

Despite a Slowdown in 2019, Netflix Sees Reacceleration of Subscribers in Q1 2020

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Netflix added 2.31 million net new paid subscribers in the US and Canada in Q1 2020, bringing the region's total subscriber count to 69.97 million. That's growth of about 5% year over year. The company attributed stronger worldwide growth to increased media consumption during quarantines.

While we estimate that US viewer growth slowed down to single digits (4.8%) for the first time in 2019 due to price increases and new competition, the streaming service is well-positioned to benefit from a population that is suddenly housebound, according to eMarketer forecasting analyst Eric Haggstrom.

"Netflix will face some headwinds coming out of this poor economic environment; but a significant chunk of consumer entertainment budgets have been opened up from the closures of movie theaters, sporting events, restaurants and bars," Haggstrom said. "Netflix will likely see minimal, if any, negative impacts moving forward."

The company said in its Q1 [letter to shareholders](#) that some of its growth was of the "pull forward" variety—meaning that lockdowns led

to subscriber growth that otherwise may not have happened until later in the year. Netflix said that once the global quarantines are lifted, growth will slow.

Our latest estimates, which were finalized prior to the pandemic, show that the streaming platform had 154.4 million US viewers in 2019. We had previously expected the streaming platform to have 158.9 million total viewers in 2020, which will increase to 163.1 million in 2021, but growth will be even slower by then. (These estimates will be updated in H2.)

About half of the US population uses Netflix, and those who aren't viewers either don't have internet access or can't afford the speeds needed for streaming. Additionally, some can't afford the standard plan, which increased from a monthly price of \$10.99 to \$12.99 last year. The hike was cited as a reason why the number of subscribers dropped in Q2 2019, though growth returned in H2.

Currently, Netflix has several advantages that could help grow its user base, including its regularly updated slate of original content. The company has said it doesn't expect its content release schedule to be changed this year. However, it may see impacts on production surface in 2021, depending on the length of lockdowns.

According to Haggstrom, "Competitors like Disney+ and Apple TV+ are still scaling up and filling their services with new original content, but Netflix already has a strong pipeline of new originals to keep viewers entertained.

"And while Netflix's reliance on subscription revenues has been a common criticism of its business model, advertising revenues do follow the broader economy, which we're already seeing has been affected by the coronavirus. Subscription revenues, on the other hand, are likely to be more stable."