

This is an excerpt from an event on February 16, 2023. Please refer to the forward looking statements disclaimer provided at the beginning of the event read by David Ometer.

JERRY HUNTER, CHIEF OPERATING OFFICER

Hi everybody, I'm Jerry Hunter. I'm Snap's Chief Operating Officer, overseeing all of our global monetization efforts, including Sales, Ad Product, and Engineering, in addition to leading Growth, Content-and-Partnerships, and our AR ads business. I'm so excited to be here with all of you today.

Since we began building our advertising business, our primary focus has been delivering performance for advertisers. This underlying goal has remained the same, even as our business continues to be impacted by a number of factors we've witnessed throughout the past year.

Today, I will focus on the areas we can control, discussing in detail how, in this new operating environment, we have evolved how we are driving performance for our advertisers. We're going to really go under the hood on our ad tech – so get ready to dive in.

Slowed growth in marketing budgets, new norms around delivering and measuring impact, and increased competition for every advertising dollar all require a deeply technical and operational go-to-market approach, as well as leaders with that expertise.

As Kenny just mentioned, we have an enormous opportunity at Snap.

Since I took on this role nearly six months ago, I've seen just how much room there is to continue to evolve both engineering and sales to increase our focus on driving performance for advertisers.

Our priority for accelerating revenue growth is simple: to deliver measurable value and positive business outcomes for our advertising partners, with greater emphasis on direct response performance in the near term. While that is, of course, easier said than done, especially in the current environment, I have confidence in our plan and teams to deliver this.

We will continue to serve our larger brand-oriented advertisers through innovative video and augmented reality solutions to connect our community and our ad partners in measurable and value added ways. We are also innovating to diversify our revenue sources, through Snapchat+, with the goal of expanding our ARPU opportunity over time.

To gain share of the very large and growing pie of digital ad dollars, we're going to focus on a few things: 1) provide advertisers with a large and engaged audience that is difficult to reach elsewhere, 2) offer compelling, performant ad formats in a brand-safe environment, and 3) provide an ad platform capable of optimizing campaigns to deliver attractive return on ad spend for our advertising partners.

We offer advertisers all of these key inputs, and we're improving each of them every day. Let's touch briefly on each.

More than 750 million Snapchatters use our platform every month, and over 375 million daily active users, mostly 13 to 34 years old, are deeply engaged with our service. If you want to reach Gen Z and millennial audiences in many of the most attractive ad markets in the world, Snapchat provides unparalleled reach.

Brands advertise on Snapchat with engaging and performant ad formats: full-screen video and immersive AR. When brands use a full-funnel approach using both our video and AR formats, they are able to drive higher returns on investment and lower costs per outcome.

While engagement with Snapchat has been growing steadily for over a decade, and is at-scale among Gen Z and millennials populations in key markets, our monetization and ad platform is still in its early days. We believe that the work we are doing to improve our direct response offering will improve the return on ad spend for our ad partners, and help us continue to take share in the growing digital ad market.

I'd like to talk now in more detail about the opportunity ahead, and our plans to realize that opportunity.

Let's start with our ARPU opportunity. Today, our annual average revenue per user globally is approximately \$13. This compares to Facebook's global ARPU of \$59. And in North America, our annual ARPU is approximately \$33, compared to Facebook's North America ARPU of \$277.

Growing our advertising ARPU is ultimately a function of the number of people we reach, the number of ad impressions we serve per person, and the price we charge per ad impression. We believe we are significantly under-monetized today relative to our opportunity across these areas. Let's dive into them.

First, inventory. Given our audience and their engagement, we have plenty of available inventory on our platform today, and with plenty of room to grow in the future. In Q4 2022, total impressions grew 8% year-over-year.

