

# NETFLIX

Q3'09 Financial Highlights | October 22, 2009

## Forward-Looking Statements and Non-GAAP Financial Measurements

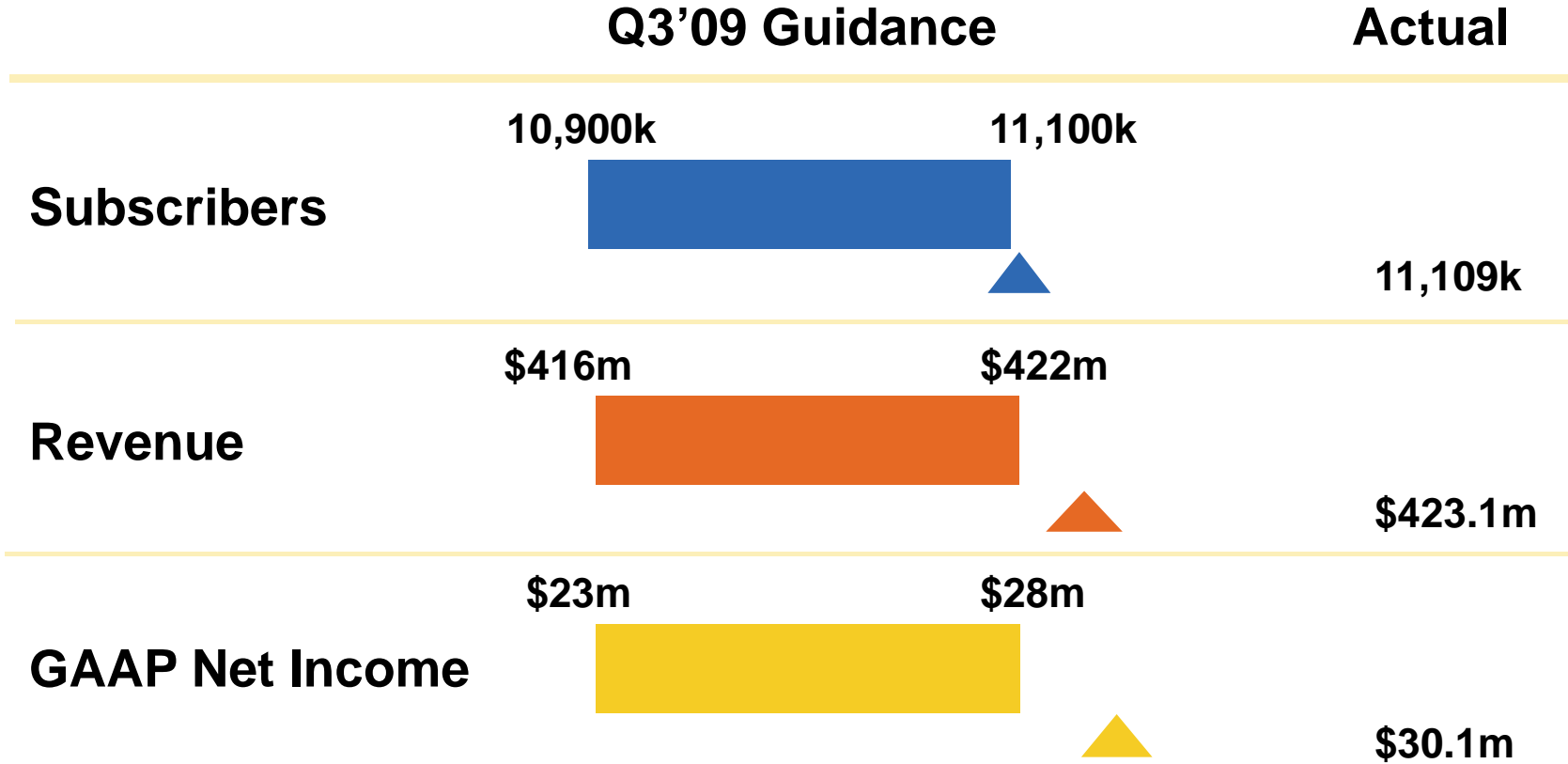
This presentation contains forward-looking statements relating to future events or future financial performance that involve risks and uncertainties. Actual results may differ materially from those anticipated in these statements based on a number of factors, including those identified in the company's annual report on Form 10-K filed with the SEC on February 25, 2009.

