LinkedIn Q4 2014 Quarterly Results Transcript

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Mountain View, Calif. – February 5, 2015

[Matt Sonefeldt, Investor Education, LinkedIn]

Good afternoon. Welcome to LinkedIn's fourth quarter of 2014 earnings call. Joining me today to discuss our results are CEO Jeff Weiner, and CFO Steve Sordello.

Before we begin, I would like to remind you that during the course of this conference call, management will make forward-looking statements which are subject to various risks and uncertainties. These include statements relating to expected member growth and engagement, our product offerings including mobile and our product deployment process, the results of our R&D efforts, revenue including revenue growth rates of our 3 product lines talent solutions, marketing solutions, and premium subscriptions, adjusted EBITDA, depreciation and amortization, stock based compensation, share dilution, taxes, the product mix between online and field sales, churn rate and expenses. Actual results may differ materially from the results predicted and reported results should not be considered as an indication of future performance. A discussion of risks and uncertainties related to our business is contained in our filings with the Securities and Exchange Commission, in particular the section entitled "Risk Factors" in our quarterly and annual reports, and we refer you to these filings.

Also, I would like to remind you that during the course of this conference call, we may discuss some non-GAAP measures in talking about the company's performance. Reconciliations to the most directly comparable GAAP financial measures are provided in the tables in our earnings release.

This conference call is also being broadcast on the Internet and is available through the investor relations section of the LinkedIn website.

With that, I will turn the call over to our CEO Jeff Weiner.

[Jeff Weiner, CEO, LinkedIn]

Thank you, Matt, and welcome to today's conference call.

I'll start by summarizing the operating results for the fourth quarter and full year of 2014, and I'll recap some of the key milestones that highlight the success of our strategy.

I'll then turn it over to Steve for a more detailed look at the numbers and outlook.

Q4 was a strong quarter, bringing to a close another successful year of growth and innovation. One year ago, we began a number of multi-year strategic investments in the platform. We continued our transition from desktop to mobile, and also focused on initiatives in jobs, content, and global expansion. While still early, we made significant progress on these priorities in 2014, and maintained solid growth across all member ecosystem metrics while delivering record financial results.

For Q4, overall revenues grew 44 percent to a record $643 million. We delivered adjusted EBITDA of $179 million, and non-GAAP EPS of $0.61 cents. For the full year 2014, revenue was $2.22 billion, up 45 percent, and we delivered adjusted EBITDA of $592 million, and a non-GAAP EPS of $2.02.

In Q4, our platform continued to show strong momentum, as measured by unique visiting members and member pageviews. During Q4, cumulative members grew 25 percent to 347 million, unique visiting members grew 23 percent to an average of 93 million per month, and member pageviews grew 34 percent, well ahead of unique member growth. Again we saw a year over year increase in member pageviews per unique visiting member, demonstrating strengthening organic engagement. Our reach is much broader when including SlideShare, which approached nearly 70 million monthly unique visitors during Q4.

LinkedIn creates value for members by connecting them to the people, knowledge, and opportunities that matter most to them professionally. Today, we do this for nearly one-half of the world's professionals and students. Yet, our vision is to create economic opportunity for every member of the global workforce -- all 3 billion of them -- by building the world's first economic graph. In the last year, we've made meaningful strides against several of our multi-year initiatives that will help us achieve our vision.

Mobile was a top strategic priority for LinkedIn in 2014, and we focused our resources to ensure that our product and engineering organizations were fully mobilized. In 2014, we continued to execute against our multi-app strategy, which now includes our flagship LinkedIn app, Connected, Pulse, Jobs, and Slideshare. For our talent acquisition customers, we improved the Recruiter app, and we released a new Sales Navigator app for outbound sales customers. In the fourth quarter, mobile accounted for 49 percent of unique member visits to LinkedIn and is growing at double the rate of overall member activity.

Increasing the scale and relevance of jobs on LinkedIn was also a major investment in 2014, aligned with our core value proposition of helping connect members to the right opportunities. Early in the year we acquired Bright, and shortly afterwards we began adding open job listings to LinkedIn, targeted to active job seekers and making LinkedIn more attractive to hiring managers. There are now more than 3 million active job listings on LinkedIn, a greater-than 10x increase from a year ago. Our long-term goal is to have every available job in the world on LinkedIn. To achieve this, we are expanding on our ability to create better insights for our job-seeking members and ultimately put more relevant job opportunities in front of them. Our mobile Jobs app, which we launched last year, continues to show strong momentum, with more than a million downloads to date and a four star rating.

