

REFINITIV STREETEVENTS

# EDITED TRANSCRIPT

WB.OQ - Q3 2020 Weibo Corp Earnings Call

EVENT DATE/TIME: DECEMBER 28, 2020 / 11:00AM GMT

## CORPORATE PARTICIPANTS

### Fei Cao

**Gaofei Wang** *Weibo Corporation - CEO & Director*

## CONFERENCE CALL PARTICIPANTS

**Tianxiao Hou** *T.H. Capital, LLC - Founder, CEO & Senior Analyst*

**Xiaomeng Zhuang** *BofA Merrill Lynch, Research Division - Associate*

**Yik Wah Yap** *Citigroup Inc., Research Division - MD & Head of Pan-Asia Internet Research*

**Sandra Zhang** *SINA Corporation - IR Officer*

## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Weibo reports Third Quarter 2020 Financial Results Conference Call. (Operator Instructions) I would now like to hand the conference over to your first speaker today, Ms. Sandra Zhang. Thank you. Please go ahead, ma'am.

---

**Sandra Zhang** - *SINA Corporation - IR Officer*

Thank you, operator. Welcome to Weibo's Third Quarter 2020 Earnings Conference Call. Joining today are our Chief Executive Officer, Gaofei Wang; and our VP Finance and Interim CFO, Fei Cao. The conference call is also being broadcasted on Internet and it is available through Weibo's IR website.

Before the management remarks, I would like to read the safe harbor statement in connection with today's conference call. During today's conference call, we will make forward-looking statements. Statements that are not historical facts, including statements of our beliefs and expectations. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statements. Weibo assumes no obligation to update the forward-looking statements in this conference call and elsewhere.

Further information regarding these and other risks is included in the Weibo's annual report on 20-F and other filings with the SEC. All the information provided in this press release is occurring as of the date hereof. Weibo assumes no obligation to update the information, except as required under applicable law. Additionally, I would like to remind you that our discussion today includes certain non-GAAP measures, which excludes stock-based compensation and certain other expenses. We use non-GAAP financial measures to gain a better understanding of Weibo's comparative operating performance and future prospects. Our non-GAAP financials excludes certain expenses, gains or losses and other items that are not expected to result in future cash payments or are nonrecurring in nature or not indicative of our core operating results and our outlook. Please refer to our press release for more information about our non-GAAP measures.

Following management prepared remarks, we will open the lines for a brief Q&A session.

With this, I would like to turn the call over to our CEO, Gaofei Wang.

---

**Gaofei Wang** - *Weibo Corporation - CEO & Director*

(foreign language)

---

**Sandra Zhang** - SINA Corporation - IR Officer

[Interpreted] Thank you. Hello, everyone, and welcome to Weibo's Third Quarter 2020 Earnings Conference Call.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Sandra Zhang** - SINA Corporation - IR Officer

[Interpreted] On today's call, I will share with you highlights on Weibo's user, product and monetization as well as progress we made on our key initiatives in 2020.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Sandra Zhang** - SINA Corporation - IR Officer

[Interpreted] Let me start with our third quarter financial results. In the third quarter, our total revenue reached \$465.7 million, flattish year-over-year. Advertising and marketing revenues reached \$416.7 million, an increase of 1% year-over-year. 90% of our ad revenues came from mobile.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Sandra Zhang** - SINA Corporation - IR Officer

[Interpreted] On the user of front, Weibo's MAUs grew 3% year-over-year to 511 million in September 2020, and average DAUs grew 4% year-over-year to 224 million in September 2020. Both representing a decrease of 2% quarter-over-quarter, 94% of Weibo's MAU came from mobile.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Sandra Zhang** - SINA Corporation - IR Officer

[Interpreted] This quarter, with growing user base at steady pace and enhanced user engagement and retention as our key strategies for user product operation, we put more emphasis on increasing consumption efficiency of fees and enhancing user's social interaction.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Sandra Zhang** - SINA Corporation - IR Officer

[Interpreted] That said, on the user scale front post the summer break in August, Weibo's user number decreased in September compared with June. We have faced incremental headwinds in terms of user growth for the second half of the year. Mainly due to negative impact from cutback in investments for variety shoots and entertainment industries as well as back-to-school seasonality.

