

Time spent on Twitter falls prompting share price drop

SAN FRANCISCO, USA: Shares in Twitter sank more than 12% this week as disappointing user numbers overshadowed a doubling of income in its third quarter and sparked several analyst downgrades.



Twitter's Anthony Noto blames the fall in users on content changes but analysts don't seem to agree and have downgraded their share prices views on the company. Image: Twitter

Analysts said that although revenues at the micro-blogging service rise by 114% from a year earlier to \$361m, user data was not as impressive as hoped, and did not support the rich valuation in the share price.

"Their user growth is mildly encouraging, but I want to see better," said Forrester Research Analyst Nate Elliott. "Users is their key metric; they need to get people using the site every day."

"Facebook is constantly giving people new reasons to come back to the site. Twitter needs to do more of that," he added.

The number of monthly users grew 23% from a year earlier to 284m, matching analyst expectations.

But "timeline views", which give an idea of how much time each user spend on Twitter and is exposed to advertising and other income generators were up only 14% year-on-year.

As measured against monthly active users, timeline views were down seven percent on average.

Twitter Chief Financial Officer Anthony Noto said the fall in average usage primarily reflects the changes we Twitter has been making to allow users to more efficiently access content.

At the same time, he told analysts, timeline views per user are likely to remain flat in the current quarter. As a result, a number of broker analysts cut their ratings and price target for the company.

Cannacord Genuity lowered their share target price from \$62 to \$56, while RBC Capital Markets reduced its target from \$65 to \$47 and Merrill Lynch set its target at \$50.

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