

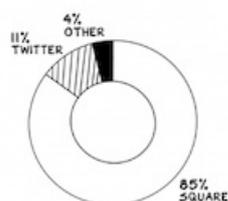
MEDIA/PUBLISHING

Someone's upset with Twitter's billionaire CEO moving to Africa. So he wrote a letter

December 6, 2019

SHARE OF JACK DORSEY'S WEALTH

2019
N=\$55 BILLION



SOURCE: FORBES.

Share of Twitter and Square CEO Jack Dorsey's wealth. Image credit: Scott Galloway, Forbes

By STAFF REPORTS

Jack Dorsey, a Silicon Valley pioneer worth \$55 billion who does double-duty as CEO of Twitter and Square, is next year relocating part-time to Africa. Someone does not like that move.

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In a stinging open letter to Twitter executive chairman Omid Kordestani, author, NYU Stern School of Business marketing professor, luxury consultant and L2 Inc. founder Scott Galloway took umbrage at Mr. Dorsey's move. Understandable.

Mr. Galloway owns 334,000 shares of Twitter worth \$10 million, at the Dec. 6 share price of \$30 and does not like the idea that the man in charge of his investment is decamping to Africa instead of upping the stock's value and addressing concerns with Twitter.

So without further ado, from Mr. Galloway's No Mercy/No Malice blog, here is the letter headlined: TWTR: Enough Already:

To:

Omid R. Kordestani

Executive Chairman

Twitter, Inc.

1355 Market Street, Suite 900

San Francisco, CA 94103

December 6, 2019

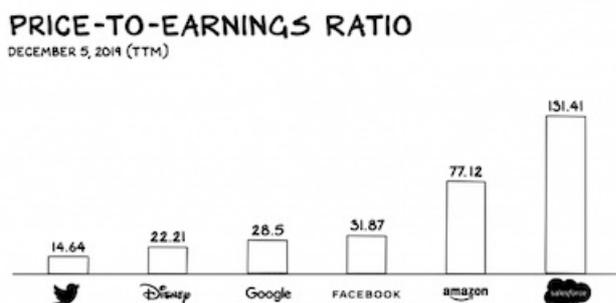
Mr. Kordestani,

A part-time CEO who is relocating to Africa? Enough already.

My name is Scott Galloway (@profalloway). I am a Professor of Marketing at NYU's Stern School of Business, an entrepreneur, and a U.S. citizen. As of 12/6 I am the direct and beneficial owner of approximately 334,000 shares in Twitter. I reserve the right to establish a dialogue with like-minded shareholders regarding the nomination of class III directors and/or a resolution of "no-confidence" concerning you and CEO Jack Dorsey for consideration at your annual shareholder meeting in May.

To be clear, my primary objective is the replacement of CEO Jack Dorsey. However, your firm's weapons of mass entrenchment include a staggered board that may force shareholders to seek to replace other directors, including yourself, first.

Twitter has, on every metric, underperformed peers for several years. Since Mr. Dorsey's return to the firm in July 2015, shareholder return is 15%, vs. Google +153%, Facebook +129%, the S&P 500 +50%, Dow Jones U.S. Media Index +29%, and MSCI tech index +115%. The stock has experienced substantial earnings multiple contraction as the market is losing confidence in management, the board, and the firm's prospects. Today, Twitter's multiple on earnings is lower than media firms including:

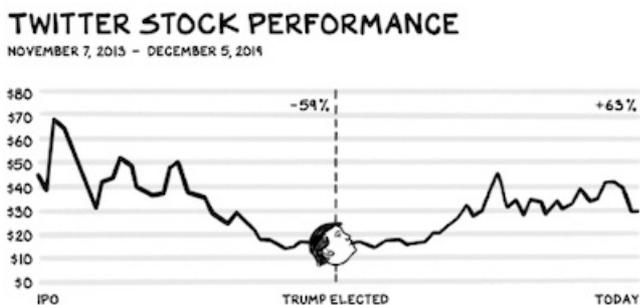


SOURCE: ANALYSIS OF YAHOO FINANCE.

Twitter's price-to-earnings ratio. Image credit: Scott Galloway, Yahoo Finance

This decline is despite the fact and I trust we can find common ground here that Twitter has become an iconic brand and the global heartbeat for our information age. The only firms with the reach and influence of Twitter (Tencent, Facebook, and Google) register 17x, 24x, and 39x the market capitalization, respectively.

