

Snap Inc. Announces Third Quarter 2021 Financial Results

Daily Active Users increased 23% year-over-year to 306 million

Revenue increased 57% year-over-year to \$1,067 million

Net loss improved 64% and Adjusted EBITDA improved 209% year-over-year

SANTA MONICA, Calif. – October 21, 2021 – Snap Inc. (NYSE: SNAP) today announced financial results for the quarter ended September 30, 2021.

Financial Highlights

- Revenue increased 57% to \$1,067 million in Q3 2021, compared to the prior year.
- Net loss improved 64% to \$(72) million in Q3 2021, compared to the prior year.
- Adjusted EBITDA improved 209% to \$174 million in Q3 2021, compared to the prior year.
- Operating cash flow was \$72 million in Q3 2021, compared to \$(55) million in the prior year.
- Free Cash Flow was \$52 million in Q3 2021, compared to \$(70) million in the prior year.
- Common shares outstanding plus shares underlying stock-based awards totaled 1,698 million at September 30, 2021, compared to 1,624 million one year ago.

“Snap celebrated its 10th anniversary this quarter, and we are excited about the long-term opportunity and potential for our business, as we grew our community to 306 million daily active users, and grew our revenue 57% year-over-year to reach \$1.067 billion for the quarter,” said Evan Spiegel, CEO. “We’re now operating at the scale necessary to navigate significant headwinds, including changes to the iOS platform that impact the way advertising is targeted, measured, and optimized, as well as global supply chain issues and labor shortages impacting our partners. We will continue to focus on delivering strong results for our advertising partners and innovating to expand the capabilities of our platform and better serve our community.”

| | Three Months Ended | | Percent | Nine Months Ended | | Percent |
|---|---|--------------|---------|-------------------|--------------|---------|
| | September 30, | | | September 30, | | |
| | 2021 | 2020 | Change | 2021 | 2020 | Change |
| <i>(Unaudited)</i> | <i>(in thousands, except per share amounts)</i> | | | | | |
| Revenue | \$ 1,067,471 | \$ 678,668 | 57% | \$ 2,819,163 | \$ 1,595,304 | 77% |
| Operating loss | \$ (180,824) | \$ (167,864) | (8)% | \$ (676,942) | \$ (764,836) | 11% |
| Net loss | \$ (71,959) | \$ (199,853) | 64% | \$ (510,505) | \$ (831,740) | 39% |
| Adjusted EBITDA ⁽¹⁾ | \$ 174,199 | \$ 56,361 | 209% | \$ 289,893 | \$ (120,446) | 341% |
| Cash provided by (used in) operating activities | \$ 71,552 | \$ (54,828) | 231% | \$ 107,352 | \$ (115,099) | 193% |
| Free Cash Flow ⁽²⁾ | \$ 51,716 | \$ (69,555) | 174% | \$ 62,042 | \$ (156,484) | 140% |
| Diluted net loss per share attributable to common stockholders | \$ (0.05) | \$ (0.14) | 67% | \$ (0.33) | \$ (0.58) | 43% |
| Non-GAAP diluted net income (loss) per share ⁽³⁾ | \$ 0.17 | \$ 0.01 | 2,089% | \$ 0.27 | \$ (0.16) | 271% |
| Common shares outstanding plus shares underlying stock-based awards | 1,697,879 | 1,623,630 | 5% | 1,697,879 | 1,623,630 | 5% |

(1) See page 10 for reconciliation of net loss to Adjusted EBITDA.

(2) See page 10 for reconciliation of cash provided by (used in) operating activities to Free Cash Flow.

(3) See page 11 for reconciliation of GAAP diluted net loss per share to non-GAAP diluted net income (loss) per share.

Q3 2021 Summary & Key Highlights

The Snapchat community is active, engaged, and growing:

- DAUs were 306 million in Q3 2021, an increase of 57 million, or 23%, year-over-year.
- Year-over-year growth in DAUs has exceeded 20% for four consecutive quarters.

We invested and innovated in our camera and augmented reality platforms:

- We released the next generation of Scan, adding new categories of intelligence to Scan and allowing Snapchatters to access our powerful visual search capabilities right from the Camera home screen.
- In Q3 2021, five of our new augmented reality Lenses driven by SnapML, our machine learning platform in Lens Studio, generated more than 1 billion impressions each, achieving over 11 billion impressions in total.
- We featured nine new community try-on Lenses for Fashion Week, drawing inspiration from unique trends within the major Fashion Week cities to showcase virtual outfits.
- We partnered with SignAll to introduce three AR Lenses teaching Snapchatters how to fingerspell in American Sign Language.
- We partnered with Sotheby's to launch the 'The Final Christo: Original Works for The Arc de Triomphe' Lens, allowing Snapchatters to experience Christo and Jeanne-Claude's artistic rendition of the Arc de Triomphe from anywhere in the world.

