

Snap Inc.

Q1 2026 Earnings Slides

May 6, 2026

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 events and 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 contained 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 events and 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.

First Quarter 2026 Financial Summary

Revenue

- Revenue was \$1,529 million, compared to \$1,363 million in the prior year, an increase of 12%¹ year-over-year.
- Average revenue per user was \$3.17, compared to \$2.96 in the prior year.

Operating Performance

- GAAP gross margin was 56%, compared to 53% in the prior year.
- Adjusted Gross Margin² was 57%, compared to 53% in the prior year.
- Net loss was \$89 million, compared to \$140 million in the prior year.
- Adjusted EBITDA³ was \$233 million, compared to \$108 million in the prior year.
- Net loss margin was (6)%, compared to (10)% in the prior year.
- Adjusted EBITDA Margin³ was 15%, compared to 8% in the prior year.

Cash

- Operating cash flow was \$327 million, compared to \$152 million in the prior year.
- Free Cash Flow⁴ was \$286 million, compared to \$114 million in the prior year.
- Cash, cash equivalents, and marketable securities were \$2.8 billion as of March 31, 2026.

¹Constant currency revenue increased 10% year-over-year to \$1,500 million in Q1 2026. Constant currency revenue differs from GAAP revenue by approximately \$29 million due to the impact of foreign exchange rates. Constant currency revenue is a non-GAAP measure. Refer to Appendix slide 3 for further detail.

²Adjusted Gross Margin is a non-GAAP measure. Refer to slide 10 for additional information.

³Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP measures. Refer to slide 12 for additional information.

⁴Free Cash Flow is a non-GAAP measure. Refer to slide 14 for additional information.

Quarterly information is unaudited. Numbers throughout presentation may not foot due to rounding.

Business Highlights

We deepened engagement with our community:

- The Snapchat community continues to grow, reaching 956 million global monthly active users (MAU) in Q1, an increase of 43 million or 5% year-over-year and Global Daily Active Users (DAU) grew to 483 million or 5% year-over-year.
- Our focus on prioritizing authentic content created using the Snapchat Camera and our investments in the Creator experience are driving Spotlight posts, contributing to nearly 74% year-over-year growth in Spotlight posters in the US and over 61% globally.
- The March Madness Topic Chat was one of the most active real-time group chats with more than 90,000 chats sent to the group and, at peak moments, over 40,000 people active in the chat simultaneously.
- Our community used AR Lenses in our Snapchat camera more than 9 billion times per day on average in Q1, driven by 75% of Snapchatters engaging with AR every day on average.
- We continue to see strong momentum in our creator and developer ecosystem, with more than 400,000 Lenses submitted in the quarter, increasing more than 150% year-over-year.
- The Snap Map reached over 450 million global monthly active users in Q1, reflecting strong continued engagement.

We are focused on accelerating and diversifying our revenue growth:

- In Q1, Sponsored Snaps drove strong performance gains, with per-impression click-through rates increasing 226% and 7-day conversion volume rising 59%.
- We launched AI Sponsored Snaps, a new format that enables brands to engage Snapchatters through interactive, AI-powered conversations in Chat and extends our strategy of delivering more personalized, high-intent advertising experiences.
- Promoted Places campaigns demonstrated strong impact, with Carl's Jr. achieving an 18% lift in incremental visits alongside gains in ad awareness and brand favorability.
- Dynamic Product Ads revenue grew more than 30% year-over-year, while adoption among small and medium-sized customers more than doubled.
- We directly monetized the growing engagement on Snapchat, with Other Revenue increasing 87% year-over-year to \$285 million.

Business Highlights (Continued)

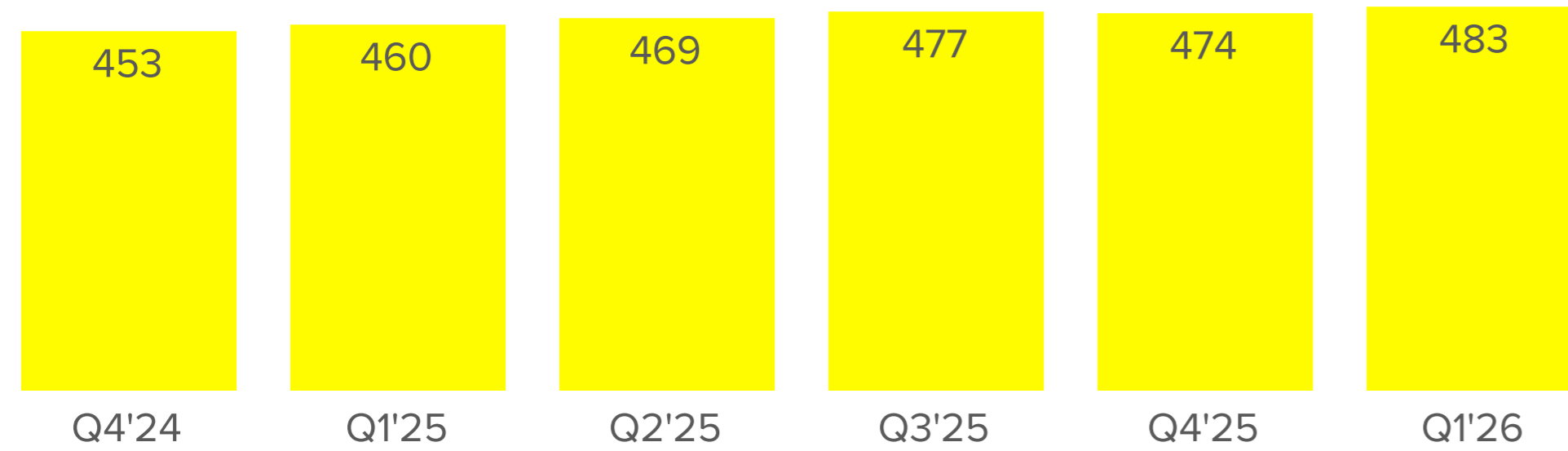
We are making computers more human with Specs:

- We expanded our strategic collaboration with Qualcomm Technologies, Inc. to bring their industry-leading Snapdragon system-on-a-chip (SoC) to future generations of Specs, strengthening the platform for developers and partners.
- We partnered with Jonathan Yeo to bring his exhibition, “Spectacular: The Art of Jonathan Yeo in Augmented Reality” - first shown at the Centre Pompidou - to SXSW in Austin, transforming his iconic portraits into living, responsive installations through Spectacles.
- We are seeing high levels of engagement and sustained growth in Specs Lens creation, with the number of Lenses submitted increasing 28% year-over-year.
- We are seeing expanding use cases across learning, gaming, and AI-powered experiences, with developers building immersive experiences in preparation for launch, including:
 - Fossils, created by XR focused company VyuXR Immersive Studios, is an interactive AR learning experience that uses spatial puzzle mechanics to let users uncover and assemble prehistoric fossils while bringing extinct animals to life.
 - Artel, created by Yegor Ryabtsov, is an AR drawing app that lets users create in 3D space with a wide range of brushes, colors, and effects, and now includes physics-based interactions that allow drawings to respond to gravity and motion.

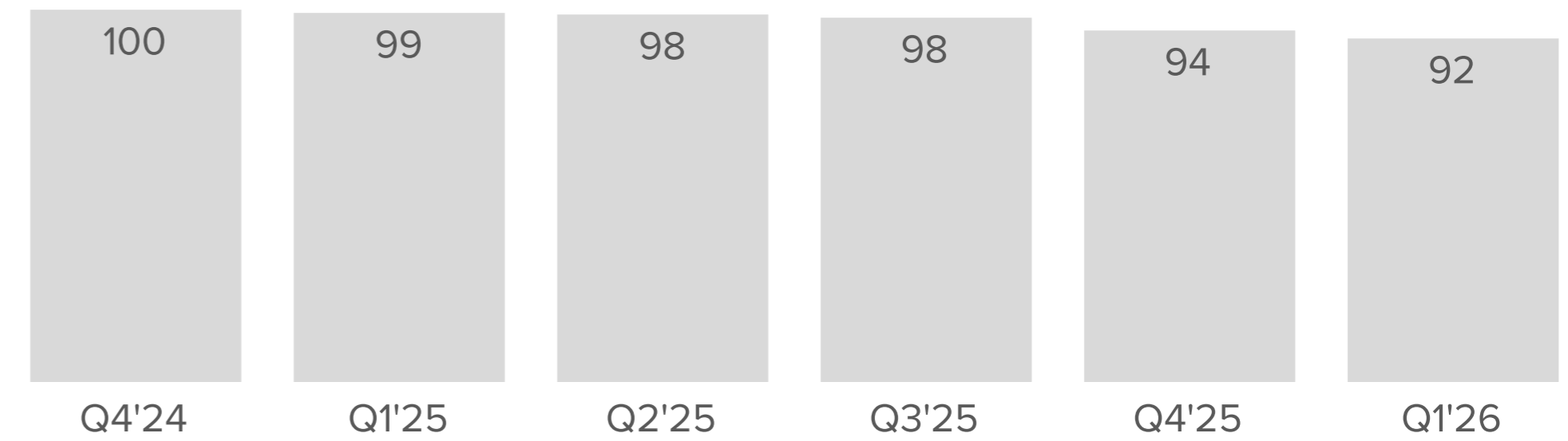
Average Daily Active Users (DAU)

(in millions, unaudited)

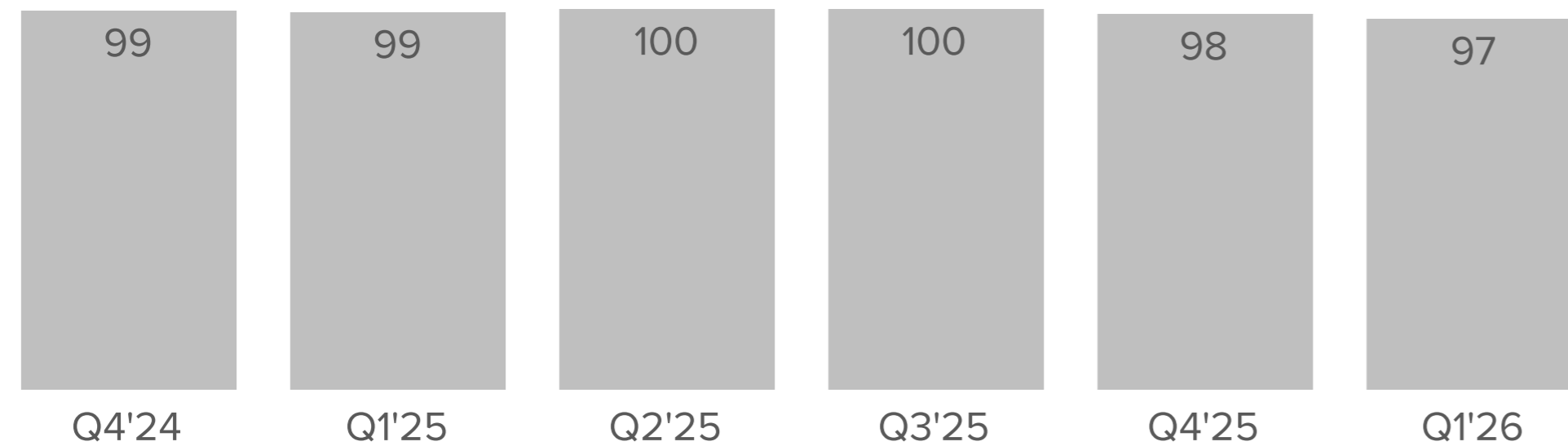
GLOBAL



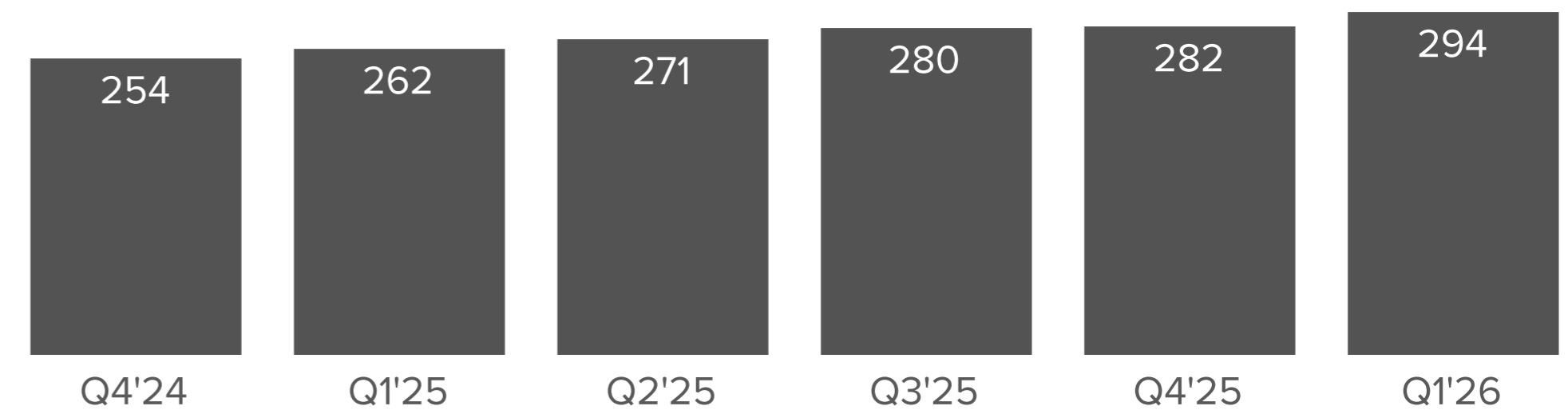
NORTH AMERICA¹



EUROPE²



REST OF WORLD



We define a Daily Active User, or DAU, as a registered and logged-in Snapchat user who visits Snapchat through our applications or websites 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.

