



February 6, 2020

Twitter Announces Fourth Quarter and Fiscal Year 2019 Results

Reports Total Revenue of \$1.01 Billion, Year-Over-Year Growth in Monetizable Daily Active Usage (mDAU) of 21% in Q4

SAN FRANCISCO, California - Twitter, Inc. (NYSE: TWTR) today announced financial results for its fourth quarter and fiscal year 2019.

“2019 was a great year for Twitter. Our work to increase relevance and ease of use delivered 21% mDAU growth in Q4, with more than half of the 26 million mDAU added in 2019 directly driven by product improvements,” said Jack Dorsey, Twitter’s CEO. “Entering 2020, we are building on our momentum -- learning faster, prioritizing better, shipping more and hiring remarkable talent. All of which put us in a stronger position as we address the challenges and opportunities ahead.”

“We reached a new milestone in Q4 with quarterly revenue in excess of \$1 billion, reflecting steady progress on revenue product and solid performance across most major geographies, with particular strength in US advertising,” said Ned Segal, Twitter’s CFO. “We continue to see tremendous opportunity to get the whole world to use Twitter and provide a more personalized experience across both organic and promoted content, delivering increasing value for both consumers and advertisers.”

Fiscal Year 2019 Operational and Financial Highlights

- 2019 revenue was \$3.46 billion, an increase of 14% year-over-year. On a constant currency basis, revenue grew 15% year-over-year.
- 2019 costs and expenses totaled \$3.09 billion, an increase of 19% year-over-year. This resulted in operating income of \$366 million and 11% operating margin.
- 2019 net income was \$1.47 billion, representing a net margin of 42% and diluted EPS of \$1.87. This compares to 2018 net income of \$1.21 billion, representing a net margin of 40% and diluted EPS of \$1.56.
 - In 2019, excluding the income tax benefit from the establishment of deferred tax assets related to intra-entity transfers of intangible assets of \$1.21 billion, we generated adjusted net income of \$259 million, adjusted net margin of 7%, and adjusted diluted EPS of \$0.33.
 - In 2018, excluding the income tax benefit from the release of deferred tax assets valuation allowance of \$845 million, adjusted net income was \$360 million, with adjusted net margin of 12% and adjusted diluted EPS of \$0.47.

Fourth Quarter 2019 Operational and Financial Highlights

- Q4 revenue totaled \$1.01 billion, an increase of 11% year-over-year.
 - Advertising revenue totaled \$885 million, an increase of 12% year-over-year.
 - Total ad engagements increased 29% year-over-year.
 - Cost per engagement (CPE) decreased 13% year-over-year.
 - Data licensing and other revenue totaled \$123 million, an increase of 5% year-over-year.
 - US revenue totaled \$591 million, an increase of 17% year-over-year.
 - International revenue totaled \$416 million, an increase of 3% year-over-year.

- Q4 costs and expenses totaled \$854 million, an increase of 22% year-over-year. This resulted in operating income of \$153 million and 15% operating margin.
- Q4 net income was \$119 million, representing a net margin of 12% and diluted EPS of \$0.15. This compares to net income of \$255 million, a net margin of 28% and diluted EPS of \$0.33 in the same period of the previous year. Excluding the income tax benefit from the release of deferred tax assets valuation allowance in the same period last year, adjusted net income was \$135 million, with adjusted net margin of 15% and adjusted diluted EPS of \$0.17.
- Average monetizable daily active users (mDAU) were 152 million for Q4, compared to 126 million in the same period of the previous year and compared to 145 million in the previous quarter.
 - Average US mDAU were 31 million for Q4, compared to 27 million in the same period of the previous year and compared to 30 million in the previous quarter.
 - Average international mDAU were 121 million for Q4, compared to 99 million in the same period of the previous year and compared to 115 million in the previous quarter.

Outlook

As we enter 2020, we are focused on four objectives to drive our work. These are similar to previous years, and our success will best be measured externally by our ability to grow our audience and deliver financial results in line with our guidance. Our company objectives are:

- Increasing development velocity and trust
- Increasing healthy public conversation
- Increasing revenue durability
- Enabling anyone, anywhere to work at Twitter

To support these objectives, we expect to grow headcount by 20% or more in 2020, especially in engineering, product, design, and research. Given investment decisions made in previous years and anticipated 2020 headcount growth, we expect total costs and expenses (which include cost of revenue and all operating expenses) to grow approximately 20% in 2020, ramping in absolute dollars over the course of the year.

