

*This is an excerpt from an event on February 23, 2021. Please refer to the forward looking statements disclaimer provided at the beginning of the event read by Betsy Frank.*

## **JEREMI GORMAN, CHIEF BUSINESS OFFICER**

Thanks, Peter. Hello! You've met some new folks at Snap today, but I'm guessing my voice might be familiar. I've spoken to many of you on our earnings calls over the last two years. But each time it feels like we're only scratching the surface. The questions go by so quickly – even when you ask two instead of just the one you're supposed to ask – but today feels really exciting because you get to hear the whole story, from a variety of angles. If we've not yet met, I'm Jeremi Gorman, Chief Business Officer here at Snap – and I am responsible for Revenue and Customer Operations.

Put very simply: we have a long runway ahead of us. Our audience is growing, and it's hard to reach on other large platforms. We have pioneered the most innovative ad products – our vertical video and augmented reality formats are poised for robust growth in advertiser demand.

Today, we comprise less than 2 percent of the US digital ad market. That number is at odds with the fact that we reach nearly half of US smartphone users, which not only highlights the opportunity, but forces us to think, how high is up?

We have made deliberate strategic decisions to put ourselves at the center of industry momentum and trends and, in many cases, pioneered them ourselves.

The US digital ad market is incredibly large at \$142 billion today and it's growing. eMarketer estimates that it will grow at an average of 14 percent a year through 2024. Part of this growth is coming from the US \$60 billion linear TV market. These trends are very favorable for domestic digital video ads, which are just one component – but an important component – of our strategy. We are creating and defining a new market in augmented reality, and we're laying the groundwork to bring small and medium sized businesses onto Snapchat. We are also expanding into the \$340 billion global digital ad market.

And in addition, self-serve advertising – the core of our offering since 2018 – will make up nearly 90 percent of all digital display ad spend by 2022, accounting for essentially all the growth in the space. Mobile advertising is expected to grow faster than desktop advertising, video advertising is expected to grow faster than non-video advertising, and AR and premium mobile content are two of the most talked-about focus areas for marketers. So again, we are in the center of all of this growth and innovation.

Given our growing community, their engagement, and success in major advertising markets, we believe that we can continue to grow revenue at high rates for years to come.

There is no person at Snap with whom I work more closely than Peter Sellis, who you just met. Sales Leadership and Revenue Product are joined at the hip, listening to the market and developing products to solve advertiser problems. Our partners see advertising as a business investment. Every dollar spent is becoming more performance-oriented, leading to increased use of self-serve tools and advanced measurement capabilities.

Roughly two years ago we transitioned from a regionalized to a verticalized sales structure. We believed that, as we scaled, we could service more advertisers with relevant categorical experts from our team. Prior to this reorganization, a seller in the Midwest could serve McDonalds, Sprint, Target, and Coca Cola. I actually think that was a real client list! They weren't even on the same team as the seller on the West Coast who had T-Mobile, Taco Bell, GAP, and Red Bull. That was suboptimal for our clients because we weren't providing them with the expert level service they deserve. It wasn't great for our teams because their attention was divided, and it wasn't great for Snap, because there wasn't a mechanism to get best practices by industry type easily from one team to another. Now, all Telco Account Executives are on the same team, all Restaurant AEs are on the same team and so on and so forth. We aim to be expert business partners to our advertisers, solving problems with them and deeply understanding their businesses.

We have three major types of advertisers that we service: large brands - which we call Enterprise; direct response - or performance advertisers - which is our Emerging team; and small and medium sized businesses, which is our Scaled Services team. Overlaying this structure is our Agency Development team. So let's dive into each of these advertiser segments.

We have large brands - the Enterprise team. This is the first set of customers we partner with - large brand advertisers with complex buying structures. This is where our teams are categorized by advertiser vertical.

We have long standing relationships with most of the Comscore 1,000, including Verizon, Walmart, Ralph Lauren, P&G, Taco Bell, Coca-Cola, and Playstation, to name a few. To connect these advertisers with our audience in a measurable way, we've developed an increasingly sophisticated suite of ad products and measurement tools that allow them to drive and reach ROI.

When you consider what happens in a person's life between the ages of 13 and 34 - the Snapchat Generation - you understand why large brand advertisers find deep, long-term value in our audience. In this age range, they move out of the house for the first time, they get their first apartment, they get

their first credit card, they get their first car, they take their first trip on their own, and they start to buy the day-to-day products that they will be loyal to for the rest of their lives.

In addition, they have tremendous influence over household purchases. A recent study found that over 80 percent of parents of Gen Z report that this generation influences household spend. Let's talk about that in practical terms. What does influence over household spend mean? Alright, I know we're all virtual here, but raise your hand if you have a gaming console at your house. Xbox, PlayStation. I feel pretty confident that I could look you in the eye and say you might have made the purchase, but it was probably your teenager or college-aged person who chose between Xbox and PlayStation. And that's what we mean by household influence. Now multiply that by 80 percent of parents saying that their kids helped them make those decisions and you can see why large brand advertisers would want to get in with the Snapchat Generation now. Building brand awareness with them and favorability now is critical.

