

(Updates with 2015 forecast in first paragraph.)

By Sarah Frier

(Bloomberg) -- Twitter Inc. posted first-quarter revenue that fell short of estimates and cut its sales forecast, signaling a struggle to attract more users and advertisers. The stock fell as much as 26 percent, a record decline. Revenue will be \$470 million to \$485 million in the second quarter, Twitter said in a statement Tuesday. That missed analysts' average projection for \$538.1 million, according to estimates compiled by Bloomberg. Full-year guidance was cut to \$2.17 billion to \$2.27 billion, from the previous range of \$2.3 billion to \$2.35 billion.

"It calls into question why they didn't see this coming," said Victor Anthony, an analyst at Axiom Capital Management. "I don't think anyone ever questioned their ability to generate revenues."

Chief Executive Officer Dick Costolo has been pushing product and engineering teams, which are being led by new managers, to step up the pace of innovation and dispel any doubts about Twitter's potential as an advertising and social-media destination. The San Francisco-based company is facing greater pressure to show that such initiatives are delivering more users and revenue, according to Brian Wieser, an analyst at Pivotal Research Group.

"When you're communicating with investors there's some expectation that you'll actually deliver on what you're aspiring towards," said Wieser, who has a hold rating on Twitter's stock. "The message needs to be matched by numbers, or Twitter's credibility starts to become an issue."

Slowing Growth

The number of monthly active members climbed 18 percent to 302 million, compared with 20 percent in the prior quarter. Revenue rose 74 percent to \$436 million, missing analysts' average projection for \$456.2 million. The results were first reported by Selerity Inc., a New York-based provider of financial news and information, less than hour before the end of Tuesday's trading.

Twitter fell 18 percent to \$42.27 at the close. Trading resumed after shares were halted following Selerity's report. Earnings excluding some items were 7 cents a share, compared with analysts' average estimate for 4 cents. Twitter's first-quarter net loss widened to \$162 million from a loss of \$132.4 million a year earlier.

Costolo, facing criticism last year because of slowing user