# Snap Inc.

# Q2 2020 Earnings Slides

July 21, 2020

# Forward-Looking Statements & Non-GAAP Financial Measures

This presentation contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this presentation, including statements regarding guidance, our future results of operations or financial condition, business strategy and plans, user growth and engagement, product initiatives, and objectives of management for future operations, and the impact of COVID-19 on our business and the economy as a whole, are forward-looking statements.

In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "going to," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will," or "would" or the negative of these words or other similar terms or expressions.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this presentation on our current expectations and projections about future events and trends, including the ongoing COVID-19 pandemic,  that we believe may affect our business, financial condition, results of operations, and prospects. These forward-looking statements are subject to risks, uncertainties, and other factors, including those described in the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent quarterly report on Form 10-Q filed with the SEC, which is available on the SEC's website at www.sec.gov. Additional information is available in our quarterly report on Form 10-Q for the quarter ended June 30, 2020 and other filings that we make from time to time with the SEC.

In addition, the forward-looking statements in this presentation relate only to events as of the date on which the statements are made and are based on information available to us as of the date of this presentation. We undertake no obligation to update any forward-looking statements made in this presentation to reflect events or circumstances after the date of this presentation or to reflect new information or the occurrence of unanticipated events, including future developments related to the COVID-19 pandemic, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments.

This presentation includes certain non-GAAP financial measures. These non-GAAP financial measures, which may be different than similarly titled measures used by other companies, are presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. A reconciliation of GAAP to non-GAAP measures is provided in the appendix of this presentation.

# Second Quarter Financial Highlights

**Revenue**

- Revenue increased 17% YoY to $454 million.

- Average revenue per user remained flat YoY at $1.91.

**Operating Performance**

- Gross margin[1] improved to 47%, compared to 46% in Q2 2019.

- Operating margin improved to (68)%, compared to (79)% in Q2 2019.

- Net loss was $(326) million, compared to $(255) million in Q2 2019.

- Adjusted EBITDA was $(96) million, compared to $(79) million in Q2 2019.

- Adjusted EBITDA margin[2] was (21)%, compared to (20)% in Q2 2019.

**Cash**

- Operating cash flow improved $29 million YoY to $(67) million.

- Free Cash Flow improved $21 million YoY to $(82) million.

- Ending cash and marketable securities increased $748 million QoQ to $2.8 billion.

[1]Excludes stock-based compensation expense and related payroll tax expense, depreciation and amortization, and certain other non-cash or non-recurring items impacting net income (loss) from time to time.
[2]We define Adjusted EBITDA margin as Adjusted EBITDA divided by GAAP revenue. See Appendix for reconciliation of net loss to Adjusted EBITDA.

# Business Highlights

**Daily Active Users grew by 17% year-over-year and we saw increased engagement across key metrics:**

- DAUs were 238 million in Q2 2020, an increase of 35 million or 17% year-over-year.

- DAUs increased sequentially and year-over-year in each of North America, Europe, and Rest of World.

- DAUs increased sequentially and year-over-year on each of iOS and Android platforms.

- On average, Snapchatters opened Snapchat over 30 times every day in Q2 2020.


**We continue to invest in our Discover platform as a destination for content that entertains and informs:**

- The daily average number of Snapchatters watching Shows increased by over 45% year-over-year in Q2 2020.

- The daily average number of Snapchatters over the age of 35 engaging with Discover content increased by over 40% year-over-year in Q2 2020.

- We launched Happening Now, a dedicated feed on Discover providing real-time, curated news from media partners such as The Washington Post, ESPN, and BuzzFeed.

- We announced expanded multi-year content partnerships with Disney, ESPN, NBC, ViacomCBS, the NBA, and the NFL.

- Digital native companies Wave and Barcroft Studios, top creators of sports and lifestyle content, now reach average monthly audiences of more than 50 million Snapchatters.

- We've expanded our international programming with Channel 4 in the United Kingdom, Le Figaro in France, and Rotana, who now reaches an average of nearly 10 million Snapchatters in the Middle East each month.

# Business Highlights (Continued)

**We continue to invest in our camera and augmented reality platforms:**

- On average, over 180 million Snapchatters engaged with augmented reality daily in Q2 2020.

- We've added new camera partners, such as PlantSnap, Dog Scanner, and Nutrition Scanner to provide more experiences for our community.

- We announced Voice Scan, which allows Snapchatters to activate AR Lenses with their voice.

- We announced Local Lenses, which enable shared and persistent AR experiences in much larger areas around the world.

- We launched music Lenses in Lens Explorer, a new category of Lenses that enable Snapchatters to add songs to their Lenses.

- We launched Dynamic Lenses, which allow developers to bring real-time information from their app into Snapchat Lenses.

**We strengthened our ad platform to drive improved outcomes for advertisers:**

- We introduced Brand Profiles, which offer a permanent home for brands on Snapchat, and Snapchatters can currently subscribe to some of the world's largest brands, including Dior, Target, and Universal Pictures.

- We introduced First Commercial, which gives advertisers a way to reserve the initial Commercial a Snapchatter sees that day in their first Snapchat show session.

- To ensure advertisers can easily reach different audiences in Discover, we launched content bundles in Snap Select that allow brands to align their message with popular verticals like 'Sports', 'Entertainment', and 'News'.

- We have enabled app and web attribution for Commercials to help advertisers understand the impact that video on Snapchat has on any business.

- We launched Snap Focus, an online learning portal where advertisers can learn more about Snapchat's advertising solutions.

# Business Highlights (Continued)

**We continue to innovate to better serve our large and engaged community:**

- We introduced Snap Minis, bite-sized utilities made to be shared between friends and integrated into conversations. Our most recent Mini partners include Headspace, Atom Tickets, and Tembo.

- We launched Action Bar, making it easier to navigate across our platform features in Snapchat with just one tap.

- We improved Snap Map, which already reaches over 200 million Snapchatters every month, by launching Places, which features Stories, hours, reviews and delivery options for local businesses.

- More than 800 apps have integrated with Snap Kit, and nearly 150 million Snapchatters are engaging with these integrations every month.

- Since launching in April 2019, more than 100 million Snapchatters have played Snap Games.
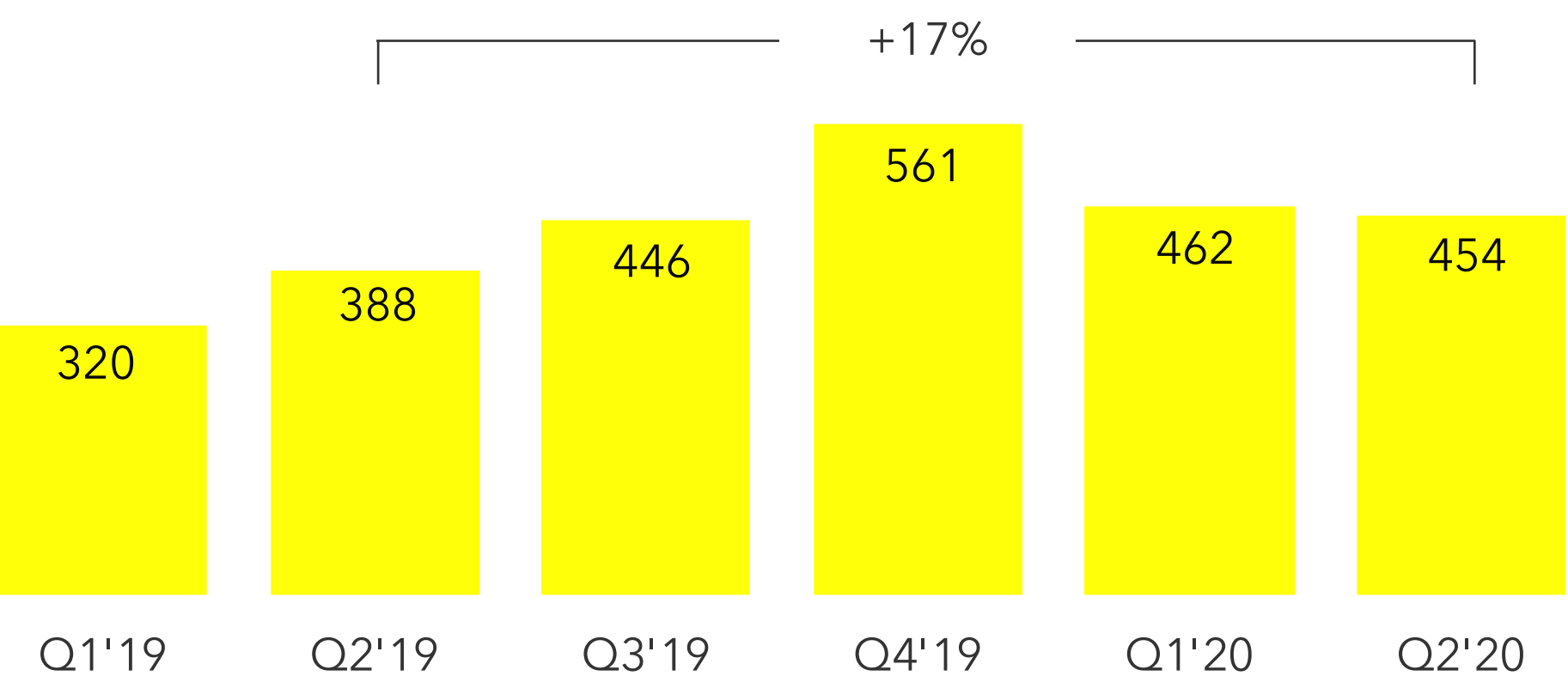
**We added new tools and capabilities to support our developer community:**

- We launched Camera Kit for developers and brands to leverage the best of Snapchat's AR features on their own app.

- We launched Bitmoji for Games, which allows game developers to personalize the player experience by putting players and friends directly into their games.

- We launched SnapML, which enables our Lens creator community to bring their own machine learning models directly into Lens Studio to power their Lenses.

- We partnered with Google's new Depth API for Android devices to launch several depth-enabled Lenses and Lens Studio templates, enabling Lens creators to make Lenses using Google's new technology.

