

Netflix lowers subscriber forecast, shares fall

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(AP) -- Netflix Inc. lowered its expectations for U.S. subscribers for the third quarter by 4 percent on Thursday, just weeks after separating its DVD and streaming services, which increased the price for customers who want both.

The news sent the online movie rental company's shares down more than 14 percent in midday trading.

The company, which split its streaming and DVD-by-mail services two months ago, now expects a total of 24 million subscribers in the third quarter, down from the 25 million it forecast in July.

It expects 21.8 million people to subscribe to its streaming service, either with or without also getting DVDs in the mail. That's down from an expected 22 million it forecast earlier. And Netflix expects 14.2 million people to subscribe to mail-order DVD rental service, with or without streaming. That's down from its July forecast of 15 million.

Netflix kept its forecast for international subscribers, which makes up a small fraction of its total customers, and overall third-quarter earnings, intact.

The plan split, which went into effect Sept. 1 for existing subscribers, means people who want both mailed DVDs and streamed Internet videos are paying more than they have. For example, a bundled plan that had cost \$10 per month now costs \$16 per month for existing customers. The prices of other popular bundled plans rose by 20 percent to 33 percent.

The Los Gatos, Calif., company said that despite the lowered subscriber guidance, it thinks the split was the right move.

Jefferies & Co. analyst Youssef H. Squali said while "Netflix's leadership in online streaming should remain uncontested for a long time," he thinks that "a combination of the recent price hike, a less favorable competitive environment, and aggressive international expansion raises the risk profile of the stock."

Shares of Netflix fell \$30.15, or 14.5 percent, to \$178.56 in midday trading. The stock has traded in a 52-week range of \$140.02 to \$304.79.

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