



## Twitter Just Lost Its Last Chance To Remain Relevant

### Description

**USA: After months of drama, it would appear the fate of social media giant Twitter has been decided, and the result is an inevitable path to the internet graveyard.**

Many people will question the notion that Twitter could ever actually bite the dust, but they are probably unfamiliar with the company's dismal performance as of late. The reality is, Elon Musk's potential buyout was their last chance to stay afloat; now that Musk has exited the deal, they face a continued and steady decline into irrelevance like many other Big Tech companies before them.

While it's possible that Musk's decision is merely a play for a reduced sale price, it's probably safe to assume there is not going to be a purchase anytime soon. This sets a chain of events in motion that bode very poor for Twitter given their track record the past couple of years, but first let's consider the current situation.



While the initial argument from Twitter execs will be that Musk "waived" his rights to change the original deal and thus he is required to buy regardless, his waiver does not extend to his rights to review

Twitter's claims about their user base. The deal itself was predicated on Twitter giving honest assessments of the percentage of users that are actually bots (fake accounts). Twitter initially claimed that bots only made up around 5% of users; it would appear that Musk has discovered this to be false, and this is the position his lawyers have [asserted through the SEC](#).

If it turns out that a large portion of Twitter is actually fake, then Musk surely has grounds to terminate the deal. A waiver against changing the deal does not negate the original requirements of the deal according to his legal council, and this makes perfect sense.

But why is Twitter so desperate to force Musk to buy when they were so resistant before, to the point that they were willing to use a "poison pill" maneuver to dilute his shares and prevent him from gaining a majority of holdings? Why are they so insistent when most of the company was up in arms only a month ago, frothing and raging over the chance that free speech might become policy on the platform? We have to look at the company's financial health before Musk's purchase announcement as well as what is likely to happen now that he has dumped it.

In truth, Musk could have saved the company from a slow but accelerating implosion. Twitter's stock has been a relatively poor performer for a few years. In 2020 at the onset of the covid pandemic, it saw a massive jump along with most other Big Tech companies on the assumption that user rates would increase along with the covid lockdowns. This did not really happen.

In Fall of 2021 their stock value began to falter, with the price plunging by more than 50% just before Elon Musk announced his majority share interest.

In April, Twitter admitted that the company "might" have been overcounting its users. People with multiple accounts had those accounts linked together, but Twitter was still counting them as separate users. They indicated that up to 2 million users were created through secondary accounts (which means there are probably many millions more that they have not found or admitted to). On top of this and the bot issues, Twitter user base was in decline anyway.

In 2019, Twitter abandoned its original method of counting users and moved to a new metric which "discounted the loss of bot accounts." This spurs the question that is now at the core of Musk abandoning the sale: How many users on Twitter are actually fake?

In February, despite the change in its metrics, Twitter announced its user numbers had still fallen short. On top of this, the company suffered a net income loss of \$1.4 billion in 2020 and a loss of [\\$221 million in 2021](#). After stock declines, the only thing left for Twitter was user growth, and they didn't have it.

Musk's possible purchase of the company lifted share prices at a time when the platform was nearing the edge of the Big Tech abyss – The moment when a website goes the way of Myspace. With their reputation in the gutter after consistent censorship of conservatives and alternative media sources, the alienation of their user base was becoming a real problem. The platform was now known as nothing more than a "blue checkmark" cult hangout for the extreme political left; in other words, not an inviting place for anyone without pronouns in their bio. Musk moving in revitalized public interest in the company, if only for a short time.

Despite their rabid distaste for free speech, Twitter needed Musk. In order to meet Musk's demands

for user data, they dumped their entire server in his lap, maybe to bury him in so much information that sifting through it would take too long to discover anything out of order. The mainstream media actually crowed about the tactic, applauding Twitter's action as a way to stick it to Musk.

However, they did not seem to consider the implications of ALL of Twitter's data now in the hands of outside interests. If there is fraud at Twitter against its shareholders, then it will eventually be known. Maybe this is all that Musk wanted in the first place.

What happens next in terms of the deal is unclear. No doubt court proceedings will go on for years, but Twitter likely doesn't have that much time. Musk dropping out of the sale will result in an immediate drop in stock price and perhaps even a violent devaluation. The question among shareholders will be this: "What did Musk discover in his analysis of Twitter user accounts? Did he find an immense number of bots?"

People will err on the side of caution and sell their shares while they can.

It's a lose/lose situation for Twitter, because as they push the issue in court there will be discovery. In discovery all the data will be laid bare, and if Twitter is actually a hollow company with huge fake user numbers then the public is going to hear about it. Their share prices will collapse even further, there will be an SEC investigation and many lawsuits. Even if large corporate interests like Blackrock or Vanguard stepped in to shore up stock prices, none of these companies have the social influence to encourage wider buying from individual investors. They would have to take increasing losses to save a company that cannot be saved.

The result could be the expedited death of the platform.

Whether or not you like Elon Musk is not important. What's important is the exposure of one of the biggest social media conglomerates in the world to incredible scrutiny. Twitter's web influence has been waning for some time, but they still hold a measure of power over the flow of information within our culture. Perhaps a reckoning is at hand, and maybe the public will get a peek behind the curtain of the Big Tech empire to see how things REALLY operate.

by Tyler Durden

### Category

1. Economy-Business-Fin/Invest
2. Main

### Date Created

07/11/2022