Snap Inc.

Q2 2023 Earnings Slides

July 25, 2023

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, future stock repurchase programs or stock dividends, business strategy and plans, user growth and engagement, product initiatives, objectives of management for future operations, and advertiser and partner offerings 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 presentation.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this presentation primarily on our current expectations and projections about future events and trends, including our financial outlook, macroeconomic uncertainty, and geo-political conflicts, that we believe may continue to 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 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 our periodic report that will be filed with the SEC for the period covered by this presentation and other filings that we make from time to time with the SEC.

In addition, any 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 geo-political conflicts and macroeconomic conditions, 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, dispositions, joint ventures, restructurings, legal settlements 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 Summary

Revenue	• Revenue was $1,068 million in Q2 2023, compared to $1,111 million in Q2 2022, a decrease of 4% year-over-year. On a constant currency basis[1] to account for changes in foreign exchange rates, the decrease was approximately 4% year-over-year. • Average revenue per user was $2.69 in Q2 2023, compared to $3.20 in Q2 2022.
Operating Performance	• Operating margin was (38)% in Q2 2023, compared to (36)% in Q2 2022. • Adjusted gross margin[2] was 54% in Q2 2023, compared to 61% in Q2 2022. • Net loss was $377 million in Q2 2023, compared to $422 million in Q2 2022. • Adjusted EBITDA[3] was $(38) million in Q2 2023, compared to $7 million in Q2 2022. • Adjusted EBITDA margin[3] was (4)% in Q2 2023, compared to 1% in Q2 2022.
Cash	• Operating cash flow was $(82) million in Q2 2023, compared to $(124) million in Q2 2022. • Free Cash Flow[3] was $(119) million in Q2 2023, compared to $(147) million in Q2 2022. • Cash, cash equivalents, and marketable securities were $3.7 billion as of June 30, 2023.

[1]Constant currency revenue is a non-GAAP measure, which we define as GAAP revenue in the current period translated using the prior period average monthly exchange rates for revenue transactions in currencies other than the U.S. dollar. The constant currency revenue percentage change is determined using current period constant currency revenue and prior period GAAP revenue.
[2]Adjusted gross margin is a non-GAAP measure, which we define as GAAP revenue less adjusted cost of revenue divided by GAAP revenue. Adjusted cost of revenue is a non-GAAP measure and excludes stock-based compensation expense, payroll and other tax expense related to stock-based compensation, depreciation and amortization, and certain other non-cash or non-recurring items impacting net income (loss) from time to time.
[3]Adjusted EBITDA margin is a non-GAAP measure, which we define as Adjusted EBITDA divided by GAAP revenue. See Appendix for non-GAAP measures of Adjusted EBITDA and Free Cash Flow, including reconciliations of net loss to Adjusted EBITDA and net cash provided by (used in) operating activities to Free Cash Flow.
Quarterly information is unaudited.
Numbers throughout presentation may not foot due to rounding.

REVENUE WAS $1.07 BILLION IN Q2 2023

Business Highlights

We grew and deepened our engagement with our community:

- DAUs were 397 million in Q2 2023, an increase of 50 million, or 14% year-over-year.
- DAUs increased sequentially and year-over-year in each of North America, Europe, and Rest of World.
- Total time spent watching Spotlight content more than tripled year-over-year, and Spotlight reached more than 400 million monthly active users on average in Q2, an increase of 51% year-over-year.
- Since launching My AI, our AI-powered chatbot, over 150 million people have sent over 10 billion messages, which we believe makes My AI among the largest consumer chatbots available today.
- We introduced My AI Snaps for Snapchat+ subscribers, allowing subscribers to send Snaps to My AI and receive an AI-generated Snap back that keeps the conversation going.
- We expanded our Stories revenue share program to more creators, helping more people build businesses on Snapchat and enabling them to create content for our community.
- We onboarded new media partners and renewed agreements globally as we continue to grow our local content offering, including ITV in the UK, ProSieben in Germany, Network 18 in India, and ESPN in the Netherlands.

Business Highlights (Continued)

We are focused on accelerating and diversifying our revenue growth:

- We are seeing significant adoption of our new 7/0 Pixel Purchase optimization model, which contributed to a more than 40% quarter-over-quarter increase in 7/0 Pixel Purchase conversions.
- The combination of improvements to our machine learning (ML) infrastructure and systems for ad ranking and optimization have led to more relevant ads and a more than 30% increase in purchase related conversions quarter-over-quarter.
- We introduced our Event Quality Score system to advertisers to measure the quality and integrity of their data, which we expect will lead to improvement in attribution and advertiser performance.
- We made fundamental improvements to our privacy-preserving identity graph and modeled conversions, which will strengthen the connection between identity, attribution, and optimization.
- Snapchat+, our subscription service that offers exclusive, experimental, and pre-release features, reached over 4 million paying subscribers in Q2, one year after launch.
- We introduced new Snapchat+ features like app icons, custom themes, and Bitmoji pets & cars on the Snap Map.
- We launched ads in Spotlight for all advertisers globally, allowing brands to reach the Snapchat audience on our newest surface.
- We are testing My AI monetization with sponsored links that connect our community with partners relevant to their conversation in that moment, while helping brands reach Snapchatters who have indicated potential interest in their offerings.
- We launched First Story, which enables advertisers to reserve the first video ad between Friend Stories, making First Story the latest offering in our takeover lineup, following First Commercial and First Lens.
- We made it easier for brands and creators to work together with the US launch of the Snap Star Collab Studio for brands to source, partner, and drive results with Snap Stars.

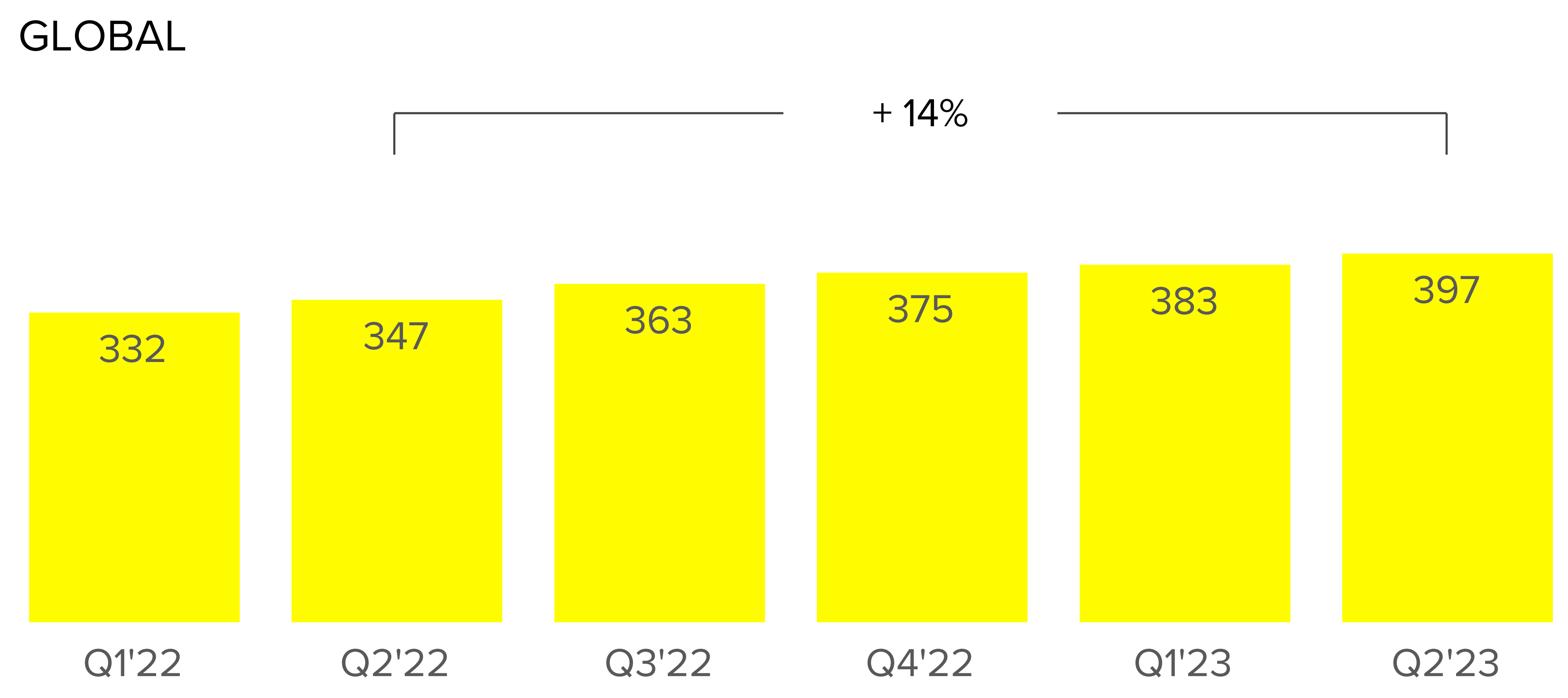
Business Highlights (Continued)

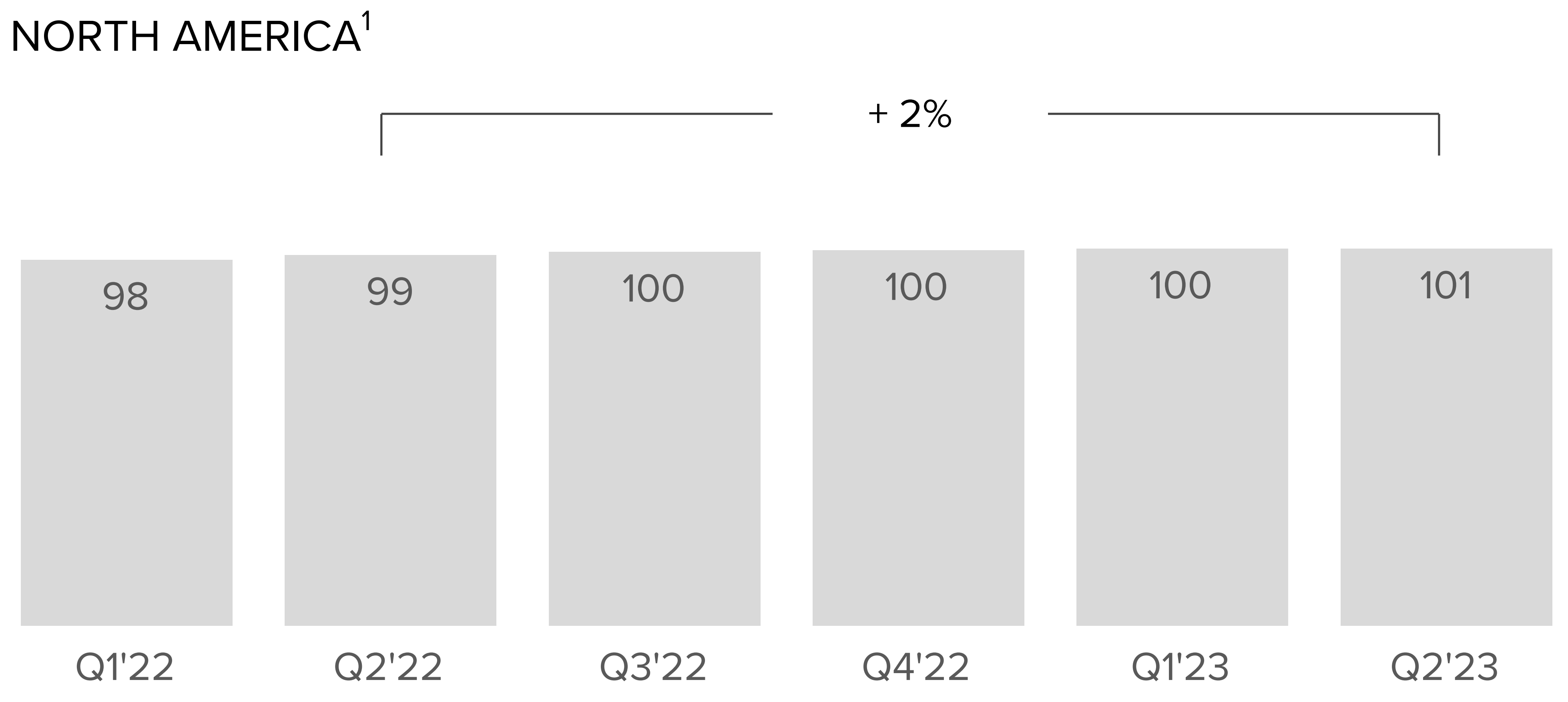
We invested in our augmented reality platform:

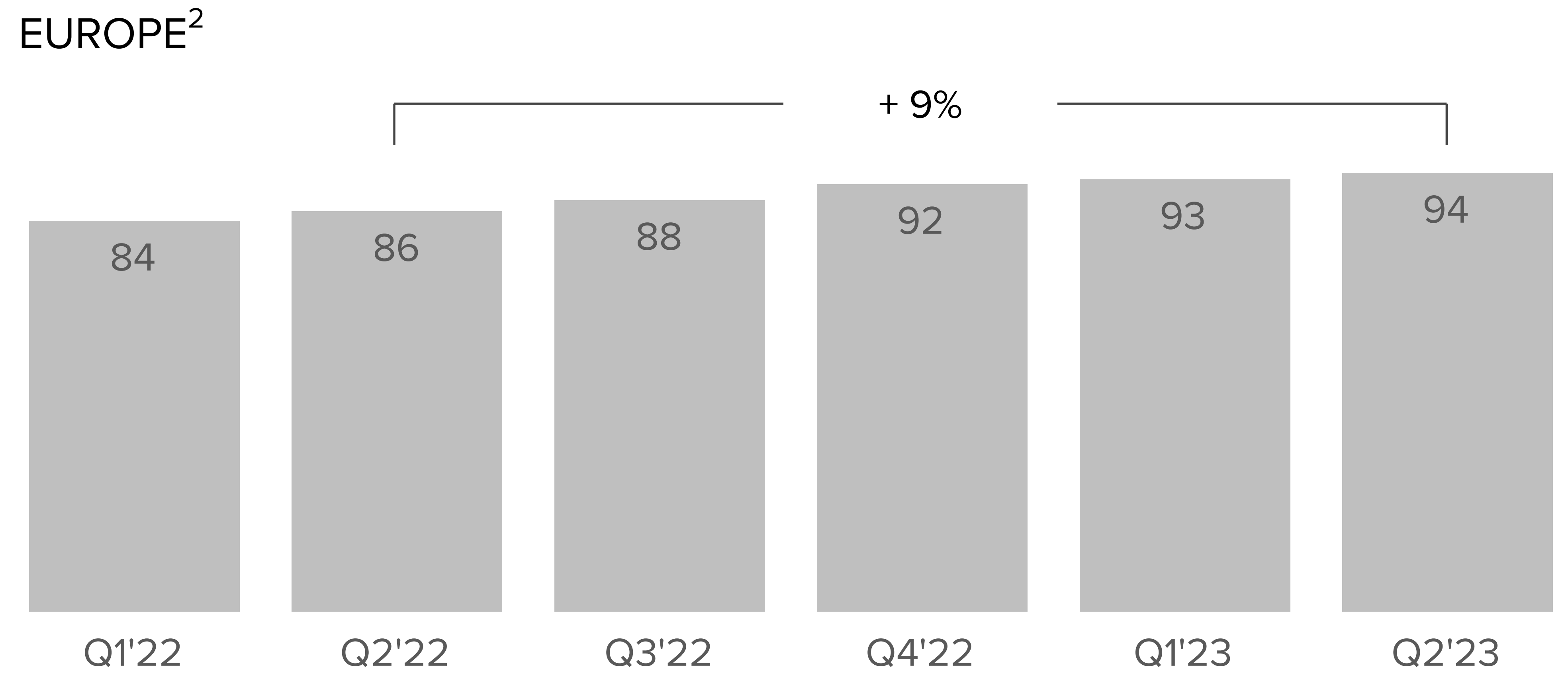
- We launched Lens Performance Toolkit in Lens Studio, which offers developers a dashboard view of performance-related metrics for Lenses that are in development.
- We introduced ML Retouch, our newest retouch feature powered by ML in Lens Studio, which enables Creators to easily switch on the feature for realistic skin retouch and accurate texture.
- We announced a partnership with Roboflow that enables Lens Studio developers to utilize Roboflow's ML tools to easily train and bring models directly into SnapML.
- We launched our first Snap AR Learn Hub, which includes AR courses to teach different AR development concepts in Lens Studio, along with a library of live streams and product tutorials.
- We partnered with OPI, a beauty brand, on a Lens featuring first-of-its-kind Snap AR tech called Nails Segmentation, which makes the digital nail try-on experience more realistic than ever before.
- Snapchat and Disney came together in a groundbreaking collaboration at the 2023 Cannes Lions International Festival of Creativity that illustrated how Augmented Reality can enhance storytelling, and brought to life legendary characters and tales in celebration of Disney100.
- Snapchat's AR Studio in Paris teamed up with Daft Punk to celebrate the release of Random Access Memories 10th Anniversary Edition by bringing to life "Daft Punk: Memories Unlocked," a series of new augmented reality experiences for fans around the world.
- Camera Kit Live was launched to additional venues and music tours, including Duran Duran's successful arena tour, the Barclays Center in Brooklyn, New York, and the NBA draft.
- We introduced new advanced Snapchat Lenses built by teams from the Snap AR community including Brick.it which used SnapML to integrate Brick.it's custom-built ML model, letting Snapchatters scan a pile of toy bricks, identify pieces, and suggest ideas for what can be built.
- In honor of Juneteenth, Snap Lens Network developer, Andre Elijah Immersive, and Santa Monica History Museum collaborated to show the city's history in AR – bringing stories out of the museum and into the neighborhood.

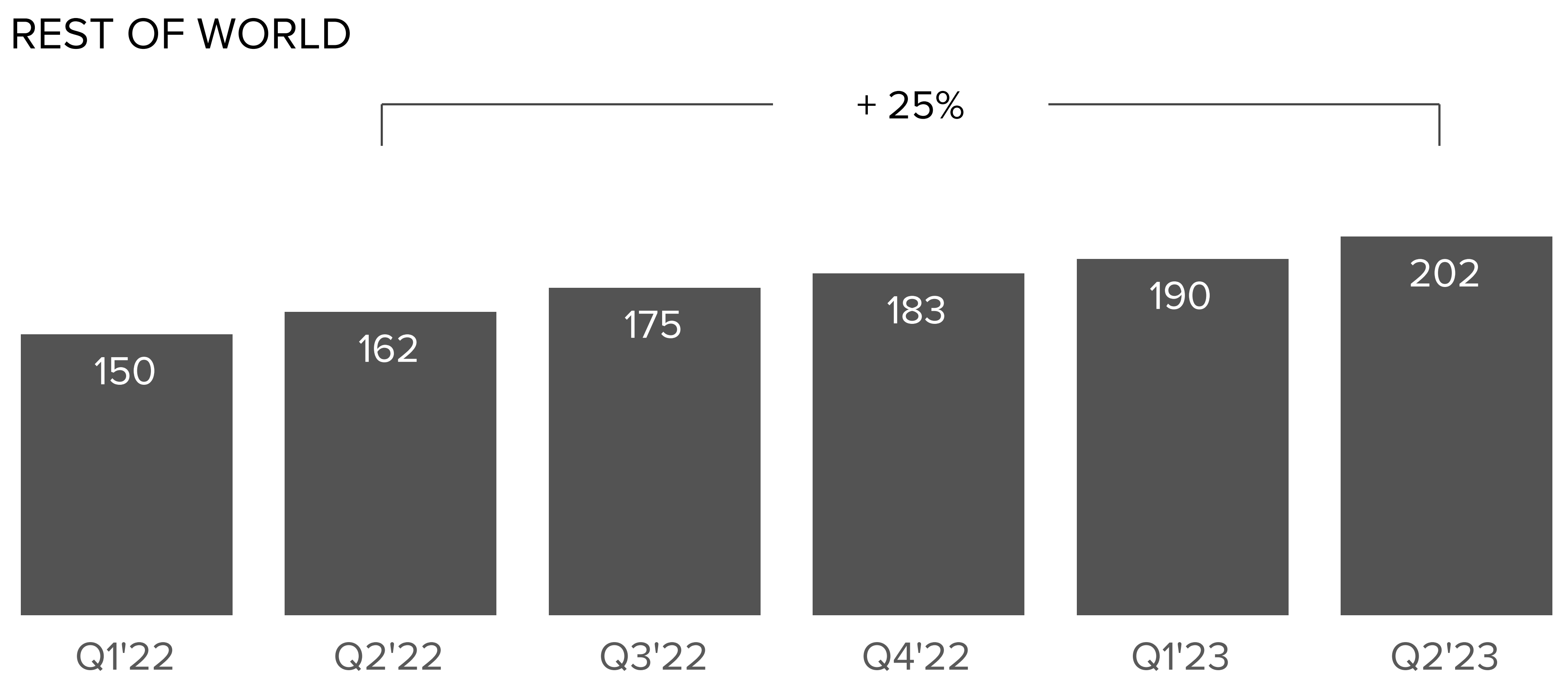
Average Daily Active Users (DAU)

(in millions, unaudited)









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.

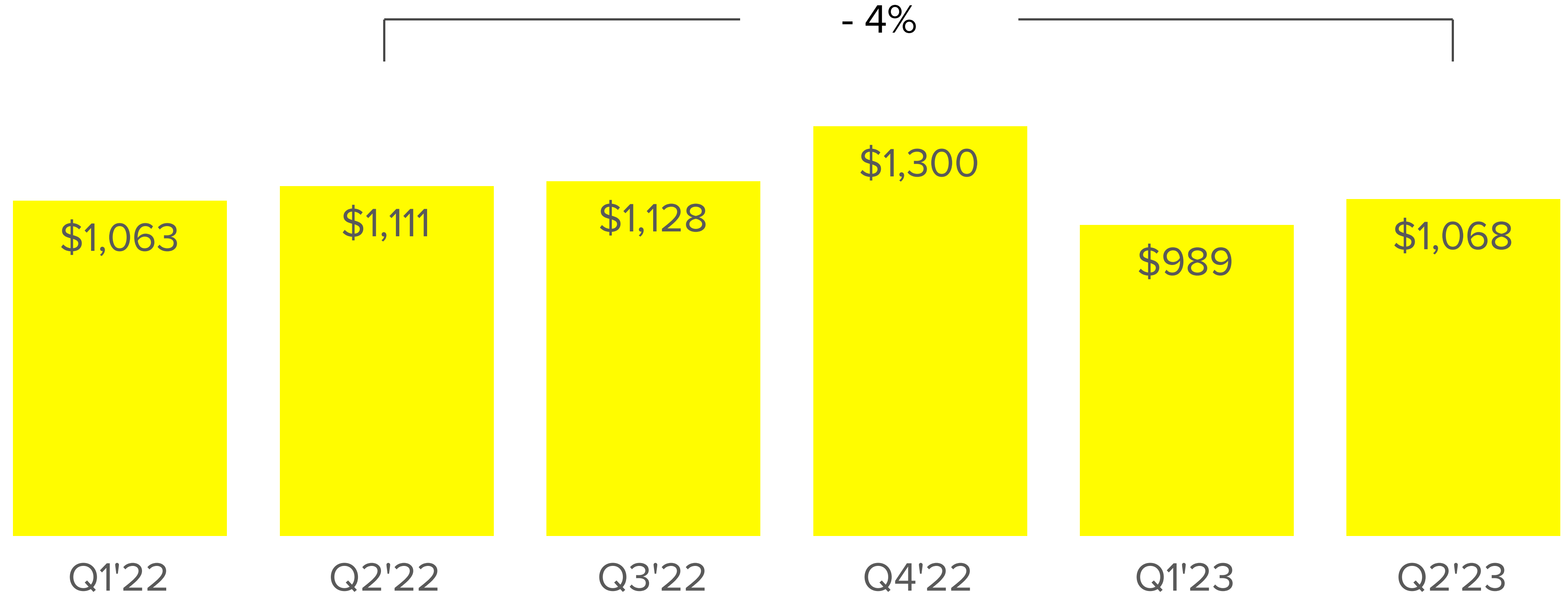
Numbers throughout presentation may not foot due to rounding.