As Jack discussed earlier, to grow our available inventory even further we're executing against a plan to improve our ranking models to surface the most relevant content for Snapchatters, and providing new tools to incentivize Snapchatters and Creators to post to Stories and Spotlight. We believe this will improve time-spent viewing content on our service, which will expand our available inventory and our content-business over time. We believe that this content strategy — combined with our longer-term plans to expand monetization across our Camera, the Snap Map, and Spotlight — will deliver the depth of engagement necessary to achieve our long-term ARPU opportunity.

Next, our plan for pricing. Our prices are based on auction dynamics. Given that we have available inventory, we expect eCPMs to continue to be primarily driven by advertiser demand. And we believe an advertiser's willingness to bid is determined by measurable return on investment, or ROI. When advertisers are less willing to spend for an incremental bid, auction density drops, and our pricing, or eCPMs, decline as a result. For example, in Q4 2022, global eCPMs declined 9% year-over-year.

We are focused on improving ROI for our ad partners, which we believe will increase their willingness to bid at higher levels and drive their desired outcome.

We are investing aggressively in optimization, measurement, and ad ranking in particular, to drive measurable advertiser outcomes more efficiently. In this way, we believe we can increase CPM and increase ROI simultaneously.

Our focus on ranking and optimization is intended to kick off a flywheel – increasing the likelihood that our ads are more relevant, which makes Snapchatters more likely to engage with them. This, in turn, drives higher ROI and makes us more efficient with our inventory, which will drive more advertiser demand and improve the diversity of ads we can show to our community – increasing the likelihood that we can show the right ad to the right person at the right time, while simultaneously increasing our CPMs over time.

We also have enormous headroom to grow our ARPU as we expand monetization across Snapchat. Other initiatives like Snapchat+, which Jack just shared with you, only further expand our ARPU potential.

Let's talk about our plans to make our ad platform highly performant to deliver return on ad spend for our clients.

Our primary focus in the near term is direct response advertising, or DR. Today, DR represents approximately two-thirds of our ad business and has continued to grow at a faster rate than our brand-oriented business. We believe DR is resilient because it provides the most measurable ROI for advertisers, who need a high degree of confidence in their spend.

In the five-year period ending 2021, our DR platform was the primary driver of our ad revenue compound annual growth rate of over 50%. The return on ad spend we delivered for our clients allowed us to gain share of wallet and grow our business.

The recent platform policy changes have had a significant impact on the DR advertising ecosystem. Prior to these changes, we were able to more precisely attribute off-platform actions to advertising campaigns on Snapchat. This was possible because Pixel coverage across advertisers' websites would return and match events based on website activities, or mobile measurement partners (MMPs) would return exact actions taken by Snapchatters because it was matched to their unique identifier, or IDFA.

As a result, we could more accurately attribute and report conversions, and target and optimize advertising campaigns.

DR advertisers have been most impacted by recent changes because they benefit significantly from immediate and precise feedback loops. The changes have resulted in increased cost per conversion and a reduction in the total number of conversions, leading to lower ROI for advertisers. For example, gaming apps were once able to optimize for potential Snapchatters who would make an in-app purchase. But now, they are limited in understanding which users might make a purchase in-app. As a result, our models learn from more limited signals, which ultimately leads to higher costs per purchase for advertisers.

To overcome the limitations imposed by the platform policy changes in a privacy-safe manner, we are updating and improving our ad platform across three key areas: 1) investing in observability and measurement, 2) improving engagement and conversions quality, and 3) increasing the volume of high-quality engagements and conversions.

Let's talk about observability and measurement. Ultimately we are investing in tools and solutions that allow advertisers to share conversion data in a privacy-safe manner. We call this our signal strategy, which includes a portfolio of "signal vehicles" that empower advertisers to easily leverage third-party data with Snap through solutions like our Conversions API, Data Clean Rooms, and Multi-Party Computation.