In addition, on the engagement front, our user engagement and retention were also negatively impacted -- influenced by the enhanced competition in the user market as short video companies are still aggressively investing in the user acquisition. As such, for 1 thing, we have beefed up our investment in social attributes and video areas from both product and operation perspective to solidify our market competitiveness and user growth leveraging Weibo's live platform positioning. For another, we have also stepped up our efforts in channel and strategic partnership since the fourth quarter, hoping to sustain our wider user coverage.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Sandra Zhang** - SINA Corporation - IR Officer

[Interpreted] On the monetization front, we have further emphasized brand class performance at offerings among KA and SME advertisers from key industries and reinforced our competitiveness in the market through business structure, which are determining factors for our business recovery post the pandemic. As a result, our top KA industry sectors returned to the growth category in the third quarter, entertained by notable growth in the number of brand advertisers which contributed to the stabilization of our ad business in the third quarter on a year-over-year basis.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Sandra Zhang** - SINA Corporation - IR Officer

[Interpreted] In discussing our operating updates for the third quarter, I will elaborate our progresses made in areas of product and monetization.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Sandra Zhang** - SINA Corporation - IR Officer

[Interpreted] We are facing an increasingly intense market competition for the second half of the year. In response to this, it's crucial for us to -- it's crucial that we optimize our user product to further enhance Weibo's uniqueness and core competitiveness in the social media sector. A new 1 will step up our investment in video and user community in vertical areas, aiming to enhancing this acquisition capability to cultivating user's habit of content consumption in this area.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Sandra Zhang** - SINA Corporation - IR Officer

[Interpreted] On topics products. It's our core function to serve the public, question and discussion around topics, which help to bring new users and enhance user engagement on the platform. And thus, we kept our investment in the content generation, discovery and discussion around topics as well as extended related content consumption. In the third quarter, we used consume topics continue to grow double-digit year-over-year and user discussion around topics did nicely as well. Moving forward, on the product front, we will optimize post features to encourage users to put and reinforce content discovery and topic distribution mechanisms to improve the efficiency of content generation. On operation front, we will further encourage media traffic and KOLs to create topics and participate in topic discussion, which enrich content offering around topics.

On content consumption side, we will further enhance user consumption and discussion around hot topics through more quality content offering within the discovery zone. It is achieved through optimized algorithm mechanism of hot topic chart and hot search functions and collaboration with platforms, including handset manufacturers.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Sandra Zhang** - SINA Corporation - IR Officer

[Interpreted] Moving on to social. It's our focus to enhance product social features to drive content offerings and social interaction. First, for relationship-based feeds, we have further upgraded distribution mechanisms and launched the new features to facilitate user interaction in the feeds. For instance, we reinforced selected content distribution in relationship with the feeds to beef up social content offerings, such as enhancing traffic exposure to post users might -- to post the user might have missed and post that was heatedly discussed among users you follow.

Additionally, on top of our commentary and repost features, we added social features to enhance direct interactions among users. Such as enabling users to leave message on other's main page. Second, for community products such as send group and super topics, we have further enhanced its social attributes and promoted sense social relationship build up and their interactions around interest, which in turn drives user's social stickiness in relationship-based feeds. As a result, in the quarter, the use of super topic and a number of post interaction and relationship buildup in super topic all grew double-digit year-over-year and nearly 60% of the top KOLs have created their super topics.

We believe the progresses we have made to strengthen competitive edge of our community products will enable us to tap into growth of the overall self media market attracting more self media to Weibo and driving user engagement.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Sandra Zhang** - SINA Corporation - IR Officer

[Interpreted] Let's focus our remarks on hot events and social attribute as Weibo's core competitiveness. Next, let me share some color on the progress of video account programs. Since the launch of the program in July, we have been focusing on optimizing our platform mechanism to better facilitate traffic distribution and sense accumulation around video accounts as well as strengthen our brand reputation among video KOLs and users.

As of November, we had over 750,000 content creators participating to video account program on Weibo. Among which over 13,000 already had 10 days over 1 million, taking the November metrics as an example, the number of daily video submission and daily video viewership those increased over 30% year-over-year for those monthly active video accounts.

We are encouraged to see a notable trend among Weibo's top content creators to shift toward video, leveraging introduction of video account program. And meanwhile, video account program also attracts talented video content creators from other platforms to bring and accumulate social assets on Weibo, which will supplement our current KOL network and enrich our content ecosystem.