Greatness is in the agency of others, and many talented executives have left the firm. It is difficult to ask people to work evenings and weekends when the CEO works mornings (is part-time). The exodus has resulted in anemic product development that has stunted growth and monetization. The poor performance has been somewhat wallpapered over by President Trump. His decision to communicate and govern via 280 characters creates a sugar high that masks the underperformance of management, and will not last. Few people have benefited more from Donald Trump's election than Jack Dorsey.



SOURCE: ANALYSIS OF YAHOO FINANCE.

Twitter stock performance. Image credit: Scott Galloway, Yahoo Finance

Unlike Facebook, I believe Twitter is a net good for society. However, the problem is with the word net. Despite the community, news, communication, and joy Twitter offers, it's clear there has been an adoption of big tech's broader playbook: a disregard for the wellbeing of its users, the order of social discourse, and the sanctity of U.S. elections in pursuit of profits.

However, for Twitter, the pursuit has come up short, and stakeholders have borne the brunt. Any examination of what

ails the firm leads to one diagnosis: poor governance that tolerates what only eight firms in the Fortune 1,000 endure: a part-time CEO. Mr. Dorsey's inattention and lack of urgency is understandable, as 85% of Mr. Dorsey's wealth resides with his morning/afternoon job (CEO, Square).

Fake accounts, GRU-sponsored trolls, algorithms that promote conspiracies and junk science, and inconsistent application of your terms of service have resulted in a firm that not only underperforms, but is dangerous.

The poor citizenship of Twitter is bad. What's worse is Twitter's malfeasance coupled with scant benefit to stakeholders. The platform is all the calories of big tech (poor citizenship, divisiveness, hate) without the great taste (stakeholder returns). At least tobacco stocks performed well.

This decline in value, however, presents an opportunity. As Twitter has shrunk to a fraction of the value of its once-peers, there is an opportunity to fill an unserved niche a platform healthy for users and the commonwealth. A platform that brings out the best, and not the worst, in its users. The firm desperately needs to turn the page.

It's not Mr. Dorsey's plans to move to Africa that constrain stakeholder value, but his plans to move back. Mr. Dorsey demonstrates a lack of self-awareness, indifference, and yogababble that have hamstrung stakeholder value.

This is not Mr. Dorsey's fault. After serving on seven consumer, media, and technology public company boards, my experience is that if you tell a thirty- or forty-something person, who regularly wears black turtlenecks, that they are Steve Jobs, they are inclined to believe you. The real culprit is directors who enable this reckless behavior and render themselves flaccid fiduciaries for shareholders.

The most recent example of the board's idolatry of innovators is enabling Mr. Dorsey's move to Africa for much of 2020.

Some thoughts:

Twitter is mentioned 74 times in the Mueller Report on Russia's interference in the 2016 election. Yet Mr. Dorsey is moving to another continent during the heat of an election year?

Russian interference is decreasing on Facebook but increasing on Twitter. All three intelligence agencies are using the term cyberwar for Russia's actions on social media. These attacks are expected to escalate before the November election.

As Jason Kint points out, it's commendable that Mr. Dorsey wants to understand and collaborate in markets outside the U.S., but that doesn't require the CEO to be on the ground. If Twitter doesn't solve the current issues impacting the most critical market for its values and ARPU, then how are other countries a priority? All social media CEOs have said they've had moderation, disinformation, and manipulation decisions escalated to them.

Political scandals happen daily under this administration. The president has tweeted about nuclear war. He becomes more erratic under pressure. How will the next bout of nuclear war tweets be handled? Whom, if not the CEO, are those delegated to?

Twitter's banning of political ads was laudable, but tweets by and about candidates are key to the platform. Bots still proliferate, spreading lies and outrage. How will the company handle the next Pelosi deepfake or threats of violence from a world leader? How will it protect journalists, especially women, from longstanding and increasing harassment?

It's a 9-hr time difference from San Francisco to Nigeria so for pressing issues, the CEO will literally be asleep. How will absentee leadership affect employee morale and stress levels?

James Madison wrote about the power of factions to divide society. He feared that strong partisanship passions "inflamed [people] with mutual animosity" and made them forget about the common good. Twitter is Madison's fear come to life. The outrage that unchecked social media imposes on our psyches is pulling at the fabric of our republic and threatens the foundations of our social order. Democracy relies on mutual understanding and respect. In addition to handling urgent political crises, Twitter's CEO needs to scale back "mutual animosity" and help heal public discourse in the U.S., not leave as it continues to deteriorate.

Weak governance, a part-time CEO, relocation to Africa, damage to the commonwealth, and poor returns. Stakeholders deserve a board and CEO that command the opportunity Twitter occupies.

Enough already.

I look forward to your response, and can be reached @profgalloway.

Regards,

Scott Galloway

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