

# Twitter stung by stall in user growth (Update)

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Twitter's growth woes have led to the return of co-founder Jack Dorsey as chief executive, and he has promised new services in a bid to boost growth and user engagement

Twitter shares slid Tuesday after a quarterly update worsened investor fears that the one-to-many messaging service can win enough users to be a lucrative, mainstream hit.

Twitter posted a loss for the first quarter of 2016 of \$80 million, compared with a loss of \$162 million in the same period a year ago.

Revenues meanwhile jumped 36 percent year-over-year to \$595 million. Wall Street had expected even better revenue, and the Twitter financial forecast for the current quarter did not inspire visions of better days.

"With less than exciting results in the very first quarter following the new plan under CEO, Jack Dorsey, investors are likely to remain skeptical," Sterne Agee CRT said in a note to investors.

But in a key metric in the fast-evolving social media world, Twitter's trend was flat. The number of monthly active users was 310 million, up three percent from a year ago and only slightly higher than the 305 million in the previous quarter.

Twitter changed the way it measures active users, no longer counting those who follow via SMS text messaging. The number reported in the fourth quarter including that group was 320 million.

Twitter shares skidded more than 13 percent at \$14.36 in after-hours trading, extending their slump over the past two years.

Since its much-anticipated public offering in November 2013 at \$26, Twitter shares saw a jump to \$60 the following month but have been sliding since then.

## **Out to thrive live**

Twitter's growth woes have led to the return of co-founder Jack Dorsey as chief executive, and he has promised new services in a bid to boost growth and user engagement.

"As we outlined last quarter, we're focused on what Twitter does best—live," Dorsey said in a statement.

"Twitter has always been the best place to see what's happening now. Whether it's breaking news, entertainment, sports, or everyday topics, only Twitter lets you connect with people anywhere in the world with live conversation."

Exclusive live events, collaborations, and attracting marketers are important ingredients for implementing Twitter's 'live' strategy, according to Sotirios Paroutis, an associate professor of strategic management at Warwick Business School.

Twitter's focus on being the go-to online venue for what is happening in any given moment included a recent deal with the US National Football League to stream Thursday night matches.

"On the usage front, Twitter desperately needs to get its momentum back," said eMarketer principal analyst Debra Williamson.

"Its deal with the NFL caught a lot of people by surprise," the analyst said.

"Streaming football games free to Twitter users is the kind of bold move that the company needs to make if it wants to restart usage growth."

Twitter-owned Periscope lets users broadcast live video free of charge, and plays into the San Francisco-based firm's strategy of being a popular place for online conversations about happenings as they take place.

## **Slow progress**

Dorsey added that "we made a lot of progress on product innovation this

quarter, particularly with live video and our refined timeline, and people love it... We remain focused on improving our service to make it fast, simple and easy to use."

Dorsey has introduced a new "Moments" feature highlighting breaking news stories, and has been allowing users to see an "algorithmic" timeline that is designed to be better adapted to each person sending a tweet.

Twitter marked its 10th birthday last month, having become a powerful communication tool but still struggling to win users and reach profitability.

While Twitter has become a must-have tool for journalists, activists and celebrities, it has struggled to show it can expand beyond its devoted base to become a mainstream hit.

Chief financial officer Anthony Noto said the quarter "saw a return to sequential growth in monthly active usage, driven by seasonality and marketing initiatives."

But Twitter noted in a letter to shareholders that revenue was "at the low end of our guidance range because brand marketers did not increase spend as quickly as expected in the first quarter."

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