



Twitter Putting Users in Time-Out

What it might mean for its shareholders – groceries or perfume?

Earlier this year, Twitter started putting some of its users in “time-out” as one of the company’s new measures designed to curb abusive behavior. As spelled out in an email sent to those placed in time-out, Twitter said that “creating a safer environment for people to freely express themselves is critical to the Twitter community.” The email then went on to explain the infraction and the duration of the time-out.

Recently, Twitter gave InforWars’ Alex Jones a weeklong time-out and suggested that additional restrictions to combat the “spread of fake news, misinformation and hate speech” might be on the way. As a publicly traded company, a good question is “what might this mean for Twitter shareholders?”

History of Twitter

Twitter was created in March of 2006 and launched in July of that year. Current CEO Jack Dorsey published the first Twitter message at 9:50 p.m. Pacific Time that read: “just setting up my twttr.”

Dorsey has explained the origin of the “Twitter” title: as follows:

“we came across the word ‘twitter’, and it was just perfect. The definition was ‘a short burst of inconsequential information,’ and ‘chirps from birds’. And that’s exactly what the product was.”

In September of 2013, Twitter announced that it had filed papers in advance of an Initial Public Offering and less than two months later, Twitter shares opened at \$26.00/share and closed at \$44.90, giving Twitter a valuation of approximately \$31 billion.

Fast forward to the summer of 2018, Twitter is trading in the \$32 range with a valuation of approximately \$24 billion.

10 Years to Profitability?

It took more than a full decade, but Twitter did achieve what some considered stable profitability back in April of 2018. On April 25, 2018, Twitter announced its first-quarter earnings and for the second quarter in a row (and only the second time ever for Twitter), it posted a profit.

But then just 3 short months later in July 2018, Twitter experienced the worst single day percentage drop since 2014 after it reported declining monthly users. On Friday, July 29, 2018, Twitter shares fell more than 20% and it was made worse by Twitter’s weak guidance for the next quarter as well.

Has Twitter Peaked?

In the last reported quarter, the number of monthly active U.S. Twitter users amounted to 68 million, a slight decrease from 69 million in the previous period.

Some are attributing the decline to Twitter's new "censorship" rules that might be considered arbitrary at best and politically driven at worst. But the reality is that there are some users – often the censored ones – that are saying that it's time to leave Twitter for good and go somewhere else – like Gab for example.

What Does This All Mean for Shareholders?

The short – and very accurate – answer is that no one knows. At all.

But the recent trend is one that Twitter investors should pay attention to. The challenging part of course is that no one knows if this is a short-term blip or a real long-term trend.

Benjamin Graham, the "father of value investing" once said:

"If you are shopping for common stocks, choose them the way you would buy groceries, not the way you would buy perfume."

Which one is Twitter to you?