¹North America includes Mexico, the Caribbean, and Central America.

²Europe includes Russia and Turkey.

Numbers throughout presentation may not foot due to rounding.

GLOBAL DAU INCREASED 23 MILLION, OR 5%, YoY

Average Monthly Active Users (MAU)

(in millions, unaudited)

GLOBAL MAU



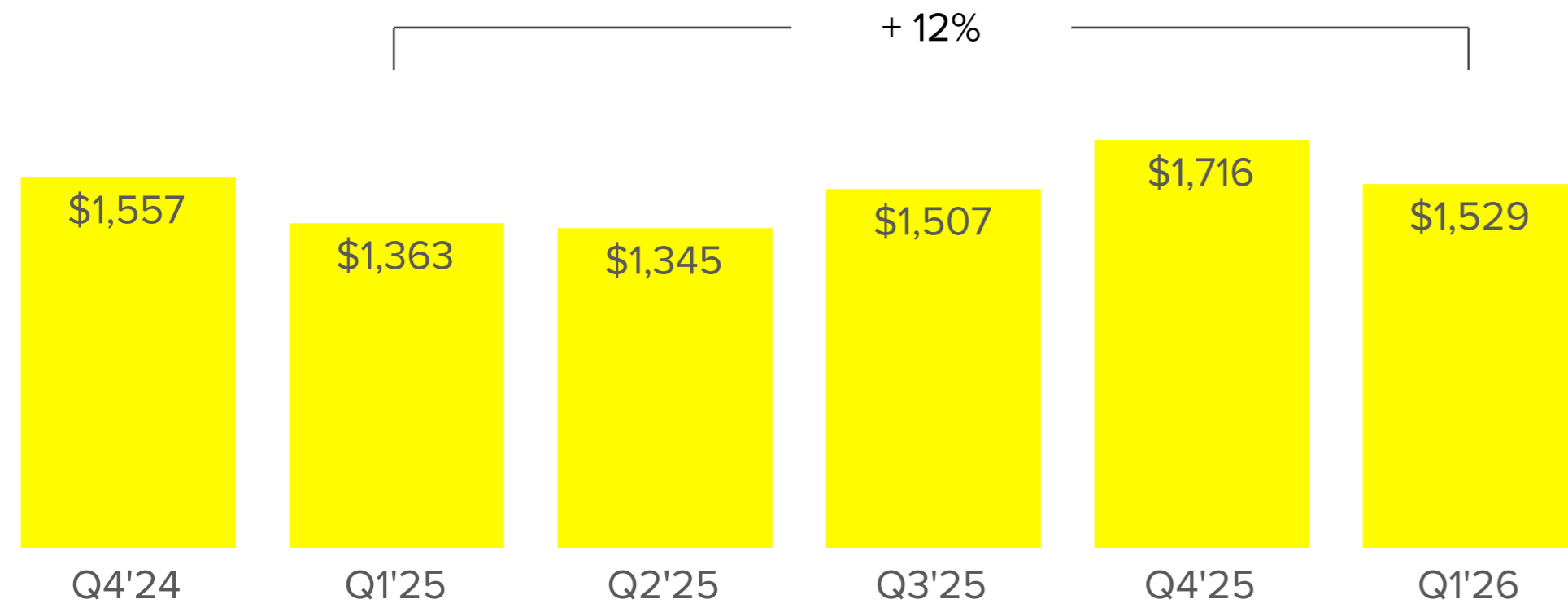
We define a Monthly Active User, or MAU, as a registered and logged-in Snapchat user who visits Snapchat through our applications or websites at least once during the 30-day period ending on the calendar month-end. We calculate average MAUs for a particular quarter by calculating the average of the MAUs as of each calendar month-end in that quarter.

GLOBAL MAU INCREASED 43 MILLION, OR 5%, YoY

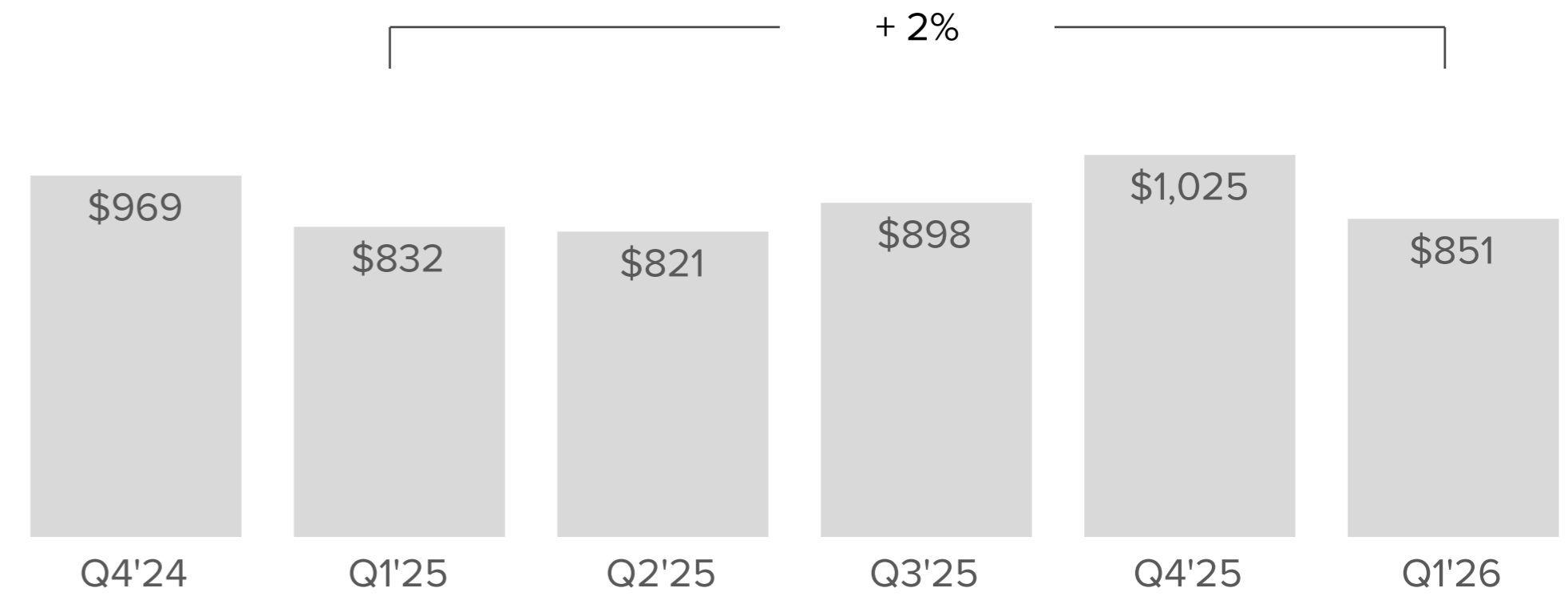
Revenue by Geography

(in millions, unaudited)

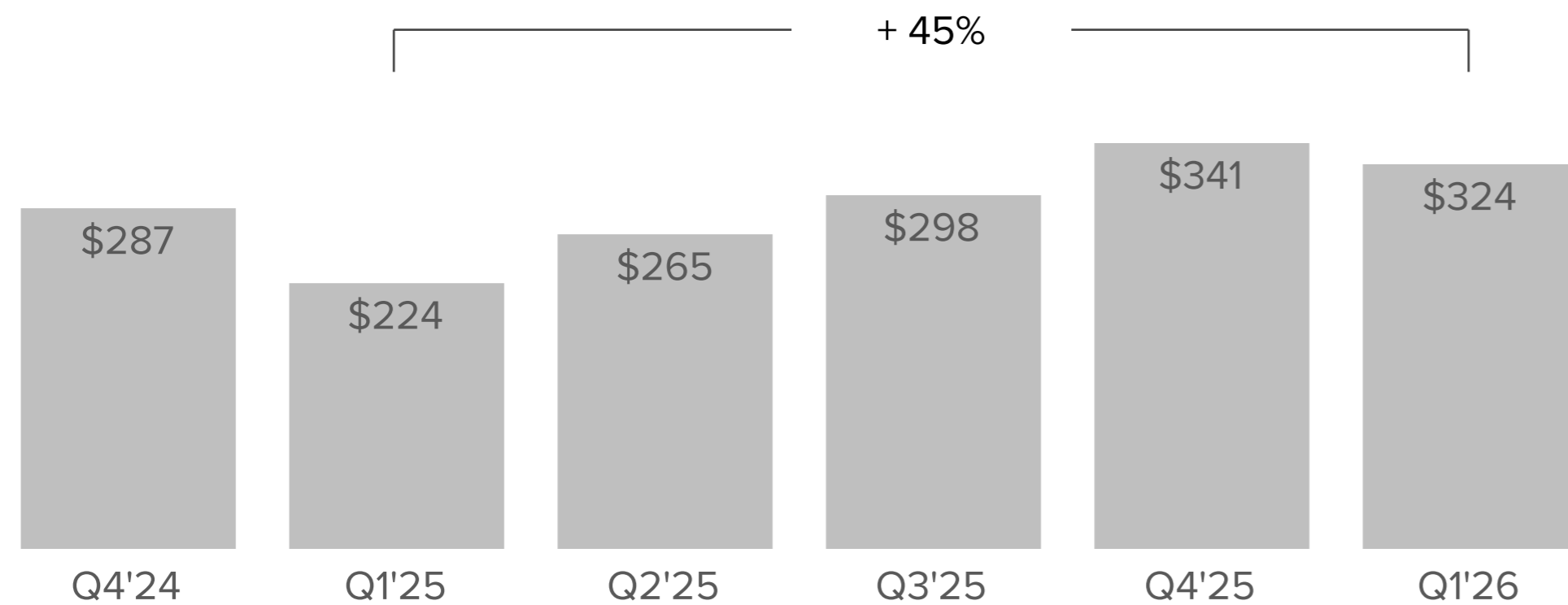
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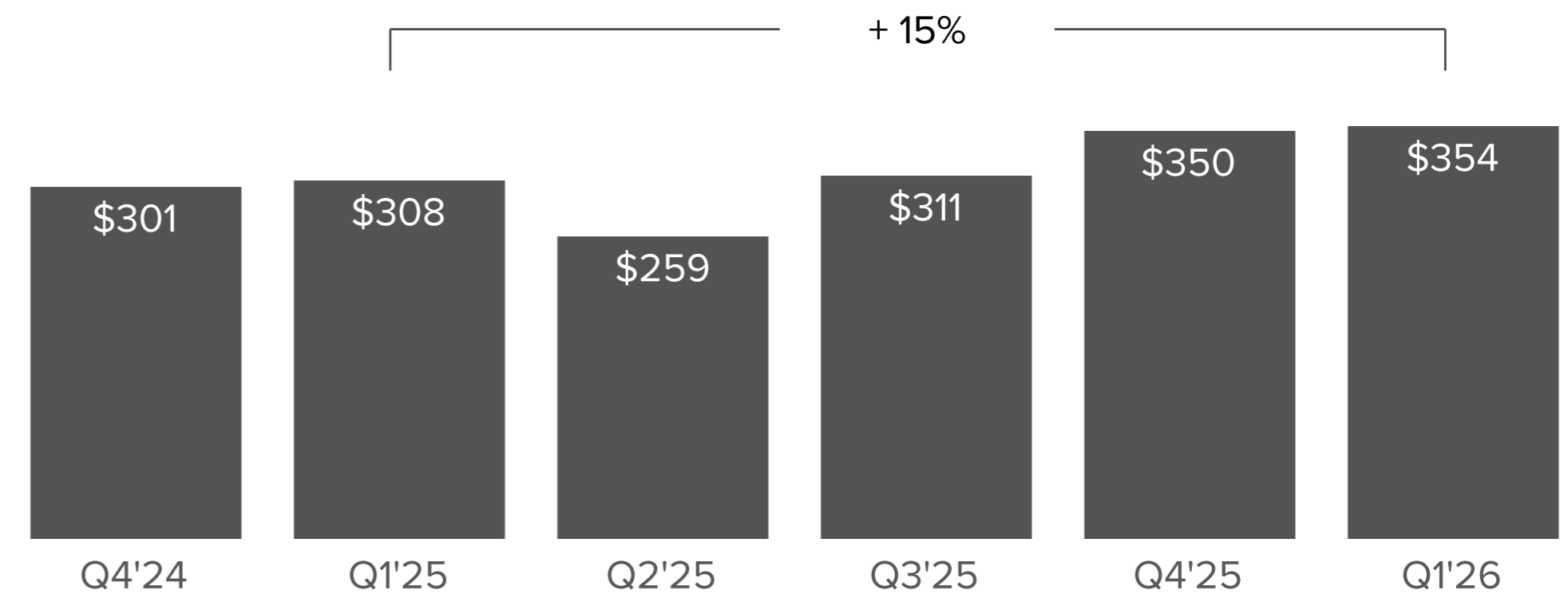
NORTH AMERICA¹



