

**Cheetah Mobile Inc. [CMCM]
Q3 2015 Earnings Call
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Company Representatives:

Helen Zhu; Cheetah Mobile Inc.; Director, Investor Relations

Sheng Fu; Cheetah Mobile Inc.; CEO

Andy Yeung; Cheetah Mobile Inc.; CFO

Analysts:

Jeff Hao; China Merchants Securities

Wendy Huang; Macquarie

Evan Zhou; Credit Suisse

Henry Guo; Summit Research

Thomas Chong; Citigroup

Presentation:

Operator: Good day and welcome to the Cheetah Mobile third-quarter 2015 earnings conference call. All participants will be a listen-only mode. (Operator Instructions) Please note this event is being recorded.

I would now like to turn the conference over to Helen Zhu, IR Director. Please go ahead.

Helen Zhu: Thank you, Operator. Welcome to Cheetah Mobile's third-quarter 2015 earnings conference call. With us today are Mr. Fu Sheng, CEO, and Mr. Andy Yeung, CFO.

Following Management's prepared remarks, we will conduct a Q&A session.

Before we begin, I refer you to the Safe Harbor statement in our earnings release, which also applies to our conference call today, as we will make forward-looking statements.

At this time, I would now like to turn the conference call over to our CEO, Mr. Fu Sheng. Please go ahead, Fu Zong.

Fu Sheng: Thanks, Helen. Thank you, everybody, for joining our call today.

This was another solid quarter for us. Mobile MAUs exceeded the 500 million mark for the first time ever, reaching 567 million users in September. Our total revenues also exceeded RMB1 billion for the first time ever, reaching RMB1.01 billion in the quarter.

These strong results were driven by our continued success in the overseas mobile advertising business. During the quarter, overseas revenues grew 8.9 times year over year and accounted for 53% of total revenues, and 77% of our mobile revenues, becoming a key growth driver of our total revenues and mobile revenues.

Additionally, I would like to highlight that we only launched our overseas monetization effort a year ago, and now we've very quickly demonstrated our capabilities to successfully monetize our global mobile traffic.

Strong top-line growth and execution also yielded strong profit performance which resulted in us setting new records for non-GAAP operating income and non-GAAP net income in the quarter. Non-GAAP net income for the quarter was RMB143 million, an increase of 138% year over year, and 24% quarter over quarter.

Given our strong business momentum, we are confident that we are on track to meet and beat our 2015 targets of reaching 600 million MAUs, doubling our revenues year over year and making mobile and overseas revenues a large majority of our revenue base. We also expect to obtain better anticipated profitability in 2015.

Looking ahead, we believe that it is very important to building a long-term sustainable business model, so going forward we will begin to take a more balanced approach towards user acquisition, user engagement, revenue growth and profits.

After building a strong matrix of utility apps and acquiring a massive user base, we are increasingly focused on building a second layer of our products, through both organic means and strategic investments that have higher frequency of use and higher user engagement levels.

In terms of organically, Piano Tiles 2, a light, casual mobile game that we developed, reached the number 1 spot in the US and the number 5 spot globally as the most downloaded free game on Google Play in September. For strategic investments, Musical.ly, a music-based SNS company that we have invested in earlier this year, was the number 1 most downloaded media and video app on Google Play in the US in September. We believe content is key to driving continued user engagement, and we will introduce more content-driven products through both ways over the coming quarters.

As we have mentioned before, we believe data analytics is a key factor for our future success. More relevant content, be it games, photos, music or ads, would lead to better experience for the users and better returns for advertisers. Today, we can profile our users with more than 100 attributes and more than 100,000 keywords. And we have developed algorithms that help advertisers to better target and re-target the audiences on our platform.

We are also developing tools to help advertisers to test, measure and improve their marketing offers. While we've made some progress in data analytics, we still see much more room for improvement. So, data analytics will remain a key focus for us for the foreseeable future.

Moving to our mobile ad network development, we continue to work closely with leading Internet players, such as Facebook, Google, Yahoo and Twitter, to sell our ad inventory and explore innovative mobile advertising solutions, such as video ads.

As an example, Yahoo highlighted our partnership at their 7th Annual Partner, discussing our integration of Yahoo Search In-App. We are also pleased to have integrated Yahoo's Gemini native advertising platform globally across our top performance apps.