Conversions API, or CAPI, is the foundation of these solutions. It's a direct server-to-server integration between an advertiser and Snap, either directly or through a third-party, which allows advertisers to share conversion data with Snap in a privacy-safe way. CAPI empowers Advanced Conversions, which is Snap's privacy-centric measurement solution. This methodology employs a range of cryptographic techniques to measure aggregate conversion data, without tying off-platform activities, like installing an app or visiting a website, back to specific Snapchatters. Conversions API adoption has been growing nicely, and the majority of our revenue is now measured using signals from Conversions API, Pixel integrations, SKAN, or MMPs.

Data Clean Rooms and Multi-Party Computation allow advertisers to join data in a privacy-protective environment, using each party's private inputs, without revealing their inputs to the other party. Overall, they provide advertisers with a range of options to measure and optimize their campaigns and enable our ad platform to improve targeting in privacy-safe ways. Additionally, we have deepened scaled integrations with key data partners from the broader third-party ecosystem, such as Segment, Tealium, Salesforce, and Dynamics 365.

We have also been investing in Estimated Conversions, a part of our Advanced Conversions product. Estimated Conversions are a form of statistical modeling used in our attribution methodology to

provide advertisers with a more complete, real-time view of performance in a privacy-centric way. More than 30% of revenue is measured through Estimated Conversions, which encompasses both web-based DR advertisers and app-based DR advertisers via SKAN.

These measurement solutions are critical to building long-term trust with our community and large advertisers such as Uber, Booking.com, PepsiCo, and Amazon. In the fourth quarter of 2022, advertisers like Booking.com and Zalando successfully leveraged CAPI to significantly increase the number of high-quality signals sent to us, which directly correlated with the efficiency of their campaigns to optimize for lower-funnel conversions. We also have many other large advertisers, such as Dick's Sporting Goods, Gymshark, and Kohl's, who have integrated CAPI and seen significant improvements in their ROI.

We understand that different advertisers have varying technical capabilities, so we are finding ways to simplify CAPI by offering solutions like Pixel and Launchpad. These allow businesses to implement best practices with their data with minimal developer support, eliminating the need for third-party development contractors or extensive coding. Snap's Launchpad allows for easy self-configuration of a server instance in a cloud environment such as AWS or Google Cloud, so that businesses can send marketing events through a privacy-preserved server-to-server connection to Snap — similar to CAPI. We have also been investing in Conversion Lift scalability-and-performance to increase measurability for advertisers who have lower spend, but higher potential for lift via our new offerings.

We are working to enhance the quality of engagement and conversions. The recent platform policy changes have increased advertiser reliance on last-click metrics as a proxy for attributed performance. In fact, many advertisers now test their budgets across different platforms and allocate spend where they see the most last-click conversions at the lowest cost per action. Due to this shift, we have rolled out changes to improve last-click performance. Specifically, we have updated our machine-learning models and algorithms to focus more on click-through conversions. Additionally, we enhanced the webview experience and performance within Snapchat for those who click on an ad, making it more likely that Snapchatters who open it convert. And we introduced a new ad format experience for Snapchatters that is consistent with the organic content they see on our platform, which has improved ad consideration and post-click engagement.

These changes will provide advertisers with better last-click conversion performance, and Snapchatters with better post-click experiences. For example, for campaigns optimized toward engagement, reach, and leads, improved click quality has led to a 40% increase in post-click view time, and a nearly 15% rise in the Google Analytics session match rate. And our ML model updates designed to deliver more relevant ads has led to a more than 40% improvement in ad view time, and a 25% increase in non-bounce rates.

In addition, advertisers who track their campaign performance through Pixel have seen a more than 40% improvement in purchase rate per click within a 1-day click attribution window. And, for advertisers who optimize campaigns for app install goals, we have improved the click-to-install rate by over 60% using a 1-day click attribution window. These changes make each click more efficient in driving purchases and installations.

