



Twitter Q1 2018 Earnings Report
SAN FRANCISCO, CALIFORNIA
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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Twitter First Quarter 2019 Earnings Conference Call.

I would now like to turn the call over to your host, Krista Bessinger, Vice President, Investor Relations. Please go ahead.

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

Hi, everyone, and thanks for joining our Q1 earnings conference call.

We have Jack and Ned with us today. Before they start, I wanted to remind everyone of the format of our call. We published a shareholder letter on our Investor Relations website and with the SEC about an hour ago and hope everyone had a chance to read it. Because the letter has a lot of detail, we'll keep our opening remarks brief and then dive right into your questions. We'll also take questions asked on Twitter, so please Tweet us at @TwitterIR using the hashtag #TWTR.

Also during this call, we will make forward-looking statements. Those are things like our outlook for Q2 and the full year of 2019 and our operational plans and strategies. Our actual results could differ materially from those contemplated by our forward-looking statements, and you should not consider our reported results as an indication of future performance.

We're making these forward-looking statements based on information available to us as of today, and we disclaim any update -- any duty to update them later unless required by law. Please take a look at our filings with the SEC, especially in the Risk Factors section of our 10-K for fiscal year 2018 and our 10-Qs, for discussion of the factors that could cause our results to differ.

Also during this call, we will discuss certain non-GAAP financial measures. We reconcile those to the most directly comparable GAAP financial measures 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, and an audio replay will be available on Twitter and on our website in a few hours. And with that, I'd like to turn it over to Jack.

Jack Dorsey *Twitter, Inc. - CEO*

Good morning, everyone. Thanks for joining us for our 2019 Q1 call.

We had a really good start to the year. I want to take a few minutes and just share some highlights from the quarter that we found meaningful.

First and foremost, our #1 priority as a company continues to be health. What we've been focusing on this quarter is around proactive detection of abuse and harassment on our service, any content that violates our terms of service. We've been applying a lot more machine learning and deep learning to everything on our system, but have been focusing a lot of our work on making sure that we recognize that everything that happens online has off-line ramifications and protect someone's physical safety above all else. That's why we introduced a new and easier reporting process to report private information that's shared on the platform; and we're now getting 2.5x more private information removed with this new, easier reporting process.

Of all the Tweets we take down every week for abuse of content, 38% of them are now proactively detected by our machine learning models. This is a huge step, as there was 0% just a year ago. What this means is that we're taking a bunch of the burden away from the victims of abuse and harassment on our service, and we're making the agents that we have working on this process much more effective and much more efficient. We're going to continue applying technology and machine learning and deep learning specifically to the health challenges that we're facing, and we expect to continue to make steady progress.

On the product, we continue to focus on events. We started with sporting events and live events, making sure that we're organizing the conversation around each in a much more fluid and better way. Each event should have an experience that shows the top commentary from credible sources, a recap of everything you might have missed if you come into the event late and also the latest conversation about everything going on within the event. We intend to extend this into longer-term topics and interests, and we believe this should be as easy to follow an event or interest as it is to follow a person.

We've also been focusing on making Twitter a lot more conversational. The reason why is we believe our differentiator is not just showing people what's happening within the world but what people are talking about as well. We think Twitter is one of the best places to see what people feel about any issue and what people think about an issue, including all of the sentiment. That's why we created a prototype app that allows us to test a bunch of conversational experiments very quickly. We call it, little t, twtr. We released it 1.5 months ago to a small base of testers on iOS. And this allows us to move very fast on a weekly basis to update with some ideas and experiments that we want to try to make Twitter a lot more conversational. The first push has been to organize a conversational -- the conversation in a much better way to enable people to see the entire conversation within a Tweet on one surface instead of tapping through multiple Tweets to get the gist of the entire conversation. We focus a lot of our efforts on readability and enabling people to much more quickly participate in a conversation when they find one that's relevant to them.

We're going to continue to experiment with this, and then any great candidates that resonate with our audience, we'll look to build into production for everyone.

I'm going to hand it over to Ned now for some of his remarks.

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

Thanks, Jack.

Q1 was a strong start to the year, with revenue up 18% year-over-year or 20% on a constant currency basis, with particular strength in the United States where ad growth -- ad revenue growth was 26% year-over-year.

