

\$TWTR Just Made the Turn and Is Hitting Stride. Twitter has NEVER been more Relevant Than Now and “Dorsey is Our Horsey”!!

Citron predicts \$52 within 52 weeks.



Citron has been spot-on on TWTR two times already in 2018, both in a big way ([January 26th Post](#) and [March 27th Post](#)).

- January 26, 2018 Citron recommended TWTR at \$22 with a price target of \$35. On March 14 TWTR hit \$37
- March 26, while TWTR was trading at \$32 Citron predicted the stock would trade down to \$25. A week later, the stock traded to \$26 catalyzed by the Facebook privacy scandal, as we called

And now we present our most bold and confident analysis to date on Twitter. \$TWTR will hit \$52 within a year. Citron will tell the story that is hiding under Wall Street’s nose.

While many view Twitter solely as the preferred form of communication for the POTUS, it has become *all things media* and an irreplaceable part of the global dialogue. This past week, Elon Musk announced the potential for the largest LBO ever on Twitter ([source](#)), and while people were debating the quality of the financing, no one was debating the medium of the news – Twitter. No press release or Wall St. Journal article, just Twitter.

While the media has spent the past few days debating TWTR’s role in censoring Alex Jones, one thing is not open for debate -- Twitter is more relevant now than it has ever been and in media -- Dollars Follow Relevancy.

Citron will now explain new points in the Twitter story from just the past week that have gone unnoticed by Wall Street and that will take the stock to new highs in the coming year.

Toutiao?

To truly understand Twitter’s potential, look no farther than Toutiao, the second largest private company in the world.

Toutiao???? \$75 BILLION

Toutiao (which is the Chinese word for headlines) is a Beijing-based news and information platform powered by artificial intelligence. Bytedance (Toutiao's parent company) is targeting a valuation of ~\$75B in its latest round of funding, a valuation larger than Uber (\$68B), and second only to Ant Financial (\$150B).

Twitter's renewed focus on "headlines" was acknowledged recently, as the company redesigns the app to give breaking headlines news first: [Twitter Breaking News](#). This, alone, will make Twitter completely irreplaceable.

TWTR's largest hedge fund shareholder has recently acknowledged the similarities between Twitter and Toutiao. "[AI Will Transform Twitter into a \\$100-\\$200B Company](#)" – [Phillipe Laffont](#)



Philippe Laffont, Coatue:

"We believe Twitter can transform its product experience by adopting the Toutiao play book, attracting new users with a simpler product and increasing engagement of its existing base"

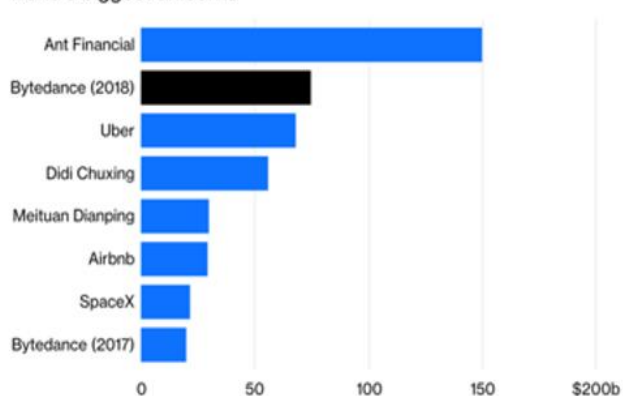


Bill Gurley 
@bgurley

If anyone is working on the Toutiao equivalent in the U.S., I would be super excited to speak with you.

Headline Numbers

Bytedance's coming funding round could make it one of the world's biggest unicorns



Source: CB Insights, WSJ

Toutiao's success has largely been attributed to the platform's ability to deliver personalized content via a simple user interface, something Jack and his Twitter team has been very focused on...

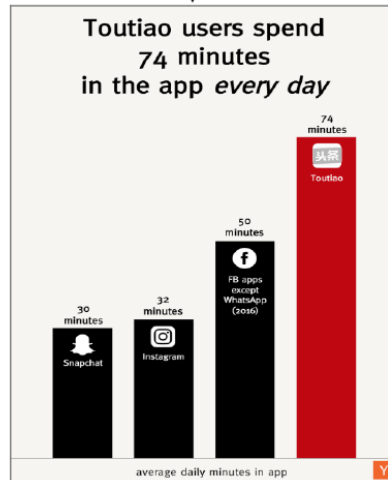
2Q Earnings Q&A, July 27, 2018:



<A - Jack Dorsey>: Hey, Rich thanks for the question. So over the past year – actually the past two years, the biggest impact that we’ve had in getting people into heavier states of usage has been around relevance. So any time we add machine learning, deep learning models to the timeline to make the timeline and notifications a lot more relevant to people where people can show up to the app and they immediately see something that’s valuable to them, that they want to participate with in conversation, they want to re-tweet to their followers, they want to like. We see benefit in our numbers.



TWTR's investment in machine learning will boost relevancy and drive engagement



TWTR's move to categorizing its content will allow users to find conversation they can participate in

What has investors most excited about Tautiao is their dominance in short-form video, something that Twitter has been dedicated to as well.

