



Twitter Q3 2018 Earnings Report  
SAN FRANCISCO, CALIFORNIA  
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## PRESENTATION

### **Krista Bessinger *Twitter, Inc. - VP, IR***

Great, thank you. Hi everyone, and thanks for joining our Q3 earnings conference call. We have with us today, our CEO, Jack Dorsey; and CFO, Ned Segal. We hope you've had a chance to read our shareholder letter published on our Investor Relations website a little while ago. This morning we'll begin with just a few brief remarks before opening the call directly to your questions.

During the Q&A, we'll take questions asked via Twitter in addition to questions from conference call participants. Questions submitted via Twitter should be directed to @TwitterIR, using the #TWTR. We would also like to remind everyone that we will be making forward-looking statements on this call, such as our outlook for Q4 and the full year of 2018 and our operational plans and strategies. Actual results could differ materially from those contemplated by our forward-looking statements, and reported results should not be considered as an indication of future performance. Please take a look at our filings with the SEC for a discussion of the factors that could cause our results to differ materially. Also, the forward-looking statements on this call are based on information available to us as of today's date, and we disclaim any obligation to update any forward-looking statements except as required by law. Also during this call, we will discuss certain non-GAAP financial measures. Reconciliations to the most directly comparable GAAP financial measures are included in our shareholder letter. These non-GAAP measures are not intended to be a substitute for our GAAP results. And finally, this call in its entirety is being webcast from our Investor Relations website. An audio replay of this call will also be available via Twitter and on our website in a few hours. And with that, I would like to turn it over to Jack

### **Jack Dorsey *Twitter, Inc. - Co-Founder, CEO & Director***

Good morning, everyone. We're going to try something a little bit different instead of reading prepared remarks, I'm just going to spend a few minutes talking about some of the highlights we've had over the quarter. I wanted to start with our purpose, our purpose is to serve the public conversation. And we have a singular objective within that purpose, which is around increasing health of the public conversation.

As a reminder, health is a framework for us that allows us to think cohesively around abuse, misinformation, echo chambers and manipulation. And the first thing I wanted to highlight is, we continue to make really steady progress against some of the health initiatives that we're seeing. Most notably this quarter around suspicious sign-ups. So we saw a 20% decrease since introducing some new techniques. We see a lot more spammy sign-ups prevalent on the web. And as we detailed in our shareholder letter, we see -- we have seen a decrease in web daily usage and the double-digit growth on mobile daily usage. We tend to see a lot more of the, sort

of, scripted automation coming through the web versus the API. So this is pretty meaningful in terms of our objective around increasing health.

And as an another reminder, we do see health as a growth vector over the long term. This is an extremely important initiative to us, not only for the experience of Twitter, but we believe the long-term growth of the platform, and we're really proud of our progress so far.

We've seen continued usage increase and growth of daily usage has been really strong, 9% year-over-year. We attribute a lot of this to our focus on conversations. One of our initiatives is to make sure that we are focusing on making Twitter a lot more conversational. We believe that conversations is Twitter's superpower. And we have made it a lot easier to find the conversations around events that you care about.

So a lot of you have probably noticed, if you're following a particular sports team or a local news event or a global conversation around a particular event. You should see the live event right at the timeline -- right at the top of your timeline as it's happening. If you tap into that, you see the entire event, if we have a live video stream associated with it, you see that. If we have any recap video streams associated with it, you see that. But also you see the conversation, and we've organized the conversation in 3 ways. One, in a recap, so you can quickly catch up to everything that matters in terms of what happened within that event. All the top commentary around the event, and these are authoritative voices, folks of credibility around a particular domain area. So for any particular sporting team it might be the beat reporter or the team or someone within the league and their Tweets and their conversation. And then, of course, the latest conversation around it, and this is a real-time feed of everything that's happening around the event.

