

Netflix surges on user gains, strong profits

October 16 2018



Netflix shares staged a strong rally after reporting better-than-expected profits and user growth in the past quarter

Netflix reported Tuesday a strong jump in profits and better-than-expected growth in users in the past quarter, sparking a rally in shares of the streaming television market leader.

Netflix said it gained almost seven million new users worldwide, to bring its total membership to more than 137 million.

Profit in the quarter more than tripled from a year ago to \$403 million while revenues grew 34 percent to \$4 billion.

Investors pushed up Netflix shares by 12 percent in after-hours trade, following a disappointing second-quarter report that sent the stock reeling.

"Our broad slate of original programming helped drive a solid quarter of growth," Netflix said in a letter to shareholders.

The Silicon Valley company has been ramping up its [investment](#) in original programming as it faces increased competition from rivals like Hulu and Amazon, and traditional media firms begin to enter the market for streaming and limit content to outside parties.

"We've come a long way in the five years since launching [original content](#) on Netflix," the statement said.

"In addition to our commercial success, we're ecstatic when the creators we work with are recognized for their inspiring work. This year, Netflix originals led with 112 Emmy nominations spanning 40 of our shows."

Netflix has said it plans to invest some \$8 billion in original content.

"We recognize we are making huge cash investments in content, and we want to assure our investors that we have the same high confidence in the underlying economics as our cash investments in the past," the company said.

"These investments we see as very likely to help us to keep our revenue

and operating profits growing for a very long time ahead."

Analyst Paul Verna of the research firm eMarketer said that "Netflix's strong quarter will at least temporarily put to rest questions over the long-term viability of its business and shift focus to the competition, which continues to significantly lag the streaming giant."

According to eMarketer, Netflix accounts for three- fourths of US consumers using a streaming service and is well-positioned to face competition.

"These positive results come as head-to-head competitors like Amazon and Hulu are ramping up their content investments, and as companies including Disney, AT&T and Walmart are teeing up their own direct-to-consumer subscription services," Verna said.

"However, given Netflix's longtime leadership and extensive [content](#) library, competitors will be hard-pressed to build streaming businesses that can aspire to become market leaders."

© 2018 AFP

Citation: Netflix surges on user gains, strong profits (2018, October 16) retrieved 4 May 2024 from <https://phys.org/news/2018-10-netflix-surges-user-gains-strong.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--