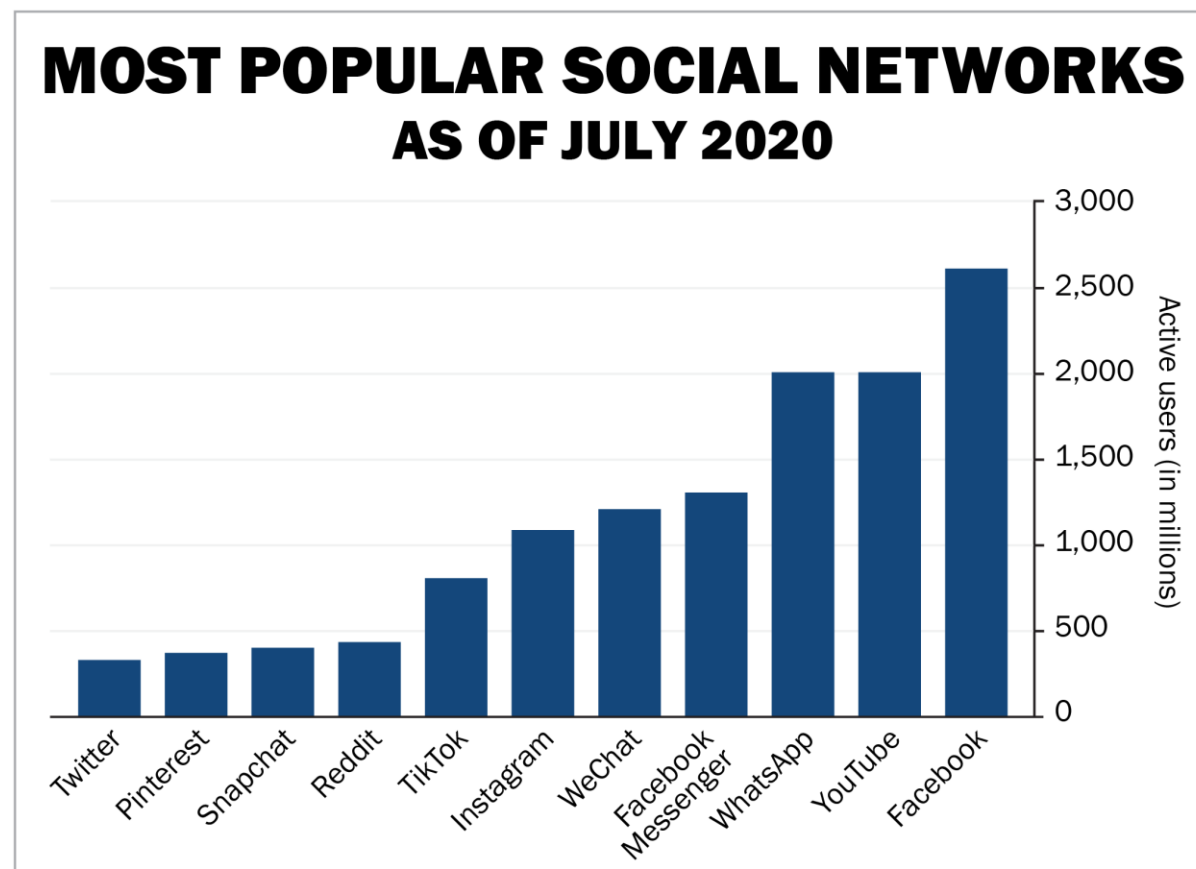


# EMPIRE

**FINANCIAL RESEARCH**

# The Largest Battles Ever

- At its peak, 50,000 people - 5% of Rome's population - would watch battles in Rome's Colosseum
- Today, more than *half* of the world's adult population is on Facebook
- We've never seen battles of this size before



# Social Media: A Battleground for Ideas

- Social media is a great business: Content is free, it's always on, and communication goes two ways
- Twitter content (“idea sharing”) > Facebook content (“memory sharing”)
- As venture capitalist Bill Gurley says...
  - “In any given field 50% to 80% of the top experts in that field are on Twitter, and they’re sharing ideas, and you can connect to them and follow them in your personal feed... If you’re *not* using Twitter, you’re missing out.”

