

Twitter set to make a splash on Wall Street

November 3 2013, by Sophie Estienne



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

Wall Street is aflutter over Twitter, set to make the most anticipated stock market debut since Facebook in a huge test for social media and the technology sector.

No official date has been set, but Twitter appears on a fast track which could see its [initial public offering](#) priced as early as Wednesday for

trading on Thursday, according to some reports.

The company will trade under the "TWTR" symbol on the New York Stock Exchange, breaking from the Nasdaq [market](#) used by a large number of tech companies.

There is considerable excitement about the IPO because Twitter is "a unique product that no one can replicate," said Michael Pachter, head of equity research at Wedbush Securities.

Pachter and his colleagues said in a research report that they expect high demand.

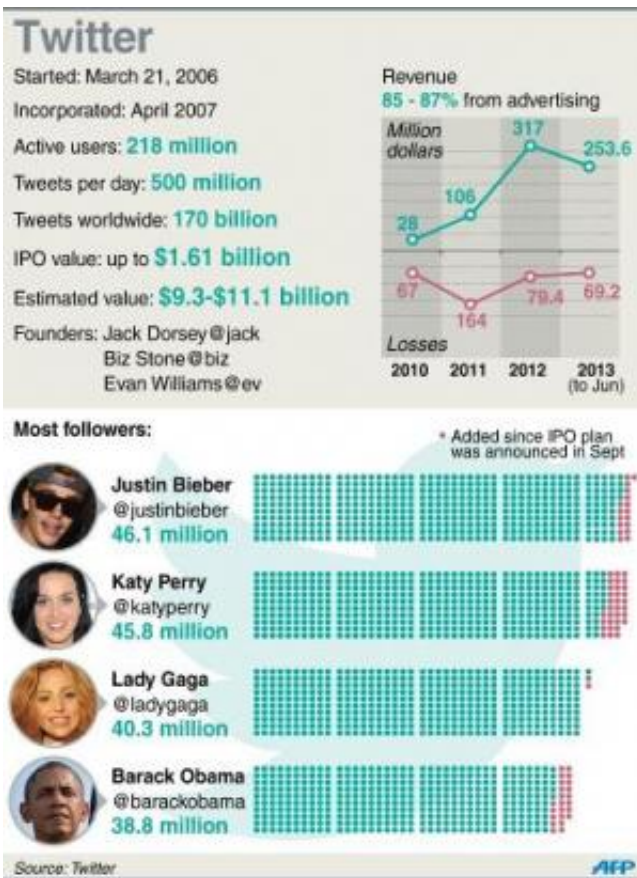
"We believe that the market is likely to generate appetite for more than \$1 billion in stock," they said.

"The simple rules of supply and demand suggest that by limiting the supply of shares offered to the public in its IPO, Twitter will be unable to satisfy demand."

And Twitter appears to have learned a lesson from Facebook's debacle in May 2012, marked by trading glitches, accusations about secret information and a plunge in the share value for months after the IPO.

"The Facebook situation last year was a perfect storm of an overheated private market, a fully priced offering, a massive amount of shares brought to market, all compounded by an historical technical glitch," said Lou Kerner, founder of the Social Internet Fund.

"That confluence of events is not likely to occur again."



Graphic fact file on Twitter, which raised the value of its initial public offering Thursday to as much as \$1.61 billion

As of its latest update, Twitter will seek to raise up to \$1.6 billion—one tenth the value of the Facebook IPO—by offering 70 million shares in a range of \$17 to \$20.

That is a relatively small chunk of Twitter's capital, and implies a market value between \$9.3 billion and \$11.1 billion—a conservative figure compared with some of the private market trades in Twitter so far.

Analysts say Twitter, unlike Facebook, will not flood the market, and that with demand exceeding supply the price will rise.

The early Twitter investors may not get maximum value right away, but could benefit over time from a rise in the share price.

Twitter does have a star quality that is likely to fuel interest, because it is a key platform for celebrities, politicians and journalists.

In its investor presentation, the company used President Barack Obama's widely retweeted message of "four more years" after his 2012 re-election, and noted how activist investor Carl Icahn's single tweet about buying Apple shares moved the [stock market](#).

A crucial question for Twitter, as for Facebook, is how deftly the company is able to monetize its platform.

Twitter has some 232 million active users around the world, but has lost money steadily since 2010, according to IPO documents. The losses amounted to \$133 million on \$422 million in revenues in the first nine months of the year.

Twitter makes most of its money from advertising, chiefly in the form of "promoted tweets." A recent revamping of its display opens the door to bigger display-type ads.



Twitter Chairman and Square CEO Jack Dorsey moderates a panel discussion with Detroit entrepreneurs at Techonomy Detroit at Wayne State University September 17, 2013 in Detroit, Michigan

The investment firm Sterne Agee notes that "Twitter's scale and deeply engaged user base create valuable opportunities for advertisers to leverage the platform."

Analysts point out that Twitter can allow companies to advertise for free, or pay for promoted tweets and benefit from analytics that target people

based on their interests and profiles.

"Twitter is a niche business that will not likely be used by 'everybody' vs. Facebook, which essentially is," said a report from Pivotal Research Group analyst Brian Wieser.

"However, at the same time we expect that advertisers will continue to value Twitter for its unique attributes and should conceivably allocate budgets from sources intended towards digital goals."

