Twitter Q1 2021 Earnings Report
SAN FRANCISCO, CALIFORNIA
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## PRESENTATION

**Operator**

Good day, ladies and gentlemen, and welcome to the Twitter First Quarter 2021 Earnings Conference Call. (Operator Instructions) I would now like to turn the call over to your host, Krista Bessinger, VP, Investor Relations. Please go ahead.

**Krista Bessinger Twitter, Inc. - VP, Investor Relations**

Hi, everyone, and thanks for joining our Q1 earnings conference call. We have Jack and Ned with us today. As usual, we published our shareholder letter on our Investor Relations website and with the SEC a couple of hours ago and hope that you've all had a chance to read it. We'll keep our opening remarks brief so that we can get right to your questions. As a reminder, we will also take questions asked on Twitter, so please Tweet us at @TwitterIR using the $TWTR.

During this call, we will make forward-looking statements, including statements about our business outlook, strategies and long-term goals. These comments are based on our plans, predictions and expectations as of today, which may change over time. Our actual results could differ materially due to a number of risks and uncertainties, including the risk factors in our most recent 10-K and upcoming 10-Q to be filed with the SEC.

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 love to turn it over to Jack.

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

Thanks, Krista. Hello, everyone, and thank you for joining us. We had a great start to the year. Total revenue reached $1.04 billion with ad revenue growing 32% and accelerating year-over-year growth in MAP revenue. Average monetizable DAU reached 199 million, up 20% year-over-year. We remain focused on the 3 goals we shared at our Analyst Day, increasing development velocity and significantly growing mDAU and revenue. We made progress on each in Q1.

On the product, we now offer more than 7,000 topics and interests across 9 languages people can pick when they first sign up or in the main interface and timeline. This continues to be the fastest and best way to get value out of Twitter immediately. We're also moving faster to make talking on Twitter better with Twitter Spaces, our audio conversations products, being our newest addition. We expanded the feature to Android, and we're shipping weekly iOS updates with a focus on giving hosts more controls and moderation tools, as well as better discovery and reliability.

Our revenue products were moving faster than ever before, building out a suite of products that positively reinforce one another. MAP is the first step, unlocking revenue opportunities in direct response with large and small businesses alike. In Q1, we launched our rebuilt app install and website click offerings, improved the viewer experience for ads across Twitter Amplify and improved brand safety with the launch of conversation controls for advertisers. We also launched Curated Categories, a brand-safe way for advertisers to run pre-roll ads exclusively against premium video content.

We're focused on delivering the road map we laid out in February, and it's been great to see how individuals and companies are using our new products and our features. I'm excited about our progress and what's next. Ned?

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

Thanks, Jack. As Jack mentioned, Q1 was a solid start to the year. Total revenue reached $1.04 billion, up 28% year over year. Total ads revenue grew 32% year-over-year, driven by strong brand advertising in March and accelerating year over year growth in MAP. mDAU grew 20%, in line with the outlook we shared in February. Overall, we’re benefiting from a growing audience, better ad formats, improved relevance, and strong secular trends.

Before we turn to your questions, I’d like to touch on three topics:

First, like our performance, hiring is off to a great start. We’re attracting more great people to Twitter than ever before and investing in our highest priorities to deliver on our long term goals across consumer product, revenue product and platform. We now expect headcount growth to more closely mirror expense growth in 2021, with headcount -- and total costs and expenses -- growing 25% or more on a year over year basis in 2021, ramping in absolute dollars over the course of the year.

There are no changes to our thinking on revenue; we expect total revenue to grow faster than expenses in 2021, assuming the global pandemic continues to improve and that we see modest impact from the rollout of changes associated with iOS 14.5.

Second, on mDAU. No changes here, either. I’ll remind you that we’re lapping unusual comps given the significant pandemic-related surge we saw last year. As a result, we continue to expect mDAU growth rates to be in the low double digits on a year-over-year basis in Q2, Q3 and Q4, with the low point likely in Q2.

And finally, on ATT. We’ve been actively preparing for the changes that Apple just released as part of iOS 14.5. Our outlook for Q2 and 2021 assumes a modest impact from the rollout of changes associated with iOS 14.5 across owned and operated ads and MoPub.