Going forward, for 1 thing, we will lower the entry barriers for opening a video account enabling more KOLs to join and benefit from traffic support from video account program. For another, we will reinforce video content distribution based on social recommendation within the video community. Hoping to nurture user mindset to visit the video community and thus, further drive video content consumption as well video accounts.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Sandra Zhang** - SINA Corporation - IR Officer

[Interpreted] To sum up, on self channel investment amid market competition, first, we will solidify our advantage in topic and social media functions to grow our user base and improve user engagement, so as to enhance our competitiveness in the user acquisition. Second, we will focus on increasing user time spend and frequency mainly through improvement of content -- consumption experience of video and the community products and thus, enhance our competitiveness in the market.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Sandra Zhang** - SINA Corporation - IR Officer

[Interpreted] On the monetization front, we continue to reinforce on competitiveness in the advertising market underpinned by overall ad demand recovery externally and solid progress on the monetization system reform internally. As a result, Weibo's advertising revenues have almost returned to the same level last year or increasing 22% quarter-over-quarter.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Sandra Zhang** - SINA Corporation - IR Officer

[Interpreted] Our KA revenues increased 12% year-over-year or 33% quarter-over-quarter. The robust growth was mainly driven by a notable increase in the number of brand customers, which reached historical high this quarter. From an industry perspective, the FMCG category saw a growth acceleration, benefiting from a considerable increase in the number of customers. Although enhanced the industry excluding barter transactions, also booked a solid double-digit growth. Entertainment previously hit hard by pandemic started to come back this quarter, although still fell short of the same level last year. On top of the overall ad demand recovery, we also achieved this -- such robust growth through our differentiated value proposition to brand customers, mainly on 2 fronts. First, leveraging our unique strength in the distribution and discussion around top IPs, such as blockbuster shows and first weekend. We managed to open up incremental ad inventories by creating content around its IPs. IP-based marketing would enable us to tap into a broader customer base as well as drive monetization through content operation.

Second, we focused on our offering integrated brand plus performance and solutions to KA customers to capture higher ROIs, especially with auto and FMCG sectors.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Sandra Zhang** - SINA Corporation - IR Officer

[Interpreted] Moving on to SMEs. Our SME revenues decreased 15% year-over-year and increased 20% quarter-over-quarter, notwithstanding the gap to the overall revenue level last year. We are pleased to see gaming and online education sectors become the core growth lever of our SME business. This year, we have achieved breakthrough with these 2 sectors as we beefed up our efforts to drive conversion and enhance our operations capability.

Consequently, our revenues from gaming and online education sector continue to book triple-digit growth on an annual basis. For example, we rolled off into specific solutions for these 2 sectors. More specifically a product called big day to serve customers' new game release marketing needs as well as our solution targeting a high school and college examination for online education customers. A product like this, effectively fulfilled customers' marketing needs around product launch and key timing, leading to broader customer coverage and a higher ad wallet for us in the term.

With respect to other sectors, we continue to focus on optimizing customer mix, expand customer base and improve our quality this year. During this quarter, we took steps to optimize on areas where we frequently received massive user feedbacks by setting higher ad quality standards despite the short-term revenue loss. We believe improvement of the overall ad quality will benefit us in expanding our customer base and optimizing ad performance in the long run.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Sandra Zhang** - SINA Corporation - IR Officer

[Interpreted] Finally, let me share some color on the progress with our ad products and technologies. First, we took a targeted approach to improve ad algorithm and staff distribution strategy. A good example is the game Life of Kingdom a Blockbuster game in view of customers' goal to reach targeted user group rapidly upon release, we refined our ad attribution and backend system to accommodate such marketing needs allowing this customer to reach incremental targeted users beyond the original group and gain higher conversion. As a result, we could better fulfill customers' new game releasables while helping the customer enhance its marketing efficiency significantly.

Significantly enable us to capture incremental ad budget, built upon such success story, our next step is to put together an industry-specific ad solution and make the standard ad offerings for the gaming industry. Second, we will focus on tech optimization around our full funnel marketing in the next few quarters. For example, with the Internet service sector, we advanced our ad technology to deliver better ad download experience and completion rate through optimization on the download and registration process. We successfully lowered the app activation cost by over 50%.

