

Netflix reels in 4.3M more subscribers in 4Q; stock surges

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This March 20, 2012 file photo shows Netflix headquarters in Los Gatos, Calif. Netflix is expected to release quarterly financial results after the market close on Tuesday, Jan. 20, 2015. (AP Photo/Paul Sakuma, File)

Coming off its best quarter yet, Netflix is accelerating its international expansion in hopes its original programming will hook millions more subscribers on the Internet video service.

Netflix Inc. added 13 million worldwide subscribers last year, including

4.3 million during the final three months, according to figures released Tuesday in the company's fourth-quarter earnings report. It marked Netflix's biggest quarter of subscriber gains ever, eclipsing the 4.07 million added in the final three months of 2013.

Earnings also rose to a new quarterly high of \$83.4 million, or \$1.35 per share, a 72 percent increase from the same time last year. The latest quarter included a one-time gain of \$39 million from the resolution of a tax audit.

The performance drew rave reviews from investors as Netflix's stock surged \$55.35, or nearly 16 percent, to \$404.15 in extended trading. The shares still remain well below their record high of \$489.29 reached four months ago.

Encouraged by the popularity of Netflix's original programs in overseas markets, CEO Reed Hastings now expects to complete the company's international expansion by 2017 while remaining profitable. The Los Gatos, California, company plans to borrow \$1 billion to help finance its push outside the U.S., including a potential entrance into China.

"It's going to be a very exciting couple years," Hastings promised in a Tuesday interview.

Netflix also is pouring more money into original programming in an effort to maintain its leadership in long-form Internet video amid intensifying competition from imposing rivals such as Google Inc.'s YouTube, Amazon.com and Time Warner Inc.'s HBO.

The on-demand convenience of online video streaming has become so popular that HBO, a 42-year-old cable channel, will start selling a separate Internet-only subscription later this year to connect with the steadily expanding audience spurning traditional pay-TV packages.

Meanwhile, YouTube has been amassing more professionally produced content to supplement its wide array of amateur videos, while Amazon.com plans to finance about a dozen full-length films for its \$99-a-year Prime service, which also includes free shipping and music streaming for its e-commerce customers.

Netflix's emphasis on more distinctive shows, launched two years ago with the debut of the award-winning series "House of Cards," has reeled in more viewers while trimming profits because of higher licensing costs. To help pay the bills, Netflix raised its prices last May by \$1 a month, to \$9, in a move that the company initially blamed for disappointing subscriber growth last summer.

Hastings now believes last summer's lackluster growth had more to do with narrowing opportunities to expand in the U.S. now that Netflix already is in so many domestic households.

The service ended December with 39.1 million subscribers in the U.S., accounting for more than two-thirds of Netflix's customers spread across about 50 countries. Hastings believes Netflix eventually can attract as many as 90 million U.S. subscribers, though it will take nearly a decade to reach the goal, based on the company's current rate of domestic growth.

Netflix is anticipating an additional 4 million global subscribers during the first three months of this year, boosted by the Feb. 27 return of "House of Cards." The period also will feature the March 6 debut of "The Unbreakable Kimmy Schmidt," a new series produced by comedian and writer Tina Fey, as well as new drama called "Bloodline," to be released March 20.

More than 20 other Netflix originals encompassing 320 total hours are scheduled to be released this year, including the third season of another

acclaimed TV series, "Orange Is The New Black" and a movie sequel to "Crouching Tiger, Hidden Tiger."

Netflix is about to begin streaming "The Interview," a comedy that wasn't released in major theater chains last month because of terrorism threats. The Sony Pictures film starring Seth Rogen and James Franco will be available on Netflix in the U.S. and Canada beginning Saturday.

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