Long term, we're confident that our brand advertising strength, and better performance products, position us well to help advertisers achieve their goals. There are no changes to our long term plans. We are laser focused on executing against the strategy we laid out at Analyst Day -- and we look forward to updating you on our progress along the way.

With that, let's move to Q&A. Operator?

## QUESTIONS AND ANSWERS

**Operator**
(Operator Instructions) For our first question, we have Doug Anmuth from JPMorgan.

**Douglas Anmuth *JPMorgan Chase & Co***
Two questions. First, just over the last week or so, we've seen every major online ad platform show accelerating growth in 1Q, and some of them quite meaningfully off of very large bases. So just curious why you think you didn't see a similar dynamic in the quarter? And then secondly, just on the SKAdNetwork, you talked about how that expands your MAP audience by around 30%. I was just hoping you could explain some of the dynamics there a little bit more.

**Ned Segal Twitter, Inc. - CFO**
Great. Thanks, Doug. So first, let's talk a little bit about Q1 and how things played out. Remember, our business on the owned and operated side is about 85% brand and 15% direct response. On the brand side, advertisers typically come back from holidays and plan how they want to show up all year, and that means that we often get off to a slower start on the brand side. That was likely exacerbated by 2 factors. One is that the Capitol riot and the lead up to and aftermath of the inauguration in the United States, those likely slowed things down a bit.

We also had events that typically show up earlier in the quarter, like the GRAMMYs or the Oscars, either happened later in the quarter or get pushed out to Q2. And so that meant that there were fewer events against which for brands to show up while they were still mapping out plans that they typically would have mapped out earlier in the year. So our brands got off to a slower start. January and February were slower, but March was strong.

On the direct response side, that was strong all quarter. And the best evidence of that is to look at MAP, with App Installs are an important part of our direct response offering. Remember, we came out with new versions of our website clicks format and of MAP in early February, and we saw accelerating revenue growth from that 50% that we shared for Q4 for MAP in Q1.

I'll give you a fun fact. We saw the betting, crypto and investing space where there's great conversation on Twitter. Those MAP advertisers who advertise into those areas to have people download their apps for a crypto or investing or betting, they 10x-ed their spend in Q1 relative to what they spent last year, demonstrating how we're benefiting from one of these strong secular trends. And we have a large and growing audience and an active conversation around the topic and a better ad format that delivers relevant ads to people.

So those are some of the dynamics that we saw in Q1. If you play those forward to Q2, if that brand strength that we saw in March continues, that likely points us towards the higher end of the range that we provided. And that MAP strength that we saw, we think that based on those secular trends and the hard work that we've done that those can continue throughout the year, although the comps do vary at different points in the year.

**Douglas Anmuth *JPMorgan Chase & Co***
Can you tell us anything about the SKAdNetwork?

**Ned Segal Twitter, Inc. - CFO**
Sure. Sorry, Doug. So when you implement the SKAdNetwork and you can provide advertisers with aggregated data on how their campaigns performed, because of the way that we were leveraging the signal that we were getting from iOS, we just now have access to over 30% more people to show MAP ads. So these people were seeing ads before, but we weren't able to target them appropriately to show them MAP ads and then report back to advertisers in a way that gave us confidence that we could give them good outcomes before the way that we can now.

This is just one example of the work that we're doing to remediate any impact that we feel from the changes in 14.5. We think this, when we step back from it, likely has more impact on DR than it does on brand. We think it likely levels the playing field in terms of signal that people have, and we layered modest impact from ATT into the guidance that we provided for Q2.

**Operator**
For our next question, we have Justin Post from Bank of America.

**Justin Post *BofA Securities***
Ned, maybe one follow-up on the last question. So U.S. revenue was down sequentially more than last year. Was March especially tough in the U.S.? And I guess to follow up, did you say your 2Q guidance assumes that comes back or remains at a slow pace? And then second question. As you get into the second half, do you think that MAP product -- the percentage of revenues will start moving towards the MAP product as we get into the second half?