We invested in our content offerings:

- Content submissions on Spotlight more than doubled relative to the prior quarter.
- We launched Spotlight Challenges in the U.S., our newest addition to the Creator Fund that rewards top-performing submissions for specific content categories with monetary prizes.
- In Q3 2021, 15 different Discover partners each reached over 50 million unique Snapchatters.
- We launched new Discover channels in 14 different countries, including 22 new channels in each of India and the U.K.
- Two of our new Snap Originals, "Meme Mom" and "Honestly Loren", reached over 10 million viewers each.

We expanded our product and partner ecosystem:

- We introduced 3D Bitmoji in Profiles, which enables Snapchatters to express themselves with a 3D version of their digital avatar, and over 170 million Snapchatters have engaged with their 3D Bitmoji Profile since launch.
- We introduced My Places, a new feature on the Snap Map where Snapchatters can find personalized recommendations of places to eat and visit based on their friends' interests.
- We launched our Run for Office Mini, allowing Snapchatters in the U.S. to explore hundreds of opportunities to run for public office based on their interests and location.
- We partnered with HBO Max to launch a new Mini where Snapchatters in the U.S. can stream full-length episodes of popular HBO Max shows simultaneously with their friends.
- We launched our Birthday Mini, allowing Snapchatters to see their friends' birthdays and send personalized greetings, which was used by over 10 million Snapchatters in the first 21 days after launch.

We expanded our offering for advertisers:

- We launched our ‘Open Your Snapchat’ marketing campaign, which invites both consumers and advertisers to experience augmented reality, unlocking hundreds of custom experiences localized to several different markets across the globe.
- We introduced Snapchat Trends for advertisers, which highlights popular keywords shared among the Snapchat community and helps advertisers better engage their audience.
- We introduced Campaign Lab, which allows advertisers to better track and analyze their split tests to gain insights for future campaigns.
- We announced The AR Lab, our partnership with WPP to help clients build and deliver immersive experiences on Snapchat using AR.
- We announced the launch of Arcadia, our new global creative studio for branded AR, which will develop new technology and deliver impactful and effective AR experiences to brand and agency partners.

Financial Guidance

The following forward-looking statements reflect our expectations for the fourth quarter of 2021 as of October 21, 2021, and are subject to substantial uncertainty. This guidance assumes constant foreign currency rates, and among other things, that no business acquisitions, investments, restructurings, or legal settlements are concluded in the quarter. Our results are based on assumptions that we believe to be reasonable as of this date, but may be materially affected by many factors, as discussed below in “Forward-Looking Statements.”

Q4 2021 Outlook

- Revenue is estimated to be between \$1,165 million and \$1,205 million.
- Adjusted EBITDA is estimated to be between \$135 million and \$175 million.

Conference Call Information

Snap Inc. will host a conference call to discuss the results at 2:00 p.m. Pacific / 5:00 p.m. Eastern today. The live audio webcast along with supplemental information will be accessible at investor.snap.com. A recording of the webcast will also be available following the conference call.

Snap Inc. uses the investor.snap.com and snap.com/news websites as means of disclosing material non-public information and for complying with its disclosure obligation under Regulation FD.

Definitions

Free Cash Flow is defined as net cash provided by (used in) operating activities, reduced by purchases of property and equipment.

Common shares outstanding plus shares underlying stock-based awards includes common shares outstanding, restricted stock units, restricted stock awards, and outstanding stock options.

Adjusted EBITDA is defined 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 other payroll related tax expense; and certain other non-cash or non-recurring items impacting net income (loss) from time to time.

A Daily Active User (DAU) is defined as a registered Snapchat user who opens the Snapchat application at least once during a defined 24-hour period. We calculate average DAUs 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.

Average revenue per user (ARPU) is defined as quarterly revenue divided by the average DAUs.

A Monthly Active User (MAU) is defined as a registered Snapchat user who opens the Snapchat application at least once during the 30-day period ending on the calendar month-end. We calculate average Monthly Active Users for a particular quarter by calculating the average of the MAUs as of each calendar month-end in that quarter.

