SNAP INC. Q1 2021 PREPARED REMARKS

BETSY FRANK, SENIOR DIRECTOR, INVESTOR RELATIONS

Thank you, and good afternoon, everyone. Welcome to Snap's First Quarter 2021 Earnings Conference Call. With us today are Evan Spiegel, Chief Executive Officer and Co-Founder, Jeremi Gorman, Chief Business Officer, and Derek Andersen, Chief Financial Officer.

Earlier today we made a slide presentation available that provides an overview of our user and financial metrics for the first quarter 2021, which can be found on our Investor Relations website at investor.snap.com. Now I will cover the Safe Harbor. Today's call is to provide you with information regarding our first quarter 2021 performance in addition to our financial outlook. This conference call includes forward-looking statements. Any statement that refers to expectations, projections, guidance, or other characterizations of future events, including financial projections, future market conditions, or the impact of COVID-19 on our business and on the economy as a whole, is a forward looking statement based on 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 forward-looking statements, please refer to the press release we issued today, as well as risks described in our annual report on Form 10-K for the year ended December 31, 2021, particularly in the section titled Risk Factors. This information can be found in our other filings with the SEC, when available. Our commentary today will also include non-GAAP financial measures and we believe that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends. These measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

Reconciliations between GAAP and non-GAAP metrics for our reported results can be found in our press release issued today, a copy of which can be found on our Investor Relations website. Please note that when we discuss all of our expense figures they will exclude stock-based compensation and related payroll taxes as well as depreciation and amortization and non-recurring charges. At times in our prepared remarks, or in response to questions, we may offer additional metrics to provide greater insight into our business or our quarterly and annual results. This additional detail may be one-time in nature, and we may or may not provide an update in the future on these metrics. Please refer to our filings with the SEC to understand how we calculate our metrics.

With that, I'd like to turn the call over to Evan.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Hi everyone, and thank you for joining us.

We began 2021 by achieving our highest year-over-year revenue and daily active user growth rates in over three years during the quarter, and delivering positive free cash flow for the first time as a public company. We grew revenue 66 percent year-over-year to $770 million, grew daily active users 22 percent year-over-year to 280 million, and generated $126 million in free cash flow. The strength of our business underscores our relentless focus on product innovation and our team's ability to execute well together over the long term.

This momentum has also enabled us to increase our investments in product innovation and the longer-term future of our business. In addition to expanding our global community and growing our advertising business, we are also focused on improving our augmented reality capabilities and building on the early momentum we are seeing with Spotlight. We are thrilled with the progress we are seeing in these areas, and look forward to accelerating our efforts going forward.

We added 15 million daily active users in Q1. A lot of this growth has been unlocked through our ongoing investments in improving the performance and stability of our products across a wide variety of regions and devices. The vast majority of smartphones in the world are powered by Android, and our Android user base is now larger than our iOS user base -- a critical milestone that reflects the long-term value of the investment we made to rebuild our Android application.

Furthermore, as our user base continues to grow outside the United States, we are evolving our team and operations to be able to more nimbly and effectively support our global community. These efforts range from region-specific performance improvements of our underlying service to the localization of content, creative tools, and language support. We launched our first local-market Snap Original this March with Phone Swap India, and are dramatically expanding our partnerships and sales efforts to support new geographies where we are seeing increasing traction with our community. These efforts have helped drive steady and healthy growth around the world, with our daily active user base outside of North America and Europe now being our largest community.

Additionally, we are optimistic about the engagement trends we are seeing as the world is beginning to open up. As things began to open up in the United States in late February, we saw inflection points in key behaviors like Story posting and engagement with the Snap Map. More recently, we saw a rise in the rate of new friendships and bi-directional communication on Snapchat in late March as people have begun to socialize in broader groups. We designed Snapchat to be a useful complement to real-life friendships, and are excited about these optimistic trends developing with our audience.

Augmented reality remains one of our biggest opportunities as we look to the future, and we are investing heavily in both core technology and the community-facing AR experiences on our service. The number of Snapchatters engaging daily with our augmented reality Lenses grew more than 40 percent year-over-year in Q1, outpacing our daily active user growth by more than 80 percent as people interact more with augmented reality on Snapchat. A lot of this growth has been driven by the incredible creativity of our community. This quarter, Lenses created by our community accounted for more than half of all Lens views. We have also been expanding the capabilities of Lens Studio, where we continue to put powerful technology into the hands of creators to make more compelling experiences, such as Andre Pappas, who leveraged our machine learning platform to create a viral beard removal Lens.