This presentation also contains references to non-GAAP financial measures. A presentation of and reconciliation to the most directly comparable GAAP financial measure, where such can be done without unreasonable effort, can be found on our Web site at <http://ir.netflix.com>.

## Netflix Goals

- > Be a great Internet movie service by **combining DVD by mail** with **internet streaming**
- > Materially grow **subscribers** and **EPS** every year

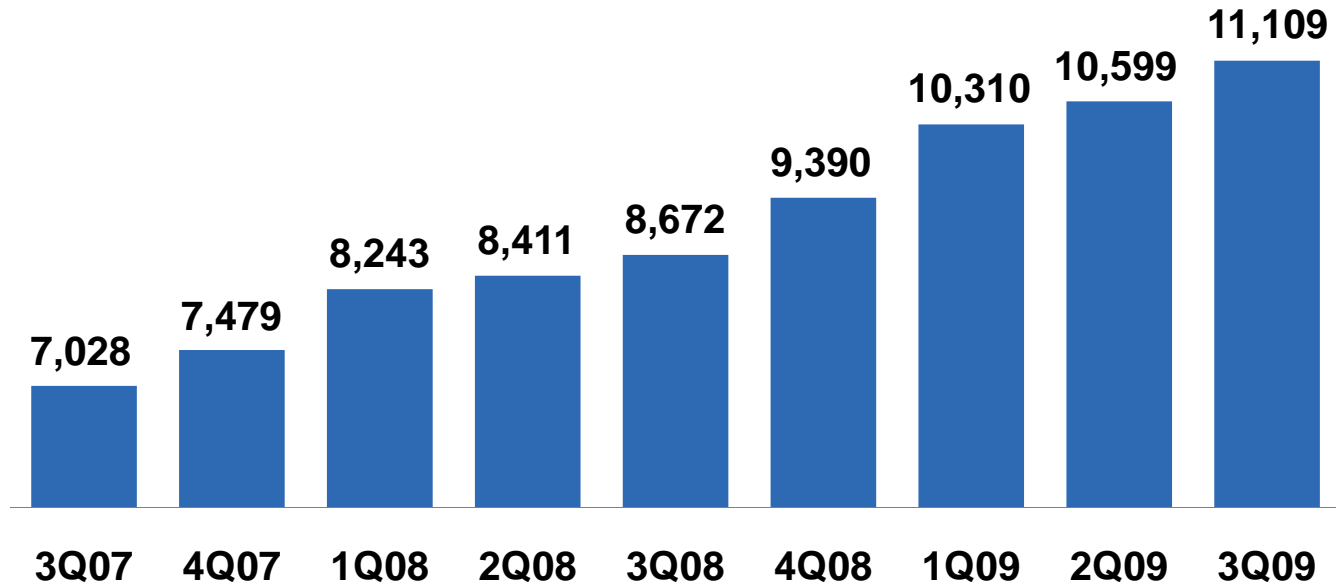
# Q3 Results



# Subscriber Growth

(in thousands)