Before we get into Q&A, I wanted to just highlight a couple of points. The first is that we reported significantly better-than-expected GAAP operating income in Q1. A number of factors contributed. Our revenue outperformance was obviously one. In addition, there were some work we hoped to start in Q1 which will happen in future periods. And we had some one-time benefits in Q1 that we do not expect to recur, including reversing a reserve for a tax payment that we ultimately did not have to make. It was also our first time guiding to GAAP operating income as a company, and in retrospect, we included too many conservative cases in our scenario planning. We've tried to address that in our Q2 guidance.

Second, we're pleased with the pace of our hiring in Q1, which is up 18% year-over-year. The combination of our conviction in our strategy and execution and our ability to recruit and retain key talent is allowing us to increase head count growth in 2019 relative to last year's 16%. And as we mentioned last quarter, we expect our GAAP operating expenses for the year to increase approximately 20% on a year-over-year basis as we continue to invest to drive growth and to support the top priorities we've been talking about for some time now: health, conversation to drive audience, revenue product and sales and platform. As you would expect, we believe GAAP expenses will ramp over the course of the year.

In sum, we're pleased with our start to the year. And we look forward to answering your questions.

Operator?

QUESTIONS AND ANSWERS

Operator

Our first question comes from Heath Terry from Goldman Sachs.

Heath Terry - *Goldman Sachs Group Inc.*

Jack, I was wondering if you could give us a bit of a way to look through to what we think is probably some of the underlying growth in the audience at Twitter. This is another quarter where we've seen mDAU growth in the double digits, but MAU numbers are still flat to down. Is there a way to think about either gross adds in terms of new people joining the platform versus the number of people that come off of the platform because of the trust and safety and health initiatives that

you've got? Just anything that you can do there to sort of provide us a better understanding of sort of what the underlying growth of the platform looks like.

And then Ned, just to the extent that we saw sort of outsized performance in the financials in the U.S. this quarter, obviously considered the most competitive of the advertising markets, was there anything in particular that you would call out that's driving that incremental monetization versus the rest of the world?

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

Great. Thanks, Heath. I'll actually take a stab at the first part, too, and Jack will chime in on some of the product works that we're doing to drive usage of Twitter as a daily utility.

So this is the last quarter that we will be disclosing monthly active usage. Remember we've talked about how we're goaling internally against driving usage of Twitter as a daily utility, and monetizable daily active usage is going to be the best way to measure that. Remember that MAU has things like people who receive Twitter via text message; people who receive it via aggregator services; things, experiences that we don't control; experiences where you can't see ads; and not the things that we're trying to -- where we're trying to drive growth over time which is the website and the apps. So DAU is going to be the best way to measure that incremental number that you're talking about. And that 11% growth this quarter to 134 million, where we benefited both from the typical organic growth that we see that tends to be stronger in Q1, along with product improvements that we made to improve relevance in the timeline and notifications and other product stuff that we did, as well as ongoing marketing, were all drivers this quarter. So that will be the best way is to look on DAU.

I'll touch quickly on financials then turn it to Jack. Heath, we feel like the messages that we've been talking to advertisers about are really resonating. We're talking about launching new products and services on Twitter. We talk about connecting with what's happening on Twitter. And that's what people come to Twitter for from an advertiser perspective, and it's really working. Whether it's at CES when we get the largest advertisers in the world together and get to hear feedback from them or in our ongoing conversations with them, they understand the differentiated offering that we're able to provide them; how improved relevance, improved ad formats, how better copy and how a improving ROI from increasing ad engagements and lower cost per engagement are all strong factors that cause Twitter to show up well for them. Let me turn it over to Jack to talk about some of the product things we're doing that are driving those incremental people to Twitter.