We are now bringing our AR platform to cameras beyond Snapchat through Camera Kit. Over the years, we have invested deeply in both our fundamental technology platform and the creativity of our community and partners to make augmented reality a daily activity for over 200 million people around the world. While we are continuing to invest in improving our technology and growing our community on Snapchat, we believe that expanding the number of places where people can interact with these AR experiences is an opportunity to grow the overall augmented reality ecosystem. We are excited to expand our AR capabilities to the Samsung native camera on the latest Galaxy A series, which extends the reach of Lenses to a much larger global audience and complements our existing Bitmoji integration with the Samsung native keyboard.

We believe that our leadership in both AR capabilities and user engagement positions us well to expand augmented reality to new use cases and behaviors. For example, as the shift to online shopping continues to accelerate, we believe there is a massive untapped opportunity for AR-driven product innovation in eCommerce -- and that our young audience will continue to be early adopters of these new technologies and shopping experiences. One of the key verticals we are tailoring our solutions for is apparel and accessories, which is the largest shopping category by far among US teenagers. We believe that helping buyers find the right size, fit, and styles will reduce friction in their online shopping experience, which in turn will improve revenue and margins for our business partners while reducing the waste generated from returns. This is just one example among a variety of behaviors and use cases we believe we can support through our augmented reality platform.

We are also focusing on our ongoing rollout of Spotlight, which is gaining traction as we improve the experience for our community and creators. We launched Spotlight in India, Mexico, and Brazil during Q1, and are now live in over a dozen countries, reaching more than 125 million monthly active users on Spotlight in March. We are also seeing healthy increases in engagement across both creation and consumption on the platform. For example, daily video submissions have increased by over 40 percent from January to March, while the number of viewers watching Spotlight for at least 10 minutes per day grew by over 70 percent. We are also continuing to evolve the product itself. We recently launched

Public Profiles for our entire community, made improvements to ranking, and are seeing rapid adoption of our Sounds feature as we continue to expand our music library available on Snapchat.

Meanwhile, we continue to see healthy growth in viewership of Shows on Discover, which has become a go-to destination for credible and entertaining content for our community. We added over 300 new channels in Q1, including Ryan Doesn't Know, a new Snap Original Show starring Ryan Reynolds, which reached over 20 million viewers. This has helped us deepen our content offerings in genres that matter to our audience, including news, sports, entertainment, and beauty. For example, we now have over 75 million Snapchatters watching beauty content and over 85 million Snapchatters watching sports content each month on average on Discover.

Nearly every aspect of our service, including each of the five screens of Snapchat, is supported by our partners, and we believe that working together we can offer the best and most innovative user experiences for our community. We have been working hard to improve our platform offering for our partners and to help them grow their businesses. For example, we more than doubled the revenue for our gaming partners over the past year as we continue to work closely toward launching new titles. Meanwhile, we are thrilled to see early progress as we continue to test Business Profiles, with partners like L'Oreal and Zenni Optical using them as an organic digital showroom of their AR try-on Lenses. We are also expanding the reach of Lens Studio through partners like Moj, one of India's top short video apps, who leverage our augmented reality platform by implementing CameraKit in their own application.

We have more to announce about these partnerships at our Snap Partner Summit on May 20, which will be broadcast on snappartnersummit.com. We are so excited to celebrate our partners and share more around what we've been working on together.

We are excited to see our long-term investments in our advertising business begin to pay off as we deliver higher ROI to advertisers. We still have a lot of upside in terms of the level of optimization and efficiency that we can deliver, and are investing heavily across the board to both improve our ad platform and support our growing global advertiser base. This has developed into a positive flywheel where our improved efficiency has driven more advertisers and larger budgets to our platform, leading to more impressions and learnings, which in turn increases the rate at which we are able to further improve efficiency and ROI.

Furthermore, we believe that our philosophy and early investments in building a business that is thoughtful about the privacy and the trust of our community positions us well as the overall digital advertising industry continues to move in that direction. While there are of course a lot of unknowns to figure out along the way, we are excited to work together with our advertising partners to innovate together toward our vision for protecting user privacy while delivering great business results.

