

Twitter shares dive on word of growth challenges (Update)

July 28 2015



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Twitter shares hit the slide on Tuesday as executives warned that the messaging service's path to mainstream popularity would be a long one.

Shares first leapt shortly after the release of second quarter financial performance figures that topped market expectations.

But then they plunged after executives discussing the earnings said that while most people know what the service is, only a fraction of those people use it.

"We will take the necessary time to build a service people love to use every day," Twitter co-founder and interim chief executive Jack Dorsey said during an earning call.

"We realize it will take a lot of time."

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

Twitter shares that jumped more than five percent in after-hours trade immediately following the report dove more than nine percent in the aftermath of the earnings call with Dorsey and chief financial officer Antony Noto.

"Product initiatives we have mentioned in previous earnings calls have not yet had meaningful impact on growing audience," Dorsey said.

"This is unacceptable and we are not happy about it."

Noto said during the call that no meaningful growth was expected at Twitter for a "considerable" amount of time.

In a closely watched figure, Twitter said that the number of people using the one-to-many messaging service monthly climbed 15 percent to 316 million compared to the same three-month period a year earlier.

The majority of those 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 targeting ads.

"We are planting the seeds in these markets today," Noto said, reasoning that as smartphones gain traction in those places people will trade-up to more engaging Twitter experiences which bring with them more opportunities for the company to make money.

Window to the world

Dorsey said that his priorities include making Twitter easier to use and convincing more people to take part in the experience.

That goal will involve carefully tinkering with the real-time flood of tweets that has been part of Twitter's identity from the outset, according to Dorsey.

He said Twitter is intent on finding a winning balance of "recency and relevance" so tweets people are most interested in get noticed.

"You should expect Twitter to be as easy as looking out your window to see what is happening," Dorsey said.

The quarter earnings "show good progress in monetization, but we are not satisfied with our growth in audience," Dorsey said.

"In order to realize Twitter's full potential, we must improve in three key areas: ensure more disciplined execution, simplify our service to deliver Twitter's value faster, and better communicate that value."

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 ads on mobile devices used to access the service, according to the earnings report.

The San Francisco-based company's loss in the quarter was trimmed from the \$144.6 million it lost in the same period last year.

Twitter forecast that revenue in the current quarter would range from \$545 million to \$560 million, and that it would wind up taking in \$2.2 billion to \$2.27 billion in revenue for the full year.

Mum on CEO search

Dorsey sidestepped questions regarding the search for a new full-time chief at Twitter. Twitter has said it wants a full-time CEO, signaling Dorsey likely will not be picked.

Dorsey, in addition to stepping in at Twitter, leads Square, a growing mobile payments company that is rumored to be planning an initial public offering.

Costolo announced June 11 he was stepping down amid criticism of the social media company's slowing growth.

Dorsey previously held the Twitter job for about a year and a half, leaving the post in 2008. Costolo came on board in 2010.

Costolo was under tremendous pressure from investors to prove his worth by ramping ranks of Twitter users and revenues brought in by the globally popular one-to-many messaging service.

Costolo guided the San Francisco-based firm through its initial public offering, but growth has been disappointing and the company has yet to show a profit.

Dorsey has said he would split his time between Twitter and Square, relying on management teams he knows and trusts.

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