# Twitter: Another Mismanaged Business

- *Nothing* has gone right, and the stock is below its 2013 IPO price
- For being such an engaging platform, Twitter has been mismanaged in every way:
  - It does a very poor job of monetizing its users
  - Controversy over filtering and hacks - for example:



# The Stock Has Been a Dog



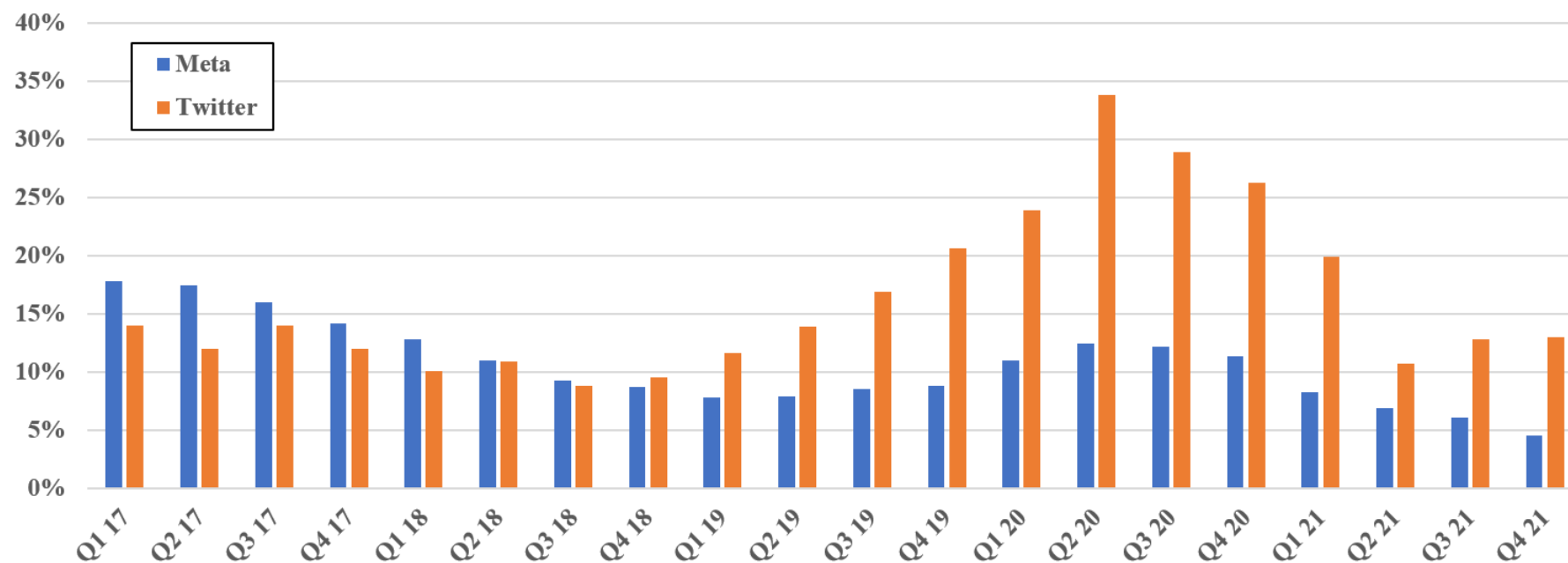
# Activist Investors to the Rescue

- Elliott Management and Silver Lake Management invested \$2 billion in Twitter
- They're now on the board of directors
- They helped force the resignation of Twitter's part-time CEO, Jack Dorsey
- Elliott and Silver Lake have led numerous successful activist campaigns in companies such as eBay, Citrix, Skype, and Dell

