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Subject: Twitter Q1 Earnings [C]
Date: Tue, 28 Apr 2015 20:23:57 +0000

Classification: **Confidential**

Jeffrey – as you may have seen, Twitter (TWTR) Q1 earnings were leaked this afternoon prior to the company's scheduled earnings call after the close today. TWTR's revenue fell short of estimates in the first quarter, \$436mm vs. analysts' average projection of \$456mm. Results were first reported by Selerity Inc, a New York based provider of financial news and information.

Following the leak, Twitter officially reported earnings and cut Q2 revenue guidance. TWTR closed down ~18% today to \$42.27 on the back of the news.

I've included your original TWTR trade details below for your reference. Please let us know if you wish to add to your position.

Thank you,
Vahe

Source: Bloomberg Finance LP

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TWTR Trade Details (as of trade date, 1/27/2015)

Total Return Swap:

Swap Seller: DB
Swap Buyer: Southern Financial LLC
Ticker: TWTR
Size: 100,000 shares
Expiry: 1/27/2016
Spread: 1mL+ 75bps
Resets: Monthly
Optional Early Termination: Applicable, 3 days (two-way)
Commissions: \$0.03 per share in and out
Initial Strike: [\\$38.9662 \(Gross\)](#) / [\\$38.9962\(Net\)](#)

European Call options on TWTR:

Option Seller: Southern Financial LLC
Option Buyer: DB
Shares: 100,000
Notional: \$3,896,620.00
Type: Call
Style: European
Expiry: 1/27/2016
Strike: [\\$38.9662](#)
Premium client receives: \$728,278.28 (18.69%)

(Updates with 2015 forecast in first paragraph.)

By Sarah Frier

(Bloomberg) -- Twitter Inc. posted first-quarter revenue that fell short of estimates and cut its sales forecast, signaling a struggle to attract more users and advertisers. The stock fell as much as 26 percent, a record decline. Revenue will be \$470 million to \$485 million in the second quarter, Twitter said in a statement Tuesday. That missed analysts' average projection for \$538.1 million, according to estimates compiled by Bloomberg. Full-year guidance was cut to \$2.17 billion to \$2.27 billion, from the previous range of \$2.3 billion to \$2.35 billion.

"It calls into question why they didn't see this coming," said Victor Anthony, an analyst at Axiom Capital Management. "I don't think anyone ever questioned their ability to generate revenues."

Chief Executive Officer Dick Costolo has been pushing product and engineering teams, which are being led by new managers, to step up the pace of innovation and dispel any doubts about Twitter's potential as an advertising and social-media destination. The San Francisco-based company is facing greater pressure to show that such initiatives are delivering more users and revenue, according to Brian Wieser, an analyst at Pivotal Research Group.

"When you're communicating with investors there's some expectation that you'll actually deliver on what you're aspiring towards," said Wieser, who has a hold rating on Twitter's stock. "The message needs to be matched by numbers, or Twitter's credibility starts to become an issue."

Slowing Growth

The number of monthly active members climbed 18 percent to 302 million, compared with 20 percent in the prior quarter. Revenue rose 74 percent to \$436 million, missing analysts' average projection for \$456.2 million. The results were first reported by Selerity Inc., a New York-based provider of financial news and information, less than hour before the end of Tuesday's trading.

Twitter fell 18 percent to \$42.27 at the close. Trading resumed after shares were halted following Selerity's report. Earnings excluding some items were 7 cents a share, compared with analysts' average estimate for 4 cents. Twitter's first-quarter net loss widened to \$162 million from a loss of \$132.4 million a year earlier.

Costolo, facing criticism last year because of slowing user

growth, promised investors in November that the company would start revamping its products and services to make them easier to use. That has resulted in new features such as “While You Were Away,” which delivers the most popular tweets that occurred during a person’s absence, and Highlights, an Android feature that pushes a twice-daily digest of tweets direct to a person’s phone notifications.

The tweaks, which are helping to minimize the flood of information, are aimed at attracting new users. Twitter’s home page, which used to just have an option to log in, now has categories, such as Nascar and cute animals, for people to explore even when they aren’t logged in to an account. Those who do choose to sign up for the first time get an instant timeline based on their phone contacts and interests, making it easier to get started on the product.

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