EUROPE²



REST OF WORLD



Revenue for geographic reporting is attributed to regions based on our estimate of where revenue-generating activities occur, which is generally determined by the billing address of the customer. For advertising revenue, we allocate revenue based on the geographic location where advertising impressions are delivered, as this approximates revenue based on user activity. This allocation is consistent with how we determine ARPU.

¹North America includes Mexico, the Caribbean, and Central America.

²Europe includes Turkey. Europe also includes Russia and Belarus; however, we maintain a policy prohibiting sales to entities in these countries.

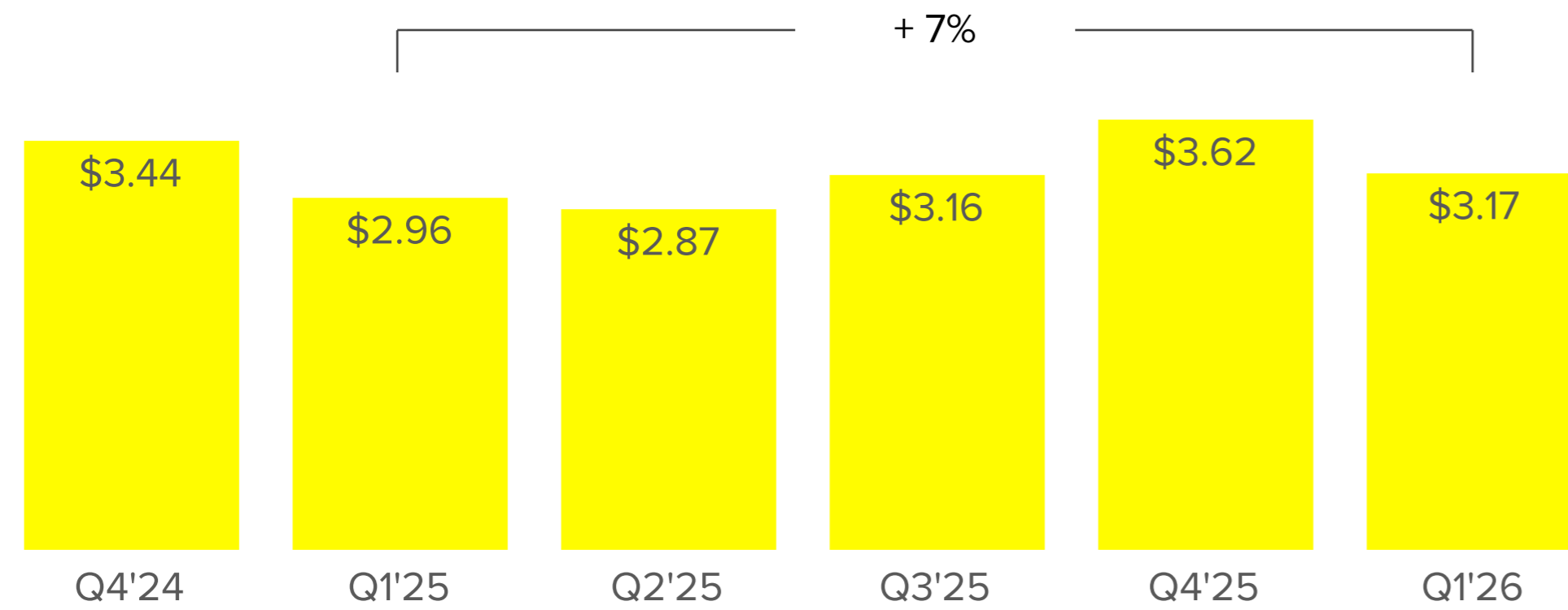
Numbers throughout presentation may not foot due to rounding.

GLOBAL REVENUE INCREASED 12% YoY

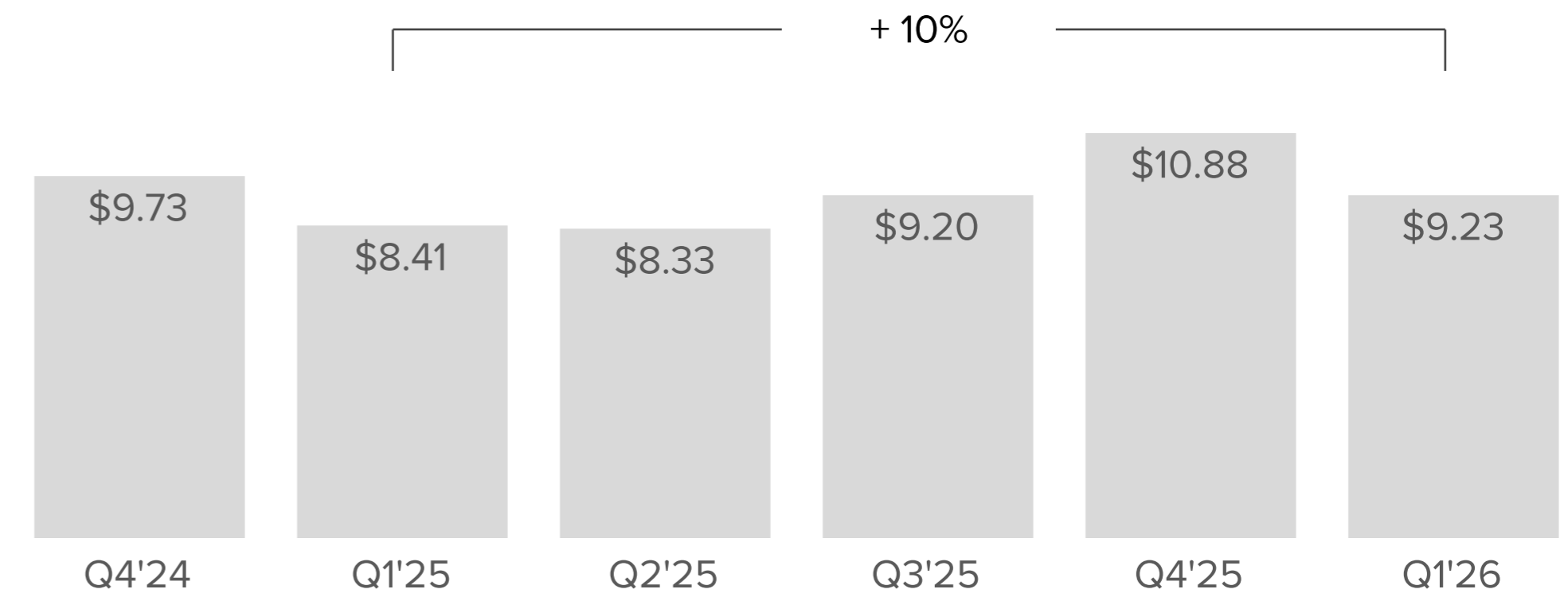
Average Revenue Per User (ARPU)

(unaudited)

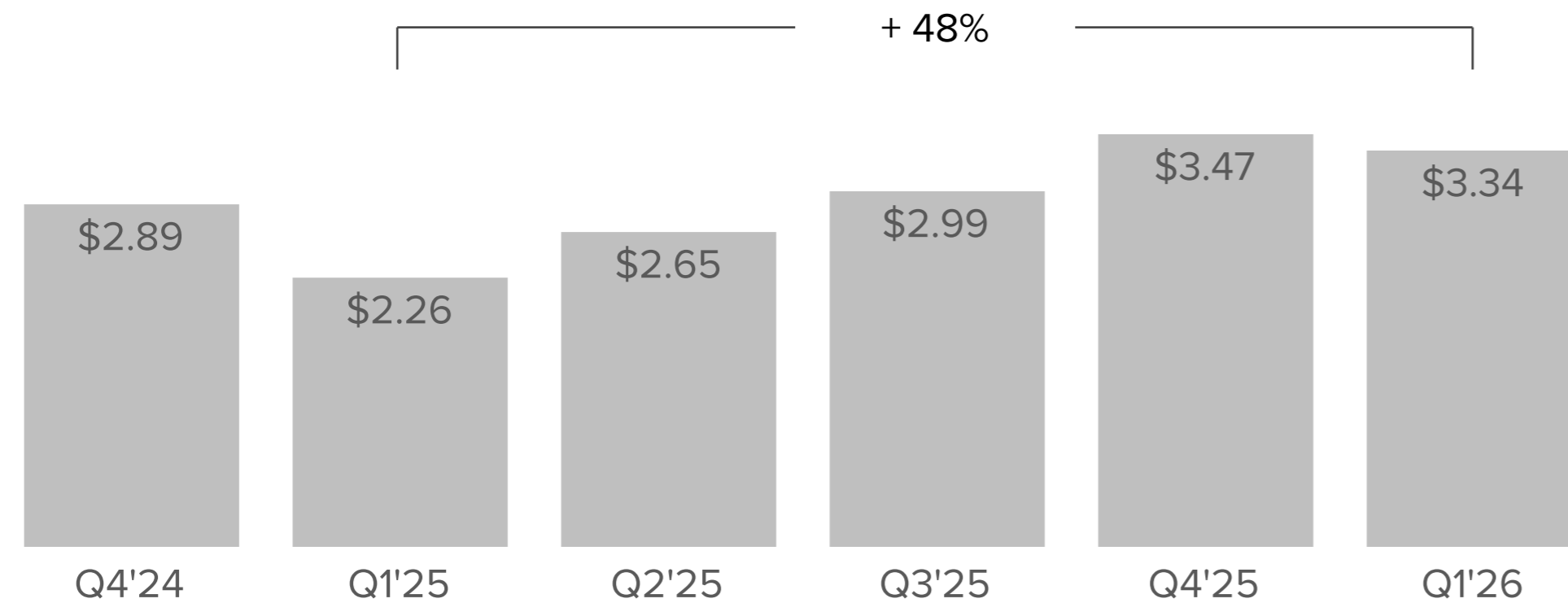
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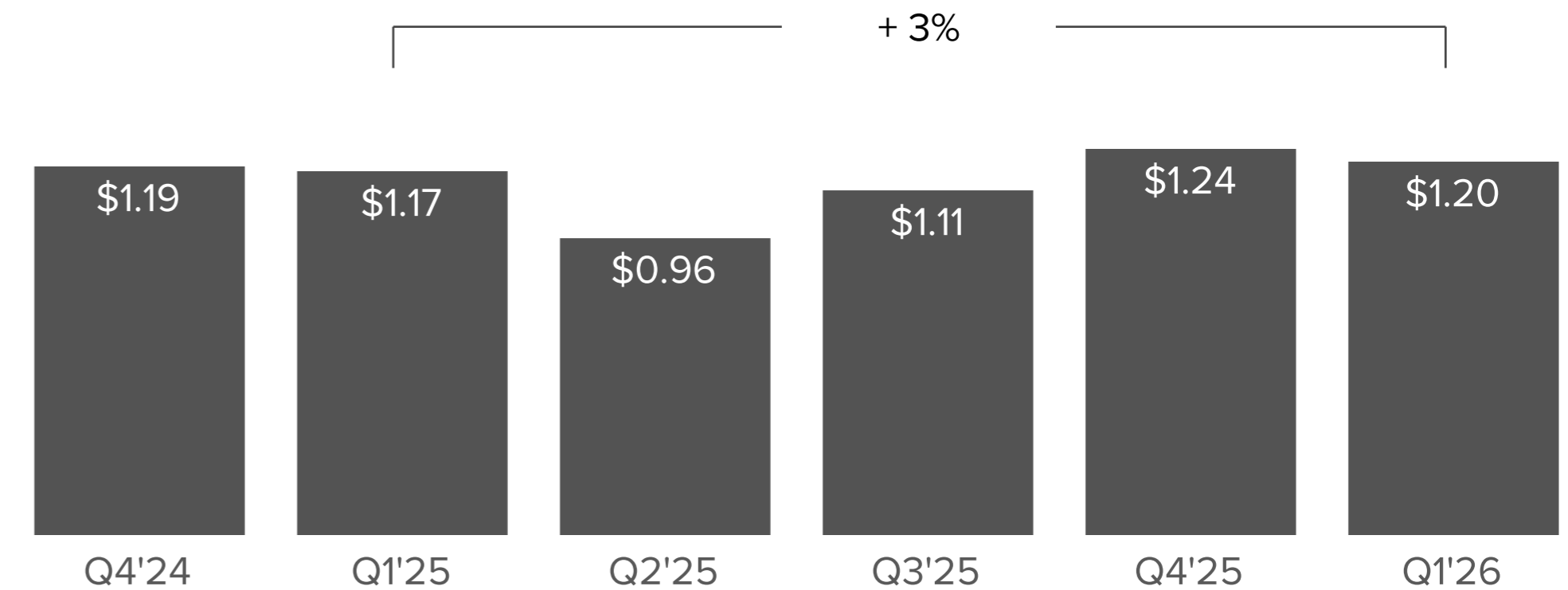
NORTH AMERICA¹



