



Twitter Q1 2020 Earnings Report  
SAN FRANCISCO, CALIFORNIA  
April 30, 2020

## PRESENTATION

### Operator

Good day, ladies and gentlemen, and welcome to the Twitter First Quarter 2020 Earnings Conference Call. (Operator Instructions)

I would now like to turn the call over to your host, Cheryl Valenzuela, Director, Investor Relations. Please go ahead.

### **Cherryl Valenzuela *Twitter, Inc.* - Director, IR**

Hi, everyone, and thanks for joining our Q1 earnings conference call. We have Jack and Ned with us today.

Before they start, I just 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 details, like last quarter, we'll keep our opening remarks brief and then dive right into your questions. We also take questions asked on Twitter, so please Tweet us at @TwitterIR using the \$TWTR.

Also during this call, we will make forward-looking statements. Those are things like our operational plans and strategies, our expectations regarding the impact of the COVID-19 pandemic on our business and our expectations regarding future expenses and the timing of those expenses. Our actual results could differ materially from those contemplated by our forward-looking statements for a number of reasons, including risks related to the impact of COVID-19 on market conditions and on our business. And you should not consider our reported results as an indication of future performance. We are making these forward-looking statements based on information available to us as of today, and we disclaim 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 in our 10-Q for the first quarter of 2020, which will be subsequently filed, and in our most recent 10-K, for a discussion of the factors that could cause our results to differ.

Also during this call, we will discuss certain non-GAAP financial measures. We have reconciled 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, and thank you for joining us. A few thoughts from me and Ned before we take your questions.

I want to start by thanking all the folks around the world who are currently on the front lines in our battle against COVID-19. We would not be able to do our work without the incredible sacrifices you're making to do yours. To everyone who's treating us, feeling us, feeding us, caring for us and building for us, we see you and we appreciate you. Thank you.

We're here to serve the public conversation because we believe it helps the world learn faster, solve common problems and shows us that we're all in this together. COVID-19 has proven this. For the first time in history, the entire world is focused on learning how to solve one global problem. People are turning to Twitter to stay informed, to share solutions and to ask for help and support one another. And we see it in the numbers.

Average mDAU grew 24% year-over-year, which brings us to a total of 166 million, our highest reported growth rate to date. Our consistent focus on increasing relevance and making conversation more accessible and powerful continues to be right. The real power of Twitter is unlocked, though, through lists and interests, however, and we remain confident in our work here will enable entirely new forms of participation for people all over the world.

There has been a rapid and significant decrease in global advertising spend due to COVID-19, which is also reflected in our numbers. Total revenue was \$808 million in Q1, up 3% year-over-year. As we've talked about on these calls before, our goal is to increase our revenue durability by building a world-class performance ads product, starting with MAP. In light of the environment and the increasing importance of our revenue product work, we've now made this our #1 priority so we can deliver the product as quickly as possible and accelerate our direct response around that. Development velocity and agility continues to be a focus for our Engineering team with a goal of doubling the rate at which we're able to ship features to our customers. COVID-19 also accelerated our efforts to decentralize our workforce as we've all been working from home since the 1st week of March. We've seen no significant decrease in productivity, which gives us a lot of optionality for the future.

I've never been more sure of the value Twitter brings to people around the world. Folks trust us every day to carry some of the most important questions, ideas, commentary and critiques in the world. We acknowledge and appreciate our role in making this incredibly powerful service accessible and directly valuable to everyone. There's nothing else like it. Thank you. And now over to Ned.

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

Great. Thanks, Jack. Before we get into Q&A, I want to highlight a few things which are in the letter but merit mentioning at the outset of the call.

We had a strong start to the quarter that was impacted by widespread economic disruption related to COVID-19 in March, leading to a significant decrease in global advertising spend. As we noted in the letter, ad revenue from March 11 to March 31 declined approximately 27% year-over-year.

Jack mentioned our increased focus on DR, an improved MAP product and more direct response ad formats would increase our addressable market with more exposure to advertising demand that may be more resilient through an economic downturn while building on our strengths and helping brands launch something new and connect with what's happening.

I'm also pleased to share that our ad server rebuild should be complete by the end of Q2.