It's important to note that while these changes have improved conversions and engagement across the funnel, they have also led to increased cost per action. To address this we are working to increase the volume of measurable conversions through improved relevance, targeting, and ML optimizations. We will be using the signals we gain from improved observability and measurement of high quality conversions to continually improve our ML algorithm, which will enable us to create a better and more relevant experience for Snapchatters. We believe these investments in our ad platform will deliver stronger ROAS and performance for our advertisers, allow us to use our inventory more efficiently, and most importantly, deliver more relevant ads to our community.

In short these changes have reduced the overall volume of conversions while increasing their value to advertisers. Our models are retraining on these conversions which we believe will grow conversion volume over time. We believe these improvements will benefit our platform over the longer term, even as we experience short term disruptions to revenue.

Our goal is to provide advertisers with a more accurate view of the entire customer journey on Snapchat, which will empower them to make better-informed decisions about where to allocate budgets and drive better outcomes for their business.

Let's take a look at how Fabletics, a performance marketing leader, partnered with us to increase lower-funnel results using some of our new performance tools...

We love working with partners like Fabletics. These are some amazing results — results that we want all of our customers to experience.

I also want to touch on our premium video business and AR advertising, because both of these offerings are valuable in driving advertisers' business goals. On the video side, our Commercials format – six-second, non-skippable full-screen video ads in our curated content – are in high demand among advertisers who are looking to buy premium video inventory. Marketers know that by investing early and often in the Snapchat Generation, across a variety of immersive ad formats, they can build a long-term relationship with, and establish their brand, in the life of a Snapchatter.

Today, the core of our AR business is our Sponsored AR advertising product, which is creating value for a wide array of brands and is becoming increasingly central to their campaigns.

The AR opportunity for businesses on Snapchat falls into three broad categories:

First, and perhaps most exciting, is the integration of AR into Shopping on Snapchat. We have strong momentum here: since 2021, more than 250 million Snapchatters have engaged with our AR shopping Lenses more than 5 billion times.

To understand the scope and potential of this opportunity, consider the apparel and accessories category, which is by far the largest shopping category among US teenagers. 92% of Gen Z are already interested in using AR for shopping, and we found with Ipsos that Shopping is the #1 reason consumers use AR – with 6 in 10 saying it makes the shopping experience easier, better, and faster.

Snap's AR enables brands to offer a fundamentally different, and more exciting experience for the consumers – not only through our famous AR Lenses for the face, but also our more advanced AR and ML technologies that power virtual storefronts and advanced try-on experiences for shoes, glasses, jackets, bags, and more. Dior and Levi's are just some of the brands we are already working with in this way.

And we expect our Shopping offering to only get better as we roll out other features to power AR commerce on Snapchat, including Dynamic Shopping Lenses, Sponsored AR Image Try-On, and Live Garment Transfer, which is the live try-on experience for apparel. Already, 80% of shoppers feel more confident in their purchases after incorporating AR into their journeys, and we are still in the early innings of how engaging and personalized the technology will become.

Take Walmart for example, they looked to us to provide their customers with an easy, interactive way to try Walmart's products through the power of Snapchat AR ads. The results were remarkable. Leveraging our Catalog-Powered Shopping Lenses the campaign drove more than 161 million product trials by over 35 million Snapchatters - that's about 4.5 product trials per user! And, throughout the campaign, Walmart used A/B testing to learn and identify best practices for future Catalog-Powered Lens executions.

Second, tentpoles. As Kenny just mentioned, these are the moments that marketers strive for in their campaigns – big, buzz-worthy activations that need to break through and really grab attention. Those are ideal moments to introduce the excitement and innovation that AR offers, and there simply is no equivalent platform on which to do it. Snap's community has no peer in terms of its embrace of AR, as well as its broader cultural influence.

Lastly, we've also heard from ad partners that they want to use AR to take part in everyday moments with our audience. So we've been working to make sure that our AR ads can be targeted contextually so that, for example, a family picnic can be sponsored by Uber Eats, or, if you're taking Snaps near the ocean here in Santa Monica, and you post those Snaps to a Public Story, you could receive fun content from Carnival Cruise Line.