Our investments also include building out a new data center in 2020 to add capacity to support audience and revenue growth. While the timing of these investments will be variable and spread out over multiple quarters, we expect capital expenditures to be weighted toward the second half of the year.

For Q1, we expect:

- Total revenue to be between \$825 million and \$885 million
- Operating income to be between \$0 million and \$30 million

For FY 2020, we expect:

- Stock-based compensation expense to be between \$425 million and \$475 million
- Capital expenditures to be between \$775 million and \$825 million

Note that our outlook for Q1 and the full year 2020 reflects foreign exchange rates as of January 2020. For more information regarding the non-GAAP financial measures discussed in this letter, please see "Non-GAAP Financial Measures" and "Reconciliation of GAAP to Non-GAAP Financial Measures" below.

Appendix

Fourth Quarter and Full Year 2019 Webcast and Conference Call Details

Twitter will host a conference call today, Thursday, February 6, 2020, at 5am Pacific Time (8am Eastern Time) to discuss financial results for the fourth quarter and full fiscal year 2019. The company will be following the conversation about the earnings announcement on Twitter. To have your questions considered during the Q&A, Tweet your question to @TwitterIR using \$TWTR. To listen to a live audio webcast, please visit the company's Investor Relations page at investor.twitterinc.com. Twitter has used, and intends to continue to use, its Investor

Relations website and the Twitter accounts of @jack, @nedsegal, @Twitter, and @TwitterIR as means of disclosing material nonpublic information and for complying with its disclosure obligations under Regulation FD.

First Quarter Earnings Release Details

Twitter expects to release financial results for the first quarter of 2020 on April 30, 2020, before the market opens at approximately 4am Pacific Time (7am Eastern Time). On the same day, Twitter will host a conference call to discuss those financial results at 5am Pacific Time (8am Eastern Time).

About Twitter, Inc. (NYSE: TWTR)

Twitter is what's happening in the world and what people are talking about right now. From breaking news and entertainment to sports, politics, and everyday interests, see every side of the story. Join the open conversation. Watch live-streaming events. Available in more than 40 languages around the world, the service can be accessed via twitter.com, an array of mobile devices, and SMS. For more information, please visit about.twitter.com, follow @Twitter, and download both the Twitter and Periscope apps at twitter.com/download and periscope.tv.

A Note About Metrics

Twitter defines monetizable daily active usage or users⁽¹⁾ (mDAU) as people, organizations, or other accounts who logged in or were otherwise authenticated and accessed Twitter on any given day through twitter.com or Twitter applications that are able to show ads. Average mDAU for a period represents the number of mDAU on each day of such period divided by the number of days for such period. Changes in mDAU are a measure of changes in the size of our daily logged in or otherwise authenticated active total accounts. To calculate the year-over-year change in mDAU, we subtract the average mDAU for the three months ended in the previous year from the average mDAU for the same three months ended in the current year and divide the result by the average mDAU for the three months ended in the previous year. Additionally, our calculation of mDAU is not based on any standardized industry methodology and is not necessarily calculated in the same manner or comparable to similarly titled measures presented by other companies.

The numbers of mDAU 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 engagement across our large number of total accounts 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 fourth quarter of 2019 represented fewer than 5% of our mDAU 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 mDAU, 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 mDAU, or other related metrics. We also treat multiple accounts held by a single person or organization as multiple mDAU 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 mDAU may not accurately reflect the actual number of people or organizations using our platform.

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

⁽¹⁾ Please note that in Q4'19, in an effort to demonstrate more empathy for the people who use Twitter, we largely discontinued the use of the word "user" in our external communications, including in our earnings reports and SEC filings. The underlying definitions for our metrics did not change.

