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Netflix

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Netflix reports weakest quarterly subscriber growth in four years, earnings miss forecasts

Netflix Inc (NASDAQ:NFLX) has reported its weakest subscriber growth in four years as streaming competition increased, coronavirus (COVID-19) pandemic restrictions eased and live sports returned to television.

In results released after-New York hours on Tuesday, the company said it added 2.2 million paid subscribers globally during the quarter that ended September 30, below the consensus target for 3.4 million and its own forecast.

Quarterly earnings per share were also below analyst expectations at $1.74 versus a consensus forecast of $2.14, albeit up from $1.47 per share a year earlier.

Netflix's revenue rose by 22.7% to $6.44 billion in the third quarter, beating estimates of $6.38 billion, and net income increased to $790 million from $665.2 million,

The company reported a blockbuster quarter at the start of the worldwide coronavirus pandemic, adding 15.8 million paying customers from January through March.

Netflix had warned investors that a sudden surge in new sign-ups would fade in the latter half of the year as COVID-19 restrictions eased.

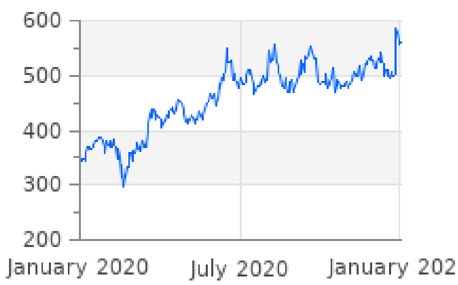
The company forecast that in the fourth quarter it would bring in 6.0 million new subscribers around the globe, short of the 6.51 million that analysts expected.

Shares of Netflix, one of the biggest gainers this year, dropped nearly 6% to $494 in after-hours trading on Tuesday.

Commenting on the Netflix numbers, Sophie Lund-Yates, equity analyst at Hargreaves Lansdown said: "Subscriber growth was always going to stall this quarter, but it's stuttered more than expected. Lockdown earlier in the year caused a whirlwind of sign-ups, and that means the tailwind has eased to more of a soft breeze. What's heartening though is the level of growth being seen in emerging economies, particularly Asia Pacific. These regions are important for future growth, with large pools of potential subscribers available. Growth in the USA and Canada on the other hand is a lot less heady, with pretty much all the juice having been squeezed from these oranges.

Price:	537.3
Market Cap:	$237.59 billion

1 Year Share Price Graph



Share Information

Code:		NFLX
Listing:		NASDAQ
52 week	**High**	**Low**
	593.23	**290.32**
Sector:		**Media**
Website:		**www.netflix.ca**

Company Synopsis:
Netflix, Inc. is a subscription service streaming movies and television episodes over the Internet and sending digital versatile discs by mail to more than 12 million subscribers.

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"Looking to the future there are some structural growth opportunities in Netflix's favour. Entertainment seekers are continuing to shun cinemas, either because they remain closed, or because customers would rather not risk venturing out. Whichever way you cut it, the pull of box office hits is much less potent these days - instead people are continuing to look for smash content from the comfort of their sofas. With many major cinema chains really struggling, and even facing collapse, this could be a long-term behavioural shift. Netflix is firing on all cylinders, ready to capture its share of screen time - with over 50 productions having completed principle photography since peak lockdown.

Sge added: "Competition is fierce, so keeping eyes on Netflix screens and away from rivals like Amazon, means coming up with the best content. So it's great that it's lights, camera, action once more for some very well-loved names like Stranger Things, which are hugely important to Netflix's story. Original content might keep customers, but it costs a pretty penny, and is downright ghoulish for the bottom line. If consumers are expected to burn through content at a faster rate, the cash flow hole will in theory get bigger. Stemming that problem will involve leveraging the benefits of scale in saturated markets, like the US, and continually raising prices with one hand, while scooping up new, lower margin, subscribers in places like India and China with the other."

-- Adds analyst comment --

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