Netflix signals confidence with upbeat revenue outlook, strong ad-tier signups

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The Netflix logo is shown on one of their Hollywood buildings in Los Angeles, California, U.S., July 12, 2023. REUTERS/Mike Blake/File Photo Purchase Licensing Rights

Summary Companies

- Shares rise 2.7% after earnings beat expectations
- Reed Hastings transitions to non-executive chair
- Ad-supported tier drives 55% of new sign-ups

LOS ANGELES, April 17 (Reuters) - Netflix's (NFLX.O) streaming dominance helped the company offer a bullish quarterly revenue outlook on Thursday, a rare sign of confidence at a time when the economic uncertainty surrounding tariffs has made consumers frugal.

Its shares rose 2.7% in after-hours trading as the company also exceeded Wall Street's earnings expectations in a quarter populated with hits such as limited series "Adolescence", drama thriller "Zero Day" and unscripted series "Temptation Island".

The stock has risen 9% so far this year, compared with a 10% slump in the broader S&P 500 index (.SPX).

The streaming giant also said its co-founder Reed Hastings had left his post as executive chairman to become the board's non-executive chair, "part of the natural evolution of our leadership structure and succession planning."

With more than 300 million global customers, Netflix has continued to sign up subscribers in markets around the world as consumers flocked to its lower-priced, ad-supported tier since its launch in late 2022. The company is also building an advertising business to diversify revenue.

Netflix said its ad-supported tier accounted for 55% of new sign-ups in countries where it is available.

"Having a diverse business model through subscription and a slow but rising ad-based tier will mitigate any risks from tighter consumer spending that could drive cancellations," PP Foresight analyst Paolo Pescatore said.

"Netflix is an indispensable service in users' lives. It will be the last subscription that users will cancel given the broad and breadth of programming," he said.

Netflix reported revenue of $10.54 billion for the first quarter, edging past analysts' estimates of $10.52 billion, according to data compiled by LSEG.

Diluted per-share earnings of $6.61 exceeded consensus estimates of $5.71.

For the first quarter, Netflix said revenue and operating income beat its own guidance "due to slightly higher subscription and ad revenue and the timing of expenses." It said advertising revenue was "still very small relative to subscription revenue."

Looking ahead, the company projected revenue would rise to $11.04 billion for April through June, above the analyst consensus of $10.90 billion.

For the year, Netflix reaffirmed its forecast of revenue between $43.5 billion and $44.5 billion, "which assumes healthy member growth, higher subscription pricing and a rough doubling of our ad revenue."

Some analysts have raised the possibility that President Donald Trump's economic policies and erratic tariff plans could lead to a recession that makes consumers reconsider their streaming spending.

In January, the company reported it had added a record 18.9 million subscribers in the fourth quarter of 2024.

This quarter, Netflix declined to disclose subscriber numbers in order to emphasize other performance metrics, including revenue and profit. Analysts have said they believe the change signals slower subscriber growth ahead.

Reporting by Dawn Chmielewski and Lisa Richwine in Los Angeles; Editing by Devika Syamnath

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