- We launched Material Editor, a visual programming tool for making custom 3D effects in Lens Studio.
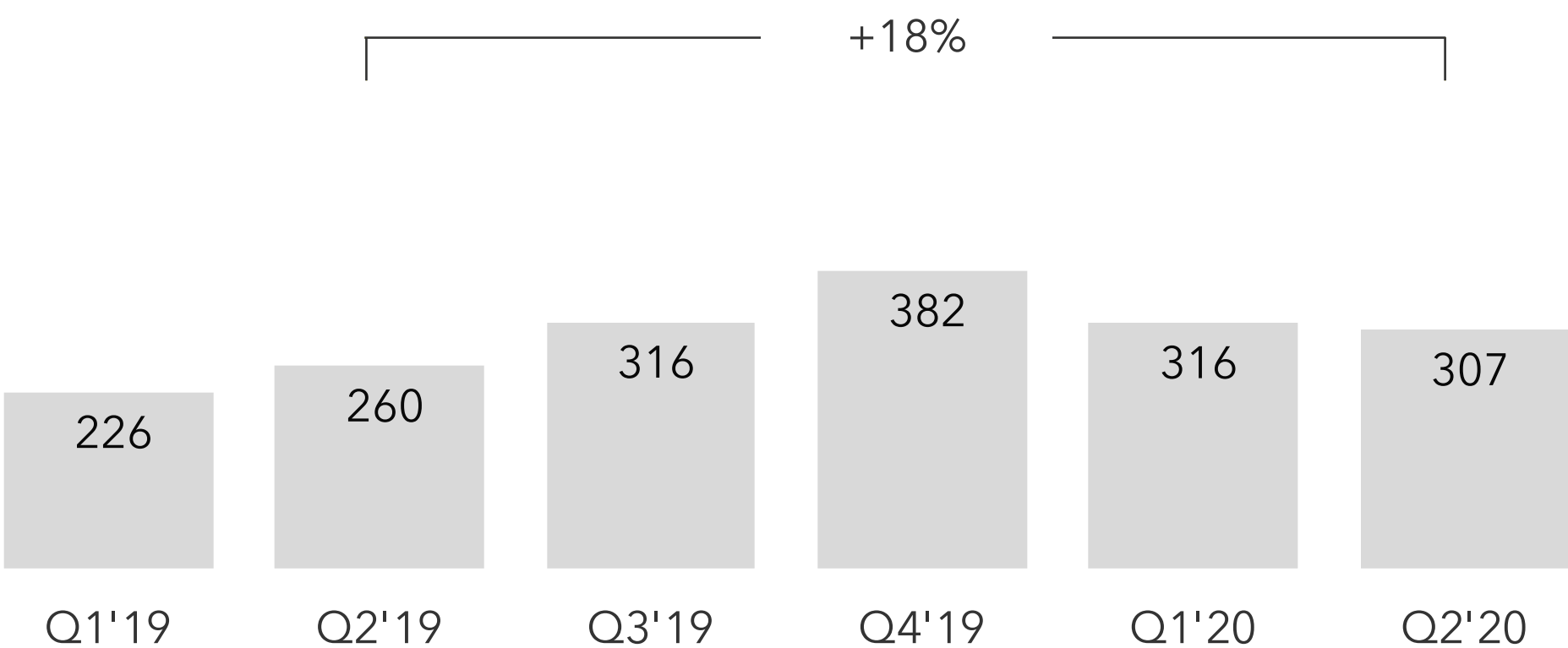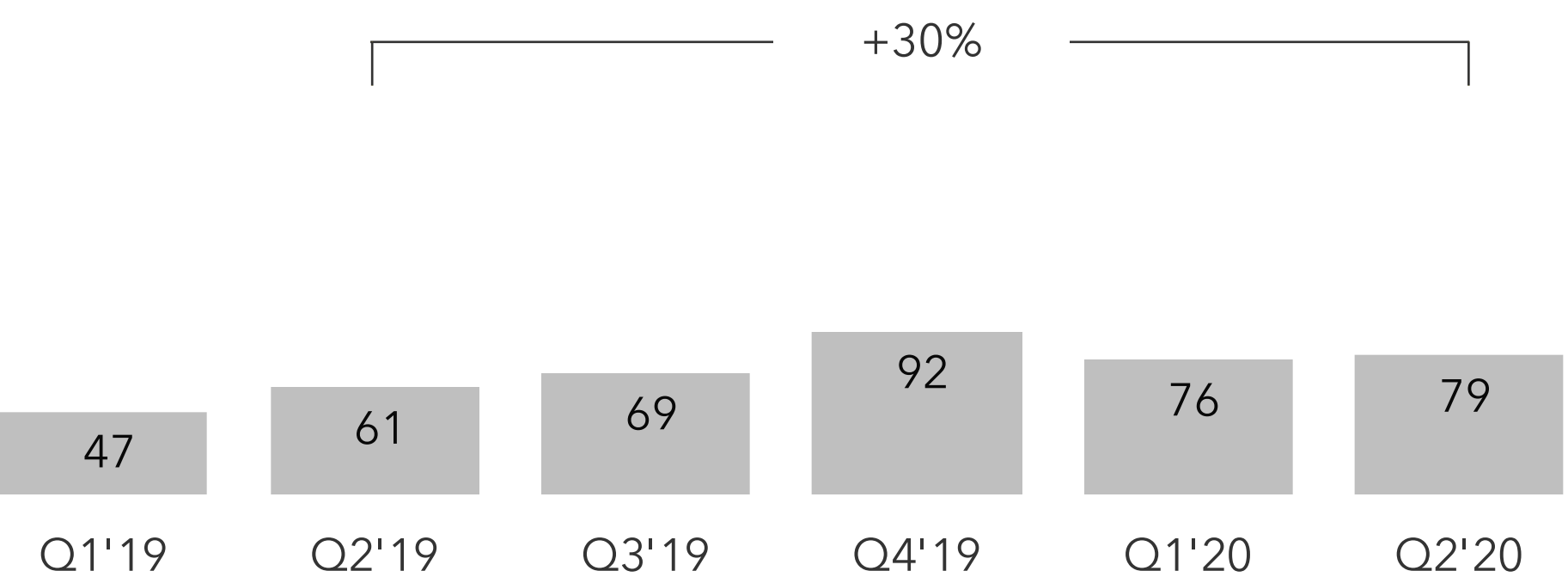
# Revenue by Geography
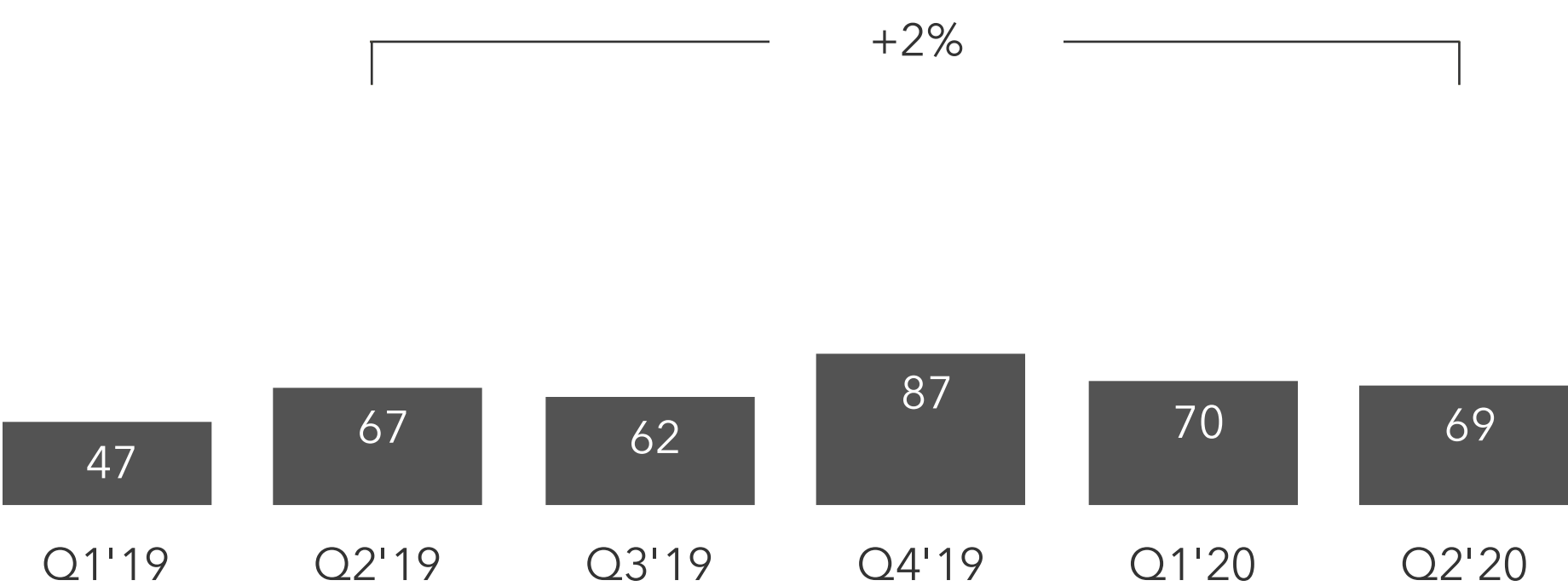
*(in millions, unaudited)*

## GLOBAL

+17%

| Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|-------|-------|-------|-------|-------|-------|
| 320 | 388 | 446 | 561 | 462 | 454 |

## NORTH AMERICA[1]

+18%

| Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|-------|-------|-------|-------|-------|-------|
| 226 | 260 | 316 | 382 | 316 | 307 |

## EUROPE[2]

+30%

| Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|-------|-------|-------|-------|-------|-------|
| 47 | 61 | 69 | 92 | 76 | 79 |

## REST OF WORLD

+2%

| Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|-------|-------|-------|-------|-------|-------|
| 47 | 67 | 62 | 87 | 70 | 69 |

Total revenue for geographic reporting is apportioned to each region based on our determination of the geographic location in which advertising impressions are delivered, as this approximates revenue based on user activity.  This allocation is consistent with how we determine ARPU.
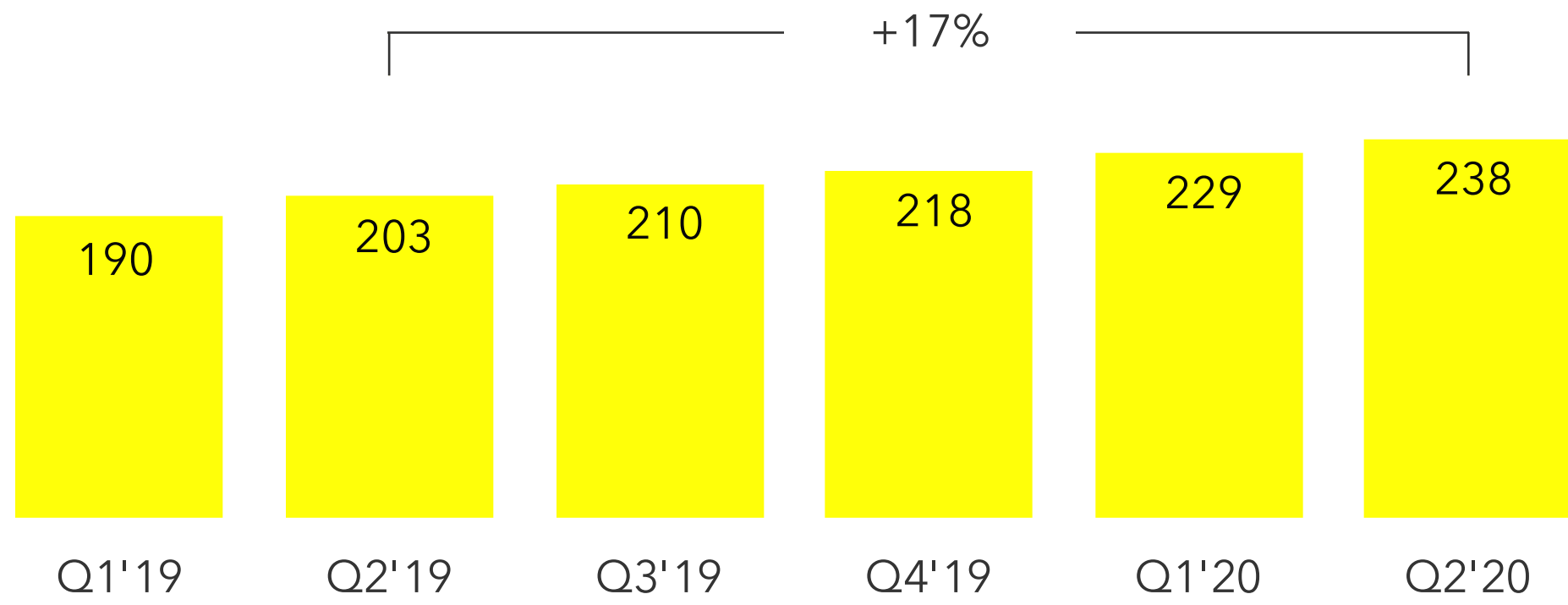[1]North America includes Mexico, the Caribbean, and Central America.
[2]Europe includes Russia and Turkey.

