

TWITTER, INC.  
Form S-1/A  
October 24, 2013  
**Table of Contents**

As filed with the Securities and Exchange Commission on October 24, 2013

Registration No. 333-191552

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**AMENDMENT NO. 3**  
**TO**  
**FORM S-1**  
**REGISTRATION STATEMENT**  
**UNDER**  
**THE SECURITIES ACT OF 1933**

**Twitter, Inc.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**7370**  
(Primary Standard Industrial  
Classification Code Number)

**20-8913779**  
(I.R.S. Employer  
Identification Number)

Edgar Filing: TWITTER, INC. - Form S-1/A

1355 Market Street, Suite 900

San Francisco, California 94103

(415) 222-9670

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Richard Costolo

Chief Executive Officer

Twitter, Inc.

1355 Market Street, Suite 900

San Francisco, California 94103

(415) 222-9670

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Steven E. Bochner, Esq.

Katharine A. Martin, Esq.

Rezwan D. Pavri, Esq.

Wilson Sonsini Goodrich & Rosati, P.C.

650 Page Mill Road

Palo Alto, California 94304

(650) 493-9300

*Copies to:*

Vijaya Gadde, Esq.

Sean Edgett, Esq.

Twitter, Inc.

1355 Market Street, Suite 900

San Francisco, California 94103

(415) 222-9670

Alan F. Denenberg, Esq.

Davis Polk & Wardwell LLP

1600 El Camino Real

Menlo Park, California 94025

(650) 752-2000

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box: "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

## Edgar Filing: TWITTER, INC. - Form S-1/A

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	"	Accelerated filer	"
Non-accelerated filer	x (Do not check if a smaller reporting company)	Smaller reporting company	"

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered <sup>(1)</sup>	Proposed Maximum Offering Price Per Share <sup>(2)</sup>	Proposed Maximum Aggregate Offering Price <sup>(1)(2)</sup>	Amount of Registration Fee <sup>(3)</sup>
Common Stock, \$0.000005 par value per share	80,500,000	\$20.00	\$1,610,000,000	\$207,368

<sup>(1)</sup> Includes the additional shares that the underwriters have the right to purchase from the Registrant, if any.

<sup>(2)</sup> Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended.

<sup>(3)</sup> The Registrant previously paid \$128,800 of the registration fee in connection with the initial filing of this registration statement.

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

**Table of Contents**

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject To Completion. Dated October 24, 2013.

70,000,000 Shares

**Twitter, Inc.**

Common Stock

This is an initial public offering of shares of common stock of Twitter, Inc.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between \$17.00 and \$20.00. Our common stock has been approved for listing on the New York Stock Exchange under the symbol TWTR .

We are an emerging growth company as defined under the federal securities laws and, as such, may elect to comply with certain reduced public company reporting requirements for future filings.

See *Risk Factors* beginning on page 16 to read about factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

## Edgar Filing: TWITTER, INC. - Form S-1/A

	Per Share	Total
Initial public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to Twitter	\$	\$

To the extent that the underwriters sell more than 70,000,000 shares of common stock, the underwriters have the option to purchase up to an additional 10,500,000 shares from Twitter at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on \_\_\_\_\_, 2013.

**Goldman, Sachs & Co.**

**Morgan Stanley**

**J.P. Morgan**

**BofA Merrill Lynch**

**Deutsche Bank Securities**

**Allen & Company LLC**

**CODE Advisors**

Prospectus dated \_\_\_\_\_, 2013

**Table of Contents**

**Table of Contents**

**Table of Contents**



**Table of Contents**

**TABLE OF CONTENTS**

Prospectus

<u>Prospectus Summary</u>	Page 1
<u>Risk Factors</u>	16
<u>Special Note Regarding Forward-Looking Statements</u>	49
<u>Industry Data and Company Metrics</u>	51
<u>Use of Proceeds</u>	53
<u>Dividend Policy</u>	54
<u>Capitalization</u>	55
<u>Dilution</u>	58
<u>Selected Consolidated Financial and Other Data</u>	61
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	63
<u>Letter from @twitter</u>	99
<u>Business</u>	100
<u>Management</u>	126
<u>Executive Compensation</u>	134
<u>Certain Relationships and Related Party Transactions</u>	148
<u>Principal Stockholders</u>	153
<u>Description of Capital Stock</u>	157
<u>Shares Eligible for Future Sale</u>	163
<u>Material U.S. Federal Income Tax Consequences to Non-U.S. Holders of Our Common Stock</u>	166
<u>Underwriting</u>	170
<u>Legal Matters</u>	175
<u>Experts</u>	175
<u>Where You Can Find Additional Information</u>	175
<u>Index to Consolidated Financial Statements</u>	F-1

Through and including , 2013 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

We have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

**Table of Contents**

**PROSPECTUS SUMMARY**

*This summary highlights selected information that is presented in greater detail elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, including the sections titled Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus, before making an investment decision. Unless the context otherwise requires, the terms Twitter, the company, we, us and our in this prospectus refer to Twitter, Inc. and its consolidated subsidiaries.*

**TWITTER, INC.**

Twitter is a global platform for public self-expression and conversation in real time. By developing a fundamentally new way for people to create, distribute and discover content, we have democratized content creation and distribution, enabling any voice to echo around the world instantly and unfiltered.

Our platform is unique in its simplicity: Tweets are limited to 140 characters of text. This constraint makes it easy for anyone to quickly create, distribute and discover content that is consistent across our platform and optimized for mobile devices. As a result, Tweets drive a high velocity of information exchange that makes Twitter uniquely live. We aim to become an indispensable daily companion to live human experiences.

People are at the heart of Twitter. We have already achieved significant global scale, and we continue to grow. We have more than 230 million monthly active users, or MAUs, and more than 100 million daily active users, spanning nearly every country. Our users include millions of people from around the world, as well as influential individuals and organizations, such as world leaders, government officials, celebrities, athletes, journalists, sports teams, media outlets and brands. Our users create approximately 500 million Tweets every day.

Twitter is a public, real-time platform where any user can create a Tweet and any user can follow other users. We do not impose restrictions on whom a user can follow, which greatly enhances the breadth and depth of available content and allows users to discover the content they care about most. Additionally, users can be followed by thousands or millions of other users without requiring a reciprocal relationship, enhancing the ability of our users to reach a broad audience. The public nature of our platform allows us and others to extend the reach of Twitter content beyond our properties. Media outlets distribute Tweets beyond our properties to complement their content by making it more timely, relevant and comprehensive. Tweets have appeared on over one million third-party websites, and in the third quarter of 2013 there were approximately 48 billion online impressions of Tweets off of our properties.

Twitter provides a compelling and efficient way for people to stay informed about their interests, discover what is happening in their world right now and interact directly with each other. We enable the timely creation and distribution of ideas and information among people and organizations at a local and global scale. Our platform allows users to browse through Tweets quickly and explore content more deeply through links, photos, media and other applications that can be attached to each Tweet. As a result, when events happen in the world, whether planned, like sporting events and television shows, or unplanned, like natural disasters and political revolutions, the digital experience of those events happens in real time on Twitter. People can communicate with each other during these events as they occur, creating powerful shared experiences.

## **Table of Contents**

We are inspired by how Twitter has been used around the world. President Obama used our platform to first declare victory publicly in the 2012 U.S. presidential election, with a Tweet that was viewed approximately 25 million times on our platform and widely distributed offline in print and broadcast media. A local resident in Abbottabad, Pakistan unknowingly reported the raid on Osama Bin Laden's compound on Twitter hours before traditional media and news outlets began to report on the event. During the earthquake and subsequent tsunami in Japan, people came to Twitter to understand the extent of the disaster, find loved ones and follow the nuclear crisis that ensued. For individuals and organizations seeking timely distribution of content, Twitter moves beyond traditional broadcast mediums by assembling connected audiences. Twitter brings people together in shared experiences allowing them to discover and consume content and just as easily add their own voice in the moment.

Our platform partners and advertisers enhance the value we create for our users.

*Platform Partners.* Millions of platform partners, which include publishers, media outlets and developers, have integrated with Twitter, adding value to our user experience by contributing content to our platform, broadly distributing content from our platform across their properties and using Twitter content and tools to enhance their websites and applications. Many of the world's most trusted media outlets, including the BBC, CNN and Times of India, regularly use Twitter as a platform for content distribution.

*Advertisers.* Advertisers use our Promoted Products, the majority of which are pay-for-performance, to promote their brands, products and services, amplify their visibility and reach, and complement and extend the conversation around their advertising campaigns. We enable our advertisers to target an audience based on a variety of factors, including a user's Interest Graph. The Interest Graph maps, among other things, interests based on users followed and actions taken on our platform, such as Tweets created and engagement with Tweets. We believe a user's Interest Graph produces a clear and real-time signal of a user's interests, greatly enhancing the relevance of the ads we can display for users and enhancing our targeting capabilities for advertisers.

Although we do not generate revenue directly from users or platform partners, we benefit from network effects where more activity on Twitter results in the creation and distribution of more content, which attracts more users, platform partners and advertisers, resulting in a virtuous cycle of value creation.

Mobile has become the primary driver of our business. Our mobile products are critical to the value we create for our users, and they enable our users to create, distribute and discover content in the moment and on-the-go. The 140 character constraint of a Tweet emanates from our origins as an SMS-based messaging system, and we leverage this simplicity to develop products that seamlessly bridge our user experience across all devices. In the three months ended September 30, 2013, 76% of our average MAUs accessed Twitter from a mobile device, including mobile phones and tablets, and over 70% of our advertising revenue was generated from mobile devices. We expect that the proportion of active users on, and advertising revenue generated from, mobile devices, will continue to grow in the near term.

We have experienced rapid growth in our revenue in recent periods. From 2011 to 2012, revenue increased by 198% to \$316.9 million, net loss decreased by 38% to \$79.4 million and Adjusted EBITDA increased by 149% to \$21.2 million. From the nine months ended September 30, 2012 to the nine months ended September 30, 2013, revenue increased by 106% to \$422.2 million, net loss increased by 89% to \$133.9 million and Adjusted EBITDA increased by \$27.1 million to \$30.7 million. For information on how we define and calculate Adjusted EBITDA, and a reconciliation of net loss to

## **Table of Contents**

Adjusted EBITDA, see the section titled Summary Consolidated Financial and Other Data Non-GAAP Financial Measures.

We have also experienced significant growth in our user base, as measured by MAUs, and user engagement, as measured by timeline views.

For information on how we define and calculate the number of MAUs and the number of timeline views and factors that can affect these metrics, see the sections titled Management's Discussion and Analysis of Financial Condition and Results of Operations Key Metrics and Industry Data and Company Metrics.

### **The Evolution of Content Creation, Distribution and Discovery**

The Internet and digitization have allowed for virtually all content to be made available online, but the vast array of content has made it difficult for people to find what is important or relevant to them. Over time, technologies have been developed to address this challenge:

*Web Browsers.* In the early to mid-1990s, browsers, including Netscape Navigator and Internet Explorer, presented content on the Internet in a visually appealing manner and allowed people to navigate to specific websites, but the content experience was generally not personalized or tailored to a person's interests and information was often difficult to find.

*Web Portals.* In the mid to late-1990s, Yahoo!, AOL, MSN and other web portals aggregated and categorized popular content and other communication features to help people discover relevant information on the Internet. These portals, while convenient, and with some ability to personalize, offer access to a limited amount of content.

*Search Engines.* In the early-2000s, Google and other search engines began providing a way to search a vast amount of content, but search results are limited by the quality of the search algorithm and the amount of content in the search index. In addition, given the lag between live events and the creation and indexing of digital content, search engine results may lack real-time information. Also, search engines generally do not surface content that a person has not requested, but may find interesting.

*Social Networks.* In the mid-2000s, social networks, such as Facebook, emerged as a new way to connect with friends and family online, but they are generally closed, private networks that do not include content from outside a person's friends, family and mutual connections. Consequently, the

## **Table of Contents**

depth and breadth of content available to people is generally limited. Additionally, content from most social networks is not broadly available off their networks, such as on other websites, applications or traditional media outlets like television, radio and print.

### **Twitter Continues the Evolution**

Twitter continues the evolution of content creation, distribution and discovery by combining the following four elements at scale to create a global platform for public self-expression and conversation in real time. We believe Twitter can be the content creation, distribution and discovery platform for the Internet and evolving mobile ecosystem.

*Public.* Twitter is open to the world. Content on Twitter is broadly accessible to our users and unregistered visitors. All users can create Tweets and follow other users. In addition, because the public nature of Twitter allows content to travel virally on and off our properties to other websites and media, such as television and print, people can benefit from Twitter content even if they are not Twitter users or following the user that originally tweeted.

*Real-Time.* News breaks on Twitter. The combination of our tools, technology and format enables our users to quickly create and distribute content globally in real time with 140 keystrokes or the flash of a photo, and the click of a button. The ease with which our users can create content combined with our broad reach results in users often receiving content faster than other forms of media.

*Conversational.* Twitter is where users come to express themselves and interact with the world. Our users can interact on Twitter directly with other users, including people from around the world, as well as influential individuals and organizations. Importantly, these interactions can occur in public view, thereby creating an opportunity for all users to follow and participate in conversations on Twitter.

*Distributed.* Tweets go everywhere. The simple format of a Tweet, the public nature of content on Twitter and the ease of distribution off our properties allow media outlets to display Tweets on their online and offline properties, thereby extending the reach of Tweets beyond our properties. A 2013 study conducted by Arbitron Inc. and Edison Research found that 44% of Americans hear about Tweets through media channels other than Twitter almost every day.

### **Our Value Proposition to Users**

People are at the heart of Twitter. We have more than 230 million MAUs from around the world. People come to Twitter for many reasons, and we believe that two of the most significant are the breadth of Twitter content and our broad reach. Our users consume content and engage in conversations that interest them by discovering and following the people and organizations they find most compelling.

Our platform provides our users with the following benefits:

*Sharing Content with the World.* Users leverage our platform to express themselves publicly to the world, share with their friends and family and participate in conversations. The public, real-time nature and tremendous global reach of our platform make it the content distribution platform of choice for many of the world's most influential individuals and organizations, as well as millions of people and small businesses.