Note: For adjustments and additional information regarding the non-GAAP financial measures and other items discussed, please see “Non-GAAP Financial Measures,” “Reconciliation of GAAP to Non-GAAP Financial Measures,” and “Supplemental Financial Information and Business Metrics.”

About Snap Inc.

Snap Inc. is a camera company. We believe that reinventing the camera represents our greatest opportunity to improve the way people live and communicate. We contribute to human progress by empowering people to express themselves, live in the moment, learn about the world, and have fun together. For more information, visit snap.com.

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Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this press release, 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. We caution you that the foregoing may not include all of the forward-looking statements made in this press release.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this press release primarily on our current expectations and projections about future events and trends, including our financial outlook and the ongoing COVID-19 pandemic that we believe may continue to affect our business, financial condition, results of operations, and prospects. These forward-looking statements are subject to risks and uncertainties related to: our financial performance; our lack of profitability to date; our ability to generate and sustain positive cash flow; our ability to attract and retain users, publishers, and advertisers; competition and new market entrants; managing our international expansion and our growth and future expenses; compliance with new laws, regulations, and executive actions; our ability to maintain, protect, and enhance our intellectual property; our ability to succeed in existing and new market segments; our ability to attract and retain qualified and key personnel; our ability to repay outstanding debt; and future acquisitions or investments, as well as risks, uncertainties, and other factors described in “Risk Factors” and elsewhere in our most recent periodic report filed with the SEC, which is available on the SEC’s website at www.sec.gov. Additional information will be made available in Snap Inc.’s periodic report that will be filed with the SEC for the period covered by this press release and other filings that we make from time to time with the SEC. In addition, any forward-looking statements contained in this press release are based on assumptions that we believe to be reasonable as of this date. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of this press release 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.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use certain non-GAAP financial measures, as described below, to understand and evaluate our core operating performance. 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.

We use the non-GAAP financial measure of Free Cash Flow, which is defined as net cash provided by (used in) operating activities, reduced by purchases of property and equipment. We believe Free Cash Flow is an important liquidity measure of the cash that is available, after capital expenditures, for operational expenses and investment in our business and is a key financial indicator used by management. Additionally, we believe that Free Cash Flow is an important measure since we use third-party infrastructure partners to host our services and therefore we do not incur significant capital expenditures to support revenue generating activities. Free Cash Flow is useful to investors as a liquidity measure because it measures our ability to generate or use cash. Once our business needs and obligations are met, cash can be used to maintain a strong balance sheet and invest in future growth.

We use the non-GAAP financial measure of Adjusted EBITDA, which is defined 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 other payroll related tax expense; and certain other non-cash or non-recurring items impacting net income (loss) from time to time. We believe that Adjusted EBITDA helps identify underlying trends in our business that could otherwise be masked by the effect of the expenses that we exclude in Adjusted EBITDA.

We use the non-GAAP financial measure of non-GAAP net loss, which is defined as net income (loss); excluding amortization of intangible assets; stock-based compensation expense and other payroll related tax expense; certain other non-cash or non-recurring items impacting net income (loss) from time to time; and related income tax adjustments. Non-GAAP net loss and weighted average diluted shares are then used to calculate non-GAAP diluted net loss per share. Similar to Adjusted EBITDA, we believe these measures help identify underlying trends in our business that could otherwise be masked by the effect of the expenses we exclude in the measure.

We believe that these non-GAAP financial measures provide useful information about our financial performance, enhance the overall understanding of our past performance and future prospects, and allow for greater transparency with respect to key metrics used by our management for financial and operational decision-making. We are presenting these non-GAAP measures to assist investors in seeing our financial performance through the eyes of management, and because we believe that these measures provide an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry.

For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measure, please see “Reconciliation of GAAP to Non-GAAP Financial Measures.”

Snap Inc., “Snapchat,” and our other registered and common law trade names, trademarks, and service marks are the property of Snap Inc. or our subsidiaries.

