



Holland Views – Twitter – Price: \$68; Mcap: \$54.5bn

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## On the Edge of Glory/Spotify for writers

We continue to find many of our best investment ideas close (very close) to home. To start with this might have been the value we found in a Ryanair flight or a breakfast at Wetherspoons. More recently it was in the joy and value we found in our Spotify account or the ubiquity of our Apple products. (We concede that we do not use Ashtead products at home much!). Twitter, we note, enjoys an important place in the online world we all now live in, but its historical figures show a company that has not earned the share of wallet that should accompany that place. Investors have got tired of waiting for that gap to be bridged.

One of your authors was a very late arrival to the world of Social Media (as he is most things). His Twitter account (@ahollingw) shows a start date of only July 2019 no less. Yet today he uses it for c.30 mins most days. For a while he had been encouraged to use this and other platforms as a way to promote his business, but he always found a reason not to, seeing it at best a waste of time and worst an exercise in blatant self-promotion. So, what changed? Simply that he found as others have done Twitter is an excellent resource for efficiently researching a topic or area and learning more from others with a like mind.

### [Others have already done the heavy lifting](#)

The more we used Twitter ourselves and valued what it gave us (for free) we decided to look at its corporate and investor image. We were surprised to find a *relatively* small company (\$50bn) with \$7.5bn of cash on the balance sheet and an investor expectation of almost serial disappointment when it comes to advertising revenue growth. This intrigued us as it was in contrast to two phrases that were stuck in our heads when we started to think about Twitter as a company and its users:

- ***“It is not market share that matters so much as share of mind”*** - Charlie Munger. This always struck us as a great insight. Right now, Twitter has a huge share of mind when it comes to online communications and the research/connection function that can follow on from that. About once a week on Twitter we read someone who openly shouts about what it has done for them by way of introducing them to new people or a level of knowledge. Not many companies have that sort of admiration from users; real fans.
- ***“Sticky Loyal and Rich”*** This quote is one of our own. It was the title we used for an Apple piece of research in January 2018 (at \$42 no less!). We used the title to describe Apple’s customer base. Does it describe those that use Twitter too?

Digging deeper we found a number of articles that we think tell the story very well of where Twitter as a company is today. The outlook we see for the company and the one these pieces spell out is very different from its recent past and from that maybe discounted by its share price until just the last few days.

To fully understand our view, please do read these pieces as they form a key part of our background on the company. Please also give the writers due credit for their work. The links below and PDF is attached to which we have added a few of our own notations:

<https://www.getrevue.co/profile/lvsadvisory/issues/twitter-investment-thesis-and-lessons-from-2020-316395>

<https://nymag.com/intelligencer/2021/02/capitalist-case-for-overhauling-twitter.html>

#### Our highlights of the Twitter story:

- Twitter controls the world's pre-eminent public communication platform. But arguably it has hardly tried(?) to monetise this asset at all.
- However, a great many other companies worldwide use Twitter in order to build followings so they can monetise their own products elsewhere
  - This speaks to the company's latent pricing power/value of the network
- The changes that took place in the shareholder base last year with activists arriving will likely herald a big change in the company going forward. Many are already taking place
  - That this might not be a comfortable ride for Dorsey and team when we look at the quality and dedication of those that have bought stakes
  - These investors are in for the long haul and want lasting change
  - We think they are right in having identified an under-utilised important global asset
- Interesting too is the Investor Day scheduled for Feb 25<sup>th</sup>. Why have one if you have nothing new to say?
 

<https://investor.twitterinc.com/events-and-presentations/twitter-analyst-day/default.aspx>
- That a move to greater monetisation is inevitable, but the speed and scale is unknown.
  - At what we suggest is low absolute starting valuation vs. peer platforms and low investor sentiment any improvements will be rewarded (ref this week's price reaction to talk of 'monetisation')
  - The company's acquisition of Revue we think is interesting/important. Additional paid content is clearly coming and we think would be welcomed by many users
- We think **platform and user focus** and deferred gratification/untapped pricing power are important drivers of this business
  - The group's sole focus on its platform and the user experience of which, reminds us of Spotify. I.e. it looks to have focused on the communication tool for users over and above monetisation. That is why users like it more than advertisers or investors do (currently)
  - That it has not over-sold the advertising angle up to now maybe leaves it open to develop other (better?) monetisation tools (newsletters etc.) that are less intrusive to the user experience?

To view the remainder of this in-depth report, please contact Andrew Hollingworth, [Andrew@hollandadvisors.co.uk](mailto:Andrew@hollandadvisors.co.uk) for a complete PDF copy.

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