Ultimately, AR is driving real business results for our partners. FanDuel, the number #1 sports betting platform in the US market, tapped into our integrated API partnership with Sportradar to develop a dynamic live odds AR experience. What started as a customer acquisition tactic through AR proved to be more valuable to FanDuel customers. They saw a doubling of re-deposits. The live odds drove 64% lower costs per action of incremental deposits and of subsequent placed bets versus Lenses that did not use live features. The ability to place relevant odds in front of the right user in a fun and engaging manner proved extremely valuable for FanDuel. This partnership further enhances our ability to re-engage current users, drive down costs for our customers, and serve our community.

Put simply, we believe our industry-leading AR capabilities will become the standard for mobile advertising. We are leaders in sponsored AR today, with a proven track record of powering both dynamic, attention-grabbing moments and high-ROI everyday engagement from brands, and an unmatched pace of AR innovation, as Bobby will discuss a bit later.

To fully realize our AR advertising opportunity, we are now identifying ways to grow the ecosystem – partnering with media agencies like WPP, Publicis, and Denstu to find new, scalable ways to integrate AR into brands' go-to-market strategies. And we are making it easier than ever to create, manage, and deploy AR advertising – through acquisitions like Vertebrae, which provides a backend system to create, manage, and deploy 3D and AR assets.

Taken together, the bottom line is this: for any brand interested in reaching the 250 million plus Snapchatters who already engage with our AR every day, on average – and in preparing for hundreds of millions to adopt AR in the future – our sponsored AR suite offers an indispensable, high-impact tool.

We believe there is already significant marginal return available to advertisers who invest holistically in our products. For advertisers seeking to use our Machine Learning to drive highly efficient outcomes, we offer Multi-Format Delivery, which automatically uses a combination of Snap ad formats across video and AR for one campaign objective. We have consistently found that advertisers who use Multi-Format Delivery across our platform experience stronger overall return on ad spend. For example, HBO leveraged these tactics in marketing House of the Dragon, where full-funnel strategies that included AR delivered a 2x increase in engagement relative to lower-funnel media alone.

As we think over the medium-term about continuing to grow our average revenue per user, we'll be looking at different ways to help advertisers reach Snapchatters across more of our platforms, like the Snap Map, and, of course, opening up more inventory by monetizing Spotlight, which is growing very rapidly.

Lastly, I wanted to share some observations that I've seen since taking on this role and bringing together Product, Engineering, and Sales to truly become a more customer-focused organization. I

deeply believe that in order for our business to be successful, we need to put the value that we are providing advertisers front and center as a team.

While the Engineering and Product teams have been bringing revenue-generating features to the market, we haven't had a tight feedback loop with our customers. These are technical implementations that usually need tuning and modification to ensure our customers are getting the best results. By investing in processes and teams that make the feedback loop tight, we have been able to improve the product more quickly.

We've also realized that it's not always easy to properly implement some of our technology. So, we've also invested in teams who help our customers ensure we have the optimal implementation, and we've seen positive results here, too!

We've also shifted to a two-tier support system from our sales teams, so we aren't mixing customer types with sellers. When you have mixed customer types, it's more difficult to consistently serve our customers, so we've simplified to Large Customers and Mid-to-Small customer segments. The former is much more white glove and hands-on, while the latter is more self-service.

As a part of the structural changes we've made, we've also shifted to a regional president model in EMEA, the Americas, and APAC. I'm thrilled to have Ronan Harris and Ajit Mohan as part of our team to lead EMEA and APAC, respectively. And we'll have an announcement soon regarding our new Americas leader.

As we look forward as a company, we are going to be working hard to continue developing our customer-first culture, which is integral to our business.

I'm really grateful for your time. We've covered a lot of ground, but if there is one point you should take away, it is that we are evolving our ad platform, and while it's early days, we are already seeing strong results. With that, I'll hand it over to Bobby to talk more about our AR platform.