*Discovering Unique and Relevant Content.* Twitter's over 230 million MAUs, spanning nearly every country, provide great breadth and depth of content across a broad range of topics, including literature, politics, finance, music, movies, comedy, sports and news.



## **Table of Contents**

*Breaking News and Engaging in Live Events.* Users come to Twitter to discover what is happening in the world right now directly from other Twitter users. On Twitter, users tweet about live events instantly, whether it is celebrities tweeting to their fans, journalists breaking news or people providing eyewitness accounts of events as they unfold. Many individuals and organizations choose to break news first on Twitter because of the unique reach and speed of distribution on our platform. As a result, Twitter is a primary source of information and complements traditional media as a second screen, enhancing the overall experience of an event by allowing users to share the experience with other users in real time. We believe this makes Twitter the social soundtrack to life in the moment.

*Participating in Conversations.* Through Twitter, users not only communicate with friends and family, but they also participate in conversations with other people from around the world, in ways that would not otherwise be possible. In addition to participating in conversations, users can simply follow conversations on Twitter or express interest in the conversation by retweeting or favoriting.

### **Our Value Proposition to Platform Partners**

The value we create for our users is enhanced by our platform partners, which include publishers, media outlets and developers. These platform partners have integrated with Twitter through an application programming interface, or API, that we provide which allows them to contribute their content to our platform, distribute Twitter content across their properties and use Twitter content and tools to enhance their websites and applications. We provide a set of development tools, APIs and embeddable widgets that allow our partners to seamlessly integrate with our platform.

We provide our platform partners with the following benefits:

*Distribution Channel.* Platform partners use Twitter as a complementary distribution channel to expand their reach and engage with their audiences. Publishers and media outlets contribute content created for other media channels to Twitter and tweet content specifically created for Twitter. We provide platform partners with a set of widgets that they can embed on their websites and an API for their mobile applications to enable Twitter users to tweet content directly from those properties. As our users engage with this content on Twitter, they can be directed back to our partners' websites and applications.

*Complementary Real-Time and Relevant Content.* Twitter enables platform partners to embed or display relevant Tweets on their online and offline properties to enhance the experience for their users. Additionally, by enhancing the activity related to their programming or event on Twitter, media outlets can drive tune-in and awareness of their original content, leveraging Twitter's strength as a second screen for television programming. For example, during Super Bowl XLVII, over 24 million Tweets regarding the Super Bowl were sent during the game alone and 45% of television ads shown during the Super Bowl used a hashtag to invite viewers to engage in conversation about those television ads on Twitter.

*Canvas for Enhanced Content with Twitter Cards.* Platform partners use Twitter Cards to embed images, video and interactive content directly into a Tweet. Twitter Cards allow platform partners to create richer content that all users can interact with and distribute.

*Building with Twitter Content.* Platform partners leverage Tweets to enhance the experience for their users. Developers incorporate Twitter content and use Twitter tools to build a broad range of applications. Media partners incorporate Twitter content to enrich their programming and increase viewer engagement by providing real-time Tweets that express public opinion and incorporate results from viewer polls on Twitter.

## **Table of Contents**

### **Our Value Proposition to Advertisers**

We provide compelling value to our advertisers by delivering the ability to reach a large global audience through our unique set of advertising services, the ability to target ads based on our deep understanding of our users and the opportunity to generate significant earned media. Advertisers can use Twitter to communicate directly with their followers for free, but many choose to purchase our advertising services to reach a broader audience and further promote their brands, products and services.

Our platform provides our advertisers with the following benefits:

*Unique Ad Formats Native to the User Experience.* Our Promoted Products, which are Promoted Tweets, Promoted Accounts and Promoted Trends, provide advertisers with an opportunity to reach our users without disrupting or detracting from the user experience on our platform.

*Targeting.* Our pay-for-performance Promoted Products enable advertisers to reach users based on many factors. Importantly, because our asymmetric follow model does not require mutual follower relationships, people can follow the users that they find most interesting. These follow relationships are then combined with other factors, such as the actions that users take on our platform, including the Tweets they engage with and what they tweet about, to form a user's Interest Graph. We believe a user's Interest Graph produces a clear and real-time signal of a user's interests, greatly enhancing our targeting capability.

*Earned Media and Viral Global Reach.* The public and widely distributed nature of our platform enables Tweets to spread virally, potentially reaching all of our users and people around the world. Our users retweet, reply to or start conversations about interesting Tweets, whether those Tweets are Promoted Tweets or organic Tweets by advertisers. An advertiser only gets charged when a user engages with a Promoted Tweet that was placed in a user's timeline because of its promotion. By creating highly compelling and engaging ads, our advertisers can benefit from users retweeting their content across our platform at no incremental cost.

*Advertising in the Moment.* Twitter's real-time nature allows our advertisers to capitalize on live events, existing conversations and trending topics. By using our Promoted Products, advertisers can create a relevant ad in real time that is shaped by these events, conversations and topics.

*Pay-for-Performance and Attractive Return on Investment.* Our advertisers pay for Promoted Tweets and Promoted Accounts on a pay-for-performance basis. Our advertisers only pay us when a user engages with their ad, such as when a user clicks on a link in a Promoted Tweet, expands a Promoted Tweet, replies to or favorites a Promoted Tweet, retweets a Promoted Tweet for the first time, follows a Promoted Account or follows the account that tweets a Promoted Tweet. The pay-for-performance structure aligns our interests in delivering relevant and engaging ads to our users with those of our advertisers.

*Extension of Offline Advertising Campaigns.* Twitter advertising complements offline advertising campaigns, such as television ads. Integrating hashtags allows advertisers to extend the reach of an offline ad by driving significant earned media and continued conversation on Twitter.



## **Table of Contents**

### **Our Value Proposition to Data Partners**

We offer data licenses that allow our data partners to access, search and analyze historical and real-time data on our platform. Since the first Tweet, our users have created over 350 billion Tweets spanning nearly every country. Our data partners use this data to generate and monetize data analytics, from which data partners can identify user sentiment, influence and other trends. For example, one of our data partners applies its algorithms to Twitter data to create and sell products to its customers that identify activity trends across Twitter which may be relevant to its customers' investment portfolios.

### **Growth Strategy**

We have aligned our growth strategy around the three primary constituents of our platform: users, platform partners and advertisers.

*Users.* We believe that there is a significant opportunity to expand our user base. Industry sources estimate that as of 2012 there were 2.4 billion Internet users and 1.2 billion smartphone users, of which only 230 million are MAUs of Twitter.

*Geographic Expansion.* We plan to develop a broad set of partnerships globally to increase relevant local content on our platform and make Twitter more accessible in new and emerging markets.

*Mobile Applications.* We plan to continue to develop and improve our mobile applications to drive user adoption of these applications.

*Product Development.* We plan to continue to build and acquire new technologies to develop and improve our products and services and make our platform more valuable and accessible to people around the world. We also plan to continue to focus on making Twitter simple and easy to use, particularly for new users.

*Platform Partners.* We believe growth in our platform partners is complementary to our user growth strategy and the overall expansion of our platform.

*Expand the Twitter Platform to Integrate More Content.* We plan to continue to build and acquire new technologies to enable our platform partners to distribute content of all forms.

*Partner with Traditional Media.* We plan to continue to leverage our media relationships to drive more content distribution on our platform and create more value for our users and advertisers.

*Advertisers.* We believe we can increase the value of our platform for our advertisers by enhancing our advertising services and making our platform more accessible.

*Targeting.* We plan to continue to improve the targeting capabilities of our advertising services.

*Opening our Platform to Additional Advertisers.* We believe that advertisers outside of the United States represent a substantial opportunity and we plan to invest to increase our advertising revenue from international advertisers, including by launching our self-serve advertising platform in selected international markets.

*New Advertising Formats.* We intend to develop new and unique ad formats for our advertisers. For example, we recently introduced our lead generation and application download Twitter Cards and Twitter Amplify, which allows advertisers to embed ads into real-time video content.

## **Table of Contents**

### **Risks Associated with Our Business**

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled **Risk Factors** immediately following this prospectus summary. These risks include, but are not limited to, the following:

If we fail to grow our user base, or if user engagement or the number of paid engagements with our pay-for-performance Promoted Products, which we refer to as ad engagements, on our platform decline, our revenue, business and operating results may be harmed;

If our users do not continue to contribute content or their contributions are not valuable to other users, we may experience a decline in the number of users accessing our products and services, which could result in the loss of advertisers and revenue;

We generate the substantial majority of our revenue from advertising, and the loss of advertising revenue could harm our business;

If we are unable to compete effectively for users and advertiser spend, our business and operating results could be harmed;

Our operating results may fluctuate from quarter to quarter, which makes them difficult to predict;

User growth and engagement depend upon effective interoperation with operating systems, networks, devices, web browsers and standards that we do not control;

If we fail to expand effectively in international markets, our revenue and our business will be harmed;

We anticipate that we will expend substantial funds in connection with the tax liabilities that arise upon the initial settlement of restricted stock units, or RSUs, in connection with this offering, and the manner in which we fund that expenditure may have an adverse effect on our financial condition; and

Upon completion of this offering, our executive officers, directors and holders of 5% or more of our common stock will collectively beneficially own approximately 51.4% of the outstanding shares of our common stock and continue to have substantial control over us, which will limit your ability to influence the outcome of important transactions, including a change in control.

### **Channels for Disclosure of Information**

Investors, the media and others should note that, following the completion of this offering, we intend to announce material information to the public through filings with the Securities and Exchange Commission, or the SEC, our corporate blog at [blog.twitter.com](http://blog.twitter.com), the investor relations page on our website, press releases, public conference calls and webcasts. We also intend to announce information regarding us and our business, operating results, financial condition and other matters through Tweets on the following Twitter accounts: @dickc, @twitter and @twitterIR.

The information that is tweeted by the foregoing Twitter accounts could be deemed to be material information. As such, we encourage investors, the media and others to follow the Twitter accounts listed above and to review the information tweeted by such accounts.

Any updates to the list of Twitter accounts through which we will announce information will be posted on the investor relations page on our website.



**Table of Contents**

**Corporate Information**

Twitter, Inc. was incorporated in Delaware in April 2007. Our principal executive offices are located at 1355 Market Street, Suite 900, San Francisco, California 94103, and our telephone number is (415) 222-9670. Our website address is [www.twitter.com](http://www.twitter.com). Information contained on, or that can be accessed through, our website does not constitute part of this prospectus and inclusions of our website address in this prospectus are inactive textual references only.

Twitter, the Twitter bird logo, Tweet, Retweet and our other registered or common law trademarks, service marks or trade names appearing in this prospectus are the property of Twitter, Inc. Other trademarks and trade names referred to in this prospectus are the property of their respective owners.

**Table of Contents**

**THE OFFERING**

Common stock offered by us	70,000,000 shares
Common stock to be outstanding after this offering	544,696,816 shares
Option to purchase additional shares of common stock from us	10,500,000 shares
Use of proceeds	<p>We estimate that the net proceeds from the sale of shares of our common stock in this offering will be approximately \$1.25 billion (or approximately \$1.44 billion if the underwriters' option to purchase additional shares of our common stock from us is exercised in full), based upon the assumed initial public offering price of \$18.50 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.</p> <p>The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock and enable access to the public equity markets for us and our stockholders. We intend to use the net proceeds from this offering for general corporate purposes, including working capital, operating expenses and capital expenditures. We also may use a portion of the net proceeds to satisfy our anticipated tax withholding and remittance obligations related to the settlement of our outstanding RSUs. Additionally, we may use a portion of the net proceeds to acquire businesses, products, services or technologies. However, except for our proposed acquisition of MoPub Inc., or MoPub, in exchange for shares of our common stock, we do not have agreements or commitments for any material acquisitions at this time. See the section titled "Use of Proceeds" for additional information.</p>
Concentration of Ownership	<p>Upon completion of this offering, our executive officers, directors and holders of 5% or more of our common stock will beneficially own, in the aggregate, approximately 51.4% of the outstanding shares of our common stock.</p>
NYSE trading symbol	TWTR

## **Table of Contents**

The number of shares of our common stock that will be outstanding after this offering is based on 474,696,816 shares of our common stock (including preferred stock on an as-converted basis) outstanding as of September 30, 2013, and excludes:

42,708,824 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock outstanding as of September 30, 2013, with a weighted-average exercise price of \$1.84 per share;

85,657,603 shares of our common stock subject to RSUs outstanding as of September 30, 2013;

116,512 shares of our common stock, on an as-converted basis, issuable upon the exercise of a warrant to purchase convertible preferred stock outstanding as of September 30, 2013, with an exercise price of \$0.34 per share;

7,202,952 shares of our common stock subject to RSUs granted after September 30, 2013;

up to 14,791,464 shares of our common stock issuable upon completion of our acquisition of MoPub, which includes shares of our common stock issuable upon the exercise of options to purchase shares of our common stock that will be assumed and converted from options to purchase shares of MoPub common stock upon completion of our acquisition of MoPub; and

80,300,000 shares of our common stock reserved for future issuance under our equity compensation plans which will become effective prior to the completion of this offering, consisting of:

68,300,000 shares of our common stock reserved for future issuance under our 2013 Equity Incentive Plan, or our 2013 Plan; and

12,000,000 shares of our common stock reserved for future issuance under our 2013 Employee Stock Purchase Plan, or our ESPP.

Our 2013 Plan and ESPP each provide for annual automatic increases in the number of shares reserved thereunder and our 2013 Plan also provides for increases to the number of shares that may be granted thereunder based on shares under our 2007 Equity Incentive Plan, or our 2007 Plan, that expire, are forfeited or otherwise repurchased by us, as more fully described in the section titled "Executive Compensation Employee Benefit and Stock Plans."

Except as otherwise indicated, all information in this prospectus assumes:

the automatic conversion of all outstanding shares of our Class A junior preferred stock and our convertible preferred stock into an aggregate of 333,099,000 shares of our common stock, the conversion of which will occur immediately prior to the completion of this offering;

the filing and effectiveness of our amended and restated certificate of incorporation in Delaware and the effectiveness of our amended and restated bylaws, each of which will occur immediately prior to the completion of this offering; and

no exercise by the underwriters of their option to purchase up to an additional 10,500,000 shares of our common stock from us.