Third, to address customer lead generation needs, especially with education, e-commerce, cosmetic surgery industries, et cetera, we facilitated easy buildup of our landing page, using our own CMS. Currently, customers who use our CMS showed their conversion rate improving by over 50% upon the adoption with solid execution of the above initiatives, we are well positioned to capture higher performance and wallet in the market.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

**Sandra Zhang** - SINA Corporation - IR Officer

[Interpreted] With that, let me turn the call over to Fei Cao for financial review.

**Fei Cao**

Thank you, Gaofei, and hello, everyone. Welcome to Weibo's Third Quarter 2020 Earnings Conference Call. Let's start with user metrics. In September 2020 Weibo's MAUs reached 511 million, representing a net addition of approximately 40 million users on a year-over-year basis. Weibo's average DAUs reached 224 million, representing a net addition of approximately 8 million users on a year-over-year basis.

Let's turn to financials. As a reminder, my prepared remarks would focus on non-GAAP results and all the comparisons are on a year-over-year basis unless otherwise noted.

Now let me walk you through our financial highlights for the third quarter of 2020. Weibo's third quarter 2020 net revenues were \$465.7 million, flat or a decrease of 4% on a constant currency basis, exceeding the high end of our guidance, operating income was \$179.4 million, representing an operating margin of 39%. Net income attributable to Weibo was \$152.9 million and diluted EPS was \$0.66.

Now let me give you more color on revenues. Weibo's advertising and marketing revenues for the third quarter 2020 increased 1% to \$416.7 million. Mobile ad revenue was \$376.1 million, contributing approximately 90% of total ad revenue, up from 87% last year.

Moving on to KA. In the third quarter, Weibo's KA ad revenue reached \$221.2 million, an increase of 12% year-over-year and 33% quarter-over-quarter, leveraging a net rebound in domestic consumption and ongoing digital transformation. Our KA business demonstrated great recovery momentum with a number of brand advertisers branding with us this quarter, hitting record high. We are delighted to see a growing number of brands recognizing Weibo's unique value proposition in connecting to younger generation, leveraging KOLs influence as well as delivering on brand plus performance goals. This quarter, on top of traditional brand budget, KA customers notably allocated higher budgets to performance driven products, such as feed and the KOL marketing offerings to drive users all the way down the funnel which presents us this opportunity to capture incremental ad wallet in the long run.

Industry-wise, the strength in our KA business was relatively broad-based this quarter, with growth fueled by key sectors such as FMCG, automobile and luxury category, et cetera. On the flip side, entertainment, travel and real estate sectors remained on the negative growth trajectory. But we are seeing early signs of recovery following ease up of restrictions on theaters and tourism.

Turning to SMEs. In the third quarter, Weibo's SME ad revenues reached \$166.4 million, a decrease of 15% and an increase of 20% quarter-over-quarter. The descending trend of our SME business was mainly attributable to 2 factors. First, the required pace of off-line merchants continued to lag behind the overall SME sector and weighed on the growth of the SME ad revenues. And second, as we mentioned last quarter, our initiative to clear up low-quality customers and ad creative also negatively impacted our SME revenue. On asset, gaming and education sectors continued to book triple-digit growth year-over-year bolstered by further improvement around building efficiency and performance. In September, we officially launched our revamped ad leading system field preference between 3 featuring a series of updates on optimized CPX, video and KOL ad offerings in the hope of driving ROI for customers through more direct response features, better ad relevancy and the higher ad placement efficiency.

Ad revenues from Alibaba for the third quarter increased 52% to \$29.2 million. The momentum of ad spend from Alibaba reflects our strengthened cooperation in driving value for brands and merchants to achieve branding class performance purpose through integrated ad campaigns on both platforms. That said, ad spend from Alibaba highly correlated to its own business operations, especially its marketing strategies, which may change from time to time. As such, we cannot ensure that that robust growth will be sustainable in the future.

Value-added service, VAS revenues decreased by 11% to \$49.1 million in the third quarter, primarily due to a decrease of live streaming revenues, partially offset by the increase in membership revenues.



Turning to costs and expenses. Total cost and expenses for the third quarter increased 3% to \$286.4 million. The increase was primarily due to the higher buyback provision and personnel-related deposits, partially offset by decreased marketing spend.

Operating income in the third quarter was \$179.4 million, representing an operating margin of 39% compared to 41% last year and 31% in the second quarter.

