

Twitter tumbles as 'bugs' hit revenue growth

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Twitter's quarterly update showed weaker-than-expected revenue growth, sending shares tumbling

Twitter shares plunged Thursday after reporting that "bugs" impacted its ad-targeting ability, pulling down revenue growth in the past quarter.

Profit for the third quarter was \$37 million, a sharp drop from last year when the online messaging platform was helped by a large tax benefit.

Revenue rose nine percent from a year earlier to \$824 million, well below analyst forecasts, impacted by what the company called "revenue product issues."

Shares in Twitter skidded nearly 21 percent on the disappointing results to close at \$30.75.

Twitter said revenue was hit by "bugs" on the platform which made it harder to deliver targeted advertising to mobile users.

"Unfortunately we had some missteps and bugs," chief executive Jack Dorsey told a conference call.

"These are issues we identified quickly and are working quick to fix."

Twitter said this glitch pulled down advertising growth, which makes up the bulk of revenues, by around three percentage points.

"In Q3, we discovered, and took steps to remediate, bugs that primarily affected our legacy Mobile Application Promotion product, impacting our ability to target ads and share data with measurement and ad partners," Twitter's investor relations team tweeted.

Chief financial officer Ned Segal said Twitter is working on a fix but that the glitch is expected to have a negative impact in the fourth quarter.

The bugs mainly affected Twitter operations outside the United States, where ad revenue was up just five percent compared with 11 percent for the US.

Overall, advertising revenue totaled \$702 million, up eight percent from last year.



Twitter CEO and co-founder Jack Dorsey said the latest results were impacted by "bugs" but that the platform has a strong foundation

Challenges ahead

The results highlight challenges for Twitter, which has struggled to keep pace with rival social platforms as it seeks to remove fake accounts, abusive content and manipulation efforts.

Michael Levine of Pivotal Research Group said he remained upbeat on Twitter but for now the stock is "in the penalty box."

Levine said in a research note he is "inclined to think the issues are transitory but think the bias in the short term is to the downside and this very much just became a 'show me' story."

Mark Vickery at Zacks Investment Research said the results could be worrisome for Twitter looking ahead.

"It will be up to investors to gauge whether these issues are a temporary glitch on Twitter's road toward higher levels or whether they will provide a longer term albatross around the company's neck," Vickery said in a research note.

Goldman Sachs analysts meanwhile downgraded Twitter, citing "uncertainty around Twitter's ability to drive broader advertiser demand," among other factors.

Twitter boosted the number of "monetizable" daily active users, the new standard used by the platform, by six million from the past quarter to 145 million.

Twitter has stopped reporting "monthly active users," which was 330 million earlier this year, in favor of the new measure of daily users on the mobile app or website who see ads in their feeds.

While Twitter has a strong following among journalists, politicians and celebrities, it has struggled to build a broader user base in the manner of rival social platforms such as Facebook.

Dorsey said the growth in users represents a "steady refinement of Twitter" as it works to improve the platform and weed out inappropriate

content.

"This is an incredibly strong foundation to build upon," he said.

Dorsey said Twitter has improved its automated systems to remove unwanted content, and now takes down more than 50 percent "proactively" and "without a bystander or first person report."

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