

SNAP INC. INVESTOR DAY 2023 TRANSCRIPT

DAVID OMETER, HEAD OF INVESTOR RELATIONS

Good morning everyone! Welcome to Snap Inc.'s 2023 Investor Day. I'm David Ometer, Head of Investor Relations, and on behalf of the entire team here at Snap, thank you all so much for joining us today. We have a lot in store for you over the next few hours, and I'd love to first provide a quick overview of the day.

You'll hear from several senior leaders here at Snap, starting with our co-founder and Chief Executive Officer Evan Spiegel. Next, Jacob Andreou, our Senior Vice President of Growth, will share our plans to further grow our global community. Jack Brody, our VP of Product, will share how visual communication is at the heart of everything we create and build. Kenny Mitchell, our Chief Marketing Officer, will then share, from an advertiser's perspective, why brands and marketers are so drawn to Snapchat. We'll take a quick 10 minute break, and after that, Jerry Hunter, our Chief Operating Officer, will provide a detailed overview of our strategy and progress on our advertising platform, including how we're driving measurable results for our advertising partners. Bobby Murphy, our co-founder and Chief Technology Officer, will then join us to discuss how our augmented reality products and services are driving a major impact at scale today, and why we are so excited about the future of AR. Last but certainly not least, Derek Andersen, our CFO, will share our financial progress, how we intend to scale the business moving forward, and our approach to investing over the long term.

After a quick five minute break, Julie Henderson, our CCO, will then join Evan, Jerry, and Derek, on stage for our question and answer session.

We truly appreciate all of you being here today to learn more about Snap and I personally look forward to following up with many of you afterward. The presentation, including the slides and transcripts, will be posted to our investor relations website shortly after the conclusion of today's event.

Before we start, I must let you know that we will be making forward looking statements in today's presentation, so please do take the time to read this disclaimer on the screen. Any statement that refers to expectations, projections, guidance, or other characterizations of future events, is a forward-looking statement based on our assumptions today. Actual results may differ materially from those expressed in these forward-looking statements, and we make no obligation to update our disclosures. For more information about factors that may cause actual results to differ materially from these forward looking statements, please refer to our filings with the SEC.

As a quick reminder – if you're an analyst or an investor here with us in person, and you'd like to submit a question for the Q&A session at the end of the presentation, please feel free to scan the QR code on the back of the badges you all received this morning.

Thank you and let's begin.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Welcome, everyone, to our second ever Investor Day! A lot has happened since we held our first one two years ago.

We're very grateful that you're here, and we're excited to share more about our vision for Snap. Our long-term opportunity is enormous, but we're tackling a few significant challenges at the moment — the volatile macroeconomic environment, platform policy changes, and increasing competition.

Our goal today is to give you confidence in our ability to address those challenges by providing our plans and our progress to date. We are also looking forward to sharing why we are so excited about the longer-term potential for our business.

While Snap is still a small business compared to many large technology companies, we've made a lot of progress, growing revenues to \$4.6 billion in 2022. Our large, hard-to-reach audience, brand-safe environment, and innovative advertising platform have made us a valuable partner for businesses that want to reach the next generation.

Today, we're pleased to share that our community has now grown to over 750 million monthly active users.

We reach more than 75% of 13- to 34 year-olds in over 20 countries, with these countries representing over 50% of the advertising market.

Over 100 million daily active users have joined Snapchat since our last Investor Day, with our community now totaling more than 375 million daily active users.

After 5 years of more than 50% year-over-year revenue growth on average, our revenue growth decelerated to 12% in 2022, largely due to the combination of factors I mentioned earlier. While the macro environment has shown signs of stabilizing this year, it remains a significant challenge. We're focused on the things we can control, including improving our performance advertising business, diversifying our revenue with augmented reality and our new subscription product, Snapchat+, and growing engagement with our video content to generate more monetizable inventory.

In response to the platform policy changes, we've been working hard to innovate on our advertising platform — helping partners transition to new ways of measuring and optimizing their advertising spend — and by delivering custom, privacy-safe integrations.

Short-form video has exploded in popularity over the past few years. Spotlight, our new entertainment platform for showcasing the best of Snapchat, benefits from the enormous amount of content created by Snapchatters every day. On average, over 5 billion Snaps are created every day, the best of which our community submits to Spotlight. We are pleased with the rapid growth we're seeing in time spent per Spotlight viewer, which now meaningfully exceeds the time spent watching Friend Stories per Story viewer. Our goal is to grow the number of people watching Spotlight and continue to increase content diversity and time spent per viewer.

In August of last year, we promoted Jerry Hunter to the role of Chief Operating Officer and made changes to our team structure, unifying our Engineering, Sales, and Revenue Product teams in one organization. Jerry is a fantastic partner to me, and a passionate, committed leader. His decades of experience running technical operations and large engineering teams are already making a significant impact on how we are navigating today's advertising landscape. Later, you'll hear a lot of detail from Jerry about how we are evolving our ad platform, and he'll share more about some of the early progress we are making with our advertising partners.

Last summer, we also reprioritized our efforts and substantially reduced or eliminated investments not directly connected to our three strategic priorities: growing our community and deepening their engagement, accelerating and diversifying our revenue growth, and leading in augmented reality.

Adjusted gross margins expanded to reach 62% in 2022, ahead of our medium-term target of 60% set at our last Investor Day.

We generated our third consecutive year of positive Adjusted EBITDA and our second consecutive year of positive free cash flow. Given our strong cash position, we deployed \$1 billion last year to repurchase 6.7% of our common shares outstanding as of December 31, 2022, substantially offsetting dilution for the entire year, and we entered this year with \$3.9 billion in cash and marketable securities on our balance sheet. All of this was achieved as a result of the changes we made to our business and despite the significant deceleration in our revenue growth.

When Bobby and I first started building Snapchat, we wanted to make communication better. We started by making it visual and ephemeral, using disappearing images to bring life into digital conversations. Since then, we've grown our business by identifying everyday human behaviors and working to make them better through design, innovation, and technology. We built Stories to help people share their day with friends, the Map so people can see who their friends are with and what they're doing, and augmented reality for self-expression and enhancing the world around us.

In nearly 12 years of building Snap, we have never worked on anything as profound and meaningful as augmented reality. Augmented reality brings the benefits of computing into the real world, in three dimensions. It enables us to learn and interact with computing in a natural way, while freeing us to move around and fully experience our surroundings. Of course, augmented reality has become extremely popular today, on smartphones, with more than 250 million people engaging with AR on Snapchat every day on average. In the future, we believe people will prefer to use AR through wearables, which has informed nearly eight years of investment in Spectacles, our augmented reality glasses.

Spectacles connect directly to Lens Studio, our augmented reality authoring tool, allowing developers to quickly and easily deploy their creations. Over 300,000 developers have built 3 million augmented reality Lenses, which can be distributed through Snapchat, Spectacles, and CameraKit, our developer SDK that allows developers to distribute augmented reality in their own applications and websites.

Augmented reality has the potential to make nearly everything in our daily lives better. Whether discovering the storied history of your neighborhood, learning to play piano, redecorating your living room, or practicing your football spiral, AR enhances our every day. The only limit is our imagination.

We have everything we need to build a successful business over the long term. A large and growing community, an innovative and engaging product that continues to evolve, a strong balance sheet with a track record of positive free cash flow, and a long-term vision for what we believe will be the most meaningful advancement in computing the world has ever seen: augmented reality.

I'm so excited for you to meet a few of the folks who are driving our progress here at Snap.

With that, I'd like to welcome Jacob to talk more about our strategy for growing our community.

JACOB ANDREOU, SENIOR VICE PRESIDENT OF GROWTH

Thanks, Evan.

Hello! My name is Jacob and I lead Growth here at Snap. I'm excited to share our approach to growing our community by adding new Snapchatters, growing their engagement, and retaining them over time.

Growing our community and deepening engagement is important to the future of our business, as it strengthens our network effects and grows our overall revenue opportunity.

As Evan shared, the power of visual messaging has driven our growth to over 750 million monthly active users and 375 million daily active users globally.

And, we continue to expand our reach in highly monetizable markets, such as North America, where we have grown to over 150 million monthly active users.

Today, Snapchat reaches over 90% of 13- to 24-year-olds and 75% of 13- to 34-year-olds in over 20 countries. This includes the US, UK, Australia, Canada, France, the Netherlands, and Saudi Arabia.

This means we reach over 75% of 13- to 34-year-olds in countries representing more than half of the world's digital ad spend.

And our global community continues to grow, with 13 consecutive quarters of over 15% year-over-year daily active user growth. We have grown into one of the largest digital platforms in the world, more than doubling daily active users since our IPO. We've grown daily active users by over 40% — or 110 million DAU — since our 2021 Investor Day alone.

Despite our significant and growing reach, we believe we have a massive growth opportunity ahead.

In North America, Snapchat daily active users (DAU) represent approximately 25% of the 400 million smartphone market. In Europe, our DAU represents only 16% of the 560 million smartphone market. And in Rest of World, or outside of North America and Europe, DAU represents only 7% of the 2.5 billion smartphone market.

At our current growth rate, we see a path for Snapchat to reach over 1 billion people in the next two to three years.

Our service provides a sticky, compelling use case — fast, easy, fun visual communication with friends and family — and we have a proven track record of growing our Snapchat community. Let's talk about our approach to growth.

We think about growth in terms of three inputs: adding new Snapchatters, growing their engagement, and retaining them over time.

Let's start with how we're attracting new Snapchatters in our more established markets.

In our more established markets like the US, UK, France, Canada, and Australia, where we already have significant reach among 13- to 34-year-olds, our priority is to continue to attract young audiences as they receive their first smartphone and download their favorite apps for the first time.

Onboarding new Snapchatters at this important moment in their lives supports the long-term health of our community — we've found that when Snapchatters discover our service early on in their smartphone usage and start Snapping with their close friends, they are far more likely to remain daily active users on Snapchat. We'll touch on this flywheel in more detail a bit later.

To sustain our momentum with this critical demographic, we started with a simple question: Why does any Snapchatter join our service?

First, we know that Snapchat fosters relationships with real-life friends and helps drive conversations. We've seen that when a Snapchatter adds their friends on Snapchat, it is a strong indicator of long-term retention on our service.

