



October 22, 2013

## **Icahn Enterprises L.P. Announces Sale of Netflix Shares**

**New York, NY** - Icahn Enterprises L.P. (Nasdaq: IEP) and its affiliates today filed with the Securities and Exchange Commission an amendment to their Schedule 13D reflecting the sale of 2,989,000 shares of Netflix common stock. Netflix common stock is held in the Sargon Portfolio, a designated portfolio of assets within the various private investment funds comprising Icahn Enterprises' Investment segment, of which David Schechter and Brett Icahn are the co-managers pursuant to agreements dated August 1, 2012 (the "Co-Manager Agreements").

The decision to sell Netflix common shares was made by Carl Icahn in view of the 457% increase in the price of those shares since the original investment at approximately \$58 per share. In order to address certain provisions under the Co-Manager Agreements, Carl Icahn and Icahn Enterprises reached an agreement with David Schechter and Brett Icahn (a copy of which is filed as an exhibit to the Schedule 13D) that will allow Carl Icahn and Icahn Enterprises to reduce their exposure to Netflix while allowing the Co-Managers to maintain the potential to receive compensation under the Co-Manager Agreements based on the performance of Netflix shares.

### **David Schechter and Brett Icahn stated:**

Our cost basis in Netflix is \$58 per share. Despite its notable appreciation in just over one year to \$323 per share, for the reasons set forth below, we believe the company remains significantly undervalued. As a subscription service priced at only \$7.99 per month, we believe Netflix is one of the great consumer bargains of our time. We find it difficult to understand why a household would not subscribe to the service, considering the low monthly price, the robust content aggregation (which includes an increasing mix of premium and award-winning original series) and the dramatically superior user experience from both an interface and overall technology perspective. Netflix's predominately fixed content cost (variable primarily to the extent management chooses to further improve the service) gives the business model massive operational leverage. Our recognition of this operational leverage, combined with our expectations for both domestic and international subscriber growth with modest price increases over time, has been and continues to be the core of our investment thesis.

With respect to Netflix's opportunity in the United States, Reed Hastings' estimated range for a total domestic market size of 60 million to 90 million domestic subscribers implies that Netflix will add 30 million new domestic subscribers, using the low end of that range. While the timeframe is debatable, we share Reed's confidence in the overall size of this market, and we note that Netflix is currently adding six million net subscriber additions per year. Furthermore, at just \$7.99 per month, we think Netflix has pricing power - and while we do not expect price increases for the next two years we think it is reasonable to anticipate that the company could ultimately raise prices to \$9.99 per month over the course of the next five years (this equates to a very modest annualized increase of roughly 4.6%). Together, we expect these new subscriber additions and price increases would raise domestic streaming revenues by \$4.3 billion annually. Even if the company decides to increase spending on cost of revenues (largely content) by \$1 billion annually (a 55% increase) in order to seek to achieve this growth by further improving the user experience, the operating leverage would still be impressive, adding \$3.3 billion to domestic contribution profit.

While the domestic growth story alone is compelling, we believe the international opportunity is even larger in the long term. We strongly support the company's strategy to reinvest its domestic profits into international growth and recognize that its rapidly improving domestic operating profit implies an accelerated pace for future international expansion, with large new markets launched in 2014 and beyond. There are large portions of the world in which Netflix has yet to launch, and the company is still in the early innings of the international game, including the markets already launched. Because Netflix launches its product in each territory with a robust service, it must spend on the completion of this product, and the marketing of it, in advance of signing up new subscribers, which is why we expect the international segment to continue losing money in the near term. However, as these international markets mature, we expect that the aggregate international operating profits will actually exceed the domestic.

Given this opportunity set and the company's management team, which we view as exceedingly competent, we believe Netflix's valuation is still relatively low. In our experience, there are few companies at any given time in history that represent the pure life blood of a colossal secular growth category, and even fewer where the CEO of that company instills deserved confidence among the company's investors by repeatedly exhibiting both vision and the ability to execute on that vision. We are proud to have identified Netflix as such a company and believe that it is well positioned for greatness.

### **Carl Icahn stated:**

While I basically agree with David and Brett's assessment above and have often held positions for many years, as a hardened veteran of seven bear markets I have learned that when you are lucky and/or smart enough to have made a total return of 457% in only 14 months it is time to take some of the chips off the table. I want to thank Reed Hastings, Ted Sarandos and the rest of the Netflix team for a job well done. And last but not least, I wish to thank Kevin Spacey. I also want to thank David and Brett. The Sargon Portfolio which David and Brett co-manage and I supervise, has generated 37% annualized returns since its inception on April 1, 2010 through September 30, 2013 and currently manages in excess of \$4.8 billion for Icahn Enterprises and my own capital. Icahn Enterprises has assets of approximately \$29 billion.

Icahn Enterprises L.P. (NASDAQ:IEP), a master limited partnership, is a diversified holding company engaged in nine primary business segments: Investment, Automotive, Energy, Metals, Railcar, Gaming, Food Packaging, Real Estate and Home Fashion.

### **IMPORTANT DISCLOSURES**

The information contained above is not and should not be construed as investment advice, and does not purport to be and does not express any opinion as to the price at which the securities of Netflix, Inc. may trade at any time. The opinions of David Schechter and Brett Icahn stated above are their own. David Schechter and Brett Icahn have advised Icahn Enterprises L.P. that the information contained above is based solely on information contained in the public domain and related analyses performed by them. The information and opinions provided above should not be taken as specific advice on the merits of any investment decision. Investors should make their own decisions regarding Netflix and its prospects based on such investors' own review of publically available information and should not rely on the information contained above. Projections or anticipated results, performance or events involve elements of subjective judgment and analysis, and there can be no assurance that any projections or anticipated results, performance or events will be attained or occur. Neither Icahn Enterprises L.P. nor any other person or entity has any obligation to update or otherwise revise this information. Neither Icahn Enterprises L.P., nor Carl C. Icahn, nor any of their respective affiliates accepts any liability whatsoever for any direct or consequential loss howsoever arising, directly or indirectly, from any use of the information contained above.

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