

Netflix stock surges with Internet video streaming

January 5 2012, By MICHAEL LIEDTKE , AP Technology Writer

(AP) -- Netflix has released some statistics that indicate the video subscription service must be doing something right, even though investors and customers have been ridiculing it for much of the past six months.

The company says more than 20 million [subscribers](#) worldwide watched more than 2 billion hours of old TV shows and movies on devices with high-speed Internet connections during the final three months of last year. The numbers released Wednesday contributed to an 11 percent surge in [Netflix Inc.](#)'s [stock price](#). The shares gained \$8.21 to finish at \$80.45. It marked Netflix's highest closing price in seven weeks.

The stock still remains far below of its all-time high of nearly \$305 reached in mid-July. The steep decline followed a customer backlash triggered by Netflix's decision to raise its U.S. prices for Internet [video](#) and DVD-by-mail rentals by 60 percent.

With its market value down about \$12 billion from its peak, Netflix could also be a takeover target. Takeover speculation may have also helped fuel Wednesday's rally. The latest chatter centers around the possibility of that Netflix might receive an offer from Yahoo Inc.'s newly appointed CEO, [Scott Thompson](#), whose hiring was announced Wednesday.

Amazon.com Inc., which has been trying to build its own Internet [video service](#), is also widely considered to be a potential Netflix suitor. Netflix,

which is based in Los Gatos, has consistently indicated it intends to remain independent.

The growing usage of Netflix's Internet video service was interpreted as positive sign because it validates one of the main reasons that Netflix CEO Reed Hastings raised the company's prices.

He is hoping to phase out its DVD rental service while trying to prod more subscribers to stream video on the Internet. The aim is to save the company money on mailing while preparing it to adapt as the notion of watching movies on discs eventually becomes as antiquated as watching them on VHS tapes.

Investors have questioned whether Netflix has stockpiled its Internet video library with enough captivating content to keep subscribers happy. Wednesday's statistics helped ease those concerns.

The numbers also indicated that the customer cancellations among its Internet video subscribers didn't get any worse than Netflix management expected. Netflix management predicted it would end December with 21.6 million to 23.5 million worldwide subscribers to its Internet streaming service. The company had about 23 million streaming subscribers at the end of September.

Netflix didn't mention how its DVD-by-mail service fared in the final three months of the year. Hastings expected Netflix to lose 2.6 million to 3.6 million DVD subscribers between the end of September and the beginning of January.

That exodus is expected to cause Netflix to lose money this year, the first time that has happened in a decade.

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Citation: Netflix stock surges with Internet video streaming (2012, January 5) retrieved 10 April 2024 from <https://phys.org/news/2012-01-netflix-stock-surges-internet-video.html>

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