

Twitter seeks up to \$1.61 billion in IPO (Update 2)

October 24 2013, by Sophie Estienne



A Twitter tweet announcing the company's planned initial public offering (IPO) is pictured on a mobile telephone in Madrid on October 4, 2013

Twitter raised the value of its initial public offering Thursday to as much as \$1.61 billion as the popular messaging service moved a step closer to Wall Street.

The IPO suggests a market value for the social network of between \$9.3 billion and \$11.1 billion—a conservative amount compared to estimates by some analysts in recent weeks.

In a regulatory filing, Twitter boosted the IPO amount from an earlier estimate of \$1 billion, saying it would sell 70 million shares in a price range between \$17 and \$20 a share.

Michael Pachter at Wedbush Securities said the pricing range is "well below the recent sales of private shares, which were at \$27 to \$28."

He said this appears intended to avoid the mistake of Facebook in its 2012 IPO of flooding the market with shares.

"I think the company intends to create a lot of demand, and they are intentionally keeping the size small to make sure that demand exceeds supply. That should happen at this pricing," Pachter told AFP in an email.

Lou Kerner, of the Social Internet Fund, said the market was likely to value the shares "markedly higher" than \$17-20.

"So this initial range leaves the opportunity to up the eventual IPO price, which would comfort the market that there's strong demand, and still leave room for a nice pop on the first day of trading," he said.

The update filed with the Securities and Exchange Commission said Twitter's underwriters will have an option to sell 10.5 million additional shares if there is enough demand.

The document gave no date for the stock market debut, but The Wall Street Journal, citing unnamed sources, said final pricing would be November 6 and the stock would debut the following day.

Twitter said that at \$18.50 per share, it would get net proceeds of between \$1.25 billion and \$1.44 billion depending on whether investment banks exercise the option to sell more shares.

It will use the money "for general corporate purposes, including working capital, operating expenses and capital expenditures."

Last week, the one-to-many messaging service said it would list on the New York Stock Exchange, shunning the tech-heavy Nasdaq, which saw major problems in Facebook's market debut in 2012.

The shares will trade under the symbol "TWTR."

The latest documents did not update information of the number of users or finances.

Twitter's monthly active users are estimated at 232 million. The company lost \$133 million in the first nine months of 2012 on revenues of \$422 million.

The IPO is expected to be the most hotly anticipated since Facebook's in May 2012, and one of the biggest in social media.

Twitter announced separately it had hired former NBC executive Vivian Schiller to head its news operations, as the messaging service ramps up efforts in the field ahead of its stock market debut.

Schiller has been the chief digital officer for NBC News since 2011, and has some 25 years experience in the media business. She is expected to be a key liaison between Twitter and the news industry.

The appointment highlights the growing role of Twitter and other social media in the news industry.

Many journalists use the messaging platform to keep up with events, and also to get a wider audience for their own coverage.

A recent survey by Oriella PR Network showed some 60 percent of journalists surveyed in 14 countries use Twitter in their work, and 51 percent used some type of "microblogs," including Twitter and Facebook to gather new stories.

The IPO comes amid questions about whether Twitter can maintain its breakneck growth pace.

The research firm eMarketer has estimated that Twitter would bring in \$582.8 million in global ad revenue this year, and nearly \$1 billion in 2014.

Twitter opened the door to advertisers in 2010 by allowing marketers to insert paid "promoted tweets" into user feeds. It is likely to woo investors with its natural fit with the trend of connecting with the Internet on smartphones or tablet computers.

It began mobile ads in 2012 and allowed advertisers to target users based on their geographic location or whether they access the service using mobile devices or personal computers.

The IPO will be underwritten by a consortium of investment banks including Goldman Sachs, Morgan Stanley, JP Morgan Securities, Merrill Lynch, Deutsche Bank, Allen & Company and Code Advisors LLC.

© 2013 AFP

Citation: Twitter seeks up to \$1.61 billion in IPO (Update 2) (2013, October 24) retrieved 13 March 2024 from <https://phys.org/news/2013-10-twitter-range-ipo.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is

provided for information purposes only.