



Twitter

2Q 2014 Earnings Report

Forward-looking statements and non-GAAP information

This presentation and the accompanying press release and conference call contain “forward-looking” statements that are based on our management’s beliefs and assumptions and on information currently available to management. Forward-looking statements include statements about expected financial metrics, such as revenue, non-GAAP adjusted EBITDA and EPS, as well as non-financial metrics, such as average monthly active users, mobile monthly active users and timeline views, for the third quarter of 2014, the full fiscal year and beyond. They also include statements about our possible or assumed business strategies, competitive position, industry environment, potential growth opportunities, potential market opportunities and the effects of competition.

Forward-looking statements include all statements that are not historical facts and can be identified by terms such as “anticipates,” “believes,” “could,” “seeks,” “estimates,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “will,” “would” or similar expressions and the negatives of those terms. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. For a discussion of these risks, you should read our filings with the Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K for the year ended December 31, 2013, Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, and the Quarterly Report on Form 10-Q we will file for the quarter ended June 30, 2014. In addition, please note that the date of this presentation is July 29, 2014, and any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of this date. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future.

This presentation includes certain non-GAAP financial measures as defined by SEC rules. As required by Regulation G, we have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is available in the Appendix.



A Note About Metrics

The numbers of active users and timeline views presented in our earnings materials are based on internal company data. While these numbers are based on what we believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring usage and user engagement across our large user base around the world. For example, there are a number of false or spam accounts in existence on our platform. We have performed an internal review of a sample of accounts and estimated that false or spam accounts represented less than 5% of our MAUs. In making this determination, we applied significant judgment, so our estimation of false or spam accounts may not accurately represent the actual number of such accounts, and the actual number of false or spam accounts could be higher than we have estimated. We are continually seeking to improve our ability to estimate the total number of spam accounts and eliminate them from the calculation of our active users. For example, we made an improvement in our spam detection capabilities in the second quarter of 2013 and suspended a large number of accounts. Spam accounts that we have identified are not included in the active user numbers presented in our earnings materials. We treat multiple accounts held by a single person or organization as multiple users for purposes of calculating our active users because we permit people and organizations to have more than one account. Additionally, some accounts used by organizations are used by many people within the organization. As such, the calculations of our active users may not accurately reflect the actual number of people or organizations using our platform.

Our metrics are also affected by third-party applications that automatically contact our servers for regular updates with no user action involved, and this activity can cause our system to count the users associated with such applications as active users on the day or days such contact occurs. Historically we tracked and reported all users who accessed Twitter through third-party applications. We have reviewed and refined our processes, however, to calculate a new metric that is comprised of only such active users who have used applications with the capability to automatically contact our servers for regular updates where there was no discernable user action involved. In the three months ended June 30, 2014, approximately 11% of all active users solely used third-party applications to access Twitter.¹ However, only up to approximately 8.5% of all active users used third party applications that may have automatically contacted our servers for regular updates without any discernable additional user-initiated action. The calculations of MAUs presented in our earnings materials may be affected as a result of automated activity. In addition, our data regarding user geographic location for purposes of reporting the geographic location of our MAUs is based on the IP address associated with the account when a user initially registered the account on Twitter. The IP address may not always accurately reflect a user's actual location at the time such user engaged with our platform.

We present and discuss timeline views, but have estimated a small percentage of the timeline views in the three months ended September 30, 2013 to account for certain timeline views that were logged incorrectly during the quarter as a result of a product update. We believe these estimates to be reasonable, but actual numbers could differ from our estimates. Further, timeline views in 2012 exclude an immaterial number of timeline views for our mobile applications, certain of which were not fully tracked until June 2012.

We present and discuss the size of our audience based on both internal metrics and data from Google Analytics, which measures unique visitors to our properties.

We regularly review and may adjust our processes for calculating our internal metrics to improve their accuracy. Our measures of user growth and user engagement may differ from estimates published by third parties or from similarly-titled metrics of our competitors due to differences in methodology.



¹ Updated as of August 11, 2014. Twitter previously indicated that for this period approximately 14% of all active users used applications that have the capability to automatically contact our servers for regular updates, but later discovered that this number included certain users who accessed Twitter through owned and operated applications.

