

Twitter files US\$1bn IPO despite losses

WASHINGTON, USA: Twitter revealed its highly anticipated stock offering with the hugely popular messaging platform seeking to raise up to US\$1bn on Wall Street.



The IPO is expected to be the most sought-after since Facebook in May last year - a listing that faced numerous glitches on the Nasdaq and which saw the company's share price quickly slump before recovering this year.

Twitter will be keen to avoid such a calamitous debut and in announcing its plans, published the first financial data about the platform, which is used by celebrities, journalists, politicians and millions of people around the world.

The California company said it had 218m active users in June this year but had lost almost US\$80m on turnover of US\$317m in 2012.

The public version of the IPO filing came three weeks after Twitter indicated it had filed a confidential document, taking advantage of a recent law designed to help emerging companies.

Private share transactions have valued the company at around US\$10bn. Twitter, which allows users to share messages of up to 140 characters, did not give a date for the IPO but said it would be as "soon as practicable."

"The mission we serve as Twitter, Inc. is to give everyone the power to create and share ideas and information instantly without barriers," the IPO document said.

"Our business and revenue will always follow that mission in ways that improve - and do not detract from - a free and global conversation," it said.

Rapid growth

Twitter said it has been growing rapidly, but the number of active users was not as high as some private estimates had expected. A chart in the IPO document showed Twitter had 218m active users, up from 151m a year earlier.

"We have already achieved significant global scale and we continue to grow," Twitter said. "Our users create about 500m Tweets a day," it claimed.

Around 49m of the current users are in the United States. While usage has grown, Twitter has been losing money since 2010, which is as far back as the financial statements go.

In 2010 it reported a loss of US\$67m on US\$28m in revenue; in 2011, the loss was US\$164m on revenue of us\$106m and in 2012 loss was US\$79.4m on revenue of US\$317m.

Twitter said the loss for the first six months of this year was US\$69.2m even though revenue had growth to US\$253.6m. Between 85% and 87% of its revenues came from advertising, mainly in the form of "promoted" or sponsored tweets.

Analyst Zachary Reiss-Davis, of Forrester Research, said Twitter's IPO indicated the firm would focus its entire business on building rich and engaging content and experiences that connect users and marketers.

Investors warned to be cautious

Twitter offered the customary cautionary notice to investors, saying they face risks if conditions change. "We may face challenges in increasing the size of our user base, including, among others, competition from alternative products and services, a decline in the number of influential users on Twitter or a perceived decline in the quality of content available," it said.

The research firm eMarketer has estimated that Twitter would bring in US\$582.8m in global ad revenue this year, and nearly US\$1bn next year.

Twitter, which launched in 2006, opened the door to advertisers in 2010 by allowing marketers to insert paid "promoted tweets" into user feeds.

It began mobile ads in 2012 and allowed advertisers to target users based on their geographic location or whether they access the service using mobile devices or personal computers.

Twitter said some 75% of its users access the the service from a mobile device. It also estimates that fewer than five percent of its accounts are fake or "spam" services.

The IPO will be underwritten by a consortium of investment banks including Goldman Sachs, Morgan Stanley, J.P. Morgan Securities, Merrill Lynch, Deutsche Bank, Allen & Company and Code Advisors LLC.

Source: AFP via I-Net Bridge

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