

Something to tweet about: Twitter valued at \$1B

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(AP) -- Twitter Inc.'s founders now have a billion-dollar baby, and they seem determined to raise it without a corporate parent.

That was the message underlying Friday's news that Twitter has lined up \$100 million to finance its operations while founders Evan Williams and Biz Stone plot ways to make money off one of the Internet's most popular communications tools.

The investment values the 3-year-old company at \$1 billion, even though it has yet to generate any meaningful revenue, let alone profits.

Twitter itself didn't provide specifics about the size of the investment, saying only it involved a significant sum. Two people with knowledge of

the negotiations confirmed the amounts to The Associated Press on condition of anonymity because the parties had agreed not to announce the specifics.

Williams and Stone declined an interview request.

The latest stakes were sold to three of Twitter's existing investors - Benchmark Capital, Institutional Venture Partners and Spark Capital - and two new shareholders, Insight Venture Partners and T. Rowe Price.

San Francisco-based Twitter had previously raised \$55 million, with the latest infusion of \$35 million coming just seven months ago.

With so much money in the bank, Twitter now has the means to buy more computers and keep improving the reliability of its outage-prone service. It can expand its work force of 60 employees without feeling the pressure to sell to a larger company.

"This is a smart move by Twitter because it buys them more time to capitalize on their momentum and come up with a business plan," said Ken Marlin, a technology investment banker in New York with Marlin & Associates.

The funding is meant to preserve Twitter's independence until its making enough money to cover its own expenses, according to one of the people familiar with the negotiations.

Twitter already turned down a \$500 million buyout offer from Facebook Inc. last year and both Google Inc. and Microsoft Corp. were rumored to be inquiring about a possible acquisition earlier this year.

Williams didn't refer directly to any suitors in Friday's blog posting, but he indicated Twitter wants to see how far it can go on its own.

"It was important to us that we find investment partners who share our vision for building a company of enduring value," Williams wrote.

"Twitter's journey has just begun and we are committed to building the best product, technology, and company possible."

For now Williams and Stone have been focusing on building Twitter's audience.

Twitter has more than 54 million worldwide users who share their thoughts, activities, Web links and other information in messages no longer than 140 characters. Just a year ago, only 4 million people were "tweeting" - the term commonly used to describe the chatter on Twitter. By 2013, Twitter hopes to have 1 billion users, making its service "the pulse of the planet," according to internal company documents leaked on the Internet this summer.

Those documents also included projections of \$140 million in revenue next year.

Where could that come from?

Twitter has mulled the possibility of selling ads on the site, although Williams and Stone have indicated that isn't at the top of their agenda. Twitter has hinted it could capitalize on corporate use of the service, perhaps by introducing fees on some accounts primarily used for commercial purposes. The service also could be mined for insights about people's opinions and preferences that would be valuable to marketers. Or Google and other search engines might be willing to pay for better and quicker access to Twitter's postings.

If Twitter is unable to make enough money to pay its bills, Marlin thinks the company would still fetch a substantial price, although probably not \$1 billion.

Valuing privately held companies like Twitter can be difficult anyway, since the prices are established by a smaller pool of investors than in the publicly traded stock exchanges.

Facebook, another Internet sensation with 300 million users and projected revenue of \$500 million this year, has seen its valuation fluctuate wildly. A late 2007 investment by Microsoft valued Facebook at \$15 billion, but internal company documents later surfaced showing a valuation of about \$4 billion. Within the past four months, a Russian investor bought preferred shares in Facebook that valued the company at \$10 billion and then bought common shares from Facebook employees that valued the company at about \$6.5 billion.

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