Jack Dorsey *Twitter, Inc. - CEO*

Yes. And just to speak to growth over -- from a broader point of view. We do believe that health is a long-term growth vector for us. Over the long term, we do believe the work will ensure people find a place that they can contribute, they can participate in and want to do that more and more every single day. So health as the #1 priority, we believe, is -- ultimately will lead to growth. We continue to make refinements around relevance, specifically in the home timeline and also notifications. This is -- this provides very, very steady growth for us. The more relevant we make Twitter for people, the faster they see something that interests them, the better the experience. And building off that, we believe the biggest impact, change that we're going to have within the

product is events, interest and topics. We want to make it as easy to follow an interest, to follow an event as it is today to follow an account. We believe a lot of people come to Twitter because they're interested in something, and currently they do a ton of work to find accounts that are related to those interests. We're moving that work, making it much faster, starting from onboarding all the way throughout the app, so that you can follow any particular interest, whether it be a location, a topic, a niche interest that you care about. The goal is to help you find these very quickly, to follow them; enables us to put in Tweets, accounts, moments, URLs, anything that's related to that interest. And the goal there ultimately would be for more people to participate in conversation around that interest, which goes into our priority around making Twitter more conversational. So that's where -- those are the initiatives that we believe will create the most daily value for people, where they are seeing Twitter as not just what's happening but what people are saying about it and what people are thinking about it.

Operator

Your next question will come from Justin Post from Merrill Lynch.

Justin Post - BofA Merrill Lynch,

Great. A couple questions. So first, obviously, switching from MAUs to DAUs. I think there's a perception that your audience is smaller than other platforms'. Just wondering how you feel about that perception. Does that create any issues with advertisers? And how do you feel about your ad loads with DAUs? And then second question, just maybe an update on your initiatives with direct response advertisers. What's the feedback you're getting? And when can we see more of those on the platform?

Ned D. Segal Twitter, Inc. - CFO

Thanks, Justin. I'll take a crack at those first. Advertisers know that you come to Twitter as an advertiser because we have the most valuable audience when they're most receptive. They come with a specific campaign objective in mind. They come to launch something new. They come to connect with what's happening. And they know exactly what they're buying when they look to reach a specific audience on Twitter. Nothing's changed from their perspective. And it seems they appreciate the transparency that we're providing towards the number that we goal towards internally and the number of people that see ads on the service today, as opposed to a number that might conform with how other people do things but isn't the number that's most important to us internally. You asked about ad load. We continue to feel that we're more demand constrained than supply constrained as we look across the platform, different surface areas, different times of year, different geographies, but we also feel like there continues to be work that we can do to drive better relevance, to improve ad formats, even to improve the copy in the ad formats to make sure that we're helping advertisers achieve their objectives. And they can feel like a part of the experience for the people who use the service.

Lastly, you asked about DR. As you know, we have a successful mobile application promotion product, but we feel that we can do better there, and we think we can do better across direct response over time. And so 1 of the 2 biggest endeavors for our revenue product team this year is continuing to improve the mobile application promotion product so that, when a car service or a game company is launching an app in a new country or a new app somewhere in the world,

they come to Twitter to launch it just as somebody would to launch a phone or a movie or a TV show. We know that we can do more to drive better relevance for them to help them target the right audience. And as we do that work, we believe we'll create a better path for ourselves to more direct response. We know this is a place where advertisers want our help and look to Twitter and we know that there's more that we can do for them over time, but this is going to be a rolling thunder, not a big reveal, where you'll see ongoing improvements from us as opposed to something that happens all at once.

Operator

Your next question comes from Douglas Anmuth from JPMorgan.

Doug Anmuth - JP Morgan Chase & Co

One for Jack and one for Ned. Jack, hoping you could give us some more early feedback on the prototype app, if you could talk a little bit more about what additional improvements you're looking for and what the timing could be of a broader rollout. And then Ned, can you just talk about some of the drivers of the gap between U.S. advertising revenue growth at 26% and international at 14% FX neutral? It sounded like you're pointing to the tougher kind of first half comp from the early '18 recovery. And I know Japan also slowed more. Just trying to figure out if there's anything else to think about there.