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

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements generally relate to future events or Twitter's future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "going to," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue," or the negative of these words or other similar terms or expressions that concern Twitter's expectations, strategy, priorities, plans, or intentions. Forward-looking statements in this press release include, but are not limited to, statements regarding Twitter's future financial and operating performance, including its outlook, guidance and strategies to improve financial and operating performance; Twitter's opportunity; Twitter's anticipated strategies, and product and business plans, including its priorities, product initiatives, Twitter's objectives going into 2020 and its strategies and ability to achieve these objectives, and Twitter's expectations regarding future capital expenditures and other expenses, including headcount growth, and the timing of these expenditures. Twitter's expectations and beliefs regarding these matters may not materialize, and actual results in future periods are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks include the possibility that: Twitter's user base and engagement do not grow or decline; Twitter's strategies, priorities, or plans take longer to execute than anticipated; Twitter's new products and product features do not meet expectations and fail to drive mDAU growth; advertisers reduce or discontinue their spending on Twitter; data partners reduce or discontinue their purchases of data licenses from Twitter; and Twitter experiences expenses that exceed its expectations. The forward-looking statements contained in this press release are also subject to other risks and uncertainties, including those more fully described in Twitter's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2019, June 30, 2019, and September 30, 2019, each filed with the Securities and Exchange Commission. Additional information will also be set forth in Twitter's Annual Report on Form 10-K for the fiscal year ended December 31, 2019. The forward-looking statements in this press release are based on information available to Twitter as of the date hereof, and Twitter disclaims any obligation to update any forward-looking statements, except as required by law.

Non-GAAP Financial Measures

To supplement Twitter's financial information presented in accordance with generally accepted accounting principles in the United States of America, or GAAP, Twitter considers certain financial measures that are not prepared in accordance with GAAP, including revenues excluding foreign exchange effect, which we refer to as on a constant currency basis, non-GAAP income before income taxes, non-GAAP provision (benefit) for income taxes, non-GAAP net income, non-GAAP diluted net income per share, adjusted EBITDA, non-GAAP costs and expenses, adjusted net income, adjusted net margin, adjusted diluted net income per share, and adjusted free cash flow. In order to present revenues on a constant currency basis for the fiscal quarter and year ended December 31, 2019, Twitter translated the applicable measure using the prior year's monthly exchange rates for its settlement currencies other than the US dollar. Twitter defines non-GAAP income before income taxes as income before income taxes adjusted to exclude stock-based compensation expense, amortization of acquired intangible assets, non-cash interest expense related to convertible notes, non-cash expense related to acquisitions, impairment (gain) on investments in privately held companies, restructuring charges, and one-time nonrecurring gain, if any; Twitter defines non-GAAP provision (benefit) for income taxes as the current and deferred income tax expense commensurate with the non-GAAP measure of profitability using the estimated annual effective tax rate, which is dependent on the jurisdictional mix of earnings; and Twitter defines non-GAAP net income as net income adjusted to exclude stock-based compensation expense, amortization of acquired intangible assets, non-cash interest expense related to convertible notes, non-cash expense related to acquisitions, impairment (gain) on investments in privately held companies, restructuring charges, and one-time nonrecurring gain, if any, and adjustment to income tax expense based on the non-GAAP measure of profitability using the estimated annual effective tax rate, which is dependent on the jurisdictional mix of earnings. Non-GAAP diluted net income per share is calculated by dividing non-GAAP net income by GAAP diluted share count. Twitter defines adjusted EBITDA as net income 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, if any. Twitter defines non-GAAP costs and expenses as total costs and expenses adjusted to exclude stock-based compensation expense, amortization of acquired intangible assets, non-cash expense related to acquisitions, restructuring charges, and one-time nonrecurring gain, if any. We have presented adjusted

net income solely to exclude the income tax benefit from the establishment of deferred tax assets related to intra-entity transfers of intangible assets in the year ended December 31, 2019, and related to the release of deferred tax assets valuation allowance in the quarter and year ended December 31, 2018, and no other adjustments were made in the calculation of these measures. Adjusted net margin is calculated by dividing adjusted net income by GAAP revenue. Adjusted diluted net income per share is calculated by dividing adjusted net income by GAAP diluted share count. Adjusted free cash flow is GAAP net cash provided by operating activities less capital expenditures (i.e., purchases of property and equipment including equipment purchases that were financed through finance leases, less proceeds received from the disposition of property and equipment).

Twitter is presenting these non-GAAP financial measures to assist investors in seeing Twitter's operating results through the eyes of management, and because it believes that these measures provide an additional tool for investors to use in comparing Twitter's core business operating results over multiple periods with other companies in its industry.