Key metrics

Q2 2014



271

Million MAUs



640

Timeline Views
/ MAU



\$1.60

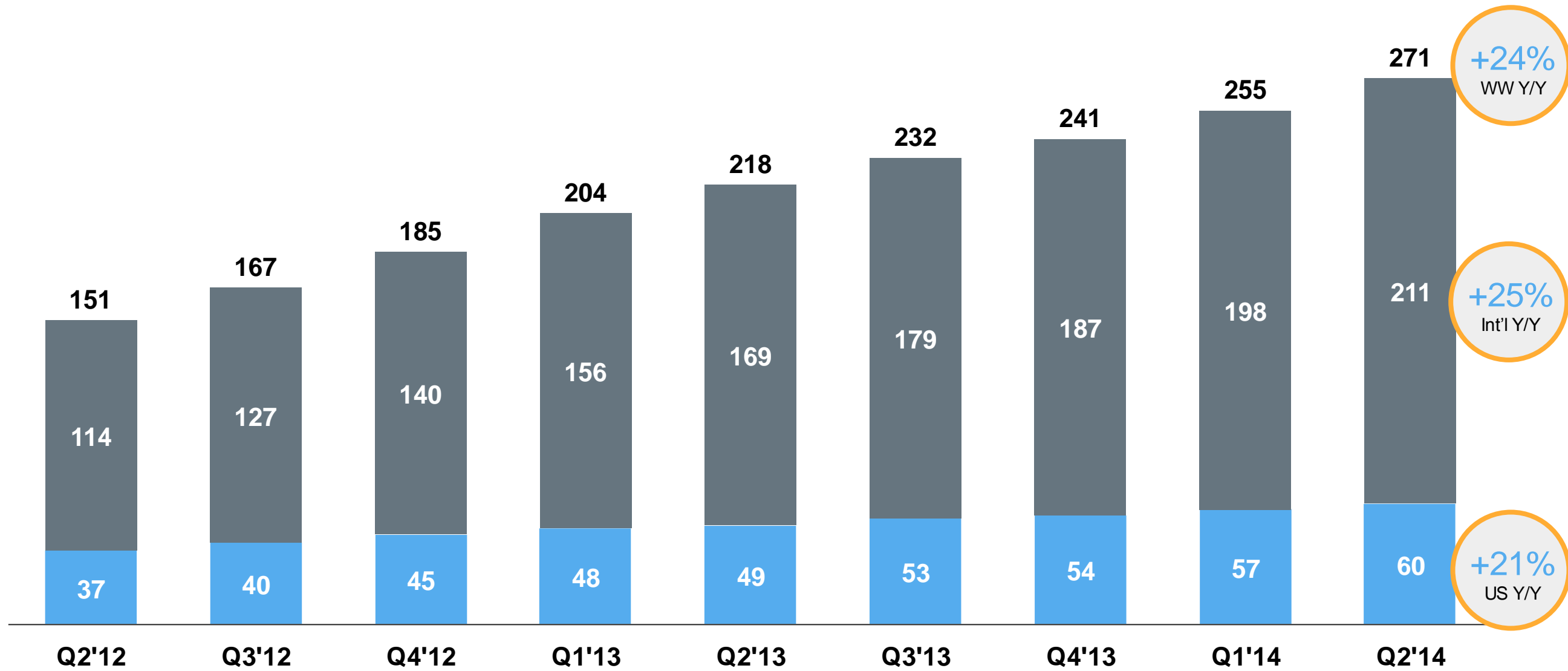
Ad Revenue / 1000
Timeline Views



Monthly active users

(quarterly average in millions)

