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## Report values Twitter at \$441M to \$589M

By Patrick Hoge

Twitter has a value of \$441 million to \$589 million, according to a new report by an independent research firm co-founded by financial world celebrity Michael Moe.

The analysis by NeXt Up Research, which has been posted on the investment site Sharespost.com, pegs the value of the San Francisco micro-blogging service using recent mergers and acquisition transaction data. It estimates Twitter shares would sell for between \$19 and \$26.

NeXt Up Research was co-founded by Moe, co-founder and former chairman and CEO at [CompanyWatch allows you to receive email alerts with stories related to your companies of interest. <p>You can watch up to ten companies at a time.</p>] ThinkEquity Partners LLC and former director of global growth research at [CompanyWatch allows you to receive email alerts with stories related to your companies of interest. <p>You can watch up to ten companies at a time.</p>] Merrill Lynch. SharesPost is an online bulletin board where accredited buyers can find shares in private companies.

Twitter was launched in 2006 and has been growing by leaps and bounds. The company has more than 50 million users and just under 65 employees, offering big scale with low capital investment, NeXt Up estimates.

The company, which the report says has raised close to \$59 million, has not publicly announced a business model yet, but NeXt Up considered various scenarios, including charging businesses to use Twitter as a marketing tool, charging third party application developers, charging for premium services and selling advertising.

Investors in Twitter include Marc Andreessen, Ron Conway and Kevin Rose, founder of Digg, [CompanyWatch allows you to receive email alerts with stories related to your companies of interest. <p>You can watch up to ten companies at a time.</p>] Benchmark Capital, [CompanyWatch allows you to receive email alerts with stories related to your companies of interest. <p>You can watch up to ten companies at a time.</p>] Institutional Venture Partners, Union Square Ventures, Digital Garage, Spark Capital, Charles River Ventures and Bezos Expeditions.

In 2013, Twitter should generate between \$114 million and \$134 million in revenue with normalized net margins of 25 percent, according to the NeXt Up report.

Twitter has generated an extraordinary amount of buzz in the technology world and beyond. It has spawned dozens of third-party applications, and last October, reportedly turned down a \$500 million purchase offer from Facebook, the Palo Alto social networking giant.

The report's authors believe Twitter rejected the offer because Facebook wanted its stock valued at \$15 billion, although the report says that using the price that Facebook has sold shares to a Russian investor recently, the offer would have valued Twitter at \$260 million.

Twitter offers direct marketers a cost effective way to reach consumers when compared to telemarketing and direct mail, the NeXt Up report states. It cites Dell's recent announcement that it had generated \$3 million in revenue through Twitter promotions.

"We believe there are hundreds of businesses which have the potential to generate over \$1 million in revenues, allowing Twitter to claim a share for referral," it says.

As a caveat, NeXt Up warns that Twitter's "revenue model has yet to be tested," and that most revenue generation options available to the company "have the potential to alienate at least some of the cult-like" Twitter user base.

In addition, Twitter faces potential competition from larger social networks like Facebook and MySpace, and wireless operators could strangle growth with charges on messages.