Jack Dorsey Twitter, Inc. - CEO

Yes. I'll start with talking about just some early feedback on the prototype app. We've been live for just 30 days. We have one update in those 30 days. We intend to move much faster, having weekly or every-2-week updates to refine the experience. I think the biggest change that we made was -- today, when you go on to a Tweet and you see replies, you have to go through multiple taps to get through the whole conversation. So the simplest thing we did was putting all of the replies on one surface, and people love this. They love this experience much more over the production Twitter app. So the threads provide a lot of context. The interface shows where the conversation is headed and who's participating. We added more context to call out the authors and people that you follow within the interface as well, so generally a net positive around readability. And we are seeing it much easier for people to get into the conversation as well, which produces more Tweets which is great for the entire network. The one that was most controversial is we decided to really focus on readability of the text and we hid some of the engagements in our first prototype. That had mixed reviews. We -- people did want to access that functionality much faster, so we brought that back in our most recent prototype in a new and unique way that takes advantage of touchscreens. And some felt that the replies can get a little bit crowded, too much on a screen, so playing with the density. So at a high level, this is a really great way for us to experiment very quickly, learn very quickly; and then make better, informed decisions about building this experience within into production. And generally most of the people that have been testing the prototype app prefer it over the main Twitter production app, so we've shown that we're heading in the right direction but we still have some work to do before we feel confident that we should put it in production.

Ned D. Segal Twitter, Inc. - CFO

Doug, your question, about U.S. versus international. A few things to point out there. The first, I think the way the numbers work: The international, it was 11% reported, which on a constant currency basis is more like 15%. And I'd point out that the recovery that we began early last year really started outside of the United States. And the first 2 quarters of the year, that's really where it was most prevalent. And it came to the United States in the second half of the year, so the comps just end up being greater in the first half of the year outside the United States and then in the U.S. in the second half of the year. I don't mention that as an excuse, just as a reality. It's our job and responsibility to continue to deliver great results despite whatever we did in the prior period, but it is worth just thinking about the events, the ad campaigns, the campaign objectives, the ad formats that resonate most in a given geography in a given period which might not repeat themselves from 1 period to another. And I think you could just twist yourself in a knot trying to overanalyze these things, if you looked at a particular geography or even an amalgamation of them to try to read through to it. When we think about the work we're doing on the revenue product side where we are trying to improve the ad platform and also the work we're doing on MAP, these are things that are great examples of the work that we're doing to make sure that we can deliver strong results regardless of what we did in the prior year.

Operator

Your next question comes from Rich Greenfield from BTIG.

Richard Greenfield - BTIG

I've got a couple. First, when you think about the new camera functionality that you rolled out, where it's simply a swipe; and before, using the camera either for photo or video was pretty cumbersome in Twitter. Wondering if you can give any type of learnings early. Are you seeing -- for people that are using it, have you seen a notable increase in multimedia flowing into Tweets? Kind of what are the key takeaways? Is it increasing overall engagement and time spent, et cetera? And then two, Ned, I wanted to follow up on the comment you had about performance advertising. You actually called out the video ad cards in the shareholder letter. Wondering how big is performance advertising today. I mean, is this still a sub 5% or sub 10%? Like how should we think about sizing performance advertising for Twitter today? Obviously, it's been huge for companies like Facebook over the last several years. And then maybe just attached to that: Could you maybe give us a few examples of major brands that have used performance advertising, with success, and what they're doing with that performance advertising on your platform?

Jack Dorsey *Twitter, Inc.* - CEO

Yes. So on -- thanks, Rich. On the new camera, we updated this because we haven't really refined our camera in quite some time and it was overdue for a lot of corrections. We wanted to make sure that it was much easier to access, that it was paying attention to some of the moves we've made recently around integrating Periscope and live video more generally, but we also wanted to pave a way towards enabling people to go from capturing a picture or a video to instantly a conversation around a topic. So we highlighted location within it and hashtags and linking to broader conversations around it. So it's still too early to see what the impact has been, but we felt it was the right refinement at the time and gives us a foundation to build so that we can integrate better media of all types into the conversation.

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

Your second question was about performance advertising broadly. It's worth just pointing out that there really has been a blending in some ways of brand and performance on Twitter over the last couple of years because of the innovative ad formats that we've come out with. So we continue to be largely brand focused historically and in the numbers that we're sharing today, but when an advertiser comes to Twitter and buys the video app card to promote a mobile application with a 6-second video where you can click through the whole surface and if they -- if you watch the whole video but you don't download the app, was it a performance? Was it a successful brand ad, or was it a performance ad that led to a purchase later on? If you click through that ad even though the objective was just for you to watch the ad, was that an unsuccessful brand ad? Or was that a very successful performance ad? So we are seeing a blending, number one. Number two, we do think that direct response is an opportunity for us over time, but we're -- you'll see it play out first where mobile application promotions is a product that you, hopefully, will see more and more from us over time. The examples that I point out today are things like the -- some of the largest phone manufacturers in the world who also have services that go along with their devices. They may run a campaign to get you excited about their launch, but they also may run a campaign that gets you to download their app. Something where you see a blending of performance and brand is the Star Trek ad that Disney is running right now where I click through to make sure that I'd be notified when more information was available about the next Star Wars. And they're going to notify me on the service, as opposed to me having to go look for more information about it. So there is definitely more opportunity for us over time. You'll see it play out first around MAP and around the blending between brand and performance advertising.

