

# Twitter sets IPO price at \$26, will raise \$1.8B

November 7 2013, by Barbara Ortutay

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The Twitter bird logo is on an updated phone post on the floor of the New York Stock Exchange, Wednesday Nov. 6, 2013. Twitter's initial public offering was priced at \$26 a share, Wednesday evening, and is expected to start trading on the New York Stock Exchange on Thursday. (AP Photo/Richard Drew)

Twitter has set a price of \$26 per share for its initial public offering, which means the company's stock can begin trading Thursday on the New York Stock Exchange in the most highly anticipated IPO since Facebook's 2012 debut.

The price values Twitter at more than \$18 billion based on its outstanding stock, options and [restricted stock](#) that'll be available after the IPO. That's more than Macy's, which has a [market capitalization](#) of \$17 billion, and Bed Bath & Beyond, which is around \$16 billion.

The pricing means the short messaging service will raise \$1.8 billion in the offering, before expenses. The [company](#) is offering 70 million shares in the IPO, plus an option to buy another 10.5 million. If all shares are sold, the IPO will raise \$2.09 billion, making it the biggest IPO for an Internet company since Facebook raised \$16 billion last year.

The company, named after the sound of a chirping bird, is set to begin trading Thursday morning under the ticker symbol "TWTR."

Twitter, which has never turned a profit in 7 years of existence, had originally set a price range of \$17 to \$20 per [share](#) for the IPO, but that was an obvious lowball designed to temper expectations. It was widely expected that the price range would go higher. Back in August, for example, the company priced some of its employee stock options at \$20.62, based on an appraisal by an investment firm and it's unlikely to have lost value since.

On Monday, Twitter raised the price range to \$23 and \$25 per share, signaling an enthusiastic response from prospective investors. That Twitter's final price was above the expected range bodes well for the company's stock.

Twitter's public debut will be one of the most closely watched IPOs since Facebook's in May 2012.

But Twitter has valued itself at just a fraction of Facebook and sought to cool expectations in the months and weeks leading up to the offering. With that, the San Francisco-based company is likely hoping its stock

avoids the fate of Facebook's shares, which didn't surpass their IPO price until more than a year after the offering.

Tempering expectations was a big theme in the weeks leading up to Twitter's IPO. The company tried to avoid the trouble that plagued Facebook's high-profile offering. Facebook's public debut was marred by technical glitches on the Nasdaq Stock Exchange. As a result, the Securities and Exchange Commission fined Nasdaq \$10 million, the largest ever levied against an exchange. Those problems likely led Twitter to the NYSE.

Still, \$18 billion is a lofty valuation for Twitter compared with its peers. At its current price, Twitter 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, says analyst Ken Doctor. That figure is based on factors such as revenue and revenue growth.

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

Earlier on Wednesday, Barclays Capital said Twitter had hired it to be its "designated market maker," a critical role when a stock starts trading. A DMM is an experienced trader who supervises the trading of a company's stock on the NYSE. If technical problems arise, the NYSE uses DMMs to bypass electronic trading systems, allowing humans to trade a company's stock. That is not possible on all-electronic stock exchanges such as the Nasdaq.

Twitter got its start 7 years ago, first with Jack Dorsey and then Evan Williams as CEO. Its current chief is Dick Costolo, a former Google executive who once aspired to be a stand-up comedian. On March 21, 2006, Dorsey posted the world's first tweet: "Just setting up my twttr." Noah Glass, who helped create Twitter—but is not mentioned in the company's IPO document—posted the same words just 10 minutes later.

Since then, the social network that lets users send short messages, or "tweets," in 140-character bursts has attracted world leaders, religious icons and celebrities, along with CEOs, businesses and a slew of marketers and self-promoters. Twitter now has more than 230 million users, more than three-quarters of them outside the U.S.

The outsized proportion of international Twitter users is both a challenge and an opportunity for the company. Only 26 percent of Twitter's revenue comes from abroad, though the company has said that it plans to generate more international revenue by hiring additional sales representatives in countries such as Australia, Brazil and Ireland.

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