It has now been over a year since we have been working from home and I am so proud of what our team has accomplished over this period. Furthermore, our financial performance has enabled us to increase our investments in growth and innovation, which positions us well for the future. We are extremely excited and optimistic about our ability to execute against our long-term goals, especially as we look toward working together and serving our community in a post-pandemic world.

Now I'd like to turn the call over to Jeremi to share more about our business.

JEREMI GORMAN, CHIEF BUSINESS OFFICER

Thanks, Evan. We were pleased with our results this quarter and we continue to make progress against the many opportunities we have to support our community and our advertising partners globally. In Q1, we generated total revenue of $770 million, growing 66 percent year-over-year.

More advertisers were active on our platform than ever as our active advertiser base approximately doubled year-over-year in Q1. We have a large opportunity to gain share of the global digital ad market, which is $340 billion and growing. To capture this opportunity, we remain focused on our three key priorities: First, investing in our ad platform in order to drive improved relevance and deliver measurable ROI. Second, efficiently scaling our sales and marketing functions to support our advertising partners globally. And third, building innovative ad experiences through video and augmented reality that deliver real business value. Our three priorities—along with our unique reach and growing, global audience—allow us to drive performance at scale.

We believe firmly in performance-driven advertising, and continue to scale our measurement tools and goal-based bidding capabilities that allow advertisers to optimize for the objectives they are trying to achieve. We continue to see over half our revenue come from direct response campaigns. Revenue from our Pixel Purchase GBB was up over 3x year-over-year; revenue from our Subscription GBB was also up over 3x year-over-year; and revenue from our Pixel Signup GBB nearly doubled year-over-year. We are seeing more and more advertisers leverage our tools to drive measurable returns, and as a result increase spend incrementally. For example, we saw TechStyle leverage pixel purchase optimization to drive purchases for its portfolio of direct-to-consumer brands, resulting in an efficient cost per purchase up to 25 percent below goal in Q1. After seeing these results, they plan to invest more with Snap throughout 2021. This gives us confidence in our ability to grow budgets and increase our share of wallet over time.

In addition, as advertiser demand and diversity grow, we can serve more relevant ads to each Snapchatter, leading to improved ROI for our partners. We believe this will help us to quickly and easily onboard many more advertisers while also driving ROI for them as we scale. This has also been accelerated by the improvements we continue to make to our ad products and backend optimization, which have increased the scale at which we're able to deliver results for advertisers. For example, our

Dynamic Ads format enables retailers to run ecommerce campaigns on Snapchat that automatically optimizes across their entire catalog. Adidas Canada leveraged our Dynamic Ads as a part of their Always On e-commerce strategy, which resulted in a 4.4x incremental return on ad spend.

We are also committed to working with our advertisers as we navigate the App Tracking Transparency-related changes from Apple. We are supportive of Apple's approach because we have always believed that advertising should respect customers' privacy. The fact that these changes are coming later than we anticipated has provided additional time to adopt Apple's SKAdNetwork and begin implementing and testing with our partners. Advertisers that represent a majority of our direct response advertising revenue have successfully implemented SKAdnetwork for their Snap campaigns. Beyond that, we are currently designing an array of privacy-centric solutions, both short and long-term, to ensure we deliver a privacy-first experience for our community and best-in-class offerings for our partners.

Our sales team is finding success across a broad set of verticals. Top-performing verticals in Q1 included ecommerce, retail, entertainment, restaurants, tech, telco, apparel, streaming, gaming, and CPG. For example, Yoplait participated in our CPG Fast Track program to prove short term sales lift for advertisers who hadn't previously invested with Snapchat. Their campaign leveraged Snap Ads and Lenses, which resulted in new buyers driving nearly 30 percent of incremental sales, and exposure to their Sponsored Lens driving over 40 percent of incremental sales. We are also delighted to see some traditionally strong categories return, such as theatrical films, and we're beginning to tackle some large categories in which we're well positioned but haven't previously had a large presence, such as travel and leisure.

