

To repair reputation, Twitter, Facebook incur investor wrath

July 28 2018, by Barbara Ortutay



In this Feb. 8, 2018 file photo, the logo for Twitter is displayed above a trading post on the floor of the New York Stock Exchange. Twitter Inc., on Friday, July 27 reported second-quarter net income of \$100.1 million, after reporting a loss in the same period a year earlier. On a per-share basis, the San Francisco-based company said it had net income of 13 cents. Earnings, adjusted for one-time gains and costs, were 17 cents per share. (AP Photo/Richard Drew, File)

Two of the biggest social media platforms lost nearly one-fifth of their

market value after reporting disappointing user growth.

Twitter's stock plunged Friday after it reported a decline in its monthly users and warned that the number could fall further in the coming months. The 20.5 percent plunge came one day after Facebook lost 19 percent of its value in a single day.

Twitter says it's putting the long-term stability of its platform above user growth. That leaves investors seemingly unable to value what the biggest companies in the sector, which rely on their potential user reach, are worth.

On Wednesday, Facebook warned that its revenue growth will slow down significantly for at least the remainder of the year and that expenses will continue to skyrocket. The next day, the company saw its biggest one-day drop Facebook history,

Facebook continues to grapple with big existential questions, ranging from its users' privacy to tech addiction to how it deals with fake news and misinformation, hate speech and extremism on its service. Both the slower growth forecast and heavier spending reflect problems largely of Facebook's own making.

Twitter had 335 million monthly users in the quarter, below the 339 million Wall Street was expecting, and down slightly from 336 million in the first quarter. That overshadowed strong monthly user growth of 3 percent compared with the previous year.

The company said its monthly user number could continue to fall in the "mid-single-digit millions" in the third quarter.

While Friday was Twitter's second-worst loss since it went public in November 2013, the stock has still doubled in value over the last 12

months.

Long criticized for allowing bad behavior to run rampant on its platform, Twitter has begun to crack down, banning accounts that violate its terms and making others less visible.

Twitter is now attempting to rein in the worst offenders after years as one of the Wild West corners of the internet.

At the same time, it must convince people it's the go-to platform in [social media](#), even though it is dwarfed right now by Facebook.

Facebook has more than 2.23 billion users while its apps WhatsApp, Instagram and Messenger each have over 1 billion.

Twitter on Friday reiterated its efforts to "to invest in improving the health of the public conversation" on its platform, making the "long-term health" of its service a priority over short-term metrics such as user numbers.

As part of these efforts, Twitter said that as of May, its systems identified and challenged more than 9 million accounts per week that are potentially spam or automated, up from 6.4 million in December 2017. The company has previously disclosed these numbers.

A Washington Post report put the total number of suspended accounts in May and June at 70 million. The Associated Press also found that Twitter suspended 56 million such accounts in the last quarter of 2017. While Twitter maintains that most of these accounts were dormant and thus not counted in the monthly user figure, the company also warned that its cleanup efforts could affect its counted user base without giving specific numbers.

"We want people to feel safe freely expressing themselves and have launched new tools to address problem behaviors that distort and distract from the public conversation," CEO Jack Dorsey said in a prepared statement.

Twitter's [market value](#) dropped by more than \$6 billion Friday, to around \$26 billion. Investors still value Facebook at \$503 billion. Facebook lost \$119 billion in value on Thursday.

Twitter's second-quarter net income hit \$100.1 million, after a loss last year during the same period. It's the company's third profit in a row, the third it has ever posted.

Per-share, the San Francisco company's net income was 13 cents, or 17 cents adjusted, in line with expectations, according to a poll by Zacks Investment Research.

Revenue of \$710.5 million, up 24 percent and edging out expectations of \$696 million.

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