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Himank Sharma, Reuters

Netflix Inc shares rose 12 percent on Thursday after its top executive disclosed a massive surge in customer usage, but analysts questioned the movie-rental company's ability to convert that into revenue.

Chief Executive Reed Hastings said on Tuesday on Facebook that Netflix subscribers watched 1 billion hours of TV shows and movies in June. This compares to the 2 billion hours that was watched in the fourth quarter of 2011 -- when Netflix last reported this data.

"When 'House of Cards' and 'Arrested Development' debut, we'll blow these records away," Hastings said in the post.

Netflix will stream American television series "House of Cards" later this year and plans to air 10 episodes of sitcom "Arrested Development" in 2013.

Wedbush analyst Michael Patcher said the increase in viewing time might just lead to an increase in content costs for the Los G



atos, California-based company.

"Netflix is an all you can eat buffet, and if the buffet sees its consumption go up by 50 percent and they don't raise price that is not a good thing," Patcher who has an "underperform" rating on the stock, said.

"Wall Street has this one wrong. It's a perverse reaction and they have it a hundred and eighty degrees wrong."

Netflix shares were up 12 percent at \$80.82 on the Nasdaq on Thursday.

Netflix pays content owners a fixed license fee for the duration of contracts, but the company has had trouble renewing them as content producers ask for more money

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as usage goes up.

"I think Netflix' goal is to drive engagement with great content because otherwise customers tend to cancel service," Atlantic Securities analyst James Cordwel said. "In the near term that would just amount to a modest increase in cost for serving that content via the Internet."

Cordwel said some of the increase could be from an uptick in subscriber additions, but added that a lot of the increase was from existing subscribers watching more shows.

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