**Ned Segal Twitter, Inc. - CFO**
Thanks, Justin. So first, remember, COVID had a varied impact in different parts of the world at different times of the year. And so since the COVID impact was greater in Asia and in Europe earlier in the quarter, we had easier comps internationally than we did in the United States earlier in the quarter. And that meant that on a year-over-year basis, those regions tended to perform better, which pulls up that international growth relative to what you saw in the U.S. That, coupled with what I described earlier to Doug's question around the brand-DR mix and how brand got off to a slower start than it typically does but finished strong in March, I think that ought to explain the U.S. growth that you were asking about.

My comment about the guidance was if you carry forward that strength that we saw in March that, that would point you towards the higher end of the range of the guidance that we provided relative to the slowness that we saw in January and February for the reasons that I described earlier. You asked about MAP in the second half of the year. So on a year-over-year basis, you may see the comps get trickier for MAP just because we start to lap and we were showing real improvement in the second half of last year.

At the same time, on an absolute basis, we feel like we're now able to deliver ongoing improvement for MAP where we're reaching more advertisers, where there are more high cost per install advertisers who have gained confidence that MAP can perform for them. The betting and investing and crypto spaces are really good examples of that, but they're certainly not the only ones. And so we'll report on the mix of brand to DR on an annual basis. We said it was 85-15 for 2020, brand to DR, and the long-term goal is to get to 50-50, but we haven't put a time frame on that and we'll work hard to make our way there over time.

**Operator**
For our next question, we have Ross Sandler from Barclays.

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**Operator**
For the next one, we have Lloyd Walmsley from Deutsche Bank.

**Lloyd Walmsley *Deutsche Bank***
Two questions, if I can. Yes, first, given 85% of O&O ad revenue is brand and as you said, they planned for the year kind of early in the quarter, can you just give us a sense for what percent maybe of brand revenue you typically have visibility into at this point of the year? And any sense of what that looks like? And related to that, do you worry at all that Capitol riots may have impacted brands planning in a way that could be a drag for the rest of the year? Or do you feel like that was short-lived?

And then the second one, you talked about some of these categories that 10x-ed their spend on MAP. So wondering, was that a direct function of the performance where those are kind of untapped spenders who would have spent just as much a year ago had the performance been there and now they're seeing the performance? Like anything you can share about what's really getting them excited to spend that much more.

**Ned Segal Twitter, Inc. - CFO**
Thanks, Lloyd. So first, in terms of visibility, visibility can come in lots of different forms when you think about the brand side. It can come from events that happen every year or in most typical years when there isn't a global pandemic, it can come from events that happen every 4 years. And looking at these things and thinking through how advertisers typically show up, sometimes preselling takeover products to them, which are performing much better and where we can get higher prices than we've been able to in the past against a larger audience. Sometimes it comes from an upfront that an agency or an advertiser signs with us, which is an incentive for them to

spend at a certain level, which we're really pleased with how the upfront went for us, a real indication of how this growing audience and better ad formats are able to yield better results for advertisers and they're willing to commit to spend more and through incentives to spend more than they have in the past.

It can also come from them contracting with us to spend around a certain thing. But then a lot of it just comes from how they spend on any given day in the auction and our ability to perform for them on any given day. What we've noticed in the past is when there is unrest for one reason or another, and last June is a great example of this, that advertisers around brand, they often pause when there's a more important conversation than the conversation around their product. When they come back, their objectives haven't changed. Their need to reach the same number of customers haven't changed, and they often should then try to do that in a shorter time frame. And so we often see a catch-up. So if we look at the beginning of this year and how things got off to a slower start, that doesn't give us pause about the opportunity for the rest of the year. We look at March and we see how things can play out as economies are opening up when brands have decided how they want to show up from a brand advertising perspective and we see lots of positive momentum.

Your second question was about these MAP advertisers and maybe what caused them to grow their spend so significantly, and I'd point to a few different trends. The first is that their topics have become a bigger conversation amongst consumers perhaps than they were in years past, as betting comes to the leagues in the United States and becomes more mainstream here. I think you could say the same thing for crypto and even for retail investing.

