Twitter Titillates Users, Investors with IPO Tweet

BARBARA ORTUTAY, AP Technology Writers MICHAEL LIEDTKE, AP Technology Writers

San Francisco (AP) — Twitter, the short messaging service named after chirping birds, is finally ready to migrate to Wall Street.

Fittingly enough, the company resorted to a tweet to titillate its more than 200 million users and a flock of potential investors with its long-awaited plans to pursue an initial public offering of stock.

Twitter isn't baring everything about its business just yet because it's taking advantage of federal legislation passed last year that allows companies with less than $1 billion in revenue in its last fiscal year to keep its IPO documents under seal the final few weeks before a price is set on the stock offering.

The tactic means this year's autumn winds will also be accompanied by breathless anticipation as market analysts, reporters and Twitter rivals await the day when the company will be required to lift its financial veil so it can complete the IPO. That moment of reckoning will likely come next month or in November, though no one knows for certain because the timing also will hinge on the vetting of securities regulators.

Filing the IPO papers, though, marked a key rite of passage for a San Francisco company that began seven years ago as an experiment within another startup and grew into a cultural touchstone.

Twitter's influence and familiarity mean its IPO is likely to generate the biggest buzz in the stock market since the May 2012 debut of Facebook, the world's largest social network.

By keeping some details about its business private for a while longer, Twitter hopes to minimize the public hoopla and intense scrutiny that surrounded the recent IPOs of Facebook and other high-profile Internet companies such as online coupon

service Groupon Inc. and Web game maker Zynga Inc.

Under the law, Twitter's financial statements and other sensitive information contained in the IPO filing must become publicly available at least 21 days before company's executives begin traveling around the country to meet with potential investors — a process known as a "road show."

Those presentations will be orchestrated by Twitter CEO Dick Costolo, a former stand-up comedian who will now get an opportunity to take his act to Wall Street.

Twitter's IPO has been long expected. The company has been ramping up its advertising products and working to boost ad revenue in preparation. But it is still tiny compared with Facebook, which saw its hotly anticipated IPO implode last year amid worries about its ability to grow mobile ad revenue.

Since its March 2006 inception, Twitter has grown from a few thousand geeky users to mainstream service that includes heads of state, celebrities, revolutionaries and journalists. Unlike Facebook, which insists that its users go by their real names,

Twitter leaves room for parody and anonymity. As such, there are accounts for Jesus Christ and Lord Voldemort, Harry Potter's mortal enemy.

Twitter's main appeal is in its simplicity and its ability to distribute information quickly. Users can send short messages — either public or private — that consist of up to 140 characters. Anyone can "follow" anyone else, but the relationship doesn't have to be reciprocal. This has made the service especially appealing for celebrities and companies that use it to communicate directly with customers.

Most of Twitter's revenue comes from advertising. Research firm eMarketer estimates that Twitter will generate $582.8 million in worldwide ad revenue this year, up from $288.3 million in 2012. By comparison, Facebook had ad revenue of $1.6 billion this year's April-June quarter alone. By 2015, Twitter's annual ad revenue is expected to hit $1.33 billion.

Twitter's moneymaking potential has minted the company with an estimated market value of $10 billion, based on the appraisals of venture capitalists and other early investors who have been helping to fund the business so far. PrivCo analyst Sam Hamadeh expects Twitter to aim for a market value of about $15 billion when it prices its IPO.

The public offering comes at a time of heightened investor interest in the IPO market. There have been 131 IPOs that have priced so far this year, according to IPO tracking firm Renaissance Capital. That's a 44 percent increase from the same period the year before. If the momentum continues, 2013 will have the most IPO pricings since 2007 —a year before the financial crisis.

The law that allowed Twitter to file its initial IPO documents confidentially is called the Jumpstart Our Business Startups, or JOBS, Act. President Barack Obama signed the law in 2012. It is designed to make it easier for small businesses and startups to

grow and create jobs.

Wedbush Securities analyst Michael Pachter believes Twitter's decision to tweet about the confidential filing signals the company's intention to complete the IPO fairly quickly. "The market is hot and the end of the year is usually is a good time to go public," Pachter said. "I think we will get to see the documents by Halloween and the IPO will be done by Thanksgiving."

Regulators at the Securities and Exchange Commission ultimately dictate the timing of IPOs because they must sign off on all the documents before the stock can be sold.

Twitter was founded by Jack Dorsey, Biz Stone and Evan Williams while they were working at a podcasting service called Odeo that never gained traction.

Dorsey went on to found Square, a mobile payments company, and serves as Twitter's chairman. Williams, who previously sold a blogging service to Google, stepped down as Twitter's CEO in 2010 and is now working on a publishing platform called Medium. Stone left Twitter in 2011. His latest startup, announced in May, is called Jelly Industries.

___

Associated Press Writer Ken Sweet contributed to this story. Ortutay reported from New York.

Source URL (retrieved on *12/11/2013 - 3:29am*):
http://www.wirelessdesignmag.com/news/2013/09/twitter-titillates-users-investors-ipo-tweet?qt-most_popular=0