Netflix shares dive as subscriber growth misses mark

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Netflix shares took a hit after disappointing growth figures for the second quarter

Netflix shares plunged Monday after the leading streaming television service said subscriber growth fell short of expectations in the recently ended quarter.

Membership in the quarter grew 5.2 million to a total of 130 million, matching the same period last year but a million shy of what Netflix had forecast, according to a letter released along with earnings figures.

Netflix shares dropped 14.11 percent to $343.97 in after-market trade, in a setback to the television juggernaut operating in some 190 markets around the world.

"We had a strong but not stellar Q2 (second quarter)," Netflix said in a letter to shareholders.

"Earnings, margins, and revenue were all in-line with forecast and way up from prior year."

The Silicon Valley based company said it is beginning to "lead artistically" in some categories with its original content, earning enough Emmy nominations this year to break a 17-year top-spot streak by HBO.

Netflix said it made a profit of $384 million on revenue of $3.9 billion in the recent quarter, compared to net income of $66 million on $2.8 billion in revenue in the same period last year.

Wall Street analysts had expected Netflix revenue to be slightly higher.

"After four consecutive quarters of beating its own guidance, and analysts' expectations on key metrics such as revenues, profits, and subscriber gains, Netflix disappointed with a weak Q2," said eMarketer principal analyst Paul Verna.

"This isn't entirely surprising given rising competition in the video streaming market, where Amazon, Hulu, HBO and others are gaining share of subscription video dollars at Netflix's expense," he added.

Competition in the streaming television market includes YouTube, a platform under the umbrella of Google parent Alphabet, and entertainment titan Disney, along with AT&T.

However, GBH Insights saw the Netflix subscriber forecast miss as a "speed bump," rather than start a downward trend, reasoning that the "content arms race continues to be a major tailwind" for the company.

"While the knee jerk reaction will clearly be negative from the Street's perspective, we would be buyers of Netflix on this weakness," GBH Insights technology research head Daniel Ives said in a note to investors.

Netflix has spent billions of dollars on original content, backing films or shows from creators from a gamut of countries and cultures as it strives for broad appeal as a global television service.

"We continue to ramp up our production of non-English originals," Netflix said in the letter.

"Our international originals can be important to specific countries and regions and also play well outside of their home markets."

Netflix added that while there is an increasing focus in the traditional film industry on superheroes and sequels, the on-demand service can serve a broad variety of tastes.