The second is that we have a better performing, more appealing ad format to let them reach their audience on Twitter where there's great conversation around those topics. And then if it doesn't perform, they're not going to use it. But it's been performing at their high lifetime value, and that means they're willing to perhaps spend more than others have been for their ads that is performing for them, which allows them to keep coming back and spending more. So we're optimistic that these are secular trends that can continue for some time, but that they're also indicative of our ability to deliver for advertisers at the right moment against the right conversation on Twitter.

**Operator**
Again, we have the line of Ross Sandler from Barclays.
**Ross Sandler *Barclays Bank PLC***
Sorry about that. Can you guys hear me now?

**Ned Segal Twitter, Inc. - CFO**
We can hear you. You're on copper now.

**Ross Sandler *Barclays Bank PLC***
So Ned, international accelerated. And is that just the higher mix of direct response? Or any color on why that was stronger? Obviously, you mentioned the stuff on the U.S., but any color on international? And then if we step back, during the Analyst Day, you talked a little bit about how

e-commerce is going to be one of the new DR areas that you'd go after kind of after MAP. And can you just talk a little bit about the strategy for bringing in more e-commerce advertisers and what kind of timeline that might happen on? It seems like that's an area where some of your peers are getting a lot of budget and would be a good area for you guys to step into. So any color on e-commerce advertising?

**Ned Segal Twitter, Inc. - CFO**
Okay. Thanks, Ross. So first, on international, there's 2 things at play. I mentioned one earlier. But if you think about them more broadly, first, it's comps are different all around the world around when COVID started to impact the geography, and COVID was a bigger impact earlier in the quarter in Asia and in Europe than it was in the United States. And so that can lead to some of this year-over-year growth that you're seeing. But so too can the MAP trend that you described that we have some MAP-heavier markets outside the United States. Japan, Europe are great examples of that.

And that means that when MAP is performing really well and -- in January and February, for example, when brands were still showing up or deciding how they want to show up and we saw things weren't as strong as they were in March on the brand side, that when MAPs carrying the day, that can be better for those markets where it's a bigger part of the business naturally. So those 2 things combined definitely helped us on the international side. And now that we've got things -- when we look at March and you see where we were gaining momentum on the brand side, that bodes well -- or better for the United States.

On the e-commerce side, there are a couple of things that we should point out. The first is you'll hopefully see a steady cadence from us of improvements both on the revenue product and the consumer product side over the course of this year. I'll point to one, which is just last week, we released business profiles to hundreds of businesses where they can have a profile that's different than yours or mine might be on Twitter with their hours of operation, their phone number, a menu or something that's relevant to their business. We'll roll those out over time to more folks, and it's just a good example of the things that we need to do to continue to move further and further down funnel and help advertisers find their customers on the service.

**Krista Bessinger Twitter, Inc. - VP, Investor Relations**
Great. Thank you. And we're going to take the next question from Twitter. It comes from the account of Rajiv, and he has 2 questions. The first one is about onboarding and whether or not you can share any plans in 2021 to improve and accelerate onboarding. And then the second question was around Spaces and asking if we can share any metrics around Spaces usage and engagement.

**Jack Dorsey Twitter, Inc. - CEO**
Yes. So onboarding is an area that I think we now have the ability to put a lot of great focus and power behind mainly because of everything we're doing with topics and interests. We have 7,000 topics now across 9 languages, and we've built this into onboarding. So no longer do you have to

go and find and follow all the accounts that might match your interest. Now you can actually pick some interest, and we can give you Tweets and also accounts right in the timeline. And then once you're in the timeline, we will continue to introduce you to topics that you might follow, and then you can also use that to follow accounts long term as well. We think this is going to be a huge boost for people's experience on Twitter, and we've already seen an improvement that led new customers following 33% more topics during sign up.

So to me, this continues to be the focus area that will pay the most dividends because it goes into the rest of our ecosystem, including things like Spaces. And Spaces is still very early. We're updating our app every week so we can iterate it very, very quickly. We've more or less published a road map and take feedback and share our plans and designs with everyone. If you follow @TwitterSpaces, you can see everything we're thinking and everything that we're doing. We don't have any metrics to share right now. But we do believe it's an important part of serving conversation, one important format that complements what people do with Tweets and what will complement what people will do with long-form content as well. And we're really excited about what people are doing with it, and we see new use cases nearly every day. So we're pushing really hard on this, and I imagine it will lead to new features and new products that correspond to some of the things that Ned was talking about earlier in terms of direct response and also e-commerce. There's just a lot of potential within the space in the new service area.