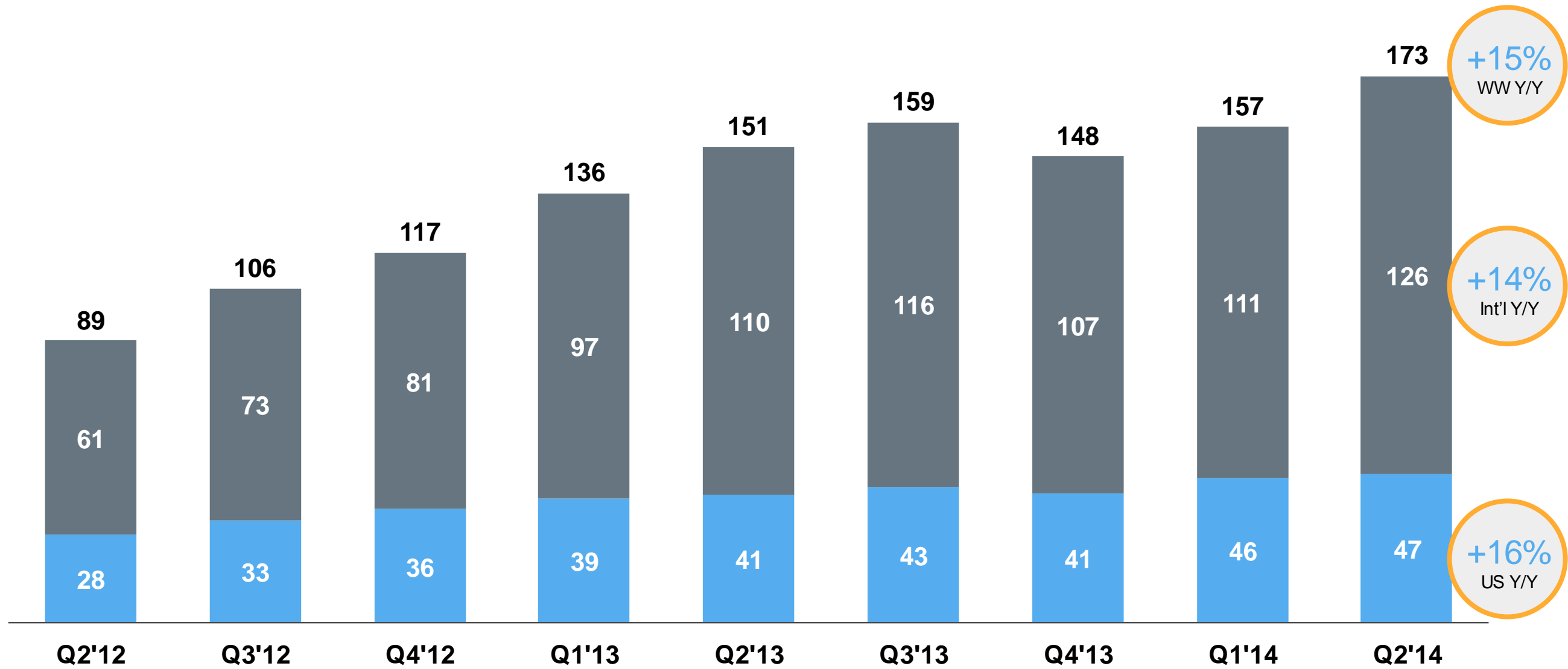
International
United States



Timeline views

(in billions)

