

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.

PETER SELLIS, SENIOR DIRECTOR, PRODUCT

Jacob just spent a lot of time giving you an overview of how we build our products. Well at the end of the day, I think somebody needs to figure out how we can make money off those - and that's why I'm here. My name is Peter and my team works to evolve our platforms into businesses.

Our long term vision is that each of the five platforms will generate revenue proportional to the value that they provide our community.

Via the work on our self-serve ad platform, we're in a position to drive multiple years of 50 percent plus revenue growth. This was not easy. I'm going to outline how we did that, the struggles we faced, and how overcoming them has created a resilient business.

Let's go back to 2015 and 2016. We focused on bringing mobile-native formats to market, starting with vertical video. We helped advertisers pivot from desktop, landscape video to mobile, by offering the first full screen vertical format at scale. This format is now widely considered an industry standard.

At the same time, we also launched the world's first camera advertising at scale, with Lenses and Filters. As you probably remember, these captured the imagination of our audience and advertisers alike. And this really harkened to our unique advantage - that Snap wasn't just mobile-first, it was mobile-only - this was the sole major social platform for which that was true. And it allowed us to pioneer many of the ad formats that are just now coming to market on other platforms.

But there was a problem with this approach: custom formats such as vertical video meant that advertisers have to spend a lot of money and time on creative. This, in turn, meant that the campaigns had to be expensive and broadly targeted to justify that time and money. This made those campaigns inaccessible to almost anyone except the largest, global brands. And even for those, they were inefficient due to their broad targeting and slow turnaround.

So we worked to change that. In 2017 we launched our Self-Service platform, called Ads Manager. Over the next few years, we worked tirelessly to make this tool best-in-class - competitive with the largest digital ad platforms out there. We shifted our buy model from expensive, emailed, pdf insertion orders to an efficient, bid, performance-driven marketplace.

We rapidly expanded from two bidding outcomes - which we call goal-based bidding - to over a dozen options. These include options such as app install and pixel purchase. And then we relentlessly

responded to customer needs particularly around targeting, optimization, and insights. We introduced features such as day-parting, accelerated bidding, and audience insights.

But again, we encountered a challenge. This rapid shift to self-serve eroded yield. In fact, over the course of two years we went from approximately 90 percent Managed to 90 percent Self-Serve. And during this time, we reported consistently decreasing CPMs. These lower prices absolutely benefited our advertisers, but they were disruptive to our revenue growth trajectory in the short-term.

So next, we invested aggressively in optimization, measurement, and ad ranking in particular. We set out to build the best ad ranking team in the industry, focused on driving measurable advertiser outcomes more efficiently. In this way, we could actually increase CPM and increase ROI in parallel.

This phenomenon is at the core of what is a somewhat counter-intuitive flywheel that I think is actually really important, so I want to focus on it. The flywheel means that more demand can also mean more efficient outcomes. As you'll see in the diagram, the more advertisers we have - the more diverse the set of ads that we can show - that makes these ads more relevant - and it makes Snapchatters more likely to engage with them - this, in turn, drives higher ROI and makes us more efficient with our inventory - so we can end up supporting more demand in the first place.

A great example of this is actually something that Derek talked about on our last earnings call. He talked about the idea that effective CPMs for inventory that were monetized via Pixel Purchases had risen 41 percent sequentially in Q4 - the cost of those Pixel Purchases, however, had actually decreased 11 percent over the same time period. That is the power of better ranking, better optimization, and growing demand in action.

But there was a new challenge, there kind of always is if you're not getting the theme yet. This unabated pursuit of performance-oriented advertising was implicitly biased towards direct response. The engaging formats that captured the imagination of brand advertisers in 2015 and 2016 - they didn't fit neatly into a biddable auction-based environment. By the start of 2020, the majority of our revenue was DR, and camera advertising growth had actually slowed.

However, we knew we could solve problems like this. Today, every great advertiser is a performance advertiser - brand or direct response - it's just a different time horizon. The best advertising appeals as much to the CFO as it does to the CMO - meaning, it's an essential investment in the future of a business. Brand advertising is absolutely the cornerstone of this.

Therefore, we envisioned a set of self-serve tools designed with brand buyers in mind, where planning, predictability, transparency are all critical. We started this journey with Reach & Frequency, which allows advertisers to reserve campaigns at a fixed price.

We also then brought one of our more successful offerings, Snap Select, to our self-serve environment – but we only opened it to our best partners. It allows for reserved, pre-packaged Discover buys of our best content.

And then most recently, we launched First Commercial, which – again, exclusively for our best partners, but still built into our self-serve tools – allows brands to reserve the first Commercial that a Snapchatter sees in a given day.

So at the end of all of this, where did we end up? Well, our ad stack is one of the most full-featured and advanced on the market for both brand and direct response. Our team remains uncompromisingly focused on building a platform that works for advertisers of all types and all sizes.