Second, we know that visual messaging is a deeply compelling use-case that drives the flywheel for our entire ecosystem, because it attracts people into the service and then helps them discover our other platforms, such as the Snap Map, Stories, and Spotlight.

And finally, we know that Snapchat's unique architecture — by opening directly to our camera, not a news feed — drives not only visual messaging, but also our community's engagement with augmented reality.

As we continue to focus on this key demographic, we'll double down on improving and innovating on these engagement drivers for our service.

We also have the opportunity to onboard Snapchatters above the age of 35 who are completely new to Snapchat. Today, Snapchatters over 35 are connecting with Snapchat more than ever before, with both DAU and content time spent growth for this cohort outpacing overall DAU and content time spent growth. This supplements our strong retention of Snapchatters as they naturally "age with" us, growing our reach into older demographics.

Norway is a great example of an established market in which we have successfully onboarded and engaged an older demographic while maintaining our reach with the younger demographic. Over 50% of Norwegian DAU are 35 or older, and we reach over 45% of the 35+ population while reaching over 90% of 13- to 24-year-olds. And older users love Snapchat: over 60% of 35+ Norwegian DAUs communicate on a daily basis through Snapping or chatting and over 60% view Stories.

Growing our community in new markets where our reach is currently low is our largest opportunity for growth. Fast and easy communication with friends and family transcends borders, and the need to develop and maintain close friendships is universal.

We've found that our core product value of visual communication resonates globally, which creates a massive opportunity to grow our reach of Snapchatters in international markets.

At our last Investor Day in 2021, I shared our early progress in India. Since then, we've continued our momentum in India, with both DAU and MAU more than doubling. We've also observed strong growth in our Creator program in India over the past year to reach over 1,000 Snap Stars in India today.

On the publisher side, local channels in India publishing premium content grew over 170% in 2022. Our strong traction with Indian content creators and partners is helping fuel growth in time spent on content in India, with time spent on Spotlight more than tripling, and time spent watching Shows increasing by over 55% in 2022.

India has also been home to some of our most viral AR Lenses, including “Pleasant” and “Smoke Flare,” which each generated over 10 billion impressions. While there still remains work to be done in India, and in particular an opportunity to grow in key cities, we’re excited about applying our expansion strategy from this region to markets around the world.

The key to our strategy in India and other growth markets is ensuring that Snapchat is highly localized and relevant for our community in each region. For example, when we first began our efforts in India, we hired local designers who understood local culture and nuances to build AR experiences for our service, and partnered with local content producers and Spotlight creators. We launched local AR education programs in high schools and conducted in-market research to better understand the needs of our community. We also improved the performance of Snapchat on regional telco networks, and on popular devices, and added deep in-app localization to make Snapchat truly feel “made for me,” no matter where you are.

While our approach has always been to make the platform feel personalized for Snapchatters in a particular region, this doesn’t necessarily mean creating entirely new features or products specific to a market. This is an important distinction as we double down on new markets — our focus is on enhancing the existing value of our core use-case and five platforms in ways that are specific and relevant to each region. Having a universal set of values around how we design the platform for Snapchatters everywhere, as well as a clear path to making it accessible to new cohorts and markets, ensures that our growth is scalable and repeatable. Since the fourth quarter of 2020, our community outside of North America and Europe has grown by more than 80%.

In certain regions or markets where our reach is currently low, like Japan, Mexico, or Italy, we’re taking the time to educate Snapchatters about our core product value to ensure that they understand how Snapchat can help them connect and communicate with close friends and family. We continue to partner with major handset OEMs like Samsung and Xiaomi, and local telcos like Movistar and Orange, to drive awareness through co-marketing and preload deals. We believe there is still significant untapped growth potential, given that our penetration in each of these countries is well below levels seen in our more established geographies.

I mentioned earlier that visual communication is the flywheel that drives engagement across the entire service and builds long-term retention. It all starts with friends, and in the most recent quarter, we saw an over 95% year-over-year increase in daily new users who have three or more friends. And,

Snapchatters who talk to at least three friends over the course of a month retain at over 90% in the following month, on average.

Now, 11 years into our journey, we've developed a number of unique platforms that bring value to our community, which include our Camera, Map, Chat, Stories, and Spotlight. We've found that the longer Snapchatters use our service and the more platforms they interact with on Snapchat, the greater their engagement and retention. In fact, Snapchatters who engage with all five platforms come to Snapchat 6 days the following week.

Let's take two of our offerings — Memories and Stories — as an example. Both services are wildly popular individually. Snapchatters share Memories with their friends 280 million times a day on average, and there are more Snapchatters viewing Friend Stories than ever before but, used together, we see extremely high retention: as Snapchatters communicate and use Stories and Memories, they retain at 95% over the next month.

We also benefit from strong long-term retention. For the five years after a Snapchatter's first year on our service, annualized retention is approximately 90% on average. During critical moments in life — like starting at a new school, moving out on their own, or getting a new job — Snapchat offers a fast and fun way to connect with friends and deepen existing relationships, leading to strong engagement and retention across our service over time.

Our core product value of visual communication brings Snapchatters to our service every day, drives engagement, and over time, as our community experiences more parts of our service, their increased engagement becomes durable retention. This flywheel of engagement and retention is why over 375 million people come to Snapchat every day, while our total audience has grown to over 750 million monthly active users.

We've built a large, growing, and engaged community in many of the most valuable geographies in the world, with a demographic that is difficult to reach elsewhere. We've done this by delivering durable value for our community and retaining them at high levels, and we still have a significant opportunity ahead to grow our community in both our core demographics and markets, and in newer ones.

Next up, I'll welcome Jack to talk more about why Snapchat is an important part of so many people's lives.

JACK BRODY, VICE PRESIDENT OF PRODUCT

Thanks, Jacob. Hi, everyone. It's great to be here with you today.

I'm Jack Brody, VP of Product, serving our product and design teams across Snap.

While Jacob just spoke to our growth strategy, I'm excited to dive much deeper into the product itself.

I've been at Snap for almost nine years, and I'm so grateful to work on a product that hundreds of millions of people use to communicate with their closest friends and family.

For an entire generation, and more, Snapchat enhances relationships with friends, family, and the world. Snapchatters tell us they feel comfortable, happy, and connected when using our service.

By focusing on meaningful communication between friends, we set ourselves apart from other platforms that center almost entirely on content consumption. This unique approach leads to high frequency usage, deep engagement, and resilient retention. For example, here in the US, Snapchatters open Snapchat nearly 40 times per day, on average.

And each time they open the app, they're met with our camera, which is the homescreen on Snapchat. This puts creation and augmented reality at the forefront of the Snapchat experience, leading to a much higher proportion of Snapchatters creating content each day than you'll find on other platforms. In fact, over 60% of Snapchatters who open Snapchat each day create Snaps. That's because the moment a Snapchatter opens our app, they're ready to capture and share the world from their perspective.

As Jacob discussed, opening to the camera also powers a messaging flywheel. After you capture a moment, you want to share it with a friend. As simple as this sounds, this is what really makes Snapchat tick, with over 5 billion Snaps created every day, on average.

And because our messaging platform is so important to our community, we're always looking to improve it. In 2022, we shipped Chat improvements at a faster velocity than ever before. We made Chat easier to use by making 24-hour Chat History the default mode for all conversations. We made Chat more fun with Bitmoji reactions and message threading. And we made Chat more useful, enabling Snapchatters to send Snaps to any friend in their contact book, even if that friend hasn't yet signed up for Snapchat.

We also made Chat safer for our teenage community. In August, we released a new in-app parental tool, called Family Center, which empowers parents to see all of the friends their teens are communicating with on Snapchat, and report any concerning accounts directly to our teams to investigate.

In September we released our Snapchat for Web experience globally, bringing our core messaging and video calling experiences to your computer. We can't wait to continue to bring more of Snap to this surface.

Messaging has always been an important driver of retention for Snapchat, but with constant improvements like these, its value has only increased over the years. Today, 88% of Snapchatters who Snap or Chat to a friend will use the app every day for the next 7 days. And in the last year, the number of conversations between unique pairs of friends has grown by over 30%.

And, as Jacob described, because Snapchat fosters such frequent conversations, our visual messaging platform drives engagement across our entire app ecosystem.

Over the past 10 years, we've leveraged the success of visual communication as the foundation on which to build more and more value for our community.

To do this, we've taken things people love, want, and need to do daily and worked to make them better through design and technology. By continuing to focus on daily behaviors, we've built a service that has incredibly deep engagement and drives long-term retention. And through this process, we've created a variety of new products and platforms that have vastly extended the value and use cases of Snapchat.

Take Stories for example. In 2013, the norm for digital platforms was permanent public sharing, shown in reverse chronology, and rarely with video. We changed this with Stories, so people could post what they're up to, ephemerally, in the order it happened, and with full-screen, vertical video. Today, Stories continue to provide immense value for our community.

Or take the Snap Map, which helps Snapchatters answer the question of "What are my friends up to?" and is now increasingly becoming a go-to destination for discovering new places. Snapchatters love our Map, and over 300 million use it monthly. And because we offer a social map, not a navigation map, we have a very high frequency of use. Daily Map users open the map 6 times per day, on average, to see what their friends are up to and meet up. And through our recent investments in new Place discovery features, more and more of their time is spent on our Map uncovering new restaurants, date night destinations, and fun places to hang out with friends.

Powering this momentum in Place discovery improvements is our new underlying Map infrastructure, called the basemap. Tailoring the basemap to our needs has improved performance, decreased hosting costs by an order of magnitude, and paved the way for significant product enhancements. This full control over our basemap enabled the launch of features like Personalized Places, which shows places that are popular with friends or that the community considers "Top Picks." We also launched Place Stories on the basemap and updated Place Profiles to emphasize videos from Snapchatters. Now, we're pleased to introduce 3D to the Map to highlight places and make the Map more personal, fun, and alive. Over the past year, improvements like these have increased engagement with Places on the Map by over 100%.

Finally, we saw the joy, delight, and expressiveness that Augmented Reality added to the conversations our community was having on Snapchat. For us, AR has always been grounded in reality — perfect for deepening relationships and making the world around us more exciting and easier to navigate. Approximately two of every three Snapchatters engage with AR on our service daily. Today, we offer our community millions of AR Lenses that enhance their Snaps and lower the barrier to sharing a feeling, mood, or a message with friends.