SNAP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

| | <u>Three Months Ended</u> <u>September 30,</u> | | <u>Nine Months Ended</u> <u>September 30,</u> | |
|---|---|-------------------|--|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Cash flows from operating activities | | | | |
| Net loss | \$ (71,959) | \$ (199,853) | \$ (510,505) | \$ (831,740) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 32,510 | 21,804 | 84,278 | 63,933 |
| Stock-based compensation | 300,898 | 192,080 | 794,571 | 550,300 |
| Amortization of debt discount and issuance costs | 1,109 | 24,503 | 3,301 | 56,478 |
| (Gains) losses on debt and equity securities, net | (121,007) | 4,142 | (223,527) | 12,114 |
| Induced conversion expense related to convertible notes | 4,536 | — | 41,538 | — |
| Other | (732) | 1,924 | 4,019 | (443) |
| Change in operating assets and liabilities, net of effect of acquisitions: | | | | |
| Accounts receivable, net of allowance | (132,908) | (151,856) | (178,044) | (43,310) |
| Prepaid expenses and other current assets | (4,191) | (10,608) | (15,562) | (19,352) |
| Operating lease right-of-use assets | 11,470 | 10,054 | 35,217 | 28,307 |
| Other assets | (4,204) | 3,390 | (5,440) | 2,343 |
| Accounts payable | 11,084 | 3,435 | 17,430 | 11,448 |
| Accrued expenses and other current liabilities | 56,687 | 61,595 | 89,726 | 94,368 |
| Operating lease liabilities | (13,911) | (15,760) | (35,265) | (40,739) |
| Other liabilities | 2,170 | 322 | 5,615 | 1,194 |
| Net cash provided by (used in) operating activities | <u>71,552</u> | <u>(54,828)</u> | <u>107,352</u> | <u>(115,099)</u> |
| Cash flows from investing activities | | | | |
| Purchases of property and equipment | (19,836) | (14,727) | (45,310) | (41,385) |
| Strategic investments | (735) | (3,500) | (33,510) | (95,341) |
| Cash paid for acquisitions, net of cash acquired | (37,375) | (33,508) | (176,591) | (53,712) |
| Purchases of marketable securities | (609,176) | (1,148,344) | (1,896,766) | (2,576,892) |
| Sales of marketable securities | 19,999 | 155,899 | 367,555 | 373,857 |
| Maturities of marketable securities | 492,921 | 668,930 | 2,006,744 | 1,898,176 |
| Other | (1,000) | — | 35,100 | (500) |
| Net cash provided by (used in) investing activities | <u>(155,202)</u> | <u>(375,250)</u> | <u>257,222</u> | <u>(495,797)</u> |
| Cash flows from financing activities | | | | |
| Proceeds from issuance of convertible notes, net of issuance costs | — | — | 1,137,227 | 988,582 |
| Purchase of capped calls | — | — | (86,825) | (100,000) |
| Proceeds from the exercise of stock options | 4,045 | 2,434 | 11,755 | 26,041 |
| Net cash provided by financing activities | <u>4,045</u> | <u>2,434</u> | <u>1,062,157</u> | <u>914,623</u> |
| Change in cash, cash equivalents, and restricted cash | (79,605) | (427,644) | 1,426,731 | 303,727 |
| Cash, cash equivalents, and restricted cash, beginning of period | 2,052,879 | 1,252,631 | 546,543 | 521,260 |
| Cash, cash equivalents, and restricted cash, end of period | <u>\$ 1,973,274</u> | <u>\$ 824,987</u> | <u>\$ 1,973,274</u> | <u>\$ 824,987</u> |
| Supplemental disclosures | | | | |
| Cash paid for income taxes, net | \$ 1,940 | \$ 1,309 | \$ 16,228 | \$ 2,679 |
| Cash paid for interest | \$ 3,508 | \$ 5,113 | 10,249 | 10,378 |

SNAP INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts, unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|---------------------|------------------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenue | \$ 1,067,471 | \$ 678,668 | \$ 2,819,163 | \$ 1,595,304 |
| Costs and expenses: | | | | |
| Cost of revenue | 443,473 | 293,095 | 1,301,095 | 796,959 |
| Research and development | 412,021 | 283,639 | 1,131,272 | 783,115 |
| Sales and marketing | 217,526 | 143,511 | 547,536 | 397,834 |
| General and administrative | 175,275 | 126,287 | 516,202 | 382,232 |
| Total costs and expenses | <u>1,248,295</u> | <u>846,532</u> | <u>3,496,105</u> | <u>2,360,140</u> |
| Operating loss | (180,824) | (167,864) | (676,942) | (764,836) |
| Interest income | 1,257 | 2,801 | 3,645 | 16,158 |
| Interest expense | (4,031) | (28,212) | (13,626) | (68,052) |
| Other income (expense), net | 112,631 | (5,669) | 176,971 | (14,483) |
| Loss before income taxes | (70,967) | (198,944) | (509,952) | (831,213) |
| Income tax benefit (expense) | (992) | (909) | (553) | (527) |
| Net loss | <u>\$ (71,959)</u> | <u>\$ (199,853)</u> | <u>\$ (510,505)</u> | <u>\$ (831,740)</u> |
| Net loss per share attributable to Class A, Class B, and Class C common stockholders: | | | | |
| Basic | <u>\$ (0.05)</u> | <u>\$ (0.14)</u> | <u>\$ (0.33)</u> | <u>\$ (0.58)</u> |
| Diluted | <u>\$ (0.05)</u> | <u>\$ (0.14)</u> | <u>\$ (0.33)</u> | <u>\$ (0.58)</u> |
| Weighted average shares used in computation of net loss per share: | | | | |
| Basic | <u>1,580,966</u> | <u>1,466,420</u> | <u>1,543,568</u> | <u>1,446,040</u> |
| Diluted | <u>1,580,966</u> | <u>1,466,420</u> | <u>1,543,568</u> | <u>1,446,040</u> |