**Table of Contents****SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA**

The following tables summarize our consolidated financial and other data. We have derived the summary consolidated statement of operations data for the years ended December 31, 2010, 2011 and 2012 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary consolidated statement of operations data for the nine months ended September 30, 2012 and 2013 and our balance sheet data as of September 30, 2013 from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and reflect, in the opinion of management, all adjustments of a normal, recurring nature that are necessary for a fair statement of the unaudited interim consolidated financial statements. Our historical results are not necessarily indicative of the results that may be expected in the future and the results in the nine months ended September 30, 2013 are not necessarily indicative of results to be expected for the full year or any other period. The following summary consolidated financial and other data should be read in conjunction with the section titled

Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,			Nine Months Ended	
	2010	2011	2012	2012	2013
	(In thousands, except per share data)				
<b>Consolidated Statement of Operations Data:</b>					
Revenue	\$ 28,278	\$ 106,313	\$ 316,933	\$ 204,686	\$ 422,215
Costs and expenses <sup>(1)</sup>					
Cost of revenue	43,168	61,803	128,768	91,850	154,067
Research and development	29,348	80,176	119,004	78,664	199,144
Sales and marketing	6,289	25,988	86,551	57,767	138,911
General and administrative	16,952	65,757	59,693	44,712	56,248
Total costs and expenses	95,757	233,724	394,016	272,993	548,370
Loss from operations	(67,479)	(127,411)	(77,083)	(68,307)	(126,155)
Interest income (expense), net	55	(805)	(2,486)	(1,656)	(4,473)
Other income (expense), net	(117)	(1,530)	399	926	(1,730)
Loss before income taxes	(67,541)	(129,746)	(79,170)	(69,037)	(132,358)
Provision (benefit) for income taxes	(217)	(1,444)	229	1,657	1,494
Net loss	\$ (67,324)	\$ (128,302)	\$ (79,399)	\$ (70,694)	\$ (133,852)
Deemed dividend to investors in relation to the tender offer		35,816			
Net loss attributable to common stockholders	\$ (67,324)	\$ (164,118)	\$ (79,399)	\$ (70,694)	\$ (133,852)
Weighted-average shares used to compute net loss per share attributable to common stockholders:					
Basic and diluted	75,992	102,544	117,401	116,119	131,196
Net loss per share attributable to common stockholders:					
Basic and diluted	\$ (0.89)	\$ (1.60)	\$ (0.68)	\$ (0.61)	\$ (1.02)
Pro forma net loss per share attributable to common stockholders (unaudited): <sup>(2)</sup>					
Basic and diluted			\$ (0.18)		\$ (0.28)
<b>Other Financial Information:<sup>(3)</sup></b>					
Adjusted EBITDA	\$ (51,184)	\$ (42,835)	\$ 21,164	\$ 3,593	\$ 30,685
Non-GAAP net loss	\$ (54,066)	\$ (65,533)	\$ (35,191)	\$ (34,920)	\$ (44,104)



**Table of Contents**

- (1) Costs and expenses include stock-based compensation expense as follows:

	Year Ended December 31,			Nine Months Ended	
	2010	2011	2012	2012	2013
	(In thousands)				
Cost of revenue	\$ 200	\$ 1,820	\$ 800	\$ 618	\$ 5,015
Research and development	3,409	33,559	12,622	9,013	53,377
Sales and marketing	249	1,553	1,346	985	10,356
General and administrative	2,073	23,452	10,973	9,779	10,422
<b>Total stock-based compensation</b>	<b>\$ 5,931</b>	<b>\$ 60,384</b>	<b>\$ 25,741</b>	<b>\$ 20,395</b>	<b>\$ 79,170</b>

- (2) See Note 9 to our consolidated financial statements for an explanation of the calculations of our pro forma net loss per share attributable to common stockholders.
- (3) See the section titled **Non-GAAP Financial Measures** for additional information and a reconciliation of net loss to Adjusted EBITDA and net loss to non-GAAP net loss.

	As of September 30, 2013		
	Actual	Pro Forma <sup>(1)</sup>	Pro Forma as Adjusted <sup>(2)(3)</sup>
	(In thousands)		
<b>Consolidated Balance Sheet Data:</b>			
Cash and cash equivalents	\$ 155,704	\$ 155,704	\$ 1,404,522 <sup>(4)</sup>
Short-term investments	165,371	165,371	165,371
Working capital	331,997	331,997	1,583,601 <sup>(5)</sup>
Property and equipment, net	284,024	284,024	284,024
Total assets	992,803	992,803	2,237,709 <sup>(6)</sup>
Total liabilities	298,928	287,758	284,972 <sup>(7)</sup>
Class A junior preferred stock	37,106		
Convertible preferred stock	835,430		
Total stockholders' equity (deficit)	(178,661)	705,045	1,952,737

- (1) The pro forma column in the balance sheet data table above reflects (a) the automatic conversion of all outstanding shares of our Class A junior preferred stock and our convertible preferred stock into an aggregate of 333,099,000 shares of our common stock, which conversion will occur immediately prior to the completion of this offering, as if such conversion had occurred on September 30, 2013, (b) the resulting reclassification of the restricted Class A junior preferred stock and preferred stock warrant liability from other long-term liabilities to additional paid-in capital and (c) stock-based compensation expense of \$385.2 million, associated with Pre-2013 RSUs for which the service condition was satisfied as of September 30, 2013, and which we expect to record upon completion of this offering, as further described in the section titled **Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Stock-Based Compensation**.
- (2) The pro forma as adjusted column in the balance sheet data table above gives effect to (a) the pro forma adjustments set forth above, (b) the sale and issuance by us of 70,000,000 shares of our common stock in this offering, based upon the assumed initial public offering price of \$18.50 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us and (c) the filing and effectiveness of our amended and restated certificate of incorporation in Delaware.
- (3) Each \$1.00 increase or decrease in the assumed initial public offering price of \$18.50 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, the amount of our cash and cash equivalents, working capital, total assets and total stockholders' equity by \$67.7 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting estimated underwriting discounts and commissions payable by us. An increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease, as applicable, the amount of our cash and cash equivalents, working capital, total assets and total stockholders' equity by \$17.9 million, assuming an initial public offering price of \$18.50 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions payable by us.

## Edgar Filing: TWITTER, INC. - Form S-1/A

- (4) Pro forma as adjusted cash and cash equivalents reflects \$1.1 million of deferred offering costs that had been paid as of September 30, 2013.
- (5) Pro forma as adjusted working capital reflects \$1.1 million of deferred offering costs that had been paid as of September 30, 2013, and unpaid deferred offering costs of \$2.8 million as of September 30, 2013.
- (6) Pro forma as adjusted total assets reflects the reclassification of the total deferred offering costs of \$3.9 million as of September 30, 2013 to stockholders equity.
- (7) Pro forma as adjusted total liabilities reflects unpaid deferred offering costs of \$2.8 million as of September 30, 2013.

**Table of Contents****Non-GAAP Financial Measures**

To supplement our consolidated financial statements presented in accordance with generally accepted accounting principles in the United States, or GAAP, we consider certain financial measures that are not prepared in accordance with GAAP, including Adjusted EBITDA and non-GAAP net loss. These non-GAAP financial measures are not based on any standardized methodology prescribed by GAAP and are not necessarily comparable to similarly-titled measures presented by other companies.

***Adjusted EBITDA***

We define Adjusted EBITDA as net loss adjusted to exclude stock-based compensation expense, depreciation and amortization expense, interest and other expenses and provision (benefit) for income taxes.

The following table presents a reconciliation of net loss to Adjusted EBITDA for each of the periods indicated:

	Year Ended December 31,			Nine Months Ended	
	2010	2011	2012	2012	2013
	(In thousands)				
Reconciliation of Net Loss to Adjusted EBITDA					
Net loss	\$ (67,324)	\$ (128,302)	\$ (79,399)	\$ (70,694)	\$ (133,852)
Stock-based compensation expense	5,931	60,384	25,741	20,395	79,170
Depreciation and amortization expense	10,364	24,192	72,506	51,505	77,670
Interest and other expense	62	2,335	2,087	730	6,203
Provision (benefit) for income taxes	(217)	(1,444)	229	1,657	1,494
Adjusted EBITDA	\$ (51,184)	\$ (42,835)	\$ 21,164	\$ 3,593	\$ 30,685

***Non-GAAP Net Loss***

We define non-GAAP net loss as net loss adjusted to exclude stock-based compensation expense, amortization of acquired intangible assets and the income tax effects related to acquisitions.

The following table presents a reconciliation of net loss to non-GAAP net loss for each of the periods indicated:

	Year Ended December 31,			Nine Months Ended	
	2010	2011	2012	2012	2013
	(In thousands)				
Reconciliation of Net Loss to Non-GAAP Net Loss					
Net loss	\$ (67,324)	\$ (128,302)	\$ (79,399)	\$ (70,694)	\$ (133,852)
Stock-based compensation expense	5,931	60,384	25,741	20,395	79,170
Amortization of acquired intangible assets	7,506	4,697	18,687	14,889	10,961
Income tax effects related to acquisitions	(179)	(2,312)	(220)	490	(383)
Non-GAAP net loss	\$ (54,066)	\$ (65,533)	\$ (35,191)	\$ (34,920)	\$ (44,104)

We use the non-GAAP financial measures of Adjusted EBITDA and non-GAAP net loss in evaluating our operating results and for financial and operational decision-making purposes. We believe that Adjusted EBITDA and non-GAAP net loss help identify underlying trends in our business that could otherwise be masked by the effect of the expenses that we exclude in Adjusted EBITDA and



## **Table of Contents**

non-GAAP net loss. We believe that Adjusted EBITDA and non-GAAP net loss provide useful information about our operating results, enhance the overall understanding of our past performance and future prospects and allow for greater transparency with respect to key metrics used by our management in its financial and operational decision-making. We use these measures to establish budgets and operational goals for managing our business and evaluating our performance. We are presenting the non-GAAP measures of Adjusted EBITDA and non-GAAP net loss to assist investors in seeing our operating results through the eyes of management, and because we believe that these measures provide an additional tool for investors to use in comparing our core business operating results over multiple periods with other companies in our industry.

These non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures rather than net loss, which is the nearest GAAP equivalent of these financial measures. Some of these limitations are:

These non-GAAP financial measures exclude certain recurring, non-cash charges such as stock-based compensation expense and amortization of acquired intangible assets;

Stock-based compensation expense, which is not reflected in these non-GAAP financial measures, has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of our compensation strategy;

Adjusted EBITDA does not reflect tax payments that reduce cash available to us;

Adjusted EBITDA excludes depreciation and amortization expense and, although these are non-cash charges, the property and equipment being depreciated and amortized may have to be replaced in the future; and

The expenses that we exclude in our calculation of these non-GAAP financial measures may differ from the expenses, if any, that our peer companies may exclude from similarly-titled non-GAAP measures when they report their results of operations. We have attempted to compensate for these limitations by providing the nearest GAAP equivalents of these non-GAAP financial measures and describing these GAAP equivalents under the section titled Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations.

## **Table of Contents**

### **RISK FACTORS**

*Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, before making a decision to invest in our common stock. The risks and uncertainties described below may not be the only ones we face. If any of the risks actually occur, our business, financial condition, operating results and prospects could be materially and adversely affected. In that event, the market price of our common stock could decline, and you could lose part or all of your investment.*

#### **Risks Related to Our Business and Our Industry**

***If we fail to grow our user base, or if user engagement or ad engagement on our platform decline, our revenue, business and operating results may be harmed.***

The size of our user base and our users' level of engagement are critical to our success. We had 231.7 million average MAUs in the three months ended September 30, 2013, which was a 39% increase from 167.1 million average MAUs in the three months ended September 30, 2012. Our financial performance has been and will continue to be significantly determined by our success in growing the number of users and increasing their overall level of engagement on our platform as well as the number of ad engagements. We anticipate that our user growth rate will slow over time as the size of our user base increases. For example, in general, a higher proportion of Internet users in the United States uses Twitter than Internet users in other countries and, in the future, we expect our user growth rate in certain international markets, such as Argentina, France, Japan, Russia, Saudi Arabia and South Africa, to continue to be higher than our user growth rate in the United States. To the extent our user growth rate slows, our success will become increasingly dependent on our ability to increase levels of user engagement and ad engagement on Twitter. We generate a substantial majority of our revenue based upon engagement by our users with the ads that we display. If people do not perceive our products and services to be useful, reliable and trustworthy, we may not be able to attract users or increase the frequency of their engagement with our platform and the ads that we display. A number of consumer-oriented websites that achieved early popularity have since seen their user bases or levels of engagement decline, in some cases precipitously. There is no guarantee that we will not experience a similar erosion of our user base or engagement levels. A number of factors could potentially negatively affect user growth and engagement, including if:

users engage with other products, services or activities as an alternative to ours;

influential users, such as world leaders, government officials, celebrities, athletes, journalists, sports teams, media outlets and brands or certain age demographics conclude that an alternative product or service is more relevant;

we are unable to convince potential new users of the value and usefulness of our products and services;

there is a decrease in the perceived quality of the content generated by our users;

we fail to introduce new and improved products or services or if we introduce new or improved products or services that are not favorably received or that negatively affect user engagement;

technical or other problems prevent us from delivering our products or services in a rapid and reliable manner or otherwise affect the user experience;

we are unable to present users with content that is interesting, useful and relevant to them;



## Edgar Filing: TWITTER, INC. - Form S-1/A

users believe that their experience is diminished as a result of the decisions we make with respect to the frequency, relevance and prominence of ads that we display;

## **Table of Contents**

there are user concerns related to privacy and communication, safety, security or other factors;

we are unable to combat spam or other hostile or inappropriate usage on our platform;

there are adverse changes in our products or services that are mandated by, or that we elect to make to address, legislation, regulatory authorities or litigation, including settlements or consent decrees;

we fail to provide adequate customer service to users; or

we do not maintain our brand image or our reputation is damaged.

If we are unable to increase our user growth or engagement, or if they decline, this could result in our products and services being less attractive to potential new users, as well as advertisers, which would have a material and adverse impact on our business, financial condition and operating results.