Operator

Your next question comes from Ross Sandler from Barclays.

Ross Sandler - *Barclays*

Just 2 quick ones. So on the DAU, you added more DAUs this quarter than you have ever since you broke this metric out. So I know you mentioned product improvements and marketing in the letter. And Jack, you just mentioned some of the changes you've made, so -- but any additional color on where the strength is coming from? Is 1Q -- are we to expect better seasonality in 1Q as you used to have with MAUs? Any additional color on the strength on the DAU will be helpful. And then the onetime items that impacted operating income, just any additional color you can provide on the taxpaying and anything else that impacted the quarter?

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

Thanks, Ross. So on DAU, we did enjoy breadth in terms of where the new people using the service came from. It was we had 8% growth in mDAU in the United States. We had 12% growth internationally. And we do typically see a seasonal uplift in Q1 with new devices and people downloading apps and the like. If you look back over the now disclosed absolute DAU numbers from 2017 and 2018, you'll see that there is often or as -- in each of those periods as well as in this Q1, there has been a seasonal uplift from typical seasonality in the events and topics that drive people to Twitter in that period that's greater than the absolute number that you see at other times of the year. And it's our work to make sure that the service is helping people find the things

they're looking for quickly and easily so that they come back more frequently and think of us more. Then you ask about the one-time items. The -- it was just a combination of all of those things that I mentioned at the outset. We did make a reserve a couple years ago for a tax payment that we ended up not having to make. And as is often the case, there is some work that we hoped we would start in Q1 that's just going to end up starting later in the year. Some of it's already started and so the expense has shifted from 1 period to another. Then I think, as we were doing our GAAP operating income scenario planning, we were probably too conservative in all of the outcomes that we were solving for in the range. And so it's just a combination of each of those things. I wouldn't focus you too much on any one or the other.

Operator

Your next question comes from Lloyd Walmsley from Deutsche Bank.

Lloyd Walmsley - Deutsche Bank

I have two. First, just can you give us an update on progress with onboarding? It sounds like a lot of the priority has been around kind of safety and blocking bad actors in that process but wondering how much of a priority it is for the kind of new user flow, what kind of engagement trends you're seeing in the user cohorts. And then I guess, secondly, if we just look at the high end of the guide for 2Q, on an ex World Cup basis, it looks like it's an acceleration of about 2 points despite a 6-point harder comp. So really strong kind of outlook for 2Q. Any, I guess, change to approach in how you're guiding 2Q on the top line? It sounds like there's less conservatism on the operating income line, but any change in the sales line? And then I guess, related to that strength, can you give us a sense for how the sales go-to-market has really changed over the last year that's driving this kind of performance on difficult comps?

Jack Dorsey Twitter, Inc. - CEO

Yes. So Lloyd, I'll start with onboarding. We haven't had any major shifts in our onboarding experience for quite some time. We have changed that recently. We've been experimenting internally with an entirely new onboarding experience that's really focused on interests, events and topics to get people to those interests much faster; and doing that in a way that is very Tweet forward so that people are immediately seeing Tweets that interest them, can tell us as such and we can build the right following graphs on top of that. It's a pretty compelling experience. It's something we continue to iterate on, but we are looking very, very deeply at not just the start of when people are downloading the app or coming on the website but what their experience looks like in that first year and that first 2 years and whatnot. And success means that they are following a number of accounts, that ideally they're following some events and interests and topics and ultimately that they are participating in the conversation. So that's what's guiding us. We want our -- how we think about onboarding to be cohesive not just to the very beginning, not just to the first day, first month but look out 1 to 2 years to make sure that we're building healthy usage and usage that's actually valuable to the individual.

