



# Q2 2018 Earnings Report

# Non-GAAP Financial Measures

In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. As required by Regulation G, we have provided a reconciliation of those measures to the most directly comparable GAAP measures in the Appendix.



# A Note About Metrics

We define monthly active users (MAUs) as Twitter users who logged in or were otherwise authenticated and accessed Twitter through our website, mobile website, desktop or mobile applications, SMS or registered third-party applications or websites in the 30-day period ending on the date of measurement. Average MAUs for a period represent the average of the MAUs at the end of each month during the period. We define daily active users or daily active usage (DAU) as Twitter users who logged in or were otherwise authenticated and accessed Twitter through our website, mobile website or mobile applications on any given day. Average DAU for a period represents the number of DAUs on each day of such period divided by the number of days for such period. To calculate the year-over-year change in DAUs, we subtract the average DAU for the three months ended in the previous year from the average DAU for the same three months ended in the current year and divide the result by the average DAU in the previous year.

The numbers of active users 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. Furthermore, our metrics may be impacted by our information quality efforts, which are our overall efforts to reduce malicious activity on the service, inclusive of spam, malicious automation, and fake accounts. 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 estimate that the average of false or spam accounts during the second quarter of 2018 represented fewer than 5% of our MAUs during the quarter. The false or spam accounts for a period represents the average of false or spam accounts in the samples during each monthly analysis period during the quarter. 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, and have made improvements in our spam detection capabilities that have resulted in the suspension of a large number of spam, malicious automation and fake accounts. We intend to continue to make such improvements. After we determine an account is spam, malicious automation or fake, we stop counting it in our MAU, DAU or related metrics. Additionally, we rely on third-party SMS aggregators and mobile carriers to deliver SMS messages to certain of our users when we send our SMS messages to such accounts. If, however, we are notified of material deliverability issues because of, for example, infrastructure issues at the service-provider level or governmental restrictions based on content, we do not include the affected users in MAUs. We also 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.

Certain metrics also include users that access Twitter through applications that automatically contact our servers for regular updates with no discernible user-initiated action involved, which we refer to as third-party auto-polling MAU. This activity causes our system to count MAUs associated with such applications as active users on the day or days such contact occurs. As of December 31, 2017, fewer than 8.5% of MAUs may have been third-party auto-polling MAU.

In addition, our data regarding user geographic location for purposes of reporting the geographic location of our MAUs is based on the IP address or phone number associated with the account when a user initially registered the account on Twitter. The IP address or phone number may not always accurately reflect a user's actual location at the time such user engaged with our platform. For example, a mobile user may appear to be accessing Twitter from the location of the proxy server that the user connects to rather than from a user's actual location.

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.