But the report goes on to say that Twitter faces big risks including "a relatively unproven advertiser proposition, the prospects of wild swings in investor sentiment, difficulty scaling the business profitability, rush sellings at a time when early investor lock-ups expire (and) government regulations primarily related to privacy."



Dick Costolo of Twitter attends TechCruch Disrupt SF 2013 at San Francisco Design Center on September 9, 2013 in San Francisco, California

Still, Pivotal sets a target price of \$29 a share, or 46 percent above the high end of the offering price range.

Others note that it is hard to evaluate Twitter's financial potential because three-quarters of its users are outside the United States where digital advertising is just taking hold.

"Many international ad markets are years behind the US in terms of the maturity of the digital ad market," noted Hillside Partners, an [investment firm](#) specializing in technology companies.

Twitter facts and figures

Twitter came to life on March 21, 2006, when the account of co-founder Jack Dorsey (@jack) automatically sent out the first tweet: "just setting up my twttr."

Dorsey followed up with the first "human-generated" tweet: "inviting coworkers." More than 350 billion tweets have since gone out worldwide from some 232 million active users, as of June. Some 77 percent are outside the United States.

Some facts about a global phenomenon:

- Pop star Justin Bieber (@justinbieber) leads the pack with more than 46.37 million followers, followed by Katy Perry (@katyperry) with 46.30 million and Lady Gaga (@ladygaga) with 40.36 million.
- US President Barack Obama (@barackobama) is fourth with 39 million followers. The announcement of his re-election victory in November 2012 was re-tweeted more than 800,000 times.

- Twitter is blocked in China and yet still has some 35 million users in the country, according to the research firm Global Web Index.
- Around three-fourths of Twitter users access the platform on a mobile device, and 70 percent of ad revenues come from mobile.
- Twitter documents show a loss of \$133 million in the first nine months of 2013 on \$422 million in revenue. In 2012, it lost \$79 million on \$317 million in revenue and has accumulated losses of \$483 million since 2010.
- About five percent of Twitter accounts are believed to be fake, according to the company.
- The hashtag (#) feature on Twitter that groups tweets by subject debuted in August 2007, having been proposed by a user.
- A tweet is limited to 140 text characters, designed to fit easily in a standard text message of 160 characters.
- In October 2009, Google and Microsoft began integrating tweets into their search products.
- In January 2013, Twitter introduced Vine, which enabled users to make and tweet six-second looping videos. Some 12 million Vine videos are uploaded every day.
- Twitter is based in San Francisco, with additional employees in New York, Chicago, Los Angeles and Washington. Its total payroll exceeds 2,300 and says it "expects to grow head count for the foreseeable future."
- The IPO sets a value for Twitter of between \$9.3 billion and \$11.1

billion.

- Twitter was incorporated in April 2007, the month after it stole the show at the influential South by Southwest technology and indie music festival in Austin, Texas.

- It was co-founded by Biz Stone, Evan Williams and Jack Dorsey—@biz, @ev and @jack. Williams is the biggest shareholder with around 12 percent of Twitter capital.

- Asked by AFP in March 2011 why Twitter is such a hit, Stone replied: "A big part is that it is just very simple and connects people to other people they would not otherwise be connected to."

- The initial Twitter logo was created by Stone, a former graphic designer.

- Twitter chief executive Dick Costolo is a former improvisational comedian.

Key people in Twitter's history

Twitter has several people who have played key roles in the building of the popular one-to-many messaging service:

Jack Dorsey (@jack), 36, the best-known of the Twitter founders, was also the author of the first tweet on March 21, 2006. Dorsey claims the idea behind Twitter and developed the computer code with German programmer Florian Weber (@florian). Dorsey was chief executive from 2007 to 2008, and now is executive chairman. He is also head of the payments firm Square, started in 2010.

Dorsey holds 4.9 percent of Twitter shares and has a fortune estimated

by Forbes Magazine of \$1.3 billion..

Evan Williams (@ev), 41, is the largest stockholder with 12 percent of Twitter capital. Williams worked in Silicon Valley startups Pyra Labs and Odeo before joining Twitter. He succeeded Dorsey as CEO before leaving that post himself in 2010.

Born and raised on a farm, his profile says he "likes long walks in the city, tofu, and burgundy." He is working on another startup, a publishing platform, called Medium.

Christopher "Biz" Stone (@biz), 39, is credited with the design of Twitter.

Stone wrote in Wired magazine that he managed to be hired by Google in 2003 by creating a company called Genius Labs, which was "just me," before moving to a series of startups. He is working on his own mobile app called Jelly, with capital from Dorsey and Williams, as well as former vice president Al Gore and pop star Bono.

Stone is a vegan and is devoted to several organizations working for the environment, health and education.

Noah Glass (@noah) states on his Twitter profile, "I started this," but he was not among the founders participating in the investor presentation for the initial public offering.

Glass, who according to some reports was forced out of Twitter and will not cash in from the IPO, claims he came up with the name Twitter by paging through the dictionary.

In a September tweet, he said, "I wish the twitter team the best of luck and trust that they will be successful in continuing to develop this

important communication tool."

Dick Costolo (@dickc), 50, has been CEO and chief Twitter spokesman since October 2010. A University of Michigan graduate, he briefly worked in improvisational comedy and theater before joining Andersen Consulting.

In 2004 he founded the RSS tool FeedBurner, which was bought by Google in 2007. He worked at Google until 2009 before joining Twitter.

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