GLOBAL DAU INCREASED 50 MILLION, OR 14%, YoY

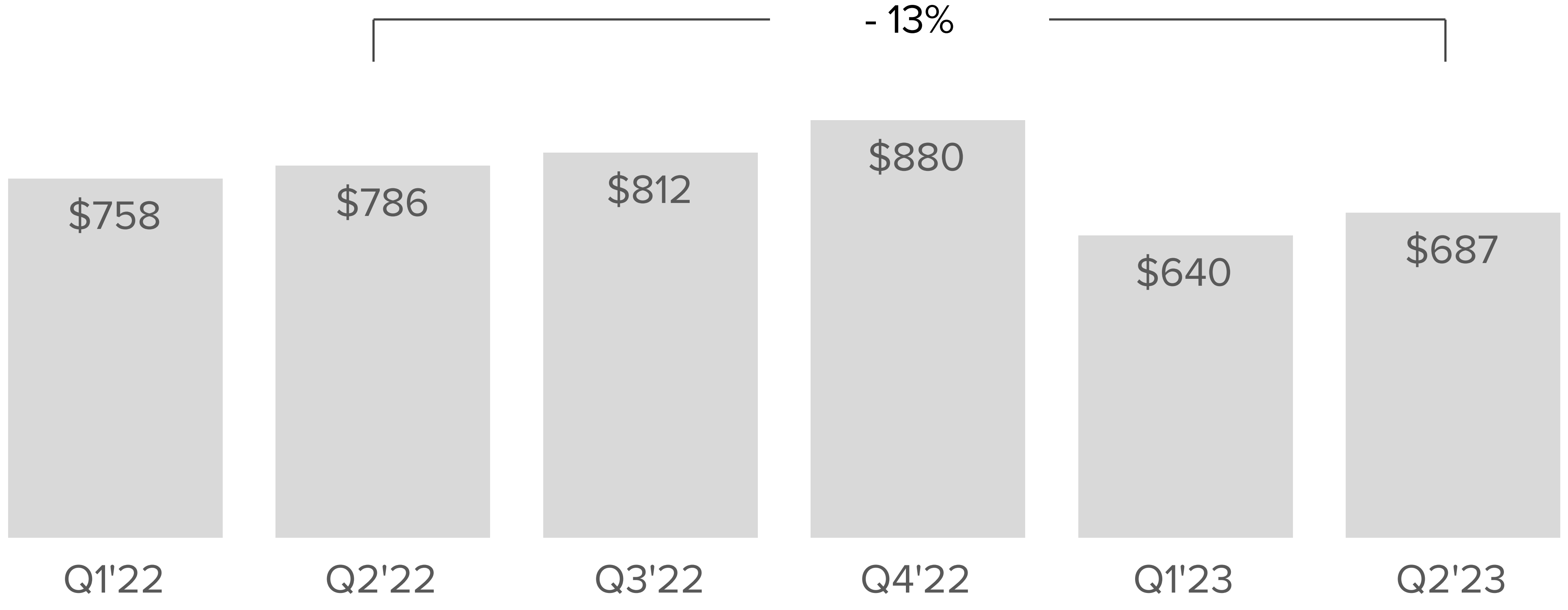
Revenue by Geography

(in millions, unaudited)

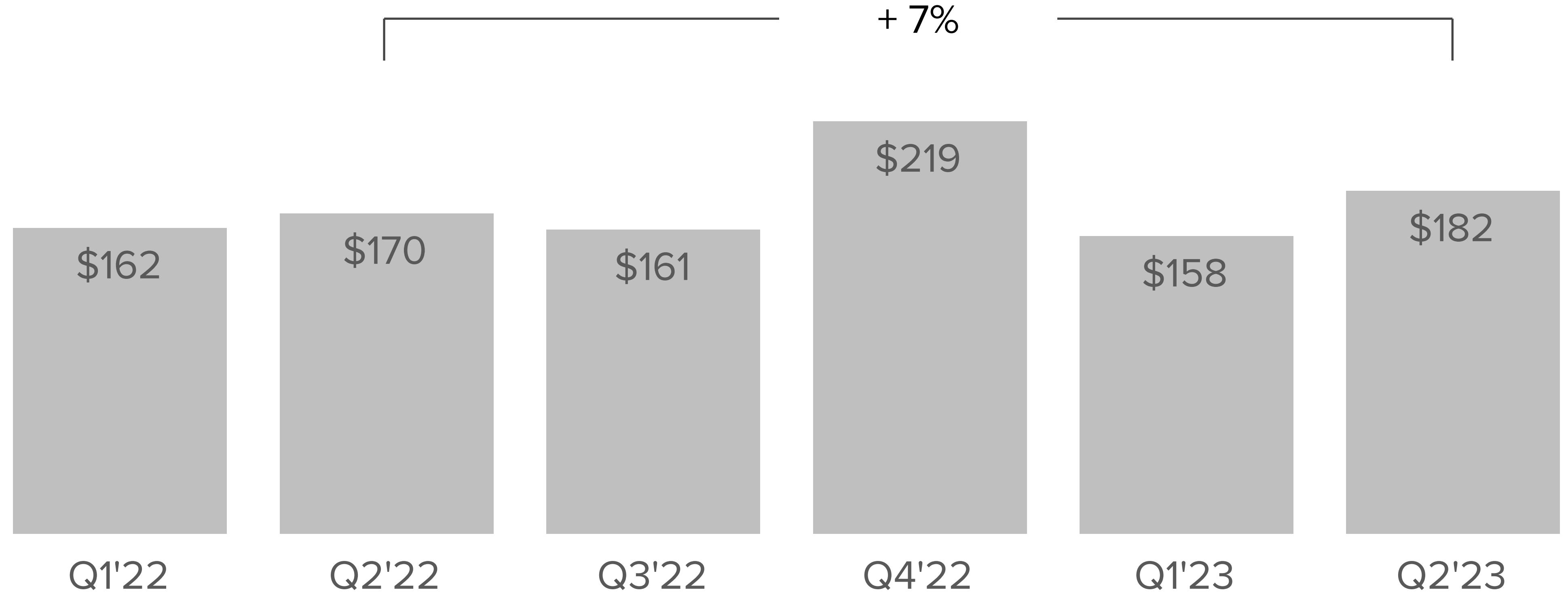
GLOBAL



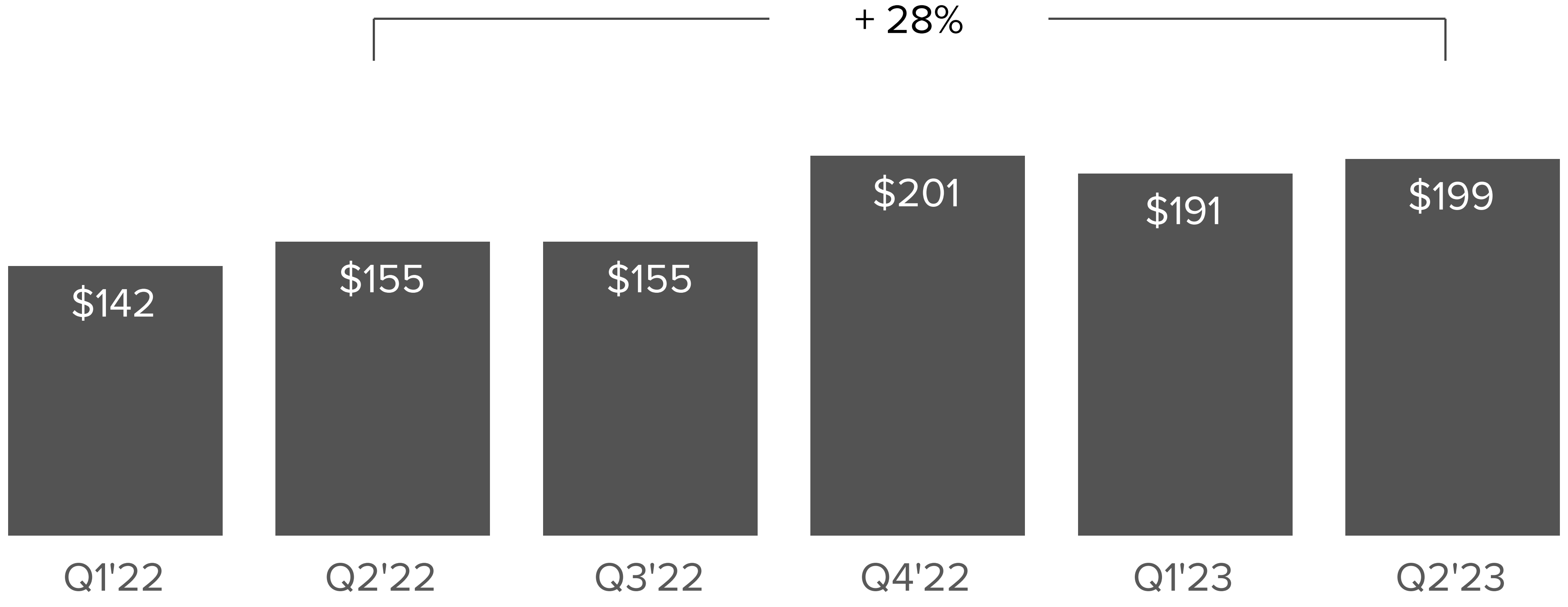
NORTH AMERICA[1]



EUROPE[2]



REST OF WORLD



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. Effective March 2022, we halted advertising sales to Russian and Belarusian entities.

[3]Constant currency revenue is a non-GAAP measure, which we define as GAAP revenue in the current period translated using the prior period average monthly exchange rates for revenue transactions in currencies other than the U.S. dollar. The constant currency revenue percentage change is determined using current period constant currency revenue and prior period GAAP revenue.

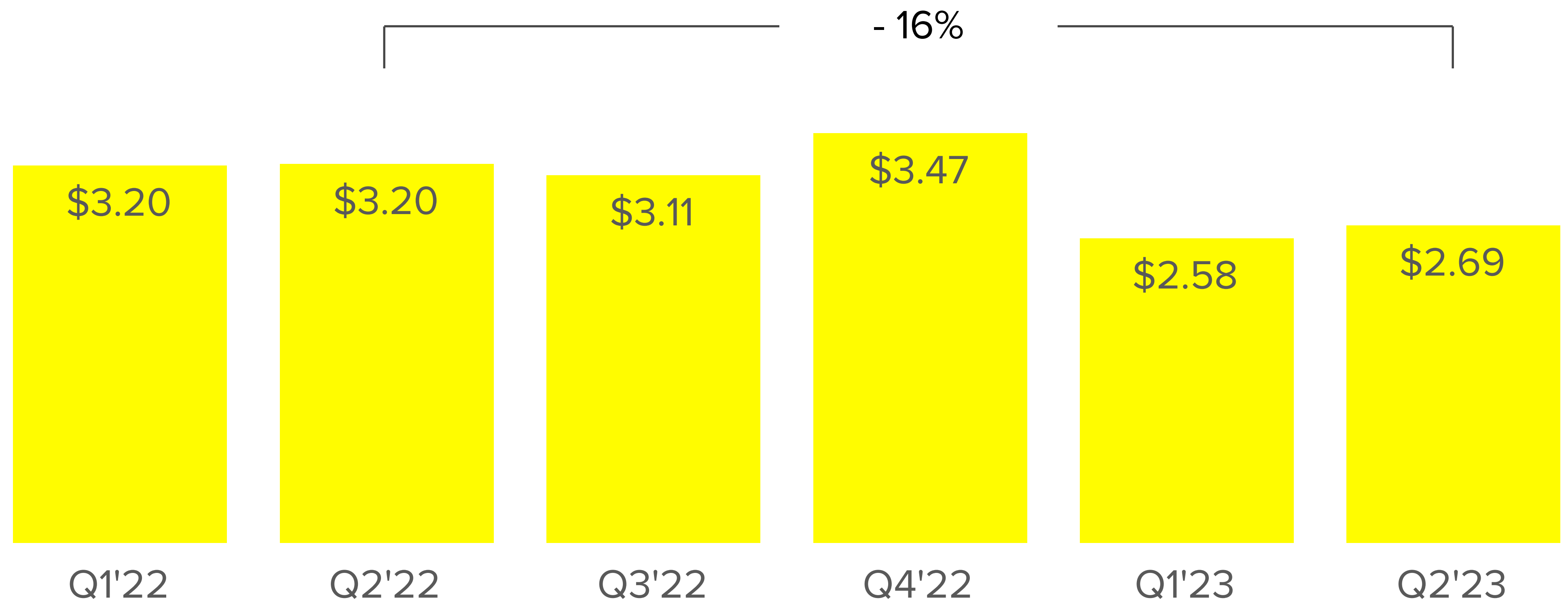
Numbers throughout presentation may not foot due to rounding.