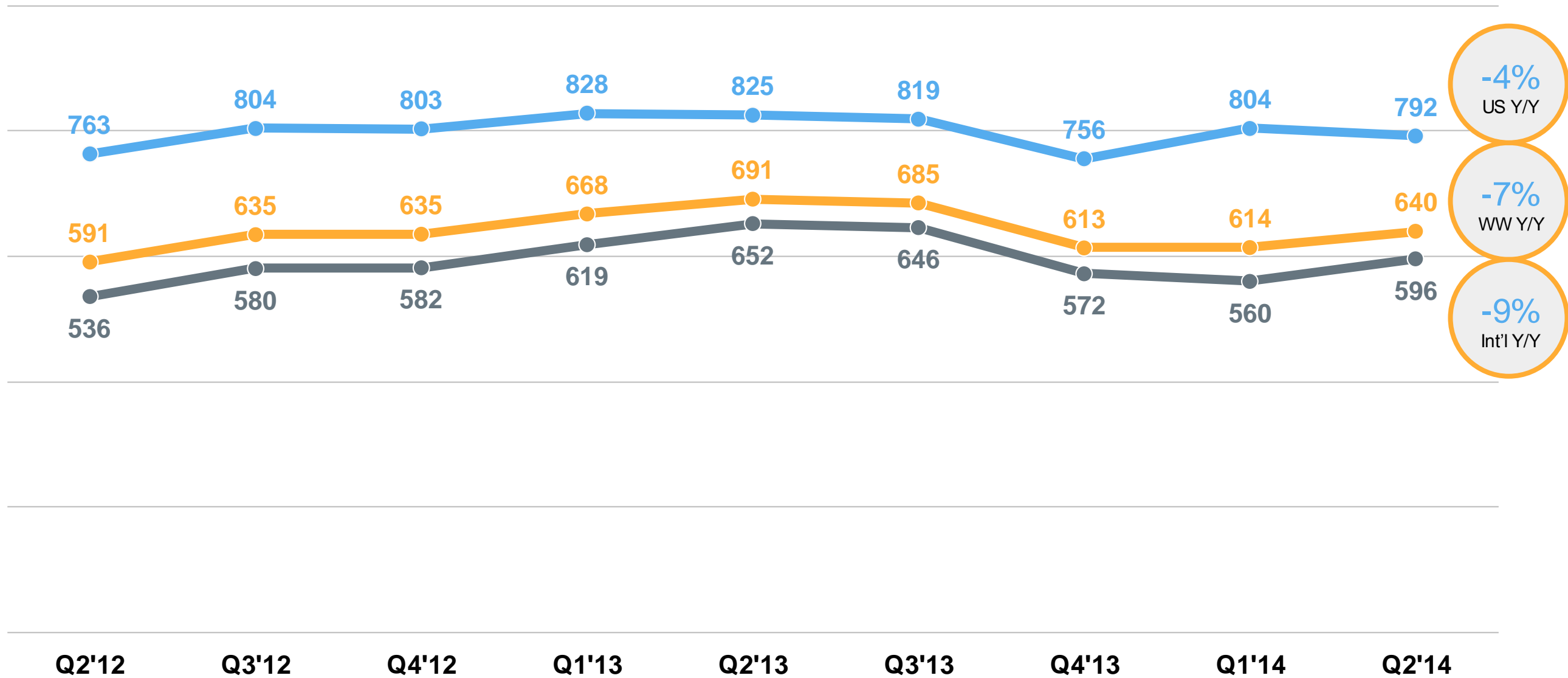
International
United States



Timeline views / MAU

(in units)

