

Twitter Q2 results aren't great, in part because of Elon Musk

Article

The news: Despite low expectations, **Twitter's** earnings on Friday were nevertheless (very) disappointing. And without even running Twitter, **Elon Musk** has nevertheless found a way to leave his prints all over the company's earnings.

The numbers: Much like with [Snap's earnings the day prior](#), there weren't many promising figures in Twitter's second-quarter earnings report.

- The company reported quarterly ad revenue of \$1.08 billion, up 2% from a year ago. By comparison, Q1 ad revenues increased by 23% year over year to \$1.11 billion.
- Refinitiv reported that Twitter's earnings were 11% behind expectations, **the worst revenue shortfall in the company's history**.
- Expenses skyrocketed 31% versus last year to \$1.52 billion; the per-share result was a loss of 8 cents adjusted versus a projected profit of 14 cents. It was the company's **first adjusted loss in two years**.
- On the bright side, monetizable daily active users (mDAU) increased to 237.8 million in Q2, up from 229 million in the first quarter and 206 million in Q2 2021. Overall, mDAU's increase vs. last year was 14.7% in the US and 17% worldwide.

How we got here: It's hard to overstate how much Elon Musk has damaged Twitter.

- The platform didn't want to be courted by Musk, but he was persistent. The Tesla CEO unveiled his [hostile takeover plan](#) to [purchase Twitter for \\$44 billion](#) in April.
- Musk formally sought to back out of the agreement in July after objecting to the way the platform counts [bot and spam accounts](#).
- The fight has turned into a public spectacle. (That's part of why you're reading this story, admit it.)

Twitter has since [filed a lawsuit](#) against Musk to compel him to complete the deal at the agreed-upon amount.

Acquisition expenses were \$33 million in Q2; severance-related costs amounted to \$19 million. [One-third of the company's talent acquisition staff was let go](#) earlier this month.

The (other) tailwinds: Uncertainties tied to the Musk acquisition are far from the only thing hitting Twitter.

- Ad-driven businesses have been hurt by growing inflation and recessionary worries as well as the conflict in Ukraine. Advertising is frequently one of the first divisions to see budget cuts during a period of uncertainty.
- **Apple's AppTrackingTransparency** framework, although now well over one year old, [made user tracking more challenging](#) and had an adverse impact on social media ad expenditures.

What's to come: Twitter won't offer Q3 guidance due to the potential Musk purchase, nor will it hold an analyst conference call to go through the financial figures.

While there are legitimate reasons for these moves, neither is likely to calm nervous investors and advertisers.

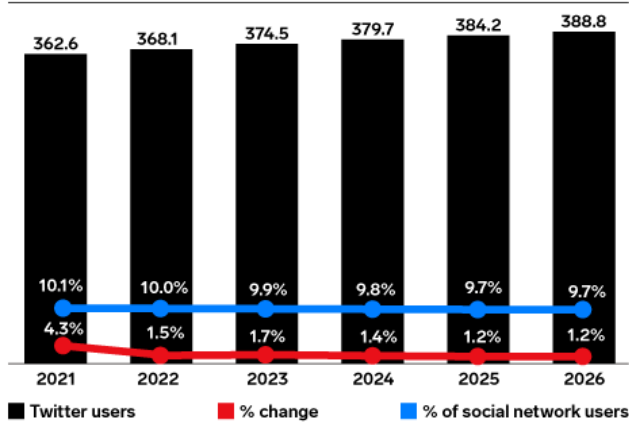
Why it matters: Whether or not the deal ultimately goes through, it's bad for advertisers.

- If the deal does go through, Twitter will be in the hands of someone who has professed to be anti-advertising and against content moderation that creates a sense of brand safety. The platform could eventually find a more innovative means to monetize itself, some of which Musk has hinted at—but it's less likely to involve ad innovation.

If the deal *doesn't* go through, **Twitter will have lost half a year** to Musk-fueled uncertainty. That uncertainty has hampered the company's ability to innovate, and has taken a platform that was already operating from behind—and pushed it even further behind leaders like **Meta** and **TikTok**.

Twitter Users Worldwide, 2021-2026

millions, % change, and % of social network users



Note: internet users of any age who access their Twitter account via any device at least once per month

Source: eMarketer, April 2022

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