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Cheetah Mobile Inc. [CMCM]
Q4 and Full Year 2015 Earnings Call
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Company Representatives:
Helen Zhu; Cheetah Mobile Inc.; Director, Investor Relations
Fu Sheng; Cheetah Mobile Inc.; CEO
Andy Yeung; Cheetah Mobile Inc.; CFO

Analysts:
Jeff Hao, China Merchants
Evan Zhou, Credit Suisse
Wendy Huang, Macquarie Research

Presentation

Operator: Hello, and welcome to the Cheetah Mobile fourth quarter and full year 2015 earnings conference call. All participants will be in listen-only mode. (Operator Instructions). After today's presentation there will an opportunity to ask questions. (Operator Instructions). Please note this event is being recorded.

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

Helen Zhu: Thank you, Operator. Welcome to Cheetah Mobile's fourth quarter earnings conference call. First of all, we are very sorry for our delay of the earnings call and also the earnings release. With us today are our CEO, Mr. Fu Sheng, and our CFO Mr. Andy Yeung. Following management's prepared remarks, we will conduct a Q&A session. Before we begin, I refer you to the Safe Harbor Statements in our earnings release, which also applies to our conference call today, as we will make forward-looking statements.

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

Fu Sheng: Thanks, Helen. In Q4, we had strong performance on both on the mobile user growth and the monetization front, setting new records across a number of areas including mobile MAUs, revenues and profit. For 2016, we reached and (inaudible) our strategic target for growing our mobile and overseas revenue to account for the vast majority of Cheetah Mobile's overall sales. This enabled us to complete our transformation into a truly global and mobile company.

Looking ahead, we remain firmly committed to building Cheetah Mobile into one of the leading mobile platforms globally and on a sustainable and profitable basis.

Our strategy is simple and clear. Using tool apps as a main entry point for user acquisition, further building content into our platform for user engagement and to leverage big data analytics as our strategic differentiation, which is serving both our user and advertisers more efficiently and effectively.

Clean Master, CM Security and other utility apps has helped us acquire a massive user base, and will continue to serve as main entry points of our user acquisition. To leverage our massive user base for 635 million mobile MAUs, we intend to build a highly engaging mobile platform with content, rich apps that we are rolling out.

In fact, our content strategy is already showing some promising results. In February our breakthrough mobile game apps Piano Tiles 2 was ranked as the number one most downloaded free game on both Google Play and Apple App Store globally.

In China, since integrating rich content and [personalization] new servers into our mobile browser, we have seen significant growth in daily time spent per user to over 27 minutes.

And the listings in our strategy is big data. Over the top of the year, we have made significant investments in big data analytics in order to better understanding and better serve our users. We believe such data analytics can help us present more personalized content and information, including advertising to our users.

At the same time, we understand and respect our user privacy rights. Our overseas users' data are such an amazing AWS and we follow strategically privacy regulations in U.S. and Europe. While we made good progress in data analytics so far, we still see much more room for improvement and data analytics will remain a key focus of our efforts and investment.

Geographically, we will continue to focus on the U.S. and China for mobile monetization, and in India for the user acquisition. In addition to stressing our partnership with Facebook, Google and Yahoo, we aim to further expand our user presence by building an R&D center (inaudible).

And under the leadership of the tech inventing, Charles Fan, who recently joined us as our new CTO, in addition, with [John Sing], our Director of Sales Operations by rescue more local sales talents in U.S. markets.

In India, while mobile internet is still investing, we see excessive growth and the market potential, which has become our largest MAU growth market, contributing over 8% of our total MAUs last quarter. We aim to become a dominant leader there over the next few years through strategic partnership with leading mobile companies like Micromax and Lava Mobile.

In short, in 2015, we made solid progress in our mobile and global transformation. In 2016, we will continue to focus on executing our strategy to remain a leading mobile platform globally. And we want to do it profitable and sustainably, managing by maintaining our leading operations teams, better utilize our marketing dollars and maintaining a balanced approach towards user acquisition, user engagement, revenue growth and profitability.