The growth of original content on our platform was another strategic priority in 2014, consistent with our goal of having all of the world's professionally relevant knowledge accessible through LinkedIn. In February, we introduced the ability to publish long-form content, allowing our members to augment their professional identities with their unique knowledge. Upon seeing rapid adoption and meaningful social engagement with these posts, we steadily accelerated the rollout of this functionality. By year's end, we made long-form posting available to all 230 million English-language members, on our way to eventually making this functionality available to LinkedIn members globally. We surpassed more than 1 million long-form posts on the platform, and we recently saw our first week with more than 50,000 new posts. Meanwhile, our roster of hundreds of professional Influencers continue to use LinkedIn to deliver compelling content to our members. A few weeks ago, Valerie Jarrett, senior advisor to President Obama, turned to LinkedIn to break news of the administration's new paid family leave initiatives. Her post has received nearly 400,000 views and thousands of likes, comments and shares.

Rich media also continues to grow on our platform. Slideshare now hosts more than 17 million presentations and videos, demonstrating strong progress toward our goal of making it the largest repository of professional knowledge on the Internet. Increasingly, we are seeing more well-known business influencers such as Eric Schmidt, Arianna Huffington and Suze Orman, use SlideShare to engage an active professional audience that is seeking out deep knowledge on specific subjects.

Expanding LinkedIn internationally has also been a major initiative. In Q4, more than 75 percent of new members came to LinkedIn from outside the US. China, with roughly one in five of the world's professionals, emerged as a focus in 2014. In February, we launched our local Simplified Chinese version of the platform. Prior to this launch, there were 4 million English-language members in China. Currently, we have more than 8 million members in China. And earlier this quarter, our ICP license application for our local Chinese LinkedIn site was approved.

Creating value for our members enables us to deliver useful offerings to customers of our Talent Solutions, Marketing Solutions, and Premium Subscriptions products. These product lines transform the way our customers Hire, Market, and Sell on a global basis. In Q4, Talent Solutions grew 41 percent to $369 million; Marketing Solutions was up 56 percent to $153 million; and Premium Subscriptions increased 38 percent to $121 million.

For Talent Solutions, 2014 was a year of strategic investments in both our flagship Recruiter product and in our field sales team. At our annual Talent Connect conference, we introduced powerful new search capabilities to Recruiter that simplify the experience for hiring managers, as well as tools that help recruiters find the best fits for their particular companies. More broadly, our efforts to add millions of job listings to the platform should provide benefits to both recruiters and hiring managers who are looking to fill open positions with the best active job seekers.

For Marketing Solutions, in 2014 we made progress against two of our key initiatives -- the transition to a more scalable content marketing platform, and the creation of a full-funnel end-to-end product portfolio. Sponsored Updates continues to show strong momentum, now accounting for approximately one-third of total Marketing Solutions revenue. And with the acquisition and integration of Bizo, we are now ready to relaunch our Marketing Solutions product suite. We believe this will make LinkedIn the most effective integrated platform for marketers to reach, nurture, and acquire professional customers. We are currently in the process of transitioning our global marketing solutions sales force to deliver this new suite at scale.

Within Premium Subscriptions, 2014 saw the simplification of our various member-facing offerings, while investing heavily in our Sales Navigator flagship product. We are off to a strong start with Sales Navigator, which we believe will scale into our third, large vertically-focused product line following Talent Solutions and Marketing Solutions.

As we begin 2015, LinkedIn remains focused on our core strategic priorities. For our members, it's about connecting them to the people, knowledge and opportunities that matter most to them professionally. With regard to helping members build and nurture their professional relationships, we'll continue to invest in our profile and networking functionality on the platform, such as the flagship and Connected applications. Related to professional knowledge, we are committed to growing our publishing platform, making Slideshare the largest professional content repository on the Internet, and making Pulse the best application for relevant content based on who you are and who you know. And with regard to connecting our members to the right opportunities, we'll continue to make it easier to find the right jobs and get hired through our Jobs application by leveraging the scale and data of our platform.

On the customer side, we remain focused on helping companies Hire, Market, and Sell. In Talent Solutions, we are addressing key unmet needs in the marketplace for hiring managers by simplifying the search experience, streamlining the referral process, and making talent branding more powerful. In Marketing Solutions, we will integrate Bizo into a full-funnel solution that can be used both on and off the LinkedIn network. For Sales Solutions, we'll continue to educate the market around the power of social selling. And this year, we plan to enter a new category with products allowing companies to utilize LinkedIn in the enterprise by leveraging content and data that members are already sharing publicly.

