

SNAP INC. Q1 2026 QUARTERLY EARNINGS CALL TRANSCRIPT

OPERATOR

The first question comes from Ross Sandler with Barclays. You may proceed.

ROSS SANDLER, BARCLAYS

Hey guys. The 2Q revenue guidance has a couple point acceleration baked in at the high end. Just curious given what you said about the Middle East, what's driving that potential improving growth rate? Is it the ad business? Is it Snapchat+? Any additional color there? And then Evan, so I'm sure you saw the 70 page activist deck that was released. I'm just curious to get your take on some of the suggestions that were in that around cost improvement, monetization, and governance. Thanks a lot.

DEREK ANDERSEN, CHIEF FINANCIAL OFFICER

Hi Ross, it's Derek speaking. I'll take the first one there on the guide. It's probably worthwhile just to take a minute to contextualize the growth rates in Q1 and then what we're expecting in Q2. So in Q1, a couple different factors there on the growth rate. One is we had about a two point FX tailwind, but we also had the impact of the conflict in the Middle East that really impacted the business in March and those two essentially largely washed. So that left us with a 12% growth rate which was a 2 percentage point acceleration over Q4 and at the very high end of our guidance range with the strength there driven largely by this subscription business and the momentum we saw there in Q1. As we move into Q2, there are again a few different factors there. One, the comps on the growth rate in the prior year are a tailwind into Q2 of approximately five points from the prior year, but that's essentially fully offset by what we expect will be a diminished FX tailwind going from about two to about one point approximately. And then also we expect that the headwinds that we're seeing from the conflict in the Middle East will have a full quarter impact in Q2 relative to a single month impact in Q1. And so those two factors combined offset the comp. So with those factors set aside, you're really left with a two-point acceleration at the midpoint of the guide relative to Q1. And that I would attribute to the strength that we are seeing in the North America ads business. So we've been talking for some time about the improvements in pricing and yields that advertisers are enjoying there and the progress we've made with the ad platform and then improving ROAS that folks are seeing there and we saw that translate into really improved upfront commitments in Q1 and we talked about that in the letter being up about 10% year-over-year which is encouraging and that's starting to show up in the top line and that gave us the confidence to put that into the guide for Q2 with an acceleration there driven largely by the North America ads business

and the guidance there. Hopefully that gives you good context on what we're seeing there from quarter to quarter and what's driving the acceleration.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Hey Ross, it's Evan. Thanks so much for the question. You know, we're really grateful obviously from input from our shareholders and I think we've taken some strong actions already, you know, to operate with better discipline, to improve profitability and sharpen capital allocation. But fundamentally, we think our job is to operate the business in the long-term interests of our shareholders. And we're going to continue to invest against our core long-term opportunity.

OPERATOR

Thank you. The next question comes from Michael Nathanson with Moffett Nathanson. You may proceed.

MICHAEL NATHANSON, MOFFETT NATHANSON

Thanks. I have two for either of you guys. One is, you know, we cover Roku and CTV and what we've seen happen is Roku has added third party DSPs, you've been able to really accelerate ad growth because the walled gardens are hard to compete against. And I wondered, have you thought about it, contemplated the idea of perhaps opening your inventory up to more sellers on the DSP side to encourage more density in the auctions? You know, why or why not? And then on Snapchat+, it's impressive what you guys are doing. Is there any color you could give us on who these users are, where they're coming from, and kind of just the pricing dynamics that you see in terms of where you think you can raise the price here. So, anything you give us color on the sustainability of Snapchat+ would be great. Thanks.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Yeah, thanks so much for the question. You know, I think on the DSP side, we've just always believed that the advertiser relationship is very important strategically, especially as we've diversified with small medium customers and focus more on lower funnel objectives. I do think to your point there may be some opportunity around upper-funnel video demand that, you know, we've been considering, but we'd have to really carefully think through the channel conflict and how to grow that demand while continuing to build strong direct advertiser relationships. I do think scaling through partners is important and, as Derek mentioned, we do see some opportunity with agencies and by working more closely with them, so we are pleased to see the growth in those upfront commitments. On Snapchat+,

you know obviously the growth is really exciting. I think there are a couple different ways to look at the long-term opportunity. One is the increased tiers of Snapchat+. So we've seen some strong momentum with Lens+ which is really anchored around our AI creative and editing tools in the camera. And that I think could be a big opportunity for us long-term. It's obviously a higher price offering. And I think there's some real customer value there obviously with our strength in the camera and our lens ecosystem. So, tiering I think is certainly one approach and then you know we just continue to see growth as we roll out new features. We've got a community that really loves our product that's constantly asking for new and differentiated ways to use Snapchat. And so as we respond to those requests and continue to build out new features, that tends to drive subscriber growth. And then you know with the introduction of memories, we have seen overall retention for Snapchat+ improve as well. And so that you know is helping as we look at just the long-term growth and durability of the subscription product.