Twitter believes that revenues on a constant currency basis, non-GAAP income before income taxes, non-GAAP provision (benefit) for income taxes, non-GAAP net income, non-GAAP diluted net income per share, adjusted EBITDA, non-GAAP costs and expenses, adjusted net income, adjusted net margin, and adjusted dilutive net income per share provide useful information about its operating results, enhance the overall understanding of Twitter's past performance and future prospects, and allow for greater transparency with respect to key metrics used by Twitter's management in its financial and operational decision-making. Twitter uses these measures to establish budgets and operational goals for managing its business and evaluating its performance. Twitter believes that revenues on a constant currency basis is a useful metric that facilitates comparison to its historical performance. Twitter believes that non-GAAP net income, non-GAAP diluted net income per share, adjusted EBITDA, non-GAAP costs and expenses, adjusted net income, adjusted net margin, and adjusted diluted net income per share help identify underlying trends in its business that could otherwise be masked by expenses and one-time gains or charges that it excludes in non-GAAP net income, non-GAAP diluted net income per share, adjusted EBITDA, non-GAAP costs and expenses, adjusted net income, adjusted net margin, and adjusted diluted net income per share, or the effect of the one-time income tax benefits related to the establishment of deferred tax assets or the release of deferred tax assets valuation allowance described above, which are non-operating benefits. In addition, Twitter believes that adjusted free cash flow provides useful information to management and investors about the amount of cash from operations and that it is typically a more conservative measure of cash flows. However, adjusted free cash flow does not necessarily represent funds available for discretionary use and is not necessarily a measure of its ability to fund its cash needs.

These non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. These non-GAAP financial measures are not based on any standardized methodology prescribed by GAAP and are not necessarily comparable to similarly titled measures presented by other companies.

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TWITTER, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,799,082	\$ 1,894,444
Short-term investments	4,839,970	4,314,957
Accounts receivable, net	850,184	788,700
Prepaid expenses and other current assets	130,839	112,935
Total current assets	<u>7,620,075</u>	<u>7,111,036</u>
Property and equipment, net	1,031,781	885,078
Operating lease right-of-use assets	697,095	—
Intangible assets, net	55,106	45,025
Goodwill	1,256,699	1,227,269
Deferred tax assets, net	1,908,086	808,459
Other assets	134,547	85,705
Total assets	<u>\$ 12,703,389</u>	<u>\$ 10,162,572</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 161,148	\$ 145,186
Accrued and other current liabilities	500,893	405,751
Convertible notes, short-term	—	897,328
Operating lease liabilities, short-term	146,959	—
Finance lease liabilities, short-term	23,476	68,046
Total current liabilities	<u>832,476</u>	<u>1,516,311</u>
Convertible notes, long-term	1,816,833	1,730,922
Senior notes, long-term	691,967	—
Operating lease liabilities, long-term	609,245	—
Finance lease liabilities, long-term	205	24,394
Deferred and other long-term tax liabilities, net	24,170	17,849
Other long-term liabilities	24,107	67,502
Total liabilities	<u>3,999,003</u>	<u>3,356,978</u>
Stockholders' equity:		
Common stock	4	4
Additional paid-in capital	8,763,330	8,324,974
Accumulated other comprehensive loss	(70,534)	(65,311)
Retained earnings (accumulated deficit)	11,586	(1,454,073)
Total stockholders' equity	<u>8,704,386</u>	<u>6,805,594</u>
Total liabilities and stockholders' equity	<u>\$ 12,703,389</u>	<u>\$ 10,162,572</u>

TWITTER, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Revenue	\$ 1,007,341	\$ 908,836	\$ 3,459,329	\$ 3,042,359
Costs and expenses				
Cost of revenue	314,008	268,345	1,137,041	964,997
Research and development	198,240	141,174	682,281	553,858
Sales and marketing	241,561	211,774	913,813	771,361
General and administrative	100,648	80,635	359,821	298,818
Total costs and expenses	854,457	701,928	3,092,956	2,589,034
Income from operations	152,884	206,908	366,373	453,325
Interest expense	(26,377)	(37,273)	(138,180)	(132,606)
Interest income	33,927	37,013	157,703	111,221
Other income (expense), net	(2,340)	(111)	4,243	(8,396)
Income before income taxes	158,094	206,537	390,139	423,544
Provision (benefit) for income taxes	39,321	(48,766)	(1,075,520)	(782,052)
Net income	\$ 118,773	\$ 255,303	\$ 1,465,659	\$ 1,205,596
Net income per share:				
Basic	\$ 0.15	\$ 0.34	\$ 1.90	\$ 1.60
Diluted	\$ 0.15	\$ 0.33	\$ 1.87	\$ 1.56
Weighted-average shares used to compute net income per share:				
Basic	776,647	760,525	770,729	754,326
Diluted	788,684	776,129	785,531	772,686

