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## CORPORATE PARTICIPANTS

**Jessie Zheng**

**Xiaochuan Wang** *Sogou Inc. - CEO & Director*

**Yi Zhou** *Sogou Inc. - CFO*

## CONFERENCE CALL PARTICIPANTS

**Alex C. Yao** *JP Morgan Chase & Co, Research Division - Head of Asia Internet and New Media Research*

**Alicia Yap** *Citigroup Inc, Research Division - MD and Head of Pan-Asia Internet Research*

**Chong Liu** *Goldman Sachs Group Inc., Research Division - Associate*

**Xueru Zhang** *86Research Limited - Analyst*

**Yiu Hung Chong** *Crédit Suisse AG, Research Division - Regional Head of Internet*

**Yue Wu** *China International Capital Corporation Limited, Research Division - Analyst*

## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by, and welcome to Sogou's Second Quarter 2018 Earnings Conference Call. (Operator Instructions) Today's conference call is being recorded. If you have objections, you may disconnect at this time.

I would now like to turn the call over to your host today, Jessie Zheng, Investor Relations, Director of Sogou.

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### Jessie Zheng

Hello, everyone, and thank you for joining Sogou's Second Quarter 2018 Conference Call. On the call, our CEO, Xiaochuan Wang; and our CFO, Joe Zhou, will give an overview of operations and financial results.

Before management begins their prepared remarks, I would like to remind you of the company's safe harbor statement in connection with today's conference call. Except for the historical information contained herein, the matters discussed in this conference call are forward-looking statements. These statements are based on current plans, estimates and the projections, and therefore, you should not place undue reliance on them. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statements. For more information about the potential risks and uncertainties, please refer to the company's filings with the Securities and Exchange Commission.

With that, I will now turn the call over to our CEO, Xiaochuan Wang.

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### Xiaochuan Wang - Sogou Inc. - CEO & Director

Thank you, Jesse. The second quarter of 2018, we continued to steadily develop our twin growth engines, Sogou Search and Sogou Mobile Keyboard. Our core search business maintained the sales growth with search and search-related revenues growing by 45% year-on-year.

As we continued to deliver differentiated content, Sogou Search further strengthened its competitiveness in the market. During this quarter, we also looked initiatives to better integrate Sogou Mobile Keyboard with Sogou Search and build our big data analysis based on the information



captured by Sogou Mobile Keyboard. We also continued to improve our AI technologies, which can be leveraged to empower our twin growth engines.

According to iResearch, by end of June 2018, we achieved 17.8% this year of the mobile search market, maintaining our position as the single-largest search engine in China. Sogou Mobile Keyboard gained fourth its position as the third largest mobile application in China with 380 million DAU according to iResearch data, which represented 36% year-over-year growth.

Now I will talk about more of the specific progress we make in each of our business units during the second quarter. For our core search business, we continued to strengthen our differentiated content offerings in a number of key verticals, such as health care, legal and education, in particular, reported authoritative companies and smart diagnosis services in health care segments to enhance our differentiation.

During the second quarter we aggregated content for over 714 health care authorities, including the U.S. FDA, CDC, Mayo Clinic and so on. Our cutting-edge immersion transmission technology enabled our users to access Chinese translations of these reliable sources of the most up-to-date health care content exclusively after this platform. We also continued to optimize our independently-developed smart diagnosis system by leveraging our (inaudible) and (inaudible) technology. By asking users questions related to (inaudible) simple things, the system is able to diagnose and provide trusted information to help users better understand the health issues. Users can then decide to visit relevant hospital departments based on the recommendations from the system.

During the second quarter, the system [profit] twice the number of [diagnosable] symptoms compared to the first quarter and recovered over 90% of the symptoms users are querying. This initiative has led us growing number of users leveraging Sogou for the health care-related search. The number of the queries on mobile increased by 32% year-over-year and (inaudible) for authoritative health care content [on such] platform increased by 67% from a year ago.

