

Touchbutton

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All a-twitter

The American financial press is agog about the behaviour of Twitter since its IPO last week. Much like the last technology bubble, investors will happily pay up for businesses that aren't making money. More worryingly, it's often hard to see how they could make money. And that's when alternative valuation methods come into play. Back in 2000, homestore.com, a web based provider of real estate services, was praised because of the "share of mind" that it enjoyed among its customers. Less so its investors: the shares hit \$489 in 2000, but crashed and burned in 2001. One CEO went to jail and the shares now - as Move Inc - trade at \$16.

Twitter's management suggest that investors don't overly focus on the \$134m loss in the nine months to end September, but instead see things "through the eyes of the management". This handily brings the loss down to a much more palatable \$44m. To get to that figure, Twitter cuts out compensation costs and amortisation. There's nothing at all improper about this, but the idea that these items don't cost the company money is nonsense. The management aren't working for free, and cutting out depreciation is also wholly unrealistic.

So what will happen to Twitter? Who knows, and to be frank conventional fundamental analysis isn't necessarily valid in this segment of the market. So we therefore leave the last word to a web restaurant review of Balthazar, a fashionable hangout in Manhattan's Soho, and now also in London's Covent Garden:

I was in Balthazar the other day and food was fine. What stood out was a strange experience in the bathroom. I was at the door and was going in but in the way there was a red headed horse face looking gentleman. Instead of moving aside or leaving the bathroom he seemed to be perplexed by the bathroom attendant who had just handed him a paper towel. The red headed guy was muttering to himself, seemingly debating something in his mind. He was about to reach for his wallet and tip the attendant but then thought about it some more. After a few seconds he said "do you want a tip?" To which the attendant said "it's all up to you sir".

The guy then said "buy stock in Twitter" and left the bathroom.

I was a bit taken aback. I went to the sink and the attendant turned on the water and I washed my hands and he handed me a paper towel. I then tipped him and said "whatever you do don't buy Twitter stock".



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