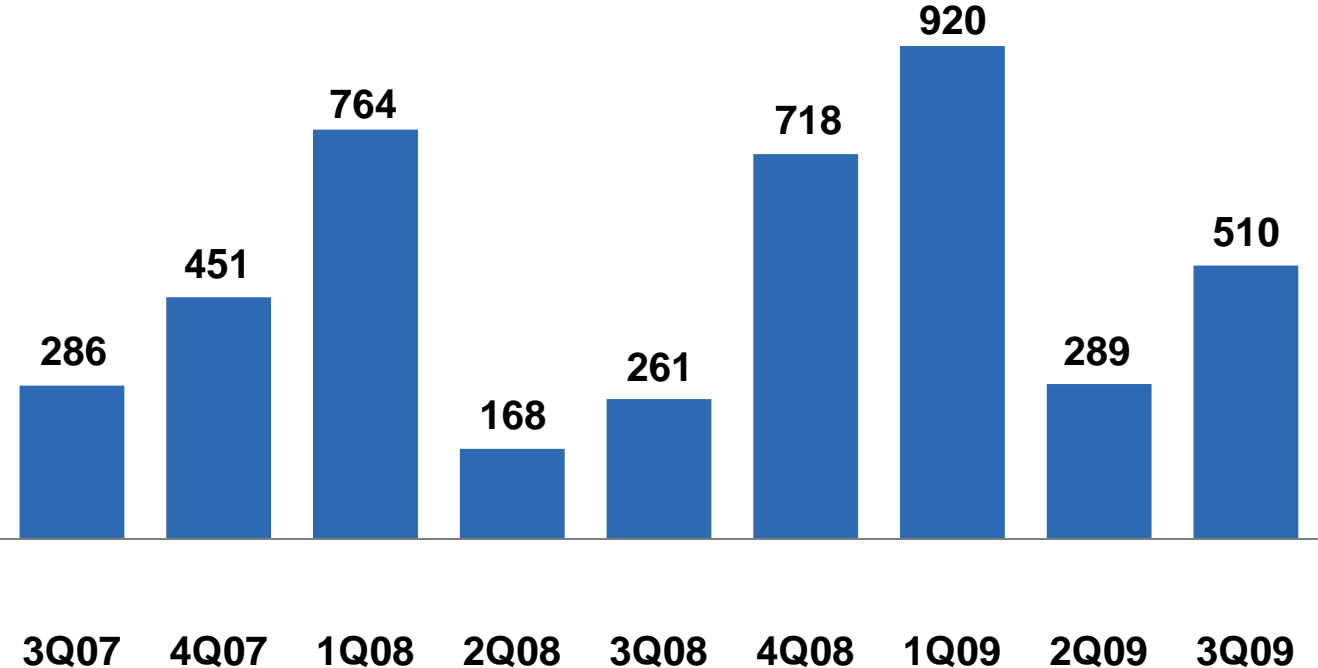
## Netflix Subscribers



# Net Additions

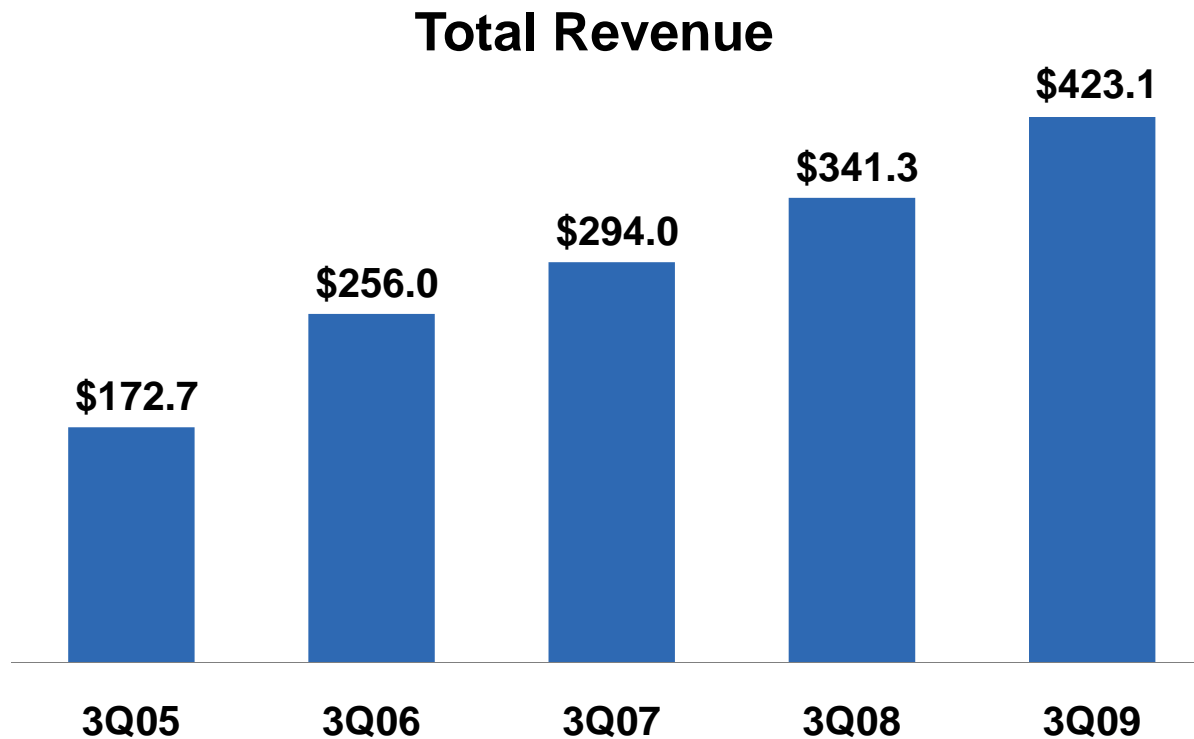
(in thousands)

