

Forecast: Twitter's ad revenue to double this year

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Twitter's ad revenue is believed to be on pace to double this year as the online messaging service delivers more marketing pitches to mobile devices in preparation for a highly anticipated initial public offering of stock.

For now, Twitter remains a privately held company that staunchly refuses to disclose its financial results. That leaves it to research firms tracking Twitter to try to divine how well the 7-year-old company is doing. The estimates are based on a variety of sources, including market trends, ad agencies and other industry data.

Emarketer made its latest educated guess in a Wednesday report that predicted Twitter's worldwide ad revenue will total \$583 million this year, up from an estimated \$288 million last year. By next year, Twitter will be reeling in nearly \$1 billion from ad sales, according to the forecast. The figures don't include the revenue that Twitter gets from licensing agreements that give other companies better access to its database of messages, or tweets.

Twitter, which is based in San Francisco, declined to comment Wednesday.

Although not everyone agrees with eMarketer's calculations, analysts generally concur with the thesis that Twitter's revenue is accelerating at an impressive pace.

"Twitter is becoming a cash machine," said Sam Hamadeh, CEO of PrivCo, a firm that follows privately held companies. "Their growth trajectory is tremendous."

PrivCo predicts Twitter's revenue will total about \$520 million this year, up from \$245 million last year. Hamadeh said the 2012 figure has been confirmed by reliable sources that he wouldn't name.

The timing of Twitter's IPO is probably of even greater intrigue than the company's financial performance.

Twitter CEO Dick Costolo has repeatedly said that the company isn't under any pressure to go public because it has raised ample financing from investors, including a \$400 million injection from venture capitalists in July 2011.

Nevertheless, an IPO is looking more likely during the next year, based on the company's recent efforts to show more advertising into the flow of messages, or tweets, appearing in its users' feeds. Most of the ads are limited to 140-characters, just like non-commercial messages, and are denoted with a "promoted tweet" disclosure.

Twitter's more aggressive pursuit of revenue could be a sign that management is trying to produce financial results more likely to excite prospective investors and

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drive up the IPO price of its stock. Hamadeh expects Twitter to file its IPO papers late this year, setting up the company to make its stock market debut early next year.

It would probably be the most scrutinized IPO since Facebook went public last May. Facebook hasn't lived up to the hype leading up to its IPO largely because its growth has decelerated since it filed plans to go public. In its most recent quarter, Facebook's revenue rose by 40 percent from the previous year. In the final quarter before its IPO filing, Facebook's revenue rose 55 percent.

If Twitter wants to avoid the same mistake that Facebook made, it will go public while its revenue growth is still widening, Hamadeh said. Some investors also decided to spurn Facebook until it proved its social network will be able to sell more advertising on smartphones and mobile devices without alienating an audience more interested in fraternizing than shopping.

So far, Twitter seems to be prospering from the increasing popularity of mobile devices.

Smartphones and tablets will account for more than half, or \$309 million, of Twitter's ad revenue this year, according to eMarketer. By 2015, the research firm expects 60 percent of Twitter's ad revenue to be coming from mobile devices.

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