Ned D. Segal Twitter, Inc. - CFO

Your second question, Lloyd, was around revenue and go-to-market broadly. So our revenue guidance philosophy hasn't changed at all, which is we're trying to capture what we believe are

the most likely outcomes at the time of the earnings call which is just a few weeks into a 12-week quarter, so we've got lots of game left to play and we're going to work hard to deliver the best outcomes we can over the course of the period. The second question around revenue was around our go-to-market and how that's changed. We don't think it's changed. We think we just continue to execute on the strategy that we've had in place for some time. When we talk about start with them, which means we've got the most valuable audience when they're most receptive; and if you're launching a new product or service or you're -- want to connect with what's happening, you want to do it on Twitter. We've been talking about that for some time with advertisers. It does feel like it's really resonating all around the world, and we are a meaningful part of the campaigns and objectives that fit those needs for advertisers. We continue to invest in the tools and in the people who are connecting with advertisers as well as working on the products that the -- they are selling to make sure that we are best positioned to help advertisers. So this just is an ongoing part of our strategy, and we're pleased to see how it's playing out.

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

Great. And we're going to take our next question from Twitter. It comes from the Twitter account of Dan Simoa, and he asks: How is Twitter going to help users discover live content on its platform, particularly if people don't follow the specific users that are delivering that live content?

Jack Dorsey *Twitter, Inc. - CEO*

Thanks for the question, Dan. So there's a few ways here. One is we want to make sure that we're looking at what people are following and inferring their interests based on that. So you may not be following a particular account that is broadcasting the live content but associated with the live content. So for instance, with basketball you might be following an associated basketball account, whether it be a player or a player's mom or a team or a particular sports commentator. Based on those signals, we can put that live event right at the top of your timeline, and we're doing more and more of that. We also are utilizing Explore more so that, when we don't have a signal on what you might be interested in, in terms of live content, you can go over to Explore. And you should be able to see all the live events right there at the top of Explore within Moments, or trending hashtags. So our default is to make sure that we're really enabling people to see what they will be interested in based on who they follow, but this really speaks to our broader strategy of eventually making it as easy to follow an event, a topic or an interest as it is today to follow an account. So that is over the longer term, and we will be able to much more directly match your interest to live content that's happening on the service. Thanks for the question...

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

Dan, I will just add one more thing to that. If you had an earnings call at 5 in the morning and you were having trouble sleeping the night before, a great thing to do is, when you get a notification from @TwitterLive or from @NBAonTNT because you set up notifications for those handles, you can watch the Rockets' playoff game and watch the iso-cam of James Harden on -- in your hands at the same time. As Jack mentioned, there's a lot we can do to make it easier to do these things, but it's great when you're able to find it.

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

Great. Operator, we're ready for next question, please.

Operator

The next question will come from Colin Sebastian from Baird.

Colin Sebastian - *Robert W. Baird*

I have a couple of them. First off, as pricing trends towards stabilization, are you noticing any changes within the auction in terms of ad format preferences or type of advertisers bidding on inventory or anything else worth calling out? And then one related to the prototype changes to the app, more specifically the opportunities for advertisers: Did I understand that there will be opportunities for performance-based targeting within conversations? Or perhaps, Ned, I think you're referring to that or something else. Can you clarify?

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

Okay. Thanks, Colin. First, on about pricing. So we don't think about pricing as stabilizing. We think about delivering against advertisers' objectives. And when you see the cost per engagement that we report and you see that it's down 4% and you see ad engagements are up 23%, we wouldn't want you to read into that, that things are moving towards 0. We wouldn't want you to read into it too much one way or another. In fact, we don't even forecast these things. They're outcomes of a whole bunch of things that happen around advertiser objectives, around the different events that are happening at that time of year, around the campaigns that people are running, around the ad formats that are resonating most and so on. So I'm not sure I would read too much into these. And you'll continue to see them move around from 1 period to another based on all those things that I was just describing. Around the prototype app or the Twitter that we all use and where the opportunities will fall for direct response, they should fall in the same places that other Twitter ads do over time. When Jack goes through the conversational aspects of the prototype app, he's describing things that you see now on the timeline and just allowing you to find things easier and to see the conversation easier and to be a part of it in an easier way. And so ultimately that should lead to similar and better opportunities for us to show highly relevant, compelling ads to people throughout their experience just as we do today.