In the past year, we created several Lenses that were viewed more than a billion times each within their first week alone. AR is a key driver of our community growth, increasingly drawing new users to Snapchat. We see that over 70% of Snapchatters who download Snapchat engage with AR during their first day in the app.

Innovations like Stories, the Snap Map, and AR come together to power a highly engaged community across our broad suite of products.

Now, let's dive into our content strategy.

Content is core to the Snapchat experience, and we offer two massively popular destinations — Stories and Spotlight — that attract a diverse set of creators, media brands, and audiences. Our content provides value to our community of hundreds of millions of Snapchatters and monetizable inventory for our advertising business, and it helps drive cultural relevance for our service.

From the beginning, our content philosophy has been unique. We built safety — for Snapchatters and for brands — into the fundamental architecture of our platform. We have long focused on curation and moderation and don't allow unmoderated content to reach a large audience, limiting the virality mechanisms that can amplify negativity and misinformation. As a result, Snapchat is ranked as one of the friendliest social environments among large platforms.

Our content offering started with Friend Stories, which was a natural extension of our friend-centric communication platform. And like so many of our innovations, this has deeply resonated with our community, and Friend Stories remain extremely popular. Today, in the US, there are more Snapchatters viewing Friend Stories than ever before.

To continue to improve the value of Friend Stories, we are focused on three primary initiatives. First, we are consistently improving our ranking and recommendation models to surface the most relevant Stories for Snapchatters.

Second, we're investing in tools to make it easier for Snapchatters to post to their Stories, in order to increase overall story availability among friends. The number of Snapchatters with at least one Friend Story available to view has increased by over 15% year-over-year.

Finally, we're constantly adding new features to provide additional value. We recently launched Communities, a product for private groups in which members can add friends and post to a shared Campus Story. We started with colleges and high schools and will be rolling it out to more communities over time. We've now onboarded 1,400 colleges in the US, and will continue expanding to more universities around the world.

While Snapchatters remain highly engaged with Friend Stories, time spent watching Friend Stories globally continues to be a headwind to total content time spent, as Snapchatters' depth of engagement with Friends Stories decreased. Increasingly, Snapchatters are watching entertaining content like Partnered Content and Spotlight. So, we'll continue making Friend Stories a great way to stay connected with the friends you care about. But once you finish watching Stories from those friends, we'll make it easier for you to watch entertaining creator content. Said differently, Friend Stories from close friends bring people into our content experiences, but creator content represents an additional opportunity for growing overall time spent. And this isn't just theoretical — in the US, time spent per viewer for both Creator Stories and Spotlight have grown by large double-digit percentages in Q4 compared to last year.

This is why we're doubling down on creators. While Stories started as a broadcast communication product for friends, creators have adopted it at scale. And with the explosion in popularity of short-form video content over the past few years, we created Spotlight, a new entertainment platform showcasing the best of Snapchat.

Creators tell us they appreciate the breadth that our platform offers. With Stories, they're able to share their daily lives with their followers, in the moment, without the need for editing or other creative overhead, while with Spotlight, they have an opportunity to introduce themselves to new Snapchatters, show off their very best Snaps, and grow their audience.

Both Stories and Spotlight are valuable for creators and highly engaging for our community, and they reinforce one another in important ways. In our early research, we've found that Spotlight engagement is incremental and actually has a small but positive impact on Story viewership.

And, the more content a Snapchatter watches, the more likely they are to share that content with their friends. This, in turn, inspires more people to watch content, powering a virtuous flywheel of viewing content, sparking engagement with content, and inspiring both more communication and content creation. We see Snapchatters sharing videos they love with their friends as a unique advantage, given the underlying strength of our communication platform.

Creators in over 200 countries and territories are generating a wide variety of content experiences across numerous verticals, such as sports, comedy, lifestyle, and beauty.

We also have a history of strong partnerships with media partners around the world. Today, our content platform features hundreds of media partners from over 20 countries, and localized content in over 10 languages. Our partners include leading media companies like NBCU, Disney/ESPN, Channel 4 and MBC, sports leagues like the NFL and NBA, digital natives like Team Whistle and Jellysmack and trusted news brands including The Washington Post, Axios, and Axel Springer. This growing community of content partners is another way we provide engaging and entertaining content that's curated for our community and attractive to our advertising partners.

To better convey the opportunity we provide Creators, I'd love to tell you a bit about Sarati, a Texas-based creator on Snapchat.

Sarati originally focused on fitness and lifestyle content, and began shifting her focus to family and parenting in 2022 after she welcomed her first child. Snapchat is a daily part of Sarati's content creation process. In 2022, she shared to her Story 362 days and posted to Spotlight more than 400 times. Her focus on Snapchat yielded serious results. Nearly 29 million Snapchatters watched a story from Sarati in 2022, and 13 million watched her on Spotlight, combining to generate 750 million views.

For professional creators like Sarati, Snapchat is the platform where you can reach your most engaged audience, while simultaneously growing it — sharing your more polished content with our whole community via Spotlight and more casual, everyday, or spontaneous moments on your Story. It's a platform that offers the flexibility to be yourself with your existing followers while providing the opportunity to introduce yourself to new ones. Over the last year, the number of Snapchatters subscribing to new creators via Spotlight increased by 225%, and the number of total daily subscriptions increased by 240%.

It's also a platform where Creators can build their businesses. We provide numerous monetization opportunities for our creators, through our Spotlight Reward Program, Spotlight Challenges, the 523 Black Creator accelerator, our Sounds Creator Fund, and mid-roll ads opportunities.

While Creator Stories have been around for a while, Spotlight is relatively new, yet its growth has been astounding. Spotlight already reaches over 300 million Snapchatters per month. In Q4, total time spent watching Spotlight more than doubled from the year prior, and Spotlight submissions are up nearly 20% over the same time frame.

While the last two years have primarily focused on driving depth of engagement and retention for Spotlight, we're now bringing the product to an even broader audience on Snapchat. This year, we will focus on growing adoption of Spotlight to increase overall viewership and the potential reach for creators. We have a lot of headroom here. For example, we've seen that simple changes like badging the Spotlight tab when a creator you follow has posted increased Spotlight DAU by nearly 10%.

And, of course, a unique advantage of our content platform is that it's seamlessly connected to our massively popular communication platform. Leaning into this, we've made it easier to continue watching Spotlight from a video a friend shares with you. Because of this, since last May, the number of people watching Spotlight inside a chat with a friend has increased by 89%.

We will continue to invest in our creator community, offering them more powerful tools to grow their audiences and build their businesses. And we'll make it easier than ever for Snapchatters to find the most entertaining and engaging video content across Stories and Spotlight.

Before we move on, let's take a look at some of the exciting things happening across Stories and Spotlight...

...You can see why these products are so much fun to work on!

The high frequency communication on Snapchat has enabled Stories, the Snap Map, AR, Spotlight, and more to become incredibly engaging and retentive products in their own right. The whole of Snapchat is so much greater than the sum of its parts, and this has helped turn Snapchat into a daily communication tool for our community — it's deeply interwoven into their social fabric.

All of this has made us uniquely positioned to build a subscription service that offers new, exclusive, and experimental features directly to this extremely passionate audience.

We've done this with Snapchat+, our \$3.99-a-month subscription service. Launched last July, we already serve over two-and-a-half million subscribers. I'm particularly excited about Snapchat+ because it allows our team to rapidly experiment with innovative features, from helping Snapchatters customize the look and feel of their app, to giving special insights into their friendships. Every month or two, we surprise and delight subscribers with "drops" that bundle exclusive new features, so there's always something exciting to anticipate and show off to friends.

Take our recently launched Chat Wallpapers, which allows Subscribers to set their favorite photos as backgrounds for their conversations. Adorable photos of my 10-month-old are plastered across the background of an embarrassing number of my group chats. The intrigue among Snapchatters around how to get this "superpower" once they see a friend use it drives massive interest in the service. Chat Wallpapers is one of the most recent Snapchat+ features, but already one of the most impactful in acquiring new subscribers.

Snapchat+ also gives us an early chance to test new features at scale, which we then refine over time as we learn how the community is engaging with them. I'm confident we will only continue to uncover and invent features that deliver increasingly sought after value to Snapchat+.

This holiday season, we experimented with gift subscriptions, new pricing models, and encouraged annual subscriptions with deeper discounts. Currently, we're focused on growing subscriptions through contextual and value-driven upsells across the app. Most Snapchat+ features don't have any built-in upsells yet, but those that do drive the majority of subscriptions, so we know this is a major opportunity.

At just over six months old, it's important to recognize that Snapchat+ is truly still in its infancy. We've really only just begun to scratch the surface, in the value to Snapchatters and monetization potential, and we can't wait to continue the momentum.

What's next for the product team? We're incredibly excited to continue evolving Snapchat to serve the needs of our community and support their closest relationships. In a competitive landscape, focusing on friendships, driving communication frequency, and offering compelling content from friends, creators, and partners, makes Snapchat truly one-of-a-kind for our large, growing, highly engaged audience.

With that, I'd like to turn it over to Kenny, who will share how marketers are using our products to connect with our community of more than 750 million people.

KENNY MITCHELL, CHIEF MARKETING OFFICER

Thank you, Jack.

Hi, I'm Kenny Mitchell, the Chief Marketing Officer here at Snap. So far, you've heard from Jacob about how we are growing our community and deepening engagement. You've also heard from Jack about our product strategy and the role that communication and friendship play in driving engagement. Now, I'm excited to talk with you today about why Snapchat is so powerful for marketers.

I just might be the only one in this room who thinks about marketing all day every day...and have done so for more than two decades, for powerhouse brands like Gatorade, McDonald's, and now Snap. Because of this, I have a unique perspective on what is keeping my friends and fellow CMOs up at night.

First off, it's establishing and maintaining relevance with their target consumer. Nearly all marketers aspire for their consumers to see themselves in their brand and for the brand to be salient to them and their lives. As the media landscape has gotten more complex, finding the right ways to drive that relevance has become more difficult.

Today's consumers have endless content and entertainment options. On top of that, they now expect communication — from their friends and family, and from brands — to be visual, authentic, and personal.

And so, to be successful, businesses like ours have to help brands find the right consumer at the right moment through immersive and engaging solutions that help drive that relevance.