***If our users do not continue to contribute content or their contributions are not valuable to other users, we may experience a decline in the number of users accessing our products and services and user engagement, which could result in the loss of advertisers and revenue.***

Our success depends on our ability to provide users of our products and services with valuable content, which in turn depends on the content contributed by our users. We believe that one of our competitive advantages is the quality, quantity and real-time nature of the content on Twitter, and that access to unique or real-time content is one of the main reasons users visit Twitter. Our ability to expand into new international markets depends on the availability of relevant local content in those markets. We seek to foster a broad and engaged user community, and we encourage world leaders, government officials, celebrities, athletes, journalists, sports teams, media outlets and brands to use our products and services to express their views to broad audiences. We also encourage media outlets to use our products and services to distribute their content. If users, including influential users, do not continue to contribute content to Twitter, and we are unable to provide users with valuable and timely content, our user base and user engagement may decline. Additionally, if we are not able to address user concerns regarding the safety and security of our products and services or if we are unable to successfully prevent abusive or other hostile behavior on our platform, the size of our user base and user engagement may decline. We rely on the sale of advertising services for the substantial majority of our revenue. If we experience a decline in the number of users or a decline in user engagement, including as a result of the loss of world leaders, government officials, celebrities, athletes, journalists, sports teams, media outlets and brands who generate content on Twitter, advertisers may not view our products and services as attractive for their marketing expenditures, and may reduce their spending with us which would harm our business and operating results.

***We generate the substantial majority of our revenue from advertising. The loss of advertising revenue could harm our business.***

The substantial majority of our revenue is currently generated from third parties advertising on Twitter. We generated 85% and 89% of our revenue from advertising in 2012 and the nine months ended September 30, 2013, respectively. We generate substantially all of our advertising revenue through the sale of our three Promoted Products: Promoted Tweets, Promoted Accounts and Promoted Trends. As is common in the industry, our advertisers do not have long-term advertising commitments with us. In addition, many of our advertisers purchase our advertising services through one of several large advertising agency holding companies. Advertising agencies and potential new advertisers may view our Promoted Products as experimental and unproven, and we may need to devote additional time and resources to educate them about our products and services. Advertisers also may choose to reach users through our free products and services, instead of our Promoted Products. Advertisers will not continue to do business with us, or they will reduce the prices they are

**Table of Contents**

willing to pay to advertise with us, if we do not deliver ads in an effective manner, or if they do not believe that their investment in advertising with us will generate a competitive return relative to alternatives, including online, mobile and traditional advertising platforms. Our advertising revenue could be adversely affected by a number of other factors, including:

decreases in user engagement with Twitter and with the ads on our platform;

if we are unable to demonstrate the value of our Promoted Products to advertisers and advertising agencies or if we are unable to measure the value of our Promoted Products in a manner which advertisers and advertising agencies find useful;

if our Promoted Products are not cost effective or valuable for certain types of advertisers or if we are unable to develop cost effective or valuable advertising services for different types of advertisers;

if we are unable to convince advertisers and brands to invest resources in learning to use our products and services and maintaining a brand presence on Twitter;

product or service changes we may make that change the frequency or relative prominence of ads displayed on Twitter or that detrimentally impact revenue in the near term with the goal of achieving long term benefits;

our inability to increase advertiser demand and inventory;

our inability to increase the relevance of ads shown to users;

our inability to help advertisers effectively target ads, including as a result of the fact that we do not collect extensive private personally identifiable information directly from our users and that we do not have real-time geographic information for all of our users;

continuing decreases in the cost per ad engagement;

loss of advertising market share to our competitors;

the degree to which users access Twitter content through applications that do not contain our ads;

if we enter into revenue sharing arrangements or other partnerships with third parties;

our new advertising strategies, such as television targeting and real-time video clips embedded in Tweets, do not gain traction;

the impact of new technologies that could block or obscure the display of our ads;

## Edgar Filing: TWITTER, INC. - Form S-1/A

adverse legal developments relating to advertising or measurement tools related to the effectiveness of advertising, including legislative and regulatory developments, and developments in litigation;

adverse media reports or other negative publicity involving us or other companies in our industry;

our inability to create new products and services that sustain or increase the value of our advertising services to both our advertisers and our users;

the impact of fraudulent clicks or spam on our Promoted Products and our users;

changes in the way our advertising is priced; and

the impact of macroeconomic conditions and conditions in the advertising industry in general.

The occurrence of any of these or other factors could result in a reduction in demand for our ads, which may reduce the prices we receive for our ads, either of which would negatively affect our revenue and operating results.

## **Table of Contents**

*If we are unable to compete effectively for users and advertiser spend, our business and operating results could be harmed.*

Competition for users of our products and services is intense. Although we have developed a new global platform for public self-expression and conversation in real time, we face strong competition in our business. We compete against many companies to attract and engage users, including companies which have greater financial resources and substantially larger user bases, such as Facebook (including Instagram), Google, LinkedIn, Microsoft and Yahoo!, which offer a variety of Internet and mobile device-based products, services and content. For example, Facebook operates a social networking site with significantly more users than Twitter and has been introducing features similar to those of Twitter. In addition, Google may use its strong position in one or more markets to gain a competitive advantage over us in areas in which we operate, including by integrating competing features into products or services they control. As a result, our competitors may acquire and engage users at the expense of the growth or engagement of our user base, which would negatively affect our business. We also compete against smaller companies, such as Sina Weibo, LINE and Kakao, each of which is based in Asia.

We believe that our ability to compete effectively for users depends upon many factors both within and beyond our control, including:

the popularity, usefulness, ease of use, performance and reliability of our products and services compared to those of our competitors;

the amount, quality and timeliness of content generated by our users;

the timing and market acceptance of our products and services;

the continued adoption of our products and services internationally;

our ability, and the ability of our competitors, to develop new products and services and enhancements to existing products and services;

the frequency and relative prominence of the ads displayed by us or our competitors;

our ability to establish and maintain relationships with platform partners that integrate with our platform;

changes mandated by, or that we elect to make to address, legislation, regulatory authorities or litigation, including settlements and consent decrees, some of which may have a disproportionate effect on us;

the application of antitrust laws both in the United States and internationally;

government action regulating competition;

our ability to attract, retain and motivate talented employees, particularly engineers, designers and product managers;

acquisitions or consolidation within our industry, which may result in more formidable competitors; and

our reputation and the brand strength relative to our competitors.

We also face significant competition for advertiser spend. The substantial majority of our revenue is currently generated through ads on Twitter, and we compete against online and mobile businesses, including those referenced above, and traditional media outlets, such as television, radio and print, for advertising budgets. In order to grow our revenue and improve our operating results, we must increase our share of spending on advertising relative to our competitors, many of which are larger companies that offer more traditional and widely accepted advertising products. In addition, some of our larger

## **Table of Contents**

competitors have substantially broader product or service offerings and leverage their relationships based on other products or services to gain additional share of advertising budgets.

We believe that our ability to compete effectively for advertiser spend depends upon many factors both within and beyond our control, including:

the size and composition of our user base relative to those of our competitors;

our ad targeting capabilities, and those of our competitors;

the timing and market acceptance of our advertising services, and those of our competitors;

our marketing and selling efforts, and those of our competitors;

the pricing for our Promoted Products relative to the advertising products and services of our competitors;

the return our advertisers receive from our advertising services, and those of our competitors; and

our reputation and the strength of our brand relative to our competitors.

In recent years, there have been significant acquisitions and consolidation by and among our actual and potential competitors. We anticipate this trend of consolidation will continue, which will present heightened competitive challenges for our business. Acquisitions by our competitors may result in reduced functionality of our products and services. For example, following Facebook's acquisition of Instagram, Facebook disabled Instagram's photo integration with Twitter such that Instagram photos are no longer viewable within Tweets and users are now re-directed to Instagram to view Instagram photos through a link within a Tweet. As a result, our users may be less likely to click on links to Instagram photos in Tweets, and Instagram users may be less likely to tweet or remain active users of Twitter. Any similar elimination of integration with Twitter in the future, whether by Facebook or others, may adversely impact our business and operating results.

Consolidation may also enable our larger competitors to offer bundled or integrated products that feature alternatives to our platform. Reduced functionality of our products and services, or our competitors' ability to offer bundled or integrated products that compete directly with us, may cause our user growth, user engagement and ad engagement to decline and advertisers to reduce their spend with us.

If we are not able to compete effectively for users and advertiser spend our business and operating results would be materially and adversely affected.

***Our operating results may fluctuate from quarter to quarter, which makes them difficult to predict.***

Our quarterly operating results have fluctuated in the past and will fluctuate in the future. As a result, our past quarterly operating results are not necessarily indicators of future performance. Our operating results in any given quarter can be influenced by numerous factors, many of which we are unable to predict or are outside of our control, including:

our ability to grow our user base and user engagement;

## Edgar Filing: TWITTER, INC. - Form S-1/A

our ability to attract and retain advertisers;

the occurrence of planned significant events, such as the Super Bowl, or unplanned significant events, such as natural disasters and political revolutions;

fluctuations in spending by our advertisers, including as a result of seasonality and extraordinary news events, or other factors;



**Table of Contents**

the number of ad engagements by users;

the pricing of our ads and other products and services;

the development and introduction of new products or services or changes in features of existing products or services;

the impact of competitors or competitive products and services;

our ability to maintain or increase revenue;

our ability to maintain or improve gross margins and operating margins;

increases in research and development, marketing and sales and other operating expenses that we may incur to grow and expand our operations and to remain competitive;

stock-based compensation expense, including in the year we complete this offering;

costs related to the acquisition of businesses, talent, technologies or intellectual property, including potentially significant amortization costs;

system failures resulting in the inaccessibility of our products and services;

breaches of security or privacy, and the costs associated with remediating any such breaches;

adverse litigation judgments, settlements or other litigation-related costs, and the fees associated with investigating and defending claims;

changes in the legislative or regulatory environment, including with respect to security, privacy or enforcement by government regulators, including fines, orders or consent decrees;

fluctuations in currency exchange rates and changes in the proportion of our revenue and expenses denominated in foreign currencies;

changes in U.S. generally accepted accounting principles; and

changes in global business or macroeconomic conditions.

Given our limited operating history and the rapidly evolving markets in which we compete, our historical operating results may not be useful to you in predicting our future operating results. We believe our rapid growth may understate the potential seasonality of our business. As our

revenue growth rate slows, we expect that the seasonality in our business may become more pronounced and may in the future cause our operating results to fluctuate. For example, advertising spending is traditionally seasonally strong in the fourth quarter of each year and we believe that this seasonality affects our quarterly results, which generally reflect higher sequential advertising revenue growth from the third to fourth quarter compared to sequential advertising revenue growth from the fourth quarter to the subsequent first quarter. In addition, global economic concerns continue to create uncertainty and unpredictability and add risk to our future outlook. An economic downturn in any particular region in which we do business or globally could result in reductions in advertising revenue, as our advertisers reduce their advertising budgets, and other adverse effects that could harm our operating results.

***User growth and engagement depend upon effective interoperability with operating systems, networks, devices, web browsers and standards that we do not control.***

We make our products and services available across a variety of operating systems and through websites. We are dependent on the interoperability of our products and services with popular devices, desktop and mobile operating systems and web browsers that we do not control, such as Mac OS, Windows, Android, iOS, Chrome and Firefox. Any changes in such systems, devices or web browsers that degrade the functionality of our products and services or give preferential treatment to competitive

## **Table of Contents**

products or services could adversely affect usage of our products and services. Further, if the number of platforms for which we develop our product expands, it will result in an increase in our operating expenses. In order to deliver high quality products and services, it is important that our products and services work well with a range of operating systems, networks, devices, web browsers and standards that we do not control. In addition, because a majority of our users access our products and services through mobile devices, we are particularly dependent on the interoperability of our products and services with mobile devices and operating systems. We may not be successful in developing relationships with key participants in the mobile industry or in developing products or services that operate effectively with these operating systems, networks, devices, web browsers and standards. In the event that it is difficult for our users to access and use our products and services, particularly on their mobile devices, our user growth and engagement could be harmed, and our business and operating results could be adversely affected.

*If we fail to expand effectively in international markets, our revenue and our business will be harmed.*

We may not be able to monetize our products and services internationally as effectively as in the United States as a result of competition, advertiser demand, differences in the digital advertising market and digital advertising conventions, as well as differences in the way that users in different countries access or utilize our products and services. Differences in the competitive landscape in international markets may impact our ability to monetize our products and services. For example, in South Korea we face intense competition from a messaging service offered by Kakao, which offers some of the same communication features as Twitter. The existence of a well-established competitor in an international market may adversely affect our ability to increase our user base, attract advertisers and monetize our products in such market. We may also experience differences in advertiser demand in international markets. For example, during times of political upheaval, advertisers may choose not to advertise on Twitter. Certain international markets are also not as familiar with digital advertising in general, or in new forms of digital advertising such as our Promoted Products. Further, we face challenges in providing certain advertising products, features or analytics in certain international markets, such as the European Union, due to government regulation. Our products and services may also be used differently abroad than in the United States. In particular, in certain international markets where Internet access is not as rapid or reliable as in the United States, users tend not to take advantage of certain features of our products and services, such as rich media included in Tweets. Additionally, in certain emerging markets, such as India, many users access our products and services through feature phones with limited functionality, rather than through smartphones, our website or desktop applications. This limits our ability to deliver certain features to those users and may limit the ability of advertisers to deliver compelling advertisements to users in these markets which may result in reduced ad engagements which would adversely affect our business and operating results.

If our revenue from our international operations, and particularly from operations in the countries and regions on which we have focused our spending, does not exceed the expense of establishing and maintaining these operations, our business and operating results will suffer. In addition, our user base may expand more rapidly in international regions where we are less successful in monetizing our products and services. As our user base continues to expand internationally, we will need to increase revenue from the activity generated by our international users in order to grow our business. For example, users outside the United States constituted 77% of our average MAUs in the three months ended September 30, 2013, but our international revenue, as determined based on the billing location of our advertisers, was only 26% of our consolidated revenue in the three months ended September 30, 2013. Our inability to successfully expand internationally could adversely affect our business, financial condition and operating results.

