

# Twitter hammered as user losses overshadow improving finances

7 February 2019, by Rob Lever



CEO and co-founder Jack Dorsey says "healthy" conversation remains a goal for Twitter after reporting strong gains in profit and revenue but disappointing figures on its user base

Twitter shares took a pounding Thursday as an unsettling update on its global user base offset upbeat figures on revenues and profits in the past quarter.

Shares skidded 9.8 percent to close at \$30.80 following Twitter's fourth quarter update, which showed a consistent profit trend despite a shrinking number of users.

The platform said it posted a \$255 million profit in the final three months of 2018, compared with \$91 million a year earlier, as revenues rose 24 percent to \$909 million. It marked the fifth straight quarterly profit after years of losses.

Chief executive Jack Dorsey said the results reflect Twitter's efforts at "promoting healthy conversation" by weeding out fraudulent accounts used for abuse, harassment and political influence campaigns.

"We think it is a growth vector over the long term, and it's the right thing to do for people on Twitter and in the world," Dorsey told analysts on a conference call.

Investors digested the data showing a decline in Twitter's base of monthly active users to 321 million, nine million down from a year earlier and five million from the prior quarter—and the company's decision to stop using that measurement.

Twitter said it would instead report "monetizable" daily active users in the US and worldwide, a better reflection of the audience viewing ads.

Using that measure, Twitter showed a base of 126 million worldwide, up nine percent over the year. That included 27 million in the United States and 99 million internationally who log in and use Twitter on applications where ads may be viewed.



New data from Twitter shows it continues to struggle in the race for users against rivals like Facebook and Instagram

The figures suggest that Twitter, which has a strong

following among celebrities, journalists and politicians, remains far from gaining mass appeal, with fewer users than rivals including Snapchat.

But this measure, Twitter said, is not "comparable to current disclosures from other companies, many of whom share a more expansive metric that includes people who are not seeing ads."

### 'High uncertainty'

Some analysts said the results highlight challenges for Twitter's goal of sustaining growth and profitability.

"We have continuing concerns about users and growth," said Scott Kessler of the research firm CFRA.

"Overall, we see decelerating top-line growth and further spending for a company/stock trading at valuation premiums to peers."

Ali Mogharabi of Morningstar said the stall in user growth may impact ad revenues over time and maintained that Twitter remained a "very-high-uncertainty name."

Markets also appeared unsettled by a weaker-than-expected revenue outlook for the current quarter and rising expenses.

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### 'Able to grow'

Jasmine Enberg of the research firm eMarketer said the results were nonetheless positive.

"Twitter's Q4 earnings prove that the company is still able to grow its revenues without increasing its user base," she said.

"The falloff in monthly active users is likely a continuation of Twitter's efforts to remove questionable accounts."

According to eMarketer, Twitter will boost its worldwide ad revenue this year but its share of the global market will drop from 0.9 percent last year to 0.8 percent. And Twitter's share of worldwide social network users is projected to drop slightly from 9.8 percent in 2019 to 9.3 percent in 2022.

Twitter, which has struggled to keep up with fast-growing rivals like Facebook and Instagram, said it changed the measure for its user base to reflect "our goal of delivering value to people on Twitter every day and monetizing that usage."

Twitter and other online platforms have been forced to confront issues of misinformation, harassment and abusive conduct which have turned people away from some social media.

A tweet by the company said the focus on health and safety remains a priority.

"We will cont. our efforts to remove spammy + suspicious accts. from our service + to prevent their creation in service of a healthier public conversation," it said.

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Twitter's quarterly update shows a consistent profit trend but a failure to grow its user base beyond its traditional

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