We've moved quickly to consider our expenses and slow our hiring ramp. We're continuing to grow our Engineering, Product, Design, Research and Trust & Safety teams while largely holding headcount at current levels and other functions as we continue to monitor the broader environment and our own operations. Lower headcount growth, decisions we've made to reduce non-labor costs and savings from business activities such as travel and customer events that have been significantly curtailed, combined with future decisions we make as this very dynamic environment continues to unfold, are expected to result in full year 2020 total expense growth that will be considerably less than the 20% we expected at the beginning of the year. We currently expect Q2 expenses to be meaningfully below the year-over-year growth we observed in Q1, likely closer to a year-over-year percentage growth rate in the low teens.

As people turn to brands, institutions and leaders for answers, we've also seen brands turn to Twitter as they've adapted their advertising to respect the current environment. We've seen brands like Verizon and Salesforce leverage our Live Brand Studio to raise awareness about their live streaming events, while Hyundai utilized Video Website Cards to drive awareness for their job loss protection program that offers deferred payments for new or current owners. We supported Xiaomi through our ArtHouse team and content creators to launch the Mi 10 phone series with the entire marketing execution done remotely and broadcast through live stream on Twitter. Coupled with our record mDAU growth, these handful of examples demonstrate why we're so passionate about continuing to invest in our most impactful work. We remain confident in the significant long-term growth opportunity for Twitter.

With that, we're ready to take your questions. Operator?

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Our first question comes from Colin Sebastian from Baird.

### **Colin Sebastian - Robert W. Baird**

First off, Ned, I was hoping you could maybe give us a bit of a sense as to trends post March into April. We've heard from some other platforms about more of a stabilization in trends.

And then more broadly on the topic of MAP and direct response, could you perhaps provide a framework or time line in terms of how much additional work is needed to finish up the changes to MAP, but perhaps more importantly, the process required to roll out other direct response formats? And how much activity on Twitter is users who are in-market for products and services? If there's any possible way to frame that.

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

Thanks, Colin. Good questions. First, when we think about what it's been like to navigate through this unprecedented time, I think the best time frame to point you to would be that March 11 to March 31 time frame. That gives you a good sense for what it's been like for us. And I'd just also point out, in such a dynamic environment, for you or us to try to discern trends based on the tremendous change in advertiser behavior as the economy continues to evolve may not be prudent. So I'd just point you back to that March 11 to March 31 time frame.

I should point out within that, that the U.S. was impacted a bit more and that other parts of the world, especially places in Asia where things had been impacted earlier by COVID-19, that they were less bad than they had been earlier in the quarter when you look at the March time frame.

The second part of your question was around MAP and DR. There are no changes to our thinking there, where we'll work hard to accelerate our long-term road map, as Jack mentioned, making revenue product our number one priority. So our MAP work will continue throughout this year. We actually have recently launched a pilot where we have new -- parts of new MAP in the hands of advertisers, where they can work on launching a campaign with new formats. And we'll get some good feedback from that, and we hope that we can build upon that over the course of this year. Remember, we've said that the impact from our MAP work ought to be felt gradually over time as we test and roll things out and then we see MAP advertisers' models adjust. Remember, this is a multi tens of billions of dollar market to advertise mobile games, video services, food delivery services and other things, and we believe that those models will be able to adjust quickly once we're able to roll out a product to people that has more performance than the one that we've got today. So we'll keep you updated on that as things unfold.

**Operator**

Our next question comes from the line of Doug Anmuth of JPMorgan.

**Douglas Anmuth - *JP Morgan Chase & Co***

Maybe one for Jack and one for Ned. First, Jack, you've seen 5 quarters now of accelerating user growth, including 24% here in 1Q. Can you just talk about some of the things you're doing to teen users [who cover] the election cycle? And then just going back to the MAP product. Ned, can you just talk a little bit more about timing? Do you think MAP can actually have a positive impact in 2020? And then when you look longer term, do you think MAP can help you get to a majority-based performance in DR spending?

**Jack Dorsey *Twitter, Inc. - CEO***

Thanks, Doug. So as I said in my opening remarks, the -- our focus on relevance and our focus on making conversation much more accessible and more powerful continues to pay off. So the relevance work that we're doing within the timeline has been critical, and we're making really great strides in making that a whole lot more powerful, a whole lot more relevant as people come back to the service. And I think the biggest thing that will shift us from people who come to Twitter because they want to know what's happening and stay informed around COVID-19 is our work on interests, Topics and Lists in particular. To me, this is like the biggest unlock for what makes someone really see the potential of Twitter. It just hasn't been that accessible in the past to people.

