

Twitter shares sink on worries about usage

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In this March 11, 2011 file photo, the Twitter logo is displayed at the entrance of Twitter headquarters in San Francisco, California. Twitter shares have fallen despite doubling of company income

Shares in Twitter sank more than 12 percent Tuesday as disappointing user numbers overshadowed a doubling of income in its third quarter and sparked several analyst downgrades.

The shares, which have traded as high as \$74.73 since the company went public nearly a year ago, fell to \$42.47 in mid-morning trade following

the earnings release late Monday.

Analysts said that although revenues at the micro-blogging service soared 114 percent from a year earlier to \$361 million, user data was not as impressive as hoped, and did not support the rich valuation in the share price.

"Their user growth is mildly encouraging, but I want to see better," said Forrester Research analyst Nate Elliott.

"Users is their key metric; they need to get people using the site every day."

"Facebook is constantly giving people new reasons to come back to the site. Twitter needs to do more of that," he added.

The number of monthly users grew 23 percent from a year earlier to 284 million, matching [analyst expectations](#).

But "timeline views"—which give an idea of how much time each user spends on the website, and thus is exposed to advertising and other income generators for Twitter—were up only 14 percent year-on-year.

As measured against monthly active users, timeline views were down seven percent on average.

Twitter chief financial officer Anthony Noto said the fall in average usage "primarily reflects the changes we've been making to allow users to more efficiently access our content."

At the same time, he told analysts late Monday, timeline views per user will remain flat in the current quarter.

As a result, a number of broker analysts cut their ratings and price target for the company.

Cannacord Genuity lowered their target to \$56, down from the previous \$62. RBC Capital Markets reduced its target to \$47 from \$65, and Merrill Lynch set its target at \$50.

Stifel took the most bearish view, calling the stock a "sell" at the current price.

Twitter went public on November 6, 2013, at \$26 a share, and quickly soared to nearly triple that. Shares slumped back to near \$30 in May but rebounded to around \$50 before Tuesday's selloff.

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