# The First Avenue for Growth: Users

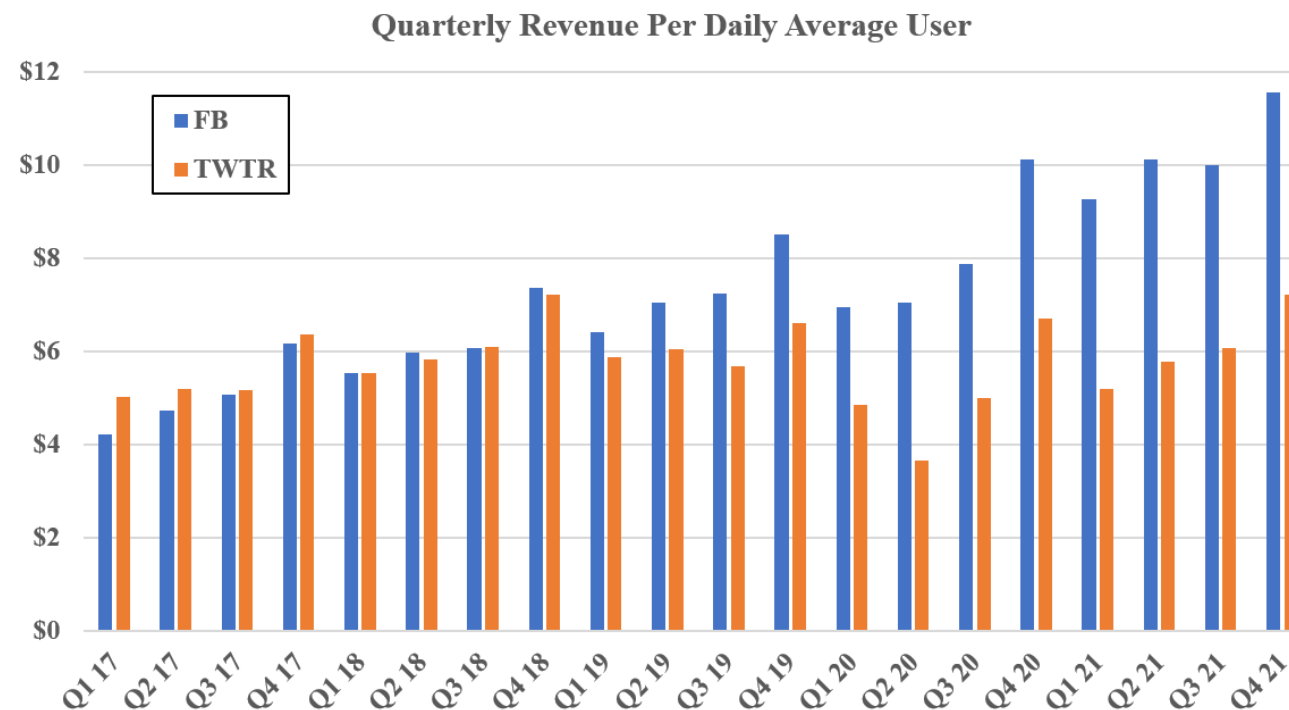
- After years of underperformance, Twitter's user growth has outpaced Meta's every quarter for more than three years
- And there's plenty of room to grow, as Twitter has 89% fewer users currently

Year Over Year Quarterly Growth in Daily Active Users



# The Second Avenue for Growth: ARPU

- Twitter’s average revenue per “monetizable” daily active user (“ARPU”) exceeded Facebook’s/Meta’s as recently as 2018, but was 38% lower last quarter
- A terrible failure, but also indicates that there’s room for dramatic growth



Note: Twitter counts “monetizable daily active users,” which is roughly 2/3 lower than the total users it used to report. The latter appears to be comparable to Meta’s user count, so Twitter’s monetization is likely ~80% worse than Meta, meaning there’s even more room for improvement.

