

Twitter says Musk 'uncertainty' hurting revenue

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Twitter cites Musk deal uncertainty in earnings miss.

Twitter blamed disappointing results Friday on "headwinds," including the uncertainty imposed on the company by Elon Musk's chaotic buyout bid.

The firm is locked in a legal battle with the mercurial Tesla boss over his effort to walk away from a \$44 billion deal to purchase the platform, leaving the company in limbo.

Twitter missed expectations with revenue of \$1.18 billion, due to "advertising industry headwinds... as well as uncertainty related to the pending acquisition of Twitter by an affiliate of Elon Musk," the company reported.

Also, in the current context of tightening credit conditions and economic turbulence, many companies like Twitter that rely heavily on ads are suffering from a decrease in advertisers' budgets.

"Twitter is on a rowboat in the middle of a storm," said analyst Jasmine Enberg. "The Musk saga rocked the boat even harder."

"Twitter is now in the unenviable position of convincing advertisers that its ad business is solid," she added.

Twitter also reported that the number of "monetizable" daily active users—those who can be shown advertising—increased by 8.8 million, less than expected by analysts, to 237.8 million.

"Overall we would characterize the daily active user metrics as better than feared and holding up relatively firm in this environment," said analyst Dan Ives.

Despite the less than stellar results, Twitter's stock closed up nearly one percent at \$39.84, as investors seemed relieved the news wasn't worse.

By comparison, Snap's stock finished down 39 percent a day after the parent company of messaging app Snapchat reported disappointing earnings.

Twitter's results cover the period ending in June so don't include Musk's move in July to try to "terminate" the deal on the argument that the platform was not forthcoming about its tally of fake accounts.

The social media network, which is a key exchange of ideas, news and entertainment, has countered by saying the Tesla chief already agreed to the deal and can't back out now.

"Twitter believes that Mr. Musk's purported termination is invalid and wrongful, and the merger agreement remains in effect," it said in the earnings report.

Twitter left in limbo

Twitter notched a victory earlier this week in its fight with Musk, when a judge agreed to a fast-track trial on whether to force the billionaire to complete the buyout.

Musk's lawyers had pushed for a February 2023 date, but the court in the eastern US state of Delaware hewed closely to the uncertainty-wracked platform's desire for speed and set an October start.

Billions of dollars are at stake, but so is the future of Twitter, which Musk has said should allow any legal speech—an absolutist position that has sparked fears the network could be used to incite violence.

While the deal remains in limbo, Twitter is left with anxious employees, wary advertisers and hamstrung management.

In early May, at an annual marketing event where companies negotiate large advertising deals, Twitter was "not able to give advertisers any clarity or confidence" that it would continue to be safe showcase for them, Angelo Carusone, president of watchdog group Media Matters,

told AFP previously.

"They didn't go anywhere close to what they normally sell at that event. And it's obviously been sluggish since then," he said.

The San Francisco-based social network cannot afford to lose customers.

Unlike big fish such as Google and Facebook parent Meta, which dominate online advertising and make billions in profits, Twitter lost hundreds of millions of dollars in 2020 and 2021.

The group will capture less than one percent of global ad revenue in 2022, according to eMarketer, compared to 12.5 percent for Facebook, nine percent for Instagram and nearly two percent for booming upstart TikTok.

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