In China, we expanded our partnership with Tencent's GDT during this quarter.

More importantly, we are excited that since launching our own Cheetah Ad Platform in June, our direct sales team has added more than 500 global clients, such as Uber, Amazon, Machine, Booking.com and Flipkart, to the platform, which has resulted in over 1,000 offers daily.

In addition to app and game developers, our ad platform is seeing growing demand from e-commerce, online travel, and local service companies, as well as Chinese advertisers promoting their products and services in the overseas markets. To better serve our diverse global user base and advertiser base, we will continue to expand our global footprint and hire global talent. Today, we have set up or in the progress of setting up more than 10 overseas offices in order to further enhance our localized products and service offerings.

Lastly, I'd like to say I'm very proud of what we have been able to achieve in such a short amount of time. Cheetah Mobile has transformed into one of the world's leading global mobile internet companies in only three years' time. So, I want to thank our staff for their hard work and support in getting us here.

But, this is just the beginning of us. Looking forward, we will shift our focus from globalization to localization, investing in key markets to further localize our product offerings. Meanwhile, we will prioritize the enhancement of our user engagement and user time spending over user acquisition. To do that, we will further upgrade our product portfolio, introducing more content-driven products. We will also work closely with our partners, to build one of the best mobile advertising platforms for advertisers globally.

With that note, I will stop and hand the phone to our CFO, Andy.

Andy Yeung: Thank you, Sheng. Hi everyone.

3Q is another strong quarter for us, both financially and operationally. Strong results were again driven by mobile and overseas operations.

As Sheng mentioned, we are still in the early stage of our growth and development. Our goal is to become a leading global mobile Internet company that provides the best apps for mobile users and one of the best mobile advertising platforms for advertisers globally. Looking ahead, we will stay focused on building a profitable and sustained growth business model for the long term, taking a more balanced approach towards user acquisition, user engagement, revenue growth and profitability.

Now, I will walk you through the details of our financial performance. All financial numbers are in RMB unless otherwise noted.

Total revenue reached RMB1.01 billion, an increase of 111% year over year and 16% quarter over quarter, driven by organic business growth, thanks to our growing mobile user base and strong demand for our mobile advertising services.

By platform, mobile revenues were RMB703 million for the quarter, up 522% year over year and 26% quarter over quarter. As a percentage of total revenues, mobile accounted for 70% of our total revenues in the quarter, up from 64% in the second quarter, and 24% in the third quarter last year. In September, Cheetah had approximately 567 million mobile MAU worldwide, a 66% increase from a year ago and 15% increase from June this year.

PC revenues declined 16% year over year and 2% quarter over quarter in third quarter mainly due to the migration of Internet traffic from PC to mobile in China.

By region, overseas revenues were RMB538 million for the quarter, up 892% year over year and 25% quarter over quarter. As a percentage of total revenues, overseas revenues accounted for 53% of total revenues and 77% of mobile revenues in the quarter. China revenues grew 7% quarter over quarter with strong mobile advertising revenue growth more than offset PC revenue declines in China.

By segment, revenues from online marketing services were RMB901 million for the quarter, up 150% year over year and 20% quarter over quarter. Revenues from mobile advertising remains the key growth driver for the segment, accounting for 72% of the segment's revenues in the quarter, up from 21% last year, and 67% last quarter.

In addition to our growing mobile user base, higher average number of apps per user, and higher frequency of use for our apps have led to more impressions available to meet the growing demand for our mobile advertising services from advertisers.

Revenues from IVAS were RMB100 million for the quarter, a decrease of 7% year over year and 9% quarter over quarter. The year-over-year decrease was primarily due to the suspension of our online lottery operation in response to the regulatory change in China. The sequential decline was mainly due to moderating trends in Web games business in China.

Revenues from internet security services and other were RMB9 million for the quarter, a decrease of 16% year over year and flat quarter over quarter. The year-over-year decline was primarily due to the Company ceasing to promote subscription services in a strategic reorientation which started in 2011.

Moving to our costs and expenses, share-based compensation expenses for the quarter were approximately RMB115 million, compared to RMB57 million in the third quarter last year, and RMB56 million in the second quarter this year. As we stated in the past, we will incur higher SBC expenditures this year, mainly due to the shares and options granted to our management and employees for attracting and retaining talent, particularly in the R&D area.