And now, I'll turn it over to Steve for a deeper dive into our operating metrics and financials.

[Steve Sordello, CFO, LinkedIn]

Thanks Jeff,

Today, I will discuss growth rates on a year-over-year basis unless indicated otherwise, and non-GAAP financial measures exclude items, such as stock-based compensation expenses, amortization of intangibles, and the tax impacts of these adjustments.

The fourth quarter underscored a strong 2014 for LinkedIn. We made progress on many of our long-term investments. We ended the year with positive momentum across the business portfolio, ranging from growing organic engagement in our member platform, to strong performance across all three product lines. As a result, we generated revenue growth consistent with prior quarters, and record levels of Non-GAAP Net Income and Adjusted EBITDA.

Specific to LinkedIn members, Jeff highlighted the trend of strengthening organic engagement, driven in particular by the shift to mobile and a richer content experience. We continue to invest in creating a platform that delivers value to members across specific professional use cases.

One example of a key 2014 investment was relevance, an area showing early positive results. The redesigned desktop homepage began gradually ramping in December. Members on the new experience have meaningfully increased engagement with news, publishing members, and social interactions - driving an approximate 90 percent increase in social activity. Wins like homepage relevance drive our investment into the member platform, where a stronger member experience expands our long-term monetization potential.

With regard to monetization, revenue totaled $643 million, an increase of 44 percent year-over-year.

Talent Solutions performed well during the year’s seasonally strong quarter, growing 41 percent year-over-year to $369 million, and representing 57 percent of sales versus 58 percent last year.

Field sales comprised 77 percent of Talent Solutions revenue, and showed continued balance through our land and expand strategy. Pulling forward salesforce hiring was a key 2nd half investment, an initiative spanning reps for both customer acquisition and relationship management. Our conviction to accelerate investment stems from increased visibility into our long-term opportunity, which we outlined in our second quarter results. As a reminder, we see a pipeline for Talent Solutions in excess of $10 billion against the broader $27 billion full-time hiring market.

- New customer acquisition showed particular strength, even in well-established markets. For example, our large enterprise customers in North America drove more than expected new business, suggesting healthy headroom in more mature regions. Overall customer growth remained strong, increasing to over 33,000 customers.

- Business with existing customers was a particular point of strength, driven in our core markets in North America, EMEA, and with global strategic customers. The net ratio saw a strong seasonal uptick, helped in part by record low churn on a global basis. For the full year, the net ratio was essentially flat versus 2013 on a much larger book of business, strength we believe can continue into 2015.

In addition, the online channel generated solid performance. The job seeker subscription showed a meaningful increase in subscribers generated by the new self-serve purchasing experience. At the same time, self-serve jobs showed slower growth, a byproduct of pushing SMB accounts with larger upside into the field channel.

Marketing Solutions grew 56 percent to $153 million, representing 24 percent of total sales versus

22 percent last year. Powered by Sponsored Updates, our core business grew 40 percent year-over-year excluding Bizo, an improvement versus last quarter. This is a positive result given the comparison to Q4'13 when Sponsored Updates began fully ramping.

- The field sales channel generated strong performance on several dimensions, with greater than 20 percent growth in both spend per customer and total customers.

- Also, the number of field sales customers buying multiple products increased by nearly 50 percent. This dynamic has helped overall desktop display perform in excess of our expectations throughout the year, despite the challenge of slower desktop inventory growth.

- Sponsored Updates across both channels grew 50 percent quarter over quarter, and well over 3x vs last year. Effective pricing increased greater than 40 percent versus last year as we benefitted from strong click thru rates and growing demand in the auction.

As it relates to Bizo and our broader strategy:

- During the fourth quarter, Bizo contributed approximately $16 million to Marketing Solutions. The Bizo sales team closed a strong Q4, seeing a pull forward in demand ahead of the relaunch of our product suite. Included in the $16 million was approximately $4 million in data licensing revenue that will be discontinued going forward.

- More importantly, last year's Bizo acquisition represented a large step on the Marketing Solutions strategic roadmap, and we are pleased with the progress we've made against our integration plan.

- In Q4, we successfully joined our R&D teams to begin development on the re-envisioned product suite, which will launch in coming months. In Q1, we are unifying and training the LinkedIn and Bizo salesforce in preparation of introducing this integrated portfolio aimed at helping marketers reach, nurture, and ultimately acquire prospects.

Premium Subscriptions grew 38 percent to $121 million, contributing 19 percent of revenue, compared to 20 percent last year.