**Krista Bessinger Twitter, Inc. - VP, Investor Relations**
Great. Thank you. And we'll take the next question, operator.

**Operator**
And for the next one, we have Rich Greenfield from LightShed Partners.

**Richard Greenfield *LightShed Partners***
Two. One on the MAP side. Last year, you said that you were going to delay parts of MAP for sort of to understand IDFA and you didn't want to push things out too fast and then have to switch them up. Just curious, now that you've obviously done pieces of MAP and updated things and you're seeing a lot of progress and you don't seem terribly concerned, are there still pieces of MAP that still need to launch? Like sort of just give us a sense of like what else needs to be done? I'm sure it's always evolving. But are there major things that got delayed that you're now more comfortable pushing out or that you are waiting on or maybe are still waiting on?

And then two, just a big picture question for Jack. You've added -- I guess you've added about 5 million mDAUs in the U.S., Europe -- or North America and Europe to 38 million from 33 million. I guess just how do you think about what the TAM is domestically? Like how big do you think the U.S. market can be for Twitter? And what do you think you need to do to move towards whatever goal you have long term in your mind?

**Ned Segal Twitter, Inc. - CFO**
I'll take the first part on MAP, Rich. The team has implemented over 30 improvements from where we were over a year ago on MAP. Some of them are about making sure we've got the right policies

and access to the right signal. Some of them are improving what the images look like and giving you the opportunity to show a carousel of multiple images. Others are deep in the models, where the models sit, what -- how we access them, who has access to them and how quickly we're able to run them and deliver better outcomes for advertisers. As we look ahead, there's a rich road map of improvements that we want to deliver for MAP that will make it better. I wouldn't want to call out any one of them because it ought to be more like a steady drumbeat.

As much as MAP is important, though, I want to just point you more broadly to the DR opportunity for us. As we move DR from 15% of revenue -- of ads revenue to 50% over time, we need to move all the way down the funnel. You need to be able to begin a purchase on Twitter. You need to be able to know all the things about a business and for them to be able to share all the things that they want to with you so that you're comfortable transacting with them, not just learning about them, which has been such a great use case for Twitter over time as people launched new products and services and connected with what's happening. So you should keep looking for improvements on MAP, but you should also look for us continuing to move down the funnel and helping you, as an advertiser, deliver better and better outcomes.

**Jack Dorsey Twitter, Inc. - CEO**
In terms of the market size, Richard, obviously, I think it's quite large. The reason why is I look at the use case and the use case are just asking the question what's happening and the new use case. Everyone has that question, and everyone wants to be informed. And where we have failed in serving that use case is not enabling people to get to what they're interested in fast enough. So that's why I continue to point to topics and interest, and we continue to make a lot of progress there. The more we make that easy, the more we have a larger catalog of topics, the more our machine learning algorithms take over, over time in terms of enabling more and more topics every single day around the world, it certainly benefits the U.S. and it certainly benefits our global audience.

So I believe our core use case of answering the question what's happening and the secondary use case of being able to talk about it are fundamental. And it's just a question of making sure that we provide the easiest flow in order to do that. And that when people do come into Twitter for particular events that they see around them, that we are able to retain them. And that is the whole thesis behind topics and interests is you came in for COVID, but there's so much more in terms of these niche topics that you can follow now and be updated on regularly and then also push them to talk about it. So everything that we're doing is really around serving those 2 core jobs and that's it. And the reason that's important is because it's a massive fundamental human behavior, and we continue to unlock parts of it as we go on.

**Richard Greenfield *LightShed Partners***
Have you looked at the COVID cohort of people that came in sort of with the surge of COVID and what the retention has been of those users?

**Ned Segal Twitter, Inc. - CFO**
Rich, we have. And that group has retained better than previous cohorts have. I should preface -- or after that, I should point out, it's too early to call whether that's for -- because the environment in which they've been accessing Twitter hasn't changed much since they first started coming at Twitter in March of last year, but we're really pleased and see it as a positive sign that they've retained better. It means that we're solving the job that they're coming to us for every day. And that work for us is to make sure that as economies open up, as the events that they've been watching from their sofas are now available to them in person, that they continue to come to Twitter for all the rich conversation not just around COVID-19, not just around politics, around sports and entertainment and investing and all the other things that they can find on the service.