SNAP INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)

| | September 30, 2021 (unaudited) | December 31, 2020 |
|--|---|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,972,358 | \$ 545,618 |
| Marketable securities | 1,509,463 | 1,991,922 |
| Accounts receivable, net of allowance | 913,539 | 744,288 |
| Prepaid expenses and other current assets | 76,669 | 56,147 |
| Total current assets | 4,472,029 | 3,337,975 |
| Property and equipment, net | 189,946 | 178,709 |
| Operating lease right-of-use assets | 291,181 | 269,728 |
| Intangible assets, net | 261,131 | 105,929 |
| Goodwill | 1,484,108 | 939,259 |
| Other assets | 412,770 | 192,638 |
| Total assets | <u>\$ 7,111,165</u> | <u>\$ 5,024,238</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 91,769 | \$ 71,908 |
| Operating lease liabilities | 56,191 | 41,077 |
| Accrued expenses and other current liabilities | 660,536 | 554,342 |
| Total current liabilities | 808,496 | 667,327 |
| Convertible senior notes, net | 2,252,079 | 1,675,169 |
| Operating lease liabilities, noncurrent | 292,506 | 287,292 |
| Other liabilities | 317,968 | 64,474 |
| Total liabilities | <u>3,671,049</u> | <u>2,694,262</u> |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Class A non-voting common stock, \$0.00001 par value. 3,000,000 shares authorized, 1,349,890 shares issued and outstanding at September 30, 2021, and 3,000,000 shares authorized, 1,248,010 shares issued and outstanding at December 31, 2020. | 13 | 12 |
| Class B voting common stock, \$0.00001 par value. 700,000 shares authorized, 23,636 shares issued and outstanding at September 30, 2021, and 700,000 shares authorized, 23,696 shares issued and outstanding at December 31, 2020. | — | — |
| Class C voting common stock, \$0.00001 par value. 260,888 shares authorized, 231,627 shares issued and outstanding at September 30, 2021, and 260,888 shares authorized, 231,627 shares issued and outstanding at December 31, 2020. | 2 | 2 |
| Additional paid-in capital | 11,737,338 | 10,200,141 |
| Accumulated other comprehensive income (loss) | 9,779 | 21,363 |
| Accumulated deficit | (8,307,016) | (7,891,542) |
| Total stockholders' equity | 3,440,116 | 2,329,976 |
| Total liabilities and stockholders' equity | <u>\$ 7,111,165</u> | <u>\$ 5,024,238</u> |

SNAP INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(in thousands, unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|--------------------|------------------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Free Cash Flow reconciliation: | | | | |
| Net cash provided by (used in) operating activities | \$ 71,552 | \$ (54,828) | \$ 107,352 | \$ (115,099) |
| Less: | | | | |
| Purchases of property and equipment | (19,836) | (14,727) | (45,310) | (41,385) |
| Free Cash Flow | <u>\$ 51,716</u> | <u>\$ (69,555)</u> | <u>\$ 62,042</u> | <u>\$ (156,484)</u> |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------------|------------------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Adjusted EBITDA reconciliation: | | | | |
| Net loss | \$ (71,959) | \$ (199,853) | \$ (510,505) | \$ (831,740) |
| Add (deduct): | | | | |
| Interest income | (1,257) | (2,801) | (3,645) | (16,158) |
| Interest expense | 4,031 | 28,212 | 13,626 | 68,052 |
| Other (income) expense, net | (112,631) | 5,669 | (176,971) | 14,483 |
| Income tax (benefit) expense | 992 | 909 | 553 | 527 |
| Depreciation and amortization | 32,510 | 21,804 | 84,278 | 63,933 |
| Stock-based compensation expense | 300,898 | 192,080 | 794,571 | 550,300 |
| Payroll and other tax expense related to stock-based compensation | 21,615 | 10,341 | 87,986 | 30,157 |
| Adjusted EBITDA | <u>\$ 174,199</u> | <u>\$ 56,361</u> | <u>\$ 289,893</u> | <u>\$ (120,446)</u> |