- As a reminder, we rolled out a simplified buying experience in Q4, reducing SKUs, better educating customers, de-emphasizing email marketing, and standardizing free trials. This drove a small downward revenue impact that we believe will be slightly larger in Q1 given the larger typical seasonal sign-up volume in the first quarter.

- More importantly, we believe the longer-term impact will increase the lifetime value per subscriber and lift overall revenue. To date, we have seen an increase in the number of new subscribers, and improvement in renewal rates.

Sales Solutions outpaced our expectations in the first full quarter post launch of the flagship Sales Navigator. While the majority of Sales Solutions remains online, field sales showed particularly strong performance as the primary driver behind growth.

- We have migrated virtually all enterprise customers to the new product, and encouragingly, churn has improved versus last year.

- We are seeing strong performance with larger customers on both new customer acquisition as well as renewals. The SAP deal is an example of larger enterprises finding value in social selling. And similar to Talent Solutions, we are seeing the land & expand model take root.

Our business continues to become more global. In Q4, international represented 40 percent of overall revenue versus 39 percent last year. By channel, field sales contributed 64 percent of revenue versus 61 percent last year.

Moving to the non-GAAP financials, revenue outperformance resulted in Adjusted EBITDA of $179 million, a 28 percent margin compared to $111 million and 25 percent margin last year.

Depreciation and amortization totaled $71 million while stock-based compensation was $94 million. On taxes, GAAP expense was $4 million with a positive impact from the R&D tax credit, creating a $16 million benefit. Non-GAAP tax expense was $42 million, reflecting the static 35 percent non-GAAP tax rate implemented in 2014.

GAAP net income was $3 million, resulting in earnings of two cents per share, compared to three cents last year. As a reminder, GAAP Net Income now includes a non-cash interest expense related to the convertible offering. The fourth quarter expense was $6 million, and will be approximately $11-12 million per quarter in 2015.

Non-GAAP net income was $77 million, resulting in earnings of 61 cents per share, compared with $48 million and 39 cents last year.

With respect to the balance sheet, the November convertible offering further strengthened our cash position with minimal dilution and interest, while providing flexibility to invest in our strategic roadmap. We ended the year with $3.4 billion of cash and marketable securities.

Free cash flow for the full year was $21 million; however, cash flow and capex were impacted by approximately $180 million in 2nd half property purchases in Dublin and Silicon Valley. We believe both geographies will help create centralized scale for our employees over the long-term. Without the property acquisitions, free cash flow would have been approximately $200 million in 2014, a positive result considering the level of investment in our self-managed datacenter project and global facilities expansion.

I will end the call with guidance for the first quarter and our initial outlook for 2015.

Revenue guidance for 2015 incorporates continued strength in our core business, a growing contribution throughout the year from key strategic initiatives, and the planned transitions in Marketing Solutions and Premium Subscriptions during Q1.

For revenue:

- We expect Q1 to range between $618 and $622 million, 31 percent growth at the midpoint.
- For the full year, we expect revenue to range between $2.93 and 2.95 billion, a 33 percent annual growth rate at the midpoint.

First quarter guidance includes the following impacts:

- Approximately $20 million related to Marketing Solutions, as the integration and training of our salesforce will push revenue to future quarters. $4 million of this impact also relates to shutting down the Bizo data product.
- Approximately $5 million related to changes in premium subscriptions, slightly more than Q4 given higher seasonality in signups.
- Approximately $10 million in impact related to the headwind from foreign exchange rate volatility.

As it relates to Adjusted EBITDA, we plan to maintain a consistent investment philosophy as in past years where we balance creating scale and efficiency in our core operations with long-term investment towards our strategic roadmap.

For Adjusted EBITDA:

- We expect Q1 to range between $152 and $154 million, a 25 percent margin at the midpoint.

- For the full year, we expect approximately $785 million, a 27 percent margin, consistent with the level achieved in 2014.

Lastly:

- We expect non-GAAP EPS of approximately $0.53 cents for Q1 and approximately $2.95 for the full year.

Additional guidance inputs include:

- Depreciation of $61 million for Q1 and $270 million for the full year; and first quarter amortization of $12 million and $45 million for the full year.

- Stock based compensation of $103 million for Q1 and approximately $460 million for the full year.

- Related to the convertible offering, cash interest expense of $2 million per quarter. On a GAAP basis, there is an additional quarterly non-cash interest expense of $11-12 million.

- For GAAP taxes, our ability to forecast remains limited given the level of GAAP pre-tax income, but we anticipate greater than $80 million in tax expense for 2015 given the continued build of our global business.

