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Jeffrey Weiner – Chief Executive Officer & Director
Steven J. Sordello – Chief Financial Officer & Senior Vice President

Other Participants

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Brian J. Pitz – Analyst, Jefferies & Company, Inc.
Mark Alan May – Analyst, Barclays Capital, Inc.
Tom Cauthorn White – Analyst, Macquarie Capital (USA), Inc.
Youssef H. Squali – Analyst, Cantor Fitzgerald Securities
Mark J. Zgutowicz – Analyst, Piper Jaffray, Inc.
Bill G. Bird – Analyst, Lazard Capital Markets LLC
Timothy McHugh – Analyst, William Blair & Co. LLC
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Douglas T. Anmuth – Analyst, JPMorgan Securities LLC

— MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the LinkedIn Third Quarter 2012 Earnings Conference Call. [Operator Instructions]

I would now like to introduce your host for today, Matt Sonefeldt, Senior Manager of Investor Relations. Sir, please go ahead.

Matt Sonefeldt, Head-Investor Relations

Good afternoon, and welcome to LinkedIn's third quarter of 2012 earnings call. Joining me today to discuss our results are CEO Jeff Weiner and CFO Steve Sordello.

Before we begin, I would like to remind you that during the course of this conference call, management will make forward-looking statements, which are subject to various risks and uncertainties. These include statements relating to expected member growth and engagement; our product offerings including mobile; results of our R&D efforts including the acceleration of our product deployment process; revenue including revenue growth rate; adjusted EBITDA; depreciation and amortization; stock-based compensation; share dilution; taxes; the product mix between online and field sales; churn rate; and expenses. Actual results may differ materially from the results predicted, and reported results should not be considered as an indication of future performance.

A discussion of risks and uncertainties related to our business is contained in our filings with the Securities and Exchange Commission – in particular, the section entitled Risk Factors in our quarterly and Annual Reports – and we refer you to these filings.

Also, I would like to remind you that during the course of this conference call, we may discuss some non-GAAP measures in talking about the company's performance. Reconciliations to the most directly comparable GAAP financial measure are provided in the tables in the press release. This

conference call is also being broadcast on the Internet, and is available through the Investor Relations section of the LinkedIn website.

With that, I will turn the call over to our CEO, Jeff Weiner.

Jeffrey Weiner, Chief Executive Officer & Director

Thank you, Matt, and welcome to today's conference call.

I will start by summarizing the operating results for the third quarter, and I'll recap some of the highlights and key milestones since our last call. I'll then turn it over to Steve for a more detailed look at the numbers and outlook.

The third quarter saw continued strong growth in key operating and financial metrics. Just as importantly, the last few months marked the most significant period of product development in LinkedIn's history. This accelerated pace of innovation is fundamental to our goal of driving greater engagement on our platform.

For Q3, overall revenues grew 81% to a record \$252 million. We delivered adjusted EBITDA of \$56 million, translating to non-GAAP EPS of \$0.22. At the end of the third quarter, cumulative membership grew 43% year-over-year to 187 million members as we continue to add approximately 2 member sign-ups per second.

With regard to engagement as measured by comScore, LinkedIn totaled 143 million unique visitors in September when including SlideShare, making us the 25th most visited web property in the world. When excluding SlideShare, we averaged 110 million monthly unique visitors during Q3, growing 25% year-over-year. Additionally, we generated 8.9 billion page views excluding mobile, growing 17% year-over-year.

Our internal engagement metrics, which include mobile, also continue to show solid growth. Unique visiting members grew approximately 22% for the quarter. More importantly, member page views grew approximately 44% in Q3, well in excess of unique visitor growth, indicating that members are becoming increasingly active on LinkedIn.

Improvements in our underlying technology infrastructure are enabling accelerated product innovation around the themes of simplify, grow and every day. Simplify is all about making it easier for our members to unlock value from the core products and services we already offer. Earlier this year, we re-designed several of our pillar products, including our mobile apps and LinkedIn Today, to offer a more unified user interface and more relevant and social experiences.

In Q3, we applied the same approach to other core products, including the Homepage. Now rolled out to virtually all LinkedIn members, we are seeing materially higher levels engagement, with Homepage page views up more than 60% since its introduction and status updates recently reaching all-time highs. The increased engagement on the Homepage also benefits the more than 1.3 million third-party publishers that enable members to share content through the LinkedIn platform.