GLOBAL REVENUE DECLINED 4% YoY ON AN ABSOLUTE AND CONSTANT CURRENCY BASIS[3] IN Q2 2023

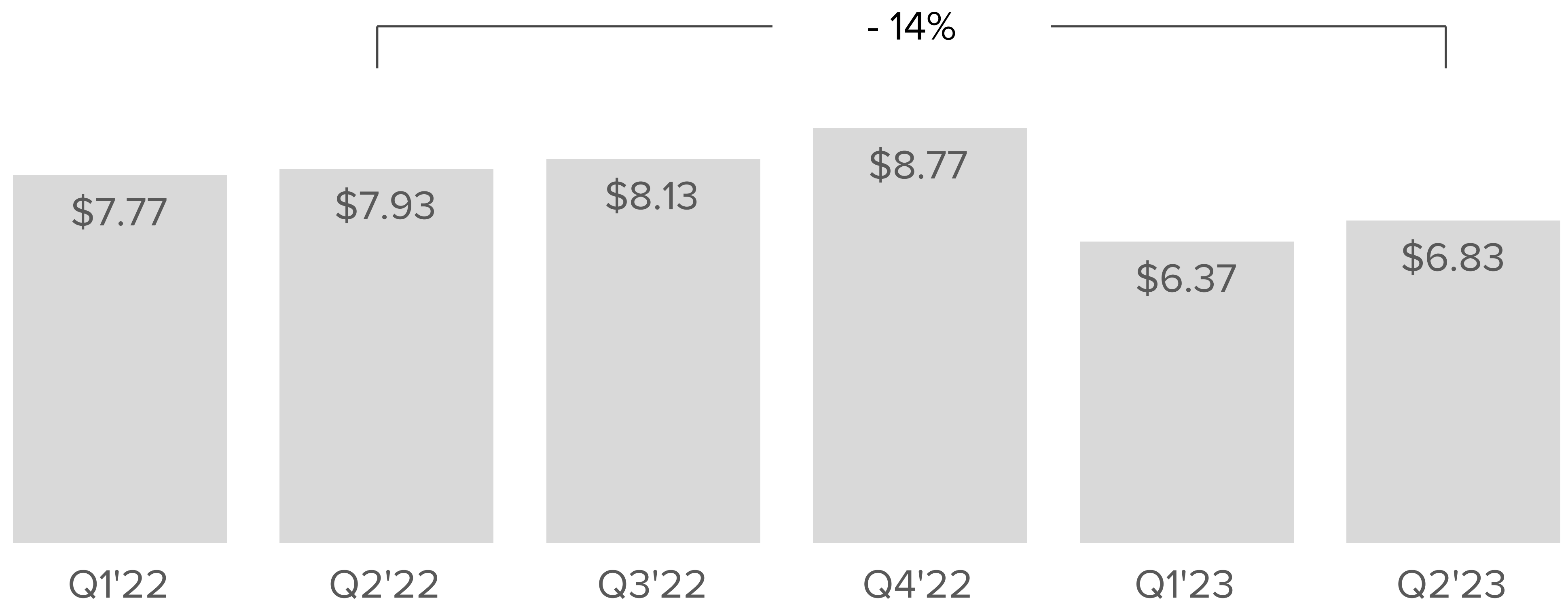
Average Revenue Per User (ARPU)

(unaudited)

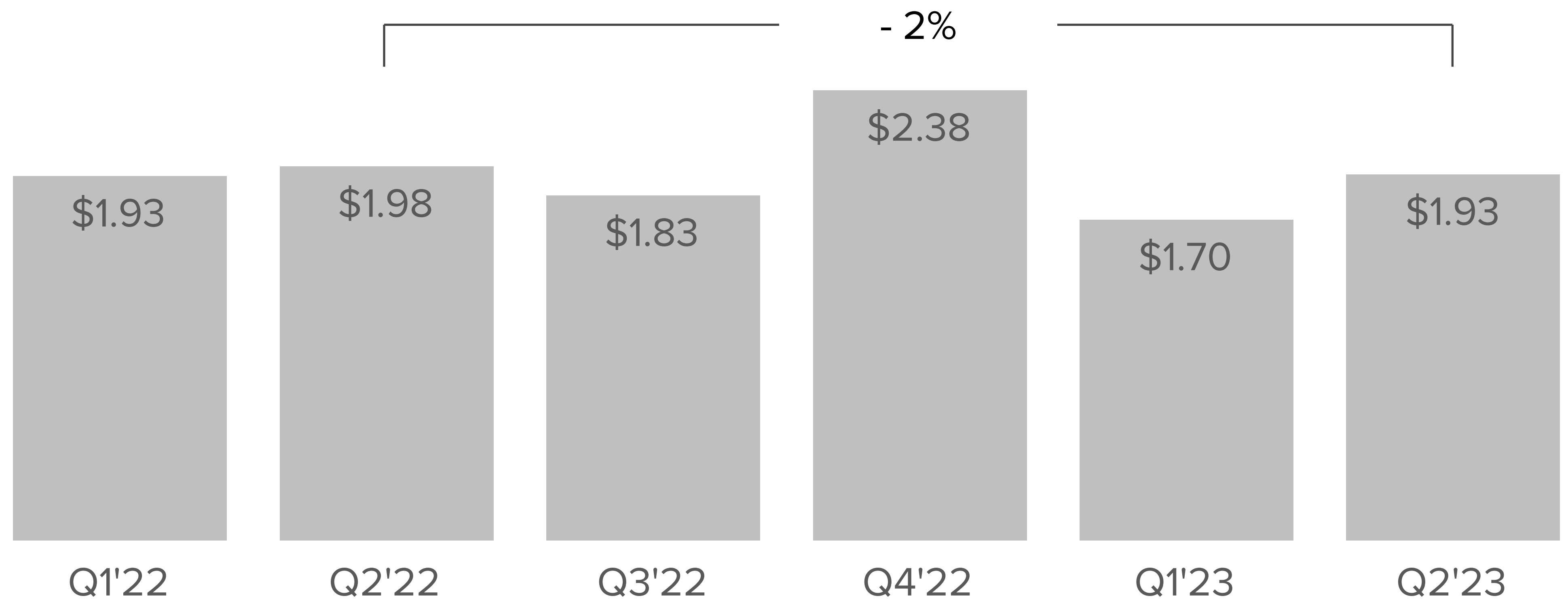
GLOBAL



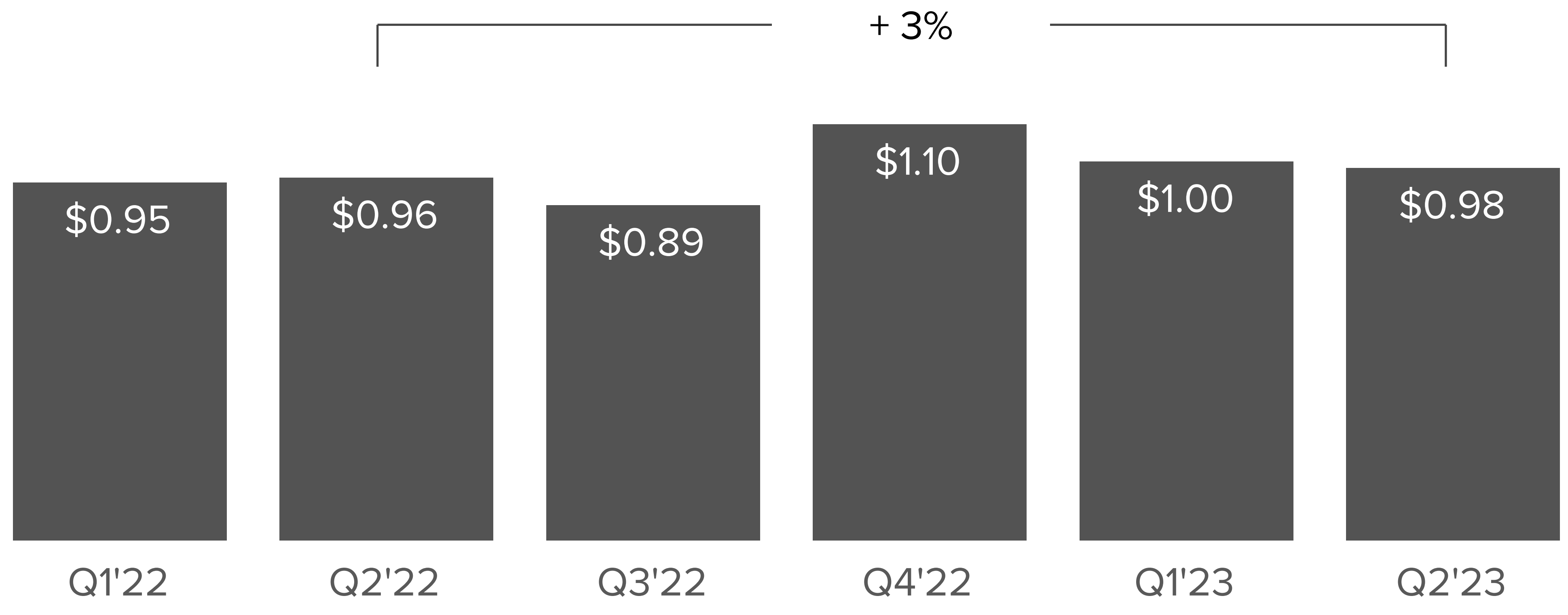
NORTH AMERICA[1]



EUROPE[2]