To help facilitate the discussion of the Company's operating performance, the following discussion will be on a Non-GAAP basis, which excludes stock-based compensation expenses. For financial information presented in accordance with US GAAP, please refer to our press release which is available on our website.

Non-GAAP costs of revenues for the quarter was RMB269 million, up 145% year over year and 21% quarter over quarter. The year-over-year increase was mainly due to higher traffic acquisition costs associated with the Cheetah Mobile ad platform business, higher bandwidth costs and internet data center costs associated with increased user traffic worldwide, and data analytics, as well as higher amortization costs from intangible assets resulting from our acquisitions. The sequential increase was mainly due to higher traffic acquisition costs associated with the Cheetah Mobile ad platform business.

Non-GAAP gross profit for the quarter was RMB740 million, up 100% year over year and 14% quarter over quarter. Non-GAAP gross margin for the quarter was 73.4%, down from 77.1% in 3Q14, and 74.5% in 2Q15.

Non-GAAP R&D expenses for the quarter were RMB138 million, up 15% year over year and 7% quarter over quarter. The increases were mainly due to personnel-related costs associated with attracting and retaining talent in mobile product development, big data analytics and mobile ad technologies. At the end of the quarter, we had more than 1,400 R&D personnel. We will continue to invest in content-driven product development, data analytics and ad tech in the future.

Non-GAAP sales and marketing expenses for the quarter were RMB375 million, up 128% year over year and 11% quarter over quarter. The growth was mainly attributable to increased promotion for our mobile apps.

Non-GAAP G&A expenses for the quarter were RMB95 million, up 194% year over year and 9% quarter over quarter. The year-over-year increase was due to increased professional service fees, acquisition-related expenses and headcount associated with being a public (inaudible) company. The sequential increase was primarily due to increased professional service fees, and acquisition-related expenses.

Non-GAAP operating profit for the quarter was RMB131 million, an increase of 154% year over year and 40% quarter over quarter. Non-GAAP operating margin was 13%, up from 10% in both 3Q14 and 2Q15. Our operating margin expansion shows some of the inherent operating leverage in our business model.

Non-GAAP net income for the quarter was RMB143 million, an increase of 138% year over year and 24% quarter over quarter.

Non-GAAP diluted earnings per ADS was 1.00 RMB, or US\$0.16, an increase of 133% year over year and 23% quarter over quarter.

To help facilitate a better understanding of the impact of amortization of intangible assets resulting from acquisitions on our operating expenses, we have started reporting Adjusted EBITDA since 1Q15. Adjusted EBITDA is a non-GAAP measure that is defined as earnings before interest, tax, depreciation, amortization, other non-operating income and share-based compensation expenses. Adjusted EBITDA for the quarter was RMB169 million, an increase of 117% year over year and 28% quarter over quarter.

Now let me provide you with our guidance. We currently expect total revenues for the fourth quarter to be between RMB1.11 billion and RMB1.16 billion, representing a 88% to 97% year-over-year increase. Please note, this forecast reflects the Company's current and preliminary view and is subject to change.

And, with that, we conclude our prepared remarks for today. Operator, we are ready to take questions.

Questions & Answers:

Operator: Thank you. We will now begin the question-and-answer session. (Operator Instructions) Jeff Hao; China Merchants.

Jeff Hao: Good evening. Thank you for taking my question. (Speaks in Chinese)

My question is regarding the competition in the overseas market. We're seeing that more and more Chinese companies are climbing up the global download ranking table recently. Will that affect the Company's strategy in terms of user [appreciation] and the monetization progress?

And then, relating to that, can the Management give us some updates on your construction of your ecosystem, maybe some more example other than [don't have the] (inaudible) [Tile 2]? Thank you.

Sheng Fu: Okay. I will answer in Chinese and Andy will translate for me. (Speaks in Chinese)

As Translated: Okay. So let me just say that -- so in terms of competition, yes, there's more competitions in overseas market. We see our success, we get more competitions. But I don't think has overall impact on our leadership position from those competitors.

The main reason is because if you look at developed world, the benefit of user boom or at least platform adoption is pretty much over and it's very challenging for them to get new user there. So the new user mainly coming from developed countries. And many (inaudible) in that industry is spending a lot of money on promotional activities and trying to acquire users that way. But (inaudible), you know, Indonesia, India, these places.