From a regional perspective, North America represents our largest revenue base, and it's also our fastest growing. We doubled down on our investments in sales and sales support in North America over the past 18 months and we've observed higher growth in this region in recent quarters. We see a lot of opportunity to repeat this effort outside of North America in order to accelerate our growth internationally. As we shared at our recent investor day, we also have a lot of room to grow in some of the world's most established advertising markets outside of North America. For example, in the countries that comprise over half the world's digital ad spend, Snapchat reaches 70 percent of 13-34 year-olds, so we already have deep penetration of critical demographics that our advertising partners are eager to reach in the most important digital ad markets beyond North America. We will be making the investments to capture this opportunity in the coming quarters in order to grow our sales teams and enhance sales support in international markets, and we are excited about the opportunity to accelerate our top line growth in these markets in the years ahead.

We continue to invest heavily to grow our video advertising business, which currently represents our largest revenue driver. As mobile content consumption continues to rise, we've seen growing demand for our video ad products such as Commercials. A study with IPG Media Lab showed that on Snapchat, the short form six-second ads persuaded more customers to consider purchasing the products featured in the commercials compared to 15-second ads. Another study, produced jointly with Omnicom Media Group, showed that Gen Z and Millennials significantly increased their video consumption in 2020, and say that they spend over one hour per day watching video on social media apps alone. Lastly, our work with brands over the past year has resulted in upfront commitments for our Commercials ad format from our Brand advertising partners more than tripling year-over-year for 2021. We'll be doubling down on our outreach to video advertisers in just a few weeks when we present at the annual Newfronts conference to further capture the opportunity we see in video advertising.

During the pandemic advertisers accelerated their adoption of our AR products to enable product sampling and try-on when they were forced to find alternatives to traditional methods. This has accelerated the adoption of these use cases and helped pull forward adoption of AR-driven ecommerce. We are excited about the new ways that our advertising partners will leverage AR as the world re-opens. As Evan mentioned, AR can deliver truly immersive experiences when overlaid on the world around you, and we are eager to continue to innovate as more people get out of the house and begin to explore more places.

One of the primary reasons for the acceleration in adoption is because brands have learned how to utilize augmented reality to drive real business results. One of our goals is to combine AR experiences like fit and try-on with personalization and customers' preferences to vastly improve the shopping experience, while driving purchases and reducing returns. We believe we are going after a large opportunity: 94 percent of people are expecting to use AR for shopping the same or more in 2022 versus 2021, according to a study we commissioned with Deloitte. For example, Dior launched a Lens campaign that enabled Snapchatters to try on six pairs of B27 sneakers through augmented reality. The Lenses were promoted directly in the Lens Carousel within the Snapchat camera and via Snap Ads, with videos showing runway models and users playing with the Lens and encouraging Snapchatters to try on the sneakers—which they could do just by swiping up. The AR Lens that was promoted in our Lens Carousel was well received by Snapchatters and resulted in a 6.2x return on ad spend. Dior also leveraged their business profile, effectively turning its home on Snapchat into a digital showroom, complete with virtual try-ons, at the product's launch. In addition, Zenni Optical sought to engage Snapchatters this Valentine's Day with a Shoppable Lens experience that enabled them to try on and purchase from their large, online selection of affordable glasses. The Lens resulted in a significant lift in purchases and drove a 7.9x return on ad spend. We have a great opportunity to help brands reach their customers in unique and innovative ways while continuing to deliver measurable ROI.

Businesses leveraging AR as one component of a larger, multi-product campaign on Snapchat tend to achieve stronger results. For example, The CW's Superman and Lois campaign utilized Snap Ads, Commercials, and a Lens to generate double-digit lifts in Ad Awareness and a +9 lift in Show Awareness. When Snapchatters were exposed to multiple products, Show Awareness for the campaign increased by 2.7x. We have a lot more work to do in helping businesses understand the value of our many offerings on Snapchat, but we are thrilled with the early successes that our partners are seeing and we are going to continue to invest in this opportunity.

This quarter was a strong start to 2021 as we saw the momentum we built in the back half of last year continue. The amount of money committed via upfronts for 2021 is already more than 50 percent above the total upfront commitments made in 2020, which is a strong signal that brands and agencies have confidence in our platform, and are committed to working with us in an always-on manner because they value the return on ad spend that they are receiving. Based on the size of our audience, their level of engagement across our service, and our overall opportunity in the growing digital ad market, we are well positioned to play an important role in driving results for our advertising partners across the world. In summary, I couldn't be more excited about the opportunities for our business in 2021 and beyond and I look forward to sharing progress with you throughout the year.