For [the full] 2016, we target 60% year-over-year increase in revenue growth, and the RMB1 billion non-GAAP net income, roughly 70% non-GAAP margin. For product development in 2016, our main focus will be using tool apps as main entry points for user acquisition and build content into our platform for user engagement.

With that, we'll stop and hand the phone to our CFO, Andy.

Andy Yeung: Thank you, Sheng. Hello, everyone. Again, we apologize for the delay in releasing our earnings announcement today; also the delays in our conference call.

We actually closed 2015 with a very solid quarter both financially and operationally.
For the full year 2015, we are pleased to report that we have successfully accomplished the ambitious targets that we set for last March, mainly exiting 2015 with more than 600 million monthly mobile active users, doubling our annual revenues and making both mobile and overseas revenues the vast majority of our total revenue.

Overall, 2015 marked an important and successful milestone for our transformation into a leading global mobile internet company, having a path for more sustainable and profitable growth in the future.

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

Total revenues grew by 92% year-over-year and 12% quarter-over-quarter to RMB1.13 billion in the fourth quarter. For the full year 2015, our total revenues increased by 109% year-over-year to RMB3.68 billion. This strong performance was again driven by our mobile and global businesses.

By platform, mobile revenues grew by 262% year-over-year and 14% quarter-over-quarter to RMB804 million for the fourth quarter. Mobile revenues accounted for 71% of our total revenues in the quarter, up from 38% in the prior year period and 70% in the previous quarter.

In December, Cheetah has approximately 635 million mobile monthly active users worldwide, a 61% increase from a year ago and about 12% increase from September 2015.

For the full year 2015, mobile revenues grew by 423% year-over-year to RMB2.43 billion and accounted for 66% of total revenues in 2015.

PC revenue declined by 10% year-over-year in Q4 and 4% year-over-year in the full year 2015. The decreases in PC revenues were mainly due to the migration of internet traffic from PC to mobile in China.

By region, overseas revenues were RMB616 million for the quarter, up 343% year-over-year and [15]% quarter-over-quarter. Overseas revenues accounted for 54% of total revenues and 77% of mobile revenues in the quarter. For the full year 2015, overseas revenues grew by 730% year-over-year to RMB1.84 billion and contributed to 50% of total revenues or 76% of mobile revenues in 2015, up from [13]% total revenues and 48% of mobile revenues in 2014. The increase was primarily driven by the growth of our overseas mobile user base and rapid adoption of mobile advertising business in the overseas market.

In December, 79% of our mobile user mobile MAUs, were from the overseas market compared to 69% a year ago and 74% in September 2015.

China revenues grew by [15]% year-over-year and 10% quarter-over-quarter in Q4, supported by strong mobile advertising revenues which more than offset PC revenue declines in China. For the full year, China revenue grew 20% year-over-year.

By segment, revenue from online marketing services were RMB1.03 billion for the quarter, up 131% year-over-year and 15% quarter-over-quarter. For the full year 2015, revenues from online marketing services grew 145% year-over-year to RMB3.24 billion.

Revenue from IVAS for the fourth quarter were approximately RMB89 million, a decrease of 35% year-over-year and 10% quarter-over-quarter. For the full year 2015, revenue from IVAS decreased by 1% year-over-year to RMB395 million. The decreases were primarily due to a temporary suspension of our online lottery operation in response to regulation changes in China and the overall softness of [Web game] factors in the Chinese markets.

Revenue from internet security services and other for the quarter were approximately RMB12 million, an increase of 106% year-over-year and 37% quarter-over-quarter. For the full year 2015, revenues from internet security services and others increased by 12% year-over-year to RMB45 million. The increases were mainly due to the sales of our air purifier product.

Now moving to costs and expenses -- our SBC expenses for the fourth quarter were approximately RMB99 million compared to RMB51 million in the same period last year and RMB115 million in the prior quarter. SBC expenses for the total year 2015 were approximately RMB215 million compared to RMB132 million in 2014. As we said in the past, we will incur higher SBC expenditure mainly due to shares and options granted to management employees for attracting and retaining top talent that are still leading R&D area.

