

Twitter unseals IPO papers, hopes to raise \$1B

October 4 2013, by Barbara Ortutay



In this Feb. 2, 2013, file photo, a smartphone display shows the Twitter logo in Berlin, Germany, Twitter unsealed the documents Thursday, Oct. 3, 2013, for its planned initial public offering of stock and says it hopes to raise up to \$1 billion. (AP Photo/dpa, Soeren Stache, File)

Twitter has unsealed the documents for its planned initial public offering of stock and says it hopes to raise up to \$1 billion in one of the year's most eagerly awaited stock market debuts.

The documents revealed for the first time how much money the social networking [company](#) makes. Founded in 2006, Twitter has never turned a profit and has an uninterrupted history of losses totaling \$419 million since its inception. But its revenue is growing.

Twitter disclosed three weeks ago that it filed confidential papers to start the IPO process. The company was taking advantage of federal legislation passed last year that allows companies with less than \$1 billion in revenue in its previous fiscal year to avoid submitting public IPO documents.

On Thursday, Twitter Inc. unsealed the papers with the Securities and Exchange Commission, giving potential investors and its users a look inside its business. Twitter was required to unseal its documents at least three weeks before it starts holding events around the country to woo potential investors. At this rate, the company will likely price its IPO by Thanksgiving.

According to the IPO filings, Twitter generated \$317 million in revenue in 2012 and had more than 218 million active users in the second quarter, up 44 percent from a year earlier. That compares with nearly 1.2 billion for Facebook and 240 million for LinkedIn.

Three-quarters of Twitter users accessed the service from a mobile device in the second quarter, and 65 percent of its [advertising revenue](#) was generated from mobile in the same period. That's more than the 71 percent and the 41 percent, respectively, for Facebook in the same period.

Twitter also said that it lost \$69.3 million in the first six months of 2013, compared with a loss of \$49.1 million in the same period last year. Revenue more than doubled to \$254 million from \$122 million. The revenue figures are largely in line with what analysts have been

expecting. Research firm eMarketer had projected ad revenue for all of 2013 at \$583 million.

Gartner analyst Brian Blau said the company's expenditures "seemed to be a little bit higher than what I had imagined," but he said it wasn't "totally out of whack" for a growing company that's investing a lot in its business. Twitter says it expects capital expenditures of \$225 million to \$275 million this year.

During the first six months of 2013, Twitter got nearly all of its revenue—87 percent—from advertising. Advertisers pay Twitter to insert their tweets, accounts or topics into users' feeds. Burger King, for example, recently promoted its new lower-calorie fries, called "satisfries," on Twitter.

Twitter's IPO has been long expected. The San Francisco-based company has been ramping up its advertising products and working to boost [ad revenue](#) in preparation. But it is still tiny compared with Facebook, which saw its hotly anticipated IPO implode last year amid worries about its ability to grow mobile ad [revenue](#). Facebook has since made a comeback, having proven that it is able to generate money from mobile advertisements. Its stock price has been hovering around \$50, up from its \$38 IPO price.

Twitter's moneymaking potential has minted the company with an estimated market value of \$10 billion, based on the appraisals of venture capitalists and other early investors. The IPO could value it higher or lower. PrivCo analyst Sam Hamadeh expects Twitter to aim for a [market value](#) of about \$15 billion when it prices its IPO.

A big part of Twitter's appeal is in its simplicity. Users send short messages—either public or private—that consist of up to 140 characters. Anyone can "follow" anyone else, but the relationship doesn't have to be

reciprocal, which makes the service especially attractive for celebrities and companies that use Twitter to communicate directly with customers.

Twitter has 2,000 employees, up from 200 at the start of 2010.

Twitter did not say which stock exchange it plans to list its shares on, though the company said it intends to use the ticker symbol "TWTR." It also doesn't say how many shares it plans to offer, or at what price.

The underwriters of the offering are Goldman Sachs, Morgan Stanley, JP Morgan, BofA Merrill Lynch, Deutsche Bank Securities and CODE Advisors.

More information: As Twitter goes public, a look at other tech IPOs: phys.org/news/2013-10-twitter-tech-ipos.html

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