But we also have our strong platform in those countries. And we will also spend money and aggressively promote our product in those countries as well.

So, I think in addition to that, you also will notice that overall we have probably largest base worldwide. And we're able to acquire user in terms of (inaudible) traffic and also through promotion activities and cost promotion activities. And so, I think once -- our user base multiple times bigger than those competitors and it's very difficult for them to overcome our leadership position there.

And secondly, in terms of other product categories besides Tiles 2, for example, (inaudible) Launcher. For the past two quarters we've seen some Chinese competitors spend a lot of marketing dollars (inaudible) apps. And yes, for a very short period of time they were able to [boost] their ranking on download and whatnot.

But recently, as you can probably observe, their ranking has dropped significantly and their download has dropped significantly. The main reason especially because it's very difficult to retain, have a good retention rate, on (inaudible) product. I mean, product does not inherently have a good product [trends] or quality to attract a user to continue to use the product. And so, for that, I know we think that that will not pose a competition for us.

(Speaks in Chinese)

As Translated: So, in commenting on your question about will the competitions impact our ability to monetize overseas, I think it kind of has the opposite effect. If you think about it, we will actually strengthen our monetizations in overseas market. If you look at our competitors, they don't really have a good monetization model at this point. So they are at least one to two years behind us in term of monetization.

So we'll obviously continue to focus on finding better ways to monetize our user traffic. The better we can monetize our user traffic, the better we can sustain and maintain our lead in those overseas markets.

(Speaks in Chinese)

As Translated: Right. So in terms of ecosystem, I think we would use -- one phrase to describe it is we would be all in to get it done. So, we have the advantage of the window of opportunity over the past couple of years as we accumulate a very vast user base of almost 600 million users, mobile users. So we think that by the end of the year we will have achieved that goal of acquiring a very massive critical user base.

So, we will turn our focus increasingly on user engagement. And we'll develop more products that have high [terms of] use and high engagement level going forward. So, the exact roadmap, probably not going to disclose it at this time, but we look forward to some breakthrough in the coming quarters.

(Speaks in Chinese)

As Translated: So, lastly, let me emphasize this one more time, which is over the past two year - or three years ago when we started to aim for acquiring a large massive user base overseas, very few people actually believed us. But we have achieved that. I think this year we will be (inaudible) 600 million user base.

And if you look at new monetizations, when we started about almost two years ago also there's a lot of questions about our ability to monetize our user base. I think over the past year or two we have demonstrated our strong monetizing capability. So, in looking forward, we're going to develop more content-driven products. And I think we will find that (inaudible) on the product development side.

Jeff Hao: Thank you.

Operator: Wendy Huang; Macquarie.

Wendy Huang: (Speaks in Chinese)

So, I have two questions. The first is about the margin outlook. Although you guided originally that the full-year net margin for this year would be just breakeven, however, for the past three quarters the non-GAAP net margin all came in at double digit. So, should we expect this strong margin momentum to continue for the fourth quarter?

The second question is about the global advertising market impact on your business. I think in the past few months you cautioned the market about the global advertising slowdown's impact on your business and your partners such as Facebook. Given that Facebook released a strong quarter and also you just delivered a solid quarter as well, how should we actually look at this, kind of the potential impact from the global ad market? Thank you.

Andy Yeung: Thank you, Wendy. So, I will take this question. Yes, so in terms of margins, I think if you look at our first three quarters, it has performed better than we have expected. But as we have mentioned before, even though we have -- we mentioned that potentially we would have [impact] this year, but it was the worst case scenario. But through less -- I wouldn't say less competition, but we actually -- [you notice] in the way we spent money to promote our products. In addition to strong execution in top-line growth, we did yield better than expected margins in the first three quarters. And that demonstrates the operating leverage that is inherent in our business model.

In the fourth quarter I think a similar type of outlook. We, again, like we probably think about [deteriorate] in the competitive landscape, traffic will be -- I think we probably are expecting the single (inaudible) trend come to the fourth quarter.

Now, looking forward to next year, as we mentioned, next year we will continue to invest heavily in product development because we have emphasized over and over that we're going to focus on product development, especially in content-driven product, mobile, next year. And

hopefully we'll have some strong product rollout to show you guys in coming quarters.

