

Twitter to pay \$809 mn to settle suit claiming investors were misled

20 September 2021



Twitter is poised to pay over \$800 million to settle a lawsuit alleging it misled investors.

Twitter announced Monday it will pay \$809 million to settle a 2016 lawsuit alleging members of the social network's leadership, including founder Jack Dorsey, provided misleading information to investors about slowing user growth.

The suit filed by shareholders claimed the defendants, such as former CEO Dick Costolo, did not disclose the full picture of the company's state while they sold their personal stock in Twitter.

"The proposed settlement resolves all claims asserted against Twitter and the other named defendants without any admission, concession or finding of any fault, liability or wrongdoing," the company said in a statement.

Twitter said the final settlement agreement will be subject to court approval, and the company intends to pay in cash later this year.

The shareholders claimed [board members](#) sold stock at an "artificially inflated" price in their [federal lawsuit](#) filed in 2016, the year after Twitter's shares

tumbled in value as the [company](#) revealed lethargic growth.

In total, according to the subpoena filed in November 2016, the executives sold \$281 million worth of shares before Twitter updated its business outlook.

While Dorsey sold \$3.6 million worth of shares, co-founder Evan Williams sold \$274 million worth.

In April and July 2015, the group revised its forecasts downwards and reported a less strong than expected increase in the number of its active users, which led to the fall in the [share price](#).

Between the April release and the day after the July release, the [share](#) price lost a third of its value as a result.

However the companies fortunes have changed since, and in July Twitter posted better-than-expected results with gains in revenue, profit and its user base, sparking a rally in shares for the messaging platform.

Net profit was \$66 million on revenue that surged to \$1.19 billion, beating Wall Street expectations

© 2021 AFP

APA citation: Twitter to pay \$809 mn to settle suit claiming investors were misled (2021, September 20) retrieved 17 January 2022 from <https://techxplore.com/news/2021-09-twitter-mn-investors-misled.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.