## **Table of Contents**

***We have a limited operating history in a new and unproven market for our platform, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.***

We have developed a global platform for public self-expression and conversation in real time, and the market for our products and services is relatively new and may not develop as expected, if at all. People who are not our users may not understand the value of our products and services and new users may initially find our product confusing. There may be a perception that our products and services are only useful to users who tweet, or to influential users with large audiences. Convincing potential new users of the value of our products and services is critical to increasing our user base and to the success of our business.

We have a limited operating history, and only began to generate revenue in 2009 and we started to sell our Promoted Products in 2010, which makes it difficult to effectively assess our future prospects or forecast our future results. You should consider our business and prospects in light of the risks and challenges we encounter or may encounter in this developing and rapidly evolving market. These risks and challenges include our ability to, among other things:

increase our number of users and user engagement;

successfully expand our business, especially internationally;

develop a reliable, scalable, secure, high-performance technology infrastructure that can efficiently handle increased usage globally;

convince advertisers of the benefits of our Promoted Products compared to alternative forms of advertising;

develop and deploy new features, products and services;

successfully compete with other companies, some of which have substantially greater resources and market power than us, that are currently in, or may in the future enter, our industry, or duplicate the features of our products and services;

attract, retain and motivate talented employees, particularly engineers, designers and product managers;

process, store, protect and use personal data in compliance with governmental regulations, contractual obligations and other obligations related to privacy and security;

continue to earn and preserve our users' trust, including with respect to their private personal information; and

defend ourselves against litigation, regulatory, intellectual property, privacy or other claims.

If we fail to educate potential users and potential advertisers about the value of our products and services, if the market for our platform does not develop as we expect or if we fail to address the needs of this market, our business will be harmed. We may not be able to successfully address these risks and challenges or others. Failure to adequately address these risks and challenges could harm our business and cause our operating results to suffer.

***We have incurred significant operating losses in the past, and we may not be able to achieve or subsequently maintain profitability.***

## Edgar Filing: TWITTER, INC. - Form S-1/A

Since our inception, we have incurred significant operating losses, and, as of September 30, 2013, we had an accumulated deficit of \$483.2 million. Although our revenue has grown rapidly, increasing from \$28.3 million in 2010 to \$316.9 million in 2012, we expect that our revenue growth rate

## **Table of Contents**

will slow in the future as a result of a variety of factors, including the gradual slow down in the growth rate of our user base. We believe that our future revenue growth will depend on, among other factors, our ability to attract new users, increase user engagement and ad engagement, increase our brand awareness, compete effectively, maximize our sales efforts, demonstrate a positive return on investment for advertisers, successfully develop new products and services and expand internationally. Accordingly, you should not rely on the revenue growth of any prior quarterly or annual period as an indication of our future performance. We also expect our costs to increase in future periods as we continue to expend substantial financial resources on:

our technology infrastructure;

research and development for our products and services;

sales and marketing;

domestic and international expansion efforts;

attracting and retaining talented employees;

strategic opportunities, including commercial relationships and acquisitions; and

general administration, including personnel costs and legal and accounting expenses related to being a public company.

These investments may not result in increased revenue or growth in our business.

In addition, we have granted stock options and RSUs to our employees. RSUs granted to domestic employees before February 2013 and all RSUs granted to international employees, or the Pre-2013 RSUs, vest upon the satisfaction of both a service condition and a performance condition. The service condition for a majority of the Pre-2013 RSUs is satisfied over a period of four years. The performance condition will be satisfied on the earlier of (i) the date that is the earlier of (x) six months after the effective date of this offering or (y) March 8th of the calendar year following the effective date of this offering (which we may elect to accelerate to February 15th); and (ii) the date of a change in control. As of September 30, 2013, no stock-based compensation expense had been recognized for the Pre-2013 RSUs because a qualifying event as described above was not probable. In the quarter in which this offering is completed, we will begin recording stock-based compensation expense based on the grant-date fair value of the Pre-2013 RSUs using the accelerated attribution method, net of estimated forfeitures. If this offering had been completed on September 30, 2013, we would have recorded \$385.2 million of cumulative stock-based compensation expense related to the Pre-2013 RSUs on that date, and an additional \$199.6 million of unrecognized stock-based compensation expense related to the Pre-2013 RSUs, net of estimated forfeitures, would be recognized over a weighted-average period of approximately three years. In addition to stock-based compensation expense associated with the Pre-2013 RSUs, as of September 30, 2013, we had unrecognized stock-based compensation expense of approximately \$698.3 million related to other outstanding equity awards, after giving effect to estimated forfeitures, which we expect to recognize over a weighted-average period of approximately four years. Further, we made grants of equity awards after September 30, 2013, and we have unrecognized stock-based compensation expense of \$108.7 million related to such equity awards, after giving effect to estimated forfeitures, which we expect to recognize over a weighted-average period of approximately four years. Following the completion of this offering, the stock-based compensation expense related to Pre-2013 RSUs and other outstanding equity awards will have a significant negative impact on our ability to achieve profitability on a GAAP basis in 2013 and 2014.

If we are unable to generate adequate revenue growth and to manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or maintain profitability.



## **Table of Contents**

***Our business depends on continued and unimpeded access to our products and services on the Internet by our users and advertisers. If we or our users experience disruptions in Internet service or if Internet service providers are able to block, degrade or charge for access to our products and services, we could incur additional expenses and the loss of users and advertisers.***

We depend on the ability of our users and advertisers to access the Internet. Currently, this access is provided by companies that have significant market power in the broadband and Internet access marketplace, including incumbent telephone companies, cable companies, mobile communications companies, government-owned service providers, device manufacturers and operating system providers, any of whom could take actions that degrade, disrupt or increase the cost of user access to our products or services, which would, in turn, negatively impact our business. For example, access to Twitter is blocked in China. The adoption of any laws or regulations that adversely affect the growth, popularity or use of the Internet, including laws or practices limiting Internet neutrality, could decrease the demand for, or the usage of, our products and services, increase our cost of doing business and adversely affect our operating results. We also rely on other companies to maintain reliable network systems that provide adequate speed, data capacity and security to us and our users. As the Internet continues to experience growth in the number of users, frequency of use and amount of data transmitted, the Internet infrastructure that we and our users rely on may be unable to support the demands placed upon it. The failure of the Internet infrastructure that we or our users rely on, even for a short period of time, could undermine our operations and harm our operating results.

***Our new products, services and initiatives and changes to existing products, services and initiatives could fail to attract users and advertisers or generate revenue.***

Our ability to increase the size and engagement of our user base, attract advertisers and generate revenue will depend in part on our ability to create successful new products and services, both independently and in conjunction with third parties. We may introduce significant changes to our existing products and services or develop and introduce new and unproven products and services, including technologies with which we have little or no prior development or operating experience. For example, in 2013, we introduced Vine, a mobile application that enables users to create and distribute videos that are up to six seconds in length, and #Music, a mobile application that helps users discover new music and artists based on Twitter data. If new or enhanced products or services fail to engage users and advertisers, we may fail to attract or retain users or to generate sufficient revenue or operating profit to justify our investments, and our business and operating results could be adversely affected. In addition, we have launched and expect to continue to launch strategic initiatives, such as the Nielsen Twitter TV Rating, that do not directly generate revenue but which we believe will enhance our attractiveness to users and advertisers. In the future, we may invest in new products, services and initiatives to generate revenue, but there is no guarantee these approaches will be successful. We may not be successful in future efforts to generate revenue from our new products or services. If our strategic initiatives do not enhance our ability to monetize our existing products and services or enable us to develop new approaches to monetization, we may not be able to maintain or grow our revenue or recover any associated development costs and our operating results could be adversely affected.

***Spam could diminish the user experience on our platform, which could damage our reputation and deter our current and potential users from using our products and services.***

Spam on Twitter refers to a range of abusive activities that are prohibited by our terms of service and is generally defined as unsolicited, repeated actions that negatively impact other users with the general goal of drawing user attention to a given account, site, product or idea. This includes posting large numbers of unsolicited mentions of a user, duplicate Tweets, misleading links (e.g., to malware or click-jacking pages) or other false or misleading content, and aggressively following and



## **Table of Contents**

un-following accounts, adding users to lists, sending invitations, retweeting and favoriting Tweets to inappropriately attract attention. Our terms of service also prohibit the creation of serial or bulk accounts, both manually or using automation, for disruptive or abusive purposes, such as to tweet spam or to artificially inflate the popularity of users seeking to promote themselves on Twitter. Although we continue to invest resources to reduce spam on Twitter, we expect spammers will continue to seek ways to act inappropriately on our platform. In addition, we expect that increases in the number of users on our platform will result in increased efforts by spammers to misuse our platform. We continuously combat spam, including by suspending or terminating accounts we believe to be spammers and launching algorithmic changes focused on curbing abusive activities. Our actions to combat spam require the diversion of significant time and focus of our engineering team from improving our products and services. If spam increases on Twitter, this could hurt our reputation for delivering relevant content or reduce user growth and user engagement and result in continuing operational cost to us.

*If we fail to effectively manage our growth, our business and operating results could be harmed.*

We continue to experience rapid growth in our headcount and operations, which will continue to place significant demands on our management, operational and financial infrastructure. As of September 30, 2013, we had over 2,300 employees, an increase of over 2,200 employees since January 1, 2010. We intend to continue to make substantial investments to expand our operations, research and development, sales and marketing and general and administrative organizations, as well as our international operations. We face significant competition for employees, particularly engineers, designers and product managers, from other Internet and high-growth companies, which include both publicly-traded and privately-held companies, and we may not be able to hire new employees quickly enough to meet our needs. To attract highly skilled personnel, we have had to offer, and believe we will need to continue to offer, highly competitive compensation packages. In addition, as we have grown, we have significantly expanded our operating lease commitments. As we continue to grow, we are subject to the risks of over-hiring, over-compensating our employees and over-expanding our operating infrastructure, and to the challenges of integrating, developing and motivating a rapidly growing employee base in various countries around the world. In addition, we may not be able to innovate or execute as quickly as a smaller, more efficient organization. If we fail to effectively manage our hiring needs and successfully integrate our new hires, our efficiency and ability to meet our forecasts and our employee morale, productivity and retention could suffer, and our business and operating results could be adversely affected.

Providing our products and services to our users is costly and we expect our expenses to continue to increase in the future as we broaden our user base and increase user engagement, as users increase the amount of content they contribute, and as we develop and implement new features, products and services that require more infrastructure, such as our mobile video product, Vine. In addition, our operating expenses, such as our research and development expenses and sales and marketing expenses, have grown rapidly as we have expanded our business. Historically, our costs have increased each year due to these factors and we expect to continue to incur increasing costs to support our anticipated future growth. We expect to continue to invest in our infrastructure in order to enable us to provide our products and services rapidly and reliably to users around the world, including in countries where we do not expect significant near-term monetization. Continued growth could also strain our ability to maintain reliable service levels for our users and advertisers, develop and improve our operational, financial, legal and management controls, and enhance our reporting systems and procedures. As a public company we will incur significant legal, accounting and other expenses that we did not incur as a private company. Our expenses may grow faster than our revenue, and our expenses may be greater than we anticipate. Managing our growth will require significant expenditures

## **Table of Contents**

and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, operating results and financial condition would be harmed.

***Our business and operating results may be harmed by a disruption in our service, or by our failure to timely and effectively scale and adapt our existing technology and infrastructure.***

One of the reasons people come to Twitter is for real-time information. We have experienced, and may in the future experience, service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, hardware failure, capacity constraints due to an overwhelming number of people accessing our products and services simultaneously, computer viruses and denial of service or fraud or security attacks. Although we are investing significantly to improve the capacity, capability and reliability of our infrastructure, we are not currently serving traffic equally through our co-located data centers that support our platform. Accordingly, in the event of a significant issue at the data center supporting most of our network traffic, some of our products and services may become inaccessible to the public or the public may experience difficulties accessing our products and services. For example, in July 2012, due to the failure of two parallel systems at nearly the same time in one of our data centers, Twitter became inaccessible for approximately two hours. Any disruption or failure in our infrastructure could hinder our ability to handle existing or increased traffic on our platform, which could significantly harm our business.

As the number of our users increases and our users generate more content, including photos and videos hosted by Twitter, we may be required to expand and adapt our technology and infrastructure to continue to reliably store, serve and analyze this content. It may become increasingly difficult to maintain and improve the performance of our products and services, especially during peak usage times, as our products and services become more complex and our user traffic increases. In addition, because we lease our data center facilities, we cannot be assured that we will be able to expand our data center infrastructure to meet user demand in a timely manner, or on favorable economic terms. If our users are unable to access Twitter or we are not able to make information available rapidly on Twitter, users may seek other channels to obtain the information, and may not return to Twitter or use Twitter as often in the future, or at all. This would negatively impact our ability to attract users and advertisers and increase engagement of our users. We expect to continue to make significant investments to maintain and improve the capacity, capability and reliability of our infrastructure. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and infrastructure to accommodate actual and anticipated changes in technology, our business and operating results may be harmed.

***Action by governments to restrict access to our products and services or censor Twitter content could harm our business and operating results.***

Governments have sought, and may in the future seek, to censor content available through our products and services, restrict access to our products and services from their country entirely or impose other restrictions that may affect the accessibility of our products and services for an extended period of time or indefinitely. For example, domestic Internet service providers in China have blocked access to Twitter, and other countries, including Iran, Libya, Pakistan and Syria, have intermittently restricted access to Twitter, and we believe that access to Twitter has been blocked in these countries primarily for political reasons. In addition, governments in other countries may seek to restrict access to our products and services if they consider us to be in violation of their laws. In the event that access to our products and services is restricted, in whole or in part, in one or more countries or our competitors are able to successfully penetrate geographic markets that we cannot access, our ability to retain or increase our user base and user engagement may be adversely affected, and our operating results may be harmed.