Events has been a focus for us as we bias more and more of the service towards interests and topics. And one of our jobs right now is to make sure that we're understanding people's interest as soon as they sign up, and matching them with the right events and the right conversations as quickly as we can. We do believe we have very different dynamics than what you would find on the typical social network. A lot of people come to Twitter because of an interest in something, whether it be a news event, sports, gaming, music or something that they're curious about that is more of a long-standing topic. The faster we can match them to this interest, the better experience they have. And we are focused right now on testing and experimenting a bunch within the events space. And this is certainly proving to show positive results not only in the experience for individuals but also for our advertisers as well.

Finally, our revenue continues to be very strong. We saw a 29% year-over-year increase, and that drove better-than-expected profitability. We're seeing a lot of really strong sentiment in our advertiser base. A lot of positivity because of our focus on topics, on events and on interest. Twitter has become one of the best places to launch something new, whether it be product, service or something around your brand. Not only to launch it but also to see the conversation, have a direct conversation with your customers or potential customers, and we're seeing that in our results as well. So a lot of clarity, all focused around the purpose of serving the public conversation, and we're seeing that clarity translate into really tangible positive results throughout the business. So with that, I'll turn it back to Krista for questions.

**Krista Bessinger *Twitter, Inc. - VP, IR***

Great, thank you. Chelsea, we're ready to go ahead and pull for questions.

## **QUESTIONS AND ANSWERS**

**Ross Sandler, *Barclays***

Ned, question on the ad revenue. U.S. ad revenue was up pretty massively quarter-on-quarter and year-on-year. So can you provide some additional color on what's driving that strength? Maybe parsing between top 100, and your newer, kind of, middle-market initiatives? And do you think that you're benefiting from some of the problems that other companies and social media might be having currently? And then what do you think is a sustainable growth trajectory for the U.S. ad business as we look forward?

**Ned Segal *Twitter, Inc. - CFO***

Thanks for the question, Ross. So a couple of things in there. We're really pleased with our performance overall as we outperformed our expectations across most products and geographies, the U.S. was a big driver of that. The business turned faster and more aggressively than we expected this quarter. There's no change to the strategy, which drove that, continuing to deliver great ad formats to deliver strong relevance, to help advertisers measure the success of their campaigns on Twitter is really driving our success much as it did internationally.

When we talked about the top 100 advertisers growing a year ago, that was a sign that the turnaround was beginning, and we feel really good about the momentum that we've got going into the seasonally strong fourth quarter for us. You asked about the mix between large and smaller advertisers. The work that we've done really does benefit all the advertisers on the platform around better ad formats and relevance, but there's still work in front of us to support the millions of small businesses on Twitter who reach their customers on Twitter in many ways, but might not pay us yet for advertising. So we'll have to resource that before it can really realize the potential around it. You also asked about competition, I'll just spend a minute there. We feel like there's so much that's in our control right now, and we feel like our strategy and our execution has done a tremendous amount to lead to the success that we're delivering against today. And so we're just focused on the things that we can do to deliver success right now. This is a good time to just turn to Jack and talk about advertiser's sentiment because things are -- we're seeing such great things from advertisers right now, we should hear from him.

**Jack Dorsey *Twitter, Inc. - Co-Founder, CEO & Director***

Yes. So I had the opportunity to visit with a number of our advertisers and agencies in New York during ad week. And we have this influence counsel, which meets on a regular basis just to get feedback from our advertisers and agencies on how we're doing, what feedback they have for us, anything critical that we should be paying attention to. And the sentiment is really positive. There's a lot of appreciation for our focus, and that's certainly on that superpower of conversation but also the focus on health and increasing health in the public conversation. We got a lot of high marks around how we're communicating about it, the transparency, the partnership in trying to solve some of these problems together and making sure that we're continuing to work together to be aware of the issues but also address them, not only for our advertisers for everyone on the service. And we've seen a lot of resonance with our focus on helping brands launch something new. This is something that we've -- I really paid attention to