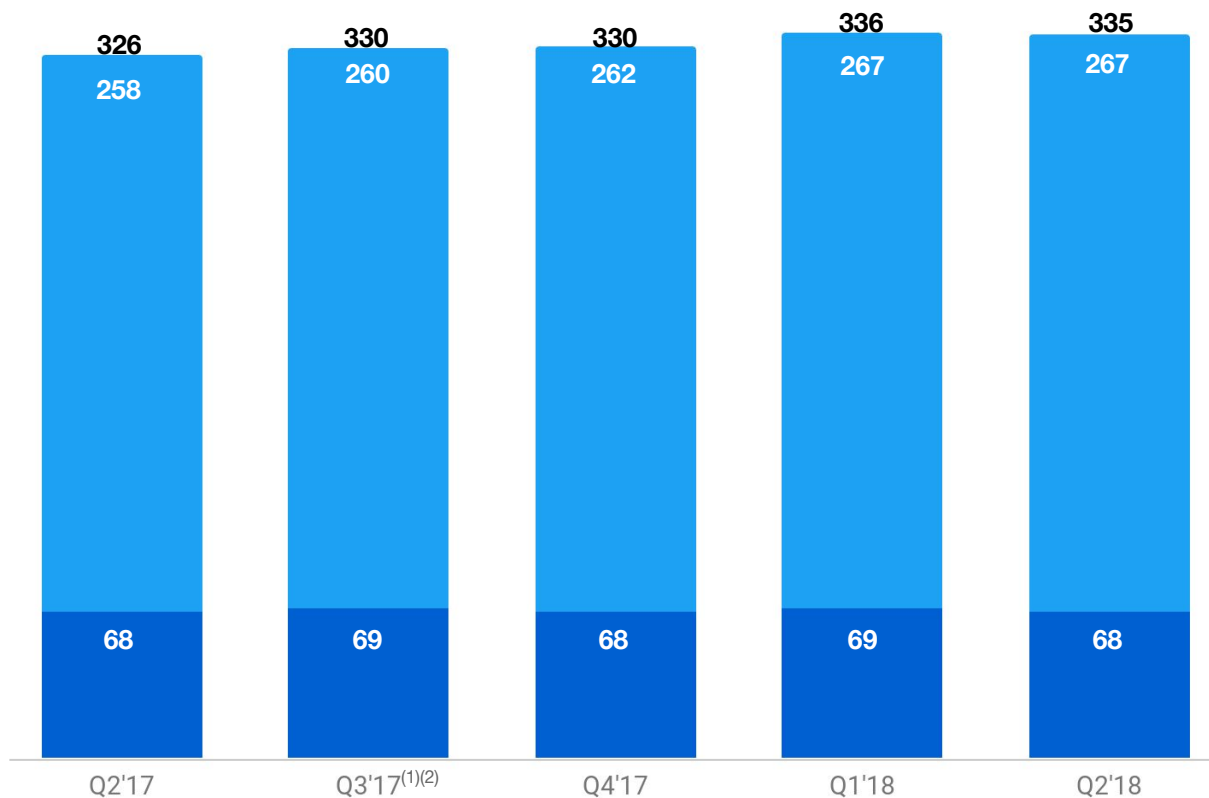
Our total audience metrics are based on both internal metrics and data from Google Analytics, which measures logged-out visitors to our properties.



# Monthly Active Users

(quarterly average, millions)