REST OF WORLD



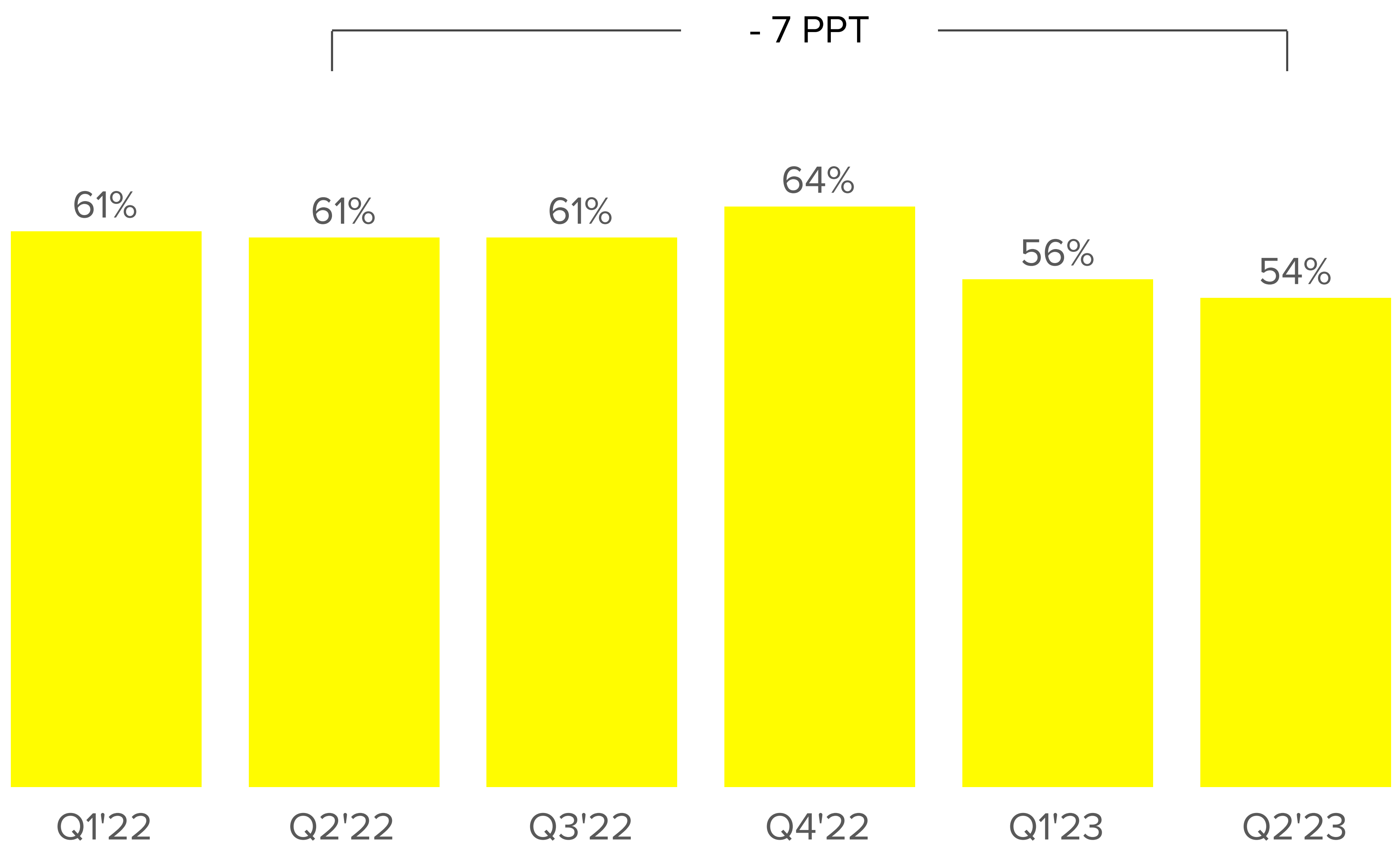
We define ARPU as quarterly revenue divided by the average Daily Active Users. For purposes of calculating ARPU, revenue by user geography is apportioned to each region based on our determination of the geographic location in which advertising impressions are delivered, as this approximates revenue based on user activity.
[1]North America includes Mexico, the Caribbean, and Central America.
[2]Europe includes Russia and Turkey. Effective March 2022, we halted advertising sales to Russian and Belarusian entities.
Numbers throughout presentation may not foot due to rounding.

Q2 2023 GLOBAL ARPU WAS $2.69
Q2 2023 REST OF WORLD ARPU INCREASED 3% YoY TO $0.98

Adjusted Gross Margin and Adjusted Cost of Revenue[1]

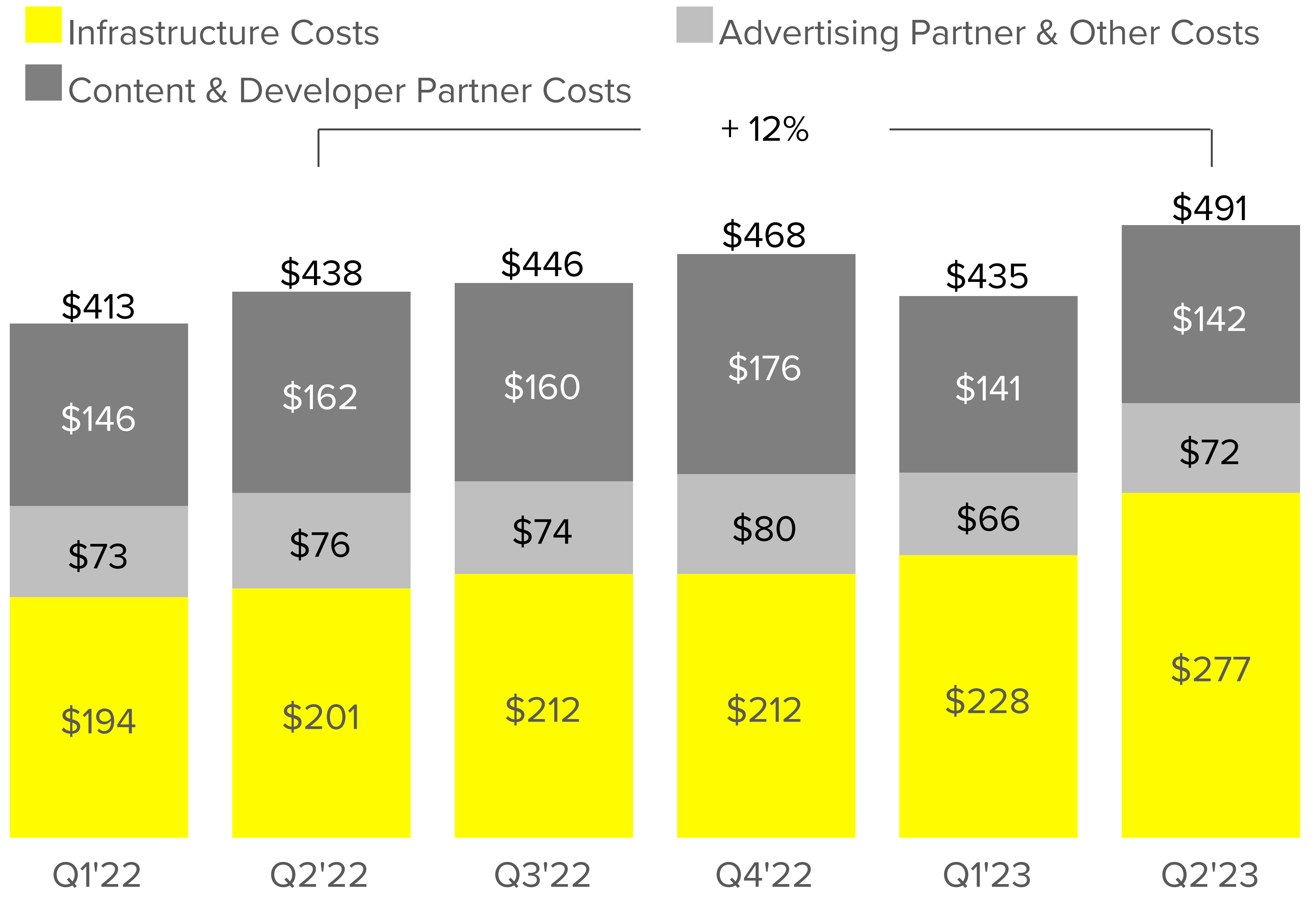
(dollars in millions, unaudited)

ADJUSTED GROSS MARGIN[1]



	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Adjusted Cost of Revenue[1] as a % of Revenue	39%	39%	39%	36%	44%	46%

ADJUSTED COST OF REVENUE[1] COMPOSITION



	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Total Non-GAAP Exclusions[1]	$8	$8	$21	$13	$5	$6
Total GAAP Cost of Revenue	$421	$446	$467	$481	$440	$497

[1]Adjusted gross margin is a non-GAAP measure, which we define as GAAP revenue less adjusted cost of revenue divided by GAAP revenue. Adjusted cost of revenue is a non-GAAP measure and excludes stock-based compensation expense, payroll and other tax expense related to stock-based compensation, depreciation and amortization, and certain other non-cash or non-recurring items impacting net income (loss) from time to time. In Q3 2022 and Q4 2022, non-recurring items included restructuring charges of $14 million and $7 million, respectively. See Appendix for further detail.
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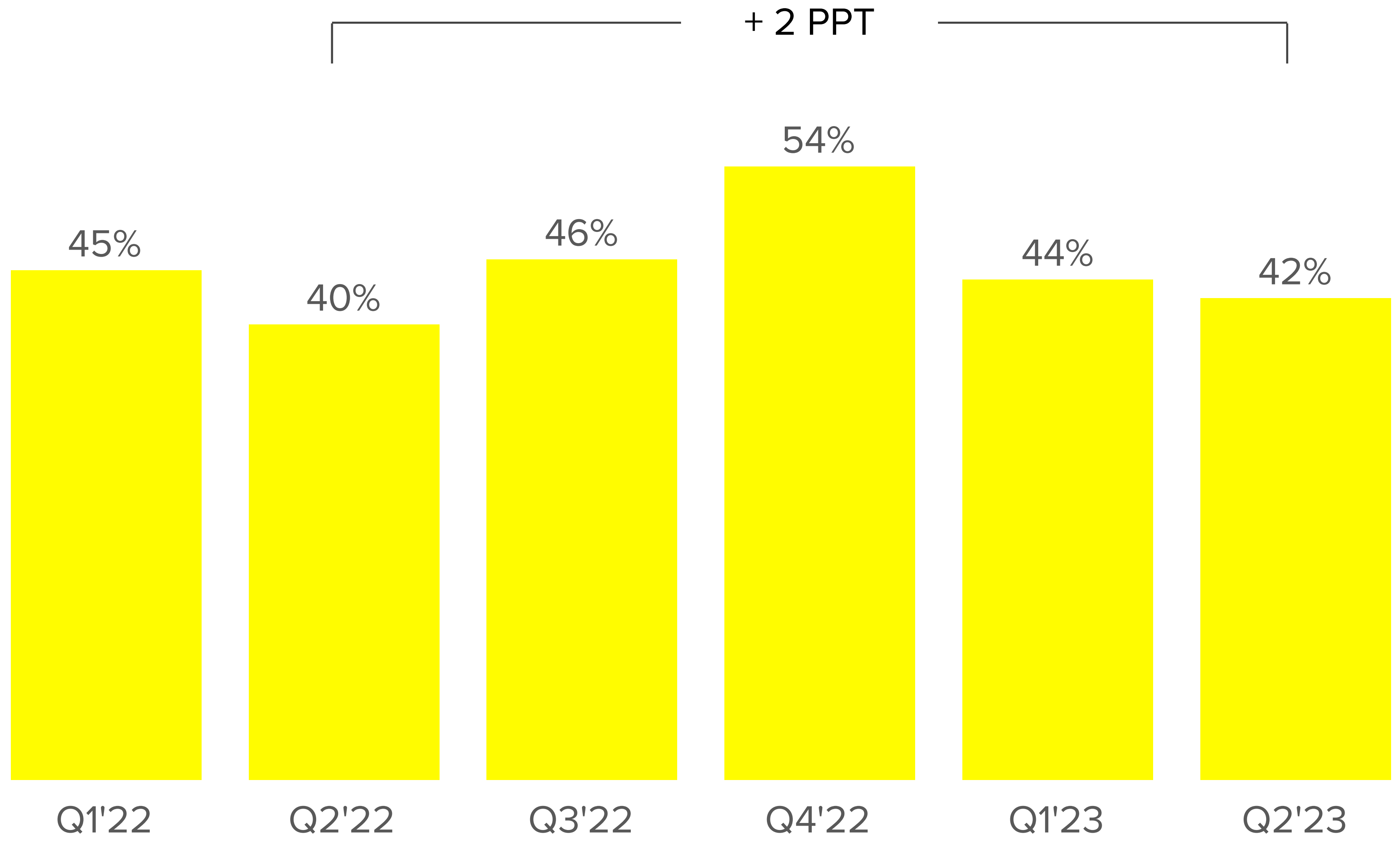
INFRASTRUCTURE COSTS INCREASED 22% QoQ, DRIVEN PRIMARILY BY INVESTMENTS IN MACHINE LEARNING AND AI TO SUPPORT MONETIZATION, CONTENT ENGAGEMENT, AND AR

Adjusted Operating Expense Margin and Adjusted Operating Expenses[1]

