

Four Takeaways from Twitter's Q4 Earnings: What Advertisers Need to Know

Article

Twitter reported its Q4 2018 earnings Thursday, and although it beat revenue expectations, monthly usage fell for the third straight quarter to 321 million. In this eMarketer Analyst

Insight, principal analyst Debra Aho Williamson and senior analyst Jasmine Enberg explain four key takeaways for advertisers.

1. Twitter has 126 million daily active users worldwide.

In its earnings report, Twitter revealed the number of daily active users (DAU) on its platform for the first time. In Q4, Twitter's average worldwide mDAU (monetizable DAU) reached 126 million, up 9% quarter over quarter.

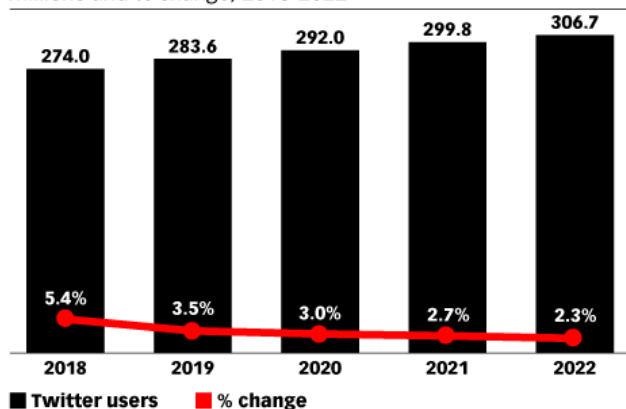
The figures represent users who log into their account at least once per day from Twitter applications that are able to show ads. During the earnings conference call, Ned Segal, Twitter's CFO, said the goal was not to show "the largest DAU [they] could," but rather the numbers of users who are capable of seeing ads. That's considered a more relevant figure for advertisers but also means that Twitter's DAU metrics may not be comparable to other social platforms, like Facebook and Snapchat. Twitter's worldwide mDAUs represented just 39% of MAUs in Q4 2018.

Twitter also said it would stop disclosing its monthly active users (MAU), a number that has fallen in recent quarters. In Q4, the social platform had 321 million MAUs, a decrease of 5 million from Q3 and 9 million from the same period in 2017. Twitter attributed the losses to its ongoing effort by removing questionable accounts, and otherwise improving the "health of the service."

We estimate there were 274.0 million monthly Twitter users worldwide in 2018. We don't expect a decline, partly because our estimates factor out not only fake and nonhuman accounts, but also duplicate and business accounts.

How Many People Worldwide Use Twitter?

millions and % change, 2018-2022



Note: internet users of any age who access their Twitter account via any device at least once per month

Source: eMarketer, Nov 2018

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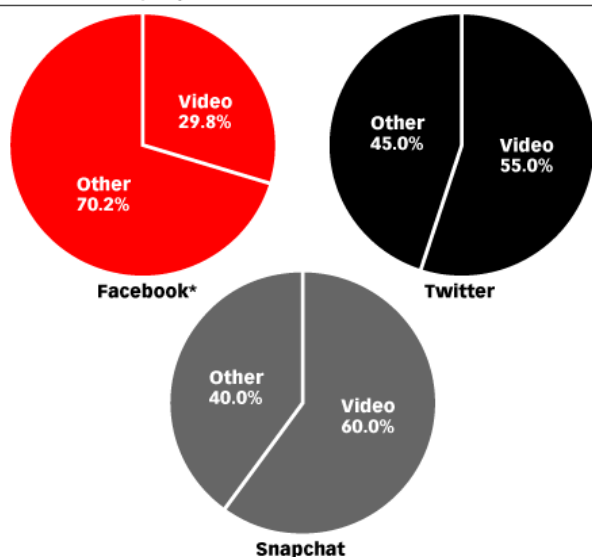
While the decline in MAUs—and Twitter’s decision to stop reporting the figure—caused worry on Wall Street, Twitter’s ability to grow its revenues without increasing its user base is a positive sign.

2. Twitter is still struggling to bring in direct-response dollars.

Twitter’s worldwide ad revenues reached \$2.62 billion last year, up 24% over 2017. US ad revenues of \$1.35 billion represented 51.5% of the worldwide total. Video remained Twitter’s fastest-growing ad format, as it has been for several quarters, and accounted for more than half of ad revenue in 2018. We estimate that 55% of Twitter’s US ad revenues came from video last year, more than Facebook but less than Snapchat.

US Facebook*, Twitter and Snapchat Revenue Share, Video vs. Other, 2018

% of total company revenues



*Note: video includes paid video advertising appearing within social networks, social network games and social network apps; excludes spending by marketers that goes toward developing organic social video content; *includes Instagram ad revenues*

Source: eMarketer, Sep 2018

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Unlike Facebook, which has been a strong direct-response performer for years, and Snap, which last year made a successful shift into direct response, Twitter hasn't been able to figure it out.

New ad products teased on the earnings call may help; Segal said mobile app download ads are “a great business” for Twitter and hinted at more ad products to come for those advertisers.

3. mDAU growth is stronger internationally than it is in the US.

Twitter reported that the number of mDAUs in the US—its core market—grew by 5% year over year to an average of 27 million in Q4 2018. Growth in the rest of the world was stronger, at 11% from Q4 2017, going from 89 million to 99 million users.

The number of international and US MAUs fell at an equal rate, however. According to its Q4 earnings report, Twitter's MAU count declined by 3% to 255 million internationally and to 66 million in the US.

It's likely that much of Twitter's mDAU growth is coming from Japan, the platform's second largest market. In 2019, we expect 36.3 million people in the country to use Twitter at least once per month, behind only the US (55.7 million). Twitter also called out Japan as an

important revenue contributor in Q4, accounting for 15% of the company's total revenues that quarter.

4. To help boost engagement, Twitter might experiment with more chat features.

Twitter's biggest challenge in boosting engagement is making the service easier to use. This isn't a new challenge. As CEO Jack Dorsey stated on the earnings call, "having conversations on Twitter is pretty difficult," something he's said repeatedly. He hinted at new features that would make conversations happen faster and put the ability to follow interests in the forefront of a user's experience on Twitter. It remains to be seen whether the social platform can accomplish those goals.

In its letter to investors, Twitter also said it was experimenting with "changes that would make Twitter feel more like chat." If that sounds familiar, it's because Facebook has also said that it plans to focus more on the messaging aspects of its apps. Twitter has never been known as a messaging service, so this seems like a stretch for the company.