■ International  
■ US



**+9m**  
WW Y/Y

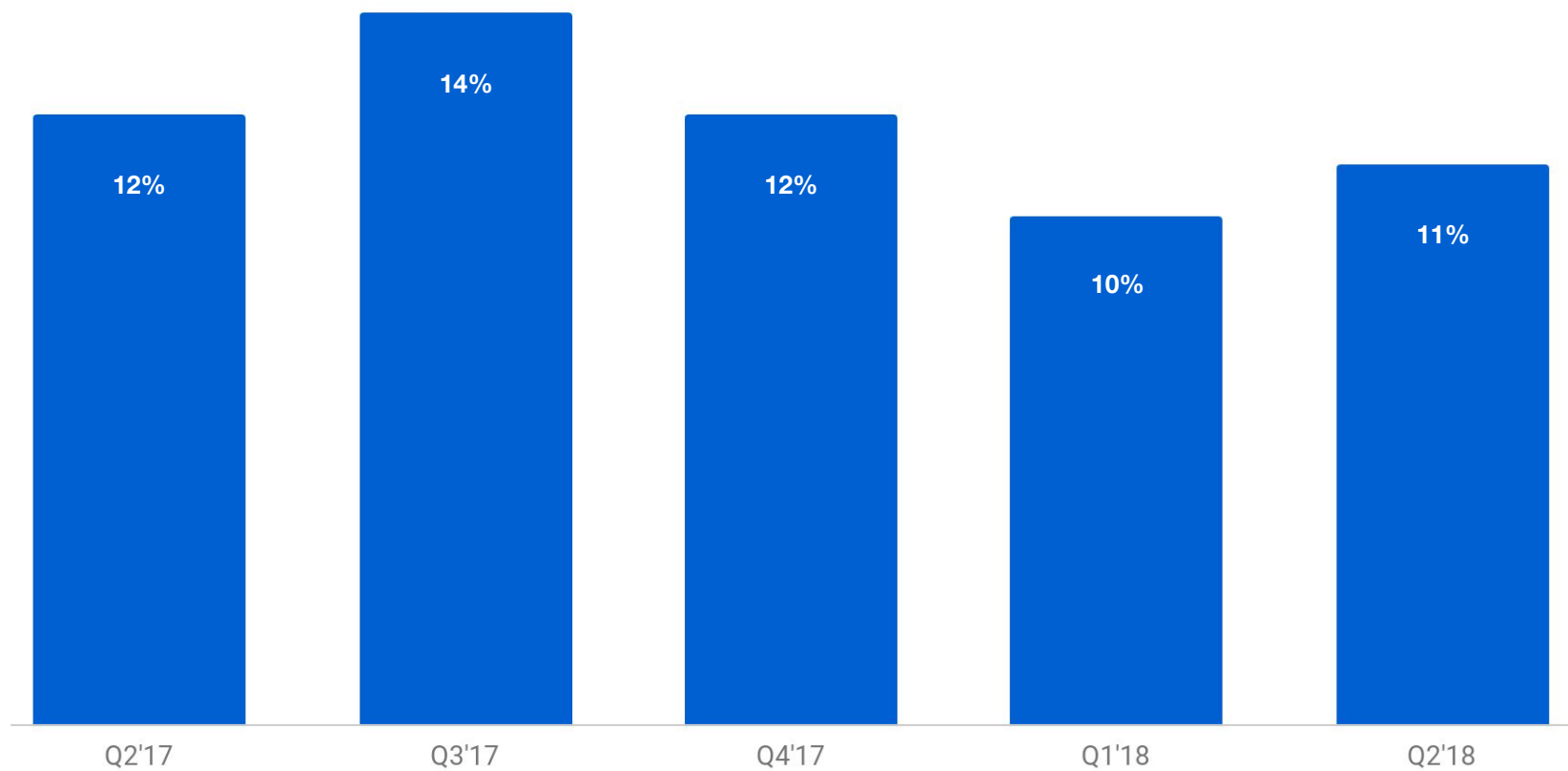
**+9m**  
Int'l Y/Y

**Flat**  
US Y/Y



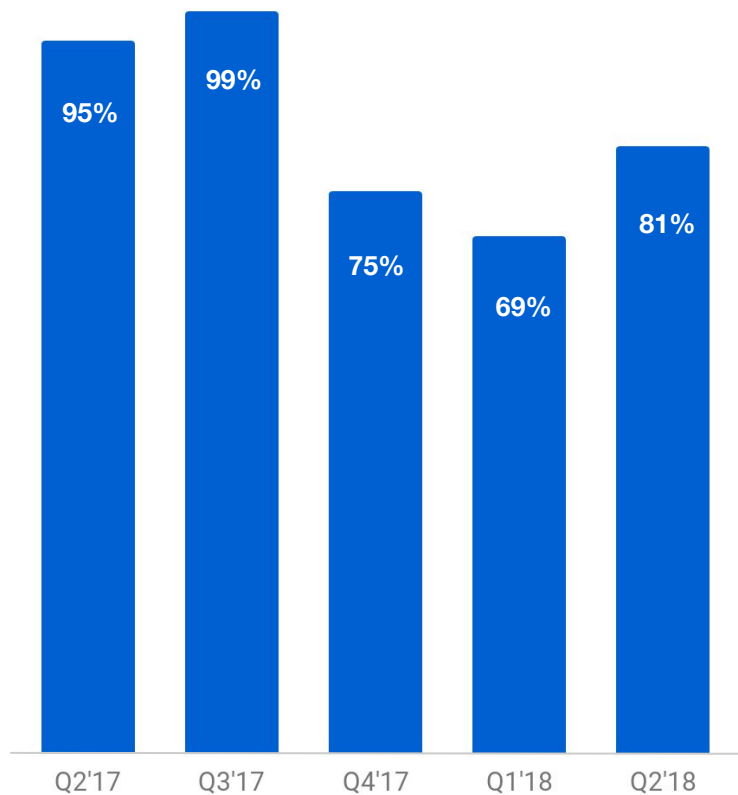
(1) In Q1 2018, we discovered that a software change made in Q2 2017 resulted in a non-material overstatement of our historical MAU in 2017. The differences were between 30,000 - 400,000 in each period presented for total MAU. After rounding, the only impact to our prior disclosures was to reduce Q3 2017 international MAU from 261M to 260M due to a change of approximately 175,000 international MAUs in that period.  
(2) Please note that the sum of US MAU and International MAU does not add up to Total MAU in Q3'17 above due to rounding.