We also depend our partnership with WeChat by providing more search service in the second quarter. In addition to integrating Sogou's general search result, WeChat search also started to display results for Sogou (inaudible) and Sogou [Win-win]. Our user [able to book] encyclopedia and interactive question-and-answer platform, respectively. According to the [correct] mobile, Comcast's mobile data, Sogou Win-win was the fastest-growing Mini-Program in WeChat in terms of DAU during the first half of 2018.

Turning to Sogou Mobile Keyboard. In the second quarter, we continued to leverage our AI technology to make Sogou Mobile Keyboard more intuitive, better satisfying user demand for more natural interaction and expression [keeps] breaking. We expanded the Keyboard's ability to (inaudible) translation during user chats to include Chinese, Japanese and the Chinese-Korean. The initiative solved nearly 30% growth in average daily translation query request compared to the first quarter of 2018.

We also launched smarter recommendations of emoticons based on user inputs on the mobile -- on Sogou Mobile Keyboard to enrich the user experience. This contributed to our eightfold increase in emoticon here quarter-on-quarter. This innovations not only improve user experience, but also helped us to look at ways to further integrate Sogou Mobile Keyboard with Sogou Search and better meet user needs for the content recommendations. Beyond these initiatives, we continued to tap into the big data potential of Sogou Mobile Keyboard for improved accuracy of a user profile. This has started to benefit our news feed and Internet finance businesses.

Now I'd like to briefly discuss our smart hardware business. Based on our experience developing the Teemo Smart Watch for kids, this has viewed a set of core skills hardware. From July last year, we began to develop new hardware products that better leverage our AI capabilities. In March and in May, we successfully launched 2 translation products, the Sogou Travel Translator and the Sogou Smart Recording Translator. These 2 are our industry-leading translation technologies. The 2 products have been well received in the market and created a strong brand recognition among customers.

Encouraged by this development towards end of the second quarter, we accelerated an adjustment of our smart hardware strategy. Now we are translating to -- now we are transitioning to products that better leverage our AI technologies -- AI capabilities to improve products' competitiveness and the plan to scale the business as quick as possible. We already have a few more products in the pipeline that we intend to launch before the end of this year.

As a result of the change in strategy, we will face our hardware products that are not AI-enabled, such as some of the legacy models of the Teemo Smart Watch. Well, we expect this will result in a reduction of hardware revenues in the second half of 2018. We are confident that this will further differentiate Sogou as a strong player in the smart hardware over the long term.

In AI, we continued to develop language-centered technologies that enhance natural interaction between humans and the machines as well as knowledge competition. Specifically, we maintained our focus on voice translation and request-answer technologies, which are well positioned to empower Sogou Search, Mobile Keyboard and the smart hardware products. We are also leveraging a huge amount of data acquired through these services to accelerate the evolution of our technology. We continue to receive global recognition for our capabilities in these areas as we -- as our voice technologies recently received several prestigious awards at both domestic and international competitions. For example, we are the champion of the [semantic] comprehension challenge at the International Conference on Natural Language Proficiency and the Chinese Computing. As we received first place in 2 subcategories, [work error grades] and speech (inaudible) at the -- these are the challenge, the most prominent global competition for speech [synthesis].

We also made strong progress of (inaudible) AI technologies. Sogou Search continuously improved its content quality and the user experience with ongoing refinement of translation and question-and-answer technology.

And for the month of June 2018, Sogou Mobile Keyboard handled estimately 300 million voice queries on average per day, up 54% year-on-year, solidifying its position as China's largest voice mobile application. As I noted earlier, our hardware summer products are also increasingly AI-enabled following the launch of Sogou's travel translator. We rolled out our second smart translation device, the Sogou Smart Recording Translator in May. Used in conjunction with our mobile app, it supports realtime translation of Chinese recordings, translation of conversations to and from 303 -- no, sorry -- 33 different languages and simultaneously interpret [patient] between Chinese and English.