And just a few weeks ago, we launched our most ambitious redesign of the pillar product to-date, the LinkedIn Profile, the Professional Profile of Record. Profiles on the site are viewed as many as 25 million times daily. Our new profile page makes it easier for members to define and maintain their identities, build their networks, and gain valuable professional insights.

We just began introducing the new profile to members in mid-October, and it is being gradually rolled out to the entire network.

Our second theme is growth, which has two connotations for us. First, it means continuing to grow our global membership, and second, it means growing our monetization efforts in ways that benefit both members and customers.

Product localization continues to be a strong driver of member growth. We added six new languages to our iPad app, and a desktop version of the site is now available in 19 languages. Of the more than 13 million new members added during Q3, more than 70% came from outside the U.S., underscoring LinkedIn's global reach. 63% of all LinkedIn members are from international markets. Additionally, with the opening of our Dubai office, LinkedIn is now operating in 26 cities around the world.

With regard to the growth of our monetization offerings, last month, we held our Annual Talent Connect Conference, which brought together more than 2,000 recruiters from over 1,100 companies. We introduced several enhancements to our flagship recruiter platform. We also launched Sponsored Jobs, which enables companies to promote key positions to the right talent, and we unveiled the LinkedIn Talent Brand Index, a free tool that helps our customers benchmark and measure their talent brands.

Also at Talent Connect, we announced that we changed the name of this product line from Hiring Solutions to Talent Solutions. Building talent goes beyond sourcing and hiring to branding and engagement, and this name-change better reflects the value we bring to our customers.

At Brand Connect 2012, our annual event for marketers, we introduced redesigned Company Pages for the more than 2.6 million organizations with an active company profile on LinkedIn. Company Pages are at the center of the LinkedIn follower ecosystem, which enables companies to engage with the professional audiences that are most valuable to them.

An increasing area of focus for us is the monetization of our mobile channel, where we continue to customize our existing talent, marketing and subscription product lines to our mobile experiences. We are now showing jobs in our mobile apps, continue to test display ads on our iPad app, and are now enabling members to sign up and pay for premium subscriptions directly from their mobile devices.

Our third product theme is delivering value to our members everyday. Since our last call, we've launched several major new offerings designed to keep our members coming back to the site to build their professional identity and gain valuable insights. We introduced Endorsements, a new and easy way for our members to recognize their colleagues for their specific skills. Since launching it broadly at the end of Q3, more than 200 million endorsements have been generated on LinkedIn. Additionally, since endorsements bring members back to their profiles, the number of members editing their profiles on any given day has more than doubled year over year.

We also launched Notifications, which alerts members to activity relevant to their experience on LinkedIn. Since the rollout of Notifications and the new homepage, we've seen a material increase in social gestures, including record levels of comments, likes and shares. Comments specifically have increased more than 4x since June. The social gestures create a positive feedback loop that encourages members to continue to engage on LinkedIn.

Finally, we unveiled two new significant additions to the LinkedIn content ecosystem. The ability to follow thought leaders on LinkedIn, and the ability for those luminaries to publish long-form content on the site.

More than 150 of the most influential professional thinkers, CEOs and leaders are participating, including President Obama, Governor Romney, Richard Branson, Arianna Huffington, T. Boone Pickens and Deepak Chopra. Thus far, the response has been overwhelmingly positive. For

example, Richard Branson is now being followed by more than 700,000 members, and his first post has been shared on LinkedIn more than 36,000 times, received nearly 14,000 likes, and generated more than 5,900 comments.

Mobile products are also central to delivering value everyday, and it remains our fastest-growing consumer service. In Q3, an average of 25% of unique visiting members came through mobile apps versus just 13% a year ago. In the past two months, we introduced several new features to our iOS and Android apps, including the ability to edit profiles, view notifications and visit Company Pages.

The value we create for members allows to deliver useful offerings to customers of our Talent Solutions, Marketing Solutions and premium subscriptions products. And in Q3, these three diverse revenue streams all performed well. Talent Solutions grew 95% to \$138 million as industry leaders continue to turn to LinkedIn to engage prospective talent for their organizations.

Marketing Solutions was up 60% to \$64 million as some of the world's leading brands leveraged LinkedIn as the most effective way to target and engage with professionals. And premium subscriptions increased 74% to \$50 million as we continue to focus on delivering the right services to the right members at the right time.

Lastly, an update on our talent, which is our top operating priority. Despite our rapid growth to more than 3,100 employees around the world, our culture and values have never been stronger, and they provide a very solid foundation for continued success.

And now, I'll turn it over to Steve for a deeper dive into our operating metrics and financials.