# Daily Active Users Y/Y Growth Rates

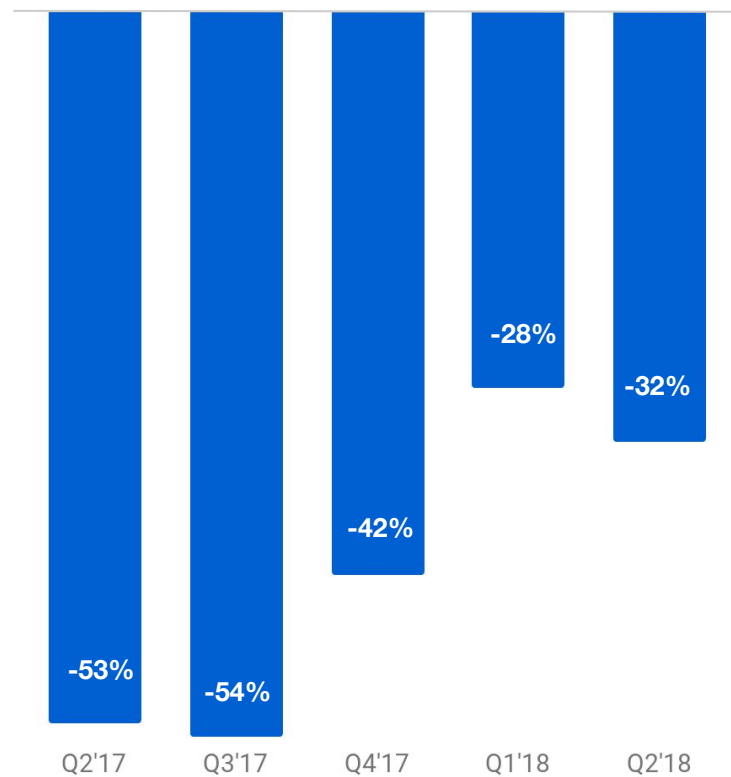


# Monetization Metrics

Y/Y % change in ad engagements



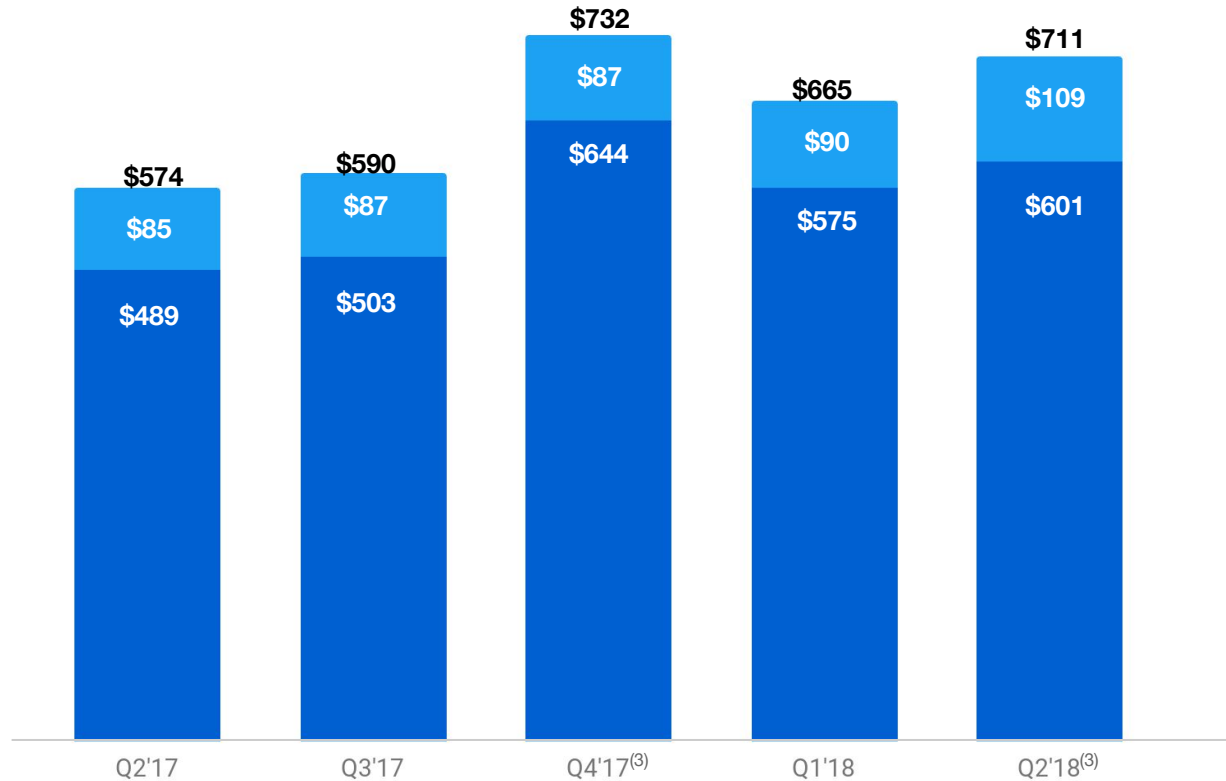
Y/Y % change in cost per ad engagement



# Total Revenue

(\$, millions)

