

Twitter Dishes Tantalizing Tidbits in IPO Treatise

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SAN FRANCISCO (AP) — Twitter, a privately held company built on blurbs, has finally laid itself bare in documents that read more like a treatise than a tweet.

The roughly 800-page filing Twitter Inc. released late Thursday on its way to an eagerly anticipated IPO contains tantalizing tidbits about its growth and its attempts to make money from its influential short messaging service.

Prospective investors and rivals alike will dissect and digest those morsels during the next few weeks leading up to the San Francisco company's Wall Street debut.

The suspense surrounding Twitter's IPO was heightened by the company's decision to take advantage of a law passed last year that allows companies with less than \$1 billion in annual revenue to keep their IPO documents under seal until management is ready to make formal presentations to investors.

Thursday's lifting of the veil means Twitter can start pitching investors during a so-called "road show" as early as Oct. 24. The company's stock should begin trading under the ticker symbol "TWTR" before Thanksgiving, barring a market meltdown or regulatory hurdles.

Here are five key details revealed in Twitter's tome:

—TWITTER'S GOT GROWTH TO GET EXCITED ABOUT

After Twitter co-founder Jack Dorsey sent out the first tweet in March 2006, the company didn't even try to make money for its few years. Instead, management focused on attracting more users and making the service more reliable.

It looks like Twitter's patient approach is paying off. Since former Google executive Dick Costolo became Twitter's CEO in 2010, the company's annual revenue has soared from \$28 million to \$317 million last year. Through the first half of this year, Twitter's revenue totaled \$254 million, more than doubling from last year. If Twitter maintains that growth pace through the second half, the company's revenue will surpass \$656 million this year.

Twitter gets 87 percent of its revenue from advertising. The rest comes from licensing agreements that give other companies better access to the flow of tweeting activity on its service.

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Meanwhile, Twitter ended June with 218 million users, up from 30 million in early 2010. More than three-quarters of those users, or 169 million people, are located outside the U.S. Twitter's fastest growing markets are in Argentina, France, Japan, Russia, Saudi Arabia and South Africa.

—BUT THE COMPANY ISN'T PROFITABLE

It takes more than cultural heft to build a business of substance, as Twitter is learning. The company has suffered uninterrupted losses of \$419 million since its inception. That's something Twitter has been able to afford because it has raised \$759 million from investors. The company still had \$375 million in the bank at the end of June and hopes to raise at least \$1 billion more in its IPO.

But shareholders of publicly held companies don't tolerate losses for very long, and it could still be a while before Twitter turns a profit.

Twitter's losses widened during the first half of this year to \$69 million, up from \$49 million in the same period last year. In contrast, both social networking leader Facebook Inc. and professional networking leader LinkedIn Corp. were profitable when they went public.

To make money, Twitter will likely get more aggressive about showing ads.

In the three months ending in June, Twitter generated revenue of \$139 million, or an average of just 64 cents per user. In contrast, Facebook generated second-quarter revenue of nearly \$1.2 billion, or an average of \$1.58 per user, while LinkedIn posted revenue of \$364 million, or an average of \$1.53 per user.

As Twitter cranks up its marketing machine, it runs the risk of alienating an audience accustomed to seeing relatively few ads in their news feeds. Beyond the U.S., Twitter is gearing to expand its advertising efforts in Australia, Brazil, Canada, Japan and the United Kingdom.

—TWITTER IS MORE "MOBILE" THAN FACEBOOK

Twitter appears tailor made for an age of increasing reliance on smartphones and tablet computers. Three-fourths of Twitter's users already use the service on mobile devices. Perhaps more important to investors, the company sells 65 percent of its ads on smartphones and tablets. Facebook gets 41 percent of its ad revenue from mobile devices.

—ITS MARKET VALUE COULD BE AS HIGH AS \$20 BILLION

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Twitter hasn't set a price target for its IPO yet, but its documents contain some clues about its recent market value. The company's stock last sold in a privately arranged swap nine months ago at \$17 per share. That deal implied Twitter had a market value of \$10 billion to \$11 billion at the time. Last month, Twitter priced some of its employee stock options at \$20.62, based on a third-party appraisal of the company's value.

Some analysts predict Twitter will seek \$28 to \$30 per share in its IPO. If those projections pan out, Twitter will have a market value of \$17 billion to \$20 billion, including stock options and restricted stock likely to be converted into common shares after the IPO. Facebook made its stock market debut with a market value of more than \$100 billion, but its stock plummeted before making resounding comeback this year.

—CO-FOUNDER EVAN WILLIAMS IS IN LINE FOR THE BIGGEST JACKPOT

Williams, a Twitter co-founder who was CEO for two years until Costolo took over in 2010, owns a 12 percent stake in the company.

If Twitter turns out to be worth at least \$17.60 per share in the IPO, Williams will be a billionaire at 41 years old. He remains on Twitter's board of directors.

Another board member, Peter Fenton, and his venture capital firm, Benchmark Capital, own a 6.7 percent stake.

Next in line with a 4.9 percent stake is Jack Dorsey, who came up for the idea for Twitter with Noah Glass and Biz Stone. The stakes of Glass and Stone aren't listed in the IPO documents, meaning they don't own enough stock to trigger legal disclosures.

Many of Twitter's 2,000 employees could become rich, too, if the company's stock fares well. They won't be allowed to sell their stock until Feb. 15, at the earliest.

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