Steven J. Sordello, Chief Financial Officer & Senior Vice President

Thanks, Jeff.

Before I discuss the results, I want to remind you that my comments on growth rates will refer to year-over-year changes, unless I indicate otherwise. Also, non-GAAP financial measures exclude stock-based compensation expenses, amortization of intangibles, and the tax impacts of these adjustments. Please refer to our press release for the GAAP-to-non-GAAP reconciliations.

We remain encouraged by the steady improvement in engagement and growth in our product lines as our business continues to benefit from increased member interactions. Members increased to 187 million during the quarter, with an increasing portion coming from outside the U.S. We are especially encouraged by our growth in developing countries, and over the past few months, have announced hitting 15 million members in India and 10 million members in Brazil, our two largest non-U.S. markets.

As the member base grows, we are pleased with how those members are increasingly engaging with LinkedIn. Despite a difficult comparison versus last year, given the impact from our IPO and product improvement, comScore engagement metrics remain solid with 25% year-on-year growth in standalone unique visitors and 17% page-view growth, excluding mobile.

By our own internal measures, unique visiting members grew approximately 22% and page views generated by those members including mobile 44%, far in excess of unique member growth. We are hitting all-time highs for the number of days members are visiting both the desktop and mobile versions of LinkedIn, and this signals that our investment in engineering infrastructure and product development are showing positive returns.

Turning to the financial results, total revenue increased 81% to \$252 million. Talent Solutions remains our largest and fastest-growing product line, increasing 95% versus last year to \$138 million. Talent Solutions is now 55% of our total revenue base compared to 51% last year.

Momentum with corporate customers remains healthy. We added over 1,700 new customers during the quarter and now have over 13,700 enterprises on contract with LinkedIn.

Average revenue per customer continues to increase as enterprises deepen their relationships across our product portfolio, from recruiter to job listings to talent acquisition branding.

On a regional level, the U.S once again saw strong results, with an increasing number of customers buying three or more talent products. In Europe, while macro headwinds muted growth, existing customers are increasing their investment in LinkedIn, and we still see significant headroom across the U.K and continental Europe.

APAC growth also remains strong, although we have been affected by macro factors including the impact of China's slowdown on our Australian customers as well as the economic challenges in India. On the other hand, we're seeing nice early traction out of our newer Asian offices.

Business with existing customers remains healthy as illustrated by key operating metrics. Churn is down slightly relative to this point last year, as we benefit from increased investment in education and pipelining teams. Add-ons and renewals have increased sequentially throughout the year and have been particularly strong in the U.S.

LinkedIn continued to gain mind-share with customers and members as a place to post and find jobs, and the number of listings grew in excess of 100% for the second straight quarter. We monetized jobs in both our field and online sales channels and are excited about the recently announced rollout of sponsored jobs for both enterprise and self-serve customers.

And finally, Job Seeker and Talent Finder subscriptions also maintained steady progress, contributing to a slightly larger percentage of Talent Solution's revenues in the third quarter.

Turning to Marketing Solutions, it grew 60% year-on-year to \$64 million, representing 25% of total revenue compared to 29% in the year-ago quarter. Field sales maintained its momentum behind new campaigns with blue-chip customers and more product offerings, and these factors have translated to a rising average CPM relative to last year.

Self-serve LinkedIn ad growth once again outpaced desktop page view growth. However, LinkedIn Ads has been impacted by the mix shift toward field sales, which reduces the inventory available for self-serve and lowers growth relative to display ads.

And finally, Premium subscriptions revenue grew 74% year-on-year to \$50 million, 20% of total revenue this quarter, the same percentage as last year. In the third quarter, we saw a re-acceleration in new subscriptions, given the strong engagement trends on LinkedIn, and churn declined across our product offerings. While still early, our Sales Navigator product continues to perform well on a relatively small base of business.

Moving to revenue by channel, field sales growth exceeded online sales for the second consecutive quarter, reflecting the strong relationships with our enterprise customers in both Talent and Marketing Solutions.

Field sales represented 57% of revenues during the quarter versus 43% for online. A year ago, this index was 53% field and 47% online. The mix shift toward field sales represents a trade-off. We gain greater visibility as our SaaS products become a larger portion of our business. At the same time, these products carry a lower relative contribution margin versus our online products.

As for geography, international revenue growth again outpaced U.S. growth despite the difficult macro environment in Europe and Asia. International revenues increased 97% year-over-year to 36% of total revenues versus 33% last year. U.S.-based businesses grew 73% year-on-year to 64% of revenues versus 67% last year.