7

**Q2'20 REVENUE INCREASED 17% YoY TO $454 MILLION**
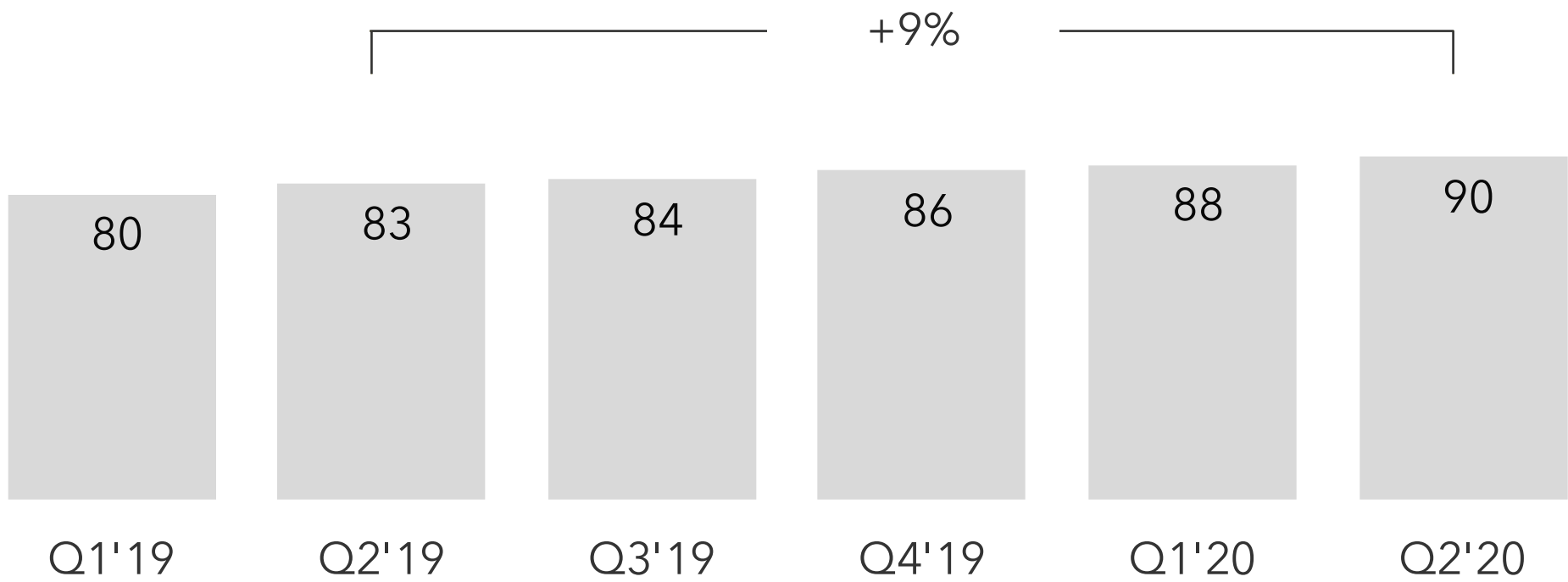**TRAILING TWELVE MONTHS REVENUE INCREASED 38% YoY TO $1.9 BILLION**

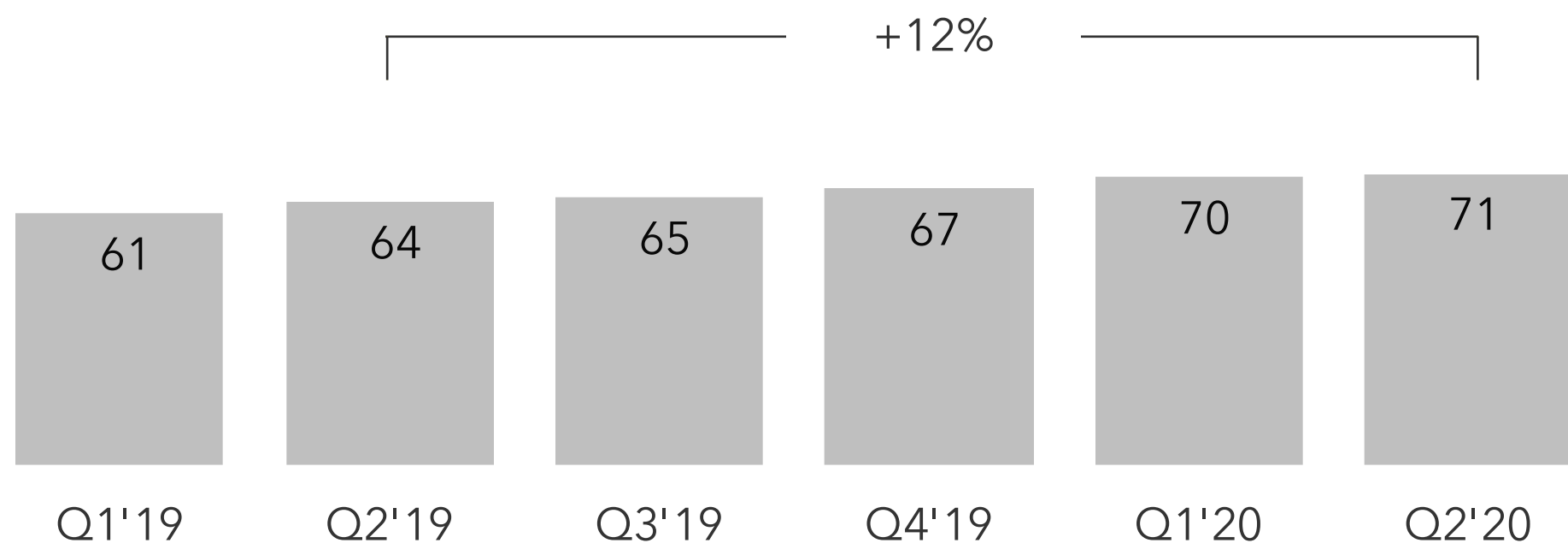# Average Daily Active Users (DAU)

*(in millions, unaudited)*
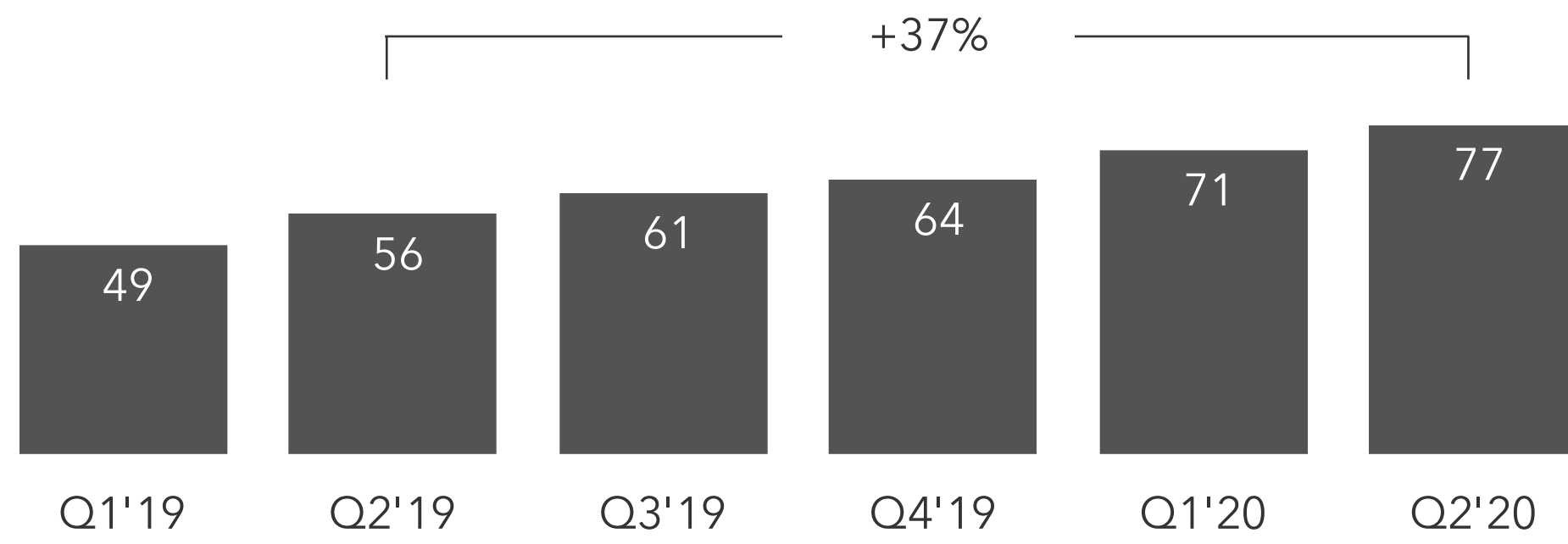
## GLOBAL

+17%

| Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|-------|-------|-------|-------|-------|-------|
| 190   | 203   | 210   | 218   | 229   | 238   |

## NORTH AMERICA[1]

+9%

| Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|-------|-------|-------|-------|-------|-------|
| 80    | 83    | 84    | 86    | 88    | 90    |

## EUROPE[2]

+12%

| Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|-------|-------|-------|-------|-------|-------|
| 61    | 64    | 65    | 67    | 70    | 71    |

## REST OF WORLD

+37%

| Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|-------|-------|-------|-------|-------|-------|
| 49    | 56    | 61    | 64    | 71    | 77    |

We define a Daily Active User, or DAU, as a registered Snapchat user who opens the Snapchat application at least once during a defined 24-hour period. We calculate average Daily Active Users for a particular quarter by adding the number of DAUs on each day of that quarter and dividing that sum by the number of days in that quarter.
[1]North America includes Mexico, the Caribbean, and Central America.
[2]Europe includes Russia and Turkey.