But, yes, in terms of probabilities, revenue growth, user [expectations], next year we will take a more balanced approach, mainly because we already have a massive, a large user base. And we will continue to grow that user base, but perhaps not as [rapidly] as this year. But we will try to [weave] some of those benefits into the product line. But, again, we will caution people to be too aggressive in margin expansion and we will be more incremental in terms of margin expansion. We will again monitor our expenditures and investments to make sure that we have a long-term sustainable growth model.

So, yes, I think generally we are looking at gradual improvement in margins next year.

Second part of your question, which is the outlook for the global advertising industry, yes, I think we have delivered a very strong performance in third quarter. And you look at Facebook and some of the global companies, they are [expected to] deliver fairly robust results in the fourth quarter.

But, again, when we look at the fourth quarter we do see quite a bit of uncertainty. And we want to be more (inaudible) prudent with our guidance. If you look at globally the economic conditions outside US I think in Europe, in [emerging] markets, right now it's pretty tough. If you look at China, I would not say the Chinese economy right now is [very] robust at this moment. So, I think we will take a more prudent approach to looking at the market. And we do see quite a bit of uncertainty, especially given the fact that we are still growing at a very fast level, so any small deviation from expectations would have an impact on our revenue growth.

So I think our guidance in terms of outlook for 4Q is, I think, prudent, realistic. And so that's how we look at global [advertising] market at this point.

Wendy Huang: Thanks, Andy. So you believe the spending focus will shift from the sales and marketing to R&D next year. Right?

Andy Yeung: Obviously R&D has strengthened operating leverage in the quarter and was significantly below the top-line growth. But we'll continue to focus on R&D and we're beginning to (inaudible) like have a more measured growth on our sales and marketing expenditures. But if you look at our quarter, each quarter, we show overall operating leverage in our business model, despite sales and marketing expenditure going up.

So we'll have to spend a bit more on the R&D going forward. We'll be a little bit more prudent with sales and marketing expenditure. But overall I think we'll continue to see some returning of our operating leverage in our business model in the coming quarters.

Wendy Huang: Thank you.

Operator: Evan Zhou; Credit Suisse.

Evan Zhou: Good evening. (Speaks in Chinese)

So, two questions. One is overseas game revenue strategy, because the Piano Tiles 2 has been progressing pretty well this quarter and has been contributing to the revenue number in a pretty decent way. So just want to hear more from Fu Zong (inaudible), like, what's our strategy in terms of developing game revenue in 2016. And will be more like using an in-house approach or more like investment or [more cooperation] approach on that?

My second question is regarding the update from our Cheetah ad platform revenue. What's the contribution at this point and how do we see the potential impact to the gross profit margins down the road? Thank you.

Sheng Fu: (Speaks in Chinese)

As Translated: So regarding our content strategy, I think game obviously is one. But it's not the only one. I think obviously game is the easier way to understand content development. But we had mentioned we have invested in multiple other content-driven products and (inaudible).

And so, the precise details at this time we won't disclose it, but (inaudible) out in the coming quarters. And I think it would probably help us to increase both visitor engagement and (inaudible). So, that's sort of the (inaudible) on content strategy there.

The second question you had about the gross margin impact, of gross margin coming from Cheetah ad platform business, I think if you look at our organic inventory, still account for the vast majority, almost 90% of our online marketing expenditures -- I'm sorry -- mobile advertising business. But for certain that, you know, like the low [end] of our platform has lower gross margin mainly because many obviously is using third party (inaudible).

So, as we mentioned, in last quarter that business generally has 20%, 30% gross margin, so it would have impact in terms of user acquisition costs, so there is a traffic (inaudible) cost for cost of revenues.

But if you look at overall, our profit is actually relatively stable. So I think last quarter -- I think this quarter we maybe had 1% variations, which is within what we have mentioned to investors. We are expecting 74% plus/minus 1% gross margin for the third quarter and then that came in pretty much in line with what we expected.

So all of the mix shift may have some impact, but I think still, given the organic business, still going to be a main focus for us. We would not have -- we [minimally expect significant] gross margin deterioration in the coming quarters.

Evan Zhou: All right. Great.

