

Facebook targets Web 2.0 start-up Twitter

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Twitter, the micro-blogging company that has become one of Silicon Valley's most closely watched start-ups, recently held talks about an acquisition by Facebook, the social networking company.

The negotiations, which put a valuation of as much as \$500m on the 2 1/2-year-old private company, could throw a fresh spotlight on its rapid growth and prompt other internet companies to consider bids.

Twitter has become a leader of the Web 2.0 generation of consumer internet companies, whose services rely more on communication and social interaction than the original dotcoms. Users post short messages about what they are doing, and the "tweets" are broadcast to anyone who wants to sign up to follow them.

But its name has become synonymous with the lack of revenue in the Web 2.0 world. In spite of its passionate following among Silicon Valley's digerati, Twitter has yet to make any money.

The talks were first reported by the AllThingsD blog and confirmed yesterday by two people familiar with the situation.

Facebook's approach to Twitter is set to raise as many questions about the bidder's value as it does about the target. The social networking site offered to pay for the acquisition in stock, according to one person close to the situation, but putting a value on its shares proved debatable.

Had it used the \$15bn valuation at which Microsoft bought a stake in Facebook last year, it would have valued the Twitter purchase at \$500m, though that investment was seen as a high-water mark for Web 2.0.

Speaking yesterday at a gathering of internet entrepreneurs at Oxford University, Chris Sacca, a Twitter investor, questioned the valuation. "If Facebook brings \$500m of stock to the table to buy Twitter, the first thing you talk about is whether that stock is worth \$500m or not," he said.

But a person close to the situation suggested the \$15bn valuation for Facebook was the top end of a range of values the two companies talked about, implying that a deal might have valued both at a much lower level.

Biz Stone, Twitter's co-founder, would not comment on the talks but suggested the company wanted to remain independent to build on its messaging service.

Fonte: Financial Times, London, November 25 2008, Companies & Markets, p. 17.