Finally, I would like to provide an update about a recent incident that result in relation of our advertising practices. On June 6, we discovered that an advertisement placed on our platform by doing a short video app under Chinese company platform, (inaudible), contained inappropriate content about Korean War hero, (inaudible), who recently deleted all related content and determined -- and culminated [auto-in] advertisements on our search platform.

Chinese regulatory authorities subsequently launched an investigation into the advertisement. We accepted responsibility for -- in the (inaudible) -- in advertisement (inaudible) complacent -- compliance -- sorry, noncompliance campaigns and fully cooperated with authorities in their investigation. We also took steps to rewrite our advertising policies and audience procedures to ensure full compliance with related regulations going forward. This includes the establishment of a dedicated team improvement to our advertisement section mechanisms and enhanced use of AI technology to ensure that we now combined Keyboard and (inaudible) and blocked in a timely manner. In connection with implementing this (inaudible), we suspended part of our advertising service for 10 days from the beginning of July. Based on our preliminary analysis, this is expected to result in a onetime reduction in revenue in the third quarter of 2018. Our advertising services returned to a normal operation about -- after the 10-day period.

While we believe this was a onetime impact on our financials, we are, of course, paying even closer attention to the advertising content on our platform going forward.

Now I will turn the call over to Joe.

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#### **Yi Zhou** - Sogou Inc. - CFO

Thank you, Xiaochuan. Hello, everyone. We achieved solid financial results in the second quarter of 2018. Our total revenues increased by 43% year-over-year to \$301 million. Our non-GAAP net income was \$38 million, representing a 58% year-over-year growth.

Going forward, we will continue to boost the development and the synergies of our twin growth engines, Sogou Search and the Sogou Mobile Keyboard, and strategically, center our core AI capabilities in the R&D of smart hardware production.

Now I'll walk through our financial returns. Please note that, unless otherwise noted, all monetary amounts that I discussed are in U.S. dollars. Also note that I will refer to some non-GAAP numbers, which exclude share-based compensation expenses. You can find our reconciliation of non-GAAP to GAAP measures in our earnings release.

As I noted earlier, total revenues in the second quarter was \$301 million, a 43% increase year-over-year. On a constant currency basis, if the exchange rate in the second quarter of 2018 had been the same as a year ago, total revenues in the second quarter would have been \$281 million, a 33% increase year-over-year.

Search and search-related revenues were \$271 million, a 45% increase year-over-year. The increase was primarily due to strong growth in auction-based pay-for-click services, driven by improved monetization and continued traffic growth in mobile search. Auction-based pay-for-click services accounted for 85% of our total search and search-related revenues compared to 83% in the corresponding period in 2017. The number of advertisers for our auction-based pay-for-click services was approximately 83,000, an increase of 10% from the same period of 2017. The average revenue per advertiser for auction-based pay-for-click services was \$2,760, an increase of 35% year-over-year.

Other revenues were \$31 million, a 27% increase year-over-year. The increase was primarily due to increased revenues from sales of smart hardware products and Internet value-added services.

Cost of revenues was \$180 million, a 70% increase year-over-year. Traffic acquisition cost, our primary driver of cost of revenues, was \$136 million, a 91% increase year-over-year, representing 45% of total revenues compared to 34% in the corresponding period in 2017. The year-over-year increase was driven by price deflation as a result of increased competition. We believe it is important for Sogou to compete aggressively in traffic acquisition while balancing between cost and benefit.

Gross profit was \$122 million, a 15% increase year-over-year. Non-GAAP gross profit was \$122 million, a 16% increase year-over-year. Both GAAP and the non-GAAP gross margin were 40% compared with 50% a year ago. The decrease primarily resulted from traffic acquisition cost outgrowing revenues.

