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Netflix Inc. on Monday reported its weakest subscriber expansion in three years, as the streaming-video company suffered a sharp slowdown in net customer additions in the U.S. and abroad. Shares of Netflix, down 14% this year, fell 13% in after-hours trading.

During the second quarter, Netflix added 160,000 subscribers in the U.S. and 1.52 million in international markets, below expectations of 500,000 in the U.S. and 2 million abroad. It ended the quarter with 83.18 million subscribers. The Los Gatos, Calif.-based company said price increases for existing subscribers led to higher service cancellations and contributed to its weaker-than-expected results. In the U.S., more than half its customers had been "grandfathered" under lower prices but will be phased into higher rates this year. "Whatever the price is for something, people don't like it to go up," Chief Executive Reed Hastings said on a videoconference call with analysts. "We apologize for the volatility; I know it's not easy on everyone," he said. "The big picture is very much intact."

Drexel Hamilton analyst Tony Wible said investors are missing the bigger picture, because the higher revenue from the price increase more than outweighs the negative of losing some subscribers. Netflix's revenue in the quarter jumped 28% to $2.11 billion. Mr. Wible said that the hit to Netflix's stock is a buying opportunity "at a time when most media is facing unsustainable financial pressures." For the third quarter, Netflix projected a modest increase of 300,000 U.S. customers, due to the phasing in of the price increases and Olympics coverage that could potentially discourage new subscriber sign-ups.

Despite the disappointing subscriber results, Netflix reported earnings growth that handily beat analysts' earnings estimates and its prior guidance, thanks in part to lower content costs. In a letter to shareholders, Netflix said it wasn't revising its stated U.S. subscriber goals to sign up 60 million to 90 million customers in the long term. Netflix's addition of 1.68 million streaming subscribers in the latest quarter was the weakest tally since Netflix added 1.24 million users in the June 2013 quarter.

The streaming giant, which is facing increasing competition from Amazon.com Inc. and Hulu along with a range of other web TV services, has said it hopes to complete its global expansion this year. The company said in the letter to shareholders it is still exploring an entry into China, but that "the regulatory climate in China for our service has become more challenging."

Philadelphia Daily News **Philly arts orgs go political for DNC**	Netflix continues to open its wallet for programming. It streaming content obligations ballooned to $13.2 billion at the quarter's end, from $10.1 billion a year ago. Also on Monday, Netflix announced a deal to premiere CBS Corp.'s new "Star Trek" original series in 188 countries, excluding the U.S. and Canada. The series, which is being created for CBS' streaming service CBS All Access, marks the first time Netflix has acquired the international rights for an original show made by a rival streaming service. Netflix has started allowing original shows, such as "Club de Cuervos," "Narcos" and "Marseille," to air on broadcast TV before the next season's premiere on Netflix. "The danger,“ Netflix acknowledged in the letter, "is diluting the perception that Netflix original content is only on Netflix, so we are testing cautiously." Mr. Hastings said Netflix is studying adding the ability to let users download shows to watch them later, a feature that could help in markets where cellular networks aren't as strong as in the U.S. Netflix reported second-quarter profit of $40.8 million, or 9 cents a share, compared with $26.3 million, or 6 cents a share, a year earlier. Excluding certain items, profit fell to 7 cents a share from 10 cents a share a year earlier. Analysts surveyed by Thomson Reuters had projected a profit of 2 cents a share on $2.11 billion in revenue. In a bright spot, Netflix said the markets that it launched before 2014—which include Latin America, Canada, the Nordics, U.K. and Ireland—are on track to deliver a contribution profit of around $500 million this year and are each individually profitable. Netflix hasn't previously disclosed the health of those individual markets. The company said it expects to run at "break even" this year and "generate material profits in 2017 and beyond" by reducing international losses and continuing to grow in the U.S. – ***Wall Street Journal*** ____ As Verizon Communications Inc.'s bidding battle for Yahoo! Inc. comes down to the wire this week, the New York-based phone giant is betting that victory will be determined not only by its cash but by the strategy and leadership it has planned for the internet pioneer. Bids from Verizon, its rival AT&T Inc. and private equity firms were due Monday, and a decision could come as soon as this week, according to people familiar with the matter. While some of the parties may view Yahoo as a collection of assets that could be realigned or broken apart, Verizon sees a complimentary set of businesses that could find a home alongside its AOL properties. And Verizon is confident it has a key asset to make the integration a success -- AOL Chief Executive Officer Tim Armstrong, according to people familiar with the company's strategy. With the wireless industry maturing, Verizon has been buying up internet and advertising technology companies, including AOL, and presenting itself as the best bet to take on Google and Facebook. Yahoo has millions of users, a collection of websites including Flickr, Tumblr and Yahoo Finance and Sports and some useful digital-ad tech like Flurry and BrightRoll. Together with AOL, the new Yahoo under Verizon may have a better chance of competing in a digital ad market dominated by two big players. And with Yahoo Chief Executive Officer Marissa Mayer taking heat from investors for not pulling Yahoo out of its tailspin, Verizon could appeal to a need for stewardship and offer up Armstrong as the right person to restore the value of the assets, said Walt Piecyk, an analyst with BTIG LLC. "The vilification of Mayer should make it easy for Verizon to pitch the potential management synergies offered by Tim Armstrong," Piecyk said. Yahoo's second-quarter sales exceeded analysts' estimates, a glimmer of success as investors await the conclusion of the sale process. Mayer said on a conference call Monday that the company is "deep" into reviewing bids and will update shareholders at a prudent time. Seven months after Verizon **publicly expressed** its interest in Yahoo, the process is still dragging on. Verizon's main interest is in Yahoo's core business, not so

