

Twitter surges on profit, revenue growth

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Twitter delivered a fourth straight quarterly profit after years of losses, but its user count declined

Twitter shares flew higher Thursday after the social network reported a record quarterly profit that helped investors look past a drop in the number of users due to the weeding out of fake and abusive accounts.

The San Francisco group delivered a \$789 million profit, including one-time gains, compared to a net loss of \$21 million in the previous year, as revenues grew 29 percent to \$758 million.

Shares soared 15.5 percent to close at \$31.80 following the better-than-expected results, which helped investors overlook a drop in Twitter's user base.

Average monthly active users totaled 326 million, down from 335 million in the previous quarter. The company said the drop came from efforts to weed out fake and inauthentic accounts. Recently enacted privacy rules in the European Union also had an effect.

The record profit represented a fourth consecutive positive quarter for Twitter after years of losses, and included one-time gains from tax adjustments. Excluding those items, profits amounted to \$163 million.

Twitter said the drop in its user count was a direct result of efforts to improve the "health" of its platform by removing fake and abusive accounts.

"We're achieving meaningful progress in our efforts to make Twitter a healthier and valuable everyday service," said chief executive Jack Dorsey in a statement.

"We're doing a better job detecting and removing spammy and suspicious accounts at sign-up... This quarter's strong results prove we can prioritize the long-term health of Twitter while growing the number of people who participate in public conversation."

Brian Wieser at Pivotal Research Group called the results "very strong" and said Twitter appears on track to continue making profits.

"Efforts by the company to eliminate inauthentic accounts—even large numbers of them—and improve the health of the platform should be viewed positively because these efforts improve Twitter's position with regulators and with advertisers, who see the user base as higher quality when purges occur," Wieser said in a research note.

Richard Greenfield of BTIG Research said in a tweet that Twitter's data suggests its daily active users "are 33 percent higher today than in Q3 2015."



Twitter chief executive officer Jack Dorsey said the efforts to improve the "health" of Twitter by weeding out abuse and manipulation will be positive for growth over the long term

Health vs. growth

Twitter and other social networks have faced challenges in curbing manipulation and weeding out "hate speech," but Dorsey said the removal of abusive content will be beneficial for the platform in the long term.

"We do see health as a growth vector over the long term," Dorsey told analysts on a conference call.

"Our purpose is to serve the public conversation. And we have a singular objective within that purpose, which is around increasing health of the public conversation."

Dorsey cited "some new techniques" that have helped curb the creation of inauthentic accounts, thereby reducing "abuse, misinformation, echo chambers and manipulation."

Twitter has managed to swing into profit over the past few quarters after years of losses, but it has struggled to grow its user base beyond a core of celebrities, journalists and political figures.

It has sought to expand its appeal with new services, including live video.

Twitter claims its estimate of daily users, which it says reflects engagement, was up nine percent in the past quarter but offers no specific numbers.

Advertising, which makes up the bulk of Twitter revenues, grew 29 percent over the past year to \$650 million, according to the earnings report.

Twitter said it had 67 million monthly active users in the US in the

quarter, and 259 million internationally.

Despite its unique offering of near real-time information, Twitter has lagged behind other social networks such as Facebook and Facebook-owned Instagram.

According to the research firm eMarketer, Twitter's share of worldwide social network users is expected to drop slightly from 10 percent in 2018 to nine percent in 2022.

In 2018, Twitter will take a 1.8 percent share of display ad revenue worldwide, according to eMarketer.

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