Total depreciation and amortization expense by function:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------------|------------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Depreciation and amortization expense: | | | | |
| Cost of revenue | \$ 4,876 | \$ 5,615 | \$ 14,879 | \$ 16,672 |
| Research and development | 17,321 | 9,526 | 42,715 | 26,904 |
| Sales and marketing | 6,306 | 3,233 | 14,654 | 9,780 |
| General and administrative | 4,007 | 3,430 | 12,030 | 10,577 |
| Total | <u>\$ 32,510</u> | <u>\$ 21,804</u> | <u>\$ 84,278</u> | <u>\$ 63,933</u> |

SNAP INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES (continued)
(in thousands, except per share amounts, unaudited)

Total stock-based compensation expense by function:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-------------------|------------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Stock-based compensation expense: | | | | |
| Cost of revenue | \$ 9,132 | \$ 2,623 | \$ 14,635 | \$ 6,471 |
| Research and development | 198,893 | 132,003 | 537,177 | 377,836 |
| Sales and marketing | 51,675 | 27,393 | 118,250 | 79,306 |
| General and administrative | 41,198 | 30,061 | 124,509 | 86,687 |
| Total | <u>\$ 300,898</u> | <u>\$ 192,080</u> | <u>\$ 794,571</u> | <u>\$ 550,300</u> |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------------|------------------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Non-GAAP net income (loss) reconciliation: | | | | |
| Net loss | \$ (71,959) | \$ (199,853) | \$ (510,505) | \$ (831,740) |
| Amortization of intangible assets | 18,148 | 8,422 | 42,956 | 23,780 |
| Stock-based compensation expense | 300,898 | 192,080 | 794,571 | 550,300 |
| Payroll and other tax expense related to stock-based compensation | 21,615 | 10,341 | 87,986 | 30,157 |
| Income tax adjustments | (208) | 388 | 182 | 415 |
| Non-GAAP net income (loss) | <u>\$ 268,494</u> | <u>\$ 11,378</u> | <u>\$ 415,190</u> | <u>\$ (227,088)</u> |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Weighted-average common shares - Diluted | 1,580,966 | 1,466,420 | 1,543,568 | 1,446,040 |
|--|-----------|-----------|-----------|-----------|

Non-GAAP diluted net income (loss) per share reconciliation:

| | | | | |
|--|----------------|----------------|----------------|------------------|
| Diluted net loss per share | \$ (0.05) | \$ (0.14) | \$ (0.33) | \$ (0.58) |
| Non-GAAP adjustment to net loss | 0.22 | 0.15 | 0.60 | 0.42 |
| Non-GAAP diluted net income (loss) per share | <u>\$ 0.17</u> | <u>\$ 0.01</u> | <u>\$ 0.27</u> | <u>\$ (0.16)</u> |

SNAP INC.
SUPPLEMENTAL FINANCIAL INFORMATION AND BUSINESS METRICS
(dollars and shares in thousands, except per user amounts, unaudited)