Larger brands utilize both video ad units and Sponsored Augmented Reality Lenses. They invest in our video advertising through Commercials and Snap Select, which enables them to buy six-second non-skippable video ads in a pre-packaged, fixed priced, premium inventory environment within our hand-curated Discover section. We also offer bidding capabilities that allow larger brands to optimize their campaigns for specific goals: swipes, video views, long form views, First Commercial, and more.

Our unique and innovative AR Lenses give our team a huge opportunity to attract larger brand advertisers. In the past, these brands used augmented reality for brand moments to drive awareness and reach through expensive one-day takeover Lenses. But today, brands are utilizing augmented reality to drive real, measured business results. Over the next few years, we believe our AR capabilities will become the next industry standard for mobile-native advertising.

We have already partnered with several leading brands to leverage our AR and ML technologies to power virtual storefronts and try-on experiences, such as Champs, Clearly, Dior, Essie, Kohl's, Levi's, Jordan brand, Sally Hansen, and Gucci, just to name a few.

The challenge with AR, which is different from our existing video ads business, is that we are still in the early stages of development of the AR industry in its entirety: there are not often existing augmented reality budgets at these large agencies or within the brands. However, I've been in this industry a long time, and I remember when there weren't distinct Mobile budgets, video budgets, social budgets, or ecommerce budgets either. But here we are, in a place where those are core disciplines at each brand and each agency. So too, will be augmented reality. But, it requires a platform in a leadership position to push that opportunity, and Snapchat is that platform for augmented reality. As such, we are investing to build the industry, and we've done it before, with vertical video, with the Stories format, and now you're going to see us do it with augmented reality advertising.

As Peter briefly mentioned earlier, we recently launched Brand Profiles, which offer a permanent home for large brands on Snapchat, built around their unique investments in the app - starting with AR Lenses, native commerce stores, and content highlights. Brand Profiles bring these various brand experiences for Snapchatters together into a single home on our service.

Ultimately, our customers are the judge of our offering. Here's what one of our large brand advertisers - Universal Pictures - had to say about working with Snapchat.

The next set of advertisers that we partner with are direct response advertisers - or our Emerging customers. They largely comprise app install and direct-to-consumer brands, and the sellers on this team are experts on driving to performance objectives at scale. This category has found success on our platform as we have evolved our ad tech stack, and is largely responsible for our "always on" budgets. Direct response makes up more than half of our total revenue now.

Advertisers in this set include FanDuel, HiSmile, eBay, GOAT, Starling Bank, and more.

The expectation here is that they put a dollar in, and they expect more than a dollar out in the form of an app download, an eCommerce purchase, or a subscribing customer.

These advertisers love the scale of our audience, the depth of their engagement, and most importantly, the sophistication of our self-serve ad platform. Our investments in our self-serve Ads Manager were a catalyst for success here, and at the highest level we are now at feature parity with all other larger platforms. All of the lower funnel bidding capabilities that we now offer, like optimizing for a pixel purchase or a subscription, make it incredibly easy for an advertiser to create and launch a high-impact campaign.

Our ad formats allow them to tell rich stories in formats that Snapchatters love, and it's easy for them to direct Snapchatters to an actual purchase. Dynamic Ads were one of our fastest growing product categories, with a significant increase in advertiser adoption year-over-year in Q4 serving a broad range of verticals and scenarios.

As Peter mentioned, we are also turning augmented reality into an accessible, easy to buy, and easy to create ROI-based product. Advertisers can now optimize AR campaigns for Clicks, Shares, Purchases, and more.

We believe that the most fundamental, reliable investment we can make to onboard new advertisers is in machine learning - we're going to drive ranking, measurement, and optimization to advance our ads.

Here's a proof point from a direct response advertiser - HiSmile - about the success that they've had on Snapchat.

The third set of customers with whom we partner are Small and Medium businesses, and local advertisers. We believe there are millions more advertisers in this category for whom Snap can help achieve their business goals.

Our Map will play a key role in onboarding local businesses. And again, as Peter mentioned earlier, we have a tremendous opportunity to help brick and mortar small businesses accelerate out of the lockdowns of COVID and engage with the group many expect to emerge most enthusiastically from lockdown: the Snapchat Generation. We'll go back to those teenagers and college students that you have. How many of them are waiting to run out the doors? They'll be the first ones to the movies, they'll be the first ones on cruise ships, they'll be the first ones on planes, they'll be the first ones at restaurants. They can't wait to get back together with their friends. And when they do, the Snap Map is here for them. To contextualize, the Snap Map is incredibly popular amongst Gen Z and Millennials. This generation isn't looking for a way to get from point A to point B - it's not super hard to not get lost in their hometown or college town. But they do very much care where their friends are, they care where the gatherings are, they care who's at the concerts, they care who's at the bar, they care who's at the restaurant, and they care what the hottest new venues in town are. That's the Snap Map. It's highly personal and highly engaging.