Total operating expenses were \$97 million, a 21% increase year-over-year. Research and development expenses were \$56 million, a 48% increase year-over-year, representing 19% of total revenues compared to 18% in the corresponding period in 2017. The increase was primarily due to an increase in salary and benefits expenses, outsourced product development fees as well as share-based compensation expenses, all reflecting our continued efforts to strengthen our AI capabilities.

Sales and marketing expenses was \$34 million, an 8% increase year-over-year, representing 11% of total revenues compared to 17% in the corresponding period in 2017. The decrease was primarily due to a decrease in marketing and in promotional spending from our mobile products.

G&A expenses were \$7 million, a 27% increase year-over-year, representing 2% of total revenues compared to 3% in the corresponding period in 2017. The increase was primarily due to an increase in share-based compensation expenses and salary and benefit expenses.

Operating income was \$25 million, a 2% decrease year-over-year. Non-GAAP operating income was \$30 million, a 14% increase year-over-year. Income tax expense was \$3 million compared to income tax expense of \$2 million in the corresponding quarter of 2017. The effective tax rate was 8% compared to 8% in the corresponding quarter of 2017.

Net income attributable to Sogou was \$33 million, a 31% increase year-over-year. Non-GAAP net income attributable to Sogou was \$38 million, a 58% increase year-over-year.

Basic earnings per ADS were \$0.09. Diluted earnings per ADS were \$0.08. Non-GAAP basic and diluted earnings per ADS were \$0.10 and \$0.09, respectively. As of June 30, we had cash and cash equivalent and short-term investment of \$1 billion compared with \$1.1 billion as of March 31.

Net loans receivable was \$13 million, representing the amounts receivable and thus more consumer loans extended through our recently launched Internet finance platform.



Net operating cash inflow for the second quarter of 2018 was \$13 million. Capital expenditures for the second quarter of 2018 were \$20 million.

And finally, turning to guidance. For the third quarter of 2018, we expect the total revenues to be in the range of \$275 million to \$285 million, representing a 7% to 11% increase year-over-year. The lower-than-anticipated guidance is primarily due to the onetime impact of the regulatory investigation and the subsequent improvement of our advertising practices, the adjustment of our smart hardware strategy and the depreciation of the RMB.

Please note that for the third quarter 2018 numbers, we have presumed an exchange rate of RMB 6.80 to the dollar as compared with the actual exchange rate of approximately RMB 6.66 to the dollar for the third quarter of 2017 and RMB 6.38 to the dollar for the second quarter of 2018.

That concludes our prepared remarks.

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**Jessie Zheng**

Thank you, Joe. Operator, we'd now like to open the call for questions.

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**QUESTIONS AND ANSWERS**

**Operator**

(Operator Instructions) Our first question comes from Thomas Chong of Crédit Suisse.

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**Yiu Hung Chong** - *Crédit Suisse AG, Research Division - Regional Head of Internet*

I have 2 questions. The first question is about from our synergies with our Sogou input and when should we expect the monetization to kickoff. Is it going to be the fourth quarter of 2019? And my second question is about our KPI for our hardware adjustment [attitudes]. Is there any KPI that you can share about what our goal is for 2019?

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**Xiaochuan Wang** - *Sogou Inc. - CEO & Director*

(foreign language)

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**Jessie Zheng**

Xiaochuan Wang will take the first question. We maintained -- on our Keyboard, we maintained the same strategy of better integrating mobile keyboard with search based on user Internet behavior while users are inputting words to offer search recommendation. We've been testing different functionalities and some of them had gone on live in the third quarter, and we expect meaningful contributions starting from the fourth quarter.

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**Xiaochuan Wang** - *Sogou Inc. - CEO & Director*

(foreign language)

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**Jessie Zheng**

On the hardware KPI, we expect sales volume to exceed 1 million units in 2019.



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**Operator**

Our next question comes from Bill Liu of Goldman Sachs.