Turning to the non-GAAP income statement, profitability again exceeded our own expectations, despite the sustained pace of investment as well as the relative mix shift toward the field sales channel. Gross margin excluding depreciation and amortization was 87%, up from 84% last year.

Sales and marketing was flat year-on-year and quarter-on-quarter at 31% of revenue. This line item has grown roughly in line with revenue growth as we've invested in sales reps, marketing and customer support.

As we indicated during last quarter's earnings, we took steps to scale up R&D investment, both to gain critical mass around existing priorities as well as to pull in investment on new strategic initiatives. R&D was the only operating expense line item that increased relative to revenue, ending the quarter at 23% of revenue compared to 22% last year. And G&A as a percentage of revenue declined to 11% versus 13% last year.

Top-line strength and increased scale contributed to a record adjusted EBITDA of \$56 million in the third quarter, a 22% margin. This compares to \$25 million and an 18% margin last year. Depreciation and amortization totaled \$23 million, slightly higher than expected, while stock-based compensation was \$27 million, in line with the guided range.

Taxes were slightly lower than anticipated due to pre-tax income exceeding expectations and \$2 million in one-time benefits. Taxes were \$4.4 million on a GAAP basis, an effective 66% rate, and \$12 million on a non-GAAP basis, an effective 33% rate.

We expect our GAAP and non-GAAP rates to remain structurally high for the foreseeable future given the international tax structure build-out and non-deductibility of acquisition costs. Starting this quarter, you can also find historic tax detail on the metric sheet posted on our Investor Relations website.

On the bottom line, we generated \$2.3 million in GAAP net income and \$0.02 of GAAP EPS and 113.6 million fully diluted weighted shares. This compares to a loss of \$1.6 million in net income and loss of \$0.02 of EPS last year. On a non-GAAP basis, earnings more than tripled to \$25.1 million in net income and \$0.22 in EPS, compared to \$6.6 million and \$0.06 of EPS last year.

Our balance sheet remains strong with \$677 million in cash, cash equivalents and short-term investments against zero debt. We generated a record \$88 million in operating cash flow, up from \$47 million last year. CapEx was \$34 million versus \$29 million last year, reflecting ongoing investment in both our data centers and global facilities footprint.

In the quarter, we generated a record \$54 million in free cash flow. This is three times the \$18 million generated last year.

I will close the call with guidance for the fourth quarter and full-year 2012. In the fourth quarter, we expect revenues between \$270 million and \$275 million, a range of 61% to 64% year-on-year. This effectively raises full-year guidance to \$939 million to \$944 million, approximately 80% year-on-year growth.

For adjusted EBITDA, we expect a range of \$58 million to \$60 million in the fourth quarter, and at approximately 22% margin. We now expect annual EBITDA of just over \$200 million, also at 22% margin.

EBITDA guidance incorporates efforts mentioned last quarter to accelerate investment into the R&D organization around strategic initiatives, including student, mobile, international and enterprise. We also expect sustained investment into the global sales force and marketing teams, and higher than expected spending towards global office build-outs.

Finally, margin guidance also reflects the seasonal mix shift to our field sales channel in the fourth quarter.

We expect depreciation and amortization of \$23 million to \$25 million this quarter, and now estimate approximately \$80 million for the full year. For stock compensation, we expect \$28 million to \$30 million in the fourth quarter and expect to end the year in the \$87 million to \$89 million range. Stock compensation will come in higher in 2012 than we initially anticipated as a result of acquisitions, refresher grants and a higher share price.

We anticipate higher tax rates during the fourth quarter. On a GAAP basis, we expect our rate to approximate pre-tax income. On a non-GAAP basis, we expect taxes to be materially higher than our third-quarter rate. As you saw the last several quarters, our rates can be highly variable based on current levels of pre-tax income.

For fully diluted weighted shares, we expect to average approximately 114 million shares in the fourth quarter, and an average of 113 million in 2012.

For the full year, we expect capital expenditures to be in the mid-teens as a percentage of revenues.

To conclude, we performed well in the third quarter on many fronts. Strong member engagement helped drive sustained growth in our three segments. This growth, combined with greater operating scale, led to record levels of adjusted EBITDA, operating and free cash flow. We continue to benefit from strengthening engagement, large market opportunities, and strong growth across our diverse revenue streams, and we look forward to a strong finish to 2012.

Thank you for your time, and we'll now take questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of Heath Terry from Gold Sachs. Mr. Terry, your line is open.

