

Twitter shares surge after reporting first profitable quarter

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Twitter on Thursday reported its first profitable quarter and a growth in ad sales, but the tech firm is still struggling to attract new users.

For Twitter, there's still more work to do.

"We're proud of the steady progress we made in 2017 and we're confident in our path ahead," said Twitter CEO and co-founder Jack Dorsey in a conference call. "We have significant opportunity ahead of us to put Twitter in as many people's hands as possible and make the

service more relevant to more people every single day."

Twitter's stock at one point rose more than 23 percent in pre-market trading to \$33.28 per share after the company released its financial results.

The company, which has been slashing expenses, turned a profit of \$91 million, or 12 cents per share, for the first time, beating Wall Street's expectations.

But the San Francisco tech firm continues to face a number of challenges including a string of executive departures. Twitter, which is known for its real-time nature, also competes with larger tech firms including Facebook and Google for ad dollars.

"At best we can look at the most recent period's results as marking an important milestone in the company's turnaround, perhaps bringing the future forward by a quarter," wrote Brian Wieser, an analyst for Pivotal Research Group, in a note. "While we can see this as positive for sentiment and investor confidence, it's hardly a game-changer for Twitter."

In January, Twitter COO Anthony Noto announced he was leaving to become the chief executive of SoFi. Some analysts and investors raised concerns that Noto's departure could hinder the company's turnaround efforts.

Dorsey started off the conference call by thanking Noto for his contributions and said that executives from his team will be taking on the roles of the departing COO.

"We haven't skipped a beat and we're really excited about looking at this (organization) in a new way but we have a lot of strength around the

table and a lot of confidence to continue the strategy," Dorsey said.

Twitter, like Facebook, has also been under pressure to do more to combat misinformation, [fake accounts](#), hate speech and harassment.

The company has also been making changes as part of an effort to make the site easier to use and toughened its rules around online abuse. It doubled the number of characters allowed in a tweet to 280.

Expanding the length of a tweet not only improved engagement among users, but also gave them more room to express their thoughts, Dorsey said. Users would hit the character limit in a tweet and then abandon a post altogether.

But Twitter's monthly active users remained at 330 million in the fourth quarter, which was flat compared to the third quarter but increased by 4 percent compared to the same period in the previous year. The tech firm attributed its lack of user growth to Safari's third-party app integration changes, seasonality and its efforts to crack down on fake accounts and spam.

While the number of international users grew slightly from the third to fourth quarter, Twitter saw a decline in the number of U.S. users. In the fourth quarter, Twitter lost 1 million monthly active users in the United States, bringing the total down to 68 million.

The number of Twitter's daily active users, though, grew 12 percent in the fourth quarter compared to the same period in 2016, but the company does not disclose the total number of DAUs.

Fueled by video [ad sales](#), Twitter increased its revenue by 2 percent to \$732 million in the fourth quarter, beating the \$686.4 million that analysts surveyed by Bloomberg expected. Sales in the United States

dropped by about 8 percent in the fourth quarter, but the company grew its revenue internationally including in Japan.

Excluding certain one-time expenses, Twitter earned 19 cents per share in the fourth quarter, above expectations of 14 cents per share.

"The results we saw (Thursday) affirm the direction of Twitter's 2017 strategy focused on live video. But we won't know if this is working until we see user growth," said Forrester Research analyst Erna Alfred Lioukas in an e-mail.

With major events such as the Olympics kicking off this year, Twitter executives said they're an opportunity to attract users to the site but they also noted the company expects it to have less of an impact on ad sales compared to the past. Businesses are purchasing ads for a longer period of time instead of just for one event, said Twitter's CFO Ned Segal.

Meanwhile, the tech firm is still working on making the site easier to use including for new users.

"The biggest push for us is really to make sure we have a really compelling events experience and an interest experience and then to match people with those interests as quickly as possible as they come in," Dorsey said. "And we're excited about what we're going to be able to do in 2018."

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