**GLOBAL DAU INCREASED 35 MILLION, OR 17% YoY**

# Average Revenue Per User (ARPU)
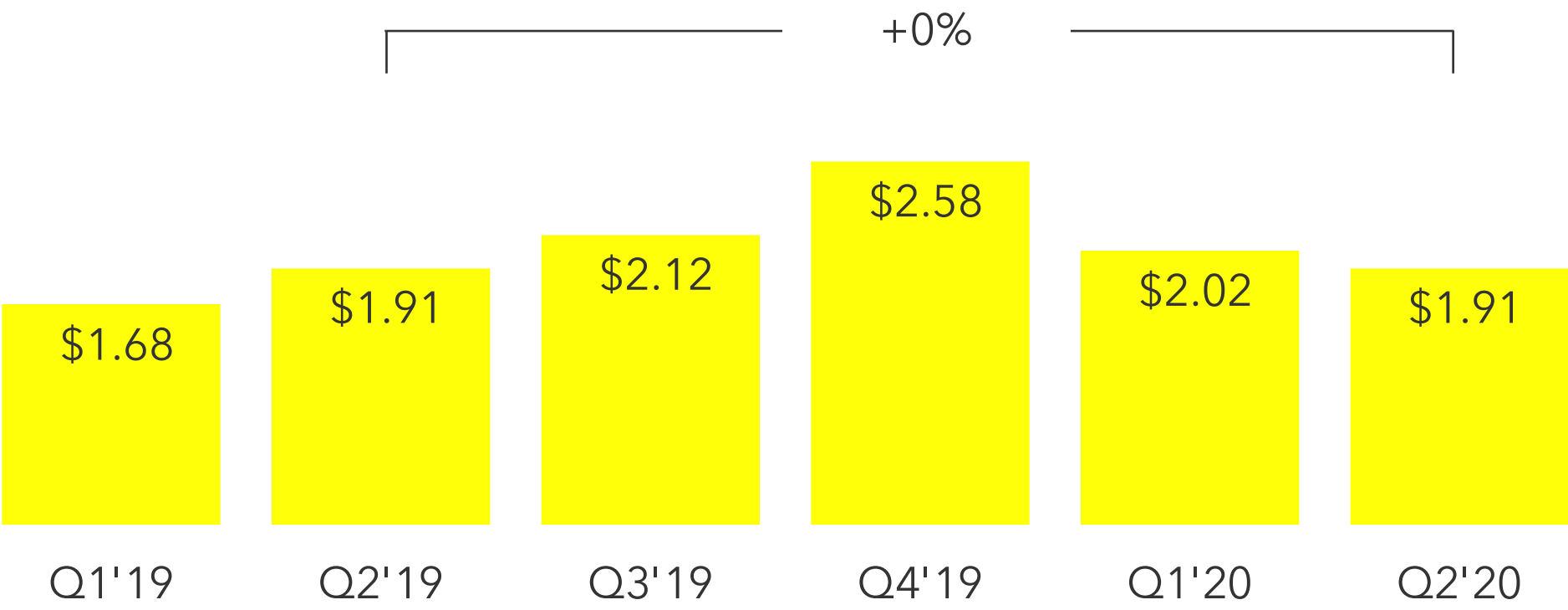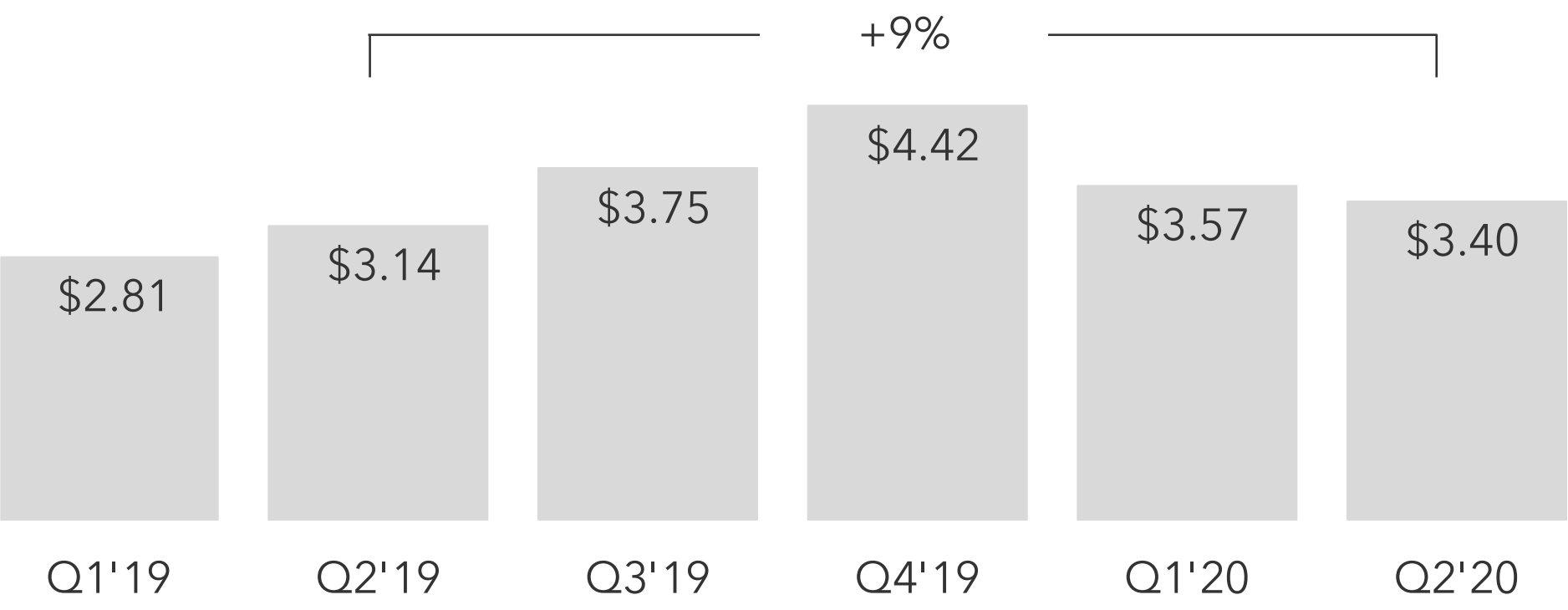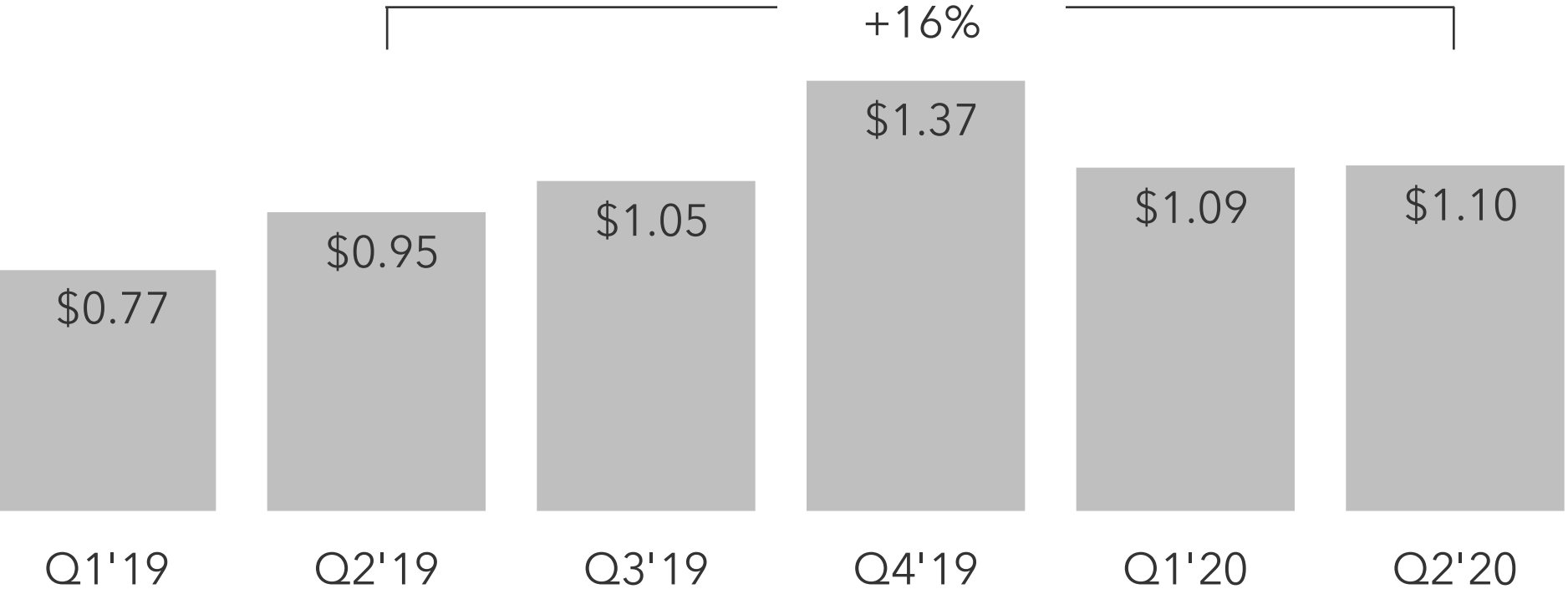*(unaudited)*

## GLOBAL

+0%

| Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|-------|-------|-------|-------|-------|-------|
| $1.68 | $1.91 | $2.12 | $2.58 | $2.02 | $1.91 |

## NORTH AMERICA[1]

+9%

| Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|-------|-------|-------|-------|-------|-------|
| $2.81 | $3.14 | $3.75 | $4.42 | $3.57 | $3.40 |

## EUROPE[2]

+16%

| Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|-------|-------|-------|-------|-------|-------|
| $0.77 | $0.95 | $1.05 | $1.37 | $1.09 | $1.10 |

## REST OF WORLD

-25%

| Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|-------|-------|-------|-------|-------|-------|
| $0.97 | $1.20 | $1.01 | $1.35 | $1.00 | $0.89 |
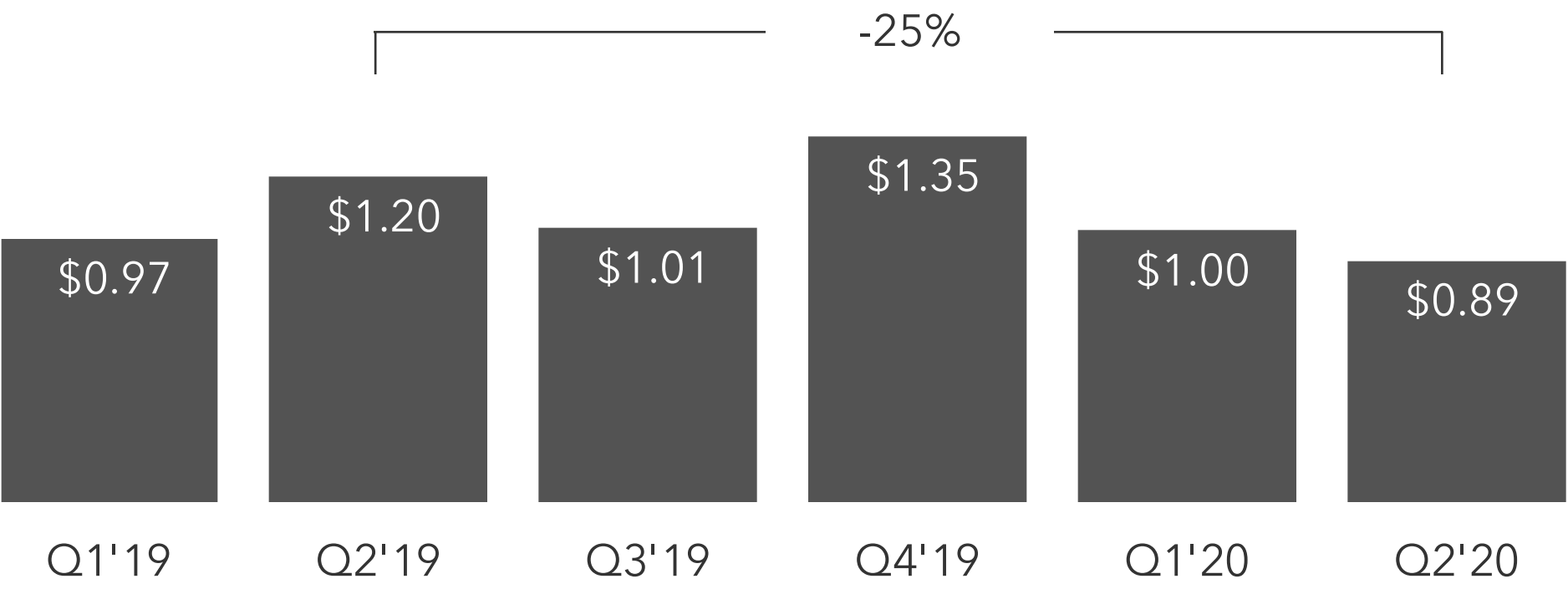
We define ARPU as quarterly revenue divided by the average Daily Active Users. For purposes of calculating ARPU, revenue by user geography is apportioned to each region based on our determination of the geographic location in which advertising impressions are delivered, as this approximates revenue based on user activity.
[1]North America includes Mexico, the Caribbean, and Central America.
[2]Europe includes Russia and Turkey.