<Q – Heath Terry – Goldman Sachs & Co.>: Thanks. Sorry about that. I was hoping you could give us a little bit more color in terms of the sales rollout for – or the rollout for Sales Navigator, particularly the strategy that you have for beginning to more aggressively sell that product into enterprise. What the roadmap looks like? And what you would suggest we think about from a timing perspective, in terms of starting to see more of that out in your customer base?

<A – Jeff Weiner – LinkedIn Corp.>: Sure. It's still early days. We're pleased with the progress thus far. We're going to market with two channel approaches, both self-serve subscriptions and then a field-sales effort targeting larger enterprises.

And thus far to-date, we have received very positive feedback from customers who are seeing strong return on investment, and really able to manifest the value proposition there, which is turning cold calls into warm prospects by virtue of being able to leverage relationships within their co-workers' and colleagues' networks.

<Q – Heath Terry – Goldman Sachs & Co.>: Great. Thank you.

Operator: Thank you. And our next question comes from the line of Brian Pitz from Jefferies.

<Q – Brian Pitz – Jefferies & Company, Inc.>: Thanks. Can you give us a little color on international? It looks like international revenue ticked up as a percent of total this quarter. Any color on incremental softness from a macro perspective?

And then a follow on to the sales question. I know it's early but longer term, do you think the broader opportunity in sales, on the sales side of organizations, could actually be larger than that on the hiring side? Again, over the very long term? Thanks.

<A – Steve Sordello – LinkedIn Corp.>: Hey, this is Steve. On the macro question, yeah, we continue to see strong growth both domestically and internationally. We had a particularly strong quarter this year in the U.S given that's a more mature market.

In Europe, we did see more muted growth. And same in Asia – the slowdown in China is impacting some of the economies there. But when you take a step back and you see the growth rates, Europe is growing 90% year-on-year and Asia is growing around 110% year-on-year. So, it's all relative.

And so we're still very much in investment mode and excited about those market opportunities.

<A – Jeff Weiner – LinkedIn Corp.>: And then on the second half of your question – this is Jeff – in terms of the total addressable, if you look at it based on the number of professionals within the segment – defined as salespeople and business development professionals – and you compare that to our talent solutions segment that's largely comprised of recruiters and hiring managers, in theory, the sales segment is considerably larger, as measured by the composition of our membership.

So we do think it's a large opportunity on a global basis, but once again, very early days.

<Q – Brian Pitz – Jefferies & Company, Inc.>: And just one quick follow-up to that. Would that mean competition is bigger then? Was it – given that some other big companies that are playing in that space? Or can you segment yourself apart from them? Thanks.

<A – Jeff Weiner – LinkedIn Corp.>: Well, I think with regard to the larger enterprise landscape, it's more of an integrated effort. Our Sales Navigator product as an application is now integrated into some of the largest CRM solutions on the marketplace.

So with regard to the specific value proposition of leveraging colleagues, co-workers within your network, I think that's somewhat unique, in terms of the way we're approaching it.

<Q – Brian Pitz – Jefferies & Company, Inc.>: Great, thanks.

Operator: Thank you. And our next question comes from the line of Mark May from Barclays.

<Q – Mark May – Barclays Capital, Inc.>: Just wondering if you could characterize the incremental growth in talent solutions revenue? Kind of talk about it – what portion came from new customers versus repeat customers? And for the new, maybe characterize the type of businesses that these are, in terms of just average size of contract, or average size of the company, maybe based on their employee counts?

And then we're noticing that your Advertising, Marketing Solutions CPM growth is quite impressive, and your effective CPMs have already been quite premium to begin with. So can you talk about what's driving that and how sustainable that is? Thanks.

<A – Steve Sordello – LinkedIn Corp.>: Yeah, Mark, this is Steve. On the Talent Solutions side, I think one of the great things this quarter – we added 1,700 customers, which is second-largest following Q4, which is the strongest quarter of the year for us, and we were able to maintain our record ARPU.

And that's really a factor of being able to continue to drive new business, despite the fact that SMB is growing as a percentage – last year SMB was probably 25%, this year, it's 30%. And so we're deepening those relationships and being able to keep the same seats per customer.

At the same time, we're selling larger deals upfront. So we're selling more products. We're diversifying – it's not just Recruiter – we are selling Talent Branding, we are selling Job Slots. We just introduced this quarter Sponsored Jobs, so we're continuing to broaden that portfolio.

