

Twitter Says IPO May Value It at \$11.1 Billion

Deal Could Price in First Week of November After an Investor Roadshow

By

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A user checks a Twitter feed on a smartphone at an office in London. *Bloomberg News*

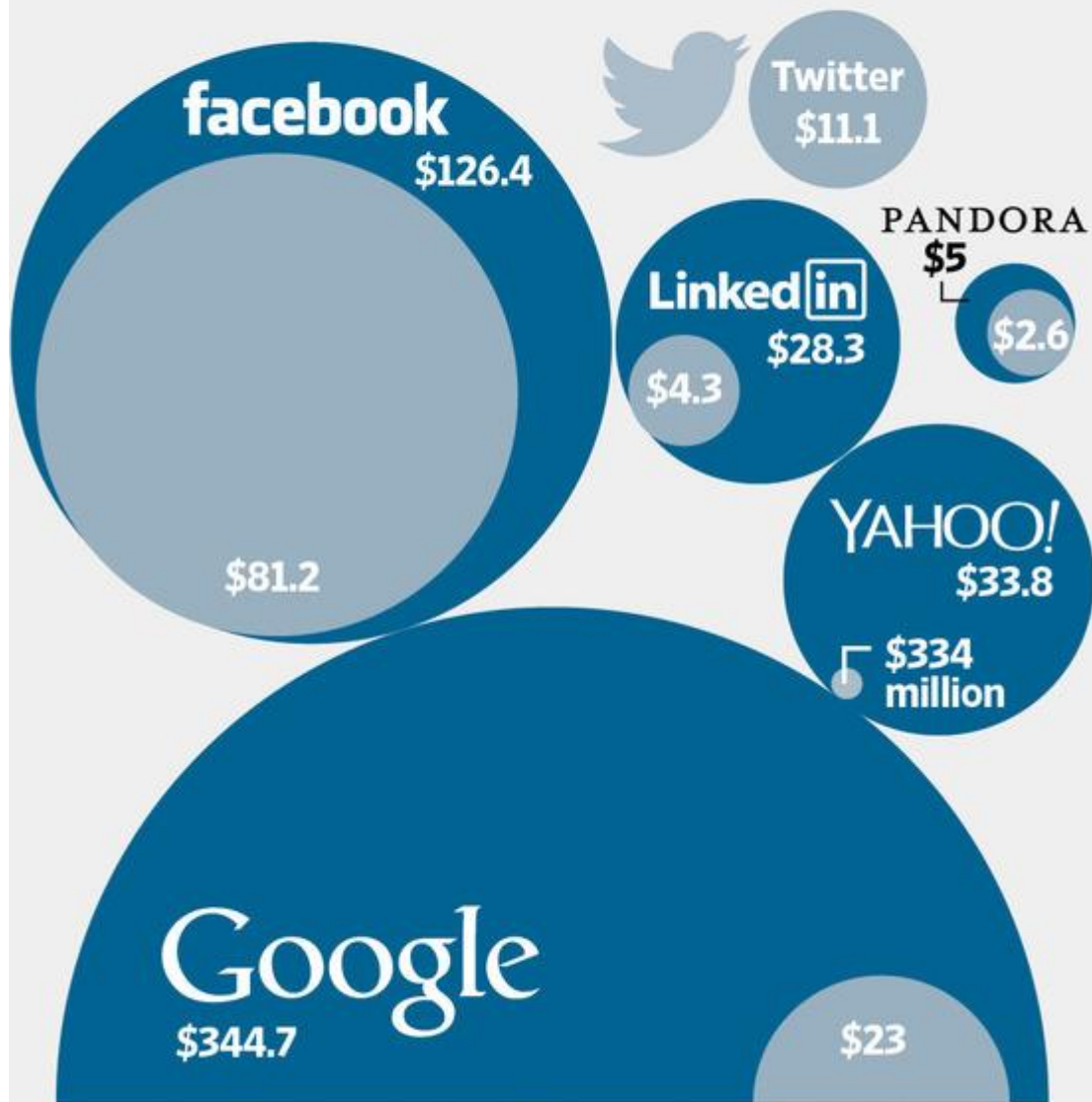
[Twitter](#) Inc. on Thursday said it would price its shares at \$17 to \$20 in an initial public offering, valuing the messaging service at up to \$11.1 billion, a number seen as conservative even for a company facing widening losses.

The proposed market value would make [Twitter](#) worth nearly twice as much as [Groupon](#) Inc., [GRPN](#) [-1.09%](#) the daily deals company, but less than one-tenth of social-networking rival [Facebook](#) Inc. [FB](#) [+4.90%](#)

Twitterverse

Twitter set an IPO price range that values the company as high as \$11.1 billion. Here's how it compares with other Internet companies now and at the time of their IPOs.

- Current market cap
 - Valuation at IPO
- IN BILLIONS**



Sources: Dealogic (IPO valuation); Capital IQ (market cap)

The Wall Street Journal

As proposed, Twitter's IPO could raise as much as \$1.6 billion for the company, whose service has grown to more than 230 million monthly active users since the first "tweet" was sent in 2006.

Analysts said the company might yet raise the target price. If the offering is well received, it could signal that investors are willing to wager on a big future for social-media companies even in the absence of profits, which Twitter doesn't have. The deal comes amid the best year for U.S.-listed IPOs since 2007 based on number of deals.



Twitter set its price range for its initial public offering at \$17 to \$20 a share, in a deal that values the company at up to \$11.1 billion. WSJ's IPO reporter Telis Demos reports. Photo: Getty Images.