People have had to find and follow all the accounts related to a particular topic or an interest. We should be doing that work for them. This also gives us much, much stronger signal to our revenue products and to our business. So a lot of the work that we're doing right now on that is to make Lists a whole lot more powerful and to make following topics a lot easier. And as we perfect that experience and we make a great experience for people to go into, it's an obvious candidate to put right at onboarding so that you may come in to learn about what's happening with COVID-19, but you also see all the interests based on the signals we have about you, whether it be where you are or Tweets that you like or engage with, so you can follow those topics directly that we can then suggest Tweets and accounts for you.

So our strategy remains true. And we're looking at everything that's going on in the service today, looking for any signs of new, emerging patterns, but they all come back to these interests and topics that we think are really durable and also really important to complete.

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

On the second part of your question, from a timing perspective, the MAP work that is underway today ought to have gradual impact as we are able to roll out this new product. And so we'll keep you updated as it unfolds. Remember the impact ought to be felt gradually, as we've said on this call, and over time.

But let me just step back more broadly and remind you of a few things about direct response. The first is this is an important area for us already today, whether it's through website, clicks or app download, ads. This is something that's been important to us for a long time and something where we've done a good job with Video Website Cards and Video App Cards in the past. But we know we can do better for advertisers not just with app installs but moving all the way down the funnel over time. And so that road map is something that we'll work hard to accelerate here to make sure that we can help advertisers launch new products and services and connect with what's happening not just from a brand and awareness perspective but all the way down the advertising funnel.

Remember, we've said in the past that there's an awful lot of signal that we have today from how people use the service, and Jack mentioned some of the timeline-related or Tweets-related benefits to that just now. But it also really helps on the advertising side, and we think that personalization continues to be more of an opportunity for us than a risk as we look ahead and think about how we can serve more direct response ads to people over time.

**Operator**

Our next question comes from the line of Ross Sandler of Barclays.

**Ross Sandler - *Barclays Bank***

I know it's hard to parse out at this point, but can you assess with that March brand advertising decline how much of the impact was from cancellations or delays of these major sports events or other kind of big public events that brand advertising would try to associate with? And the flip side of that is as sports start happening this fall, do you expect brand advertising on Twitter to pick up in tandem with that? And how are you kind of retooling the sales process to adapt to this current environment if most of the conversation on Twitter is around COVID-19, which makes sense right

now? Is there a way to kind of tweak the ad sales approach to take advantage of the situation from like a messaging standpoint or anything like that?

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

Sure. Thanks, Ross. First, let me start where you ended there. Although a lot of people are coming to Twitter around COVID-19 to learn more, and we're working hard to point them to trusted sources, be it the CDC or the relevant agency in their part of the world, to verify trusted sources to make sure that we're removing misinformation as quickly as we can, there's so much more happening on Twitter right now, whether it's the conversation around *The Last Dance* and allowing people to feel like they're in the room with their friends and the colleagues who they can't be in the room with today, the NFL draft or other things in other parts of the world that bring people together where they're looking for that connection and conversation. And so there's a ton of other stuff happening on Twitter.

And we continue to see advertisers want to launch new products and services, whether it's that Xiaomi example I gave earlier or tablets that have been launched and new video services that have been launched recently, or connecting with what's happening, whether it's a global concert that brings everybody to their sofa to watch and Pepsi is advertising around it or advertisers who we have helped pivot their campaigns, where before Intuit may have been advertising QuickBooks but now they're advertising their GoFundMe to help small businesses. Helping advertisers pivot has been a big part of the work of our commercial team, and we're so proud of all the efforts that they've done on video to quickly adapt and help their customers.

When we look ahead to events that have been postponed or canceled, things that will happen down the road, it's hard to really parse out from those things how things will play out both because of the broader economic environment and because there's a lot that has to happen between now and then. But the work that we're doing to continue to help this increased audience and the people who'll be new to Twitter in the future, the work that we're doing to improve our ad formats can only help us more down the road with these events that come up, whether it's the Olympics next year or some of the other things that'll come back in the fall of this year.

**Operator**

Our next question comes from the line of Rich Greenfield of LightShed.