So really having a lot of success on new business there. At the same time, in the current base, when we talk about our add-on renewal rates net of churn, is continuing to be strong. In the quarter, it was actually up from last quarter. So – and churn was down in each of the markets on a year-on-year basis that we participate in. So on the Talent Solutions side, we still have a lot of strong momentum.

On the Marketing Solutions front, I think the CPMs – what we're seeing there is, in particular, the field sales side of the organization start to get some momentum, as well. That's where we had some strength this quarter continuing to build. And so that's what we're able to – again probably broadening the product portfolio on that side, as well, where we're able to sell more targeted ads, and that's pulling up the CPM.

<Q – Mark May – Barclays Capital, Inc.>: And when we talk about the sustainability of that, your self-service solutions is also effective, as well. When you think about the mix going forward and how that affects CPMs, how should we be thinking about it?

<A – Steve Sordello – LinkedIn Corp.>: Well, in the aggregate – we report CPMs in the aggregate, the way we are measuring it – the field sales will naturally have a higher CPM because the self-serve ad won't run, unless it's in excess of it – our field sales won't run unless it's an excess of it. And currently, we're growing faster on the field sales side of the business.

The good news on the self-serve side is we clearly have more demand than we have inventory. And one of the reasons why, as a company, we invest so heavily in product is to drive engagement. And that Marketing Solutions line of the business – having a product out there on the LinkedIn ad side where you have more demand than you can fulfill we see as a good thing at this stage, because we're continuing to build, and as we drive more engagement, we'll be able to reap the success out of that, from a business perspective.

<Q – Mark May – Barclays Capital, Inc.>: Thank you.

Operator: Thank you. And our next question comes from the line of Tom White from Macquarie.

<Q – Tom White – Macquarie Capital (USA), Inc.>: Great. Thanks for taking my question. Just another follow-up on the enterprise effort opportunity as it relates to sales solutions. Could you give any sort of color about what the mix is today, self-serve versus sort of field sales into that?

And then how are you guys planning to sort of monitor the impact to the typical member experience from an increasing number of sales professionals using the platform? And I understand that you're looking to eliminate cold calls in favor of warm leads, but that seems like sort of a fine line, so just curious how you guys are monitoring that? Thanks.

<A – Steve Sordello – LinkedIn Corp.>: Hey, Tom. This is Steve. I'll take the first part.

Currently online, the online self-serve portion represents a solid majority of that business. We have not pushed that heavily yet on the field sales side. We have a handful of salespeople that are starting to ramp, starting to build relationships with large accounts. So, currently, it's mainly online is the solid majority.

<A – Jeff Weiner – LinkedIn Corp.>: With regard to, this is Jeff. With regard to the second part of your question. We are always members first, and so we take a very thoughtful approach to these kind of monetization efforts.

And that includes in this case relevancy mechanisms that are designed to make sure that we're making the right matches. But at the same time, all members have the ability to mark as spam anyone who is starting to really get ahead of themselves, in terms of their outreach efforts. And we're going to continue to focus on making the most relevant match possible.

<Q – Tom White – Macquarie Capital (USA), Inc.>: Thanks.

Operator: Thank you. And our next question comes from the line of Youssef Squali from Cantor Fitzgerald.

<Q – Youssef Squali – Cantor Fitzgerald Securities>: Two questions, please. First, can you talk a little bit about the delta in monetization between international and domestic? Focus maybe primarily on developed international? And then mobile versus desktop – just kind of where are we in that conversion curve and how long do you think it will take to close that gap?

And second, maybe talk a little bit about elasticity of demand. Kind of pricing trends for Hiring Solutions in particular. When was the last time you raised prices? And any plans to move prices short-term? Thank you.

<A – Steve Sordello – LinkedIn Corp.>: So Youssef, this is Steve. On the international front, I think in developed economies, they are quite similar. So the U.S. – if you're talking U.S., Western Europe, the dynamics are pretty similar. It's in the underdeveloped countries the countries such as India where they are a few years behind where the U.S. is in terms of the market opportunity, and some of the other countries, such as Brazil as well is a couple of years behind.

On the mobile versus desktop, we are a company where we do have plans in terms of monetizing on the mobile platform. We have not yet really released, beyond some testing, on the iPad products on that platform. So it's still early days for us. You will likely see more there next year.

On the pricing front, relative to recruiter and Talent Solutions, we have been building a strong value proposition with our customer base, continuing to add products to the suite that we offer. And our approach has really been focused at this point in time on looking on optimizing the long term. And we focus more on expanding that footprint, as opposed to increasing pricing. The last price increase we had was a couple of years ago. And to this day right now, that's still our focus is on expanding that footprint.