<http://live.wsj.com/video/twitter-ipo-111-billion-valuation/0483F1DB-597B-4443-B232-958DB023E07D.html#!0483F1DB-597B-4443-B232-958DB023E07D>

With a price range established, Twitter can now begin to pitch investors who would have access to the starting IPO price. The company is expected to settle on a final price on Nov. 6, according to a marketing document reviewed by The Wall Street Journal. Twitter shares would then begin trading the next day on the [New York Stock Exchange](#) [NYSE](#) [+1.08%](#) under the symbol TWTR.

Over the course of a week-and-a-half "roadshow," investors such as mutual funds and hedge funds are expected to hear from company executives and can put in orders for how much stock they want to buy, and at what price.

Investor meetings, typically held in hotel ballrooms, are to begin next week, including in New York on Tuesday and Wednesday, in Boston on Thursday and in Chicago on Friday, according to a marketing document. The following week the company will hit San Francisco, Los Angeles and Denver.

While the San Francisco-based company has become a cultural phenomenon, it could face tough questions from big investment firms about how fast it is growing its user base, and how effectively it is able to make money serving those users by selling advertising.

Twitter's user growth has slowed in recent quarters, suggesting it continues to struggle to break into the mainstream. The company's user base—just one-fifth the size of Facebook's 1.2 billion monthly users—is linked to its ability to lure big-brand advertisers that value scale.

The company's revenue for the nine months ended in September more than doubled to \$422.2 million from a year ago, but its loss ballooned to \$133.9 million from \$70.7 million.

Furthermore, Twitter has a long way to go to prove it can make money from its large pool of overseas users—accounting for 75% of its overall membership but only a quarter of its total revenue.

Twitter is going out with a conservative price range, analysts and investors said. The top of the proposed range, at \$20, is below where Twitter valued itself as of early September, at \$20.62 a share, based on an estimate taking into account transactions in the private share market, according to the company's IPO filings.

By starting out below that number, the company has left room to boost the range once executives hit the road and can gauge investor sentiment, said Rett Wallace, chief executive of Triton Research LLC, a private-company research firm in New York. "It gives them room to move up the price without offending investors' sense of value," he said.

At the same time, Twitter's executives have been wary of pricing the IPO at a level that could set it up for a swift decline once it begins trading, people familiar with the company's thinking have said. They have cited Facebook's experience with its IPO last year. The social network raised the price and expanded the size of its deal, only to see shares fall as much as 50% from its initial \$38 share price in the first three months after it began trading. Since then shares have recovered and on Thursday closed at \$52.44.

A \$20 price for Twitter "doesn't seem stretched at all, especially relative to when you think about what Facebook went public at, or even where it's trading today," said Michael Scanlon, who helps oversee the \$1.4 billion John Hancock Balanced Fund. "I don't think it's going to cause anybody to buckle at the knees or anything like that."



Twitter plans to set IPO price range in the next day or two. Pinterest's latest valuation is now \$3.8 billion. Brace for holiday airfare turbulence. Joanne Po reports. Photo: Getty Images

<http://live.wsj.com/video/twitter-to-set-ipo-range-this-week-and-more/4518394E-6F9E-4348-8C9C-6A0B7B7BB9DD.html>

At the Twitter roadshow in Boston, Mr. Scanlon plans to ask executives about the size of the market for the type of online advertising Twitter is tapping. He said he is also looking for guidance on what will happen to the company's margins as it works to increase revenue, and how much it needs to spend on infrastructure.

He declined to comment on whether he is leaning toward buying shares in the IPO.

Chris Carter, a Kansas City-based portfolio manager who helps oversee the \$550 million Buffalo Growth Fund, said the valuation "seems pretty reasonable" and he is "biased positively" toward participating in the deal.

That said, a recent climb in the valuations of Internet stocks concerns him. "We've had conversations around" potentially trimming holdings such as Facebook, Mr. Carter said.

The maximum \$11.1 billion market capitalization, which presumes Twitter's underwriting banks would exercise their right to sell the maximum shares possible thanks to high demand, would be far lower than Facebook's \$81.2 billion valuation at its IPO last year and lower than Groupon's \$12.9 billion valuation in its 2011 IPO.

The \$11.1 billion market value is based on Twitter's basic share count. Many investors calculate a company's size using a count of diluted shares, which accounts for the potential impact of equity awards such as stock options. Using that approach, the potential market capitalization would be \$14 billion.

At \$20 a share, some of Twitter's early investors will become billionaires. [Evan Williams](#), Twitter's former chief executive and current board member, is the largest individual shareholder with 56.9 million shares, a stake worth \$1.1 billion at that price. Private investment firm Rizvi Traverse Management, Twitter's largest shareholder, manages a stake that would be worth \$1.7 billion at the top of the price range. Co-founder Jack Dorsey's stake would be worth up to \$469 million, while Chief Executive Dick Costolo would own as much as \$154 million of shares.

None of Twitter's early investors are selling any shares in the IPO. By contrast, the majority of shares sold in Facebook's offering came from executives and investors.

The timing of Twitter's offering shows how rapidly it has moved since it first confidentially filed plans for its IPO in July. Thursday's filing comes just after the end of the 21-day period that the Jumpstart Our Business Startups Act, or JOBS Act, requires for IPO paperwork to be public before a pricing range.

Twitter made its filing public on Oct. 3. but before that had filed confidentially with the Securities and Exchange Commission, which the JOBS Act allows for certain companies.

As currently envisioned, the roadshow would be a tad shorter than Facebook's, which took two weeks from the release of its price range to the final pricing. In that time Facebook raised its price range and increased the size of the deal.

—Joe Light and Yoree Koh contributed to this article.

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