EUROPE²



REST OF WORLD



We define ARPU as quarterly revenue divided by the average Daily Active Users. For purposes of calculating ARPU, we attribute revenue to regions based on our estimate of where revenue-generating activities occur, which is generally determined by the billing address of the customer. For advertising revenue, we allocate revenue based on the geographic location where advertising impressions are delivered, as this approximates revenue based on user activity.

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²Europe includes Turkey. Europe also includes Russia and Belarus; however, we maintain a policy prohibiting sales to entities in these countries.

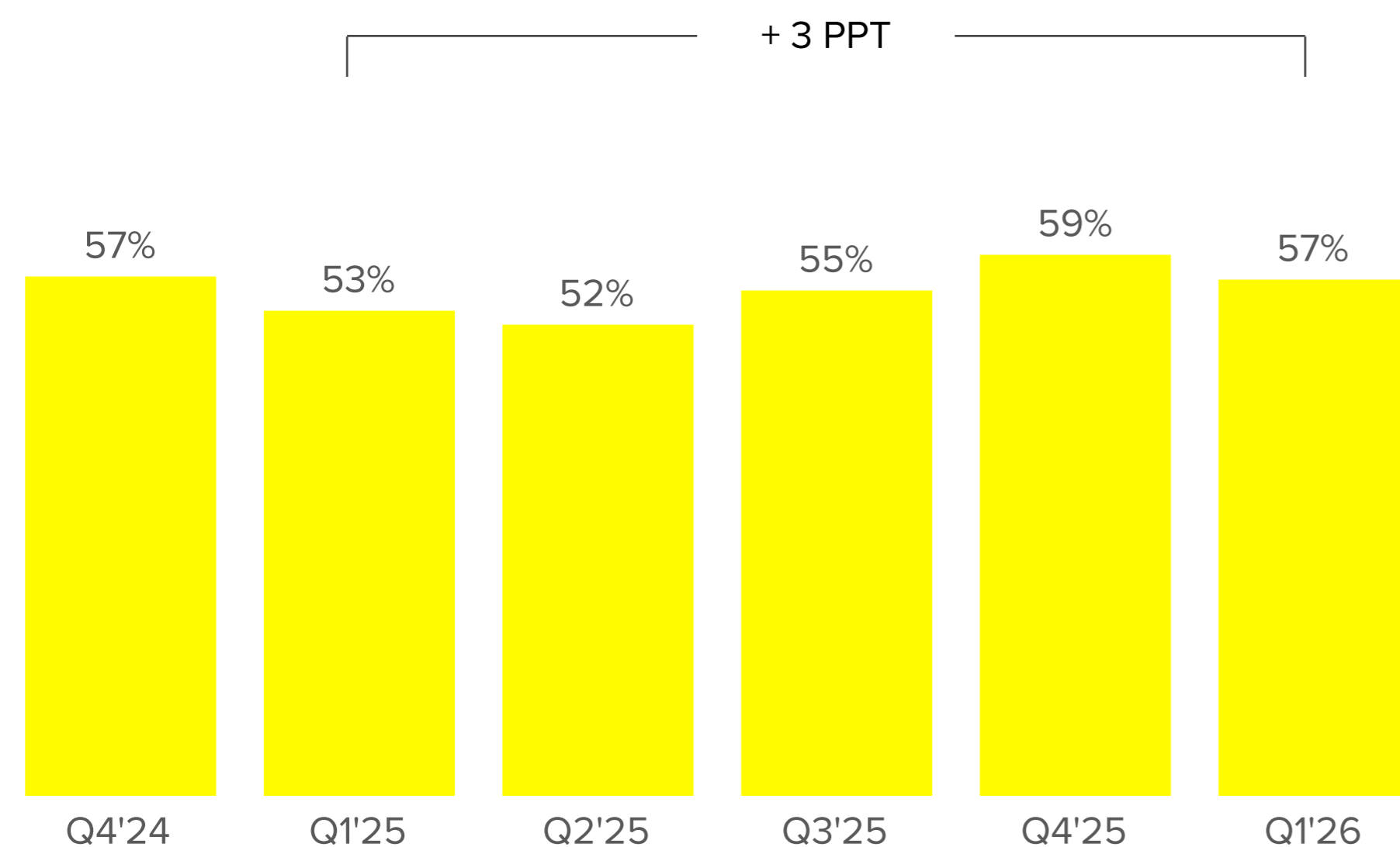
Numbers throughout presentation may not foot due to rounding.

GLOBAL ARPU WAS \$12.81 OVER THE TRAILING TWELVE MONTHS

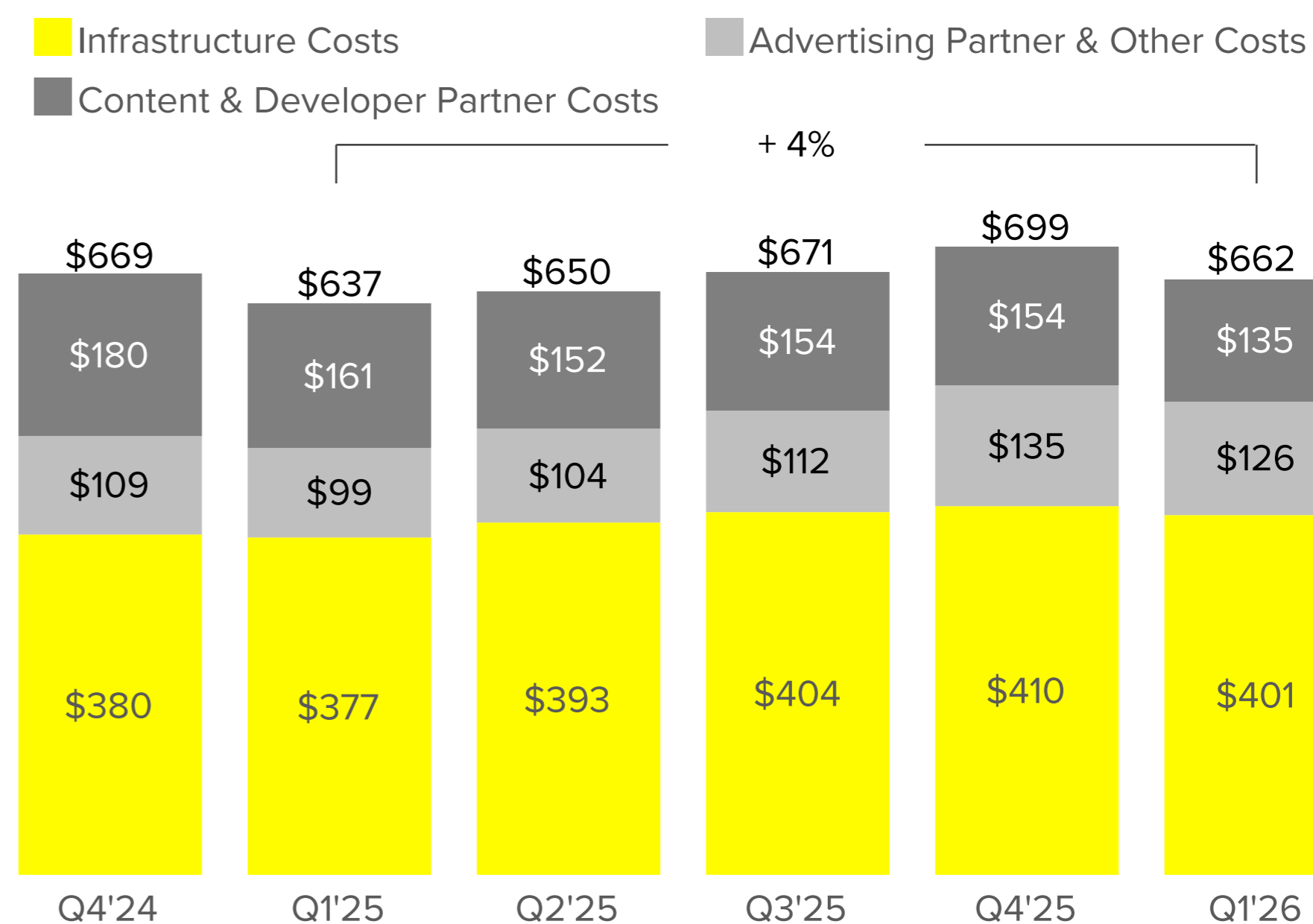
Adjusted Gross Margin and Adjusted Cost of Revenue¹

(dollars in millions, unaudited)

ADJUSTED GROSS MARGIN¹



ADJUSTED COST OF REVENUE¹ COMPOSITION



Non-GAAP Exclusions¹

GAAP Cost of Revenue

Non-GAAP Exclusions ¹	\$3	\$3	\$3	\$3	\$4	\$3
GAAP Cost of Revenue	\$672	\$640	\$653	\$674	\$702	\$665