We're investing here with a dedicated team to help on-board these advertisers, with one-to-many and one-to-one targeted outreach. In each quarter in 2020, we achieved new record numbers of advertisers, and we see the opportunity to continue that trend long into the future.

Now let's take a look at what one of the small businesses with whom we worked had to say.

The last set of customers with whom we partner are large global agencies, who represent the biggest brands in the world. We have deep relationships with the Global Holding Companies and key Independent Agencies that create and drive successful Snapchat campaigns for their clients.

In 2020, we relaunched our Agency Certification training program to bring hands-on training across several agency disciplines, including Social, Creative, Video, and Planning. We also provide insights to help agencies deeply understand the Snapchat Generation during their strategic planning, and recently launched a "Snap Champions" program for creatives within agencies who we've trained as experts on Snapchat AR.

Ultimately this type of outreach and sales structure is critical to fostering relationships with large brands, direct response advertisers, local businesses, and large global agencies.

And I would be remiss if I didn't provide you with some customer feedback. So here you see a testimonial from one of the world's largest agencies, Publicis.

I also want to touch on how we approach our monetization strategy globally as we grow in new markets.

Before we invest in an emerging market, we first focus on building a sufficient base of daily active users. Then, for in-country monetization, we start with bringing in non-local, or "export advertisers" who may find this new market attractive. An example of this would be an advertiser in the UK wanting their products to resonate with our new and growing user base in India. We then augment those efforts with a local, certified third-party reseller - one or more in multiple markets - and we truly view them as an extension of the Snap team. Their offices look Snappy, they wear our shirts, and they represent our brand and market - we manage them very closely. And then, as DAU, engagement and revenue grow, we transition the sales responsibility more towards in-house, direct sales teams. We have a structured approach for evaluating expansion markets on which we focus to ensure we're applying the right level of resources to the right opportunities. We believe we have a huge opportunity to increase monetization internationally as we continue to improve the performance of our application in local markets, and apply our strategy to grow our communities, which Derek will touch on a little bit later.

Now let's talk about our focus verticals. In order to increase the number of active businesses on Snap, we focus on verticals with a high likelihood of success on our platform. In other words, what brands are going to be most resonant with the Snapchat Generation. Earlier last year, our team effectively re-prioritized to address verticals that were set up for resilience and growth once the effects of COVID became clear. Our teams found ideal customer-fit for Food Delivery, Gaming, Streaming, Ecommerce, CPG, among others, and we put fewer resources into verticals like Travel and Automotive, as the impacts were more severe in those categories. But we will have the ability to pivot back as soon as those categories are ready to advertise once again at the same levels where they were before.

Many might assume that direct response marketing - like mobile app install - is the sole realm of digital-first brands, like mobile games and online startups, as opposed to big brands. But this year we also partnered with larger, legacy brands to pivot to DR - across retail, consumer packaged goods, entertainment, restaurants, and more. Due to COVID, millions of consumers are establishing sticky new digital habits that might have otherwise taken years to form. We saw more growth in ecommerce in the last nine months than the nine years preceding it as an industry. Those habits are here to stay. With app usage up and stores closed, many large brand advertisers have pivoted - reimagining their app as a primary channel for customer engagement and sales, rather than playing second fiddle to a physical store or a website.

For instance, restaurant chains that used to create awareness ads about tempting food choices – you know, the drippy burger ones – well they’ve all become app install marketers too. They’re all direct response advertisers now. Same is true for CPG players, where we’ve seen rapid shifts towards performance marketing tactics that fuel the new surge in ecommerce sales.

And in a similar fashion, our streaming vertical accelerated dramatically as theatrical releases halted. There will be a new normal, and people will soon start venturing back out into the world – I really want to be one of them! But the digital acceleration will remain, as both consumers and brands see the benefit and ease of mobile ecommerce.

Longer-term, we believe Snapchatters will engage naturally with businesses of all sizes across our service, whether through a brand’s profile, finding store hours on the Map, or interacting with products using an AR Lens. You might discover or learn about a product or a brand via a Commercial or a Story Ad but that’s going to drive you to a Brand Profile, where you’ll find an augmented reality experience that allows you to learn more about the brand and sample or try on the product in augmented reality. In addition, with our measurement tools we can help advertisers track all the way to conversion, purchase, or sign-up. This combination ultimately provides a richer advertising experience that you can’t copy on a traditional medium like TV. This is why we believe we have a huge opportunity to continue to take share of the digital ad market as we scale.

Hopefully you have a better understanding of how we are positioned for long-term success. I have been here just over two years and it has been the most rewarding, exciting, fast-moving, innovative and invigorating time of my career. The best part about Snap is that we do all of this with kindness and appreciation for our teams, and we’re just getting started.

We’re going to take a 15 minute break now. But then join us again so you can hear from more of our senior leaders here at Snap!