m its executives had predicted three months ago. It now counts more than 137m subscribers globally.

Shares jumped as much as 16 per cent in after-hours trading in New York. The results eased worries Netflix might repeat an unusual miss in subscriber additions in its second-quarter report in July, which had then sent its stock plunging.

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Paolo Pescatore, a telecoms and media analyst

The July report brought a sudden end to a rally that had seen Netflix shares more than double between early January and mid-July. The pressure has only been amplified by the recent sell-off among other previously high-flying technology stocks.

Investors and analysts keep a close eye on Netflix's ability to attract new subscribers as it pours money into new films and television shows.

The company plans to spend \$8bn on content this year and has justified its investments as vital to gaining and retaining viewers amid increasing competition from the likes of [Walt Disney](#), [Amazon](#) and [AT&T](#).

The company relies on debt to finance its ballooning levels of content spending. It said it now anticipates free cash outflows of about \$3bn in 2018, down from an earlier forecast of \$4bn.



In the third quarter, Netflix reported robust subscriber growth both in its home country and in international markets where it has made a big push in recent years. It added 1.1m subscribers in the US and 5.9m in other countries, ahead of its own forecast of 650,000 and 4.35m, respectively.

“Overall, this was a strong quarter for the company. Normal service has been restored,” said Paolo Pescatore, a telecoms and media analyst. “More importantly, strong growth in its overseas market is encouraging.”

Reflecting the scrutiny given to Netflix’s subscriber growth, the company said it would focus on a metric it can forecast more accurately: net growth in paid subscribers. This excludes people who use free trial memberships to its service.

Starting in January, Netflix will only issue guidance for paid memberships, Reed Hastings, chief executive, wrote in his letter to shareholders, saying they were “a more reliable indicator of revenue growth”.

Third-quarter net income surged to \$403m, or 89 cents a share, from \$130m, or 29 cents a share, a year ago. Revenue rose 34 per cent to \$4bn. Analysts had estimated earnings of 68 cents a share and \$4bn in revenue, according to S&P Global Market Intelligence.

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During the quarter, new seasons of popular Netflix shows such as *Orange is the New Black*, *Bojack Horseman* and *American Vandal* were accompanied

by new original franchises such as *Maniac* and *Sacred Games*, its first original series in India. The company also noted the success of original films including the romantic comedy *To All the Boys I’ve Loved Before*.

Netflix gave bullish guidance for the current quarter, forecasting the addition of another 9.4m subscribers globally, ahead of analysts’ forecasts of 8.35m, according to FactSet.

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