GAAP Gross Margin

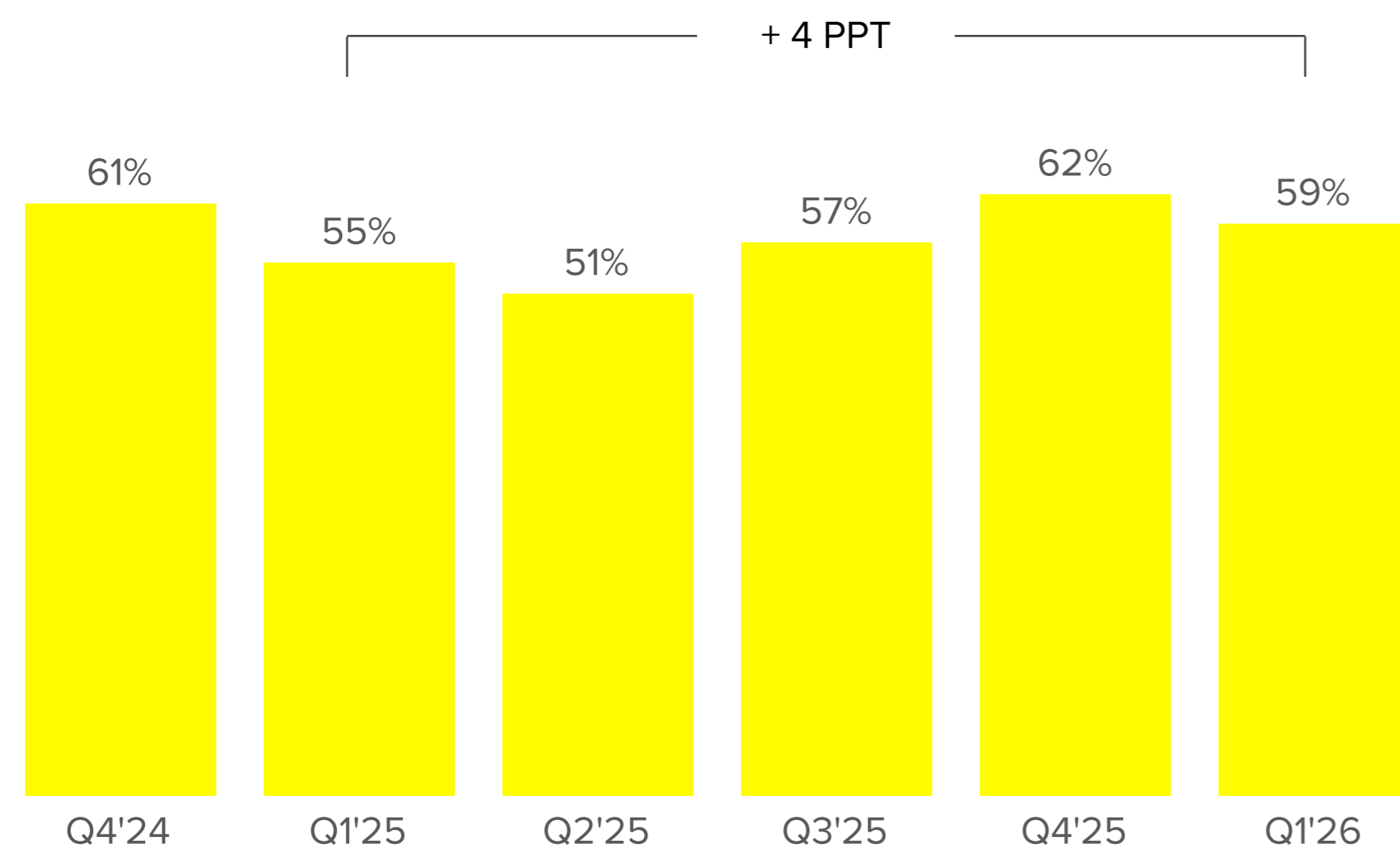
GAAP Gross Margin	57%	53%	51%	55%	59%	56%
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¹Adjusted Gross Margin is a non-GAAP measure, which we define as GAAP revenue less Adjusted Cost of Revenue divided by GAAP revenue. Adjusted Cost of Revenue is a non-GAAP measure and excludes stock-based compensation expense, payroll and other tax expense related to stock-based compensation, depreciation and amortization, and certain other items impacting net income (loss) from time to time. See Appendix for a reconciliation of GAAP Cost of Revenue to Adjusted Cost of Revenue. Numbers throughout presentation may not foot due to rounding.

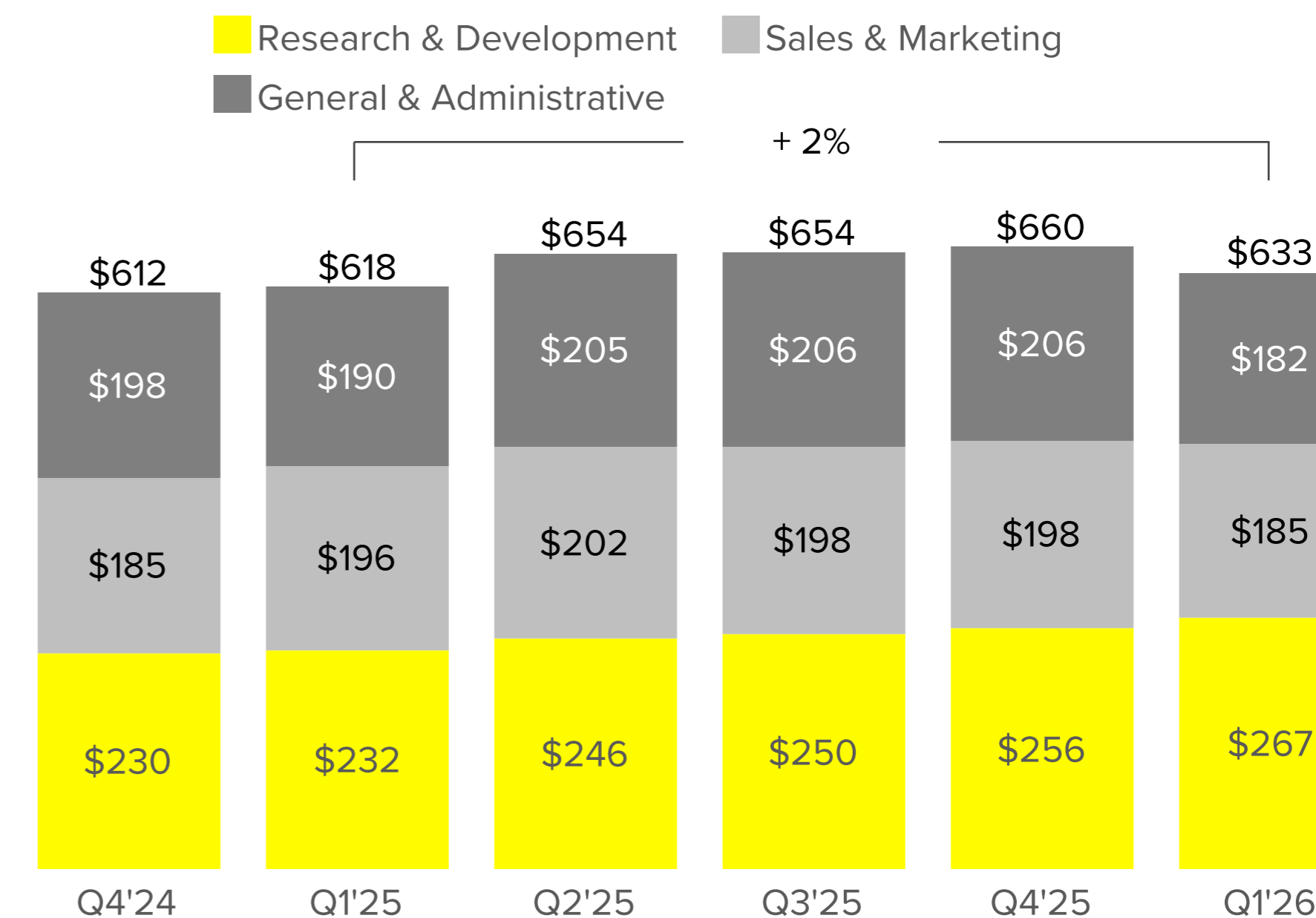
Adjusted Operating Expense Margin and Adjusted Operating Expenses¹

(dollars in millions, unaudited)

ADJUSTED OPERATING EXPENSE MARGIN¹



ADJUSTED OPERATING EXPENSES¹ COMPOSITION



Non-GAAP Exclusions¹

Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26
\$300	\$299	\$298	\$307	\$304	\$305

GAAP Operating Expenses

Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26
\$913	\$917	\$951	\$961	\$964	\$938

GAAP Operating Expense Margin

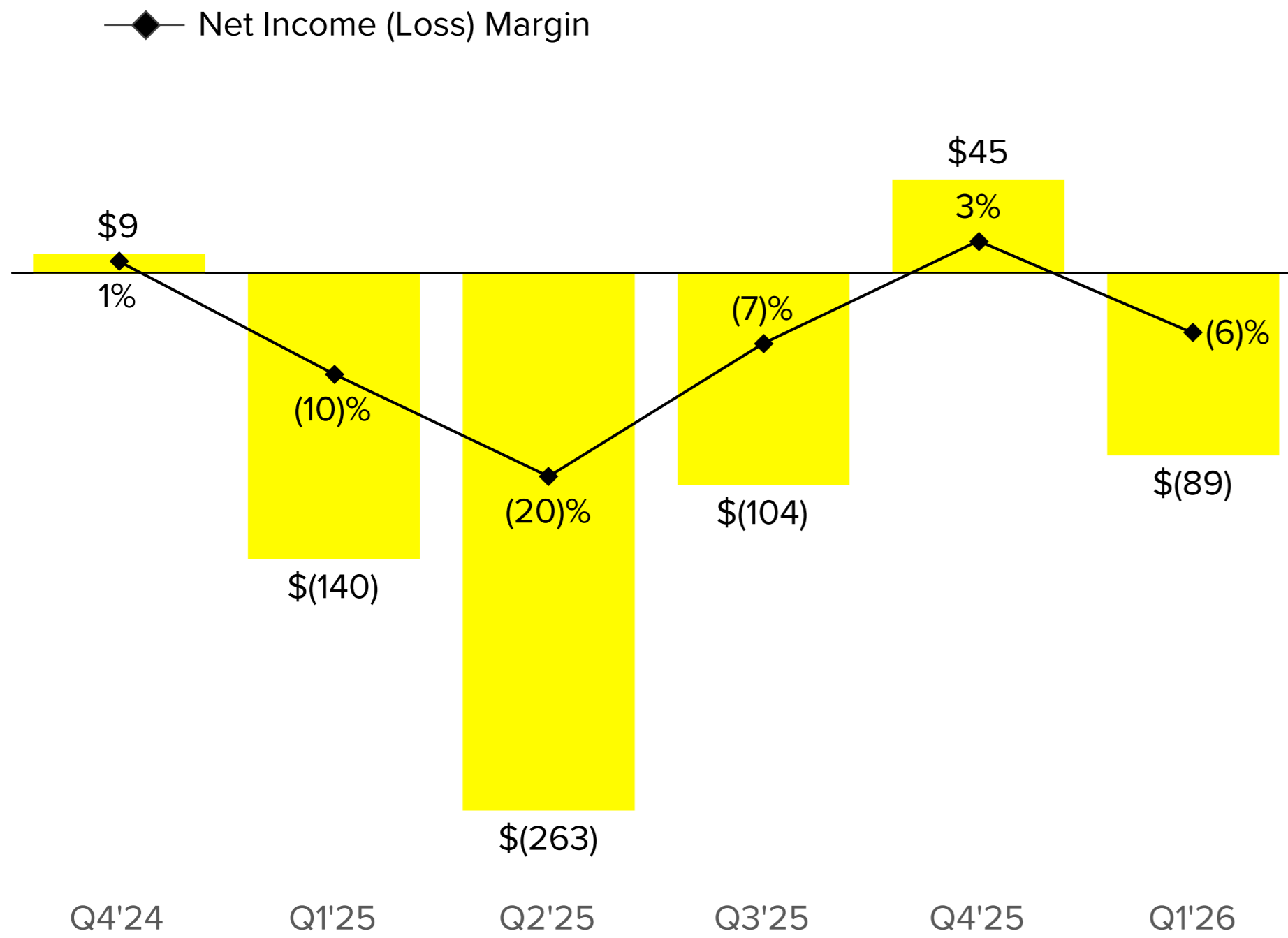
Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26
41%	33%	29%	36%	44%	39%

¹Adjusted 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 items impacting net income (loss) from time to time. See Appendix for a reconciliation of GAAP Operating Expenses to Adjusted Operating Expenses. Numbers throughout presentation may not foot due to rounding.