That sounds difficult enough. But there's another tension that marketers think about constantly: "How do I manage my investments between driving short-term business results and building my brand for the long-term?" It's the performance vs. brand marketing conundrum. This challenge is particularly acute given the pressure on marketing budgets in this macroeconomic climate. But the reality for these marketers is they have to find ways to be great at both.

This plays really well to Snapchat's advantage. We have a sophisticated ad platform with innovative ad formats that can help drive brand relevance, and we're continuing to invest in our direct response measurement that drives incremental return on ad spend, which is critically important to advertisers.

For marketers, this is one of the reasons why Snapchat is positioned so well. But what makes this all possible? Let's look at our community, what drives them here, and what makes them so attractive to brands.

Our mission at Snapchat is to enhance real relationships between friends, family, and the world. In short, our platform and technology aim to help to make things better. We're the antidote to traditional social media because we've built a place where we can freely share our perfectly imperfect moments with those closest to us. In fact, 75% of people come to Snapchat to interact with their closest circle, and staying connected with friends and family is the #1 global reason for using Snapchat.

Snapchat is an authentic environment. A private environment. And best of all, it's a happy environment. In fact, a staggering 91% of Snapchatters are happy when using Snapchat, and it is the happiest platform compared to our competitors. And, candidly, it's no surprise our community is so happy — Snapchat enables connection with the people and things Snapchatters care most about in a fun and creative way, so Snapchatters feel comfortable being their real selves. That happy mindset is what's fueling community growth, with over 375 million daily active users. And it's all built on the foundation of friends, family, and the real world.

So, Snapchat is about real relationships... but that alone isn't what makes it a great platform for our advertising partners. It's the real influence that comes with those real relationships.

Take a second to think about the most influential people in your life.

For me, it's my best friends from college and high school, my wife, my 16-year-old daughter, and my brother and sisters. My friends and family. They influence the news I read, the music I listen to, the shows and movies I decide to watch, the things I care about. But they're also a major influence on how I spend my time and money. That goes for all of us and the whole Snapchat community. Case in point,

my daughter Snapped this photo. She's trying on lipstick from a brand that allowed her to try a new shade in AR. And guess what she got in her Christmas stocking?

Our friends and family are our guides to new cities, who we turn to for restaurant recommendations, they influence the books we buy, and how and where we shop. You'll see friends posting stories with new sneakers on and inspiring friends to go out and buy the same ones. Families Snapping each other movie posters and then going out and buying tickets together.

Their advice and recommendations mean more because they know us better than anyone else. And in return, we trust them and their recommendations over anyone else. That's why, when Snap Ads show up alongside the stories of your friends and family, or when you are sent a Snap from a friend with a Starbucks Lens, you are more receptive to that message and the recommendation hits a bit different. This is why Snapchat Ads provide increased relevance vs. other platforms, resulting in Snapchatters being 45% more likely to recommend brands and 34% more likely to purchase products advertised.

So, that's WHY brands advertise here: Snapchat is where real relationships create an environment where brands have real influence.

But what about WHEN?

There are over 55,000 Snaps created on Snapchat every second on average. The question is, when is the best time for brands to share their stories on Snapchat? And how do they build both long-term brand value and deliver short-term, measurable results? It's our job to help align brands' most important moments to our community's realest ones. Three key moments break through on Snapchat: Launches, Tentpoles, and Everyday Moments.

Brand-defining moments, like new product launches, include campaigns that often define the direction of the brand and bring them closer to answering newly identified consumer needs. A new flavor. A new phone. A new pair of shoes. For example, to support the launch of their Cactus Plant Flea Market Adult Happy Meals, McDonald's partnered with us to create an AR Lens experience that matched the cache of the brand and allowed McDonald's to reconnect with the Snapchat Generation and drive demand. In fact, the new menu item sold out in its first few days!

Then there are tentpole moments that further build brand equity and brand love. Top tentpole moments on Snapchat include sports, music and entertainment, and fashion and beauty. The top holidays celebrated on Snapchat are centered around friends and family: Halloween, Back-to-School Season, Ramadan, Christmas and New Year's Eve. Snapchatters flock to the platform to share their Halloween costumes, Super Bowl party food, and on and on. Brands who show up authentically in these moments end up resonating with millions of Snapchatters.

And then you have everyday moments. Snapchat is the #1 platform where people enjoy sharing what their daily life is actually like — moments both big and small. In fact, nearly 40% of our top days on Snapchat in key markets aren't associated with a major holiday or moment. This connects well for brands with an always-on strategy. As our community shares their daily rhythms, brands too can bring joy to their potential consumers in small but impactful ways.

Then, the question becomes HOW? How do you make your moments break through?

Put simply, brands advertise in two ways on Snapchat: with full-screen video formats and immersive augmented reality. These are attention-driving ad formats that also drive performance, and they are always high quality and engaging.

Take Snapchat's vertical videos: They earn 5x more attention compared to the Social Video norm. That's because Snapchat enables brands to tell their story in a brand-safe, curated, trustworthy environment where, as we noted, Snapchatters are happy and more receptive to messages.

You heard me mention earlier that one of the goals of most marketers is to allow people to see themselves in a brand, and we can uniquely deliver that. Our AR Lenses literally allow you to do that in a way that no other medium or technology can. It allows consumers to put themselves in the center of the brand's experience by doing things like, for example, trying on a massive range of products from the comfort of their home, which ultimately improves shopping confidence and reduces returns. Or by layering a brand's store right on top of their world, redefining what it means to engage. And brands are finding real success. For example, Snapchat's augmented reality Lenses garnered 4x more attention than Dentsu's benchmark.

If you're going to take away three key points from the last few minutes, they are:

Number 1: Why Snapchat? Because real relationships mean real influence. Snapchat has a huge and happy community. They're on Snapchat to connect with the people who matter most, those who influence their lives — and spending.

Number 2: When should brands be on Snapchat? When they need to connect to life's realest moments. Whether they're a brand's everyday moments or biggest ones, we can make sure they are reaching the right audience at the right time.

And last, but not least, number 3: How do brands reach their audience on Snapchat? With full-screen formats and immersive AR experiences that bring brands INTO the moment and the conversation. I've always believed that video and AR on Snapchat provides the most compelling creative canvas to tell brand stories and is only limited by their creative ambitions, and that is truer now more than ever.

Snapchat is uniquely poised to help brands deliver on their long-term goals while delivering short-term results. We connect them to the right audience through a powerful and creative suite of advertising solutions. All that helps CMOs like me sleep better at night.

After a quick break, our COO, Jerry Hunter, will talk about our strategy to support our advertising partners and the progress we've made. But first, let me tee-up just how enormous our opportunity is. The digital ad industry is valued at over \$550 billion, and growing. Ad budgets are shifting rapidly from traditional to digital marketing, and toward mobile in particular. And there is plenty more to go.

Thank you.

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.

BOBBY MURPHY, CHIEF TECHNOLOGY OFFICER

Thanks, Jerry. It's great to be here with all of you today. I'm Bobby Murphy, the Co-founder and Chief Technology Officer at Snap.

As you have heard throughout our presentations today, we believe augmented reality represents the next major shift in computing. AR allows us to weave digital experiences into the world around us, evolving the way we use computing in our daily lives.

This transformation unlocks new opportunities for computing to make the world vastly more interesting, more entertaining, and easier to navigate than ever before.

Our AR products and services are driving major impact at scale today — on average, over 250 million people engage with augmented reality every single day on Snapchat.

Our community plays with AR Lenses billions of times per day on average.

And our AR creator community has built over 3 million Lenses using our Lens Studio software.

Having a large, enthusiastic AR audience and creator community enables us to innovate incredibly fast. AR creators and developers — including our own internal teams — can instantly deploy new AR experiences with cutting-edge technology to hundreds of millions of people, then quickly iterate based on what we learn.

We leverage insights from billions of daily Snaps created using our camera to develop and optimize new capabilities and creative concepts. For example, we can quickly assess whether a new face-tracking algorithm will improve AR engagement, what level of 3D asset quality delivers the best performance for a virtual try-on experience, or iterate through dozens of variations of a creative concept to uncover the one that will ultimately go viral.

This unique position has allowed us to develop a lead in augmented reality over the last decade by leveraging one of the world's most-used cameras, developing advanced technology and tools, and growing a vibrant AR creator ecosystem.

This innovation flywheel is largely powered by Lens Studio — a tool that allows anyone to create rich and complex AR experiences, and deploy them seamlessly to hundreds of millions of Snapchatters around the world, or within their own apps and websites through Camera Kit.

The response to Lens Studio has been truly inspiring. More than 300,000 creators and developers, from nearly every country around the world, are using Lens Studio to create millions of unique AR Lenses.

We continue to be amazed by the creativity of our community, which reinforces our belief that long-term success in AR requires a vibrant developer ecosystem.

I want to highlight a few of our latest technical innovations available in Lens Studio, which are enabled by remarkable advances in computer vision and computer graphics that make it possible to understand and transform images and videos in new, sophisticated ways.

Let's dive into some important examples: scene understanding, scene interaction, and scene rendering.

First, with scene understanding, we develop and continue to improve machine learning models that understand the visual world.

These machine-learning models are able to perceive the names and shapes of objects in an image and render changes to it in a fraction of a second. So fast, in fact, that we can understand and edit each frame of a video before the next frame appears.

Let's take this video as an example. Computer vision detects a face and finds key points like the eyes and mouth. From this, we build a 3D Face Mesh, creating a custom-fit mask, so an AR experience can be layered precisely onto any face.

We've evolved this technology into our 3D Body Mesh capability, so AR clothing fits just like the real thing over people of all shapes and sizes.

Our technology understands the rest of the scene, too — like where the floor and walls are, or the objects and products in view — through capabilities like World Mesh and object detection.

And with Custom and City-Scale Landmarkers, we can even render AR experiences onto an expanding list of locations like Central London, Santa Monica, and many more.

Next, Lens Studio's scene interaction tools let people engage with AR Lenses in ways that mirror how we naturally interact with the world around us.

Gesture recognition and finger-tracking understand hand movements in the camera, so people can learn sign language or check out a whole different look with a swipe of their hand.

And two-hand tracking brings both of your hands into the scene.