TWITTER, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Cash flows from operating activities				
Net income	\$ 118,773	\$ 255,303	\$ 1,465,659	\$ 1,205,596
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization expense	116,473	110,723	465,549	425,498
Stock-based compensation expense	101,296	81,887	378,025	326,228
Amortization of discount on convertible notes	20,047	31,017	113,298	105,926
Deferred income taxes	15,782	66,481	84,369	43,409
Deferred tax assets valuation allowance release	—	(119,835)	—	(845,129)
Deferred tax assets establishment related to intra-entity transfers of intangible assets	—	—	(1,206,880)	—
Impairment of investments in privately-held companies	—	—	1,550	3,000
Other adjustments	(3,065)	(8,301)	(16,906)	(14,139)
Changes in assets and liabilities, net of assets acquired and liabilities assumed from acquisitions:				
Accounts receivable	(160,932)	(166,260)	(67,000)	(130,871)
Prepaid expenses and other assets	(8,386)	23,236	(29,602)	126,470
Operating lease right-of-use assets	45,018	—	149,880	—
Accounts payable	15,545	21,057	2,946	(1,533)
Accrued and other liabilities	52,303	36,691	92,681	95,256
Operating lease liabilities	(35,675)	—	(130,205)	—
Net cash provided by operating activities	<u>277,179</u>	<u>331,999</u>	<u>1,303,364</u>	<u>1,339,711</u>
Cash flows from investing activities				
Purchases of property and equipment	(151,615)	(74,021)	(540,688)	(483,934)
Proceeds from sales of property and equipment	1,868	4,943	6,158	13,070
Purchases of marketable securities	(1,857,429)	(1,280,084)	(5,798,111)	(5,334,396)
Proceeds from maturities of marketable securities	776,235	982,546	4,928,097	3,732,973
Proceeds from sales of marketable securities	193,791	16,590	367,116	58,721
Purchases of investments in privately-held companies	—	(1,200)	(51,163)	(3,375)
Proceeds from sales of long-lived assets	—	—	11,781	—
Business combinations, net of cash acquired	(9,362)	—	(29,664)	(33,572)
Other investing activities	—	(5,000)	(9,500)	(5,000)
Net cash used in investing activities	<u>(1,046,512)</u>	<u>(356,226)</u>	<u>(1,115,974)</u>	<u>(2,055,513)</u>
Cash flows from financing activities				
Proceeds from issuance of senior notes	700,000	—	700,000	—
Proceeds from issuance of convertible notes	—	—	—	1,150,000
Purchases of convertible note hedges	—	—	—	(267,950)
Proceeds from issuance of warrants concurrent with note hedges	—	—	—	186,760
Debt issuance costs	(8,070)	(300)	(8,070)	(13,783)
Repayment of convertible notes	—	—	(935,000)	—
Taxes paid related to net share settlement of equity awards	(2,899)	(3,083)	(19,594)	(19,263)
Payments of finance lease obligations	(13,050)	(20,847)	(66,677)	(90,351)
Proceeds from exercise of stock options	35	164	788	3,415
Proceeds from issuances of common stock under employee stock purchase plan	17,169	12,951	42,378	29,288
Net cash provided by (used in) financing activities	<u>693,185</u>	<u>(11,115)</u>	<u>(286,175)</u>	<u>978,116</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(76,148)	(35,342)	(98,785)	262,314
Foreign exchange effect on cash, cash equivalents and restricted cash	6,366	915	4,576	(14,296)
Cash, cash equivalents and restricted cash at beginning of period	1,897,448	1,956,302	1,921,875	1,673,857
Cash, cash equivalents and restricted cash at end of period	<u>\$ 1,827,666</u>	<u>\$ 1,921,875</u>	<u>\$ 1,827,666</u>	<u>\$ 1,921,875</u>
Supplemental cash flow data				
Income taxes paid in cash	\$ 5,778	\$ 6,244	\$ 20,144	\$ 33,065
Supplemental disclosures of non-cash investing and financing activities				
Common stock issued in connection with acquisitions	\$ —	\$ —	\$ —	\$ 19,165
Equipment purchases under finance leases	\$ —	\$ —	\$ —	\$ 16,086
Changes in accrued property and equipment purchases	\$ (11,694)	\$ 5,148	\$ 14,985	\$ (23,469)
Reconciliation of cash, cash equivalents and restricted cash as shown in the consolidated statements of cash flows				
Cash and cash equivalents	\$ 1,799,082	\$ 1,894,444	\$ 1,799,082	\$ 1,894,444
Restricted cash included in prepaid expenses and other current assets	1,862	1,698	1,862	1,698
Restricted cash included in other assets	26,722	25,733	26,722	25,733
Total cash, cash equivalents and restricted cash	<u>\$ 1,827,666</u>	<u>\$ 1,921,875</u>	<u>\$ 1,827,666</u>	<u>\$ 1,921,875</u>

