

Investments Push Twitter Value to \$1 Billion

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Editor's Note: Dot-Com-Bomb Version 2.0, or a real value proposition? Is every Twitter user worth \$25 bucks as a sales lead? How will they realize that money? What will they do to Twitter users to get it?

(newsfactor.com [1]) - There's a lot of tweeting about the micro-blogging company behind the tweets. Twitter closed an estimated \$100 million round of funding Friday and its valuation soared to \$1 billion.

With 40 million users and still growing, Twitter has not only grabbed the attention of technology giants, including Facebook, Google and Microsoft, which have reportedly offered to acquire the company, but attention from investors. Insight Venture Partners, T. Rowe Price, Institutional Venture Partners, Spark Capital, and Benchmark Capital have acquired a piece of the Twitter pie coveted by the tech giants.

Twitter cofounder Evan Williams wasted no time blogging about the investment. "It was important to us that we find investment partners who share our vision for building a company of enduring value," Williams wrote. "Twitter's journey has just begun and we are committed to building the best product, technology and company possible."

Risky Business

What Twitter plans to do with the \$100 million is not clear, since the company previously reported \$55 million in funding, with half of it in the bank. Some observers have speculated the funds will be used to acquire companies providing some of the background technology for Twitter, or to add more technology.

Analysts say the risk to investors from a company with no revenue model isn't high because Twitter still has potential for robust growth, has an experienced management team, and has a large number of users. Oh, and don't forget the stars on the Twitter wagon, including Ashton Kutcher, Kanye West, Oprah Winfrey, and President Barack Obama.

But the question that some analysts are asking is if the price is right.

"The high-water mark for social-network valuation was Microsoft's investment in Facebook in October 2007, which valued that company at \$15 billion, or about \$250 per user," said Rick Valdes, a Gartner analyst. "Five months later, AOL acquired second-tier site Bebo for the much lower figure of \$21.50 per user. The latter figure is more in line with Twitter's reported valuation at \$25 per user."

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Fad To Force

"Twitter has gone from digerati fad to an industry force," said Interpret analyst Michael Gartenberg. "We've recently done research at Interpret that shows Twitter users are twice as likely to review or rate products online -- 24 percent versus 12 percent; visit company profiles -- 20 percent versus 11 percent; and click on advertisements or sponsors -- 20 percent versus nine percent -- as those who only belong to traditional social-networking Web sites like Facebook and MySpace."

"The question isn't whether Twitter is worth a billion dollars, but rather who could see that type of value," he added.

One thing that is clear is that it will take more than \$1 billion to get Twitter to agree to an acquisition.

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