To help facilitate the discussions 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 U.S. GAAP, please refer to our press release which is available on our website.

Non-GAAP cost of revenues for the fourth quarter were RMB299 million, up 113% year-over-year and 11% quarter-over-quarter. Non-GAAP cost of revenues for the full year 2015 were RMB934 million, up 132% year-over-year. The increases were primarily due to higher traffic costs associated with the Cheetah Mobile and app platform business, higher bandwidth and internet datacenter cost associated with increased user traffic worldwide and data analytics.

Non-GAAP gross margin for the fourth quarter was RMB834 million, up 86% year-over-year and 13% quarter-over-quarter.

Non-GAAP gross profit for the full year 2015 was RMB2.75 billion, up 102% year-over-year.

Our non-GAAP R&D expenses for the fourth quarter were RMB160 million, up 52% year-over-year and 16% quarter-over-quarter. Non-GAAP R&D expenses for the full year 2015 were RMB545 million, up 41% year-over-year. The increases were primarily due to increased headcount associated with the expansion of our mobile business. On a net basis, we added about 350 R&D staff in 2015.

Non-GAAP sales and marketing expenditure for the fourth quarter were RMB500 million, up 175% year-over-year and 33% quarter-over-quarter. Non-GAAP sales and marketing expenses for the full year 2015 were RMB1.46 billion, up 155% year-over-year. The sequential increase in sales and marketing expenditure was primarily due to the spending on promotional activities for our mobile business, the global promotional activities associated with the launch of our Piano Tiles 2 product.

Non-GAAP G&A expenses for the fourth quarter were RMB46 million, representing a decrease of 3% year-over-year and [5]% quarter-over-quarter. The decreases were mainly due to lower professional service fees. Non-GAAP G&A expenses for the full year 2015 were RMB217 million, up 95% year-over-year. The year-over-year increase was mainly due to increased professional fees and headcount associated with being a publicly listed company.

The Company recognized impairment losses of goodwill and intangible assets of RMB13 million for the fourth quarter of 2015 and RMB15 million for 2015 respectively. The impairment losses were primarily associated with our online lottery business. The online lottery business was temporarily suspended in response to regulatory changes in China.

Other operating income was RMB16 million for the fourth quarter 2015 and RMB98 million for the full year 2015 respectively. Other operating income primarily consisted of government grants, subsidies and financial incentives that the Company received for its operations that fell outside the scope of R&D project [subsidies].

Non-GAAP operating profit for the fourth quarter was RMB175 million, an increase of 66% year-over-year and 7% quarter-over-quarter. Non-GAAP operating profit for the full year 2015 was RMB522 million, an increase of 104% year-over-year.

Non-GAAP net income for the fourth quarter was RMB166 million, an increase of 88% year-over-year and 9% quarter-over-quarter. Non-GAAP net income for the full year 2015 was RMB492 million, an increase of 104% year-over-year.

Non-GAAP diluted earnings per share per ADS for the fourth quarter increased by 84% year-over-year and 9% quarter-over-quarter to RMB1.09 or $0.17. Non-GAAP diluted earnings per ADS for the full year 2015 increased by 92% year-over-year to RMB3.45 or $0.53.

Adjusted EBITDA for the fourth quarter was RMB213 million, an increase of 62% year-over-year and 6% quarter-over-quarter. Adjusted EBITDA for the full year 2015 was RMB669 million, an increase of 100% year-over-year.

Again, to remind everyone, adjusted EBITDA is a non-GAAP measure that is defined as earnings before interest, tax depreciation and amortization, added on operating income and share-based compensation expenses.

Now, let me provide you with our first quarter revenue guidance and full year 2016 outlook. We currently expect total revenues for the first quarter to be between RMB1.08 billion and RMB1.1 billion representing a 61% to 64% year-over-year increase. The [high] sequential decline in revenues in the first quarter was expected mainly due to two factors.

