

# Netflix delivers strong 2Q with 3.3 million more customers

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This March 20, 2012 file photo shows Netflix headquarters in Los Gatos, Calif. Netflix reported second-quarter financial results on Thursday, July 15, 2015. (AP Photo/Paul Sakuma, File)

Netflix's second-quarter performance followed a familiar script of accelerating subscriber growth that has turned the Internet video service into a stock market sensation.

The company added 3.3 million worldwide subscribers during the three months ending to end the period with 65.6 million customers. About 900,000 of the additional subscribers were signed up in the U.S., where Netflix Inc. now has 42.3 million customers.

The subscriber gains overshadowed a 63 percent drop in Netflix's second-quarter earnings as the company invested heavily in an international expansion aimed at making its Internet video service available throughout the world by the end of next year.

The subscriber increase announced Wednesday was far higher than Netflix's management projected and represented the biggest customer gains during the second quarter since the Los Gatos, California, company began streaming video over high-speed connections eight years ago.

By comparison, Netflix picked up 1.7 million subscribers in last year's second quarter, traditionally a time when the company has more trouble attracting new subscribers and retaining existing customers because people tend to spend more time outside with the onset of spring.

The stellar numbers provided another lift to Netflix's stock, which already has more than doubled this year. Netflix shares surged \$9.71, or 9.9 percent, to \$107.84 in extended trading.

If that run-up holds when regular trading resumes Thursday, it will represent a new peak for the stock. The rally coincided with the completion of a seven-for-one stock split aimed at making Netflix's shares more affordable to a larger pool of investors.

The second-quarter showing provided further evidence of Netflix's increasing clout in the entertainment industry as a steadily expanding audience embraces the concept of watching video whenever they want

on Internet-connected devices instead of being confined to cable- and satellite-TV programming set to come on at a specific time.

"We see Internet TV rising around the world just as the Internet is rising around the world," Netflix CEO Reed Hastings said in a Wednesday interview. "It's just the latest industry that the Internet is transforming."

The increasing popularity of Internet video is confronting Netflix with formidable competition from a list of rivals that includes Amazon.com and Hulu, but the Los Gatos, California, company has continued to thrive.

The company has been fending off the competition with a slate of original programming that has drawn mostly positive reviews from critics and, in some cases, won awards. The second quarter included the third season of one of Netflix's most popular series, "Orange Is The New Black," as well as the debut of a new show called "Grace and Frankie," starring Lily Tomlin and Jane Fonda.

Hastings credited the June 11 release of "Orange Is The New Black" for enabling Netflix to set a record for single-day viewership on June 14, even while HBO's popular "Game of Thrones" and the NBA Finals were also being shown on TV.

Netflix expects to build on its recent momentum by adding nearly 3.6 million more subscribers in the current quarter ending in September. If Netflix hits that target, its streaming service will have added 16 million subscribers in one year—a 30 percent increase.

The company also is generating more revenue per user in the U.S., largely because more subscribers are starting to pay more for plans that allow viewers to watch Netflix on multiple devices at the same time.

Netflix earned \$26.3 million, or 6 cents per share, in the second quarter. That was down from \$71 million, or 16 cents per share, at the same time last year.

The earnings for the latest quarter were two cents per share above the estimates of analysts surveyed by FactSet.

Second-quarter revenue rose 23 percent from last year to \$1.64 billion, in line with analysts' predictions.

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