and seen as one of our core jobs for advertisers, and we believe we're one of the best places to launch a new product, a new service. But more importantly, get feedback from the conversation from the customers. We have some pretty notable examples that I wanted to highlight. McDonald's in France was a really good one. So they have been testing some various products around offering either French fries or potato wedges, and they actually discovered a bunch of feedback on Twitter, so -- that their customers appreciate having a little bit of mix between the French fries and potato wedges whenever they buy some French fries from McDonald's. And they use this insight to create a hashtag and launch the new product on Twitter that had a mix of both French fries and the potato wedges, and they sold over 1 million orders during launch weekend.

Another good example is Lean Cuisine, they have launched a campaign in May, called ItAll, and the campaign targeted helping women achieve their all and asked, what does having it all mean to them? Results show the power of launching these types of campaigns on Twitter, and Twitter delivered the best ROI of any social media platform for the campaign. So we've seen a lot of resonance and appreciation for our focus and also for all of our health initiatives as well.

#### **Douglas Anmuth - JP Morgan Chase**

I realized you're not providing outlook for 2019 yet, but can you talk, at least, qualitatively if not quantitatively about how you're thinking about headcount growth next year, and your ability to use AI versus more people to improve safety and security on the platform?

#### **Ned Segal Twitter, Inc. - CFO**

Doug, thanks for the question. It is too early to talk about 2019, but I'll point out a couple of things for you. One, we don't expect much to change in terms of how we prioritize and resource. Health continues to be our #1 priority followed by audience, revenue product and sales. You'll probably hear us talk more about the platform that we used to deliver Twitter because that's continued to be a big investment for us and one that we just want to talk more about so people understand how we think about it. But we don't expect any change to those as we get closer to and into next year. When we think about how we will deliver around health and safety more broadly, we'll continue to leverage technology and the unique characteristics of Twitter. The fact that it's public, opened and real-time are differentiating, and they help us empower fewer people to do more. Therefore, elements to our approach that we think about, the first is clear and effective policies, the second is a product strategy that empowers people on Twitter to give us clear signals about what's healthy and what isn't, the third is the Twitter services team is focused just to serve the people on the platform including enforcing our policies. And then we think about using machine learning to amplify the efforts of all these to deliver health solutions at scale. It's because of all that our Twitter services team might not be as big as you might hear about from others, and all of this is incorporated into our thinking for EBITDA and EBITDA margins for Q4 and our long-term margin targets to which there is no change.

#### **Anthony DiClemente - Evercore ISI**

Couple of questions. You've asked us to focus on the DAU growth as the best measure of success for Twitter, and it's growing, but it's growing nicely, but saw some minor deceleration in the quarter. And so just wanted to ask about that. Will that continue into the fourth quarter? And then as we -- as analyst's think about user growth just more broadly, maybe just kind of how much does this matter to looking at the success that you saw in the quarter on revenue and monetization. Can revenue growth in this sort of performance on revenue and EBITDA continue

to outperform or grow well in excess of audience growth for a while? Or at some point, would we hope and expect that, that DAU deceleration returns and re-accelerates?

**Ned Segal *Twitter, Inc. - CFO***

Thanks, Anthony. I'm going to start and talk about some of the numbers around your question, and then I'll turn it to Jack on some of the product work that we're excited about. First, this is the third quarter in a row where we've grown revenue in excess of audience. We -- as we continue to deliver better ad formats, better relevance against a larger and more engaged audience. We're delivering better for advertisers, and we think this is something that we can do for a sustained period of time. At the same time, our purpose is to serve the public conversation and growing daily active usage on the platform is critical to our long-term success, it's a lifeblood of the company. So we remain focused on growing DAU. And when we think about the opportunity, there are couple of things I'll point out. One is that DAU continues to be well less than half of MAU. So there's lots of opportunity to grow DAU both within the base of MAU, and then also to grow from people who are not in the monthly active usage category. The top of funnel continues to be healthy. We still see 2 million or more people come to the platform everyday who have not been on the service for a month or more, 1/3 whom have never been on the platform before, and we look at that and see a lots of opportunity to help them find what they're looking for faster so that they will stay longer and come back more frequently.