The media has started to acknowledge the value in TWTR's video content, with Barron's featuring the company on this week's cover:



“What has changed? Twitter’s fateful decision in 2015 to bet big on video has paid off handsomely. Dorsey led the push to video content for the then text-heavy microblogging service. What was a near-zero business three years ago accounted for more than half of Twitter’s \$575 million in first-quarter advertising revenue, and the same portion of the second quarter’s \$601 million, buoyed by the world’s largest sporting event, soccer’s World Cup.”

While we believe the value of Toutiao is most certainly stretched at \$75B, the mere existence of this company will force investors to reconsider the value of TWTR's core business, with video now making up more than 50% of Twitter's advertising revenue.

Twitter: All Things Media and Communication

On the surface, TWTR was a quiet part of last week's loudest news (Tesla/Musk LBO).

But in the midst of worrying about FB's privacy, SNAP's relevancy and TSLA's credibility, the Street missed an even larger story.

Most all of 2018's most important news in finance, sports and politics has broken on TWTR! Equally as important, the ensuing conversations continued on TWTR for days, even weeks and months.

While TWTR is commonly bucketed with FB and SNAP, Citron believes TWTR actually sits alone, with no direct competitor in the exchange of thoughts. Active tweeters span from Pope Benedict to Ronaldo to Bill Gates to, yes, even the Kardashians, who would not be relevant without a Twitter feud between the two sisters this weekend. The exchange of thought has never been more relevant and the money is following.

Exhibit A

While my cousin can post a picture of her dessert on either FB or SNAP (exhibit A), Musk had only one digital-age option to break his LBO news – Twitter.

And while everyone on Instagram shows us their summer in Mykonos (exhibit B), Bill Gates turns to twitter to share us his thoughts about humanity on a daily basis.



Exhibit B



Nothing unites the world more than music and sports. And Twitter is at the forefront of sports conversations. Just this past weekend, the media could not stop checking twitter, excited about Baker Mayfield's debut and Tiger Woods's chance for number 15.

Besides streaming deals with the NFL and MLB, Twitter has found ways to monetize sports video as shown through the World Cup.

With real-time highlights, player interviews, pre and post-match press conferences, a trial program realized \$30M in revenue from one event. And the infrastructure that enabled TWTR's World Cup coverage is easily scalable. Revenue from these events will multiply as the company scales its infrastructure and masters its approach. If you don't believe Citron, do you believe Jack? ...

Q2 2018 Earnings Call

<A - Jack Dorsey>:

But also more broadly we've been talking for some time about biasing more and more of the service towards interests and topics. We decided to start with events, a better organization around events that are happening right now. World Cup was our biggest scaled event that we've done.

The amazing thing about this is we have a general infrastructure to deploy this to any event, whether it be the biggest like the World Cup or even small, local news breaking events where we can organize the conversation around what's happening now, all the top experts or people on the ground and a recap of what matters and what's most relevant for people who cannot catch the event live.

So a lot of our focus over the next few months and years is going to be making sure that we can continue to organize the events experience in a relevant way, but then broadening it to longer-term topics.

Lastly, Corporations are now turning to twitter as an alternative to stale customer-complaint webpages as they are looking for instantaneous responses: [TWTR rocks at customer service](#), and analysts on the Street have failed to factor this revenue opportunity into their models.

*From this writer's perspective, my son's 3rd grade teacher established a twitter feed for the class to keep parents updated on homework and "what your child learned today". Simple, but effective.

What about the stock???

The Street Has Overly Punished TWTR

TWTR is down 33% since they reported numbers on July 27. While we understand the Streets concern over MAU growth and the cleansing of the user base, we believe much of the selloff was due to collateral damage from FB 2Q earnings, which cased FB to suffer the largest one-day decline in market cap in history.

Despite beating Revenue and EBITDA estimates, and 2018 Street Revenue and EBITDA estimates coming down only ~1% and ~4%, respectively, TWTR's stock traded down more than 20% in one day and another 3% since.

Revenue Estimates & Stock Price



EBITDA Estimates & Stock Price



2019 Revenue and EBITDA estimates came down 1% and 4% respectively, while TWTR's stock price traded down more than 20% in one day.

Goldman Sachs, who was TWTR's lead left IPO advisor and who's equity research analyst has had a call on the stock, has a \$48 price target for good reason:

"[We arrive at our \$48 price target by valuing TWTR on] 26x 2019E EV/EBITDA ... we see disproportionately higher potential for upside to both revenue and profits as Twitter benefits from investments in the platform and leverages the optionality that exists in Twitter's influence, data, and user base."

Citron has a \$52 price target, valuing TWTR using a 28x 2019e EV/EBITDA multiple.

Citron is not concerned about the last q and either is Dorsey. Twitter has been reorganizing the company for the next decade and the cleansing of the site is part of the process. As stated in a CNBC interview ([twitter-is-restructuring](#)).

"The change organizes Twitter into functional groups, such as engineering, instead of around individual products, which Dorsey said in a series of tweets would help the company be quicker and more creative over the next decade."

Conclusion

Our earlier concerns about privacy have been quelled. FB, AMZN, and GOOG have many more privacy concerns than TWTR does. Now we can focus on what is important.

Twitter has never been more relevant than now and money follows relevancy. It is everything but a one trick pony and we are excited to watch this company evolve.

Citron still believes that Twitter has become such a part of the fabric of global communication with limited competition that it is only time before a Google, Apple, or Microsoft would like to put it in basket.

As Always - Cautious Investing to All.