**Richard Greenfield - *LightShed Partners***

I guess just I want to keep hammering on this MAP issue. Ned, could you just kind of give us a little bit more detail of like compare new MAP to old MAP? You said you've already got a few pilots out in the marketplace. Like what do the pilots look like? Do they look different? Is it just the targeting is different? Like give us some sense of what new versus old MAP looks like. And then I've got a follow-up.

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

Sure. Thanks, Rich. They'd fall into a few different buckets. First is, if you're the advertiser and you're launching a campaign, you have to be able to launch your campaign in minutes. It has to be really easy. It has to be similar to what you might experience somewhere else, and we've got work to do there. That's part of what we pilot with people.

The second is we need to make sure that we have really compelling formats and that we don't have too many choices for people, and that the choices that they give them are things that we've seen really resonate and work on Twitter.

The third is things that they may not see, but things that we're doing in the background to make sure that we're continuing to improve relevance. You see relevance improvement this quarter where click-through rates continued to improve where ad engagements were up 25%, but we know we can do even better in the future, both leveraging the signal that we have today, helping people understand and appreciate the benefits of a more personalized experience on the service. All those things go into the soup of improving MAP and helping us roll out a better product over time, and we're excited to learn more from the pilot we've got going on now and to keep you updated as we go.

**Richard Greenfield - *LightShed Partners***

How many brands are in that pilot?

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

We haven't really said, Rich. I think you'd probably -- even if we did, though, I'm not sure you'd glean too much from it. The point is that we go to our trusted partners. We let them try something. Their feedback is critically important to us, understanding what we can do to make these experiences better for them. And over time, we'll just continue to test and learn, get feedback from customers and adapt to it.

**Richard Greenfield - *LightShed Partners***

And then just on the events side, so much of Twitter is tied to events, big events, whether it's NCAA tournaments or -- obviously, that was canceled, but we have a lot of events that have just gotten pushed. A lot of them -- you look at the movie schedule theoretically for 2021, and I'm just curious, like, how much of the revenue shortfall do you think is just delayed revenue versus revenue that -- meaning you're going to get it in 2021 versus revenue that's somewhat lost, things like the tournament which was canceled?

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

Rich, I think it's hard to break it out. I appreciate why you would endeavor to try. But if you think about a growing audience, if you think about improved ad formats, if you think about what the economic environment might be like a year from now relative to today, those are just a handful of the variables, some that might go in our favor, others that might not that could affect something that you remove from one period and move into another one. So we know the work that we've got to do regardless of the economic environment that we find ourselves in regardless of when these events happen. And we'll continue to focus on improving those revenue products so we can deliver even better for advertisers to make sure that the people who come to Twitter have an even better experience when they come to the service next year around the Olympics than they may have had this year, finding the things they're looking, having the time lines be even more relevant than they are today, giving them appropriate notifications and so on.

**Operator**

Our next question comes from the line of John Blackledge of Cowen.

**John Blackledge - Cowen and Company**

So great user growth again this quarter. How should we think about user growth in 2Q and through the rest of the year? Do you think you pulled forward some of the growth? I'm just trying to figure out the shape of the user adds over the course of the year.

And then second question for Jack. Just with the bulk of the employees working from home, curious your thoughts about, over the intermediate and longer term, how that might change versus kind of pre-COVID (inaudible).

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

Just on the first part of your question, there still are 6 billion people who live in parts of the world where Twitter is available who don't use it every day who we think can get benefit out of the service and all the topics and events that you can be in a conversation around or learn about on Twitter. So when we think about pulling forward, that's not really a term that we consider.

Having said that, if we look at the way the March quarter played out, we did have DAU strength in January and February tied to the typical seasonality that we see and the ongoing product improvements that we've delivered. And then there really was a surge in March as people flocked to the service to learn more about COVID-19 as their behaviors changed and they came to Twitter to learn more about what was happening in the world and what people were talking about. That did level off towards the end of March. And so we think about -- the opportunity today is continuing to add people who are new to Twitter and help them make the service part of their daily lives and to continue to help those people who have recently found us or haven't used the service as frequently in the past and help them make Twitter a part of their daily lives. We still see lots of opportunity in both of those buckets.