**GLOBAL ARPU REMAINED FLAT YoY**
**NORTH AMERICA ARPU INCREASED 9% YoY**

# Cost of Revenue[1]

## COST OF REVENUE AS A % OF REVENUE

-1 PPT

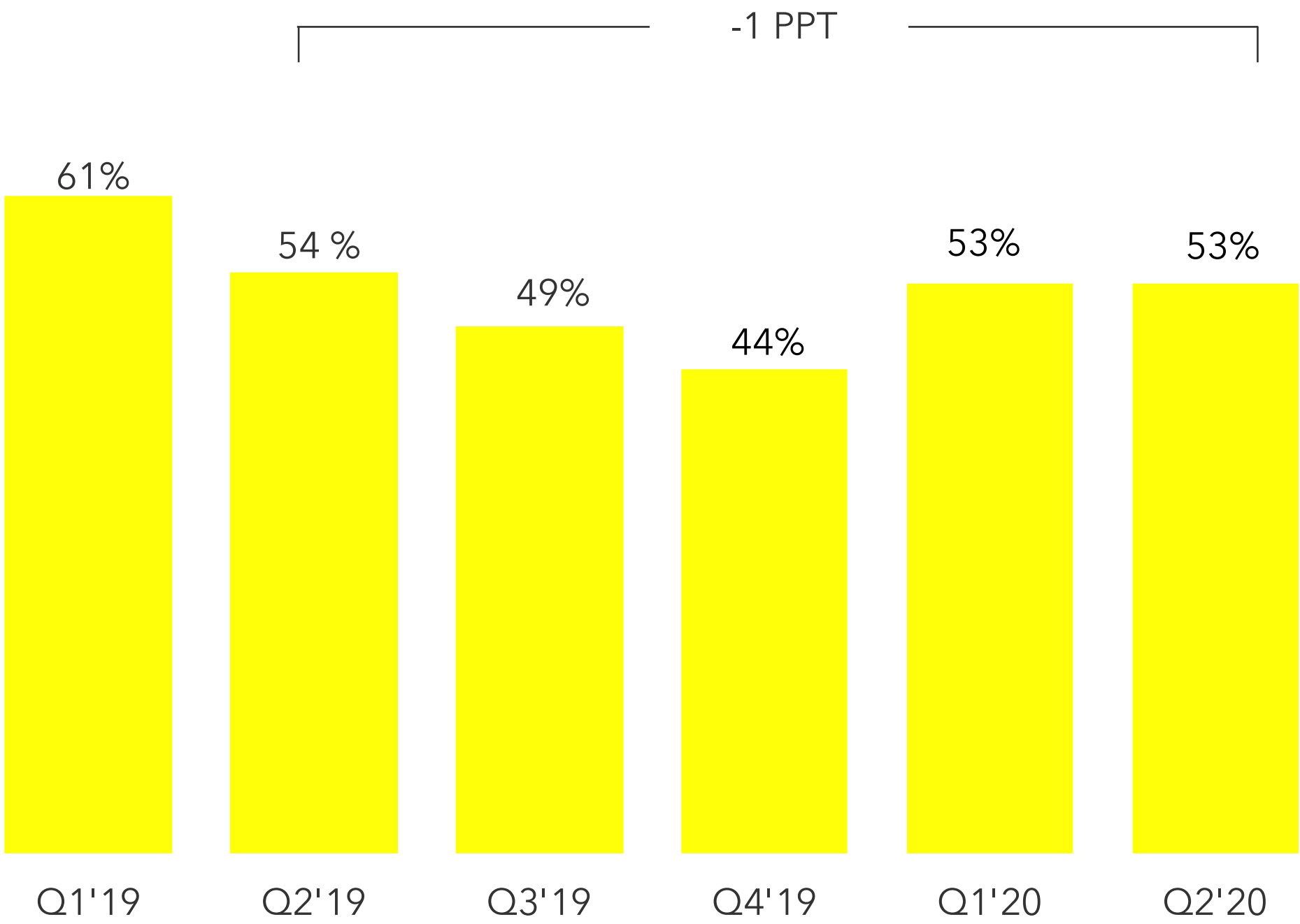| | Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|---|---|---|---|---|---|---|
| | 61% | 54 % | 49% | 44% | 53% | 53% |

| | Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|---|---|---|---|---|---|---|
| Gross Margin[1] | 39% | 46% | 51% | 56% | 47% | 47% |

## COST OF REVENUE COMPOSITION
*(in millions, unaudited)*

- ▉ Infrastructure Cost
- ▉ Revenue Share Cost
- ▉ Other

+17%
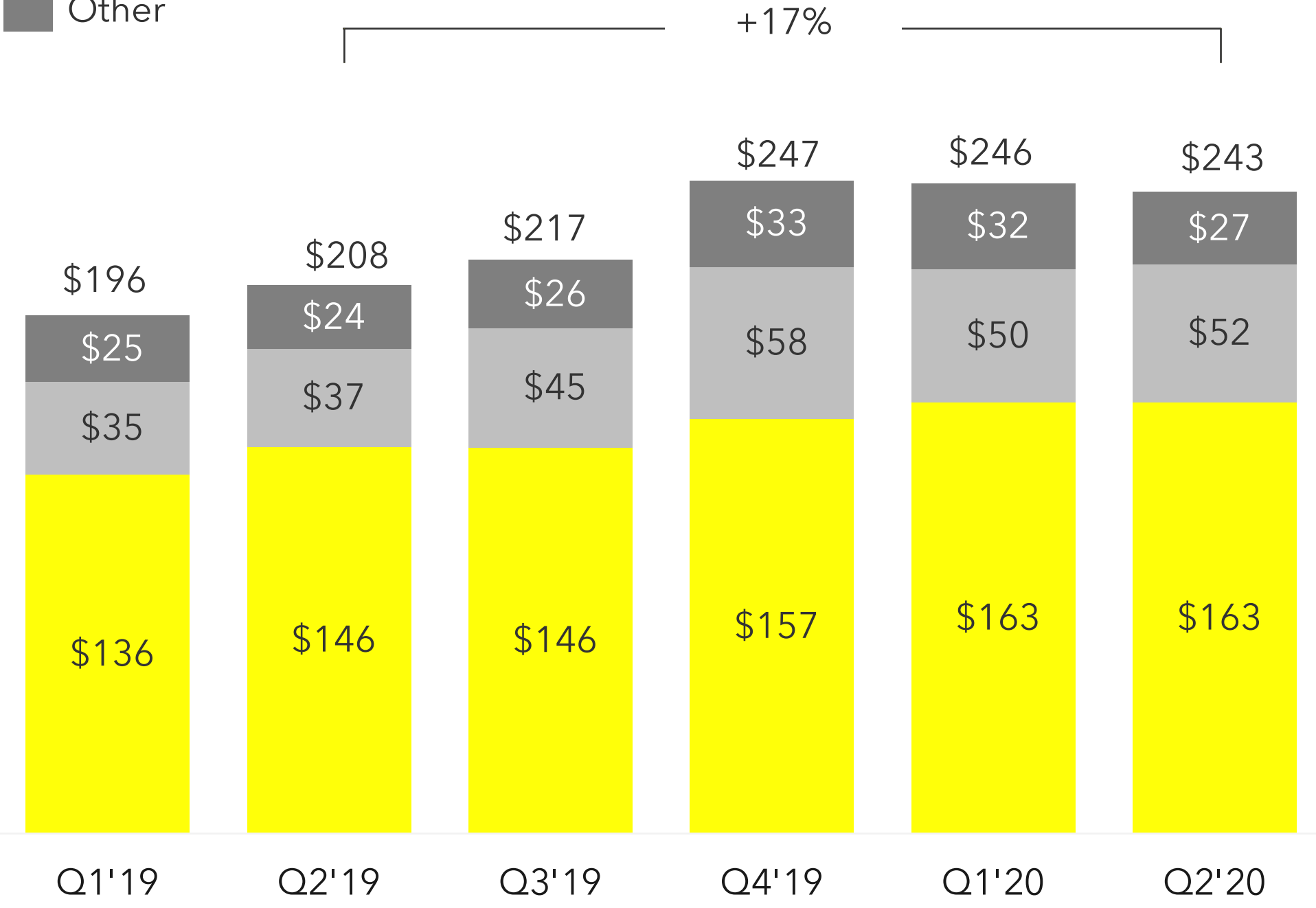
| | Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|---|---|---|---|---|---|---|
| Total | $196 | $208 | $217 | $247 | $246 | $243 |
| Other | $25 | $24 | $26 | $33 | $32 | $27 |
| Revenue Share Cost | $35 | $37 | $45 | $58 | $50 | $52 |
| Infrastructure Cost | $136 | $146 | $146 | $157 | $163 | $163 |

| | Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|---|---|---|---|---|---|---|
| Total Non-GAAP Exclusions[1] | $8 | $8 | $6 | $6 | $7 | $8 |

[1]Excludes stock-based compensation expense and related payroll tax expense, depreciation and amortization, and certain other non-cash or non-recurring items impacting net income (loss) from time to time.

10

**GROSS MARGIN[1] IMPROVED 1 PPT YoY**

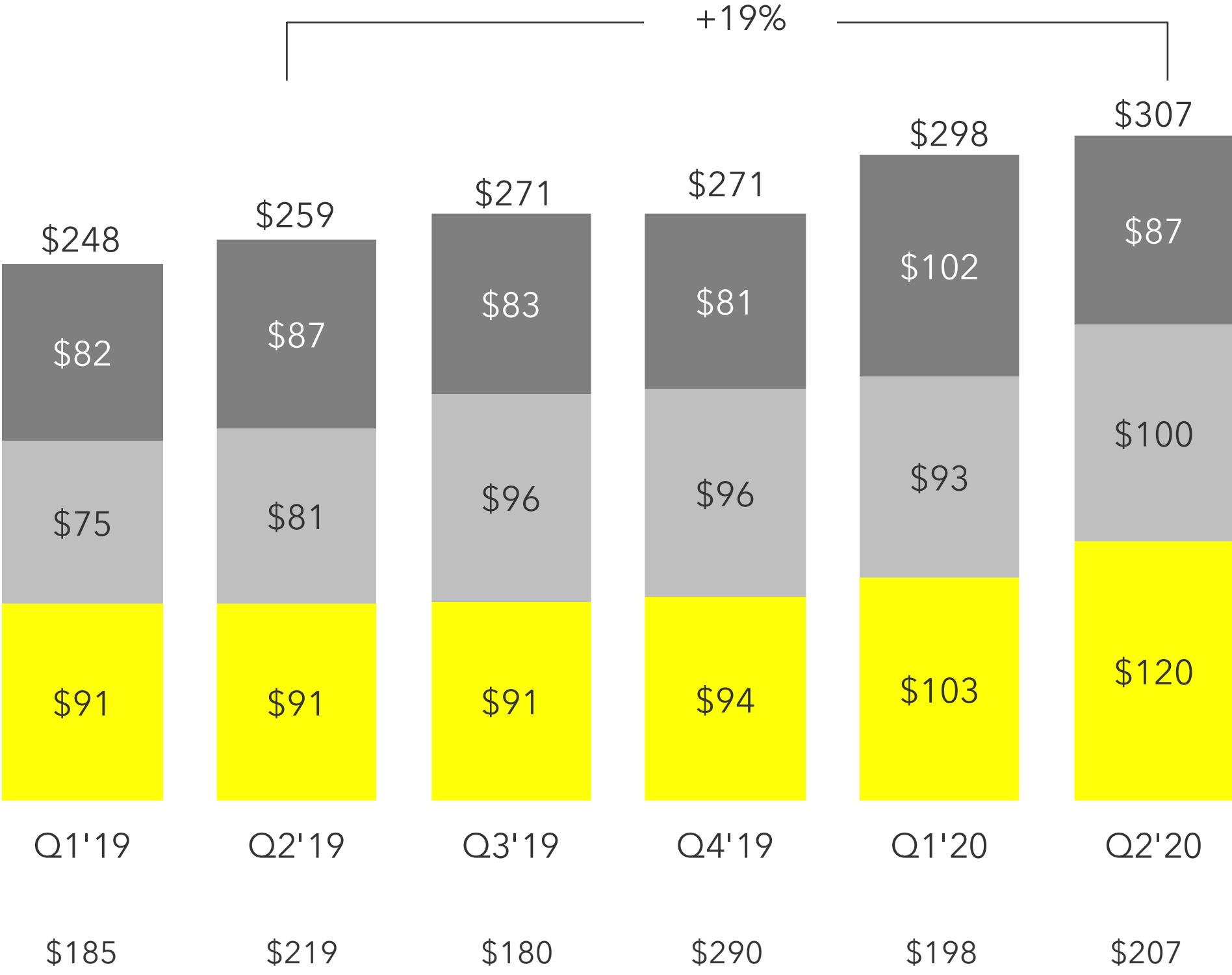# Operating Expenses[1]