Operator

Our next question will come from Anthony DiClemente from Evercore.

Anthony DiClemente - *Evercore ISI*

Ned, the iso-cam of James Harden, maybe that's a good entrée for a question about the content partnerships that you have, like the one with the NBA. So where are we in terms of the benefits to Twitter; the benefits to, say, engagement and ad revenue that the content partnerships are delivering? And maybe help frame out what's the strategy? What's the forward strategy from here, I know you have your NewFronts next week, how you can build on the success of your content partnerships? And then for Jack, I'm not sure anyone's asked about regulation, regulation of either privacy or content. One of your peers is increasingly publicly open to the government taking a more active role on how social media is regulated. What's your updated and latest view for

investors on regulation? And to what extent is Twitter prepared for compliance with the CCPA rules and regulations for the State of California that take effect in January 2020?

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

Anthony, I'll start, and then Jack will go through the regulatory. So first, on video and the content partnerships broadly. Video is a great way for people to share what's happening and to be a part of the conversation on Twitter, whether it's organic content from anyone of us or from a licensed content where we share ad dollars or have a different kind of partnership with the content owner. We've got some great content that we signed and announced in Q1. We've got some terrific things that we'll talk about at the NewFronts at the end of April. The iso-cam is one example. Every home run as a highlight at major baseball games where people are voting on which batter they want to see there live at bat four is another. And goals as highlights for the women's World Cup, as a follow-up to having done that for men last year, is another great example. We're looking for the content where there is already robust conversation on Twitter where we can add to and improve the conversation through getting people to things that they're looking at and talking about on and off the service. And so these partnerships are great examples of that, but there are so many other all around the world that aren't just sports related as well. They, to us, are both advertising opportunities because they bring in incremental ad dollars through the pre-roll that we're able to show where we typically share the dollars with the partners, but they're also terrific engagement opportunities. They bring people to the service. They make the conversation richer. And they make the conversation something that people either want to be a part of or are more excited about reading than they otherwise might have been. Let me turn it to Jack on the regulatory.

Jack Dorsey *Twitter, Inc. - CEO*

Yes. So in terms of regulation, we're completely open to regulation where it makes sense. And we do believe our role in a lot of these conversations that we have with leaders around the world, regulators around the world is to help educate. Their job is to make sure they're protecting the individual, leveling the playing field. And we need to help educate about what we're seeing within Twitter, any technology or secular trends that we believe are important so that we can help improve the industry. Regulations like GDPR have been a net positive and not just for our service but also for our broader industry in general. It's added a lot more clarity around privacy and how data that is being used on people that we serve, so regulations like that, we do believe, are smart and beneficial to us and also our broader industry. And we'll continue to look and work with regulators around the world to make sure that, that regulation is crafted in the right way and that we can comply readily. Thanks for the questions.

Operator

So our final question today will come from Brent Thill.

Brent Thill - *Jefferies*

Ned, just on Japan. It's been an important market. You continue to see strength. Can you just give us a sense of what you've seen in the Japan market? And any one-off events to consider in the second or third quarter and that won't happen that you're lapping from '18?

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

Thanks, Brent. Japan continues to be a market that we're really excited about. It's our second largest market. We grew revenue 16% year-over-year. It's 17% of total revenue. It is one of the places where the recovery that we enjoyed last year began, and so we are up against tougher comps there. Part of that is about the recovery that we were driving through our execution. Part of it is about the events and objectives and formats and auction dynamics and other things that drove the market last year. We are always lapping events all around the world every quarter, and it's our job to find a way to grow through them through the hard work that we're doing to bring people to the service; and to show them highly relevant, compelling ads. We have things like the World Cup in front of us, as far as comps go. That, of course, is a global thing, but we also have events happening in 2019 that didn't occur in 2018 that are great opportunities for us to bring people to the service and to show them great ads.

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

So that was our last question.

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

Thank you all for joining us.

We're off to a strong start to 2019 with revenue growth of 18%, or 20% on a constant currency basis, while balancing our #1 priority of health. We also grew DAU by 11% to 134 million. We feel great about our strategy and about our execution, and it's those things that are allowing us to invest to drive growth from here.

We appreciate your interest in Twitter. And we look forward to speaking to you again next quarter, when we report our earnings on July 26 before the market open. We'll see you on Twitter.