**Operator**
For the next one, we have Mark Mahaney from Evercore ISI.

**Mark Mahaney *Evercore ISI Institutional Equities***
Question has to do with the growth outlook, mDAU growth outlook. You talked about at your Investor Day kind of 20% growth, and for the next couple of quarters, you've got tougher comps. And so you're talking about lower than that. Just talk about why -- how do we gain confidence -- how do you gain confidence that you can get back to this 20% growth post these tough comps? And what's the pathway to doing that? And how -- when you say double digits, just like how low could we go in the next couple of quarters?

**Ned Segal Twitter, Inc. - CFO**
Mark, so we said low double digits for Q2, 3 and 4 with the low point likely in Q2 given the 30%-plus year-over-year mDAU growth that we're comping from last Q2 because the way we calculated average mDAU is the average of all the days of the quarter. And this group of people who joined us in March of last year had a bigger impact on the Q2 number than they obviously would have on the Q1 number given they were with us for 20 days of Q1 and 90 for Q2.

When we look at our product road map, when we look at the way events tend to bring people to our service, both events that we know about and the steady cadence of events that we don't know about that bring people to Twitter to learn more, to discuss them, to hear from people a different perspective about those events, those things give us the confidence as we look in the past at how we've been able to drive people to the service and help them find what they're looking for. When we look at the healthy top of funnel that we've got, those people who are new to Twitter or who haven't been on Twitter for some time and are coming back, but those all present opportunities for us to grow our DAU on a compounded basis at 20% or so, which is what it will take to get to that 315 million. We feel really good about the product road map and about the events in front of us that can help us get there.

**Operator**
For our next question, we have Brian Nowak from Morgan Stanley.

**Brian Nowak *Morgan Stanley***
I have 2. Ned, can you -- I might have missed it, but can you just kind of explain to us again why the integration of the SKAdNetwork increases your audience side? I might have missed it. I'm just a little confused by that. So maybe help me on that, how the audience increases and how that could actually help the monetization later this year. And then secondly, just on MAP, can you just let us know whether the MAP advertisers grew quarter-over-quarter and how fast is that base of advertisers growing?

**Ned Segal Twitter, Inc. - CFO**
Thanks, Brian. So first, on SKAdNetwork. So if we don't have confidence that we can deliver a relevant MAP ad to somebody, we weren't showing them a MAP ad. And there was -- we weren't able to report out to advertisers the success of their campaign without having access to something like the SKAdNetwork or something that another measurement partner in the past was able to provide to us. And so with SKAdNetwork, we're able to provide better reporting to a MAP advertiser across a broader group of people than we were able to before who are using iOS.

Now remember, MAP advertisers will have to decide in an ATT world if they're getting the data that they want in order to show their ads and deciding what price they're willing to pay in order for those ads to hit because they'll be getting aggregated or campaign-level data as opposed to device-level data and the entire ecosystem will have to adjust to that. Certain advertisers' objectives aren't changing. They want to acquire the same number of customers. They want to know as much about them as they can, and the economics for their businesses aren't changing. So it's going to take a while for the broader ecosystem to adjust to this. And as we said, we've incorporated some modest impact from ATT into Q2, and it will take a while for us to know exactly how this is all going to play out.

The second part of your question was about the number of MAP advertisers. So increasing the number of advertisers on Twitter is an important objective for us over time. But it's not going to be the best measure of near-term success because there are so many large advertisers with whom, whether it's MAP or brand ads or DR more broadly, where we have strong relationships with them already. But with a larger audience of better formats with more relevance, that we can deliver even better outcomes for them and a better ROI than we could before, and they can therefore put more dollars against Twitter than they could before.