- A Non-GAAP tax rate of 25 percent for Q1 and the full year 2015, the product of a growing international business. The change versus 2014 reflects a rolling long-term forecast that we expect to result in a stable long-term tax rate over the next several years.

- And finally, fully diluted weighted shares of approximately 128 million for Q1, and 130 million for the full year.

To conclude, 2014 represented a year of both new strategic investments and significant progress against LinkedIn's long-term roadmap. We improved our member experience by investing in mobile, content, and the successful launch in China. Within monetization, we increased investment to pursue the larger market opportunity in Talent Solutions, while laying the foundation for Marketing and Sales Solutions through the acquisition of Bizo and launch of the flagship Sales Navigator. We will continue to aggressively invest in our member and customer platforms to pursue the vision of building the world's first economic graph and realizing LinkedIn's full potential.

Thank you for your time, and we will now take questions.

[Operator]

Our first question comes from the line of Douglas Anmuth of JPMorgan.

[Douglas Anmuth, JP Morgan]

Hello, it's Diana Couter on for Doug. Thanks for taking the questions. Just wanted to ask on the level of investment for Sales Navigator this year: your expectations relative to last year as the sales force was really ramping.

And then also, if you could provide any more color on how different this Marketing Solutions relaunch will be. I know it's early, but anything you can provide would be great. Thanks.

[Steve Sordello, CFO, LinkedIn]

On the Sales Solution side in terms of the investment, from a headcount perspective in terms of salespeople, we ended the year just north of 165 heads, between 165 and 170. Today, we're at about 200. We expect to grow that throughout next year by about 80 percent. So we're still in investment mode in terms of rolling out the sales force, as well as continuing to transition the customer base. We're virtually fully transitioned on the field side, but the online side is about 20 percent transitioned.

[Jeff Weiner, CEO, LinkedIn]

In terms of the Marketing Solutions roll-out and transition, it's really adding to our portfolio of Marketing Solutions products. So on the heels of our success with native advertising and sponsored content, this reflects the integration of Bizo and multi-channel nurturing.

So that our Marketing Solutions partners are going to be able to nurture prospects on LinkedIn , off of LinkedIn , and that's both mobile and desktop. So it's going to provide a much more robust set of solutions, and we're looking forward to bringing that to market.

[Douglas Anmuth, JP Morgan]

Thank you.

[Operator]

Our next question comes from the line of Gene Munster of Piper Jaffray.

[Gene Munster, Piper Jaffray]

Good afternoon. If you could talk a little bit about the new seed growth of 36 percent year over year? How sustainable is that?

I know that your sales force doesn't compound that growth. So just some thoughts on how we should expect that to trend for the year? And separately, as CapEx went up dramatically quarter on quarter, could you talk a little bit about some more about the investments that you're making?

[Steve Sordello, CFO, LinkedIn]

Sure. I think you're referring to a page-view growth in terms of the traffic to the site. And we have seen continued improvement in user engagement, both in terms of unique visitors and page-views. Both of those accelerated in the quarter, page views from 28 percent to 34 percent, as you mentioned.

We're seeing I think good returns on some of the earlier investments in content. We talked about the publishing platform and the home page growing at a material faster rate than the rest of the site, as well as mobile. Mobile is now approaching 50 percent of unique visitors. So investments in those two areas has been driving growth.

I think looking forward, I think we expect it to continue to grow in a healthy manner, not necessarily accelerate, as we continue into 2015 off of very healthy levels. But we continue to be somewhat stable.

In terms of the CapEx, we're currently -- this last quarter we're influenced by a couple of large investments in purchases of land. If you strip those out, we're running somewhere in the 17 percent of revenue level, in terms of CapEx. And I would say for 2015, expect around that level, maybe slightly higher.

We're investing in a number of areas, self-managed data center is one that we have talked about previously. We're planning on launching a third one this year on the international basis, and possibly a fourth, in addition to continuing with some pretty significant facility build-outs. So, those two areas from a CapEx perspective are keeping it in that high teen range.

[Gene Munster, Piper Jaffray]

Excellent, thank you.

[Operator]

Our next question comes from the line of (Stran Lee) of CLSA.

[Stran Lee, CLSA]

Great, thanks for taking my questions. Relating to China, now you're getting the ICP license. Besides being able to put service on the ground, I was wondering, what does that allow you to do?

And also secondly, I think you recently appointed a new government relations officer. I was just curious what his background was, and what you're hoping to achieve with this appointment. Thank you so much.