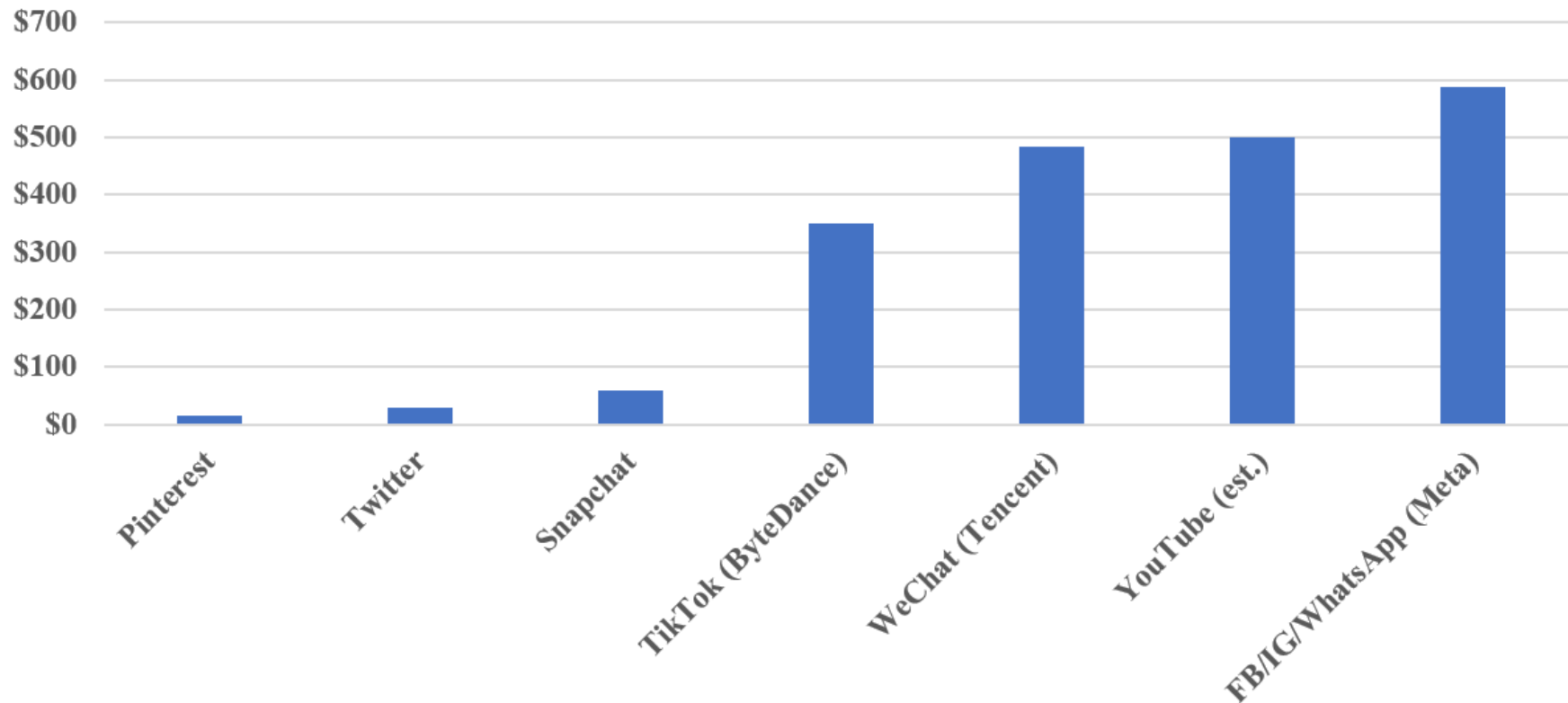


# The Stock Is Cheap

- Appears expensive at 43 times trailing EBITDA, but we believe earnings are depressed
- Even with Meta's stock down so much, the market values each Twitter user at less than half of each Meta user: \$146 versus \$307 per mDAU

# Twitter Is One of the Most Influential Social Media Platforms in the World, Yet Its Valuation Doesn't Reflect This

Enterprise Value of Major Social Media Companies (\$B)



# My Advice

- **Buy Twitter (TWTR) up to \$50 a share**
- \$31 billion for the greatest platform for idea sharing is cheap
- Continued user growth combined with better monetization via improved ad targeting could cause Twitter's stock to double
- Hold for the long term... Twitter will either start to execute or get acquired

# EMPIRE

**FINANCIAL RESEARCH**