## OPERATING EXPENSES AS A % OF REVENUE



+1 PPT

| Quarter | % |
| --- | --- |
| Q1'19 | 77% |
| Q2'19 | 67% |
| Q3'19 | 61% |
| Q4'19 | 48% |
| Q1'20 | 64% |
| Q2'20 | 68% |
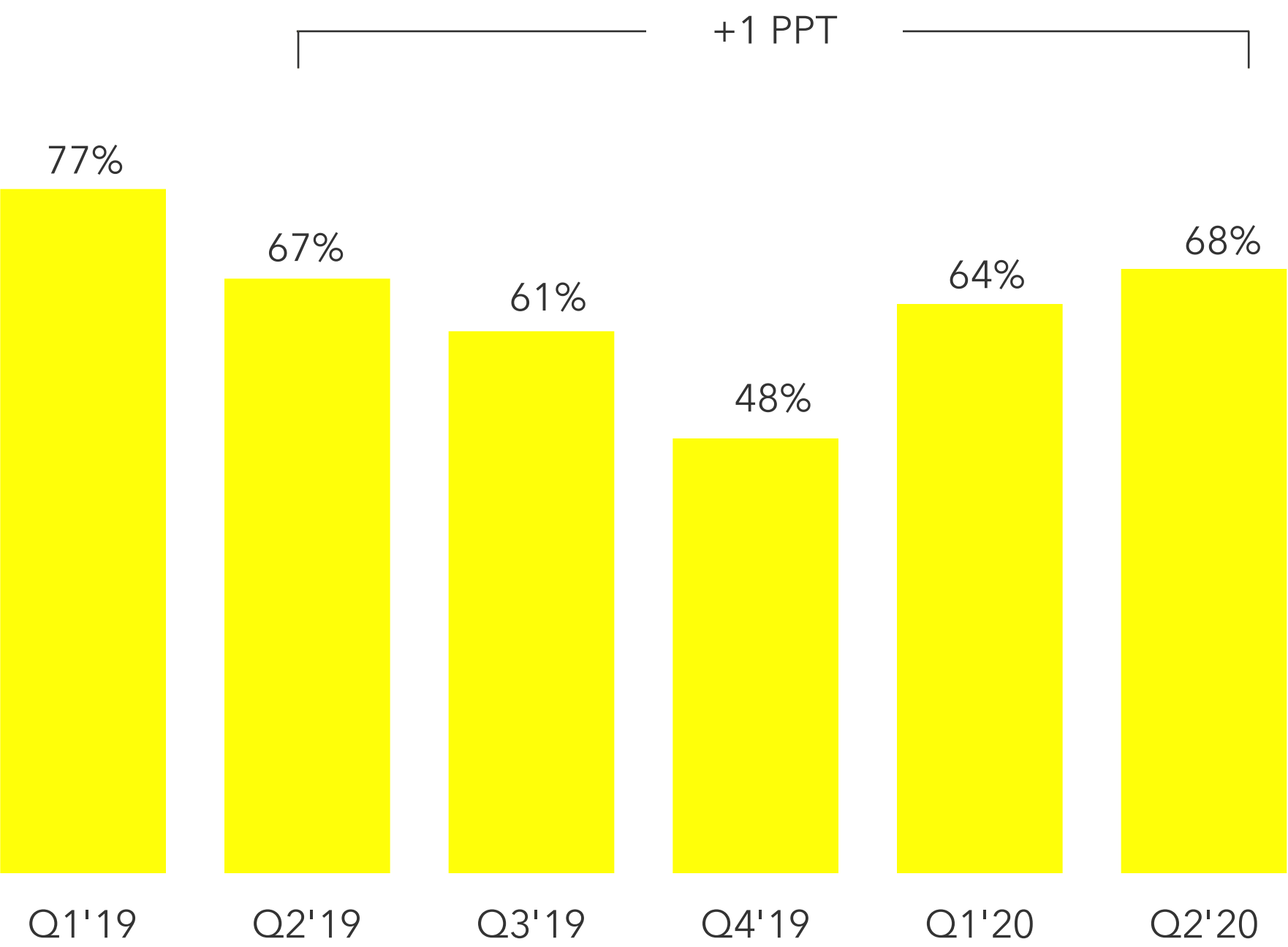
## OPERATING EXPENSES COMPOSITION
*(in millions, unaudited)*

- ■ Research and Development
- ■ Sales and Marketing
- ■ General and Administrative

+19%



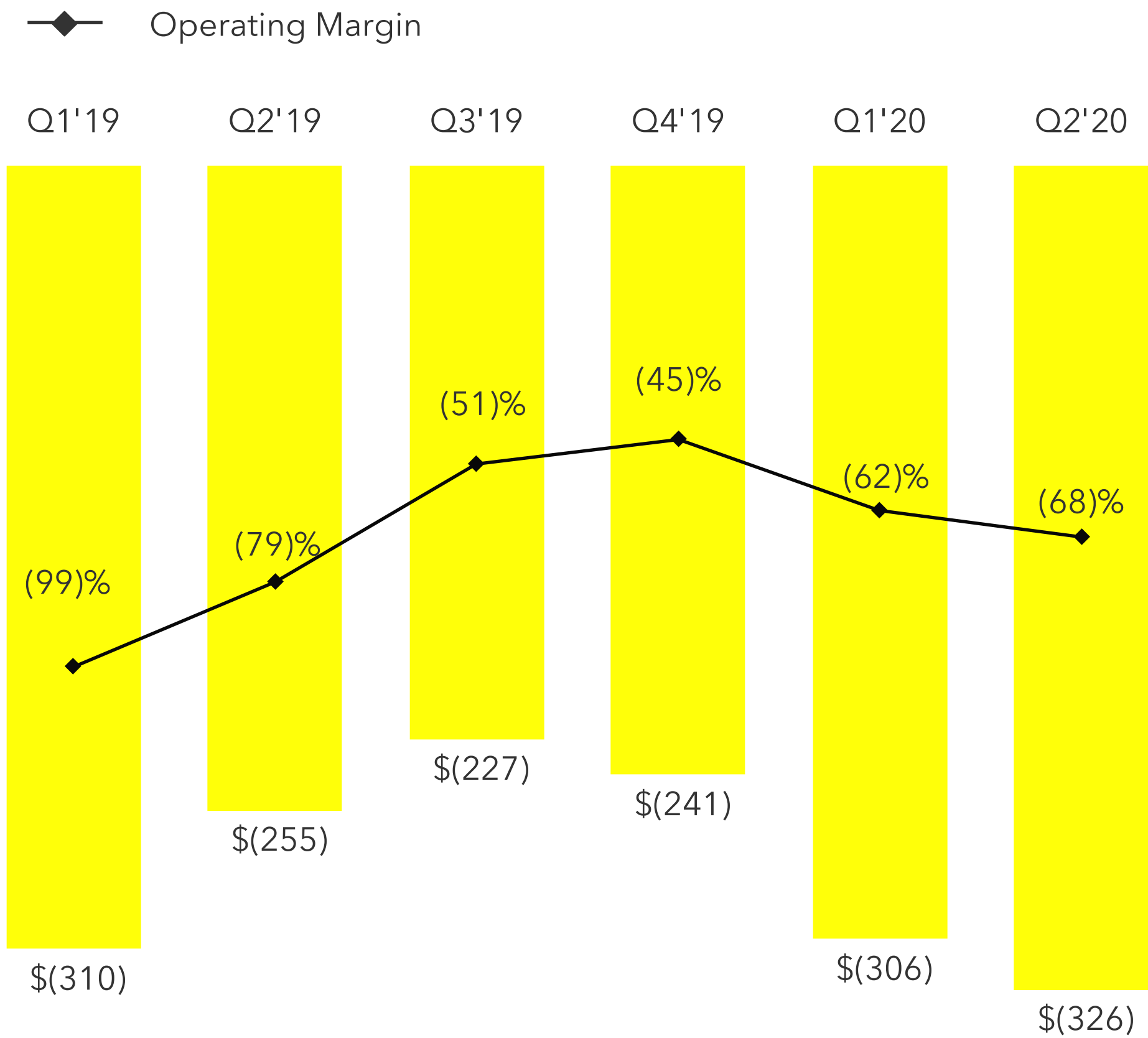|  | Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
| --- | --- | --- | --- | --- | --- | --- |
| Total | $248 | $259 | $271 | $271 | $298 | $307 |
| General and Administrative | $82 | $87 | $83 | $81 | $102 | $87 |
| Sales and Marketing | $75 | $81 | $96 | $96 | $93 | $100 |
| Research and Development | $91 | $91 | $91 | $94 | $103 | $120 |
| Total Non-GAAP Exclusions[1] | $185 | $219 | $180 | $290 | $198 | $207 |

[1]Excludes stock-based compensation expense and related payroll tax expense, depreciation and amortization and certain other non-cash or non-recurring items impacting net income (loss) from time to time. Refer to Appendix for a description of non-recurring items, including securities class actions legal charges.

11

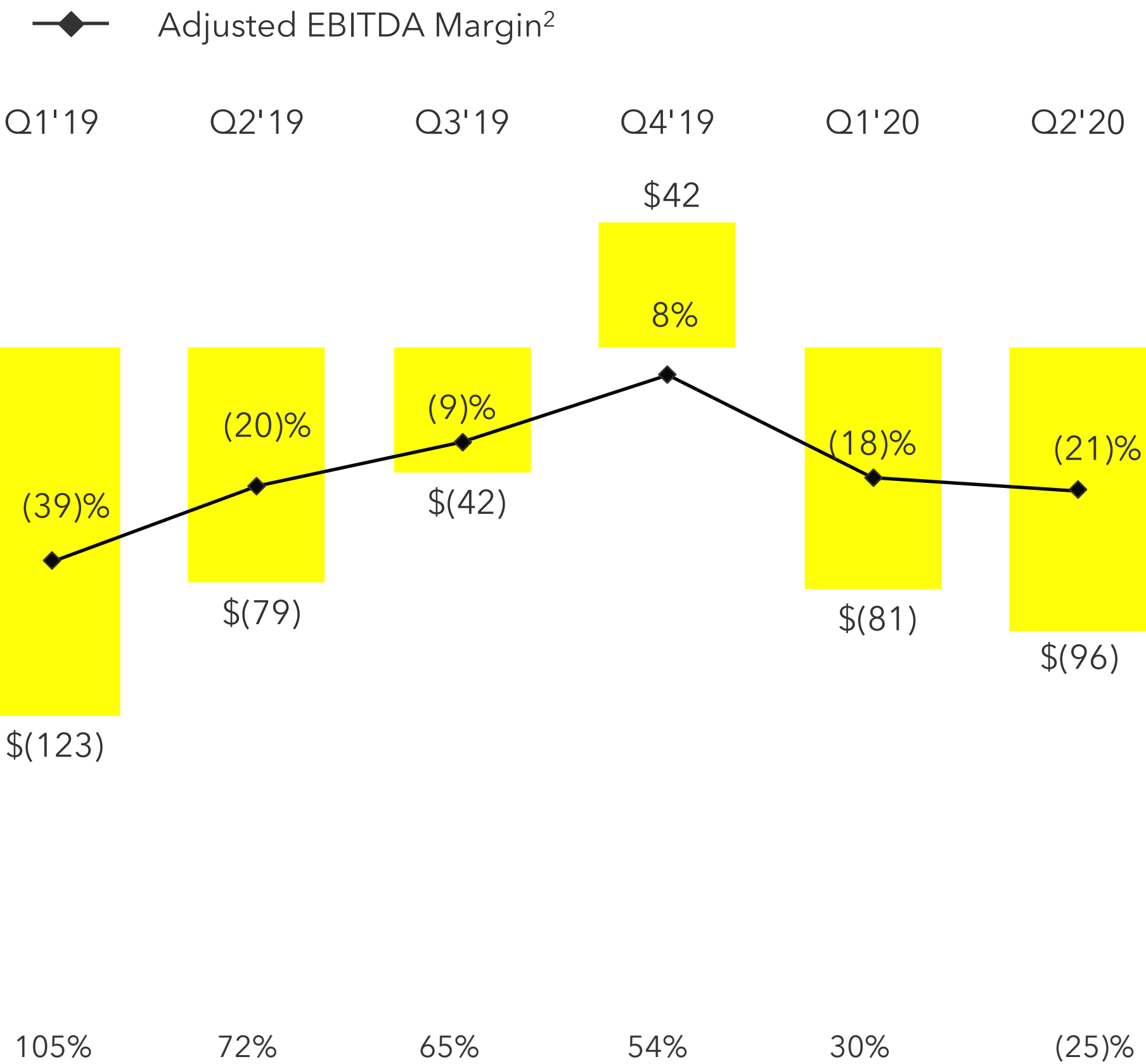**OPERATING EXPENSES INCREASED 19% YoY,**
**REVENUE INCREASED 17% YoY**