Finally, the quality of rendering is improving rapidly, allowing us to place objects and apply effects that look increasingly realistic and feel like a true part of the real world.

Ray Tracing simulates how light behaves in the real world, reflecting the physical environment onto the digital object's surface, or even how light scatters inside a translucent object. For the first time,

diamond jewelry, sleek sports cars, metallic space suits, and so much more can reach photorealistic quality on mobile devices, in real time.

Now that we've covered our progress with the underlying technology, let's walk through some examples of how we are developing augmented reality together with our community and our partners:

GoSpooky, a member of our Snap Lens Network, used enhanced scene understanding and SnapML to build this Lens, which replaces motor vehicles with digital gardens. Cityscapes become a canvas for considering our environmental impact.

Denis Rossiev, another member of our Snap Lens Network, developed this Imaginary Friends experience. With this Lens, Snapchatters can scan any object and turn it into a cartoon character using real-time AI. Denis won the Lens Fest Award in the Moonshot category for this Lens in December 2022.

Los Angeles-based Michael French created The Knowledge Pool Lens, transforming the fountain at the Los Angeles Central Library into a series of interactive educational lessons, just by scanning your library card.

AR Studio MousePack teamed up with ESPN to build a Lens that mimics the legendary "pick of the week" moment on ESPN's college game-day show. Each week, Snapchatters had six matchups to pick from, and fans could share their spirit by wearing the mascot head from their favorite team, celebrate their wins, and have fun with teammates and rivals alike. The experience was powered entirely through Snap tools, leveraging Lens Studio face-tracking technology, with results tracked through Lens Cloud storage.

And finally, Beam.AI built a fitness Lens to recommend exercises based on available gym equipment. They built their own ML classification model to recognize equipment including barbells, dumbbells, kettlebells, medicine balls, and exercise mats, and added 3D characters to demonstrate selected exercises, compressing them with our recently released Draco tools. The team also thought about how our VoiceML tools would let Snapchatters say what they wanted to work on in the gym.

We believe that augmented reality can deliver incredible value everywhere, not just on Snapchat. We are bringing AR beyond Snapchat through Camera Kit. Camera Kit enables external partners to bring AR into their own apps and websites, leveraging our technology, tools, and creator ecosystem.

We are excited about the growing demand from businesses using Camera Kit, and we're seeing early progress, with companies like Samsung delivering AR experiences through their native camera on Galaxy A devices, and the LA Rams SoFi Stadium using AR on their massive in-stadium Infinity Screen to surprise and delight fans on game day.

Each of these partners are providing unique, engaging, value-adding AR to their customers by building on top of our tools and infrastructure.

As we look ahead to the next five years, we'll build upon our early success with Camera Kit and create a business beyond Snapchat by allowing companies, developers, and entrepreneurs to solve their business needs through AR.

AR is a massive part of our mobile Snapchat experience today, and over time, we see even greater opportunities for new hardware to bring it into another dimension. This is what is driving our development of Spectacles, our wearable AR device.

Wearables are an important long-term opportunity, and we are seeing incredible early progress, with super-engaged early creators, rapidly advancing technology, and an increasingly clear view of how to develop the best, most usable, and most compelling AR device.

Over the past two years, hundreds of developers from 30 countries have experimented with our most recent generation of Spectacles. They are using Lens Studio, the same tool we use for mobile AR development, to create entirely new experiences for a wearable AR device — experiences that, for example, allow people to learn to read music, identify constellations, and more.

We have been working on Spectacles since 2014 and, today, are leaders in many key areas, like optics. We believe this positions us well to stay ahead as we continue to iterate around real-life experiences.

Over time, we'll release new versions of Spectacles, giving developers in our ecosystem the unique opportunity to build AR experiences on Snapchat, on other mobile and web apps through Camera Kit, and on new wearable hardware.

We'll have much more to share in the coming months.

I hope this gives you a better sense of the many things we are doing as a company to accelerate our lead in augmented reality, how each of our investments in AR fit together, and why we are so excited about the future of augmented reality.

Now, I'd like to turn it over to Derek to speak about our financials and how we think about investing in the future of our business.

DEREK ANDERSEN, CHIEF FINANCIAL OFFICER

Thanks, Bobby.

Hi everyone, and thank you all for joining us today. My name is Derek Andersen, and I am honored to serve as Snap's CFO. Today, I am excited to share some of the financial progress we have made since

our last Investor Day, and how we believe the initiatives my colleagues presented today will translate into financial progress for our company in the years ahead.

Let's start with an update on our progress since our last Investor Day.

In February of 2021, we discussed our strategy to continue to onboard new smartphone users and retain them over the long term in our established markets, as well as the development of our International growth playbook and our plans to deploy that playbook in more markets over time to grow our DAU. As you can see, we have executed on those plans as we described them two years ago, and the progress is evident in the growth of our community. DAU grew at a CAGR of 19% to reach 375 million DAU in Q4 2022.

On the monetization front, we articulated two years ago that we believed we had the capacity to grow our topline revenue at 50% or better for several years, assuming favorable operating conditions. We continue to believe that our business has the potential to grow at elevated rates, and to achieve much greater top line scale over time. That said, the combination of platform policy changes, and various macroeconomic headwinds, have combined to make the more than 50% revenue CAGR we achieved over the past five years ending 2021 unattainable at present. As you can see, we achieved a CAGR of 35% over the past two years, but our growth has decelerated to the point of being flat in the most recent quarter. While we are incredibly disappointed with the current rate of revenue growth and the challenging operating environment, we are focused on executing against the inputs we control to accelerate revenue growth. I will speak in more detail about our plans to accelerate revenue growth shortly, but first, I want to address our progress against some of the other financial objectives we set out during our last Investor Day.

Two years ago, we laid out a plan to achieve 60% gross margins over the medium term, or within two to three years. I am proud to share that we exceeded this goal ahead of schedule, and did so even while increasing our user growth and despite the headwinds on revenue. We achieved this through a relentless focus on cultivating a cost structure that is lean and efficient while still making key strategic investments to drive long-term growth. For example, we made significant strategic investments in content to seed the launch of Spotlight in 2021 and, more recently, to expand revenue sharing to Creator Stories, but we sized those investments thoughtfully to ensure they could be accretive over time. In addition, we restructured and renewed our Cloud agreements to achieve lower pricing and better ongoing leverage in our relationships. This has contributed to lower cloud infrastructure cost per DAU, which is critical, given that infrastructure is our second-largest cost item after our personnel costs. Finally, we have focused intently on efficient unit cost management by engineering our products efficiently and by migrating among cloud services and products to drive down unit costs. The sum total of these efforts is that adjusted gross margins have expanded by 8 percentage points over the last two years, reaching 62% for full-year 2022 and 64% for Q4 2022.

In addition, when we discussed our intentions for investment in the business two years ago, we were clear that we intended to invest aggressively to support our topline growth expectations, but we would be careful to balance our level of investment with realized growth over time. We invested heavily in operating expenses in 2021 as topline growth remained elevated. But, as growth slowed in 2022, we moved quickly to reprioritize our cost structure to reduce our expected future annual adjusted operating costs by \$450 million and our total cash cost structure by \$500 million. We've now executed this reprioritization over the last six months and expect to realize the full benefit of these cost reductions in Q1 of 2023. Importantly, while we have substantially reduced our cost structure, we have pivoted our investments to ensure that our primary strategic priorities are fully funded. As a result, we believe we have created a path to deliver meaningful Adjusted EBITDA profitability and positive FCF, even at low revenue growth rates.

Lastly, at our prior Investor Day, we promised to maintain a conservative balance sheet to ensure we were prepared for the unexpected. We have delivered on that commitment by increasing our cash balance by more than \$2.5 billion through capital raises on attractive terms at a time when interest rates were very low, and by generating positive FCF for two consecutive years. Importantly, we didn't just raise new debt on attractive terms — we also proactively managed down our leverage when our valuation metrics were at historic highs and attractive early conversion terms were available. In 2021, we entered into exchange agreements with our debt holders to early convert more than \$1.1 billion of our outstanding convertible notes into shares of Class A common stock when our shares were trading at approximately \$64. This reduced our outstanding debt to approximately \$3.7 billion as of now, with a weighted average coupon of just 24 basis points and weighted average maturity date more than four years into the future.

Conservative and opportunistic management of our balance sheet, along with achieving positive free cash flow generation for two consecutive years, put us in a position to responsibly deploy \$1.0 billion of capital to repurchase our own shares at historically low valuation levels. We repurchased shares equivalent to 6.7% of our common shares outstanding as of December 31, 2022. As a result of these efforts, the rate of growth in our fully diluted share count went from 3.4% in 2020, to 1.2% in 2021, to 0.2% in 2022 after adjusting for the early conversions I noted earlier.

Thus far, we've spent a lot of time addressing how we've managed our finances over the last two years. We've done this in part because we believe the work we've done to scale our cost structure efficiently, our demonstrated ability to balance our level of investment with realized topline growth, our careful approach to constructing a conservative balance sheet, and our opportunistic approach to managing our share count, are all instructive for understanding how we intend to approach the financial management of our business in the future.

As we look forward, we believe we have cleared a path to deliver Adjusted EBITDA profitability and positive FCF, even at low rates of topline revenue growth. While we are proud of the work we've done in this regard — and believe it is a critical input to establishing a higher floor under our enterprise value — it does not reflect our ambitions for our business. To achieve the full financial potential of our business, we must accelerate topline revenue growth.

Let's now take a look at our roadmap to accelerate revenue growth in the near, medium, and long term. As Jerry discussed in detail earlier today, in the near term, we are focused on improving our direct response advertising platform to better capitalize on our already-immense reach and depth of engagement. We are making significant progress in this regard through deeper integrations with larger clients, improved click-through performance, and retraining our models to focus on measurable performance. Improvements in DR performance will allow us to use the vast inventory we already have more efficiently, while the rapid growth in engagement with Spotlight and expansion of AR advertising within our camera both provide the opportunity to further expand our inventory and ARPU opportunity. The direction of the economy and the operating environment may be uncertain in the near term, but we believe that continuous improvement to our DR business — as well as a focus on building a customer centric ad platform — will best position our business to take share, regardless of the operating environment, and to accelerate growth when operating conditions improve.