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**Chong Liu** - *Goldman Sachs Group Inc., Research Division - Associate*

This is Bill on behalf of Piyush. I have 2 questions. First one is just a follow-up on the [Win's] accident. So in recent days, we realized that some more apps are being removed from App Store from third-party for tighter content control. I just wonder if there are any longer term impact in terms of our cost structure? So how should we think about this because probably the company need to hire some extra staff to somehow conduct the censorship? And the second question is in terms of operating expense, we noticed that our sales marketing and percentage revenue have started to drop. Going forward, what shall we think about the operating leverage from such cost item going forward?

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**Yi Zhou** - *Sogou Inc. - CFO*

Okay. I'll take these 2 questions. So first for the [Win].

(technical difficulty)

Yes, okay. So I'll repeat. So first, for the Win . The key points now is that the financial impact is onetime, which will all be reflecting in Q3. The search-related advertising has completely recovered, and its revenue growth will return to normal in Q4. And before the incident, we had a stringent review mechanism that includes multiple steps. So once an ad is submitted to Sogou, the system will automatically fill the keywords that are blacklisted. After the ad uploaded to Sogou's database, the system will do another round of auto inspection and we will perform manual inspection on central basis. So after the incident, we have implemented a range of [layers] to prevent this from happening again. So we have established a dedicated team to monitor relevant new regulations and any changes of regulations as well as ensure timely implementation of such new regulations or changes accordingly. And we strengthened our auditing procedures by leverage AI to upgrade automated system and expand our manual inspection team to expand the scope of manual inspection. So next, for CapEx -- for operating expenses. So with healthy revenue growth, we do expect the operating leverage will continue in 2019. So for 2018, roughly, the operating leverage will contribute 6 to 7 percentage points on the operating margin. So next year, the contribution will be around, say, 3 to 4 percentage points.

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**Operator**

Our next question comes from Alex Yao of JPMorgan.

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**Alex C. Yao** - *JP Morgan Chase & Co, Research Division - Head of Asia Internet and New Media Research*

I have 2 questions. Number one, can you guys comment on the competitive landscape in China, the search engine market, especially in relation to the OEM traffic purchase? And then number two, how do you guys think about evolvement of a keyword search or more broadly speaking, search in the consumer market in China country. The search was originated from keywords based on the search, but some say that search either taking a new form and gradually becoming a behavior-based business, such as the feeds product figure to the consumer demand and the feed to the consumer with relevant content and advertising content. What's your view on the evolvement of search and are the implication to -- as budget allocation?

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**Xiaochuan Wang** - *Sogou Inc. - CEO & Director*

(foreign language)

**Jessie Zheng**

So on the OEM traffic, we think that the competition for OEM traffic remains at an elevated level. (inaudible) renewed its contract, but maintained the same scale of traffic acquisition as essentially in-line with our expectation. And we believe that in the second half, we will see a more balanced market with each competitor taking a certain share of OEM traffic.

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**Xiaochuan Wang** - Sogou Inc. - CEO & Director

(foreign language)

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**Jessie Zheng**

We will continue to campaign for traffic while balancing between cost and the benefit in the market share. We aim to uplift the breakeven for OEM traffic and are confident that our strong monetization definitely will keep us competitive. So we expect slower growth in OEM traffic than the market, but we still anticipate that we will get a certain percent of the OEM traffic.

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**Xiaochuan Wang** - Sogou Inc. - CEO & Director

(foreign language)

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**Jessie Zheng**

We feel that keywords-based search and the voice search are complementary, and they will exist together. For some -- I think for -- in certain cases, when users ask questions, it's not just satisfying for them to get just simply what links. But in some cases, our keyword search is still very useful.

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**Xiaochuan Wang** - Sogou Inc. - CEO & Director

(foreign language)

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**Jessie Zheng**

So in terms of voice search technology, I would like to remind you of a live streaming question-and-answer show in the first quarter. Actually leveraging our voice technology, there are millions of users getting on a search platform to do voice-based Q&A.