With that, I'd like to turn the call over to Derek.

DEREK ANDERSEN, CHIEF FINANCIAL OFFICER

Thanks, Jeremi. Our Q1 financial results reflect our priorities of growing our community, making focused investments in the future of our business, and scaling our operations efficiently in order to drive towards profitability and positive free cash flow.

As Evan mentioned earlier, our community grew to 280 million daily active users in Q1, an increase of 51 million or 22 percent year-over-year. The growth in our community continues to be broad based, with year-over-year and sequential growth on both iOS and Android platforms. In North America, DAU grew by 5 million or 5 percent year-over-year to reach 93 million. In Europe, DAU grew by 7 million or 9 percent year-over-year to reach 77 million. In Rest of World, DAU grew by 40 million or 57 percent year-over-year to reach 111 million. We believe Snapchat is a complement to real friendships, and the easing of COVID-19 related restrictions in many communities was a modest tailwind to engagement as we moved through Q1 that contributed in part to the growth in our Snapchatter community. The continued robust growth in Rest of World reflects the benefit of our ongoing investments to better serve our community including investments in local content, local language support, marketing partnerships, and the popularity of augmented reality Lenses created by our community.

Total revenue for Q1 was $770 million, an increase of 66 percent year-over-year, representing a 4 percentage point acceleration over the prior quarter. We benefited from continued improvement in the operating environment in Q1 and strong momentum with our advertising products and partners. In addition, the iOS platform policy changes that we expected could cause interruptions to demand in Q1 did not occur in the quarter, and thus were not a headwind in the period.

In North America, revenue grew 75 percent year-over-year in Q1, while ARPU grew 66 percent year-over-year as we continue to benefit from the significant investments we made in our sales teams and sales support in the prior year. In Europe, revenue grew 49 percent year-over-year in Q1, while ARPU grew 36 percent year-over-year. In Rest of World, revenue grew 46 percent year-over-year in Q1, representing a 19 percentage point acceleration in growth over the prior quarter, as we began to see the operating environment recover in this region, which was relatively more impacted by COVID-19 related disruptions to demand in the second half of 2020. As indicated during our recent investor day we are accelerating our investments in sales and sales support beyond North America in 2021 in order to capture our global ARPU opportunity faster in the years ahead.

Average eCPM increased 67 percent year-over-year in Q1. Rising eCPM relative to the prior year is driven by a combination of improved optimization capabilities within our auction, a mix shift toward relatively higher eCPM products such as Commercials, as well as a mix shift toward relatively higher eCPM regions such as North America. While our topline has benefitted from year-over-year growth in eCPM in recent quarters, the cost per action for our advertising partners declined sequentially for 3 of our top 4 goal based bidding objectives in Q1 as we continue to enhance our optimization capabilities in order to use our inventory more efficiently. Consequently, we believe that we will be able to deliver attractive returns on ad spend to our advertising partners as eCPM grows over the long term. In addition, the ongoing growth of our community, and strong engagement in areas of our application that we have not yet begun to monetize, provide significant room to expand our inventory and expand our long term ARPU opportunity over time.

Gross margins were 47 percent in Q1, an increase of approximately 1 percentage point year-over-year. We continue to make significant progress against our goal of driving down our underlying infrastructure unit costs over time. In Q1, our infrastructure costs per DAU benefitted from several factors with the most significant being efficiency improvements delivered by our engineering teams including the re-architecture of our messaging platform that we mentioned during our recent investor day. In addition, we continued to benefit in Q1 from negotiated rate improvements for several of our cloud services. Lastly, the acceleration in growth of our community has been a modest benefit to infrastructure cost per DAU in recent quarters as new users tend to have lower initial marginal cloud infrastructure costs relative to longer tenured Snapchatters. These factors combined to deliver the lowest infrastructure costs per DAU we have reported as a public company at just $0.62 in Q1, down from $0.69 in the prior quarter and $0.71 in the prior year.