Let me turn to Jack to talk a little bit about some of the work on the product.

**Jack Dorsey *Twitter, Inc. - Co-Founder, CEO & Director***

Anthony, a few points here. One, we do see health and that initiative and objective as a long-term growth vector for the company. And it will have short-term implications on daily active. But we do ultimately believe and are driving this towards a growth vector, and we believe it's really important to solve this and better the experience more broadly on Twitter. In terms of the products, we continue to benefit by focusing on relevance. So anything that we do by focusing more relevance on the timeline, on notifications continues to see positive results in usage, and a lot of our focus right now is going towards onboarding. We think there's a lot more opportunity around when people first start with Twitter or they return to Twitter. Typically, Twitter has felt fairly mechanical to a lot of folks. So if I'm interested in basketball, for instance, I have to go and find all the associated accounts with basketball, and sometimes they may not even be Tweeting about basketball. So we think we can do a much better job by understanding someone's interest, understanding someone's contexts that they're coming into the service with and then matching them to the best conversations immediately. And that might be accounts that might be conversations that might be events. But ultimately, we want to expand the action of follow much more broadly to encapsulate a lot more upfront so that people can get the best of Twitter immediately. And all that's coming through our work on relevance. So we're testing a lot with our events experience to make sure that when people do come in to this events experience, we retain them. And as we continue to prove that out, which we are, we can match that with our onboarding initiatives, and then see it as a cohesive, end-to-end experience, which becomes a whole lot easier to really match what people come into Twitter for.

**Lloyd Walmsley - *Deutsche Bank***

I had a couple if I can. First, as you look out to 2019, the major event calendar looks a bit light relative to '18. Wondering you've said in the past, you are more demand constrained on the advertising side than supply constrained. Does that kind of soften the impact of a lighter event

structure and make it less of an issue? Or should we expect kind of an event landscape next year to have any sort of an impact to your, kind of, revenue outlook? And then second one I guess, it sounds like you mentioned in the shareholder letter, I think, Jack, you just mentioned the health efforts are now impacting DAU a little bit on the margin. How much of that is kind of just indirect reallocation of developers and just your product focus versus a more direct impact you guys kind of call that desktop usage? And how should we be thinking about that impact from health going forward on DAU?

**Ned Segal *Twitter, Inc. - CFO***

Lloyd, I'll take the first one then turn it to Jack on major events. Yes, as the platform becomes increasingly global with elections happening all around the world and sporting events happening all around the world, we are increasingly less focused on the things that happen in one country versus another as advertising becomes more always on and as events stretch out to become more than about a single day on the platform. So we feel good about the breadth of relationships that we have with advertisers and how they're using the platform, and how sometimes the event is a product launch as opposed to something that's happening around the world that you might think of as an event. You mentioned the comments that we made in the past around being more demand constrained than supply constrained, as we look across the platform, as we look across geographies that continues to be the case, we still see lots of opportunity to impact that balance and to continue to drive relevance to deliver for advertisers and to grow the business.