- Data Licensing & Other Revenue
- Advertising Revenue



	Q2'17	Q3'17	Q4'17 <sup>(3)</sup>	Q1'18	Q2'18 <sup>(3)</sup>
% Intl	42%	44%	44%	48%	48%

**+24%**  
Total Y/Y

**+29%**  
Data Licensing & Other Y/Y

**+23%**  
Advertising Y/Y

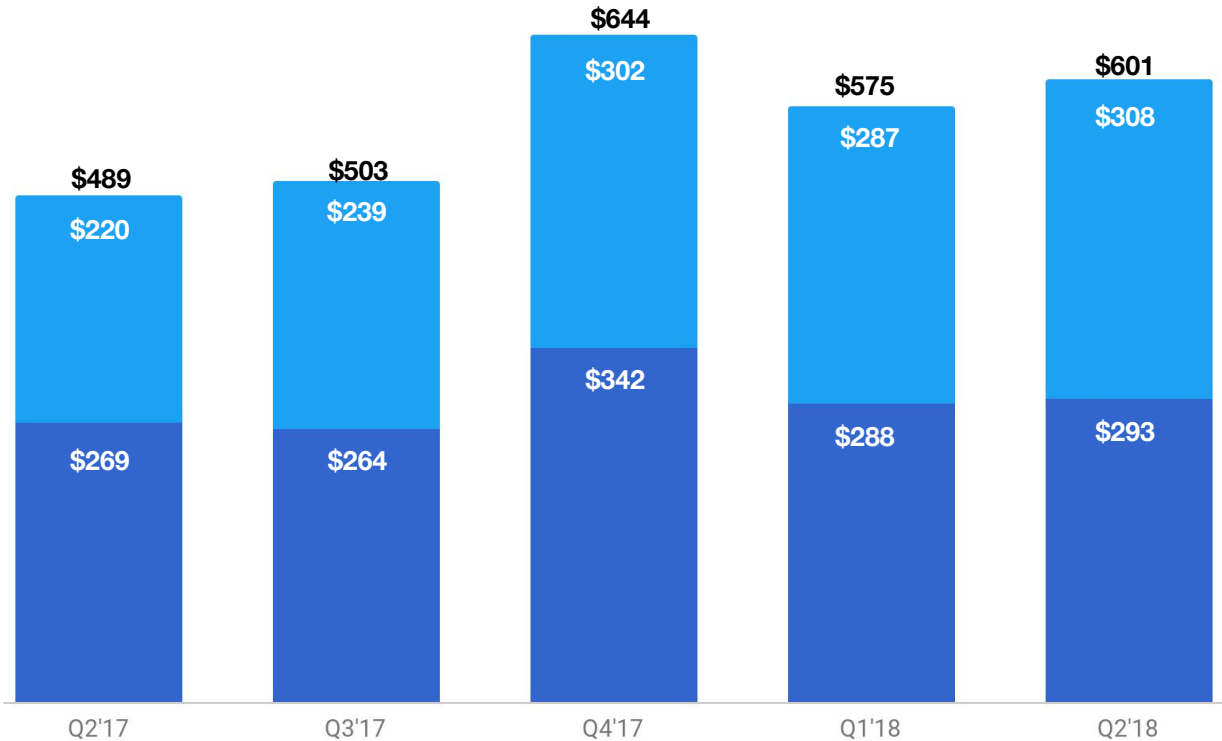
<sup>(3)</sup> Please note that the sum of Data Licensing and Other Revenue and Advertising Revenue does not add up to Total Revenue in the above due to rounding.