# Net Loss & Adjusted EBITDA[1]

*(dollars in millions, unaudited)*

## NET LOSS

◆ Operating Margin

| Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|-------|-------|-------|-------|-------|-------|
| (99)% | (79)% | (51)% | (45)% | (62)% | (68)% |
| $(310) | $(255) | $(227) | $(241) | $(306) | $(326) |

## ADJUSTED EBITDA

◆ Adjusted EBITDA Margin[2]

| | Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|---|-------|-------|-------|-------|-------|-------|
| | (39)% | (20)% | (9)% | 8% / $42 | (18)% | (21)% |
| | $(123) | $(79) | $(42) | | $(81) | $(96) |
| Adjusted EBITDA Leverage[3] | 105% | 72% | 65% | 54% | 30% | (25)% |

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[1]We define Adjusted EBITDA as net income (loss), excluding interest income; interest expense; other income (expense), net; income tax benefit (expense); depreciation and amortization; stock-based compensation expense and related payroll tax expense; and certain other non-cash or non-recurring items impacting net income (loss) from time to time. See Appendix for reconciliation of net loss to Adjusted EBITDA.
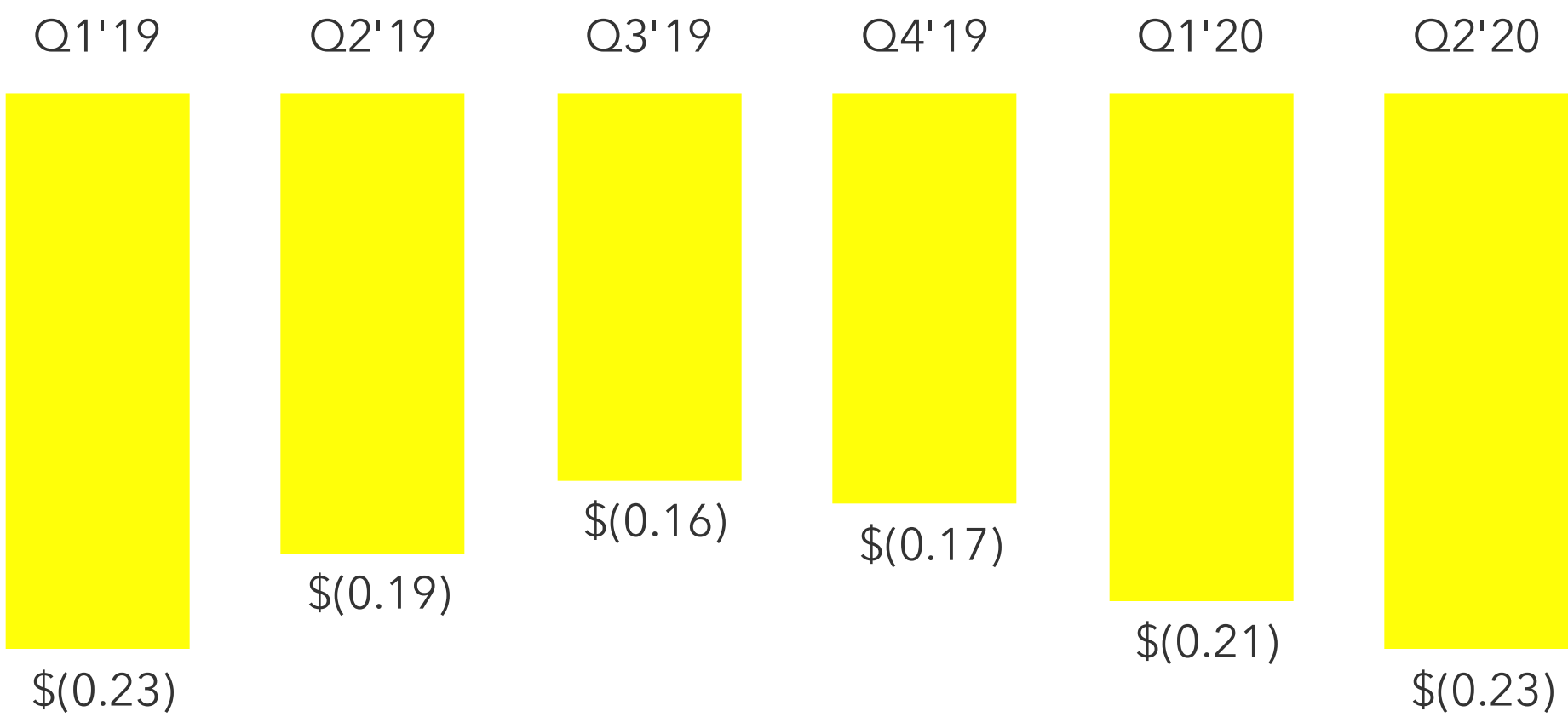[2] We define Adjusted EBITDA margin as Adjusted EBITDA divided by GAAP revenue.
[3]We define Adjusted EBITDA leverage as the year-over-year change in Adjusted EBITDA divided by the year-over-year change in GAAP revenue.

**ADJUSTED EBITDA WAS $(96) MILLION IN Q2 2020,
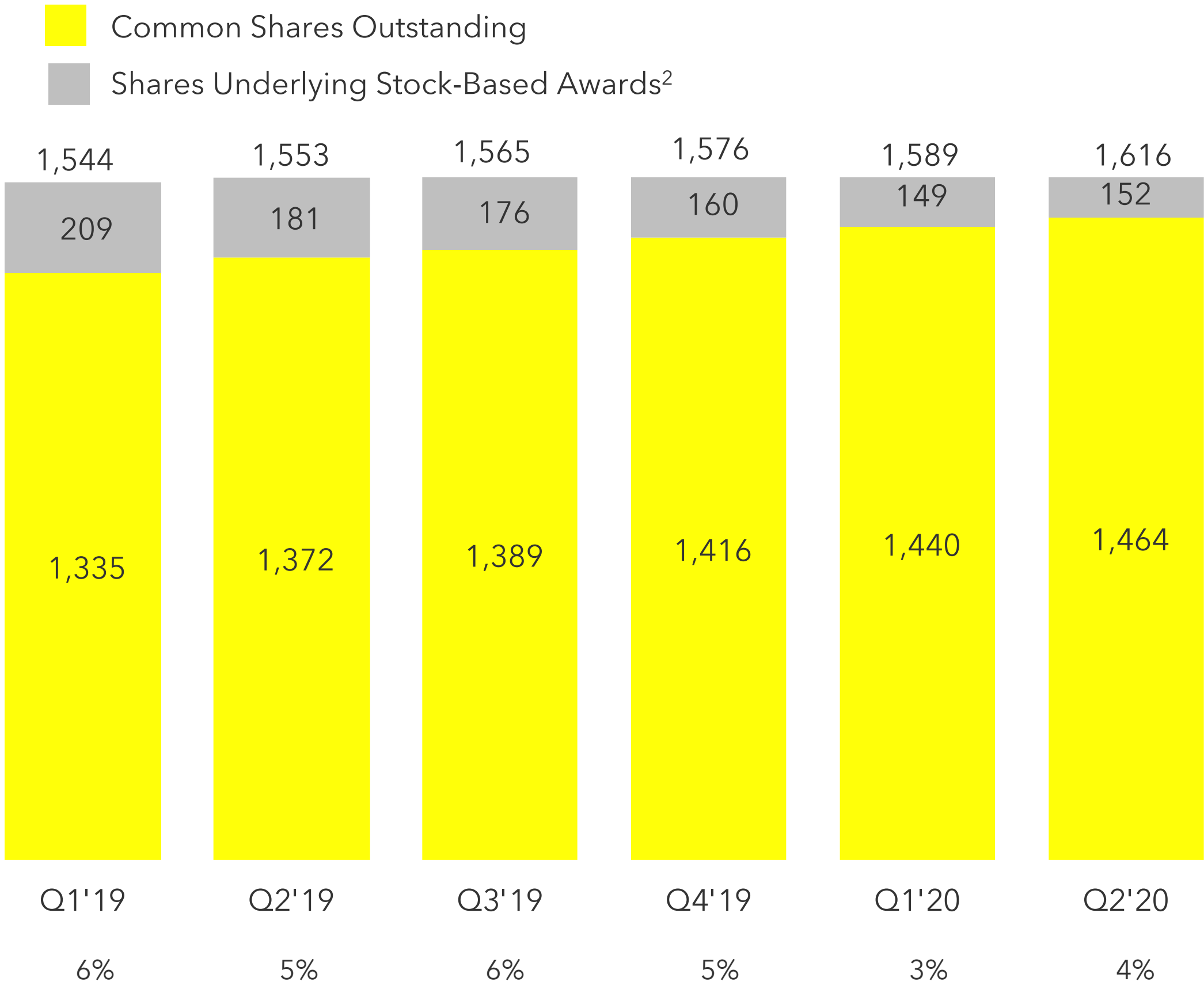ADJUSTED EBITDA MARGIN WAS (21%) IN Q2 2020**

# Diluted Net Loss Per Share &
# Common Shares Outstanding Plus Shares Underlying Stock-Based Awards

*(in millions, except per share data, unaudited)*

## DILUTED NET LOSS PER SHARE[1]

| Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|-------|-------|-------|-------|-------|-------|
| $(0.23) | $(0.19) | $(0.16) | $(0.17) | $(0.21) | $(0.23) |

## COMMON SHARES OUTSTANDING PLUS SHARES UNDERLYING STOCK-BASED AWARDS

■ Common Shares Outstanding

■ Shares Underlying Stock-Based Awards[2]

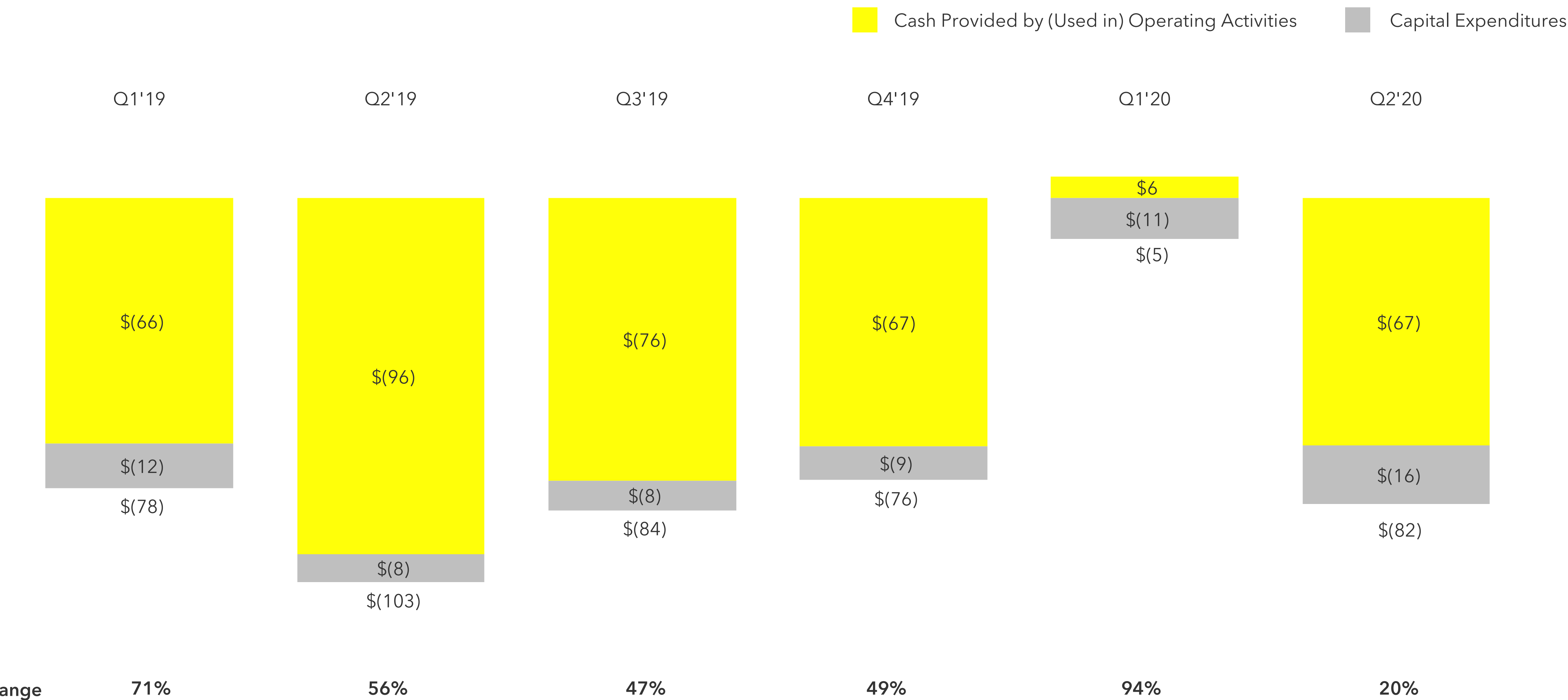| | Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|---|-------|-------|-------|-------|-------|-------|
| Total | 1,544 | 1,553 | 1,565 | 1,576 | 1,589 | 1,616 |
| Shares Underlying Stock-Based Awards | 209 | 181 | 176 | 160 | 149 | 152 |
| Common Shares Outstanding | 1,335 | 1,372 | 1,389 | 1,416 | 1,440 | 1,464 |
| YoY Change | 6% | 5% | 6% | 5% | 3% | 4% |