This work has set the foundation for a future with significant opportunity to grow in video. As advertisers utilize our full suite of goal-based bidding options, we can translate investments in machine learning directly into revenue gains. Furthermore, Friend Stories and Discover are still nascent within many markets – and even within some of the cohorts of our developed markets. This leaves us ample potential. New areas, such as Spotlight, can be immediately additive due to the flexible, fungible nature of our demand, and our modular tools. And then finally, our business is still very early in many valuable advertising markets worldwide, and Jeremi is going to talk a little bit later about exactly this.

We also have untapped potential within our service to grow ARPU. Our team will focus next on the Camera – via AR Advertising.

We're going to do this by, first – building the core behavior of AR as a utility. Then second – making it easier for brands to create and experiment, and then third – we'll pair it seamlessly with our powerful advertising platform.

We are investing in building new experiences for specific verticals where we believe AR can clearly augment the customer journey and provide value to businesses. We're going to start with shopping. We've already partnered with several leading brands to leverage our technology for virtual try-on experiences.

Through our recent beta program with over 30 brands across verticals from beauty to auto, Snapchatters tried on products over 250 million times. These same Snapchatters were 2.4 times more likely to click to purchase than average.

Next, we're making it easier for businesses to create, publish, and share Lenses with millions of Snapchatters. We're going to do this by connecting all the innovation that Bobby talked about in Lens

Studio with our advertising platform. For example, when we launched Snap ML last year at our Partner Summit, it allowed developers to add their own machine learning models to Lens Studio. One of these partners brought a shoe try on model. Dior then leveraged this try on model to create a try on experience. This experience lives permanently on their brand profile.

So finally, we're going to invest in the optimization algorithms to serve AR to Snapchatters who are most likely to meet a brand's objective. So back to Dior, who can take those shoes from their brand profile, and create an optimized ad campaign with them. We're going to connect the same buying experience to AR that we have for Video, and the best part about this is that the formats actually are proven to work better together.

Now, let's move on to the Map where - as many of you have noted repeatedly - we have a large, untapped opportunity. Local, digital advertising is an established market - it has a playbook, and we're confident that this will be an important part of our business in the future. But we want to do it right.

Local businesses are considered the backbone of the economy. We launched our first offering, Promote Local Place, alongside the addition of Place Listings as part of our response to helping SMBs through the pandemic. This was the first time that businesses were on the Map. It included a dedicated buy flow that directs Snapchatters to a Place listing on the Map - along with new targeting and measurement options. We're going to spend a lot of time expanding these products to work for the largest multi-location enterprises in 2021, but they were honestly reactive to the pandemic, and we feel that we have yet to truly build on the potential of the Map.

As Jacob mentioned, our first step will be adding more value to Place listings. Local businesses are a really important part of meeting up with your friends in real life. And that was something that Jacob talked about that really resonated with me. Because Snapchatters who use the Map have location services enabled, we'll actually be able to accurately measure and drive store visits, closing the loop with our own first-party data. But small businesses are time and resource constrained. It's often the same person serving the coffee that's buying the ads. Building a product that 'just works' is important. That's why we'll continue to add value to Places - which Snapchatters already check-in to millions of times per day. When we do eventually allow claiming, local businesses will have a huge engagement pool to tap into and leverage.

Finally, let's talk about our Communications platform, which includes two of our most recent product offerings: Games and Minis.

We're actually starting to see some really exciting early traction with games. Game developers are starting to generate revenue on Snap. Today, we offer rewarded Commercials, which is our six-

second forced-view ad, within Games, giving partners a familiar way to monetize engagement. We have been working hard with developers to find financial success on the platform, and we were able to more than double revenue year-over-year for them in Q4.

We also recently launched a beta product on Android called Snap Tokens. It's a digital good which will give developers more options. Our goal here is to experiment with, and encourage, direct user monetization, and we may expand this beyond just Games.

Now, building off the same technical architecture of Games, Minis are less than a year old, but they present a clear opportunity for businesses to build on-platform experiences. These experiences will leverage the friends-first nature of Snapchat and the best features of our partners' products - all within Chat.

While we tested some initial shared experiences over the past year - such as schedule planning, meditation, events - we are gradually expanding our partners to include use cases such as commerce.

If we are successful here, Minis will generate significant value for our partners, and we'll be able to optimize the full funnel - from discovery to action - unlocking again on-platform conversions. Over the coming years, you'll see us continue to add to the organic value that businesses can derive from our audience and our tools, and we will try and tie all of it back to their brand profile.

Taking a step back, we believe that we are doing our best work when monetization products act as a complement to our service, bringing businesses to our community in an additive fashion.

Our team has built a strong base with our self-serve platform, expanding it into premium video, and now the most advanced AR advertising stack. Still, we actually have significant head room within video alone, which allows us to carefully and thoughtfully expand our business to each of the five screens in a symbiotic way, augmenting advertising with other solutions as necessary.

Given our growing audience and strong engagement, we expect to meet this challenge as we have in the past, head on. Now here's my good friend Jeremi to talk more about how our team and go-to-market strategy are set up to increase revenue over the long-term. Thanks for listening.