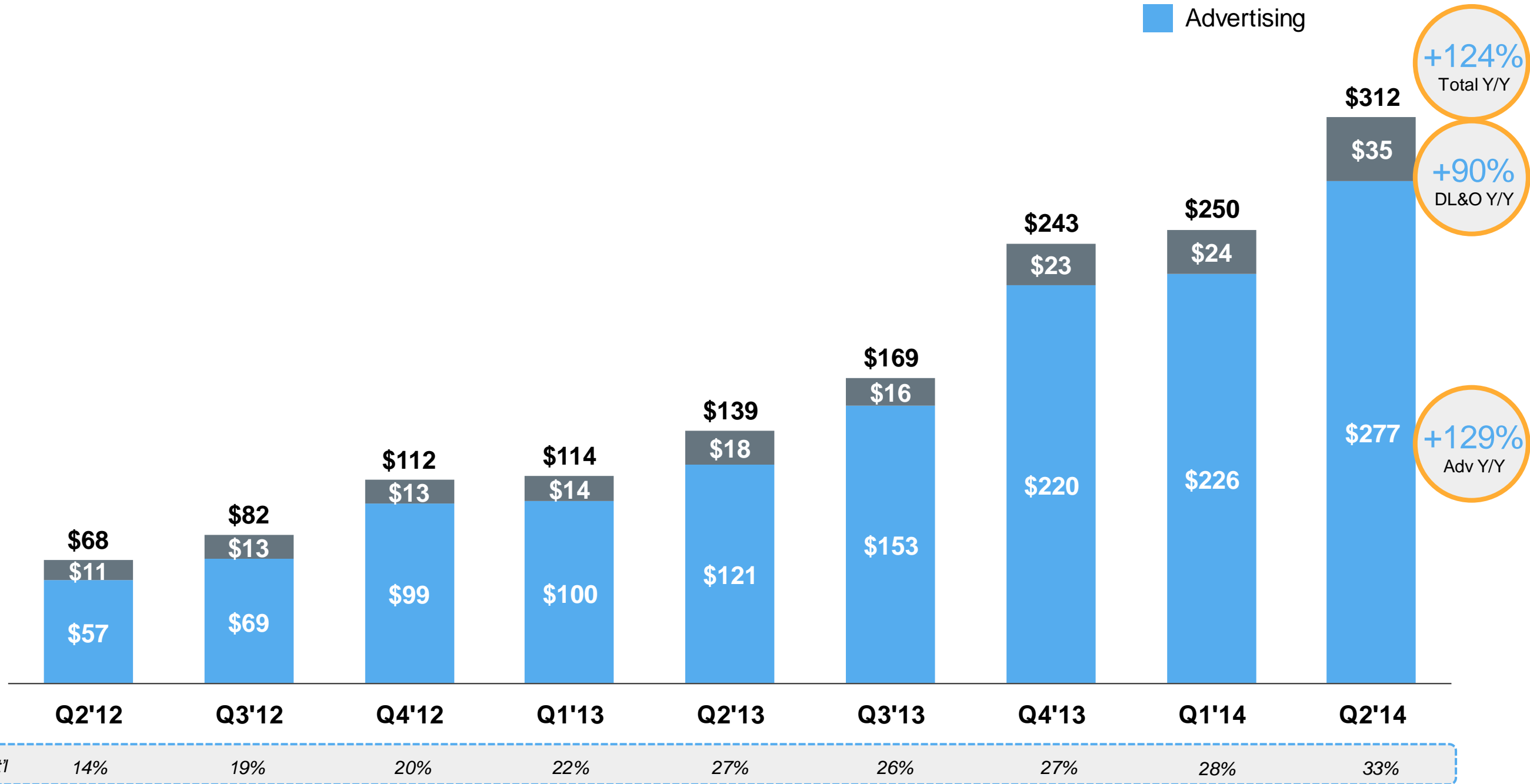
- Worldwide
- International
- United States