Operator: Henry Guo; Summit Research.

Henry Guo: Thanks for taking my question. (Speaks in Chinese)

So, I have two questions. First question is about the Q4 revenue guidance. Could Andy provide more colors in terms of different business segments in terms of the Q4 top line?

And also, my second question is regarding the mobile advertising. So, could you provide a breakout of domestic advertisers and the international advertisers? Thank you.

Andy Yeung: Okay. So, I think regarding guidance we guided to RMB1.11 billion to RMB1.16 billion. And obviously we already have almost half way into the quarter. So we have a little visibility at least in the early part of the quarter how it's being performed.

As we have mentioned before, online marketing services, particularly the mobile area of the business, will remain the key driver for our growth. And we don't see that changing in the fourth quarter. So we do expect mobile revenues and overseas revenues to remain the key driver for our revenue growth in the fourth quarter.

If you look at on the PC side, which is mainly in domestic China, the PC business both in terms of games and also in terms of online marketing strategies did experience some weakness in China. And that has a lot to do with internet users in China are moving quite rapidly from PC to mobile. And so if you look at the trend line, we expect the trend line to continue.

So in terms of mobile games, we will continue to experiment with the mobile game operation. We are very happy with the success of Piano Tiles 2. So, but still, I think if you look at our overall drivers of our business would be coming from mobile, mobile first. And then that within mobile will be driven by our overseas operations.

And we're also anticipating mobile advertising in China to be also very robust. But mobile on the PC side I think both in terms of online marketing strategies and [also] games will be relatively weak. And as we mentioned, we saw some decline in the third quarter. We expect that to continue in the fourth quarter. So that's regarding guidance details.

In terms of the second question, which is -- sorry, but can you repeat the second question?

Henry Guo: The mobile advertiser breakout in terms of domestic and international.

Andy Yeung: Yes. We don't break down advertiser by domestic or overseas. I think that's too granular detail to have [that would] obscure what's happening. But what I can is that, like, in China we do have a very strong direct sales team that have sold mobile advertising services even before that platform in China began to offer those services, like GDP and whatnot. So we have a long history and stronger sales teams in China.

Overseas team have done a wonderful job as Fu Zong mentioned. If you look at over -- since we launched the product, we have added more than 500 advertisers to the Cheetah Mobile ad platform. And now we have more than 1,000 campaigns on a daily basis. So I think that will continue. Especially we have strengthened our offering overseas. We also increasingly localize some of the products and services, including opening up offices in overseas markets.

So we do expect that our sales force contribution to continue to rise in our overseas sales operation.

Henry Guo: Great. Thank you.

Operator: Thomas Chong; Citigroup.

Thomas Chong: Thanks for taking my questions. (Speaks in Chinese)

To basically ask one question, the question is about the breakdown in terms of the user base and advertising revenue coming from CleanMaster, CM Security, and other applications. Thank you.

Andy Yeung: Hi, Thomas. Thank you for the question. As we mentioned before, we would not break our revenue down or our users down into parts, and especially MAUs. And the main reason for that is, as we mentioned before, we account for monthly active users and it is defined as on a per-device basis. So, a user could have multiple applications on a handset and that would only count as one user.

In fact, if you had looked at the trend over the past year or two, we have seen that number of applications per MAU rising over the past couple years. Today we have more than 1.4 apps per MAU. So, it's really difficult for us to say, like, X user is coming from CleanMaster or Y user is coming from CM Security.

But what we can tell you is that obviously CleanMaster remains our largest application in terms of user base. But, CM Security has risen very quickly and has achieved very quick success. I think, if my memory serves me right, that it is actually growing faster than CleanMaster when it was only 1.5 years old.

So, that's in terms of user base. But we also have a number of very successful products we have launched, as we mentioned before, [the browser supporter,] the AppLock product.

In terms of monetization it's the same thing. We don't usually break it down by product. (Inaudible). But what we can is that for certain there's some correlation between the user, his traffic, his engagement in terms of the ability to generate mobile advertising revenues. So obviously CleanMaster, CM Security, those are large applications that also have some very large contribution to revenues.

But we also have a very diversified product portfolio. So you can look at our product list, be it

Browser, Launcher, they all have achieved critical mass and we have to (inaudible).

Thomas Chong: Thanks, Andy.

