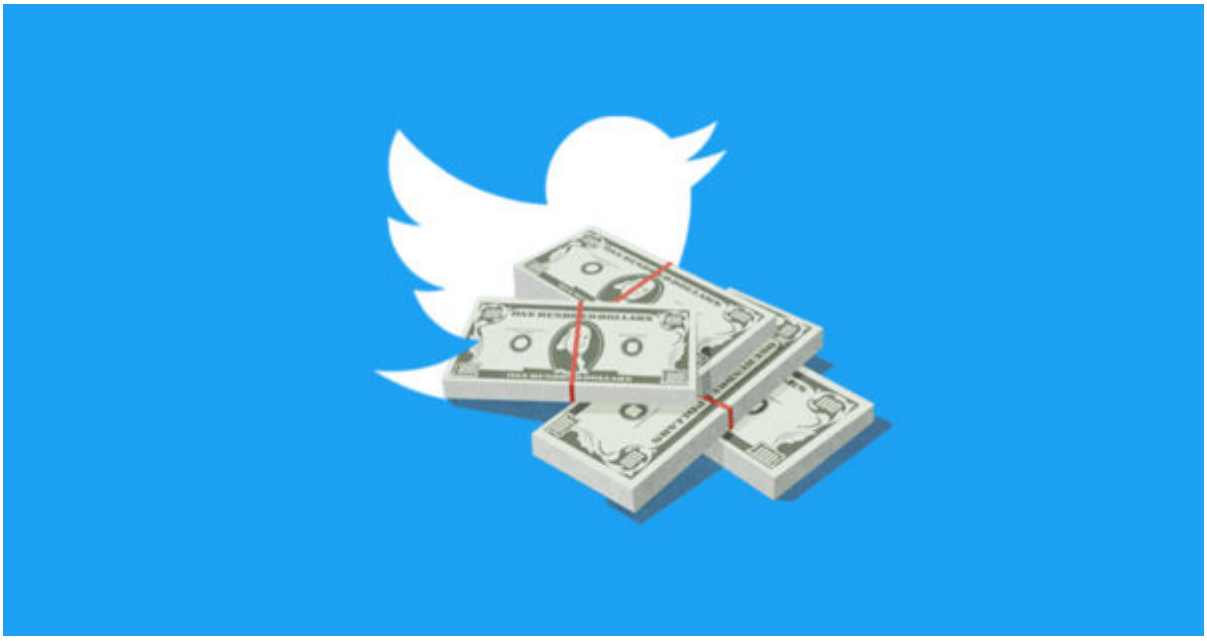
Twitter Reports Record User Growth and Stronger-Than-Expected Earnings in Q1



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3 hours ago
Key insights:

- Despite posting its highest-ever user growth, the trend may not last long because Twitter's ad business is "heavily event-driven."

Twitter beat earnings projections for the first quarter of 2020, led by 24% growth year-over-year in monetizable daily active users (mDAU)—or daily users who can view ads—and 3% revenue improvement (though still a net operating loss) during the same time period.

The company's premarket announcement surprised analysts, who had predicted Twitter would take a bigger hit due to the Covid-19 pandemic.

While the coronavirus crisis has sent shockwaves through the advertising sector—Twitter's main source of revenue—the

company attributes its user growth, which rose from 134 million in Q1 2019 to 166 million mDAU this quarter, in part to “the global conversation” about the pandemic, much of which has taken place on its platform. The company said this was its highest-ever reported year-over-year user growth rate.

Twitter reported revenues of $808 million for the first quarter, beating Refinitiv’s average of analyst estimates, which was $776 million.

“In this difficult time, Twitter’s purpose is proving more vital than ever. We are helping the world stay informed, and providing a unique way for people to come together to help or simply entertain and remind one another of our connections,” Twitter CEO Jack Dorsey said in a statement. “Our task now is to make sure we retain that connection over the long term with the many people new to Twitter.”

Twitter incurred a net operating loss of $7 million, a net margin of -1%, which they said was “partially offset” by reduced expenses, including reduced hiring and money saved from travel and events.

CFO Ned Segal said that Twitter is “shifting resources and priorities” to focus on bringing in revenue and reducing costs. “Revenue product has been elevated to our top company priority, as the current environment validates and creates even more urgency around delivering more direct response ad formats,” Segal said in a statement.

Due to the economic downturn amid the global pandemic, the company withdrew its guidance for the quarter at the end of March, which expected revenues between $825 million and $885. In a press release today, Twitter also said it is not currently providing any revenue or operating income guidance for Q2 at this time.

Other social platforms, including Facebook and Snap, also reported strong Q1 results even as the coronavirus began to

take hold in the world.

While much of the quarter was unaffected by Covid-19's impact on the U.S. market, Twitter reported a 27% decline year-over-year from March 11-31, a period that saw a severe economic slowdown driven by social distancing policies. However, by the end of March, Twitter said its "advertising weakness in Asia began to subside as work and travel restrictions were gradually lifted."

Jasmine Enberg, a senior analyst at eMarketer, called Twitter's earnings a "positive surprise" in a statement, writing that "a strong January and February were enough to partially offset" Covid-19-related revenue declines.

However, she noted that "Twitter's ad business is heavily event-driven, so the suspension of major sporting leagues in March will have hurt its bottom line" and will continue to do so until they resume. She said that Twitter's user growth is a positive sign, but it will likely see a "drop-off, or at least a stabilization, in growth once shelter-in-place measures are relaxed."

In efforts to improve the health of its platform and make it a safer space for brands, Twitter banned all political advertisements outright in November and has tried to purge misinformation on its platform in recent months, especially surrounding the Covid-19 crisis. While it introduced a Covid-19-related misinformation policy on March 18, a recent Oxford University study found that 59% of false, fact-checked content they studied was left up without any warning label on Twitter—a higher rate than other major platforms.

Twitter has also given free ads to public health agencies like the World Health Organization and the Centers for Disease Control and Prevention in concerted efforts to elevate authoritative information around Covid-19 on the platform.

Twitter's stock was up 8% in premarket trading Thursday.

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