**Jack Dorsey Twitter, Inc. - CEO**

And John, on the work from home, we were pretty early in mandating folks to work from home. That started on the 1st week of March for us. We had been talking about decentralization for quite some time, and this is due to our workforce. So we wanted to make sure that we had a lot of optionality for -- we funded a great engineer somewhere around the world that we could be a company that could help them be extremely creative and productive wherever they happen to be. We were able to flip the switch very quickly, and we saw no significant change in productivity as people start working from home every single day. So as we emerge out of the stay-at-home orders, I think it gives us a lot more optionality, gives our employees a lot more optionality. All of our infrastructure has been tuned for this, and we have a practice now within the company that is extremely effective. So it means that we have a lot more options to hire people wherever they happen to be, wherever they happen to feel they're most creative.

**Cherryl Valenzuela Twitter, Inc. - Director, IR**

Great. Thank you, John. And we'll take our next question from Twitter. It comes from Dr. D @realdarkromance. And his question is, "Can you talk more about Twitter's competition and how Twitter is defending its market share?"

**Jack Dorsey *Twitter, Inc. - CEO***

Thank you for the question. So I think Twitter is so unique and so different from anything else out there. And really, what it comes down to is our focus on public conversation. And what has blocked us in the past is people just understanding the power of the service, and the power of the service is really incredible.

One of the things that we've identified as lacking is this work that I mentioned earlier that people have to do to find and follow all the accounts that are related to their particular interest. So that's why interests and Topics are such a high priority for us.

We also see the power of Twitter really being the conversation, being able to follow conversations, find conversations but also participate in them. And in the past, they were just far too inaccessible, far too buried and not something that I could easily grasp and get into. So a lot of our work recently to make conversations more organized much more intuitive is really paying off.

And finally, there's a lot of work around making sure people feel comfortable in expressing themselves in Twitter. And here, I would point you to Fleets. This is an opportunity for people to share something that disappears in 24 hours. There's no likes, there's no retweets. There's no replies. And what -- the reason we built this is because it helps people who don't necessarily have something to say to the world but do have something to say to a group of friends or followers and don't necessarily want that content, that Tweet to be around forever. They're just off-the-moment thoughts and something that they want to express but that should disappear. So we launched this in Brazil. We're seeing incredible feedback, both in terms of usage and also people telling us how much they like it, and we hope to roll that out as quickly as possible all around the world.

**Operator**

Our next question comes from the line of Lloyd Walmsley of Deutsche Bank.

**Lloyd Walmsley - *Deutsche Bank***

Two going back to MAP. I guess the first one would just be you've talked about kind of the longer-term nature of it with trials and algorithmic adjustment. Just wondering, how much of that work is going to be on Twitter's side, kind of learning users and their behaviors with ads versus the client side where even as your systems improve, they have to spend time and money kind of trying different ad creatives before they can get it to scale effectively?

And then a second one in MAP would just be how much of the past challenges with the formats are kind of ad server related versus maybe challenges just related to the format of Twitter as a lean-forward product? Is there evidence from past deployments that a broad portion of the user base will engage in this format if you get the targeting right? Any color you could share there would be appreciated.

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

Great. Thanks, Lloyd. First, on where the work sits around MAP. We really feel like the bulk of the work is on our end. Advertisers want a performance product that's easy to use, where they can launch a campaign quickly and where they can have clear attribution for where success comes from and what they ought to pay for it. And so we really feel like a lot of the work is on our end.

As we roll out that work through testing and adapting and improving it, we believe that the models that the advertisers use to buy app install ads ought to adapt on their own as we've seen them in both directions in our business over time. That can play out favorably and it can hurt you when you're not performing. So we feel like a lot of this is in our control in a multi-tens of billions of dollar growing market for app install ads.

Your second part of your question was around some of the issues that we've talked about in the past around our revenue products. Let me remind you on the ad server work that we began talking about in 2019, that work ought to be completed in Q2. But we were pleased that the record Super Bowl traffic actually ran in many ways on the new ad server technology, and that will allow us to move faster. We'll have a more modular architecture that allows more people to work on the ad server at a time. And so we're really pleased and excited about the progress there and what that will allow us to do over time.

When we think about how people use Twitter, we feel like there are tremendous direct response opportunities beyond the ones that we benefit from today, whether it's website clicks or app downloads. And it's up to us right now to do the work to come up with these great formats and to leverage the signal that we already have from how people use a service to help them find even more compelling ads than we do today.