# Advertising Revenue by Geography

(\$, millions)

■ International  
■ US



**+23%**  
Total Y/Y

**+40%**  
Int'l Y/Y

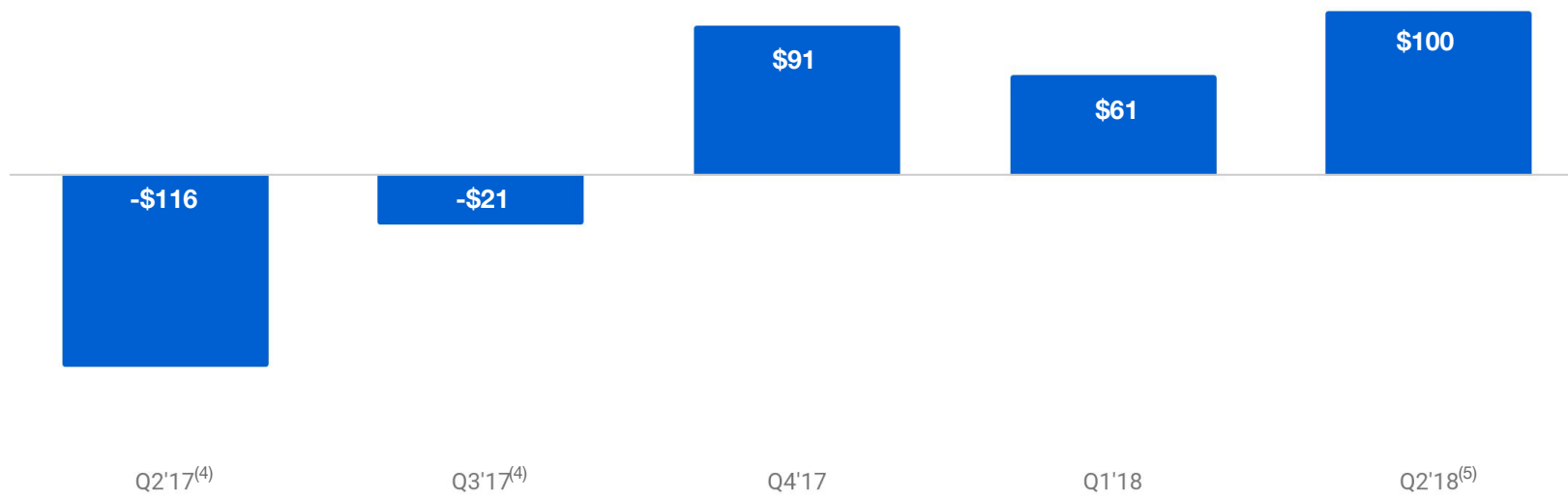
**+9%**  
US Y/Y





# GAAP Net Income (Loss)

(\$, millions)