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**Operator**

Our next question comes from Xueru Zhang of 86Research of Research.

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**Xueru Zhang** - 86Research Limited - Analyst

(foreign language) I do have a follow-up question on the traffic mix. So how the trends in traffic has been sweet among organic traffic, traffic from Tencent and traffic from the smartphone OEM? And I also have a question on your smart hardware business. Xiaochuan Wang mentioned during their (inaudible) that Sogou will release 4 new smart investments before year-end, so can management share more color on the new initiatives?

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**Yi Zhou** - Sogou Inc. - CFO

Okay. I'll take the first question and Xiaochuan will answer the smart hardware one. Okay, so for Q2, the traffic mix is that organic traffic, 25%; traffic in China, 37%; and OEM channels, 38%. So with a lot of efforts putting on the Sogou information, we do expect organic traffic will ramp up during the first quarter and the year 2019. So by the end of 2018, we expect the contribution from organic China will go up from current 25% to, say, 27%, 28%. And the [trends] in China basically will keep flat. And OEM channel due to the intensified competition, it will cap -- in absolute traffic, it will cap the growth. But as percentage of total traffic, its contribution will go down, say, 1 to 2 percentage points, say, from today's 38% to around 36% by the end of this year.

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**Xiaochuan Wang** - Sogou Inc. - CEO & Director

(foreign language)

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**Jessie Zheng**

Also in the -- on the question on smart hardware, in the first half, we've successfully launched the 2 translation devices leveraging our industry-leading translation technologies. For -- we already have a number of new AI-enabled products in the pipeline that we plan to launch before the end of the year, but we're not disclosing the specific product at this stage. You can be sure that it will incorporate some of our core AI technology that Sogou is known for, including voice, and Q&A in addition to translation. We believe these products leveraging our AI capabilities will help us build a product differentiation and competitiveness, and it also offers us flexibility to cater for higher growth margin products or low price to market to gain market share. And one thing I want to add is that these products are more consumer-orientated, and it's more closely connected with our core AI capabilities, measured interaction and the knowledge computing.

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**Operator**

Our next question comes from Alicia Yap of Citigroup.

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**Alicia Yap** - Citigroup Inc, Research Division - MD and Head of Pan-Asia Internet Research

I have a follow-up questions regarding the 10-day suspension's impact to the 3Q guidance. So can you elaborate a little bit on the impact? It seems like the 3Q guidance are suggesting more serious impact than the 10-day suspension. So wanted to know how much of that coming from exactly the 10 days impact and how much of that is actually coming from the ongoing cleanup on the monitoring of those ad services. So any detail or elaborations would be helpful.

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**Yi Zhou** - Sogou Inc. - CFO

Okay. I'll take this question. So first, let me give you more details on Q2 revenue. That was such a very good basis for you to understand the Q3 revenue guidance. So for Q2, excluding 10 percentage points exchange rate impact, total revenues in RMB increased by 33% year-over-year. Among that, search-related revenues grew 35% year-over-year and the hardware revenues grew 19% year-over-year. For search-related revenue, the increase of 35% year-over-year were driven by, first, mid-single-digit growth in search traffic and 23% improvement on monetization. So for other revenues, it grew by 7 -- 19%. The modest growth was primarily due to slower-than-expected Teemo sales as we already started to transition to hardware products that are better connected with AI capabilities. So that's for Q2. For Q3, excluding 2 percentage points exchange rate impact, if we use the midrange of our guidance, that implies total revenues in RMB terms to grow 11% year-over-year. So among that, search-related revenues were increased by mid-teens and other revenues were decreased 25% to 30%. So for search-related revenues to grow by mid-teens year-over-year, that's driven by, first, single-digit growth in traffic and about 10% improvement on monetization. So comparing to 23% year-over-year growth on the monetization improvement in Q2, the speed slow down in Q3 due to the 10-day suspension as a result of the [Win] incident. So other revenues are expected to decrease by 25% to 30% costs toward the end of Q2. We started to accelerate the adjustment of our smart hardware strategy by