Turning to income tax. Under GAAP measure, income tax expense for the third quarter was \$30 million compared to \$31.4 million last year. Net income attributable to Weibo in the third quarter was \$152.9 million, representing a net margin of 33% compared to 38% last year and 30% in the second quarter.

Turning to our balance sheet and cash flow items. As of September 30, 2020, Weibo's cash, cash improvement and short-term investments totaled \$3.2 billion compared to \$2.4 billion as of December 31, 2019, mainly due to net perceived of \$714.3 million received from Weibo senior note offering in July 2020. In the third quarter of 2020, cash provided by operating activities was \$235.2 million. Capital expenditures totaled \$10.7 million and depreciation and amortization expenses amounted to \$7.7 million.

Now let me turn to financial outlook. We anticipate our fourth quarter 2020 net revenue to increase by 1% to 3% year-over-year on a constant currency basis. This forecast includes revenue estimate of an interactive entertainment company, which was acquired and consolidated to our company in November 2020. And represents approximately 2% of our revenue estimate this quarter. This forecast reflects Weibo's current and preliminary view and is subject to change.

With that, let me now turn the call over to the operator for the Q&A session.

---

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) We have the first question from the line of Alicia Yap from Citigroup.

---

**Yik Wah Yap** - *Citigroup Inc., Research Division - MD & Head of Pan-Asia Internet Research*

(foreign language)

I have 2 questions related to advertising. Number one is related to the overall ad budget sentiment and recovery trend in China. It seems China is on track for a decent recovery. But given the seriousness of the pandemic outbreaks in other countries, do you -- have you seen or do you think it will affect the ad budget onto the worries of the outbreak in other countries in terms of the ad sentiment?

And then second is related to the competition, it seems that management continue to mention the intensified competition from the short video companies in terms of the ad budget allocation. So not too sure will this intense competition continue into next year? Or do you think, given Weibo's product is recovering, I mean improving, should we see the competitive landscape be actually moderate and improving over time?

---

**Gaofei Wang** - *Weibo Corporation - CEO & Director*

(foreign language)

**Unidentified Company Representative**

[Interpreted] So let me give you the answer for the very first question. So let's talk about the data of Q3. Let's divide it into the brand and also SME. First of all, talking about the brand ads, you can see that because Weibo is a very large company. So I don't think that pandemic is impacting the ad revenue or budget of the brand so far. But talking about the SME, I think that in the first half of 2020, we really had a big impact because previously, our SME budget previously focused on off-line, primarily speaking, and especially those kind of industries like O2O and also finance. So I think that we made some changes on the SME side. So this year, we moved further to the online business, and especially the online education, e-commerce and gaming, et cetera.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Unidentified Company Representative**

[Interpreted] So second of all, I would like to say that in terms of our strategy focusing on the brand customers, currently speaking, our brand revenue or our ad revenue from the brand customers is relatively small compared with the other big companies. So because previously and also as of now, we pretty much focus on the top companies and also top brands. So you can see that, of course, we have a very steady growth of our number of customers, especially the brand customers. And also in 2021, we had some kind of the changes and also adjustment over our strategy. For example, now we are going to enlarge and expand the name list of those brand customers especially focusing on the inclusion of regional brands and also those national fashionable brands as well. So you can see that in the next 1, 2 years, we are going to see that more revenues or we are going to see more revenues coming from those middle and brand customers.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Unidentified Company Representative**

[Interpreted] And also next, I would like to say that talking about the SME part. So because I think that SME is really a kind of a sector in our business that is heavily impacted by the pandemic because previously, we pretty much focused on the O2O business. And also there's wedding dress, photographing and also e-commerce or financial industry. So you can see that the O2O because of the pandemic impact, this was heavily like dropped and declined. And also, second of all, we willingly dropped out some of the customers, for example, in the financial industry or cosmetic surgery industry.

So the SME side, we have a strategy that we are going to leverage the abilities of the existing team to focus more online, especially online education and also gaming as well. So that is the reason why we are seeing a very good result of growth.