% of  
revenue

-20%

-4%

+12%

+9%

+14%

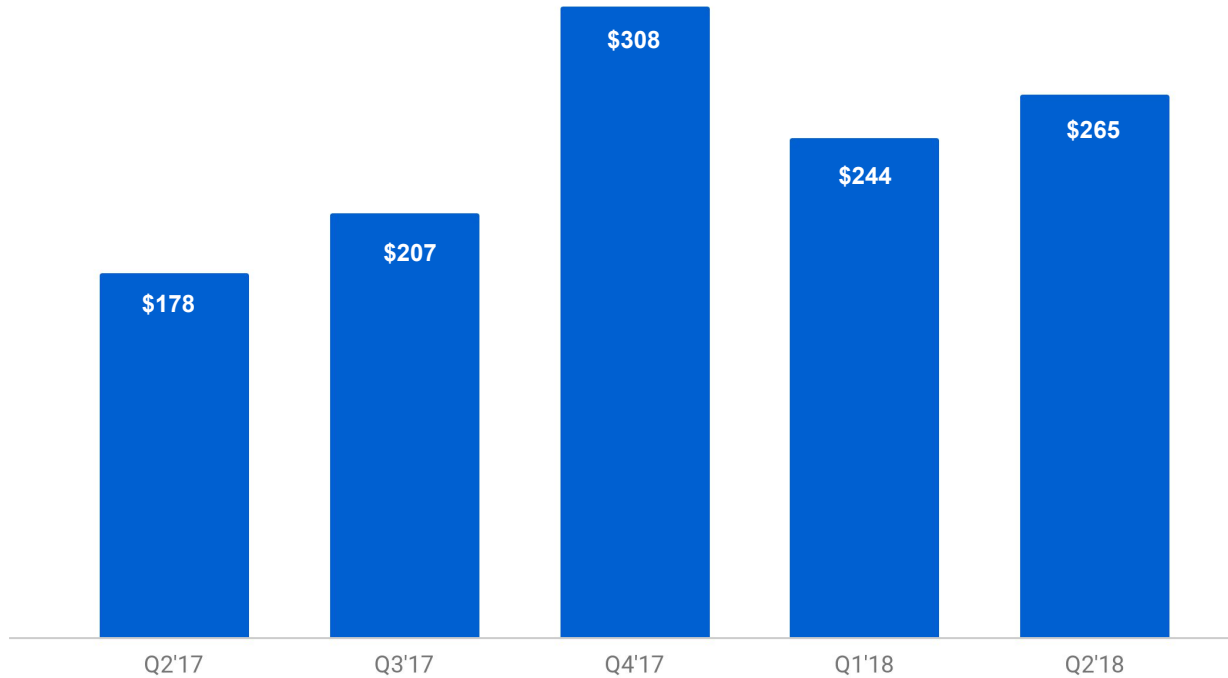


(4) Note: Our Q2'17 GAAP net loss of \$116 million includes a \$55 million cost-method investment impairment charge and our Q3'17 GAAP net loss of \$21 million includes a \$7 million cost-method investment impairment charge. We wrote down the value of a cost-method investment in Q2'17 and Q3'17 based on our assessment that there had been a decline in the investment's fair value.

(5) Our Q2'18 GAAP net income of \$100 million includes a \$42 million net tax benefit primarily driven by the release of a valuation allowance for Brazil.

# Adjusted EBITDA<sup>(6)</sup>

(\$, millions)



**+49%**  
Y/Y

Adjusted EBITDA Margin	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
Adjusted EBITDA Margin	31%	35%	42%	37%	37%



(6) Adjusted EBITDA is defined as GAAP net income (loss) adjusted to exclude stock-based compensation expense, depreciation and amortization expense, interest and other expense, net, provision (benefit) for income taxes, restructuring charges and one-time nonrecurring gain. See Appendix for a reconciliation of GAAP net income (loss) to Adjusted EBITDA.

# Appendix



# Adjusted EBITDA Reconciliation

(\$, thousands)

## Reconciliation of GAAP Net Income (Loss) to Adjusted EBITDA

Three months ended

	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018
<b>Net Income (Loss)</b>	(\$116,488)	(\$21,095)	\$91,079	\$60,997	\$100,117
Stock-based compensation expense	113,396	100,959	102,454	73,266	79,469
Depreciation and amortization expense	103,063	97,492	92,520	96,846	105,982
Interest and other expense (income), net	74,716	24,810	16,545	11,043	13,757
Provision (benefit) for income taxes	3,413	3,564	2,474	2,885	(34,250)
Restructuring charges and one-time nonrecurring gain	(226)	1,269	3,102	(983)	(265)
<b>Adjusted EBITDA</b>	<b>\$177,874</b>	<b>\$206,999</b>	<b>\$308,174</b>	<b>\$244,054</b>	<b>\$264,810</b>

Note: Adjusted EBITDA is defined as GAAP net income (loss) adjusted to exclude stock-based compensation expense, depreciation and amortization expense, interest and other expense, net, provision (benefit) for income taxes, restructuring charges and one-time nonrecurring gain.

# GAAP to Non-GAAP Reconciliations

(\$, thousands)

Three months ended June 30, 2018

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Restructuring charges	Non-GAAP
Cost of revenue	\$230,185	\$3,338	\$4,411	(\$17)	\$222,453
Research and development	138,574	45,069	—	(89)	93,594
Sales and marketing	188,032	18,225	465	(107)	169,449
General and administrative	74,126	12,837	—	(52)	61,341

Three months ended June 30, 2017

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Restructuring charges	Non-GAAP
Cost of revenue	\$212,908	\$6,253	\$9,192	(\$3)	\$197,466
Research and development	143,171	63,625	—	(16)	79,562
Sales and marketing	185,296	20,694	5,148	(197)	159,651
General and administrative	70,839	22,824	—	(10)	48,025

**@TwitterIR**

