

Dazzling Twitter debut sends stock soaring 73 pct

November 8 2013, by Barbara Ortutay



Twitter CEO Dick Costolo, Chairman and co-founder Jack Dorsey, and co-founders Evan Williams and Biz Stone, front row left to right, applaud as they watch the the New York Stock Exchange opening bell rung, Thursday, Nov. 7, 2013. If Twitter's bankers and executives were hoping for a surge on the day of the stock's public debut, they got it. The stock opened at \$45.10 a share on its first day of trading, 73 percent above its initial offering price. (AP Photo/Richard Drew)

Shares of Twitter went on sale to the public for the first time Thursday, instantly leaping more than 70 percent above their offering price in a dazzling debut that exceeded even Wall Street's lofty hopes.

By the closing bell, the social network that reinvented global communication in 140-character bursts was valued at \$31 billion—nearly as much as Yahoo Inc., an Internet icon from another era, and just below Kraft Foods, the grocery conglomerate founded more than a century ago.

The stock's sizzling performance seemed to affirm the bright prospects for Internet companies, especially those focused on mobile users. And it could invite more entrepreneurs to consider IPOs, which lost their luster after Facebook's first appearance on the Nasdaq was marred by glitches.

In Silicon Valley, the IPO produced another crop of millionaires and billionaires, some of whom are sure to fund a new generation of startups.

Twitter, which has never turned a profit in the seven years since it was founded, worked hard to temper expectations ahead of the IPO, but all that was swiftly forgotten when the market opened.

Still, most analysts don't expect the company to be profitable until 2015. Investors will be watching closely to see whether Twitter was worth the premium price.

Thursday's stock surge was "really not as important as you might think," said Kevin Landis, a portfolio manager with Firsthand Funds, which owns shares in Twitter. "What really matters is where the stock is going to be in six months, 12 months."

The most anticipated [initial public offering](#) of the year was carefully orchestrated to avoid the dysfunction that surrounded Facebook's IPO.

Trading on the New York Stock Exchange under the symbol "TWTR," shares opened at \$45.10, 73 percent above their initial [offering price](#).

In the first few hours, the stock jumped as high as \$50.09. Most of those gains held throughout the day, with Twitter closing at \$44.90, despite a broader market decline.

The narrow price range indicated that people felt it was "pretty fairly priced," said JJ Kinahan, chief strategist at TD Ameritrade.

The price spike "clearly shows that demand exceeds the supply of shares," said Wedbush analyst Michael Pachter.



Mike Gupta, Twitter's chief financial officer, photographs a board at the post before shares begin trading during the IPO, on the floor of the New York Stock Exchange, Thursday, Nov. 7, 2013. If Twitter's bankers and executives were hoping for a surge on the day of the stock's public debut, they got it. The stock

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Earlier in the day, Twitter gave a few users rather than executives the opportunity to ring the NYSE's opening bell. The users included actor Patrick Stewart, who played Captain Jean-Luc Picard in "Star Trek: The Next Generation"; Vivienne Harr, a 9-year-old girl who ran a lemonade stand for a year to raise money to end child slavery; and Cheryl Fiandaca of the Boston Police Department.

Twitter raised \$1.8 billion Wednesday night when it sold 70 million shares to select investors for \$26 each. But the huge first-day pop left some analysts wondering whether the company could have raised more. Had Twitter priced the stock at \$30, for instance, the company would have taken away \$2.1 billion. At \$35, it would have reaped nearly \$2.5 billion. That's a lot for a company that's never made a profit and had revenue of just \$317 million last year.

If the price stays this high, or goes even higher, shareholders will no doubt be happy. But the money that they might make from any stock sale doesn't go to the company.

Named after the sound of a chirping bird, Twitter's origins date back to 2005, when creators Noah Glass and Evan Williams were trying to get people to sign up for Odeo, a podcasting service they created. Odeo didn't make it.

By early 2006, Glass and fellow Odeo programmer Jack Dorsey began work on a new project: teaming with co-worker Christopher "Biz" Stone on a way to corral text messages typically sent over a phone.

It was Glass who came up with the original name Twttr. The two vowels were added later. The first tweets were sent on March 21, 2006.



A banner adorns the facade of the New York Stock Exchange in advance of Twitter's initial public offering Thursday, Nov. 7, 2013, in New York. Twitter shares, valued at \$26 per share, are set to begin trading on the stock exchange Thursday. The company is valued at \$18.1 billion. (AP Photo/Kathy Willens)

By 2007, Twitter was incorporated with Dorsey as the original CEO and Williams as chairman. Dorsey and Williams would eventually swap roles. Both remain major shareholders, though neither runs the company. Glass, meanwhile, was effectively erased from Twitter's history, writes New York Times reporter Nick Bilton in "Hatching Twitter: A true story of money, power, friendship, and [betrayal](#)."

Since those early days, the site has attracted world leaders, religious

figures and celebrities, along with CEOs, businesses and countless marketers and self-promoters.

The company avoided the trouble that plagued Facebook's high-profile debut, which suffered technical glitches that had lasting consequences. On that first day, Facebook closed just 23 cents above its \$38 IPO price and later fell much lower. The stock needed more than a year to climb back above \$38.

The Securities and Exchange Commission later fined Nasdaq \$10 million, the largest fine ever levied against an exchange.

Those problems likely led Twitter to the NYSE.



Twitter CEO Dick Costolo, left, and Mike Gupta, center, chief financial officer of Twitter, talk with specialist Glenn Carell during Twitter's IPO, on the floor of

the New York Stock Exchange, Thursday, Nov. 7, 2013. If Twitter's bankers and executives were hoping for a surge on the day of the stock's public debut, they got it. The stock opened at \$45.10 a share on its first day of trading, 73 percent above its initial offering price. (AP Photo/Richard Drew)

At its IPO price, Twitter was valued at roughly 28 times its projected 2013 revenue—\$650 million based on its current growth rate. In comparison, Facebook trades at about 16 times its projected 2013 revenue, according to analyst forecasts from FactSet.

Google Inc. meanwhile, is trading at about 7 times its net revenue, the figure Wall Street follows that excludes ad commissions.

Research firm Outsell Inc. puts Twitter's fundamental value at about half of the IPO price, said analyst Ken Doctor. That figure is based on factors such as revenue and revenue growth.

"That's not unusual," Doctor said. "Especially for tech companies. You are betting on a big future."

As a newly public company, one of Twitter's biggest challenges will be to generate more revenue outside the U.S.



Twitter signage is draped on the facade of the New York Stock Exchange, Thursday, Nov. 7, 2013 in New York. Twitter set a price of \$26 per share for its initial public offering on Wednesday evening and will begin trading Thursday under the ticker symbol "TWTR" in the most highly anticipated IPO since Facebook's 2012 debut. (AP Photo/Mark Lennihan)

More than three-quarters of Twitter's 232 million users are outside the U.S. But only 26 percent of Twitter's revenue comes from abroad. The company has said that it plans to hire more sales representatives in countries such as Australia, Brazil and Ireland.

Twitter shares entered a declining market. Wall Street had its worst day since August as traders worried that the Federal Reserve could cut back on its economic stimulus.

Investors grew concerned about a surprisingly strong report on U.S. economic growth in the third quarter, which led many to believe the Fed

could start pulling back as soon as next month, earlier than many anticipated.

After 33 record-high closes this year, an increasing number of investors believe the stock market has become frothy and is ready for a pullback.

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