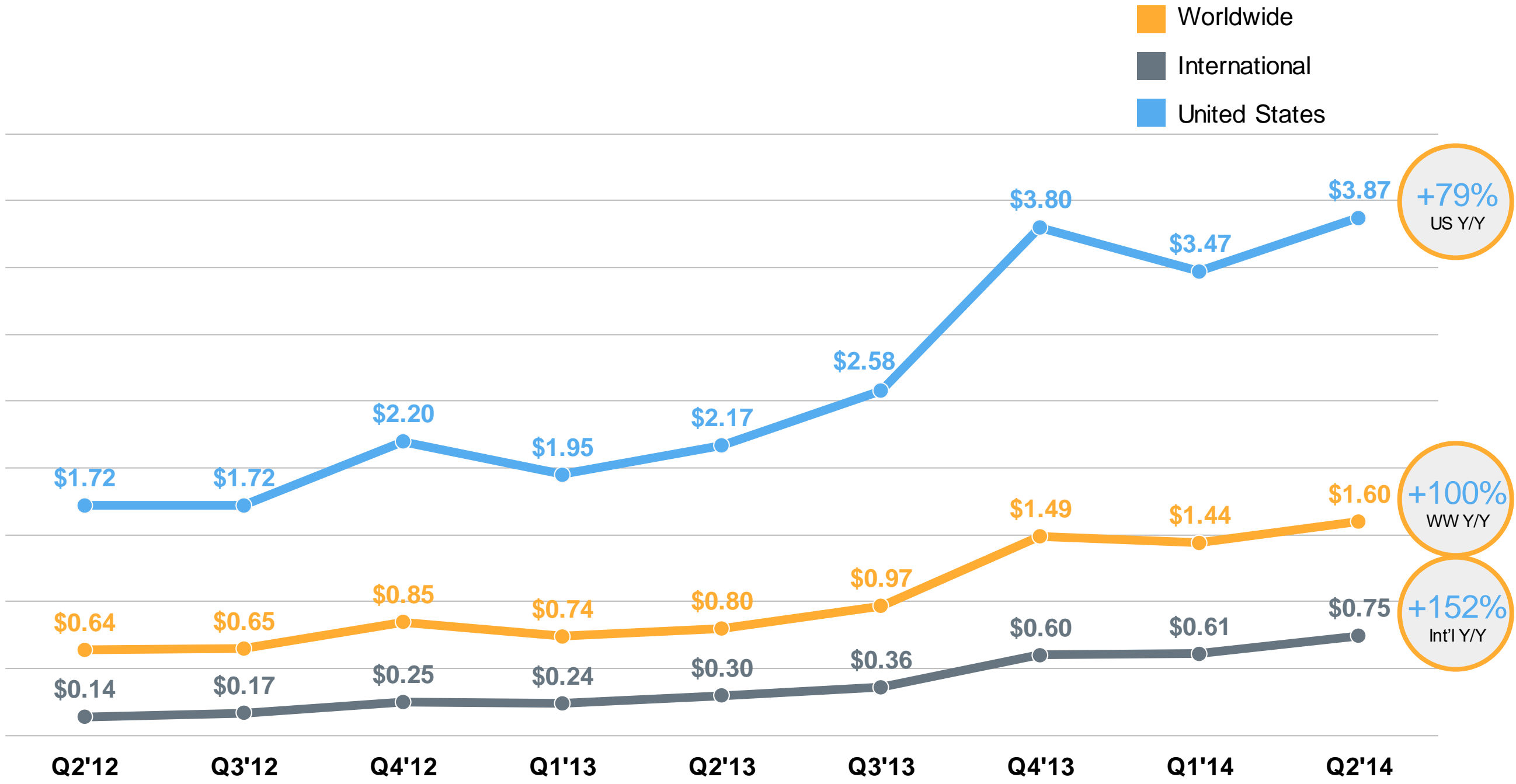
Quarterly revenue

(in millions)