On the content side we continued to invest to support the launch of Spotlight in Q1 and this contributed approximately $90 million to our cost of revenue in the quarter, representing a 12 percentage point headwind to gross margin expansion in the quarter. We are highly encouraged by the early returns from our investments in Spotlight with this new platform reaching over 125 million monthly active users in March. While it is still very early for this new platform, we are excited about the potential for Spotlight to further expand our monetization opportunity in the future. In addition, we are pleased that we have been able to support the launch of Spotlight while continuing to expand our gross margins year-over-year, which reflects our overall approach of scaling our operations efficiently, while making investments in the future of our business.

Operating expenses were $367 million in Q1, up 23 percent year-over-year. Average full time headcount grew 19 percent year-over-year in Q1 as we continued to make focused investments in our monetization and engineering teams. The rate of growth in headcount in Q1 was several percentage points below our operating plan expectations and we expect this will step up modestly in future quarters as we invest to accelerate our roadmap as discussed at our recent investor day. In addition, we continued to grow our investments in marketing in order to build on the momentum we have established with our advertising and Snapchatter communities and we are pleased with the results we are seeing from these efforts thus far as evidenced by the growth in our active advertiser base and Snapchatter community.

Adjusted EBITDA was negative $2 million in Q1, an improvement of $80 million year-over-year as we continue to grow our topline rapidly while scaling our cost structure efficiently. We delivered Adjusted EBITDA leverage of 26 percent in Q1 as we continue to invest in the future of our business, while making progress towards sustained profitability and positive free cash flow.

Net income was negative $287 million in Q1, an improvement of $19 million over the prior year. The year-over-year improvement in net income primarily reflects the flow through of the $80 million improvement in Adjusted EBITDA, and $34 million higher net investment gains versus the prior year due to a combination of realized and unrealized gains on various strategic investments. These favorable impacts were partially offset by $94 million higher stock based compensation driven by several factors, including approximately $43 million attributable to the 19 percent growth in headcount and retention of our existing team, approximately $29 million related to payroll taxes on SBC driven by our higher stock price, as well as approximately $19 million driven by higher SBC related to long term retention associated with several acquisitions completed in the last year. While we have continued to grow our team, and leverage stock based compensation strategically to foster an ownership culture and drive long term retention, we have remained focused on managing these programs responsibly. Total fully diluted shares outstanding grew 2.6 percent year-over-year in Q1, down from 3.4 percent in the prior quarter, and below the 3 percent estimate we shared during our recent investor day.

Q1 marked our first ever quarter of positive free cash flow as a public company at $126 million, an improvement of $131 million year-over-year. The improvement was driven primarily by the $80 million improvement in Adjusted EBITDA and an approximately $75 million improvement in net working capital as we continue to focus on enhancing our cash conversion cycle. This was partially offset by the approximately $29 million increase in SBC related payroll taxes noted earlier. We ended the quarter with $2.6 billion in cash and marketable securities, up from $2.1 billion in the prior year, as the proceeds of convertible notes issued in Q2 2020 more than offset the investments we have made to grow the business over the past year.

As we look forward to Q2, we estimate that DAU will grow at a rate consistent with the prior quarter, or approximately 22 percent year-over-year, to reach 290 million in Q2. On the monetization side, we are cautiously optimistic that the operating environment will continue to improve. Our guidance range is for revenue of $820 million to $840 million implying year-over-year revenue growth of approximately 80 to 85 percent in Q2. This range reflects our best current estimate of the potential impact of anticipated disruptions associated with the iOS platform changes. It is not clear yet what the longer-term impact of the iOS platform changes may be for the topline momentum of our business, and this may not be clear until several months or more after the changes are implemented. Until then, we remain focused on helping our partners navigate these changes while optimizing return on ad spend across our advertising products and platform. On the expense side in Q2, we intend to continue to invest in the long-term growth of our business, and will continue to support the launch of Spotlight with our $1 million per day creator fund in order to build on the momentum we are seeing with this exciting new platform. While we see a path to Adjusted EBITDA breakeven in Q2 we are also cognizant that there are a number of cost drivers for our business, including travel and event related costs, that have been lower over the past year due to COVID-related restrictions. It is likely that these activities will begin to resume in the coming months as restrictions ease and that the related costs will begin to return to our cost structure as a result. Given this, our guidance range is for Adjusted EBITDA to be between negative $20 million and breakeven for Q2. Thank you for joining our call today and we will now take your questions.