

TECH

Twitter Costs Weigh on Earnings Despite Record Sales

Social-media company issues muted outlook for current quarter



Twitter's quarterly operating income trailed the projections of analysts. PHOTO: DAVID PAUL MORRIS/BLOOMBERG NEWS

By *Betsy Morris*

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Twitter Inc. [TWTR -1.68%](#) ▼ posted record revenue in the latest quarter, but rising costs weighed on its bottom line as the company sought to improve the functionality of its social-media platform.

The company said Thursday that fourth-quarter net income was \$118.8 million as costs rose 22% from a year earlier. Twitter's more closely watched operating income was \$153 million for October through December, down from \$207 million a year earlier and lower than the \$161 million that analysts surveyed by FactSet had projected.

Revenue rose 11% to \$1.01 billion, Twitter said, the first time it reached that level. It came in at the top end of company guidance and beat Wall Street's expectation of \$992 million, based on analysts surveyed by FactSet.

Shares rose 8% in premarket trade.

Twitter had been seeking to bounce back after it shocked investors in the third quarter when it disclosed that software glitches had hampered ad sales. Chief Executive Jack Dorsey said at the

time that the problems had been fixed, but the company warned that the costs of related and other upgrades would be felt into this year.

Twitter on Thursday issued a muted outlook for the current quarter and warned that costs in 2020 would continue to climb. Twitter plans to add 20% more staff, it said, with costs and expenses rising by the same percentage.

Operating income in the first quarter, Twitter said, would be between zero to \$30 million, trailing Wall Street's projections. Sales should be between \$825 million and \$885 million, the company said, in line with analysts' projections.

Several big social-media companies have recently failed to live up to investors' expectations. Facebook Inc. last week reported quarterly revenue grew at the slowest pace since becoming a public company. Google's parent, Alphabet Inc., posted results that left Wall Street unimpressed. Snap Inc. increased its users, but its revenue fell short of analysts' expectations.

Twitter's stock has underperformed its rivals, down 2.9% over the past 12 months as investors became concerned about growth prospects.

The company said it grew to 152 million average daily active users in the quarter, compared with 145 million in the prior quarter and 126 million a year earlier. The growth was primarily in international markets. In the U.S., Twitter added only one million average daily active users from the prior three-month period.

Twitter's smaller user base—Facebook reported 1.66 billion average daily active users—handicaps its ability to offer advertisers the kind of precision targeting provided by Facebook and Google. Twitter said it is still fixing its ad software so it can offer metrics to advertisers without compromising user privacy. It has boosted ad revenue, in part through partnerships that enable advertisers to place ads during major sports and Hollywood events.

In recent months, Twitter has made changes to help bolster the appeal of its platform to new users, mainly its Topics feature introduced in November, which clusters users around shared interests.

Social-media companies, however, have been in the spotlight in recent months for some of the misleading content users post. Twitter and others have struggled to rein in abuse and harassment on their platforms.

Twitter has moved to ban political ads and is providing a feature that can be used to report content viewed as problematic more easily. This week the company announced it would flag or remove not just high-tech deepfakes—photos and videos that have been manipulated with sophisticated tools—but any such media altered to trick users—a more aggressive stance compared with competitors.

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