## **Table of Contents**

### ***If we are unable to maintain and promote our brand, our business and operating results may be harmed.***

We believe that maintaining and promoting our brand is critical to expanding our base of users and advertisers. Maintaining and promoting our brand will depend largely on our ability to continue to provide useful, reliable and innovative products and services, which we may not do successfully. We may introduce new features, products, services or terms of service that users, platform partners or advertisers do not like, which may negatively affect our brand. Additionally, the actions of platform partners may affect our brand if users do not have a positive experience using third-party applications or websites integrated with Twitter or that make use of Twitter content. Our brand may also be negatively affected by the actions of users that are hostile or inappropriate to other people, by users impersonating other people, by users identified as spam, by users introducing excessive amounts of spam on our platform or by third parties obtaining control over users' accounts. For example, in April 2013, attackers obtained the credentials to the Twitter account of the Associated Press news service through a phishing attack targeting Associated Press employees. The attackers posted an erroneous Tweet from the Associated Press account reporting that there had been explosions at the White House, triggering a stock market decline, and focusing media attention on our brand and security efforts. Maintaining and enhancing our brand may require us to make substantial investments and these investments may not achieve the desired goals. If we fail to successfully promote and maintain our brand or if we incur excessive expenses in this effort, our business and operating results could be adversely affected.

### ***Negative publicity could adversely affect our business and operating results.***

We receive a high degree of media coverage around the world. Negative publicity about our company, including about our product quality and reliability, changes to our products and services, privacy and security practices, litigation, regulatory activity, the actions of our users or user experience with our products and services, even if inaccurate, could adversely affect our reputation and the confidence in and the use of our products and services. For example, service outages on Twitter typically result in widespread media reports. Such negative publicity could also have an adverse effect on the size, engagement and loyalty of our user base and result in decreased revenue, which could adversely affect our business and operating results.

### ***Our future performance depends in part on support from platform partners and data partners.***

We believe user engagement with our products and services depends in part on the availability of applications and content generated by platform partners. Beginning in 2012, we launched Twitter Cards, which allow platform partners to ensure that whenever they or any user tweets from their websites or applications, the Tweet will automatically include rich content like a photo, a video, a sound clip, an article summary or information about a product, and make it instantly accessible to any other user on Twitter. Twitter Cards allow platform partners to create lightweight interactive applications to promote their content or their products. The availability and development of these applications and content depends on platform partners' perceptions and analysis of the relative benefits of developing applications and content for our products and services. If platform partners focus their efforts on other platforms, the availability and quality of applications and content for our products and services may suffer. There is no assurance that platform partners will continue to develop and maintain applications and content for our products and services. If platform partners cease to develop and maintain applications and content for our products and services, user engagement may decline. In addition, we generate revenue from licensing our historical and real-time data to third parties. If any of these relationships are terminated or not renewed, or if we are unable to enter into similar relationships in the future, our operating results could be adversely affected.

## **Table of Contents**

### ***We focus on product innovation and user engagement rather than short-term operating results.***

We encourage employees to quickly develop and help us launch new and innovative features. We focus on improving the user experience for our products and services and on developing new and improved products and services for the advertisers on our platform. We prioritize innovation and the experience for users and advertisers on our platform over short-term operating results. We frequently make product and service decisions that may reduce our short-term operating results if we believe that the decisions are consistent with our goals to improve the user experience and performance for advertisers, which we believe will improve our operating results over the long term. These decisions may not be consistent with the short-term expectations of investors and may not produce the long-term benefits that we expect, in which case our user growth and user engagement, our relationships with advertisers and our business and operating results could be harmed. In addition, our focus on the user experience may negatively impact our relationships with our existing or prospective advertisers. This could result in a loss of advertisers, which could harm our revenue and operating results.

### ***Our international operations are subject to increased challenges and risks.***

We have offices around the world and our products and services are available in multiple languages. We expect to continue to expand our international operations in the future by opening offices in new jurisdictions and expanding our offerings in new languages. However, we have limited operating history outside the United States, and our ability to manage our business and conduct our operations internationally requires considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal and regulatory systems, alternative dispute systems and commercial markets. International expansion has required and will continue to require us to invest significant funds and other resources. Operating internationally subjects us to new risks and may increase risks that we currently face, including risks associated with:

recruiting and retaining talented and capable employees in foreign countries and maintaining our company culture across all of our offices;

providing our products and services and operating across a significant distance, in different languages and among different cultures, including the potential need to modify our products, services, content and features to ensure that they are culturally relevant in different countries;

increased competition from local websites, mobile applications and services that provide real-time communications, such as Sina Weibo in China, LINE in Japan and Kakao in South Korea, which have expanded and may continue to expand their geographic footprint;

differing and potentially lower levels of user growth, user engagement and ad engagement in new and emerging geographies;

different levels of advertiser demand;

greater difficulty in monetizing our products and services;

compliance with applicable foreign laws and regulations, including laws and regulations with respect to privacy, consumer protection, spam and content, and the risk of penalties to our users and individual members of management if our practices are deemed to be out of compliance;

longer payment cycles in some countries;

credit risk and higher levels of payment fraud;

operating in jurisdictions that do not protect intellectual property rights to the same extent as the United States;

## **Table of Contents**

compliance with anti-bribery laws including, without limitation, compliance with the Foreign Corrupt Practices Act and the U.K. Bribery Act, including by our business partners;

currency exchange rate fluctuations;

foreign exchange controls that might require significant lead time in setting up operations in certain geographic territories and might prevent us from repatriating cash earned outside the United States;

political and economic instability in some countries;

double taxation of our international earnings and potentially adverse tax consequences due to changes in the tax laws of the United States or the foreign jurisdictions in which we operate; and

higher costs of doing business internationally, including increased accounting, travel, infrastructure and legal compliance costs.

If we are unable to manage the complexity of our global operations successfully, our business, financial condition and operating results could be adversely affected.

***Our products and services may contain undetected software errors, which could harm our business and operating results.***

Our products and services incorporate complex software and we encourage employees to quickly develop and help us launch new and innovative features. Our software has contained, and may now or in the future contain, errors, bugs or vulnerabilities. For example, we experienced a service outage in June 2012 during which Twitter service was inaccessible for approximately two hours as a result of a cascading software bug in one of our infrastructure components. Some errors in our software code may only be discovered after the product or service has been released. Any errors, bugs or vulnerabilities discovered in our code after release could result in damage to our reputation, loss of users, loss of platform partners, loss of advertisers or advertising revenue or liability for damages, any of which could adversely affect our business and operating results.

***Our business is subject to complex and evolving U.S. and foreign laws and regulations. These laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations or declines in user growth, user engagement or ad engagement, or otherwise harm our business.***

We are subject to a variety of laws and regulations in the United States and abroad that involve matters central to our business, including privacy, rights of publicity, data protection, content regulation, intellectual property, competition, protection of minors, consumer protection and taxation. Many of these laws and regulations are still evolving and being tested in courts and could be interpreted or applied in ways that could harm our business, particularly in the new and rapidly evolving industry in which we operate. The introduction of new products or services may subject us to additional laws and regulations. In addition, foreign data protection, privacy, consumer protection, content regulation and other laws and regulations are often more restrictive than those in the United States. In particular, the European Union and its member states traditionally have taken broader views as to types of data that are subject to privacy and data protection, and have imposed greater legal obligations on companies in this regard. A number of proposals are pending before federal, state and foreign legislative and regulatory bodies that could significantly affect our business. For example, regulation relating to the 1995 European Union Data Protection Directive is currently being considered by European legislative bodies that may include more stringent operational requirements for entities processing personal information and significant penalties for non-compliance. Similarly, there have been a number of recent

## **Table of Contents**

legislative proposals in the United States, at both the federal and state level, that would impose new obligations in areas such as privacy and liability for copyright infringement by third parties. The U.S. government, including the Federal Trade Commission, or the FTC, and the Department of Commerce, has announced that it is reviewing the need for greater regulation for the collection of information concerning user behavior on the Internet, including regulation aimed at restricting certain online tracking and targeted advertising practices. Additionally, recent amendments to U.S. patent laws may affect the ability of companies, including us, to protect their innovations and defend against claims of patent infringement. We currently allow use of our platform without the collection of extensive personal information, such as age. We may experience additional pressure to expand our collection of personal information in order to comply with new and additional regulatory demands or we may independently decide to do so. Having additional personal information may subject us to additional regulation. Further, it is difficult to predict how existing laws and regulations will be applied to our business and the new laws and regulations to which we may become subject, and it is possible that they may be interpreted and applied in a manner that is inconsistent with our practices. These existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products and services, result in negative publicity, significantly increase our operating costs, require significant time and attention of management and technical personnel and subject us to inquiries or investigations, claims or other remedies, including fines or demands that we modify or cease existing business practices.

***Regulatory investigations and settlements could cause us to incur additional expenses or change our business practices in a manner materially adverse to our business.***

We have been subject to regulatory investigations in the past, and expect to continue to be subject to regulatory scrutiny as our business grows and awareness of our brand increases. In March 2011, to resolve an investigation into various incidents, we entered into a settlement agreement with the FTC that, among other things, requires us to establish an information security program designed to protect non-public consumer information and also requires that we obtain biennial independent security assessments. The obligations under the settlement agreement remain in effect until the latter of March 2, 2031, or the date 20 years after the date, if any, on which the U.S. government or the FTC files a complaint in federal court alleging any violation of the order. We expect to continue to be the subject of regulatory inquiries, investigations and audits in the future by the FTC and other regulators around the world.

It is possible that a regulatory inquiry, investigation or audit might result in changes to our policies or practices, and may cause us to incur substantial costs or could result in reputational harm, prevent us from offering certain products, services, features or functionalities, cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business. Violation of existing or future regulatory orders, settlements or consent decrees could subject us to substantial monetary fines and other penalties that could negatively affect our financial condition and operating results.

***Even though Twitter is a global platform for public self-expression and conversation, user trust regarding privacy is important to the growth of users and the increase in user engagement on our platform, and privacy concerns relating to our products and services could damage our reputation and deter current and potential users and advertisers from using Twitter.***

From time to time, concerns have been expressed by governments, regulators and others about whether our products, services or practices compromise the privacy of users and others. Concerns about, governmental or regulatory actions involving our practices with regard to the collection, use, disclosure or security of personal information or other privacy-related matters, even if unfounded, could damage our reputation, cause us to lose users and advertisers and adversely affect our operating

## Table of Contents

results. While we strive to comply with applicable data protection laws and regulations, as well as our own posted privacy policies and other obligations we may have with respect to privacy and data protection, the failure or perceived failure to comply may result, and in some cases has resulted, in inquiries and other proceedings or actions against us by governments, regulators or others, as well as negative publicity and damage to our reputation and brand, each of which could cause us to lose users and advertisers, which could have an adverse effect on our business.

Any systems failure or compromise of our security that results in the unauthorized access to or release of our users' or advertisers' data could significantly limit the adoption of our products and services, as well as harm our reputation and brand and, therefore, our business. We expect to continue to expend significant resources to protect against security breaches. The risk that these types of events could seriously harm our business is likely to increase as we expand the number of products and services we offer, increase the size of our user base and operate in more countries.

Governments and regulators around the world are considering a number of legislative and regulatory proposals concerning data protection. In addition, the interpretation and application of consumer and data protection laws or regulations in the United States, Europe and elsewhere are often uncertain and in flux, and in some cases, laws or regulations in one country may be inconsistent with, or contrary to, those of another country. It is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent with our practices. If so, in addition to the possibility of fines, this could result in an order requiring that we change our practices, which could have an adverse effect on our business and operating results. Complying with new laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

***If our security measures are breached, or if our products and services are subject to attacks that degrade or deny the ability of users to access our products and services, our products and services may be perceived as not being secure, users and advertisers may curtail or stop using our products and services and our business and operating results could be harmed.***

Our products and services involve the storage and transmission of users' and advertisers' information, and security breaches expose us to a risk of loss of this information, litigation and potential liability. We experience cyber-attacks of varying degrees on a regular basis, and as a result, unauthorized parties have obtained, and may in the future obtain, access to our data or our users' or advertisers' data. For example, in February 2013, we disclosed that sophisticated unknown third parties had attacked our systems and may have had access to limited information for approximately 250,000 users. Our security measures may also be breached due to employee error, malfeasance or otherwise. Additionally, outside parties may attempt to fraudulently induce employees, users or advertisers to disclose sensitive information in order to gain access to our data or our users' or advertisers' data or accounts, or may otherwise obtain access to such data or accounts. Since our users and advertisers may use their Twitter accounts to establish and maintain online identities, unauthorized communications from Twitter accounts that have been compromised may damage their reputations and brands as well as ours. Any such breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation and a loss of confidence in the security of our products and services that could have an adverse effect on our business and operating results. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed, we could lose users and advertisers and we may incur significant legal and financial exposure, including legal claims and regulatory fines and penalties. Any of these actions could have a material and adverse effect on our business, reputation and operating results.



## **Table of Contents**

***We may face lawsuits or incur liability as a result of content published or made available through our products and services.***

We have faced and will continue to face claims relating to content that is published or made available through our products and services or third party products or services. In particular, the nature of our business exposes us to claims related to defamation, intellectual property rights, rights of publicity and privacy, illegal content, content regulation and personal injury torts. The law relating to the liability of providers of online products or services for activities of their users remains somewhat unsettled, both within the United States and internationally. This risk may be enhanced in certain jurisdictions outside the United States where we may be less protected under local laws than we are in the United States. In addition, the public nature of communications on our network exposes us to risks arising from the creation of impersonation accounts intended to be attributed to our users or advertisers. We could incur significant costs investigating and defending these claims. If we incur costs or liability as a result of these events occurring, our business, financial condition and operating results could be adversely affected.

***Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products, services and brand.***

Our trade secrets, trademarks, copyrights, patents and other intellectual property rights are important assets for us. We rely on, and expect to continue to rely on, a combination of confidentiality and license agreements with our employees, consultants and third parties with whom we have relationships, as well as trademark, trade dress, domain name, copyright, trade secret and patent laws, to protect our brand and other intellectual property rights. However, various events outside of our control pose a threat to our intellectual property rights, as well as to our products, services and technologies. For example, we may fail to obtain effective intellectual property protection, or effective intellectual property protection may not be available in every country in which our products and services are available. Also, the efforts we have taken to protect our intellectual property rights may not be sufficient or effective, and any of our intellectual property rights may be challenged, which could result in them being narrowed in scope or declared invalid or unenforceable. There can be no assurance our intellectual property rights will be sufficient to protect against others offering products or services that are substantially similar to ours and compete with our business.

