

# Twitter tumbles after warning on overvaluation

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A stock trader works as Twitter logo and share price are displayed on screens on the trading floor of the New York Stock Exchange on November 7, 2013 in New York

Twitter shares tumbled Friday after a brokerage analyst warned the popular messaging network was overvalued following a meteoric rise since its initial public offering in November.

Twitter shares closed down 12.99 percent at \$63.79. But the stock has

more than doubled from its [offering price](#) at \$26 on November 7.

Jon Ogg at 24/7 Wall Street said Friday's decline followed a five percent gain on Thursday which put Twitter at a record high of \$73.31.

"Twitter's stock valuation has been difficult or impossible for Wall Street analysts to deal with," Ogg said in a blog post.

Ogg said at the start of the day, Twitter was trading at roughly 62 times expected 2013 revenues and about 35 times expected 2014 revenues.

"Another negative is that the company is expected to lose money in 2013 and in 2014," he added.

Twitter has become massively popular around the world, but some analysts are skeptical about its ability to boost usage and revenues to become profitable.

The catalyst for the selloff came from Ben Schachter at Macquarie who changed his rating to "underperform" from "neutral," noting that Twitter was up 40 percent since December 11.



A photo taken in the western French city of Rennes on November 7, 2013 shows an official Twitter account on a smartphone

"We continue to believe that Twitter as a company has a bright future and many opportunities ahead. However, as a stock, we believe nothing has changed over the last 15 days to justify the rise in valuation," Schachter said.

Meanwhile Bespoke investment group released a chart on Twitter noting that the stock appears to have paralleled Google market action in its early trading days.

Following up on that tweet, the investment firm tweeted, "Didn't say \$TWTR was \$GOOG, just highlighting how closely their caps have tracked in their early days after IPO."

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