And also next year, our focus will be using the same SME team to further optimize the online business and also to prioritize our services provided to those online brands and customers. And especially focusing on the network service apps downloading services, for example. And also because that this year, we had big growth on the gaming industry. So that's why we are now pretty much more focused on the provisional services to those app downloading and other relevant areas.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Unidentified Company Representative**

[Interpreted] And so second, talking about the impact on the competition landscape of the short video. So you can see that we have, first of all, the indirect impact from this particular competition for the brand customers in specific -- or brand ad, if you like. So if you're talking about this competition, we are talking about the indirect competition, first of all, from the long video side. But you can see that this year because of this pandemic and also the lower down investment going to the entertainment sector we can see that those brands are now preferring to invest their money into making videos on Weibo, [BD BD or red] instead of those traditional platforms of making long videos. So I think that is a favorable trend towards this.

---

**Gaofei Wang** - *Weibo Corporation - CEO & Director*

(foreign language)

---

**Unidentified Company Representative**

[Interpreted] And also, I want to say that in the SME sector, we still feel a little bit stressful confronting the competition from the short video platform. Because comparing with the tech and also image like Weibo, we do see the advantages maintaining in the short video platform. But also, what we have to do is that we want to focus on the service provision as well as the optimization of our algorithm for the ad as well. So you can see that this year, we are doing a very good job on gaming, especially Q3. So you can see that it is helpful for us to get more budget from those brands and also customers.

Also, next year, we're going to focus on getting more budget from the other famous customers in those cosmetic surgery area or e-commerce or internet service, et cetera. So that it is very much hopeful for us to get more budget from those short video platforms as well. But overall speaking, in a short run, I still believe that short video platform is very much advantageous in terms of making ads over the tax and image oriented platform like Weibo.

---

**Gaofei Wang** - *Weibo Corporation - CEO & Director*

(foreign language)

---

**Unidentified Company Representative**

[Interpreted] So -- and also, I have to say that talking about the specific competition with the short video platform on the SME side. First of all, we are going to further invest into making more high-quality short videos on our side. So you can see that we have been always focusing on investment on this area. So this year, we are also building up more inventories of the advertisements as well at the same time based on short videos.

And second of all, not only we are trying to focus on the content but also, we would like to focus more on the customers' conversion rate by putting ahead and budget over our platform. So you can see on the education side, we're pretty much focusing on not only doing ad, but also making the conversion rate increase to them. So this is actually a kind of a hybrid way for us to contact or for us to overcome the challenges from the short video platforms.

---

**Operator**

Next question comes from the line of Tian Hou from T.H. Capital.

---

**Tianxiao Hou** - *T.H. Capital, LLC - Founder, CEO & Senior Analyst*

(foreign language) So continued on the short video, the company has made great progress on the short video. So last quarter, we mentioned, the company had about 0.5 million offers already opened their short video accounts. So I wonder how many of them opened accounts by the end of Q3? And in 2021, what is the company's goal in terms of how many accounts do we plan or work on to open? And for the advertising revenues, I generally expect short video, what's the percentage of total does the company expect that to be? That's my question.

---

**Gaofei Wang** - *Weibo Corporation - CEO & Director*

(foreign language)

---

**Unidentified Company Representative**

[Interpreted] So first of all, in our previous presentation, I mentioned a little bit about it. So let's just recap from it. So first of all, overall speaking, we have over 700,000 accounts already opened on the video account. And also talking about those accounts having over 1 million followers, we have 13,000 of them already. So the growth rate is very good I'm glad. So of course, on that and having said that, that is still relatively way smaller comparing with the number of V media that we have or self media that we have on Weibo.

---

**Gaofei Wang** - *Weibo Corporation - CEO & Director*

(foreign language)

---

**Unidentified Company Representative**

[Interpreted] So given the fact that creating the content of video is way more difficult than that of creating a text image like we traditionally did in Weibo. So in the future, I think the number of video accounts will be -- still remain relatively small against the total number of accounts that we have.

---

**Gaofei Wang** - *Weibo Corporation - CEO & Director*

(foreign language)

---

**Unidentified Company Representative**

[Interpreted] And second of all, let's talk about our strategy, which is very clear already in our group. So first of all, in terms of production, first, of course, we are going to emphasize more on encouraging those capable offers to create more high-quality videos on our side. So by those capable offers, I mean the media or KOLs or those food or delicious food accounts and also those fashionable brands or testable accounts or those cosmetic KOLs as well. So not only they can get the traffic from the video itself, but also they can gain extensive traffic or feed from the Weibo itself from those tech and image users.