We rely on non-patented proprietary information and technology, such as trade secrets, confidential information, know-how and technical information. While in certain cases we have agreements in place with employees and third parties that place restrictions on the use and disclosure of this intellectual property, these agreements may be breached, or this intellectual property may otherwise be disclosed or become known to our competitors, which could cause us to lose any competitive advantage resulting from this intellectual property.

We are pursuing registration of trademarks and domain names in the United States and in certain jurisdictions outside of the United States. Effective protection of trademarks and domain names is expensive and difficult to maintain, both in terms of application and registration costs as well as the costs of defending and enforcing those rights. We may be required to protect our rights in an increasing number of countries, a process that is expensive and may not be successful or which we may not pursue in every country in which our products and services are distributed or made available.

We are party to numerous agreements that grant licenses to third parties to use our intellectual property, including our trademarks. For example, many third parties distribute their content through Twitter, or embed Twitter content in their applications or on their websites, and make use of our trademarks in connection with their services. If the licensees of our trademarks are not using our trademarks properly, it may limit our ability to protect our trademarks and could ultimately result in our

## **Table of Contents**

trademarks being declared invalid or unenforceable. We have a policy designed to assist third parties in the proper use of our brand, trademarks and other assets, and we have an internal team dedicated to enforcing our policy and protecting our brand. Our brand protection team routinely receives and reviews reports of improper and unauthorized use of the Twitter brand, trademarks or assets and issues takedown notices or initiates discussions with the third parties to correct the issues. However, there can be no assurance that we will be able to protect against the unauthorized use of our brand, trademarks or other assets. If we fail to maintain and enforce our trademark rights, the value of our brand could be diminished. There is also a risk that one or more of our trademarks could become generic, which could result in them being declared invalid or unenforceable. For example, there is a risk that the word "Tweet" could become so commonly used that it becomes synonymous with any short comment posted publicly on the Internet, and if this happens, we could lose protection of this trademark.

We also seek to obtain patent protection for some of our technology and as of September 30, 2013, we had 9 issued U.S. patents and approximately 95 patent applications on file in the United States and abroad, although there can be no assurance that these applications will be ultimately issued as patents. We may be unable to obtain patent or trademark protection for our technologies and brands, and our existing patents and trademarks, and any patents or trademarks that may be issued in the future, may not provide us with competitive advantages or distinguish our products and services from those of our competitors. In addition, any patents and trademarks may be contested, circumvented, or found unenforceable or invalid, and we may not be able to prevent third parties from infringing, diluting or otherwise violating them. Effective protection of patent rights is expensive and difficult to maintain, both in terms of application and maintenance costs, as well as the costs of defending and enforcing those rights.

Our Innovator's Patent Agreement, or IPA, also limits our ability to prevent infringement of our patents. In May 2013, we implemented the IPA, which we enter into with our employees and consultants, including our founders. The IPA, which applies to our current and future patents, allows us to assert our patents defensively. The IPA also allows us to assert our patents offensively with the permission of the inventors of the applicable patent. Under the IPA, an assertion of claims is considered for a defensive purpose if the claims are asserted: (i) against an entity that has filed, maintained, threatened or voluntarily participated in a patent infringement lawsuit against us or any of our users, affiliates, customers, suppliers or distributors; (ii) against an entity that has used its patents offensively against any other party in the past ten years, so long as the entity has not instituted the patent infringement lawsuit defensively in response to a patent litigation threat against the entity; or (iii) otherwise to deter a patent litigation threat against us or our users, affiliates, customers, suppliers or distributors. In addition, the IPA provides that the above limitations apply to any future owner or exclusive licensee of any of our patents, which could limit our ability to sell or license our patents to third parties. While we may be able to claim protection of our intellectual property under other rights, such as trade secrets or contractual obligations with our employees not to disclose or use confidential information, we may be unable to assert our patent rights against third parties that we believe are infringing our patents, even if such third parties are developing products and services that compete with our products and services. For example, in the event that an inventor of one of our patents leaves us for another company and uses our patented technology to compete with us, we would not be able to assert that patent against such other company unless the assertion of the patent right is for a defensive purpose. In such event, we may be limited in our ability to assert a patent right against another company, and instead would need to rely on trade secret protection or the contractual obligation of the inventor to us not to disclose or use our confidential information. In addition, the terms of the IPA could affect our ability to monetize our intellectual property portfolio.

Significant impairments of our intellectual property rights, and limitations on our ability to assert our intellectual property rights against others, could harm our business and our ability to compete.

## **Table of Contents**

Also, obtaining, maintaining and enforcing our intellectual property rights is costly and time consuming. Any increase in the unauthorized use of our intellectual property could make it more expensive to do business and harm our operating results.

***We are currently, and expect to be in the future, party to intellectual property rights claims that are expensive and time consuming to defend, and, if resolved adversely, could have a significant impact on our business, financial condition or operating results.***

Companies in the Internet, technology and media industries own large numbers of patents, copyrights, trademarks and trade secrets, and frequently enter into litigation based on allegations of infringement, misappropriation or other violations of intellectual property or other rights. Many companies in these industries, including many of our competitors, have substantially larger patent and intellectual property portfolios than we do, which could make us a target for litigation as we may not be able to assert counterclaims against parties that sue us for patent, or other intellectual property infringement. In addition, various non-practicing entities that own patents and other intellectual property rights often attempt to aggressively assert claims in order to extract value from technology companies. Further, from time to time we may introduce new products and services, including in areas where we currently do not have an offering, which could increase our exposure to patent and other intellectual property claims from competitors and non-practicing entities. In addition, although our standard terms and conditions for our Promoted Products and public APIs do not provide advertisers and platform partners with indemnification for intellectual property claims against them, some of our agreements with advertisers, platform partners and data partners require us to indemnify them for certain intellectual property claims against them, which could require us to incur considerable costs in defending such claims, and may require us to pay significant damages in the event of an adverse ruling. Such advertisers, platform partners and data partners may also discontinue use of our products, services and technologies as a result of injunctions or otherwise, which could result in loss of revenue and adversely impact our business.

We presently are involved in a number of intellectual property lawsuits, and as we face increasing competition and gain an increasingly high profile, we expect the number of patent and other intellectual property claims against us to grow. There may be intellectual property or other rights held by others, including issued or pending patents, that cover significant aspects of our products and services, and we cannot be sure that we are not infringing or violating, and have not infringed or violated, any third-party intellectual property rights or that we will not be held to have done so or be accused of doing so in the future. Any claim or litigation alleging that we have infringed or otherwise violated intellectual property or other rights of third parties, with or without merit, and whether or not settled out of court or determined in our favor, could be time-consuming and costly to address and resolve, and could divert the time and attention of our management and technical personnel. Some of our competitors have substantially greater resources than we do and are able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time than we could. The outcome of any litigation is inherently uncertain, and there can be no assurances that favorable final outcomes will be obtained in all cases. In addition, plaintiffs may seek, and we may become subject to, preliminary or provisional rulings in the course of any such litigation, including potential preliminary injunctions requiring us to cease some or all of our operations. We may decide to settle such lawsuits and disputes on terms that are unfavorable to us. Similarly, if any litigation to which we are a party is resolved adversely, we may be subject to an unfavorable judgment that may not be reversed upon appeal. The terms of such a settlement or judgment may require us to cease some or all of our operations or pay substantial amounts to the other party. In addition, we may have to seek a license to continue practices found to be in violation of a third party's rights. If we are required, or choose to enter into royalty or licensing arrangements, such arrangements may not be available on reasonable terms, or at all, and may significantly increase our operating costs and expenses. As a result, we may also be required to develop or procure alternative non-infringing technology or discontinue use of the

## **Table of Contents**

technology. The development or procurement of alternative non-infringing technology could require significant effort and expense or may not be feasible. An unfavorable resolution of the disputes and litigation referred to above could adversely affect our business, financial condition and operating results.

***Many of our products and services contain open source software, and we license some of our software through open source projects, which may pose particular risks to our proprietary software, products, and services in a manner that could have a negative effect on our business.***

We use open source software in our products and services and will use open source software in the future. In addition, we regularly contribute software source code to open source projects under open source licenses or release internal software projects under open source licenses, and anticipate doing so in the future. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Additionally, we may from time to time face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. In addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Additionally, because any software source code we contribute to open source projects is publicly available, our ability to protect our intellectual property rights with respect to such software source code may be limited or lost entirely, and we are unable to prevent our competitors or others from using such contributed software source code. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business, financial condition and operating results.

***We may expend substantial funds in connection with the tax liabilities that arise upon the initial settlement of RSUs in connection with this offering, and the manner in which we fund that expenditure may have an adverse effect on our financial condition.***

We may expend substantial funds to satisfy tax withholding and remittance obligations when we settle a portion of our RSUs granted prior to the date of this prospectus. Pre-2013 RSUs vest upon the satisfaction of both a service condition and a performance condition. The service condition for the majority of the Pre-2013 RSUs is satisfied over a period of four years. The performance condition in connection with our Pre-2013 RSUs will be satisfied on the earlier of (i) the date that is the earlier of (x) six months after the effective date of this offering or (y) March 8th of the calendar year following the effective date of this offering (which we may elect to accelerate to February 15th); and (ii) the date of a change in control. On the settlement dates for the Pre-2013 RSUs, we may choose to allow our employees who are not executive officers to sell shares of our common stock received upon the vesting and settlement of Pre-2013 RSUs in the public market to satisfy their income tax obligations related to the vesting and settlement of such awards, or we may withhold shares and remit income taxes on behalf of the holders of the Pre-2013 RSUs at the applicable minimum statutory rates, which we refer to as a net settlement. We expect the applicable minimum statutory rates to be approximately 40% on average, and the income taxes due would be based on the then-current value of the underlying shares of our common stock. Based on the number of Pre-2013 RSUs outstanding as of September 30, 2013 for which the service condition had been satisfied on that date, and assuming

## **Table of Contents**

(i) the performance condition had been satisfied on that date and (ii) that the price of our common stock at the time of settlement was equal to \$18.50, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, we estimate that this tax obligation on the initial settlement date would be approximately \$87.7 million in the aggregate. The amount of this obligation could be higher or lower, depending on the price of shares of our common stock, and the actual number of Pre-2013 RSUs outstanding for which the service condition has been satisfied, on the initial settlement date for the Pre-2013 RSUs. To settle these Pre-2013 RSUs on the initial settlement date, assuming a 40% tax withholding rate, if we choose to undertake a net settlement of all of these awards rather than allowing our employees who are not executive officers to sell shares of our common stock in the public market to satisfy their income tax obligations related to the vesting and settlement of Pre-2013 RSUs, we would expect to deliver an aggregate of approximately 7.1 million shares of our common stock to Pre-2013 RSU holders after withholding an aggregate of approximately 4.8 million shares of our common stock. In connection with these net settlements, we would withhold and remit the tax liabilities on behalf of the Pre-2013 RSU holders to the relevant tax authorities in cash.

If we choose to undertake a net settlement of our Pre-2013 RSUs, then in order to fund the tax withholding and remittance obligations on behalf of our Pre-2013 RSU holders, we would expect to use a substantial portion of our cash and cash equivalent balances, or, alternatively, we may choose to borrow funds or a combination of cash and borrowed funds to satisfy these obligations.

***We may require additional capital to support our operations or the growth of our business, and we cannot be certain that this capital will be available on reasonable terms when required, or at all.***

From time to time, we may need additional financing to operate or grow our business. Our ability to obtain additional financing, if and when required, will depend on investor and lender demand, our operating performance, the condition of the capital markets and other factors, and we cannot assure you that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of our common stock, and our existing stockholders may experience dilution. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support the operation or growth of our business could be significantly impaired and our operating results may be harmed.

***We rely on assumptions and estimates to calculate certain of our key metrics, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.***

The numbers of our active users and timeline views are calculated using internal company data that has not been independently verified. While these numbers are based on what we believe to be reasonable calculations for the applicable period of measurement, there are inherent challenges in measuring usage and user engagement across our large user base around the world. For example, there are a number of false or spam accounts in existence on our platform. We currently estimate that false or spam accounts represent less than 5% of our MAUs. However, this estimate is based on an internal review of a sample of accounts and we apply significant judgment in making this determination. As such, our estimation of false or spam accounts may not accurately represent the actual number of such accounts, and the actual number of false or spam accounts could be higher than we have currently estimated. We are continually seeking to improve our ability to estimate the total number of spam accounts and eliminate them from the calculation of our active users, but we otherwise treat multiple accounts held by a single person or organization as multiple users for purposes of calculating our active users because we permit people and organizations to have more than one account. Additionally, some accounts used by organizations are used by many people within the organization.

## **Table of Contents**

As such, the calculations of our active users may not accurately reflect the actual number of people or organizations using our platform.

Our metrics are also affected by mobile applications that automatically contact our servers for regular updates with no user action involved, and this activity can cause our system to count the user associated with such a device as an active user on the day such contact occurs. The calculations of MAUs presented in this prospectus may be affected by this activity. The impact of this automatic activity on our metrics varies by geography because mobile application usage varies in different regions of the world. In addition, our data regarding user geographic location is based on the IP address associated with the account when a user initially registered the account on Twitter. The IP address may not always accurately reflect a user's actual location at the time of user engagement on our platform.

We present and discuss timeline views in the nine months ended September 30, 2012, but we did not track all of the timeline views on our mobile applications during the three months ended March 31, 2012. We have included in this prospectus estimates for actual timeline views in the three months ended March 31, 2012 for the mobile applications we did not track. In addition, we have estimated a small percentage of the timeline views in the three months ended September 30, 2013 to account for certain timeline views that were logged incorrectly during the quarter as a result of a product update. We believe these estimates to be reasonable, but actual numbers could differ from our estimates. Further, timeline views in the nine months ended September 30, 2012 exclude an immaterial number of timeline views in our mobile applications, certain of which were not fully tracked until June 2012.

We regularly review and may adjust our processes for calculating our internal metrics to improve their accuracy. Our measures of user growth and user engagement may differ from estimates published by third parties or from similarly-titled metrics of our competitors due to differences in methodology. If advertisers, platform partners or investors do not perceive our user metrics to be accurate representations of our user base or user engagement, or if we discover material inaccuracies in our user metrics, our reputation may be harmed and advertisers and platform partners may be less willing to allocate their budgets or resources to our products and services, which could negatively affect our business and operating results.