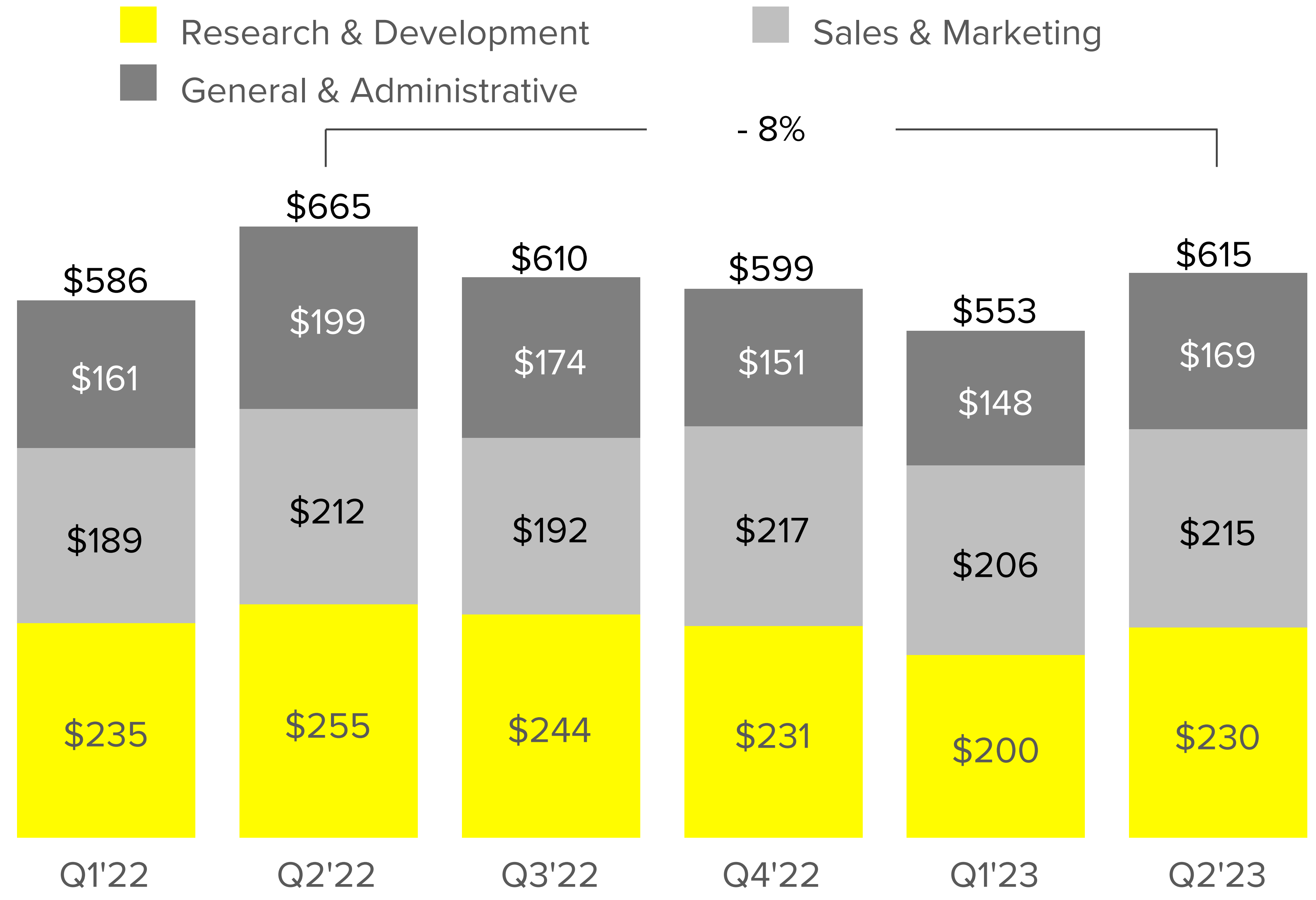
(dollars in millions, unaudited)

ADJUSTED OPERATING EXPENSE MARGIN[1]



	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Adjusted Operating Expenses[1] as a % of Revenue	55%	60%	54%	46%	56%	58%

ADJUSTED OPERATING EXPENSES[1] COMPOSITION



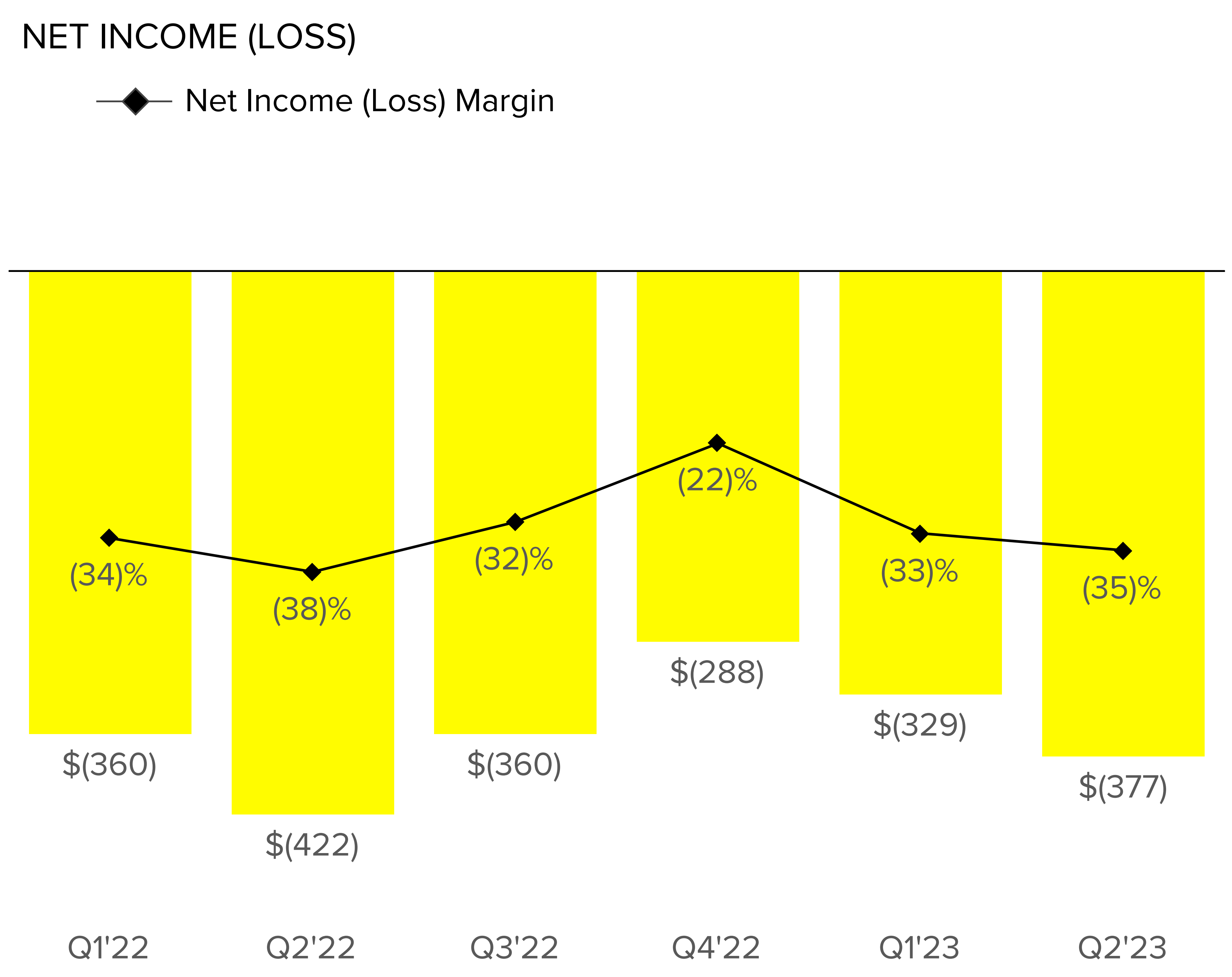
	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Total Non-GAAP Exclusions[1]	$328	$400	$487	$507	$361	$360
Total GAAP Operating Expenses	$913	$1,065	$1,097	$1,106	$914	$975

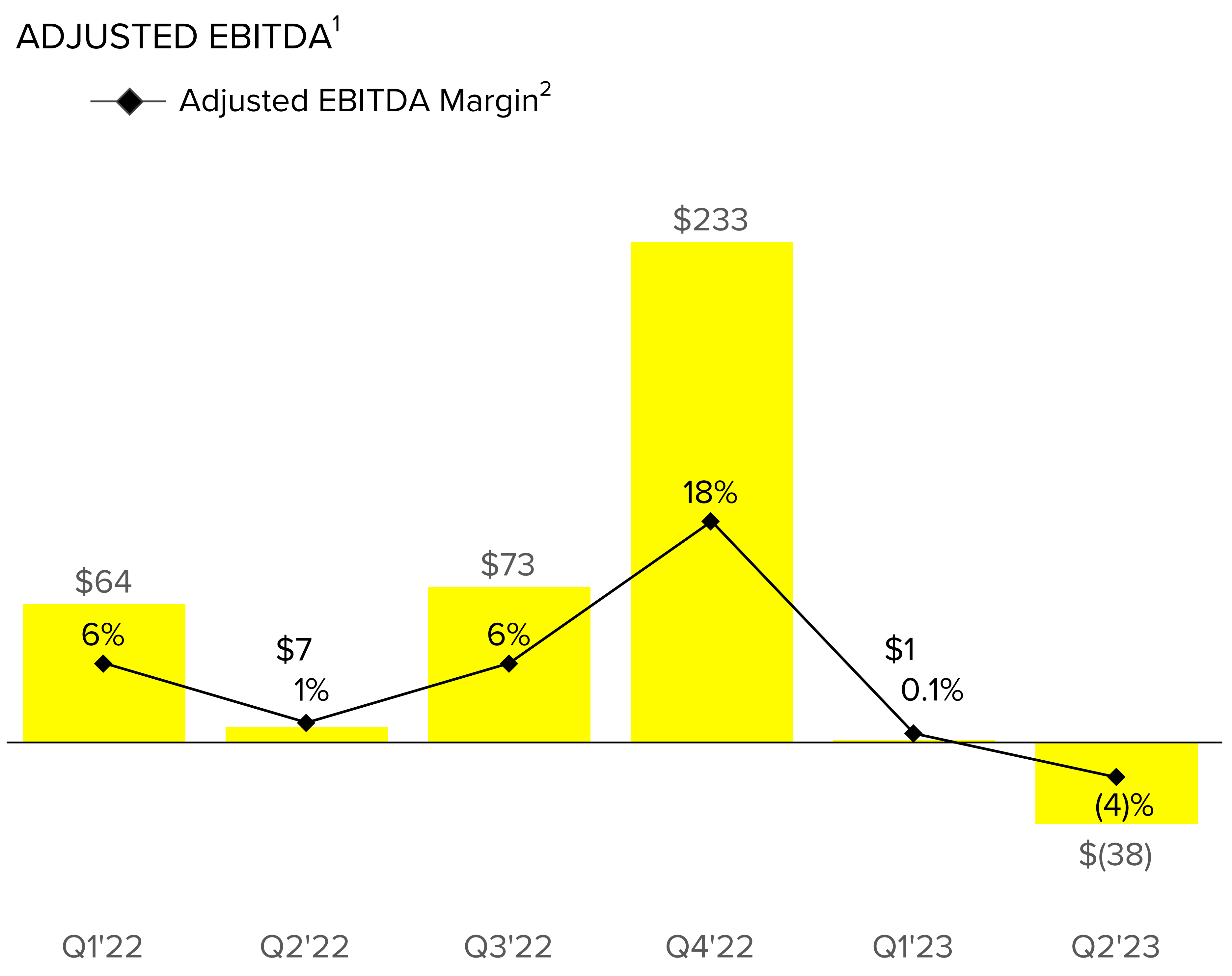
[1]Adjusted operating expense margin is a non-GAAP measure, which we define as GAAP revenue less adjusted operating expenses, divided by GAAP revenue. Adjusted operating expenses is a non-GAAP measure and excludes stock-based compensation expense, payroll and other tax expense related to stock-based compensation, depreciation and amortization, and certain other non-cash or non-recurring items impacting net income (loss) from time to time. In Q3 2022 and Q4 2022, non-recurring items included restructuring charges of $141 million and $27 million, respectively. See Appendix for further detail. Numbers throughout presentation may not foot due to rounding.