<Q – Youssef Squali – Cantor Fitzgerald Securities>: Thank you.

Operator: Thank you. And our next question comes from the line of Mark Zgutowicz from Piper Jaffray.

<Q – Mark Zgutowicz – Piper Jaffray, Inc.>: Hey, guys. I'd echo again the comment on CPM increases. Pretty impressive.

The questions I had surrounding that are if you are seeing any sort of benefit from custom groups in that number, or if that still – basically talk just about progress on that front. It seems to me it's sort of a chicken or the egg. You'll get more groups signing up as you have some more marquee names here. So I am kind of curious if that's sort of how you look at it.

And also if you can maybe just talk a little bit about some learnings that you found from the iPad testing. I hear you said early days. So just trying to get a sense of what it is you're looking to see to before you sort of move forward with the mobile app platform there? Thanks.

<A – Steve Sordello – LinkedIn Corp.>: Sure. This is Steve. I'll take the first question. Yeah, we've had more success on the field sales side, related to selling to larger blue-chip customers more-custom solutions, in addition to additional products, such as the Follow product that we launched within the last quarter. And those have higher effective CPMs in general.

<A – Jeff Weiner – LinkedIn Corp.>: With regard to the second part of your question, in terms of it been early days on the iPad, for Marketing Solutions, it's really less about early days there. I think it's just a question of time now, and allowing the new product and the new go-to-market strategy there with our sales force to mature. But the response thus far to date has been positive, and we're going to continue to ramp that up.

I think the early days is probably a little bit more apropos in terms of smartphone, where we continue to test. And we're going to continue to take a thoughtful approach. But we're generating some good momentum with regard to the things we're working on internally.

<Q – Mark Zgutowicz – Piper Jaffray, Inc.>: Just a follow on that is there sort of a number of sort of active iPad users that would move that forward? Or is it still more of finding the right forms of advertising without disrupting that experience? I'm trying to get a sense of the balance between those two?

<A – Jeff Weiner – LinkedIn Corp.>: Sure. For the iPad, it's – again it's really just a question of timing and allowing this new value proposition and sales proposition to mature. Because the sales force is now out there in earnest, and they're selling against it.

For us, iPad engagement in total inventory and total page views is not as high as the smartphone application environment. But with regard to the real estate and the experience, the larger amount of

screen space affords us the ability to really leverage very similar Marketing Solutions that we see on the desktop on the iPad, which is why that's where we started.

<Q – Mark Zgutowicz – Piper Jaffray, Inc.>: Got it. Thanks very much.

<A – Steve Sordello – LinkedIn Corp.>: Yeah, Mark, I will make one more comment on CPMs, since we had a couple of questions there.

I think another portion is related to sales-force execution, and also, in particular, really starting to use price-yield management and optimizing where the demand is for inventory. I think that's just beginning an opportunity for us to continue to build CPMs by doing a better job optimizing pricing around where the demand is.

<Q – Mark Zgutowicz – Piper Jaffray, Inc.>: Great. Thanks for the additional color.

Operator: Thank you. And our next question comes from the line of William Bird from Lazard.

<Q – Bill Bird – Lazard Capital Markets LLC>: Good afternoon. I was wondering if you could talk a bit about Corporate Solutions in the U.S. Just wanted to get a sense of where you think you are kind of in terms of your penetration. And I guess what you believe growth is most dependent on prospectively – is it SMB adoption, increased spending by existing clients, et cetera?

<A – Steve Sordello – LinkedIn Corp.>: So, we haven't broken it down by region when we talked about our TAM. Macro level, we believe in the U.S., there's about 20,000 companies that have 500 or more employees, and we think that's a sweet spot number for us for our solutions. So, you can look at that as a U.S.-based TAM in terms of number of companies.

Internationally, U.S. represents about 25% of that, so it's about 50,000 to 100,000 companies. We're at just south of 14,000 companies today. So, that can give you an idea in terms of new business.

It is steering more towards SMB. That continues to grow as a percentage of our customer base.

The other thing to consider is how much penetration within existing accounts. And we believe we have about 3x headroom, based on the analysis that we've done, within the U.S. in terms of headroom based on our current product set.

<Q – Bill Bird – Lazard Capital Markets LLC>: Thank you.

Operator: Thank you. And our next question comes from the line of Tim McHugh from William Blair. And one moment while we open your line.