***We depend on highly skilled personnel to grow and operate our business, and if we are unable to hire, retain and motivate our personnel, we may not be able to grow effectively.***

Our future success will depend upon our continued ability to identify, hire, develop, motivate and retain highly skilled personnel, including senior management, engineers, designers and product managers. Our ability to execute efficiently is dependent upon contributions from our employees, in particular our senior management team. We do not have employment agreements other than offer letters with any member of our senior management or other key employee, and we do not maintain key person life insurance for any employee. In addition, from time to time, there may be changes in our senior management team that may be disruptive to our business. If our senior management team, including any new hires that we may make, fails to work together effectively and to execute our plans and strategies on a timely basis, our business could be harmed.

Our growth strategy also depends on our ability to expand and retain our organization with highly skilled personnel. Identifying, recruiting, training and integrating qualified individuals will require significant time, expense and attention. In addition to hiring new employees, we must continue to focus on retaining our best employees. Many of our employees may be able to receive significant proceeds from sales of our equity in the public markets after this offering, which may reduce their motivation to continue to work for us. Competition for highly skilled personnel is intense, particularly in the San Francisco Bay Area, where our headquarters is located. We may need to invest significant

## **Table of Contents**

amounts of cash and equity to attract and retain new employees and we may never realize returns on these investments. If we are not able to effectively add and retain employees, our ability to achieve our strategic objectives will be adversely impacted, and our business will be harmed.

***Our corporate culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovation, creativity and teamwork fostered by our culture, and our business may be harmed.***

We believe that our culture has been and will continue to be a key contributor to our success. From January 1, 2010 to September 30, 2013, we increased the size of our workforce by more than 2,200 employees, and we expect to continue to hire aggressively as we expand. If we do not continue to develop our corporate culture or maintain our core values as we grow and evolve, we may be unable to foster the innovation, creativity and teamwork we believe we need to support our growth. Moreover, liquidity available to our employee securityholders following this offering could lead to disparities of wealth among our employees, which could adversely impact relations among employees and our culture in general. Our transition from a private company to a public company may result in a change to our corporate culture, which could harm our business.

***We rely in part on application marketplaces and Internet search engines to drive traffic to our products and services, and if we fail to appear high up in the search results or rankings, traffic to our platform could decline and our business and operating results could be adversely affected.***

We rely on application marketplaces, such as Apple's App Store and Google's Play, to drive downloads of our mobile applications. In the future, Apple, Google or other operators of application marketplaces may make changes to their marketplaces which make access to our products and services more difficult. We also depend in part on Internet search engines, such as Google, Bing and Yahoo!, to drive traffic to our website. For example, when a user types an inquiry into a search engine, we rely on a high organic search result ranking of our webpages in these search results to refer the user to our website. However, our ability to maintain high organic search result rankings is not within our control. Our competitors' search engine optimization, or SEO, efforts may result in their websites receiving a higher search result page ranking than ours, or Internet search engines could revise their methodologies in a way that would adversely affect our search result rankings. For example, Google has integrated its social networking offerings, including Google+, with certain of its products, including search, which has negatively impacted the organic search ranking of our webpages. If Internet search engines modify their search algorithms in ways that are detrimental to us, or if our competitors' SEO efforts are more successful than ours, the growth in our user base could slow. Our website has experienced fluctuations in search result rankings in the past, and we anticipate similar fluctuations in the future. Any reduction in the number of users directed to our mobile applications or website through application marketplaces and search engines could harm our business and operating results.

***More people are using devices other than personal computers to access the Internet and new platforms to produce and consume content, and we need to continue to promote the adoption of our mobile applications, and our business and operating results may be harmed if we are unable to do so.***

The number of people who access the Internet through devices other than personal computers, including mobile phones, smartphones, handheld computers such as net books and tablets, video game consoles and television set-top devices, has increased dramatically in the past few years. In the three months ended September 30, 2013, over 70% of our advertising revenue was generated from mobile devices. Since we generate a majority of our advertising revenue through users on mobile devices, we must continue to drive adoption of our mobile applications. In addition, mobile users

## **Table of Contents**

frequently change or upgrade their mobile devices. Our business and operating results may be harmed if our users do not install our mobile application when they change or upgrade their mobile device. Although we generate the majority of our advertising revenue from ad engagements on mobile devices, certain of our products and services, including Promoted Trends and Promoted Accounts, receive less prominence on our mobile applications than they do on our desktop applications. This has in the past reduced, and may in the future continue to reduce, the amount of revenue we are able to generate from these products and services as users increasingly access our products and services through mobile and alternative devices. In addition, as new devices and platforms are continually being released, users may consume content in a manner that is more difficult to monetize. It is difficult to predict the problems we may encounter in adapting our products and services and developing competitive new products and services that are compatible with new devices or platforms. If we are unable to develop products and services that are compatible with new devices and platforms, or if we are unable to drive continued adoption of our mobile applications, our business and operating results may be harmed.

### ***Future acquisitions and investments could disrupt our business and harm our financial condition and operating results.***

Our success will depend, in part, on our ability to expand our products and services, and grow our business in response to changing technologies, user and advertiser demands, and competitive pressures. In some circumstances, we may determine to do so through the acquisition of complementary businesses and technologies rather than through internal development, including, for example, our recent acquisitions of Vine Labs, Inc., a mobile application that enables users to create and distribute videos that are up to six seconds in length, and Bluefin Labs, Inc., a social television analytics company that provides data products to brand advertisers, agencies and television networks. We also recently entered into a definitive agreement to acquire MoPub, a mobile-focused advertising exchange, which we currently expect to close in late October or November 2013. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified acquisitions. The risks we face in connection with acquisitions include:

diversion of management time and focus from operating our business to addressing acquisition integration challenges;

coordination of research and development and sales and marketing functions;

retention of key employees from the acquired company;

cultural challenges associated with integrating employees from the acquired company into our organization;

integration of the acquired company's accounting, management information, human resources and other administrative systems;

the need to implement or improve controls, procedures, and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies;

liability for activities of the acquired company before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;

unanticipated write-offs or charges; and

litigation or other claims in connection with the acquired company, including claims from terminated employees, users, former stockholders or other third parties.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of these





## **Table of Contents**

acquisitions or investments, cause us to incur unanticipated liabilities, and harm our business generally. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, incremental operating expenses or the write-off of goodwill, any of which could harm our financial condition or operating results.

***If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.***

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the listing standards of the New York Stock Exchange. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time consuming and costly, and place significant strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls or our internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of management evaluations and independent registered public accounting firm audits of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the New York Stock Exchange.

We are not currently required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act, and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. Upon becoming a public company, we will be required to provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our second annual report on Form 10-K. Our independent registered public accounting firm is not required to audit the effectiveness of our internal control over financial reporting until after we are no longer an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed or operating.

## **Table of Contents**

Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business and operating results, and cause a decline in the price of our common stock.

***We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.***

We are an emerging growth company, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies, including, but not limited to, not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years following the completion of this offering. We will cease to be an emerging growth company upon the earliest of: (i) the end of the fiscal year following the fifth anniversary of this offering, (ii) the first fiscal year after our annual gross revenue are \$1.0 billion or more, (iii) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt securities or (iv) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded \$700 million as of the end of the second quarter of that fiscal year. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and the price of our common stock may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this accommodation allowing for delayed adoption of new or revised accounting standards, and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

***If currency exchange rates fluctuate substantially in the future, our operating results, which are reported in U.S. dollars, could be adversely affected.***

As we continue to expand our international operations, we will become more exposed to the effects of fluctuations in currency exchange rates. We incur expenses for employee compensation and other operating expenses at our international locations in the local currency, and accept payment from advertisers or data partners in currencies other than the U.S. dollar. Since we conduct business in currencies other than U.S. dollars but report our operating results in U.S. dollars, we face exposure to fluctuations in currency exchange rates. Consequently, exchange rate fluctuations between the U.S. dollar and other currencies could have a material impact on our operating results.

***Our business is subject to the risks of earthquakes, fire, power outages, floods and other catastrophic events, and to interruption by man-made problems such as terrorism.***

A significant natural disaster, such as an earthquake, fire, flood or significant power outage could have a material adverse impact on our business, operating results, and financial condition. Our headquarters and certain of our co-located data center facilities are located in the San Francisco Bay Area, a region known for seismic activity. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems at our data centers could result in lengthy interruptions in our services. In addition, acts of terrorism and other geo-political unrest could cause disruptions in

## **Table of Contents**

our business. All of the aforementioned risks may be further increased if our disaster recovery plans prove to be inadequate. We have implemented a disaster recovery program, which allows us to move production to a back-up data center in the event of a catastrophe. Although this program is functional, we do not currently serve network traffic equally from each data center, so if our primary data center shuts down, there will be a period of time that our products or services, or certain of our products or services, will remain inaccessible to our users or our users may experience severe issues accessing our products and services.

We do not carry business interruption insurance sufficient to compensate us for the potentially significant losses, including the potential harm to our business that may result from interruptions in our ability to provide our products and services.

***We may have exposure to greater than anticipated tax liabilities, which could adversely impact our operating results.***

Our income tax obligations are based in part on our corporate operating structure, including the manner in which we develop, value and use our intellectual property and the scope of our international operations. The tax laws applicable to our international business activities, including the laws of the United States and other jurisdictions, are subject to interpretation. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology (or other intangible assets) or intercompany arrangements, which could increase our worldwide effective tax rate and harm our financial condition and operating results. We are subject to review and audit by U.S. federal and state and foreign tax authorities. Tax authorities may disagree with certain positions we have taken and any adverse outcome of such a review or audit could have a negative effect on our financial position and operating results. In addition, our future income taxes could be adversely affected by earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws, regulations or accounting principles. Tax expenses, or disputes with tax authorities, could adversely impact our operating results.

***If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings.***

Under GAAP, we review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. As of September 30, 2013, we had recorded a total of \$183.1 million of goodwill and intangible assets related to our acquisitions. An adverse change in market conditions, particularly if such change has the effect of changing one of our critical assumptions or estimates, could result in a change to the estimation of fair value that could result in an impairment charge to our goodwill or intangible assets. Any such material charges may have a material negative impact on our operating results.

***Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.***

As of December 31, 2012, we had U.S. federal net operating loss carryforwards of approximately \$298.8 million and state net operating loss carryforwards of approximately \$216.7 million. Under Sections 382 and 383 of Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an ownership change, the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income and taxes may be limited. In general, an ownership change occurs if there is a cumulative change in our ownership by 5% shareholders that exceeds 50 percentage points over a

## **Table of Contents**

rolling three-year period. Similar rules may apply under state tax laws. In the event that it is determined that we have in the past experienced an ownership change, or if we experience one or more ownership changes as a result of this offering or future transactions in our stock, then we may be limited in our ability to use our net operating loss carryforwards and other tax assets to reduce taxes owed on the net taxable income that we earn. Any such limitations on the ability to use our net operating loss carryforwards and other tax assets could adversely impact our business, financial condition and operating results.

### **Risks Related to Ownership of Our Common Stock and this Offering**

***Upon completion of this offering, our executive officers, directors and holders of 5% or more of our common stock will collectively beneficially own approximately 51.4% of the outstanding shares of our common stock and continue to have substantial control over us, which will limit your ability to influence the outcome of important transactions, including a change in control.***

Upon completion of this offering, our executive officers, directors and each of our stockholders who own 5% or more of our outstanding common stock and their affiliates, in the aggregate, will beneficially own approximately 51.4% of the outstanding shares of our common stock, based on the number of shares outstanding as of September 30, 2013. As a result, these stockholders, if acting together, will be able to influence or control matters requiring approval by our stockholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentration of ownership may have the effect of delaying, preventing or deterring a change in control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

***Anti-takeover provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could impair a takeover attempt.***

Our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain or will contain provisions which could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by our board of directors. Among other things, our amended and restated certificate of incorporation and amended and restated bylaws will include provisions:

creating a classified board of directors whose members serve staggered three-year terms;

authorizing blank check preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;

limiting the liability of, and providing indemnification to, our directors and officers;

limiting the ability of our stockholders to call and bring business before special meetings;

requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors; and

controlling the procedures for the conduct and scheduling of board of directors and stockholder meetings.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

## **Table of Contents**

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which prevents certain stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of at least two-thirds of our outstanding common stock not held by such 15% or greater stockholder.

Any provision of our amended and restated certificate of incorporation, amended and restated bylaws or Delaware law that has the effect of delaying, preventing or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

### ***An active trading market for our common stock may never develop or be sustained.***

Our common stock has been approved for listing on the New York Stock Exchange under the symbol **TWTR**. However, we cannot assure you that an active trading market for our common stock will develop on that exchange or elsewhere or, if developed, that any market will be sustained. Accordingly, we cannot assure you of the likelihood that an active trading market for our common stock will develop or be maintained, the liquidity of any trading market, your ability to sell your shares of our common stock when desired or the prices that you may obtain for your shares.

### ***The market price of our common stock may be volatile, and you could lose all or part of your investment.***

Prior to this offering, there has been no public market for shares of our common stock. The initial public offering price of our common stock will be determined through negotiation between us and the underwriters. This price will not necessarily reflect the price at which investors in the market will be willing to buy and sell shares of our common stock following this offering. In addition, the market price of our common stock following this offering is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control.

The market price of our common stock following this offering may fluctuate substantially and may be higher or lower than the initial public offering price. The market price of our common stock following this offering will depend on a number of factors many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our common stock since you might be unable to sell your shares at or above the price you paid in this offering. Factors that could cause fluctuations in the market price of our common stock include the following:

price and volume fluctuations in the overall stock market from time to time;

volatility in the market prices and trading volumes of technology stocks;

changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;

sales of shares of our common stock by us or our stockholders;

failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;

the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections;

announcements by us or our competitors of new products or services;

## Edgar Filing: TWITTER, INC. - Form S-1/A

the public's reaction to our press releases, other public announcements and filings with the SEC;

**Table of Contents**

rumors and market speculation involving us or other companies in our industry;