transitioning to products that are better connected with AI capabilities. Therefore, we are phasing out hardware products that are now AI-enabled such as certain legacy models of the Teemo Smart Watch. Although this will have active impact on the second half, it will increase the competitiveness and better develop our smart hardware business next year and in the long term. So for the Win impact, I think the key point to note is that this is one of financial impacts than the revenue already recovered. So in Q4, the revenue growth -- I mean, the year-over-year revenue growth will go back to normal.

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**Operator**

Our next question comes from Natalie Wu of CICC.

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**Yue Wu** - *China International Capital Corporation Limited, Research Division - Analyst*

I have 2 questions here. First one is regarding the OEM channel. Just curious, what do you think of your RPM trend going forward? Do you think that the app -- your [app] could grow faster than (inaudible) transition cost in the foreseeable maybe 1 or 2 years. In terms of the advertisers industry, which industry is playing the largest part in terms of the RPM hike? And also, just curious if someday, let's say the CTM for OEM channel rises to a level beyond your RPM net of rebate, will you stop purchasing traffic from that channel? This is my first part of the question. And second question is regarding the input method -- the Sogou input method monetization. Just curious how will you balance the monetization effect and user experience for the [IME] monetization.

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**Yi Zhou** - *Sogou Inc. - CFO*

Okay. I'll take the first question and Xiaochuan will answer the -- in commercial one. So for OEM channel, so first of all, for the RPM trend. Considering the intense fight competitions. So our first strategy is that we call it the twin engine -- twin growth engine strategy. So the most important thing is to drive up the monetization of our input method. And after that, we will try our best to improve the RPM for our traditional search business. So for this year, if we look at Q2, the RPM improved 23% comparing to a year ago. So in 2019, I think [we will] slow down quite a bit while continuing to improve. So the key theme is not only the improvement on RPM, but also on the -- how much is the price inflation next year. So basically, we've seen -- next year, the OEM channel -- the competition for OEM channel should be remained at an intensified level. So if next year, the price inflation be very high and far exceed our RPM, we will make loss on such traffic acquisition. If that's true, our principal is that we try to aggressively avoid traffic, but we need to balance the cost benefit. I mean, we need to consider bottom line impact. We can make loss, but we don't want to make a huge loss on that. So for ad industry. So basically the top 5 industry are still, say, number one, health care; number two, e-commerce; number three, gaming; and the number four, merchant services; and number five, business services. So among these top 5 industries, e-commerce and health care grew faster than the average. Okay, that's my part.

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**Xiaochuan Wang** - *Sogou Inc. - CEO & Director*

(foreign language)

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**Jessie Zheng**

So on mobile keyboard, our mobile keyboard has a market share of over 50% on smartphones and is still rising. So first, we will continue to focus on user experience and the product innovation to increase user retention as well as to have other partners to recognize our branding and the product quality. We have been very prudent in the monetization of the mobile keyboard. We have been, for a long time, testing different use cases and functionalities without damaging the user experience. And for those users who are pretty sensitive to advertisement, we offer them an option to opt out, but it turns out that very few users would choose to opt out. On the other hand, Sogou Mobile Keyboard has strong big data capabilities, which have not been unlocked. Our mobile keyboard captures over 19 billion Chinese characters everyday, and that allows us to capture our users' language data and the user behavior and intent across use cases, which help us to increase the accuracy of user per volume. And this have benefited the development of Internet finance business.



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**Operator**

(Operator Instructions) This concludes our question-and-answer session. I would like to turn the conference back over to Jessie Zheng for any closing remarks.

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**Jessie Zheng**

Thank you, everyone, for joining today's call and for your continued support for Sogou. We look forward to speaking to you again in the future.

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**Operator**

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

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