Netflix Announces Best Ad Sales Quarter Ever, With AI Ad Formats on the Way

The numbers

2X—Netflix says it doubled its upfront commitments in the latest cycle and recorded its best ad sales quarter.

17%—Revenue growth year over year in Q3, driven by membership growth, pricing adjustments, and ad revenue increases.

28%—The streamer's operating margin. This was below its 31.5% expectation due to an expense related to an ongoing dispute with Brazilian tax authorities, which it said wouldn't impact future results.

$45.1 billion—Netflix's revenue expectations for 2025.

The watercooler talk

Along with the revenue increase, Netflix stated it had its "best ad sales quarter ever," with the company reiterating previous messaging in a letter to shareholders that it had more than doubled its commitments in the U.S. upfront. The company stated that it was on track to double its ad revenue in 2025, but it did not disclose specifics of its total ad revenue.

Moving forward, the company also noted its commitment to generative AI, which it said "presents a significant opportunity" to deliver benefits to members, creators, and the business. These include improving recommendations, arming creators with tools to "achieve their visions and deliver even

more impactful titles," and utilizing AI in new ad formats. Speaking to ADWEEK in May, Amy Reinhard, Netflix's ads president, said that AI would help bring advertisers closer to the content.

Earlier in the day, the company also announced a new partnership with Mattel and Hasbro, with both companies being named global co-master toy licensees for KPop Demon Hunters. Netflix says more opportunities are coming for the franchise in publishing, experiences, beauty, lifestyle, and food.

The key quote

"In Q4, we are using AI to test new ad formats, to generate the most relevant ad creative and placement for members, and for faster development of media plans. With these advancements, we'll be able to test, iterate, and innovate on dozens of ad formats by 2026," Netflix said in a letter to shareholders.

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