Over the medium term, we believe that our track record of innovation positions us well to expand our ARPU opportunity and diversify our revenue sources over time. For example, Snapchat+ presents an entirely new source of revenue for Snap, and just six months since launch, it has reached more than 2.5 million subscribers and an annual revenue run rate of over \$100 million. The Snap Map presents an opportunity to reach new advertisers with a compelling advertising offering centered around places, with Snapchatters opening Places on the Map more than twice as much as they did in the prior year. Together, these initiatives present significant new avenues of growth for Snap that can build on top of our existing advertising business.

Over the long term, we believe that our leadership in AR will position us to benefit from the next major computing platform transition to one based on AR. History demonstrates that sitting at the intersection of an actively engaged community, developers, and the core technology of a new computing platform is a compelling recipe for becoming a leader in such transitions. We are innovating to position Snap to benefit from this AR future even as our community and our partners benefit from our AR innovations on mobile today.

I spoke earlier about how we have prepared for scenarios where the operating environment remains challenging by building a conservative balance sheet, and how we have prioritized our investments to clear a path to Adjusted EBITDA and positive FCF, even at lower growth rates. Let's talk now about the

more exciting possibilities for our financials, in a world where we are able to execute on our plans in a constructive macroeconomic environment and meaningfully accelerate top line growth as a result.

In such an environment, we see a path to further gross margin expansion over time, with the ability to reach 65% in the medium term and as high as 70% over the long term, as our mix of revenue generation shifts from content to other surfaces over time. Topline revenue growth is a key input to margin expansion, and we will need to accelerate top line growth to achieve our medium- and long-term gross margin objectives.

As it relates to controllable costs, and in particular operating expenses, we expect to be disciplined in our operating cost investments. We begin 2023 having fully implemented the \$500 million in cash cost structure reductions we announced as part of our reprioritization in Q3 of 2022, which included \$450 million in adjusted operating cost reductions and \$50 million in fixed content cost reductions. We will continue to be long-term oriented and may invest in compelling new opportunities as they arise, but will balance this with appropriate cost discipline. When we are able to accelerate revenue growth, we will prioritize our investments to support that growth to deliver meaningful adjusted EBITDA leverage, or flow through of incremental revenue to adjusted EBITDA and FCF. We followed a similar approach after the reprioritization of our cost structure in 2018, and as revenue growth accelerated over the next several years, we expanded our Adjusted EBITDA margins by more than 50 percentage points. We expect to apply similar discipline and prioritization to drive out margin improvement in the years ahead, as growth allows.

As our business grows and begins to generate more meaningful FCF, we will manage our investments carefully and opportunistically. Beyond direct operating investments to support our strategic priorities, the two other areas of investment we will focus on include M&A and stock repurchases. We have been measured in our use of M&A over the years, with a focus on digestible transactions that pull forward our existing product and technology roadmaps. We've used a combination of shares and cash for deal consideration while being careful to choose the method of payment that affords the lowest cost of capital at the time of each transaction. We expect to continue this approach going forward.

We view stock repurchases as a tool to manage our share count and protect the long-term returns of our shareholders. In the near term, with stock-based compensation expected to be the primary driver of share count, we prefer to see dilution not exceed 3% year-over-year over any extended period of time. We have remained well below this level over the last two years, and have opportunistically repurchased shares to proactively address dilution risk while our valuation remains at historically low levels.

We've now covered our progress since our last investor day and discussed in some detail how we see our financial picture evolving in the years ahead. Before we finish up, I'd like to take a step back and bring together the broader picture of what the team has presented today as well as some of the most critical points we hope you'll take away with you.

The first is that we are well on our way to building a community of 1 billion monthly active users, with our core product of visual communication delivering significant reach into some of the most valuable markets in the world, and a young demographic that is difficult to reach elsewhere.

Second, we have reprioritized our investments to ensure that our top strategic priorities are fully funded and have a clear path to deliver Adjusted EBITDA profitability and positive free cash flow even at lower rates of revenue growth.

Third, we are executing against our plan to improve our DR business in order to take share, even in a challenging operating environment.

Fourth, we are innovating to drive growth in content engagement and are encouraged to see this strategy delivering clear results as demonstrated by the progress we are making with Spotlight, Creator Stories, and Community Stories.

Fifth, we are making rapid progress toward diversifying our revenue sources, as evidenced by the remarkable early growth of Snapchat+.

Last, we believe that AR will drive the next computing platform, and that our combination of leading AR technology, a well-established creator ecosystem, and a community deeply engaged with AR experiences, positions us well to be a leader in the next computing platform transition.

Before we wrap up our presentation today, I would like to leave you with one final thought, which is that the most critical input to delivering on all of the strategic initiatives we laid out here today is innovation. That includes innovating on our products, our advertising platform, and the future of AR. We believe that our demonstrated track record of innovation over the last 12 years positions us well to deliver on this for our community, our partners, and our investors.

Thank you for joining us today. After a brief break, we look forward to taking your questions.

JULIE HENDERSON, CHIEF COMMUNICATIONS OFFICER

Hi. Thank you, all, so much, for coming, I know you heard a lot today. And we got a ton of great questions. So, we're going to do our best, to address most of them, if not all of them.

What I am going to do is I grouped some of the questions together, just so, to make it a little bit more digestible. And, we'll get started.

So, Evan, we had a couple of questions on our 750 million MAU number, which we shared, and Justin Patterson from KeyBanc has a question, which says, to reach a billion users in the next two to three years, how much of that growth is coming from North America, and Europe, versus Rest of World?

And, as you trend toward that goal, how should we think about DAU as a percentage of MAU, changing from the 50% level today?

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Thanks so much for the question, thanks again for joining us here, today.

So in terms of absolute volume and number of users, I think it's quite likely that the bulk of this incremental growth that we're trying to drive over the next few years will come from the Rest of World.

Just given the way the global population is distributed.

But we're very focused on continuing to drive growth, of course, in North America, and in Europe by aging with the community that we have, and continuing to engage and retain them, and also by adding incremental new users, typically younger users, who are just learning about visual communication for the first time.

And are using our camera to express themselves.

We're very focused, of course, on making sure that as our community continues to age with us, that we have, you know, content that resonates with them, AR experiences that are immersive and, of course, new ways to use our service to connect with their family like our map, where folks can see what their family members are up to; so, I do think in terms of absolute volume, the bulk of new users will come from the Rest of World.

And we have a lot of opportunity in Europe, as well. And, you know, we'll continue to grow in North America.

In terms of the DAU MAU ratio, what we see is in more developed markets like the United States, for example, the ratio is higher than the overall average and what we're trying to do as users, you know, embrace our service and start using it to talk with their friends and starting engaging with more parts of our platform like our content service or augmented reality, that they increase their frequency of use over time, and that DAU MAU ratio grows. And so we're always going to have some percentage of new users getting to know the service and users more engaged with the service and have been with us longer, and our goal is to increase that engagement and DAU MAU ratio over time.

JULIE HENDERSON, CHIEF COMMUNICATIONS OFFICER

Thank you, we have a couple of questions about monetization. Mark from Evercore is here. Hi, Mark. Mark's question is can you help quantify how much of ad effectiveness the ATT policy changes caused to Snap and how much you have recovered.

Or how long until you fully recover or is it just impossible to quantify? For Evan.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Thanks, Mark, hey, I think it's really challenging just given the conflation of factors we've experienced over the last few years to really pull apart the different components.

I remember, gosh what was it?

The beginning of last year before the Ukraine invasion I think we were growing revenue around mid 40s, and that was following the ATT changes and we saw a very rapid deceleration following the invasion.

We've made a lot of progress, I know Jerry shared a ton of it earlier, I don't want to repeat all of it.

Step one was really trying to improve observability and measurement whether that's through the Conversions API or, of course, with third party measurement partners. Data cleanrooms, those sorts of things, using that information, and that observability to try to improve the overall value of those conversions, and now, you know, really working to retrain our ML models to drive more of those conversions. So we've been making steady progress, you know, we're certainly working our way through it. But I think sort of one of the bigger challenges is that, you know, the ATT changes upended about a decade of digital advertising best practices where there was a lot of consistency between the way that advertisers were measuring their results and the way that advertising was being optimized and delivered. And a lot of transparency across both of those areas, and now, as advertisers are adapting, many folks are using different types of tools, and folks are, you know, of course, optimizing their platforms in different ways and so that lack of overall visibility and transparency has just made it harder to work through some of these challenges. But we're making good progress as Jerry shared and, you know, we're really optimistic about our ability to continue working through it.

JULIE HENDERSON, CHIEF COMMUNICATIONS OFFICER

So speaking about progress, we're going to talk a little bit about maps and map monetization.

Andrew Boone from JMP Securities asks, can you share more about your path to monetizing the map?

What is the roadmap to make it easier for smaller advertisers to advertise on the platform?

And how many active advertisers were on the platform in Q4?

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Maybe just stepping back a little bit as we talk about SMBs, you know, at Snap, SMBs make up a relatively small percentage of overall revenue and at other very large, you know, internet advertising platforms SMBs are a very large percentage of revenue, somewhere between I think 40 and 60%. So we've got a lot of opportunity with small and medium sized businesses, we've been doing a lot of work to improve, you know, their results on our platform, a lot of the platform policy changes we made to focus on, you know, last click conversions on our platform, for example.

Things that will really benefit SMB advertisers and we've been doing a lot of work to change our go to market approach, you know, primarily by segmenting SMBs. So making sure that when they show up on our platform, we have a really relevant and ideally automated path to get them started using our advertising tools, we think that's going to be really, important.

So, you know, as we look at the map, I think the map is probably a longer term opportunity for us, in terms of SMB advertising and there's a lot of headroom just in the immediate term with the advertising products that we already offer today. So the bulk of our focus will be on our performance DR platform today, and bringing SMBs into that experience.

What we've been doing on the maps side, and Jack shared about this earlier, is ensuring we have a custom basemap, so we can highlight different places around you and your friends to check out. We've been using that customizable basemap to run tests to see if we highlight certain places, will folks visit there? You know, and incrementally more meaningful and measurable way and we're excited about some of the tests we're doing there and, of course, one of the things that reduces friction for SMBs and the map, is that folks can easily promote a place profile that already exists, so there isn't that friction in terms of developing new creative for Snap and I think that's going to be of real benefit as well.