**Jack Dorsey *Twitter, Inc. - Co-Founder, CEO & Director***

And Lloyd, and I think the concept we're trying to drive here is agility. And just a little bit more on your question around events. Events are happening every single day and it's our job to make sure that we're matching the event, whether it be big or small, to the right person. Because a lot of these are meaningful to individuals, and we need to understand the context of that they're coming in, what they're interested in, and then matching them so that they can participate in a meaningful way, whether it be just consuming what's happening with the event or participating in the conversation around it. So we have a lot to choose from and a lot of our job is finding that and delivering it to someone instantaneously, and that's been a lot of our focus. In terms of health and technology versus people, we're again trying to build agility here. It would be easy just to run to an answer of hiring as many people as possible to solve the problem, but we want to make sure that we're building really smart technology to further empower all the people that we do have. And when we do have -- when we do see an opportunity in front of us to accelerate an effort or to solve a problem even faster or much deeper, we're going to take it. Because again, we do believe that health ultimately is a growth vector for the service. And we do believe it's important not just for the overall experience but in terms of making Twitter long-term enduring as well. And we're happy with the progress we've made, but we have a ton more work to do. So while we do have a team that's dedicated to health initiatives, we have every team around the company thinking about increasing health of the public conversation. It's part of the checklist and of our work and making sure that we're not thinking just about superficial fixes and solutions, but we're actually questioning some of the fundamentals and the incentives that the service is providing, and making sure that they are also encouraging and increasing healthy conversation on the service as well. And ultimately, all of these changes and initiatives will compound over time into what we believe will be continued strong growth on this -- on the service.

**Ned Segal *Twitter, Inc. - CFO***

Lloyd, I'll just add one thing. If you look at the 9% DAU growth this quarter and you unpack it as Jack did in his opening remarks, it really does get to the heart of the health work, and how we balance that with growing audience. Jack went through how people who use mobile phones along with other ways they can access the platform, how that continued to grow double digits, while we actually saw a year-over-year decline in DAU from those that access Twitter just through a browser, which is often where we see this spammy and suspicious behavior start. That shows a real impact that our health work can have, which is in addition to where sometimes we'll just make resourcing decisions, where we'll prioritize health work over things that might grow audience instead.

**Richard Greenfield - *BTIG***

I got a couple related to the product and advertising. When you simply type in T into the search box on Twitter now, I get a Trump and Tribeca, both obviously relevant given what's going on this morning. But when I click in either of these it opens up to an event page as you talked about Jack. But I don't see dedicated advertising, you're not selling kind of a sponsored link or sponsored piece of that. How do you think about the advertising opportunities tied to search? And is there a big opportunity as you think about search advertising? Which obviously is huge for companies like Google. And then, kind of, related to, kind of, new forms of advertising revenue. I know you've talked in prior calls about direct response, but it seems like when to really light the advertising revenue growth to a whole other level, DR seems like a huge opportunity. Wondering kind of where you are in that process. And as your, kind of, machine learning and AI gets better, how does that create opportunities on the direct response side to enter that whole pool of capital that I don't think you're tapping into, but certainly it's certainly the largest revenue category at a company like Facebook?

**Jack Dorsey *Twitter, Inc. - Co-Founder, CEO & Director***

Thanks, Rich. Yes, I will say, to be frank, we haven't focused as much on search as the potential demands. We've been focusing a lot of our efforts on relevance on the timeline and also notifications and on onboarding. We do see a lot of opportunity and potential within search, it's part of the service that I love. I think it could be a whole lot better both from an experience standpoint and certainly from an advertising perspective as well. So you should expect us to pay a lot more attention to this going forward. We do believe it's a really important part of the service, and we think there's a lot of ways that we can improve that experience, and something that we're really excited to do. But first we want to make sure that we are strengthening where people end up after search. And that's really critical because we wanted to focus on making sure that we're retaining people when they get to those endpoints. And then we're going to start looking at just how they get in there. And search is obviously one major area for current folks on the service, but also onboarding is a big one for new or returning. So onboarding is a big focus for us right now. Search will be an ongoing focus for us in the future. But our mindset has been really to focus on where people are spending the majority of their time, making sure it's a great experience, making sure it's easy and then looking at the ways they come in to strengthen those as well.