<Q – Tim McHugh – William Blair & Co. LLC>: Thank you. Just curious if you could give us a little more color to the macro environment. You talked about I think some impact in Europe, and a little bit in Asia, but obviously still growing at a very high rate. So I'm trying to understand what is the impact? Is it longer sales cycles or is it some – are customers actually buying fewer things? Or is it your growth rate's a little slower than it was before, and that's all. Just want to understand that.

<A – Steve Sordello – LinkedIn Corp.>: Yeah, I think it's most represented in longer sales cycles that we're seeing in those two particular regions. Again, highlighting the absolute growth rate, it's all relative to I think what we would see in a stronger environment.

And as I mentioned, we're seeing some of the other characteristics, such as churn, tick down, at least on a year-on-year basis in those countries.

And another thing we are seeing broadly – I think when you are in a difficult market like that, similar to what we saw in the U.S. back in 2009, we're taking share in those markets. And if you look at the number of hires touched through LinkedIn year-on-year, it's more than doubled.

And so the growth rate is relative, and when we say words like muted, but we're in those environments and we are taking share, which we view as a good, obviously, long-term thing for LinkedIn.

<Q – Tim McHugh – William Blair & Co. LLC>: Great. Thank you.

Operator: Thank you. And our next question comes from the line of Martin Pyykkonen from Wedge Partners.

<Q – Martin Pyykkonen – Wedge Securities LLC>: Yeah, I guess looking more into 2013, could you make some comments – I know you won't break this out in terms of numbers exactly – but just curious in terms of the sales emphasis, as you look at next year, in terms of opening new offices, going deeper.

And if you have any comments you can make kind of in light of that in terms of average number of seats per corporate customer. I'm obviously focusing more on Talent Solutions here. Just kind of curious to get – I know it's some of both? But I'm curious about the tilt on the emphasis between going deeper versus expanding geographic footprint, especially international? Thanks.

<A – Steve Sordello – LinkedIn Corp.>: Yeah. I mean, we would prefer to talk about 2013 on our next quarter call. So we're going to defer questions on 2013.

<Q – Martin Pyykkonen – Wedge Securities LLC>: Okay. Thanks.

Operator: Thank you. And our next question comes from the line of Douglas Anmuth from JPMorgan.

<Q – Doug Anmuth – JPMorgan Securities LLC>: Thanks for taking my question. I just wanted to ask two things. So just want to get your sense on engagement. You said we've seen some deceleration – obviously still very fast growth in terms of page views but decelerating rates. And at the same time, it feels like you're very innovative in terms of the products you're rolling out and the pace at which you're doing things. So, I want to get your sense on engagement, how you feel about it on the platform.

And then also, can you update us on the \$8 million to \$9 million that you mentioned last quarter just around the SlideShare impact and also the increased spending on security – is that still contemplated in your back half? Basically 3Q and now of course into 4Q?

<A – Jeff Weiner – LinkedIn Corp.>: Sure. So, this is Jeff. I'll start with your question about engagement.

So, we've actually seen some pretty strong improvements in the rate of growth for some of the pillar products that have most recently been refreshed. The comScore numbers were through September, and a number of these most recent launches took place and didn't really reach 100% of our membership until we were through most of the month in September, and in October.

And as a result of the introduction of things like the new homepage, Notifications, Endorsements, and now Influencers, one of the nice benefits that we couldn't necessarily have foreseen is the compounding effect of what happens when members begin to interact with multiple new products and services.

So, we're pleased with the acceleration we've seen in the growth rates of those products and services that have been most recently rolled out. We're also seeing continued growth – no deceleration at all – with regard to mobile, in terms of mobile engagement. And, again, just to reiterate, we're seeing now about 25% of our weekly uniques coming through mobile, and we're encouraged by what we're seeing on that front.

<A – Steve Sordello – LinkedIn Corp.>: And the only thing I would like to add there is the comps in Q3 are somewhat – you're comparing to Q3 last year, where we had the IPO impact that we talked about last year. So, some of the Q3 year-on-year growth rates will be impacted by that. And as Jeff mentioned, the beginning in Q4 here is very strong.

Related to the expenses that we had discussed last quarter, SlideShare is definitely in the numbers that we had talked about. The cost associated with the security breach is also partially in there. That will also hit in Q4. We talked about that being a back-half-of-the-year expense. So, those are also embedded in our cost.

Jeffrey Weiner, Chief Executive Officer & Director

So, with that, we're going to conclude today's call. Thank you so much for your time, and we look forward to talking again next quarter. Thank you.

Operator: Thank you. Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program and you may now disconnect. Everyone, have a good day.

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