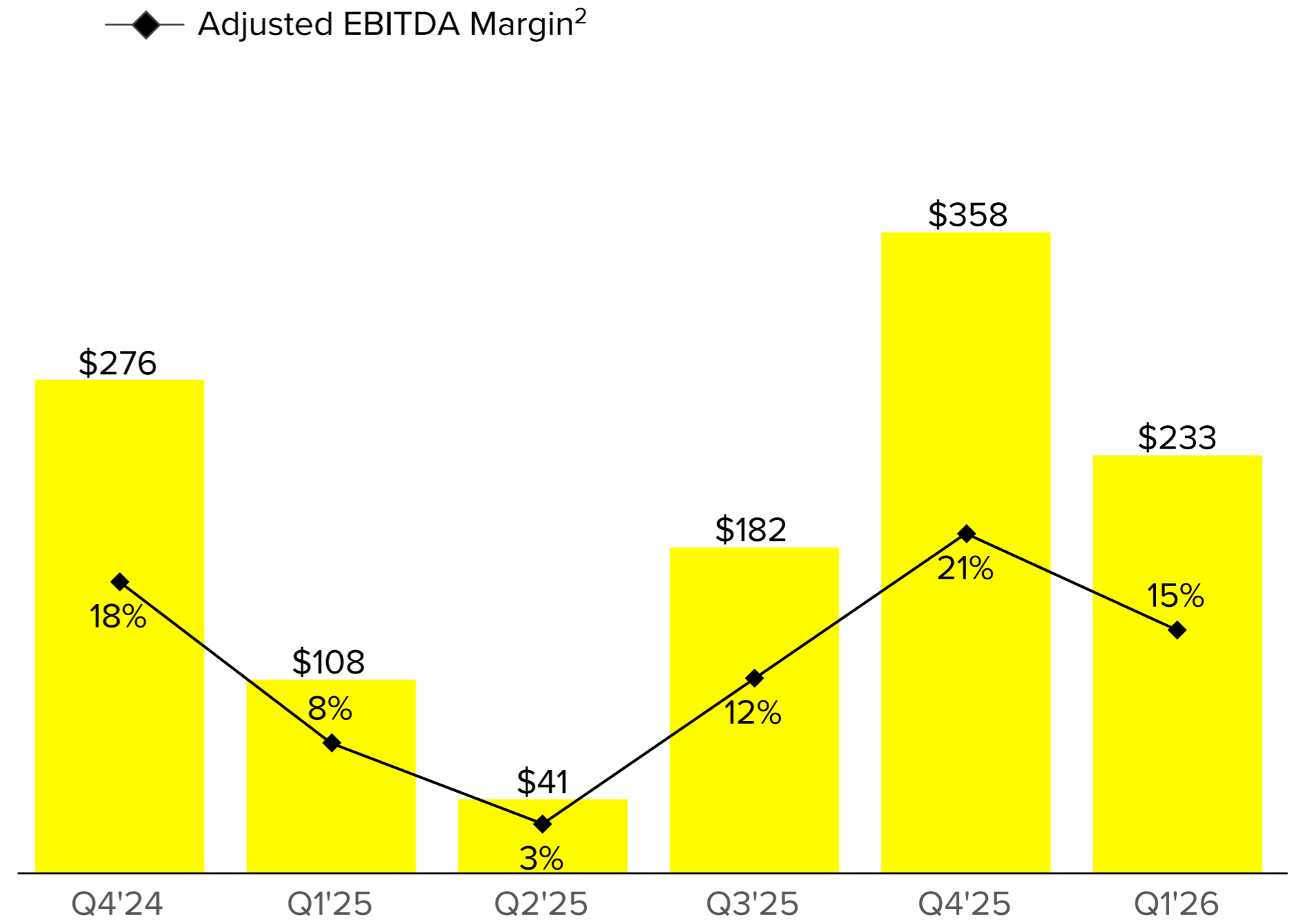
Net Income (Loss) & Adjusted EBITDA¹

(dollars in millions, unaudited)

NET INCOME (LOSS)



ADJUSTED EBITDA¹



¹Adjusted 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 items impacting net income (loss) from time to time. See Appendix for a reconciliation of net income (loss) to Adjusted EBITDA.

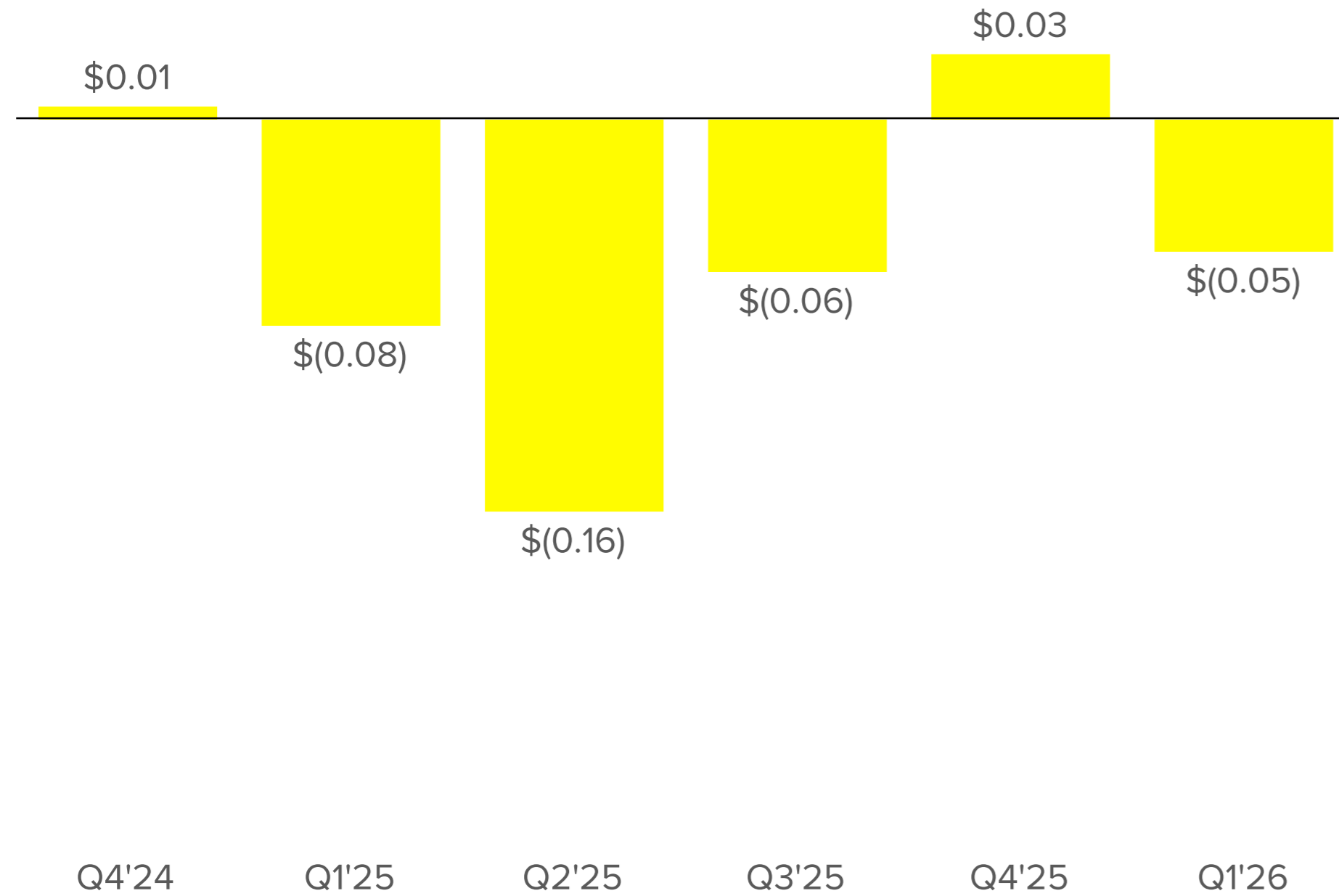
²Adjusted EBITDA Margin is a non-GAAP measure, which we define as Adjusted EBITDA divided by GAAP revenue. Numbers throughout presentation may not foot due to rounding.

NET LOSS WAS \$410 MILLION AND ADJUSTED EBITDA WAS \$814 MILLION OVER THE TRAILING TWELVE MONTHS

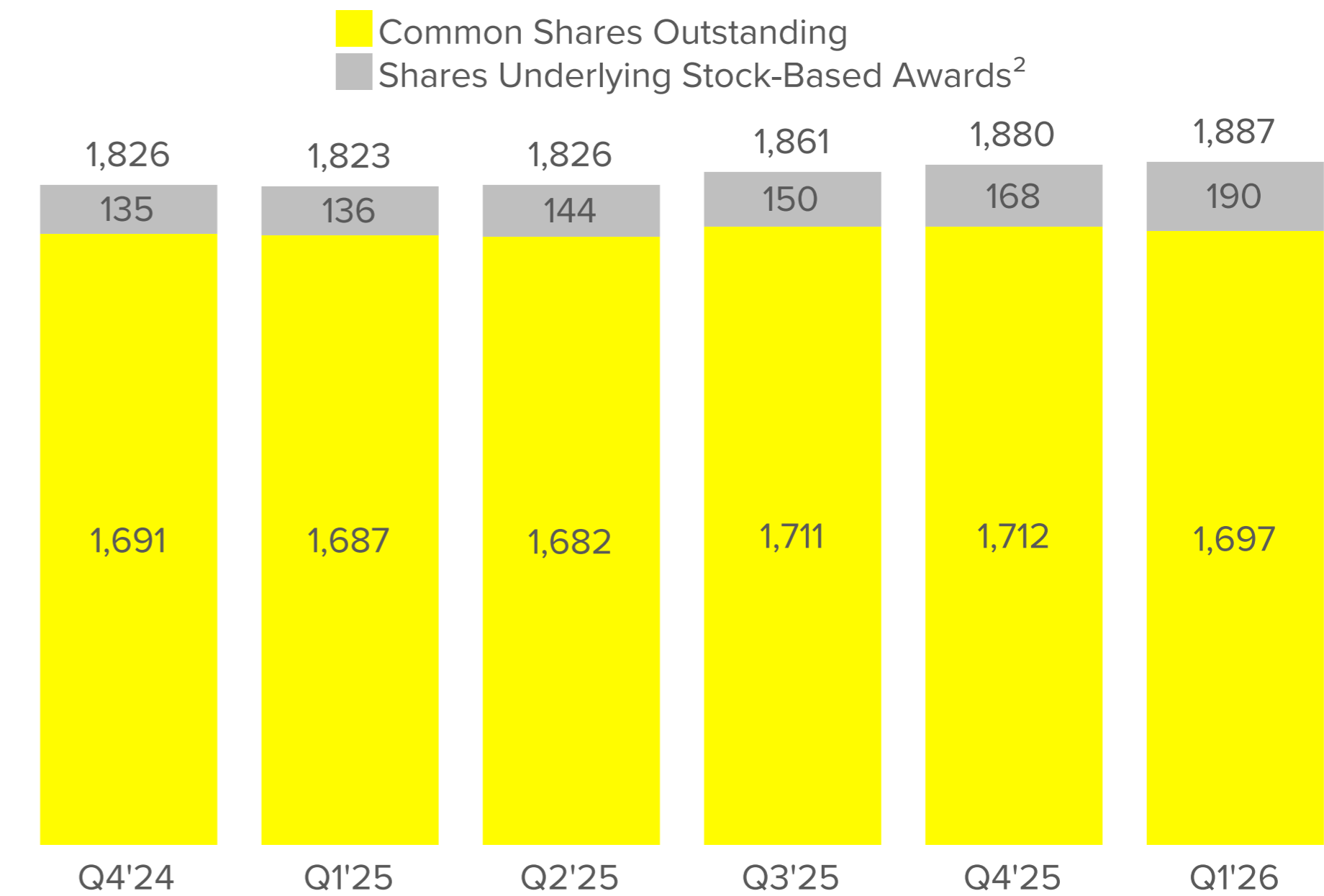
Diluted Net Income (Loss) Per Share & Common Shares Outstanding Plus Shares Underlying Stock-Based Awards

(in millions, except per share data, unaudited)

DILUTED NET INCOME (LOSS) PER SHARE¹



COMMON SHARES OUTSTANDING PLUS SHARES UNDERLYING STOCK-BASED AWARDS



Shares repurchased	—	27.3	30.0	—	29.4	49.9
YoY Change	1.2%	1.9%	1.6%	3.1%	3.0%	3.5%

¹Diluted net income (loss) per share is calculated using diluted weighted average shares outstanding during the period.