**Ned Segal *Twitter, Inc. - CFO***

Your second question was around DR. We continue to see a big opportunity there as well, Rich. But the interesting trend that we're seeing in the business today is with formats like the Video Website Card and the Video App Card. At first, and even to a certain extent now, we see people

buying them with different objectives. Some people buy them for brand because they want people to watch a video, others buy them because they want people to click through to an app or to a website. When we talk to our largest advertising partners, they also see a blending between brand and performance advertising or direct response with formats like this, where their teams that think about one versus the other are beginning to converge in their objectives. And so we hope that formats like this can continue to bring our brand and direct response closer together. And over time, we will be able to do more to help our advertising partners around direct response.

**Richard Greenfield - BTIG**

So if I just read and then kind of extrapolate, what you're basically saying Ned is that some of the ad dollars that's starting to flow in terms of what we're starting to see in terms of the quarterly performance. You're actually tapping into DR buckets that hadn't been available to Twitter before?

**Ned Segal Twitter, Inc. - CFO**

The way we think about it is, the buckets maybe blending, number one. Number two, we've got more compelling formats, which make a broader set of dollars available to us, and we're driving better relevance, which are helping make the case for a strong ROI on Twitter for the whole bucket as opposed to any one piece of it. So it might be more nuance than the way you described it, but you might -- I might not disagree with the headline.

**Krista Bessinger Twitter, Inc. - VP, IR**

And the next question we'll take from Twitter. It comes from the Twitter account of Jose Corai and he asks, "Can you give us some color on the data business?"

**Ned Segal Twitter, Inc. - CFO**

Thanks for the question, Jose. We continue to feel really good about our strategy and our execution around the data business. That shows up in the data and other line on the P&L. We continue to see strong growth in data and other was up 25% year-over-year to \$108 million this quarter, remember that has data licensing as well as MoPub in it. We've been working hard in our data licensing business to have deeper relationships with fewer customers, and we've seen real success there. And we still see lots of opportunity in front of us to continue to work with both our existing partners but also with new business. The great thing about our data business is, we give access to the APIs and it allows our partners to create businesses around them. And we've come out with a premium product over the last couple of quarters, which allows people to test and learn around the APIs to better understand whether it might be commercial opportunity for them. So we continue to be excited about the data business.

**Heath Terry - Goldman Sachs**

Jack, I was wondering if you could give us a bit of a sense. You talked earlier this year about having come through a period of paying off technical debt to get to where you were now and what that was enabling you to do from a product perspective. As a lot of the, sort of, Trust & Safety or information quality issues have come up over the year, how much has that taken away from your ability to sort of innovate on the product realizing that information quality is, obviously, core to the product itself? And where do you think we are in terms of getting the sort of a normalized run rate for that kind of work? And then Ned, just -- is there a way to quantify the impact that these efforts are having on user growth. I know you guys talked the end of last



quarter about sort of a mid-single-digit impact. Is there a like-for-like or even just qualitatively, a way to think about what MAU or DAU or engagement numbers would look like if we weren't dealing with these information quality or Trust & Safety issues?

**Jack Dorsey *Twitter, Inc. - Co-Founder, CEO & Director***

Well, so we don't see these things that odds with each other. We do believe that all of our health initiatives. And again, health is a cohesive framework for us that includes a number of things including Trust & Safety but also how we think about misinformation and gaming of the platform. We see our health initiatives as a growth vector ultimately for the company over the long term. We do realize that there we'll have short-term implications. But ultimately, we believe that not only this is the right thing to do for Twitter, but ultimately will lead to growth over the long term. So we have had a lot of tech debt around the service, more having to do with our platform that has really slowed down our ability to ship and to innovate and to invent. We're through a lot of that, we still have some work to do. But we are getting a lot more agility in our development and that's definitely having an effect on our speed, we're shipping experiments much faster, we're able to learn much faster. Ultimately, we want to build an organization -- develop an organization that can learn really, really fast about what works and what doesn't work. And we're back to a state where we can launch hundreds of experiments and really get a sense of what's working and what's not working, and we're getting closer and closer to that. But ultimately, we do see everything that we have to do to innovate and invent around the product, consistent with our need to make conversation on Twitter healthier. So we see these as parallels, and we don't see them necessarily add tension with one another. We think improving one helps improve the other, but it's asked -- it's forcing us to ask much deeper questions around the service, which ultimately we believe will make the service a whole lot more accessible to more people, and get the people currently on the service in front of a lot more power so that they can use the service a whole lot more effectively.

