

Twitter's net loss narrowed to \$136.7 million, or 21 cents a share. Profit excluding certain items was 7 cents, compared with the 4 cents analysts estimated.

Bigger Rivals

On a conference call, executives quashed any initial optimism generated by the report by confronting Twitter's underlying problem: It's much smaller than the competition. The company today reported 316 million monthly users, while Facebook Inc.'s social network has 1.4 billion. Twitter recently started counting feature-phone users in emerging markets as part of its tally. Without that extra boost, Twitter's user count was 304 million.

Noto said Twitter changed its tone on the call because growth slowed so meaningfully, the company wanted to explain how it's working to address the deceleration.

"In the past we may not have had the growth that investors wanted us to have, but it was still quite strong. And this quarter we barely had any growth."

The company is working to introduce a marketing campaign to explain the value of using Twitter to the masses, Noto said. One problem, though, is that Twitter doesn't have a head of marketing. Noto said a search is wrapping up, with some good candidates being reviewed.

Attracting Users

In the time since Twitter went public in November 2013, growth has stagnated while rival social applications, including WhatsApp and Facebook Messenger, drew hundreds of millions more people. In response, the company has increased its focus on attracting people who don't have accounts.

One current plan, internally named Project Lightning, is meant to create channels for whatever is happening live, including videos running simultaneously with what's showing on television. The goal is to bring in visitors who might want to experience a live event or watch news unfold in real time. It could also open up new opportunities for advertisers.

Still, in the past year Twitter has made many promises about new tools that haven't yet contributed to its quarterly results. Investors are concerned that Dorsey won't provide meaningful change at a company in need of a shakeup.

Twitter said third-quarter sales will be \$545 million to \$560 million, in line with analysts' average projection of \$556.6 million. For the full year, the company forecast revenue of \$2.2 billion to \$2.27 billion, compared with a previous company estimate of \$2.17 billion to \$2.27 billion.

The social-media company has faced some turnover internally amid the CEO transition. Today, two product executives announced their departures. Todd Jackson, who helped Twitter debut its Highlights product, is leaving for Dropbox Inc., while Christian Oestlien, who helped drive growth, is going to Google's YouTube.

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