[Jeff Weiner, CEO, LinkedIn]

So with regard to China license, it's business as usual. That was always a part of our plan, and we continue to execute there. Still a lot of work to be done.

But we have always talked about our focus on putting the right team in place, and we're very fortunate to have built a really talented group there in China. Most recently, we added a Head of Engineering in China. So we're looking forward to more localized development efforts there.

We had a good 12 months in terms of membership growth, doubling the number of members from 4 million to 8 million. And we're going to continue to focus on the team and getting the product right and delivering the right member value.

In terms of government relations, I think you're referring to Pablo Chavez, who has been with us for roughly a year now. And Pablo has been a wonderful addition to our team, and he's not focused specifically on China. He works on government relations on a global basis, but we're very fortunate to have him here.

[Operator]

Our next question comes from the line of Peter Stabler of Wells Fargo.

[Peter Stabler, Wells Fargo]

Good afternoon. Thanks for taking the questions, one for Jeff, and one for Steve.

Jeff, certified developer programs appear to have been really successful for some of your large social platform competitors. Wondering if you could offer some thoughts on the importance there, and maybe any plans to expand it. It seems fairly limited at the current time.

And then, Steve, wondering if you could just give us a snapshot on currency, what the impact was in the quarter, and then what you're baking in, in terms of expectations for full-year 2015? Thanks very much.

[Jeff Weiner, CEO, LinkedIn]

So with regard to our platform plan and certified developers, we're going to be getting increasingly focused on specific use cases for developers. So for example, with regard to our Marketing Solutions efforts, APIs that facilitate third-party social media marketing agencies to create more value for their customers and our customers. And we have a number of vertical areas where we think we have similar opportunities.

With regard to our general API program, we want to get as focused as possible on the things that make the most sense for multiple constituents within the ecosystem. So a great example of that would be our in-share buttons and the ability to share content from third-party sites. So I think going forward, the best way to characterize it would be greater clarity, and we'll be much more explicit about our objectives by vertical.

[Steve Sordello, CFO, LinkedIn]

And in terms of the currency, I think one of the factors in our Business is the consideration is 40 percent of our business is international, but over 70 percent of the total business is in USD. So that somewhat mitigates it. And we're also a ratable business, so the quarter-to-quarter volatility. It's more of a deferred volatility.

In the past, it's been nominal. And in Q4, a less than 1 percent impact, on revenue in Q1 we're projecting less than 2 percent. And for the year, somewhere between 1 percent and 2 percent impact. There could be greater variability, but that's what we're projecting at this time.

[Peter Stabler, Wells Fargo]

Thank you.

[Operator]

Our next question comes from the line of Dan Salmon of BMO Capital Markets.

[Dan Salmon, BMO Capital Markets]

Good afternoon. Jeff, I just wanted to ask a little bit about the LinkedIn Corporate Solutions customer number for the quarter. You saw nice acceleration again.

And I was just wondering if you could give us a little bit of color around that? What maybe some of the drivers, if the international number is starting to pick up?

If Sales Navigator is opening some new doors, particularly against the context of a little bit more emphasis on expanding, rather than landing that seems like pretty positive figure.

[Steve Sordello, CFO, LinkedIn]

This is Steve. So we did have a healthy quarter, both in terms of new business and existing business. On the new side, nearly 3,000 customers. A good number of those came from the more established companies in some of the larger markets, which is a good sign in terms of there continuing to be headroom. So that was very positive.

We're also, obviously, continuing to expand more and more deeply into FNB in terms of the number of accounts. One of the good phenomenons that's been happening over that prior quarters is, despite that longer tail being reached, our (technical difficulties) been able to been maintained at near record levels.

And that's due to the fact that we continue to also sell into our existing account base bigger deals. So that's been a healthy rate. Our net ratio has been strong in terms of add-ons, and renewals net of churn.

This last quarter, churn was a record low as we've focused. And that really was mainly in North America and EMEA in the larger accounts. So I think it's been pretty broad-based.

We also, in the Q3 time frame, started to accelerate a little more investment in terms of sales on the Hunter side as we did the work in terms of the visible pipeline and saw a larger opportunity. So that had a moderate impact in the quarter. But, good performance overall.

[Dan Salmon, BMO Capital Markets]

And then maybe just one quick follow-up. You mentioned that Sales Navigator came in above expectations in the quarter.

Is there any color you could provide around maybe the level of promotional activity, whether that is free month to start, things like that? And how the -- it sounds like a fairly positive demand environment may reflect that as 2015 goes on?