ADJUSTED OPERATING EXPENSES WERE $615 MILLION, DOWN $50 MILLION, OR 8% YoY

Net Income (Loss) & Adjusted EBITDA[1]

(dollars in millions, unaudited)





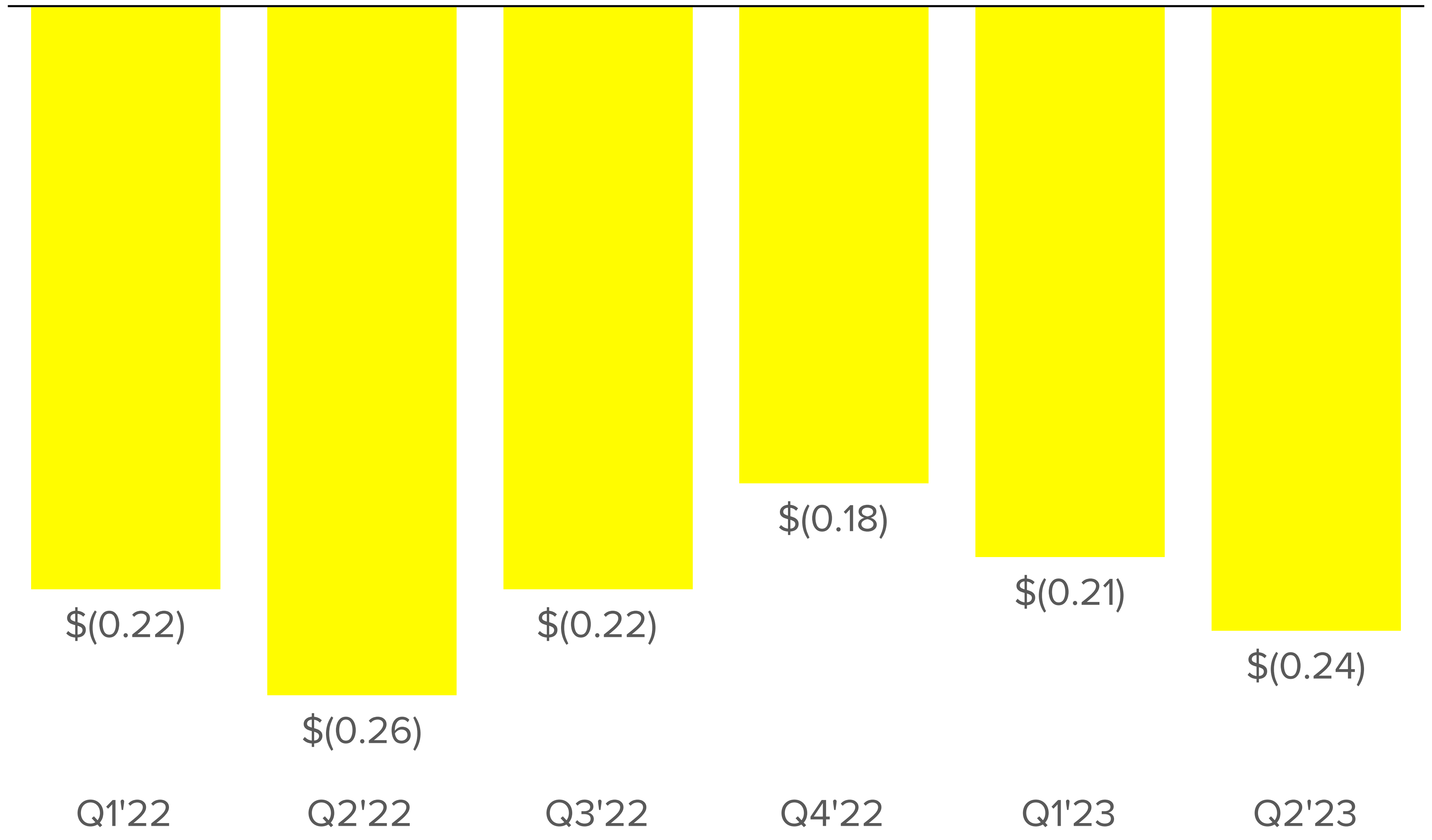
[1]Adjusted EBITDA is a non-GAAP measure, which we define as net income (loss), excluding interest income; interest expense; other income (expense), net; income tax benefit (expense); depreciation and amortization; stock-based compensation expense; payroll and other tax expense related to stock-based compensation; and certain other non-cash or non-recurring items impacting net income (loss) from time to time. In Q3 2022 and Q4 2022, non-recurring items included restructuring charges of $155 million and $34 million, respectively. See Appendix for reconciliation of net loss to Adjusted EBITDA.
[2]Adjusted EBITDA margin is a non-GAAP measure, which we define as Adjusted EBITDA divided by GAAP revenue.
Numbers throughout presentation may not foot due to rounding.

ADJUSTED EBITDA WAS $(38) MILLION IN Q2 2023

Diluted Net Income (Loss) Per Share & Common Shares Outstanding Plus Shares Underlying Stock-Based Awards

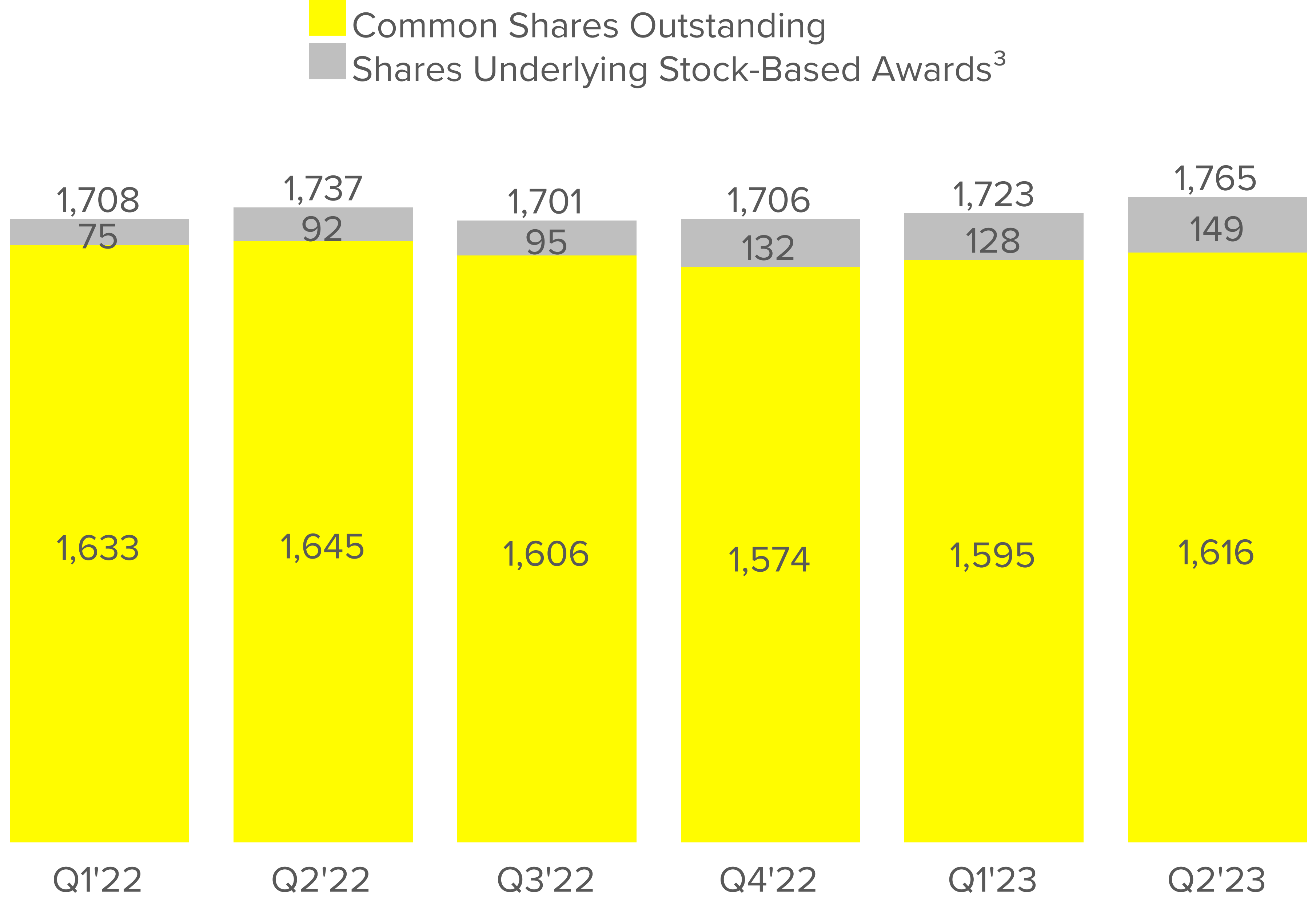
(in millions, except per share data, unaudited)

DILUTED NET INCOME (LOSS) PER SHARE[1]



	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Total Non-GAAP Exclusions[2]	$0.20	$0.24	$0.30	$0.32	$0.22	$0.22
Non-GAAP diluted net income (loss) per share[2]	$(0.02)	$(0.02)	$0.08	$0.14	$0.01	$(0.02)

COMMON SHARES OUTSTANDING PLUS SHARES UNDERLYING STOCK-BASED AWARDS



	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Shares repurchased	—	—	51.3	53.9	—	—
YoY Change excluding exchange shares[4]	1.3%	2.5%	0.2%	0.2%	0.9%	1.6%

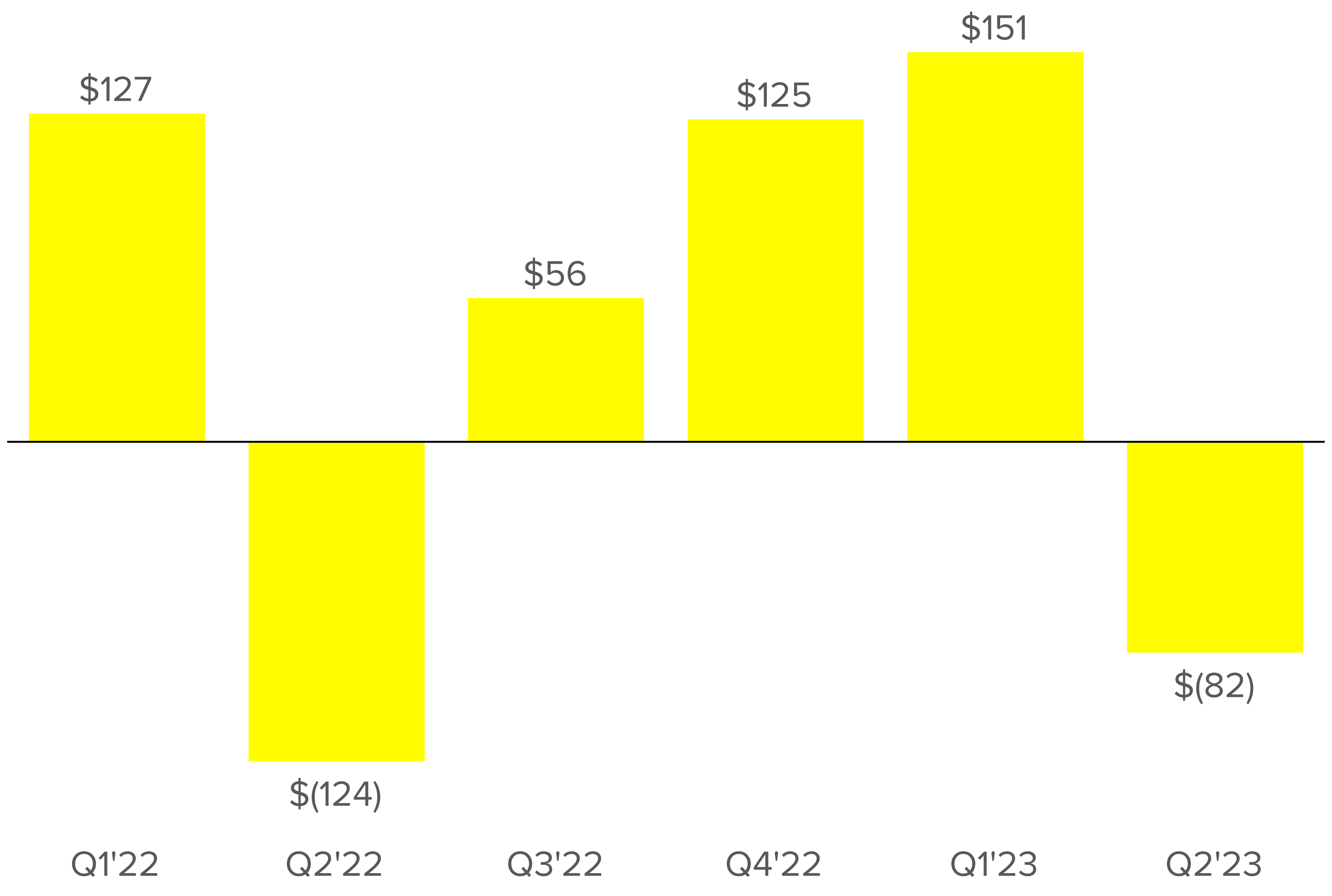
[1]Diluted net income (loss) per share is calculated using weighted average shares outstanding during the period.
[2]We define Non-GAAP net income (loss) as net income (loss); excluding amortization of intangible assets; stock-based compensation expense; payroll and other tax expense related to stock-based compensation; certain other non-cash or non-recurring items impacting net income (loss) from time to time; and related income tax adjustments. Non-GAAP net income (loss) and weighted average diluted shares are then used to calculate Non-GAAP diluted net income (loss) per share. In Q3 2022 and Q4 2022, non-recurring items included restructuring charges of $155 million and $34 million, respectively. See Appendix for reconciliation of diluted net income (loss) per share to non-GAAP diluted net income (loss) per share.
[3]Shares underlying stock-based awards include restricted stock units, restricted stock awards, and outstanding stock options.
[4]YoY change excludes approximately 52 million shares issued as part of the induced conversions of convertible notes in Q2 2021 and Q3 2021.
Numbers throughout presentation may not foot due to rounding.