OPERATOR

Thank you. The next question comes from Doug Anmuth with J.P. Morgan. You may proceed.

DOUG ANMUTH, J.P. MORGAN

Hi, this is Maggie on for Doug. Thanks for taking the question. I was wondering if you can just talk a bit more about the broader opportunity you see with AI sponsored snaps and sort of what you're hearing from advertisers in terms of overall interest in something like this. Thank you.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Yeah. Hey, thanks Maggie. Advertiser feedback has been really positive. I think mostly because sponsored snaps are showing that chat can be monetized in a way that's really native to Snapchat and brands are loving this combination of very high reach and high attention especially because chat is such a high frequency behavior on Snapchat throughout the day. So I think what's important for us strategically is that chat's not just another inventory pool. It really gives us a differentiated environment where brands can engage users in you know more direct and more personal way and AI sponsored snaps are really an extension of that because they can make those interactions and those conversations more useful and more relevant over time. So I think looking forward, the roadmap is really about just careful expansion of capability, improving demand and yield obviously of sponsored snaps, adding more Direct Response features and then continuing to work with new partners like Experian to evolve the AI sponsored snap product.

OPERATOR

Thank you. The next question comes from Rich Greenfield with Lightshed Partners. You may proceed.

RICH GREENFIELD, LIGHTSHED PARTNERS

Hey, thanks for taking the question. You know Evan, it looks like your North American ad business was down, you know, call it about 7% with the overall growth driven by subscription. I'm wondering how much of that downdraft in ad revenue is being caused by the drop in North American DAU versus the transition that you and Derek talked about towards performance advertising. And fundamentally, can you grow North American ad revenue without reversing the trend in users? And I guess related to that, just given the growth that everyone is excited about on the subscription side of the business. How are you balancing your own time and focus on the subscription business versus the ad business overall?

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Yeah. Hey, thanks Rich. So, I think you know at a high level just looking at the North America DAU trend, it has been improving over the past two quarters after we pulled back on broad-based user acquisition spend. And you know, I think we currently forecast something like a decline of 1 million DAU in North America in Q2. But we also see a path to flat quarter-over-quarter if we can continue to land product improvements. So I think, you know, more interestingly though under the hood, monetizable daily active users - meaning users who see an ad, make an in-app purchase, or have a subscription - they've actually grown in North America and the US over the past two years with a meaningful increase, obviously, with the launch of sponsored snaps which really extended ad reach into the messaging surface. So overall the monetizable user trends have been improving while the North America large customer business has struggled and puts some downward pressure on the overall ad business. So, what has been encouraging to see is that the North America SMB business grew approximately 30% year-over-year in Q1. So, there's some nice momentum in the North America SMB business. And we have seen some modest improvement as Derek said in the large customer segment. So, we're very focused on that large customer segment, especially around upper-funnel brand advertising. And, you know, with new leaders in place, with the team working more effectively together, we'd really like to see some more progress there as we work through the year. And then the Direct Revenue opportunity is a very large opportunity for us just given the frequency of use and the passion you know that our community really has for Snapchat. So you know we're

continuing to develop the product offering. It's something we love to do, and as I mentioned, creating new tiers as well, we think, can contribute to increasing overall subscription ARPU.

OPERATOR

The following comes from Nitin Bansal with Bank of America. You may proceed.

NITIN BANSAL, BANK OF AMERICA

Thank you for taking my question. So Snapchat+ subscriber growth and revenue growth has remained quite strong. You mentioned memory and Lens+ as the three drivers behind the recent strength. Can you talk about, like, how sustainable do you believe the current growth trajectory is over the medium term and whether you see any additional opportunities to deepen monetization and retention as the feature set continues to expand. Thank you.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Yeah, we're really excited about the growth in Direct Revenue and we do think the subscription business and in-app purchases as well can continue to contribute to our overall revenue growth. I think you know the importance for us is really just focusing on the user experience making sure we're really delivering things that folks view as valuable to their overall product experience. I think recent additions like creator subscriptions, for example, both strengthen the content ecosystem by building, you know, deeper relationships between users and creators, creating new ways for creators to monetize, and obviously contributing to the overall Direct Revenue business. Lens+ I already mentioned but, I think, is a really meaningful opportunity just given the excitement and momentum we see around AI creative tools and AI editing for images and videos. So we certainly think that that could help drive ARPU higher over time. And then the core Snapchat+ offering is really important to us, and I think we've been excited to see that folks who have entered through that memory storage entry point, you know, are selecting into Snapchat+ to get those additional features. And that's also been a tailwind as well.