[Steve Sordello, CFO, LinkedIn]

Yes, what I would say is we've been continuing to focus on the migration, particularly in the field sales side. Most of the growth has come on the field sales side. I think we're making good progress in some of the larger accounts.

SAP was an example. This is a little longer of sales cycle given it's a higher volume type of proposition than Talent Solutions. But we felt good about the performance.

In terms of the business side, this is a ratable recognition. So this is something that is going to build over time. And today, we're very much still focused on continuing to improve the product, continuing to educate the customer on social selling and how to best utilize the product, in addition to the selling portion of going to market.

In terms of -- so yes, that's kind of a high-level takeaway. Positive results so far, it's still in early stages of its life cycle.

[Dan Salmon, BMO Capital Markets]

Great. Thank you, Steve.

[Operator]

Our next question comes from the line of Brian Pitz of Jefferies.

[Brian Pitz, Jefferies]

Thanks. As you talk to clients about Sales Navigator, can you give us a sense for some of the feedback on how differentiated the product is versus competitors? And what are the unique data assets that LinkedIn actually has that can really further enhance Sales Navigator for clients?

Thanks.

[Jeff Weiner, CEO, LinkedIn]

So the primary point of differentiation is actually related to the second part of your question, and it is the data. So by virtue of our membership representing their identity to the world, we understand who they are, their role, their experience. Increasingly, those individuals are sharing their professionally relevant knowledge, which provides a really strong in for somebody looking to build a relationship with that prospect.

So I think the available data, I think beyond the data, is the insight that is generated from that data. So understanding when someone switches jobs, when they're promoted into a new role so that they become decision maker within an organization that a salesperson needs to reach out to.

Sometimes it's the little things, like being notified when it's worth reaching out to someone to congratulate them on something in particular. It helps to nurture that relationship. So it really runs the spectrum, but I think the key point of differentiation is related to our data.

[Operator]

Our next question comes from the line of Stephen Ju of Credit Suisse.

[Stephen Ju, Credit Suisse]

Jeff, in your prepared remarks, I think you mentioned new product categories. So I'm curious as to what this is. And also, I think you mentioned good returns on content. Presumably, you're talking about the publishing platform and the influencers. Have you been able to see any traffic benefits from scaling the job listings to 3 million? Thanks.

[Jeff Weiner, CEO, LinkedIn]

Yes, so with regard to the new product category, I think you're talking about some of our enterprise efforts. And with regard to the enterprise, I would start by saying with regard to higher market itself, we already have enterprise products. So Recruiter is really an enterprise product sales, Navigator is an enterprise product. The way in which companies are interacting with their company profile on LinkedIn , and administrating those products and services, to some extent, that's an enterprise product.

What I was referring to in the prepared remarks is that we think increasingly there's an opportunity for LinkedIn to create value within an enterprise, within an organization, leveraging information that's already public. So by way of example, our public profile information, which particularly at larger organizations, you see some of those companies turning to LinkedIn to look up someone within their own company, because of how robust that public profile information can prove to be.

So there's examples of content or information that's already publicly available, and we're trying to think about ways in which we can better leverage that to create value within an organization. I think similarly, there's also opportunities to facilitate the way in which employees are sharing news and content. Not only with one another, but externally in service of things like higher market end sell.

And we've got some interesting things that we've been working on that we're looking forward to continuing to test and experiment. And hopefully, roll that out and create value in that regard.

With regard to the comments, you mentioned, part of your question on publishing platform's impact on traffic. Yes, I do think our investment there, and the expansion of the publishing platform at first 500 influencers to now north of 230 million members has certainly made a difference. And we're hoping that similarly our investment in jobs liquidity will be making a difference as well, particularly in developing economies.

A market like India, for example, as we can create more job liquidity in a market like that. We're hoping to generate more value for our membership, particularly the younger demographic.

[Stephen Ju, Credit Suisse]

Thank you.

[Operator]

Our next question comes from the line of Justin Post of Bank of America Merrill Lynch.

[Justin Post, Bank of America Merrill Lynch]

Hello. Congratulations on a great quarter. Can you hear me?

[Steve Sordello, CFO, LinkedIn]

Yes, thank you.

[Jeff Weiner, CEO, LinkedIn]

Thank you.

[Justin Post, Bank of America Merrill Lynch]

Actually, can you please update us with any large customer wins, such as SAP for the Sales Navigator category? And also, I was wondering, what was the Sales Navigator revenue as a percent of Premium Subscription revenue? I think was roughly 25 percent last quarter?