One is seasonality. With 90% of our revenue coming from online marketing services, our overall revenues are subject to seasonal fluctuation. Our revenues from online marketing services are typically higher in the fourth quarter and much weaker in the first quarter of each year, particularly in the U.S. and China, the two most important mobile markets for us.
And two, more than expected seasonal fluctuation in revenues generated from our largest third-party advertising platform partner.

However, as Sheng mentioned earlier, we have implemented a number of initiatives to strengthen our direct sales network globally, particularly in the U.S. In addition, we streamline our operation (inaudible). We will be more focused on optimizing our marketing spending in 2016. We expect this initiative to pay off beginning in the second quarter. As such, for the full year 2016, we will target to achieve 60% year-over-year increase in revenues and on the RMB1 billion non-GAAP net income. (Inaudible) that's about 70% non-GAAP net margin or almost 4% margin expansion that we try to achieve in 2016.

Please note that the forecast reflects the Company's current and preliminary view and is subject to change.

Finally, the board has also announced a share repurchase program. On March 16, 2016, the Company's Board of Directors approved a share repurchase program whereby the Company may purchase its share for ADS with an aggregate value up to $100 million over the next 12-month period.

So with that, that concludes our prepared remarks for today. Operator, we are now ready to take questions.

Question-and-Answer Session

Operator: Yes, thank you. We will now begin the question-and-answer session. (Operator Instructions). Jeff Hao with China Merchants.

Jeff Hao: (Speaking foreign language). So my first question is about the overseas competition landscape. We've seen that lot of Chinese firms have achieved a very good progress in terms of user acquisition and monetization in the overseas market, especially in the tool app category, so also especially in the emerging market. So can the management comment on your views on the competitive landscape? And will this issue impact your profitability for this year? And I have a follow-up.

Fu Sheng: (Speaking foreign language). (Interpreted). So thank you for your question, Jeff. Our overseas competition is a hot topic these days. In fact, we are glad that Cheetah Mobile has not only being successful overseas, but now has become a model for other Chinese companies when they look for a business opportunity. And to a great extent, there is a recognition of our model success, the success of our model.

Sheng Fu: (Speaking foreign language). (Interpreted). So yes, we do see a lot of competitors copying our business model. We think that there are two types of competition. The first type is that they initially use a very vast amount of money to spend on sales and marketing expenditure to try to acquire users very quickly.

The example of that would be some company like [Baidu]. Yes, initially, they are very successful using the channel to acquire some [possible] number of users' download and value acquisition, but that's not a sustainable model. So as we have seen it over the past two quarters, we are continuing to see the user activities, or user acquisition for app was declining. So as such, we don't think that just by spending a lot of money in sales and marketing to acquire users is a long-term sustainable model.

(Speaking foreign language). (Interpreted). So another type is that they just fully, completely copy our business model and it's true that for small-sized players, it's much easier to copy our overall product and business model. I think the example of that would be 360 Security. I think they enjoyed some earlier success.

(Speaking foreign language). (Interpreted). So certainly, their (inaudible) and our scale, but once they reached that, I think they reached a plateau, which is very difficult for them to reach the scale of our level. So I think if you look at some of the ways to monetize it, they just basically work with only third party like Facebook to monetize their traffic. And if you look at the geographic distributions, generally they would target certain markets and try to achieve some scale in those markets, but really in order to achieve the scale, the global reach, the scale that we are, the operations that we have, would be quite challenging, I think.

(Speaking foreign language). (Interpreted). So certainly, we obviously pay a lot of attention to the competitive landscape, and once our competitor crosses the threshold that we think we need to respond, we will respond aggressively. In fact, I think we have a number of counter-measures that we'd aggressively pursue to make sure that we remain the market leader in our respective markets.

(Speaking foreign language). (Interpreted). So finally, I think we want for us to move beyond a simple business model this year. We will -- again, our strategy for this year is quite simple and straightforward. We'll continue to use two applications at the main entry point for our user acquisition, but we'll continue to [deal] content into our platform for user engagement and also leveraging big data analytics to really differentiate ourselves from our competitor. I think this year, we'll make more significant progress on both fronts, both in terms of our content strategy and also our big data analytics.