**Ned Segal *Twitter, Inc. - CFO***

Heath, on the second part of your question, I'm going to go in a little bit of a detail. But I think the headline if you just boiled it all up would be, if you thought about that comment that Jack started with around continuing to get double-digit, year-over-year DAU growth from those users that access Twitter across platforms as opposed to web-only usage, which was down year-over-year, that might be the best way to quantify the impact. But let me go through a couple of other things for you. And so the MAU decline was both because of 3 things that we talked about on the call back in July, GDPR, health and SMS, which we expect to continue to be the driver of the drag going into the fourth quarter. As well as 2 other things that came up, which were the product changes that reduced automated usage and a bug that impacted the number of notifications that we sent in the quarter that we since addressed. It's those 2 issues that caused our MAU to decline more than we had expected. So if you're trying to quantify things, hopefully that would help a little bit. And then you asked about engagement, we continue to be pleased with what we see from an engagement perspective on the platform as we look across geographies and cohorts.

**Colin Sebastian - *Robert W. Baird***

Maybe a question on time spent per user, if that's something you could at least talk qualitatively about beyond just the frequency of usage. If you're seeing notable changes in the depth of engagements, for example, with the focus on video and live video. And related to that, in terms

of how much growth you're seeing from in-stream video ads and the influence of putting live video at the top of the timeline?

**Ned Segal *Twitter, Inc. - CFO***

Colin, that's not something that we talked about. When we think about engagement broadly, we look at a bunch of different metrics internally, and we continue to feel good about what we see from an engagement perspective. You asked about in-stream, in-stream is a great opportunity for us but it's really one of many on the advertising side, where delivering better ad formats means the Video Website Card, it means the Video App Card, it means in-stream against great live content, but there's so much other content on the platform at any given time that there's lots of opportunity to continue to grow the advertising against all of that in new surface areas where we haven't done as much as -- that Jack described, such as search and explore.

**Mark Mahaney - *RBC Capital Markets***

A couple of questions, please. Have you seen actually greater -- efforts to influence greater activity by bad actors on the platform leading up to the upcoming elections? I know you talk about some of the health measures that you've taken, but have you actually seen greater efforts by external actors to manipulate the platform or less? And then if you could talk about the MAU outlook, and I know you gave some very specific guidance about MAU's for the December quarter. Is there a reason to think that, that's -- when the health efforts -- the impact of them on the MAU when that terminates? Or could it -- is it just as possible that MAU growth continues to shed mid-single-digit millions throughout 2019, i.e. Is -- are health efforts going to be constant effort at the company is there a reason to think that there's -- you're relatively far down the field in terms of getting the health of the platform where you want it to be?

**Jack Dorsey *Twitter, Inc. - Co-Founder, CEO & Director***

Mark, we think the most important thing for us to do is to be transparent around what we're seeing on the service. And we continue to be transparent with what we've seen in the past and also what we're currently seeing, certainly with our partnership with governments around the world. Particularly the U.S. government around what we're seeing in the past U.S. elections and the upcoming midterm. We just released a number of accounts and information around foreign actors that we saw on the platform in pretty great detail that you can reference, and I think we really said -- about a week ago. We haven't seen any more meaningful or greater activity since then but this is an ongoing concern that we need to constantly address and build into the way we work. And we're really proud of how the team has taken it on and been really agile to make sure that we're addressing the solutions -- addressing the problems as they come up with a variety of solutions. And we're looking, of course, to constantly learn from elections around the world, and what we might be -- what we might do to strengthen the upcoming one, certainly in the U.S., but also more globally.

