

Twitter flies on surprisingly strong numbers

July 30 2014, by Glenn Chapman



A banner with the logo of Twitter is set on the front of the New York Stock Exchange on November 7, 2013

Twitter shares shot higher by some 30 percent Tuesday after its quarterly report showed surprisingly strong revenue and user growth, despite a widening loss.

The popular one-to-many messaging service said its quarterly loss widened to \$145 million from a \$42 million loss a year ago.

But revenue more than doubled from a year ago \$312 million in the three months that ended June 30, with the number of monthly active users hitting 271 million, up 24 percent year-over-year.

The "adjusted" results which exclude certain expenses and stock compensation showed a modest profit of \$15 million, better than expected.

That along with the rise in use evidently bolstered confidence of investors who sent the stock soaring about 30 percent in after-market trades to \$49.61.

Doing the right thing

"They seem to be doing the right thing," said Gartner vice president of mobile computing Ken Dulaney.

"It is well-advertised on TV. Companies put Twitter IDs on pitches. It is kind of ingrained in what we do."

And, the analyst noted, there is plenty of room for Twitter to evolve, perhaps into a more extensive real-time news service tightly linked to television programming.

Twitter's loss included \$158 million in stock-based compensation.

Twitter took in \$277 million from advertising, a 129 percent increase from the same period a year earlier.



File photo of a Twitter app on a BlackBerry smartphone

Ads served up on Internet-linked mobile devices accounted for 81 percent of that revenue in a sign that the San Francisco-based firm was tending to the business side of following users onto smartphones and tablet computers.

About a third of Twitter's revenue came from outside the United States, with International revenue climbing 168 percent to \$102 million, earnings figures showed.

"Our strong financial and operating results for the second quarter show the continued momentum of our business," Twitter chief executive Dick

Costolo said in the earnings release.

"We remain focused on driving increased user growth and engagement, and by developing new product experiences, like the one we built around the World Cup, we believe we can extend Twitter's appeal to an even broader audience."

Helped by World Cup

Forrester analyst Nate Elliott saw the earnings numbers and user growth figures as encouraging, but only a little bit.

Twitter use in the second quarter of this year was up just six percent from the first three months, and that was with the help of storms of tweets fired off during the World Cup football tournament in Brazil.

"The wind was in their sails," Elliott said of Twitter. "You would have liked to see them do a lot better than that on users."

Twitter does appear to be making progress on user numbers and is showing they can bring in money from the people already on the service, according to the analyst.

"And in making progress, they are reminding us that they aren't there yet," Elliott said.



File photo of an official Twitter account on a smartphone

"Things are moving in the right direction, but you have to wish they would move a little faster."

Costolo credited improvements made to Twitter pages with attracting new users, not the role it played as a global stage for World Cup players and fans to share insights, comments, news and images related to games.

Twitter's starring position during the Cup will likely lead to the service tailoring experiences for other major sporting events, executives hinted.

It was the first Twitter earnings call for freshly-hired chief financial officer Anthony Noto, who is replacing Mike Gupta. Gupta will become a vice president of strategic investments.

"I came here with one belief," Noto said of taking the job at Twitter at a time when it is intent on ramping up user numbers and revenue.

"That we can build the largest audience in the world."

Noto's background includes being a managing director of technology, media and telecom investment banking at Goldman Sachs, which led Twitter's initial public offering of stock.

Twitter made a spectacular Wall Street debut in November, rising from its \$26 offering price to more than \$70, but has been hurt by concerns about slowing growth and doubts on profitability.

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