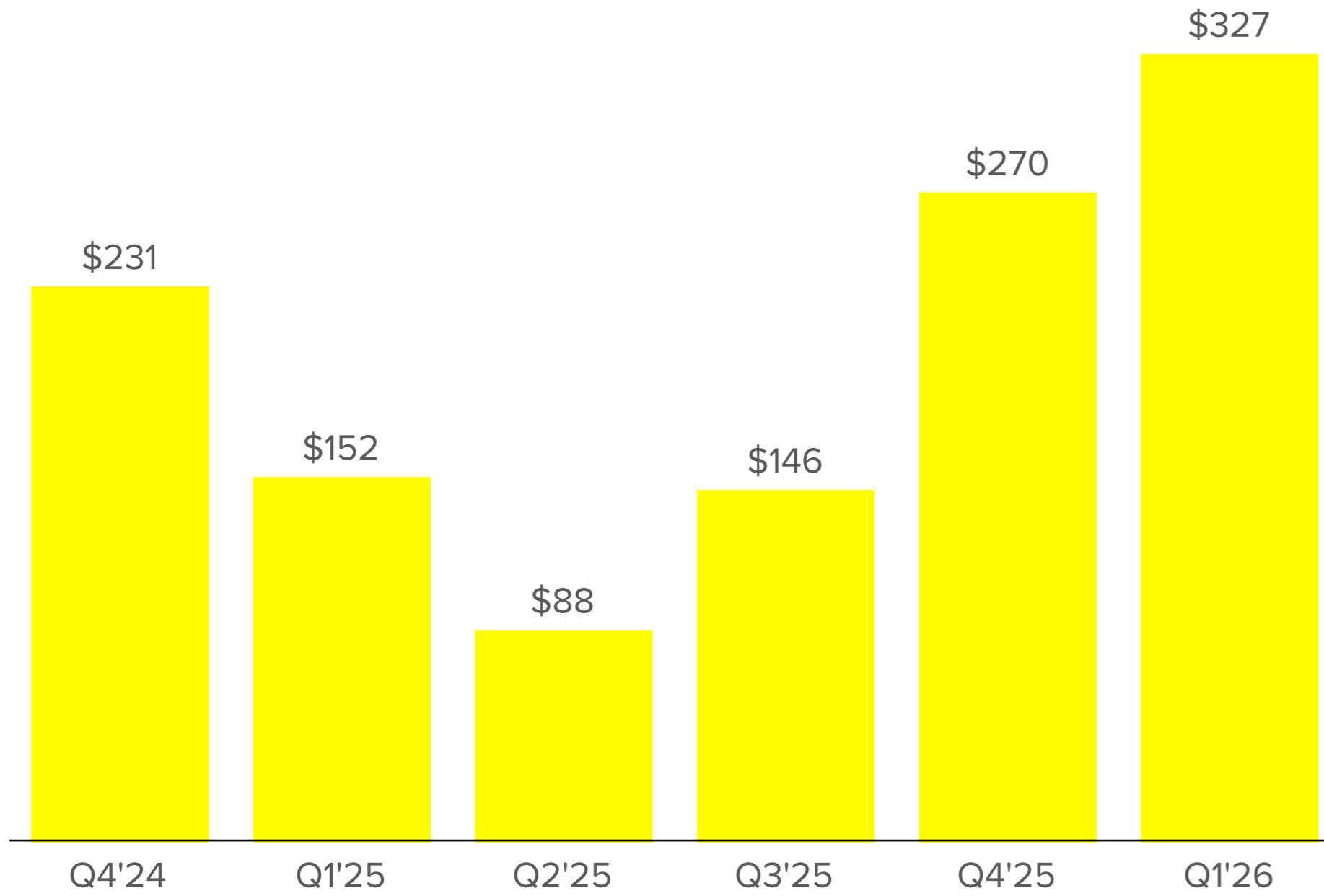
²Shares underlying stock-based awards include restricted stock units, restricted stock awards, and outstanding stock options. Numbers throughout presentation may not foot due to rounding.

\$350 MILLION REPURCHASED IN Q1 2026 WITH \$400 MILLION REMAINING

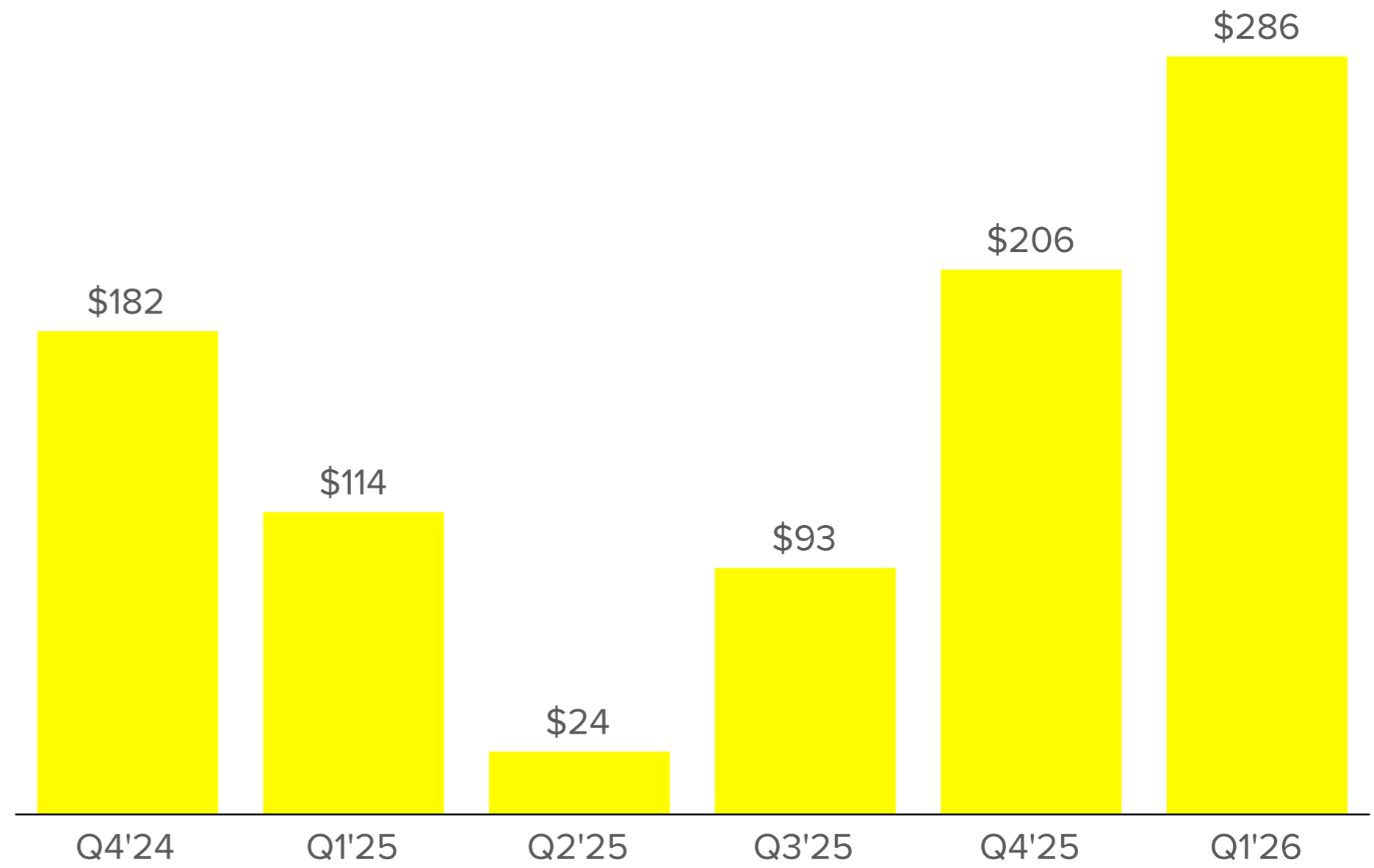
Operating Cash Flow and Free Cash Flow¹

(in millions, unaudited)

OPERATING CASH FLOW



FREE CASH FLOW¹



Capex \$(48) \$(37) \$(65) \$(53) \$(64) \$(41)

YoY Change 65% 202% 132% 30% 13% 150%

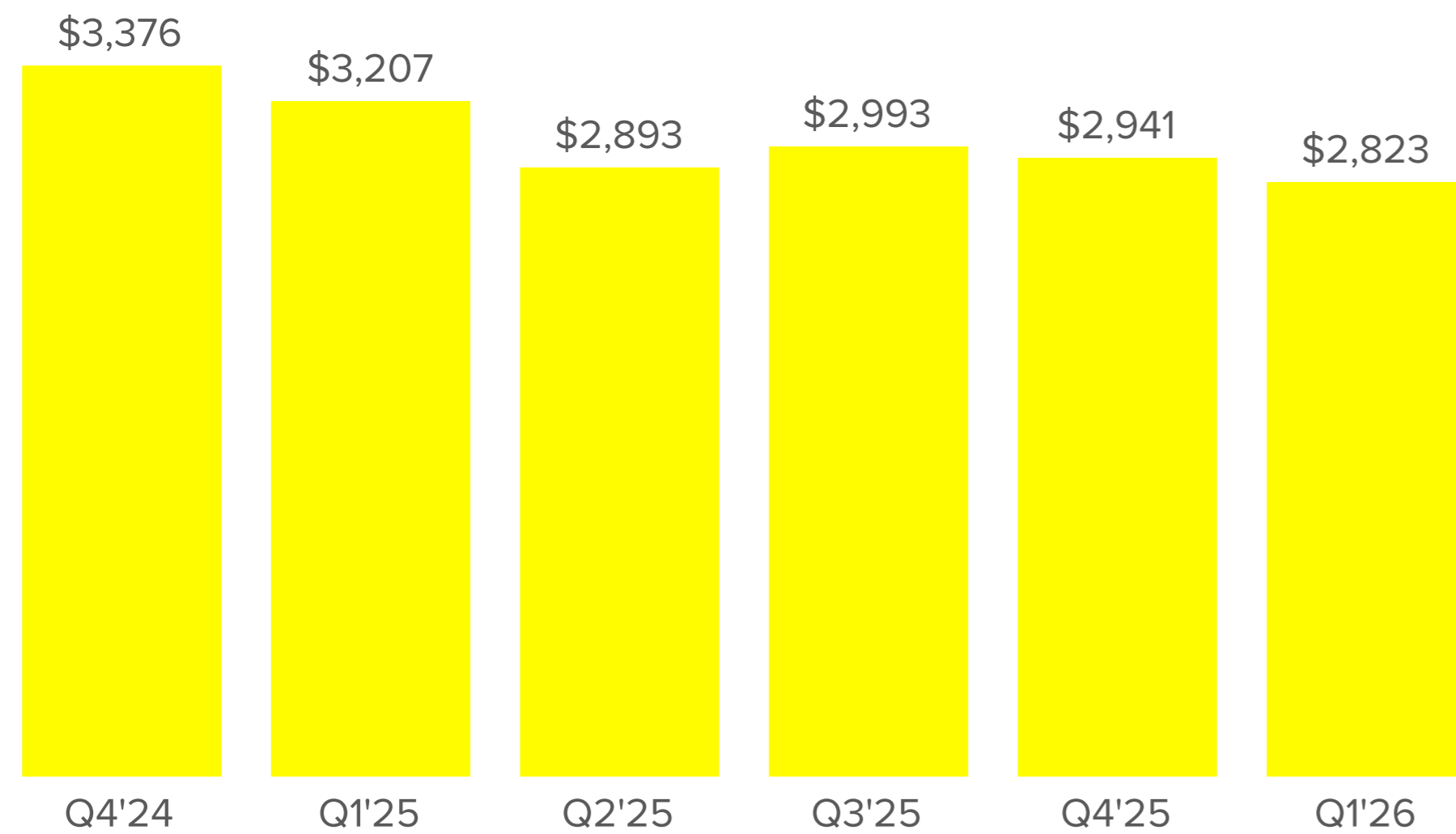
¹Free Cash Flow is a non-GAAP measure, which we define as net cash provided by (used in) operating activities, reduced by purchases of property and equipment. See Appendix for a reconciliation of net cash provided by (used in) operating activities to Free Cash Flow. Numbers throughout presentation may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

OPERATING CASH FLOW WAS \$831 MILLION OVER THE TRAILING TWELVE MONTHS
FREE CASH FLOW WAS \$609 MILLION OVER THE TRAILING TWELVE MONTHS

Capital Resources and Liquidity

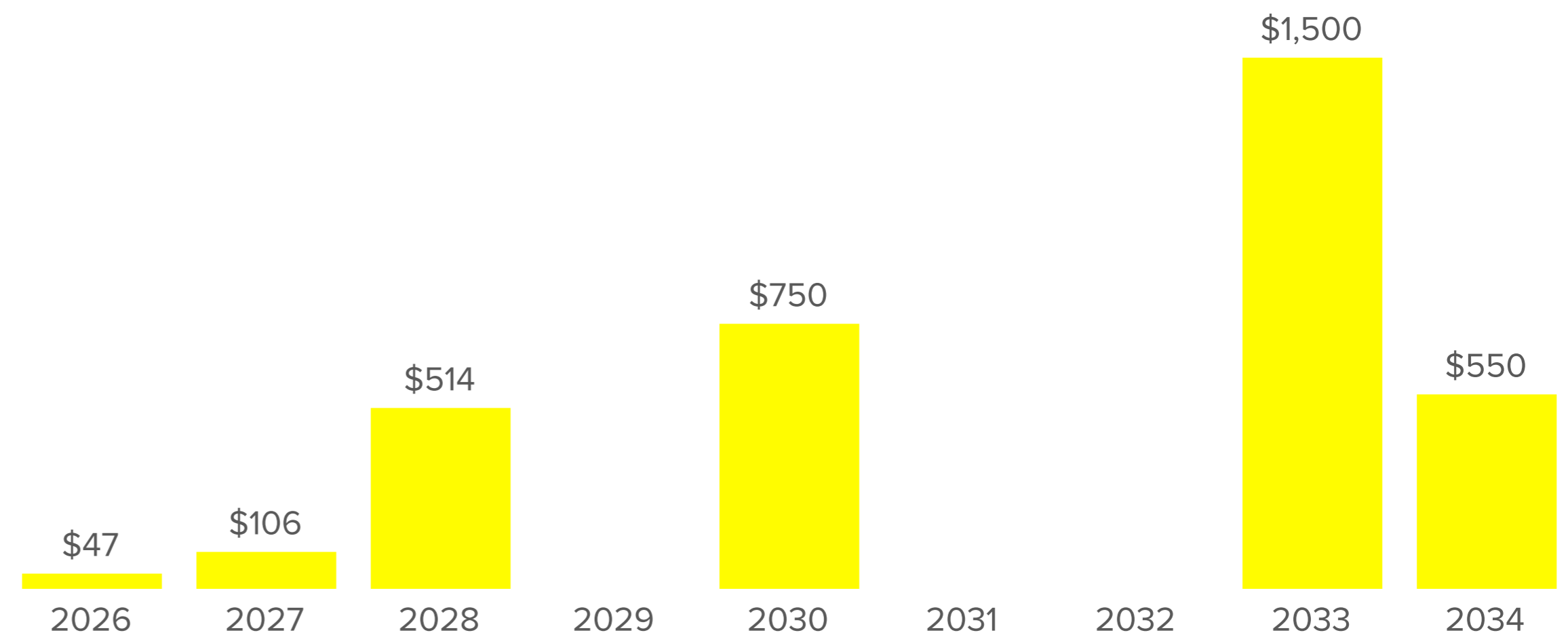
(in millions, unaudited)

CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES



OUTSTANDING DEBT

■ Maturity of Outstanding Principal



Significant financing activities

Note Repurchases	—	\$(1,445)	—	\$(550)	—	—
Stock Repurchases	—	\$(257)	\$(243)	—	\$(250)	\$(350)
Issuance of Notes ¹	—	\$1,473	—	\$541	—	—
Other ²	—	—	\$(36)	—	—	—

¹ In Q3 2025, we issued the 2034 Notes. In Q1 2025, we issued the 2033 Notes.

² In Q2 2025, other is composed of the repayment of the outstanding balance of the 2025 Notes at maturity. Numbers throughout presentation may not foot due to rounding.

\$2.8 BILLION IN CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES ON HAND AT Q1 2026

Appendix

Non-GAAP Financial Measures Reconciliation – Quarterly

(in thousands, unaudited)

	Three Months Ended					
	December 31, 2024	March 31, 2025	June 30, 2025	September 30, 2025	December 31, 2025	March 31, 2026
Adjusted Cost of Revenue reconciliation						
GAAP Cost of Revenue	\$ 671,660	\$ 639,579	\$ 653,333	\$ 674,220	\$ 702,443	\$ 665,241
Stock-based compensation expense	(1,626)	(1,434)	(1,656)	(2,327)	(2,009)	(1,586)
Payroll and other tax expense related to stock-based compensation	(36)	(102)	(74)	(69)	(48)	(66)
Depreciation and amortization	(1,123)	(1,420)	(1,505)	(1,016)	(1,818)	(1,463)
Adjusted Cost of Revenue¹	\$ 668,875	\$ 636,623	\$ 650,098	\$ 670,808	\$ 698,568	\$ 662,126
GAAP Gross Margin	57 %	53 %	51 %	55 %	59 %	56 %
Adjusted Gross Margin¹	57 %	53 %	52 %	55 %	59 %	57 %
Adjusted Operating Expenses reconciliation						
GAAP Operating Expenses ²	\$ 912,500	\$ 917,484	\$ 951,273	\$ 960,981	\$ 964,301	\$ 937,999
Stock-based compensation expense	(256,105)	(245,904)	(250,230)	(258,036)	(255,229)	(248,454)
Payroll and other tax expense related to stock-based compensation	(5,536)	(17,116)	(8,963)	(7,454)	(7,362)	(12,980)
Depreciation and amortization	(38,458)	(36,295)	(38,518)	(41,498)	(41,563)	(43,233)
Adjusted Operating Expenses³	\$ 612,401	\$ 618,169	\$ 653,562	\$ 653,993	\$ 660,147	\$ 633,332
GAAP Operating Expense Margin²	41 %	33 %	29 %	36 %	44 %	39 %
Adjusted Operating Expense Margin³	61 %	55 %	51 %	57 %	62 %	59 %

¹Adjusted 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 items impacting net income (loss) from time to time. Adjusted Gross Margin is a non-GAAP measure, which we define as GAAP revenue less Adjusted Cost of Revenue divided by GAAP revenue.

²GAAP Operating Expenses is defined as total costs and expenses, as reported on our consolidated statements of operations, minus GAAP Cost of Revenue. GAAP Operating Expense Margin is defined as GAAP revenue less GAAP Operating Expenses, divided by GAAP revenue.

³Adjusted 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 items impacting net income (loss) from time to time. Adjusted Operating Expense Margin is a non-GAAP measure, which we define as GAAP revenue less Adjusted Operating Expenses, divided by GAAP revenue.

Numbers throughout presentation may not foot due to rounding.

Non-GAAP Financial Measures Reconciliation – Quarterly

(in thousands, unaudited)

	Three Months Ended					
	December 31, 2024	March 31, 2025	June 30, 2025	September 30, 2025	December 31, 2025	March 31, 2026
Adjusted Research and Development Expenses reconciliation						
GAAP Research and Development Expenses	\$ 422,937	\$ 424,165	\$ 443,325	\$ 453,418	\$ 472,693	\$ 478,296
Stock-based compensation expense	(165,330)	(156,688)	(166,809)	(171,649)	(185,456)	(173,916)
Payroll and other tax expense related to stock-based compensation	(3,582)	(12,109)	(5,761)	(4,780)	(4,852)	(9,423)
Depreciation and amortization	(24,351)	(22,987)	(24,849)	(27,127)	(26,568)	(28,160)
Adjusted Research and Development Expenses¹	\$ 229,674	\$ 232,381	\$ 245,906	\$ 249,862	\$ 255,817	\$ 266,797
Adjusted Sales and Marketing Expenses reconciliation						
GAAP Sales and Marketing Expenses	\$ 248,214	\$ 257,957	\$ 257,853	\$ 256,215	\$ 249,280	\$ 239,011
Stock-based compensation expense	(56,463)	(54,440)	(48,710)	(51,236)	(43,627)	(45,332)
Payroll and other tax expense related to stock-based compensation	(1,340)	(2,937)	(1,804)	(1,502)	(1,418)	(2,060)
Depreciation and amortization	(5,333)	(4,823)	(5,108)	(5,487)	(5,945)	(6,635)
Adjusted Sales and Marketing Expenses¹	\$ 185,078	\$ 195,757	\$ 202,231	\$ 197,990	\$ 198,290	\$ 184,984
Adjusted General and Administrative Expenses reconciliation						
GAAP General and Administrative Expenses	\$ 241,349	\$ 235,362	\$ 250,095	\$ 251,348	\$ 242,328	\$ 220,692
Stock-based compensation expense	(34,312)	(34,776)	(34,711)	(35,151)	(26,146)	(29,206)
Payroll and other tax expense related to stock-based compensation	(614)	(2,070)	(1,398)	(1,172)	(1,092)	(1,497)
Depreciation and amortization	(8,774)	(8,485)	(8,561)	(8,884)	(9,050)	(8,438)
Adjusted General and Administrative Expenses¹	\$ 197,649	\$ 190,031	\$ 205,425	\$ 206,141	\$ 206,040	\$ 181,551

¹Adjusted Research and Development Expenses, Adjusted Sales and Marketing Expenses, and Adjusted General and Administrative Expenses are non-GAAP measures. These measures exclude stock-based compensation expense, payroll and other tax expense related to stock-based compensation, depreciation and amortization, and certain other items impacting net income (loss) from time to time. Numbers throughout presentation may not foot due to rounding.

Non-GAAP Financial Measures Reconciliation – Quarterly

(in thousands, unaudited)

	Three Months Ended					
	December 31, 2024	March 31, 2025	June 30, 2025	September 30, 2025	December 31, 2025	March 31, 2026
Adjusted EBITDA reconciliation						
Net income (loss)	\$ 9,101	\$ (139,587)	\$ (262,570)	\$ (103,541)	\$ 45,209	\$ (88,951)
Add (deduct):						
Interest income	(38,573)	(37,018)	(33,199)	(32,255)	(31,687)	(26,459)
Interest expense	5,813	23,399	27,607	34,494	36,498	36,756
Other (income) expense, net	(8,382)	(49,069)	823	(27,570)	6,946	1,014
Income tax (benefit) expense	5,164	8,429	7,663	510	(7,249)	3,191
Depreciation and amortization	39,581	37,715	40,023	42,514	43,381	44,696
Stock-based compensation expense	257,731	247,338	251,886	260,363	257,238	250,040
Payroll and other tax expense related to stock-based compensation	5,572	17,218	9,037	7,523	7,410	13,046
Adjusted EBITDA¹	\$ 276,007	\$ 108,425	\$ 41,270	\$ 182,038	\$ 357,746	\$ 233,333
Net income (loss) margin	1 %	(10)%	(20)%	(7)%	3 %	(6)%
Adjusted EBITDA Margin ¹	18 %	8 %	3 %	12 %	21 %	15 %

	Three Months Ended					
	December 31, 2024	March 31, 2025	June 30, 2025	September 30, 2025	December 31, 2025	March 31, 2026
Free Cash Flow reconciliation						
Net cash provided by operating activities	\$ 230,633	\$ 151,610	\$ 88,494	\$ 146,488	\$ 269,578	\$ 326,779
Less:						
Purchases of property and equipment	(48,275)	(37,214)	(64,701)	(53,044)	(64,022)	(40,772)
Free Cash Flow²	\$ 182,358	\$ 114,396	\$ 23,793	\$ 93,444	\$ 205,556	\$ 286,007

¹Adjusted 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 items impacting net income (loss) from time to time. Adjusted EBITDA Margin is a non-GAAP measure, which we define as Adjusted EBITDA divided by GAAP revenue.

²Free 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.

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. We calculate the constant currency revenue percentage change using current period constant currency revenue and prior period GAAP revenue. We report revenue on a constant-currency basis in order to facilitate period-to-period comparisons of our results without regard to the impact of fluctuating foreign currency exchange rates, which we believe is helpful to investors.

However, constant currency revenue is a non-GAAP financial measure, may be calculated differently from similarly titled measures used by other companies, and is not meant to be considered as an alternative or substitute for comparable measures prepared in accordance with GAAP.

Numbers throughout presentation may not foot due to rounding.

Non-GAAP 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; payroll and other tax expense related to stock-based compensation; and certain other 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 other non-GAAP financial measures such as Adjusted Cost of Revenue and Adjusted Operating Expenses (which is composed of Adjusted Research and Development Expenses, Adjusted Sales and Marketing Expenses, and Adjusted General and Administrative Expenses). These measures are defined as their respective GAAP expense line items, 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 items impacting net income (loss) from time to time. We use the non-GAAP financial measure of Adjusted Gross Margin, which we define as GAAP revenue less Adjusted Cost of Revenue divided by GAAP revenue as well as the non-GAAP financial measure of Adjusted Operating Expense Margin, which we define as GAAP revenue less Adjusted Operating Expenses, divided by GAAP revenue. 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 the reconciliations included within this Appendix.

Note Regarding User Metrics and Other Data

We define a Daily Active User, or DAU, as a registered and logged-in Snapchat user who visits Snapchat through our applications or websites 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 a Monthly Active User, or MAU, as a registered and logged-in Snapchat user who visits Snapchat through our applications or websites 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. 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. For information concerning these metrics as measured by us, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our most recent periodic report filed with the U.S. Securities and Exchange Commission, or 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 our most recently completed period and other filings that we make from time to time with the SEC.

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 attempt to create accounts for malicious purposes, including at scale, even though we forbid that in our Terms of Service and Community Guidelines. We implement measures in our user registration process and through other technical measures to prevent, detect and suppress that behavior, although we have not determined the number of such 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.

Note Regarding User Metrics and Other Data (Continued)

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.

We count a DAU or MAU only when a user visits Snapchat through our applications or websites and only once per user per period (daily for DAU and the 30-day period ending at calendar month-end for MAU). 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 visited Snapchat through our applications or websites during a particular measurement period. 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 applications and websites.

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, MAUs, ARPU, or other metrics may not be directly comparable to those in prior periods. Our measures of DAUs and MAUs may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology or data used.