CONTINUED RESPONSIBLE MANAGEMENT OF FULLY DILUTED SHARES OUTSTANDING

Operating Cash Flow and Free Cash Flow[1]

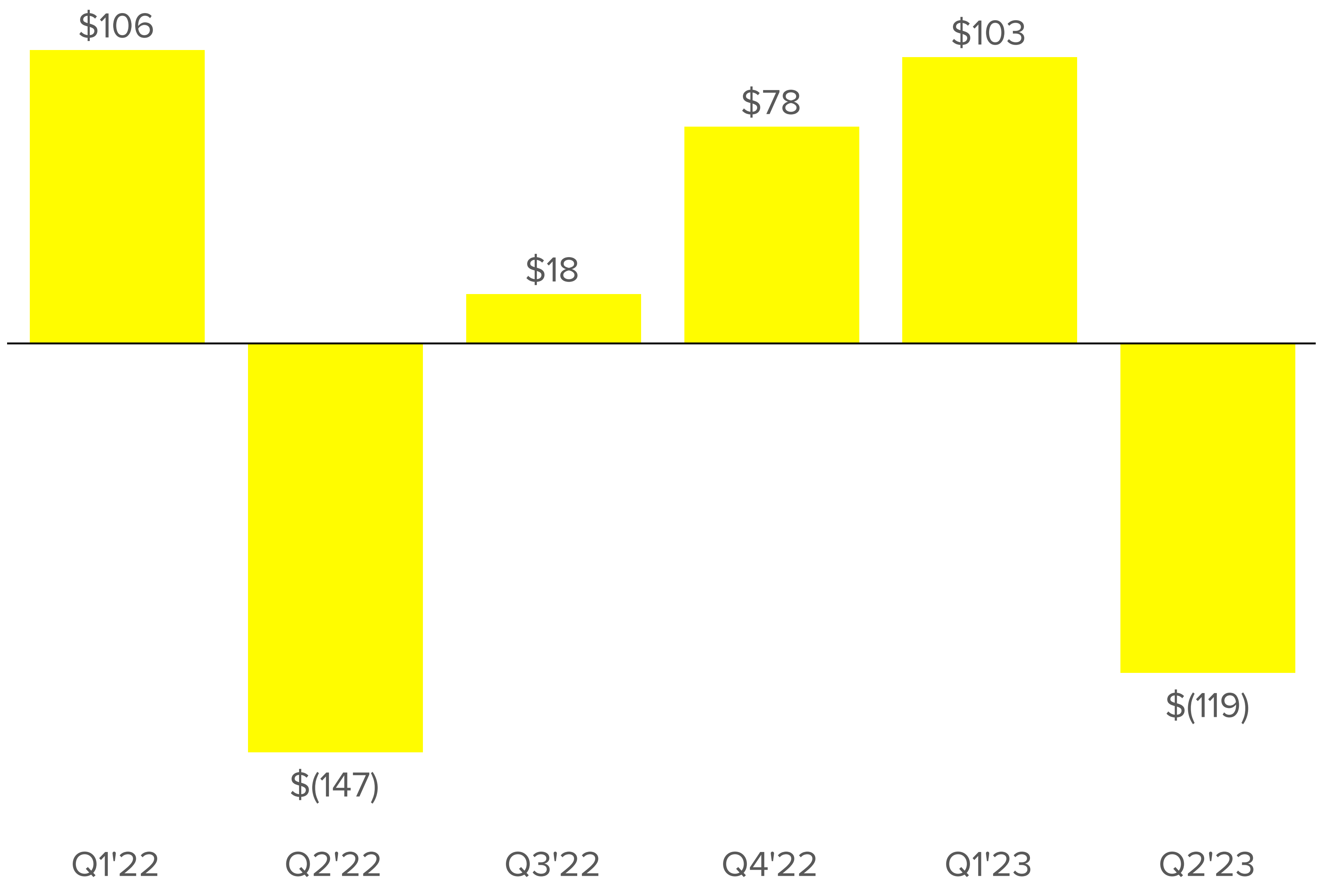
(in millions, unaudited)

OPERATING CASH FLOW



Capex	$(21)	$(23)	$(38)	$(47)	$(48)	$(37)

FREE CASH FLOW[1]



YoY Change	(16)%	(27)%	(65)%	(51)%	(3)%	19%

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

TRAILING TWELVE MONTHS FREE CASH FLOW WAS POSITIVE $81 MILLION IN Q2 2023

Q3 Outlook

As we enter Q3, we anticipate continued robust growth in our global community and, as a result, our financial guidance for Q3 is built on the assumption that DAU will reach 405 million to 406 million in Q3. From a revenue perspective, our business remains in a period of rapid transition as we work to improve our advertising platform, while forward visibility of advertising demand remains limited. Our guidance range for Q3 revenue reflects our best estimate of these factors, with total revenue estimated to be between $1,070 to $1,130 million implying negative 5% to flat year-over-year growth. At this level of revenue, we estimate that Adjusted EBITDA will be between negative $50 million and negative $100 million reflecting estimated infrastructure costs per DAU of $0.79 to $0.84 in Q3, as we continue to invest in ML, AI, and other infrastructure to improve the performance of our ad platform, drive deeper content engagement, and bring innovative product experiences to our community. This forecast also assumes modest sequential headcount growth as we continue to carefully calibrate our operating investments to focus on the inputs most essential to the acceleration of topline growth.

Appendix

Non-GAAP Financial Measures Reconciliation – Quarterly

(in thousands, unaudited)

	Three Months Ended					
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023
Adjusted EBITDA Reconciliation						
Net income (loss)	$ (359,624)	$ (422,067)	$ (359,502)	$ (288,460)	$ (328,674)	$ (377,308)
Add (deduct):						
Interest income	(3,123)	(8,331)	(18,445)	(28,698)	(37,948)	(43,144)
Interest expense	5,173	5,549	5,425	5,312	5,885	5,343
Other (income) expense, net	77,537	16,910	(71,961)	20,043	(11,372)	(1,323)
Income tax (benefit) expense	8,510	6,999	9,241	4,206	6,845	12,093
Depreciation and amortization	38,100	79,291	34,068	34,975	35,220	39,688
Stock-based compensation expense	275,444	318,810	312,690	446,339	314,931	317,943
Payroll and other tax expense related to stock-based compensation	22,451	10,029	6,561	5,172	15,926	8,229
Restructuring charges[1]	—	—	154,563	34,386	—	—
Adjusted EBITDA[2]	**$ 64,468**	**$ 7,190**	**$ 72,640**	**$ 233,275**	**$ 813**	**$ (38,479)**

	Three Months Ended					
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023
Free Cash Flow Reconciliation						
Net cash provided by (used in) operating activities	$ 127,459	$ (124,081)	$ 55,945	$ 125,291	$ 151,102	$ (81,936)
Less:						
Purchases of property and equipment	(21,175)	(23,370)	(37,836)	(46,925)	(47,630)	(36,943)
Free Cash Flow[3]	**$ 106,284**	**$ (147,451)**	**$ 18,109**	**$ 78,366**	**$ 103,472**	**$ (118,879)**

[1]Restructuring charges were composed primarily of severance and related charges of $91 million and $6 million in Q3 2022 and Q4 2022, respectively, stock-based compensation expense, lease exit and related charges, impairment charges, contract termination charges, and intangible asset amortization. These charges are non-recurring and not reflective of underlying trends in our business.
[2]Adjusted EBITDA is a non-GAAP measure, which we define as net income (loss), excluding interest income; interest expense; other income (expense), net; income tax benefit (expense); depreciation and amortization; stock-based compensation expense; payroll and other tax expense related to stock-based compensation; and certain other non-cash or non-recurring items impacting net income (loss) from time to time.
[3]Free Cash Flow is a non-GAAP measure, which we define as net cash provided by (used in) operating activities, reduced by purchases of property and equipment.
Numbers throughout presentation may not foot due to rounding.

Non-GAAP Financial Measures Reconciliation – Quarterly

(in thousands, unaudited)

	Three Months Ended					
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023
Non-GAAP net income (loss) reconciliation						
Net income (loss)	$ (359,624)	$ (422,067)	$ (359,502)	$ (288,460)	$ (328,674)	$ (377,308)
Amortization of intangible assets	22,505	64,134	18,701	18,073	17,755	18,405
Stock-based compensation expense	275,444	318,810	312,690	446,339	314,931	317,943
Payroll and other tax expense related to stock-based compensation	22,451	10,029	6,561	5,172	15,926	8,229
Restructuring charges[1]	—	—	154,563	34,386	—	—
Income tax adjustments	(61)	(504)	(954)	(988)	32	(269)
Non-GAAP net income (loss)[2]	**$ (39,285)**	**$ (29,598)**	**$ 132,059**	**$ 214,522**	**$ 19,970**	**$ (33,000)**
Weighted-average common shares - Diluted[3]	**1,619,113**	**1,632,140**	**1,608,523**	**1,573,883**	**1,581,370**	**1,603,172**

	Three Months Ended					
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023
Non-GAAP diluted net income (loss) per share reconciliation						
GAAP diluted net income (loss) per share	$ (0.22)	$ (0.26)	$ (0.22)	$ (0.18)	$ (0.21)	$ (0.24)
Non-GAAP adjustment to net income (loss)	0.20	0.24	0.30	0.32	0.22	0.22
Non-GAAP diluted net income (loss) per share[2]	**$ (0.02)**	**$ (0.02)**	**$ 0.08**	**$ 0.14**	**$ 0.01**	**$ (0.02)**

[1]Restructuring charges were composed primarily of severance and related charges of $91 million and $6 million in Q3 2022 and Q4 2022, respectively, stock-based compensation expense, lease exit and related charges, impairment charges, contract termination charges, and intangible asset amortization. These charges are non-recurring and not reflective of underlying trends in our business.
[2]We define Non-GAAP net income (loss) as net income (loss); excluding amortization of intangible assets; stock-based compensation expense; payroll and other tax expense related to stock-based compensation; certain other non-cash or non-recurring items impacting net income (loss) from time to time; and related income tax adjustments. Non-GAAP net income (loss) and weighted average diluted shares are then used to calculate Non-GAAP diluted net income (loss) per share.
[3]For all periods, weighted average common shares used in computation of diluted EPS primarily excluded unvested or unexercised stock-based awards, Convertible Notes, and Capped Call shares as they were anti-dilutive.
Numbers throughout presentation may not foot due to rounding.

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 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. 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 increase 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 identify these technical issues and improve both our accuracy and precision, including ensuring that our investors and others can understand the factors impacting our business, but these technical issues 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 may exclude those users from our age demographics or estimate their ages based on a sample of the self-reported ages that we do have. If our active users 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)

We count a DAU only when a user opens the application and only once per user per day. We believe this methodology more 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 becoming 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.