

# Twitter Seeks \$1.4 Billion in Biggest Web IPO Since Facebook

By Sarah Frier & Lee Spears - Oct 24, 2013 2:19 PM PT



Is Twitter Priced Low to Pop on Opening Day?

[Twitter \(TWTR\)](#) Inc. is seeking as much as \$1.4 billion in the largest Internet initial public offering since [Facebook Inc. \(FB\)](#), betting it can convince investors of its ability to turn 500 million tweets a day into profits.



Twitter, which

draws more than 230 million monthly active users and has transformed the way people communicate, is taking advantage of renewed appetite for social-media stocks to sell a 13 percent stake. Photographer: Chris Ratcliffe/Bloomberg



Oct. 24 (Bloomberg) -- Crawford Del Prete, chief research officer at International Data Corp., talks about the outlook for Twitter Inc.'s initial public offering. He speaks with Emily Chang and Cory Johnson on Bloomberg Television's "Bloomberg West." (Source: Bloomberg)

<http://www.bloomberg.com/video/twitter-ipo-price-may-creep-up-del-prete-says-KYtWzJemSeWCGX5GgGgsmg.html>

Twitter plans to sell 70 million shares at \$17 to \$20 each in the offering, according to a regulatory filing today. That would value the company at \$10.9 billion at the top end of the range, cheaper than Facebook and LinkedIn Corp., based on the 544.7 million common shares outstanding after the IPO. The IPO is set to price Nov. 6, according to data compiled by Bloomberg.

The six-year-old short-messaging site, which draws more than 230 million monthly active users and has transformed the way people communicate, is taking advantage of renewed appetite for social-media stocks to sell a 13 percent stake. While the company has more than doubled [revenue](#) annually, it hasn't yet turned a profit and the pace of user gains is slowing. Still, Chief Executive Officer [Dick Costolo](#) is betting the service's popularity on mobile phones will help lure advertisers.

“They’re picking a slightly lower valuation to ensure that the IPO goes up on the first day of trading,” [Francis Gaskins](#), president of IPODesktop.com, said in an interview. “I would definitely buy them in the offering at this valuation.”

At the top of the range, San Francisco-based Twitter would be valued at 9.5 times estimated sales in 2014 of \$1.15 billion, according to analyst projections compiled by Bloomberg. That multiple is lower than Facebook’s 12.9 times sales and LinkedIn’s 13.4 times sales, the data show.

### **Silicon Valley’s Take**

On a fully diluted basis including restricted stock and options, Twitter will have about 695.2 million shares outstanding. By that measure, at the top end of the range Twitter would be valued at \$13.9 billion.

Twitter is aiming to avoid the fate of Facebook, whose stock fell below its \$38 [debut price](#) after its record \$16 billion Internet IPO in May 2012, before finally rallying to close above that level in August 2013.

For Silicon Valley, a successful Twitter IPO will go a long way toward erasing the aftertaste from Facebook’s IPO, which along with the poor stock market performances of Web companies like [Zynga Inc. \(ZNGA\)](#) and [Groupon Inc. \(GRPN\)](#), shattered some confidence in consumer Internet companies.

Following those offerings, venture capitalists and others shifted investing dollars to technology businesses that sold their products to other businesses, said Nihal Mehta, founder of LocalResponse Inc. and venture capitalist at Eniac Ventures. Now with Twitter’s debut and Facebook trading above its offering price, confidence in consumer technology has revived.

### **More Consumer Deals**

“Twitter will help escalate all the other advertising-based consumer companies, and create potential for more to be born,” Mehta said. “We’re seeing more consumer deals than we ever have before.”

Twitter’s average revenue per user is less than half Facebook’s, regulatory filings show. The service had 231.7 million average monthly active users in the three months through September, up 39 percent from the year-earlier period. That compares with 65 percent growth the prior year.

About three-fourths of Twitter’s most active users accessed the service from mobile devices in the three months through September, compared with 69 percent in the year-earlier period, filings show. More than 70 percent of advertising revenue comes from those devices, a higher proportion than Facebook’s.

### **Williams’s Stake**

Co-founder Evan Williams’s stake will drop to 10.4 percent from 12 percent after the offering, the filing shows. The single biggest individual shareholder, Williams would have a stake valued at as much as \$1.14 billion following the IPO.

Rizvi Traverse, an entity affiliated with early Twitter backer Chris Sacca, will see its stake shrink from 17.9 percent to 15.6 percent after the sale. That holding would be valued at up to \$1.7 billion.

Based on the offering terms, Twitter expects IPO proceeds of about \$1.25 billion after underwriters’ fees, the filing shows. Twitter plans to use those funds for so-called general corporate purposes, including working capital and operating expenses, and may also use them for acquisitions or technology upgrades.

Goldman Sachs Group Inc. is the lead underwriter of the IPO, joined by Morgan Stanley, JPMorgan Chase & Co., Bank of America Corp., Deutsche Bank AG, Allen & Co. and Code Advisors. Twitter has said it will list on the [New York](#) Stock Exchange and trade under the symbol TWTR.

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