

Twitter shares tumble amid fresh doubts on growth

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Twitter, who made its entrance on the New York Stock Exchange (NYSE) on November 7, 2013, saw its shares fall hard after second quarter results

Twitter shares fell hard Wednesday after the latest update from the one-to-many messaging platform revived doubts about its growth prospects.

Shares slumped 14.5 percent to close at \$31.24, the lowest level in over a year.

On Tuesday, the company reported that it lost \$137 million in the recently ended quarter on revenue that jumped 61 percent to more than half a billion dollars.

While revenue growth was seen as positive, the sluggish increase in users sparked fresh worries among investors.

Twitter said its user base grew to 316 million worldwide, but that its core user base was up by just two million from the prior quarter. And the number of active US users was flat.

"Monetization was strong but anemic user growth combined with lower engagement will continue to put a question mark on Twitter's long-term growth prospects," said analyst Arvind Bhatia at Sterne Agee in a note to clients.

Morgan Stanley analyst Brian Nowak was also cautious, saying the results raise concerns "around the inability to break into the 'mass market.'"

"Twitter has yet to prove itself as a platform that can drive continuous (daily) engagement and usage," he said in a research note.

The majority of Twitter's additional monthly users were people in emerging markets who signed up to get updates from selected Twitter accounts via text messages sent to feature phones.

Such users, referred to by Twitter as SMS fast followers, are less lucrative when it comes to targeted ads.

Twitter co-founder and interim chief executive Jack Dorsey acknowledged the challenges.

"We will take the necessary time to build a service people love to use every day," he said in a call with analysts. "We realize it will take a lot of time."

Dorsey has assumed the CEO job on a temporary basis following the departure of Dick Costolo, as Twitter searches for a new chief.

Twitter took in \$502 million in revenue during the recently-ended quarter, most of the money coming from advertisements on mobile devices used to access the service, according to the earnings report.

FBN Securities analyst Shebly Seyrafi said Twitter "realizes that it has a user growth problem, and interim CEO Jack Dorsey was quite frank about this."

But the analyst said Twitter remains "attractive for long-term investors" and that "it could take until 2016 before more traction" is achieved.

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