TWITTER, INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Non-GAAP net income and net income per share:				
Net income	\$ 118,773	\$ 255,303	\$ 1,465,659	\$ 1,205,596
Exclude: Provision (benefit) for income taxes	39,321	(48,766)	(1,075,520)	(782,052)
Income before income taxes	158,094	206,537	390,139	423,544
Stock-based compensation expense	101,296	81,887	378,025	326,228
Amortization of acquired intangible assets	4,034	4,786	16,543	18,984
Non-cash interest expense related to convertible notes	20,047	31,017	113,298	105,926
Impairment (gain) on investments in privately-held companies	—	—	(8,611)	3,000
Restructuring charges	—	(2,989)	(217)	(4,255)
Non-GAAP income before income taxes	283,471	321,238	889,177	873,427
Non-GAAP provision (benefit) for income taxes ⁽¹⁾	87,859	77,097	(970,493)	209,623
Non-GAAP net income	<u>\$ 195,612</u>	<u>\$ 244,141</u>	<u>\$ 1,859,670</u>	<u>\$ 663,804</u>
GAAP diluted shares	788,684	776,129	785,531	772,686
Non-GAAP diluted net income per share	<u>\$ 0.25</u>	<u>\$ 0.31</u>	<u>\$ 2.37</u>	<u>\$ 0.86</u>
Adjusted EBITDA:				
Net income	\$ 118,773	\$ 255,303	\$ 1,465,659	\$ 1,205,596
Stock-based compensation expense	101,296	81,887	378,025	326,228
Depreciation and amortization expense	116,473	110,723	465,549	425,498
Interest and other expense, net	(5,210)	371	(23,766)	29,781
Provision (benefit) for income taxes	39,321	(48,766)	(1,075,520)	(782,052)
Restructuring charges	—	(2,989)	(217)	(4,255)
Adjusted EBITDA	<u>\$ 370,653</u>	<u>\$ 396,529</u>	<u>\$ 1,209,730</u>	<u>\$ 1,200,796</u>
Stock-based compensation expense by function:				
Cost of revenue	\$ 6,019	\$ 4,905	\$ 22,797	\$ 17,289
Research and development	59,564	43,589	209,063	183,799
Sales and marketing	21,717	18,624	85,739	71,305
General and administrative	13,996	14,769	60,426	53,835
Total stock-based compensation expense	<u>\$ 101,296</u>	<u>\$ 81,887</u>	<u>\$ 378,025</u>	<u>\$ 326,228</u>
Amortization of acquired intangible assets by function:				
Cost of revenue	\$ 4,034	\$ 4,321	\$ 15,923	\$ 17,124
Sales and marketing	—	465	620	1,860
Total amortization of acquired intangible assets	<u>\$ 4,034</u>	<u>\$ 4,786</u>	<u>\$ 16,543</u>	<u>\$ 18,984</u>
Restructuring charges by function:				
Cost of revenue	\$ —	\$ (179)	\$ (13)	\$ (257)
Research and development	—	(1,011)	(73)	(1,436)
Sales and marketing	—	(1,208)	(87)	(1,722)
General and administrative	—	(591)	(44)	(840)
Total restructuring charges	<u>\$ —</u>	<u>\$ (2,989)</u>	<u>\$ (217)</u>	<u>\$ (4,255)</u>
Non-GAAP costs and expenses:				
Total costs and expenses	\$ 854,457	\$ 701,928	\$ 3,092,956	\$ 2,589,034
Less: stock-based compensation expense	(101,296)	(81,887)	(378,025)	(326,228)
Less: amortization of acquired intangible assets	(4,034)	(4,786)	(16,543)	(18,984)
Less: restructuring charges	—	2,989	217	4,255
Total non-GAAP costs and expenses	<u>\$ 749,127</u>	<u>\$ 618,244</u>	<u>\$ 2,698,605</u>	<u>\$ 2,248,077</u>
Adjusted free cash flow:				
Net cash provided by operating activities	\$ 277,179	\$ 331,999	\$ 1,303,364	\$ 1,339,711
Less: purchases of property and equipment	(151,615)	(74,021)	(540,688)	(483,934)
Plus: proceeds from sales of property and equipment	1,868	4,943	6,158	13,070
Less: equipment purchases under finance leases	—	—	—	(16,086)
Adjusted free cash flow	<u>\$ 127,432</u>	<u>\$ 262,921</u>	<u>\$ 768,834</u>	<u>\$ 852,761</u>
Adjusted net income and adjusted diluted net income per share:				
Net income	\$ 118,773	\$ 255,303	\$ 1,465,659	\$ 1,205,596
Exclude: benefit from deferred tax assets ⁽²⁾	—	(119,835)	(1,206,880)	(845,129)
Adjusted net income	<u>\$ 118,773</u>	<u>\$ 135,468</u>	<u>\$ 258,779</u>	<u>\$ 360,467</u>
GAAP diluted shares	788,684	776,129	785,531	772,686
Adjusted diluted net income per share	<u>\$ 0.15</u>	<u>\$ 0.17</u>	<u>\$ 0.33</u>	<u>\$ 0.47</u>