much in the patent portfolio or real estate, which is why its initial bid was **below** other offers of about $5 billion, according to people familiar with the matter. Verizon doesn’t see the inclusion of patents or office properties as a deal breaker, although it’s unlikely to bid for them, the people said.

Either Verizon, a partnership of Vector Capital Management and Sycamore Partners, or Quicken Loans Inc. founder Dan Gilbert is expected to be the high bidder, said two other people familiar with the process. AT&T and private equity suitor TPG are also expected to bid. Yahoo may sell its patents separately and may get anywhere from a few hundred million dollars to $1 billion for them, said the people. “Verizon’s always seemed one of the front-runners, and also one of the few bidders that wasn’t about just trying to strip the assets and focus on some much smaller core,” said Jan Dawson, an analyst with Jackdaw Research. “That might be attractive to Yahoo, especially if Mayer and others want to try to secure futures at the company for as many employees as possible, though obviously their primary responsibility is to the shareholders,” Dawson said.

Armstrong and Mayer may have paved the road for Verizon to acquire Yahoo. They’re both Google alums who found themselves running failing Web portals as mobile technology and social media were changing their industry. In 2014, before Verizon acquired AOL, the two **discussed a merger** of AOL and Yahoo. Today Armstrong runs AOL as a semi-autonomous media and advertising business with the **blessing** of Verizon Chief Executive Officer Lowell McAdam and the head of new businesses, Marni Walden. This year AOL posted its best first quarter in five years, a sign Armstong’s ad strategy may be working. For his part, Armstrong has also become a deal-maker. Last year, through AOL, Verizon acquired Millennial Media to develop its mobile-advertising business, a segment of the ad market controlled by Google and Facebook.

Yet whether or not Verizon succeeds in acquiring Yahoo, transforming from telephone carrier to a complex mobile internet and media platform will be difficult. Companies don’t change stripes very easily, Piecyk said. “Over the past 20 years we’ve seen operators try to inject themselves into new businesses and usually that’s ended up with poor outcomes,” he said. – ***Bloomberg***

Comcast Corp. is debuting two "Wifi on Wheels" trucks to boost capacity during the the DNC, calling them amenity hotspots and available free to the public. Trialed in other markets, one Wifi on Wheels truck can support about 3,000 Wifi users each within about 500 feet. Comcast says the speeds are five times cellular-based mobile phones. The trucks themselves are Ford vans each with six Wifi access points and a 40-foot mast.

For starters, Wifi On Wheels will deployed at the DNC volunteer party on Thursday at Penn's Landing and the media party at Citizens Bank Park on Saturday, the company said. Comcast has been rumored to be developing a Wifi-based wireless service that could compete with incumbent wireless carriers Verizon and AT&T later this year. – ***Philadelphia Inquirer***