**Ned Segal *Twitter, Inc. - CFO***

Mark, the second part of your question was around MAU and the potential impact from health. Let me just go through a couple of things. First, if you take a step back, we haven't really talked about MAU prospectively until the last quarter, and just given we were able to do math and see a few things in front of us around health, GDPR, decisions we might make a round of SMS, we highlighted that it would be down, and we've done so again for the same 3 reasons. It's important when we think about health for us to have the flexibility to do the right things for the platform long term. Sometimes we will remove accounts from the platform that don't impact our

disclosed metrics. You've read a lot about that in Q2, when there were articles about tens of millions of accounts being removed, but the vast majority of those didn't affect user metrics because they were inactive accounts and we caught them at sign up. Other times we'll see an opportunity to improve the health of a platform and it will affect the disclosed metrics, and we just need to have the flexibility to do the right things for the long term of the platform whether it affects metrics or not. And so I wouldn't want to make a prediction around MAU in 2019. At the same time, we still see lots of opportunity to continue to grow daily usage of Twitter. And when we look at MAU -- or DAU rather continue to be well less than half of MAU. When we look at the continuing health that we see at the top of the funnel, and we think about the product improvements that we've made over the last couple of years and the opportunity that we see in front of us to continue to improve the service, we still think that those things ought to allow us to continue to grow DAU over time.

**Eric Sheridan - UBS Investment Bank**

Maybe one, just trying to tease out on the pricing. Would it understand a little bit of granularity on how much of the pricing improvements you're starting to see in the platform are driven by click-through rate improvements, demand broadly across advertisers for the platform? How we should think about some of those key metrics driving price going forward might be levers, not only in Q4, but as we look out to 2019 on the price per ad front?

**Ned Segal Twitter, Inc. - CFO**

Thanks, Eric. Couple of things when we think about monetization or pricing. The first is, remember we're focused on delivering a strong ROI for advertisers. And so the pricing is an output of what happens in the auction. But when they get a good ROI, they invest more in our platform and good things happen for everybody. On a year-over-year basis, ad engagements were up 50%, and CPE was down 14%. Similar to past quarters, we've seen a mix shift of video ads, and we continue to drive better ad relevance. Click-through rates are going to be a great way to look at our success around that and they continue to get better.

On a quarter-over-quarter basis, ad engagements, you might have seen this in the metric sheet, they declined 3% and CPE was actually up 12%. I'll just remind you these are driven by the auction. I wouldn't read too much into it because so much can vary from one quarter to another such as the product mix shift or events that are happening on the platform, such as the World Cup that can drive a lot of ad engagements, or the objectives of certain advertisers or a bunch of advertisers around campaigns that they might be running. So those will continue to move around from one period to another as long as we're delivering a strong ROI for advertisers, we're pleased with the outcome, and we'll be able to continue to deliver growth.

**Operator**

That concludes today's question-and-answer session, I would now like to turn the call back to management for closing remarks.

**Ned D. Segal Twitter, Inc. - CFO**

Thank you. Our Q3 results reflect our success with advertisers driving strong revenue growth of 29% year-over-year, and better-than-expected growth across most products and geographies. We're demonstrating Twitter's unique value proposition for advertisers through innovative ad formats, better relevance and continued improvement in ROI. This quarter's strong results also show we can prioritize the long-term health of Twitter while growing the number of people who

participate in daily public conversation. We're making meaningful progress on health, doing a better job of detecting and removing spammy and suspicious accounts, while continuing to grow DAU 9% in the third quarter. We look forward to sharing additional updates on our progress next quarter. We'll hold our Q4 call on February 7th before the open. Thank you all for your support, and we'll see you on Twitter.

**Operator**

Ladies and gentlemen, thanks for participating in today's program. This concludes the program. You may all disconnect. Have a good day, everyone.