[1]Diluted net loss per share is calculated using weighted average shares outstanding during the period.
[2]Shares underlying stock-based awards include restricted stock units, restricted stock awards, and outstanding stock options.

13

**DILUTED NET LOSS PER SHARE INCREASED $(0.04) YoY**

# Operating Cash Flow and Free Cash Flow[1]

*(in millions, unaudited)*

Cash Provided by (Used in) Operating Activities     Capital Expenditures

| | Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 |
|---|---|---|---|---|---|---|

Q1'19: $(66), $(12), $(78)

Q2'19: $(96), $(8), $(103)

Q3'19: $(76), $(8), $(84)

Q4'19: $(67), $(9), $(76)

Q1'20: $6, $(11), $(5)

Q2'20: $(67), $(16), $(82)

| FCF YoY Change | 71% | 56% | 47% | 49% | 94% | 20% |

Numbers throughout presentation may not foot due to rounding.
[1]We define Free Cash Flow as net cash provided by (used in) operating activities, reduced by purchases of property and equipment. See Appendix for reconciliation of net cash used in operating activities to Free Cash Flow.

**Q2'20 OPERATING CASH FLOW WAS $(67) MILLION,
FREE CASH FLOW IMPROVED 20% YoY**

# Financial Guidance

Given uncertainties related to the ongoing COVID-19 pandemic and the rapidly shifting macro conditions, we are not providing our expectations for revenue or Adjusted EBITDA for the third quarter of 2020.

# Appendix

# Non-GAAP Financial Measures Reconciliation
*(in thousands, unaudited)*

| | Three Months Ended | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| | March 31, 2019 | June 30, 2019 | September 30, 2019 | December 31, 2019 | March 31, 2020 | June 30, 2020 |
| **Free Cash Flow Reconciliation** | | | | | | |
| Net cash used in operating activities | $ (66,178) | $ (95,789) | $ (76,149) | $ (66,842) | $ 6,283 | $ (66,554) |
| Less: | | | | | | |
| Purchases of property and equipment | (11,814) | (7,633) | (7,938) | (9,093) | (10,891) | (15,767) |
| **Free Cash Flow[1]** | $ (77,992) | $ (103,422) | $ (84,087) | $ (75,935) | $ (4,608) | $ (82,321) |

| | Three Months Ended | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| | March 31, 2019 | June 30, 2019 | September 30, 2019 | December 31, 2019 | March 31, 2020 | June 30, 2020 |
| **Adjusted EBITDA Reconciliation** | | | | | | |
| Net loss | $ (310,407) | $ (255,174) | $ (227,375) | $ (240,704) | $ (305,936) | $ (325,951) |
| Add (deduct): | | | | | | |
| Interest income | (7,816) | (7,446) | (10,317) | (10,463) | (8,589) | (4,768) |
| Interest expense | 756 | 809 | 8,654 | 14,775 | 15,113 | 24,727 |
| Other (income) expense, net | 1,127 | (44,085) | 1,481 | (17,536) | 12,389 | (3,575) |
| Income tax (benefit) expense | 279 | 1,078 | (1,296) | 332 | 659 | (1,041) |
| Depreciation and amortization | 23,319 | 22,660 | 20,646 | 20,620 | 21,204 | 20,925 |
| Stock-based compensation expense | 162,556 | 195,574 | 161,228 | 166,655 | 172,049 | 186,171 |
| Payroll tax expense related to stock-based compensation | 6,737 | 7,871 | 4,604 | 8,628 | 11,874 | 7,942 |
| Securities class actions legal charges | - | - | - | 100,000 | - | - |
| **Adjusted EBITDA[2]** | $ (123,449) | $ (78,713) | $ (42,375) | $ 42,307 | $ (81,237) | $ (95,570) |

[1] We define Free Cash Flow as net cash provided by (used in) operating activities, reduced by purchases of property and equipment.
[2] We define Adjusted EBITDA as net income (loss), excluding interest income; interest expense; other income (expense), net; income tax benefit (expense); depreciation and amortization; stock-based compensation expense and related payroll tax expense; and certain other non-cash or non-recurring items impacting net income (loss) from time to time. Securities class actions legal charges related to a preliminary agreement to settle the securities class actions that arose following our IPO. Charges recorded are net of amounts directly covered by insurance. These charges are non-recurring and not reflective of underlying trends in our business.

# Non-GAAP Financial Measures Reconciliation (Continued)

*(in thousands, except per share amounts, unaudited)*

| | | Three Months Ended | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| | March 31, 2019 | June 30, 2019 | September 30, 2019 | December 31, 2019 | March 31, 2020 | June 30, 2020 |
| **Non-GAAP net income (loss) reconciliation** | | | | | | |
| Net loss | $ (310,407) | $ (255,174) | $ (227,375) | $ (240,704) | $ (305,936) | $ (325,951) |
| Amortization of intangible assets | 10,369 | 9,048 | 6,915 | 7,067 | 7,980 | 7,378 |
| Stock-based compensation expense | 162,556 | 195,574 | 161,228 | 166,655 | 172,049 | 186,171 |
| Payroll tax expense related to stock-based compensation | 6,737 | 7,871 | 4,604 | 8,628 | 11,874 | 7,942 |
| Securities class actions legal charges | - | - | - | 100,000 | - | - |
| Gain on divestiture | - | (39,883) | - | - | - | - |
| Income tax adjustments | (115) | 376 | 200 | 289 | (59) | 86 |
| **Non-GAAP net income (loss)[1]** | $ (130,860) | $ (82,188) | $ (54,428) | $ 41,935 | $ (114,092) | $ (124,374) |
| | | | | | | |
| **Weighted-average common shares - Diluted** | 1,340,615 | 1,362,544 | 1,392,864 | 1,409,519 | 1,426,305 | 1,447,022 |

| | | Three Months Ended | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| | March 31, 2019 | June 30, 2019 | September 30, 2019 | December 31, 2019 | March 31, 2020 | June 30, 2020 |
| **Non-GAAP diluted net income (loss) per share reconciliation** | | | | | | |
| GAAP diluted net loss per share | $ (0.23) | $ (0.19) | $ (0.16) | $ (0.17) | $ (0.21) | $ (0.23) |
| Non-GAAP adjustment to net loss | 0.13 | 0.13 | 0.12 | 0.20 | 0.13 | 0.14 |
| **Non-GAAP diluted net income (loss) per share[1]** | $ (0.10) | $ (0.06) | $ (0.04) | $ 0.03 | $ (0.08) | $ (0.09) |

[1] We define Non-GAAP Net income (loss) as net income (loss); excluding amortization of intangible assets; stock-based compensation expense and related payroll tax expense; certain other non-cash or non-recurring items impacting net income (loss) from time to time; and related income tax adjustments. Non-recurring items include securities class actions legal charges described in the preceding slide. Non-GAAP Net Loss and weighted average diluted shares are then used to calculate Non-GAAP diluted net Income (loss) per share.

# Note Regarding User Metrics and Other Data

We define a Daily Active User, or DAU, as a registered Snapchat user who opens the Snapchat application at least once during a defined 24-hour period. We calculate average Daily Active Users for a particular quarter by adding the number of DAUs on each day of that quarter and dividing that sum by the number of days in that quarter. DAUs are broken out by geography because markets have different characteristics. We define average revenue per user, or ARPU, as quarterly revenue divided by the average DAUs. For purposes of calculating ARPU, revenue by user geography is apportioned to each region based on our determination of the geographic location in which advertising impressions are delivered, as this approximates revenue based on user activity. This allocation differs from our components of revenue disclosure in the notes to our consolidated financial statements, where revenue is based on the billing address of the advertising customer.

Unless otherwise stated, statistical information regarding our users and their activities is determined by calculating the daily average of the selected activity for the most recently completed quarter.

While these metrics are determined based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring how our products are used across large populations globally. For example, there may be individuals who have unauthorized or multiple Snapchat accounts, even though we forbid that in our Terms of Service and implement measures to detect and suppress that behavior. We have not determined the number of such multiple accounts. Changes in our products, infrastructure, mobile operating systems, or metric tracking system, or the introduction of new products, may impact our ability to accurately determine active users or other metrics and we may not determine such inaccuracies promptly. We also believe that we don't capture all data regarding each of our active users. Technical issues may result in data not being recorded from every user's application. For example, because some Snapchat features can be used without internet connectivity, we may not count a DAU because we don't receive timely notice that a user has opened the Snapchat application. This undercounting may grow as we grow in Rest of World markets where users may have poor connectivity. We do not adjust our reported metrics to reflect this underreporting. We believe that we have adequate controls to collect user metrics, however, there is no uniform industry standard. We continually seek to address these technical issues and improve both our accuracy and precision, including ensuring our investors and others can understand the factors impacting our business, but these and new issues may continue in the future, including if there continues to be no uniform industry standard.

Some of our demographic data may be incomplete or inaccurate. For example, because users self-report their dates of birth, our age-demographic data may differ from our users' actual ages. And because users who signed up for Snapchat before June 2013 were not asked to supply their date of birth, we exclude those users and estimate their ages based on a sample of the self-reported ages we do have. If our DAUs provide us with incorrect or incomplete information regarding their age or other attributes, then our estimates may prove inaccurate and fail to meet investor expectations.

# Note Regarding User Metrics and Other Data (Continued)

In the past we have relied on third-party analytics providers to calculate our metrics, but today we rely primarily on our analytics platform that we developed and operate. We count a DAU only when a user opens the application and only once per user per day. We believe this methodology accurately measures our user engagement. We have multiple pipelines of user data that we use to determine whether a user has opened the application during a particular day and thus is a DAU. This provides redundancy in the event one pipeline of data were to become unavailable for technical reasons, and also gives us redundant data to help measure how users interact with our application.

If we fail to maintain an effective analytics platform, our metrics calculations may be inaccurate. We regularly review, have adjusted in the past, and are likely in the future to adjust our processes for calculating our internal metrics to improve their accuracy. As a result of such adjustments, our DAUs or other metrics may not be comparable to those in prior periods. Our measures of DAUs may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology or data used.