

Twitter shares dive after update disappoints

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Twitter's shares fell hard Tuesday after its quarterly update showed more losses for the struggling social media platform, which has seen sluggish growth in revenues and active users.

Shares were down nearly 11 percent at \$16.45 in after-hours trade following the report, which showed Twitter's loss narrowed to \$107 million in the second quarter from \$136 million a year earlier.

Significantly for investors, the number of monthly active users edged up to 313 million, up three percent from a year ago and only slightly more than the 310 million in the past quarter.

Revenue rose 20 percent from a year earlier to \$602 million but lagged expectations.

"We've made a lot of progress on our priorities this quarter," Twitter chief executive Jack Dorsey said of the results.

Dorsey added that "we are confident in our product road map, and we are seeing the direct benefit of our recent product changes in increased

engagement and usage."

A Twitter co-founder, Dorsey returned to the CEO job last year in a bid to boost growth and user engagement, with its shares slumping on concerns that it is failing to keep pace in the fast-growing world of social media.

Twitter has been seeking to expand its reach with live video and an array of partnerships in sports and the political field, but the moves appear to have had little impact.

Dorsey said he expects the new strategy to yield benefits.

"We're working every day to make Twitter faster, more intuitive and easier to use," he told a conference call.

"You've already seen us take some big steps here, like the changes to the timeline and the announced changes to the character count and reply rules, and there's more changes like these on the way."

He said growth "also involves educating people about why to use Twitter."

Twitter has been streaming video from the Republican and Democratic conventions, and has struck deals for live video content around NBA basketball games.

Earlier this year Twitter struck a deal with the National Football League to stream Thursday night American football games, and also streamed content from the Wimbledon tennis tournament.

Twitter has never posted a profit since its keenly anticipated stock market debut in 2013 but has been ramping up its advertising efforts to bring in revenue.

Advertising revenue totaled \$535 million, an increase of 18 percent year-over-year, with mobile accounting for 89 percent of that.

Revenues from the United States amounted to \$361 million, up 12 percent from a year earlier and international revenue grew 33 percent to \$241 million.

Analysts skeptical

Yet many analysts remain skeptical about whether Twitter can reverse its fortunes.

"We remain cautious on Twitter's ability to show meaningful user growth in the near-term, but management sounded confident in product and marketing improvements," said Mark Mahaney at RBC Capital Markets in a note to clients.

"Twitter believes it can command premium ad pricing, but its dramatic ad revenue deceleration doesn't support that."

A Morgan Stanley note to investors this week offered a "bearish" view on Twitter, saying that it has failed to drive significant revenues from its deal on political and sporting events.

"Our web traffic and app download data show continued deterioration in engagement and user growth, which we believe will pressure monetization," the analysts said.

Twitter shares hit an all-time high of \$69 after its IPO in late 2013 but have been on a downward trajectory since, losing more than 70 percent over the past two-and-a-half years.

The shares closed at \$18.45 Tuesday ahead of the earnings report.

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