A Strategy to Succeed?

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Company Background

- Year Founded: 1997
- Headquarter Location: Los Gatos, CA
- Netflix membership
- Personalized movie recommendations in 2000
- Introduced streaming content in 2007
Early Success

- Total Subscribers
  - 2004 = 2.6 million
  - 2010 = 20.01 million (669% growth)

- Revenues grew
  - 2004 = $500 million
  - 2010 = $2.16 billion (332% growth)

- Net Income
  - 2004 = $21.6 million
  - 2010 = $160 million (640% growth)
Price Split/Strategy

 Split DVD and streaming services in November 2010.
  • Charged separate prices for DVD by mail and streaming content subscriptions.
  • $8.99 for both (before split)
  • $7.99 for unlimited streaming (after split)
  • $7.99 1 DVD by mail (after split)

 Quikster

  “We believe that DVD will be a fading differentiator given the explosive growth of streaming, and that in order to prosper in streaming we must concentrate in having the best possible streaming service.”
Price Split Aftermath

- **Total Subscribers** (total unique US subscribers)
  - 2010 = 19.5 million
  - 2011 = 24.4 million (25% growth)

- **Revenues grew**
  - 2010 = $2.16 billion
  - 2011 = $3.2 billion (48% growth)

- **Net Income**
  - 2010 = $160 million
  - 2011 = $226 million (41% growth)
The Drop

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<tr>
<th>Last Price</th>
<th>Change</th>
<th>Open</th>
<th>Day High</th>
<th>52-Week High</th>
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<td><strong>89.73</strong></td>
<td>6.34 ↑ (7.60%)</td>
<td>84.13</td>
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<tr>
<td>Volume</td>
<td>Previous Close</td>
<td>Day Low</td>
<td>52-Week Low</td>
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<td>81.80</td>
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![Netflix (NASDAQ: NFLX) Stock Chart](image)

3:06 PM ET on Nov 3, 2011
What's New?

- International Markets Expansion started in 2010
- Investment in child programming
- Facebook for Netflix
- Investment in original content
Investment in Original Content

- January 2012 – started producing original series House of Cards
- $3.8 - $4.5+ million per episode
- $100 million (estimated $50 million per season)
- Will expand original series (9 series planned)
  - Hemlock Grove – April 19th
  - Arrested Development – May
  - Orange is the New Black
  - Derek
  - Lilyhammer
Strategy Behind Investment

- Become HBO before HBO becomes Netflix
- Bringing the future of TV, internet TV
- “you can figure out what to produce and who to merchandise it to…Selective merchandising is very profitable.” – Reed Hastings
- Targeting “binge viewing”
- "We're not programming to the limited shelf space of broadcast television.” – Reed Hastings
- Predetermined success based off viewing data and habits
Battling Back
Competitors

- HBO Go
- Amazon Prime
- Hulu Plus
- Redbox
Future Thoughts for Netflix

- International expansion slowed…for now.
- Who doesn’t enjoy Disney…and Star Wars?
- Original Series and Game Changers
- The constraints of the linear TV grid will fall, one by one.
- Is another price increase looming?
Any Questions?