(Speaking foreign language). (Interpreted). If you look at Cheetah Mobile today (inaudible) product development, in big data analytics, in content, understanding of content in product. I think we are at least a couple of years ahead of our competitor. I think their understanding of those markets still is probably at least a couple of years behind us.

(Speaking foreign language). (Interpreted). So I think if you look at the global advertising market, I think it's a large enough market for a number of (inaudible). We have not seen a material impact on our users or on our revenues at this time. I think the softness that you may see in the first quarter guidance, which indicated sequential decline for the first time, is mainly due to not only seasonality, but also some declines in one of our largest third-party advertising platform partners where we see significant sequential moderation in (inaudible). We don't see any structural changes in the overall market or in the competitive landscape. Thank you.

Jeff Hao: Thank you. (Speaking foreign language). So my second question is about the content-driven product. Management mentioned in last quarter that there may be some breakthrough in one or two quarters. So can management give us some updates on development of content-driven products? And if there can be some examples, that would be great? Thank you.

Sheng Fu: (Speaking foreign language). (Interpreted). So I think when we talk about content, I think maybe we can give some example of the recent product that we have launched. The first one is our (inaudible) game, Piano Tiles 2. It continued to go very well globally, very well with (inaudible) users. It was I think number one on both (inaudible) and Google Play in February. So that's one example.

(Speaking foreign language). (Interpreted). So another one that we have mentioned before was called personalized content. This product has been mentioned on the prepared remarks. In China, this product has user engagement levels -- on a daily basis, on average, users use it for almost 30 minutes per day. So we also are beginning to [roll out] our products in some of the overseas markets. I think in the second quarter, we'll have a more -- a wider rollout of those products in the second quarter. Thank you.

Jeff Hao: Thank you.

Operator: Thank you. (Operator Instructions). Evan Zhou with Credit Suisse.

Evan Zhou: (Speaking foreign language). The question is regarding the performance of the legacy two core products, CM Security and Clean Master. Now we've seen some recent slight drop in the apps download ranking in Google Play and all the other major rankings. So I just want to get your thoughts regarding what's your thoughts regarding that and how do we see the overall lifecycle for these two key products? And also, how do you think about balance between the investment in user acquisition versus the [considering] of profit in 2016? Thank you.

Sheng Fu: (Speaking foreign language). (Interpreted). Thank you for your question, Evan. This is a very good question. I think if you look at our scale today, we already have more than 600 million monthly mobile active users; in fact, 35 million. And I think as we set the target last year, [we're hoping] for that very ambitious target. But given the critical math what we already have acquired, I think we don't want to make pursuing purely a high MAU as our target or goal this year.

(Speaking foreign language). (Interpreted). So I think if you look at our focus this year, we have shifted a little bit from focusing on the quantity of user growth into more the quality of the user growth and engagement. We know (inaudible) application and as we have mentioned all along, we have a strategy over time to convert our user into a high-engagement product. And this year, our main focus will be improving that user engagement level, the time spent that they have on our applications. So content will be a major driver for that, and so that's how we look at the quantity versus quality of growth for our user base.

Andy Yeung: The second part is that regarding the modest declines in our rankings on app (inaudible), I think there's a couple of things that we want to mention here. One is that we have a very -- right now, as we mentioned, beginning in 2014, late second half of 2014, we have a strategy to install our applications in some of the handsets with some OEMs. And that now has become a quite an important channel for us, especially in the emerging market. We acquire, almost on a daily basis, [700,000] new users every day (inaudible). The number does not show up in (inaudible). And so I think overall, our user acquisition would be maintaining a very healthy rate this year.

Sheng Fu: (Speaking foreign language). (Interpreted). So the same [popular] question, which is old users, old products versus new products, and how to promote those new products -- I think, as we mentioned before, this year, our focus will be on the quality of the user growth, so the main focus would be on content product. And overall, if you look at our target this year, for example, we have again -- we moved the over-emphasis on MAU growth and then we also set a fairly realistic target of about 60% year-over-year increase in revenue.