Lots of headroom in SMBs, lots of near term opportunity in terms of the core ad platform, longer term we're excited about the tests we're running on the map, but we've got a lot of work to do in the near term and that's where our focus is going to be for now.

JULIE HENDERSON, CHIEF COMMUNICATIONS OFFICER

Moving to Spotlight monetization.

Derek, this is a question for you, John Blackledge from Cowen asks when should we expect scaled monetization of newer services like Spotlight. Evan talked about map, but we would like to hear more about Spotlight specifically.

DEREK ANDERSEN, CHIEF FINANCIAL OFFICER

Sure, it's a great question, thanks for asking and thanks for coming today.

I think when we think about Spotlight monetization, one of the important things to take note is it's not a binary move to turn it on or turn it off.

We've shared over the last several quarters we've been dialing up our testing and that's allowed us to learn a lot about the ad unit we want to use, the ad interaction we want to use, and how to manage ad loads so that we have the optimal experience for both the Snapchatter as well as the advertiser and so, I think what you'll continue to see is us ramping that up.

And, we will have more to share, on that, actually relatively soon, as we engage more with advertisers, so, stay tuned, because we do have more to share there soon.

I think, just importantly, though, we've been balanced with this, we're trying to make sure that we're very focused on the long term opportunity here, Spotlight represents an incredible opportunity for our business over the long term.

And so, taking time, over the last year or so, to grow that business, to deepen the engagement, to bring more Snapchatters into that, to grow the content selection, and bring our creator community along, has really allowed us to improve that product and improve the business potential and being careful with that has been the right long term thing for Snap, and the right long term thing for that business for us. But we are excited to share a little bit more soon, maybe in a context with advertisers.

JULIE HENDERSON, CHIEF COMMUNICATIONS OFFICER

Jerry, we had a couple of questions from investors and analysts wanting to understand, more about our brand and DR mix and kind of what that looks like, and also, if you could provide, kind of any color on advertiser growth, whether unique advertisers or any other metric. And these came from Ron Josey from Citi and Andy Cohen from SoMa Equity.

JERRY HUNTER, CHIEF OPERATING OFFICER

Thanks for the question.

First thing, we're pretty happy with our DR growth right now, it's about two thirds of revenue. One third is brand.

I think there's a couple of important things to note in there, one is the presentation I gave, is largely about how we're driving the value of the DR business, so, we're happy with the growth there.

I think we'll see more growth over time but maybe more importantly, we'll see the value of that inventory growing as well.

And from a growth of advertiser perspective, what I hear from advertisers, advertisers love our demo.

They love our reach.

And they love our AR ads, they, like, the first part of every conversation I have with an advertiser starts with AR.

And we're seeing advertisers grow, we're very happy with that growth.

And the growth is healthy.

JULIE HENDERSON, CHIEF COMMUNICATIONS OFFICER

Thank you.

A little bit more on the financials, but first, this is a question for Evan.

And it's from Barton Crockett from Rosenblatt.

Many of Snap's peers are suggesting that ad trends feel a little better recently, the macro certainly seems surprisingly strong with full labor markets and strong consumer spending. Is Snap seeing any improvement?

Have trends felt a little better since your last earnings and if not, what is driving the disconnect between an economy that in many respects is strong, and an ad trend that for many, like Snap, is soft?

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Yeah, as we shared on our earnings call, our general view in terms of the macro, advertiser demand is that it hasn't been getting a lot worse but certainly hasn't been getting, much better either.

So I do think generally speaking, advertiser demand, you know, is stabilizing in this environment. I think, you know, the things, that you mentioned, you know, higher wages, a strong consumer, these are all elements of the inflationary economy that we're in, but I think it's important to remember that things like higher wages are actually a business's cost. So while you're seeing higher wages flow through to higher consumer spending, businesses are also spending a lot more to employ their team members and that actually impacts, of course, their operating expenses and means that they need to cut back in some areas. And when they're experiencing, you know, strong demand from consumers, it's

easier to pull back on advertising when you're facing a lot of cost pressure, you know, with things like labor, for example.

So I think what you mention is really characteristic of the, you know, inflationary economy that we're in and why advertisers are so focused on performance advertising where they can really, you know, see a measurable return on their spend.

That's really what's informed our focus, there, you know, as Jerry and the team have shared.

JULIE HENDERSON, CHIEF COMMUNICATIONS OFFICER

Derek, a question for you. Lloyd Walmsley at UBS has a question about 50% top line growth that we mentioned I think at our last analyst day.

At the last analyst day you talked about compounding 50% top line growth. What is the right way to think about growth over the next several years assuming a more stable macro environment?

DEREK ANDERSEN, CHIEF FINANCIAL OFFICER

Yeah, it's a great question. I think I would stand back and say there are a lot of factors that go into how fast we're going to grow, I think I would start with how big is the potential to grow?

And I think if you look at what we presented today, over time the potential for this business to be many times larger than it is. And it comes down to a question of how quickly we can act on this, and how strong the environment will be as we execute. We shared, for example, in the near term we expect a lot of upside from improvement in our DR business and expansion and growth of our AR advertising offerings, that's a huge amount of opportunity right there.

Expanding into the medium term and you look at the potential for Spotlight that's reached 100 million, sorry Snapchat+ reached 100 million ARR after only six months, and our ability to grow into other products like the map that Evan just talked about earlier, again, that contributes to a business that can be many times bigger than it is today. And then over the long term: when we look at the potential for us to be a leader in the next computing platform transition to one based on augmented reality, the size of that market is difficult to put a number on, but there's no question that each time we've had a major computing platform transition, that's created an enormous amount of value and opened up enormous new markets for us to potentially be a leader in.

So, we think the potential is huge, I think Jerry talked earlier about where we sit in terms of ARPU relative to some of our peers, and that gives you an idea of some of the lowest hanging fruit in terms of our ability to grow the business.

So what I would say, as a business, what we're focused on is this:

We want to prioritize the opportunities we're going to go after, so today, you got a really good look at what those priorities are.

Two, we want to fully fund those priorities, and make sure that all of our investments are focused on those things; and then it's about execution, and I think we've gotten very good over the years about evolving our leadership team and our structures and how we manage the company so that when we put wood into the fire it translates into heat and output of production of our products.

I would say the velocity of our product evolution and innovation is higher than we've seen it and continues to improve and you've seen that in the results we've shared today.

For us we're going to stay very focused on inputs, what we can execute against. We hope to have a constructive environment that will have that translate into rapid growth for the business.

But importantly, you know, I think we've learned this over the last couple of years, you have to be prepared for environments that aren't constructive.

And we have really put a lot of work over the last few years into making sure that we would be in a position to be successful to fund our investments, and to grow as a business even in an environment that's challenging. We did that by improving our balance sheet.

We did that through prioritization, we've done that by having a really focused strategy; so, we're going to stay focused on the inputs we control and execute as quick as we can, and hope the environment cooperates, and in the long term, I see a business that is many times bigger than the business that we have today with all of the things that we laid out this morning.

JULIE HENDERSON, CHIEF COMMUNICATIONS OFFICER

Thank you, we had a couple of questions, around sponsored AR, which is our AR advertising offering, and, I think Rob Sanderson from Loop probably summarizes most of the questions most effectively.

Evan, a question for you: when does sponsored AR or AR advertising, as Rob puts in his question, move from early adopter into more mainstream advertising?

So what does that evolution look like?

And do we think it's, you know, reasonable that revenue contribution from sponsored AR can really reach velocity at Snap?

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Thank you so much for the question, we're really excited about the progress we're making in augmented reality and we're well positioned because Snapchat opens up into the camera and opens up directly into augmented reality experiences. So we have a tremendous amount of engagement with AR on our platform every single day, with over 250 million people engaging with AR every single day on average.

So, but we've always found with our business, is that, engagement is really the most important input to long term monetization and we've been really focused on building a really solid augmented reality platform that's technically very sophisticated and advanced, that appeals a lot to developers, where we now have over 300,000 developers who are using our augmented reality platform.

So, all of those things I think are really important inputs into the longer term, you know, monetization potential of our AR platform.

In addition to that what we've been working on is extending our AR platform through Camera Kit. So making sure other people can use our technology in their applications and websites which, of course, increases the overall audience and consumption of augmented reality.

There's some great examples of the way that Samsung has integrated Camera Kit into their devices, I believe, they reached about 2.5 billion Lens engagements in their Camera Kit integration in their Galaxy devices and so that's an example of how we're extending AR usage outside of Snapchat, which, again, is going to be very important to increasing the overall monetization opportunity.

And then when it comes to actual, you know, helping advertisers engage with AR, one of the most important things that we've seen, is that improvements to the creative process, and even things, you know, as simple as planning make a huge difference. Because AR creative is new for advertisers they need enough time to be able to really develop that creative to launch with their campaign. And because it's different than video, it needs to be approached creatively, through a totally different process.

So, we started, you know, with tentpole moments using Arcadia, our fabulous AR Studio, AR agency that's been bringing really incredible and immersive experiences to life.

We've also been working on automating the flow for advertisers who want to bring, you know, their products or fashion items into augmented reality, and we've done that through an acquisition of Vertebrae which now allows advertisers to manage their 3D assets and, of course, connect them to Lens experiences.

And most importantly, I think what we're seeing, especially with things, like, AR try on is that, those Lens experiences are performing very, very well.

The organic performance, you know, in terms of advertisers profiles on Snapchat is very strong, and the advertising performance when advertisers pay to distribute those Lens experiences on Snapchat, is very strong, as well.

And, we're excited about the potential to then connect the conversion lift we see, through sponsored AR experiences with our fit and size service through Fit Analytics, which then allows consumers to find the right fit and size for the product and ultimately reduces returns as well.

And so we've seen a lot of product market fit with fashion items, in particular.

Ecommerce is a massive category for us, and so our primary focus right now when it comes to sponsored AR experiences, and then extending into other merchants' apps and websites is really around fashion, in addition to, the more immersive product launches and tentpole moments that we've been powering through and our work with Arcadia and many of our third party agency partners as well.

JULIE HENDERSON, CHIEF COMMUNICATIONS OFFICER

In fairness to Rob, there is more specificity in the second part of his question:

Do you think revenue from AR will be a meaningful contributor to our overall revenue in 2024?

What does that timing look like?

