

Twitter IPO looks imminent, at higher price

November 6 2013, by Sophie Estienne



A sign is posted outside of the Twitter headquarters on October 25, 2013 in San Francisco, California

Twitter was on the verge of revealing the price of its stock offering Wednesday, giving the popular messaging platform a value of around \$15 billion, media reports said.

The Wall Street Journal and CNBC, citing unnamed sources, said the initial public offering was likely to be at \$27 a share, higher than the just-

increased range of \$23 to \$25.

CNBC said three people familiar with the IPO indicated the underwriters had set the \$27 price. The Journal said that is the most likely price, but that a range of \$25 to 28 was still being debated.

Twitter plans to sell 70 million shares, with a possible over-allotment of 10.5 million. With that option, it would raise more than \$2.17 billion, or \$1.89 billion without the extra shares.

With the over-allotment it would be the second-biggest tech IPO after Facebook's \$16 billion effort last year and ahead of Google's 2004 offer, which raised \$1.92 billion, according to research firm Dealogic.

Shares will trade under the symbol TWTR on the New York Stock Exchange.

Analysts said Twitter's first price range at \$17 to \$20 a share appeared conservative and that the price was likely to rise because of heavy demand.

Still, Twitter is taking a cautious approach in its IPO, in contrast to Facebook, which flooded the market with shares and saw a sharp decline in the following months.

Twitter still must convince investors of its business model, having lost more than \$440 million since 2010.

But with 232 million users and growing, it is expected to be able to reach profitability by delivering ads in the form of promoted tweets, and from its data analytics.

The research firm eMarketer estimates Twitter will bring in \$582.8

million in global ad revenue this year, and nearly \$1 billion in 2014.

Twitter's IPO is the most keenly anticipated since Facebook's last year, with enthusiasm for the messaging service which has become engrained in popular culture and has become a tool for celebrities, journalists and politicians, among others,

According to IPO documents, Twitter has around 232 million monthly active users, three-fourths of whom are outside the United States.

Twitter says roughly 500 million tweets are sent every day, and that 76 percent of active users are on mobile devices such as smartphones or tablets.

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A research note from Topeka Capital Markets recommended the stock, with a target price of \$54.

"A look back shows that consensus has underestimated social media financial performance," analyst Victor Anthony said in the note.

"Hence, we stand by our numbers, which are largely above official and unofficial estimates."

Other analysts are skeptical, saying Twitter's business model is unproven and that social media trends are too unpredictable to assume the service will continue to grow.

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