| | Q2 2020 | Q3 2020 | Q4 2020 | Q1 2021 | Q2 2021 | Q3 2021 |
|--|----------------|----------------|--------------|--------------|--------------|--------------|
| Cash Flows and Shares | | | | | | |
| Net cash provided by (used in) operating activities | \$ (66,554) | \$ (54,828) | \$ (52,545) | \$ 136,886 | \$ (101,086) | \$ 71,552 |
| Net cash provided by (used in) operating activities - YoY (year-over-year) | 31% | 28% | 21% | (2,079)% | (52)% | 231% |
| Net cash provided by (used in) operating activities - TTM (trailing twelve months) | \$ (203,262) | \$ (181,941) | \$ (167,644) | \$ (37,041) | \$ (71,573) | \$ 54,807 |
| Purchases of property and equipment | \$ (15,767) | \$ (14,727) | \$ (16,447) | \$ (10,851) | \$ (14,623) | \$ (19,836) |
| Purchases of property and equipment - YoY | 107% | 86% | 81% | — | (7)% | 35% |
| Purchases of property and equipment - TTM | \$ (43,689) | \$ (50,478) | \$ (57,832) | \$ (57,792) | \$ (56,648) | \$ (61,757) |
| Free Cash Flow | \$ (82,321) | \$ (69,555) | \$ (68,992) | \$ 126,035 | \$ (115,709) | \$ 51,716 |
| Free Cash Flow - YoY | 20% | 17% | 9% | 2,835% | (41)% | 174% |
| Free Cash Flow - TTM | \$ (246,951) | \$ (232,419) | \$ (225,476) | \$ (94,833) | \$ (128,221) | \$ (6,950) |
| Common shares outstanding | 1,463,620 | 1,484,716 | 1,503,333 | 1,519,001 | 1,576,744 | 1,605,153 |
| Common shares outstanding - YoY | 7% | 7% | 6% | 6% | 8% | 8% |
| Shares underlying stock-based awards | 152,526 | 138,914 | 126,287 | 110,190 | 104,516 | 92,726 |
| Shares underlying stock-based awards - YoY | (16)% | (21)% | (21)% | (26)% | (31)% | (33)% |
| Total common shares outstanding plus shares underlying stock-based awards | 1,616,146 | 1,623,630 | 1,629,620 | 1,629,191 | 1,681,260 | 1,697,879 |
| Total common shares outstanding plus shares underlying stock-based awards - YoY | 4% | 4% | 3% | 3% | 4% | 5% |
| Results of Operations | | | | | | |
| Revenue | \$ 454,158 | \$ 678,668 | \$ 911,322 | \$ 769,584 | \$ 982,108 | \$ 1,067,471 |
| Revenue - YoY | 17% | 52% | 62% | 66% | 116% | 57% |
| Revenue - TTM | \$ 1,923,723 | \$ 2,156,193 | \$ 2,506,626 | \$ 2,813,732 | \$ 3,341,682 | \$ 3,730,485 |
| Revenue by region ⁽¹⁾ | | | | | | |
| North America | \$ 306,740 | \$ 492,928 | \$ 659,163 | \$ 552,972 | \$ 701,735 | \$ 786,917 |
| North America - YoY | 18% | 56% | 73% | 75% | 129% | 60% |
| North America - TTM | \$ 1,320,447 | \$ 1,497,347 | \$ 1,774,481 | \$ 2,011,803 | \$ 2,406,798 | \$ 2,700,787 |
| Europe | \$ 78,635 | \$ 102,480 | \$ 141,608 | \$ 113,619 | \$ 152,268 | \$ 153,121 |
| Europe - YoY | 30% | 49% | 54% | 49% | 94% | 49% |
| Europe - TTM | \$ 315,559 | \$ 349,486 | \$ 399,221 | \$ 436,342 | \$ 509,975 | \$ 560,616 |
| Rest of World | \$ 68,783 | \$ 83,260 | \$ 110,551 | \$ 102,993 | \$ 128,105 | \$ 127,433 |
| Rest of World - YoY | 2% | 35% | 27% | 46% | 86% | 53% |
| Rest of World - TTM | \$ 287,717 | \$ 309,360 | \$ 332,924 | \$ 365,587 | \$ 424,909 | \$ 469,082 |
| Operating loss | \$ (310,608) | \$ (167,864) | \$ (97,236) | \$ (303,606) | \$ (192,512) | \$ (180,824) |
| Operating loss - YoY | (2)% | 27% | 62% | (6)% | 38% | (8)% |
| Operating loss - Margin | (68)% | (25)% | (11)% | (39)% | (20)% | (17)% |
| Operating loss - TTM | \$ (1,079,421) | \$ (1,018,432) | \$ (862,072) | \$ (879,314) | \$ (761,218) | \$ (774,178) |
| Net loss | \$ (325,951) | \$ (199,853) | \$ (113,099) | \$ (286,882) | \$ (151,664) | \$ (71,959) |
| Net loss - YoY | (28)% | 12% | 53% | 6% | 53% | 64% |
| Net loss - TTM | \$ (1,099,966) | \$ (1,072,444) | \$ (944,839) | \$ (925,785) | \$ (751,498) | \$ (623,604) |
| Adjusted EBITDA | \$ (95,570) | \$ 56,361 | \$ 165,609 | \$ (1,709) | \$ 117,403 | \$ 174,199 |
| Adjusted EBITDA - YoY | (21)% | 233% | 291% | 98% | 223% | 209% |
| Adjusted EBITDA - Margin ⁽²⁾ | (21)% | 8% | 18% | — | 12% | 16% |
| Adjusted EBITDA - TTM | \$ (176,875) | \$ (78,139) | \$ 45,163 | \$ 124,691 | \$ 337,664 | \$ 455,502 |

(1) 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.