[Steve Sordello, CFO, LinkedIn]

Yes, so we did announce SAP in the quarter. And as I mentioned, where we are seeing some success is in working with some of the larger accounts, both in terms of renewals, and add-ons.

And the goal is for SA to be an example of what can come on a greater scale. So no immediate announcements on that side, but we feel good about the momentum that we are seeing.

In terms of the revenue, as a percentage of Premium Subscriptions, yes, last quarter it was roughly 25 percent. This quarter it's approaching 30 percent. Again, this is a business that will build gradually over time.

[Justin Post, Bank of America Merrill Lynch]

Great. Thank you.

[Operator]

Our next question comes from the line of Kerry Rice of Needham.

[Kerry Rice, Needham]

Thanks a lot. To go back to Marketing Solutions and maybe the expansion of the publishing platform, can you talk a little bit about maybe the dynamics there as it relates to maybe providing additional inventory that you can advertise on, and if there's any impact to CPMs? I know that a lot of times you sell out on the field sales side.

And so I was curious if you're even running advertising against maybe some of the long-form publishing? And then the second question is, just beyond hiring additional sales people, and I know beyond China too, can you talk about other ways you think about monetizing the international markets? Thanks.

[Jeff Weiner, CEO, LinkedIn]

So with regard to the relationship between the publishing platform and inventory, the vast majority of the inventory that's been sold for the purpose of sponsored content has been in our feed. Both desktop and mobile/mobile actually comprises the majority of that. So that's where that is focused.

In terms of the publishing platform and additional inventory, we're excited about the potential there, but it's still early. And we want to make sure that we continue to invest in getting the platform right, those capabilities right. One thing you didn't mention that I would certainly include in the mix with regard to future inventory creation through content would be SlideShare.

And SlideShare has roughly 70 million uniques. And that, we feel, has very strong potential going forward. Over 17 million presentations and videos have been created to date. And thus far we haven't really been as focused there in terms of monetization and utilizing SlideShare as a source of potential Marketing Solutions inventory.

With regard to international and monetization opportunities, I think it's going to be very consistent across the business lines that we've been making progress on in the US. So higher market and sell, and that's both through our field channel efforts and through self-service.

[Kerry Rice, Needham]

Great, thank you.

[Operator]

Our next question comes from the line of Mark Mahaney of RBC Capital Markets.

[Mark Mahaney, RBC Capital Markets]

Great, thank you. It's Brian on for Mark. Following up on the sponsored updates question. Are you seeing any evidence that positive auction dynamics are starting to kick in or improve? And then if you could, provide an update regarding the number of advertisers on the platform, and possibly highlight strengths you're seeing with any particular industry verticals?

[Steve Sordello, CFO, LinkedIn]

Yes, on the sponsored update side, we are continuing to see marketers adopt content marketing over the course of last year. In terms of the auction, it is developing. I think that's showing in terms of the improvement of the ECPMs, which were up about 40 percent year-on-year. So it continues to build.

Our advertising, advertisers continue to grow. I think the last number we had roughly 5,000 advertisers on the Marketing Solutions side. It fluctuates here and there, in the fourth quarter it's seasonally strong on an active basis.

So that continues to build nicely. And another I think healthy dynamic we saw in the last couple quarters is the spend per advertiser increasing nicely.

[Mark Mahaney, RBC Capital Markets]

OK. Thank you very much.

[Operator]

Our next question comes from the line of John Blackledge of Cowen.

[John Blackledge, Cowen]

Great. Thanks. With the field sales ramping for Sales Navigator in 2015, can you just remind us how long it takes for them to get up and running from their start date?

And is Sales Navigator being sold to enterprises globally at this point? And just any thoughts on the TAM for Sales Navigator in terms of total global salespeople, and/or a dollar amount for the opportunity? Thanks.

[Steve Sordello, CFO, LinkedIn]

Yes, so in terms of the ramp time, it varies. On average, I would say 6 to 9 months on average. In terms of the global opportunity, we haven't -- this is still a relatively nascent piece of our business, so we haven't really published a lot in terms of the TAM

What I would say is we've started to look at it from our internal dimensions of the visible pipeline that we see somewhere it would show Talent Solutions. And it's roughly a similar number, which is around $10 billion opportunity based on our members and the network.

[John Blackledge, Cowen]

Thank you.

[Jeff Weiner, CEO, LinkedIn]

OK. With that, that's going to conclude this quarter's call. Thank you so much for your time, and we look forward to talking next quarter. Take care.

[Operator]

Thank you. This concludes today's call.

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