## Net Subscriber Additions



# Q3 Revenue

(in millions)

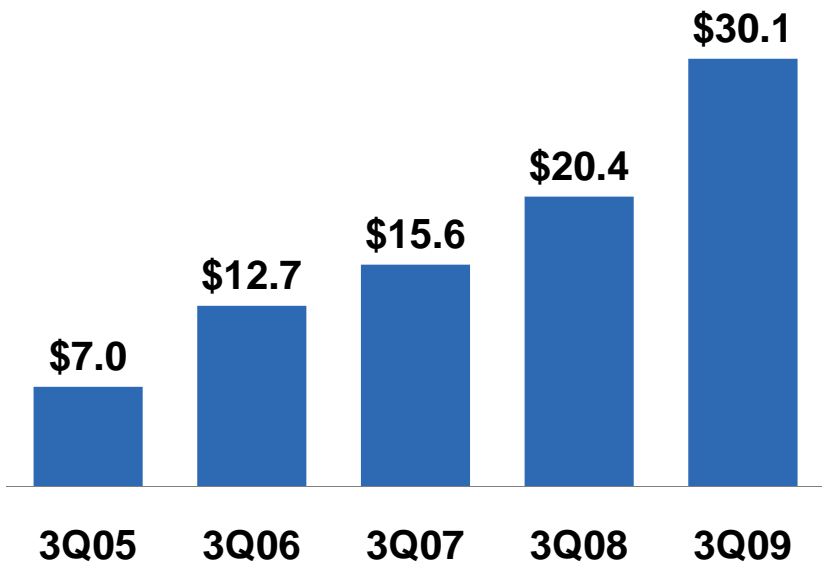


Note: Netflix implemented price reductions in July 2007

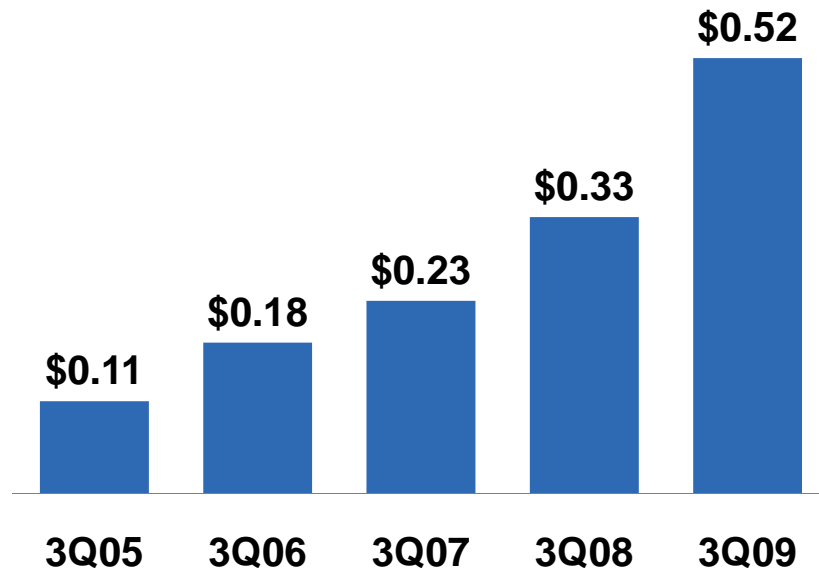
# Q3 GAAP Net Income & Fully Diluted EPS