(2) We define Adjusted EBITDA margin as Adjusted EBITDA divided by GAAP revenue.

SNAP INC.
SUPPLEMENTAL FINANCIAL INFORMATION AND BUSINESS METRICS (continued)
(dollars and shares in thousands, except per user amounts, unaudited)

| | Q2 2020 | Q3 2020 | Q4 2020 | Q1 2021 | Q2 2021 | Q3 2021 |
|---|------------|------------|------------|------------|------------|------------|
| Other | | | | | | |
| DAU (in millions) | 238 | 249 | 265 | 280 | 293 | 306 |
| DAU - YoY | 17% | 18% | 22% | 22% | 23% | 23% |
| DAU by region (in millions) | | | | | | |
| North America | 90 | 90 | 92 | 93 | 95 | 96 |
| North America - YoY | 9% | 7% | 6% | 5% | 6% | 7% |
| Europe | 71 | 72 | 74 | 77 | 78 | 80 |
| Europe - YoY | 12% | 10% | 10% | 9% | 10% | 11% |
| Rest of World | 77 | 87 | 99 | 111 | 120 | 130 |
| Rest of World - YoY | 37% | 43% | 55% | 57% | 55% | 49% |
| ARPU | \$ 1.91 | \$ 2.73 | \$ 3.44 | \$ 2.74 | \$ 3.35 | \$ 3.49 |
| ARPU - YoY | — | 28% | 33% | 36% | 76% | 28% |
| ARPU by region | | | | | | |
| North America | \$ 3.40 | \$ 5.49 | \$ 7.19 | \$ 5.94 | \$ 7.37 | \$ 8.20 |
| North America - YoY | 8% | 46% | 63% | 66% | 116% | 49% |
| Europe | \$ 1.10 | \$ 1.43 | \$ 1.91 | \$ 1.48 | \$ 1.95 | \$ 1.92 |
| Europe - YoY | 16% | 36% | 39% | 36% | 76% | 34% |
| Rest of World | \$ 0.89 | \$ 0.95 | \$ 1.11 | \$ 0.93 | \$ 1.07 | \$ 0.98 |
| Rest of World - YoY | (26)% | (6)% | (18)% | (7)% | 20% | 3% |
| Employees (full-time; excludes part-time, contractors, and temporary personnel) | 3,550 | 3,713 | 3,863 | 4,043 | 4,667 | 5,190 |
| Employees - YoY | 30% | 28% | 21% | 18% | 31% | 40% |
| Depreciation and amortization expense | | | | | | |
| Cost of revenue | \$ 5,532 | \$ 5,615 | \$ 5,533 | \$ 5,276 | \$ 4,727 | \$ 4,876 |
| Research and development | 8,463 | 9,526 | 10,723 | 11,036 | 14,358 | 17,321 |
| Sales and marketing | 3,381 | 3,233 | 3,136 | 3,186 | 5,162 | 6,306 |
| General and administrative | 3,549 | 3,430 | 3,419 | 4,000 | 4,023 | 4,007 |
| Total | \$ 20,925 | \$ 21,804 | \$ 22,811 | \$ 23,498 | \$ 28,270 | \$ 32,510 |
| Depreciation and amortization expense - YoY | (8)% | 6% | 11% | 11% | 35% | 49% |
| Stock-based compensation expense | | | | | | |
| Cost of revenue | \$ 2,066 | \$ 2,623 | \$ 2,896 | \$ 2,656 | \$ 2,847 | \$ 9,132 |
| Research and development | 127,516 | 132,003 | 155,436 | 163,793 | 174,491 | 198,893 |
| Sales and marketing | 27,107 | 27,393 | 28,964 | 29,084 | 37,491 | 51,675 |
| General and administrative | 29,482 | 30,061 | 32,586 | 41,450 | 41,771 | 41,198 |
| Total | \$ 186,171 | \$ 192,080 | \$ 219,882 | \$ 237,073 | \$ 256,600 | \$ 300,898 |
| Stock-based compensation expense - YoY | (5)% | 19% | 32% | 38% | 38% | 57% |