The main reason is that we want our product team to go back to basics for some products and focus on user experience, and we do use marketing dollars to promote products. We'll promote our new products and new content and let our older product grow, relying mainly on organic traffic, word of mouth. And I think we have a strong product and very good brand and user review. I think they would -- those older products will continue to grow organically. Thank you.

Evan Zhou: Thank you. (Speaking foreign language). Questions regarding the R&D spending and operation plan -- I think we've been recently launching the R&D center in U.S. and also hired a new CTO. And I'm just wondering which are the major R&D areas that we'll be focusing on. Is it more related to fundamental technology or product-driven enhancement? And how do we see the R&D trend in 2016? Thank you.

Sheng Fu: Okay. Thank you for your question. Your question is very professional. (Speaking foreign language). (Interpreted). So your question is very professional, very good questions. I think when we talk to some of the investors of the industry, a lot of times they only see one dimension of our Company, which is our user number, user growth and our MAU growth, but we also actually we have a very strong R&D team. Over time, we have now close to almost [2,600] people that is in R&D department and those folks have developed very good strong skills in developing new products. So I think compared to our competitors, we have a much stronger R&D product line teams. I think that would make a big difference in our competitive landscape.

(Speaking foreign language). (Interpreted). So I believe if you look at the mobile market today, I think you will see that a user would use less search to seek out information, but rather, they would enjoy the benefit of smart content delivery. More personalized content will be delivered to the mobile user. So this is an area that we see a lot of opportunity there. So if you look at what we have done, we also have hired Charles Fan, a very experienced [reference] in the tech industry in Silicon Valley to become our CTO, and leading our global effort in some of these projects (inaudible) in R&D.

Sheng Fu: (Speaking foreign language). (Interpreted). So I think if you think about it, if we only deliver -- if we only focus on two applications, we probably don't need a very big team; only a few people can develop two applications. But if you think about if we want to use big data to help us to deliver and personalize content, I think still there's some technical difficulty bottleneck there.

I think this is an area that we have some experience and will continue to focus on it, and I think that from the expertise that we can utilize, if you think about it, and that's why we're building a global R&D operation. So I think we will really translate that into a competitive advantage for us. Again, we utilize big data analytics to develop personalized smart content delivery applications and I think that would make us really competitive in the marketplace. Okay. Thank you.

Evan Zhou: Thank you, [Fu]. Thanks, Andy.

Operator: Thank you. Wendy Huang of Macquarie.

Wendy Huang: Thank you. (Speaking foreign language). My first question is so Cheetah originally was (inaudible) from the Kingsoft Group. So within the Kingsoft Group, there was also other fast-growing businesses such as Kingsoft Cloud. So is there any collaboration that Cheetah can have with other sister companies to generate more synergies in the future?

And the second is about the global advertising market, such as (inaudible) and also the personalized recommendation actually otherwise has changed a lot. So what kind of the bottlenecks or issues that Cheetah will focus on to address in the next one year? And also what kind of resources that Cheetah expects to devote to address this issue? Thank you.

Sheng Fu: (Speaking foreign language). (Interpreted). Thank you for your question. I think when we look at our issue with Kingsoft, I think one of the very important contributions that Kingsoft had is that they were very smart to allow us to maintain independence, operating independently from other product operation. So if you look at our cooperation with other product, Kingsoft Corporation, they are always (inaudible) transactions that are based on normal commercial terms. So I think over time, you would see they will continue to provide more (inaudible) less influence on Cheetah Mobile. I think that's a good thing. I think as publicly listed companies, we always maintain our independence.

Sheng Fu: (Speaking foreign language). (Interpreted). So of course, overall, we've continued to work very well with Kingsoft and the operation there. For example, going forward, we're going to utilize Kingsoft Japan to be part of our expansion effort in Japan. And that agreement, it has to been reached between us and Kingsoft operations on that. So I think you would continue to see in certain areas, we'll work very well with Kingsoft to benefit both companies, but generally, we always have [our] transaction with our parent company.