And second of all, the strategy is that we are going to attract more external account or external creators to join Weibo to publish their short videos at the same time. For example, we want to track those people from [BD BD] or Watermelon or Tiktok, et cetera. So at the same time, not only they can generate videos on Weibo video account. But also, they can actually, at the same time, publish some text and image to show their attitude and sometimes interact with their followers by commenting, et cetera. So you can see that this particular part of the hybrid model is the 1 that we enjoy the most growth or the biggest growth this year.

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Unidentified Company Representative**

[Interpreted] So I'm also talking about the consumption side. The first thing is that for those creators of videos, not only they are published in their videos, but also at the same time, text and images as well. So if we're talking about the followers of those KOLs, you can see that the average time spending is like 2x higher than that of the time spent on text and image only. So this kind of average time spending can help us to improve our activities.

And also second thing is that we can see that in Weibo, we can create such kind of an independent space for the advertisement and also for the video-based consumption behavior as well. So this is really helpful for us to gain more budget and gain more revenue from the ad part. And also, we can build up a very good inventory of high-quality video and also advertisement as well.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Unidentified Company Representative**

[Interpreted] And finally, let's talk about the objective that we have. Of course, in the short run, we're going to focus on the investment driven strategy which is to say that we are not saying -- we're not saying that all the creators of the videos should actually give us more consumption payback higher than our investment not necessarily speaking. So that to say it's pretty much the case that in the short run, we're going to invest more than the revenue coming from those creators.

So we have actually, of course, 2 aims. The first is that we are going to encourage more text and image creators to convert to the high-quality video creators. And second of all, we are going to attract more external creators from other platforms to arrive on Weibo account -- video account to create more videos and at same time, interactive content based on images and text. So that is a very good strategy for us to further differentiate Weibo from other platforms and also give us a sustainable revenue contribution from the ad part and video side as well.

---

**Operator**

Your last question comes from the line of Miranda Zhuang from Bank of America.

---

**Xiaomeng Zhuang** - BofA Merrill Lynch, Research Division - Associate

Can you please share with us your preliminary outlook for the advertising business in next year? In particular, the ad spend settlement of your advertisers in the various industries?

(foreign language)

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

**Unidentified Company Representative**

[Interpreted] Okay. So overall speaking, talking about the industry outlook. So continuously, we are not going to only focus on KA but also SME at the same time. And also we are now trying to focus more on each different verticals. And also second, combine the brand together with the effectiveness and conversion of that particular ad. So this is a very comprehensive and holistic strategy for this business.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Unidentified Company Representative**

[Interpreted] So you can see that in the future, we can see that by doing that, we are going to increase the branding and also increase the SME side as well or effectiveness as well. So you can see that we are going to focus more on the verticals like automotive, gaming and also FMCG as well. So for example, gaming, this year, we pretty much focus on those new games published this year. And also, they can -- they have a huge demand of getting a very good effectiveness of more gamers and also high-quality content of games as well.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Unidentified Company Representative**

[Interpreted] Also, let's talk about the industry of gaming, for example. So because that now, we are trying to focus on the quality or the quality oriented customers. So that is to say, on the gaming side, now you can see that we are primarily very much -- very well collaborated with Ali Game, Tencent or (inaudible) for example. And they are making high-quality games at the same time. So they're pretty much gaining more traffic from Weibo. But if you are continuously making some of the games like the web page game, et cetera, which does not necessarily need to build up the brand, but only focusing on the factors in this kind of advertisement. I don't think that they are going to get out further traffic from Weibo. So that is to say that we are going to see a very good growth on those concentrated verticals, especially those top brands concentrated areas. But not that distributed or scattered area.

---

**Gaofei Wang** - Weibo Corporation - CEO & Director

(foreign language)

---

**Unidentified Company Representative**

[Interpreted] So overall speaking, while we finish our monetization strategy implementation. We're going to see that in the future, we are going to continuously focusing on those customers that are investing more into the -- their high-quality area. So especially in the future, if the brand, not only the brand customers but also SME, if they have more budget, focusing on the online advertisement, we are going to collaborate and also attract those ads.

---

**Operator**

Thank you. Ladies and gentlemen, that does conclude our conference for today. Thank you for participating. You may all disconnect.

#### DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2020, Refinitiv. All Rights Reserved.