#### **Operator**

Our next question comes from the line of Brian Nowak of Morgan Stanley.

#### **Brian Nowak - Morgan Stanley**

I have 2. And then just to go back to the earlier question about sort of March versus April ad trends, any areas you can talk to us about that might have improved in certain verticals or geographies or any trends that are improving on the upward from those late March trends into April just so we can sort of better understand what's going on in the ad markets with you guys?

And then secondly, on the OpEx for the year, how much of this OpEx reduction for the year is sort of a temporary pullback as opposed to structural changes and opportunities you see for increased efficiency in OpEx over the long term?

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

Thanks, Brian. So first, when we look at what we saw from March 11 to the 31st, which I think is the best time frame to look at if you want to think about what it has been like for us to navigate this very dynamic and unprecedented environment, I think you'd see a few things at play which remind you about some of the real strengths of our business. The first is we are a big beneficiary of events, both our customers' events when they're launching a new product or service and events that bring people to the service to learn about them and to be involved in a public conversation around them. And so I think we were impacted by both of those kinds of events being delayed or canceled in some cases.

Secondly, if you look at the geographies, the U.S. was impacted more in that time frame than Asia. As an example, Asia saw more impact earlier in the quarter. And as things in the economies

there began to come back a little bit, we did see some impact on -- from that in the March 11 to March 31 time frame.

When we look at the verticals that advertise on Twitter most, remember, a lot of these are consumer packaged goods, tech and teleco, media, financial services, companies who have large consumer businesses and where being out in front of their customers at the times that are important to them is really impactful. So we tend to have less advertising from things like travel or considered purchases than some others may. And as we work hard to improve our direct response offerings, we think that will help us even more with this group of advertisers. As in a more constrained economic environment, they really want to be able to measure everything they're doing, assign attribution to it. These better ad formats that are further down the funnel, we think, will better position us to help them with that.

Oh, your second question, sorry, OpEx for the year. So when we think about the decisions that we've made already, we feel really good about how we've adapted to this environment. We've reduced our headcount growth from what we had expected previously, continuing to focus on Engineering, Product, Design, Research and Trust & Safety. And there are a lot of other areas of the company where we will hold headcount relatively flat. Also, we've cut some of the nonlabor spend growth, things like travel and events that just can't happen in this environment, and then other things that are real decisions that we've made to prioritize and make sure that every dollar is most appropriately spent in a more constrained environment.

When you ask what's temporary versus structural as we look out through the year, it's hard right now to really, in such a dynamic environment, assess exactly how things will play out over the rest of the year. We want to continue to be nimble and adapt to the environment while staying very respectful of the long-term opportunity that we see to continue to improve the product, to bring even more people to the service and to continue to improve our revenue products to help more advertisers. So as we balance those, we'll just have to talk more about it over the course of the year.

### **Operator**

Our next question comes from the line of Justin Post of Bank of America.

### **Justin Post - BofA Merrill Lynch**

Great. A couple of questions. First, you talked about the events on the revenue side. But how will that affect usage as we look at April and May? Is the news flow able to offset that? And how are you thinking about that over the summer on the user side?

And then secondly, as you get into DR, you'll be competing against some of these large platforms with a lot of user data. How do you think Twitter competes with Facebook and Google for DR revenues? And maybe you can talk about some of your competitive advantages as a platform in that area.

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

Thanks, Justin. First, I think it's too early for us to predict what happens in terms of audience growth over the course of this year. Remember, the product improvements that Jack talked about earlier in the call really are designed to help us grow the base of people who use the service

through any time frame, whether it's one like what we went through in March as people flocked to the service to learn more about COVID-19 or in any other environment. So I wouldn't want to predict, though, how that plays out from an events perspective either because it's hard to predict when the events will happen and it's hard to predict how people behave around them. But we'll just keep improving the service so that we can help as many of them as possible.

On the DR side, these are such big advertising markets. If you think about DR as the largest piece of the digital ads market that is faster growing than the brand side, there are so many dollars at play that we tend to think a lot less about competing with specific platforms and a lot more about the reasons that advertisers use Twitter. They come to launch a new product or service, whether it's ridesharing in a different environment or food delivery in this one. And they come to connect with what's happening, whether that's something like *The Last Dance*, which brings people to Twitter even in a shelter-in-place environment, or other events that can't happen in the environment like the one we find ourselves in today.