■ Data Licensing & Other
■ Advertising

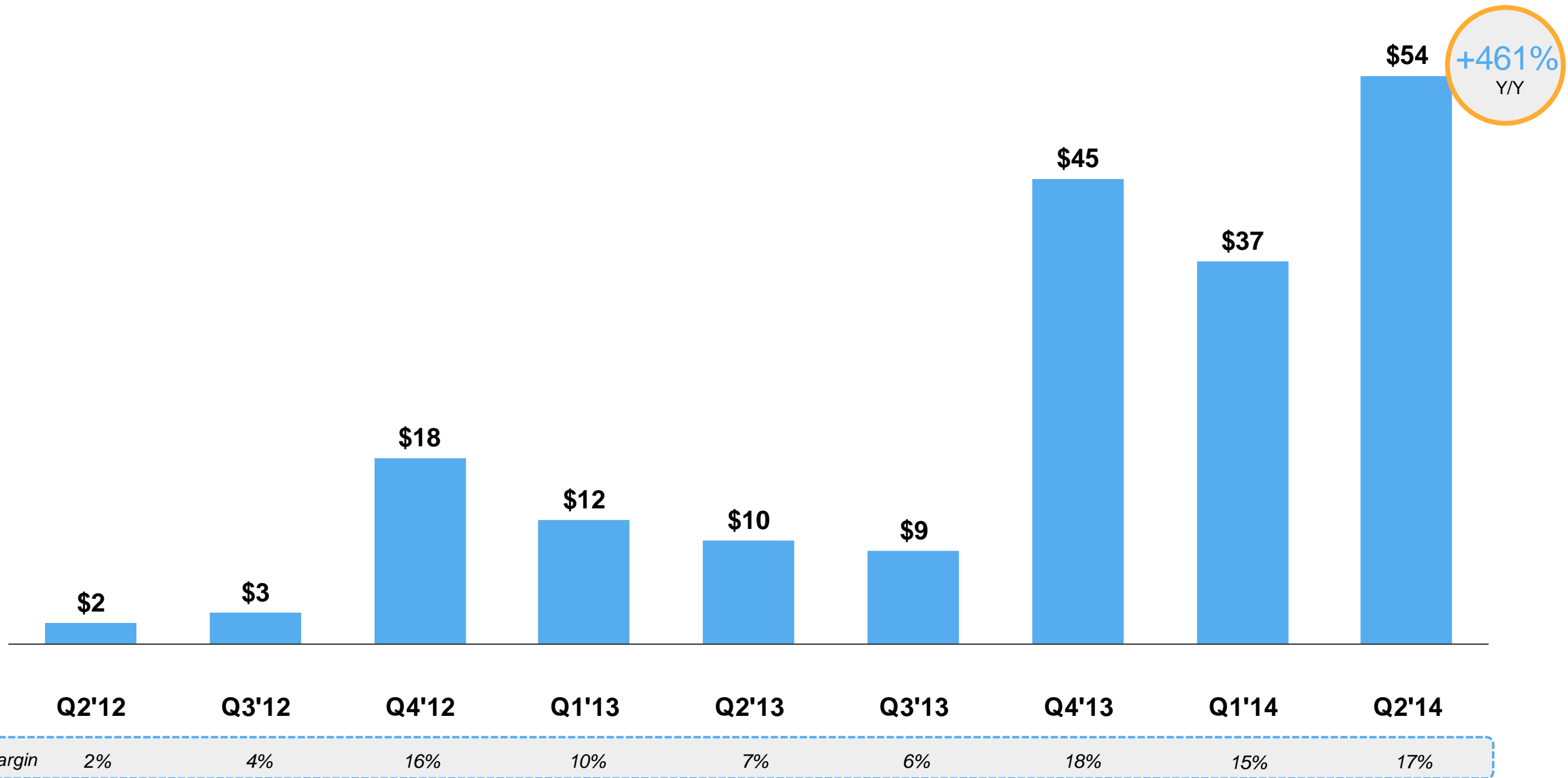


Ad revenue / 1,000 timeline views



Quarterly adjusted EBITDA

(in millions)



Note: Adjusted EBITDA is defined as net loss adjusted to exclude stock-based compensation expense, depreciation and amortization expense, interest and other expenses and provision (benefit) for income taxes. See Appendix for a reconciliation of net loss to Adjusted EBITDA.





Appendix

Adjusted EBITDA reconciliation

(in thousands)

Reconciliation of Net Loss to Adjusted EBITDA

	Three Months Ended								Six Months Ended		
	Q2'2012	Q3'2012	Q4'2012	Q1'2013	Q2'2013	Q3'2013	Q4'2013	Q1'2014	Q2'2014	Q2'2013	Q2'2014
Net loss	\$(27,583)	\$(21,590)	\$(8,705)	\$(27,026)	\$(42,225)	\$(64,601)	\$(511,471)	\$(132,362)	\$(144,642)	\$(69,251)	\$(277,004)
Stock-based compensation expense	10,900	4,268	5,346	12,922	22,646	43,602	521,197	126,369	158,411	35,568	284,780
Depreciation and amortization expense	17,520	19,956	21,001	22,730	25,917	29,023	33,224	39,951	45,631	48,647	85,582
Interest and other expense (income)	266	(172)	1,357	2,762	2,532	909	5,112	1,769	330	5,294	2,099
Provision (benefit) for income taxes	442	461	(1,428)	357	777	360	(3,317)	1,222	(5,599)	1,134	(4,377)
Adjusted EBITDA	\$1,545	\$2,923	\$17,571	\$11,745	\$9,647	\$9,293	\$44,745	\$36,949	\$54,131	\$21,392	\$91,080

Note: Adjusted EBITDA is defined as net loss adjusted to exclude stock-based compensation expense, depreciation and amortization expense, interest and other expenses and provision (benefit) for income taxes.



GAAP to Non-GAAP reconciliations

(in thousands)

Three Months Ended June 30, 2014

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Non-GAAP
Cost of Revenue	100,027	13,869	5,754	80,404
Research and development	177,095	92,493	140	84,462
Sales and marketing	140,261	37,547	2,205	100,509
General and administrative	44,694	14,502	-	30,192

Six Months Ended June 30, 2014

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Non-GAAP
Cost of Revenue	185,530	23,700	9,894	151,936
Research and development	326,486	170,811	280	155,395
Sales and marketing	246,496	65,348	4,101	177,047
General and administrative	83,428	24,921	-	58,507





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