⁽¹⁾ The non-GAAP benefit from income taxes for the year ended December 31, 2019 includes a benefit of \$1.21 billion from the establishment of deferred tax assets from intra-entity transfers of intangible assets.

⁽²⁾ The benefit from deferred tax asset in the year ended December 31, 2019 is primarily related to the establishment of deferred tax assets from intra-entity transfers of intangible assets. The benefit from deferred tax assets valuation allowance release in the three months ended December 31, 2018 represents the change in estimate for the full year realization of our deferred tax assets. The benefit from deferred tax assets in the year ended December 31, 2018 is primarily due to income tax benefits primarily driven by the release of deferred tax assets valuation allowance for the United States and Brazil.

TWITTER, INC.
RECONCILIATION OF GAAP REVENUE TO NON-GAAP CONSTANT CURRENCY REVENUE
(In millions)
(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Revenue, advertising revenue, data licensing and other revenue, international revenue and international advertising revenue excluding foreign exchange effect:				
Revenue ⁽¹⁾	\$ 1,007	\$ 909	\$ 3,459	\$ 3,042
Foreign exchange effect on 2019 revenue using 2018 rates	(1)		26	
Revenue excluding foreign exchange effect	\$ 1,006		\$ 3,485	
Revenue year-over-year change percent	11 %		14 %	
Revenue excluding foreign exchange effect year-over-year change percent	11 %		15 %	
Advertising revenue	\$ 885	\$ 791	\$ 2,993	\$ 2,617
Foreign exchange effect on 2019 advertising revenue using 2018 rates	(1)		26	
Advertising revenue excluding foreign exchange effect	\$ 884		\$ 3,019	
Advertising revenue year-over-year change percent	12 %		14 %	
Advertising revenue excluding foreign exchange effect year-over-year change percent	12 %		15 %	
Data licensing and other revenue	\$ 123	\$ 118	\$ 466	\$ 425
Foreign exchange effect on 2019 data licensing and other revenue using 2018 rates	—		—	
Data licensing and other revenue excluding foreign exchange effect	\$ 123		\$ 466	
Data licensing and other revenue year-over-year change percent	5 %		10 %	
Data licensing and other revenue excluding foreign exchange effect year-over-year change percent	5 %		10 %	
International revenue	\$ 416	\$ 403	\$ 1,515	\$ 1,400
Foreign exchange effect on 2019 international revenue using 2018 rates	(1)		26	
International revenue excluding foreign exchange effect	\$ 415		\$ 1,541	
International revenue year-over-year change percent	3 %		8 %	
International revenue excluding foreign exchange effect year-over-year change percent	3 %		10 %	
International advertising revenue	\$ 375	\$ 366	\$ 1,358	\$ 1,264
Foreign exchange effect on 2019 international advertising revenue using 2018 rates	(1)		26	
International advertising revenue excluding foreign exchange effect	\$ 374		\$ 1,384	
International advertising revenue year-over-year change percent	3 %		7 %	
International advertising revenue excluding foreign exchange effect year-over-year change percent	2 %		9 %	

⁽¹⁾ Note the sum of advertising revenue and data licensing and other revenue does not add up to total revenue in the three months ended December 31, 2019 above due to rounding.