

Twitter shares dive as earnings miss mark (Update 2)

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Twitter shares plunged Tuesday after an earnings report fell short of market expectations, despite a jump in the number of active monthly users above 300 million.

Revenue during the first three months of this year was \$436 million, Twitter said, but the San Francisco company had been expected to bring in about \$456 million.

The one-to-many messaging platform reported a net loss in the quarter of \$162.4 million, as compared with a loss of \$132.4 million on revenue of \$250.5 million in the same period last year.

Twitter shares dived more than 18 percent after release of the earnings figures and sank further to \$41.50 in after-market trades.

"That kind of drop is really tough," said independent analyst Rob Enderle of Enderle Group in Silicon Valley.

Twitter has yet to show a quarterly profit in its publicly released earnings statements, but analysts say it may be more important for the social network to boost its user base as it moves toward profitability.

Separately it announced a deal to buy marketing technology company TellApart and a partnership with Google's DoubleClick platform to improve advertising performance.

Earnings leak

The results came out ahead of schedule, through feeds on Twitter itself, about half an hour before the closing of the stock market and caused a temporary halt of trading in the company's shares.

"We are investigating the source of the leak," Twitter said.

Twitter chief executive Dick Costolo said revenue growth "fell slightly short of our expectations due to lower-than-expected contribution from some of our newer direct response products."

But he noted, "it is still early days for these products and we have a strong pipeline that we believe will drive increased value for direct response advertisers in the future."

Advertisers balked at paying higher amounts in auctions for ads designed to deliver better results, and Twitter expected that factor to weigh on revenue through the year, chief financial officer Anthony Noto said during an earnings call.

"Some advertisers with limited spending dropped out due to bidding getting too high," Noto said, adding that the model was being refined and that he expected that it would eventually pay off.

Costolo remained confident in Twitter's strategy for long-term success.

"Twitter does well on mobile devices for delivery of information, but doesn't do well for ads," Enderle said.

"They don't have it figured out yet."

Advertising revenue at Twitter tallied \$388 million, a 72 percent rise from the same quarter a year earlier. Ads served up on mobile devices accounted for 89 percent of the revenue.

The amount of money Twitter took in outside the United States more than doubled to \$147 million and accounted for 34 percent of overall revenue at the company.

Wooing users

The number of monthly active users rose to 302 million from 288 million three months earlier, extending a growth trend which has nevertheless disappointed those who compare it to faster-growing social

networks.

Twitter has been striving to ramp up the number of people using the service and the amount of time they spend at the online venue.

Last week, Twitter introduced a "Highlights" feature that offers a twice-daily summary "of the best tweets for you, delivered via rich push notification," the firm said in a blog post.

Details of the TellApart and DoubleClick deals were not released but executives touted them as winning moves.

Costolo said that Twitter, which boasted having cash and securities worth \$3.6 billion at the end of the quarter, has an eye out for acquisitions that will play to its strengths.

"While it is super-early days for Periscope, we are really delighted with how acquisitions like that and Vine have worked out for us," Costolo said.

"So we will continue to be opportunistic."

More than a million people logged into Periscope in the 10 days after the application for real-time sharing of video launched in April, the Twitter chief said.

An alliance with Google to have tweets delivered in search results should begin taking effect in May, according to Costolo, who said that Twitter was also working with Apple to spotlight tweets.

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