And so MAP could easily grow. The brand side of the business could easily grow really nicely without you seeing the number of advertisers growing meaningfully. Now over time, it's an important objective for us to grow the number of advertisers, and that's why we staffed the product and engineering and the sales teams on the SMB side so that we can help those smaller businesses find their customers, help them understand the use case to advertise on Twitter, help them launch their campaigns because it's a different dynamic to help an advertiser launch a campaign than it is to help an entrepreneur who is running a small business down the street launch their campaign. And as Jack has talked about before, things like topics should really help bring those small businesses closer to their customers over time on Twitter, but number of advertisers might not be the best near-term measure, although over time, it will be important.

**Operator**
For the next question, we have Colin Sebastian from Baird.

**Colin Sebastian *Robert W. Baird & Co. Incorporated***
I guess, first, Ned, a follow-up on the guidance. Looks like on the profit guide, there's a pretty big swing in Q2. You obviously mentioned a big step-up in head count. But curious, are there other moving parts in that number for the quarter? And then secondly, I think maybe for Jack, a bigger picture question. You talked during Analyst Day about reducing the time it takes to launch a feature from up to a year down to a few weeks. And I expect you have some urgency to roll out some of the new features for shopping and small business profiles, that kind of thing. So I wonder what the time line is now and what that might be as you get further in the year as you start to leverage the new engineering head count.

**Ned Segal Twitter, Inc. - CFO**
Colin, on the first part, keep in mind a few things around Q2. One is that when you grow expenses 20% or so in Q1 and you continue to grow head count in Q2, you've got a larger expense base and you can tell from our guidance the range of outcomes for revenue. So you're matching a steadily growing expense base with that revenue base that falls out of the revenue guidance. But if you think about the things underneath that, one, we'll continue to hire at a steady pace, and we're lapping a period where we didn't grow head count as quickly in Q2 of last year when we were adjusting to this shelter in place and hire-people-from-home environment.

At this point, we actually have over 1,500 people who work at Twitter who have never met their manager in person and were onboarded from their homes. When you add that with some of the recent acquisitions that we've done with the share grants, the annual refreshes that we do that happen in Q2 that have an outsized impact on Q2's P&L because they start to vest in Q2 as well. So you have a little catch up. We had the same dynamic last year as we granted the same way. And as long as we're granting this way, you should expect the same thing to continue that the biggest absolute dollar increase in stock-based compensation will happen from Q1 to Q2 because of those refresh grants. So those are some of the things that I'd point you to, Colin. I'll turn to Jack for the second part.

**Jack Dorsey Twitter, Inc. - CEO**
Yes. I mean I would say that there's parts of our products, both consumer and revenue products, that are moving much faster than others. It's just a matter of the complexity of the project, like Spaces, for instance. Like we're updating it every single week. And there's other things being pulled along within that update trend. I would say we've gotten it down to a few months at this point for revenue products, [the current] estimate, and we'll continue to push that even further. But the goal is like for any engineer to come in and to be able to get up to speed within 2 to 3 weeks and be able to push production and for any idea that we can get it out within a matter of a month so we can experiment and we can learn and we can iterate [as best as] possible. So we are on the track -- we are on track to do that, and we're definitely seeing it in some of our consumer products and we're definitely going to see a lot more of it in the revenue products.

The -- on the commerce side and subscription, we are going to see those products live hopefully very, very soon. And we're excited to learn from them. They're not going to be fully complete. We're going to put something out that we can learn from, can be small betas to start, and then we'll grow it as we make it stronger and learn from anything that we see as gaps, but we intend to move with a lot of urgency. And the underlying foundations are so much better now than they have been in the past.

**Operator**
For the next question, we have Dan Salmon from BMO.

**Daniel Salmon *BMO Capital Markets***
One for Jack, one for Ned. Jack, Birdwatch. I'd love to hear you expand a little bit on that. Do you think it can be a meaningful part of your health and safety initiatives? And then for Ned, Jack mentioned previously what's happening is so important to Twitter's positioning, including the advertisers, and we know live events has always been a big part. So thinking ahead to the new front next week and thinking back over the past 1.5 years where the nature of live events has changed so much and as we come back to normal life, is that an advantage that you think that the sales team can lean into and take advantage of? That would be great.