Operator: Wendy Huang; Macquarie.

Wendy Huang: (Speaks in Chinese)

So my question is Tencent-related. So, recently you announced a Board change and adding one person from Tencent. Does that mean there will be more collaboration between the two companies? And also in your prepared remarks you mentioned your collaboration with Tencent Guang Dian Tong GDT system. So besides the GDT Tencent also recently [released] some additional advertising product and inventories. Should we expect more actually cooperation between the two companies on those things? Thank you.

Sheng Fu: (Speaks in Chinese)

As Translated: So, thanks, Wendy, for your questions. In regard to our announcement today in the change of our board composition, I would just make a clarification, Tencent did not have -- didn't add a new Board Director to our Board of Directors. In fact, he's a replacement. Previously Mr. Peng, also from Tencent, was our Board Director. But he has left Tencent. And so Tencent replaced that with Mr. Li. So in that sense the Board composition in terms of Tencent remains two board seats. So there's no change in total number of board seats for Tencent.

(Speaks in Chinese)

As Translated: So, (inaudible) GDT, obviously we have expanded our cooperation with (inaudible) over the past quarter. It's impacting during the quarter where rate capping between our [intersection] with Tencent, mainly due to (inaudible).

So, Guang Dian Tong GDT obviously right now is a (inaudible) on its own, as they prove that they are one of the better quality ad platforms in China. And also, our expanded business with them also indicates how strong our advertising inventory quality is in China.

So, we certainly would look forward to expanding our cooperation with Tencent and Guang Dian Tong. But even though they are our shareholder, we always look out for the interest of our [broader] shareholders, other than just Tencent. And so, that's how we come from doing -- looking out for interests. That's our view.

So, we're continuing to look forward to working with Tencent Guang Dian Tong. But we will also continue to work with other advertising platforms in China. So, but feel like (inaudible) is still one of the best advertising platforms in China, so we look forward to expanding our partnership. (Inaudible).

Wendy Huang: (Speaks in Chinese)

So my question is actually more coming from whether you're working with Tencent other than the existing Guang Dian Tong system. Because we noted that recently [Jingdong] actually also expanded their cooperation with Tencent beyond Guang Dian Tong.

Sheng Fu: (Speaks in Chinese)

As Translated: So, you know, for Tencent obviously we'll continue to look forward to working with Tencent in certain areas. So if you look at now advertising, we also use Tencent, the App Store, to [have] more apps, for example. And we'll continue to explore other ways to expand that partnership for sure.

In terms of particular [JVs], how that [goes] with Tencent, we don't have much comment for that.

Sheng Fu: (Speaks in Chinese)

As Translated: So, let me just talk a little bit about our revenues [ramifications]. So let's compare a year ago or two years ago when we first did our IPO. Our customer concentrations has [declined] pretty significantly in China. Tencent, for example, even with expanded cap limit, 340 million for 2015, still represent a small portion of our overall revenue. In fact, our reliance on [BAT] in China has declined significantly as we grow our mobile business. And so I think going forward we'll continue to see that trend.

Obviously we would love to continue to expand and cooperate with Tencent and other key players in China. But I think they're a welcome contribution (inaudible) overall revenues would continue to moderate.

Wendy Huang: (Speaks in Chinese)

So, you just mentioned that the BATs' contribution to your business has been decreasing. But I just wonder if you can just give us a rough ranking amount those three regarding the revenue growth contribution to your business. Thank you.

Andy Yeung: Wendy, thanks for your follow-up questions. I think what we would say is that we would not break down individual customer contribution at this time. It does -- any of those customers exceed a certain threshold, we disclose that in our Annual Report. But as we mentioned before, in our overall (inaudible) for the BAT customer concentration and is not in that ranking.

So the large customers in China, their contribution to our overall revenue continues to moderate even though we do see growth from those customers. That's a trend. But we won't break out the revenue contributions or the ranking of the revenue contribution [among those players] at this time.

So thank you for the questions. Let's see if there's any other questions from our other callers.

Operator: This concludes our question-and-answer session. I'd like to turn the conference back over to Helen Zhu for any closing remarks.

Helen Zhu: Thank you all for joining us today. If you have any questions, please do not hesitate to contact us. Thank you. Bye.

Operator: The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.