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Certainly what we aspire to and working really hard based on the engagement we've seen with augmented reality. I certainly believe that's a real possibility and really come down to continuing to prove those consistent results for advertisers.

I was really heartened, talking to one of our advertising partners recently. They run a really big ecommerce business, and they said that when they got the test results back for their sponsored AR engagement, it was the first time in years they had to go back and check the numbers because they were so good. You know, that they didn't seem believable at first, at first glance. And that's what is so exciting to have an advertiser like that who's a serious performance advertiser believe that sponsored augmented reality is such a critical component of their performance marketing strategy. That's where I think we can really break out of, you know, the one off product launches or immersive AR experiences, and into consistent repeatable and scalable results in augmented reality and that's what's going to be what unlocks that bigger revenue contribution for AR.

JULIE HENDERSON, CHIEF COMMUNICATIONS OFFICER

Maria Ripps from Canaccord actually had an interesting, somewhat related question around AR but, like, moving beyond the sponsored AR piece. What do you think are the meaningful, like, the most significant drivers of AR generally?

Is it more about leveraging generative AI to support content creation?

Is it accelerating advertiser adoption which I know that you talked about?

Is it about AR creation and distribution but is there any one of these considerations that you would deem more foundational than the others in driving the next phase of overall AR growth?

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

What a great question.

I think, ultimately, as we look to the medium and longer term, what's going to be critically important are the platform tools that we offer, that's why we have invested so heavily in Lens Studio, and really extending Lens Studio so people can build much more immersive and interactive experiences.

Attracting the world's best developers to Lens Studio is going to be one of the most important inputs we have in continuing to extend our AR business. We already have a huge audience engaging with augmented reality, and when folks can access really world class AR experiences that have been created by our developer partners, that drives that flywheel where then more people want to check out our AR experiences on our platform or through our partners using Camera Kit, then more developers, of course, want to be involved.

And that allows us to invest more overall into our platform. So I think, we've done a lot of work trying to get that flywheel really rolling, that's why 3 million lenses have been created by our developer partners. And as long as we continue to invest in really world class AR development tools, I think that will help us further our broader goals for the platform.

JULIE HENDERSON, CHIEF COMMUNICATIONS OFFICER

Let's move to talk about our content strategy and creator economy and where we are there, and a couple of questions, Andrew Boone from JMP and Doug Anmuth from JPM both had questions that focused on, you know, what is our value to creators?

Why does a creator post to Snap versus TikTok or Reels?

Creation appears to have plateaued at 5 billion daily Snaps, how do we reaccelerate that?

Or, is it less important, than, say, media consumption?

So where is that line between kind of supply, and demand?

Mark Mahaney also asked if there's an optimal balance of content between that provided by your friends or that provided just by the open Internet.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Yeah, okay, a lot in there.

So, I think maybe taking a step back as it pertains to our content business and creators is one of the really interesting things that we found, because we reach more than 75% of 13 to 34 year olds in over 20 countries, it's pretty likely that a lot of the biggest and most talented creators out there are already using Snapchat today with their friends and family. And they're using it to communicate, and often to share content privately with their friends and family because that's been a real strength of Snapchat over the years.

And what we've tried to do over time is show creators the value of not only just sharing with their friends and family, but also sharing through Creator Stories, where they can build an audience over time with their subscribers and now monetize that audience, and also extend their reach with things like Spotlight, where folks can, you know, create new videos and find new subscribers by distributing their most compelling and creative videos in Spotlight and getting distribution that way.

And so as we look at building the creator experience on Snapchat, it's really the relationship between Stories and Spotlight that we think is going to be so powerful.

When creators have a stable source of income because they can create Stories in a really efficient way, they share what's happening in their day, and they monetize in between those Snaps, but then grow their reach through Spotlight, again, they have this really compelling flywheel where they can grow their audience and then monetize in a more stable and dependable way.

And when you think about the way that the competition for example is positioned: there are services like, you know, YouTube for example where the barriers to creation are very high.

Making a compelling YouTube video takes a lot of time and effort.

And then, you know, other services, you know, like some short video services like Reels or TikTok don't provide that reliable distribution to your audience, and therefore, are less appealing for creators because their distribution is very, very volatile depending on the quality of the content.

What we try to do at Snap is, you know, find the best of both worlds, where we lower the bar to creation with Stories, so people can just share what's happening throughout their day, build an audience over time and monetize that audience that provides much more stable income so that they can fuel their career as a creator.

And then use Spotlight as a tool to help those creators grow their overall distribution, you know, by you know, creating new and engaging videos that reach a new audience for them And so, hopefully, that, positioning, you know, at least from what I've heard from creators more recently, has just provided a really compelling opportunity for creators to move beyond talking to their friends and family, which is what they're doing already, to really taking part in our broader creator ecosystem.

JULIE HENDERSON, CHIEF COMMUNICATIONS OFFICER

Thanks and one follow up and I think this might be from Doug, how expensive will this be?

Levels of investment?

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

We've tried to be really thoughtful, and maybe this is a Derek question, we've tried to be really thoughtful about how we've invested in our content business. You know, so for example when we first launched Spotlight, we invested significantly to seed that platform with really compelling content, and attract creators to Spotlight to, you know, submit their content get to know the Spotlight experience, and, of course, create more engaging and interesting content for our community to view. And, you know, in that way we sort of bootstrapped Spotlight and began this engagement flywheel that's now serving us very well today. As we talked about on our last earnings, time spent grew 100% year over year, we're excited about the momentum.

We think we've made the right investments early on and we've been able to pare back those investments and more selectively seed new content categories where we see a lot of interest from our community but maybe we don't have the depth of content that we would like for more niche categories in Spotlight.

As it pertains to Creator Stories which creators are really enjoying in terms of the ease of creation, the relationship with their audience over time, and then in terms of monetization, we've been really thoughtful about using that to open up new inventory pools inside of Stories and to drive incremental revenue for Snap.

So I don't know if Derek wants to provide more color there, but we have tried to be very thoughtful with our investments in terms of our content business.

DEREK ANDERSEN, CHIEF FINANCIAL OFFICER

Yeah, I think the key, and Evan touched on it here, these investments have been accretive, but also, we win when our creators win. The key is growing our community, deepening engagement, building creator ecosystems that are win win between us and our creators. So I don't think of that investment as bimodal, one win or one loser. We've been able to grow this business, expand our margins consistently over a long period of time, have very healthy margins in aggregate, and invest in these new products and invest in our creator community.

So I view that investment as actually an input to growing the scale of our business and one that's been incredibly productive for us.

And I think the margin profile as it's improved over the years, demonstrates that we can do that profitably.

JULIE HENDERSON, CHIEF COMMUNICATIONS OFFICER

Okay a question from the LightShed team, I think Rich and Brandon. This is for Evan, investors fear is that you were so focused on an AR enabled future that you were caught flat footed with ATT, IDFA, did not focus early enough on direct response advertising, and did not see the engagement headwinds posed by TikTok. Why should investors have faith in the plan you all laid out today?

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Thank you for the question.

I think taking a step back, Rich is right, that what we're trying to do is very difficult.

There aren't a lot of independent internet companies that have reached the sort of scale that we benefit from today with 750 million monthly active users and it's certainly been a challenging journey over the last 11 years, you know. When it comes to short video for example, we launched Spotlight back in 2020 because we wanted to provide an entertaining short video experience to our community and we were able to leverage all the creation happening in our camera and the conversation between friends to help really kick start that experience that's paying dividends today. You know, in terms of ATT, we've been concerned that this would be disruptive for some time, we had lots of open conversations with our investors about it; and sure enough, it has been significantly disruptive to our business, but we've been working through that and making investments, you know, to be able to measure and optimize advertising in privacy safe ways, which is foundationally important to the advertising business we built, over time.

Because from the very beginning we believed that our community needed to be protected in terms of their safety, and their privacy, and that protecting their safety and their privacy would lead to better, you know, business results over time.

And so while we really believe that those changes would be disruptive, as we look ahead towards the future, building an advertising platform in a privacy safe way is the only way forward and that's something that really aligns with our values and the sort of business that we want to create today.

So in short I would say it is challenging. It is difficult, you know, to build an internet business, certainly with such well funded, large competitors. But, I think we have made a lot of significant progress over the past 11 years or so and I'm excited about our plans looking forward.

JULIE HENDERSON, CHIEF COMMUNICATIONS OFFICER

Just a couple more questions and then we're almost done.

Some questions on Snapchat+, both from Ron Josey and Maria Ripps.

On Snapchat+, talk a little bit about the process of bringing some of the newer tools and features to the rest of the service to benefit, you know, from overall greater engagement; said another way, are the plus features call it, on a six to nine month ahead of GA schedules or specific to just plus subs. How are you thinking about Snapchat+ over the next couple of years?

And do you see Snapchat+ as primarily a driver of engagement?

I guess how do you philosophically think about that in the broader Snapchat service?

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Yeah, we're super excited about the progress we're making with Snapchat+, and I think most importantly it's created a totally new place for us to experiment with some of the most passionate and engaged Snapchat users. A lot of the features we released early on were quite simplistic things like chat wallpaper, but things that improve the overall Snapchat experience for folks who love our experience, and love our products. I think as we look at our roadmap over the next year or two and we start launching much more sophisticated and complex features to Snapchat+ subscribers and we measure that impact on engagement overall, there's going to be a lot of interesting opportunity to sort of graduate features from this experimental phase, you know, Snapchat+, to the broader community.

So I would say, you know, look to, you know, our roadmap over the next year or two, as we develop more of these, you know, experimental and fun products just for the Snapchat+ community, and then, think about how to migrate them more broadly to the entire Snapchat community over time.

JULIE HENDERSON, CHIEF COMMUNICATIONS OFFICER

Excellent, and one last question, and this is from Michael Barton of Coatue and Mark Mahaney again, it's really about AI.

And it's for Evan.

How do you think about AI?

Are there opportunities for Snapchat going forward as it relates to AI?

And do you think there's a role for large language models at Snap generally?

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

So AI is extraordinarily powerful and already powers some of the most important parts of our business.

I think the question in particular, reference to large language models, you know, is more targeted towards recent advancements in conversational artificial intelligence as a messaging platform, that's certainly something that we're interested in and paying attention to, but, you know, I don't have anything more to share at this exact moment in time.