**Jack Dorsey Twitter, Inc. - CEO**
I think Birdwatch is something that we must try out. And I've said many times publicly that global centralized content moderation, especially around specific information, just will not scale over time. And the more we can give tools to the people directly and -- that it is easy, that's successful and it doesn't add any friction to what they intend to do, the better. So it's a strong experiment. It is early. We're learning a ton from it. And I do believe it has a bright future and is a good complement to everything else we have to do around content moderation.
But generally, you'll see us more and more move away from a global centralized model and to giving more tools to individuals directly and giving more tools to the communities that happen to be on us. And I think that's right, and I don't believe a company like ours should be ultimately be the arbiter of all these things. It should be more of the wisdom of the crowds, and we're trying to find that right balance.

**Ned Segal Twitter, Inc. - CFO**
And then the second part of your question, Dan, was about events and all those things coming back around the world and how those can be a real opportunity for salespeople. I think that's spot on whether it's the Olympics, which we've been talking to advertisers and agencies about for over a year now. We've got a great relationship with NBCUniversal to make sure that the medal moments and the highlights are on Twitter in near real-time because there'll be conversation around those things, and we can go find advertisers who want to sponsor those highlights; or the Euro Cup, which is coming up soon.

These things may be happening in a different way than they have in the past, but the conversation on Twitter continues to be really rich around them. It's true for award ceremonies as well where sometimes there are fewer people watching them on TV but the conversation on Twitter continues to be robust. These will continue to be great conversation pieces for us with partners as we talk about how they can launch their new products and services, many of which there's pent-up supply for because they waited to launch things and connect with what's happening because there will inevitably be more happening.

At the same time, as those are important conversation starters with advertisers and agencies, as we continue to move closer and closer to 50-50 brand to direct response, those conversations with advertisers will be important, but so, too, will be us delivering this really easy-to-measure, awesome outcomes on the direct response side where there'll be important conversations with those advertisers that they'll be able to measure their success directly by the performance of their downloads and purchases that are started on Twitter.

**Operator**
And for the last question, we have Brent Thill from Jefferies.

**James for Brent Thill *Jefferies***
Great. This is [James] on for Brent. As more of your users start following interest and topics, have you seen an improvement in the quality of ad targeting and overall contextual relevance of your ads? And do you think you have the diversity of advertisers today where if someone follows, let's just say, hockey, for instance, you can serve them ad for skates or game tickets? Or do you think there's still a lot of work ahead on the sort of contextual relevant side? And then I have a quick follow-up.

**Ned Segal Twitter, Inc. - CFO**
James, the short answer is we're getting there. But we still have more opportunity in front of us on a couple of levels. The first is that we're not yet leveraging that signal around those 7,000 topics and those many people who already follow one as well as we can. We have lots of great signal about what you care about in the moment that we can use to show you a great ad, but there's definitely room for us to improve. But the second is that over time, we're going to have more and more topics. And we're going to have more and more signals about what belongs in those topics, which topics you care about, when you care about those topics, that we can better use to help advertisers find you in the right moment.

So I think we're just getting started on that on both sides of the equation. That is the breadth of topics and the depth of those topics and the followership around them, and then on the other side, the long tail of advertisers who will have interest in advertising against those topics and continue to build that out over time. What was your follow-up?

**James for Brent Thill *Jefferies***
That's helpful. And then just one quick follow-up. It would be great if you could just share an update on Fleets and how that's been performing against your initial expectations. Are you seeing strong engagement from brands and users interacting with the format? And then if there's any update on just monetization plans, it'd be great to hear.

**Jack Dorsey Twitter, Inc. - CEO**
Yes. No update on monetization just yet, but we are seeing some new activity and new demographics utilizing Fleets. So we're still learning what those ultimately want to be. Just a reminder, like we started those products not to build a storage product within Twitter, but to solve the problem of people not wanting to Tweet because they feared it's staying around too long. And for that use case, it is working very well. And then it certainly has taken on -- it certainly has seen a different audience than we normally see. But we still have much to learn and a lot to figure out in terms of like where it goes from here.

**Ned Segal Twitter, Inc. - CFO**
Okay. I think that wraps it up. Thank you all 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 22 after the market closes. Until then, we'll see you on Twitter.

**Operator**
Ladies and gentlemen, this concludes today's conference call. Thank you all for participating. You may now disconnect.