So we feel like there's still a tremendous opportunity for us to do more for advertisers with more performing, easier-to-launch ad formats and campaigns on the service.

### **Operator**

Our next question comes from the line of Eric Sheridan of UBS.

### **Eric Sheridan - UBS Investment Bank**

Maybe one big-picture one for Jack. And then Ned, maybe just referencing the recent past, I'd love to ask you one. Jack, we've heard from a lot of leaders in tech talk about the way the organizations are evolving for what they see in the macroeconomic environment and the health care landscape. We'd love to get your perspective on how long you see this persisting from both the macroeconomic and health care angle and how you're sort of positioning the company to operate over the next 6, 12, 18 months against your own view of that landscape.

And then Ned, just going back, you communicated to the market on March 23 that the quarter would be down year-on-year, and you ended the quarter producing a positive revenue growth number. Any sense you can give us of what you knew in mid-March to change by the end of March? So maybe that might be a read of what might have played out in the end of March or just understanding a little bit about the communication from March 23 to now.

### **Jack Dorsey Twitter, Inc. - CEO**

Yes. So I mean we're seeing so much variability around the world in terms of nations coming online and offline again, lifting the stay-at-home orders and then reengaging them because they find new cases. So the most important thing that we do is build a lot of flexibility into how we work together, and that's from our customer service and enforcement agents all the way to our engineers.

And as I said in early March, we mandated everyone work from home. We had been building for decentralizing our workforce for quite some time. So we were able to quickly flip a switch and everyone was able to do that without any loss in productivity. And we imagine that, that flexibility is going to be important as we look out for the next year to 18 months. We want to make sure that

everyone has what they need to build wherever they happen to be, and a lot of our focus then really turns to our development velocity and agility. We want to double the rate at which we are able to ship new features and new products to people all around the world, and that work is progressing very quickly. So we're really excited to be able to do this independent of the macro environment around us.

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

On the second part of your question, when we withdrew guidance in late March, we thought that we may see some continuation of the deteriorating environment, and things remained relatively steady from that time frame. And when I say relatively steady, there still is a wide range of outcomes from March 11 to the 31st from one day to another as different advertisers and different events played out differently than we or others may have expected. But directionally, things remained relatively consistent in that time frame, and we thought that they may have actually continued to deteriorate when we provided that update to things back in late March.

**Operator**

Our last question comes from the line of Heath Terry of Goldman Sachs.

**Heath Terry - *Goldman Sachs***

Great. Jack, as you -- obviously, as you think about sort of the prioritization of revenue-generating products here, you're going into a -- continuing to go into a period where users are relying on Twitter from a product perspective more than ever, and that's likely only going to increase as we get into the fall. I'm curious how you expect this focus to impact the work that you're doing on the product itself, the core product itself, to the extent that any of the work that's being done around products impacting engagement and impacting the work that you've been doing around the ability to follow events and sort of future product pipeline, things that haven't necessarily been announced might be impacted. Is there a line that you're having to draw below which some of those products simply aren't going to get done this year or may not get done at all? And sort of how high you would have us think that, that line might be in this environment?

**Jack Dorsey *Twitter, Inc.* - CEO**

Our biggest task right now is to make sure that the folks that are coming to the service for COVID-19-related information see all the other topics and interests on the service and can find something very, very quickly to engage with. So our strategy, we believe, remains the right one. We need to make sure that we are putting those topics and interests first and foremost so that they can see them right away as they engage all over the service and particularly in onboarding. A lot of our work around events has given us a number of learnings on how to make topics and interests much, much stronger, and we're starting to roll out some of those features right now.

We don't believe that there is a significant shift in what we're doing. We just want to make sure that we are able to ship it much faster and that we're paying attention to some of the new, emergent behavior that we're seeing on the service as well. We're seeing a lot of watch parties. We're seeing a lot of ask for help and donations around the service as well. But really, all this comes back to how we organize all the Tweets and all the content, and that would be topic and interest focused and forward instead of the typical model of having to do all the work to find and

follow those accounts. So that work remains the most important, and we are moving very, very fast on it.

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

Great Thank you. Okay, thank you. I want to thank everybody for joining us. We appreciate your interest in Twitter. We look forward to speaking with you next quarter when we report earnings for Q2 on July 23 before the market opens. Until then, we'll see you on Twitter.