(in millions)

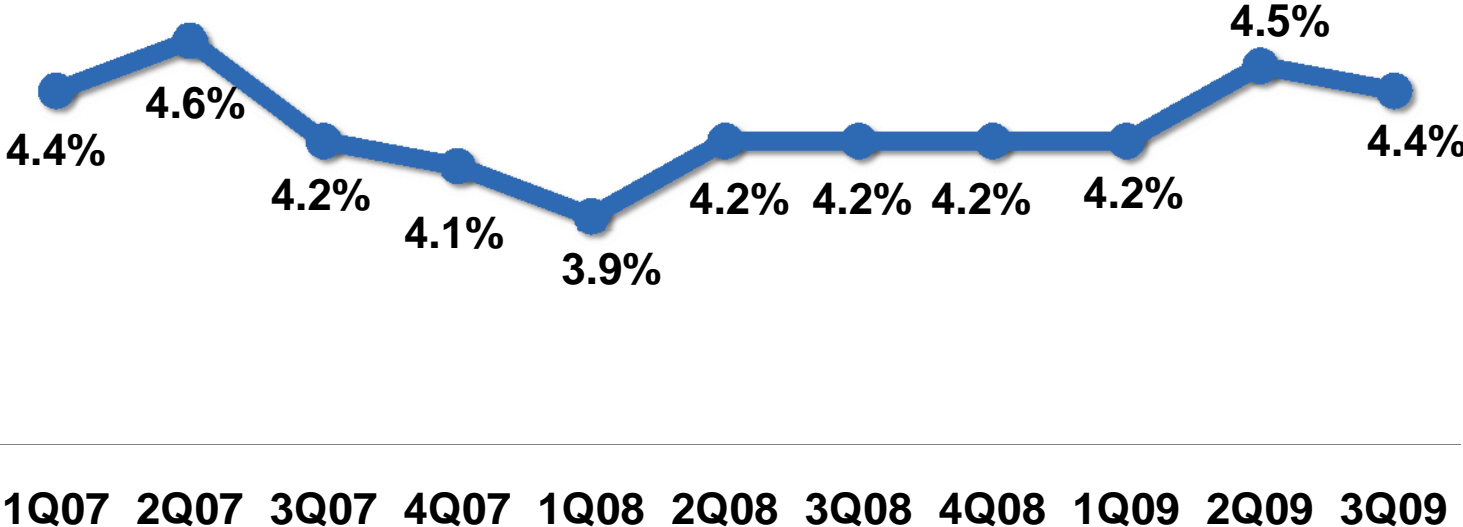
## Net Income



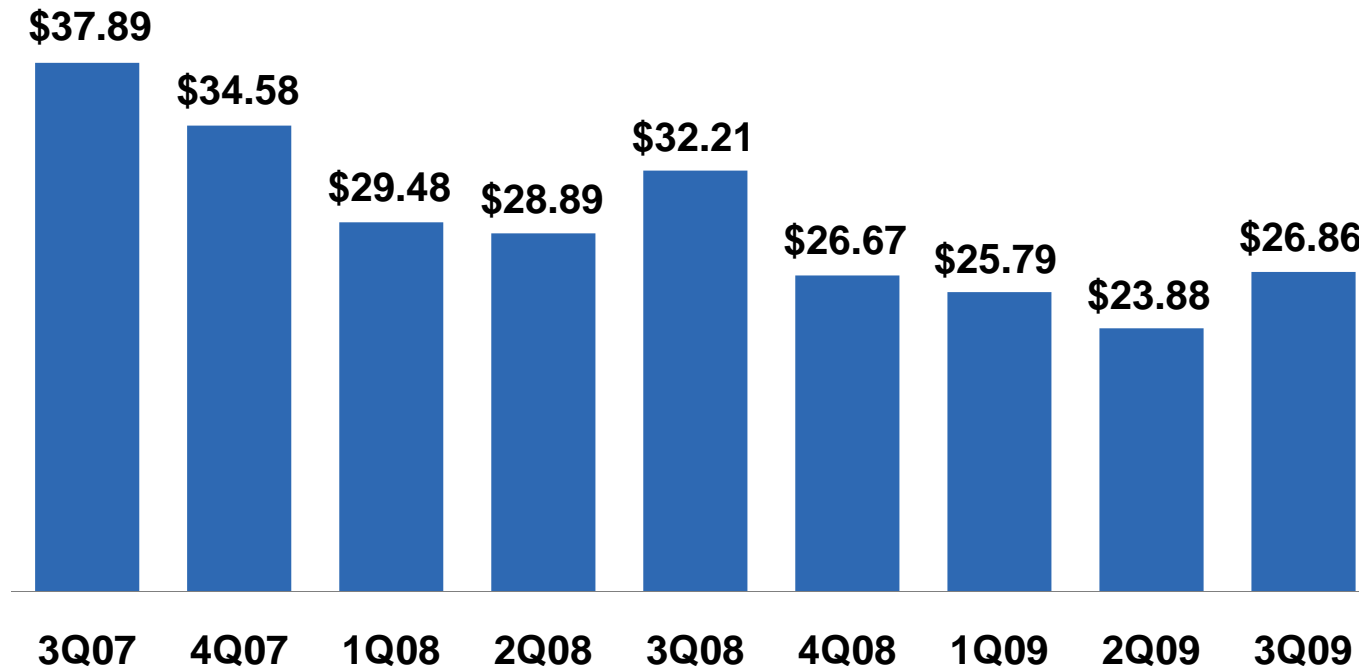
## Earnings per Share



# Churn



# Subscriber Acquisition Cost



# Free Cash Flow

(in thousands)

	3Q08	4Q08	1Q09	2Q09	3Q09
<b>Non-GAAP Free Cash Flow Reconciliation:</b>					
Net cash provided by operating activities	\$60,495	\$92,100	\$65,633	\$75,302	\$78,311
Purchases of property and equipment	(9,226)	(7,471)	(6,572)	(6,933)	(9,994)
Acquisition of intangible asset	(62)	—	(200)	—	—
Acquisitions of content library	(28,828)	(38,295)	(46,499)	(43,224)	(46,273)
Proceeds from sale of DVDs	3,787	4,695	2,726	1,159	3,345
Other assets	3	(32)	(2)	11	134
<b>Non-GAAP Free Cash Flow</b>	<b>\$26,169</b>	<b>\$50,997</b>	<b>\$15,086</b>	<b>\$26,315</b>	<b>\$25,523</b>

# Business Outlook

	4Q09	FY '09
Subscribers	12 – 12.3M	12 – 12.3M
Revenue	\$440 – 446M	\$1.666 – 1.672B
GAAP Net Income	\$21 – 26M	\$105.9 – 110.9M
GAAP EPS*	\$0.38 – 0.47	\$1.82 – 1.90

\*Fully Diluted

# Summary Financials

	2004	2005	2006	2007	2008	Midpoint of 2009 Guidance
<b>Subscribers</b>	2.6	4.2	6.3	7.5	9.4	12.15
<i>Y/Y Change</i>	76%	60%	51%	18%	26%	29%
<b>Revenue</b>	\$501	\$682	\$997	\$1,205	\$1,365	\$1,669
	85%	36%	46%	21%	13%	22%
<b>Operating Profit</b>	\$19	\$3	\$65	\$92	\$122	
	328%	-86%	2387%	41%	32%	
<b>Net Income</b>	\$21	\$42	\$49	\$67	\$83	\$109
	228%	96%	17%	36%	25%	31%
<b>EPS</b>	\$0.33	\$0.64	\$0.71	\$0.97	\$1.32	\$1.86
	230%	94%	11%	37%	36%	41%

Note: all numbers in millions except EPS

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