(Speaking foreign language). (Interpreted). So your question about the global advertising market was very [attuned]. So if you look at some of the softness in the first quarter in our guidance, I think that's, as we mentioned before, that is now (inaudible) greater than expected seasonality or softness coming from one of our largest platform partners, Facebook. So I think if you look globally, I think that's how we look at it.

One of the key areas for us for investment is in the direct sales market, sales team. We initially go with these. This is an area that we'll have to probably do (inaudible). Selling, advertising in a developed market like the U.S. and Europe is more complicated and more complex than most people would think. So this is an area that we'll continue to invest in. As we mentioned, we have a number of initiatives to expand our direct sales network in the U.S., and we think that probably in the second quarter or third quarter, we'll see some concrete results coming from those efforts.

Wendy Huang: (Speaking foreign language). So my first question --

Sheng Fu: (Inaudible).

Wendy Huang: My first question is about the Indian market expansion. So what's your thinking up there and what kind of investment size and also what kind of partners are you looking at in the Indian market? And second question is about the SecureBase database recently talked. So was the intention of the SecureBase database mainly to actually increase the ROI of the advertising platform in the future and also to reduce some malicious or the fraud clicks? Thank you.

Sheng Fu: (Speaking foreign language). (Interpreted). Yes, so quickly to answer your question, I think you're referring to the announcement that we made that we have formed an alliance with other firms to share information on potential threat to platforms. And I don't think we're collecting viruses; I think we're trying to collect information on potential (inaudible) smartphone and share with the industry players. I think that's a pretty normal security issue practice, where different security firms would share what they know about different viruses and share information to help protect consumer handsets. So that's the purpose of that announcement and that agreement, which is we're working with other industry players to provide better security software for mobile handsets. So that's the second part of the question.

I think the first part of the question, do you want to answer that?

Sheng Fu: (Speaking foreign language). (Interpreted). So I think your question is about our investment strategy, particularly in India. I think the overall point of view that we have for investment is that investment has to be considered case-by-case basis, and we have to make (inaudible) [plans] for us and we are also very mindful of migrations. Obviously, some of our competitors -- for example, a company called 360 -- went overseas and acquired Opera for a very happy migration of RMB1.2 billion, but (inaudible) $200 million of net debt. That's a pretty hefty price when we look at it because we actually have studied this case for more than a year now, almost a year now.

And then we cannot use the Asia migration to make acquisitions overseas. We have to make sure that each evaluation investment, evaluation makes sense to us. So for India, our view is that India is a very attractive long-term market. India has a lot of potential, but it's also a market that has limited multi-station capability at this point, so we're mindful of that. We don't -- given the market's view, early in development.

I think we'll continue to rely on organic growth in India and only use investment as a supplementary strategy, but that's not going to be a meaningful (inaudible) our effort in India, but yes, opportunity presents itself. When there is no (inaudible) investment that makes sense to us, we'll make that investment, but again you have to consider in the context of our overall strategic goal in India and also in terms of reasonable valuation that makes sense to us.

Currently, if you look at our balance sheet, we have almost $200 million in cash and we can certainly have the capability to raise more funds if we need to make investments. But I think at this point, we're pretty comfortable with our cash balance and also our position in the market right now.
Wendy Huang: Thank you.

Operator: Thank you. And as there are no more questions, I would like to turn the call back over to management for any closing comments.

Andy Yeung: Before we end the call, I just want to -- just in case, due to our earnings release, we actually also have to make another announcement in addition to just our fourth quarter earnings. As we mentioned before, our Board of Directors has announced a share repurchase program, and so I just want to provide a bit more details of that to investors before we close out the call today.

Our Board of Directors has authorized a purchase of up to [RMB]100 million worth of our share of ADS. If you look at our Board of Directors' decisions, it's our strong belief that our Company is in a very strong position, and our shares are undervalued and demonstrate our confidence in the longer term business prospects for our business. So just in case people have not noticed that on our earnings call or in the press release, I just wanted to mention that.

So Helen?

Helen Zhu: Yes. Thank you all for joining our conference call today. If you have further questions, please do not hesitate to contact. Thank you. Bye.

Andy Yeung: Thank you.

Sheng Fu: Thank you.

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