OPERATOR

Thank you. The next question comes from Mark Shmulik with Bernstein. You may proceed.

MARK SHMULIK, BERNSTEIN

Yes, thanks for taking the question. Evan, sorry, just another one on Direct Revenue, but you know, I kind of always come back to that kind of quote. You know, it may not be the

business you set out to kind of go after, but might be the one you're best served to deliver. You know, when you look at kind of the torque and acceleration in that, and the imminent kind of launch of Specs, is there a different way to think about what Snapchat looks like 12-24 months from now that you know, may be quite different than what you were thinking of 6-12 months ago.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Hey, Mark. Yeah, I think that's a really inspiring question. Something we've thought a lot about. Obviously, we've worked on Specs for I think something like 12 years now. So, we really have believed that we can innovate and build awesome products for our community that they want to buy. And I think seeing that reflected in the Direct Revenue business and in Snapchat+ has really built a lot more confidence in the team because we love to innovate for our community and being able to demonstrate that our community is willing to pay for that innovation I think really bodes well for the future of the platform and the future of Specs. So certainly a lot of opportunity there. We're really excited to have more diversified revenue. Obviously the growth has been fantastic and it should just, you know, help us create a much more resilient business over time.

OPERATOR

Thank you. The next question comes from Eric Sheridan with Goldman Sachs. You may proceed.

ERIC SHERIDAN, GOLDMAN SACHS

Thanks so much for taking the question. Maybe building on that answer, Evan, can you talk a little bit about some of the execution pieces that still have to be put in place as you look towards the remainder of this year with respect to the Specs roll out? Can you also talk to the Qualcomm collaboration and how to think about what that means for where you want to go as a platform and an ecosystem going forward? And then lastly, just how should we be thinking about Agentic AI as sort of an interface for Specs over the medium to long term as well. Thanks so much.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Yeah, a lot of great questions in there and probably could talk for hours about that. I think you know just looking ahead to the launch of Specs later this year. It's just all hands on deck to execute and deliver an amazing product experience. We hope folks will join us at AWE on June 16th. We'll have more to share, you know, on our progress on Specs. Certainly we are spending a lot of time on the long-term roadmap there as well and as you

mentioned the way that people are using their computers is changing really dramatically and I think that that's going to be evident in the adoption of wearables and the adoption of Specs over time because people are going to spend less time hunched over their computers or their phones typing away on keyboards and spend more time supervising agents who are doing that work on their behalf. So we actually had a team member who, with AI, built out a pretty cool lens called Agent Center, where you can oversee and manage your agents through Specs you know with the current developer version of the glasses which is a pretty cool way you know to stay on top of what your agents are getting done for you without carrying your laptop around. So certainly I think a lot of opportunity there and the way that people are using computing is changing so fundamentally in so many ways at this moment and we're just so excited to get this product out into the world soon.

OPERATOR

Thank you. Our last question comes from Dan Salmon with New Street Research. You may proceed.

DAN SALMON, NEW STREET RESEARCH

Great. Good afternoon everyone. Evan, can we hear maybe a little update on how you and the company are addressing various pieces of legislation and litigation around the world regarding potential restrictions on teen social media and oftentimes mobile phone use as well. Just love to hear a little bit more about age verification work including with the app stores, how your legal and policy teams are approaching the issue as it evolves in different jurisdictions and how you and the team are planning for different ranges of potential outcomes. Thanks.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Thanks so much for the question. It's certainly something we care a lot about and we invest deeply in keeping people safe on Snapchat and you know we're thinking a lot about how we continue to evolve the platform. I think one of the biggest challenges we face is that we often get lumped in with social media even though Snapchat's really different. It's focused on communication especially between friends and family and we see that validated in third party research that continues to show that Snapchat can have a positive impact on well-being and on relationships. And so we really are, you know, proud of the positive impact that we can play in people's lives and we have to do a lot of work to continue differentiating ourselves from more traditional social media platforms. I think age assurance is certainly an important issue for us. It's something that we're, you know, continuing to improve on the platform. We did integrate with Apple's new offering.

Unfortunately, that offering requires users to essentially agree to share their age with Snapchat rather than being something that's on by default. And so that does in some ways limit its usefulness. So we are exploring other, you know, additional age assurance practices. You know we've implemented things like facial scanning or ID verification in Australia and that's something we may roll out more broadly as things progress through the year.

OPERATOR

This concludes our question and answer session as well as Snap Inc.'s first quarter 2026 earnings conference call. Thank you for attending today's session. You may now disconnect.